



CHHATRAPATI SHAHU JI MAHARAJ UNIVERSITY, KANPUR



KANPUR UNIVERSITY'S

QUESTION BANK

FINANCIAL ACCOUNTING



B.COM II SEM

- 400+ MCQs
- Brief and Intensive Notes

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Syllabus

Unit 1	<p>Shri Kalyan Subramani Aiyar (K.S. Aiyar) 1859-1940 known as father of Accountancy in India.</p> <p>Nature and scope of Accounting, Generally Accepted Accounting Principles: Concepts and Conventions, Indian and International Accounting Standards.</p> <p>Accounting Mechanics: Double Entry System, Preparation of Journal, Ledger and Trial Balance, Profit and Loss A/c,</p> <p>Balance Sheet, Concept of Income and its Measurement.</p>
Unit 2	<p>Royalty Accounts - Accounting Records for Royalty in the books of Landlords and Lessee, Recoupment of Shortworking, Sub - lease, Short working Reserve Account, Nazrana.</p> <p>Hire Purchase Account - Accounting Records in the, Books of Hire Purchaser and Vendor, Different Methods of Calculation of Interest and Cash Price, Maintenance of Suspense Account, Payment of Premium, Default in Payment and Partial Returns of Goods.</p> <p>Installment Payment System - Difference between Hire Purchase and Installment Payment System. Accounting Records in the book of Purchaser & Vendor, Interest suspense account.</p>
Unit 3	<p>Branch Accounts - Meaning and Objectives of Branch Account, Importance and Advantages, Classification of Branches, Accounting of Branch Accounts under various Methods.</p> <p>Computation of Insurance Claim- Loss of stock and loss of profit</p>
Unit 4	<p>Insolvency Accounts</p> <p>Meaning, Circumstances of Insolvency, Procedure of Declaring Insolvency, Preparation of Statement of Affairs and Deficiency Account.</p> <p>Voyage Accounts - Meaning & Preparation of Voyage Accounts.</p>

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History of Accounting


The amazing journey of accounting's history dates back thousands of years, growing along with human civilization. Here's a quick overview:

Ancient Roots: Accounting traces its origins to ancient civilizations like **Mesopotamia**, Egypt, Greece, and Rome. In these societies, rudimentary accounting systems emerged to keep track of agricultural production, taxation, and trade.

Double Entry Bookkeeping: The modern accounting system traces its roots to Renaissance Italy in the late 15th century. **Luca Pacioli**, an **Italian mathematician**, published a book in **1494** called "**Summa de Arithmetica, Geometria, Proportioni et Proportionalita**" which included a section on double-entry bookkeeping. This system revolutionized accounting by introducing the concept of debits and credits, providing a systematic way to record financial transactions.

During the Mauryan Empire, **Chanakya** authored a document in India that was similar to a book on financial management. Few specific details about keeping books of accounts for a sovereign state are included in his book **Arthashastra**.

The father of accountancy in India:



Born on June 6, 1859, **Kalyan Subramani Aiyar** established the company that bears his name and began working as a professional in Calicut in 1897. In 1900, he moved the company to Bombay, where it remains headquartered to this day. The following is a synopsis of the Founder's remarkable career spanning over fifty years: Before all else, K. S. Aiyar was a committed educator and a pioneer of both the accounting profession and Indian accounting. His professional practice continued to expand, first as a lone practitioner, then with partners including M.R. Tambe, an actuary, and Sorab S. Engineer; later, it was joined by his son Arjun Aiyar and Bharatha. Many others who were close to him went on to achieve great success in their respective fields.

The firm and people who worked there have had high levels of trust and confidence for many years, which is sufficient evidence of the high standards of excellence established by the organisation.

Nature of accounting:**Science as well as art:**

Accounting is science because it has some definite object and art because it provides systematic manner process to achieve object.

Summarizing:

Trial balance, trading and P&L a/c is prepared in the form of summary of transaction.

Business transaction:

Accounting comprises transactions which are of financial nature and also analysis business position.

Interpretation:

Conclusion are derived to find real position from accounting records

Scope of accounting:

1. **Financial Accounting:** This involves the preparation of financial statements (such as the balance sheet, income statement, and cash flow statement) based on Generally Accepted Accounting Principles (GAAP) or International Financial Reporting Standards (IFRS).
2. **Management Accounting:** This involves the use of accounting information for internal decision-making, budgeting, forecasting, and performance evaluation.
3. **Auditing:** This involves the examination of financial statements and accounting records by an independent auditor to ensure their accuracy and compliance with relevant laws and regulations.
4. **Tax Accounting:** This involves the preparation and filing of tax returns, as well as tax planning to minimize tax liabilities.
5. **Cost Accounting:** This involves the analysis of costs related to production, operations, and activities of an organization to aid in cost control and decision-making.
6. **Forensic Accounting:** This involves the use of accounting skills to investigate financial fraud or misconduct.
7. **Environmental Accounting:** This involves accounting for environmental costs and liabilities, as well as the reporting of environmental performance.

8. **Social Responsibility Accounting**: This involves accounting for the social and environmental impacts of an organization's activities.
9. **International Accounting**: This involves accounting for multinational companies, considering different accounting standards and currencies.
10. **Accounting Information Systems**: This involves the design, implementation, and maintenance of accounting systems to process financial information efficiently and accurately.

Accounting Process

The systematic recording, summarizing, analysis, and reporting of an organization's financial transactions are all part of the accounting process. It is essential for giving decision-makers rapid access to reliable information. This is a brief overview of the accounting process:

Businesses use an organised set of procedures called the accounting process to keep correct financial records and generate insightful financial statements. It includes a number of key phases.



Generally Acceptable Accounting Principles:



Generally Accepted Accounting Principles, or GAAP for short, are a set of accounting guidelines and standards set forth by the Institute of Chartered Accountants of India (ICAI). GAAP in India is similar in many ways to GAAP in other countries, but there are also some key differences.

The accounting standards in India were traditionally based on the Indian GAAP, but in recent years, India has been converging towards the International Financial Reporting Standards (IFRS). The convergence process has been on-going, with the adoption of Indian Accounting Standards (Ind AS), which are largely converged with IFRS.

Under the Companies Act, 2013, certain classes of companies in India are required to follow Ind AS for the preparation of their financial statements. These include listed companies and certain other public and private companies meeting specified criteria.

Ind AS:



Ind AS stands for Indian Accounting Standards. These are a set of accounting standards notified by the Ministry of Corporate Affairs (MCA) in India, which are largely converged with the International Financial Reporting Standards (IFRS).

Ind AS is applicable to certain classes of companies in India, including listed companies and certain other public and private companies meeting specified criteria. The adoption of Ind

AS is aimed at improving transparency, comparability, and reliability of financial statements, aligning them with global standards.

The implementation of Ind AS in India began in phases, with the first phase covering companies with a net worth above a specified threshold. Subsequent phases have extended the applicability to more companies.

Ind AS differs from the previous Indian Generally Accepted Accounting Principles (GAAP) in several key areas, including revenue recognition, lease accounting, financial instruments, and consolidation of financial statements.

Overall, Ind AS had a significant impact on financial reporting practices in India, bringing them closer to international standards and enhancing the quality of financial information provided by Indian companies.

IFRS:

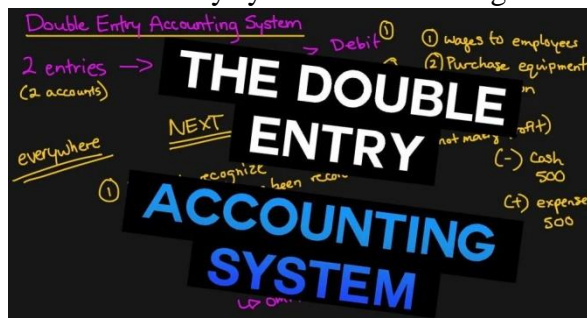
IFRS stands for International Financial Reporting Standards. These are a set of accounting standards developed by the International Accounting Standards Board (IASB), an independent, private-sector body based in London, UK.

IFRS are designed to bring consistency, transparency, and comparability to financial reporting around the world. They provide a common language for companies to use when preparing and presenting their financial statements, making it easier for investors, regulators, and other stakeholders to understand and compare financial information across different countries and industries.

IFRS are used in over 140 countries, including the European Union, Australia, Canada, and many countries in Asia, Africa, and the Americas. In some jurisdictions, including India, companies may be required to adopt IFRS or a version of it (such as the Indian Accounting Standards, or Ind AS) for the preparation of their financial statements.

Double Entry System:

The double entry system of accounting is a fundamental accounting principle that is used in



India, as well as in many other countries around the world. In India, the double entry system is followed in accordance with Generally Accepted Accounting Principles (GAAP), which is established by the Institute of Chartered Accountants of India (ICAI).

Under the double entry system, every transaction is recorded in at least two

accounts: a debit entry and a credit entry. The total of all debit entries must equal the total of all credit entries, ensuring that the accounting equation (Assets = Liabilities + Equity) remains balanced.

The double entry system helps ensure the accuracy and reliability of financial statements by providing a systematic way to record and track financial transactions. It also allows for the preparation of key financial statements, such as the balance sheet, income statement, and cash flow statement, which provide valuable information to stakeholders such as investors, Creditors, and regulators.

Journal

Journal is an essential part of the double entry accounting system. The journal is used to record all financial transactions of a business in chronological order. Each entry in the journal includes the date of the transaction, the accounts affected, and the amounts debited or credited.

The journal serves as the first step in the accounting process. Transactions recorded in the journal are later transferred to the general ledger, where they are organized by account. From the general ledger, the information is used to prepare financial statements.

The journal entry format used in India is similar to that used in other countries following GAAP. It typically includes the following columns:

1. Date: The date of the transaction.
2. Particulars: A description of the accounts affected by the transaction.
3. Ledger Folio: The page number in the ledger where the corresponding account is maintained.
4. Narration: A brief explanation of the transaction
5. Debit Amount: The amount to be debited to the account.
6. Credit Amount: The amount to be credited to the account..

Illustration:

1. On 1st April Business started with cash 1,00,000, Bank 50,000, Furniture 20,000.

Answer (Journal Format):

Date	Particulars	L.F.	Debit (₹.)	Credit (₹.)
April 1 2024	Cash A/c Bank A/c Furniture A/c To Capital A/c (Being business started)	Dr. Dr. Dr.	100,000 50,000 20,000	170,000

Ledger:

A ledger is a book or computerized accounting system that contains a record of all accounts used by a business. It is a principal book that stores and organizes accounting data for individual accounts. The ledger provides a complete record of financial transactions over the life of the business and is used to prepare financial statements.

There are two main types of ledgers:

1. **General Ledger:** The general ledger contains all the balance sheet and income statement accounts of a business. Each account in the general ledger is represented by a separate ledger account, which shows the beginning balance, transactions during the period, and ending balance for that account.
2. **Subsidiary Ledger:** A subsidiary ledger contains detailed information about specific types of transactions or individual items within an account in the general ledger. For example, a business might use a subsidiary ledger for accounts receivable to track individual customer balances.

The ledger is organized into different accounts, each representing a specific type of asset, liability, equity, revenue, or expense. Transactions recorded in the journal are posted to the appropriate accounts in the ledger. The ledger provides a summarized view of all transactions for each account, making it easier to track and analysis financial information.

Ledger Format

Name of the Account

Dr.

Cr.

Date	Particulars	J.F.	Amount	Date	Particulars	J.F.	Amount

Trial Balance:

A trial balance is prepared to ensure that the total debits equal the total credits in the accounting records. It is a list of all the general ledger account balances at a specific point in time, typically at the end of an accounting period.

The purpose of preparing a trial balance is to detect any Errors in the recording or posting of transactions. If the total debits equal the total credits, it indicates that the books are in balance, but it does not guarantee that there are no Errors. Errors such as posting to the wrong account, omitting a transaction, or recording a transaction incorrectly can still result in a balanced trial balance.

The trial balance includes the following information:

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1. **Account Name:** The name of the general ledger account.
2. **Debit Balance:** The total of all debit balances in the account.
3. **Credit Balance:** The total of all credit balances in the account

Illustration:

Account Name	Debit (₹.)	Credit (₹.)
Cash	50,000	
Accounts Receivable	20,000	
Inventory	30,000	
Equipment	100,000	
Accounts Payable		15,000
Capital		100,000
Sales		200,000
Purchases	80,000	
Salary Expense	10,000	
Rent Expense	5,000	
Suspense A/c	20,000	
Total	3,15,000	3,15,000

In this illustration, the total debits (295,000) do not equal the total credits (315,000), indicating that there may be an error in the accounting records that needs to be identified and corrected and if the errors remain unidentified then we use **suspense a/c** for the balance amount.

Profit and loss A/c:

The Profit and Loss Account (P&L Account) is a financial statement that summarizes the revenues, costs, and expenses incurred by a business during a specific period of time, typically a fiscal quarter or year. It shows whether a company has earned a profit or incurred a loss over the specified period.

The P&L Account follows a simple formula:

Net Profit (or Loss)=Total Revenue–Total Expenses

=Total Revenue–Total Expenses

Profit and loss account format:

Profit & Loss Account			
(For the year ended...)			
Dr.			Cr.
Particulars	Amount	Particulars	Amount
To Gross loss b/d	Xxx	By Gross Profit b/d	Xxx
To Salaries	Xxx	By Discount Received	Xxx
To Office rent, rates and taxes	Xxx	By Commission Received	Xxx
To Printing & stationery	Xxx	By Bank Interest	Xxx
To Telephone expenses	Xxx	By Rent received	Xxx
To Postage & telegram	Xxx	By Dividend on shares	Xxx
To Discount Allowed	Xxx	By Interest earned on debentures	Xxx
To Insurance	Xxx	By Profit on sale of asset	Xxx
To Audit Fees	Xxx	By Net loss	Xxx
To Electricity charges	Xxx		
To Repairs & renewals	Xxx		
To Depreciation	Xxx		
To Advertisement	Xxx		
To Carriage Outwards	Xxx		
To Bad Debts	Xxx		
To Provision for Bad debts	Xxx		
To Selling commission	Xxx		
To Bank Charges	Xxx		
To Interest on loans	Xxx		
To Loss on sale of asset	Xxx		
To Net Profit	Xxx		
	xxx		xxx

Balance sheet:

The Balance Sheet is a financial statement that provides a snapshot of **a company's financial position at a specific point in time**, typically at the end of a fiscal quarter or year. It shows the company's assets, liabilities, and Shareholders' equity, and follows the accounting equation:

Assets=Liabilities + Shareholders' Equity [Capital]

The Balance Sheet is divided into two main sections: assets and liabilities & Shareholders' equity.

1. **Assets:** Assets are resources owned by the company that have economic value and are expected to provide future benefits. Assets are typically categorized as current assets (such as cash, accounts receivable, and inventory) and non-current assets (such as property, plant, and equipment).

2. **Liabilities:** Liabilities are obligations that the company owes to external parties, such as suppliers, Lenders, and Creditors. Liabilities are also categorized as current liabilities (such as accounts payable and short-term debt) and non-current liabilities (such as long-term debt).
3. **Shareholders' Equity:** Shareholders' equity represents the amount of capital contributed by the company's Owners (Shareholders) and retained earnings (profits that have been reinvested in the business). It is calculated as the difference between total assets and total liabilities.

Balance sheet Format:

Balance Sheet of As at.....

Liabilities	Rs.	Assets	Rs.
Capital:		Fixed Assets:	
Opening Balance xxxx		Good will	
Add: Net Profit xxxx		Land	
(Less: Net Loss)		Building	
Less: Drawings xxxx		Plant & Machinery	
Long-term Liabilities:		Furniture & Fixtures	
Loan		Investment:	
Current liabilities:		Current Assets:	
Income received-in-advance		Closing stock	
Sundry Creditors		Accrued income	
Outstanding Expenses		Prepaid expenses	
Bills Payable		Sundry Debtors	
Bank Overdraft		Bills Receivable	
		Cash at Bank	
		Cash in Hand	

Concept of Income:

Income Refers to the increase in economic benefits during an accounting period in the form of inflows or enhancements of assets or decreases in liabilities that result in an increase in equity, other than contributions from equity participants.

Income measurement in financial accounting in India follows the accrual basis, which means that income is recognized when it is earned, regardless of when the cash is received, and expenses are recognized when they are incurred, regardless of when the cash is paid.

Income measurement:

The measurement of income is governed by the Generally Accepted Accounting Principles (GAAP) issued by the Institute of Chartered Accountants of India (ICAI) and the Companies Act, 2013. Here are the key principles and guidelines related to income measurement:

1. **Revenue Recognition:** Revenue is recognized when it is earned and can be reliably measured. Revenue is earned when the seller has transferred the goods or services to the buyer, the seller retains no significant risks or rewards of Ownership, the revenue can be reliably measured, and it is probable that the economic benefits associated with the transaction will flow to the entity.
2. **Matching Principle:** The matching principle requires that expenses be matched with the revenues they help generate in the same accounting period. This principle ensures that the income statement reflects the true cost of earning the revenue for that period.
3. **Conservatism Principle:** The conservatism principle suggests that when faced with uncertainty, accountants should err on the side of caution and recognize expenses and liabilities sooner rather than later, but only recognize revenue when it is realized.
4. **Materiality Principle:** The materiality principle states that only items that are significant enough to influence the economic decisions of users of the financial statements need to be disclosed.
5. **Principle of Full Disclosure:** The principle of full disclosure requires that all material information relevant to the Understanding of a company's financial position, performance, and changes in financial position be revealed in the notes to the financial statements or the financial statements itself.

In summary, the concept of income and its measurement emphasize the accrual basis of accounting, revenue recognition when earned, matching expenses with revenues, conservatism, materiality, and full disclosure. These principles ensure that financial statements accurately reflect the financial performance and position of an entity.

Multiple choice Questions:

1. AS-2 is related to-
- A. Inventory Valuation
 - B. Cash Flow Statement
 - C. Income Taxes
 - D. Presentation of Financial Statements

Ans. [A]- CA Foundation, UPPCL Assistant Accountant

2. In modern times, Double entry system was invented by-
- A. Lucas Pacioli
 - B. Kautilya
 - C. Aiyer
 - D. None

Ans. [A] CA Foundation, TGT 2006,2009

PGT 2009

3. ----- is the first step in accounting process.
- A. Recording
 - B. Classifying
 - C. Summarizing
 - D. Interpretation

Ans. [A] CA Foundation, TGT 2006, 2009

4. Who is known as father of Accounting in India?
- A. Chanakya
 - B. Rabindra Nath Tagore
 - C. Shri Kalyan Subramani Aiyer
 - D. None of the above

Ans. [C]

5. Rohan as a trader purchased goods for Rs, 500,000 and sold 70% of such goods during the accounting year ended 31st December 2006. The Market value of the remaining goods was Rs. 1,20,000. He valued the closing stock at Rs. 120,000 and not Rs. 150,000 due to
- A. Conservatism concept
 - B. Cost concept
 - C. Money measurement
 - D. None of the above

Ans. [A]

6. Which of the following will not be recorded in the books of account?
- A. Sales of goods
 - B. Purchase of goods
 - C. Payment of salary
 - D. Quality of staff

Ans. [D]

7. Provision For Bad Debts is created on the basis of-
- A. Concept of Conservatism
 - B. Consistency Convention
 - C. Going Concern Concept

D. Realization Concept

Ans. [A] CA Foundation, CS Foundation

8. Transactions are posted into ledger account from:

- A. Bank statement
- B. Voucher
- C. Journal book
- D. None of these

Ans. [C]

9. Which book is known as the book of original entry:

- A. Ledger
- B. Trial Balance
- C. Journal
- D. None of these

Ans. [C] TGT 2009, 2010

10. Which of the following does not involve a commercial exchange?

- A. Purchase of goods for resale amounted to ₹10000
- B. Paid rent for office premises ₹2000
- C. Purchased a LCD for personal use 32,000
- D. Paid salaries and wages amounted to ₹100000

Ans. [C]

11. -----journal entry is a combination of several simple journal entries.

- A. Compound
- B. Complex
- C. Narration
- D. All of these

Ans. [A]

12. Profit is a part of:

- A. Owner's capital
- B. income
- C. Assets
- D. All of these

Ans. [A]

13. Closing stock appearing in the trial balance is shown in

- A. Balance Sheet
- B. Profit and Loss account
- C. Trading Account
- D. All of these

Ans. [A] CA Foundation, TGT 2006,2009,2011
PGT 2009, 2011

14. Which of the following accounts will be credited on giving cash donation?

- A. Purchases a/c
- B. Cash a/c
- C. Donation a/c
- D. None of these

Ans. [B]

15. Purchase of Plant & Machinery on credit basis is recorded in:

- A. Cash book
- B. Journal Proper
- C. Purchases
- D. None of these

Ans. [B]

16. Trade discount received on purchases is recorded in the books of account as follows:

- A. Trade discount is deducted from invoice price and recorded at net value
- B. Trade discount is credited to discount received amount
- C. Any of 1st and 2nd
- D. None of these

Ans. [A]

17. Cash discount allowed to a debtors should he credited to:

- A. Debtor A/c
- B. Discount Allowed A/c
- C. Purchases A/c
- D. None of these

Ans. [A]

18. On intra state purchases of goods, which of the following accounts are debited:

- A. Input IGST and Input CGST account
- B. Input IGST and Input SGST account
- C. Input CGST and Input CGST account
- D. Input IGST Account

Ans. [C]

19. On interstate sale goods, which of the following account is credited?

- A. Input IGST a/c
- B. Output CGST a/c
- C. Output IGST a/c
- D. Output SGST a/c

Ans. [C]

20. Which of the following equation is correct?

- A. Asset + liabilities = Capital
- B. Asset + Capital = Liabilities
- C. Asset – Liabilities = Capital
- D. None of these

Ans. [C] CA-CPT, B.Ed. Entrance

21. Debit means:

- A. An increase in the proprietor's equity
- B. An increase in liability
- C. An increase in assets
- D. A decrease in assets

Ans. [C]

22. After preparing the trail balance the accountant finds that the total of the debit side is short by Rs. 2,000. This difference will be:

- A. Adjusted to any of the credit balance A/c
- B. Debited to Suspense A/c
- C. Credited to suspense A/c
- D. None of the Above

Ans. [B]

23. A ledger book is also called

- A. Original Book
- B. Secondary Book
- C. Both
- D. None of these

Ans. [B]

24. The trial balance shows:

- A. Only credit balance
- B. Only debit balance
- C. Both debit balance and credit balance
- D. None of these

Ans. [C]

25. Business transaction are recorded:

- A. Weekly
- B. In chronological order
- C. At the end of the month
- D. Any of the above

Ans. [B]

26. Accounting standards in India are issued by:

- A. ICAI
- B. Central government
- C. RBI
- D. State government

Ans. [A] CA-CPT/Foundation

27. IND-AS- 7 is based on:

- A. Statement of cash flow
- B. Inventories
- C. Both A and B
- D. None of these

Ans. [A] CS Foundation

28. The first accounting standard (AS-1) issued by the institute of Chartered Accountants of India is on

- A. Disclosure of Accounting Policies
- B. Valuation of Inventories
- C. Revenue Recognition
- D. None of the above

Ans. [A] CA Foundation

29. GAAP stands for:

- A. Generally Accounted Accountancy Procedure
- B. Genuine Accounting Acceptable Principles
- C. Generally Accepted Accounting Principles
- D. Generally Accepted Accountancy Principles

Ans. [C] TGT 2010

30. ICAI was established under which of the following act:

- A. Company Act 2013
- B. Partnership Act 1986
- C. Chartered Accountant Act 1949
- D. All of these

Ans. [C] TGT 2013

31. Journal entry for wages paid Rs. 3,000 for installation of plant will be

- A. Dr. Installation of plant A/c and Cr. Cash A/c 3,000
- B. Dr. Wages A/c and Cr. Cash A/c 3,000
- C. Dr. Plant A/c and Cr. Cash A/c 3,000
- D. None of the Above

Ans. [C]

32. Petty cash book is maintained on :

- A. Imprest System
- B. Renew System
- C. Origin System
- D. None of these

Ans. [A]

33. Profit and Loss account is prepared for a period of one year by following

- A. Periodicity period concept
- B. Business entity concept
- C. Going concern concept
- D. None of the above

Ans. [A]

34. Income is measured on the basis of

- A. Consistency concept
- B. Matching concept
- C. Cost concept
- D. All of the above

Ans. [B]

35. Capital fund is calculated:

- A. Income-Expenditure
- B. Assets - Liabilities
- C. Capital + Liabilities
- D. None of these

Ans. [B]

36. The Enterprises is liable to the owner for capital investment made by the owner as per
- A. Entity concept
 - B. Money measurement concept
 - C. Accrual concept
 - D. Going concern concept

Ans. A

37. Accounting has certain norms to be observed by the accountants in recording of transactions and preparation of financial statement. These norms reduce the vagueness and chances of misunderstanding by harmonizing the varied accounting practices. These norms are:

- A. Accounting Standards
- B. Accounting framework
- C. Accounting regulations
- D. None of the above

Ans. A

38. Accounts that refer to human are referred to as:

- A. Artificial Personal Account
- B. Representative personal Account
- C. Natural Personal Account
- D. All of the Above

Ans. C

39. 'Debit what comes in, Credit what goes out' is rule of:

- A. Personal Account
- B. Real Account
- C. Nominal Account
- D. None of the above

Ans. B

40. The process of transferring the entries from journal to ledger is called:

- A. Posting
- B. Summarizing
- C. Narration
- D. None of Above

Ans. [A] TGT 2013

41. L.F. stands for:

- A. Loss Fluctuation
- B. Ledger Failure
- C. Ledger Folio
- D. Leadership Function

Ans. C

42. The trial balance checks

- A. Valuation of closing stock
- B. Valuation of assets
- C. Valuation of liabilities
- D. Arithmetical accuracy of books of accounts.

Ans. [D] TGT 2011, PGT 2009

43. Every Transaction has a short summary after each journal entry is known as:

- A. Summary
- B. Narration
- C. Conclusion
- D. None of these

Ans. B

44. Receipts from Sale of old newspapers is:

- A. Capital Receipt
- B. Revenue Receipt
- C. Asset
- D. Profit

Ans. B

45. Cost of goods sold:

- A. Purchase + sales – closing stock
- B. Opening stock – sales
- C. Opening stock + Purchases + All Direct Expenses - Closing Stock
- D. None of these

**Ans. [C] CA-CPT/Foundation,
TGT 2009, 2010, 2011, PGT 2009**

46. Trading and P/L Account is a:

- A. Personal account
- B. Nominal account
- C. Creditor's account
- D. Real account

Ans. B

47. Sales are equal to:

- A. Cost of goods sold + gross profit
- B. Gross profit – opening stock
- C. Cost of goods sold – Purchases
- D. None of these

Ans. A

48. A trial balance at 31st March contains the following information: 15% Loan Rs. 40,000; Interest paid Rs. 3,000; Interest debited to the P & L A/c is -

- A. Rs. 1,500
- B. Rs. 4,500
- C. Rs. 6,000
- D. Nil

Ans. C

49. In case a trial balance does not agree the difference is transferred to-

- A. Trading A/c
- B. Suspense A/c
- C. Profit and Loss A/c
- D. None of these

Ans. B

50. ----- is a statement prepared to ascertain the Financial Position of the business.

- A. Journal
- B. Balance Sheet
- C. Trial Balance
- D. Ledger

Ans. B

51. Net worth is the difference between -

- A. Total assets and liabilities of the entity
- B. Gross profit and gross loss
- C. Net worth and capital
- D. None of the above

Ans. A

52. -----refers to loans or outstanding balances owed that are no longer deemed recoverable and must be written off.

- A. Debtors
- B. Bad Debts
- C. Losses
- D. None of the above

Ans. B

53. ----- are funds set aside for specific probable future expenses or other financial impacts such as losses in value.

- A. Profits
- B. Reserves
- C. Provisions

D. All of the above

Ans. C

54. Bad Debts Account is

- A. Personal A/c
- B. Real A/c
- C. Nominal A/c
- D. None of these

Ans. [C] CA CPT, TGT 2013, 2016

55. International Financial Reporting Standards are developed by which of the following board -

- A. Indian Accounting Board
- B. International Accounting Standard Board (IABS)
- C. International Financial Reporting Board
- D. None of the

Ans. [B]

56. ----- refers to the asset which are already in the form of cash or can be converted into cash within a year.

- A. Current Assets
- B. Fixed assets
- C. Wasting Assets
- D. Fictitious Assets

Ans. [A]

57. Which of the following standard are considered as a "Principle Based" set of standards -

- A. International Financial Reporting Standards
- B. International Accounting Standard Committee
- C. Both 1st and 2nd
- D. None of these

Ans. [A]

58. Which accounting concept requires that accounting records be kept separate from the personal records of the business owner-

- A. Going Concern Concept
- B. Matching concept
- C. Dual Aspect Concept
- D. Entity Concept

Ans. [D] CA CPT, B.COM-CSJMU

59. Free sample Account is

- A. Personal A/c
- B. Real A/c
- C. Nominal A/c
- D. None of these

Ans. C

60. IASC stands for -

- A. Indian Accounting Standard Company
- B. International Accounting Standard Committee
- C. International Accounting Standard Company
- D. Indian Accounting Standard Committee

Ans. B

61. IASC established in which of the following year -

- A. 1973
- B. 1963
- C. 1999
- D. 1984

Ans. A

62. The board which was constituted as a global recognized set of standard for the preparation of financial statements by business entities, used in many countries in called as -

- A. ASB
- B. IFRS
- C. ICAI
- D. IAS

Ans. B

63. Contra entries are passed only when-

- A. Single column Cash Book is prepared
- B. Double column Cash Book is prepared
- C. Three column Cash Book is prepared
- D. Petty Cash Book is prepared

Ans. C

64. The accounting standards are compulsory for-

- A. Companies
- B. Firms
- C. Manufacturers
- D. People

Ans. A

65. Trade discount allowed at the time of sale of goods is

- A. Recorded in Journal
- B. Not recorded on book of accounts
- C. Recorded in Cash book
- D. Recorded in Sales book

Ans. B

66. Profit and loss account shows:

- A. Net loss
- B. Net profit
- C. Net profit or net loss
- D. Net profit and net loss

Ans. C

67. Gross profit is ascertained by preparing:

- A. Trading a/c
- B. Profit and loss a/c
- C. Trial balance
- D. Balance sheet

Ans. A

68. Opening Stock- 20000, Purchases- 50000, Wages- 5000, Closing Stock 10000. Find COGS

- A. 85,000
- B. 45,000
- C. 65,000
- D. 15,000

[Hint- Opening Stock + Purchases + Direct Expenses - Closing Stock]

Ans. C

69. The purpose of preparing final account is to ascertain:

- A. Profit or loss
- B. Profit
- C. Value of assets
- D. Profit or loss and financial position

Ans. D

70. Prepaid expenses appearing in the trial balance:

- A. Trading account and profit and loss a/c
- B. Balance sheet
- C. Trading account
- D. Profit and loss account

Ans. [B] CA Foundation,
TGT 2006, 2009, 2011, PGT 2006, 2009

71. Direct expenses are recorded in:

- A. Balance sheet
- B. Profit and loss account
- C. Trading account
- D. None of these

Ans. C

72. Ascertain cost of goods sold from the following figures:

(Opening stock = ₹4000, Purchase = ₹ 20000, closing Stock = ₹2000)

- A. ₹20000
- B. 25000
- C. 23000
- D. 22000

Ans. D

73. Balance of personal account will be shown:

- A. Trading and profit and loss a/c
- B. Balance sheet
- C. Trading account
- D. Profit and loss a/c

Ans. B

74. Which of the following is deducted from the capital?

- A. Gross loss
- B. Gross profit
- C. Net loss
- D. Net profit

Ans. C

75. Stock is:

- A. An intangible assets
- B. Current asset
- C. Fictitious asset
- D. Included in the category of fixed assets

Ans. B

76. Trial balance should always tally due to the rule of

- A. Every debit has a corresponding credit
- B. Assets and liabilities are equal
- C. Income and expenses have credit and debit balances
- D. Every credit has a corresponding credit

Ans. A

77. Gross book value of a fixed asset is it's

- A. cost less depreciation
- B. Historical cost
- C. Fair market value
- D. Realisable value

Ans. B

78. The System of recording the transaction based on Dual Aspect Concept is called-

- A. Double Record System
- B. Double Account System
- C. Double Entry System
- D. None of these

Ans. [C] CA-Foundation/CPT, CS -Found.,
TGT 2006,2009,2013, PGT 2009, 2010

79. In an Accounting, becoming out of date an obsolete is known as

- A. Amortisation
- B. Obsolescence
- C. Depletion
- D. Physical deterioration

Ans. B

80. Accounting is the language of-

- A. Business
- B. Statistics
- C. Investment
- D. Industry

Ans. [A] PGT 2009, 2011

81. Objectives of Accounting involves-

- A. Recording of business transactions systematically
- B. Determining profit earned or loss incurred
- C. Ascertaining financial position of the firm
- D. All of the above

Ans. [D]

82. The prime function of accounting is to-

- A. Record business transaction
- B. Record qualities of the businessman
- C. Record and classify business transactions
- D. Provide the information basis for action

Ans. C

83. There are basically two basis of accounting-

- A. Cash Basis
- B. Accrual Basis
- C. Both Cash and Accrual

D. None of the above

Ans. C

84. Under Double Entry System, classification of Account is made in-

- A. Personal Account
- B. Real Account
- C. Nominal Account
- D. All of the above

Ans. D

85. The payment made for purchase of Raw Material, wages, salaries to employees, office expenses, selling and distribution expenses are called-

- A. Revenue Nature Expenditure
- B. Capital Nature Expenditure
- C. Deferred Revenue Expenditure
- D. All of the above

Ans. A

86. The statement Prepared under third stage is called-----

- A. Journal
- B. Ledger
- C. Trial Balance
- D. None of the Above

Ans. C

87. Double Entry System was originated –

- A. In India
- B. In America
- C. In Italy
- D. In Russia

Ans. [C] TGT 2006, 2009, PGT 2009

88. Amount of goods or cash withdrawn by proprietor for personal use is termed as-----

- A. Capital
- B. Drawings
- C. Purchases
- D. Sales

Ans. [B] CA Foundation, TGT 2006, 2010

89. Cash Account is a

- A. Personal Account
- B. Real Account
- C. Nominal Account
- D. None of these

Ans. B

90. The book in which all the accounts are kept in a classified form is called-

- A. Journal

- B. Profit and Loss
- C. Ledger
- D. Balance Sheet

Ans. C

91. The Debit balance of a nominal account is a-

- A. Profit or gain
- B. Loss or Expense
- C. Income or Revenue
- D. All of the above

Ans. B

92. Which item is shown in the debit side of a trial balance-

- A. Outstanding Expenses
- B. Purchases Return
- C. Prepaid Expenses
- D. Sales

Ans. B

93. All losses and expenses are -----

- A. Debited
- B. Credited
- C. Both
- D. None of the above

Ans. A

94. Nominal Account is credited when there is a/an -----

- A. Gain/Income
- B. Loss
- C. Expense
- D. All of the Above

Ans. A

95. Assertion (A): Revenue expenses are written off in the year in which they are incurred.

Reason (R): The benefit of revenue expense is consumed for a period of more than 12 months.

- A. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion(A)
- B. Both Assertion (A) and Reason (R) are true but Reason (R) is not the correct explanation of Assertion (A)
- C. Only (A) is true
- D. Both (A) and (R) are wrong

Ans. C

96. Window Dressing is Prohibited due to the convention of -----

- A. Disclosure
- B. Money Measurement
- C. Consistency
- D. Conservatism

Ans. A

97. Accounting Principles are generally based on-

- A. Subjectivity
- B. Practicability
- C. Convenience in Recording
- D. Imagination

Ans. B

98. The concept of conservatism takes into account ----

- A. All future losses but not profits
- B. All future profits but not losses
- C. All future losses and profits
- D. No future losses and profits

Ans. A

99. AS-3 deals with –

- A. Cash Flow Statement
- B. Inventory
- C. Depreciation
- D. Revenue recognition

Ans. A

100. Assertion (A)- Bills receivable are shown as trade receivables in the balance sheet of the company.

Reason (R)- Debtors and bills receivable forms the part of trade receivables.

- A. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion(A)
- B. Both Assertion (A) and Reason (R) are true but Reason (R) is not the correct explanation of Assertion (A)
- C. Assertion (A) is false, but Reason (R) is true
- D. Assertion (A) is true, but Reason (R) is false

Ans. [A]



ROYALTY



Royalty Refers to the payment made by one party (the licensee) to another party (the licensor) for the use of intellectual property (IP) such as patents, copyrights, trademarks, or trade secrets. The accounting treatment of royalty depends on whether it is incurred for revenue purposes or for capital purposes.

1. **Revenue Royalty:** If the royalty payment is incurred for revenue purposes (i.e., to generate income in the normal course of business), it is treated as an operating expense and is typically charged to the income statement in the period in which it is incurred. This reduces the company's taxable income.
2. **Capital Royalty:** If the royalty payment is incurred for capital purposes (i.e., to acquire a long-term asset or right), it is treated as a capital expenditure and is typically capitalized as part of the cost of the asset or right acquired. The capitalized amount is then amortized over the useful life of the asset or right, and the amortization expense is charged to the income statement.

The accounting treatment of royalty payments is governed by the Indian Accounting Standards (Ind AS) or the Accounting Standards (AS), depending on the applicability to the entity. It is important for companies to comply with these standards and properly disclose royalty payments in their financial statements to ensure transparency and compliance with regulatory requirements.

Types:

1. **Patent Royalties:** Royalties paid for the use of a patented invention. These can be paid as a percentage of sales or as a fixed amount per unit.
2. **Copyright Royalties:** Royalties paid for the use of copyrighted works such as books, music, or software. These can be paid based on sales, usage, or other agreed-upon metrics.
3. **Trademark Royalties:** Royalties paid for the use of a trademarked name, logo, or symbol. These can be paid as a percentage of sales or as a flat fee.
4. **Mineral Royalties:** Royalties paid for the extraction of minerals from a property. These are typically based on the quantity or value of the minerals extracted.
5. **Franchise Royalties:** Royalties paid by a franchisee to a franchisor for the right to operate a franchise business. These can be paid as a percentage of sales or as a flat fee.
6. **Licensing Royalties:** Royalties paid for the use of any other licensed IP, such as trade secrets or know-how. The terms of these royalties are typically outlined in a licensing agreement.

Sub-Lease:

A sublease occurs when a lessee (the original tenant) leases out a property or asset they are renting to a third party. The lessee becomes a sub-lessor, and the new tenant is referred to as a sub-lessee.

Short-Working reserve amount:

A short working reserve amount in royalty Refers to a reserve made by a company to cover potential shortfalls in royalty payments to Licensors. This reserve is typically created to ensure that the company has sufficient funds to meet its royalty obligations, even if there are unexpected fluctuations in revenue or other factors that could impact royalty payments.

Nazrana:

"Nazrana" typically Refers to a gratuity or gift offered as a token of respect or goodwill. However, in a business context, it may also be used to describe a payment made to show respect or gratitude, often associated with royalty payments or other similar transactions.

If Nazrana is considered a business expense, it would be treated similarly to other expenses and recorded in the company's financial statements. The specific accounting treatment would depend on the nature of the payment and the applicable accounting standards, such as the Indian Accounting Standards (Ind AS) or the Accounting Standards (AS).

As with any business expense, it is important for companies to accurately record Nazrana payments in their financial statements and comply with relevant accounting standards and regulatory requirements.

HIRE PURCHASE SYSTEM

The hire purchase system is a method used for purchasing assets, typically involving a down payment followed by installment payments over a specified period. The Ownership of the asset is transferred to the buyer (hirer) only after the final installment is paid.

Here's how the hire purchase system is accounted:

1. Initial Recognition:

- The asset is initially recognized at the cash price, which includes the down payment and the total of all future installment payments.
- The down payment is recorded as a reduction in the asset's cost, and the remaining amount is recorded as a hire purchase liability.

2. Subsequent Payments:

- Each installment payment is divided into two parts: interest and principal.
- The interest portion is recognized as an expense in the profit and loss account.
- The principal portion reduces the hire purchase liability and increases the hirer's ownership.

3. Final Payment and Ownership:

- Once the final instalment is paid, the hire purchase liability is reduced to zero, and the asset is transferred to the hirer's Ownership at its agreed-upon value.
 - Any remaining balance in the hire purchase liability account is closed to the hirer's ownership.
4. **Disclosure:**
- The hire purchase assets and liabilities should be disclosed separately in the balance sheet.
 - The total hire purchase debt due within one year and after one year should be separately disclosed in the liabilities section of the balance sheet.

It's important to follow the relevant accounting standards (such as Indian Accounting Standards or Accounting Standards under the Companies Act, 2013) and seek professional advice to ensure compliance and accuracy in accounting for hire purchase transactions.

INSTALLMENT PAYMENT SYSTEM

The installment payment system is a method used for purchasing assets or goods where the buyer (purchaser) makes periodic payments over a specified period. Unlike the hire purchase system, Ownership of the asset is transferred to the buyer at the time of purchase, but the buyer pays for the asset in installments over time.

Here's how the installment payment system is typically accounted:

1. **Initial Recognition:**
 - The asset is recognized on the balance sheet at its full cost at the time of purchase.
 - The total cost of the asset is recorded as a debit to the asset account and a credit to accounts payable or cash, depending on whether the payment is made immediately or on credit.
2. **Subsequent Payments:**
 - Each instalment payment is typically treated as a reduction of the liability or accounts payable and a finance cost or interest expense.
 - The interest portion of each payment is recognized as an expense in the profit and loss account, while the principal portion reduces the liability.
3. **Final Payment:**
 - Once all instalment payments are made, the accounts payable or liability is reduced to zero.
 - The asset remains on the balance sheet at its original cost, and there is no further impact on the financial statements.
4. **Disclosure:**
 - The total amount due under the instalment payment plan within one year and after one year should be separately disclosed in the liabilities section of the balance sheet.
 - The interest expense related to instalment payments should be disclosed in the profit and loss account.

It's important for companies to follow the relevant accounting standards (such as Indian Accounting Standards or Accounting Standards under the Companies Act, 2013) and seek professional advice to ensure accurate accounting treatment of installment payment transactions.

Hire purchase system v/s Installment payment system

Hire Purchase System:

Ownership:

Under the hire purchase system, Ownership of the asset is transferred to the buyer only after the final installment is paid.

Treatment of the Asset:

The asset remains the property of the seller (financier) until the final payment is made. The buyer (hirer) has the right to use the asset but does not own it until all payments are completed.

Accounting Treatment:

- The asset is initially recognized at the cash price (including down payment and total of all future installments).
- The down payment is recorded as a reduction in the asset's cost, and the remaining amount is recorded as a hire purchase liability.

Risk and Responsibility

The seller retains Ownership of the asset until the final payment is made, which means the seller bears the risk of damage or loss of the asset until ownership is transferred

Installment payment system:

Ownership:

In the installment payment system, Ownership of the asset is transferred to the buyer at the time of purchase, even though the payment is made in installments.

Treatment of the Asset:

The buyer owns the asset from the beginning, even though the purchase price is paid in installments.

Accounting Treatment:

- The asset is recognized at its full cost at the time of purchase.
- Each installment payment reduces the accounts payable or liability and is recorded as a finance cost or interest expense.
- Ownership of the asset remains with the buyer throughout the installment period.

Risk and Responsibility:

The buyer assumes ownership and risk of the asset from the beginning of the installment period.

Multiple Choice Questions

1. What is Royalty?

- A. A payment is made for the use of Assets
- B. A fixed payment for the use of Fixed Assets
- C. Payment made by owners
- D. None of the above

Ans. A

2. The right of Recoupment means-

- A. The right given to the lessee by the lessor to carry forward and set off the shortworking from the surplus of royalties over the Minimum Rent
- B. The right given to the lessor by the lessee to carry forward and set off the shortworking from the surplus of royalties over the Minimum Rent
- C. The right given to the lessor by the lessee to carry forward and set off the excess working from the surplus of royalties over the Minimum Rent
- D. The right given to the lessee by the lessor to carry forward and not to set off the shortworking from the surplus of royalties over the Minimum Rent

Ans. A

3. Patent Royalty is based on:

- A. Production
- B. Sales
- C. Purchase
- D. Both 1st and 2nd

Ans. B

4. Copyright royalty is based on:

- A. Sales
- B. Production
- C. Purchase
- D. Both 1st and 2nd

Ans. A

5. Lessor is the

- A. Owner
- B. User
- C. None
- D. Both 1st and 2nd

Ans. A

6. Lessee is the.....

- A. Owner
- B. User
- C. None
- D. Both 1st and 2nd

Ans. B

7. What is the minimum Rent?

- A. Payment for use of land which is fixed
- B. Payment for the use of land on the basis of output
- C. A payment made to the owner
- D. None of the above

Ans. A

8. Minimum Rent is also called:

- A. Dead Rent
- B. Rock Rent
- C. Fixed rent
- D. All of the above

Ans. D

9. Short working = - Royalty Payable

- A. Minimum rent
- B. Capital
- C. Cash
- D. None

Ans. A

10. When the lessor allows the lessee to adjust the short workings only for a fixed period of time it is known as-

- A. Floating Right of Recoupment
- B. Fixed Right of Recoupment
- C. Both
- D. None of the Above

Ans. B

11. Royalty is revenue expenditure to lessor

- A. True
- B. False
- C. None of the above
- D. Any of the above

Ans. B

12. Ground Rent or Surface Rent means.

- A. Minimum Royalty Payable
- B. Maximum Royalty Payable
- C. Fixed rent payable in addition to minimum rent
- D. Rent recovered at the end of lease term

Ans. [C] **CMA Intermediate Gr. I Dec. 2013**

13. Royalty Account is

- A. Nominal account
- B. Real account
- C. Personal Account
- D. None of the above

Ans. A

14. Short working is

- A. Excess of minimum rent over the actual royalty
- B. Excess of actual royalty over minimum rent
- C. Excess of standard output over Actual output
- D. None of the above

Ans. A

15. Surplus is.....

- A. Excess of minimum rent over the actual royalty
- B. Excess of actual royalty over minimum rent
- C. Excess of actual royalty over shortworking
- D. None of the above

Ans. B

16. In situations where royalties fall below the required minimum rent?

- A. Royalties account is debited with the actual amount of royalties earned
- B. Royalties account is debited with minimum rent
- C. Royalties account is debited with the amount paid to the landlord
- D. Royalties account is debited with the excess of minimum rent over actual rent

Ans. A

17. Which of the following statement is false?

- A. Recoupable short working is a current asset
- B. Lapsed short working is a real account
- C. Short working is the part of minimum rent not represent by the use of the right
- D. Both 1st and 2nd

Ans. B

18. Which of the following statement is false:

- A. If a lessee leases a part of the leased property to another person, it is called sublease
- B. Royalty receivable account is opened in the books of Lessor
- C. Recoupable short working is a current asset
- D. None of the above

Ans. D

19. In the books of Lessee, the short working recovered amount is debited to:

- A. Profit and loss account
- B. Minimum rent Account
- C. Royalty Account
- D. Landlord's Account

Ans. A

20. The remaining balance in the royalty account at the end of the year must be transferred to [if the royalty is less than the minimum rent]

- A. Capital reserve account.
- B. Reserve capital account
- C. Profit and loss account
- D. None of the above

Ans. C

21. In case of recoupment of short working, the lessee:

- A. Debits Short Working Account
- B. Credit Profit and loss account
- C. Credit short working Account
- D. None of the above

Ans. C

22. Excess working means.....

- A. Excess of Minimum rent over royalty
- B. Excess of royalty over minimum rent
- C. None of the above
- D. All of these

Ans. B

23. Royalties have a connection to the following business categories:

- A. Mining
- B. Construction
- C. Textile
- D. All of the above

Ans. A

24. Royalty is an agreement between:

- A. Seller and buyer
- B. Banker and customer
- C. Among all partners
- D. Lessor and lessee

Ans. D

25. Dead rent is also called

- A. Outstanding rent
- B. Minimum rent
- C. Prepaid rent
- D. All of the above

Ans. B

26. Minimum Rent in the first year ₹1,00,000 and will be increased by ₹10,000 p.a. for three years and then after by 10% per year. At the conclusion of the sixth year, how much is it?

- A. ₹ 100000
- B. ₹157300
- C. ₹ 168000
- D. ₹ 200000

Ans. B

Hint-

I Year	100,000	IV Year	130,000[120,000 +10,000]
II Year	110,000 [100,000 +10,000]	V Year	143,000[130,000+13,000]
III Year	120,000[110,000 +10,000]	VI Year	157,300[143,000+14300]

27. Royalty is ₹ 64,000, Minimum rent ₹ 80,000. What will be the amount of short working

- A. ₹ 60000
- B. ₹ 16,000
- C. ₹ 64000
- D. ₹ 80,000

Ans. B

28. What is an example of wasting assets

- A. Land
- B. Mine
- C. Stock
- D. Fixed Assets

Ans.B

29. Who is the person take the property on the lessee agreement?

- A. Lessor
- B. Payee
- C. Lessee
- D. None of these

Ans. C

30. Royalty is anto lessee

- A. Income
- B. Expense
- C. Both
- D. None

Ans. B

31. When the lessor receives payment, the credits—

- A. Royalty account
- B. Short workings account.
- C. Lessee account
- D. All of these

Ans. C

32. The balance of royalty's receivable account is transferred to:

- A. Profit and loss account
- B. Royalty suspense account
- C. Production account.
- D. All of these

Ans. A

33. The remaining amount in the royalty payable account is moved to:

- A. Profit and loss account
- B. Royalty suspense account
- C. Production account
- D. All of these

Ans. C

34.account is credited when the lessor receive an amount:

- A. Lessee Account
- B. Lessor Account
- C. Profit and Loss Account
- D. Income

Ans. A

35. Royalty is an income to the lessee:

- A. True
- B. False
- C. None of the above
- D. Any of the above

Ans. B

36. Fixed payment made for the use of an assets is called Financial Lease:

- A. True
- B. False
- C. None of the above
- D. Any of the above

Ans. B

37. Patent Royalty is based on Sales of a Product:

- A. True
- B. False
- C. None of the above
- D. Any of the above

Ans. B

38. Short working is Excess of Minimum Rent over Actual Production:

- A. False
- B. True
- C. None of the above
- D. Any of the above

Ans. A

39. Royalty is ₹ 74,000, Minimum rent ₹ 60,000. The amount of royalty to be payable will be

- A. ₹ 60,000
- B. ₹ 74,000
- C. ₹ 44000
- D. ₹ 6000

Ans. B

40. Short working is a type of taxes paid by the lessee

- A. False
- B. True
- C. None of these
- D. Any of the above

Ans. A

41. Recoupment is always necessary in royalties

- A. Any of the below
- B. True
- C. False
- D. None of these

Ans. C

42. A person who takes property on lease is called a customer:

- A. True
- B. False
- C. None of these
- D. Any of the above

Ans. B

43. Royalty accounting is covered under the Companies Act 2013:

- A. True
- B. False
- C. None of these
- D. Any of the above

Ans. A

44. Cash paid on signing of the agreement under the installment payment system is debited by the purchaser of to:

- A. Purchase account
- B. Asset Account
- C. Vendor's Account
- D. Profit and Loss account of the purchaser

Ans. C

45. Under the Instalment payment system, when does the purchaser become the owner of the asset?

- A. On delivery of asset
- B. With signing of the contract
- C. On payment of the first instalment
- D. On payment of the last instalment

Ans. B

46. Features of the instalment payment system is

- A. Goods sold on credit
- B. Right of third party
- C. To take back the goods
- D. All of the above

Ans. D

47. In case of instalment payment seller is credited to the system, total interest receivable by the

- A. Interest Suspense A / c
- B. Interest Account
- C. Sales Account
- D. All of these

Ans. A

48. Accounts to be prepared in the vendor's books are

- A. Purchaser's account
- B. Interest account
- C. Interest suspense account
- D. All of the above

Ans. D

49. Indicate true statement:

- A. Instalment Purchase system is a system of sale of goods
- B. In Instalment System the seller can lawfully suit the purchaser for recovery of outstanding amount.
- C. In instalment Purchase System third person can get the best title on goods
- D. All of the above

Ans. D

50. In the Instalment payment system the payment of assets is done in -

- A. Monthly instalment
- B. Quarterly instalment
- C. Yearly instalment
- D. Periodically instalment

Ans. D

51. Under the instalment payment system, the balance in the Interest Suspense Account, in the books of the buyer, is shown on the:

- A. Credit Side of the Profit and Loss Account
- B. Liabilities side of the Balance Sheet
- C. Asset side of the Balance Sheet
- D. None of these

Ans. C

52. Which one of these true?

- A. In making a hire-purchase trading account goods sent on hire- purchase are debited to it.

- B. In case the rate of interest is not given, interest is divided equally over the hire-purchase instalments.
- C. The seller cannot seize the goods on failure of the purchaser to pay the price in case of hire-purchase system.
- D. None of these

Ans. A

53. The cost of goods sold on hire-purchase is transferred to:

- A. Purchase Account
- B. Hire-purchase Trading Account
- C. Sales Account
- D. All of the above

Ans. B

54. In the Hire-Purchase system the ownership of the goods is received by the purchaser:

- A. after agreement
- B. after paying all instalments
- C. after paying a one-year instalment
- D. after paying half the interest

Ans. B

55. Hire purchaser price =

- A. Cash price + interest on outstanding cash price
- B. Cash price – deposit
- C. Hire purchase price - cash price
- D. Any of the above

Ans. A

56. Identify the correct statement-

- A. Statutory hire charge is a hire charge according to the hire purchase act of 1972.
- B. Hire purchase agreement is an agreement between hire vendor and hire purchaser according to the Section 2[a] of the hire purchase act, 1972.
- C. Both A and B
- D. None of the Above

Ans. A

57. In case of hire-purchase system, asset account is debited with:

- A. Cash purchase price
- B. Cash price
- C. Cost price to the seller
- D. None of these

Ans. B

58. In Hire Purchase System the liability of repairs is of:

- A. Purchaser of the asset
- B. Seller of the asset
- C. Manufacturer of the asset
- D. None of these

Ans. B

59. The amount of interest, under purchaser to hire - purchase system, is credited by the

- A. Interest Account
- B. Hire Vendor's Account
- C. Asset Account
- D. Hire purchaser's account

Ans. B

60. The Sale of Goods Act, of 1930 is not applicable in:

- A. Cash purchase System
- B. Hire Purchase System
- C. Credit Purchase System
- D. Instalment Payment System

Ans. B

61. What is the basis of calculation of interest in the Hire-purchase System is:

- A. Cash value of the asset
- B. Hire-Purchase value of the asset
- C. Both 1st and 2nd
- D. Cost value of the asset

Ans. A

62. Features of hire purchase system is/are -

- A. Arrangement for contract
- B. Sale on credit
- C. Payment by instalment
- D. All of the above

Ans. D

63. In hire purchase the buyer charges depreciation on:

- A. Hire-purchase price of the Asset
- B. Cash price of the Asset
- C. Both 1st and 2nd
- D. All of these

Ans. B

64. Which of the following would not make a distinction between a hire purchase and a normal purchase?

- A. Purchaser pays for item in instalments over a period of time
- B. Cost to a buyer is likely to be higher than it would be for a normal purchase
- C. Trade discount cannot be offered on hire purchase
- D. Asset does not belong to purchaser when delivery is received from a supplier

Ans. C

65. On the balance sheet of a company the value of the asset bought through hire purchase will appear as:

- A. Cost less depreciation to date less amount owing on hire purchase
- B. Cost less amount owing on hire purchase
- C. Cost less depreciation to date
- D. Cost less depreciation to date less amount owing on hire purchase less interest owing

Ans. C

66. The depreciation on an asset purchased through hire purchase should be:

- A. Based on the cost price of the asset only
- B. No depreciation should be provide until the final payment is made
- C. Based on the total cost including interest
- D. Should be straight line only

Ans. A

67. If the firm stops making repayments and the goods or assets are taken away from them as a result, this is known as:

- A. Forfeiture
- B. Cancellation
- C. Annulment
- D. Repossession

Ans. D

68. The amount of interest is credited by the buyer to:

- A. Hire purchase account
- B. Interest account
- C. Cash account
- D. Hire vendor account

Ans. D

69. Ownership of goods under the hire purchase agreement is transferred at the time of:

- A. Payment of last instalment
- B. Payment of first instalment
- C. Payment of down payment

D. None of these

Ans. A

70. The depreciation in the books of the buyer is charged on:

- A. Market price
- B. Total instalment amount
- C. Hire purchase price
- D. Cash price

Ans. D

71. Net Cash Price refers to -

- A. The difference between cash price of the goods and deposits [cash price – CDP = Net cash Price]
- B. The sum of cash price of the goods and deposits.
- C. Cash Down Payment only
- D. None of these

Ans. A

72. Hire Purchase Act was passed in the year:

- A. 1917
- B. 1956
- C. 1972
- D. 1850

Ans. C

73. The sale of Goods Act is passed in the year:

- A. 1950
- B. 1930
- C. 2013
- D. 2003

Ans. B

74. Installment system is governed by:

- A. Sale of Goods Act
- B. Instalment act
- C. Company act
- D. Hire Purchase Act

Ans. A

75. In the books of the hire vendor, when down payment is received, the hirer account will be:

- A. Rectified

- B. Credited
- C. Debited
- D. Reversed

Ans. B

76. In a hire-purchase agreement, which party holds the legal ownership of the asset until the final payment is made:

- A. The hire vendor
- B. The hirer
- C. Both parties have equal ownership
- D. The bank

Ans. A

77. Who is considered the buyer and who is considered the seller in a hire-purchase agreement?

- A. The hirer is the buyer and the vendor is the seller
- B. The vendor is the buyer and the hirer is the seller
- C. Both parties are considered buyers
- D. Both parties are considered sellers

Ans. A

78. Ownership of the asset under hire purchase is transferred only when

- A. Down payment is made
- B. All instalments are paid in full
- C. Cash price is paid
- D. Interest is settled

Ans. B

79. The initial payment made under a hire purchase agreement is called:

- A. Installment
- B. Down payment
- C. Interest
- D. Deposit

Ans. B

80. Depreciation on an asset acquired under hire purchase is charged by:

- A. Hire vendor
- B. Hire purchaser
- C. Whichever party charges first
- D. Neither party

Ans. B

81. The installment paid under a hire purchase agreement consists of:

- A. Principal amount only
- B. Interest amount only
- C. Principal amount + Interest amount
- D. None of the above

Ans. C

82. When a hirer acquires an asset under hire purchase and makes a down payment:

- A. Hire Purchase A/c Dr., Cash A/c Cr.
- B. Cash A/c Dr., Hire Purchase A/c Cr.
- C. Down Payment A/c Dr., Cash A/c Cr.
- D. None of the above

Ans. A

83. To record the interest charged in a hire-purchase agreement, which account is credited

- A. Bank account
- B. Vendor account
- C. Depreciation account
- D. Hire-purchase interest account

Ans. D

84. To record the asset being sold after it has been returned in a hire-purchase agreement, in which account is debited

- A. Cash account
- B. Bank account
- C. Asset disposal account
- D. Vendor account

Ans. A

85. Which of the following is true regarding the installment payment system?

- A. Ownership transfers in the beginning at the time of sale
- B. Ownership transfers only after the final installment payment
- C. Ownership remains with the seller throughout the contract
- D. None of the above

Ans. A

86. In case of Installment payment system, which one of the following statements is not true?

- A. Payment of purchase price is made in agreed instalments
- B. On default of payment of instalment, seller has a right to take back the goods
- C. Purchaser prepares asset account, seller's account and interest suspense account in his book
- D. Purchaser has the right to sell the asset at any time after receiving the delivery.

Ans. B

87. What happens if the buyer fails to make the installment payments in an installment payment system?

- A. The buyer is required to return the asset
- B. The seller can repossess the asset
- C. The buyer can sell the asset to cover the missed payments
- D. The agreement is terminated and all payments made are refunded

Ans. B

88. In an installment payment system, which party is responsible for maintenance and repairs of the asset?

- A. The buyer
- B. The seller
- C. Both parties
- D. A third-party service provider

Ans. A

89. Which of the following is not a component of an installment payment system?

- A. Down payment
- B. Length of the payment term
- C. Principal amount
- D. Cost of goods sold

Ans. D

90. Which of the following is NOT a type of royalty?

- A. Patent royalties
- B. Mineral royalties
- C. Oil wells royalties
- D. Dividend royalties

Ans. D

91. Which of the following is an example of a situation where royalties might be paid?

- A. Salary payment to employees
- B. Rent payment for office space
- C. Payment for the use of a popular song in a commercial
- D. Insurance premium payment

Ans. C

92. Royalties are typically calculated as a:

- A. Fixed amount
- B. Percentage of sales
- C. Flat fee per unit
- D. Combination of the above

Ans. B

93. What happens to the interest charged in an installment payment system if the buyer misses a payment

- A. The interest charged is waived
- B. The interest charged continues to accumulate
- C. The interest charged is recalculated based on the missed payment
- D. The interest charged is refunded to the buyer

Ans. B

94. Given a Royalty Rs. 65000 and Minimum rent Rs. 140000 calculate shortworking

- A. 75000
- B. 80000
- C. 65000
- D. 140000

Ans. A

Hint – 140000 – 65000

95. The depreciation in the books of buyer is charged on

- A. Hire purchase price
- B. Market price
- C. Total instalment amount
- D. Cash price

Ans. D

96. There is no difference between hire purchase and Instalment purchase system

- A. True
- B. False
- C. Neither true nor false
- D. None of the above

Ans. B

97. A computer is purchased under a hire purchase agreement for Rs. 800. The down payment is Rs.100. The remaining balance is to be paid in 10 equal installments. What is the amount of each installment?

- A. 80
- B. 70
- C. 60
- D. 100

Ans. B

[Hint – (800 - 100) / 10]

98. A furniture set is purchased under hire purchase for Rs .1500 with a down payment of Rs. 300. If the total interest paid over the hire purchase period is Rs. 250, what is the total cost of the furniture set (including down payment and interest).

- A. 1750
- B. 2050
- C. 1800
- D. 1450

Ans. B

[Hint – (1500 + 300 + 250)]

99. Royalty is ₹ 15,000, Minimum rent ₹ 70,000. What will be the amount of short-working?

- A. 55,000
- B. 60,000
- C. 75,000
- D. 15,000

Ans. A

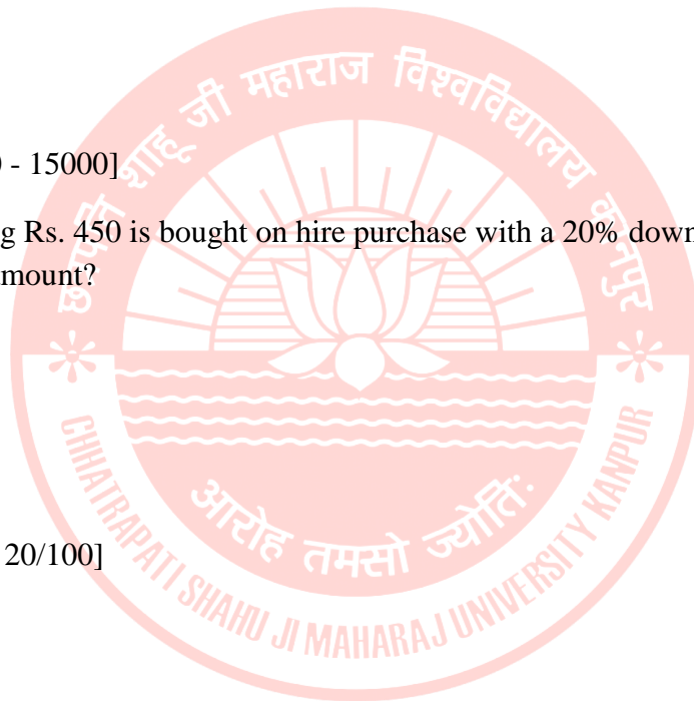
[Hint 70000 - 15000]

100. A phone costing Rs. 450 is bought on hire purchase with a 20% down payment. What is the down payment amount?

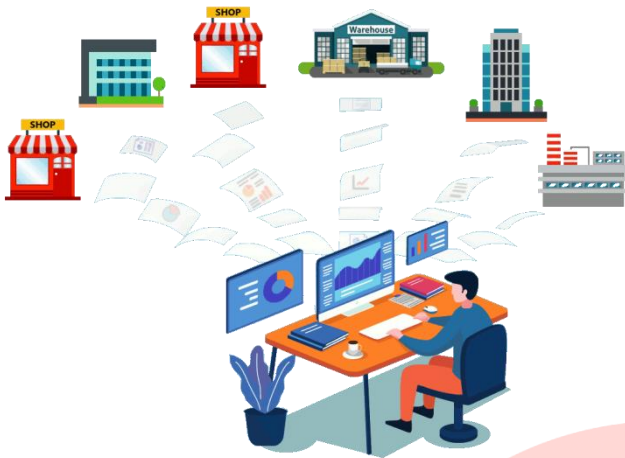
- A. 80
- B. 90
- C. 70
- D. 60

Ans. B

[Hint- 450 x 20/100]





Branch Account:

A branch account is a separate accounting record maintained for a branch or division of a business that operates in a different location from the main office. Branch accounts are used to track the financial transactions and performance of each branch individually.

Objectives:

The primary purpose of maintaining branch accounts depends on the type of business and the unique requirements of a certain branch. Maintaining branch accounts that satisfy all businesses objectives

- i. Determine each branch's profit or loss independently.
- ii. To find out each branch's financial status on a specific date.
- iii. To be aware of the financial and merchandise needs of the different branches
- iv. Assessing each branch's performance and advancement.
- v. If the commission is based on branch profits, to determine how much to pay the managers.
- vi. To determine the profitability of every branch and kind of business in order to grow the company.
- vii. To give concrete suggestions for the improvement in the working of the various branches
- viii. To meet the requirements of specific enactments as all branches of a company must keep the accounts for audit purposes.

Importance:

1. **Performance Evaluation:** They help evaluate the performance of each branch individually, allowing management to identify profitable and underperforming branches. This information is crucial for making decisions about resource allocation, expansion, or closure of branches.
2. **Financial Reporting:** Branch accounts enable the preparation of accurate financial statements for each branch, which are necessary for complying with legal and regulatory requirements and for providing stakeholders with relevant financial information.

3. **Cost Control:** By maintaining separate accounts for each branch, businesses can better control costs and expenses at the branch level, leading to improved overall profitability.
4. **Inventory Management:** Branch accounts help in tracking inventory levels at each branch, ensuring that adequate stock is maintained to meet customer demand without excess or shortages.
5. **Decision Making:** The financial information provided by branch accounts is crucial for making informed decisions about pricing, marketing strategies, and investments in each branch.
6. **Tax Compliance:** Branch accounts help in ensuring compliance with tax laws and regulations by accurately recording income, expenses, and taxes payable for each branch.

Classification:

1. **Geographical Classification:** Branch accounts can be classified based on the geographical location of the branches, such as branches in different cities, states, or countries.
2. **Nature of Business:** Branch accounts can be classified based on the nature of the business conducted at each branch, such as sales branches, service branches, or manufacturing branches.
3. **Size of the Branch:** Branch accounts can be classified based on the size or scale of operations of each branch, such as large branches, medium branches, or small branches.
4. **Profitability:** Branch accounts can be classified based on the profitability of each branch, such as profitable branches, break-even branches, or loss-making branches.
5. **Functionality:** Branch accounts can be classified based on the functions performed at each branch, such as sales branches, distribution branches, or administrative branch.
6. **Ownership:** Branch accounts can be classified based on the Ownership structure of each branch, such as company-owned branches, franchise branches, or joint venture branches.

Computation of Insurance Claim

Businesses are insured against stock loss in the event of certain calamities, such as theft, earthquakes, floods, and fires. Since insurance is an indemnity contract, the amount of damage that can be claimed is limited to the actual loss of assets. An organisation may occasionally obtain insurance to protect itself from future profit losses brought on by lower turnover, higher costs, etc.

The policy is referred to as a loss of profit or consequential loss policy if loss resulting from the loss of shares is also covered.

Two sections can be used to study insurance claims:

Claim for loss of stock

Claim for loss of profit

How to calculate the amount of claim to be lodged for the loss of stock by fire?

Various points which are considered for the estimated of stock in hand on date of fire are given below

1. The Percentage of gross profit on sales so that cost of goods sold during the year of fire may be ascertained. ($\text{Gross Profit} / \text{Sales} \times 100$)
2. The next step is to prepare Memorandum Trading Account of the current year up to the date of fire.
3. The third step is to deduct the value of stock salvaged.
4. AVERAGE CLAUSE

$$\text{Value of stock destroyed} = \frac{\text{Value of Insurance policy}}{\text{Value of stock on date of fire}} \times 100$$

Average Clause

Underinsurance scenarios are handled with an average clause in a fire insurance policy. If the assets are insured for less than their full worth, a fire insurance policy compels the insured to pay a share of the loss in accordance with the average clause included in the policy document. Since a fire insurance policy is an indemnity contract, the insured is limited to making claims for the actual amount of damage.

Hence, the calculated claim amount for the insured would be as follows:

Amount of the claim = (Actual loss times insured amount) / Value of goods or property at the time of the fire

Claim for Loss of Profit

In addition to the immediate loss resulting from stock or other assets destroyed, a fire can also cause consequential losses because it may force the business to close or be reorganised for a while, during which time on-going costs such as rent and salaries must be paid. In addition, the company has lost out on earnings it could have made during that time. A "Loss of Profit" or "Consequential Loss" policy may provide coverage for this type of loss; but, unless the fire claim is also covered by another policy, no claim for the consequential loss will be accepted under the policy.

The following things are often covered by the loss of profit policy:

- (1) Loss of net profit
- (2) Standing charges.
- (3) Any increased cost of working e.g., renting of temporary premises.

Multiple Choice Questions:

1. A branch that does not keep its own set of accounting books is known as
 - A. Foreign Branch
 - B. Dependent branch
 - C. Independent branch
 - D. None of the above

Ans. B
2. Which account is prepared for recording all cash transactions relating to the branch?
 - A. Goods sent to branch account
 - B. Branch debtor account
 - C. Branch cash account
 - D. None of the above

Ans. C
3. In the case of a dependent branch 'Branch fixed Assets A/c's are maintained by:
 - A. Branch
 - B. Head Office
 - C. Department
 - D. None of the above

Ans. B
4. The term used for the goods that are sent by the head office to the branch for sale
 - A. Goods sent to branch Account
 - B. Branch A/c
 - C. Goods A/c
 - D. Purchases A/c

Ans. A
5. The goods sent by the head office may be either ator cost plus profit
 - A. Cost Price
 - B. Selling Price
 - C. Market Price
 - D. Invoice Price

Ans. A
6. Which book is prepared to maintaining the small expenses like carriage postage, entertainment, etc?
 - A. Management Book

- B. Petty cash book
- C. Accounting Book
- D. None Of the above

Ans. B

7. Branch account under debtor system is

- A. Personal
- B. Real
- C. Nominal
- D. None

Ans. C

8. Which one of the following is not true about a dependent branch?

- A. These branch sell only those goods which are received from the head office.
- B. All expenses of the branch are paid by the head office.
- C. Petty expenses are paid by the branch and petty cash account is prepared at the branch either as simple petty cash or on imprest system.
- D. Such departments maintain their own books of accounts.

Ans. D

9. Debtor system of accounting is suitable for ----- size branches

- A. Small
- B. Large
- C. Very Large
- D. None of the above

Ans. A

10. Which account is prepared when the branch sells goods on credit?

- A. Branch adjustment account
- B. Branch creditor's account
- C. Goods sent to branch account
- D. Branch debtor account

Ans. D

11. Which one of the following is not true about the independent branch?

- A. These branches can purchase goods from the open market.
- B. They maintain a complete set of double-entry system.
- C. They also maintain a head office account.
- D. They do not charge depreciation on fixed

Ans. D

12. In which methods goods are sent by the head office to the branch at invoice price

- A. Invoice price method
- B. Debtors method
- C. Stock and debtor methods
- D. Foreign branch methods

Ans. A

13. Which of the following statement is true about the branch Account?

- A. It is an account prepared by the branch for the parent company
- B. It is an account prepared by the parent company for the branch

- C. It is an account prepared by the branch for its own use
- D. It is an account prepared by the auditors of the parent company

Ans. B

14. Goods are sent to the branch at cost plus 20%. The loading on the invoice price will be

- A. 28%
- B. 16.67%
- C. 33.33%
- D. 25%

Ans. B

(Hint - $20/120 \times 100 = 16.67\%$)

15. Under the Debtors Method, the opening balance of debtors is.

- A. Debited to the Branch Account
- B. Credited to the Branch Account
- C. Debited to Head Office account
- D. None of these

Ans. A

16. What are the objectives of maintaining branch accounts

- A. To monitor the performance of each branch
- B. To facilitate decision making
- C. To ascertain the profitability of each branch
- D. All of the above

Ans. D [CSJMU B.COM II Sem 2022-23]

17. All branch expenses such as rent, and salary, are paid by the head office in case of _____?

- A. independent branch
- B. local branch
- C. Dependent branch.
- D. None of the above

Ans. C

18. Classification of branch on the basis of location-

- A. Local or Inland
- B. Foreign Branches
- C. Independent Branches
- D. Both 1 and 2

Ans. D

19. What are goods sent by the head office at the end of the year but not received by the branch called

- A. Loss
- B. Goods in transit
- C. Shortage
- D. Loss by fire

Ans. B [TGT 2009, 2010]

20. The account prepared for ascertaining the amount of gross profit earned by the branch under the stock and debtor system is

- A. Branch adjustment account
- B. Branch stock account
- C. Goods sent to branch account
- D. Branch debtor account

Ans. A

21. Following are Methods of maintaining Branch Accounts:

- A. Debtor methods
- B. Stock and debtor methods
- C. Final account methods
- D. All of the above

Ans. D

22. Branch account is prepared to ascertain

- A. Profit and loss of the branch
- B. Financial statement of the business
- C. Assets and liability of the head office
- D. None of the above

Ans. A

23. Disadvantages of Branch Accounting-

- A. It helps to know each branch's debtors inventory and cash position.
- B. Due to a separate account for each branch, it requires more workforce
- C. Separate accounting of each chapter helps to make decisions according to branch requirements.
- D. None of these

Ans. B [CSJMU B.COM II Sem 22-23]

24. Stock and debtor system is popularly known as

- A. Foreign branch methods
- B. Analytical methods
- C. Synthetic methods
- D. Unanalytical methods

Ans. B

25. Branch transfer is also known as-

- A. Stock transfers
- B. Head Office transfers
- C. Goods Transfers
- D. Purchases Transfers

Ans. A

26. Dependent branch doesn't keep any book of account as their entire accounting work is performed by the head office

- A. may be true
- B. may be false
- C. neither true nor false
- D. True

Ans. D

27. Journal entry for Goods returned by branch to head office or to any other branch

- A. Goods sent to branch A/c
 To Branch A/c
- B. Branch A/c
 To Goods Sent to branch A/c
- C. Goods sent to branch A/c
 To Debtor A/c
- D. Debtors A/c
 To Goods sent to branch A/c

Ans. A

28. The method of Branch Accounting varies with the nature and the status of the branch.

- A. True
- B. May be false
- C. neither true nor false
- D. Can't Say

Ans. A

29. The normal and abnormal stock of goods doesn't appear in the branch account as the closing stock is at the.....figure.

- A. Adjusted
- B. Profit
- C. balance
- D. loss

Ans. A

30. Stock and Debtors method of branch accounting is generally used where branch turnover is substantially

- A. loss
- B. lower
- C. High
- D. Profit

Ans. C

31. A branch receives goods costing Rs.5,000 from the head office and sells them for Rs. 8,000. What is the branch's profit margin on these goods?

- A. 2000
- B. 5000
- C. 3000
- D. 9000

Ans. C

(Hint – 8,000 -5,000)

32. Journal Entry for Expenses in respect of branch paid by head office

- A. Branch A/c
 To Cash/Bank A/c
- B. Expenses A/c
 To Cash/Bank A/c

- C. Cash/Bank a/c
 To Branch A/c
- D. None of the Above

Ans. A

33. Loading on surplus in stock is.....to Branch Adjustment Account

- A. debit
- B. credit
- C. liability
- D. trading

Ans. B

34. Under Stock and Debtors System general income is credited toaccount

- A. balance sheet
- B. branch stock account
- C. stock and Debtor System
- D. branch profit and loss

Ans. D

35. Actual petty expenses paid by branch from petty cash are to be shown separately in Branch Account

- A. True
- B. False
- C. May be true
- D. May be false

Ans. A

36. ----- is a double-entry bookkeeping technique which is used by a business or organisation to maintain separate accounts for each operating location or branch.

- A. Branch accounting
- B. Cost Accounting
- C. Voyage Accounting
- D. None of the Above

Ans. A

37. Following is/are the importance of Branch Accounting-

- A. It helps in understanding the profit and loss borne by every branch.
- B. Helps in understanding the rent, salary, wages and expenses of each branch individually.
- C. Guides in understanding the cash position and debtor's inventory of every branch.
- D. All of the above

Ans. D

38. Foreign Branch almost invariably trade independently and records their transaction in

- A. cost price
- B. Market value
- C. Foreign currency
- D. invoice price

Ans. C

39. All items of stock in Trading and Profit and loss Account are to be converted into cost price if these are given at an _
- A. Profit ratio
 - B. market price
 - C. Balance
 - D. Invoice price

Ans. C

40. In Branch Accounting the balance on stock reserved Account at the end of the period is shown in the balance sheet by the way of deduction from
- A. opening stock
 - B. reserved stock
 - C. closing stock
 - D. profit or loss

Ans. C

41. A branch purchases goods for Rs.12,000 and pays Rs.2,000 for freight charges. What is the total cost of goods to the branch?
- A. 14000
 - B. 12000
 - C. 24000
 - D. 10000

Ans. A

(Hint – 14,000 + 2,000)

42. Choose the disadvantages of branch accounting:
- A. It involves extra cost and workforce.
 - B. Branch accounting requires a separate manager for every branch, and this can, in turn, lead to mismanagement.
 - C. Decision-making becomes easier after analysing the branch's performance.
 - D. Both 1 and 2

Ans. D

43. Inland Branch is also known as
- A. Foreign branch
 - B. Commercial Branch
 - C. Domestic Branch
 - D. None of the above

Ans. C

44. The removal of loading from the items of branch stock is adjusted through branch..... Account
- A. adjustment
 - B. debtor
 - C. Stock
 - D. profit and loss

Ans. A

45. Find out the claim amount-

Policy amount Rs.8000, Actual loss Rs.3449, Total Value of Stock Rs 13449

- A. 2052
- B. 2080
- C. 3449
- D. 11449

Ans. A

Hint ($8,000/13,449 * 3449$)

46. The Loss of Profit Policy is also known as

- A. Loss of Fixed Assets
- B. Consequential Loss
- C. Loss of Stock
- D. Life Insurance Policy

Ans. B

47. Memorandum Trading Account is prepared to find out

- A. The stock on the date of fire
- B. Gross Profit
- C. Gross Loss
- D. Net Profit

Ans. A

48. Salvage stock means

- A. Destroyed Stock
- B. Stock saved from fire
- C. Insurance Claim
- D. Total Stock

Ans. B

49. Expected sales during indemnity periods over actual sales is known as

- A. Gross sales
- B. Short sales
- C. Net sales
- D. None of the above

Ans. B

50. The standing charges which are covered by insurance policy is known as

- A. Fixed charges
- B. Insured standing charges
- C. Fluctuating charges
- D. Miscellaneous charges

Ans. B

51. Average clause is applied in case of

- A. Under Insurance

- B. Over Insurance
- C. Fair Insurance
- D. Over and Fair Insurance

Ans. A

52. When stock is destroyed by fire the claim is calculated under

- A. Loss of Profit policy
- B. Loss of Stock policy
- C. Life Insurance policy
- D. None of the above

Ans. B

53. Calculate the value of goods destroyed

Given Closing stock on the date of fire is Rs. 720 and Goods salvaged is Rs. 240

- A. 480
- B. 720
- C. 240
- D. 770

Ans. A

(Hint – 720 – 240)

54. Calculate claim amount policy amount Rs.40,000, actual loss Rs.36,000, Total Value of Stock Rs.45,000

- A. 30000
- B. 32000
- C. 40000
- D. 45000

Ans. B

Hint - $(40,000 / 45,000 * 36,000)$

55. Ratio of Gross Profit to sales is known as

- A. Indemnity Ratio
- B. Gross Profit Ratio
- C. Current ratio
- D. None of the above

Ans. B

56. A business takes a ----- insurance policy to cover the claims for loss of stocks and loss of profit

- A. Vehicle
- B. Fire
- C. Life
- D. Health

Ans. B

57. Fire Insurance provides cover for

- A. Intangible Assets
- B. Tangible Assets

- C. Miscellaneous Expenses
- D. Fictitious Asset

Ans. B

58. In Loss of stock policy, the Goods which are of irregular nature or damaged which are valued at cost or at lower cost is known as

- A. Normal Goods
- B. Reserved Goods
- C. Abnormal Goods
- D. None of the above

Ans. C

59. Fire insurance does not cover which of the following assets?

- A. Stock
- B. Goodwill
- C. Both a and b
- D. None of the above

Ans. B

60. Given Amount of insurance policy 63,000, Value of stock on the date of fire 72,000, Actual loss of stock 54,000. Calculate claim amount.

- A. 47,000
- B. 43,000
- C. 47,250
- D. 70,000

Ans. C

(Hint – $63000/72000 * 54000$)

61. The purpose of the average clause is-

- A. To encourage policyholders, to insure their property for its full value rather than undervaluing it to reduce insurance premiums.
- B. To discourage policyholders, to insure their property for its full value rather than undervaluing it to reduce insurance premiums.
- C. To encourage policyholders to insure their property for its part value rather than overvaluing it to increase insurance premiums.
- D. None of the Above

Ans. A

62. For the year 2009, 2010, 2011 if the rate of gross profit were 19%, 20%, and 21% respectively, then the rate of Average gross profit for the year 2012 will be

- A. 15%
- B. 18%
- C. 21%
- D. 20%

Ans. D

(Hint - $19\% + 20\% + 21\% / 3$)

63. If the indemnity period is 12 months, a standard sale is 30,000, Sales during indemnity period is 8,000, then short sales amount will be

- A. 30,000
- B. 22,000
- C. 42,000
- D. 38,000

Ans. B

(Hint - 30,000 - 8,000)

64. The average clause in a loss of profit policy protect the rights of -
- A. Insured
 - B. Workers
 - C. Insurer
 - D. None of the Above

Ans. C

65. Consequential Loss of Policy indemnifies-

- A. Capital Loss
- B. Revenue Loss
- C. Other Loss
- D. Budgeted Loss

Ans. B

66. Annual turnover is the turnover during the twelve months -

- A. Immediately after the damage
- B. Immediately before the damage
- C. During the indemnity period
- D. None of the Above

Ans. B

67. The Short Sales at Rs. 40,000 and Gross Profit Rate is 25%, Calculate Insurance claim

- A. 10,000
- B. 15,000
- C. 20,000
- D. 25,000

Ans. A

(Hint – 40,000 * 25%)

68. The Annual Gross Profit is Rs. 54,000 and Sales is Rs. 1,80,000. Calculate Gross Profit. Calculate Rate.

- A. 20%
- B. 25%
- C. 30%
- D. 35%

Ans. C

(Hint – (54,000 / 1,80,000) * 100)

69. Estimated Stock on the date of Fire Rs. 1,60,000 and Salvage Rs. 25,000. Calculated Insurance Claim.
- A. Rs. 1,85,000
 - B. Rs. 1,35,000
 - C. Rs. 1,45,000
 - D. None of the Above

Ans. B

(Hint – 1,60,000 – 25,000)

70. Goods costing Rs. 1,00,000 were insured for Rs. 50,000. Out of these goods, $\frac{3}{4}$ are destroyed by fire. What will be amount of claim with average clause.
- A. 37,500
 - B. 50,000
 - C. 75,000
 - D. 1,00,000

[Hint- Claim amount = (Actual loss × Insured amount) / Value of goods or property at the date of loss. $75000 \times 50000 / 100000 = 37500$]

Ans. A

71. The turnover for the period corresponding with the indemnity period during the preceding accounting year is called as
- A. Quarterly Turnover
 - B. Half yearly Turnover
 - C. Standard Turnover
 - D. Annual Turnover

Ans. C

72. Stock as on date of fire is 4,56,000, Stock of goods salvaged 56,000, value of insurance policy 3,42,000, There is an average clause in the policy then the amount of claim is
- A. 9,00,000
 - B. 8,00,000
 - C. 3,20,000
 - D. 3,00,000

Ans. D

73. Undamaged Goods are known as Salvaged Stock
- A. True
 - B. False
 - C. Maybe true
 - D. None of the Above

Ans. A

74. For the year 2009, 2010, 2011 if the rate of gross profit were 40%, 41%, and 42% respectively, then the rate of Average gross profit for the year 2012 will
- A. 43%
 - B. 40%
 - C. 21%
 - D. 41%

Ans. D

Hint – (40% + 41% + 42%) / 3

75. When the stock is valued under cost price it is called as

- A. Overvaluation
- B. Undervaluation
- C. At par
- D. Fair valuation

Ans. B

76. What is meant by consignment stock in branch accounting?

- A. Stock that is held by the head office and not by any branch
- B. Stock that is held by one branch and not by another
- C. Stock that is held by a seller on behalf of a buyer
- D. Stock that is held by a buyer on behalf of a seller

Ans. D

77. A property worth Rs. 1,00,000 is insured for Rs. 80,000. It is completely destroyed by fire. Under average clause, the insurance company will bear the loss of

- A. 1,00,000
- B. 80,000
- C. 20,000
- D. 1,20,000

Ans. B

Hint - $(80,000 / 1,00,000) * 1,00,000$

78. Average clause is also called

- A. Under insurance
- B. Co-insurance
- C. Over insurance
- D. None of the above

Ans. B

79. Actual loss of stock is taken to be equal to

- A. Value of stock at the date of fire
- B. Value of stock at the date of fire minus salvage value
- C. Value of stock as disclosed by stock register
- D. None of the above

Ans. B

80. With reference to loss of profit policy the sales are Rs. 1,00,000 insured standing charges Rs. 5000 and net profit Rs. 10,000. The rate of gross profit will be

- A. 9%
- B. 10%
- C. 15%
- D. 20%

Ans. C

Hint - $(15,000 / 1,00,000) * 100$

81. This loss is not because of fire
A. Loss of tangible fixed assets
B. Loss of stocks
C. Loss of profit
D. Loss of debtors
Ans. D
82. Average clause is applicable for determining the loss by fire when the policy amount is
A. Less than the value of property
B. More than the value of property
C. Equal than the value of property
D. None of the above
Ans. A
83. In case of average clause, the loss is suffered by both the insurer and the insured
A. In equal ratio
B. In the ratio of risk covered
C. Only by the insurer
D. Only by the insured
Ans. B
84. A plant worth Rs. 8,00,000 has been insured for Rs. 6,00,000. The loss on account of fire is Rs. 5,00,000. The insurance company under average clause will bear the loss to the extent of
A. 5,00,000
B. 6,00,000
C. 8,00,000
D. 3,75,000
Ans. D
Hint – $(75\% \times 5,00,000 = \text{Rs. } 3,75,000)$
85. Calculate claim amount policy amount Rs.1,71,000, actual loss Rs.2,00,000, Value of Stock on the date of fire Rs.2,28,000
A. 2,28,000
B. 3,00,000
C. 1,00,000
D. 1,50,000
Ans. D
Hint – $1,71,000 \times (2,00,000 / 2,28,000)$
86. What is the impact of a stock shortage on branch accounting?
A. It increases the profit of the branch
B. It decreases the profit of the branch
C. It has no impact on the profit of the branch
D. It increases the valuation of the closing stock
Ans. B
87. Which of the following is typically not covered under a fire insurance policy?
A. Damage caused by an electrical short circuit

- B. Damage caused by earthquakes
C. Damage caused by lightning
D. Damage caused by arson
88. What is the final step in the preparation of branch accounts
- A. Transfer of branch profits to head office
B. Adjustment for gross profit margin
C. Inter-branch reconciliation
D. Adjustment for closing stock
89. Total Debtors Account is prepared to find out
- A. Credit sales
B. Credit purchase
C. Cash sales
D. None of the above
90. Stock for the purpose of claim should be
- A. At marginal price
B. At market value
C. At cost
D. Realisable value
91. When Branch Trading account is prepared at invoice value, value of Branch stock is shown in Trading Account at cost
- A. True
B. False
C. neither true nor false
D. May be true
92. Estimated stock at the date of fire can be computed by
- A. Balance sheet
B. Trading Account
C. Memorandum Trading Account
D. Trail balance
93. The memorandum Trading Account includes
- A. Direct Expense
B. Purchases
C. Opening stock
D. All of these
94. Contract of indemnity applies on
- A. Accounting
B. Auditing
- Ans. B
- Ans. A
- Ans. A
- Ans. C
- Ans. B
- Ans. C
- Ans. D

- C. Insurance
- D. All of these

Ans. C

95. What is the treatment of branch expenses in branch accounting
- A. They are recorded in the head office account
 - B. They are ignored as they are considered to be part of the branch's operating expenses
 - C. They are charged to that branch's account
 - D. They are charged to the Profit & Loss Account

Ans. C

96. What is the main objective of branch accounting?
- A. To determine the profitability of individual branches
 - B. To transfer profits from one branch to another
 - C. To determine the creditworthiness of individual branches
 - D. To determine the overall profitability of the business

Ans. A

97. Amount of Depreciation of Branch assets is debited in branch account
- A. True
 - B. False
 - C. neither true nor false
 - D. May be true

Ans. B

98. What is branch accounting?
- A. Accounting of individual branches of a business separately
 - B. Accounting of the head office and branches together
 - C. Accounting of separate independent divisions of a business
 - D. Accounting of separate legal subsidiaries of a business

Ans. A

99. What is a branch transfer?
- A. Movement of stocks from one branch to another
 - B. Movement of money from one branch to another
 - C. Movement of goods from head office to the branch
 - D. Movement of goods from branch to head office

Ans. D

100. Calculate claim amount

Given Actual loss of stock 62,040 Policy Amount 60,000 value of stock on the date of fire 77,550

- A. 50,000
- B. 60,040
- C. 48,000
- D. 77,550

Ans. C

Hint – $62,040 \times (60,000 / 77,550)$



INSOLVENCY ACCOUNT

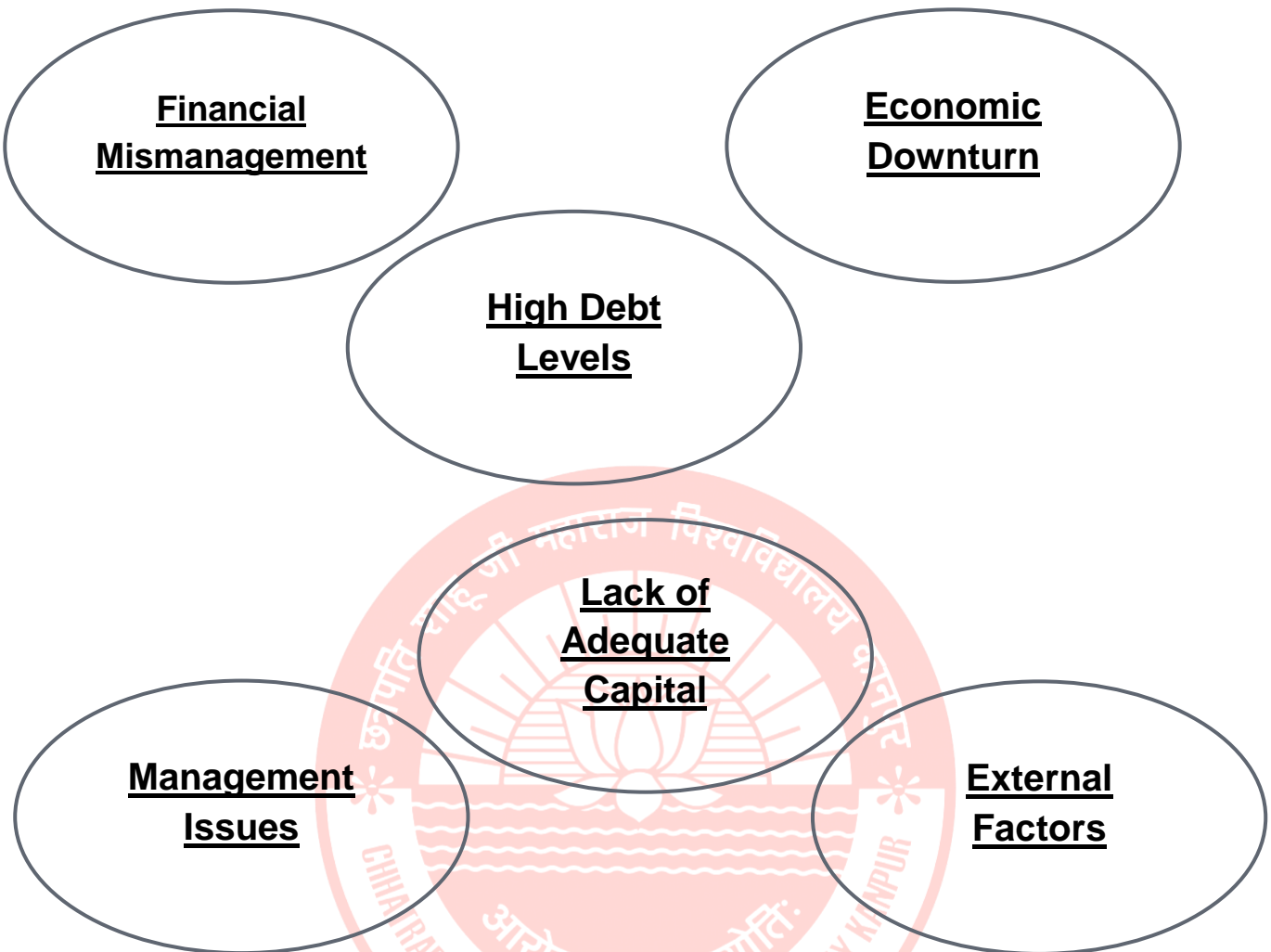


Insolvency Refers to a situation where a company or individual is unable to pay off its debts. It is a serious financial condition that can lead to insolvency proceedings, such as bankruptcy or liquidation, to resolve the debts and financial obligations of the insolvent entity.

Process:

- I. **Insolvency Resolution Process (IRP):** When a company is unable to pay its debts, a financial creditor, operational creditor, or the company itself can initiate the insolvency resolution process by filing an application with the National Company Law Tribunal (NCLT)
- II. **Appointment of Insolvency Professional (IP):** Upon admission of the application by the NCLT, an Insolvency Professional (IP) is appointed to manage the affairs of the company during the insolvency resolution process.
- III. **Moratorium:** A moratorium is imposed on the company during the insolvency resolution process, preventing Creditors from initiating or continuing any legal proceedings against the company for recovery of debts.
- IV. **Resolution Plan:** The IP, with the help of the company's management, prepares a resolution plan to restructure the company's debts and revive its operations. The resolution plan is submitted to the Creditors for approval.
- V. **Liquidation:** If a resolution plan is not approved within the specified time frame or if the company fails to pay its debts, the company may be liquidated, and its assets sold to repay the Creditors.
- VI. **Bankruptcy:** In the case of individuals, if they are unable to pay off their debts, they may be declared bankrupt by the Debt Recovery Tribunal (DRT), which can lead to the sale of their assets to repay the Creditors.

Factors Affecting Insolvency of a Business



1. **Economic Conditions:** Downturns in the economy can reduce demand for products/services, impacting revenue and cash flow.
2. **High Debt Levels:** Excessive borrowing without the ability to repay can lead to insolvency, especially if interest rates rise or revenues fall.
3. **Poor Financial Management:** Inefficient budgeting, improper accounting, and ineffective cost control can drain resources and lead to insolvency.
4. **Legal/Regulatory Changes:** Changes in laws or regulations affecting taxation, compliance, or industry standards can increase costs or reduce revenue, impacting solvency.
5. **Market Competition:** Intense competition can squeeze profit margins, making it difficult to generate sufficient revenue to cover expenses and debt obligations.
6. **Technological Disruption:** Failure to adapt to technological advancements can render products/services obsolete, reducing competitiveness and revenue.
7. **Management Issues:** Poor leadership, governance, or conflicts among management can lead to strategic errors or misallocation of resources, contributing to insolvency.

8. **Cash Flow Problems:** Inadequate cash reserves or mismatches between cash inflows and outflows can lead to liquidity crises, precipitating insolvency.
9. **Natural Disasters/Unforeseen Events:** Events like natural disasters, pandemics, or geopolitical crises can disrupt operations, causing financial strain and potential insolvency.
10. **Creditors' Actions:** Aggressive actions by creditors, such as calling in loans or initiating legal proceedings, can accelerate insolvency proceedings.
11. **Customer Base Changes:** Loss of key customers or shifts in consumer preferences can reduce revenue streams, affecting the financial viability of a business.
12. **Fraud/Misconduct:** Fraudulent activities, embezzlement, or unethical behavior within the organization can erode trust, damage reputation, and lead to insolvency.

VOYAGE ACCOUNT



A voyage account is a record of the expenses and revenues associated with a specific voyage of a shipping vessel, such as a ship or an aircraft. The voyage account is used to track the financial performance of the voyage and to calculate the profitability of transporting goods or passengers from one location to another.

Nature of Account:

Voyage account is nominal account. It is prepared on the basis of rule of nominal account.

Expenses for shipping company

Following items are recorded in the debit side of voyage account:

- 1. Bunker Cost-** Bunker cost is an expenditure incurred on diesel, petrol, coal, water etc. used during the voyage.
- 2. Port charges-** Port is the place used by the shipping companies for loading and unloading of goods and parking of the ship, hence the charges paid for these purposes are known as port charges.
- 3. Depreciation-** Depreciation of the ship for the period of voyage is calculated and charged to the voyage account.

4. Insurance- Premium of cargo must be entirely debited to the concerned voyage account whereas the insurance charges of the ship are charged proportionately to each voyage on the basis of time of voyage.

5. Address commission or Brokerage- This is an amount payable to the brokers and agents who help the shipping company to bring business or freight. This is calculated at a certain percent of the freight earned including primage or surcharge and debited to voyage account. Address commission is payable to the charterer whereas brokerage is payable to the agent of the charterer.

6. Stevedoring charges- The expenses which are incurred in loading of goods on the goods on the ships and unloading of goods from the ships are known as stevedoring charges.

7. Stores- Stock of store is purchased during the year for use during the period of voyage. **Stores consumed is calculated as: Opening stock + Net Purchase- Closing stock**

8. Lighthouse charges- A lighthouse is a tower, designed to emit light to serve as navigational aid. Charges are paid to authorities providing such light house facility are also debited to the voyage account.

9. Salaries and wages- Salaries and wages of the crew, captain and other staff are recorded in the debit side of the voyage account.

10. Manager's Commission- Sometimes commission is paid to the managers on freight earned.

11. Freight Insurance- A freight insurance policy provides additional protection to freight. It offers protection against potential losses caused to the shipment during the transit. There are different types of freight insurance policies including cargo insurance, shipping insurance, transport insurance etc. All these policies cover merchandise and goods against loss or damage during transit from one place to another.

12. Harbour Charges- Harbour charges are fees or charges paid for using a harbour.

Income for shipping company

Following items are recorded in the credit side of voyage account:

1. Freight- The amount which is charged by the shipping companies for taking goods or cargo from one place to another is called freight. It is an income for shipping company.

2. Primage- Shipping company charges an extra amount in addition to freight. This amount is calculated at a certain per cent over freight.

3. Passage Money- Shipping companies carry passengers along with cargo the fare received from passenger is income of shipping company. This income is called passage money.

Voyage Account Format

Voyage No.....

Account of[Name of ship]

To -----

Arrival-----

From-----

Commencement-----

Dr.

Cr.

Particulars	Amount	Particulars	Amount
To Bunker Cost		By Freight:	
To Expenses		Inward Journey	
To Cost of Petrol		Outward Journey	
To Port Charges		Add: Primage	
To Stevedoring Charges		By Passing Money:	
To Loading Charges		Closing Stock of Coal	
To Unloading Charges		Petrol	
To Harbour Wages		Diesel	
To Salaries of Officers		Stores	
To Crew		Fresh Water	
To Annual Standing Charges		By Bar Sales and Saloon	
To Depreciation		Incomes	
To Insurance:		By Voyage-in-Progress	
Hull		By Expenses of Incomplete	
Freight		Journey	
To Address Commission		By Net Loss(Balancing)	
To Brokerage			
To Voyage-in-Progress			
To Freight of Incomplete Voyage			
To Net Profit			
(Balancing Figure)			

Multiple choice Questions:

1. Insolvency is-
- A. A low cash balance
 - B. Lack of liquidity
 - C. Not being able to pay one's debts.
 - D. Lack of borrowing capacity
- Ans. C
2. In the case of personal insolvency, who can file for bankruptcy under the IBC?
- A. Only individuals
 - B. Only companies
 - C. Only partnership firms
 - D. Both individuals and partnership firms
- Ans. A
3. Deficiency Account explains-
- A. Financial Position
 - B. Causes of Insolvency
 - C. Profit and Loss
 - D. None of these
- Ans. B
4. Creditors basically classified as –
- A. Fully Secured – Party Secured
 - B. Preferential – Non Preferential
 - C. Secured – Unsecured
 - D. None
- Ans. C
- [Hint- all other is the subparts of Secured and Unsecured]
5. When can a bank initiate a corporate insolvency resolution process in relation to a corporate debtor?
- A. On determination of default by national company law tribunal
 - B. Occurrence of default
 - C. On net-worth of the debtor becoming negative
 - D. On the bank classified the account as Non-performing asset
- Ans. B
6. Who cannot initiate a fast track corporate insolvency resolution Process [CIRP]?
- A. Financial creditor
 - B. Operational creditor
 - C. Only Corporate debtor
 - D. Financial Creditor, Operational Creditor and Corporate Debtor
- Ans. D [ICSI-RTP]
7. ----- Account exhibits the deficiency of Business during course of business.
- A. Profit and Loss Account
 - B. Deficiency Account
 - C. Balance sheet

- D. None of the above
Ans. B
8. A debtor may make an application for a fresh start for discharge of-----
A. All debts
B. bankruptcy debts
C. Qualifying debts
D. Operational debts
Ans. C
9. Municipal Tax Payable on personal House Property is recorded in statement of affairs under insolvency proceeding----
A. List 'A'
B. List 'B'
C. List 'C'
D. List 'D'
Ans. D
10. The Insolvency and Bankruptcy Board of India may order any person to act as investigating authority to conduct an investigation of
A. Committee of creditors
B. Resolution Applicant
C. Insolvency professional Agency
D. Insolvency professional Entity
Ans. C
11. Who makes model bye laws to be adopted by insolvency professional agencies
A. Insolvency and Bankruptcy Board of India
B. National company law tribunal
C. Ministry of corporate Affairs
D. Governing Board of the Insolvency professional Agency
Ans. A
12. The act of insolvency is committed by a debtor in the following cases:
A. When a person transfers his property, wholly or partly, to a third person for the benefit of his creditors
B. When he notifies his creditors that he has suspended or is about to suspend payment of his debts
C. When he departs from or remains out of India
D. All of the above
Ans. D
13. In case the application for registration of an insolvency professional Agency is having some defect the insolvency and Bankruptcy Board of India may:-
A. Reject the application
B. Give additional time to the applicant to remove such defects
C. Refer the application to National company law tribunal
D. Grant a provisional registration subject to correcting such defects
Ans. B

14. The limited period registration granted to an insolvency professional is valid for ----- months

- A. 3
- B. 6
- C. 9
- D. 12

Ans. B

15. Which financial statement provides information about a company's ability to pay its short-term obligations?

- A. Balance sheet
- B. Income statement
- C. Cash flow statement
- D. Statement of changes in equity

Ans. C

16. Which of the following regulates issue of securities and the payment of dividend by listed companies?

- A. Securities and exchange board of India
- B. Central Government
- C. Tribunal
- D. Registrar

Ans. A

17. Which of the following is not a characteristic of insolvency?

- A. Cash flow problems
- B. Inability to meet financial obligations
- C. Decline in profitability
- D. Accumulation of unpaid debts

Ans. C

18. Presidency Town Insolvency Act, 1909 not applicable to

- A. Mumbai
- B. Delhi
- C. Chennai
- D. Kolkata

Ans. B

19. Provincial Insolvency Act, 1920 not applicable in

- A. Mumbai
- B. Agra
- C. Hyderabad
- D. Nagpur

Ans. A

20. Statement of affairs is statement of -----

- A. Profitability
- B. Liquidity
- C. Assets and liabilities
- D. None of the Above

Ans. C

21. Statement of affairs is prepared at -----

- A. Book value
- B. Net Realisable value
- C. Cost
- D. Other

Ans. B

22. In insolvency accounting, what is the term used for the process of distributing a company's assets to its creditors?

- A. Liquidation
- B. Amortization
- C. Depreciation
- D. Accrual

Ans. A

23. Which of the following item is not preferential under provincial Insolvency Act

- A. Rates and Taxes
- B. Salary to clerk
- C. Wages to worker
- D. Rent to landlord

Ans. D

24. What is the main objective of the Insolvency and Bankruptcy Code, 2016 (IBC) in India?

- A. To protect the interests of shareholders
- B. To expedite the resolution process for insolvent entities
- C. To prioritize debt repayment for secured creditors
- D. To increase government revenue through insolvency proceedings

Ans. B

25. Which regulatory body oversees the implementation of the Insolvency and Bankruptcy Code (IBC) in India?

- A. Securities and Exchange Board of India (SEBI)
- B. Reserve Bank of India (RBI)
- C. Ministry of Corporate Affairs (MCA)
- D. Insolvency and Bankruptcy Board of India (IBBI)

Ans. D

26. In the context of the Insolvency and Bankruptcy Code (IBC), what is the role of the National Company Law Tribunal (NCLT)?

- A. Approve bankruptcy applications
- B. Oversee the liquidation process
- C. Appoint insolvency professionals
- D. Facilitate debt restructuring negotiations

Ans. A

27. In the Insolvency and Bankruptcy Code (IBC), what is the primary objective of the corporate insolvency resolution process?

- A. Liquidate the assets of the debtor
- B. Restructure the debts of the debtor
- C. Maximize the value of assets for creditors
- D. Protect the interests of shareholders

Ans. C

28. Contingent liabilities are classified as in statement of affairs under insolvency proceeding

- A. Unsecured creditors
- B. Partly secured creditors
- C. Fully secured creditors
- D. Debtors

Ans. B

29. List 'E' of assets and property in statement of affairs under insolvency proceeding includes -----

- A. All assets
- B. Charged assets
- C. Uncharged assets
- D. None

Ans. C

30. If realizable value of assets is more than liability creditors are classified as

- A. Fully secured
- B. Partly secured
- C. Preferential
- D. Unsecured

Ans. A

31. Which of the following creditors have priority but no security

- A. Fully secured Creditors
- B. Partly secured Creditors
- C. Preferential Creditors
- D. Unsecured Creditors

Ans. C

32. In insolvency accounting, what is the order of priority for distributing assets to creditors?

- A. Preferred creditors, secured creditors, unsecured creditors
- B. Secured creditors, preferred creditors, unsecured creditors
- C. Unsecured creditors, preferred creditors, secured creditors
- D. Secured creditors, unsecured creditors, preferred creditors

Ans. B

33. What is the term used to describe the process of an insolvent individual or business formally declaring their inability to meet financial obligations?

- A. Bankruptcy
- B. Receivership
- C. Administration

D. Liquidation

Ans. A

34. Which accounting principle emphasizes the importance of recognizing potential losses from uncollectible accounts in insolvency accounting?

- A. Conservatism principle
- B. Consistency principle
- C. Materiality principle
- D. Going concern principle

Ans. A

35. By what percentage by voting share in the meeting of committee of creditors can a bankruptcy trustee be replaced

- A. 75%
- B. 77%
- C. 76%
- D. 70%

Ans. B

36. Public notice for inviting claims from creditors shall be sent from the commencement date of bankruptcy to creditors within

- A. 7 days
- B. 8 days
- C. 15 days
- D. 10 days

Ans. D

37. The notice given by new bankruptcy trustee shall be given after his appointment in

- A. 10 days
- B. 7 days
- C. 21 days
- D. 5 days

Ans. B

38. The estate of the bankruptcy shall vest in the bankruptcy trustee from the date of his appointment in

- A. 3 days
- B. 5 days
- C. 7 days
- D. Immediately

Ans. D

39. Bankruptcy trustee shall give notice for the acquisition or devolution of the after acquired property from the date of such acquisition in

- A. 15 days
- B. 7 days
- C. 10 days
- D. 21 days

Ans. A

40. As per Section 12(1) of Insolvency & Banking Code, 2016, Completion of Insolvency Resolution Process [CIRP] shall be completed within a period of ----- days from the date of admission of the application to initiate such process.

- A. 100 days
- B. 180 days
- C. 200 days
- D. 80 days

Ans. B

41. The notice of proof of debt shall be given by bankruptcy trustee to each of the creditors within

- A. 14 days
- B. 21 days
- C. 7 days
- D. 10 days

Ans. A

42. In insolvency accounting, what does the term "preferential creditor" refer to?

- A. Creditors with unsecured debt
- B. Creditors with secured debt
- C. Creditors with priority for repayment
- D. Creditors with the lowest claim on assets

Ans. C

43. Which party typically oversees the administration of insolvency accounting?

- A. Auditors
- B. Shareholders
- C. Liquidators
- D. Creditors' committee

Ans. C

44. In insolvency accounting, what does the "order of payment" refer to?

- A. Sequence of payments to shareholders
- B. Sequence of payments to creditors
- C. Sequence of payments to employees
- D. Sequence of payments to government agencies

Ans. B

45. How does insolvency accounting differ from regular accounting?

- A. It focuses on short-term profits.
- B. It emphasizes maximizing shareholder value.
- C. It prioritizes creditor claims over shareholder interests.
- D. It disregards liabilities.

Ans. C

46. Which of the following statements is true regarding insolvency accounting?

- A. It focuses on maximizing profits for shareholders.
- B. It involves liquidating assets to pay off creditors.
- C. It disregards creditor claims.

D. It aims to increase company market share.

Ans. B

47. What is the primary goal of insolvency accounting?

- A. Maximize shareholder wealth
- B. Preserve assets for creditors
- C. Increase company revenue
- D. Reduce operating expenses

Ans. B

48. Which chapter of the IBC deals with the process of corporate insolvency resolution?

- A. Chapter III
- B. Chapter IV
- C. Chapter V
- D. Chapter VI

Ans. B

49. List ----- shows the deficiency i.e., liabilities of the Debtors over realizable value of his assets.

- A. List C
- B. List D
- C. List E
- D. List H

Ans. D

50. List ----- includes all Creditors, who do not possess any security of the Insolvent Debtor.

- A. List A
- B. List B
- C. List C
- D. List D

Ans. A

51. Which of the following item decreases deficiency-

- A. Drawing
- B. Interest on Drawing
- C. Interest on Capital
- D. Trading Loss

Ans. C

52. Which of the following item increases deficiency-

- A. Trading Profit
- B. Other Profit
- C. Interest on Capital
- D. Interest on Drawing

Ans. D

53. Profit or loss on voyage account is transferred to

- A. Profit and loss account of shipping companies
- B. Balance sheet
- C. Trial balance

D. None of these

Ans. A

54. Voyage account is ----- account

- A. Nominal
- B. Personal
- C. Real
- D. None

Ans. A

55. ----- refer to the amount spent on fuel, coal, diesel and freshwater used for the purpose of voyage

- A. Bunker cost
- B. Port charges
- C. Primage
- D. None

Ans. A

56. What is the expenditure related to setting up a ship, loading and unloading of goods on the ship called?

- A. Travel expenses
- B. Port charges
- C. Voyage expenditure
- D. None of these

Ans. B

57. The items to be write the debit side of the voyage account are

- A. Depreciation along
- B. Port charges
- C. Insurance
- D. All of these

Ans. D

58. In which side of the account incomes of incomplete voyage shown-

- A. Credit
- B. Debit
- C. Do not show
- D. None of these

Ans. B

59. What is address commission

- A. Commission paid by the ship company
- B. Commission paid to the ship company
- C. Commission paid to the manager
- D. None of these

Ans. A

60. The extra amount charged by a shipping company as a percentage of freight is termed as

- A. Brokerage
- B. Commission

- C. Primage
- D. Value addition

Ans. C

61. Fare collected from the passengers travelled in addition to the fare collected for merchandise is called

- A. Primage
- B. Freight
- C. Passage money
- D. Bunker cost

Ans. C

62. Expenditure incurred on diesel , coal and petrol during voyage is called

- A. Primage
- B. Bunker cost
- C. Brokerage
- D. Commission

Ans. B

63. Usually, voyage account is credited with

- A. Passage money and primage
- B. Closing stocks of stores provisions
- C. Freight
- D. All of these

Ans. D

64. Voyage Includes

- A. Outward journey
- B. Inward journey
- C. Both a and b
- D. None

Ans. C

65. Insurance----- received or receivable on the asset may either be offset against the loss or presented separately as other income

- A. Compensation
- B. Payment
- C. Reimbursement
- D. Damage

Ans. A

66. In voyage account example of debit side

- A. Depreciation
- B. Insurance
- C. Net profit
- D. All of the above

Ans. D

67. In voyage account, example of credit side are

- A. Primage
- B. Passage money

- C. Voyage in progress
- D. All of the above

Ans. D

68. The main objective of depreciation is

- A. To show the previous profit
- B. To calculate net/true profit
- C. To reduce tax
- D. To satisfy the tax department

Ans. B

69. Depreciation occurs generally due to

- A. Increase in the value of liability
- B. Decrease in capital
- C. Wear and tear
- D. Decrease in the value of assets

Ans. C

70. Total amount of depreciation of an asset cannot exceed its

- A. Depreciable value
- B. Scrap value
- C. Market value
- D. None of these

Ans. A

71. Profit and Loss on voyage account is transferred to -

- A. Profit and loss account of shipping company
- B. Balance Sheet
- C. Trial Balance
- D. None

Ans. A

72. Voyage accounting is followed by

- A. Personal company
- B. Shipping company
- C. Financial Company
- D. Real company

Ans. B

73. The amount of Insurance premium for one year is 60,000 but the voyage has taken only 3 months , then how much amount of premium will be debited in the voyage account

- A. 60,000
- B. 15,000
- C. 45,000
- D. None of the above

Ans. B

[Hint- $60,000 \times [3/12] = 15,000/-$]

74. The voyage of a ship starting on 1st January 2022 year ended 31st March 2022. The value of the ship was 800,000. Depreciation on the written down value of the ship at 5% per annum, the amount of depreciation will be:

- A. 40,000
- B. 120,000
- C. 10,000
- D. None

Ans. C

[Hint- $800,000 \times 5/100 \times 3/12 = 10,000$]

75. Which of the following term is not used in Voyage Account-

- A. Ship
- B. Hull
- C. Voyage
- D. Vouching

Ans. D

76. Ship includes-

- A. Vessel
- B. Rail
- C. Airway
- D. All of these

Ans. A

77. Bunker Cost includes-

- A. Coal Place
- B. Oil Place
- C. Water Place
- D. All of these

Ans. D

78. Address Commission is allowed on-

- A. Issue of shares
- B. Issue of Debentures
- C. Ship Freight
- D. Issue of bonds

Ans. C

79. Insurance premium is 5% on freight Rs. 500,000. The Freight insurance will be-

- A. 200,000
- B. 25,000
- C. 5,00,000
- D. 4,75,000

[Hint- $500,000 \times 5/100$]

Ans. B

80. Given –

Cost of Ship- 120,000

Rate of Depreciation- 20%

Days of Voyage- 4 Months

The amount of depreciation will be

- A. 8,000
- B. 9,000
- C. 12,000
- D. 13,000

Ans. A

[Hint- $\frac{\text{Cost of ship} \times \text{rate} \times \text{days/months of voyage}}{100 \times 12}$]

81. -----refers to the act of loading or offloading cargo to and/or from a ship.

- A. Unloading
- B. Stevedore
- C. Harbour
- D. None

Ans. B

82. ----- is the place used by the shipping companies for loading and unloading of goods and parking of the ship, hence the charges paid for these purposes are known as -----

- A. Port, Port Charges
- B. Land, Custom Duty
- C. Bunker, Bunker Charges
- D. All of the above

Ans. A

83. Address commission is payable to the -----

- A. Customer
- B. Charterer
- C. Principal
- D. Agent

Ans. B

84. Brokerage is payable to the ----- of the charterer.

- A. Agent
- B. Owner
- C. Both
- D. None

Ans. A

85. A lighthouse is a tower, designed to emit light to serve as navigational aid. Charges are paid to authorities providing such light house facilities are also ----- to the voyage account.

- A. Debited
- B. Credited
- C. Unloaded
- D. None

Ans. A

86. What does the voyage account primarily focus on?

- A. Capital investments

- B. Day-to-day expenses of a ship
- C. Long-term assets
- D. Employee salaries

Ans. B

87. The balance in a voyage account represents:
- A. Profit or loss from a specific voyage
 - B. Total expenses incurred by the shipping company
 - C. Shareholders' equity
 - D. Revenue generated from multiple voyages

Ans. A

88. In insolvency accounting, what is the term for the process of selling off a company's assets to generate cash for debt repayment?
- A. Asset valuation
 - B. Debt restructuring
 - C. Liquidation
 - D. Reorganization

Ans. C

89. In a voyage account, what would be considered a direct expense?
- A. Administrative salaries
 - B. Fuel expenses
 - C. Office rent
 - D. Advertising costs

Ans. B

90. Which accounting principle requires the segregation of voyage expenses in a voyage account?
- A. Consistency principle
 - B. Cost principle
 - C. Materiality principle
 - D. Matching principle

Ans. D

91. If a voyage account shows a credit balance, it indicates:
- A. Profit from the voyage
 - B. Loss from the voyage
 - C. Break-even point
 - D. No financial impact

Ans. A

92. Which of the following is not a common entry in a voyage account?
- A. Freight income
 - B. Crew salaries
 - C. Office supplies expenses
 - D. Fuel expenses

Ans. C

93. When preparing a voyage account, which document is often used to gather information about expenses?

- A. Balance sheet
- B. Income statement
- C. Cash flow statement
- D. Journal entries

Ans. B

94. Which document serves as the primary source of information for preparing a voyage account?

- A. Crew list
- B. Cargo manifest
- C. Insurance policy
- D. Bill of sale

Ans. B

95. In voyage accounting, what does the term "lay days" refer to?

- A. Days when the vessel is laid up for maintenance
- B. Days during which the vessel is on hire but not engaged in loading or unloading
- C. Days when the vessel is chartered for a specific voyage
- D. Days when the vessel is in port for cargo operations

Ans. B

96. How are "voyage insurance premiums" accounted for in voyage accounting?

- A. They are recorded as revenue in the income statement.
- B. They are included in the calculation of voyage expenses.
- C. They are capitalized as an asset on the balance sheet.
- D. They are deducted from the total charter hire revenue.

Ans. B

97. What does the term "demurrage" signify in the context of voyage accounting?

- A. Additional payment made for chartering a vessel
- B. Compensation for delays in loading or unloading cargo beyond the agreed time
- C. Insurance premium paid for the vessel
- D. Payment for fuel consumed during the voyage

Ans. B

98. In voyage accounting, what does the term "dead freight" refer to?

- A. Space on board the vessel left empty due to cancellation of cargo
- B. Cargo that spoils or becomes damaged during the voyage
- C. Payment made by the charterer for the entire cargo capacity of the vessel
- D. Compensation paid by the ship owner for delays caused by the crew

Ans. A

99. Which accounting method is commonly used to account for voyage expenses incurred in a specific period?

- A. Cash basis accounting
- B. Accrual basis accounting
- C. Straight-line depreciation method
- D. Double-entry accounting

Ans. B

100. **Assertion:** Bunker fuel prices have a direct impact on a shipping company's profitability.

Reasoning: Increased bunker fuel prices lead to higher operating costs, reducing profitability.

- A. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion(A)
- B. Both Assertion (A) and Reason (R) are true but Reason (R) is not the correct explanation of Assertion (A)
- C. Only (A) is true
- D. Both (A) and (R) are wrong

Ans. A



MODEL TEST PAPER

FINANCIAL ACCOUNTING

B.COM II SEM

1. Who is known as father of Accounting in India?
 - A. Chanakya
 - B. Rabindra Nath Tagore
 - C. Shri Kalyan Subramani Aiyer
 - D. None of the above

2. Which book is known as the book of original entry:
 - A. Bank statement
 - B. Voucher
 - C. Journal book
 - D. None of these

3. Closing stock appearing in the trial balance is shown in
 - A. Balance Sheet
 - B. Profit and Loss account
 - C. Trading Account
 - D. All of these

4. Cash discount allowed to a debtors should he credited to:
 - A. Debtor A/c
 - B. Discount Allowed A/c
 - C. Purchases A/c
 - D. None of these

5. Which of the following equation is correct?
 - A. Asset + liabilities = Capital
 - B. Asset + Capital = Liabilities
 - C. Asset – Liabilities = Capital
 - D. None of these

6. Accounting standards in India are issued by:
 - A. ICAI
 - B. Central government
 - C. RBI
 - D. State government

7. Journal entry for wages paid Rs. 3,000 for installation of plant will be
 - A. Dr. Installation of plant A/c and Cr. Cash A/c 3,000
 - B. Dr. Wages A/c and Cr. Cash A/c 3,000

- C. Dr. Plant A/c and Cr. Cash A/c 3,000
D. None of the Above
8. Direct expenses are recorded in:
A. Balance sheet
B. Profit and loss account
C. Trading account
D. None of these
9. Stock is:
A. An intangible asset
B. Part of current asset
C. Fictitious asset
D. Included in the category of fixed assets
10. In modern times, Double entry system was invented by-
A. Lucas Pacioli
B. Kautilya
C. Aiyer
D. None of the Above
11. Nominal Account is credited when there is a/an -----
A. Gain/Income
B. Loss
C. Expense
D. All of the Above
12. AS-3 deals with –
A. Cash Flow Statement
B. Inventory
C. Depreciation
D. Revenue recognition
13. What is Royalty?
A. A payment is made for the use of Assets
B. A fixed payment for the use of Fixed Assets
C. Payment made by owners
D. None of the above
14. Patent Royalty is based on:
A. Production
B. Sales
C. Purchase
D. Both 1st and 2nd

15. Lessor is the
- A. Owner
 - B. User
 - C. None
 - D. Both 1st and 2nd
16. Short working =- Royalty Payable
- A. Minimum rent
 - B. Capital
 - C. Cash
 - D. None of the Above
17. Royalty Account is
- A. Nominal account
 - B. Real account
 - C. Personal Account
 - D. None of the above
18. Surplus is.....
- A. Excess of minimum rent over the actual royalty
 - B. Excess of actual royalty over minimum rent
 - C. Excess of actual royalty over shortworking
 - D. None of the above
19. In the books of Lessee, the short working recovered amount is debited to:
- A. Profit and loss account
 - B. Minimum rent Account
 - C. Royalty Account
 - D. Landlord's Account
20. Excess working means.....
- A. Excess of Minimum rent over royalty
 - B. Excess of royalty over minimum rent
 - C. None of the above
 - D. All of these
21. Dead rent is also called
- A. Outstanding rent
 - B. Minimum rent
 - C. Prepaid rent
 - D. All of the above
22. Royalty is ₹ 64,000, Minimum rent ₹ 80,000. What will be the amount of short working

- A. ₹ 60000
B. ₹ 16,000
C. ₹ 64000
D. ₹ 80,000
23. Royalty is anto lessee
A. Income
B. Expense
C. Both
D. None of the Above
24.account is credited when the lessor receive an amount:
A. Lessee Account
B. Lessor Account
C. Profit and Loss Account
D. Income
25. Royalty is ₹ 74,000, Minimum rent ₹ 60,000. The amount of royalty to be payable will be
A. ₹ 60,000
B. ₹ 74,000
C. ₹ 44000
D. ₹ 6000
26. Royalty accounting is covered under the Companies Act 2013:
A. True
B. False
C. None of these
D. Any of the above
27. Hire purchaser price =
A. Cash price + interest on outstanding cash price
B. Cash price – deposit
C. Hire purchase price - cash price
D. Any of the above
28. In Hire Purchase System the liability of repairs is of:
A. Purchaser of the asset
B. Seller of the asset
C. Manufacturer of the asset
D. None of these
29. The Sale of Goods Act, of 1930 is not applicable in:
A. Cash purchase System

- B. Hire Purchase System
 - C. Credit Purchase System
 - D. Instalment Payment System
30. If the firm stops making repayments and the goods or assets are taken away from them as a result, this is known as:
- A. Forfeiture
 - B. Cancellation
 - C. Annulment
 - D. Repossession
31. The depreciation in the books of the buyer is charged on:
- A. Market price
 - B. Total instalment amount
 - C. Hire purchase price
 - D. Cash price
32. Hire Purchase Act was passed in the year:
- A. 1917
 - B. 1956
 - C. 1972
 - D. 1850
33. The initial payment made under a hire purchase agreement is called:
- A. Instalment
 - B. Down payment
 - C. Interest
 - D. Deposit
34. In an installment payment system, which party provides financing to the buyer?
- A. The seller
 - B. The buyer
 - C. The bank
 - D. The government
35. Which of the following is not a component of an installment payment system?
- A. Length of the payment term
 - B. Down payment
 - C. Principal amount
 - D. Cost of goods sold
36. Which of the following is NOT a type of royalty?
- A. Patent royalties
 - B. Mineral royalties

- C. Oil wells royalties
D. Dividend royalties
37. Given a Royalty Rs. 65000 and Minimum rent Rs. 140000 calculate shortworking
A. 75000
B. 80000
C. 65000
D. 140000
38. There is no difference between hire purchase and Instalment purchase system
A. True
B. False
C. Neither true nor false
D. None of the above
39. Royalty is ₹ 15,000, Minimum rent ₹ 70,000. What will be the amount of short working
A. 55,000
B. 60,000
C. 75,000
D. 15,000
40. A phone costing Rs. 450 is bought on hire purchase with a 20% down payment. What is the down payment amount?
A. 80
B. 90
C. 70
D. 60
41. A branch that does not keep its own set of accounting books is also known as
A. Foreign Branch
B. Dependent branch
C. Independent branch
D. None of the above
42. In the case of a dependent branch 'Branch fixed Assets A/c's are maintained by:
A. Branch
B. Head Office
C. Department
D. None of the above
43. Branch account under debtor system is
A. Personal
B. Real

- C. Nominal
D. None
44. Debtor system of accounting is suitable for ----- size branches
A. Small
B. Large
C. Very Large
D. None of the above
45. Goods are sent to the branch at cost plus 20%. The loading on the invoice price will be
A. 28%
B. 16.67%
C. 33.33%
D. 25%
46. Under the Debtors Method, the opening balance of debtors is.
A. Debited the Branch Account
B. Credited the Branch Account
C. Debited to Head Office account
D. None of these
47. What are goods sent by the head office at the end of the year but not received by the branch called
A. Loss
B. Goods in transit
C. Shortage
D. Loss by fire
48. The method of Branch Accounting varies with the nature and the status of the branch.
A. True
B. May be false
C. neither true nor false
D. May be true
49. Loading on surplus in stock is.....to Branch Adjustment Account
A. debit
B. credit
C. liability
D. trading
50. Following is/are the importance of Branch Accounting-
A. It helps in understanding the profit and loss borne by every branch.

- B. Helps in understanding the rent, salary, wages and expenses of each branch individually.
 - C. Guides in understanding the cash position and debtor's inventory of every branch.
 - D. All of the above
51. All items of stock in Trading and Profit and loss Account are to be converted into cost price if these are given at an _
- A. Profit ratio
 - B. market price
 - C. Balance
 - D. Invoice price
52. Choose the disadvantages of branch accounting:
- A. It involves extra cost and workforce.
 - B. Branch accounting requires a separate manager for every branch, and this can, in turn, lead to mismanagement.
 - C. Decision-making becomes easier after analysing the branch's performance.
 - D. Both 1 and 2
53. Inland Branch is also known as
- A. Foreign branch
 - B. Commercial Branch
 - C. Domestic Branch
 - D. None of the above
54. The Loss of Profit Policy is also known as
- A. Loss of Fixed Assets
 - B. Consequential Loss policy
 - C. Loss of Stock Policy
 - D. Life Insurance Policy
55. Salvage stock means
- A. Destroyed Stock
 - B. Stock saved from fire
 - C. Insurance Claim
 - D. Total Stock
56. Average clause is applied in case of
- A. Under Insurance
 - B. Over Insurance
 - C. Fair Insurance

D. Over and Fair Insurance

57. Ratio of Gross Profit to sales is known as

- A. Indemnity Ratio
- B. Gross Profit Ratio
- C. Current ratio
- D. None of the above

58. Fire insurance does not cover which of the following assets?

- A. Stock
- B. Goodwill
- C. Both a and b
- D. None of the above

59. Given Amount of insurance policy 63,000
value of stock on the date of fire 72,000 actual loss of stock 54,000
calculate claim amount

- A. 47,000
- B. 43,000
- C. 47,250
- D. 70,000

60. The average clause in a loss of profit policy protects-

- A. Insured
- B. Workers
- C. Insurer
- D. None of the Above

61. The Short Sales at Rs. 40,000 and Gross Profit Rate is 25%, Calculate Insurance claim

- A. 10,000
- B. 15,000
- C. 20,000
- D. 25,000

62. Due to the inclusion of average clause in the fire insurance policy, an insured becomes a.....in the event of under insurance

- A. Co Insurer
- B. Profit
- C. Loss
- D. Provision

63. Undamaged Goods are known as Salvaged Stock

- A. True

- B. False
C. Maybe true
D. None of the Above
64. When the stock is valued under cost price it is called as
A. Overvaluation
B. Undervaluation
C. At par
D. Fair valuation
65. This loss is not because of fire
A. Loss of tangible fixed assets
B. Loss of stocks
C. Loss of profit
D. Loss of debtors
66. A plant worth Rs. 8,00,000 has been insured for Rs. 6,00,000. The loss on account of fire is Rs. 5,00,000. The insurance company under average clause will bear the loss to the extent of
A. 5,00,000
B. 6,00,000
C. 8,00,000
D. 3,75,000
67. A plant worth Rs. 8,00,000 has been insured for Rs. 6,00,000. The loss on account of fire is Rs. 5,00,000. The insurance company under average clause will bear the loss to the extent of
A. 5,00,000
B. 6,00,000
C. 8,00,000
D. 3,75,000
68. Total Debtors Account is prepared to find out
A. Credit sales
B. Credit purchase
C. Cash sales
D. None of the above
69. Estimated stock at the date of fire can be computed by
A. Balance sheet
B. Trading Account
C. Memorandum Trading Account
D. Trail balance

70. Journal entry for Prepaid Rent will be
- A. Rent A/c Dr.
 To Prepaid Rent A/c
 - B. Prepaid Rent A/c Dr.
 To Rent A/c
 - C. Prepaid Rent A/c Dr.
 To Capital A/c
 - D. Rent A/c Dr.
 To Cash A/c
71. Insolvency is-
- A. A low cash balance
 - B. Lack of liquidity
 - C. Not being able to pay one's debts.
 - D. Lack of borrowing capacity
72. When can a bank initiate a corporate insolvency resolution process in relation to a corporate debtor?
- A. On determination of default by national company law tribunal
 - B. Occurrence of default
 - C. On net-worth of the debtor becoming negative
 - D. On the bank classified the account as Non-performing asset
73. ----- Account exhibits the deficiency of Business during course of business.
- A. Profit and Loss Account
 - B. Deficiency Account
 - C. Balance sheet
 - D. None of the above
74. Who makes model bye laws to be adopted by insolvency professional agencies
- A. Insolvency and Bankruptcy Board of India
 - B. National company law tribunal
 - C. Ministry of corporate Affairs
 - D. Governing Board of the Insolvency professional Agency
75. Remuneration charged by an insolvency professional need not be -----
- A. Transparent
 - B. Reasonable
 - C. lowest
 - D. Disclosed to stakeholders
76. Statement of affairs is prepared at -----
- A. Book value
 - B. Net Realisable value

- C. Cost
- D. Other

77. In the Insolvency and Bankruptcy Code (IBC), what is the primary objective of the corporate insolvency resolution process?
- A. Liquidate the assets of the debtor
 - B. Restructure the debts of the debtor
 - C. Maximize the value of assets for creditors
 - D. Protect the interests of shareholders
78. If realizable value of assets is more than liability creditors are classified as
- A. Fully secured
 - B. Partly secured
 - C. Preferential
 - D. Unsecured
79. The monetary limit for salary or wages per head as preferential under provincial Insolvency Act is
- A. Rs. 10
 - B. Rs. 20
 - C. Rs.50
 - D. Rs.100
80. The notice given by new bankruptcy trustee shall be given after his appointment in
- A. 10 days
 - B. 7 days
 - C. 21 days
 - D. 5 days
81. The notice of proof of debt shall be given by bankruptcy trustee to each of the creditors within
- A. 14 days
 - B. 21 days
 - C. 7 days
 - D. 10 days
82. Calculate the amount of Cost Of Goods Sold, where;
- Purchases 100,000, Purchase Returns 10,000
Wages 2000, Carriage 1000,
Change in Stock 20,000
- A. 73,000
 - B. 113,000
 - C. 133,000
 - D. 93,000

83. List ----- includes all Creditors, who do not possess any security of the Insolvent Debtor.
- A. List A
 - B. List B
 - C. List C
 - D. List D
84. Voyage account is ----- account
- A. Nominal
 - B. Personal
 - C. Real
 - D. None
85. Fare collected from the passengers travelled in addition to the fare collected for merchandise is called
- A. Primage
 - B. Freight
 - C. Passage money
 - D. Bunker cost
86. Usually, voyage account is credited with
- A. Passage money and primage
 - B. Closing stocks of stores provisions
 - C. Freight
 - D. All of these
87. The main objective of depreciation is
- A. To show the previous profit
 - B. To calculate net profit
 - C. To reduce tax
 - D. To satisfy the tax department
88. The voyage of a ship starting on 1st January 2022 year ended 31st March 2022. The value of the ship was 800,000. Depreciation on the written down value of the ship at 5% per annum, the amount of depreciation will be:
- A. 40,000
 - B. 120,000
 - C. 10,000
 - D. None
89. Ship includes-
- A. Vessel
 - B. Rail
 - C. Airway

- D. All of these
90. Insurance premium is 5% on freight Rs. 500,000. The Freight insurance will be-
- A. 200,000
 - B. 25,000
 - C. 5,00,000
 - D. 4,75,000
91. This is the expenditure on fuel oil, diesel, coal and fresh water used during voyage-
- A. Bunker Cost
 - B. Hull
 - C. Freight
 - D. None
92. A lighthouse is a tower, designed to emit light to serve as navigational aid. Charges are paid to authorities providing such light house facilities are also ----- to the voyage account.
- A. Debited
 - B. Credited
 - C. Unloaded
 - D. None
93. In insolvency accounting, what is the term for the process of selling off a company's assets to generate cash for debt repayment?
- A. Asset valuation
 - B. Debt restructuring
 - C. Liquidation
 - D. Reorganization
94. Which accounting principle requires the segregation of voyage expenses in a voyage account?
- A. Consistency principle
 - B. Cost principle
 - C. Materiality principle
 - D. Matching principle
95. If a voyage account shows a credit balance, it indicates:
- A. Profit from the voyage
 - B. Loss from the voyage
 - C. Break-even point
 - D. No financial impact
96. Which document serves as the primary source of information for preparing a voyage account?

- A. Crew list
- B. Cargo manifest
- C. Insurance policy
- D. Bill of sale

97. Which accounting method is commonly used to account for voyage expenses incurred in a specific period?

- A. Cash basis accounting
- B. Accrual basis accounting
- C. Straight-line depreciation method
- D. Double-entry accounting

98. Sales are equal to:

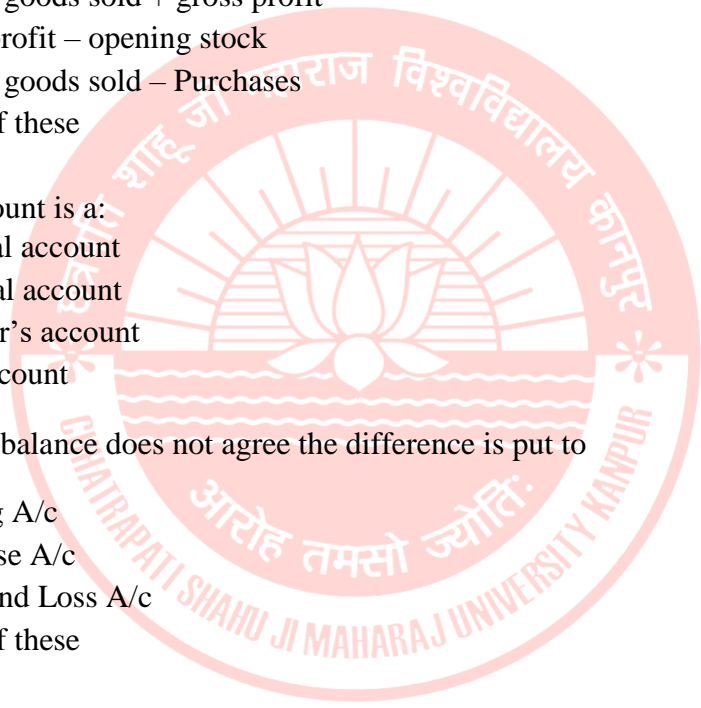
- A. Cost of goods sold + gross profit
- B. Gross profit – opening stock
- C. Cost of goods sold – Purchases
- D. None of these

99. Trading account is a:

- A. Personal account
- B. Nominal account
- C. Creditor's account
- D. Real account

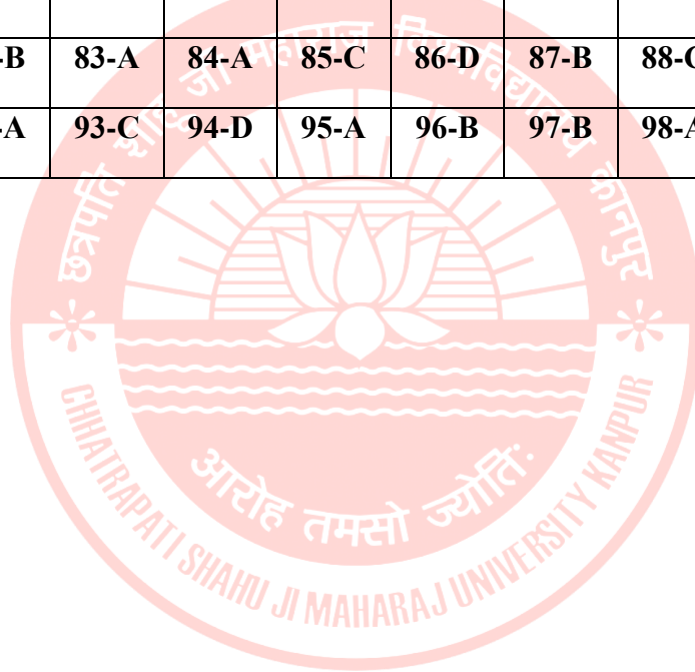
100. In case a trial balance does not agree the difference is put to

- A. Trading A/c
- B. Suspense A/c
- C. Profit and Loss A/c
- D. None of these



ANSWER KEY

1-C	2-C	3-A	4-B	5-C	6-A	7-C	8-C	9-B	10-A
11-A	12-A	13-A	14-B	15-A	16-A	17-A	18-B	19-A	20-B
21-B	22-B	23-B	24-A	25-B	26-A	27-A	28-B	29-B	30-D
31-D	32-C	33-B	34-A	35-D	36-D	37-A	38-B	39-A	40-B
41-B	42-B	43-C	44-A	45-B	46-A	47-B	48-A	49-B	50-D
51-C	52-D	53-C	54-B	55-B	56-A	57-B	58-B	59-C	60-C
61-A	62-A	63-A	64-B	65-D	66-D	67-A	68-A	69-C	70-B
71-C	72-B	73-B	74-A	75-C	76-B	77-C	78-A	79-B	80-B
81-A	82-B	83-A	84-A	85-C	86-D	87-B	88-C	89-A	90-B
91-A	92-A	93-C	94-D	95-A	96-B	97-B	98-A	99-B	100-B



References

In the process of finalizing this book, a thorough assessment was conducted that included not only the key works of eminent writers but also a thorough analysis of resources from ICAI and other major institutions, resulting in a comprehensive synthesis of knowledge.

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