

**DEPARTMENT OF COMMERCE  
GOVERNMENT DEGREE COLLEGE PEDDAPALLI  
MCQs FOR M.COM ENTRANCE TEST**

**BUSINESS ORGANISATION AND MANAGEMENT**

1. A Company is called an artificial person because (C)
  - A. It does not have the shape of a natural person
  - B. It cannot be used in the court of law
  - C. It is invisible and intangible
  - D. It exists only in contemplation of law
  
2. A public corporation means (C)
  - A. Public company
  - B. Government company
  - C. Statutory corporation
  - D. Department of union government
  
3. The preference shares which cannot be converted into equity shares are preference shares. (D)
  - A. cumulative
  - B. non-cumulative
  - C. redeemable
  - D. non-convertible
  
4. Which type of shareholders does not have voting rights? (B)
  - A. Equity shareholders
  - B. Preference shareholders
  - C. Deferred shareholders
  - D. Ordinary shareholders
  
5. A sleeping partner is one who (A)
  - A. contributes capital
  - B. takes active part in the business
  - C. contributes members
  - D. contributes materials
  
6. Which shareholders are the real owners of the company? (A)
  - A. Equity shares
  - B. Preference shares
  - C. Redeemable preference shares
  - D. Debentures
  
7. The liability of partners in a firm is (B)
  - A. Limited
  - B. Unlimited

- C. Joint liability
- D. Separate liability

8. Shares traded through stock exchanges are called (B)

- A. primary market
- B. secondary market
- C. money market
- D. share market

9. The first stock exchange was set up in India in (B)

- A. Calcutta
- B. Bombay
- C. New Delhi
- D. Chennai

10. The limit for maximum number of members in a public company is restricted to

- (D)A. 2000
- B. 5000
- C. 10000
- D. no limit

11. Decentralization of authority means (D)

- A. giving permission to the subordinate to do his work
- B. conveying what the subordinate is expected to do
- C. delegating responsibility
- D. departmentalizing activities

12. The first stock exchange in the world (C)

- A. Mumbai stock exchange
- B. America stock exchange
- C. London stock exchange
- D. France stock exchange

13. A Piece Rate System written by (B)

- A. Harold Koontz
- B. Taylor
- C. Louis Allan
- D. Hendry Fayol

14. Promoter is a person who (A)

- A. takes part in the incorporation of a company
- B. is a director
- C. is a relative of the managing director
- D. works to publicity to the company

15. One-man-one-vote-is the principle adopted by (C)

- A. Partnership
- B. Joint Stock Companies
- C. Co-operative Societies
- D. Sole proprietorship

16. The authority is decentralized in which leadership style? (D)

- A. positive style
- B. negative style
- C. free-rain style
- D. democratic style

17. The liability of members of a cooperative society is (D)

- A. limited to the amount of nominal value of capital held
- B. limited to the amount of paid up value of the capital held
- C. unlimited
- D. limited or unlimited depending upon what the society has opted for it

18. The minimum number of members for registration of a co-operative society is (C)

- A. two
- B. seven
- C. ten
- D. twenty

19. A private company should have at least (A)

- A. 2 members
- B. 7 members
- C. 10 members
- D. 50 members

20. A is an acknowledgement of a debt. (B)

- A. share
- B. debenture
- C. equity share
- D. preference share

21. When SEBI came into force? (A)

- A. 1992
- B. 1991
- C. 1990
- D. 1993

22. Stock Exchanges in India are under the control of (A)

- A. SEBI
- B. SEC
- C. RBI
- D. financial Institution

23. Which function is regarded as these sense of management? (D)

- A. Planning
- B. Organizing
- C. Staffing
- D. Co-ordination

24. The term Capitalization is used in relation to (C)

- A. Sole-proprietorship
- B. Partnership
- C. Joint stock companies
- D. Co-operative societies

25. LIC of India is an example of ( C )

- A. department organization of the central government
- B. government company
- C. public corporation
- D. private corporation

26. The management of the company is entrusted to (D)

- A. Promoters
- B. Employees
- C. Share holders
- D. Board of Directors

27. The term is concerned with moral values. (A)

- A. Ethics
- B. Business
- C. Profit
- D. Loss

28. Debentures are not redeemable during life time of the company. (B)

- A. Redeemable
- B. Irredeemable
- C. Convertible
- D. Non-convertible

29. Registration of a partnership is (B)

- A. compulsory
- B. voluntary
- C. statutory
- D. mandatory

30. The financial market for short term funds is known as (B)

- A. capital market
- B. money market

- C. bullion market
- D. share market

31. A member of a company is (B)

- A. Promoter
- B. Registered shareholder
- C. Director
- D. Broker

32. Which of the following is an extractive industry? (C)

- A. Cattle breeding
- B. Forest cultivation
- C. Hunting
- D. Flour mills

33. Dividends are payable to the (A)

- A. Share holders
- B. Debenture holders
- C. Registrar of the company
- D. Board of directors

34. Memorandum of association of a firm contains (B)

- A. rules regarding the internal management of the company
- B. rules regarding the constitution and activities of the company
- C. rules regarding the external management
- D. rules regarding the constitution

35. Investment in which of the following is most risky? (A)

- A. Equity shares
- B. Preference shares
- C. Debentures
- D. Land

36. Business means (B)

- A. Commerce
- B. Industry and commerce
- C. Trade and commerce
- D. Selling and buying of goods

37. Planning and control are functions of an office. (B)

- A. informative
- B. administrative
- C. public
- D. private

38. New issue market is an integral part of the (B)

- A. stock exchange
  - B. capital market
  - C. stock exchange and capital market
  - D. discount houses
39. Debentures are to be redeemed on the expiry of a certain period. (A)
- A. Redeemable
  - B. Irredeemable
  - C. Convertible
  - D. Non-convertible
40. Which function is basis of control? (A)
- A. Planning
  - B. Organizing
  - C. Controlling
  - D. staffing
41. The oldest form of business organization is (B)
- A. partnership
  - B. sole proprietorship
  - C. joint stock company
  - D. co-operative undertaking
42. Business includes (B)
- A. non-economic activities
  - B. economic activities
  - C. social activities
  - D. production activities
43. Equity shareholders are the (A)
- A. owners of the company
  - B. creditors of the company
  - C. debtors of the company
  - D. directors of the company
43. Partnership may come into existence (C)
- A. by the operation of law
  - B. by an express agreement only
  - C. by an express or implied agreement only
  - D. by inheritance of property
44. The primary objective of cooperative society is (A)
- A. Service Motive
  - B. Profit
  - C. Sales Turnover
  - D. Democratic Management

45. Deferred shares can be issued by (B)  
A. public company  
B. private company  
C. private company which is deemed to be a public  
D. government company

46. Sole-trade organization is also called as (A)  
A. Individual proprietorship  
B. Partnership  
C. Joint stock company  
D. Co-operative society

47. SEBI stands for (C)  
A. Shares Exchange Board of India  
B. Stocks Exchange Board of India  
C. Securities Exchange Board of India  
D. Speculators Exchange Board of India

48. The primary aim of co-operative is to (B)  
A. earn more profits  
B. serve the members  
C. raise production  
D. raise more money

49. A Joint stock company is governed by (D)  
A. Companies Act 2006  
B. Companies Act 1936  
C. Companies Act 2012  
D. Companies Act 2013

50. \_\_\_ is a force to drive a person to action. (A)  
A. Motivation  
B. Co ordination  
C. Co-operation  
D. Control

51. Ploughing back of profits means (C)
- A. earnings of black money
  - B. dividends not claimed by shareholders
  - C. retaining the earnings
  - D. not paying dividends in a particular year
52. Shares issued to the existing shareholders on a pre-emptive basis is
- A. bonus shares
  - B. right issue
  - C. new issue
  - D. secondary market
53. A valid definition of a business purpose is to (A)
- A. Create a customer
  - B. Maximize profits
  - C. Serve the society
  - D. Increase the wealth of the firm
54. Dividend and interest are (C)
- A. synonymous terms
  - B. different from each other
  - C. debited to profit and loss account
  - D. divisible profits
55. Control of management of the company mainly vests in (A)
- A. equity shareholders
  - B. preference shareholders
  - C. debenture holders
  - D. share holders
56. Deals with appointing people and placing them at the appropriate jobs. (C)
- A. Human resources
  - B. Recruitment
  - C. Staffing
  - D. Placement
57. Which of the following is an economic activity? (A)
- A. A farmer in the field
  - B. A teacher teaching his son
  - C. A social worker at a relief camp
  - D. A social worker
58. Which of the following is not an ownership security? (C)
- A. Equity shares
  - B. Preference shares
  - C. Debentures



D. Both B and C

59. When at least 51% shares are in the hands of government, it is called as (B)

- A. public corporation
- B. government company
- C. public company
- D. private company

60. Which of the following is not a manufacturing industry? (D)

- A. Iron and steel works
- B. Flour Mills
- C. Fruit canning
- D. Mining

61. Which of the following is not an economic activity? (D)

- A. A doctor practicing
- B. A lawyer practicing law
- C. A professional cricketer playing cricket
- D. A student playing cricket

62. Secured debentures are also called as (A)

- A. Mortgaged debentures
- B. Simple debentures
- C. Bearer debentures
- D. Registered debentures

63. Fully paid-up shares are called (B)

- A. Securities
- B. Stock
- C. Dividends
- D. Debentures

64. Dividend declared by a company (D)

- A. may be paid in kind
- B. must be paid in cash
- C. may be paid in cash or in kind
- D. may be paid in cash only

65. Business risks can be (B)

- A. avoided
- B. reduced
- C. ignored
- D. erased

## Sole Proprietorship

What is a Sole Proprietorship? ©

- (a) Business owned by president
- (b) Business owned by several companies
- (c) Business owned by one person
- (d) Business owned by a company

Which of the following is owned by a Single person (d?)

- (a) Private Company
- (b) Public Company
- (c) Joint Hindu Family
- (d) Sole proprietorship

Sole proprietorship business can be started by (b)

- (a) at least seven persons
- (b) any one person
- (c) at least two persons
- (d) at least three persons

A sole proprietor has a limit in which of the following ability (a)

- (a) Managerial
- (b) Owner
- (c) Worker
- (d) None of these

Sole Proprietorship is most suitable for (c)

- (a) Medium scale concerns
- (b) Large scale concerns
- (c) Small scale concerns
- (d) None of the above

The life of sole proprietorship business is said to be (c)

- (a) Stable
- (b) Very short life
- (c) Unstable
- (d) Long life

In which form of business there is no need to share profits. (b)

- (a) Company
- (b) Sole proprietorship
- (c) Partnership
- (d) Joint Hindu family business

The reason for the end of the sole proprietorship can be (d)

- (a) Insolvency
- (b) Insanity
- (c) Death

(d) All the above

Sole proprietorship business owner has (c)

- (a) Restricted Liability
- (b) No Liability
- (c) Unlimited Liability
- (d) Limited Liability

Name the function of management which involves setting objectives and developing appropriate courses of action to achieve these objectives. (c)

- (a) Directing
- (b) Organising
- (c) Planning
- (d) Staffing

They represent the end point of planning. (c)

- (a) Rules
- (b) Methods
- (c) Objectives
- (d) Policies

A strategy is derived from (b)

- (a) Policy
- (b) Objective
- (c) Method

It refers to the number of subordinates that can be effectively managed by a superior (c)

- (a) Organisational structure
- (b) Informal organisation
- (c) Span of management
- (d) None of the above

Identify the type of organisational structure which facilitates occupational specialisation, (a)

- (a) Functional structure
- (b) Horizontal structure
- (c) Network structure
- (d) Divisional structure

Which of the following is not an element of delegation?

- (a) Responsibility
- (b) Authority
- (c) Accountability
- (d) Decentralisation

The responsibility flows (c)

- (a) In all directions
- (b) Downwards
- (c) Upwards
- (d) None of the above

The accountability flows (c)

- (a) In all directions
- (b) Downwards
- (c) Upwards
- (d) None of the above

Which of the following cannot be delegated? (a)

- (a) Responsibility and accountability
- (b) Authority and responsibility
- (c) Accountability and responsibility
- (d) All of the above

Authority arises from (a)

- (a) Responsibility
- (b) Formal position
- (c) Accountability
- (d) All of the above

Responsibility is derived from (a)

- (a) Authority
- (b) Formal position
- (c) Accountability
- (d) All of the above

Accountability is derived from (c)

- (a) Authority
- (b) Formal position
- (c) Responsibility
- (d) All of the above

When decision-making authority is retained organisation is said to be by higher management levels, an (b)

- (a) Decentralised
- (b) Centralised
- (c) Fragmented
- (d) None of the above

Staffing

Which of the following is not an external source of recruitment (b)

- (a) Campus recruitment
- (b) Promotion
- (c) Casual callers
- (d) Direct recruitment

Which of the following is an internal source of recruitment? (a)

- (a) Transfer
- (b) Advertising on television
- (c) Casual callers
- (d) Labour contractors

It is a career oriented process. (c)

- (a) Training
- (b) Development
- (c) Selection
- (d) Recruitment

The important aspects of staffing include (d)

- (a) Selection
- (b) Training
- (c) Recruitment
- (d) All of the above

Promotion leads to (d)

- (a) Shifting an employee to a higher position
- (b) Entrusting higher responsibilities
- (c) Increase in status
- (d) All of the above

Which of the following is not an element of directing? (d)

- (a) Supervision
- (b) Communication
- (c) Leadership
- (d) Inspection

It means the process of making subordinates to act in a desired manner to achieve certain organisational goals. (c)

- (a) Supervision
- (b) Communication
- (c) Leadership
- (d) Motivation

It refers to all measures which are used to motivate people to improve performance (c)

- (a) Leadership

- (b) Motivation
- (c) Incentives
- (d) Communication

Formal communication may take place between (d)

- (a) Superior and subordinate
- (b) Subordinate and superior
- (c) Two managers at the same level
- (d) All of the above

'Rule of thumb' refers to (c)

- (a) Use of personal judgment in handling management issues
- (b) Adopting a hit-and-trial approach to resolve management problems
- (c) Both of the above
- (d) None of the

They provide a basis for interpreting strategy, which is usually stated in general terms. (a)

- (a) Policies
- (b) Procedures
- (c) Objectives
- (d) Programmes

They detail the exact manner in which any work is to be performed. (c)

- (a) Rules
- (b) Methods
- (c) Procedures
- (d) Programmes

It helps to save time, money and effort, and increases efficiency. (d)

- (a) Procedure
- (b) Programme
- (c) Rule
- (d) Method

It is a plan which quantifies future facts and figures. (d)

- (a) Procedure
- (b) Programme
- (c) Rule
- (d) Budget

Which of the following is not a standing plan? (c)

- (a) Policy
- (b) Procedure
- (c) Programme

(d) Rule

Which of the following is not a single use plan? (c)

- (a) Budget
- (b) Programme
- (c) Method
- (d) All of the above

Name the type of budget which is prepared to determine the net cash position. (c)

- (a) Purchase budget
- (b) Sales budget
- (c) Cash budget
- (d) Production budget

The maximum number of partners allowed in the banking business are : (b)

- (a) Twenty
- (b) Ten
- (c) No limit
- (d) Two.

The karta in Joint Hindu Family business has : (b)

- (a) Limited liability
- (b) Unlimited liability
- (c) No liability for debts
- (d) Joint liability.

The board of directors of a joint stock company is elected by : (c)

- (a) General public
- (b) Government bodies
- (c) Shareholders
- (d) Employees.

The Head of the Joint Hindu Family business is called : (c)

- (a) Proprietor
- (b) Director
- (c) Karta
- (d) Manager

A partner whose association with the firm is unknown to the general public is called: (d)

- (a) Active partner
- (b) Sleeping partner
- (c) Nominal partner
- (d) Secret partner.

PSE's are organizations owned by : (b)

- (a) Joint Hindu Family
- (b) Government

- (c) Foreign Companies
- (d) Private Entrepreneurs.

Which industry is not reserved for public sector : (a)

- (a) Sugar industry
- (b) Nuclear energy
- (c) Weapons
- (d) Rail transport.

Who is Owner of PSU's : (b)

- (a) JHF
- (b) Government
- (c) Foreign companies
- (d) Private company.

Expand ICICI (d)

- (a) None of these
- (b) International Credit and Investment Corporation of India
- (c) Indian Credit and Investment Corporation of India
- (d) Industrial Credit and Investment Corporation of India

Public deposits are the deposits that are raised directly from (a)

- (a) The public
- (b) The directors
- (c) The auditors
- (d) The owners

Dividend is paid only on (d)

- (a) Loans
- (b) Debentures
- (c) Bonds
- (d) Shares

Funds raised through loans or borrowings are (a)

- (a) Borrowed funds
- (b) Owners Equity
- (c) None of these
- (d) Share Capital



## COST ACCOUNTING

1. Overhead cost is the total of (A)
  - A. all indirect costs
  - B. all direct costs
  - C. indirect and direct costs
  - D. all specific costs
  
2. Direct material is a (B)
  - A. fixed cost
  - B. variable cost
  - C. semi variable cost
  - D. semi fixed cost
  
3. The type of loss that should not affect cost of inventories is (A)
  - A. normal loss
  - B. abnormal loss
  - C. seasonal loss
  - D. standard loss
  
4. An example of fixed cost(B)
  - A. property tax
  - B. rent for building
  - C. direct material cost
  - D. direct wages
  
5. Inventory of final goods that are not yet sold is called (A)
  - A. finished goods inventory
  - B. indirect material inventory
  - C. direct materials inventory
  - D. work in process inventory
  
6. The method in which issue prices of material is computed by dividing total purchase cost of material in stock with total quantity in stock (B)
  - A. Simple average method
  - B. weighted average method
  - C. periodical average method
  - D. periodic simple average method
  
7. Basic objective of cost accounting is (C)

- A. tax compliance.
- B. financial audit.
- C. cost ascertainment.
- D. profit analysis.

8. LIFO method of pricing of materials is more suitable when (A)

- A. material prices are rising
- B. material prices are falling
- C. material prices are constant
- D. material prices are fluctuating

9. Appropriate basis for apportionment of material handling charges is (C)

- A. material purchased
- B. material in stock
- C. material consumed
- D. material wasted

10. Most suitable basis for apportioning insurance of machine would be: (B)

- A. Floor Area
- B. Value of Machines
- C. No of Workers
- D. No of Machines

11. Labour cost is the second element of (A)

- A. cost
- B. profit
- C. sales
- D. task

12. Depreciation of plant and machinery is a part of (A)

- A. factory overhead
- B. selling overhead
- C. distribution overhead
- D. administration overhead

57. Indirect materials can be apportioned on the basis of (A)

- A. direct material
- B. prime cost
- C. direct labour hour
- D. machine hour

13. Continuous stock taking is a part of (B)

- A. annual stock taking
- B. perpetual inventory
- C. ABC analysis
- D. VED analysis

14. Merricks multiple piece rate system has (B)
- A. two rates
  - B. three rates
  - C. four rates
  - D. five rates
15. Which of the following methods of stock control aims at concentrating efforts on selected items of material? (D)
- A. Perpetual inventory system
  - B. Material turnover ratio
  - C. Level setting
  - D. ABC analysis
16. Cost which is related to specific cost object and cannot be economically traceable is classified as (D)
- A. line cost
  - B. staff cost
  - C. direct cost
  - D. indirect cost
17. The type of process loss that should not affect the cost of inventory value is (A)
- A. abnormal loss
  - B. normal loss
  - C. seasonal loss
  - D. standard loss
18. Comprehensive machine hour rate includes (A)
- A. machine operators wages
  - B. managing directors salary
  - C. income tax
  - D. office rent
19. The cost which is to be incurred even when a business unit is closed is a (D)
- A. imputed cost
  - B. historical cost
  - C. sunk cost
  - D. shutdown cost
20. Operating cost is usually ascertained through (D)
- A. a ledger account
  - B. profit and loss a/c
  - C. balance sheet
  - D. a statement
21. Difference between attendance time and job time is (D)

- A. job time
- B. over time
- C. actual time
- D. idle time

22. Costs are classified as fixed or variable on basis of (D)

- A. specific activity
- B. given time period
- C. common activity
- D. both a and b

23. In cost terms, direct manufacturing labour cost is included in (D)

- A. manufacturing costs
- B. prime costs
- C. conversion costs
- D. both B and C

24. A document which provides for the detailed cost centre and cost unit is (B)

- A. tender
- B. cost sheet
- C. invoice
- D. profit statement

25. An overtime is considered in cost accounting as (D)

- A. indirect costs
- B. overhead costs
- C. premium costs
- D. both a and b

26. Indirect material used in production is classified as (D)

- A. office overhead
- B. selling overhead
- C. distribution overhead
- D. factory overhead

27. Abnormal cost is the cost: (B)

- A. Cost normally incurred at a given level of output
- B. Cost not normally incurred at a given level of output
- C. Cost which is charged to customer
- D. Cost which is included in the cost of the product

28. Fixed cost is a cost: (C)

- A. Which changes in total in proportion to changes in output
- B. which is partly fixed and partly variable in relation to output

- C. Which do not change in total during a given period despite changes in output
- D. which remains same for each unit of output

29. Over time is (A)

- A. actual hours being more than normal time
- B. actual hours being more than standard time
- C. standard hours being more than actual hours
- D. actual hours being less than standard time

30. Expenditure over and above prime cost is known as (A)

- A. overhead
- B. factory cost
- C. cost of sales
- D. cost of production

31. For companies in service sector, cost which is not considerable is (A)

- A. Inventoriable costs
- B. finished costs
- C. factory overhead costs
- D. manufacturing overhead costs

32. The allotment of whole item of cost to cost centre or cost units is called (A)

- A. cost allocation
- B. cost apportionment
- C. cost absorption
- D. cost disbursement

33. Stores Ledger is a: (A)

- A. Quantitative as well as value wise records of material received, issued and balance
- B. Quantitative record of material received, issued and balance
- C. Value wise records of material received, issued and balance
- D. a record of labour attendance

34. Direct cost incurred can be identified with (B)

- A. each department
- B. each unit of output
- C. each month
- D. each executive

35. Total of all direct costs is termed as (A)

- A. prime cost
- B. works cost
- C. cost of sales
- D. cost of production

36. In accounting, cost incurred in past or in historical financial statements is classified as (A)

- A. actual cost
- B. budgeted cost
- C. past cost
- D. incurred cost

37. is a preventive function. (B)

- A. Costreduction
- B. Costcontrol
- C. Costunit
- D. Costcentre

38. Material control involves (D)

- A. consumption of material
- B. issue of material
- C. purchase of material
- D. purchase, storage and issue of material

39. Material requisition is meant for (B)

- A. purchase of material
- B. supply of material from stores
- C. sale of material
- D. storage of material

40. ABC analysis is (B)

- A. At best Control
- B. Always better Control
- C. Average better Control
- D. All best control

41. In case of complete contract, the whole amount of profit is transferred to (C)

- A. contract a/c
- B. work in progress a/c
- C. profit and loss a/c
- D. contractee a/c

42. Prime cost plus variable overheads is known as (D)

- A. Cost of sales
- B. Production Cost
- C. Total Cost
- D. Marginal cost

43. A manager who is responsible for only cost of company belongs to (D)

- A. cost center
- B. revenue center
- C. profit center
- D. investment center

44. Cost unit of a sugar industry can be (B)
- A. per litre
  - B. per tonne
  - C. per acre
  - D. per metre
45. Cost accounting concepts include all (C) the following except
- A. planning
  - B. controlling
  - C. profit sharing
  - D. product costing
46. Under which plan efficiency is shared by employee and employer equally? (C)
- A. Time rate
  - B. Gantt's task and bonus plan
  - C. Halsey plan
  - D. Rowan plan
47. How many rates are used to calculate wages under Taylor's differential piece rate system? (A)
- A. two
  - B. three
  - C. four
  - D. five
48. The storekeeper should initiate a purchase requisition when stock reaches (D)
- A. Average stock level
  - B. Minimum stock level
  - C. Maximum stock level
  - D. Re-order level
49. Overhead refers to: (B)
- A. Direct or Prime Cost
  - B. All Indirect costs
  - C. only Factory indirect costs
  - D. Only indirect expenses
50. Which of the following is an example of purchasing costs? (C)
- A. incoming freight
  - B. storage costs
  - C. insurance
  - D. spoilage
51. Which one of the following is not considered for preparation of cost sheet? (B)
- A. Factory cost

- B. Goodwill written off
- C. Labour cost
- D. Selling cost

52. Increase in total variable cost is due to (C)

- A. increase in fixed cost
- B. increase in sales
- C. increase in production
- D. increase in efficiency

53. Time and motion study is conducted by (D)

- A. time keeping department
- B. personnel department
- C. payroll department
- D. engineering department

54. A group of individual indirect cost item is defined as (B)

- A. direct pool
- B. cost pool
- C. indirect pool
- D. item pool

55. According to which method of pricing issues is close to current economic values?(A)

- A. Last In First Out
- B. First In First Out
- C. Highest In First Out
- D. weighted average price

56. Discarded material substances having no value is called (A)

- A. waste
- B. scrap
- C. defectives
- D. spoilage

57. Warehouse rent is a part of (C)

- A. prime cost
- B. factory cost
- C. distribution cost
- D. production cost

58. Bin card is maintained by (B)

- A. costing department
- B. stores department
- C. finance department
- D. accounting department



59. Material is issued by store keeper against (A)
- A. material requisition
  - B. material order
  - C. goods received note
  - D. purchase requisition
60. FIFO is (B)
- A. Fast investment in Future order
  - B. First in First out
  - C. Fast in Fast out
  - D. Fast issue of Fast order
61. Differential piece wages means (A)
- A. different wages for different level of performance
  - B. different wages for different time consumed
  - C. different wages for different level of output
  - D. different wages for different types of industries
62. A worker is allowed 60 hours to complete the job on a guaranteed wage of Rs 10 per hour Under the Rowan Plan, he gets an hourly wage of Rs12 per hour For the same saving in time, howmuch he will get under the Halsey Plan?(B)
- A. Rs. 720
  - B. Rs. 540
  - C. Rs. 600
  - D. Rs. 900
63. Document, which contains information about used material sequence, detail and quantity ofraw material is classified as (A)
- A. bill of materials
  - B. bill of sequence
  - C. bill of detail
  - D. bill of raw materials
64. Terms used in manufacturing cost systems are (D)
- A. manufacturing costs
  - B. prime costs
  - C. conversion costs
  - D. both B and C
65. The process of allocating and apportioning the costs on suitable basis to all the departments is(B)
- A. departmentalization
  - B. primary distribution
  - C. secondary distribution
  - D. classification

66. 50 units are processed at a cost of Rs80, normal loss is 10%, each unit carries a scrap value of 25 paise. If output is 40 units, the value of abnormal loss will be ©

- A. Rs. 1.25
- B. Rs. 800
- C. Rs. 875
- D. Rs. 888

67. Cost of abnormal spoilage is not treated as (D)

- A. conversion costs
- B. sunk costs
- C. inventoriable costs
- D. non inventoriable costs

68. Process of assigning direct or indirect cost to any cost object is known as (A)

- A. cost assignment
- B. cost expectation
- C. event assignment
- D. probability assignment

69. When cash is received from contractee which a/c should be credited.(D)

- A. Cash a/c
- B. Contract a/c
- C. Contractor a/c
- D. Contractee a/c

70. All costs, which are assigned to manufactured products for specific calculations are classified as (B)

- A. contracting costs
- B. product cost
- C. government costs
- D. marketing costs

71. Process cost is ascertained and recorded in (D)

- A. balance sheet
- B. profit and loss a/c
- C. separate statement
- D. separate ledger a/c

72. The process of redistribution of service department costs to production departments is (C)

- A. departmentalization
- B. primary distribution
- C. secondary distribution
- D. classification

73. The costing method which can be used in industry where the product passes through different processes is known as (D)

- A. job costing
- B. operating costing
- C. batch costing
- D. process costing

74. Actual loss is less than the predetermined normal loss, it is (D)

- A. normal loss
- B. abnormal loss
- C. seasonal loss
- D. abnormal gain

75. Fifth step in process costing system is to (D)

- A. allocate separable costs
- B. allocate joint costs
- C. compute gross margin
- D. assign total cost to completed units

76. Job costing method is the most suitable method for (D)

- A. oil process units
- B. transport companies
- C. sugar industries
- D. repair shops

77. Which one out of the following is not an inventory valuation method? (D)

- A. FIFO
- B. LIFO
- C. Weighted Average
- D. EOQ

78. Third step in process costing system is to (C)

- A. summarize flow of output
- B. compute output in units
- C. summarize total costs
- D. compute cost for each equivalent Unit

79. Direct labour means (A)

- A. labour which can be conveniently associated with a particular cost unit
- B. labour which completes the work manually
- C. permanent labour in the production department
- D. labour which is recruited directly and not through contractors

80. Economic order quantity is that quantity at which cost of holding and carrying inventory is (B)

- A. Maximum and equal
- B. Minimum and equal
- C. It can be maximum or minimum depending upon case to case
- D. Minimum and unequal

81. Which of these is not an objective of Cost Accounting? (D)
- A. Ascertainment of Cost
  - B. Determination of Selling Price
  - C. Cost Control and Cost reduction
  - D. Assisting Shareholders in decision Making
82. Charging output with overhead at reasonable rate is called (C)
- A. allocation
  - B. appropriation
  - C. apportionment
  - D. absorption
83. Under ABC method of material control, the material are classified according to (A)
- A. its value
  - B. its usage
  - C. its nature
  - D. its availability
84. Bad debt is an example of (C)
- A. production overhead
  - B. administrative overhead
  - C. selling overhead
  - D. distribution overhead
85. Bin Card is a? (B)
- A. Quantitative as well as value wise records of material received, issued and balance
  - B. Quantitative record of material received, issued and balance
  - C. Value wise records of material received, issued and balance
  - D. a record of labour attendance
86. Sundry overhead expenses may be apportioned in the ratio of (C)
- A. material consumed
  - B. number of employees
  - C. labour hours
  - D. machine hours
87. Operating costing is more suitable for industries (B)
- A. profit
  - B. Services
  - C. Profit and service
  - D. government organization
88. Which method of costing can be used in furniture manufacture industry? (A)
- A. Job costing
  - B. Contract costing

- C. Process costing
- D. Specific order costing

89. Wage sheet is prepared by (C)

- A. time keeping department
- B. personnel department
- C. payroll department
- D. cost accounting department

90. Term which describes assigning of indirect cost to any cost object is classified as (A)

- A. cost allocation
- B. sales tracing
- C. sales allocation
- D. cost tracing

91. Sale of defectives is reduced from (C)

- A. prime cost
- B. works cost
- C. cost of production
- D. cost of sales

92. Audit fees is a part of (D)

- A. works on cost
- B. selling overhead
- C. distribution overhead
- D. administration overhead

93. Cost which is changed in proportion to level total volume is (B)

- A. fixed cost
- B. variable cost
- C. total cost
- D. infeasible cost

94. The most important element of cost in manufacturing industries is (A)

- A. material
- B. labour
- C. direct costs
- D. indirect costs

95. Costing refers to the techniques and processes of (A)

- A. ascertainment of costs
- B. allocation of costs
- C. apportionment of costs
- D. distribution of costs

96. Prime cost includes (C)

- A. direct materials, direct wages and indirect expenses
- B. indirect materials and indirect labour and indirect expenses
- C. direct materials, direct wages and direct expenses
- D. direct materials, indirect wages and indirect expenses

97. Factory overhead can be charged on the basis of (A)

- A. material cost
- B. labour cost
- C. prime cost
- D. direct expenses

98. GRN number refers to (A)

- A. goods received note number
- B. goods returned note number
- C. goods shortage note number
- D. goods requisition note number

99. Those cost which is incurred to prevent the labour turnover (C)

- A. management cost
- B. replacement cost
- C. preventive cost
- D. compensation cost

100. Which of the following is a service department? (C)

- A. Refining department
- B. Machining department
- C. Receiving department
- D. Finishing department

101. Job costing used in (C)

- A. paper mills
- B. chemical works
- C. printing works
- D. textile mill

102. The ascertainment of costs after they have been incurred is known as (B)

- A. marginal costing
- B. historical costing
- C. sunk cost
- D. notional cost

103. Fixed cost per unit increases when (D)

- A. variable cost per unit increases
- B. variable cost per unit decreases
- C. production volume increases
- D. production volume decreases

104. Statutory cost audit are applicable only to: (B)

- A. Firm
- B. Company
- C. Individual
- D. Society

105. Cost of sales plus profit is (A)

- A. selling price
- B. value of finished product
- C. value of goods produced
- D. value of stocks

106. Time wages are paid on the basis of (A)

- A. actual time
- B. standard time
- C. time saved
- D. overtime

107. Contract costing is most appropriate method of costing for (A)

- A. construction industry
- B. banking industry
- C. textile mills
- D. cement industry

108. Direct expenses are also called (B)

- A. major expenses
- B. chargeable expenses
- C. overhead expenses
- D. sundry expenses

109. In the workers are paid on the basis of hourly daily, weekly rate (A)

- A. time rate system
- B. piece rate system
- C. premium bonus system
- D. emerson efficiency plan

110. Costs which are considered as expenses in accounting period are also known as (B)

- A. inventory costs
- B. period costs
- C. timed costs
- D. labour overheads

111. Packing cost is (D)

- A. production cost
- B. selling cost

- C. administration cost
- D. distribution cost

112. Single or multiple units of distinct services or products are classified as (B)

- A. cost
- B. job
- C. post
- D. price

113. Tender is an (C)

- A. estimation of profit
- B. estimation of cost
- C. estimation of selling price
- D. estimation of units

114. Process a/c is (A)

- A. nominal a/c
- B. a real a/c
- C. personal a/c
- D. either nominal or real a/c

115. A manager, who is responsible for both cost and revenues belongs to department of (C)

- A. cost center
- B. revenue center
- C. profit center
- D. investment center

116. Wages paid to a labour who was engaged in production activities can be termed as (A)

- A. direct cost
- B. indirect cost
- C. sunk cost
- D. imputed cost

117. Component of total cost, which never changes with change in level of production is classified as (A)

- A. fixed cost
- B. constant
- C. variable
- D. both a and b

118. A cost unit is (C)

- A. the cost per machine hour
- B. the cost per labour hour
- C. a unit of production or service in relation to which costs are ascertained
- D. a measure of work output in a standard Hour



119. Contract a/c is (A)

- A. a nominal a/c
- B. a real a/c
- C. a personal a/c
- D. either nominal or real a/c

120. Batch costing is useful to determine (C)

- A. maximum quantity of output
- B. minimum quantity of output
- C. economic batch quantity
- D. profit of batches

121. Labour turnover is (C)

- A. productivity of labour
- B. efficiency of the labour
- C. change in labour force
- D. total cost of the labour

122. Normal idle time (C)

- A. can be avoided
- B. can be minimized
- C. cannot be avoided
- D. can be controlled

123. The process of setting standards and comparing actual performance with standards with a view to control the cost is (B)

- A. cost reduction
- B. cost control
- C. cost allocation
- D. cost ascertainment

124. Office and administrative expenses can be charged on the basis of (C)

- A. material cost
- B. labour cost
- C. prime cost
- D. factory cost

## ADVANCED ACCOUNTING

### Admission of a Partner

A new partner may be admitted into a partnership (C)

- (A) With the consent of any one partner
- (B) With the consent of majority of partners
- (C) With the consent of all old partners
- (D) With the consent of 2/3rd of old partners

On the admission of a new partner (B)

- (A) Old firm is dissolved
- (B) Old partnership is dissolved
- (C) Both old partnership and firm are dissolved
- (D) Neither partnership nor firm is dissolved

X and Y are partners sharing profit in the ratio of 3 : 2. Z was admitted with 1/4 share in profits which he acquires equally from X and Y. The new ratio will be (B)

- (A) 9 : 6 : 5
- (B) 19 : 11 : 10
- (C) 3 : 3 : 2
- (D) 3 : 2 : 4

A and B share profits in the ratio of 2 : 1. C is admitted with 1/4 share in profits. C acquires 3/4 of his share from A and 1/4 of his share from B. The new ratio will be (B)

- (A) 2 : 1 : 1
- (B) 23 : 13 : 12
- (C) 3 : 1 : 1
- (D) 13 : 23 : 12

B and N are partners in a firm sharing profits in the ratio of 3 : 2. They admit S as a partner for 1/4th share in the profits. S acquires his share from B and N in the ratio of 2 : 1. The new profit-sharing ratio will be (D)

- (A) 2:1:4
- (B) 19:26: 15
- (C) 3:2:4
- (D) 26 : 19 : 15

A and B are partners sharing profits and losses in the ratio of 7 : 5. They agree to admit C, their manager, into partnership who is to get 1/6th share in the profits. He acquires this share as 1/24th from A and 1/8th from B, The new profit sharing ratio will be (A)

- (A) 13 : 7 : 4
- (B) 7 : 13 : 4
- (C) 7 : 5 : 6
- (D) 5 : 7 : 6

A and B are partners in a firm sharing profits and losses in the ratio of 3 : 2. A new partner C is admitted. A surrenders  $\frac{1}{15}$ th share of his profit in favour of C and B surrenders  $\frac{2}{15}$ th of his share in favour of C. The new ratio will be (B)

- (A) 8 : 4 : 3
- (B) 42 : 26 : 7
- (C) 4 : 8 : 3
- (D) 26 : 42 : 7

A and B are partners in a firm sharing profits and losses in the ratio of 2 : 3. C is admitted for  $\frac{1}{5}$  share in the profits of the firm. If C gets it wholly from A, the new profit sharing ratio after C's admission will be (D)

- (A) 1 : 3 : 3
- (B) 3 : 1 : 1
- (C) 2 : 2 : 1
- (D) 1 : 3 : 1

A and B are partners sharing profits in the ratio of 4 : 3. They admitted C as a new partner who gets  $\frac{1}{5}$ th share of profit, entirely from A. The new profit sharing ratio will be (C)

- (A) 20 : 8 : 7
- (B) 13 : 15 : 15
- (C) 13 : 15 : 7
- (D) 15 : 13 : 5

Calculation of Sacrificing Ratio :

The formula for calculating the sacrificing ratio is (B)

- (A) New share – Old share
- (B) Old share – New share
- (C) (Gaining Ratio – Old Ratio)
- (D) Old Ratio – Gaining Ratio

X and Y are partners sharing profits in the ratio of 3 : 2. Z is admitted as a partner. Calculate sacrificing ratio if new profit sharing ratio is 9 : 7 : 4. (A)

- (A) 3 : 1
- (B) 3 : 2
- (C) 1:3
- (D) 9 : 7

A and B are partners sharing profits in the ratio of 11 : 4. C was admitted. A surrendered  $\frac{1}{11}$ th of his share and B  $\frac{1}{4}$  of his share in favour of C. The sacrificing ratio will be (B)

- (A) 11 : 4
- (B) 1 : 1
- (C) 4:11
- (D) 7 : 4

P and Q are partners sharing profits in the ratio of 9 : 7. R is admitted as a partner with  $\frac{9}{20}$ th share in the profits, which he takes  $\frac{1}{5}$ th from P and  $\frac{1}{4}$ th from Q. Sacrificing ratio will be (D)

- (A) 5 : 4
- (B) 9 : 7
- (C) 7 : 9
- (D) 4 : 5

A and B are partners. They admit C for 13rd share. In future the ratio between A and B would be 2 : 1. Sacrificing ratio will be (D)

- (A) 2 : 1
- (B) 1 : 1
- (C) 5:1
- (D) 1 : 5

When a new partner brings goodwill in Cash, it is credited to (B)

- (A) His Capital A/c
- (B) Sacrificing Partner's Capital A/cs
- (C) Old Partner's Capital A/cs
- (D) All Partner's Capital A/cs

Revaluation Account or Profit and Loss Adjustment A/c is a (C)

- (A) Real Account
- (B) Personal Account
- (C) Nominal Account
- (D) Asset Account

Sacrificing ratio is used to distribute in case of admission of a partner (B)

- (A) Reserves
- (B) Goodwill
- (C) Revaluation Profit
- (D) Balance in Profit and Loss Account

### Retiring partner

Retiring partner is compensated for parting with the firm's future profits in favour of remaining partners. The remaining partners contribute to such compensation amount in (a)

- (a) Gaining Ratio
- (b) Capital Ratio
- (c) Sacrificing Ratio
- (d) Profit-Sharing Ratio

A, B, and C share profits and losses of the company equally. B retires from business and his share is purchased by A and C in the of 2:3. New profits sharing ratio between A and C respectively would be (c)

- (a) 01:01

- (b) 02:02
- (c) 07:08
- (d) 03:05

P, Q, and R have been sharing profits in the ratio of 8:5:3. P retires. Q takes  $\frac{3}{16}$ th share from P and R take  $\frac{5}{16}$ th share from P. New profit sharing ratio will be (a)

- (a) 01:01
- (b) 10:6
- (c) 9:7
- (d) 5:3

A, B, and C are equal partners. C retires. He surrenders  $\frac{3}{5}$ th of his share in favour of A and  $\frac{2}{5}$ th in favour of B. New ratio will be (b)

- (a) 3:2
- (b) 8:7
- (c) 7:8
- (d) 2:3

P, Q, and R are sharing profit and losses equally. R retires and the goodwill is appearing in the book at ₹30,000. Goodwill of the firm is valued at ₹1,50,000. Calculate the net amount to be credited to R's capital A/c (c)

- (a) ₹ 60,000
- (b) ₹ 50,000
- (c) ₹ 40,000
- (d) ₹ 10,000

Goodwill is defined as (a)

- (a) Intangible asset
- (b) Fictitious asset
- (c) Current asset
- (d) Liquid asset

Break-even indicates (b)

- (a) Revenues are more than cost
- (b) Revenues and cost are equal
- (c) Costs are more than revenue
- (d) None of the Above

Weighted average method of calculating goodwill is used when (b)

- (a) Profits are not equal
- (b) Profits show a trend
- (c) Profits are Fluctuating
- (d) None of the Above

The total capital employed in the company is ₹8,00,000 a reasonable rate of return is 15% and the profit of the year is 412,00,000. The value of goodwill of the company as per the capitalization method will be (c)

- (a) ₹ 82,00,000
- (b) ₹ 12,00,000
- (c) ₹ 72,00,000
- (d) ₹ 42,00,000

When there is a change in the current partners' association that results in ending the existing agreement and initiate a formation of a new agreement is known as (b)

- (a) Revaluation of Partnership
- (b) Reconstitution of Partnership
- (c) Realization of Partnership
- (d) None of the Above

To start a partnership business, what should be the minimum number of partners? (a)

- (a) 2
- (b) 10
- (c) 4
- (d) 20

What type of agreement is used to form a partnership business? (c)

- (a) Written agreement
- (b) Oral agreement
- (c) Written or oral agreement
- (d) None of them

In partnership, partners liabilities are (a)

- (a) Unlimited
- (b) Limited to the capital of the business
- (c) Limited
- (d) Both A and C

Is a partnership firm examined as an individual a legal entity? (a)

- (a) No
- (b) Yes
- (c) Partially Yes

What is interest on drawings? (c)

- (a) Credited to partner's current a/c
- (b) Not shown in current account
- (c) Debited to partner's current a/c
- (d) None of the above

No partnership agreement, what will be the percentage of profit sharing ratio between them?

- (b)
- (a) Unequal
- (b) Equal
- (c) It will depend on the experience of a partner
- (d) It will depend on a partner's capital

Which is not a feature of a partnership business? (b)

- (a) Ease of formation
- (b) Limited liability
- (c) Limited life
- (d) Mutual agency

Which kind of partnership one partner has unlimited liability and other partner have limited liability? (b)

- (a) Partnership-at-will
- (b) Limited partnership
- (c) General partnership
- (d) Particular partnership

Which types of partnership have no agreement in terms of the duration of partnership? (a)

- (a) Partnership-at-will
- (b) Limited partnership
- (c) General partnership
- (d) Particular partnership

Retiring partner is compensated for parting with the firm's future profits in favour of remaining partners. The remaining partners contribute to such compensation amount in (A)

- (A) Gaining Ratio
- (B) Capital Ratio
- (C) Sacrificing Ratio
- (D) Profit Sharing Ratio

'Gaining Ratio' means (B)

- (A) Old Ratio – New Ratio
- (B) New Ratio – Old Ratio
- (C) Old Ratio – Sacrificing Ratio
- (D) New Ratio – Sacrificing Ratio

A, B and C are partners sharing profits in the ratio of 5 : 2 : 1. If the new ratio on the retirement of A is 3 : 2, what will be the gaining ratio? (D)

- (A) 11: 14

- (B) 3 : 2
- (C) 2 : 3
- (D) 14 : 11

P, Q and R are partners sharing profits in the ratio of 5 : 4 : 3. Q retires and P and R decide to share future profits equally. Gaining Ratio will be (C)

- (A) 5 : 3
- (B) 1 : 1
- (C) 1 : 3
- (D) 3 : 1

P, Q and R have been sharing profits in the ratio of 8 : 5 : 3. P retires. Q takes  $\frac{3}{16}$ th share from P and R takes  $\frac{5}{16}$ th share from P. New profit sharing ratio will be (A)

- (A) 1 : 1
- (B) 10 : 6
- (C) 9 : 7
- (D) 5 : 3

A, B and C are equal partners. C retires. He surrenders  $\frac{3}{5}$ th of his share in favour of A and  $\frac{2}{5}$ th in favour of B. New ratio will be (B)

- (A) 3 : 2
- (B) 8 : 7
- (C) 7 : 8
- (D) 2 : 3

## Dissolution of a Partnership Firm

In the event of dissolution of partnership firm, the provision for doubtful debts is transferred to

- (a)
- (a) Realisation Account
- (b) Partners' Capital Accounts
- (c) Sundry Debtors Account
- (d) None of the above

On dissolution, if a partner undertakes to make payment of a liability of the firm, the account to be debited is (b)

- (a) profit & Loss Account
- (b) Realisation Account
- (c) Partner's Capital Account
- (d) Cash Account

On dissolution, goodwill account is transferred to (c)

- (a) In the Capital Accounts of Partners
- (b) In the Credit of Cash Accounts



- (c) In the Debit of Realisation Account
- (d) In the Credit of Realisation Account

At the time of dissolution of partnership firm, fictitious assets are transferred to (a)

- (a) Capital Accounts of Partners
- (b) Realisation Account
- (c) Cash Account
- (d) Partners' Loan Account

On taking responsibility of payment of realisation expenses by a partner, the account credited will be (c)

- (a) Realisation Account
- (b) Cash Account
- (c) Capital Account of the Partner
- (d) None of the above

Which of the following is transferred to Realisation Account ? (c)

- (a) Balance of Profit Account
- (b) Balance of Profit & Loss Account
- (c) Amount realised on sale of assets
- (d) Reserves

On dissolution of firm, loss calculated in realisation account is debited/credited to which account (b)

- (a) Cash Account
- (b) Partners' Capital Accounts
- (c) Realisation Account
- (d) None of these

On dissolution of a firm, Bank overdraft is transferred to (c)

- (a) Cash Account
- (b) Bank Account
- (c) Realisation Account
- (d) Partners' Capital Account

On dissolution of a firm, Partner's Loan Account is transferred to (d)

- (a) Realisation Account
- (b) Partner's Capital Account
- (c) Partner's Current Account
- (d) None of these

The accumulated profits and reserves are transferred to (b)

- (a) Realisation Accounts
- (b) Partners' Capital Accounts
- (c) Bank Account
- (d) None of these

On dissolution, when a partner takes over an asset.....is debited (b)

- (a) Realisation Account
- (b) Partner's Capital Account
- (c) Cash Account
- (d) Asset Account

Unrecorded liabilities when paid are shown in (a)

- (a) Debit side of Realisation Account
- (b) Debit side of Bank Account
- (c) Credit side of Realisation Account
- (d) Credit side of Bank Account

Realisation Account is a (b)

- (a) Personal A/c
- (b) Nominal A/c
- (c) Real A/c
- (d) None of these

## Issue of Shares

A company has ... (D)

- (A) Separate Legal Entity
- (B) Perpetual Existence
- (C) Limited Liability
- (D) All of the Above

Shareholders are (B)

- (A) Customers of the Company
- (B) Owners of the Company
- (C) Creditors of the Company
- (D) None of these

Who are the real owners of a company? (C)

- (A) Government
- (B) Board of Directors
- (C) Equity shareholders
- (D) Debentureholders

A Company is created by (B)  
(A) Special act of the Parliament  
(B) Companies Act  
(C) Investors  
(D) Members

An artificial person created by Law is called (C)  
(A) Sole Tradership  
(B) Partnership Firm  
(C) Company  
(D) All of the Above

The liability of members in a Company is (A)  
(A) Limited  
(B) Unlimited  
(C) Stable  
(D) Fluctuating

Liability of a shareholder is limited to ..... of the shares allotted to him (C)  
(A) Paid up Value  
(B) Called up value  
(C) Face value  
(D) Reserve Price

Maximum number of members in a private company is (B)  
(A) 7  
(B) 200  
(C) 20  
(D) No Limit

Capital of a Company is divided in units which is called (B)  
(A) Debenture  
(B) Share  
(C) Stock  
(D) Bond

Shareholders receive from the company (D)  
(A) Interest  
(B) Commission  
(C) Profit  
(D) Dividend

A Company may issue ..... (C)  
(A) Equity Shares

- (B) Preference Shares
- (C) Equity and Preference both shares
- (D) None of the Above

Capital included in the Total of Balance Sheet of a Company is called (B)

- (A) Issued Capital
- (B) Subscribed Capital
- (C) Called up Capital
- (D) Authorised Capital

Which of the following statements is true? (B)

- (A) Authorised Capital = Issued Capital
- (B) Authorised Capital > Issued Capital
- (C) Paid up Capital > Issued Capital
- (D) None of the above

Authorized Capital of a Company is mentioned in (A)

- (A) Memorandum of Association
- (B) Articles of Association
- (C) Prospectus
- (D) Statement in lieu of Prospectus

Issue of shares at a price lower than its face value is called (C)

- (A) Issue at a Loss
- (B) Issue at a Profit
- (C) Issue at a Discount
- (D) Issue at a Premium

Persons who start a company are called (C)

- (A) Shareholders
- (B) Directors
- (C) Promoters
- (D) Auditors

Share Application Account is in the nature of (B)

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

As per SEBI Guidelines, Application money should not be less than .....of the issue price of each share. (C)

- (A) 10%
- (B) 15%
- (C) 25%
- (D) 50%

Issue of shares at a price higher than its face value is called (B)

- (A) Issue at a Profit
- (B) Issue at a Premium
- (C) Issue at a Discount
- (D) Issue at a Loss

On issue of shares Premium is (D)

- (A) Profit
- (B) Income
- (C) Revenue Receipt
- (D) Capital Profit

Maximum limit of Premium on shares is (C)

- (A) 5%
- (B) 10%
- (C) No Limit
- (D) 100%

Premium on the issue of shares should be shown (B)

- (A) On the Assets side of balance sheet
- (B) On the Equity & Liabilities side of balance sheet
- (C) In profit & loss Statement
- (D) None of the Above

Interest on calls in arrears is charged according to Table F at (B)

- (A) 6% p.a.
- (B) 10% p.a.
- (C) 5% p.a.
- (D) 12% p.a.

As per Table F, the Company is required to pay .....interest on the amount of calls in advance (A)

- (A) 12% p.a.
- (B) 5% p.a.
- (C) 10% p.a.
- (D) 6% p.a.

Amount of Calls in Advance is (D)

- (A) Added to Share Capital
- (B) Deducted from Share Capital
- (C) Shown on the Assets side
- (D) Shown on the Equity & Liabilities side

Pro-rata allotment of shares is made when there is (B)

- (A) Under subscription
- (B) Oversubscription
- (C) Equal subscription
- (D) As and when desired by directors

Forfeiture of shares results in the reduction of: (A)

- (A) Subscribed Capital
- (B) Authorised Capital
- (C) Reserve Capital
- (D) Fixed Assets

Which one of the following items is not a part of subscribed capital? (C)

- (A) Equity Shares
- (B) Preference Shares
- (C) Forfeited Shares
- (D) Bonus Shares

At the time of forfeiture of shares the share capital account is debited (B)

- (A) Face value
- (B) Called up value
- (C) Paid up value
- (D) Issued value

Balance of share forfeiture account is shown in the balance sheet under the head (A)

- (A) Share Capital Account
- (B) Reserve and Surplus
- (C) Current Liabilities and Provisions
- (D) Unsecured Loans

Discount allowed on re-issue of forfeited shares is debited to (B)

- (A) Share Capital A/c
- (B) Share forfeiture A/c
- (C) Statement of Profit & Loss
- (D) General Reserve A/c

The balance of the forfeited shares account after re-issue of forfeited shares is transferred to (c)

- (A) Statement of Profit & Loss
- (B) Share Capital A/c
- (C) Capital Reserve A/c
- (D) General Reserve A/c

## Issue and Redemption of Debentures

When all debentures are redeemed, balance in the Debenture Redemption Fund Account is transferred to: (a)

- (a) Capital Reserve
- (b) General Reserve
- (c) Profit & Loss Appropriation A/c
- (d) None of these

The balance of 'Sinking Fund Account' after the redemption of debentures is transferred to (c)

- (a) Profit & Loss Account
- (b) Profit & Loss Appropriation Account
- (c) General Reserve Account
- (d) Sinking Fund Account

Profit on cancellation of own debentures is transferred to: (d)

- (a) Profit & Loss Account
- (b) Profit & Loss Appropriation Account
- (c) General Reserve Account
- (d) Capital Reserve Account

Debentures can be redeemed out of: (d)

- (a) Profit
- (b) Capital
- (c) Provision
- (d) All of the above

Premium on redemption of debentures is a : (c)

- (a) Personal A/c
- (b) Real A/c
- (c) Nominal A/c
- (d) Suspense A/c

## Redemption of Debentures

When all debentures are redeemed, balance in the Debenture Redemption Fund Account is transferred to: (a)

- (a) Capital Reserve
- (b) General Reserve
- (c) Profit & Loss Appropriation A/c
- (d) None of these

According to SEBI guidelines, a Company will have to create debenture redemption reserve equivalent to the amount of the following percentage of debenture issued: (b)

- (a) 50%
- (b) 25%
- (c) 70%
- (d) 100%

The balance of 'Sinking Fund Account' after the redemption of debentures is transferred to : (c)

- (a) Profit & Loss Account
- (b) Profit & Loss Appropriation Account
- (c) General Reserve Account
- (d) Sinking Fund Account

If debenture of ₹ 1,00,000 were issued for discount of ₹ 10,000, which are redeemable after four years. Then amount of discount to be written off from P. & L. Account each year is : (c)

- (a) ₹ 3,000
- (b) ₹ 4,000
- (c) ₹ 2,500
- (d) ₹ 5,000

Debentures can be redeemed out of: (d)

- (a) Profit
- (b) Capital
- (c) Provision
- (d) All of the above

Premium on redemption of debentures is a : (c)

- (a) Personal A/c
- (b) Real A/c
- (c) Nominal A/c
- (d) Suspense A/c

Debentures cannot be redeemed at: (c)

- (a) Par
- (b) Premium
- (c) Discount
- (d) More than 10% premium



A company issued 1,000, 12% debentures of ₹ 100 each at 10% premium. 12% stand for: (c)

- (a) Rate of dividend
- (b) Rate of Tax
- (c) Rate of interest
- (d) None of these

Loss on Issue of Debenture Account is shown: (a)

- (a) On Assets side of Balance Sheet
- (b) On Liabilities side of Balance Sheet
- (c) On Credit side of P & L Account
- (d) None of these

Profit on sale of Sinking Fund Investment is transferred to: (c)

- (a) Profit & Loss Account
- (b) General Reserve
- (c) Sinking Fund Account
- (d) Capital Reserve

Sinking fund investment is: (c)

- (a) An Income
- (b) An exause
- (c) An Asset
- (d) A Liability

Profit on cancellation of own debentures is (b)

- (a) Revenue Profit
- (b) Capital Profit
- (c) Operating Profit
- (d) Trading Profi

A Sinking Fund is a part of: (c)

- (a) Fixed Liabilities
- (b) Current Liabilities
- (c) Reserves and Surplus
- (d) Fixed Assets

Premium on Redemption of Debentures A/c is in the nature of (c)

- (a) Personal A/c
- (b) Real A/c
- (c) Nominal A/c
- (d) None of these

Debenture is a : (a)

- (a) Loan certificate
- (b) Cash certificate
- (c) Credit certificate
- (d) None of these

Debenture holders are the : (c)

- (a) Customers of the Company
- (b) Owners of the Company
- (c) Creditors of the Company
- (d) None of these

Debentures which are transferred by mere delivery are called (c)

- (a) Registered Debentures
- (b) First Debentures
- (c) Bearer Debentures
- (d) None of these

In the Balance Sheet of a Company, Debentures are shown under the head (b)

- (a) Unsecured Loans
- (b) Long-term Loans
- (c) Current Liabilities
- (d) Reserve and Surplus

Discount on issue of Debentures is in the nature of (b)

- (a) Revenue Loss
- (b) Capital Loss
- (c) Deferred Revenue Expenditure
- (d) None of there

Interest payable on debentures is (b)

- (a) An appropriation of profits of the company
- (b) A charge against profits of the company
- (c) Transfer to Sinking Fund
- (d) None of the above

Debentures represent (c)

- (a) Director's Share in a Company
- (b) Investments by Equity Shareholders
- (c) Long-term Debt of the Business
- (d) None of these

Debentures carries interest at (b)

- (a) 12% p.a.
- (b) Fixed Rate
- (c) 20% p.a.
- (d) 6% p.a.

Premium on issue of debentures is a for Company (c)

- (a) Revenue Receipt
- (b) Profit
- (c) Capital Receipt
- (d) All of these

For a company discount on issue of debentures is (a)

- (a) Capital Loss
- (b) Revenue Loss
- (c) General Loss
- (d) None of these

Premium on issue of debentures' is shown in the Balance Sheet on (b)

- (a) Assets side
- (b) Liabilities side
- (c) None of these
- (d) All of these

Debenture holder gets (c)

- (a) Di vidend
- (b) Profit
- (c) Interest
- (d) Interest at fixed rate

Premium on redemption of debentures account is (c)

- (a) A real account
- (b) A nominal account
- (c) A personal account
- (d) None of these

Premium on Redemption of Debenture A/c is (b)

- (a) Asset
- (b) Liability
- (c) Expense
- (d) Revenue

## Financial Market

Who issues a treasury bill? (c)

- (a) Any nationalised bank
- (b) Any private sector bank
- (c) Reserve Bank of India
- (d) All of the above

It is used as an alternative to bank borrowing for large and creditworthy companies (b)

- (a) Commercial bill
- (b) Commercial papers
- (c) Call money
- (d) None of the above

The capital market consists of (d)

- (a) Development banks
- (b) Commercial banks
- (c) Stock exchanges
- (d) All of the above

A company can raise capital through the primary market in the form of (d)

- (a) Equity shares
- (b) Preference shares
- (c) Debentures
- (d) All of the above

The process of holding shares in electronic form is known as (b)

- (a) Demutualisation
- (b) Dematerialisation
- (c) Speculation
- (d) None of the above

On this day, the exchange will deliver the share or make payment to the other broker (a)

- (a) Pay-in day
- (b) Pay-out day
- (c) Transaction day
- (d) None of the above