SECTION A: FUNDAMENTALS OF ACCOUNTING

1. Rent paid on 1st October, 2015 for the year to 30th September, 2016 was Rs. 1,200 and rent paid on 1st October, 2016 for the year to 30th September, 2017 was Rs. 1,600. Rent paid, as shown in the profit and loss account for the year ended 31st December 2016, would be:
   (a) Rs. 1,200
   (b) Rs. 1,600
   (c) Rs. 1,300
   (d) Rs. 1,500

2. A company purchased a machinery on April 01, 2012, for Rs. 15,00,000. It is estimated that the machinery will have a useful life of 5 years after which it will have no salvage value. The depreciation charged during the year 2016-17 was
   (a) 5,00,000
   (b) 4,00,000
   (c) 3,00,000
   (d) 1,00,000

3. The cost of a machine is Rs. 20,00,000. Two years later the book value is Rs. 10,00,000. The Straight-line percentage depreciation is
   (a) 50%
   (b) 33-1/3%
   (c) 25%
   (d) 20%

4. While finalizing the current year’s profit, the company realized that there was an error in the valuation of closing inventory of the previous year. In the previous year, closing inventory was valued more by Rs. 50,000. As a result,
   (a) Previous year’s profit is overstated and current year’s profit is also overstated
   (b) Previous year’s profit is overstated and current year’s profit is understated
   (c) Previous year’s profit is understated and current year’s profit is also understated
   (d) Previous year’s profit is understated and current year’s profit is overstated

5. Which of the following assets does not depreciate?
   (a) Machinery and equipment
(b) Patents  
(c) Land  
(d) Furniture  

6. Premium on redemption of debentures account appearing in the balance sheet is _______.  
   (a) A nominal account - expenditure  
   (b) A nominal account - income  
   (c) A personal account  
   (d) A real account  

7. If the equipment account has a balance of Rs. 22,50,000 and the accumulated depreciation account has a balance of Rs. 14,00,000, the book value of the equipment is  
   (a) 36,50,000  
   (b) 22,50,000  
   (c) 14,00,000  
   (d) 8,50,000  

8. Debenture interest  
   (a) Is payable before the payment of any dividend on shares  
   (b) Accumulates in case of losses or inadequate profits  
   (c) Is payable after the payment of preference dividend but before the payment of equity dividend  
   (d) Is payable only in case of profits  

9. When debentures are issued as collateral security, the final entry for recording the collateral debentures in the books is __________.  
   (a) Credit Debentures A/c and debit Cash A/c.  
   (b) Debit Debenture suspense A/c and credit Cash A/c.  
   (c) Debit Debenture suspense A/c and credit Debentures A/c.  
   (d) Debit Debentures A/c and credit Debenture suspense A/c  

10. If cost of goods sold is Rs. 80,700, Opening stock Rs. 5,800 and Closing stock Rs. 6,000. Then the amount of purchase will be  
    (a) Rs. 80,500  
    (b) Rs. 74,900  
    (c) Rs. 74,700  
    (d) Rs. 80,900  

11. Writing of transaction in the ledger is called  
    (a) Posting  
    (b) Journalizing  
    (c) Balancing
12. When debentures are redeemable at different dates, the total amount of discount on issue of debentures should be written off
(a) Every year by applying the sum of the year’s digit method
(b) Every year by applying the straight line method
(c) To profit and loss account in full in the year of final or last redemption
(d) To profit and loss account in full in the year of first redemption

13. The excess price received over the par value of shares, should be credited to __________.
(a) Calls-in-advance account
(b) Share capital account
(c) Securities premium account
(d) Reserve capital account

14. The Securities Premium amount may be utilized by a company for __________.
(a) Writing off any loss on sale of fixed asset
(b) Writing off any loss of revenue nature
(c) Writing off the expenses/discount on the issue of debentures
(d) Payment of dividends

15. When shares are forfeited, the share capital account is debited with ________ and the share forfeiture account is credited with __________.
(a) Paid-up capital of shares forfeited; Called up capital of shares forfeited
(b) Called up capital of shares forfeited; Calls in arrear of shares forfeited
(c) Called up capital of shares forfeited; Amount received on shares forfeited
(d) Calls in arrears of shares forfeited; Amount received on shares forfeited

16. T Ltd. proposed to issue 6,000 equity shares of Rs.100 each at a premium of 40%. The minimum amount of application money to be collected per share as per the Companies Act, 2013
(a) Rs.5.00
(b) Rs.6.00
(c) Rs.7.00
(d) Rs.4.00

17. Dividends are usually paid as a percentage of ________.
(a) Authorized share capital
(b) Net profit
(c) Paid-up capital
(d) None of the above
18. As per the SEBI guidelines, on issue of shares, the application money should not be less than
(a) 2.5% of the nominal value of shares
(b) 2.5% of the issue price of shares
(c) 25.0% of the issue price of shares
(d) 20% of the issue price of shares

19. G Ltd. acquired assets worth Rs.7,50,000 from H Ltd. by issue of shares of Rs.100 at a premium of
25%. The number of shares to be issued by G Ltd. to settle the purchase consideration = ?
(a) 6,000 shares
(b) 7,500 shares
(c) 9,375 shares
(d) 8,000 shares

20. The date of maturity of bill is 10th October, 2016. The Government of India suddenly declared 10th
October, 2016 as the holiday under the Negotiable Instruments Act, then the bill will mature on
(a) 9th October, 2016
(b) 10th October, 2016.
(c) 12th October, 2016
(d) 11th October, 2016.

21. Mr. A sent 250 units costing Rs. 10,000 each to Mr. B. Mr. B sold 150 units @ Rs. 14,200 per unit on
credit and 75 units @ Rs. 14,000 for cash. Mr. B is entitled to a commission Rs.500 per unit. The
amount of commission will be:
(a) Rs. 75,000
(b) Rs. 37,500
(c) Rs. 1,12,500
(d) Rs. 85,000

22. If bank balance as per cash book differs from that appearing in the current account statement, then the
balance considered for finalizing the accounts is of
(a) Adjusted cash book.
(b) Cash book before any adjustments.
(c) Pass book.
(d) Not taken to final accounts in case of difference in the balance

23. He, She and Me are partners in a firm sharing profits and losses in the ratio of 5:3:2. Firm took
Separate Life Policy of Rs. 50,000, Rs.1,00,000 and Rs.1,50,000 for He, She and Me respectively.
The share of Me in the policy will be:
(a) Rs. 1,50,000.
(b) Rs. 90,000.
24. It is essential to standardize the accounting principles and policies in order to ensure
   (a) Transparency
   (b) Consistency
   (c) Comparability
   (d) All of the above

25. Rs. 1,500 spent on repairs before using a second hand car purchased recently is a
   (a) Capital expenditure
   (b) Revenue expenditure
   (c) Prepaid revenue expenditure
   (d) None of the three

26. The total of debit and credit side of Mr. Raja Ram’s Trial balance as on 31st March, 2016 were
   Rs. 20,000 and Rs. 10,000 respectively. The difference was transferred to suspense A/c. On 4th April
   2016, it was found that the total of sales book was carried forward as 5,000 instead of 4,000. The
   balance of suspense A/c after rectification of this error will be -
   (a) Rs. 11,000
   (b) Rs. 10,000
   (c) Rs. 9,000
   (d) Rs. 12,000

27. A Bank Reconciliation Statement is prepared with the help of:
   (a) Bank statement and bank column of the Cash Book.
   (b) Bank statement and cash column of the Cash Book
   (c) Bank column of the Cash Book and cash column of the Cash Book.
   (d) None of the above.

28. The main objective of providing depreciation is to
   (a) Create secret reserve
   (b) Reduce the book value of assets
   (c) Value the assets properly
   (d) Allocate cost of the assets

29. M/s Bhaskaran & Co. drew a three months’ bill of Rs. 6,000 on M/s Patel & Co. on 1.1.2014 payable to
    M/s Surendran & Co. or bearer. Here the payee will be ______
    (a) M/s Bhaskaran & Co.
    (b) M/s Patel & Co.
    (c) M/s Surendran & Co. or bearer.
(d) All of the above.

30. F Ltd. purchased Machinery from G Company for a book value of Rs. 4,00,000. The consideration was paid by issue of 10% debentures of Rs. 100 each at a premium of 25%. The debenture account was credited with ______.
   (a) Rs. 4,00,000
   (b) Rs. 5,00,000
   (c) Rs. 3,20,000
   (b) Rs. 3,00,000

31. Which of the following is not a characteristic of Bearer Debentures?
   (a) They are treated as negotiable instruments
   (b) Their transfer requires a deed of transfer
   (c) They are transferable by mere delivery
   (d) The interest on it is paid to the holder irrespective of identity.

32. Original cost Rs.13,00,000, Salvage value Rs. 40,000, Useful life 6 years. Depreciation for the first year under sum-of-years digit methods will be
   (a) 60,000
   (b) 1,20,000
   (c) 1,80,000
   (d) 3,60,000

33. In journal, the entries which pertain to outstanding expenses, prepaid expenses or depreciation are called:-
   (a) Adjusting Entries
   (b) Rectification Entries
   (c) Transfer Entries
   (d) Closing Entries

34. X sent some goods costing Rs. 3500 at a Profit of 25% on sale on return basis to Y. Y returned goods costing Rs. 800. At the end of accounting year, remaining goods were neither returned nor approved by him. The stock on approval will be shown in the Balance sheet at:
   (a) 2700
   (b) 2000
   (c) 2700 less 5% of 2700
   (d) 3500

35. When separate set of books is maintained, expenses paid by venturer will be credited to
   (a) Joint bank A/c
   (b) Venturer's A/c
36. Bank overdraft as per cash book on 31st Dec. 2017 Rs. 10,500
   Cheque sent for collection but not collected Rs. 8,250
   Cheque issued but not presented for payment Rs. 12,000
   Balance as per pass book overdraft will be
   (a) 6,200
   (b) 6,500
   (c) 6,000
   (d) 6,750.

37. “Bill payable discounted in cash by creditor.” This transaction will be recorded in
   (a) Journal
   (b) Ledger
   (c) Bank book
   (d) No entry required to be made

38. Purposes of an accounting system include all the following except
   (a) Interpret and record the effects of business transaction.
   (b) Classify the effects of transactions to facilitate the preparation of reports.
   (c) Dictate the specific types of business enterprise transactions that the enterprises may engage in.
   (d) Summarize and communicate information to decision makers.

39. Book-keeping is mainly concerned with
   (a) Recording of financial data.
   (b) Designing the systems in recording, classifying and summarising the recorded data.
   (c) Interpreting the data for internal and external users.
   (d) None of the above.

40. All of the following are functions of Accounting except
   (a) Decision making.
   (b) Ledger posting.
   (c) Forecasting.
   (d) Measurement.

41. Amount received from IDBI as a medium term loan for augmenting working capital is
   (a) Capital expenditures
   (b) Revenue expenditures
   (c) Capital receipt
42. Revenue from sale of products, ordinarily, is reported as part of the earning in the period in which
   (a) The sale is made.
   (b) The cash is collected.
   (c) The products are manufactured.
   (d) The planning takes place.

43. The total of discount column on the debit side of the cash book, recording cash discount deducted by customers when paying their accounts, is posted to the
   (a) Credit of the discount allowed account.
   (b) Debit of the discount allowed account
   (c) Credit of the discount received account.
   (d) debit of the discount received account.

44. Cash book is a type of _________ but treated as a __________ of accounts.
   (a) Subsidiary book, principal book
   (b) Principal book, subsidiary book
   (c) Subsidiary book, subsidiary book
   (d) Principal book, principal book

45. Which of the following is not a column of a three-column cash book?
   (a) Cash column
   (b) Bank column
   (c) Petty cash column
   (d) Discount column

46. The preparation of a trial balance is for:
   (a) Locating errors of commission;
   (b) Locating errors of principle;
   (c) Locating clerical errors.
   (d) All of the above

47. Rs. 20,000 received from Smith whose account, was written off as a bad debt should be credited to:
   (a) Bad Debts Recovered account;
   (b) Smith’s account;
   (c) Cash account.
   (d) Bad debts account

48. Abnormal loss on consignment is credited to ______
   (a) Profit and Loss account
49. De-credere commission is fixed in terms of percentage say, 10%. The Credit Sales is of Rs. 1,00,000 and Cash Sales is of Rs. 50,000; amount of _____________commission will be allowed.
   (a) Rs. 10,000
   (b) Rs. 15,000
   (c) Rs. 5,000
   (d) None of the above

50. Average Inventory = Rs. 12,000. Closing Inventory is Rs. 3,000 more than opening Inventory. The value of closing Inventory = ______.
   (a) Rs. 12,000
   (b) Rs. 24,000
   (c) Rs. 13,500.
   (d) 10,500

51. Goods costing Rs. 7,500 were sold at 25% profit on selling price. The sales will be of
   (a) 8,000
   (b) 9,000
   (c) 10,000
   (d) None

52. P shows a profit of Rs. 7,00,000 for the year ended 31.3.2018. The figure has been arrived at after charging following against revenue:
   (i) Purchase of Car on 28.3.2018 for use in business Rs. 3,00,000 and treated as vehicle expenses.
   (ii) Omitted to record unpaid electricity bills for February and March, 2018 of Rs. 15,000 per month. The correct profit for the year ended 31 March, 2018 will be
   (a) Rs. 8,30,000
   (b) Rs. 9,00,000
   (c) Rs. 9,70,000
   (d) Rs. 10,30,000.
   (d) Rs. 3,400

53. Goodwill is to be calculated at one year’s purchase of the average of the last 3 years profit. The profit of the first year was Rs.6,000, second year twice the profit of the first year and the third year one and half times of the profit of the second year goodwill amount will be -
   (a) Rs.10,000
   (b) Rs.12,000
54. Fluctuating capital account is credited with
(a) Interest on capital
(b) Profit of the year
(c) Salaries or Remuneration of the partners
(d) All of the above

55. Consider the following for Alpha Co. for the year 2016-17:
<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of goods available for sale</td>
<td>Rs.1,00,000</td>
</tr>
<tr>
<td>Total sales</td>
<td>Rs. 80,000</td>
</tr>
<tr>
<td>Opening inventory of goods</td>
<td>Rs. 20,000</td>
</tr>
<tr>
<td>Gross profit margin</td>
<td>25%</td>
</tr>
<tr>
<td>Closing inventory of goods for the year 2016-17 was</td>
<td></td>
</tr>
<tr>
<td>(a) Rs. 80,000</td>
<td></td>
</tr>
<tr>
<td>(b) Rs. 60,000</td>
<td></td>
</tr>
<tr>
<td>(c) Rs. 40,000</td>
<td></td>
</tr>
<tr>
<td>(d) Rs. 36,000</td>
<td></td>
</tr>
</tbody>
</table>

56. Ramesh, an employee gets a salary of Rs. 10,000, he withdrew goods of Rs. 7,000 (cost price Rs. 6,000) for personal use and got salary Rs. 6,000. The excess payment will be
(a) 2,000
(b) 3,000
(c) 4,000
(d) 5,000.

57. Sona of Kanpur sent 400 chairs @ Rs. 300 per chair to Tom of Delhi. Sona paid freight of Rs. 1,000 and Rs. 400 as insurance in transit. Tom paid Rs. 200 as cartage and Rs. 600 as godown rent. At the end of the year, 300 chairs were sold. The selling price of each chair in Delhi was Rs. 350. Value of stock unsold will be
(a) Rs. 30,000
(b) Rs. 30,400
(c) Rs. 32,000
(d) None of the three.

58. If opening equity of a business is Rs. 90,000, profit for the year is Rs. 20,000 and liabilities at the end of year are of Rs. 60,000, total of assets side of the business will be
(a) Rs. 1,50,000
(b) Rs. 1,20,000
59. Goods costing Rs. 1000 supplied to Ramesh at the invoice price of 10% above cost and a Trade Discount for 5%. The amount of Sales will be

(a) Rs. 1045  
(b) Rs. 1050  
(c) Rs. 1100  
(d) Rs. 1060

60. The purpose of accommodation bill is

(a) To finance actual purchase or sale of goods  
(b) To facilitate trade transmission  
(c) To provide funds to both the needed parties.  
(d) None of the three.
SECTION B: MERCANTILE LAW

61. Communication of offer is complete when-
   (a) It comes to the knowledge of the offeree
   (b) It is posted to the offeree
   (c) When the offeror writes the letter but does not post it.
   (d) None of the above

62. Which of the following do not constitute ground for dissolution of partnership by Court?
   (a) Insanity of the partner
   (b) Business carried on at a loss
   (c) Wilful misconduct of partner
   (d) Expulsion of a partner

63. The Sale of Goods Act, 1930 governs the transfer of property in
   (a) movable property
   (b) immovable
   (c) both movable and immovable property
   (d) all type of properties

64. All contracts
   (a) Are agreements
   (b) Are not agreements
   (c) Do not have legal obligations
   (d) Should be in writing

65. ‘Goods’ as defined in Sale of Goods Act, will include
   (a) rare coins, goodwill and money
   (b) growing crops agreed to be severed before sale, old coins, and copyrights
   (c) goodwill, copyright, patent and foreign currency
   (d) both ‘b’ and ‘c’

66. A, B and C are partners. C retires and A and B take D into partnership, continuing the old firm name. A customer deals with the firm as newly constituted without having notice of the change. He may:
   (a) Hold liable either A, B and C or A, B and D
   (b) Hold liable A, B, C and D
   (c) Hold liable A, B and C only
   (d) Hold liable A, B and D only
67. Where a person is in a position to dominate the will of another person and uses that position to obtain an unfair advantage it is called:
   (a) Fraud
   (b) Coercion
   (c) Undue influence
   (d) Misrepresentation

68. A contract without consideration is void. There are exceptions. Which one of the following exceptions is correct?
   (a) Promise to pay disputed debt.
   (b) Promise to pay time barred
   (c) Promise to pay time-barred debt which is in writing and signed
   (d) Promise to pay any debt.

69. The general principle regarding transfer of title in case of sale of goods is that-
   (a) The seller cannot transfer to the buyer a better title than he himself has
   (b) The seller can transfer to the buyer a better title than he himself has
   (c) The buyer can transfer to the seller a better title than he himself has
   (d) The seller’s representative can transfer to the buyer no title.

70. A makes a contract with B to buy his house for Rs. 5,00,000 if he able to secure to bank loan for that amount. The contract is
   (a) Void for vagueness
   (b) Wagering contract
   (c) Contingent contract
   (d) Voidable contract.

71. A wagering agreement in India is declared by the Contract Act as
   (a) Illegal and void
   (b) Void but not illegal
   (c) Voidable at the option of the aggrieved party
   (d) Immoral

72. The authority of a partner to bind the firm for his acts as contained in section 19 of the Partnership Act is known as:
   (a) Express authority
   (b) Legal authority
   (c) Implied authority
   (d) Managerial authority
73. Acceptance is to offer what a lighted match is to a train of gun powder. This statement indicates-
   (a) Once an offer is accepted it results in binding contract.
   (b) Communication of acceptance is necessary
   (c) Acceptance must be absolute & unqualified
   (d) All the above.

74. A bid at an auction sale is
   (a) An implied offer to buy
   (b) An express offer to buy
   (c) An Invitation to offer to buy
   (d) An invitation to come to bid

75. In case of ____________ goods, property passes to the Buyer, only when the goods are ascertained.
   (a) Future
   (b) Specific
   (c) Contingent
   (d) Unascertained

76. A promises B to pay Rs. 10,000 if it rains on Monday, and B promises A to pay Rs.10,000 if it does not
    rain on Monday. This agreement is
   (a) a valid agreement
   (b) a voidable agreement
   (c) a wagering agreement
   (d) an illegal agreement

77. Which of the following is not included in the term Unpaid Seller?
   (a) any person who is in the position of a Seller
   (b) a consignor or an agent who has himself paid, or is directly responsible for the price.
   (c) Buyer’s agent to whom the Bill of Lading is endorsed
   (d) Seller’s agent to whom the goods have been delivered

78. If a partner commits fraud in the conduct of the business of the firm:
   (a) He shall indemnify the firm for any loss caused to it by his fraud.
   (b) He is not liable to the partners
   (c) He is liable to the partners
   (d) He is liable to the third partners

79. A finder of goods can:
   (a) file a suit to recover his expenses
   (b) sell the goods if he likes
(c) can sue for a reward, if any
(d) None of the above

80. Which of the following types of persons are not disqualified from contracting?
(a) Foreign Sovereigns
(b) Alien Enemy
(c) Convicts
(d) None

81. Which are the matters that require unanimous consent of all the partners:
(a) Admission of a partner
(b) Transfers by a partner of his interest in the firm
(c) Fundamental change in the nature of the business
(d) All the above

82. A contingent contract is
(a) Void
(b) Voidable
(c) Valid
(d) Illegal

83. An agreement which restricts a person’s freedom to marry or to marry any person of his choice is against public policy and is
(a) Lawful
(b) Illegal
(c) Void
(d) None of these

84. The latin term “quid pro quo” refers to:
(a) Something in return
(b) Stranger to consideration
(c) Something sensible
(d) Something valuable

85. A partner may not be expelled from the firm by any majority of partners unless
(a) The terms of partnership agreement confer the power to expel a partner
(b) The expulsion is made by a majority of the partners of the firm
(c) The decision of expulsion is made by all the partners is good faith
(d) All the above
86. In a sale by sample and description, there is an implied condition
   (a) that bulk of the goods correspond with the sample
   (b) that bulk of goods must correspond to the description as well as the sample thereof
   (c) the bulk of goods must correspond to the description or to the sample
   (d) the bulk of goods must correspond to the description only

87. Past consideration means
   (a) Consideration and promise should move together
   (b) Executed consideration
   (c) Consideration is provided prior to the making of the contract
   (d) Invalid consideration

88. Which of the following transactions cannot be described as Quasi-contracts
   (a) Claims of necessaries supplied to incompetent person.
   (b) Right to recover money paid for another person.
   (c) Right to claim money if given under coercion or mistake.
   (d) Right to claim money if given under fraud or misrepresentation.

89. A firm is compulsory dissolved
   (a) By adjudication of any partner of the firm as insolvent
   (b) By the death of a partner
   (c) By adjudication of all the partners or of all the partners but one is insolvent
   (d) In any of the above circumstances

90. The definition of “Documents of title to goods” given in the Sale of Goods Act, is-
   (a) exhaustive
   (b) inclusive
   (c) exclusive
   (d) not clear

91. According to Indian Contract Act, a promise is
   (a) A communication of intention to do something
   (b) A proposal which has been accepted
   (c) A gentleman’s word to do something
   (d) A statement on oath

92. A wagering agreement is:
   (a) Voidable
   (b) Void
   (c) Valid
93. Upon dissolution of firm, losses, including deficiencies of capital, shall be paid first-
   (a) Out of Profits
   (b) Out of Capital
   (c) By the partners in their profit sharing ratio
   (d) By the partners equally

94. The right of lien is available to the Unpaid Seller, only when-
   (a) he is not in possession of the goods
   (b) he is in possession of the goods
   (c) he has delivered the goods to the Carrier/Transporter
   (d) he has delivered the goods to the Buyer

95. ‘A’ threatened to commit suicide if his wife did not execute a sale deed in favour of this brother. The wife executed the sale deed. This transaction is:
   (a) Voidable due to under influence
   (b) Voidable due to coercion
   (c) Void being immoral
   (d) Void being forbidden by law

96. A and B contract to marry each other. Before the time fixed for the marriage A goes mad. The contract is:
   (a) Valid
   (b) Void
   (c) Voidable
   (d) Valid till avoided by B.

97. Non-registration of the firm does not affect the right of the firm to institute a suit or claim of set-off not exceeding-
   (a) Rs. 100
   (b) Rs. 1,000
   (c) Rs. 10,000
   (d) Rs. 50,000

98. In case of contract for the sale of specific or ascertained goods the property in goods passes to the buyer:
   (a) At such time as the parties to the contract intend it to be transferred
   (b) When the price is paid
   (c) When delivery is given
   (d) When the contract is made
99. What among the following is not an essential element of partnership:
   (a) There must be an agreement entered into by all the persons concerned
   (b) The agreement must be to share the profits of a business;
   (c) The business must start within six months from the date of agreement
   (d) The business must be carried on by all or any one of them acting for all.

100. In the Indian Contract Act, Novation means
   (a) Substitution of an existing contract with a new one.
   (b) No frustration of executed contracts
   (c) Frustration due to change of circumstances
   (d) Impossibility does not mean mere commercial difficulty