MUNICIPAL ACCOUNTS & SUB-ORDINATE SERVICES

COMMERCE PAPER – II

PREVIOUS PAPER – 2012

1. A banking partnership business can have

1) Not more than 10 partners 2) Not more than 20 partners
3) Not more than 50 partners 4) Any number of partners

2. In the absence of an agreement, profit and loss are divided by partners in the ratio of

1) Capital 2) Equally
3) Time devoted by each partner 4) None of these

3. In the absence of an agreement, Interest on loan advanced by the partner to the firm is allowed at the rate of

1) 6% 2) 5% 3) 12% 4) 9%

4. Current accounts of the partners should be opened when the capitals are

1) Fluctuating 2) Fixed
3) Either fixed or fluctuating 4) None of these

5. Investment in partnership is made by introducing

1) Cash 2) Non-cash assets
3) Cash or non-cash assets 4) None of these

6. Partnership is formed by

1) Written agreement 2) Oral agreement
3) Written or oral agreement 4) None of these

7. At the time of admission of a new partner, the firm is

1) Dissolved 2) Continued 3) Not affected 4) Reorganised

8. The written agreement of partnership is called

1) Partnership deed 2) Articles of association
3) Memorandum of association 4) None of these

9. Under fixed capital methods, profit will be credited to

1) Capital Account 2) Drawings 3) Current A/C 4) Profit and Loss

10. Capital of the partners can be maintained by

1) Fixed capital method 2) Fluctuating capital method
3) Both (1) and (2) methods 4) None of these

11. The members of partnership firm are individually called as

1) Directors 2) Promoters 3) Partners 4) Employees

12. In India, the Companies are registered under

1) Companies Act, 1913 2) Partnership Act, 1932
3) Companies Act, 1956 4) None of the above

13. A company is formed by

1) Owners 2) Promoters 3) Directors 4) Employees

14. A company is managed by

1) Owners 2) Promoters 3) Directors 4) Public

15. The word 'limited' at the end of a company's name means

1) Liability is unlimited 2) Liability is limited

3) No specific meaning 4) Applies to private companies only

16. The face value of share is called

1) Book value 2) Par value 3) Market value 4) None of these

17. Ordinary shares are also called

1) Equity shares 2) Founder's shares

3) Deferred shares 4) Bonus shares

18. Deferred shares are generally issued to

1) Promoters 2) Managing agents 3) General Public 4) Government

19. The minimum members in private limited company are

1) 2 2) 7 3) 10 4) 20

20. The minimum members in public limited company are

1) 2 2) 7 3) 20 4) 50

21. Discount on share is shown in the balance sheet as a/ an

1) Asset 2) Liability

3) Deduction in paid-up capital 3) Deduction from asset side

22. Share premium is shown in the balance sheet as a/ an

1) Asset 2) Liability

3) Deduction in paid-up capital 4) Deduction from asset side

23. The person who takes the risk of full subscription of shares is known as

1) Director 2) Promoter 3) Underwriter 4) Shareholder

24. For calculating price-earnings ratio, it is essential to known

1) Market value per share 2) Nominal value per share

3) Paid-up value per share 4) None of the above

25. For calculating the value of an equity share by earning capacity method, it is essential to know

1) Nominal value per share 2) Rate of earning

3) Dividend per share 2) None of the above

26. For calculating the value of an equity share by yield method, it is essential to know

1) Expected rate of return 2) Called-up equity share capital

3) Capital employed 4) None of above

27. The maximum number of members in a private limited company are

1) 20 2) 30 3) 50 4) Unlimited

28. Calls in arrears are shown on the

1) Asset side of the general balance sheet

2) Expenditure side of receipts and payments account

3) Receipt side of receipts and payments account

4) None of the above

29. Listed companies should provide interim reports not later than

1) 30 days after the period ends 2) 60 days after the period ends

3) 90 days after the period ends 4) None of the above

30. The profits of the last 5 years are ₹ 4,000, ₹ 6,000, ₹ 8,000, ₹ 10,000 and ₹ 7,000 respectively. The goodwill = ₹ 3 years' purchase of the average profits of the last 5 years. Hence, the goodwill be valued at

1) ₹ 18,000 2) ₹ 12,000 3) ₹ 21,000 4) ₹ 35,000

31. Accounting principles are generally based on

1) Subjectivity 2) Convenience in recording

3) Practicality 4) all of the above

32. Market value of investments is shown as a footnote to balance sheet according to

1) Consistency concept 2) Disclosures concept

3) Materially concept 4) Going concern concept

33. Current liabilities do not include

1) Unclaimed dividend 2) Creditors 3) Capital 4) Bank overdraft

34. The system of recording transactions based on dual concept is called

1) Double entry system 2) Single entry system

3) Double standard system 4) None of these

35. Accounting is a/an

1) Science 2) Art 3) Both (1) and (2) 4) None of these

36. According to money measurement concept the following will be recorded in the books of accounts

1) Value of the building 2) Quality control in the business

3) Health of the employees of the company 4) All of the above

37. According to the .... concept, the proprietor is treated as a creditor to the extent of his capital

1) Cost 2) Money measurement 3) Entity 4) Dual Aspect

38. Cost concept envisages the recording of the following in the books of Accounts

1) Knowledge and skill acquired by business executive

2) Changes due to political events

3) Cost of assets

4) None of these

39. Purpose of accounting is to provide financial information to

1) Board of Directors
2) Tax Authorities
3) Investors
4) All of the above

40. According to the money measurement concept, the following will be recorded in the books of accounts

1) Extra profits made due to introduction of a budgetary control system
2) Quality control in the business
3) Commission payable to salesman
4) All of the above

41. The individual accounts with customers are included in a subsidiary ledger called

1) Asset ledger
2) Accounts payable ledger
3) Expense ledger
4) Accounts receivable ledger

42. Every controlling accounts must have its own

1) Revenue ledger
2) General ledger
3) Subsidiary ledger
4) Journal

43. Capital in the beginning is ascertained from

1) Opening balance sheet
2) Closing balance sheet
3) Revenue Account
4) None of the above

44. Bills receivable received during the year is credited to

1) Debtor's account
2) Creditor's account
3) Bank account
4) None of the above

45. Bills receivable which is endorsed is debited to

1) Creditor's account
2) Bank account
3) Debtor's account
4) None of the above

46. Bills payable paid during the year will be debited to

1) Bills payable account
2) Creditor's account
3) Debtor's account
4) None of the above

47. Bills payable paid during the year will be credited to

1) Creditor's account
2) Bank account
3) Debtors' account
4) None of the above

48. Bills receivable endorsed but dishonoured is debited to

1) Debtor's account
2) Creditors' account
3) Endorsee's account
4) None of the above

49. An example of subsidiary book is

1) Cash book
2) Trial balance
3) Balance sheet
4) None of the above

50. Cheques issued but not presented to the bank for payment will

1) Increase the Cash book balance
2) Increase the Pass book balance
3) Decrease the cash book balance
4) None of the above

51. The balance of cash book shows

1) net income
2) cash in hand
3) net expenditure
4) None of these

52. Bank Reconciliation Statement is

1) A statement of cheques issued and presented for payment
2) A statement of bank book and cash in hand
3) A statement of settlement of discrepancies in the balances
4) None of the above

53. 'Bank Reconciliation Statement cannot be prepared with balance as per cash book alone'

1) True
2) False
3) Both (1) and (2)
4) Cannot say

54. While preparing bank reconciliation statement from the cash book, bank charges debited directly by the bank but not informed the customer about them, are

1) Added
2) Deducted
3) Multiplied
4) None of the above

55. A five months' bill drawn on 2nd February 2016 will mature for payment on 2016

1) September 5th
2) September 2nd
3) February 5th
4) None of the above

56. In arriving at adjusted cash balance the following factor is not taken into account

1) Amount deposited by our customer direct into our bank account
2) Errors in the cash book
3) Errors in the pass book
4) None of these

57. When bank column of a cash book shown a credit balance, it means

1) Overdraft
2) Cash book balance
3) Positive balance of pass book
4) None of these

58. A bank reconciliation statement is prepared by

1) Creditors
2) Debtors
3) Businessmen
4) Customers (bank)

59. Favourable balance as per cash book means

1) Debit balance in the cash book
2) Debit balance in the pass book
3) Both (1) and (2)
4) None of these

60. Overdraft as per cash book means

1) Credit balance in the cash column of the cash book

2) Credit balance in the bank column of the cash book

3) Debit balance in the cash book

4) None of these

61. A business has a capital of ₹ 40,000 at the end. It had earned profits ₹ 5,000 of during the year. Hence, the average capital of the business will be

1) ₹ 42,500 2) ₹ 37,500 3) ₹ 35,000 4) ₹ 40,000

62. If the super-profits of a business are ₹ 6,000 and the normal rate of profit is 10%, then the amount of goodwill as per the capitalisation method will be

1) ₹ 60,000 2) ₹ 6,600 3) ₹ 600 4) ₹ 6,000

63. If the average capital of a business is ₹ 60,000 and the normal rate of profit is 15%, then the amount of

1) ₹ 10,000 2) ₹ 9,600 3) ₹ 15,000 4) ₹ 6,000

64. Which of the following categories is included in generally accepted auditing standards?

1) Standards of review 2) Standards of planning

3) Standards of field work 4) Standards of evidence

65. The value of good will, according to the simple profit method, is

1) The product of current year's profit and number of years

2) The product of last year's profit and number of years

3) The product of average profits of the given years and number of years

4) None of the above

66. The good will of a business is to be valued at 3 years purchase of the average profits of the last three years. The profits of the last three years are ₹ 5,000, ₹ 6,000 and ₹ 7,000 respectively. Hence, the goodwill will be valued at

1) ₹ 18,000 2) ₹ 12,000 3) ₹ 15,000 4) ₹ 6,000

67. A business has a capital of ₹ 10,75,000 at the beginning. It had earned profits ₹ 5,00,000 of during the year. Hence, the average capital of the business will be

1) ₹ 7,87,59,000 2) ₹ 13,25,000 3) ₹ 15,75,000 4) ₹ 8,25,000

68. A business has a capital of ₹ 10,75,000 at the end. It had earned profits ₹ 5,00,000 during the year. Hence, the average capital of the business will be

1) ₹ 7,87,59,000 2) ₹ 13,25,000 3) ₹ 15,75,000 4) ₹ 8,25,000

69. If the profits of a business for four years are ₹ 6,000, ₹ 8,000, ₹ 10,000 and loss ₹ 12,000 respectively the average profit is

1) ₹ 5,000 2) ₹ 4,000 3) ₹ 3,000 4) ₹ 2,000

70. It is given that net assets available for equity and preference shares amount to ₹ 90,000. The paid-up capitals are 10,000 equity shares of ₹ 2 each and 5,000 preference shares of ₹ 10 each. Therefore, value of an equity share will be

1) ₹ 5 per share 2) ₹ 4 per share 3) ₹ 3 per share 4) ₹ 2 per share

71. It is given that net assets available for equity and preference shares amount to ₹ 1,87,000. The paid-up capitals are 10,000 equity shares of ₹ 4 each and 5,000 preference shares of ₹ 10 each. Therefore, value of a preference share will be

1) ₹ 10 per share
2) ₹ 40 per share
3) ₹ 30 per share
4) None of the above

72. Under the yield method of valuation of equity share capital, if for an equity share of ₹ 50, the normal rate of return is 10% and the expected rate of return is 5%, then the value of an equity share will be

1) ₹ 25
2) ₹ 50
3) ₹ 100
4) ₹ 200

73. For calculating the value of an equity share by intrinsic value method, it is essential to know

1) Normal rate of return
2) Expected rate of return
3) Net equity
4) None of the above

74. For calculating the value of an equity share by dield value method, it is to know

1) Normal rate of return
2) Expected rate of return
3) Net equity
4) None of the above

75. For calculating price-earnings ratio, it is essential to know

1) Face value per share
2) Nominal value per share
3) Paid-up value per share
4) None of the above

76. For calculating the value of an equity share by earning capacity method, it is essential to know

1) Nominal value per share
2) Face value per share
3) Dividend per share
4) None of the above

77. It is given that net assets available for equity and preference shares amount to 9,00,000. The paid-up capitals are 10,000 equity shares of ₹ 2 each and 5,000 preference shares of ₹ 10 each. Therefore, value of an equity share will be

1) ₹ 2 per share
2) ₹ 4 per share
3) ₹ 5 per share
4) None of the above

78. It is given that net assets available for equity and preference shares amount to ₹ 2,50,000. The paid-up capitals are 10,000 equity shares of ₹ 4 each and 5,000 preference shares of ₹ 10 each. Therefore, value of a preference share will be

1) ₹ 10 per share
2) ₹ 8 per share
3) ₹ 20 per share
4) None of the above

79. Under the yield method of valuation of equity share capital, if for an equity share of ? 50, the normal rate of return is 10% and the expected rate of return is 5%, then the value of an equity share will be

1) ₹ 250
2) ₹ 150
3) ₹ 50
4) None of the above

80. For calculating the value of an equity share by intrinsic value method, it is essential to

1) Normal rate of return
2) Expected rate of return
3) Face value per share
4) None of the above

81. A co. and B Co., go into liquidation and a new company X Co. is formed. It is a case of

1) Amalgamation
2) Absorption
3) Reconstruction
4) Liquidation

82. X Co., goes into liquidation and a new company Z Co. is formed to take over the business of X Co. It is a case of

1) Absorption
2) External reconstruction
3) Amalgamation
4) Liquidation

83. X Co. goes into liquidation, an existing X Co. purchases the business of X Co. It is a case of

1) Absorption
2) Reconstruction
3) Amalgamation
4) None of the above

84. Accumulated profits include

1) Provision for doubtful debts
2) Superannuation fund
3) Workmen's compensation fund
4) None of the above

85. Liabilities (not accumulated profits) of a company include

1) General reserve
2) Pension fund
3) Dividend equalisation fund
4) None of the above

86. When the expenses of liquidation are to be borne by the vendor company, then the vendor company debits

1) Realisation account
2) Bank account
3) Goodwill account
4) None of the above

87. When the expenses of liquidation are to be borne by the purchasing company, then the purchasing company debits

1) Vendor company's account
2) Bank account
3) Goodwill account
4) None of the above

88. When the purchasing company makes payment of the purchase consideration, it debits.

1) Business purchase account
2) Assets account
3) Vendor Company's account
4) None of the above

89. The vendor company transfers preliminary expenses (at the time of absorption) to

1) Equality shareholder's account
2) Realisation account
3) Purchasing company's account
4) None of the above

90. For paying liabilities not taken over by the purchasing company, the vendor company credits

1) Realisation account
2) Bank account
3) Liabilities account
4) None of the above

91. The opening capital is ascertained by preparing

1) Cash book
2) Creditors A/c
3) Debtors A/c
4) Opening Statement of affairs

92. A single entry system is

1) Completed and scientific
2) Incomplete and unscientific
3) Incomplete and scientific
4) Complete and unscientific

93. Single entry system has the following effect

1) One sided effect
2) Two sided effect
3) Three sided effect
4) None of the above

94. In Single entry system, it is not possible to prepare

1) Receipts and Payments A/c
2) Trial balance
3) Balance Sheet
4) Account sales

95. A single entry system is usually adopted by

1) Company
2) Partnership
3) Government
4) None of the above

96. Single entry system is most suited where

1) Cash transactions are many
2) Credit transactions are many
3) Cash and credit transactions are many
4) None of the above

97. Capital can be obtained by preparing

1) Cash book
2) Statement of affairs
3) Debtors A/c
4) Creditors A/c

98. Credit Sales can be obtained by preparing

1) Cash book
2) Statement of affairs
3) Debtors A/c
4) Creditors A/c

99. Credit purchases can be calculated by preparing

1) Cash book
2) Statement of affairs
3) Debtors A/c
4) Creditors A/c

100. Cash in hard can be obtained by preparing

1) Cash book
2) Statement of affairs
3) Debtors A/c
4) Creditors A/c

101. If the rate of G.P. on sale is 20% and cost of goods sold is 1,00,000, then amount of G.P. will be equal to

1) ₹ 20,000
2) ₹ 25,000
3) ₹ 35,000
4) ₹ 15,000

102. Under Hire Purchases System, depreciation is charged on

1) Cash price
2) Hire purchase price
3) Market price
4) None of these

103. What is transferred to hirer under Hire purchase system?

1) Ownership of asset
2) Possession of asset
3) Ownership and possession of asset
4) None of these

104. Hire Purchase Act came into effect in the year

1) 1932
2) 1956
3) 1972
4) 1872

105. The sale of Goods Act is applicable in

1) Cash Purchases
2) Credit Sales
3) Cash Sales
4) None of these

106. What is transferred to purchaser under Installment Payment system?

1) Ownership of Assets
2) Possession of Assets
3) Ownership and Possession of assets
4) None of these

107. Who is the hire vendor?

1) Seller of the goods
2) Buyer of the goods
3) Agent of the goods
4) None of the above

108. Who is the hire purchaser?

1) Seller of the goods
2) Buyer of the goods
3) Agent of the goods
4) None of the above

109. Re-Possession of goods sold take place

1) in Installment system
2) in Hire purchase system
3) in Agency System
4) None of the above

110. Each installment including down payment (if any) is tracted as hire charges by the

1) Buyer
2) Seller
3) Agent
4) None of these

111. All cash transactions are shown in

1) Receipts and Payments account
2) Income and Expenditure account
3) Balance Sheet
4) None of the above

112. Income and Expenditure accounts covers only

1) Revenue items
2) Capital items
3) Capital and revenue items
4) None of the above

113. The balance of an income and expenditure account shows

1) Surplus
2) Profit
3) Loss
4) None of the above

114. In income and expenditure account, the expenditure is recorded on the

1) Credit side
2) Debit side
3) Both (1) and (2)
4) None of the above

115. Capital of non-trading concern is called

1) Accumulated fund
2) Surplus
3) Deficit
4) None of the above

116. The surplus of income and expenditure account is added to

1) Capital fund
2) Cash
3) Profit
4) Loss

117. Income and expenditure account includes

1) Item related to that year
2) Only payments made in the year
3) Only incomes Received in that year
4) None of the above

118. While preparing Income and expenditure account from Receipts and payments account

1) Include only revenue items
2) Exclude all revenue items
3) Capital and revenue expenses
4) None of the above

119. The following statement is true in the case of receipts and payments account

1) No distinction is made between capital and revenue
2) Distinction is made between capital and revenue
3) Only capital items are entered
4) None of the above

120. Following statement is false in the case of receipt and payments account

1) Only amount received is entered
2) Outstanding amount is entered
3) Only amount paid is entered
4) Has an opening balance of cash

121. The error is the casting of sales book is called as

1) Clerical error
2) Error of principle
3) Compensating error
4) None of these

122. Error of commission arises when

1) Any transaction is incorrectly recorded, either wholly or partially
2) Any transaction is left either wholly or partially
3) Any transaction is recorded in a fundamentally in correct manner
4) None of these

123. Wages paid for the erection of a machine debited to wages account is an example of

1) Error of principle
2) Clerical error
3) Compensating error
4) None of these

124. Preparation of trial balance helps in locating

1) One account
2) Two account
3) Two or more accounts
4) None of these

125. Preparation of trial balance helps in locating

1) Error of Omission
2) Error of Commission
3) Compensating error
4) None of the above

126. An entry of ₹ 840 being debited to Raja's a/c as ₹ 480 would be an error of

1) Commission 2) Omission 3) Principle 4) Negligence

127. An expense of ₹ 500 on cartage of a new machine purchased should be debited to

1) Cash A/c
2) Miscellaneous A/c
3) Cartage A/c
4) Machine A/c

128. Error which affects only one account can be

1) Error of Commission
2) Error of principle
3) Compensating Error
4) None of the above

129. An entry of ₹ 320 has been wrongly debited to Krishnan's account instead of debiting Kishtaiah's account. It is

1) Compensating error 2) Error of Omission

3) Error of Principle 4) None of the above

130. Sales of Ranga, ₹ 336, posted to his account as ₹ 363 affects.

1) Sales account 2) Ranga's account

3) Both (1) and (2) 4) None of these

131. An entry of ₹ 1,000 being wrongly posted to Wages A/c instead of Salary A/c would be an error or

1) Omission 2) Commission 3) Ignorance 4) None of the above

132. An amount of ₹ 200 paid to Rama against an acceptance was debited to Raja's account. The rectification of the error will

1) Increase the net profit 2) Increase Rama's account

3) Reduce net profit 4) Have no effect on the net profit

133. An amount of written off as bad debt was received from Sridhar and was credited to Sridhar's personal account. The rectification of his entry will

1) Increase net profit 2) Reduce net profit

3) Both (1) and (2) 4) None of these

134. Discount allowed ₹ 93 to Mohan has been credited to his account as ₹ 39. The error will be rectified by

1) Debiting Mohan by ₹ 54 2) Crediting Mohan by ₹ 54

3) Debiting discount by ₹ 54 4) None of these

135. Which of the following items is shown on the debit side of a trial balance?

1) Purchase returns 2) Rent outstanding A/c

3) Prepaid expenses 4) None of these

136. Bills receivable will appear on the ...... of the trial balance.

1) Credit side 2) Debit side 3) Both the sides 4) None of these

137. Outstanding salaries appears on which side of the trial balance?

1) Credit side 2) Debit side 3) Both the sides 4) None of these

138. Goods of the value of ₹ 1,500 taken by the proprietor of his personal use should be debited to

1) Sales account 2) Purchase account

3) Drawings account 4) None of these

139. Goods destroyed by fire should be credit to

1) Purchase account 2) Sales account

3) Loss of goods by fire account 4) None of these

140. The credit balance of bank account in the cash book indicates

1) Amount payable by the Bank 2) Amount payable to the Bank

3) Amount received by the Bank. 4) Cash at Bank.

141. Depreciation is charged on

1) Current assets
2) Fixed assets
3) Both (1) and (2)
4) None of these

142. Depreciation charge is based on

1) Book value
2) Net value
3) Market value
4) All of the above

143. Which of the following is the main cause of depreciation?

1) Wear and tear
2) Economic factors
3) Time factors
4) All of the above

144. Depreciation is

1) Expenditure
2) Loss
3) Liability
4) Income

145. Fixed installment method of depreciation is also called as

1) Diminishing balance method
2) Straight line method
3) Multiple installment method
4) None of the above

146. Amortisation applies to

1) Intangible assets
2) Fixed assets
3) Wasting assets
4) None of these

147. Depreciation is calculated on the intangible assets at the rate of

1) 12%
2) 25%
3) 15%
4) 10%

148. Reducing installment method is also known as

1) Fixed installment method
2) Fixed percentage on original cost method
3) Both (1) and (2)
4) None of these

149. Provision for Depreciation Account is shown in the balance sheet as a

1) Liability side
2) Asset side
3) Debit side
4) Credit side

150. Depreciation is calculated for the following purposes

1) To know the true profits
2) To know true financial position
3) To make provision for replacement of assets
4) All of the above

ANSWERS

1-1; 2-2; 3-1; 4-2; 5-3; 6-3; 7-1; 8-1; 9-3; 10-3; 11-3; 12-3; 13-2; 14-2; 15-2; 16-2; 17-1; 18-1; 19-1; 20-2; 21-1; 22-2; 23-3; 24-1; 25-2; 26-1; 27-3; 28-1; 29-2; 30-3; 31-3; 32-2; 33-3; 34-1; 35-3; 36-1; 37-3; 38-3; 39-4; 40-3; 41-4; 42-3; 43-1; 44-1; 45-1; 46-1; 47-1; 48-1; 49-1; 50-3; 51-2; 52-3; 53-1; 54-2; 55-4; 56-3; 57-1; 58-4; 59-1; 60-2; 61-2; 62-2; 63-2; 64-3; 65-3; 66-1; 67-2; 68-4; 69-3; 70-2; 71-4; 72-1; 73-3; 74-4; 75-4; 76-4; 77-4; 78-4; 79-4; 80-?; 81-1; 82-2; 83-1; 84-3; 85-2; 86-1; 87-3; 88-3; 89-1; 90-2; 91-4; 92-2; 93-1; 94-2; 95-3; 96-1; 97-2; 98-3; 99-4; 100-1; 101-1; 102-2; 103-2; 104-3; 105-2; 106-3; 107-1; 108-2; 109-2; 110-2; 111-1; 112-2; 113-1; 114-1; 115-1; 116-1; 117-1; 118-1; 119-1; 120-2; 121-1; 122-1; 123-1; 124-1; 125-2; 126-1; 127-4; 128-1; 129-1; 130-2; 131-2; 132-4; 133-1; 134-4; 135-3; 136-2; 137-1; 138-3; 139-1; 140-2; 141-2; 142-1; 143-4; 144-2; 145-2; 146-1; 147-2; 148-4; 149-1; 150-4.