



K V MATRIC. HR. SEC. SCHOOL

CREATIVITY * PROSPERITY * ACHIEVEMENT

KURUMBAPALAYAM, COIMBATORE – 641 10 7.

12 STD - ACCOUNTANCY - CREATIVE BOOK INSIDE ONE MARKS

ASSERTION AND REASON :

- 1) Assertion (A): Single Entry System is an incomplete, inaccurate, unscientific and unsystematic system of book keeping.
Reason (R): The name of the system itself shows that the double aspects of business transactions are recorded.
(a) Both (A) and (R) are true and (R) is the correct explanation (A).
(b) Both (A) and (R) are true and (R) is not the correct explanation of (A).
(c) (A) is true, but (R) is false.
(d) (A) is false, but (R) is true.
Answer : Both (A) and (R) are true and (R) is not the correct explanation of (A)
- 2) Assertion (A): Single Entry System is a system of book keeping in which as a rule, only records of cash and personal accounts are maintained,
Reason (R): It is always incomplete double entry varying with circumstances.
(a) Both (A) and (R) are true and (R) is the correct explanation (A).
(b) Both (A) and (R) are true and (R) is not the correct explanation of (A).
(c) (A) is true, but (R) is false.
(d) (A) is false, but (R) is true.
Answer : Both (A) and (R) are true and (R) not the correct explanation (A)
- 3) Assertion (A): The single entry system is suitable only for sole traders and partnership firms. Reason (R): Companies cannot keep books on Double entry system because of legal provisions.
(a) Both (A) and (R) are true and (R) is the correct explanation (A).
(b) Both (A) and (R) are true and (R) is not the correct explanation of (A).
(c) (A) is true, but (R) is false.
(d) (A) is false, but (R) is true.
Answer : (A) is true, but (R) is false
- 4) Assertion (A): Double Entry System It maintains only personal and cash accounts. Reason (R): Personal accounts are not maintained.
(a) Both (A) and (R) are true and (R) is the correct explanation (A).
(b) Both (A) and (R) are true and (R) is not the correct explanation of (A).
(c) (A) is true, but (R) is false.
(d) (A) is false, but (R) is true.
Answer : (A) is true, but (R) is false
- 5) Assertion (A): Single entry actually refers to incomplete double entry system or the double entry system.

Reason (R): It is not based on Single aspect concept. Hence it is incomplete, inaccurate and unscientific.

- (a) Both (A) and (R) are true and (R) the correct explanation (A).
- (b) Both (A) and (R) are true and (R) is not the correct explanation of (A).
- (c) (A) is true, but (R) is false.
- (d) (A) is false, but (R) is true.

Answer : (A) is false, but (R) is true

- 6) Assertion (A): Partnership firm is a form of organisation where two or more persons carry on some business activity on the basis of agreement among them.

Reason (R): The profit or loss arising from the partnership business is shared by the partners in the agreed ratio.

- (a) Both (A) and (R) are true and (R) is the correct explanation of (A).
- (b) Both (A) and (R) are true and (R) is not the correct explanation of (A).
- (c) (A) is true, but (R) is false
- (d) (A) is false, but (R) is true

Answer : (a) Both (A) and (R) are true and (R) is the correct explanation of (A).

- 7) Assertion (A): The sole proprietorship has its limitations such as limited capital, limited managerial ability and limited risk - bearing capacity.

Reason (R): Hence, when a business expands, it needs more capital and involves more risk

- (a) Both (A) and (R) are true and (R) is the correct explanation of (A).
- (b) Both (A) and (R) are true and (R) is not the correct explanation of (A).
- (c) (A) is true, but (R) is false
- (d) (A) is false, but (R) is true

Answer : (c) (A) is true, but (R) is false

- 8) Assertion (A): A partnership deed covers all matters relating to mutual relationship among the partners.

Reason (R): But, in the absence of agreement, the following provisions of the Indian Partnership Act, 1936 shall apply for accounting purposes.

- (a) Both (A) and (R) are true and (R) is the correct explanation of (A).
- (b) Both (A) and (R) are true and (R) is not the correct explanation of (A).
- (c) (A) is true, but (R) is false
- (d) (A) is false, but (R) is true

Answer : (d) (A) is false, but (R) is true

- 9) Assertion (A): The Fixed capital method, only one account, viz., the capital account for each partner, is maintained.

Reason (R): It records all adjustments relating to drawings, interest on capital, interest on drawings, salary and share of profit or loss in the capital account itself.

- (a) Both (A) and (R) are true and (R) is the correct explanation of (A).
- (b) Both (A) and (R) are true and (R) is not the correct explanation of (A).
- (c) (A) is true, but (R) is false
- (d) (A) is false, but (R) is true

Answer : (d) (A) is false, but (R) is true

10) Assertion (A): They agree to share the capital, the management, the risk and the Profit or Loss of the business.

Reason (R): Such mutual relationship based on agreement among these persons is termed as "sole proprietorship".

- (a) Both (A) and (R) are true and (R) is the correct explanation of (A).
- (b) Both (A) and (R) are true and (R) is not the correct explanation of (A).
- (c) (A) is true, but (R) is false
- (d) (A) is false, but (R) is true

Answer : (a) Both (A) and (R) are true and (R) is the correct explanation of (A).

11) Assertion (A): Drawings is the amount withdrawn in cash or in kind, for personal purposes.

Reason (R): A Drawings Account is opened in the name of each partner and the drawings are debited to this account.

- (a) Both (A) and (R) are true and (R) is the correct explanation of (A).
- (b) Both (A) and (R) are true and (R) is not the correct explanation of (A).
- (c) (A) is true, but (R) is false
- (d) (A) is false, but (R) is true

Answer : (a) Both (A) and (R) are true and (R) is the correct explanation of (A)

12) Assertion (A): Goodwill is the good name or reputation of the business which brings benefit to the business.

Reason (R): It is an intangible asset as it has no physical existence.

- (a) Both (A) and (R) are true and (R) is the correct explanation of (A)
- (b) Both (A) and (R) are true and (R) is not the correct explanation of (A).
- (c) (A) is true, but (R) is false
- (d) (A) is false, but (R) is true

Answer : (a) Both (A) and (R) are true and (R) is the correct explanation of (A)

13) Assertion (a): The Profit earning capacity of the firm determines the value of its goodwill Reason (R): Goodwill acquired by making payment in cash or kind is called acquired or purchased goodwill.

- (a) Both (A) and (R) are true and (R) is the correct explanation of (A)
- (b) Both (A) and (R) are true and (R) is not the correct explanation of (A)
- (c) (A) is true, but (R) is false
- (d) (A) is false, but (R) is true

Answer : (b) Both (A) and (R) are true and (R) is not the correct explanation of (A)

14) Assertion (A): A Partnership firm suffering from shortage of funds or administrative incapacities may decide to admit a partner.

Reason (R): Admission of a partner is one of the modes of reconstituting the firm.

- (a) Both (A) and (R) are true and (R) is correct explanation of (A)
- (b) Both (A) and (R) are true and (R) is not the correct explanation of (A)
- (c) (A) is true, but (R) is false
- (d) (A) is false, but (R) is true

Answer : (a) Both (A) and (R) are true and (R) is correct explanation of (A)

15) Assertion (A): The amount that the new partner brings in for the right to share in the partnership assets is called his capital and is credited to his Capital account.

Reason (R): Whereas the consideration which he pays to the old partners for the right to participate in the division of future profits is called Partner.

- (a) Both (A) and (R) are true and (R) is the correct explanation of (A)
- (b) Both (A) and (R) are true and (R) is not the correct explanation of (A)
- (c) (A) is true, but (R) is false
- (d) (A) is false, but (R) is true

Answer : (b) Both (A) and (R) are true and (R) is not the correct explanation of (A)

16) Assertion (A): It is not compulsory that the new partner bring capital at the time of admission. Reason (R): He may be revaluation in view of his talent, skill and reputation.

- (a) Both (A) and (R) are true and (R) is the correct explanation of (A)
- (b) Both (A) and (R) are true and (R) is not the correct explanation of (A)
- (c) (A) is true, but (R) is false
- (d) (A) is false, but (R) is true

Answer : (c) (A) is true, but (R) is false

17) Assertion (A): devaluation is the valuation of assets and liabilities at the time of reconstitution of the partnership firm.

Reason (R): At the time of admission of a partner, the assets and liabilities are revalued so that the profit and loss arising on account.

- (a) Both (A) and (R) are true and (R) is the correct explanation of (A)
- (b) Both (A) and (R) are true and (R) is not the correct explanation of (A)
- (c) (A) is true, but (R) is false
- (d) (A) is false, but (R) is true

Answer : (a) Both (A) and (R) are true and (R) is the correct explanation of (A)

18) Assertion (A): The Profit and Loss of Revaluation account shows the net effect on account of revaluation which is transferred to old partners' accounts in their old profit.

Reason (R): The assets and liabilities appear in the Balance Sheet of the reconstituted firm at their revised values.

- (a) Both (A) and (R) are true and (R) is the correct explanation of (A)
- (b) Both (A) and (R) are true and (R) is not the correct explanation of (A)
- (c) (A) is true, but (R) is false
- (d) (A) is false, but (R) is true

Answer : (d) (A) is false, but (R) is true

19) Assertion (A) :The ratio in which the continuing partners acquire the outgoing partner's share is called as Share ratio.

Reason :This ratio is calculated by taking out the difference between new profit sharing ratio and old profit sharing ratio.

- (a) Both (A) and (R) are true and (R) is the correct explanation of (A)
- (b) Both (A) and (R) are true and (R) is not the correct explanation of (A)
- (c) (A) is true, but (R) is false
- (d) (A) is false, but (R) is true

Answer : Both (A) and (R) are true and (R) is the correct explanation of (A)

20) Assertion :Any amount kept aside as 5. Reserve, General reserve, Reserve fund, contingency reserve etc.,

Reason : t the time. of retirement of a partner, should be transferred to the capital accounts of all partners including retiring partner in the old profit sharing ratio.

- (a) Both (A) and (R) are true and (R) is the correct explanation of (A)
- (b) Both (A) and (R) are true and (R) is not the correct explanation of (A)
- (c) (A) is true, but (R) is false
- (d) (A) is false, bur (R) is false

Answer : Both (A) and (R) are true and (R) is the correct explanation of (A)

21) Assertion :The retiring partner is entitled for the amount due to him from the firm

Reason :The amount due to the retiring partner is ascertained by preparing his capital account incorporating all the adjustments like the share of Profit.

- (a) Both (A) and (R) are true and (R) is the correct explanation of (A)
- (b) Both (A) and (R) are true and (R) is not the correct explanation of (A)
- (c) (A) is true, but (R) is false
- (d) (A) is false, but (R) is true

Answer : (A) is true, but (R) is false

22) Assertion : The goodwill appears in the balance sheet at a value more than the present value of goodwill The goodwill appears in the balance sheet at a value less than the present value of goodwill Reason :The difference in the goodwill is transferred to all partners in the old ratio

- (a) Both (A) and (R) are true and (R) is the correct explanation of (A)
- (b) Both (A) and (R) are true and (R) is not the correct explanation of (A)
- (c) (A) is true, but (R) is false
- (d) (A) is false, but (R) is true

Answer : (A) is false, but (R) is true

23) Assertion : The goodwill appears in the balance sheet at a value less than the present value of goodwill.

Reason : The difference in the goodwill is transferred to all partners in the old ratio.

- (a) Both (A) and (R) are true and (R) is the correct explanation of (A)
- (b) Both (A) and (R) are true and (R) is not the correct explanation of (A)
- (c) (A) is true, but (R) is false
- (d) (A) is false, but (R) is true

Answer : (A) is false, but (R) is true

24) Assertion : The profit or loss on revaluation will be transferred to partners' capital accounts including the retiring partner in the old profit sharing ratio.

Reason : The time of retirement of a partner, undistributed profit or loss of the old firm should be transferred to all partners' capital accounts.

- (a) Both (A) and (R) are true and (R) is the correct explanation of (A)
- (b) Both (A) and (R) are true and (R) is not the correct explanation of (A)
- (c) (A) is true, but (R) is false
- (d) (A) is false, but (R) is true

Answer : Both (A) and (R) are true and (R) is not the correct explanation of (A)

25) Assertion (A): The right to receive dividend at a specified rate before any dividend is paid. Reason (R): It is an intangible asset as it has no physical existence.

- (a) Both (A) and (R) are true and (R) is the correct explanation of (A)

- (b) Both (A) and (R) are true and (R) is not the correct explanation of (A)
- (c) (A) is true, but (R) is false
- (d) (A) is false, but (R) is true

Answer : Both (A) and (R) are true and (R) is not the correct explanation of (A)

26) Assertion (A): Shares which are not preference shares are called Equity Shares.

Reason (R): In other words, equity shares are those which are entitled to dividend and repayment of capital after the preference share holders are paid.

- (a) Both (A) and (R) are true and (R) is the correct explanation of (A)
- (b) Both (A) and (R) are true and (R) is not the correct explanation of (A)
- (c) (A) is true, but (R) is false
- (d) (A) is false, but (R) is true

Answer : Both (A) and (R) are true and (R) is the correct explanation of (A)

27) Assertion (A): Authorised Capital is the maximum amount of capital which a company is authorised to raise and is stated in the Memorandum of Association.

Reason (R): It can also be called as 'Preference Capital'.

- (a) Both (A) and (R) are true and (R) is the correct explanation of (A)
- (b) Both (A) and (R) are true and (R) is not the correct explanation of (A)
- (c) (A) is true, but (R) is false
- (d) (A) is false, but (R) is true

Answer : (A) is true, but (R) is false

28) Assertion (A): An artificial person, it cannot sign the documents and can act only through natural persons, called Directors.

Reason (R): Every company must, therefore have a common seal with its name engraved on it.

- (a) Both (A) and (R) are true and (R) is the correct explanation of (A)
- (b) Both (A) and (R) are true and (R) is not the correct explanation of (A)
- (c) (A) is true, but (R) is false
- (d) (A) is false, but (R) is true

Answer : Both (A) and (R) are true and (R) is the correct explanation of (A)

29) Assertion (A) : Financial statements are the statements prepared by the business concerns at the end of the accounting period.

Reason (R) : Financial statements are prepared based on historical cost.

- (a) Both (A) and (B) are true and (R) is the correct explanation of (A)
- (b) Both (A) and (R) are true and (R) is not the correct explanation of (A)
- (c) (A) is true but (R) is false
- (d) (A) is false, but (R) is true

Answer : (b) Both (A) and (R) are true and (R) is not the correct explanation of (A)

30) Assertion (A) : Cash flow analysis is concerned with preparation of cash flow statement which shows the inflow and outflow of cash and cash equivalents in a given period of time.

Reason (R) : Funds flow analysis is useful in judging the credit worthiness, financial planning and preparation of budgets.

- (a) Both (A) and (R) are true and (R) is the correct explanation of (A)
- (b) Both (A) and (R) are true and (R) is not the correct explanation of (A)

(c) (A) is true, but (R) is false

(d) (A) is false, but (R) is true

Answer : (b) Both (A) and (R) are true and (R) is not the correct explanation of (A)

31) Assertion (A): Liquidity Ratios measure the firms' ability to pay off current dues i.e. repayable within a year.

Reason (R): liquidity ratios are otherwise called as Long Term Solvency Ratios.

(a) Both (A) and (R) are true and (R) is the correct explanation of (A)

(b) Both (A) and (R) are true and (R) is not the correct explanation of (A)

(c) (A) is true, but (R) is false

(d) (A) is false, but (R) is true

Answer : (A) is true, but (R) is false

32) Assertion (A): Fixed assets turnover ratio helps to ascertain the soundness of the long term financial position of the concern.

Reason (R): It indicates the proportion between total long term debt and shareholders funds.

(a) Both (A) and (R) are true and (R) is the correct explanation of (A)

(b) Both (A) and (R) are true and (R) is not the correct explanation of (A)

(c) (A) is true, but (R) is false

(d) (A) is false, but (R) is true

Answer : (A) is false, but (R) is true

33) Assertion (A): Total long term debt includes Debentures, long term loans from banks and financial institutions.

Reason (R): Shareholders funds includes Equity share capital, Preference share capital, Reserves and surplus.

(a) Both (A) and (R) are true and (R) is the correct explanation of (A)

(b) Both (A) and (R) are true and (R) is not the correct explanation of (A)

(c) (A) is true, but (R) is false

(d) (A) is false, but (R) is true

Answer : Both (A) and (R) are true and (R) is the correct explanation of (A)

34) Assertion (A): This ratio determines the operating efficiency of the business concern.

Reason (R): Operating ratio measures the amount of expenditure incurred in production, sales and distribution of output.

(a) Both (A) and (R) are true and (R) is the correct explanation of (A)

(b) Both (A) and (R) are true and (R) is not the correct explanation of (A)

(c) (A) is true, but (R) is false

(d) (A) is false, but (R) is true

Answer : Both (A) and (R) are true and (R) is the correct explanation of (A)

35) Assertion (A): This shows the number of times the capital has been rotated in the process of carrying on business. Efficient utilisation of capital would lead to higher profitability.

Reason (R): The relationship between Sales and Capital employed is known as liquid Ratio.

(a) Both (A) and (R) are true and (R) is the correct explanation of (A)

(b) Both (A) and (R) are true and (R) is not the correct explanation of (A)

(c) (A) is true, but (R) is false

(d) (A) is false, but (R) is true

Answer : Both (A) and (R) are true and (R) is not the correct explanation of (A)

36) Assertion (A) : Computerised Accounting System refers to the system of maintaining accounts using computers.

Reason (R) : It involves the processing of accounting transactions through the use of computer in order to maintain and produce accounting records and reports.

(a) Both (A) and (R) are true and (R) is the correct explanation of (A).

(b) Both (A) and (R) are true and (R) is not the correct explanation of (A).

(c) (A) is true, but (R) is false.

(d) (A) is false, but (R) is true

Answer : (a) Both (A) and (R) are true and (R) is the correct explanation of (A).

37) Assertion (A) : In Computer Accounting system, accounting records can be maintained easily and efficiently for long time period.

Reason (R) : CAS records the attendance of employee, computes the amount of salary, makes deductions such as provident fund, income tax, etc.

(a) Both (A) and (R) are true and (R) is the correct explanation of (A).

(b) Both (A) and (R) are true and (R) is not the correct explanation of (A).

(c) (A) is true, but (R) is false.

(d) (A) is false, but (R) is true.

Answer : (b) Both (A) and (R) are true and (R) is not the correct explanation of (A).

38) Assertion (A) : Accounting report is a compilation of accounting information that are derived from the accounting records of a business concern

Reason (R) : In 2009, Tally solutions introduced the software Tally. ERP 10.

(a) Both (A) and (R) are true and (R) is the correct explanation of (A).

(b) Both (A) and (R) are true and (R) is not the correct explanation of (A).

(c) (A) is true, but (R) is false.

(d) (A) is false, but (R) is true.

Answer : (c) (A) is true, but (R) is false.

39) Assertion (A) : All transactions related to receipt either in cash or through bank are recorded using receipt voucher.

Reason (R) : Purchase vouchers are used for recording both cash and credit sale of goods.

(a) Both (A) and (R) are true and (R) is the correct explanation of (A).

(b) Both (A) and (R) are true and (R) is not the correct explanation of (A).

(c) (A) is true, but (R) is false.

(d) (A) is false, but (R) is true.

Answer : (c) (A) is true, but (R) is false.

40) (i) Double Entry System is an incomplete, inaccurate, unscientific and unsystematic system of book keeping.

(ii) The Double entry system is suitable only for sole traders and partnership firms.

(iii) Single Entry System is an incomplete, inaccurate, unscientific and unsystematic system of book keeping.

- (a) (i) is correct
(b) (ii) is correct
(c) (iii) is correct
(d) (i) and (ii) are correct
(iii) is correct
- 41) (i) Incomplete records system makes use of Double Entry System partially. It maintains only personal and cash accounts.
(ii) Thus, Double entry actually refers to incomplete Single entry system or the defective Single entry system.
(iii) Single entry is Debit and credit aspects of all transactions are recorded.
(a) (i) is correct
(b) (ii) is correct
(c) (iii) is correct
(d) (i) and (ii) are correct
(i) is correct
- 42) (i) Single entry is Debit and credit aspects of all transactions are recorded.
(ii) Single Entry System is a system of book keeping in which as a rule, only records of cash and personal accounts are maintained.
(iii) Double Entry System is an incomplete, inaccurate, unscientific and unsystematic system of book keeping.
(a) (i) is correct
(b) (ii) is correct
(c) (iii) is correct
(d) (i) and (ii) are correct
(ii) is correct
- 43) (i) Companies cannot keep books on double entry system because of legal provisions.
(ii) It is always incomplete Single entry varying with circumstances.
(iii) Single entry actually refers to incomplete double entry system or the defective double entry system.
(a) (i) is correct
(b) (ii) is correct
(c) (iii) is correct
(d) (i) and (ii) are correct
(iii) is correct
- 44) (i) Double entry actually refers to incomplete Single entry system or the defective Single entry system.
(ii) Double Entry System is a system of book keeping in which as a rule, only records of cash and personal accounts are maintained.
(iii) If it is desired to calculate profit by preparing Trading and Profit and Loss account under single entry then it is called conversion method.
(a) (i) is correct
(b) (ii) is correct
(c) (iii) is correct
(d) (i) and (ii) are correct

(iii) is correct

- 45) (i) Specific fund is to be shown on the liabilities side and specific fund investments account is to be shown on the assets side of the balance sheet.
(ii) Incomes and expenses relating to the specific fund account should not be recorded in income and expenditure account.
(iii) Balance sheet is a statement showing the financial position of an organisation.
(a) (i) is correct
(b) (ii) is correct
(c) (i) and (ii) are correct
(d) (i), (ii) and (iii) are correct
(i), (ii) and (iii) are correct
- 46) (i) Capital fund also called as general fund or accumulated fund is taken to the assets side.
(ii) The total of debit balances will be equal to the total of credit balances.
(iii) Revenues, gains and liabilities will have credit balance.
(a) (i) is correct
(b) (ii) and (iii) are correct
(c) (ii) is correct
(d) (i), (ii) and (iii) are correct
(ii) and (iii) are correct
- 47) (i) The sole proprietorship has its limitations such as limited capital, limited managerial ability and limited risk - bearing capacity.
(ii) The sole proprietorship has its limitations such as Unlimited capital, Unlimited managerial ability and Unlimited risk - bearing capacity
(iii) The Partnership has its limitations such as Unlimited capital, Unlimited managerial ability and Unlimited risk - bearing capacity
(a) (i) is correct
(b) (i) and (ii) are correct
(c) (ii) and (iii) are correct
(d) (i), (ii) and (iii) are correct
(a) (i) is correct
- 48) (i) An incoming partner pays his share of good will in cash, and profit sharing ration of old partner is changed, Good - will be distributed among old partners According to new ration.
(ii) Any partner who investments in the business but does not take active part in the businesses Secret partner.
(iii) The relation between persons who have agreed to share the profits of a business carried on by all or any of them acting for all.
(a) (i) and (ii) are correct
(b) (iii) is correct
(c) (ii) and (iii) are correct
(d) (i), (ii) and (iii) are correct
(b) (iii) is correct
- 49) (i) Any partner who investments in the business but does not take active part in the business is Nominal partner.

- (ii) The capital account will continue to show the same balance from year to year unless some amount of capital is introduced or withdrawn.
- (iii) In the absence of an agreement, Interest on loan advanced by the partner to the firm is allowed at the rate of 7%.
- (a) (ii) and (iii) are correct
(b) (i) and (ii) are correct
(c) (ii) is correct
(d) (i), (ii) and (iii) are correct
- (c) (ii) is correct
- 50) (i) On the retirement of a partner any reserve being should be transferred to the capital account of Neither the retiring partner, nor the remaining partner
(ii) Amount due to outgoing partner is shown
(iii) A partnership firm, the net profit as shown by the Profit and Loss Account need certain adjustments with regard to interest on capitals, interest on drawings, salary in the balance sheet as his Liability
(a) (ii) and (iii) are correct
(b) (i) and (ii) are correct
(c) (i), (ii) and (iii) are correct
(d) (iii) is correct
- (d) (iii) is correct
- 51) (i) Current accounts of the partners should be opened when the capitals are Either fixed or fluctuating.
(ii) Goodwill is the present value of a firm's anticipated excess earnings in future and the efforts had already made in the past.
(iii) Any partner who investments' in the business but does not take active part in the business is Nominal partner'
(a) (ii) and (iii) are correct
(b) (i) and (ii) are correct
(c) (ii) is correct
(d) (i), (ii) and (iii) are correct
- (c) (ii) is correct
- 52) (i) Goodwill is shown under fixed assets in the balance sheet.
(ii) Goodwill is an intangible asset.
(iii) Goodwill helps in earning more profit and attracts more customers.
(a) (i) is correct
(b) (ii) is correct
(c) (i) and (ii) are correct
(d) (i), (ii) and (iii) are correct
- (d) (i), (ii) and (iii) are correct
- 53) (i) Goodwill acquired by making payment in cash or kind is called acquired or purchased goodwill.
(ii) Weighted average profit method, goodwill is calculated by multiplying the weighted average profit by a certain number of years of purchase.
(iii) Normal profit = Capital employed \times Fixed assets
(a) (i) is correct

- (b) (i) and (ii) are correct
- (c) (ii) and (iii) are correct
- (d) (i), (ii) and (iii) are correct
- (b) (i) and (ii) are correct

- 54) (i) This is the maximum amount of capital which a company is authorised to raise and is stated in the Memorandum of Association
- (ii) A Partnership firm suffering from shortage of funds or administrative incapacities may decide to admit a partner.
- (iii) In the revaluation account an increase in the value of land and building Appears on the credit side of good will account.
- (a) (i) is correct
 - (b) (ii) is correct
 - (c) (i) and (ii) are correct
 - (d) (i), (ii) and (iii) are correct
 - (b) (ii) is correct
- 55) (i) The amount that the new partner brings in for the right to share in the partnership assets is called his capital and is credited to his Capital account.
- (ii) There should be at least one month gap between two calls unless otherwise provided by the Articles of Association of the company.
- (iii) Any partner who investments in the business but does not take active part in the business is Secret partner.
- (a) (i) is correct
 - (b) (ii) is correct
 - (c) (i) and (ii) are correct
 - (d) (i), (ii) and (iii) are correct
 - (a) (i) is correct
- 56) (i) Shareholders funds includes Equity share capital, Preference share capital, Reserves and surplus.
- (ii) There should be at least one month gap between two calls unless otherwise provided by the Articles of Association of the company.
- (iii) It is not compulsory that the new partner bring capital at the time of admission.
- (a) (i) is correct
 - (b) (i), (ii) and (iii) are correct
 - (c) (i) and (ii) are correct
 - (d) (iii) is correct
 - (d) (iii) is correct
- 57) (i) Current accounts of the partners should be opened when the capitals are Either fixed.
- (ii) This necessitates the calculation of new profit sharing ratio of the remaining partners.
- (iii) The ratio in which the old partners have agreed to sacrifice their shares in profit in favour of a new partner is called the sacrificing ratio.
- (a) (i) is correct
 - (b) (i), (ii) and (iii) are correct
 - (c) (iii) is correct
 - (d) (i) and (ii) are correct

- (c) (iii) is correct
- 58) (a) It is the ratio in which the old partners, have agreed to sacrifice their shares in profit in favour of old partner.
(b) A partner may decide to retire from the firm because of old age, ill health etc. Technically, on retirement.
(c) It is the ratio in which the continuing partners acquire the Incoming partner's share
(d) It is calculated at the time of admission of a old partner.
(a) (i) is correct
(b) (ii) is correct
(c) (i) and (ii) are correct
(d) (i), (ii) and (iii) are correct
(ii) is correct
- 59) Find the Correct Statement (a) It is calculated to determine the amount of compensation to be paid by each of the continuing partners to the Incoming partner.
(b) The old partnership comes to an end and a new one comes into existence with the remaining partners.
(c) This ratio is calculated by taking out the difference between new profit sharing ratio an Gaining ratio.
(d) It is calculated at the time of retirement of a New partner
(a) (i) is correct
(b) (ii) is correct
(c) (i) and (ii) are correct
(d) (i), (ii) and (iii) are correct
(ii) is correct
- 60) (a) At the time of retirement of a partner, the partner the remaining partners acquire some portion of the retiring partner's share of profit.
(b) This necessitates the calculation of new profit sharing ratio of the remaining New partners
(c) where the partnership at will by giving notice in writing to all the old partners of his intention to retire in company.
(d) Certain adjustments have to be made in the books to ascertain the amount due to him from the Company.
(a) (i) is correct
(b) (ii) is correct
(c) (i) and (ii) are correct
(d) (i), (ii) and (iii) are correct
(i) is correct
- 61) (i) Sole proprietorship and partnership firms may not be able to raise large amount of capital to equip themselves with these
(ii) The capital of companies is divided into small units called shares. (iii)The money raised by issuing shares is called share capital
(a) (i) is correct
(b) (ii) is correct
(c) (i) and (ii) are correct
(d) (i), (ii) and (iii) are correct

- (i), (ii) and (iii) are correct
- 62) (i) Company is an artificial person.
(ii) A company may have a common seal which can be affixed on the documents.
(iii) The shares of a company are freely transferable except in case of a private company
(a) (i) is correct
(b) (ii) is correct
(c) (I) and (ii) are correct
(d) (i), (ii) and (iii) are correct
(i), (ii) and (iii) are correct
- 63) (i) Rate of dividend is not fixed on equity shares and it depends upon the profits earned by the company
(ii) Issued capital means such capital as is authorised by the memorandum of association.
(iii) Subscribed capital refers to that part of issued capital which has been applied for and also allotted by the company.
(a) (i) is correct
(b) (i) and (iii) are correct
(c) (i) and (ii) are correct
(d) (i), (ii) and (iii) are correct
(i) and (iii) are correct
- 64) (i) When ratio of previous years are compared with current years, they are called trend ratios
(ii) Trend percentages and trend ratios are used in static analysis.
(iii) Reliability of financial analysis depends upon the reliability of financial data.
(a) (i) and (ii)
(b) (i) and (iii)
(c) (ii) and (iii)
(d) (i), (ii) and (iii)
Answer : (d) (i), (ii) and (iii)
- 65) Which of the following statements are true?
(i) Common -size balance sheet shows relative value of the various items.
(ii) In the common size income statement, each product is represented as a percentage of the net sales figure.
(iii) Common size income statement represents the various elements as a percentage of the gross profit.
(a) (i) and (ii)
(b) (i) and (iii)
(c) (ii) and (iii)
(d) (i),(ii) and (iii)
Answer : (a) (i) and (ii)
- 66) Which of the following statements are true?
(i) External analysis depends entirely on issued financial statements.
(ii) Interpretation and analysis both are different
(iii) Financial analysis covers interpretation.

- (a) (i) and (ii)
(b) (i) and (iii)
(c) (ii) and (iii)
(d) (i), (ii) and (iii)
(d) (i), (ii) and (iii)
- 67) Which of the following is true about financial statements?
(i) Financial statement gives a summary of accounts
(ii) Financial statements can be stated as recorded facts.
(a) (i) only
(b) (ii) only
(c) (i) and (ii)
(d) None of these
(c) (i) and (ii)
- 68) Which of the following statements are true?
(i) Financial statements are only interim report
(ii) Financial statements are also known as annual records.
(iii) Financial statements are historic
(a) (i) and (ii)
(b) (i) and (iii)
(c) (ii) and (iii)
(d) (i), (ii) and (iii)
(c) (ii) and (iii)
- 69) (i) Financial statements normally include Trading, Profit and Loss, Account and Balance Sheet.
(ii) A detailed cause and effect study of the profitability and financial condition is the overall objective of Ratio analysis.
(iii) financial statements analysis is the process of determining and interpreting the numerical relationship between figures of financial statements.
(a) (i) is correct
(b) (i), (ii) is correct
(c) (i), (ii) and (iii) are correct
(d) (ii), (iii) are correct
(i) is correct
- 70) (i) In the words of Spicer and Pegler "the relationship of an item to another expressed in simple mathematical form is known as a ratio"
(ii) In the words of Carter "the relationship of an item to another expressed in simple mathematical form is known as a ratio"
(iii) In the words of Kennedy and Me Millan "the relationship of an item to another expressed in simple mathematical form is known as a ratio"
(a) (i) is correct (b) (ii) is correct (c) (i), (ii) and (iii) are correct (d) (iii) is correct
(iii) is correct
- 71) (i) Current Ratios measure the firms' ability to payoff current dues i.e., repayable within a year. Liquidity ratios are otherwise called as Short Term Solvency Ratios.
(ii) Liquidity Ratios measure the firms' ability to payoff current dues i.e., repayable within a year.

Liquidity ratios are otherwise called as Short Term Solvency Ratios.

(iii) Absolute Ratios measure the firms' ability to payoff current dues i.e., repayable within a year. Liquidity ratios are otherwise called as Short Term Solvency Ratios.

(a) (i), (ii) and (iii) are correct

(b) (i) and (ii) are correct

(c) (i) is correct

(d) (ii) is correct

(ii) is correct

72) (i) Quick ratio is used to assess the firm's short term liquidity. The relationship of liquid assets to current liabilities is known as Current ratio.

(ii) Acid Test ratio is used to assess the firm's short term liquidity. The relationship of liquid assets to current liabilities is known as Current ratio.

(iii) This ratio is used to assess the firm's short term liquidity. The relationship of liquid assets to current liabilities is known as liquid ratio.

(a) (i) is correct

(b) (i) and (iii) are correct

(c) (iii) is correct

(d) (i), (ii) and (iii) are correct

(iii) is correct

73) (i) Solvency refers to the firm's ability to meet its long term indebtedness. Solvency ratio studies the firm's ability to meet its long term obligations.

(ii) A ratio is a mathematical relationship between one items expressed in a quantitative form.

(iii) A detailed cause and effect study of the profitability and financial condition is the overall objective of Ratio analysis.

(a) (i) and (ii) are correct

(b) (i) and (iii) are correct

(c) (i) is correct

(d) (i), (ii) and (iii) are correct

(i) is correct

74) (i) Computerize Accounting System facilitates fast and accurate retrieval of data and information.

(ii) Accounting report may be classified as routine reports and special purpose reports

(iii) Accounting information system collects financial data, processes them and provides information to the various users.

(a) (i) is correct

(b) (i) and (ii) are correct

(c) (ii) and (iii) are correct

(d) (i), (ii) and (iii) are correct

(d) (i), (ii) and (iii) are correct

75) (i) Sales vouchers are used for recording both cash and credit sales of goods.

(ii) Purchase vouchers are used for recording both cash and credit purchases of goods.

(iii) All transactions related to payments either in cash or through bank are recorded using receipt voucher

(a) (i) is correct

(b) (i) and (ii) are correct

- (c) (ii) and (iii) are correct
 (d) (i), (ii) and (iii) are correct
 (b) (i) and (ii) are correct

76) Which one of the Following is Correctly Matched?

(a) Adjusted closing capital	=	Closing capital - Drawings - Additional capital
(b) Profit/Loss	=	Closing capital + Drawings - Additional Capital - Opening capital
(c) Capital	=	Assets + Liabilities
(d) Closing capital	=	Opening capital + Drawings

Answer : Profit/Loss = Closing capital + Drawings - Additional - Capital - opening capital

77)

(a) Entrance fees	-	Capital payments
(b) Sale of fixed assets	-	Revenue receipts
(c) Entertainment expenses	-	Revenue payments
(d) Investment	-	Capital receipts

Answer : Entertainment expenses - Revenue payments

78)

(a) Charities	-	Income Account
(b) Stationary	-	Income account
(c) depreciation	-	Expenditure account
(d) Grant	-	Expenditure Account

Answer : Depreciation - Expenditure Account

79) Which one of the Following is Correctly Matched?

(a) First installment	-	Application money
(b) Second instalment	-	Final call money
(c) Third instalment	-	Allotment money
(d) Last instalment	-	First call money

Answer : First installment - Application money

80) Which one of the Following is Correctly Matched?

(a) Gross profit ratio	-	$\frac{\text{Net profit from operations}}{\text{Revenue}} \times 100$
(b) Operating cost ratio	-	$\frac{\text{Operating Cost from operations}}{\text{Revenue}} \times 100$
(c) Operating profit	-	Revenue from operations + Operating cost
(d) Net profit ratio	-	$\frac{\text{Gross profit from operations}}{\text{Revenue}} \times 100$

Answer : Operating cost ratio = $\frac{\text{Operating Cost from operations}}{\text{Revenue}} \times 100$

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