

# 12<sup>th</sup> Accountancy Creative One Words

## Chapter 1 - 10

### Chapter 1 - Accounts from Incomplete Records

1) Companies cannot keep books on single entry system, because of

- (a) Tax Properties (b) Legal Provisions  
(c) Both (a) and (b) (d) None of these

2) The difference between the total assets and total of liabilities is taken as

- (a) drawings (b) capital (c) Profit (d) Loss

3) Under the net worth method, the basis for ascertaining the profit is

- (a) The difference between the capital on two dates  
(b) The difference between the liabilities on two dates  
(c) The different between the gross assets on two dates  
(d) The difference between the gross profit on two dates

4) Statement of Affairs method is also called as \_\_\_\_\_ method

- (a) Net Profit (b) Net Loss (c) Net worth/capital comparison (d) None

5) \_\_\_\_\_ is the statement showing the balances of Assets and Liabilities on a particular date

- (a) Statement of Affairs (b) Trading Account  
(c) Profit & Loss Account (d) Balance Sheet

6) Pick the odd one out

- (a) Incomplete (b) unsystematic  
(c) Balance Sheet (d) unscientific

7) Pick the odd one out

- (a) Conversion Method (b) Statement of Affairs Method  
(c) Straight Line Method (d) Net worth

8) Adjusted Closing Capital is

- (a) Closing Capital + Drawings – Additional Capital  
(b) Closing Capital + Drawings – Additional Capital – Opening Capital  
(c) Assets + Liabilities (d) Opening Capital + Drawings

9) Income and Expenditure Account is prepared following

- (a) Cash basis (b) accrual basis (c) Management basis (d) Govt. Basis

10) An advance receipt of subscription from a member of the Non-Profit organisation is considered as an

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

11) Which of the following is to be recorded in an income and expenditure account ?

- (a) Purchase of Fixed Assets (b) Capital Expenditure incurred on fixed asset  
(c) Profit on sale of Fixed Asset (d) Sale of Fixed Asset

12) On what basis the receipts and payments account is prepared ?

(a)Cash Basis (b)Accrual Basis (c)both (d) none

**13)Expenditures greater than Incomes of a non-profit organisation give rise to a**

(a)Loss (b)Profit (c)Surplus (d) Deficit

**14) In non-profit organisation, the sale of old newspapers is generally considered as**

(a)Revenue Receipt (b)Expenditure (c) Income (d)Capital Receipt

**15) Rent Paid in Advance in non-profit organisation is classified as**

(a)Expense (b)Liability (c)Equity (d)Asset

**16) The amount or property received by non-profit organisation as stated by the will of a deceased person is commonly referred to as**

(a)Donation (b)Honorarium (c)Legacy (d)Endowment

**17) Some organisation are established for the purpose of rendering services to the public without**

(a)any profit motive (b) any service motive (c) both (d) none

**18)If the donation is received without any specific condition then it is**

(a)General Donation (b)Specific Donation (c)Legacy (d) Grants from govt.

**19)Capital Fund is also called as**

(a)General/Accumulated Fund (b) Specific Fund (c)Prize Fund (d) None

**20)Match**

- |                          |                      |
|--------------------------|----------------------|
| i) Sports equipment      | 1. Balls, Bats       |
| ii) Investments          | 2. Time of Admission |
| iii) Old Sports Material | 3. Receive Interest  |
| iv) Admission Fee        | 4. Billiards Table   |

**Ans. :**

(a) i-2,ii-1,iii-4,iv-3 (b)i-3,ii-4,iii-2,iv-1

(c)i-2,ii-4,iii-1,iv-3 (d) i-4,ii-3,iii-1,iv-2

**21)Match**

- |                          |                         |
|--------------------------|-------------------------|
| i) Subscription          | 1. Revenue, Expenditure |
| ii)Life Membership Fee   | 2. Capital Expenditure  |
| iii)Honorarium           | 3. Capital Receipt      |
| iv)Purchase of Furniture | 4. Revenue Receipt      |

**Ans. :**

(a) i-2,ii-1,iii-4,iv-3 (b) i-1,ii-4,iii-2,iv-3 (c) i-4,ii-3,iii-1,iv-2 (d) i-3,ii-4,iii-2,iv-1

**22) \_\_\_\_\_ Items will be recorded in the Balance Sheet**

(a)Revenue (b)Capital (c)Expense (d)None

**23)\_\_\_\_\_ is the Remuneration paid to a person who is not regular employee of the organisation**

(a)Salary (b)Wages (c)Honorarium (d) Legacy

**24) Which one of the following is correctly matched?**

- (a) Entrance Fees - Capital Payment
- (b) Sale of Fixed Asset - Revenue Receipts
- (c) Travelling Expenses – Revenue Payments**
- (d) Investment – Capital Receipts

**25) Which one of the following is not correctly matched ?**

- (a) Legacy – Capital Receipt
- (b) Salary Paid – Revenue Payment
- (c) Interest Received – Revenue Payment**
- (d) Subscription – Revenue Receipts

**26) Match**

- |   |   |
|---|---|
| (i) Not-for-Profit Organisation             | 1. Credit Balances  |
| (ii) Schedule III of the Companies Act 2013 | 2. Depreciation, Outstanding, Expenses and Accrual Income |
| (iii) Non-Cash Items                        | 3. Section 8 Companies Act 2013                           |
| (iv) Revenues, Gains and Liabilities        | 4. Income & Expenditure and Balance Sheet                 |

**Ans. :**

- a) (i-1),(ii-4),(iii-2),(iv-3)    **b) (i-4),(ii-3),(iii-2),(iv-1)**    c) (i-2),(ii-4),(iii-1),(iv-3)
- d) (i-3),(ii-1),(iii-4),(iv-2)

**27) Closing Balance of Partners' current account may be \_\_\_\_\_**

- (a) Debit or Credit Balance**    (c) Debit Balance only
- (b) Credit Balance only    (d) Nil Balance

**28) Match**

- |                              |                  |
|------------------------------|------------------|
| (i) Remuneration to Partners | 1. Section 13(c) |
| (ii) Profit Sharing Ratio    | 2. Section 13(d) |
| (iii) Interest on Capital    | 3. Section 13(b) |
| (iv) Interest on Loan        | 4. Section 13(a) |

**Ans. :**

- a) (i),(ii),(iii),(iv)    b) (iv),(iii),(i),(ii)    **c) (iv),(iii),(i),(ii)**    d) (ii),(i),(iv),(iii)

**29) Period of Interest refers to the period from the date of drawings to the closing date of the**

- a) Opening Year    b) Closing Year    c) Previous Year    **d) Accounting Year**

**30) Product Method can be used in all situations as an alternative to**

- (a) Average Period    **(b) Direct Method**    (c) both (a) and (b)    (d) None

**31) Interest on Capital is calculated on the**

- (a) Opening Capital**    (b) Closing Capital    (c) Additional Capital    (d) None

**32) Current Accounts for Partners will be opened under**

- (a) Fixed Capital Method**    (b) Fluctuating Capital Method
- (c) Both (a) and (b)    (d) None

**33) The name under which the business of a firm is carried on is called**

(a) Company Name (b) Firm Name (c) Partnership Firm (d) Partners' Name

**34) Amount invested by partners, in the partnership business is called**

(a) Owners Capital (b) Partners' Capital (c) Profit & Loss (d) None

**35) The Balance in the Profit & Loss Appropriation A/c is transferred to the partners' capital Account in the**

(a) Old Ratio (b) Sacrifice Ratio (c) Profit Sharing Ratio (d) None

**36) In \_\_\_\_ method, the capital of the partners is not altered and remain generally fixed**

(a) Fixed Capital Method (b) Fluctuating Capital Method (c) Both (a) & (b) (d) None

**37) All the transactions between the partner and the firm are recorded in the**

(a) Drawings A/c (b) Capital A/c (c) Profit & Loss A/c (d) Revaluation A/c

**38) In Sole Proprietorship the profit or loss A/c is transferred directly to the sole proprietor**

(a) Drawings A/c (b) Capital A/c (c) Loan A/c (d) None

**39) The rate of Interest on Capital is generally agreed by the partners and is mentioned in the**

(a) Capital A/c (b) Profit & Loss A/c (c) Partnership Deed (d) None

**40) Under Fixed Capital Method, Salary payable to a partner is recorded**

(a) in Current A/c (b) in Capital A/c (c) Both (a) and (b) (d) None

**41) Profit & Loss Appropriation A/c is \_\_\_\_\_ in nature**

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

**42) Under Fluctuating Capital Method, Profit or Loss in a year, will be transferred to the respective**

(a) Capital A/c (b) Profit & Loss A/c (c) Drawing A/c (d) None

**43) The debit balance of the current account will be shown in the \_\_\_\_ side of the Balance Sheet**

(a) Liability (b) Assets (c) Debit (d) Credit

**44) Match**

- |                                  |                    |
|----------------------------------|--------------------|
| (i) Partnership Agreement        | 1. 50              |
| (ii) Partnership Act             | 2. Optional        |
| (iii) Maximum Number             | 3. Oral or Written |
| (iv) Registration of Partnership | 4. 1932            |
- (a) (i-2), (ii-3), (iii-4), (iv-1)  
(b) (i-3), (ii-4), (iii-1), (iv-2)  
(c) (i-4), (ii-1), (iii-2), (iv-3)  
(d) (i-1), (ii-3), (iii-2), (iv-4)

**45) If a firm maintains both Capital and Current A/c of the partners, additional capital introduced will be recorded in**

(a) Current A/c (b) Capital A/c (c) Drawing A/c (d) None

46) Partners are entitled to remuneration only if there is a \_\_\_\_\_ in the firm.

(a) Profit (b) Loss (c) Commission (d) None

47) The Partners are entitled to interest on Loan or Advance at the rate agreed by them if there is a partnership \_\_\_\_\_

(a) No Agreement (b) Agreement (c) None

48) If there is No Partnership Agreement, the Partners are entitled to an interest on Loan at the rate of \_\_\_\_\_ per annum

(a) 12% (b) 10% (c) 6% (d) 8%

49) According to which Section of the Indian Partnership Act 1932, provides Interest on Loan advanced by Partners to the firm at the rate of 6% per annum ?

(a) Sec 13 (a) (b) Sec 13 (b) (c) Sec 13 (c) (d) Sec 13 (d)

50) Interest on Partners' Loan is a \_\_\_\_\_ against profit, whether there is a Profit or Loss of the firm, this interest is to be provided.

(a) Charge (b) Loss (c) None

51) Interest on Partners' Loan is a charge against profit. Hence, interest on partners' loan is transferred to \_\_\_\_\_ Account.

(a) Profit & Loss Appropriation (b) Profit & Loss (c) None

52) The net profit as per Profit and Loss Account of a firm is subject to the adjustment of Interest on Capital, Interest on Drawings, etc. are made by preparing \_\_\_\_\_ Account.

(a) Profit & Loss (b) Profit & Loss Appropriation (c) None

53) The Balance in the Profit & Loss Appropriation Account is to be divided among the partners according to their Profit Sharing ratio. In the absence of profit sharing ratio, profit is divided among the partners equally and is transferred to partners' \_\_\_\_\_ Account.

(a) Capital or Current (b) Profit & Loss (c) None

54) In which type of Partnership the liability of the partner is limited to the extent of their capital contribution ?

(a) Limited Liability Partnership (b) Unlimited Liability Partnership (c) Particular Partnership

55) Limited Liability Partnership is formed as per the provisions of which Act ?

(a) The Indian Partnership Act, 1932 (b) The Limited Liability Partnership Act 2008 (c) None

56) Provisions of the Partnership Act 1932 will not apply to a \_\_\_\_\_ partnership.

(a) Partnership at Will (b) Particular Partnership (c) Limited Liability Partnership

57) In Limited Liability Partnership who can become a Partner.

(a) Only an Individual (b) Only a body corporate (c) An Individual or a body corporate

Lesson 4 – Goodwill in Partnership Accounts

- 1) \_\_\_\_ is the present value of a firm's future excess earning  
(a) current asset (b) Liabilities (c) **Good will** (d) Fixed Assets
- 2) Goodwill is shown under \_\_\_\_ Assets in the Balance Sheet  
(a) **Fixed Assets** (b) Current Assets (c) Current Liabilities (d) None of the above
- 3) Goodwill enables the business to earn more profit compared to a \_\_\_\_ business  
(a) **New** (b) Sole Trading (c) Company (d) None of the above
- 4) The monetary value of earning more profit is termed as \_\_\_\_  
(a) Fixed Assets (b) Capital (c) **Good will** (d) None of these
- 5) Goodwill has a \_\_\_\_ value depending on the profitability of the business enterprise  
(a) **Definite** (b) Indefinite (c) temporary (d) None of the above
- 6) Goodwill helps in earning more profits and attracts more \_\_\_\_  
(a) Retailers (b) Suppliers (c) **Customers** (d) None of the above
- 7) The profit earning capacity of the firm determines the value of its \_\_\_\_  
(a) Fixed Assets (b) **Current Assets** (c) Good Will (d) None of these
- 8) Good Will can be purchased or sold only when the business is \_\_\_\_ in full or part.  
(a) **Purchased or Sold** (b) Capital Employed (c) normal rate (d) None of above
- 9) Good will acquired by making payment in Cash or Kind is called \_\_\_\_  
(a) **Acquired Good will** (b) Self generated Good will (c) Average Good will (d) None of these
- 10) Which good will can be recorded in the books of accounts and is shown on the Assets side of the Balance Sheet under Fixed Assets ?  
(a) Self Generated Good will (b) **Acquired Good will** (c) Average Good will (d) None of the above
- 11) The good will which is self generated by a firm, based on features of the business such as favourable location, loyal customers, etc.  
(a) Acquired Good Will (b) Average Good Will (c) **Self Generated Good Will** (d) None of these
- 12) Which good will cannot be recorded in the books of accounts ?  
(a) Average good will (b) Acquired good will (c) **Self generated good will** (d) All of these
- 13) The excess of purchase consideration over the value of net assets acquired is treated as  
(a) **Acquired good will** (b) Average good will (c) Self generated good will (d) All of these
- 14) Simple Average Profit is calculated by  
(a) **adding the adjusted profits of certain number of years by dividing the total number of such years**  
(b) the sum of weighted profits/ the sum of weights  
(c) capitalizing the super profit at normal rate of return

(d) none of these

**15) Capital employed**

(a) Super Profit x Number of Years of Purchase

(b) Fixed Assets + Current Assets – Current Liabilities

(c) Average Profit – Normal Profit

(d) Average Profit x Number of Years of Purchase

**16) Annuity refers to**

(a) Capital Employed (b) Capitalization of average profit

(c) Series of Uniform Cash Flows at regular intervals (d) All of these

**17) Goodwill based on Capitalisation of Average Profit Method and Capitalisation of Super Profit Method will give the \_\_\_\_ Amount of Good Will.**

(a) Same (b) Different (c) None

**LESSON 5 – Admission of a Partner**

**18) Determination of current values of Assets and Liabilities is called**

(a) Distribution of accumulated profits and losses

(b) Revaluation of Assets and Liabilities

(c) both (a) and (b) (d) None of these

**19) Revaluation Account is also called**

(a) Partners' Capital Account (b) Adjustment of Good Will

(c) Profit & Loss Adjustment Account (d) All of the above

**20) If the Market Value of the Investments is less than the book value, then the difference is to be \_\_\_\_ from the investments Fluctuation Fund and the balance of investment fluctuation fund is to be transferred to old partners' capital account in old profit sharing ratio.**

(a) Subtracted (b) Added (c) Aggregated (d) None

**21) Profits and Losses of Previous Years which are not distributed to the partners are called**

(a) Investment Fluctuation Fund (b) Amount of Good Will

(c) Accumulated Profits and Losses (d) None of these

**22) New Partner becomes liable for all the acts which are carried out by the firm from the date of his/her**

(a) Retirement from the firm (b) Death during the tenure (c) Admission into the firm (d) (a) and (b)

**23) In case of workmen compensation fund, the excess amount after providing for anticipated claim is the \_\_\_\_ to be transferred**

(a) Accumulated Profit (b) Accumulated Loss (c) Revaluation of Asset (d) None of the above

24) A Memorandum revaluation account is a temporary account is opened when the \_\_\_\_\_

- (a) Revised values are shown in the books of Accounts  
(b) Revised values not to be shown in the books of Accounts  
(c) Values of Assets and Liabilities (d) None of these

25) Sometimes an existing partner may also gain in share of profit on admission of a partner, then the gaining partner has to compensate the \_\_\_\_\_ partners to the extent of his share in the total goodwill of the firm.

- (a) Old Partners (b) New Partners (c) Sacrificing (d) (a) and (b)

26) To compensate the sacrifice made by the existing partner, good will brought by the new partner is distributed in the \_\_\_\_\_ ratio to the old partner who sacrifice.

- (a) Gaining (b) Sacrificing (c) Capital (d) None of these

27) Sacrificing ratio is calculated at the time of \_\_\_\_\_

- (a) Retirement of a partner (b) Death of a partner (c) Admission of a New Partner (d) (a) and (b)

28) The difference between the old ratio and the new ratio is

- (a) Sacrificing Ratio (b) Gaining Ratio (c) Capital Ratio (d) None

29) When good will is paid by the new partner to the old partners \_\_\_\_\_, no entry is made in the books of the partnership firm.

- (a) Public (b) Privately (c) None

#### Lesson 6 – Retirement of a Partner

30) The difference between the new ratio and the old ratio is

- (a) Sacrificing Ratio (b) Capital Ratio (c) (a) and (b) (d) Gaining Ratio

31) The retiring partners' share of goodwill is to be valued and adjusted through the capital accounts of the \_\_\_\_\_

- (a) Sacrificing Partners (b) Old Partners (c) (a) and (b) (d) Gaining Partners

#### Lesson 7 - Company Accounts

32) The maximum amount which can be raised as Capital is

- (a) Issued Capital (b) Authorised Capital (c) Reserved Capital (d) None of these

33) The part of issued capital which had been applied for and also allotted by the company

- (a) Issued Capital (b) Authorised Capital (c) Subscribed Capital (d) None of these

34) This represents that part of Authorised Capital which is offered for subscription

- (a) Issued Capital (b) Subscribed Capital (c) Reserved Capital (d) None of the above

35) It is the part of Subscribed Capital which has been called up by the company for payment

- (a) Paid up Capital (b) Reserve Capital (c) (a) and (b) (d) Called up Capital

36) It is the part of Called Up Capital which has been actually paid by the share holders



(a) Reserve Capital (b) Paid up Capital (c) Authorised Capital (d) Issued Capital

**37) A company's annual report contains the following data, the face value of its shares is Rs. 10 each. Identify the company's registered capital, issued capital, subscribed capital and called up capital (1) Rs. 5,00,000**

(i) Subscribed Capital 1. Rs. 2,00,000

(ii) Issued Capital 2. Rs. 3,00,000

(iii) Authorised Capital 3. Rs. 3,50,000

(iv) Called up Capital 4. Rs. 5,00,000

**Ans. :**

(a) i-2 ii-3 iii-4 iv-1

(b) i-3 ii-4 iii-1 iv-2

(c) i-4 ii-1 iii-2 iv-3

**38) Issue of Equity Shares to the existing share holders of the company through the letter of offer is known as**

(a) Private Placement (b) Public Issue (c) Rights Issue (d) None of these

**39) Issue of equity shares to the existing share holders of the company at free of cost out of accumulated profit is known as**

(a) Public Issue (b) Private Placement (c) Rights Issue (d) Bonus Issue

**40) Invitation to subscribe equity shares to a select group of persons by a company through issue of a private placement offer letter and which satisfies the condition specified in \_\_\_\_ of the Indian Companies Act, 2013**

(a) Section 42 (b) Section 39 (c) Section 50 (d) None of these

**41) Issue of Equity Shares to the public through prospectus by a public company is called**

(a) Private Placement (b) Public Issue (c) Bonus Issue (d) None of these

**42) As per SEBI guidelines, the minimum application money shall not be less than \_\_\_\_ of the issue price**

(a) 25% (b) 50% (c) 30% (d) None of these

**43) As per the section 39 of Indian Companies Act, 2013, Application Money must be at least \_\_\_\_ of the nominal value of shares**

(a) 5% (b) 20% (c) 10% (d) None of these

**44) According to Table F, Schedule I of the Indian Companies Act, 2013 period of \_\_\_\_ must elapse between two calls**

(a) Two months (b) one month (c) Four Months (d) None of these

45) According to Table F, Schedule I of the Indian Companies Act, 2013 the amount of one call should not be more than \_\_\_\_ of the face value of the share

- (a) 25% (b) 10% (c) 50% (d) None of these

46) The share capital may be received through instalments as below :

- (i) first instalment called - 1) First Call Money  
(ii) second instalment called - 2) Application Money  
(iii) third instalment called - 3) Final Call Money  
(iv) the last instalment called - 4) Allotment Money

Select the Best Option :

- (a) (i)-4 (ii)-3 (iii)-2 (iv)-1  
(b) (i)-2 (ii)-4 (iii)-1 (iv)-3  
(c) (i)-2 (ii)-4 (iii)-1 (iv)-3  
(d) (i)-3 (ii)-1 (iii)-4 (iv)-2

47) When a company issues shares at a price more than the face value, the shares are said to be issued at

- (a) Discount (b) Premium  
(c) Allotment (d) None of these

48) When the number of shares subscribed is less than the number of shares offered, it is known as

- (a) Over Subscription (b) No Subscription  
(c) (a) and (b) (d) Under Subscription

49) When Applications are allotted in proportion of shares applied for it is called

- (a) Allotment (b) Public Allotment  
(c) Pro-Rata Allotment (d) None of these

50) If the minimum subscription stated in the prospectus is not received, all the application money received has to be \_\_\_\_ to the applicant

- (a) Collected (b) Debited (c) Refunded (d) None

51) \_\_\_\_ is a demand by a company to the shareholder holding partly paid up share to pay further instalment towards the purchase price of shares

- (a) Call (b) Application Money (c) Premium (d) None

52) When the share capital is received through instalments, first instalment is called

- (a) allotment money (b) first-call money  
(c) application money (d) Final call money

- 53) The excess amount paid over the called up value of a Share is known as  
(a) Calls in Arrears (b) Calls in Advance (c) None
- 54) If the company decides to adjust excess amount towards future payment, may be transferred to a separate account called \_\_\_\_\_ Account  
(a) Calls in Advance (b) Calls in Arrears (c) None
- 55) Calls in Advance does not form part of the company's \_\_\_\_\_ and no dividend is payable on such Amount.  
(a) Share Capital (b) Profit (c) None
- 56) Calls in Advance should be shown under \_\_\_\_\_ in the Balance Sheet.  
(a) Current Assets (b) Current Liabilities (c) Non-Current Liabilities (d) None
- 57) As per Section 50 of the Indian Companies Act 2013, the company can accept calls in advance only if it is authorised by it's \_\_\_\_\_  
(a) Memorandum of Association (b) Articles of Association (c) Prospectus (d) None
- 58) As per \_\_\_\_\_ of the Indian Companies Act 2013, Interest may be paid on Calls on Advance, if Articles of Association so provide not exceeding 12% per annum.  
(a) Table E (b) Table A (c) Table F (d) None
- 59) As per Table F of the Indian Companies Act 2013, Interest may be charged on the Calls in Arrear if Articles of Association so provide Not exceeding \_\_\_\_\_ percent per annum.  
(a) 6 (b) 10 (c) 12 (d) 4

## Chapter 8 : FINANCIAL STATEMENT ANALYSIS

1. The Indian Companies Act 2013 Section \_\_\_\_\_ also states that the financial statement shall be prepared in the form provided in schedule III of Indian Companies Act.  
(a) Section 2 (40) (b) Section 129 (1) (c) Section 128 (d) None
2. As per Schedule III of the Companies Act 2013, the turnover less than One Hundred Crore Rupees of the company may be rounded off as  
(a) To the nearest ten, hundred, thousands, lakhs or decimals thereof  
(b) To the nearest Lakhs, Millions or Crores or decimals thereof  
(c) To the nearest hundreds, thousands, lakhs or millions or decimals thereof  
(d) None of these
3. As per the Schedule III of the Companies Act 2013, the turnover One Hundred Crore Rupees or more of the company may be rounded off as  
(a) To the nearest ten, hundred, thousands, lakhs or decimals thereof

- (b) To the nearest Lakhs, Millions or Crores or decimals thereof
- (c) To the nearest hundreds, thousands, lakhs or millions or decimals thereof
- (d) None of these

**4. Intra firm comparison is**

- (a) Comparison of One firm with other firm, or firms in the Industry
- (b) Comparison within the Organisation among different departments, divisions, etc.
- (c) both (a) and (b)
- (d) None of these

**5. Inter firm comparison is**

- (a) Comparison of One firm with other firm, or firms in the Industry
- (b) Comparison within the Organisation among different departments, divisions, etc.
- (c) both (a) and (b)
- (d) None of these

**6. Examples of Horizontal Analysis are**

- (a) Cash Flow Statements and Funds Flow Statements
- (b) Common Size Statements and Computation of Ratios
- (c) Comparative Statements and Trend Percentages
- (d) None of these

**7. Examples of Vertical Analysis are**

- (a) Cash Flow Statements and Funds Flow Statements
- (b) Common Size Statements and Computation of Ratios
- (c) Comparative Statements and Trend Percentages
- (d) None of these

## Chapter 9 : RATIO ANALYSIS

**8. The time between the acquisition of an Asset for processing and its realisation into cash and cash equivalents**

- (a) Operating Profit
- (b) Operating Cost
- (c) Operating Cycle
- (d) None

**9. These Assets cannot be converted into Cash and only the benefit can be derived and are thus excluded from Liquid Assets.**

- (a) Trade Receivables
- (b) Investments
- (c) Inventories & Prepaid Expenses
- (d) None

**10. Normally \_\_\_\_\_ is considered as ideal current ratio**

- (a) 2 : 1
- (b) 0.5 : 1
- (c) 1 : 1
- (d) 1.5 : 1

**11. Normally \_\_\_\_\_ is considered as ideal quick ratio**

(a) 2 : 1 (b) 0.5 : 1 (c) 1 : 1 (d) 1.5 : 1

12. In General, a Debt Equity Ratio of \_\_\_\_ may be considered satisfactory

(a) 2 : 1 (b) 1 : 1 (c) 3 : 1 (d) None

13. Shareholders' funds can also be computed as

(a) shareholders fund = Total Assets – Non Current Liabilities – Current Liabilities

(b) shareholders fund = Long Term Borrowing – Current Assets

(c) shareholders fund = Non Current Assets – Non Current Liabilities

(d) None of these

14. Debit Balance in the statement of Profit and Loss is shown as the \_\_\_\_ under the head Reserves and Surplus.

(a) Positive Figure (b) Negative Figure (c) % (d) None of these

15. In General, lower the Debt Equity Ratio, \_\_\_\_ is the Risk to the Long term Lenders.

(a) Higher (b) Lower (c) Moderate (d) None

16. Higher the Debt Equity Ratio, indicates \_\_\_\_ Risk as it may difficult for the Business Concern to meet the obligation to the outsiders.

(a) High (b) Low (c) Moderate (d) None

17. Higher the Proprietary Ratio, greater is the satisfaction for \_\_\_\_, as the firm is less independent on external sources of Finance.

(a) Management (b) Lenders and Creditors (c) Government (d) None

18. When the Capital Gearing Ratio is greater than one, the Firm is said to be

(a) Low Geared (b) Moderate Geared (c) High Geared (d) None

19. A Higher Gross Profit Ratio indicates a \_\_\_\_ profitability

(a) High (b) Low (c) Moderate (d) None

20. \_\_\_\_ the Operating Cost Ratio, higher is the margin available for payment of Non Operating Expenses

(a) Higher (b) Lesser (c) Moderate (d) None

21. \_\_\_\_ the return on Investment, better is the Profitability of a Business

(a) Greater (b) Lesser (c) Moderate (d) None

22. Greater the Inventory Turnover Ratio, \_\_\_\_ is the efficiency of movement of Stock

(a) Greater (b) Lower (c) Moderate (d) None

23. Inventory conversion period is the \_\_\_\_ taken to sell the Inventory.

(a) Cost (b) Time (c) None

24. A Shorter Inventory Conversion Period indicates \_\_\_\_ efficiency in the management of Inventory.

(a) more (b) less (c) None

25. Turnover Ratios are also called as \_\_\_\_

(a) Activity ratios or efficiency ratios (b) solvency or insolvency ratios (c) None

26. Greater the Trade receivables turnover ratio, \_\_\_\_\_ is the efficiency of Management in collection of Receivables.

- (a) Lower (b) Greater (c) Moderate (d) None

27. Debt Collection period is the \_\_\_\_\_ taken to collect the Amount due from Trade Receivables.

- (a) Average Cost (b) Average Time (c) None

28. Lesser the debt collection period , ----- is the efficiency of management in collection of cash from trade receivables.

- (a) Greater (b) Lesser (c) moderate (d) none.

29. Greater the trade payable turnover ratio , ----- is the efficiency of the management in managing trade payable as it indicates that amount due to suppliers are settled quicker.

- (a) lesser (b) more (c) better (d) moderate.

30. Lesser the credit payment period, ----- is the efficiency of the management in managing accounts payable.

- (a) greater (b) lesser (c) better (d) moderate

31. Greater the fixed assets turnover ratio ----- is the efficiency of management in utilisation of fixed assets.

- (a) lesser (b) better (c) more (d) none

32. Fixed assets turnover ratio can also be calculated by substituting ----- instead of revenue from operations.

- (a) Trade payables (b) Inventories (c) Cost of revenue from operations (d) None

33. Higher gross profit should be sufficiently high to provide for ----- to be paid by a business.

- (a) direct expenses (b) indirect expenses (c) none

34. Operating profit ratio is an indicator of ----- of an organisation.

- (a) Managing trade payables (b) Operational efficiency (c) Solvency (d) none

35. Net profit ratio is an indicator of the ----- of the business.

- (a) overall efficiency (b) overall profitability (c) overall solvency (d) none.

## CHAPTER 10 : Computerised Accounting System Tally ERP. 9

36. Wages Account Comes under which of the following Head ?

- (a) Direct Income (b) Direct Expenses (c) Indirect Expenses (d) None

37. Depreciation Account comes under

- (a) Direct Income (b) Direct Expenses (c) Indirect Expenses (d) None

38. Function Key F7 is

(a) Journal Voucher (b) Receipt Voucher (c) Contra Voucher (d) Sales Voucher

39. Which of following Short-Cut Key is used to create a New ledger ?

(a) Alt + N (b) Alt + C (c) Alt + Q (d) Alt + X

**“Victory Comes from the Lord”**

**Proverbs 21 : 31**

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