



KSG SQUARE (CA /CS /CMA/ CFA)

Commerce & Finance Class

MCQ

Question Bank For CS , CMA, CA (FOUNDATION)



CONTENTS

	PAGE
<i>About the author</i>	I-5
<i>Preface to Fifth Edition</i>	I-7

DIVISION 1

BUSINESS ENVIRONMENT & ENTREPRENEURSHIP

PART A

BUSINESS ENVIRONMENT

CHAPTER 1:	BUSINESS ENVIRONMENT	5
CHAPTER 2:	FORMS OF BUSINESS ORGANIZATION	11
CHAPTER 3:	SCALES OF BUSINESS	21
CHAPTER 4:	EMERGING TRENDS IN BUSINESS	26
CHAPTER 5:	BUSINESS FUNCTIONS	31

PART B

BUSINESS LAWS

CHAPTER 6:	INTRODUCTION TO LAW	41
CHAPTER 7:	ELEMENTS OF COMPANY LAW-I	51
CHAPTER 8:	ELEMENTS OF COMPANY LAW II	64
CHAPTER 9:	THE INDIAN PARTNERSHIP ACT, 1932	75
CHAPTER 10:	THE INDIAN CONTRACT ACT, 1872	98
CHAPTER 11:	SALE OF GOODS ACT, 1930	151
CHAPTER 12:	NEGOTIABLE INSTRUMENTS ACT, 1881	173
CHAPTER 13:	INFORMATION TECHNOLOGY ACT, 2000	186
CHAPTER 14:	ROLE OF COMPANY SECRETARY	192

DIVISION 2
BUSINESS MANAGEMENT ETHICS & COMMUNICATION

PART A
BUSINESS MANAGEMENT

CHAPTER 1:	NATURE OF MANAGEMENT & ITS PROCESS	201
CHAPTER 2:	PLANNING	209
CHAPTER 3:	ORGANIZATION	217
CHAPTER 4:	HUMAN RESOURCE MANAGEMENT	228
CHAPTER 5:	DIRECTION & CO-ORDINATION	237
CHAPTER 6:	CONTROLLING	246
CHAPTER 7:	RECENT TRENDS IN MANAGEMENT	251

PART B
BUSINESS ETHICS

CHAPTER 8:	BUSINESS ETHICS	259
-------------------	-----------------	-----

PART C
BUSINESS COMMUNICATION

CHAPTER 9:	BUSINESS COMMUNICATION	273
CHAPTER 10:	ESSENTIALS OF GOOD ENGLISH	278
CHAPTER 11:	BUSINESS CORRESPONDENCE	293
CHAPTER 12:	INTER-DEPARTMENTAL COMMUNICATION	302
CHAPTER 13:	E-CORRESPONDENCE	305

PART D
ENTREPRENEURSHIP

CHAPTER 14:	ENTREPRENEURSHIP	313
CHAPTER 15:	ENTREPRENEURSHIP - CREATIVITY & INNOVATION	319
CHAPTER 16:	GROWTH & CHALLENGES OF ENTREPRENEURIAL VENTURE	323
CHAPTER 17:	SOCIAL ENTREPRENEURSHIP	328
CHAPTER 18:	GOVERNMENT INITIATIVES FOR BUSINESS	331

DIVISION 3
BUSINESS ECONOMICS

PART A
BUSINESS ECONOMICS

CHAPTER 1:	NATURE & SCOPE OF ECONOMICS	341
CHAPTER 2:	THEORY OF DEMAND & SUPPLY	358

	PAGE
CHAPTER 3: THEORY OF PRODUCTION, COSTS & REVENUE	387
CHAPTER 4: FORMS OF MARKET & ITS EQUILIBRIUM	406
CHAPTER 5: MONEY & BANKING	420
CHAPTER 6: INDIAN ECONOMY - AN OVERVIEW	431

PART B

BUSINESS STATISTICS

CHAPTER 7: STATISTICS - AN OVERVIEW	449
CHAPTER 8: COLLECTION & PRESENTATION OF STATISTICAL DATA	455
CHAPTER 9: MEASURES OF CENTRAL TENDENCY & DISPERSION	466
CHAPTER 10: MATHEMATICS OF FINANCE	480
CHAPTER 11: THEORY OF PROBABILITY	492
CHAPTER 12: TIME SERIES & INDEX NUMBERS ANALYSIS	496

DIVISION 4

FUNDAMENTALS OF ACCOUNTING & AUDITING

PART A

FINANCIAL ACCOUNTING

CHAPTER 1: THEORETICAL FRAMEWORK	507
CHAPTER 2: ACCOUNTING PROCESS - I	525
CHAPTER 3: ACCOUNTING PROCESS - II (RECTIFICATION OF ERRORS)	534
CHAPTER 4: ACCOUNTING PROCESS - III (CAPITAL & REVENUE ITEMS)	544
CHAPTER 5: BANK RECONCILIATION STATEMENT	551
CHAPTER 6: DEPRECIATION ACCOUNTING	563
CHAPTER 7: FINAL ACCOUNTS (SOLE PROPRIETORS)	591
CHAPTER 8: PARTNERSHIP - PROFIT & LOSS APPROPRIATION ACCOUNT	623
CHAPTER 9: PARTNERSHIP - ADMISSION OF PARTNER	642
CHAPTER 10: PARTNERSHIP - RETIREMENT OF PARTNER	666
CHAPTER 11: PARTNERSHIP - DEATH OF PARTNER & DISSOLUTION	674
CHAPTER 12: JOINT VENTURE	678
CHAPTER 13: CONSIGNMENT	699
CHAPTER 14: ACCOUNTING FOR NON-PROFIT ORGANIZATION	732
CHAPTER 15: INTRODUCTION TO COMPANY ACCOUNTS	745
CHAPTER 16: COMPUTERIZED ACCOUNTING ENVIRONMENT	773

PART B

AUDITING

CHAPTER 17: CONCEPT OF AUDITING	779
CHAPTER 18: TYPES OF AUDIT	784
CHAPTER 19: TOOLS OF AUDITING	790

	PAGE
CHAPTER 20: AUDITOR AND RELATED PROVISIONS	794
MODEL TEST PAPER 1	801
MODEL TEST PAPER 2	822

DIVISION

1

BUSINESS ENVIRONMENT & ENTREPRENEURSHIP

PART A

BUSINESS ENVIRONMENT

- ◆ BUSINESS ENVIRONMENT
- ◆ FORMS OF BUSINESS ORGANIZATION
- ◆ SCALES OF BUSINESS
- ◆ EMERGING TRENDS IN BUSINESS
- ◆ BUSINESS FUNCTIONS

BUSINESS ENVIRONMENT

1. The purposes of business that goes beyond earning profits:
 - (A) An important institution in society
 - (B) For the supply of goods and services
 - (C) Creating job opportunities
 - (D) All of above
2. The purposes of business that goes beyond earning profits:
 - (A) Offering better quality of life
 - (B) Contributing to the economic growth of the country
 - (C) Creating job opportunities
 - (D) All of above
3. Which of the following statement is TRUE?
 - (1) Environment refers to all forces, which have a bearing on the functioning of business.
 - (2) Success of every business depends on adapting itself to the environment within which it functions.

Select the correct answer from the options given below.

 - (A) (1) only
 - (B) (2) only
 - (C) Both (1) and (2)
 - (D) Neither (1) nor (2)
4. Environment can be forces of apart from internal forces of the organization.
 - (A) Economic factors
 - (B) Social factors
 - (C) Political factors
 - (D) Economic, social, political and technological factors
5. Environmental factors may be –
 - A. Internal
 - B. External

Select the correct answer from the options given below

 - (A) Neither A nor B
 - (B) B only
 - (C) Both A and B
 - (D) A only
6. Business environment is the sum total of all things to business firms and, as such, is aggregative in nature.
 - (A) Internal
 - (B) External
 - (C) Not relevant
 - (D) None of above
7. Business environment includes
 - (A) Specific forces
 - (B) General forces
 - (C) Both specific and general forces
 - (D) Task forces
8. Which of the following is/are NOT features of business environment?
 - (I) Uncertainty
 - (II) Relativity
 - (III) Static Nature

Select the correct answer from the options given below.

 - (A) (I) only
 - (B) (II) only
 - (C) (III) only
 - (D) None of the above
9. In relation to business environment specific forces includes
 - (A) Investors
 - (B) Customers
 - (C) Competitors
 - (D) All of above
10. In relation to business environment general forces includes conditions.
 - (A) Social
 - (B) Political

- (C) Legal and technological
(D) All of above
11. Business environment is –
(I) Dynamic in nature
(II) Largely uncertain
Select the correct answer from the options given below.
(A) Both (I) and (II)
(B) (I) only
(C) Neither (I) nor (II)
(D) (II) only
12. Which of the following is nature of the business environment?
(i) Multifaceted
(ii) Uncertain
(iii) Dynamic
Select the correct answer from the options given below.
(A) (i) & (ii)
(B) (ii) & (iii)
(C) (i) & (iii)
(D) (i), (ii) & (iii)
13. Which of the following statement is FALSE?
(I) Early identification of opportunities do not help an enterprise to exploit opportunities.
(II) Identification of possible threats helps in taking corrective and improving measures to survive the competition.
(A) Both (I) and (II)
(B) (I) only
(C) Neither (I) nor (II)
(D) (II) only
14. In order to effectively cope with significant changes, firms must _____ the environment and develop suitable course of action.
(A) Understand
(B) Examine
(C) Understand and examine
(D) Understand without examining
15. In which of the following ways proper understanding of various aspects of business environment helps the business?
(A) Early identification of opportunities
(B) Identification of possible threats
(C) Coping with rapid changes
(D) All of above
16. In which of the following ways proper understanding of various aspects of business environment helps the business?
(A) It enables the business to identify the areas for growth and expansion of their activities.
(B) It helps the firms to analyze the competitors' strategies and formulate their own strategies accordingly in order to cope with the rapidly increasing competition.
(C) Environmental understanding helps the business organizations in improving their image by showing their sensitivity to the environment within which they are working.
(D) All of above
17. Which of the following describes the desired future position of the company?
(A) Vision statement
(B) Mission statement
(C) Planning statement
(D) Forecasting statement
18. A _____ defines the company's business, its objectives and its approach to reach those objectives.
(A) Vision statement
(B) Mission statement
(C) Planning statement
(D) Forecasting statement
19. Your is your ultimate goal, your is how you will get there.
(A) Mission, Vision
(B) Vision, Mission
(C) Vision, Vision
(D) Mission, Mission
20. Where you want your business to be in 10 years time. This can be termed as: _____
(A) Mission statement
(B) Vision statement
(C) Statement of purpose
(D) Memorandum of understanding
21. To develop caliber professionals facilitating good corporate governance is _____ of ICSI.
(A) Mission
(B) Vision
(C) Both (A) and (B)
(D) None of above

22. To be a global leader in promoting good corporate governance is of ICSI.
 (A) Mission
 (B) Vision
 (C) Both (A) and (B)
 (D) None of above
23. To give people the power to share and make the world more open and connected is _____ of Face book.
 (A) Mission
 (B) Vision
 (C) Both (A) and (B)
 (D) None of above
24. To organize the world's information and make it universally accessible and useful is mission of –
 (A) Nike
 (B) Facebook
 (C) Google
 (D) Sony
25. To bring inspiration and innovation to every athlete in the world is mission of –
 (A) Nike
 (B) Facebook
 (C) Google
 (D) Sony
26. "We invite new thinking, so even more fantastic ideas can evolve. We take chances. We exceed expectations. We help dreamers dream." This is vision of _____
 (A) Nike
 (B) Facebook
 (C) Google
 (D) Sony
27. Mission and Vision Statements are NOT commonly used to:
 (A) Guide management's thinking on strategic issues, especially during times of significant change
 (B) Create wider linkages with customers, suppliers and alliance partners
 (C) Help establish a framework for ethical behaviour
 (D) Inspire employees to work more productively by providing focus and common goals
28. A business has absolute control in the (X), whereas it has no control on the (Y)
Select the correct answer from the options given below.
- | (X) | (Y) |
|--------------------------|----------------------|
| (A) External environment | External environment |
| (B) Internal environment | Internal environment |
| (C) Internal environment | External environment |
| (D) External environment | Internal environment |
29. Which of the following contains the owner of the business, the shareholders, the managing director, the non-managers, employees, the customers, the infrastructure of the business organization, and the culture of the organization?
 (A) Internal environment
 (B) External environment
 (C) Outside environment
 (D) All of above
30. Internal environment includes _____ M's.
 (A) 3
 (B) 4
 (C) 5
 (D) 6
31. Man (Human Resource), Money (Financial Factors), Marketing Resources, Machinery (Physical Assets), Management Structure and Nature are factors.
 (A) Internal environment
 (B) External environment
 (C) Outside environment
 (D) All of above
32. _____ in any organization must have characteristics like skills, quality, high morale, commitment towards the work, attitude, etc.
 (A) Marketing Resources
 (B) Financial Factors
 (C) Human resource
 (D) All of above
33. Share capital, banking and other financial institutions and unorganized capital markets are
 (A) Marketing Resources
 (B) Financial Factors
 (C) Human resource
 (D) All of above

34. The internal factors that contribute to the business environment is/are:

1. Research and Development
2. Company Image
3. Brand Equity
4. Value System

Select the correct answer from the options given below.

- (A) 1, 2 & 3 only
- (B) 2, 3 & 4 only
- (C) 2 & 4 only
- (D) 4, 3, 2, 1

35. _____ may include inventions and techniques which affect the way of doing things that is, designing, producing and distributing products.

- (A) Research and Development
- (B) Company Image and Brand Equity
- (C) Value System
- (D) All of above

36. The principles of right and wrong that are accepted by an individual or organization are what comprise

- (A) Research and Development
- (B) Company Image and Brand Equity
- (C) Value System
- (D) All of above

37. Competitor analysis involves:

- (1) Identifying the actual competitors
- (2) Assessing competitors' objectives, strategies, strengths & weaknesses, and reaction patterns
- (3) Selecting the strategies to deal with competitors

Select the correct answer from the options given below –

- (A) (1) and (2)
- (B) (2) and (3)
- (C) (1) and (3)
- (D) All of the above

38. The _____ of an organization comprises of all entities that exists outside its boundaries, but have significant influence over its growth and survival.

- (A) Internal environment
- (B) Inner environment
- (C) Economic environment
- (D) External environment

39. An organization has little or no control over its –

- A. Internal environment
- B. Inner environment
- C. External environment

- (A) A and B
- (B) B and C
- (C) A only
- (D) C only

40. Environment factor which are beyond the control of individual is known as –

- (A) Internal
- (B) External
- (C) Both (A) and (B)
- (D) None of above

41. Change in technology, political factors, demand of population are _____ factors.

- (A) Internal
- (B) External
- (C) Both (A) and (B)
- (D) None of above

42. The micro environment is also known as the

- (A) Task environment
- (B) Operation environment
- (C) Task environment and operating environment
- (D) Task environment and operation environment

43. The _____ consists of the factors in the company's immediate environment that affects the performance and working of the company.

- (A) Micro environment
- (B) Macro environment
- (C) Business environment
- (D) Outside environment

44. Micro environmental factors, internal factors close to a business that have a direct impact on its strategy includes –

- (A) Customers
- (B) Employees
- (C) Suppliers
- (D) All of above

45. Micro environmental factors, internal factors close to a business that have a direct impact on its strategy includes:

- (A) Shareholders

(B) Media

(C) Competitors

(D) All of above

46. Macro environment is also known as –

(A) General environment

(B) Remote environment

(C) General environment or remote environment.

(D) None of above

47. Micro environmental factors can be described as _____ close to a business that have a direct impact on its strategy.

(A) Employees relationship

(B) Internal factors

(C) Media relation

(D) Competitive environment

48. _____ are generally more uncontrollable than micro environment factors.

(A) Macro factors

(B) Micro factors

(C) Estimated factors

(D) Non-business factors

49. factors affects the organization and not necessary to the whole economy.

(A) Micro factor

(B) Macro factors

(C) Both (A) and (B)

(D) None of above

50. Match the following:

*List I**List II*

(P) Process of eliminating unnecessary controls for smooth functioning of business enterprises

(Q) Transfer of ownership of an enterprise from the public sector to the private sector

(R) Cross border transactions in goods and services and international capital flows

1. Globalization
2. Liberalization
3. Privatization
4. Demonetization*Select the correct answer from the options given below.***(P)****(Q)****(R)**

(A) 3 2 1

(B) 1 2 4

(C) 2 1 3

(D) 2 3 1

51. Liberalization includes –

(A) Adopting strict industrial licensing requirement in most of the industries

(B) Reducing the fiscal burden of the state by relieving it of the losses of the SOEs and reducing the size of the bureaucracy

(C) Simplified policies to attract foreign capital and technology to India

(D) All of the above

52. Liberalization has helped us in achieving

(A) A high growth rate

(B) Easy availability of goods at competitive rates

(C) A healthy and flourishing stock market

(D) All of above

53. Liberalization has helped us in achieving

(A) High foreign exchange reserve

(B) Low inflation rate

(C) Strong rupee

(D) All of above

54. The object of privatization is/are:

(A) To improve the performance of PSUs so as to lessen the financial burden on taxpayers

(B) To encourage and to facilitate private sector investments, from both domestic and foreign sources

(C) To generate revenues for the state

(D) All of above

55. The object of privatization is/are:

(A) To increase the administrative burden on the state

(B) To discourage private sector investments

(C) To decrease the size and dynamism of the private sector

(D) None of above

56. The object of privatization is/are:

(A) To reduce the administrative burden on the state

- (B) To encourage and to facilitate private sector investments
- (C) To increase the size and dynamism of the private sector
- (D) All of above
57. The benefits of privatization is/are as follows:
- (A) It reduces the fiscal burden of the state by relieving it of the losses of the SOEs and reducing the size of the bureaucracy
- (B) Privatization of SOEs enables the government to mop up funds
- (C) Privatization helps the state to trim the size of the administrative machinery
- (D) All of above
58. The functions of privatization is/are as follows:
- (A) Privatization helps accelerate the pace of economic developments as it attracts more resources from the private sector for development
- (B) It may result in better management of the enterprises
- (C) Privatization may also encourage entrepreneurship
- (D) All of above
59. The following factors are key drivers of globalization:
- (A) Government action, exchange rates, competition and socio demographic factors
- (B) Market convergence, competition, exchange rates and cost advantages.
- (C) Cost advantages, government action, economic cycles and competition.
- (D) Market, cost, competition and government policies.
60. Liberalization does not includes:
- (A) Abolishing industrial licensing requirement in most of the industries
- (B) Freedom in deciding the scale of business activities
- (C) Restriction in fixing prices of goods and services
- (D) Simplifying the procedure for imports and exports
61. Which of the following is **NOT** included in liberalization?
- (A) Reduction in tax matters
- (B) Abolition of licensing
- (C) Simplification of policies
- (D) Imposition of tariff barriers

Answers

1.	(D)	2.	(D)	3.	(C)	4.	(D)	5.	(C)	6.	(B)	7.	(C)
8.	(C)	9.	(D)	10.	(D)	11.	(A)	12.	(D)	13.	(B)	14.	(C)
15.	(D)	16.	(D)	17.	(A)	18.	(B)	19.	(B)	20.	(B)	21.	(A)
22.	(B)	23.	(A)	24.	(C)	25.	(A)	26.	(D)	27.	(B)	28.	(C)
29.	(A)	30.	(D)	31.	(A)	32.	(C)	33.	(B)	34.	(D)	35.	(A)
36.	(C)	37.	(D)	38.	(D)	39.	(D)	40.	(B)	41.	(B)	42.	(C)
43.	(A)	44.	(D)	45.	(D)	46.	(C)	47.	(B)	48.	(A)	49.	(A)
50.	(D)	51.	(C)	52.	(D)	53.	(D)	54.	(D)	55.	(D)	56.	(D)
57.	(D)	58.	(D)	59.	(D)	60.	(C)	61.	(D)				

FORMS OF BUSINESS ORGANIZATION

1. Which of the following can be treated as characteristics of business organization?
 - (A) A business firm may be owned by one individual or a group of individuals jointly.
 - (B) Every business undertaking is dependent entity.
 - (C) Every business undertaking is engaged in the production only and not in distribution of services
 - (D) Business undertakings are not exposed to any risk or uncertainty.
2. Which of the following can be treated as characteristics of business organization?
 - (A) All business enterprise engages in operation on a continuous basis.
 - (B) Business undertakings are not exposed to any risk or uncertainty.
 - (C) A business firms are owned by one individual and not by a group of individuals jointly.
 - (D) All of above
3. Every business enterprise must undertake such business which is
 - (A) Unlawful
 - (B) Lawful
 - (C) Illegal
 - (D) All of above
4. Every business undertaking is _____ entity.
 - (A) An independent
 - (B) A dependent
 - (C) A social
 - (D) None of above
5. Every business has its own -
 - (A) Assets
 - (B) Liabilities
 - (C) Both (A) and (B)
 - (D) Assets but not liabilities
6. Every business undertaking is engaged in the production and/or distribution of in exchange of money.
 - (A) Goods
 - (B) Services
 - (C) Money
 - (D) Goods or services
7. Business undertakings are always exposed to
 - (A) Risk
 - (B) Uncertainty
 - (C) (A) & (B)
 - (D) Society
8. A business started by only one person is called -
 - (A) Company
 - (B) Sole proprietorship
 - (C) Trust
 - (D) Society
9. The business started by a group of persons can be
 - (A) Company
 - (B) Hindu Undivided Family
 - (C) Partnership
 - (D) Any of the above
10. A business enterprise may be organized on the basis of liability.
 - (A) Limited
 - (B) Unlimited
 - (C) (A) or (B)
 - (D) Non-business
11. _____ is essential for any business concern.
 - (A) Unlimited liabilities
 - (B) Stability
 - (C) Interrupted existence
 - (D) No risk
12. Characteristics of sole proprietorship form of business is/are -

- (1) Single owner
- (2) Unlimited liability
- (3) Control by partner
- (4) No sharing of profit and loss

Select the correct answer from the options given below:

- (A) (1) & (4) only
- (B) (2), (3), (4)
- (C) (2) & (1) only
- (D) (4), (2) & (1)

13. Which of the following statement is/are TRUE and which is/are FALSE?

- I. Sole proprietorship business includes only shopkeepers.
- II. In sole proprietorship business the proprietor has full control over each and every activity of the business.
- III. The sole proprietor is always in a position to maintain good personal contact with the customers and employees.
- IV. In a HUF business all co-parceners have equal share in the profits of the business.

Select the correct answer from the options given below.

- | | I | II | III | IV |
|-----|-------|-------|-------|-------|
| (A) | False | False | True | True |
| (B) | False | True | True | False |
| (C) | True | False | True | False |
| (D) | False | True | False | True |

14. Which of following form of business is the most simple and common in our country?

- (A) Statuary corporations
- (B) Sole proprietorship
- (C) Company
- (D) All of above

15. Statement A:

Easy to form is advantage of sole proprietorship form of business.

Statement B:

Easy to wind-up is advantage of sole proprietorship form of business.

- (A) Statement A is true but Statement B is false
- (B) Statement A is false but Statement B is true
- (C) Both Statement A and B are true
- (D) Both Statement A and B are false

16. Which of following is advantages (A) and which is disadvantage (D) of sole proprietorship form of business?

- (i) Maintenance of business secrets
- (ii) Limited capital
- (iii) Quick decision and prompt action
- (iv) Lack of continuity

Select the correct answer from the options given below.

- | | (i) | (ii) | (iii) | (iv) |
|-----|-----|------|-------|------|
| (A) | A | A | A | A |
| (B) | D | D | D | D |
| (C) | A | D | A | D |
| (D) | D | A | D | A |

17. In case of sole proprietorship there is a _____ between _____

- (A) Direct link; effort and reward
- (B) Indirect link; Profit and loss
- (C) Direct link; Profit and loss
- (D) Indirect link; effort and reward

18. Sole proprietorship form is most suitable:

- (A) Where the market for the product is small and local.
- (B) Where customers are given personal attention, according to their personal tastes and preferences.
- (C) Where capital requirement is small and risk involvement is not heavy.
- (D) All of above

19. Sole proprietorship form is most suitable:

- (A) Where the nature of business is simple.
- (B) Where manual skill is required.
- (C) Where the market for the product is small and local.
- (D) All of above

20. Sole proprietorship form is not suitable –

- (A) Where capital requirement is large and risk involvement is heavy.
- (B) Where manual skill is required.
- (C) Where the market for the product is small and local.
- (D) All of above

21. _____ business is a form of business organization found only in India.
- The company
 - The Hindu Undivided Family (HUF)
 - The partnership
 - The trust
22. In HUF form of business all the members of a hindu undivided family own the business
- Individually
 - Separately
 - Jointly
 - With society
23. The affairs of business are managed by the head of the family, who is known as the -
- KARMA
 - KARTA
 - KARMAVIR
 - KARVIR
24. In a Hindu Undivided Family business only the _____ get a share in the business by virtue of their being part of the family.
- Female members
 - Male members
 - Both (A) and (B)
 - Either (A) or (B)
25. Member in HUF other than KARTA are called as -
- Co-parceners
 - Co-partner
 - Co-manager
 - Co-karta
26. *Statement X:*
Karta is the custodian of the income and assets of the HUF
Statement Y:
An adopted son who is the eldest in the family can be qualified to be a Karta of HUF.
- X is true but Y is false
 - Y is true but X is false
 - Both X & Y are false
 - Both X & Y are true
27. The Hindu Undivided Family business is governed by
- Contract law
 - Hindu Law
 - Muslim Law
 - Company law
28. Identify which statement is true and which is false?
- Any person can become member of HUF.
 - In a HUF business, in the event of death of any of the co-parcener, his wife can claim share of profit.
 - In a HUF business, the liability of the karta is Unlimited.
- Select the correct answer from the options given below.*
- 2 & 3
 - 1 & 3
 - 3 & 2
 - None of above
29. The liability of each member of the HUF business is
- Limited to the extent of share of KARTA
 - Limited to the extent of his share in the business
 - Unlimited
 - Limited to the extent as may be determined by relatives
30. A HUF business can be dissolved any time -
- Through mutual agreement between members
 - By partition
 - Either (A) or (B)
 - Only through order of court
31. Which of the following can be treated as advantage of HUF form of business?
- Every co-parcener is assured a share in the profits irrespective of his contribution to the successful running of the business.
 - The karta enjoys full freedom in conducting the family business.
 - A HUF business provides opportunity for the young members of the family to get the benefit of knowledge and experience of the elder members and also helps in inculcating virtues like discipline, self-sacrifice, tolerance etc.
 - All of above

32. Which of the following can be treated as advantage of HUF form of business?

- I. The liability of the co-parceners is limited, except for that of karta which makes the karta to manage the business in the most efficient manner.
- II. A HUF business is not affected by the insolvency or death of any member including that of karta.

Select the correct answer from the options given below.

- (A) I only
- (B) II only
- (C) Both I and II
- (D) Neither I nor II

33. Which of the following can be treated as disadvantage of HUF form of business?

- (A) HUF business has generally limited financial and managerial resource.
- (B) There is always a lack of motivation among the members to work hard.
- (C) Since the karta has absolute freedom to manage the business, there is scope for him to misuse it for his personal gains.
- (D) All of above

34. Which of the following can be treated as advantage of HUF form of business?

- (A) A HUF business is not affected by the insolvency or death of any member including that of karta.
- (B) An inefficient karta can also do harm to the business.
- (C) The continuity of business is always under threat. It may be due to a small rift within the family and if a co-parcener asks for a partition the business is closed.
- (D) Since the karta has absolute freedom to manage the business, there is scope for him to misuse it for his personal gains.

35. A joint HUF business ceases to exist on the death of the KARTA.

- (A) True
- (B) False
- (C) Partly true
- (D) None of above

36. Which of the following is an association of 2 or more individuals who agree to share the profits of a lawful business which is managed and carried

on either by all or by any, or some of them acting for all?

- (A) HUF
- (B) Partnership
- (C) Company
- (D) Trust

37. Partnership is an association of two or more individuals who agree to share the profits of a lawful business which is managed and carried on –

- A. By all
- B. By any of them
- C. By some of them acting for all

Select the correct answer from the options given below.

- (A) A only
- (B) B or C
- (C) C only
- (D) A or B or C

38. Each member of firm is individually known as –

- (A) Partner
- (B) Co-parceners
- (C) Managers
- (D) Director

39. A minimum of _____ are required to start a partnership business.

- (A) Five persons
- (B) Four persons
- (C) Three persons
- (D) Two persons

40. As per section 464 of the Companies Act, 2013, no association or partnership consisting of more than prescribed persons shall be formed for the purpose of carrying on any business, unless it is registered as a company or is formed under any other law for the time being in force. The number of persons which may be prescribed under this section shall not exceed _____. Rule 10 of Companies (Miscellaneous) Rules, 2014 prescribes _____ persons in this regard.

- (A) 10; 20
- (B) 100; 50
- (C) 20; 10
- (D) 50; 100

41. The relation between the partners of a partnership firm is created by –

- 1. Contract

2. Birth
3. Status

Select the correct answer from the options given below.

- (A) 1 only
(B) 1, 2 only
(C) 2, 3 only
(D) 1, 2 & 3
42. The partners enter into partnership through an agreement which may be
- (A) Verbal
(B) Written
(C) Implied
(D) Verbal, written or implied
43. If the partnership agreement is in it is known as a 'Partnership Deed'.
- (A) Verbal
(B) Written
(C) Implied
(D) Verbal, written or implied
44. Who of the following can enter into partnership agreement (✓) and who cannot (✗)?
- P. Minors
Q. Company
R. Lunatics
S. Insolvent

Select the correct answer from the options given below.

	P	Q	R	S
(A)	✗	✗	✗	✗
(B)	✗	✓	✗	✗
(C)	✓	✓	✓	✓
(D)	✗	✓	✗	✗

45. A minor can be admitted to the benefits of partnership, which means
- (A) He can have a share in the loss only
(B) He can have a share in the profits only
(C) He cannot have any share in profit or loss
(D) He can have a share in the profits only if other partner by majority agrees to give it
46. The partners can share profit in –
- (A) Capital ratio
(B) Any ratio as agreed
(C) In current account ratio
(D) 5:3:2
47. In the absence of an agreement, the partners must share profit in -
- (A) Capital ratio
(B) Any ratio
(C) In current account ratio
(D) Equal ratio
48. The partners have liability.
- (A) Unlimited
(B) Limited
(C) (A) or (B)
(D) None of the above
49. How partners are liable for the debts and obligations of the firm?
- (i) Jointly
(ii) Severally
- Select the correct answer from the options given below.
- (A) (i) only
(B) (ii) only
(C) Both (i) and (ii)
(D) Neither (i) nor (ii)
50. Registration of partnership is
- (A) Compulsory
(B) Not compulsory
(C) Compulsory if its turnover exceeds specified amount
(D) Compulsory if it is liable to tax audit under the Income Tax Law.
51. Which of the following is/are disadvantage of partnership firm?
- (A) Unlimited Liability of Partners
(B) The duration of the partnership is always uncertain.
(C) The partners should be like minded, have a common objective, be large hearted, have a cool temperament, should not unnecessarily cause friction and confusion among the partners.
(D) All of above
52. The companies are governed by the Companies Act,
- (A) 1956
(B) 1936
(C) 2013
(D) 1856

53. As per Companies Act 2013, a company is —
- Formed and registered under the Companies Act, 2013
 - An existing company registered under any earlier Companies Act

Select the correct answer from the options given below.

- A only
 - B only
 - A or B
 - A but not B
54. Characteristics of a company: —
- Artificial legal person
 - Incorporated body
 - Capital divisible into shares
 - All of above
55. Characteristics of a company: ____
- Transferability of shares
 - Perpetual existence
 - Limited liability
 - All of above
56. Which of the following can be treated as the official signature of the company?
- Rubber stamp
 - A common seal

Select correct answer from the options given below.

- | | 1 | 2 |
|-----|-----|-----|
| (A) | Yes | Yes |
| (B) | No | No |
| (C) | Yes | No |
| (D) | No | Yes |
57. In relation to liability of the shareholders of a limited company the shareholders may be asked to pay the
- Unpaid value of shares
 - Paid up value of shares
 - Uncalled amount per shares
 - Any of above
58. The life of a company is not affected by the _____ of a shareholder.
- Death
 - Disability
 - Insolvency
 - All of above

59. The company can —
- Enter into contracts
 - Borrow money
 - Open banking account in its name
 - All of above
60. The management of the company is carried on by the elected _____
- Board of partners
 - Board of trustees
 - Board of directors
 - Board of shareholders
61. Which of the following is/are disadvantage of a company form of organization?
- The formation of a joint stock company is much more complicated than sole proprietorship or partnership.
 - A joint stock company has greater tax burden.
 - Separation of ownership from control
 - All of above
62. Which of the following is/are disadvantage of a company form of organization?
- The window dressing of the prospectus often misleads the investors who are later on exploited by the promoters;
 - Lack of secrecy
 - Stock exchange speculation
 - All of above
63. _____ is a body that is created under an Act of Parliament or an Act of State Legislatures.
- Statutory body
 - Trust
 - Co-operative society
 - Multistate Co-operative society
64. Statutory body is a body that is created under an -
- Act of Parliament
 - Act of State Legislatures
- Select the correct answer from the options given below.*
- (1) only
 - (2) only
 - Neither (1) nor (2)
 - Either (1) or (2)

65. Which of the following is example of a public corporation?

- I. Life Insurance Corporation of India (LIC)
- II. Employees State Insurance Corporation (ESIC)
- III. Industrial Development Bank of India (IDBI)

Select the correct answer from the options given below.

	I	II	III
(A)	✓	✗	✓
(B)	✗	✓	✗
(C)	✓	✓	✗
(D)	✓	✓	✓

66. Feature(s) of a public corporation is/are:

- (A) It is generally not exempt from the rigid rules applicable to the expenditure of public funds.
- (B) A public Corporation is managed by board of directors who are appointed by the public financial institutions.
- (C) The primary motive of the corporation is public service rather than private profits.
- (D) All of above

67. Feature(s) of a public corporation is/are:

- (A) The primary motive of the corporation is to earn private profits.
- (B) It cannot sue and cannot be sued and cannot enter into contracts in its own name.
- (C) Both (A) and (B)
- (D) Neither (A) nor (B)

68. The public corporation is suitable for undertakings requiring monopoly powers, e.g., public utilities.

- (A) True
- (B) False
- (C) Partly true
- (D) None of above

69. Which of the following is a voluntary association of persons who work together to promote their economic interest?

- (A) Sole proprietorship
- (B) Company
- (C) Co-partnership
- (D) Co-operative

70. The main objective(s) of co-operative society is/are:

- (A) Earning profit
- (B) Competition with private sectors enterprises instead of mutual help
- (C) Self help in place of dependence
- (D) All of above

71. Match the following:

List I	List II
P. Consumers co-operative societies	1. Formed by small producers and manufacturers who find it difficult to sell their products individually.
Q. Producers co-operative societies	2. Formed to provide financial support to the members.
R. Co-operative marketing societies	3. Formed to protect the interest of small producers by making available items of their need for production like raw materials, tools and equipments, machinery, etc.
S. Co-operative credit societies	4. Formed by small farmers to work jointly and thereby enjoy the benefits of large-scale farming.
	5. Formed to protect the interest of general consumers by making consumer goods available at a reasonable price.

Select the correct answer from the options given below.

	P	Q	R	S
(A)	5	3	2	1
(B)	5	3	1	2
(C)	4	2	1	3
(D)	3	5	2	1

72. are formed by small farmers to work jointly and thereby enjoy the benefits of large-scale farming.

- (A) Co-operative farming societies
- (B) Co-operative marketing societies
- (C) Co-operative credit societies
- (D) Consumers' co-operative societies

73. Which of the following organization is formed to provide residential houses to members?
- Producers' co-operative societies
 - Co-operative marketing societies
 - Housing co-operative societies
 - Consumers' co-operative societies
74. Which of the following is example of consumers' co-operative society?
- Haryana handloom
 - Gujarat co-operative milk marketing federation
 - Apna Bazar
 - Urban Cooperative Banks
75. Which of the following is example of producers' co-operative society?
- Haryana handloom
 - Gujarat co-operative milk marketing federation
 - Apna Bazar
 - Urban Cooperative Banks
76. Handloom societies like APPCO, Bayanika, Haryana Handloom, etc., are examples of -
- Producers' co-operative societies
 - Co-operative marketing societies
 - Co-operative credit societies
 - Consumers' co-operative societies
77. Village Service Co-operative Society and Urban Cooperative Banks are examples of
- Producers' co-operative societies
 - Co-operative marketing societies
 - Co-operative credit societies
 - Consumers' co-operative societies
78. Lift-irrigation cooperative societies and pani-pan-chayats are some of the examples of
- Co-operative farming societies
 - Co-operative marketing societies
 - Co-operative credit societies
 - Consumers' co-operative societies
79. Which of the following can be treated as characteristic of co-operative society?
- Voluntary association
 - Separate legal entity
 - Democratic management
 - All of above
80. The income of cooperative society is legally as per the Income-tax Act, 1961.
- Not taxable
 - Taxable
 - Totally exempt
 - Taxable if State Government pass order
81. In case of cooperative society, no member detects the terms and conditions of the functioning because "....." is the thumb rule.
- One man two vote
 - One man one vote
 - Two man one vote
 - No man no vote
82. According to Indian Cooperative Societies Act, 1912, each society must transfer at least of its profits to general reserve.
- One-third
 - One-fourth
 - One-half
 - One-tenth
83. According to Indian Co-operative Societies Act, 1912, may distribute maximum up to of its surplus as dividend to its members
- 100 per cent
 - 90 per cent
 - 50 per cent
 - 25 per cent
84. The advantages of co-operative society is/are:
- It is very expensive and difficult to form co-operative society as compared to a joint stock company.
 - The co-operative societies work on the principle of open membership
 - "One share one vote" is the rule and thus members having maximum share can dominate the management.
 - All of above
85. *Statement 1:*
The liability of members of co-operative society remains limited to the extent of capital contributed by them.
Statement 2:
The members of co-operative society are personally liable to pay the liability of co-operative society.

Select the correct answer from the options given below.

- (A) Both 1 and 2 are true
 (B) 2 is true but 1 is false
 (C) 1 is true but 2 is false
 (D) Both 1 and 2 are false
86. The co-operative society has perpetual succession because it is not affected due to —
 (A) Death of any member
 (B) Insolvency of any member
 (C) Lunacy of any member
 (D) Any of above
87. The basic aim of the co-operative society is help.
 (A) Mutual
 (B) Self
 (C) (A) or (B)
 (D) Poor peoples
88. The co-operative society follows the principles of “_____”
 (A) Cash and credit
 (B) Cash and carry
 (C) Credit and carry
 (D) Cash and carry forward
89. Which of the following is/are not disadvantage of co-operatives?
 (A) Lack of capital
 (B) Mutual help instead of competition
 (C) Difficult to maintain business secrecy
 (D) Unwanted interference by the departmental personnel
90. Which of the following is not characteristic of LLP?
 (A) A legal entity having perpetual succession, separate from its partners.
 (B) The mutual rights and duties of partners of an LLP *inter se* and those of the LLP and its partners shall be governed by an agreement between partners
 (C) Each partner is an equal member in a LLP company.
 (D) Easy to establish than sole proprietorship
91. Which of the following is/are advantage of LLP?
 (A) Perpetual existence
 (B) Internationally renowned form of business in comparison to Company
 (C) No requirement of minimum capital contribution
 (D) All of above
92. Which of the following is/are advantage of LLP?
 (A) Restrictions as to maximum number of partners
 (B) LLP & its partners are not distinct from each other
 (C) Partners are not liable for act of other partners
 (D) All of above
93. Which of the following is/are advantage of LLP?
 (A) Personal assets of the partners are liable in all cases.
 (B) Much more difficult to dissolve or wind-up
 (C) No requirement to maintain statutory records except books of account
 (D) All of above
94. LLP can raise funds from public.
 (A) True
 (B) False
 (C) Partly true
 (D) None of above
95. The right choice of the form of the business depends upon —
 (I) Nature of business
 (II) Volume of business
 (III) Area of operation
Select the correct answer from the options given below.
 (A) (I) & (II)
 (B) (III) & (II)
 (C) (I) and (III)
 (D) All of above
96. Businesses providing direct services like tailors, restaurants and professional services like doctors, lawyers are generally organized as -
 (A) Proprietary concerns
 (B) Trust
 (C) Co-operative society
 (D) Any of the above
97. formed by the government to meet some governmental and political purposes.
 (A) A Foreign corporations
 (B) A Public corporation

(C) A Private corporations

(B) Charitable corporations

(D) A Professional corporations

(C) Religious corporations

98. Common examples for non-profit corporations are –

(D) All of above

(A) Educational corporations

Answers

1.	(A)	2.	(A)	3.	(B)	4.	(A)	5.	(C)	6.	(D)	7.	(C)
8.	(B)	9.	(D)	10.	(C)	11.	(B)	12.	(D)	13.	(C)	14.	(B)
15.	(C)	16.	(C)	17.	(A)	18.	(D)	19.	(D)	20.	(A)	21.	(B)
22.	(C)	23.	(B)	24.	(B)	25.	(A)	26.	(D)	27.	(B)	28.	(A)
29.	(B)	30.	(C)	31.	(D)	32.	(C)	33.	(D)	34.	(A)	35.	(A)
36.	(B)	37.	(D)	38.	(A)	39.	(D)	40.	(B)	41.	(A)	42.	(D)
43.	(B)	44.	(D)	45.	(B)	46.	(B)	47.	(D)	48.	(A)	49.	(C)
50.	(B)	51.	(D)	52.	(C)	53.	(C)	54.	(D)	55.	(D)	56.	(D)
57.	(A)	58.	(D)	59.	(D)	60.	(C)	61.	(D)	62.	(D)	63.	(A)
64.	(D)	65.	(D)	66.	(C)	67.	(D)	68.	(A)	69.	(D)	70.	(C)
71.	(B)	72.	(A)	73.	(C)	74.	(C)	75.	(A)	76.	(A)	77.	(C)
78.	(A)	79.	(D)	80.	(B)	81.	(B)	82.	(B)	83.	(B)	84.	(B)
85.	(C)	86.	(D)	87.	(C)	88.	(B)	89.	(B)	90.	(D)	91.	(D)
92.	(C)	93.	(C)	94.	(B)	95.	(D)	96.	(A)	97.	(B)	98.	(D)

SCALES OF BUSINESS

CHAPTER

3

Micro & Small Scale Enterprises

1. Scale of business determines the ----
 - (A) Size of the business
 - (B) Production of such business
 - (C) Capital involved in business
 - (D) All of above
2. The industries which are organized on a small scale and produce goods with the help of small machines, hired labour and power are called as
 - (A) Large scale industries
 - (B) Small scale industries
 - (C) (A) or (B)
 - (D) (A) and (B)
3. Small scale industrial undertaking is an industrial undertaking in which the investment in fixed assets in plant and machinery, whether held on ownership terms or on lease or on hire purchase, does not exceed —
 - (A) Rs. 4 crore
 - (B) Rs. 3 crore
 - (C) Rs. 2 crore
 - (D) Rs. 1 crore
4. Which of the following is/are included in 'traditional small industries'?
 - (I) Khadi and handloom
 - (II) Village industries

Select the correct answer from the options given below.

- (A) (I) only
 - (B) (II) only
 - (C) Both (I) and (II)
 - (D) Neither (I) nor (II)
5. Which of the following is/are included in 'traditional small industries'?
 1. Village industries
 2. Natural gas

3. Handicrafts
4. Cement
5. Sericulture & coir

Select the correct answer from the options given below.

- (A) 2, 4, 3
- (B) 1, 2, 3
- (C) 1, 3, 4
- (D) 3, 1, 5

Meaning of sericulture: The production of raw silk by raising silkworms

Meaning of coir: Stiff coarse fiber from the outer husk of a coconut

6. Which of the following traditional village industries possess the highest labour productivity?
 - (A) Handicrafts
 - (B) Sericulture
 - (C) Coir
 - (D) All of above

Role of SSI in the Indian Economy

7. Which of the following statement is incorrect?
 - (I) The small-scale industries sector plays a vital role in the growth of the country.
 - (II) SSI Sector in India creates very low employment opportunities for the Indian population.
 - (III) SSI Sector plays important role in India's present export performance.

Select the correct answer from the options given below.

- (A) 2 only
 - (B) 3 only
 - (C) 1 only
 - (D) None of above
8. Small-scale sector units is/are -
 - (A) Less Capital Intensive

- (B) More Capital Intensive
 - (C) Not Capital Intensive
 - (D) All of above
9. For the goods having artistic features size of enterprise is preferred.
- (A) Small scale
 - (B) Corporation
 - (C) Very large
 - (D) Large scale
10. Small scale industries are highly -
- (A) Capital intensive
 - (B) Machine intensive
 - (C) Labour intensive
 - (D) None of above

Large Scale Enterprises

11. Which of the following refers to those industries which require huge infrastructure, man power and a have influx of capital assets.
- (A) Large scale industries
 - (B) Small scale industries
 - (C) Both (A) and (B)
 - (D) (A) or (B)
12. In India, industries with a fixed asset of more than are called large scale industries.
- (A) Two million rupees
 - (B) One hundred million rupees
 - (C) One million rupees
 - (D) Five million rupees
13. Which of the following is NOT included in large scale industries?
- (A) Petroleum
 - (B) Mining
 - (C) Handicrafts
 - (D) Banking
14. Economies derived from large scale of business are
- (A) Internal
 - (B) External
 - (C) Both (A) and (B)
 - (D) None of above

Public Enterprises

15. Which of the following is autonomous or semi-autonomous corporations and companies established, owned and controlled by the state and engaged in industrial & commercial undertakings?
- (A) Private enterprises
 - (B) Public enterprises
 - (C) Semi private enterprises
 - (D) None of above
16. Who said, "state ownership and operation of industrial, agricultural, financial and commercial undertakings"?
- (A) N. N. Malaya
 - (B) I. V. Starke
 - (C) A. H. Hansom
 - (D) O. L. Rehan
17. Which of the following is public enterprise?
1. Hindustan Machine Tools (HMT)
 2. Gas Authority of India (GAIL)
- Select the correct answer from the options given below.*
- (A) 2 only
 - (B) 1 only
 - (C) Both 2 & 1
 - (D) Neither 1 nor 2
18. The chief characteristic(s) of public enterprises is/are:
- (1) Autonomous or semi-autonomous organization
 - (2) Financed, owned & managed by the government
 - (3) Primary objective of the establishment of public enterprises is to serve the public at lot of profit
- Select the correct answer from the options given below.*
- (A) (3) & (2)
 - (B) (2) & (1)
 - (C) Both (A) and (B)
 - (D) (1) & (3)
19. The chief characteristic(s) of public enterprises is/are

- (A) In some specific cases the public enterprises enjoy monopoly in operation like Railways, Post and Telegraph and Energy production
- (B) The state enterprises are liable to the general public for their performances.
- (C) The public enterprises run as per the whims of the government and as such the economic policies and plans of the government are implemented through public enterprises.
- (D) All of above
20. The primary objective of public sector enterprises is to
- (A) Serve the public
- (B) Maximize profit
- (C) Act as a catalyst for community development
- (D) Provide agricultural products
21. Which of the following form of organization is/are used for the public sector enterprises in India?
- (i) Departmental undertaking
- (ii) Statutory corporation
- (iii) Government company
- Select the correct answer from the options given below.*
- (A) (i) only
- (B) (ii) only
- (C) (i) and (ii) only
- (D) (i), (ii) and (iii)
22. The organization form of public sector enterprise does not include:
- (A) Departmental Undertaking
- (B) Statutory Corporation
- (C) Government Company
- (D) Subsidiary to Public Company
23. Which form of organization is primarily used for provision of essential services such as railways, postal services, broadcasting etc.?
- (A) Departmental undertaking
- (B) Statutory corporation
- (C) Government company
- (D) All of above
24. Which of the following refers to a corporate body created by the Parliament or State Legislature by a special Act which defines its powers, functions and pattern of management?
- (A) Departmental undertaking
- (B) Statutory corporation
- (C) Government company
- (D) All of above
25. _____ refers to the company in which 51% or more of the paid up capital is held by the government.
- (A) Departmental undertaking
- (B) Statutory corporation
- (C) Government company
- (D) All of above
26. Which of the following is/are statutory corporation?
- (A) Life Insurance Corporation (LIC)
- (B) Unit Trust of India (UTI)
- (C) Food Corporation of India
- (D) All of above
27. Bharat Heavy Electricals Limited is
- (A) Government company
- (B) Private sector company
- (C) Non-profit making company
- (D) All of above
28. The role of public sector was redefined. In July, Government identified nine central public sector enterprises as 'Navaratnas'
- (A) 2007
- (B) 1997
- (C) 1967
- (D) 1957
29. Which of the following is/are included in public sector enterprises as 'Navaratnas'?
- (A) RCL
- (B) LIC
- (C) RBI
- (D) GAIL
30. Which of the following is/are included in public sector enterprises as 'Navaratnas'?
- (A) HPCL
- (B) IOC
- (C) MTNL
- (D) All of above
31. Which of the following is/are included in public sector enterprises as 'Navaratnas'?
- (A) NTPC
- (B) ONGC

- (C) SAIL
(D) All of above
32. Which of the following is/are included in public sector enterprises as 'Navaratnas'?
- (A) UTI
(B) IOC
(C) LIC
(D) (A) and (C)
33. In July 1997, which of the following has not been identified as a 'navratna' public sector enterprise?
- (A) SAIL
(B) BHEL
(C) UTI
(D) ONGC
34. Presently there are Miniratna Public Sector Enterprises functioning in India.
- (A) 5
(B) 25
(C) 45
(D) 105
35. BIFR means -
- (A) Board for Industrial and Financial Reconstruction
(B) Board for International and Financial Reconstruction
(C) Board for Industrial and Forex Reconstruction
(D) Board for International and Forex Revival
36. BRPSE has made recommendations in respect of central public sector enterprises so far and out of them the Government has approved revival plan of cases till 30th March 2006.
- (A) 15; 31
(B) 5; 21
(C) 31; 15
(D) 21; 5
37. _____ is a corporation enterprise that manages production or delivers services in more than one country.
- (A) A Multinational Corporation (MNC)
(B) Multinational Enterprise (MNE)
(C) (A) or (B)
(D) Neither (A) nor (B)
38. Ford, Toyota, Honda and Volkswagen, oil companies like Shell, BP and Exxon Mobil, technology companies like Dell, Microsoft, Hewlett Packard and Canon and food and drink companies such as Coca Cola and McDonalds can be classified as
- (A) Statutory corporation
(B) Multinational corporation
(C) Public sector corporation
(D) None of above
39. Which of the following statement is incorrect?
- (1) MNCs have less impact on the development process of the underdeveloped countries.
(2) Some MNCs may be 'footloose' i.e. to say - they might locate in a country to gain the tax or grant advantages but then move away when these run out.
- Select the correct answer from the options given below.*
- (A) (2) only
(B) (1) only
(C) Both (1) & (2)
(D) Neither (1) nor (2)
40. Which of the following is/are advantage of MNC's?
- (A) MNC bring inward investment to countries that are not their home base.
(B) MNCs bring with them new ideas and new techniques that can help to improve the quality of production and help boost the quality of human capital in the host country.
(C) MNCs pay large sums in taxes to the host government.
(D) All of above
41. Which of the following is/are advantage of MNC's?
- (A) MNC's raise the rate of investment in the host countries and thereby bring rapid industrial growth accompanied by massive employment opportunities in different sectors of the economy.
(B) Multinationals act as agents for the transfer of technology to developing countries and thereby help such countries to modernize their industries.
(C) Multinationals accelerate industrial growth in host countries through collaborations joint ventures and establishment of subsidiaries and branches.
(D) All of above

Multinational Corporations (MNCs)

37. _____ is a corporation enterprise that manages production or delivers services in more than one country.
- (A) A Multinational Corporation (MNC)
(B) Multinational Enterprise (MNE)
(C) (A) or (B)
(D) Neither (A) nor (B)

42. Which of the following is/are advantage of MNC's?

- (A) The activities of MNC's in the host countries may be harmful to the national interests as MNC's are solely guided by the profit maximization.
- (B) MNC's restrict competition and acquire monopoly power in certain areas in the host countries.
- (C) The activities of MNC's in the host countries may be harmful to the national interests as MNC's are solely guided by the profit maximization.
- (D) MNC's help the host countries to reduce the imports and promote the exports by raising domestic production.

43. Advantages of Multinational companies are -

- (1) Funds availability
- (2) Increasing competitions

(3) Less employments

(4) More direct investment outside India

Select the correct answer from the options given below.

(A) (3), (1) & (2)

(B) (1) & (4)

(C) (2), (4) & (1)

(D) (2) & (1)

44. What is the reason for MNCs Growth?

- 1. Reduce transport and distribution costs
- 2. Meet different rules and regulations
- 3. Avoid trade barriers

Select the correct answer from the options given below.

(A) 1 and 2

(B) 2 and 3

(C) 3 and 2

(D) All of above

Answers

1.	(D)	2.	(B)	3.	(D)	4.	(C)	5.	(D)	6.	(A)	7.	(A)
8.	(A)	9.	(A)	10.	(C)	11.	(A)	12.	(B)	13.	(C)	14.	(C)
15.	(B)	16.	(C)	17.	(C)	18.	(D)	19.	(D)	20.	(A)	21.	(D)
22.	(D)	23.	(A)	24.	(B)	25.	(C)	26.	(D)	27.	(A)	28.	(B)
29.	(D)	30.	(D)	31.	(D)	32.	(B)	33.	(C)	34.	(C)	35.	(A)
36.	(C)	37.	(C)	38.	(B)	39.	(B)	40.	(D)	41.	(D)	42.	(D)
43.	(D)	44.	(D)										

EMERGING TRENDS IN BUSINESS

Franchising

1. Which of the following means the special right given by a manufacturer or a parent organization to another individual or firm to sell to the former's product or service in a specified given area(s)?
 - (A) Franchising
 - (B) Network marketing
 - (C) Indirect marketing
 - (D) All of above
2. Where a firm allows another firm in a foreign market to use its technical know-how and trade mark, it is known as -
 - (A) Franchising
 - (B) Network marketing
 - (C) Indirect marketing
 - (D) All of above
3. Franchising is
 - (A) Purchasing all parts of the company
 - (B) Allowing another party to use product or service under owner's name
 - (C) Joining two or more companies
 - (D) A company acquiring another company at its will
4. Providing permission to use technical know-how by parent organization to another individual is known as -
 - (A) Dealership
 - (B) Marketing
 - (C) Agency
 - (D) Franchising
5. The individual or firm which grants right is called (X). Whereas the individual or firm to whom the right is granted is called (Y)
 Select the correct answer from the options given below.

(X)	(Y)
(A) Franchisee	Franchisor
(B) Franchisor	Franchisee
(C) Consignor	Consignee
(D) Consignee	Consignor
6. Which of the following statement is not correct in relation to 'Franchisee'?
 - (A) Franchising is the practice of using another firm's successful business model.
 - (B) It is the business relationship between two organizations where a franchisor, who is the owner of a brand name, product, or system of a business, permits a franchisee to use its brand, product, or business process for a fee.
 - (C) The franchisor provides training and continuous assistance to the franchisee.
 - (D) Franchisor shares all business and trade secret with franchisee
7. The salient feature(s) of franchising is/are:
 - (A) The franchisor allows the franchisee to use his trade mark under a license.
 - (B) The franchisee agreement do not requires the franchisee to follow franchisor's policies regarding mode of operation of business as they are free to conduct business in any way they like.
 - (C) The franchisor do not provide training of personnel working in the franchisee organization or any other type of help.
 - (D) All of above
8. The salient feature(s) of franchising is/are as follows:
 - (A) The franchisee pays to the franchisor a sum of money called lease payments for using his business premises.

- (B) The right to use the business know-how and trade mark of the franchisor is for a limited period of time defined in the franchise agreement.
- (C) Both (A) and (B)
- (D) Neither (A) nor (B)
9. The franchisee pays to the franchisor a sum of money called _____ for using his business know-how and trade mark.
- (A) Trade balance
- (B) Royalty
- (C) Sales dues
- (D) Account balance
10. The right to use the business know-how and trade mark of the franchisor is for a period of time.
- (A) Unlimited
- (B) Limited
- (C) Only for 5 years
- (D) None of above
11. By expanding network Franchising enables the franchisor to increase his -
1. Goodwill
 2. Reputation
- Select the correct answer from the options given below.*
- (A) Neither 1 nor 2
- (B) 2 only
- (C) Both 1 and 2
- (D) 1 only
12. Which of the following can be treated as disadvantage of Franchising?
- (A) There is a danger that the franchisee may start an identical business with slightly different brand name.
- (B) The franchisor's brand name and reputation may get tarnished if the franchisee is not able to maintain standards of quality and service.
- (C) There is a risk of trade secrets getting leaked out in the foreign market.
- (D) All of above

BPO, KPO, LPO

13. BPO stands for _____
- (A) Business patent offer
- (B) Business process outstanding
- (C) Business process outsourcing
- (D) Business public organization
14. KPO stands for _____
- (A) Know potential output
- (B) Key public offer
- (C) Knowledge public organization
- (D) Knowledge process outsourcing
15. LPO stands for -
- (A) Legal process outsourcing
- (B) Legal process output
- (C) Legal permanent offer
- (D) Legal public organization
16. _____ Account for the bulk of call centre activities with 24 × 7 handling of inbound customer queries and grievances and out-bound activities customer surveys, payment follow up and tele-marketing.
- (A) Agent care
- (B) Customer care
- (C) Seller care
- (D) Manufacturers care
17. BPO that is contracted outside a company's country is called -
- (A) Offshore outstanding
- (B) Offshore outsourcing
- (C) Offer outsourcing
- (D) Shore outsourcing
18. BPO that is contracted to a company's neighbouring or nearby country is called near -
- (A) Offshore outstanding
- (B) Offshore outsourcing
- (C) Offer outsourcing
- (D) Shore outsourcing
19. The need for outsourcing arises because:
- (A) Achieving economy
- (B) Getting better results
- (C) Specialized performance
- (D) All of above

20. The need for outsourcing arises because:

- (A) Ensuring smooth operations
- (B) Decreasing past losses
- (C) To take tax advantage
- (D) All of above

21. Advantages of BPO is/are -

- 1. Effective use of supply chain partners
- 2. Quick supplies from the vendors
- 3. Increased flexibility in its resource management
- 4. Increased speed of business processes

Select the correct answer from the options given below.

- (A) 3, 1 & 2
- (B) 4, 2 & 1
- (C) 2, 3 & 4
- (D) 1, 3 & 4

E-commerce

22. Which of the following refers to form of business transactions that are carried out through electronic processing and transmission of data including text, sound and visual images?

- (A) A-commerce
- (B) E-commerce
- (C) B-commerce
- (D) D-commerce

23. By Electronic Commerce, we mean: -

- (A) Commerce of electronic goods
- (B) Commerce which depends on electronics
- (C) Commerce which is based on the use of internet
- (D) Commerce which is based on transactions using computers connected by telecommunication network

24. E-commerce includes buying and selling of -

- P. Goods - e.g. digital cameras, music systems, clothes, accessories
- Q. Information - e.g. subscription to some law site may give access to some court cases
- R. Services - e.g. matrimonial services through shaadi.com, placement services through naukri.com

Select the correct answer from the options given below.

	P	Q	R
(A)	×	×	×
(B)	✓	×	✓
(C)	✓	✓	×
(D)	✓	✓	✓

25. B2B, B2C, C2B are the types of -

- (A) Network marketing
- (B) E-commerce
- (C) M commerce
- (D) Marketing

26. B2C commerce _____

- (A) Includes services such as legal advice
- (B) Means only shopping for physical goods
- (C) Means only customers should approach customers to sell
- (D) Means only customers should approach business to buy

27. Benefit(s) of e-commerce is/are -

- (A) E-Commerce enables business firms to reach out to customers at local market.
- (B) It reduces the cost of business transactions
- (C) It increases customer satisfaction
- (D) (B) & (C)

28. Benefit(s) of e-commerce is/are -

- (A) This saves a lot of time, money and energy in receiving orders and executing the same under the traditional mode of commerce.
- (B) The business firm can get quick supplies from the vendors.
- (C) For the consumers, the whole world becomes a shop.
- (D) All of above

29. Benefit(s) of e-commerce is/are -

- (A) Customers can shop from home or office.
- (B) It allows quick response to the queries of customers and other business houses through the internet.
- (C) It is easier to launch a new product through the internet.
- (D) All of above

30. Disadvantages of e-commerce -

- (A) Lack of warmth of interpersonal interactions between the seller and the buyer.
- (B) Not suitable where the customer requires personalized service.
- (C) Security continues to be a problem for online business.
- (D) All of above

31. Disadvantages of E-Commerce in India are:

- (i) Internet access is not universally available;
- (ii) Credit card payment security is not yet guaranteed;
- (iii) Transactions are de-personalized and human contact is missing;
- (iv) Cyber laws are not in place

Select the correct answer from the options given below.

- (A) (i) and (ii)
- (B) (ii) and (iii)
- (C) (i), (ii), (iii)
- (D) (i), (ii), (iii), (iv)

32. _____ is a website that combines various polling data for an upcoming election and predicts the result.

- (A) Poll aggregator
- (B) Video Aggregator
- (C) Shopping aggregator
- (D) None of above

33. Which of the following organization is accelerate the growth and success of entrepreneur companies through an array of business support resources and services that include physical space, capital etc.?

- (A) An incubator
- (B) Start-up
- (C) Micro industries
- (D) All of above

34. _____ is a business model where businesses now instead of purchasing the land enter into a contract with land owner, where they share a certain percentage of profit arising out of the business done on the land.

- (A) Land light model
- (B) Asset light model
- (C) Lease light model
- (D) Contract light model

35. Which of the following is not a type of aggregator?

- (A) Video
- (B) Search
- (C) News
- (D) None of above

36. _____ in a Digital Word refers to that computer software or that website which collects or combines homogeneous information from all around online word and presents it to the viewer or the visitor.

- (A) Aggregator
- (B) E-Commerce
- (C) Incubator
- (D) Start-up

37. Best example of service aggregator is -

- (A) RSS feed
- (B) Twine Social
- (C) Daily Tube
- (D) Uber and Ola taxi services

38. Best example of social aggregator is -

- (A) Twitter
- (B) Twine Social
- (C) Daily Tube
- (D) Any of above

39. Which of the following is example of Poll Aggregator?

- (A) Electrovote.com
- (B) Electroprojections.com
- (C) Both (A) and (B)
- (D) Neither (A) nor (B)

40. Example of video aggregator -

- (A) Electrovote.com
- (B) Hitsong.com
- (C) RSS feed
- (D) Daily Tube

ANSWERS

1.	(A)	2.	(A)	3.	(B)	4.	(D)	5.	(B)	6.	(D)	7.	(A)
8.	(B)	9.	(B)	10.	(B)	11.	(C)	12.	(D)	13.	(C)	14.	(D)
15.	(A)	16.	(B)	17.	(B)	18.	(D)	19.	(D)	20.	(A)	21.	(D)
22.	(B)	23.	(C)	24.	(D)	25.	(B)	26.	(B)	27.	(D)	28.	(D)
29.	(D)	30.	(D)	31.	(C)	32.	(A)	33.	(A)	34.	(B)	35.	(D)
36.	(A)	37.	(D)	38.	(B)	39.	(C)	40.	(D)				

BUSINESS FUNCTIONS

Business Functions

1. Business function is a that is performed routinely to carry out a part of the mission of an organization.
 - (A) Process
 - (B) Operation
 - (C) (A) or (B)
 - (D) None of above
2. _____ is the direction and scope of an organization over the long-term; which achieves advantage for the organization through its configuration of resources within a challenging environment, to meet the needs of markets and to fulfil stakeholder expectations.
 - (A) Function
 - (B) Strategy
 - (C) Planning
 - (D) Supply chain
3. Feature(s) of strategy is/are:
 - (A) It is a specialized planning to retaliate competitors.
 - (B) It explains how managers have to respond to the subordinate in providing leadership.
 - (C) It is one of the way to manage the people in organization.
 - (D) All of above
4. Which of the following can be treated as feature of strategy?
 - (1) It reflects concern to effectively mobilize resources.
 - (2) It maximizes chances to achieve objectives.
 - (3) Formulating strategies is the job of top management.

Select the correct answer from the options given below.

 - (A) (1) & (3) only
 - (B) (1), (2) & (3)
 - (C) (2) & (3) only
 - (D) (1) & (3) only
5. Formulating strategies is the job of
 - (A) Low level management
 - (B) Top level management
 - (C) Middle level management
 - (D) All of above
6. Which of the following is concerned with the overall purpose and scope of the business to meet stakeholder expectations?
 - (A) Operational strategy
 - (B) Corporate strategy
 - (C) Business unit strategy
 - (D) Operation strategy
7. _____ is concerned more with how a business competes successfully in a particular market and often described as mission statement.
 - (A) Operational strategy
 - (B) Corporate strategy
 - (C) Business unit strategy
 - (D) All of above
8. Which of the following is concerned with how each part of the business is organized to deliver the corporate and business-unit level strategic direction and is concerned with strategic decisions about choice of products, meeting needs of customers etc?
 - (A) Operational strategy
 - (B) Corporate strategy
 - (C) Business unit strategy
 - (D) All of above
9. Operational strategy focuses on issues of _____
 - (A) Resources
 - (B) Processes
 - (C) People
 - (D) All of above

Planning

10. The determines organizational objectives and the policies, programmes, schedules, procedures, and methods for achieving them.
- Manpower planning function
 - Staffing function
 - Co-ordination function
 - Planning function
11. Planning is the of management.
- Secondary function
 - Primary function
 - Either (A) or (B)
 - Neither (A) nor (C)
12. Planning is basically
- An intellectual process
 - Physical process
 - Either (A) or (B)
 - Neither (A) nor (B)
13. Identify which of the following statement is correct (✓) and which is incorrect (✗)?
- Planning is part of decision-making.
 - Business process is also called business function.
 - Planning is a fundamental function of management and all other functions of management are greatly influenced by planning process.
 - Selling is a narrow concept as compared to marketing.

Select the correct answer from the options given below.

	(a)	(b)	(c)	(d)
(A)	✓	✓	✓	✓
(B)	✗	✓	✗	✓
(C)	✓	✗	✓	✓
(D)	✓	✓	✓	✗

Budgetary Control

14. Budget is a _____ statement, prepared and approved prior to a defined period of time of the policy to be pursued during that period for the purpose of attaining a given objective. It
- Financial
 - Quantitative
 - Financial and/or quantitative
 - Financial and/or qualitative

15. Budgeting is the formulation of plans for a given in numerical terms.

- Future period
 - Past period
 - Current period
 - None of above
16. _____ is defined by the Institute of Cost & Management Accountants (CIMA) as: "the establishment of budgets relating the responsibilities of executives to the requirements of a policy, and the continuous comparison of actual with budgeted results, either to secure by individual action the objective of that policy, or to provide a basis for its revision".
- Budget
 - Budgetary control
 - Material control
 - Wages control
17. Match the following:

List I

- It specifies expected sales of goods during a period.
- It specifies volume of production during different period.
- It specifies estimated quantity and cost of material during different volumes of production.
- It specifies expected cash inflow and outflow and net liquidity position at different

List II

- Production budget
- Material budget
- Cash budget
- Working capital budget
- Sales budget

Select the correct answer from the options given below.

	P	Q	R	S
(A)	5	2	3	4
(B)	5	1	2	3
(C)	3	2	4	5
(D)	5	1	3	2

18. _____ specifies investment in current assets like inventory, debtors, etc., at different points of time.
- R & D budget
 - Profitability budget
 - Working capital budget
 - Production budget
19. _____ specifies at different levels of sales, expected profit level.
- Sales budget
 - Profitability budget
 - Working capital budget
 - Production budget
20. Which of the following specifies estimated expenditure to carry out research and development?
- R & D budget
 - Profitability budget
 - Working capital budget
 - Production budget
21. Advantages of budgeting is/are –
- It helps in achieve cordial relations with trade union.
 - It helps in optimum utilization of resources by allocating them according to the requirements of different departments.
 - It is also used for achieving co-ordination among different departments of an organization
 - All of above
23. _____ is regarded as the mental processes resulting in the selection of action among alternative scenarios.
- Planning
 - Decision making
 - Controlling
 - Organizing
24. Decision making is only efficient when it is supported by process of
- Staffing
 - Planning
 - Controlling
 - Organizing

Supply Chain

25. What do you mean by SCM?
- Supply characteristic management
 - Super chain management
 - Supply chain management
 - Supply chain model
26. _____ is the oversight of materials, information, and finances as they move in a process from supplier to manufacturer to wholesaler to retailer to consumer.
- Material chain management
 - Supply chain management
 - Information chain management
 - Finances chain management
27. Supply chain management is the oversight of as they move in a process from supplier to manufacturer to wholesaler to retailer to consumer.
- Materials
 - Information
 - Finances
 - All of above
28. Supply chain management flows includes:
- Product Flow
 - Profit Flow
 - Information Flow
 - Labour Flow
 - Finances Flow

Location of Business & Decision Making

22. Which of the following factor may affect location of business?
- Transport facilities
 - Availability of Labour
 - Market - Customers
 - Government policy
 - Supplies of raw material
- Select the correct answer from the options given below.*
- (1), (3) & (5)
 - (2), (4) & (5)
 - (1), (2), (4) & (5)
 - (1), (2), (3), (4) & (5)

Select the correct answer from the options given below.

- (A) 1, 3, 4 & 5
 - (B) 2, 4, 1 & 5
 - (C) 2, 4 & 3
 - (D) 5, 1 & 3
29. The includes the movement of goods from a supplier to a customer, as well as any customer returns or service needs.
- (A) Product Flow
 - (B) Information Flow
 - (C) Finances Flow
 - (D) Labour Flow
30. The involves transmitting orders and updating the status of delivery.
- (A) Product Flow
 - (B) Information Flow
 - (C) Finances Flow
 - (D) All of above
31. The _____ consists of credit terms, payment schedules, and consignment and title ownership arrangements.
- (A) Product Flow
 - (B) Information Flow
 - (C) Finances Flow
 - (D) All of above
32. Objective(s) of supply chain management is/are –
- (A) Greater efficiency and lower cost
 - (B) Enhance flexibility and agility
 - (C) Improve customer service
 - (D) All of above
33. Supply chain management is essential to –
- P. Company success
 - Q. Customer satisfaction

Select the correct answer from the options given below.

- (A) P only
 - (B) Neither P nor Q
 - (C) Q only
 - (D) Both P and Q
34. Which of the following is **NOT** a method of supply chain management?
- I. Job method
 - II. Batch method

III. Flow method

IV. Cash method

Select the correct answer from the options given below.

- (A) III only
 - (B) II & IV only
 - (C) I only
 - (D) IV only
35. Which of the following method of supply chain management require that the work for any task is divided into parts or operations?
- (A) Job method
 - (B) Batch method
 - (C) Flow method
 - (D) Cash method
36. _____ has been defined as a “method of production organization where the task is worked on continuously or where the processing of material is continuous and progressive,”
- (A) Job method
 - (B) Batch method
 - (C) Flow method
 - (D) Cash method
37. The aims of flow method is/are: _____
- (A) Reduced need for labour skills
 - (B) Improved work & material flow
 - (C) Added value/completed work faster
 - (D) All of above
38. Common examples where are used are the manufacture of motor cars, chocolates and televisions.
- (A) Job method
 - (B) Batch method
 - (C) Flow method
 - (D) Cash method

Finance

39. Which of the following is said to be the lifeblood of an organization?
- (A) Cash
 - (B) Finance
 - (C) Material
 - (D) Goodwill

40. Finance represents requirements of an organization.
- Long-term
 - Short-term
 - Both (A) and (B)
 - Neither (A) nor (B)
41. _____ is nothing but management of limited financial resources the organization has, to its utmost advantage.
- Material management
 - Cash management
 - Customer management
 - Financial management
42. "Finance may be defined as that administration area or set of administrative functions in an organization may have the means of carrying out its objectives as satisfactorily as possible." This definition is given by –
- B.O. Wheeler
 - Howard and Upton
 - ICSI
 - ICAI
43. "Business finance includes those business activities which are concerned with the acquisition and conservation of capital funds in meeting the financial needs and overall objectives of business enterprise." This definition is given by –
- B.O. Wheeler
 - Howard and Upton
 - ICSI
 - ICAI
44. Financial Management is concerned with –
- Investment decisions
 - Labour turnover decisions
 - Financing decisions
 - Personnel policy decisions
 - Dividend decisions
- Select the correct answer from the options given below.
- D, B & C
 - A, C, B & E
 - A and C only
 - E, C & A
45. means deciding the quantum of investment out of available finance on long term basis as well as on short-term basis.
- Investment decisions
 - Financing decisions
 - Dividend decisions
 - All of above
46. comprises two decisions, viz., (i) Financial Planning; and (ii) Capital structure decision.
- Investment decisions
 - Financing decisions
 - Dividend decisions
 - All of above
47. Decisions for raising funds from long-term sources are called
- Capital structure decision
 - Investment decisions
 - Dividend decisions
 - Investment of funds
48. means pre-estimating financial needs of an organization to ensure availability of adequate finance.
- Financial planning
 - Material planning
 - Value chain planning
 - Capital structure decision

Marketing Management

49. "Marketing may be defined as the performance of business activities that directs the flow of goods and services through producers to consumers." This definition is given by
- H. L. Hansen
 - Indian Marketing Association
 - American Marketing Association
 - Howard and Upton
50. Caveat emptor means
- Let the seller beware
 - Let the buyer beware
 - Let the producer beware
 - Let the agent beware
51. Caveat vendor means
- Let the seller beware
 - Let the buyer beware
 - Let the producer beware
 - Let the agent beware

52. Which of the following business function more focus on customer?
- (A) Selling
 - (B) Marketing
 - (C) Purchasing
 - (D) Accounting
53. Who has defined Marketing Mix as “set of marketing tools that the firm uses to pursue its marketing objectives in the target market”?
- (A) Culliton
 - (B) Kotler
 - (C) William J. Stanton
 - (D) Howard and Upton
54. defines Marketing Mix is the combination of four inputs which constitute the core of a company’s marketing system, *i.e.*, the product, the price structure, the promotional activities and the distribution system.
- (A) Culliton
 - (B) Kotler
 - (C) William J. Stanton
 - (D) Howard and Upton

Human Resource (HR)

55. Human resource or personnel management involves getting things done through
- (A) Buyer
 - (B) People
 - (C) Seller
 - (D) Shareholder
56. _____ is a process of bringing people and organizations together so that the goals of each are met.
- (A) Financial Resource Management
 - (B) Human Resource Management
 - (C) Material Management
 - (D) Human Recourse Management
57. The various(s) features of Human Resource Management (HRM) is/are:
- (A) It is all pervasive in nature as it is present in all enterprises.
 - (B) Its focus is on results rather than on rules.
 - (C) It tries to help employees develop their potential fully.
 - (D) All of above
58. The various feature of Human Resource Management (HRM) is/are:
- (A) It helps employees to minimize their monthly expenditure.
 - (B) It is all about people at work, both as individuals and groups.
 - (C) It tries to put people on assigned jobs in order to produce good results.
 - (D) (B) & (C)
59. The objective of Human Resource Management (HRM) is/are –
- (A) To ensure effective utilization and maximum development of human resources.
 - (B) To identify and satisfy the needs of individuals.
 - (C) To achieve and maintain high morale among employees.
 - (D) All of above

Services

60. The functions under the gamut of a company secretary is/are: –
- (A) Conducting Board Meetings
 - (B) Conducting General Meeting of shareholders
 - (C) Representing the organization for registration
 - (D) All of above
61. The functions under the gamut of a company secretary is/are:
- (A) Issuance of notices
 - (B) Business planning
 - (C) Recording minutes
 - (D) (A) and (C)
62. Accounting is the function of business that includes
- (A) Record keeping
 - (B) Issuance of notices
 - (C) Recording minutes
 - (D) (A) and (C)
63. Primary function of accounting is to –
- (i) Protecting business property
 - (ii) Administration of business strategic policies
 - (iii) Comply with legal requirement
 - (iv) Solve labour disputes
 - (v) Record keeping

Select the correct answer from the options given below -

(A) (ii), (iii) & (iv)

(B) (i), (iv) & (ii)

(C) (i) & (iii) only

(D) (v), (i) & (iii)

Answers

1.	(C)	2.	(B)	3.	(A)	4.	(B)	5.	(B)	6.	(B)	7.	(C)
8.	(A)	9.	(D)	10.	(D)	11.	(B)	12.	(A)	13.	(A)	14.	(C)
15.	(A)	16.	(B)	17.	(B)	18.	(C)	19.	(B)	20.	(A)	21.	(B)
22.	(D)	23.	(B)	24.	(B)	25.	(C)	26.	(B)	27.	(D)	28.	(D)
29.	(A)	30.	(B)	31.	(C)	32.	(D)	33.	(D)	34.	(D)	35.	(B)
36.	(C)	37.	(D)	38.	(C)	39.	(B)	40.	(C)	41.	(D)	42.	(B)
43.	(A)	44.	(D)	45.	(A)	46.	(B)	47.	(A)	48.	(A)	49.	(C)
50.	(B)	51.	(A)	52.	(B)	53.	(B)	54.	(C)	55.	(B)	56.	(B)
57.	(D)	58.	(D)	59.	(D)	60.	(D)	61.	(D)	62.	(A)	63.	(D)

PART B

BUSINESS LAWS

- ◆ INTRODUCTION TO LAW
- ◆ ELEMENTS OF COMPANY LAW - I
- ◆ ELEMENTS OF COMPANY LAW - II
- ◆ INDIAN PARTNERSHIP ACT, 1932
- ◆ INDIAN CONTRACT ACT, 1872
- ◆ SALE OF GOODS ACT, 1930
- ◆ NEGOTIABLE INSTRUMENTS ACT, 1881
- ◆ INFORMATION TECHNOLOGY ACT, 2000
- ◆ ROLE OF COMPANY SECRETARY

INTRODUCTION TO LAW

CHAPTER

6

Nature, Significance & Sources of Law

1. Under natural school most of the ancient definitions are given by and other ancient Jurists.
 - (A) Greek
 - (B) Roman
 - (C) Indian
 - (D) European
2. Who defined Law as "the art or science of what is equitable and good."?
 - (A) Cicero
 - (B) Salmond
 - (C) Ulpine
 - (D) Jack Welch
3. Ulpine defined Law as "the _____ of what is equitable and good."
 - (A) Art
 - (B) Science
 - (C) Art or science
 - (D) Art, science or history
4. Ancient Hindu view was that 'law' is the command of –
 - (A) God
 - (B) The sovereign
 - (C) Government
 - (D) Saints
5. _____, defines law as "the body of principles recognized and applied by the State in the administration of justice."
 - (A) Cicero
 - (B) Salmond
 - (C) Ulpine
 - (D) Jack Welch
6. Who described Law as, "a set of rules imposed and enforced by society with regard to the attribution and exercise of power over persons and things"?
 - (A) Vinogradoff
 - (B) Austin
 - (C) Kelsen
 - (D) Salmond
7. According to, "Law is the aggregate of rules set by man as politically superior, or sovereign, to men as political subject."
 - (A) Vinogradoff
 - (B) Austin
 - (C) Kelsen
 - (D) Salmond
8. According to Austin law is the "command of the"
 - (A) God
 - (B) Sovereign
 - (C) King
 - (D) Saints
9. According to Kelsen, law is a '.....'.
 - (A) Positive science
 - (B) Normative science
 - (C) Positive art
 - (D) Normative art
10. Custom not only precedes legislation but it is _____ to it.
 - (A) Inferior
 - (B) Superior
 - (C) Junior
 - (D) None of above

11. Match the following with reference to definition of law:

List-I

P. Ulpine
Q. Vinogradoff
R. Austin
S. Kelsen

List-II

1. Law is the aggregate of rules set by man as politically superior, or sovereign, to men as political subject.
2. Law is essentially and exclusively social fact.
3. Law is the art or science of what is equitable and good.
4. Law is a Normative science
5. Law is a set of rules imposed and enforced by society with regard to the attribution and exercise of power over persons and things

Select the correct answer from the options given below-

	P	Q	R	S
(A)	5	3	4	1
(B)	3	5	1	2
(C)	3	5	4	1
(D)	3	5	1	4

12. According to Savigny's theory of law the is more important than the legislator.
- (A) Lawyer
 - (B) The jurist
 - (C) (A) or (B)
 - (D) None of above
13. Duguit defines law as "essentially and exclusively as _____ fact."
- (A) Social
 - (B) Material
 - (C) Immaterial
 - (D) Normal
14. Which of the following is essential of the definition given by Duguit?
- (A) Laws prevents disobedience
 - (B) Laws are made effective by administering some form of punishment

(C) Law is treated as only one means of social control

(D) Laws are not static.

15. Which of the following is/are the main characteristics of law?

1. Law pre-supposes a State.
2. Authorization from State to make, or recognizes or sanctions rules.
3. Laws are made to serve some purpose.

Select the correct answer from the options given below –

- (A) 1 only
- (B) 1 and 2 only
- (C) 2 and 3 only
- (D) 1, 2 & 3

16. Mandatory law calls for –

- (A) Negative act
- (B) Affirmative act
- (C) Business act
- (D) Political act

17. Law requiring the payment of taxes is example of –

- (A) Mandatory Act
- (B) Prohibitive Act
- (C) Enabling Act
- (D) Permissive Act

18. A prohibitive law requires _____ conduct.

- (A) Positive
- (B) Enabling
- (C) Business
- (D) Negative

19. Which of the following is example of prohibitive law?

- (A) Running a lottery
- (B) Carrying of concealed weapon
- (C) Both (A) & (B)
- (D) Neither (A) nor (C)

20. A _____ is one which neither requires nor forbids action, but allows certain conduct on the part of an individual if he desires to act.

- (A) Mandatory law
- (B) Permissive law
- (C) Prohibitive law
- (D) Criminal law

Sources of Law

21. Which of the following is NOT the principal source of Indian law?
- (A) Personal law
 - (B) Statutes or legislation
 - (C) Justice, equity and good conscience
 - (D) Judicial decisions or precedents

22. Which of the following are principle source of Indian laws?

- (1) Customs or customary law
- (2) Contract
- (3) Personal laws
- (4) Foreign laws
- (5) Statutes or legislation

Select the correct answer from the options given below -

- (A) (1), (2), (3) & (5)
 - (B) (3), (2), (1) & (4)
 - (C) (2), (3) & (5)
 - (D) (5), (3) & (1)
23. Customs or customary laws are of Indian law.
- (A) Principal sources
 - (B) Secondary sources
 - (C) Not so important sources
 - (D) Both (A) & (B)
24. Custom is the most of all the sources of law
- (A) Recent
 - (B) Ancient
 - (C) Unimportant
 - (D) Ignored
25. Customs have played an important role in the ancient _____
- (I) Mohammedan Law
 - (II) Hindu Law

Select the correct answer from the options given below -

- (A) Both (I) and (II)
 - (B) (I) only
 - (C) Neither (I) nor (II)
 - (D) (II) only
26. How you will classify 'customs', which are non-obligatory and are observed due to the pressure of public opinion?

- (A) Legal customs
- (B) Customs having sanction
- (C) Customs without sanction
- (D) Local customs

27. _____ are those customs which are enforced by the State.

- (A) Customs having sanction
- (B) Customs without sanction
- (C) Both (A) & (B)
- (D) None of above

28. _____ is the custom which prevails in some definite locality and constitutes a source of law for that place only.

- (A) Legal customs
- (B) Local custom
- (C) General Customs
- (D) None of above

29. A is that which prevails throughout the country and constitutes one of the sources of law of the land.

- (A) Legal customs
- (B) Local custom
- (C) General customs
- (D) Old customs

30. Which of the following customs are also known as "usages"?

- (A) Legal customs
- (B) Local customs
- (C) General customs
- (D) Conventional customs

31. _____ are binding due to an agreement between the parties, and not due to any legal authority independently possessed by them.

- (A) Legal customs
- (B) Local custom
- (C) General customs
- (D) Conventional customs

32. Requisite of a valid custom is/are

- (A) immemorial (Antiquity)
- (B) uncertainty
- (C) correctness
- (D) All of the above

33. Requisite of a valid custom is/are

- (A) voluntary observance
- (B) expressly forbidden

- (C) unanimity of opinion
(D) all of the above
34. Requisites of a valid custom is/are
- (A) Peaceable enjoyment
(B) Consistency
(C) Certainty
(D) All of the above
35. The guidance or authority of past decisions of the courts for future cases is also known as -
- (i) Judicial decision
(ii) Obiter dicta
(iii) Precedent
- Select the correct answer from the options given below -
- (A) (i) or (ii)
(B) (ii) or (iii)
(C) (i) or (iii)
(D) (i) only
36. The rule that a court decision becomes a precedent to be followed in similar cases is known as doctrine of
- (A) *Stare decisis*
(B) *Obiter dictum*
(C) *Lis pendens*
(D) *Ultra vires*
37. The first rule of doctrine of *stare decisis* is that each court _____ in the hierarchy is absolutely bound by the decisions of the courts _____ it.
- (A) Above, lower
(B) Lower, above
(C) Above, equal
(D) None of above
38. The second rule of doctrine of *stare decisis* is that in general higher courts are bound by _____
- (A) Decisions of lower court
(B) Their own decisions
(C) Both (A) & (B)
(D) None of above
39. The Supreme Court is the highest Court and its decisions are binding on _____
- (A) High Court
(B) District Court
(C) Tribunals
(D) All of above
40. The decisions of High Court are binding on all the
- (A) Higher Court
(B) Subordinate courts
(C) Tribunals
(D) (B) & (C)
41. The decisions of one High Court have only a in a Court which is within the jurisdiction of another High Court.
- (A) High value
(B) Persuasive value
(C) Low value
(D) Small value
42. The decisions of one High Court have only a persuasive value in a Court which is within the jurisdiction of _____ High Court.
- (A) Lower
(B) Another
(C) Both (A) & (B)
(D) None of above
43. In case of any conflict between the two decisions of co-equal Benches, generally the is to be followed.
- (A) Later decision
(B) Earlier decision
(C) Lower court's decision
(D) None of above
44. In a High Court, a single judge constitutes the _____
- (A) Highest Bench
(B) Smallest Bench
(C) Division Bench
(D) Full Bench
45. A Bench of two judges is known as —
- (A) Highest Bench
(B) Smallest Bench
(C) Division Bench
(D) Full Bench
46. Three or more judges is known as —
- (A) Highest Bench
(B) Smallest Bench
(C) Division Bench
(D) Full Bench

47. Pre-constitution Privy Council decisions are
 (A) Binding on the High Court's
 (B) Not binding on the High Court's
 (C) Binding on the High Court's unless overruled by the Supreme Court.
 (D) Binding on the High Court's unless overruled by the Privy Council.
48. of the Constitution makes it clear that the law declared by the Supreme Court shall be binding on all courts within the territory of India.
 (A) Article 150
 (B) Article 151
 (C) Article 140
 (D) Article 141
49. The expression 'all courts' used in Article 141 refers only to courts other than the
 (A) High court
 (B) Supreme court
 (C) District court
 (D) All of above
50. Supreme Court is _____.
 (A) Bound by its own decisions.
 (B) Not bound by its own decisions.
 (C) Both (A) & (B)
 (D) None of above
51. The earlier decisions of the Supreme Court cannot be departed by it unless there are to do so.
 (A) Extraordinary reasons
 (B) Special reasons
 (C) (A) or (B)
 (D) None of above
52. The Supreme Court can depart from its earlier decision, if the earlier decision is found
 (A) Erroneous
 (B) Detrimental to the general welfare of the public
 (C) Both (A) & (B)
 (D) None of above
53. Which of the following doctrine lays down the principle that decisions of higher courts must be followed by the courts subordinate to them?
 (A) Doctrine of merger
 (B) Doctrine of election
 (C) Doctrine of frustration
 (D) Doctrine of precedent
54. According to Salmond, a is one which is merely the application of an already existing rule of law.
 (A) Absolutely authoritative precedents
 (B) Persuasive precedents
 (C) Declaratory precedent
 (D) Conditionally authoritative precedents
55. Which of the following creates and applies a new rule of law?
 (A) Absolutely authoritative precedent
 (B) Original precedent
 (C) Declaratory precedent
 (D) Conditionally authoritative precedents
56. Precedent that is not mandatory but which is useful or which the judges are not obliged to follow is known as
 (A) Absolutely authoritative precedents
 (B) Persuasive precedent
 (C) Declaratory precedent
 (D) Conditionally authoritative precedents
57. The rulings of the English and American Courts are _____ only.
 (A) An absolutely authoritative precedents
 (B) Persuasive precedent
 (C) Declaratory precedent
 (D) Conditionally authoritative precedents
58. _____ is one which judges must follow whether they approve of it or not.
 (A) Declaratory precedent
 (B) An authoritative precedent
 (C) Persuasive precedent
 (D) Conditionally authoritative precedents
59. A _____ is one which, though ordinarily binding on the court before which it is cited, is liable to be disregarded in certain circumstances.
 (A) Declaratory precedent
 (B) An authoritative precedent
 (C) Persuasive precedent
 (D) Conditionally authoritative precedents
60. *Statement I:*
 Declaratory precedent is one which the judges are not obliged to follow but which they will take into

consideration and which they will attach great weight as it seems to deserve.

Statement II:

Absolutely authoritative precedent is one which, though ordinarily binding on the court before which it is cited, is liable to be disregarded in certain circumstances.

Select the correct answer from the options given below -

- (A) Statement I and Statement II both are correct
 - (B) Statement I is correct but Statement II is incorrect
 - (C) Statement I and Statement II both are incorrect
 - (D) Statement II is correct but Statement I is incorrect.
61. Which of the following doctrine means that - "adhere to the earlier decision and do not unsettle things which are established"?
- (A) Doctrine of Ratio Decidendi
 - (B) Doctrine of Stare Decisis
 - (C) Doctrine of Obiter Dicta
 - (D) Doctrine of frustration
62. An observation made by a judge which, though included in the judgment, does not form part of the decision of the court is known as -
- (A) Obiter dictum
 - (B) Stare Decisis
 - (C) Ratio Decidendi
 - (D) Doctrine of frustration
63. Legislation is called as -
- (A) Jus non-scriptum
 - (B) Jus scriptum
 - (C) Jus in rem
 - (D) Jus in personam
64. Which of the following legislation proceeds from the sovereign power in the State or which derives its power directly from the Constitution?
- (A) Decentralized legislation
 - (B) Supreme legislation
 - (C) Delegated legislation
 - (D) Subordinate legislation
65. is that which proceeds from any authority other than the sovereign power, and is therefore dependent for its continued existence and validity on some superior or supreme authority.
- (A) Decentralized legislation
 - (B) Supreme legislation
 - (C) Subordinate legislation
 - (D) All of above
66. Who possesses the power of supreme legislation?
- (A) Parliament of India
 - (B) RBI
 - (C) State Government
 - (D) Prime Minister of India
67. Laws made by the President and Governors authorized to do so under the Constitution are
- (A) Decentralized legislation
 - (B) Supreme legislation
 - (C) Subordinate legislation
 - (D) All of above
68. How you will classify legislation made by various authorities like Corporations, Municipalities, etc.?
- (A) Decentralized legislation
 - (B) Supreme legislation
 - (C) Subordinate legislation
 - (D) All of above
69. Hindus are governed by their as modified by statute & custom.
- (A) Private law
 - (B) Personal law
 - (C) Supreme law
 - (D) Subordinate law
70. Mohammedans are governed by their -
- (A) Private law
 - (B) Personal law
 - (C) Supreme law
 - (D) Subordinate law
71. The concept of "justice, equity and good conscience" was introduced by Impey's Regulations of -
- (A) 1681
 - (B) 1281
 - (C) 1781
 - (D) 1981
72. In the absence of any rule of a _____, the Indian courts apply to the decision of a case what is known as "justice, equity and good conscience".
- (A) Statutory law

- (B) Custom
(C) Personal law
(D) (A) or (B) or (C)
73. "Justice, equity and good conscience", means the rules of insofar as they are applicable to Indian society and circumstances.
(A) Indian law
(B) English Law
(C) Canadian law
(D) Pakistani law
74. Which of the following are chief sources of English Laws?
I. Common law
II. Law merchant
III. Principle of equity
IV. Personal laws
V. Statute law
Select the correct answer from the options given below –
(A) I, II, IV
(B) II, I, III, IV
(C) V, I, III, IV, II
(D) V, II, III, I
75. denotes that body of legal rules, the primary sources of which were the general immemorial customs, judicial decisions and text books on Jurisprudence.
(A) Similar law
(B) Law merchant
(C) Common law
(D) Statute law
76. Which of the following is the most important source of the Mercantile Law?
(A) Similar law
(B) Law merchant
(C) Common law
(D) Principle of equity
77. means those customs and usages which are binding on traders in their dealings with each other.
(A) Similar law
(B) Common law
(C) Principle of equity
(D) Law merchant
78. Which of the following maxim is application of principle of equity?
(A) He who seeks equity must do equity
(B) He who comes to equity must come with clean hands
(C) Both (A) & (B)
(D) None of above
79. _____ is that portion of law which is derived from the legislation or enactment of Parliament or the subordinate and delegated legislative bodies."
(A) Similar law
(B) Law merchant
(C) Common law
(D) Statute law
80. Mercantile law is related to the _____ of the people of the society.
(A) Private activities
(B) Social activities
(C) Commercial activities
(D) None of above
81. The Indian Mercantile Law is mainly an adaptation of
(A) Greek Mercantile Law
(B) English Mercantile Law
(C) Roman Mercantile Law
(D) German Mercantile Law

Legal Terminology & Maxims

82. *ab initio* means
(A) From the middle
(B) From the beginning
(C) From the base
(D) From the end
83. *ad hoc* means
(A) From the beginning
(B) Not intended to be able to be adapted to other purposes
(C) To the same thing
(D) To infinity
84. *ad idem* means
(A) From the beginning
(B) To the same thing
(C) To infinity
(D) From the base
85. *ad infinitum* means
(A) From the beginning

- (B) To the same thing
(C) To infinity
(D) From the base
86. *ad valorem* means
(A) According to value
(B) To the same thing
(C) To infinity
(D) Hear the other side
87. *audi alteram partem* means
(A) According to value
(B) To the same thing
(C) To infinity
(D) Hear the other side
88. *bona fide* means
(A) Hear the other side
(B) In good faith
(C) In fact
(D) In law
89. *de facto* means
(A) Hear the other side
(B) In good faith
(C) In fact
(D) In law
90. *de jure* means
(A) Hear the other side
(B) In good faith
(C) In fact
(D) In law
91. *de novo* means
(A) In fact
(B) In law
(C) A new
(D) Outside of
92. *ex gratia* means
(A) By virtue of an office
(B) Against the person
(C) Guilty act
(D) As a matter of grace or favour
93. *ex officio* means
(A) By virtue of an office
(B) Against the person
(C) Guilty act
(D) As a matter of grace or favour
94. *ex parte* means
(A) Expression used to signify something done or said by one person not in the presence of his opponent.
(B) Expression used to signify something done or said by one person not in the presence of his friend.
(C) Expression used to signify something done or said by one person not in the presence of his enemy.
(D) All of above
95. *ictus reus* means
(A) By virtue of an office
(B) Against the person
(C) Guilty act
(D) As a matter of grace or favour
96. *in personam* means
(A) By virtue of an office
(B) Against the person
(C) Guilty act
(D) As a matter of grace or favour
97. *in rem* means
(A) Within the powers
(B) Between living persons
(C) Amongst other things
(D) Against whole world
98. *inter alia* means ____
(A) Within the powers
(B) Between living persons
(C) Amongst other things
(D) An act
99. *inter vivos* means
(A) Within the powers
(B) Between living persons
(C) Amongst other things
(D) An act
100. *intra vires* means –
(A) Within the powers
(B) Between living persons
(C) Amongst other things
(D) An act

101. *ipso facto* means _____
 (A) Between living persons
 (B) By the mere fact
 (C) By the law itself
 (D) A pending suit
102. *ipso jure* means
 (A) Between living persons
 (B) By the mere fact
 (C) By the law itself
 (D) A pending suit
103. *lis pendens* means _____
 (A) Between living persons
 (B) By the mere fact
 (C) By the law itself
 (D) A pending suit
104. *locus standi* means
 (A) A guilty mind
 (B) Signifies a right to be heard
 (C) By the mere fact
 (D) A pending suit
105. *mens rea* means _____
 (A) A guilty mind
 (B) Signifies a right to be heard
 (C) By the mere fact
 (D) A pending suit
106. *mesne profits* means
 (A) The profits which a person in wrongful possession of the property actually received.
 (B) The profits which a person in legal possession of the property actually received.
 (C) The profits which a person in lawful possession of the property actually received.
 (D) None of above
107. *modus operandi* means _____
 (A) During litigation
 (B) An opinion of law not necessary to the decision.
 (C) Mode of operating
 (D) For a consideration
108. *mutatis mutandis* means
 (A) During litigation
 (B) An opinion of law not necessary to the decision.
 (C) With the necessary changes
 (D) For a consideration
109. *obiter dictum* means –
 (A) During litigation
 (B) An opinion of law not necessary to the decision.
 (C) With the necessary changes
 (D) For a consideration
110. *pendente lite* means
 (A) During litigation
 (B) An opinion of law not necessary to the decision.
 (C) With the necessary changes
 (D) For a consideration
111. *quid pro quo* means _____
 (A) During litigation
 (B) An opinion of law not necessary to the decision.
 (C) With the necessary changes
 (D) For a consideration
112. *ratio decidendi* means
 (A) Reasons for deciding, the grounds of decision
 (B) An opinion of law not necessary to the decision.
 (C) With the necessary changes
 (D) For a consideration
113. Match the following:
- | <i>List I</i> | <i>List II</i> |
|-------------------------------|----------------------------|
| 1. <i>de facto</i> | P. <i>mutatis mutandis</i> |
| 2. With the necessary changes | Q. By the mere fact |
| 3. <i>ex gratia</i> | R. <i>modus operandi</i> |
| 4. During litigation | S. As a matter of grace |
| | T. In fact |
| | U. <i>pendente lite</i> |
- Select the correct answer from the options given below –
- | | | | | |
|-----|----------|----------|----------|----------|
| | 1 | 2 | 3 | 4 |
| (A) | T | P | S | U |
| (B) | T | P | U | S |
| (C) | P | T | S | U |
| (D) | T | S | P | U |

Answers

1.	(B)	2.	(C)	3.	(C)	4.	(A)	5.	(B)	6.	(A)	7.	(B)
8.	(B)	9.	(B)	10.	(B)	11.	(D)	12.	(C)	13.	(A)	14.	(C)
15.	(D)	16.	(B)	17.	(A)	18.	(D)	19.	(C)	20.	(B)	21.	(C)
22.	(D)	23.	(A)	24.	(B)	25.	(D)	26.	(C)	27.	(A)	28.	(B)
29.	(C)	30.	(D)	31.	(D)	32.	(A)	33.	(C)	34.	(D)	35.	(C)
36.	(A)	37.	(B)	38.	(B)	39.	(D)	40.	(D)	41.	(B)	42.	(B)
43.	(A)	44.	(B)	45.	(C)	46.	(D)	47.	(C)	48.	(D)	49.	(B)
50.	(B)	51.	(C)	52.	(C)	53.	(D)	54.	(C)	55.	(B)	56.	(B)
57.	(B)	58.	(B)	59.	(D)	60.	(C)	61.	(B)	62.	(A)	63.	(B)
64.	(B)	65.	(C)	66.	(A)	67.	(B)	68.	(C)	69.	(B)	70.	(B)
71.	(C)	72.	(D)	73.	(B)	74.	(D)	75.	(C)	76.	(B)	77.	(D)
78.	(C)	79.	(D)	80.	(C)	81.	(B)	82.	(B)	83.	(B)	84.	(B)
85.	(C)	86.	(A)	87.	(D)	88.	(B)	89.	(C)	90.	(D)	91.	(C)
92.	(D)	93.	(A)	94.	(A)	95.	(C)	96.	(B)	97.	(D)	98.	(C)
99.	(B)	100.	(A)	101.	(B)	102.	(C)	103.	(D)	104.	(B)	105.	(A)
106.	(A)	107.	(C)	108.	(C)	109.	(B)	110.	(A)	111.	(D)	112.	(A)
113.	(A)												

ELEMENTS OF COMPANY LAW-I

Company - Meaning & Characteristics

- The Companies Act, 2013 extends to –
 - Whole of India
 - Whole of India excluding State of Jammu & Kashmir
 - Whole of India excluding State of Bihar
 - Whole of India excluding State of Jammu
- A company may be –
 - An incorporated company
 - A corporation
 - An unincorporated company
 - All of above
- Which of the following case clearly established the principle that company is a legal person distinct from its members?
 - Salman Vs Salman & Co. Ltd.*
 - Salomon Vs Salomon & Co. Ltd*
 - Salesman Vs Salesman Co. Ltd*
 - Smith Vs Anderson*
- Which of the following is characteristic of a company?
 - Limited Profit
 - Corporate Personality
 - Limited Succession

Select the correct answer from the options given below:

- (1) only
 - (2) & (3) only
 - (3) only
 - (2) only
- Characteristic of a company
 - Transferability of profits
 - Property of company is joint property of shareholders
 - Compulsory Common Seal

Select the correct the answer from the options given below –

- (I) & (II)
 - (II) & (III)
 - (III) & (I)
 - None of the above
- Characteristic of a company _____.
 - Capacity to sue and be sued
 - Limited Liability
 - Optional common seal
 - All of above
 - The liability of the members of a company is limited to the extent of the _____ of the shares held by them.
 - Nominal value
 - Market value
 - Exchange value
 - Value as decided by SEBI
 - Company has succession.
 - Limited
 - Perpetual
 - Not continue
 - Longer
 - In the case of a company limited by guarantee, the members are liable only to the extent of the _____ by them and not beyond, and only when the company goes into liquidation.
 - Nominal value of shares
 - Amount guaranteed
 - Market value of shares
 - ₹ 5 lakh
 - Perpetual succession means –
 - Members may go and members may go but the company goes on forever.
 - Members may come and members may come but the company goes on forever.

- (C) Members may come and members may go but the company goes on forever.
 (D) Members may go and members may come but the company cannot go on forever.

11. Statement A:

A company dies with the death of its shareholders.

Statement B:

In the case of a private company, every member owing fully paid-up shares can freely transfer shares held by him.

Select the correct the answer from the options given below –

- (A) Statement A is correct but Statement B is incorrect
 (B) Statement B is correct but Statement A is incorrect
 (C) Statement A is correct and Statement B is correct explanation of Statement A.
 (D) Statement A & Statement B both are incorrect

12. Shares of company are said to be –

- (A) Immovable Property
 (B) Movable Property
 (C) Tangible Property
 (D) Permanent Property

13. Shares of public companies are –

- (A) Not freely transferable
 (B) Freely transferable
 (C) Freely transferable subject to permission of government
 (D) Freely transferable subject to permission of other shareholders in general meeting

14. Statement X:

As a corporate person, the company is not entitled to own and hold property in its own name.

Statement Y:

Member can claim ownership of any item of the company's assets.

Select the correct the answer from the options given below –

- (A) Statement X is correct and Statement Y is correct explanation of Statement X
 (B) Statement X is correct but Statement Y is not correct explanation of Statement X
 (C) Statement X and Statement Y both are correct
 (D) Statement X and Statement Y both are incorrect

15. On incorporation, a company acquires legal entity with perpetual succession and a

- (A) Seal which is optional
 (B) Common seal which is compulsory
 (C) Rubber stamp which is compulsory
 (D) Common seal which is optional

16. Common seal of the company acts as the official signature of a _____

- (A) Managing Director
 (B) Company
 (C) General Manager
 (D) Compliance Officer

17. Which of the following statement is true (✓) and which is false (✗)?

- P. A company being a body corporate can sue but cannot be sued in its own name.
 Q. Members or shareholders are agents of a company.
 R. Members of a company cannot contract with company.
 S. A partner's liability is always limited whereas that of shareholder may be unlimited either by shares or a guarantee.

Select the correct the answer from the options given below –

	P	Q	R	S
(A)	✓	✓	✓	✓
(B)	✓	✗	✓	✗
(C)	✗	✓	✗	✓
(D)	✗	✗	✗	✗

18. Which of the following is a distinct legal person?

- (A) Sole Proprietor
 (B) Partnership Firm
 (C) Company
 (D) All of above

19. A private company cannot have more than _____

- (A) 250 members including past and present employee members
 (B) 200 members excluding past and present employee members
 (C) 500 members excluding past and present employee members
 (D) 500 members including past and present employee members

20. In a public company there must not be less than _____
 (A) Two Persons
 (B) Seven Persons
 (C) Six Persons
 (D) Ten Persons
21. _____ have homogeneous member.
 (A) Partnership Firm
 (B) Company
 (C) Cooperatives
 (D) Hindu Undivided Family
22. In a private company there must not be less than –
 (A) Two Persons
 (B) Seven Persons
 (C) Six Persons
 (D) Ten Persons
23. As per of the Companies Act, 2013 “company” means a company incorporated under Companies Act, 2013 or under any previous company law
 (A) Section 2(3)
 (B) Section 2(20)
 (C) Section 2(12)
 (D) Section 2(25)
24. A company is legally required to have its accounts audited annually by a –
 (A) Accountant in Practice
 (B) Chartered Accountant
 (C) Chartered Financial Analyst
 (D) Chartered Secretary in Practice
25. A company consists of _____ members, whereas a Hindu Undivided Family business consists of _____ members since it consists of members of the joint family itself.
 (A) Homogeneous, homogeneous
 (B) Heterogeneous, homogeneous
 (C) Homogeneous, Heterogeneous
 (D) None of above
26. Registration of a company is
 (A) Optional
 (B) Compulsory
 (C) Compulsory in some cases
 (D) Optional but compulsory in some cases
27. “Body Corporate” or “Corporation” includes a company incorporated outside India but does not include
 (A) Companies registered under earlier company law before Companies Act, 2013 came into force.
 (B) A co-operative society registered under any law relating to co-operative societies; and
 (C) Any other body corporate which the Central Government may notify.
 (D) (B) or (C)
28. A society registered under the Societies Registration Act come within the term ‘Body Corporate’.
 (A) True
 (B) False
 (C) Partly true
 (D) Partly false
29. Which of the following is advantage of incorporation of company?
 (I) Limited Personality
 (II) Limited Liability
 (III) Limited Succession
 Select the correct the answer from the options given below -
 (A) (I) but not (II) and (III)
 (B) (II) but not (I) and (III)
 (C) (III) but not (I) and (II)
 (D) (II) but not (III) and (I)
30. Which of the following is advantage of incorporation of company?
 (A) Restriction on transfer of shares
 (B) Unlimited liability
 (C) Capacity not to sue
 (D) Separate property
31. Which of the following is advantage of incorporation of company?
 A. Capacity to sue
 B. Greater social responsibility
 C. Corporate personality
 D. Detailed winding-up procedure
 Select the correct the answer from the options given below -
 (A) B & D only
 (B) A, B & C
 (C) C & B only
 (D) C & A only

32. Which of the following is disadvantage of incorporation of company?
- Detailed winding-up procedure
 - Greater tax burden
 - Greater social responsibility
 - All of above
33. Where a fraudulent and dishonest use is made of the legal entity, the Court will break through the corporate shell and apply the principle of what is known as _____
- Sifting of the corporate personality
 - Doctrine of privity of contract
 - Piercing through the corporate veil
 - Doctrine of unjust enrichment
34. If company does not follow the principle of separate legal entity _____ can be done.
- Principle of natural justice
 - Principle of equity
 - Lifting of corporate veil
 - Principle of unjust enrichment
35. The corporate veil can be lifted: —
- Where the corporate veil has been used for proper & legal purpose.
 - Where the corporation is really an agency or trust for someone else and the corporate facade is used to cover up that agency or trust.
 - Where the company is incurring continuous losses.
 - When company restricts the right to transfer its shares
36. The corporate veil can be lifted: —
- For determining the true status of the company
 - In order to determine whether it was an enemy company.
 - Where the company fails to pay taxes and duties
 - All of above
37. The corporate veil can be lifted: —
- Where it was found that the sole purpose for which the company was formed was to evade taxes
 - Where the purpose of company formation was to evade labour welfare & other legislation
 - To punish for contempt of Court
 - All of above
38. Minimum paid-up capital for a private company is
- ₹ 2 lakhs
 - ₹ 1 lakh
 - ₹ 5 lakhs
 - Such amount as may be prescribed
39. A private company means a company which by its articles _____
- Restricts the right to transfer its shares
 - Limits the number of members to two hundred not including past and present employee
 - Prohibits any invitation to the public to subscribe for any security
- Select the correct the answer from the options given below —*
- (i)
 - (ii)
 - (iii)
 - All of the above
40. As per section 2(51) of the Companies Act, 2013, "Key Managerial Personnel", in relation to a company, means —
- Chief Executive Officer or the managing director or the manager
 - Company Secretary
 - General Manager
 - Whole Time Director
 - Chief Legal Officer
 - Chief Financial Officer
- Select the correct the answer from the options given below —*
- (i), (ii), (iv) & (vi)
 - (i), (iii), (iv), (v) & (vi)
 - (i), (ii), (v) & (vi)
 - (i), (iv), (v) & (vi)
41. Where the corporate veil has been used for commission of *fraud* or *improper conduct*, Courts have lifted the veil and looked at the realities of the situation. In relation this which of the following *case law* can be quoted?
- Connors Bros. vs. Connors
 - Daimler Co. Ltd. vs. Continental Tyre & Rubber Co.

- (C) The Workmen Employed in Associated Rubber Industries Limited, Bhavnagar vs. The Associated Rubber Industries Ltd., Bhavnagar and another
(D) Gilford Motor Co. vs. Horne
42. Where two or more persons hold one or more shares in a private company jointly, they shall be counted as a _____ member
(A) Single
(B) Double
(C) One and half
(D) Separate
43. On which of the following company, the Companies Act, 2013, confers certain privileges?
(i) Private Companies
(ii) One Person Company
(iii) Small Companies
Select the correct answer form the options given below –
(A) (i), (ii) & (iii) of the above
(B) (ii) & (iii) of the above
(C) (i) of the above
(D) (i) & (iii) of the above
44. Public company means a company which is not a –
(A) Public Company
(B) Private Company
(C) Statutory Company
(D) Deemed Public Company
45. Private company which is a subsidiary of a public company is treated as
(A) Public Company
(B) Private Company
(C) Statutory Company
(D) Deemed Company
46. Maximum number of members of a private company are _____
(A) 100
(B) 200
(C) 500
(D) Unlimited
47. A public company must have at least _____ and a private company must have at least _____
(A) 5 Directors; 3 Directors
(B) 2 Directors; 3 Directors
(C) 3 Directors; 2 Directors
(D) 10 Directors; 4 Directors
48. For which type of company, the directors must file with the Registrar consent to act as directors?
(1) Public Company
(2) Private Company
Select the correct the answer from the options given below -
(A) (2) only
(B) Both (1) & (2)
(C) (1) only
(D) Neither (1) nor (2)
49. Total managerial remuneration in a public company cannot exceed -
(A) 10% of the net profits
(B) 11% of the net profits
(C) 10% of the net worth
(D) 11% of the net worth
50. A company may be -
(A) Limited by shares
(B) Limited by guarantee
(C) (A) or (B)
(D) (a) but not (b)
51. Which type of company does not have any limit on the liability of its members?
(A) Limited company
(B) An unlimited company
(C) Company limited by guarantee
(D) None of above
52. An association not for profit registered under the Companies Act, 2013 popularly known as –
(A) Section 8 company
(B) Section 25 company
(C) Section 18 company
(D) Section 20 company
53. Association not for profit has to take from central government.
(A) Certificate
(B) Grant
(C) Approval
(D) License
54. Which of the following section permits the registration, under a licence granted by the Central Government, of associations not for profit with

limited liability without being required to use the word "Limited" or the words "Private Limited" after their names?

- (A) Section 8
- (B) Section 25
- (C) Section 18
- (D) Section 20

55. Licence under Section 8 of the Companies Act, 2013, may be granted by Central Government if _____

- (i) It is intended to form a company for promoting commerce, art, science, religion, charity or any other useful object
- (ii) The company allows the payment of dividend to its members
- (iii) Apply its profits or other income in promotion of its objects

Select the correct the answer from the options given below –

- (A) (i), (ii) & (iii) of the above
- (B) (ii) of the above
- (C) (ii) & (iii) of the above
- (D) (i) & (iii) of the above

56. Section 2(45) of the Companies Act, 2013 defines a "Government company" as any company in which not less than of the paid-up share capital is held by the Central Government, or by any State Government or Governments, or partly by the Central Government or partly by one or more State Governments.

- (A) 31%
- (B) 41%
- (C) 51%
- (D) 61%

57. The auditor of Government Company is appointed or reappointed by the –

- (A) Controller & Auditor General of India
- (B) Comptroller & Auditor General of India
- (C) Comptroller & General Auditor of India
- (D) Central & Auditor General of India

58. A _____ is a company which is incorporated in a country outside India under the law of that other country and has established a place of business in India.

- (A) Domestic company
- (B) Foreign company

- (C) Alien company
- (D) All of above

59. Every foreign company which establishes a place of business in India must, within _____ of the establishment of such place of business, file with the Registrar of Companies at New Delhi and also with the Registrar of Companies of the State in which such place of business is situated certain documents.

- (A) 30 days
- (B) 60 days
- (C) 1 month
- (D) 90 days

60. As per of the Companies Act, 2013, "One Person Company" means a company which has only one person as a member.

- (A) Section 2(22)
- (B) Section 2(32)
- (C) Section 2(52)
- (D) Section 2(62)

61. A company shall be deemed to be a subsidiary of another, if and only if –

- (1) That other controls the composition of its Board of directors
- (2) That other holds more than half of the nominal value of its equity share capital
- (3) The first-mentioned company is a subsidiary of any company which is that other's subsidiary
- (4) That first mentioned company is associate of other company

Select the correct the answer from the options given below -

- (A) (2) & (3) of above
- (B) (2) & (4) of above
- (C) (1), (3) & (4) of above
- (D) (1), (2) & (3) of above

Promotion & Incorporation of Company

62. Company should be formed for –

- (A) Unlawful purpose
- (B) Lawful purpose
- (C) Illegal purpose
- (D) (A) and (B) but not (C)

63. The ROC is the authority which –

- 1. Register companies

2. Carries the audit and appoints auditor in company
3. Receives documents and forms from companies and registers them
4. Orders companies to hold meetings if requisition is received from the members of the company
5. Maintains records of the companies and makes this record available for public inspection

Select the correct the answer from the options given below –

- (A) 5, 1 & 3
 - (B) 1, 2, 4 & 5
 - (C) 3, 5, 1 & 2
 - (D) None of the given option is correct
64. Who conceives the idea of the business of company?
- (A) Shareholders
 - (B) Directors
 - (C) Auditors
 - (D) Promoters
65. Promoter means
- (A) Who undertakes to form a company with reference to a given object and to set it going.
 - (B) Who takes the necessary steps to incorporate company.
 - (C) Who performs the preliminary duties and develops the idea and induces others to join.
 - (D) All of above
66. Who of the following can be promoter?
- I. Individual
 - II. Syndicate Association
 - III. Company
 - IV. Partnership Firm

Select the correct the answer from the options given below –

- (A) I
 - (B) I, II
 - (C) I, II, III
 - (D) I, II, III & IV
67. Function of promoter
- (A) To decide the company's name
 - (B) To settle the details of the company's MOA & AOA

- (C) To print the MOA & AOA
- (D) All of above

68. A promoter of company can be described as –
- A. An agent
 - B. A trustee

Select the correct the answer from the options given below –

- (A) Both A & B
 - (B) A only
 - (C) B only
 - (D) Neither A & B
69. A promoter can make a secret profit.
- (A) True
 - (B) False
 - (C) Partly true
 - (D) Partly false
70. Who stands in a fiduciary relation to the company?
- (A) Promoter
 - (B) Creditor
 - (C) Equity shareholder
 - (D) Debenture holder
71. Promoter can make a profit
- (A) Even if he does not make full disclosure
 - (B) If he make full disclosure
 - (C) If he make part disclosure
 - (D) All of above
72. The first step towards incorporation of a company is -
- (A) To print MOA & AOA
 - (B) To have certificate of incorporation
 - (C) To adopt a suitable name
 - (D) To appoint director
73. A company is identified by the name with which it is registered and such name of the company is stated in –
- (A) POA
 - (B) MOA
 - (C) Prospectus
 - (D) Share application form
74. A company cannot be registered with the name –
1. Which is undesirable
 2. Which is identical to name of an existing company

3. Which is identical to or too nearly resembles the name of an existing company

Select the correct the answer from the options given below –

- (A) 1
(B) 2
(C) 3
(D) All of the above are correct

75. For ascertaining as to whether the proposed name is available for adoption, the promoters are required to make an application to the

- (A) Regional Director (RD)
(B) Registrar of Companies (ROC)
(C) Central Government (CG)
(D) State government (SG)

76. As per Rule 9 of Companies (Incorporation) Rules, 2014, for reservation of name, application shall be made in _____

- (A) From No. INC-1A
(B) From No. INC-5
(C) From No. INC-1
(D) From No. INC-1B

77. For ascertaining as to whether the proposed name is available for adoption, the promoters are required to make an application to the Registrar of Companies in Form No. INC 1 along with fee as provided in

- (A) Companies (Registration Office & Fees) Rules, 2014
(B) Companies (Incorporation & Fees) Rules, 2014
(C) Companies (Fees & Penalties) Rules, 2013
(D) Companies (Fees & Penalties) Rules, 2014

78. Which of the following person is NOT eligible to incorporate One Person Company (OPC) as per Companies Act, 2013?

- (1) Indian citizen and resident in India
(2) Person who has already incorporated one OPC in India.
(3) Artificial person
(4) Indian citizen and non-resident in India.

Select the correct the answer from the options given below –

- (A) (1), (3) & (4)
(B) (2), (3) & (4)
(C) (1), (2) & (4)
(D) (2) & (4)

79. In relation to OPC, “resident in India” means a person who has stayed in India for a period of not less than days during the immediately preceding one calendar year

- (A) 152
(B) 160
(C) 182
(D) 200

Memorandum & Article

80. The memorandum has to be divided into

- (A) Four Clauses
(B) Six Clauses
(C) Seven Clauses
(D) Eight Clauses

81. Match the following with reference clauses of Memorandum of Association (MOA) of company.

List I

- P. Second clause
Q. Fourth clause
R. First clause
S. Third clause
T. Sixth clause
U. Fifth clause

List II

1. Capital
2. Subscription
3. Situation
4. Name
5. Liability
6. Nature
7. Object
8. Profitability

Select the correct the answer from the options given below –

	P	Q	R	S	T	U
(A)	3	5	4	7	2	1
(B)	3	5	4	7	8	2
(C)	7	5	4	3	2	1
(D)	3	4	5	7	1	2

82. The second clause of the memorandum is

- (A) Capital Clause
(B) Objects Clause
(C) Registered Office Clause
(D) Name Clause

83. The fourth clause of the memorandum is ...

- (A) Capital Clause
(B) Objects Clause
(C) Registered Office Clause
(D) Liability Clause

84. The fifth clause of the memorandum is
- Capital Clause
 - Objects Clause
 - Registered Office Clause
 - Liability Clause
85. Registered office clause of the memorandum shall mention the
- Complete address with State, City and town in which the registered office of the company is to be situated
 - State in which the registered office of the company is to be situated.
 - City in which the registered office of the company is to be situated.
 - Town in which the registered office of the company is to be situated.
86. A process of examining carefully the contents of documents from legal point of view is known as—
- Scanning
 - Vetting
 - Reading
 - Verifying
87. A partnership firm cannot become member of the company registered under Section 8 of the Companies Act, 2013.
- True
 - False
 - Partly true
 - Partly false
88. The Articles constitute a contract between the company and its and members *inter se*.
- Creditor
 - Members
 - Debtors
 - Debenture holder
89. Model Articles of Association *i.e.* Table F contained in First Schedule of the Companies Act, 2013 can be adopted by —
- One Person Company (OPC)
 - Public Companies
 - Private Companies
- Select the correct the answer from the options given below —
- A & C
 - B only
 - C only
 - A, B & C
90. Private companies need not to register its own Article.
- True
 - False
 - Partly true
 - Partly false
91. The provisions contained in the Articles of Association should not conflict with —
- Companies Act, 2013
 - Memorandum of Association
 - Any law for the time being in force
- Select the correct the answer from the options given below —
- 1 only
 - 1 & 2 only
 - 1, 2 & 3
 - 1 & 3 only
92. Table F of Schedule I to the Companies Act, 2013 contains the formats of
- AOA of company limited by shares
 - MOA of company limited by shares
 - AOA & MOA of company limited by shares
 - Company limited by shares
93. Table A of Schedule I to the Companies Act, 2013 contains the formats of —
- MOA of company limited by guarantee having share capital
 - MOA of company limited by guarantee not having share capital
 - AOA & MOA of company limited by shares
 - MOA of company limited by shares
94. Table C of Schedule I to the Companies Act, 2013 contains the formats of _____
- MOA of unlimited company
 - AOA of company limited by guarantee having share capital
 - MOA of company limited by guarantee having share capital
 - MOA of one person company
95. Table D of Schedule I to the Companies Act, 2013 contains the formats of —
- MOA of unlimited company having share capital

- (B) MOA of unlimited company not having share capital
- (C) MOA of company limited by guarantee not having share capital
- (D) MOA of company limited by guarantee having share capital
96. Table E of Schedule I to the Companies Act, 2013 contains the formats of _____
- (A) MOA of unlimited company having share capital
- (B) MOA of company limited by guarantee not having share capital
- (C) MOA of company limited by guarantee not having share capital
- (D) AOA of company limited by shares
97. The memorandum and articles must be –
- (A) Divided into paragraphs
- (B) Numbered consecutively
- (C) (A) & (B)
- (D) (A) or (B)
98. In the case of companies having share capital the subscribers to the memorandum should take at least each.
- (A) 1 share
- (B) 5 shares
- (C) 10 shares
- (D) 100 shares
99. Table I of Schedule I to the Companies Act, 2013 contains the formats of –
- (A) Articles of association of an limited company and not having a share capital
- (B) Articles of association of an unlimited company and having a share capital
- (C) Articles of association of an unlimited company and not having a share capital
- (D) Articles of association of company limited by guarantee having share capital
100. Table J of Schedule I to the Companies Act, 2013 contains the formats of –
- (A) Articles of association of an unlimited company not having a share capital
- (B) Articles of association of an limited company and not having a share capital
- (C) MOA of company limited by guarantee having share capital
- (D) None of the above
101. Which of the following statement is/are correct in relation to One Person Company (OPC) as per the Companies Act, 2013?
- (1) Minor can become member or nominee of the OPC.
- (2) Minor can hold share with beneficial interest in OPC.
- (3) Natural person who is an Indian citizen and resident in India can only incorporate OPC.
- (4) OPC can carry out non-banking financial investment activities.
- (5) OPC can convert voluntarily into any kind of company after 2 years from the date of incorporation.
- Select the correct the answer from the options given below –*
- (A) (1), (2) & (4) only
- (B) (3) & (5) only
- (C) (2), (3) & (4) only
- (D) (2) & (4) only
102. Who will grant licence under Section 8 of the Companies Act, 2013?
- (A) Central Government
- (B) Regional Director
- (C) Registrar of Companies (ROC)
- (D) Chief Secretary to State Government
103. Which of the following statement is CORRECT in relation to Non-Profit making companies registered under Section 8 of the Companies Act, 2013?
- (I) Non-profit making companies registered can pay 10% of their surplus as dividend on approval of central government.
- (II) A firm may be a member of the non-profit making companies.
- (III) Non-profit making companies registered cannot convert itself into company of any other kind.
- (IV) Non-profit making companies has in its objects the promotion of commerce, art, science, sports, education, research, social welfare, religion, charity, protection of environment or any such other object.
- Select the correct the answer from the options given below –*
- (A) (II) & (IV) of the above
- (B) (I), (II) & (IV) of the above

- (C) (I), (II) & (III) of the above
(D) (I), (II), (III) & (IV) of the above
- 104.** Small company as defined in Section 2(85) of the Companies Act, 2013 means which of the following company?
- (A) Public Company of which turnover does not exceed ₹ 2 Crores.
(B) A company registered under section 8;
(C) Public company of which paid-up share capital does not exceed ₹ 50 lakhs.
(D) Private company of which paid-up share capital does not exceed ₹ 50 lakhs
- 105.** Which of the following conditions are required to be fulfilled by private company in order to treat it as Small Company under Section 2(85) of the Companies Act, 2013?
- (I) Paid up share capital does not exceed ₹ 50 lakhs or such higher amount as may be prescribed which shall not be more than ₹ 100 Crores.
(II) Its borrowing as per latest audited balance sheet does not exceed ₹ 20 Crores or such higher amount as may be prescribed which shall not be more than ₹ 50 Crores.
(III) Turnover as per its last profit & loss account does not exceed ₹ 5 Crores or such higher amount as may be prescribed which shall not be more than ₹ 100 Crores.
(IV) Paid up share capital does not exceed ₹ 25 lakhs or such higher amount as may be prescribed which shall not be more than ₹ 25 Crores.
- Select the correct the answer from the options given below -
- (A) (III) & (IV) only
(B) (I) & (III) only
(C) (II), (III) & (IV) only
(D) (II) only
- 106.** Which of the following section of the Companies Act, 2013 defines "Government Company"?
- (A) Section 2(54)
(B) Section 2(35)
(C) Section 2(53)
(D) Section 2(45)
- 107.** As per Section 2(69) of the Companies Act, 2013, which of the following person can be treated as "Promoter"?
- (I) Who has been named as such in a prospectus or is identified by the company in the annual return referred to in Section 92
(II) Who has control over the affairs of the company, directly or indirectly whether as a shareholder, director or otherwise
(III) In accordance with whose advice, directions or instructions the Board of Directors of the company is accustomed to act
(IV) Person who is acting in a professional capacity
- (A) (I) & (II) only
(B) (II) & (III) only
(C) (II), (III) & (IV) only
(D) (I), (II) & (III) of the above
- 108.** If the Registrar is satisfied that all requirements, have been complied with, he will register the company and issue the
- (A) Certificate of commencement of business
(B) Certificate of incorporation
(C) Compliance certificate
(D) Certificate to act as director
- 109.** A company registered under Section 8 of the Companies Act, 2013 may convert itself into company of any other kind only after complying with prescribed conditions.
- (A) TRUE
(B) FALSE
(C) PARTLY TRUE
(D) PARTLY FALSE
- 110.** As regards ratification of promoters contracts, the view taken in was that the company could not ratify contract made by a promoter before its incorporation.
- (A) *Ashbury Railway Carriage and Iron Co. Ltd. vs. Riche*
(B) *Shyam Lal Roy vs. Madhusudan Roy*
(C) *Kelner vs. Baxter*
(D) *Smith v. Anderson*
- 111.** The corollary which the law deduces from this rule of fiduciary relationship is that a promoter may not make, _____, any profit at the expense of the company, he promotes, without the knowledge and consent of the company, and that, if he does make a secret profit in disregard of this rule, the company can compel him to account for it, and surrender the secret profit.

- (A) Directly
- (B) Indirectly
- (C) Either directly or incidentally
- (D) Either directly or indirectly

112. A promoter

- (A) is not agent of the company
- (B) is not a trustee for the company
- (C) Occupies a fiduciary position
- (D) All of the above

113. According to Section 4(2) of the Companies Act, 2013, the name stated in the memorandum shall not or too nearly to the name of an existing company registered under the Act or any previous company law.

- (A) be identical with; resemble
- (B) be dissimilar; resemble
- (C) be desirable; resemble
- (D) resemble; be desirable

114. The general functions of the articles have been aptly summed up by Lord Cairns, L.C. in _____

- (A) *Salomon vs. Salomon & Co. Ltd.*
- (B) *Board of Trustees vs. State of Delhi*
- (C) *Ashbury Railway Carriage and Iron Co. Ltd. vs. Riche*
- (D) *Shyam Lal Roy vs. Madhusudan Roy*

Forms under Companies Act, 2013

115. Rule 12 of the Companies (Incorporation) Rules, 2014 states that an application for incorporation shall be filed with ROC in _____ in case of one person company or _____ in case of other companies.

- (A) Form INC-2; Form INC-5
- (B) Form INC-7; Form INC-5
- (C) Form INC-7; Form INC-2
- (D) Form INC-2; Form INC-7

116. Rule 14 of the Companies (Incorporation) Rules, 2014 states that for the purposes of clause (b) of sub-section (1) of section 7, the declaration by an advocate, a Chartered Accountant, Cost Accountant or Company Secretary-in-Practice shall be in

- (A) Form No. INC-6
- (B) Form No. INC-7
- (C) Form No. INC-8
- (D) Form No. INC-9

117. Rule 15 of the Companies (Incorporation) Rules, 2014 states that For the purposes of clause (c) of sub-section (1) of section 7, the affidavit shall be submitted by each of the subscribers to the memorandum and each of the first directors named in the articles in _____

- (A) Form No. INC-6
- (B) Form No. INC-7
- (C) Form No. INC-8
- (D) Form No. INC-9

118. As per Rule 25(1) of Companies (Incorporation) Rules, 2014, the verification of registered office shall be filed in

- (A) Form No INC-22
- (B) Form No INC-21
- (C) Form No INC-20
- (D) Form No INC-32

Answers

1.	(A)	2.	(D)	3.	(B)	4.	(D)	5.	(D)	6.	(D)	7.	(A)
8.	(B)	9.	(B)	10.	(C)	11.	(D)	12.	(B)	13.	(B)	14.	(D)
15.	(D)	16.	(B)	17.	(D)	18.	(C)	19.	(B)	20.	(B)	21.	(D)
22.	(A)	23.	(B)	24.	(B)	25.	(B)	26.	(B)	27.	(D)	28.	(B)
29.	(D)	30.	(D)	31.	(D)	32.	(D)	33.	(C)	34.	(C)	35.	(B)
36.	(D)	37.	(D)	38.	(D)	39.	(D)	40.	(A)	41.	(D)	42.	(A)
43.	(A)	44.	(B)	45.	(A)	46.	(B)	47.	(C)	48.	(C)	49.	(B)
50.	(C)	51.	(B)	52.	(A)	53.	(D)	54.	(A)	55.	(D)	56.	(C)
57.	(B)	58.	(B)	59.	(A)	60.	(D)	61.	(D)	62.	(B)	63.	(A)
64.	(D)	65.	(D)	66.	(C)	67.	(D)	68.	(D)	69.	(B)	70.	(A)

71.	(B)	72.	(C)	73.	(B)	74.	(D)	75.	(B)	76.	(C)	77.	(A)
78.	(B)	79.	(C)	80.	(B)	81.	(A)	82.	(C)	83.	(D)	84.	(A)
85.	(B)	86.	(B)	87.	(B)	88.	(B)	89.	(B)	90.	(B)	91.	(C)
92.	(A)	93.	(D)	94.	(C)	95.	(B)	96.	(A)	97.	(C)	98.	(A)
99.	(B)	100.	(A)	101.	(B)	102.	(A)	103.	(A)	104.	(D)	105.	(B)
106.	(D)	107.	(D)	108.	(B)	109.	(A)	110.	(C)	111.	(D)	112.	(D)
113.	(A)	114.	(C)	115.	(D)	116.	(D)	117.	(D)	118.	(A)		

ELEMENTS OF COMPANY LAW-II

Managerial Personnel

1. The persons who are in charge of the management of the affairs of a company are –
 - (1) Termed as directors
 - (2) Known as board of trustee
 - (3) Collectively known as board of directors
 Select correct answer from the options given below –
 - (A) (1) only
 - (B) (3) only
 - (C) (1) or (3)
 - (D) (1), (2) & (3)
2. Directors take the decision regarding the management of a company collectively in their meetings known as –
 - (A) Business meetings
 - (B) Board meetings
 - (C) Transaction meetings
 - (D) Committee meetings
3. As per Section 173 of the Companies Act, 2013, not more ____ shall intervene between two consecutive Board meetings.
 - (A) One hundred and twenty days
 - (B) One hundred and fiftieth days
 - (C) One hundred and ten days
 - (D) Three months
4. As per Section 173 of the Companies Act, 2013, how many board meetings must be held every year?
 - (A) 3 board meetings
 - (B) 4 board meetings
 - (C) 5 board meetings
 - (D) 2 board meetings
5. The decisions at the board meetings are taken by ____ of votes.
 - (A) Simple majority
 - (B) Equality
 - (C) 3/4th majority
 - (D) 2/3rd majority
6. Which of the following type of vote can be exercised by the Chairman for deciding the matter in board meetings, if there is situation of equal number of votes for and against any resolution?
 - (A) Extra Vote
 - (B) Casting Vote
 - (C) Extraordinary Vote
 - (D) None of above
7. In board meetings if there is situation of equal number of votes for and against any resolution, the ____ has the power to exercise his casting vote for deciding the matter.
 - (A) Director senior in age
 - (B) Additional director
 - (C) Chairman
 - (D) Managing director
8. The term 'director' is defined in of the Companies Act, 2013.
 - (A) Section 2(16)
 - (B) Section 2(15)
 - (C) Section 2(14)
 - (D) Section 2(34)
9. According to Section 2(34) of Companies Act, 2013, "director" means a director appointed to the Board of a company.
 - (A) True
 - (B) False
 - (C) Partly true
 - (D) Partly false
10. One Person Company shall have
 - (A) 5 directors
 - (B) 3 directors
 - (C) 2 directors
 - (D) 1 director

11. What is the maximum number of directors that can be appointed by the companies as per Companies Act, 2013?
- 12 directors
 - 15 directors
 - 16 directors
 - 18 directors
12. Company may appoint more than 15 directors after passing -
- Ordinary Resolution in general meeting
 - Special Resolution in general meeting
 - Ordinary Resolution in board meeting
 - Special Resolution in board meeting
13. As per Section 165 of the Companies Act, 2013, maximum number of directorships, including any alternate directorship a person can hold is
- 15
 - 20
 - 18
 - 10
14. Section 149(3) of the Companies Act, 2013 has provided for residence of a director in India as a compulsory *i.e.* every company shall have at least one director who has stayed in India for a total period of not less than in the previous calendar year.
- 182 days
 - 180 days
 - 160 days
 - 172 days
15. Which of the following companies must appoint woman director?
- Listed company
 - Public company having paid up share capital of ₹ 100 Crores or more
 - Public company having borrowing of ₹ 500 Crores or more
 - Public company having net capital employed of ₹ 500 Crores or more
 - Every public company having turnover of ₹ 300 Crore or more
- Select the correct answer from the options given below -
- (I), (II) & (V) of the above
 - (II), (III) & (IV) of the above
 - (I) & (III) of the above
 - (I), (II), (III) & (IV) of the above
16. Section 2(47) of the Companies Act, 2013 prescribed that "Independent director" means an independent director referred to in sub-section (5) of of the Act.
- Section 152
 - Section 151
 - Section 150
 - Section 149
17. An independent director means a director other than a _____ who does not have any material or pecuniary relationship with the company/directors.
- Managing director
 - Whole-time director
 - Nominee director
 - All of the above
18. Which of the following criteria is/are prescribed under section 149(6) of the Companies Act, 2013 for independent directors?
- Who in the opinion of the Board, is a person of integrity and possesses relevant industrial expertise and experience
 - An Individual who *shall be* a promoter or related to promoter of the company or its holding, subsidiary or associate company
 - The relatives of a person should not have any pecuniary relationship with the company or its subsidiaries, amounting to 2% or more of its gross turnover or total income or ₹ 50 lakhs or such higher amount as may be prescribed, during the two immediately preceding financial years or in the current financial year.
 - A person who must not either directly or through any of his relatives holds together with his relatives 2% or more of the total voting power of the company
- Select the correct answer from the options given below -
- (1), (3) & (4) is correct
 - (3) & (4) is correct
 - (1) & (4) is correct
 - (1), (2), (3) & (4) is correct
19. In order to call any person as independent director, he must not either directly or any of his relatives hold or has held the position of a key manage-

rial personnel or is or has been employee of the company or its holding, subsidiary or associate company in any of the immediately preceding the financial year in which he is proposed to be appointed.

- (A) Two financial years
 - (B) Three financial years
 - (C) Three calendar years
 - (D) Two calendar years
20. In order to call any person as independent director, the relatives of such person should not have had any pecuniary relationship with the company or its subsidiaries, amounting to _____ of its gross turnover or total income or _____ or such higher amount as may be prescribed, whichever is less, during the two immediately preceding financial years or in the current financial year;
- (A) 1% or more; ₹ 25 lakhs
 - (B) 2% or more; ₹ 50 lakhs
 - (C) 5% or more; ₹ 50 lakhs
 - (D) 5% or more; ₹ 25 lakhs
21. In order to call any person as independent director neither himself nor any of his relative is a chief executive or director, by whatever name called, of any non-profit organization that receives or more of its receipts from the company, any of its promoters, directors or its holding, subsidiary or associate company or that holds of the total voting power of the company.
- (A) 15% or more; 2% or more
 - (B) 20% or more; 5% or more
 - (C) 15% or more; 5% or more
 - (D) 25% or more; 2% or more
22. Who can be appointed as director of any company?
- (A) Body corporate
 - (B) Association
 - (C) Firm
 - (D) Individual
23. Any corporate body or firm can be appointed as director of the company. This statement is –
- (A) False
 - (B) True
 - (C) Partly true
 - (D) Partly false
24. No company shall appoint or re-appoint any individual as director of the company unless he has been allotted –
- (A) Permanent Account Number
 - (B) Director Identification Number
 - (C) Permanent Identification Number
 - (D) Director Account Number
25. Every public company shall have at least _____
- (A) 2 directors
 - (B) 3 directors
 - (C) 4 directors
 - (D) 5 directors
26. According to section 151 of the Companies Act, 2013 every listed company _____ have one director elected by such small shareholders.
- (A) May
 - (B) Should
 - (C) Must not
 - (D) None of the above
27. According to Section 151, every may have one director elected by such small shareholders.
- (A) Listed company having more than five thousand small shareholders
 - (B) Listed company
 - (C) Listed company having capital of ₹ 5 Crore or more
 - (D) Listed company and every private company having capital of ₹ 5 Crore or more
28. How many directors must be appointed by the private company?
- (A) 2 directors
 - (B) 3 directors
 - (C) 4 directors
 - (D) 5 directors
29. Every listed public company shall have at least _____ of the total number of directors as independent directors.
- (A) One-fourth
 - (B) Two-third
 - (C) One-third
 - (D) Three-fourth
30. Central Government has prescribed that public companies with paid up share capital of _____; or turnover of _____; or in aggregate, outstanding loans/borrowings/debentures/deposits exceeding _____ as on the last date of latest audited financial statements mentioned below shall have at least _____ independent directors.

- (A) ₹ 1 crore or more; ₹ 10 crore or more; ₹ 50 crore or more; 2 directors
 (B) ₹ 10 crore or more; ₹ 100 crore or more; ₹ 50 crore or more; 2 directors
 (C) ₹ 20 crore or more; ₹ 150 crore or more; ₹ 100 crore or more; 3 directors
 (D) ₹ 100 crore or more; ₹ 1,000 crore or more; ₹ 500 crore or more; 3 directors
31. Directors may be appointed –
 (1) By a provision in the articles
 (2) By creditors in their meeting
 (3) By shareholders in general meeting
 (4) By the ROC
 (5) By the Board of directors
 (6) By the SEBI
- Select the correct answer from the options given below –*
 (A) (1) to (6) all
 (B) (1), (3), (4), (6) only
 (C) (2), (4), (5) & (6)
 (D) (5), (3) & (1) only
32. Directors may be appointed –
 (A) By Central Government
 (B) By third parties like financial institution
 (C) By shareholders in general meeting
 (D) All of the above
33. The first directors are usually named in the –
 (A) Memorandum
 (B) Article
 (C) Prospectus
 (D) Self prospectus
34. If first directors are not named in the Article, the subscribers to the _____ are deemed to be the directors.
 (A) Memorandum
 (B) Memorandum who are individuals
 (C) Article who are individuals
 (D) Article
35. How many directors can be permanently appointed out of the total number of directors in case of public company?
 (A) Two-third
 (B) One-third
 (C) Three-fourth
 (D) One-fifth
36. In the case of public company, out of the total number of directors be directors liable to retire by rotation
 (A) Two-third
 (B) One-third
 (C) Three-fourth
 (D) One-fifth
37. In the case of public company, out of the total number of directors two thirds be directors liable to retire by rotation. At each annual general meeting, _____ of these two thirds of directors are however eligible for reappointment.
 (A) Two-third
 (B) One-third
 (C) Three-fourth
 (D) One-fifth
38. XYZ Ltd. has total 6 directors. Directors liable to retire by rotation should be –
 (A) 3
 (B) 4
 (C) 5
 (D) 6
39. XYZ Ltd. has total 7 directors. Directors liable to retire by rotation should be –
 (A) 3
 (B) 4
 (C) 5
 (D) 6
40. XYZ Ltd. has total 8 directors. Directors liable to retire by rotation should be –
 (A) 3
 (B) 4
 (C) 5
 (D) 6
41. XYZ Ltd. has total 9 directors. Directors liable to retire by rotation should be –
 (A) 5
 (B) 6
 (C) 7
 (D) 8
42. XYZ Ltd. has total 10 directors. Directors liable to retire by rotation should be –
 (A) 5
 (B) 6

- (C) 7
(D) 8
43. XYZ Ltd. has total 11 directors. Directors liable to retire by rotation should be –
(A) 5
(B) 6
(C) 7
(D) 8
44. XYZ Ltd. has total 6 rotational directors. Out of directors liable to retire by rotation, director that will retire at the AGM but eligible for reappointment will be –
(A) 2
(B) 3
(C) 4
(D) 5
45. XYZ Ltd. has total 7 rotational directors. Out of directors liable to retire by rotation, director that will retire at the AGM but eligible for reappointment will be –
(A) 2
(B) 3
(C) 4
(D) 5
46. XYZ Ltd. has total 8 rotational directors. Out of directors liable to retire by rotation, director that will retire at the AGM but eligible for reappointment will be –
(A) 2
(B) 3
(C) 4
(D) 5
47. XYZ Ltd. has total 9 rotational directors. Out of directors liable to retire by rotation, director that will retire at the AGM but eligible for reappointment will be –
(A) 3
(B) 4
(C) 5
(D) 6
48. XYZ Ltd. has total 10 rotational directors. Out of directors liable to retire by rotation, director that will retire at the AGM but eligible for reappointment will be –
(A) 3
(B) 4
(C) 5
(D) 6
49. XYZ Ltd. has total 11 rotational directors. Out of directors liable to retire by rotation, director that will retire at the AGM but eligible for reappointment will be –
(A) 3
(B) 4
(C) 5
(D) 6
50. Out of two third directors liable to retire by rotation one third director retiring are _____ retire first.
(A) Those who have senior as per age
(B) Those who have been longest in office
(C) Those who have less experience
(D) Those who not so smart
51. Additional directors are appointed by –
(A) Board of directors
(B) Central government
(C) Registrar of companies
(D) All of the above
52. Additional directors hold office up to the date of the next _____
(A) Board meeting
(B) Annual general meeting
(C) Extraordinary general meeting
(D) AGM or EGM whichever is earlier
53. Who is appointed in the place of original director in case of his absence?
(A) Substitute director
(B) Additional director
(C) Alternate director
(D) Nominal director
54. If there is any intermittent vacancy of an independent director then it shall be filled up by the board of directors within _____ from the date of such vacancy or not later than immediate next board meeting, _____
(A) 3 months; whichever is earlier
(B) 2 months; whichever is later
(C) 3 months; whichever is later
(D) 4 months; whichever is earlier
55. “Small shareholder” means a shareholder holding shares of nominal value of not more than _____ or such other sum as may be prescribed.

- (A) Twenty thousand rupees
(B) Ten thousand rupees
(C) Fifteen thousand rupees
(D) Twenty five thousand rupees
56. The first directors of most of the companies are named in their _____. If they are not so named in the articles of a company, then subscribers to the _____ who are individuals shall be deemed to be the first directors of the company until the directors are duly appointed.
(A) Memorandum; Prospectus
(B) Memorandum; Articles
(C) Articles; Memorandum
(D) Articles; Prospectus
57. Director Identification Number is _____ for appointment of director of a company.
(A) Optional
(B) Compulsory
(C) Desirable
(D) Not necessary
58. At the AGM at which a director retires, the company may fill up the vacancy by appointing the retiring director or some other person thereto. If the vacancy of the retiring director is not so filled-up and the meeting has not expressly resolved not to fill the vacancy, the meeting shall stand adjourned till the _____, at the same time and place, or if that day is a national holiday, till the _____ which is not a holiday, at the same time and place.
(A) Same date in the next month; next succeeding day
(B) Same day in the next week; next succeeding day
(C) Same date in the next two months; next succeeding day
(D) Same day in the next week; next two succeeding days
59. As per Section 166 of the Companies Act, 2013, duties of a director of a company shall:
(1) Act in accordance with the articles of the company
(2) Not to assign his office
(3) Act in good faith in order to promote the objects of the company for the benefit of its members as a whole, and in the best interests of the company, its employees, the shareholders, the community and for the protection of environment.
(4) Exercise his duties with due and reasonable care, skill and diligence and shall exercise independent judgment.
- Select the correct answer from the options given below –*
(A) (1), (3) & (4) of the above
(B) (1), (2), (3) & (4) of the above
(C) (1), (2) & (4) of the above
(D) (3) & (4) of the above
60. If a director of the company contravenes the provisions of Section 166, such director shall be punishable with fine which shall not be less than _____ but which may extend to _____.
Select the correct answer from the options given below –
(A) ₹ 50,000; ₹ 2,00,000
(B) ₹ 75,000; ₹ 3,00,000
(C) ₹ 1,00,000; ₹ 5,00,000
(D) ₹ 2,00,000; ₹ 10,00,000
61. Section 173 of the Companies Act, 2013 deals with Meetings of the Board and it provides that the first Board meeting should be held within of the date of incorporation.
(A) One month
(B) Thirty days
(C) 60 days
(D) Two months
62. In case of One Person Company (OPC), small company and dormant company, at least _____ board meeting should be conducted in each half of the calendar year and the gap between two meetings should not be less than _____.
(A) Two; Ninety days
(B) Two; One hundred and twenty days
(C) One; Sixty days
(D) One; Ninety days
63. The Companies Act, 2013 requires that not less than _____ notice in writing shall be given to every director at the registered address as available with the company.
(A) Seven days
(B) Five days
(C) Ten days
(D) Eight days
64. The notice of board meeting can be given –
(1) by hand delivery
(2) by post
(3) by electronic means

Select the correct answer from the options given below –

	(1)	(2)	(3)
(A)	✓	✗	✓
(B)	✗	✓	✗
(C)	✓	✓	✗
(D)	✓	✓	✓

65. In case the board meeting is called at shorter notice, at least _____ shall be present at the meeting.

- (A) One independent director
- (B) Two independent directors
- (C) Three independent directors
- (D) Four independent directors

66. _____ of total strength or _____, whichever is higher, shall be the quorum for a board meeting.

- (A) Two third; two directors
- (B) One third; two directors
- (C) One third; three directors
- (D) Two third; three directors

67. If at any time the number of interested directors exceeds or is equal to _____ of the total strength of the Board of directors, the number of directors who are not interested and present at the meeting, being not less than _____ shall be the quorum during such time.

- (A) two-thirds; two
- (B) one-thirds; three
- (C) two-thirds; three
- (D) one-fourth; two

68. As per Section 2(51) of the Companies Act, 2013 "Key Managerial Personnel", in relation to a company, means –

- (I) Chief executive Officer or the managing director or the manager
- (II) Company secretary
- (III) Chief legal officer
- (IV) Whole-time director
- (V) General manager
- (VI) Chief compliance officer
- (VII) Chief financial officer

Select the correct answer from the options given below –

- (A) (I), (II), (IV) & (VII)
- (B) (I), (II), (IV) & (VII)
- (C) (I), (II), (III), & (IV)
- (D) (I), (II), (III), (IV), (VI) & (VII)

69. Section 2(54) of the Companies Act, 2013, defines 'managing director'. It stipulates that a "managing director" means a director who, by virtue of the _____ of a company or an _____ with the company or a _____ passed in its general meeting, or by its Board of Directors, is entrusted with substantial powers of management of the affairs of the company and includes a director occupying the position of managing director, by whatever name called.

- (A) Articles; Agreement; Contract
- (B) Memorandum; Agreement; Resolution
- (C) Agreement; Memorandum; Contract
- (D) Articles; Agreement; Resolution

70. Section 2(53) of the Companies Act, 2013 defines "manager" as an individual who, subject to the superintendence, _____ and direction of the board of directors, has the management of the whole, or _____ the whole, of the affairs of a company, and includes a director or any other person occupying the position of a _____, by whatever name called, whether under a contract of service or not.

- (A) Motivation; Substantially; Manager
- (B) Control; Mostly; Manager
- (C) Motivation; Substantially; Director
- (D) Control; Substantially; Manager

71. Match the following pair with reference to definitions as given in the Companies Act, 2013:

List-I	List-II
(1) Manager	(I) Section 2(53)
(2) Chief Executive Officer	(II) Section 2(18)
(3) Chief Financial Officer	(III) Section 2(24)
(4) Company Secretary	(IV) Section 2(19)

Select the correct answer from the options given below –

- (A) (1) - (I), (2) - (II), (3) - (IV), (4) - (III)
- (B) (1) - (II), (2) - (I), (3) - (IV), (4) - (III)
- (C) (1) - (IV), (2) - (III), (3) - (I), (4) - (II)
- (D) (1) - (IV), (2) - (I), (3) - (III), (4) - (II)

72. Section 203 of the Companies Act, 2013 read with Rule 8 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 mandates the appointment of Key Managerial Personnel and makes it obligatory for a and every other public company having a paid up share capital of rupees, to appoint whole-time key managerial personnel

- (A) Specified company; five crores or more

- (B) Non-government company; eight crores or more
 (C) Unlisted company; twenty crores or more
 (D) Listed company; ten crores or more
73. An individual shall not be appointed or reappointed as the _____ of the company, as well as the _____ or _____ of the company at the same time unless the articles of such a company provide otherwise; or the company does not carry multiple businesses.
- (A) Chief financial officer; Manager; chief business officer
 (B) Chairperson; managing director; chief business officer
 (C) Manager; chairperson; chief business officer
 (D) Chairperson; managing director; chief executive officer
74. A whole-time key managerial personnel shall not hold office in more than company except in its company at the same time.
- (A) Two; private
 (B) One; subsidiary
 (C) One; private
 (D) Two; government
75. A company may appoint or employ a person as its managing director, if he is the managing director or manager of one, and of not more than one, other company and such appointment or employment is made or approved by a resolution passed at a meeting of the _____ with the consent of _____ present at the meeting and of which meeting, and of the resolution to be moved thereat, _____ notice has been given to all the directors then in India.
- (A) Shareholder; all the shareholder; special
 (B) Board; majority directors; special
 (C) Shareholder; all the shareholder; specific
 (D) Board; all the directors; specific
76. If the office of any whole-time key managerial personnel is vacated, the resulting vacancy shall be filled-up by the Board at a meeting of the Board within a period of _____ from the date of such vacancy.
- (A) One month
 (B) 180 days
 (C) 90 days
 (D) Six months

Company Secretary

77. As per Rule 8A of the Companies (Appointment & Remuneration of Managerial Personnel) Rules, 2014 provides that a company which has a paid up capital of Crore rupees or more shall have a whole-time Company Secretary.
- (A) Two
 (B) Ten
 (C) Twenty
 (D) Five
78. The functions of the company secretary are specified in of the Companies Act, 2013.
- (A) Section 202
 (B) Section 203
 (C) Section 204
 (D) Section 205
79. A company secretary plays a vital role in company administration. His role can conveniently be studied
- (A) As a statutory officer
 (B) As a key managerial personnel
 (C) As a coordinator
 (D) As an administrative officer
- Select the correct answer from the options given below –*
- (A) (I), (II), (III) & (IV) of the above
 (B) (I), (II) & (III) of the above
 (C) (I), (II) & (IV) of the above
 (D) (II), (III) & (IV) of the above
80. A managing director being essentially a director must be an individual.
- (A) True
 (B) False
 (C) Partly true
 (D) Partly false
81. Section 96 of the Companies Act, 2013 provides that _____, other than a _____ is required to hold an annual general meeting every year.
- (A) listed company; one person company
 (B) listed company; government company
 (C) every company; non-profit making company
 (D) every company; one person company
82. Only an individual can be appointed a manager of a company.
- (A) True

- (B) False
- (C) Partly true
- (D) Partly false

Meetings

83. First AGM of the company should be held within from the closing of the first financial year.
- (A) 4 months
 - (B) 6 months
 - (C) 8 months
 - (D) 9 months
84. Subsequent annual general meeting of the company should be held within _____ from the closing of the financial year.
- (A) 9 months
 - (B) 6 months
 - (C) 4 months
 - (D) 3 months
85. The gap between two annual general meetings should not exceed
- (A) 10 months
 - (B) 15 months
 - (C) 9 months
 - (D) 6 months
86. In case, it is not possible for a company to hold an annual general meeting within the prescribed time, the Registrar may, for any special reason, extend the time within which any annual general meeting shall be held. Such extension can be for a period not exceeding _____
- (A) 3 months
 - (B) 4 months
 - (C) 6 months
 - (D) 9 months
87. An AGM can be called during, that is, between 9 a.m. and 6 p.m. on any day that is not a
- (A) business hours; public holiday
 - (B) business day; working holiday
 - (C) business hours; national holiday
 - (D) business hours; working day
88. Section 99 of the Companies Act, 2013 provides that if any default is made in complying or holding a meeting of the company, the company and every officer of the company who is in default shall be punishable with fine which may extend

to ₹ _____ and in case of continuing default, with a further fine which may extend to ₹ _____ for each day during which such default continues.

- (A) 10 lakh; 50,000
- (B) 5 lakh; 25,000
- (C) 2 lakh; 10,000
- (D) 1 lakh; 5,000

89. Which of the following is *special business*?

- (1) Consideration of financial statements
- (2) Consideration of reports of the board of directors and auditors
- (3) Declaration of any dividend
- (4) Appointment of directors in place of those retiring
- (5) Appointment of, and the fixing of the remuneration of, the auditors

Select the correct answer from the options given below –

- (A) (1), (3) & (4)
- (B) (2) & (5)
- (C) (1), (3) & (5)
- (D) None of the above

90. All general meetings other than annual general meetings are called -

- (A) Extraordinary general meetings
- (B) Public general meetings
- (C) General meetings
- (D) Deemed general meetings

91. The Board must call an extraordinary general meeting on receipt of the requisition from the following number of members:

- (I) In the case of a company having a share capital: members who hold, on the date of the receipt of the requisition, not less than of such of the paid-up share capital of the company as on that date carries the right of voting;
- (II) In the case of a company not having a share capital: members who have, on the date of receipt of the requisition, not less than of the total voting power of all the members having on the said date a right to vote.

Select the correct answer from the options given below –

- (A) one-tenth; one-fifth
- (B) one-tenth; one-tenth

- (C) one-fifth; one-tenth
(D) one-fourth; one-tenth
92. If the board does not within _____ from the date of receipt of a valid requisition in regard to any matter, proceed to call a extraordinary general meeting for the consideration of that matter on a day not later than _____ from the date of receipt of such requisition, the meeting may be called and held by the requisitionists themselves.
(A) 21 days; 30 days
(B) 30 days; 45 days
(C) 21 days; 45 days
(D) 45 days; 60 days
93. Section 98 of the Companies Act, 2013 provides that if for any reason it is impracticable to call a meeting of a company or to hold or conduct the meeting of the company, the may, either *suo motu* or on the application of any _____ of the company who would be entitled to vote at the meeting order a meeting of the company to be called, held and conducted in such manner as the _____ thinks fit.
(A) High Court; director; High Court
(B) Tribunal; member; Tribunal
(C) Tribunal; director or member; Tribunal
(D) High Court; member; High Court
94. A general meeting of a company may be called by giving not less than notice either in writing or through electronic mode.
(A) 30 clear days
(B) 24 clear days
(C) 20 clear days
(D) 21 clear days
95. A general meeting may be called after giving a shorter notice also if consent is given in writing or by electronic mode by not less than of the members entitled to vote at such meeting.
(A) 51%
(B) 75%
(C) 90%
(D) 95%
96. In case of an annual general meeting, the place of the meeting has to be either the registered office of the company or some other place within the city, town or village in which the of the company is situated.
(A) Corporate office
(B) Head office
(C) Registered office
(D) Factory office
97. An extraordinary general meeting can be held on _____.
(A) Working day
(B) National holiday
(C) Public holiday
(D) Any of the above
98. is an ambitious e-governance initiative of Government of India that builds on the Government's vision of National e-governance in the country.
(A) MCA-20
(B) MCA-21
(C) MCA-25
(D) MCA-51

Answers

1.	(C)	2.	(B)	3.	(A)	4.	(B)	5.	(A)	6.	(B)	7.	(C)
8.	(D)	9.	(A)	10.	(D)	11.	(B)	12.	(B)	13.	(B)	14.	(A)
15.	(A)	16.	(D)	17.	(D)	18.	(C)	19.	(B)	20.	(B)	21.	(D)
22.	(D)	23.	(A)	24.	(B)	25.	(B)	26.	(B)	27.	(B)	28.	(A)
29.	(C)	30.	(B)	31.	(D)	32.	(D)	33.	(B)	34.	(B)	35.	(B)
36.	(A)	37.	(B)	38.	(B)	39.	(C)	40.	(D)	41.	(B)	42.	(C)
43.	(D)	44.	(A)	45.	(A)	46.	(B)	47.	(A)	48.	(A)	49.	(B)
50.	(B)	51.	(A)	52.	(B)	53.	(C)	54.	(C)	55.	(A)	56.	(C)
57.	(B)	58.	(B)	59.	(B)	60.	(C)	61.	(B)	62.	(D)	63.	(A)
64.	(D)	65.	(A)	66.	(B)	67.	(A)	68.	(A)	69.	(D)	70.	(D)
71.	(A)	72.	(D)	73.	(D)	74.	(B)	75.	(D)	76.	(D)	77.	(D)

78.	(D)	79.	(A)	80.	(A)	81.	(D)	82.	(A)	83.	(D)	84.	(B)
85.	(B)	86.	(A)	87.	(C)	88.	(D)	89.	(D)	90.	(A)	91.	(B)
92.	(C)	93.	(C)	94.	(D)	95.	(D)	96.	(C)	97.	(D)	98.	(B)

Hints for Practical Questions

38. Directors liable to retire by rotation = $6 \times 2/3 = 4$
39. Directors liable to retire by rotation = $7 \times 2/3 = 4.66$ rounded to next *i.e.* 5
40. Directors liable to retire by rotation = $8 \times 2/3 = 5.33$ rounded to next *i.e.* 6
41. Directors liable to retire by rotation = $9 \times 2/3 = 6$
42. Directors liable to retire by rotation = $10 \times 2/3 = 6.66$ rounded to next *i.e.* 7
43. Directors liable to retire by rotation = $11 \times 2/3 = 8$ rounded to next *i.e.* 8
44. Out of directors liable to retire by rotation, director that will retire at the AGM but eligible for reappointment = $6 \times 1/3 = 2$
45. Out of directors liable to retire by rotation, director that will retire at the AGM but eligible for reappointment = $7 \times 1/3 = 2.33$ rounded to nearest *i.e.* 2
46. Out of directors liable to retire by rotation, director that will retire at the AGM but eligible for reappointment = $8 \times 1/3 = 2.66$ rounded to nearest *i.e.* 3
47. Out of directors liable to retire by rotation, director that will retire at the AGM but eligible for reappointment = $9 \times 1/3 = 3$
48. Out of directors liable to retire by rotation, director that will retire at the AGM but eligible for reappointment = $10 \times 1/3 = 3.33$ rounded to nearest *i.e.* 3
49. Out of directors liable to retire by rotation, director that will retire at the AGM but eligible for reappointment = $11 \times 1/3 = 3.66$ rounded to nearest *i.e.* 4

THE INDIAN PARTNERSHIP ACT, 1932

Nature & Classification of a Partnership

1. The Partnership Act, 1932 deals with -
 - (A) Partnership in general
 - (B) Partnerships between individuals
 - (C) Joint ventures
 - (D) Business collaborations
2. The Partnership Act, 1932 came into force on -
 - (A) 1st day of April, 1932
 - (B) 1st day of October, 1932
 - (C) 1st day of January, 1932
 - (D) 31st day of December, 1932
3. The Partnership Act extends to _____
 - (A) The whole of India
 - (B) The State of Jammu & Kashmir
 - (C) The whole of India except the State of Jammu & Kashmir
 - (D) The whole of India except the State of Jammu & Bihar
4. Partnership is the relation between persons who have agreed to share the profits of a business carried on by _____ acting for all.
 - (A) All
 - (B) Any of them
 - (C) All or any of them
 - (D) None of them
5. In order that persons may become partners, it is essential that _____
 - I. There must be at least two persons
 - II. There must be a relationship arising out of status between two or more persons
 - III. The agreement must be to share the profits of a business

Select the correct answer from the options given below -

 - (A) I & II only
 - (B) II & III only
 - (C) III only
 - (D) I & III only
6. Which of the following are the essentials of partnership?
 - (A) Association of two or more persons
 - (B) Agreement/contract
 - (C) Carrying on business
 - (D) All of above
7. Persons who have entered into partnership with one another are called individually -
 - (A) Firm
 - (B) Co-owner
 - (C) Firm name
 - (D) Partner
8. Persons who have entered into partnership with one another are collectively called -
 - (A) Firm
 - (B) Co-owner
 - (C) Firm name
 - (D) Partner
9. The name under which partnership business is carried on is called _____
 - (A) Firm name
 - (B) Firm
 - (C) Business name
 - (D) Owners name
10. A Firm is the name of -
 - (A) The partners
 - (B) The minors in the firm
 - (C) The business under which the firm carries on business
 - (D) The collective name under which it carries on business
11. **Statement X:**
Partnership Firm is separate legal entity apart of its partners.

Statement Y:

A Partnership Firm can use the word "Limited" as a part of its name.

Select the correct answer from the options given below -

- (A) Both statements are true
- (B) Both statements are false
- (C) Statement X is true while Statement Y is false
- (D) Statement Y is true while Statement X is false

Essentials & True Test of Partnership

12. One of the essential elements of partnership is that there must be a contract between _____
- (A) Two persons
 - (B) Two or more persons
 - (C) One or more persons
 - (D) None of above

13. Persons entering into partnership contract may be -

- (1) Natural persons
- (2) Artificial persons

Select the correct answer from the options given below -

- (A) (1) only
 - (B) (2) only
 - (C) Combination of (1) and (2)
 - (D) (1) or (2) or combination of (1) and (2)
14. Section 5 of the Act states that the relation of partnership arises from -
- (A) Status
 - (B) Contract
 - (C) Birth
 - (D) Offer

15. In which of the following case there is NO partnership?

- A. The members of a HUF carrying on a family business
- B. Burmese Buddhist Husband and wife carrying on business

Select the correct answer from the options given below -

- (A) B only
- (B) A only
- (C) Both A and B
- (D) Neither A nor B

16. An agreement between the partners may be

- (A) Express
- (B) Implied
- (C) Express or implied
- (D) Neither (A) nor (B)

17. Partnership agreements may be expressed _____

- (A) in writing
- (B) orally
- (C) either (A) or (B)
- (D) neither (A) nor (B)

18. Partnership agreement must be -

- (A) A valid agreement
- (B) For a lawful object
- (C) Between the persons competent to contract
- (D) All of above

19. As per Section 2(b) of the Act the term "business" includes every -

- (A) Trade
- (B) Trade and Occupation
- (C) Trade, occupation and profession
- (D) Trade, occupation, profession and art

20. Which of the following purpose is permissible in a partnership?

- (A) Business purpose
- (B) Social purpose
- (C) Religious purpose
- (D) Charitable purpose

- 20A. As per Section 464 of the Companies Act, 2013, no association or partnership consisting of more than prescribed persons shall be formed for the purpose of carrying on any business, unless it is registered as a company or is formed under any other law for the time being in force. The number of persons which may be prescribed under this section shall not exceed _____. Rule 10 of Companies (Miscellaneous) Rules, 2014 prescribes _____ persons in this regard.

- (A) 100; 50
- (B) 50; 100
- (C) 60; 20
- (D) 20; 10

21. Identify which of the following statement is correct (✓) and which is incorrect (×).

- P. To constitute a partnership, the parties must have agreed to carry on a business and to share profits in common.
- Q. The sharing of profits arising from property, by persons holding a joint or common interest in that property, makes those persons, Partners.
- R. Sharing of profits also involves sharing of losses.
- S. A minor may be admitted to the benefits of a partnership with the consent of majority partners

Select the correct answer from the options given below -

	P	Q	R	S
(A)	✓	✗	✓	✗
(B)	✗	✓	✗	✓
(C)	✗	✓	✓	✓
(D)	✓	✗	✗	✗

22. Sharing of profits is _____ evidence of the existence of partnership.
- (A) Not a conclusive
(B) Prima facie
(C) Acceptable
(D) Collaborative
23. To form a partnership, the parties should share
- (A) Only losses
(B) Only profits
(C) Both profits and losses
(D) Profits and losses but some partners may get a share only in the profits.
24. Which of following arrangement indicates a partnership?
- (A) Ram agrees with Shyam a gold smith, to buy and furnish gold to Shyam to be worked upon by him and sold, and that they shall share the resulting profit or loss.
- (B) Ram and Shyam agree to work together as carpenters but Ram shall receive all profit and shall pay wages to Shyam.
- (C) Ram and Shyam are joint owners of a ship.
- (D) Ram, a publisher, agrees to publish at his own expense a book written by Shyam and to pay Shyam half the net profit.
25. Suresh was an employee in ZPA & Co. a partnership firm with salary of ₹ 50,000 p.m. and he will get share of profit if the profits of the firm exceed ₹ 10 lakhs.
- (A) Suresh will be called partner of the ZPA & Co.
(B) Suresh cannot be called partner of the ZPA & Co.
(C) Suresh cannot take share in profit
(D) Suresh is not entitled to any salary
26. N and Z, the co-owners of a house, use the house as a hotel managed either by themselves or by a duly appointed manager for their common profit. Is there a partnership relation between the parties?
- (A) Yes
(B) No
(C) Partly yes
(D) Can't say
27. The true test of existence of partnership lies in -
- (A) Mutual agency relationship
(B) Written contract
(C) Sharing of profits & losses
(D) Faith of partners in each other
28. As per mutual agency principal each partner is -
- (A) Agent for other partner
(B) Principal for other partner
(C) Working partners are principle and other partners are agent
(D) Agent and principal for other partner
29. In determining whether a group of persons is or is not a firm or whether a person is or is not a partner in a firm, regard shall be had to
- (A) Sharing of profits
(B) Written contract
(C) Real relation between the parties
(D) Provisions of the Partnership Act, 1932
30. A minor may be admitted to the benefits of a partnership with the consent of ____
- (A) Majority partners
(B) All other partners
(C) 75% partners
(D) Any other one partner when there are four partners
31. The partnership deed is also called as -
- (A) Partnership agreement
(B) Constitution of partnership
(C) Articles of partnership
(D) All of above

32. Which of the following does not reflect the mutual agency principle in partnership?
- (A) The partner is both agent & principle.
 - (B) A partner can, by his act bind other partner and in turn is bound by the acts of other partners.
 - (C) All partners should actively participate in the business.
 - (D) Business may be managed by one or more partners.

Classification of Partnership

33. A partnership may be
- (A) For particular adventure
 - (B) For fixed period
 - (C) A partnership at will
 - (D) Any of the above
34. When two or more persons agree to do business in a particular adventure or undertaking, such a partnership is called _____
- (A) Partnership at will
 - (B) Particular partnership
 - (C) Partnership fixed duration
 - (D) None of above
35. A particular partnership -
- (A) Is void
 - (B) Is voidable
 - (C) Will stand dissolved when the adventure is completed.
 - (D) Should be entered into only between three persons.
36. Where no provision is made by contract between the partners for the duration of their partnership or for the determination of their partnership, the partnership is called _____
- (A) Partnership at will
 - (B) Particular partnership
 - (C) Partnership for fixed duration
 - (D) None of above
37. A partnership is deemed to be a partnership at will when -
1. No fixed period has been agreed upon for the duration of partnership
 2. There is no provision made as to the determination of partnership in any other way.

Select the correct answer from the options given below -

- (A) 1 only
 - (B) 2 only
 - (C) Both 1 & 2
 - (D) Neither 1 nor 2
38. Where the partnership is at will, the firm may be dissolved by giving notice in writing to all the other partners of his intention to dissolve the firm.
- (A) Any partner
 - (B) Two partners
 - (C) Three partners
 - (D) Four partners
39. Where the partnership is at will, the firm may be dissolved by any partner giving notice in writing to _____ of his intention to dissolve the firm.
- (A) Any one of the partner
 - (B) All the other partners
 - (C) Two partners
 - (D) Three partners
40. Where the partnership is at will, the firm is dissolved as from -
- (A) The date mentioned in the notice as the date of dissolution and if date is not mentioned in notice then such notice is void.
 - (B) The date of notice whether date of dissolution is mentioned in notice or not
 - (C) The date mentioned in the notice as the date of dissolution and if no such date is mentioned, as from the date of communication of the notice
 - (D) The date when notice is actually received by all other partner.

Co-ownership & Partnership

41. Co-ownership is not always the result of an agreement; it may arise
- (A) By the operation of law
 - (B) From status
 - (C) By the operation of law or from status
 - (D) None of above
42. A co-owner is of the other co-owner(s).
- (A) Not the agent
 - (B) The agent
 - (C) Undisclosed agent
 - (D) Undisclosed principal

43. A and B are joint owner of a house. They rent it out to C and divide the net rent equally. A & B are
- (A) Partners
(B) Co-owner
(C) Principal & agent
(D) Consignor & Consignee

Difference between HUF & Partnership

44. Identify which of the following statement is true and which is false?
- (i) As relations of partners *inter se* are that of agency, no consideration is required to create the partnership.
(ii) Partnership and Joint Hindu Family both are created by status.
(iii) There is no restriction as to maximum number of members for HUF.
(iv) Registration is also required for HUF.

Select the correct answer from the options given below -

- | | (i) | (ii) | (iii) | (iv) |
|-----|-------|-------|-------|-------|
| (A) | True | False | True | False |
| (B) | False | True | False | True |
| (C) | True | False | False | True |
| (D) | False | True | True | False |
45. All partners are equally entitled to a right of management of the business whereas right of management of joint family business generally vests in -
- (A) Male member
(B) Karta
(C) Major male member
(D) Minor male member
46. HUF is governed by
- (A) The Indian Partnership Act, 1932
(B) Hindu Law
(C) The Companies Act, 2013
(D) None of above
47. Every partner is personally liable for the debts of the firm; in a joint family business only _____ is personally liable.
- (A) Male member
(B) Karta
(C) Major male member
(D) Minor male member

48. A minor is a member of a joint family firm from the by virtue of his status, but he is not personally liable.
- (A) Very day of his birth
(B) Day he becomes major
(C) Day he complete 21 years
(D) None of above
49. A partner _____ the accounts of the firm.
- (A) Can demand
(B) Cannot demand
(C) Both (A) & (B)
(D) (A) or (B)
50. A co-parcener ask for accounts.
- (A) Cannot
(B) Can
(C) Both (A) & (B)
(D) (A) or (B)

Difference between Company & Partnership

51. A partnership firm has no separate existence apart from its members. Whereas a company is a distinct from its member.
- (A) Do not have separate legal entity
(B) Separate legal entity
(C) Non-profit making organization
(D) None of above
52. Partnership is governed by Partnership Act, 1932. Whereas a company is governed by
- (A) The Companies Act, 1956
(B) The Companies Act, 2013
(C) The Companies Act, 2017
(D) The Companies Act, 1975
53. Registration of partnership is not compulsory but registration of company is _____
- (A) Optional
(B) Compulsory
(C) Compulsory in some cases
(D) Optional but compulsory in some cases
54. Minimum two persons are required to form partnership but minimum numbers of member required to form a company are - in case of private company _____ & in case of public company _____
- (A) 2 & 7
(B) 7 & 2

- (C) 3 & 8
- (D) 3 & 7

55. Affairs of company are managed by –

- (A) Board of trustee
- (B) Board of committee
- (C) Board of Directors
- (D) Shareholders

56. A partner can transfer his interest so as to substitute the transferee in his place as the partner, without the consent of all the other partners; a member of company cannot transfer his share to any one he likes.

- (A) False
- (B) True
- (C) Partly true
- (D) Partly false

Change in a Firm

57. A change in the nature of the business can only be brought about by the consent of

- (A) Majority partners
- (B) All the partners
- (C) Any two partners
- (D) Any five partners

58. Where a partnership firm is formed for a particular undertaking or undertakings, it proceeds to carry on other undertaking or undertakings, in that event the mutual _____ of the partners in respect of the other adventures or undertakings are the same as those in respect of the original adventures of undertakings.

- (A) Rights
- (B) Duties
- (C) Rights and duties
- (D) Duties & liabilities

Partnership Property

59. It is open to the partners to agree among themselves as to, although employed for the purposes of the firm.

- (A) What is to be treated as the property of the firm
- (B) What is to be separate property of one or more partners
- (C) (A) & (B)
- (D) None of above

60. In the absence of agreement, express or implied, the property of the firm is deemed to include

- (A) All property, rights and interests which have been brought into the common stock for the purposes of the partnership by individual partners, whether at the commencement of the business or subsequently added thereto
- (B) Those acquired in the course of the business with money belonging to the firm
- (C) The goodwill of the business
- (D) All of above

61. To whom the property of the firm belongs?

- (A) Partners
- (B) Working partner of the firm
- (C) Firm and not to individual partners
- (D) Property belongs to both partners and firm.

62. Property of the firm shall be held by use of the partners -

- (A) Exclusively for business purposes
- (B) For business purposes as well as private purposes of the partners
- (C) For the private purposes of the partners
- (D) For business purposes but in exceptional cases it can be used for private purpose

Kinds of Partner

63. How you will classify partner who invest money into the business of the firm, actively participate in the functioning and management of the business and share its profits or losses?

- (A) Active partner
- (B) Sleeping or dormant partner
- (C) Nominal partner
- (D) Partner in profits only

64. How you will classify partner who invest money in the firm's business and take their share of profits but do not participate in the functioning and management of the business?

- (A) Active or working partner
- (B) Sleeping or dormant partner
- (C) Nominal or authorized partner
- (D) Partner in profits only

65. How you will classify partner who do not invest or participate in the management of the firm but only give their name to the business or firm?

- (A) Active or working partner

- (B) Sleeping or dormant partner
(C) Nominal partner
(D) Partner in profits only
66. A partner who is entitled to share in the profits of a partnership firm without being liable to share the losses, is called a _____
(A) Super partner
(B) Sleeping or dormant partner
(C) Nominal partner
(D) Partner in profits only
67. Which of the following partner can retire without giving public notice?
(A) Active partner
(B) Sleeping or dormant partner
(C) Nominal partner
(D) Partner in profits only
68. When a partner of a firm agrees to share his own share of profits with an outsider, it called
(A) Co-partnership
(B) Undisclosed partnership
(C) Profit sharing scheme
(D) Sub-partnership
69. Identify which sentence is correct and which is incorrect.
A. A sub-partner can bind the firm or other partners by his acts.
B. Sub-partner has rights or duties towards the firm and does carry liability for the debts of the firm.
C. Minor partner is entitled to his agreed share
D. Minor can inspect books of account of the firm.
- Select the correct answer from the options given below -*
- (A) Sentence A & B are incorrect while sentence C and D are correct.
(B) Sentence B & C are incorrect while sentence A & B are correct.
(C) Sentence A, B & C are correct while sentence D is incorrect.
(D) Sentence B, C & D are correct while sentence A is incorrect.
70. Identify the incorrect sentence.
(A) A sub-partner is not connected with the firm.
(B) A sub-partner has no relationship with other partners in the firm.
(C) A sub-partner has a right in the firm's business.
(D) A sub-partner can claim his agreed share from the partner with whom he entered into sub-partnership.
71. If the behaviour of a person arouses misunderstanding that he is a partner in a firm (when actually he is not), such a person is estopped from later on denying the liabilities for the acts of the firm. Such person is called _____ and is liable to all third parties.
(A) Sleeping partner
(B) Partner by estoppel
(C) Working partner
(D) Sub-partner
72. The law relating to partners by holding out is contained in Section 28, which lays down thus: "Anyone who by words, _____ represents himself, or knowingly permits himself to be represented to be a partner in a firm, is liable as a partner in that firm to anyone who has on the faith of any such representation given credit to the firm, whether the person representing himself or represented to be a partner does or does not know that the representation has reached the person so giving credit".
(A) Spoken
(B) Written
(C) By conduct
(D) Any of the above
73. A person, who, by words spoken or written or conduct represents himself or knowingly permits himself to be represented as a partner in the firm is called -
(A) Sleeping partner
(B) Working partner
(C) Sub-partner
(D) Partner by estoppel
74. A introduces B to C as a partner in his business. B, in fact, was not a partner but he did not deny the statement. C advanced a loan to A. A could not repay the loan. C can hold B responsible for the repayment of loan because -
(A) B is a sleeping partner
(B) B is a sub-partner
(C) B is a dormant partner
(D) B is a partner by estoppel

75. A partner who has not entered into a partnership agreement and conducts or represents himself as a partner in a firm is called -
 (A) Sleeping partner
 (B) Working partner
 (C) Sub-partner
 (D) Partner by holding out
76. Which of the following partners are not liable in relation to the firm?
 (A) Partner by holding out
 (B) Working partner
 (C) Sub-partner
 (D) Partner by estoppel
77. Rohit is not a partner in a particular firm. But, he represents himself or knowingly permits himself to be represented as a partner of that particular firm to Sanjay, who on the faith of such a representation gives credit to the firm. Is Rohit liable as a partner in the firm?
 (A) No. Rohit is not liable
 (B) No. Sanjay has to bear the loss
 (C) Yes. Rohit is liable as a partner by holding out
 (D) None of above
78. A, B & C are partners in a firm. A introduces D to X as a partner in business. D, in fact, was not a partner in the firm's business. D did not deny this statement. X advanced a loan of ₹ 20 lakhs to the firm. On firm's failure to repay the loan X wants to hold D responsible for the repayment of the above loan. Referring to the provisions of the Indian Partnership Act, 1932 decide whether X would succeed in recovering the loan from D.
 (A) No. D is not liable
 (B) A has to repay the loan
 (C) Yes. D is liable as a partner by holding out
 (D) None of above
79. A and B entered into an agreement to carry on a business of manufacturing and selling toys. Each one of them contributed ₹ 35 lakhs as their capital with a condition that A and B will share the profits equally, but the loss, if any is to be borne by A alone. Referring to the provisions of the Indian Partnership Act, 1932 decide whether there exists a partnership between A and B.
 (A) There is no partnership between A and B.
 (B) A is sub-partner of B.

- (C) There is partnership by holding out.
 (D) There is partnership between A and B. A is partner in profit only.

Minor as a Partner

80. For admitting a minor into the benefits of the partnership, which of the following is required?
 (A) Consent of majority partners
 (B) Consent of parent or guardian
 (C) Consent of all the partners
 (D) Consent of 3/4th partners
81. *Statement I:*
 Minor partner is entitled to get his agreed share.
Statement II:
 Minor can inspect books of account of the firm.
 Select the correct answer from the options given below -
 (A) Both Statement I & II are correct
 (B) Both Statement I & II are incorrect
 (C) Statement I is correct but Statement II is incorrect
 (D) Statement II is correct but Statement I is incorrect
82. Which of the following statement is incorrect as to a minor's position in a partnership firm?
 (A) Minor is admitted to a share of partnership profits.
 (B) Minor is personally liable to contribute to the losses.
 (C) Minor is entitled to a share of the firm's property.
 (D) Minor can inspect and copy any of the firm's accounts.
83. Within _____ period on his attaining majority or obtaining knowledge that he has been admitted to the benefits of the partnership, whichever is later, a minor may give public notice of his decision to continue or withdraw from the firm.
 (A) Three months
 (B) Six months
 (C) Eight months
 (D) Nine months
84. Failure by a minor to give public notice within 6 months will have the following effect _____
 (A) The partnership firm stands dissolved.
 (B) Minor automatically becomes partner.

- (C) Minor automatically ceases to be a partner.
 (D) The partnership becomes an illegal association
85. When the minor elects not to become a partner, his rights and liabilities _____
 (A) Continue to be those of a minor up to the date of giving public notice.
 (B) Are the same as that of all other partner.
 (C) Become ineffective since the partnership is invalid.
 (D) None of the above
86. When the minor elects not to become a partner, his share is not liable for any acts of the firm done
 (A) After his admission to benefits of partnership
 (B) After the date of giving public notice
 (C) After the date of attaining majority
 (D) After the date of dissolution of firm
87. A minor is personally liable for the debts of the firm.
 (A) Correct
 (B) Incorrect
 (C) Partly correct
 (D) Partly incorrect
88. Where a minor on attaining majority, elects to become a partner, he does not become personally liable as other partners to the third parties for all the acts of the firm done since he was admitted to the benefits of partnership.
 (A) Correct
 (B) Incorrect
 (C) Partly correct
 (D) Partly incorrect
89. If minor becomes or elects to become a partner, his position will be _____
 (A) His rights and liabilities will be similar to those of a full-fledged partner.
 (B) He will be personally liable for all the acts of the firm, done since he was first admitted to the benefits of the partnership.
 (C) His share of profits and property remains the same as was before, unless altered by agreement
 (D) All of the above

Rights of Partners

90. Which partner has a right to take part in the conduct and management of the business?
 (A) Every partner
 (B) Sub-partner
 (C) Partner by holding out
 (D) Substituted partner
91. Which type of partner has a right of free access to all records, books and accounts of the business and also to examine and copy them?
 (A) Every partner
 (B) Sub-partner
 (C) Partner by holding out
 (D) Substituted partner
92. Every partner whether active or dormant, has a right of free access to all of the business and also to examine and copy them.
 (A) Records
 (B) Books
 (C) Records, books and accounts
 (D) Records, books, accounts and personal letters of other partners
93. Every partner is entitled to share in the profits _____, unless different proportions are stipulated.
 (A) In proportion to capital
 (B) Equally
 (C) In proportion to balance in current accounts
 (D) 50% profit equally and remaining 50% in capital ratio
94. Where a partner has advanced any loan to the firm and the agreement provides for interest, but does not specify any rate, the rate shall be -
 (A) 6% p.a.
 (B) 8% p.a.
 (C) 9% p.a.
 (D) 5% p.a.
95. A partner claim interest on capital _____
 (A) Even if there is loss
 (B) If there is profit
 (C) If there is profit and there is an agreement to pay it
 (D) Whether there is profit or loss to the firm
96. Subject to contract between the partners, where a partner is entitled to interest on his capital, such interest shall be payable -

- (A) Only out of profits
- (B) Only out of capital
- (C) First out of profits and then out of capital
- (D) First out of capital and then out of profit

97. Subject to contract between the partners, for taking part in the conduct of the business, a partner is

- (A) Not entitled to receive any remuneration.
- (B) Entitled to reasonable remuneration.
- (C) Entitled to remuneration based on profits
- (D) Entitled to remuneration in the ratio of their capital.

98. Partner shall indemnify the firm for any loss caused to it by his ____ in the conduct of the firm's business.

- (A) Negligence
- (B) Interference
- (C) Willful neglect
- (D) Honesty

99. *Statement X:*

A partner has no power to act in an emergency for protecting the firm from loss.

Statement Y:

Not every partner has a right to retire by giving notice where the partnership is at will.

Select the correct answer from the options given below -

- (A) Statement X & Y both are incorrect
- (B) Statement X & Y both are correct
- (C) Statement X is incorrect but Statement Y is correct
- (D) Statement Y is incorrect but Statement X is correct

100. Which of the following is not a right of partner?

- (A) Every partner has a right to continue in the partnership and not to be expelled from it.
- (B) A partner has power to act in an emergency for protecting the firm from loss.
- (C) Every partner is entitled to share in the profits equally
- (D) Every partner is entitled to the introduction of a new partner into the firm without consent other partner.

101. *Statement 1:*

An incoming partner will be liable for debts or liabilities of the firm before he becomes a partner.

Statement 2:

Even in case of invalid expulsion a partner has no right to claim damages.

Select the correct answer from the options given below -

- (A) Statement 1 & 2 both are correct
- (B) Statement 1 is correct but Statement 2 is incorrect
- (C) Statement 1 & 2 both are incorrect
- (D) Statement 2 is correct but Statement 1 is incorrect

102. In good faith and based on the contract between partners, a partner may be expelled from the firm by -

- (A) Unanimous consent of all the partners.
- (B) Majority of the partners
- (C) Any of the working partners
- (D) Any of the dormant partners.

103. When a partner is expelled otherwise than in good faith, it is -

- (A) Valid
- (B) Voidable
- (C) Null and void
- (D) Valid and effectual

104. ABC & Co., a firm consists of three partners A, B and C having one-third share each in the firm. According to A and B, the activities of C are not in the interest of the partnership and thus want to expel C from the firm. Advise A and B whether they can do so.

- (A) Yes
- (B) No
- (C) A & B have to retire from the firm.
- (D) Yes, but subject to permission of C.

105. *Statement A:*

When a partner is expelled otherwise than in good faith, it is *null* and *void* and he continues to be a partner.

Statement B:

The outgoing partner cannot carry on a competing business or advertise such business.

Select the correct answer from the options given below -

- (A) Statement A is true but Statement B is false
- (B) Statement A & B both are true
- (C) Statement B is true but Statement A is false
- (D) Statement A & B both are false

106. Where the outgoing partner carries on a competing business, which of the following is permissible?

- (A) Use of firm's name
- (B) Holding out as carrying on the business of the firm.
- (C) Soliciting the custom of the firm's customers/suppliers etc.
- (D) Advertising such competing business.

Duties of Partners

107. Every partner is bound to carry on the business of the firm _____

- (A) To the advantage of the working partner.
- (B) For reasonable advantage
- (C) For the advantage of society
- (D) To the greatest common advantage

108. Which of the following is NOT covered by general duties of partners?

- (A) To carry on the business of the firm to the greatest common advantage of the firm.
- (B) To be just and faithful to each other.
- (C) To arrange for audit of accounts of the firm.
- (D) To keep and render true, proper and correct accounts of the partnership.

109. Which of the following is NOT covered by the general duties of partners?

- (A) To claim remuneration for the services rendered to the firm.
- (B) To render true accounts and full information of all things affecting the firm to any partner or his legal representative.
- (C) To carry on the business of the firm to the greatest common advantage.
- (D) To be just and faithful to each other.

110. **Assertion (A):**

A partner cannot make secret profits.

Reason (R):

Every partner must account for any benefits derived from the partnership business without the consent of the other partners.

Select the correct answer from the options given below -

- (A) A is true but R is false.
- (B) Both A and R are true but R is not correct explanation of A.
- (C) Both A and R are true and R is correct explanation of A.
- (D) A is false but R is true.

111. Which of the following statement is incorrect?

- (A) Every partner must be just and faithful to other partners.
- (B) A partner is bound to keep and render true, proper and correct accounts of the partnership.
- (C) A partner can compete with the firm, without the consent of the other partners.
- (D) To carry on the business of the firm to the greatest common advantage.

112. Every partner is bound to attend _____ to his duties, in the conduct of the business.

- (A) Systematically
- (B) Diligently
- (C) Sincerely
- (D) Effectively

113. In the absence of an agreement to the contrary, every partner is bound to share losses -

- (A) Equally
- (B) In proportion to capital
- (C) In proportion to their private assets
- (D) 50% loss equally and balance 50% in their capital ratio

114. Property of the firm shall be held by use of the partners _____

- (A) Exclusively for business purposes.
- (B) For business purposes as well as private purposes of the partners.
- (C) For the private purposes of the partners.
- (D) For charitable purposes.

115. Every partner is bound to indemnify the firm for any loss caused by _____ in the conduct of the business.

- (A) Fraud
- (B) Misrepresentation
- (C) Mistake
- (D) Undue influence

116. For loss caused to the firm by his fraud in the conduct of the business, every partner shall

- (A) Indemnify the firm
- (B) Indemnify the other partner
- (C) Indemnify all the retiring partners
- (D) Indemnify only to working partners

117. _____ can assign or transfer his partnership interest to any other person, so as to make him a partner in the business.
- (A) No partner
 - (B) Every partner
 - (C) Working partner
 - (D) Nominal partner
118. Which of the following statement is correct in relation to assignment of profit by partner?
- (A) The assignee will have right to ask for the accounts or to interfere in the management of the business.
 - (B) The assignee would be entitled only to share the actual profits from the firm.
 - (C) On dissolution of the firm, the assignee will be entitled to the share of the assets and also to accounts but only from the date of dissolution.
 - (D) All of above
119. A and B, who work in partnership, deal in purchase and sale of cloth. B starts cloth manufacturing business individually. A files a suit against B for sharing of profit of cloth manufacturing business with him. Will he succeed?
- (A) A partner can carry on business which is of the same nature as and competing with that of the firm. Hence, A will not succeed.
 - (B) A can also separately start cloth manufacturing business and he can earn the profit. Hence, he cannot recover.
 - (C) A partner shall not carry on business which is of the same nature as and competing with that of the firm, he shall account for the same and pay all such profits to the firm. Cloth manufacturing is different activity and not similar to purchase and sale of cloth. Hence, A will not succeed.
 - (D) None of above
122. The acts of every partner who does any act for carrying on in the usual way the business of the kind carried on by the firm bind the firm and his partners unless: _____
- (A) The partner so acting has no authority to act for the firm in that matter
 - (B) The person with whom he is dealing knows that he has no authority
 - (C) Does not know or believe him to be a partner.
 - (D) All of above
123. Authority of partner may be _____
- (A) Express
 - (B) Implied
 - (C) (A) or (B)
 - (D) None of above
124. Authority is said to be express when it is given by words, _____
- (A) Spoken
 - (B) Written
 - (C) (A) or (B)
 - (D) None of above
125. Where authority of a partner is conferred by mutual agreement, it is called as —
- (A) Implied authority
 - (B) Express authority
 - (C) Ostensible authority
 - (D) Apparent authority
126. The implied authority of a partner is also known as —
- (A) Ostensible authority
 - (B) Apparent authority
 - (C) (A) or (B)
 - (D) Power of partner

Relation of Partners to Third Parties (Express & Implied Authority)

120. Every partner is an agent of the _____ for the purpose of the business of the firm.
- (A) Firm
 - (B) Other partners
 - (C) Firm and of other partners
 - (D) None of above
121. Every partner is an agent of the firm and of other partners for -
- (A) The purpose of the management of the firm.
 - (B) The purpose of other partners.
 - (C) The purpose of liability to third parties
 - (D) the purpose of the business of the firm
127. Where authority of a partner is not conferred by mutual agreement, but acts of partner which are excised in ordinary course of business and which bind the firm are known of partner.
- (A) Implied authority
 - (B) Ostensible authority
 - (C) Apparent authority
 - (D) (A) or (B) or (C)

128. Which of the following conditions is necessary for the exercise of implied authority?

1. The act must relate to the business of the firm.
2. The act must be done in the firm's business name.
3. The act must be done in the usual way of carrying on the firm's business.

Select the correct answer from the options given below -

- (A) 1 & 2
- (B) 2 & 3
- (C) 1 & 3
- (D) 1, 2 & 3

129. To bind the firm under implied authority, the act must be done in the _____ of carrying on the firm's business.

- (A) Regular way
- (B) Usual way
- (C) Routine way
- (D) Extraordinary way

130. Nitin, a partner of a firm dealing in computers gives an order for wine worth ₹ 10,000 in firm's name. Discuss the liability?

- (A) The firm is liable to pay ₹ 10,000.
- (B) The firm can sale the wine to other.
- (C) It does not relate to normal business of the firm. The firm will not be bound by it as act is not within implied authority of a partner.
- (D) The firm is liable to pay ₹ 10,000 and if firm fails to pay then only Nitin will be liable to pay the amount.

131. Which of these acts falls outside the implied authority?

- (A) Purchase goods dealt or used by the firm on behalf of the firm.
- (B) Sale of the goods of the firm.
- (C) Receiving payments of debts due to the firm and issuing receipt for it.
- (D) Withdraw any suit or proceeding filed on behalf of the firm.

132. Which of the following act falls outside the implied authority?

- (A) Appointment of employees to carry on the firm's business.
- (B) Admit any liability in a suit or proceedings against the firm.

(C) Pledging goods of the firm as security.

(D) Borrowing money on behalf of the firm.

133. Which of the following act fall outside the implied authority?

- (A) Pledging goods of the firm as security.
- (B) Drawing, accepting and endorsing negotiable instruments.
- (C) Acquire immovable property on behalf of the firm.
- (D) Hiring solicitors to defend actions against the firm.

134. Which of the following act is within the implied authority?

- (A) Settlement of accounts with third parties.
- (B) Open a bank account on behalf of the firm in the partner's own name.
- (C) Compromise or relinquish any claim or portion of claim by the firm.
- (D) Submit to arbitration, a dispute relating to the business of the

135. Which of the following act is within the implied authority?

- (A) Acquire immovable property on behalf of the firm.
- (B) Borrowing money on behalf of the firm.
- (C) Enter into partnership on behalf of the firm.
- (D) Transfer immovable property belonging to the firm.

136. Which of the following act is within the implied authority?

- (A) Enter into partnership on behalf of the firm.
- (B) Submit to arbitration, a dispute relating to the business of the firm.
- (C) Pledging goods of the firm as security.
- (D) Open a bank account on behalf of the firm in the partner's own name.

137. Which of the following act is within the implied authority?

- (A) Receiving payments of debts due to the firm and issuing receipt for it.
- (B) Open a banking account in his own name on behalf of the firm
- (C) Withdraw a suit or proceeding filed on behalf of the firm
- (D) Transfer immovable property belonging to the firm

138. The partners, by mutual agreement, can the implied authority of any partner.
- (A) Restrict but cannot extend
 - (B) Extend but cannot restrict
 - (C) Restrict or extend
 - (D) None of above
139. The implied authority of any partner may be -
- (A) Restricted by contract between the partners.
 - (B) Extended by contract between the partners.
 - (C) Either extended or restricted by contract between the partners.
 - (D) Can be extended but not restricted by contract between the partners.
140. Where there is no restriction on implied authority, any act done by a partner which falls within his implied authority, binds the firm, except _____
- (A) When there is a fraud
 - (B) When there is a willful neglect
 - (C) When the third party dealing with the firm knows of the restriction.
 - (D) When the third party induced the partner into such act.
141. N & Z are partners in a firm dealing in stationery. N placed order in the firm's name and on the firm's letter pad for 10 bags of wheat to be supplied at his residence.
- (A) The firm is not liable for N's act
 - (B) The firm is liable for N's act.
 - (C) A has acted within his implied authority
 - (D) A has acted within his implied authority and hence firm is liable to pay.
- (C) Acceptance
- (D) Contracts as well as torts
144. An act to be binding on the firm, it is necessary that the partner doing the act on behalf of the firm must have done that act -
- (A) In the name of the firm
 - (B) On behalf of the firm
 - (C) Not in his personal capacity
 - (D) All of above
145. Every partner is liable for the of the other partners in the course of the management of business.
- (A) Negligence
 - (B) Fraud
 - (C) Negligence and fraud
 - (D) Mistakes

Liability of an Incoming Partner

Extent of Partners' Liability

142. All partners are liable jointly and severally for all binding on the firm including liabilities arising from contracts as well as torts (Section 25).
- (A) Acts
 - (B) Omissions
 - (C) Acts or omissions
 - (D) Acts but not for omissions
143. All partners are liable jointly and severally for all acts or omissions binding on the firm including liabilities arising from _____ (Section 25).
- (A) Offers
 - (B) Contracts
146. As a general rule, an incoming partner is _____ for the debts incurred before he joined the firm as a partner
- (A) Liable
 - (B) Not liable
 - (C) (A) or (B)
 - (D) (A) & (B)
147. As a general rule, an incoming partner is not liable for the debts incurred -
- (A) After he joined the firm as a partner
 - (B) Before he joined the firm as a partner
 - (C) Before some other partner joins as a partner
 - (D) None of above
148. As a general rule, an incoming partner is not liable for the debts incurred, however, he may liable for past debts if it is agreed between -
- (A) The creditor and partners of the firm
 - (B) The partners existing at the time the debt was incurred
 - (C) The creditor and the incoming partner
 - (D) The creditor and partners existing at the time the debt was incurred of the firm and the incoming partner
149. The liability of a new partner generally commences from -
- (A) The date of his admission.
 - (B) The first date of the financial year in which he was admitted.

- (C) Any day after his admission as he so decides.
 (D) Any day to be decided by the Registrar of Firms.
150. Where a new partner specifically agrees to bear past liabilities, third parties cannot hold a new partner liable since there is _____
 (A) No consideration
 (B) No mutual agency
 (C) No valid partnership agreement
 (D) No privity of contract between the new partner and such third parties.
151. Where incoming partner specifically agrees to bear past liabilities, he will be liable for such liabilities to -
 (A) All creditors of the firm
 (B) All debtors of the firm
 (C) Other partners of the firm
 (D) Government
- (A) All the partners of the reconstituted firm.
 (B) By the retiring partner or any partner of the reconstituted firm.
 (C) Any partner of the reconstituted firm.
 (D) Retiring partner only.
156. Where the continuing partners carry on the business of the firm, the outgoing partner whose claim is not settled, -
 X. is entitled to share of profits since date of cessation as partner.
 Y. is not entitled to claim anything other than unsettled amount
 Z. is entitled to 6% interest p.a. on the unsettled amount.
- Select the correct answer from the options given below -*
 (A) Y is correct
 (B) Only X is correct
 (C) Only Z is correct
 (D) Either X or Z at his option.

Liability of an Outgoing/Retiring Partner

152. An outgoing partner remains liable for the partnership debts -
 (A) Contracted while he was a partner
 (B) For past & future debts
 (C) Incurred after he ceased to be a partner
 (D) None of above
153. An outgoing partner remains liable for the partnership debts contracted while he was a partner. He may, however be discharged if it is agreed between -
 (A) The creditor of the firm
 (B) The other partners existing at the time the debt was incurred
 (C) The outgoing partner
 (D) All of the above
154. Retiring partner continues to be liable for acts of the firm done _____
 (A) Up to the date of giving public notice of retirement.
 (B) Up to the close of the financial year in which he retires.
 (C) Up to the date of admission of a new partner.
 (D) All of the above
155. Who can give Public Notice of retirement of partner?

Death or Insolvency

157. The estate of a partner who dies, or who becomes insolvent, is not liable for partnership debts contracted _____
 (A) After the date of the death or insolvency
 (B) Before the date of the death or insolvency
 (C) After the 1st day of financial year in which he dies or becomes insolvent
 (D) All of above
158. P, Q and R as are in partnership Q dies on 15th June, 2018 which of the following statement is true?
 (A) Q's estate is not liable at all.
 (B) Q's estate is not liable for any acts of the firm done after 15th June, 2018.
 (C) Q's estate is liable for all acts up to the end of the financial year when the death occurred.
 (D) Q's estate is liable only up to the previous financial year.
159. Ramu, Shamu & Raju were partners sharing profits and losses in the ratio of 3:2:2. On 1st October, 2019, Ramu died. Profit earned by the firm for the period 1.1.2019 to 31.12.2019 was ₹ 46,600 out of which profit up to 1st October, 2019 was ₹ 35,700. Capital accounts balance of partners on 1st October, 2019 was as follows:

Ramu = ₹ 87,414

Shamu = ₹ 55,276

Raju = ₹ 55,276

How much claim can be made by Ramu's Executors as per Section 37 of Partnership Act, 1932 for the period 1.10.2019 to 31.12.2019?

- (A) ₹ 4,813
- (B) ₹ 1,311
- (C) ₹ 20,576
- (D) ₹ 15,764

Dissolution

160. Dissolution of partnership between all the partners of a firm is called -

- (A) Dissolution of Partnership
- (B) Dissolution of Firm
- (C) Reconstitution of Firm
- (D) Dissolution of Firm Name

161. Any change in the relations of partners due to admission, retirement or death of partner is called -

- (A) Dissolution of partnership
- (B) Dissolution of firm
- (C) Reconstitution of firm
- (D) Dissolution of firm name

162. Business of firm is completely stopped, its assets are realized, liabilities paid off and surplus distributed among partners according to their share in firm's property. This is known as -

- (A) Dissolution of Partnership
- (B) Dissolution of Firm
- (C) Reconstitution of Firm
- (D) Dissolution of Firm Name

163. A, B, C are partners on death of B, A and C continue the firm's business. This is a case of

- (A) Dissolution of partnership
- (B) Dissolution of firm
- (C) Death of partnership
- (D) All of above

164. In which of the following case the dissolution of partnership takes place even when there is no dissolution of the firm?

- (A) By the expiry of the fixed term for which the partnership was formed.
- (B) By the completion of the adventure.

(C) By the death of a partner.

(D) All of above

165. In which of the following case the dissolution of partnership takes place even when there is no dissolution of the firm?

- (A) By the retirement of a partner.
- (B) By the insolvency of a partner.
- (C) By the death of a partner.
- (D) All of above

166. A firm may be dissolved where _____ that it shall be dissolved.

- (A) All the partners agree
- (B) Majority of partners agree
- (C) Partners by majority agree
- (D) 3/4th partners agree

167. A partnership firm with one partner can continue.

- (A) False
- (B) Partly false
- (C) True
- (D) None of above

168. If *all partners*, or *all but one partner*, of the firm are declared insolvent

- (A) Firm is also declared insolvent
- (B) Solvent partner has to repay the debts of the firm
- (C) Firm is automatically dissolved
- (D) Firm can be continued

169. A firm is compulsorily dissolved if _____

- (A) All partners are adjudicated insolvent
- (B) All of the partners but one, are adjudicated insolvent.
- (C) Both (A) & (B)
- (D) Either (A) or (B)

170. A, B and C are in partnership A and C are adjudicated insolvent, while B wants to continue the firm.

- (A) Firm is also declared insolvent.
- (B) B has to repay the debts of the firm.
- (C) Firm is automatically dissolved and hence B cannot continue.
- (D) The Court has to give order for dissolution.

171. A firm is compulsorily dissolved if -

- (1) All partners are adjudicated insolvent
- (2) The firm has been continuously suffering losses

- (3) Partnership has various adventures & one such adventure becomes illegal.
- (4) All of the partners except one, are adjudicated insolvent.
- (5) If the business of the firm becomes illegal because of some subsequent events, such as change in law.

Select the correct the answer from the options given below:

- (A) (4), (1) & (5)
 - (B) (3), (2) & (4)
 - (C) (5), (2), (4) & (1)
 - (D) (1), (3), (4) & (5)
- 172.** Where the partnership is at will, the firm *may* be dissolved at any time, by any partner giving notice in writing of his intention to dissolve the firm, to -
- (A) All the other partners
 - (B) Majority other partners
 - (C) 3/4th partners
 - (D) None of above
- 173.** In which of the following case, the Court *may*, at the suit of a partner, dissolve a firm?
- (A) If a partner has become of unsound mind, the firm is dissolved on a petition made by any of the other partners or by the next friend of the insane partner.
 - (B) A partner becomes permanently incapable of performing his duties as a partner.
 - (C) If a partner is found guilty of conduct which is likely to affect the carrying on of business of the firm then application to Court shall be made by any partner who is not guilty of misconduct for dissolution of firm.
 - (D) All of above
- 174.** In which of the following case, the Court *may*, at the suit of a partner, dissolve a firm?
- (A) Partner wilfully and persistently commits breach of partnership agreement as management
 - (B) Partner conducts himself in such a way that it is not reasonably practicable for the other partners to carry on business in partnership with him.
 - (C) The firm has been continuously suffering losses and in future also the business cannot be carried on except at a loss
 - (D) All of above

175. In which of the following case, the Court *may*, at the suit of a partner, dissolve a firm?

- (A) If it can be proved to the satisfaction of the court that it is just and equitable to dissolve the firm
- (B) If a partner has become of unsound mind and any other partner or next friend of insane partner files petition for dissolution of firm.
- (C) Partner conducts himself in such a way that it is not reasonably practicable for the other partners to carry on business in partnership with him.
- (D) All of above

176. The Court may dissolve a firm if a partner _____ commits breach of agreements relating to management of the affairs of the firm or the conduct of the firm's business.

- (A) Wilfully
- (B) Persistently
- (C) Neither (A) nor (B)
- (D) Both (A) and (B)

177. Firm may be dissolved -

- A. With the consent of all the partners
- B. In accordance with the contract between them

Select the correct the answer from the options given below:

- (A) Neither A nor B
- (B) B only
- (C) Either A or B
- (D) A only

178. Identify which of the following statement is true and which is false.

- (I) The Court may dissolve a firm if a partner conducts himself in such a way that if is not reasonably practicable for the other partners to carry on business in partnership with him.
- (II) If the firm has been continuously suffering losses and it is apparent that in future also the business cannot be carried on except at a loss, the Court cannot order dissolution of the firm.

Select the correct the answer from the options given below:

- | | (I) | (II) |
|-----|-------|-------|
| (A) | True | True |
| (B) | False | False |
| (C) | False | True |
| (D) | True | False |
179. Firm is automatically and compulsory dissolved, if _____
- (A) All partners, or all but one partner, of firm are declared insolvent.
- (B) Some event happens which makes it unlawful for business of the firm to be carried on or for the partners to carry it on in partnership.
- (C) (A) or (B)
- (D) None of above
180. In which of the following situations the firm will NOT be compulsorily dissolved?
- (A) All partners or any one of the partners is declared insolvent.
- (B) The business of the firm becomes unlawful.
- (C) The partnership has various adventures & one such adventure becomes illegal.
- (D) The decision is taken by all the partners to dissolve the firm.
181. If at the time of admission partner pays premium then on dissolution, he is entitled to demand the return of a proportion of the premium if the partnership was for a fixed term and was dissolved before the expiry of that term, unless dissolution was caused by -
- (A) Agreement
- (B) Misconduct of the party seeking return of the premium
- (C) Death of a partner
- (D) All of above
182. In settling the accounts of a firm after dissolution, losses, including deficiencies of capital, shall be paid -
- (A) Out of profits
- (B) Out of capital
- (C) By the partners individually in the proportions in which they were entitled to share profits
- (D) First out of profits, next out of capital, and, lastly, if necessary, by the partners individually in the proportions in which they were entitled to share profits
183. Upon dissolution, the firm's assets shall be first applied in
- (A) In paying the debts of the firm to third parties
- (B) Payment of partners loan
- (C) Payment of partners capital
- (D) Distribution of surplus to partners in profit sharing ratio.
184. Upon dissolution, the firm's assets shall be first applied in paying the debts of the firm to third parties, shall thereafter be applied in _____
- (A) In paying the debts of the firm to third parties
- (B) Payment of partners loan
- (C) Payment of partners capital
- (D) Distribution of surplus to partners in profit sharing ratio.
185. Upon dissolution, the firm's assets shall be first applied in paying the debts of the firm to third parties, shall thereafter be applied in payment of partners loan, shall be applied in
- (A) In paying the debts of the firm to third parties
- (B) Payment of partners loan
- (C) Payment of partners capital
- (D) Distribution of surplus to partners in profit sharing ratio.
186. Upon dissolution, the firm's assets shall be first applied in paying the debts of the firm to third parties, shall thereafter be applied in payment of partners loan, shall then be applied in payment of partners capital and still surplus remains it should used for
- (A) In paying the debts of the firm to third parties
- (B) Payment of partners loan
- (C) Payment of partners capital
- (D) Distribution of surplus to partners in profit sharing ratio.
187. Upon dissolution, which is the proper order for application of the Firm's assets?
- I. Payment of partners loan
- II. In paying the debts of the firm to third parties
- III. Distribution of surplus to partners in profit sharing ratio
- IV. Payment of partners capital

Select the correct the answer from the options given below:

- (A) I, IV, III, II
(B) II, I, IV, III
(C) II, I, III, IV
(D) I, II, III, IV
188. The private property of a partner should be used to _____
(A) Pay his private debts first and if there is any surplus it can be used to pay firms liabilities
(B) Pay firms liabilities first and if there is any surplus it can be used to pay private debts
(C) (A) and (B)
(D) (A) or (B)
189. Firm's assets should be first used to pay -
(A) Firm's liabilities
(B) Private liabilities
(C) Firm's liabilities and if surplus remains then it can be used to pay his private liabilities of partner.
(D) (A) or (B)
190. Which of the following is prepared only at the time of dissolution of the firm?
(A) Revaluation Account
(B) Realization Account
(C) Profit & Loss Adjustment Account
(D) All of the above
191. _____ rule is applicable at the time of any partner becoming insolvent.
(A) Garner Vs Murray
(B) Derry Vs Peek
(C) Salomon Vs A. Salomon & Co. Ltd.
(D) Mohiri Bibi Vs Dhamodas Ghose
192. When the partners capital accounts are fixed, then as per the decision in the Garner vs. Murray case, any loss arising due to the capital deficiency in the insolvent partners' capital accounts is to be borne by solvent partners in the ratio of _____
(A) Profit sharing ratio
(B) Scarifying ratio
(C) Gaining ratio
(D) Last agreed capital ratio
193. Garner Vs Murray requires
(A) That all partners should bring in cash equal to their respective shares of the loss on realization
(B) That all partners should bring in cash equal to their respective shares of the loss on realization and deficiency of insolvent partner should be borne by solvent partners in their profit sharing ratio.
(C) That all partners including insolvent partner should bring in cash equal to their respective shares of the loss on realization and deficiency of insolvent partner should be borne by solvent partners in their last agreed capital ratio.
(D) That the solvent partners should bring in cash equal to their respective shares of the loss on realization and that the solvent partners should bear the loss arising due to insolvency of a partner in their last agreed capital ratio and
194. In which of the following case Garner Vs Murray rule is NOT applicable?
1. Only one partner is solvent.
2. All partners are insolvent.
3. When partnership deed provides a specific method to be followed in case of insolvency of a partner
- Select the correct answer from the options given below -
(A) 1 only
(B) 1 & 2 only
(C) 3 only
(D) 1, 2 & 3

Goodwill

195. _____ may be described as the aggregate of those intangible attributes of a business which contribute to its superior earning capacity over a normal return on investment.
(A) Image of firm
(B) Goodwill
(C) Work quality
(D) None of the above
196. Which of the following is the right of buyer of goodwill?
(A) Represent himself in continuing the business
(B) Maintain his exclusive rights to the use of the firm name
(C) Solicit former customers of the business and restrain the seller of the goodwill from doing so.
(D) All of above

197. The vendors (partnership firm) may enter into competition with the purchaser unless he is prevented by a valid restraint clause in the contract of sale.

- (A) True
- (B) False
- (C) Partly true
- (D) None of above

Registration of the Firm

198. Identify which of the following statement is true and which is false.

- P. Registration of firm does not create partnership, but is only the evidence of existence of partnership.
- Q. A partnership firm has to be compulsorily registered in order to commence its business.
- R. Registration of firm may be effected at any time during the continuance of partnership.

Select the correct answer from the options given below -

	P	Q	R
(A)	True	False	True
(B)	False	True	True
(C)	True	True	False
(D)	False	False	True

199. Which of the following is not required to be given in an application for registration of a Firm?

- (A) Firm name
- (B) Place of business or principal place of business
- (C) Names of any other places where the firm carries on business.
- (D) Details of capital contribution of partners.

200. Which of the following is NOT required to be given in an application for registration of a firm?

- (A) Firm name
- (B) Date when each partner joined the firm.
- (C) Date of birth of each partner of the firm.
- (D) Duration of the firm.

201. Application for registration of firms should be signed by -

- (A) All the partners or their agents.
- (B) Majority partners or their agents.
- (C) All working partners or their agents.
- (D) All minor partners.

202. Application for registration of firms should be signed by _____

- (A) All the partners.
- (B) Specially authorized agents of all the partners.
- (C) Both (A) and (B)
- (D) Either (A) or (B)

203. A partner of an unregistered firm can sue the firm or any other partner of the firm to enforce a right arising from a contract or a right conferred by the partnership Act.

- (A) True
- (B) Partly true
- (C) False
- (D) None of the above

204. A partner of an unregistered firm cannot sue the firm or any other partner of the firm to enforce a right _____

- (A) Arising from a contract
- (B) Conferred by the Partnership Act
- (C) Either (A) or (B)
- (D) Both (A) and (B)

205. An unregistered firm cannot file a suit against a third party to enforce any right arising from a contract.

- (A) True
- (B) Partly true
- (C) False
- (D) None of the above

206. Which of the following is/are disabilities of unregistered firm ?

- (A) No suit between partners and firm
- (B) No suit by firm on a third party
- (C) No claim of set-off
- (D) All of the above

207. In which of the following case there is no bar on the right of unregistered firm or any partner of its partner?

- (A) A suit for the dissolution of a firm
- (B) A suit for rendering of accounts of a dissolved firm
- (C) A suit for realization of the property of a dissolved firm.
- (D) All of the above

208. In which of the following case there is no bar on the right of third-parties to sue the firm or any partner?
- A suit or claim of set-off, the value of which does not exceed ₹ 100.
 - A proceeding in execution or other proceeding incidental to or arising from a suit or claim for not exceeding ₹ 100.
 - A suit by a firm which has no place of business in the territories to which the Indian Partnership Act extends
 - All of the above
209. Non-registration of a firm does not affect the rights of the firm to institute a suit or claim of set-off not exceeding -
- ₹ 100
 - ₹ 1,000
 - ₹ 10,000
 - ₹ 1,00,000
210. An unregistered firm can bring an injunction against a person for wrongful infringement of trade mark.
- True
 - False
 - Partly true
 - None of above
211. A firm is merely a collection of partners and cannot bring a suit for libel or slander.
- True
 - False
 - Partly true
 - None of above
213. Public notice is not required in case of -
- Dissolution of firm
 - Admission of partner
 - Retirement of partner
 - Expulsion of partner
214. Which of the following is not affected by due to non-registration of firm?
- Suit by third party
 - Official receiver's right to recover the property of insolvent partner
 - Partner's right to suit for dissolution of firm
 - All of the above
215. Register of Firm shall be open to inspection by -
- The Registrar of Firms
 - Partners of Firm
 - Creditor of the Firm
 - Any person
216. Application for rectification of mistake in the documents or the Register of firms shall be made by -
- Any one partner or his agent
 - Majority of partners or their agent
 - All working partner or their agents
 - All the partners or their agents
217. The Registrar of Firm is appointed by -
- Central Government
 - State Government
 - Central & State Government
 - Chief Justice of India
218. If a firm wants to register itself, it will go to _____
- Registrar of Firms
 - Registrar of Companies
 - Court
 - Any of the above
219. After dissolution of firm, any partner or his representative may restrain any other partner or his representative from carrying of similar business in the Firm Name or by using Firm's property for own benefit until -
- The affairs of the firm are fully wound up
 - Public notice of dissolution is given
 - Dissolution deed is signed by all partners
 - All of the above

MCQ based on overall chapter

212. Mr. Sharma and Mrs. Sharma, a dormant and their son enter into partnership. Mrs. Sharma due to some family problems decided to retire from the firm without giving public notice. Mr. Sharma and his son incurs liability in the name of the firm. Decide the liability of Mrs. Sharma.
- She is not liable as she was dormant partner
 - Her liability will be adjusted form the Mr. Sharma's share
 - Her liability will be adjusted form the son's share
 - Both (A) and (B)

220. Where a Partnership Contract is rescinded on ground of fraud or misrepresentation, the party entitled to rescind is also entitled to rank as a creditor of the Firm in respect of -
 (A) His own capital
 (B) His share of profit
 (C) Any payment made by him for the Firms debts
 (D) All of the above
221. If A, B & C are partners and C is murdered by D. D comes with proposal to enter into partnership and B objects. What is situation?
 (A) Estate of D is liable after C's death
 (B) D is liable after C's death
 (C) C's estate is not liable for the debts before his death
 (D) C's estate is not liable for the debts after his death
222. Ram paid premium for entering into partnership for fixed term. The Firm is dissolved before expiry of such term due to difference of opinion between partners. Here -
 (A) Ram is entitled to return of the entire premium
 (B) Ram is not entitled to return of any premium
 (C) Ram is entitled to return of the entire premium or pro-rata part thereof
 (D) Ram has to pay further premium
223. Upon dissolution of Firms, the surplus left after settlement of debts and liabilities of the firms shall be ____
 (A) Credited to the Reserve Account
 (B) Credited to Government of India A/c
 (C) Distributed among the partners equally
 (D) Distributed to partners according to their rights.
224. Dormant partner is also known as -
 (A) Sleeping partner
 (B) Active partner
 (C) Nominal partner
 (D) Sub-partner
225. X, Y & Z are carrying on business of mobile exports. A was aware of the price of mobile and good knowledge in the purchasing of mobiles. A made a personal transaction in the name of the firm.
 (A) A will not be liable for firm
 (B) It is enough to inform about his private business
 (C) A has to account personal profits to firm
 (D) A has done fraud.
226. A, B & C are partners. They promised to give ₹ 60,000 to D. If C dies, who will perform contract?
 (A) A, B
 (B) A, B & C's legal representative
 (C) A & B not required to perform
 (D) None of the above
227. Under Indian Partnership Act, 1932, the partnership can be formed between -
 (A) One Indian & two foreigners
 (B) One major person and one unsound mind person
 (C) Convicts undergoing imprisonment
 (D) None of the above
228. Maximum number of person permissible for valid partnership for doing any business is ____
 (A) 200 persons
 (B) 75 persons
 (C) 50 persons
 (D) 150 person
229. The number of partners in firm carrying an banking business should not exceed -
 (A) 25
 (B) 20
 (C) 50
 (D) 100

Answers

1.	(A)	2.	(B)	3.	(C)	4.	(C)	5.	(D)	6.	(D)	7.	(D)
8.	(A)	9.	(A)	10.	(D)	11.	(B)	12.	(B)	13.	(D)	14.	(B)
15.	(C)	16.	(C)	17.	(C)	18.	(D)	19.	(C)	20.	(A)	20A.	(A)
21.	(A)	22.	(B)	23.	(D)	24.	(A)	25.	(B)	26.	(B)	27.	(A)
28.	(D)	29.	(C)	30.	(B)	31.	(D)	32.	(C)	33.	(D)	34.	(B)

35.	(C)	36.	(A)	37.	(C)	38.	(A)	39.	(B)	40.	(C)	41.	(C)
42.	(A)	43.	(B)	44.	(A)	45.	(B)	46.	(B)	47.	(B)	48.	(A)
49.	(A)	50.	(A)	51.	(B)	52.	(B)	53.	(B)	54.	(A)	55.	(C)
56.	(A)	57.	(B)	58.	(C)	59.	(C)	60.	(D)	61.	(C)	62.	(A)
63.	(A)	64.	(B)	65.	(C)	66.	(D)	67.	(B)	68.	(D)	69.	(A)
70.	(C)	71.	(B)	72.	(D)	73.	(D)	74.	(D)	75.	(D)	76.	(C)
77.	(C)	78.	(C)	79.	(D)	80.	(C)	81.	(A)	82.	(B)	83.	(B)
84.	(B)	85.	(A)	86.	(B)	87.	(B)	88.	(B)	89.	(D)	90.	(A)
91.	(A)	92.	(C)	93.	(B)	94.	(A)	95.	(C)	96.	(A)	97.	(A)
98.	(C)	99.	(A)	100.	(D)	101.	(C)	102.	(B)	103.	(C)	104.	(A)
105.	(A)	106.	(D)	107.	(D)	108.	(C)	109.	(A)	110.	(C)	111.	(C)
112.	(B)	113.	(A)	114.	(A)	115.	(A)	116.	(A)	117.	(A)	118.	(C)
119.	(C)	120.	(C)	121.	(D)	122.	(D)	123.	(C)	124.	(C)	125.	(B)
126.	(C)	127.	(D)	128.	(D)	129.	(B)	130.	(C)	131.	(D)	132.	(B)
133.	(C)	134.	(A)	135.	(B)	136.	(C)	137.	(A)	138.	(C)	139.	(C)
140.	(C)	141.	(A)	142.	(C)	143.	(D)	144.	(D)	145.	(C)	146.	(B)
147.	(B)	148.	(D)	149.	(A)	150.	(D)	151.	(C)	152.	(A)	153.	(D)
154.	(A)	155.	(B)	156.	(D)	157.	(A)	158.	(B)	159.	(A)	160.	(B)
161.	(A)	162.	(B)	163.	(A)	164.	(D)	165.	(D)	166.	(A)	167.	(A)
168.	(C)	169.	(D)	170.	(C)	171.	(A)	172.	(A)	173.	(D)	174.	(D)
175.	(D)	176.	(D)	177.	(C)	178.	(D)	179.	(C)	180.	(C)	181.	(D)
182.	(D)	183.	(A)	184.	(B)	185.	(C)	186.	(D)	187.	(B)	188.	(C)
189.	(C)	190.	(B)	191.	(A)	192.	(D)	193.	(D)	194.	(D)	195.	(B)
196.	(D)	197.	(A)	198.	(A)	199.	(D)	200.	(C)	201.	(A)	202.	(D)
203.	(C)	204.	(C)	205.	(A)	206.	(D)	207.	(D)	208.	(D)	209.	(A)
210.	(A)	211.	(A)	212.	(A)	213.	(B)	214.	(D)	215.	(D)	216.	(D)
217.	(B)	218.	(A)	219.	(A)	220.	(D)	221.	(D)	222.	(C)	223.	(D)
224.	(A)	225.	(C)	226.	(B)	227.	(A)	228.	(C)	229.	(C)		

Hints for Practical MCQs

159. As per Section 37 of Partnership Act, 1932, in case of settlement of deceased partner's account on the date of death, the executor of deceased partner has a choice to take *Either* -

(A)

$$\begin{aligned}
 \text{Profit earned on un-settled capital} &= \text{Profit} \times \frac{\text{Unsettled capital as on 1.10.2019}}{\text{Total capital as on 1.10.2019}} \\
 &= 10,900 \times \frac{87,414}{87,414 + 55,276 + 55,276} \\
 &= 10,900 \times \frac{87,414}{1,97,966} \\
 &= 4,813
 \end{aligned}$$

(B) Interest on capital @ 6% i.e. $87,414 \times 6\% \times 3/12 = 1,311$

Option A is beneficial, therefore heirs of Ramu will opt for proportionate share of profit i.e. 4,813.

THE INDIAN CONTRACT ACT, 1872

Meaning & Nature of Contract

1. Law relating to contracts is contained in The Indian Contract Act, _____
 (A) 1862
 (B) 1952
 (C) 1872
 (D) 1972
2. The Indian Contract Act extends to -
 (A) Whole of India
 (B) Whole of India excluding state of Delhi & Maharashtra
 (C) Whole of India excluding state of Jammu & Kashmir
 (D) Whole world
3. The Indian Contract Act, 1872 came into force on -
 (A) 1st of September, 1872
 (B) 1st of October, 1930
 (C) 1st of July, 1932
 (D) 1st of September, 1972
4. A contract is an agreement creating and defining obligations between the parties. This definition of contract is given by -
 (A) Sir Fredrick Pollock
 (B) Salmond
 (C) Anson
 (D) Sibble
5. A contract is an agreement enforceable at law, made between two or more persons, by which rights are acquired by one or more to acts or forbearances on the part of the other or others. This definition of contract is given by
 (A) Sir Fredrick Pollock
 (B) Salmond
 (C) Anson
 (D) Sibble
6. Every agreement and promise enforceable at law is a contract. This definition of contract is given by _____
 (A) Sir Fredrick Pollock
 (B) Salmond
 (C) Anson
 (D) Sibble
7. As per Section 2(h), a contract is an agreement enforceable by -
 (A) Third party
 (B) Law
 (C) One party
 (D) Both parties
8. Law of contracts covers -
 I. Personal obligation
 II. Private obligation
 III. Contractual obligation
 IV. Obligation imposed by third parties
 Select the correct answer from the options given below -
 (A) I, II & IV only
 (B) II, III & IV only
 (C) III only
 (D) III & IV only
9. The law of contract is nothing but -
 (A) A child of commercial dealing
 (B) A child of religion
 (C) A child of day to day politics
 (D) A child of economics
10. As per Section 2(e) of the Indian Contract Act, 1872, _____, forming the consideration for each other, is an agreement.
 (A) Every promise
 (B) Every set of promises

Agreement

- (C) Every promise and every set of promises
(D) Every offers or every set of offers
11. Contract = Agreement +
(A) Enforceability by law
(B) Enforceability by parties
(C) Enforceability by parliament
(D) All of above
12. Agreement = _____ + Acceptance
(A) Offer
(B) Silence
(C) Proposal
(D) (A) or (C)
13. According to Section 2(b) of the Indian Contract Act, 1872, when the person to whom the proposal is made signifies his assent thereto, the proposal is said to be
(A) Accepted
(B) Rejected
(C) Avoided
(D) Rounded
14. Which of the following is defined in Section 2(b) of the Indian Contract Act, 1872?
(A) Offer
(B) Acceptance
(C) Proposal
(D) Invitation to make an offer
15. A proposal, when accepted, becomes a
(A) Offer
(B) Agreement
(C) Contract
(D) Promise
16. The meeting of the minds is called -
(A) *Jus in rem*
(B) *Consensus-ad-idem*
(C) *Jus in personam*
(D) *Void ab initio*
17. As per *Consensus-ad-idem* both the parties to an agreement must agree about the subject matter of the agreement -
A. In the same sense
B. At the same time
- Select the correct answer from the options given below -
(A) B only
(B) A only
- (C) Both A & B
(D) Either A or B
18. Chetan owns two horses named Rajhans and Hansraj, is selling horse Rajhans to Pavan. Pavan thinks that he is purchasing horse Hansraj. Which is the missing element in this case?
(A) *jus in rem*
(B) *consensus-ad-idem*
(C) *jus in personam*
(D) *ab initio*
19. Which of the following is NOT contract?
(A) Social obligation
(B) Obligation imposed on Mr. A by Mr. B under an agreement enforceable under law
(C) Obligation imposed on Mr. B by Mr. A under an agreement enforceable under law
(D) All of above
20. Mr. Parag invites Ms. Dhanshri to a dinner.
(A) It is social obligation only
(B) It is social obligation enforceable by law
(C) It is social obligation not enforceable by law
(D) Ms. Dhanshri must go to dinner
21. A invites B for his son's wedding. B accepts the invitation. In this case, there is
(A) Legal agreement
(B) Social agreement
(C) Legal obligation on the part of B to attend wedding ceremony
(D) (A) & (C)
22. A invites B for coffee in a restaurant and B accepts the invitation. On the appointed date, B goes there but A is not found. In this case -
(A) B has no remedy against A
(B) B has to wait for another invitation from A
(C) B can sue A for not honoring his words
(D) A has to invite B again, to perform the promise.
23. Status obligation -
(A) arise out of legal obligation
(B) arise when the contract is made
(C) are outside scope of the Indian Contract Act, 1872
(D) are within the scope of the Indian Contract Act, 1872

24. All agreements are not contracts but all _____ are agreements.
 (A) Offer
 (B) Acceptance
 (C) Obligation
 (D) Contracts
25. A husband promised to pay his wife a household allowance of ₹ 2,500 every month. Later parties separated and the husband failed to pay the amount.
 (A) This is contract
 (B) This is not a contract
 (C) This is agreement enforceable by law
 (D) Wife should take divorce and marry with other person
26. In relation to a contract the term "consensus-ad-idem" under the Indian Contract Act, 1872 means -
 (A) Reaching the agreement
 (B) Reaching the contract
 (C) General consensus
 (D) Meeting of minds upon the same thing in the same sense

Essential elements of a valid contract

27. Which of the following is NOT essential element of valid contract?
 (A) offer and acceptance
 (B) legal relationship
 (C) lawful consideration
 (D) certainty of terms
28. Which of the following is/are essential element of valid contract?
 (A) Capacity to contract
 (B) Free & genuine consent
 (C) Lawful object
 (D) All of above
29. Which of the following is/are essential element of valid contract?
 1. There must be free & genuine consent
 2. There must be offence
 3. No need to create legal relationship
 4. Consideration
 5. Intention of the parties to fulfil the terms of the contract.
30. Which of the following is/are essential element of valid contract?
 (A) Consideration
 (B) Free consent
 (C) Capacity of parties
 (D) All of above
31. Which of the following is/are essential element of valid contract?
 P. Capacity to contract
 Q. Free & genuine consent
 R. Lawful object
 Select the correct answer from the options given below -
 (A) P & Q
 (B) Q & R
 (C) P & R
 (D) All of the above
32. In commercial and business agreement, the intention of the parties to create legal relationship is -
 (A) To be proved to the satisfaction of Court
 (B) Presumed to exist
 (C) Required to the extent of consideration
 (D) Not relevant at all.
33. In social agreement, the intention of the parties to create legal relationship is -
 (A) To be proved to the satisfaction of Court
 (B) Presumed to exist
 (C) Required to the extent of consideration
 (D) Not relevant at all.
34. When a contract is perfectly valid in its substance but cannot be enforced due to technical defect -
 (A) Void contract
 (B) Unenforceable contract
 (C) Bilateral contract
 (D) Unilateral contract
35. _____ is a good contract but suffers from technical defect like non-registration.
 (A) Unenforceable contract
 (B) Valid contract

- (C) Voidable contract
(D) Void contract
36. _____ is one sided contract in which only one of the party has to perform his promise or obligation.
- (A) Illegal contract
(B) Void contract
(C) Bilateral contract
(D) Unilateral contract
37. Which of the following contract is made without any intention of the parties?
- (A) Express contract
(B) Implied contract
(C) Quasi contract
(D) Executor contract
- (C) A person is said to have made a proposal, when he, "signifies to another his unwillingness for not doing a particular thing."
(D) None of above
42. Mr. A says to Mr. B, "will you purchase my car for ₹ 5,000?" In this case a Mr. A is making
- (A) Offer
(B) Acceptance
(C) Asking question to B
(D) None of above
43. The person marking the offer is known as -
- (A) Offeror
(B) Proposer
(C) Promisor
(D) Any of the above
44. The person making the offer/proposal is known as -
- (A) Promisee
(B) Promisor
(C) Participant
(D) Principal
45. The person to whom the offer is made is known as -
- (A) Offeree
(B) Proposee
(C) Promisee
(D) Any of the above
46. An offer may be
- (A) Express offer
(B) Implied offer
(C) (A) or (B)
(D) None of above
47. An offer inferred from the circumstances or conduct of the parties is known as -
- (A) Incidental offer
(B) Imperial offer
(C) Implied offer
(D) (A) or (C)
48. When offer is made to a definite person or group of person is known as -
- (A) Express offer
(B) Implied offer
(C) Specific offer
(D) General offer

Offer & Acceptance

38. Neeta Travels operates bus from Mumbai to Satara. The bus standing at its Bay in the bus terminals is with a view to taking the passengers. There is _____ to take passengers.
- (A) Implied offer
(B) Express offer
(C) Internal offer
(D) External offer
39. The term "Proposal" used in the Indian Contract Act, 1872 is synonymous with the term -
- (A) Contract
(B) Offer
(C) Agreement
(D) Consent
40. Proposal or offer is defined in
- (A) Section 2(a)
(B) Section 2(b)
(C) Section 2(c)
(D) Section 2(d)
41. Indian Contract Act, 1972 defines the term proposal (offer) as _____
- (A) A person is said to have made a proposal, when he, "signifies to another his willingness to do a particular thing only".
(B) A person is said to have made a proposal, when he, "signifies to another his willingness to do or to abstain from doing a thing, with a view to obtaining the assent of that other, to such act or abstinence".

49. Z offers to supply book at ₹ 500 each. Y accepts the same with condition of 10% discount. It is -

- (A) Counter offer
- (B) Special offer
- (C) Cross offer
- (D) Specific offer

50. Which of the following is implied offer?

- (A) A says to B will you purchase my car for ₹ 2,00,000
- (B) A advertises in newspaper offering ₹ 5,000 to anyone who returns his lost dog.
- (C) Transport company runs a bus on particular route.
- (D) Husband promises to wife to pay ₹ 5,000 p.m.

51. A bid at auction sale is -

- (A) An implied offer to buy
- (B) An express offer to buy
- (C) An invitation to offer to buy
- (D) An invitation to come to bid

52. Specific offer can be accepted by

- (A) Any person
- (B) Only by person to whom it is made
- (C) Any person who hears the offer
- (D) Any person who is willing to accept the offer

53. A general offer can be accepted by _____

- (A) Any person to whom communication reaches
- (B) Only by person to whom it is made
- (C) A person who lives nearer to person making offer
- (D) All of above

54. Offer must be such as in law -

- I. give rise to legal relationship.
- II. is capable of being accepted.

Select the correct answer from the options given below -

- (A) II but not I
- (B) I but not II
- (C) Both I and II
- (D) Neither I nor II

55. Terms of offer must be.....

- (A) Definite
- (B) Unambiguous

(C) Certain

(D) All of the above

56. Which of the following can be treated as offer (✓) and which cannot be treated as offer (✗)?

- 1. A declaration of intention & an announcement
- 2. An invitation to do business.
- 3. Newspaper advertisement

Select the correct answer from the options given below -

	1	2	3
(A)	✗	✓	✗
(B)	✓	✗	✓
(C)	✓	✓	✓
(D)	✗	✗	✗

57. Offer to be completed must be -

- (A) Communicated
- (B) Not required to be communicated
- (C) Declared
- (D) none of above

58. Offer must be made with a view to -

- (A) Obtaining the assent of party to whom it likely to be made.
- (B) Rejected by other party
- (C) Make trouble to other party
- (D) Make happy to the person to whom it is made

59. Offer should not contain a term of which may be assumed to amount to acceptance.

- (A) non-compliance
- (B) compliance
- (C) positive condition
- (D) negative condition

60. An offer may be distinguished from -

- (A) A declaration of intention
- (B) An announcement
- (C) Both (A) & (B)
- (D) None of above

61. An offer may be distinguished from -

- (A) An invitation to make an offer
- (B) An invitation to do business
- (C) An invitation to perform agreement
- (D) Both (A) & (B)

62. Which of the following is/are example of invitation to make an offer?

- (i) Distribution of price list by a seller
- (ii) Menu card of a restaurant showing the rates of food items
- (iii) Employment advertisement

Select the correct answer from the options given below -

- (A) (i) & (ii)
 - (B) (ii) & (iii)
 - (C) (iii) & (i)
 - (D) All of the above are correct
63. In a self service departmental store, customer pick-up goods and take them to the cashier desk to pay. The customer's action to pick up particular goods is -
- (A) Invitation to offer
 - (B) Offer
 - (C) Bid
 - (D) Acceptance

64. Which of the following is/are example of invitation to make an offer?

- (A) Railway time table showing the timing of trains and respective fares.
- (B) Issue of prospectus by a public company inviting the public to subscribe for share or debenture.
- (C) Distribution of price list by a seller
- (D) All of above

65. Notices of Tender in newspapers by Government or other bodies are -

- (A) Invitation to offer
- (B) Offer
- (C) Proposal
- (D) Acceptance

66. An auctioneer advertised in the newspaper that a sale of office furniture will be held at Bangalore. Ajay, a broker of Mumbai, reached Bangalore on the appointed date and time. But the auctioneer withdrew all the office furniture from the auction sale. The broker sued for his loss of time and expenses. Will he succeed?

- (A) Yes. An auction is an offer hence Ajay will succeed in getting compensation from the auctioneer.
- (B) Yes. As it is not fault of Ajay and he has incurred his time and expenses for reaching at destination of auction at Bangalore.

(C) No. Such an auction is not an offer; it is only an invitation to offer. Ajay will not succeed in getting compensation from the auctioneer.

(D) Both (A) & (B)

67. _____ is expression of initial intention.

- (A) Invitation to offer
- (B) Offer
- (C) Proposal
- (D) Acceptance

68. _____ is expression of final willingness to perform promise.

- (A) Invitation to offer
- (B) Offer
- (C) Proposal
- (D) Acceptance

69. When two parties make identical offers to each other, in ignorance of each others offer, the offers are -

- (A) Counter offers
- (B) Cross offers
- (C) Specific offers
- (D) General offers

70. Identify which of the following statement is true and which is false?

- X. Making cross offers does result into valid contract.
- Y. Every agreement is contract but every contract is not agreement.

Select the correct answer from the options given below -

	X	Y
(A)	False	True
(B)	True	False
(C)	False	False
(D)	True	True

71. Offer to an original offer is known as -

- (A) Counter offer
- (B) Cross offer
- (C) Specific offer
- (D) General offer

72. When counter offer is made, original offer -

- (A) Becomes effective
- (B) Comes to an end

- (C) Becomes valid contract
(D) Automatically becomes valid
73. Ram invites Shyam for his son's wedding. Shyam accepts the invitation. In this case, there is -
(A) Agreement
(B) Contract
(C) Acceptance
(D) Offer
74. A company announced a reward of ₹ 10,000 to anyone who contracted influenza after using its Smoke Balls for a certain period. Mrs. Karina Khan used the Smoke Balls but contracted influenza. She claimed the reward but the company rejected her claim stating that she didn't communicate her acceptance to the company. Here -
(A) There is no claim since reward cannot be given for contracting diseases.
(B) Acceptance need not be communicated and hence reward can be claimed.
(C) Offer is not communicated and hence reward cannot be claimed.
(D) Acceptance is not communicated and hence reward cannot be claimed.
75. Taxmann Publication offered books only to ICSI/ICAI Council members. This offer is generally known as -
(A) General offer
(B) Specific offer
(C) Open offer
(D) Implied offer
76. Lokesh offered to take a house on lease for period of 5 years at ₹ 1,20,000 p.a. if the house was - "properly repaired and rooms were handsomely decorated". In this case there is no offer since -
(A) the offer is conditional
(B) there is no legal obligation
(C) there is no communication of offer
(D) the terms of the offer are too vague
77. An offer that has been communicated properly continues as such until -
(1) It lapse
(2) It is revoked
(3) It is rejected or accepted
Select the correct answer from the options given below -
(A) (1) only
(B) (2) only
(C) (3) only
(D) All of the above
78. An offer comes to an end _____
(A) If offer is accepted within the specified time
(B) If offer is accepted in prescribed mode or if no mode is prescribed in some usual and reasonable manner
(C) If acceptor fails to fulfil a condition precedent
(D) None of the above
79. An offer comes to an end
(A) By communication of notice of revocation by the offeror
(B) Lapse of time
(C) By non-fulfilment of a condition precedent by the offeree
(D) Any of the above
80. An offer continue to exist -
(A) By death or insanity of the offeror.
(B) If a counter-offer is made.
(C) If an offer is not accepted according to the prescribed or usual mode.
(D) None of the above.
81. A tender will be irrevocable where -
(A) Tenderer has, for some consideration, promised not to withdraw
(B) There is a statutory prohibition against withdrawal
(C) Either (A) or (B)
(D) Neither (A) nor (B)
82. An offer comes to an end _____
(A) By change in law
(B) By non-fulfilment of condition precedent by offeree
(C) By communication of notice of revocation by the offeror
(D) All of above
83. Which of the following definition of acceptance is correct as per Section 2(b)?
(A) A proposal or offer is said to have been accepted when the person to whom the proposal is not made signifies his assent to the proposal to do something.
(B) A proposal or offer is said to have been accepted when the person to whom the proposal is made signifies his assent to

the proposal to do or not to do something subject to certain condition.

- (C) A proposal or offer is said to have been accepted when the person to whom the proposal is made signifies his assent to the proposal to do or not to do something.
- (D) A proposal or offer is said to have been accepted when the person to whom the proposal is made or any other person signifies his conditional assent to the proposal to do or not to do something.
- 84. Acceptance-**
- I. may be express
 - II. may be implied
 - III. need not be communicated
 - IV. inferred from the circumstances of the case
- Select the correct answer from the options given below -*
- (A) I & II only
- (B) II & IV only
- (C) III only
- (D) IV, II & I
- 85. When offer is made to particular person it can be accepted by -**
- (A) Any person from public
- (B) Any member of his family
- (C) Him alone
- (D) Any other person to whom offeree may allow
- 86. General offer can be accepted by -**
- (A) Any person from public to whom the communication offer reaches
- (B) Particular person
- (C) Family members of person making offer
- (D) None of above
- 87. Which of the following statement is false? An acceptance**
- (A) must be communicated
- (B) must be absolute & unconditional
- (C) must be accepted by a person having authority to accept
- (D) may be presumed from silence of offeree.
- 88. Acceptance must be given -**
- (A) within one year from the date of receiving offer
- (B) within prescribed time

(C) if no time limit is prescribed, it must be given within a reasonable time

(D) (B) or (C)

- 89. Which of the following sentences is true?**
- (A) Acceptance must not be communicated to the offeror
- (B) Acceptance must not be according to prescribed mode.
- (C) Acceptance must be within a reasonable time
- (D) All of above
- 90. Which of the following statement is TRUE?**
- (A) An offer cannot precede acceptance.
- (B) Acceptance must be given before the offer lapses or before offer is withdrawn.
- (C) Acceptance can be implied from silence.
- (D) Acceptance is a train of gunpowder while offer is lighted match.
- 91. Which of the following statement is TRUE?**
- (A) Acceptance must be qualified.
- (B) Acceptance need not be communicated to the offeror.
- (C) Acceptance must be according to the mode prescribed/usual and reasonable mode.
- (D) Acceptance need not to show an intention on the part of the acceptor to fulfil terms of the promise.
- 92. Which of the following statement is TRUE?**
- (A) Acceptance must be given within a prescribed time.
- (B) Acceptance cannot precede an offer.
- (C) Acceptance must show an intention on the part of the acceptor to fulfil terms of the promise.
- (D) All of above
- 93. Which of the following statement is TRUE?**
- (A) Acceptance must be given by the party to whom the offer is made.
- (B) Acceptance must be given before the offer lapses or offer comes to an end.
- (C) Acceptance cannot be implied from silence.
- (D) All of above
- 94. Which of the following statement is INCORRECT?**
- (A) Acceptance can precede an offer
- (B) Acceptance must be given before the offer lapse or before offer is withdrawn

- (C) Acceptance can be implied from silence
(D) (A) & (C)
95. Which of the following statement is FALSE?
(A) Acceptance need not be given within prescribed time.
(B) Acceptance cannot precede an offer.
(C) Acceptance must show an intention on the part of the acceptor to fulfil terms of the promise.
(D) All of above
96. Suresh offered to reward to anyone who will return his lost dog. Firoz bring the dog to Suresh without having heard of the offer. Firoz is not entitled to the reward since -
(A) Acceptance cannot precede the offer
(B) Offer was not made to an ascertained persons
(C) Suresh has to find the dog himself
(D) No reward can be given for the return of lost dog.
97. A tender to supply goods as and when required, amounts to a -
(A) Standing offer
(B) Personal offer
(C) Private offer
(D) Implied offer
98. A standing offer is also known as -
(A) Definite offer
(B) Continuing offer
(C) Private offer
(D) Personal offer
99. If a passenger on a railway train receives a ticket on the face of which is printed "*this ticket is issued subject to the notices, regulations and conditions contained in the current time-tables of the railway*". With reference to above, which of the following statement is correct?
(A) The regulations and conditions referred to are deemed to be communicated.
(B) This may be treated as valid communication if offeree & offeror treats as valid communication.
(C) Railway is not liable for the loss caused to passengers.
(D) The regulations and conditions referred to are not deemed to be communicated.
100. Rani, by a letter dated 10th January, 2019 offers to sell house to Raja for ₹ 50 lakhs. The letter reaches to Raja on 14th January, 2019, who post his acceptance on 19th January, 2019 which reaches to Rani on 26th January, 2019. Here, the communication of offer is completed on -
(A) 10th January, 2019
(B) 14th January, 2019
(C) 19th January, 2019
(D) 26th January, 2019
101. Rani, by a letter dated 10th January, 2019 offers to sell house to Raja for ₹ 50 lakhs. The letter reaches to Raja on 14th January, 2019, who post his acceptance on 19th January, 2019 which reaches to Rani on 26th January, 2019. Here, the communication of acceptance as against Raja is completed on -
(A) 10th January, 2019
(B) 14th January, 2019
(C) 19th January, 2019
(D) 26th January, 2019
102. Rani, by a letter dated 10th January, 2019 offers to sell house to Raja for ₹ 50 lakhs. The letter reaches to Raja on 14th January, 2019, who post his acceptance on 19th January, 2019 which reaches to Rani on 26th January, 2019. Here, the communication of acceptance as against Rani is completed on -
(A) 10th January, 2019
(B) 14th January, 2019
(C) 19th January, 2019
(D) 26th January, 2019
103. Mohan agreed to sell his property to Nitin by written agreement which stated that - this offer is valid till Sunday 12 p.m. In meantime on Wednesday, Mohan enters into contracts to sell property to Omprakash. Nitin, who was sitting in the next room, hears about the deal between Mohan and Omprakash. On Saturday, Nitin accept the offer and deliver the letter of acceptance. Is Nitin's acceptance valid?
(A) No, since offer is revoked by Mohan
(B) Yes, since overhearing by Nitin does not amount to valid revocation by Mohan
(C) No, since Omprakash has a clear title to the property
(D) Facts of the case are not sufficient and hence cannot be answered.

Consideration

104. Consideration is one of the _____ element to support a contract.

- (A) Non-required
- (B) Not essential
- (C) Essential
- (D) None of above

105. An agreement made without consideration is -

- (A) Illegal
- (B) Voidable
- (C) Void
- (D) Social

106. Consideration may be in form of -

- 1. Right
- 2. Good feelings
- 3. Forbearance
- 4. Detriment
- 5. Happiness
- 6. Best wishes

Select the correct answer from the options given below -

- (A) 1, 3, 4 & 5
- (B) 2, 5 & 6
- (C) 1 & 3 only
- (D) 4, 1 & 3

107. Consideration may be defined as

- (A) Something for anything
- (B) Something for nothing
- (C) Something in return
- (D) Something for money

108. Consideration must move at the desire of -

- (A) Promisee
- (B) Promisor
- (C) Debtor
- (D) Third party

109. Consideration need not be _____

- (A) Inadequate
- (B) Adequate
- (C) Less than consideration that other party has received.
- (D) More than consideration that other party has received.

110. Which of the following statements are FALSE?

- (1) Consideration must move at the desire of the promisor.

(2) Consideration need to be adequate.

(3) Consideration must move the desire of promisee.

(4) Consideration may be in form of an act, abstinence or forbearance or a return promise.

Select the correct answer from the options given below -

- (A) 1 & 2
- (B) 2 & 3
- (C) 3 & 4
- (D) 4 & 5

111. Exceptions to rule - "No consideration no contracts" are contained in _____ of Indian Contract Act, 1872.

- (A) Section 10
- (B) Section 27
- (C) Section 25
- (D) Section 15

112. Father promised to pay his son a sum of ₹ 1,00,000 if the son passes CS examination in first Attempt. The Son passed the examination in first attempt, but father failed to pay the amount as promised. Which of the following statement is correct in relation to this case?

- (A) Agreement is void as it not supported by consideration.
- (B) Agreement does not create legal relations between son & father.
- (C) Son cannot recover ₹ 1,00,000 from father.
- (D) All of above

113. Which of the following statement is TRUE?

- (A) Consideration must result in a benefit to both parties.
- (B) Past consideration is no consideration in India.
- (C) Consideration must be adequate.
- (D) Consideration must not be something, which a promisor is already bound to do.

114. Which of the following statement is false?

- (A) Generally, a stranger to a contract cannot sue.
- (B) A verbal promise to pay time barred debt is valid.
- (C) Completed gifts need no consideration.
- (D) No consideration is necessary to create an agency.

- 115.** Which of the following statement is true?
 (A) There can be a stranger to a contract.
 (B) There can be a stranger to a consideration.
 (C) There can be a stranger to a contract & consideration.
 (D) None of above
- 116.** Consideration may be -
 (I) A positive act to do something
 (II) An act of abstinence
 (III) Return Promise
Select the correct answer from the options given below -
 (A) (I) & (II) but not (III)
 (B) (I) & (III) but not (II)
 (C) (I) only
 (D) None of the above option is correct
- 117.** Consideration must be real.
 (A) True
 (B) False
 (C) Partly true
 (D) None of above
- 118.** Consideration must not be _____
 (A) Vague
 (B) Indefinite
 (C) Illusory
 (D) All of above
- 119.** If the consideration is unlawful, the agreement is -
 (A) Void
 (B) Valid
 (C) Enforceable
 (D) Valid in certain cases
- 120.** An agreement without consideration is valid if it is between parties standing in a near relation to each other
 (A) Expressed in writing
 (B) Registered
 (C) Made out of natural love and affection
 (D) All of above
- 121.** An agreement without consideration is valid if it is made to compensate a person who has already done something voluntarily for the promisor, or done something which the promisor was legally compellable to do.
 (A) True
 (B) False
 (C) Partly true
 (D) None of above
- 122.** In the case of gift actually made, consideration is necessary.
 (A) True
 (B) False
 (C) Partly true
 (D) None of above
- 123.** A, for natural love and affection, promises to give his son B ₹ 10,000. A put his promise to B into writing and registered it. This is
 (A) Not a contract
 (B) A Contract
 (C) Not valid contract
 (D) It shows the love & affection of father towards his son.
- 124.** As per decision in *Rajlucky Deb v. Bhootnath*, where a husband by a registered document, after referring to quarrels and disagreement between himself and his wife, promised to pay his wife a sum of money for her maintenance and separate residence; The promise was
 (A) Enforceable, as it was a registered document.
 (B) Enforceable, as it was a duty of husband to maintain his wife.
 (C) Unenforceable, as it was not made for love and affection.
 (D) Unenforceable, as husband privately cannot make a contract to pay maintenance to his wife.
- 125.** A gratuitous promise to subscribe to a charitable cause -
 (A) cannot be enforced
 (B) can be enforced
 (C) is valid contract
 (D) always enforceable
- 126.** As per decision in *Kedar Nath v. Gorie Mohan*, in case of charitable subscription where the promisee on the strength of promise makes a commitment i.e. changes his position to his detriment. Such gratuitous promise -
 (A) cannot be enforced
 (B) can be enforced
 (C) are unlawful
 (D) are always void

127. Identify which of the following statement is true (✓) and which is false (✗)?

- L. The Court will not enforce a contract the terms of which are uncertain.
- M. An agreement to agree in the future constitute a binding contract.
- N. A contract to contract is not a contract.

Select the correct answer from the options given below-

	L	M	N
(A)	✓	✗	✗
(B)	✗	✗	✓
(C)	✗	✓	✗
(D)	✓	✗	✓

128. A contract is always based upon -

- (A) An unqualified acceptance of a definite offer
- (B) An intent to create legal obligations
- (C) Consideration
- (D) All of above

129. Which of the following statement is correct (✓) and which is incorrect (✗)?

- (i) The maxim "quid pro quo" means lawful consideration.
- (ii) Consent not deemed to free when it is vitiated by misrepresentation.
- (iii) A person entering into contract must be major and sound mind.
- (iv) The maxim 'consensus-ad-idem' means that the parties to the contract must agree upon the same thing in same sense.

Select the correct answer from the options given below-

	(i)	(ii)	(iii)	(iv)
(A)	✓	✓	✓	✓
(B)	✓	✓	✗	✓
(C)	✓	✗	✓	✓
(D)	✗	✓	✓	✓

130. An executory consideration -

- (A) is an outstanding liability on both the parties.
- (B) is a promise for promise
- (C) consists of promise in future
- (D) all of the above

131. An executed consideration -

- (A) can be positive or negative
- (B) liability outstanding one side only

(C) is an act or actual forbearance against future promise.

(D) all of the above

132. Past consideration is valid in -

- (A) England only
- (B) India only
- (C) Neither England nor India
- (D) Both England and India

133. A promise to pay time barred debt can be enforced if -

- A. It is writing
- B. It is signed by the debtor or his authorized agent.

Select the correct answer from the options given below-

- (A) A only
- (B) B only
- (C) Both A and B
- (D) Neither A nor B

134. Sagar who badly in need of money offered to sell his car worth ₹ 8,00,000 to Lala for ₹ 5,00,000. Lala refused to buy. Sagar gradually lowered his price until it reached ₹ 2,00,000, which Lala accepted. Before the car delivered Sagar received an offer of ₹ 6,00,000 from Raman and he refused to carry out the contract with Lala. Is Sagar liable to pay damages to Lala for failure to carry out his obligation?

- (A) No, as the consideration was inadequate Sagar cancelled the contract.
- (B) Yes, Sagar is liable to pay damages to Lala for failure to carry out his obligation
- (C) No, as the contract was made due to undue influence
- (D) Any of the above

135. XYZ Ltd. is manufacturer of pencils, advertised in news paper that if any one sells the pencil below ₹ 10 strict action will be taken. Rohit read the advertisement but forget and sold pencils in his retail shop at ₹ 9. Advice XYZ Ltd.

- (A) XYZ Ltd. can take a serious action against Rohit because he read advertisement before selling.
- (B) XYZ Ltd. cannot take any action as it is an unintentional mistake.
- (C) XYZ Ltd. cannot take any action as there is no privity of contract.

- (D) XYZ Ltd. can take a serious action against Rohit because it was clearly written in news paper.

Flaws in Contract

136. The agreement may be treated as of no effect and it will then be known as -
 (A) Void contract
 (B) Void agreement
 (C) Voidable contract
 (D) Illegal agreement
137. The law may give the party aggrieved the option of getting out of his bargain. That is to say contract which is enforceable at the option of one party but not at the option of other party are known as -
 (A) Void contract
 (B) Void agreement
 (C) Voidable contract
 (D) Illegal agreement
138. A _____ is one which is destitute of all legal effects and not enforceable from the beginning itself.
 (A) Void agreement
 (B) Void contract
 (C) Voidable agreement
 (D) Voidable contract
139. A void agreement
 (A) Cannot be enforced
 (B) Confers no rights on either party
 (C) Can be enforced in certain cases and may confer rights if Court direct.
 (D) Cannot be enforced and confers no rights on either party
140. A contract which, ceases to be enforceable by law is known as ____
 (A) Void agreement
 (B) Void contract
 (C) Valid agreement
 (D) Voidable contract
141. _____ is an agreement, which involves the transgression of, some rule of basic public policy and is criminal in nature or immoral.
 (A) Valid contract
 (B) Implied agreement

- (C) Voidable contract
 (D) Illegal agreement

142. A _____ is one which a party can put to an end, if his consent was not free.
 (A) Void contract
 (B) Void agreement
 (C) Voidable contract
 (D) Illegal agreement
143. is one which transactions collateral to it also become tainted with illegality and are, therefore, not enforceable.
 (A) Void contract
 (B) Valid agreement
 (C) An illegal agreement
 (D) An illegal contract
144. The chief flaw in contract is/are
 (A) Mistake
 (B) Presentation
 (C) Honesty
 (D) All of the above

145. The chief flaw in contract is/are -
 1. Fraud
 2. Consent
 3. Undue influence
 4. Coercion
 5. Mistake

Select the correct answer from the options given below -

- (A) 1, 2, 3 & 4
 (B) 2, 3, 1 & 5
 (C) 1, 3 & 4
 (D) 5, 4, 3 & 1

146. The chief flaw in contract is/are -
 (A) Illegality
 (B) Impossibility
 (C) Incapacity
 (D) All of above

147. Who are not competent to make a contract?
 1. Minor
 2. A person of sound mind
 3. A person disqualified under any law

Select the correct answer from the options given below -

- (A) 1 & 2
 (B) 2 & 3

- (C) 2 only
(D) 3 & 1
148. Every person is competent to contract if _____
(A) He is major
(B) He is of sound mind
(C) He has not been disqualified to contract under any law
(D) All of above
149. A minor is a person who has not completed _____ years of the age.
(A) 16
(B) 18
(C) 14
(D) 25
150. In which of the following case the person continues to be a minor until he completes his age of 21 years?
A. In case a guardian has been appointed to the minor
B. Where the minor is under the guardianship of the Court of Wards
- Select the correct answer from the options given below -
(A) Neither A nor B
(B) B only
(C) Both A and B
(D) A only
151. In which of the case it was laid down by the Privy Council that a minor has no capacity to contract and minors contract is absolutely void?
(A) *Mohiri Bibi vs. Dharmodas Ghose*
(B) *Mohiri Rani vs. Dharmodas Gore*
(C) *Mohini Bibi vs. Dharmesh Ghose*
(D) *Mohan Baba vs. Dharmodas Ghose*
152. An agreement with or by minor is -
(A) Voidable at the option of minor
(B) Void *ab initio*
(C) Valid
(D) Illegal
153. Minor can be -
(I) Principal
(II) Beneficiary
(III) Promisee
(IV) Promisor

Select the correct answer from the options given below -

- (A) I, II & III
(B) II & III
(C) I & IV
(D) II only
154. Which of the following statement is correct?
(A) Minor can be promisee or beneficiary
(B) Minor can ratify the agreement entered during minority on attaining the age of majority.
(C) There can be specific performance of the agreement entered into minor.
(D) Minor can enter into a contract of partnership
155. Which of the following statement is correct?
(A) Minor can enter into a contract of partnership
(B) Minor cannot be adjudicated as insolvent
(C) Minor can be principal
(D) None of above
156. In case of supply of necessary goods or services, a minor is
(A) Personally liable
(B) Liable through his guardian
(C) Liable to pay out of his property
(D) All of above
157. Which of the following does not constitute necessary goods in relation to contracts with minor?
(A) A watch
(B) A bicycle
(C) Clothes
(D) Fancy coats
158. Which of the following constitute necessary service in relation to contract with minor?
(A) Education
(B) Medical service
(C) Legal advise
(D) All of above
159. When loan is taken by minor to obtain necessities then he is
(A) Personally liable
(B) Liable to pay out of his property
(C) Liable through his guardian
(D) All of the above

160. A minors liability for 'necessaries' supplied to him -

- (A) Arises after he attains majority
- (B) Is against only minors property
- (C) Does not arise at all
- (D) Arises if minor gives a promise for it.

161. Which of the following statement is false about minor's position in firm?

- (A) Minor cannot become a partner in an existing firm
- (B) Minor can become a partner in an existing firm
- (C) Minor can be admitted only to the benefit of any existing firm
- (D) He can become partner on becoming a major

162. A minor is liable for the _____ supplied to him.

- (A) Necessaries
- (B) Luxuries
- (C) Necessities
- (D) All the things

163. A contract with the minor, which is beneficial for him, is

- (A) Void *ab initio*
- (B) Voidable
- (C) Valid
- (D) Illegal

164. As per decision in *Rose Fernandez v. Joseph Gonzales*, if the parties are of the community among whom it is customary for parents to contract marriage for their children, then -

- (A) Such a contract would be bad in law and no action for its breach would lie.
- (B) Such a contract would be bad in law and parents are advised not to enter into such contract on behalf of minor.
- (C) Such a contract would be good in law and an action for its breach would lie, if the contract is for the benefit of the minor
- (D) None of the above is correct.

165. Identify which of the following statement is true (✓) and which is false (✗).

- (I) As per decision in *Raj Rani vs. Prem Adib*, an agreement for service, entered into by a father on behalf of his daughter who is a minor, is valid and enforceable at law.
- (II) An agreement by a parent or guardian entered into on behalf of the minor is binding

on him provided it is for his benefit or is for legal necessity.

Select the correct answer from the options given below -

	(I)	(II)
(A)	✓	✗
(B)	✗	✗
(C)	✓	✓
(D)	✗	✓

166. Teji, a minor, broke his right leg in a football match. He engaged Curewell, a doctor, to set it. In relation to this case which of the following statement is correct?

- (A) Doctor cannot have valid claim for his service
- (B) Doctor can recover the expenses from Teji's parents.
- (C) Contract with minor for rendering necessary service are valid and hence Teji's property will be liable to compensate doctor's services.
- (D) None of above

167. A person unsound mind can enter into a contract.

- (A) True
- (B) False
- (C) Partly true
- (D) None of above

168. Ramlal, an adult, said to Munna, a minor, "I will not pay the commission I promised you for selling my magazines. You are minor and cannot force me to pay." In this case

- (A) Minor should forge the commission.
- (B) Can recover the commission.
- (C) Minor should wait for attending majority.
- (D) Minor cannot recover the commission as contract with or by minor is void *ab initio*.

169. A minor can make a contract for his benefit with -

- (A) Major
- (B) Another minor
- (C) Lunatic person
- (D) Idiots

170. M, a minor fraudulently represented himself to be a major and induced X, major person, to lend him ₹ 5,00,000. Minor refused to pay it and X sued minor for his money. The contract is -

- (A) Voidable at the option of M
- (B) Voidable at the option of X

- (C) Wholly valid and M is liable to repay the amount
(D) Totally void and M is not liable to repay the amount
171. Richa a minor joined N. S. Zad classes for CS Foundation Course. The fees are ₹ 30,000. It is -
(A) Void agreement
(B) Contingent contract
(C) Valid contract
(D) Void contract
172. An agreement by lunatic when he is of unsound mind is -
(A) Valid
(B) Void
(C) Voidable
(D) Enforceable
173. An agreement by lunatic when he is of sound mind is -
(A) Valid
(B) Void
(C) Voidable
(D) None of above
174. If a contract entered into by a lunatic or person of unsound mind for his benefit, it
(A) Can be enforced
(B) Cannot be enforced
(C) Becomes voidable
(D) Becomes illegal
175. A person who is usually of sound mind, but occasionally of unsound mind -
(A) May enter into contract when he is of sound mind.
(B) May enter into contract when he is of unsound mind
(C) Cannot enter into contact at all.
(D) Can enter into a contact at all times but can plead innocence.
176. Who among the following is not disqualified by law to enter into contract?
(1) Major person
(2) Lunatic
(3) Insolvent person
(4) Diplomatic staff of foreign states
Select the correct answer from the options given below -
(A) 1 & 2
- (B) 2 & 3
(C) 3 & 4
(D) 1 & 4
177. Which of following person is/are treated as person of unsound mind?
(A) Idiots
(B) Drunken
(C) Lunatic
(D) All of above
178. Identify which of the following statement is true and which is false.
(i) A contract with alien friend is valid.
(ii) A contract with alien enemy is void.
Select the correct answer from the options given below -
- | | (i) | (ii) |
|-----|-------|-------|
| (A) | True | True |
| (B) | True | False |
| (C) | False | True |
| (D) | False | False |
179. A contract with an alien enemy becomes _____ on the outbreak of war.
(A) Unenforceable
(B) Enforceable
(C) Valid
(D) Acceptable
180. In India professional persons like Advocate & Doctors can sue their clients for their professional fees.
(A) True
(B) False
(C) Partly true
(D) None of above
181. A corporation is an artificial person created by law and its capacity and powers to contract are limited by its -
(A) Charter
(B) Memorandum of association
(C) (A) or (B)
(D) None of above
182. Any contract beyond the power of Charter or MOA is
(A) Intra vires and valid
(B) Ultra vires and void

- (C) Intra vires and void
(D) Ultra vires and valid
183. In India there is difference between a man and a woman regarding contractual capacity.
(A) True
(B) False
(C) Partly true
(D) None of above
184. Mistake may be -
(A) Mistake of fact
(B) Mistake of law
(C) Mistake as to identity of person
(D) (A) or (B) or (C)
185. Mistake of law may be
(A) Mistake of law of country
(B) Mistake of foreign law
(C) (A) or (B)
(D) None of above
186. Mistake of fact may be
(A) Mistake of law
(B) Unilateral mistake
(C) Vertical mistake
(D) Horizontal mistake
187. A contract made by mistake about Indian law, is -
(A) Void
(B) Valid
(C) Voidable
(D) Enforceable
188. When there is mistake of law of foreign country, agreement is -
(A) Void
(B) Valid
(C) Voidable
(D) Illegal
189. Where both the parties to an agreement are under mistake as to matter of fact essential to the agreement, there is -
(A) Unilateral mistake
(B) Mistake of foreign law
(C) Bilateral mistake
(D) Mistake as to identity of person
190. When in a contract only one of the parties is at mistake it is called as -
(A) Unilateral mistake
(B) Mistake of foreign law
(C) Bilateral mistake
(D) Mistake as to Identity of person
191. To be operative so as to render the contract void, the mistake must be
(A) Of fact, and not of law or opinion
(B) The fact must be essential to agreement
(C) Must be on the part of both the parties
(D) All of above
192. Where both parties believe the subject matter of the contract to be in existence but in fact, it is not in existence at the time of making the contract, there is
(A) Mistake as to quantity of the subject matter
(B) Mistake as to existence of the subject matter
(C) Mistake as to quality of the subject matter
(D) Mistake as to Identity of particular person
193. Where there is mistake as to existence of the subject matter, the contract is
(A) Valid
(B) Voidable
(C) Void
(D) Illegal
194. Where the parties are not in agreement to the identity of the subject matter there is
(A) Mistake as to quantity of the subject matter
(B) Mistake as to existence of the subject matter
(C) Mistake as to quality of the subject matter
(D) Mistake as to identity of the subject matter
195. Mistake as to identity of the subject matter, the contract is -
(A) Valid & enforceable
(B) Voidable & enforceable
(C) Void and not enforceable
(D) Valid and not enforceable
196. The facts of *Henkel vs. Pape* were: P wrote to H inquiring the price of rifles and suggested that he might buy as many as 50. On receipt of a reply he wired send 3 rifles. Due to the mistake of the telegraph clerk the message transmitted to H was send the rifles. H dispatched 50 rifles. There was
(A) No contract between the parties
(B) Contract between the parties

- (C) Contract between the parties and P is liable to pay for 50 rifles.
- (D) Contract between the parties and P is liable to pay for 3 rifles.

Misrepresentation, Fraud, Coercion & Undue Influence

197. is a false statement which the person making it honestly believes to be true.

- (A) Fraud
- (B) Misrepresentation
- (C) Coercion
- (D) Undue influence

198. As per Section 17, which of the following acts committed by a party to a contract with intent to deceive other party or induce him to enter into the contract will be treated as fraud?

- (a) Knowingly making a false statement.
- (b) Actively concealing a material fact
- (c) Making a promise without any intention of performing it.

Select the correct answer from the options given below -

- (A) (a)
- (B) (b)
- (C) (c)
- (D) All of above

199. When one of the party to contract commits a misrepresentation or fraud, contract is _____

- (A) Voidable
- (B) Void at the option of party misrepresented or defrauded.
- (C) Illegal at the option of party misrepresented or defrauded.
- (D) Unlawful

200. In order to avoid a contract on the ground of misrepresentation, it is necessary to prove that -

- (A) There was no representation or assertion.
- (B) Any assertion made has induced the party aggrieved to enter into the contract.
- (C) The assertion was related to a matter of fact.
- (D) All of above

201. In order to avoid a contract on the ground of misrepresentation, it is necessary to prove that:

- (A) There was a representation or assertion.

(B) The statement was not a mere opinion or hearsay.

(C) The statement was made with an honest belief in its truth.

(D) All of above

202. The aggrieved party, in case of misrepresentation or fraud by the other party can -

1. Avoid but cannot rescind the contract.
2. Accept contract but insist that he shall be placed in the position in which he would have been if the representation made had been true.
3. Accept contract but cannot insist that he shall be placed in the position in which he would have been if the representation made had been true.
4. Avoid or rescind the contract.

Select the correct answer from the options given below -

- (A) 1 & 3
- (B) 1 & 2
- (C) 2 & 4
- (D) 3 & 4

203. Ajeet, owner of an apple orchard, believes that all the apple trees in his orchard are fruit-bearing trees. However, he has no sufficient ground for his belief. Even then, Ajeet states to Baljeet that his orchard has all fruit-bearing trees. Induced by this statement, Baljeet purchases the orchard. Later on, it is found that only 50% trees are fruit-bearing. In this case Ajeet has made -

- (A) Fraud
- (B) Misrepresentation
- (C) Coercion
- (D) Undue influence

204. K, who is-trying to sell an unsound horse, forges a Veterinary Surgeon's certificate stating the horse to be sound and pins it on the stable door. P comes to examine the horse but the certificate goes unnoticed by him. P buys the horse and finds later on the horse to be unsound.

- (A) P can avoid the agreement as it sufficient that K attempted to defraud by putting up the surgeon's forged certificate as to the soundness of the horse
- (B) P cannot avoid the agreement as though K attempted to defraud by putting up the surgeon's forged certificate as to the soundness of the horse, P was not influenced by it.

- (C) P can avoid the agreement as it sufficient that K attempted to defraud by putting up the surgeon's forged certificate as to the soundness of the horse and it is immaterial that P was influenced by it or not.
- (D) P cannot avoid the agreement as agreement is valid one.
- 205.** In which of the following case, damages are obtainable if there is misrepresentation?
- (A) From a promoter or director who makes innocent misrepresentation in a company prospectus inviting the public to subscribe for the shares in the company
- (B) Against an agent who commits a breach of warranty of authority
- (C) Negligent representation made by one person to another between whom a confidential relationship, like that of a solicitor and client exists.
- (D) All of above
- 206.** _____ is an untrue statement made knowingly or without belief in its truth or recklessly, carelessly, whether it be true or false with the intent to deceive.
- (A) Fraud
- (B) Misrepresentation
- (C) Coercion
- (D) Undue influence
- 207.** The chief ingredient(s) of a fraud is/are:
- (A) A false representation or assertion
- (B) Made with the intention that it should be acted upon
- (C) The representation must have actually induced the other party to enter into the contract and so deceived him
- (D) All of above
- 208.** *Statement I:*
As a general rule, mere silence amount to fraud.
Statement II:
The injured party can only avoid the contract and cannot get damages for innocent misrepresentation.
Select the correct answer from the options given below -
- (A) Statement I is true but Statement II is false
- (B) Statement II is true but Statement I is false
- (C) Both Statement I and II are true
- (D) Both Statement I and II are false
- 209.** In which of following case silence amounts to fraud?
- (A) If having regard to the circumstances of the case, it is the duty of the person keeping silence to speak
- (B) Where silence is, in itself, equivalent to speech
- (C) If seller fails to inform the buyer as to a latent defect his silence amounts to fraud
- (D) All of above
- 210.** Fraud implies intent to, which is lacking if it is misrepresentation.
- (A) Deceive, innocent
- (B) Innocent, innocent
- (C) Deceive, Deceive
- (D) Innocent, Deceive
- 211.** In _____ the plaintiff can avoid or rescind the contract. In _____, the plaintiff can claim damages as well.
- (A) Fraud, true presentation
- (B) Misrepresentation, fraud
- (C) Fraud, misrepresentation
- (D) None of above
- 212.** _____ may lead to prosecution for an offence of cheating under the Indian Penal Code.
- (A) Fraud
- (B) Misrepresentation
- (C) True presentation
- (D) None of above
- 213.** is the committing or threatening to commit any act forbidden by the Indian Penal Code, 1860.
- (A) Coercion
- (B) Fraud
- (C) Misrepresentation
- (D) Undue influence
- 214.** A contract is said to be induced by, where the relations subsisting between the parties are such that one of the parties is in a position to dominate the will of the other and uses that position to obtain an unfair advantage over the other.
- (A) Coercion
- (B) Fraud
- (C) Misrepresentation
- (D) Undue influence

215. Consent is not said to be free when it is not caused by
 (A) Coercion
 (B) Undue influence
 (C) Fraud
 (D) All of these
216. When a person is compelled to enter into a contract by the use of force _____ is said to be employed.
 (A) Fraud
 (B) Undue influence
 (C) Coercion
 (D) Mistake
217. Criminal act is involved in _____.
 (A) Mistake
 (B) Misrepresentation
 (C) Coercion
 (D) Both (B) & (C)
218. Threat to commit suicide
 (A) Amounts to coercion
 (B) Amounts to undue influence
 (C) Punishable under Indian Penal Code, 1860
 (D) (A) and (C) of the above
219. A threatens to kill B, if he does not lend ₹ 1,00,000 to him. B agreed to lend the amount to A. In relation to this case which of the following is correct?
 (A) A employs coercion on B.
 (B) Contract is voidable at the option of B
 (C) A must restore back the amount lend to B
 (D) All of above
220. Which of the following relationship does NOT raise presumption of undue influence?
 (A) Fiancé & fiancée
 (B) Trustee & beneficiary
 (C) Landlord & tenant
 (D) Parent & child
221. Which of the following relationship raise presumption of undue influence?
 (i) Parent & child
 (ii) Guardian & ward
 (iii) Debtor & creditor
 (iv) Trustee & beneficiary
 (v) A person & his close friend
- Select the correct answer from the options given below -*
 (A) (i), (iii) & (iv)
 (B) (ii), (v) & (iii)
 (C) (ii), (iii) & (v)
 (D) (iv), (i) & (ii)
222. Which of the following relationship raise presumption of undue influence?
 (A) Religious adviser & disciple
 (B) Doctor & patient
 (C) Solicitor & client
 (D) All of above
223. Which of the following relationship does not raise presumption of undue influence?
 (A) Debtor & creditor
 (B) Parent & child
 (C) Fiancé & fiancée
 (D) (A) and (B) of above
224. When there is undue influence contract is -
 (A) Void
 (B) Voidable at option of one party
 (C) Voidable at option both parties
 (D) None of above
225. Coercion is mainly of _____ character.
 (A) Moral
 (B) Physical
 (C) Illegal
 (D) Moral as well as physical
226. Undue influence is of character.
 (A) Moral
 (B) Physical
 (C) Illegal
 (D) Moral as well as physical
227. The principles to be applied to transactions with parda-nashin woman are founded on equity and good conscience and accordingly a person who contracts with parda-nashin woman has to prove that
 (A) No undue influence was used
 (B) She had free and independent advice
 (C) She had fully understood the contents of the contract and exercised her free will
 (D) All of above
228. A, by a misrepresentation, leads B erroneously to believe that, five hundred maunds of indigo

are made annually at A's factory. B examines the accounts of the factory, which show that only four hundred maunds of indigo have been made. After this B buys the factory.

- (A) The contract is voidable on account of A's misrepresentation.
- (B) The contract is not voidable as there is no undue influence by A misrepresentation.
- (C) The contract is not voidable on account of A's misrepresentation.
- (D) The contract is voidable on account of A's coercion.

229. Coercion includes -

- (A) menace to goods
- (B) causing fear
- (C) physical compulsions
- (D) all of the above

230. Any breach of duty without an intent to deceive constitutes -

- (A) Suppression of facts
- (B) Breach of contract
- (C) Misrepresentation
- (D) Fraud

Legality of Object

231. One of the requisites of a valid contract is that the object should be -

- (A) Lawful
- (B) Unlawful
- (C) Illegal
- (D) Unenforceable

232. Section 23 provides that the consideration or object of an agreement is lawful unless

- (A) It is forbidden by law
- (B) It is of such nature that if permitted it would defeat the provisions of law
- (C) It is fraudulent
- (D) All of above

233. If the object of an agreement is the performance of an unlawful act, the agreement is _____

- (A) Unenforceable
- (B) Valid
- (C) Voidable
- (D) Enforceable

234. In which of the following cases consideration or object of an agreement is unlawful?

- A. If it involves or implies injury to the person or property of another
- B. If one of the party to contract regards it as immoral
- C. If it is opposed to public policy

Select correct answer from the options given below -

- (A) A & B
- (B) B & C
- (C) C & A
- (D) All of the above are correct

235. A agrees to pay ₹ 1,00,000 to B, if he procures an employment for A in Income Tax Department. This agreement is

- (A) Void
- (B) Valid
- (C) Voidable
- (D) Contingent

236. Atul, Bhuvan, Chinmay enter into an agreement to cheat the people and to divided the gain acquired, but latter Chinmay refuses to act, which of the following is correct?

- (A) As agreement is already entered, Chinmay must help to Atul & Bhuvan for cheating the people.
- (B) Atul & Bhuvan can continue to cheat the people and divide the gain between them.
- (C) Agreement can be enforced against Chinmay.
- (D) Agreement is void and cannot be enforced, as the object is fraudulent.

237. An agreement which involves or implies injury to the person or property of another is -

- (A) Valid
- (B) Void
- (C) Voidable
- (D) Enforceable

238. An agreement is void if the object of agreement is _____

- (A) Moral
- (B) Immoral
- (C) Lawful
- (D) All of above

239. A married woman was given money to enable her to obtain divorce from her husband and then to marry the lender - which of the following is correct?

- (A) If women fail to give the money back she must marry the money lender.
 (B) Women should divorce with her husband and then should marry the money lender.
 (C) Money lender can recover back the amount
 (D) Money lender cannot recover back the amount.
- 240.** Where the consideration is an act of sexual immorality, the agreement is -
 (A) Void
 (B) Unlawful
 (C) Immoral
 (D) All of above
- 241.** Identify which of the following statement is true and which is false.
 I. A void contract is one which is destitute of legal effects altogether.
 II. An illegal contract has no legal effect as between the immediate parties to the contract, but has the further effect of tainting the collateral contracts with illegality.
- Select the correct answer from the options given below -*
 (A) Both Statement I and Statement II are true
 (B) Both Statement I and Statement II are false
 (C) Statement I is true but Statement II is false
 (D) Statement I is false but Statement II is true
- 242.** Consequence of illegal agreements
 (A) An illegal agreement is entirely void
 (B) No action can be brought by a party to an illegal agreement.
 (C) Money paid or property transferred under an illegal agreement cannot be recovered.
 (D) All of above
- 243.** Mahesh promises to give Raju 2 kg. opium if he destroys the property of Naresh. In this case -
 (A) There is unlawful consideration
 (B) There is unlawful object
 (C) There is unlawful consideration and object is partly lawful
 (D) Both consideration and object are unlawful
- 244.** A's estate is sold for arrears of revenue. As per the Law, the defaulter is prohibited from purchasing it. B agrees to purchase the estate and convey it back to A for the price which B has paid. The agreement is -
 (A) Legal
 (B) Valid
 (C) Voidable
 (D) Void
- 245.** If illegal part can be severed from legal part of covenant, the contract is -
 (A) Void in respect of illegal part
 (B) Void in respect of legal part also
 (C) Altogether void
 (D) Fully void
- Agreements Opposed to Public Policy**
- 246.** Which of the following agreement are void as being against public policy?
 (A) Agreement in restraint of parental rights
 (B) Agreement in restraint of marriage
 (C) Marriage brokerage agreements
 (D) All of above
- 247.** Which of the following agreement are void as being against public policy?
 (A) Agreements in restraint of personal freedom
 (B) Agreement in restraint of trade
 (C) Agreement in restraint of parental rights
 (D) All of above
- 248.** Every agreement by which any one is restrained from exercising a lawful _____ of any kind is, to that extent, void.
 (A) Profession
 (B) Trade
 (C) Business
 (D) All of above
- 249.** Every agreement by which any one is restrained from exercising a lawful profession, trade or business of any kind is, to that extent, _____
 (A) Voidable
 (B) Void
 (C) Illegal
 (D) Valid
- 250.** If a restraint is reasonable, it will be valid. This was held in famous case -
 (A) *Nordenfelt vs Maxim Nordenfelt Guns Co.*
 (B) *Salomon vs Salomon & Co. Ltd.*
 (C) *Mohiri Bibi vs Dharmodas Ghose*
 (D) *All of above*
- 251.** Agreements in restraint of trade are valid, if restriction imposed are -

- (A) Unreasonable
(B) Reasonable
(C) Conditional
(D) None of above
252. Which of the following is correct?
(A) An agreement in restraint of trade is always void.
(B) An agreement in restraint of trade is void even if restrictions imposed are reasonable.
(C) An agreement in restraint of trade is valid even if restriction imposed was unreasonable.
(D) None of above
253. Sohan, a seller of imitation jewellery, sells his business to Bhuvan and promises, not to carry on business in imitation and real jewellery. The agreement is -
(A) Valid with regard to imitation jewellery and void as regard to real jewellery
(B) Void with regard to imitation jewellery and valid as regard to real jewellery
(C) Wholly void
(D) Fully void
254. Execution of a bond requiring employee leaving the organization to pay compensation to employer is -
(A) Voidable agreement
(B) Void agreement
(C) Unenforceable agreement
(D) Valid agreement
255. Lala says to Bala, "I shall sell my car; will you buy". Bala says, "Yes, I shall buy". The agreement is void due to -
(A) Uncertainty of meaning
(B) Uncertainty of subject matter
(C) Uncertainty of existence of subject matter
(D) Uncertainty of price
256. In case of illegal agreement, collateral transactions are -
(A) Also void
(B) Not affected
(C) Valid
(D) Enforceable
257. An agreement whereby one party assists another in recovering money or property and in turn share in the proceeds of the action is called -
(A) Champerty
(B) Maintenance
(C) Stifling prosecution
(D) Interference with course of justice.
258. A sum of money was agreed to be paid to the father in consideration of his giving daughter in marriage. Agreement is void on ground of being -
(A) Restraint of marriage
(B) Marriage brokerage agreement
(C) Restraint of personal liberty
(D) Restraint of legal proceedings
259. Match the following:
(a) Agreement by incompetent parties are void (i) Section 25
(b) Agreement in restraint of trade (ii) Section 20
(c) Agreements made without consideration (iii) Section 11
(d) Agreements made under a mutual mistake of fact. (iv) Section 27
(A) (a) - (iii), (b) - (iv), (c) - (ii), (d) - (i)
(B) (a) - (iii), (b) - (iv), (c) - (i), (d) - (ii)
(C) (a) - (iii), (b) - (ii), (c) - (i), (d) - (iv)
(D) (a) - (iv), (b) - (iii), (c) - (i), (d) - (ii)

Wagering Agreements, Contingent Contracts

260. Wagering agreements are nothing but ordinary
(A) Trading agreements
(B) Betting agreements
(C) Marketing agreements
(D) Financial agreements
261. The essence of wagering is that -
(A) One party is to win and the other party should also win
(B) One party is to win and the other to lose
(C) Both party should win
(D) Both party should lose
262. In an agreement between two parties one promises to pay money or money's worth on the happening of some uncertain event in consideration of the other parties promise to pay if the event does not happen is known as
(A) Wagering agreement
(B) Contingent contract

- (C) Insurance contract
(D) Contract without consideration
263. One of the essential of wagering agreement is that, event must be
- (A) Certain
(B) Happening
(C) Not happening
(D) Uncertain
264. Which of the following is/are essential of wagering agreement?
- (A) There must be a promise to pay money or money's worth.
(B) The event must be certain
(C) Each party must win
(D) All of above
265. Which of the following is/are essential of wagering agreement?
- (I) Each party must stand to win or lose.
(II) One of the party should have control over the event.
(III) Neither party should have any other interest in the event.
- Select the correct answer from the options given below -*
- (A) (I) & (II)
(B) (II) & (III)
(C) (I) only
(D) (I) & (III)
266. Which of the following is wagering agreement?
1. Share market transaction
 2. Insurance agreement
 3. Games of skill
 4. A lottery
- Select the correct answer from the options given below -*
- (A) 1 & 4 only
(B) 2 & 3 only
(C) 3 only
(D) 4 only
267. Which of the following is wagering agreements?
- (A) A crossword competition involving a good measure of skill
(B) Games of skill
(C) Share market transaction
(D) A bet between two persons on result of cricket match.
268. According to Prize Competition Act, 1955, Prize competition in game of skill are not wagers provided the amount of prize does not exceed
- (A) ₹ 500
(B) ₹ 1,000
(C) ₹ 1,500
(D) ₹ 1,00,000
269. An agreement to pay prize exceeding _____ to the winner of horse race not a wager.
- (A) ₹ 500
(B) ₹ 1,000
(C) ₹ 1,500
(D) ₹ 1,00,000
270. Wagering agreements have been expressly declared to be _____ in India.
- (A) Voidable
(B) Enforceable
(C) Void
(D) Valid
271. In State of Maharashtra and Gujarat wagering agreements have been declared to be -
- (A) Voidable
(B) Valid
(C) Enforceable
(D) Illegal
272. Who of the following can recover the money deposited with stakeholder in case of wagering agreements?
- (A) Winner
(B) Looser
(C) Winner as well as looser
(D) Neither winner nor looser
273. Kalpesh agrees to sell to Umesh a horse for ₹ 50,000 if it wins race and for ₹ 5,000 if it does not. This is.....
- (A) contingent contract
(B) uncertain agreement
(C) wagering agreement
(D) valid and enforceable agreement
274. Aniket and Parimal of Mumbai each deposit ₹ 50,000 with Shyam to abide by the result of bet between them. Aniket wins the bet. Who can recover the deposited amount from Shyam if it not paid to winner -
- (A) Aniket

- (B) Parimal
(C) Both - Aniket & Parimal
(D) Neither Aniket nor Parimal
- 275.** Consider following agreements.
1. A agrees to sell to B "a 100 tons of oil"
 2. A who is dealer in coconut oil only agrees to sell to B "a 100 tons of oil".
 3. A agrees to sell to B "100 tons of rice at a price to be fixed by C".
 4. A agrees to sell to B, "My white horse for ₹ 15,000 or ₹ 10,000"
- Which of the above agreements are valid?*
- (A) 1 & 2
(B) 2 & 3
(C) 3 & 4
(D) 4 & 1
- 276.** A void agreement is one -
- (A) Which is enforceable by law
(B) Which is not enforceable by law
(C) Which is voidable at the option of one party
(D) Which is voidable at the option of both parties
- 277.** Which of the following agreements have been expressly declared to be void by the Indian Contract Act, 1872?
- (A) Agreements in restraint of trade
(B) Agreements the meaning of which is uncertain.
(C) Agreement by incompetent parties
(D) All of above
- 278.** Which of the following agreements have been expressly declared to be void?
- (A) Agreements made under a mutual mistake of fact.
(B) Agreement in restraint of marriage
(C) Wagering agreements
(D) All of above
- 279.** Ram agrees to sell to Rahim, "100 tons of Oil". The agreement is
- (A) Void
(B) Voidable
(C) Illegal
(D) Enforceable
- 280.** Ram agrees to sell to Rahim, "100 tons of oil". Ram deals only in coconut oil. The agreement is
- (A) Void
(B) Enforceable
(C) Valid
(D) (B) & (C) above
- 281.** Agreement the meaning of which is uncertain are
- (A) Uncertain contracts
(B) Valid
(C) Void
(D) Contingent
- 282.** A agrees to sell to B "100 quintals of rice at a price to be fixed by C. This agreement is
- (A) Voidable at the option of A.
(B) Voidable at the option of B
(C) Voidable at the option of C
(D) Valid & enforceable by both the parties.
- 283.** Bholaran agreed to pay a certain sum when he was able to pay to Sitaram. Agreement is void because
- (A) There is no consideration
(B) Bholaran is exercising fraud on Sitaram
(C) There is misrepresentation
(D) There is uncertainty
- 284.** A agrees to sell to B, white horse for ₹ 50,000 or ₹ 80,000. The agreement is ____
- (A) Valid
(B) Void
(C) Voidable
(D) Illegal
- 285.** An agreement between two parties to do or not to do something, if some even collateral to such agreement, does or does not happen, is known as
- (A) Wagering agreement
(B) Contingent contract
(C) Absolute contract
(D) Illegal agreement
- 286.** _____ is one in which, the promisor binds himself to perform in any event without any conditions.

- (A) Wagering agreement
(B) Contingent contract
(C) Absolute contract
(D) Illegal agreement
287. Contingent contract are
- (A) Invalid
(B) Illegal
(C) Valid and enforceable
(D) Void and not enforceable
288. Which of the following can be treated as contingent contract?
- A. Goods sent on sale or return basis
B. A contracts to pay ₹ 1,00,000 if B's house is burnt
C. A agrees to sell certain piece of land to B, in case he succeeds in his litigation concerning that land.
- Select the correct answer from the options given below -*
- (A) A & B
(B) B & C
(C) C & A
(D) All of the above
289. In contingent contract event is
- (A) Certain
(B) Uncertain
(C) Regular
(D) Must bound to happen
290. In contingent contract performance depends upon _____ in some event.
- (A) Happening
(B) Non-happening
(C) Happening and non-happening
(D) Happening or non-happening
291. In contingent contract event is -
- (A) Past
(B) Present
(C) Future
(D) Past or future
292. In contingent contract event must be to the contract.
- (A) Collateral
(B) Past
(C) Un-related
(D) Regular
293. Contingent contract dependant on happening of an uncertain future event cannot be enforced until event has
- (A) Happened
(B) Un-happened
(C) Become impossible
(D) All of above
294. Contingent contract dependant on happening of an uncertain future event cannot be enforced until event has happened and if event becomes impossible, such contracts become -
- (A) Enforceable
(B) Voidable
(C) Void
(D) Valid
295. An agreement to pay money or money's worth on the happening or non-happening of a specified uncertain event is a -
- (A) Wagering agreement
(B) Contingent agreement
(C) Quasi contract
(D) Uncertain agreement
296. Which of the following contains reciprocal promises?
- (A) Contingent contract
(B) Wagering agreement
(C) Quasi contract
(D) None of above
297. A wagering agreement is _____, whereas a contingent contract is _____
- (A) Void, valid
(B) Valid, void
(C) Voidable, void
(D) Void, voidable
298. A agrees to construct a swimming pool for B for ₹ 8,00,000. The payment is to be made by B only on the completion of the pool. This is
- (A) Contingent contract
(B) Absolute contract
(C) Wagering agreement
(D) Quasi contract

299. Match the following.

- | | |
|------------------------|---|
| A. Contingent contract | (1) Wagering Agreement |
| B. Wagering agreement | (2) Collateral agreements are also void |
| C. Illegal Agreement | (3) Insurance contract |
| D. Void Agreement | (4) One party must win & other must lose. |

Select the correct answer from the options given below -

- (A) A - (3), B - (4), C - (2), D - (1)
- (B) A - (2), B - (4), C - (3), D - (1)
- (C) A - (1), B - (4), C - (2), D - (3)
- (D) A - (3), B - (2), C - (4), D - (1)

300. A contingent contract is -

- (A) A contract to do something if some event collateral to such contract does or does not happen.
- (B) A contract not to do something if some event collateral to such contract does or does not happen.
- (C) A contract to do or not to do something if some event collateral to such contract does happen.
- (D) A contract to do or not to do something if some event collateral to such contract does not happen.

Performance of contract

301. Fulfilment of obligations under the contract is known as -

- (A) Completeness of contracts
- (B) Securing the rights of the other parties.
- (C) Performance of contracts
- (D) All of the above

302. If one of party to contract is ready to perform his part but other party is not ready to accept performance, it is known as -

- (A) Tender
- (B) Attempted performance
- (C) Allowed performance
- (D) (A) & (C)

303. Performance under the contract must be

- (A) Conditional
- (B) Unconditional
- (C) Complete as to 2/3rd value of contract
- (D) None of the above

304. If no time is specified for performance, the promise must be performed within

- (A) Unreasonable time
- (B) Reasonable time
- (C) Six months from the date of contract
- (D) One year from the date of contract

305. Which of the following is correct?

- (A) If time & date is specified for performance for promise then, performance can be given at any time & date.
- (B) Where contract is consist of two promises which are consideration for each other then promises are called "open cross promises".
- (C) Assignment includes negotiation
- (D) All of the above

306. Where contract is consist of two promises which are consideration for each other then promises are called -

- (A) Joint promises
- (B) Multiple promises
- (C) Reciprocal promises
- (D) Retrospective promises

307. When a contract consists of reciprocal promises to be simultaneously performed -

- (A) Promise need to be performed by the promisee whose age is less than other.
- (B) Promise need to be performed by the promisee who is ready and willing to perform his promise first.
- (C) No promisor need perform his promise unless the promisee is ready and willing to perform his reciprocal promise.
- (D) Are not required to be performed as contract consisting of reciprocal promises to be simultaneously performed are specifically declared to be void.

308. When a party to a contract promises to do a certain thing at or before a specified time and fails to do such things at or before a specified time, -

- (A) The contract becomes voidable at the option of the promisee
- (B) The contract becomes void
- (C) The contract is treated as illegal at the option of the promisee
- (D) Other party must carry out its obligations

309. If promisee accepts late performance when time is essence of contract, then -

- (A) Promisee cannot claim compensation, at the time of acceptance.
- (B) Promisee cannot claim compensation unless, at the time of acceptance that he intends to claim compensation for loss.
- (C) Both (A) and (B)
- (D) Neither (A) nor (B)
- 310.** If two or more persons have made a joint promise, they are known as -
- (A) Joint venturer
- (B) Joint promisee
- (C) Joint partners
- (D) Joint promisor
- 311.** D owes C ₹ 10,000 payable on 30th June with interest. He offers to pay amount due on 30th May with interest due up to 30th May.
- (A) This is valid tender and D is discharged.
- (B) This is not valid tender.
- (C) C must accept the amount otherwise it will not be legally recoverable.
- (D) None of the above
- 312.** A, B & C jointly promise to pay D ₹ 6,000. Which of the following correct?
- (A) D may compel first A to pay him ₹ 6,000.
- (B) D may compel first A to pay him ₹ 6,000. If A do not pay then to B.
- (C) D may compel first A to pay him ₹ 6,000. If A do not pay then to B and if B also do not pay then to C.
- (D) D may compel all or any of them to pay him ₹ 6,000.
- 313.** A, B & C jointly promise to pay D ₹ 6,000. C is unable to pay anything and A is compelled to pay whole amount to D. Which of the following correct?
- (A) A is entitled to recover ₹ 3,000 from B.
- (B) A is entitled to recover ₹ 2,000 from B.
- (C) A is entitled to recover ₹ 4,000 from B.
- (D) A is entitled to recover ₹ 6,000 from B.
- 314.** A, B & C jointly promise to pay D ₹ 6,000. C is insolvent but his assets are sufficient to pay one half of his debts.
- (A) A is entitled to recover ₹ 2,000 from C and ₹ 2,000 from B.
- (B) A is entitled to recover ₹ 1,000 from C and ₹ 2,500 from B.
- (C) A is entitled to recover ₹ 3,000 from C and ₹ 3,000 from B.
- (D) A is not entitled to recover anything from C and B.
- 315.** A, B & C jointly promise to pay D ₹ 6,000. D releases A from his liability and files suit against B & C for the payment of debt.
- (A) B & C cannot recover anything from A as D releases A from his liability.
- (B) B & C can still recover ₹ 3,000 from A as his contribution.
- (C) B & C can still recover ₹ 2,500 from A as his contribution.
- (D) B & C can still recover ₹ 2,000 from A as his contribution.
- 316.** A, B & C jointly promised to pay ₹ 60,000 to D. Before performance of the contract, C dies. Here, the contract -
- (A) Becomes void on C's death
- (B) Should be performed by A and B along with C's legal representatives.
- (C) Should be performed by A and B alone.
- (D) Should be renewed between A, B and D.
- 317.** In commercial transactions, time is considered to be of the essence of the contract, and if the party fails to perform the contract within specified time, the contract becomes -
- (A) Voidable at the option of the other party
- (B) Void and cannot be enforced
- (C) Illegal for non-compliance of legal terms
- (D) Enforceable in higher court only
- 318.** Where the performance of a promise by one party depends on the prior performance of promise by the other party, such reciprocal promises fall under the category of -
- (A) Mutual and concurrent
- (B) Conditional and dependent
- (C) Mutual and independent
- (D) Both (A) and (B)
- 319.** When a contract consists of reciprocal promises to be simultaneously performed such reciprocal promises fall under the category of -
- (A) Mutual and concurrent
- (B) Conditional and dependent
- (C) Mutual and independent
- (D) None of the above

320. Where each party must perform his promise independently and irrespective of the fact whether the other party has performed, or willing to perform, his promise or not, such reciprocal promises fall under the category of -
- Mutual and concurrent
 - Conditional and dependent
 - Mutual and independent
 - Both (A) and (B)
321. Ram and Rahim are joint promisors. Promisee discharged one of the joint promisor. Then -
- Both of them discharged from liability.
 - Ram is discharged from liability.
 - Rahim is not discharged from liability towards Ram.
 - Promise comes to an end.
322. Reasonable time for performance of a contract is a -
- Question of law
 - Question of fact
 - Mixed question of fact and law
 - Question of prudence
323. If no time is specified for performance of a contract, it must be performed within a reasonable time. Reasonable time means -
- Which seems reasonable to the promisee
 - Which seems reasonable to the promisor
 - Which is reasonable under the facts and circumstance of the case
 - Which is determined as reasonable by some third party
324. Where time is essence of contract depends on -
- The provisions of law
 - The facts and circumstance of each case
 - The intention of parties
 - All of the above
325. In contract of sale of movable properties, time is -
- Not presumed to be essence of the contract
 - Presumed to be the essence of the contract
 - No presumption as to time be raised
 - All of the above
326. In contract of sale of immovable properties, time is -
- Not presumed to be essence of the contract
 - Presumed to be the essence of the contract
 - No presumption as to time be raised
 - All of the above
327. In case of reciprocal promises, which is not applicable?
- They can be perform simultaneously
 - They cannot be perform simultaneously
 - They can be fixed by the parties to the contract
 - As depending upon the nature of the contract
328. Where a debtor, owing several distinct debts to one person, makes a payment to him, either with express intimation implying, that the payment is to be applied to the discharge of some particular debt, the payment if accepted, must be applied accordingly.
- There is no such provision in Indian Contract Act, 1872.
 - The above statement is true.
 - The above statement is false
 - None of the above.
329. Nitin owes Baban ₹ 2,50,000 as follows:
- | | |
|----------|----------|
| Debt I | 1,00,000 |
| Debt II | 75,000 |
| Debt III | 50,000 |
| Debt IV | 25,000 |
| | 2,50,000 |
- Nitin sends cheque for ₹ 1,00,000 stating that it shall be appropriated towards the first sum of ₹ 1,00,000. Baban shall appropriate it -
- Towards Debt II ₹ 75,000 and Debt IV ₹ 25,000.
 - Towards Debt IV ₹ 25,000, Debt III ₹ 50,000 and Debt II ₹ 25,000.
 - Towards Debt I to IV in ratio of 100:75:50:25 i.e. 40,000 : 30,000 : 20,000 : 10,000 respectively.
 - Towards Debt I as indicated by Nitin.
330. X owes to Y among the other debts, a sum of ₹ 53,260. Y sends e-mail to X demanding payment of ₹ 53,260. X gives the cash. Y should apply this payment in discharge of -
- Any debt due from X
 - The debts which Y demanded
 - Any disputed debt due from X
 - Any debt which Y has not demanded

331. Where the debtor has omitted to intimate, and there are no other circumstances indicating to which debt the payment is to be applied, the creditor may apply it at his discretion to any lawful debt actually due and payable to him from the debtor, whether its recovery is or is not barred by the law in force for the time being as to the limitations of suits.

(A) True
(B) False
(C) Partly true
(D) Partly false

332. Tanu owes Richa ₹ 5,00,000 as follows:

Debt I	2,00,000
Debt II	1,50,000
Debt III	1,00,000
Debt IV	50,000
	<u>5,00,000</u>

Tanu sends cheque for ₹ 2,00,000 without indicating towards which debt the amount should be adjusted. Richa can appropriate it -

- (A) Towards Debt II ₹ 1,50,000 and Debt IV ₹ 50,000.
(B) Towards Debt IV ₹ 50,000, Debt III ₹ 1,00,000 and Debt II ₹ 50,000.
(C) Towards Debt I to IV in ratio of 20:15:10:5 i.e. 80,000 : 60,000 : 40,000 : 20,000 respectively.
(D) Any of the above
333. Where the debtor has omitted to intimate, and there are no other circumstances indicating to which debt the payment is to be applied, the creditor -
- (A) Must apply it to the last debt
(B) Must apply it to the first debt
(C) May apply it to disputed debt
(D) may apply it at his discretion to any lawful debt actually due and payable to him from the debtor
334. Where the debtor has omitted to intimate, and there are no other circumstances indicating to which debt the payment is to be applied, the creditor -
- (A) may apply it at his discretion to any lawful debt actually due and payable to him from the debtor
(B) may apply it at his discretion to any time barred debt

(C) either (A) or (B)
(D) (A) only but not (B)

335. The debt due may be principal and interest. In such case if debtor makes part payment then -

(A) payment should be appropriated towards interest
(B) payment should be appropriated towards principal.
(C) payment should be appropriated towards principal and after principal is fully paid off, to interest.
(D) payment should be first apportioned towards interest and after interest is fully paid off, to principal.

336. A took a loan from Punjab National Bank to the extent of ₹ 2,50,000. B guarantees the repayment of this loan. Later, A secures another loan of ₹ 1,50,000 from the same bank. He tenders a sum of ₹ 2,00,000 to the bank without any advice as to its manner of appropriation. Bank uses this money towards the settlement of loan of ₹ 1,50,000 plus interest and remaining towards the loan guaranteed by B. A objects to this. Decide.

(A) Bank must appropriate it towards first loan of ₹ 2,50,000.
(B) Bank must appropriate it towards interest of first loan and remaining towards principle of first loan of ₹ 2,50,000.
(C) A fails to indicate the manner of appropriating and so the Bank is entitled to appropriate it in any manner it likes towards any lawful debt. Therefore, A has no cause to object.
(D) Bank must appropriate it towards second loan of ₹ 2,50,000.

Quantum Meruit

337. The expression "Quantum Meruit" literally means

(A) As much as earned
(B) As much as paid
(C) As much as gained
(D) As much as left

338. When a person has done some work under a contract, and other party either repudiates the contract or some unexpected event happens making further performance of contract impossible; then the party who performed the work, can claim remuneration for work done. This is based on the principle of -

- (A) Rescission
(B) Quantum Meruit
(C) Injunction
(D) Specific Performance
339. To claim remedy under quantum meruit, the original contract
- (A) Should remain intact
(B) Must have been discharged
(C) Must be fully performed
(D) All of the above
340. If the original contract exists, the aggrieved party can _____
- (A) Resort to damages
(B) Claim quantum meruit remedy
(C) Either (A) or (B)
(D) Both (A) and (B)
341. The right to sue on quantum meruit lies with -
- (A) The party at fault i.e. who has not performed his promise
(B) The party who is not at fault, i.e. who has performed his part of the contract
(C) Either (A) or (B)
(D) Both (A) and (B)
342. The right to claim on quantum meruit arises -
- (A) Out of the contract, like the right to damages
(B) On the quasi-contractual obligation which the law implies in the circumstances
(C) Either (A) or (B)
(D) Both (A) and (B)
343. Quantum Meruit is applicable i.e. there is a right to sue in case where
- (A) Contract is discovered to be unenforceable
(B) One party abandons performance
(C) Act is done without intention of gratuitousness
(D) All of the above
344. If an agreement is discovered to be void or becomes void, any person who has received any advantage under such agreement or contract is bound to restore it, or to make compensation for it to the person from whom he received it. This is based on the principle of -
- (A) Specific performance
(B) Rescission
(C) Injunction
(D) Quantum meruit
345. C, an owner of a magazine, engaged P to write a book to be published by instalments in his magazine. After a few instalments were published, the magazine was abandoned. In this case -
- (A) P does not have any remedy against C
(B) P can claim payment on quantum meruit for the part already published
(C) P has to complete the book through his own magazine.
(D) P should not complete the book at all
346. Generally, no remedy is available to defaulting party, but even defaulting party may be entitled to get payment on quantum meruit, if following conditions are satisfied
- (A) The contract is divisible.
(B) The contract is partly performed.
(C) The party not in default has enjoyed the benefit of the part of the performances.
(D) All of above
347. If indivisible contract performed completely but badly then party who has performed the contract can claim the lump sum, but other party can make deduction for bad work.
- (A) False
(B) True
(C) Partly false
(D) None of above
348. A agreed to decorate B's flat for a lump sum of ₹ 3,00,000. A did the work but B complained of faulty workmanship. It cost B ₹ 50,000 to remedy the defect. A can recover from B
- (A) ₹ 3,00,000
(B) ₹ 50,000
(C) ₹ 2,50,000
(D) ₹ 3,50,000
349. A, a tradesman, leaves goods at B's house by mistake and B treats the goods as his own, he is bound to pay A for them under the principle of -
- (A) Contractual obligation
(B) Quasi contractual obligation
(C) Semi contractual obligation
(D) Deemed contractual obligation

Discharge of Contract

350. Discharge of contract means _____ of contractual relationship between the parties.
- Beginning
 - Termination
 - Beginning of ending
 - (A) and (C) of above
351. A contract is said to be discharged when the rights & obligations created by parties comes to -
- Start
 - End
 - Either (A) or (B)
 - Neither (A) or (B)
352. A contract may be discharged by _____
- Willingness of one party
 - Agreement by both parties
 - Possibility of performance
 - Any of the above
353. A contract may be discharged by _____
- Lapse of time
 - Operation of law
 - Breach of contract
 - Any of the above
354. Which of the following is usual mode of discharge of contract?
- Performance
 - Agreement
 - Impossibility
 - All of above
355. Performance should be
- Complete
 - Precise
 - According to terms of the agreement
 - All of the above
356. When a new contract is substituted for an existing one between the same parties, it is known as -
- Rescission
 - Novation
 - Alteration
 - Remission
357. When all or some of the terms of the contract are cancelled. It is known as -
- Rescission
 - Novation
 - Alteration
 - Remission
358. When one or more terms of the contract is/are altered by the mutual consent of the parties to the contract -
- Rescission
 - Novation
 - Alteration
 - Remission
359. _____ means acceptance of lesser fulfilment of promise made.
- Rescission
 - Novation
 - Alteration
 - Remission
360. When there is abandonment of rights by the parties to the contract by mutual consent, it is known as
- Alteration
 - Waiver
 - Remission
 - Merger
361. When inferior right accruing to a party under a contract merges into a superior right. It is known as _____
- Alteration
 - Waiver
 - Remission
 - Merger
362. When Ram accept ₹ 20,000 in discharge of whole debt of ₹ 22,000. It is known as
- Rescission
 - Novation
 - Alteration
 - Remission
363. Discharge by operation of law may include -
- Death of parties
 - Insolvency of parties
 - Unauthorized alternation of the terms of written agreement.
 - Rights & liabilities becoming vested in the same person.

Select the correct answer from the options given below -

- (A) 1
 - (B) 1, 2
 - (C) 1, 2, 3
 - (D) 1, 2, 3, 4
- 364.** A agrees to deliver to B 5 bags of wheat on next Monday. He does not deliver the wheat on that day. There is _____ of a contract.
- (A) Anticipatory breach
 - (B) Actual breach
 - (C) Partly actual partly anticipatory breach
 - (D) None of these
- 365.** Anticipatory breach can occur in case of _____
- (A) Executed contract
 - (B) Executory contract
 - (C) Either (A) or (B)
 - (D) Neither (A) nor (B)
- 366.** Which of the following right(s) can be exercised by party not in a breach in case anticipatory breach of contract?
- 1. He can treat the contract as discharged.
 - 2. He can wait till the date of performance
 - 3. He can take legal action
 - 4. He can claim damages

Select the correct answer from the options given below -

- (A) 1, 3 & 4
 - (B) 2, 3 & 4
 - (C) 1 or 2
 - (D) 4, 1, 2 & 3
- 367.** Impossibility which arises subsequent to the formation of contract is called as -
- (A) Pre-contractual impossibility
 - (B) Post-contractual impossibility
 - (C) Supervening impossibility
 - (D) (B) & (C) of above
- 368.** When there is supervening impossibility subsequent to formation of contract, then contract becomes
- (A) Void
 - (B) Voidable
 - (C) Illegal
 - (D) Unlawful
- 369.** As a general rule, impossibility of performance of a contract is _____ for _____ of a contract.

- (A) Excuse, performance
- (B) No excuse, non-performance
- (C) Allowed, performance
- (D) Allowed, non-performance

370. Which of the following may be treated as supervening impossibility?

- (A) Destruction of subject matter
- (B) Difficulty of performance
- (C) Impossibility arising due to failure of third person
- (D) All of above

371. Which of the following cannot be treated as supervening impossibility?

- (A) Outbreak of war
- (B) Non-occurrence of a particular state of things.
- (C) Commercial impossibility
- (D) All of above

372. Which of the following cannot be treated as supervening impossibility?

- (A) Difficulty of performance
- (B) Commercial impossibility
- (C) Impossibility arising due to failure of third person
- (D) All of above

373. Which of the following can be treated as supervening impossibility?

- (A) Commercial impossibility
- (B) Destruction of subject matter
- (C) Difficulty in performance
- (D) All of above

374. Gajodhar hired a shop from Shridhar for 2 years and paid the rent of 2 years in advance. After 1 year the shop was destroyed by fire. Which of the following is correct?

- (A) Destruction of shop by fire cannot be treated as supervening impossibility and contract is still alive.
- (B) Shridhar should arrange same quality of shop in other area.
- (C) Contract is discharged due to supervening impossibility and Gajodhar can claim rent for un-expired part of term.
- (D) None of above

375. Match the following.

- | | |
|---------------|---|
| A. Novation | (1) One or more terms of contract are altered by mutual consent of the parties. |
| B. Rescission | |
| C. Remission | (2) Substitution of new contract for existing one. |
| D. Alteration | (3) Cancellation of some of the terms of contract. |
| | (4) Acceptance of a lesser fulfillment of the promise made. |

- (A) A - (2), B - (3), C - (4), D - (1)
 (B) A - (2), B - (1), C - (4), D - (3)
 (C) A - (3), B - (2), C - (4), D - (1)
 (D) A - (4), B - (3), C - (2), D - (1)

376. When a contract ceases to bind the parties to it, it is said to be -

- (A) Discharged
 (B) Performed
 (C) Obligated
 (D) Rescinded

377. A contract can be discharged by -

- (A) Performance of the contract
 (B) Frustration of the contract
 (C) (A) or (B)
 (D) Neither (A) nor (B)

378. In which of the ways can a contract be discharged by operation of law?

- (I) Authorized alteration of terms of a written document
 (II) Vesting of rights & liabilities in the same person.

Select the correct answer from the options given below -

- (A) (I) but not (II)
 (B) (II) but not (I)
 (C) Both (I) and (II)
 (D) Neither (I) nor (II)

379. A contract has become more difficult of performance due to some event or delays. The contract is -

- (A) becomes voidable
 (B) becomes void
 (C) is discharged
 (D) is not discharged

380. A contract is not frustrated by commercial impossibility.

- (A) True
 (B) Partly true
 (C) False
 (D) Partly false

381. When war is declared between two countries, parties would be

- (A) Criminally prosecuted.
 (B) Get discharged due to frustration
 (C) Counties are liable to perform their obligation
 (D) Discharged from criminal liabilities.

Remedies for Breach of Contract

382. Where there is a right, there is _____

- (A) Asset
 (B) Liability
 (C) Another right
 (D) Remedy

383. Where there is _____, there is remedy.

- (A) Asset
 (B) Liability
 (C) Right
 (D) Remedy

384. Breaching of an obligation under a contract is known as -

- (A) Rescission
 (B) Voidability
 (C) Breach
 (D) Performance

385. Which of the following remedy is available when contract is broken by one of the party?

- (i) Rescission of contract
 (ii) Suit for damages
 (iii) Suit for quantum meruit

Select the correct answer from the options given below -

- (A) (i) & (ii)
 (B) (ii) & (iii)
 (C) (i) & (iii)
 (D) All of the above are correct

386. Which of the following remedy is available when contract is broken by one of the party?

- (A) Rescission of contract
 (B) Specific performance

- (C) Either (A) or (B)
(D) Both (A) & (B)
387. _____ means termination of contract.
(A) Rescission
(B) Injunction
(C) Specific performance
(D) Quantum Meruit
388. When a contract is broken by one party, the other party may sue to treat the contract as
(A) Void
(B) Voidable
(C) Illegal
(D) Rescinded
389. When a contract is broken by one party, the other party may sue to treat the contract as -
(A) Void
(B) Voidable
(C) Illegal
(D) Rescinded
390. Damages under the Indian Contract Act, 1872 are in the nature of -
(A) Penalty
(B) Compensation
(C) Liability
(D) Teaching lesson to defaulting party.
391. Damages are awarded, when -
(A) Party not in default makes a profit.
(B) Injured party suffers any remote loss.
(C) Injured party suffers direct loss.
(D) Injured party does not suffer any loss.
392. The rule relating to damages is based on the leading decision in
(A) *Alderson vs. Baxendale*
(B) *Simpson vs. Lodon & N W Rail Co.*
(C) *Hadley vs. Baxendale*
(D) *Hadley vs. Booker*
393. Object of awarding damages for breach of contract is -
(A) To punish the guilty party
(B) To teach a lesson to defaulting party, so that he should make default in future.
(C) Both (A) and (B) above
(D) To put the injured party in the same position, so far as money can do.
394. *Vbi jus ibi remedium* means -
(A) No consideration no contract.
(B) The law does not recognize what is impossible
(C) What is impossible does not create an obligation.
(D) Where there is right, there is remedy.
395. Damages which naturally and directly arose in the usual course of things from the breach are known as
(A) Special damages
(B) Ordinary damages
(C) Liquidated damages
(D) Penalty
396. Ordinary damages =
(A) Difference between contract price and market price on the date of contract.
(B) Difference between contract price and market price on the date of breach.
(C) Contract price (+) market price on the date of breach.
(D) Contract price (x) market price on the date of breach.
397. Ordinary damages are awarded for such loss suffered by a party which is consequence of breach.
(A) Direct
(B) Indirect
(C) Remote
(D) All of above
398. Lala contracts to Buy 100 quintal of rice from Bala at ₹ 950 per quintal, no time being fixed for delivery. Price to be paid of the time of delivery. Afterward Lala informs to Bala that he will not accept the rice if supplied to him. The market price of rice when Lala informs Bala was ₹ 920 per quintal. How much compensation in the form of ordinary damages can be recovered by Bala from Lala.
(A) 95,000
(B) 92,000
(C) 3,000
(D) 98,000
399. Special damages can be claimed only if there exists
(A) Normal circumstances
(B) Special circumstances

- (C) Normal as well as special circumstance
(D) Ordinary circumstances
400. In case of breach of contract, compensation can be claimed for
- (A) Remote consequence of the breach
(B) The proximate and natural consequence of breach
(C) Indirect consequence of breach
(D) All of above
401. Damages, which arise naturally in usual course of things from breach are called as
- (A) General damages
(B) Special damages
(C) Liquidated damages
(D) Penalty
402. Damages which an aggrieved party can claim in addition to ordinary damages for any loss suffered owing special circumstances known to both the parties of the time of signing the contract are called _____
- (A) Nominal damages
(B) Liquidated damages
(C) Ordinary damages
(D) Special damages
403. *Hadley vs. Baxendale* is a famous case on -
- (A) Breach of contract
(B) Mistake of fact
(C) Quantum Meruit
(D) No consideration, no contract
404. Special damages are awarded when there _____
- (A) Are special circumstances
(B) Is special loss
(C) Is a notice of likely special loss
(D) All of above
405. _____ are awarded with a view to punish the party in default.
- (A) Liquidated damages
(B) Exemplary/vindictive damages
(C) Nominal damages
(D) Any of the above
406. have no place in law of contract.
- (A) Ordinary damages
(B) Liquidated damages
(C) Nominal damages
(D) Exemplary/vindictive damages
407. In which of the following circumstances Court may award exemplary damages?
- A. Breach of a promise to marry
B. Dishonour of a cheque a banker wrongfully when there is sufficient funds to the credit of customer
- Select the correct answer from the options given below -*
- (A) Neither A nor B
(B) B only
(C) Both A and B
(D) A only
408. Damages, which are awarded to merely acknowledge that the plaintiff has proved his case and won, are known as -
- (A) Liquidated damages
(B) Ordinary damages
(C) Exemplary damages
(D) Nominal damages
409. When there exist special circumstances and their existence is communicated, party not in default can recover from party at default -
- (A) Ordinary damages
(B) Special damages
(C) Ordinary as well as special damages
(D) Special damages but not ordinary damages
410. Nominal damages may be very small, say, even a rupee or 0.25 paise.
- (A) True
(B) False
(C) Partly True
(D) Partly False
411. When damages are awarded simply to recognize the right of party to claim damages for the breach of the contract are called as
- (A) Liquidated damages
(B) Exemplary damages
(C) Nominal damages
(D) General damages
412. When party has not suffered any loss, but still he wants to prove that he is right. In such case, he can claim -
- (A) Liquidated damages
(B) Exemplary damages

- (C) General damages
(D) Nominal damages
413. Where a party to the contract has suffered substantial physical discomfort and inconvenience as result of breach of contract, he can file a suit for claiming compensation from party at fault.
(A) True
(B) False
(C) Partly True
(D) Partly False
414. When contract provides for payment of certain amount in case of breach of contract. These are termed as
(A) Ordinary damages, special damages
(B) Special damages, liquidated damages
(C) Liquidated damages, penalty
(D) Penalty, ordinary damages
415. The Court in India allow _____.
(I) Liquidated damages
(II) Penalty
(III) Reasonable compensation
Select correct answer from the options given below -
(A) (I) but not (II) & (III)
(B) (II) but not (I) & (III)
(C) (III) but not (I) & (II)
(D) (I) only
416. Liquidated damages represent a sum which is
(A) Disproportionate to damages likely to accrue as a result of breach
(B) Fair & genuine pre-estimate of the probable loss that might ensue as a result of breach, if it take place.
(C) Naturally and directly arose in usual course of thing.
(D) To be given for nay remote or indirect loss or damage sustained by reason of breach.
417. Penalty represent a sum which is -
(A) Disproportionate to damages likely to accrue as a result of breach
(B) Fair & genuine pre-estimate of the probable loss that might ensue as a result of breach, if it take place.
(C) Naturally and directly arose in usual course of thing.
(D) To be given for any remote or indirect loss or damage sustained by reason of breach.
418. Gita gives Sita a bond for the payment of ₹ 1,00,000 with interest at 12% at the end of 6 months, with a stipulation that in case of default, interest shall be payable at the rate of 75% from the date of default. This is stipulation by way of -
(A) Liquidated damages
(B) Penalty
(C) Ordinary damages
(D) Special damages
419. A contracts with B to pay ₹ 10,000, if he fails to pay B ₹ 5,000. On given day, A fails to pay ₹ 5,000 on that day. B is entitled to recover from A, a compensation
(A) of at least ₹ 10,000
(B) of ₹ 10,000
(C) of ₹ 5,000
(D) Not exceeding ₹ 10,000 as the Court consider reasonable.
420. Court grants specific performance when
(A) Monetary compensation is an adequate remedy
(B) Monetary compensation is not an adequate remedy
(C) When it possible to calculate damages
(D) It was specifically agreed by the parties, at the time of making contract.
421. The law relating to specific relief in India is contained in the _____.
(A) Indian Contract Act, 1872
(B) Indian Evidence Act
(C) Partnership Act, 1932
(D) Specific Relief Act, 1963
422. Where a party is in breach of negative term of a contract and other party gets the order from Court restraining the party in breach from doing what he promised not to do. Such an order of the Court is known as -
(A) Injunction
(B) Order to enforce right
(C) Order to enforce positive right
(D) Order to enforce liability
423. _____ means an order of the Court restraining a person from doing what he promised not to do.
(A) Quantum Meruit

- (B) Recession
(C) Novation
(D) Injunction
424. Specific performance may be ordered by the Court
- (A) Contract is voidable at the option one party
(B) When damages are not an adequate remedy
(C) When damages are an adequate remedy
(D) When party in default is not ready to pay damages
425. In which of the following cases, specific performance may be granted by Court?
1. Where compensation in money is not an adequate relief.
 2. Where there exists no standard for ascertaining the actual damages.
- Select correct answer from the options given below -*
- (A) 2 only
(B) 1 only
(C) Either 1 or 2
(D) Neither 1 nor 2
426. Where the contracting parties agree in advance the amount payable in the event of breach, the sum payable is called
- (A) Liquidated damages
(B) Nominal damages
(C) Special damages
(D) General damages
427. A delivered goods to the Railway Administration to be carried to a place where an exhibition was being held and told the goods clerk that if the goods did not reach the destination on the stipulated date he would suffer loss. The goods reached late. He was entitled to claim -
- (A) Liquidated damages
(B) Nominal damages
(C) Special damages
(D) General damages
428. The Courts in England usually give effect to penalty, but they always relieve against liquidated damages.
- (A) True
(B) False
(C) Partly true
(D) None of above

429. Specific performance will not be ordered:
- (A) Where monetary compensation is an adequate remedy
(B) Where the Court cannot supervise the execution of the contract
(C) Where the contract is for personal service
(D) All of above
430. Injunction may be
- (A) Prohibitory
(B) Mandatory
(C) Prohibitory or mandatory
(D) Prohibitory or voluntary

Quasi Contracts

431. _____ are obligation created by law, regardless of agreement.
- (A) Absolute contracts
(B) Contingent contracts
(C) Quasi contracts
(D) Tacit contracts
432. Law of quasi contracts is also known as -
- (A) Law of restitution
(B) Law of social rights
(C) Law of sovereign
(D) All of the above
433. Quasi contracts are -
- (I) Not contracts at all
(II) Obligations imposed under the law
- Select correct answer from the options given below -*
- (A) (I) but not (II)
(B) (II) but not (I)
(C) Both (I) and (II)
(D) Neither (I) nor (II)
434. Quasi contracts based upon principles of -
- (A) Equity
(B) Justice
(C) Good conscience
(D) All of the above
435. If ____ are supplied to persons incapable of contracting (minor or a person of unsound mind) then person supplying the same is entitled to be reimburse from the property of such incapable person.
- (A) Capital goods

- (B) Important goods
(C) Normal goods
(D) Necessaries
436. A person who finds goods belonging to another and takes them into his custody is subject to the same responsibility as a
- (A) Pawnee
(B) Consignee
(C) Indemnity holder
(D) Bailee
437. A person who finds goods is bound to take care of such goods as
- (A) Man of extra ordinary prudence
(B) Man of overriding prudence
(C) Man of ordinary prudence
(D) All of the above
438. Finder of goods is treated as
- (A) Owner against whole world
(B) Owner if incurs more than 1/3rd expenses of the value of goods found
(C) Owner against whole world except true owner
(D) Owner against the true world
439. Which of the following is treated as responsibility of finder of goods?
- (A) To take care of goods as man of ordinary prudence
(B) To recover the lawful charges incurred in finding the true owner.
(C) Not to appropriate goods for his own use
(D) All of the above
440. Finder of goods can sell the goods found, if:
- (A) Owner can be found with reasonable diligence
(B) Owner, if found, pays the lawful charges of the finder
(C) Goods are in danger of perishing
(D) All of the above
441. Identify which of the following statement is true (✓) and which is false (✗)?
- (A) A person to whom money has been paid, or anything delivered, by mistake or under coercion is not required to repay or return it.
- (B) If necessities are supplied to persons incapable of contracting like minor or a person of unsound mind then person supplying such necessities is not entitled to be reimburse it as contract are void in such cases.
- Select the correct answer from the options given below -
- | | (a) | (b) |
|-----|-----|-----|
| (A) | ✓ | ✓ |
| (B) | ✓ | ✗ |
| (C) | ✗ | ✓ |
| (D) | ✗ | ✗ |
442. Finder of goods can sell the goods found, if the lawful charges of finder, amount to ____ of the value of goods.
- (A) 1/3rd
(B) 1/4th
(C) 1/5th
(D) 2/3rd
443. A person to whom money has been paid, or anything delivered, by mistake or under coercion ____ repay or return it.
- (A) May
(B) Must
(C) Can if he desires
(D) Normally
444. A supplies B, a minor, necessities suitable to his condition in life. In relation to this case
- (A) A is not entitled to be reimbursed from B.
(B) A is not entitled to be reimbursed from B as contract is void *ab initio*.
(C) B is personally liable to A for necessities supplied to him.
(D) A is entitled to be reimbursed from B's property.
445. Z purchases certain mills. There were overdue taxes on property by earlier owner W. Z paid taxes to save the mills from being sold in execution. Which of the following is correct?
- (A) Z had interest in the payments to safeguard his interest.
(B) He can recover the amount from W.
(C) This is a quasi contract
(D) All of the above
446. A, a tradesman, leaves the goods at C's house by mistake. C treats the goods as his own. Which of the following is correct?

- (A) C is not bound to pay for the goods.
 (B) C is not bound to pay for the goods as it entirely mistake of A.
 (C) C is bound to pay for the goods.
 (D) None of the above
447. P finds diamond on Q's shop. He hands it to Q to keep. True owner did not appear even advertisement in news paper. P claims the diamond from Q, who refuses to return.
 Which of the following is correct?
 (A) Q is not bound to return diamond to P as P is not true owner.
 (B) Q is not bound to return diamond to P as P has impliedly authorized Q to become owner.
 (C) Q is bound to return diamond to P as P is owner against whole world except true owner.
 (D) None of the above
448. A pays the money to B by mistake. It is really due to C.
 (A) B must refund the money to A.
 (B) B must refund the money to A. C can also recover the amount from B as there is privity of contract.
 (C) B is not required to refund the money to A. C can also recover the amount from B.
 (D) B must refund the money to A. C however cannot recover the amount from B as there is no privity of contract.
449. A supplies rice and wheat to the wife and children of B who is a lunatic. B has assets worth one lakh of rupees. Which of the following is correct in relation to this statement?
 (A) B is personally liable to A.
 (B) Contract is void *ab initio*. A cannot recover anything from B.
 (C) Contract is valid and A can recover the amount even if it exceed one lakh of rupees.
 (D) Contract is valid and A can recover the amount to the extent of assets of one lakh of rupees.
450. A finds a ring of B and sells it to a third person who purchases it for value and in good faith.
 Which of the following is correct?
 (A) In given case sale by A to third person is valid as finder of goods can treated as owner.
 (B) In given case sale by A to third person is valid as A has implied power given by the law to sale the goods found.
 (C) In given case sale by A to third person is not valid as A has no title.
 (D) In given case sale by A to third person is not valid as A has no title. B can recover ring from third person and such third person can recover damages from A.
451. The basis of 'quasi contractual relations' is the
 (A) Existence of a valid contract between the parties
 (B) Prevention of unjust enrichment at the expense of others
 (C) Provisions contained in Section 10 of the Contract Act
 (D) Existence of a voidable contract between the parties
452. Sometimes, a person finds certain goods belonging to some other persons. In such a case, the finder
 (A) Becomes the owner of the goods and can use them
 (B) Is under a duty to trace the true owner and return the goods
 (C) Can sell the perishable goods if true owner cannot be found
 (D) Both (B) and (C)
453. A person enjoying the benefits of a lawful non-gratuitous act of another -
 (A) is not liable to compensate that another
 (B) that another cannot claim any compensation
 (C) is liable to compensate another
 (D) has to perform same non-gratuitous act for another ion return
454. It is the duty of finder of goods to return the goods to true owner, otherwise finder is guilty of -
 (A) Criminal misappropriation of goods
 (B) Theft
 (C) Extortion
 (D) None of the above

Contract of Indemnity & Guarantee

455. As per Section 124 of Indian Contract Act, 1872, a contract of _____ is a contract by which one party promises to save the other party from loss

- caused to him by the conduct of the promisor himself, or by the conduct of any other person
- (A) Indemnity
(B) Guarantee
(C) Specific performance
(D) Injunction
- 456.** The person who promises to make the good loss is called as -
- (A) Indemnified
(B) Indemnity holder
(C) Indemnifier
(D) Surety
- 457.** The person who loss is to be made good is called as -
- (A) Indemnified
(B) Indemnity holder
(C) Indemnifier
(D) (A) or (B)
- 458.** As per Section 125 of Indian Contract Act, 1872, Indemnity-holder acting within scope of his authority is entitled to recover:
- (A) All damages which he may be compelled to pay in any suit in respect of any matter to which the promise to indemnify applies.
(B) All cost for defending or bringing any suit if worked as a prudent person.
(C) All sums which he may have paid under the terms of any compromise of any such suit.
(D) All of above
- 459.** A contract of _____ is a contract to perform the promise made or discharge liability incurred by a third person in case of his default.
- (A) Indemnity
(B) Guarantee
(C) Specific performance
(D) Injunction
- 460.** The person on whose behalf guarantee is given is called as -
- (A) Surety
(B) Principal debtor
(C) Creditor
(D) Indemnity holder
- 461.** The person who gives guarantee is called as _____
- (A) Surety
(B) Principal debtor
(C) Creditor
(D) Indemnity holder
- 462.** The person to whom guarantee is given is called as
- (A) Surety
(B) Principal debtor
(C) Creditor
(D) Indemnity holder
- 463.** A and B go into a shop. A says to the shopkeeper, "Let B have the goods, I will see you paid. This is -
- (A) Contract of guarantee
(B) Contract of Indemnity
(C) Contract of Specific performance
(D) Contract of wagering
- 464.** A and B go into a shop. A says to the shopkeeper, "Let B have the goods and if he does not pay, I will. This is
- (A) Contract of guarantee
(B) Contract of Indemnity
(C) Contract of Specific performance
(D) Contract of wagering
- 465.** There are _____ to the contract of indemnity while there are _____ to the contract of guarantee
- (A) Three parties, Two parties
(B) Two parties, three parties
(C) Two parties, Four parties
(D) Four parties, two parties
- 466.** The liability of indemnifier is -
- (A) Primary
(B) Collateral
(C) Secondary
(D) (B) or (C)
- 467.** The liability of surety is -
- (A) Primary
(B) Collateral
(C) Secondary
(D) (B) or (C)

468. When guarantee extends to a single transaction it is known as -

- (A) Continuing guarantee
- (B) Specific guarantee
- (C) Unlimited guarantee
- (D) Fidelity guarantee

469. When a guarantee extends to a series of transaction it is called as -

- (A) Continuing guarantee
- (B) Specific guarantee
- (C) Unlimited guarantee
- (D) Fidelity guarantee

470. A specific guarantee is -

- (A) Irrevocable
- (B) Revocable
- (C) Transferable
- (D) Not a guarantee at all

471. Which of the following can be revoked?

1. A continuing guarantee
2. Specific guarantee

Select the correct answer from the options given below -

- (A) Both 1 and 2
- (B) Neither 1 or 2
- (C) 1 but not 2
- (D) 2 but not 1

472. A continuing guarantee may be revoked by the surety at any time, as to _____, by notice to the creditor.

- (A) Future transactions
- (B) Past transactions
- (C) Existing transactions
- (D) None of above

473. In which of the following circumstances a continuing guarantee can be revoked?

- (A) By notice of revocation by the surety
- (B) By the death of the surety
- (C) Both (A) & (B)
- (D) None of above

474. Identify which of the following statement is true (✓) and which is false (✗)?

- P. A surety is favoured creditor.
- Q. The liability of the principal debtor is co-extensive with that of surety unless the contract otherwise provides.

Select the correct answer from the options given below -

	P	Q
(A)	✓	✓
(B)	✓	✗
(C)	✗	✓
(D)	✗	✗

475. On payment of a guaranteed debt surety is subrogated all the rights of

- (A) Creditor
- (B) Principal debtor
- (C) Other co-surety
- (D) None of above

476. On being sued by the creditor, the surety can rely on any _____ which the debtor has against the creditor.

- (A) Set-off
- (B) Counter claim
- (C) Set-off or counter claim
- (D) None of above

477. U/s 141 a surety is entitled to the benefit of every security which the creditor has against the principal debtor at the time when the contract of suretyship is entered into whether the surety knows of the existence of such security or not.

- (A) False
- (B) True
- (C) Partly true
- (D) None of above

478. After discharging the debt, the surety

- (A) Steps into the shoes of the creditor
- (B) Is subrogated to all the rights of the creditor against the principal debtor
- (C) (A) or (B)
- (D) None of above

479. When a surety has paid more than his share of debt to the creditor, he has a right of contribution from the co-securities who are equally bound to pay with him.

- (A) False
- (B) True
- (C) Partly true
- (D) None of above

480. A, B & C jointly promise to pay D the sum of ₹ 3,000. C is compelled to pay the whole. A is insolvent but his assets are sufficient to pay

one-half of his debts. How much is C entitled to receive from A's estate and how much B?

- (A) C is entitled to receive ₹ 500 from A's estate and ₹ 1,250 from B.
- (B) C is entitled to receive ₹ 1,250 from A's estate and ₹ 500 from B.
- (C) C is entitled to receive ₹ 1,000 from A's estate and ₹ 1,000 from B.
- (D) C is entitled to receive ₹ 500 from A's estate and ₹ 1,000 from B.

481. In which of the following case a surety may be discharged from liability?

- (A) By notice of revocation in case of a continuing guarantee as regards past transaction
- (B) By the death of the surety as regards past transactions, in a continuing guarantee
- (C) Any variation in the terms of the contract between the creditor and the principal debtor, with the consent of the surety.
- (D) If the creditor releases the principal debtor, or acts or makes an omission which results in the discharge of the principal debtor

482. A surety may be discharged from liability _____

- (A) By notice of revocation in case of a continuing guarantee as regards future transaction
- (B) Where the creditor, without the consent of the surety, makes an arrangement with the principal debtor for composition, or promises to give time or not to sue him, the surety will be discharged.
- (C) If the creditor does any act which is against the rights of the surety, or omits to do an act which his duty to the surety requires him to do, and the eventual remedy of the surety himself against the principal debtor is thereby impaired
- (D) All of above

Bailment

483. _____ is the delivery of goods, by one person to another, for some purpose, upon a contract that they shall, when the purpose is accomplished, be returned or otherwise disposed of, according to the instructions of the person delivering them.

- (A) Indemnity
- (B) Bailment
- (C) Guarantee
- (D) Sale

484. In contract of bailment, person who delivers the goods is called as -

- (A) Bailee
- (B) Bailor
- (C) Pledger
- (D) Pledgee

485. In contract of bailment, the person to whom the goods are delivered is called as -

- (A) Bailee
- (B) Bailor
- (C) Pledger
- (D) Pledgee

486. The contract of bailment may be

- (A) Express
- (B) Implied
- (C) Deemed
- (D) (A) or (B)

487. In contract of bailment, there is transfer of in goods.

- (A) Ownership
- (B) Title
- (C) Possession
- (D) Deemed ownership

488. In contract of bailment, delivery may be _____

- (A) Actual
- (B) Constructive
- (C) (A) or (B)
- (D) None of above

489. In contract of bailment, _____ is made by physically handing over the goods.

- (A) Constructive delivery
- (B) Actual delivery
- (C) Symbolic delivery
- (D) Deemed delivery

490. If no consideration passes from bailor to bailee it is known as _____

- (A) Gratuitous bailment
- (B) Non-gratuitous bailment
- (C) Deemed bailment
- (D) Bailment with consideration

491. If some consideration passes from bailor to bailee it is known as -

- (A) Gratuitous bailment
- (B) Non-gratuitous bailment

- (C) Deemed bailment
(D) Actual bailment
492. _____ is one in which neither the bailor nor the bailee is entitled to any remuneration.
(A) Gratuitous bailment
(B) Non-gratuitous bailment
(C) Deemed bailment
(D) Actual bailment
493. _____ terminates by the death of either the bailor or the bailee.
(A) Gratuitous bailment
(B) Non-gratuitous bailment
(C) Deemed bailment
(D) Actual bailment
494. The bailee must take as much care of the goods bailed to him as a _____ would take under similar circumstances of his own goods of the same bulk, quality and value as the goods bailed
(A) Man of extra-ordinary prudence
(B) Man of ordinary prudence
(C) Man of ordinary economic condition
(D) Man of political prudence
495. The bailee is under a duty not to use the goods in an unauthorized manner or for unauthorized purpose.
(A) True
(B) False
(C) Partly true
(D) None of above
496. If bailee uses the goods in an unauthorized manner or for unauthorized purpose, the bailor can -
(i) Terminate the bailment
(ii) Claim damages for any loss
Select correct answer from the options given below -
(A) (ii) but not (i)
(B) (i) but not (ii)
(C) Both (i) and (ii)
(D) Neither (i) nor (ii)
497. A lends his car to B for a drive by him only. B allows C, an expert driver, to drive the car. C drives the car with care but hits with an electronic pole. The car is damaged.
(A) B is liable for the damage to A's car.
(B) B is not liable for the damage to A's car as C is driving car who is expert and in ordinary circumstances car may met with accident.
(C) C is driving car and hence he is directly liable for the damage to A's car.
(D) None of above
498. A hires a car in Delhi from B for going to Varanasi. A drives with care but meets with accident while going to Haridwar. Advise B.
(A) A is liable for the damage to B's car.
(B) A is not liable for the damage to B's car.
(C) A should pay extra charges for going to Haridwar.
(D) None of above
499. Where the bailee, mixes the goods bailed with his own goods, with the bailor's consent, both of them shall have interest in _____
(A) Proportion to their shares in the mixture produced
(B) Proportion to 40:60 in the mixture produced
(C) Proportion to 60:40 in the mixture produced
(D) None of above
500. Where the bailee, mixes the goods bailed with his own goods, without the bailor's consent, _____ bound to bear the expenses of separation or division, and also of any damage arising from the mixture.
(A) Bailor
(B) Bailee
(C) Third person
(D) Person separating the mixture
501. Bailee must not set up _____ to the goods.
(A) Perfect title
(B) An adverse title
(C) Defective title
(D) Deemed title
502. It is the duty of the bailee to return the goods without demand
(A) On the expiry of the time fixed
(B) When the purpose is accomplished
(C) (A) or (B)
(D) None of above
503. If bailee fails to return the goods, he shall be liable for any _____ of the goods even without negligence on his part.
(A) Loss
(B) Destruction
(C) Deterioration
(D) Loss, destruction or deterioration

504. In the absence of any contract to the contrary, the bailee is not required to return to the bailor any increase, or profits which may have accrued from the goods bailed.
- False
 - True
 - Partly true
 - None of above
505. If Ram leaves a cow in the custody of Shyam be taken care of and the cow gets a calf, Shyam is bound to deliver _____ to Ram.
- The cow
 - The calf
 - The cow as well as the calf
 - Nothing
506. _____ is a right to retain the property of another for a general balance of accounts.
- Particular lien
 - General lien
 - Deemed lien
 - Tangible lien
507. _____ is a right to retain those goods in respect of which bailee have rendered some service involving the exercise of labour or skill.
- Particular lien
 - General lien
 - Deemed lien
 - Tangible lien
508. Which of the following can exercise right of general lien?
- Bankers
 - Factor
 - Wharfingers
 - Attorneys of High Court
 - Policy brokers
- Select the correct answer from the options given below -*
- 1, 3 & 5
 - 2, 3 & 4
 - 1, 2, 3 & 5
 - 1, 2, 3, 4 & 5
509. Which of the following is duty of bailor?
- To disclose known faults.
 - To take reasonable care of goods bailed.
 - Not to mix the goods bailed.
 - Not to set-up adverse title.
510. Duty of bailor is/are
- To return accretion to the goods
 - To return the goods
 - To receive back goods on termination of bailment.
 - All of the above
511. Which of the following is correct?
- In case of gratuitous bailment, the bailor can terminate the bailment if the bailee does any act consistent with the terms of bailment.
 - In case of non gratuitous bailment, the bailor is liable for extraordinary expenses.
 - Bailment continues even if bailee dispose of the goods bailed.
 - Non gratuitous bailment means bailment without consideration.
512. A hires a carriage of B. the carriage is unsafe though B does not know this. A is injured.
- In relation to this case state which of the following is correct?*
- Yes. B is liable to A for the injury.
 - No. B is not liable to A for the injury.
 - Partly yes
 - None of above
513. The bailment terminates
- Where the bailee wrongfully uses or dispose of the goods bailed
 - As soon as the period of bailment expires or the object of the bailment has been achieved
 - When subject matter of bailment is destroyed or by reason of change in its nature, becomes incapable of use for the purpose of bailment.
 - All of above
514. The position of a finder of lost goods is exactly that of -
- Bailee
 - Surety
 - Consignee
 - Consignor
515. Responsibility of finder of goods:
- He need not to take care of goods as man of ordinary prudence.
 - He must not to appropriate goods for his own use.
 - He can mix the goods with his own goods.
 - All of above

516. Rights of finder of goods:
- (A) He has a right to retain the goods until he receives compensation for trouble and expenses incurred in preserving the goods and finding out the owner.
 - (B) He cannot sue the owner for payment of any specific reward offered by the owner.
 - (C) He cannot sell the goods found at all.
 - (D) All of above
517. In which of the following case(s) the finder of goods can sell the goods found?
- (A) Owner cannot be found with reasonable diligence
 - (B) Owner, if found, does not pay the lawful charges of the finder
 - (C) Goods are in danger of perishing
 - (D) All of above
518. Finder of goods can sell the goods found, if the lawful charges of finder, amount to _____ of the value of goods
- (A) 2/3rd
 - (B) 1/3rd
 - (C) 1/4th
 - (D) 2/5th
519. Ravi found a purse in a computer education centre. He deposited the purse with proprietor of the centre so that the real owner can claim. However, no one claimed the purse. Ravi wants the purse back. Can he succeed?
- (A) Yes
 - (B) No
 - (C) Partly yes
 - (D) None of above
520. A common carrier has same responsibility as that of an ordinary bailee.
- (A) False
 - (B) True
 - (C) Partly true
 - (D) None of above
521. A common carrier includes
- (A) Railways
 - (B) Carriers by inland navigation
 - (C) Carriers by sea
 - (D) (A) & (B)
522. A common carrier does includes _____ and they can they can limit their liability.
- (A) Railways
 - (B) Carriers by inland navigation
 - (C) Carriers by sea
 - (D) (A) & (B)
523. The liability of a hotel keeper is governed by Sections 151 and 152 of the Indian Contract Act, 1872 and is that of an ordinary bailee with regard to the property of the guests.
- (A) False
 - (B) True
 - (C) Partly true
 - (D) None of above
524. C stayed in a room in a hotel. The hotel-keeper knew that the room was in an insecure condition. While C was dining in the dining room, some articles were stolen from his room. State whether hotel-keeper was liable for the loss?
- (A) Yes. Hotel-keeper is liable for the loss as he should have taken reasonable steps to rectify the in secured condition of the rooms.
 - (B) No. Hotel-keeper is not liable for the loss even if do not take reasonable steps to rectify the in secured condition of the rooms.
 - (C) Partly yes
 - (D) None of above
- Pledge**
525. Pledge is a bailment of goods as security for payment of a -
- (A) Debt
 - (B) Performance of a promise
 - (C) (A) or (B)
 - (D) None of above
526. A pledge is bailment for security.
- (A) False
 - (B) True
 - (C) Partly true
 - (D) None of above
527. Person who pledge the goods is known as -
- (A) Pledger
 - (B) Pawnor
 - (C) (A) or (B)
 - (D) Bailor
528. Person to whom goods are pledged is known as
- (A) Pledgee

- (B) Pawnee
(C) (A) or (B)
(D) Bailee
529. The essential ingredients of a pledge:
- (A) The property pledged should be delivered to the Pawnee.
(B) Delivery should be in pursuance of a contract.
(C) Delivery should be for the purpose of security.
(D) All of above
530. Pawnee may retain the goods pledged for
- (A) Payment of the debt or the performance of promise
(B) Interest due on the debt
(C) All necessary expenses incurred by him with respect to possession or for preservation of goods pledged.
(D) All of above
531. Where the Pawnee incurs necessary expenses to preserve the goods pledged with him, he is not entitled to receive such amount from the Pawnor.
- (A) False
(B) True
(C) Partly true
(D) None of above
532. Pawnee may retain the goods pledged as collateral security, or sell the goods pledged by giving a reasonable notice to the pawnor.
- (A) False
(B) True
(C) Partly true
(D) None of above
533. When there is a surplus on sale after due notice to the pawnor, the pawnee shall pay the excess to the pawnor.
- (A) False
(B) True
(C) Partly true
(D) None of above
534. Where the pawnee does not give a reasonable notice to the pawnor, the sale is valid, but pawnee is liable to pay damages to pawnor.
- (A) True
(B) False
(C) Partly true
(D) None of above
- (C) Partly true
(D) None of above
535. The general rule is that only owner can create valid pledge. However even non-owner can create a valid pledge:
- (A) A mercantile agent who is in possession of goods or of document of title to goods, with the consent of owner
(B) When the pawnor has obtained possession of goods under a voidable contract by way of fraud, coercion, etc
(C) Co-owner is in possession of goods with the consent of other co-owner.
(D) All of above
- ### Agency
536. _____ is the relationship between two person where one person is employed by another to act on behalf of that another with the third person.
- (A) Agency
(B) Bailment
(C) Indemnity
(D) Guarantee
537. _____ is a person employed to do any act for another, or to represent another in dealing with third persons.
- (A) Bailee
(B) An agent
(C) Bailor
(D) Indemnity holder
538. A contract of agency may be -
- (A) Express
(B) Implied
(C) (A) or (B)
(D) None of above
539. Agency may also arise by
- (A) Estoppel
(B) Necessity
(C) Ratification
(D) All of above
540. Consideration is necessary to create an agency.
- (A) True
(B) False
(C) Partly true
(D) None of above

541. A contract of agency may be made
 (A) Orally
 (B) In writing
 (C) (A) or (B)
 (D) None of above
542. An authority is said to be when it is to be inferred from the circumstances of the case, and things spoken or written, or the ordinary course of dealings.
 (A) Express
 (B) Implied
 (C) (A) or (B)
 (D) None of above
543. Where a principal, by his word or conduct, induces some third person to believe that acts or obligations of his agent were within his authority, he shall be estopped from denying it later. This known as -
 (A) Agency of necessity
 (B) Agency by estoppel
 (C) Agency by operation of law
 (D) Agency by ratification
544. A principal cannot deny the agent's authority when he does some prior positive or affirmative act establishing the agency of the other person. This known as -
 (A) Agency of necessity
 (B) Agency by operation of law
 (C) Agency by holding out
 (D) Agency by ratification
545. When the husband and wife are living together and the husband does not provide for necessities, wife has an implied authority as an agent to pledge her husband's credit for bare necessities.
 (A) False
 (B) True
 (C) Partly true
 (D) None of above
546. The husband will not be liable as agent if he shows that:
 (A) He had told tradesman to supply goods on credit to his wife.
 (B) He had expressly allowed the wife to pledge his credit
 (C) His wife was already sufficiently supplied with the articles in question.
 (D) All of above
547. In certain circumstances, a person who has been entrusted with another's property, may have to incur unauthorized expenses to protect or preserve it. This known as
 (A) Agency of necessity
 (B) Agency by operation of law
 (C) Agency by holding out
 (D) Agency by ratification
548. A horse sent by rail was not taken delivery at the destination. The Station Master had to feed the horse. The Station Master becomes an and hence the owner shall compensate him.
 (A) Agent by necessity
 (B) Agent by operation of law
 (C) Agent by holding out
 (D) Agent by ratification
549. When the relationship arises between the persons as per provisions of the present applicable laws, it is said to be an
 (A) Agency of necessity
 (B) Agency by operation of law
 (C) Agency by holding out
 (D) Agency by ratification
550. Where a person having no authority purports to act as agent, or a duly appointed agent exceeds his authority, the principal is not bound by the contract supposedly based on his behalf. But the principal may ratify the agents transaction and so accept liability. This known as
 (A) Agency of necessity
 (B) Agency by operation of law
 (C) Agency by holding out
 (D) Agency by ratification
551. Which of the following is correct requisite of valid agency by ratification?
 (A) The agent must purport to act as agent for a principal who is in contemplation and is identifiable at the time of contract.
 (B) Principal need not be in existence at the time of contract.
 (C) Principal should have contractual capacity at the time of contract but not at the time of ratification.
 (D) All of above
552. Requisites of valid agency by ratification:
 (A) Ratification must be made within a 2 years from the date of act done.

- (B) Ratification should be done within a reasonable time.
- (C) The act to be ratified need not to be a lawful one.
- (D) All of above
553. Requisites of valid agency by ratification:
- (A) Ratification can be made for part contract
- (B) Ratification need not be communicated to the party who is sought to be bound by act done by principal.
- (C) Ratification should not put third party to damages.
- (D) None of above
554. Ratification relates back to the date of the act of agent.
- (A) False
- (B) True
- (C) Partly true
- (D) None of above
555. When agent is appointed to perform a particular transaction, such agent is known as -
- (A) Special agent
- (B) General agent
- (C) Universal agent
- (D) Mercantile agent
556. When agent is appointed to do all acts connected with a particular trade, business or employment, such agent is known as -
- (A) Special agent
- (B) General agent
- (C) Universal agent
- (D) Mercantile agent
557. When agent is appointed to do all acts for the principal, such agent is known as _____
- (A) Special agent
- (B) General agent
- (C) Universal agent
- (D) Mercantile agent
558. Agent who is authorized to sell goods or consign goods for the purpose of sale or to buy goods or to raise money on the security of goods is known as -
- (A) Special agent
- (B) General agent
- (C) Universal agent
- (D) Mercantile agent
559. A _____ is a person employed by, and acting under the control of, the original agent in the business of agency.
- (A) Substituted agent
- (B) Sub-agent
- (C) Pretended agent
- (D) Universal agent
560. Where an agent, holding authority to name another person, has named another person accordingly, such person is known as Such agent works under the control and directions of principal.
- (A) Substituted agent
- (B) Sub-agent
- (C) Pretended agent
- (D) Universal agent
561. A _____ is one who represents to be an agent of another when in reality he has not such authority from him at all.
- (A) Substituted agent
- (B) Sub-agent
- (C) Pretended agent
- (D) Universal agent
562. A mercantile agent includes -
- (A) Factors
- (B) Brokers
- (C) Auctioneers
- (D) All of above
563. A _____ is a mercantile agent employed to sell goods which have been placed in his possession or contract to buy goods for his principal. He is the apparent owner of the goods in his custody and can sell them in his own name and receive payment for the goods.
- (A) Broker
- (B) Factor
- (C) Del Credere Agent
- (D) Auctioneer
564. A _____ is a mercantile agent whose ordinary course of business is to make contracts with other parties for the sale and purchase of goods and securities of which he is not entrusted with the possession for a commission called brokerage.

- (A) Broker
(B) Factor
(C) Del Credere Agent
(D) Auctioneer
565. A _____ is a mercantile agent, who is consideration of an extra remuneration guarantees to his principal that the purchasers who buy on credit will pay for the goods they take.
(A) Broker
(B) Factor
(C) Del Credere Agent
(D) Auctioneer
566. An _____ is an agent who sells goods by auction.
(A) Broker
(B) Factor
(C) Del Credere Agent
(D) Auctioneer
567. Duties of an agent:
(A) To delegate authority
(B) To protect interest of principal in case of death
(C) Not to act as per principal's directions
(D) All of above
568. Duties of an agent:
(A) To exercise skill and diligence
(B) To render proper accounts
(C) Communicate with principal in case of difficulty
(D) All of above
569. Duties of an agent:
(A) To deal on his own account
(B) To retain with himself all sums received
(C) Not to make secret profits
(D) All of above
570. Duties of an agent:
(A) Not to disclose information
(B) To protect interest of principal in case of death
(C) To act as per principal's directions
(D) All of above
571. When the principal and his name are disclosed to third parties, act of agent are acts of principal.
(A) True
(B) False
(C) Partly true
(D) None of above
572. Where the agent disclose that he is merely an agent but conceals the identity of his principal, he is not personally liable, the principal, on being discovered, will be responsible for the contract made by the agent.
(A) True
(B) False
(C) Partly true
(D) None of above
573. If an agent contract in the capacity of an agent but principal's name is not given then, principal is not continues to be liable for all acts of the agent and agent will be held personally liable.
(A) True
(B) False
(C) Partly true
(D) None of above
574. In case of unnamed principal if agent refuses to name the principal, the agent shall be personally liable.
(A) True
(B) False
(C) Partly true
(D) None of above
575. If an agent commits a tort or other wrong (*e.g.*, misrepresentation or fraud) during his agency, whilst acting within the scope of his actual or apparent authority, the principal is not liable.
(A) True
(B) False
(C) Partly true
(D) None of above
576. An agent is personally liable:
(A) Where the agent has agreed to be personally liable to the third-party.
(B) Where an agent acts for a principal residing abroad.
(C) When the agent signs a negotiable instrument in his own name without making it clear that he is signing it only as agent.
(D) All of above
577. Where the agent has himself an interest in the property which forms the subject-matter of the agency, the agency cannot, in the absence of an

express contract, be terminated to the prejudice of such interest. This is known as -

- (A) Agency is coupled with interest
- (B) Agency by ratification
- (C) Agency by emergency
- (D) Agency by necessity

578. An agency comes to an end or terminates: _____

- (A) By the performance of the contract of agency
- (B) By an agreement between the principal and the agent

(C) By expiration of the period fixed for the contract of agency

(D) All of above

579. An agency comes to an end or terminates:

- (A) By the death of the principal or the agency
- (B) By the insanity of either the principal or the agent
- (C) By the insolvency of the principal, and in some cases that of the agent
- (D) All of above

Answers

1.	(C)	2.	(C)	3.	(A)	4.	(B)	5.	(C)	6.	(A)	7.	(B)
8.	(C)	9.	(A)	10.	(C)	11.	(A)	12.	(D)	13.	(A)	14.	(B)
15.	(D)	16.	(B)	17.	(C)	18.	(B)	19.	(A)	20.	(C)	21.	(B)
22.	(A)	23.	(C)	24.	(D)	25.	(B)	26.	(D)	27.	(D)	28.	(D)
29.	(A)	30.	(D)	31.	(D)	32.	(B)	33.	(A)	34.	(B)	35.	(A)
36.	(D)	37.	(C)	38.	(A)	39.	(B)	40.	(A)	41.	(B)	42.	(A)
43.	(D)	44.	(B)	45.	(D)	46.	(C)	47.	(C)	48.	(C)	49.	(A)
50.	(C)	51.	(B)	52.	(B)	53.	(A)	54.	(C)	55.	(D)	56.	(D)
57.	(A)	58.	(A)	59.	(A)	60.	(C)	61.	(D)	62.	(D)	63.	(B)
64.	(D)	65.	(A)	66.	(C)	67.	(A)	68.	(B)	69.	(B)	70.	(B)
71.	(A)	72.	(B)	73.	(A)	74.	(B)	75.	(B)	76.	(D)	77.	(D)
78.	(C)	79.	(D)	80.	(D)	81.	(C)	82.	(D)	83.	(C)	84.	(D)
85.	(C)	86.	(A)	87.	(D)	88.	(D)	89.	(C)	90.	(B)	91.	(C)
92.	(D)	93.	(D)	94.	(D)	95.	(A)	96.	(A)	97.	(A)	98.	(B)
99.	(A)	100.	(B)	101.	(C)	102.	(D)	103.	(B)	104.	(C)	105.	(C)
106.	(D)	107.	(C)	108.	(B)	109.	(B)	110.	(B)	111.	(C)	112.	(D)
113.	(D)	114.	(B)	115.	(B)	116.	(D)	117.	(A)	118.	(D)	119.	(A)
120.	(D)	121.	(A)	122.	(B)	123.	(B)	124.	(C)	125.	(A)	126.	(B)
127.	(D)	128.	(D)	129.	(D)	130.	(D)	131.	(A)	132.	(B)	133.	(C)
134.	(B)	135.	(C)	136.	(B)	137.	(C)	138.	(A)	139.	(D)	140.	(B)
141.	(D)	142.	(C)	143.	(C)	144.	(A)	145.	(D)	146.	(D)	147.	(D)
148.	(D)	149.	(B)	150.	(C)	151.	(A)	152.	(B)	153.	(B)	154.	(A)
155.	(B)	156.	(C)	157.	(D)	158.	(D)	159.	(B)	160.	(B)	161.	(A)
162.	(A)	163.	(B)	164.	(C)	165.	(D)	166.	(C)	167.	(B)	168.	(B)
169.	(A)	170.	(D)	171.	(C)	172.	(B)	173.	(A)	174.	(A)	175.	(A)
176.	(D)	177.	(D)	178.	(A)	179.	(A)	180.	(A)	181.	(C)	182.	(B)
183.	(B)	184.	(D)	185.	(C)	186.	(B)	187.	(A)	188.	(B)	189.	(C)
190.	(A)	191.	(D)	192.	(B)	193.	(C)	194.	(D)	195.	(C)	196.	(A)
197.	(B)	198.	(D)	199.	(A)	200.	(B)	201.	(D)	202.	(C)	203.	(B)
204.	(B)	205.	(D)	206.	(A)	207.	(D)	208.	(B)	209.	(D)	210.	(A)
211.	(B)	212.	(A)	213.	(A)	214.	(D)	215.	(D)	216.	(C)	217.	(C)

218.	(D)	219.	(D)	220.	(C)	221.	(D)	222.	(D)	223.	(A)	224.	(B)
225.	(B)	226.	(A)	227.	(D)	228.	(C)	229.	(D)	230.	(C)	231.	(A)
232.	(D)	233.	(A)	234.	(D)	235.	(A)	236.	(D)	237.	(B)	238.	(B)
239.	(D)	240.	(D)	241.	(A)	242.	(D)	243.	(D)	244.	(D)	245.	(A)
246.	(D)	247.	(D)	248.	(D)	249.	(B)	250.	(A)	251.	(B)	252.	(D)
253.	(A)	254.	(D)	255.	(D)	256.	(A)	257.	(A)	258.	(B)	259.	(A)
260.	(B)	261.	(B)	262.	(A)	263.	(D)	264.	(A)	265.	(D)	266.	(D)
267.	(D)	268.	(B)	269.	(A)	270.	(C)	271.	(D)	272.	(B)	273.	(C)
274.	(B)	275.	(B)	276.	(B)	277.	(D)	278.	(D)	279.	(A)	280.	(D)
281.	(C)	282.	(D)	283.	(D)	284.	(B)	285.	(B)	286.	(C)	287.	(C)
288.	(D)	289.	(B)	290.	(D)	291.	(C)	292.	(A)	293.	(A)	294.	(C)
295.	(A)	296.	(B)	297.	(A)	298.	(B)	299.	(A)	300.	(A)	301.	(D)
302.	(D)	303.	(B)	304.	(B)	305.	(B)	306.	(C)	307.	(C)	308.	(A)
309.	(B)	310.	(D)	311.	(B)	312.	(D)	313.	(A)	314.	(B)	315.	(D)
316.	(B)	317.	(A)	318.	(B)	319.	(A)	320.	(C)	321.	(C)	322.	(B)
323.	(C)	324.	(D)	325.	(B)	326.	(A)	327.	(B)	328.	(B)	329.	(D)
330.	(B)	331.	(A)	332.	(D)	333.	(D)	334.	(C)	335.	(D)	336.	(C)
337.	(A)	338.	(B)	339.	(B)	340.	(A)	341.	(C)	342.	(D)	343.	(B)
344.	(D)	345.	(B)	346.	(D)	347.	(B)	348.	(C)	349.	(B)	350.	(B)
351.	(B)	352.	(B)	353.	(D)	354.	(A)	355.	(D)	356.	(B)	357.	(A)
358.	(C)	359.	(D)	360.	(B)	361.	(D)	362.	(D)	363.	(D)	364.	(B)
365.	(B)	366.	(D)	367.	(D)	368.	(A)	369.	(B)	370.	(A)	371.	(C)
372.	(D)	373.	(B)	374.	(C)	375.	(A)	376.	(A)	377.	(C)	378.	(C)
379.	(D)	380.	(A)	381.	(B)	382.	(D)	383.	(C)	384.	(C)	385.	(D)
386.	(C)	387.	(A)	388.	(D)	389.	(D)	390.	(B)	391.	(C)	392.	(C)
393.	(D)	394.	(D)	395.	(B)	396.	(B)	397.	(A)	398.	(C)	399.	(B)
400.	(B)	401.	(A)	402.	(D)	403.	(A)	404.	(D)	405.	(B)	406.	(D)
407.	(C)	408.	(D)	409.	(C)	410.	(A)	411.	(C)	412.	(D)	413.	(A)
414.	(C)	415.	(C)	416.	(B)	417.	(A)	418.	(B)	419.	(D)	420.	(B)
421.	(D)	422.	(A)	423.	(D)	424.	(B)	425.	(C)	426.	(A)	427.	(C)
428.	(B)	429.	(D)	430.	(C)	431.	(C)	432.	(A)	433.	(C)	434.	(D)
435.	(D)	436.	(D)	437.	(C)	438.	(C)	439.	(D)	440.	(C)	441.	(D)
442.	(D)	443.	(B)	444.	(D)	445.	(D)	446.	(C)	447.	(C)	448.	(D)
449.	(D)	450.	(D)	451.	(B)	452.	(D)	453.	(C)	454.	(A)	455.	(A)
456.	(C)	457.	(D)	458.	(D)	459.	(B)	460.	(B)	461.	(A)	462.	(C)
463.	(B)	464.	(A)	465.	(B)	466.	(A)	467.	(D)	468.	(B)	469.	(A)
470.	(A)	471.	(C)	472.	(A)	473.	(C)	474.	(D)	475.	(A)	476.	(C)
477.	(B)	478.	(C)	479.	(B)	480.	(A)	481.	(D)	482.	(D)	483.	(B)
484.	(B)	485.	(A)	486.	(D)	487.	(C)	488.	(C)	489.	(B)	490.	(A)
491.	(B)	492.	(A)	493.	(A)	494.	(B)	495.	(A)	496.	(C)	497.	(A)
498.	(A)	499.	(A)	500.	(A)	501.	(B)	502.	(C)	503.	(D)	504.	(A)
505.	(C)	506.	(B)	507.	(A)	508.	(D)	509.	(A)	510.	(C)	511.	(B)
512.	(A)	513.	(D)	514.	(A)	515.	(B)	516.	(A)	517.	(D)	518.	(A)

519.	(A)	520.	(B)	521.	(D)	522.	(C)	523.	(B)	524.	(A)	525.	(C)
526.	(B)	527.	(C)	528.	(C)	529.	(D)	530.	(D)	531.	(A)	532.	(B)
533.	(A)	534.	(A)	535.	(D)	536.	(A)	537.	(B)	538.	(C)	539.	(D)
540.	(B)	541.	(C)	542.	(B)	543.	(B)	544.	(C)	545.	(B)	546.	(C)
547.	(A)	548.	(A)	549.	(B)	550.	(D)	551.	(A)	552.	(B)	553.	(C)
554.	(B)	555.	(B)	556.	(B)	557.	(C)	558.	(D)	559.	(B)	560.	(A)
561.	(C)	562.	(D)	563.	(B)	564.	(A)	565.	(C)	566.	(D)	567.	(B)
568.	(D)	569.	(C)	570.	(D)	571.	(A)	572.	(A)	573.	(B)	574.	(A)
575.	(B)	576.	(D)	577.	(A)	578.	(D)	579.	(D)				

SALE OF GOODS ACT, 1930

CHAPTER

11

Contract of Sale of Goods

1. The Sale of Goods Act, 1930 extends to the -
 - (A) Whole of India
 - (B) Whole of India, except the State of Jammu
 - (C) Whole of India, except the State of Jammu and Kashmir
 - (D) Whole of India, except the State of Goa
2. The Sale of Goods Act came into force with effect from
 - (A) 1st July 1930
 - (B) 1st July 1932
 - (C) 1st Oct 1932
 - (D) 1st Sep 1872
3. According to Section 4 Sale of Goods Act, 1930, a contract of sale of goods is a contract whereby the seller:
 - (A) Transfers the possession in goods to the buyer for a money consideration called the price.
 - (B) Transfers or agrees to transfer the property in goods to the buyer for a monetary or non-monetary consideration.
 - (C) Transfers or agrees to transfer the property in goods to the buyer for a money consideration called the price.
 - (D) Transfers the possession in goods to the buyer for a money consideration or consideration of exchange of other goods.
4. "Contract of sale" includes -
 - (X) Sale
 - (Y) An agreement to sell

Select correct answer from the options given below -

 - (A) (X) only
 - (B) (Y) only
 - (C) Both (X) & (Y)
 - (D) Neither (X) nor (Y)
5. In "Sale", the seller transfers the _____ of the goods to the buyer.
 - (A) Possession
 - (B) Ownership
 - (C) Money
 - (D) Value
6. In an agreement to sell, the ownership of goods is to be transferred -
 - (A) at the time of contract subject to fulfilment of some conditions
 - (B) at a future time subject to fulfilment of some conditions
 - (C) at a future time subject to fulfilment of some conditions in past
 - (D) today subject to fulfilment of some conditions
7. Essentials of a contract of sale of goods -
 - (A) There must be two parties; seller and buyer.
 - (B) Transfer of ownership
 - (C) Subject matter of a contract of sale must be goods.
 - (D) All of above
8. Consideration in a contract of sale should be -
 - (A) 'Money' to seller
 - (B) 'Goods' to buyer
 - (C) Both (A) & (B)
 - (D) Either (A) or (B)
9. Which of the following is treated as the 'subject matter' of a contract of sale?
 - (A) Goods
 - (B) Money
 - (C) Value
 - (D) Ownership
10. Where the goods are exchanged for goods it is called as -
 - (A) Sale

- (B) Barter
(C) Deemed sale
(D) Hire purchase
11. X contract to sell 100 mobile to Y for ₹ 3,500 per mobile. This is contract of -
(A) Sale
(B) Barter
(C) Deemed sale
(D) Hire purchase
12. X contract to sell 100 mobile to Y, if Y gives 100 calculators and ₹ 3,000 per mobile. This is contract of -
(A) Sale
(B) Barter
(C) Deemed sale
(D) Hire purchase
13. X contract to sell 100 mobile to Y, if Y gives 700 calculators. This is -
(A) Sale
(B) Barter
(C) Deemed sale
(D) Hire purchase
14. As per Section 2(1): Buyer means a person who _____ goods.
(A) Buys
(B) Agrees to buy
(C) Buys or agrees to buy
(D) None of above
15. As per Section 2(13): Seller means a person who _____ goods
(A) Sells
(B) Agrees to sell
(C) Sells or agrees to sell
(D) None of above
16. Which of the following is not sale under the Sale of Goods Act, 1930?
(i) Purchase of goods by a partner for firm
(ii) X agree with Y to sell future goods
(iii) D sold goods worth ₹ 20,000 to E.
(iv) P sold house to Q for ₹ 15,00,000.
Select correct answer from the options given below -
(A) All except (i)
(B) All except (ii)

- (C) All except (iii)
(D) All except (iv)

Document of title & Document showing title

17. The definition of 'document of title' given u/s 2(4) in the Sale of Goods Act, 1930 is -
(A) Exhaustive
(B) Inclusive
(C) Exclusive
(D) Expressive
18. A document of title confer right to transfer therein -
(A) by way of endorsement
(B) by way of delivery
(C) both (A) and (B)
(D) either (A) or (B)
19. A share certificate is a -
(A) document showing title
(B) document of title
(C) instrument of transfer
(D) all of the above
20. Bill of lading is a -
(A) document showing title
(B) document of title
(C) bill of exchange
(D) promissory note
21. Which of the following is document of title of goods?
(A) Bill of exchange
(B) Promissory note
(C) Both (A) and (B)
(D) Neither (A) nor (B)
22. A Mate's Receipt (given by servant/Mate of the Captain of a Ship) is a -
(A) Instrument of transfer
(B) Acknowledgement of receipt of goods
(C) Document of title
(D) Document showing title
23. A document issued by Railway Company acknowledging receipt of goods is -
(A) Bill of lading
(B) Railway receipt
(C) Dock warrant
(D) None of the these

24. Which of the following is document of title?
 (A) Dock warrant
 (B) Multimodal transport document
 (C) Bill of lading
 (D) All of the above
25. Which of the following is not document of title?
 (A) Warehouse keeper's certificate
 (B) Wharfinger's certificate
 (C) Bill of exchange
 (D) Dock warrant
26. Under the Sales of Goods Act, 1930, wharfinger's certificate is a -
 (A) Delivery order
 (B) Certificate equivalent to negotiable instrument
 (C) Document showing title
 (D) Document of title
27. Which of the following is NOT document of title?
 (I) Usance promissory note
 (II) International bill of exchange
 (III) Account payee crossed cheque
 (IV) Proforma invoice
 (V) Bearer cheque
Select the correct answer from the options given below -
 (A) (I), (II) & (IV)
 (B) (II) & (V)
 (C) (I), (III) & (V)
 (D) All (I) to (V)
- (C) Contract for work
 (D) (A) & (B)
30. An agreement to sell is an -
 (A) Executed contract
 (B) Executory contract
 (C) Deemed contract
 (D) Quasi contract
31. A sale is an -
 (A) Executed contract
 (B) Executory contract
 (C) Deemed contract
 (D) Quasi contract
32. A 'contract of sale goods' under Section 4 of the Sale of Goods Act, 1930 comprises of -
 (A) Executory contract of sale
 (B) Executed contract of sale
 (C) Both executory and executed contract of sale
 (D) None of the above
33. If there is an agreement to sell and the goods are destroyed by accident, the loss falls on the
 (A) Buyer
 (B) Seller
 (C) Transporter
 (D) Bailee
34. In a sale, the loss falls on the -
 (A) Buyer even though the goods are with the seller
 (B) Seller even though the goods are with the buyer
 (C) Seller whether goods are in possession of buyer or seller
 (D) Buyer if it is agreed between buyer & seller
35. If there is an agreement to sell and the seller commits a breach, the buyer
 (A) Can claim for damages
 (B) Can file suit for conversion or detinue, etc.
 (C) Both (A) & (B)
 (D) Either (A) or (B)
36. In an agreement to sell, the property in goods is transferred in -
 (A) Past
 (B) Present

Distinction between Sale & Agreement to Sell

28. _____, the property in the goods sold passes to the buyer at the time of contract.
 (A) in a sale
 (B) in an agreement to sell
 (C) in an agreement to sell future goods
 (D) in an agreement to sell contingent goods
29. _____, the ownership does not pass to the buyer at the time of the contract, but it passes only when it becomes sale on the expiry of certain time or the fulfilment of some conditions subject to which the property in the goods is to be transferred.
 (A) In an agreement to sell
 (B) In a sale

- (C) Future
(D) None of above
37. In sale, the property in goods is transferred in -
(A) Past
(B) Present
(C) Future
(D) None of above
38. Rohan agrees to sell Sohan, all crops of rice to be grown in Rohan's farm.
(A) It is contract of sale of present goods.
(B) There is no contract of sale
(C) It is an agreement to sell of future goods
(D) None of the above
39. Which of the following statement is not true?
(A) In an agreement to sell, ownership will be transferred to buyer
(B) In agreement to sell, loss will be with the seller.
(C) None of (A) & (B)
(D) Both (A) and (B)
40. In an agreement to sell, where goods lie with buyer -
(A) the risk of loss goods lie with the buyer only
(B) either buyer or seller
(C) buyer or seller to the extent of their share
(D) the risk of loss goods lie with the seller only
41. In a completed sale, loss of goods due to destruction has to be faced by -
(A) seller
(B) buyer
(C) seller's agent
(D) common carrier
- (B) Agreement to sale
(C) Contract for work and labour
(D) Hire purchase
44. Which of the following involves transfer of some material and exercise of skill and labour in goods belonging to other person?
(A) Sale
(B) Agreement to sale
(C) Contract for work and labour
(D) Hire purchase
45. X agrees to sale 100 bags of wheat to Y which are ready for delivery. This is -
(A) contract of sale
(B) contract for work and labour
(C) an agreement to sale
(D) contract for hire purchase
46. X, an artist, agreed to paint a picture of Y. Y supply canvas and other material. This is contract -
(A) This is contract of 'sale'.
(B) This is contract for work and labour.
(C) This is an agreement to sale.
(D) This is contract for hire purchase
47. X gives gold biscuit to Y, a goldsmith, to make ornaments and deliver back to Y for ₹ 20,000.
(A) This is contract of 'sale'.
(B) This is contract for work and labour.
(C) This is an agreement to sale.
(D) This is contract for hire purchase
48. _____ is a contract in which goods are delivered and the price is allowed to be paid in instalments on the condition that property (ownership) in goods will be passed only on payment of all the instalments.
(A) Sale
(B) Agreement to sale
(C) Contract for work and labour
(D) Hire purchase
49. Identify which of the following statement is correct (✓) and which is incorrect (×)?
1. The hirer cannot transfer any title.
2. The hirer can terminate the contract by returning the goods.
3. The hirer is deemed to be a bailee till payment of last instalment.

Distinction between Sale & Agreement to Sell, Hire Purchase

42. Repairs of a car and supply of spare parts required for such repairs is -
(A) A contract of sale
(B) An agreement to sell
(C) A contract for work and labour
(D) Not a valid agreement at all
43. _____ is a contract for executing certain work and involves exercise of skill.
(A) Sale

4. The property in goods passes to the hirer along with its possession.

Select the correct answer from the options given below -

	1	2	3	4
(A)	✗	✗	✗	✓
(B)	✓	✗	✗	✗
(C)	✓	✓	✓	✓
(D)	✓	✓	✓	✗

50. In which of the following case property in goods is transferred to the buyer at the time where total payment is made.

- (A) Sale
(B) Agreement to sell
(C) Hire purchase
(D) Sale or return

51. An agreement made between parties to pay consideration in future and in execution of sale deed operates as -

- (A) Hire purchase
(B) Sale
(C) Agreement to sale
(D) Sale on approval

52. Contract for work and labour -

- (A) is a contract for transferring property in the goods immediately
(B) is contract which involves transfer for consideration only from one of the party
(C) is a contract for executing certain work and involves exercise of skill
(D) is a type of executed contract.

53. X gives his old car to Y for repair and also request to replace some old parts. This is -

- (A) contract of sale
(B) contract for work and labour
(C) contingent contract
(D) gratuitous contract

54. X contracted for sale of a fur coat of special design and colour as per customer's requirement. This is -

- (A) Contract of sale
(B) Contract for work and labour
(C) Both (A) and (B)
(D) Contingent contract

55. Rakesh sends gold to Anand for making ornaments. This is -

- (A) Contract for work and labour
(B) Contingent contract
(C) Contract of sale
(D) gratuitous contract

56. Which of the following is contract for work and labour?

1. X, an artist, agreed to paint a picture of Y. Y supply canvas and other material.
2. A dentist agreed to supply a set of artificial teeth to a patient. The entire material found by dentist.

Select the correct answer from the options given below -

- (A) 1 only
(B) Both 1 and 2
(C) 2 only
(D) Neither 1 nor 2

Goods

57. The subject matter of the contract of sale is essentially -

- (A) Goods
(B) Money
(C) Currency
(D) None of above

58. The term "Goods" under the Sale of Goods Act, 1930 covers -

- (A) Immovable property
(B) Movable property
(C) Both immovable & movable property
(D) Marketable Property

59. Goods mean every kind of movable property other than -

1. Actionable claim
2. Money

Select the correct answer from the options given below -

- (A) 1 only
(B) 2 only
(C) Both 1 and 2
(D) Neither 1 nor 2

60. Goods includes -

- (I) Movable property
(J) Growing crops
(K) Grass

Select the correct answer from the options given below -

- (A) (I) only
- (B) (I) & (J) only
- (C) (I), (J) & (K)
- (D) (I) & (K) only

61. Goods includes -

- (i) Actionable claims
- (ii) Current money
- (iii) Land

Select the correct answer from the options given below -

- (A) (i) only
- (B) (ii) only
- (C) (iii) only
- (D) None of above

62. Goods includes

- (A) Immovable property
- (B) Animal & birds
- (C) Growing crops
- (D) (B) & (C)

63. _____ are those goods which are *owned* and *possessed* by seller at the time of contract of sale.

- (A) Existing goods
- (B) Future goods
- (C) Contingent goods
- (D) Tangible goods

64. Goods which are *identified* and *agreed upon* at the time the contract of sale is made are -

- (A) Contingent goods
- (B) Specific goods
- (C) Unascertained goods
- (D) Ascertained goods

65. Goods which are *not identified* and *agreed upon* at the time of contract of sale are -

- (A) Contingent goods
- (B) Specific goods
- (C) Unascertained goods
- (D) Ascertained goods

66. Goods which are *ascertained subsequent* to formation of contract of sale are -

- (A) Contingent goods
- (B) Specific goods
- (C) Unascertained goods
- (D) Ascertained goods

67. Goods which are not possessed by seller at the time of contract of sale but will be manufactured or produced or acquired by the seller, after the contract of sale are known as -

- (A) Existing goods
- (B) Future goods
- (C) Contingent goods
- (D) Tangible goods

68. In case of future goods, the contract operates as _____ the goods.

- (A) An agreement to sell
- (B) Contract of sale
- (C) Contract for work & labour
- (D) Contract for service

69. When acquisition of the goods depends upon happening or non-happening of future uncertain event such goods are known as _____

- (A) Existing goods
- (B) Future goods
- (C) Contingent goods
- (D) Tangible goods

70. X, a fisherman agrees to sell fish to Y that may be caught in sea. Here fish is -

- (A) Existing goods
- (B) Specific goods
- (C) Contingent goods
- (D) Unascertained goods

71. If a merchant agrees to supply a radio set from his stock of radio sets, it is a contract of sale of because it is not known which set will be delivered.

- (A) Contingent goods
- (B) Specific goods
- (C) Unascertained goods
- (D) Ascertained goods

72. A agrees to sell all the mangoes which will be produced in his garden next season. This is an agreement for the sale of -

- (A) Future goods
- (B) Specific goods
- (C) Unascertained goods
- (D) Ascertained goods

73. Where goods are not specific and ascertainable at the time of making of the contract, it shall -

- (A) Become voidable at the option of the buyer
- (B) Become void

- (C) Become valid contract of sale
(D) Operates as an agreement to sell
74. Which of the following will operate as agreement to sell?
- (A) Future sale of future goods
(B) Present sale of existing goods
(C) Present sale of future goods
(D) Future sale of existing goods

Effect of Perishing of Goods

75. As per section 7 of the Sale of Goods Act, 1930, where there is a contract for the sale of specific goods, the contract is void if the goods, without _____ have at the time when the contract was made, perished or become so damaged as no longer to answer to their description in the contract.
- (A) Knowledge of the Seller
(B) Knowledge of the Buyer
(C) Knowledge of either Seller or Buyer
(D) Knowledge of both Seller and Buyer.
76. Where in a contract of sale of specific goods, the goods without the knowledge of the seller have, at the time of making the contract perished or become so damaged as no longer to answer to their description in the contract, the contract is -
- (A) Voidable
(B) Void
(C) Unlawful
(D) Illegal
77. Where there is a contract for the sale of specific goods, the contract is void if the goods, without the knowledge of the seller have, at the time when the contract was made -
- (A) Perished
(B) Become so damaged as no longer to answer to their description in the contract.
(C) Either (A) or (B)
(D) Lost their merchantable quality
78. X agrees to sell mangoes to Y. The mangoes are perished at the time of contract. X had no knowledge that mangoes are perished. The contract is -
- (A) Voidable
(B) Void
(C) Unlawful
(D) Illegal
79. As per section 8 of the Sale of Goods Act, 1930, where there is an agreement to sell specific goods,

and subsequently the goods without any fault of any party perish or are so damaged as no longer to answer to their description in the agreement before the risk passes to the buyer, the agreement is thereby -

- (A) Avoided
(B) Unlawful
(C) Illegal
(D) Legal
80. Section 8 of the Sale of Goods Act, 1930 makes agreements void where the goods, without any fault of the seller or buyer have, perished or become so damaged as no longer to answer to their description in the agreement, before risk passes to the buyer. Such goods must be -
- (A) Future goods
(B) Contingent goods
(C) Specific goods
(D) Immovable property

Price

81. In a contract of sale, the price may be -
- (1) Fixed by the contract
(2) Agreed to be fixed in a manner thereby agreed
(3) Determined by course of dealings between the parties

Select the correct answer from the options given below -

- (A) (1) only
(B) (2) only
(C) (3) only
(D) All of the above
82. In a contract of sale, the price may be -
- (A) Fixed by the contract.
(B) Fixed after the contract is entered
(C) Left to be fixed by some third-party
(D) All of the above
83. Where nothing is said by the parties regarding price, the buyer must pay -
- (A) Reasonable price
(B) Price to be decided by seller
(C) Price buyer is able to pay
(D) Resale price
84. Assertion (A):
- In a contract of sale, the price may be left to be fixed by some third-party.

Reason (R):

Where the contract states that the price is to be fixed by a third-party and such third-party fails to do so, the contract still remains valid.

Select the correct answer from the options given below -

- (A) Both A and R are incorrect
 (B) Both A and R true and R is correct explanation of A
 (C) A is correct but R is not correct explanation of A.
 (D) Both A and R true and R is not correct explanation of A
85. Which of the following is not essential element of contract of sale?
 (A) Existence of essential element of valid contract.
 (B) Payment of price at the time of contract
 (C) Subject matter of contract must be goods
 (D) There should be two parties seller & buyer
86. Identify which of the following statement is correct (✓) and which is incorrect (×)?
- P. Price of goods must be fixed in the contract of sale of goods.
 Q. If the price is not fixed by any manner, the seller is not entitled to any price.
 R. Where the parties agreed that the price of goods has to be fixed by third party and the third party fails to fix the price, agreement is void.

Select the correct answer from the options given below -

	P	Q	R
(A)	✓	✓	×
(B)	✓	✓	✓
(C)	×	✓	✓
(D)	×	×	✓

Conditions and Warranties

87. Before a contract of sale is concluded, certain statements are made by the parties to each other. The statement may amount to a stipulation. Such stipulations may be -
 (A) Condition
 (B) Warranty
 (C) Condition or a warranty
 (D) Conditional stipulation
88. Condition or Warranty in a contract of sale, constitute stipulation with reference to -
 (A) Time
 (B) Price
 (C) Goods
 (D) Delivery
89. Under the Sale of Goods Act, 1930 a condition is a stipulation essential for the _____ of the contract.
 (A) Collateral purpose
 (B) Main purpose
 (C) Both (A) and (B)
 (D) Either (A) or (B)
90. A "warranty" under the Sale of Goods Act, 1930 has been defined as a stipulation -
 (A) collateral to the main purpose of the contract
 (B) with regard to time
 (C) essential to the main purpose of the contract.
 (D) essential to the collateral purpose of the contract.
91. A condition is a stipulation _____ to the main purpose of the contract
 (A) Essential
 (B) Collateral
 (C) Conditional
 (D) None of above
92. Breach of condition gives rise to right to -
 (1) To treat the contract as repudiated
 (2) Claim damages
 (3) Claim damages as well as to treat the contract as repudiated
- Select the correct answer from the options given below -
 (A) (1)
 (B) (2)
 (C) (3)
 (D) (1) or (2) but not (1) & (2) at the same time
93. X places an order to Y for some Lorries to be used for heavy traffic in a hilly area. The Lorries supplied were unfit. There is breach of
 (A) Condition
 (B) Warranty
 (C) Partly condition and partly warranty
 (D) Offer and intention
94. X sells car to Y and also promises to replace or repair some part, if any defect occur within 1 year. Stipulation to replace or repair some part is a -
 (A) Condition
 (B) Warranty

- (C) Partly condition and partly warranty
(D) Offer and intention
95. Breach of warranty gives rise to -
(a) Claim damages
(b) Treat the contract as repudiated
- Select the correct answer from the options given below -*
- (A) Both (a) and (b)
(B) (b) only
(C) Neither (a) nor (b)
(D) (b) only
96. Breach of condition may be treated as a breach of warranty in certain situation.
(A) True
(B) False
(C) Partly true
(D) None of above
97. *Statement I:*
Breach of warranty can be treated as a breach of condition.
Statement II:
A condition will become a warranty where the buyer waives the condition.
Select the correct answer from the options given below -
- (A) Both Statement I and II are correct
(B) Statement I is incorrect but Statement II is correct
(C) Both Statement I and II are incorrect
(D) Statement II is incorrect but Statement I is correct
98. Identify which of the following statement is correct (✓) and which is incorrect (×).
- | | |
|----|--|
| 1. | A condition will sink to the level of a warranty where the buyer treats the breach of condition as a breach of warranty. |
| 2. | As sale of goods is special type of contract all essential elements of a valid contract need not be present in a contract of sale. |

Select the correct answer from the options given below -

	1	2
(A)	✓	×
(B)	✓	✓
(C)	×	×
(D)	×	✓

99. *Assertion A:*

Where the contract is indivisible and the buyer has accepted the goods or part thereof, the breach of condition can only be treated as breach of warranty.

Reason R:

In above case, the buyer can only claim damages and cannot reject the goods or treat the contract as repudiated.

Select the correct answer from the options given below -

- (A) Both A and R are true and R is correct explanation of A.
(B) A is true but R is false
(C) Both A and R are true but R is not correct explanation of A.
(D) A is false but R is true.
100. In a contract of sale there is an implied condition on the part of the seller that -
(A) In the case of a sale, he has a right to sell the goods
(B) In the case of an agreement to sell, he will have a right to sell the goods at the time when the property is to pass.
(C) (A) & (B)
(D) None of above
101. X brought a bike from Y. Y had no title to the bike. He had stolen bike of Z. X had to hand over it true owner, Z. There is breach of implied -
(A) Condition as to sale by description
(B) Condition as to title
(C) Condition as to quality or fitness
(D) Condition as to merchantability
102. X brought a bike from Y. Y had no title to the bike. He had stolen bike from Z. X had to hand over it true owner, Z. There is breach of implied condition as to title from Y and X can
(A) Recover the price of bike
(B) Damages from Y.
(C) Recover the price of bike as well as can claim damages from Y.
(D) None of above
103. Where there is a contract for the sale of goods by description, there is that the goods shall correspond with the description.
(A) implied condition
(B) implied warranty

- (C) implied stipulation
- (D) express condition

104. A told B that he was buyer of good old rice. B showed a sample of good new rice to A without saying anything. A took it to mean that the rice shown was old rice and agreed to buy 500 kg. There is breach of implied

- (A) Condition as to sale by description
- (B) Condition as to title
- (C) Condition as to quality or fitness
- (D) Condition as to merchantability

105. If the sale is by sample as well as by description, the bulk of the goods should correspond with -

- (A) the sample
- (B) the description
- (C) either sample or description
- (D) both sample and description

106. *Statement X:*

If the buyer has not seen the goods, the goods must be in accordance with the description.

Statement Y:

If the buyer has seen the goods, the goods need not be in accordance with the description.

Select the correct answer from the options given below -

- (A) Both Statement X & Statement Y are true
- (B) Both Statement X & Statement Y are false
- (C) Statement X is true but Statement Y is false
- (D) Statement Y is true but Statement X is false

107. N agreed to sell oil described as "pure ghee, warranted only equal to sample". The goods tendered were equal to sample, but contained mixture of groundnut oil. The buyer could reject the goods as there is breach of implied

- (A) Condition as to sale by description
- (B) Condition as to title
- (C) Warranty as to quality or fitness
- (D) Warranty as to merchantability

108. *Assertion A:*

Generally, there is no implied condition as to quality or fitness of goods for any particular purpose.

Reason R:

It is the duty of the buyer to thoroughly examine the goods before he buys. If he makes wrong choice, he cannot blame seller for the reason that goods are not fit for particular purpose.

Select the correct answer from the options given below -

- (A) A is true but R is false
- (B) R is true but A is false
- (C) A and R both are true but R is not correct explanation of A.
- (D) A and R both are true and R is correct explanation of A.

109. Implied condition as to quality or fitness does not apply -

- (A) Where the specific goods are sold under their patent or trade name.
- (B) When the buyer is suffering from an abnormality and indicates that fact to the seller while purchasing specified article.
- (C) Where the goods are capable of being put to multiple uses and the buyer indicate to the seller the exact purpose for which the goods are required.
- (D) All of above

110. A purchased a hot water bottle from a chemist. The bottle burst and injured his wife. There is breach of -

- (A) Condition as to fitness
- (B) Condition as to title
- (C) Warranty as to title
- (D) Warranty as to sale by description

111. In a contract of sale, ordinarily there is _____ as to the quality or fitness for any purpose of goods.

- (A) An implied warranty or condition
- (B) An express warrants or condition
- (C) No implied warranty or condition
- (D) No express warranty or condition

112. Implied condition as to quality or fitness does not apply if -

- (A) Buyer discloses to the seller, the exact purpose for which goods are required.
- (B) Buyer indicates to the seller that he relies on the seller's skill or judgment.
- (C) Seller's business is to sell goods of such description.
- (D) Buyer reserves the right to examine the goods and check its quality.

113. G a doctor purchased woollen underpants from M a retailer whose business was to sell goods of that description. After wearing the underpants, G developed some skin diseases. The goods were not fit for their only use and G was entitled to -

- (A) Avoid the contract
(B) Claim damages
(C) Avoid the contract and claim damages
(D) None of above
- 114.** In case of sale of goods by sample, there is an implied condition that -
(A) Some of the goods shall correspond with the sample
(B) Bulk of the goods shall correspond with the sample
(C) Most of the goods shall correspond with the sample
(D) All of the goods
- 115.** In the case of a contract for sale by sample there is an implied condition that -
(A) The bulk shall correspond with the sample.
(B) Buyer shall have a reasonable opportunity of comparing the bulk with the sample.
(C) The goods shall be free from any defect, rendering them un-merchantable, which would not be apparent on reasonable examination of the sample.
(D) All of above
- 116.** Identify which of the following statement is true and which is false?
(i) Where goods are bought by description from a seller who deals in goods of that description, there is an implied condition that the goods shall be of merchantable quality.
(ii) In a contract of sale, there is an implied warranty that the buyer shall enjoy quiet possession of the goods.
(iii) In a contract of sale, there is an implied warranty that goods shall be free from any encumbrance in favour of any third party not declared or known to the buyer before or at the time when the contract is made.
- Select the correct answer from the options given below -*
- | | (i) | (ii) | (iii) |
|-----|-------|-------|-------|
| (A) | True | True | True |
| (B) | True | True | False |
| (C) | True | False | False |
| (D) | False | False | False |
- 117.** Identify which of the following statement is correct (✓) and which is incorrect (✗)?
(1) An implied warranty or condition as to quality or fitness for particular goods may not be annexed by usage of trade and customs.
(2) If goods are of hazardous or dangerous nature, seller is not required to disclose such fact to buyer.
Select the correct answer from the options given below -
- | | (i) | (ii) |
|-----|-----|------|
| (A) | ✓ | ✓ |
| (B) | ✓ | ✗ |
| (C) | ✗ | ✓ |
| (D) | ✗ | ✗ |
- 118.** Which of the following is not correct regarding appropriation of unascertained goods?
(A) The assent must be given either before or after appropriation
(B) Buyer or seller can make appropriation
(C) Both (A) and (B)
(D) Neither (A) nor (B)
- 119.** Implied condition is not treated as implied warranty when -
(A) Voluntary waiver of condition
(B) Contract is separable and buyer has accepted the part goods
(C) Condition is not excused by law
(D) All of the above
- 120.** Conditions which are presumed by law to be present in a contract are -
(A) Express condition
(B) Implied conditions
(C) Condition precedent
(D) Qualified conditions
- 121.** Implied condition as to quality or fitness becomes applicable if -
(A) Buyer reserves the right to examine the goods and check its quality.
(B) Buyer suffers from abnormality and does not communicate this fact to seller.
(C) Seller's business is sale specific goods under a patent or trade name.
(D) Buyer discloses to the seller exact purpose for which goods are required.
- 122.** Merchantable quality of goods means -
(A) Goods can be used for the purpose for which they are purchased

- (B) Goods are free from latent defects
 - (C) Goods are marketable at their full value
 - (D) All of the above
123. Which of the following is not implied warranty?
- (A) Warranty as to undisturbed possession
 - (B) Warranty as to dangerous nature of goods
 - (C) Warranty as to existence of encumbrances
 - (D) Warranty as to custom or usage of trade
124. As per Sale of Goods Act, 1930 implied condition as to merchantable quality _____ where the buyer has examined goods.
- (A) is applicable
 - (B) is not applicable
 - (C) is presumed
 - (D) none of the above

Doctrine of Caveat Emptor

125. The principle of "Caveat Emptor" as found in the Sale of Goods Act, 1930 means that the
- (A) Buyer must take care
 - (B) Buyer must take a chance
 - (C) Seller must take care
 - (D) Seller must take a chance
126. The general rule is that the buyer of goods must keep his eyes open, his mind active, and be cautious while buying the goods. This doctrine is called -
- (A) Nemo dat quod non habet
 - (B) Quid pro quo
 - (C) Caveat emptor
 - (D) All of above
127. *Caveat emptor* means -
- (A) Let the buyer beware
 - (B) Let the seller beware
 - (C) Let the shop keeper beware
 - (D) Let the service provider beware
128. As per doctrine of *caveat emptor*, it is the duty of the buyer to thoroughly examine the goods or to make known to seller the purpose for which goods are required, before he buys. If he makes wrong choice, he cannot blame seller.
- (A) True
 - (B) False

- (C) Partly true
- (D) None of above

129. In which of the following cases the doctrine of *caveat emptor* will not be applicable?

- X. Where buyer makes known to seller the exact purpose for which goods are required or buyer has indicated to the seller that he relies on seller's skill or judgment and seller's business is to sell goods of such description.
- Y. Where goods are bought by description and goods are not of merchantable quality.
- Z. Where the seller makes a misrepresentation or fraud and buyer relies on it.

Select the correct answer from the options given below -

- (A) X
- (B) Y
- (C) Z
- (D) All of above

130. The doctrine of *caveat emptor* will be NOT applicable -

- (A) Where the seller do not conceal defect in the goods.
- (B) Where goods are bought by description and goods are of merchantable quality.
- (C) Where the seller makes a misrepresentation or fraud and buyer relies on it.
- (D) All of above

131. A goes to B shop and purchase a silk-saree thinking that it is made of Banarasi silk. The shopkeeper knows that A thinking is wrong. He however does not correct A impression. Later on when A discover that the saree is not made of Banarasi silk he wants to avoid the contract. In relation to this case which of the following is correct?

- (A) Generally, it is no part of the seller's duty in a contract of sale of goods to give to the buyer an article suitable for a particular purpose, or of a particular quality. Also, the seller is under no obligation to point out the defects in the goods.
- (B) It is the duty of the buyer to thoroughly examine the goods or to make known to seller the purpose for which goods are required, before he buys. If he makes wrong choice, he cannot blame seller.
- (C) In the given case, A himself has made the selection without depending upon the skills

and judgment of the seller. Therefore, A cannot avoid the contract.

(D) All of above

132. The doctrine of caveat emptor is applicable where-

(A) The buyer discloses to the seller the particular purpose for which goods are required

(B) Goods are brought by sample as well as description

(C) There is no implied warranty or condition as to the quality or fitness of goods

(D) The seller sells the goods by making fraud and the buyer believes it.

Passing of property or transfer of ownership

133. The general rule is that ownership follows risk the, whether the delivery has been made or not.

(A) True

(B) False

(C) Partly false

(D) None of above

134. Where there is a contract for the sale of unascertained goods, no property in the goods is transferred to the buyer unless and until the goods are -

(A) Handed over to buyer

(B) Sanctioned or ascertained

(C) Handed over to the agent of buyer

(D) Handed over to the transporter

135. Where there is a contract for the sale of specific or ascertained goods the property in them is transferred to the buyer -

(A) At such time as the parties to the contract intend it to be transferred.

(B) After the lapse of six months period.

(C) Upon delivery of goods

(D) Upon receipt of money due on sale

136. In case of _____ goods, property passes to the buyer, only when the goods are ascertained.

(A) Future

(B) Specific

(C) Contingent

(D) Unascertained

137. The property in goods in a contract for sale of specific or ascertained goods, passes to the buyer

(A) When the price is paid.

(B) When the contract is made.

(C) When the parties intend the property in goods to pass.

(D) All of the above

138. Where there is an unconditional contract for the sale of specific goods in a deliverable state, the property in the goods passes to the buyer when -

(A) The goods are delivered to the buyer

(B) The price is paid by the buyer

(C) The contract is made

(D) The buyer accepts the goods.

139. Where there is a contract for the sale of unascertained goods, the property in goods -

(A) Passes when the buyer pays the price.

(B) Does not pass until the goods are ascertained

(C) Passes when the contract is entered into

(D) Passes when the buyer accepts the goods.

140. As per Section 20, in an unconditional contract for sale of _____ the property passes to the buyer at the time when contract is made.

(A) Specific goods in a deliverable state

(B) Specific goods to be put in a deliverable state.

(C) Specific goods in a non-deliverable state.

(D) Unascertained goods.

141. In a contract of sale of specific goods to be put in deliverable state, the property in goods passes to the buyer when -

(A) The goods are put in a deliverable state

(B) The buyer has notice the goods are put in a deliverable state.

(C) Either (A) or (B)

(D) Both (A) and (B)

142. Where there is a contract for the sale of specific goods in a deliverable state, but the seller is bound to weigh, measure, test or do some other act or thing with reference to the goods for the purpose of ascertaining the price, the property does not pass until -

(A) Such act or thing is done

(B) The buyer has notice thereof.

(C) Such act or thing is done and the buyer has notice thereof.

(D) Seller approves the goods

143. A certain quantity of oil was bought. The oil was to be filled into barrels by the seller and then taken away by buyer. Some barrels were filled in the presence of the buyer but before the remainders could be filled a fire broke out the entire quantity of oil was destroyed. State the liabilities of buyer and seller.
- (A) In respect of barrels which have been filled up, the seller will have to bear the loss. In respect of barrels which have not been filled up, the buyer has to bear the loss.
 - (B) In respect of barrels which have been filled up as well as barrels which are not filled up the buyer will have to bear the loss.
 - (C) In respect of barrels which have been filled up, the buyer will have to bear the loss as they were in a deliverable state and the buyer had notice. In respect of barrels which have not been filled up, the seller has to bear the loss as they were not in a deliverable state.
 - (D) In respect of barrels which have been filled up as well as barrels which are not filled up the seller will have to bear the loss.
144. *Statement X:*
The general rule is that goods remain at the seller's risk until the ownership is transferred to the buyer.
- Statement Y:*
When the property therein is transferred to the buyer, the goods are at the seller's risk if the delivery has not been made.
- Select the correct answer from the options given below -*
- (A) Both Statement X and Statement Y are correct
 - (B) Both Statement X and Statement Y are incorrect
 - (C) Statement Y is correct but Statement X is incorrect.
 - (D) Statement X is correct but Statement Y is incorrect.
145. The process of identifying the goods and setting apart as per intended quality or description is called -
- (A) Identification
 - (B) Procurement
 - (C) Ascertainment
 - (D) Allocation
146. Where there is unconditional contract for the sale of specific goods in a deliverable state, the property in goods passes to the buyer, when the -
- (A) Parties intend
 - (B) Goods are delivered
 - (C) Price is paid
 - (D) Contract is made
147. The property in goods passes to the buyer when the goods put in a deliverable state and the buyer has notice thereof. Such contract should relate to -
- (A) Specific goods in a deliverable state
 - (B) Specific goods to be put in a deliverable state
 - (C) Specific goods in non-deliverable state
 - (D) Unascertained goods
148. In sale of unascertained or future goods by description and goods of that description are unconditionally appropriated to the contract, by the seller with the assent of the buyer or by the buyer with the assent of the seller, the property passes to the buyer -
- (A) At the time when contract is made
 - (B) At such time as the parties intend
 - (C) At the time of appropriation
 - (D) At the time of obtaining assent
149. In sale of unascertained or future goods by description property in goods passes to the buyer when goods of such description are unconditionally appropriated by the seller with the assent of the buyer or by the buyer with the assent of the seller. Such assent -
- (A) Should be expressly given
 - (B) May be implied from the conduct of parties
 - (C) May be express or implied
 - (D) Shall be presumed by law
150. Where the seller delivers goods to the buyer or carrier for the purpose of transmission to the buyer and _____, he is deemed to have unconditionally appropriated the goods to the contract.
- (A) Reserve the right of disposal
 - (B) Does not reserve the right of disposal
 - (C) Reserve the right of appropriation
 - (D) Does not reserve the right of appropriation
151. When goods are shipped to a railway administration for carriage, the seller is *prima facie* deemed to have reserved the right of disposal, if, by the Bill of Lading or Railway Receipt, the goods are deliverable to the order of -
- (A) Buyer
 - (B) Seller

- (C) Buyer or his agent
(D) Seller or his agent
152. Sagar of Mumbai took a Bill of Lading in the name of Rani of Goa, but sent it to Bharat, Sagar's agent in Goa. The goods were destroyed while in sea. Who has to bear the loss of goods?
(A) Sagar
(B) Rani
(C) Bharat
(D) All of the above
153. Where the seller of goods draws a bill of exchange (B/E) on the buyer for the price, and transmit to the buyer the B/E together with Bill of Lading to secure acceptance or payment, the seller -
(A) has broken the faith of buyer
(B) has deemed to repudiated the contract
(C) has unconditionally appropriated goods to the contract
(D) is prima facie deemed to have reserved the right of disposal
154. Where the seller of goods draws a bill of exchange (B/E) on the buyer for the price, and transmit to the buyer the B/E together with Bill of Lading to secure acceptance or payment, and the buyer decide not to honour the bill of exchange, the buyer -
(A) Return the goods
(B) Return the bill of lading
(C) Return the bill of exchange
(D) Return the contract of sale
155. Where the seller of goods draws a bill of exchange (B/E) on the buyer for the price, and transmit to the buyer the B/E together with Bill of Lading to secure acceptance or payment, and the buyer decide not to honour the bill of exchange or wrongfully retains the Bill of Lading, the property in goods -
(A) Vests with buyer
(B) Vests with carrier
(C) Vests with seller
(D) Vests with government
- Nemo dat quod non habet**
156. _____ means, "No one can give a better title to the goods than what he himself has".
(A) *nemo dat quod non habet*
(B) *caveat emptor*
(C) *quid pro quo*
(D) *vbi jus ibi remedium*
157. Only a true owner can transfer to another person, valid title over the goods. A seller who does not have the ownership cannot confer the same upon the buyer.
(A) True
(B) False
(C) Partly true
(D) None of above
158. The Latin maxim "*nemo dat quod non habet*" means -
(A) No man can pass a better title than he has.
(B) Let the buyer beware
(C) No consideration - No contract
(D) Ignorance of law is no excuse
159. Where the owner of goods, by his act or omission, leads the buyer to believe that the seller has the authority to sell, the buyer gets a better title than that of the seller. This is based on the principle of -
(A) Estoppel
(B) Caveat emptor
(C) Operation of law
(D) Misrepresentation
160. In case of Sale by Mercantile Agent, in order to give good title to Buyer, the Agent should be in possession of the goods or documents of title thereof, with the consent of -
(A) Owner
(B) Buyer
(C) Principal
(D) Agent
161. F handed over his car to H, his agent, for sale at an amount not less than ₹ 1,50,000 to K, who bought in good faith and without knowledge of any fraud. H misappropriated the money. Here -
(A) F retains the title in goods
(B) H gets a good title to goods
(C) K gets a good title to goods
(D) There is no sale at all
162. One of the joint owners of goods can pass a valid title to the buyer, where he is in sole possession of the goods -
(A) With the permission of other co-owners.
(B) In his own right.

- (C) Without the permission of other co-owners
(D) Along with another co-owner.
163. Which of the following is/are exception to the rule "*nemo dat quod non habet*"?
- (A) Where the real owner by his conduct leads to believe the buyer that seller has authority to sell.
(B) If goods are sold through mercantile agent
(C) If one of several joint owners of goods has the sole possession of goods with the permission of other co-owners and buyer buys in good faith and has not notice that the seller has no authority to sell.
(D) All of above
164. J, K and L jointly own a machine. With the consent of J & L, K is in possession of the machine, which he sells to P who buys it in good faith and without notice that K had no authority to sell. Here -
- (A) J, K and L retain the title in goods
(B) P gets a good title to goods
(C) J gets a good title to goods
(D) There is no sale at all
165. In case of sale by person in possession under a voidable contract, the buyer acquires a good title when -
- (A) The contract has been rescinded at the time of the sale.
(B) The buyer buys in good faith and for value.
(C) The buyer is aware of the seller's defect of title
(D) All of the above
166. A obtains a necklace from B, a jeweller, by playing fraud upon him. This contract is voidable at the option of B. But before B could terminate the contract, A sells the necklace to C who buys it in good faith and without notice of A's defective title.
- (A) A gets a good title to goods
(B) B gets a good title to goods.
(C) C gets a good title to goods
(D) There is no sale at all.

167. *Statement P:*

Seller in possession of goods after sale cannot pass on good and valid title even if subsequent transferee receives the goods in good faith and for consideration.

Statement Q:

Where an unpaid seller who has exercised his right of lien or stoppage in transit re-sells the goods, the buyer does not acquire a good title as against the original buyer.

Select the correct answer from the options given below -

- (A) Statement P & Q both are correct.
(B) Statement P is correct while Statement Q is incorrect.
(C) Statement P & Q both are incorrect.
(D) Statement Q is correct while Statement P is incorrect.

Performance of the Contract of Sale

168. The duty of the seller is to -

- (1) Accept the goods
(2) Deliver the goods
(3) Pay the price of goods

Select the correct answer from the options given below -

- (A) (3)
(B) (1)
(C) (2)
(D) All of above

169. The duty of the buyer is to -

- (A) Accept the goods
(B) Deliver the goods
(C) Pay the price of goods
(D) (A) & (C)

170. Delivery means _____ transfer of possession from one person to another.

- (A) Voluntary
(B) Compulsory
(C) Intentionally
(D) Unintentionally

171. Delivery of goods may be -

- (A) Actual
(B) Symbolic
(C) Constructive
(D) Any of the above

172. When goods are physically handed over to _____, it is known as actual delivery.

- (A) Buyer
(B) Authorized agent of buyer

- (C) (A) or (B)
(D) Transporter
173. Where goods are bulky or heavy and it is not possible to hand over physically goods to buyer in such case delivery is made by handing over some symbol, which is known as ____
(A) Actual delivery
(B) Symbolic delivery
(C) Constructive delivery
(D) All of above
174. When the person in possession of goods acknowledges that he holds the goods on behalf of and the disposal of buyer, it is known as -
(A) Actual delivery
(B) Symbolic delivery
(C) Constructive delivery
(D) Future delivery
175. Delivering the key of the warehouse where goods are stored is the example of -
(A) Actual delivery
(B) Symbolic delivery
(C) Constructive delivery
(D) Future delivery
176. Which of the following is constructive delivery?
(A) Endorsing bill of landing.
(B) Where seller sells the goods lying in warehouse and warehouse keeper hold goods on behalf of buyer by making necessary entries in his books there is constructive delivery.
(C) Delivering the key of the warehouse where goods are stored.
(D) (A) & (C)
177. It is the duty of the seller to deliver the goods and of the buyer to accept and pay for them, in accordance with the terms of the contract of sale.
(A) True
(B) False
(C) Partly true
(D) None of above
178. As per Sale of Goods Act, 1930 who has duty to apply for the delivery of the goods?
(A) Buyer
(B) Seller
(C) Agent of seller
(D) Transporter
179. As per Sale of Goods Act, 1930 who should bear the expense of putting the goods into a deliverable state if parties have not agreed?
(A) Buyer
(B) Seller
(C) Agent of buyer
(D) All of above
180. If there is short delivery -
1. Buyer can reject the whole goods
2. Buyer can accept and pay as per the agreed rate.
Select the correct answer from the options given below -
(A) Both 1 and 2
(B) 1 only
(C) Either 1 or 2
(D) 2 only
181. If there is excess delivery -
(I) Buyer can reject in full
(II) Buyer can accept agreed quantity and reject the excess
(III) Buyer can accept the whole goods
Select the correct answer from the options given below -
(A) (II) only
(B) (I) or (III)
(C) (I) and (II) and (III)
(D) (I) or (II) or (III)
182. If there is mixed delivery with other goods -
(A) Buyer can accept the contracted goods and reject the rest
(B) Buyer can reject the entire lot
(C) Both (A) & (B)
(D) Either (A) or (B)
183. In which of the following case acceptance of the goods by the buyer takes place?
(A) when the buyer intimates to the seller that he has accepted the goods
(B) when the buyer retains the goods, after the lapse of a reasonable time without intimating to the seller that he has rejected them
(C) Both (A) & (B)
(D) Either (A) or (B)
184. Buyer is not bound to return rejected goods, it is sufficient if the buyer -
(A) Returns the goods to the carrier or transporter.

- (B) Return the goods to the seller's agent.
- (C) Intimates the Seller that he refuses to accept the goods.
- (D) Dishonours the bill of exchange drawn for the price.

Unpaid Seller

185. The seller of goods is deemed to be an unpaid seller

- (A) When the whole of the price has not been paid or tendered.
- (B) When a bill of exchange or other negotiable instrument has been received as conditional payment and the condition has not been fulfilled by reason of the dishonour of the instrument or otherwise.
- (C) Both (A) and (B)
- (D) Either (A) or (B)

186. The seller of goods is deemed to be an unpaid seller when the of the price has not been paid or tendered.

- (A) Whole
- (B) Part
- (C) Substantial portion
- (D) Minimal portion

187. The seller of goods is deemed to be an unpaid seller when has been received as conditional payment and the condition has not been fulfilled, by way of dishonour or otherwise.

- (A) Cheque
- (B) Promissory note
- (C) Bill of exchange
- (D) Any of the above

188. *Statement I:*

Unless otherwise agreed, the buyer of goods is bound to accept delivery thereof by instalments.

Statement II:

Even if a substantial portion of the price is paid and only a small balance is pending, the seller is still regarded as an unpaid seller.

Select the correct answer from the options given below -

- (A) Both I & II are true
- (B) Both I & II are false
- (C) II is true but I is false
- (D) I is true but II is false

189. An unpaid seller in possession of goods sold, may exercise his lien on the goods, *i.e.*, keep the goods in his possession and refuse to deliver them to the buyer until the fulfilment or tender of the price in cases where:

- (A) The goods have been sold without stipulation as to credit
- (B) The goods have been sold on credit, but the term of credit has expired
- (C) The buyer becomes insolvent
- (D) Any of above

190. Once possession is lost, right of lien of the unpaid seller is also lost. This statement is

- (A) False
- (B) True
- (C) Partly false
- (D) None of above

191. An unpaid seller's right of lien is lost -

- (A) When he delivers the goods to a carrier or other bailee for the purpose of transmission to the buyer with reserving the right of disposal of the goods
- (B) When the buyer or his agent unlawfully obtains possession of the goods.
- (C) By express or implied waiver of right of lien.
- (D) All of above

192. When an unpaid seller stops the goods during the continuance of transit and regains the possession of goods, it is said that seller is exercising -

- (A) Right of withholding delivery
- (B) Right of stoppage in transit
- (C) Right of resale
- (D) Right of lien

193. When buyer of goods becomes insolvent, the unpaid seller can exercise -

- (I) Right of lien
- (II) Right of stoppage in transit

Select the correct answer from the options given below -

- (A) (I) only
- (B) (II) only
- (C) Both (I) and (II)
- (D) Either (I) or (II)

194. The right to stop goods is available to an unpaid seller -

- (A) When the buyer becomes insolvent
 (B) The goods are in transit
 (C) Both (A) and (B)
 (D) Either (A) or (B)
- 195.** In which of the following case the transit comes to an end?
 (A) If the buyer obtains delivery before the arrival of the goods at their destination
 (B) If, after the arrival of the goods at their destination, the carrier acknowledges to the buyer that he holds the goods on his behalf
 (C) If the carrier wrongfully refuses to deliver the goods to the buyer
 (D) Any of the above
- 196.** The right to stop in transit may be exercised by the unpaid seller -
 1. taking actual possession of the goods
 2. if the carrier wrongfully refuses to deliver the goods to the buyer
 3. giving notice of the seller's claim to the carrier or other person having control of the goods.
Select the correct answer from the options given below -
 (A) 1 or 2 but not 3
 (B) 2 or 3 but not 1
 (C) 1 or 3 but not 2
 (D) 1 or 2 or 3
- 197.** Right of stoppage in transit can be exercised by the unpaid seller, where the buyer -
 (A) is solvent
 (B) becomes insolvent
 (C) either (A) or (B)
 (D) neither (A) nor (B)
- 198.** Goods are deemed to be in transit from the time they are delivered to the carrier or other bailee for transmission to the buyer, until
 (A) Buyer becomes solvent
 (B) Buyer or his agent takes delivery of the goods
 (C) Seller becomes solvent
 (D) Seller or his agent takes delivery of the goods
- 199.** Goods-in-transit can be stopped for -
 (A) Price
 (B) Any other expenses, e.g. godown charges, interest, etc.
 (C) Both (a) and (b)
 (D) Either (a) or (b)
- 200.** If the carrier/bailee wrongfully refuses to deliver the goods to the buyer or his agent, the transit -
 (A) is at an end.
 (B) is deemed to be at continued.
 (C) is not deemed to be at an end.
 (D) is dependent on the Court's decision
- 201.** Purpose of right of lien is _____ possession of goods.
 (A) Retaining
 (B) Regaining
 (C) Serving
 (D) Stopping
- 202.** Purpose of right of stoppage of goods in transit is _____ possession of goods.
 (A) Retaining
 (B) Regaining
 (C) Serving
 (D) Stopping
- 203.** To exercise the unpaid seller's of stoppage in transit, the seller should have lost his -
 (A) Right of lien
 (B) Right to sue for damages
 (C) Right of re-sale
 (D) Right of repudiation contract
- 204.** Under which of the following case the unpaid seller may re-sell the goods?
 (A) Where the goods are perishable
 (B) Where the right is expressly reserved in the contract
 (C) Where in exercise of right of lien or stoppage in transit, the seller gives notice to the buyer of his intention to re-sell, and the buyer, does not pay the price
 (D) All of above
- 205.** The right of re-sale of goods, by an unpaid seller, can be exercised in respect of goods which are of a -
 (A) Perishable nature
 (B) Non-perishable nature
 (C) Either (A) or (B)
 (D) Neither (A) nor (B)

206. In case of re-sale of goods by an unpaid seller, the original buyer is entitled to any profit which may occur on the resale

(A) Only when notice of intention to resell, is given.
 (B) Only when notice of intention to resell, is not given.
 (C) Either (A) or (B)
 (D) Neither (A) nor (B)

207. Which of the following statement is correct (✓) and which is incorrect (×)?

Statement P:

In case of re-sale of goods by notice to buyer, if resale price is less than contracted price seller can recover balance from buyer.

Statement Q:

In case of re-sale of goods by notice to buyer if resale price is more than contracted price seller is not bound to give extra to buyer.

Select the correct answer from the options given below -

	P	Q
(A)	×	×
(B)	✓	×
(C)	×	✓
(D)	✓	✓

208. Where goods are of perishable nature, unpaid seller can -

(A) Sue for the price
 (B) Repudiate the contract before the due date
 (C) Resell the goods
 (D) Sue for damages

209. An unpaid seller pledged his goods, then resale to a bona fide buyer, such buyer acquires -

(A) No title
 (B) Better title
 (C) No title after pledge of goods
 (D) None of the above

210. Which of the following right is not available to unpaid seller?

(A) Suit for price
 (B) Suit for damages
 (C) Suit for interest
 (D) Stoppage of goods in transit

Auction Sales

211. _____ is a public sale where bids are invited and goods are sold to highest bidder.

(A) Social sale
 (B) Auction sale
 (C) Market sale
 (D) Deemed sale

212. In the case of _____ the sale may be notified to be subject to a reserve or upset price.

(A) Sale by description.
 (B) Sale by auction
 (C) Sale by sample
 (D) Sale by estoppel

213. Auctioneer can accept bid -

(A) By saying 1, 2 & 3
 (B) By saying going, going, gone
 (C) By fall of hammer
 (D) Any of the above

214. In the case of sale by auction, where goods are put up for sale in lots, each lot is *prima facie* deemed to be the subject of a separate contract of sale.

(A) True
 (B) False
 (C) Partly true
 (D) None of above

215. Any bidder may withdraw his bid before the auctioneer announces its completion

(A) By the fall of the hammer
 (B) In other customary manner
 (C) (A) or (B)
 (D) None of above

216. A right to bid may be reserved expressly by or on behalf of the seller. Where such right is expressly so reserved, the seller or any other person on his behalf may bid at the auction.

(A) True
 (B) False
 (C) Partly true
 (D) None of above

217. When the sale is not notified to be subject to a right to bid on behalf of seller, it shall not be lawful for the seller—

(A) To bid for himself.
 (B) To employ any person to bid at such sale.

- (C) Either (A) or (B)
(D) Neither (A) nor (B)
218. In case of sale by auction, the seller of goods has a right to bid at the auction -
(A) With the permission of bidder
(B) Even when right to bid is implied reserved
(C) With the permission of the auctioneer
(D) Only when the right to bid has been expressly reserved.
219. Where a right to bid at the auction has been expressly reserved by the seller, the seller can depute -
(A) Any number of agent to bid on his behalf
(B) Not more than one agent to bid on his behalf
(C) Not more than two agent to bid on his behalf
(D) Not more than three agent to bid on his behalf
220. Where in an auction sale, the title of seller is faulty and the true owner of goods claims them from the buyer before the price is paid, the auctioneer -
(A) Can sue the seller whose title is faulty
(B) Can sue the true owner of goods for negligence
(C) Cannot recover the price from buyer
(D) Can recover the price from buyer
221. Where the sale is not notified to be subject to a right to bid on behalf of seller then it _____ for the auctioneer knowingly to take any bid from the seller.
(A) Shall be lawful
(B) Shall not be unlawful
(C) Shall not be lawful
(D) Shall be possible
222. A purchased a typewriter at a public auction. Neither the auctioneer nor A knew at that time that the typewriter was a stolen property. In such case true owner can -
(A) Recover the typewriter from A

- (B) Sue the auctioneer for fraud
(C) Both (A) and (B)
(D) Either (A) or (B)

Trading contracts involving Rail or Sea transit

223. FOB means
(A) Free on Bond
(B) Free on Board
(C) Free on Bird
(D) Free on Behalf
224. Under an FOB contract, it is the duty of the to put the goods on board a ship at his own expenses.
(A) Seller
(B) Buyer
(C) Transporter
(D) Agent of buyer
225. Under an FOB contract, the property in goods passes to the buyer only after the goods have been put on board the ship, and they are at buyer's risk as soon as they are put on board the ship, usually named by the buyer.
(A) True
(B) False
(C) Partly true
(D) None of above
226. _____ is a contract for the sale of insured goods lost or not lost to be implemented by transfer of proper documents. The seller not only bears all the expenses of putting the goods on board the ship as in an FOB contract, but also to bear the freight and insurance charges.
(A) CIF contract
(B) FOB contract
(C) FOR contract
(D) FOI contract

Answers

1.	(C)	2.	(A)	3.	(C)	4.	(C)	5.	(B)	6.	(B)	7.	(D)
8.	(C)	9.	(A)	10.	(B)	11.	(A)	12.	(A)	13.	(B)	14.	(C)
15.	(C)	16.	(D)	17.	(B)	18.	(C)	19.	(A)	20.	(B)	21.	(D)
22.	(B)	23.	(B)	24.	(D)	25.	(C)	26.	(D)	27.	(D)	28.	(A)
29.	(A)	30.	(B)	31.	(A)	32.	(C)	33.	(B)	34.	(A)	35.	(A)
36.	(C)	37.	(B)	38.	(C)	39.	(A)	40.	(D)	41.	(B)	42.	(C)

43.	(C)	44.	(C)	45.	(A)	46.	(B)	47.	(B)	48.	(D)	49.	(D)
50.	(C)	51.	(C)	52.	(C)	53.	(B)	54.	(A)	55.	(A)	56.	(A)
57.	(A)	58.	(B)	59.	(C)	60.	(C)	61.	(D)	62.	(D)	63.	(A)
64.	(B)	65.	(C)	66.	(D)	67.	(B)	68.	(A)	69.	(C)	70.	(C)
71.	(C)	72.	(A)	73.	(D)	74.	(C)	75.	(A)	76.	(B)	77.	(C)
78.	(B)	79.	(A)	80.	(C)	81.	(D)	82.	(D)	83.	(A)	84.	(C)
85.	(B)	86.	(D)	87.	(C)	88.	(C)	89.	(B)	90.	(A)	91.	(A)
92.	(C)	93.	(A)	94.	(B)	95.	(B)	96.	(A)	97.	(B)	98.	(A)
99.	(A)	100.	(C)	101.	(B)	102.	(C)	103.	(A)	104.	(A)	105.	(D)
106.	(D)	107.	(A)	108.	(D)	109.	(D)	110.	(A)	111.	(C)	112.	(D)
113.	(D)	114.	(B)	115.	(D)	116.	(A)	117.	(D)	118.	(D)	119.	(C)
120.	(B)	121.	(D)	122.	(D)	123.	(C)	124.	(A)	125.	(A)	126.	(C)
127.	(A)	128.	(A)	129.	(D)	130.	(C)	131.	(D)	132.	(C)	133.	(B)
134.	(B)	135.	(A)	136.	(D)	137.	(C)	138.	(C)	139.	(B)	140.	(A)
141.	(D)	142.	(C)	143.	(C)	144.	(D)	145.	(C)	146.	(D)	147.	(B)
148.	(C)	149.	(C)	150.	(B)	151.	(D)	152.	(A)	153.	(D)	154.	(B)
155.	(C)	156.	(A)	157.	(A)	158.	(A)	159.	(A)	160.	(A)	161.	(C)
162.	(A)	163.	(D)	164.	(B)	165.	(B)	166.	(C)	167.	(C)	168.	(C)
169.	(D)	170.	(A)	171.	(D)	172.	(C)	173.	(B)	174.	(C)	175.	(B)
176.	(B)	177.	(A)	178.	(A)	179.	(B)	180.	(C)	181.	(D)	182.	(D)
183.	(D)	184.	(C)	185.	(D)	186.	(A)	187.	(D)	188.	(C)	189.	(D)
190.	(B)	191.	(C)	192.	(B)	193.	(D)	194.	(C)	195.	(D)	196.	(C)
197.	(B)	198.	(B)	199.	(A)	200.	(A)	201.	(A)	202.	(B)	203.	(A)
204.	(D)	205.	(C)	206.	(B)	207.	(D)	208.	(C)	209.	(B)	210.	(D)
211.	(B)	212.	(B)	213.	(D)	214.	(A)	215.	(C)	216.	(A)	217.	(C)
218.	(D)	219.	(B)	220.	(C)	221.	(C)	222.	(A)	223.	(B)	224.	(A)
225.	(A)	226.	(A)										

NEGOTIABLE INSTRUMENTS ACT, 1881

CHAPTER

12

Introduction

1. The Negotiable Instruments Act, came into force on the -
 - (A) 1.1.1881
 - (B) 1.2.1881
 - (C) 1.4.1881
 - (D) 1.12.1981
2. The Negotiable Instruments Act, 1881 extends to the -
 - (A) Whole of India excluding state of Jammu
 - (B) Whole of India excluding state of Jammu & Kashmir
 - (C) Whole of India
 - (D) Whole of India excluding state of Goa
3. The Negotiable Instruments Act, 1881 define and amend the law relating to -
 - (I) Promissory notes
 - (II) Bills of exchange
 - (III) Cheques
 - (IV) Hundi

Select the correct answer from the options given below -

 - (A) (I) only
 - (B) (I) and (II) only
 - (C) (I) to (IV) all
 - (D) (I) to (III) only
4. A negotiable instrument means a promissory note, bill of exchange or Cheque payable either -
 - (A) to order
 - (B) to bearer
 - (C) (A) or (B)
 - (D) (A) and (B)

- (A) The holder of the instrument is presumed to be the owner.
 - (B) They are transferable subject the condition.
 - (C) They are transferable subject to restriction.
 - (D) Negotiable instruments are always payable to order
6. Which of the following can be considered as characteristic of negotiable instruments?
 - A. The holder in due course is entitled to sue on the instrument in his own name.
 - B. The instrument is transferable till maturity and in case of cheques till it becomes stale.

Select the correct answer from the options given below -

 - (A) A only
 - (B) B only
 - (C) Both A & B
 - (D) None of above
 7. Which of the following can NOT be considered as characteristic of negotiable instruments?
 - (A) The instrument is transferable till maturity
 - (B) They are conditionally transferable
 - (C) A holder in due course is entitled to sue on the instrument in his own name.
 - (D) Bank or currency notes are not excluded from the preview of the act.
 8. Which of the following can NOT be considered as characteristics of negotiable instrument?
 - (A) A holder do not gets the instrument free from all defects of title of any previous holder.
 - (B) The instrument is transferable till maturity
 - (C) They are freely transferable.
 - (D) All of above

Characteristics of Negotiable Instruments

5. Which of the following can be considered as characteristic of negotiable instruments?

Classification of Negotiable Instruments

9. A promissory note, bill of exchange or cheque is payable to bearer when -

- (A) it is expressed to be payable to a particular person
 (B) it is expressed to be further transferable
 (C) the only or last endorsement on the instrument is an endorsement in blank
 (D) if the holder obtains it in due course
10. A promissory note, bill of exchange or cheque is payable to order _____, and does not contain any words prohibiting transfer or indicating an intention that it shall not be transferable.
 (A) Which is expressed to be so payable
 (B) The only or last endorsement on the instrument is an endorsement in blank
 (C) Which is expressed to be payable to a particular person
 (D) (A) or (C)
11. A promissory note, bill of exchange or cheque drawn or made in India, and made payable, or drawn upon any person, resident in India shall be deemed to be -
 (A) Foreign instruments
 (B) An inland instrument
 (C) Demand instruments
 (D) Bearer instruments
12. A promissory note, bill of exchange or cheque drawn or made in _____ and made payable, or drawn upon any person, resident in India shall be deemed to be an inland instrument.
 (A) India
 (B) Outside India
 (C) Undivided India
 (D) None of above
13. A promissory note, bill of exchange or cheque drawn or made in India, and made payable, or drawn upon any person _____ shall be deemed to be an inland instrument.
 (A) Resident in India
 (B) Not ordinary resident in India
 (C) Non-resident in India
 (D) Resident outside India
14. An inland instrument is one which is -
 1. Drawn and made payable in India
 2. Drawn in India upon some persons resident therein, even though it is made payable in a foreign country
- Select the correct answer from the options given below -*
 (A) 2 only
 (B) Either 1 or 2
 (C) 1 only
 (D) None of above
15. Which of the following is foreign instrument -
 (A) It is drawn inside India and made payable only outside India.
 (B) It is drawn in India and made payable outside India and drawn on a person resident outside India.
 (C) Both (A) and (B)
 (D) Neither (A) nor (B)
16. A promissory note or a bill of exchange payable after a fixed period, or after sight, or on specified day, or on the happening of an event which is certain to happen, is known as a -
 (A) Time instrument
 (B) Demand instruments
 (C) Foreign instruments
 (D) An inland instrument
17. Expression "after sight" in a promissory note means that -
 (A) The payment can be demanded without it has been shown to the maker.
 (B) The payment cannot be demanded on it unless it has been shown to the maker.
 (C) The holder may treat the instrument, at his option, either as a bill of exchange or as a promissory note.
 (D) The payment cannot be demanded
18. In the case of bill of exchange, the expression "after sight" means -
 (A) After acceptance
 (B) After noting for non-acceptance
 (C) After acceptance, or after noting for non-acceptance or after protest for non-acceptance
 (D) None of above
19. An instrument, which in form is such that it may either be treated by the holder as a bill or as a note, is -
 (A) Inchoate instrument
 (B) Order instrument
 (C) Incomplete instrument
 (D) An ambiguous instrument

20. When one person signs and delivers to another a paper stamped in accordance with the law relating to negotiable instruments, and either wholly blank or having written thereon an incomplete negotiable instrument, he thereby gives *prima facie* authority to the holder thereof to make or complete, as the case may be, upon it a negotiable instrument, for any amount specified therein, and not exceeding the amount, covered by the stamp. Such instrument is called -
- Inchoate or incomplete Instrument
 - An ambiguous instrument
 - Order instruments
 - An inland instrument
21. A signs, as maker, a blank stamped paper and gives it to B and authorizes him to fill it as a note for ₹ 5,000 to secure an advance which C is to make to B. B fraudulently fills it up as a note for ₹ 20,000 payable to C, who has in good faith advanced ₹ 20,000. Decide, whether C is entitled to recover the amount, and if so, up to what extent?
- ₹ 5,000
 - ₹ 15,000
 - ₹ 20,000
 - ₹ 10,000
24. A promissory note is an instrument in writing containing _____, signed by the maker to pay a certain sum of money to, or to the order of, a certain person, or only to bearer of the instrument.
- conditional undertaking
 - implied undertaking
 - an unconditional undertaking
 - deemed undertaking
25. A promissory note is an instrument in writing containing an unconditional undertaking, signed by the _____ to pay a certain sum of money to, or to the order of, a certain person, or only to bearer of the instrument.
- payee
 - holder
 - endorser
 - maker
26. A promissory note is an instrument in writing containing an unconditional undertaking, signed by the maker to pay _____ to, or to the order of, a certain person, or only to bearer of the instrument.
- A certain type of goods
 - A certain type of old coins
 - A certain sum of money
 - Any of above

Kinds of Negotiable Instruments

22. _____ is an instrument in writing containing an unconditional undertaking, signed by the maker to pay a certain sum of money to, or to the order of, a certain person, or only to bearer of the instrument.
- A Bank note
 - A currency note
 - A promissory note
 - Bills of Exchange
23. A promissory note is an instrument _____ containing an unconditional undertaking, signed by the maker to pay a certain sum of money to, or to the order of, a certain person, or only to bearer of the instrument.
- in writing
 - made orally
 - partly in writing
 - partly in writing and partly orally
27. A promissory note is an instrument in writing containing an unconditional undertaking, signed by the maker to pay a certain sum of money -
- to, or to the order of, a certain person
 - only to bearer of the instrument.
 - Either (A) or (B)
 - Both (A) & (B)
28. The person who makes or executes the note promising to pay the amount stated therein is called as -
- the payee
 - the holder
 - the endorser
 - the maker
29. The person to whom the amount is payable on any negotiable instrument is called as -
- the payee
 - the holder
 - the endorser
 - the maker

30. Which of the following is/are essential(s) of promissory note?
- It must be in writing.
 - An oral promise to pay will do.
 - It must contain oral promise to pay.
 - All of above
31. Which of the following is/are essential(s) of promissory note?
- It must be in writing.
 - It must contain an express promise or clear undertaking to pay.
 - The payee must be certain.
 - All of above
32. Which of the following is/are essential(s) of promissory note?
- The maker must sign the promissory note in token of an undertaking to pay to the payee or his order.
 - The maker must be a certain person
 - The payee must be certain.
 - All of above
33. Promissory note must contain -
- An express promise to pay
 - Clear undertaking to pay
 - (A) or (B)
 - Acknowledgement of debt
34. The promissory note should be signed by -
- Drawer
 - Drawee
 - Payee
 - Promiser
35. _____ is an instrument in writing containing an unconditional order, signed by the maker, directing a certain person to pay a certain sum of money only to or to the order of, a certain person or to the bearer of the instrument.
- A bill of exchange
 - A promissory note
 - A cheque
 - Hundi
36. The person who draws the bill is known as -
- Drawee
 - Drawer
 - Payee
 - Endorser
37. The person on whom the bill is drawn is known as -
- Drawee
 - Drawer
 - Payee
 - Endorser
38. When the holder endorses the bill to anyone else he becomes the -
- Endorsee
 - Drawer
 - Payee
 - Endorser
39. _____ is the person to whom the bill is endorsed.
- Endorsee
 - Drawer
 - Payee
 - Endorser
40. _____ is the person to whom the sum stated in the bill is payable.
- Endorsee
 - Drawee
 - Payee
 - Endorser
41. The bill is drawn as an order to drawee to pay certain amount to payee. If drawee refuses to honour the bill, another person may be named in the bill itself, as
- Endorsee in case of need
 - Endorser in case of need
 - Drawee in case of need
 - Payee in case of need
42. Which of following is/are essentials of a bill of exchange?
- It must contain clear undertaking to pay.
 - It must be signed by the drawer.
 - The maker must sign it in taking an undertaking to pay to payee or his order.
 - The parties must be certain.
- Select the correct answer from the options given below -*
- (I), (II) & (III)
 - (II) & (III)
 - (III), (I) & (IV)
 - (IV) & (II)
43. Essentials of a bill of exchange: -
- The sum payable must be certain.

- (B) It must comply with other formalities e.g. stamps, date, etc.
 (C) It need not be signed by the drawer.
 (D) (A) & (B)
44. A bill of exchange must contain _____ order to pay money only.
 (A) A conditional
 (B) An unconditional
 (C) A contingent condition
 (D) An implied
45. A bill of exchange must contain an unconditional _____ to pay money only.
 (A) Request
 (B) Order
 (C) (A) or (B)
 (D) (A) & (B)
46. A bill of exchange must contain an unconditional order to pay _____ only.
 (A) Money
 (B) Goods
 (C) Property
 (D) Assets
47. Kavita draws a bill on Shyam for Rs. 30,000. Kavita endorsed it to Ram. Ram endorsed it to Rahim. The payee of the bill will be:
 (A) Ram
 (B) Kavita
 (C) Shyam
 (D) Rahim
48. Identify which of the following is true and which is false.
 P. A promissory note is a three-party instrument.
 Q. In a bill of exchange there are three parties-drawer, drawee and payee.
 R. A promissory note can be made payable to the maker himself.
 S. In a bill of exchange, the drawer and payee may be the same person.
- Select the correct answer from the options given below-
- | | P | Q | R | S |
|-----|-------|-------|-------|-------|
| (A) | True | False | False | True |
| (B) | True | True | True | False |
| (C) | False | True | False | True |
| (D) | False | False | False | True |
49. The liability of the maker of a pro-note is -
 (A) Secondary and conditional
 (B) Primary and absolute
 (C) Primary and conditional
 (D) Secondary and absolute
50. Foreign bill of exchange must be protested for dishonour.
 (A) True
 (B) False
 (C) Partly true
 (D) Partly false
51. Normally foreign bills are drawn in sets of -
 (A) Four copies
 (B) Three copies
 (C) Two copies
 (D) Ten copies
52. A bill drawn and accepted for a genuine trade transaction is termed as a -
 (A) Foreign Bill
 (B) Accommodation Bill
 (C) Trade bill
 (D) Account sale
53. _____ is a bill in which a person lends or gives his name to oblige a friend or some person whom he knows or otherwise.
 (A) Foreign Bill
 (B) Accommodation Bill
 (C) Trade bill
 (D) Account sale
54. A bill which is drawn, accepted or endorsed _____ is called an accommodation bill.
 (A) With consideration
 (B) Without consideration
 (C) (A) or (B)
 (D) (A) and (B)
55. It is only the who can ask for a duplicate bill, promissory note or cheque.
 (A) holder
 (B) drawee
 (C) endorser
 (D) none of above
56. A bill of exchange is called as a _____ when a bill of exchange drawn by one bank on another bank, or by itself on its own branch.

- (A) Cheque
- (B) Promissory note
- (C) Bank draft
- (D) Accommodation bill

57. *Statement I:*

A bank draft can be drawn only by a bank on another bank or on its own branch.

Statement II:

A bank draft can be made payable to bearer.

Select correct answer from the options given below -

- (A) Statement I is correct but Statement II is incorrect
- (B) Statement I is incorrect but Statement II is correct
- (C) Both Statement I and Statement II are correct.
- (D) Both Statement I and Statement II are incorrect.

58. A _____ is a bill of exchange drawn on a specified banker and not expressed to be payable otherwise than on demand.

- (A) Promissory note
- (B) Cheque
- (C) Accommodation bill
- (D) Trade bill

59. _____ means a cheque which contains the exact mirror image of a paper cheque, and is generated, written and signed in a secure system ensuring the minimum safety standards with the use of digital signature (with or without biometrics signature) and asymmetric crypto system.

- (A) A cheque in the electronic form
- (B) A truncated cheque
- (C) Bank draft
- (D) Paper cheque

60. _____ means a cheque which is truncated during the course of a clearing cycle, either by the clearing house or by the bank whether paying or receiving payment, immediately on generation of an electronic image for transmission, substituting the further physical movement of the cheque in writing.

- (A) A cheque in the electronic form
- (B) A truncated cheque
- (C) Bank draft
- (D) Paper cheque

61. A cheque is a _____ drawn on a bank payable always _____

- (A) Bill of exchange; on request
- (B) Promissory note; on demand
- (C) Bill of exchange; on demand
- (D) Bill of exchange; on order

62. A cheque is a bill of exchange -

- (A) Which is always drawn on a banker
- (B) Which is always payable on demand
- (C) (A) or (B)
- (D) (A) & (B)

63. A cheque also require acceptance.

- (A) True
- (B) False
- (C) Partly true
- (D) None of above

64. Essential of a cheque:

- (A) It is always drawn on a banker.
- (B) It is always payable on demand.
- (C) It does not require acceptance.
- (D) All of above

65. Stamp is required to be affixed on cheques.

- (A) True
- (B) False
- (C) Partly true
- (D) None of above

66. Which of the following statement is true (✓) and which is false (×)?

1. A grace of 3 days is allowed in the case of a cheque.
2. Notice of the dishonour of cheque is necessary.
3. A bill may be crossed, but not a cheque.
4. Bill drawn to or to the order of the drawee or by an agent on his principal, or by one branch of a bank on another or by the direction of a company or their cashier are also known as ambiguous instruments.

Select correct answer from the options given below -

	1	2	3	4
(A)	×	✓	×	✓
(B)	×	×	×	✓
(C)	✓	×	×	×
(D)	×	×	✓	×

Banker

67. In which of the following case banker MUST refuse to honour the cheque?
- When the cheque is post-dated.
 - When the banker receives notice of customer's death.
 - When the cheque is not duly presented.
 - When the cheque is presented at a branch where the customer has no account.
68. In which of the following case banker MUST refuse to honour the cheque?
- When the banker receives notice of customer's insanity.
 - When the cheque has been allowed to become stale.
 - When the cheque ambiguous or otherwise materially altered.
 - When the banker has no sufficient funds of the drawer with him.
69. In which of the following case banker MAY refuse to honour the cheque?
- When the banker receives notice of customer's insanity.
 - When an order of the Court, prohibits payment.
 - When the cheque is post-dated.
 - When customer has been adjudged an insolvent.
70. In which of the following case banker MAY refuse to honour the cheque?
- When the cheque is of doubtful legality.
 - When the customer has given notice of assignment of the credit balance of his account.
 - When the cheque is presented at a branch where the customer has no account.
 - When the holder's title is defective and the banker comes to know of it.

Select the correct answer from the options given below -

- (II) & (IV)
 - (I) & (III)
 - (IV) & (I)
 - (III) & (II)
71. In which of the following case banker MAY refuse to honour the cheque?
- When an order of the Court, prohibits payment.
 - When the banker has no sufficient funds of the drawer
 - When customer has been adjudged an insolvent.
 - When a customer countermands payment *i.e.*, where or when a customer, after issuing a cheque issues instructions not to honour it, the banker must not pay it.
72. A payment will be a payment in due course if -
- It is in accordance with the apparent tenor of the instrument
 - It is made in negligence
 - It is made to the person not in possession of the instrument who is entitled as holder to receive payment
 - Payment is made under circumstances which afford a reasonable ground believing that he is not entitled to receive payment of the amount.

Overdue, Stale or Out-of-date Cheques

73. A cheque is overdue or becomes statute-barred after from its due date of issue.
- Six years
 - Three years
 - Six months
 - Three months
74. In India, a cheque, which has been in circulation for more than _____, is regarded by bankers as stale.
- Six years
 - Three years
 - Six months
 - Three months

Crossing of Cheques

75. ____ can be presented by the payee to the paying banker and is paid over the counter.
- A crossed cheque
 - An open cheque
 - (A) or (B)
 - (A) and (B)
76. Which of the following type of cheque cannot be paid across the counter but must be collected through a banker?
- A crossed cheque
 - An open cheque

- (C) (A) or (B)
(D) (A) and (B)
77. is a direction to the paying banker to pay the money generally to a banker or to a particular banker, and not to pay otherwise.
(A) A requesting
(B) A passing
(C) A crossing
(D) Any of above
78. Crossing is a direction to the paying banker that the cheque should be paid only to -
(A) A banker
(B) A specified banker
(C) (A) or (B)
(D) A customer
79. To restrain negotiability, addition of words _____ is necessary.
(i) Not negotiable
(ii) Account payee only
Select the correct answer from the options given below -
(A) (i) only
(B) (ii) only
(C) Either (i) or (ii)
(D) (i) but not (ii)
80. Which of following can be crossed?
(A) Bill of exchange
(B) Promissory note
(C) Cheque
(D) All of above
81. In general crossing a cheque bears across its face an addition of -
(A) Two cross line
(B) Two parallel transverse lines
(C) Three parallel transverse lines
(D) Four parallel transverse lines
82. "Account Payee" crossing warns the collecting banker that the proceeds are to be credited only to the -
(A) Account of the payee
(B) Party named or his agent
(C) Account of the payee, or the party named, or his agent
(D) None of above

Maturity

Due date for bill of exchange is calculated as follows:

- (1) When period of bill is stated in days, calculation will be in days, which include the date of payment but exclude the date of transaction.
- (2) When period of bill is stated in months, calculation will be in months ignoring the days in months.
- (3) If due date of bill falls on public holiday, the due date will be preceding business day.
- (4) If due date of bill falls on sudden public holiday, the due date will be next business day.
- (5) Days of grace are not allowed on bill payable on demand.
- (6) If bill is drawn using words after sight then calculation will start from the date of acceptance.

83. The date on which payment of an instrument falls due is called its -
(A) Event
(B) Maturity
(C) Collection date
(D) Accounting date
84. Every instrument payable at _____ is entitled to three days of grace.
(A) A specified period after date
(B) After sight
(C) A specified period after date or after sight
(D) Demand
85. Days of grace are allowed for cheques.
(A) True
(B) False
(C) Partly true
(D) None of above
86. A negotiable instrument dated 31st January, 2019, is made payable at one month after date. The instrument is at maturity on
(A) 31st January, 2019
(B) 28th February, 2019
(C) 3rd March, 2019
(D) 1st March, 2019
87. A negotiable instrument dated the 31st August, 2019, is made payable 3 months after date. The instrument is at maturity on
(A) 30th August, 2019

- (B) 3rd December, 2019
(C) 1st December, 2019
(D) 31st December, 2019
88. If the day of maturity falls on a public holiday, the instrument is payable on the -
(A) Preceding business day
(B) Next business day
(C) Next Monday
(D) Following day
89. If a bill is at maturity on a Sunday. It will be deemed due on -
(A) Monday
(B) Saturday
(C) Friday
(D) Partly on Saturday and partly on Monday
90. If due date of bill falls on sudden public holiday, the due date will be -
(A) Preceding business day
(B) Next business day
(C) Next Monday
(D) Next day
91. If due date of bill falls on _____, the due date will be preceding business day.
(A) Public holiday
(B) Sudden public holiday
(C) Private holiday
(D) Birthday
92. If due date of bill falls on _____, the due date will be next business day.
(A) Public holiday
(B) Sudden public holiday
(C) Private holiday
(D) Birthday
93. On 1.1.2019, X draws a bill on Y for ₹ 20,000 for 3 months maturity date of the bill will be:
(A) 1.4.2019
(B) 3.4.2019
(C) 4.4.2019
(D) 4.5.2019
94. On 15.8.2018, X draws a bill on Y for 3 months for ₹ 20,000. 18th Nov. was a sudden holiday, maturity date of the bill will be:
(A) 17th Nov.
(B) 18th Nov.
(C) 19th Nov.
(D) 15th Nov.
95. On 16.6.2019 X draws a bill on Y for ₹ 25,000 for 30 days. 19th July is a public holiday, maturity date of the bill will be:
(A) 19th July
(B) 18th July
(C) 17th July
(D) 16th July
96. X draws a bill on Y for ₹ 30,000 on 1.1.2019. X accepts the same on 4.1.2019 for period of 3 months after date. What will be the maturity date of the bill:
(A) 4.4.2019
(B) 3.4.2019
(C) 7.4.2019
(D) 8.4.2019
97. X draws a bill on Y. X endorsed the bill to Z. The payee of the bill will be -
(A) X
(B) Y
(C) Z
(D) None
98. X draws a bill on Y for ₹ 2,50,000 on 1.1.2018 for 3 months *after sight*, date of acceptance is 6.1.2018. Maturity date of the bill will be:
(A) 8.4.2018
(B) 9.4.2018
(C) 10.4.2018
(D) 11.4.2018
99. On 1.8.2020, X draws a bill on Y "for 30 days *after sight*". The date of acceptance is 8.8.2020. The maturity date of the bill will be:
(A) 3.9.2020
(B) 10.9.2020
(C) 4.9.2020
(D) 9.9.2020
100. On 18.2.2019 A draw a bill on B for ₹ 1,25,000. B accepted the bill on 21.2.2019. The bill is drawn for 30 days after sight. The maturity date of the bill will be:
(A) 24.3.2019
(B) 23.3.2019
(C) 26.3.2019
(D) 21.3.2019

101. Which of the following person do not incur any liability as parties to negotiable instruments?

- (A) Minors
- (B) Lunatics
- (C) Drunken person
- (D) All of above

Negotiation & Assignment

102. A negotiable instrument may be transferred by -

- 1. Negotiation
- 2. Assignment
- 3. Delivery

Select the correct answer from the options given below -

- (A) 1 & 3
- (B) 2 & 3
- (C) 1 & 2
- (D) 1, 2 & 3

103. _____ is the transfer of an instrument a note, bill or cheque for one person to another in such a manner as to convey title and to constitute the transferee the holder thereof.

- (A) Negotiation
- (B) Assignment
- (C) Delivery
- (D) Sale

104. In case of assignment, there is a transfer of ownership by means of a _____ document.

- (A) Written
- (B) Registered
- (C) Written and registered
- (D) Stamped

Endorsement

105. _____ means and involves the writing of something on the back of an instrument for the purpose of transferring the right, title and interest therein to some other person.

- (A) Endorsement
- (B) Assignment
- (C) Handing over
- (D) (B) & (C)

106. The person to whom the instrument is endorsed is called the -

- (A) Endorser
- (B) Endorsee

(C) Transferor

(D) Debtor

107. An endorsement is to be _____ where the endorser merely writes his signature on the back of the instrument, and the instrument so endorsed becomes payable to bearer, even though originally it was payable to order.

- (A) Blank
- (B) General
- (C) Blank or general
- (D) Restrictive

108. If the endorser signs his name and adds a direction to pay the amount mentioned in the instrument to, or to the order of a specified person, the endorsement is said to be -

- (A) Blank or general
- (B) Special or in full
- (C) Conditional or qualified
- (D) Blank or qualified

109. Statement X:

An endorsement is restrictive which prohibits or restricts the further negotiation of an instrument.

Statement Y:

An endorsement is conditional or qualified which limits or negatives the liability of the endorser.

Select the correct answer from the options given below -

- (A) Statement X and Statement Y both are correct
- (B) Statement X and Statement Y both are correct
- (C) Statement X is incorrect while Statement Y is correct.
- (D) Statement Y is incorrect while Statement X is correct.

110. An endorser may limit his liability in any of the following ways: -

- (A) By sans recourse endorsement
- (B) By making his liability depending upon happening of a specified event which may never happen
- (C) (A) or (B)
- (D) None of above

111. When a person who has been a party to the negotiable instrument takes it again then an instrument is said to have been -

- (A) Assigned back
- (B) Negotiated back
- (C) Sale back
- (D) Transfer back

Forged Endorsement

112. Forgery conveys no title.
 (A) True
 (B) False
 (C) Partly true
 (D) None of above
113. If an instrument be negotiated by means of a forged endorsement, the endorsee acquires no title even though he be a purchaser for value and in good faith, for the endorsement is a nullity.
 (A) True
 (B) False
 (C) Partly true
 (D) None of above

Noting & Protest

114. Noting is necessary in case of ____ of bill.
 (A) Transfer
 (B) Assignment
 (C) Endorsement
 (D) Dishonour
115. The _____ is the formal notarial certificate attesting the dishonour of the bill, and based upon the noting which has been effected on the dishonour of the foreign bill.
 (A) Protest
 (B) Noting
 (C) Writing
 (D) All of above

Material Alteration

116. A material alteration renders the instrument -
 (A) Void
 (B) Voidable
 (C) Legal
 (D) Enforceable
117. Alteration of date, sum payable, time of payment, place of payment, name of parties or rate of interest will be treated as material alteration.
 (A) True
 (B) False
 (C) Partly true
 (D) None of above

118. Which of the following act will not be treated as material alteration in relation to negotiable instrument?
 (A) Alteration of the date of the instrument
 (B) Alteration of the sum payable
 (C) Alteration of the place of payment
 (D) Correction of a mistake
119. Which of the following act will not be treated as material alteration in relation to negotiable instrument?
 (A) Addition of a new party
 (B) Crossing a cheque
 (C) Alteration of the sum payable
 (D) Alteration of the place of payment
120. Which of the following act will not be treated as material alteration in relation to negotiable instrument?
 (A) Correction of a mistake
 (B) To carry out the common intention of the parties
 (C) Addition of the words "on demand" in an instrument where no time of payment is stated.
 (D) All of the above

Hundis

121. _____ are negotiable instruments written in an oriental language.
 (A) Hundis
 (B) Bank draft
 (C) Cheque
 (D) All of above
122. Which of the following is not covered under the Negotiable Instruments Act, 1881?
 (A) Promissory note
 (B) Cheque
 (C) Hundis
 (D) Bill of exchange
123. Hundis are governed by the _____ in the locality.
 (A) Customs
 (B) Usages
 (C) Both (A) and (B)
 (D) None of above
124. The hundis were in circulation in India even before the present Negotiable Instrument Act, 1881 came into operation.

- (A) True
- (B) False
- (C) Partly true
- (D) None of above

Offence & Penalties

125. Offence of dishonour shall be punishable with -

- (A) With imprisonment for a term which may extend to one year, or with fine which may extend to ₹ 5,00,000 or with both.
- (B) With imprisonment for a term which may extend to three years, or with fine which may extend to twice the amount of the cheque, or with both.

(C) With imprisonment for a term which may extend to two years, or with fine which may extend to twice the amount of the cheque, or with both.

(D) With imprisonment for a term which may extend to five year, or with fine which may extend to ₹ 10,00,000 or with both.

126. Merely because the drawer issued a notice to the drawee or to the Bank for 'stop payment', it would not preclude an action under Section 138 by the drawee or holder in due course.

- (A) True
- (B) False
- (C) Partly true
- (D) None of above

Answers

1.	(C)	2.	(C)	3.	(D)	4.	(C)	5.	(A)	6.	(C)	7.	(B)
8.	(A)	9.	(C)	10.	(D)	11.	(B)	12.	(A)	13.	(A)	14.	(B)
15.	(B)	16.	(A)	17.	(B)	18.	(C)	19.	(D)	20.	(A)	21.	(C)
22.	(C)	23.	(A)	24.	(C)	25.	(D)	26.	(C)	27.	(C)	28.	(D)
29.	(A)	30.	(A)	31.	(D)	32.	(D)	33.	(C)	34.	(D)	35.	(A)
36.	(B)	37.	(A)	38.	(D)	39.	(A)	40.	(C)	41.	(C)	42.	(D)
43.	(D)	44.	(B)	45.	(B)	46.	(A)	47.	(D)	48.	(C)	49.	(B)
50.	(A)	51.	(B)	52.	(C)	53.	(B)	54.	(B)	55.	(A)	56.	(C)
57.	(A)	58.	(B)	59.	(A)	60.	(B)	61.	(C)	62.	(D)	63.	(B)
64.	(D)	65.	(B)	66.	(B)	67.	(B)	68.	(A)	69.	(C)	70.	(B)
71.	(B)	72.	(A)	73.	(B)	74.	(C)	75.	(B)	76.	(A)	77.	(C)
78.	(C)	79.	(C)	80.	(C)	81.	(B)	82.	(C)	83.	(B)	84.	(C)
85.	(B)	86.	(C)	87.	(B)	88.	(A)	89.	(B)	90.	(B)	91.	(A)
92.	(B)	93.	(B)	94.	(C)	95.	(B)	96.	(B)	97.	(C)	98.	(B)
99.	(B)	100.	(C)	101.	(D)	102.	(C)	103.	(B)	104.	(C)	105.	(A)
106.	(B)	107.	(C)	108.	(B)	109.	(A)	110.	(C)	111.	(B)	112.	(A)
113.	(A)	114.	(D)	115.	(A)	116.	(A)	117.	(A)	118.	(D)	119.	(B)
120.	(D)	121.	(A)	122.	(C)	123.	(C)	124.	(A)	125.	(C)	126.	(A)

Hints for Practical MCQs

- 86. One month after date of 31st January, 2019 is 28th Feb, 2019 + 3 grace days; hence date of maturity 3rd March, 2019.
- 87. Three months after 31st August, 2019 is 30th Nov, 2019 + 3 grace days; hence date of maturity 3rd December, 2019
- 93. 3 months from 1.1.2019 ends on 31st March 2019 + 3 grace days; hence date of maturity 3.4.2019 (When period of bill is stated in months, calculation will be in months ignoring the days in months)
- 94. 3 months from 15.8.2018 ends on 15.9.2018 + 3 grace days; hence date of maturity 18.11.2018 but since 18.11.2018 is sudden public holiday due date will be 19.11.2018.
- 95. 30 days from 16.6.2019 ends on 16.7.2019 + 3 grace days; hence date of maturity 19.7.2019 but since 17.7.2019 is public holiday due date will be preceding business day 18.7.2019.

96. 3 months from 4.1.2019 ends on 31st March 2019 + 3 grace days; hence date of maturity 3.4.2019 (When period of bill is stated in months, calculation will be in months ignoring the days in months)
98. If bill is drawn using words after sight then calculation will start from the date of acceptance. 3 months from 6.1.2018 comes to 6.4.2018 + 3 grace days; hence date of maturity 9.4.2018
99. If bill is drawn using words after sight then calculation will start from the date of acceptance. 30 days from 8.8.2020 comes to 7.9.2020 + 3 grace days; hence date of maturity 10.9.2020.
100. If bill is drawn using words after sight then calculation will start from the date of acceptance. 30 days from 21.2.2019 comes to 23.3.2019 + 3 grace days; hence date of maturity 26.3.2019.

INFORMATION TECHNOLOGY ACT, 2000

1. The word cyberspace first appeared in _____ in his science fiction _____ published in _____
 - (A) Steven Spielberg's; Jaws; 1975
 - (B) William Gibson's; Necromancer; 1984
 - (C) Martin Scorsese's; Schindler's List; 1993
 - (D) Ben Kingsley's; Bridge of Spies; 1984
 2. The _____ of the English defines 'cyberspace' as the notional environment in which communication over computer network occurs.
 - (A) Urban Dictionary
 - (B) Oxford Dictionary
 - (C) Samuel Johnson's Dictionary
 - (D) BE's New Dictionary
 3. India is the _____ in enactment of cyber law with the passage of Information Technology Act, 2000.
 - (A) 12th nation
 - (B) 1st nation
 - (C) 10th nation
 - (D) 5th nation
 4. "Information Technology Bill 1999" was placed before the Parliament in _____ and passed in _____.
 - (A) May 1999; December 2000
 - (B) January 2000; May 2000
 - (C) December 1999; May 2000
 - (D) January 2000; July 2000
 5. The objective of the Information Technology Act, 2000 -
 - (I) To amend the Indian Penal Code 1860, the Indian Evidence Act 1872, the Bankers' Books Evidence Act 1891, and the Reserve Bank of India Act 1934.
 - (II) To facilitate electronic storage of data.
 - (III) To increase the incomes of E-Commerce site operators.
 - (IV) To facilitate and give legal sanction to electronic fund transfer
 - (V) To give recognition to execution of a Will under the Indian Succession Act, 1925 including any other testamentary disposition by whatever name called.
- Select the correct answer from the options given below -*
- (A) (IV), (II), (I)
 - (B) (II), (V), (III)
 - (C) (I) and (II) only
 - (D) (II) and (IV) only
6. A provision has been made for the establishment of _____ under the Information Technology Act, 2000.
 - (A) Cyber Regulatory Appellant Council
 - (B) Cyber Appellant Board
 - (C) Cyber Regulatory Appellant Commission
 - (D) Cyber Regulatory Appellant Tribunal
 7. As per Section 1 (2) of the Information Technology Act, 2000, it extends to the -
 - (A) whole of India, excluding Jammu and Kashmir
 - (B) whole of India, including Jammu and Kashmir
 - (C) whole of India, including Jammu and Kashmir but excluding union territories
 - (D) whole of India, excluding Jammu & Kashmir and Goa
 8. Which of the following statement is true in relation to the Information Technology Act, 2000?
 - (A) The Act does not take citizenship into account.
 - (B) It provides an extraterritorial jurisdiction.
 - (C) The Act can be applied to any offence or contravention committed outside Indian by any person irrespective of nationality.
 - (D) All of the above
 9. As provided in Section 1(4) of the Information Technology Act, 2000, the provisions of the Information Technology Act, 2000 shall not apply to certain documents. They are -

- (W) Execution of Negotiable Instrument like cheques
- (X) Execution of a Power of Attorney under the Powers of Attorney Act, 1882
- (Y) Creation of Trust under Indian Trust Act, 1882
- (Z) Contract for the sale of conveyance of movable property.

The correct answer is -

- (A) (X) & (Y)
 - (B) (W) & (Z)
 - (C) (W), (X) & (Y)
 - (D) (X), (Y) & (Z)
10. As per Section 2(1)(a) of the Information Technology Act, 2000, _____ means gaining entry into, instructing or communicating with the logical, arithmetical or memory function resources of a computer, computer system or computer network.
- (A) Address
 - (B) Access
 - (C) Entry
 - (D) Allocation
11. Gibson portrayed cyber space as a _____ virtual landscape created by network of computers.
- (A) Two dimensional
 - (B) Three dimensional
 - (C) Four dimensional
 - (D) Six dimensional
12. As per Section 2(1)(f) of the Information Technology Act, 2000, _____ means a system of a secure key pair consisting of a private key for creating a digital signature and a public key to verify the digital signature.
- (A) Symmetric crypto system
 - (B) Crypto system
 - (C) Asymmetric crypto system
 - (D) Asymmetric cyber system
13. As per Section 2(1)(f) of the Information Technology Act, 2000, _____ means any electronic, magnetic, optical or other high speed data processing device or system which performs logical, arithmetic and memory functions by manipulation of electronic, magnetic or optical impulses. It includes all input, output, processing, storage, computer software or communication facilities which are connected or related to the computer in a computer system or computer network.

- (A) Computer Recourse
- (B) Computer
- (C) Computer System
- (D) Computer Recourse System

14. Statement X:

Private key can verify a digital signature created by public key.

Statement Y:

Public key means the key of a key pair used to create a digital signature.

Select the correct answer from the options given below -

- (A) Statement X is true but Statement Y is false
 - (B) Statement X and Statement Y both are true
 - (C) Statement X is true but Statement Y is false
 - (D) Statement X and Statement Y both are false
15. Authentication is a process used to -
- (A) Confirm the identity of a person
 - (B) To prove the integrity of information.
 - (C) Either (A) or (B)
 - (D) None of the above
16. Legal recognition to Electronic Records is granted under _____ of the Information Technology Act, 2000.
- (A) Section 3
 - (B) Section 4
 - (C) Section 5
 - (D) Section 6
17. Where any law provides for the filing of any form, then filing of such form in electronic mode is allowed under -
- (A) Section 5
 - (B) Section 6
 - (C) Section 7
 - (D) Section 10
18. Where any law provides that any rule, regulation, order, by-laws, notification or any other matter shall be published in the official Gazette, then, such requirement shall be deemed to have been satisfied if such rule, regulation, order, bye-law, notification or any other matter is published in the -
- (A) Official Gazette
 - (B) Electronic Gazette
 - (C) Official Gazette or Electronic Gazette
 - (D) Official Gazette & Electronic Gazette

19. _____ defined simply, is the commercial transaction of services in an electronic format.
- E-commerce
 - M-commerce
 - C-commerce
 - D-commerce
20. *Statement I:*
Programmes are covered under copyright law, whereas, algorithms and techniques qualify for patenting.
- Statement II:*
Software is granted patents for industrial processes.
- Select the correct answer from the options given below -*
- Statement I and II both are correct.
 - Statement I is correct while Statement II is incorrect.
 - Statement I and II both are incorrect
 - Statement II is correct while Statement I is incorrect.
21. _____ says that since the internet is composed of computers, crimes occurring on the internet are computer crimes. He also says that a computer can be subject of a crime by being stolen or damaged, it can be the site of crime such as fraud or copyright infringement, or it can be the instrument of a crime such as when it is used to access other machines or store information illegally
- Nandan Kamat
 - Marc M Goodman
 - Suresh T Vishwanathan
 - Manmohan Singh
22. Marc M Goodman says that a computer crime can be classified into -
- As crime where computer is target
 - Crimes where computer is the tool of the crime
 - Crimes where computer is instrumental
- Select the correct answer from the options given below -*
- (1) & (3) only
 - (2) & (3) only
 - (3) only
 - All (1) and (2) and (3)
23. Which of the following cybercrime may be categorized as "crime committed against individual person"?
- Cyber-stalking
 - Computer vandalism
 - Harassment via e-mail
 - Online gambling
- Select the correct answer from the options given below -*
- (W) and (Y)
 - (X) and (Z)
 - (W), (Y) and (Z)
 - (W), (X) and (Y)
24. Which of the penalty is applicable for "damage to computer, computer system" under section 66 of the Information Technology Act, 2000?
- Damages by way of compensation not exceeding ₹ 1 Crore to the person affected.
 - Punished with imprisonment up to 3 years, or with fine which may extend up to ₹ 2 lakh or with both
 - Imprisonment of for a term which may extend to 5 years and with a fine which may extend to ₹ 2 lakh
 - Liable to pay damages by way of compensation not exceeding ₹ 1 Crore to the person affected.
25. Hacking of Computer system is liable to penalty of -
- Imprisonment up to 2 years or with fine which may extend up to ₹ 1 lakh or with both
 - Imprisonment up to 5 years or with fine which may extend up to ₹ 10 lakh or with both
 - Imprisonment up to 3 years or with fine which may extend up to ₹ 5 lakh or with both
 - Imprisonment up to 1 year or with fine which may extend up to ₹ 2 lakh or with both
26. Publishing of information which is "obscene in electronic form" for the first time is liable to penalty of -
- Fine not exceeding ₹ 5 Crore.
 - Imprisonment of either description for a term which may extend to 10 years and with a fine which may extend to ₹ 2 lakh.

- (C) Fine not exceeding ₹ 2 Crore.
- (D) imprisonment of either description for a term which may extend to 3 years and with a fine which may extend to ₹ 5 lakh
27. Publishing of information which is "*obscene in electronic form*" for the second time is liable to penalty of -
- (A) Imprisonment of either description for a term which may extend to 8 years and with a fine which may extend to ₹ 4 lakh.
- (B) Imprisonment of either description for a term which may extend to 5 years and with a fine which may extend to ₹ 10 lakh.
- (C) Imprisonment of either description for a term which may extend to 12 years and with a fine which may extend to ₹ 5 lakh.
- (D) Imprisonment of either description for a term which may extend to 2 years and with a fine which may extend to ₹ 1 lakh.
28. Whoever knowingly creates, publishes or otherwise makes available a digital signature certificate for any fraudulent or unlawful purpose shall be liable to -
- (A) Imprisonment only
- (B) Fine only
- (C) Imprisonment and fine
- (D) Imprisonment or fine
29. Hacking of Computer system is liable to penalty of -
- (A) Imprisonment only
- (B) Fine only
- (C) Imprisonment or fine
- (D) Imprisonment or fine or both
30. Hacking of Computer system is liable to penalty under _____ of the Information Technology Act, 2000
- (A) Section 64
- (B) Section 65
- (C) Section 66
- (D) Section 67
31. Whoever contravenes any rules or regulations made under the Information Technology Act, 2000, for the contravention of which no penalty has been separately provided, shall be liable
- (A) to pay a compensation not exceeding ₹ 50,000 to the person affected by such contravention or a penalty not exceeding ₹ 25,000.
- (B) to pay a compensation not exceeding ₹ 25,000 to the person affected by such contravention or a penalty not exceeding ₹ 50,000.
- (C) to pay a compensation not exceeding ₹ 50,000 to the person affected by such contravention or a penalty not exceeding ₹ 50,000.
- (D) to pay a compensation not exceeding ₹ 25,000 to the person affected by such contravention or a penalty not exceeding ₹ 25,000.
32. Controller of Certifying Authorities is appointed by -
- (A) Certifying Authority
- (B) Cyber Appellate Tribunal
- (C) Central Government
- (D) State Government
33. Who shall be the repository of all Digital Signature Certificates?
- (A) Presiding Office of Cyber Appellate Tribunal
- (B) Cyber Appellate Tribunal
- (C) Controller
- (D) Certifying Authority
34. A Cyber Appellate Tribunal shall consist of -
- (A) one person only
- (B) two persons
- (C) three persons
- (D) four persons
35. A person shall not be qualified for appointment as the presiding Officer of a Cyber Appellate Tribunal unless he is, or has been or is qualified to be -
- (A) a Judge of a District Court
- (B) a Judge of a National Company Law Tribunal
- (C) a Judge of a High Court
- (D) a Judge of a Supreme Court
36. A person shall not be qualified for appointment as the presiding Officer of a Cyber Appellate Tribunal unless he is or has been a member of the Indian Legal Service and is holding or has held a post in Grade I of that service for at least -
- (A) three years
- (B) four years
- (C) five years
- (D) ten years

37. The Presiding Officer of a Cyber Appellate Tribunal shall hold office for a term of _____ from the date on which he enters upon his office or until he attains the age of _____, whichever is earlier.
- 3 years; 70 years
 - 5 years; 65 years
 - 5 years; 70 years
 - 3 years; 65 years
38. Any person aggrieved by an order made by Controller or an adjudicating officer under this Act may prefer an appeal to -
- Central Government
 - High Court
 - Cyber Appellate Tribunal
 - Cyber Tribunal
39. No appeal shall lie to the Cyber Appellate Tribunal from an order made by an adjudicating officer with the consent of the parties.
- True
 - False
 - Partly true
 - Partly false
40. Every appeal to the Cyber Appellate Tribunal shall be filed within a period of _____ from the date on which a copy of the order made by the Controller or the adjudicating officer is received by the person aggrieved and it shall be in such form and be accompanied by such fee as may be prescribed
- 25 days
 - 45 days
 - 30 days
 - 60 days
41. The appeal filed before the Cyber Appellate Tribunal shall be dealt with by it as expeditiously as possible and endeavour shall be made by it to dispose of the appeal finally within _____ from the date of receipt of the appeal.
- 3 months
 - 6 months
 - 10 months
 - 12 months
42. The Cyber Appellate Tribunal -
- shall not be bound by the procedure laid down by the Code of civil Procedure, 1908
 - shall be guided by the principles of natural justice
 - shall have powers to regulate its own procedure
 - all of the above
43. The appellant may -
- appear in person before the Cyber Appellate Tribunal
 - authorize one or more legal practitioners or any of its officers to present his case before the Cyber Appellate Tribunal
 - either appear in person or authorize one or more legal practitioners or any of its officers to present his or its case before the Cyber Appellate Tribunal.
 - either appear in person or authorize one or more legal practitioners or any of its officers or CA/CS to present his or its case before the Cyber Appellate Tribunal.
44. Any person aggrieved by any decision or order of the Cyber Appellate Tribunal may file an appeal to the High Court within _____ from the date of communication of the decision or order of the Cyber Appellate Tribunal. However, the High Court may, if it is satisfied that the Appellate was perverted by sufficient cause from filling the appeal within the said period allow it to be filled within a further period not exceeding _____
- 60 days; 60 days
 - 80 days; 60 days
 - 100 days; 60 days
 - 60 days; 120 days
45. Under the Information Technology Act, 2000, appeal to the High Court may be filed on -
- any question of fact
 - any question of law
 - any question of fact or law
 - none of the above
46. Amrish was found guilty of damaging the data stored in a computer. The adjudicating officer fined him ₹ 1,00,000 and directed the amount to be paid to the aggrieved person. Advise Amrish about the course of action against this decision under the Information Technology Act, 2000.
- Amrish may prefer an appeal to a Cyber Appellate Tribunal
 - Amrish may prefer an appeal to a Central Government
 - Either (A) or (B)
 - Both (A) and (B)

47. One morning, scientists at an atomic research centre found a rude-nuclear message splashed across their computer screens. Someone had breached the atomic research centre's advanced security system and sensitive mail. What offence has been committed in the atomic research centre?

- (A) Passing off
- (B) Hacking
- (C) Breach of security
- (D) None of the above

48. Chanchal sues Indian Online Ltd. (IOL) for allowing a subscriber Rajat to use its chat room for making video tapes and photographs of child pornography in which Chanchal's minor son appears. The complaint alleged that IOL was negligent *per se* in allowing Rajat to use its facilities for

producing obscene materials, therefore, is liable under criminal law and under the Information Technology Act, 2000. IOL contends that it has no knowledge of such transmission of unlawful information. Decide the liability of IOL.

- (A) Network service provider *i.e.* IOL is liable for the offence
- (B) Network service provider *i.e.* IOL is liable for the offence and will be penalized by imprisonment or fine or both
- (C) If IOL proves that offence did not occur because of their negligence, then they would not be liable for committing any offence under IT Act.
- (D) None of the above is correct.

Answers

1.	(B)	2.	(B)	3.	(A)	4.	(C)	5.	(A)	6.	(D)	7.	(B)
8.	(D)	9.	(A)	10.	(B)	11.	(B)	12.	(C)	13.	(B)	14.	(D)
15.	(C)	16.	(B)	17.	(B)	18.	(C)	19.	(A)	20.	(A)	21.	(A)
22.	(D)	23.	(A)	24.	(B)	25.	(C)	26.	(D)	27.	(B)	28.	(D)
29.	(D)	30.	(C)	31.	(D)	32.	(C)	33.	(C)	34.	(A)	35.	(C)
36.	(A)	37.	(B)	38.	(C)	39.	(A)	40.	(B)	41.	(B)	42.	(D)
43.	(C)	44.	(A)	45.	(C)	46.	(A)	47.	(B)	48.	(C)		

Note : MCQ Nos. 34, 35, 36 and 37 are not relevant for examination as sections 49 to 52C are deleted by the Finance Act, 2017.

For MCQ No. 4 period of appeal is 45 days as per section 57 of the Information Technology Act, 2000.

ROLE OF COMPANY SECRETARY

1. The ICSI functions under the administrative jurisdiction of -
 - (A) Ministry of Finance, Government of India.
 - (B) Ministry of Company Law Affairs, Government of India.
 - (C) Ministry of Corporate Affairs, Government of India.
 - (D) Parliament of India
2. As per Section 203 of the Companies Act, 2013, Company Secretary is -
 - (A) Manager of Managers
 - (B) Key Administrative Officer
 - (C) Key Managerial Personnel
 - (D) Important Key Personnel
3. Appointment of Company Secretary in mandatory in -
 - (a) Every listed company
 - (b) Every unlisted private company having paid-up share capital of ₹ 10 Crore or more
 - (c) Every public company having paid-up capital of ₹ 5 Crore or more
 - (d) Every public company having turnover of ₹ 5 Crore or more

Select the correct answer from the options given below -

 - (A) (a) & (b)
 - (B) (a) & (c)
 - (C) (a) & (d)
 - (D) (a), (c) & (d)
4. As per the Rule 8 of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, every listed company and every other public company having a paid-up share capital of _____ or more shall have whole-time key managerial personnel.
 - (A) ₹ 5 Crore
 - (B) ₹ 8 Crore
 - (C) ₹ 2 Crore
 - (D) ₹ 10 Crore
5. "Company Secretary" or "Secretary" means a company secretary as defined in _____ of the Company Secretaries Act, 1980 who is appointed by a company to perform the functions of a Company Secretary under the Act.
 - (A) Section 2 (1) (c)
 - (B) Section 2 (1) (a)
 - (C) Section 2 (1) (d)
 - (D) Section 2 (1) (e)
6. As per Section 2 (1) (c) of the Company Secretaries Act, 1980, Company Secretary means a person -
 - (A) Who has passed CS Final Examination
 - (B) Who is a member of the ICSI
 - (C) Who offers to work as Company Secretary
 - (D) Who has ability to work as Company Secretary
7. The expression "Secretarial Standards" means -
 - (A) Secretarial standards issued by the ICSI
 - (B) Secretarial standards approved by the Central Government.
 - (C) Both (A) and (B)
 - (D) Secretarial standards issued by the ICSI whether approved by the Central Government or not.
8. Which of the following Section of the Companies Act, 2013 specify the functions of Company Secretary?
 - (A) Section 203
 - (B) Section 205
 - (C) Section 208
 - (D) Section 210
9. As per Rule 10 of the Companies (Appointment & Remuneration of Managerial Personnel) Rules, 2014, which of the following are duties of Company Secretary?
 - (1) To provide guidance to the directors with regard to their duties, responsibilities and powers.

- (2) To formulate the business strategies.
- (3) To represent before various Regulators, and other authorities in connection with discharge of various duties.
- (4) To call annual general meeting and extraordinary general meeting on his own.
- Select the correct answer from the options given below -*
- (A) (1) & (3)
- (B) (2) & (4)
- (C) (1), (2) & (3)
- (D) (1), (3) & (4)
10. Return of appointment of Company Secretary as well as cessation has to be filed with ROC in -
- (A) Form No. DIR. 12
- (B) Form No. DIR. 1
- (C) Form No. DIR. 10
- (D) Form No. DIR. 15
11. A whole time KMP which includes Company Secretary shall not hold office in -
- (A) more than one company except in its subsidiary company at the same time.
- (B) more than two companies and in its subsidiary company at the same time.
- (C) more than one company except in its associate company at the same time.
- (D) more than one company except in related company at the same time.
12. As per Section 203(4) of the Companies Act, 2013, any vacancy in the post of Company Secretary should be filled within -
- (A) 3 months
- (B) 6 months
- (C) 10 months
- (D) 12 months
13. As per Section 92 of the Companies Act, 2013, Annual Return has to be signed by -
- (A) a director of the Company
- (B) a director and the Company Secretary
- (C) a director and the Company Secretary and Practicing Company Secretary.
- (D) a director and the Company Secretary, or where there is no Company Secretary, by Practicing Company Secretary.
14. In case of OPC and small company, the annual return shall be signed by the -
- (A) Company Secretary
- (B) Director of the company
- (C) Company Secretary and director of the company.
- (D) Company Secretary, or where there is no Company Secretary, by the director of the company.
15. As per Rule 7 (2) of the Companies (Management & Administration) Rules, 2014, the annual return, filed by a listed company or a company having paid-up share capital of _____ or more or turnover of _____ or more, shall be certified by Practicing Company Secretary.
- (A) ₹ 5 Crore; ₹ 50 Crore
- (B) ₹ 10 Crore; ₹ 50 Crore
- (C) ₹ 10 Crore; ₹ 100 Crore
- (D) ₹ 50 Crore; ₹ 100 Crore
16. Secretarial Audit is also known as -
- (A) Complementary Audit
- (B) Corporate Governance audit
- (C) Compliance Audit
- (D) Total Audit
17. The format of the Secretarial Audit Report shall be in -
- (A) Form No. MR-1
- (B) Form No. MR-2
- (C) Form No. MR-3
- (D) Form No. MR-4
18. Which of the following companies are required to do secretarial audit as per Rule 9 of the Companies (Appointment & Remuneration of Managerial Personnel) Rules, 2014?
- (I) Every public company having a borrowing of ₹ 100 Crore or more.
- (II) Every public company having a paid-up share capital of ₹ 50 Crore or more.
- (III) Every public company having a turnover of ₹ 200 Crore or more.
- (IV) Every private company having a turnover of ₹ 150 Crore or more.
- Select the correct answer from the options given below -*
- (A) (I) and (II)
- (B) (II) and (III)
- (C) (I) and (III)
- (D) (I) and (IV)

19. As per Rule 20 of the Companies (Management and Administration) Amendment Rules, 2014, every company which has listed its equity shares on a recognized stock exchange and every company having not less than _____ shall provide to its members facility to exercise their right to vote on resolutions proposed to be considered at a general meeting by electronic means.
 - (A) 500 members
 - (B) 1,000 members
 - (C) 5,000 members
 - (D) 2,000 members
20. As per Section 275 of the Companies Act, 2013, Company Secretaries have been recognized to be appointed as _____ from a panel to be maintained by the Central Government.
 - (A) Financial Liquidator or Company Liquidator
 - (B) Provisional Liquidator or Company Liquidator
 - (C) Provisional Liquidator or Financial Liquidator
 - (D) Both (A) and (B)
21. A Company Secretary in practice is eligible to become a _____ of National Company Law Tribunal.
 - (A) Technical Member
 - (B) Judicial Member
 - (C) Ordinary Member
 - (D) Special Member
22. A Company Secretary in practice is eligible to become a Technical Member of National Company Law Tribunal if he is practicing for at least -
 - (A) 5 years
 - (B) 10 years
 - (C) 15 years
 - (D) 20 years
23. Practicing Company Secretary has been authorized to appear as authorized representative before the Securities Appellate Tribunal (SAT) under -
 - (A) SEBI Act, 1992
 - (B) Depositories Act, 1996
 - (C) Either (A) or (B)
 - (D) Both (A) and (B)
24. Practicing Company Secretary is authorized to issue _____ certificate with regard to reconciliation of the total issued capital, listed capital and capital held by depositories in dematerialized form, details of changes in share capital during the quarter and in-principle approval obtained by the issuer from all the stock exchanges where it is listed in respect of such further issued capital under SEBI (Depositories & Participants) Regulations, 1996.
 - (A) Yearly
 - (B) Half-yearly
 - (C) Quarterly
 - (D) Monthly
25. The annual return of LLP having turnover of more than _____ or contribution more than _____ shall be accompanied with a certificate from a Company Secretary in Practice to the effect that he has verified the particulars from the books and records of the LLP and found them to be true and correct.
 - (A) ₹ 1 Crore; ₹ 50 lakh
 - (B) ₹ 5 Crore; ₹ 50 lakh
 - (C) ₹ 50 lakh; ₹ 5 Crore
 - (D) ₹ 5 lakh; ₹ 10 Crore
26. Power/duties of Auditors apply _____ to Company Secretary in Practice conducting secretarial audit.
 - (A) Mutatis Mutandis
 - (B) Mutais Mutandis
 - (C) Mutatis Mutantis
 - (D) None of the above
27. Which one of the following is function of Company Secretary?
 - (A) To provide to the directors of the company, collectively and individually, such guidance as they may require with regard to their duties, responsibilities and powers
 - (B) To facilitate the convening of meetings and attend Board, committee and general meetings and maintain the minutes of these meetings
 - (C) To assist the Board in the conduct of the affairs of the company
 - (D) To ensure that the company complies with the applicable secretarial standards

Answers

1.	(C)	2.	(C)	3.	(B)	4.	(D)	5.	(A)	6.	(B)	7.	(C)
8.	(B)	9.	(A)	10.	(A)	11.	(A)	12.	(B)	13.	(D)	14.	(D)
15.	(B)	16.	(C)	17.	(C)	18.	(B)	19.	(B)	20.	(B)	21.	(A)
22.	(C)	23.	(D)	24.	(C)	25.	(B)	26.	(A)	27.	(D)		

DIVISION

2

BUSINESS MANAGEMENT ETHICS & COMMUNICATION

PART A

BUSINESS MANAGEMENT

- ◆ NATURE OF MANAGEMENT & ITS PROCESS
- ◆ PLANNING
- ◆ ORGANIZATION
- ◆ HUMAN RESOURCE MANAGEMENT
- ◆ DIRECTION AND CO-ORDINATION
- ◆ CONTROLLING
- ◆ RECENT TRENDS IN MANAGEMENT

NATURE OF MANAGEMENT & ITS PROCESS

CHAPTER

1

Concept of Management

1. The word "management" derives its origin from a word -
 - (A) monos
 - (B) konos
 - (C) nomos
 - (D) lomos
2. Who stated that management means, "Getting things done through and with people"?
 - (A) James
 - (B) Koontz and O'Donnell
 - (C) Haimann
 - (D) Henry Fayol
3. According to whom "to manage is to forecast, and to plan, to organize to command, to coordinate and to command"?
 - (A) Haimann
 - (B) Koontz and O'Donnell
 - (C) Hick
 - (D) Henry Fayol
4. The word "management" derives its origin from _____ word *nomos*.
 - (A) Roman
 - (B) Italian
 - (C) Greek
 - (D) Egyptian
5. "Management is the function of getting things done through people and directing the efforts of individuals towards a common objective". It is observed by -
 - (A) Haimann
 - (B) Koontz and O'Donnell
 - (C) Hick
 - (D) Henry Fayol
6. Hick defines management as "the process of getting things done by the _____ and through the _____".
 - (A) People, Manager
 - (B) People, employee
 - (C) People, people
 - (D) Manager, People
7. Koontz & d O'Donnell state that management means, "Getting things done".
 - (A) Through people
 - (B) With people
 - (C) By the people and through the people
 - (D) Through and with people
8. According to Henry Fayol, "to manage is _____, to organize to command, to coordinate and to command"
 - (A) To forecast
 - (B) To plan
 - (C) To budget and to control
 - (D) To forecast and to plan
9. Haimann observes that, "management is the function of _____".
 - (A) getting things done through people and directing the efforts of individuals towards a common objective.
 - (B) forecast, and to plan, to organize to command.
 - (C) the process of getting things done by the people and through the people.
 - (D) thinking and utilizing human, material & financial resources in such a manner that would result in best combination.

Importance of Management

10. To a very large extent the success of an organization is dependent on its
 - (A) Raw material supplier
 - (B) Management
 - (C) Promoter
 - (D) None of above

11. Which of the following is importance of management?

- (1) It arranges the factors of production, assembles and organizes the resources.
- (2) It helps the country to keep balanced approach in social order
- (3) It utilizes all the physical & human resources productively.
- (4) It helps the employees to get stronger trade union.
- (5) It gets maximum results through minimum input by proper planning and by using minimum input.

Select the correct answer from the options given below -

- (A) (4), (2) & (1)
- (B) (3), (2) & (5)
- (C) (1) & (3)
- (D) (3), (1) & (5)

12. Importance of management:

- (A) It enables the organization to survive in changing environment.
- (B) It improves standard of living and increases the profit which is beneficial to business and society.
- (C) Management fills up various positions with right persons, having right skills, training and qualification.
- (D) All of above

Management - Science or Art

13. Which of the following is exact science?

1. Physics
2. Chemistry
3. Psychology
4. Mathematics

Select the correct answer from the options given below -

- (A) 1, 2 & 3
- (B) 3, 4 & 1
- (C) 1 & 2
- (D) 4, 1 & 2

14. Which of the following is social science?

- (A) Economics
- (B) Sociology
- (C) Psychology
- (D) All of above

15. Which of the following statement is false?

- (A) Management can then well be described as a science albeit a variable one if compared with the nature of exact physical sciences.
- (B) We can have the same kind of experimentation in management as is possible in natural sciences.
- (C) Management has now a theoretical base with a number of principles relating to co-ordination, organization, decision-making and so on.
- (D) Management is a vital function concerned with all aspects of the working of an enterprise.

16. Management is _____ science.

- (A) Exact
- (B) An inexact
- (C) Pure
- (D) Perfect

17. Management is _____ science.

- (A) Developed
- (B) Developing
- (C) Well settled
- (D) Exact

18. Management is -

- (A) Science
- (B) Art
- (C) Both science and art
- (D) History

19. Management is an art. Which of the following statement does not support that management is art?

- (A) The process of management involves the use of knowhow and skills.
- (B) The process of management is directed towards the accomplishment of concrete results.
- (C) Management is personalized in the sense that every manager has his own approach to problems.
- (D) It deals with complex human phenomena about which knowledge is still limited

20. Management qualifies all tests of a profession except

- (A) Dominance of service motive
- (B) Restricted entry

- (C) Systematic body of knowledge
- (D) Use of knowhow and skills

Management Functions

21. Who is popularly known as the 'founder of modern management theory'?
 - (A) Frederick Taylor
 - (B) Luther Gulick
 - (C) Newmann and Summer
 - (D) Henry Fayol
22. Henry Fayol, the _____ industrialist and popularly known as the 'founder of modern management theory',
 - (A) German
 - (B) French
 - (C) Greek
 - (D) American
23. Who coined the word POSDCORB?
 - (A) Luther Gulick
 - (B) Newmann and Summer
 - (C) Henry Fayol
 - (D) Marshall
24. Which word did Luther Gulick coin using the initial letters of management?
 - (A) POSBRD
 - (B) POSDCORB
 - (C) POSDCORBAC
 - (D) POCD AORB
25. Planning is deciding in advance -
 - (A) What is to be done
 - (B) How is to be done
 - (C) When it is to be done
 - (D) All of above
26. Which of the following is the preparatory step for actions and helps in bridging the gap between the present and the future?
 - (A) Controlling
 - (B) Directing
 - (C) Motivating
 - (D) Planning
27. Which of the following comprises determination and laying down of objectives, policies, procedures, rules, programmes, budget and strategies?
 - (A) Motivating process
 - (B) Planning process
 - (C) Controlling process
 - (D) Directing process
28. Management might plan -
 - (A) For a short period
 - (B) For a long-run
 - (C) For a short period and also for long-run
 - (D) None of above
29. Which of the following is fundamental function of management and all other functions of management are greatly influenced by it?
 - (A) Controlling
 - (B) Directing
 - (C) Motivating
 - (D) Planning
30. _____ is concerned with both the "orderly" assemblage of human and material resources as well as the process of development of a structure of formally identified and distinguished tasks, roles and relationships that may be attributable to the various members so that they may effectively work as a group.
 - (A) Planning
 - (B) Directing
 - (C) Organizing
 - (D) Staffing
31. Organizing as a function of management involves –
 - (A) Determination of activities of the enterprise keeping in view its objectives.
 - (B) Laying down of suitable selection and placement procedures
 - (C) Guiding, counselling and instructing the subordinates about the proper way of doing the job
 - (D) Measurement of actual performance against the standard and recording deviations
32. Division of work among people and coordination of their efforts to achieve specific objectives are the fundamental aspects of -
 - (A) Forecasting
 - (B) Organization
 - (C) Motivation
 - (D) None of above

33. provides the organization with adequate number of competent and qualified personnel at all levels in the enterprise.
- (A) Motivation process
 - (B) Directing process
 - (C) Forecasting process
 - (D) HR process/staffing
34. Which of the following function of management starts issuing orders and instructions to subordinates and ends with getting things done by satisfaction of various need of subordinates?
- (A) Motivation
 - (B) Directing
 - (C) Forecasting
 - (D) Staffing
35. Directing the subordinates involves -
- (A) Delegation of authority and fixing of responsibility for carrying out the assigned duties.
 - (B) Guiding, counselling and instructing the subordinates about the proper way of doing the job.
 - (C) Coordination of activities and authority relations throughout the organization.
 - (D) Classification of activities into convenient groups for the purpose of division.
36. Control -
- (A) Is closely related to the planning job of the manager.
 - (B) Should not be viewed merely as a postmortem of past achievements and performance.
 - (C) Should suggest corrective measures so that negative deviations may not re-occur in future.
 - (D) All of above
37. Maintaining discipline and rewarding effective performance is part of _____ function of management.
- (A) Planning
 - (B) Directing
 - (C) Forecasting
 - (D) Staffing
38. Which of the following consists in knowing the extent to which actions are in conformity with plans adopted and instructions issued so that errors and deviations are promptly reported and analyzed and suitable corrective actions taken?
- (A) Forecast
 - (B) Planning
 - (C) Controlling
 - (D) Decision
39. Controlling involves:
- (A) Harmonizing the work relations and efforts at all levels for common purpose.
 - (B) Innovation because the manager not only adjusts his organization according to future conditions but also attempts to effect changes in these conditions.
 - (C) Measurement of actual performance against the standard and recording deviations.
 - (D) Issuing orders and instructions.
40. Which of the following is not one of the five elements of management?
- (A) Planning
 - (B) Co-ordination
 - (C) Centralization
 - (D) Command
41. Control is closely related to the _____ job of the manager.
- (A) Planning
 - (B) Discipline
 - (C) Order
 - (D) Motivation
- Development of Management Theory**
42. Who is popularly known as the father of '*scientific management*'?
- (A) Luther Gulick
 - (B) Newmann
 - (C) Henry Fayol
 - (D) Frederick Taylor
43. The scientific management movement early in the _____ century was hailed as a "second industrial revolution".
- (A) Seventieth
 - (B) Eightieth
 - (C) Ninetieth
 - (D) Twentieth
44. Who is popularly known as the father of '*modern management theory*'?
- (A) Luther Gulick
 - (B) Newmann

- (C) Henry Fayol
(D) Frederick Taylor
45. Henry Fayol started his career as a -
(A) Auto engineer
(B) Mechanical engineer
(C) Coal mine engineer
(D) Gold mine engineer
46. In the year _____, Henry Fayol published his well-known work in French entitled "*Administration Industrielle et Generale*" (Industrial and General Administration).
(A) 1716
(B) 1806
(C) 1916
(D) 2006
47. How many principles of management have been suggested by the Henry Fayol?
(A) Ten
(B) Twelve
(C) Fourteen
(D) Fifteen
48. Out of principles of management suggested by the Henry Fayol, 'Discipline' is necessary to ensure obedience and respect for -
(A) Juniors
(B) Society
(C) Superiors
(D) Older people in society
49. "Unity of Command" means - one employee shall receive orders from more than one senior.
(A) An employee shall give orders to one junior only.
(B) An employee shall receive orders from one senior only.
(C) An employee shall receive orders from as much senior as possible.
(D) An employee shall have one plan for every action.
50. "Unity of Direction" means -
(A) An employee shall receive orders from one senior only.
(B) A group of activities with common objectives shall have one head but different plans
(C) A group of activities with common objectives shall have one head and one plan
(D) More than one manager should supervise the employees.
51. A group of activities with common objectives shall have one head and one plan. This principle is known as -
(A) Scalar chain
(B) Unity of discipline
(C) Unity of command
(D) Unity of direction
52. An employee shall receive orders from one senior only. This principle is known as -
(A) Scalar chain
(B) Unity of discipline
(C) Unity of command
(D) Unity of direction
53. As per Henry Fayol principle of "Subordination" -
(A) Organizational interest should be subordinate to individual interest.
(B) Individual interest should be subordinate to general interest.
(C) Individual should not have any sort of interest at all.
(D) Organizational interest should be subordinate to national interest.
54. Which of the following principle of Henry Fayol refers to superior-subordinate relations?
(A) *Espirit de corps*
(B) Stability of tenure of personnel
(C) Division of work
(D) Scalar chain
55. Fayol's functions of management include:
(A) Planning, designating, completing, cooperating
(B) Punishing, commanding, organizing, coordinating, controlling
(C) Preparing, commanding, operating, consulting, controlling
(D) Planning, commanding, organizing, coordinating, controlling
56. Which of the following principle of Henry Fayol emphasizes the need for teamwork?
(A) *Espirit de corps*
(B) Stability of tenure of personnel
(C) Division of work
(D) Scalar chain

57. A Hawthorne experiment was conducted by -
 (A) Henry Fayol
 (B) Luther Gulick
 (C) Newmann
 (D) Elton Mayo
58. The original purpose of the Hawthorne experiments -
 (A) Was to study the effects of productivity on physical conditions.
 (B) Was to study the superior subordinate relationship in an organization
 (C) Was to study how company can increase profit by mainlining cordial relations with workers.
 (D) Was to study the effects of physical conditions on productivity.
59. Management is ____ system.
 (A) Social
 (B) Close
 (C) An open
 (D) None of above
60. Management theory and science advocate the "one best way to do things" in the light of every situation.
 (A) True
 (B) False
 (C) Partly true
 (D) None of above
61. *Drucker* assigns three jobs to management:
 (A) Managing a business; managing managers; and managing workers and work.
 (B) Managing a employees; managing managers and managing accounting work.
 (C) Managing a business; managing creditors; and managing accounting work.
 (D) Managing a business; managing creditors; managing managers and managing accounting work.
62. As per Henry Mintzberg which of the following type of role a manager's has to play?
 (1) Interpersonal Role
 (2) Informational Role
 (3) Decisional Role
Select the correct answer from the options given below -
 (A) (1)
- (B) (2)
 (C) (3)
 (D) All of above
63. Scientific management is based on the assumption that -
 (A) Observation would reveal the workers need to be multi-skilled.
 (B) Workers can decide their own methods of performing tasks.
 (C) The scientific observation of people at work would reveal the one best way to do the task.
 (D) Workers would receive a set wage regardless of performance.

Administration & Management

64. Administration is concerned with -
 (A) Policy implementation
 (B) Policy making
 (C) Both (A) and (B)
 (D) Neither (A) nor (B)
65. Broadly speaking, administration is concerned with -
 (A) Planning
 (B) Organizing
 (C) Motivating and controlling
 (D) Planning and organizing
66. Administration is done by -
 (A) Top level management
 (B) Middle level management
 (C) Lower level management
 (D) None of above
67. Board of directors of any company is normally concerned with -
 (A) Management
 (B) Administration
 (C) Health of managers
 (D) None of above
68. Administration is a process of -
 (A) Laying down broad policies
 (B) Objectives of the organization
 (C) Either (A) or (B)
 (D) Both (A) & (B)

69. It is also said that administration is ____

- (A) Lower level function
- (B) Middle level function
- (C) Top-level function
- (D) None of above

70. Management includes -

- (A) Administrative management
- (B) Operative management
- (C) Either (A) or (B)
- (D) Both (A) & (B)

71. Administration can be viewed as:

- (A) Less important than management
- (B) The same thing as management
- (C) Part of management
- (D) Separate from management

Managerial Skills

72. Managerial skills are classified as technical, human and conceptual by -

- (A) Katz
- (B) Fayol
- (C) Gulick
- (D) Newmann

73. Human relations skills are also called -

- (A) Conceptual skills
- (B) Technical skills
- (C) Interpersonal skills
- (D) Problem solving skills

74. Which of the following type of skill involves the ability to visualize the organization as a whole?

- (A) Conceptual skills
- (B) Technical skills
- (C) Interpersonal skills
- (D) Administrative skills

75. ____ is the ability to perform the given job.

- (A) Communication skills
- (B) Technical skills
- (C) Interpersonal skills
- (D) Administrative skills

76. Which of the following is the ability to influence human behaviour?

- (A) Interpersonal skills
- (B) Decision-making skills
- (C) Administrative skills
- (D) Leadership skills

77. A manager should know how to identify a problem and possess the ability to find a best solution for solving any specific problem. This can be termed as -

- (A) Technical skills
- (B) Leadership skills
- (C) Problem solving skills
- (D) None of above

78. When call center managers spend much of their time monitoring customer calls and giving employees feedback about how to improve their dialogue with customers in the future, these managers are using _____ skills.

- (A) Technical
- (B) Conceptual
- (C) Situational
- (D) Ethical

79. Decision-making skills are required at -

- (A) Top level management
- (B) Middle level of management
- (C) All levels of management
- (D) None of above

80. Managers require a combination of technical competence, social and human skills and conceptual ability. Technical competence may be defined as:

- (A) The ability to view the complexities of the operations of the organization as a whole, including environmental influences
- (B) The ability to secure the effective use of human resources of the organization
- (C) The ability to apply specific knowledge, methods and skills to discrete tasks
- (D) None of above

81. What type of approach is most frequently identified with Human Capital Management (HCM)?

- (A) Controlling
- (B) Interpersonal and technical
- (C) Formalized, technical and manipulative
- (D) Influencing and manipulative

82. Which of the following is NOT a measure of a manager's effectiveness?

- (A) Absenteeism and sickness
- (B) Level of staff turnover
- (C) Accidents at work
- (D) Speed of promotion through the organization

ANSWERS

1.	(C)	2.	(B)	3.	(D)	4.	(C)	5.	(A)	6.	(C)	7.	(D)
8.	(D)	9.	(A)	10.	(B)	11.	(D)	12.	(D)	13.	(D)	14.	(D)
15.	(B)	16.	(B)	17.	(B)	18.	(C)	19.	(D)	20.	(D)	21.	(D)
22.	(B)	23.	(A)	24.	(B)	25.	(D)	26.	(D)	27.	(B)	28.	(C)
29.	(D)	30.	(C)	31.	(A)	32.	(B)	33.	(D)	34.	(B)	35.	(B)
36.	(D)	37.	(B)	38.	(C)	39.	(C)	40.	(C)	41.	(A)	42.	(D)
43.	(D)	44.	(C)	45.	(C)	46.	(C)	47.	(C)	48.	(C)	49.	(B)
50.	(C)	51.	(D)	52.	(C)	53.	(B)	54.	(D)	55.	(D)	56.	(A)
57.	(D)	58.	(D)	59.	(C)	60.	(B)	61.	(A)	62.	(D)	63.	(C)
64.	(B)	65.	(D)	66.	(A)	67.	(B)	68.	(D)	69.	(C)	70.	(D)
71.	(C)	72.	(A)	73.	(C)	74.	(A)	75.	(B)	76.	(D)	77.	(C)
78.	(A)	79.	(C)	80.	(C)	81.	(C)	82.	(D)				

Concept of Planning

1. Planning means deciding in the ____ what to do in the ____
 (A) Past; future
 (B) Future; Past
 (C) Present; future
 (D) Future; Present

2. How you will describe the planning as function of management?
 1. An all-pervasive function
 2. Fundamental function

Select the correct answer from the options given below -

- (A) 2 only
 (B) Neither 1 nor 2
 (C) Both 1 and 2
 (D) 1 only
3. Identify which of the following statement is correct (✓) and which is incorrect (✗).
 (1) Though more important for higher levels, planning is the not a function of every manager.
 (2) Ascertaining the future is also known as planning.

Select the correct answer from the options given below-

- | | (1) | (2) |
|-----|-----|-----|
| (A) | ✓ | ✓ |
| (B) | ✗ | ✓ |
| (C) | ✓ | ✗ |
| (D) | ✗ | ✗ |
4. Planning is deciding in advance -
 (I) What is to be done?
 (II) How is to be done?
 (III) When it is to be done?
 (IV) Who has to do it?

Select the correct answer from the options given below -

- (A) (I)
 (B) (I), (II)
 (C) (I), (II), (III)
 (D) (I), (II), (III), (IV)
5. Planning deals with future and involves forecasting.
 (A) True
 (B) False
 (C) Partly true
 (D) None of above
6. According to _____, planning is the selecting and relating of facts and the making and using of assumptions regarding the future in the visualization and formulation of proposed activities believed necessary to achieve desired results.
 (A) James
 (B) Koontz and O'Donnell
 (C) Haimann
 (D) George R. Terry
7. Planning is a _____ work.
 (A) Physical
 (B) Mental
 (C) Low level
 (D) None of above
8. Planning is a guess work.
 (A) True
 (B) False
 (C) Partly true
 (D) None of above
9. Identify the best definition of planning.
 (A) An integrated process, in which plans are formulated, carried out and controlled.
 (B) Devising ways of achieving the objectives of an organization.

- (C) The core activity of planners and planning departments.
- (D) Setting an organization's objectives and the means of reaching them.

Features of Planning

10. The essential nature of planning -

- (A) It is based on the principle of division of work.
- (B) It is important secondary function of management.
- (C) It is an intellectual process.
- (D) It develops spontaneously.

11. Planning -

- (A) involves identification and classification of activities of the enterprise
- (B) involves choosing the proper course of action from among alternatives
- (C) is based upon individual incentives rather than group incentives
- (D) give employees fresh insights into their own personalities and it can also help them understand why others sometimes respond as they do.

12. Which of the following is the most basic function of management?

- (A) Direction
- (B) Staffing
- (C) Motivation
- (D) Planning

13. Statement I:

Planning and controlling are two side of one coin.

Statement II:

Planning is a pervasive function.

Select the correct answer from the options given below -

- (A) Statement I & II both are true
- (B) Statement I is correct but Statement II is false.
- (C) Statement II is correct but Statement I is false.
- (D) Statement I & II both are false.

14. Which qualities should a person possess to succeed in planning?

- (I) Reflective thinking
- (II) Pondering
- (III) Imagination

(IV) Farsightedness

(V) Reflecting

Select the correct answer from the options given below -

- (A) (I), (III) & (V)
- (B) (IV), (III) & (II)
- (C) (II), (III), (I) & (V)
- (D) (IV), (I) & (III)

15. What is the planning horizon?

- (A) Time between making a plan and putting it into effect.
- (B) Maximum time for which managers can make plans.
- (C) Time ahead for which there is no information.
- (D) Time period within which uncertainty is very low.

Importance of Planning

16. Which of the following statement reflects the importance of planning?

- (A) Planning makes personnel conscious of enterprise objectives.
- (B) Planning is a rational approach to the future.
- (C) Planning requires projecting future activities of the organization.
- (D) All other functions of organizing, staffing, directing and controlling must reflect planning function of management.

17. Identify which of the following statement is correct (✓) and which is incorrect (✗).

- I. If done properly control precedes planning.
- II. Planning is not required for repetitive or routine matters.

Select the correct answer from the options given below -

	I	II
(A)	✗	✗
(B)	✗	✓
(C)	✓	✗
(D)	✓	✓

18. Identify which of the following statement is correct (✓) and which is incorrect (✗).

- (1) Unique feature of control is that it can exist without planning.
- (2) Task of planning does end with assessing the future.

Select the correct answer from the options given below -

	I	II
(A)	×	×
(B)	×	✓
(C)	✓	×
(D)	✓	✓

19. Which of the following statement is incorrect?
- (A) Though planning affects all other functions of management, the unique feature of control is that it cannot exist without planning.
- (B) Planning is an all-pervasive and a primary function of management.
- (C) Planning as a basic function does not improve efficiency of all other functions of management.
- (D) Planning is a rational approach to the future.

Limitations of Planning

20. Planning do not suffer or affected by any sort of limitation.
- (A) True
- (B) False
- (C) Partly false
- (D) None of above
21. Limitations of planning: _____
- (A) Planning is a continuous function of management
- (B) Since the future cannot be predicted with absolute accuracy, premising is always subject to a margin of error and guess-work which are reflected in various plans based on them.
- (C) Planning is an all-pervasive and a primary function of management.
- (D) Planning is the selecting and relating of facts and the making and using of assumptions regarding the future in the visualization and formulation of proposed activities believed necessary to achieve desired results.
22. Which of the following statement is correct?
- (A) Planning may call for a change in the existing procedures and policies.
- (B) Capital invested in the firm is external constraint on planning.
- (C) Government policies, tax laws, competition and technological changes, etc., being

external to organization do not affect the planning process.

- (D) Planning is a guess work.
23. Which of the following is limitation of planning?
- (A) Planning premises may not be fully reliable
- (B) Philosophy of management and personnel
- (C) Procedural and policy rigidities
- (D) All of the above
24. What three problems commonly hindering successful planning?
- (A) Lack of planning expertise; little top management support; misuse of planning specialists
- (B) Conflict among objectives; impossibility of measuring outcomes; confusion between means and ends
- (C) An oversized planning department; poor co-operation between managers and planners; managers with little time to gather information
- (D) Procedures unsuited to change; negative organizational culture; poor interpersonal relationships

Planning Components

25. A _____ statement defines the company's business, its objectives and its approach to reach those objectives.
- (A) Planning
- (B) Mission
- (C) Forecasting
- (D) Policy
26. A general enduring statement of the intent of business which reflects the belief and philosophy of management is known as -
- (A) Mission
- (B) Vision
- (C) Objectives
- (D) None of the above
27. Objectives of business organization can be -
1. Short-term or long-term
 2. Tangible or intangible
 3. General or specific

Select the correct answer from the options given below -

- (A) 1
- (B) 2

- (C) 3
(D) All
28. _____ as a general statement of understanding lays down the limits within which decisions are to be made and assures consistent and unified performance.
(A) Procedures
(B) Policy
(C) Performance
(D) Programme
29. _____ suggest the exact manner in which a particular activity is to be done.
(A) Procedures
(B) Policy
(C) Performance
(D) Planning
30. Which of the following statement is incorrect?
(A) Policies do not help in delegation of authority by a manager.
(B) Policies never remain valid for all times to come.
(C) Policies are guide to thinking in decision-making.
(D) All of above
31. Planning process comprises determination and laying down of -
(i) Objectives
(ii) Policies
(iii) Procedures
(iv) Rules
(v) Remuneration
Select the correct answer from the options given below -
(A) (i), (ii), (iii), (v)
(B) (i), (ii), (iii), (iv)
(C) (i), (ii), (iv), (v)
(D) (i), (iii), (iv), (v)
32. Which of the following lays down the course of action selected to guide and determine present and future decisions?
(A) Policy
(B) Procedure
(C) Programmes
(D) Strategy

Steps Involved in Planning

33. The first and primary step in planning process is the -
(A) Evaluation of alternatives
(B) Formulating derivative plans
(C) Establishment of planning premises
(D) Establishing objectives
34. The second step involved in planning process is the -
(A) Evaluation of alternatives
(B) Formulating derivative plans
(C) Establishment of planning premises
(D) Establishing objectives
35. Planning premises signify _____ within which planning will take place.
(A) Planning assumptions
(B) Analysis of past events
(C) Future setting
(D) (A) or (C)
36. Planning premises may be viewed as -
(A) External and internal
(B) Tangible and intangible
(C) Controllable, semi-controllable and non-controllable.
(D) Any of the above
37. Which of the following can be treated as internal planning premise?
(A) Politico-technological conditions
(B) Socio-economic conditions
(C) Sales forecast
(D) Technological changes
38. Which of the following can be treated as external planning premise?
(A) Politico-technological conditions
(B) Marketing plans
(C) Sales forecast
(D) Strategic Plans
39. _____ are those that are largely decided by company management involving policies and programmes.
(A) Unavoidable premises
(B) Controllable premises

- (C) (A) and (B)
(D) (A) or (B)
40. Premises which are absolutely beyond the clutch of business enterprises are -
(A) Non-controllable
(B) Controllable premises
(C) Avoidable premises
(D) (B) or (C)
41. The third step involved in planning process is the -
(A) Evaluation of alternatives
(B) Determining alternative courses
(C) Formulating derivative plans
(D) Establishment of planning premises
42. The fourth step involved in planning process is the -
(A) Evaluation of alternatives
(B) Determining alternative courses
(C) Formulating derivative plans
(D) Establishment of planning premises
43. The fifth step involved in planning process is the _____
(A) Evaluation of alternatives
(B) Determining alternative courses
(C) Formulating derivative plans
(D) Selecting a course of action
44. Which of the following is last step involved in planning process?
(A) Evaluation of alternatives
(B) Determining alternative courses
(C) Formulating derivative plans
(D) Selecting a course of action
45. Plan can be made -
(A) For long range
(B) For long range or intermediate range
(C) Either for long range or short range or intermediate range
(D) Either for long range or intermediate range or short range or personal gain of manager
46. In relation to planning process "principle of navigational change" requires that ____
(A) The company should choose new manager for new problems.
(B) Manager periodically checks on events and expectations and redraw plans as necessary to maintain a course towards a desired goal
(C) Both (A) and (B)
(D) Either (A) or (B)
47. Identify the correct steps in planning.
I. Selecting a course of action
II. Determining alternative courses
III. Establishing objectives
IV. Formulating derivative plans
V. Evaluation of alternatives
VI. Establishment of planning premises
Select the correct answer from the options given below -
(A) III, VI, II, IV, I, V
(B) VI, III, II, V, I, IV
(C) III, IV, II, V, I, VI
(D) III, VI, II, V, I, IV
- ### Forecasting
48. Which of the following may be defined as analysis and interpretation of the future conditions in relation to operations of the enterprise?
(A) Planning
(B) Forecasting
(C) Decision making
(D) Directing
49. Identify correct steps in forecasting.
I. Analysis of deviations
II. Forecasting future course of business
III. Improving the existing forecasting procedure
IV. Identifying and developing the structure
Select the correct answer from the options given below -
(A) II, IV, I, III
(B) III, I, II, IV
(C) I, III, IV, II
(D) IV, II, I, III
50. Advantages of forecasting:
(A) Since forecasting involves some amount of guess work it is not fully reliable.
(B) Possibility of error cannot be completely eliminated from forecasts.

- (C) Plan is the synthesis of the various forecasts annual, short-term, long-term, etc. which enables the management to arrive various decisions relating to business matters.
- (D) All of above
51. _____ referred to planning as synthesis of various forecasts annual, long-term, short-term, special, etc.
- (A) Fayol
- (B) Taylor
- (C) Haimann
- (D) Hick
52. *Statement 1:*
Forecasting does not play any role in planning.
Statement 2:
Forecasts are based on postulations and assumptions and, as such, are subject to some amount of guess-work.
- (A) Statement 1 and Statement 2 both are false.
- (B) Statement 1 and Statement 2 both are true.
- (C) Statement 1 is true but Statement 2 is false.
- (D) Statement 2 is true but Statement 1 is false.
- (B) Uncertain
- (C) Risk
- (D) Normal
56. Risk cannot be managed unless it is first _____
- (A) Assessed
- (B) Identified
- (C) Measured
- (D) Evaluated
57. Certainty, risk and uncertainty are the three possible conditions of -
- (A) Risk management
- (B) Decision making
- (C) Planning
- (D) None of the above
58. In decision making under different conditions, what is the difference between risk and uncertainty?
- (A) Under risk, information is reliable; under uncertainty, it is not.
- (B) Under risk, choices are clear and the chances of different outcomes can be measured; under uncertainty, neither applies.
- (C) Under risk, there is a well defined problem; under uncertainty, the definition is unclear.
- (D) Under risk, probabilities can be measured; under uncertainty, probabilities cannot be measured.

Decision Making Conditions

53. Which of the following signifies actual selection of a course of action from among a number of alternatives?
- (A) Planning
- (B) Forecasting
- (C) Organizing
- (D) Decision-making
54. If you are planning a trip to 'Place X', have never been there before, and have not heard about the weather in 'Place X' during winter, you may be in a predicament as to what clothes to carry and what precautions to take. What kind of a decision-making condition is this?
- (A) Certain
- (B) Uncertain
- (C) Risk
- (D) Extraordinary
55. If you are going to put ₹ 1,00,000 in a fixed deposit for a year at 10% rate of interest, then you know how much interest your money will earn. What kind of a decision-making condition is this?
- (A) Certain
- (B) Uncertain
- (C) Risk
- (D) None of the above
59. The "_____" refers to how an individual feels about the problem and the course of action to solve that problem and not totally relying on past experience.
- (A) Risk feel
- (B) Certain feel
- (C) Gut feel
- (D) Feel gut
60. Quantitative technique such as expected value analysis can be used by which the expected payoff action can be mathematically determined. Under what kind decision-making condition this may used?
- (A) Certain
- (B) Uncertain
- (C) Risk
- (D) None of the above
61. Which of the following is not a principle of decision-making?
- (A) Principle of definition

- (B) Principle of evidence
- (C) Principle of identity
- (D) Principle of prudence

Steps in Decision Making

62. In case of decision making, "diagnosing the real problem implies"
- (A) Analyzing the internal and external factors and discovering relations between them.
 - (B) Knowing the gap between what exists and what is expected to happen, identifying the reasons for the gap.
 - (C) Decentralizing routine matters so that top management can concentrate on vital and strategic decisions.
 - (D) Actual selection of a course of action from among a number of alternatives.
63. The first step in decision making is -
- (A) Selection of alternatives to be followed
 - (B) Analysis and evaluation of available alternatives
 - (C) Discovery of alternatives
 - (D) Identifying and diagnosing the real problem
64. The second step in decision making is -
- (A) Selection of alternatives to be followed
 - (B) Analysis and evaluation of available alternatives
 - (C) Discovery of alternatives
 - (D) Communication of decision and its acceptance by the organization
65. The third step in decision making is -
- (A) Selection of alternatives to be followed
 - (B) Analysis and evaluation of available alternatives
 - (C) Discovery of alternatives
 - (D) Communication of decision and its acceptance by the organization
66. The fourth step in decision making is -
- (A) Selection of alternatives to be followed
 - (B) Analysis and evaluation of available alternatives
 - (C) Discovery of alternatives
 - (D) Communication of decision and its acceptance by the organization
67. The fifth step in decision making is -
- (A) Selection of alternatives to be followed

- (B) Analysis and evaluation of available alternatives
- (C) Discovery of alternatives
- (D) Communication of decision and its acceptance by the organization

68. Identify correct steps in decision making.

- I. Identifying the real problem
- II. Discovery of alternatives
- III. Analysis of available alternatives
- IV. Selection of alternatives
- V. Communication of decision

Select the correct answer from the options given below -

- (A) II, IV, I, III, V
- (B) III, I, II, IV, V
- (C) I, III, II, IV, V
- (D) I, II, III, IV, V

Decision Making by Groups

69. Which of the following is not example of group decision making?
- (A) Decision of board meetings
 - (B) Decision of staff meetings
 - (C) Decision of managing director
 - (D) Decision of committees
70. Which of the following is/are advantage of group decision making?
- (A) Co-ordination of departmental activities through meetings of their respective heads is not possible.
 - (B) It improves quality of the decision since different viewpoints and opinions are reflected in it.
 - (C) More often differences in opinion and compromises lead to indecision.
 - (D) All of above.
71. Which of the following is/are advantage of group decision making?
- (A) It is observed that group decisions help members evade their individual responsibilities.
 - (B) It is costly as well as a time-consuming affair.
 - (C) It provides opportunity for participation by individual representing different interests.
 - (D) All of above.

72. Which of the following is/are disadvantage of group decision making?
- (A) It improves quality of the decision since different viewpoints and opinions are reflected in it.
 - (B) Co-ordination of departmental activities through meetings of their respective heads become easier.
 - (C) It is also observed that group decisions help members evade their individual responsibilities.
 - (D) All of above.
76. Which of the following deals with future and involves forecasting?
- (A) Planning
 - (B) Organizing
 - (C) Forecasting
 - (D) Leadership
77. Which of the following is not related with 'business plans'?
- (A) Largely enforced business goals
 - (B) The reasons why they are believed attainable
 - (C) The plan for reaching those goals
 - (D) Changes in perception and branding

Miscellaneous

73. Policies are the guide to thinking in -
- (A) Organizing
 - (B) Decision making
 - (C) Forecasting
 - (D) Motivation
74. It involves looking ahead and projecting the future course of events -
- (A) Organizing
 - (B) Forecasting
 - (C) Controlling
 - (D) Co-ordination
75. Planning process comprises determination and laying down of -
- (A) Objectives
 - (B) Policies & procedures
 - (C) Strategies
 - (D) All of the above
78. What are the three levels of planning?
- (A) Top, middle & bottom
 - (B) Operational, intermediate & strategic
 - (C) Strategic, administrative & functional
 - (D) Headquarters, divisional & local
79. Which of the following best expresses the difference between programmed and non-programmed decisions?
- (A) Made by managers who prefer a thinking or technocratic style; made by managers who use judgment and follow intuition
 - (B) Have computer routines developed for them; are not computerized
 - (C) Handled with decision rules; decision rules cannot be developed
 - (D) Occur under certainty or risk; occur under uncertainty or ambiguity

Answers

1.	(C)	2.	(C)	3.	(D)	4.	(D)	5.	(A)	6.	(D)	7.	(B)
8.	(B)	9.	(D)	10.	(C)	11.	(B)	12.	(D)	13.	(A)	14.	(D)
15.	(A)	16.	(A)	17.	(A)	18.	(A)	19.	(C)	20.	(B)	21.	(B)
22.	(A)	23.	(D)	24.	(A)	25.	(B)	26.	(A)	27.	(D)	28.	(B)
29.	(A)	30.	(A)	31.	(B)	32.	(A)	33.	(D)	34.	(C)	35.	(D)
36.	(D)	37.	(C)	38.	(A)	39.	(B)	40.	(A)	41.	(B)	42.	(A)
43.	(D)	44.	(C)	45.	(C)	46.	(B)	47.	(D)	48.	(B)	49.	(D)
50.	(C)	51.	(A)	52.	(D)	53.	(D)	54.	(B)	55.	(A)	56.	(B)
57.	(B)	58.	(B)	59.	(C)	60.	(C)	61.	(D)	62.	(B)	63.	(D)
64.	(C)	65.	(B)	66.	(A)	67.	(D)	68.	(D)	69.	(C)	70.	(B)
71.	(C)	72.	(C)	73.	(B)	74.	(B)	75.	(D)	76.	(A)	77.	(D)
78.	(B)	79.	(C)										

Concept, Importance & Process of Organization

1. Organization is referred to as the social system encompassing all -
 - (A) Friendly relations
 - (B) Informal relations
 - (C) Formal relations
 - (D) Normal relations
 2. Who viewed organization as comprising human relationships in group activity?
 - (A) The behavioural scientists
 - (B) The psychologists
 - (C) The sociologists
 - (D) (A) and (C)
 3. In operational sense, organization can be considered as -
 - (A) Consisting of divisions of work among people
 - (B) Co-ordination of activities towards some common objectives
 - (C) Both (A) and (B)
 - (D) Neither (A) nor (B)
 4. Which of the following cannot be treated as 'step in organizing function of management'?
 - (A) Making provision for effective co-ordination
 - (B) Identification and classification of activities of the enterprise consistent with its objectives.
 - (C) Analysis and evaluation of available alternatives for the future course of action on particular business matter.
 - (D) Establishing superior subordinate relationship within the departments
 5. Identify correct sequence/steps in organizing function of management.
 - (I) Delegation of authority and placing of responsibility
 - (II) Identification and classification of activities of the enterprise consistent with its objectives.
 - (III) Making provision for effective coordination and establishment of definite lines of supervision.
 - (IV) Establishing superior subordinate relationship within the departments.
 - (V) Grouping various activities into workable units or departments.
- Select the correct answer from the options given below -*
- (A) II, V, I, III & IV
 - (B) II, V, IV, I & III
 - (C) II, I, V, IV & III
 - (D) II, V, I, IV & III
6. Which of the following is one of the steps in organizing function of management?
 - (A) Identification of opportunities and avoiding or mitigating losses.
 - (B) Grouping various activities into workable units or departments
 - (C) Structured approach in managing uncertainty related to a threat.
 - (D) Promote greater openness in decision-making and improves communication
 7. Due to which function of management superior subordinate relationships are established?
 - (A) Planning
 - (B) Decision making
 - (C) Organizing
 - (D) Controlling
 8. Due to which function of management authority-responsibility relationships among the organizational members are established?
 - (A) Leadership
 - (B) Directing
 - (C) Controlling
 - (D) Organizing

9. Which of the following can be treated as importance of organization?
- (A) It does not facilitate administration.
 - (B) A sound organization helps in providing appropriate platform where management can perform the functions of planning, direction, coordination, motivation and control.
 - (C) Many companies are not able design their own organization structure due to legal compulsion.
 - (D) All of above
10. A sound organization provides all the desired potential and strength to the company to meet the future challenges.
- (A) True
 - (B) False
 - (C) Partly true
 - (D) None of above
11. When one efficient team member is able to persuade and motivate all other normal team-members to work more efficiently, resulting in greater performance of the group than what it was before the motivation of all other employees, the effect is known as -
- (A) Synergy effect
 - (B) Side effect
 - (C) Sociological effect
 - (D) Extra effect
12. Even the sound organizational structure does not enables managers to concentrate on important issues and hence their talent cannot be exploited to the maximum.
- (A) True
 - (B) False
 - (C) Partly true
 - (D) None of above
13. The total activities of an individual industrial organization may be separated into major functions like production, purchasing, marketing, and financing, and each such function is further sub-divided into various jobs. This is called as -
- (A) Developing relationships
 - (B) Determination of objectives
 - (C) Identification and grouping of activities
 - (D) Risk management
14. Integration can be accomplished in the entire activities of organization -

- A. Through authority relationships - horizontally, vertically, and laterally.
- B. Through organized information or communication systems

Select the correct answer from the options given below -

- (A) (A) only
- (B) (B) only
- (C) Both (A) and (B)
- (D) Neither (A) nor (B)

Types of Organization Structure

15. Which of the following refers to the structure of jobs and positions with defined functions and relationship?
- (A) Informal organization
 - (B) Formal organization
 - (C) Social structure
 - (D) Informal structure
16. Which of the following organization is not official?
- (A) Formal organization structure
 - (B) Line and staff organization
 - (C) Informal organization structure
 - (D) Project management organization
17. Line organization also called as -
- (A) Military organization
 - (B) Matrix organization
 - (C) Scalar type of organization
 - (D) (A) or (C)
18. Which type of organization is simple and makes no provision for staff specialization flows upward?
- (A) Line and staff organization
 - (B) Project management organization
 - (C) Matrix organization
 - (D) Line organization
19. Line organization structure is flexible.
- (A) True
 - (B) False
 - (C) Partly true
 - (D) None of above
20. Line organization structure is based upon _____ system of management.
- (A) Democratic
 - (B) Laissez-faire

- (C) An autocratic
(D) Free rein
21. Line organization structure -
(A) Adds functional specialists to the pure line organization.
(B) Promotes unity of command.
(C) Involves appointment of the project manager usually drawn from the middle management ranks
(D) Vertical lines of authority are cut horizontally across by project or product divisions.
22. Which of the following is/are benefit(s) of line organization structure?
(A) Functional specialists provide advice to the management on wide-ranging matters.
(B) It ensures division of labour and specialization based on individual proficiency and specialized knowledge.
(C) It permits rapid decisions and effective co-ordination.
(D) It provides a clear demarcation between 'thinking' and 'doing'.
23. Which of the following is/are limitation of line organization structure?
(A) It is economical and effective.
(B) It is likely to encourage nepotism
(C) It promotes unity of command and conforms to the scalar principle of organization.
(D) It is less expensive due to non-involvement of staff personnel
24. Line organization structure is ____ to work.
(A) Expensive
(B) Simple
(C) Hard
(D) Impossible
25. The line organization system can be successfully utilized:
(A) Where the number of subordinates and operative employees are many
(B) Where the work is largely of changing nature
(C) Where the scale of business is small
(D) Where labour-management problems are not difficult to solve
26. The line organization system can be successfully utilized:
(A) In industries where work is diversified nature
(B) Where the machinery is nearly automatic and does not call for the intelligence of the foreman
(C) Where labour-management problems are difficult to solve.
(D) All of above
27. In line organization authority flows directly from _____ echelons of management hierarchy.
(A) One department to another department horizontally
(B) One department to another department diagonally
(C) The down of the organization to the top
(D) The top of the organization down to the lower
28. Which of the following principle of organization is strictly followed in line organization structure?
(A) The principle of departmentation
(B) The principle of flexibility
(C) The principle of unity of command
(D) The principle of balance
29. Which of the following principle of organization is strictly followed in line organization structure?
(A) Scalar principle
(B) Exception principle
(C) Decentralization principle
(D) Flexibility principle
30. Which of the following might be classified as functions of the 'staff organization' as opposed to functions of the 'line organization'?
(A) Personnel Computer
(B) Support services
(C) Public relations
(D) All of the above
31. Which of the following aptly describes the role of line managers and staff advisors, namely HR professionals?
(A) Staff advisors focus more on developing HR programmes while line managers are more involved in the implementation of those programmes.
(B) Line managers are concerned more about developing HR programmes whereas staff advisors are more involved in implementing such programmes.
(C) Staff advisors are solely responsible for developing, implementing and evaluating

- the HR programmes while line managers are not all involved in any matters concerning HR.
- (D) Line managers alone are responsible for developing, implementing and evaluating the HR programmes while staff advisors are not all involved in any matters concerning HR.
32. Under which of the following system, the whole task of management and direction of subordinates is divided according to the type of work involved?
- (A) Line and staff organization
(B) Functional organization
(C) Project management organization
(D) Matrix organization
33. The advantage of functional system is that -
- (A) It promotes unity of command and conforms to the scalar principle of organization.
(B) It ensures specialization based on individual proficiency and specialized knowledge
(C) Under this organization "line" is supplemented by "staff".
(D) Its independent status which cuts horizontally the normal organization structure.
34. _____, e.g., production, selling, finance, etc., is the most widely used basis for grouping activities into administrative units and found in almost every business enterprise at some level or the other.
- (A) Departmentation by process & equipment
(B) Departmentation by products or service
(C) Departmentation by product & equipment
(D) Departmentation by functions
35. Which of the following is/are advantage of functional system?
- (A) Because of high degree of specialization, functional organization is difficult to establish.
(B) Changes in personnel often lead to instability since performance also shifts with these changes.
(C) It represents a very natural and logical way of grouping different activities of the enterprise.
(D) All of above
36. The functional structure would be found in which type of business?
- (A) A business producing a single product or limited range of products
(B) A business producing a diverse range of products
(C) A business owning several subsidiary companies
(D) Both (A) and (B)
37. In line and staff organization the staff refers to officers -
- (A) Who are line managers
(B) Who are detailed to special services
(C) Act as an advisory group adjacent to the line
(D) (B) or (C)
38. There arose a clear demarcation between 'thinking' and 'doing' in -
- (A) Functional organization
(B) Project management organization
(C) Line and staff organization
(D) Matrix organization
39. In line and staff organization, the staff officers are referred as -
- (A) Doers
(B) Thinkers
(C) Clerical staff
(D) None of above
40. In line and staff organization, the line officers are referred as -
- (A) Doers
(B) Thinkers
(C) Professional staff
(D) None of above
41. Which of the following is/are merit of line and staff organization?
- (A) It aims at combining the merits of the 'matrix' & 'line' organization.
(B) It aims at combining the merits of the 'project' & 'matrix' organization.
(C) It aims at combining the merits of the 'line' & 'staff' organization.
(D) It aims at combining the merits of the 'functional' & 'line' organization.
42. Which of the following is/are merit of line and staff organization?
- (A) Provide a framework for ensuring that unavoidable risks are adequately insured

- (B) Develop strategies and plans for lasting risk management strategies
- (C) The stability and discipline of the line organization are preserved; only the specialist is added.
- (D) All of above
43. Within an organization, the relationships between people in specialist or advisory positions, and line managers and their subordinates, where the specialist offers a common service throughout all departments of the organization, but has no direct authority over those who make use of the service are called -
- (A) Line relationships
- (B) Lateral relationships
- (C) Staff relationships
- (D) Functional relationships
44. Project organization involves appointment of the project manager usually drawn from the _____ ranks and having responsibility for detailed planning, coordination, control and achievement of the result within the time schedule.
- (A) Top management
- (B) Middle management
- (C) Lower level management
- (D) None of above
45. *Statement I:*
Line organization is flexible and changeable.
Statement II:
Project organization is a separate type of organization like the line, line & staff or functional organization.
Select the correct answer from the options given below -
- (A) Both Statement I and Statement II are true
- (B) Both Statement I and Statement II are false
- (C) Statement I is true but Statement II is false.
- (D) Statement I is false but Statement II is true.
46. Matrix organization combines -
- (A) Functional departmentation with line and staff organization
- (B) Functional departmentation with product or project organization
- (C) Product or project organization with informal organization
- (D) Informal organization with functional departmentation
47. In a matrix organization, the functional departments like manufacturing, marketing, accounting and personnel constitute the _____ while the project organization or product divisions form the _____
- (A) Vertical chains of command, Horizontal chains of command
- (B) Horizontal chains of command, Vertical chains of command
- (C) Vertical chains of command, Vertical chains of command
- (D) Horizontal chains of command, Horizontal chains of command
- Informal Organization**
48. Which of the following refers to the relationship between people based not on procedures but on personal attitudes, prejudices, likes and dislikes?
- (A) Formal organization
- (B) Informal organization
- (C) Matrix organization
- (D) Project organization
49. Who viewed informal organization as joint personal activity without conscious joint purpose, even though possibly contributing to joint results?
- (A) Koontz and O'Donnell
- (B) Keith Davis
- (C) Henry Fayol
- (D) Barnard
50. Informal organization as the network of personal and social relationships which is not established or required by formal organization. This is as per -
- (A) Koontz and O'Donnell
- (B) Keith Davis
- (C) Henry Fayol
- (D) Barnard
51. Which of the following is/are feature(s) of informal organization?
- (A) It is established by formal managers.
- (B) Authority under informal organization largely flows upward to downward.
- (C) It is all-pervasive and exists in every enterprise.
- (D) All of above
52. Which of the following is/are feature(s) of informal organization?

- (A) Informal organization represents human tendency to cut across formal channels and communicate informally with other parts of the enterprise.
- (B) Informal organization can be totally abolished.
- (C) Informal organization is created at the will of the formal managers.
- (D) It is not all-pervasive and does not exist in every enterprise.
53. Informal organization is not always destructive though at times it can make the job of management more difficult.
- (A) True
- (B) False
- (C) Partly true
- (D) None of above
54. Benefits of informal organization: _____
- (A) It makes total system more effective.
- (B) It provides a safety valve for employee emotions.
- (C) It gives satisfaction and stability to work groups.
- (D) All of above
55. Most of the communication in informal organization is _____
- (A) Written
- (B) Visual
- (C) Oral
- (D) Non verbal
56. Which of the following statement is true for informal organization?
- (A) Informal organizations structures are based on authority & responsibility principals.
- (B) In informal organization authority is earned and not delegated.
- (C) Most of the communication in informal organization is written in form of circular, notice, order etc.
- (D) Authority under informal organization largely flows downward or diagonally.
57. Which of the following statement is true for informal organization?
- (A) Leadership in informal organization need not be associated with managers.
- (B) In informal organization authority flows upward to downwards in the hierarchy.
- (C) In informal organization is authority is delegated.
- (D) All of above
58. In informal organization authority is -
- (A) Delegated
- (B) Attached to official position
- (C) Earned from group
- (D) All-pervasive and exists
59. *Statement X:*
- Members in informal organization behave as per their emotions, feelings & influencing power of their members.
- Statement Y:*
- Informal organizations are generally made to satisfy the needs of people in formal group.
- Select the correct answer from the options given below -*
- (A) Both Statement X & Y are true
- (B) Both Statement X & Y are false
- (C) Statement X is true but Y is false
- (D) Statement X is false but Y is true

Authority, Accountability & Responsibility

60. Authority may be described as the right of a manager to command -
- (A) Superiors
- (B) Subordinates
- (C) Other manager
- (D) All of above
61. Who defines authority as - "the right to give orders and exact obedience"?
- (A) Fayol
- (B) Koontz
- (C) Davis
- (D) Barnard
62. It is _____ that makes the managerial position real and vests in him the power to order his subordinates and secure necessary compliance.
- (A) Authority
- (B) Responsibility
- (C) Accountability
- (D) Duties & obligations
63. Who described authority as - "the supreme co-ordinating power"?
- (A) Davis
- (B) Fayol

- (C) Mooney
(D) Barnard
64. Authority to command exact obedience is also known as the -
(A) Informal authority
(B) Official authority
(C) Authority of position
(D) (B) or (C)
65. _____ is the obligation of a subordinate to carry out duties assigned.
(A) Authority
(B) Responsibility
(C) Delegation
(D) Power
66. The basic essence of responsibility is -
(A) Right
(B) Power
(C) Delegation
(D) Obligation
67. Which of the following denotes answerability for the accomplishment of the task assigned by the superior to his subordinate?
(A) Responsibility
(B) Accountability
(C) Power
(D) Authority
68. Responsibility is exacted _____ while authority flows _____.
(A) Downward; upward
(B) Upward; upward
(C) Upward; downward
(D) Downward; downward
69. Responsibility can be delegated.
(A) True
(B) False
(C) Partly true
(D) None of above
70. Responsibility can be properly discharged by subordinate, if authority is properly delegated to him.
(A) True
(B) False
(C) Partly true
(D) None of above
71. Which of the following can be delegated?
(A) Power
(B) Responsibility
(C) Accountability
(D) Authority
72. Which of the following refers to capacity to influence the behaviour of others and secure obedience?
(A) Power
(B) Responsibility
(C) Accountability
(D) None of above
73. Which of the following applies to the power culture?
(A) It revolves around and is dominated by one individual or small group
(B) It relies on committees, structure, logic and analysis
(C) It relies on inflexible structure and cultures
(D) It is tolerated as a way of ordering the working environment for professional individuals
74. _____ is the process, a manager follows in dividing the work assigned to him so that he perform that part which only he, because of his unique organizational placement, can perform effectively and so that he can get others to help him with what remains.
(A) Decentralization
(B) Centralization
(C) Delegation
(D) Accountability
75. Delegation of authority entails -
(A) Division of work load
(B) Sharing responsibility
(C) Neither (A) nor (B)
(D) Both (A) and (B)
76. No organization can ever function if authority is not delegated.
(A) True
(B) False
(C) Partly true
(D) None of above
77. Arrange the process of delegation in proper form.
(1) Creation of accountability

- (2) Allocation of duties
- (3) Assignment of responsibility
- (4) Delegation of authority

Select the correct answer from the options given below -

- (A) (3), (4), (2), (1)
- (B) (2), (3), (4), (1)
- (C) (2), (4), (1), (3)
- (D) (2), (4), (3), (1)

78. Principle of "clarity of delegation" required that -

- (A) Only problems involving unusual matters should be referred upward and decided by higher level executives.
- (B) When authority is delegated, responsibility steps in and is coextensive with authority.
- (C) Whether specific or general, written or unwritten, delegation of authority must be very clear in terms of its contents, functional relations, scope and assignments.
- (D) If the manager is able to pass on obligation along with delegation of authority to the subordinates, the rule of single chain of command will be violated.

79. Principle of "clarity of delegation" -

- (A) also implies defining in clear terms the horizontal and vertical relationships of the position of each subordinate to other positions in the organization.
- (B) should be taken to mean that authority relations between the subordinates and the seniors once established become immutable.
- (C) when manager is allowed to delegate even his obligation, there shall be no way of knowing who was accountable for what
- (D) means both authority and responsibility relate to the same assignment and it is logical that the two should be not be co-extensive and this parity is mathematical.

80. A manager before proceeding with actual delegation of authority is required to know the jobs or results expected of such delegation.

Above statement refers to which principle of delegation?

- (A) Responsibility cannot be delegated
- (B) Delegation to be consistent with results expected
- (C) Parity of authority and responsibility
- (D) Exception principle

81. If the Chief Executive of a company appoints a Sales Manager to look after sales, the former gets absolved himself of his responsibility for the same by delegating part of his authority to the latter and do not remains accountable to the Board of Directors for the sales it is Sales Manager who is only responsible for sales targets.

- (A) True
- (B) False
- (C) Partly true
- (D) None of above

82. When authority is delegated, responsibility steps in and is co-extensive with authority.

- (A) True
- (B) False
- (C) Partly true
- (D) None of above

83. "Principles of exception" relating to delegation of authority requires that -

- (A) When authority is delegated, responsibility steps in and is co-extensive with authority.
- (B) Whether specific or general, written or unwritten, delegation of authority must be very clear in terms of its contents, functional relations, scope and assignments.
- (C) Problems involving unusual matters should be referred upward and decided by higher level executives.
- (D) Specific written delegations help both the manager and the recipient of authority.

84. More clear the line of authority from the top manager in an enterprise to every subordinate position, the more effective will be the responsible decision-making and organization communication. This is _____ principle of delegation.

- (A) Principle of unity of command
- (B) Scalar principle
- (C) Exception principle
- (D) Clarity of delegation

85. As per scalar principal of delegation -

- (A) The delegatee should also be given a clear idea about the tasks assigned, what is expected of the recipient in his own job and how his obligation fits into the general plan.
- (B) Whenever authority is delegated, responsibility steps in and is co-extensive with authority.
- (C) It is expected that the recipient of authority shall make proper use of it and make all

- the decisions falling within the scope of his authority.
- (D) Subordinates must know who delegates authority to them and to whom matters beyond their own authority must be referred.
86. As per principle of unity of command of delegation -
- (A) subordinates must know who delegates authority to them and to whom matters beyond their own authority must be referred.
- (B) in case of delegation, except for the inevitable instances of splintered authority, the right of discretion over a particular activity will flow from a single superior to a subordinate.
- (C) larger number of decisions and more important of them are made by those occupying higher positions in the organization.
- (D) delegation of authority is essential in as much as no organization is possible without delegation.
- (C) It gives feel of involvement to the subordinate in management decision making.
- (D) All of above.
91. Advantages of decentralization: _____
- (A) Uniformity of policy and procedure can strictly be enforced since decisions and controls are largely taken at one place.
- (B) It provides actual work experience to a large number of middle and lower managers.
- (C) It is suitable to small organization.
- (D) All of above.
92. Which of the following is advantage of centralization?
- (A) It makes for quick decision and improves quality of the decisions by pushing decision making closest to the situation.
- (B) Uniformity of policy and procedure can strictly be enforced.
- (C) Availability of capable executives substantially determines the nature and extent of dispersal of authority.
- (D) Management exercises minimal control.
93. Which of the following structure(s) is/are centralized?
- (A) The simple structure only
- (B) The functional structure only
- (C) The divisional structure only
- (D) Both the simple and functional structures

Centralization & Decentralization

87. Which of the following refers to the tendency to withhold a larger part of formal authority at higher echelons of management hierarchy?
- (A) Delegation of authority
- (B) Decentralization
- (C) Centralization
- (D) Exception principle
88. _____ means partial dispersal of authority from central/top management to lower level.
- (A) Delegation of authority
- (B) Decentralization
- (C) Centralization
- (D) All of above
89. Where larger part of the authority is delegated down the levels of management so that decisions are made a near the source of action, such a tendency in the organization is described as -
- (A) Delegation of authority
- (B) Decentralization
- (C) Centralization
- (D) Principle of functional definition
90. Advantages of decentralization: _____
- (A) It makes for quick decision and improves quality of the decisions by pushing decision-making closest to the situation.
- (B) It improves the moral of employees as it reduces the dependence on others.

Miscellaneous

94. "Unity of command cannot exist without unity of direction, but does not flow from it". This statement was given by -
- (A) Henry Fayol
- (B) Frederick Taylor
- (C) Koontz O'Donnell
- (D) None of the above
95. _____ refers to superior-subordinate relations throughout the organization.
- (A) Equity
- (B) Scalar Chain
- (C) Espirit de corp
- (D) Order
96. Arrange the various steps of organizing in the correct sequence.
- (i) Identifying (ii) Grouping (iii) Delegating (iv) Establishing relationship:

- (A) (i)-(ii)-(iii)-(iv)
 (B) (ii)-(i)-(iii)-(iv)
 (C) (iv)-(iii)-(i)-(ii)
 (D) None of the above
97. The Principles of Unity of Command and Unity of Direction was given by -
 (A) W. F. Taylor
 (B) Lyndall Urwick
 (C) Henri Fayol
 (D) None of the above
98. Which of the following is not a feature of Organizing?
 (A) It is a sub-process of management
 (B) It deals with individual efforts
 (C) It is based on the principle of division of work
 (D) It establishes authority-responsibility relationships
99. Which of the following is a barrier to effective delegation?
 (A) Fear of loss of power
 (B) Personal attitudes
 (C) Lack of ability to direct well
 (D) All the above
100. 'Each individual should be given a particular job to do according to his ability and made responsible for that.' Which step in the organizing process does the sentence relate to -
 (A) Allotment of duties
 (B) Identification and grouping of activities
 (C) Developing relationships
 (D) Integration of activities
101. The framework of interrelationships among individuals and departments that describe relationships of reporting and accountability is called -
 (A) chain of command
 (B) functional arrangement
 (C) specialization
 (D) organizational structure
102. The formal channel that defines the lines of authority and accountability in a hierarchical organizational structure is called -
 (A) Line positions
 (B) Chain of command
 (C) Staff positions
 (D) Line and staff positions
103. A position to which decision-making authority has been delegated within the chain of command from senior managers to front line production or service employees is called -
 (A) line position
 (B) staff position
 (C) departmentalization
 (D) line & staff positions
104. Which form of departmentalization would be most appropriate in companies that have distinctly different product lines?
 (A) Functional departmentalization
 (B) Product departmentalization
 (C) Customer departmentalization
 (D) Geographical departmentalization
105. A cross functional organizational structure in which individuals performing one function, such as accounting, are to the senior executive in finance and also to another senior executive in a geographical, product, or customer department is called -
 (A) Line organization
 (B) Matrix form
 (C) Informal organization
 (D) Bureaucratic organization
106. Determining the number of people who are accountable to a single manager refers to -
 (A) Chain of command
 (B) Degree of centralization
 (C) Span of control
 (D) Degree of specialization
107. "Span of management" is often referred to as -
 I. span of control
 II. span of supervision
 III. span of authority
 IV. span of responsibility
 Select the correct answer from the options given below -
 (A) I
 (B) I, II
 (C) I, II, III
 (D) I, II, III, IV
108. If a manager supervises large number of subordinate then it is known as -

- (A) Wider span of control/Flat organization
 (B) Narrow span/Tall organization
 (C) Efficient span/efficient organization
 (D) Good span/good organization
109. The span of control refers to -
 (A) the number of subordinates reporting directly or indirectly to a given manager or supervisor
 (B) the total number of managers and supervisors to whom staff report directly or indirectly
 (C) the number of subordinates reporting directly to a given manager or supervisor
 (D) the number of different levels in the chain of hierarchical command

Answers

1.	(C)	2.	(D)	3.	(C)	4.	(C)	5.	(D)	6.	(B)	7.	(C)
8.	(D)	9.	(B)	10.	(A)	11.	(A)	12.	(A)	13.	(C)	14.	(C)
15.	(B)	16.	(C)	17.	(D)	18.	(D)	19.	(B)	20.	(C)	21.	(B)
22.	(C)	23.	(B)	24.	(B)	25.	(C)	26.	(B)	27.	(D)	28.	(C)
29.	(A)	30.	(D)	31.	(A)	32.	(B)	33.	(B)	34.	(D)	35.	(C)
36.	(A)	37.	(D)	38.	(C)	39.	(B)	40.	(A)	41.	(D)	42.	(C)
43.	(D)	44.	(B)	45.	(B)	46.	(B)	47.	(A)	48.	(B)	49.	(D)
50.	(B)	51.	(C)	52.	(A)	53.	(A)	54.	(D)	55.	(C)	56.	(B)
57.	(A)	58.	(C)	59.	(A)	60.	(B)	61.	(A)	62.	(A)	63.	(C)
64.	(D)	65.	(B)	66.	(D)	67.	(B)	68.	(C)	69.	(B)	70.	(A)
71.	(D)	72.	(A)	73.	(A)	74.	(C)	75.	(D)	76.	(A)	77.	(D)
78.	(C)	79.	(A)	80.	(B)	81.	(B)	82.	(A)	83.	(C)	84.	(B)
85.	(D)	86.	(B)	87.	(C)	88.	(B)	89.	(B)	90.	(D)	91.	(B)
92.	(B)	93.	(D)	94.	(A)	95.	(B)	96.	(A)	97.	(C)	98.	(B)
99.	(D)	100.	(A)	101.	(D)	102.	(B)	103.	(A)	104.	(B)	105.	(B)
106.	(C)	107.	(D)	108.	(A)	109.	(C)						

HUMAN RESOURCE MANAGEMENT

Concept of Human Resource Management

1. The subject matter of personnel management is -
 - (A) Profit
 - (B) Capital investment
 - (C) Human being
 - (D) Wages and incentives
2. Human Resource Management (HRM) is that part of management which is -
 - (A) Concerned with how people at work use the various resources available in organization.
 - (B) Concerned with people at work and with their relationship with an enterprise.
 - (C) Concerned with how manager effectively use the various resources available in organization.
 - (D) Concerned with how manager effectively control the people in organization.
3. Human Resource Management is that part of the process of management specifically concerned with the _____ employed in an organization.
 - (A) Resources
 - (B) People
 - (C) Assets
 - (D) All of above
4. Human Resource Management is often referred to as -
 - (A) Peoples Management
 - (B) Human Management
 - (C) Resource Management
 - (D) Personnel Management
5. Personnel Management specifically deals with Human Resources in respect of -
 - (A) Their procurement
 - (B) Their development
 - (C) Their motivation
 - (D) All of the above
6. "Personnel Management is the recruitment, selection, development, utilization, compensation and motivation of human resources by the organization". This definition is given by -
 - (A) Edwin B. Flippo
 - (B) French Wendell
 - (C) Institute of Personnel Management
 - (D) Dirks
7. _____, defines "Personnel Management is the planning, organizing, directing, and controlling of the procurement, development, resources to the end that individual and societal objectives are accomplished".
 - (A) Edwin B. Flippo
 - (B) French Wendell
 - (C) Institute of Personnel Management
 - (D) IIPM (Calcutta)
8. There is no difference between Human Resource Management & Personnel Management.
 - (A) True
 - (B) False
 - (C) Partly true
 - (D) None of above
9. Which of the following is/are true?
 - (A) Principles of general management are applicable to personnel management
 - (B) Personnel management considers that labour is a lifeless item
 - (C) Personnel management deals with the relations of personnel towards management
 - (D) All of the above
10. What are similarities between Human Resource Management & Personnel Management?
 - (A) Both models emphasize the importance of integrating personnel/HRM.
 - (B) Both models emphasize the importance of individuals fully developing their abilities

- for their own personal satisfaction to make their best contribution to organizational success.
- (C) Both models identify placing the right people into the right jobs as an important means of integrating personnel/HRM practice with organizational goals.
- (D) All of above
11. Which of the following is not a similarity between HRM and Personnel management?
- (A) Both models emphasize the importance of integrating personnel/HRM.
- (B) Both models emphasize the importance of individuals fully developing their abilities for their own personal satisfaction to make their best contribution to organizational success.
- (C) Both models identify placing the right people into the right jobs as an important means of integrating personnel/HRM practice with organizational goals.
- (D) Both models deal with monetary satisfaction of employees.
12. *Statement I:*
Human resource management is inherent in the process of management.
- Statement II:*
Personnel management is a pervasive function of management.
- Select the correct answer from the options given below -
- (A) Statement I is true but Statement II is false.
- (B) Statement I and Statement II both are true.
- (C) Statement I is false but Statement II is true.
- (D) Statement I and Statement II both are false.
13. Blue-collar workers are
- (A) Working on machines and engaged in loading, unloading
- (B) Clerical employees
- (C) Executive employees
- (D) Contract employees
14. White-collar workers are
- (A) Working on machines and engaged in loading, unloading
- (B) Clerical employees
- (C) Executive employees
- (D) Contract employees
15. To which of the following categories of Personnel Management is concerned?
- (A) Managerial personnel and non-managerial personnel
- (B) Professionals and non-professional personnel
- (C) Blue-collar workers and white-collar workers
- (D) All of above
16. According to _____ "The objectives of personnel administration include the utilization of human resources effectively, establishment and maintenance of productive and self-respecting working relationships among the participants and attainment of maximum individual development of the members in the organization."
- (A) Edwin B. Flippo
- (B) French Wendell
- (C) The Institute of Personnel Management
- (D) Dirks
17. According to _____, "Personnel management aims to achieve both efficiency and justice, neither of which can be pursued successfully without the other. It seeks to bring together and develop into an effective organization the men and women who make up an enterprise, enabling each to make his or her own best contribution to its success both as an individual and as a member of a working group. It seeks to provide fair terms and conditions of employment and satisfying work for those employed."
- (A) Edwin B. Flippo
- (B) French Wendell
- (C) The Institute of Personnel Management
- (D) Dirks
18. Employment function includes -
- (A) Performance appraisal
- (B) Directing
- (C) Resistance
- (D) Recruitment
19. Employment function includes -
- (A) Selection
- (B) Retrenchment
- (C) Resistance
- (D) None of above
20. Employment function includes -
- (A) Resistance

- (B) Performance appraisal
(C) Placement
(D) All of above
21. Employment function includes -
(A) Recruitment
(B) Selection
(C) Placement
(D) All of above
22. Which of the following activity is not included in human resource management?
(A) Training and development
(B) Appraisal of performance of employees
(C) Resistance management
(D) Motivation of workforce
23. Which of the following activity is not included in human resource management?
(A) Social security and welfare of employees.
(B) Management of physical resources
(C) Recruitment, selection and placement of personnel
(D) Remuneration of employees.
24. When the personnel manager attempts to achieve and maintain good industrial relations in the organization. Such role of personnel manager can be classified as -
(A) Advisory Role
(B) Linking Pin Role
(C) Leadership Role
(D) Welfare Role
25. The personnel manager generally acts as a spokesman of the top management and communicates management policies and decisions that affect people in the organization. Such role of personnel manager can be classified as -
(A) Representative Role
(B) Linking Pin Role
(C) Leadership Role
(D) Welfare Role
26. Which of the following role the personnel manger has to play?
I. Linking Pin Role
II. Policy Initiation
III. Representative Role
IV. Decision-Making Role
V. Mediator Role
VI. Leadership Role
VII. Welfare Role
VIII. Research Role
- Select the correct answer from the options given below -*
(A) I to VIII except II
(B) I to VIII except II & VIII
(C) I to VIII all
(D) I to VIII except II, VI & VIII
27. Which of the following is not quality as required by personnel managers as identified by Fayol?
(A) Physical-health, vigor, address
(B) Mental-ability to understand and learn
(C) Handsome-charming
(D) Moral-energy, firmness, willingness to accept responsibility
28. Human resource management is normally _____ in nature.
(A) Proactive
(B) Reactive
(C) Combative
(D) None of the above
29. The human resource management functions aim at -
(A) Ensuring that the human resources possess adequate capital, tool, equipment and material to perform the job successfully
(B) Helping the organization deal with its employees in different stages of employment
(C) Improving an organization's creditworthiness among financial institutions
(D) None of the above
- Functions of a Human Resource Manager**
30. For a personnel manager, planning means the determination in advance of personnel programmes that will contribute to the goals established for the enterprise, i.e. _____.
(A) Anticipating vacancies
(B) Planning job requirements
(C) Determination of the sources of recruitment
(D) All of above
31. Which of the following function of personnel manager cannot be treated as "Operative function"?
(A) Compensation
(B) Motivation

- (C) Personnel records
(D) Organizing
32. Which of the following function of personnel manager cannot be treated as "Operative function"?
- (A) Controlling
(B) Industrial relations
(C) Maintenance
(D) Training and development
33. Which of the following function of personnel manager can be treated as "Managerial Function"?
- (A) Planning
(B) Employment
(C) Maintenance
(D) Industrial Relations
34. Which of the following function of personnel manager can be treated as "Managerial Function"?
- (A) Separation
(B) Personnel records
(C) Compensation
(D) Direction
35. Which of the following function of personnel manager can be treated as "Operative function"?
- (A) Controlling
(B) Planning
(C) Direction
(D) Training and development
36. The term procurement stands for -
- (A) Recruitment and selection
(B) Training and development
(C) Pay and benefits
(D) Health and safety
37. Identify the managerial function out of the following functions of HR managers.
- (A) Procurement
(B) Development
(C) Organizing
(D) Performance appraisal
38. Which of the following is an example of operative function of HR managers?
- (A) Planning
(B) Organizing
(C) Procurement
(D) Controlling

Recruitment, Selection, Training & Development

39. The process of searching for prospective employees and encouraging them to apply for the jobs in an organization is known as -
- (A) Selection
(B) Placement
(C) Recruitment
(D) Manpower planning
40. The process of identification of different sources of personnel is known as -
- (A) Selection
(B) Placement
(C) Recruitment
(D) Induction
41. _____ is the process by which candidates for employment are distinguished between those who are suitable and those who are not.
- (A) Manpower planning
(B) Selection
(C) Recruitment
(D) Induction
42. Selection is a -
- (A) positive process
(B) negative process
(C) complex process
(D) multi tasking process
43. _____ follows _____ and it leads to a contract of service between the employer and the employee
- (A) Recruitment; Selection
(B) Selection; Training
(C) Selection; Recruitment
(D) Recruitment; Training
44. Which of the following implies communication of vacancies only?
- (A) Selection
(B) Rejection
(C) Recruitment
(D) Training
45. Which of the following is a not external source of recruitment?
- (A) Casual callers
(B) Educational institutions

- (C) Labour contractors
(D) Promotion
46. Which of the following is a not external source of recruitment?
(A) Open advertisement
(B) Recommendations from reputed persons
(C) Transfer
(D) Telecasting
47. The _____ of recruitment include personnel already on the pay-roll of an organization.
(A) Internal sources
(B) External sources
(C) Outside sources
(D) None of above
48. In most of the organizations, the selection programme begins with preliminary -
(A) Interview
(B) Screening
(C) Placement
(D) Interview or screening
49. In relation to selection process arrange the following in proper form.
(1) Employment interview
(2) Checking references
(3) Screening of applications
(4) Final selection
(5) Preliminary interview
(6) Physical examination
(7) Receiving applications
(8) Employment test
- Select the correct answer from the options given below -*
(A) (5), (7), (3), (8), (6), (1), (2), (4)
(B) (5), (7), (8), (3), (1), (6), (4), (2)
(C) (5), (4), (8), (3), (1), (6), (2), (7)
(D) (5), (7), (3), (8), (1), (6), (2), (4)
50. _____ seeks to measure the level of proficiency and skill of the candidate's intelligence quotient indicating his mental ability including memory, vocabulary, perception, reasoning, etc.
(A) Interest tests
(B) Performance tests
(C) Dexterity tests
(D) Personality tests
51. _____ is used to measure the applicant's capacity and his potential for learning the skills required for a job.
(A) Interest tests
(B) Performance tests
(C) Aptitude test
(D) Personality tests
52. Which of the following are designed so as to identify the candidates patterns of interest i.e., areas in which he shows special likings, fascination and involvement?
(A) Interest tests
(B) Performance tests
(C) Aptitude test
(D) Personality tests
53. _____ is used to probe for the dominant traits of the personality as a whole in terms of temperament, maturity and emotional balance.
(A) Interest tests
(B) Performance tests
(C) Aptitude test
(D) Personality tests
54. is the process of introducing new employees to the organization. The new employees should know under whom and with whom he/she is to work, get acquainted and adjusted to the work environment, get a general idea about the rules and regulations, working conditions etc.
(A) Information meeting
(B) Introduction
(C) Induction
(D) None of above
55. The main purposes of an employment interview is/are -
1. To find out the suitability of the candidate.
2. To seek more information about the candidate.
3. To give him an accurate picture of the job with details of terms and conditions and some idea of organization's policies.
- Select the correct answer from the options given below -*
(A) 1
(B) 2
(C) 3
(D) All of above

56. After a candidate has cleared all the hurdles in the selection procedure, he is formally appointed by issuing him -

- (A) Job interview letter
- (B) An appointment letter
- (C) Service agreement
- (D) (B) or (C)

Training & Development

57. Which of the following is/are integral parts of the HR function of management?

- (A) Training
- (B) Development
- (C) (A) or (B)
- (D) (A) and (B)

58. _____ implies a systematic procedure whereby employees are imparted technical knowledge and skill for specific jobs.

- (A) Performance education
- (B) Development
- (C) Training
- (D) None of above

59. Training is generally given to _____ in organization.

- (A) Managers
- (B) Middle and lower level people
- (C) Executives
- (D) None of above

60. Development process is taken for -

- (A) Middle and lower level people
- (B) Manager & executives
- (C) Debtor & creditors
- (D) Chairman & Directors

61. Training is a _____ process.

- (A) Long term
- (B) Short term
- (C) Financial
- (D) None of above

62. Training helps to improve the _____ of workforce.

- (A) Quantity
- (B) Quality
- (C) Quantity and quality
- (D) None of above

63. Which of the following is/are benefits of training?

- (A) It ensures long-term increase in the sales of the organization.
- (B) It helps to reduce the time and cost required to reach the acceptable level of performance.
- (C) It improves the leadership quality of employee.
- (D) It gives employees fresh insights into their own personalities and it can also help them understand why others sometimes respond as they do.

64. Training helps to reduce

- (A) Time required for work
- (B) Cost of work
- (C) Profit of work
- (D) (A) and (B)

Performance Appraisal

65. _____ is the systematic process of measuring and evaluating employees with respect to their performance on the jobs and their potential for development.

- (A) Morale of employee
- (B) Training of employee
- (C) Performance appraisal
- (D) Development of executives

66. The term *performance rating system* stands for -

- (A) the information about the extent to which the work objectives were met
- (B) the past objectives of the organization
- (C) a grade or score concerning the overall performance
- (D) the achievements for a period of one year

67. Performance management is viewed as a process carried out as -

- (A) a once-a-year task
- (B) a twice-a-year activity
- (C) an ongoing process or cycle
- (D) None of the above

68. Which of the following is modern method of performance appraisal?

- (A) Unstructured appraisal
- (B) Graphic-rating scales
- (C) Forced distribution
- (D) Management by objectives

69. Which of the following is not aim of performance appraisal?
- (A) Personnel development
 - (B) Work satisfaction
 - (C) Training
 - (D) None of the above
70. Which of the following is not aim of performance appraisal?
- (A) Compensation
 - (B) Communication
 - (C) Selection
 - (D) Motivation
71. Which of the following is modern method of performance appraisal?
- (A) Check lists
 - (B) Employee ranking
 - (C) Behaviourally anchored rating scales
 - (D) Graphic-rating scales
72. Which of the following performance appraisal method consists of ranking employees as more or less efficient by inter-personal comparison of overall qualities?
- (A) Forced distribution method
 - (B) Graphic rating scales method
 - (C) Ranking method
 - (D) Unstructured appraisal method
73. The basic assumption made for using _____ is that employees are distinguishable as outstanding, above average, average, below average and poor; and their number conforms to a normal frequency distribution e.g., 10% each in the highest and lowest categories, 20% each in the above average and below average categories, and 40% in the average category.
- (A) Field review method
 - (B) Graphic rating scales method
 - (C) Forced distribution method
 - (D) Unstructured appraisal method
74. _____ is similar to the Rating Scale Method except that the degrees of qualities or attributes on which employees are to be appraised are indicated on a graph or chart.
- (A) Forced distribution method
 - (B) Graphic rating scales method
 - (C) Ranking method
 - (D) Unstructured appraisal method
75. The actual performance of an individual is measured in terms of his -
- (A) Input and output
 - (B) Efficiency and effectiveness
 - (C) Returns to the organization
 - (D) Business earned by him
76. Employee appraisal under _____ involves listing of a number of statements about the performance and behaviour of the employee and the rater is to check these statements indicating whether statement applies or does not apply to the employee or there is a doubt. Afterwards, values (or weights) are assigned to the statements depending upon their respective importance.
- (A) Field review method
 - (B) Graphic rating scales method
 - (C) Forced distribution method
 - (D) Check list method
77. _____ involves employee appraisal on the basis of events or incidents and the employee's reactions to the same reflecting positive or negative aspects of his behaviour.
- (A) Unstructured appraisal method
 - (B) Critical Incident Method
 - (C) Forced distribution method
 - (D) Graphic rating scales method
78. Under _____, the supervisors are interviewed by an expert from the personnel department. The expert questions the supervisor to obtain all the pertinent information on each employee and takes notes in his note book. Thus, there is no rating form with factors or degrees, but overall ratings are obtained. The workers are usually classified into three categories as outstanding, satisfactory and unsatisfactory.
- (A) Field review method
 - (B) Graphic rating scales method
 - (C) Forced distribution method
 - (D) Check list method
79. The evaluation method that requires the supervisors to keep a written record of positive and negative work-related actions of the employees is called -
- (A) Critical incident method
 - (B) Essay method
 - (C) Work standard method
 - (D) Field review method

80. It was _____ who proposed goal setting approach to performance appraisal which he called 'Management by Objectives and Self Control'.
- Henry Fayol
 - Luther Gulick
 - Frederick Taylor
 - Peter Drucker
81. Which of the following is the most essential requirement for an effective points-based rating system?
- Close co-ordination between the management and the HR department
 - Comprehensive, dependable and consistent information
 - Impartiality in evaluation
 - None of the above
82. In which of the following methods is the evaluation done by someone other than the employee's own supervisors?
- Essay method
 - Critical incident method
 - Field review method
 - None of the above
83. When each job is individually compared with every other in the organization, it is called -
- Ranking method
 - Paired comparison method
 - Point ranking method
 - Factor comparison method
84. Which of the following is not an analytical method of job evaluation?
- Point ranking method
 - Factor comparison method
 - Paired comparison
 - None of the above
85. Which of the following is an analytical method of job evaluation?
- Paired comparison
 - Ranking method
 - Job grading
 - Point ranking method
86. When the focus of the evaluation is on facts and not on traits, it is known as _____ evaluation.
- objective
 - subjective
 - performance
 - career
87. Under _____ approach, an employee is not appraised by his recognizable traits, but by his performance with respect to the agreed goals or objectives.
- Management by Object
 - Management by Objectives
 - Management by Observation
 - Management by Objectification
88. Which of the following is an essential prerequisite of MBO?
- Joint goal-setting
 - Mid-term review
 - Developing reviews
 - All of the above
89. _____ are designed to identify the critical areas of performance for a job, and to describe the more effective and less effective job behaviour for getting results.
- Behaviourally Anchored Rating Scales (BARS)
 - Management By Objectives (MBO)
 - Goal Setting Approach (GSA)
 - None of above
90. The purpose of the Behaviourally Anchored Rating Scale (BARS) is to -
- evaluate a good or bad performance
 - define a job
 - improve inter-personal relationship skills
 - None of the above
91. The following principle of Personnel management stresses to make the labour partner to the business
- Principle of fair reward
 - Principle of joint management
 - Principle of dignity of labour
 - Principle of team spirit
92. The following is not Principle of Personal Policies -
- Principle of common interest
 - Principle of development
 - Principle of recognition of trade unions
 - Principle of team spirit
93. _____ method of training is connected to real life problem.
- Conferences

- (B) Case study
(C) Management games
(D) Sensitivity training
94. Which of the following is a major contribution to workplace stress?
(A) Low pay
(B) Poor working conditions
(C) Social isolation
(D) Reasonable work pressures
95. Job evaluation is a technique adopted for determining the _____ of the job.
(A) internal worth
(B) external worth
(C) internal and external worth
(D) None of the above
96. In performance appraisal BARS stands for -
(A) Behaviourally Attitude Rating System
(B) Behaviourally Aptitude Raking System
(C) Behaviourally Anchored Rating Scales
(D) Behaviourally Attitude Rating Scales
97. The concept of MBO was developed by -
(A) Elton Mayo
(B) F. W. Taylor
(C) Peter Drucker
(D) Philip Kotler
98. Which of the following method of performance appraisal is subjective -
(A) Unstructured Appraisal
(B) Compulsory Appraisal
(C) Critical Appraisal
(D) Standard Appraisal
99. Under Field Review Method workers are usually classified into three categories as -
(A) Poor, normal, good
(B) A Grade, B Grade, C Grade
(C) Good, better, best
(D) Outstanding, satisfactory and unsatisfactory
100. The Goals Setting Approach is appropriate for the appraisal of -
(I) Executives
(II) Operative workers
(III) Supervisory personnel
(IV) Temporary workers
- Select the correct answer from the option given below -*
(A) 1 & 2
(B) 2 & 4
(C) 1 & 3
(D) 2 & 3

Answers

1.	(C)	2.	(B)	3.	(B)	4.	(D)	5.	(D)	6.	(B)	7.	(A)
8.	(B)	9.	(D)	10.	(D)	11.	(D)	12.	(B)	13.	(A)	14.	(B)
15.	(D)	16.	(D)	17.	(C)	18.	(D)	19.	(A)	20.	(C)	21.	(D)
22.	(C)	23.	(B)	24.	(B)	25.	(A)	26.	(C)	27.	(C)	28.	(A)
29.	(B)	30.	(D)	31.	(D)	32.	(A)	33.	(A)	34.	(D)	35.	(D)
36.	(A)	37.	(C)	38.	(C)	39.	(C)	40.	(C)	41.	(B)	42.	(B)
43.	(C)	44.	(C)	45.	(D)	46.	(C)	47.	(A)	48.	(D)	49.	(D)
50.	(B)	51.	(C)	52.	(A)	53.	(D)	54.	(C)	55.	(D)	56.	(D)
57.	(D)	58.	(C)	59.	(B)	60.	(B)	61.	(B)	62.	(C)	63.	(B)
64.	(D)	65.	(C)	66.	(C)	67.	(C)	68.	(D)	69.	(C)	70.	(C)
71.	(C)	72.	(C)	73.	(C)	74.	(B)	75.	(B)	76.	(D)	77.	(B)
78.	(A)	79.	(A)	80.	(D)	81.	(B)	82.	(C)	83.	(A)	84.	(C)
85.	(D)	86.	(A)	87.	(B)	88.	(D)	89.	(A)	90.	(D)	91.	(B)
92.	(D)	93.	(B)	94.	(C)	95.	(A)	96.	(D)	97.	(C)	98.	(A)
99.	(D)	100.	(C)										

Concept & Principles of Direction

1. Which of the following function of management involves communicating and providing leadership to the subordinates and motivating them to contribute to the best of their capability for the achievement of organizational objectives?
 - (A) Leadership
 - (B) Supervision
 - (C) Directing
 - (D) Motivation
2. Direction starts with issuing _____ to subordinates and ends with getting things done by satisfaction of various needs of subordinates.
 - (A) Orders
 - (B) Request
 - (C) Instructions
 - (D) (A) or (C)
3. The most important characteristic of direction is -
 - (A) Guiding
 - (B) Procurement
 - (C) Planning
 - (D) Thinking
4. Which of the following is essential of the directing function of management?
 - (A) Identifying the activities and grouping them into convenient classes
 - (B) Motivating the subordinates to direct their behaviour in a desired pattern.
 - (C) Revise the structure on the basis of assessment of personnel and other resources
 - (D) None of above
5. Essential of the directing function -
 - (A) Delegation of authority to the executives of the departments
 - (B) Identifying and diagnosing the real problem
 - (C) Analysis and evaluation of available alternatives
 - (D) Maintaining discipline and rewarding effective performance.
6. Direction is a -
 - (A) Discrete process
 - (B) Continuous process
 - (C) Circular process
 - (D) None of above
7. Which of the following is essential of the directing function of management?
 - (A) Formulating derivative plans
 - (B) Guiding, counselling & teaching the subordinates.
 - (C) Determining alternative courses
 - (D) Numberizing plans by budgeting
8. Essential of the directing function -
 - I. Issuing orders and instructions
 - II. Guiding, counselling and teaching the subordinates the proper way of doing the job.
 - III. Supervising the work of subordinates to ensure that their performance conforms to the plan.
 - IV. Motivating the subordinates to direct their behaviour in a desired pattern.
 - V. Maintaining discipline and rewarding effective performance

Select the correct answer from the options given below -

 - (A) I, II & III
 - (B) I, II, III & IV
 - (C) I, II & V
 - (D) I, II, III, IV & V
9. Which of the following is not principle of direction?
 - (A) Principle of unity of command
 - (B) Principle of evidence
 - (C) Principle of unity of direction
 - (D) Principle of democratic leadership

10. The techniques of direction excludes -
 (A) An alternative device of communication
 (B) Supervisory techniques
 (C) Coordination
 (D) All of above
11. Which of the following is not principle of direction?
 (A) Principle of democratic leadership
 (B) Principle of navigational change
 (C) Principle of unity of direction
 (D) Principle of unity of command
12. Which of the following is/are principle of direction?
 1. Principle of harmony of objectives
 2. Principle of integrity
 3. Principle of unity of command
 4. Principle of unity of direction
 5. Principle of strategic use of informal organization
 6. Principle of direct supervision
 7. Principle of flexibility
 8. Principle of democratic leadership
- Select the correct answer from the options given below -*
 (A) 8, 3, 4, 6 & 1
 (B) 5, 3, 1, 2 & 4
 (C) 1, 3, 4, 7 & 5
 (D) 3, 8, 2, 1 & 6
13. "Unity of command cannot exist without unity of direction, but does not flow from it". Who said this?
 (A) Fayol
 (B) Drucker
 (C) Massie
 (D) Togerson
14. Which of the following principle of direction requires that an employee should receive orders from one superior only?
 (A) Principle of democratic leadership
 (B) Principle of navigational change
 (C) Principle of unity of command
 (D) Principle of evidence
15. The existence of only one head and one plan for a group of activities which have the same objective. This is as per -
 (A) Principle of unity of command
 (B) Principle of direction
 (C) Principle of definition
 (D) Principle of democratic leadership
16. According to "principle of direct supervision":
 (A) In order to make any direction effective, the leader should have respect for the opinion and views of his followers.
 (B) Organization should devise and introduce effective measures to reconcile the conflicting interests.
 (C) Manager should conduct periodic audit of the organization and use summarized charts
 (D) Any endeavour in directing becomes more effective if it is accompanied by personal touch.
17. The direction function is merely issuing orders and instructions by a superior and nothing more.
 (A) True
 (B) False
 (C) Partly true
 (D) Partly false
18. Direction function is performed at -
 (A) Top level of management
 (B) Middle level of management
 (C) Lower level of management
 (D) Every level of management
19. The approach towards directing the subordinates will depend upon the situation only.
 (A) True
 (B) False
 (C) Partly true
 (D) Partly false
20. Feature of supervision -
 1. Supervision is done at all levels of management
 2. Supervision is most pronounced at the lowest level of management
 3. Supervision aims at guiding subordinates in their work performance
- Select the correct answer from the options given below -*
 (A) 1
 (B) 2
 (C) 3
 (D) All of above

Motivation

21. The word motivation is derived from the Latin term -
 - (A) Movet
 - (B) Moved
 - (C) Motivate
 - (D) Movere
22. The purpose of motivational theories is to -
 - (A) Predict behaviour
 - (B) Change behaviour
 - (C) Organize behaviour
 - (D) Control behaviour
23. Who originated the concept of Transactional Analysis?
 - (A) Dr. Eric Penfield
 - (B) Dr. Wilder Penfield
 - (C) Dr. Wilder Berne
 - (D) Dr. Eric Berne
24. When two or more people encounter each other, sooner or later one of them will speak or give some indication of acknowledging the presence of others. This is called the -
 - (A) Transactional reply
 - (B) Transactional response
 - (C) Transactional stimulus
 - (D) Transactional response
25. When two or more people encounter each other, sooner or later one of them will speak or give some indication of acknowledging the presence of others. This is called the transactional stimulus. The other person will then say or do something which is in some way related to the stimulus and that is called the -
 - (A) Transactional answer
 - (B) Transactional response
 - (C) Transactional stimulus
 - (D) Transactional response
26. The parts of the multiple nature of an individual which are recorded in the brain and are replayed in course of a transaction are described as: _____, ego states.
 - (A) Guardian, child and adult
 - (B) Parent, adolescent and adult
 - (C) Principal, child and adult
 - (D) Parent, child and adult
27. Transactional Analysis can give employees fresh insights into their own personalities.
 - (A) True
 - (B) False
 - (C) Partly true
 - (D) Partly false
28. Which of the following reflects 'parent ego' as per the concept of Transactional Analysis?
 - (A) I wish
 - (B) I want
 - (C) Work hard
 - (D) All of above
29. Which of the following reflects 'parent ego' as per the concept of Transactional Analysis?
 - (A) I would not do so again
 - (B) Do not worry
 - (C) Do not leave me
 - (D) All of above
30. Which of the following reflects 'child ego' as per the concept of Transactional Analysis?
 - (A) I would not do so again
 - (B) Everything will be OK
 - (C) Never do so again
 - (D) All of above
31. Which of the following actions reflects 'adult ego' as per the concept of Transactional Analysis?
 - (A) Foot tapping
 - (B) Rebuking
 - (C) Thinking
 - (D) All of above
32. Which of the following actions reflects 'parent ego' as per the concept of Transactional Analysis?
 - (A) Pondering
 - (B) Pleasure
 - (C) Blessing
 - (D) All of above
33. Which of the following actions reflects 'adult ego' as per the concept of Transactional Analysis?
 - (A) Pleasure
 - (B) Pondering
 - (C) Blessing
 - (D) All of above

34. **Stimulus:** Support staff is undisciplined.

Response: It is a sign of the times.

How will you classify the above transaction as per concept of transactional analysis -

- (A) Parent - Child
- (B) Parent - Adult
- (C) Parent - Parent
- (D) Child - Parent

35. **Stimulus:** You have presented a good report.

Response: Thank you.

How will you classify the above transaction as per concept of transactional analysis -

- (A) Adult - Child
- (B) Adult - Adult
- (C) Parent - Parent
- (D) Child - Adult

36. **Stimulus:** I wish you were better educated.

Response: I am not so lucky

How will you classify the above transaction as per concept of transactional analysis -

- (A) Adult - Child
- (B) Child - Adult
- (C) Parent - Child
- (D) Child - Child

37. **Stimulus:** I have to finish the report tonight as it is due tomorrow.

Response: You always leave things to the last minutes

How will you classify the above transaction as per concept of transactional analysis -

- (A) Adult - Adult
- (B) Parent - Adult
- (C) Adult - Parent
- (D) Child - Adult

38. **Stimulus:** You are always late

Response: Sorry Sir!

How will you classify the above transaction as per concept of transactional analysis -

- (A) Adult - Child
- (B) Child - Adult
- (C) Parent - Child
- (D) Child - Child

39. Transactional analysis -

- (I) Can give employees fresh insights into their own personalities
- (II) It can also help employees understand why others sometimes respond as they do.

Select the answer from the options given below -

- (A) (II) only
- (B) Neither (I) nor (II)
- (C) Both (I) and (II)
- (D) (I) only

40. Hierarchy of needs theory of motivation was developed by -

- (A) Eric Berne
- (B) Maslow
- (C) Joe Kelly
- (D) M. R. Jones

Leadership

41. According to _____, "leadership is the activity of influencing people to strive willingly for group objectives".

- (A) Koontz and O'Donnell
- (B) Gray Desslor
- (C) George R. Terry
- (D) Lewin, Lippitt & White

42. "Leadership is influencing people to follow in the achievement of a specialized goal". This is stated by -

- (A) Koontz and O'Donnell
- (B) Gray Desslor
- (C) George R. Terry
- (D) Lewin, Lippitt & White

43. Managers are leaders because they have the _____ to direct, motivate and lead people.

- (A) Informal authority
- (B) Formal responsibility
- (C) Formal authority
- (D) informal responsibility

44. Informal leadership is -

- (A) Spontaneous
- (B) Part of informal organization
- (C) Neither (A) nor (B)
- (D) Both (A) and (B)

45. Which of the following statement is incorrect in relation to leadership?
- Leadership is dynamic and ever-evolving process; a manager must lead continuously.
 - One who leads should not be a part of the group.
 - Leadership involves directing, guiding and influencing the behaviour of individuals and groups
 - It contemplates interpersonal influence and close man-to-man relationship
46. Which of the following statements about leadership is false?
- Leadership does not necessarily take place within a hierarchical structure of an organization
 - Not every leader is a manager
 - When people operate as leaders their role is always clearly established and defined
 - All the above
47. Lewin, Lipitt and White conducted leadership studies in _____ based on three different styles - autocratic, democratic, and laissez faire.
- 1939
 - 1929
 - 1949
 - 1989
48. In which style of leadership there is centralization of authority and decision-making and very limited participation by subordinates?
- Free rein style
 - Autocratic style
 - Democratic style
 - Laissez-faire
49. Under _____ of leadership, the leader allows participation by member of the group in management and decision-making process. Subordinates are frequently consulted by the manager on various problems and are allowed sufficient freedom to communicate with the leader and also with their fellow subordinates.
- Free rein style
 - Autocratic style
 - Democratic style
 - Laissez-faire
50. Under _____ of leadership, the leader uses his power very little giving subordinate's full freedom of action and independence for setting their goals and means of achieving them. This type of leaders depends heavily on subordinates.
- Free rein style
 - Democratic style
 - Laissez-faire
 - (A) or (C)
51. Autocratic style of leadership is similar to -
- Theory V
 - Theory Y
 - Theory X
 - Theory Z
52. Certain closely related studies for analyzing leadership styles were made at _____ in the mid forties which identified two dimensions of leadership styles: 'consideration' and 'initiating structure'.
- University of Michigan
 - Ohio State University
 - Oxford university
 - London university
53. The studies conducted at _____ revealed two kinds of styles *viz.*, production centered and employee-centered, which are similar to 'initiating structure' and 'consideration' leadership styles as researched by Ohio State University Studies.
- University of Michigan
 - Oxford university
 - London university
 - Delhi university
54. One of the most widely known approaches to dramatizing leadership style is the managerial grid, developed during the sixties by -
- Robert Mouton & Jane Blake
 - Robert Blake & Jane Mouton
 - Robert Marshall & Jane bold
 - Lewin, Lippitt and White
55. The Blake and Mouton Leadership (or Managerial) Grid uses two key dimensions in relation to management style; concern for _____ and concern for _____
- People, targets
 - Production, co-operation
 - People, production
 - Production, teamwork
56. Blake and Jane Mouton suggested that _____ grid style of leadership is most effective.

- (A) (1, 9)
(B) (9, 1)
(C) (5, 5)
(D) (9, 9)
57. As per Blake and Jane Mouton (1, 1) grid style of leadership also known as ____
(A) Autocratic-task oriented
(B) Country club management
(C) Impoverished management
(D) Team management
58. As per Blake and Jane Mouton (9, 9) grid style of leadership also known as
(A) Team management
(B) Country club management
(C) Autocratic-task oriented
(D) Impoverished management
59. As per Blake and Jane Mouton (9, 1) grid style of leadership also known as -
(A) Autocratic-task oriented
(B) Country club management
(C) Impoverished management
(D) Team management
60. As per Blake and Jane Mouton (5, 5) grid style of leadership also known as -
(A) Country club management
(B) Middle of the road management
(C) Impoverished management
(D) Team management
61. As per Blake and Jane Mouton (1, 9) grid style of leadership also known as
(A) Middle of the road management
(B) Autocratic-task oriented
(C) Team management
(D) Country club management
62. In the Blake and Mouton Leadership grid, which management style has a low concern for people but a high concern for production?
(A) Country club
(B) Authority-compliance
(C) Impoverished
(D) Middle-of-the-road
63. Since leading people involves interpersonal relationships between the leaders and the followers, leader should always try to improve his attitude towards the led to become effective.
- (A) True
(B) Partly true
(C) False
(D) None of above
64. Leadership is situational.
(A) True
(B) Partly true
(C) False
(D) None of above
65. Approaches to the study of leadership which emphasis the personality of the leader are termed as -
(A) Inspirational theories
(B) Trait theories
(C) Group theories
(D) Contingency theories
66. The terms “employee-centered” and “production-centered” to describe leader behaviour were used by -
(A) Fiedler
(B) McGregor
(C) Blake and McCanse
(D) Likert
67. On what belief are contingency theories of leadership based?
(A) That there is a single style of leadership appropriate to all managers
(B) That there is no single style of leadership appropriate to all situations
(C) That there is a single style of leadership appropriate to all situations
(D) None of the above
68. One contingency model of leadership is the path-goal theory. This suggests that an individual's motivation is dependent on -
(A) Whether path-goal relationships are clarified
(B) Their effective performance
(C) The necessary direction, guidance, training and support being provided
(D) Expectations that increased effort to achieve an improved level of performance will be successful
- Communication**
69. Communication is a vital aspect of the managerial process.

- (A) True
(B) Partly true
(C) False
(D) None of above
70. Arrange the process of communication in proper form.
Feedback, Develop an Idea, Encode, Transmit, Receive, Decode
(A) Encode, Decode, Feedback, Develop an Idea, Transmit, Receive
(B) Decode, Encode, Receive, Transmit, Develop an Idea, Feedback
(C) Feedback, Develop an Idea, Encode, Transmit, Receive, Decode
(D) Develop an Idea, Encode, Transmit, Receive, Decode, Feedback
71. Which of the following is not principle of communication?
(A) Principle of clarity
(B) Principle of integrity
(C) Principle of prudence
(D) Principle of strategic use of informal organization
72. _____ of communication are established mainly by the organization structure, and are referred to as "communication through the chain of command".
(A) Informal channels
(B) Formal channels
(C) Unofficial channels
(D) (A) or (C)
73. Formal channels of communication provide:
(A) Vertical flow of communication
(B) Horizontal flow of communication
(C) Neither (A) nor (B)
(D) Both (A) and (B)
74. Formal channels of communication also referred as -
(A) Communication through the chain of command
(B) Communication through principle of exception
(C) Communication through man machine system
(D) None of above
75. Vertical communication flows _____
(A) Downward
(B) Upward
(C) Diagonally
(D) Downward as well as upward
76. _____ also known as grapevine.
(A) Formal communication
(B) Official communication
(C) Informal communication
(D) Isolated communication
77. The informal network of communication represents natural desire of people in the organization to interact and communicate with each other.
(A) True
(B) Partly true
(C) False
(D) None of above
78. Which of the following is also known as diagonal communication
(A) Informal communication
(B) Vertical flow of communication
(C) Horizontal flow of communication
(D) Crosswise communication
79. Memo, report, office order, circulars, staff newsletters, fax etc. are the form of _____
(A) Non-verbal communication
(B) Written communication
(C) Oral communication
(D) Audio visual communication
80. There are words that often mean different things to different people and thus cause non-deliberate distortions. Such barrier in communication known as -
(A) Premature evaluation
(B) Resistance to change
(C) Perfunctory attention
(D) Semantic distortion
81. When receiver of communication starts to evaluate before he listen fully, such barrier of communication known as -
(A) Distortions of Information
(B) Premature evaluation
(C) Resistance to change
(D) Perfunctory attention

82. Communication in the sense of transfer of information and understanding will fail if the receiver pays little or no attention to the message. Such barrier in communication known as -

- (A) Distortions of Information
- (B) Premature evaluation
- (C) Resistance to change
- (D) Perfunctory attention

Co-ordination

83. Which of the following deals with harmonizing the work relations and efforts at all levels for common purpose?

- (A) Motivation
- (B) Co-operation
- (C) Direction
- (D) Co-ordination

84. _____ is a voluntary collective action to serve a common purpose. Whereas _____ is the orderly synchronization of group efforts so as to provide unity of action in the pursuit of common purpose.

- (A) Motivation, Co-operation
- (B) Co-ordination, Co-operation
- (C) Co-operation, Direction
- (D) Co-operation, Co-ordination

85. Co-ordination should be viewed as a responsibility of every manager right from the bottom to the top.

- (A) True
- (B) False
- (C) Partly true
- (D) None of above

86. Co-ordination and co-operation are same.

- (A) True
- (B) False
- (C) Partly true
- (D) None of above

87. According to _____, "Co-ordination is the effort to assure a smooth interplay of the functions and forces of the different component parts of an organization to the end that its purpose will be realized with a minimum of friction and a maximum of collaborative effectiveness."

- (A) Luther
- (B) Tead
- (C) Henry
- (D) Frederick

88. _____ refers to that co-ordination in which a superior authority coordinates his work with that of his subordinates and *vice versa*.

- (A) External co-ordination
- (B) Horizontal co-ordination
- (C) Vertical co-ordination
- (D) None of above

89. _____ refers to the establishments of a relationship between the persons of the same status.

- (A) External co-ordination
- (B) Horizontal co-ordination
- (C) Vertical co-ordination
- (D) None of above

90. _____ is the establishment of a relationship between the employees of the organization and outsiders of the organization.

- (A) External co-ordination
- (B) Horizontal co-ordination
- (C) Vertical co-ordination
- (D) None of above

91. Managers can attempt to reduce levels of frustration in organization members by -

- (A) Participative management
- (B) Effective recruitment
- (C) All of the above
- (D) None of above

ANSWERS

1.	(C)	2.	(D)	3.	(A)	4.	(B)	5.	(D)	6.	(B)	7.	(B)
8.	(D)	9.	(B)	10.	(C)	11.	(B)	12.	(A)	13.	(A)	14.	(C)
15.	(B)	16.	(D)	17.	(B)	18.	(D)	19.	(B)	20.	(D)	21.	(D)
22.	(A)	23.	(D)	24.	(C)	25.	(B)	26.	(D)	27.	(A)	28.	(C)
29.	(B)	30.	(A)	31.	(C)	32.	(C)	33.	(B)	34.	(C)	35.	(B)
36.	(D)	37.	(C)	38.	(C)	39.	(C)	40.	(B)	41.	(C)	42.	(A)

43.	(C)	44.	(D)	45.	(B)	46.	(C)	47.	(A)	48.	(B)	49.	(C)
50.	(D)	51.	(C)	52.	(B)	53.	(A)	54.	(B)	55.	(C)	56.	(D)
57.	(C)	58.	(A)	59.	(A)	60.	(B)	61.	(D)	62.	(B)	63.	(A)
64.	(A)	65.	(B)	66.	(D)	67.	(B)	68.	(D)	69.	(A)	70.	(D)
71.	(C)	72.	(B)	73.	(D)	74.	(A)	75.	(D)	76.	(C)	77.	(A)
78.	(D)	79.	(B)	80.	(D)	81.	(B)	82.	(D)	83.	(D)	84.	(D)
85.	(A)	86.	(B)	87.	(B)	88.	(C)	89.	(B)	90.	(A)	91.	(C)

CONTROLLING

Characteristics & Importance of Control

1. Control is a fundamental managerial function that usually follows other functions.
 - (A) False
 - (B) True
 - (C) Partly false
 - (D) None of above
2. _____ as a function of management, therefore, means the measurement and correction of performance of activities of subordinates in order to make sure that enterprise objectives and plans devised to attain them are accomplished.
 - (A) Co-operation
 - (B) Co-ordination
 - (C) Controlling
 - (D) Motivation
3. Control presupposes the existence of -
 - (A) Motivation
 - (B) Goals
 - (C) Plans
 - (D) (B) & (C)
4. Controlling is _____ looking.
 - (A) Backward
 - (B) Forward
 - (C) Both (A) and (B)
 - (D) Either (A) or (B)
5. A manager can control the past.
 - (A) False
 - (B) True
 - (C) Partly false
 - (D) None of above
6. Controlling exists at every management level.
 - (A) False
 - (B) True
 - (C) Partly false
 - (D) None of above
7. Control is -
 - (A) One-step process
 - (B) A continuous process
 - (C) A part of motivation process
 - (D) A good substitute of planning process.
8. Importance of control: _____
 - (A) Helps in decentralizing authority
 - (B) Increases managerial ability
 - (C) Strives to rationally structure human behaviour
 - (D) All of above
9. Effective control requires -
 - (A) Flexibility
 - (B) Rigidity
 - (C) High cost
 - (D) All of the above
10. Importance of control:
 - (A) Ensures efficient use of scarce and valuable resources:
 - (B) Facilitates co-ordination
 - (C) Fosters organizational efficiency and effectiveness
 - (D) All of above
11. Arrange the process of control in proper form.
 - (1) Follow through
 - (2) Establishment of goals and standards
 - (3) Corrective action
 - (4) Measurement of actual performance

Select the correct answer from the option given below -

 - (A) (4), (2), (3), (1)
 - (B) (2), (3), (4), (1)
 - (C) (4), (1), (3), (2)
 - (D) (2), (4), (3), (1)

12. Which of the following is essential of good control system?
- (A) Motivation
 - (B) Feedback
 - (C) Self control
 - (D) All of above
13. Which of the following is essential of good control system?
- (A) Prompt motivation
 - (B) Prompt reporting of deviations
 - (C) Prompt cooperation
 - (D) Prompt appraisal
14. Which of the following is essential of good control system?
- (A) It should be simple to understand
 - (B) It should be difficult to follow
 - (C) Not necessary to suggest corrective action
 - (D) All of above
15. Control system is
- (A) Work oriented
 - (B) Job oriented
 - (C) Worker focused
 - (D) None of above
16. Which of the following is/are traditional control device(s) of control system?
- (A) Zero base budgeting
 - (B) Network analysis
 - (C) Internal audit
 - (D) All of above
17. In what order do managers typically perform the managerial functions?
- (A) organizing, planning, controlling, leading
 - (B) organizing, leading, planning, controlling
 - (C) planning, organizing, leading, controlling
 - (D) planning, organizing, controlling, leading
18. Which of the following is/are traditional control device(s) of control system?
- (A) Management audit
 - (B) Budgetary control
 - (C) Programme evaluation & review technique
 - (D) All of above
19. Which of the following is/are traditional control device(s) of control system?
- (A) Financial ratio analysis
 - (B) Critical path method
 - (C) PERT
 - (D) All of above
20. Which of the following is/are traditional control device(s) of control system?
- (A) Standard costing
 - (B) Statistical control
 - (C) Budgetary control
 - (D) All of above
21. Which of the following is/are non-traditional control device(s) of control system?
- (A) Break-even analysis
 - (B) Network analysis
 - (C) Financial ratio analysis
 - (D) All of above
22. Which of the following is/are non-traditional control device(s) of control system?
- (A) CPM
 - (B) PERT
 - (C) BEP
 - (D) Both (A) & (B)
23. Which of the following is/are non-traditional control device(s) of control system?
- (A) Zero base budgeting
 - (B) Standard costing
 - (C) Budgetary control
 - (D) All of above
24. defines a budget as "a financial and/or quantitative statement prepared prior to a defined period of time of the policy to be pushed during that period for the purpose of attaining a good objective".
- (A) The Institute of Cost and Works Accountants of India
 - (B) The Institute of Cost and Management Accountants of Singapore
 - (C) The Institute of Cost and Management Accountants of England and Wales
 - (D) The Institute of Cost Accountants of America
25. _____ has defined *budgetary control* as "the establishment of objectives relating to the responsibilities of executives to the requirements of a policy and the continuous comparison of actual with budgeted results, either to secure by individual action the objective of that policy or to provide a basis for its revision".

- (A) The Institute of Cost and Works Accountants of India
 (B) The Institute of Cost and Management Accountants of Singapore
 (C) The Institute of Cost and Management Accountants of England and Wales
 (D) The Institute of Cost Accountants of America
26. Which of the following is not benefit of budgetary control?
 (A) It promotes unity of command and conforms to the scalar principle of organization.
 (B) Maximum efficiency is achieved by avoiding wastage and losses.
 (C) Everyone knows what exactly he has to do.
 (D) All of above
27. _____ can be done to compute and analyze financial statements.
 (A) Internal audit
 (B) Standard costing
 (C) Ratio analysis
 (D) Zero base budgeting
28. _____ is a point of 'no profit - no loss'.
 (A) Standard cost
 (B) Indifferent point
 (C) Break-even
 (D) Margin of safety
29. Zero base budgeting is a new approach to budgeting which was first introduced by -
 (A) Henry Fayol
 (B) Koontz and O'Donnell
 (C) Peter Pyhrr
 (D) Haimann
30. Zero base budgeting is a new approach to budgeting which was first introduced by Peter Pyhrr in _____.
 (A) 1970
 (B) 1980
 (C) 1990
 (D) 2010
31. Zero base budgeting is a new approach to budgeting which was first introduced by Peter Pyhrr in 1970 in the _____.
 (A) England
 (B) United States
 (C) Australia
 (D) India
32. _____ is a technique for planning and controlling complex projects and for scheduling the resources required on such products.
 (A) Project analysis
 (B) Job analysis
 (C) Network analysis
 (D) Work analysis
33. _____, an important network technique for management control was developed by Walkar of Dupont to reduce time for periodic maintenance.
 (A) Critical path method
 (B) Network analysis
 (C) Programme evaluation & review technique
 (D) None of above
34. _____ may be defined as the systematic and dispassionate examination, analysis and appraisal of management's overall performance.
 (A) Financial audit
 (B) External audit
 (C) Performance audit
 (D) Management audit
35. Efficient control system discriminates between important and unimportant factors.
 (A) False
 (B) Partly true
 (C) True
 (D) None of above
36. Traditional control devices focus on scientific methods whereas non-traditional devices are based on more of non-scientific methods.
 (A) False
 (B) Partly true
 (C) True
 (D) None of above
37. Zero Base Budgeting can be used more meaningfully in those areas where a direct relationship exists between the expenditure on an activity and its benefit to the enterprise.
 (A) False
 (B) Partly true
 (C) True
 (D) None of above

38. Planning and controlling are closely linked to each other.
 (A) False
 (B) Partly true
 (C) True
 (D) None of above
39. The essential skills which every manager needs for doing better management are known as -
 (A) Leadership Skills
 (B) Teaching Skills
 (C) Professional Skills
 (D) Managerial Skills
40. It is instantaneous, self-correcting and forward-looking _____.
 (A) Ideal control
 (B) Ideal planning
 (C) Ideal co-ordination
 (D) None of the above
41. Non-traditional control devices are based on -
 (A) Non-scientific methods
 (B) Scientific methods
 (C) Conventional methods
 (D) All of the above
42. Modern control system is _____ rather than work or job oriented.
 (A) Worker-focused
 (B) Job focused
 (C) Incentive focused
 (D) None of the above
43. Which of the following is incorrect regarding control?
 (A) Controlling is backward looking.
 (B) Controlling exists at every management level.
 (C) Controlling is a continuous activity.
 (D) Purpose of controlling is positive.
44. A budget is frequently prepared to combine all other budgets in a summary form. It is known as -
 (A) Sales Budget
 (B) Purchase Budget
 (C) Cash Budget
 (D) Master Budget
45. Which of the following is not an example of traditional control devices?
 (A) Budgetary Control
 (B) Standard Costing
 (C) Financial Ratio Analysis
 (D) Zero Base Budgeting
46. Which of the following is the third step in the process of control?
 (A) Establishment of goals and standards
 (B) Measurement of actual performance against standards
 (C) Comparison of actual performance with the standards
 (D) Corrective action
47. Which of the following is known as a 'no profit-no loss' situation?
 (A) Break-Even-Point
 (B) Initiating Structure
 (C) Statistical control
 (D) None of the above
48. What type of control is most important for effective delegation?
 (A) Feed forward
 (B) Spontaneous
 (C) Feedback
 (D) None of these
49. Match the following:
- | | <i>List I</i> | <i>List II</i> |
|----|---------------------|--|
| P. | Break-Even Analysis | 1. Modern control devices |
| Q. | Internal Audit | 2. Directed towards the dynamic management of projects |
| R. | Management Audit | 3. Traditional control device |
| S. | PERT system | 4. Widely used tool of managerial control |
- Select the correct answer from the options given below -
- | | P | Q | R | S |
|-----|----------|----------|----------|----------|
| (A) | 4 | 3 | 1 | 2 |
| (B) | 3 | 4 | 2 | 1 |
| (C) | 3 | 4 | 1 | 2 |
| (D) | 4 | 3 | 2 | 1 |

50. Statement I:

Efficient control system discriminates between important and unimportant factors.

Statement II:

ZBB can be used more meaningfully in those areas where a direct relationship exists between the expenditure on an activity and its benefit to the enterprise.

Select the correct answer from the options given below -

- (A) Both Statement I and Statement II are correct
- (B) Statement I is correct but Statement II is incorrect
- (C) Statement II is correct but Statement I is incorrect
- (D) Both Statement I and Statement II are incorrect

51. Organizational control systems:

- (A) always penalize ethical decision making.
- (B) rely entirely on formal controls

(C) may help to embed corporate social responsiveness

(D) are just another name for budgeting

52. A risk management system should mean that a company will:

- (A) avoid all risks
- (B) reject any attempt to categorize risk
- (C) consider the likelihood of risks materializing
- (D) establish risk-avoiding controls irrespective of their costs

53. Zero-based budgeting:

- (A) is an approach to budgeting that solely applies to public sector organizations.
- (B) is an approach in which managers are required to justify all budgeted expenditures, not just changes in the budget from the previous year.
- (C) is best carried out on a quarterly basis
- (D) should be undertaken on a routine basis

Answers

1.	(B)	2.	(C)	3.	(D)	4.	(B)	5.	(A)	6.	(B)	7.	(B)
8.	(D)	9.	(A)	10.	(D)	11.	(D)	12.	(B)	13.	(B)	14.	(A)
15.	(C)	16.	(C)	17.	(C)	18.	(B)	19.	(A)	20.	(D)	21.	(B)
22.	(D)	23.	(A)	24.	(C)	25.	(C)	26.	(A)	27.	(C)	28.	(C)
29.	(C)	30.	(A)	31.	(B)	32.	(C)	33.	(A)	34.	(D)	35.	(C)
36.	(A)	37.	(C)	38.	(C)	39.	(D)	40.	(A)	41.	(B)	42.	(A)
43.	(A)	44.	(D)	45.	(D)	46.	(C)	47.	(A)	48.	(A)	49.	(C)
50.	(A)	51.	(C)	52.	(C)	53.	(B)						

RECENT TRENDS IN MANAGEMENT

Change Management

1. Organization is an open system and is influenced by change in its -
 - (A) Internal environment
 - (B) External environment
 - (C) Outside environment only
 - (D) Internal as well as external environment
2. _____ may be defined as a variation in the established way of life to which people are accustomed to in the organization.
 - (A) Change
 - (B) Resistance
 - (C) Decision
 - (D) Planning
3. External forces are the pressures arising within the organization.
 - (A) True
 - (B) False
 - (C) Partly false
 - (D) None of above
4. Which of the following can be classified as "internal forces"?
 - (A) Composition and policy of top management
 - (B) Educational and cultural forces
 - (C) Social forces
 - (D) Technological forces
5. Which of the following can be classified as "internal forces"?
 - (A) Economic forces
 - (B) Changes in employee attitudes, feelings and aspirations
 - (C) Political forces
 - (D) All of above
6. Which of the following can be classified as "external forces"?
 - (I) Technological forces
 - (II) Social forces
 - (III) Political forces

Select the correct answer from the options given below -

 - (A) (I)
 - (B) (II)
 - (C) (III)
 - (D) All of above
7. Which of the following can be classified as "external forces"?
 - (A) Political forces
 - (B) Educational and cultural forces
 - (C) Technological forces
 - (D) All of above
8. Overt, implicit, immediate or deferred such words are used in relation to -
 - (A) Total Quality Management (TQM)
 - (B) Motivation
 - (C) Resistance to change
 - (D) Morale
9. Threat to go on strike is ___ of resistance to change.
 - (A) An implicit expression
 - (B) An overt expression
 - (C) Deferred expression
 - (D) All of above
10. While resistance to change is not always dysfunctional, rather at times it can contribute to better decision-making and can be a source of functional conflict, it often obstructs beneficial changes.
 - (A) True
 - (B) False
 - (C) Partly false
 - (D) None of above
11. Which of the following is/are usually identified as the more important factor(s) responsible for people's resistance to change?

- (A) People find it easy to do what they have been doing and find it inconvenient to learn something new.
- (B) People in organization are interested to learn something new as they may get tired for doing regular things.
- (C) Change may bring increase in salary without increase in work load.
- (D) All of above
12. Which of the following is/are usually identified as the more important factor(s) responsible for people's resistance to change?
- (A) When people in course of doing or learning a new system experience failure.
- (B) Since change almost invariably brings with it a redistribution of power and influence, it tends to be opposed by those individuals and groups who are negatively affected by it.
- (C) People with traditional temperament know that change will expose their inadequacy and inefficiency, and, as such, they must oppose change.
- (D) All of above
13. Changes should be introduced in stages.
- (A) True
- (B) Partly true
- (C) False
- (D) None of above
14. Resistance to change may be -
1. Logical
 2. Psychological
 3. Sociological
- Select the correct answer from the options given below -
- (A) 1 only
- (B) 1 & 2
- (C) 2 & 3
- (D) 1, 2 & 3
15. Which of the following action is recommended for overcoming to resistance to change?
- (A) All the major changes should be introduced at a one time.
- (B) Changes should be introduced as surprise so that employees should not get any time for resistance.
- (C) Changes should be introduced by stages
- (D) All of above
16. Which of the following is correct in relation to "overcoming to resistance to change"?
- (A) Change should not cause security problems to the employees.
- (B) Introduction of change should be a surprise to personnel.
- (C) As far as possible, change should carry individual overtones.
- (D) All of above
17. Which of the following is correct in relation to "overcoming to resistance to change"?
- (A) Change should be properly planned.
- (B) Change is more effective if it is developed after due participation by all concerned.
- (C) Advice to specialized staff may be sought while introducing change.
- (D) All of above
18. Managers should also use their directional devices of _____ to develop acceptance to change.
- (A) Leadership
- (B) Leadership & motivations
- (C) Leadership motivations and communication
- (D) None of above
19. Minor changes are usually introduced by the -
- (A) Executive in charge of the activities
- (B) Top management
- (C) Neither (A) nor (B)
- (D) None of above
20. Three-Step Model for successful change in organizations was introduced by -
- (A) Quin Harris
- (B) W. Edwards Dening
- (C) Drs. Joseph Juran
- (D) Kurt Lewin
21. According to psychologist Kurt Lewin, which of the following is not a stage in the change process?
- (A) unfreezing
- (B) mediating
- (C) changing
- (D) refreezing
22. _____ is a method of scientific inquiry into the circumstances necessitating change and the action that may be taken thereon.
- (A) Status quo
- (B) Action research

- (C) Driving forces
(D) Freezing the status *quo*
23. Transformational change in an organization refers to -
(A) complete change in almost all aspects of the organization
(B) incremental change in which necessary improvements are made in the existing organization
(C) no change in any aspect of the organization
(D) none of the above
24. Which of the following is normally the cause of organizational change?
(A) technological development
(B) change in labour characteristics
(C) mergers, acquisitions, etc.
(D) all of the above
25. When employee resistance provokes a well-grounded debate and constructive criticism leading to improvements in the change process, it is called -
(A) positive resistance
(B) negative resistance
(C) passive resistance
(D) none of the above
26. Which type of employee resistance aims at ensuring the complete failure of change initiatives of the organization?
(A) positive resistance
(B) negative resistance
(C) passive resistance
(D) active resistance
27. Which of the following is not a symptom of employee resistance to change?
(A) increase in employee absenteeism
(B) non-participative and indifferent behaviour
(C) increase in performance and productivity
(D) unprofessional conduct
28. An example(s) of internal change forces is (are):
(A) inadequate communication
(B) problems in moral
(C) market competitors
(D) (A) & (B)
29. Employees may resist change for which of the following reason(s)?
(A) self interest
(B) habit and personal inertia
(C) fear
(D) all of the above
30. What do we mean by the term 'strategic change'?
(A) The changes that inevitably result in organizations as they evolve in a changing environment
(B) Planned change
(C) The proactive management of change to achieve strategic objectives
(D) An important organizational change
31. Changes in which of the following areas did you identify as the main causes of strategic change?
(i) Environment
(ii) Business relationships
(iii) Technology
(iv) People
- Select the correct answer from the options given below -*
(A) (i), (ii) and (v)
(B) (i), (ii), (iii)
(C) (ii), (iii) and (iv)
(D) All of the above
32. Which of the following is not one of the stages in Kurt Lewin's famous three-stage prescriptive model of change developed in the 1950s?
(A) Refreezing attitudes at the new level
(B) Unfreezing current attitudes
(C) Melting resistance
(D) Moving to a new level
33. Why might individuals resist organizational change?
(i) Lack of interest
(ii) Pessimism
(iii) Anxiety
(iv) Irritation
(v) Opposing strategy proposals
(vi) Personal ambitions
- Select the correct answer from the options given below -*
(A) (ii), (iii), (v) & (vi)
(B) (i), (ii) & (iv)
(C) (ii), (iv), (v) & (vi)
(D) All (i) to (vi)

34. Which of the following is not a way of overcoming resistance to change?
- (A) Involving those who resist in the change process
 - (B) Communication and discussion
 - (C) Bullying and harassing people into towing the line
 - (D) Using symbols to signify a new era

Crisis Management

35. _____ is the management and coordination of an organization's responses to an incident that threatens to harm, or has harmed, that organization's people, structures, ability to operate, valuables and/or reputation.
- (A) Resistance to change
 - (B) Ideal management
 - (C) Crisis management
 - (D) All of above
36. The study of crisis management originated with the large scale industrial and environmental disasters in the -
- (A) 1950's
 - (B) 1970's
 - (C) 1980's
 - (D) 1940's
37. _____ argues that "crisis is a process of transformation where the old system can no longer be maintained."
- (A) Venette
 - (B) Harris
 - (C) Juran
 - (D) Denning
38. _____ are the 'Acts of God'.
- (A) Workplace violence
 - (B) Confrontation crises
 - (C) Technological crisis
 - (D) Natural disaster
39. Which of the following cannot be called as natural disaster?
- (A) Volcanic eruptions
 - (B) Tornadoes
 - (C) Tsunamis
 - (D) Chernobyl disaster
40. Which of the following cannot be called as natural disaster?
- (A) Hurricanes
 - (B) Landslides
 - (C) Earthquakes
 - (D) Boycotts
41. Which of the following is/are technological crisis?
- (A) Volcanic eruptions
 - (B) Chernobyl disaster
 - (C) Tornadoes
 - (D) Tsunamis
42. _____ occurs when an employee or former employee commits violence against other employees on organizational grounds.
- (A) Rumours
 - (B) Crises of organizational misdeeds
 - (C) Confrontation crises
 - (D) Workplace violence
43. Which of the following can be treated as "confrontation crises"?
- (A) Sit-ins
 - (B) Disobeying police
 - (C) Boycotts
 - (D) All of above

TQM & Risk Management

44. TQM owes its genesis to post war research of American management consultants like -
- (A) Drs. Joseph Juran & W. Edwards Deming
 - (B) Dr. Eric Penfield & Dr. Wilder Penfield
 - (C) Dr. Eric Berne & W. Edwards Deming
 - (D) Drs. Joseph Juran & Dr. Wilder Penfield
45. Which of the following is not a key feature of Total Quality Management?
- (A) Continuous improvement
 - (B) Identifying customers and their needs
 - (C) Establishing clear specifications
 - (D) Teamwork, trust and empowerment
46. _____ collectively established a common set of quality standards known as ISO 9000.
- (A) European Economic Community
 - (B) American Economic Community
 - (C) Italian Economic Community
 - (D) Indian Economic Community
47. While ISO 9000-ISO 9003 series is a reference for external quality assurance, ISO 9004 is for _____

- (A) internal research & development
(B) internal management
(C) internal image among the employee
(D) internal quality management
48. As per TQM principles which of the following is problem -
(A) Process
(B) People
(C) Both process and people
(D) Government policy
49. Which of the following does not correctly depict the TQM principle?
(A) Every employee is responsible for quality.
(B) Quality is a long-term investment.
(C) People, not Processes, are the problem.
(D) All of the above
50. _____ is also considered as a structured approach in managing uncertainty related to a threat.
(A) Crises management
(B) Risk management
(C) Crises of organizational misdeeds
(D) None of above
51. The objective of risk management is to -
(A) To provide a structured framework for more effective strategic planning
(B) To ensure maximizing of opportunities and minimization of losses
(C) To widen management perspective and encourages initiative and pro-active behaviour
(D) All of above
52. Risk cannot be managed unless it is first _____
(A) Assessed
(B) Identified
(C) Measured
(D) Evaluated
53. It is a process of transformation where the old system can no longer be maintained -
(A) Crisis
(B) Stress Management
(C) TQM
(D) MBO
54. It is used to collectively describe all commercial transactions i.e., private and governmental, sales, investments, etc. that take place between two or more regions, countries and nations beyond their political boundary.
(A) International business
(B) Ordinary business
(C) Government business
(D) Political business
55. It has its origins from the field of corporate insurance -
(A) Stress management
(B) Management
(C) Crisis management
(D) Risk management
56. Certainty, Risk and Uncertainty are the three possible conditions of -
(A) Decision making
(B) Planning
(C) Risk management
(D) None of the above
57. A risk management system should mean that a company will:
(A) avoid all risks
(B) reject any attempt to categories risk
(C) consider the likelihood of risks materializing
(D) establish risk-avoiding controls irrespective of their costs
58. The process by which an organization deals with a major event that threatens to harm the organization, its stakeholders, or the general public is known as -
(A) Stress management
(B) Crisis management
(C) TQM
(D) None of the above
59. It is an approach that organizations use to improve their internal processes and increase customers satisfaction -
(A) TQM
(B) Stress management
(C) MBO
(D) Change management
60. Identification of opportunities and avoiding or mitigating losses is called -
(A) Risk management
(B) Stress management

(C) Change management

(D) Co-ordination

61. It refers to all those business activities which involves cross border transactions of goods, services, resources between two or more nations -

(A) International Business

(B) Domestic Business

(C) Internal Business

(D) None of the above

Answers

1.	(D)	2.	(A)	3.	(B)	4.	(A)	5.	(B)	6.	(D)	7.	(D)
8.	(C)	9.	(B)	10.	(A)	11.	(A)	12.	(D)	13.	(A)	14.	(D)
15.	(C)	16.	(A)	17.	(D)	18.	(C)	19.	(A)	20.	(D)	21.	(C)
22.	(B)	23.	(A)	24.	(D)	25.	(A)	26.	(B)	27.	(C)	28.	(D)
29.	(C)	30.	(D)	31.	(C)	32.	(D)	33.	(D)	34.	(C)	35.	(C)
36.	(C)	37.	(C)	38.	(D)	39.	(D)	40.	(D)	41.	(B)	42.	(D)
43.	(D)	44.	(A)	45.	(C)	46.	(A)	47.	(D)	48.	(A)	49.	(C)
50.	(B)	51.	(D)	52.	(B)	53.	(C)	54.	(A)	55.	(D)	56.	(A)
57.	(C)	58.	(B)	59.	(A)	60.	(A)	61.	(A)				

PART B

BUSINESS ETHICS

◆ BUSINESS ETHICS

1. Business Ethics is a code of conduct which society should follow while conducting their social activities.
 - (A) True
 - (B) False
 - (C) Partly true
 - (D) None of above
2. Business ethics has a _____ application.
 - (A) Natural
 - (B) Practical
 - (C) Universal
 - (D) Artificial
3. Which of the following Act made code of ethics mandatory for all organizations?
 - (A) The Companies Act, 2013
 - (B) The Sarbanes-Oxley Act, 2002
 - (C) The Partnership Act, 1932
 - (D) None of the above
4. Which of the following is a feature of business ethics?
 - (1) Business ethics has a universal application.
 - (2) It is a relative norm. It differs from business to business.
 - (3) Business ethics is based on well accepted moral and social values.

Select the correct answer from the options given below -

 - (A) (1)
 - (B) (2)
 - (C) (3)
 - (D) All the above
5. Which of the following is a feature of business ethics?
 - (A) Business ethics is based on well accepted moral and social values.
 - (B) Practice of business ethics gives protection to corporate and not to consumers.
 - (C) Business ethics provide road map to earn more profit in today's competitive world.
 - (D) All the above
6. _____ is about obeying and adhering to rules and authority.
 - (A) Ethics
 - (B) Code
 - (C) Conduct
 - (D) Compliance
7. The ethical issues in finance that companies and employees are confronted with include -
 - (A) Fraudulent asset valuations
 - (B) Insider trading
 - (C) Over billing of expenses
 - (D) All the above
8. The issues of ethics faced by HRM include _____
 - (A) Facilitation payments
 - (B) Securities fraud leading to manipulation of stock markets
 - (C) Discrimination issues
 - (D) Problems arising out of new technologies
9. The issues of ethics faced by HRM include
 - (A) Anti-competitive practices like manipulation of supply
 - (B) Sexual harassment
 - (C) Misleading advertisements
 - (D) All of above
10. The issues of ethics faced by marketing include
 - (A) Price discrimination
 - (B) Fraudulent asset valuations
 - (C) Issues affecting the privacy of the employer
 - (D) All of above
11. The issues of ethics faced by marketing include _____

- (A) Price fixing
 - (B) Price discrimination
 - (C) Price skimming
 - (D) All of above
12. The issues of ethics faced by marketing include -
- (A) Black markets, grey markets
 - (B) Occupational safety and health
 - (C) Affirmative action
 - (D) Minimize loses
13. Issues affecting the privacy of the employee -
- (A) Anti-competitive practices
 - (B) Workplace surveillance
 - (C) Drug testing
 - (D) (B) and (C)
14. The issues of ethics faced by production include:
- (A) Product testing ethics
 - (B) Defective, addictive and inherently dangerous products
 - (C) Ethical problems arising out of new technologies
 - (D) All of above
15. Scope of ethics in business is in which area(s) -
- (A) Compliance
 - (B) Finance & HR
 - (C) Marketing and Production
 - (D) All of the above
16. An organization has to behave ethically because it has to exist in the competitive environment.
- (A) False
 - (B) True
 - (C) Partly true
 - (D) None of above
17. Reasons why business should act ethically: _____
- (A) To protect its own interest and of the business community as a whole.
 - (B) To increase its profitability
 - (C) To minimize loses
 - (D) All of above
18. Reasons why business should act ethically:
- (A) To keep its commitment to society to act ethically.
 - (B) To meet stakeholder expectations.
 - (C) To protect their employees and their reputation.
 - (D) All of above
19. Which of the following reason is/are applicable for unethical business practices?
- (A) Well organized consumer movement
 - (B) Commitment to society
 - (C) Greed for quick money
 - (D) Laws, rules and regulations
20. Which of the following reason is/are applicable for unethical business practices?
- (A) Workplace surveillance
 - (B) Administrative corruption
 - (C) Profit making by some of the big companies
 - (D) All of above
21. Which of the following reason is/are applicable for unethical business practices?
- (A) Absence of well organized consumer movement
 - (B) No government support
 - (C) Greed for quick money
 - (D) All of above
22. Measures to improve ethical behaviour of business are framed at which level -
- (A) Institutional level
 - (B) Government level
 - (C) Societal level
 - (D) All of the above
23. Government has placed certain awards like Indira Gandhi Paryavaran Puruskar; the Indira Gandhi Priyadarshini Award for those individuals who carry on in India.
- (A) Profitable business
 - (B) Ethical business
 - (C) Good corporate governance
 - (D) All of above
24. Which of the following is not a reason for business to act ethically?
- (A) To protect its own interest and of the business community as a whole
 - (B) To meet stakeholder expectations
 - (C) To build trust with key stakeholder groups
 - (D) To not protect their employees and their reputation

25. Ethical executives abide by relating to their business activities.
- (A) Laws
 - (B) Rules
 - (C) Laws, rules and regulations
 - (D) None of above
26. Which of the following is not a dimension of Corporate Social Responsibility?
- (A) Economic
 - (B) Legal
 - (C) Voluntary
 - (D) Emotional
27. Which of the following is a 'business practice' towards Government?
- (A) Ensure safety of their money and timely payment of interest
 - (B) Rules and regulations regarding taxes, duties, restrictive and monopolistic trade practices should be adhered to.
 - (C) Unscrupulous tactics and methods should be avoided while handling them
 - (D) None of the above
28. Sarbanes-Oxley Act of 2002 is named after which of the following experts?
- (A) Aristotle
 - (B) Senator Paul Sarbanes
 - (C) Michael Oxley
 - (D) Both (A) & (B)
29. Fraudulent asset valuations, insider trading, securities fraud leading to manipulation of the financial markets and executive compensation etc. are a part of scope in -
- (A) Production
 - (B) Compliance
 - (C) Finance
 - (D) HR
30. State as to why a business should behave ethically?
- (A) To unprotect its own interest and of the business community as a whole
 - (B) To keep its commitment to society to act ethically
 - (C) To not meet stakeholder expectations
 - (D) To build distrust with key stakeholder groups.
31. Ethics in compliance means
- (A) It is about obeying and adhering to rules and authority
 - (B) It deals with the moral principles behind the operation and regulation of marketing
 - (C) It deals with the duties of a company to ensure that products and production processes do not cause harm
 - (D) None of the above
32. Ethics has become the buzzword in the corporate world because of
- (A) Globalization
 - (B) Communication explosion
 - (C) Exploitation
 - (D) Both (A) and (B)
33. Companies which are responsive to employees' needs have
- (A) Profits
 - (B) Lower turnover in staff
 - (C) Staff Satisfaction
 - (D) Strikes
34. A business should have which kind of an approach?
- (A) Profit earning
 - (B) Social responsibility
 - (C) Both (A) and (B)
 - (D) Either (A) and (B)
35. Which functional area in business ethics is about obeying and adhering to rules and authority-
- (A) Ethics in compliance
 - (B) Ethics in finance
 - (C) Ethics in production
 - (D) None of the above
36. Which of the following is an unethical business practice?
- (A) Collusion
 - (B) False Communication
 - (C) Insider Trading
 - (D) All the above
37. Which of the following is known as statements of value and principles that define the purpose of the organization?
- (A) Code of Ethics
 - (B) Code of Practices

- (C) Code of Behaviour
(D) Code of Management
38. Which of the following is not a 'code of conduct'?
- (A) Code of ethics
(B) Code of practices
(C) Code of behaviour
(D) Code of management
39. They are concerned about ethics, social responsibility and reputation of the company in which they invest -
- (A) Employees
(B) Employers
(C) Investors
(D) Students
40. Administrative corruption includes "gifts" to the
- (A) Factory inspector
(B) Boiler inspector
(C) Pollution control board inspectors
(D) All of the above
41. Compliance is about obeying and adhering to
- (A) Rules and authority
(B) Discipline
(C) Laws
(D) All of the above
42. Business Ethics is a code of conduct which businessmen should follow while conducting their
- (A) Normal activities
(B) Special activities
(C) Specific activities
(D) None of the above
43. Business ethics cannot be enforced by
- (A) Governance
(B) Businesses
(C) Law
(D) None of the above
44. Corporate entities are legally considered as persons in
- (A) USA
(B) Japan
(C) China
(D) None of the above
45. The idea of business ethics caught the attention of academics, media and business firms by the end of the -
- (A) First world war
(B) Second world war
(C) Cold war
(D) None of the above
46. Business ethics is based on well accepted _____
- (A) Moral and social values
(B) Social values only
(C) Moral values only
(D) None of the above
47. An expert who is confidentially available to solve the ethical dilemmas is known as -
- (A) Ethic coach
(B) Ethics trainer
(C) Ethics guide
(D) None of the above
48. A set of principles and expectations that are considered binding on any person who is member of a particular group is known as -
- (A) Code of ethics
(B) Values
(C) Ethics
(D) None of the above
49. Business ethics has a _____ application.
- (A) Universal
(B) Natural
(C) Practical
(D) None of the above
50. The term 'business ethics' came into common use in year -
- (A) 1680
(B) 1780
(C) 1980
(D) 1970
51. The process where a person informs on another or makes public disclosure of corruption or wrongdoing -
- (A) Endeavour
(B) Whistle blowing
(C) Dilemmas
(D) Veteran

52. Ethics are moral principles and values which.....
- (A) Guide a firm's behaviour
 - (B) Govern the actions of an individual
 - (C) Provide employees with rules on how to behave
 - (D) Are legally enforceable
53. CSR stands for...
- (A) Customer Satisfaction Ratios
 - (B) Corporate Sales Returns
 - (C) Customer Sales Ratios
 - (D) Corporate Social Responsibility
54. Truthfulness in marketing communications is an example of:
- (A) Ethics
 - (B) Business ethics
 - (C) Marketing ethics
 - (D) Corporate Social Responsibility
55. Tobacco companies have been criticized for marketing cigarettes which are said to cause lung cancer. In this example, which element of the marketing mix is considered to be at blame?
- (A) Product
 - (B) Price
 - (C) Promotion
 - (D) Place
56. Exaggerated claims made by promotional marketing communications are referred to as
- (A) Deceptive selling
 - (B) Marketing misdemeanour
 - (C) Misleading advertising
 - (D) Sugging
57. An individual who owns status symbols such as designer wear and high-tech gadgets could be accused of...
- (A) Short-termism
 - (B) Environmentalism
 - (C) Socialism
 - (D) Materialism
58. A company promoting 'tasty' fatty foods that might lead to consumers suffering from heart disease and obesity could be accused of
- (A) Deceptive selling
 - (B) Misleading advertising
 - (C) Invasion of privacy
 - (D) Short-termism
59. In which dimension of CSR responsibility would you classify the issue of recycling and non-wasteful packaging?
- (A) Consumer
 - (B) Social and community involvements
 - (C) Physical environment
 - (D) Employee relations
60. One aim of societal marketing is to
- (A) Consider consumers needs and long-term welfare
 - (B) Encourage satisfaction of short-term needs
 - (C) Demand support from local communities
 - (D) Form partnerships which benefit the selling organization
61. Which of the following is not a criticism of CSR
- (A) CSR is too costly
 - (B) CSR encourages cynicism
 - (C) CSR leads to enhanced brand reputation
 - (D) CSR is misguided
62. The four types of social responsibility include:
- (A) Legal, philanthropic, economic, and ethical
 - (B) Ethical, moral, social, and economic
 - (C) Philanthropic, justice, economic, and ethical
 - (D) Legal, moral, ethical, and economic
63. All definitions of Corporate Social Responsibility recognize that:
- (A) Companies have a responsibility for their impact on society and environment.
 - (B) The natural environment should be the main focus of CSR activities.
 - (C) Business ethics is a complex issue.
 - (D) Companies must pay equal attention to business ethics and sustainability.
64. Business ethics deals primarily with -
- (A) Social responsibility
 - (B) The pricing of products and services
 - (C) Moral obligation
 - (D) Being unfair to the competition
65. Ethics are important because -
- (A) Suppliers prefer to deal with ethical companies.
 - (B) Customers prefer to deal with ethical companies.

- (C) Employees prefer to deal with ethical companies.
(D) All of the choices
66. A worker is most likely to behave ethically and legally when -
(A) A manager observes his or her behaviour closely.
(B) The worker has intense morals.
(C) The consequences of the act are minor.
(D) The consequences of the act are substantial.
67. Workers will often behave unethically because -
(A) They have planned to be unethical.
(B) They come from dysfunctional families.
(C) Other issues seem more important at the time.
(D) Management pressures them into unethical behaviour.
68. Unethical behaviour is often triggered by -
(A) Pressure from higher management to achieve goals.
(B) An organizational atmosphere that condones such behaviour.
(C) Both (A) & (B)
(D) A system of checks and balances.
69. Fairness in employment practices centers on -
(A) Hiring no family members or friends.
(B) Giving people equal rewards for accomplishing the same tasks.
(C) Obeying equal employment opportunity legislation.
(D) Avoiding conflicts of interest.
70. Which one of the following is not recommended as a method for a company to protect itself against sexual harassment charges?
(A) Develop a zero-tolerance policy on harassment and communicate it to employees.
(B) Retaliate swiftly against employees who bring forth charges of harassment.
(C) Give swift and sure punishment to harassers.
(D) Train managers at all levels on sexual harassment issues.
71. Team leader Gopal is scheduled to prepare a performance of Kavita, a team member who also happens to be his wife's closest friend. The ethical temptation Gopal faces is -
(A) Sexual harassment.
(B) Misuse of corporate resources.
(C) Dealing with confidential information.
(D) Conflict of interest.
72. The *ethical dilemma* of choosing between two rights refers to
(A) Choosing between the lesser of two evils.
(B) Deciding which of two employee rights is the most important.
(C) Deciding to offer a bribe or lose out on an important opportunity.
(D) Choosing between the two types of sexual harassment.
73. A socially responsible mutual fund will only purchase stocks in companies that -
(A) Have a no-smoking policy in place.
(B) Have a culturally diverse management team.
(C) Hire some job candidates who are HIV positive.
(D) Have good social performance.
74. A whistle blower is an employee who -
(A) Exposes organizational wrongdoing.
(B) Complains a lot to company management.
(C) Engages in unethical behaviour.
(D) Referees disputes with other employees.
75. A recommended way of minimizing unethical behaviour is for employees to
(A) Write anonymous notes to ethical violators.
(B) Immediately report all suspicious behaviour to top management.
(C) Spend part of their vacation preparing a personal philosophy of ethics.
(D) Confront fellow employees about ethical deviations.
76. *Statement X:*
In some situations a company action can be legal, yet still unethical.
Statement Y:
Ethics is the study of moral obligation, or separating right from wrong.
Select the correct answer from the options given below -
(A) Statement X is correct but Statement Y is false.
(B) Both Statement X and Y are false.
(C) Statement Y is correct but Statement X is false.
(D) Both Statement X and Y are true.

ANSWERS

1.	(A)	2.	(C)	3.	(B)	4.	(D)	5.	(A)	6.	(D)	7.	(D)
8.	(C)	9.	(B)	10.	(A)	11.	(D)	12.	(A)	13.	(D)	14.	(D)
15.	(D)	16.	(B)	17.	(A)	18.	(D)	19.	(C)	20.	(B)	21.	(D)
22.	(D)	23.	(B)	24.	(D)	25.	(C)	26.	(D)	27.	(B)	28.	(D)
29.	(C)	30.	(B)	31.	(A)	32.	(D)	33.	(B)	34.	(C)	35.	(A)
36.	(D)	37.	(A)	38.	(D)	39.	(C)	40.	(D)	41.	(A)	42.	(A)
43.	(C)	44.	(A)	45.	(C)	46.	(A)	47.	(A)	48.	(A)	49.	(A)
50.	(D)	51.	(B)	52.	(B)	53.	(D)	54.	(C)	55.	(A)	56.	(C)
57.	(D)	58.	(D)	59.	(C)	60.	(A)	61.	(C)	62.	(A)	63.	(A)
64.	(C)	65.	(D)	66.	(D)	67.	(C)	68.	(C)	69.	(B)	70.	(B)
71.	(D)	72.	(A)	73.	(D)	74.	(A)	75.	(D)	76.	(D)		

PART C

BUSINESS COMMUNICATION

- ◆ BUSINESS COMMUNICATION
- ◆ ESSENTIALS OF GOOD ENGLISH
- ◆ BUSINESS CORRESPONDENCE
- ◆ INTER-DEPARTMENTAL COMMUNICATION
- ◆ E-CORRESPONDENCE

Concept, Characteristics & Importance of Communication

1. Communication is a process by which information is exchanged between individuals through a common system of -

(X) Symbols
(Y) Signs
(Z) Behaviour

Select the correct answer from the options given below -

- (A) (X) and (Y)
(B) (Y) and (Z)
(C) (X) and (Z)
(D) All of the above
2. When one communicates to transact some commercial activity i.e., providing goods or services, with the intention of generating profits, then it is termed as -
- (A) Informal communication
(B) Social communication
(C) Self communication
(D) Business communication
3. "Colleges teach the one thing that is perhaps most valuable for the future employees to know. This one basic skill is to organize and express ideas in writing and speaking." This is said by -
- (A) Peter Drucker
(B) Henry Fayol
(C) Adam Smith
(D) Fredrick Taylor
4. As per Plain Language Commission, USP means -
- (A) Unique Sales Position
(B) United Selling Proposition
(C) Unique Selling Proposition
(D) Unique Selling Participation
5. Plain Language Commission insisted that the USP (Unique Selling Proposition) of Business English should be:

(A) Simplicity
(B) Clarity
(C) (A) or (B)
(D) (A) & (B)

6. Communication is essentially a _____ process.

(A) One-way
(B) Two-way
(C) Simple
(D) Complicated

7. Which of the following is an essential part of communication?

(A) Reply
(B) Acknowledgement
(C) Feedback
(D) Repetition

8. Communication is not an ongoing process.

(A) False
(B) True
(C) Partly false
(D) None of above

9. Communication is essential -

(A) In all types of organizations
(B) At all levels of management
(C) (A) or (B)
(D) (A) & (B)

10. _____ is a written or a spoken message that uses words to exchange ideas/information.

(A) Non-verbal communication
(B) Verbal communication
(C) Informal communication
(D) Both (A) and (B)

11. _____ is an unspoken or unwritten message that uses body language.

(A) Non-verbal communication
(B) Verbal communication

- (C) Informal communication
(D) Both (A) and (B)
12. Which of the following is non verbal communication?
(X) Oral communication
(Y) Written communication
(Z) Audio-visual communication
Select the correct answer from the options given below -
(A) (X)
(B) (Y)
(C) (Z)
(D) None of the above
13. Which of the following is non-verbal communication?
P. Body language
Q. Visual communication
R. Audio-visual communication
Select the correct answer from the options given below -
(A) R
(B) Q
(C) P
(D) None of the above
14. Which of the following is verbal communication?
(I) Facial expressions
(II) Gestures
(III) Audio-visual communication
Select the correct answer from the options given below -
(A) (I)
(B) (II)
(C) (III)
(D) (I) & (II)
15. Non-verbal communication includes -
I. Movements
II. Meetings
III. Eye contact
IV. Conferences
V. Nodding the head
Select the correct answer from the options given below -
(A) II, IV, I
(B) III, V, IV
(C) I, V, II
(D) V, I, III
16. Which of the following is not example of written communication?
(A) Memo
(B) Office order
(C) Circulars
(D) TV news
17. Which of the following is example of written communication?
(A) Notice, agenda, notes on agenda
(B) Minutes of meetings
(C) Leaflet/Brochure/Handbills
(D) All of above
18. Which of the following is not advantage of written communication?
(A) It takes much more time to compose a message in writing.
(B) The use of headings and bullets enable us to organize the material for better understanding.
(C) It also enables us to revise the contents if we find them unsuitable for the recipient from the point of view of clarity or interest.
(D) All of above
19. Which of the following is not requirement(s) of effective written communication?
(A) Inoffensive language
(B) Coherent presentation
(C) Careful listening
(D) All of above
20. Language used in communication should be -
(A) Inoffensive
(B) Complicated
(C) Offensive
(D) (B) & (C)
21. Research studies have shown that ____ of communication by executives of a company is in the oral form.
(A) 80%
(B) 100%
(C) 10%
(D) 20%
22. Which of the following cannot be treated as oral communication?
(A) Meetings/Conferences
(B) Radio

- (C) Facial expressions
(D) All of above
23. Which of the following can be treated as oral communication?
- Brainstorming sessions
 - Grapevine
 - Eye contact
 - Presentation
 - Radio listening
 - Minutes of meetings
- Select the correct answer from the options given below -*
- (i), (iii), (iv), (v)
 - (iv), (v), (ii), (i) & (vi)
 - (ii), (iv), (v), (iii)
 - (i), (ii), (v)
24. Which of the following provide immediate & quick feedback?
- Written communication
 - Radio listening
 - Oral communication
- Select the correct answer from the options given below -*
- (Y)
 - (X)
 - (Z)
 - All of above
25. Which of the following can be treated as a part of visual communication?
- Grapevine
 - Brainstorming sessions
 - Neon hoardings
 - All of above
26. Which of the following can be treated as a part of audio-visual communication?
- Pagers
 - Television
 - Video conferencing
 - All of above
27. Arrange the process of communication in proper form.
- Encoding, Decoding, Message, Feedback, Sender, Receiver
- Message, Sender, Encoding, Decoding, Receiver, Feedback
 - Sender, Message, Encoding, Receiver, Decoding, Feedback
 - Sender, Message, Receiver, Encoding, Feedback, Decoding,
 - Sender, Encoding, Decoding, Message, Receiver, Feedback
28. There are _____ C's of effective communication
- Five
 - Seven
 - Three
 - Ten
29. Which of the following is/are not seven C's of effective communication?
- Clarity of expression
 - Conciseness of message
 - Courtesy towards recipient
 - Co-ordination in work
30. Which of the following is/are not seven C's of effective communication?
- Completeness of information
 - Consideration for receiver
 - Cooperation in work place
 - Correctness of facts
31. There must be at least three persons to allow the completion of the process in interpersonal communication.
- False
 - True
 - Partly false
 - None of the above
32. Oral communication consumes more time compared to written communication.
- False
 - True
 - Partly false
 - None of the above
33. Lack of planning acts as a communication barrier.
- False
 - True
 - Partly false
 - None of the above
34. When people within the organization communicate with each other, it is said to be -
- An informal communication

- (B) An internal communication
(C) External communication
(D) Non-verbal communication
35. People also communicate within the organization at a personal level this is known as -
(A) An informal communication
(B) An internal communication
(C) Grapevine
(D) (A) or (C)
36. When the people in an organization communicate with anyone outside the organization it is called -
(A) An informal communication
(B) An internal communication
(C) External communication
(D) Non-verbal communication
37. The flow or pattern of communication may be -
(A) Downward
(B) Upward
(C) Diagonal
(D) Any of the above
38. Failure to communicate effectively in organizations is also known as -
(A) Flow of communication
(B) Communication failures
(C) Barriers to communication
(D) None of above
39. Communication is an _____ process.
(A) Ongoing
(B) One way
(C) Three way process
(D) None of the above
40. Memo, Report, Office Order, Circulars, Staff Newsletters, Fax etc. are the form of -
(A) Non-verbal communication
(B) Written communication
(C) Oral communication
(D) Audio visual communication
41. Facial expressions; Gestures; Eye contact; Nodding the head and Physical appearances are the form of -
(A) Verbal communication
(B) Non-verbal communication
(C) Oral communication
(D) Visual communication
42. Inoffensive language is a sure way to -
(A) Build goodwill and reputation
(B) Break relationships
(C) Attract untalented staff
(D) All of the above
43. This type of communication flow usually takes place between people of the same status/level of hierarchy in the organization.
(A) Downward flow
(B) Horizontal flow
(C) Vertical flow
(D) Upward flow
44. In business, the purpose of writing is mainly to:
(A) Inform
(B) Persuade
(C) Both inform and persuade
(D) Entertain
45. The principles of effective writing include:
(X) Brevity
(Y) Clarity
(Z) Accuracy
Select the correct answer from the options given below -
(A) (X)
(B) (Y)
(C) (Z)
(D) All of the above
46. Communication is the task of imparting _____
(A) Training
(B) Information
(C) Knowledge
(D) Message
47. Select the statement about business communication that is not true
(A) Business Communication may be upward or downward.
(B) Business communication takes many forms- oral, print and electronic
(C) In business you will be judged on your professional expertise, not your communication ability.
(D) If you communicate well, you are likely to be promoted.
48. When we consider the communication activities of an organization from an overall point of view, the activities fall into three broad categories:

- (A) electronic, face-to-face, and internal
 (B) external operational, external, and personal
 (C) internal operational, external operational, and personal
 (D) operational, face-to-face, and personal
49. In the workplace, internal personal communication _____
 (A) is unacceptable
 (B) can have a significant impact on the success of the operation
 (C) should be encouraged with no restrictions
 (D) all of the above
50. An email message sent from the production supervisor to a customer is classified:
 (A) external-operational communication
 (B) internal-operational communication
 (C) personal communication
 (D) none of the above
51. Which of the following is not an example of internal-operational communication?
 (A) giving directives
 (B) constructing reports
 (C) placing orders with suppliers
 (D) requesting data from subordinates
52. Mark the most inappropriate comment about the grapevine in an organization:
 (A) Wise managers ignore it.
 (B) It carries much gossip and rumor.
 (C) It carries more information than the formal communication network.
 (D) Its nature will depend upon the organization's members.
53. Which of the following is not true of business communication as a problem-solving activity?
 (A) There is one best solution to each business communication problem.
 (B) The business communication process may involve some backtracking rather than following a strictly linear path.
 (C) Solving business communication problems involves creativity and judgment as well as research and analysis.
 (D) The basic plans for common types of business messages need to be adapted to each situation.

Answers

1.	(D)	2.	(D)	3.	(A)	4.	(C)	5.	(D)	6.	(B)	7.	(C)
8.	(A)	9.	(D)	10.	(B)	11.	(A)	12.	(D)	13.	(C)	14.	(C)
15.	(D)	16.	(D)	17.	(D)	18.	(A)	19.	(C)	20.	(A)	21.	(A)
22.	(C)	23.	(D)	24.	(C)	25.	(C)	26.	(D)	27.	(B)	28.	(B)
29.	(D)	30.	(C)	31.	(A)	32.	(A)	33.	(B)	34.	(B)	35.	(D)
36.	(C)	37.	(D)	38.	(C)	39.	(A)	40.	(B)	41.	(B)	42.	(A)
43.	(B)	44.	(C)	45.	(D)	46.	(B)	47.	(C)	48.	(A)	49.	(B)
50.	(A)	51.	(C)	52.	(A)	53.	(A)						

ESSENTIALS OF GOOD ENGLISH

Jargon, Homonyms, Synonyms, Antonyms

- _____ means language that is special to science, technology, art, trade or profession.
 - Verbosity
 - Boli bhasha
 - Jargon
 - Any of the above
- Jargon means language which is special to different fields of knowledge.
 - True
 - False
 - Partly false
 - None of above
- An expressive style that uses excessive or empty words is known as -
 - Verbosity
 - Homonyms
 - Jargon
 - Antonyms
- There are several pairs or groups of words that are similar in sound but are different in spelling and meaning. These are called -
 - Synonyms
 - Antonyms
 - Homonyms
 - Jargon
- Identify 'Homonyms' from the following pair of words?
 - Unusual-Unnatural
 - Additional-Auxiliary
 - Delight-Enjoyment
 - Access-Excess
- Identify 'Homonyms' from the following pair of words?
 - Easy-Simple

(Y) Accident-Incident

(Z) Berth-Birth

Select the correct answer from the options given below -

- (X), (Y) & (Z)
 - (X) & (Y)
 - (Y) only
 - (Y) & (Z)
- Identify 'Homonyms' from the following pair of words?
 - Competent-Capable
 - Advice-Advise
 - Silly-Ridiculous
 - Proficient-Skilled
 - Identify Homonyms from the following pair of words?
 - Affect-Effect
 - Bankrupt-Solvent
 - Bold-Timid
 - Deep-Shallow
 - Identify 'Homonyms' from the following pair of words?
 - Bare-Bear
 - Eulogy-Encomium
 - Slander-Malign

Select the correct answer from the options given below -

 - I
 - II
 - III
 - All of above
 - Identify 'Homonyms' from the following pair of words?
 - Wearisome-Drudging
 - Prosper-Flourish
 - Healthy-Healing
 - Casual-Causal

11. Identify 'Homonyms' from the following pair of words?
 (A) Pertinent-Germane
 (B) Silent-Reserved
 (C) Dull -Stupid
 (D) Check-Cheque
12. Identify 'Homonyms' from the following pair of words?
 (A) Leave-Forsake
 (B) Competent-Capable
 (C) Decease-Disease
 (D) None of above
13. Identify 'Homonyms' from the following pair of words?
 (A) Refrain-Withhold
 (B) Dependent-Dependant
 (C) Shorten-Curtail
 (D) None of above
14. Identify 'Homonyms' from the following pair of words?
 (A) Distress-Sorrow
 (B) Device-Devise
 (C) Sufficient-Satisfactory
 (D) Moralizing-Preach
15. Identify 'Homonyms' from the following pair of words?
 (A) Elicit-Illicit
 (B) Skill-Deftness
 (C) Excessive-Wasteful
 (D) Deadly-Disastrous
16. Identify 'Homonyms' from the following pair of words?
 (A) Dangerous-Risky
 (B) Delight-Enjoyment
 (C) Negligent-Careless
 (D) Exhausting-Exhaustive
17. Identify 'Homonyms' from the following pair of words?
 (A) Ability- Inability
 (B) Abnormal-Normal
 (C) Accord-Discord
 (D) Emigrant-Immigrant
18. Identify 'Homonyms' from the following pair of words?
 (A) Arrogant-Humble
 (B) Ghastly-Ghostly
 (C) Guilty-Innocent
 (D) Heavy-Light
19. Identify 'Homonyms' from the following pair of words?
 (A) Human-Humane
 (B) Natural-Artificial
 (C) Outward-Inward
 (D) Zenith-Nadir
20. Identify 'Homonyms' from the following pair of words?
 (A) Lose-Loose
 (B) Diligent-Dilatory
 (C) Economical-Extravagant
 (D) Flexible-Rigid
21. Identify 'Homonyms' from the following pair of words?
 (X) Negligent-Negligible
 (Y) Persecute-Prosecute
 (Z) Practice-Practise
 Select the correct answer from the options given below -
 (A) (X) & (Y)
 (B) (Y) & (Z)
 (C) (X) & (Z)
 (D) All of above
22. Identify 'Homonyms' from the following pair of words?
 (A) Root-Route
 (B) Bad-Good
 (C) Route-Rout
 (D) (A) & (C)
23. Identify 'Homonyms' from the following pair of words?
 (A) Union-Unity
 (B) Beginning-Ending
 (C) Bright-Dull
 (D) Criminal-Lawful

24. Match the following:

<i>List-I</i>	<i>List-II</i>
P. Homonyms	1. Abdicate
Q. Antonym	2. Words that have very nearly the same meaning
R. Formally put an end to	3. Abolish
S. Synonyms	4. Word opposite or contrary in meaning to another word.
	5. Words that are similar in sound but are different in spelling and meaning

Select the correct answer from the options given below -

	P	Q	R	S
(A)	5	4	1	2
(B)	5	4	3	2
(C)	4	5	3	2
(D)	5	2	3	4

25. Identify 'Synonyms' from the following pair of words?

- (A) Gentle-Rough
- (B) Root-Route
- (C) Adequate-Satisfactory
- (D) None of above

26. Identify 'Synonyms' from the following pair of words?

- (A) Accumulate-Collect
- (B) Route-Rout
- (C) Refuge-Refuse
- (D) None of above

27. Identify 'Synonyms' from the following pair of words?

- (A) Genuine-Spurious
- (B) Accessory-Auxiliary
- (C) Humble-Proud
- (D) None of above

28. Identify 'Synonyms' from the following pair of words?

- (A) Yield-Resist
- (B) Abridge-Shorten
- (C) Virtue-Vice
- (D) None of above

29. Identify 'Synonyms' from the following pair of words?

- (A) Able-Competent
- (B) Popular-Populous
- (C) Tense-Relax
- (D) None of above

30. Identify 'Synonyms' from the following pair of words?

- (A) Visible-Invisible
- (B) Plain-Plane
- (C) Abhor-Hate
- (D) None of above

31. Identify 'Synonyms' from the following pair of words?

- (A) Thick-Thin
- (B) Persecute-Prosecute
- (C) Affliction-Sorrow
- (D) None of above

32. Identify 'Synonyms' from the following pair of words?

- (A) Rear-Front
- (B) Adherent-Follower
- (C) Observance-Observation
- (D) None of above

33. Identify 'Synonyms' from the following pair of words?

- (A) Original-Duplicate
- (B) New-Old
- (C) Adept-Proficient
- (D) None of above

34. Identify 'Synonyms' from the following pair of words?

- (A) Permanent-Temporary
- (B) Negligent-Negligible
- (C) Achieve-Accomplish
- (D) None of above

35. Identify 'Synonyms' from the following pair of words?

- (A) Momentous-Memento
- (B) Human-Humane
- (C) Abundant-Plentiful
- (D) Momentary-Momentous

36. Identify 'Synonyms' from the following pair of words?

- (A) Quiet- Noisy
(B) Absolute-Unrestricted
(C) Emigrant-Immigrant
(D) None of above
37. Identify 'Synonyms' from the following pair of words?
(A) Abstain-Refrain
(B) Receive-Give
(C) Safe-Vulnerable
(D) None of above
38. Identify 'Synonyms' from the following pair of words?
(A) Smart-Stupid
(B) Exhausting-Exhaustive
(C) Abnormal-Unnatural
(D) None of above
39. Identify 'Synonyms' from the following pair of words?
(A) Virtue-Vice
(B) Omission-Addition
(C) Elicit-Illicit
(D) Abandon-Leave
40. Identify 'Synonyms' from the following pair of words?
(A) Brisk-Lively
(B) Device-Devise
(C) Omission-Addition
(D) None of above
41. Identify 'Synonyms' from the following pair of words?
(A) Dependent-Dependant
(B) Candid-Sincere
(C) Smart-Stupid
(D) None of above
42. Give the 'Antonym' for the word: Zenith -
(A) Zeal
(B) Nadir
(C) Culmination
(D) Summit
43. Give the 'Antonym' for the word: Virtue -
(A) Vertical
(B) Visible
(C) Vice
(D) None of above
44. Give the 'Antonym' for the word: Sane -
(A) Insane
(B) Safe
(C) Smart
(D) None of above
45. Give the 'Antonym' for the word: Quiet -
(A) Quick
(B) Pleasure
(C) Noisy
(D) None of above
46. Give the 'Antonym' for the word: Peace -
(A) Temporary
(B) War
(C) Pain
(D) None of above
47. Give the 'Antonym' for the word: Omission -
(A) Addition
(B) Inclusion
(C) (A) & (B)
(D) None of above
48. Give the 'Antonym' for the word: Untidy -
(A) Neat
(B) New
(C) Old
(D) None of above
49. Give the 'Antonym' for the word: Quiet -
(A) Soft
(B) Loud
(C) Mad
(D) None of above
50. Give the 'Antonym' for the word: Plentiful -
(A) Meager
(B) Merit
(C) Minimum
(D) None of above
51. Give the 'Antonym' for the word: Stagnation -
(A) Genuine
(B) Growth
(C) Guilty
(D) None of above
52. Give the 'Antonym' for the word: Inferior
(A) Incomplete

- (B) Inaction
(C) Smart
(D) Superior
53. Give the 'Antonym' for the word: Timid -
(A) Bold
(B) Beginning
(C) Cold
(D) None of above
54. Give the 'Antonym' for the word: Suave -
(A) Decrease
(B) Increase
(C) Expensive
(D) Caustic
55. Give the 'Antonym' for the word: Dilatory
(A) Lazy
(B) Diligent
(C) Distance
(D) None of above
56. Give the 'Antonym' for the word: Abundance -
(A) Inactive
(B) Inaction
(C) Insufficiency
(D) Increase
57. Give the 'Antonym' for the word: Ability -
(A) Inability
(B) Liability
(C) Abnormality
(D) None of above
58. Give single word for group of words:
To sway to and fro, to show indecision -
(A) Vendetta
(B) Vacillate
(C) Vandal
(D) None of above
59. Give single word for group of words:
Renounce a throne, high office of dignity
(A) Abdicate
(B) Abbreviation
(C) Acoustics
(D) Acrobat
60. Give single word for group of words:
To transform into a purer or idealized form -
(A) Quisling
(B) Philistine
(C) Philanthropist
(D) Sublimate
61. Give single word for group of words:
Often lost in thought and unaware of one's surroundings -
(A) Absent-minded
(B) Connoisseur
(C) Dilemma
(D) None of above
62. Give single word for group of words:
One who is hostile or indifferent to culture and the arts -
(A) Philistine
(B) Philanthropist
(C) Numismatics
(D) Malcontent
63. Give single word for group of words:
Living both on land and in water -
(A) Cosmopolitan
(B) Flora
(C) Amphibious
(D) Benefactor
64. Give single word for group of words:
An exact copy, especially of written or printed material -
(A) Machine that copies printed material
(B) Sublimate
(C) Opportune
(D) Facsimile
65. Give single word for group of words:
The study or collection of coins, bank notes and medals -
(A) Philistine
(B) Philanthropist
(C) Numismatics
(D) Malcontent

66. Give single word for group of words:

The study and collection of postage stamps -

- (A) Philanthropist
- (B) Philately
- (C) Panacea
- (D) Collector

67. Match the following:

<i>List-I</i>	<i>List-II</i>
P. Shortened form of a word or phrase	1. Testor
Q. Free from error	2. Aggression
R. An expert judge in matters of taste	3. Abbreviation
S. Action of attacking with provocation	4. Accurate
	5. Connoisseur
	6. Agnostic

Select the correct answer from the options given below -

	P	Q	R	S
(A)	3	4	1	2
(B)	3	4	5	6
(C)	4	3	5	2
(D)	3	4	5	2

68. Match the following:

<i>List-I</i>	<i>List-II</i>
P. A blood feud started by murder seeking vengeance	1. Accurate
Q. An undertaking by an authority to take no action against specified offences during a fixed period	2. Actuary
R. One who calculates insurance and annuity premium	3. Abdicate
S. Renounce a throne, high office of dignity	4. Amnesty
	5. Vendetta
	6. Quisling

Select the correct answer from the options given below -

	P	Q	R	S
(A)	5	4	1	3
(B)	5	4	2	3
(C)	6	4	2	3
(D)	5	2	4	3

69. Fax is the abbreviated form of the word -

- (A) Facsimile
- (B) Faximile
- (C) Fac
- (D) Simile

Grammar & Its Usage

70. The part of speech (or word class) that is used to name or identify a person, place, thing, quality, or action.

- (A) Adverbs
- (B) Verbs
- (C) Proposition
- (D) Noun

71. I, we, you, he, she, it, we, they, me, him, her, us are -

- (A) Possessive pronoun
- (B) Relative pronoun
- (C) Personal pronoun
- (D) Collective pronoun

72. Which, what, who, whose, whom, that are -

- (A) Possessive pronoun
- (B) Relative pronoun
- (C) Personal pronoun
- (D) None of above

73. Mine, ours, yours, theirs, its, hers are -

- (A) Possessive pronoun
- (B) Relative pronoun
- (C) Personal pronoun
- (D) None of above

74. Which of the following add meaning to a noun or pronoun?

- (A) Adjective
- (B) Preposition
- (C) Conjunctions
- (D) Interjections

75. _____ by definition is placed before a noun or its equivalent in order to show its relationship in terms of time, place, case, etc.

- (A) Adjective
- (B) Preposition
- (C) Conjunctions
- (D) Interjections

76. Which of the following join words or even sentences conveying related ideas?

- (A) Adjective
- (B) Preposition
- (C) Conjunctions
- (D) Interjections

77. _____ are words, which are used in a sentence to express more emotion or feeling.
- Adjective
 - Preposition
 - Conjunctions
 - Interjections
78. Two commonly used conjunctions are -
- To, by
 - And, but
 - To, and
 - None of above
79. Neither-nor, either-or, not only-but also, both-and, whether-or etc. are known as -
- Interjections
 - Correlative conjunctions
 - Verb
 - Adjective
80. Verbs may perform the function -
- State existence
 - Give a command
 - Describe activity
- Select the correct answer from the options given below -*
- 1
 - 2
 - 3
 - All of above
81. As a general rule, we should use _____ in our sentences.
- Loud Voice
 - Good voice
 - Passive Voice
 - Active Voice
82. Which of the following is found more suitable while drafting legal formulations when no identifiable subject can be mentioned?
- Voice
 - Good voice
 - Active voice
 - Passive voice
83. Which of the following is the definite article and is always specific, referring to a definite or only thing, person or entity?
- 'a'
 - 'an'
 - 'The'
 - None of above
84. How many kinds of articles are there in English?
- Two: definitive and in-definitive
 - Three: a, an, and the
 - Five: a, an, the, definitive and in-definitive
 - One: a
85. The article _____ is used when the noun to which it is attached begins with a vowel sound (a, e, i, o and u).
- 'a'
 - 'an'
 - 'The'
 - None of above
86. In which of the following sentence "Present Tense" has been used?
- I will go to office tomorrow.
 - I go to office every day.
 - I went to office yesterday.
- Select the correct answer from the options given below -*
- (iii)
 - (ii) & (i)
 - (i) & (iii)
 - (ii)
87. _____ contains only one finite verb and can make only one complete statement. However it may have more than one subject or object.
- A complicated sentence
 - A complex sentence
 - A compound sentence
 - A simple sentence
88. _____ is made up of two or more main clauses, none playing a subordinating role.
- Loose sentence
 - A complex sentence
 - A compound sentence
 - A simple sentence
89. _____ is formed when its main clause is supported by dependent clauses. E.g. The director who arrived yesterday agreed he would support the resolution.
- Loose Sentence
 - A Complex Sentence
 - A Compound Sentence
 - A Simple Sentence

90. _____ are suited to simple style of letter writing and are closer to the spoken form. They begin with the main statement and develop it to its logical conclusion.

E.g. The RBI intervened in the Forex Market as there were strong rumours about an intense speculative activity caused by the spurt in imports.

- (A) Paragraph Construction
(B) Loose Sentences
(C) A Complicated Sentence
(D) None of above
91. Spelling errors are common when -
(A) A word similarly spelt has two variants with different meanings and past plus past participle forms.
(B) Words have the same pronunciation but different spellings.
(C) When noun and verb forms of the same word have different spellings.
(D) All of above
92. Fill in the blanks to make the sentence grammatically correct.
Most of the patient visits _____ to physician assistants in the recent years all around the world.
(A) have been made
(B) was made
(C) will have been made
(D) have made
93. Fill in the blanks to make the sentence grammatically correct.
The government _____ that the tasks _____ with great success.
(A) is confirming/maintained
(B) confirms/have been maintained
(C) was confirmed/have maintained
(D) will confirm/had been maintained
94. Fill in the blanks to make the sentence grammatically correct.
New legislation _____ in congress but it _____ by many.
(A) was introduced/wasn't accepted
(B) introduced/didn't accept
(C) will be introduced/isn't accepted
(D) introduced/hadn't been accepted
95. Find the correct spelt word.
(A) Adulterate
(B) Adeldurate
(C) Adulterat
(D) Adultarate
96. Identify grammatically correct sentence.
(A) The small child does whatever his father was done.
(B) The small child does whatever his father has done.
(C) The small child does whatever his father did.
(D) The small child does whatever his father does.

Prefixes & Suffixes

97. If the affix or addition to the base form or root word comes at the beginning, it is a -
(A) Start-fix
(B) Suffix
(C) Outfix
(D) Prefix
98. _____ are prefixes that support or are for the root word.
(A) Negative Prefixes
(B) Reversative Prefixes
(C) Supportive Prefixes
(D) Opposing Prefixes
99. _____ are prefixes that are opposed to the action denoted by the root word.
(A) Negative Prefixes
(B) Reversative Prefixes
(C) Supportive Prefixes
(D) Opposing Prefixes
100. _____ are prefixes that denote the absence of distinguishing features of the root word.
(A) Negative Prefixes
(B) Reversative Prefixes
(C) Supportive Prefixes
(D) Opposing Prefixes
101. are prefixes that denote the act of undoing the previous act that the root word denotes as being done.
(A) Supportive Prefixes
(B) Derivative Prefixes
(C) Reversative Prefixes
(D) Pejorative Prefixes

102. ____ are those that denote the meaning of removing something or depriving something or someone.
- Supportive Prefixes
 - Derivative Prefixes
 - Reversative Prefixes
 - Pejorative Prefixes
103. ____ are those that express contempt, disapproval, bad or wrong.
- Supportive Prefixes
 - Place Prefixes
 - Reversative Prefixes
 - Pejorative Prefixes
104. Which prefixes indicate place or placing of things, situation, etc.?
- Supportive Prefixes
 - Place Prefixes
 - Reversative Prefixes
 - Pejorative Prefixes
105. Megaphone, megastar, megalith, megawatt are examples of -
- Status prefixes
 - Number Prefixes
 - Time Prefixes
 - Size Prefixes
106. Ex-wife, ex-president, ex-student are examples of -
- Status prefixes
 - Number Prefixes
 - Time Prefixes
 - Class Changing Prefixes
107. Megahertz, megabuck, megabit are examples of -
- Number prefixes
 - Noun Suffixes
 - Time Prefixes
 - Class Changing Prefixes
108. Co-partner, co-author, co-founder are examples of -
- Status prefixes
 - Noun Suffixes
 - Time Prefixes
 - Class Changing Prefixes
109. Besiege, bewitch, besmear, bewail, belittle, befoul, beribboned are examples of -
- Status prefixes
 - Supportive Prefixes
 - Reversative Prefixes
 - Class Changing Prefixes
110. Untie, unscramble, unlock are examples of -
- Supportive Prefixes
 - Place Prefixes
 - Reversative Prefixes
 - Pejorative Prefixes
111. Unleaded, unmark, unhouse, uncap, uncover are examples of -
- Supportive Prefixes
 - Derivative Prefixes
 - Reversative Prefixes
 - Pejorative Prefixes
112. Miscalculate, misgovern, misspell, mismanage, misalign, misapply, misbelieve are examples of -
- Place Prefixes
 - Supportive Prefixes
 - Reversative Prefixes
 - Pejorative Prefixes
113. Circumvent, circumnavigate, circumlocution, circumbulate, circumlunar are examples of -
- Supportive Prefixes
 - Place Prefixes
 - Reversative Prefixes
 - Pejorative Prefixes
114. Minibus, miniseries, minicab, minimarket are examples of -
- Supportive Prefixes
 - Size Prefixes
 - Time Prefixes
 - Number Prefixes
115. Post-war, post-modernism, postdate are examples of -
- Supportive Prefixes
 - Size Prefixes
 - Time Prefixes
 - Number Prefixes
116. Unidirectional, unilateral, unicycle, unity are examples of -
- Number Prefixes
 - Supportive Prefixes

- (C) Status Prefixes
(D) Time Prefixes
117. Vice-president, vice admiral, vice chancellor are examples of -
(A) Supportive Prefixes
(B) Size Prefixes
(C) Status Prefixes
(D) Number Prefixes
118. An addition to the end of a word to form a derivative of the root word is a -
(A) Last-fix
(B) Suffix
(C) Combination words
(D) Prefix
119. Appellant, informant, arrogant (denoting an agent)-deodorant
(A) Adverb Suffixes
(B) Adjective Suffixes
(C) Noun Suffixes
(D) Verb Suffixes
120. Responsibility, technicality, publicity, humility are examples of -
(A) Adverb Suffixes
(B) Adjective Suffixes
(C) Noun Suffixes
(D) Verb Suffixes
121. Capitalize, modernise, popularise, terrorise, expertise are examples of -
(A) Adverb Suffixes
(B) Adjective Suffixes
(C) Noun Suffixes
(D) Verb Suffixes
122. Sorrowful, powerful, careful, resentful, fretful, forgetful are examples of -
(A) Noun Suffixes
(B) Adverb Suffixes
(C) Adjective Suffixes
(D) Verb Suffixes
123. Clockwise, notewise, taxwise, anticlockwise are examples of -
(A) Adverb Suffixes
(B) Adjective Suffixes
(C) Noun Suffixes
(D) Verb Suffixes

Punctuations

124. The marks, such as full stop, comma, and brackets, used in writing to separate sentences and their elements and to clarify meaning are called -
(A) Narration
(B) Punctuation
(C) Punctuary
(D) None of above
125. _____ is the most basic form of punctuation which separates words, sentences, paragraphs and chapters.
(A) Dash
(B) Comma
(C) Space
(D) Colon
126. Full stop should not be omitted after acronyms which are pronounced as a word.
(A) False
(B) True
(C) Partly false
(D) None of above
127. _____ is used to end a declarative sentence, a sentence which is not a question or an exclamation.
(A) The Comma (,)
(B) The Full Stop (.)
(C) Hyphen (-)
(D) All of above
128. The Full Stop (.) is used _____
(A) Before decimal and between units of money
(B) After initials or after a shortened form of a word to indicate an abbreviation
(C) To end a declarative sentence
(D) All of above
129. _____ separate or enclose subordinate clauses and phrases in sentences.
(A) An Apostrophe (')
(B) Brackets ()
(C) The Comma (,)
(D) All of above
130. _____ is used to construct words to clarify meaning. It links words to form a compound word.
(A) Hyphen (-)
(B) The Semi colon (;)

- (C) An Apostrophe (')
- (D) Square Brackets
131. _____ is used to separate two or more independent clauses, which are of more or less equal importance in sentences, that are placed together.
- (A) An Apostrophe (')
- (B) Square Brackets
- (C) The Semi colon (;)
- (D) Angle brackets
132. The colon (:) is a punctuation that function(s) as -
- (A) To introduce material that explains
- (B) To enclose cited words or expressions
- (C) To denote certain names especially of Celtic origin
- (D) All of above
133. The colon (:) is a punctuation that function(s) as -
- (A) To introduce examples
- (B) To introduce quotations or direct speech
- (C) To enclose expressions that the author does not take responsibility for
- (D) (a) and (b)
134. The colon (:) is a punctuation that function(s) as -
- (A) To link contrasting statements
- (B) To present a conclusion
- (C) To point the reader's attention forward.
- (D) All of above
135. An Apostrophe (') is used _____
- (A) To separate two or more independent clauses
- (B) To enclose references to other places in a text
- (C) To denote certain names especially of Celtic origin
- (D) All of above
136. The apostrophe comes before the 's' if the noun is -
- (A) Plural
- (B) For missing letter
- (C) Singular
- (D) None of above
137. The apostrophe comes after the 's' if the noun is _____
- (A) Plural
- (B) For missing letter
- (C) Singular
- (D) None of above
138. Apostrophe is never used in a single word.
- (A) False
- (B) True
- (C) Partly true
- (D) None of above
139. Quotation Marks (" " / ' ') also known as -
- (A) Brace brackets
- (B) Quotes
- (C) Inverted commas
- (D) (b) or (c)

Abbreviations

140. Abbreviations are the shortened form of a -
- (A) Word
- (B) Phrase
- (C) Text
- (D) Any of the above
141. _____ is the widely used abbreviation for 'etcetera'
- (A) Eta.
- (B) Ete.
- (C) Etc.
- (D) Etx.
142. While expressing numbers in words all compound numbers between 21 and 99, whether they are used alone or as part of a larger number are always -
- (A) Question marked
- (B) Hyphenated
- (C) Full stopped
- (D) None of above
143. Abbreviation and Acronyms are the same thing.
- (A) False
- (B) True
- (C) Partly true
- (D) None of above
144. An abbreviation is a short way of writing a word or phrase that could not be written out in full.
- (A) False
- (B) True
- (C) Partly true
- (D) None of above

Idioms, Phrases, Proverbs

145. A Phrase is a
- Group of words
 - Part of sentence which does not make a complete sentence but has an independent meaning
 - Quite often equivalent to an adjective, adverb or noun
 - All of above
146. *Cast a slur upon* means
- To encounter a strong adversary
 - To get into difficulty
 - By word or act to cast a slight reproach on someone
 - To be defeated in every contest
147. *To play into someone's hands* means -
- To take a subordinate part
 - To act as to be of advantage to another
 - To work vigorously
 - To bring to sudden end
148. *To eat one's heart out* means -
- To suffer in silence, grieve bitterly
 - To have to humiliate oneself
 - To undergo severe criticism or ill treatment
 - To unnecessarily cause delay in taking action
149. are everyman's philosophy.
- Foreign words
 - Phrases
 - Proverbs
 - None of above
150. The same word cannot be used as different parts of speech.
- False
 - True
 - Partly true
 - None of above
151. As far as spelling of English Language is concerned, the British prefer 'z' over 's', i.e., criticize, realize, recognize and so on.
- False
 - True
 - Partly true
 - None of above

Foreign Words & Phrases

152. *Entrepreneur* means
- A person who takes financial risk
 - A person who sets up business taking greater financial risk
 - A person who invest money in the business of others.
 - All of above
153. *laissez-faire* means
- The important feature of a creative work
 - Without a day being appointed
 - A policy of interference
 - A policy of non-interference
154. *Vice versa* means
- Opposite words
 - Word for word
 - Important words
 - None of above
155. *Ultra vires* means
- Within one's authority
 - Beyond one's authority
 - Within one's capacity
 - All of above
156. *Viva voce* means
- An examination
 - Written examination
 - an oral or written examination
 - An oral examination
157. *Status quo* means
- The existing condition
 - The past condition
 - The future condition
 - Condition precedent
158. Match the following:
- | List-I | List-II |
|----------------------------|----------------------------------|
| P. <i>Quid pro quo</i> | 1. Utmost faith |
| Q. <i>Sub rosa</i> | 2. Done in secret |
| R. <i>Bona fide</i> | 3. Good faith |
| S. <i>Mutatis mutandis</i> | 4. Return for something |
| | 5. Without a day being appointed |
| | 6. With the necessary changes |

Select the correct answer from the options given below -

	P	Q	R	S
(A)	4	2	3	5
(B)	4	1	3	6
(C)	2	4	6	3
(D)	4	2	3	6

159. *Prima facie* means

- (A) For the good of the public
- (B) At last view of consideration
- (C) At first view of consideration
- (D) The most important reason

160. *In toto* means

- (A) Entirely
- (B) Deadlock
- (C) Harmony
- (D) By right

161. *Mala fide* means

- (A) Bad faith
- (B) Good faith
- (C) Big faith
- (D) Utmost faith

162. *Post mortem* means

- (A) Examination made after death
- (B) Examination made before event occurs
- (C) Analysis made after an event has occurred
- (D) (A) or (C)

163. *Pro rata* means

- (A) According to value
- (B) According to rate
- (C) According proportion
- (D) (B) or (C)

164. *Ab initio* means

- (A) At the ending
- (B) From the beginning
- (C) At the middle
- (D) All of above

165. *Addenda* means _____

- (A) List of deletion
- (B) List of additions
- (C) List of additions & deletion
- (D) List of subtraction

166. *De facto* means -

- (A) Actual
- (B) Infact
- (C) by right
- (D) (a) or (b)

167. *Esprit de corps* means

- (A) Group of people accompanying a dignitary
- (B) The animating spirit of a particular group like a regiment
- (C) A report in the media that reveals something discreditable
- (D) All of above

168. *Pari passu* means

- (A) Side by side
- (B) Equally
- (C) Equivalently per se
- (D) All of above

169. *Pro forma* means

- (A) Denoting a standard document or form
- (B) Proportionate
- (C) In proportionate form
- (D) None of above

170. *Sine die* means

- (A) With a day being appointed
- (B) Without a day being ended
- (C) With appointed time
- (D) Without a day being appointed

171. *Sub judice* means

- (A) Under consideration
- (B) Under judicial custody
- (C) Under judicial consideration
- (D) Under judgment

172. *Ad hoc* means

- (A) From the beginning
- (B) A body elected or appointed for a particular work
- (C) According to value
- (D) None of above

173. *Errata* means

- (A) List of correction made
- (B) List of errors
- (C) List of right
- (D) None of above

174. According to the card means
 (A) *a la carte*
 (B) *a la mode*
 (C) *ab origin*
 (D) *ad valorem*
175. *Ad infinitum* means
 (A) Infinity
 (B) Endlessly
 (C) Forever
 (D) All of above
176. *Amour proper* means
 (A) Self-love
 (B) Self defence
 (C) Self-esteem
 (D) (A) or (C)
177. *Sub rosa* means
 (A) Done publicly
 (B) Confidentially
 (C) Done in secret
 (D) (B) or (C)
178. *Resume* means
 (A) A summary
 (B) Most important
 (C) Curriculum vitae
 (D) (a) or (c)
179. *Ex post facto* means
 (A) With retrospective action
 (B) With prospective action
 (C) Without proper action
 (D) Any of the above
180. *Ipsa facto* means
 (A) By that very fact
 (B) By side by side
 (C) By less important fact
 (D) None of above
181. *Modus operandi* means
 (A) With the necessary changes
 (B) Privilege entails responsibility
 (C) A way of doing something
 (D) Better than the others of the same kind
182. *Hoi polloi* means
 (A) The common people
 (B) The important people
 (C) The people
 (D) None of above
183. *Impasse* means
 (A) A lock
 (B) A free way
 (C) A deadlock
 (D) None of above
184. In all there are _____ tenses that are used in English language.
 (A) 12
 (B) 11
 (C) 14
 (D) 10
185. Fill in the blanks with appropriated words:
 He warned workers against supporting these anti-social policies, which he declared would _____ rather than _____ the plight of the common people.
 (A) Rescue; Destroy
 (B) Aggravate; Alleviate
 (C) Empower; Improve
 (D) Encouraged; Defy

Answers

1.	(C)	2.	(A)	3.	(A)	4.	(C)	5.	(D)	6.	(D)	7.	(B)
8.	(A)	9.	(A)	10.	(D)	11.	(D)	12.	(C)	13.	(B)	14.	(B)
15.	(A)	16.	(D)	17.	(D)	18.	(B)	19.	(A)	20.	(A)	21.	(D)
22.	(D)	23.	(A)	24.	(B)	25.	(C)	26.	(A)	27.	(B)	28.	(B)
29.	(A)	30.	(C)	31.	(C)	32.	(B)	33.	(C)	34.	(C)	35.	(C)
36.	(B)	37.	(A)	38.	(C)	39.	(D)	40.	(A)	41.	(B)	42.	(B)
43.	(C)	44.	(A)	45.	(C)	46.	(B)	47.	(C)	48.	(A)	49.	(B)
50.	(A)	51.	(B)	52.	(D)	53.	(A)	54.	(D)	55.	(B)	56.	(C)

57.	(A)	58.	(B)	59.	(A)	60.	(D)	61.	(A)	62.	(A)	63.	(C)
64.	(D)	65.	(C)	66.	(B)	67.	(D)	68.	(B)	69.	(A)	70.	(D)
71.	(C)	72.	(B)	73.	(A)	74.	(A)	75.	(B)	76.	(C)	77.	(D)
78.	(B)	79.	(B)	80.	(D)	81.	(D)	82.	(D)	83.	(C)	84.	(A)
85.	(B)	86.	(D)	87.	(D)	88.	(C)	89.	(B)	90.	(B)	91.	(D)
92.	(A)	93.	(B)	94.	(A)	95.	(A)	96.	(D)	97.	(D)	98.	(C)
99.	(D)	100.	(A)	101.	(C)	102.	(B)	103.	(D)	104.	(B)	105.	(D)
106.	(C)	107.	(A)	108.	(A)	109.	(D)	110.	(C)	111.	(B)	112.	(D)
113.	(B)	114.	(B)	115.	(C)	116.	(A)	117.	(C)	118.	(B)	119.	(C)
120.	(C)	121.	(D)	122.	(C)	123.	(A)	124.	(B)	125.	(C)	126.	(A)
127.	(A)	128.	(D)	129.	(C)	130.	(A)	131.	(C)	132.	(A)	133.	(A)
134.	(D)	135.	(C)	136.	(C)	137.	(A)	138.	(A)	139.	(D)	140.	(D)
141.	(C)	142.	(B)	143.	(A)	144.	(A)	145.	(D)	146.	(C)	147.	(B)
148.	(A)	149.	(C)	150.	(A)	151.	(A)	152.	(B)	153.	(D)	154.	(D)
155.	(B)	156.	(D)	157.	(A)	158.	(D)	159.	(C)	160.	(A)	161.	(A)
162.	(D)	163.	(D)	164.	(B)	165.	(B)	166.	(D)	167.	(B)	168.	(D)
169.	(A)	170.	(D)	171.	(C)	172.	(B)	173.	(B)	174.	(A)	175.	(D)
176.	(D)	177.	(D)	178.	(D)	179.	(A)	180.	(A)	181.	(C)	182.	(A)
183.	(C)	184.	(D)	185.	(D)								

BUSINESS CORRESPONDENCE

CHAPTER

11

1. Your Resume should -
 - (A) Mention your achievement in sports
 - (B) Mention career goals and specific job objectives.
 - (C) Mention personal ethics
 - (D) All of above
2. Simplicity in writing means essentially -
 - (A) The use of simple words
 - (B) The use of simple sentences
 - (C) The use of simple tense
 - (D) Plainness
3. The best way to apply for a job is to submit a résumé that is -
 - (A) Suitable for any job
 - (B) Full of personal information
 - (C) Specifically written for that particular job
 - (D) Self-recommending
4. Your Resume should -
 - (A) Explain how you faced various problems in life and getting job in earlier company.
 - (B) Interesting facts in your life
 - (C) Explain how your qualifications and experience are suitable for the job on offer.
 - (D) All of above
5. Writing a letter with “you-attitude” means writing -
 - (A) From the point of view of other persons not concerned
 - (B) From the point of view of the reader
 - (C) Using the word “you” repeatedly
 - (D) From the point of view of the writer
6. A Resume is a record of one's -
 - (X) Personal details
 - (Y) Professional details
 - (Z) Social details

Select the correct answer from the options given below -

 - (A) (X) only
 - (B) (Y) only
 - (C) (X), (Y) & (Z)
 - (D) (X) & (Y)
7. For ‘Resume’ alternate word is/are -
 - (A) Bio-data
 - (B) Curriculum Vitae
 - (C) Data sheet
 - (D) All of above
8. Which of the following detail is not common to all types of CVs/Resumes?
 - (A) Academic qualifications
 - (B) Experience
 - (C) References
 - (D) Status in society
9. A job application letter is said to be similar to a -
 - (A) Purchase Letter
 - (B) Sales Letter
 - (C) Public Notice
 - (D) Acceptance Letter
10. The application letter and the résumé perform -
 - (A) the same task
 - (B) two different tasks
 - (C) overlapping tasks
 - (D) two opposite tasks
11. The following is an example of

Dear Sir

I am responding to your advertisement in the Ascent columns of The Times of India of 5th July seeking Secretarial Officers for your company. I wish to be considered for the same position.

 - (A) Job advertisement letter
 - (B) Job interview letter
 - (C) Job application letter
 - (D) Letter of appointment
12. The application letter is -
 - (A) a foreword

- (B) a statement of your job objective
 (C) a summary of your qualifications and experiences
 (D) a description of your core strengths and suitability for the job
13. Good business letters are characterized by the following personal quality of the writer -
 (A) Humour
 (B) Seriousness
 (C) Formality
 (D) Sincerity
14. The simplified style business letter has -
 (A) complimentary close
 (B) Indentation
 (C) A salutation
 (D) A subject line
15. The following is an example of

Dear Rahul,

Please refer to your application for the post of Accounts Manager in our company.

You are invited to attend a personal interview with our General Manager on 14th of June, 2012 at 1 p.m. in our corporate office located in Prestige Point Chambers, Bajirao Road, Pune.

We regret to inform that we do not reimburse the travelling expenses of the local candidates.

Please confirm telephonically that this appointment suits you.

- (A) Job advertisement letter
 (B) Job interview letter
 (C) Job application letter
 (D) Letter of appointment
16. The following is an example of

Dear Vikrant

Please refer to your application and the subsequent interview for the post of a Store Manager in IXM Ltd.

We are pleased to inform that you have been selected for the position. A detailed letter will be mailed to you soon.

Yours sincerely
 Manager - Human Resources

- (A) Job advertisement letter
 (B) Job interview letter

- (C) Job application letter
 (D) Letter of appointment

17. Which of the following is "Goodwill Letter"?
 (I) Thank you letters
 (II) Condolence Letter
 (III) Letters of Sympathy

Select the correct answer from the options given below -

- (A) (I) only
 (B) (II) only
 (C) (III) only
 (D) All of above
18. Which is not a part to a business letter?
 (A) Indenting
 (B) Salutation
 (C) Inside Address
 (D) Signature
19. Companies may _____ candidates for absorption at a later date if they are unable to find a suitable position for them at the time of interview.
 (A) Appoint
 (B) Reject
 (C) Shortlist
 (D) None of above
20. Which part to a business letter comes after the body?
 (A) Closing
 (B) Signature
 (C) Heading
 (D) Salutation
21. If you get a large order or receive payments on time then you will write -
 (A) Congratulatory letter
 (B) Letters of sympathy
 (C) Condolence letter
 (D) Thank you letter
22. If your friend, colleague or a business associate earn a promotion, recognition, honour or an award you will write -
 (A) Congratulatory letter
 (B) Thank you letter
 (C) Letters of sympathy
 (D) Condolence letter

23. Which part of a business letter uses a colon?

- (A) Heading
- (B) Salutation
- (C) Inside address
- (D) Signature

24. _____ are only sent when someone suffers a major loss or illness.

- (A) Congratulatory letter
- (B) Letters of sympathy
- (C) Condolence letter
- (D) Thank you letter

25. The following is an example of -

Dear Soniya,
I am distressed to learn about the sudden passing away of your dear husband Samir during my absence from India. I find it very hard to believe it and still feel he will suddenly show up in office and shake my hand vigorously as he always did. I know that your loss is much greater and that it will be very difficult for you to forget him.
I pray to the Almighty to give you and your children courage to bear his loss.
May his soul rest in peace!
Yours sincerely,
Vinod Kawade

- (A) Congratulatory letter
 - (B) Letters of sympathy
 - (C) Condolence letter
 - (D) Thank you letter
26. What do you write in the salutation if you don't know an exact name?
- (A) Leave it blank
 - (B) Take your best guess
 - (C) Write Dear Person
 - (D) Write Dear Sir or Madam
27. _____ provide news about people who have just passed away.
- (A) Promotion notices
 - (B) Office circulars
 - (C) Obituary notices
 - (D) Office memorandums
28. How many parts to a business letter are there?
- (A) 6
 - (B) 1

(C) 4

(D) 9

29. The following is an example of -

XYZ Ltd. announces with deep grief the passing away of its Chairman, Dr. Manmohan Singh in a helicopter crash near Pune on Sunday. His mortal remains will be consigned to flames at **Vaikunth Ghat, Pune** on Monday, 25th March 2013 at 11.30 a.m.

- (A) Public notice
- (B) Press release
- (C) Obituary notice
- (D) Acknowledgement card

30. The following is an example of -

Mrs. A. Bhosale and her children, Aniket and Tanishka express their grateful thanks to those who condoled the death of her husband, Sushant Bannerji of XYZ Ltd. in the recent air crash and express their inability to acknowledge the messages individually.

- (A) Tender notice
- (B) Press release
- (C) Obituary notice
- (D) Acknowledgement Cards

31. The following is an example of -

Dear Prashant,
I was delighted to learn that your work on cryogenic engine has been appreciated by the Indian Space Research Organization. I am confident that it will be possible to manufacture these engines indigenously and our dependence on other countries will end soon.
I feel proud of your achievement and send you my best wishes for the future.

- (A) Congratulatory Letter
- (B) Sympathy Letter
- (C) Thank you Letter
- (D) Condolence Letter

32. Business letters produce immediate effect because they are -

- (A) Interesting
- (B) Informal
- (C) Formal
- (D) Brief

33. The purpose of a "no" response letter is to leave the reader with -

- (A) Reasons for the rejection of the request
 (B) Unpleasant feelings
 (C) Minimum disappointment
 (D) No future hope
34. The notices that provide news about people who have just passed away is called -
 (A) Precis
 (B) Obituary
 (C) Condolence
 (D) None of the above
35. Arrange the following parts of a bad news letter in the recommended order.
 (1) Present the bad news positively
 (2) End on a positive note
 (3) Be neutral to the answer and set up a strategy
 (4) Explain or justify the facts
Select the correct answer from the options given below -
 (A) (4) (3) (1) (2)
 (B) (3) (1) (4) (2)
 (C) (3) (4) (1) (2)
 (D) (1) (4) (3) (2)
36. _____ plays a vital role in keeping the production line going by ensuring timely procurement.
 (A) Sales correspondence
 (B) Purchase correspondence
 (C) Human resources correspondence
 (D) None of above
37. _____ may be defined as invitations to submit "bids to provide such goods/services at quoted prices and subject to stated conditions".
 (A) Public Notice
 (B) Press Release
 (C) Tender Notices
 (D) Obituary Notice
38. Letter Orders must contain: _____
 (A) An accurate description of goods.
 (B) Quantity or number required.
 (C) Delivery details such as time and place.
 (D) All of above
39. A sales letter drafted for a large number of people is known as -
 (A) Sales manual
 (B) Sales Order
 (C) Sales Enquiry
 (D) Sales Circular
40. Which of the following is an element of a good advertisement copy
 (A) The audience must be exposed to the communication.
 (B) The audience must remember or retain the message
 (C) The audience must act on the advertisement
 (D) All of the above
41. Sometimes the term 'publicity' is used synonymously with -
 (A) Advertisement
 (B) Press release
 (C) Public Notice
 (D) None of above
42. Which of the following may sometime is statutorily required?
 (A) Advertisement
 (B) Press release
 (C) Sales circular
 (D) Public notice
43. A letter of enquiry may be related to -
 (A) Sales
 (B) Status
 (C) (A) or (B)
 (D) (A) & (B)
44. _____ writing is the most important for finding a job.
 (A) Resume
 (B) Application letter
 (C) Resume and application letter
 (D) None of above
45. Interview letters should not contain information about the -
 (A) Position applied for
 (B) Date, time and venue of the interview.
 (C) Job details & profile
 (D) All of above
46. The test of a good enquiry letter is that it should state the purpose of the letter -
 (A) Clearly
 (B) Completely
 (C) Concisely
 (D) All of above

47. Organizations publish _____ when they have to procure goods and services on a large scale or get project executed.
- Obituary Notice
 - Press Release
 - Tender Notices
 - All of above
48. Occasional buyers place orders through _____
- Letters
 - Tender Notices
 - Press Release
 - All of above
49. Effective Sales writing demands: Attention, Interest, Desire, Action and Satisfaction.
- False
 - True
 - Partly false
 - None of above
50. _____ is addressed to an individual with his specific needs in mind.
- Sales manual
 - Sales Circular
 - Sales Letter
 - All of above
51. _____ is drafted with a large number of people in mind.
- Sales manual
 - Sales Circular
 - Sales Letter
 - All of above
52. Classifieds, public notices and appointments are the various forms of -
- Advertisement
 - Press Release
 - Internal Communication
 - All of above
53. Your Resume should: _____
- Mention career goals and specific job objectives.
 - Explain how your qualifications and experience are suitable for the job on offer.
 - Give evidence of excellent writing skills.
 - All of above
54. Which of the following method is best for taking interview for high post?
- On telephone
 - Pre recorded video
 - Face to face
 - All of above
55. Goodwill letters should be -
- Brief
 - Short
 - Very long
 - None of above
56. Letters of Sympathy is drafted for _____ moments.
- Happy
 - Sad
 - Good
 - (B) & (C)
57. "Enterprises are paid to create wealth, not to control costs. But first year accounting students are taught that the balance sheet portrays the liquidation value of the enterprise and provides creditors with the worst-case information".
- Peter Drucker
 - Koontz and O'Donnell
 - Henry Fayol
 - Hick & Haimann
58. _____ is a document giving full details of goods being sold and may treated as document showing title by the buyer.
- Proforma Invoice
 - Statement of Account
 - Invoice
 - Credit/Debit Notes
59. _____ may be used for several purposes including as a quotation or to give details and prices of goods being sent on approval.
- Proforma Invoice
 - Statement of Account
 - Invoice
 - Credit/Debit Notes
60. Proforma Invoice may be used for -
- To enable calculation of taxes and duties payable.
 - To give details and prices of goods being sent on approval.

- (C) As a demand for payment when dealing with a new customer
(D) All of above
61. It is interesting to note that _____ as well as _____ are similar insofar as both give the details of goods.
(A) Invoices, delivery challans
(B) Delivery challans, Statement of Account
(C) Statement of Account, Credit/Debit Notes
(D) Credit Notes, Statement of Account
62. Invoices when sent with the goods do not require a covering letter. An exception may be made when sending them to a _____.
(A) Poor customer
(B) Old customer
(C) New customer
(D) (a) & (b)
63. _____ is sent to the other party periodically showing the opening balance, details of transactions and the closing balance.
(A) Proforma Invoice
(B) Statement of Account
(C) Invoice
(D) Credit/Debit Notes
64. While returning goods to the suppliers, a statement called "_____" which is sent to them for their information. It informs the supplier that his account has been debited to the extent of the value of the goods returned, it contains the name and address of the supplier, the description of the goods returned etc.
(A) Discount Note
(B) Cash Sales Note
(C) Debit Note
(D) Credit Note
65. When a customer returns goods a statement called "_____" is sent to him. This informs the customer that his account has been credited to the extent of value of the goods returned.
(A) Discount Note
(B) Cash Sales Note
(C) Debit Note
(D) Credit Note
66. The abbreviation "E&OE" stands for -
(A) Errors and Omitted Errors
(B) Expected and Omitted Errors
(C) Errors and Omissions Excepted
(D) Exceptions and Omissions
67. Which of the following is not related to "Bank Correspondence"?
(A) A letter for change of signatories
(B) A letter for stop payment
(C) Reminder letter for balance due
(D) A letter for increasing overdraft limits
68. The abbreviation 'AAR' stands for -
(A) Annual Average Risk
(B) Annual All Return
(C) Against All Risks
(D) Against Average Risk
69. It is advisable to send a copy of the statement of account showing arrears of payment to the companies before sending the collection letter.
(A) True
(B) False
(C) Partly true
(D) None of above
70. If the payee reports that he/she has received cheques, then the seller should promptly request bank to stop payment.
(A) True
(B) False
(C) Partly true
(D) None of above
71. All business entities viz. Partnerships, Sole proprietorships, Corporate houses, Trusts, Government Bodies employing more than _____ are covered under the Employees Provident Funds and Miscellaneous Provisions Act, 1952.
(A) Two persons
(B) Twelve persons
(C) Ten persons
(D) Twenty persons
72. As per the Employees Provident Funds and Miscellaneous Provisions Act, 1952, the employees contribute a total of _____ to the funds established under the schemes prescribed by the Central Government.
(A) 15% of their basic salary plus dearness allowance
(B) 15% of their basic salary and allowances

- (C) 12% of their dearness allowance
(D) 12% of their basic salary plus dearness allowance
73. As per the Employees Provident Funds and Miscellaneous Provisions Act, 1952, the employer has to deposit PF amounts by the -
(A) First week of the following month
(B) Last week of the following month
(C) Middle of the following month
(D) Last day of the following month
74. PF amounts i.e. employees & employers share has to be deposited -
(A) With income tax authorities
(B) State Provident Fund Commissioner
(C) Regional Provident Fund Commissioner
(D) None of above
75. Which form is obtained from the Sales Tax Authorities -
(A) Form Y
(B) Form C
(C) Form X
(D) Form D
76. The Central Sales Tax Act, 1956 covers inter-state sales and provides for a uniform charge of -
(A) 5%
(B) 2%
(C) 8%
(D) 10%
77. _____ is chargeable from companies engaged in production of goods at applicable tariffs.
(A) Custom duty
(B) Excise duty
(C) Value Added Tax
(D) Goods & Service Tax
78. The abbreviation 'ISDN' stands for -
(A) Integrated System Digital Network
(B) Integrated System Digit Network
(C) Integrated Satellite Digit Network
(D) Integrated Satellite Digital Network
79. The abbreviation 'VSAT' stands for -
(A) Very Straight Aperture Terminals
(B) Vast Small Aperture Terminals
(C) Very Small Aperture Transfer
(D) Very Small Aperture Terminals
80. Public investment in a company is generally in the form of -
(A) Shares
(B) Debentures
(C) Deposits
(D) Any of the above
81. Equity share holders may receive _____ on their investment.
(A) Interest
(B) Dividend
(C) Bonus
(D) (B) & (C)
82. Debenture holder may receive _____ on their investment.
(A) Interest
(B) Dividend
(C) Bonus
(D) (B) & (C)
83. The Rights Shares are allotted only to the existing _____ of the company
(A) Equity shareholders
(B) Debenture shareholders
(C) Deposit holders
(D) (B) & (C)
84. Which of the following letter is sent to the shareholders whenever an amount becomes payable on shares?
(A) Share Application Letter
(B) Share Allotment Letter
(C) Share Call Letter
(D) None of above
85. _____ is the process by which physical certificates of an investor are converted to an equivalent number of securities in electronic format and credited in the investor's account with a Depository held through a Depository Participant (DP).
(A) Rematerialization
(B) Dematerialization
(C) Materialization
(D) None of above
86. _____ is the process by which electronic shares of an investor are converted to physical certificates in the investor's account.
(A) Rematerialization
(B) Dematerialization

- (C) Materialization
(D) None of above
87. Investors are expected to open with Depository Participants and deposit their share certificates for the purpose of converting them to the electronic format.
(A) Remat Accounts
(B) Demat Accounts
(C) Deposit Accounts
(D) Current Accounts
88. The abbreviation 'AGM' stands for -
(A) Arranged General Meeting
(B) Annual General Meet
(C) Annual General Meeting
(D) Arranged General Meet
89. _____ are the official record of the proceedings of a meeting.
(A) Meeting notes
(B) Agenda
(C) Notices
(D) Minutes
90. Importance of keeping Minutes -
(A) It contains a record of the business transacted and decisions taken at a meeting.
(B) It serves as a reminder of the actions to be taken to implement the decisions arrived at a meeting.
(C) It can be produced as evidence of the proceedings in a Court of Law.
(D) All of above
91. Minutes of meeting generally contain -
(A) Date, time and place of the meeting
(B) The name of the person in the chair
(C) Name of directors, company secretary and persons in attendance
(D) All of above
92. _____ is a document that outlines the contents of a forthcoming meeting.
(A) Minutes
(B) Explanatory statement
- (C) Agenda
(D) All of above
93. Public investment in a company is generally in the form of -
(A) Shares, debentures and deposits
(B) Purchase of goods
(C) Money Transfer
(D) None of the above
94. Non-payment of premium results in a policy being declared -
(A) Insured
(B) Null and void
(C) Dishonoured
(D) None of the above
95. All business entities viz. Partnerships, Sole proprietorships, Corporate houses, Trusts, Government Bodies employing more than twenty persons are covered under _____.
(A) Insurance Cover
(B) Employees Provident Funds
(C) Medical cover
(D) None of the above
96. VAT stands for
(A) Value Added Tax
(B) Value Addition Tax
(C) Value Abstract Tax
(D) Value Added Text
97. It is a document giving full details of goods being shipped, prepared by the exporter and sent to the importer -
(A) Statement of accounts
(B) Invoice
(C) Receipt
98. These are demanded when buyer returns goods already paid for on grounds of, say, unacceptable quality -
(A) Debit Notes
(B) Credit Notes
(C) Sales Letters
(D) Statement of Accounts

Answers

1.	(B)	2.	(D)	3.	(C)	4.	(C)	5.	(B)	6.	(D)	7.	(D)
8.	(D)	9.	(B)	10.	(B)	11.	(C)	12.	(D)	13.	(D)	14.	(D)

15.	(B)	16.	(D)	17.	(D)	18.	(A)	19.	(C)	20.	(A)	21.	(D)
22.	(A)	23.	(B)	24.	(B)	25.	(C)	26.	(D)	27.	(C)	28.	(A)
29.	(C)	30.	(D)	31.	(A)	32.	(B)	33.	(C)	34.	(B)	35.	(C)
36.	(B)	37.	(C)	38.	(D)	39.	(D)	40.	(D)	41.	(A)	42.	(D)
43.	(D)	44.	(C)	45.	(C)	46.	(D)	47.	(C)	48.	(A)	49.	(B)
50.	(C)	51.	(B)	52.	(A)	53.	(D)	54.	(C)	55.	(A)	56.	(B)
57.	(A)	58.	(C)	59.	(A)	60.	(D)	61.	(A)	62.	(C)	63.	(B)
64.	(C)	65.	(D)	66.	(C)	67.	(C)	68.	(C)	69.	(A)	70.	(B)
71.	(D)	72.	(D)	73.	(C)	74.	(C)	75.	(B)	76.	(B)	77.	(D)
78.	(A)	79.	(D)	80.	(D)	81.	(D)	82.	(A)	83.	(A)	84.	(C)
85.	(B)	86.	(A)	87.	(B)	88.	(C)	89.	(D)	90.	(D)	91.	(D)
92.	(C)	93.	(A)	94.	(B)	95.	(B)	96.	(A)	97.	(B)	98.	(B)

INTER-DEPARTMENTAL COMMUNICATION

1. A memorandum (Memo) is considered a brief form of written communication for –

(A) Formal use
(B) External use
(C) Internal use
(D) Legal use

2. Mark the most correct statement concerning memorandums.

(A) Memorandums and letters have a similar appearance.
(B) Hard-copy memorandums are signed at the bottom.
(C) Large companies may include special headings adapted to the needs of the organization.
(D) Most memorandums are extremely formal in nature.

3. When addressed to all employees, a memorandum is as good as an –

(A) Office Circular
(B) Office Note
(C) Office Memorandum
(D) Legal Notice

4. Fill in the blanks.

<p style="text-align: center;">XYZ ENGINEERING LIMITED PUNE</p> <p>Ref: 81/1/2019</p> <p style="text-align: right;">13th February 2019</p> <p style="text-align: center;">.....</p> <p>Shri Madan Kulkarni is hereby informed that the office has no objection to his pursuing part time M. A. Degree Course in the evenings after office hours. However, grant of leave for study/examination is subject to exigencies of office work.</p> <p style="text-align: right;">Sd/- Anuradha N Zad Manager (Personnel)</p>

(A) MEMORANDUM
(B) OFFICE CIRCULAR
(C) NOTICE
(D) LEGAL NOTICE

5. Office circulars are part of

(A) External communication
(B) Informal communication
(C) Internal communication
(D) None of above

6. Fill in the blanks.

<p style="text-align: right;">..... No. 3/44</p> <p>It is brought to the notice of all employees that the canteen facilities are being extended to S-31 building located in Sector 44 with immediate effect. The existing practice of providing packed lunch courtesy Air Kitchen is being discontinued.</p> <p>Suggestions about fare and quality may be made to the undersigned or dropped in the box provided on the premises.</p> <p style="text-align: right;">Sd/- Hospitality Manager</p>
--

(A) Intra note
(B) Circular
(C) Public notice
(D) None of above

7. Memorandum (Memos) is _____

(A) A note or record
(B) A mode of internal communication
(C) A document to initiate disciplinary proceedings
(D) A report of organizational updates

8. The abbreviation 'ESOP' stands for –

(A) Employee Stock Option Plan
(B) Employee Share Option Plan

- (C) Employee Share Option Programme
(D) Employee Stock Option Programme

9. Fill in the blanks.

<p>No. 34/4</p> <p style="text-align: right;">7th February, 2019</p> <p style="text-align: center;">.....</p> <p>Mr. J.K. Saxena, Manager (Credits), Friends Colony branch is transferred to the Regional Office on the same rank and pay. He shall hand over charge to the Chief Manager and report at the Regional Office by 10th February, 2019.</p> <p style="text-align: right;">Sd/-</p> <p style="text-align: right;"><i>Personnel Officer</i></p>

- (A) Office order
(B) Office circular
(C) Public notice
(D) Legal notice
10. Memorandums are preferred when one needs to convey information in writing.
(A) True
(B) False
(C) Partly true
(D) None of above
11. Office Notes are exchange between two different companies.
(A) True
(B) False
(C) Partly true
(D) None of above
12. Various documents used for internal communications are –
(A) Memorandums, office circulars, office orders, office note, suggestions, complaints and representations
(B) Reports, press releases, advertisement
(C) Presentation, e-mail, social media reports, blogs
(D) Notices, circulars etc.
13. Correspondence with regional/branch office is part of –
(A) External communication
(B) Informal communication
(C) Internal communication
(D) None of above
14. A memo is similar to a letter both in format and in its effect on the addressee.
(A) True
(B) False
(C) Partly true
(D) None of above
15. Memos are used commonly for issuing instructions to the staff, change in the policy inviting suggestion, giving information, making requests etc.
(A) True
(B) False
(C) Partly true
(D) None of above
16. The management is thinking of expanding and wishes to invite referrals for recruitment, they will write a –
(A) Office Order
(B) Application
(C) Note
(D) Internal circular
17. Whatever be the subject matter, the language of the memo should be –
(A) Very strict & offensive
(B) Polite and courteous
(C) (A) or (B)
(D) None of above
18. Office orders are documents where –
(A) Information is passed on to external shareholders
(B) Information is passed on to employees
(C) Information is passed on to the media
(D) Confidential information is shared with employees
19. Memorandum, office circulars, office orders, office notes, suggestions, complaints and representations are the various forms of –
(A) External communication
(B) Informal communication
(C) Inter-organizational communication
(D) Intra-organizational communication
20. As manager you are informing the recipient about his suspension. For this purpose will be drafted.
(A) Advertisement

- (B) Office Circular
(C) Press Release
(D) Memorandum
21. When a factory worker wish to reach out to the management for implementation of certain policy changes they will write a _____
(A) Memo
(B) Office Order
(C) Application
(D) Representation
22. As manager you are appealing employees to donate blood. For this purpose _____ will be drafted.
(A) Advertisement
(B) Office Circular
(C) Press Release
(D) Memorandum
23. Office Orders have a format similar to that of -
(A) Representations
(B) Advertisements
(C) Memorandums
(D) Press Release
24. Which of the following is not a form of intra-organizational communication?
(A) Representations
(B) Office Notes
(C) Press release
(D) Memorandum
25. These are used for disseminating information to a large number of employees within the organization -
(A) Office Circulars
(B) Representations
(C) Public Notice
(D) None of the above
26. The HR department is organizing a CSR Activity in a nearby village and wants to invite participants and volunteers. They will write a -
(A) Circular
(B) Office Order
(C) Representation
(D) Memorandum
27. Memo, Report, Office order, Circulars, Staff Newsletters, Fax etc. are the form of -
(A) Non-verbal Communication
(B) Written Communication
(C) Oral Communication
(D) Audio Visual Communication
28. The purchase department wishes to purchase expensive factory equipment. As per the rules, tenders are invited from various vendors and suppliers. This will be done through -
(A) Tender notice in newspapers
(B) Letters
(C) Notice
(D) Applications

Answers

1.	(C)	2.	(C)	3.	(A)	4.	(A)	5.	(C)	6.	(B)	7.	(B)
8.	(A)	9.	(A)	10.	(A)	11.	(B)	12.	(A)	13.	(C)	14.	(B)
15.	(A)	16.	(D)	17.	(B)	18.	(B)	19.	(D)	20.	(D)	21.	(D)
22.	(B)	23.	(C)	24.	(C)	25.	(A)	26.	(A)	27.	(B)	28.	(A)

1. Issuing a press release is primarily an exercise in
 - (A) Government relations
 - (B) Customer relations
 - (C) Public relations
 - (D) Creditors relations
2. A is usually drafted in-house by the Public Relations Officer of the company, who makes available information with him which may be published without any major cuts in the print or electronic media.
 - (A) Press Report
 - (B) Press Release
 - (C) Public Notice
 - (D) None of above
3. The alternative to a press release is a
 - (A) Office Order
 - (B) Paid Advertisement
 - (C) Office Memorandum
 - (D) Office Note
4. In order to have a fair chance of selection, a press release should have the following:
 - (A) News value
 - (B) Factual
 - (C) Suitable
 - (D) All of above
5. The following is format of

TIMES OF INDIA

"Shri Shushant Kamalnath Gore has been elected President of the Punjab, Haryana, Delhi Chamber of Commerce and Industry. Shri Shushant Kamalnath is presently Chairman and Managing Director of XYZ International Ltd., a multinational company".

 - (A) Office Order
 - (B) Office Memorandum
 - (C) Office Note
 - (D) Press Release
6. The World Wide Web is a system of interlinked documents accessed via the Internet.
 - (A) Special text
 - (B) Plain text
 - (C) Hypertext
 - (D) Webtext
7. With a, one can view web pages that may contain text, images, videos, and other multi-media and navigate between them via hyperlinks.
 - (A) Fax
 - (B) Web browser
 - (C) Phonogram
 - (D) Browser
8. 'Internet' and 'World Wide Web' two terms are synonymous.
 - (A) True
 - (B) False
 - (C) Partly false
 - (D) None of above
9. Which of the following protocol is used by the web?
 - (A) HTTP
 - (B) HTPT
 - (C) TTPH
 - (D) TPTH
10. Which of the following is a web browser?
 - (A) Google Chrome
 - (B) Internet Explorer
 - (C) Firefox
 - (D) All the above
11. Who is called the 'father of email' and is credited with its invention?
 - (A) Aristotle
 - (B) Tomlinson

- (C) Merriam
(D) None of the above
12. E-mail is commonly known as
(A) E-correspondence
(B) E-communication
(C) Both (A) & (B)
(D) None of the above
13. Unsolicited or Junk mails are filtered through the option of
(A) Spam
(B) Attachments
(C) Packages
(D) None of the above
14. In 1965, the Massachusetts Institute of Technology (MIT) was the first to demonstrate the use of the first email system, known as:
(A) Email
(B) Mailbox
(C) Test mail
(D) Internet
15. WWW stands for:
(A) Wide World Web
(B) World Wide Web
(C) Web World Wide
(D) Wide Wide Web
16. The (MIT) was the first to demonstrate the use of the first email system, known as MAILBOX.
(A) Morocco Institute of Technology
(B) Massachusetts Institute of Technology
(C) Manhattan Institute of Technology
(D) Melbourne Institute of Technology
17. In year email service was being offered in commercial packages and per-minute charges were applicable to those using these services.
(A) 1965
(B) 1985
(C) 1996
(D) 1976
18. Abbreviation FTP means
(A) File Transfer Promotion
(B) File Tall protocol
(C) Foreign Transfer Protocol
(D) File Transfer Protocol
19. Abbreviation SMTP means
(A) Simple Mail Transfer Protocol
(B) Straight Mail Transfer Protocol
(C) Simple Mail Tall Protocol
(D) Simple Mail Transfer Promotion
20. Email can be considered a confidential mode of communication.
(A) False
(B) True
(C) Partly true
(D) None of above
21. An means that only the company employees that are set up on the server can access the company pages
(A) Internet
(B) Intranet
(C) Extranet
(D) Webnet
22. E-Correspondence is an electronic, cost-effective and fastest mode of communication as of today.
(A) False
(B) True
(C) Partly true
(D) None of above
23. Email etiquettes must be strictly adhered to in order to keep your communication authentic and graceful.
(A) False
(B) True
(C) Partly true
(D) None of above
24. Press releases are usually sent to the -
(I) Newspapers
(II) Government
(III) Electronic media
(IV) Leading news agencies
(V) Local authorities
Select the correct answer from the options given below -
(A) (I), (II) & (IV) only
(B) (I), (II), (III) & (IV) only
(C) (I), (II) & (V) only
(D) (I), (III) & (IV) only

25. A press release is same thing as a press report.
 (A) False
 (B) True
 (C) Partly true
 (D) None of above
26. Telegrams may also be communicated over the telephone and this is popularly called
 (A) Telephonogram
 (B) Telegram-phone
 (C) Phonogram
 (D) Pager
27. Advantages of Telegraphic Messages:
 (A) They are fast.
 (B) They are efficient.
 (C) They are economical.
 (D) All of above
28. Normal grammar and punctuation may be ignored in
 (A) Job application letter
 (B) Minutes
 (C) Telegram
 (D) E-mail
29. The golden rule is to draft telegraphic messages in
 (A) Small letters
 (B) Block letters
 (C) Capital letters
 (D) Block or capital letters
30. Generally is used while drafting telegram.
 (A) Twelve hours time
 (B) Twenty four hours time
 (C) Eight hours time
 (D) None of above
31. Which of the following is applicable in case of Telegrams?
 (A) The message must be detailed
 (B) Time should be written according to the twenty four hour clock
 (C) Normal grammar and punctuation may always be followed
 (D) Block letters must not be used
32. What began as an experiment in computer communication technology during the cold war has revolutionized the world.
 (A) American
 (B) German
 (C) Indian
 (D) None of above
33. HTML means
 (A) High Text Markup Language
 (B) Hyper Telegraph Markup Language
 (C) Hyper Text Markup Language
 (D) Hyper Text Marker Language
34. Which of the following is a system of interlinked hypertext documents accessed via the Internet
 (A) Intranet
 (B) Extranet
 (C) World Wide Web
 (D) None of the above
35. Which of the following protocol is used by the web?
 (A) HTTP
 (B) HTPT
 (C) TTPH
 (D) TPTH
36. Which of the following is a web browser?
 (A) Google Chrome
 (B) Internet Explorer
 (C) Firefox
 (D) All the above
37. This began as an American experiment in computer communication technology during the cold war and has revolutionized the world
 (A) Fax
 (B) Emails
 (C) Telegrams
 (D) None of the above
38. Who is called the 'father of email' and is credited with its invention
 (A) Aristotle
 (B) Tomlinson
 (C) Merriam
 (D) None of the above
39. No abbreviations such as 'UR' for 'your' are used in official communications.
 (A) True
 (B) False

- (C) Partly true
(D) None of above
40. Telex machines allow exchange of
(A) Photos
(B) Text
(C) Email messages
(D) None of the above
41. Fax is the abbreviated form of the word
(A) Facsimile
(B) Faximile
(C) Fac
(D) Simile
42. means the transmission of an exact copy of a document.
(A) Fax
(B) Pager
(C) Telegram
(D) None of above
43. can send pictures graphics or designs as well.
(A) Telex machines
(B) Fax
(C) Pager
(D) None of above
44. SMS means
(A) Short More Service
(B) Several Messaging Service
(C) Short Messaging Service
(D) Several Machine Service
45. In cases where the receiver has the telegraphic code, the full address has to be mentioned.
(A) True
(B) False
(C) Partly true
(D) None of above
46. The email message should be sent immediately after writing.
(A) True
(B) False
(C) Partly true
(D) None of above
47. It is advisable to use the telephone to reply to invitation.
(A) True
(B) False
(C) Partly true
(D) None of above
48. are made in order to voice a grievance and to secure a relief.
(A) Office orders
(B) Presentations
(C) Representations
(D) Office circulars
49. When an organization needs to share important information with members of general public such as a change of name or representative, it drafts a
(A) Social Notice
(B) Public Notice
(C) Private Notice
(D) Organizational Notice
50. In sending telegrams and telexes utmost economy in the use of words is needed.
(A) True
(B) False
(C) Partly true
(D) None of above
51. In telegrams, normal grammar and punctuation are often ignored in favour of condensation.
(A) True
(B) False
(C) Partly true
(D) None of above
52. In fax messages, conventional salutations and complimentary close are added.
(A) True
(B) False
(C) Partly true
(D) None of above
53. Invitations are normally sent only when the occasion is very formal.
(A) True
(B) False

- (C) Partly true
 (D) None of above
54. Which of the following is cheapest mode of sending small size message?
- (A) Fax
 (B) Email
 (C) SMS
 (D) Telegram

Answers

1.	(C)	2.	(C)	3.	(B)	4.	(D)	5.	(D)	6.	(C)	7.	(B)
8.	(B)	9.	(A)	10.	(D)	11.	(B)	12.	(C)	13.	(A)	14.	(B)
15.	(B)	16.	(B)	17.	(D)	18.	(D)	19.	(A)	20.	(A)	21.	(B)
22.	(B)	23.	(B)	24.	(D)	25.	(A)	26.	(C)	27.	(D)	28.	(C)
29.	(D)	30.	(B)	31.	(B)	32.	(A)	33.	(C)	34.	(C)	35.	(A)
36.	(D)	37.	(B)	38.	(B)	39.	(A)	40.	(B)	41.	(A)	42.	(A)
43.	(B)	44.	(C)	45.	(B)	46.	(B)	47.	(B)	48.	(C)	49.	(B)
50.	(A)	51.	(A)	52.	(A)	53.	(A)	54.	(A)				

PART D

ENTREPRENEURSHIP

- ◆ ENTREPRENEURSHIP
- ◆ ENTREPRENEURSHIP - CREATIVITY & INNOVATION
- ◆ GROWTH & CHALLENGES OF ENTREPRENEURIAL VENTURE
- ◆ SOCIAL ENTREPRENEURSHIP
- ◆ GOVERNMENT INITIATIVES FOR BUSINESS

1. _____ is defined as the process of making money, earning profits and increasing the wealth while posing characteristics such as risk taking, management, leadership and innovation.
(A) Salesmanship
(B) Entrepreneurship
(C) Intrapreneurship
(D) None of above
2. The word entrepreneur has a _____ origin.
(A) Roman
(B) French
(C) Greek
(D) Italian
3. The word entrepreneur is derived from the French word -
(A) Entreprenre
(B) Entreprenur
(C) Entreprenurde
(D) Entropre
4. The concept of entrepreneurship was first established in the -
(A) 1700s
(B) 1800s
(C) 1900s
(D) 2000s
5. Key element(s) of entrepreneurship: _____
I. Innovation
II. Risk taking
III. Good looking
IV. Vision
V. Social help to needy people
VI. Organizing skills
Select the correct answer from the options given below -
(A) I, III, VI
(B) I, II, III, VI
(C) I, II, III, V, VI
(D) I, II, IV, VI
6. Which of the following shows the process of creating something new?
(A) Business model
(B) Modelling
(C) Creative flexibility
(D) Innovation
7. _____ has rightly been identified with the individual, as success of enterprise depends upon imagination, vision, innovativeness and risk taking.
(A) Salesmanship
(B) Entrepreneurship
(C) Intrapreneurship
(D) Any of above
8. The production is possible due to the cooperation of the various factors of production, popularly known as -
(A) land, labour and of course entrepreneurship
(B) land, labour, capita and of course entrepreneurship
(C) land, labour, capital, market and of course entrepreneurship
(D) land, labour, capital, market, management and of course entrepreneurship
9. In the 20th century, economist _____ focused on how the entrepreneur's drive for innovation and improvement creates upheaval and change.
(A) Schumpeter
(B) Joseph Schumpeter
(C) Peter Drucker
(D) Dr. Marshal
10. Which statement is not true for entrepreneurs?
(A) They change the way businesses convert inputs into outputs.
(B) They are agents of adjustment.

- (C) They apply innovative ideas.
(D) They generally stick to the processes already in use.
11. Who viewed entrepreneurship as a force of “creative destruction.”?
(A) John Schumpeter
(B) Joseph Schumpeter
(C) Peter Drucker
(D) Dr. Marshal
12. Which of the following is considered to be a myth associated with entrepreneurship?
(A) First ventures are always successful
(B) All entrepreneurs must willingly invest significant sums of money
(C) Successful entrepreneurs are born not made
(D) An entrepreneur faces extraordinary business risks
13. According to whom “The entrepreneurship is essentially a creative activity or it is an innovative function”?
(A) Schumpeter
(B) Joseph Schumpeter
(C) Peter Drucker
(D) Dr. Marshal
14. Which one of the following is the process of entrepreneurs developing new products that over time make current products obsolete?
(A) New business model
(B) Anatomization
(C) None of the given options
(D) Creative destruction
15. Entrepreneurship is _____.
(A) Science
(B) Art
(C) Practice
(D) Theory
16. Which of the following can be treated as trait of entrepreneur?
(I) He is a moderate risk taker.
(II) He possesses divine powers.
(III) He is equivalent to supervisor.
(IV) He is innovative.
(V) He is involved in charitable activities.
(VI) He peruses the deviant pursuits.
- Select the correct answer from the options given below -*
(A) (I), (II), (III) & (VI)
(B) (V), (II), (I), (III) & (VI)
(C) (IV), (VI) & (I)
(D) All of the above
17. Research indicates that most successful entrepreneurs share certain personal attributes, including:
(A) Creativity
(B) Dedication
(C) Determination
(D) All of above
18. Which of the following is not a personal characteristic often found in an entrepreneur?
(A) self-confident
(B) independent-minded
(C) perceptive
(D) follower
19. Which of the following is not considered a common characteristic of an entrepreneur?
(A) Internal locus of control
(B) High need for achievement
(C) Self-confidence
(D) External locus of control
20. Research indicates that most successful entrepreneurs share certain personal attributes, including:
(A) Leadership
(B) Passion
(C) Self-confidence
(D) All of above
21. Which of the following is characteristic(s) of an entrepreneur?
(A) Entrepreneur must have creative thinking of art.
(B) He should guard his family secrets from his competitors.
(C) He must have clear objectives as to the exact nature of business or the nature of goods
(D) All of above
22. Which of the following is characteristic(s) of an entrepreneur?
(A) He must maintain good relations with his customers, employees etc.
(B) He should have good communication skills

- (C) He should guard his business secrets from his competitors.
(D) All of above
23. "What a man can be, he must be. This need we call self actualization." This said by
- (A) Maslow
(B) Hilaire Belloc
(C) Schumpeter
(D) Peter Drucker
24. Which of the following are risks for entrepreneurs in small business?
- (A) interference with personal lives
(B) psychological stress
(C) social and family pressure
(D) all of the above
25. Which of the following is not a common motivation of an entrepreneur?
- (A) desire for independence.
(B) search for personal and professional growth.
(C) desire to maintain the status quo.
(D) search for more rewarding work.
26. Common reasons for entrepreneurial failure include all but which one of the following?
- (A) Poor implementation
(B) Lack of capital
(C) Adequate financial support
(D) Ineffective human resources
27. Why should an entrepreneur do a feasibility study for starting a new venture?
- (A) To identify possible sources of funds
(B) To see if there are possible barriers to success
(C) To estimate the expected sales
(D) To explore potential customers
29. comes in a close second and is content with the personal satisfaction of simply being a business owner. It is derived from being optimistic.
- (A) The hard workers entrepreneur
(B) The optimizer entrepreneur
(C) The idealist entrepreneur
(D) Sustainer type of entrepreneurs
30. category includes persons who enjoy putting in long hours to build a larger and more profitable business. They like to challenge themselves and strive harder to attain the same. They reap the most rewards if the business turns out to be a multi-million dollar enterprise.
- (A) The hard workers entrepreneur
(B) The optimizer entrepreneur
(C) The idealist entrepreneur
(D) Sustainer type of entrepreneurs
31. As the meaning of the word itself implies, sustain is to maintain; the comprise of people who like to maintain a balance between work and a personal life. Most often, they do not wish the business to grow too large where it will cut into their personal life. These people just need enough to survive.
- (A) The hard workers entrepreneur
(B) The optimizer entrepreneur
(C) The idealist entrepreneur
(D) Sustainer type of entrepreneurs
32. _____ are the ones who predominantly are focused to start a business to improve the world. Their motto is to work in a manner which is morally and ethically correct so as to contribute to a noble cause.
- (A) The hard workers entrepreneur
(B) The idealist entrepreneur
(C) The improver types of entrepreneur
(D) The optimizer entrepreneur
33. Which of the following types of people believe in consumer sovereignty where they indulge excessively in providing customer services?
- (A) Visionary
(B) Artiste
(C) Superstar
(D) Advisor
34. Superstar type of entrepreneur is lead by -
- (A) Charisma

Types of Entrepreneur

28. is the most common type of entrepreneur. He likes innovation and enjoys working on something new or creative. He is guided by more ideals while keeping in view the ideas that are formulated by him in order to pursue his innovation.
- (A) The hard workers entrepreneur
(B) The optimizer entrepreneur
(C) The idealist entrepreneur
(D) Sustainer type of entrepreneurs

- (B) Charm
(C) High energy
(D) All of above
35. Who are creativity oriented entrepreneurs?
(A) Visionary
(B) Artiste
(C) Superstar
(D) Advisor
36. The founding members who visualize a dream and materialize the same are known as -
(A) Visionary
(B) Artiste
(C) Superstar
(D) Advisor
37. Which types of entrepreneurs excel at problem solving in a systematic way?
(A) Artiste
(B) Analyst
(C) Superstar
(D) Advisor
38. The _____ entrepreneur likes the concept that the business gives them a chance to handle everything themselves. They are usually people with lots of energy and exist on the pressure of meeting deadlines, paying bills and of course making payroll.
(A) Hero
(B) Healer
(C) Superstar
(D) Juggler
39. _____ like entrepreneurs are the people with great willingness and efficient leadership. He inspires others. He has an incredible will and ability to lead the world and the business through any challenge. He is the essence of entrepreneurship and can assemble great companies.
(A) Hero
(B) Healer
(C) Superstar
(D) Juggler
40. _____ as the name suggest, nurtures the business by bringing harmony with a surprising ability to survive with an inner calm. Healer is closely related to calmness which lets him avoid the outside harsh realities of business.
(A) Hero
(B) Healer
(C) Superstar
(D) Juggler
41. The terms Entrepreneur and Manager are same.
(A) True
(B) False
(C) Partly true
(D) None of above
42. starts a business enterprise constituting of ideas he comprehends; employing personal stakes.
(A) Manager
(B) An entrepreneur
(C) Both (A) and (B)
(D) Neither (A) nor (B)
43. An entrepreneur and a manager differ in their standing, an entrepreneur is the _____ of the organization and he bears all the risk and uncertainties involved in running an organization where as a manager is an _____ and does not undertake responsibilities for any risk.
(A) Owner, owner
(B) Owner, employee
(C) Employee, employee
(D) Employee, Owner
44. Whose objective is to innovate and create?
(A) Managers
(B) Entrepreneurs
(C) Buyer
(D) Shareholder
45. Who is faced with more income uncertainties?
(A) Purchaser
(B) Buyer
(C) An entrepreneur
(D) None of above
46. "An entrepreneur could be a manager but a manager cannot be an entrepreneur".
(A) True
(B) False
(C) Partly true
(D) None of above
47. Which of the following is not an example of 'technical entrepreneur'?
(A) User - familiar with marketing or end-use applications

- (B) Research - experience of scientific development
- (C) Opportunist - experience gained in a non-technical organization
- (D) Consolidator - skills in linking technical and business aspects
48. The entrepreneur who is committed to the entrepreneurial effort because it makes good business sense is classed as a/an _____
- (A) inventor
- (B) opportunist
- (C) hacker
- (D) craftsman
49. Sheetal is one of the newest and most successful entrepreneurs in the technology industry. She handles numerous dealings with other companies for the exchange of goods and services. Her primary goal is to ensure that all parties involved receive favourable and acceptable terms. Sheetal is most probably excellent at the entrepreneurial skill of _____
- (A) negotiating
- (B) networking
- (C) leadership
- (D) alliance building
- Intrapreneurship**
50. "A person within a large corporation who takes direct responsibility for turning an idea into a profitable finished product through assertive risk-taking and innovation is _____"
- (A) An entrepreneur
- (B) An intrapreneur
- (C) An enterprise
- (D) An inter manager
51. Management consultant _____, author of the 1985 book entitled Intrapreneuring.
- (A) Maslow
- (B) Schumpeter
- (C) Peter Drucker
- (D) Gifford Pinchot
52. Intrapreneurship is a combination of -
- (A) Entrepreneurship
- (B) Management skills
- (C) Entrepreneurship and management skills
- (D) None of above
53. An intrapreneur needs to have a blend of:
- (A) Communication skills and intelligence
- (B) Managerial skills and entrepreneurial skills
- (C) Business skills and corporate skills
- (D) Intrapersonal skills
54. Key characteristic(s) of Intrapreneurship:
- (A) It promotes the managers to be more innovative and take more responsibility while demonstrating charismatic leadership qualities.
- (B) Intrapreneurship projects are funded by large business organization and agreed percentage of profits are remitted to the fund provider/head quarters of the business.
- (C) Intrapreneurship will cultivate entrepreneurial skills/culture within the corporate culture where managers will be motivated to accept more risk.
- (D) All of above
55. is an individual employed by an organization for remuneration, which is based on the financial success of the unit he is responsible for.
- (A) An entrepreneur
- (B) An intrapreneur
- (C) An enterprise
- (D) An inter manager
56. An informal group of innovative employees who are permitted to digress temporarily from their regular tasks to develop new ideas are referred to as:
- (A) underground
- (B) skunkworks
- (C) yahoos
- (D) intrapreneurs
57. Not every business needs an Entrepreneur, but every business needs an Intrapreneur.
- (A) True
- (B) False
- (C) Partly true
- (D) None of above
58. Intrapreneur faces competition from -
- (A) Entrepreneurs
- (B) Managers
- (C) Employees within the organization
- (D) All the above

59. is the "inside entrepreneur".

- (A) Shareholder
- (B) Part time director
- (C) Intrapreneur
- (D) All of above

60. _____ have to face rivalry within the organization they work.

- (A) Entrepreneurs
- (B) Owner
- (C) Shareholder
- (D) Intrapreneurs

61. A person within a company who takes a leadership role and is positioned to help ensure the success of an idea or innovation is often referred to as a:

- (A) supporter
- (B) champion
- (C) leader
- (D) evangelis

62. Match the following:

List-X

- P. Someone willing to take risks to build something of value
- Q. Taking risks for business gains.
- R. Someone working with-in an existing business to introduce innovation and change.
- S. Creativity oriented entrepreneurs

List-Y

- 1. Intrapreneur
- 2. Superstar
- 3. Entrepreneur
- 4. Enterprise
- 5. Artiste

Select the correct answer from the options given below

	P	Q	R	S
(A)	3	4	1	5
(B)	4	3	1	5
(C)	3	4	1	2
(D)	3	1	4	5

Answers

1.	(B)	2.	(B)	3.	(A)	4.	(A)	5.	(D)	6.	(D)	7.	(B)
8.	(D)	9.	(B)	10.	(D)	11.	(B)	12.	(A)	13.	(B)	14.	(D)
15.	(C)	16.	(C)	17.	(D)	18.	(D)	19.	(D)	20.	(D)	21.	(C)
22.	(D)	23.	(A)	24.	(D)	25.	(C)	26.	(C)	27.	(B)	28.	(C)
29.	(B)	30.	(A)	31.	(D)	32.	(C)	33.	(D)	34.	(D)	35.	(B)
36.	(A)	37.	(B)	38.	(D)	39.	(A)	40.	(B)	41.	(B)	42.	(B)
43.	(B)	44.	(B)	45.	(C)	46.	(A)	47.	(D)	48.	(B)	49.	(A)
50.	(B)	51.	(D)	52.	(C)	53.	(B)	54.	(D)	55.	(B)	56.	(B)
57.	(A)	58.	(C)	59.	(C)	60.	(D)	61.	(B)	62.	(A)		

ENTREPRENEURSHIP – CREATIVITY & INNOVATION

CHAPTER

15

Introduction & Creativity

1. Innovation is the tool of -
 - (A) Managership
 - (B) Entrepreneurship
 - (C) Ownership
 - (D) Entrepreneurship
2. demand creativity.
 - (A) Innovation
 - (B) Entrepreneurship
 - (C) Innovation and entrepreneurship
 - (D) None of above
3. Creativity is the ability to make or otherwise bring into existences something new, whether a
 - (A) New solution to a problem
 - (B) New method or device
 - (C) New artistic object or form
 - (D) All of above
4. All innovation begins with creative ideas.
 - (A) True
 - (B) False
 - (C) Partly true
 - (D) None of above
5. Creativity is the _____ for innovation.
 - (A) End point
 - (B) Middle point
 - (C) Starting point
 - (D) All of above
6. Which of the following statement is correct in relation to 'Creativity'?
 - (A) Creativity is not a process.
 - (B) Creativity is not ability to create out of nothing but the ability to generate new ideas by combining, changing, or reapplying existing ideas.
 - (C) Creativity does not require passion and commitment.
 - (D) All of above
7. Which of the following statement is correct in relation to 'Creativity'?
 - (A) Creativity does not require passion and commitment.
 - (B) Creative people work hard to improve ideas and solutions, by making continuous and gradual alterations and refinements to their works.
 - (C) Creativity is not a process.
 - (D) All of above
8. Creativity requires _____.
 - (A) Passion
 - (B) Commitment
 - (C) Both (A) & (B)
 - (D) Neither (A) nor (B)

Environment Scanning

9. _____ is careful monitoring of an organization's internal and external environments for detecting early signs of opportunities and threats that may influence its current and future plans.
 - (A) Early scanning
 - (B) Economic scanning
 - (C) Environment scanning
 - (D) Customer scanning
10. Environment scanning is careful monitoring of an organization's _____ environments for detecting early signs of opportunities and threats that may influence its current and future plans.
 - (A) Internal
 - (B) External
 - (C) Both (A) and (B)
 - (D) Outside
11. The importance of environmental scanning was first recognized by _____ in the late 1970s.

- (A) Banking firms
(B) Life insurance firms
(C) Trading firms
(D) All of above
12. The importance of environmental scanning was first recognized by life insurance firms in the late -
(A) 1670s
(B) 1770s
(C) 1870s
(D) 1970s
13. Which of the following technique can be used in environment scanning?
(A) SWOT Analysis
(B) PEST/PESTEL Analysis
(C) Industry Analysis
(D) All of above
14. SWOT Analysis was originated by -
(A) Albert S Hoskey
(B) Albert S Humphrey
(C) John Schumpeter
(D) Joseph Schumpeter
15. SWOT is the analysis of a company's -
(A) Strangeness, Weaknesses, Oriental and Threats
(B) Strengths, Weekly, Opportunities and Threats
(C) Strengths, Weaknesses, Opportunities and Threats
(D) Strong, Weaknesses, Opportunities, and Threats
16. SWOT Analysis is sometimes called -
(A) Internal-Inside Analysis
(B) Internal-External Analysis
(C) External-Outside Analysis
(D) Outside-Inside Analysis
17. PESTLE stands for -
(A) Political, Environmental, Sociological, Technological, Long, and Environmental
(B) Political, Economic, Sociological, Theoretical, Legal, and Environmental
(C) Political, Economic, Sociological, Technological, Legal, and Environmental
(D) Political, European, Sociological, Technological, Legal, and Environmental

18. PESTLE analysis is a useful tool for understanding the _____ of the environment in which an entrepreneur is planning to operate.
(A) Small
(B) Big picture
(C) Both (A) and (B)
(D) Neither (A) nor (B)

Porter's Approach to Industry Analysis

19. The Porter's _____ is a simple but powerful tool to evaluate the power of business.
(A) Four forces tool
(B) Five forces tool
(C) Six forces tool
(D) Seven forces tool
20. Porter's Forces Analysis assumes that there are important forces that determine competitive power in a business situation. These are:
I. Supplier power, Threat of new entry
II. Supplier power, Buyer power, Competitive rivalry
III. Supplier power, Competitive rivalry, Threat of new entry
IV. Supplier power, Buyer power, Competitive rivalry, Threat of substitution, Threat of new entry

Select the correct answer from the options given below -

- (A) IV
(B) III
(C) II
(D) I
21. As per Porter's Forces Analysis, _____ assess how easily suppliers may drive up prices.
(A) Buyer power
(B) Supplier power
(C) Threat of new entry
(D) Threat of substitution
22. As per Porter's Forces Analysis, _____ evaluates how easy it is for buyers to drive prices down.
(A) Buyer power
(B) Supplier power
(C) Threat of new entry
(D) Threat of substitution
23. Environmental scanning begins with gathering information about the -

- (A) Internal environments
 - (B) External environments
 - (C) Internal and external environments
 - (D) None of above
24. Ongoing scanning at an almost unconscious level is
- (A) Directed scanning
 - (B) Active scanning
 - (C) Passive scanning
 - (D) Indirect scanning

Market Assessment

25. In which of the following case conducting a market assessment is essential to know whether there exists any demand to the idea?
- (A) Starting a new business
 - (B) Launching a new product
 - (C) Both (A) & (B)
 - (D) None of above
26. Conducting a market assessment helps to
- (A) Prepare to enter a new market
 - (B) Launch a new product/service
 - (C) Start a new business
 - (D) All of above
27. The marketing assessment process involves
- (A) Defining the problem
 - (B) Analysis of the situation
 - (C) Obtaining data that is specific to the problem
 - (D) All of above
28. Which of the following does not include in marketing assessment process?
- (A) Defining the problem
 - (B) Fostering ideas
 - (C) Feedback
 - (D) Designing a plan
29. The first step in relation to a market assessment is to -
- (A) Obtaining data specific to the problem
 - (B) Analyzing the situation
 - (C) Data analysis and Interpretation
 - (D) Defining the problem
30. After defining the problem, the next step in relation to a market assessment is to -
- (A) Obtaining data specific to the problem
 - (B) Analyzing the situation
 - (C) Data analysis and Interpretation
 - (D) Fostering ideas and problem solving
31. After defining the problem and analyzing the situation the next step in relation to a market assessment is to -
- (A) Obtaining data specific to the problem
 - (B) Analyzing the situation
 - (C) Data analysis and Interpretation
 - (D) Fostering ideas and problem solving
32. After defining the problem, analyzing the situation, obtaining data specific to the problem the next step in relation to a market assessment is to -
- (A) Data analysis and interpretation
 - (B) Fostering ideas and problem solving
 - (C) Designing a marketing plan
 - (D) Obtaining data specific to the problem
33. Basic misconceptions for business plans
- (A) Too much work for little or no benefit
 - (B) Business plans are for larger, fancier companies
 - (C) Both (A) and (B)
 - (D) Neither (A) nor (B)
34. The word 'motivation' has its origin in the Latin word, meaning "to move."
- (A) More
 - (B) Movere
 - (C) Most
 - (D) Maximum
35. It should be noted that the word 'motivation' has its origin in the Latin word 'movere', meaning "....."
- (A) To stop
 - (B) To move
 - (C) Do not move
 - (D) All of above
36. Which of the following tool considers external factors and helps to evaluate their impact on internal impact on internal business?
- (A) SWOT

- (B) PESTLE
(C) PORTERS five forces model
(D) Environmental scanning
37. Identify incorrect statement.
(A) Companies at all stages of development need to prepare business plan.
(B) Business plan should emphasize people not ideas or concepts.
(C) Business plan must be concise and well written.
(D) None of the above
38. Which of the following is first step in market assessment?
(A) Analysis of the situation
(B) Competitive rivalry
(C) Suppliers power
(D) Defining the problem
39. Which of the following helps in periodic review of actual results?
(A) Marketing plan
(B) Business plan
(C) HR plan
(D) All of the above
40. An opportunity assessment plan includes the following?
(A) A description of the product or service
(B) An assessment of the opportunity
(C) As assessment of the entrepreneur and the team
(D) All of the above
41. Active scanning involves the _____ of continuous resources and, from time to time, supplementing them with existing resources as needed.
(A) conscious selection
(B) subconscious selection
(C) analysis of threats to the business
(D) none of the above
42. _____ is research that is proactively created for a specific purpose.
(A) Primary research
(B) Secondary research
(C) Directed research
(D) Proactive research

ANSWERS

1.	(B)	2.	(C)	3.	(D)	4.	(A)	5.	(C)	6.	(B)	7.	(B)
8.	(C)	9.	(C)	10.	(C)	11.	(B)	12.	(D)	13.	(D)	14.	(B)
15.	(C)	16.	(B)	17.	(C)	18.	(B)	19.	(B)	20.	(A)	21.	(B)
22.	(A)	23.	(C)	24.	(C)	25.	(C)	26.	(D)	27.	(D)	28.	(C)
29.	(D)	30.	(B)	31.	(A)	32.	(A)	33.	(C)	34.	(B)	35.	(B)
36.	(B)	37.	(B)	38.	(D)	39.	(B)	40.	(D)	41.	(A)	42.	(A)

GROWTH & CHALLENGES OF ENTREPRENEURIAL VENTURE

CHAPTER

16

Nature of Planning in Emerging Firms

1. The main objective of business planning is to provide and implement the –
 - (A) Formal & straight business plan
 - (B) Good & systematic business plan
 - (C) Informal & systematic business plan
 - (D) Formal & systematic business plan

2. Formal and systematic business planning must includes –
 - (I) Strategic planning
 - (II) Operational planning

Select the correct answer from the options given below –

- (A) (I) only
 - (B) (II) only
 - (C) Both (I) and (II)
 - (D) Neither (I) nor (II)
3. Strategic plan formulate the effective management concentrates on opportunities and threats in –
 - (A) Long range plans
 - (B) Short range plans
 - (C) Medium range plans
 - (D) Capital plans
4. Strategic planning includes strategic management which implemented the following strategic processes:
 - I. Environmental scanning
 - II. Strategy formulation
 - III. Strategy implementation
 - IV. Evaluation and control

Select the correct answer from the options given below –

- (A) II, III
 - (B) III, IV, II, I
 - (C) II, IV, I
 - (D) IV, III, I

5. Environment scanning applies to –
 1. External scanning processes
 2. Motivational scanning processes
 3. Internal scanning processes
 4. Lead scanning processes

Select the correct answer from the options given below –

- (A) None of the given
 - (B) Except 4 all other
 - (C) Both 1 and 3
 - (D) 1 only
6. External environmental scanning accounts the –
 - (A) Social environment (general forces)
 - (B) Task environment (industry analysis)
 - (C) Both (A) and (B)
 - (D) Neither (A) nor (B)
7. The internal environmental scanning includes
 - (A) Structure (chain of command)
 - (B) Culture (beliefs, expectations, values)
 - (C) Resources (assets, skills, competencies, knowledge)
 - (D) All of above
8. Which of the following is a detailing process in the mission, objectives, strategies, and policies?
 - (A) Strategy formulation
 - (B) Strategy implementation
 - (C) Strategic strategy
 - (D) Strategy achievement
9. _____ is the process of conducting programs (activities needed to accomplish a plan), budgets (cost of the programs), and procedures (sequence of steps needed to do the job).
 - (A) Strategy formulation
 - (B) Strategy implementation
 - (C) Both (A) and (B)
 - (D) Neither (A) nor (B)

10. _____ defines how to operate in practice to implement action and monitoring plans what are capacity needs, how resources are to be used, how risks are to be dealt with and how sustainability of the project's achievement is ensured.

(A) Private planning
(B) Operational planning
(C) Environmental planning
(D) All of above

Entrepreneurial Opportunities

11. Which of the following British economists briefly touched upon the concept of entrepreneurship, though they referred to it under the broad English term "business management"?

(A) Adam Smith
(B) David Ricardo
(C) John Stuart Mill
(D) All of above

12. The necessity of entrepreneurship for production was first formally recognized by in 1890.

(A) Alfred Marshall
(B) Adam Smith
(C) John Stuart Mill
(D) David Ricardo

13. The necessity of entrepreneurship for production was first formally recognized by Alfred Marshall in –

(A) 1690
(B) 1790
(C) 1890
(D) 1990

14. In his famous treatise Principles of Economics, Marshall asserts important factors of production as:

I. Land
II. Furniture
III. Labour
IV. Capital
V. Building
VI. Organization
VII. Plant & machinery

Select the correct answer from the options given below –

(A) I, V, III, IV
(B) IV, III, II, VII

(C) I, III, IV, VI
(D) IV, II, I, V

15. Who claims that the abilities of entrepreneur are "so great and so numerous that very few people can exhibit them in all in a very high degree"?

(A) Adam Smith
(B) John Stuart Mill
(C) Marshall
(D) David Ricardo

16. Who suggests that the process of innovation is actually of spontaneous "undeliberate learning"?

(A) David Ricardo
(B) Kirzner
(C) Adam Smith
(D) John Stuart Mill

17. Entrepreneurship may be classified as –

(A) Opportunity-Based Entrepreneurship
(B) Necessity-Based Entrepreneurship
(C) (A) or (B)
(D) None of above

18. According to Peter Drucker, entrepreneurship is –

(A) A Science
(B) An art
(C) A practice
(D) All of above

Miscellaneous

19. Which of the following is needed to grow the entrepreneurship?

(A) Government
(B) Society
(C) Media
(D) All of above

20. Entrepreneur should have access to –

(A) Right skill
(B) Smart capital
(C) Right environment
(D) All of above

21. Entrepreneurship should always ready to accept the –

(A) Diversification
(B) Expansion

- (C) Modernization
(D) All of above
22. Employees relate to which of the following?
(A) Work all day all night
(B) Do not work
(C) Work hard
(D) Work smart
23. Business plans are only for start-up companies, it is a —
(A) Myth
(B) Reality
(C) Miracle
(D) Both (A) and (C)
24. Ongoing scanning at an almost unconscious level is —
(A) Indirect Scanning
(B) Passive scanning
(C) Active scanning
(D) Directed scanning
25. Entrepreneur work for —
(A) Commission
(B) Remuneration
(C) Salary
(D) Profits
26. Which of the following is not the characteristic of entrepreneurship?
(A) Innovation
(B) Organizing skills
(C) Indifference approach
(D) Risk taking
27. An entrepreneur's primary motivation for starting a business is —
(A) To be powerful
(B) To be famous
(C) To be independent
(D) To make money
28. The _____ plan should contain control points to ascertain progress.
(A) Business
(B) Marketing
(C) Financial
(D) Operational
29. Market innovation refers to —
(A) Procurement of capital to buy market
(B) Acquiring a market place and bring innovation to it.
(C) Setting up of a new shop
(D) Discovering new product and market
30. Concept of entrepreneurship was referred as _____ by British economists.
(A) Business Management
(B) Board Administration
(C) Business Administration
(D) Board Management
31. What is the full form of LDC?
(A) Less Developed Countries
(B) Low Development Countries
(C) Less Development Countries
(D) Low Division Countries
32. In India, which sector provides more job opportunities than any other sector?
(A) Agriculture sector
(B) Public sector undertakings
(C) Medium level
(D) Large scale
33. Which two work environments should be good for spawning the new enterprises?
(A) Finance and marketing
(B) Finance and R&D
(C) Marketing and R&D
(D) Marketing and IT
34. The resistance of employees in an organization against flexibility, growth, and diversification can be overcome by developing:
(A) Administrative domain
(B) Managerial domain
(C) Intrapreneurship
(D) Entrepreneurship
35. Which of the following are constraints to operational planning?
(A) Time and resources
(B) Taxes and subsidies
(C) Political instability
(D) None of the above
36. What is the logical order for stages of development in entrepreneurial firm?
(i) Corporate

- (ii) Start up
- (iii) Established
- (iv) Seed stage
- (v) Early growth

Select the correct answer from the options given below –

- (A) (i) (ii) (iii) (iv) (v)
 - (B) (v) (iii) (iv) (ii) (i)
 - (C) (iv) (ii) (v) (iii) (i)
 - (D) (v) (iv) (iii) (ii) (i)
37. In SWOT analysis the 'O' stands for –
- (A) Objections
 - (B) Openings
 - (C) Opportunities
 - (D) Obstacles
38. In the PESTEL framework for environmental analysis what does the letter S stand for?
- (A) Superior
 - (B) Surroundings
 - (C) Society
 - (D) Socio cultural
39. The advantages of competition rivalry are:
- (A) Identifying the actual competitors
 - (B) Assessing competitors' objectives, strategies, strengths & weaknesses, and reaction patterns
 - (C) To root out the competitors
 - (D) All the above
40. Assessment of competitive rivalry does NOT include an understanding of:
- (A) The extent to which competitors are in balance.
 - (B) Market growth rates
 - (C) Fixed costs, exit barriers and operational efficiency
 - (D) The management structure of an organization
41. Identify incorrect statement.
- (A) Companies at all stages of development need to prepare business plan.
 - (B) Business plan should emphasize people not ideas or concepts.
 - (C) Business plan must be concise and well written.
 - (D) None of the above
42. Which of the following is first step in market assessment?
- (A) Analysis of the situation
 - (B) Competitive rivalry
 - (C) Suppliers power
 - (D) Defining the problem
43. An opportunity assessment plan includes the following?
- (A) A description of the product or service
 - (B) An assessment of the opportunity
 - (C) As assessment of the entrepreneur and the team
 - (D) All of the above
44. Activescanning involves the _____ of continuous resources and, from time to time, supplementing them with existing resources as needed.
- (A) conscious selection
 - (B) subconscious selection
 - (C) analysis of threats to the business
 - (D) none of the above
45. When an entrepreneur introduces a new product or service to meet the need of old market it is called –
- (A) Allocation of new sources
 - (B) Product development
 - (C) Diversification
 - (D) Market expansion
46. When firm successfully engages in mergers and acquisitions it is called –
- (A) Expansion
 - (B) Growth and expansion
 - (C) Business planning
 - (D) Modernization
47. The document which summarizes the optional and financial objectives of a business and contains the detailed plans and budget showing how the objectives are to be realized is called –
- (A) Strategic plan
 - (B) Long term plan
 - (C) Development plan
 - (D) Business plan
48. Which of the following executes strategy into everyday executions tactics?
- (A) Goal setting
 - (B) Technical planning

- (C) Operational planning
(D) None of the above
49. To leverage upon the extraordinary talent pool of the potential entrepreneurs, it is essential to create the right environment by ensuring that –
(A) entrepreneurs have access to the right skill
(B) entrepreneurs have access to smart capital
(C) enable networking and exchange
(D) all of the above
50. Increase in supply or productivity of factors such as financial, labour and material is called –
(A) Resource innovations
(B) Expansion
(C) Factor innovations
(D) Innovations planning
51. Changes in the size of composition of the market is called –
(A) Market innovations
(B) Market development
(C) Market segmentation
(D) Market expansion
52. Identify which of the following statement is true.
- (W) Leibenstein claims that the dominant, necessary characteristics of entrepreneurs is that they are gap-fillers
(X) Kirzner suggests that the process of innovation is actually of spontaneous “undeliberate learning”.
(Y) Knight claims that an entrepreneur will be able to bear the risk of a new venture if he believes that there is a significant chance of profits.
(Z) Marshall, however, implies that people can be taught to acquire the abilities that are necessary to be an entrepreneur.
- Select the correct answer from the options given below –*
- (A) (W) & (X)
(B) (Y) & (Z)
(C) (W), (X) & (Z)
(D) (W), (X), (Y) & (Z)
53. Who suggests that the process of innovation is actually of spontaneous “undeliberate learning”?
(A) Knight
(B) Kirzner
(C) John Stuart Mill
(D) David Ricardo

Answers

1.	(D)	2.	(C)	3.	(A)	4.	(B)	5.	(C)	6.	(C)	7.	(D)
8.	(A)	9.	(B)	10.	(B)	11.	(D)	12.	(A)	13.	(C)	14.	(C)
15.	(C)	16.	(B)	17.	(C)	18.	(C)	19.	(D)	20.	(D)	21.	(D)
22.	(C)	23.	(A)	24.	(B)	25.	(D)	26.	(C)	27.	(C)	28.	(D)
29.	(D)	30.	(A)	31.	(A)	32.	(A)	33.	(B)	34.	(C)	35.	(A)
36.	(C)	37.	(C)	38.	(D)	39.	(D)	40.	(D)	41.	(B)	42.	(D)
43.	(D)	44.	(A)	45.	(C)	46.	(A)	47.	(D)	48.	(C)	49.	(D)
50.	(C)	51.	(A)	52.	(D)	53.	(B)						

SOCIAL ENTREPRENEURSHIP

1. In a social entrepreneurship organization uses methods in an innovative way to address –
 - X. Social problem
 - Y. Environmental problem

Select the correct answer from the options given below –

 - (A) Y only
 - (B) Neither X nor Y
 - (C) X only
 - (D) Both X and Y
2. Social entrepreneurship is a revolution occurring around the world, where people from all walk of life are –
 - (A) developing and implementing innovative, effective and sustainable solutions in response to government role.
 - (B) developing and implementing innovative, effective and sustainable solutions in response to social and charitable challenges.
 - (C) developing and implementing innovative, effective and sustainable solutions in response to social and environmental challenges.
 - (D) developing and implementing effective and sustainable solutions in response to taxation environment challenges.
3. Who among the following has given definition of social entrepreneurship?
 - (A) Greg Dugouts
 - (B) Greg dee
 - (C) Dee Maria
 - (D) Susan B. Anthony
4. Social entrepreneurs are individuals with innovative solution to –
 - (A) Society's most pressing social problems
 - (B) Society's most common problems
 - (C) Social problems that are not still solved
 - (D) Social problems that are not subject to Court proceedings.
5. Which of the following quality is attributable to social entrepreneurs?
 - (A) Visionaries
 - (B) One man show
 - (C) Rationalist
 - (D) Rich and powerful
6. Social entrepreneurs acts as the –
 - (A) Change agent for poor people
 - (B) Change agent for government
 - (C) Change agent for society
 - (D) Change agent for nation
7. As per the leading historical Social entrepreneur who fought for women's right in United States?
 - (A) Dr. Maria Montessori
 - (B) Susan Dees
 - (C) Margaret Sanger
 - (D) Susan B. Anthony
8. Susan B. Anthony fought for women's right in United States, including –
 - (A) The right to control property and helped spearhead adoption of the 19th Amendment.
 - (B) Hospital conditions for women.
 - (C) Family planning movement efforts around the world.
 - (D) None of the above
9. Vinoba Bhave was founder and leader of the –
 - (A) Land scam in India
 - (B) Constitution of India
 - (C) Land gift movement
 - (D) Planned Parenthood Federation
10. Dr. Maria Montessori -
 - (A) fought for fundamental rights of children.
 - (B) established school for nurses and fought for improvement of hospital conditions
 - (C) established National Park System.
 - (D) developed approach to early childhood education

11. Florence Nightingale –
 (A) established National Park System
 (B) led to family planning movement efforts around the world
 (C) established school for nurses and fought for improvement of hospital conditions
 (D) all of above
12. Who was the founder of Planned Parenthood Federation of America?
 (A) John Muir
 (B) Margaret Sanger
 (C) Jean Monnet
 (D) Abraham Lankan
13. John Muir –
 1. was Naturalist & conservationist
 2. established National Park System
 3. helped to found Sierra Club.
Select the correct answer from the options given below –
 (A) 2 only
 (B) 1 and 2 only
 (C) 3 only
 (D) 1, 2 & 3
14. The Bill & Melinda Gates Foundation now –
 (A) Issues loan guarantees
 (B) Issues direct funds
 (C) Leverage the position
 (D) Acts as financial vehicle
15. Which of the following is way of funding social entrepreneurs?
 I. Loan Guarantees
 II. Quasi-equity debt
 III. Pooling
Select the correct answer from the options given below –
 (A) I
 (B) II
 (C) III
 (D) All
16. Social impact bond were launched in –
 (A) US
 (B) UK
 (C) India
 (D) Italy
17. _____ is a form of Pooling Technique.
 (A) Bonds
 (B) Microfinance
 (C) Small funding
 (D) Collective investment
18. Which of the following challenges social entrepreneurs are facing?
 (A) Limited access to early stage capital
 (B) Development of new product
 (C) Maintaining profits
 (D) All of the above
19. _____ is particularly useful for enterprises that are legally structured as non-profits and therefore cannot obtain equity capital.
 (A) Quasi-equity debt security
 (B) Loan security
 (C) Deemed security
 (D) All of the above
20. The innovative methods used in social enterprises to broaden the access of capital includes –
 (A) Loan Guarantee
 (B) Quasi-equity debt
 (C) Polling
 (D) All of the above
21. The funding of social entrepreneurs is essentially a problem of –
 (A) Availability of investment option
 (B) Financing structuring
 (C) Profits
 (D) None of the above
22. The key to managing return on funding in social enterprises is to offer _____
 (A) Consistent risk and return to all investors.
 (B) Different risks and returns to different kind of investor
 (C) Return on the basis of type of social enterprise
 (D) All of the above
23. In a social enterprise model measurable impact is created by the generation of –
 (A) Funding value
 (B) Service value
 (C) Economic value
 (D) Social value

24. Social entrepreneurs play the role of change agents in the social sector by –
- (A) Adopting a mission to create and sustain social value recognizing and relentlessly pursuing new opportunities to serve that mission
 - (B) Engaging in a process of continuous innovations, adaptations and learning.
 - (C) Acting boldly without being limited by resources currently in hand
 - (D) All of the above
25. From the US to Australia, national and local governments are developing _____ to fund interventions targeting homeless, early childhood education and other issues.
- (A) Space bonds
 - (B) Pilot bonds
 - (C) Care bonds
 - (D) All of the above

Answers:

1.	(D)	2.	(C)	3.	(B)	4.	(A)	5.	(A)	6.	(C)	7.	(D)
8.	(A)	9.	(C)	10.	(D)	11.	(B)	12.	(B)	13.	(D)	14.	(A)
15.	(D)	16.	(B)	17.	(B)	18.	(A)	19.	(A)	20.	(D)	21.	(B)
22.	(B)	23.	(D)	24.	(D)	25.	(B)						

GOVERNMENT INITIATIVES FOR BUSINESS

CHAPTER

18

1. Which Ministry is responsible for co-ordination of all skill development efforts across the country, removal of disconnect between demand and supply of skilled manpower, building the vocational and technical training framework, skill up-gradation, building of new skills, and innovative thinking not only for existing jobs but also jobs that are to be created?
 - (A) Ministry of Skill Development and Entrepreneurship
 - (B) Ministry of Industrial and Entrepreneurship Development
 - (C) Ministry of Human Resource Development
 - (D) Ministry of Human Skill Development
2. The Ministry of Skill Development and Entrepreneurship aims to skill on a large scale with speed and high standards in order to achieve its vision of a —
 - (A) India Shining
 - (B) Garibi Hatao
 - (C) Skilled People
 - (D) Skilled India
3. Which of the following are functional arms of the Ministry of Skill Development and Entrepreneurship?
 - (I) National Skill Development Agency
 - (II) National Planning Agency
 - (III) National Skill Development Corporation
 - (IV) National Relief Fund
 - (V) National Human Resources Corporation
 - (VI) National Skill Development Fund

Select the correct answer from the options given below -

 - (A) (II), (IV), (V)
 - (B) (VI), (I), (III)
 - (C) (V), (VI), (I)
 - (D) (VI), (I), (II)
4. NSDA means —
 - (A) National Small Development Agency
 - (B) National Skill Development Area
 - (C) National Skill Durable Agency
 - (D) National Skill Development Agency
5. NSDC means —
 - (A) National Source Development Corporation
 - (B) National Skill Development Company
 - (C) National Skill Development Corporation
 - (D) National Small Development Corporation
6. How many Sector Skill Councils are registered with National Skill Development Corporation?
 - (A) 187
 - (B) 33
 - (C) 53
 - (D) 87
7. How many training partners are registered with National Skill Development Corporation?
 - (A) 187
 - (B) 288
 - (C) 27
 - (D) 72
8. The National Skill Development Agency (NSDA) is -
 - (A) an autonomous body
 - (B) was created with the mandate to co-ordinate and harmonize the skill development activities in the country
 - (C) is part of the Ministry of Skill Development & Entrepreneurship (MSDE)
 - (D) all of the above
9. The National Skill Development Corporation India (NSDC) was setup as —
 - (A) Network of Industrial Training Institutes

- (B) A one of its kind, Public Private Partnership Company with the primary mandate of catalyzing the skills landscape in India.
- (C) Largest Corporate Trustees in India
- (D) Profit making company
10. On which of the following philosophy based pillars NSDC's unique model is created?
1. *Create*: Proactively catalyse creation of large, quality vocational training institutions.
 2. *Fund*: Reduce risk by providing patient capital including grants and equity.
 3. *Enable*: The creation and sustainability of support systems required for skill development. This includes the Industry led Sector Skill Councils.
- Select the correct answer from the options given below –
- (A) 1
- (B) 2
- (C) 3
- (D) All of the above
11. The main objectives of the NSDC is to:
- (A) Administer and management of day-to-day the Trust.
- (B) Upgrade skills to international standards through significant industry involvement and develop necessary frameworks for standards, curriculum and quality assurance
- (C) To get the accounts audited by a Chartered Accountant for every financial year
- (D) None of the above
12. The main objectives of the NSDC is to:
- I. Enhance, support and coordinate private sector initiatives for skill development through appropriate Public-Private Partnership (PPP) models; strive for significant operational and financial involvement from the private sector
 - II. Play the role of a “market-maker” by bringing financing, particularly in sectors where market mechanisms are ineffective or missing
 - III. Prioritize initiatives that can have a multiplier or catalytic effect as opposed to one-off impact.
- Select the correct answer from the options given below –
- (A) I & II
- (B) II & III
- (C) I only
- (D) I, II & III
13. How many students are trained by NSDC?
- (A) Over 5.2 million students
- (B) Near about 3.2 million students
- (C) Below 1.2 million students
- (D) Such data is not available
14. _____ Sector Skill Councils (SSC) approved in services, manufacturing, agriculture & allied services, and informal sectors. Sectors include 19 of 20 high priority sectors identified by the Government and _____ of the sectors under Make in India initiative.
- (A) 38; 25
- (B) 83; 52
- (C) 33; 22
- (D) 22; 33
15. A start-up according to _____ is searching for answer to the product it will sell, the customer it will serve and the way it will make money from delivering value to its customer.
- (A) US Small Business Administration (SBA)
- (B) Steve Blank
- (C) National Skill Development Corporation
- (D) David Recordo
16. ASME, according to the _____ is an independently owned and operated, organized for profit, and not dominant in its field.
- (A) National Skill Development Corporation
- (B) US Small Business Administration (SBA)
- (C) NITI Aayog
- (D) Expert Committee on Innovation & Entrepreneurship
17. To simplify the regulatory framework the government introduced the Ease of Doing Business wherein an MSME unit has to fill in a Single one page self-declaration online form called –
- (A) Aadhaar Form
- (B) MSME Application Form
- (C) Udyog Aadhaar
- (D) Aadhaar Udyog
18. Which of the following scheme was introduced for Apprentice?
- (A) Apprentice Aadhaar Yojana
- (B) Apprentice Udyog Aadhaar Yojana

- (C) Apprentice Protsahan Yojana
(D) Apprentice Udyog Protsahan Yojana
19. Under the Apprentice Protsahan Yojana, _____ of the stipend payable to Apprentice would be reimbursed by the Government for first _____ which is incentive for MSME Units to take in more apprentice.
(A) 50%; 3 years
(B) 75%; 2 years
(C) 75%; 3 years
(D) 50%; 2 years
20. Which scheme was introduced in March 2015 by the MSME Ministry to give boost to *Make in India* Programme?
(A) ASPIRE
(B) Special Article Programme
(C) Million Well Scheme
(D) MUDRA Yojana
21. The objective of ASPIRE Scheme –
(A) is to set up a network of technology and incubation centers to accelerate entrepreneurship and also promote start-ups for innovations and entrepreneurship in agro-industry
(B) is to set up a network of internet to accelerate entrepreneurship and also promote start-ups for innovations and entrepreneurship in handloom industry
(C) is to set up a network of technology giving exemption in GST to small entrepreneurs and also promote start-ups for innovations and entrepreneurship in such industry
(D) none of the above
22. To ease the credit availability requirements of start-ups the government had announced the –
(A) Money back guarantee
(B) Indian Aspiration Fund
(C) Credit guarantee Scheme
(D) MUDRA Scheme
23. Atal Innovation Mission (AIM) programme operated from –
(A) NITI Aayog
(B) Ministry of Corporate Affairs
(C) Ministry of Human Skill Development
(D) Committee of Ministers
24. SETU means –
(A) Small Employment & Talent Utilization
(B) Self Enrolment & Talent Utilization
(C) Self Employment & Talent Utilization
(D) Self Employment & Talent Utility
25. Digital India programme has been launched –
(A) To provide broadband connectivity in rural area and urban areas.
(B) To provide broadband connectivity to poor people in India.
(C) To bring down the high rate of internet charges
(D) To provide broadband connectivity to students studying in college.
26. _____ Indian Aspiration Fund was launched by _____ in August 2015 to boost the start-up funds ecosystem in the country.
(A) ₹ 5,000 Crore; IDBI
(B) ₹ 2,000 Crore; SIDBI
(C) ₹ 2,000 Crore; RBI
(D) ₹ 3,500 Crore; ICICI
27. The start-up scheme provides loans to entrepreneurs of –
(A) the Scheduled Caste
(B) the Scheduled Caste and Scheduled Tribes
(C) the Scheduled Caste and Scheduled Tribes as well as women.
(D) the Scheduled Caste, Scheduled Tribes as well as women & men.
28. The start-up scheme provides loans to entrepreneurs of the Scheduled Caste and Scheduled Tribes as well as women. Such loan range from –
(A) ₹ 1 lakh to ₹ 10 lakh
(B) ₹ 10 lakh to ₹ 1 Crore
(C) ₹ 10 lakh to ₹ 50 lakh
(D) ₹ 10 lakh to ₹ 1.5 Crore
29. National Skill Development Corporation (NSDC) operates through partnership with –
(A) Private Sector
(B) Central Ministries
(C) State Government
(D) All of the above
30. Business as entrepreneurial hubs is one of the major drivers identified by –
(A) The Expert Committee on Innovation & Entrepreneurship
(B) Innovative Start-ups
(C) Incubation policy
(D) None of the above

31. In the World Banks Ease of doing Business Ranking 2015 India is placed at –
- (A) 154 place out of the total 184 economies
 (B) 142 place out of the total 189 economies
 (C) 148 place out of the total 190 economies
 (D) 146 place out of the total 188 economies
32. Globally India ranks in –
- (A) Third position with 4,200 Start-ups
 (B) Fourth position with 4,200 Start-ups
 (C) Second position with 4,500 Start-ups
 (D) Fifth position with 4,800 Start-ups

Answers:

1.	(A)	2.	(D)	3.	(B)	4.	(D)	5.	(C)	6.	(B)	7.	(A)
8.	(D)	9.	(B)	10.	(D)	11.	(B)	12.	(D)	13.	(A)	14.	(A)
15.	(B)	16.	(B)	17.	(C)	18.	(C)	19.	(D)	20.	(A)	21.	(A)
22.	(D)	23.	(A)	24.	(C)	25.	(A)	26.	(B)	27.	(C)	28.	(B)
29.	(D)	30.	(A)	31.	(B)	32.	(A)						

DIVISION

3

BUSINESS ECONOMICS

PART A

BUSINESS ECONOMICS

- ◆ NATURE & SCOPE OF ECONOMICS
- ◆ THEORY OF DEMAND & SUPPLY
- ◆ THEORY OF PRODUCTION, COSTS & REVENUE
- ◆ FORMS OF MARKET & ITS EQUILIBRIUM
- ◆ MONEY & BANKING
- ◆ INDIAN ECONOMY - AN OVERVIEW

NATURE & SCOPE OF ECONOMICS

Economics: An Introduction

1. The word 'Economics' originates from the word –
 - (A) Oikomnomikos
 - (B) Oikonomikos
 - (C) Eikonomikos
 - (D) Ekconomics
2. The word 'Economics' originates from the _____ world 'Oikonomikos'
 - (A) Roman
 - (B) French
 - (C) Greek
 - (D) European
3. It is assumed in economic theory that
 - (A) Decision making within the firm is usually undertaken by managers, but never by the owners.
 - (B) The ultimate goal of the firm is to maximise profits, regardless of firm size or type of business organisation.
 - (C) As the firm's size increases, so do its goals.
 - (D) The basic decision making unit of any firm is its owners.
4. 'Oikos', which means –
 - (A) House
 - (B) Society
 - (C) Government
 - (D) All of above
5. 'Nomos', which means –
 - (A) Control
 - (B) Administration
 - (C) Management
 - (D) Power
6. The task of economic science is to –
 - (A) Save the earth from the overuse of natural resources
 - (B) Help us to understand how the economic world works
 - (C) Tell us what is good for us
 - (D) Make moral choices about things like drugs
7. The meaning of Greek word 'oikonomikus' is –
 - (A) Wealth Management
 - (B) House Management
 - (C) Business Economics
 - (D) Business Management
8. As per the old economists, economics means _____
 - (A) Business management
 - (B) Society management
 - (C) House Management
 - (D) Human management
9. The _____ of the discipline of economics is to study the working of an economy and the issues by it.
 - (A) Secondary task
 - (B) Primary task
 - (C) Both (A) & (B)
 - (D) Neither (A) nor (B)
10. The nature of economic problems and their solutions is closely linked with the _____ of the economic system.
 - (A) Structure
 - (B) Progress
 - (C) Development
 - (D) All of above
11. Economics is _____
 - A. Science
 - B. An Art

Select the correct answer from the options given below –

 - (A) A only
 - (B) B only

- (C) Both A and B
- (D) Neither A nor B

12. Economics is a _____

- I. Physical science
- II. Pure science
- III. Social science
- IV. Statistical science

Select the correct answer from the options given below –

- (A) I & IV
 - (B) II & III
 - (C) III only
 - (D) II only
13. What is the “fundamental premise of economics”?
- (A) Natural resources will always be scarce.
 - (B) Individuals are capable of establishing goals and acting in a manner consistent with achievement of those goals.
 - (C) Individuals choose the alternative for which they believe the net gains to be the greatest.
 - (D) No matter what the circumstances, individual choice always involves a trade-off.
14. The central problem in economics is that of –
- (A) Comparing the success of command versus market economies.
 - (B) Guarantying that production occurs in the most efficient manner.
 - (C) Guarantying a minimum level of income for every citizen.
 - (D) Allocating scarce resources in such a manner that society’s unlimited needs or wants are satisfied as well as possible.
15. Which of the following is not one of the central questions that the study of economics is supposed to answer?
- (A) Who produces what?
 - (B) When are goods produced?
 - (C) Who consumes what?
 - (D) How are goods produced?
16. Economics may be defined as the science that explains –
- (A) The choices that we make as we cope with scarcity
 - (B) The decisions made by politicians
 - (C) The decisions made by households
 - (D) All human behaviour

17. Economic choices can be summarized in five big questions. They are –

- (A) What, how, who, where and would you please
- (B) Why not, what, how, when and where
- (C) What, how, when, where and why
- (D) What, how, when, where and who

Economics: Study of Economic System

18. Study of an economy includes: Alternative forms of an economy like _____ economy.

- (A) Capitalism
- (B) Socialism
- (C) Mixed
- (D) All of above

19. Human wants may be classified into: ____

- (A) Economic wants & non-economic wants
- (B) Economic wants & unsatisfied wants
- (C) Satisfied wants & non-economic wants
- (D) Plain wants & economic wants

20. Wants can be satisfied by the consumption of, are economic wants.

- (A) Goods
- (B) Services
- (C) Goods and services
- (D) None of above

21. In a free market economy the allocation of resources is determined by –

- (A) Votes taken by consumers
- (B) A central planning authority
- (C) Consumer preference
- (D) The level of profits of firms

22. A capitalist economy uses _____ as the principal means of allocating resources.

- (A) Demand
- (B) Supply
- (C) Efficiency
- (D) Prices

23. In a free market economy, when consumers increase their purchase of a good and the level of _____ exceeds _____ then prices tend to rise.

- (A) Demand; Supply
- (B) Supply; Demand
- (C) Prices; Demand
- (D) Profits; Supply

24. Which of the following can be treated as characteristic of economic wants?

1. Even if satisfied, the wants have a tendency to re-emerge.
2. With the passage of time, the wants tend to increase in number and in variety.

Select the correct answer from the options given below –

- (A) 1 but not 2
- (B) 2 but not 1
- (C) Both 1 & 2
- (D) Neither 1 nor 2

25. Which of the following would be considered a disadvantage of allocating resources using a market system?

- (A) Income will tend to be unevenly distributed.
- (B) Significant unemployment may occur.
- (C) It cannot prevent the wastage of scarce economic resources.
- (D) Profits will tend to be low.

26. Wants are –

- (A) Limited
- (B) Unlimited
- (C) Sufficient
- (D) Adequate

27. The “means” available for satisfaction of wants are _____

- (A) Sufficient
- (B) Limited
- (C) Either (A) or (B)
- (D) Unlimited

28. In a mixed economy,

- (A) All economic decisions are taken by the central authority.
- (B) All economic decisions are taken by private entrepreneurs.
- (C) Economic decisions are partly taken by the state and partly by the private entrepreneurs.
- (D) None of the above

Various Definitions of Economics

29. “If economists were laid end to end, they would not reach a conclusion.” This is said by –

- (A) George Bernard Shaw
- (B) Adam Smith

(C) Alfred Marshall

(D) A. C. Pigou

30. Arrange the following in proper from: Stages as Economics developed as a subject:

- I. Material Welfare Definition
- II. Wealth Definition
- III. Development and Growth Definition
- IV. Scarcity and Choice Definition

Select the correct answer from the options given below –

- (A) II, I, IV, III
- (B) I, II, III, IV
- (C) IV, III, II, I
- (D) II, III, I, IV

31. Which of the following is the best general definition of the study of Economics?

- (A) Inflation and unemployment in a growing economy.
- (B) Business decision making under foreign competition.
- (C) Individual and social choice in the face of scarcity.
- (D) The best way to invest in the stock market.

32. Who is considered to be the founding father of economics?

- (A) George Bernard Shaw
- (B) Adam Smith
- (C) Alfred Marshall
- (D) A. C. Pigou

33. During the eighteenth and the early part of nineteenth century, Adam Smith, considered to be the founding father of modern economics, along with economist(s) like –

- X. Alfred Marshall
- Y. J. B. Say
- Z. Walker

Select the correct answer from the options given below –

- (A) Y & X
- (B) X, Y & Z
- (C) Y only
- (D) Z & Y

34. Who systematized the concept in the form the book which was entitled as, “An Enquiry into the Nature and Cause of the Wealth of Nations”?

- (A) George Bernard Shaw
(B) Adam Smith
(C) Alfred Marshall
(D) A. C. Pigou
35. Adam Smith systematized the concept in the form the book which was entitled as —
(A) An Enquiry into the Nature and Cause of the Wealth of persons
(B) An Enquiry into the Nature and Cause of the Wealth of Nations
(C) An Enquiry into the Nature of the Wealth of Nations
(D) An Enquiry into the Nature and Cause of the Wealth of Society
36. Adam Smith systematized the concept in the form the book which was entitled as, "An Enquiry into the Nature and Cause of the Wealth of Nations" published in —
(A) 1776
(B) 1876
(C) 1976
(D) 2006
37. Who of the following referred economics as the "science of wealth"?
(X) J. B. Say
(Y) Walker
(Z) Adam Smith
- Select the correct answer from the options given below —*
(A) (X) only
(B) (Y) only
(C) (Z)
(D) All (X), (Y) & (Z)
38. Who of the following referred 'economics' as the science of wealth?
(A) Welsh
(B) Walker
(C) George Bernard Shaw
(D) Alfred Marshall
39. Who of the following referred 'economics' as the science of wealth?
(A) Alfred Marshall
(B) Lionel Robbins
(C) Samuelson
(D) J. B. Say
40. _____ assumed that, the wealthier a nation, the happier its citizens are.
(A) Alfred Marshall
(B) Lionel Robbins
(C) Adam Smith
(D) Samuelson
41. The central point in Adam Smith's definition is —
(A) Wealth destruction
(B) Wealth creation
(C) Human welfare
(D) Human behaviours
42. Who defined Economics in terms of "The Science of Wealth"?
(A) The modern economists
(B) The classical economists
(C) The Indian economists
(D) The Romanian economists
43. Which of the following is merit of 'Wealth Definition'?
(A) It highlighted an important problem faced by each and every nation of the world, namely creation of wealth.
(B) The problems of poverty, unemployment etc. can be solved to a greater extent when wealth is produced and is distributed equitably.
(C) Neither (A) nor (B)
(D) Both (A) and (B)
44. Which of the following is demerit of 'Wealth Definition'?
(A) Too much concentration of welfare
(B) Adam Smith and other classical economists concentrated only on material wealth.
(C) Ignored wealth
(D) All of the above
45. "The produce of the earth all that is derived from its surface by the united application of labour, machinery and capital is divided among three classes of the community, namely, the proprietor of the land, the owner of the stock of capital necessary for its cultivation, and the labourers by whose industry it is cultivated." Thus, "to determine the laws which regulate this distribution is the principal problem in Political Economy". This is said by —
(A) Alfred Marshall
(B) Adam Smith

- (C) Ricardo
(D) Samuelson
46. Welfare definitions of economics were propounded by –
(A) Adam Smith
(B) Alfred Marshall
(C) Samuelson
(D) Lionel Robbins
47. Welfare definitions of economics was propounded by Alfred Marshall and supported by economists like –
(I) A.C. Pigou
(II) J.N. Keynes
(III) Lionel Robbins
Select the correct answer from the options given below –
(A) (I) only
(B) (II) only
(C) (III) only
(D) (I) and (II)
48. As per _____, "Economics is a study of man in the ordinary business of life. It enquires how he gets his income and how he uses it. Thus, it is on the one side, the study of wealth and on the other and more important side, a part of the study of man".
(A) Adam Smith
(B) Adam Marshall
(C) Lionel Robbins
(D) Alfred Marshall
49. Alfred Marshall published his book, "_____"
(A) Principles of Accounting
(B) Principles of Management
(C) Principles of Business Environment and Entrepreneurship
(D) Principles of Economics
50. Alfred Marshall published his book, "Principles of Economics" in –
(A) 1690
(B) 1790
(C) 1890
(D) 1990
51. According to Marshall, "End is the ____".
(A) Creation of wealth
(B) Government welfare
(C) Human welfare
(D) All of above
52. Who was the pioneer of welfare thought?
(A) Marshall
(B) Smith
(C) Robbins
(D) Manmohan Singh
53. "The range of our inquiry becomes restricted to that part of social welfare that can be brought directly or indirectly into relation with the measuring rod of money". This definition is given by –
(A) Marshall
(B) Robbins
(C) Pigou
(D) Samuelson
54. A. C. Pigou published his book "_____"
(A) An Enquiry into the Nature and Cause of the Wealth of Nations
(B) The Economics of Welfare
(C) Principles of Economics
(D) An Enquiry into Principles of Economics
55. Pigou's definition of economics, was restricted only to economic systems:
(A) Which were guided by the market forces or monetary terms
(B) In which production and investment were undertaken with the business motives
(C) Both (A) and (B)
(D) Neither (A) nor (B)
56. Welfare definitions of economic are more relevant, comprehensive and scientific than wealth definitions.
(A) True
(B) False
(C) Partly true
(D) Partly false
57. As per _____, Economics is being regarded as "an engine of social betterment".
(A) Wealth definitions
(B) Welfare definitions
(C) Both (A) and (B)
(D) None of above
58. Who first recognized the significance of human welfare?

- (A) Marshall
(B) Robbins
(C) George Bernard Shaw
(D) Smith
59. The important feature(s) of Marshall's definition:
- (A) Economics studies only the ordinary business of life
(B) Economics is a marketable science
(C) Economics studies only requisites
(D) All of above
60. Some of the more important criticism against the welfare definitions is/are —
- (A) The classification of human activities into 'economic' and 'non-economic' appears to be illusory and impracticable
(B) Welfare is a matter of individual's own consideration and can be the subject-matter of a scientific enquiry
(C) Welfare definitions make economics a positive science.
(D) All of above
61. Who offered most scientific definition of economics?
- (A) Lionel Robbins
(B) Adam Smith
(C) A. C. Pigou
(D) J. N. Keynes
62. Lionel Robbins has offered most scientific definition in his famous book, titled "....."
- (A) An Essay on the Nature and Cause of the Wealth of Nations
(B) An Essay on the principal of Economic Science
(C) An Essay on the Nature and Significance of Economic Science
(D) An Enquiry into the Nature and Cause of the Wealth of Nations
63. Consider the following and decide which, if any, economy is without scarcity:
- (A) The pre-independent Indian economy, where most people were farmers.
(B) A mythical economy where everybody is a billionaire.
(C) Any economy where income is distributed equally among its people.
(D) None of the above
64. As per _____, "Economics is the science, which studies human behaviours as a relationship between ends and scarce means which have alternative uses."
- (A) Adam Smith
(B) A. C. Pigou
(C) Lionel Robbins
(D) J. N. Keynes
65. "Economics is the science, which studies human behaviours as a relationship between _____ which have alternative uses."
- (A) Ends
(B) Scarce means
(C) Ends and scarce means
(D) Ends and unlimited means
66. Scarcity is a situation in which _____
- (A) Wants exceed the resources available to satisfy them
(B) Something is being wasted
(C) People are poor
(D) None of the above
67. As per Robbins definition; Economics is a —
- (A) Normative science
(B) Positive science
(C) Negative science
(D) Positive Art
68. As per Robbins definition; Ends refer to the —
- (A) Social wants
(B) Human wants
(C) Political wants
(D) Means available to human
69. As per Robbins definition; Human wants are —
- (A) Unlimited
(B) Limited
(C) Sufficient
(D) All of above
70. What implication(s) does resource scarcity have for the satisfaction of wants?
- (A) Not all wants can be satisfied.
(B) We will never be faced with the need to make choices.
(C) We must develop ways to decrease our individual wants.
(D) The discovery of new natural resources is necessary to increase our ability to satisfy wants.

71. Economic goods are considered scarce resources because they –
- Cannot be increased in quantity.
 - Do not exist in adequate quantity to satisfy social requirements.
 - Are of primary importance in satisfying social requirements.
 - Are limited to man made goods.
72. According to _____, economists should concentrate upon the study of the manner in which an economy tries to solve its problem of scarcity of means of satisfaction as compared with its needs.
- Adam Smith
 - A. C. Pigou
 - Lionel Robbins
 - J. N. Keynes
73. Robbins' definition is superior to the earlier definition because of –
- His definition is analytical and makes use of classificatory expressions like economic, non-economic, material, ordinary business of life, etc.
 - Economics is a social science and it is neutral between ends.
 - His definition has universal applicability. It applies to all individuals, group and nations, no matter what type of ideologies or systems they follow.
 - All of above
74. Which of the following can be treated as demerit of Robbins' definition?
- Robbins has made economics quite impersonal and colourless.
 - His definition does not cover the theory of economic growth and development.
 - Robbins assumed rationality on the part of economic units in their behaviour. But in real life situation, a man is influenced more by customs and habits than by rational outlook.
 - All of above
75. On which of the following themes of economics Samuelson has emphasized?
- Scarcity
 - Efficiency
 - Scarcity and efficiency
 - Social welfare
76. Rational decision making requires that –
- One's choices be arrived at logically and without error.
 - One's choices be consistent with one's goals.
 - One's choices never vary.
 - One makes choices that do not involve trade-offs.
77. As per _____, "Economics is the study of how people and society end up choosing, with or without the use of money, to employ scarce productive resources that could have alternative uses to produce various commodities over time and distributing them for consumption, now or in the future, among various persons or groups in society. It analyses costs and benefits of improving patterns of resource allocation".
- Marshall
 - Robbins
 - Pigou
 - Samuelson
78. Paul A Samuelson has propounded what has come to be known as the _____ oriented definition of economics.
- Social welfare
 - Growth
 - Wealth
 - Scarcity
79. Paul A Samuelson written a book titled –
- Economics: An Introductory Analysis
 - Economics: The Principle Analysis
 - Principle of Economics
 - Economic Principles
80. Match the following:
- | | |
|----------------|-------------------------|
| (P) Adam Smith | (i) Scarcity definition |
| (Q) Marshall | (ii) Growth definition |
| (R) Robbins | (iii) Wealth definition |
| (S) Samuelson | (iv) Welfare definition |
- Select the correct answer from the options given below –
- (P) - (ii), (Q) - (iii), (R) - (iv), (S) - (i)
 - (P) - (i), (Q) - (iii), (R) - (ii), (S) - (iv)
 - (P) - (ii), (Q) - (iv), (R) - (iii), (S) - (i)
 - (P) - (iii), (Q) - (iv), (R) - (i), (S) - (ii)
81. The law of scarcity:
- Does not apply to rich, developed countries.

- (B) Applies only to the less developed countries
 (C) Implies that consumers wants will be satisfied in a socialistic system
 (D) Implies that consumers wants will never be completely satisfied
82. Who expressed the view that "Economics is neutral between end"?
- (A) Robbins
 (B) Marshall
 (C) Pigou
 (D) Rahul Gandhi
- Nature of Economics**
83. A subject is considered science if –
- X. It is systematized body of knowledge which traces the relationship between cause and effect.
 Y. It is capable of measurement.
 Z. It has its own methodological apparatus.
- Select the correct answer from the options given below –*
- (A) X
 (B) Y
 (C) Z
 (D) All of above
84. Who said that "An art is a system of rules for the achievement of a given end."?
- (A) Robbins
 (B) J. M. Keynes
 (C) Adam Smith
 (D) Samuelson
85. Economics is _____
- (A) A science
 (B) An art
 (C) Both a science and an art
 (D) History
86. _____ analyses cause and effect relationship between variables but it does not pass value judgment.
- (A) A positive science
 (B) Pure science
 (C) Both (A) and (B)
 (D) Normative science
87. A positive science states - "....."
- (A) What is
 (B) What ought to be
 (C) What should not be
 (D) All of above
88. Who of the following treated Economics as positive science?
- (A) Marshall
 (B) Robbins
 (C) Pigou
 (D) (A) and (C)
89. Who of the following treated Economics as normative science?
- (A) Marshall
 (B) Robbins
 (C) Pigou
 (D) (A) and (C)
90. In a we study a phenomenon as it exists.
- (A) Normative science
 (B) Positive science
 (C) Biological science
 (D) All of above
91. Which of the following remains strictly neutral as regards ends?
- (A) Normative science
 (B) Positive science
 (C) Biological science
 (D) All of the above
92. Which of the following deals with things as they ought to be?
- (A) Normative science
 (B) Positive science
 (C) Biological science
 (D) All of the above
93. Positive science is _____
- (A) Descriptive in nature
 (B) Suggestive in nature
 (C) Both (A) and (B)
 (D) None of the above
94. An example of 'positive' economic analysis would be:
- (A) An analysis of the relationship between the price of food and the quantity purchased.
 (B) Determining how much income each person should be guaranteed.
 (C) Determining the 'fair' price for food.

- (D) Deciding how to distribute the output of the economy.
95. Which of the following is positive statement?
- (A) Wage rate in Satara should be ₹ 500 per day.
 (B) Wage rate in Satara is ₹ 500 per day.
 (C) Tax should be reduced.
 (D) What should be the level of national income?
96. Which of the following statements would you consider to be a normative one?
- (A) Faster economic growth should result if an economy has a higher level of investment.
 (B) Changing the level of interest rates is a better way of managing the economy than using taxation and government expenditure.
 (C) Higher levels of unemployment will lead to higher levels of inflation.
 (D) The average level of growth in the economy was faster in the 1990s than the 1980s
97. Positive economic analysis _____
- (A) Compares the desirability of alternative government policy outcomes.
 (B) Provides a framework within which we can study how some groups are better off than others.
 (C) Analyzes the sources of improvements in the standard of living that result from favourable government policies.
 (D) Is based on observed cause and effect relationships in the economy.
98. Which of the following is normative statement?
- (A) Wage rate in Satara should be ₹ 200 per day.
 (B) Tax should be reduced.
 (C) What should be the level of national income?
 (D) All of the above
99. Which of the following is an example of a normative statement?
- (A) If you consume this good, you will be better off.
 (B) To make the good available to more people, a lower price should be set.
 (C) A lower price for a good causes people to want to buy more of that good.
 (D) A higher price for a good causes people to want to buy less of that good.
100. Which of the following is a normative statement?
- (A) Planned economies allocate resources *via* government departments.
 (B) Most transitional economies have experienced problems of falling output and rising prices over the past decade.
 (C) There is a greater degree of consumer sovereignty in market economies than planned economies.
 (D) Reducing inequality should be a major priority for mixed economies.
- Scope of Economics**
101. Which of the following is defined as branch of economic analysis that studies the economic behaviour of the individual unit, a particular household, or a particular firm?
- (A) Macro economics
 (B) Micro economics
 (C) National economics
 (D) General economics
102. A study of how increases in the corporate income tax rate will affect the national unemployment rate is an example of –
- (A) Macro economics
 (B) Descriptive economics
 (C) Micro economics
 (D) Normative economics
103. _____ may be defined as that branch of economic analysis which studies behaviour of not one particular unit, but of all the units combined together.
- (A) Micro economics
 (B) Macro economics
 (C) Individual economics
 (D) Household economics
104. Macro economics is the study of –
- (A) All aspects of scarcity
 (B) The national economy and the global economy as a whole
 (C) Big businesses
 (D) The decisions of individual businesses and people
105. Which of the following does not suggest a macro approach for India?
- (A) Determining the GNP of India.

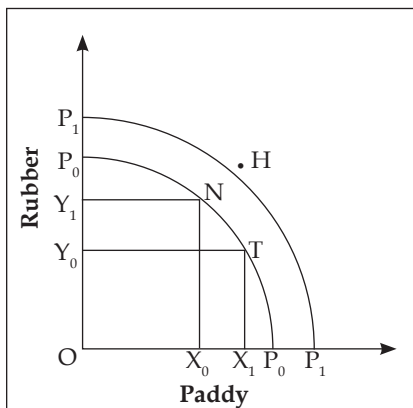
- (B) Finding the causes of failure of X and Co.
 (C) Identifying the causes of inflation in India.
 (D) Analyse the causes of failure of industry in providing large scale employment.
106. _____ is a study of one particular unit rather than all the units combined together.
 (A) Macro economics
 (B) Micro economics
 (C) Both (A) and (B)
 (D) Social economics
107. From the national point of view which of the following indicates micro approach?
 (A) Per capital income of India.
 (B) Under employment in agricultural sector.
 (C) Lock out in TELCO
 (D) Total savings in India
108. _____ is a study in aggregates.
 (A) Macro economics
 (B) Micro economics
 (C) Both (a) and (b)
 (D) Social economics
109. Micro and Macro Economics were coined by _____ during the twenties, and since then they are frequently used by economists for economic analysis.
 (A) Prof. Keynes
 (B) Prof. Robbins
 (C) Prof. Marshall
 (D) Prof. Ragner Frisch
110. The branch of economic theory that deals with the problem of allocation of resources is -
 (A) Micro economic theory
 (B) Macro economic theory
 (C) Econometrics
 (D) None of the above
111. The publication of _____ General Theory, in 1936, gave a strong impetus to the growth and development of modern macro economics.
 (A) Keynes
 (B) Robbins
 (C) Marshall
 (D) Ragner Frisch
112. We mainly study the following in Micro-Economics –
 (1) Product pricing
 (2) Consumer behaviour
 (3) Factor pricing
- Select the correct answer from the options given below –*
 (A) (1)
 (B) (2)
 (C) (3)
 (D) All of above
113. We mainly study the following in Micro-Economics –
 (A) Economic conditions of a section of the people
 (B) General price level
 (C) Balance payments
 (D) Employment and economic growth
114. We mainly study the following in Macro-Economics –
 I. National income and output
 II. General price level
 III. Balance of trade and payments
- Select the correct answer from the options given below –*
 (A) I & II
 (B) II & III
 (C) I & III
 (D) All of above
115. We mainly study the following in Macro-Economics:
 (A) External value of money
 (B) Consumer behaviour
 (C) All (A), (B) & (D)
 (D) Location of industry
116. We mainly study the following in Micro-Economics:
 (A) General price level
 (B) National income and output
 (C) Location of industry
 (D) Employment and economic growth
117. The study of microeconomics includes the study of _____
 (A) Output and employment growth as markets expand in reaction to a rising price level in the economy
 (B) How firms, workers, consumers, and investors interact and make decisions in the marketplace.

- (C) The number of new jobs and income created as the economy grows.
 (D) Business investment and government spending in the marketplace.
118. We mainly study the following in Macro-Economics: _____
 (A) External value of money
 (B) Product pricing
 (C) National income and output
 (D) (A) and (C)
119. Micro-economics deals with —
 (A) The behaviour of the electronics industry
 (B) The activities of individual unit
 (C) The behaviour of firms
 (D) Economic aggregates
120. Micro and macro are not two independent approaches to economic analysis but they are complementary to each other.
 (A) False
 (B) True
 (C) Partly true
 (D) Partly false
121. Which of the following is not a micro economic subject matter?
 (A) The price of mangoes
 (B) The cost of producing a fire truck for the fire department of Delhi, India.
 (C) The quantity of mangoes produced for the mangoes market.
 (D) The national economy's annual rate of growth.
- (C) How goods should be produced by farmer?
 (D) All of above
124. In economics the central problem is: ____
 (A) Scarcity
 (B) Allocation
 (C) Consumption
 (D) Money
125. Identify which statement is correct (✓) and which statement is incorrect (×).
 P. In deductive method logic proceeds from the particular to the general.
 Q. Micro and macro economics are interdependent.
 R. In a capitalist economy, the economic problems are solved by Planning Commission.
 S. Higher the prices lower is the quantity demanded of a product is a normative statement.
- Select the correct answer from the options given below-
- | | P | Q | R | S |
|-----|---|---|---|---|
| (A) | × | × | ✓ | ✓ |
| (B) | ✓ | × | ✓ | ✓ |
| (C) | ✓ | × | × | ✓ |
| (D) | × | ✓ | × | × |

Central Problems of An Economy

122. Central problems of an economy is/are:
 (A) Which goods should be produced and in how much quantity?
 (B) What technique should be adopted for production?
 (C) For whom goods should be produced?
 (D) All of above
123. Central problems of an economy is/are:
 (A) How money should be spent by a particular household?
 (B) Which goods should be produced and in how much quantity?
126. Who used the concept of the production possibility curve to explain the economic problem of a society?
 (A) Professor Ragner Frisch
 (B) Professor Marshall
 (C) Professor Samuelson
 (D) Professor Keynes
127. A _____ is the locus of all such combinations of two commodities which can be produced in a country with its given resources and technology.
 (A) Demand possibility curve
 (B) Production possibility curve
 (C) Supply possibility curve
 (D) Growth possibility curve
128. Production possibility curve is _____ to origin.
 (A) Concave
 (B) Convex
 (C) Parallel to X-axis
 (D) Parallel to Y-axis

On the basis of graph given below, answer next 4 questions.



129. Due to limited availability of natural resources, the country cannot choose any such combination like '_____'.
(A) Point N
(B) Point H
(C) Point T
(D) All of above

- (A) Point N
(B) Point H
(C) Point T
(D) All of above

130. If the country chooses the combination point M, i.e., if it produces OX_0 of paddy and OY_0 of natural rubber then it would indicate –

- (A) Efficient utilization of resources
(B) Inefficient utilization of resources
(C) Adequate utilization of resources
(D) Very good utilization of resources

131. If the country chooses any combination of N and T on the production possibility curve, it implies –

- (A) Efficient utilization of resources
(B) Inefficient utilization of resources
(C) Inadequate utilization of resources
(D) Very poor utilization of resources

132. If new resources are available or if the level of technology is improved (e.g., application of high-yielding varieties of seeds, better methods of cultivation, better irrigational facilities, etc.) then the whole production possibility curve will shift

- (A) From $P_0 P'_0$ to $P_1 P'_1$
(B) From $P_1 P'_1$ to $P_0 P'_0$
(C) Both (A) and (B)
(D) None of above

133. _____ is the value of alternative foregone in order to have something else.

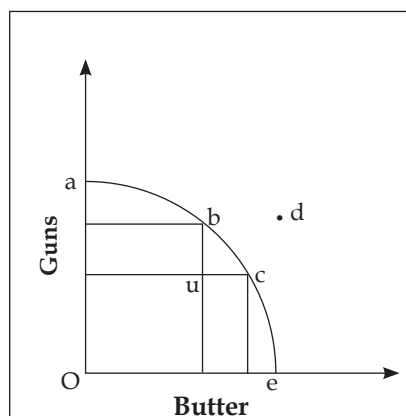
- (A) Nominal cost

- (B) Accounting cost
(C) Notional cost
(D) Opportunity cost

134. Which of the following are assumptions underlying the PPC?

- (A) Prices determine the position on the PPC
(B) Technology, population, and capital are variable
(C) Only two goods are produced
(D) All of above

Use following figure to answer next 4 questions.



135. Which of the following bundles of goods could not be produced with the resources the economy currently has?

- (A) a
(B) b
(C) c
(D) d

136. An economy achieves "productive efficiency" when:

- (A) Resources are employed in their most highly valued uses.
(B) The best resources are employed.
(C) The total number of goods produced is greatest.
(D) Goods and services are produced at least cost and no resources are wasted.

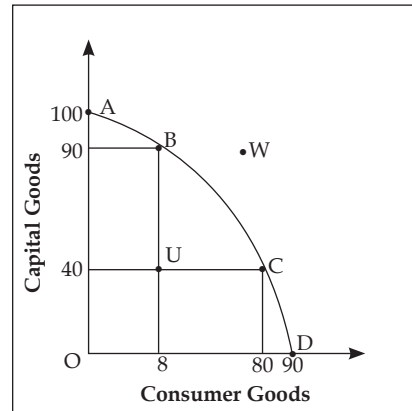
137. Which point on the PPF shows a "productively efficient" level of output?

- (A) a
(B) b
(C) c
(D) All of the above

138. Which of the following clearly represents a movement toward greater productive efficiency?
- A movement from point **a** to point **b**
 - A movement from point **c** to point **d**
 - A movement from point **u** to point **c**
 - A movement from point **e** to point **b**
139. Which of the following illustrates a decrease in unemployment using the PPF?
- A movement down along the PPF.
 - A rightward shift of the PPF
 - A movement from a point on the PPF to a point inside the PPF.
 - A movement from a point inside
140. If the PPF is linear, *i.e.*, a straight line, which of the following is true?
- As the production of a good increases, the opportunity cost of that good rises.
 - As the production of a good increases, the opportunity cost of that good rises.
 - Opportunity costs are constant.
 - The economy is not at full employment when operating on the PPF.
141. Periods of less than full employment correspond to _____
- Points outside the PPF
 - Points inside the PPF
 - Points on the PPF
 - Either points inside or outside the PPF
142. Which of the following would not result in rightward shift of the PPF?
- An increase in investment in capital stock
 - A reduction in the labour unemployment rate.
 - The discovery of new oil deposits in India.
 - An increase in the number of people taking management training courses.
143. During presidential election campaigns, candidates often promise both more "gun" and more "butter" if they are elected. Assuming unemployment is not a problem, what possible assumption are they making but not revealing to their audience?
- There will be a sufficient increase in the supply of natural resources used to produce "guns" and "butter".

- That there will be an improvement in the technology of both "gun" and "butter" production.
- That there will be an increase in the labour force.
- All of the above

Use following figure to answer next 7 questions:



144. Which of the following represents the concept of trade-offs?
- A movement from point A to point B
 - A movement from point U to point C
 - Point W
 - Point U
145. Which of the following would not move the PPF for this economy closer to point W?
- A decrease in the amount of unemployed labour resources.
 - A shift in preferences toward greater capital formation.
 - An improvement in the overall level of technology.
 - An increase in the population growth rate.
146. Moving from point A to point D, what happens to the opportunity cost of producing each additional unit of consumer goods?
- It increases
 - It decreases
 - It remains constant
 - It increase up to point B, then falls thereafter
147. What is the opportunity cost of moving from point A to point B?
- 100 units of capital goods

- (B) 8 units of consumer goods
(C) 90 units of capital goods
(D) 10 units of capital goods
148. Unemployment or under-employment of one or more resources is illustrated by production at point:
- (A) A
(B) C
(C) U
(D) W
149. Which of the following is a reason for the curvature or bowed-out shape of the PPF?
- (A) Falling unemployment as we move along the curve.
(B) The economy having to produce less of one good in order to produce more of another good.
(C) Opportunity costs increase as more of a good is produced.
(D) None of the above
150. Which of the following is a reason for the negative slope of the PPF?
- (A) The inverse relationship between the use of technology and the use of natural resources.
(B) Scarcity; at any point in time we have limited amounts of productive resources
(C) Resource specialisation
(D) Increasing opportunity costs
151. If the marginal (additional) opportunity cost is a constant then the PPC would be –
- (A) Convex
(B) Straight line
(C) Backward bending
(D) Concave
152. Which of the following is likely to cause an inward shift in a country's PPC?
- (A) Earthquake destroying resources of the country.
(B) Scientists discovering new machines.
(C) Workers getting jobs in the new metro project.
(D) The country finds new reserves of crude oil.
153. The various combinations of goods that can be produced in any economy when it uses its available sources and technology efficiently are depicted by –

- (A) Demand curve
(B) Production curve
(C) Supply curve
(D) Production possibilities curve

154. Production Possibilities curve is also known as –

- (A) Demand curve
(B) Supply curve
(C) Indifference curve
(D) Transformation curve

155. New advances in technology result in more output of Commodity-Y from given inputs. Which one of the following figure is best describing this situation?

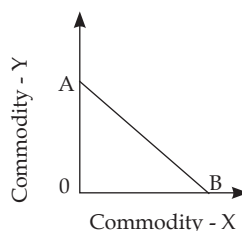


Fig. 1

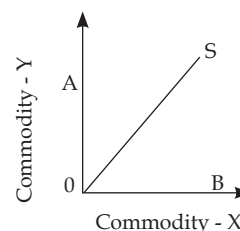


Fig. 2

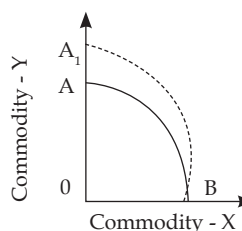


Fig. 3

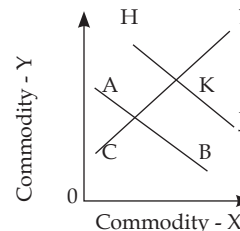


Fig. 4

Select the correct answer from the options given below –

- (A) Figure 1
(B) Figure 2
(C) Figure 3
(D) Figure 4

Working of Economic System

156. A _____ is one which is characterized by free markets and the absence of government intervention in the economy.

- (A) Mixed economic system
(B) Socialist economic system
(C) Capitalist economic system
(D) All of above

157. _____ is an organization of the society in which the material means of production are owned by the whole commodity and operated by organs,

- representative of and responsible to, all members of community according to a general plan, all members of community being entitled to get benefits from the results of such socialist planned production on the basis of equal rights.
- (A) Capitalism
(B) Socialism
(C) Both (A) and (B)
(D) Neither (A) nor (B)
158. A _____ has been defined as a system in which the public sector and the private sector are allotted their respective roles simultaneously in promoting the economic welfare of the community.
- (A) Mixed economic system
(B) Socialist economic system
(C) Capitalist economic system
(D) All of above
159. Capital intensive technique would get chosen in a _____
- (A) Labour surplus economy
(B) Capital surplus economy
(C) Developed economy
(D) Developing economy
160. Which of the following is feature of capitalist economic system?
- (A) Means of production are not owned by the government or by cooperatives. They are owned privately, that is by individuals and households.
(B) People acquire a motive for earning more, because they are allowed to keep their earnings both for current and future use.
(C) Private property and inheritance lead to ever-increasing inequalities of income and wealth.
(D) All of above
161. Features of capitalist economic system is/are: _____
- (A) Inequalities of incomes
(B) Consumer sovereignty
(C) Limited role of government
(D) All of above
162. Labour intensive technique would get chosen in a _____
- (A) Labour surplus economy
(B) Capital surplus economy
(C) Developed economy
(D) Developing economy
163. Which of the following is characterized by the policy of laissez-faire on the part of the State Authorities?
- (A) Capitalism
(B) Socialism
(C) Communism
(D) Both (A) and (B)
164. In capitalism, all economic activities are guided by –
- (A) Market forces
(B) Central government
(C) State government
(D) Supreme Court
165. Freedom of choice is the advantage of –
- (A) Socialism
(B) Capitalism
(C) Mixed economy
(D) Communism
166. Consumer sovereignty is a feature of –
- (A) Socialist economic system
(B) Capitalist economic system
(C) Perfect competition
(D) All of above
167. In an economy people have the freedom to buy or not to buy the goods offered in the market place, and this freedom to choose what they buy dictates what producers will ultimately produce. The key term defining this condition is
- (A) Economic power of choice
(B) Consumer sovereignty
(C) Positive economy
(D) Producer sovereignty
168. Which of the following country have features of capitalistic economic system?
- (A) United Kingdom (UK)
(B) United States of America (USA)
(C) Germany
(D) All of above
169. Socialist economy is a –
- (A) Planned economy
(B) Mixed economy

- (C) Profit oriented economy
(D) None of these
170. In which economic system all the means of production are owned and controlled by private individuals for profit.
(A) Socialism
(B) Capitalism
(C) Mixed economy
(D) Communism
171. In the words of _____, "Socialism is an organization of the society in which the material means of production are owned by the whole commodity and operated by organs, representative of and responsible to, all members of community according to a general plan, all members of community being entitled to get benefits from the results of such socialist planned production on the basis of equal rights."
(A) Maurice Dobb
(B) H. D. Dickinson
(C) A. C. Pigou
(D) None of above
172. According to _____, "The fundamental character of socialism consists in its abolition of class relations which form the basis of Capitalist production through expropriation of the propertied class and the socialization of land and capital."
(A) Maurice Dobb
(B) H. D. Dickinson
(C) A. C. Pigou
(D) None of above
173. The erstwhile _____ is an example of socialist economy.
(A) US
(B) USSR
(C) USA
(D) All of above
174. Features of socialist economic system is/are: _____
(A) The institutions of private property and inheritance are abolished.
(B) They are also controlled and regulated by the authorities.
(C) It is a class less society.
(D) All of above
175. Centralized economic planning is a feature of –
(A) Capitalism
(B) Socialism
(C) Both (A) and (B)
(D) Neither (A) nor (B)
176. Co-existence of public & private sector is a feature of –
(A) Mixed economic system
(B) Socialist economic system
(C) Both (A) and (B)
(D) Neither (A) nor (B)

Economic Cycle

177. The term _____ refers to economy-wide fluctuations in production or economic activity such as income employment, savings and investment over several months or years.
(A) Economic cycle
(B) Accounting cycle
(C) Business cycle
(D) (A) or (C)
178. _____ occurs when national output is rising strongly at a rate faster than the trend rate of growth or long-term growth rate of about 2.5% per year.
(A) Economic slowdown
(B) Economic boom
(C) Economic recession
(D) All of above
179. Characteristic(s) of an economic boom is/are: –
(A) Strong and rising level of aggregate demand
(B) Rising employment and real wages
(C) High demand for imported goods & services
(D) All of above
180. Characteristic(s) of an economic boom is/are: _____
(A) Increased utilization rate of existing resources
(B) Company profits and investment increase
(C) Strong and rising level of aggregate demand
(D) All of above
181. _____ occurs when the rate of growth decelerates - But national output is still rising.
(A) Economic slowdown
(B) Economic boom
(C) Economic recession
(D) All of above

182. _____ means a fall in the level of real national output i.e. a period when the rate of economic growth is negative.
- (A) Economic slowdown
(B) Economic boom
(C) Economic recession
(D) Economic degradation
183. _____ occurs when real national output picks up from the trough reached at the low point of the recession.
- (A) Economic slowdown
(B) Economic boom
(C) Economic recession
(D) Economic recovery
184. What is one of the future consequences of an increase in the current level of consumption in the India?
- (A) Slower economic growth in the future
(B) Greater economic growth in the future
(C) No change in our economic growth rate
(D) Greater capital accumulation in the future

Answers

1.	(B)	2.	(C)	3.	(B)	4.	(A)	5.	(C)	6.	(B)	7.	(B)
8.	(C)	9.	(B)	10.	(D)	11.	(C)	12.	(C)	13.	(C)	14.	(D)
15.	(B)	16.	(A)	17.	(D)	18.	(D)	19.	(A)	20.	(C)	21.	(C)
22.	(D)	23.	(A)	24.	(C)	25.	(A)	26.	(B)	27.	(B)	28.	(C)
29.	(A)	30.	(A)	31.	(C)	32.	(B)	33.	(D)	34.	(B)	35.	(B)
36.	(A)	37.	(D)	38.	(B)	39.	(D)	40.	(C)	41.	(B)	42.	(B)
43.	(D)	44.	(B)	45.	(C)	46.	(B)	47.	(A)	48.	(D)	49.	(D)
50.	(C)	51.	(C)	52.	(A)	53.	(C)	54.	(B)	55.	(C)	56.	(A)
57.	(B)	58.	(A)	59.	(A)	60.	(A)	61.	(A)	62.	(C)	63.	(D)
64.	(C)	65.	(C)	66.	(A)	67.	(B)	68.	(B)	69.	(A)	70.	(A)
71.	(B)	72.	(C)	73.	(C)	74.	(D)	75.	(C)	76.	(B)	77.	(D)
78.	(B)	79.	(A)	80.	(D)	81.	(D)	82.	(A)	83.	(D)	84.	(B)
85.	(C)	86.	(C)	87.	(A)	88.	(B)	89.	(D)	90.	(B)	91.	(B)
92.	(A)	93.	(A)	94.	(A)	95.	(B)	96.	(B)	97.	(D)	98.	(D)
99.	(B)	100.	(D)	101.	(B)	102.	(A)	103.	(B)	104.	(B)	105.	(B)
106.	(B)	107.	(C)	108.	(A)	109.	(D)	110.	(A)	111.	(A)	112.	(D)
113.	(A)	114.	(D)	115.	(A)	116.	(C)	117.	(B)	118.	(D)	119.	(B)
120.	(B)	121.	(D)	122.	(D)	123.	(B)	124.	(A)	125.	(D)	126.	(C)
127.	(B)	128.	(A)	129.	(B)	130.	(B)	131.	(A)	132.	(A)	133.	(D)
134.	(C)	135.	(D)	136.	(D)	137.	(D)	138.	(C)	139.	(D)	140.	(C)
141.	(B)	142.	(B)	143.	(D)	144.	(A)	145.	(A)	146.	(A)	147.	(D)
148.	(C)	149.	(C)	150.	(B)	151.	(B)	152.	(A)	153.	(D)	154.	(D)
155.	(C)	156.	(C)	157.	(B)	158.	(A)	159.	(B)	160.	(D)	161.	(D)
162.	(A)	163.	(A)	164.	(A)	165.	(B)	166.	(B)	167.	(B)	168.	(D)
169.	(A)	170.	(B)	171.	(B)	172.	(A)	173.	(B)	174.	(D)	175.	(B)
176.	(A)	177.	(D)	178.	(B)	179.	(D)	180.	(D)	181.	(A)	182.	(C)
183.	(D)	184.	(A)										

THEORY OF DEMAND & SUPPLY

Law of Demand

1. _____ refers to how much quantity of a product or service is desired by buyers.
 - (A) Supply
 - (B) Desire
 - (C) Demand
 - (D) Willingness
2. Demand for a commodity refers to:
 - (A) Desire for the commodity
 - (B) Need for the commodity
 - (C) Quantity demanded of that commodity
 - (D) Quantity of the commodity demanded at a certain price during any particular period of time
3. The _____ is the amount of a product people are willing to buy at a certain price.
 - (A) Quantity supplied
 - (B) Quantity demanded
 - (C) Quantity desired
 - (D) Quantity purchased
4. The law of demand is:
 - (A) A quantitative statement
 - (B) A qualitative statement
 - (C) Both a quantitative and a qualitative statement.
 - (D) Neither a quantitative nor a qualitative statement
5. Which of the following thing(s) is/are essential to become effective demand?
 - X. Desire for a commodity
 - Y. Willingness to pay
 - Z. Ability to pay for the commodity

Select the correct answer from the options given below –

 - (A) X
 - (B) Y
 - (C) Z
 - (D) All of above
6. As per _____, “A fall in the price of a commodity causes a household to buy more of that commodity and less of the other commodities which compete with it, while rise in price causes the household to buy less of this commodity and more competing commodities.”
 - (A) Law of supply
 - (B) Law of diminishing marginal utility
 - (C) Law of demand
 - (D) Law of diminishing marginal rate of substitution
7. According to law of demand, _____, if the price of a commodity falls, the quantity demanded of it will rise and if the price of a commodity rises, its quantity demanded will decline.
 - (A) Other things being not equal
 - (B) Other things being equal
 - (C) Other things being unequal
 - (D) Other things being not same
8. The Law of Demand, assuming other things to remain constant, establishes the relationship between:
 - (A) Income of the consumer and the quantity of a good demanded by him.
 - (B) Price of a good and the quantity demanded.
 - (C) Price of a good and the demand for its substitute.
 - (D) Quantity demanded of a good and the relative prices of its complementary goods.
9. As per law of demand, *other things being equal*, if the price of a –
 - (A) commodity rise the quantity demanded of it will also rise.
 - (B) commodity remains same the quantity demanded of it will fall.
 - (C) commodity increases the quantity demanded of it will also rise.

- (D) commodity falls the quantity demanded of it will rise.
10. According to law of demand, other things being equal, if the price of a commodity rises, its quantity demanded will –
 (A) Decline
 (B) Increases
 (C) Remains same
 (D) Rise
11. Demand is the _____
 (A) Unlimited wants of consumers
 (B) Entire relationship between the quantity demanded and the price of a good
 (C) Willingness to pay for a good if income is larger enough
 (D) Ability to pay for a good
12. The law of demand assumes that _____ remain the same in a given period.
 (A) Income
 (B) Taste
 (C) Fashion
 (D) All of above
13. The good which cannot be consumed more than once is known as
 (A) Durable good
 (B) Non-durable good
 (C) Producer good
 (D) None of the above
14. The law of demand, assuming other things to remain constant, establishes the relationship between:
 (A) Quantity demanded of a good and the relative prices of its complementary goods
 (B) Price of a good and the demand for its substitute
 (C) Price of a good and the quantity demanded
 (D) Income of the consumer and the quantity of a good demanded by him
15. The law of demand assumes that _____ remain the same in a given period.
 (A) Price of related goods
 (B) Price of unrelated goods
 (C) Price of goods itself
 (D) All of above
16. A relative price is _____
 (A) Price expressed in terms of money
 (B) What you get paid for baby sitting of your cousin
 (C) The ratio of one money price to another
 (D) Equal to a money price
17. As per law of demand, there is _____ between price and quantity demanded, other things being same.
 (A) Direct relationship
 (B) An indifferent relationship
 (C) An inverse relationship
 (D) Indirect relationship
18. *Ceteris Paribus* means
 (A) Other things being not equal
 (B) Other things being unequal
 (C) Other things being not same
 (D) Other things being equal
19. Demand for goods by an individual or the market as a whole is conventionally expressed in the form of –
 I. Demand schedule
 II. Demand function
 III. Demand curve
 Select the correct answer from the options given below –
 (A) I & II
 (B) III only
 (C) II & III
 (D) All I, II & III
20. A _____ of an individual buyer is an algebraic form of expressing his demand behaviour.
 (A) Demand schedule
 (B) Demand function
 (C) Demand curve
 (D) All of above
21. A _____ is a tabular form of describing the relationship between quantities demanded of a good in response to its price per unit, while all non-price determining variables remain unchanged.
 (A) Demand schedule
 (B) Demand function
 (C) Demand curve
 (D) All of above

22. The quantity demanded of a goods or service is the amount that
- Consumer plan to buy during a given time period at a given price
 - Firms are willing to sell during a given time period at a given price
 - A consumer would like to buy but might not be able to afford
 - Is actually bought during a given time period at a given price.
23. Which of the following is a graphic representation of the demand schedule?
- Demand graph
 - Demand chart
 - Demand curve
 - Demand area
24. A demand curve –
- Slopes downward to upward from left to right
 - Slopes upward to upward from left to right
 - Slopes upward to downward from left to right
 - Slopes upward to downward from right to left
25. All but one of the following are assumed to remain the same while drawing an individual's demand curve for a commodity. Which one is it?
- The preference of the individual
 - His monetary income
 - Price
 - Price of related goods
26. If regardless of changes in its price, the quantity demanded of a good remains unchanged, then the demand curve for the good will be:
- Horizontal
 - Vertical
 - Positively sloped
 - Negatively sloped
28. Which of the following statement is correct in relation to 'utility'?
- Utility of a good is same from consumer to consumer.
 - The utility of a good keeps constant even for the different consumer on account of changes in the intensity of the want to be satisfied by its use.
 - The utility of a good is not to be equated with its usefulness.
- Select the correct answer from the options given below –*
- (II) & (III)
 - (II) only
 - (I), (II) & (III)
 - (III) only
29. In economic theory, utility can be measured by -
- Cardinal Approach
 - Ordinal Approach
- Select the correct answer from the options given below –*
- Neither 1 nor 2
 - 1 only
 - Either 1 or 2
 - 2 only
30. Which of the following approach assumes that utility can be measured in terms of number like 1, 2, 3, 4 & 5?
- Cardinal Approach
 - Ordinal Approach
 - Either (A) or (B)
 - Both (A) & (B)
31. _____, an _____ Economist, severely criticized the concept of cardinal utility.
- Marshall; British
 - Smith; American
 - Recordo; Italian
 - Pareto; Italian
32. Who introduced the approach of ordinal utility?
- Hicks and Aicks
 - Allen and Marshall
 - Hicks and Allen
 - Smith and Robins
33. According to the _____, a consumer has a given scale of preference for different combinations of

Utility Approach

27. In economics, _____ of a good is its expected capacity to satisfy a human want.
- Usefulness
 - Ability
 - Use
 - Utility

two goods. It is assumed that consumer can rank the goods like 1st, 2nd, 3rd, 4th.

- (A) Cardinal Approach
- (B) Ordinal Approach
- (C) Either (A) or (B)
- (D) None of above

34. Statement I:

Utility of a good to the consumer should be measured in units of money which the consumer is willing to pay.

Statement II:

Utility and usefulness are one and same thing.

Select the correct answer from the options given below –

- (A) Statement I is true but Statement II is false.
- (B) Both Statement I and Statement II are true.
- (C) Statement II is true but Statement I is false.
- (D) Both Statement I and Statement II are false.

Concepts of Total, Average & Marginal Utility

35. _____ is the summation of utilities derived from all the 'n' units.
- (A) Marginal utility
 - (B) Average utility
 - (C) Total utility
 - (D) Disutility
36. If total utility is divided by number of units it is known as –
- (A) Marginal utility
 - (B) Average utility
 - (C) Disutility
 - (D) Multi utility
37. The additional satisfaction a consumer gains from consuming one more unit of a goods or service is –
- (A) Total utility
 - (B) Average utility
 - (C) Marginal utility
 - (D) Disutility
38. Symbolically total utility is shown –
- (A) $TU_n = U_i$
 - (B) $AU_n = TU_n/n$
 - (C) $MU_n = TU_n - TU_{n-1}$
 - (D) All of above

39. Symbolically average utility is shown –

- (A) $TU_n = U_i$
- (B) $AU_n = TU_n/n$
- (C) $MU_n = TU_n - TU_{n-1}$
- (D) All of above

40. Symbolically marginal utility is shown –

- (A) $TU_n = U_i$
- (B) $AU_n = TU_n/n$
- (C) $MU_n = TU_n - TU_{n-1}$
- (D) All of above

41. At the time of consumption of _____ Total utility, Average utility, Marginal utility are same.

- (A) 1st unit
- (B) 2nd unit
- (C) 3rd unit
- (D) 4th unit

From the following data answer next 8 questions.

Slices of Bread	Total Utility	Average Utility	Marginal Utility
1	40	40	40
2	78	---	38
3	---	---	35
4	144	36	31
5	170	---	---
6	---	31.7	20
7	---	---	13
8	---	26	5
9	---	---	-4

42. Average utility at 2nd unit?

- (A) 39
- (B) 38
- (C) 36
- (D) 35

43. Total utility at 3rd unit?

- (A) 80
- (B) 113
- (C) 39
- (D) 78

44. Average utility at 3rd unit?

- (A) 36.7

- (B) 46.7
(C) 37.7
(D) 26.7
45. Average utility at 5th unit?
(A) 24
(B) 54
(C) 34
(D) 44
46. Total utility at 6th unit?
(A) 109
(B) 190
(C) 180
(D) 290
47. Total utility at 7th unit?
(A) 103
(B) 203
(C) 303
(D) 403
48. Total utility at 8th unit?
(A) 209
(B) 105
(C) 208
(D) 205
49. Average utility at 9th unit?
(A) 26
(B) 22.7
(C) 26
(D) 23.2
50. If marginal utility is zero —
(A) Total utility is maximized
(B) An additional unit of consumption will increase total utility
(C) An additional unit of consumption will decrease total utility
(D) Total utility is zero
51. When economists speak of the utility of a certain good, they are referring to
(A) The demand for the good
(B) The usefulness of the good in consumption
(C) The satisfaction gained from consuming the good
(D) The rate at which consumers are willing to exchange one good for another

Law of Diminishing Marginal Utility

52. _____ states that as the stock of a commodity increases with the consumer, its marginal utility to the consumer decreases.
(A) The law of demand
(B) The law of diminishing marginal rate of substitution
(C) The law of diminishing marginal utility
(D) The law of equi-marginal utility
53. The law of diminishing marginal utility states that as the stock of a commodity increases with the consumer, its _____ to the consumer decreases.
(A) Utility
(B) Supply
(C) Marginal utility
(D) Average utility
54. The law of diminishing marginal utility states that as the stock of a commodity _____ with the consumer, its marginal utility to the consumer _____
(A) Decreases; decreases
(B) Increases; decreases
(C) Decreases; Increases
(D) Increases; Increases
55. _____ says that "the additional benefit which a person derives from a given increase in his stock of a thing diminishes with every increase in the stock that he already has."
(A) Marshall
(B) Robins
(C) Recordo
(D) Smith
56. Which of the following assumption is applicable for law of diminishing marginal utility?
(A) The consumer is rational human being and he aims at minimization of satisfaction.
(B) The units of consumption are of reasonable size.
(C) All the units of the given commodity are heterogeneous.
(D) There is long time interval between the consumption of the goods.
57. Which of the following assumption is applicable for law of diminishing marginal utility?
(A) The units of consumption are of reasonable size.

- (B) There is no unduly long time interval between the consumption of the goods.
 (C) All the units of the given commodity are homogeneous.
 (D) All of above
58. Which of the following assumption is *not applicable* for law of diminishing marginal utility?
- (i) All the units of the given commodity are heterogeneous.
 (ii) The units of consumption are of unreasonable size.
 (iii) The consumer is rational human being and he aim at minimization of satisfaction.

Select the correct answer from the options given below –

- (A) (i)
 (B) (ii)
 (C) (iii)
 (D) None of the above
59. Identify which of the following statement is correct (✓) and which is incorrect (×).
- A. Marginal utility of a good increase, if the want of the consumer is intensified by consuming a very small quantity of it such as, a very little quantity of water given to a very thirsty person.
 B. The law of diminishing marginal utility states that as the stock of a commodity decreases with the consumer, its marginal utility to the consumer decreases.

Select the correct answer from the options given below –

- | | A | B |
|-----|---|---|
| (A) | ✓ | ✓ |
| (B) | ✓ | × |
| (C) | × | × |
| (D) | × | ✓ |
60. Which of the following is exception to the law of diminishing marginal utility?
- (A) Reading
 (B) Miser
 (C) Hobbies
 (D) All of above
61. The concept of marginal utility plays a central role in –
- (A) Supply analysis
 (B) Stock analysis

- (C) Demand analysis
 (D) Securities analysis
62. Which of the following is limitation of law of diminishing marginal utility?
- (A) Marginal utility in certain cases may increase rather than decrease, e.g. consumption of wine by a drunkard.
 (B) Utility is not quantifiable, i.e., it cannot be measured.
 (C) Consumer does not consume only one commodity in real life. He has to attain equilibrium by consuming a large number of goods and services.
 (D) All of above

Law of Equi-Marginal Utility

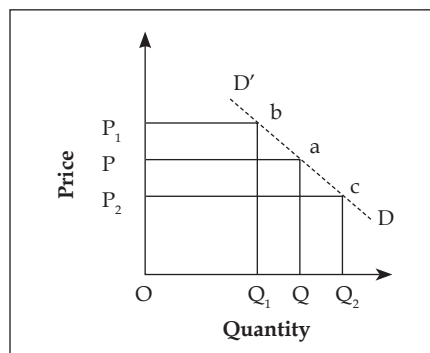
63. _____ states that consumer distributes his expenditure between different goods in such a way that the marginal utility derived from the last rupee spent on each good is the same.
- (A) The law of demand
 (B) The law of diminishing marginal rate of substitution
 (C) The law of diminishing marginal utility
 (D) The law of equi-marginal utility
64. The law of equi-marginal utility can be presented symbolically: _____
- (A) $MU_a/P_a = MU_b/P_b = MU_c/P_c = \dots = MU_n/P_n$
 (B) $MU_a/P_a < MU_b/P_b < MU_c/P_c < \dots < MU_n/P_n$
 (C) $MU_a/P_a > MU_b/P_b > MU_c/P_c > \dots > MU_n/P_n$
 (D) None of above
65. As per law of equi-marginal utility the consumer's equilibrium will change if there is a change in –
1. His total expenditure
 2. Marginal utility schedule of any good
 3. Price of any good
- Select the correct answer from the options given below –
- (A) 1 but not 2 and 3
 (B) 2 but not 1 and 3
 (C) 3 but not 1 and 2
 (D) All 1, 2 and 3
66. The law of equi-marginal utility was stated by -
- (A) Adam Smith
 (B) A. C. Pigou

- (C) Alfred Marshall
(D) J. B. Say
67. _____ is the situation when a consumer secures maximum satisfaction out of his expenditure.
(A) Market equilibrium
(B) Consumer equilibrium
(C) Industry equilibrium
(D) Society equilibrium
68. Consumer attains the equilibrium position at a point when he maximizes his total utility given his income and price of commodities he consumes.
(A) True
(B) False
(C) Partly true
(D) None of above
69. As per _____, a consumer with a single commodity attains equilibrium at a point where: $MU = Price$
(A) Utility analysis
(B) Demand analysis
(C) Supply analysis
(D) All of above
70. Which of the following can be treated as limitation of the law of equi-marginal utility
(A) Assumption of rationality is not practicable.
(B) Consumer's signorance is a potent factor that always results in other than equilibrium position.
(C) The assumption that the goods on which the consumer spends his money are perfectly divisible, i.e., goods can be bought even in extremely small quantities does not hold true at times.
(D) All of above
- (B) (Y)
(C) (Z)
(D) All of the above
72. Which of the following factors or principle is/are responsible for the operation of the law of demand, or for the downward slope of demand curves?
(A) The law of increasing marginal utility
(B) The law of supply
(C) Both (A) and (B)
(D) The law of diminishing marginal utility

An Increase/Decrease V. An Expansion/Contraction in Demand

73. If the demand changes due to change in price, it is called –
(A) Increase or decrease in demand
(B) Expansion or contraction in demand
(C) Shift in demand curve
(D) Increase or expansion in demand
74. If the demand changes due to change in other things, it is called as –
(A) Increase or decrease in demand
(B) Expansion or contraction in demand
(C) Both (A) and (B)
(D) Either (A) or (B)

On the basis of graph given below answer next 3 questions.

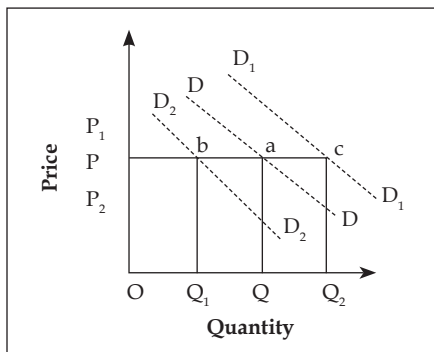


Reasons for Negative Slope of Demand Curve

71. Which of the following factors or principle is/are responsible for the operation of the law of demand, or for the downward slope of demand curves?
(X) The law of diminishing marginal utility
(Y) The law of equi-marginal utility
(Z) Increased real income
Select the correct answer from the options given below –
(A) (X)
75. If price changes from P to P_1 due which quantity changes Q to Q_1 , it is known as ____
(A) Expansion in demand
(B) Contraction in demand
(C) Increase in demand
(D) Decrease in demand

76. If price changes from P to P_2 due to which quantity changes Q to Q_2 , it is known as _____
- Expansion in demand
 - Contraction in demand
 - Increase in demand
 - Decrease in demand
77. If demand shift to *Point b* or *Point c* from *Point a*, it is known as
- Expansion or contraction in demand
 - Movement along demand curve
 - Increase or decrease in demand
 - Both (A) and (B)

On the basis of graph given below answer next 3 questions.



78. If there is change in 'other things' and quantity changes Q to Q_1 , it is known as —
- Expansion in demand
 - Contraction in demand
 - Increase in demand
 - Decrease in demand
79. If there is change in 'other things' and quantity changes Q to Q_2 , it is known as —
- Expansion in demand
 - Contraction in demand
 - Increase in demand
 - Decrease in demand
80. If demand shift to *Point b* or *Point c* from *Point a*, it is known as
- Increase or decrease in demand
 - Movement from one demand curve to the other curve
 - Both (A) and (B)
 - Expansion or contraction in demand
81. When a consumer moves from one point to another on the same demand curve it is called as —
- Expansion or contraction in demand
 - Movement along demand curve
 - Both (A) and (B)
 - Increase or decrease in demand
82. When the entire demand curve shifts its position it is called as —
- Increase or decrease in demand
 - Movement from one demand curve to the other
 - Expansion or contraction in demand
 - Both (A) and (B)
83. If due to increase in 'price', quantity demanded goes downward it is known as —
- Expansion in demand
 - Contraction in demand
 - Increase in demand
 - Decrease in demand
84. If due to decrease in 'price', quantity demanded goes upward it is known as _____
- Expansion in demand
 - Contraction in demand
 - Increase in demand
 - Decrease in demand
85. If due to change in 'other things', quantity demanded goes upward it is known as —
- Expansion in demand
 - Contraction in demand
 - Increase in demand
 - Decrease in demand
86. If due to change in 'other things', quantity demanded goes downward it is known as —
- Expansion in demand
 - Contraction in demand
 - Increase in demand
 - Decrease in demand
87. Contraction of demand is the result of:
- Decrease in the income of purchasers
 - Increase in the prices of other goods.
 - Increase in the price of the good concerned
 - Decrease in the number of consumers

88. A movement along the demand curve for soft drinks is best described as:
- (A) An increase in demand
 - (B) A decrease in demand
 - (C) A change in quantity demanded
 - (D) A change in demand

Exceptions to the law of demand

89. There is no exception to law of demand?
- (A) False
 - (B) True
 - (C) Partly true
 - (D) Partly false
90. Which of the following is/are exception to the law of demand?
- I. Conspicuous necessities
 - II. Giffen goods
 - III. Change in fashion
 - IV. Conspicuous consumption
- Select the correct answer from the options given below -*
- (A) I & II
 - (B) III & IV
 - (C) I, II, & III
 - (D) I, II, III & IV
91. If, as people's income increases, the quantity demanded of a good decreases, the good is called
- (A) A substitute
 - (B) A normal good
 - (C) An inferior good
 - (D) A complement
92. In the case of a Giffen good, the demand curve will be:
- (A) Horizontal
 - (B) Downward sloping to the right
 - (C) Vertical
 - (D) Upward sloping to the right
93. The price of tomatoes increases and people buy tomato puree. You infer that tomato puree and tomatoes are
- (A) Normal goods
 - (B) Complements
 - (C) Substitutes
 - (D) Inferior goods

94. Conspicuous goods are also known as
- (A) Prestige goods
 - (B) Snob goods
 - (C) Veblen goods
 - (D) All of the above
95. Goods which are consumed by weaker section of society are known as —
- (A) Bad goods
 - (B) Status related goods
 - (C) Inferior goods
 - (D) Substitute goods
96. With an increase in the price of diamond, its demand also increases. This is because it is a:
- (A) Substitute good
 - (B) Complementary good
 - (C) Conspicuous good
 - (D) None of the above
97. Goods which are used by rich people to show their status are known as —
- (A) Quality goods
 - (B) Substitute goods
 - (C) Status related goods
 - (D) Giffen goods
98. Some special varieties of inferior goods are termed as -
- (A) Good quality goods
 - (B) Substitute goods
 - (C) Status related goods
 - (D) Giffen goods
99. Which of the following is Giffen good(s)?
- (A) Low quality of Bajra
 - (B) Low quality of rice
 - (C) Low quality of wheat
 - (D) All of above
100. Which of the following is *not* Giffen good(s)?
- (A) Diamond
 - (B) Bajra
 - (C) Rough cloth
 - (D) All of above
101. An increase in consumer income will increase demand for a _____ but decrease demand for a _____
- (A) Substitute good, inferior good
 - (B) Normal good, inferior good
 - (C) Inferior good, normal good
 - (D) Normal good, complementary good

102. Comforts lies between the
 (A) inferior goods and necessities
 (B) luxuries and inferior goods
 (C) necessities and luxuries
 (D) none of the above

Determinants of Demand

103. The first determinant of the demand for a good is —

1. Levels of income of consumers
2. Prices of related commodity
3. Price of the commodity itself

Select the correct answer from the options given below —

- (A) 1
 (B) 2
 (C) 3
 (D) All of above
104. Which of the following can be treated as determinant of demand?
 (A) Levels of income consumer
 (B) Prices of related commodity
 (C) Price of the commodity itself
 (D) All of above
105. All of the following are determinants of demand except —
 (A) Tastes and preferences
 (B) Quantity supplied
 (C) Income
 (D) Price of related goods
106. Which of the following can be treated as determinant of demand?
 (A) Tastes and preferences of the consumer
 (B) Expected change in price
 (C) Size of population
 (D) All of the above
107. _____ and _____ do not directly affect the demand curve.
 (A) the price of related goods, preferences
 (B) the costs of production, bank opening hours
 (C) consumer incomes, tastes
 (D) the price of related goods, consumer incomes
108. When total demand for a commodity whose price has fallen increases, it is due to:
 (A) Income effect
 (B) Substitution effect

- (C) Complementary effect
 (D) Price effect

109. Goods which are consumed simultaneously like car and petrol are known as —

- (A) Competitive goods
 (B) Substitute goods
 (C) Giffen goods
 (D) Complementary goods

110. _____ are those goods that can be substituted for each other like coffee and tea.

- A. Substitute goods
 B. Competitive goods

Select the correct answer from the options given below

- (A) A only
 (B) B only
 (C) Neither A nor B
 (D) A or B
111. Ball-pen and refill are example of —
 (A) Competitive goods
 (B) Substitute goods
 (C) Giffen goods
 (D) Complementary goods
112. Motor cycle and scooter are example of _____
 (A) Inferior goods
 (B) Competitive goods
 (C) Giffen goods
 (D) (A) or (B)
113. Car and petrol are example of —
 (A) Competitive goods
 (B) Substitute goods
 (C) Giffen goods
 (D) Complementary goods
114. With a fall in the price of a commodity:
 (A) Consumer's real income increases
 (B) Consumer's real income decreases
 (C) There is no change in the real income of the consumer
 (D) None of the above
115. Which of the following pairs of goods is an example of substitutes?
 (A) Tea and sugar
 (B) Shirt and trousers
 (C) Pen and ink
 (D) Tea and coffee

116. If the price of iPods increases and as a consequence, the demand for MP3s increases, then iPods and MP3s are —
- Ceteris paribus products
 - Substitute products
 - Independent products
 - Complementary products
117. Chicken and fish are substitutes. If the price of chicken increases, the demand for fish will
- Increase or decrease but the demand curve for chicken will not change
 - Increase and the demand curve for fish will shift rightwards.
 - Not change but there will be a movement along the demand curve for fish.
 - Decrease and the demand curve for fish will shift leftwards.
118. Potato chips and popcorn are substitutes. A rise in the price of potato chips will the demand for popcorn and the quantity of popcorn will
- Increase; increase
 - Increase; decrease
 - Decrease; decrease
 - Decrease; increase
119. Apple juice and orange juice are substitutes in consumption and apple juice and apple sauce are substitutes in production. If the price of orange juice or the price of apple sauce, then the price of apple juice will
- Increases; increases; increase
 - Decreases; decreases; increase
 - Decreases; increases; decrease
 - Increases; decreases; increase
120. An increase in the demand for computers and an increase in the number of sellers of computers will
- Increase the number of computers bought
 - Decrease the price but increase the number of computers bought
 - Increase the price of a computer
 - Increase the price and the number of computers bought

Law of Supply

121. The _____ refers to the amount of a certain good producers are willing to supply when receiving a certain price
- Quantity demanded
 - Quantity purchased
 - Quantity supplied
 - quantity sold
122. The supply of a good refers to:
- Actual production of the good
 - Total existing stock of the good
 - Stock available for sale
 - Amount of the good offered for sale at a particular price per unit of time
123. According to _____, supply always means a schedule of possible prices and amounts that would be sold at each price.
- Marshall
 - Adam Smith
 - Robins
 - Watson
124. _____ states: "Other things being equal, the quantity of any commodity that firms will produce and offer for sale is positively related to commodity's own price, rising when price rises and falling when price falls."
- The law of demand
 - The law of diminishing marginal rate of substitution
 - The law of equi-marginal utility
 - The law of supply
125. The law of supply states that a firm will produce and offer to sell greater quantity of a product or service as the price of that product or services rises, other things being equal.
- False
 - True
 - Partly true
 - None of above
126. There is _____ between price and quantity supplied.
- An indifferent relationship
 - An inverse relationship

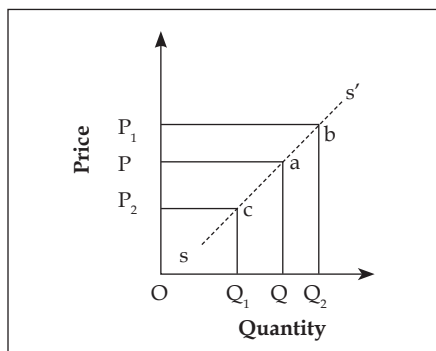
- (C) Direct relationship
(D) Indirect relationship
127. The quantity supplied of a goods or service is the amount that
(A) Is actually bought during a given time period at a given price
(B) Producers wish they could sell at a higher price
(C) Producers plan to sell during a given time period at a given price
(D) People are willing to buy during a given time period at a given price
128. Supply for goods by an individual or the market as a whole is conventionally expressed in the form of –
1. Supply schedule
2. Supply function
3. Supply curve
Select the correct answer from the options given below –
(A) 1
(B) 2
(C) 3
(D) Any of the above
129. A _____ of an individual supplier is an algebraic form of expressing his behaviour with regard to what he offers in market at the prevailing prices.
(A) Supply schedule
(B) Supply function
(C) Supply curve
(D) Any of the above
130. In the book market, the supply of books will decrease if any of the following occurs except
(A) A decrease in the number of book publishers
(B) A decrease in the price of the book
(C) An increase in the future expected price of the book
(D) An increase in the price of paper used.
131. A _____ is a tabular statement that shows different quantity or service that are offered by the firm or producer in the market for sale at different prices at a given time.
(A) Supply schedule
(B) Supply function
(C) Supply curve
(D) Any of the above
132. The individual _____ is a graphical representation of the information given in individual supply schedule.
(A) Supply schedule
(B) Supply function
(C) Supply curve
(D) Any of the above
133. _____ relates to the supply of a goods or service by one firm at different prices, other things remains constant or equal.
(A) Market supply schedule
(B) Individual supply schedule
(C) Both (A) and (B)
(D) Neither (A) nor (B)
134. _____, is the sum of the amount of good supplied for sale by all the firms or producers in the market at different prices during a given time.
(A) Market supply schedule
(B) Individual supply schedule
(C) Both (A) and (B)
(D) Neither (A) nor (B)
135. The supply curve slopes –
(A) Downward from left to right
(B) Downward from right to left
(C) Upward from left to right
(D) Upward from right to left
136. Law of supply states that there exist _____ between the price of a product and its quantity supplied, *ceteris paribus*.
(A) Positive relationship
(B) Indirect relationship
(C) An indifferent relationship
(D) No relationship

An Increase & Decrease V. Expansion & Contraction in Supply

137. If the supply changes due to *change in price*, it is called –
(A) Increase or decrease in supply
(B) Expansion or contraction in supply
(C) Shift in supply curve
(D) All of above
138. If the supply changes due to change in other things (determinants), it is called as –
(A) Increase or decrease in supply

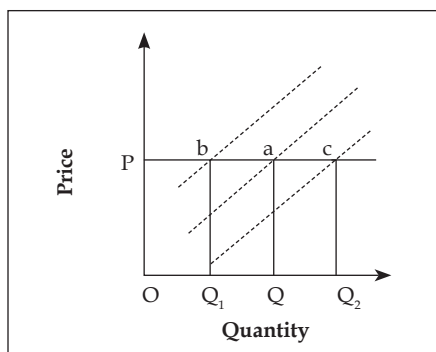
- (B) Expansion or contraction in supply
- (C) Both (A) and (B)
- (D) All of above

On the basis of graph given below answer next 3 questions.



139. If price changes from P to P_1 due which quantity supplied changes Q to Q_2 , it is known as —
- (A) Expansion in supply
 - (B) Contraction in supply
 - (C) Increase in supply
 - (D) Decrease in supply
140. If price changes from P to P_2 due which quantity supplied changes Q to Q_1 , it is known as —
- (A) Expansion in supply
 - (B) Contraction in supply
 - (C) Increase in supply
 - (D) Decrease in supply
141. If supply shift to Point b or Point c from Point a , it is known as —
- (A) Expansion or contraction in supply
 - (B) Movement along supply curve
 - (C) Both (A) and (B)
 - (D) Increase or decrease in supply

On the basis of graph given below answer next 3 questions.



142. If there is change in 'other things' (determinants) due which quantity supplied changes Q to Q_1 , it is known as —
- (A) Expansion in supply
 - (B) Contraction in supply
 - (C) Increase in supply
 - (D) Decrease in supply
143. If there is change in 'other things' (determinants) due which quantity changes Q to Q_2 , it is known as —
- (A) Expansion in supply
 - (B) Contraction in supply
 - (C) Increase in supply
 - (D) Decrease in supply
144. If supply shift to Point b or Point c from Point a , it is known as —
- (A) Increase or decrease in supply
 - (B) Movement from one supply curve to the other curve
 - (C) Both (A) and (B)
 - (D) Expansion or contraction in supply
145. When a consumer moves from one point to another on the same supply curve it is called as —
- (A) Expansion or contraction in supply
 - (B) Movement along supply curve
 - (C) Both (A) and (B)
 - (D) Increase or decrease in supply
146. When the entire supply curve shifts its position it is called as
- (A) Increase or decrease in supply
 - (B) Movement from one supply curve to the other
 - (C) Both (A) and (B)
 - (D) Expansion or contraction in supply
147. If due to increase in 'price', quantity supplied goes upward it is known as —
- (A) Expansion in supply
 - (B) Contraction in supply
 - (C) Increase in supply
 - (D) Decrease in supply
148. If due to decrease in 'price', quantity supplied goes downward it is known as —
- (A) Expansion in supply
 - (B) Contraction in supply

- (C) Increase in supply
(D) Decrease in supply
149. If due to change in 'other things' (determinants), quantity supplied goes upward it is known as -
(A) Expansion in supply
(B) Contraction in supply
(C) Increase in supply
(D) Decrease in supply
150. If due to change in 'other things' (determinants), quantity supplied goes downward it is known as -
(A) Expansion in supply
(B) Contraction in supply
(C) Increase in supply
(D) Decrease in supply
151. If the demand curve for a good is horizontal and the price is positive, then a leftward shift of the supply curve results in -
(A) A price of zero
(B) an increase in price
(C) A decrease in price
(D) no change in price

Determinants of Supply

152. Which of the following can be treated as determinants of supply?
1. Cost of factor inputs such as land, labour, capital, raw materials etc.
 2. Change in technology.
 3. Prices of related commodity.

Select the correct answer from the options given below -

- (A) 1 & 3
(B) 2 & 3
(C) 3 & 1
(D) 3, 1 & 2
153. Which of the following can be treated as determinants of supply?
(A) A change in number of firm in the industry.
(B) A change in government fiscal policy.
(C) The change in goal of a business firm such as profit maximization, sales maximization or both.
(D) All of above
154. Which of the following can be treated as determinants of supply?

- (A) Climatic changes
(B) Changes in producer or seller expectations
(C) Changes in cost of factor inputs such as land, labour, capital, raw materials etc.
(D) All of above

Determination of Equilibrium Price & Quantity

155. In economics, equilibrium is a situation in which:

.....

- (A) The market becomes unstable
(B) There is no inherent tendency to change
(C) Quantity demanded is more than quantity supplied
(D) When firm start to make profit

156. In economics, equilibrium is a situation in which:

.....

- (A) There is no inherent tendency to change
(B) Quantity demanded equals quantity supplied
(C) The market clears and becomes stable
(D) All of above

157. The equilibrium is the state when -

- (A) Demand equals Supply
(B) Demand is more than Supply
(C) Demand is less than Supply
(D) Supply is less than Demand

158. If graphical presentation is made for demand and supply curve equilibrium is attained when -

- (A) Demand curve is parallel to supply curve
(B) Demand curve intersect supply curve
(C) Demand curve is parallel X-Axis
(D) Demand curve is parallel Y-Axis

On the basis of following table answer next 2 questions.

Per unit Price of Commodity X (₹)	Quantity for Commodity X (Units)	
	Demanded	Supplied
10	50	110
20	60	100
30	70	90
40	80	80
50	90	70
60	100	60
70	110	50

159. As per the data given in above Table, equilibrium is attained at price —

- (A) ₹ 20
- (B) ₹ 30
- (C) ₹ 40
- (D) ₹ 50

160. As per the data given in above Table, equilibrium quantity is —

- (A) 100 units
- (B) 110 units
- (C) 90 units
- (D) 80 units

Elasticity of Demand and Supply

161. _____ is defined as the responsiveness of the quantity demanded of a good to changes in one of the variables on which demand depends or we can say that it is the percentage change in quantity demanded divided by the percentage in one of the variables on which demand depends.

- (A) Determinants of demand
- (B) Exception to demand
- (C) Elasticity of demand
- (D) All of above

162. _____ of demand is the degree of responsiveness of the demand for a commodity to a change in its price.

- (A) Income elasticity
- (B) Substitution elasticity
- (C) Price elasticity
- (D) Cross Elasticity

163. Demand for a good will tend to be more elastic if it exhibits which of the following characteristics?

- (A) It represents a small part of the consumer's income.
- (B) The good has many substitutes available.
- (C) It is a necessity (as opposed to a luxury).
- (D) There is little time for the consumer to adjust to the price change.

164. The formula for calculating price elasticity is:

- (A) $E_d = \frac{\% \text{ change in price}}{\% \text{ change in quantity demanded}}$
- (B) $E_d = \frac{\% \text{ change in quantity demanded}}{\% \text{ change in price}}$

$$(C) E_d = \frac{\% \text{ change in quantity supplied}}{\% \text{ change in price}}$$

$$(D) E_d = \frac{\% \text{ change in price}}{\% \text{ change in quantity supplied}}$$

165. Identify the factor which generally keeps the price-elasticity of demand for a good low —

- (A) Variety of uses for that good.
- (B) Its low price.
- (C) Close substitutes for that good.
- (D) High proportion of the consumer's income spent on it.

166. Demand for a good will tend to be more inelastic if it exhibits which of the following characteristics?

- (A) The good has many substitutes.
- (B) The good is a luxury (as opposed to a necessity).
- (C) The good is a small part of the consumer's income.
- (D) There is a great deal of time for the consumer to adjust to the change in prices.

167. When a very insignificant change in price leads to an infinite change in quantity demanded, it is called as —

- (A) Perfectly inelastic demand
- (B) Relatively inelastic demand
- (C) Relatively elastic demand
- (D) Perfectly elastic demand

168. Quantity demanded does not change with change in price at all, it is called as —

- (A) Perfectly inelastic demand
- (B) Relatively inelastic demand
- (C) Relatively elastic demand
- (D) Perfectly elastic demand

169. When a small change in price causes a greater change in quantity demanded, it is called as

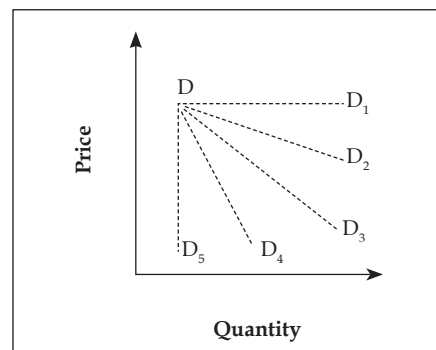
- (A) Perfectly inelastic demand
- (B) Relatively inelastic demand
- (C) Relatively elastic demand
- (D) Perfectly elastic demand

170. Where a greater change in price leads to smaller change in quantity demanded, it is called as _____

- (A) Perfectly inelastic demand
- (B) Relatively inelastic demand

- (C) Relatively elastic demand
(D) Perfectly elastic demand
171. When a change in price results in exactly the same percentage change in the quantity demanded of a commodity, it is called as –
(A) Perfectly inelastic demand
(B) Unitary elastic demand
(C) Perfectly elastic demand
(D) Relatively elastic demand
172. If electricity demand is inelastic, and electric rates increase, which of the following is likely to occur?
(A) Quantity demanded will fall by a relatively large amount.
(B) Quantity demanded will fall by a relatively small amount.
(C) Quantity demanded will rise in the short run, but fall in the long run.
(D) Quantity demanded will fall in the short run, but rise in the long run.
173. Suppose the demand for meals at a medium-priced restaurant is elastic. If the management of the restaurant is considering raising prices, it can expect a relatively:
(A) Large fall in quantity demanded.
(B) Large fall in demand.
(C) Small fall in quantity demanded
(D) Small fall in demand
174. Perfectly elastic demand means –
(A) $E_d > 1$
(B) $E_d < 1$
(C) $E_d = 0$
(D) $E_d = \infty$
175. Perfectly inelastic demand means –
(A) $E_d > 1$
(B) $E_d < 1$
(C) $E_d = 0$
(D) $E_d = \infty$
176. Relatively elastic demand means –
(A) $E_d < 1$
(B) $E_d > 1$
(C) $E_d = 0$
(D) $E_d = \infty$
177. Relatively inelastic demand means –
(A) $E_d > 1$
(B) $E_d < 1$
(C) $E_d = 1$
(D) $E_d = \infty$
178. Unitary elastic demand means –
(A) $E_d = 0$
(B) $E_d < 1$
(C) $E_d = 1$
(D) $E_d = \infty$
179. In the case of a straight line demand curve meeting the two axes, the price-elasticity of demand at the mid-point of the line would be:
(A) 0
(B) 1
(C) 1.5
(D) 2
180. Identify the coefficient of price-elasticity of demand when the percentage increase in the quantity of a good demanded is smaller than the percentage fall in its price:
(A) Equal to one
(B) Greater than one
(C) Smaller than one
(D) Zero
181. Point elasticity is useful for which of the following situations?
(A) The bookstore is considering doubling the price of notebooks
(B) A restaurant is considering lowering the price of its most expensive dishes by 50 per cent.
(C) An auto producer is interested in determining the response of consumers to the price of cars being lowered by ₹ 100.
(D) None of the above

On the basis of graph given below answer next 5 questions.



182. At curve D D₁ elasticity is
 (A) $E_d > 1$
 (B) $E_d < 1$
 (C) $E_d = 1$
 (D) $E_d = \infty$
183. At curve D D₂ elasticity is
 (A) $E_d > 1$
 (B) $E_d < 1$
 (C) $E_d = 1$
 (D) $E_d = \infty$
184. At curve D D₃ elasticity is
 (A) $E_d > 1$
 (B) $E_d < 1$
 (C) $E_d = 1$
 (D) $E_d = \infty$
185. At curve D D₄ elasticity is
 (A) $E_d > 1$
 (B) $E_d < 1$
 (C) $E_d = 1$
 (D) $E_d = \infty$
186. At curve D D₅ elasticity is
 (A) $E_d > 1$
 (B) $E_d < 1$
 (C) $E_d = 0$
 (D) $E_d = \infty$
187. Price elasticity of demand can be measured through:
 (A) Percentage method or arithmetic method
 (B) Total expenditure method
 (C) Graphic method or point method
 (D) Any of the above
188. According to percentage method or arithmetic method of elasticity of demand, If the percentage change in quantity demanded is greater than the percentage change in price, the elasticity will be –
 (A) Unitary (*i.e.* One)
 (B) Less than one
 (C) Greater than one
 (D) None of the above
189. According to percentage method or arithmetic method of elasticity of demand, If percentage change in quantity demanded is less than percentage change in price, the elasticity is said to be –
 (A) Unitary (*i.e.* one)
 (B) Less than one
 (C) Greater than one
 (D) None of the above
190. According to percentage method or arithmetic method of elasticity of demand, If percentage change of both quantity demanded and price is same, elasticity of demand is said to be –
 (A) Unitary (*i.e.* one)
 (B) Less than one
 (C) Greater than one
 (D) None of the above
191. Total expenditure method of elasticity of demand was formulated by –
 (A) Alfred Marshall
 (B) Adam Smith
 (C) Lipsey
 (D) Robins
192. According to total expenditure method of elasticity of demand, if it is found that total expenditure remains the same, elasticity of demand is said to be –
 (A) Unitary (*i.e.* one)
 (B) Less than one
 (C) Greater than one
 (D) None of the above
193. According to total expenditure method of elasticity of demand, if the total expenditure increases due to increase in price the elasticity of demand is said to be –
 (A) Unitary (*i.e.* one)
 (B) Less than one
 (C) Greater than one
 (D) None of the above
194. According to total expenditure method of elasticity of demand, If the total expenditure diminished with the decrease in price, the elasticity of demand is said to be –
 (A) Unitary (*i.e.* one)
 (B) Less than one
 (C) Greater than one
 (D) None of the above
195. Given the following four possibilities, which one results in an increase in total consumer expenditures?

- (A) Demand is unitary elastic and price falls.
 (B) Demand is elastic and price rises.
 (C) Demand is inelastic and price falls
 (D) Demand is inelastic and prices rises
196. According _____, elasticity of demand is measured on different points on a straight line demand curve.
 (A) Percentage method or arithmetic method
 (B) Total expenditure method
 (C) Graphic method or point method
 (D) Any of the above
197. According to graphic or point method of elasticity of demand, at mid point on a straight-line demand curve, elasticity will be equal to –
 (A) Unitary (*i.e.* one)
 (B) Less than one
 (C) Greater than one
 (D) None of the above
198. According to graphic or point method of elasticity of demand, at higher points on a straight-line demand curve, but to the left of the mid-point, elasticity will be –
 (A) Unitary (*i.e.* one)
 (B) Less than one
 (C) Greater than one
 (D) None of the above
199. According to graphic or point method of elasticity of demand, at lower points on a straight-line demand curve, but to the right of the mid point, elasticity will be –
 (A) Unitary (*i.e.* one)
 (B) Less than one
 (C) Greater than one
 (D) None of the above
200. According to graphic or point method of elasticity of demand, the price elasticity of demand at a point on a straight line is equal to _____ of the demand curve.
 (A) Upper segment of the demand curve divided by lower segment
 (B) Lower segment of the demand curve plus upper segment of the demand curve
 (C) Lower segment of the demand curve divided by upper segment
 (D) Lower segment of the demand curve multiplied by upper segment of demand curve
201. A vertical supply curve parallel to Y axis implies that the elasticity of supply is:
 (A) Zero
 (B) Infinity
 (C) Equal to one
 (D) Greater than zero but less than infinity
202. A horizontal supply curve parallel to the quantity axis implies that the elasticity of supply is:
 (A) Zero
 (B) Infinite
 (C) Equal to one
 (D) Greater than zero but less than one
203. Elasticity of supply is greater than one when
 (A) Proportionate change in quantity supplied is more than the proportionate change in price.
 (B) Proportionate change in price is greater than the proportionate change in quantity supplied.
 (C) Change in price and quantity supplied are equal
 (D) None of the above
- Determinants of Price Elasticity of Demand**
204. Price elasticity of demand is dependent upon:
 (A) Habits of consumer
 (B) Industrial revolution
 (C) Demonetization
 (D) All of above
205. Price elasticity of demand is dependent upon:
 (I) Availability of substitutes
 (II) Share in total expenditure of household's income
 (III) Possibility of postponing the consumption
Select the correct answer from the options given below –
 (A) (I) & (II)
 (B) (II) & (III)
 (C) (I) & (III)
 (D) All of above are correct
206. The demand is _____ for moderate priced goods.
 (A) Elastic
 (B) Inelastic

- (C) Unitary
(D) All of above
207. If the demand for a good is inelastic, an increase in its price will cause the total expenditure of the consumers of the good to:
- (A) Remain the same
(B) Increase
(C) Decrease
(D) Any of these
208. The demand for very costly and very cheap goods is –
- (A) Elastic
(B) Inelastic
(C) Unitary
(D) All of above
209. If a good has close substitutes, the price elasticity of demand for a commodity will be _____ as some other commodities can be used for it.
- (A) Very elastic
(B) Very inelastic
(C) Unitary
(D) All of above
210. Which of the following has inelastic demand?
- (A) Very costly goods
(B) Very cheap goods
(C) Both (A) and (B)
(D) Neither (A) nor (B)
211. Elasticity of demand for a good is not dependent upon the proportion of a consumer's budget spent on it.
- (A) True
(B) False
(C) Partly true
(D) Partly false
212. If individuals are habituated of some commodities the demand for such commodities will be usually –
- (A) Elastic
(B) Inelastic
(C) Unitary
(D) All of above
213. The demand for necessities is _____
- (A) Elastic
(B) Inelastic
(C) Unitary
(D) All of above
214. The demand for comforts and luxuries is _____
- (A) Elastic
(B) Inelastic
(C) Unitary
(D) All of above
215. A commodity which has several uses will have an _____ demand such as milk, wood etc.
- (A) Unitary
(B) Elastic
(C) Inelastic
(D) All of above
216. A commodity having only one use will have _____ demand.
- (A) Inelastic
(B) Unitary
(C) Elastic
(D) All of above
217. Usually the demand for commodities, the consumption of which can be postponed has _____ demand as the prices rise and is expected to fall again.
- (A) Elastic
(B) Inelastic
(C) Unitary
(D) All of above
218. The price of hot dogs increases by 22% and the quantity of hot dogs demanded falls by 25%. This indicates that demand for hot dogs is:
- (A) Elastic
(B) Inelastic
(C) Unitary elastic
(D) Perfectly elastic
219. The price elasticity of demand for hamburger is
- (A) The change in the quantity demanded of hamburger when hamburger increases by 30 paise per rupee
(B) The percentage increase in the quantity demanded of hamburger when the price of hamburger falls by 1 per cent per rupee
(C) The increase in the demand for hamburger when the price of hamburger falls by 10 per cent per rupee
(D) The decrease in the quantity demanded of hamburger when the price of hamburger falls by 1 per cent per rupee

Cross Elasticity of Demand

220. The change in the demand of a Good X in response to a change in the price of Good Y is called –
 (A) Cross elasticity of demand
 (B) Price elasticity of demand
 (C) Income elasticity of demand
 (D) All of above
221. Cross price elasticity is _____ if the slightest change in the price of Good Y causes a substantial change in the quantity demanded of Good X.
 (A) Zero
 (B) Negative
 (C) Positive
 (D) Infinite
222. Cross price elasticity is _____ if the change in the price of Good Y causes a change in the quantity demanded of good X in same direction.
 (A) Zero
 (B) Negative
 (C) Positive
 (D) Infinite
223. Cross price elasticity is _____ if the change in the price of Good Y causes a change in the quantity demanded of Good X in opposite direction.
 (A) Zero
 (B) Negative
 (C) Positive
 (D) Infinite
224. Cross price elasticity is _____, if a change in the price of Good Y does not affect the quantity demanded Good X.
 (A) Zero
 (B) Negative
 (C) Positive
 (D) Infinite
225. In case of _____, cross elasticity is infinite.
 (A) Goods which are not related to each other
 (B) Goods which are perfect substitutes
 (C) Goods which are complements of each other
 (D) Goods which are substitutes
226. In case of _____, cross elasticity is positive.
 (A) Goods which are not related to each other
 (B) Goods which are perfect substitutes
 (C) Goods which are complements of each other
 (D) Goods which are substitutes
227. In case of _____, cross elasticity is negative.
 (A) Goods which are not related to each other
 (B) Goods which are perfect substitutes
 (C) Goods which are complements of each other
 (D) Goods which are substitutes
228. A positive cross elasticity of demand coefficient indicates that: _____
 (A) A product is an inferior good
 (B) A product is a normal good
 (C) Two products are substitute goods
 (D) Two products are complementary good
229. If the price of Pepsi decreases relative to the price of Coke and 7-UP, the demand for:
 (A) Coke will decrease
 (B) 7-Up will decrease
 (C) Coke and 7-UP will increase
 (D) Coke and 7-Up will decrease

Income Elasticity of Demand

230. _____ is the degree of responsiveness of quantity demanded of goods to a change in the income of consumers.
 (A) Cross elasticity of demand
 (B) Price elasticity of demand
 (C) Income elasticity of demand
 (D) All of above
231. The formula for calculating income elasticity is:
 (A) $E_i = \frac{\% \text{ change in income}}{\% \text{ change in quantity demanded}}$
 (B) $E_i = \frac{\% \text{ change in quantity demanded}}{\% \text{ change in quantity supplied}}$
 (C) $E_i = \frac{\% \text{ change in quantity supplied}}{\% \text{ change in income}}$
 (D) $E_i = \frac{\% \text{ change in quantity demanded}}{\% \text{ change in income}}$
232. have a positive income elasticity of demand so as consumers' income rises, demand also increases.
 (A) Normal goods
 (B) Inferior goods

- (C) Both (A) and (B)
(D) None of above
233.have a negative income elasticity of demand as demand falls when income rises.
(A) Normal goods
(B) Inferior goods
(C) Both (A) and (B)
(D) None of above
234. _____ have an income elasticity of demand, $E_d > 1$
(A) Inferior goods
(B) Normal goods
(C) Luxuries
(D) All of above
235. In the case of an inferior good, the income elasticity of demand is:
(A) Positive
(B) Zero
(C) Negative
(D) Infinite
236. If a good is a luxury, its income elasticity of demand is:
(A) Positive and less than 1
(B) Negative but greater than -1
(C) Positive and greater than 1
(D) Zero
237. The quantity purchased will remain constant irrespective of the change in income. This is known as
(A) Negative income elasticity of demand
(B) Income elasticity of demand less than one
(C) Zero income elasticity of demand
(D) Income elasticity of demand is greater than one
238. As income increases, the consumer will go in for superior goods and consequently the demand for inferior goods will fall. This means:
(A) Income elasticity of demand less than one
(B) Negative income elasticity of demand
(C) Zero income elasticity of demand
(D) Unitary income elasticity of demand
239. When income increases the money spent on necessities of life may not increase in the same proportion, This means
(A) Income elasticity of demand is zero
(B) Income elasticity of demand is one
(C) Income elasticity of demand is greater than one
(D) Income elasticity of demand is less than one
240. The luxury goods like jewellery and fancy articles will have
(A) Low income elasticity of demand
(B) High income elasticity of demand
(C) Zero income elasticity of demand
(D) None of the above

Price Elasticity of Supply

241. The formula for calculating price elasticity of supply is:
(A) $E_s = \frac{\% \text{ change in price}}{\% \text{ change in quantity demanded}}$
(B) $E_s = \frac{\% \text{ change in quantity demanded}}{\% \text{ change in quantity supplied}}$
(C) $E_s = \frac{\% \text{ change in quantity supplied}}{\% \text{ change in price}}$
(D) $E_s = \frac{\% \text{ change in quantity demanded}}{\% \text{ change in price}}$
242. The supply is said to be _____, when a very insignificant change in price leads to an infinite change in quantity supplied.
(A) Relatively more elastic
(B) Perfectly elastic
(C) Perfectly inelastic
(D) Relatively Inelastic
243. The supply is said to be _____, when a change in price produces no change in the quantity supplied of a commodity.
(A) Relatively more elastic
(B) Perfectly elastic
(C) Perfectly inelastic
(D) Relatively Inelastic
244. The supply is _____, when a small change in price causes a greater change in quantity supplied.
(A) Relatively more elastic
(B) Perfectly elastic
(C) Perfectly inelastic
(D) Relatively Inelastic

245. The supply is _____, when a greater change in price leads to smaller change in quantity supplied.
- Relatively more elastic
 - Perfectly elastic
 - Perfectly inelastic
 - Relatively Inelastic
246. Perfectly elastic supply means:
- $E_s > 1$
 - $E_s < 1$
 - $E_s = \infty$
 - $E_s = 0$
247. Perfectly inelastic supply means: _____
- $E_s > 1$
 - $E_s < 1$
 - $E_s = \infty$
 - $E_s = 0$
248. Relatively elastic supply means: _____
- $E_s > 1$
 - $E_s < 1$
 - $E_s = \infty$
 - $E_s = 0$
249. Relatively inelastic supply means: _____
- $E_s > 1$
 - $E_s < 1$
 - $E_s = 1$
 - $E_s = 0$
250. Unitary elastic supply means: _____
- $E_s > 1$
 - $E_s < 1$
 - $E_s = 1$
 - $E_s = 0$
251. If the price of a video rental is below the equilibrium price, the quantity supplied is than the quantity demanded. If the price of video rentals is above the equilibrium price, the quantity supplied is than the quantity demanded.
- less; greater
 - greater; greater
 - greater; less
 - less; less
- (A) Indifference Curve Approach
- (B) Marshallian Approach
- (C) Both (A) and (B)
- (D) Neither (A) nor (B)
253. Who gave a significant contribution in the study of consumer behaviour?
- A. C. Pigou
 - Adam Smith
 - Alfred Marshall
 - J. B. Say
254. Which of the following assumption is applicable under the Marshallian approach of consumer behaviour?
- Consumer must be rational in nature.
 - Consumer is a price taker in the market.
 - Two different commodities can never be perfect substitute of each other.
 - All of above
255. Which of the following assumption is applicable under the Marshallian approach of consumer behaviour?
- Utility is ordinally measurable.
 - Marginal utility of money keep changing.
 - Law of diminishing marginal utility (DMU) holds true.
 - All of above
256. _____ is a curve which represents all those combinations of goods which give same level of satisfaction to the consumer.
- Demand curve
 - Supply curve
 - An indifference curve
 - Production possibility curve
257. An indifference curve which was introduced by _____
- Hicks & Allen
 - Hicks & Marshall
 - Allen & Marshall
 - Marshall & Smith
258. An indifference curve is a curve which represents all those combinations of goods which give _____ level of satisfaction to the consumer.
- Different
 - Unequal

Theory of Consumer Behaviour

252. Which of the following approach can be used for determining consumer behaviour?

- (C) Increased
(D) Same
259. On which of the following assumption an indifference approach is based?
- (A) Consumer can rank different combinations of two goods in order of preference *i.e.* 1st, 2nd, 3rd
(B) Consumer's behaviour is consistent.
(C) Consumer is rational
(D) All of above
260. An Indifference curve _____
- (A) Slopes downward from right to left
(B) Slopes upward from right to left
(C) Slopes upward from left to right
(D) Slopes downward from left to right
261. An Indifference curves are always _____
- (A) Convex to the origin
(B) Concave to the origin
(C) Parallel to X-Axis
(D) Parallel to Y-Axis
262. Indifference curves can intersect each other.
- (A) True
(B) False
(C) Partly true
(D) Partly false
263. Higher level of indifference curve shows lower level of satisfaction.
- (A) True
(B) False
(C) Partly true
(D) Partly false
264. Indifference curve cannot touch to X-axis.
- (A) True
(B) False
(C) Partly true
(D) Partly false
265. Indifference curve can touch to Y-axis.
- (A) True
(B) False
(C) Partly true
(D) Partly false
266. _____ represents the various combinations of two goods which can be purchased with a given money income and assumed prices of goods.
- (A) Budget line
(B) Price line
(C) A budget line or price line
(D) Market line
267. Should a consumer move upward along an indifference curve, his total utility –
- (A) First increases and then decreases
(B) First decreases and then increases
(C) Remains constant
(D) Increases
268. Which one is not an assumption of the theory of demand based on analysis of indifference curves?
- (A) Given scale of preferences as between different combinations of two goods.
(B) Diminishing marginal rate of substitution.
(C) Constant marginal utility of money
(D) Consumers would always prefer more of a particular good to less of it, other things remaining the same.
269. The consumer is in equilibrium at a point where the budget line:
- (A) Is above an indifference curve
(B) Is below an indifference curve
(C) Is tangent to an indifference curve
(D) Cuts an indifference curve
270. Which of the following statements is incorrect?
- (A) An indifference curve must be downward-sloping to the right.
(B) convexity of a curve implies that the slope of the curve diminishes as one moves from left to right.
(C) The elasticity of substitution between two goods to a consumer is zero.
(D) The total effect of a change in the price of a good on its quantity demanded is called the price effect.
271. The second glass of lemonade gives lesser satisfaction to a thirsty boy. This is a clear case of _____
- (A) Law of demand
(B) Law of diminishing returns
(C) Law of diminishing utility
(D) Law of supply
272. The consumer is in equilibrium when the following condition is satisfied:

(A) $\frac{MU_x}{MU_y} > \frac{P_x}{P_y}$

(B) $\frac{MU_x}{MU_y} < \frac{P_x}{P_y}$

(C) $\frac{MU_x}{MU_y} = \frac{P_x}{P_y}$

(D) None of the above

273. By consumer surplus economists mean.....

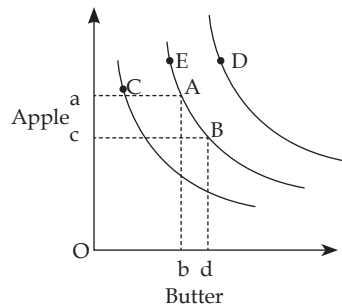
(A) The area inside the budget line.

(B) The area between the average revenue and marginal revenue curves.

(C) The different between the maximum amount a person is willing to pay for a good and its market price

(D) None of the above

274. This graph indicates that the consumer:



(A) at A is indifferent between 0a of apples and 0b of butter

(B) at A is consuming either 0a of apples or 0b of butter.

(C) is indifferent between 0a of apples plus 0b of butter on the one hand and 0c of apples plus 0d of butter on the other.

(D) is correctly described by all of the above.

Practical MCQ

275. The price of Good X increases by 22% and the quantity of Good X demanded falls by 25%. This indicates that demand for Good X is:

(A) Elastic

(B) Inelastic

(C) Unitary elastic

(D) Perfectly elastic

276. Suppose the price of commodity rises from ₹ 120 to ₹ 200. It is observed that the rise in price causes

quantity demanded to fall from 300 to 200. What is the price elasticity of demand for commodity?

(A) 1.2

(B) 1.0

(C) 0.8

(D) 0.5

277. If the price of a commodity is reduced from ₹ 300 to ₹ 200 and the quantity demanded increases from 3,000 to 5,000. What is the price elasticity of demand?

(A) 2.0

(B) 1.25

(C) 1.0

(D) 0.8

278. A discount store has a special offer on CDs. It reduces their price from ₹ 150 to ₹ 100. Suppose the store manager observes that the quantity demanded increases from 700 CDs to 1,300 CDs. What is the price elasticity of demand for CDs?

(A) 1.5

(B) 1.25

(C) 2.57

(D) 0.8

279. Suppose a consumer's income increases from ₹ 30,000 to ₹ 36,000. As a result, the consumer increases her purchases of compact discs (CDs) from 25 CDs to 30 CDs. What is the consumer's income elasticity of demand for CDs?

(A) 2.0

(B) 1.5

(C) 1.0

(D) 0.5

280. The price of a commodity decreases from ₹ 6 to ₹ 4 and his demand for goods increases from 10 units to 15 units, Find the coefficient of price elasticity.

(A) 0.67

(B) -1.5

(C) 2.5

(D) 1.5

281. Given below is the demand schedule for a commodity. What is the nature of elasticity of demand for the commodity?

Price (₹)	Quantity Demanded (units)
5	12.0
6	10.0
8	7.5
10	6.00

- (A) $E_d = 1$
 (B) $E_d > 1$
 (C) $E_d < 1$
 (D) $E_d = \infty$
282. A consumer buys 50 units of a commodity at ₹ 4 per unit. When its price falls by 25%, its demand rises to 100 units. Find out price elasticity of demand.
 (A) - 4
 (B) 2
 (C) 1.5
 (D) 4
283. When the price of Commodity-X is ₹ 20 per unit, its quantity demanded is 50 units; and when the price goes up to ₹ 40 per unit, its quantity demanded falls to 25 units. Find the price elasticity coefficient and give its interpretation.
 (A) - 1.5
 (B) 0.5
 (C) - 0.5
 (D) 1.5
284. A consumer spends ₹ 80 on a commodity when its price is ₹ 1 per unit and spends ₹ 96 when the price is ₹ 2 per unit. Calculate the price elasticity coefficient of demand for the commodity.
 (A) 0.2
 (B) - 0.4
 (C) 1.4
 (D) 1.2
285. Consumer-X buys 100 units of a commodity at ₹ 8 per unit. When its price falls by 50%, the demand rises to 200 units. Find out the price elasticity of demand for this product.
 (A) 4
 (B) - 2
 (C) 2
 (D) 1.5
286. When the income of a consumer is ₹ 40, his demand for a particular commodity is 8 units. When his income goes up to ₹ 50, his demand for that commodity becomes 10 units. Calculate his income elasticity of demand for the commodity.
 (A) 1
 (B) 2
 (C) 3
 (D) 4
287. If the quantity demanded of beef increases by 5% when the price of chicken increases by 20%, the cross-price elasticity of demand between beef and chicken is —
 (A) - 0.25
 (B) 0.25
 (C) - 4
 (D) 4
288. Calculate cross elasticity of demand when demand for X increase from 10 units to 15 units and price of Y increase from ₹ 3 to ₹ 6 per unit.
 (A) 0.5
 (B) 1.0
 (C) 1.5
 (D) 2.0
289. If the price elasticity of demand for a good is 0.70, the demand for the good can be described as:
 (A) Inelastic
 (B) Inferior
 (C) Elastic
 (D) Giffen
290. If the quantity demanded of beef increases by 5% when the price of chicken increases by 20%, the cross-price elasticity of demand between beef and chicken is
 (A) -0.25
 (B) 0.25
 (C) -4
 (D) 4
291. Suppose the price of movies seen at a theatre rises from ₹ 120 per person to ₹ 200 per person. The theatre manager observes that the rise in price causes attendance at a given movie to fall from 300 persons to 200 persons. What is the price elasticity of demand for movies?
 (A) 0.5
 (B) 0.8
 (C) 1.0
 (D) 1.2
292. Suppose a department store has a sale on its silverware. If the price of a plate-setting is reduced from ₹ 300 to ₹ 200 and the quantity demanded increases from 3,000 plate-settings to 5,000 plate-settings, what is the price elasticity of demand for silverware?
 (A) 0.8

- (B) 1.0
(C) 1.25
(D) 1.5
293. If the local pizzeria raises the price of a medium pizza from ₹ 60 to ₹ 100 and quantity demanded falls from 700 pizzas a night to 100 pizzas a night, the price elasticity of demand for pizzas is:
- (A) 0.67
(B) 1.5
(C) 2.0
(D) 3.0
294. The price of a commodity decreases from ₹ 6 to ₹ 4 and his demand for goods increases from 10 units to 15 units, Find the coefficient of price elasticity.
- (A) 1.5
(B) 2.5
(C) -1.5
(D) 0.5
295. The supply function is given as:
 $Q = -100 + 10P$. Find the elasticity using point method, when price is ₹ 15.
- (A) 4
(B) -3
(C) -5
(D) 3

Answers

1.	(C)	2.	(D)	3.	(B)	4.	(B)	5.	(D)	6.	(C)	7.	(B)
8.	(B)	9.	(D)	10.	(A)	11.	(B)	12.	(D)	13.	(B)	14.	(C)
15.	(A)	16.	(C)	17.	(C)	18.	(D)	19.	(D)	20.	(B)	21.	(A)
22.	(A)	23.	(C)	24.	(C)	25.	(C)	26.	(B)	27.	(D)	28.	(D)
29.	(C)	30.	(A)	31.	(D)	32.	(C)	33.	(B)	34.	(A)	35.	(C)
36.	(B)	37.	(C)	38.	(A)	39.	(B)	40.	(C)	41.	(A)	42.	(A)
43.	(B)	44.	(C)	45.	(C)	46.	(B)	47.	(B)	48.	(C)	49.	(B)
50.	(A)	51.	(C)	52.	(C)	53.	(C)	54.	(B)	55.	(A)	56.	(B)
57.	(D)	58.	(D)	59.	(B)	60.	(D)	61.	(C)	62.	(D)	63.	(D)
64.	(A)	65.	(D)	66.	(C)	67.	(B)	68.	(A)	69.	(A)	70.	(D)
71.	(D)	72.	(D)	73.	(B)	74.	(A)	75.	(B)	76.	(A)	77.	(D)
78.	(D)	79.	(C)	80.	(C)	81.	(C)	82.	(D)	83.	(B)	84.	(A)
85.	(C)	86.	(D)	87.	(C)	88.	(C)	89.	(A)	90.	(D)	91.	(C)
92.	(D)	93.	(C)	94.	(D)	95.	(C)	96.	(C)	97.	(C)	98.	(D)
99.	(D)	100.	(A)	101.	(B)	102.	(C)	103.	(C)	104.	(D)	105.	(B)
106.	(D)	107.	(B)	108.	(D)	109.	(D)	110.	(D)	111.	(D)	112.	(B)
113.	(D)	114.	(A)	115.	(D)	116.	(B)	117.	(B)	118.	(A)	119.	(A)
120.	(A)	121.	(C)	122.	(D)	123.	(D)	124.	(D)	125.	(B)	126.	(C)
127.	(C)	128.	(D)	129.	(B)	130.	(B)	131.	(A)	132.	(C)	133.	(B)
134.	(A)	135.	(C)	136.	(A)	137.	(B)	138.	(A)	139.	(A)	140.	(B)
141.	(C)	142.	(D)	143.	(C)	144.	(C)	145.	(C)	146.	(C)	147.	(A)
148.	(B)	149.	(C)	150.	(D)	151.	(D)	152.	(D)	153.	(D)	154.	(D)
155.	(B)	156.	(D)	157.	(A)	158.	(B)	159.	(C)	160.	(D)	161.	(C)
162.	(C)	163.	(B)	164.	(B)	165.	(B)	166.	(C)	167.	(D)	168.	(A)
169.	(C)	170.	(B)	171.	(B)	172.	(B)	173.	(A)	174.	(D)	175.	(C)
176.	(B)	177.	(B)	178.	(C)	179.	(B)	180.	(C)	181.	(C)	182.	(D)
183.	(A)	184.	(C)	185.	(B)	186.	(C)	187.	(D)	188.	(C)	189.	(B)
190.	(A)	191.	(A)	192.	(A)	193.	(B)	194.	(B)	195.	(D)	196.	(C)
197.	(A)	198.	(C)	199.	(B)	200.	(C)	201.	(A)	202.	(B)	203.	(A)

204.	(A)	205.	(D)	206.	(A)	207.	(B)	208.	(B)	209.	(A)	210.	(C)
211.	(B)	212.	(B)	213.	(B)	214.	(A)	215.	(C)	216.	(A)	217.	(A)
218.	(A)	219.	(B)	220.	(A)	221.	(D)	222.	(C)	223.	(B)	224.	(A)
225.	(B)	226.	(D)	227.	(C)	228.	(C)	229.	(D)	230.	(C)	231.	(D)
232.	(A)	233.	(B)	234.	(C)	235.	(C)	236.	(C)	237.	(C)	238.	(B)
239.	(D)	240.	(B)	241.	(C)	242.	(B)	243.	(C)	244.	(A)	245.	(D)
246.	(C)	247.	(D)	248.	(A)	249.	(B)	250.	(C)	251.	(A)	252.	(C)
253.	(C)	254.	(D)	255.	(C)	256.	(C)	257.	(A)	258.	(D)	259.	(D)
260.	(D)	261.	(A)	262.	(B)	263.	(B)	264.	(A)	265.	(B)	266.	(C)
267.	(C)	268.	(C)	269.	(C)	270.	(C)	271.	(C)	272.	(C)	273.	(C)
274.	(C)	275.	(A)	276.	(D)	277.	(A)	278.	(C)	279.	(C)	280.	(B)
281.	(A)	282.	(A)	283.	(C)	284.	(B)	285.	(B)	286.	(A)	287.	(B)
288.	(A)	289.	(A)	290.	(B)	291.	(B)	292.	(C)	293.	(D)	294.	(C)
295.	(D)												

Hints for Practical MCQs

42. to 49.

Slices of Bread	Total Utility	Average Utility	Marginal Utility
1	40	40	40
2	78	39	38
3	113	37.7	35
4	144	36	31
5	170	34	26
6	190	31.7	20
7	203	29	13
8	208	26	5
9	204	22.7	-4

275.

$$E_d = \frac{\% \text{ change in quantity demanded}}{\% \text{ change in price}} = \frac{25\%}{22\%} = 1.14$$

Since elasticity is greater than 1 it is 'elastic' demand.

276.

	Quantity	Price
I	300	120
II	200	200
Change	-100	80

$$E_d = \frac{P}{\Delta P} \times \frac{\Delta Q}{Q} = \frac{120}{80} \times \frac{-100}{300} = -0.5$$

Minus sign can be ignored hence Option (D) is correct.

Alternatively,

$$E_d = \frac{\% \text{ change in quantity demanded}}{\% \text{ change in price}} = \frac{33.33\%}{66.67\%} = 0.5$$

277.

	Quantity	Price
I	3,000	300
II	5,000	200
Change	2,000	100

$$E_d = \frac{p}{\Delta p} \times \frac{\Delta q}{q} = \frac{300}{100} \times \frac{2,000}{3,000} = 2$$

278.

	Quantity	Price
I	700	150
II	1,300	100
Change	600	50

$$E_d = \frac{p}{\Delta p} \times \frac{\Delta q}{q} = \frac{150}{50} \times \frac{600}{700} = 2.57$$

Alternatively,

$$E_d = \frac{\% \text{ change in quantity demanded}}{\% \text{ change in price}} = \frac{85.71\%}{33.33\%} = 2.57$$

280.

	Quantity	Price
I	10	6
II	15	4
Change	-5	2

$$E_d = \frac{p}{\Delta p} \times \frac{\Delta q}{q} = \frac{6}{2} \times \frac{-5}{10} = -1.5$$

281.

Price (₹)	Quantity Demanded (units)	Total expenditure (₹)
5	12.0	60
6	10.0	60
8	7.5	60
10	6.00	60

As a result of change in price, if the expenditure remains unchanged, elasticity of demand is unitary *i.e.* $E_d = 1$.

286.

Income (₹)	Quantity Demanded (units)
40	8
50	10

$$E_i = \frac{\Delta q}{\Delta i} \times \frac{i}{q}$$

$$E_i = \frac{2}{10} \times \frac{40}{8} = 1$$

Alternatively,

$$E_i = \frac{25\% \text{ change on quantity demanded}}{25\% \text{ change in income}} = 1$$

288.

$$E_c = \frac{\Delta q_x}{\Delta p_y} \times \frac{p_y}{p_x}$$

$$E_c = \frac{5}{3} \times \frac{3}{10} = 0.5$$

THEORY OF PRODUCTION, COSTS & REVENUE

CHAPTER

3

Factors of Production

1. According to _____, "Production is a process by which goods and services are created"
 - (A) Alfred Marshall
 - (B) Adam Smith
 - (C) Edwood Buffa
 - (D) George Bernard Shaw
2. The factors of production may be defined as resources which help the firms to produce goods or services.
 - (A) True
 - (B) False
 - (C) Partly true
 - (D) None of above
3. Which of the following is considered production in economics?
 - (A) Painting a picture for pleasure.
 - (B) Preventing a child from falling into a man-hole on the road.
 - (C) Singing a song before friends.
 - (D) Tilling of soil.
4. Which of the following cannot be treated as factor of production?
 - (A) Entrepreneurship
 - (B) Capital
 - (C) Profit
 - (D) Land
5. Which of the following is not a determinant of the firm's cost functions?
 - (A) The production function
 - (B) The price of labour
 - (C) Taxes
 - (D) The price of the firm's output
6. Which of the following cannot be treated as factor of production?
 - (A) Land
 - (B) Labour
 - (C) Loss
 - (D) Capital
7. Which of the following factor of production is free gift of nature?
 - (A) Entrepreneurship
 - (B) Capital
 - (C) Labour
 - (D) Land
8. Which of the following statements is true?
 - (A) The services of a doctor are considered production.
 - (B) Man can create matter.
 - (C) The services of a housewife are considered production.
 - (D) When a man creates a table, he creates matter.
9. In economics, land includes natural resources -
 - (I) On the surface like soil, agricultural land
 - (II) Below the surface like mineral resources, rocks, ground water
 - (III) Above the surface like climate, rain, space monitoring

Select the correct answer from the options given below -

 - (A) (I)
 - (B) (II) & (III)
 - (C) (II)
 - (D) All (I) to (III)
10. Which of the following is not true regarding 'land' as a factor of production?
 - (A) Land is primary factor of production.
 - (B) Land is a man-made factor.
 - (C) The supply of land is fixed.
 - (D) Land is a free gift of nature to mankind.
11. Supply of land is _____
 - (A) Perfectly inelastic
 - (B) Perfectly elastic

- (C) Highly elastic
(D) Relatively elastic
12. Which of the following is true regarding 'land' as a factor of production?
(A) Land is a perfectly immobile factor.
(B) Land is a passive factor.
(C) Economic reward is rent.
(D) All of above
13. The production function is a relationship between a given combination of inputs and
(A) Another combination that yields the same output.
(B) The highest resulting output.
(C) The increase in output generated by one-unit increase in one output.
(D) All levels of output that can be generated by those inputs.
14. Which of the following is not a characteristic of land?
(A) It is produced by our forefathers.
(B) Its usefulness depends on human efforts.
(C) It is immobile.
(D) Its supply for the economy is limited.
15. Which of the following statements is correct?
(A) Supply of land can be increased.
(B) Land does not yield any result unless human efforts are employed.
(C) Fertility of land cannot change.
(D) Supply of land is perfectly elastic.
16. In economics, the term labour means human effort or activity which includes -
(A) Physical work
(B) Mental work
(C) Both (A) and (B)
(D) Neither (A) nor (B)
17. Which of the following is silent feature of 'Labour' as factor of production?
(A) Labour is an active factor of production.
(B) Labour is not perishable.
(C) Labour is separable from the labourer.
(D) All of above
18. Which of the following is silent feature of 'Labour' as factor of production?
(A) Productivity of labour can be improved.
(B) Supply of labour is inelastic during the short run.
(C) Labour differs in productivity.
(D) All of above
19. Which of the following is silent feature of 'Labour' as factor of production?
(A) Labour is mobile.
(B) Labour can be stored.
(C) Labour is inactive factor of production.
(D) All of above
20. In economics, the term 'Capital' means -
I. Money introduced in business.
II. Things like tools, machines & equipments
Select the correct answer from the options given below -
(A) I only
(B) II only
(C) Both I and II
(D) None of above
21. Which factors of production brings the other factors of production to produce economic goods and services.
(A) Land
(B) Labourer
(C) Capital
(D) Entrepreneur

Theory of Production

22. The functional relationship between input and output is known as -
(A) Production function
(B) Input function
(C) Demand function
(D) Supply function
23. The production function is a relationship between a given combination of inputs and:
(A) The increase in output generated by one-unit increase in one output.
(B) The highest resulting output.
(C) Another combination that yields the same output.
(D) All levels of output that can be generated by those inputs.
24. Which of the following is the best definition of the "production function"?
(A) The relationship between market price and quantity supplied.
(B) The relationship between the firm's total revenue and the cost of production.

- (C) The relationship between the quantities of inputs needed to produce a given level of output.
- (D) The relationship between the quantity of inputs and the firm's marginal cost of production.
25. What is a production process?
- (A) Relationship between quantity of output produced and time taken to produce the output.
- (B) Relationship between a factor of production and the utility created by it.
- (C) Relationship between fixed factors of production and variable factors of production.
- (D) Technical relationship between physical inputs and physical output.
26. In economics, _____ is a period where some factor inputs are fixed, while the others are variable.
- (A) Long run
- (B) Short run
- (C) Very long period
- (D) None of above
27. To economists, the main difference between the short run and the long run is that -
- (A) In the short run all inputs are fixed, while in the long run all inputs are variable.
- (B) In the short run the firm varies all of its inputs to find the least-cost combination of inputs.
- (C) In the short run, at least one of the firm's input levels is fixed.
- (D) In the long run, the firm is making a constrained decision about how to use existing plant and equipment efficiently.
28. In economics, _____ is a period where all factor inputs are variable.
- (A) Long run
- (B) Short run
- (C) Very short period
- (D) None of above
29. Whether a firm will plan for short-run or long-run production depends upon the -
- (A) Nature of demand for its product,
- (B) Availability of inputs,
- (C) State of technology
- (D) All of above
30. In the long run _____
- (A) At most one input is variable and one input is fixed
- (B) At least one input is variable and one input is fixed
- (C) All inputs are variable
- (D) All inputs are fixed
31. In the long run production function all inputs are fixed.
- (A) True
- (B) False
- (C) Partly true
- (D) None of above
32. The short run, as economists use the phrase, is characterized by:
- (A) At least one fixed factor of production and firms neither leaving nor entering the industry.
- (B) A period where the law of diminishing returns does not hold.
- (C) No variable inputs - that is all of the factors of production are fixed.
- (D) All inputs being variable.
33. In a very short period market -
- (A) The supply is fixed
- (B) The demand is fixed
- (C) Demand and supply are fixed
- (D) None of the above
34. Secular period is also known as -
- (A) Very short period
- (B) Short period
- (C) Very long period
- (D) Long period
- Law of Diminishing Returns or Law of Variable Proportions**
35. The law of diminishing marginal returns indicates that marginal return
- (A) Always diminish
- (B) Eventually diminish
- (C) Always diminish before increasing
- (D) Never diminish before increasing
36. "Law of diminishing returns" or "Laws of variable proportion" operate in -
- (A) Long run
- (B) Short run

- (C) Very long period
(D) None of above
37. The "law of diminishing returns" applies to:
- (A) The short run, but not the long run.
(B) The long run, but not the short run.
(C) Both the short run and the long run.
(D) Neither the short run nor the long run.
38. Law of "Returns to Scale" operates in -
- (A) Long run
(B) Short run
(C) Very short period
(D) None of above
39. The law of variable proportion shows the production function with -
- (A) Keeping all input factors fixed
(B) Keeping all input factors variable
(C) Keeping at least one factor input fixed other variable
(D) Keeping at least one factor variable and other fixed
40. The law of variable proportion states that, if one factor is used more and more (variable), keeping the other factors constant, the total output will -
- (A) Increase at an increasing rate
(B) Increase at diminishing rate
(C) Decreases at an increasing rate in the beginning and then at a diminishing rate and eventually increase.
(D) Increase at an increasing rate in the beginning and then at a diminishing rate and eventually decreases
41. Diminishing marginal returns implies -
- (A) Decreasing average variable costs.
(B) Decreasing marginal costs.
(C) Increasing marginal costs.
(D) Decreasing average fixed costs.
42. According to _____, "As we increase the quantity of any one input which is combined with a fixed quantity of the other inputs, the marginal physical productivity of the variable input must eventually decline".
- (A) K. E. Boulding
(B) J. B. Say
(C) G. B. Shaw
(D) P. A. Samuelson
43. According to _____, "an increase in some inputs relative to other fixed inputs will in a given state of technology, cause output to increase but after a point the extra output resulting from the same additions of extra inputs will become less and less"
- (A) K. E. Boulding
(B) J. B. Say
(C) G. B. Shaw
(D) P. A. Samuelson
44. Which of the following assumption is applicable for the law of variable proportion?
- (A) The state of technology is assumed to be given and unchanged.
(B) There must be some inputs whose quantity is kept fixed.
(C) There are two factors of production.
(D) All of above
45. Which of the following assumption is not applicable for the law of variable proportion?
- (A) The law operates in the long run.
(B) There are two factors of production.
(C) The technology remains constant.
(D) (B) and (C)
46. According to _____, "An increase in the capital and labour applied in the cultivation of land causes in general a less than proportionate increase in the amount of product raised unless it happens to coincide with an improvement in the arts of agriculture."
- (A) K. E. Boulding
(B) J. B. Say
(C) Alfred Marshall
(D) P. A. Samuelson
47. When total product increases at an increasing rate, it is known as -
- (A) Stage of negative returns
(B) Stage of diminishing returns
(C) Stage of increasing returns
(D) Stage of constant return
48. When total product continues to increase at a diminishing rate, it is known as -
- (A) Stage of negative returns
(B) Stage of diminishing returns
(C) Stage of increasing returns
(D) Stage of constant return

49. When total product decreases and marginal product becomes negative, it is known as -
 (A) Stage of negative returns
 (B) Stage of diminishing returns
 (C) Stage of increasing returns
 (D) Stage of constant return
50. The "law of diminishing returns" applies to -
 (A) Short run, but not long run.
 (B) Long run, but not short run.
 (C) Both short run and long run.
 (D) Neither short run nor long run.
51. As per law of variable proportion, which of the following may become negative -
 (A) Marginal product
 (B) Average product
 (C) Total product
 (D) Average cost
52. The marginal, average, and total product curves encountered by the firm producing in the short run exhibit all of the following relationships except _____
 (A) When total product is rising, average and marginal product may be either rising or falling.
 (B) When marginal product is negative, total product and average product are falling.
 (C) When average product is at a maximum, marginal product equals average product, and total product is rising.
 (D) When marginal product is at a maximum, average product equals marginal product, and total product is rising.
53. "Law of Returns to Scale" is a _____ concept.
 (A) Short run
 (B) Long run
 (C) Very short period
 (D) None of above
54. Proportionate increase in all factors of production results in a more than proportionate increase in output is a case of -
 (A) Decreasing returns to sale
 (B) Constant returns to scale
 (C) Increasing returns to scale
 (D) All of above
55. Which of the following is not an assumption of the law of variable proportions?
 (A) Only one factor is variable.
 (B) Technique of production remains constant.
 (C) Proportion of factors of production remains same.
 (D) Units of variable factor are homogeneous.
56. When inputs are increased in a given proportion and output increases in the same proportion it is a case of -
 (A) Decreasing returns to sale
 (B) Constant returns to scale
 (C) Increasing returns to scale
 (D) All of above
57. Diminishing returns occur:
 (A) When units of a variable input are added to a fixed input and total product falls.
 (B) When units of a variable input are added to a fixed input and marginal product falls.
 (C) When the size of the plant is increased in the long run.
 (D) When the quantity of the fixed input is increased and returns to the variable input falls.
58. If a proportionate increase in all inputs results in less than proportionate increase in output, it is a case of -
 (A) Decreasing returns to sale
 (B) Constant returns to scale
 (C) Increasing returns to scale
 (D) All of above
59. If increase returns to scale are present, then if all inputs are increased by 10% then:
 (A) Output will increase by more than 10%.
 (B) Output will increase by less than 10%.
 (C) Output will increase by 10%.
 (D) Output will also decrease by 10%.
60. Marginal product, mathematically, is the slope of the
 (A) Total product curve
 (B) Average product curve
 (C) Marginal product curve
 (D) Implicit product curve
61. If decreasing returns to scale are present, then if all inputs are increased by 10% then:
 (A) Output will increase by more than 10%.
 (B) Output will increase by less than 10%.
 (C) Output will increase by 10%.
 (D) Output will also decrease by 10%.

62. The law of variable proportions is drawn under all of the assumptions mentioned below except the assumption that
- The technology is changing.
 - There must be some inputs whose quantity is kept fixed.
 - We consider only physical inputs and not economically profitability in monetary terms.
 - The technology is given and stable.
63. If constant returns to scale are present, then if all inputs are increased by 10% then:
- Output will increase by more than 10%.
 - Output will increase by less than 10%.
 - Output will increase by 10%.
 - Output will also decrease by 10%.
64. In describing a given production technology, the short run is best described as lasting _____
- Up to six months from now
 - Up to five years from now
 - As long as all inputs are fixed
 - As long as at least one input is fixed

Use the following data to answer next 7 questions.

Labour (Units)	Total Output (Tonnes)	Average Output (Tonnes)	Marginal Output (Tonnes)
1	8	8	....
2	20	....	12
3	36	12	....
4	....	12	12
5	55	....	7
6	60	....	5
7	....	....	0

65. Marginal output at 1st unit = ?
- 8
 - 7
 - 6
 - 5
66. Average output at 2nd unit = ?
- 11
 - 12
 - 10
 - 9
67. Marginal output at 3rd unit = ?
- 12
 - 16
 - 7
 - 5
68. Total output at 4th unit = ?
- 36
 - 55
 - 48
 - 60
69. Average output at 5th unit = ?
- 12
 - 11
 - 10
 - 8.57
70. Average output at 6th unit = ?
- 12
 - 11
 - 10
 - 8.57
71. Total output at 7th unit = ?
- 36
 - 55
 - 48
 - 60
72. Average output at 7th unit = ?
- 12
 - 11
 - 10
 - 8.57
73. Diminishing marginal returns for the first four units of a variable input is exhibited by the total product sequence:
- 50, 50, 50, 50
 - 50, 110, 180, 260
 - 50, 100, 150, 200
 - 50, 90, 120, 140
74. Suppose the first four units of a variable input generate corresponding total outputs of 200, 350, 450, 500. The marginal product of the third unit of input is:
- 50
 - 100
 - 150
 - 200

75. Which is a true statement?

- (A) Constant return to scale is a short-run concept, and decreasing returns to scale is a long-run concept.
- (B) Increasing returns to scale is a short-run concept, and diminishing returns to production is a long-run concept.
- (C) Decreasing returns to scale and diminishing returns to production are two ways of stating the same thing.
- (D) None of the above is true

76. The marginal product of a variable input is best described as -

- (A) Total product divided by the number of units of variable input.
- (B) The additional output resulting from a one unit increase in the variable input.
- (C) The additional output resulting from a one unit increase in both the variable and fixed inputs.
- (D) The ratio of the amount of the variable input that is being used to the amount of the fixed input that is being used.

Use the following information to answer next 3 questions.

Hours of Labour	Total Output	Marginal Product
0	?	?
1	100	100
2	?	80
3	240	?

77. What is the total output when 2 hours of labour are employed?

- (A) 80
- (B) 100
- (C) 120
- (D) 180

78. What is the marginal product when 3 hours of labour are employed?

- (A) 60
- (B) 80
- (C) 100
- (D) 240

79. What is the average product of the first three hours of labour?

- (A) 60
- (B) 80

(C) 100

(D) 240

80. The production process described below exhibits:

Number of Workers	Output
0	0
1	23
2	40
3	50

- (A) Constant marginal product of labour
- (B) Diminishing marginal product of labour
- (C) Increasing return to scale
- (D) Increasing marginal product of labour

81. If marginal product is equal to average product, then

- (A) Marginal product is increasing
- (B) Marginal product is decreasing
- (C) Average product is decreasing
- (D) Average product is not changing

82. In the third of the three stages of production

- (A) The marginal product curve has a positive slope
- (B) The marginal product curve lies completely below the average product curve
- (C) Total product increases
- (D) Marginal product is positive

83. Which one of the following figures represents relationship between average product and marginal product?

(Q is quantity of output and N is unit of variable factor)

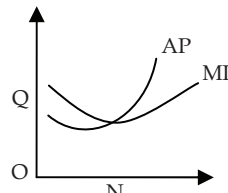


Fig. 1

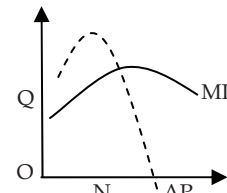


Fig. 2

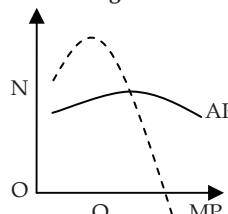


Fig. 3

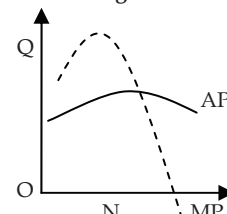


Fig. 4

Select the correct answer from the options given below -

- (A) Figure 1

- (B) Figure 2
(C) Figure 3
(D) Figure 4
84. Which of the following tables represents diminishing return to scale?

Table 1			Table 2			Table 3			Table 4		
K	L	TP	K	L	TP	K	L	TP	K	L	TP
1	2	10	1	2	10	1	2	10	1	2	10
2	4	30	2	4	20	2	4	18	2	4	50
4	8	100	4	8	40	4	8	35	4	8	200

In table: K stands for Capital, L for Labour, and TP for Total Production.

The correct option is -

- (A) Table 1
(B) Table 2
(C) Table 3
(D) None of the above

Theory of Costs

85. Which of the following statement is true?
- (A) In short run, some of the factors of production are fixed and other may vary.
(B) In short run, all the factors of production are fixed.
(C) In short run, all the factors of production are variable.
(D) In short run, there are no factors of production are.
86. Total Fixed Cost Curve (TFC) is -
- (A) Parallel to Y-axis
(B) Parallel to X-axis
(C) Slopes downward from left to right
(D) Slopes upward from right to left
87. _____ are those cost which do not change with change in output.
- (A) Variable cost
(B) Fixed cost
(C) Semi-variable cost
(D) Semi-fixed cost
88. _____ are those cost which changes in same proportion with change in output.
- (A) Variable cost
(B) Fixed cost
(C) Semi-variable cost
(D) Semi-fixed cost
89. Which of the following is a variable cost in the short run?
- (A) Rent of the factory
(B) Wages paid to the factory labour
(C) Interest payments on borrowed financial capital
(D) Payment on the lease for factory equipment
90. Even if the firm closes down for some time in the short run but remains in business, _____ have to be borne by it.
- (A) Variable cost
(B) Fixed cost
(C) Marginal cost
(D) Average variable cost
91. Which of the following is variable cost?
- (A) Wages of labour
(B) Prices of raw material
(C) Fuel and power used
(D) All of above
92. Which of the following statements is correct?
- (A) When the average cost is rising, the marginal cost must also be rising.
(B) When the average cost is rising, the marginal cost must be falling.
(C) When the average cost is rising, the marginal cost is above the average cost.
(D) When the average cost is falling, the marginal cost must be rising.
93. Which of the following is variable cost?
- (A) Factory rent
(B) Supervisors salary
(C) Wages of worker
(D) All of above
94. _____ is the addition made to the total cost by production of an additional unit of output.
- (A) Average cost
(B) Fixed cost
(C) Variable cost
(D) Marginal cost
95. Total cost =
- (A) Total Marginal Cost + Total Fixed Cost (TMC + TFC)
(B) Total Average Variable Cost + Total Fixed Cost (TAVC + TVC)
(C) Total Marginal Cost + Total Average Variable Cost (TMC + TAVC)

- (D) Total Variable Cost + Total Fixed Cost (TVC + TFC)
96. The efficient scale of production is the quantity of output that minimizes
- Average fixed cost
 - Average total cost
 - Average variable cost
 - Marginal cost
97. Symbolically, average fixed cost can be written as:
- $AFC = \frac{TVC}{Q}$
 - $AFC = \frac{Q}{TFC}$
 - $AFC = \frac{TMC}{Q}$
 - $AFC = \frac{TFC}{Q}$
98. When marginal costs are below average total costs,
- Average fixed costs are rising
 - Average total costs are falling
 - Average total costs are rising
 - Average total costs are minimized
99. Symbolically, marginal cost can be written as:
- $MC = \frac{\Delta TVC}{\Delta Q}$
 - $MC = \frac{\Delta TC}{\Delta Q}$
 - $MC_n = TC_n - TC_{n-1}$
 - (B) or (C)
100. Marginal cost curve _____ as output increases in the beginning.
- Falls
 - Rises
 - Increases
 - Do not change
101. Which of the following statements is correct concerning the relationships among the firm's functions?
- $TC = TFC - TVC$
 - $TVC = TFC - TC$
 - $TFC = TC - TVC$
 - $TC = TVC - TFC$
102. Marginal cost curve falls as output increases in the beginning. It starts rising after a certain level of output. This happens because of the influence of the -
- Law of demand
 - Law of supply
 - Law of variable proportions
 - Law of diminishing marginal rate of substitution
103. Marginal cost curve of a firm is _____ shaped
- U-shaped
 - T-shaped
 - I-shaped
 - C-shaped
104. With which of the following is the concept of marginal cost closely related?
- Economic cost
 - Opportunity cost
 - Fixed cost
 - Variable cost
105. The term _____ is defined as that length of time over which the firm gets an opportunity to vary if need be the quantities of all its inputs.
- Short run
 - Long run
 - Very short period
 - All of above
106. Average cost curve of a firm is
- T-shaped
 - I-shaped
 - C-shaped
 - U-shaped
107. Which of the following cost curves is never 'U' shaped?
- Average fixed cost curve
 - Average variable cost curve
 - Marginal cost curve
 - Average cost curve
108. If marginal cost equals average total cost,
- average total cost is falling
 - average total cost is rising
 - average total cost is maximized
 - average total cost is minimized
109. _____ are those which can easily be identified by a producing unit and are directly related to

a unit of operation like a product, a process or a department of the firm.

- (A) Indirect cost
 - (B) Direct cost
 - (C) Sunk cost
 - (D) Incremental cost
- 110.** _____ are not traceable to plant, department or unit of operation or individual final product.
- (A) Indirect cost
 - (B) Direct cost
 - (C) Sunk cost
 - (D) Incremental cost
- 111.** _____ is one which is not affected or altered by a change in the level or nature of business activity.
- (A) Indirect cost
 - (B) Direct cost
 - (C) Sunk cost
 - (D) Incremental cost
- 112.** _____ is the addition to a change in the level or nature of business activity.
- (A) Indirect cost
 - (B) Direct cost
 - (C) Sunk cost
 - (D) Differential cost
- 113.** Which cost increases continuously with the increase in production?
- (A) Variable cost
 - (B) Fixed cost
 - (C) Marginal cost
 - (D) Average cost

Use the following data to answer next 8 questions.

Total Output (Units)	Total Cost (₹)	Average Cost (₹)	Marginal Cost (₹)
1	10	10.00	10
2	19	9.50	?
3	?	?	8
4	35	?	?
5	44	?	9
6	?	9.00	?
7	65	9.30	11
8	77	?	?

114. Marginal cost at 2nd unit = ?

- (A) 9
- (B) 8
- (C) 10
- (D) 9.5

115. Total cost at 3rd unit = ?

- (A) 35
- (B) 27
- (C) 26
- (D) 25

116. Average cost at 3rd unit = ?

- (A) 9
- (B) 8
- (C) 7
- (D) 6

117. Average cost at 4th unit = ?

- (A) 7.75
- (B) 8.75
- (C) 9.75
- (D) 10.75

118. Average cost at 5th unit = ?

- (A) 6.8
- (B) 7.8
- (C) 8.8
- (D) 9.8

119. Marginal cost at 6th unit = ?

- (A) 7
- (B) 8
- (C) 9
- (D) 10

120. Marginal cost at 8th unit = ?

- (A) 11
- (B) 12
- (C) 13
- (D) 14

121. Average cost at 8th unit = ?

- (A) 9.3
- (B) 9.6
- (C) 8.3
- (D) 10.6

122. Which of the following sentence depicts the correct relationship between Average Cost and Marginal Cost?

- (A) When average cost rises with an increase in output, marginal cost is less than the average cost.
- (B) When average cost falls with an increase in output, marginal cost is less than the average cost.
- (C) Marginal cost curve cuts the average cost curve at its maximum point.
- (D) All of above
- 123.** Which of the following sentence depicts the correct relationship between Average Cost and Marginal Cost?
- (A) When average cost falls with an increase in output, marginal cost is less than the average cost.
- (B) Marginal cost curve cuts the average cost curve at its minimum point.
- (C) With increase in average cost, marginal cost rises at a faster rate.
- (D) All of above
- 124.** Which of the following statements about the relationship between marginal cost and average cost is correct?
- (A) When MC is falling, AC is falling.
- (B) AC equals MC and MC's lowest point.
- (C) When MC exceeds AC, AC must be rising.
- (D) When AC exceeds MC, MC must be rising.
- Use the following data to answer next 5 questions.
- | | | | | |
|----------------------|-----|-----|-----|-----|
| Total output (Units) | 0 | 10 | 20 | 30 |
| Total cost (₹) | 100 | 200 | 290 | 390 |
- 125.** As per above Table, Fixed cost = ?
- (A) 200
- (B) 150
- (C) 290
- (D) 100
- 126.** As per above Table, variable cost at 0 unit of output = ?
- (A) 0
- (B) 100
- (C) 90
- (D) 190
- 127.** As per above Table, variable cost at 10 unit of output = ?
- (A) 0
- (B) 100
- (C) 90
- (D) 190
- 128.** As per above Table, variable cost at 20 unit of output = ?
- (A) 0
- (B) 100
- (C) 90
- (D) 190
- 129.** As per above Table, variable cost at 30 unit of output = ?
- (A) 0
- (B) 100
- (C) 290
- (D) 190
- 130.** A firm's average total cost is ₹ 300 at 5 units of output and ₹ 320 at 6 units of output. The marginal cost of producing the 6th unit is:
- (A) ₹ 20
- (B) ₹ 120
- (C) ₹ 320
- (D) ₹ 420
- 131.** A firm producing 7 units of output has an average total cost of ₹ 150 and has to pay ₹ 350 to its fixed factors of production whether it produces or not. How much of the average total cost is made up of variable costs?
- (A) ₹ 200
- (B) ₹ 50
- (C) ₹ 300
- (D) ₹ 100
- 132.** A firm has a variable cost of ₹ 1,000 at 5 units of output. If fixed costs are ₹ 400, what will be the average total cost at 5 units of output?
- (A) ₹ 280
- (B) ₹ 60
- (C) ₹ 120
- (D) ₹ 1,400
- 133.** A firm's average fixed cost is ₹ 20 at 6 units of output. What will it be at 4 units of output?
- (A) ₹ 60
- (B) ₹ 30
- (C) ₹ 40
- (D) ₹ 20

Use the following data to answer next 3 questions.

Output	0	1	2	3	4	5	6
Total Cost	240	330	410	480	540	610	660

134. The average fixed cost of 2 units of output is:

- (A) 80
- (B) 85
- (C) 120
- (D) 205

135. The marginal cost of the sixth unit of output is:

- (A) ₹ 133
- (B) ₹ 75
- (C) ₹ 80
- (D) ₹ 50

136. Diminishing marginal returns start to occur between units:

- (A) 2 and 3
- (B) 3 and 4
- (C) 4 and 5
- (D) 5 and 6

137. Which of the following statements is true of the relationship among the average cost functions?

- (A) $ATC = AFC - AVC$
- (B) $AVC = AFC + ATC$
- (C) $AFC = ATC + AVC$
- (D) $AFC = ATC - AVC$

138. Match the following:

List-I

List-II

- | | |
|------------------------------|---------------|
| X. U-shaped curve | (i) $AC = MC$ |
| Y. Rectangular Hyperbola | (ii) TC |
| Z. Continuously rising curve | (iii) AFC |
| W. Optimum output | (iv) AC |

The correct option is -

- (A) X (iv), Y (iii), Z (ii), W (i)
- (B) X (iii), Y (ii), Z (i), W (iv)
- (C) X (ii), Y (i), Z (iii), W (iv)
- (D) X (i), Y (iv), Z (ii), W (iii)

Theory of Revenue

139. _____ represents total sales proceeds of the firm and is equal to per unit price multiplied by the quantity sold.

- (A) Marginal Revenue (MR)
- (B) Average Revenue (AR)

(C) Total Revenue (TR)

(D) Total income (TI)

140. _____ is the addition to total revenue when the quantity sold is increased by one unit.

- (A) Marginal Revenue (MR)
- (B) Average Revenue (AR)
- (C) Total Revenue (TR)
- (D) Total income (TI)

141. _____ is per unit price of the product.

- (A) Marginal Revenue (MR)
- (B) Average Revenue (AR)
- (C) Total Revenue (TR)
- (D) Total income (TI)

142. Symbolically, average revenue can be written as:

- (A) $AR = \frac{TC}{Q}$
- (B) $AR = \frac{Q}{TR}$
- (C) $AR = \frac{TR}{Q}$
- (D) $AR = \frac{TFC}{Q}$

143. The difference between average total cost and average variable cost:

- (A) Is constant
- (B) Is total fixed cost
- (C) Gets narrow as output decreases
- (D) Is the average fixed cost

144. Symbolically, marginal revenue can be written as:

- (A) $MR = \frac{\Delta TVC}{\Delta Q}$
- (B) $MR = \frac{\Delta TR}{\Delta Q}$
- (C) $MR_n = TR_n - TR_{n-1}$
- (D) (B) or (C)

145. If AR curve runs parallel to X-axis, it means -

- (A) $AR > MR$
- (B) $AR < MR$
- (C) $AR = MR$
- (D) $AR = 0$

146. In the short run, when the output of a firm increases, its average fixed cost -

- (A) Increases

- (B) Decreases
 - (C) Remains constant
 - (D) First declines and then rises
147. The marginal cost for a firm of producing the 9th unit of output is ₹ 20. Average cost at the same level of output is ₹ 15. Which of the following must be true?
- (A) Marginal cost and average cost are both falling
 - (B) Marginal cost and average cost are both rising
 - (C) Marginal cost is rising and average cost is falling
 - (D) It is impossible to tell if either of the curves are rising or falling

Producers Equilibrium

148. Producer's equilibrium refers to the level of output of a commodity that gives the _____ to the producer of that commodity.
- (A) Nominal profit
 - (B) Average profit
 - (C) Maximum loss
 - (D) Maximum profit
149. Equilibrium is defined as a situation in which -
- (A) Suppliers will supply any amount that buyers wish to buy
 - (B) Demand curves are perfectly horizontal
 - (C) Neither buyers nor sellers want to change their behaviour
 - (D) No government regulations exist
150. As per Total Revenue less Total Cost (TR - TC) approach of looking at the producer's equilibrium, which of the following condition is necessary for producer's equilibrium?
- (A) The difference between TR and TC is maximum
 - (B) Profits falls if one more unit of output is produced
 - (C) Both (A) and (B)
 - (D) Either (A) or (B)
151. As per Marginal Revenue and Marginal Cost (MR & MC) approach of looking at the producer's equilibrium, which of the following condition is necessary for producer's equilibrium?
- (A) $MR = MC$
 - (B) MC cuts the MR curve from below
 - (C) Both (A) and (B)
 - (D) Either (A) or (B)
152. A firm should close down if profits are zero.
- (A) True
 - (B) False
 - (C) Partly true
 - (D) Depends on determinants of demand
153. In the long-run, some firms will exit the market if the price of the good offered for sale is less than
- (A) Marginal revenue
 - (B) Marginal cost
 - (C) Average total cost
 - (D) Average revenue

Types of Cost

154. The cost of one thing in terms of the alternative given up is known as -
- (A) Production cost
 - (B) Physical cost
 - (C) Real cost
 - (D) Opportunity cost
155. _____ take care of all the payments and charges made by the entrepreneur to the suppliers of various productive factors.
- (A) Opportunity cost
 - (B) Accounting costs
 - (C) Notional cost
 - (D) Implied cost
156. Economic costs include -
- (A) The normal return on money capital invested by the entrepreneur himself in his own business
 - (B) Wages to paid or payable to workers employed
 - (C) The wages or salary not paid to the entrepreneur but could have been earned if the services had been sold somewhere else.
 - (D) (A) and (C)
157. Opportunity cost is -
- (A) The additional benefit of buying an additional unit of a product.
 - (B) That which we forgo, or give up, when we make a choice or a decision.
 - (C) A cost that cannot be avoided, regardless of what is done in the future.
 - (D) The cost incurred in the past before we make a decision about what to do in the future.

- 158.** _____ relate to those costs only which involve cash payments by the entrepreneur of the firm.
 (A) Accounting costs
 (B) Notional cost
 (C) Opportunity cost
 (D) Implied cost
- 159.** Which of the following is an example of an "explicit cost"?
 (A) The wages a proprietor could have made by working as an employee of a large firm.
 (B) The income that could have been earned in alternative uses by the resources owned by the firm.
 (C) The payment of wages by the firm.
 (D) The normal profit earned by a firm.
- 160.** take into account accounting costs but in addition, they also takes into account the amount of money the entrepreneur could have earned if he had invested his money and sold his own services and other factors in the next best alternative uses.
 (A) Cash cost
 (B) Accounting costs
 (C) Economic costs
 (D) Direct cost
- 161.** Which of the following is an example of an "implicit cost"?
 (A) Interest that could have been earned on retained earnings used by the firm to finance expansion.
 (B) The payment of rent by the firm for the building in which it is housed
 (C) The interest payment made by the firm for funds borrowed from a bank.
 (D) The payment of wages by the firm.
- 162.** Accounting costs are also called -
 (A) Opportunity cost
 (B) Notional cost
 (C) Implicit costs
 (D) Explicit costs
- 163.** Total cost in the short run is classified into fixed costs and variable costs. Which one of the following is a variable cost?
 (A) Cost of raw materials.
 (B) Cost of equipment.
 (C) Interest payment on past borrowings.
 (D) Payment of rent on building.
- 164.** _____ are costs that are readily identified and are traceable to a particular product, operation or plant.
 (A) Indirect cost
 (B) Direct costs
 (C) Outlay costs
 (D) Fixed cost
- 165.** _____ are not readily identified nor visibly traceable to specific goods, services, operations.
 (A) Indirect cost
 (B) Direct costs
 (C) Outlay costs
 (D) Variable cost
- 166.** are not a function of output; they do not vary with output up to a certain level of activity.
 (A) Direct costs
 (B) Variable cost
 (C) Fixed costs
 (D) All of above
- 167.** _____ are costs that are a function of output in the production period and changes in proportion to output.
 (A) Variable costs
 (B) Direct costs
 (C) Fixed costs
 (D) (A) and (B)
- 168.** Identify the fixed cost from the following:
 (A) Labour cost
 (B) Electricity bill
 (C) Salary of watchman
 (D) Cost of raw materials
- 169.** Which of the following statements is false?
 (A) Economic costs include the opportunity costs of the resources owned by the firm.
 (B) Accounting costs include only explicit costs.
 (C) Economic profit will always be less than accounting profit if resources owned and used by the firm have any opportunity costs.
 (D) Accounting profit is equal to total revenue less implicit costs.

Miscellaneous

- 170.** Which cost increases continuously with the increase in production?
 (A) Average cost
 (B) Marginal cost

- (C) Fixed cost
(D) Variable cost
171. Identify which statement is correct (✓) and which statement is incorrect (×).
- W. The average product is at its maximum when marginal product is equal to average product.
X. The law of increasing returns to scale relates to the effect of changes in factor proportions.
Y. Economies of scale arise only because of indivisibilities of factor proportions.
Z. Internal economies of scale can accrue only to the exporting sector.
- Select the correct answer from the options given below-
- | | W | X | Y | Z |
|-----|---|---|---|---|
| (A) | ✓ | × | × | × |
| (B) | ✓ | ✓ | ✓ | ✓ |
| (C) | × | ✓ | ✓ | × |
| (D) | ✓ | × | × | ✓ |
172. Which of the following statements is true?
- (A) Accumulation of capital depends solely on income.
(B) Savings can also be affected by the State.
(C) External economies go with size and internal economies with location.
(D) The supply curve of labour is an upward sloping curve.
173. Which of the following cost curves is never 'U' shaped?
- (A) Average cost curve
(B) Marginal cost curve
(C) Average variable cost curve
(D) Average fixed cost curve
174. In the production of wheat, all of the following are variable factors that are used by the farmer except
- (A) The seed and fertilizer used when the crop is planted.
(B) The field that has been cleared of trees and in which the crop is planted.
(C) The tractor used by the farmer in planting and cultivating not only wheat but also corn and barley.
(D) The number of hours that the farmer spends in cultivating the wheat fields.
175. Which one of the following is also known as planning curve?
- (A) Long run average cost curve
(B) Short run average cost curve
(C) Average variable cost curve
(D) Average total cost curve
176. With which of the following is the concept of marginal cost closely related?
- (A) Variable cost
(B) Fixed cost
(C) Opportunity cost
(D) Economic cost
177. Which is the other name that is given to the average revenue curve?
- (A) Profit Curve
(B) Demand Curve
(C) Average Cost Curve
(D) Indifference Curve
178. Which of the following is true of the relationship between the marginal cost function and the average cost functions?
- (A) If MC is greater than ATC, then ATC is falling.
(B) The ATC curve intersects the MC curve at minimum MC.
(C) The MC curve intersects the ATC curve at minimum ATC.
(D) If MC is less than ATC, then ATC is increasing.
179. Suppose output increases in the short run. Total cost will -
- (A) Increase due to an increase in fixed costs only.
(B) Increase due to an increase in variable costs only.
(C) Increase due to an increase in both fixed and variable costs.
(D) Decrease if the firm is in the region of diminishing returns.
180. Which of the following statements concerning the long-run average cost curve is false?
- (A) It represents the least-cost input combination for producing each level of output.
(B) It is derived from a series of short-run average cost curves.
(C) The short-run cost curve at the minimum point of the long-run average cost curve represents the least-cost plant size for all levels of output.
(D) As output increases, the amount of capital employed by the firm increases along the curve.

181. The negatively-sloped part of the long-run average total cost curve is due to which of the following?
- Diseconomies of scale
 - Diminishing returns
 - The difficulties encountered in coordinating the many activities of a large firm
 - The increase in productivity that results from specialization
182. The positively sloped part of the long run average total cost curve is due to which of the following?
- Diseconomies of scale
 - Increasing returns
 - The firm being able to take advantage of large-scale production techniques as it expands its output.
 - The increase in productivity that results from specialization.
183. If the marginal product of labour is below the average product of labour, it must be true that
- The marginal product of labour is negative.
 - The marginal product of labour is zero.
 - The average product of labour is falling.
 - The average product of labour is negative.
184. Laws of production does not include -
- Returns to scale
 - Law of diminishing returns to a factor
 - Law of variable proportions
 - Least cost combination of factors
185. The average product of labour is maximized when marginal product of labour -
- Equals the average product of labour
 - Equals zero
 - Is maximized
 - None of the above
186. In the long run
- All inputs are fixed
 - All inputs are variable
 - At least one input is variable and one input is fixed
 - At most one input is variable and one input is fixed
187. Average product is defined as -
- Total product divided by the total cost
 - Total product divided by marginal product
 - Total product divided by the variable input
 - Marginal product divided by the variable input
188. The change in the total product resulting from a change in a variable input is -
- Average cost
 - Average product
 - Marginal cost
 - Marginal product
189. In the long run, if a very small factory were to expand its scale of operations, it is likely that it would initially experience
- An increase in pollution level
 - Diseconomies of scale
 - Economies of scale
 - Constant returns to scale

Isoquant

190. _____ is the locus of all combinations of factors of production which produces a given level of output.
- Demand curve
 - Indifference curve
 - Isoquant
 - Return curve
191. Which of the following curve assumes perfect substitutability of factors of production?
- Input-output isoquant
 - Kinked isoquant
 - Linear isoquant
 - Convex isoquant
192. Which of the following figures correctly represents kinked isoquant?

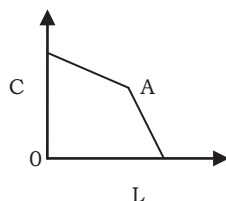


Fig. 1

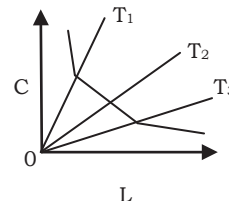


Fig. 2

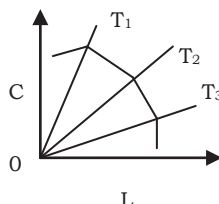


Fig. 3

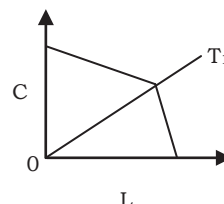


Fig. 4

C = CAPITAL; L = LABOUR

Select the correct answer from the options given below.

- (A) Figure 4
(B) Figure 1
(C) Figure 3
(D) Figure 2
193. According to _____ there is a limited substitutability of factors of production.
(A) Input-output isoquant
(B) Kinked isoquant
(C) Linear isoquant
(D) Convex isoquant
194. Another name of kinked isoquant is -
(A) Activity analysis isoquant
(B) Linear programming isoquant
(C) Substitute isoquant
(D) Both (A) & (B)
195. Which of the following statement is correct?
I. In case of input output isoquant rate of substitution between two factors of production is infinite.
II. Input output isoquant is named after Leontief who invented the input output analysis.
- Select the correct answer from the options given below:
(A) I only
(B) Both I and II
(C) II only
(D) Neither I nor II
196. Which isoquant assumes continuous substitutability between factors of production over certain range?
(A) Round isoquant
(B) Input output isoquant
(C) Convex isoquant
(D) Concave isoquant
197. According to Linear Isoquant concept if factors of production are perfectly substitutable then a unit of commodity can be produced by employing _____
(A) Only labour
(B) Only capital
(C) By any combination of capital or labour
(D) Any of the above

Answers

1.	(C)	2.	(A)	3.	(D)	4.	(C)	5.	(D)	6.	(C)	7.	(D)
8.	(A)	9.	(D)	10.	(B)	11.	(A)	12.	(D)	13.	(B)	14.	(A)
15.	(B)	16.	(C)	17.	(A)	18.	(D)	19.	(A)	20.	(C)	21.	(D)
22.	(A)	23.	(D)	24.	(C)	25.	(D)	26.	(B)	27.	(C)	28.	(A)
29.	(D)	30.	(C)	31.	(B)	32.	(A)	33.	(A)	34.	(C)	35.	(B)
36.	(B)	37.	(A)	38.	(A)	39.	(D)	40.	(D)	41.	(C)	42.	(A)
43.	(D)	44.	(D)	45.	(A)	46.	(C)	47.	(C)	48.	(B)	49.	(A)
50.	(A)	51.	(A)	52.	(D)	53.	(B)	54.	(C)	55.	(C)	56.	(B)
57.	(B)	58.	(A)	59.	(A)	60.	(A)	61.	(B)	62.	(A)	63.	(C)
64.	(D)	65.	(A)	66.	(C)	67.	(B)	68.	(C)	69.	(B)	70.	(C)
71.	(D)	72.	(D)	73.	(D)	74.	(B)	75.	(D)	76.	(B)	77.	(D)
78.	(A)	79.	(B)	80.	(B)	81.	(D)	82.	(B)	83.	(D)	84.	(C)
85.	(A)	86.	(B)	87.	(B)	88.	(A)	89.	(B)	90.	(B)	91.	(D)
92.	(C)	93.	(C)	94.	(D)	95.	(D)	96.	(B)	97.	(D)	98.	(B)
99.	(D)	100.	(A)	101.	(C)	102.	(C)	103.	(A)	104.	(D)	105.	(B)
106.	(D)	107.	(A)	108.	(D)	109.	(B)	110.	(A)	111.	(A)	112.	(D)
113.	(A)	114.	(A)	115.	(B)	116.	(A)	117.	(B)	118.	(C)	119.	(D)
120.	(B)	121.	(B)	122.	(B)	123.	(D)	124.	(C)	125.	(D)	126.	(A)
127.	(B)	128.	(D)	129.	(C)	130.	(D)	131.	(D)	132.	(A)	133.	(B)
134.	(C)	135.	(D)	136.	(C)	137.	(D)	138.	(A)	139.	(C)	140.	(A)
141.	(B)	142.	(C)	143.	(D)	144.	(D)	145.	(C)	146.	(B)	147.	(B)
148.	(D)	149.	(C)	150.	(C)	151.	(C)	152.	(A)	153.	(C)	154.	(D)
155.	(B)	156.	(D)	157.	(B)	158.	(A)	159.	(C)	160.	(C)	161.	(A)

162.	(D)	163.	(A)	164.	(B)	165.	(A)	166.	(C)	167.	(D)	168.	(C)
169.	(D)	170.	(D)	171.	(A)	172.	(B)	173.	(D)	174.	(B)	175.	(A)
176.	(A)	177.	(B)	178.	(C)	179.	(B)	180.	(C)	181.	(D)	182.	(A)
183.	(C)	184.	(D)	185.	(A)	186.	(B)	187.	(C)	188.	(D)	189.	(C)
190.	(C)	191.	(C)	192.	(D)	193.	(B)	194.	(D)	195.	(C)	196.	(C)
197	(C)												

Hints for Practical MCQs

Labour (Units)	Total Output (Tonnes)	Average Output (Tonnes)	Marginal Output (Tonnes)	
1	8	8	8	63. Marginal output at 1st unit = 8
2	20	10	12	64. Average output at 2nd unit = $20/2 = 10$
3	36	12	16	65. Marginal output at 3rd unit = $36 - 20 = 16$
4	48	12	12	66. Total output at 4th unit = $12 \times 4 = 48$
5	55	11	7	67. Average output at 5th unit = $55/5 = 11$
6	60	10	5	68. Average output at 6th unit = $60/6 = 10$
7	60	8.57	0	69. Total output at 7th unit = $60 + 0 = 60$
				70. Average output at 7th unit = $60/7 = 8.57$

73.

Option (A)		Option (B)		Option (C)		Option (D)	
Total product	Marginal product	Total product	Marginal product	Total product	Marginal product	Total product	Marginal product
50	50	50	50	50	50	50	50
50	0	110	60	100	50	90	40
50	0	180	70	150	50	120	30
50	0	260	80	200	50	140	20

At Option (D) marginal product is decreasing and hence diminishing return.

74.

$$450 - 350 = 100$$

77. to 79.

Hours of Labour	Total Output	Marginal Product
0	0	0
1	100	100
2	180	80
3	240	60

Total output when 2 hours of labour are employed = $100 + 80 = 180$

Marginal product when 3 hours of labour are employed = $240 - 180 = 60$

Average product of the first three hours of labour = $240/3 = 80$

80.

Number of Workers	Output	Marginal Output
0	0	0
1	23	23
2	40	17
3	50	10

Since marginal product is decreasing it is diminishing marginal product of labour.

84.

Table 1				
K	L	TP	MP	AP
1	2	10	10	5
2	4	30	20	7.5
4	8	100	70	12.5

Table 2				
K	L	TP	MP	AP
1	2	10	10	5
2	4	20	10	5
4	8	40	20	5

Table 3				
K	L	TP	MP	AP
1	2	10	10	5
2	4	18	8	4.5
4	8	35	17	4.38

Table 4				
K	L	TP	MP	AP
1	2	10	10	2
2	4	50	40	12.5
4	8	200	150	25

Average product (AP) is calculated by dividing "TP" by "L".

Diminishing returns to scale imply that, the proportionate increase in factor inputs would cause a less than proportionate increase in the total output.

It can be observed from the above table that proportionate increase is less in AP in Table 3 than proportionate increase in Capital (K) & Labour (L). Hence, diminishing returns to scale operates in Table 3.

114. to 121.

Total Output (Units)	Total Cost (₹)	Average Cost (₹)	Marginal Cost (₹)	
1	10	10.00	10	114. Marginal cost at 2nd unit = $19 - 10 = 9$
2	19	9.50	9	115. Total cost at 3rd unit = $19 + 8 = 27$
3	27	9	8	116. Average cost at 3rd unit = $27/3 = 9$
4	35	8.75	8	117. Average cost at 4th unit = $35/4 = 8.75$
5	44	8.8	9	118. Average cost at 5th unit = $44/5 = 8.8$
6	54	9.00	10	119. Total cost at 6th unit = $9 \times 6 = 54$; $54 - 44 = 10$
7	65	9.30	11	120. Marginal cost at 8th unit = $77 - 65 = 12$
8	77	9.6	12	121. Average cost at 8th unit = $77/8 = 9.6$

121. At zero unit, Total cost = Fixed cost; hence variable cost = 0.

122. Total cost - fixed cost = Variable cost; hence $200 - 100 = 100$.

128. $290 - 100 = 190$

129. $390 - 100 = 290$

130.

	Average cost	Total cost	Marginal cost
5th unit	300	1,500	-
6th unit	320	1,920	420

131.

Total cost = $7 \times 150 = 1,050$.

Variable cost = $1,050 - 350 = 700$

Variable cost per unit = $700/7 = 100$

132.

Average total cost = $(1,000 + 400)/5 = 280$.

133.

Total fixed cost = $20 \times 6 = 120$

Average fixed cost at 4th unit = $120/4 = 30$

FORMS OF MARKET & ITS EQUILIBRIUM

Perfect Competition

- _____ defines market as, “not any particular market place in which things are bought and sold, but the whole of any region in which buyers and sellers are in such free intercourse with each other that the prices of the same goods tend to equality easily and quickly”.
 - Alfred Marshall
 - Ely
 - Stonier and Hague
 - Cournot
- According to _____, “Market means the general field within which, the force determining the price of particular product operate”.
 - Alfred Marshall
 - Ely
 - Stonier and Hague
 - Cournot
- _____ explain the term market as “any organization whereby buyers and sellers of a good are kept in close touch with each other”.
 - Alfred Marshall
 - Ely
 - Stonier and Hague
 - Contract
- Which of the following is/are basic components of market
 - Buyers
 - Seller
 - Contract
 - All of above
- _____ refers to a market structure in which a large number of firms produce identical goods and sell them at a uniform price, where firms have the freedom of entry and exit and all the buyers and sellers have full knowledge of the market conditions.
 - Monopolistic competition
 - Monopoly
 - Oligopoly
 - Perfect competition
- Which of the following is not a condition of perfect competition?
 - A large number of firms
 - Perfect mobility of factors
 - Informative advertising to ensure that consumers have good information
 - Freedom of entry and exit into and out of the market
- Which of the following is feature of ‘Perfect Competition’?
 - Large number of buyers and sellers
 - Homogeneous products
 - Free entry and exit
 - All of above
- Which of the following is not a characteristic of a perfectly competitive market?
 - Large number of firms in the industry
 - Outputs of the firms are perfect substitutes for one another.
 - Firms face downward-sloping demand curves
 - Resources are very mobile.
- Which of the following is not a characteristic of a “price taker”?
 - $TR = P \times Q$
 - $AR = \text{Price}$
 - Negatively - sloped demand curve
 - Marginal Revenue = Price
- Which of the following is not an essential condition of *pure competition*?
 - Large number of buyers and sellers
 - Homogeneous product

- (C) Freedom of entry
(D) Absence of transport cost
11. Which of the following is feature of 'Perfect Competition'?
- (A) Different price
(B) Perfect knowledge of the market conditions to buyers and sellers
(C) Existence of transportation cost
(D) All of above
12. Which of the following is feature of 'Perfect Competition'?
- (A) Large number of buyers and few sellers
(B) Un-similar product
(C) Uniform price
(D) All of above
13. What is the shape of the demand curve faced by a firm under perfect competition?
- (A) Horizontal
(B) Vertical
(C) Positively sloped
(D) Negatively sloped
14. Which of the following markets would most closely satisfy the requirements for a perfectly competitive market?
- (A) Electricity
(B) Cable television
(C) Cola
(D) Milk
15. Which of the following is feature of 'Perfect Competition'?
- (A) Single firm
(B) Absence of close substitutes
(C) Homogeneous product
(D) Entry restriction
16. Which of the following *is not* feature of 'Perfect Competition'?
- (A) Perfect knowledge of the market conditions to buyers and sellers
(B) Firm is a price maker
(C) Large number of buyers and sellers
(D) Free entry and exit
17. Which of the following is not a condition of perfect competition?
- (A) Freedom of entry and exit into and out of the market.
(B) Informative advertising to ensure that consumers have good information.
(C) Perfect mobility of factors.
(D) A large number of firms.
18. Under which of the following forms of market structure does a firm have no control over the price of its product?
- (A) Monopoly
(B) Monopolistic competition
(C) Oligopoly
(D) Perfect competition
19. In a perfect competition, product supplied by one firm is a perfect substitute of that supplied by another.
- (A) True
(B) False
(C) Partly true
(D) None of above
20. In a perfect competition, every firm in the industry is thus, a price maker.
- (A) True
(B) False
(C) Partly true
(D) None of above
21. In a perfect competition, the demand for product of the firm is -
- (A) Perfectly inelastic
(B) Perfectly elastic
(C) Unitary elastic
(D) Any of above
22. In a perfect competition, single buyer or seller may have influence on the price.
- (A) True
(B) False
(C) Partly true
(D) None of above
23. In a perfect competition, every buyer and seller may not have knowledge of the market.
- (A) True
(B) False
(C) Partly true
(D) None of above
24. A purely competitive firm's supply schedule in the short run is determined by -
- (A) its average revenue

- (B) its marginal revenue
(C) its marginal utility for money curve
(D) its marginal cost curve
25. In a perfect competition, seller has to incur selling expenses because his product has to be differentiated from the products supplied by other sellers.
(A) True
(B) False
(C) Partly true
(D) None of above
26. Agricultural goods markets depict characteristics close to _____.
(A) Monopolistic Competition
(B) Monopoly
(C) Oligopoly
(D) Perfect competition
27. Since a perfectly competitive firm is a price taker, it is faced with a straight line demand curve i.e. AR is -
(A) Parallel to Y Axis
(B) Parallel to X axis
(C) Slope downward from right to left
(D) Slope downward from left to right
28. What is the shape of the demand curve faced by a firm under perfect competition?
(A) Negatively sloped
(B) Positively sloped
(C) Vertical
(D) Horizontal
29. Which is the first order condition for the profit of a firm to be maximum?
(A) $AC = MR$
(B) $MC = MR$
(C) $MR = AR$
(D) $AC = AR$
30. In a perfect competition, the firm will be in equilibrium when -
(A) $MC = MR$
(B) The MC curve should cut MR curve from below
(C) Either (A) or (B)
(D) Both (A) and (B)
31. The short run average cost curve (SAC) is -
(A) L-Shaped
(B) U-Shaped
(C) C-Shaped
(D) T-Shaped
32. In a perfect competition, the firms have -
(A) $AR < MR$
(B) $AR = MR$
(C) $AR > MR$
(D) $AR = MC$
33. On account of the law of _____, the average variable cost curve is U-shaped.
(A) Variable proportions
(B) Demand
(C) Supply
(D) Diminishing marginal rate of substitution
34. In a perfect competition, no firm is able to earn an abnormal profit.
(A) False
(B) True
(C) Partly true
(D) None of above
35. These short run cost curves (SACs) are also called as -
(A) Planning curves
(B) Plant curves
(C) Straight line curves
(D) Small curves
36. In a perfect competition in long run firm gets equilibrium if it is operating under _____.
(A) Increasing returns to scale
(B) Diminishing returns to scale.
(C) Constant returns to scale.
(D) Negative returns to scale
37. For the price-taking firm: -
(A) Marginal revenue is greater than price
(B) Marginal revenue is equal to price.
(C) Marginal revenue is less than price.
(D) The relationship between marginal revenue and price is indeterminate.
38. In perfect competition in the long run there will be no -
(A) Supernormal profits
(B) Normal profits
(C) Production
(D) None of above

39. If under perfect completion, the price line lies below the average cost curve, the firm would
- Make a normal profit
 - Incur losses
 - Make abnormal profit
 - None of above
40. In a perfect competition which curve among following will be a straight line?
- Marginal revenue
 - Marginal cost
 - Average cost
 - Total cost
41. Price-taking firms, i.e., firms that operate in a perfectly competitive market, are said to be "small" relative to the market. Which of the following best describes this smallness?
- The individual firm must have fewer than 10 employees.
 - The individual firm faces a downward-sloping demand curve.
 - The individual firm has assets of less than ₹ 20 lakh.
 - The individual firm is unable to affect market price through its output decisions.
42. The firm in a perfectly competitive market is a price taker. This designation as a price taker is based on the assumption that –
- The firm has some, but not complete, control over its product price.
 - There are so many buyers and sellers in the market that any individual firm cannot affect the market.
 - Each firm produces a homogeneous product.
 - There is easy entry into or exit from the market place.
43. Suppose that the demand curve for the XYZ Co. slopes downward and to the right. We can conclude that –
- The firm operates in a perfectly competitive market.
 - The firm can sell all that it wants to at the established market price.
 - The XYZ Co. is not a price taker in the market because it must lower price to sell additional units of output.
 - The XYZ Co. will not be able to maximise profits because price and revenue are subject to change.
44. In perfect competition in the long run there will be no –
- Normal profits
 - Supernormal profits
 - Production
 - Costs
45. Which one of the following does NOT occur in perfect competition?
- Firms already in the industry have no advantage over potential new entrants.
 - There are significant restrictions on entry into the industry.
 - No single firm can exert a significant influence on the market price of the good.
 - Firms and buyers are completely informed about the prices of the products of each firm in the industry.
46. In perfect competition, a firm's marginal revenue equals its -
- price
 - average revenue
 - supply curve
 - total revenue
47. A perfectly competitive firm's demand curve is -
- perfectly inelastic
 - the same as the market demand curve
 - downward sloping
 - the same as the firm's marginal revenue curve
48. In perfect competition, the marginal revenue of an individual firm –
- equals the price of the product.
 - is positive but less than the price of the product.
 - exceeds the price of the product.
 - is zero.
49. In the case of a perfectly competitive firm, the
-
- Firm's marginal revenue exceeds the price of the product.
 - Change in the firm's total revenue equals the price of the product multiplied by the change in quantity sold.
 - Firm's marginal revenue is less than average revenue.
 - Price of the product falls sharply when the quantity the firm sells doubles.

50. In perfect competition, the firm's marginal revenue curve -

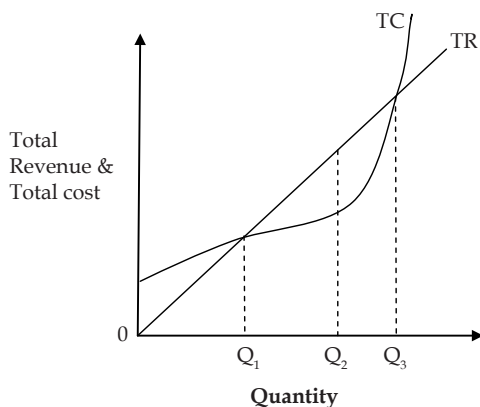
- (A) cuts its demand curve from above, going from left to right.
- (B) always lies below its demand curve.
- (C) cuts its demand curve from below, going from left to right.
- (D) is the same as its demand curve.

Output	Total Revenue (₹)	Total Cost (₹)
0	0	25
1	30	49
2	60	69
3	90	91
4	120	117
5	150	147
6	180	180

51. In the above table, the firm -

- (A) cannot be in a perfectly competitive industry, because its short-run economic profits are greater than zero.
- (B) must be in a perfectly competitive industry, because its marginal revenue is constant.
- (C) cannot be in a perfectly competitive industry, because its long-run economic profits are greater than zero.
- (D) must be in a perfectly competitive industry, because its marginal cost curve eventually rises.

Use the graph given below and answer next 3 questions:



52. In the above figure, by increasing its output from Q_1 to Q_2 , the firm -

- (A) increases its profit
- (B) increases its marginal revenue

(C) reduces its marginal revenue

(D) decreases its profit

53. In the above figure, by increasing its output from Q_2 to Q_3 , the firm -

- (A) increases its marginal revenue.
- (B) reduces its marginal revenue.
- (C) decreases its profit.
- (D) increases its profit.

54. The above figure illustrates a firm's total revenue and total cost curves. Which one of the following statements is FALSE?

- (A) At output Q_1 the firm makes zero economic profit.
- (B) At an output above Q_3 the firm incurs an economic loss.
- (C) Economic profit is the vertical distance between the total revenue curve and the total cost curve.
- (D) At output Q_2 the firm incurs an economic loss.

55. For a firm in perfect competition, a diagram shows quantity on the horizontal axis and both the firm's Marginal Cost (MC) and its Marginal Revenue (MR) on the vertical axis. The firm's profit-maximizing quantity occurs at the point where the -

- (A) MC curve intersects the MR curve from above, going from left to right
- (B) slope of the MC curve is zero
- (C) MC curve intersects the MR curve from below, going from left to right
- (D) MC and MR curves are parallel

Monopoly

56. The term monopoly means a -

- (A) Single seller
- (B) Firm the product of which has no close substitute in the market
- (C) Single firm industry
- (D) All of above

57. The monopolist is -

- (A) Price taker
- (B) Price maker
- (C) Price acceptor
- (D) Any of above

58. A monopoly firm faces a for his product.
- Negatively sloped demand curve
 - Demand curve which is parallel to X-Axis
 - Demand curve which is parallel to Y-Axis
 - None of above
59. Which of the following is feature of 'Monopoly Firm'?
- Single firm
 - Entry restriction
 - Absence of close substitutes
 - All of above
60. Which of the following is *not a* feature of 'Monopoly Firm'?
- Entry restriction
 - Large number of buyers and sellers
 - Price maker
 - All of above
61. Which of the following is *not a* feature of 'Monopoly Firm'?
- Negatively sloped demand curve
 - Absence of close substitutes
 - Free entry and exit
 - All of above
62. All of the following are characteristics of a monopoly except: _____
- There is a single firm.
 - The firm is a price taker.
 - The firm produces a unique product.
 - The existence of some advertising.
63. In a monopoly, the monopolist can -
- Control supply and demand
 - Control price or supply
 - Control price and demand
 - Control price and supply
64. According to "total revenue & total cost" approach, a monopoly firm attains equilibrium when the difference between its total revenue and total cost is the
- Maximum
 - Minimum
 - Negative
 - Less than zero
65. According to "Marginal revenue marginal cost approach" approach, a monopoly firm attains equilibrium when -
- MC = MR
 - MC curve must cut MR curve from below
 - AR < MC
 - Both (A) and (B)
66. During short run monopolist may -
- Incur loss
 - Earn profit
 - Both (A) and (B)
 - Either (A) or (B)
67. The art of selling the same commodity produced under a single control to different buyers at different prices is called -
- Price adjustment
 - Price discrimination
 - Buyers discrimination
 - Any of above
68. Essential condition(s) for price discrimination is/are -
- Existence of two or more than two markets
 - Existence of different elasticity of demand in different markets
 - No possibility of resale
 - All of above
69. Essential condition(s) for price discrimination is/are -
- Existence of monopoly
 - No contact among buyers
 - Existence of two or more than two markets
 - All of above
70. _____ is the basic objective before a discriminating monopolist.
- Profit maximization
 - Loss maximization
 - Loss minimization
 - Increasing the quantity to be sold
71. Under price discrimination, the seller charges _____ in market having the less elastic demand.
- Low price
 - Higher price
 - Sales tax
 - Purchase tax
72. Under price discrimination, the seller charges in a market having elastic demand.
- Low price

- (B) Higher price
(C) Sales tax
(D) Purchase tax
73. A non discriminating monopolist will find that marginal revenue
(A) Exceeds average revenue or price
(B) Is identical to price
(C) Is sometimes greater and sometimes less than price
(D) Is less than average revenue or price
74. A monopolist is able to maximise his profits when
(A) His output is maximum.
(B) He charges a high price.
(C) His average cost is minimum.
(D) His marginal cost is equal to marginal revenue.
75. Discriminating monopoly implies that the monopolist charges different prices for his commodity
(A) From different groups of consumers
(B) For different uses
(C) At different places
(D) Any of the above
76. Price discrimination will be profitable only if the elasticity of demand in different market in which the total market has been divided is
(A) Uniform
(B) Different
(C) Less
(D) Zero
- (C) The product marketed by one seller can be distinguished from the products marketed by other sellers in some form or other.
(D) Any of the above
79. Which of the following method is adopted for product differentiation?
(A) Use of trade marks
(B) Use of brand names
(C) Technical specifications of a product
(D) All of above
80. Which of the following is/are feature of monopolistic competition?
(A) There are a large number of sellers who individually have a small share in the market.
(B) Products of different sellers are differentiated on the basis of brands.
(C) New firms are free to enter into the market and existing firms are free to quit it.
(D) All of above
81. Which of the following is/are feature of monopolistic competition?
(A) Sellers try to compete on basis other than price.
(B) Product differentiation
(C) Freedom of entry or exit
(D) All of above
82. Which of the following is *not* feature of monopolistic competition?
(A) Single firm
(B) Entry restriction
(C) Non price competition
(D) (A) and (B)
83. Which of the following is not a characteristic of monopolistic competition?
(A) Ease of entry into the industry.
(B) Product differentiation.
(C) A relatively large number of sellers.
(D) A homogeneous product.
84. Monopolistic competition differs from perfect competition primarily because -
(A) In monopolistic competition, there are relatively few barriers to entry
(B) In monopolistic competition, entry into the industry is blocked.
(C) In perfect competition, firms can differentiate their products.

Monopolistic Competition

77. A monopolistic competition is defined as that market structure in which each seller produces a
(A) Homogeneous product
(B) Identical product
(C) Same product
(D) Differentiated product
78. The concept of product differentiation means that
(A) Different production techniques are adopted by the producer/seller.
(B) The product marketed by one seller should be same like that of products marketed by other sellers.

- (D) In monopolistic competition, firms can differentiate their products.
85. In short run a firm operating under monopolistic competition may -
- Incur loss
 - Earn just normal profit
 - Earn abnormal profit
 - Any of above
86. In monopolistic competition, firms earn only _____ in the long run.
- Normal profit
 - Loss
 - Abnormal profit
 - All of above
87. A monopolist will maximize profit -
- Where total revenue is maximized.
 - Where the slope of the total revenue function equals the slope of the total cost function.
 - Where average cost is at a minimum.
 - Where all the above are true
88. The long-run equilibrium outcomes in monopolistic competition and perfect competition are similar, because in both market structures
- The efficient output level will be produced in the long run.
 - Firms will be producing at minimum average cost.
 - Firms will only earn a normal profit.
 - Firms realise all economies of scale.
89. Which of the following is not a characteristic of a monopolistically competitive market?
- Free entry and exit
 - Abnormal profits in the long run
 - Many sellers
 - Differentiated products
- (A) Perfectly competitive
- (B) Monopolistic
- (C) Monopolistically competitive
- (D) Oligopolistic
92. Single firm in industry is feature of -
- Perfect competition
 - Monopoly
 - Monopolistic competition
 - (A) and (C)
93. Large number of buyer exists in -
- Perfect competition
 - Monopoly
 - Monopolistic competition
 - All of above
94. Which of the following statements is incorrect?
- Even monopolistic can earn losses
 - Firms in a perfectly competitive market are price takers.
 - It is always beneficial for a firm in a perfectly competitive market to discriminate prices.
 - Kinked demand curve is related to an oligopolistic market.
95. Uniform price is a feature of -
- Perfect competition
 - Monopoly
 - Monopolistic competition
 - All of above
96. Firm in industry is 'price taker'. This is feature of -
- Perfect competition
 - Monopoly
 - Monopolistic competition
 - (B) and (C)
97. Firm in industry is 'price maker'. This is feature of -
- Perfect competition
 - Monopoly
 - Monopolistic competition
 - (B) and (C)
98. Price elasticity of demand for individual firm is perfectly elastic. This is feature of -
- Perfect competition
 - Monopoly

Comparison between Perfect Competition, Monopoly & Monopolistic competition

90. Free entry and exit condition exist in -
- Perfect competition
 - Monopoly
 - Monopolistic competition
 - (A) and (C)
91. The structure of the cold drink industry in India is best described as

- (C) Monopolistic competition
(D) (B) and (C)
99. Product differentiation is a feature of -
(A) Perfect competition
(B) Monopoly
(C) Monopolistic competition
(D) (B) and (C)
100. No selling costs exist. This is feature of -
(A) Perfect competition
(B) Monopoly
(C) Monopolistic competition
(D) (B) and (C)
101. Tooth paste industry is example of -
(A) Perfect competition
(B) Monopoly
(C) Monopolistic competition
(D) (B) and (C)
102. Price discrimination take place in -
(A) Perfect competition
(B) Monopoly
(C) Monopolistic competition
(D) Pure completion
103. Under which market situation demand curve is linear and parallel to X-Axis?
(A) Perfect competition
(B) Monopoly
(C) Monopolistic competition
(D) Oligopoly
104. $AR = MR = P$, is a feature of -
(A) Perfect competition
(B) Monopoly
(C) Monopolistic competition
(D) Oligopoly
105. Under _____ market condition, firms in industry make normal profit in the long run.
(A) Perfect competition
(B) Monopoly
(C) Oligopoly
(D) All of above
106. Agricultural goods markets depict characteristics close to
(A) Perfect competition
(B) Oligopoly

- (C) Monopoly
(D) Monopolistic Competition

107. Which of the following is not a characteristic of a competitive market?
(A) There are many buyers and sellers in the market.
(B) The goods offered for sales are largely the same.
(C) Firms generate small but positive super normal profits in the long run.
(D) Firms can freely enter or exit the market.

Based on Overall Chapter

108. In the table below what will be equilibrium market price?

Price (₹)	Demand (tonnes per annum)	Supply (tonnes per annum)
1	1,000	400
2	900	500
3	800	600
4	700	700
5	600	800
6	500	900
7	400	1,000
8	300	1,100

- (A) ₹ 2
(B) ₹ 3
(C) ₹ 4
(D) ₹ 5

109. Which of the following figure correctly represents the revenue curves of a monopolistic competitive firm?

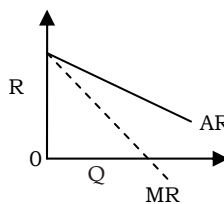


Fig. 1

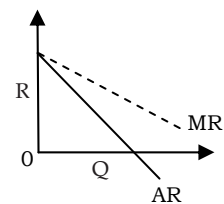


Fig. 2

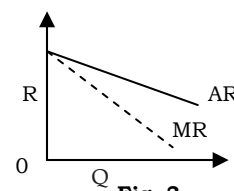


Fig. 3

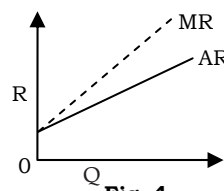
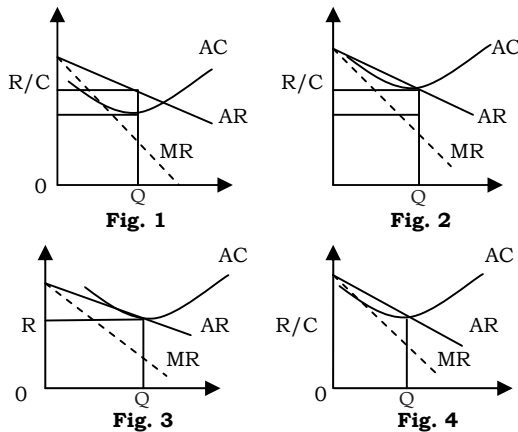


Fig. 4

Select the correct answer from the options given below -

- (A) Figure 1
- (B) Figure 2
- (C) Figure 3
- (D) Figure 4

110. Which of the following figures correctly represents supernormal profit situation of a monopolistic competitive firm?



Select the correct answer from the options given below -

- (A) Figure 1
- (B) Figure 2
- (C) Figure 3
- (D) Figure 4

111. Assume that when price is ₹ 20, quantity demanded is 9 units, and when price is ₹ 19, quantity demanded is 10 units. Based on this information, what is the marginal revenue resulting from an increase in output from 9 units to 10 units.

- (A) ₹ 20
- (B) ₹ 19
- (C) ₹ 10
- (D) ₹ 1

112. Suppose a firm is producing a level of output such that $MR > MC$. What should be firm do to maximize its profits?

- (A) The firm should do nothing.
- (B) The firm should hire less labour.
- (C) The firm should increase price.
- (D) The firm should increase output.

113. Assume that when price is ₹ 20, quantity demanded is 15 units, and when price is ₹ 18, quantity demanded is 18 units. Based on this information, what is the marginal revenue resulting from an increase in output from 15 units to 18 units?

- (A) ₹ 18
- (B) ₹ 16
- (C) ₹ 24
- (D) ₹ 28

114. Marginal Revenue is equal to :

- (A) The change in price divided by the change in output.
- (B) The change in quantity divided by the change in price.
- (C) The change in $P \times Q$ due to a one unit change in output.
- (D) Price, but only if the firm is a price searcher.

115. Suppose that a sole proprietorship is earning total revenues of ₹ 1,00,000 and is incurring explicit costs of ₹ 75,000. If the owner could work for another company for ₹ 30,000 a year, we would conclude that:

- (A) The firm is incurring an economic loss.
- (B) Implicit costs are ₹ 25,000.
- (C) The total economic costs are ₹ 1,00,000.
- (D) The individual is earning an economic profit of ₹ 25,000.

116. With a given supply curve, a decrease in demand causes -

- (A) An overall decrease in price but an increase in equilibrium quantity.
- (B) An overall increase in price but a decrease in equilibrium quantity.
- (C) An overall decrease in price and a decrease in equilibrium quantity.
- (D) No change in overall price but a reduction in equilibrium quantity.

117. Assume that consumers' incomes and the number of sellers in the market for a product both decrease. Based upon this information we can conclude, with certainty, that equilibrium -

- (A) Price will increase
- (B) Price will decrease
- (C) Quantity will increase
- (D) Quantity will decrease

118. Suppose that the supply of cameras increases due to an increase in foreign imports. Which of the following will most likely occur?

- (A) the equilibrium price of cameras will increase.
- (B) the equilibrium quantity of cameras exchanged will decrease.

- (C) the equilibrium price of camera film will decrease.
- (D) the equilibrium quantity of camera film exchanged will increase.
119. Assume that in the market for product Z there is a simultaneous increase in demand and the quantity supplied. The result will be –
- (A) An increase in equilibrium price and quantity
- (B) A decrease in equilibrium price and quantity
- (C) An increase in equilibrium quantity and uncertain effect on equilibrium price
- (D) A decrease in equilibrium price and increase in equilibrium quantity
120. Suppose the technology for producing personal computers improves and, at the same time, individuals discover new uses for personal computers so that there is greater utilisation of personal computers. Which of the following will happen to equilibrium price and equilibrium quantity?
- (A) Price will increase; quantity cannot be determined
- (B) Price will decrease; quantity cannot be determined
- (C) Quantity will increase; price cannot be determined
- (D) Quantity will decrease; price cannot be determined
121. Oligopolistic industries are characterized by –
- (A) A few dominant firms and substantial barriers to entry
- (B) A few large firms and no entry barriers
- (C) A large number of small firms and no entry barriers
- (D) One dominant firm and low entry barriers
122. In which form of the market structure is the degree of control over the price of its product by a firm very large?
- (A) Monopoly
- (B) Imperfect Competition
- (C) Oligopoly
- (D) Perfect competition
123. The kinked demand curve model of oligopoly assumes that –
- (A) Response to a price increase is less than the response to a price decrease.
- (B) Response to a price increase is more than the response to a price decrease.
- (C) Elasticity of demand is constant regardless of whether price increases or decreases.
- (D) Elasticity of demand is perfectly elastic if price increases and perfectly inelastic if price decreases.
124. Under which of the following forms of market structure does a firm have no control over the price of its product?
- (A) Monopoly
- (B) Monopolistic competition
- (C) Oligopoly
- (D) Perfect competition
125. The Kinked demand hypothesis is designed to explain in the context of oligopoly -
- (A) Price and output determination
- (B) Price rigidity
- (C) Price leadership
- (D) Collusion among rivals
126. Firm encounters its “shutdown point” when –
- (A) Average total cost equals price at the profit-maximising level of output.
- (B) Average variable cost equals price at the profit-maximising level of output.
- (C) Average fixed cost equals price at the profit-maximising level of output.
- (D) Marginal cost equals price at the profit-maximising level of output.
127. Suppose that, at the profit-maximizing level of output, a firm finds that market price is less than average total cost, but greater than average variable cost. Which of the following statements is correct?
- (A) The firm should shutdown in order to minimise its losses.
- (B) The firm should raise its price enough to cover its losses.
- (C) The firm should move its resources to another industry.
- (D) The firm should continue to operate in the short run in
128. When price is less than average variable cost at the profit-maximising level of output, a firm should
- (A) Produce where marginal revenue equals marginal cost if it is operating in the short run.
- (B) Produce where marginal revenue equals marginal cost if it is operating in the long run.

- (C) Shutdown, since it will lose nothing in that case.
- (D) Shutdown, since it cannot even cover its variable costs if it stays in business.
129. One characteristic not typical of oligopolistic industry is –
- (A) Horizontal demand curve.
- (B) Too much importance to non-price competition.
- (C) Price leadership.
- (D) A small number of firms in the industry.
130. The structure of the toothpaste industry in India is best described as –
- (A) Perfectly competitive
- (B) Monopolistic
- (C) Monopolistically competitive
- (D) Oligopolistic
131. When, we know that the firms are earning just normal profits.
- (A) $AC = AR$
- (B) $MC = MR$
- (C) $MC = AC$
- (D) $AR = MR$
132. When _____, we know that the firms must be producing at the minimum point of the average cost curve and so there will be productive efficiency.
- (A) $AC = AR$
- (B) $MC = AC$
- (C) $MC = MR$
- (D) $AR = MR$
133. When _____, there will be allocative efficiency meaning thereby that the cost of the last unit is exactly equal to the price consumers are willing to pay for it and so that the right goods are being sold to the right people at the right price.
- (A) $MC = MR$
- (B) $MC = AC$
- (C) $MC = AR$
- (D) $AR = MR$
134. The competitive firm maximizes profit when it produces output up to the point where
- (A) Price equals average variable cost
- (B) Marginal revenue equals average revenue
- (C) Marginal cost equals total revenue
- (D) Marginal cost equals marginal revenue
135. When an oligopolist individually chooses its level of production to maximize its profits, it charges a price that is –
- (A) more than the price charged by either monopoly or a competitive market
- (B) less than the price charged by either monopoly or a competitive market
- (C) more than the price charged by a monopoly and less than the price charged by a competitive market
- (D) less than the price charged by a monopoly and more than the price charged by a competitive market.
136. In the long-run equilibrium of a competitive market, firms operate at –
- (A) The intersection of the marginal cost and marginal revenue
- (B) their efficient scale
- (C) zero economic profit
- (D) all of these answers are correct
137. Time element was conceived by -
- (A) Adam Smith
- (B) Alfred Marshall
- (C) Pigou
- (D) Lionel Robinson
138. When $e > 1$ then MR is -
- (A) Zero
- (B) Negative
- (C) Positive
- (D) One
139. When $e = 1$ then MR is -
- (A) Positive
- (B) Zero
- (C) One
- (D) Negative
140. In oligopoly, when the industry is dominated by one large firm which is considered as leader of the group. This is called -
- (A) Full oligopoly
- (B) Collusive oligopoly
- (C) Partial oligopoly
- (D) Syndicated oligopoly
141. When the product are sold through a centralized body oligopoly is known as -
- (A) Organized oligopoly

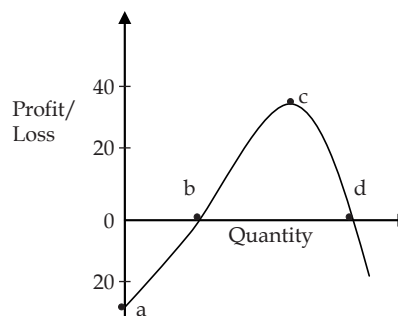
- (B) Partial oligopoly
(C) Competitive oligopoly
(D) Syndicated oligopoly
142. Which three of the following characteristics apply to oligopoly?
- Each firm faces a downward sloping demand curve.
 - A few large firms account for a high percentage of industry output.
 - Many small firms account for a high percentage of industry output.
 - Each firm faces a horizontal demand curve.
 - The industry is often characterized by extensive non-price competition.

Select the correct answer from the options given below -

- (A) III, IV & II
(B) II, I & V
(C) I, III & V
(D) V, II & IV
143. To achieve more market power, firms can -
- Raise their profit margin on prices.
 - Differentiate their products from the products of their rivals.
 - Lobby the government to eliminate barriers to entry.
 - Advertise that they charge low prices.
144. Under which type of market structure is price rigidity (stickiness) often predicted?
- Perfect competition
 - Imperfect competition
 - Natural monopoly
 - Oligopoly
145. Which two of the following assumptions apply to 'kinked-demand' analysis in oligopoly markets?
- Rivals will reduce prices in response to the firm's lower prices.

- Rivals' reactions are irrelevant.
- Rivals will raise prices in response to the firm's higher prices.
- Rivals will tend not to raise prices in response to the firm's higher prices.

Use the graph given below and answer next 3 questions:



146. In the above figure, the firm is making an economic loss at -
- point a
 - points b and d
 - points a, b, and d
 - point c
147. In the above figure, the firm is break even points at -
- a and d
 - b and d
 - c and d
 - a and c
148. In the above figure, when the firm produces output corresponding to point c, the firm's marginal cost -
- is less than its marginal revenue.
 - equals its average revenue.
 - exceeds its marginal revenue.
 - equals its marginal revenue

Answers

1.	(D)	2.	(B)	3.	(C)	4.	(D)	5.	(D)	6.	(C)	7.	(D)
8.	(C)	9.	(C)	10.	(D)	11.	(B)	12.	(C)	13.	(A)	14.	(D)
15.	(C)	16.	(B)	17.	(B)	18.	(D)	19.	(A)	20.	(B)	21.	(B)
22.	(B)	23.	(B)	24.	(D)	25.	(B)	26.	(D)	27.	(B)	28.	(D)
29.	(B)	30.	(D)	31.	(B)	32.	(B)	33.	(A)	34.	(B)	35.	(B)
36.	(C)	37.	(B)	38.	(A)	39.	(B)	40.	(A)	41.	(D)	42.	(B)
43.	(C)	44.	(B)	45.	(B)	46.	(A)	47.	(D)	48.	(A)	49.	(B)

50.	(D)	51.	(B)	52.	(A)	53.	(C)	54.	(D)	55.	(C)	56.	(D)
57.	(B)	58.	(A)	59.	(D)	60.	(B)	61.	(C)	62.	(B)	63.	(B)
64.	(A)	65.	(D)	66.	(D)	67.	(B)	68.	(D)	69.	(D)	70.	(A)
71.	(B)	72.	(A)	73.	(A)	74.	(D)	75.	(D)	76.	(B)	77.	(D)
78.	(C)	79.	(D)	80.	(D)	81.	(D)	82.	(D)	83.	(D)	84.	(D)
85.	(D)	86.	(A)	87.	(D)	88.	(C)	89.	(B)	90.	(D)	91.	(D)
92.	(B)	93.	(D)	94.	(C)	95.	(A)	96.	(A)	97.	(D)	98.	(A)
99.	(C)	100.	(A)	101.	(C)	102.	(B)	103.	(A)	104.	(A)	105.	(A)
106.	(A)	107.	(C)	108.	(C)	109.	(C)	110.	(A)	111.	(C)	112.	(D)
113.	(C)	114.	(C)	115.	(A)	116.	(C)	117.	(D)	118.	(D)	119.	(C)
120.	(C)	121.	(A)	122.	(A)	123.	(A)	124.	(D)	125.	(B)	126.	(B)
127.	(D)	128.	(D)	129.	(A)	130.	(C)	131.	(A)	132.	(B)	133.	(C)
134.	(D)	135.	(D)	136.	(D)	137.	(B)	138.	(C)	139.	(B)	140.	(C)
141.	(C)	142.	(B)	143.	(B)	144.	(D)	145.	(D)	146.	(A)	147.	(B)
148.	(D)												

MONEY & BANKING

Concept & Nature of Money

1. Which of the following approach adopted by economists to define money?

A. Functional Approach
 B. Liquidity Approach
 C. Generalized Purchasing Power Approach

Select the correct answer from the options given below -

(A) A only
 (B) B only
 (C) Both A and B/C
 (D) C only

2. "Anything that is generally acceptable as a means of exchange and the same time acts as a measure and store of value". This definition of money is given by -

(A) Crowther
 (B) Adam Smith
 (C) Ricardo
 (D) Keynes

3. Money is a matter of functions of four, _____

(A) Medium, Income, Standard and Store
 (B) Medium, Measure, Standard and Store
 (C) Medium, Measure, Profit and Store
 (D) Medium, Quantity, Standard and Store

4. The main functions performed by money are called -

(A) Contingent functions
 (B) Secondary functions
 (C) Primary or original function
 (D) Important functions

5. Primary function of money: -

(A) Medium of exchange
 (B) Measure of value
 (C) Standard of deferred payment
 (D) Both (A) and (B)

6. Official currency _____ happens to be the dominant form of money.

(A) Coins
 (B) Currency notes
 (C) Both coins and currency notes
 (D) Credit cards

7. Banks:

(A) evolved from vaults storing valuables to places where an assortment of financial products can be purchased.
 (B) are financial markets.
 (C) provide only savings accounts and checkable deposits.
 (D) make only mortgage loans.

8. Which of the following is/are non-currency forms of money?

(A) Cheques
 (B) Credit cards
 (C) Debit cards
 (D) All of above

9. Which of the following statement is correct about 'Money'?

(A) This medium of exchange function is one of the most important and oldest function of money.
 (B) Money has a generalized purchasing power.
 (C) With the invention of money, the limitations of barter system could be overcome.
 (D) All of above

10. Which of the following are the seven parts of the financial system?

(A) Financial instruments, credit cards, financial instruments, regulatory agencies, central banks, Federal Reserve System, money
 (B) Financial instruments, money, financial instruments, the Security and Exchange Commission, central banks, Federal Reserve System, credit cards

- (C) Money, financial instruments, financial markets, financial institutions, regulatory agencies, central banks, Federal Reserve System
- (D) Money, financial instruments, financial markets, banks, regulatory agencies, central banks, Federal Reserve System, credit cards
11. Unlike other invariant physical units of measures kilograms, meter, liters etc., the value of money changes from place to place and over time.
- (A) True
- (B) False
- (C) Partly false
- (D) None of above
12. The relatively less important functions of money are called -
- (A) Secondary function
- (B) Derived functions
- (C) Both (A) and (B)
- (D) Derivative function
13. Which of the following is not secondary function of money?
- (A) Standard of deferred payment
- (B) Medium of exchange
- (C) Store of value
- (D) Transfer of value
14. Secondary function of money: -
- (A) Standard of deferred payment
- (B) Store of value
- (C) Transfer of value
- (D) All of above
15. Most of the contracts in Germany were made in Swiss Franc or US Dollar in -
- (A) 1923
- (B) 1823
- (C) 2003
- (D) 1993
16. _____ is the national currency of Germany.
- (A) Euro
- (B) Dollar
- (C) Yen
- (D) Rupees
17. Money serves as store of value in the -
- (A) Short run
- (B) Long run
- (C) Short run as well as long run
- (D) None of above
18. Historically, the Indian rupee was a _____ coin
- (A) Copper
- (B) Gold
- (C) Silver
- (D) Bronze
19. _____ has mentioned contingent functions of money.
- (A) Prof. Keynes
- (B) Prof. Kinley
- (C) Prof. Marshall
- (D) Prof. Frisch
20. Prof. Kinley has mentioned _____ contingent functions of money.
- (A) Two
- (B) Three
- (C) Four
- (D) Five
21. Contingent functions of money?
- (A) Basis of credit
- (B) Distribution of national income
- (C) General form of capital
- (D) All of above
22. In present days, the use of credit money like _____ is expanding widely.
- (A) Cheque
- (B) Draft
- (C) Bill of exchange
- (D) Cheque, draft, bill of exchange and promissory notes
23. According to _____, people derive maximum satisfaction when they spend by making marginal utility equal in all goods.
- (A) Law of equi-marginal utility
- (B) Law of diminishing marginal utility
- (C) Law of diminishing marginal rate of substitution
- (D) Law of demand
24. _____, by its very nature, is the most liquid asset.
- (A) Cash
- (B) Official currency
- (C) Commodities
- (D) Cash or official currency

25. The liquidity approach emphasizes the function of money as a -
 (A) Standard of deferred payment of money
 (B) Store of money
 (C) Income from money
 (D) (A) and (C)
26. Banks create money by -
 (A) Lending out part of their deposits
 (B) Accepting cheques
 (C) Issuing debit cards
 (D) Printing it
27. Money:
 (A) only consists of paper currency.
 (B) is used only to pay for purchases.
 (C) was once primarily gold and silver coins but has evolved to electronic funds transfers.
 (D) can only be obtained from a teller at a bank.
28. _____ refer to that form of deposits which are created when customers bring cash to a bank and deposit the same with it.
 (A) Credit deposits
 (B) Cash deposits
 (C) (A) or (B)
 (D) None of above
29. Cash deposits may also be referred to as -
 (A) Secondary deposits
 (B) Primary deposits
 (C) Derived deposits
 (D) Credit deposits
30. Bad and doubtful debts of Scheduled Commercial Banks are known as -
 (A) Withdrawal of assets
 (B) Non-recoverable assets
 (C) Loss assets
 (D) Non-performing assets
31. Saving deposit does not form part of -
 (A) Demand deposit
 (B) Time deposit
 (C) Board money
 (D) None of the above
32. The loan deposits are termed -
 (A) Secondary deposits
 (B) Primary deposits
 (C) Derived deposits
 (D) (A) or (C)
33. Loan giving activity of the bank is known as that of -
 (A) Debit creation
 (B) Credit creation
 (C) Assets creation
 (D) Liability creation
34. _____ is one of the important functions of a commercial bank.
 (A) Debit creation
 (B) Credit creation
 (C) Assets creation
 (D) Liability creation
35. The process of 'Credit Creation' begins with banks lending money out of -
 (A) Secondary deposits
 (B) Primary deposits
 (C) Derived deposits
 (D) (A) or (C)
36. During the process of credit creation, which of the following issue must be considered by bank?
 (A) Profitability
 (B) Liquidity
 (C) Both (A) and (B)
 (D) None of above
37. A bank would keep creating additional credit so long as: -
 (A) Loans extended by the banks to its customers have a negligible chance of turning into bad debts
 (B) The difference between the interest rates that the banks charge on loans and advances lent is greater than that the banks give to depositors on the money deposited with the bank
 (C) Both (A) and (B)
 (D) None of above
38. The limitations on credit creation by banks may be considered in respect to factors such as: -
 (A) The capacity of banks to create credit
 (B) The willingness of banks to create credit
 (C) Demand for credit in the market
 (D) All of above

Credit Creation

28. _____ refer to that form of deposits which are created when customers bring cash to a bank and deposit the same with it.
 (A) Credit deposits
 (B) Cash deposits
 (C) (A) or (B)
 (D) None of above
29. Cash deposits may also be referred to as -
 (A) Secondary deposits
 (B) Primary deposits
 (C) Derived deposits
 (D) Credit deposits
30. Bad and doubtful debts of Scheduled Commercial Banks are known as -
 (A) Withdrawal of assets
 (B) Non-recoverable assets
 (C) Loss assets
 (D) Non-performing assets
31. Saving deposit does not form part of -
 (A) Demand deposit
 (B) Time deposit
 (C) Board money
 (D) None of the above
32. The loan deposits are termed -
 (A) Secondary deposits
 (B) Primary deposits
 (C) Derived deposits
 (D) (A) or (C)
33. Loan giving activity of the bank is known as that of -
 (A) Debit creation
 (B) Credit creation
 (C) Assets creation
 (D) Liability creation
34. _____ is one of the important functions of a commercial bank.
 (A) Debit creation
 (B) Credit creation
 (C) Assets creation
 (D) Liability creation
35. The process of 'Credit Creation' begins with banks lending money out of -
 (A) Secondary deposits
 (B) Primary deposits
 (C) Derived deposits
 (D) (A) or (C)
36. During the process of credit creation, which of the following issue must be considered by bank?
 (A) Profitability
 (B) Liquidity
 (C) Both (A) and (B)
 (D) None of above
37. A bank would keep creating additional credit so long as: -
 (A) Loans extended by the banks to its customers have a negligible chance of turning into bad debts
 (B) The difference between the interest rates that the banks charge on loans and advances lent is greater than that the banks give to depositors on the money deposited with the bank
 (C) Both (A) and (B)
 (D) None of above
38. The limitations on credit creation by banks may be considered in respect to factors such as: -
 (A) The capacity of banks to create credit
 (B) The willingness of banks to create credit
 (C) Demand for credit in the market
 (D) All of above

39. Land development bank provide loans for a period of -
 (A) 1 year
 (B) 2 to 5 years
 (C) 5 to 7 years
 (D) 15 to 20 years
40. Capacity to create credit by bank is a matter of: -
 (A) The availability of cash deposits with the bank
 (B) The factors that determine their cash deposit ratio
 (C) Both (A) and (B)
 (D) Neither (A) nor (B)
41. A bank may be willing to create credit so long as: -
 (A) It estimates that it will be profitable to do so
 (B) It is able to maintain the liquidity requirements
 (C) Both (A) and (B)
 (D) Neither (A) nor (B)
42. A bank requiring a higher interest rate on an automobile loan than on a home mortgage loan is demonstrating the core principle that says
 (A) "Time has value."
 (B) "Markets determine prices and allocate resources."
 (C) "Risk requires compensation."
 (D) "Information is the basis for decisions."
43. In 1969, Government announced the nationalization of ____ number of major of commercial banks.
 (A) 12
 (B) 14
 (C) 16
 (D) 18
44. In 1980, Government announced the nationalization of ____ number of major of commercial banks.
 (A) 5
 (B) 6
 (C) 7
 (D) 8
45. Nationalization of banks aimed at all of following except -

- (A) Removal of control by few
 (B) Provisions of credit to big industrial organizations
 (C) Provisions of adequate credit for agricultural
 (D) Encouragement of new class of entrepreneurs

Quantity Theory of Money

46. The quantity theory of money seeks to explain the factors that -
 (A) Determine the general national income level in an economy
 (B) Determine the gross domestic product in an economy
 (C) Determine the general price level in an economy
 (D) Determine the credit creation process
47. Which of the following approach is followed in Quantity Theory of Money?
 (A) Transaction Approach
 (B) Credit Balance Approach
 (C) Cash Balance Approach
 (D) (A) and (C)
48. The transaction approach to the Quantity Theory of Money is given by -
 (A) Frisch
 (B) Fisher
 (C) Finlay
 (D) Fredrick
49. Which of the following equation is given by Fisher to explain the Quantity Theory of Money?
 (A) $MV = PT$
 (B) $M = PVT$
 (C) $V = PT$
 (D) $PV = MT$
50. To explain the equation, $MV = PT$ of the Quantity Theory of Money, which of the following assumption was made by Fisher?
 (A) Total physical transactions in an economy will be a constant.
 (B) The velocity of circulation remain constant in the short run
 (C) Inclusion of credit money along with primary money or currency money
 (D) All of above

51. In the words of _____, "Other things remaining unchanged, as the quantity of money in circulation increases the price level also increases in direct proportion and the value of money decreases and vice versa".
- (A) Irving Fredrick
(B) Finlay
(C) Irving Fisher
(D) Alfred Marshall
52. As per Irving Fisher principle, if the quantity of money is doubled -
- (A) The price level will double
(B) The value of money will be one half
(C) The price level will double and the value of money will be one half
(D) The price level will be reduced by one half and value of money will be twice
53. As per Irving Fisher principle, if the quantity of money is reduced by one half -
- (A) The price level will also be reduced by one half
(B) Value of money will be twice
(C) The price level will double and the value of money will be one half
(D) The price level will be reduced by one half and value of money will be twice
54. Fisher's Transaction Approach can explain the causes of _____ that occurs during war or emergency.
- (A) Normal peace time Inflation
(B) Cost push inflation
(C) Hyperinflation
(D) Normal peace time deflation
55. Shortcoming of Fisher's Transaction Approach has been modified by the -
- (A) Cambridge version
(B) The Cash-Balance Approach
(C) Cambridge version or the Cash-Balance Approach
(D) None of above
56. The Cash-Balance Approach to the Quantity Theory of Money may be expressed as: -
- (A) $\pi = kR/M$
(B) $\pi = kM/R$
(C) $R = kMP$
(D) $k = \pi MP$

Central Banks

57. A central bank is an apex institution of a country's-
- (A) Monetary system
(B) Financial system
(C) Monetary and financial system
(D) None of above
58. The purpose of central banks is -
- (A) to ensure the stability of the financial system.
(B) to control the availability of money and credit to ensure low inflation, high growth, and the stability of the financial system.
(C) only to ensure that the economy sees high growth.
(D) only to control the availability of money and to ensure low inflation.
59. A central bank is guided by profit motive.
- (A) True
(B) False
(C) Partly true
(D) None of above
60. Central banks came into existence in the early _____ through official legislation.
- (A) 20th century
(B) 18th century
(C) 16th century
(D) 21st century
61. The practice of creating a full-fledged central bank so as to take charge of the existing financial system got an impetus by the recommendations made by the International Financial Conference held at -
- (A) Mumbai
(B) London
(C) New York
(D) Brussels
62. The practice of creating a full-fledged central bank so as to take charge of the existing financial system got an impetus by the recommendations made by the International Financial Conference held at Brussels in -
- (A) 1910
(B) 1920
(C) 1930
(D) 1940

63. _____ is the Central Bank of India.
 (A) Reserve Bank of India
 (B) State Bank of India
 (C) People's Bank of India
 (D) Bank of Maharashtra
64. _____ is the Central Bank for USA.
 (A) People's Bank of USA
 (B) Federal Reserve
 (C) Bank of New York
 (D) Reserve Bank of USA
65. Which of the following is the Central Bank of Europe?
 (A) European Central Bank
 (B) Federal Reserve Bank of Europe
 (C) Reserve Bank of Europe
 (D) People's Bank of Europe
66. Which of the following is the Central Bank for China.
 (A) China Central Bank
 (B) Federal Reserve Bank of China
 (C) People's Bank of China
 (D) Reserve Bank of China
67. RBI, the central bank of our country came into existence in -
 (A) 1905
 (B) 1915
 (C) 1925
 (D) 1935
68. Leading function of Central Bank -
 (A) Issue of notes
 (B) Bank to bankers
 (C) Banker to the government
 (D) All of above
69. Leading function of Central Bank -
 (A) Custodian of foreign exchange reserves
 (B) Management and regulation of exchange rate
 (C) Credit control
 (D) All of above
70. Leading function of Central Bank -
 (A) Accounting for national income
 (B) Collection of data
 (C) Both (A) and (B)
 (D) Credit control
71. _____ exercises a monopoly over issuing bank notes in the economy.
 (A) The Central Government
 (B) The State Government
 (C) The Central Bank
 (D) The State Bank of India
72. The main advantage(s) of granting the monopoly right of note issue to the central bank is/are:
 (A) It brings uniformity in the monetary system of note issue and note circulation.
 (B) To have better control over the money supply in the country.
 (C) Monetary management of the paper currency becomes easier.
 (D) All of above
73. The main advantage(s) of granting the monopoly right of note issue to the central bank is/are: -
 (A) It enables to exercise control over the creation of credit by the commercial banks.
 (B) The central bank also earns profit from the issue of paper currency.
 (C) It avoids the political interference in the matter of note issue
 (D) All of above
74. Which one is known as "the lender of last resort"?
 (A) World Bank
 (B) International Monetary Fund (IMF)
 (C) RBI
 (D) Commercial Banks
75. In which of the capacities the central bank acts as the bankers' bank?
 (A) As custodian of the cash preserves of the commercial banks
 (B) As the lender of the last resort
 (C) As clearing agent
 (D) All of above
76. The Central Bank of the country also acts as a banker to the government which normally involves: -
 (A) Providing ordinary banking services to the government
 (B) Being a public debt agent and underwriter to the government
 (C) Being an advisor
 (D) All of above

77. The RBI was established with fully paid up share capital of -
 (A) ₹ 5 Crores
 (B) ₹ 50 Crores
 (C) ₹ 500 Crores
 (D) ₹ 5,000 Crores
78. The RBI was established on the basis of the recommendations of the -
 (A) Hilton Young Commission
 (B) Kumar Mangalam Committee
 (C) Tondon Commission
 (D) Kumar & Young Commission
79. When the RBI was established the Government held shares of nominal value of -
 (A) ₹ 2,00,000
 (B) ₹ 2,20,000
 (C) ₹ 22,20,000
 (D) ₹ 25,00,000
80. The RBI was nationalized on -
 (A) January 1, 1935
 (B) January 1, 1949
 (C) January 1, 1950
 (D) January 1, 1956
81. The head office of the central bank is in -
 (A) Delhi
 (B) Kolkata
 (C) Madras
 (D) Mumbai
82. The Central Bank has ____ offices across the country.
 (A) 22
 (B) 25
 (C) 28
 (D) 30
- (B) Time deposits
 (C) Current deposits
 (D) All of above
85. Secondary functions of commercial bank: -
 (A) Accepting deposits
 (B) Agency service
 (C) General utility services
 (D) (B) and (C)
86. Banks acts as an agents to their customers by rendering various services on behalf of customers like: -
 (A) Collection of bills, draft, cheques dividends etc.
 (B) Payments of insurance premium, loan instalments, rent, bills etc.
 (C) Acting as representatives of customers for stock exchange operations
 (D) All of above
87. Banks acts as an agents to their customers by rendering various services on behalf of customers like: -
 (A) Acting as an executors, administrators, trustee of an estate of customers
 (B) Services such as submission of income tax returns, claiming of tax refunds etc.
 (C) Collection of bills, draft, cheques dividends etc.
 (D) All of above

Monetary Policy in India

Commercial Banks

83. Primary functions of commercial bank: -
 (A) Accepting deposits
 (B) Lending of fund
 (C) General utility services
 (D) (A) and (B)
84. The commercial banks accept deposits from public, businessmen and others in form of -
 (A) Saving deposits
88. ____ is usually defined as the Central Bank's policy pertaining to the control of the availability, cost and use of money and credit with the help of monetary measures in order to achieve specific goals.
 (A) Foreign trade policy
 (B) Economic policy
 (C) Monetary policy
 (D) Bank policy
89. Monetary policy is implemented by the _____ through the instruments of credit control.
 (A) SBI
 (B) RBI
 (C) IDBI
 (D) ICICI

90. Which of the following measure is/are adopted for monetary policy in India: -
 (A) Quantitative or General Measures
 (B) Qualitative or Specific Measures
 (C) Both (A) and (B)
 (D) Neither (A) nor (B)
91. Goals achieved by monetary policy: -
 (A) High rate of growth in public sector companies
 (B) Price stability of products manufactured by 10 big companies in India.
 (C) Equality in the distribution of income and wealth
 (D) All of above
92. Quantitative measures consist of: -
 (A) Bank Rate Policy
 (B) Open Market Operations
 (C) Variable Reserve Requirements
 (D) All of above
93. Quantitative measures consist of: -
 (A) Repo Rate and Reverse Repo Rate
 (B) Open Market Operations
 (C) Variable Reserve Requirements
 (D) All of above
94. Bank rate is ____
 (A) The interest rate at which a central bank provides loans to other banks.
 (B) The rate at which the bank discounts the bills and other instruments of other commercial banks.
 (C) (A) or (B)
 (D) None of above
95. ____ is the interest rate at which a central bank provides loans to other banks.
 (A) Repo rate
 (B) Borrowing rate
 (C) Bank rate
 (D) Treasury rate
96. When the Central Bank wishes to control credit and inflation in the economy, it -
 (A) Decrease the Bank Rate
 (B) Raises the Bank Rate
 (C) Withdraws the Bank Rate
 (D) Reduces the Bank Rate
97. If the Central Bank wishes to boost production and investment activities in the economy, it will -
 (A) Decrease the Bank Rate
 (B) Raises the Bank Rate
 (C) Withdraws the Bank Rate
 (D) None of above
98. ____ imply deliberate direct sales and purchases of securities and bills in the market by the Central Bank on its own initiative to control the volume of credit.
 (A) Bank rate policy
 (B) Variable Cash Reserve
 (C) Open market operations
 (D) Federal reserve ratio
99. ____ refers to the percentage of the deposits that the commercial banks are required to maintain with the central bank, being subject to variations by the central bank.
 (A) Statutory liquidity ratio
 (B) Cash reserve ratio
 (C) Special liquidity ratio
 (D) Federal reserve ratio
100. What is the Cash Reserve Ratio (CRR)?
 (A) the fraction of the deposits that commercial banks lend to the customers
 (B) the fraction of the deposits that RBI must keep with commercial banks
 (C) the fraction of the deposits that commercial banks must keep with RBI
 (D) none of the above
101. ____ refers to the percentage of total deposits of the commercial banks that the commercial banks are required to maintain with themselves in form of cash, gold or approved government securities.
 (A) Statutory liquidity ratio
 (B) Cash reserve ratio
 (C) Special liquidity ratio
 (D) Federal reserve ratio
102. ____ is the rate at which commercial banks borrow money from the central bank in case of any shortage of funds they face.
 (A) Bank rate
 (B) Treasury rate
 (C) Reverse repo rate
 (D) Repo rate

- 103.** _____ is a rate at which RBI borrows money from commercial banks.
- Bank rate
 - Treasury rate
 - Reverse repo rate
 - Repo rate
- 104.** The money supply is -
- Money + Bank cards + Credit cards
 - Cheques + Money + Bank cards + Credit cards
 - Currency in circulation plus bank deposits
 - None of above
- 105.** The monetary base is _____ and _____
- Bank deposits, building society deposits
 - Currency in circulation, banks' cash reserves
 - Retail sight deposits, building society deposits
 - Retail deposits, wholesale deposits
- 106.** According to Central Bank Approach, Money is -
- $M = C + DD + TD + SB + S + B$
 - $M = C + DD + TD + NBF + CUA$
 - $M = C + DD + TD$
 - $M = C + DD$
- 107.** The variables affecting the demand for money are _____ and _____
- Bank opening hours, the proportion of weekly paid employees; interest rates
 - The price level; interest rates
 - The time of year; bank opening hours, the price level
 - The proportion of weekly paid employees, the time of year; real income
- 108.** Fixed deposits are also called as -
- Current deposits
 - Demand Deposits
 - Validity deposits
 - Term deposits
- MCQs Based on Overall Chapter**
- 109.** Since money acts as an intermediate in the exchange process, it is called:
- Value for money
 - Exchange value
 - Medium of exchange
 - None of these
- 110.** Modern forms of money include -
- Paper notes
 - Gold coins
 - Silver coins
- Select the correct answer from the options given below -
- I
 - II
 - III
 - All of the above
- 111.** A 'debt trap' means:
- Inability to repay credit amount
 - Ability to pay credit amount
 - Overspending till no money is left
 - None of these
- 112.** Informal sector loans include:
- NABARD
 - State Bank of India
 - Moneylenders
 - Both (B) and (C)
- 113.** In order to increase money supply in the country, the RBI may -
- Reduce CRR
 - Increase CRR
 - Sell securities in the open market
 - Increase the bank rate
- 114.** RBI classifies currency with public plus demand deposits with public.
- M1
 - M2
 - M3
 - M4
- 115.** M1 is also known as -
- Narrow money
 - Board money
 - Near money
 - Pure money
- 116.** M3 is also known as -
- Board money
 - Narrow money
 - Near money
 - Pure money
- 117.** As per RBI's new classification, M4 has been excluded from the scheme of monetary aggregates.

- (A) True
(B) False
(C) Partially true
(D) None of these
118. If Raman transfer money from his Current Account to his Saving Account -
(A) M1 falls but M2 rises
(B) M2 falls but M1 rises
(C) Both M1 and M2 rises
(D) Both M1 and M2 remain constant
119. If Pavan transfer money from his Saving Account to Fixed Deposit -
(A) M1 falls but M3 rises
(B) M3 falls but M1 rises
(C) Both M1 and M3 rises
(D) Both M1 and M3 remain constant
120. Banking ombudsman means -
(A) A person appointed by RBI to oversee the functioning of foreign banks
(B) Person appointed to recover dues from the defaulting borrowers
(C) A person to whom customer can approach for redressal of their grievances
(D) A person appointed to settle disputes between employees and management
121. To reduce the value of domestic currency in terms of foreign currency is known as -
(A) Appreciation
(B) Devaluation
(C) Depreciation
(D) Revaluation
122. The RBI issues all currency notes except -
(A) 2,000 Rupee Note
(B) 100 Rupee Note
(C) 50 Rupee Note
(D) 1 Rupee Note
123. NABARD is a -
(A) Bank
(B) Board
(C) Department
(D) All of the above
124. Which of the following is Apex Bank for agricultural credit in India?
(A) RBI
(B) SIDBI
(C) ICICI
(D) NABARD
125. Monetary Policy in India is formulated by -
(A) Planning Commission
(B) RBI
(C) Government of India
(D) Ministry of Economic Affairs
126. EXIM bank was started on -
(A) 1972
(B) 1982
(C) 1998
(D) 1992
127. _____ is the rate at which the central bank of a country (Reserve Bank of India in case of India) borrows money from commercial banks within the country.
(A) Repo rate
(B) Reverse repo rate
(C) Discount Rate
(D) Bank Rate
128. _____ is the official minimum rate at which the Central Bank of Country is prepared to rediscount approved bill held by Commercial Banks.
(A) Repo rate
(B) Reverse repo rate
(C) Discount Rate
(D) Bank Rate
129. _____ is the rate at which the central bank of a country (Reserve Bank of India in case of India) lends money to commercial banks in the event of any shortfall of funds.
(A) Reverse Repo rate
(B) Repo rate
(C) Discount Rate
(D) Bank Rate
130. In the event of inflation, central banks _____ repo rate as this acts as a disincentive for banks to borrow from the central bank.
(A) Increase
(B) Decrease
(C) Keep constant
(D) None of these
131. Which of the following is qualitative method of Credit Control?

- (A) Bank Rate
(B) Open Market Operation
(C) Variable in the reserve requirement
(D) Regulation of consumer credit
132. Which of the following is not a qualitative method of credit control?
(A) Bank rate policy
(B) Open Market Operation
(C) Regulation of consumer credit
(D) Repo rate
133. _____ refers to the buying and selling of government securities in the open market in order to expand or contract the amount of money in the banking system.
- (A) Direct action
(B) Open market operations
(C) Close market operations
(D) Bank rate policy
134. When the RBI makes open market operations by sale of securities the money supply in the banking system -
(A) Reduces
(B) Increases
(C) Is not affected at all
(D) Difficult to say anything

Answers

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

Development Initiatives - Five Year Plans

1. When India became Independent, it was a _____ economy.
(A) Highly developed
(B) Moderately developed
(C) Developing
(D) Highly backward
2. When India became Independent, it has —
(A) Low per capita income
(B) Low saving and investment
(C) Poor use of productive resources
(D) All of above
3. The Planning Commission was set up in _____ by a Resolution of the Government of India.
(A) March, 1949
(B) March, 1950
(C) March, 1947
(D) March, 1957
4. The principal task of the Planning Commission is to formulate the —
(A) Two-year plans
(B) Three-year plans
(C) Five-year plans
(D) Eight-year plans
5. At the _____ the role of Planning Commission is crucial.
(A) Union level
(B) State level
(C) World level
(D) None of above
6. Planning Commission was assigned the task of formulating —
(A) A plan for most effective and balanced utilization of the country's resources.
(B) A plan for most effective and balanced in population growth for different regions in country.
(C) A plan for globalization of private banks of the country
(D) All of above
7. Which of the following is/are main objective of planning in India?
(A) Increase in national income
(B) Achieving full employment
(C) Reduction in inequalities of income and wealth
(D) All of above
8. Which of the following is/are main objective of planning in India?
(A) Removal of bottlenecks in the way of economic growth
(B) Rural development
(C) To boost up industrialization
(D) All of above
9. Which Prime Minister of India presented the first five-year plan to the Parliament of India?
(A) Lal Bahadur Shastri
(B) Rajiv Gandhi
(C) Indira Gandhi
(D) Jawaharlal Nehru
10. The first Prime Minister of India, Jawaharlal Nehru presented the first five-year plan to the Parliament of India on —
(A) 26 January, 1949
(B) 8 December, 1951
(C) 2 October, 1950
(D) 15 August, 1947
11. The First Five Year Plan focused on —
(A) The agrarian sector
(B) Investments in dams and irrigation
(C) Both (A) and (B)
(D) Rapid industrialization with particular emphasis on the development of heavy and basic industries.

12. The target growth rate for first five year plan was _____ of annual gross domestic product (GDP);
 (A) 2.1%
 (B) 5%
 (C) 3.6%
 (D) 4%
13. The first five year plan was based on _____ framework.
 (A) High Risk Model
 (B) Harrod Domestic Model
 (C) High Domar Model
 (D) Harrod Domar Model
14. At the end of the plan period in _____, five Indian Institutes of Technology (IITs) were established as major technical institutions.
 (A) 1953
 (B) 1954
 (C) 1955
 (D) 1956
15. The basic philosophy of the _____ was to give a 'big push' to the economy so that it enter the take off stage.
 (A) First Five Year Plan
 (B) Second Five Year Plan
 (C) Third Five Year Plan
 (D) Fourth Five Year Plan
16. _____ followed the Mahalanobis model.
 (A) First Five Year Plan
 (B) Second Five Year Plan
 (C) Third Five Year Plan
 (D) Fourth Five Year Plan
17. Mahalanobis model, an economic development model developed by the Indian Statistician Prasanta Chandra Mahalanobis in -
 (A) 1948
 (B) 1953
 (C) 1962
 (D) 1975
18. Mahalanobis model stressed upon the establishment of -
 (A) Capital and basic goods industries
 (B) Agro-based industries
 (C) Export oriented industries
 (D) Consumer goods industries
19. The Atomic Energy Commission was formed in -
 (A) 1948
 (B) 1953
 (C) 1962
 (D) 1975
20. The Atomic Energy Commission was formed in 1948 with _____ as the first Chairman.
 (A) Jawaharlal Nehru
 (B) Homi J. Bhabha
 (C) Atal Bihari Vajpayee
 (D) J. J. Irani
21. In _____, a talent search and scholarship program was begun to find talented young students to train for work in nuclear power.
 (A) 1955
 (B) 1956
 (C) 1957
 (D) 1958
22. The Target Growth for Second Five Year Plan was _____, whereas actual growth rate was _____.
 (A) 4%, 4.5%
 (B) 4.5%, 4%
 (C) 5%, 3.5%
 (D) 3.5%, 5%
23. India also performed the "Smiling Buddha": underground nuclear test in -
 (A) 1975
 (B) 1974
 (C) 1973
 (D) 1972
24. Electricity Supply Act was enacted in _____, which enabled the Central Government to enter into power generation and transmission.
 (A) 1975
 (B) 1974
 (C) 1973
 (D) 1972
25. Who was the twelfth Prime Minister of the Republic of India?
 (A) P.V. Narasimha Rao
 (B) Indira Gandhi
 (C) Atal Bihari Vajpayee
 (D) None of the above

26. India became a member of the World Trade Organization on –

- (A) 1 January 1975
- (B) 1 January 1985
- (C) 1 January 1995
- (D) 1 January 2005

27. Which year did 11th Five Year Plan start?

- (A) 2006
- (B) 2007
- (C) 2008
- (D) 2009

28. The Eleventh Plan (2007-2012) began in very favourable circumstances with the economy having grown at the rate of _____ per year in the Tenth Plan period.

- (A) 6.7%
- (B) 7.7%
- (C) 8.7%
- (D) 9.7%

Agriculture

29. At present, in terms of agricultural production, the country holds the _____ position all over the world.

- (A) First
- (B) Second
- (C) Third
- (D) Fourth

30. India agriculture sector employs about _____ of the entire manpower.

- (A) 82%
- (B) 72%
- (C) 62%
- (D) 52%

31. In _____, Agricultural Price Commission (now rechristened as Commission for Agricultural Costs and Prices (CACP) was set up to advice the Government from time to time on appropriate price policies for agricultural commodities.

- (A) 1965
- (B) 1975
- (C) 1985
- (D) 1995

32. NAP means –

- (A) National Agriculture Planning

(B) National Agriculture Policy

(C) National Agriculture Power

(D) National Assets Policy

33. In rain fed areas it is necessary to increase water use efficiency for optimum utilization of available water and to stabilize production for which a new centrally sponsored scheme “Micro irrigation” was approved in December, –

- (A) 2002
- (B) 2003
- (C) 2004
- (D) 2005

34. The National Development Council (NDC), in approving the Eleventh Plan, endorsed a target of _____ GDP growth for the country as a whole.

- (A) 7%
- (B) 8%
- (C) 9%
- (D) 10%

35. Due to which of the following reason there was slow growth in agriculture sector?

- (A) Increasing population pressure
- (B) Traditional system of cultivation
- (C) Inadequate infrastructural facilities
- (D) All of above

36. Agriculture sector faces the problem of -

- (A) Inadequate finance
- (B) Inadequate and incomplete land reforms
- (C) Slow and uneven growth.
- (D) All of above

Land Reforms

37. Which of the following is part of land reform?

- (A) Abolition of Zamindari
- (B) Change on the land revenues and Bhumidari right of the farmers
- (C) Determining the ceiling of the land
- (D) All of above

38. Which of the following is part of land reform?

- (A) Providing land to the landless
- (B) Determining the ceiling of the land
- (C) Helping the framers to improve fertility of land
- (D) (A) and (B)

39. Abolition of intermediaries and tenancy reforms are both parts of

- (A) Banking reforms in India.
- (B) Land reforms in India
- (C) External sector reforms in India
- (D) Industrial reforms in India

Green Revolution

40. Green Revolution means —

- (A) Significant break through in the production of food grains
- (B) Maintaining a high level agricultural production over a long period of time.
- (C) Eating green vegetables
- (D) (A) and (B)

41. Green Revolution started in the year 1967-68 with the growth of production in —

- (A) Wheat and Rice
- (B) Wheat and Bajra
- (C) Rice and Jawar
- (D) Jawar and Wheat

Industry

42. Industrialization involves:

- (A) Adoption of technologically superior techniques of production
- (B) Application of modern techniques of management and organization
- (C) Both (A) and (B)
- (D) None of the above

43. The new industrial policy was introduced in —

- (A) 1989
- (B) 1990
- (C) 1991
- (D) 1992

44. The latest industrial policy reforms have reduced the industrial licensing requirements, removed restrictions on investment and expansion, and facilitated easy access to foreign technology and foreign direct investment.

- (A) True
- (B) False
- (C) Partly true
- (D) None of above

45. FDI means —

- (A) Foreign Directors Introduction
- (B) Federal Directors Investment
- (C) Foreign Domestic Investment
- (D) Foreign Direct Investment

46. Main objective(s) of industrial policy of Government is/are: —

- (A) To maintain a sustained growth in productivity
- (B) To enhance gainful employment
- (C) To achieve optimal utilization of resources
- (D) All of above

47. Main objective(s) of industrial policy of Government is/are: —

- (A) To attain international competitiveness
- (B) To transform India in to a major player in the global arena
- (C) To maintain a sustained growth in productivity
- (D) All of above

48. Which of the following statement is correct about the New Industrial Policy, 1991?

- (A) It gave dominant position to the public sector.
- (B) It abolished licensing for all projects except 18 industries of strategic and security importance.
- (C) It made compulsory for the industry to obtain license for all projects.
- (D) All of above

49. Small-scale industry under IDRA, 1951, is one with an investment up to _____ in plant and machinery, excluding land and building.

- (A) 10 lakhs
- (B) 1 crore
- (C) 5 crore
- (D) 10 crore

50. According to Section 7 of Micro, Small and Medium Enterprises Development Act, 2006, in the case of industry specified in the First Schedule to the Industries (Development and Regulation) Act, 1951 where investment in plant & machinery does not exceed ₹ 25 lakh are classified as —

- (A) Large industry
- (B) Micro enterprise

- (C) Small enterprise
(D) Medium enterprise
51. According to Section 7 of Micro, Small and Medium Enterprises Development Act, 2006, in the case of industry specified in the First Schedule to the Industries (Development and Regulation) Act, 1951 where investment in plant & machinery does more than ₹ 25 lakh but does not exceed ₹ 5 crores are classified as —
(A) Large industry
(B) Micro enterprise
(C) Small enterprise
(D) Medium enterprise
52. According to Section 7 of Micro, Small and Medium Enterprises Development Act, 2006, in the case of industry specified in the First Schedule to the Industries (Development and Regulation) Act, 1951 where investment in plant & machinery does more than ₹ 5 crores but does not exceed ₹ 10 crores are classified as —
(A) Large industry
(B) Micro enterprise
(C) Small enterprise
(D) Medium enterprise
- (C) Poor planning
(D) All of the above
56. A recession is a: —
(A) Period of declining prices.
(B) Period of very rapidly declining prices.
(C) Period of declining unemployment
(D) Period during which aggregate output declines

Population - Size and Growth

57. India accounts for _____ of world surface area.
(A) 4.2%
(B) 2.4%
(C) 5.4%
(D) 3.2%
58. India accommodates nearly _____ of the world population.
(A) 14%
(B) 13%
(C) 17%
(D) 20%
59. According to the final results for the Census of India 2001, the population of India crossed —
(A) One million
(B) Ten million
(C) Five billion
(D) One billion
60. One out of _____ people on this planet lives in India.
(A) Four
(B) Five
(C) Six
(D) Ten
61. India ranks as _____ country in the world for population.
(A) First
(B) Second
(C) Third
(D) Fourth
62. _____ ranks as first country in the world for population.
(A) India
(B) China
- Industrial Sickness**
53. A sick industrial unit is one _____
(A) Which borrows money from bank for its fixed assets.
(B) Which is unable to make profits more than 10 per cent of its capital employed.
(C) Which is unable to perform its normal functions and activities of production of goods and services at a reasonable profit on a sustained basis.
(D) Where most of the employees are sick.
54. _____ means disposal of public sector's unit's equity in the market or in other words selling of a public investment to a private entrepreneur.
(A) Liberalization
(B) Disinvestment
(C) De-regulation
(D) Globalization
55. Which of the following has resulted in failure to achieve targets of industrial production?
(A) Technical complications
(B) Power, finance and labour problems

- (C) USA
(D) Australia
63. Which Indian city has the highest population?
(A) Mumbai
(B) Bangalore
(C) Chennai
(D) Delhi
64. At the time of Independence, population of our country was only around –
(A) 360 million
(B) 560 million
(C) 860 million
(D) 960 million
65. The sex ratio refers to female available per _____ males.
(A) 10
(B) 100
(C) 1,000
(D) 10,000
66. As per census of 2001, the sex ratio of country as a whole was –
(A) 900 females per 1000 males
(B) 940 females per 1000 males
(C) 987 females per 1000 males
(D) 993 females per 1000 males
67. As per census of 2001, the sex ratio of a country as a whole in the age group 0-6 years was noticed to –
(A) 827 females per 1,000 males
(B) 927 females per 1,000 males
(C) 987 females per 1,000 males
(D) 993 females per 1,000 males
68. The literacy rate for the country as a whole in 2001, worked out to near about _____ for the population aged seven years and above.
(A) 44%
(B) 55%
(C) 65%
(D) 86%
69. The literacy rate was estimated around _____ in 2005-2006.
(A) 44%
(B) 55%
(C) 68%
(D) 86%
70. The data given in the Economic Survey 2009-2010 shows that our death rate fell from around 27.4 per thousand in 1950-51 to around _____ in 2008-2009.
(A) 7.4 per thousand
(B) 17.4 per thousand
(C) 22.4 per thousand
(D) 74 per thousand
71. Increase in population can be caused by: –
(A) High birth rate
(B) Low death rate
(C) Better medical facilities
(D) All of above
72. It is estimated that currently, more than _____ of our population is in the age-group of 1-14 years
(A) One-half
(B) One-third
(C) One-fourth
(D) Two-third
73. The term density of population refers to the average number of persons of area.
(A) Per square kilometer
(B) Per 10 square kilometer
(C) Per 100 square kilometer
(D) Per 1,000 square kilometer
74. The proportion of urban to total population is expected to have crossed _____ by the end of the century.
(A) 30%
(B) 40%
(C) 50%
(D) 60%
75. The final result of 2001 Census shows that the main workers constitute near about _____ of the total population.
(A) 20 per cent
(B) 30 per cent
(C) 40 per cent
(D) 50 per cent
76. The growth of population may lead to –
(A) Fall in per head availability of natural resources
(B) Adverse land-man ratio
(C) Mass unemployment
(D) All of above

77. The growth of population may lead to –

- (A) Low per capita income
- (B) Energy crisis
- (C) Falling savings and investment
- (D) All of above

78. The growth of population may lead to –

- (A) Environmental degradation
- (B) Energy crisis
- (C) Adverse land-man ratio
- (D) All of above

79. In 1952, India was the _____ country in the world to launch a national programme, emphasizing family planning

- (A) First
- (B) Second
- (C) Third
- (D) Fourth

80. TFR means –

- (A) Total Fix Rate
- (B) Total Foreign Rate
- (C) Total Fertility Rate
- (D) Tall Fertility Rate

81. It is estimated that India's population will exceed that of China by _____ to become the world's most populous country.

- (A) 2015
- (B) 2030
- (C) 2060
- (D) 2090

82. NPP means _____

- (A) National Population Policy
- (B) National Population Programme
- (C) No Population Policy
- (D) National Policy Population

83. The NPP 2000 provides a policy framework for advancing goals and prioritizing strategies during the next decade, to meet the reproductive and child health needs of the people of India, and to achieve net replacement levels by

- (A) 2010
- (B) 2020
- (C) 2030
- (D) 2040

Poverty

84. Poverty can be defined as a situation in which –

- (A) A person earns below ₹ 5,000 p.m.
- (B) A person earns below ₹ 7,000 p.m.
- (C) A person is able to fulfil its basic maximum requirement of life.
- (D) A person is unable to fulfil even its basic minimum requirement of life.

85. Following the recommendation of the Task Force on Projection of Minimum Needs and Effective Consumption Demand, the poverty line is defined as "the per capita monthly expenditure needed to obtain the consumption of _____ calories per-capita per day in rural areas and _____ in urban areas in the base year 1973-74."

- (A) 2,100, 3,200
- (B) 3,200, 2,500
- (C) 2,400, 2,100
- (D) 3,400, 3,100

86. On average _____ people are added every year to the total population of India.

- (A) 7 million
- (B) 17 million
- (C) 27 million
- (D) 37 million

87. The population during the last 45 years has increased at the rate of _____ per annum.

- (A) 2%
- (B) 3%
- (C) 4%
- (D) 5%

88. Which of the following cause(s) responsible for poverty in India?

- (A) Rapidly rising population
- (B) Under-utilized resources
- (C) Low productivity in agriculture
- (D) All of above

89. Which of the following cause(s) responsible for poverty in India?

- (A) Low rate of economic development
- (B) Political factors
- (C) Unemployment
- (D) All of above

90. Which of the following measure(s) necessary to eradicate poverty in India?
 (A) More employment opportunities
 (B) Minimum needs programme
 (C) Social security programmes
 (D) All of above
91. IRDP means –
 (A) International Rural Developing Policy
 (B) Integrated Routine Development Programme
 (C) Integrated Rural Development Programme
 (D) International Rural Development Programme
92. Integrated Rural Development Programme (IRDP) was initiated to –
 (A) To improve the rural women through the creation of income generation activities in a district.
 (B) To generate additional gainful employment in the rural areas to bring about a general improvement in the overall quality of life in rural areas.
 (C) To enable the selected families to cross the poverty line through a strategy of productive assets endowment.
 (D) All of above
93. NREP means –
 (A) Non-Rural Employment Programme
 (B) National Rural Environment Policy
 (C) National Routine Environment Policy
 (D) National Rural Employment Programme
94. Jawahar Rozgar Yojana has been introduced in 1989-1990 with a purpose of –
 (A) Improving the rural women through the creation of income generation activities
 (B) Taking up vocations of self employment in the broad fields of agriculture and allied
 (C) Generating more employment in the country
 (D) All of above
95. Keeping in view the basic notion of 'Garibi Hatao' and growth with justice "Minimum Needs Programme" was introduced in –
 (A) Fourth Five Year Plan
 (B) Fifth Five Year Plan
 (C) Sixth Five Year Plan
 (D) Seventh Five Year Plan
96. Government has set up about _____ employ exchanges offering information on the possible vocational avenues.
 (A) 590
 (B) 1,000
 (C) 5,120
 (D) 890
97. PMRY –
 (A) Prime Minister's Rural Yojana
 (B) Post Minister's Rozgar Yojana
 (C) Post Minister's Rural Yojana
 (D) Prime Minister's Rozgar Yojana
98. MWS means –
 (A) Most Wells Scheme
 (B) Million Wells Suchna
 (C) Million Wells Scheme
 (D) Million Wanted Scheme
99. Sampurna Gramin Rozgar Yojana has been launched from -
 (A) 25th Sept., 2001
 (B) 30th Sept., 2001
 (C) 1st April, 2001
 (D) No scheme of such title has yet launched
100. Jawahar Rozgar Yojana has been restructured as –
 (A) Jawahar Gram Samriddhi Yojana
 (B) Jawahar Gramodyoga Yojana
 (C) Jawahar Gram Samriddhi Yojana
 (D) None of the above
101. Swarn Jayanti Gram Swarojgar Yojana (SGSY) was introduced to combine, which of the following
 (A) IRDP and Million Wells Scheme (MWS)
 (B) IRDP and Employment Guarantee Scheme (EGS)
 (C) IRDP and Minimum Wages Act
 (D) None of the above

Unemployment

102. Unemployed as a percentage of total labour force worked out to for the country as a whole.
 (A) 10.4 per cent
 (B) 20.4 per cent
 (C) 30.4 per cent
 (D) 40.4 per cent

103. A person working for 8 hours a day for ____ of the year is regarded as employed on a standard person year basis.
- 300 days
 - 365 days
 - 273 days
 - 333 days
104. means persons remained unemployed for a major part of the year.
- Daily status unemployment
 - Weekly status unemployment
 - Chronic unemployment
 - Disguised employment
105. Chronic unemployment also known as –
- Usual Principal Status employment
 - Open unemployment
 - Both (A) and (B)
 - Neither (A) nor (B)
106. _____ means persons who did not find even an hour of work during the survey week.
- Daily status unemployment
 - Weekly status unemployment
 - Chronic unemployment
 - Disguised employment
107. _____ means persons who did not find work on a day or some days during the survey week.
- Daily status unemployment
 - Weekly status unemployment
 - Chronic unemployment
 - Disguised employment
108. The Government of India introduced Employment Assurance Scheme (EAS) with effect from _____ in rural areas in 1778 blocks of 261 districts.
- 2nd October, 1953
 - 2nd October, 1963
 - 2nd October, 1993
 - 2nd October, 2003
109. Employment Assurance Scheme (EAS) aimed at providing assured employment of of unskilled manual work to the rural poor who are in need of employment and seeking it.
- 50 days
 - 100 days
 - 150 days
 - 200 days
110. National Rural Employment Guarantee Scheme (NREGs) Act passed in –
- September, 1995
 - September, 2000
 - September, 2005
 - September, 2010
- Infrastructure**
111. India is the ____ largest and ____ most populous country in the world.
- Fifth, Seventh
 - Seventh, Fifth
 - Seventh, Second
 - Second, Seventh
112. Calcutta's Howrah Bridge is the world's busiest with a daily flow of near about –
- 570 vehicles
 - 5,700 vehicles
 - 57,000 vehicles
 - 5,70,000 vehicles
113. In India natural gas demand has been steadily growing at the rate of about ____ during the last 10 years.
- 3.5%
 - 4.5%
 - 5.5%
 - 6.5%
114. The total length of roads in India is over _____ including both metalled and unmetalled roads.
- 3 lakhs kms
 - 10 lakhs kms
 - 30 lakhs kms
 - 80 lakhs kms
115. In terms of road length, India has one of the largest road networks in the world.
- True
 - False
 - Partly true
 - None of above
116. The national highways account for less than _____ of the total road network but carry _____ of the movement of goods and passengers.
- 2%, 40%
 - 1.5%, 20%

- (C) 1.25%, 40%
(D) 1%, 20%
117. The total rail route length in India is about —
(A) 6,000 km
(B) 13,000 km
(C) 95,000 km
(D) 63,000 km
118. The total rail route length in India is about 63,000 km and of this _____ is electrified.
(A) 6,000 km
(B) 13,000 km
(C) 95,000 km
(D) 63,000 km
119. The Indian railways carry over _____ passengers every day.
(A) 11 million
(B) 21 million
(C) 31 million
(D) 41 million
120. The Indian railways carry over _____ tones of goods everyday
(A) 1 Lakhs
(B) 11 Lakhs
(C) 21 Lakhs
(D) 31 Lakhs
121. The Indian Telecommunications network with 621 million connections as on March 2010 is the _____ in the world.
(A) Second largest
(B) Third largest
(C) Fourth largest
(D) Fifth largest
122. TRAI means —
(A) Telecom Regulatory Advisor of India
(B) Telegram Regulatory Authority of India
(C) Telecom Regulatory Authority of India
(D) All of above
123. NTP 99 means —
(A) New Telegram Policy 1999
(B) New Telecom Policy 1999
(C) National Telegram Policy 1999
(D) None of above
124. India accounts for more than _____ of global maternal and child deaths
(A) 10%
(B) 20%
(C) 30%
(D) 40%
125. Nearly of the population in India does not have access to essential medicines.
(A) 37%
(B) 47%
(C) 57%
(D) 67%
126. Infant Mortality Rate (IMR) was lowest in —
(A) Karnataka
(B) Maharashtra
(C) Delhi
(D) Kerala
127. Maternal Mortality Rate (MMR) is currently _____ per 1000 births.
(A) 4 deaths
(B) 50 deaths
(C) 40 deaths
(D) 10 deaths
128. Only _____ of the Indian people are literate.
(A) 36%
(B) 46%
(C) 56%
(D) 66%
129. _____ of India's schools have a leaking roof or no water supply.
(A) Half
(B) One third
(C) One fourth
(D) Three fourth
130. The official teacher-student norm is —
(A) 1:10
(B) 1:20
(C) 1:30
(D) 1:40

Miscellaneous

131. A pattern of low income and low economic growth which tend to perpetuate itself is known as —
(A) Sterilization
(B) Vicious circle of under-development

- (C) Transmission mechanism
(D) Stabilization
132. Which of the following is not a cause of under-developed country?
(A) Dominance of mass consumption
(B) Income inequalities
(C) Over population
(D) Under-employment
133. NSSO stand for –
(A) None of the below
(B) National Standard Statistics Organization
(C) National Saving Scheme Organization
(D) National Sample Survey Organization
134. Which of the following is used of HDI?
(I) Longevity of life
(J) Knowledge
(K) Standard of living
Select the correct answer from the options given below -
(A) (I)
(B) (J)
(C) (K)
(D) All
135. GINI index is measure of -
(A) Increasing trend in national income
(B) Sectoral classification
(C) Degree of inequality in distribution of income and wealth
(D) Per capita income by person resident in India
136. The GINI Index for India in 2000-2010 was -
(A) 0.182
(B) 0.297
(C) 0.534
(D) 0.368
137. The service sector in India now accounts for -
(A) More than 50% of GDP
(B) More than 90% of GDP
(C) More than 80% of GDP
(D) More than 95% of GDP
138. In India, Agricultural contributes _____ of the country's GDP.
(A) More than 75%
(B) Nearly 50%
- (C) Between 10% to 15%
(D) Less than 5%
139. Which of the following were the major export items in the period immediately after Indian Independence?
1. Fruits, Vegetables & Dairy Products
2. Rice, Wheat & Bajra
3. Textiles, Jute & Tea
4. Computers, Software's & Mobiles
Select the correct answer from the options given below -
(A) 1
(B) 2
(C) 3
(D) 4
140. Substantial improvement in agricultural productivity was achieved through -
(A) White revolution
(B) Green revolution
(C) Blue revolution
(D) Red revolution
141. Green revolution was commenced in year -
(A) 1930
(B) 1966
(C) 1955
(D) 1972
142. Match the following:
- | <i>List-I</i> | <i>List-II</i> |
|----------------------|------------------|
| A. White revolution | I. Oil seeds |
| B. Green revolution | II. Fish |
| C. Blue revolution | III. Milk |
| D. Yellow revolution | IV. Agricultural |
- Select the correct answer from the options given below -*
- | | A | B | C | D |
|-----|----------|----------|----------|----------|
| (A) | III | IV | I | II |
| (B) | IV | III | II | I |
| (C) | III | IV | II | I |
| (D) | II | I | III | IV |
143. Initially High Yield Varieties Programme (HYVP) was restricted to five crops -
1. Rice
2. Wheat
3. Maize
4. Pulses
5. Sugarcane
6. Bajra
7. Tea
8. Jawar
9. Coffee
10. Cashew

Select the correct answer from the options given below -

- (A) 3, 4, 9, 10, 2
(B) 5, 9, 1, 7, 5
(C) 6, 8, 1, 3, 2
(D) 8, 4, 6, 2, 10
- 144.** Which of the following type of land tenure system were prevailed in India at the time of independence?
(A) Zamindari System
(B) Mahalwari System
(C) Ryotwari System
(D) All of the above
- 145.** Which of the following is not related to tenancy reform?
(A) Consolidation of holding
(B) Regulation of rent
(C) Security of tenants
(D) Conferment of ownership right on tenant
- 146.** Imposing limits on the amount of agricultural land that a family can hold is called -
(A) Regulation of land area
(B) Land revolution
(C) Security of land holding
(D) Ceiling on land holdings
- 147.** Tourism is example of -
(A) Primary sector
(B) Secondary sector
(C) Tertiary sector
(D) None of the above
- 148.** Service sector contributes about _____ of the country's GDP.
(A) Nil
(B) 80 to 95%
(C) 50 to 60%
(D) 20 to 30%
- 149.** Which of the following is largest contribution of GDP in India?
(A) Agriculture
(B) Tourism
(C) Industrial sector
(D) Service sector
- 150.** GST was introduced in year -
(A) 2016
(B) 2017
(C) 2018
(D) 2019
- 151.** GST is _____.
(A) Direct tax
(B) Indirect tax
(C) Hybrid tax
(D) Not a tax at all
- 152.** Which of the following taxes are included in price?
(A) Direct tax
(B) Wealth tax
(C) Income tax
(D) Indirect tax
- 153.** Which of the following are direct taxes?
I. Income tax
II. Goods & Service Tax
III. Gift Tax
IV. Custom Duty
V. Wealth tax
- Select the correct answer from the options given below -
(A) II, IV & V only
(B) I only
(C) I & III only
(D) I, III & V only
- 154.** Direct tax is _____ in nature.
(A) Progressive
(B) Regressive
(C) Indifferent
(D) Substantial
- 155.** Which of the following tax have been abolished?
(A) Income tax
(B) Goods & service tax
(C) Gift tax
(D) Indirect tax
- 156.** Which of the following tax have been abolished?
(A) Custom duty
(B) Estate duty
(C) Direct tax
(D) Entertainment Tax
- 157.** Presently marginal rate of income tax is -
(A) Nil
(B) 15%

- (C) 20%
(D) 30%
158. GST is payable on -
(A) Sale of goods
(B) Providing services
(C) Both (A) and (B)
(D) Manufacture of goods
159. Under which of the following tax system, more tax is imposed on the lower income group?
(A) Regressive
(B) Progressive
(C) Value Added Tax
(D) Proportional Tax
160. Find the correct statement.
(A) Share of direct is more than indirect tax in total tax revenue of Government.
(B) Share of indirect is more than direct tax in total tax revenue of Government.
(C) GST is direct tax.
(D) None of the above
161. Which committee recommended simplification and rationalization of tax system in India?
(A) Chelliah
(B) Boothalingam
(C) Both (A) and (B)
(D) Hardik Patel
162. Which of the following equation is correct?
(A) Value at Factor Cost + Indirect Tax - Subsidies = Value at market prices
(B) Value at Factor Cost - Indirect Tax - Subsidies = Value at market prices
(C) Value at Factor Cost + Indirect Tax + Subsidies = Value at market prices
(D) Value at Factor Cost - Indirect Tax + Subsidies = Value at market prices
163. $GDP_{FC} = GDP_{MP} - \dots\dots\dots + \text{Subsidies}$
(A) Indirect tax
(B) Depreciation
(C) Amortization
(D) NFIA
164. GDP at factor cost = _____
(A) GDP at market price + Subsidies
(B) GDP at market price + Subsidies - Indirect tax
(C) GDP at market price - Subsidies - Indirect tax
(D) GDP at market price + Subsidies + Indirect tax
165. Net National Product (NNP) equals -
(A) GDP + Depreciation
(B) GDP - Depreciation
(C) GNP + Depreciation
(D) GNP - Depreciation
166. National income refers to _____ at Factor Cost.
(A) Gross Domestic Product
(B) Net Domestic Product
(C) Gross National Product
(D) Net National Product
167. National income differs from Net National Product at market price by the amount of -
(A) Net Indirect Taxes
(B) National Imbalance
(C) Subsidies
(D) Direct Taxes
168. The difference between the GDP_{MP} and GNP_{MP} is -
(A) Net factor income from abroad
(B) Depreciation
(C) Net income
(D) Amortization
169. $GDP \text{ at market prices} = \dots\dots\dots$
(A) $GNP_{MP} - \text{Depreciation}$
(B) $GNP_{MP} - \text{NFIA}$
(C) $GNP_{FC} - \text{Depreciation}$
(D) $GNP_{FC} - \text{NFIA}$
170. If net factor income from abroad is positive, then which of the following is true?
(A) $GNP > GDP$
(B) $GDP = GNP$
(C) $GDP > GNP$
(D) None of these
171. From the following data calculate the GNP at Market Price.
- | | |
|------------------------|---------|
| GDP at Factor Cost | : 6,000 |
| Net income from abroad | : 400 |
| Indirect Taxes | : 840 |
| Subsidies | : 240 |

- (A) 6,760
(B) 5,960
(C) 6,040
(D) 5,240
172. ____ is the net amount available for consumption and savings.
(A) Personal income
(B) National income
(C) Government income
(D) Personal disposable income
173. The production method of calculating national income is also known as -
(A) Income method
(B) Subtraction method
(C) Value added method
(D) Repeated distribution method
174. Income Method focuses on measurement of national income at -
(A) Phase of income disposition
(B) Phase of income distribution
(C) Phase of production of goods and services
(D) All of the above
175. Census of population is done in India at an interval of -
(A) 5 years
(B) 10 years
(C) 15 years
(D) 20 years
176. India has about ____ of the World's area.
(A) 2.4%
(B) 10%
(C) 6.33%
(D) 30%
177. India has less than ____ of the World's income.
(A) 1.5%
(B) 2.5%
(C) 4.5%
(D) 5.5%
178. Which State has the highest population?
(A) Uttar Pradesh
(B) Maharashtra
(C) Bihar
(D) Gujarat
179. Which year is known as "Year of Great Divide"?
(A) 1911
(B) 1921
(C) 1931
(D) 1941
180. In the "Year of Great Divide", there was a ____ growth rate in population.
(A) Zero
(B) Positive
(C) Negative
(D) Substantial
181. In India, Sex ratio (2011) is -
(A) Near about 940 female per 1,000 male
(B) Near about 900 female per 1,000 male
(C) Near about 1,020 female per 1,000 male
(D) Near about 1,050 female per 1,000 male
182. Which of the following State has most favourable sex ratio?
(A) Maharashtra
(B) Kerala
(C) Punjab
(D) Haryana
183. The ratio of female to male was lowest in -
(A) Haryana
(B) Uttar Pradesh
(C) Bihar
(D) Maharashtra
184. Which of the following State has highest literary rate?
(A) Maharashtra
(B) Gujarat
(C) Kerala
(D) None of the above
185. As per theory of Demographic Transition, there are ____ stages in the population growth?
(A) Two
(B) Five
(C) Three
(D) Four
186. As per theory of Demographic Transition, in First Stage -
(A) Population increases
(B) Population decreases

- (C) Population explosion
(D) Population deflation
187. As per theory of Demographic Transition, in Second Stage -
(A) Population increases
(B) Population decreases
(C) Population explosion
(D) Population deflation
188. As per theory of Demographic Transition, in Third Stage -
(A) Population increases but at lower rate
(B) Population decreases but at high rate
(C) Population explosion
(D) Population deflation
189. India is passing through the phase of -
(A) 1st Stage of Demographic Transition
(B) 2nd Stage of Demographic Transition
(C) 3rd Stage of Demographic Transition
(D) 4th Stage of Demographic Transition
190. _____ is used for measuring poverty in relative sense.
(A) HDI
(B) Gini co-efficient
(C) EMI
(D) GPTI
191. SJSRY stands for -
(A) Swarn Jayanti Shahari Rozgar Yojana
(B) Shahari Jivan Sudhar Rashtriya Yojana
(C) Sampoorana Jivan Shahari Rozgar Yojana
(D) Shahari Jayanti Swarn Rashtriya Yojana
192. _____ results in an increasing the purchasing power of people.
(A) Inflation
(B) Deflation
(C) Stagflation
(D) Purification
193. Which of the following may suffer due to inflation?
(A) Debtor
(B) Creditor
(C) Owner of real estate
(D) Donor
194. When more money chases relatively less quantity of goods and services it is called as -
(A) Demand pull inflation
(B) Cost push inflation
(C) Stagflation
(D) Hyper inflation
195. _____ refers to a situation where prices rises due to increase in factor costs.
(A) Demand pull inflation
(B) Cost push inflation
(C) Stagflation
(D) Hyper inflation
196. The combined phenomenon of stagnation and inflation is called -
(A) Demand pull inflation
(B) Cost push inflation
(C) Stagflation
(D) Hyper inflation
197. Stagflation is _____
(A) Inflation with growth
(B) Deflation with growth
(C) Inflation with recession
(D) Inflation followed by deflation
198. The inflation experienced in country at present is -
(A) Demand pull
(B) Cost push
(C) More
(D) Less
199. Budget deficit is -
(A) Total Expenditure - Total Receipts
(B) Total Receipts - Total Expenditure
(C) Revenue Receipts - Revenue Expenditures
(D) Capital expenditures - Revenue Expenditures
200. The difference between the value of nation's visible exports and visible imports is called as -
(A) Balance of trade
(B) Balance of payment
(C) Balance of capital account
(D) Balance of current account
201. _____ is the systematic record of all transaction between a country and the rest of the world.
(A) Balance of trade
(B) Balance of payment

- (C) Balance of capital account
(D) Balance of current account
202. Adverse balance of payment can be corrected through -
(A) More export
(B) Import ban
(C) Devaluation of currency
(D) All of the above
203. Which of the following is not reserved for public sector?
(A) Railway
(B) Atomic
(C) Defense
(D) None of the above
204. Presently industrial licensing is not applicable for -
(A) Cigarettes
(B) Industrial explosives
(C) Alcohol
(D) Electronic goods
205. 100% FDI is allowed in -
(A) Drugs & pharmaceuticals
(B) Courier service
(C) Hotel and tourism
(D) All of the above

Answers

1.	(D)	2.	(D)	3.	(B)	4.	(C)	5.	(A)	6.	(A)	7.	(D)
8.	(D)	9.	(D)	10.	(B)	11.	(C)	12.	(A)	13.	(D)	14.	(D)
15.	(B)	16.	(B)	17.	(B)	18.	(A)	19.	(A)	20.	(B)	21.	(C)
22.	(B)	23.	(B)	24.	(A)	25.	(A)	26.	(C)	27.	(B)	28.	(B)
29.	(B)	30.	(D)	31.	(A)	32.	(B)	33.	(D)	34.	(C)	35.	(D)
36.	(D)	37.	(D)	38.	(D)	39.	(B)	40.	(D)	41.	(A)	42.	(C)
43.	(C)	44.	(A)	45.	(D)	46.	(D)	47.	(D)	48.	(B)	49.	(B)
50.	(B)	51.	(C)	52.	(D)	53.	(C)	54.	(B)	55.	(D)	56.	(D)
57.	(B)	58.	(C)	59.	(D)	60.	(C)	61.	(B)	62.	(B)	63.	(A)
64.	(A)	65.	(C)	66.	(B)	67.	(B)	68.	(C)	69.	(C)	70.	(A)
71.	(D)	72.	(B)	73.	(A)	74.	(A)	75.	(B)	76.	(D)	77.	(D)
78.	(D)	79.	(A)	80.	(C)	81.	(B)	82.	(A)	83.	(A)	84.	(D)
85.	(C)	86.	(B)	87.	(A)	88.	(D)	89.	(D)	90.	(D)	91.	(C)
92.	(C)	93.	(D)	94.	(C)	95.	(B)	96.	(D)	97.	(D)	98.	(C)
99.	(D)	100.	(A)	101.	(A)	102.	(A)	103.	(C)	104.	(C)	105.	(C)
106.	(B)	107.	(A)	108.	(C)	109.	(B)	110.	(C)	111.	(C)	112.	(C)
113.	(D)	114.	(C)	115.	(A)	116.	(A)	117.	(D)	118.	(B)	119.	(A)
120.	(B)	121.	(B)	122.	(C)	123.	(B)	124.	(B)	125.	(D)	126.	(D)
127.	(A)	128.	(D)	129.	(A)	130.	(D)	131.	(B)	132.	(A)	133.	(D)
134.	(D)	135.	(C)	136.	(D)	137.	(A)	138.	(C)	139.	(C)	140.	(B)
141.	(B)	142.	(C)	143.	(C)	144.	(D)	145.	(A)	146.	(D)	147.	(C)
148.	(C)	149.	(D)	150.	(B)	151.	(B)	152.	(D)	153.	(D)	154.	(A)
155.	(C)	156.	(B)	157.	(D)	158.	(C)	159.	(A)	160.	(B)	161.	(C)
162.	(A)	163.	(A)	164.	(B)	165.	(B)	166.	(D)	167.	(A)	168.	(A)
169.	(B)	170.	(A)	171.	(A)	172.	(D)	173.	(C)	174.	(B)	175.	(B)
176.	(A)	177.	(A)	178.	(B)	179.	(B)	180.	(C)	181.	(A)	182.	(B)
183.	(A)	184.	(C)	185.	(C)	186.	(A)	187.	(C)	188.	(A)	189.	(B)
190.	(B)	191.	(A)	192.	(B)	193.	(B)	194.	(A)	195.	(B)	196.	(C)
197.	(C)	198.	(B)	199.	(A)	200.	(A)	201.	(B)	202.	(D)	203.	(C)
204.	(D)	205.	(D)										

PART B

BUSINESS STATISTICS

- ◆ STATISTICS - AN OVERVIEW
- ◆ COLLECTION & PRESENTATION OF STATISTICAL DATA
- ◆ MEASURES OF CENTRAL TENDENCY & DISPERSION
- ◆ MATHEMATICS OF FINANCE
- ◆ THEORY OF PROBABILITY
- ◆ TIME SERIES & INDEX NUMBERS ANALYSIS

STATISTICS – AN OVERVIEW

Origin of Statistics

1. The word 'Statistics' had its origin from the Latin word -
 - (A) Statistik
 - (B) Stato
 - (C) Status
 - (D) Statistic
2. The word 'Statistics' as used in earlier days by Italian -
 - (A) Statistik
 - (B) Statista
 - (C) Status
 - (D) Statistic
3. The word 'Statistics' as used in earlier days by Germans -
 - (A) Statistik
 - (B) Stato
 - (C) Status
 - (D) Statistic
4. Which of the following statements is false?
 - (A) Statistics is derived from the Latin word 'Status'
 - (B) Statistics is derived from the Italian word 'Statista'
 - (C) Statistics is derived from the French word 'Statistik'
 - (D) None of these.
5. In ancient days', the word statistics was used only for facts and figures required by the state for its official use and was known as -
 - (A) The science of king
 - (B) The science of state craft
 - (C) Political arithmetic
 - (D) All of above
6. It is not possible to think of any sphere of human activity where statistics has not crept in.
 - (A) True
 - (B) False
 - (C) Partly true
 - (D) None of above
7. Statistics in the sense of numerical data basically refers to _____ aspects.
 - (A) Qualitative
 - (B) Quantitative
 - (C) Mental
 - (D) Social
8. In which sense the word 'Statistic' is basically used?
 - (I) Statistics Data
 - (II) Statistical Method

Select the correct answer from the options given below -

 - (A) (I) only
 - (B) (II) only
 - (C) Both (I) and (II)
 - (D) (I) but not (II)
9. "Statistics refers to the classified facts representing the conditions of the people in the State ... especially those facts which can be stated in numbers or in tables of numbers or in any tabular classified arrangement". This definition of Statistics was given by -
 - (A) Bowley
 - (B) Wappans
 - (C) Prof. Horace Secrist
 - (D) Webster
10. "Statistics are collection of noteworthy facts concerning state both historical and descriptive". This definition of Statistics was given by -
 - (A) Bowley
 - (B) Wappans
 - (C) Gotfried and Aakenwal
 - (D) Webster

11. "Statistics is an aggregate knowledge brought together for a practical end namely the knowledge of concrete states". This definition of Statistics was given by -
 - (A) Bowley
 - (B) Wappans
 - (C) Kendal
 - (D) Webster
12. "Statistics is numerical statement of facts in any development of enquiry placed in relation to each other". This definition of Statistics was given by -
 - (A) Bowley
 - (B) Wappans
 - (C) Kendal
 - (D) Webster
13. "By statistics, we mean quantitative data affected to a marked extent by multiplicity of causes".
 - (A) Bowley
 - (B) Prof. Horace Secrist
 - (C) Kendal
 - (D) Webster
14. Who has given most acceptable, popular and comprehensive definition of statistics?
 - (A) Bowley
 - (B) Prof. Horace Secrist
 - (C) Kendal
 - (D) Webster
15. According to _____, "By statistics we mean aggregate of facts affected to marked extent by multiplicity of causes, numerically expressed, enumerated or estimated according to a reasonable standard of accuracy, collected in a systematic manner for a pre-determined purpose and placed in relation to each other".
 - (A) Bowley
 - (B) Prof. Horace Secrist
 - (C) Kendal
 - (D) Webster
16. Characteristic(s) of statistics: -
 - (A) Statistical facts are qualitatively expressed
 - (B) Statistical facts are affected by multiplicity of causes
 - (C) Statistics deals with single fact
 - (D) All of above
17. Characteristic(s) of statistics: -
 - (A) Statistical data are enumerated or estimated
 - (B) Statistical data are collected with a perfect degree of accuracy
 - (C) Statistical data deals with actual facts only
 - (D) All of above
18. Statistics must relate to _____ facts.
 - (A) Aggregate
 - (B) Single
 - (C) Qualitative
 - (D) None of above
19. The subject matter of statistics is -
 - (A) Collector of data
 - (B) Datum
 - (C) Data
 - (D) None of above
20. Statistical facts are not traceable to single fact.
 - (A) True
 - (B) False
 - (C) Partly true
 - (D) None of above
21. Which of the following constitute statistics?
 - (A) Qualitative expression
 - (B) Numerical data
 - (C) Qualitative data
 - (D) (B) and (C)
22. Statistical data relating to any subject could be collected: -
 - (A) By actual counting
 - (B) By measurement
 - (C) By estimation
 - (D) Any of the above
23. Statistical data are collected only with -
 - (A) 100% perfection
 - (B) A reasonable degree of accuracy
 - (C) A reasonable degree of inaccuracy
 - (D) All of above
24. The collection of statistical data must be in a _____ manner.
 - (A) Careful
 - (B) Systematic
 - (C) Careful and systematic
 - (D) Arbitrary

25. According to A. L. Bowley, Statistics may be called as -

- (A) Science of counting
- (B) Science of averages
- (C) Science of economic problems
- (D) (a) and (b)

26. According to _____, "Statistics may be defined as the science of collection, presentation, analysis and interpretation of numerical data."

- (A) A. L. Bowley
- (B) Lincon L. Chao
- (C) Croxton & Cowden
- (D) Selligman

Importance & Functions of Statistics

27. Which of the following can be treated as important function of statistics?

- (A) Statistics presents the facts in a precise and definite form.
- (B) Statistics presents the large volume of complex data in meaningful and understandable form.
- (C) Statistics makes comparison of data possible.
- (D) All of above

28. Which of the following can be treated as important function of statistics?

- (A) Statistics helps in the formulation of various policies.
- (B) Statistics make forecasting easier.
- (C) Statistics also helps to formulate hypothesis and to test its validity.
- (D) All of above

29. Which of the following can be treated as important function of statistics?

- (A) Statistics deals with qualitative data
- (B) Statistics deals with individual figure.
- (C) Statistics is a science which provides opportunities to individuals to enrich their knowledge and experience.
- (D) All of above

Statistics - A Science or An Art

30. _____ is a systematic body of knowledge which studies cause and effect relationship and tries to find out generalization.

- (A) Art

(B) Science

(C) Social science

(D) History as a subject

31. Feature(s) of science: -

- (A) It is a systematic study of a subject
- (B) It establishes the cause and effect relationship of a fact
- (C) Its laws are universal in nature.
- (D) All of above

32. Statistics is -

- (A) An exact science
- (B) Pure science
- (C) Science of scientific method
- (D) None of above

33. Statistics is an exact science or pure science like physics, chemistry.

- (A) True
- (B) False
- (C) Partly true
- (D) None of above

34. According to Tippet, Statistic is -

- (A) A science
- (B) An art
- (C) Both a science and an art
- (D) Social science

Laws of Statistics

35. _____ law provides the basis of theory of probability in statistics.

- (A) Law of inertia of large numbers
- (B) Law of statistical regularity
- (C) Law of averages
- (D) Both (A) and (B)

36. According to _____, if a large sample is taken from a population in a random way, it is bound to be fairly representative of the population.

- (A) Law of inertia of large numbers
- (B) Law of statistical regularity
- (C) Law of social sciences
- (D) Both (A) and (B)

37. According to _____, the larger the size of sample, the more accurate the results are likely to be.

- (A) Law of inertia of large numbers
- (B) Law of statistical regularity

- (C) Law of social sciences
- (D) Both (a) and (b)

38. Which of the following condition is necessary to hold good the law of statistical regularity?

- (A) Random sample is taken
- (B) The size of sample is large
- (C) The size of sample is low
- (D) (a) and (b)

Divisions/Classification of Statistics

39. Statistics which deals with the numerical data can be classified as -

- (A) Inductive Statistics
- (B) Inferential Statistics
- (C) Applied Statistics
- (D) Descriptive Statistics

40. _____ include the techniques such as collection and tabulation of data, averages or measures of central tendency, index number, dispersion, skewness, which help in summarizing and describing the main features of data.

- (A) Inductive Statistics
- (B) Inferential Statistics
- (C) Applied Statistics
- (D) Descriptive Statistics

41. This division of statistics is concerned with the application of statistical methods and techniques to the specific problems and facts of real life situations as they exist can be classified as -

- (A) Inductive Statistics
- (B) Inferential Statistics
- (C) Applied Statistics
- (D) Descriptive Statistics

42. _____ covers those methods and techniques of statistics which are used to draw conclusions and statistical inferences about the parameters of population on the basis of estimates derived from a sample.

- (A) Inductive Statistics
- (B) Inferential Statistics
- (C) Applied Statistics
- (D) Descriptive Statistics

43. _____ refers to those methods and techniques of statistics which help in estimating a particular phenomenon on the basis of random observation.

- (A) Inferential Statistics

- (B) Inductive Statistics
- (C) Mathematical Statistics
- (D) Analytical Statistics

44. Business forecasting is done with the help of -

- (A) Inferential Statistics
- (B) Inductive Statistics
- (C) Mathematical Statistics
- (D) Analytical Statistics

45. _____ is that branch of statistics which is concerned with the application of various mathematical theories and techniques such as theory of measures and integration, differentiation, algebra, trigonometry, matrix theory, etc. to develop various statistical theories and techniques.

- (A) Inferential Statistics
- (B) Inductive Statistics
- (C) Mathematical Statistics
- (D) Analytical Statistics

46. _____ consists of those methods which are used in establishing functional relationship between variables. It is attempted through comparison, between two sets of data at a point of time in cross-section data or between two points of time otherwise.

- (A) Inductive Statistics
- (B) Mathematical Statistics
- (C) Applied Statistics
- (D) Analytical Statistics

47. Important techniques form the part of analytical statistics includes -

- (A) Association of attributes
- (B) Correlation and regression.
- (C) Mathematics of finance
- (D) (A) and (B)

Applications of Statistics

48. Statistics is useful State Authorities as it helps in formulating -

- (A) Fiscal policies
- (B) Personnel policies
- (C) Training policies
- (D) All of the above

49. Statistical information basically helps to understand the -

- (A) Economic problems
- (B) Formulation of economic policies

- (C) Both (A) and (B)
(D) Neither (A) nor (B)
50. Statistics is applied in
- (A) Economics
(B) Business management
(C) Commerce and industry
(D) All of above
51. Statistics helps to formulate various principles and enables us to compare the theories in real life situations.
- (A) True
(B) False
(C) Partly true
(D) None of above
52. In which of the following fields/areas the use of statistics and statistical techniques can be better examined?
- (A) Test and verification of economic theories/ principles/hypothesis
(B) Understanding and study of economic problems
(C) Economic planning
(D) All of the above
53. In which of the following fields/areas the use of statistics and statistical techniques can be better examined?
- (A) Measurement of national income and components
(B) Business management
(C) Research
(D) All of the above
- face the level of their quality and can be easily distorted, manipulated by dishonest politicians or unscrupulous people for their selfish motives.
- (B) Statistics deals with groups and not with individuals.
(C) Statistics does not deals with qualitative data and descriptive facts.
(D) All of above
56. Which of the following can be treated as limitation of statistics?
- (A) Statistics helps in the formulation of various policies.
(B) Statistical laws are not exact.
(C) Statistics make forecasting easier.
(D) All of above
57. Which of the following sentence shows distrust about statistics?
1. An ounce of truth will produce tonnes of statistics.
 2. It can prove anything
 3. It can prove nothing.
- Select the correct answer from the options given below -
- (A) 1 only
(B) 1 & 2 only
(C) 2 & 3 only
(D) All 1, 2 & 3
58. Which of the following sentence shows distrust about statistics?
- (A) There are three types of lies - lies, damn lies and statistics.
(B) Figures do not lie; liars make figure.
(C) It can prove anything.
(D) All of above
59. Which of the following points do not reflect statistics?
- (A) It describes ways of analyzing qualitative data
(B) It is a while subject of study
(C) It describes methods for analyzing quantitative data
(D) It describes methods of collecting, quantitative data

Limitations & Distrust of Statistics

54. Which of the following can be treated as limitation of statistics?
- (A) Statistics does not deal with qualitative data and descriptive facts.
(B) Statistics deals with groups and not with individuals.
(C) Statistical laws are not exact.
(D) All of above
55. Which of the following can be treated as limitation of statistics?
- (A) Statistics deal with figures which are innocent by themselves and do not bear on their

Answers

1.	(C)	2.	(B)	3.	(A)	4.	(C)	5.	(D)	6.	(A)	7.	(B)
8.	(C)	9.	(D)	10.	(C)	11.	(B)	12.	(A)	13.	(C)	14.	(B)
15.	(B)	16.	(B)	17.	(A)	18.	(A)	19.	(C)	20.	(A)	21.	(B)
22.	(D)	23.	(B)	24.	(C)	25.	(D)	26.	(C)	27.	(D)	28.	(D)
29.	(C)	30.	(B)	31.	(D)	32.	(C)	33.	(B)	34.	(C)	35.	(B)
36.	(B)	37.	(A)	38.	(D)	39.	(D)	40.	(D)	41.	(C)	42.	(B)
43.	(B)	44.	(B)	45.	(C)	46.	(D)	47.	(D)	48.	(A)	49.	(C)
50.	(D)	51.	(A)	52.	(D)	53.	(D)	54.	(D)	55.	(D)	56.	(D)
57.	(D)	58.	(D)	59.	(A)								

COLLECTION & PRESENTATION OF STATISTICAL DATA

CHAPTER

8

Statistical Data

1. 'Collection of data' refers to systematic recording of results -

A. By counting
B. By enumeration

Select the correct answer from the options given below -

(A) B only
(B) A only
(C) Either A or B
(D) Neither A nor B

2. _____ is the data, which is collected for the first time by investigators.

(A) Published data
(B) Primary Data
(C) Processed data
(D) Secondary Data

3. refers to the data which is already collected and published by other authorities.

(A) Primary Data
(B) Unprocessed data
(C) Secondary Data
(D) None of above

4. The sources from where primary data can be collected are known as -

(A) Outside sources
(B) Secondary sources
(C) Primary sources
(D) Inside sources

5. Which of the following organization collect and publish the primary data?

(A) Central Statistical Organization (CSO)
(B) Reserve Bank of India (RBI)
(C) National Sample Survey (NSS)
(D) All of above

6. Primary data is -

(A) First hand information

(B) Already published data

(C) Original in nature

(D) (A) and (C)

7. Secondary data is -

(A) First hand information
(B) Already published data
(C) Original in nature
(D) (A) and (C)

8. Primary data are more -

(A) Reliable
(B) Accurate
(C) Adequate
(D) All of above

9. Which of the following terms best describes data that were originally collected at an earlier time by a different person for a different purpose?

(A) Field note
(B) Experimental data
(C) Secondary data
(D) Primary data

10. In case the data were collected on the basis of sample, the users should satisfy themselves regarding: -

(A) Adequacy of sample
(B) Use of proper sampling technique
(C) Collection of data by trained, experienced and unbiased investigator
(D) All of above

11. Primary data may be collected by -

(A) Direct personal interview
(B) Indirect oral interview
(C) Information received from local agencies or correspondents
(D) Any of the above

12. Primary data may be collected by -

(A) Mailed questionnaire method

- (B) Schedule sent through enumerators
(C) Telephonic survey
(D) Any of the above
13. Which of these is not a method of data collection?
(A) Observation
(B) Experiments
(C) Interviews
(D) Questionnaires
14. Under which of the following method, investigators personally visit the respondents, ask them questions pertaining to the enquiry and collect the desired information?
(A) Indirect oral interview
(B) Schedule sent through enumerators
(C) Mailed questionnaire method
(D) Direct personal interview
15. Under which of the following method, investigators collect data by contacting third-party or informants who are supposed to possess the information on the problem under investigation?
(A) Indirect oral interview
(B) Schedule sent through enumerators
(C) Mailed questionnaire method
(D) Direct personal interview
16. _____ method of collecting information is usually adopted by newspaper agencies.
(A) Schedule sent through enumerators
(B) Mailed questionnaire method
(C) Information received from local agencies or correspondents
(D) Experiments
17. Under _____, a well designed questionnaire is mailed to the informants with a request to fill it up and return the same within the specific time schedule.
(A) Direct personal interview method
(B) Mailed questionnaire method
(C) Information received from local agencies or correspondents
(D) Indirect oral interview method
18. Under _____ of enquiry, the trained enumerators personally visits the informants and explain the objectives of enquiry, ask questions and record their replies.
(A) Direct personal interview method
(B) Information received from local agencies or correspondents
(C) Indirect oral interview method
(D) Questionnaire sent through enumerators methods
19. Under _____ method investigator instead of presenting himself before the informants contact them on telephone and collect the desired information.
(A) Telephonic survey
(B) Direct personal interview
(C) Indirect oral interview
(D) Questionnaire sent through enumerators
20. The quickest method to collect primary data is -
(A) Personal interview
(B) Indirect interview
(C) Mailed questionnaire method
(D) Telephonic survey
21. Data collected on religion from the census reports are -
(A) Sample data
(B) Primary data
(C) Secondary data
(D) (B) or (C)
22. Which method of data collection covers the widest area?
(A) Telephone interview method
(B) Direct interview method
(C) Mailed questionnaire method
(D) All of above
23. The amount of non-responses is maximum in -
(A) Mailed questionnaire method
(B) Observation method
(C) Interview method
(D) All of above
24. In case of rail accident, the appropriate method of data collection is by: -
(A) Direct interview
(B) Personal interview
(C) Indirect interview
(D) All of above

Census & Sample Investigation

25. If the marks obtained by all the students of B. COM - Accountancy of Pune University are recorded for analysis it will be called a
- (A) Direct investigation
(B) Sample investigation
(C) Census investigation
(D) None of above
26. Under the, data are collected for each and every unit of the population or universe which is a complete set of items which are of interest in any particular situation.
- (A) Direct method
(B) Census or complete enumeration method
(C) Indirect method
(D) Sample method
27. _____ refers to the process of learning about population on the basis of sample drawn from it.
- (A) Direct investigation
(B) Sample investigation
(C) Census investigation
(D) Complete enumeration method
28. _____ method is generally recommended in those cases where area of investigation is limited and requires intensive examination or study of the population.
- (A) Direct method
(B) Census or complete enumeration method
(C) Indirect method
(D) Sample method
29. The technique of census investigation is advocated by its users because of: -
- (A) Intensive study *i.e.* It enables to study more than one aspect of each item of population
(B) Reliability data
(C) Suitable choice in the situations when different items of population are not homogeneous
(D) All of above
30. Sampling process involves: -
- (A) Selecting the sample
(B) Collecting the information
(C) Making an inferences about population
(D) All of above

Presentation of statistical data

31. According to Secrist, "..... is the process of arranging data into sequences according to their common characteristics or separating them into different but related parts".
- (A) Diagrammatic presentations of data
(B) Frequency distribution of data
(C) Classification of data
(D) Graphic representation of data
32. The same data can be classified in different ways based on different criteria, depending upon the requirements of the users.
- (A) False
(B) True
(C) Partly true
(D) None of above
33. Which of the following is advantage of classification of data?
- (A) It arranges and presents data in condensed and meaningful form.
(B) It facilitates comparison of data.
(C) It highlights significant features of the data at a glance.
(D) All of above
34. The data may be said to be classified 'geographically', when data relates to -
- (A) Time or period
(B) Character or attributes
(C) Place, area or region
(D) Numerical values or magnitudes
35. The data may be said to be classified 'chronologically', when data relates to -
- (A) Time or period
(B) Character or attributes
(C) Place, area or region
(D) Numerical values or magnitudes
36. The data may be said to be classified 'qualitatively', when data relates to -
- (A) Time or period
(B) Character or attributes
(C) Place, area or region
(D) Numerical values or magnitudes
37. The data may be said to be classified 'quantitatively', when data relates to -

- (A) Time or period
- (B) Character or attributes
- (C) Place, area or region
- (D) Numerical values or magnitudes

38. If data are classified for registration of students for Company Secretary ship course region wise in Eastern, Northern, Southern, Western. It is known as -

- (A) Chronological Classification
- (B) Qualitative Classification
- (C) Geographical Classification
- (D) Quantitative Classification

39. If data are presented for the growth of population in India over different years, it is known as -

- (A) Chronological Classification
- (B) Qualitative Classification
- (C) Geographical Classification
- (D) Quantitative Classification

Tabulation of Data

40. _____ refers to systematic and logical arrangement of data in columns and rows in accordance with some salient features and characteristics.

- (A) Classification of data
- (B) Graphical presentation
- (C) Tabulation
- (D) All of above

41. According to _____, "A statistical table is the logical listing of related quantitative data in vertical columns and horizontal rows of numbers with sufficient explanatory and qualifying words, phrases and statements in the forms of titles, heading and explanatory notes to make clear the full meaning of data and their origin".

- (A) A.M. Tulte
- (B) Secrist
- (C) A. L. Bowley
- (D) Lincon L. Chao

42. In the words of _____, "Table are means of recording in permanent form the analysis that is made through classification and by placing in just opposition things that are similar and should be compared".

- (A) A.M. Tulte
- (B) Secrist
- (C) A. L. Bowley
- (D) Lincon L. Chao

43. Significance of tabulation of data: -

- (A) Presentation of simple data in complicated form
- (B) Meaningful comparison of data
- (C) Easy identification of data
- (D) (B) & (C)

44. Significance of tabulation of data: -

- (A) Eliminates unnecessary and irrelevant details
- (B) Discloses the trend and pattern of data
- (C) Facilitates statistical analysis
- (D) All of above

45. The title of table should be -

- (A) Brief
- (B) Brief and precise
- (C) Brief, precise and clear
- (D) Brief, precise, clear and self-explanatory

46. For tabulation, 'caption' is -

- (A) The upper part of the table
- (B) The lower part of the table
- (C) The main part of the table
- (D) The upper part of a table that describes the column and sub-column

47. 'Stub' of a table is the -

- (A) Left part of the table describing the rows.
- (B) Right part of the table describing the rows
- (C) Right part of the table describing the columns
- (D) Left part of the table describing the columns

48. In tabulation source of the data, if any, is shown in the -

- (A) Footnote
- (B) Body
- (C) Stub
- (D) Caption

49. Which of the following statements is untrue for tabulation?

- (A) Statistical analysis of data requires tabulation
- (B) It facilitates comparison between rows and not columns
- (C) Complicated data can be presented
- (D) Diagrammatic representation of data requires tabulation

50. _____ are used to clarify anything which is not otherwise clear by the heading, title, captions, stub etc.
- Source Note
 - Footnotes
 - IMP Notes
 - None of above
51. The source note is required if the _____ is used.
- Primary data
 - Secondary data
 - Original data
 - Exceptional data
52. _____ of data refers to the table where data are classified on the basis of single characteristics.
- Complex Tabulation
 - Reference Tabulation
 - Simple Tabulation
 - Specific Tabulation
53. In the case of _____ manifold table data are classified and presented with respect to two or more characteristics simultaneously.
- Specific Table
 - Reference Table
 - Complex Table
 - Simple Table
54. Requisite of a good statistical table: -
- A statistical table should aim at simplicity.
 - It should have a clear, comprehensive and explanatory title.
 - The head note should be clear and should indicate the units.
 - All of above
- (technically known as tally) is placed alongside the value to which it corresponds.
- Grouped Frequency Distribution
 - Discrete frequency distribution
 - Frequency graph
 - None of above
57. _____ is the distribution where the frequency refers to group of values. It is a tabular arrangement of data by classes together with the corresponding frequencies.
- Grouped Frequency Distribution
 - Discrete frequency distribution
 - Frequency graph
 - None of above
58. The end numbers or the highest and lowest values that can be included in a class interval are known as the _____ of that class.
- Class Interval
 - Class Frequency
 - Class limits
 - Class Numbers
59. _____ It is the difference between the upper limit and lower limit of the same class.
- Class Interval
 - Class Frequency
 - Class limits
 - Class Numbers
60. _____ means the number of observations included in a particular class as the frequency of that class.
- Class Interval
 - Class Frequency
 - Class limits
 - Class Numbers
61. _____ is the one whose class intervals are so determined that upper limit of one class is the lower limit of the next class.
- Data Classification
 - Exclusive Classification
 - Inclusive Classification
 - Classification
62. _____ refers to that classification where both the class limits are included in the class itself while determining the class intervals.
- Data Classification

Frequency Distribution of Data

55. In the words of Croxton and Cowden "_____ is a statistical table which shows the set of all distinct values of the variables arranged in the order of their magnitude either individually or in groups with their corresponding frequencies side by side".
- Frequency graph
 - Frequency data
 - Frequency distribution
 - None of above
56. Under _____, we count the number of times each value of a variable is repeated and the number

- (B) Exclusive Classification
(C) Inclusive Classification
(D) Classification
63. Tally marks determine -
(A) Class width
(B) Class boundary
(C) Class limits
(D) Class frequency
64. Lower Class Boundary = _____
(A) Lower class limit $\div 1/2.d$
(B) Upper class limit $\times 1/2.d$
(C) Upper class limit $+ 1/2.d$
(D) Lower class limit $- 1/2.d$
65. Upper Class Boundary =
(A) Lower class limit $\div 1/2.d$
(B) Upper class limit $\times 1/2.d$
(C) Upper class limit $+ 1/2.d$
(D) Lower class limit $- 1/2.d$
- (A) Tabular
(B) Textual
(C) Diagrammatic
(D) (A) or (B)
71. In case of a _____, different values are represented by the length of the lines, drawn vertically or horizontally.
(A) Bar diagram
(B) Multiple bar diagram
(C) Line diagram
(D) Component bar diagram
72. Horizontal bar diagram is used for -
(A) Qualitative data
(B) Data varying over time
(C) Data varying over space
(D) (A) or (C)
73. In order to compare two or more related series, we consider
(A) Multiple bar chart
(B) Grouped bar chart
(C) (A) or (B)
(D) (A) and (B)
74. Pie-diagram is used for
(A) Comparing different components and their relation to the total
(B) Representing qualitative data in a circle
(C) Representing quantitative data in circle
(D) (B) or (C)

Diagrammatic Presentation of Data

66. Diagrammatic representation of data is done by -
(A) Charts
(B) Pictures
(C) Diagrams
(D) All of above
67. Advantages of diagrammatic presentation: -
(A) Easy to understand
(B) Simplified presentation
(C) Quick to grasp
(D) All of above
68. Hidden trend, if any, in the data can be noticed in -
(A) Textual presentation
(B) Diagrammatic representation
(C) Tabulation
(D) All of above
69. The best method of presentation of data is -
(A) Textual
(B) Tabular
(C) Diagrammatic
(D) (B) and (C)
70. The most attractive method of data presentation is -

Graphic Presentation

75. Graph is a -
(A) Line diagram
(B) Bar diagram
(C) Pie diagram
(D) Pictogram
76. An area diagram is -
(A) Histogram
(B) Ogive
(C) Frequency polygon
(D) None of above
77. _____ is a graph of a grouped frequency distribution in which class intervals are plotted on X axis and their respective frequencies on Y axis.
(A) A frequency polygon

- (B) A histogram
(C) Ogive
(D) None of above
78. _____ is drawn by joining the midpoints of the upper widths of adjacent rectangles of the histogram, with straight lines.
- (A) A frequency polygon
(B) Histogram
(C) Ogive curve
(D) (A) or (B)

PRACTICAL MCQ

Tabulation

79. Out of 2,000 persons, 25% were industrial workers and the rest were agricultural workers. 600 persons enjoyed football world cup matches on TV. 30% of the people who had not watched football world cup matches were industrial workers. What is the number of agricultural workers who had enjoyed world cup matches on TV?
- (A) 520
(B) 480
(C) 460
(D) 500
80. A sample study of the people of an area revealed that total number of women were 40% and the percentage of coffee drinkers were 45 as a whole and the percentage of male coffee drinkers was 20. What was the percentage of female non-coffee drinkers?
- (A) 10
(B) 15
(C) 18
(D) 20
- Use the following information to answer next 10 questions.
- In 1995 out of a total of 3,500 workers of a factory 2,400 were members of a trade union. The number of women employed was 400 of which 350 did not belong to a trade union. In 2000 the number of union workers increased to 3,160 of which 2,580 were men. On the other hand, the number of non-union workers fell down to 416 of which 360 were men. In 2005 there were 3,600 employees who belonged to a trade union and 100 who did not belong to a trade union. Of all the employees in 2005, 600 were women, of whom only 16 did not belong to trade union.
81. In 1995 total number of workers (Male + Female) who were not members of trade union = ?
- (A) 750
(B) 1,100
(C) 2,350
(D) 3,100
82. In 1995 total number of male workers (Members + Non-members) = ?
- (A) 750
(B) 1,100
(C) 2,350
(D) 3,100
83. In 1995 number of male workers who did not belong to a trade union = ?
- (A) 750
(B) 1,100
(C) 2,350
(D) 3,100
84. In 1995 number of female workers who are member trade union = ?
- (A) 50
(B) 400
(C) 350
(D) 56
85. In 1995 number of male workers who are member trade union = ?
- (A) 750
(B) 1,100
(C) 2,350
(D) 3,100
86. In 2000 number of female workers who did not belong to a trade union = ?
- (A) 360
(B) 580
(C) 56
(D) 636
87. In 2000 number of female workers who are member trade union = ?
- (A) 360
(B) 580
(C) 56
(D) 636
88. In 2005 number of male workers who did not belong to a trade union = ?

- (A) 84
- (B) 584
- (C) 3,016
- (D) 3,100

89. In 2005 number of female workers who are member trade union = ?

- (A) 84
- (B) 584
- (C) 3,016
- (D) 3,100

90. In 2005 number of male workers who are member trade union = ?

- (A) 84
- (B) 584
- (C) 3,016
- (D) 3,100

Frequency Distribution of Data

Use the following information to answer next 7 questions.

The following information relates to number of children in house in a locality,

1	3	2	2	2	1	1	2	1	1	1	3
2	2	3	3	3	3	3	3	2	3	4	1
3	2	6	2	1	6	2	1	5	1	5	2
1	5	2	3	4	2	7	4	2	3	3	4
4	3	4	4	2	3	1	4	3	2	2	1

91. Frequency of 1 child = ?

- (A) 16
- (B) 18
- (C) 13
- (D) 8

92. Frequency of 2 child = ?

- (A) 17
- (B) 18
- (C) 12
- (D) 8

93. Frequency of 3 child = ?

- (A) 16
- (B) 18
- (C) 12
- (D) 8

94. Frequency of 4 child = ?

- (A) 16
- (B) 18
- (C) 12
- (D) 8

95. Frequency of 5 child = ?

- (A) 1
- (B) 2
- (C) 3
- (D) 8

96. Frequency of 6 child = ?

- (A) 1
- (B) 2
- (C) 3
- (D) 8

97. Frequency of 7 child = ?

- (A) 1
- (B) 2
- (C) 3
- (D) 8

98. The number of accidents for seven days in a locality are given below:

No. of accidents:	0	1	2	3	4	5	6
Frequency:	15	19	22	31	9	3	2

What is the number of cases when 3 or less accident occurred?

- (A) 56
- (B) 6
- (C) 68
- (D) 87

99. The following data relate to the incomes of 86 persons:

Income in ₹	No. of persons
500 - 999	15
1000 - 1499	28
1500 - 1999	36
2000 - 2499	7

What is the percentage of persons earning more than ₹ 1,499.

- (A) 50
- (B) 45
- (C) 40
- (D) 60

100. The following data relate to the marks of a group of students:

Marks	No. of students
Below 10	15
Below 20	38
Below 30	65
Below 40	84
Below 50	100

How many students got marks more than 30?

- (A) 65
(B) 50
(C) 35
(D) 43
101. Find the number of observations between 250 and 300 from the following data:

Value	More than 200	More than 250	More than 300	More than 350
No. of observations	56	38	15	0

- (A) 56
(B) 23
(C) 15
(D) 8
102. The weight of 50 students in pounds are given below :

82	95	120	174	179	176	159	91	85	175
88	160	97	133	159	176	151	115	105	172
170	128	112	101	123	117	93	117	99	90
113	119	129	134	178	105	147	107	155	157
98	117	95	135	175	97	160	168	144	175.

If the data are arranged in the form of a frequency distribution with class intervals as 81-100, 101-120, 121-140, 141-160 and 161-180, then the frequencies for these 5 class intervals are:

- (A) 6, 9, 10, 11, 14
(B) 12, 8, 7, 11, 12
(C) 10, 12, 8, 11, 9
(D) 12, 11, 6, 9, 12
103. The following information relates to the age of death of 50 persons in an area :

36	48	50	45	49	31	50	48	42	57
43	40	32	41	39	39	43	47	45	52
47	48	53	37	48	50	41	49	50	53

38	41	49	45	36	39	31	48	59	48
37	49	53	51	54	59	48	38	39	45

If the class intervals are 31-33, 34-36, 37-39, Then the percentage frequencies for the last five class intervals are

- (A) 18, 18, 10, 2 and 4
(B) 10, 15, 18, 4 and 2
(C) 14, 18, 20, 10 and 2
(D) 10, 12, 16, 4 and 6
104. The income of the five person is as follows:

Person	Income per month (₹)
Ram	1,500
Shyam	1,700
Gopal	5,000
Raghav	7,500
Krishna	7,900

Type of above series:

- (A) Individual series
(B) Discrete series
(C) Continuous series
(D) Time series
105. Consider following data:

x	12	17	24	36	45	48	52
f	4	0	7	8	9	6	3

It can be classified as

- (A) Continuous distribution
(B) Discrete distribution
(C) Cumulative frequency distribution
(D) None of above
106. The series given below is of: type.

Marks	No. of students
30-40	19
40-50	24
50-60	12
60-70	19
70-80	10

- (A) Discrete series
(B) Continuous series
(C) Individual series
(D) None of above

107. The following distribution is of: _____ type.

Marks	Less than 5	Less than 10	Less than 15	Less than 20	Less than 25
No. of students	10	24	42	54	62

- (A) Discrete type
(B) Exclusive class type
(C) Inclusive class type
(D) None of above

108. The series given below is of: type.

Year	2004	2005	2006	2007	2008
Demand (in kg.)	80	84	85	88	92

- (A) Individual series
(B) Continuous series
(C) Discrete series
(D) Time series

109. The series given below is of type.

City	Pune	Mumbai	Nagpur	Kolhapur
No. of accidents	80	50	76	74

- (A) Spatial
(B) Geographical
(C) Industrial
(D) Time series

110. If the lower and upper limits of a class are 10 and 20, then the midpoint is: _____

- (A) 10
(B) 15
(C) 16
(D) 14

Answers

1.	(C)	2.	(B)	3.	(C)	4.	(C)	5.	(D)	6.	(D)	7.	(B)
8.	(D)	9.	(C)	10.	(D)	11.	(D)	12.	(D)	13.	(B)	14.	(D)
15.	(A)	16.	(C)	17.	(B)	18.	(D)	19.	(A)	20.	(D)	21.	(C)
22.	(C)	23.	(A)	24.	(C)	25.	(C)	26.	(B)	27.	(B)	28.	(B)
29.	(D)	30.	(D)	31.	(C)	32.	(B)	33.	(D)	34.	(C)	35.	(A)
36.	(B)	37.	(D)	38.	(C)	39.	(A)	40.	(C)	41.	(A)	42.	(B)
43.	(D)	44.	(D)	45.	(D)	46.	(D)	47.	(A)	48.	(A)	49.	(B)
50.	(B)	51.	(B)	52.	(C)	53.	(C)	54.	(D)	55.	(C)	56.	(B)
57.	(A)	58.	(C)	59.	(A)	60.	(B)	61.	(B)	62.	(C)	63.	(D)
64.	(D)	65.	(C)	66.	(D)	67.	(D)	68.	(B)	69.	(B)	70.	(C)
71.	(C)	72.	(D)	73.	(C)	74.	(A)	75.	(A)	76.	(A)	77.	(B)
78.	(A)	79.	(A)	80.	(B)	81.	(B)	82.	(D)	83.	(A)	84.	(A)
85.	(C)	86.	(C)	87.	(B)	88.	(A)	89.	(B)	90.	(C)	91.	(C)
92.	(A)	93.	(A)	94.	(D)	95.	(C)	96.	(B)	97.	(A)	98.	(D)
99.	(A)	100.	(C)	101.	(B)	102.	(D)	103.	(A)	104.	(A)	105.	(B)
106.	(B)	107.	(B)	108.	(D)	109.	(B)	110.	(B)				

Hints for Practical MCQs

79.

Workers	Industrial	Agriculture	Total
Watched world cup match	80	520	600
Do not watched world cup match	420	980	1,400
Total	500	1,500	2,000

80.

Sex	Male	Female	Total
Coffee drinkers	20%	25%	45%
Non-coffee drinkers	40%	15%	55%
Total	60%	40%	100%

81. to 90.

Category	1995			2000			2005		
	M	F	T	M	F	T	M	F	T
Members	2,350	50	2,400	2,580	580	3,160	3,016	584	3,600
Non-Members	750	350	1,100	360	56	416	84	16	100
Total	3,100	400	3,500	2,940	636	3,576	3,100	600	3,700

M - Males; F - Females

98.

$$15 + 19 + 22 + 31 = 87$$

99.

Total Persons = $15 + 28 + 36 + 7 = 86$; Persons earning more than ₹ 1,500 = $36 + 7 = 43$ percentage of persons earning more than ₹ 1,500 = $(43/86) \times 100 = 50\%$

100.

$$\text{Students got marks more than 30} = 100 - 65 = 35$$

101.

$$38 - 15 = 23$$

110.

$$10 + (10/2) = 15$$

MEASURES OF CENTRAL TENDENCY & DISPERSION

Measure of Central Tendency

1. A measure of central tendency means -
 - I. Representative of a set of data.
 - II. A single figure which is representative of whole distribution.
 - III. An average of a distribution.

Which of the following is correct answer?

- (A) I
 - (B) II
 - (C) III
 - (D) All of above
2. "An average is an attempt to find one single figure to describe the whole of figures". This definition is given by -
 - (A) Croxton and Cowden
 - (B) Simpson and Kafka
 - (C) Clark and Sekkade
 - (D) Murry R. Spiegel
 3. "A measure of central tendency is a typical value around which other figures congregate". This definition is given by -
 - (A) Croxton and Cowden
 - (B) Simpson and Kafka
 - (C) Clark and Sekkade
 - (D) Murry R. Spiegel
 4. "An average is a single value within the range of data that is used to represent all values in the series. Since an average is somewhere within the range of the data, it is also called a measure of Central Value". This definition is given by -
 - (A) Croxton and Cowden
 - (B) Simpson and Kafka
 - (C) Clark and Sekkade
 - (D) Murry R. Spiegel
 5. "An average is a value which is typical or representative of a set of data". This definition is given by -

- (A) Croxton and Cowden
- (B) Simpson and Kafka
- (C) Clark and Sekkade
- (D) Murry R. Spiegel

6. Objectives and significance of statistical averages: -

- (A) To present huge mass of data in a summarized form
- (B) To facilitate comparison of different sets of data
- (C) To help in decision making
- (D) All of above

7. A measure of central tendency tries to estimate the -

- (A) Central value
- (B) Lower value
- (C) Upper value
- (D) Extreme value

8. Measures of central tendency for a given set of observations measures -

1. The scatteredness of the observations
2. The central location of the observations

Select the correct answer from the options given below -

- (A) 1 only
- (B) 2 only
- (C) Both 1 and 2
- (D) None of these

9. Requisites of a good statistical average: -

- (I) It need not be firmly defined.
- (II) It should be easy to understand but difficult to compute.
- (III) The average should depend upon each and every item of the series. However, some of the extreme items in the series can be ignored.

Select the correct answer from the options given below -

- (A) (I)

- (B) (II)
(C) (III)
(D) None of the above
10. Requisites of a good statistical average: -
(A) An average could be used for further statistical computations
(B) An average should be least affected by sampling fluctuations
(C) The average should depend upon each and every item of the series.
(D) All of above
11. Which of the following is "Positional Average"?
(A) Arithmetic Mean
(B) Geometric Mean
(C) Harmonic Mean
(D) Median
12. Which of the following is "Positional Average"?
I. Mean
II. Median
III. Mode
Select the correct answer from the options given below -
(A) I & II
(B) II & III
(C) None of the (A), (B) or (D)
(D) II & III
13. Which of the following is "Mathematical Average"?
(A) Arithmetic Mean
(B) Geometric Mean
(C) Harmonic Mean
(D) All of above
14. Which of the following is "Mathematical Average"?
(A) Geometric Mean
(B) Median
(C) Mode
(D) All of above
15. _____ is defined as the sum of observations divided by the number of observations.
(A) Harmonic Mean
(B) Geometric Mean
(C) Arithmetic mean
(D) All of above
16. If there are N individual observations $X_1, X_2 \dots X_n$. Arithmetic mean = ?
(A) $\bar{X} = \frac{X_1 \times X_2 \times X_3 \times \dots \times X_n}{N}$
(B) $\bar{X} = \frac{X_1 + X_2 + X_3 + \dots + X_n}{N}$
(C) $\bar{X} = \frac{\sum X_i}{N}$
(D) (B) or (C)
17. If the frequency of observations X_i is f_i ($i = 1, 2 \dots n$),
(A) $\bar{X} = \frac{X_1 \times X_2 \times X_3 \times \dots \times X_n}{N}$
(B) $\bar{X} = \frac{X_1 + X_2 + X_3 + \dots + X_n}{N}$
(C) $\bar{X} = \frac{\sum X_i}{N}$
(D) $\bar{X} = \frac{\sum f_i X_i}{\sum f}$
18. The words 'mean' or 'average' refers to -
(A) AM
(B) GM
(C) HM
(D) None of above
19. Which of the following statement(s) is/are false?
(A) Mean is rigidly defined.
(B) Mean is not affected by due to sampling fluctuation.
(C) Mean has some mathematical properties.
(D) All of above
20. The most commonly used measure of central tendency is -
(A) AM
(B) Median
(C) Mode
(D) GM & HM
21. Which of the following statements is true?
(A) Usually mean is the best measure of central tendency.
(B) Usually median is the best measure of central tendency.
(C) Usually mode is the best measure of central tendency.
(D) Normally, GM is the best measure of central tendency.

22. Weighted averages are considered when -
 (A) The data are not classified.
 (B) The data are put in the form of grouped frequency distribution.
 (C) All the observations are not of equal importance.
 (D) Both (A) and (C)
23. The value of all the items are taken into consideration in the calculation of -
 (A) Mode
 (B) Mean
 (C) Median
 (D) None of above
24. Simple average may be called as -
 (A) Weighted average
 (B) Relative average
 (C) Un-weighted average
 (D) None of above
25. _____ of a distribution is that value of the variant which divides it into two equal parts.
 (A) Mode
 (B) Mean
 (C) Median
 (D) Harmonic mean
26. 50% of actual value will be below and 50% of will be above for -
 (A) Mode
 (B) Median
 (C) Mean
 (D) None of above
27. _____ is that value of the variant which repeats maximum number of times in a distribution and around which other observations are densely distributed.
 (A) Mean
 (B) Median
 (C) Harmonic mean
 (D) Mode
28. Which of the following sentence is/are wrong in relation to 'Mode'?
 (A) It is not affected by extreme observations.
 (B) It can be determined even for a distribution with open ends.
 (C) It cannot be located graphically.
 (D) All of above
29. Which of the following sentence is/are wrong in relation to 'Mode'?
 (A) It can be determined for a distribution with open ends.
 (B) It is not based on all the observations.
 (C) It is affected by extreme observations.
 (D) All of above
30. The relationship between mean, median and mode is -
 (A) $2 \text{ Mean} = 3 \text{ Median} - \text{Mode}$
 (B) $\text{Mean} = \frac{3 \text{ Median} - \text{Mode}}{2}$
 (C) $\text{Median} = \frac{2 \text{ Mean} + \text{Mode}}{3}$
 (D) All of above
31. _____ is used when most frequent occurring value is required. (discrete variable)
 (A) Mode
 (B) Mean
 (C) Median
 (D) None of above
32. Which of the following measure(s) satisfies a linear relationship between two variables?
 (A) Mode
 (B) Mean
 (C) Median
 (D) All of above
33. Extreme values have _____ effect on mode.
 (A) High
 (B) Low
 (C) No
 (D) None of above

Dispersion

34. _____ means the variation or scattering or deviation of the different values of a variable from their average.
 (A) Mean
 (B) Median
 (C) Dispersion
 (D) Mode
35. According to _____, "Dispersion is the measure of variations of items".
 (A) A.L. Bowley
 (B) Spiegel

- (C) Simpson and Kafka
(D) L.R. Connor
36. According to _____, "Dispersion is the measure of extent to which individual items vary".
(A) A.L. Bowley
(B) Spiegel
(C) Simpson and Kafka
(D) L.R. Connor
37. According to _____, "The measure of the scatteredness of the mass of figures in a series about an average is called the measure of variation or dispersion".
(A) A.L. Bowley
(B) Spiegel
(C) Simpson and Kafka
(D) L.R. Connor
38. According to _____, "The degree to which numerical data tend to spread about an average value is called the variation or dispersion of the data".
(A) A.L. Bowley
(B) Spiegel
(C) Simpson and Kafka
(D) L. R. Connor
39. Objectives and significance of dispersion: -
(A) To test the reliability of an average
(B) To compare the extent of variability in two or more distributions
(C) To facilitate the computation of other statistical measures
(D) All of above
40. _____ may be defined as the positive square root of arithmetic mean of the squares of all the deviations of the values from their arithmetic mean.
(A) Dispersion
(B) Correlation of coefficient
(C) Standard deviation
(D) Inter-Quartile Range
41. The standard deviation is usually denoted by Greek letter -
(A) ∞
(B) ϕ
(C) σ
(D) μ
42. Which of the following statements is correct?
(A) Two distributions may have identical measures of central tendency and dispersion.
(B) Two distributions may have the identical measures of central tendency but different measures of dispersion.
(C) Two distributions may have the different measures of central tendency but identical measures of dispersion.
(D) All of above
43. Dispersion measures -
(A) The scatterness of a set of observations
(B) The concentration of a set of observations
(C) Both (A) and (B)
(D) Neither (A) nor (B)
44. The most commonly used measure of dispersion is -
(A) Range
(B) Standard deviation
(C) Coefficient of variation
(D) Quartile deviation
45. If the profit of a company remains the same for the last 10 months, then the standard deviation of profits for these 10 months would be?
(A) Positive
(B) Negative
(C) Zero
(D) (A) or (C)
46. When it comes to comparing two or more distributions we consider -
(A) Absolute measures of dispersion
(B) Relative measures of dispersion
(C) Both (A) and (B)
(D) Either (A) or (B)
47. Which one is an absolute measure of dispersion?
(A) Range
(B) Mean Deviation
(C) Standard Deviation
(D) All of above
48. Which measure of dispersion is the quickest to compute?
(A) Standard deviation
(B) Quartile deviation
(C) Mean deviation
(D) Range

49. Which measure is based on only the central fifty percent of the observations?
- (A) Standard deviation
(B) Quartile deviation
(C) Mean deviation
(D) All of above
50. For any two numbers SD is always -
- (A) Twice the range
(B) Half of the range
(C) Square of the range
(D) None of these
- (C) 226.7
(D) 336.7
54. If there are 3 observations 15, 20, 25 then the sum of deviation of the observations from their AM is
- (A) 0
(B) 5
(C) -5
(D) None of above
55. Mr. R purchases 20 kgs. of Wheat, 10 kgs. of rice and 2 kgs. of ghee every month. If the price of wheat is ₹ 10 per kg., price of rice is ₹ 14 per kg. and price of ghee is ₹ 120 per kg. Find the average price per kg. per month. Arithmetic mean = ?

PRACTICAL MCQ

Arithmetic Mean

51. Consider following observation relating to marks obtained by 10 students in CS Foundation Exam: 210, 202, 207, 222, 276, 201, 246, 212, 285, 312.
- Arithmetic mean = ?
- (A) 206
(B) 237.3
(C) 217.2
(D) 216.1
52. Consider following frequency distribution.
- | Class Intervals | 0-10 | 10-20 | 20-30 | 30-40 |
|-----------------|------|-------|-------|-------|
| Frequency | 8 | 10 | 12 | 15 |
- Arithmetic mean = ?
- (A) 39.65
(B) 22.55
(C) 32.55
(D) 23.56
53. The following is the distribution of weekly wages of workers in a factory. Calculate the arithmetic mean of the distribution.
- | Weekly Wages (₹) | No. of Workers |
|------------------|----------------|
| 240-269 | 7 |
| 270-299 | 19 |
| 300-329 | 27 |
| 330-359 | 15 |
| 360-389 | 12 |
| 390-419 | 12 |
| 420-449 | 8 |
- (A) 352.3
(B) 344.5
- (A) 48
(B) 18.125
(C) 48.125
(D) 18
56. The mean of a certain number of observations is 40. If two or more items with values 50 and 64 are added to this data, the mean rises to 42. Find the number of items in the original data.
- (A) 14
(B) 15
(C) 16
(D) 17
57. If there are two groups containing 30 and 20 observations and having 50 and 60 as arithmetic means, then the combined arithmetic mean is
- (A) 55
(B) 56
(C) 54
(D) 52
58. What is the value of mean for the following data:

Class interval	Frequency
350 - 369	15
370 - 389	27
390 - 409	31
410 - 429	19
430 - 449	13
450 - 469	6

- (A) 400
(B) 400.58

- (C) 394
(D) 394.50

Weighted Arithmetic Mean

59. Ram purchases 20 kg. of Wheat, 10 kg. of rice and 2 kg. of ghee every month. If the price of wheat is ₹ 10 per kg., price of rice is ₹ 14 per kg. and price of ghee is ₹ 120 per kg. Find the average price per kg. per month. Arithmetic mean = ?
(A) 48
(B) 18.125
(C) 48.125
(D) 18
60. The average rainfall for a week, excluding Sunday, was 10 cms. Due to heavy rainfall on Sunday, the average for the week rose to 15 cms. How much rainfall was on Sunday?
(A) 25 cms
(B) 35 cms
(C) 45 cms
(D) 55 cms
61. The mean weight of 20 employees in a company is 65 kg. And the mean weight of 8 employees is 70 kg. and another 7 is 55 kg. You are required to find out the mean weight of remainder.
(A) 70
(B) 71
(C) 72
(D) 73
62. The mean weight of 98 students is found to be 50 lbs. It is later discovered that the frequency of the class interval (30-40) was wrongly taken as 8 instead of 10. Calculate the correct mean.
(A) 49.00
(B) 49.50
(C) 49.25
(D) 49.70
63. The average marks of three batches of students having 70, 50 and 30 students respectively are 50, 55 and 45. Find the average marks of all the 150 students, taken together.
(A) 50.67
(B) 40.67
(C) 50.60
(D) 40.60
64. The mean salary paid per week to 1000 employees of an establishment was found to be ₹ 900.

Later on, it was discovered that the salaries of two employees were wrongly recorded as ₹ 750 and ₹ 365 instead of ₹ 570 and ₹ 635. Find the corrected mean salary.

- (A) 900.90
(B) 1,115
(C) 1,225
(D) 900.09
65. What is the value of mean for the following data:

Marks	No. of Student
5 - 14	10
15 - 24	18
25 - 34	32
35 - 44	26
45 - 54	14
55 - 64	10

- (A) 30
(B) 29
(C) 33.68
(D) 34.21
66. The mean salary for a group of 40 females workers is ₹ 5,200 per month and that of for a group of 60 male workers is ₹ 6,800 per month. What is the combined salary?
(A) 6,280
(B) 6,160
(C) 6,890
(D) 6,920

Median

67. Find median of the given observation: 25, 14, 28, 30, 25, 15, 32.
(A) 28
(B) 30
(C) 25
(D) 31
68. Find median of the given observation: 35, 20, 55, 27, 15, 40.
(A) 28
(B) 30
(C) 25
(D) 31
69. What is the median for the following observations?
5, 8, 6, 9, 11, 4.

- (A) 6
(B) 7
(C) 8
(D) None of above

70. 2, 5, 8, 4, 9, 6, 7. What is the median for the following observations?

- (A) 6
(B) 8
(C) 4
(D) 4.5

71. The following table gives the marks obtained by 300 students of a management course. Find the median of the distribution.

Marks obtained	No. of students
0 - 15	26
15 - 30	34
30 - 45	64
45 - 60	76
60 - 75	60
75 - 90	30
90 - 100	10

- (A) 62.96 marks
(B) 62.13 marks
(C) 50.13 marks
(D) 50.96 marks

72. Find median of the following data.

Age greater than (Years)	No. of Persons
0	230
20	218
30	200
40	165
50	123
60	73
70	288

- (A) 31.5
(B) 41.5
(C) 41.6
(D) 31.6

Use the following data to answer next 4 questions.

The following table gives the distribution of daily wages of 900 workers. However, the frequencies of the two classes 40-50 and 60-70 are missing. If the median of the distribution is ₹ 59.25, find the missing figures.

Class Intervals	30-40	40-50	50-60	60-70	70-80
Frequency	120	?	200	?	185
Cumulative Frequency	120	?	?	?	900

73. Frequency for class 40-50 = ?

- (A) 715
(B) 465
(C) 145
(D) 265

74. Cumulative frequency for class 40-50 = ?

- (A) 715
(B) 465
(C) 145
(D) 265

75. Cumulative frequency for class 50-60 = ?

- (A) 715
(B) 465
(C) 145
(D) 265

76. Cumulative Frequency for class 60-70 = ?

- (A) 715
(B) 465
(C) 145
(D) 265

77. What is the value of median for the following data:

Marks	No. of Student
5 - 14	10
15 - 24	18
25 - 34	32
35 - 44	26
45 - 54	14
55 - 64	10

- (A) 28
(B) 30
(C) 32.94
(D) 33.18

Mode

78. Compute mode of the following distribution by inspection method.

X	1	2	3	4	5	6	7	8	9	10
f	4	6	8	12	17	11	7	6	5	3

- (A) 15.09
(B) 5
(C) 14.42
(D) 15

79. Compute mode of the following distribution by method of grouping.

X	10	11	12	13	14	15	16	17	18	19
f	8	15	20	100	98	95	90	75	50	30

- (A) 15.09
(B) 5
(C) 14.82
(D) 15

80. The frequency distribution of marks obtained by 60 students of a class is given below:

X	30-34	40-44	45-49	50-54	55-59	60-64
f	3	5	12	18	14	62

Find mode of the distribution.

- (A) 42.50
(B) 52.50
(C) 52.05
(D) 42.05

81. In a moderately a symmetrical distribution - The mode and median are 75 and 60 respectively, find mean.

- (A) 45.50
(B) 45.83
(C) 52.5
(D) 52.86

82. In a moderately a symmetrical distribution - The mean and mode are 50 and 37.5 respectively, find median.

- (A) 45.50
(B) 45.86
(C) 52.5
(D) 52.86

83. What is the modal value for the numbers 5, 8, 6, 4, 10, 15, 18, 10?

- (A) 18
(B) 10
(C) 14
(D) None of above

84. What is the value of mode for the following data:

Class interval	Frequency
350 - 369	15
370 - 389	27
390 - 409	31
410 - 429	19
430 - 449	13
450 - 469	6

- (A) 390
(B) 394.50
(C) 394
(D) 400

Dispersion

85. The standard deviation of 10, 16, 10, 16, 10, 10, 16, 16 is -

- (A) 4
(B) 6
(C) 3
(D) 0

86. Calculate standard deviation of the following data:

X	10	11	12	13	14	15	16	17	18
f	2	7	10	12	15	11	10	6	3

- (A) 3.95
(B) 1.99
(C) 14
(D) None of above

87. Calculate standard deviation of the following data:

X	0-10	10-20	20-30	30-40	40-50
f	10	8	15	8	4

- (A) - 12
(B) 12
(C) 12.36
(D) 152.77

88. Find the mean and standard deviation of the following observations:

X = 2, 5, 7, 8, 13

- (A) 7 & 3.63
(B) 3.63 & 7

- (C) 7.63 & 3
(D) 3 & 7.63
89. The mean and standard deviation of 10 observations are 35 and 2 respectively. Find the changed mean and standard deviation if each observation is increased by 4.
(A) 39 & 6
(B) 2 & 39
(C) 39 & 2
(D) 6 & 39
90. The mean and standard deviation of 10 observations are 35 and 2 respectively. Find the changed mean and standard deviation if each observation is multiplied by 5.
(A) 40 & 7
(B) 175 & 10
(C) 10 & 175
(D) 7 & 40
91. If all the observations are increased by 10, then -
(A) SD would be increased by 10
(B) Mean deviation would be increased by 10
- (C) Both (A) & (B)
(D) None of above
92. If all the observations are multiplied by 2, then -
(A) New SD would be also multiplied by 2
(B) New SD would be half of the previous SD
(C) New SD would be increased by 2
(D) New SD would be decreased by 2.
93. What is the standard deviation of 5, 5, 9, 9, 9, 10, 5, 10, 10?
(A) 3.74
(B) 6.48
(C) 4.50
(D) 8.00
94. What is the coefficient of variation of the following numbers?
53, 52, 61, 60, 64.
(A) 8.09
(B) 18.08
(C) 20.23
(D) 20.45

Answers

1.	(D)	2.	(C)	3.	(B)	4.	(A)	5.	(D)	6.	(D)	7.	(A)
8.	(B)	9.	(D)	10.	(D)	11.	(D)	12.	(D)	13.	(D)	14.	(A)
15.	(C)	16.	(D)	17.	(D)	18.	(A)	19.	(B)	20.	(A)	21.	(A)
22.	(C)	23.	(B)	24.	(C)	25.	(C)	26.	(B)	27.	(D)	28.	(C)
29.	(C)	30.	(D)	31.	(A)	32.	(D)	33.	(C)	34.	(C)	35.	(A)
36.	(D)	37.	(C)	38.	(B)	39.	(D)	40.	(D)	41.	(C)	42.	(D)
43.	(A)	44.	(B)	45.	(C)	46.	(B)	47.	(D)	48.	(D)	49.	(B)
50.	(B)	51.	(B)	52.	(B)	53.	(D)	54.	(A)	55.	(A)	56.	(B)
57.	(C)	58.	(B)	59.	(B)	60.	(C)	61.	(B)	62.	(D)	63.	(A)
64.	(D)	65.	(C)	66.	(B)	67.	(C)	68.	(D)	69.	(B)	70.	(A)
71.	(C)	72.	(C)	73.	(C)	74.	(D)	75.	(B)	76.	(A)	77.	(C)
78.	(B)	79.	(C)	80.	(C)	81.	(C)	82.	(B)	83.	(B)	84.	(B)
85.	(C)	86.	(B)	87.	(C)	88.	(A)	89.	(C)	90.	(B)	91.	(D)
92.	(A)	93.	(A)	94.	(A)								

Hints for Practical MCQs

52.

Class Intervals	Mid-values (x)	Frequency(f)	fx
0-10	5	8	40
10-20	15	10	150
20-30	25	12	300
30-40	35	15	525
		$\sum f = 45$	$\sum fx = 1,015$

Arithmetic mean = $1,015/45 = 22.55$

53.

Class Intervals	Mid-values (x)	Frequency(f)	fx
240-269	254.5	7	1,781.5
270-299	284.5	19	5,405.5
300-329	314.5	27	8,491.5
330-359	344.5	15	5,167.5
360-389	374.5	12	4,494
390-419	404.5	12	4,854
420-449	434.5	8	3,476
		$\sum f = 100$	$\sum fx = 33,670$

Arithmetic mean = $33,670/100 = 336.7$

54.

If there are 3 observations 15, 20, 25; Arithmetic mean = 20; Sum of deviation = $-5 + 0 + 5 = 0$

55.

$$(10 + 14 + 20)/3 = 48$$

56. Current mean

$$\frac{40x}{x} = 40$$

New mean:

$$\frac{40x + 50 + 64}{x + 2}$$

$$40x + 114 = 42x + 84$$

$$30 = 2x$$

$$x = 30/2$$

$$x = 15$$

57. $[(30 \times 50) + (20 \times 60)]/50 = 54$

58.

Class Intervals	Mid-values (x)	Frequency(f)	fx
350 - 369	359.5	15	5,392.5
370 - 389	379.5	27	10,246.5
390 - 409	399.5	31	12,384.5
410 - 429	419.5	19	7,970.5
430 - 449	439.5	13	5,713.5
450 - 469	459.5	6	2,757
		$\sum f = 111$	$\sum fx = 44,464.5$

Arithmetic mean = $44,464.5/111 = 400.58$

59. $[(20 \times 10) + (10 \times 14) + (2 \times 120)]/(20 + 10 + 2) = 18.125$

60.

$$15 = \frac{6 \times 10 + x}{7}$$

$$x = 45$$

61. $8 \times 70 = 560$; $7 \times 55 = 385$; $1300 - 560 - 385 = 355$; $355/5 = 71$

62. Incorrect mean,

$$X = 50 \text{ kg.}$$

$$\Sigma f_i = 98$$

$$\text{Incorrect } X = \frac{\text{Incorrect } \Sigma f_i X_i}{\Sigma f_i}$$

$$50 = \frac{\text{Incorrect } \Sigma f_i X_i}{98}$$

$$\therefore \text{Incorrect } \Sigma f_i X_i = 98 \times 50 = 4900$$

$$\text{Now, Correct } \Sigma f_i X_i = \text{Incorrect } \Sigma f_i X_i - (8 \times 35) + (10 \times 35)$$

Note, the class-mark of class interval (30 - 40) is 35 and for the calculation of the mean, we consider class marks.

$$\begin{aligned} \text{Correct } \Sigma f_i X_i &= 4900 - 280 + 350 \\ &= 4,970 \end{aligned}$$

$$\text{Also, Correct } \Sigma f_i = 98 + 2 = 100$$

$$\therefore \text{Correct Mean} = \frac{\text{Correct } \Sigma f_i X_i}{\text{Correct } \Sigma f_i}$$

$$= \frac{4970}{100}$$

$$X = 49.70 \text{ lbs}$$

63. Let X be the average marks of all 150 students taken together.

	Batch-I	Batch-II	Batch-III
Marks	X1 =50	X2 =55	X3 =45
No. of Students	n1 =70	n2 =50	n3 =30

$$\frac{70 \times 50 + 50 \times 55 + 30 \times 45}{70 + 50 + 30} = \frac{7,600}{150} = 50.67$$

64. We first find the corrected sum of observation.

Corrected sum of observations = Uncorrected sum of observation - Sum of incorrect observations + Sum of correct observations

$$= 900 \times 1,000 - 1,115 + 1,205 = 9,00,090$$

$$\therefore \text{Correct Mean} = 9,00,090/1,000 = 900.09$$

66.

$$\frac{(40 \times 5,200) + (60 \times 6,800)}{40 + 60} = \frac{6,16,000}{100} = 6,160$$

67. Arranging the given observations in ascending order of magnitude, we have

14, 15, 25, 25, 28, 30, 32

Here, N is 7, therefore median is the size of $(7 + 1/2)$ th i.e. 4th item. Hence, median is 25.

68. Arranging the observations in ascending order, we may get

15, 20, 27, 35, 40, 55. Thus, the median is mean of 3rd and 4th observation = $(27 + 35/2) = 31$.

71.

Marks obtained	No. of students (f)	Cumulative frequency
0 - 15	26	26
15 - 30	34	60
30 - 45	64	124
45 - 60	76	200
60 - 75	60	260
75 - 90	30	290
90 - 100	10	300

Since $N/2 = 150$, therefore, 45-60 is the median class.

Further, $L_m = 45$, $f_m = 76$, $h = 60-45 = 15$ and $C = 124$

$$\frac{45 + (150 - 124)}{76} \times 15 = 50.13$$

72. Note that it is a greater than type cumulative frequency distribution. First we convert it into a less than type form.

Age greater than (Years)	Greater than Cumulative frequency	Frequency	Less than Cumulative frequency
0-10	230	12	12
10-20	218	18	30
20-30	200	35	65
30-40	165	42	107
40-50	123	50	157
50-60	73	45	202
60-70	28	20	222
70-80	8	8	230

$N/2 = 230/2 = 115$, therefore median class is 40-50

Also $L_m = 40$, $f_m = 50$, $h = 10$, $C = 107$

$$\therefore M_d = 40 + \frac{115 - 107}{50} \times 10 = 41.6$$

73. to 76.

Class Intervals Wages	Frequency (f)	Cumulative Frequency
30-40	120	120
40-50	f_1	$120 + f_1$
50-60	200	$320 + f_1$
60-70	f_2	$320 + f_1 + f_2$
70-80	185	900

Since median is given to be 59.25, the median class is 50-60. Thus, we can write,

Solving this for f_1 , we get, $f_1 = 145$; Further, $f_2 = 900 - (120 + 145 + 200 + 185) = 250$

78.

Since the distribution is fairly regular, therefore, mode of the above distribution is = 5.

79.

The above distribution is not regular because there is a sudden increase in frequency from 20 to 100. Therefore, mode cannot be located by inspection. To obtain mode, we write the following grouping table. (refer to page no. 284 of the study material)

80.

The given class intervals should be converted into class boundaries. Since the distribution is regular, the modal class, by inspection, is 49.5 - 54.5

Further $L_m = 49.5$, $f_m = 18$, $f_1 = 12$, $f_2 = 12$, $h = 5$

$$\text{Mode, } Z = 49.5 + \frac{18 - 12}{(2 \times 18) - 12 - 12} \times 5 = 52.5$$

81.

Using the empirical relation between mean, median and mode, we can write $X - M_0 = 3(X - M_d)$ or

$$2X = 3M_d - M_0; 52.5$$

82.

Using the empirical relation between mean, median and mode, we can write $X - M_0 = 3(X - M_d)$ or

$$2X = 3M_d - M_0; 45.83$$

85. Assume $A = 13$; hence $d = A - 13$

x	d	d^2
10	-3	9
16	3	9
10	-3	9
16	3	9
10	-3	9
10	-3	9
16	3	9
16	3	9
$\Sigma d = 0$		$\Sigma d^2 = 72$

Use following formula:

$$\sqrt{\frac{\sum d^2}{n} - \left[\frac{\sum d}{n}\right]^2}$$

$$\sqrt{\frac{72}{8} - \left[\frac{0}{8}\right]^2}$$

$$\sqrt{9}$$

$$= 3$$

86.

X	f	fx	$X - \text{Mean}$	$f(X - \bar{X})^2$
10	2	20	-4	32
11	7	77	-3	63
12	10	120	-2	40
13	12	156	-11	2
14	15	210	0	0
15	11	165	1	11
16	10	160	2	40
17	6	102	3	54
18	3	54	4	48
Total	76	$fX = 1064$		$f(X - \bar{X})^2 = 300$

$$\begin{aligned}\bar{X} &= \frac{1064}{76} = 14 \\ \sigma_x &= \sqrt{\frac{300}{76}} \\ &= \sqrt{3.95} \\ &= 1.99\end{aligned}$$

87.

Marks	Mid-values (X)	f	dx _i = X- 25/10	f dx _i	dx _i ²
0-10	5	10	-2	-20	40
10-20	15	8	-1	-8	8
20-30	25	15	0	0	0
30-40	35	8	1	8	8
40-50	45	4	2	8	16
Total		45		-12	72

$$\begin{aligned}\sqrt{\frac{72}{45} - \frac{144}{45 \times 45}} \times 10 \\ = 12.36\end{aligned}$$

88.

$$\frac{2 + 5 + 7 + 8 + 13}{5} = 7$$

$$\sqrt{\frac{4 + 25 + 49 + 64 + 169}{5}} - 49 = 3.63$$

89. When each observation is increased by 4, the mean of the changed observations will also increase and it will become equal to $35 + 4 = 39$.

Since the increasing of all observations by a constant is change of origin, the standard deviation shall not change. Thus, the mean and standard deviation when each observation is increased by 4 would be 39 and 2 respectively.

90. When each observation is multiplied by 5, the mean of the new observations will be $35 \times 5 = 175$ and their standard deviation will be $2 \times 5 = 10$.

MATHEMATICS OF FINANCE

Interest

1. Person who takes the money for his use is known as -

(A) Money lender
(B) Borrower
(C) Payer
(D) Drawee

2. The person who provides loan is known as -

(A) Money lender
(B) Borrower
(C) Payer
(D) Drawee

3. Simple Interest = ?

(A) Principle + Rate \times Time
(B) Principle - Rate \times Time
(C) Principle \times Rate \times Time
(D) Principle \times Rate + Time

4. In case of compound interest, interest also earns interest.

(A) True
(B) False
(C) Partly true
(D) Partly false

5. The period of time for which the interest is calculated is called the -

(A) Market period
(B) Cooling period
(C) Conversion period
(D) None of above

6. If the conversion period is one year, the amount due at the end of n years = ?

(A) $P \left[1 - \frac{r}{100} \right]^n$
(B) $P \left[1 - \frac{n}{100} \right]^r$

(C) $P \left[1 + \frac{r}{100} \right]^n$

(D) None of above

7. If the conversion period is 6 months, the amount due at the end of n years = ?

(A) $P \left[1 - \frac{\frac{r}{2}}{100} \right]^{2n}$

(B) $P \left[1 - \frac{\frac{n}{2}}{100} \right]^{2r}$

(C) $P \left[1 + \frac{\frac{r}{2}}{100} \right]^{2n}$

(D) None of above

8. If the conversion period is three months, the amount due at the end of n years = ?

(A) $P \left[1 - \frac{\frac{r}{4}}{100} \right]^{4n}$

(B) $P \left[1 - \frac{\frac{n}{4}}{100} \right]^{4r}$

(C) $P \left[1 + \frac{\frac{r}{4}}{100} \right]^{4n}$

(D) None of above

Annuity

9. An annuity is -

(A) A fixed sum
(B) Paid at regular intervals

- (C) Under certain stated conditions
(D) All of above
10. Annuity payable for a fixed number of intervals is called -
(A) Contingent Annuity
(B) Deferred Annuity
(C) Perpetual Annuity
(D) Annuity certain
11. An annuity whose payments continue till the happening of an event, the date of which cannot be foretold is called -
(A) Contingent Annuity
(B) Deferred Annuity
(C) Perpetual Annuity
(D) Annuity certain
12. An annuity which continues forever (infinite number of years) is called -
(A) Contingent Annuity
(B) Deferred Annuity
(C) Perpetual Annuity
(D) Annuity certain
13. If the periodic payments are made at the end of each period; the annuity is called -
(A) Annuity due
(B) An immediate annuity
(C) Ordinary annuity
(D) (B) or (C)
14. If the period payments start only after a certain specified period it is called -
(A) Contingent Annuity
(B) Deferred Annuity
(C) Perpetual Annuity
(D) Annuity certain
15. An annuity left unpaid for a certain number of years is called _____ for that number of years.
(A) Deferred Annuity
(B) Uniform Annuity
(C) Forborne annuity
(D) Immediate Annuity
16. If the periodic payments are all equal, the annuity is called level of -
(A) Deferred Annuity
(B) Uniform Annuity
(C) Forborne annuity
(D) Immediate Annuity
17. _____ of a given sum of money due at the end of a certain period of time is that sum which if invested now at the given rate of interest accumulates to the given sum at the end of the period.
(A) Annuity
(B) Interest
(C) The present value
(D) None of above

PRACTICAL MCQ

Simple Interest

18. How much interest will be earned on ₹ 2000 at 6% simple interest for 2 years?
(A) 200
(B) 240
(C) 260
(D) 280
19. Tanishka deposited ₹ 50,000 in a bank for two years with the interest rate of 5.5% p.a. How much interest would she earn?
(A) 6,000
(B) 5,250
(C) 55,500
(D) 5,500
20. Tanishka deposited ₹ 50,000 in a bank for two years with the interest rate of 5.5% p.a. What will be the final value of investment?
(A) 6,000
(B) 5,250
(C) 55,500
(D) 5,500
21. Mr. S deposited ₹ 1,00,000 in his bank for 2 years at simple interest rate of 6%. How much would be the final value of deposit?
(A) 12,000
(B) 1,12,000
(C) 1,10,000
(D) 1,02,000
22. Find the rate of interest if the amount owed after 6 months is ₹ 1,050, borrowed amount being ₹ 1,000.
(A) 7%

- (B) 8%
(C) 9%
(D) 10%
23. Mr. R invested ₹ 70,000 in a bank at the rate of 6.5% p.a. simple interest rate. He received ₹ 85,925 after the end of term. Find out the period for which sum was invested by Mr. R.
(A) 2.5 years
(B) 3.5 years
(C) 4.5 years
(D) 5.5 years
24. Mr. K deposited some amount in a bank for 7.5 years at the rate of 6% p.a. simple interest. Mr. K received ₹ 1,01,500 at the end of the term. Compute initial deposit of Mr. K.
(A) ₹ 70,000
(B) ₹ 7,000
(C) ₹ 60,000
(D) ₹ 80,000
25. A sum of ₹ 46,875 was lent out at simple interest and at the end of 1 year 8 months the total amount was ₹ 50,000. Find the rate of interest per cent per annum.
(A) 3.5%
(B) 4.5%
(C) 5%
(D) 4%
26. What sum of money will produce ₹ 28,600 as an interest in 3 years and 3 months at 2.5% p.a. simple interest?
(A) ₹ 3,52,000
(B) ₹ 3,22,000
(C) ₹ 3,42,000
(D) ₹ 3,32,000
27. If $P = 5,000$, $T = 1$, $I = ₹ 300$, R will be -
(A) 5%
(B) 4%
(C) 6%
(D) None of above
28. If $P = ₹ 4,500$, $A = ₹ 7,200$, then simple interest will be -
(A) ₹ 2,000
(B) ₹ 3,000
(C) ₹ 2,500
(D) ₹ 2,700
29. $P = ₹ 10,000$, $I = ₹ 2,500$, $R = 12.5\%$ simple interest. The number of years T will be -
(A) 1.5 years
(B) 2 years
(C) 3 years
(D) None of these
30. The sum required to earn a monthly interest of ₹ 1,200 at 18% p.a. simple interest is -
(A) ₹ 50,000
(B) ₹ 60,000
(C) ₹ 80,000
(D) None of above

Compound Interest

31. A sum of ₹ 1,200 becomes ₹ 1,323 in 2 years at compound interest compounded annually. Find the rate per cent.
(A) 8%
(B) 7%
(C) 6%
(D) 5%
32. Find the compound interest for ₹ 1,000 for 4 years at 5% p.a. when the interest is compounded annually.
(A) 220
(B) 218
(C) 215
(D) 250
33. Find the compound interest for ₹ 1,000 for 4 years at 5% p.a. when it is compounded half-yearly.
(A) 220
(B) 218
(C) 215
(D) 250
34. Find the compound interest for ₹ 1,000 for 4 years at 5% p.a. when it is compounded quarterly.
(A) 220
(B) 218
(C) 215
(D) 250
35. The difference between simple and compound interest on a sum for 3 years at 5% p.a. is ₹ 76.30. Find the sum.
(A) 8,000
(B) 10,000

- (C) 12,000
(D) 15,000
36. If the interest on a certain sum for first year at 5% p.a. compounded is ₹ 25 then, the total interest at the end of second year will be: -
(A) 51.25
(B) 50
(C) 26.25
(D) None of above
37. The difference in compound interest and simple interest for one year for ₹ 1,000 at 10% p.a. is: -
(A) 10
(B) 5
(C) 0
(D) None of above
38. Mrs. S deposited ₹ 1,00,000 in a nationalized bank for 3 years. If the rate of interest is 7% p.a., Calculate the interest that bank has to pay to Mrs. S after 3 years if interest is compounded annually.
(A) 7,000
(B) 7,490
(C) 8,014.30
(D) 22,504.30
39. Mrs. S deposited ₹ 1,00,000 in a nationalized bank for 3 years. If the rate of interest is 7% p.a., Interest is compounded annually. Calculate the amount at the end of third year (i.e. Principal + compound interest)
(A) 1,22,504.30
(B) 1,02,504.30
(C) 1,22,505.30
(D) 1,22,405.30
40. ₹ 2,000 is invested at annual rate of interest of 10%. What is the amount after two years if compounding is done annually?
(A) 2,420
(B) 2,431
(C) 2,436.80
(D) 2,440.58
41. ₹ 2,000 is invested at annual rate of interest of 10%. What is the amount after two years if compounding is done semi-annually?
(A) 2,420
(B) 2,431
(C) 2,436.80
(D) 2,440.58
42. ₹ 2,000 is invested at annual rate of interest of 10%. What is the amount after two years if compounding is done quarterly?
(A) 2,420
(B) 2,431
(C) 2,436.80
(D) 2,440.58
43. ₹ 2,000 is invested at annual rate of interest of 10%. What is the amount after two years if compounding is done monthly?
(A) 2,420
(B) 2,431
(C) 2,436.80
(D) 2,440.58
44. Determine the compound amount and compound interest on ₹ 1,000 at 6% compounded semi-annually for 6 years. Given that $(1 + i)^n = 1.42576$ for $i = 3\%$ and $n = 12$.
(A) 16,000
(B) 630.50
(C) 425.76
(D) 1,640
45. Compute the compound interest on ₹ 4000 for $1\frac{1}{2}$ years at 10% p.a. compounded half-yearly.
(A) 16,000
(B) 630.50
(C) 425.76
(D) 1,640
46. On what sum will the compound interest at 5% p.a. for 2 years compounded annually be ₹ 1,640?
(A) 16,000
(B) 630.50
(C) 425.76
(D) 1,640
47. In what time will ₹ 8,000 amount to ₹ 8,820 at 10% p.a. interest compounded half-yearly?
(A) 2.5 year
(B) 4 year
(C) 3 year
(D) 1 year
48. Find the rate per cent per annum if ₹ 2,00,000 amount to ₹ 2,31,525 in $1\frac{1}{2}$ year interest being compounded half-yearly.
(A) 5%
(B) 10%

- (C) 15%
(D) 10.5%

49. A certain sum invested at 4% p.a. compounded semi-annually amounts to ₹ 78,030 at the end of one year. Find the sum invested at the beginning of year 1.
(A) ₹ 70,000
(B) ₹ 65,000
(C) ₹ 75,000
(D) ₹ 85,000
50. ₹ 16,000 invested at 10% p.a. compounded semi-annually amounts to ₹ 18,522. Find the time period of investment.
(A) 0.5 years
(B) 1.5 years
(C) 2 years
(D) 2.5 years
51. If $P = ₹ 1,000$, $R = 5\%$ p.a., $n = 4$; What is amount and CI?
(A) ₹ 1,215.50 & ₹ 215.50
(B) ₹ 1,125 & ₹ 125
(C) ₹ 2,115 & ₹ 115
(D) None of above
52. ₹ 100 will become after 20 years at 5% p.a. compound interest amount -
(A) ₹ 250
(B) ₹ 205
(C) ₹ 265.50
(D) None of above
53. The C.I. on ₹ 4,000 for 6 months at 12% p.a. payable quarterly is -
(A) ₹ 243.60
(B) ₹ 240
(C) 243
(D) None of above

Annuity

54. Find the amount of annuity of ₹ 4000 p.a. for 10 years reckoning compound interest at 10% p.a.

- (A) ₹ 63,706
(B) ₹ 63,670
(C) ₹ 67,360
(D) ₹ 63,760

55. You invest ₹ 3,000 in a two year investment that pays you 12% p.a. Calculate the future value of the investment.

- (A) ₹ 3,367.20
(B) ₹ 3,673.20
(C) ₹ 3,763.20
(D) ₹ 3,736.20

56. Find the future value of an annuity of ₹ 500 made annually for 7 years at interest rate of 14% compounded annually. Given that $(1.14)^7 = 2.5023$.

- (A) 5,563.25
(B) 5,365.35
(C) 5,365.53
(D) 5,356.35

57. ₹ 200 is invested at the end of each month in an account paying interest 6% per year compounded monthly. What is the future value of this annuity after 10th payment? Given that $(1.005)^{10} = 1.0511$

- (A) 2,044
(B) 2,404
(C) 2,440
(D) 2,004

58. Z invests ₹ 10,000 every year starting from today for next 10 years. Suppose interest rate is 8% per annum compounded annually. Calculate future value of the annuity. Given that $(1 + 0.08)^{10} = 2.15892500$.

- (A) 1,44,865.625
(B) 1,56,454.875
(C) 1,54,654.875
(D) 1,44,568.625

Present Value

59. Find the present value of ₹ 10,000 to be required after 5 years if the interest rate be 9%. Given that $(1.09)^5 = 1.5386$.

- (A) 6,994.42
(B) 6,949.24
(C) 6,449.24
(D) 6,499.42

60. S borrows ₹ 5,00,000 to buy a house. If he pays equal instalments for 20 years and 10% interest on outstanding balance what will be the equal annual instalment? [$P(20, 0.10) = 8.51356$]

- (A) 58,729.84

- (B) 58,792.48
(C) 58,279.84
(D) 57,829.88
61. ₹ 5,000 is paid every year for ten years to pay off a loan. What is the loan amount if interest rate be 14% p.a. compounded annually? [P(10, 0.14) 5.21611]
(A) ₹ 26,008.55
(B) ₹ 26,080.55
(C) ₹ 20,680.55
(D) ₹ 26,008.55
62. Y bought a CD Player costing ₹ 13,000 by making a down payment of ₹ 3,000 and agreeing to make equal annual payment for four years. How much would be each payment if the interest on unpaid amount be 14% compounded annually? [P (4, 0.14) 2.91371]
(A) ₹ 3,432.05
(B) ₹ 3,423.50
(C) ₹ 3,342.05
(D) ₹ 3,234.50
63. The present value of an annuity of ₹ 3,000 for 15 years at 4.5% p.a. CI is -
(A) ₹ 23,809.41
(B) ₹ 32,218.63
(C) ₹ 32,908.41
(D) None of above

Answers

1.	(B)	2.	(A)	3.	(C)	4.	(A)	5.	(C)	6.	(C)	7.	(C)
8.	(C)	9.	(D)	10.	(D)	11.	(A)	12.	(C)	13.	(D)	14.	(B)
15.	(C)	16.	(B)	17.	(C)	18.	(B)	19.	(D)	20.	(C)	21.	(B)
22.	(D)	23.	(B)	24.	(A)	25.	(D)	26.	(A)	27.	(C)	28.	(D)
29.	(B)	30.	(C)	31.	(D)	32.	(C)	33.	(B)	34.	(A)	35.	(B)
36.	(A)	37.	(C)	38.	(D)	39.	(A)	40.	(A)	41.	(B)	42.	(C)
43.	(D)	44.	(C)	45.	(B)	46.	(A)	47.	(D)	48.	(A)	49.	(C)
50.	(B)	51.	(A)	52.	(C)	53.	(A)	54.	(D)	55.	(C)	56.	(B)
57.	(A)	58.	(B)	59.	(D)	60.	(A)	61.	(B)	62.	(A)	63.	(D)

Hints for Practical MCQs

18. $2,000 \times 6\% \times 2 = 240$
 19. $50,000 \times 5.5\% \times 2 = 5,500$
 20. $50,000 + 5,500 = 55,500$
 21. $1,00,000 + 12,000 = 1,12,000$
 22. We know $A = P + Pit$
 i.e. $1050 = 1000 + 1000 \times i \times 6/12$
 $50 = 500 i$
 $i = 1/10 = 10\%$
 23. We know $A = P (1 + it)$
 i.e. $85,925 = 70,000 \left(1 + \frac{6.5}{100} \times t \right)$
 $85,925/70,000 = 1 + \frac{100 + 6.5t}{100}$
 $22.75 = 6.5t$
 $t = 3.5$
 24. $A = P(1 + it)$
 $1,01,500 = \left(1 + \frac{6}{100} \times \frac{15}{2} \right)$

$$= ₹ 70,000$$

$$25. A = P(1 + it)$$

$$50,000 = 46,875 \left(1 + i \times 1 \frac{8}{12} \right)$$

$$i = 0.04; \text{rate} = 4\%$$

$$26.$$

$$\text{We know } I = P \times it$$

$$28,600 = P \times \frac{2.5}{100} \times 3 \frac{3}{12}$$

$$P = ₹ 3,52,000$$

$$31.$$

Let $r\%$ be the rate per annum.

$$1,323 = 1,200 \left(1 + \frac{r}{100} \right)^2$$

$$\frac{1,323}{1,200} = \left(1 + \frac{r}{100} \right)^2$$

$$\frac{\sqrt{1,323}}{1,200} = \left(1 + \frac{r}{100} \right)$$

$$\frac{r}{100} = 1.05 - 1$$

$$r = 5\%$$

$$32.$$

$$CI = 1,000 = \left(1 + \frac{5}{100} \right)^4 - 1,000$$

$$= 1,000 (1.05)^4 - 1,000$$

$$= 1,215 - 1,000 = 215$$

$$33.$$

$$CI = 1,000 = \left(1 + \frac{5}{100} \right)^{4 \times 2} - 1,000$$

$$= 1,000 (1.05)^8 - 1,000$$

$$= 1,218 - 1,000 = 218$$

$$34.$$

$$CI = 1,000 = \left(1 + \frac{5}{100} \right)^{4 \times 4} - 1,000$$

$$= 1,000 (1.05)^{16} - 1,000$$

$$= 1,219.89 - 1,000 = 219.89 \text{ say } 220$$

35.

Let the sum = P

$$\text{Simple Interest for three years} = P \times \frac{5}{100} \times 10 = 0.15P$$

$$CI = P \left(1 + \frac{5}{100} \right)^3 - P$$

$$= P (1.05)^3 - P$$

$$1.15763P - P = 0.15763P$$

Difference between compound interest and simple interest

$$CI - SI = 0.15763P - 0.15P$$

$$= 0.00763P$$

$$0.00763P = 76.30$$

$$P = 10,000$$

38. Principal for first year ₹ 1,00,000

Interest for first year = Pit

$$1,00,000 \times 7\% \times 1 = 7,000$$

Principal for the second year = Principal for first year + Interest for first year

$$= ₹ 1,00,000 + ₹ 7,000 = ₹ 1,07,000$$

$$\text{Interest for second year} = 1,07,000 \times 7\% \times 1 = 7,490$$

Principal for the third year = Principal for second year + Interest for second year

$$= 1,07,000 + 7,490 = 1,14,490$$

$$\text{Interest for the third year} = ₹ 1,14,490 \times 7\% \times 1 = ₹ 8,014.30$$

Compound interest at the end of third year

$$= ₹ (7,000 + 7,490 + 8,014.30)$$

$$= ₹ 22,504.30$$

Amount at the end of third year

= Principal (initial deposit) + compound interest

$$= ₹ (1,00,000 + 22,504.30)$$

$$= ₹ 1,22,504.30$$

40. $A_n = P (1 + i)^n$

$$A_2 = ₹ 2,000 (1 + 0.1)^2$$

$$= ₹ 2,000 \times (1.1)^2$$

$$= ₹ 2,000 \times 1.21$$

$$= ₹ 2,420$$

41. For semiannual compounding

$$n = 2 \times 2 = 4$$

$$i = 0.1$$

$$2 = 0.05$$

$$A_4 = 2,000 (1 + 0.05)^4$$

$$= 2,000 \times 1.2155$$

$$= ₹ 2,431$$

42. For quarterly compounding

$$n = 4 \times 2 = 8$$

$$A_8 = 2000 (1 + 0.025)^8$$

$$= 2,000 \times 1.2184$$

$$= ₹ 2,436.80$$

43. For monthly compounding

$$n = 12 \times 2 = 24, i = 0.1/12 = 0.00833$$

$$A_{24} = 2000 (1 + 0.00833)^{24}$$

$$= 2,000 \times 1.22029$$

$$= ₹ 2,440.58$$

44. $i = 0.06/2; n = 6 \times 2 = 12$

$$P = 1,000$$

$$\text{Compound Amount } (A_{12}) = P (1 + i)^n$$

$$= ₹ 1,000(1 + 0.03)^{12}$$

$$= 1,000 \times 1.42576$$

$$= ₹ 1,425.76$$

$$\text{Compound Interest} = ₹ (1,425.76 - 1,000)$$

$$= ₹ 425.76$$

45. Principal $P = ₹ 4,000$. Since the interest is compounded half-yearly the number of conversion periods in $1\frac{1}{2}$ years are 3. Also the rate of interest per conversion period (6 months) is $10\% \times \frac{1}{2} = 5\%$ (0.05 in decimal). Thus the amount A_n (in ₹) is given by

$$A_n = P (1 + i)^n$$

$$A_3 = 4,000(1 + 0.05)^3$$

$$= 4,630.50$$

$$\text{The compound interest is therefore } ₹ (4,630.50 - 4,000)$$

$$= ₹ 630.50$$

46. $1,640 = P [(1 + 0.05)^2 - 1]$

$$1,640 = P (1.1025 - 1)$$

Hence, the required sum is ₹ 16,000

47. Interest rate per conversion period, $\frac{10\%}{2} = 5\% = 0.05$

$$\text{Principal } (P) = ₹ 8,000$$

$$\text{Amount } (A_n) = ₹ 8,820$$

$$A_n = P (1 + i)^n$$

$$8,820 = 8,000 (1 + 0.05)^n$$

$$8,820/8,000 = (1 + 0.05)^n$$

$$1.1025 = (1.05)^n$$

$$(1.05)^2 = (1.05)^n$$

$$n = 2; \text{ Hence number of conversion period is 2 and the required time} = \frac{n}{2} = \frac{2}{2} = 1 \text{ year}$$

48. $P = ₹ 2,00,000$

$$\text{Number of conversion period } (n) = 1\frac{1}{2} \times 2 = 3$$

$$\text{Amount } (A_3) = ₹ 2,31,525$$

We know that

$$A_3 = P(1+i)^3$$

$$2,31,525 = 2,00,000(1+i)^3$$

$$2,31,525/2,00,000 = (1+i)^3$$

$$1.157625 = (1+i)^3$$

$$(1.05)^3 = (1+i)^3$$

$$i = 0.05$$

i is the Interest rate per conversion period (six months) = $0.05 = 5\%$ &

Interest rate per annum = $5\% \times 2 = 10\%$

49. $A_n = 78,030$

$$n = 2 \times 1 = 2$$

$$i = 4 \times 1/2 \% = 2\% = 0.02$$

$$P(\text{in ₹}) = ?$$

$$\text{We have } A_n = P(1+i)^n$$

$$A_2 = P(1+0.02)^2$$

$$78,030 = P(1.02)^2$$

$$P = 78,030/(1.02)^2$$

$P = 75,000$ Thus the sum invested is ₹ 75,000 at the beginning of 1 year.

50. $P = ₹ 16,000$

$$A_n = ₹ 18,522$$

$$i = 10 \times 1/2 \% = 5\% = 0.05$$

$$n = ?$$

$$\text{We have } A^n = P(1+i)^n$$

$$18,522 = 16,000(1+0.05)^n$$

$$18,522/16,000 = (1.05)^n$$

$$(1.157625) = (1.05)^n$$

$$(1.05)^3 = (1.05)^n$$

$n = 3$ Therefore time period of investment is three half years i.e. 1.5 years

54.

Considering immediate annuity, the required amount

$$4,000 \left(1 + \frac{10}{100}\right)^9 + 4,000 \left(1 + \frac{10}{100}\right)^8 + \dots + 4,000 \left(1 + \frac{10}{100}\right)^1$$

$$= 63,760.$$

55. $F = C.F. (1+i)^n$

Where F = Future value

$C.F.$ = Cash flow = ₹ 3,000

i = rate of interest = 0.12

n = time period = 2

$$F = ₹ 3,000(1+0.12)^2$$

$$= ₹ 3,000 \times 1.2544$$

$$= ₹ 3,763.20$$

56. Annual payment $A = ₹ 500$

$$n = 7$$

$$i = 14\% = 0.14$$

$$A(7, 0.14) = 500 \left[\frac{(1 + 0.14)^7 - 1}{0.14} \right]$$

$$= ₹ 5365.35$$

57. $A = ₹ 200$

$$n = 10$$

$$i = 6\% \text{ p.a.} = 6/12 \% \text{ per month} = 0.005$$

Future value of annuity after 10 months is given by

$$A(n, i) = A \left[\frac{(1 + i)^n - 1}{i} \right]$$

$$A(10, 0.005) = 200 \left[\frac{(1 + 0.005)^{10} - 1}{0.005} \right]$$

$$= ₹ 2,044$$

58. Step-1: Calculate future value as though it is an ordinary annuity

Future value of the annuity as if it is an ordinary annuity

$$= 10,000 \left[\frac{(1 + 0.08)^{10} - 1}{0.08} \right]$$

$$= 10,000 \times 14.4865625$$

$$= ₹ 1,44,865.625$$

Step-2: Multiply the result by $(1 + i)$

$$= 1,44,865.625 \times (1 + 0.08)$$

$$= ₹ 1,56,454.875$$

59. Here $i = 0.09 = 9\%$

$$n = 5$$

$$A_n = 10,000$$

$$\text{Required present value} = \frac{A_n}{(1 + i)^n}$$

$$= \frac{10,000}{(1 + 0.09)^5}$$

$$= ₹ 6499.42$$

60. Here $V = 5,00,000$

$$n = 20$$

$$i = 10\% \text{ p.a.} = 0.10$$

$$= \frac{V}{P(n, i)}$$

$$[P(20, 0.10) = 8.51356 \text{ from table 2(a)}]$$

$$= \frac{5,00,000}{8.51356}$$

$$= ₹ 58,729.84$$

61. $V = A.P.(n, i)$

Here $A = ₹ 5,000$

$$n = 10$$

$$i = 0.14$$

$$V = 5,000 \times P(10, 0.14)$$

$$= 5,000 \times 5.21611 = ₹ 26,080.55$$

Therefore the loan amount is ₹ 26,080.55

62. $V = A.P. (n, i)$

Here $n = 4$ and $i = 0.14$

$$= \frac{10,000}{P(4, 0.14)}$$

$[P(20, 0.10) = 8.51356 \text{ from table 2(a)}]$

$$= \frac{10,000}{2.91371}$$

$= ₹ 3,432.05$. Therefore each payment would be ₹ 3,432.05

THEORY OF PROBABILITY

- The theory of probability involves the study of a –
 - Luck
 - Haphazard phenomena
 - Random phenomena
 - None of above
- Probability theory originated in the middle of the –
 - 16th Century
 - 17th Century
 - 18th Century
 - 19th Century
- Initially, probability was a branch of –
 - Physics
 - Statistics
 - Mathematics
 - Economics
- The terms 'chance' and 'probability' are synonymous.
 - True
 - False
 - Both
 - None of above
- The mathematical study of randomness is called probability theory.
 - True
 - False
 - Partly true
 - None of above
- An experiment is known to be random if the results of the experiment –
 - Cannot be predicted
 - Can be predicted
 - Can be split into further experiments
 - Can be selected at random
- If $P(A) = P(B)$, then
 - A and B are the same events
 - A and B must be same events
 - A and B may be different events
 - A and B are mutually exclusive events.
- If $P(A \cap B) = 0$, then the two events A and B are –
 - Mutually exclusive
 - Exhaustive
 - Equally likely
 - Independent
- If for two events A and B, $P(A \cup B) = 1$, then A and B are –
 - Mutually exclusive events
 - Equally likely events
 - Exhaustive events
 - Dependent events
- If an unbiased coin is tossed once, then the two events Head and Tail are –
 - Mutually exclusive
 - Exhaustive
 - Equally likely
 - All these (A), (B) and (C)
- If $P(A) = P(B)$, then the two events A and B are –
 - Independent
 - Dependent
 - Equally likely
 - Both (A) and (C)
- If for two events A and B, $P(A \cap B) \neq P(A) \times P(B)$, then the two events A and B are –
 - Independent
 - Dependent
 - Not equally likely
 - Not exhaustive
- If $P(A/B) = P(A)$, then –
 - A is independent of B

- (B) B is independent of A
 (C) B is dependent of A
 (D) Both (a) and (b).
14. If $P(A) = 0$, then the event A –
 (A) Will never happen
 (B) Will always happen
 (C) May happen
 (D) May not happen
15. If $P(A) = 1$, then the event A is known as –
 (A) Symmetric event
 (B) Dependent event
 (C) Improbable event
 (D) Sure event
16. $P(B/A)$ is defined only when –
 (A) A is a sure event
 (B) B is a sure event
 (C) A is not an impossible event
 (D) B is an impossible event
17. $P(A/B')$ is defined only when –
 (A) B is not a sure event
 (B) B is a sure event
 (C) B is an impossible event
 (D) B is not an impossible event.
18. Addition Theorem of Probability states that for any two events A and B,
 (A) $P(A \cup B) = P(A) + P(B)$
 (B) $P(A \cup B) = P(A) + P(B) + P(A \cap B)$
 (C) $P(A \cup B) = P(A) + P(B) - P(A \cap B)$
 (D) $P(A \cup B) = P(A) \times P(B)$
19. For any two events A and B, –
 (A) $P(A) + P(B) > P(A \cap B)$
 (B) $P(A) + P(B) < P(A \cap B)$
 (C) $P(A) + P(B) \geq P(A \cap B)$
 (D) $P(A) \times P(B) \leq P(A \cap B)$
20. If A and B are mutually exclusive events, then
 (A) $P(A) = P(A-B)$
 (B) $P(B) = P(A-B)$
 (C) $P(A) = P(A \cap B)$
 (D) $P(B) = P(A \cap B)$
21. If $P(A-B) = P(B-A)$, then the two events A and B satisfy the condition –
 (A) $P(A) = P(B)$
 (B) $P(A) + P(B) = 1$

- (C) $P(A \cap B) = 0$
 (D) $P(A \cup B) = 1$

Practical MCQ

22. If $P(A) = 5/9$, then the odds against the event A is –
 (A) 5 : 9
 (B) 5 : 4
 (C) 4 : 5
 (D) 5 : 14
23. If A, B and C are mutually exclusive and exhaustive events, then $P(A) + P(B) + P(C)$ equals to –
 (A) $1/3$
 (B) 1
 (C) 0
 (D) Any value between 0 and 1
24. If A denotes that a student reads in a school and B denotes that he plays cricket, then –
 (A) $P(A \cap B) = 1$
 (B) $P(A \cup B) = 1$
 (C) $P(A \cap B) = 0$
 (D) $P(A) = P(B)$
25. A bag contains 15 one rupee coins, 25 two rupee coins and 10 five rupee coins. If a coin is selected at random from the bag, then the probability of not selecting a one rupee coin is
 (A) 0.30
 (B) 0.70
 (C) 0.25
 (D) 0.20
26. A, B, C are three mutually independent with probabilities 0.3, 0.2 and 0.4 respectively. What is $P(A \cap B \cap C)$?
 (A) 0.400
 (B) 0.240
 (C) 0.024
 (D) 0.500
27. If a card is drawn at random from a pack of 52 cards, what is the chance of getting a Spade or an ace?
 (A) $4/13$
 (B) $5/13$
 (C) 0.25
 (D) 0.20

28. If x and y are random variables having expected values as 4.5 and 2.5 respectively, then the expected value of $(x-y)$ is –
- (A) 2
(B) 7
(C) 6
(D) 0
29. Two balls are drawn from a bag containing 5 white and 7 black balls at random. What is the probability that they would be of different colours?
- (A) $35/66$
(B) $30/66$
(C) $12/66$
(D) None of above
30. What is the chance of throwing at least 7 in a single cast with 2 dice?
- (A) $5/12$
(B) $7/12$
(C) $1/4$
(D) $17/36$
31. There are 10 balls numbered from 1 to 10 in a box. If one of them is selected at random, what is the probability that the number printed on the ball would be an odd number greater than 4?
- (A) 0.50
(B) 0.40
(C) 0.60
(D) 0.30
32. A, B and C are three mutually exclusive and exhaustive events such that $P(A) = 2P(B) = 3P(C)$. What is $P(B)$?
- (A) $6/11$
(B) $6/22$
(C) $1/6$
(D) $1/3$
33. A bag contains 12 balls which are numbered from 1 to 12. If a ball is selected at random, what is the probability that the number of the ball will be a multiple of 5 or 6?
- (A) 0.30
(B) 0.25
(C) 0.20
(D) $1/3$
34. The probability that A can solve a problem is $2/3$ and that B can solve is $3/4$. If both of them attempt the problem. What is probability that the problem act solved ?
- (A) $11/12$
(B) $7/12$
(C) $5/12$
(D) $9/12$
35. For two independent events A and B, what is $P(A+B)$, given $P(A) = 3/5$ and $P(B) = 2/3$?
- (A) $11/15$
(B) $13/15$
(C) $7/15$
(D) 0.65
36. It is given that a family of 2 children has a girl, what is the probability that the other child is also a girl?
- (A) 0.50
(B) 0.75
(C) $1/3$
(D) $2/3$
37. Two coins are tossed simultaneously. What is the probability that the second coin would show a tail given that the first coin has shown a head?
- (A) 0.50
(B) 0.25
(C) 0.75
(D) 0.125
38. If an unbiased coin is tossed three times, what is the probability of getting more that one head?
- (A) $1/8$
(B) $3/8$
(C) $1/2$
(D) $1/3$
39. A number is selected at random from the first 1,000 natural numbers. What is the probability that the number so selected would be a multiple of 7 or 11?
- (A) 0.25
(B) 0.32
(C) 0.22
(D) 0.33
40. A bag contains 8 red and 5 white balls. Two successive draws of 3 balls are made without replacement. The probability that the first draw will produce 3 white balls and the second 3 red balls is –
- (A) $5/223$
(B) $6/257$

- (C) $7/429$
(D) $3/548$
41. 8 identical balls are placed at random in three bags. What is the probability that the first bag will contain 3 balls?
(A) 0.2731
(B) 0.3256
(C) 0.1924
(D) 0.3443
42. Four digits 1, 2, 4 and 6 are selected at random to form a four digit number. What is the probability that the number so formed, would be divisible by 4?
(A) $1/2$
(B) $1/5$
(C) $1/4$
(D) $1/3$
43. A bag contains 6 white and 4 red balls. If a person draws 2 balls and receives ₹ 10 and ₹ 20 for a white and red balls respectively, then his expected amount is –
(A) ₹ 25
(B) ₹ 26
(C) ₹ 29
(D) ₹ 28
44. A card is drawn from a well-shuffled pack of playing cards. The probability that it is a spade is –
(A) $1/13$
(B) $1/4$
(C) $3/13$
(D) None

Answers

1.	(C)	2.	(B)	3.	(C)	4.	(B)	5.	(A)	6.	(D)	7.	(C)
8.	(A)	9.	(C)	10.	(D)	11.	(C)	12.	(B)	13.	(D)	14.	(A)
15.	(D)	16.	(C)	17.	(A)	18.	(C)	19.	(C)	20.	(A)	21.	(A)
22.	(C)	23.	(B)	24.	(C)	25.	(B)	26.	(C)	27.	(A)	28.	(A)
29.	(A)	30.	(B)	31.	(D)	32.	(B)	33.	(D)	34.	(A)	35.	(B)
36.	(C)	37.	(B)	38.	(C)	39.	(C)	40.	(C)	41.	(A)	42.	(D)
43.	(D)	44.	(B)										

TIME SERIES & INDEX NUMBERS ANALYSIS

Time Series

- A time series may be defined as _____
 - A sequence of repeated measurement of variables made periodically through time.
 - A collection of readings belonging to different time period of same economic variable or composite of variables.
 - Statistical data which are collected, recorded over successive increments.
 - All of above
- Objective of analysis of any time series -
 - To study of past behaviour of data
 - To forecast for future
 - Both (A) and (B)
 - None of above
- Time series is an important statistical technique which is widely used by -
 - Business executives
 - Financial analysts
 - Economists
 - All of above
- Time series is an important statistical technique which is widely used by -
 - Scientists
 - Sociologists
 - Research workers
 - All of above
- Time series is an important statistical technique because of: -
 - It helps to understand the past behaviour of data and enables the users to forecast the future behaviour.
 - It enables the users to compare the actual performance with the expected performance and analyze the different causes of variation.
 - It is helpful in planning the future operations.
 - All of above
- The Additive Model of a time series is expressed as -
 - $Y_t = T_t \times C_t \times S_t \times R_t$
 - $Y_t = T_t - C_t - S_t - R_t$
 - $Y_t = T_t + C_t + S_t + R_t$
 - $Y_t = T_t \cap C_t \cup S_t \cup R_t$
- The Multiplicative Model of a time series is expressed as -
 - $Y_t = T_t \times C_t \times S_t \times R_t$
 - $Y_t = T_t - C_t - S_t - R_t$
 - $Y_t = T_t + C_t + S_t + R_t$
 - $Y_t = T_t \cap C_t \cup S_t \cup R_t$
- _____ is the tendency of data to increase or decrease or stagnate over a long period of time.
 - Random variations
 - Irregular variations
 - Secular trend
 - Data trend
- _____ are of regular nature and repeat themselves after a fixed interval of time.
 - Periodic variations
 - Oscillatory variations
 - (a) or (b)
 - Irregular variations
- If the period of variations is less than one year, then these are known as -
 - Random variations
 - Cyclical variations
 - Seasonal variations
 - (B) or (C)
- If the period of variations is more than one year, then the variations are termed as -
 - Random variations
 - Cyclical variations
 - Seasonal variations
 - (B) or (C)

- (A) Random variations
(B) Cyclical variations
(C) Seasonal variations
(D) (b) or (c)
12. Cyclical variations are caused by -
(A) Waves
(B) Strikes
(C) Floods
(D) None of these
13. _____ is a prediction or estimation of future values of a variable like sales, demand, price, profits etc.
(A) Planning
(B) Decision making
(C) Forecasting
(D) None of above
14. Under _____, a survey of all the individuals is undertaken to obtain the data.
(A) Sample survey method
(B) Complete enumeration method
(C) Test marketing method
(D) Delphi technique
15. While forecasting _____ is often undertaken when the population is very large.
(A) Sample survey method
(B) Complete enumeration method
(C) Test marketing method
(D) Delphi technique
16. Which of the following are variant(s) of the sample survey method?
(A) Test Marketing
(B) Experts' Opinion Poll
(C) Delphi Technique
(D) All of above
17. The trend component is easy to identify by using -
(A) Moving averages
(B) Exponential smoothing
(C) Regression analysis
(D) Delphi approach
- (A) Absolute number
(B) Relative number
(C) An Index number
(D) None of above
19. An index number is a special type of average.
(A) True
(B) False
(C) Partly true
(D) None of above
20. A series of numerical figures which show the relative position is called -
(A) Absolute number
(B) Relative number
(C) An Index number
(D) None of above
21. Index numbers are expressed in percentages.
(A) True
(B) False
(C) Partly true
(D) None of above
22. Index numbers do not have universal applications.
(A) True
(B) False
(C) Partly true
(D) None of above
23. _____ measure the general changes in the price level from one period to another.
(A) Value Index Numbers
(B) Quantity Index Numbers
(C) Price Index Number
(D) None of above
24. _____ study the changes in the volume of goods.
(A) Value Index Numbers
(B) Quantity Index Numbers
(C) Price Index Number
(D) None of above
25. _____ covers all those index numbers which measures the changes in total money worth during some period compared with other period.
(A) Value Index Numbers
(B) Quantity Index Numbers
(C) Price Index Number
(D) None of above

Index Numbers

18. _____ is a statistical measure used to compare the average level of magnitude of a group of distinct, but related, items in two or more situations.

26. The base period should be ____ period.
 (A) Abnormal
 (B) Normal
 (C) Unnatural
 (D) None of above
27. Index no. for the base period is always taken as -
 (A) 200
 (B) 50
 (C) 1
 (D) 100
28. ____ play a very important part in the construction of index numbers.
 (A) Weights
 (B) Classes
 (C) Estimations
 (D) None of above
29. ____ is particularly suitable for the construction of index numbers.
 (A) Harmonic mean
 (B) Arithmetic mean
 (C) Geometric mean
 (D) None of above
30. Index nos. show changes rather than absolute amounts of change.
 (A) Relative
 (B) Percentage
 (C) Both (a) and (b)
 (D) None of above
31. Index no. is equal to -
 (A) Sum of price relatives
 (B) Average of the price relatives
 (C) Product of price relative
 (D) None of above
32. Circular Test is one of the tests of -
 (A) Index Numbers
 (B) Hypothesis
 (C) Both (A) and (B)
 (D) None of above
33. Index Numbers are often constructed from the -
 (A) Frequency
 (B) Class
 (C) Sample
 (D) None of above
34. ____ is a point of reference in comparing various data describing individual behaviour.
 (A) Sample
 (B) Base period
 (C) Estimation
 (D) None of above
35. The best average for constructing an index numbers is -
 (A) Arithmetic Mean
 (B) Harmonic Mean
 (C) Geometric Mean
 (D) None of above
36. Fisher's index number is based on -
 (A) The Arithmetic mean of Laspeyre's and Paasche's index numbers
 (B) The Median of Laspeyre's and Paasche's index numbers
 (C) The Mode of Laspeyre's and Paasche's index numbers
 (D) None of above
37. Paasche index is based on -
 (A) Base year quantities
 (B) Current year quantities
 (C) Average of current and base year
 (D) None of these
38. ____ is satisfied by all the index number except simple aggregative formulae.
 (A) Circular test
 (B) Time reversal test
 (C) Factor reversal test
 (D) Unit test
39. ____ requires that the formulae for calculating an index number should give consistent results in both the directions, i.e. forward and backward.
 (A) Circular test
 (B) Time reversal test
 (C) Factor reversal test
 (D) Unit test
40. ____ requires that the product of price index and the corresponding quantity index number should be equal to the value index number.
 (A) Circular test
 (B) Time reversal test
 (C) Factor reversal test
 (D) Unit test

41. _____ is an extension of time reversal test to the case of more than two periods.
- Circular test
 - Time reversal test
 - Factor reversal test
 - Unit test
42. As per _____ test, the index of period 1 with period 0 base should be reciprocal of the index of period 0 with period 1 as base.
- Circular test
 - Time reversal test
 - Factor reversal test
 - Unit test
43. The number of test of adequacy is -
- 2
 - 3
 - 4
 - 5
44. Laspeyre's method and Paasche's method do not satisfy -
- Unit Test
 - Time Reversal Test
 - Factor Reversal Test
 - None of above
45. Fisher's Ideal Formula for calculating index nos. satisfies the _____ tests
- Units Test
 - Factor Reversal Test
 - Both
 - None of above
46. Fisher's Ideal Formula do not satisfy _____ test.
- Units Test
 - Factor Reversal Test
 - Time Reversal Test
 - None of above
47. Time reversal test is satisfied by the _____ only.
- Paasche's index
 - Fisher Index
 - Laspeyre's index
 - None of above
48. Fisher ideal index satisfies -
- Time reversal test
 - Factor reversal test
 - Market test
 - (A) and (B)
49. _____ do not satisfy time reversal, factor reversal and circular tests.
- Laspeyres index numbers
 - Paasche index numbers
 - Laspeyres and Paasche index numbers
 - Fisher Index numbers
50. The circular test is satisfied by -
- Fisher's index number
 - Paasche's index number
 - Laspeyre's index number
 - None of above
51. The factor reversal test is satisfied by -
- Simple aggregative index number
 - Paasche's index number
 - Laspeyre's index number
 - None of above
52. The is satisfied when $P_{ab} \times P_{bc} \times P_{ca} = 1$
- Units Test
 - Factor Reversal Test
 - Circular Test
 - None of above
53. For computing a price index, method is used?
- Simple aggregative
 - Sampling
 - Relative
 - Delphi
54. A weighted aggregate price index where the weight for each item is its base period quantity is known as the -
- Paasche Index
 - Consumer Price Index
 - Producer Price Index
 - Laspeyres Index
55. Paasche's index number is expressed in terms of: -
- $$\frac{\sum P_n Q_n}{\sum P_o Q_n}$$
 - $$\frac{\sum P_o Q_o}{\sum P_n Q_n}$$

$$(C) \frac{\sum P_n Q_n}{\sum P_o Q_n} \times 100$$

$$(D) \frac{\sum P_n Q_o}{\sum P_n Q_o} \times 100$$

Practical MCQ

Use the following information to answer next 3 questions.

Items	Base Year		Current Year	
	P ₀ (₹)	Q ₀	P ₁ (₹)	Q ₁
A	4	20	10	15
B	8	4	16	5
C	2	10	4	12
D	10	5	20	6

56. Laspeyres Price Index Number = ?

- (A) 220.00
- (B) 216.30
- (C) 219.12
- (D) 221.98

57. Paasche Price Index Number = ?

- (A) 220.00
- (B) 216.30
- (C) 219.12
- (D) 221.98

58. Fisher Price Index Number = ?

- (A) 220.00
- (B) 216.30
- (C) 219.12
- (D) 221.98

59. If the price of all commodities in a place has increased 125 times in comparison to the base period prices, the index number of prices for the place is now -

- (A) 100
- (B) 125
- (C) 225
- (D) 400

60. If the index number of prices at a place in 1994 is 250 with 1984 as base year, then the prices have increased on average -

- (A) 250%
- (B) 150%
- (C) 350%
- (D) None of above

61. If the prices of all commodities in a place have decreased 35% over the base period prices, then the index number of prices of that place is now -

- (A) 35
- (B) 135
- (C) 65
- (D) None of above

62. Consumer Price index number for the year 1957 was 313 with 1940 as the base year. The Average Monthly wages in 1957 of the workers into factory be ₹ 160 their real wages is -

- (A) ₹ 48.40
- (B) ₹ 51.12
- (C) ₹ 40.30
- (D) None of above

Use the following information to answer next 2 questions.

Items	2005		2010	
	P ₀ (₹)	Q ₀	P ₁ (₹)	Q ₁
A	2	5	3	4
B	1	2	2	3
C	3	1	4	1

63. Laspeyres Price Index = ?

- (A) 157.33
- (B) 153.14
- (C) 153.33
- (D) 157.14

64. Paasche Price Index = ?

- (A) 157.33
- (B) 153.14
- (C) 153.33
- (D) 157.14

65. From the following data compute Fisher's ideal quantity index.

Items	2009		2010	
	Price (₹)	Total value (₹)	Price (₹)	Total value (₹)
A	5	50	4	48
B	8	48	7	49
C	6	18	5	20

- (A) 120.00
- (B) 120.65
- (C) 130.65
- (D) 115.65

66. From the following data compute Fisher's ideal quantity index.

Items	2009		2010	
	Price (₹)	Quantity	Price (₹)	Quantity
A	4	3	6	2
B	5	4	0	4
C	7	2	9	2
D	2	3	1	5

- (A) 117.3
(B) 115.43
(C) 118.35
(D) 116.48
67. The index number in whole sale prices is 152 for August 2009 compared to August 2008. During the year there is net increase in prices of whole sale commodities to the extent of
- (A) 45%
(B) 35%
(C) 52%
(D) 48%
68. The price level of a country in a certain year has increased 25% over the base period. The index number is -
- (A) 25
(B) 125
(C) 225
(D) 2500
69. If the price of all commodities in a place have increased 125 times in comparison to the base period prices, then the index number of prices for the place is now -
- (A) 100
(B) 125
(C) 225
(D) None of above
70. The wholesale price index number or agricultural commodities in a given region at a given date is 280. The percentage use in prices of agricultural

commodities over the base year is: -

- (A) 380
(B) 280
(C) 180
(D) 80
71. If the 1970 index with base 1965 is 200 and 1965 index with base 1960 is 150, the index 1970 on base 1960 will be: -
- (A) 700
(B) 300
(C) 500
(D) 600
72. The prices of a commodity in the year 1975 and 1980 were 25 and 30 respectively taking 1980 as base year the price relative is: -
- (A) 109.78
(B) 110.25
(C) 113.25
(D) None of above
73. The consumer price Index for April 1985 was 125. The food price index was 120 and other items index was 135. The percentage of the total weight of the index is -
- (A) 66.67
(B) 68.28
(C) 90.25
(D) None of above
74. Compute Paasche's index.

Items	Base Year		Current Year	
	Price (₹)	Quantity	Price (₹)	Quantity
A	4	10	6	15
B	6	15	4	20
C	8	5	10	4

- (A) 125.38
(B) 147.25
(C) 129.8
(D) None of above

Answers

1.	(D)	2.	(C)	3.	(D)	4.	(D)	5.	(D)	6.	(C)	7.	(A)
8.	(C)	9.	(A)	10.	(C)	11.	(B)	12.	(D)	13.	(C)	14.	(B)
15.	(A)	16.	(D)	17.	(A)	18.	(C)	19.	(A)	20.	(C)	21.	(A)
22.	(B)	23.	(C)	24.	(B)	25.	(A)	26.	(B)	27.	(D)	28.	(A)

29.	(C)	30.	(B)	31.	(B)	32.	(A)	33.	(C)	34.	(B)	35.	(C)
36.	(D)	37.	(B)	38.	(D)	39.	(B)	40.	(C)	41.	(A)	42.	(B)
43.	(C)	44.	(B)	45.	(C)	46.	(D)	47.	(B)	48.	(D)	49.	(C)
50.	(A)	51.	(A)	52.	(C)	53.	(A)	54.	(D)	55.	(C)	56.	(D)
57.	(B)	58.	(C)	59.	(C)	60.	(B)	61.	(C)	62.	(B)	63.	(C)
64.	(D)	65.	(B)	66.	(A)	67.	(C)	68.	(B)	69.	(C)	70.	(C)
71.	(B)	72.	(A)	73.	(A)	74.	(D)						

Hints for Practical MCQs

56. to 58.

ITEM	Base Year		Current Year		P ₀ Q ₀	P ₁ Q ₀	P ₀ Q ₁	P ₁ Q ₁
	P ₀	Q ₀	P ₁	Q ₁				
A	4	20	10	15	80	200	60	150
B	8	4	16	5	32	64	40	80
C	2	10	4	12	20	40	24	48
D	10	5	20	6	50	100	60	120
					182	404	184	398

Laspeyres Price Index Number

$$P^L_{01} = \frac{\sum P_1 Q_0}{\sum P_0 Q_0} \times 100 = \frac{404}{182} \times 100 = 221.98$$

Paasche Price Index Number

$$P^P_{01} = \frac{\sum P_1 Q_1}{\sum P_0 Q_1} \times 100 = \frac{398}{184} \times 100 = 216.30$$

Fisher Price Index Number

$$P^F_{01} = \sqrt{\sum P^L_{01} \times P^P_{01}} = \sqrt{(221.98 \times 216.3) \times 100} = 219.12$$

63. to 65.

ITEM	Base Year		Current Year		P ₀ Q ₀	P ₁ Q ₀	P ₀ Q ₁	P ₁ Q ₁
	P ₀	Q ₀	P ₁	Q ₁				
A	2	5	3	4	10	15	8	12
B	1	2	2	3	2	4	3	6
C	3	1	4	1	3	4	3	4
					15	23	14	22

Laspeyres Price Index Number

$$P^L_{01} = \frac{\sum P_1 Q_0}{\sum P_0 Q_0} \times 100 = \frac{23}{15} \times 100 = 153.33$$

Paasche Price Index Number

$$P^P_{01} = \frac{\sum P_1 Q_1}{\sum P_0 Q_1} \times 100 = \frac{22}{14} \times 100 = 157.14$$

DIVISION

4

FUNDAMENTALS OF ACCOUNTING & AUDITING

PART A

FINANCIAL ACCOUNTING

- ◆ THEORETICAL FRAMEWORK
- ◆ ACCOUNTING PROCESS - I
- ◆ ACCOUNTING PROCESS - II (RECTIFICATION OF ERRORS)
- ◆ ACCOUNTING PROCESS - III (CAPITAL & REVENUE ITEMS)
- ◆ BANK RECONCILIATION STATEMENT
- ◆ DEPRECIATION ACCOUNTING
- ◆ FINAL ACCOUNTS (SOLE PROPRIETORS)
- ◆ PARTNERSHIP - PROFIT & LOSS APPROPRIATION ACCOUNT
- ◆ PARTNERSHIP - ADMISSION OF PARTNER
- ◆ PARTNERSHIP - RETIREMENT OF PARTNER
- ◆ PARTNERSHIP - DEATH OF PARTNER & DISSOLUTION
- ◆ JOINT VENTURE
- ◆ CONSIGNMENT
- ◆ ACCOUNTING FOR NON-PROFIT ORGANIZATION
- ◆ INTRODUCTION TO COMPANY ACCOUNTS
- ◆ COMPUTERIZED ACCOUNTING ENVIRONMENT

THEORETICAL FRAMEWORK

MCQ ON THEORY

Definition of Accounting

- _____ is used by business entities for keeping records of their monetary or financial transactions.
 - Accounting
 - Cost accounting
 - Costing
 - Budgetary Control
- Accounting is “the art of recording, classifying and summarizing in a significant manner and in terms of money, transactions and events which are, in part at least, of a financial character and interpreting the results thereof”. This definition is given by –
 - The Institute of Chartered Accountant of India (ICAI)
 - The Institute of Chartered Accountant of England
 - American Institute of Certified Public Accountants
 - The Institute of Chartered Accountant of Pakistan
- Which of the following is/are attribute/s of accounting?
 - Accounting is social science.
 - It involves recording, classifying and summarizing.
 - It records transaction of qualitative nature
 - All of the above
- _____ is the language of business and used to communicate financial and other information to different interested parties like creditors, investors, researchers, governments etc.
 - Accounting
 - Cost Accounting
 - Costing
 - Management Accounting

- Accounting is –
 - An art
 - A science

Select the correct answer from the options given below –

- 1 only
 - 2 only
 - Partly 1 and Partly 2
 - 2 but not 1
- Which of these is not a function of Financial Accounting?
 - To provide financial information to the users of the financial statements.
 - To portray gloomy picture of the business in order to evade tax liabilities.
 - To keep a systematic record of business transactions.
 - To depict a true and fair view of the financial position of the business.

Stages of Accounting

- Accounting involves –
 - Recording
 - Classifying
 - Summarizing

Select the correct answer from the options given below –

- (I)
 - (I) & (III)
 - (I) & (II)
 - All of the above are correct
- Systematically writing down the transactions and events in account books soon after their occurrence is known as –
 - Classifying
 - Recording
 - Summarizing
 - Numbering

9. The process of grouping transactions or entries of the same type at one place is known as –
 (A) Classifying
 (B) Recording
 (C) Summarizing
 (D) Numbering
10. Which of the following involves the preparation of reports and statements from the classified data (ledger) understandable and useful to management and other interested parties?
 (A) Classifying
 (B) Recording
 (C) Summarizing
 (D) All of the above
11. Accounting records only those transactions and events which are of –
 X. Social character
 Y. Financial character
Select the correct answer from the options given below –
 (A) X only
 (B) Y only
 (C) Both X & Y
 (D) None of above
12. The statements prepared by the summarizing process is known as _____ which will show the profit or loss made by the business over a period of time and the total capital employed in the business.
 (A) Financial statements
 (B) Budgeted statements
 (C) Standard cost statements
 (D) All of the above
14. Which of the following is/are not the branch of accounting?
 (A) Cost Accounting
 (B) Financial Accounting
 (C) Human Resources Accounting
 (D) All of the above
15. Which of the following is the branch of accounting?
 (I) Human Resources Accounting
 (II) Social Accounting
 (III) Security Accounting
The correct answer is –
 (A) (I) & (II)
 (B) (II) & (III)
 (C) (I) & (III)
 (D) None of the above

Functions of Accounting

16. Which of the following is/are the main functions of accounting?
 (A) Keeping systematic records
 (B) Protecting and controlling business properties
 (C) Ascertaining the operational profit/loss
 (D) All of the above
17. Which of the following is/are the main functions of accounting?
 1. Allowing credit to customers
 2. Ascertaining the operational profit or loss
 3. Providing leadership to accounting staff
Select the correct answer from the options given below –
 (A) 1 & 3
 (B) 2 only
 (C) 1, 2 & 3
 (D) None of the above

Branches of Accounting

13. Which of the following is/are the branch of accounting?
 (P) Financial Accounting
 (Q) Cost Accounting
 (R) Management Accounting
Select the correct answer –
 (A) (P)
 (B) (Q)
 (C) (R)
 (D) All of the above

Advantages & Limitations of Accounting

18. Which of the following is/are the advantages of accounting?
 (i) Maintenance of legal records
 (ii) Preparation of financial statements
 (iii) Comparison of results
The correct answer is –
 (A) (i) only

- (B) (i) & (ii)
 (C) (ii) only
 (D) (ii) & (iii)
19. Which of the following is/are the advantages of accounting?
 (A) Decision making relating to financial aspect
 (B) Evidence in legal matters relating to accounting
 (C) Provides information to interested parties
 (D) All of the above
20. Which of the following is/are NOT the advantages of accounting?
 (A) Helps in taxation matters
 (B) Valuation of business
 (C) Accounting information is based on estimates.
 (D) All of the above
21. Which of the following is/are NOT the advantages of accounting?
 (A) Protecting and controlling strategic policy formulation
 (B) Preparation of financial statements
 (C) Comparison of results
 (D) All of the above
22. Which of the following is/are the limitations of accounting?
 (A) Accounting information is expressed in terms of money
 (B) Accounting information is based on estimates.
 (C) Accounting information may be biased.
 (D) All of the above
23. Which of the following is/are the limitations of accounting?
 (A) Accounting can be manipulated
 (B) Money as a measurement unit changes in value
 (C) Accounting information is based on estimates.
 (D) All of the above
24. Which of the following is/are not the limitations of accounting?
 (A) Provides information to interested parties
 (B) Accounting information is expressed in terms of money

- (C) Accounting information is based on estimates.
 (D) All of the above

Book Keeping & Accounting

25. _____ is mainly concerned with recording of financial data relating to the business operations in a significant and orderly manner.
 (A) Accounting
 (B) Book-keeping
 (C) Posting
 (D) Journalizing
26. _____ covers procedural aspects of accounting work and includes record keeping function.
 (A) Accounting
 (B) Book-keeping
 (C) Posting
 (D) Journalizing
27. Book-keeping is concerned with the _____ of transactions while Accounting is concerned with the _____ of the recorded transactions.
 (A) Recording, summarizing
 (B) Summarizing, Recording
 (C) Posting, Recording
 (D) Summarizing, Posting
28. Which among the following constitutes the base for accounting?
 (A) Book-keeping
 (B) Posting
 (C) Analyzing
 (D) None of above
29. Financial statement do not form part of book keeping.
 (A) True
 (B) False
 (C) Partly true
 (D) None of above
30. Financial position of the business is ascertained on the basis of –
 A. Book-keeping
 B. Accounting reports
 The correct answer is –
 (A) Both A and B
 (B) B only

- (C) Either A or B
- (D) A only

System of Accounting

31. _____ is a system in which accounting entries are made only when cash is received or paid.
 - (A) Accrual system of accounting
 - (B) Cash system of accounting
 - (C) Hybrid system of accounting
 - (D) Mercantile system of accounting
32. _____ is a system in which transactions are recorded on the basis of amounts having become due for payment or receipt.
 - (A) Accrual system of accounting
 - (B) Cash system of accounting
 - (C) Hybrid system of accounting
 - (D) None of the above
33. Which of the following has no relevance whether the receipts pertain to previous period or future period?
 - (A) Accrual system of accounting
 - (B) Cash system of accounting
 - (C) Hybrid system of accounting
 - (D) None of the above
34. _____ is incompatible with the matching principle of income determination.
 - (A) Accrual system of accounting
 - (B) Cash basis of accounting
 - (C) Hybrid system of accounting
 - (D) None of the above
35. _____ attempt to record the financial effects of the transactions, events, and circumstances of an enterprise in the period in which they occur rather than recording them in period(s) in which cash is received or paid by the enterprise.
 - (A) Accrual system of accounting
 - (B) Cash basis of accounting
 - (C) Hybrid system of accounting
 - (D) None of the above
36. Cash system of accounting is suitable in which of the following cases?
 - (A) Where the organization is very small or in the case of individuals
 - (B) Where credit transactions are almost negligible and collections are uncertain
 - (C) Both (A) & (B)
 - (D) Neither (A) nor (B)
37. Doctors, lawyers, firms of chartered accountants/ Company Secretaries generally follows _____ of accounting
 - (A) Accrual system of accounting
 - (B) Cash basis of accounting
 - (C) Hybrid system of accounting
 - (D) None of the above
38. Which of the following is/are the essential features of accrual basis of accounting?
 - (A) Revenue is recognized when cash is received
 - (B) Costs are matched against revenues on the basis of relevant time period to determine periodic income.
 - (C) Costs which are not charged to income are carried forward and are kept under continuous review.
 - (D) Both (B) & (C)
39. Which of the following is/are the essential features of accrual basis of accounting?
 - (I) Revenue is recognized only when cash is received.
 - (II) Costs are matched against revenues on the basis of relevant time period to determine periodic income.
 - (III) Costs which are not charged to income are carried forward and are kept under continuous review.
 - (IV) Receipts or incomes are recorded as and when cash is received or becomes due on the other hand payments are recorded only when cash is actually paid.

The correct answer is –

 - (A) (I) & (IV) only
 - (B) (I), (III) & (IV) only
 - (C) (III) & (IV) only
 - (D) (II) & (III) only

Users of Accounting Information

40. Accounting is of primary importance to the –
 - (A) Proprietors and the managers
 - (B) Creditors and workers
 - (C) Debtors & government
 - (D) Bankers & creditors

41. Financial statements can be used by –

- (A) Owners
- (B) Creditors
- (C) Investors
- (D) All of the above

42. Which of the following are internal users of accounting information's?

- (A) Board of directors
- (B) Partners
- (C) Managers
- (D) All of the above

43. Which of the following is/are external users of accounting information's?

- (A) Shareholders/investors
- (B) Creditors
- (C) Government agencies
- (D) All of the above

44. Which of the following would be considered as external users of accounting information's?

- (A) Board of Directors
- (B) Shareholders
- (C) Finance manager
- (D) Sales manager

45. Select the odd one in relation to users of accounting information's.

- (A) Officers
- (B) Managers
- (C) Debtors
- (D) Board of directors

46. Regulatory Agencies interested as users of accounting information's includes –

- (A) Various Government departments
- (B) Agencies such as Company Law Board (CLB)
- (C) Registrar of Companies (ROC)
- (D) All of the above

Characteristics of Accounting Information

47. Which of the following is characteristic of accounting information?

- P. Relevance
- Q. Reliability
- R. Comparability

Select the correct answer from the options given below –

- (A) P
- (B) Q
- (C) R
- (D) All of the above

48. Which of the following is/are characteristics of accounting information?

- (A) Understandability
- (B) Timeliness
- (C) Cost-benefit
- (D) All of the above

49. Which of the following is not characteristic of accounting information?

- (A) Understandability
- (B) Relevance
- (C) Future transactions
- (D) Completeness

50. Which of the following is characteristic of accounting information?

- (A) Verifiability
- (B) Neutrality
- (C) Completeness
- (D) All of the above

Role of Accountant

51. Which of the following is/are can be treated as role of accountant?

- (A) Personnel management
- (B) Innovations & environmental scanning
- (C) Advisory role in taxation
- (D) All of the above

52. Which of the following is/are cannot be treated as role of accountant?

- (A) Strategy formulation
- (B) Internal Audit
- (C) Statutory Audit
- (D) Maintenance of Books of Account

53. Which of the following is/are can be treated as role of accountant?

- (A) Maintenance of Books of Account
- (B) Taxation services
- (C) Investigation of accountants
- (D) All of the above

Accounting Concepts

54. _____ are defined as basic assumptions on the basis of which financial statements of a business entity are prepared.
- (A) Accounting concepts
 - (B) Accounting methods
 - (C) Both (A) & (B)
 - (D) None of above

55. Which of the following is/are the common accounting concepts?
- (I) Business entity concept
 - (II) Measurement concept
 - (III) Concern concept

Select the correct answer from the options given below –

- (A) (I)
 - (B) (II)
 - (C) (III)
 - (D) All of the above
56. Which of the following is the common accounting concept?
- (A) Dual policy concept
 - (B) Periodicity audit concept
 - (C) Cost concept
 - (D) All of the above
57. Which of the following is the common accounting concept?
- W. Accrual concept
 - X. Evidence concept
 - Y. Matching concept
 - Z. Reliability concept

Select the correct answer from the options given below –

- (A) X & Z
 - (B) W only
 - (C) W, Y & Z
 - (D) W & Y
58. Business is treated as an entity separate from its owners, creditors, managers and others. This is as per –
- (A) Money Measurement
 - (B) Business Entity Concept
 - (C) Going Concern Concept
 - (D) Dual Aspect Concept
59. The various assets acquired by a concern or firm should be recorded on the basis of the actual

amounts involved or spent. This is the assertion of –

- (A) Money Measurement
 - (B) Cost concept
 - (E) Going Concern Concept
 - (C) Dual Aspect Concept
60. Accounting is a measurement and communication process of the activities of the firm that are measurable in monetary terms.
- (A) Money Measurement
 - (B) Cost concept
 - (C) Going Concern Concept
 - (D) Dual Aspect Concept
61. As per _____ business transactions are recorded on the assumption that the business will continue for a long-time.
- (A) Money Measurement
 - (B) Cost concept
 - (C) Dual aspect concept
 - (D) Going concern concept
62. If the Going Concern concept is no longer valid, which of the following is true?
- (A) All prepaid assets would be completely written-off immediately
 - (B) Total contributed capital and retained earnings would remain unchanged
 - (C) Intangible assets would continue to be carried at net amortized historical cost
 - (D) Land held as an investment would be valued at its realizable value
63. If the assumption of the going concern is not valid, the financial statements should –
- (A) Not be necessary to clearly state this fact.
 - (B) Clearly state this fact.
 - (C) Clearly state this fact if it suggested by auditor.
 - (D) Clearly state this fact if it suggested by internal auditor.
64. As per which concept, a clear distinction is made between assets and expenses?
- (A) Money measurement
 - (B) Cost concept
 - (C) Dual aspect concept
 - (D) Going concern concept

65. Non-monetary events like, death, dispute, sentiments, efficiency etc. are _____ in the books, even though these may have a great effect.
- Not recorded
 - Recorded
 - Recorded if suggested by external auditors
 - Recorded if suggested by internal auditors
66. According to "Business entity concept", business is treated as separate from its –
- Owners
 - Creditors
 - Managers
 - None of the above
67. _____ form of business organization is the exception to the going concern concept.
- Consignment
 - Partnership
 - Joint venture
 - Limited liability partnership
68. _____ concept is based on double entry book-keeping which means that accounting system is set up in such a way that a record is made of the two aspects of each transaction that affects the records.
- Money measurement
 - Cost concept
 - Going concern concept
 - Dual aspect concept
69. The transactions recorded through accounting equation are based on –
- Money measurement
 - Cost concept
 - Going concern concept
 - Dual aspect concept
70. Revenue is recognized only when a sale is made. This is as per –
- Accrual concept
 - Realization concept
 - Accounting period concept
 - Revenue match concept
71. Which financial statement represents the accounting equation, $\text{Assets} = \text{Liabilities} + \text{Owner's equity}$.
- Income statement
 - Statement of cash flows
 - Balance sheet
 - None of the above
72. _____ period is normally adopted for accounting purpose.
- 6 months
 - 12 months
 - 9 months
 - 24 months
73. As per _____ concepts in order to determine the profit earned or loss suffered by the business in a particular defined accounting period, it is necessary that expenses of the period should be matched with the revenues of that period.
- Accrual concept
 - Realization concept
 - Accounting period concept
 - Revenue match concept
74. Going concern concept is not followed by –
- Banks
 - Partnership
 - Companies
 - Joint ventures

Accounting Conventions

75. Which of the following is accounting convention?
- Convention of consistency
 - Convention of materiality
 - Convention of disclosure
 - All of the above
76. According to the _____, accountants should report only what is material and ignore insignificant details while preparing the final accounts.
- Convention of disclosure
 - Convention of materiality
 - Convention of consistency
 - All of the above
77. Apart from statutory requirements good accounting practice also demands all significant information should be fully and fairly disclosed in the financial statements. This is as per –
- Convention of disclosure
 - Convention of materiality
 - Convention of consistency
 - Convention of conservatism

78. The accountant should not anticipate income and should provide for all possible losses. This is as per –
 (A) Convention of disclosure
 (B) Convention of materiality
 (C) Convention of consistency
 (D) Convention of conservatism
79. As per _____ if the accountant is faced with the choice between two methods of valuing an asset the accountant should choose a method which leads to the lesser value.
 (A) Convention of disclosure
 (B) Convention of Conservatism
 (C) Convention of materiality
 (D) Convention of consistency
80. Provisions for bad debts in respect of doubtful debts are made due to –
 (A) Convention of Conservatism
 (B) Convention of disclosure
 (C) Convention of materiality
 (D) Convention of consistency
81. Closing stock in hand valued at lower of cost or market value due to –
 (A) Convention of Conservatism
 (B) Convention of disclosure
 (C) Convention of materiality
 (D) Convention of consistency
82. The concept of conservatism when applied to the balance sheet results in –
 (A) Understatement of assets
 (B) Overstatement of assets
 (C) Overstatement of capital
 (D) None of the above
83. Which of the following is an accounting convention?
 (A) Consistency
 (B) Accrual
 (C) Going concern
 (D) Realization
84. As per convention of conservatism, if the accountant is faced with the choice between two methods of valuing _____, the accountant should choose a method which leads to the lesser value.
 (A) An asset
 (B) A liability
 (C) Expenses
 (D) Revenue
85. Closing stock is valued at market price or cost price whichever is less as per –
 (A) Convention of disclosure
 (B) Convention of materiality
 (C) Convention of consistency
 (D) Convention of conservatism
86. _____ principle requires that the same accounting method should be used from one accounting period to the next.
 (A) Conservatism
 (B) Consistency
 (C) Business entity
 (D) Money measurement
87. Which of the following is not an accounting convention?
 (A) Consistency
 (B) Disclosure
 (C) Going concern
 (D) Conservatism
88. Which of the following practices is not in consonance with the convention of conservatism?
 (A) Creating provision for bad debts
 (B) Creating provision for discount on creditors
 (C) Creating provision for discount on debtors
 (D) Creating provision for tax

Accounting Standards

89. Accounting Standards (ASs) are written policy documents may be issued by –
 X. Expert accounting body
 Y. Government
 Z. Other regulatory body
Select the correct answer from the options given below –
 (A) X but not Y and Z
 (B) Y but not X and Z
 (C) Z but not X and Y
 (D) All X, Y & Z
90. Accounting standards are –
 (A) Written policy documents issued by expert accounting body
 (B) Set of broad accounting policies to be followed by an entity.

- (C) Set in the form of general principles
(D) All of the above
91. Accounting standards cover the aspects of ____ of accounting transactions in the financial statements.
(A) Recognition
(B) Measurements
(C) Presentation and disclosure
(D) Any of the above
92. In India Accounting standards are issued by –
(A) ICSI
(B) ICAI
(C) ICWA
(D) RBI
93. Accounting standards are issued for the purpose of –
(A) Improving reliability of financial statements
(B) Harmonizing diverse accounting practices
(C) Elimination of non-comparability between financial statements
(D) All of the above
94. The Institute of Chartered Accountants of India (ICAI) constituted the ____, with a view to harmonizing the diverse accounting policies and practices in use in India.
(A) Standards Board of Accounting (SBA)
(B) Accounting Standards Board (ASB)
(C) Accounting Standards Committee (ASC)
(D) Accounting Committee (AC)
95. The Institute of Chartered Accountants of India (ICAI) constituted the Accounting Standards Board (ASB) on ____, with a view to harmonizing the diverse accounting policies and practices in use in India.
(A) 2nd Oct, 1977
(B) 21st April, 1977
(C) 15th Aug, 1977
(D) 21st April, 1997
96. The ICAI so far has issued ____ accounting standards.
(A) 29
(B) 30
(C) 32
(D) 35
97. Accounting standards are issued for the purpose of –
(a) Improving dependability of financial statements
(b) Auditing work becomes easy task for the auditor
(c) Elimination of non-comparability between financial statements
- The correct answer is –*
(A) (a) only
(B) (b) only
(C) (c) only
(D) All of the above
98. AS – 3 deals with
(A) Accounting for government grants
(B) Accounting for amalgamations
(C) Cash Flow Statement
(D) Fund Flow Statement
99. AS – 11 deals with
(A) Accounting for government grants
(B) Accounting for foreign exchange transaction
(C) Cash Flow Statement
(D) Fund Flow Statement

Accounting policies & Estimates

100. ____ refer to the specific accounting principles and the methods of applying those principles adopted by the enterprise in the preparation and presentation of financial statements.
(A) Accounting methods
(B) Accounting policies
(C) Accounting concepts
(D) Accounting assumptions
101. Accounting policies followed by organizations –
(A) Can be changed every year.
(B) Should be consistently followed from year to year
(C) Can be changed after 5 years
(D) None of the above
102. When a change in accounting policy is justified?
(A) To comply with accounting standard
(B) To ensure more appropriate presentation of the financial statement of the enterprise
(C) To comply with law
(D) All of the above
103. It is essential to standardize the accounting principles and policies in order to ensure –

- (A) Transparency
- (B) Profitability
- (C) Reputation
- (D) All of the above

104. Different accounting policies can be adopted in following areas –

- (A) Stock valuation
- (B) Investment valuation
- (C) Charging depreciation
- (D) All of the above

105. A specific accounting policy refers to –

- (A) Principles
- (B) Methods of applying those principals
- (C) Both (A) & (B)
- (D) None of the above

106. The determination of the amount of bad debts is an accounting –

- (A) Policy
- (B) Estimate
- (C) Parameter
- (D) None of the above

Accounting is a measurement discipline

107. Generally, which of the following measurement bases are usually accepted in accounting parlance?

- (A) Historical Cost
- (B) Current Cost
- (C) Realizable Value
- (D) Any of the above

108. Book value & Market value of machinery on 31.3.2019 was ₹ 1,00,000 & ₹ 1,10,000 respectively. As on 31.3.2019, if the company values the machinery at ₹ 1,10,000, which of the following valuation principle is being followed –

- (A) Historical Cost
- (B) Present Value
- (C) Realisable Value
- (D) Current Cost

On the basis of following information answer next 4 questions.

Mohan purchased a machinery amounting ₹ 10,000 on 1.4.2010.

On 31.3.2019, similar machinery could be purchased for ₹ 20,000 but the realizable value of the machinery (purchased on 1.4.2010) was estimated at ₹ 15,000. The present discounted

value of the future net cash inflows that the machinery was expected to generate in the normal course of business, was calculated as ₹ 12,000.

109. The current cost of the machinery is –

- (A) ₹ 10,000
- (B) ₹ 20,000
- (C) ₹ 15,000
- (D) ₹ 12,000

110. The present value of machinery is –

- (A) ₹ 10,000
- (B) ₹ 20,000
- (C) ₹ 15,000
- (D) ₹ 12,000

111. The historical cost of machinery is –

- (A) ₹ 10,000
- (B) ₹ 20,000
- (C) ₹ 15,000
- (D) ₹ 12,000

112. The realizable value of machinery is –

- (A) ₹ 10,000
- (B) ₹ 20,000
- (C) ₹ 15,000
- (D) ₹ 12,000

113. Property, plant and equipment are conventionally presented in the balance sheet at –

- (A) Replacement cost less accumulated depreciation
- (B) Historical cost less salvage value
- (C) Historical cost less depreciation portion thereof
- (D) Original cost adjusted for general price-level changes

Accounts and its classification

114. According to _____ Dictionary for Accountants, an account has been defined as a formal record of a particular type of transactions expressed in money.

- (A) Kohler's
- (B) Oxfords
- (C) Chate
- (D) Taxmann

115. All accounts are classified into –

- (A) Personal
- (B) Real

- (C) Nominal accounts
(D) Any of the above
116. Accounts recording transactions with a person or group of persons are known –
(A) Personal accounts
(B) Real accounts
(C) Nominal accounts
(D) impersonal accounts
117. Personal accounts is of the following types.
(A) Natural, Real, Representative
(B) Artificial, Legal, Nominal
(C) Natural, Artificial, Representative
(D) Any of the above
118. An account recording transactions with an individual human being is termed as a –
(A) Artificial or legal persons account
(B) Natural persons' personal account
(C) Representative personal accounts
(D) Any of the above
119. Accounts relating to properties or assets are known as –
(A) Real Accounts
(B) Personal Accounts
(C) Nominal Accounts
(D) None of above
120. An account recording financial transactions with an artificial person created by law or otherwise are termed as –
(A) Artificial or legal persons account
(B) Natural persons' personal account
(C) Representative personal accounts
(D) Any of the above
121. Real accounts can be further classified into –
(A) Tangible
(B) Intangible
(C) (A) or (B)
(D) None of above
122. Accounts which represent a certain person or group of persons are termed as –
(A) Artificial or legal persons account
(B) Natural persons personal account
(C) Representative personal accounts
(D) Any of the above
123. The process of balancing of an account involves equalization of both sides of the account. If the debit side of an account exceeds the credit side, the difference is put on the credit side. The said balance is –
(i) A debit balance
(ii) A credit balance
(iii) An expenditure or an asset
(iv) An income or a liability
Select the correct answer from the options given below –
(A) Only (ii) above
(B) Only (iv) above
(C) Both (i) and (iii) above
(D) Both (ii) and (iii) above
124. Which of the following types of accounts represent assets and properties which can be seen, touched, felt, measured, purchased and sold?
(A) Tangible real accounts
(B) Intangible real accounts
(C) Representative personal accounts
(D) Artificial or legal persons account
125. Accounts relating to income, revenue, gain expenses and losses are termed as –
(A) Real Accounts
(B) Personal Accounts
(C) Nominal Accounts
(D) None of above
126. _____ represent assets and properties which cannot be seen, touched or felt but they can be measured in terms of money.
(A) Tangible real accounts
(B) Intangible real accounts
(C) Representative personal accounts
(D) Artificial or legal persons account
127. The rule for nominal accounts is –
(A) Debit the receiver, Credit the giver
(B) Debit what comes in, Credit what goes out
(C) Debit all expenses and losses, Credit all incomes and gains
(D) All of the above
128. The rule for personal accounts is –
(A) Debit the receiver, Credit the giver
(B) Debit what comes in, Credit what goes out

- (C) Debit all expenses and losses, Credit all incomes and gains
(D) All of the above
- 129.** The rule for real accounts is –
(A) Debit the receiver, Credit the giver
(B) Debit what comes in, Credit what goes out
(C) Debit all expenses and losses, Credit all incomes and gains
(D) All of the above
- 130.** Kamal's account, Mala's account, Sharma's accounts are example of –
(A) Artificial or legal persons personal account
(B) Natural persons' personal account
(C) Representative personal accounts
(D) Any of the above
- 131.** Firm's accounts, limited companies accounts, educational institutions accounts, co-operative society account are example of –
(A) Artificial or legal persons personal account
(B) Natural persons' personal account
(C) Representative personal accounts
(D) Any of the above
- 132.** Prepaid insurance, outstanding salaries are example of –
(A) Tangible real accounts
(B) Intangible real accounts
(C) Representative personal accounts
(D) Artificial or legal persons account
- 133.** Wages account, rent account, commission account, Interest received account are examples of –
(A) Real Accounts
(B) Personal Accounts
(C) Nominal Accounts
(D) None of above
- 134.** Goodwill accounts, patents account, trademarks account, copyrights account are examples of –
(A) Tangible real accounts
(B) Intangible real accounts
(C) Representative personal accounts
(D) Artificial or legal persons account
- 135.** Provision for doubtful debts account, stock reserve account etc. are –
(A) Valuation (Personal) accounts
(B) Artificial or legal persons personal account
(C) Tangible real accounts
(D) Nominal Accounts
- 136.** _____ is an intangible real account.
(A) Land
(B) Building
(C) Goodwill
(D) Cash
- 137.** Purchase is –
(A) Real Accounts
(B) Personal Accounts
(C) Nominal Accounts
(D) None of above
- 138.** Sales is –
(A) Real Accounts
(B) Personal Accounts
(C) Nominal Accounts
(D) None of above
- 139.** Discount allowed is –
(A) Real Accounts
(B) Personal Accounts
(C) Nominal Accounts
(D) None of above
- 140.** Drawing account is –
(A) Real Accounts
(B) Personal Accounts
(C) Nominal Accounts
(D) None of above
- 141.** Prepaid salary is –
(A) Real Account
(B) Personal Account
(C) Nominal Account
(D) None of above
- 142.** Bad debt recovered is –
(A) Real Account
(B) Personal Account
(C) Nominal Account
(D) None of above
- 143.** Patents account is –
(A) Real Account
(B) Personal Account
(C) Nominal Account
(D) None of above

144. Bill payable account is –
(A) Real Account
(B) Personal Account
(C) Nominal Account
(D) None of above
145. Proprietor's account is –
(A) Real Account
(B) Personal Account
(C) Nominal Account
(D) None of above
146. Rent account is –
(A) Real Account
(B) Personal Account
(C) Nominal Account
(D) None of above
147. Trading account is a –
(A) Personal account
(B) Real account
(C) Nominal account
(D) Valuation account
148. Outstanding wages is a –
(A) Real Account
(B) Personal Account
(C) Nominal Account
(D) None of above
149. Which of the following account is tangible real account?
(A) Patent
(B) Goodwill
(C) Machinery
(D) Creditors
150. Which of the following account is the artificial personal account?
(A) ICICI Bank A/c
(B) Neelam A/c
(C) Wages A/c
(D) Machinery A/c
151. Which of the following account is the odd one?
(A) Salary A/c
(B) Wages A/c
(C) Rent A/c
(D) Outstanding Salary A/c
152. Which of the following account is the odd one?
(A) Cash A/c
(B) Wages A/c
(C) Building A/c
(D) Machinery A/c
153. Which of the following account is the odd one?
(A) Office furniture & equipment
(B) Freehold land & buildings
(C) Stock of materials
(D) Plant & machinery
154. At the end of the accounting year all the nominal accounts of the ledger book are –
(A) Balanced but not transferred to profit and loss account
(B) Not balanced and also the balance is not transferred to the profit and loss account
(C) Balanced and the balance is transferred to the balance sheet
(D) Not balanced and their balance is transferred to the profit and loss account.
- Classification – Revenue, Expense, Asset & Liability**
155. Salary can be classified as –
(A) Revenue
(B) Expense
(C) Asset
(D) Liability
156. Equipment can be classified as –
(A) Revenue
(B) Expense
(C) Asset
(D) Liability
157. Accounts payable/creditors can be classified as –
(A) Revenue
(B) Expense
(C) Asset
(D) Liability
158. Stock can be classified as –
(A) Revenue
(B) Expense
(C) Asset
(D) Liability

159. Profit can be classified as –
 (A) Revenue
 (B) Expense
 (C) Asset
 (D) Liability
160. Building can be classified as –
 (A) Revenue
 (B) Expense
 (C) Asset
 (D) Liability
161. Accounts receivable/Debtors can be classified as –
 (A) Revenue
 (B) Expense
 (C) Asset
 (D) Liability
162. Capital can be classified as –
 (A) Revenue
 (B) Expense
 (C) Asset
 (D) Liability
163. Which of the following is a fictitious asset?
 (A) Cash account
 (B) Goodwill account
 (C) Preliminary expenses
 (D) Trademark account
164. Trademark is –
 (A) Tangible account
 (B) Intangible account
 (C) Fictitious asset
 (D) Nominal account
165. Which of the following are current assets of a business?
 (i) Income received in advance
 (ii) Stock
 (iii) Debtors
 (iv) Pre-paid expenses
 (v) Accrued income
- Select the correct answer from the options given below –*
 (A) Both (i) and (iv) of the above
 (B) Both (ii) and (iii) of the above
 (C) (i), (ii) and (iii) of the above
 (D) (ii), (iii), (iv) and (v) of the above

Single & Double Entry System

166. There are _____ systems of keeping records.
 (A) Single Entry System & Double Accounts System
 (B) Single Account System & Double Accounts System
 (C) Single Entry System & Double Entry System
 (D) Single Entry System & Duplicate account system
167. Which system of accounts recognizes the fact that every transaction has two aspects and records both aspects of each and every transaction?
 (A) Single entry system
 (B) Double entry system
 (C) Double account system
 (D) Duplicate account system
168. In double entry system of book-keeping every business transaction affects:
 (A) Two accounts with equal but opposite effect.
 (B) Two sides of the same account.
 (C) The same account on two different dates.
 (D) All of the above
169. As per the provisions of the Companies Act, 2013, companies must maintain their accounts under –
 (A) Double account system
 (B) Single entry system
 (C) Double entry system
 (D) Duplicate account system
170. Which of the following is/are merit of double entry system?
 (A) It keeps a complete record of business transactions.
 (B) It provides a check on the arithmetical accuracy of accounts
 (C) The detailed profit and loss account can be prepared to show profits earned or loss suffered during any given period.
 (D) All of the above
171. Which of the following accounting equation is correct?
 (A) Assets + Capital = Liabilities
 (B) Assets + Liabilities = Capital
 (C) Assets + Liabilities + Capital = Nil
 (D) None of the above

172. If an individual asset is increased, there will be a corresponding –
- (A) Increase of another asset or increase of capital
 - (B) Decrease of another asset or increase of liability
 - (C) Decrease of specific liability or decrease of capital
 - (D) Increase of drawings and liability
173. Which of the following equation is correct?
- (A) Capital + Liabilities = Fixed Assets + Current Assets
 - (B) Capital + Liabilities – Current Assets = Fixed Assets
 - (C) Assets = Liabilities + Capital
 - (D) All of the above
174. Which of the financial statement represents the accounting equation?
- (A) Manufacturing account
 - (B) Cash flow statement
 - (C) Balance sheet
 - (D) Profit and loss account
175. Difference between assets and outsiders liability is –
- (A) Creditors
 - (B) Capital
 - (C) Drawings
 - (D) Bills payable
- (A) When an enterprise was set up for a particular purpose, which has been achieved, or to be achieved shortly
- (B) When a receiver or liquidator has been appointed in case of as a company which is to be liquidated
- (C) Fixed assets are acquired for use in the business for earning revenues and are not meant for resale
- (D) When an enterprise is declared sick
178. R Ltd. purchased equipment from P Ltd. for ₹ 50,000 on 1st April, 2019. The freight and cartage of ₹ 2,000 is spent to bring the asset to the factory and ₹ 3,000 is incurred on installing the equipment to make it possible for the intended use. The market price of machinery on 31st April, 2020 is ₹ 60,000 and the accountant of the company wants to disclose the machinery at ₹ 60,000 in financial statements. However, the auditor emphasizes that the machinery should be valued at ₹ 55,000 (50,000 + 2,000 + 3,000) according to
- (A) Money measurement principle
 - (B) Historical cost concept
 - (C) Full disclosure principle
 - (D) Revenue recognition
179. The cost of a small calculator is accounted as an expense and not shown as an asset in a financial statement of a business entity due to –
- (A) Convention of materiality
 - (B) Matching concept
 - (C) Periodicity concept
 - (D) Convention of Conservatism
180. A businessman purchased goods for ₹ 25,00,000 and sold 80% of such goods during the accounting year ended 31st March, 2019. The market value of the remaining goods was ₹ 4,00,000. He valued the closing stock at cost. He violated the concept of –
- (A) Periodicity
 - (B) Conservatism
 - (C) Money measurement
 - (D) Cost
181. Assets should be valued at the price paid to acquire them is based on –
- (A) Realization concept
 - (B) Cost concept
 - (C) Matching concept
 - (D) Periodicity concept

Practical MCQ

176. Mr. N purchased a furniture costing ₹ 13,000 on 1st October, 2018. Transportation and installation charges were incurred amounting ₹ 1,300 and ₹ 520 respectively. Dismantling charges of the old furniture in place of which new furniture was purchased amounted ₹ 1,300. Market value of the furniture was estimated at ₹ 15,600 on 31st March 2019. While finalizing the annual accounts, Mr. N values the furniture at ₹ 15,600 in his books. Which of the following concepts was violated by Mr. N?
- (A) Realization concept
 - (B) Cost concept
 - (C) Matching concept
 - (D) Periodicity concept
177. State the case where the going concern concept is applied?

182. If a machinery is purchased for ₹ 1,00,000, the asset would be recorded in the books at ₹ 1,00,000 even if its market value at that time happens to be ₹ 1,40,000. In case a year after, the market value of this asset comes down to ₹ 90,000, it will ordinarily continue to be shown at ₹ 1,00,000 and not at ₹ 90,000 due to –
- Realization concept
 - Present value concept
 - Cost concept
 - Money measurement concept
183. According to which concept, the owner of an enterprise pays the 'interest on drawings'?
- Conservatism concept
 - Dual aspect concept
 - Entity concept
 - Accrual concept
184. Mr. Ashok buys clothing of ₹ 50,000 paying cash ₹ 20,000. What is the amount of expense as per the accrual concept?
- ₹ 30,000
 - ₹ 20,000
 - ₹ 50,000
 - Nil
185. Capital = ₹ 1,00,000, Outsiders liability = ₹ 2,50,000, Total assets = ?
- 3,50,000
 - 1,50,000
 - 2,00,000
 - 1,75,000
186. Fixed assets = ₹ 5,50,000, Current assets = ₹ 2,25,000, Current liabilities = ₹ 1,50,000, Bank Loan = ₹ 1,75,000. Capital = ?
- 3,50,000
 - 5,50,000
 - 4,50,000
 - 6,50,000
187. Current Assets – Current liabilities = ?
- Working capital
 - Capital
 - Debtors
 - Owners equity
188. On 1.1.2019, CS N S Zad paid rent of ₹ 25,000 for Zads Professional Academy. This can be classified as –
- An event
 - A transaction
 - A transaction as well as an event
 - Neither a transaction nor an event
189. Mr. Bhandari purchased a car for ₹ 50,000, making a down payment of ₹ 10,000 and signing a ₹ 40,000 bill payable due in 60 days. As a result of this transaction –
- Total assets increased by ₹ 50,000
 - Total liabilities increased by ₹ 40,000
 - Total assets increased by ₹ 40,000
 - Total assets increased by ₹ 40,000 with corresponding increase in liabilities by ₹ 40,000
190. Accounting policy for inventories of X Ltd. states that inventories are valued at the lower of cost or net realizable value. Which accounting principle is followed in adopting the above policy?
- Materiality
 - Prudence
 - Substance over form
 - All of the above
191. On 31.3.2019 after sale of goods ₹ 2,000, Neelam is left with the closing inventory of ₹ 10,000. This is –
- An event
 - A transaction
 - A transaction as well as an event
 - Neither a transaction nor an event
192. X Ltd., purchased goods for ₹ 5,00,000 and sold 9/10th of the value of goods for ₹ 6,00,000. Net expenses during the year were ₹ 25,000. The company reported its net profit as ₹ 75,000. Which of the following concept is violated by the company?
- Realization
 - Conservation
 - Matching
 - Accrual
193. Mr. Nachiket, owner of Furniture Shop, owns a personal residence that cost ₹ 6,00,000, but has a market value of ₹ 9,00,000. During preparation of the financial statement for the business, the entire value of property was ignored and was not shown in the financial statements. The principle that was followed was –
- The concept of the business entity
 - The concept of the cost principle
 - The concept of going concern principle
 - The concept of duality principle

194. If rights and beneficial interest in a property is transferred but documentation and legal formalities are pending then seller & purchaser should record in their accounts as sale & purchase. Which principle is applied here?
- (A) Prudence
(B) Substance over form
(C) Materiality
(D) All of the above
195. Provisions for doubtful debts, provision for discount on debtors are based on –
- (A) Prudence
(B) Substance over form
(C) Materiality
(D) All of the above
196. Purposes of an accounting system include all the following except –
- (A) Interpret and record the effects of business transaction
(B) Classify the effects of transactions to facilitate the preparation of reports
(C) Summarize and communicate information to decision makers
(D) Dictate the specific types of business enterprise transactions that the enterprises may engage in.

Answers

1.	(A)	2.	(C)	3.	(B)	4.	(A)	5.	(C)	6.	(B)	7.	(D)
8.	(B)	9.	(A)	10.	(C)	11.	(B)	12.	(A)	13.	(D)	14.	(C)
15.	(D)	16.	(D)	17.	(B)	18.	(D)	19.	(D)	20.	(C)	21.	(A)
22.	(D)	23.	(D)	24.	(A)	25.	(A)	26.	(B)	27.	(A)	28.	(A)
29.	(A)	30.	(B)	31.	(B)	32.	(A)	33.	(B)	34.	(B)	35.	(A)
36.	(C)	37.	(B)	38.	(D)	39.	(D)	40.	(A)	41.	(D)	42.	(D)
43.	(D)	44.	(B)	45.	(C)	46.	(D)	47.	(D)	48.	(D)	49.	(C)
50.	(D)	51.	(C)	52.	(A)	53.	(D)	54.	(A)	55.	(A)	56.	(C)
57.	(D)	58.	(B)	59.	(B)	60.	(A)	61.	(D)	62.	(D)	63.	(B)
64.	(D)	65.	(A)	66.	(A)	67.	(C)	68.	(D)	69.	(D)	70.	(B)
71.	(C)	72.	(B)	73.	(D)	74.	(D)	75.	(D)	76.	(B)	77.	(A)
78.	(D)	79.	(B)	80.	(A)	81.	(A)	82.	(A)	83.	(A)	84.	(A)
85.	(D)	86.	(B)	87.	(C)	88.	(B)	89.	(D)	90.	(D)	91.	(D)
92.	(B)	93.	(D)	94.	(B)	95.	(B)	96.	(C)	97.	(C)	98.	(C)
99.	(B)	100.	(B)	101.	(B)	102.	(D)	103.	(A)	104.	(D)	105.	(C)
106.	(B)	107.	(D)	108.	(C)	109.	(B)	110.	(D)	111.	(A)	112.	(C)
113.	(C)	114.	(A)	115.	(D)	116.	(A)	117.	(C)	118.	(B)	119.	(A)
120.	(A)	121.	(C)	122.	(C)	123.	(C)	124.	(A)	125.	(C)	126.	(B)
127.	(C)	128.	(A)	129.	(B)	130.	(B)	131.	(A)	132.	(C)	133.	(C)
134.	(B)	135.	(A)	136.	(C)	137.	(A)	138.	(A)	139.	(C)	140.	(B)
141.	(B)	142.	(C)	143.	(A)	144.	(B)	145.	(B)	146.	(C)	147.	(C)
148.	(B)	149.	(C)	150.	(A)	151.	(D)	152.	(B)	153.	(C)	154.	(D)
155.	(B)	156.	(C)	157.	(D)	158.	(C)	159.	(A)	160.	(C)	161.	(C)
162.	(D)	163.	(C)	164.	(B)	165.	(D)	166.	(C)	167.	(B)	168.	(A)
169.	(C)	170.	(D)	171.	(D)	172.	(B)	173.	(D)	174.	(C)	175.	(B)
176.	(B)	177.	(C)	178.	(B)	179.	(A)	180.	(B)	181.	(B)	182.	(C)
183.	(C)	184.	(C)	185.	(A)	186.	(C)	187.	(A)	188.	(B)	189.	(D)
190.	(B)	191.	(A)	192.	(C)	193.	(A)	194.	(B)	195.	(A)	196.	(D)

Hints for Important Practical MCQs

176. As per 'cost concept' all fixed assets should be valued at 'historical cost', so furniture will appear in balance sheet at $13,000 + 1,300 + 520 + 1,300 = 16,120$. This amount of cost will be the basis for all subsequent accounting for the assets. The costs concept does not mean that the assets will always be shown at costs. The fixed assets will be recorded at cost at the time of its purchase but it may systematically be reduced in its value by charging depreciation.
177. According to going concern concept business transactions are recorded on the assumption that the business will continue for a long time. It is on this concept that a clear distinction is made between assets and expenses. However, if it is certain that a business will not continue for a limited period, then there is no need to follow this concept, e.g. joint venture formed for limited period.
178. As per 'cost concept' all fixed assets should be valued at 'historical cost', so machinery will appear in balance sheet at $50,000 + 2,000 + 3,000 = 55,000$. This amount of cost will be the basis for all subsequent accounting for the assets. The costs concept does not mean that the assets will always be shown at costs. The fixed assets will be recorded at cost at the time of its purchase but it may systematically be reduced in its value by charging depreciation.
179. According to the 'Convention of Materiality' accountants should report only what is material and ignore insignificant details while preparing the final accounts. The decision is to be made by accounts or the auditor on the basis of his professional experience.

185.

Liabilities	₹	Assets	₹
Capital	1,00,000	Net Assets	3,50,000
Outsiders liability	2,50,000		
	3,50,000		3,50,000

186.

Liabilities	₹	Assets	₹
Capital (Bal. Fig.)	4,50,000	Fixed assets	5,50,000
Bank Loan	1,75,000	Current assets	2,25,000
Current liabilities	1,50,000		
	7,75,000		7,75,000

ACCOUNTING PROCESS – I

Accounting cycle

1. Accounting cycle or accounting process includes –

(X) Journalizing (Summarizing)
(Y) Posting to ledger (Recording)
(Z) Final account (Classifying)

Find the correct match.

- (A) (X)
(B) (Y)
(C) All (X), (Y) & (Z)
(D) None of the above
2. _____ includes identifying, recording, classifying and summarizing the transactions.
(A) Accounting posting
(B) Accounting cycle
(C) Tally of accounts
(D) All of the above
3. In which order the accounting transactions and events are recorded in the books?
(A) Journal, Subsidiary books, Ledger and Trial Balance
(B) Ledger, Journal, Ledger, and Trial Balance.
(C) Subsidiary books, Ledger and Trial Balance and Journal.
(D) Profit and loss account, Ledger, Balance sheet, Journal.

Journal, Ledger & Subsidiary Books

4. Journal is the book of _____ in which every transaction is recorded before being posted into the ledger.
(A) Primary entry
(B) Secondary entry
(C) Third entry
(D) None of above
5. _____ is a book in which all the business transactions are originally recorded in chronological

order and from which they are posted to the ledger accounts at any convenient time.

- (A) Ledger
(B) Journal
(C) Purchases returns books
(D) Sales book
6. Journal has _____ columns.
(A) 4
(B) 5
(C) 3
(D) 6
7. Transactions which are inter-connected and have taken place simultaneously are recorded by means of a –
(A) Adjustment entry
(B) Combined journal entry
(C) Either (A) or (B)
(D) Closing entry
8. _____ is the principal book of accounts where similar transactions relating to a particular person or property or revenue or expense are recorded.
(A) Ledger
(B) Journal
(C) Purchases returns books
(D) Sales book
9. Ledger is the _____ of accounts where similar transactions relating to a particular person or property or revenue or expense are recorded.
(A) Principal book
(B) Primary entry book
(C) Third entry book
(D) None of above
10. _____ is a book of account; in which all types of accounts relating to assets, liabilities, capital, expenses and revenues are maintained.
(A) Ledger

- (B) Journal
(C) Primary entry book
(D) None of above
11. The process of recording transaction in journal is termed as –
(A) Balancing
(B) Posting
(C) Journalizing
(D) None of above
12. Process of recording transaction in ledger is known as –
(A) Balancing
(B) Posting
(C) Journalizing
(D) None of above
13. Journal is book of –
(A) Analytical record
(B) Chronological record
(C) Alphabetical record
(D) None of above
14. Ledger is book for –
(A) Analytical record
(B) Chronological record
(C) Alphabetical record
(D) None of above
15. The process of equalizing the two sides of an account by putting the difference on the side where amount is short is known as –
(A) Balancing
(B) Posting
(C) Journalizing
(D) None of above
16. Journal and ledger records transactions in –
(A) A chronological order and analytical order respectively.
(B) An analytical order and chronological order respectively.
(C) A chronological order only
(D) An analytical order only.
17. Ledger book is popularly known as –
(A) Secondary book of accounts
(B) Principal book of accounts
(C) Subsidiary book of accounts
(D) None of the above
18. At the end of the accounting year all the nominal accounts of the ledger book are –
(A) Balanced but not transferred to profit and loss account
(B) Not balanced and also the balance is not transferred to the profit and loss account
(C) Balanced and the balance is transferred to the balance sheet
(D) Not balanced and their balance is transferred to the profit and loss account.
19. The sub-division of journal into various subsidiary journals in which transactions of similar nature are recorded are called –
(A) Subsidiary books
(B) Ledger
(C) Journal
(D) Analytical record
20. Which of the following is/are the subsidiary books?
(A) Primary Book
(B) Bills Payable Book
(C) Purchases Book
(D) (B) & (C)
21. Which of the following is/are the subsidiary books?
(A) Purchases Book
(B) Sales Book
(C) Bills Receivable Book
(D) All of the above
22. Which of the following is/are the subsidiary books?
(A) Purchases Returns Book
(B) Sales Returns Book
(C) Cash Book
(D) All of the above
23. Which of the following is/are not subsidiary books?
(A) Purchases Returns Book
(B) Cash Book
(C) Journal proper
(D) All of the above
24. Purchases book is meant for recording the _____ of goods
(A) Credit purchase
(B) Cash purchase

- (C) Budgeted purchases
(D) Both (A) and (B)
25. Cash purchases are recorded in –
(A) Purchases Book
(B) Cash Book
(C) Purchases Returns Book
(D) Partly in Cash Book and partly in Journal Proper
26. Purchases day book records –
(A) All cash purchases
(B) All credit purchases
(C) Credit purchases of trading goods
(D) All of the above
27. The total of the purchases day book is posted periodically to the debit of –
(A) Purchases account
(B) Cash book
(C) Journal proper
(D) None of these
28. In the Sales Book _____ of goods are recorded.
(A) Cash sale
(B) Credit sale
(C) Budgeted sales
(D) All of the above
29. Cash sales are recorded in –
(A) Journal proper
(B) Sales Book
(C) Cash Book
(D) All of the above
30. Credit sale of various assets or investments will be recorded in –
(A) General Journal
(B) Sales Book
(C) Cash Book
(D) Purchase book
31. _____ records the details of goods returned by the business organization to the supplier(s).
(A) Sales Returns Book
(B) Purchase returns books
(C) Journal proper
(D) All of the above
32. When the goods are returned to the supplier, a _____ is sent to him.
(A) Credit note
(B) Debit note
(C) Thank you note
(D) All of the above
33. The total amount column of the sales return book is –
(A) Credited to purchases returns account
(B) Debited to sales return account
(C) Credited to sales return account
(D) Debited to purchases returns account
34. The total amount column of the purchases return book is –
(A) Credited to purchases returns account
(B) Debited to sales return account
(C) Credited to sales return account
(D) Debited to purchases returns account
35. Goods Outward Journal is meant for recording all returns of goods –
(A) Purchased on credit
(B) Purchased on cash
(C) Sold on credit
(D) Sold on cash
36. The details of goods returned by the customers to the business organization are recorded in _____ book.
(A) Sales Returns Book
(B) Purchase returns books
(C) Journal proper
(D) All of the above
37. _____ is used to record the details of bills receivable by the business organization.
(A) Purchases Book
(B) Bills Payable Book
(C) Bills Receivable Book
(D) None of the above
38. _____ is used to record the particulars of all the bills payable accepted by the business organization for the purpose of paying amounts due to its creditors.
(A) Journal proper
(B) Bills Payable Book
(C) Bills Receivable Book
(D) Sales Book
39. The total of the amount of the bills receivable book is posted to the _____ in the ledger.

- (A) Dr. of bills payable account
 (B) Cr. of bills payable account
 (C) Dr. of bills receivable account
 (D) Dr. of bills receivable account
40. The total of the amount of the bills payable book is posted to the _____ in the ledger.
 (A) Dr. of bills payable account
 (B) Cr. of bills payable account
 (C) Dr. of bills receivable account
 (D) Dr. of bills receivable account
41. When fixed assets or stationeries are purchased on credit, the entries are passed in the
 (A) General journal
 (B) Purchase day book
 (C) Purchase Account
 (D) Any of the above
42. Which of the following books is used to record purchase of machinery by cash?
 (A) Cash book
 (B) Purchases book
 (C) Journal proper
 (D) Purchases returns book
43. When obsolete assets are sold on credit, these are originally recorded in the –
 (A) Sales day book
 (B) Sale Account
 (C) General journal
 (D) Any of the above
- (B) Cr. Balance
 (C) Dr. or Cr. Balance
 (D) None of the above
47. Which of the following is/are features of cash book?
 (A) It performs the functions of both journal and ledger at the same time.
 (B) Cash receipts are recorded in the credit side and cash payments are recorded in the debit side.
 (C) It records two aspect of transaction i.e. cash & credit.
 (D) All of the above
48. Which of the following is/are features of cash book?
 (A) All cash transactions are recorded chronologically in the cash book.
 (B) It records only one aspect of transaction i.e. cash.
 (C) It performs the functions of both journal and ledger at the same time.
 (D) All of the above
49. Which of the following is type of cash book?
 (A) Single Column Cash Book
 (B) Two Columnar Cash Book
 (C) Three Columnar Cash Book
 (D) All of the above
50. Which of the following is the kind of a cash book?
 (A) Single column cash book
 (B) Double-column cash book
 (C) Three-column cash book
 (D) All of the above
51. Cash book is a type of _____ but treated as a _____ of accounts.
 (A) Principal book; subsidiary book
 (B) Subsidiary book; principal book
 (C) Principal book; principal book
 (D) Subsidiary book; subsidiary book
52. Which of the following is not a column of a three-column cash book?
 (A) Discount column
 (B) Petty cash column
 (C) Bank column
 (D) Cash column

Cash Book

44. _____ is the book in which all transactions concerning cash receipts and cash payments are recorded.
 (A) Journal proper
 (B) Cash book
 (C) Sales Book
 (D) Purchases Book
45. Cash Book is in the form of –
 (A) Journal
 (B) An account
 (C) Statement
 (D) All of the above
46. Balance of cash column in cash book has –
 (A) Dr. balance

53. Rent due for the month of March will appear –
(A) On the payment side of the cash book
(B) On the receipt side of the cash book
(C) Nowhere in the cash book
(D) As a contra entry
54. The cash book records –
(A) All cash payments
(B) All cash receipts
(C) All cash receipts and payments
(D) Cash and credit sale of goods.
55. Which of the column of the cash book can have credit opening or closing balance?
(A) Cash column
(B) Bank column
(C) Discount column
(D) (B) & (C)
56. Which of the column of the cash book is never balanced –
(A) Cash column
(B) Bank column
(C) Discount column
(D) None of the above
57. Cash account is –
(A) Personal account
(B) Real account
(C) Nominal account
(D) Valuation account
58. Total of debit side discount column of cash book is posted to –
(A) Cr. of Discount Received A/c
(B) Dr. of Discount Received A/c
(C) Cr. of Discount Allowed A/c
(D) Dr. of Discount Allowed A/c
59. The debit balance of a cash account shows –
(A) Amount receivable
(B) Amount payable
(C) Cash in hand
(D) Liability
60. Contra entry appears in –
(A) Purchases Returns Book
(B) Cash Book
(C) Journal proper
(D) All of the above
61. Contra entries are passed only when –
(A) Simple cash book is prepared
(B) Three-column cash book is prepared
(C) Double-column cash book is prepared
(D) None of the above
62. If a transaction involves both cash and bank account, it is entered on both sides of the cash book, one in the cash column and second in the bank column, though on opposite sides. This is called –
(A) Journal entry
(B) Adjustment entry
(C) Contra entry
(D) Combined entry
63. Payments in cash of small amounts like travelling expenses, postage, carriage etc. are recorded in the –
(A) Main Cash book
(B) Petty cash book.
(C) Cash budget
(D) Journal proper
64. The balance in the petty cash book is –
(A) a liability
(B) an asset
(C) a profit
(D) an expense
65. Which of the following is/are advantages of the imprest system?
(A) It saves the time of the chief cashier
(B) It reduces the chances of misuse of cash by the petty cashier.
(C) It enables a great saving to be effected in the posting of small items to the ledger accounts.
(D) All of the above
66. The petty cashier generally works on _____ system.
(A) Balancing
(B) Accrual
(C) Matching
(D) Imprest
67. Petty Cash Book may be treated as a –
(A) Part of the double entry system
(B) Merely as a memoranda book

(C) Either (A) or (B)

(D) None of the above

68. Which of the following statements is/are true?

(i) Cash book records all cash receipts and cash payments

(ii) Cash book records all sale and purchase transactions of goods both in cash and on credit.

(iii) Cash book records discount on cash payments

Select the correct answer from the options given below –

(A) Only (i) of the above

(B) Only (ii) of the above

(C) Only (iii) of the above

(D) Both (i) and (iii) of the above

Opening, Closing & Adjustment Entries

69. _____ are passed at the beginning of the financial year to open the books by recording the assets, liabilities and capital appearing in the balance sheet of the previous year.

(A) Transfer Entries

(B) Adjustment Entries

(C) Closing Entries

(D) Opening Entries

70. _____ are used at the end of the accounting year for closing of accounts relating to expenses and revenues.

(A) Transfer Entries

(B) Adjustment Entries

(C) Closing Entries

(D) Opening Entries

71. Opening, closing and adjustment entries are recorded in –

(A) Purchase Book

(B) Sales Book

(C) Petty Cash Book

(D) Journal Proper

72. At the end of the accounting year, _____ are to be passed for outstanding/prepaid expenses, accrued income/income received in advance etc.

(A) Transfer Entries

(B) Adjustment Entries

(C) Closing Entries

(D) Opening Entries

73. _____ are passed in the general journal for transferring an item entered in one account to another account.

(A) Transfer Entries

(B) Adjustment Entries

(C) Closing Entries

(D) Opening Entries

74. _____ are passed for rectifying errors which might have committed in the books of account.

(A) Transfer Entries

(B) Adjustment Entries

(C) Rectification Entries

(D) Opening Entries

Trial balance

75. A _____ is a schedule or list of balances of both debit and credit extracted from various accounts.

(A) Profit & Loss Account

(B) Balance Sheet

(C) Cash Flow Statement

(D) Trial balance

76. It is a check on the accuracy of posting. If the trial balance agrees it proves that –

1. The books are arithmetically accurate

2. Both the aspects of the transactions have been correctly recorded in the books of original entry as well as in the ledger.

The correct answer is –

(A) 1 but not 2

(B) 2 but not 1

(C) Both 1 & 2

(D) Either 1 or 2

77. At the end of the accounting period or at the end of each month, the balances of the ledger accounts are extracted and _____ is prepared to test as to whether the total debits are equal to total credits.

(A) Profit & Loss Account

(B) Balance Sheet

(C) Cash Flow Statement

(D) Trial balance

78. Which of the following is/are method for preparation of trial balance?

(A) Balances Method

(B) Totals Method

- (C) Both (A) & (B)
(D) None of the above
79. If the trial balance do not agree after transferring the balance of all ledger accounts including cash and bank balance and also errors are not located timely, then the trial balance is tallied by transferring the difference of debit and credit side to an account known as –
(A) Memorandum Account
(B) Capital Account
(C) Suspense Account
(D) Drawing Account
80. The balances of all assets accounts, expenses accounts, losses, drawings are placed in the _____ of the trial balance.
(A) Credit column
(B) Debit column
(C) Ledger folio
(D) None of the above
81. The balances of all liabilities accounts, income accounts, profits, capital are placed in the _____ of the trial balance.
(A) Credit column
(B) Debit column
(C) Ledger folio
(D) None of the above
82. A trial balance will not balance if –
(A) Correct journal entry is posted twice.
(B) The purchase on credit basis is debited to purchases and credited to cash.
(C) ₹ 500 cash payment to creditors is debited to creditors for ₹ 50 and credited to cash as ₹ 500.
(D) None of the above.
83. All expense and _____ accounts appearing in the trial balance are transferred to the trading and profit and loss account.
(A) Loss
(B) Asset
(C) Liability
(D) Revenue
84. After the preparation of ledgers, the next step is the preparation of –
(A) Trading accounts
(B) Trial balance
(C) Profit and loss account
(D) None of the above
85. Difference of totals of both debit and credit side of the trial balance is transferred to –
(A) Miscellaneous account
(B) Difference account
(C) Trading account
(D) Suspense account
86. Bank overdraft is shown on the _____ side of trial balance
(A) Credit
(B) Debit
(C) None
(D) Both
87. After preparing the trial balance the accountant finds that the total of debit side is short by ₹ 1,500. This difference will be –
(A) Credited to suspense account
(B) Debited to suspense account
(C) Adjusted to any of the debit balance account
(D) Adjusted to any of the credit balance account

Practical MCQ

88. Purchase of furniture on cash for ₹ 1,50,000 will be recorded in –
(A) Sales Book
(B) Purchase Book
(C) General Journal
(D) Cash Book
89. Purchased goods for ₹ 90,000 from Mr. N on credit will be recorded in –
(A) Sales Book
(B) Purchase Book
(C) Journal Proper (General Journal)
(D) Cash Book
90. ₹ 3,50,000 cash paid to creditors for settlement of credit purchases will be recorded in –
(A) Sales Book
(B) Purchase Book
(C) Journal Proper (General Journal)
(D) Cash Book
91. Sold furniture on cash for ₹ 1,50,000 will be recorded in –
(A) Sales Book

- (B) Purchase Book
(C) Journal Proper (General Journal)
(D) Cash Book
92. Sold goods for ₹ 90,000 to Mr. Z on credit will be recorded in –
(A) Sales Book
(B) Purchase Book
(C) Journal Proper (General Journal)
(D) Cash Book
93. Received cash of ₹ 2,00,000 from debtors for settlement of credit sales will be recorded in –
(A) Sales Book
(B) Purchase Book
(C) Journal Proper (General Journal)
(D) Cash Book
94. Mr. N returns the goods of ₹ 50,000 purchased on credit to Mr. Z. This transaction will be recorded by Mr. N in _____ and by Mr. Z in _____
(A) Sales Return Book, Purchases Return Book
(B) Purchases Return Book, Sales Return Book
(C) Sales Return Book, Sales book
(D) Purchases Return Book, Purchase Book
95. If Mr. Z draws the bill of exchange for ₹ 75,000 on Mr. N. This transaction will be recorded by Mr. Z in _____ and by Mr. N in _____
(A) Bills Receivable Book, Bills Payable Book
(B) Bills Payable Book, Bills Receivable Book
(C) Bills receivable book, Purchases Book
(D) Bills Payable Book, Sales Book
96. An allowance of ₹ 50 was offered for an early payment of cash of ₹ 1,050. It will be recorded in –
(A) Sales Book
(B) Purchase Book
(C) Journal Proper (General Journal)
(D) Cash Book
97. A second hand motor car was purchased on credit from B & Co. for ₹ 10,000. It will be recorded in –
(A) Journal Proper (General Journal)
(B) Cash Book
(C) Purchase Book
(D) Sales Book
98. Goods were sold on credit basis to Mr. Ram for ₹ 10,000. It will be recorded in –
(A) Journal Proper (General Journal)
(B) Cash Book
(C) Purchase Book
(D) Sales Book
99. Accounting for recovery from Mr. C of an amount of ₹ 2,000 earlier written off as bad debt will be recorded in –
(A) Sales book
(B) Purchase book
(C) Journal Proper (General Journal)
(D) Cash book
100. Credit purchase of stationery worth ₹ 5,000 by a stationery dealer will be recorded in –
(A) Journal Proper (General Journal)
(B) Cash book
(C) Purchase book
(D) Sales book
101. A bills receivable of ₹ 10,000, which was received from a debtor in full settlement for a claim will be recorded in –
(A) Bills receivable book
(B) Journal proper (General Journal)
(C) Purchases return Book
(D) Purchase book
102. Purchased goods from Shyam worth ₹ 50,000 on credit basis will be recorded in –
(A) Purchase book
(B) Bills payable book
(C) Sales book
(D) Purchase return book
103. Outstanding salary of ₹ 34,000 to be provided in the accounts will be recorded in –
(A) Bills receivable book
(B) Journal proper (General Journal)
(C) Purchases Return Book
(D) Purchase book
104. A debit note for ₹ 20,000 issued to Mr. Z for goods returned by us is to be accounted for in –
(A) Bills receivable book
(B) General journal
(C) Purchases return book
(D) Purchase book
105. Investment was sold in cash for ₹ 1,00,000 at par will be recorded in –

- (A) Cash book
(B) General journal
(C) Purchases return book
(D) Purchase book
106. Investment was sold on credit for ₹ 1,00,000 at par will be recorded in –
(A) Cash book
(B) General journal
(C) Purchases return book
(D) Purchase book
107. Salary paid in cash – ₹ 50,000 will be recorded in –
(A) General journal
(B) Cash book
(C) Purchases return book
(D) Purchase book
108. Cash sales for ₹ 5,00,000 will be recorded in –
(A) General journal
(B) Cash book
(C) General journal
(D) Sales book
109. NSZ Ltd. makes payments to its sundry creditors through cheques and the cash discount received on these payments is recorded in the triple-columnar cash book. In the event of dishonour of any such cheques, the discount so received should be written back through –
(i) A debit to discount column of the cash book.
(ii) A credit to discount column of the cash book.
(iii) A credit to bank column of the cash book.
(iv) A debit to discount account through journal proper.
(v) A credit to creditor's account through journal proper.
- Select the correct answer from the options given below –
(A) Only (i) of the above
(B) Only (ii) of the above
(C) Both (i) & (iii) of the above
(D) Both (iv) & (v) of the above

Answers

1.	(D)	2.	(B)	3.	(A)	4.	(A)	5.	(B)	6.	(B)	7.	(B)
8.	(A)	9.	(A)	10.	(B)	11.	(C)	12.	(B)	13.	(B)	14.	(A)
15.	(A)	16.	(A)	17.	(B)	18.	(D)	19.	(A)	20.	(D)	21.	(D)
22.	(D)	23.	(D)	24.	(A)	25.	(B)	26.	(C)	27.	(A)	28.	(B)
29.	(C)	30.	(A)	31.	(B)	32.	(B)	33.	(B)	34.	(A)	35.	(A)
36.	(A)	37.	(C)	38.	(B)	39.	(C)	40.	(B)	41.	(A)	42.	(A)
43.	(C)	44.	(B)	45.	(B)	46.	(A)	47.	(A)	48.	(D)	49.	(D)
50.	(D)	51.	(B)	52.	(B)	53.	(C)	54.	(C)	55.	(B)	56.	(C)
57.	(B)	58.	(D)	59.	(C)	60.	(B)	61.	(B)	62.	(C)	63.	(B)
64.	(B)	65.	(D)	66.	(D)	67.	(C)	68.	(D)	69.	(D)	70.	(C)
71.	(D)	72.	(B)	73.	(A)	74.	(C)	75.	(D)	76.	(C)	77.	(D)
78.	(C)	79.	(C)	80.	(B)	81.	(A)	82.	(C)	83.	(D)	84.	(B)
85.	(D)	86.	(A)	87.	(B)	88.	(D)	89.	(B)	90.	(D)	91.	(D)
92.	(A)	93.	(D)	94.	(B)	95.	(A)	96.	(D)	97.	(A)	98.	(D)
99.	(D)	100.	(C)	101.	(A)	102.	(A)	103.	(B)	104.	(C)	105.	(A)
106.	(B)	107.	(B)	108.	(B)	109.	(D)						

ACCOUNTING PROCESS – II

(RECTIFICATION OF ERRORS)

MCQ on Theory

1. _____ are the errors committed by persons responsible for recording and maintaining accounts of a business firm in the course of accounting process.
 - (A) Marketing error
 - (B) Accounting errors
 - (C) Planning error
 - (D) All of the above
2. Accounting errors may be in the form of and due to -
 - (A) Omitting the transactions to record
 - (B) Recording in wrong books
 - (C) Recording in wrong account or wrong totalling
 - (D) All of the above
3. Unintentional omission or commission of amounts and accounts in the process of recording transactions are known as -
 - (A) Misinterpretation
 - (B) Frauds
 - (C) Errors
 - (D) None of the above
4. An agreement of the trial balance does not prove that -
 - (A) All transactions have been correctly analyzed and recorded in the proper accounts
 - (B) All transactions have been recorded in the books of original entry.
 - (C) Both (A) & (B)
 - (D) None of above
5. Errors other than _____ are called clerical errors.
 - (A) Errors of principle
 - (B) Errors of omission
 - (C) Complete omission
 - (D) Partial omission
6. _____ arise as a result of some act of omission on the part of the person responsible for the maintenance of books of account.
 - (A) Errors of commission
 - (B) Errors of omission
 - (C) Compensating errors
 - (D) Errors of principle
7. When any particular transaction has not at all been entered in the journal or in the book of original entry, it cannot be posted into the ledger at all, such error are known as -
 - (A) Errors of partial omission
 - (B) Errors of complete omission
 - (C) Errors of principle
 - (D) Compensating errors
8. _____ arises due to some positive act of commission on the part of the person responsible for the maintenance of the books of account.
 - (A) Errors of principle
 - (B) Complete omissions
 - (C) Compensating errors
 - (D) Errors of commission
9. _____ are neutralizing in nature, hence one error is compensated by other error or errors of opposite nature.
 - (A) Errors of principle
 - (B) Complete omissions
 - (C) Compensating errors
 - (D) Errors of commission
10. Mistake in balancing an account is -
 - (A) Errors of principle
 - (B) Errors of commission
 - (C) Errors of omission
 - (D) Complete omission
11. Mistake in transferring the balance of an account to the trial balance or omitting to write the balance of an account in the trial balance is

- (A) Errors of principle
(B) Errors of commission
(C) Errors of omission
(D) Compensating errors
12. Wages paid for installation of machinery debited to wages account. This is -
(A) Errors of commission
(B) Errors of partial omission
(C) Errors of principle
(D) Not a error at all
13. Making an entry on the wrong side is -
(A) Errors of principle
(B) Compensating errors
(C) Errors of omission
(D) Errors of commission
14. A mistake in the casting of subsidiary books is -
(A) Errors of commission
(B) Errors of principle
(C) Compensating errors
(D) Errors of omission
15. Which of the following will disturb the balancing of the trial balance?
(A) Entering an acquisition of an asset, on credit terms, in the purchases day book
(B) Posting to an asset account instead of an expenditure account
(C) Entering a wrong amount in a book of prime entry
(D) Error in adding up a book of prime entry
16. Compensating errors do not affect the agreement of -
(A) Trial balance
(B) Cash flow statement
(C) Fund flow statement
(D) None of the above
17. If accountant does not post the journal entry in journal, it will be classified as -
(A) Errors of principle
(B) Errors of commission
(C) Compensating errors
(D) Errors of complete omission
18. Error of commission arises when -
(A) Any transaction is incorrectly recorded, either wholly or partially
(B) Any transaction is left wholly
(C) Any transaction is recorded in a fundamentally incorrect manner
(D) None of these
19. If purchase amounting to ₹ 12,000 posted as ₹ 2,000 and sales amounting to ₹ 12,000 posted as ₹ 2,000 then it will be classified as -
(A) Errors of complete omission
(B) Compensating errors
(C) Errors of partial omission
(D) Errors of principle
20. Accounting errors can be classified into -
(A) Errors of principle
(B) Clerical errors
(C) Both (A) & (B)
(D) None of the above
21. Clerical errors are further classified into -
(A) Errors of omission
(B) Errors of commission
(C) Compensating errors
(D) Any of the above
22. The difference in trial balance is transferred to _____ if the errors are not identified.
(A) Suspense Account
(B) Memorandum Account
(C) Capital Account
(D) Profit & Loss Account
23. _____ is opened to rectify the entries in the next according period which involves nominal accounts.
(A) Memorandum Adjustment Account
(B) Profit & Loss Adjustment Account
(C) Capital Adjustment Account
(D) Suspense Account
24. _____ arise because of the failure to differentiate between capital expenditure and revenue expenditure and capital receipts and revenue receipts.
(A) Errors of partial omission
(B) Errors of complete omission
(C) Errors of principle
(D) Compensating errors
25. If a transaction is entered more than one time, it is known as -
(A) Duplicating error

- (B) Errors of complete omission
 - (C) Errors of principle
 - (D) Compensating errors
26. Which of the following error can be disclosed by trial balance?
- (A) Wrong totaling of subsidiary books
 - (B) Posting of an amount on the wrong side
 - (C) Omission to post an amount into ledger on one side
 - (D) All of the above
27. Which of the following error can be disclosed by trial balance?
- (A) Posting wrong amount on one side
 - (B) Error in balancing
 - (C) Wrong totaling of subsidiary books
 - (D) All of the above
28. Which of the following error cannot be disclosed by trial balance?
- (A) Error of principle
 - (B) Compensating errors
 - (C) Error of complete omission
 - (D) All of the above
29. Which of the following error can be disclosed by trial balance?
- (A) Error of principle
 - (B) Error in balancing
 - (C) Duplicating error
 - (D) All of the above
30. Which of the following error can affect the agreement of trial balance?
- (A) Wrong totalling of subsidiary books
 - (B) Error of principle
 - (C) Compensating errors
 - (D) All of the above
31. Which of the following errors will not affect the agreement of trial balance?
- (A) Errors of Complete Omission
 - (B) Compensatory Errors
 - (C) Errors of Principle
 - (D) All of the above
32. Which of the following errors will not affect the agreement of trial balance?
- (A) Recording wrong amount in subsidiary book and in account of customer or creditor
 - (B) Errors of duplication
 - (C) Errors of complete omission
 - (D) All of the above
33. Indicate which of the following errors will cause the trial balance to be out of balance?
- (A) A debit to an incorrect expense account.
 - (B) A credit to an expense account instead of a credit to an income account.
 - (C) A debit to an asset account instead of credit to a liability account.
 - (D) A credit to an income account instead of a credit to an expense account.
34. If the amount is posted in the wrong account or it is written on the wrong side of the account, it is called -
- (A) Error of omission
 - (B) Error of commission
 - (C) Error of principle
 - (D) Compensating error
35. The preparation of a trial balance is for locating -
- (A) Errors of complete commission
 - (B) Clerical errors
 - (C) Errors of principle
 - (D) All of the above
36. Which of the following is true?
- (A) Error of casting affects personal accounts
 - (B) Omission of a transaction from a subsidiary record affects only one account
 - (C) Error of carry forward affects two accounts
 - (D) Error of principle involves an incorrect allocation of expenditure or receipt between capital and revenue
37. Which of the following errors will not be revealed by the trial balance?
- (A) Errors of principle
 - (B) Wrong balancing of an account
 - (C) Wrong totalling of an account
 - (D) All of the above
38. Which of the following errors will be revealed by the trial balance?
- (A) Errors of principle
 - (B) Compensating errors
 - (C) Wrong balancing of an account
 - (D) Both (A) & (B)

39. Which of the following statement is true?
- Error of totalling is an error of principal.
 - Agreement of trial balance is not affected by error of principal.
 - Error of principal does not affect profit & loss for the period.
 - All of the above
40. Treating a revenue expense as a capital expenditure is an example of -
- Compensating errors
 - Errors of principle
 - Errors of omission
 - Errors of commission
41. Which of the following errors will affect the trial balance?
- Repairs to building wrongly debited to Building A/c
 - Total of Purchase Journal by ₹ 1,000 short
 - Freight paid on new machinery debited to Freight A/c
 - None of the above
42. An expense on major repairs of machinery purchased second hand has been debited to repairs account; it involves an error of -
- Error of omission
 - Error of commission
 - Error of principle
 - Compensating error
43. While finalizing the current year accounts, the company realized that an error was made in the calculation of closing stock of the previous year. In the previous year, closing stock was valued more by ₹ 50,000. As a result -
- Previous year profit is overstated and current year profit is also overstated.
 - Previous year profit is understated and current year profit is overstated.
 - Previous year profit is overstated and current year profit is understated.
 - There will be no impact on the profit of either the previous year or the current year.
44. Which of the following errors is an error of omission?
- Sale was written in the purchases journal.
 - Wages paid to Mohan have been debited to his account.
 - The total of the sales journal has not been posted to the Sales Account.
 - None of the above
45. Which of the following statements is correct?
- The trial balance is prepared after preparing the profit and loss account.
 - The trial balance shows only balances of assets and liabilities
 - The trial balance shows only nominal account balances.
 - The trial balance has no statutory importance from the point of view of law.
46. Which of the following statements is true?
- If a trial balance tallies, it always means that none of the transactions has been completely omitted.
 - A trial balance will not tally if a transaction is omitted.
 - A customer to whom goods have been sold on credit cannot avail himself of a cash discount.
 - A credit balance in the pass book indicates excess of deposits over withdrawals.
47. Which of the following statements is/are true?
- An error in casting the subsidiary books is an error of commission.
 - An error in wrong casting of the sales day book will not affect the personal accounts of debtors.
 - Mistake in transferring the balance of an account to the trial balance will not affect the agreement of the trial balance.
 - The mistake of treating a liability as an income or *vice versa* will not affect the agreement of a trial balance.
- The correct answer is -*
- Only (i) of the above
 - Only (ii) of the above
 - Both (i) and (ii) of the above
 - (i), (ii) and (iv) of the above
- Practical MCQ**
48. An entry for the goods sold to Madhav for ₹ 1,020 was posted to his account as ₹ 1,200. If rectification is done before preparation of trial balance then which of the following is correct?

- (A) Suspense A/c Dr. 180
To Madhav A/c 180
- (B) Profit & Loss Adj. A/c Dr. 180
To Madhav A/c 180
- (C) Credit Madhav with ₹ 180 saying "By Excess debit for sales ₹ 180".
- (D) Debit Madhav with ₹ 180 saying "To Excess debit for sales ₹ 180".
49. ₹ 1,000 being the monthly total of discount allowed to customers was credited to discount account in the ledger. If rectification is done before preparation of trial balance then which of the following is correct?
- (A) Discount A/c Dr. 2,000
To Suspense A/c 2,000
- (B) Discount A/c Dr. 2,000
To Suspense A/c 2,000
- (C) Credit the Discount Account with ₹ 2,000 saying "To Rectification of wrong credit of ₹ 1,000 for discount allowed.... ₹ 2,000.
- (D) Debit the Discount Account with ₹ 2,000 saying "By Rectification of wrong credit of ₹ 1,000 for discount allowed.... ₹ 2,000.
50. If an amount paid for servicing vehicles has been posted in error to Motor Vehicles account the journal entry necessary to correct this error should require which of the following:
- (A) Debit Vehicle Maintenance A/c and credit Motor Vehicles A/c
- (B) Debit Cash A/c and credit Motor Vehicles A/c
- (C) Debit Motor Vehicles A/c and credit Vehicle Maintenance A/c
- (D) Debit Vehicle Maintenance A/c and credit Cash A/c
51. ₹ 2,750 received from Sohan was credited to Mohan as ₹ 2,750. If rectification is done before preparation of trial balance then which of the following rectification entry will be correct?
- | | |
|-----|--|
| (A) | Sohan A/c Dr. 2,750
To Mohan A/c 2,750 |
| (B) | Mohan A/c Dr. 2,750
To Sohan A/c 2,750 |
| (C) | Suspense A/c Dr. 2,750
To Mohan A/c 2,750 |
| (D) | Mohan A/c Dr. 2,750
To Suspense A/c 2,750 |
52. Total of purchases book was ₹ 10,000 short. If rectification is done before preparation of trial balance then which of the following is correct?
- (A) Purchases A/c Dr. 2,000
To Suspense A/c 2,000
- (B) Debit purchases account with ₹ 10,000 saying "To Short total of Purchases Book ₹ 10,000".
- (C) Credit purchases account with ₹ 10,000 saying "By Short total of Purchases Book ₹ 10,000".
- (D) Suspense A/c Dr. 2,000
To Purchases A/c 2,000
53. An amount of ₹ 15,000 withdrawn by the proprietor for his personal use has been debited to Trade Expenses Account. Which of the following rectification entry is correct?
- (A) Drawings A/c Dr. 15,000
To Suspense A/c 15,000
- (B) Trade Expenses A/c Dr. 15,000
To Suspense A/c 15,000
- (C) Drawings A/c Dr. 15,000
To Trade Expenses A/c 15,000
- (D) Trade Expenses A/c Dr. 15,000
To P & L Adj. A/c 15,000
54. A re-payment of ₹ 15,000 has been posted to Janki Loan A/c, whereas ₹ 3,000 of this amount was paid as interest on the loan. To correct this error the journal entry would require:
- (A) Debit Interest A/c and credit Janki Loan A/c with ₹ 3,000
- (B) Debit Interest A/c and credit Janki loan A/c with ₹ 15,000
- (C) Debit Cash A/c and credit Janki Loan A/c with ₹ 3,000
- (D) Debit Janki loan A/c and credit Interest A/c with ₹ 3,000
55. A purchase of goods from Nathan amounting to ₹ 3,000 has been wrongly entered in the Sales Book. However Nathan Account has been correctly credited. Which of the following rectification entry is correct?
- | | |
|-----|---|
| (A) | Sales A/c Dr. 3,000
To Nathan A/c 3,000 |
| (B) | Purchases A/c Dr. 3,000
To Nathan A/c 3,000 |
| (C) | Sales A/c Dr. 3,000
Purchases A/c Dr. 3,000
To Suspense A/c 6,000 |

(D)	Sales A/c	Dr.	3,000	
	Purchases A/c	Dr.	3,000	
	To Nathan A/c			6,000

56. A credit sale of ₹ 1,000 to Santhanam has been wrongly passed through the purchases book. Which of the following rectification entry is correct?

(A)	Suspense A/c	Dr.	2,000	
	To Sales A/c			1,000
	To Purchases A/c			1,000
(B)	Purchases A/c	Dr.	2,000	
	To Santhanam A/c			2,000
(C)	Santhanam A/c	Dr.	2,000	
	To Sales A/c			1,000
	To Purchases A/c			1,000
(D)	Sales A/c	Dr.	1,000	
	Purchases A/c	Dr.	1,000	
	To Santhanam A/c			2,000

57. Which of the following error will disturb the balancing of the trial balance?

- (A) Recording in the purchases journal an invoice for acquiring a non current asset for ₹ 60,000.
 (B) Adding up the returns inwards journal as ₹ 11,400 instead of ₹ 12,600.
 (C) Recording a sales invoice for ₹ 5,600 as ₹ 6,500 in the sales journal.
 (D) Failing to record a purchase invoice for ₹ 54,000 in the purchases journal.

58. ₹ 15,000 received from Karan has been credited to Ravan. Which of the following rectification entry is correct?

(A)	Ravan A/c	Dr.	15,000	
	To Karan A/c			15,000
(B)	Karan A/c	Dr.	15,000	
	To Ravan A/c			15,000
(C)	Ravan A/c	Dr.	15,000	
	To Suspense A/c			15,000
(D)	Suspense A/c	Dr.	15,000	
	To Karan A/c			15,000

59. ₹ 3,750 paid on account of salary to the cashier Dhawan stands debited to his personal account. Which of the following rectification entry is correct?

(A)	Suspense /c	Dr.	3,750	
	To Dhawan A/c			3,750

(B)	Dhawan A/c	Dr.	3,750	
	To Suspense A/c			3,750
(C)	Salaries A/c	Dr.	3,750	
	To Suspense A/c			3,750
(D)	Salaries A/c	Dr.	3,750	
	To Dhawan A/c			3,750

60. A contractor's bill for extension of premises amounting to ₹ 27,500 has been debited to Building Repairs Account. Which of the following rectification entry is correct?

(A)	Building A/c	Dr.	27,500	
	To Building Repairs A/c			27,500
(B)	Building A/c	Dr.	27,500	
	To Suspense A/c			27,500
(C)	Building Repairs A/c	Dr.	27,500	
	To Suspense A/c			27,500
(D)	Building Repairs A/c	Dr.	27,500	
	To Building A/c			27,500

61. A folio in the purchases journal was added as ₹ 34,680, instead of ₹ 36,480. Identify the amount of the trial balance difference which will be placed in a suspense account -

- (A) Cr. 1,800
 (B) Dr. 1,800
 (C) Dr. 3,640
 (D) Cr. 3,640

62. A bill of ₹ 20,000 for old office furniture sold to Sethi was entered in the Sales Day Book. Which of the following rectification entry is correct?

(A)	Suspense A/c	Dr.	20,000	
	To Office Furniture A/c			20,000
(B)	Sales A/c	Dr.	20,000	
	To Office Furniture A/c			20,000
(C)	Office Furniture A/c	Dr.	20,000	
	To Suspense A/c			20,000
(D)	Office Furniture A/c	Dr.	20,000	
	To Sales A/c			20,000

63. An amount of ₹ 8,000 received on account of interest was credited to Commission Account. Which of the following rectification entry is correct?

(A)	Commission A/c	Dr.	8,000	
	To Suspense A/c			8,000
(B)	Interest A/c	Dr.	8,000	
	To Suspense A/c			8,000

(C)	Interest A/c	Dr.	8,000	
	To Commission A/c			8,000
(D)	Commission A/c	Dr.	8,000	
	To Interest A/c			8,000

64. Goods bought from Mukesh amounting to ₹ 5,500 were posted to the credit of his account as ₹ 5,000. If this error located after preparation of trial balance then which of the following rectification entry is correct?

(A)	Suspense A/c	Dr.	500	
	To Mukesh A/c			500
(B)	Mukesh A/c	Dr.	500	
	To Suspense A/c			500
(C)	Profit & Loss Adj. A/c	Dr.	500	
	To Mukesh A/c			500
(D)	Mukesh A/c	Dr.	500	
	To Profit & Loss Adj. A/c			500

65. Sales book was overcast by ₹ 20,000. If this error located after preparation of trial then which of the following rectification entry is correct?

(A)	Suspense A/c	Dr.	20,000	
	To Sales A/c			20,000
(B)	Sales A/c	Dr.	20,000	
	To Suspense A/c			20,000
(C)	Profit & Loss Adj. A/c	Dr.	20,000	
	To Sales A/c			20,000
(D)	Sales A/c	Dr.	20,000	
	To Profit & Loss Adj. A/c			20,000

66. ₹ 2,400, being the pre-paid portion of insurance, was brought forward from the previous year as a credit balance in the nominal account. Identify the amount of the trial balance difference which will be placed in a suspense account -

- (A) Dr. 4,800
(B) Cr. 4,800
(C) Cr. 2,400
(D) Dr. 2,400

67. While carrying forward the total of one page of the Purchases Book to the next, the amount of ₹ 12,350 was written as ₹ 13,250. If this error located after preparation of trial then which of the following rectification entry is correct?

(A)	Purchases A/c	Dr.	900	
	To Profit & Loss Adj. A/c			900
(B)	Purchases A/c	Dr.	900	
	To Suspense A/c			900

(C)	Profit & Loss Adj. A/c	Dr.	900	
	To Purchases A/c			900
(D)	Suspense A/c	Dr.	900	
	To Purchases A/c			900

68. Cartage ₹ 780 paid on machinery newly acquired was debited to carriage inward account. If this error located after preparation of trial then which of the following rectification entry is correct?

(A)	Machinery A/c	Dr.	780	
	Carriage Inwards	Dr.	780	
	To Profit & Loss Adj. A/c			1,560
(B)	Machinery A/c	Dr.	780	
	To Carriage Inwards A/c			780
(C)	Suspense A/c	Dr.	1,560	
	To Machinery A/c			780
	To Carriage Inwards A/c			780
(D)	Carriage Inwards A/c	Dr.	900	
	To Machinery A/c			900

69. Drawings of goods costing 300 were not recorded in the books of account. If this error located after preparation of trial then which of the following rectification entry is correct?

(A)	Purchases A/c	Dr.	300	
	To Drawings A/c			300
(B)	Drawings A/c	Dr.	300	
	To Suspense A/c			300
(C)	Profit & Loss Adj. A/c	Dr.	300	
	To Purchases A/c			300
(D)	Drawings A/c	Dr.	300	
	To Purchases A/c			300

70. Purchases book was undercast by ₹ 10,000. If this error located after preparation of final account then which of the following rectification entry is correct?

(A)	Purchases A/c	Dr.	10,000	
	To Profit & Loss Adj. A/c			10,000
(B)	Profit & Loss Adj. A/c	Dr.	10,000	
	To Suspense A/c			10,000
(C)	Suspense A/c	Dr.	10,000	
	To Profit & Loss Adj. A/c			10,000
(D)	Profit & Loss Adj. A/c	Dr.	10,000	
	To Purchases A/c			10,000

71. Cash received from Jamna Das ₹ 687 was posted to the debit of Janki Das as ₹ 678. If this error located after preparation of final account then which of the following rectification entry is correct?

- (A) Jamna Das A/c Dr. 687
Janki Das A/c Dr. 678
To Profit & Loss Adj. A/c 1,365
- (B) Profit & Loss Adj. A/c Dr. 1,365
To Jamna Das A/c 687
To Janki Das A/c 678
- (C) Suspense A/c Dr. 1,365
To Jamna Das A/c 687
To Janki Das A/c 678
- (D) Jamna Das A/c Dr. 687
Janki Das A/c Dr. 678
To Suspense A/c 1,365
72. Depreciation on furniture ₹ 2,970 was wrongly recorded as ₹ 2,790. If this error located after preparation of final account then which of the following rectification entry is correct?
- (A) Suspense A/c Dr. 180
To Profit & Loss Adj. A/c 180
- (B) Profit & Loss Adj. A/c Dr. 180
To Furniture A/c 180
- (C) Furniture A/c Dr. 180
To Profit & Loss Adj. A/c 180
- (D) Profit & Loss Adj. A/c Dr. 180
To Suspense A/c 180
73. ₹ 2,18,400 paid to a supplier has been posted to the supplier's account as ₹ 2,14,800. Identify the amount of the trial balance difference which will be placed in a suspense account:
- (A) Dr. 3,600
(B) Dr. 2,18,400
(C) Cr. 3,600
(D) Dr. 7,200
74. ₹ 1,500 being the total of discount column on the credit side of the cash book was not posted in the general ledger. If this error located after preparation of final account then which of the following rectification entry is correct?
- (A) Suspense A/c Dr. 1,500
To Profit & Loss Adj. A/c 1,500
- (B) Profit & Loss Adj. A/c Dr. 1,500
To Suspense A/c 1,500
- (C) Discount A/c Dr. 1,500
To Profit & Loss Adj. A/c 1,500
- (D) Profit & Loss Adj. A/c Dr. 1,500
To Discount A/c 1,500
75. Closing stock was overstated by ₹ 9,000 being casting error in the schedule of inventory. If this error located after preparation of final account then which of the following rectification entry is correct?
- (A) Stock A/c Dr. 9,000
To Suspense A/c 9,000
- (B) Suspense A/c Dr. 9,000
To Stock A/c 9,000
- (C) Stock A/c Dr. 9,000
To Profit & Loss Adj. A/c 9,000
- (D) Profit & Loss Adj. A/c Dr. 9,000
To Stock A/c 9,000
76. A sale of ₹ 13,600 was recorded in the sales journal as ₹ 3,600 and posted to Govind, the customer as ₹ 6,300. Identify the amount of the trial balance difference which will be placed in a suspense account:
- (A) Dr. 12,700
(B) Cr. 2,700
(C) Dr. 2,700
(D) Cr. 12,700
77. Returns outwards book was under cast by ₹ 150. If this error located after preparation of final account then which of the following rectification entry is correct?
- (A) Suspense A/c Dr. 150
To Profit & Loss Adj. A/c 150
- (B) Profit & Loss Adj. A/c Dr. 150
To Suspense A/c 150
- (C) Returns Outwards A/c Dr. 150
To Profit & Loss Adj. A/c 150
- (D) Profit & Loss Adj. A/c Dr. 150
To Returns outwards A/c 150
78. A credit sale of ₹ 870 was wrongly posted as 780 to the customer's account in the sales ledger. If this error located after preparation of final account then which of the following rectification entry is correct?
- (A) Customer's A/c Dr. 90
To Suspense A/c 90
- (B) Suspense A/c Dr. 90
To Customer's A/c 90
- (C) Customer's A/c Dr. 90
To Profit & Loss Adj. A/c 90
- (D) Profit & Loss Adj. A/c Dr. 90
To Customer's A/c 90

79. ₹ 6,000 being the cost of purchase of office furniture was entered in the purchases book. If this error located after preparation of final account then which of the following rectification entry is correct?

(A)	Office Furniture A/c	Dr.	6,000	
	To Profit & Loss Adj. A/c			6,000
(B)	Office Furniture A/c	Dr.	6,000	
	To Suspense A/c			6,000
(C)	Profit & Loss Adj. A/c	Dr.	6,000	
	To Office Furniture A/c			6,000
(D)	Suspense A/c	Dr.	6,000	
	To Office Furniture A/c			6,000

80. While checking the accounts of ABC the following discrepancies were noticed, even though the trial balance was made to balance by putting the difference to Suspense A/c.

- Sales day book for the month of June was found overcast by ₹ 7,000.
- A credit purchase of ₹ 3,000 was omitted to be recorded in the purchase day book.
- ₹ 4,300 received from A credited to A A/c ₹ 3,400.
- Purchase of Office Equipment worth ₹ 5,000 included in trading purchases.

From the above details what would have been the difference in Trial Balance which was made to balance by opening Suspense A/c.

- Debit side short by ₹ 9,100
 - Credit side short by ₹ 9,100
 - Debit side more by ₹ 7,900
 - Credit side more by ₹ 6,100
81. Wages paid for installation of machinery ₹ 2,750 had been debited to wages account as ₹ 5,250. If this error located after preparation of final account then which of the following rectification entry is correct?

(A)	Machinery A/c	Dr.	2,500	
	Suspense A/c	Dr.	2,750	
	To Profit & Loss Adj. A/c			5,250
(B)	Profit & Loss Adj. A/c	Dr.	5,250	
	To Machinery A/c			2,500
	To Suspense A/c			2,750
(C)	Profit & Loss Adj. A/c	Dr.	5,250	
	To Machinery A/c			2,750
	To Suspense A/c			2,500

(D)	Machinery A/c	Dr.	2,750	
	Suspense A/c	Dr.	2,500	
	To Profit & Loss Adj. A/c			5,250

82. A cheque for ₹ 7,330 was received from Rao after allowing him a discount of ₹ 70. It was endorsed in favour of Sen in full settlement of ₹ 7,500. The cheque was dishonoured, but no entry for dishonour was passed in the books. If this error located after preparation of final account then which of the following rectification entry is correct?

(A)	Rao A/c	Dr.	7,400	
	Profit & Loss Adj. A/c	Dr.	100	
	To Sen A/c			7,500
(B)	Rao A/c	Dr.	7,400	
	Profit & Loss Adj. A/c	Dr.	100	
	To Suspense A/c			7,500
(C)	Rao A/c	Dr.	100	
	Profit & Loss Adj. A/c	Dr.	7,400	
	To Sen A/c			7,500
(D)	Rao A/c	Dr.	100	
	Profit & Loss Adj. A/c	Dr.	7,400	
	To Suspense A/c			7,500

83. Credit side of the trial balance was ₹ 11,200 lower than the debit side. The difference was placed in suspense. The correction of which of the following errors will reduce the suspense account balance?

- Stationery acquired on credit terms for ₹ 340 has been recorded in the purchases journal.
- A cash sale of ₹ 3,400 has been posted as ₹ 4,300
- A credit purchase of ₹ 2,150 has not been posted to the customer.
- A credit Note for ₹ 900 from a supplier has not been entered in return outwards day book.

84. A few errors committed in Amrut's books of account are given below. State which errors would affect the trial balance.

- Sales of ₹ 950 to Ram completely omitted from books of account.
- Purchases of ₹ 720 from Shyam entered in the purchases journal as ₹ 700.
- Purchases Journal is overcast by ₹ 1,000.
- Sales returns journal is under cast by ₹ 200.
- Amount paid to Agarwal wrongly posted to the debit to Mittal's account.

- (6) Bank overdraft shown under debit column in the Trial Balance.
- (7) Sales of ₹ 500 to Sadiq entered in sales journal as sales to Mushtaq.
- (8) Wages paid for installation of machinery debited to wages account.

Select the correct answer from the options given below -

- (A) (1), (3) and (7)
- (B) (3), (4) and (6)
- (C) (3), (4), (5) and (8)
- (D) (3), (4), (6) and (8)

Answers

1.	(B)	2.	(D)	3.	(C)	4.	(C)	5.	(A)	6.	(B)	7.	(B)
8.	(D)	9.	(C)	10.	(B)	11.	(C)	12.	(C)	13.	(D)	14.	(A)
15.	(D)	16.	(A)	17.	(D)	18.	(A)	19.	(B)	20.	(C)	21.	(D)
22.	(A)	23.	(B)	24.	(C)	25.	(A)	26.	(D)	27.	(D)	28.	(D)
29.	(B)	30.	(A)	31.	(D)	32.	(D)	33.	(C)	34.	(B)	35.	(B)
36.	(D)	37.	(D)	38.	(C)	39.	(B)	40.	(B)	41.	(B)	42.	(C)
43.	(C)	44.	(C)	45.	(D)	46.	(D)	47.	(D)	48.	(C)	49.	(D)
50.	(A)	51.	(B)	52.	(B)	53.	(C)	54.	(A)	55.	(C)	56.	(C)
57.	(B)	58.	(A)	59.	(D)	60.	(A)	61.	(B)	62.	(B)	63.	(D)
64.	(A)	65.	(B)	66.	(A)	67.	(D)	68.	(B)	69.	(D)	70.	(B)
71.	(C)	72.	(B)	73.	(A)	74.	(A)	75.	(D)	76.	(B)	77.	(A)
78.	(A)	79.	(A)	80.	(A)	81.	(D)	82.	(A)	83.	(C)	84.	(B)

Hints for Important Practical MCQs

61.

Difference: $36,480 - 34,680 = 1,800$

Amount of purchase is short by ₹ 1,800. As purchase has debit balance and it comes on the debit side of trial balance, the trial balance must be shot by ₹ 1,800 on the debit side.

76.

A sale of ₹ 13,600 was recorded in the sales journal as ₹ 3,600. Sale has credit balance and thus due to this trial balance is short on credit side by ₹ 10,000.

Posted to Govind, the customer as ₹ 6,300. Debtor has debit balance and due this trial balance is short by ₹ 7,300 ($13,600 - 6,300$) on debit side. Net result = $10,000 - 7,300 = 2,700$ short on credit side.

80.

Pass the rectification entries for given transactions and prepare Suspense A/c. Difference that will come to Suspense A/c is the difference in trial balance.

Dr.	Suspense A/c		Cr.
To Difference in Trial Balance (Balancing Figure)	9,100	By Sales A/c	7,000
To A A/c	900	By Purchases A/c	3,000
	10,000		10,000

ACCOUNTING PROCESS - III

(CAPITAL & REVENUE ITEMS)

MCQ ON THEORY

Capital, Revenue & Deferred Revenue Expenditure

- _____ is that expenditure which results in acquisition of an asset or which results in an increase in the earning capacity of a business.
 - Capital expenditure
 - Revenue expenditure
 - Deferred revenue expenditure
 - None of the above
- Expenses whose benefit expires within the year of expenditure and which are incurred to maintain the earning capacity of existing assets are termed as -
 - Capital expenditure
 - Revenue expenditure
 - Deferred revenue expenditure
 - None of the above
- There are certain expenses which may be in the nature of revenue but their benefit may not be consumed in the year in which such expenditure has been incurred; rather the benefit may extend over a number of years are termed as -
 - Capital expenditure
 - Revenue expenditure
 - Deferred revenue expenditure
 - None of the above
- The benefit of capital expenditure lasts for a _____ of time.
 - Short period
 - Long period
 - Very short period
 - 5 years
- Which of the following is/are example of capital expenditure?
 - Purchases of land & buildings by the property dealer
 - Purchases of machinery by machinery dealer
 - Expenses incurred for getting patents
 - All of the above
- Which of the following is/are example of capital expenditure?
 - Fees paid to lawyer for drawing a purchase deed of land
 - Overhauling expenses of second hand machinery
 - Cartage paid for bringing machinery to the factory from supplier's premises
 - All of the above
- Amounts paid for wages, salary, carriage of goods, repairs, rent and interest, etc., are items of -
 - Capital expenditure
 - Revenue expenditure
 - Deferred revenue expenditure
 - None of the above
- Costs incurred to acquire an asset are _____ but costs incurred to keep them in working condition or to defend their ownership are _____.
 - Capital expenditure, Revenue expenditure
 - Revenue expenditure, Revenue expenditure
 - Deferred revenue expenditure, Revenue expenditure
 - Revenue expenditure, Capital expenditure
- Which of the following is/are not example of capital expenditure
 - Money spent to reduce working expenses like conversion of hand-driven machinery to power-driven machinery
 - Money paid for goodwill (like the right to use the established name of an outgoing firm)
 - Expenditure which does not result in an increase in capacity or in reduction of day-to-day expenses
 - All of the above

10. Which of the following is/are not example of capital expenditure?
 (A) Purchases of land & buildings
 (B) Purchases of machinery
 (C) Payment of salary
 (D) All of the above
11. Depreciation on fixed assets is -
 (A) Capital expenditure
 (B) Revenue expenditure
 (C) Deferred revenue expenditure
 (D) None of the above
12. All sums spent up to the point an asset is ready for use should also be treated as -
 (A) Capital expenditure
 (B) Revenue expenditure
 (C) Deferred revenue expenditure
 (D) None of the above
13. Fees paid to lawyer for drawing a purchase deed of land is -
 (A) Capital expenditure
 (B) Revenue expenditure
 (C) Deferred revenue expenditure
 (D) None of the above
14. Interest on loans taken to acquire fixed assets only for the period before the asset becomes operational is -
 (A) Capital expenditure
 (B) Revenue expenditure
 (C) Deferred revenue expenditure
 (D) None of the above
15. Amounts paid for wages, salary, carriage of goods, repairs, rent and interest, etc., are items of -
 (A) Capital expenditure
 (B) Revenue expenditure
 (C) Deferred revenue expenditure
 (D) None of the above
16. Fee paid to a lawyer for checking whether all the papers are in order before land is purchased is _____. But if later a suit is filed against the purchaser, the legal costs will be _____
 (A) Capital expenditure, Revenue expenditure
 (B) Revenue expenditure, Revenue expenditure
 (C) Deferred revenue expenditure, Revenue expenditure
 (D) Revenue expenditure, Capital expenditure
17. Which of the following is/are deferred revenue expenditure?
 (A) Research & development expenses
 (B) Heavy advertisement expenditure incurred in introducing a new line or product
 (C) Preliminary expenses
 (D) All of the above
18. Expenditure incurred for reconditioning to restore the operating efficiency of the used property acquired for the business are -
 (A) Capital expenditure
 (B) Revenue expenditure
 (C) Deferred revenue expenditure
 (D) None of the above
19. Expenses incurred to maintain the business, cost of stores consumed in the course of manufacturing e.g. oil, cotton - waste are -
 (A) Capital expenditure
 (B) Revenue expenditure
 (C) Deferred revenue expenditure
 (D) None of the above
20. Expenditures incurred in normal course of business and whose benefit expires within the year is known as _____. While _____ is that expenditure which results in acquisition of an assets or which results in an increase in earning capacity of business.
 (A) Capital expenditure, Revenue expenditure
 (B) Revenue expenditure, Revenue expenditure
 (C) Deferred revenue expenditure, Revenue expenditure
 (D) Revenue expenditure, Capital expenditure
21. The main purpose of the incurring capital expenditure is to _____ of the business. The main purpose of incurring revenue expenditures is to _____ of the business.
 (A) Maintain earning capacity, improve the earning capacity
 (B) Improve the earning capacity, maintain earning capacity
 (C) Maintain earning capacity, maintain earning capacity
 (D) Improve the earning capacity, improve the earning capacity
22. Capital expenditure normally appears on -
 (A) Asset side in balance sheet
 (B) Liability side in balance sheet

- (C) Dr. side to profit & loss account
(D) Cr. side to profit & loss account
23. Revenue expenditure are balanced and is transferred to -
(A) Liability side in balance sheet
(B) Cr. side to profit & loss account
(C) Dr. side to Profit and loss account
(D) Asset side in balance sheet
24. Deferred revenue expenditure appears in balance sheet at assets side under the heading -
(A) Miscellaneous Expenditure
(B) Fixed assets
(C) Current assets
(D) Loans & advances
25. Which of the following is/are recurring in nature?
(A) Capital expenditure
(B) Revenue expenditure
(C) Capital receipts
(D) All of the above
26. Which of the following is/are non-recurring in nature?
(A) Capital expenditure
(B) Revenue expenditure
(C) Deferred revenue expenditure
(D) All of the above
27. The main feature of capital expenditure is that it results in a benefit which will accrue to the business enterprise for a long time, say -
(A) 1 or 2 years
(B) 2 or 3 years
(C) 10 or 15 years
(D) 10 or 15 months
28. Deferred revenue expenditure also results in a benefit which will accrue in future period but generally for -
(A) 3 or 5 months
(B) 3 or 5 years
(C) 1 year
(D) 10 or 11 months
29. Which of the following is/are not usually capable of being reconverted into cash?
(A) Capital expenditure
(B) Revenue expenditure on purchase of goods
(C) Deferred revenue expenditure
(D) All of the above
30. Heavy loss such as loss due to earthquake is treated as _____ in the sense that they are written off over a period of 3 to 5 years.
(A) Capital expenditure
(B) Revenue expenditure
(C) Deferred revenue expenditure
(D) All of the above
31. Which of the following are of capital nature?
(A) Purchase of a goods
(B) Cost of repair
(C) Wages paid for installation of machinery
(D) Rent of a factory
32. Select the false statement.
(A) Capital expenditure is that expenditure which results in acquisition of an asset or which results in an increase in the earning capacity of a business.
(B) Heavy loss such as loss due to earthquake is treated as revenue expenditure.
(C) Both (A) & (B)
(D) Neither (A) nor (B)

Capital Receipts & Revenue Receipts

33. Amount received from sale of capital asset or contribution made by proprietor towards the capital of the business are known as -
(A) Deferred revenue receipts
(B) Revenue receipts
(C) Capital receipts
(D) None of the above
34. _____ is the outcome of a firm's activity in the accounting period, part of its rewards for offering goods or services to the public
(A) Deferred revenue receipts
(B) Revenue receipts
(C) Capital receipts
(D) None of the above
35. Which of the following is/are revenue receipt?
(A) Receipts from sales of fixed assets
(B) Fees received for services by Company Secretary
(C) Interest on loan paid by Company Secretary
(D) (B) & (C)

36. Which of the following is/are capital receipt?
 (A) Contributions into the business by the proprietor
 (B) Loans taken from banks
 (C) Amount received on issue of share capital
 (D) All of the above
37. Which of the following is/are not capital receipt?
 (A) Receipts from sales
 (B) Fees received for services
 (C) Interest on investment
 (D) All of the above
38. Which of the following is/are not revenue receipt?
 (A) Contributions into the business by the proprietor
 (B) Loans taken from banks
 (C) Amount received on issue of share capital
 (D) All of the above
39. and have no bearing on the profit or loss for the accounting period.
 (A) Capital receipts, Capital expenditure
 (B) Capital expenditure, Capital receipts
 (C) Capital receipts, Regular receipts
 (D) None of the above
40. Amount realized by the sale of fixed assets or by issue of shares or debentures is a _____ while amount realized by sale of goods or rendering services is always _____.
 (A) Revenue receipts, Capital receipt
 (B) Capital receipt, Revenue receipts
 (C) Capital receipt, Capital receipt
 (D) Revenue receipts, Revenue receipts
41. Payment into the business by proprietor is _____ receipt.
 (A) Revenue receipts
 (B) Capital receipt
 (C) Deferred revenue receipt
 (D) None of the above
42. A receipt in substitution of a source of income is a -
 (A) Deferred revenue receipts
 (B) Revenue receipts
 (C) Capital receipts
 (D) None of the above
43. A receipt in substitution of an income is a -
 (A) Deferred revenue receipts
 (B) Revenue receipts
 (C) Capital receipts
 (D) None of the above
44. Amount received for surrender of certain rights under an agreement is a _____, when a capital asset is being given up in the form of these rights.
 (A) Deferred revenue receipts
 (B) Capital receipts
 (C) Revenue receipts
 (D) None of the above
45. Amount received as compensation under an agreement for the loss of future profits is a -
 (A) Deferred revenue receipts
 (B) Capital receipts
 (C) Revenue receipts
 (D) None of the above
46. If an income is received in a lump sum it is a _____ but if lump sum payment is received in instalments, it is a _____.
 (A) Revenue receipts, Capital receipt
 (B) Capital receipt, Revenue receipts
 (C) Capital receipt, Capital receipt
 (D) Revenue receipts, Revenue receipts
47. Amount realized from the sale of a capital asset or investment is however amount realized from the sale of an asset kept for sale is
 (A) Revenue receipts, Capital receipt
 (B) Capital receipt, Revenue receipts
 (C) Capital receipt, Capital receipt
 (D) Revenue receipts, Revenue receipts
48. _____ are not available for distribution as profits while _____ can be utilized for creating reserve fund or for distribution as profits after deducting revenue exp.
 (A) Revenue receipts, Capital receipt
 (B) Capital receipt, Revenue receipts
 (C) Capital receipt, Capital receipt
 (D) Revenue receipts, Revenue receipts

Capital & Revenue Profit or Loss

49. _____ are earned in the ordinary course of business.

- (A) Capital profit
(B) Revenue profits
(C) Capital loss
(D) All of the above
50. _____ are those which are earned as a result of selling some fixed assets, or in connection with raising capital for the firm
(A) Capital profit
(B) Revenue profits
(C) Revenue loss
(D) All of the above
51. _____ appear in the profit and loss account and are available for distribution as profit, or for creating reserves and funds, or for being used in the business.
(A) Capital profit
(B) Revenue profits
(C) Capital loss
(D) All of the above
52. Capital profits are _____
(A) Capitalized
(B) Transferred to capital account
(C) May be utilized for meeting capital losses
(D) Any of the above
53. Capital losses are shown in the -
(A) Debited to profit & loss account
(B) Balance sheet on the assets side
(C) Balance sheet on the liability side
(D) None of the above
54. Discount on issue of debentures is a -
(A) Revenue loss to be charged in the year of issue
(B) Capital loss to be written off from capital reserve
(C) Capital loss to be written off over the tenure of the debentures
(D) Capital loss to be shown as goodwill
55. If capital losses are negligible, they are _____ of the year in which they occur.
(A) Debited to profit & loss account
(B) Shown in balance sheet on the assets side
(C) Shown in balance sheet on the liability side
(D) None of the above

Contingent Asset & Liability

56. A contingent asset is a possible asset that arises from the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the enterprise.
(A) Past events
(B) Future events
(C) Probable events
(D) None of the above
57. A contingent asset is a possible asset that arises from past events the existence of which will be confirmed only by the '.....' of one or more uncertain future events not wholly within the control of the enterprise.
(A) Occurrence
(B) Non-occurrence
(C) Both (A) & (B)
(D) (A) or (B)
58. A contingent liability is a possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events _____. It is a present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be determined".
(A) Wholly within the control of the enterprise
(B) Partly wholly within the control of the enterprise
(C) Not wholly within the control of the enterprise
(D) Any of the above
59. A contingent liability is a possible obligation that arises from _____ and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the enterprise. It is a present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be determined".
(A) Past events
(B) Future events

- (C) Probable events
- (D) None of the above

Particle MCQ

60. Which of the following expenditures is/are capital expenditure
- (A) Cost of making more exits in a cinema hall.
 - (B) Freight and cartage amounting to ₹ 4,000 were paid on purchase of a new plant and a sum of ₹ 2,000 was spent as erection charges of that plant.
 - (C) Spent ₹ 2,00,000 for overhauling the machinery which improved the capacity utilization and saved running expenditure by ₹ 15,000 p.a.
 - (D) All of the above
61. Which of the following expenditures is/are not capital expenditure?
- (A) 30,000 were spent on minor repair to machinery.
 - (B) ₹ 2,000 were paid as municipal tax in connection with a building which was purchased last year
 - (C) A temporary room constructed for ₹ 25,000 for storing raw material for the construction of a big building.
 - (D) All of the above
62. Which of the following expenditures is deferred revenue expenditure?
- (A) ₹ 30,000 were spent on heavy advertising in connection with the introduction of a new product.
 - (B) ₹ 2,000 were paid as municipal tax in connection with a building which was purchased last year
 - (C) A temporary room constructed for ₹ 25,000 for storing raw material for the construction of a big building.
 - (D) All of the above
63. Which of the following expenditures is/are not revenue expenditures?
- (A) M/s XYZ, property dealers, purchased ten flats @ ₹ 7,00,000 each.
 - (B) ₹ 20,000 spent for the trial run of newly installed machinery.
 - (C) Damages paid on account of breach of contract to supply certain goods.
 - (D) All of the above
64. Which of the following expenditures is/are revenue expenditures?
- (A) A firm incurred ₹ 10,000 to retain the title of a land purchased for business in litigation with third party.
 - (B) Freight and cartage amounting to ₹ 4,000 were paid on purchase of raw material.
 - (C) Damages paid on account of breach of contract to supply certain goods.
 - (D) All of the above
65. Which of the following expenditures is/are revenue expenditures?
- (A) ₹ 12,000 paid to Mahanagar Telephone Nigam Ltd. for installing a telephone in the office.
 - (B) 25,000 has accrued during the year on term loan obtained and utilized for the construction of factory building and purchase of machinery, however, the production did not commence till the last date of the year.
 - (C) ₹ 25,000 were spent on air conditioning the office of the General Manager.
 - (D) None of the above
66. A building purchased for ₹ 1,50,000 was subsequently sold for ₹ 1,75,000; difference ₹ 25,000 will be -
- (A) Capital profit
 - (B) Revenue profits
 - (C) Capital loss
 - (D) Revenue loss
67. When a company issues its shares of the face value ₹ 100 for ₹ 105 each, it is said that shares have been issued at a premium, which is -
- (A) Capital profit
 - (B) Revenue profits
 - (C) Capital loss
 - (D) Revenue loss
68. Which of the following expenditures is/are capital expenditures?
- (A) Preliminary expenses incurred in setting up a joint stock company
 - (B) Repairs to furniture
 - (C) Wages paid to workers for converting raw material into finished goods.
 - (D) None of the above
69. Which of the following expenditures is/are capital expenditures?

- (A) Custom duty of ₹ 1,000 paid on importing machinery costing ₹ 10,00,000.
- (B) Amount spent to overhaul a motor truck purchased second-hand.
- (C) Wages paid to workers for setting up new machinery.
- (D) All of the above
- (A) Heavy expenditure incurred on advertising a new product.
- (B) Preliminary expenses incurred in setting up a joint stock company.
- (C) Both (A) & (B)
- (D) Neither (A) nor (B)

70. Which of the following is/are deferred revenue expenditures?

Answers

1.	(A)	2.	(B)	3.	(C)	4.	(B)	5.	(C)	6.	(D)	7.	(B)
8.	(A)	9.	(C)	10.	(C)	11.	(B)	12.	(A)	13.	(A)	14.	(A)
15.	(B)	16.	(A)	17.	(D)	18.	(A)	19.	(B)	20.	(D)	21.	(B)
22.	(A)	23.	(C)	24.	(A)	25.	(B)	26.	(A)	27.	(C)	28.	(B)
29.	(C)	30.	(C)	31.	(C)	32.	(B)	33.	(C)	34.	(B)	35.	(B)
36.	(D)	37.	(D)	38.	(D)	39.	(A)	40.	(B)	41.	(B)	42.	(C)
43.	(B)	44.	(B)	45.	(C)	46.	(A)	47.	(B)	48.	(B)	49.	(B)
50.	(A)	51.	(B)	52.	(D)	53.	(A)	54.	(C)	55.	(A)	56.	(A)
57.	(D)	58.	(C)	59.	(A)	60.	(D)	61.	(B)	62.	(A)	63.	(B)
64.	(C)	65.	(D)	66.	(A)	67.	(A)	68.	(D)	69.	(D)	70.	(C)

BANK RECONCILIATION STATEMENT

MCQ ON THEORY

Bank, Types of Bank Accounts, Deposit, Withdrawal, Bank Pass Book

1. A bank is an institution which deals in -
 - (A) Goods
 - (B) Money
 - (C) Issue of currency
 - (D) None of the above
2. Bank account is a -
 - (A) Real account
 - (B) Personal account
 - (C) Nominal account
 - (D) Valuation account
3. A debit balance in the depositor's cash book will be shown as -
 - (A) A debit balance in the bank statement.
 - (B) A credit balance in the bank statement.
 - (C) An overdrawn balance in the bank statement
 - (D) None of the above.
4. Which of the following type of account can be opened with bank?
 - (A) Current Account
 - (B) Savings Account
 - (C) Fixed Deposit Account
 - (D) Any of the above
5. The difference in the balances of both the cash-book and the pass-book can be because of -
 - (A) Errors in recording the entries either in the cash-book or pass-book.
 - (B) Omission of same entry in both cash-book and pass-book.
 - (C) Debit balance of cash book is the credit balance of pass-book.
 - (D) All of the above.
6. When businessman pays money to bank it is known as -
 - (A) Withdrawal
 - (B) Deposit
 - (C) Expenses
 - (D) Liability
7. When businessman takes money from bank out of its account it is known as -
 - (A) Withdrawal
 - (B) Deposit
 - (C) Expenses
 - (D) Liability
8. _____ is a copy of the clients' account in the bank's ledger.
 - (A) Cash book
 - (B) Pass book
 - (C) Cheque book
 - (D) Pay-in-slip book
9. Entry on the credit side of pass book implies -
 - (A) Withdrawal
 - (B) Deposit
 - (C) Expenses
 - (D) Liability
10. Entry on the debit side of pass book implies -
 - (A) Withdrawal
 - (B) Deposit
 - (C) Expenses
 - (D) Liability
11. The businessman prepares the _____ and the _____ is prepared by the bank.
 - (A) Pass book, Cash book
 - (B) Cash book, pass book
 - (C) Cash book, Cash book
 - (D) Pass book, pass book

12. Favourable balance as per cash book means which of the following?
- Cr. balance in cash book
 - Dr. balance in cash book
 - Bank overdraft
 - Dr. balance in pass book
13. Unfavourable balance as per cash book means which of the following?
- Cr. balance in pass book
 - Dr. balance in cash book
 - Bank overdraft
 - None of the above
14. Favourable balance as per pass book means which of the following?
- Cr. balance in pass book
 - Dr. balance in pass book
 - Bank overdraft
 - None of the above
15. Unfavourable balance as per pass book means which of the following?
- Dr. balance in cash book
 - Cr. balance in pass book
 - Bank overdraft
 - None of the above
16. When the balance as per pass book is the starting point, direct payments by bank are -
- Added in the bank reconciliation statement
 - Subtracted in the bank reconciliation statement
 - Not required to be adjusted in the bank reconciliation statement
 - Neither of the above
17. When the balance as per pass book is the starting point, uncollected cheques are:
- Added in the bank reconciliation statement
 - Subtracted in the bank reconciliation statement
 - Not required to be adjusted in the bank reconciliation statement
 - Neither of the above
- per cash book with balance as per pass book by showing all causes of difference between the two.
- A bank statement
 - A bank reconciliation statement
 - Income statement
 - Position statement
19. A bank reconciliation statement is a statement prepared to reconcile -
- Cash balance as per cash book and bank balance as per pass book
 - Bank balance as per cash book and bank balance as per pass book
 - Both (A) & (B)
 - None of the above
20. A bank reconciliation statement is prepared by -
- Creditors
 - Debtors
 - Bank
 - Businessman
21. A bank reconciliation statement can be prepared by -
- Partnership firm
 - Sole proprietary concern
 - Companies
 - All of the above
22. Which of the following is/are cause of difference of balance between cash book & the pass book?
- Cheques issued presented for payment and paid by bank
 - Cheques deposited for collection and collected
 - Bank charges not entered in the cash book
 - All of the above
23. Which of the following is/are cause of difference of balance between cash book & the pass book?
- Interest credited or debited by bank, not entered in the cash book
 - Direct collections on behalf of customers
 - Direct payments made by the bank on behalf of the customers.
 - All of the above
24. Which of the following is/are cause of difference of balance between cash book & the pass book?
- Cheques deposited into bank and collected by bank.

Causes of difference between Cash Book & Pass Book

18. ____ is a statement which is prepared as on a particular date to reconcile the bank balance as

- (B) Dishonour of cheques/bill discounted
- (C) Cheques received and entered in the cash book deposited into the bank on which bank has collected the amount
- (D) All of the above
25. Which of the following is/are cause of difference of balance between cash book & the pass book?
- (A) Errors committed in recording transactions by the firm.
- (B) Errors committed in recording transactions by the bank
- (C) Either (A) or (B)
- (D) Both (A) & (B)
26. Which of the following is/are cause of difference of balance between cash book & the pass book?
- (A) Interest and dividend received by the bank and entered in cash book.
- (B) Amount directly deposited in the bank account by customer recorded in cash book.
- (C) Bank charges not entered in the cash book
- (D) All of the above
27. Which of the following is/are significance of BRS?
- (A) It highlights the causes of difference between the bank balance as per cash book and the balance as per pass book.
- (B) It helps in finding out actual position of the bank balance.
- (C) It reduces the chance of fraud by the staff dealing in cash.
- (D) All of the above
28. Payment done by the account holder through issuing a cheque is entered in -
- (A) The pass-book at the time of issuing the cheque.
- (B) The cash-book at the time of presenting the cheque to the bank for payment.
- (C) The pass-book at the time of presenting the cheque to the bank for payment.
- (D) The cash-book when informed by the third party.
29. A Bank Reconciliation Statement is a -
- (A) Part of cash book
- (B) Part of financial statements
- (C) Part of pass book
- (D) None of the above
30. A bank reconciliation statement is prepared by -
- (A) The bank
- (B) The bank account holder
- (C) The government
- (D) The user of financial statements
31. A bank statement is a copy of -
- (A) A customer's account in the bank's book
- (B) Bank column of the cash book
- (C) Cash column of the cash book
- (D) None of the above
32. Which of the following is not the salient feature of bank reconciliation statement?
- (A) Reconciliation is done by the bankers
- (B) Reconciliation statement will help in finding the person doing any fraud
- (C) Any undue delay in the clearance of cheques will be shown up by the reconciliation
- (D) All of above
33. When debit balance as per cash book is the starting point, direct deposits by customers are -
- (A) Added
- (B) Subtracted
- (C) Not required to be adjusted
- (D) None of these
34. When credit balance as per pass book is the starting point, interest allowed by bank is -
- (A) Subtracted
- (B) Not required to be adjusted.
- (C) Added
- (D) None of these
35. When drawing up a bank reconciliation statement, if you start with a debit balance as per the pass book, the cheques issued but not presented for payments should be -
- (A) Subtracted
- (B) Not required to be adjusted.
- (C) Added
- (D) None of these
36. A check returned by bank marked "NSF" means that
- (A) Bank can't verify your identity
- (B) There are not sufficient funds in your account
- (C) Check has been forged
- (D) Check can't be cashed being illegal reconciliation-statement

37. The accounting entry required when the bank advises that a bank loan has been approved:
- (A) Debit cash account credit bank loan account
(B) Debit bank account credit cash account
(C) Debit bank account credit bank loan account
(D) Debit cash account credit bank account
38. The bank statement reports a credit transfer of ₹ 4,000 from a customer. Accounting entries for this is -
- (A) A debit in the cash account and a credit the account of the debtor concerned
(B) A debit in the bank account and a credit in the cash account
(C) A debit in the bank account and a credit in the account of the customer concerned
(D) A debit in the account of the debtor concerned and a credit in the bank account
39. Bank charges amounting to ₹ 5,000 was not entered in the cash book. Identify the correct adjustment in cash book.
- (A) Bank charges will be debited in cash book.
(B) Bank charges will be added to cash book balance.
(C) Bank charges will be credited in cash book.
(D) Bank charges need no adjustment in cash book.
40. A cheque for ₹ 10,000 received from Ramesh, a trade debtor, should be accounted for as:

Debit	Credit
(A) Bank A/c	Ramesh A/c
(B) Cash A/c	Sales A/c
(C) Ramesh A/c	Cash A/c
(D) Cash A/c	Ramesh A/c

41. A bank statement is a copy of
- (A) A creditors account in the bank book
(B) Bank column of the cash book
(C) Cash column of the cash book
(D) None of the above
42. The accounting entry to record bank charges deducted from the Bank Account of the business:
- (A) Debit Bank Charges Account credit Cash Account
(B) Debit Cash Account credit Bank Charges Account
(C) Debit Interest account credit Bank Account
(D) Debit Bank Charges Account credit Bank Account
43. A contra entry in the Cash Book means that:
- (A) Debit must be in the Bank Account and the credit in the Cash Account
(B) Debit and credit entries are in any folio but in the Cash Book
(C) Debit and credit entries are on the same folio of the Cash Book
(D) Debit must be in the Cash Account and the credit in the Bank Account
44. The prime entry for reversing a discount allowed to a customer would be in:
- (A) The credit side of the Cash Book
(B) The Journal
(C) The Sales Day Book
(D) The debit side of the Cash Book
45. Which of the following statements is incorrect?
- (A) Every payment made by the petty cashier should be supported by evidence.
(B) Regularly petty cashier is reimbursed to make up his cash balance to the imprest.
(C) The petty cash book could be either a subsidiary book or a main book of accounts.
(D) In emergency the petty cashier may give staff loans of small amounts.

PRACTICAL MCQ

Reconciliation Without Adjusting Cash Book

46. When balance as per cash book is the starting point, un-collected cheques are -
- (A) Subtracted
(B) Not required to be adjusted.
(C) Added
(D) None of above
47. When balance as per cash book is the starting point, cheques issued but not presented for payments are -
- (A) Subtracted
(B) Not required to be adjusted.
(C) Added
(D) None of above
48. When balance as per cash book is the starting point, cheques deposited but dishonoured are -

- (A) Subtracted
(B) Not required to be adjusted.
(C) Added
(D) None of above
49. When balance as per cash book is the starting point, bank charges not recorded in cash book are -
(A) Subtracted
(B) Not required to be adjusted.
(C) Added
(D) None of above
50. On 31st December bank balance as per cash book (Dr.) ₹ 25,450. A comparison of pass book and cash book revealed the following:
- Cheque deposited for ₹ 500 was not credited in pass book.
- Out of cheques of ₹ 5,000 issued only cheques amounting to ₹ 3,750 were presented for payments.
Balance as per pass book will be -
(A) ₹ 27,200
(B) ₹ 23,700
(C) ₹ 24,700
(D) ₹ 26,200
51. Bank balance as per cash book (Dr.) ₹ 25,450. A comparison of pass book and cash book revealed the following:
- The bank had directly collected dividend of ₹ 400 and interest ₹ 300.
- As per standing instruction bank had paid bills of ₹ 2,000.
Balance as per pass book will be -
(A) ₹ 28,150
(B) ₹ 26,750
(C) ₹ 22,750
(D) ₹ 24,150
52. Bank balance as per cash book (Dr.) ₹ 25,450. A comparison of pass book and cash book revealed the following:
- Bank charges ₹ 200 was not entered in cash books. .
- Cheques amounting to ₹ 250 has been dishonoured but not recorded in cash book.
Balance as per pass book will be -
(A) ₹ 25,000
(B) ₹ 25,900
(C) ₹ 25,500
(D) ₹ 25,400
53. On 31st March 2012, bank balance as per cash book (Dr.) ₹ 10,000. A comparison of pass book and cash book revealed the following:
- Cheques deposited for ₹ 10,000 out of these cheques bank had credited cheques of ₹ 2,500.
- Bank charges ₹ 50 was not entered in cash books.
Balance as per pass book will be -
(A) ₹ 20,050
(B) ₹ 17,550
(C) ₹ (50)
(D) ₹ 2,450
54. Bank balance as per cash book (Dr.) ₹ 10,000. A comparison of pass book and cash book revealed the following:
- ₹ 590 was wrongly debited by bank.
- Transfer by bank to another account with no advice ₹ 2,500.
Balance as per pass book will be -
(A) ₹ 13,090
(B) ₹ 6,910
(C) ₹ 8,090
(D) ₹ 11,910
55. The cash book of N Ltd. showed debit balance of ₹ 6,000. A comparison of pass book and cash book revealed the following:
- Cheques amounting to ₹ 250 has been dishonoured but not recorded in cash book.
- Total of credit side bank column in cash book was under cast by ₹ 475.
Balance as per pass book will be -
(A) ₹ 6,225
(B) ₹ 5,775
(C) ₹ 6,725
(D) ₹ 5,275
56. From the following information calculate balance as pass book.
- Balance as per cash book (Dr.) 1,900
- Cash deposited in bank for ₹ 100 entered in cash book as 90
- Transfer to saving bank account not entered in cash book 1,500

- Bank charges not recorded in cash book 20
- Standing order payment 30

- (A) ₹ 440
(B) ₹ 260
(C) ₹ 3,320
(D) ₹ 360

57. On 31st December balance as per pass book (Cr.) ₹ 50,900. A comparison of pass book and cash book revealed the following:

- Cheque deposited for ₹ 1,000 was not credited in pass book.
- Out of cheques of ₹ 10,000 issued only cheques amounting to ₹ 7,500 were presented for payments.

Balance as per cash book will be -

- (A) ₹ 55,800
(B) ₹ 47,400
(C) ₹ 49,400
(D) ₹ 52,400

58. Bank balance as per pass book (Cr.) ₹ 5,090. A comparison of pass book and cash book revealed the following:

- The bank had directly collected dividend of ₹ 80 and interest ₹ 60.
- As per standing instruction bank had paid bills of ₹ 400.

Balance as per cash book will be -

- (A) ₹ 5,630
(B) ₹ 5,350
(C) ₹ 4,550
(D) ₹ 4,830

59. Bank balance as per pass book (Cr.) ₹ 76,350. A comparison of pass book and cash book revealed the following:

- Bank charges ₹ 600 was not entered in cash books. .
- Cheques amounting to ₹ 750 has been dishonoured but not recorded in cash book.

Balance as per cash book will be -

- (A) ₹ 75,000
(B) ₹ 77,700
(C) ₹ 76,500
(D) ₹ 76,200

60. On 31st March 2012, bank balance as per pass book (Cr.) ₹ 20,000. A comparison of pass book and cash book revealed the following:

- Cheques deposited for ₹ 20,000 out of these cheques bank had credited cheques of ₹ 5,000.
- Bank charges ₹ 100 was not entered in cash books.

Balance as per cash book will be -

- (A) ₹ 40,100
(B) ₹ 35,100
(C) ₹ (100)
(D) ₹ 4,900

61. Bank balance as per pass book (Cr.) ₹ 40,000. A comparison of pass book and cash book revealed the following:

- ₹ 2,360 was wrongly debited by bank.
- Transfer by bank to another account with no advice ₹ 10,000.

Balance as per cash book will be -

- (A) ₹ 52,360
(B) ₹ 27,640
(C) ₹ 32,360
(D) ₹ 47,640

62. The pass book of N Ltd. showed credit balance of ₹ 9,000. A comparison of pass book and cash book revealed the following:

- Cheques amounting to ₹ 375 has been dishonoured but not recorded in cash book.
- Total of credit column of cash was under cast by ₹ 712.50.

Balance as per cash book will be -

- (A) ₹ 9,337.50
(B) ₹ 8,662.50
(C) ₹ 10,087.50
(D) ₹ 7,912.50

63. From the following information calculate balance as cash book.

Balance as per pass book (Cr.)	1,520
Cash deposited in bank for ₹ 100 entered in cash book as	72
Transfer to saving bank account not entered in cash book	1,200
Bank charges not recorded in cash book	16
Standing order payment	24

- (A) ₹ 352
(B) ₹ 384
(C) ₹ 2,732
(D) ₹ 208

64. On 31st December overdraft as per cash book - ₹ 16,200. A comparison of pass book and cash book revealed the following:
- Cheque deposited for ₹ 700 was not credited in pass book.
 - Out of cheques of ₹ 900 issued only cheques amounting to ₹ 825 were presented for payments.
- Overdraft as per pass book will be -
- (A) ₹ 15,425
(B) ₹ 16,975
(C) ₹ 16,825
(D) ₹ 15,575
65. On 30th September overdraft as per cash book of Z Ltd. was ₹ 81,000. The bank had directly collected dividend of other companies ₹ 4,375 and interest ₹ 3,000. As per standing instruction bank had paid bills of ₹ 6,135. Cheque deposited for ₹ 22,324 was not credited in pass book. With the help of above information balance as per pass book should be -
- (A) Overdraft of ₹ 59,916
(B) Overdraft of ₹ 1,16,834
(C) Overdraft of ₹ 1,02,084
(D) Overdraft of ₹ 45,166
66. Overdraft as per cash book of B & Co. was ₹ 30,000.
- The credit side of bank column of cash book was under cast by ₹ 100
 - Interest on bank loan ₹ 2,000 and bank charges of ₹ 575 were not recorded in cash book.
- Overdraft as per pass book should be -
- (A) ₹ 32,675
(B) ₹ 27,325
(C) ₹ 28,675
(D) ₹ 28,475
67. On 31st December overdraft as per pass book - ₹ 19,440. A comparison of pass book and cash book revealed the following:
- Cheque deposited for ₹ 840 was not credited in pass book.
 - Out of cheques of ₹ 1,080 issued only cheques amounting to ₹ 990 were presented for payments.
- Overdraft as per cash book will be -
- (A) ₹ 18,510
(B) ₹ 20,370
(C) ₹ 20,190
(D) ₹ 18,690
68. On 30th September overdraft as per pass book of S Ltd. was ₹ 32,400. The bank had directly collected dividend of other companies ₹ 1,750 and interest ₹ 1,200. As per standing instruction bank had paid bills of ₹ 2,454. Cheque deposited for ₹ 8,929.60 was not credited in pass book. Balance as per cash book should be -
- (A) Overdraft of ₹ 23,966.40
(B) Overdraft of ₹ 46,733.60
(C) Overdraft of ₹ 40,833.60
(D) Overdraft of ₹ 18,066.40
69. Overdraft as per pass book of P & Co. was ₹ 60,000.
- The credit side of bank column of cash book was under cast by ₹ 200
 - Interest on bank loan ₹ 4,000 and bank charges of ₹ 1,150 were not recorded in cash book.
- Overdraft balance as per cash book should be -
- (A) ₹ 65,350
(B) ₹ 54,650
(C) ₹ 57,350
(D) ₹ 56,950
70. On 31st March, 2012 the pass book of Z showed a credit balance of ₹ 2,16,000. A comparison of pass book and cash book revealed the following:
- Cheques deposited but not cleared by 31st March 1,08,150
 - Cheques issued by Z but not presented for payment before 1st April, 2012 26,000
- Balance as per cash book will be -
- (A) ₹ 81,850
(B) ₹ 1,33,850
(C) ₹ 2,98,150
(D) ₹ 3,50,150

Reconciliation with adjusting cash book

71. In balance sheet bank balance as per.....appears.
- (A) Pass book
(B) Cash book
(C) Adjusted cash book
(D) None of above
72. Which of the following will require adjustment of the cash book balance?

- (A) Cheque deposited but not cleared
 (B) Cheque issued but not presented for payments
 (C) Under casting of debit side of bank column of cash book
 (D) All of the above
73. Which of the following will require adjustment of the cash book balance?
 (A) Error in cash book
 (B) Error in pass book
 (C) Cheque issued but not presented for payments
 (D) All of the above
74. Which of the following will not require adjustment of the cash book balance?
 (A) Error in pass book
 (B) Cheque issued but not presented for payments
 (C) Cheque deposited but not cleared
 (D) All of the above
75. Bank balance as per cash book (Dr.) of NZ & Co. was ₹ 1,050.
 - Bank charges not recorded in cash book was ₹ 180
 - ₹ 750 was directly paid by customer into bank was not recorded in cash book.
 - Debited side of cash book was undercast by ₹ 100
 - Cheque deposited for ₹ 700 was not credited in pass book.
 - Out of cheques of ₹ 900 issued but not presented for payments
- If BRS is prepared after adjusting cash book, balance as per Adjusted Cash book should be ₹ and balance as per pass book should be ₹
- (A) ₹ 1,720 & ₹ 1,920
 (B) ₹ 1,920 & ₹ 1,720
 (C) ₹ 2,080 & ₹ 1,880
 (D) ₹ 1,880 & ₹ 2,080
76. Bank collected dividend of ₹ 25,000 on behalf of customer which was not recorded in cash book. In respect of the above given transaction which of the following treatment is correct for preparation of bank reconciliation statement?
 (I) If BRS is prepared without adjusting cash book and the balance as per cash book is starting point then ₹ 25,000 will be subtracted.
 (II) If BRS is prepared with adjusting cash book then ₹ 25,000 will be debited to the adjusted cash book.
 (III) If BRS is prepared without adjusting cash book and the balance as per cash book is starting point then ₹ 25,000 will be added.
 (IV) If BRS is prepared with adjusting cash book then ₹ 25,000 will be credited to the adjusted cash book.
- The correct answer is -
 (A) (I) only is correct
 (B) (II) only is correct
 (C) (I) & (IV) are correct
 (D) (II) & (III) is correct

Answers

1.	(B)	2.	(B)	3.	(B)	4.	(D)	5.	(A)	6.	(B)	7.	(A)
8.	(B)	9.	(B)	10.	(A)	11.	(B)	12.	(B)	13.	(C)	14.	(A)
15.	(C)	16.	(A)	17.	(A)	18.	(B)	19.	(B)	20.	(D)	21.	(D)
22.	(C)	23.	(D)	24.	(B)	25.	(D)	26.	(C)	27.	(D)	28.	(C)
29.	(D)	30.	(B)	31.	(A)	32.	(A)	33.	(A)	34.	(A)	35.	(C)
36.	(B)	37.	(C)	38.	(C)	39.	(C)	40.	(A)	41.	(B)	42.	(D)
43.	(C)	44.	(B)	45.	(D)	46.	(A)	47.	(C)	48.	(A)	49.	(A)
50.	(D)	51.	(D)	52.	(A)	53.	(D)	54.	(B)	55.	(D)	56.	(D)
57.	(C)	58.	(B)	59.	(B)	60.	(B)	61.	(A)	62.	(C)	63.	(C)
64.	(C)	65.	(C)	66.	(A)	67.	(D)	68.	(A)	69.	(B)	70.	(C)
71.	(C)	72.	(C)	73.	(A)	74.	(D)	75.	(A)	76.	(D)		

Hints for Practical MCQs

50.

Balance as per Cash Book (Dr.)	25,450
Cheque deposited for ₹ 500 was not credited in pass book	(500)
Cheques issued but not presented for payments (5,000 - 3,750)	1,250
Balance as per Pass Book	26,200

51.

Balance as per Cash Book (Dr.)	25,450
Direct collection of dividend and interest by bank (400 + 300)	700
As per standing instruction bank had paid bills	(2,000)
Balance as per Pass Book	24,150

52.

Balance as per Cash Book (Dr.)	25,450
Bank charges not entered in cash books	(200)
Cheques dishonoured but not recorded in cash book	(250)
Balance as per Pass Book	25,000

53.

Balance as per Cash Book (Dr.)	10,000
Cheques deposited but not credited by bank (10,000 - 2,500)	(7,500)
Bank charges not entered in cash books	(50)
Balance as per Pass Book	2,450

54.

Balance as per Cash Book (Dr.)	10,000
Wrong debit by bank	(590)
Transfer by bank to another account with no advice	(2,500)
Balance as per Pass Book	6,910

55.

Balance as per Cash Book (Dr.)	6,000
Cheques dishonoured but not recorded in cash book	(250)
Total of credit side bank column in cash book was under cast	(475)
Balance as per Pass Book	5,275

56.

Balance as per Pass Book (Cr.)	1,900
Cash deposited in bank for ₹ 100 entered in cash book as ₹ 90 (100 - 90)	10
Transfer to saving bank account not entered in cash book	(1,500)
Bank charges not recorded in cash book	(20)
Standing order payment	(30)
Balance as per Cash Book	360

57.

Balance as per Pass Book (Cr.)	50,900
Cheque deposited was not credited in pass book	1,000

Cheques issued but not presented for payments (10,000 - 7,500)	(2,500)
Balance as per Cash Book	49,400

58.

Balance as per Pass Book (Cr.)	5,090
Direct collection by bank of dividend and interest (80 + 60)	(140)
As per standing instruction bank had paid bills	400
Balance as per Cash Book	5,350

59.

Balance as per Pass Book (Cr.)	76,350
Bank charges was not entered in cash books	600
Cheques dishonoured but not recorded in cash book	750
Balance as per Cash Book	77,700

60.

Balance as per Pass Book (Cr.)	20,000
Cheques deposited but not credited by bank (20,000 - 5,000)	15,000
Bank charges was not entered in cash books	100
Balance as per Cash Book	35,100

61.

Balance as per Pass Book (Cr.)	40,000
Wrong debit by bank	2,360
Transfer by bank to another account with no advice	10,000
Balance as per Cash Book	52,360

62.

Balance as per Pass Book (Cr.)	9,000
Cheques dishonoured but not recorded in cash book	375
Total of credit column of cash was under cast	7,12.5
Balance as per Cash Book	10,087.5

63.

Balance as per Pass Book (Cr.)	1,520
Cash deposited in bank for ₹ 100 entered in cash book as ₹ 72 (100 - 72)	(28)
Transfer to saving bank account not entered in cash book	1,200
Bank charges not recorded in cash book	16
Standing order payment	24
Balance as per Cash Book	2,732

64.

Overdraft as per Cash Book	16,200
Cheque deposited was not credited in pass book	700
Cheques issued but not presented for payments (900 - 825)	(75)
Overdraft as per Pass Book	16,825

65.

Overdraft as per Cash Book	81,000
Direct collection by bank of dividend and interest (4,375 + 3,000)	(7,375)
As standing instruction bank had paid bills	6,135
Cheque deposited but not credited in pass book	22,324
Overdraft as per Pass Book	1,02,084

66.

Overdraft as per Cash Book	30,000
The credit side of bank column of cash book was undercast	100
Interest on bank loan and bank charges were not recorded in cash book (2,000 + 575)	2,575
Overdraft as per Pass Book	32,675

67.

Overdraft as per Pass Book	19,440
Cheque deposited but not credited in pass book	(840)
Cheques issued but not presented for payments (1,080 - 990)	90
Overdraft as per Cash Book	18,690

68.

Overdraft as per Pass Book	32,400
Direct collection by bank of dividend and interest (1,750 + 1,200)	2,950
As per standing instruction bank had paid bills	(2,454)
Cheque deposited but not credited in pass book	(8,929.6)
Overdraft as per Cash Book	23,966.4

69.

Overdraft as per Pass Book	60,000
Credit side of bank column of cash book was undercast	(200)
Interest on bank loan and bank charges were not recorded in cash book	(5,150)
Overdraft as per Cash Book	54,650

70.

Balance as per Pass Book (Cr.)	2,16,000
Cheques deposited but not cleared	1,08,150
Cheques issued but not presented for payment	(26,000)
Balance as per Cash Book	2,98,150

75.

Adjusted Cash Book

Receipts	₹	Payments	₹
To Balance b/d	1,050	By Bank Charges	180
To Debtors	750		
To Under casting error	100	By Balance c/d	1,720
	1,900		1,900

Bank Reconciliation Statement

Balance as per Adjusted Cash Book	1,720
Cheque deposited but not credited in pass book	(700)
Cheques issued but not presented for payments	900
Balance as per Cash Book	1,920

DEPRECIATION ACCOUNTING

CHAPTER

6

MCQ on Theory

1. Depreciation is a measure of the wearing out, consumption or other loss of value of a depreciable asset arising from -
 - I. Use
 - II. Effluxion of time
 - III. Obsolescence through technology and market changes

Select the correct answer from the options given below -

- (A) I & II
 - (B) II & III
 - (C) I & III
 - (D) Any of the above
2. Depreciation is a _____ shrinkage in the book value of a fixed asset.
 - (A) Permanent
 - (B) Continuous
 - (C) Gradual
 - (D) Any of the above
 3. Depreciation is generally provided on -
 - (A) Current Assets
 - (B) Fixed Assets
 - (C) Loans & Advances
 - (D) Fixed Liabilities
 4. Depreciation is a process of -
 - (A) Valuation
 - (B) Allocation
 - (C) Reduction
 - (D) Appreciation
 5. On which of the following asset depreciation *cannot* be provided?
 - (A) Building
 - (B) Land
 - (C) Mines
 - (D) Loose tools
 6. The annual instalment to depreciation fund for replacement of a fixed asset is -
 - (A) Charge against profit
 - (B) An appropriation of profits
 - (C) Charge against reserve
 - (D) Charge against cash
 7. Depreciation is the fall in the _____ of a fixed asset through physical wear and tear due to use or passage of time or from any other cause.
 - (A) Quality
 - (B) Value
 - (C) Either (A) or (B)
 - (D) None of the above
 8. Depreciable assets are assets which -
 - (A) Are expected to be used for more than one accounting period
 - (B) Do not have a limited useful life
 - (C) Are held by the organization for sale in regular course of business
 - (D) All of the above
 9. Loss of usefulness occasioned by improved production methods is known as
 - (A) Physical deterioration
 - (B) Obsolescence
 - (C) Disuse
 - (D) Inadequacy
 10. _____ has defined depreciation as "a measure of the wearing out, consumption or other loss of value of a depreciable asset arising from use, effluxion of time or obsolescence through technology and market changes. Depreciation is allocated so as to charge a fair proportion of depreciable amount in each accounting period during the expected useful life of the asset. Depreciation includes amortization of assets whose useful life is predetermined."
 - (A) The Institute of Chartered Accountants of England

- (B) The Institute of Chartered Accountants of India
- (C) American Institute of Certified Public Accountants
- (D) The Institute of Chartered Accountant of Pakistan
11. Depreciation Accounting has been defined by the _____ as "a system of accounting which aims to distribute the cost or other basic value of tangible capital assets less salvage (if any) over the estimated useful life of the unit (which may be a group of assets) in a systematic and rational manner. It is a process of allocation and not of valuation."
- (A) The Institute of Chartered Accountants of England
- (B) The Institute of Chartered Accountants of India
- (C) American Institute of Certified Public Accountants
- (D) The Institute of Chartered Accountant of Pakistan
12. Amortization applies to
- (A) Current Assets
- (B) Wasting Assets
- (C) Intangible Assets
- (D) Non-Current Assets
13. Which of the following is/are the important characteristic of depreciation?
- P. Depreciation is permanent, continuous and gradual increase in the value of a fixed asset.
- Q. Depreciation is appropriation of profit.
- R. Depreciation is always computed in a systematic and rational manner.
- Select the correct answer from the options give below -
- (A) Q & R only
- (B) P & R only
- (C) R only
- (D) P & Q only
14. Which of the following is/are the important characteristic of depreciation?
- (A) Depreciation is a process of allocation of future cost.
- (B) Depreciation is caused due to physical factors and functional factors
- (C) Total depreciation can exceed its depreciable value or original cost
- (D) All of the above
15. Loss on the sale of machinery should be written off against
- (A) Share Premium Account
- (B) Sales Account
- (C) Depreciation Fund Account
- (D) General Reserve Account
16. Which of the following is/are the important characteristic of depreciation?
- (A) Depreciation is sudden loss
- (B) Depreciation is a appropriation of profit
- (C) Depreciation is one of the methods for valuation of fixed assets.
- (D) None of the above
17. Which of the following is/are not the important characteristic of depreciation?
- (A) Total depreciation can exceed its depreciable value or original cost.
- (B) Depreciation is calculated in respect of fixed assets only.
- (C) Depreciation is always computed in a systematic and rational manner
- (D) All of the above
18. Estimated sale value of the asset at the end of its economic life is known as
- (A) Purchase Value
- (B) Market Value
- (C) Written Down Value
- (D) Residual Value
19. Fundamental objective of depreciation is/are -
- (A) To maintain the nominal capital invested in fixed assets
- (B) To allocate the expired portion of the cost of fixed assets over a number of accounting periods.
- (C) Both (A) & (B)
- (D) None of the above
20. Which of the following is/are cause for providing depreciation?
- (A) Physical wear and tear resulting from use
- (B) Physical deterioration resulting from atmospheric exposure
- (C) Passage of time
- (D) All of the above
21. The main objective of providing depreciation is

- (A) To calculate true profit
 (B) To calculate financial position
 (C) To reduce tax burden
 (D) To reduce profit
22. Which of the following is/are cause for providing depreciation?
 (A) Obsolescence
 (B) Depletion in case of wasting assets
 (C) Passage of time
 (D) All of the above
23. Which of the following is/are cannot be treated as cause for providing depreciation?
 (A) Obsolescence
 (B) Depreciation is a appropriation of profit
 (C) Physical wear and tear resulting from use
 (D) All of the above
24. If the asset is sold, the provision for depreciation relating to the asset sold is transferred to
 (A) Asset Account
 (B) Liability Account
 (C) P & L Account
 (D) Trading Account
25. Which of the following is/are the objectives of providing depreciation?
 (A) To meet the legal requirements
 (B) To derive maximum tax benefit
 (C) To ascertain the proper cost of the product
 (D) All of the above
26. Which of the following is/are the objectives of providing depreciation?
 (A) To make provision for receivables
 (B) To derive maximum tax benefit for excise duty by taking cenvat credit.
 (C) To present true financial position
 (D) All of the above
27. Obsolescence of a depreciable asset may be caused by
 (I) Technological changes.
 (II) Improvement in production method.
 (III) Change in market demand for the product or service output.
 (IV) Legal or other restrictions.
- The correct option is -*
 (A) Only (I) above
- (B) Both (I) & (II) of the above
 (C) All (I), (II), (III) & (IV) of the above
 (D) Only (IV) of the above
28. The number of production of similar units expected to be obtained from the use of an asset by an enterprise is called as -
 (A) Unit Life
 (B) Useful Life
 (C) Production Life
 (D) Expected Life
29. Which of the following is/are the objectives of providing depreciation?
 (A) To ascertain the correct profit
 (B) To meet the legal requirements
 (C) To present true financial position
 (D) All of the above
30. Which of the following is/are not the objectives of providing depreciation?
 (A) To create secrete reserve
 (B) To derive maximum tax benefit
 (C) To ascertain the proper cost of the product
 (D) All of the above
31. Which of the following statements is/are false?
 (I) The term 'depreciation', 'depletion' and 'amortization' convey the same meaning.
 (II) Provision For Depreciation A/c is debited when Provision For Depreciation A/c is created.
 (III) The main purpose of charging the Profit & Loss A/c with the amount of depreciation is to spread the cost of an asset over its useful life for the purpose of income determination.
- The correct option is -*
 (A) Only (I) of the above
 (B) Only (II) of the above
 (C) Only (III) of the above
 (D) All (I) (II) and (III)
32. Which of the following factor affect measurement of depreciation?
 (A) Original cost
 (B) Estimated useful life
 (C) Scrap or the residual value
 (D) All of the above

33. Which of the following statement is incorrect?
- Depreciation is the expense charged to profit and loss account before arriving at the net profit for the year.
 - The cost of fixed asset in the form of depreciation has to be matched against the revenues of the years over which the asset is used.
 - Depreciation means apportionment or allocation of the cost of the fixed asset over its useful life.
 - None of the above
34. Which of the following is not true with regard to fixed assets?
- They are acquired for using them in the conduct of business operations.
 - They are not meant for resale to earn profit.
 - They can easily be converted into cash
 - Depreciation at specified rates is to be charged on most of the fixed assets.
35. Under which of following method depreciation is charged uniformly?
1. Straight line method (SLM)
 2. Sum of year digit method
 3. Annuity method
 4. Depreciation fund method
- The correct answer is -
- 3 & 1
 - 4 & 1
 - 3, 2 & 1
 - 3, 1 & 4
36. In the case of *downward revaluation* of an asset which is for the *first time*, the account to be debited is
- Fixed Asset A/c
 - Revaluation Reserve A/c
 - Profit & Loss A/c
 - General Reserve A/c
37. Under which of following method depreciation is charged uniformly?
- Insurance policy method
 - Annuity method
 - Depreciation fund method
 - All of the above
38. The portion of the acquisition cost of the asset, yet to be allocated is known as
- Written Down Value
 - Accumulated Value
 - Realizable Value
 - Salvage Value
39. Which of the following expenses is NOT included in the acquisition cost of a plant and equipment?
- Cost of site preparation
 - Delivery and handling charges
 - Installation costs
 - Financing costs incurred subsequent to the period after plant and equipment is put to use.
40. Under which of following method depreciation is not charged uniformly?
- Fixed instalment method
 - Sum of year digit method
 - Depreciation fund method
 - All of the above
41. What is the accumulated depreciation?
- Sum of all depreciation expenses of a fixed asset
 - Depreciation expenses
 - Cost of depletion of assets
 - Future value of fixed asset
42. Under which of following method depreciation is not charged uniformly?
- Fixed instalment method
 - Insurance policy method
 - Double decline method
 - All of the above
43. If a concern proposes to discontinue its business from March 2015 and decides to dispose of all its assets within a period of 4 months, the Balance Sheet as on March 31, 2015 should indicate the assets at their
- Historical cost
 - Net realizable value
 - Cost less depreciation
 - Cost price or market value, whichever is lower
44. Under which of following method depreciation charged declines?
- Diminishing balance method
 - Sum of year digit method

- (C) Double decline method
(D) All of the above
45. The most compelling reason for accounting for depreciation is:
- (A) To match a portion of the depreciable cost of the asset against the income generated by it.
(B) To build up resources for the purpose of replacing the non-current assets.
(C) Because that is a requirement of company law.
(D) To write down the non-current assets to what it is worth by the end of the period.
46. Under which of following method depreciation charged does not declines?
- (A) Fixed instalment method
(B) Sum of year digit method
(C) Double decline method
(D) All of the above
47. Under sum of year digit method depreciation year by year
- (A) Increases
(B) Decreases
(C) Remains constant
(D) None of above
48. Depreciation fund is also called
- (A) Reserve Fund
(B) Compensation Fund
(C) Workers Fund
(D) Sinking Fund
49. Under which of following method depreciation charged does not declines?
- (A) Diminishing balance method
(B) Annuity method
(C) Double decline method
(D) All of the above
50. Accumulated depreciation should be shown on the statement of financial position:
- (A) As a deduction from current assets.
(B) As part of owner's equity.
(C) As a current liability.
(D) As a deduction from the cost of corresponding fixed assets.
51. Under which of following method depreciation charged does not declines?
- (A) Diminishing balance method
(B) Sum of year digit method
(C) Depreciation fund method
(D) All of the above
52. What do you understand when one refers to as "net book value" of a non current asset?
- (A) The cost of the asset.
(B) The cost of the asset less amount expensed as depreciation in the current period.
(C) The cost less accumulated depreciation up to the date of reporting.
(D) The current worth of the asset.
53. Under which of following method depreciation charged does not declines?
- (A) Straight line method (SLM)
(B) Annuity method
(C) Depreciation fund method
(D) All of the above
54. Which of the following would you include within the cost of sale?
- (A) Depreciation of vehicles
(B) Depreciation of furniture
(C) Depreciation of machinery used in production effort
(D) Depreciation of office equipment
55. Under which of following method depreciation charged *does not declines*?
- (i) Insurance policy method
(ii) Double decline method
(iii) Annuity method
(iv) Depletion unit method
(v) Depreciation fund method
- The correct answer is -
- (A) (ii) & (iv)
(B) (v), (i), (iii) & (iv)
(C) (iii), (i), & (v)
(D) (iv), (i) & (iii)
56. A wholesale dealer who uses his fleet of vehicles for delivering his goods to customers, reports his net profit for the year without accounting for depreciation of his vehicles. The effect is:
- (A) Gross profit as well as net profit are overstated.
(B) Gross profit is not affected but net profit is understated.

- (C) Gross profit as well as net profit are understated.
- (D) Gross profit is not affected but net profit is overstated.
57. _____ method, a fixed proportion of the original cost of the asset is written off each year so that asset account may be reduced to its residual value at the end of its estimated economic useful life.
- (A) Fixed instalment method
- (B) Sum of year digit method
- (C) Double decline method
- (D) All of the above
58. Which of the following is correct formula for charging depreciation under fixed instalment method?
- (A) $\text{Depreciation} = \frac{\text{Scrap Value} - \text{Original cost}}{\text{Life of the asset}}$
- (B) $\text{Depreciation} = \frac{\text{Life of the asset} - \text{Scrap Value}}{\text{Original cost}}$
- (C) $\text{Depreciation} = \frac{\text{Original cost} - \text{Scrap Value}}{\text{Life of the asset}}$
- (D) $\text{Depreciation} = \frac{\text{Scrap Value} - \text{Life of the asset}}{\text{Original cost}}$
59. Which of the following is the normal balance of an accumulated depreciation account?
- (A) Debit balance
- (B) Credit balance
- (C) Nil balance
- (D) (A) or (B)
60. Which of the following is/are advantage of fixed instalment method of charging depreciation?
- (A) This method is acceptable to income tax authorities.
- (B) The value of the asset can be completely written off, i.e. the value can be reduced to zero.
- (C) The efficiency and usefulness is more in early years so depreciation amount is also more in early years and goes on diminishing year to year.
- (D) All of the above
61. Which of the following is a double entry for depreciation expenses?
- (A) Accumulated depreciation debit and depreciation expenses credit.
- (B) Depreciation expenses debit and accumulated depreciation credit.
- (C) Cash debit and depreciation expenses credit.
- (D) Depreciation expenses debit and cash credit.
62. Which of the following is/are cannot be treated as advantage of fixed instalment method of charging depreciation?
- (A) It is a simple and easy method.
- (B) It takes into account the effective utilization of the asset.
- (C) This method can be applied where asset gets depreciated because of effluxion of time like furniture, equipments, patents, leasehold etc.
- (D) All of the above
63. Depreciable amount + Residual value of a fixed asset = ?
- (A) Depreciation expenses
- (B) Accumulated depreciation
- (C) Cost of the fixed asset
- (D) Future economic benefits of a fixed asset
64. Which of the following is/are disadvantage of fixed instalment method of charging depreciation?
- (A) The assumption that the asset shall be equally useful throughout its life seems to be illogical.
- (B) It does not take into account the effective utilization of the asset
- (C) Depreciation remains constant under this method over the useful life of the asset, hence true financial results cannot be shown by this method if use of the asset differs from year to year.
- (D) All of the above
65. Depreciation fund method is also known as -
- (A) Redemption fund method
- (B) Amortization fund method
- (C) Sinking fund method
- (D) All of the above
66. An alternative term used for accumulated depreciation expenses?
- (A) Provision for depreciation
- (B) Cumulative depreciation
- (C) Targeted depreciation
- (D) Depletion
67. _____ method, the amount of depreciation is ascertained in such a way, that if invested every

- year with compound interest, it will yield an amount equal to the cost of asset.
- (A) Depletion unit method
 - (B) Annuity method
 - (C) Sinking fund method
 - (D) All of the above
68. Which of the following method of depreciation takes into account the element of interest on capital outlay and seeks to write off the value of the asset as well as the interest lost over the life of the asset?
- (A) Depletion unit method
 - (B) Annuity method
 - (C) Sinking fund method
 - (D) All of the above
69. XYZ firm has imported a machine from abroad. Which of the following is NOT the element of machine's cost?
- (A) Purchase price of machine
 - (B) Import duty
 - (C) Demurrage charges
 - (D) Refundable tax
70. Under annuity method amount of depreciation -
- (A) Declines each year over the life of the assets
 - (B) Remains same for each year up to life of the assets
 - (C) Increases each year over the life of the assets
 - (D) None of the above
71. Under _____ method depreciation is provided as a fixed percentage of the written down value of the asset.
- (A) Fixed instalment method
 - (B) Annuity method
 - (C) Reducing balance method
 - (D) All of the above
72. In the calculation of depreciation, all of the following items are actually estimates except:
- (A) Useful Life
 - (B) Residual Value
 - (C) Historical Cost
 - (D) Salvage Value
73. Which of the following is/are advantage of Reducing balance method/WDV method?
- (A) Under this method it is easy to calculate depreciation rate.
 - (B) Income tax authorities do not accept this method
 - (C) The efficiency and usefulness is more in early years so depreciation amount is also more in early years and goes on diminishing year to year.
 - (D) All of the above
74. _____ is a method of accelerated depreciation that allocates larger amounts of depreciation as an expense during the earlier years of the life of an asset.
- (A) Annuity method
 - (B) Inventory system of depreciation
 - (C) Sum of years digit method
 - (D) All of the above
75. An increase in the value of fixed asset is referred to as:
- (A) Depreciation
 - (B) Appreciation
 - (C) Market capitalization
 - (D) Reverse depreciation
76. Which of the following method is applicable in case of wasting assets, i.e. mines, quarries, oil well etc.?
- (A) Inventory system of depreciation
 - (B) Machine hour rate
 - (C) Sum of years digit
 - (D) Depletion Method
77. Under _____ method depreciation is calculated on the basis of hours worked during the year by the machine.
- (A) Inventory system of depreciation
 - (B) Machine hour rate method
 - (C) Sum of years digit method
 - (D) Depletion Method
78. Which of the following accounting concepts or principles require the calculation of depreciation of the fixed assets?
- (A) Prudence Concept
 - (B) Accrual Concept
 - (C) Consistency Concept
 - (D) Matching Concept
79. In case of assets of small value or if the life of the asset cannot be accurately determined, _____ method of depreciation is applied.
- (A) Inventory system of depreciation

- (B) Machine hour rate
(C) Sum of years digit
(D) Depletion
80. Where the life of the asset is uncertain _____ method of depreciation is applied.
(A) Depletion
(B) Machine hour rate
(C) Inventory system of depreciation
(D) Sum of years digit
81. For which of the following Inventory system of depreciation can be applied?
(I) Animals
(II) Loose tools
(III) Jars & bottles
Select the correct answer -
(A) (II) & (III)
(B) (II) only
(C) (I) & (III)
(D) All (I), (II) & (III)
82. For charging depreciation, on which of the following assets, the depletion method is adopted?
(A) Goodwill
(B) Plant & machinery
(C) Land & building
(D) Wasting assets like mines and quarries
83. The portion of the acquisition cost of the asset, yet to be allocated is known as -
(A) Salvage value
(B) Accumulated value
(C) Realizable value
(D) Written down value
84. Which of the following statement is false?
(I) Depreciation expense shown on a company's income statement must be the same amount as the depreciation expense on the company's income tax return.
(II) The purpose of depreciation is to have the balance sheet report the current value of an asset.
(III) Depreciation expense reflects an allocation of an asset's original cost rather than an allocation based on the economic value that is being consumed.
(IV) One company might depreciate a new computer over three years while another company might depreciate the same model computer over five years and both companies are right.
The correct option is -
(A) (I) & (III)
(B) (II) & (IV)
(C) (I) & (II)
(D) (I), (II) & (III)
85. The book value of an asset is defined as -
(A) Cost minus salvage value
(B) Cost minus accumulated depreciation.
(C) Cost minus salvage value minus accumulated depreciation.
(D) Estimated fair market value.
86. Which of the following is odd one?
(A) Amortization
(B) Capitalization
(C) Depletion
(D) Depreciation
87. Which of the following is odd one with reference to depreciation?
(A) Land
(B) Machinery
(C) Furniture
(D) None of the above
88. A change in accounting policy e.g. change in method of depreciation is justified -
(A) To comply with accounting standard
(B) To ensure more appropriate presentation of the financial statement of the enterprise
(C) To comply with law
(D) All of the above
89. According to AS-6 "Depreciation Accounting", issued by the ICAI change in method is permitted -
(A) Prospectively
(B) Retrospectively
(C) Negatively
(D) None of the above

Particle MCQ

90. Z Ltd. acquired machinery on 1st January 2011 at a cost of ₹ 72,000 and spent ₹ 8,000 for its installation. The firm writes off depreciation at 10% p.a. on the original cost every year. The books are closed on 31st December every year. Depreciation for 1st & 2nd year as per fixed instalment method will be ₹ _____

- (A) 6,000, 6,000
(B) 8,000, 8,000
(C) 8,000, 7,200
(D) 6,000, 8,000
91. Q Ltd. acquired machinery on 1st January 2011 at a cost of ₹ 72,000 and spent ₹ 8,000 for its installation. The firm writes off depreciation at 10% p.a. on the original cost every year. The books are closed on 31st December every year. Closing balance of machinery account for 1st & 2nd year as per fixed instalment method will be ₹
- (A) 72,000, 64,000
(B) 74,000, 66,600
(C) 74,000, 72,000
(D) 74,000, 66,000
92. A manufacturer owns three machines - the first acquired on 1.1.2011 for ₹ 1,10,000, the second on 1.7.2013 for ₹ 90,000, and the third on 1.10.2015 for ₹ 1,30,000. He expects to use each machine for ten years and realize the scrap for ₹ 10,000. Using the straight-line method what is his depreciation for the year ended 31.12.2015?
- (A) 33,000
(B) 21,000
(C) 30,000
(D) 12,000
93. K & Co. acquired machinery on 1st July 2011 at a cost of ₹ 45,000 and spent ₹ 5,000 for its installation. The firm writes off depreciation at 10% p.a. on the original cost every year. The books are closed on 31st March every year. Depreciation for the year ended 31st March 2012 & 31st March 2013 will be ₹ & ₹
- (A) 3,750 & 5,000
(B) 5,000 & 3,750
(C) 3,750 & 3,750
(D) 5,000 & 5,000
94. Z Ltd. purchased a machine on 1.1.2012 for ₹ 12,000. Installation expenses were ₹ 1,000. Residual value after 5 years ₹ 500. Depreciation is provided under SLM. Depreciation rate is 10% p.a. Annual depreciation = ?
- (A) 1,700
(B) 1,300
(C) 2,100
(D) 2,500
95. A firm owns a fleet of vehicles acquired at a total cost of ₹ 2,64,800. Accumulated depreciation up to the beginning of the current year is ₹ 1,12,400. Vehicles are depreciated at 20% p.a. using the straight-line method. The written down value of the vehicles by the end of the current year would be -
- (A) ₹ 99,440
(B) ₹ 52,960
(C) ₹ 2,11,840
(D) ₹ 1,52,400
96. N Ltd. purchase Machinery for ₹ 10,00,000 on 1.1.2012. Installation expenses were ₹ 50,000. Life of the asset is 6 years at the end of which asset can be sold at ₹ 30,000. Annual depreciation under straight line method will be = ?
- (A) 1,80,000
(B) 1,66,667
(C) 1,70,000
(D) 1,71,667
97. Original cost = ₹ 1,76,400. Salvage value = 8,400. Useful Life = 6 years. Annual depreciation under SLM = ?
- (A) 29,400
(B) 28,000
(C) 30,800
(D) None of the above
98. Original cost = ₹ 88,200. Salvage value = 4,200. Useful Life = 3 years. Depreciation rate = ?
- (A) 33.333%
(B) 31.746%
(C) 34.921%
(D) None of the above
99. A company purchased a new machine for ₹ 5,00,000 and machine's test run was started to make sure that machine works properly. There was expense of ₹ 5,000 incurred on test run, however the sale proceeds of test production were ₹ 2,000. You are required to find out the total cost of machine?
- (A) ₹ 5,00,000
(B) ₹ 5,05,000
(C) ₹ 5,03,000
(D) ₹ 4,95,000
100. Original cost = ₹ 12,00,000. Salvage value = ₹ 2,00,000. Useful Life = 10 years. Annual depreciation = ? & rate of depreciation = ?

- (A) ₹ 1,00,000 & 10%
 (B) ₹ 1,00,000 & 8.33%.
 (C) ₹ 1,20,000 & 12%
 (D) ₹ 1,20,000 & 8.33%
101. Machinery costing ₹ 20,00,000 was purchased on 1.4.2012. The installation charges amounting ₹ 5,00,000 were incurred. The depreciation at 10% p.a. on straight line method for the year ended 31st March, 2013 will be -
 (A) 1,50,000
 (B) 2,50,000
 (C) 2,00,000
 (D) 50,000
102. A firm owns a fleet of vehicles acquired at a total cost of ₹ 4,80,000. Accumulated depreciation up to the beginning of the current year is ₹ 2,12,400. Vehicles are depreciated at 25% p.a. using the reducing balance method. The written down value of the vehicles by the end of the current year would be: -
 (A) ₹ 2,67,600
 (B) ₹ 66,900
 (C) ₹ 1,47,600
 (D) ₹ 2,00,700
103. A Ltd. acquired a machine on 1st January, 2010 at a cost of ₹ 14,000 and spent ₹ 1,000 on its installation. The firm writes off depreciation at 10% p.a. of the original cost every year. The books are closed on 31st December every year. After 3 years machine sold for ₹ 9,000. Profit/Loss on sale = ?
 (A) Profit - ₹ 1,500
 (B) Loss - ₹ 1,500
 (C) Profit - ₹ 800
 (D) Loss - ₹ 800
104. B Ltd. acquired a machine on 1st January, 2010 at a cost of ₹ 14,000 and spent ₹ 1,000 on its installation. The firm writes off depreciation at 10% p.a. of the original cost every year. The books are closed on 31st December every year. After 3 years machine sold for ₹ 13,000. Profit/Loss on sale = ?
 (A) Profit - ₹ 2,500
 (B) Loss - ₹ 2,500
 (C) Profit - ₹ 2,200
 (D) Loss - ₹ 2,200
105. A Ltd. purchased a machine on 1.1.2006 for ₹ 1,20,000. Installation expenses were ₹ 10,000. Residual value after 5 years ₹ 5,000. On 1.7.2006, expenses for repairs were incurred to the extent of ₹ 2,000. Depreciation is provided @ 10% p.a. under written down value method. Depreciation for the 4th year = ?
 (A) ₹ 25,000
 (B) ₹ 13,000
 (C) ₹ 10,530
 (D) ₹ 9,477
106. C Ltd. acquired a machine on 1st January, 2010 at a cost of ₹ 14,000 and spent ₹ 1,000 on its installation. The firm writes off depreciation at 10% p.a. of the original cost every year. The books are closed on 31st December every year. On 31st May 2013 machine sold for ₹ 8,000. Profit/Loss on sale = ?
 (A) Profit - ₹ 2,275
 (B) Loss - ₹ 2,275
 (C) Profit - ₹ 1,875
 (D) Loss - ₹ 1,875
107. Hi-Fi Ltd. acquired machinery on 1st January 2012 at a cost of ₹ 36,000 and spent ₹ 4,000 for its installation. The firm writes off depreciation at 10% p.a. on WDV basis. The books are closed on 31st December. Depreciation for 1st & 2nd year will be ₹ & ₹
 (A) 3,600, 3,240
 (B) 4,000, 3,600
 (C) 3,600, 4,000
 (D) 3,240, 2,916
108. Hi-Fi Ltd. acquired machinery on 1st January 2012 at a cost of ₹ 36,000 and spent ₹ 4,000 for its installation. The firm writes off depreciation at 10% p.a. on WDV basis. The books are closed on 31st December. Closing balance of machinery account for 1st & 2nd year will be ₹ & ₹
 (A) 32,400, 29,160
 (B) 36,000, 36,000
 (C) 32,400, 36,000
 (D) 36,000, 32,400
109. A firm acquired machinery on 1st July 2011 at a cost of ₹ 45,000 and spent ₹ 5,000 for its installation. The firm writes off depreciation at 10% per annum on diminishing balance method. The books are closed on 31st March every year. Depreciation for the year ended 31st March 2012 & 31st March 2013 will be ₹ & ₹
 (A) 3,750 & 5,000
 (B) 4,625 & 3,750

- (C) 3,750 & 4,625
(D) 5,000 & 3,750
110. Y Ltd. purchased a machine on 1.1.2012 for ₹ 12,000. Installation expenses were ₹ 1,000. Residual value after 5 years ₹ 500. Depreciation is provided under WDV. Depreciation rate is 20%. Depreciation for 3rd year = ?
(A) 1,664
(B) 1,536
(C) 1,600
(D) None of the above
111. N Ltd. purchased machine for ₹ 1,00,000 on 1.1.2012. Installation expenses were ₹ 10,000. Life of the asset is 5 years at the end of which asset can be sold at ₹ 5,000. Depreciation rate is 15% on WDV. Depreciation for 4th year = ₹ ...?....
(A) 9,212
(B) 9,673
(C) 10,594
(D) 10,133
112. T Ltd. acquired a machine on 1st January, 2010 at a cost of ₹ 1,40,000 and spent ₹ 10,000 on its installation. The firm writes off depreciation at 15% p.a. on WDV. The books are closed on 31st December every year. After 3 years machine sold for ₹ 87,000. Profit/Loss on sale = ?
(A) Profit - ₹ 1,023
(B) Loss - ₹ 1,023
(C) Profit - ₹ 5,119
(D) Loss - ₹ 5,119
113. S Ltd. acquired a machine on 1st January, 2010 at a cost of ₹ 1,40,000 and spent ₹ 10,000 on its installation. The firm writes off depreciation at 15% p.a. on WDV. The books are closed on 31st December every year. After 3 years machine sold for ₹ 97,000. Profit/Loss on sale = ?
(A) Profit - ₹ 4,881
(B) Loss - ₹ 4,881
(C) Profit - ₹ 11,023
(D) Loss - ₹ 11,023
114. V Ltd. acquired a machine on 1st July, 2010 at a cost of ₹ 15,000. The firm writes off depreciation at 10% p.a. on WDV. The books are closed on 31st March every year. On 30th June 2013 machine sold for ₹ 8,000. Profit/Loss on sale = ?
(A) Profit - ₹ 2,958
(B) Loss - ₹ 2,958
(C) Profit - ₹ 3,375
(D) Loss - ₹ 3,375
115. Life of an asset is 5 years, Purchase cost - ₹ 5,70,000, Installation charges - ₹ 30,000 Depreciation as per sum of years digit method for 4th year = ?
(A) 1,60,000
(B) 40,000
(C) 2,00,000
(D) 80,000
116. Original cost = ₹ 1,26,000; Salvage value = Nil; Useful life = 6 years. Depreciation for the first year under sum of years digits method will be
(A) 36,000
(B) 18,000
(C) 12,000
(D) 6,000
117. N Ltd. purchased a machinery on April 1, 2008 for ₹ 6,00,000. It is estimated that the machinery will have a useful life of 5 years after which it will have no salvage value. If the company follows sum of year digit method of depreciation, the amount of depreciation charged during the year 2012-2013 was
(A) ₹ 40,000
(B) ₹ 1,20,000
(C) ₹ 1,90,000
(D) ₹ 2,00,000
118. M/s NZ & Co. purchased a machine for ₹ 10,00,000. Estimated useful life and scrap value were 10 years and ₹ 1,20,000 respectively. The machine was put to use on 1.1.2001. If the company follows sum of year digit method of depreciation, the amount of depreciation charged during the year 2007 & 2008 was &
(A) 64,000 & 48,000
(B) 48,000 & 64,000
(C) 1,12,000 & 1,28,000
(D) 1,28,000 & 1,12,000
119. Original cost = ₹ 2,01,600. Salvage value = ₹ 9,600. Depreciation for 2nd year by machine hour rate method, if hours for 2nd year was 8,000 and total estimated hours are 80,000.
(A) ₹ 19,000
(B) ₹ 21,120
(C) ₹ 20,160
(D) ₹ 19,200

120. Original cost = ₹ 1,26,000. Salvage value = 6,000. Useful Life = 6 years. Annual depreciation under SLM = ?

(A) ₹ 21,000
(B) ₹ 20,000
(C) ₹ 15,000
(D) ₹ 14,000

121. A new machine costing ₹ 1,00,000 was purchased by a company on 1st April 2011. Its useful life is estimated to be 5 years and scrap value at ₹ 10,000. The production hours for the next 5 years is as follows:

Year	Hours
2011 - 2012	5,000
2012 - 2013	10,000
2013 - 2014	12,000
2014 - 2015	20,000
2015 - 2016	25,000

Depreciation for year 2013 - 2014 = ?

(A) 25,000
(B) 15,000
(C) 12,500
(D) 6,250

122. Life of an asset is 5 years, Purchase cost: ₹ 6,70,000, Installation charges: ₹ 30,000, Salvage value: ₹ 50,000. Total estimated hours machine will work for the 5 years - 25,000 hours. If machine works for 5,000 & 8,000 hours in 1st & 2nd year, depreciation as per machine hour rate method will be ____ & ____

(A) 1,34,000 & 2,14,400
(B) 1,30,000 & 2,08,000
(C) 1,40,000 & 2,24,000
(D) 2,08,000 & 1,30,000

123. Original Cost = ₹ 1,00,000. Life = 5 years. Expected salvage value = ₹ 2,000. Rate of depreciation p.a. = ?

(A) 20.0%
(B) 19.8%
(C) 19.6%
(D) 19.4%

124. Original cost = ₹ 1,26,000. Salvage value = 6,000. Depreciation for 2nd year by units of production method, if units produced in 2nd year was 5,000 and total estimated production 50,000.

(A) ₹ 10,800

(B) ₹ 11,340

(C) ₹ 12,600

(D) ₹ 12,000

125. Original cost = ₹ 7,50,000. Installation charges = 1,00,000, Salvage value = 50,000. Depreciation for 3rd year by units of production Method, if units produced in 3rd year was 40,000 and total estimated production 2,00,000.

(A) ₹ 1,20,000
(B) ₹ 1,80,000
(C) ₹ 1,60,000
(D) ₹ 2,00,000

126. A new machine costing ₹ 2,75,000 was purchased by a company on 1st April 2011. Its useful life is estimated to be 5 years and scrap value at ₹ 25,000. The production units for the next 5 years is as follows:

Year	Units
2011 - 2012	10,000
2012 - 2013	15,000
2013 - 2014	35,000
2014 - 2015	40,000
2015 - 2016	50,000

Depreciation for year 2012 - 2013 & 2014 - 2015 will be ____ & ____

(A) 16,667 & 8,333
(B) 25,000 & 66,667
(C) 25,000 & 58,333
(D) 66,667 & 83,333

On the basis of the information given below, answer next 6 questions.

Z Ltd. purchased machine having life of 3 years on 1st April, 2008 for ₹ 50,000. It is decided to provide for the replacement of the machine at the end of 3 years by setting-up a Sinking fund. Investment will fetch interest at 12% p.a. Sinking fund tables shows that ₹ 0.296349 invested each year will produce ₹ 1 at the end of 3 years at 12% p.a. The investments are sold for ₹ 28,500.

127. Depreciation to be provided for each year = ?

(A) 16,666.67
(B) 14,817.45
(C) 6,371.50
(D) None of the above

128. Interest for the year ended 31st March, 2010 = ?

(A) 1,778.04

- (B) 3,769.44
(C) 1,578.04
(D) None of the above
129. Interest for the year ended 31st March, 2011=?
(A) 1,778.04
(B) 3,769.44
(C) 1,578.04
(D) None of the above
130. Sinking Fund Investment Account balance for the year ended 31st March, 2010 = ?
(A) 14,817
(B) 31,412
(C) Nil
(D) None of the above
131. Sinking Fund Investment Account balance for the year ended 31st March, 2011 = ?
(A) 14,817
(B) 31,412
(C) Nil
(D) None of the above
132. Loss on sale of investment for the year ended 31st March, 2011 = ?
(A) 1,778.04
(B) 2,912
(C) 3,769.44
(D) None of the above
- On the basis of the information given below, answer next 9 questions.**

NS Ltd. purchased a lease-hold property on 1st April 2010 for 5 years at a cost of ₹ 7,50,000. It decided to write off the lease by annuity method presuming the rate of interest at 14%. The annuity table shows that annual amount necessary to write off Re. 1 in 5 years at 14% is ₹ 0.291284. Calculations to be made to the nearest rupee.
133. Depreciation to be provided for each year = ?
(A) 2,63,463
(B) 2,48,463
(C) 2,33,463
(D) 2,18,463
134. Interest for the year ended 31st March, 2011 = ?
(A) 1,05,000
(B) 71,007
(C) 89,115
(D) None of the above
135. Interest for the year ended 31st March, 2012=?
(A) 1,05,000
(B) 71,007
(C) 89,115
(D) None of the above
136. Interest for the year ended 31st March, 2013=?
(A) 1,05,000
(B) 89,115
(C) 71,006
(D) 50,363
137. Interest for the year ended 31st March, 2014=?
(A) 1,05,000
(B) 89,115
(C) 71,007
(D) 50,362
138. Balance of lease account for the year ended 31st March, 2011 = ?
(A) 6,36,537
(B) 5,07,189
(C) 3,59,733
(D) 1,91,631
139. Balance of lease account for the year ended 31st March, 2012 = ?
(A) 6,36,537
(B) 3,59,733
(C) 1,91,631
(D) 5,07,189
140. Balance of lease account for the year ended 31st March, 2013 = ?
(A) 6,36,537
(B) 3,59,733
(C) 1,91,631
(D) 5,07,189
141. Balance of lease account for the year ended 31st March, 2014 = ?
(A) 6,36,537
(B) 5,07,189
(C) 3,59,733
(D) 1,91,631
142. N Ltd. purchase machine for ₹ 4,75,000 on 1.1.2010 and spent ₹ 25,000 on its installation. Rate of depreciation 10% on SLM. Company

charge depreciation on SLM up to year ended 31.12.2014. In year 2015 the company wants to change its method of depreciation from SLM to WDV w.e.f. from 1.1.2010. To effect the change in method machinery account will be -

- (A) Credited by ₹ 45,245
- (B) Debited by ₹ 45,245
- (C) Credited by ₹ 42,983
- (D) Debited by ₹ 42,983

On the basis of the information given below, answer next 4 questions.

A firm, which depreciates its machinery at 10% p.a. on WDV method, had on 1st April, 2002 ₹ 9,72,000 in the debit of machinery account. During the year ended 31st March, 2003, a part of the machinery purchased on 1st April, 2000 for ₹ 80,000 was sold for ₹ 45,000 on 1st October, 2002 and a new machinery at a cost of ₹ 1,50,000 was purchased and installed on the same date, installation charges being ₹ 8,000. On 31st March, 2003, the firm decided to change its method of charging depreciation from WDV method to SLM with effect from April, 2000, the rate of depreciation remaining the same as before.

143. Depreciation on machine sold up to 1.10.2002 in year 2002 - 2003 will be -
- (A) ₹ 16,560
 - (B) ₹ 3,240
 - (C) ₹ 11,200
 - (D) ₹ 7,900
144. Loss on machine sold on 1.10.2002 in year 2002 - 2003 will be -
- (A) ₹ 16,560
 - (B) ₹ 3,240
 - (C) ₹ 11,200
 - (D) ₹ 7,900
145. Extra depreciation due to change in method will be -
- (A) ₹ 16,560
 - (B) ₹ 3,240
 - (C) ₹ 11,200
 - (D) ₹ 7,900
146. Closing balance of machinery account will be -
- (A) ₹ 9,61,800
 - (B) ₹ 9,45,240

(C) ₹ 9,42,000

(D) ₹ 9,34,100

On the basis of following information answer next two questions.

The balance in accumulated depreciation account of a company at the beginning of year 2008-2009 was ₹ 2,00,000 when the original cost of the assets amounted to ₹ 10,00,000. The company charges 10% depreciation on a SLM basis for all assets including those which have been either purchased or sold during the year. One such asset costing ₹ 5,00,000 with accumulated depreciation as at the beginning of the year of ₹ 80,000 was disposed off during the year.

147. Depreciation for the current year = ?
- (A) ₹ 40,000
 - (B) ₹ 50,000
 - (C) ₹ 60,000
 - (D) ₹ 1,00,000
148. The balance of the accumulated depreciation account at the end of the year considering the current year's depreciation charge would be
- (A) ₹ 2,20,000
 - (B) ₹ 1,70,000
 - (C) ₹ 1,20,000
 - (D) ₹ 2,50,000

On the basis of the information given below answer next three questions.

In the year 2014-2015, C Ltd. purchased a new machine and made the following payments in relation to it:

Particulars	₹
Cost as per supplier's list	5,20,000
Agreed discount	50,000
Delivery charges	10,000
Erection charges	20,000
Annual maintenance charges	30,000
Additional components to increase capacity of machine	40,000
Annual insurance premium	5,000

149. The cost of the machine is ____
- (A) ₹ 5,40,000
 - (B) ₹ 5,45,000
 - (C) ₹ 4,70,000
 - (D) ₹ 5,50,000

150. If depreciation is provided @ 10% p.a. SLM, depreciation for 3rd year will be -
 (A) ₹ 54,000
 (B) ₹ 54,500
 (C) ₹ 47,000
 (D) ₹ 55,000
151. If depreciation is provided @ 10% p.a. WDV, depreciation for 3rd year is -
 (A) ₹ 43,740
 (B) ₹ 44,145
 (C) ₹ 38,070
 (D) ₹ 44,550
152. Consider the following information:
 Rate of depreciation under the written down method = 20%; Original cost of the asset = ₹ 1,00,000; Residual value of the asset at the end of useful life = ₹ 40,960.
 Estimated useful life of the asset = ?
 (A) 4 years
 (B) 5 years
 (C) 6 years
 (D) 7 years
153. In the books of SZ Ltd. the machinery account shows a debit balance of ₹ 60,000 as on 1.4.2015. The machinery was sold on 30.9.2016 for ₹ 30,000. The company charges depreciation @ 20% p.a. on diminishing balance method. Profit/Loss on sale = ?
 (A) ₹ 13,200 Profit
 (B) ₹ 13,200 Loss
 (C) ₹ 6,800 Profit
 (D) ₹ 6,800 Loss
154. On 1.8.2012, K Ltd. bought four Matador Vans costing ₹ 1,20,000 each. The company expected to fetch a scrap value of 25% of the cost price of the vehicles after 10 years. The vehicles were depreciated under the fixed instalment method up to 31.3.2015. The rate of depreciation charged up to 31.3.2015 = ?
 (A) 10.0%
 (B) 9.0%
 (C) 8.5%
 (D) 7.5%
155. A machine was purchased on 1st January 2013 for ₹ 25,000 and is to be depreciated at 30% p.a. based on reducing balance method. If the company closes books of account on 31st March every year, what would be the net book value of the equipment as at 31st December, 2014?
 (A) ₹ 12,250
 (B) ₹ 10,000
 (C) ₹ 17,750
 (D) ₹ 12,545
156. On 1.1.2015, N Ltd. has a stock of bottles valued at ₹ 8,000. On 1.7.2015, they purchased additional bottles which amounted to ₹ 5,000. On 31.12.2015, the stock of bottles were revalued at ₹ 10,500. Depreciation on bottle = ?
 (A) ₹ 13,000
 (B) ₹ 8,000
 (C) ₹ 2,500
 (D) ₹ 10,500
157. In 2012, S Ltd. acquired a mine at a cost of ₹ 5,00,000. The estimated reserve of minerals is 50,00,000 tonnes, of which 80% is expected to be realized. The first three years raisings are 1,50,000; 2,00,000 & 2,50,000 tonnes, respectively. Depreciation for the third year = ?
 (A) ₹ 31,250
 (B) ₹ 18,750
 (C) ₹ 25,000
 (D) None of the above
158. On 1.1.2014, the Plant Account showed a balance of ₹ 80,000. Out of the above, a Plant whose book value was ₹ 10,000 on that date, was sold for ₹ 6,000 on 1.4.2015. On 1.10.2015, the plant was purchased for ₹ 20,000. Depreciation is charged at 10% p.a. on SLM basis and books of accounts are closed on 31st December each year. Balance of Plant on 31.3.2015 = ?
 (A) ₹ 72,000
 (B) ₹ 92,000
 (C) ₹ 75,500
 (D) ₹ 83,000
159. Z Ltd. had balance of ₹ 4,000 in its plant account and corresponding balance of accumulated depreciation account of that plant was ₹ 3,200. This plant was exchanged for new plant. The payment for the new plant consisted of trade-in-allowance of ₹ 1,400 for the old one and the balance ₹ 4,600 to be paid in cash. The old plant could have been sold for ₹ 1,000. In relation to this transaction, which of the following statement is correct?
 (A) Provision for depreciation account will be credited by ₹ 3,200.
 (B) ₹ 5,600 will be debited to New Plant Account.

(C) Profit & Loss Account will be debited by ₹ 200.

(D) All of the above

160. A machine was purchased on 1.5.2013 for ₹ 20,000 (installation expenses ₹ 1,000) was fully destroyed in an accident on 1.9.2015. Company provides depreciation @ 15% p.a. on reducing balance method and close accounts on 31st March each year. Which of the following journal entry is correct?

(A)	Accidental Loss A/c	Dr.	18,113	
	To Machinery A/c			18,113
(B)	Accidental Loss A/c	Dr.	15,396	
	To Machinery A/c			15,396
(C)	Profit & Loss A/c	Dr.	14,434	
	Depreciation A/c	Dr.	962	
	To Machinery A/c			15,396
(D)	Machinery A/c	Dr.	14,434	
	Accumulated Dep. A/c	Dr.	6,566	
	To Profit & Loss A/c			21,000

161. On 1.4.2012 balance in plant account was ₹ 3,77,913. On 1.7.2012, purchased new machine for ₹ 50,000 (installation expenses ₹ 2,500). A sum of ₹ 30,000 was paid on the same date and balance ₹ 22,500 was paid on May 2013. Company provides depreciation @ 15% p.a. on reducing balance method and close accounts on 31st March each year. Depreciation for the year ended 31.3.2013 = ?

- (A) ₹ 62,593
(B) ₹ 64,562
(C) ₹ 60,062
(D) ₹ 61,543

162. On 1st April, 2015 in Sethi's Ledger, furniture account showed a balance of ₹ 2,00,000. On 1st October, 2015 Sethi purchased new furniture by paying ₹ 5,000 and giving old furniture whose book value on 1st April, 2015 was ₹ 12,000 to the seller. Sethi provides depreciation on furniture @ 10% p.a. on diminishing balance method. The net book value of furniture in Sethi's book on 31.3.2016 = ?

- (A) ₹ 1,85,080

(B) ₹ 1,83,960

(C) ₹ 1,84,780

(D) ₹ 2,04,400

163. The written down value of machine on 31st March 2013 is ₹ 72,900. The machine was purchased on 1st April, 2010. Depreciation is charged @ 10% p.a. by diminishing balance method. The cost price of the machine = ?

- (A) ₹ 1,00,000
(B) ₹ 90,000
(C) ₹ 81,000
(D) ₹ 72,000

164. A company purchased plant for ₹ 50,000. The useful life of the plant is 10 years and the residual value is ₹ 5,000. The management wants to depreciate it by straight line method. Rate of depreciation will be = ?

- (A) 8%
(B) 9%
(C) 10%
(D) None of the above

165. Equipment was purchased on 1st January 2012 for ₹ 25,000 and is to be depreciated at 30% based on reducing balance method. If the company closes its books of account on 31st March every year, what would be the net book value of the equipment as at 31st December, 2013?

- (A) ₹ 12,250
(B) ₹ 10,000
(C) ₹ 17,750
(D) ₹ 12,545

166. M & Co. purchased a machine for a certain sum. The firm has a policy of charging 8% depreciation on written down value. The depreciated value of machine after three years is ₹ 3,89,344. Purchase price of machine = ?

- (A) ₹ 5,00,000
(B) ₹ 4,60,000
(C) ₹ 4,23,000
(D) ₹ 5,52,000

Answers

1.	(D)	2.	(D)	3.	(B)	4.	(B)	5.	(B)	6.	(A)	7.	(B)
8.	(A)	9.	(B)	10.	(B)	11.	(C)	12.	(C)	13.	(C)	14.	(B)
15.	(C)	16.	(D)	17.	(A)	18.	(D)	19.	(C)	20.	(D)	21.	(A)
22.	(D)	23.	(B)	24.	(A)	25.	(D)	26.	(C)	27.	(C)	28.	(B)

29.	(D)	30.	(A)	31.	(D)	32.	(D)	33.	(D)	34.	(C)	35.	(D)
36.	(C)	37.	(D)	38.	(A)	39.	(D)	40.	(B)	41.	(A)	42.	(C)
43.	(B)	44.	(D)	45.	(A)	46.	(A)	47.	(B)	48.	(D)	49.	(B)
50.	(D)	51.	(C)	52.	(C)	53.	(D)	54.	(C)	55.	(C)	56.	(D)
57.	(A)	58.	(C)	59.	(B)	60.	(B)	61.	(B)	62.	(B)	63.	(C)
64.	(D)	65.	(D)	66.	(A)	67.	(C)	68.	(B)	69.	(D)	70.	(B)
71.	(C)	72.	(C)	73.	(C)	74.	(C)	75.	(B)	76.	(D)	77.	(B)
78.	(D)	79.	(A)	80.	(C)	81.	(D)	82.	(D)	83.	(D)	84.	(C)
85.	(B)	86.	(B)	87.	(A)	88.	(D)	89.	(B)	90.	(B)	91.	(A)
92.	(B)	93.	(A)	94.	(B)	95.	(A)	96.	(C)	97.	(B)	98.	(B)
99.	(C)	100.	(B)	101.	(B)	102.	(D)	103.	(B)	104.	(A)	105.	(D)
106.	(D)	107.	(B)	108.	(D)	109.	(C)	110.	(A)	111.	(D)	112.	(D)
113.	(A)	114.	(B)	115.	(D)	116.	(A)	117.	(A)	118.	(A)	119.	(D)
120.	(B)	121.	(B)	122.	(B)	123.	(C)	124.	(D)	125.	(C)	126.	(B)
127.	(B)	128.	(A)	129.	(B)	130.	(B)	131.	(C)	132.	(B)	133.	(D)
134.	(A)	135.	(C)	136.	(C)	137.	(D)	138.	(A)	139.	(D)	140.	(B)
141.	(D)	142.	(B)	143.	(B)	144.	(A)	145.	(C)	146.	(D)	147.	(D)
148.	(A)	149.	(A)	150.	(A)	151.	(A)	152.	(A)	153.	(B)	154.	(D)
155.	(D)	156.	(C)	157.	(A)	158.	(C)	159.	(B)	160.	(C)	161.	(A)
162.	(C)	163.	(A)	164.	(B)	165.	(D)	166.	(A)				

Hints for Practical MCQ

90. & 91.

Dr.		Machinery A/c		Cr.	
1.1.2011	To Bank A/c (72,000 + 8,000)	80,000	31.12.2011	By Depreciation A/c (80,000 × 10%)	8,000
			31.12.2011	By Balance c/d	72,000
		80,000			80,000
1.1.2012	To Balance b/d	72,000	31.12.2012	By Depreciation A/c	8,000
			31.12.2012	By Balance c/d	64,000
		72,000			72,000

92. Computation of depreciation for the year ended 31.12.2015

Machine acquired on 1.1.2011	$\left[\frac{1,10,000 - 10,000}{10} \right]$	10,000
Machine acquired on 1.7.2013	$\left[\frac{90,000 - 10,000}{10} \right]$	8,000
Machine acquired on 1.10.2015	$\left[\frac{1,30,000 - 10,000}{10} \times \frac{3}{12} \right]$	3,000
		<u>21,000</u>

93.

Dr.		Machinery A/c		Cr.	
1.7.2011	To Bank A/c (45,000 + 5,000)	50,000	31.3.2012	By Depreciation A/c (50,000 × 10% × 9/12)	3,750
			31.3.2012	By Balance c/d	46,250
		50,000			50,000
1.4.2012	To Balance b/d	46,250	31.3.2013	By Depreciation A/c (50,000 × 10%)	5,000
			31.3.2013	By Balance c/d	41,250
		46,250			46,250

94. Depreciation = $(12,000 + 1,000) \times 10\% = 1,300$

95.

Original cost	2,64,800
(-) Accumulated depreciation	(1,12,400)
	1,52,400
(-) Current Depreciation (2,64,800 × 20%)	(52,960)
	99,440

96. Depreciation = $\frac{10,00,000 + 50,000 - 30,000}{6} = 1,70,000$ 97. Depreciation = $\frac{1,76,400 - 8,400}{6} = 28,000$ 98. Depreciation = $\frac{88,200 - 4,200}{3} = 28,000$; Depreciation Rate = $\frac{28,000}{88,200} \times 100 = 31.746\%$ 99. $5,00,000 + 5,000 - 2,000 = 5,03,000$ 100. Depreciation = $\frac{12,00,000 - 2,00,000}{10} = 1,00,000$; Depreciation Rate = $\frac{1,00,000}{12,00,000} \times 100 = 8.33\%$ 101. Depreciation = $(20,00,000 + 5,00,000) \times 10\% = 2,50,000$

102.

Original cost	4,80,000
(-) Accumulated depreciation	(2,12,400)
	2,67,600
(-) Current Depreciation (2,67,600 × 25%)	(66,900)
	2,00,700

103.

Purchase cost on 1.1.2010 (14,000 + 1,000)	15,000
Depreciation for year 2010 (15,000 × 10%)	(1,500)
	13,500
Depreciation for year 2011	(1,500)
	12,000
Depreciation for year 2012	(1,500)
	10,500
Loss on sale (Bal. Fig.)	(1,500)
Sale price	9,000

104.

Purchase cost on 1.1.2010 (14,000 + 1,000)	15,000
Depreciation for year 2010 (15,000 × 10%)	(1,500)
	13,500
Depreciation for year 2011	(1,500)
	12,000
Depreciation for year 2012	(1,500)
	10,500
Profit on sale (<i>Bal. Fig.</i>)	2,500
Sale price	13,000

105.

Purchase cost (1,20,000 + 10,000)	1,30,000
Depreciation @ 10% 1st year	(13,000)
	1,17,000
Depreciation @ 10% 2nd year	(11,700)
	1,05,300
Depreciation @ 10% 3rd year	(10,530)
	94,770
Depreciation @ 10% 4th year	(9,477)
	85,293

106.

Purchase cost on 1.1.2010 (14,000 + 1,000)	15,000
Depreciation for year 2010 (15,000 × 10%)	(1,500)
	13,500
Depreciation for year 2011	(1,500)
	12,000
Depreciation for year 2012	(1,500)
	10,500
Depreciation form 1.1.2013 to 31.5.2013 (1,500 × 5/12)	(625)
Balance on 31st May 2013	9,875
Loss on sale (<i>Bal. Fig.</i>)	(1,875)
Sale price	8,000

107. & 108.

Dr.		Machinery A/c		Cr.	
1.1.2011	To Bank A/c (36,000 + 4,000)	40,000	31.12.2011	By Depreciation A/c (40,000 × 10%)	4,000
			31.12.2011	By Balance c/d	36,000
		40,000			40,000
1.1.2012	To Balance b/d	36,000	31.12.2012	By Depreciation A/c (36,000 × 10%)	3,600
			31.12.2012	By Balance c/d	32,400
		36,000			36,000

109.

Dr.		Machinery A/c		Cr.	
1.7.2011	To Bank A/c (45,000 + 5,000)	50,000	31.3.2012	By Depreciation A/c (50,000 × 10% × 9/12)	3,750
			31.3.2012	By Balance c/d	46,250
		50,000			50,000
1.4.2012	To Balance b/d	46,250	31.3.2013	By Depreciation A/c (46,250 × 10%)	4,625
			31.3.2013	By Balance c/d	41,625
		46,250			46,250

110.

Purchase cost on 1.1.2012 (12,000 + 1,000)	13,000
Depreciation for year 2012 (13,000 × 20%)	(2,600)
	10,400
Depreciation for year 2013 (10,400 × 20%)	(2,080)
	8,320
Depreciation for year 2014 (8,320 × 20%)	(1,664)
	6,656

111.

Purchase cost on 1.1.2010 (1,00,000 + 10,000)	1,10,000
Depreciation for year 2010 (1,10,000 × 15%)	(16,500)
	93,500
Depreciation for year 2011 (93,500 × 15%)	(14,025)
	79,475
Depreciation for year 2012 (79,475 × 15%)	(11,921)
	67,554
Depreciation for year 2013 (67,554 × 15%)	(10,133)
	57,421

112.

Purchase cost on 1.1.2010 (1,40,000 + 10,000)	1,50,000
Depreciation for year 2010 (1,50,000 × 15%)	(22,500)
	1,27,500
Depreciation for year 2011 (1,27,500 × 15%)	(19,125)
	1,08,375
Depreciation for year 2012 (1,08,375 × 15%)	(16,256)
	92,119
Loss on sale	(5,119)
Sale price	87,000

113.

Purchase cost on 1.1.2010 (1,40,000 + 10,000)	1,50,000
Depreciation for year 2010 (1,50,000 × 15%)	(22,500)
	1,27,500

Depreciation for year 2011 ($1,27,500 \times 15\%$)	(19,125)
	1,08,375
Depreciation for year 2012 ($1,08,375 \times 15\%$)	(16,256)
	92,119
Profit on sale	4,881
Sale price	97,000

114.

Purchase cost on 1.7.2010	15,000
Depreciation 1.7.2010 to 31.3.2011 ($15,000 \times 10\% \times 9/12$)	(1,125)
	13,875
Depreciation for year 2011-2012 ($13,875 \times 10\%$)	(1,388)
	12,488
Depreciation for year 2012-2013 ($12,488 \times 10\%$)	(1,249)
	11,239
Depreciation 1.4.2013 to 30.6.2013 ($11,239 \times 10\% \times 3/12$)	(281)
	10,958
Loss on sale	(2,958)
Sale price	8,000

115. Life of an asset = 5 years; Sum of digit = $1 + 2 + 3 + 4 + 5 = 15$ Depreciable amount = $5,70,000 + 30,000 = 6,00,000$

$$\text{1st Year } 6,00,000 \times \frac{5}{15} = 2,00,000$$

$$\text{2nd Year } 6,00,000 \times \frac{4}{15} = 1,60,000$$

$$\text{3rd Year } 6,00,000 \times \frac{3}{15} = 1,20,000$$

$$\text{4th Year } 6,00,000 \times \frac{2}{15} = 80,000$$

$$\text{5th Year } 6,00,000 \times \frac{1}{15} = 40,000$$

 6,00,000
116. Life of an asset = 6 years; Sum of digit = $1 + 2 + 3 + 4 + 5 + 6 = 21$

$$\text{1st Year } 1,26,000 \times \frac{6}{21} = 36,000$$

117. Life of an asset = 5 years; Sum of digit = $1 + 2 + 3 + 4 + 5 = 15$

$$\text{2012-2013 (5th year) } 6,00,000 \times \frac{1}{15} = 40,000$$

118. Life of an asset = 10 years; Sum of digit = $1 + 2 + 3 + 4 + 5 + 6 + 7 + 8 + 9 + 10 = 55$ Depreciable amount = $10,00,000 - 1,20,000 = 8,80,000$

$$2007 \text{ (7th year)} \quad 8,80,000 \times \frac{4}{55} = 64,000; \quad 2008 \text{ (8th year)} \quad 8,80,000 \times \frac{3}{55} = 48,000$$

$$119. (2,01,600 - 9,600) \times \frac{8,000}{80,000} = 19,200$$

$$120. \frac{1,26,000 - 6,000}{6} = 20,000$$

$$121. (1,00,000 - 10,000) \times \frac{12,000}{72,000} = 15,000$$

$$122. 6,70,000 + 30,000 - 50,000 = 6,50,000$$

$$\left[6,50,000 \times \frac{5,000}{25,000} \right] = 1,30,000; \quad \left[6,50,000 \times \frac{8,000}{25,000} \right] = 2,08,000$$

$$123. \text{Depreciation} = \frac{1,00,000 - 2,000}{5} = 19,600; \quad \text{Rate of depreciation} = \frac{19,600 \times 100}{1,00,000} = 19.6\%$$

$$124. (1,26,000 - 6,000) \times \frac{5,000}{50,000} = 12,000$$

$$125. 7,50,000 + 1,00,000 - 50,000 = 8,00,000$$

$$8,00,000 \times \frac{40,000}{2,00,000} = 1,60,000$$

$$126. \text{Depreciable value} = 2,75,000 - 25,000 = 2,50,000$$

$$\text{Total units} = 10,000 + 15,000 + 35,000 + 40,000 + 50,000 = 1,50,000$$

$$2,50,000 \times \frac{15,000}{1,50,000} = 25,000; \quad 2,50,000 \times \frac{40,000}{1,50,000} = 66,667$$

$$127. \text{ to } 132. \text{ Depreciation} = 50,000 \times 0.296349 = 14,817.45$$

Dr.		Machinery A/c			Cr.
1.4.2008	To Bank A/c	50,000	31.3.2009	By Balance c/d	50,000
		50,000			50,000
1.4.2009	To Balance b/d	50,000	31.3.2010	By Balance c/d	50,000
		50,000			50,000
1.4.2010	To Balance b/d	50,000	31.3.2011	By Depreciation Fund A/c	47,088
		50,000	31.3.2011	By Profit & Loss A/c	2,912
		50,000			50,000

Dr.		Depreciation Fund A/c		Cr.	
31.3.2009	To Balance c/d	14,817.45	31.3.2009	By Depreciation A/c	14,817.45
		14,817.45			14,817.45
			1.4.2009	By Balance b/d	14,817.45
			31.3.2010	By Depreciation A/c	14,817.45
			31.3.2010	By Interest on Depreciation Fund Investment A/c (14,817 × 12%)	1,778.04
31.3.2010	To Balance c/d	31,412.94			
		31,412.94			31,412.94

Dr.	Depreciation Fund A/c		Cr.
31.3.2011	To Depreciation Fund Investment A/c	2,912	1.4.2010 By Balance b/d 31,412.94
31.3.2011	To Machinery A/c	47,088	31.3.2011 By Depreciation A/c 14,817.45
		50,000	31.3.2011 By Interest on Depreciation Fund Investment A/c (31,412 × 12%) 3,769.44
			50,000

Dr.	Depreciation Fund Investment A/c		Cr.
31.3.2009	To Bank A/c	14,817	31.3.2009 By Balance c/d 14,817
		14,817	
1.4.2009	To Balance b/d	14,817	
31.3.2010	To Bank A/c (14,817 + 1,778)	16,595	31.3.2010 By Balance c/d 31,412
		31,412	31,412
1.4.2011	To Balance b/d	31,412	31.3.2011 By Balance b/d 28,500
			31.3.2011 By Depreciation Fund A/c (Loss on sale of Investment) 2,912
		31,412	31,412

133. to 141. Depreciation = $7,50,000 \times 0.291284 = 2,18,463$

Dr.	Lease A/c		Cr.
1.4.2010	To Bank A/c	7,50,000	31.3.2011 By Depreciation A/c 2,18,463
31.3.2011	To Interest A/c (7,50,000 × 14%)	1,05,000	31.3.2011 By Balance c/d 6,36,537
		8,55,000	8,55,000
1.4.2011	To Balance b/d	6,36,537	31.3.2012 By Depreciation A/c 2,18,463
31.3.2012	To Interest A/c (6,36,537 × 14%)	89,115	31.3.2012 By Balance c/d 5,07,189
		7,25,652	7,25,652
1.4.2012	To Balance b/d	5,07,189	31.3.2013 By Depreciation Fund A/c 2,18,463
31.3.2013	To Interest A/c (5,07,189 × 14%)	71,006	31.3.2013 By Balance c/d 3,59,732
		5,78,195	5,78,195
1.4.2013	To Balance b/d	3,59,732	31.3.2014 By Depreciation Fund A/c 2,18,463
31.3.2014	To Interest A/c (3,59,732 × 14%)	50,362	31.3.2014 By Balance c/d 1,91,631
		4,10,094	4,10,094

142.

Particulars	SLM	WDV
Purchase cost on 1.1.2010 (4,75,000 + 25,000)	5,00,000	5,00,000
Depreciation for year 2010	(50,000)	(50,000)
	4,50,000	4,50,000
Depreciation for year 2011	(50,000)	(45,000)
	4,00,000	4,05,000

Particulars	SLM	WDV
Depreciation for year 2012	(50,000)	(40,500)
	3,50,000	3,64,500
Depreciation for year 2013	(50,000)	(36,450)
	3,00,000	3,28,050
Depreciation for year 2014	(50,000)	(32,805)
	2,50,000	2,95,245

$$2,95,245 - 2,50,000 = 45,245$$

143. to 146.

Dr.		Machinery A/c			Cr.
1.4.2002	To Balance b/d	9,72,000	1.10.2002	By Bank A/c	45,000
1.10.2002	To Bank A/c	1,58,000	1.10.2002	By Depreciation A/c	3,240
				1.4.2002 to 1.10.2002	
			1.10.2002	By Profit & Loss A/c	16,560
				(Loss on sale)	
				By Profit & Loss A/c	11,200
				(change in method)	
				By Depreciation A/c	1,19,900
				By Balance c/d	9,34,100
		<u>11,30,000</u>			<u>11,30,000</u>

Particulars	SLM
Cost on 1.4.2000	80,000
Depreciation for 2000 - 2001	(8,000)
	72,000
Depreciation for 2001 - 2002	(7,200)
	64,800
Depreciation for 1.4.2002 to 1.10.2002 (64,800 × 10% × 6/12)	(3,240)
	61,560
Loss on sale (Bal. Fig.)	(16,560)
Sale price	45,000

Particulars	WDV	SLM	
Cost on 1.4.2000	11,20,000	11,20,000	
Depreciation for 2000 - 2001	(1,12,000)	(1,12,000)	
	10,08,000	10,08,000	
Depreciation for 2001 - 2002	(1,00,800)	(1,12,000)	
Balance on 1.4.2002	9,07,200	8,96,000	11,200

$$9,07,200 \times \frac{100}{90} = 10,08,000; 10,08,000 \times \frac{100}{90} = 11,20,000$$

Depreciation for the year end:

Depreciation on old machine	1,12,000
Depreciation on new machine (1,58,000 × 10% × 6/12)	7,900
	1,19,900

147. & 148.

Dr.		Accumulated Depreciation A/c		Cr.	
1.4.2008	To Machinery A/c	80,000	1.4.2008	By Balance b/d	2,00,000
	To Balance c/d	2,20,000	31.3.2009	By Depreciation A/c	1,00,000
		3,00,000			3,00,000

149. to 151. Cost of the machine = 5,20,000 - 50,000 + 10,000 + 20,000 + 40,000 = 5,40,000

Depreciation on SLM basis = 5,40,000 × 10% = 54,000

Depreciation on WDV basis

Particulars	₹
Cost of the machine	5,40,000
Depreciation for 1st year	(54,000)
	4,86,000
Depreciation for 2nd year	(48,600)
	4,37,400
Depreciation for 3rd year	(43,740)
	3,93,660

152.

Particulars	₹
Cost of the machine	1,00,000
Depreciation for 1st year	(20,000)
	80,000
Depreciation for 2nd year	(16,000)
	64,000
Depreciation for 3rd year	(12,800)
	51,200
Depreciation for 4th year	(10,240)
	40,960

153.

Particulars	₹
Balance on 1.4.2015	60,000
Depreciation (1.4.2015 to 31.3.2016)	(12,000)
	48,000
Depreciation (1.4.2016 to 30.9.2016) [48,000 × 20% × 6/12]	(4,800)
	43,200
Loss on sale (Bal. Fig.)	(13,200)
Sale price	30,000

154.

$$\text{Depreciation} = \frac{1,20,000 - 30,000}{10} = 9,000$$

$$\text{Depreciation Rate} = \frac{\text{Depreciation}}{\text{Cost of Asset}} \times 100 = \frac{9,000}{1,20,000} \times 100 = 7.5\%$$

155.

Cost price of equipment 1.1.2013	25,000
(-) Depreciation (1.1.2013 to 31.3.2013) [25,000 × 30% × 3/12]	(1,875)
WDV on 31.3.2013	23,125
(-) Depreciation (1.4.2013 to 31.3.2014) [23,125 × 30%]	(6,937.5)
WDV on 31.3.2014	16,187.5
(-) Depreciation (1.4.2014 to 31.12.2014) [16,187.5 × 30% × 9/12]	(3,642.19)
WDV on 31.12.2014	12,545.31

156. $8,000 + 5,000 - 10,500 = 2,500$ 157. Total estimated extraction = $50,00,000 \times 80\% = 40,00,000$

$$\text{Depreciation for 3rd year } 5,00,000 \times \frac{2,50,000}{40,00,000} = 31,250$$

158. Out of the plant of ₹ 80,000, plant having book value ₹ 10,000 was sold hence there is plant of book value having ₹ 70,000. In first year depreciation of ₹ 7,000 was charged. Hence, now balance is ₹ 63,000.

$$\text{Current year depreciation} = (70,000 \times 10\%) + (20,000 \times 10\% \times 3/12) = 7,500$$

$$\text{Closing balance} = 63,000 + 20,000 - 7,500 = 75,500.$$

159.

Provision for Depreciation A/c	Dr	3,200	
New Plant A/c	Dr	5,600	
To Old Plant A/c			4,000
To Cash A/c			4,600
To Profit & Loss A/c			200

160.

Particulars	₹
Balance on 1.5.2013	21,000
Depreciation (1.5.2013 to 31.3.2014) [21,000 × 15% × 11/12]	(2,887)
WDV on 31.3.2014	18,113
Depreciation (1.4.2014 to 31.3.2015) [18,113 × 15%]	(2,717)
WDV on 31.3.2015	15,396
Depreciation (1.4.2015 to 1.9.2015) [15,396 × 15% × 5/12]	(962)
	14,434

161.

Particulars	Machine I	Machine II
Balance on 1.4.2012	3,77,913	-
Purchase on 1.7.2012	-	52,500
(-) Depreciation (3,77,913 × 15%) ; (52,500 × 15% × 9/12)	(56,687)	(5,906)
Balance on 31.3.2013	3,21,226	46,594

$$\text{Total depreciation for the year ended 31.3.2013} = 56,687 + 5,906 = 62,593$$

162.

Dr.	Furniture A/c		Cr.
To Balance b/d	2,00,000	By Depreciation A/c (Note 1)	600
		By New Furniture A/c	11,400
		By Depreciation A/c (Note 2)	18,800
		By Balance c/d	1,69,200
	2,00,000		2,00,000

Dr.		New Furniture A/c	Cr.
To Furniture A/c	11,400	By Depreciation A/c (Note 3)	820
To Bank A/c	5,000	By Balance c/d	15,580
	16,400		16,400

Note 1

Book Value	12,000
(-) Depreciation for 6 months $(12,000 \times 10\% \times 6/12)$	(600)
	11,400

Note 2

Book Value	2,00,000
(-) Book value of furniture sold	(12,000)
	1,88,000
(-) Depreciation $(1,88,000 \times 10\%)$	(18,800)
	1,69,200

Note 2

Book Value	16,400
(-) Depreciation for 6 months $(16,400 \times 10\% \times 6/12)$	(820)
	15,580

Total value of furniture closing of the year = 1,69,200 + 15,580 = 1,84,780.

163.

Cost price of machine	x
(-) Depreciation (1.4.2010 to 31.3.2011)	$(0.1x)$
WDV on 31.3.2011	$0.9x$
(-) Depreciation (1.4.2011 to 31.3.2012)	$(0.09x)$
WDV on 31.3.2012	$0.81x$
(-) Depreciation (1.4.2012 to 31.3.2013)	$(0.081x)$
WDV on 31.3.2013	$0.729x$

WDV on 31.3.2013 = $0.729x = 72,900$

$$x = \frac{72,900}{0.729} = 1,00,000$$

164.

$$\text{Depreciation} = \frac{50,000 - 5,000}{10} = 4,500$$

$$\text{Depreciation Rate} = \frac{\text{Depreciation}}{\text{Cost of Asset}} \times 100 = \frac{4,500}{50,000} \times 100 = 9\%$$

165.

Cost price of equipment	25,000
(-) Depreciation (1.1.2012 to 31.3.2012) [$25,000 \times 30\% \times 3/12$]	(1,875)
WDV on 31.3.2012	23,125
(-) Depreciation (1.4.2012 to 31.3.2013) [$23,125 \times 30\%$]	(6,937.5)
WDV on 31.3.2012	16,187.5
(-) Depreciation (1.4.2013 to 31.12.2013) [$16,187.5 \times 30\% \times 9/12$]	(3,642.19)
WDV on 31.3.2013	12,545.31

166.

Cost price of machine	x
(-) Depreciation for 1st year	(0.08x)
	0.9x
(-) Depreciation 2nd year	(0.0736x)
	0.8464x
(-) Depreciation 3rd year	(0.067712x)
	0.778688x

WDV after 3rd year = $0.778688x = 3,89,344$

$$x = \frac{3,89,344}{0.778688} = 5,00,000$$

FINAL ACCOUNTS (SOLE PROPRIETORS)

CHAPTER

7

MCQ on Theory

1. Final accounts include preparation of –
 - (A) Trading A/c
 - (B) Profit & Loss A/c
 - (C) Balance Sheet
 - (D) All of the above
2. The manufacturing account is prepared –
 - (A) To ascertain the profit or loss on the goods produced
 - (B) To ascertain the cost of the manufactured goods
 - (C) To show the sale proceeds from the goods produced during the year
 - (D) Both (B) and (C)
3. _____ is the part of income statement, which is prepared to ascertain the profit/loss for a given accounting period.
 - (A) Manufacturing A/c
 - (B) Profit & Loss A/c
 - (C) Balance Sheet
 - (D) All of the above
4. Under statement of closing stock of work-in-progress in the period will –
 - (A) Understate cost of goods manufactured in that period
 - (B) Overstate current assets
 - (C) Overstate gross profit from sales in that period
 - (D) Understate net income in that period
5. In trading account, closing stock is shown at –
 - I. Cost price
 - II. Net realizable price

Select the correct answer from the options given below –

 - (A) I only
 - (B) II only
 - (C) I or II whichever is lower
 - (D) I or II whichever is higher
6. A manufacturing account is intended to disclose the –
 - (A) Factory cost of production
 - (B) Gross profit
 - (C) Net profit
 - (D) Operating factory
7. _____ is the difference between the selling price and the cost price of the goods sold.
 - (A) Gross profit
 - (B) Gross loss
 - (C) (A) or (B)
 - (D) (A) and (B)
8. Opening stock + Purchases of raw material – Closing stock of raw material = ?
 - (A) Cost of goods sold
 - (B) Cost of materials consumed
 - (C) Cost of sales
 - (D) Prime cost
9. Which of the following equation is correct?
 - (A) $\text{Gross Profit} = \text{Net Sales} - \text{Cost of the Goods Sold}$
 - (B) $\text{Gross Profit} = \text{Sales} + \text{Closing Stock} - \text{Opening Stock} - \text{Purchases} - \text{Wages}$
 - (C) $\text{Cost of goods Sold} + \text{Gross Profit} = \text{Sales}$
 - (D) All of the above
10. $\text{Direct materials} + \text{Direct wages} + \text{Direct expenses} = ?$
 - (A) Prime cost
 - (B) Factory cost
 - (C) Cost of production
 - (D) Cost of sales
11. If prepaid rent appears in trial balance, while preparing the final accounts it will be shown in –

- (A) Profit & Loss A/c and asset side of balance sheet.
 (B) Profit & Loss A/c and liability side of balance sheet.
 (C) Asset side of balance sheet.
 (D) Liability side of balance sheet.
12. Which one of the following statement is TRUE?
 (A) Capital of the firm is reduced by borrowing.
 (B) When there is no change in proprietor's capital, it is indication of loss in business.
 (C) Nominal accounts refer to false transactions.
 (D) Real accounts relates to the assets of a business.
13. Income earned which is yet to be a collected result in -
 (A) Increase in capital and increase in a liability.
 (B) Decrease in liability and increase in capital.
 (C) Increase in assets and increase in liability
 (D) Increase in capital and increase in asset.
14. The correct sequence in preparation of periodical financial statement would be -
 1. Preparation of balance sheet
 2. Preparation of cash flow statement
 3. Preparation of trial balance
 4. Preparation of Profit & Loss A/c
- Select the correct answer from the options given below -*
 (A) 4, 2, 1, 3
 (B) 3, 4, 1, 2
 (C) 2, 4, 3, 1
 (D) 1, 3, 2, 4
15. Which of the following equation is incorrect?
 (A) Cost of goods Sold + Gross Profit = Sales
 (B) Gross Loss = Cost of the Goods Sold - Sales
 (C) Cost of goods sold = Opening stock + Purchases - Closing stock
 (D) None of the above
16. Out of the overheads given below, the following is an example of distribution overheads -
 (A) Advertisement expenses
 (B) Packing expenses
 (C) Commission of selling agents
 (D) None
17. In trading account, closing stock is shown at cost price or net realizable price whichever is lower. This is due application of -
 (A) Convention of disclosure
 (B) Convention of materiality
 (C) Convention of consistency
 (D) Convention of conservatism
18. Unearned income is classified as -
 (A) Fixed liability
 (B) Fixed assets
 (C) Current liability
 (D) Current assets
19. Gross profit or gross loss revealed by trading account is transferred to -
 (A) Balance Sheet
 (B) Profit & Loss Account
 (C) Manufacturing Account
 (D) Profit & Loss Appropriation Account
20. Which of the following is true when a debtor pays his dues?
 (A) The asset side of the balance sheet will decrease
 (B) The asset side of the balance sheet will increase
 (C) The liability side of the balance sheet will increase
 (D) There is no change in total assets or total liabilities
21. The _____ measures net profit/loss by matching revenues and expenses according to the accounting principles.
 (A) Trading A/c
 (B) Manufacturing Account
 (C) Profit & Loss A/c
 (D) None of the above
22. If outstanding wages appears in trial balance, while preparing the final accounts it will be shown in -
 (A) Profit & Loss A/c and asset side of balance sheet.
 (B) Profit & Loss A/c and liability side of balance sheet.
 (C) Asset side of balance sheet.
 (D) Liability side of balance sheet.
23. The owner of B & Co. paid in additional capital amounting to ₹ 50,000 in cash. As a result of this: -
 (A) The liabilities and capital will increase.
 (B) The assets will increase and liabilities will decrease

- (C) The assets and capital will decrease
(D) The assets and capital will increase
24. The net profit or loss is transferred to –
(A) Drawing Account
(B) Capital Account
(C) Suspense Account
(D) None of the above
25. Fixed assets are –
(A) Kept in the business for use over a long time for earning income
(B) Meant for resale
(C) Meant for conversion into cash as quickly as possible
(D) All of the above
26. Which of the following principle/s must be kept in mind while preparing Trading and Profit & Loss Account?
(A) Profit or loss is determined by matching revenues and expenses according to the matching principle.
(B) Only revenue expenses together with losses should be taken into account.
(C) Only revenue receipts *i.e.* sale proceeds and other incomes should be entered.
(D) All of the above
27. Which of the following accounts will have a debit balance?
(A) Furniture account
(B) Capital account
(C) Sales account
(D) Commission earned account
28. Which of the following business entity will not prepare Trading Account?
(A) Banking companies
(B) Insurance companies
(C) Investment companies
(D) All of the above
29. Which pair of accounts stated below will have balances on opposite sides?
(A) Furniture account and Cash account
(B) Stationery account and Salaries account
(C) Sales account and Capital account
(D) Capital account and Purchases account
30. Generally _____ appears in trading account and _____ appears in Profit & Loss Account.
(A) Direct cost, Indirect cost
(B) Indirect cost, direct cost
(C) Indirect cost, fixed cost
(D) Fixed cost, Direct cost
31. A prepayment of insurance premium will appear in the Balance Sheet and in the Insurance Account respectively as: –
(A) A liability and a debit balance.
(B) An asset and a debit balance.
(C) An asset and a credit balance.
(D) None of the above
32. Carriage outwards appears in _____, whereas carriage inwards appears in ____
(A) Trading A/c, Profit & Loss A/c
(B) Profit & Loss A/c, Trading A/c
(C) Trading A/c, Balance Sheet
(D) Balance Sheet, Profit & Loss A/c
33. The capital of a sole trader would change as a result of: –
(A) A creditor being paid his account by cheque.
(B) Raw materials being purchased on credit.
(C) Fixed assets being purchased on credit.
(D) Wages being paid in cash.
34. The _____ is defined as “a Statement which sets out the assets and liabilities of a business and which serves to ascertain the financial position of the same on any particular date.”
(A) Cash Flow Statement
(B) Trading A/c
(C) Profit & Loss A/c
(D) Balance Sheet
35. A decrease in the provision for doubtful debts would result in: –
(A) An increase in liabilities
(B) A decrease in working capital
(C) A decrease in net profit
(D) An increase in net profit
36. The totals of the two sides of the balance sheet must agree because of the following equation.
(A) $\text{Assets} = \text{Liabilities} - \text{Capital}$.
(B) $\text{Assets} = \text{Liabilities} + \text{Capital}$.
(C) $\text{Assets} = \text{Fixed Assets} + \text{Core Assets}$
(D) All of the above

37. Capital is the difference between –
 (A) Income and expenses
 (B) Sales and Cost of goods sold
 (C) Assets and liabilities
 (D) None of the above
38. _____ is prepared for ascertaining the cost of goods produced or cost of production.
 (A) Trading Account
 (B) Manufacturing Account
 (C) Profit & Loss Account
 (D) Purchase Account
39. Which of the following organization will not prepare Trading A/c but prepares Profit & Loss A/c?
 (A) Retailer
 (B) Bank
 (C) Manufacturer who also sales goods
 (D) All of the above
40. Balance of manufacturing account *i.e.* cost of production is transferred to –
 (A) Profit & Loss Account
 (B) Manufacturing Account
 (C) Trading Account
 (D) Purchase Account
41. Which of the following statement is correct?
 (A) If there is gross loss in trading account then profit & loss account will also net loss always.
 (B) Balance sheet get tally even if there is error of principle.
 (C) In balance sheet bank balance as per pass will be shown.
 (D) All of the above
42. In case of final accounts of manufacturing concerns closing stock of finished goods appears in _____ & _____
 (A) Manufacturing Account, Balance Sheet
 (B) Trading Account, Balance Sheet
 (C) Profit & Loss Account, Balance Sheet
 (D) Manufacturing Account, Trading Account
43. Which of the following is objective of preparation of balance sheet?
 (A) To show financial position of a firm.
 (B) To shows the nature and value of assets, the nature and value of liabilities and the position of capital.
 (C) (A) or (B)
 (D) (A) & (B)
44. If the rate of gross profit increases in the current financial year, the same may happen due to which of the following reason?
 (A) There is omission of purchases which was not accounted for.
 (B) Closing stock was valued at higher price.
 (C) Selling price has been increase without corresponding increase in cost.
 (D) All of the above
45. The arrangement of assets and liabilities in accordance with a particular order is known as _____ of balance sheet.
 (A) Tallying
 (B) Marking
 (C) Ruling
 (D) Marshalling
46. Which of the following statement is true?
 (A) Balance sheet is prepared on the basis of current values.
 (B) Balance sheet is prepared on historical cost basis is a limitation of balance sheet.
 (C) Sometimes balance sheet is window – dressed which misleads us. This is advantage of balance sheet.
 (D) All of the above
47. Which of the following approach can be used for marshalling of balance sheet?
 (A) Permanence order or according to purpose
 (B) Liquidity order or according to time
 (C) Either (A) or (B)
 (D) None of the above
48. Another name for the balance sheet is –
 (A) Statement of Operations
 (B) Statement of Financial Position
 (C) Both (A) & (B)
 (D) None of the above
49. In _____, approach assets which are to be used for long term in the business and are not meant to be sold are presented first and assets which are most liquid such as cash in hand, are presented at the bottom.
 (A) Alphabetical order
 (B) Permanence order

- (C) Liquidity order
(D) None of the above
50. Which of the following is an asset account?
(A) Accounts Payable
(B) Prepaid Insurance
(C) Unearned Revenue
(D) All of the above
51. In _____, approach the assets are stated in balance sheet in the order in which they can be easily converted into cash and the liabilities in the order in which they have to be paid off.
(A) Alphabetical order
(B) Permanence order
(C) Liquidity order
(D) None of the above
52. Deferred credits will appear on the balance sheet with the -
(A) Assets
(B) Liabilities
(C) Owner's Equity
(D) Any of the above
53. Arrange the following assets as per liquidity order.
I. Cash & Bank
II. Building
III. Investment
IV. Stock
Select the correct answer from the options given below -
(A) II, III, I, IV
(B) I, II, III, IV
(C) I, IV, III, II
(D) I, IV, II, III
54. Arrange the following assets as per liquidity order.
I. Debtors
II. Building
III. Cash & Bank
IV. Stock
Select the correct answer from the options given below -
(A) II, III, I, IV
(B) III, I, IV, II,
(C) I, IV, III, II
(D) I, IV, II, III
55. Which of the following statement is true?
(A) The amount reported on the balance sheet for property, plant and equipment is the estimate of the fair market value as of the balance sheet date.
(B) The third line of the balance sheet at the end of the year should begin with "for the year ended".
(C) The total amount reported for owner equity is the approximate fair value or net worth of the corporation as of the balance sheet date.
(D) None of the above
56. Arrange the following assets as per permanence order.
I. Cash & Bank
II. Building
III. Investment
IV. Stock
Select the correct answer from the options given below -
(A) II, III, I, IV
(B) I, II, III, IV
(C) I, IV, III, II
(D) II, III, IV, I
57. Withdrawals by proprietor would -
(A) Reduce both Assets and Owner's Equity
(B) Reduce Assets and increase Liabilities
(C) Reduce Owner's Equity and increase Liabilities
(D) Have no affect on the Balance Sheet
58. _____ are those which are acquired for long use in the business and not meant for resale.
(A) Fictitious Assets
(B) Intangible Assets
(C) Fixed Assets
(D) Current or Floating Assets
59. Which of the following statements is/are true?
(i) Drawings account is a nominal account
(ii) Capital account is a real account
(iii) Rent account is a nominal account
(iv) Outstanding salaries account is a nominal account
(v) Patents account is a personal account
Select the correct answer from the options given below -
(A) Only (i) of the above

- (B) Only (iii) of the above
 (C) Both (ii) and (iii) of the above
 (D) Both (ii), (iv) and (v) of the above
60. are valueless assets but shown in the balance sheet on asset side *e.g.* preliminary expenses.
 (A) Fictitious Assets
 (B) Intangible Assets
 (C) Fixed Assets
 (D) Current or Floating Assets
61. Opening entries are generally passed through –
 (A) General Journal
 (B) Purchase Journal
 (C) Profit & Loss A/c
 (D) Suspense A/c
62. _____ are those that are meant to be converted into cash in short term.
 (A) Fictitious Assets
 (B) Intangible Assets
 (C) Fixed Assets
 (D) Current or Floating Assets
63. Closing stock in the Trial Balance implies that –
 (A) It is already adjusted in the opening stock
 (B) It is adjusted in the Purchase A/c
 (C) It is adjusted in the Cost of Sale A/c
 (D) It is adjusted in the Profit & Loss A/c
64. _____ are those fixed assets which have a fixed content, like coal in a coal mine; the value of the asset goes down as the contents are taken out.
 (A) Intangible Assets
 (B) Fictitious Assets
 (C) Wasting Assets
 (D) Floating Assets
65. Bad debts recovered account will be transferred to –
 (A) Debtor's Account
 (B) Profit & Loss Account
 (C) Provision for Doubtful Debt Account
 (D) Either (B) or (C) of the above
66. _____ which can be immediately be converted into cash, such as Government Securities.
 (A) Intangible Assets
 (B) Fictitious Assets
 (C) Wasting Assets
 (D) Floating Assets
67. Cost of goods sold excludes –
 (A) Opening Stock
 (B) Carriage inward
 (C) Wages & Salary
 (D) Postage & Stamps
68. _____ are those fixed assets which cannot be seen or touched or felt.
 (A) Intangible Assets
 (B) Fictitious Assets
 (C) Wasting Assets
 (D) Floating Assets
69. Payments received in advance from a customer for a contract can be –
 (A) Shown as a deduction from contract work-in-progress on asset side
 (B) Shown as a liability
 (C) Credited to P & L A/c
 (D) Either (A) or (B) above
70. Goodwill is –
 (A) Floating Assets
 (B) Fictitious Assets
 (C) Wasting Assets
 (D) Intangible Assets
71. Which of the following is not classified as inventory in the financial statements?
 (A) Finished goods
 (B) Work-in-process
 (C) Stores and spares
 (D) Advance payments made to suppliers for raw materials
72. _____ is a statement of debit & credit balances, while is a statement of assets and liabilities.
 (A) Profit & loss, Balance sheet
 (B) Trial balance, Balance sheet
 (C) Balance sheet, Trading account
 (D) Trial balance, Profit & loss
73. Which of the following statements is/are NOT correct?
 (A) Provision for bad debts appears as a liability on the balance sheet
 (B) The provision for bad debts is owed to the proprietor

- (C) Bad debts could be less than the provision for bad debts
- (D) Bad debts could exceed the provision for bad debts
74. Which of the following statement contains all the types of account *i.e.* personal, real & nominal account?
- (A) Balance sheet
- (B) Trial balance
- (C) Income statement
- (D) None of above
75. If actual bad debts are more than the provision for bad debts, then there will be a -
- (A) Credit balance of provision for bad debts account
- (B) Debit balance of provision for bad debts account
- (C) Debit balance of bad debts account
- (D) Debit balance of discount on debtors account
76. Which of the following statement generally contains personal & real but does not contain nominal accounts?
- (A) Fund flow
- (B) Balance sheet
- (C) Trial balance
- (D) Cash flow
77. At the time of preparation of financial accounts, bad debt recovered account will be transferred to -
- (A) Debtors A/c
- (B) Profit & Loss A/c
- (C) Profit & Loss Adjustment A/c
- (D) Profit & Loss Appropriation A/c
78. In which of the following closing stock does not appears?
- (A) Trading Account
- (B) Trial balance
- (C) Balance sheet
- (D) All of the above
79. Property, Plant and Equipment are conventionally presented in the Balance Sheet at -
- (A) Replacement cost (-) Accumulated Depreciation
- (B) Historical cost (-) Salvage Value
- (C) Historical cost (-) Depreciation portion thereof
- (D) Original cost adjusted for general price-level changes
80. In which of the following opening stock does not appears?
- (A) Trading Account
- (B) Trial balance
- (C) Balance sheet
- (D) (B) & (C)
81. Depreciation appearing in the trial balances should be -
- (A) Debited to P & L A/c
- (B) Shown as liability in balance sheet
- (C) Reduced from related asset in Balance Sheet
- (D) Both (A) & (C) of the above
82. _____ is an account while _____ is a statement.
- (A) Trading Account, Balance sheet
- (B) Profit Account, Balance sheet
- (C) Trial balance, Balance sheet
- (D) (A) & (B)
83. The adjustment to be made for prepaid expenses is -
- (A) Add prepaid expenses to respective expenses and show it as an asset
- (B) Deduct prepaid expenses from respective expenses and show it as an asset
- (C) Add prepaid expenses to respective expenses and show it as a liability
- (D) Deduct prepaid expenses from respective expenses and show it as a liability
84. In order to prepare final accounts, all nominal accounts will transferred to Trading and Profit & Loss A/c by passing journal entries which are called ____ as they close the nominal accounts.
- (A) Opening entries
- (B) Adjustment entries
- (C) Closing entries
- (D) None of the above
85. Prepaid expenses are valued on the Balance Sheet at -
- (A) Replacement cost
- (B) Current cost
- (C) Cost to acquire less accumulated amortization
- (D) Cost less expired portion

86. _____ are those entries which are passed at the end of each accounting period for the purpose of adjusting various nominal and other accounts so that true net profit or loss is indicated in profit and loss account and the balance sheet may represent a true and fair view of the financial conditions of an enterprise.

- (A) Opening entries
- (B) Adjustment entries
- (C) Closing entries
- (D) None of the above

87. Which of the following equations is correct?

- (A) Gross Profit + Sales + Direct expenses + Purchases + Closing stock = Opening stock
- (B) Gross Profit + Sales + Direct expenses + Purchases - Closing stock = Opening Stock
- (C) Gross Profit + Opening Stock + Direct expenses + Purchases - Closing stock = Sales
- (D) Gross Profit - Opening Stock + Direct expenses + Purchases + Closing stock = Sales

88. In the case of continuing business we are required to pass an entry in the journal to brought forward all assets and liabilities as appearing in the books on the last day of the previous year. This entry is known as -

- (A) Opening entries
- (B) Adjustment entries
- (C) Closing entries
- (D) None of the above

89. Which of the following is NOT true with regard to preparation of Profit & Loss Account?

- (A) Profit & Loss Account is prepared for a certain period and hence it is an interim statement.
- (B) Profit & Loss Account does not disclose the effect of non-financial items.
- (C) Net Profits are ascertained on the basis of current costs.
- (D) Net Profits as disclosed by Profit & Loss Account is not absolute.

90. While preparing final account, to record closing stock which of the following adjustment entry will be passed?

- | | | |
|-----|---------------|-----|
| (A) | Purchases A/c | Dr. |
| | To Stock A/c | |
| (B) | Trading A/c | Dr. |
| | To Stock A/c | |

- | | | |
|-----|----------------|-----|
| (C) | Stock A/c | Dr. |
| | To Trading A/c | |
| (D) | Stock A/c | Dr. |
| | To Capital A/c | |

91. The Profit and Loss A/c shows the -

- (A) Financial results of the concern for a period
- (B) Financial position of the concern on a particular date
- (C) Financial results of the concern on a particular date
- (D) Cost of goods sold during the period

92. While preparing final account, to record outstanding expenses which of the following adjustment entry will be passed?

- | | | |
|-----|-----------------------------|-----|
| (A) | Expenses A/c | Dr. |
| | To Outstanding Expenses A/c | |
| (B) | Outstanding Expenses A/c | Dr. |
| | To Expenses A/c | |
| (C) | Profit & Loss A/c | Dr. |
| | To Outstanding Expenses A/c | |
| (D) | Outstanding Expenses A/c | Dr. |
| | To Profit & Loss A/c | |

93. Which of the following statements is TRUE?

- (A) Provision for doubtful debts represents the amount that cannot be collected
- (B) Cash balance on hand shows whether the business has earned Profit or Loss
- (C) Free samples received are business gains
- (D) The WDV of an asset depreciated on the reducing balance method can never become zero

94. While preparing final account, to adjust prepaid expenses which of the following adjustment entry will be passed?

- | | | |
|-----|-----------------------------|-----|
| (A) | Prepaid Expenses A/c | Dr. |
| | To Expenses A/c | |
| (B) | Outstanding Expenses A/c | Dr. |
| | To Prepaid Expenses A/c | |
| (C) | Prepaid Expenses A/c | Dr. |
| | To Outstanding Expenses A/c | |
| (D) | Prepaid Expenses A/c | Dr. |
| | To Profit & Loss A/c | |

95. Cash Profit is -

- (A) Net profit - Non-trading Profit - Depreciation and provision

- (B) Gross Profit – Non-trading Profit + Depreciation and provision
(C) Net Profit + Depreciation & provision
(D) Gross Profit – Operational expenses
96. While preparing final account, to record outstanding income which of the following adjustment entry will be passed?
- | | | |
|-----|---------------------------|-----|
| (A) | Income A/c | Dr. |
| | To Outstanding Income A/c | |
| (B) | Outstanding Expenses A/c | Dr. |
| | To Income A/c | |
| (C) | Profit & Loss A/c | Dr. |
| | To Outstanding Income A/c | |
| (D) | Outstanding Income A/c | Dr. |
| | To Income A/c | |
97. Which of the following statements is false?
- (A) Provision for discount on debtors can be estimated only after computing the provision for doubtful debts.
(B) All pre-received incomes under the cash system of accounting are current gains.
(C) Cash balance on hand shows whether the business has earned Profit or Loss.
(D) Capital expenditure should be shown in the books by debiting asset account and crediting supplier or cash account.
98. While preparing final account, to adjust income received in advance which of the following adjustment entry will be passed?
- | | | |
|-----|-----------------------------------|-----|
| (A) | Income Received in Advance A/c | Dr. |
| | To Income A/c | |
| (B) | Income A/c | Dr. |
| | To Income Received in Advance A/c | |
| (C) | Income Received in Advance A/c | Dr. |
| | To Outstanding Income A/c | |
| (D) | Income Received in Advance A/c | Dr. |
| | To Profit & Loss A/c | |
99. Which of the following statements is true?
- (A) The balance of the goods account shows the value of stock in hand
(B) Balancing of all accounts must be done at the end of each day
(C) Assets which are to remain in business for continuous use and not meant for conversion into cash are fixed assets
(D) Balance Sheet discloses income position of the business
100. While preparing final account, to provide depreciation which of the following adjustment entry will be passed?
- | | | |
|-----|----------------------|-----|
| (A) | Fixed Assets A/c | Dr. |
| | To Depreciation A/c | |
| (B) | Depreciation A/c | Dr. |
| | To Profit & Loss A/c | |
| (C) | Fixed Assets A/c | Dr. |
| | To Profit & Loss A/c | |
| (D) | Depreciation A/c | Dr. |
| | To Fixed Assets A/c | |
101. The balance sheet gives information regarding the –
- (A) Results of operations for a particular period
(B) Financial position during a particular period
(C) Profit earning capacity for a particular period
(D) Financial position as on a particular date
102. While preparing final account, to record bad debts which of the following adjustment entry will be passed?
- | | | |
|-----|--------------------------------|-----|
| (A) | Debtors A/c | Dr. |
| | To Bad Debts A/c | |
| (B) | Bad Debts A/c | Dr. |
| | To Debtors A/c | |
| (C) | Bad Debts A/c | Dr. |
| | To Profit & Loss A/c | |
| (D) | Debtors A/c | Dr. |
| | To Provision for Bad Debts A/c | |
103. Which of the following accounts appear(s) in the Balance Sheet of a business?
- (i) Stock at the end of the financial year
(ii) Stock at the beginning of the financial year
(iii) Drawings
(iv) Prepaid Rent
(v) Interest received but not yet earned
- The correct answer is –
- (A) Only (i) of the above
(B) Only (iii) of the above
(C) Both (i) and (iii) of the above
(D) (i), (iii), (iv) and (v) of the above
104. While preparing final account, to make provision for bad debts which of the following adjustment entry will be passed?
- | | | |
|-----|----------------------|-----|
| (A) | Debtors A/c | Dr. |
| | To Profit & Loss A/c | |

(B)	Provision for Bad Debts A/c To Debtors A/c	Dr.
(C)	Provision for Bad Debts A/c To Trading A/c	Dr.
(D)	Profit & Loss A/c To Provision for Bad Debts A/c	Dr.

105. Computers taken on hire by a business for a period of twelve months should be classified as –

- (A) Current assets
- (B) Intangible assets
- (C) Deferred revenue expenditure
- (D) Not an asset

106. While preparing final account, to make provision for discount on debtors, which of the following adjustment entry will be passed?

(A)	Provision for Discount on Debtors A/c To Debtors A/c	Dr.
(B)	Profit & Loss A/c To Provision for Discount on Debtors A/c	Dr.
(C)	Provision for Discount on Debtors A/c To Trading A/c	Dr.
(D)	Debtors A/c To Provision for Discount on Debtors A/c	Dr.

107. Which of the following are current assets of a business?

- (i) Income received in advance
- (ii) Stock
- (iii) Debtors
- (iv) Pre-paid expenses
- (v) Accrued income

The correct answer is –

- (A) (i) and (iv) of the above
- (B) (ii) and (iii) of the above
- (C) (i), (ii) and (iii) of the above
- (D) (ii), (iii), (iv) and (v) of the above

108. As per principal of conservatism which of the following provision is/are not made in accounts?

- (A) Provision for discount on debtors
- (B) Provision for discount on creditors
- (C) Provision for bad debts
- (D) None of the above

109. Closing stock appearing in the Trial Balance is shown in –

- (A) Trading A/c and Balance Sheet

(B) Profit and Loss A/c

(C) Balance Sheet only

(D) Trading A/c only

110. While preparing final account, to record loss in stock due to fire or accidents which of the following adjustment entry will be passed?

(A)	Stock A/c To Creditors A/c	Dr.
(B)	Profit & Loss A/c To Stock A/c	Dr.
(C)	Stock A/c To Capital A/c	Dr.
(D)	Debtors A/c To Stock A/c	Dr.

111. Tick the correct match.

- | | | | |
|---|-----------------------|---|------------------|
| 1 | Current Asset | 1 | Depreciation |
| 2 | Nominal A/c | 2 | Land |
| 3 | Non-Depreciable Asset | 3 | Insurance A/c |
| 4 | Non-Cash Expense | 4 | Prepaid Rent A/c |

Select the correct answer from the options given below –

- (A) (1, 2), (2, 3), (3, 4), (4, 1)
- (B) (1, 3), (2, 1), (3, 4), (4, 2)
- (C) (1, 4), (2, 2), (3, 1), (4, 3)
- (D) (1, 4), (2, 3) (3, 2), (4, 1)

112. While preparing final account, to record commissions payable to manager – which of the following adjustment entry will be passed?

(A)	Profit & Loss A/c To Commission Payable A/c	Dr.
(B)	Commission Payable A/c To Profit & Loss A/c	Dr.
(C)	Manager A/c To Commission Payable A/c	Dr.
(D)	Profit & Loss A/c To Manager A/c	Dr.

113. Revenues affect net income –

- (A) In the period during which they are earned
- (B) In the period when they are collected
- (C) In the period when they are accounted for
- (D) Any of the above three which occur first

114. While preparing final account, to record goods are distributed as free samples – which of the following adjustment entry will be passed?

- (A)

Advertisement A/c	Dr.
To Capital A/c	
- (B)

Advertisement A/c	Dr.
To Purchase A/c	
- (C)

Advertisement A/c	Dr.
To Trading A/c	
- (D) (B) or (C)
- 115.** Depreciation Account appearing in the trial balance is shown in –
- (A) Profit and Loss A/c
- (B) Trading A/c
- (C) Deducted from the concerned assets A/c
- (D) Shown on the liability side
- 116.** If goods have been withdrawn by the proprietor for personal use then which of the following adjustment entry should be passed at the time of preparing final account?
- (A)

Drawing A/c	Dr.
To Profit & Loss A/c	
- (B)

Capital A/c	Dr.
To Drawing A/c	
- (C)

Drawing A/c	Dr.
To Capital A/c	
- (D)

Profit & Loss A/c	Dr.
To Drawing A/c	
- 117.** Which of these Accounts does not appear in Trading A/c?
- (A) Sales A/c
- (B) Purchase A/c
- (C) Wages A/c
- (D) Depreciation A/c
- 118.** The adjustment entry to write off deferred revenue expenditure is –
- (A)

Deferred Revenue Expenditure A/c	Dr.
To Profit & Loss A/c	
- (B)

Expense A/c	Dr.
To Profit & Loss A/c	
- (C)

Profit & Loss A/c	Dr.
To Provision for Expense A/c	
- (D)

Profit & Loss A/c	Dr.
To Deferred Revenue Expenditure A/c	
- 119.** If goods are sold to customers on approval basis and consent is not received during the accounting periods which of the following adjustment entries are passed?
- (A)

Debtors A/c	Dr.
To Sales A/c	

 &

Trading A/c	Dr.
To Stock A/c	
- (B)

Sales A/c	Dr.
To Debtors A/c	

 &

Stock A/c	Dr.
To Trading A/c	
- (C)

Sales A/c	Dr.
To Stock A/c	

 &

Debtors A/c	Dr.
To Stock A/c	
- (D)

Debtors A/c	Dr.
To Trading A/c	

 &

Trading A/c	Dr.
To Stock A/c	
- 120.** Research & Development Cost A/c appearing in balance sheet is a –
- (A) Real A/c
- (B) Intangible Asset A/c
- (C) Tangible Asset A/c
- (D) Personal A/c
- 121.** Goods purchased from creditors have been received but omitted to be recorded in accounts. In such a case, which of the following adjustment entry should be passed?
- (A)

Purchases A/c	Dr.
To Creditors A/c	
- (B)

Creditors A/c	Dr.
To Purchases A/c	
- (C)

Trading A/c	Dr.
To Creditors A/c	
- (D)

Trading A/c	Dr.
To Purchases A/c	
- 122.** Tick the correct statement.
- (A) Petty cash is an expense.
- (B) Balance sheet is also known as a positional statement.
- (C) Revaluation A/c is Real A/c
- (D) Depreciation is a process of valuation.
- 123.** An amount which is allowed for the prompt settlement of debt arising out of a sale within a specified time and calculated on a percentage basis is known as –
- (A) Trade discount
- (B) Special discount
- (C) Cash discount
- (D) None of the above
- 124.** Revenue is said to have been earned when –
- (A) Sale is made
- (B) Cash is received
- (C) Goods are manufactured
- (D) When accounted for

- 125.** _____ is a deduction from the list or catalogue price allowed by the wholesalers to the retailers for various reasons.
- Trade discount
 - Special discount
 - Cash discount
 - None of the above
- 126.** Which of these items will appear in a Manufacturing A/c?
- Power and Steam A/c
 - Salary and Wages A/c
 - Carriage Outward
 - Goodwill written off
- 127.** Tick the correct match.
- | | |
|-----------------------------|------------------------------|
| 1 Wages and Salary | 1 Trial balance |
| 2 AS - 10 | 2 Depreciation accounting |
| 3 Process of spreading cost | 3 Profit & Loss A/c |
| 4 Check arithmetic accuracy | 4 Accounting for Fixed Asset |
- The correct answer is -*
- (1, 2), (2, 3), (3, 4), (4, 1)
 - (1, 3), (2, 4), (3, 2), (4, 1)
 - (1, 4) (2, 2) (3, 1), (4, 3)
 - (1, 4), (2, 3), (3, 2), (4, 1)
- 128.** Which of the following type of discount is not considered in accounts?
- Trade discount
 - Special discount
 - Cash discount
 - None of the above
- 129.** If outside liabilities and owners equity are added we get -
- Total Liabilities
 - Net worth
 - Shareholders Fund
 - Gross Block
- 130.** _____ is a secret reserve usually created to provide for the loss by way of fluctuation in the value of investment
- Investment Fluctuation Reserve
 - Foreign Exchange Fluctuation Fund
 - General Reserve
 - Capital Reserve
- 131.** Which of these are allowed to create secret reserves in their books of account?
- Banking Companies
 - Insurance Companies
 - Electricity Companies
 - All the three
- 132.** An increase in one liability may lead to -
- Increase in another asset
 - Decrease in liability
 - Both (A) and (B)
 - Either (A) or (B)
- 133.** Choose the true statement.
- Income and gain A/c shows increase on credit side
 - Expenses and losses A/c shows reduction in balance on debit side
 - Assets A/c can have credit balance also
 - Debtors are the owing of the business
- 134.** Choose the true statement.
- Accrued incomes represent income un-earned but realized in cash.
 - Accrued incomes represent income earned but not realized in cash.
 - Accrued income A/c is shown on the liability side.
 - No tax is payable on accrued income
- 135.** Which of the following accounting treatments is/are TRUE in respect of accrued commission appearing on the debit side of a trial balance?
- It is shown on the debit side of the Profit & Loss A/c.
 - It is shown on the credit side of the Profit & Loss A/c.
 - It is shown on the liabilities side of the Balance Sheet.
 - It is shown on the assets side of the Balance Sheet.
- 136.** Which of this A/c appearing in trial balance is NOT transferred to income statement?
- Salary A/c
 - Purchase A/c
 - Accumulated Depreciation A/c
 - Bad Debts A/c
- 137.** A Customer returning the goods purchased on credit, may inform the seller by sending -
- Debit Note

- (B) Credit Note
(C) Court Notice
(D) Return Invoice
138. The document listing the latest balances of all Real and Personal A/c in the ledger on a given date is known as –
(A) Trial Balance
(B) Positional Statement
(C) Income Statement
(D) Charter of Accounts
139. To convert the accounts prepared on cash system of accounting into mercantile system of accounting, which of these adjustments is not necessary
(A) Reconciliation of cash with bank
(B) Adjustment of prepaid expenses and income received in advance
(C) Adjustment of outstanding expenses and income statement
(D) Distinction between revenue and capital expenditure/income
- (C) ₹ 65,000
(D) ₹ 66,500
142. If gross profit ratio is 25% on cost, it is ... % on sales.
(A) 33.33%
(B) 20%
(C) 25%
(D) 50%
143. The balance in books of X, a sole proprietor were:
Opening Stock ₹ 17,000, Purchase ₹ 52,000, Wages ₹ 46,500, Freight ₹ 15,000. Sales ₹ 1,45,000 and Closing Stock ₹ 25,000 whose Net Realizable value was ₹ 28,000. Gross Profit = ?
(A) ₹ 39,500
(B) ₹ 42,500
(C) ₹ 54,500
(D) ₹ 57,000
144. If gross profit ratio is 25% sales, it is ... % on cost.
(A) 33.33%
(B) 20%
(C) 25%
(D) 50%

Practical MCQ

140. From the following figures ascertain the gross profit:

Particulars	₹
Opening Stock	2,50,000
Goods Purchased	13,00,000
Freight	50,000
Closing Stock	1,50,000
Sales	19,00,000
Salary	90,000

- (A) ₹ 3,60,000
(B) ₹ 4,50,000
(C) ₹ 5,00,000
(D) ₹ 5,90,000
141. From the following details find out the total sales.
- | Particulars | ₹ |
|----------------------------|--------|
| Opening Debtors | 10,200 |
| Cash received from debtors | 30,400 |
| Returns Inwards | 2,700 |
| Bad debts | 1,200 |
| Debtors at end | 13,800 |
| Cash Sales | 28,400 |
- (A) ₹ 66,300
(B) ₹ 66,000
- (A) Profit & Loss A/c ₹ 2,000 (Dr.) & Provision for doubtful debts A/c ₹ 2,000 (Cr.)
(B) Provision for doubtful debts A/c ₹ 2,000 (Dr.) & Profit & Loss A/c ₹ 2,000 (Cr.)
(C) Provision for doubtful debts A/c ₹ 1,600 (Dr.) & Profit & Loss A/c ₹ 1,600 (Cr.)
(D) Profit & Loss A/c ₹ 1,600 (Dr.) & Provision for doubtful debts A/c ₹ 1,600 (Cr.)
146. If gross profit ratio is 50% on cost, it is ... % on sales.
(A) 33.33%
(B) 20%
(C) 25%
(D) 50%
147. Opening stock ₹ 15,000, Closing stock ₹ 6,000, Total purchase during the year ₹ 30,000. Given that opening stock inadvertently includes postage stamps of ₹ 1,500. Find the cost of goods sold.

- (A) ₹ 40,000
(B) ₹ 39,000
(C) ₹ 37,500
(D) ₹ 36,000
148. If gross profit ratio is 33.33% sales, it is ... % on cost.
(A) 33.33%
(B) 20%
(C) 25%
(D) 50%
149. From the following details estimate the capital as on 1-1-2015.
Capital as on 31-12-2015 ₹ 2,40,000,
Drawing ₹ 20,000,
Profit during the year ₹ 25,000.
(A) ₹ 2,35,000
(B) ₹ 2,25,000
(C) ₹ 2,20,000
(D) ₹ 2,00,000
150. If sales are ₹ 40,000; Cost of goods sold is ₹ 31,000 and operating expenses are ₹ 6,000, the gross profit is -
(A) ₹ 3,000
(B) ₹ 9,000
(C) ₹ 3,400
(D) ₹ 6,000
151. ₹ 1,250 paid for the residential telephone bill of the proprietor which of these accounts will be debited -
(A) Household A/c
(B) Drawing A/c
(C) Telephone A/c
(D) None
152. If sales is ₹ 2,00,000 and the rate of gross profit on cost of goods sold is 25%, then the cost of goods sold will be -
(A) ₹ 2,00,000
(B) ₹ 1,50,000
(C) ₹ 1,60,000
(D) ₹ 1,40,000
153. ABC Industries Ltd. purchased a new Machinery on 1-1-2011 for ₹ 2,75,000 and spent ₹ 25,000 on its installation. Machine is subject to 10% depreciation on the original cost. The company sold the Machinery on 31-12-2015 for ₹ 1,45,000. Find out

the accumulated depreciation on the Machine as on 31-12-2015.

- (A) ₹ 1,25,000
(B) ₹ 1,35,000
(C) ₹ 1,05,000
(D) ₹ 1,50,000
154. From the following figures ascertain the gross profit:

Particulars	₹
Opening stock	3,00,000
Goods purchased	12,87,000
Carriage on purchase	34,500
Carriage on sales	45,000
Rent	75,000
Closing stock	2,70,000
Sales	21,10,500

- (A) ₹ 7,50,000
(B) ₹ 7,14,000
(C) ₹ 6,39,000
(D) ₹ 7,59,000
155. Consider the following data and identify the amount which will be deducted from sundry debtors in balance sheet.

Particulars	₹
Bad debts (from trial balance)	1,600
Provision for doubtful debts (old)	2,000
Current year's provision (new)	800

- (A) ₹ 400
(B) ₹ 800
(C) ₹ 2,000
(D) ₹ 2,400
156. From the following information, find out the missing information.
Opening stock - ₹ 50,000, Closing stock - ₹ 1,50,000, Sale - ₹ 16,00,000, Gross profit ratio is 25% on sales. Purchases = ?
(A) ₹ 10,00,000
(B) ₹ 11,50,000
(C) ₹ 9,50,000
(D) ₹ 13,00,000
157. On 31st March, goods sold at a sale price of ₹ 30,000 were lying with customer, Mohan to whom these goods were sold on 'sale or return basis' and recorded as actual sales. Since no consent was received from Mohan, the adjustment entry was made presuming goods were sent on approval

at a profit of cost plus 20%. In the balance sheet, the stock with customers account will be shown at –

- (A) ₹ 30,000
 (B) ₹ 24,000
 (C) ₹ 20,000
 (D) ₹ 25,000
158. Opening stock – ₹ 40,000, Purchases – ₹ 2,60,000, Closing stock – ₹ 20,000, Cost of goods sold = ?
 (A) ₹ 3,20,000
 (B) ₹ 2,60,000
 (C) ₹ 3,00,000
 (D) ₹ 2,80,000
159. From the following details ascertain net profit for the period ending on 31-3-2015 under accrual system of Trader.

Net profit before following is ₹ 10,750.

Abstract of trial balance:

Items	Dr.	Cr.
Interest	-	2,000
Rent on let out property	-	4,500
Salary	3,750	-
Insurance	1,800	-

Additional information:

Items	31-3-2014	31-3-2015
Accrual interest	550	450
Rent received in advance	250	100
Salary outstanding	300	50
Prepaid insurance	600	150

- (A) ₹ 11,250
 (B) ₹ 11,550
 (C) ₹ 11,050
 (D) ₹ 12,450
160. Opening stock – ₹ 40,000, Purchases – ₹ 2,60,000, Closing stock – ₹ 20,000, Direct expenses – ₹ 50,000, Indirect expenses – ₹ 35,000. Cost of goods sold = ?
 (A) ₹ 3,30,000
 (B) ₹ 2,80,000
 (C) ₹ 3,85,000
 (D) ₹ 3,20,000
161. From the following details calculate the net profit for the year ending 31-3-2015

Particulars	₹
Opening Stock	1,50,000
Purchase	2,50,000
Manufacturing Expenses	80,000
Selling Expenses	20,000
Administration Expenses	10,000
Financial Charges	5,000
Sales	5,55,000

Sales include damaged goods sold for ₹ 5,000 against the cost price of ₹ 12,000. Gross profit margin on normal sales is 20% on the sales.

- (A) ₹ 65,000
 (B) ₹ 68,000
 (C) ₹ 70,000
 (D) ₹ 77,000
162. From the following information calculate net profit:

	₹
Opening stock	15,00,000
Direct expenses	3,00,000
Selling & distribution expenses	2,00,000
Administrative expenses	1,00,000
Financial expenses	50,000
Sales	24,00,000
Gross profit ratio on sales	25%

- (A) 2,50,000
 (B) 3,50,000
 (C) 2,00,000
 (D) 1,50,000
163. From the following information calculate Gross profit, Sales & Purchases.

Particulars	₹
Opening stock	75,000
Closing stock	87,500
Cost of goods sold	1,50,000
Gross profit ratio on sales	25%

- (A) Gross profit = 37,500, Sales = 1,87,500, Purchases = 1,12,500
 (B) Gross profit = 37,500, Sales = 2,00,000, Purchases = 1,62,500
 (C) Gross profit = 50,000, Sales = 2,00,000, Purchases = 1,62,500
 (D) Gross profit = 50,000, Sales = 2,00,000, Purchases = ₹ 1,12,500

164. From the following abstract of trial balance, estimate the profit and loss for the year ended 31-3-2015:

Debit balance	₹
Assets excluding closing stock	7,500
Expenses	6,500
Prepaid Expenses	2,000
Interest	500
	16,500
Credit balance	₹
Capital & Reserve	9,000
Liabilities	1,000
Revenue	6,500
	16,500

Closing stock was ₹ 600.

- (A) ₹ 100
(B) ₹ 550
(C) ₹ 1,500
(D) ₹ 250
165. From the following details estimate total sales.

Particulars	₹
Cash sales	20,000
Cash collection from debtors	1,30,000
Bad debts during the year	15,000
Cash discount to debtors	5,000
Debtors as on 1-1-2015	25,000
Debtors as on 31-12-2015	55,000

- (A) ₹ 1,50,000
(B) ₹ 1,80,000
(C) ₹ 2,00,000
(D) ₹ 1,90,000
166. Opening stock – ₹ 7,00,000, Purchase – ₹ 12,16,000, Wages – ₹ 1,50,000, Goods distributed as free sample – ₹ 12,000, Sales – ₹ 20,00,000, Gross profit earned – 25% of cost. Find out value of closing stock.
- (A) ₹ 5,54,000
(B) ₹ 4,54,000
(C) ₹ 4,00,000
(D) None
167. From the following details calculate net profit on accrual basis:

Particulars	₹
Goods sold for cash	5,00,000
Credit sales	25,000
Cash purchases	4,00,000
Credit purchases	50,000
Wages paid	20,000
Outstanding expenses	10,000
Rent paid	5,000
Rent outstanding	2,000
Depreciation on building	10,000
Loss on sales of fixed assets	1,000

- (A) ₹ 75,000
(B) ₹ 27,000
(C) ₹ 32,000
(D) ₹ 40,000

168. Cost of goods sold – ₹ 2,00,000

Gross profit on cost – 25%

Salary – ₹ 15,000

Rent – ₹ 7,000

Bad debts – ₹ 1,500

Drawings – ₹ 2,000

Creditors – ₹ 2,500

Net profit = ?

- (A) ₹ 22,000
(B) ₹ 24,500
(C) ₹ 26,500
(D) ₹ 16,500
169. Consider the following data pertaining to a company for the year 2014-2015:

Particulars	₹
Opening balance of debtors	40,000
Credit sales	4,30,000
Cash sales	20,000
Cash collected from debtors	4,00,000
Closing balance of debtors	50,000

The bad debts of the company during the year are –

- (A) ₹ 40,000
(B) ₹ 35,000
(C) ₹ 30,000
(D) ₹ 20,000
170. Salary paid during the year – ₹ 35,000.
Salary outstanding on 1-4-2014 – ₹ 2,500,
Salary outstanding on 31-3-2015 – ₹ 7,500.
Net salary debited to Profit & Loss A/c for the year ended 31-3-2015 should be –

- (A) ₹ 40,000
(B) ₹ 30,000
(C) ₹ 25,000
(D) ₹ 45,000
171. During the year 2014-2015, the profit of a business before charging Sales Manager's commission was ₹ 1,89,000. If the Sales Manager's commission is 5% on profit after charging his commission, then the total amount of commission payable to manager is –
(A) ₹ 10,000
(B) ₹ 9,450
(C) ₹ 9,000
(D) ₹ 8,500
172. Rent paid during year – ₹ 1,00,000.
Prepaid rent on 1-4-2014 – ₹ 25,000,
Prepaid rent on 31-3-2015 – ₹ 37,500.
Net rent debited to Profit & Loss A/c for the year ended 31-3-2012 should be –
(A) ₹ 87,500
(B) ₹ 1,12,500
(C) ₹ 1,62,500
(D) ₹ 37,500
173. Goods worth ₹ 10,000 were purchased by B on which the traders allowed ₹ 500 trade discount and offer to give 5% cash discount if immediate payment is made. The Purchase A/c will be debited by –
(A) ₹ 10,000
(B) ₹ 9,800
(C) ₹ 9,000
(D) ₹ 9,500
174. Following information is available from the books of Mr. Z

	₹
Expenses paid during the year	1,35,000
Expenses outstanding on 1-4-2013	12,250
Expenses prepaid on 1-4-2013	15,000
Expenses outstanding on 31-3-2014	17,000
Expenses prepaid on 31-3-2014	16,750

Net expenses debited to profit & loss account for the year ended 31.3.2014 should be –

- (A) ₹ 1,96,000
(B) ₹ 1,37,500
(C) ₹ 1,32,000
(D) ₹ 1,38,000

175. From the following details find out the amount to be debited to Profit & Loss A/c as fresh provision for doubtful debts during 2014-2015.

Debtors ₹ 30,000 as on 31-3-2015; Bad debt during the year ₹ 1,500; Provision for bad debts as on 1-4-2014 ₹ 2,000; Provision for doubtful debts to be kept at 5% of total debtors.

- (A) ₹ 1,500
(B) ₹ 1,000
(C) ₹ 3,000
(D) ₹ 2,000

176. Sundry debtors on 31st March, 2015 are ₹ 55,200. Further bad debts are ₹ 200. Provision for doubtful debts are to be made on debtors @ 5% and also provision of discount is to be made on debtors @ 2%. The amount of provision of discount on debtors will be: –

- (A) ₹ 1,045
(B) ₹ 2,750
(C) ₹ 1,100
(D) ₹ 2,760

177. Extract of trial balance of Mr. S on 31-3-2015 is as follows:

Particulars	Dr. ₹	Cr. ₹
Furniture	20,000	-
Provision for depreciation	-	2,000
Addition to furniture on 31-1-2015	6,000	-
Repair to furniture	1,000	-

Furniture is depreciated by 10% p.a. on original cost. Furniture will be shown in balance sheet at ₹ –

- (A) ₹ 21,900
(B) ₹ 21,400
(C) ₹ 16,000
(D) ₹ 22,900

178. Extract of trial balance of Mr. N is as follows:

Particulars	Dr. ₹	Cr. ₹
Debtors	81,200	-
Provisions for bad debts	-	5,800

Additional information:

- Bad debt not yet provided – ₹ 1,200
- Provision for debt to be made at 5%

Debtors will appear in balance sheet at ₹

- (A) 80,000
(B) 76,000

(C) 74,200

(D) 75,400

179. Extract of trial balance of Mr. Z is as follows:

Particulars	Dr. ₹	Cr. ₹
Debtors	24,000	-
Provisions for bad debts	-	400

Included amongst the debtor is ₹ 3,000 due to Ram and included among the creditors ₹ 1,000 due to him.

Provision for bad debts to be created at @ 5% and for discount @ 2%. Debtors will be shown at balance at –

(A) ₹ 21,413

(B) ₹ 21,885

(C) ₹ 22,344

(D) ₹ 22,148

180. Debtors as per trial balance – ₹ 40,600

Bad debt not yet provided – ₹ 600

Provision for debt to be made at 5% on sundry debtors.

Provision for discount on debtors to be created @ 2%.

Amount of provisions for discount on debtors –

(A) ₹ 760

(B) ₹ 600

(C) ₹ 2,000

(D) ₹ 2,600

181. From the following details find out the closing capital that will be appear in balance sheet on 31-12-2015.

Particulars	₹
Capital on 1-1-2015	14,00,000
Drawings	5,000
Repair	2,000
Net profit before manager commission	6,62,900
Debtors	1,50,000

Provision for bad debts @ 6%.

The manager is entitled commission of 5% of net profit after charging his commission.

(A) ₹ 20,26,333

(B) ₹ 20,15,857

(C) ₹ 20,14,305

(D) ₹ 20,24,755

182. Extract of trial balance of Mr. Z is as follows:

Particulars	Dr. ₹	Cr. ₹
Bad debts	5,000	-
Debtors	2,50,000	-
Bills receivable	40,000	-
Sales	-	12,50,000

Additional information:

- Bad debt not yet provided – ₹ 3,000

- Provision for debt to be made at 5%

- Provision for discount on debtors – 2%

Debtors will appear in balance sheet at –

(A) ₹ 2,25,302

(B) ₹ 2,62,642

(C) ₹ 2,67,197

(D) ₹ 2,29,957

183. During the year goods destroyed by fire was ₹ 10,000. The insurance company accepted the claim for ₹ 6,000 and paid the money after the close of financial year. In relation to this which of the following statement is correct?

(A) Trading A/c will be credited by ₹ 10,000, Profit & Loss A/c will be debited by ₹ 6,000 and in balance sheet insurance claim will be shown at ₹ 4,000.

(B) Trading A/c will be credited by ₹ 10,000, Profit & Loss A/c will be debited by ₹ 10,000.

(C) Trading A/c will be credited by ₹ 10,000, Profit & Loss A/c will be debited by ₹ 4,000 and in balance sheet insurance claim will be shown at ₹ 6,000.

(D) None of the statement is correct.

184. Extract of trial balance of Mr. Q is as follows:

Particulars	Dr. ₹	Cr. ₹
Sundry debtors	1,00,000	-
Sundry creditors	-	78,000

Additional information:

Included in sundry debtors ₹ 5,000 due from Mr. A. Included in sundry creditors ₹ 2,000 payable to Mr. A.

Sundry debtors and creditors will appear in balance sheet at ₹ ____ & ₹ ____

(A) 97,000, 75,000

(B) 98,000, 76,000

(C) 95,000, 76,000

(D) 98,000, 72,000

185. Debtors appeared in balance sheet at ₹ 18,525 after making following adjustment.

Bad debt written off ₹ 400.

Provision for discount on debtors @ 2.5%.

Provision for bad debt @ 5%.

Debtors as per trial balance = ?

- (A) ₹ 20,400
(B) ₹ 16,788
(C) ₹ 20,432
(D) ₹ 18,573
186. Sales include ₹ 60,000 sent to Z & Co. on sale or return basis for which no approval has been received as on 31-3-2015. The cost of the goods was ₹ 50,000. Which of the following treatment will be correct while preparing final accounts?
- (A) Increase sales & debtors by ₹ 60,000, Decrease closing stock in trading account and balance sheet by ₹ 50,000
(B) Increase sales & debtors by ₹ 60,000, Increase closing stock in trading account and balance sheet by ₹ 50,000
(C) Reduce sales & debtors by ₹ 60,000, Increase closing stock in trading account and balance sheet by ₹ 50,000
(D) Reduce sales & debtors by ₹ 60,000, Reduce closing stock in trading account and balance sheet by ₹ 50,000
187. Sundry debtors before making following adjustment are ₹ 34,300.

Adjustment:

- Two dishonored cheque for ₹ 200 & ₹ 320, respectively, from customer X and Y has not been entered in cash book. The first one for ₹ 200 is bad and irrevocable. In case of second cheque for ₹ 320, it is expected that Y will pay a dividend of ₹ 75 paise in the rupee.
- Included in sundry debtors ₹ 5,000 due from J. Sen whereas sundry creditor included ₹ 2,000 due to J. Sen.

In balance sheet debtors will appear at -

- (A) ₹ 32,540
(B) ₹ 32,620
(C) ₹ 29,540
(D) ₹ 31,540
188. Net profit before charging commission to manager - ₹ 2,20,000. The manager is entitled to

commission of 10% on net profit *before charging* such commission. The commission payable to manager will be -

- (A) ₹ 21,802
(B) ₹ 24,200
(C) ₹ 22,000
(D) ₹ 20,000
189. Net profit before charging commission to manager - ₹ 2,20,000. The manager is entitled to commission of 10% on net profit *after charging* such commission. The commission payable to manager will be -
- (A) ₹ 21,802
(B) ₹ 24,200
(C) ₹ 22,000
(D) ₹ 20,000
190. Net profit before charging commission to General & Sales manager - ₹ 1,65,920
- The General Manager is entitled to commission of 10% on net profit *after charging* such commission and commission of Sales Manager.
- The Sales Manager is entitled to commission of 5% on net profit *after charging* such commission and commission of General Manager.
- Commission payable to General Manager - ₹ & Sales Manager - ₹
- (A) 7,214 & 14,428
(B) 14,428 & 7,214
(C) 16,592 & 8,296
(D) 8,296 & 16,592
191. On the basis of following information calculate the amount that will appear the item 'stationery used' in profit and loss account for the year ending 31st March, 2015:

	₹
Stock of stationary on 1-4-2014	12,000
Stationary purchased during the year	1,40,000
Stock of stationary on 31-3-2015	23,200

- (A) ₹ 1,51,200
(B) ₹ 1,28,800
(C) ₹ 1,04,800
(D) ₹ 1,75,200
192. On the basis of following information calculate the amount will appear the item 'stationery used' in profit and loss account for the year ending 31st March, 2015:

Particulars	₹
Stock of stationary on 1-4-2014	12,000
Creditors for stationary on 1-4-2014	25,600
Amount paid for stationary	1,40,000
Stock of stationary on 31-3-2015	23,200
Creditors for stationary on 31-3-2015	24,000

(A) ₹ 1,27,200

(B) ₹ 1,38,400

(C) ₹ 1,49,600

(D) ₹ 1,38,600

193. From the following particulars, calculate the amount of income to be credited to profit and loss account for the year ended 31st March 2012:

	31-3-2011	31-3-2012
Outstanding Income	1,500	1,200
Income received in advance	900	540

A sum of ₹ 14,670 was received as income during the year ended 31st March 2012.

(A) 15,930

(B) 14,010

(C) 15,330

(D) 14,730

194. Listed in random order below are the balance sheet figures of Mr. Q as at 31-3-2015:

Trade receivables	₹ 50,000
Trade payables	₹ 30,000
Building	₹ 90,000
Capital	₹ 1,00,000
Bank loan	₹ 40,000
Inventories	₹ 10,000
Cash	₹ 20,000
Reserves	₹ 50,000
Intangible assets	₹ 30,000
Shares	₹ 20,000
Equipment	₹ 40,000
Retained earnings	₹ 40,000

The owner's equity = ?

(A) ₹ 2,10,000

(B) ₹ 1,90,000

(C) ₹ 1,20,000

(D) ₹ 1,70,000

195. A company had a doubtful debt provision of ₹ 14,000 at 31-12-2014. Its trade receivables at 31-12-2015 were ₹ 1,98,200. The company considers that receivables totaling ₹ 12,200 will not be paid and in addition planned to make a doubtful debts provision for 10% of its net receivables

at 31-12-2015. What is the charge for bad and doubtful debts in the income statement for the year ended 31-12-2015?

(A) 32,600

(B) 12,200

(C) 16,800

(D) 44,800

196. A new firm commenced business on 1-1-2015 and purchased goods costing ₹ 90,000 during the year. A sum of ₹ 6,000 was spent on freight inwards. At the end of the year the cost of goods still unsold was ₹ 12,000. Sales during the year ₹ 1,20,000. What is the gross profit earned by the firm?

(A) ₹ 36,000

(B) ₹ 30,000

(C) ₹ 42,000

(D) ₹ 38,000

197. Sales for the year ended 31st March, 2015 amounted to ₹ 10,00,000. Sales included goods sold to Mr. A for ₹ 50,000 at a profit of 20% on cost. Such goods are still lying in the godown at the buyer's risk. Therefore, such goods should be treated as part of -

(A) Sales

(B) Closing stock

(C) Goods in transit

(D) Sales return

198. Rent paid on 1-10-2014 for the year to 30-9-2015 was ₹ 1,200 and rent paid on 1-10-2015 for the year to 30-9-2016 was ₹ 1,600. Rent payable, as shown in the Profit & Loss A/c for the year ended 31-12-2015, would be: -

(A) ₹ 1,200

(B) ₹ 1,600

(C) ₹ 1,300

(D) ₹ 1,500

From the following information answer next 3 questions.

Particulars	₹
Sales	15,000
Opening Stock	6,000
Purchases	10,000
Closing Stock	?
Cost of goods sold	9,000
Gross Profit	?
Selling Expenses	4,000
Net Profit	?

199. Gross profit will be –

- (A) ₹ 6,000
- (B) ₹ 5,000
- (C) ₹ 8,000
- (D) ₹ 7,000

200. The value of closing stock is –

- (A) ₹ 9,000
- (B) ₹ 4,000
- (C) ₹ 8,000
- (D) ₹ 7,000

201. Net profit will be –

- (A) ₹ 6,000
- (B) ₹ 5,000
- (C) ₹ 2,000
- (D) ₹ 7,000

From the following information answer next 2 questions.

Particulars	₹
Opening capital	16,000
Investment by proprietor	Nil
Drawings	3,000
Capital at the end	13,500
Net Profit/(Loss)	?

202. The net profit will be –

- (A) ₹ 600
- (B) ₹ 500
- (C) ₹ 550
- (D) ₹ 700

203. If in the given information, Net Loss is ₹ 1,000, then the investment made by the proprietor during the year will be –

- (A) ₹ 1,500
- (B) ₹ 2,000
- (C) ₹ 1,200
- (D) ₹ 1,700

From the following information answer next 2 questions.

Particulars	June 2015	July 2015	August 2015
Opening stock	4,08,000	4,34,400	4,60,800
Credit Sales	15,00,000	16,00,000	17,00,000
Cash Sales	2,00,000	2,10,000	2,20,000

Selling price is 125% of the purchase price.

204. The cost of goods sold for the month of June, 2015 is: –

- (A) ₹ 15,20,000
- (B) ₹ 14,02,500
- (C) ₹ 12,75,000
- (D) ₹ 13,60,000

205. Stock purchased in June, 2015 is: –

- (A) ₹ 16,05,000
- (B) ₹ 13,86,400
- (C) ₹ 14,40,000
- (D) ₹ 13,82,500

206. The cost of goods sold for the month of July, 2015 is: –

- (A) ₹ 15,20,000
- (B) ₹ 14,02,500
- (C) ₹ 12,75,000
- (D) ₹ 14,48,000

207. Stock purchased in July, 2015 is: –

- (A) ₹ 16,05,000
- (B) ₹ 14,74,400
- (C) ₹ 14,40,000
- (D) ₹ 13,82,500

208. If the insurance premium paid is ₹ 1,000 and pre-paid insurance is ₹ 300, the amount of insurance premium shown in Profit & Loss A/c will be –

- (A) ₹ 1,300
- (B) ₹ 700
- (C) ₹ 1,000
- (D) ₹ 300

209. X & Co. is in the business of trading. It is to receive ₹ 7,000 from Vinod and to pay ₹ 8,000 to Vinod. Similarly, it is to pay ₹ 8,000 to Sudhir and to receive ₹ 9,000 from Sudhir. Except above but after all adjustment, the books of X & Co. show the debtors balance at ₹ 72,000 (Dr.) and creditors balance at ₹ 39,000 (Cr.). The correct value of debtors and creditors to be shown in balance sheet would be –

- (A) Debtors (₹ 72,000), Creditors (₹ 39,000)
- (B) Debtors (₹ 88,000), Creditors (₹ 55,000)
- (C) Debtors (₹ 80,000), Creditors (₹ 47,000)
- (D) Debtors (₹ 79,000), Creditors (₹ 46,000)

210. Which of the following accounting equation is correct?

- (A) Capital (₹ 15,000) = Fixed Assets (₹ 12,000) + Cash (4,000)
- (B) Trade Payable (₹ 3,000) + Capital (₹ 17,000) + Bills Payable (₹ 4,000) = Fixed Assets (₹ 20,000)
- (C) Capital (₹ 15,000) = Cash (3,000) + Fixed Assets (₹ 9,000)
- (D) Trade Payable (₹ 8,000) + Capital (₹ 7,000) = Fixed Assets (₹ 8,000) + Cash at bank (₹ 4,000) + Cash (₹ 3,000)
211. Actual purchased a car for ₹ 5,00,000, by making a down payment of ₹ 1,00,000 and signing a ₹ 4,00,000 bill payable due in 60 days. As a result of this transaction –
- (A) Total assets increased by ₹ 5,00,000.
- (B) Total liabilities increased by ₹ 4,00,000.
- (C) Total assets increased by ₹ 4,00,000.
- (D) Total assets increased by ₹ 4,00,000 with corresponding increase in liabilities by ₹ 4,00,000.
212. Gauri paid ₹ 1,000 towards a debt of ₹ 1,050, which was written off as bad debt in the previous year. Which of the following account is credited for this amount?
- (A) Gauri's personal account
- (B) Bad debt account
- (C) Bad debt recovered account
- (D) None of the above
213. A purchased an old computer costing ₹ 10,000 and incurred ₹ 1,000 on its repair and ₹ 500 on its packing. He sold the computer at 20% margin on selling price. The sales value will be –
- (A) ₹ 12,500
- (B) ₹ 11,000
- (C) ₹ 14,375
- (D) ₹ 13,800
214. Fire insurance premium paid on 1-10-2014 for the year ended on 30-9-2015 was ₹ 2,400 and fire insurance premium paid on 1-10-2015 for the year ended 30-9-2016 was ₹ 3,200. Fire insurance premium paid in Profit & Loss A/c for the year ended 31-12-2015 would be –
- (A) ₹ 2,400
- (B) ₹ 3,200
- (C) ₹ 2,600
- (D) ₹ 3,000
215. The total cost of goods available for sales during the current year is ₹ 12,00,000 and the total sales during the year is ₹ 13,00,000. Gross profit margin is 33-1/3% on cost. The closing inventory for the current year would be –
- (A) ₹ 4,00,000
- (B) ₹ 3,00,000
- (C) ₹ 2,25,000
- (D) ₹ 2,60,000
216. If capital at the end of the year is ₹ 7,000, capital introduced during the year is ₹ 5,000, drawing during the year are ₹ 8,000, loss incurred during the year is ₹ 10,000, then capital in the beginning would be equal to –
- (A) ₹ 12,000
- (B) ₹ 16,000
- (C) ₹ 20,000
- (D) ₹ 30,000

Answers:

1.	(D)	2.	(B)	3.	(B)	4.	(D)	5.	(C)	6.	(A)	7.	(C)
8.	(B)	9.	(D)	10.	(A)	11.	(C)	12.	(D)	13.	(D)	14.	(B)
15.	(D)	16.	(B)	17.	(D)	18.	(D)	19.	(B)	20.	(D)	21.	(C)
22.	(D)	23.	(D)	24.	(B)	25.	(A)	26.	(D)	27.	(A)	28.	(D)
29.	(D)	30.	(A)	31.	(B)	32.	(B)	33.	(D)	34.	(D)	35.	(D)
36.	(B)	37.	(C)	38.	(B)	39.	(B)	40.	(C)	41.	(B)	42.	(B)
43.	(D)	44.	(D)	45.	(D)	46.	(B)	47.	(C)	48.	(B)	49.	(B)
50.	(B)	51.	(C)	52.	(B)	53.	(C)	54.	(B)	55.	(D)	56.	(D)
57.	(A)	58.	(C)	59.	(B)	60.	(A)	61.	(A)	62.	(D)	63.	(B)
64.	(C)	65.	(D)	66.	(D)	67.	(D)	68.	(A)	69.	(D)	70.	(D)
71.	(D)	72.	(B)	73.	(B)	74.	(B)	75.	(B)	76.	(B)	77.	(B)

78.	(B)	79.	(C)	80.	(C)	81.	(A)	82.	(D)	83.	(B)	84.	(C)
85.	(D)	86.	(B)	87.	(C)	88.	(A)	89.	(A)	90.	(C)	91.	(A)
92.	(A)	93.	(D)	94.	(A)	95.	(C)	96.	(D)	97.	(C)	98.	(B)
99.	(C)	100.	(D)	101.	(D)	102.	(B)	103.	(D)	104.	(D)	105.	(D)
106.	(B)	107.	(D)	108.	(B)	109.	(C)	110.	(B)	111.	(D)	112.	(A)
113.	(A)	114.	(D)	115.	(A)	116.	(B)	117.	(D)	118.	(D)	119.	(B)
120.	(B)	121.	(A)	122.	(B)	123.	(C)	124.	(A)	125.	(A)	126.	(A)
127.	(B)	128.	(A)	129.	(A)	130.	(A)	131.	(D)	132.	(D)	133.	(A)
134.	(B)	135.	(D)	136.	(C)	137.	(A)	138.	(B)	139.	(A)	140.	(B)
141.	(A)	142.	(B)	143.	(A)	144.	(A)	145.	(A)	146.	(A)	147.	(C)
148.	(D)	149.	(A)	150.	(B)	151.	(B)	152.	(C)	153.	(D)	154.	(D)
155.	(B)	156.	(D)	157.	(D)	158.	(D)	159.	(B)	160.	(A)	161.	(B)
162.	(A)	163.	(C)	164.	(A)	165.	(C)	166.	(B)	167.	(B)	168.	(C)
169.	(D)	170.	(A)	171.	(C)	172.	(A)	173.	(D)	174.	(D)	175.	(B)
176.	(A)	177.	(A)	178.	(B)	179.	(A)	180.	(A)	181.	(A)	182.	(D)
183.	(C)	184.	(B)	185.	(A)	186.	(C)	187.	(A)	188.	(C)	189.	(D)
190.	(B)	191.	(B)	192.	(A)	193.	(D)	194.	(B)	195.	(C)	196.	(A)
197.	(A)	198.	(C)	199.	(A)	200.	(D)	201.	(C)	202.	(B)	203.	(A)
204.	(D)	205.	(B)	206.	(D)	207.	(B)	208.	(B)	209.	(B)	210.	(D)
211.	(D)	212.	(C)	213.	(C)	214.	(C)	215.	(C)	216.	(C)		

Hints for Practical MCQ

140.

Dr.	Trading A/c		Cr.
To Opening Stock	2,50,000	By Sales	19,00,000
To Purchases	13,00,000	By Closing Stock	1,50,000
To Freight	50,000		
To Gross Profit (<i>Bal. Fig.</i>)	4,50,000		
	20,50,000		20,50,000

141.

Dr.	Debtors A/c		Cr.
To Balance b/d	10,200	By Cash received from debtors	30,400
To Sales (Credit) (<i>Bal. Fig.</i>)	37,900	By Returns Inwards	2,700
		By Bad debts	1,200
		By Balance c/d	13,800
	48,100		48,100

Cash Sales + Credit Sales = Total Sales

28,400 + 37,900 = 66,300

142.
$$\frac{\text{Cost} + \text{Profit}}{\text{Sales}} = \frac{100 + 25}{125} = \frac{125}{125} \times 100 = 20\%$$

143.

Dr.	Trading A/c		Cr.
To Opening Stock	17,000	By Sales	1,45,000
To Purchases	52,000	By Closing Stock	25,000
To Wages	46,500		
To Freight	15,000		
To Gross Profit (<i>Bal. Fig.</i>)	39,500		
	1,70,000		1,70,000

$$144. \quad \begin{array}{rclcl} \text{Cost} & + & \text{Profit} & = & \text{Sales} \\ 75 & + & 25 & = & 100 \end{array} \quad \frac{25}{75} \times 100 = 33.33\%$$

$$146. \quad \begin{array}{rclcl} \text{Cost} & + & \text{Profit} & = & \text{Sales} \\ 100 & + & 50 & = & 150 \end{array} \quad \frac{50}{150} \times 100 = 33.33\%$$

$$147. \quad \text{Opening stock} + \text{Purchases} - \text{Closing stock} = \text{Cost of goods sold;} \\ 13,500 + 30,000 - 6,000 = 37,500$$

$$148. \quad \begin{array}{rclcl} \text{Cost} & + & \text{Profit} & = & \text{Sales} \\ 66.67 & + & 33.33 & = & 100 \end{array} \quad \frac{33.33}{66.67} \times 100 = 50\%$$

149.

Dr.	Capital A/c		Cr.
To Drawing	20,000	By Balance b/d (<i>Bal. Fig.</i>)	2,35,000
To Balance c/d	2,40,000	By Profit & Loss A/c	25,000
	2,60,000		2,60,000

$$150. \quad \begin{array}{rclcl} \text{Sales} & - & \text{Cost of goods sold} & = & \text{Gross profit} \\ 40,000 & - & 31,000 & = & 9,000 \end{array}$$

Operating expenses are debited to profit & loss account.

151.

Drawing A/c	Dr.	1,250	
To Cash A/c			1,250

$$152. \quad \begin{array}{rclcl} \text{Cost} & + & \text{Profit} & = & \text{Sales} \\ 100 & + & 25 & = & 125 \end{array} \quad \frac{25}{125} \times 100 = 20\%$$

Sales	2,00,000
Less: Gross profit (2,00,000 × 20%) [25% on cost means 20% on sales]	(40,000)
Cost of goods sold	1,60,000

$$153. \quad \text{Purchase cost of Machinery on 1-1-2011} (2,75,000 + 25,000) = 3,00,000.$$

$$\text{Depreciation} = 3,00,000 \times 10\% = 30,000.$$

$$\text{Accumulated depreciation for 5 years} = 30,000 \times 5 = 1,50,000.$$

154.

Dr.	Trading A/c		Cr.
To Opening stock	3,00,000	By Sales	21,10,500
To Purchase	12,87,000	By Closing stock	2,70,000

To Freight	34,500		
To Gross profit (<i>Bal. Fig.</i>)	7,59,000		
	23,80,500		23,80,500

155. Bad debts from trial balance will be debited to Profit & Loss A/c. Provision for doubtful debts (old) will be kept as opening balance to "Provision for Doubtful Debt A/c". Current year's provision (new) will be kept as closing balance to "Provision for Doubtful Debt A/c" and this amount will be deducted from the debtors.

156.

Dr.	Trading A/c		Cr.
To Opening stock	50,000	By Sales	16,00,000
To Purchase (<i>Bal. Fig.</i>)	13,00,000	By Closing stock	1,50,000
To Gross profit (16,00,000 × 25%)	4,00,000		
	17,50,000		17,50,000

157. If the goods are sent on sale or return basis, the unsold goods must be included in the stock at cost. As the transaction has not been treated as actual sale, the profit margin needs to be reversed and the stock is to be shown in balance sheet at its cost.

Profit = 20% of cost = $\frac{1}{5}$ th of cost = $\frac{1}{6}$ th of Sale = $\frac{1}{6} \times 30,000 = ₹ 5,000$. Thus, the goods to be shown in balance sheet = 30,000 - 5,000 = 25,000

158.

Opening stock	40,000
Purchases	2,60,000
Closing stock	(20,000)
Cost of goods sold	2,80,000

159.

Net Profit	10,750
Interest (2,000 - 550 + 450)	1,900
Rent on let out property (4,500 + 250 - 100)	4,650
Salary (3,750 - 300 + 50)	(3,500)
Insurance (1,800 + 600 - 150)	(2,250)
	11,550

160.

Opening stock	40,000
Purchases	2,60,000
Direct expenses	50,000
Closing stock	(20,000)
Cost of goods sold	3,30,000

161. Loss on damaged goods = 12,000 - 5,000 = 7,000.
 Normal sales = 5,55,000 - 5,000 = 5,50,000.
 Gross profit on normal sales = 5,50,000 × 20% = 1,10,000.
 Net gross profit = 1,10,000 - 7,000 = 1,03,000.

Dr.	Profit & Loss A/c		Cr.
To Selling Expenses	20,000	By Gross profit	1,03,000
To Administration Expenses	10,000		
To Financial Charges	5,000		
To Net profit	68,000		
	<u>1,03,000</u>		<u>1,03,000</u>

162.

Dr.	Profit & Loss A/c		Cr.
To Selling & distribution expenses	2,00,000	By Gross profit (24,00,000 × 25%)	6,00,000
To Administrative expenses	1,00,000		
To Financial expenses	50,000		
To Net profit	2,50,000		
	<u>6,00,000</u>		<u>6,00,000</u>

163.

$$\begin{array}{rclclcl} \text{Cost} & + & \text{Profit} & = & \text{Sales} & \frac{25}{75} \times 100 & = 33.33\% \text{ on cost} \\ 75 & + & 25 & = & 100 & \end{array}$$

$$\begin{array}{rclclcl} \text{Cost of goods sold} & + & \text{Gross profit} & = & \text{Sales} \\ 1,50,000 & + & 50,000 & = & 2,00,000 \end{array}$$

Dr.	Trading A/c		Cr.
To Opening stock	75,000	By Sales	2,00,000
To Purchase (Bal. Fig.)	1,62,500	By Closing stock	87,500
To Gross profit	50,000		
	<u>2,87,500</u>		<u>2,87,500</u>

164.

Revenue	6,500
Closing stock	600
	<u>7,100</u>
Expenses	(6,500)
Interest	(500)
Profit	<u>100</u>

165.

Dr.	Debtors A/c		Cr.
To Balance b/d	25,000	By Cash collection from debtors	1,30,000
To Sales (Credit) (Bal. Fig.)	1,80,000	By Bad debts	15,000
		By Discount	5,000
		By Balance c/d	55,000
	<u>2,05,000</u>		<u>2,05,000</u>

Cash Sales + Credit Sales = Total Sales

$$20,000 + 1,80,000 = 2,00,000$$

166.

$$\begin{array}{rclclcl} \text{Cost} & + & \text{Profit} & = & \text{Sales} & \frac{25}{125} \times 100 & = 20\% \text{ on sales} \\ 100 & + & 25 & = & 125 & \end{array}$$

Dr.	Trading A/c		Cr.
To Opening stock	7,00,000	By Sales	20,00,000
To Purchase (<i>Bal. Fig.</i>)	12,16,000	By Goods distributed as free sample	12,000
To Wages	1,50,000	By Closing stock (<i>Bal. Fig.</i>)	4,54,000
To Gross profit (20,00,000 × 20%)	4,00,000		
	<u>24,66,000</u>		<u>24,66,000</u>

167.

Particulars	₹
Goods sold for cash	5,00,000
Credit sales	25,000
(A)	<u>5,25,000</u>
Cash purchases	4,00,000
Credit purchases	50,000
Wages paid	20,000
Outstanding expenses	10,000
Rent paid	5,000
Rent outstanding	2,000
Depreciation on building	10,000
Loss on sales of fixed assets	1,000
(B)	<u>4,98,000</u>
Profit (A) - (B)	<u>27,000</u>

168.

$$\begin{array}{rclclcl} \text{Cost of goods sold} & + & \text{Gross profit} & = & \text{Sales} \\ 2,00,000 & + & 50,000 & = & 2,50,000 \end{array}$$

Dr.	Trading and Profit & Loss A/c		Cr.
To Cost of goods sold	2,00,000	By Sales	2,50,000
To Gross profit	50,000		
	<u>2,50,000</u>		<u>2,50,000</u>
To Salary	15,000	By Gross profit	50,000
To Rent	7,000		
To Bad debts	1,500		
To Net profit	26,500		
	<u>50,000</u>		<u>50,000</u>

169.

Dr.	Debtors A/c		Cr.
To Balance b/d	40,000	By Cash collection from debtors	4,00,000
To Sales (Credit)	4,30,000	By Bad debts (<i>Bal. Fig.</i>)	20,000
		By Balance c/d	50,000
	4,70,000		4,70,000

170.

Dr.	Salary A/c		Cr.
To Cash/Bank A/c	35,000	By Salary Outstanding A/c (Opening)	2,500
To Salary Outstanding A/c (Closing)	7,500	By Profit & Loss A/c	40,000
	<u>42,500</u>		<u>42,500</u>

171.

$$\text{Commission to Manager} = 1,89,000 \times \frac{5}{105} = 9,000$$

172.

Dr.	Rent A/c		Cr.
To Prepaid Rent (Opening)	25,000	By Profit & Loss A/c (<i>Bal. Fig.</i>)	87,500
To Cash/Bank A/c	1,00,000	By Prepaid Rent (Closing)	37,500
	<u>1,25,000</u>		<u>1,25,000</u>

173. The Purchase A/c will be debited by ₹ 9,500. Cash discount will be considered at the time of payment.

174.

Dr.	Expenses A/c		Cr.
To Prepaid Expenses (Opening)	15,000	By Expenses Outstanding (Opening)	12,250
To Cash/Bank A/c	1,35,000	By Profit & Loss A/c (<i>Bal. Fig.</i>)	1,38,000
To Expenses Outstanding (Closing)	17,000	By Prepaid Expenses (Closing)	16,750
	1,67,000		1,67,000

175.

Dr.	Provision For Doubtful Debts A/c		Cr.
To Bad Debts	1,500	By Balance b/d	2,000
To Balance c/d (30,000 × 5%)	1,500	By Profit & Loss A/c	1,000
	3,000		3,000

176.

Sundry debtors	55,200
Less: Bad debts	(200)
	55,000
Less: Provision for doubtful debts (55,000 × 5%)	(2,750)
	52,250
Less: Provision for discount debtors (52,250 × 2%)	(1,045)
	51,205

177.

Furniture	20,000
Addition to furniture on 31-1-2015	6,000
Provision for depreciation	(2,000)
Current depreciation (20,000 × 10%) + (6,000 × 10% × 2/12)	(2,100)
	21,900

178.

Sundry debtors	81,200
Less: Bad debts	(1,200)
	80,000
Less: Provision for doubtful debts (80,000 × 5%)	(4,000)
	76,000

179.

Sundry debtors	24,000
Less: Mutual in-debtness	(1,000)
	23,000
Less: Provision for doubtful debts (23,000 × 5%)	(1,150)
	21,850
Less: Provision for discount debtors (21,850 × 2%)	(437)
	21,413

180.

Sundry debtors	40,600
Less: Bad debts	(600)
	40,000
Less: Provision for doubtful debts (40,000 × 5%)	(2,000)
	38,000
Less: Provision for discount debtors (38,000 × 2%)	(760)
	37,240

181.

$$\text{Commission to Manager} = 6,62,900 \times \frac{5}{105} = 31,567$$

Net profit after Commission to Manager = 6,62,900 - 31,567 = 6,31,333

Dr.	Capital A/c	Cr.
To Drawing	5,000	By Balance b/d (Bal. Fig.)
To Balance c/d	20,26,333	By Profit & Loss A/c
	20,31,333	20,31,333

Note: Repair & Provision for bad debts will not be considered because net profit must have been calculated after considering these items.

182.

Sundry debtors	2,50,000
Less: Bad debts	(3,000)
	2,47,000
Less: Provision for doubtful debts (2,47,000 × 5%)	(12,350)
	2,34,650
Less: Provision for discount debtors (2,34,650 × 2%)	(4,693)
	2,29,957

184.

Sundry Debtors & Creditors	1,00,000	78,000
Less: Mutual in-debt	(2,000)	(2,000)
	98,000	76,000

185.

Sundry debtors	20,400	Make reverse working. From downward to upward. ↑
Less: Bad debts	(400)	
	20,000	
Less: Provision for doubtful debts (19,000 × 5/95)	(1,000)	
	19,000	
Less: Provision for discount debtors (18,525 × 2.5/97.5)	(475)	
	18,525	

187.

Sundry debtors	34,300
Less: Mutual in-debtness	(2,000)
Add: Dishonored cheque (200 + 320)	520
Less: Bad debts of debtor X	(200)
Less: Provision for debtors Y (320 × 25%)	(80)
	32,540

188. $2,20,000 \times 10\% = 22,000$ 189. $2,20,000 \times \frac{10}{110} = 20,000;$ 190. $1,65,920 \times \frac{10}{115} = 14,428;$ $1,65,920 \times \frac{5}{115} = 7,214$

191.

Dr.	Stationery A/c		Cr.
To Balance b/d	12,000	By Profit & Loss A/c (<i>Bal. Fig.</i>)	1,28,800
To Creditors for stationery A/c	1,40,000	By Balance c/d	23,200
	1,52,000		1,52,000

192.

Dr.	Creditors for Stationery A/c		Cr.
To Cash/Bank A/c	1,40,000	By Balance b/d	25,600
To Balance c/d	24,000	By Stationery A/c (credit purchase)	1,38,400
	1,64,000		1,64,000

Dr.	Stationery A/c		Cr.
To Balance b/d	12,000	By Profit & Loss A/c (<i>Bal. Fig.</i>)	1,27,200
To Creditors for stationery A/c	1,38,400	By Balance c/d	23,200
	1,50,400		1,50,400

193.

Dr.	Income A/c		Cr.
To Outstanding Income (Opening)	1,500	By Income Received in Advance (Op.)	900
To Profit & Loss A/c (<i>Bal. Fig.</i>)	14,730	By Cash/Bank	14,670
To Income Received in Advance (Cl.)	540	By Outstanding Income (Closing)	1,200
	16,770		16,770

194.

Assets Side Approach: $50,000 - 30,000 + 90,000 - 40,000 + 10,000 + 20,000 + 30,000 + 20,000 + 40,000 = 1,90,000$ **OR Liability Side Approach:** $1,00,000 + 50,000 + 40,000 = 1,90,000$

195.

Dr.	Provision For Doubtful Debts A/c		Cr.
To Bad Debts	12,200	By Balance b/d	14,000
To Balance c/d ($1,86,000 \times 10\%$)	18,600	By Profit & Loss A/c (<i>Bal. Fig.</i>)	16,800
	38,800		38,800

196.

Dr.	Trading A/c		Cr.
To Purchase	90,000	By Sales	1,20,000
To Freight Inwards	6,000	By Closing stock	12,000
To Gross profit (<i>Bal. Fig.</i>)	36,000		
	1,32,000		1,32,000

198.

Rent for the period 1-1-2015 to 30-9-2015	$(1,200 \times 9/12)$	900
Rent for the period 1-10-2015 to 31-12-2015	$(1,600 \times 3/12)$	400
		<u>1,300</u>

199. to 201. Try to solve at your own end.

202.

Dr.	Capital A/c		Cr.
To Drawing	3,000	By Balance b/d	16,000
To Balance c/d	13,500	By Profit & Loss A/c (<i>Bal. Fig.</i>)	500
	16,500		16,500

203.

Dr.	Capital A/c		Cr.
To Drawing	3,000	By Balance b/d	16,000
To Profit & Loss A/c	1,000	By Cash (investment) (<i>Bal. Fig.</i>)	1,500
To Balance c/d	13,500		
	17,500		17,500

204. & 205. Selling price is 125% of the purchase price. This means if a sale is 125 then cost is 100.

Total sales for the June 2015 = $15,00,000 + 2,00,000 = 17,00,000$.

Cost of goods sold = $17,00,000 \times 100/125 = 13,60,000$.

Opening stock + Purchases - Closing stock = Cost of goods sold

$4,08,000 + x - 4,34,400 = 13,60,000$

$x = \text{Purchases} = 13,86,400$

206. & 207.

Total sales for the July 2015 = 16,00,000 + 2,10,000 = 18,10,000.

Cost of goods sold = 18,10,000 × 100/125 = 14,48,000.

Opening stock + Purchases – Closing stock = Cost of goods sold

4,34,400 + x – 4,60,800 = 14,48,000

x = Purchases = 14,74,400

208.

Dr.	Insurance A/c		Cr.
To Cash A/c	1,000	By Profit & Loss A/c (<i>Bal. Fig.</i>)	700
		By Prepaid Insurance A/c	300
	1,000		1,000

209.

Sundry Debtors & Creditors	72,000	39,000
Receivable from Vinod	7,000	-
Payable to Vinod	-	8,000
Receivable from Sudhir	9,000	-
Payable to Sudhir	-	8,000
	88,000	55,000

213. 11,500 × 125% = 14,375**214.**

Fire insurance premium for the period 1-1-2015 to 30-9-2015	(2,400 × 9/12)	1,800
Fire insurance premium for the period 1-10-2015 to 31-12-2015	(3,200 × 3/12)	800
		<u>2,600</u>

215. Gross profit is 33.33% *on cost* means 25% *on sale*.

Cost of goods available for sale	12,00,000
(-) Cost of goods sold (13,00,000 – 3,25,000)	(9,75,000)
Closing stock	<u>2,25,000</u>

216.

Dr.	Capital A/c		Cr.
To Drawings	8,000	By Balance b/d (<i>Bal. Fig.</i>)	20,000
To Profit & Loss A/c	10,000	By Cash A/c	5,000
To Balance c/d	7,000		
	25,000		25,000

PARTNERSHIP – PROFIT & LOSS APPROPRIATION ACCOUNT

CHAPTER

8

MCQ on Theory

- Partnership is defined as “the relation between persons who have agreed to share the profits of a business carried on by _____ acting for all”.
(A) All
(B) Any of them
(C) (A) or (B)
(D) (A) and (B)
- If a firm prefers Partners Capital A/c to be shown at the amount introduced by the partners as capital in firm then entries for salary, interest, drawings, interest on capital and drawings and profits are made in –
(A) Trading A/c
(B) Profit & Loss A/c
(C) Balance Sheet
(D) Partners Current A/c
- Persons who have entered into partnership with one another are individually known as –
(A) Co-owner's
(B) Firm
(C) Partnership
(D) Partner
- In normal trading circumstances, which of the following would not be found in a partner's current account?
(A) Drawings
(B) Goodwill
(C) Salaries
(D) Interest on drawings
- Following are the essential elements of a partnership firm except: –
(A) At least two persons.
(B) There is an agreement between all partners.
(C) Equal share of profits and losses.
(D) Partnership agreement is for some business.
- Persons who have entered into partnership with one another are collectively called as –
(A) Firm
(B) Firm name
(C) Partnership
(D) Partner
- The correct double entry to record interest on drawings is: –

Debit	Credit
(A) Capital A/c	P & L Appropriation A/c
(B) P & L Appropriation A/c	Current A/c
(C) Current A/c	P & L Appropriation A/c
(D) P & L Appropriation A/c	Current A/c
- Following is the difference between partnership deed and partnership agreement: –
(A) Partnership deed is in writing and partnership agreement is oral.
(B) Partnership deed is signed by all the partners but partnership agreement is signed by majority of the partners.
(C) Partnership deed is registered in the court of law whereas partnership agreement is not registered.
(D) Partnership deed is not subject to changes unless all partners agree to it.
- The name under which the business of partnership is carried on is called –
(A) Firm
(B) Firm name
(C) Partnership
(D) Partner
- If partners maintain both fixed capital and current accounts, which of the following would normally be credited to a partner's capital account?

- (A) Goodwill being written off
(B) Losses on revaluation
(C) Interest on capital
(D) Profits on revaluation
11. To form partnership there must be agreement between at least –
(A) Three persons
(B) Two persons
(C) Four persons
(D) None of the above
12. A partner acts as '.....' for a firm.
(A) Agent
(B) Third Party
(C) Employee
(D) None of the above.
13. Maximum number of persons for a valid partnership for banking business is –
(A) 15
(B) 20
(C) 25
(D) 50
14. A debit balance on a partner's current account must indicate that: –
(A) They have a credit balance on their capital account
(B) They have withdrawn more than they have earned in the partnership
(C) They are insolvent
(D) Drawings are higher than the profit share for that year
15. The relationship between persons who have agreed to share the profit of a business carried on by all or any of them acting for all is known as –
(A) Partnership
(B) Joint Venture
(C) Association of Persons
(D) Body of Individuals
16. The maximum number of persons permissible for a valid partnership for doing any business other than banking business is –
(A) 15
(B) 50
(C) 25
(D) 10
17. Features of a partnership firm is/are: –
(A) Two or more persons carrying common business under an agreement.
(B) Sharing profits and losses in the fixed ratio.
(C) Business carried by all or any of them acting for all.
(D) All of the above
18. In normal trading circumstances, which of the following would not be found in a Partner's Capital A/c?
(A) Goodwill
(B) Drawing
(C) Profit on revaluation
(D) Losses on dissolution
19. Which of the following is/are essential feature of partnership?
(A) Association of two or more persons
(B) Agreement/contract
(C) Carrying on business
(D) All of above
20. In the absence of an agreement, partners are entitled to –
(A) Salary
(B) Commission
(C) Interest on loan and advances
(D) Profit share in capital ratio
21. Partnership can be formed for the purpose of carrying –
(A) Charitable activities
(B) Social activities
(C) Business
(D) All of above
22. Partnership type of business is formed by the mutual agreement of partners. What kind of agreement is it?
(A) Oral agreement
(B) Written agreement
(C) Oral or written agreement
(D) None of them
23. Which of the following is conclusive evidence of partnership –
(A) Sharing of profits
(B) Mutual agency
(C) Carrying of some business
(D) All of above

24. Interest on capital will be paid to the partners if provided for in the agreement but only from –
 (A) Current Profits
 (B) Reserves
 (C) Accumulated Profits
 (D) Goodwill
25. The capital account of a partner may be a –
 (A) Fixed Capital A/c
 (B) Fluctuating Capital A/c
 (C) (A) or (B)
 (D) None of the above
26. Interest on drawings is: –
 (A) Debited to Partner's Current A/c
 (B) Credited to Partner's Current A/c
 (C) Debited to Profit & Loss Appropriation A/c
 (D) Credited to Revaluation A/c
27. Partners are suppose to pay interest on drawing only when _____ by the _____
 (A) Provided, Agreement
 (B) Permitted, Investors
 (C) Agreed, Partners.
 (D) Both (A) & (C)
28. In partnership under fixed capital account method, which of the following account is opened?
 (A) Partner's Capital Account
 (B) Partner's Current Account
 (C) (A) or (B)
 (D) (A) & (B)
29. When a partner is given Guarantee by the other partner, loss on such guarantee will be borne by –
 (A) Partnership firm.
 (B) All the other partners.
 (C) Partner who gave the guarantee.
 (D) Partner with highest profit sharing ratio.
30. The written agreement of partnership is most commonly referred to as: –
 (A) Partnership Agreement
 (B) Partnership Deed
 (C) Partnership Contract
 (D) Partnership Act
31. In partnership under fixed capital account method, recording the transactions relating to drawings, interest on capital, commission, salary, share of profit or loss are made in –
 (A) Partner's Capital Account
 (B) Partner's Current Account
 (C) Revaluation Account
 (D) Profit & Loss Adjustment Account
32. Guarantee given to a Partner A by the other Partners B & C means –
 (A) In case of loss A will contribute towards that loss.
 (B) In case of insufficient profits A will receive only the share of profit and not minimum guaranteed amount.
 (C) In case of loss or insufficient profits A will withdraw the minimum guaranteed amount.
 (D) All of the above.
33. In partnership under fluctuating capital account method, recording the transactions relating to drawings, interest on capital, commission, salary, share of profit or loss are made in –
 (A) Partner's Capital Account
 (B) Partner's Current Account
 (C) (A) or (B)
 (D) (A) & (B)
34. Which of the following entry will be passed for providing partner's salary?
- | | | |
|-----|--|-----|
| (A) | P & L Appropriation A/c
To Partners Salary A/c | Dr. |
| (B) | Partners Salary A/c
To Partners Capital A/c | Dr. |
| (C) | Partners Salary A/c
To Partners Current A/c | Dr. |
| (D) | Partners Current A/c
To P & L Appropriation A/c | Dr. |
35. What would be the profit sharing ratio if the partnership act is complied with?
 (A) As per agreement
 (B) Equal
 (C) Capital Ratio
 (D) None of the above.
36. If there is no partnership deed or if there is no provision in it indicating a contrary intention _____ has a right to take part in the conduct of the business of the firm and also the right of free access to all records, books and accounts of the firm.
 (A) Working partner

- (B) Every partner
(C) Sleeping partner
(D) Partner by estoppels
37. Would interest on loan be allowed in the absence of any agreement or when partnership deed is silent?
(A) No interest allowed.
(B) Allowed only if agreed by all the other partners.
(C) Will be paid only when there are sufficient profits.
(D) Allowed @ 6% p.a.
38. Salary of a partner is –
(A) Debited to Partners Capital A/c
(B) Credited to Profit & Loss Appropriation A/c
(C) Credited to Partner's Current A/c
(D) Credited to Revaluation A/c
39. If there is no partnership deed or if there is no provision in it indicating a contrary intention, partners share profits and losses –
(A) In their capital ratio
(B) In their opening capital ratio
(C) Equally
(D) In last agreed capital ratio
40. Profit & Loss Appropriation A/c is prepared –
(A) For Proprietorship firm.
(B) For partnership firm
(C) Both (A) & (B)
(D) None of the above
41. If there is no partnership deed or if there is no provision in it indicating a contrary intention and where a partner has advanced any loan to the firm and the agreement provides for interest, but does not specify any rate, the rate shall be –
(A) 10% p.a.
(B) 8% p.a.
(C) 6% p.a.
(D) 12% p.a.
42. Which of the following entry will be passed for recording interest on partner's drawings?
- | | | |
|-----|---|-----|
| (A) | P & L Appropriation A/c
To Interest on Drawing A/c | Dr. |
| (B) | Interest on Drawing A/c
To Revaluation A/c | Dr. |
- | | | |
|-----|---|-----|
| (C) | Profit & Loss A/c
To Interest on Drawing A/c | Dr. |
| (D) | Interest on Drawing A/c
To P & L Appropriation A/c | Dr. |
43. If there is no partnership deed or if there is no provision in it indicating a contrary intention, _____ is to be charged on drawings
(A) 6% p.a.
(B) No interest
(C) 12% p.a.
(D) 10% p.a.
44. Where will you record interest on drawings?
(A) Debit side of Profit & Loss Appropriation A/c.
(B) Credit side of Profit & Loss Appropriation A/c.
(C) Credit side of Profit & Loss A/c.
(D) Credit side of Capital or Current A/c only.
45. In absence of specific provisions in the partnership deed salary would be paid to the partners
(A) ₹ 10,000 p.m.
(B) ₹ 10,000 p.a.
(C) ₹ 20,000 p.a.
(D) No
46. Partners drawing appears on –
(A) Debit side of Profit & Loss Appropriation A/c
(B) Credit side of Partners Capital A/c
(C) Debit side of Partners Current A/c
(D) Credit side of Partners Current A/c
47. What balance does a Partner's Current Account has?
(A) Debit balance
(B) Credit balance
(C) Either (A) or (B)
(D) None of the above
48. Is rent paid to a partner is appropriation of profits?
(A) Yes
(B) No
(C) If partner's contribution as capital is maximum
(D) If partner is a working partner?

49. Interest on partners capital is chargeable –
- To the extent of available profit
 - Where there is loss
 - Fully chargeable even if profit is not sufficient
 - None of the above
50. How would you close the Partner's Drawings Account?
- By transfer to Capital or Current A/c debit side.
 - By transfer to Capital A/c credit side.
 - By transfer to Current A/c credit side.
 - Either (B) or (C)
51. Interest on drawing appears on –
- Debit side of Profit & Loss Appropriation A/c
 - Credit side of Partners Capital A/c
 - Debit side of Partners Current A/c
 - Credit side of Partners Current A/c
52. Partnership profit & loss sharing must be based on –
- Capital contributions
 - Partners may agree to any profit-and-loss-sharing method they desire
 - A stated fraction
 - Service to the partnership
53. When a partner draws a fixed sum at the beginning of each month, interest on total drawings will be equal to interest of _____ at an agreed rate.
- 2.5 months
 - 5.5 months
 - 6.5 months
 - 6 months
54. Following are the differences between Capital A/c & Current A/c except: –
- Capital Account is prepared under fixed capital method whereas current account is prepared under fluctuating capital method.
 - In capital account only capital introduced and withdrawn is recorded, all other transactions between the firm and partner is recorded in the current account.
 - Interest is sometimes paid on capital account balance but no such interest is payable on current account balances.
 - (B) and (C) above.
55. Interest on capital is –
- Charge against profit
 - Appropriation of profit
 - Contingent profit
 - None of the above
56. When a partner draws a fixed sum at the middle of each month, interest on total drawings will be equal to interest of _____ at an agreed rate.
- 2.5 months
 - 5.5 months
 - 6.5 months
 - 6 months
57. Following are the differences between partnership & joint venture except: –
- Joint venture is essentially planned for short term mainly for one contract. However, partnerships are normally undertaken as going concerns and are expected to last for a very long period.
 - The persons involved in a joint venture are called co-venturers whereas persons involved in a partnership are called partners.
 - Any specific statute of the Government does not govern joint ventures but the Indian Partnership Act, 1932, governs partnerships.
 - Memorandum of Understanding is mandatory to be drafted to spell the relationship between the co-venturers whereas the basic relationship between the partners is defined by the partnership deed.
58. Interest on capital is –
- Always chargeable even if there is loss
 - Chargeable even if profit is inadequate
 - Chargeable to the extent of available surplus
 - Chargeable to through partner's capital account in case of loss.
59. When a partner draws a fixed sum at the end of each month, interest on total drawings will be equal to interest of _____ at an agreed rate.
- 2.5 months
 - 5.5 months
 - 6.5 months
 - 6 months
60. Partners drawing appears on –
- Debit side of Profit & Loss Appropriation A/c
 - Credit side of Partners Capital A/c

- (C) Debit side of Partners Current A/c
- (D) Credit side of Partners Current A/c

61. Interest on partner's loan is –

- (A) Appropriation of profit
- (B) Charge against profit
- (C) Profit in suspense
- (D) Revenue for the firm

Practical MCQ

62. Z, a partner withdraws the following sums during the year ended 31st March 2015:

On 1st May 2014	₹ 1,000
On 1st August 2014	₹ 3,000
On 1st January 2015	₹ 2,000
On 1st March 2015	₹ 1,000

Calculate interest on his drawing @ 6% p.a.

- (A) ₹ 310
- (B) ₹ 210
- (C) ₹ 410
- (D) ₹ 510

63. B & M are partners sharing profits & losses in the ratio of 3:2 having the capital of ₹ 80,000 & ₹ 50,000. They are entitled to 9% p.a. interest on capital before distributing the profits. During the year firm earned ₹ 7,800 after allowing interest on capital. Profits apportioned among B & M is: –

- (A) ₹ 4,680 & ₹ 3,120
- (B) ₹ 4,800 & ₹ 3,000
- (C) ₹ 5,000 & ₹ 2,800
- (D) None of the above.

64. On 1st April 2010, A's capital account showed a balance of ₹ 1,75,000 while B's capital account showed a balance of ₹ 35,000. In 2010-2011 the firm earned a profit of ₹ 52,500 before adjustment for salary to B amounting to ₹ 10,500 for the year and interest on capital @ 7% per annum. On final distribution of profit in profit sharing ratio of 3:2 A and B will be get share of profit –

- (A) 10,920 & 16,380
- (B) 16,380 & 10,920
- (C) 28,630 & 23,870
- (D) 25,200 & 16,800

65. N, S & Z are partners. They withdraws fixed sum of ₹ 2,000 per month as follows.

N draws at the beginning of the each month, S withdraws at the middle of each month and Z

withdraws at the end of each month. Rate of interest on drawings is 8% p.a. Interest on drawing for 3 partner's respectively will be –

- (A) 87, 80 & 73
- (B) 1,040, 960 & 880
- (C) 880, 960 & 1,040
- (D) 867, 800 & 733

66. H & S are in partnership sharing profits in a 3:2 ratio. Net profit for the year ended 31-12-2015 was ₹ 12,000. Interest on capital was allocated as ₹ 400 to H and ₹ 250 to S. S received a partnership salary of ₹ 5,000. How much was H's share of profit?

- (A) ₹ 3,810
- (B) ₹ 2,540
- (C) ₹ 3,060
- (D) ₹ 4,950

67. N & Z are two partners. During the year N withdraws ₹ 37,000 on 1-5-2012 & Z withdraws ₹ 45,000 on 15-8-2012. Accounts are closed on 31-12-2012. Rate of interest on drawings is 10% p.a. Interest on drawing for two partner respectively will be –

- (A) 2,775 & 2,063
- (B) 2,063 & 2,775
- (C) 2,467 & 1,688
- (D) 1,688 & 2,467

68. R & S are partners with the capital of ₹ 25,000 and ₹ 15,000 respectively. Interest payable on capital is 10% p.a. Find the interest on capital for both the partners when the profits earned by the firm is ₹ 2,400.

- (A) ₹ 2,500 & ₹ 1,500
- (B) ₹ 1,500 & ₹ 900
- (C) ₹ 1,200 & ₹ 1,200
- (D) None of the above.

69. N, S & Z are partners. They withdraws fixed sum of ₹ 15,000 per quarter as follows.

N draws at the beginning of the each quarter, S withdraws at the middle of each quarter and Z withdraws at the end of each quarter. Rate of interest on drawings is 12% p.a. Interest on drawing for three partner respectively will be –

- (A) 11,700, 10,800 & 9,900
- (B) 975, 900 & 825
- (C) 2,700, 3,600 & 4,500
- (D) 4,500, 3,600 & 2,700

70. H & B are in a partnership. Their net profit for the year was ₹ 45,000. Interest on capital was

- ₹ 250 for H & ₹ 375 for B. H was also entitled to a salary of ₹ 5,000 p.a. If B is entitled to $\frac{2}{5}$ of any residual profits, then his share of the profits for the year would be: –
- (A) ₹ 15,750
(B) ₹ 26,625
(C) ₹ 17,750
(D) ₹ 23,625
71. S & G are partners sharing profits and losses in the ratio 4:1. M was manager who received the salary of ₹ 4,000 p.m. in addition to a commission of 5% on net profits after charging such commission. Profits for the year is ₹ 6,78,000 before charging salary. Find the total remuneration of M.
- (A) ₹ 78,000
(B) ₹ 88,000
(C) ₹ 87,000
(D) ₹ 76,000
72. X & Y are two partners with a capital of ₹ 60,000 & 40,000 respectively. They are allowed interest @ 10% p.a. on capital. Find the interest allowed to X and Y.
- (A) 2,000 & 3,000
(B) 4,000 & 6,000
(C) 3,000 & 2,000
(D) 6,000 & 4,000
73. X, Y & Z are partners in a firm. At the time of division of profit for the year there was dispute between the partners. Profits before interest on partner's capital was ₹ 6,000 and X wanted interest on capital @ 20% as his capital contributions was ₹ 1,00,000 as compared to that of Y and Z which was ₹ 75,000 and ₹ 50,000 respectively.
- (A) Profits of ₹ 6,000 will be distributed equally with no interest on either Capital.
(B) X will get the interest of ₹ 20,000 and the loss of ₹ 14,000 will be shared equally.
(C) All the partners will get interest on capital and the loss of ₹ 39,000 will be shared equally.
(D) None of the above.
74. X, Y & Z are partners. Z withdraws fixed some at the end of each month. Rate of interest on drawing is 8% p.a. Interest on drawing credited to Profit & Loss Appropriation A/c is ₹ 880. Calculate the monthly drawing of partner X.
- (A) ₹ 2,000 per month
(B) ₹ 2,200 per month
(C) ₹ 2,400 per month
(D) ₹ 2,500 per month
75. A has ₹ 30,000 capital in the beginning of the year and introduces ₹ 10,000 during the year. If rate of interest on capital is 20% p.a., interest on A's capital is –
- (A) 7,000
(B) 8,000
(C) 9,000
(D) 10,000
76. R & S are partners with the capital of ₹ 37,500 and ₹ 22,500 respectively. Interest payable on capital is 10% p.a. Find the interest on capital for both the partners when the profits earned by the firm is ₹ 3,600.
- (A) ₹ 3,750 and ₹ 2,250
(B) ₹ 1,800 and ₹ 1,800
(C) ₹ 2,250 and ₹ 1,350
(D) None of the above
77. X, Y & Z are partners. X withdraws fixed some at the beginning of each month. Rate of interest on drawing is 10% p.a. Interest on drawing credited to Profit & Loss Appropriation A/c is ₹ 650. Calculate the monthly drawing of partner X.
- (A) ₹ 1,550 per month
(B) ₹ 1,200 per month
(C) ₹ 1,000 per month
(D) ₹ 1,150 per month
78. X, Y & Z are partners in a firm. At the time of division of profit for the year there was dispute between the partners. Profits before interest on partner's capital was ₹ 6,000 and Y determined interest @ 24% p.a. on his loan of ₹ 80,000. There was no agreement on this point. Calculate the amount payable to X, Y and Z respectively.
- (A) ₹ 2,000 to each partner.
(B) Loss of ₹ 4,400 for X and Z & Y will take home ₹ 14,800.
(C) ₹ 400 for X, ₹ 5,200 for Y and ₹ 400 for Z.
(D) ₹ 2,400 to each partner.
79. X, Y and Z are partners in a firm. Profits before interest on partner's capital was ₹ 12,000. Y demanded interest @ 15% p.a. on his loan of ₹ 1,60,000. Partnership deed is silent on this point. Calculate the amount of interest payable to Y on his loan.
- (A) 24,000

- (B) 9,600
(C) 12,000
(D) 16,000

80. X, Y & Z are partners in a firm. At the time of division of profit for the year there was dispute between the partners. Profits before interest on partner's capital was ₹ 6,000 & Z demanded minimum profit of ₹ 5,000 as his financial position was not good. However, there was no written agreement. Profits to be distributed to X, Y and Z will be -

- (A) Other partners will pay Z the minimum profit and will suffer loss equally.
(B) Other partners will pay Z the minimum profit and will suffer loss in capital ratio.
(C) X & Y will take ₹ 500 each and Z will take ₹ 5,000.
(D) ₹ 2,000 to each of the partners.

81. X & Y are in partnership sharing profit & losses in 3:2 ratio. They provide the following information:

Particulars	X	Y
Capital A/c (1-1-2015)	50,000	40,000
Current A/c (1-1-2015)	Cr. 1,000	Dr. 1,000
Drawings	5,000	4,000
Salaries	6,000	4,000
Commission	-	5,000
Share of profit	12,000	8,000
Interest on capital	5,000	4,000
Interest on drawings	250	200

If partners capital accounts are maintained under fluctuating accounts method then closing balance of X & Y Capital A/c will be

- (A) ₹ 67,750 & 56,800
(B) ₹ 68,750 & 55,800
(C) ₹ 19,750 & 15,800
(D) ₹ 18,750 & 15,800
82. R & S are partners with the capital of ₹ 2,40,000 & ₹ 1,20,000. Interest payable on capital is 10% p.a. Profits before interest on partner's capital was ₹ 12,000. Calculate the interest on capital for both the partners.
- (A) 12,000 & 6,000
(B) 8,000 & 4,000
(C) 6,000 & 12,000
(D) 10,000 & 5,000
83. X, Y & Z are partners in a firm. Net profit was 40,000. X is entitled 50% of the 1st ₹ 20,000, Y to

40% and Z to 10%, over that amount profits are shared equally. Y's share of profit will be -

- (A) ₹ 13,333
(B) ₹ 11,333
(C) ₹ 14,667
(D) ₹ 7,337

84. According to the partnership deed of A & B, B is entitled to a salary of ₹ 500 per month. Profit sharing ratio is 5:3. During the year the firm earned a profit, before charging salary to B ₹ 25,000. Calculate share of profit of A & B.

- (A) 13,750 & 8,250
(B) 13,875 & 7,875
(C) 10,000 & 6,000
(D) 11,875 & 7,125

85. X, Y & Z are partners in a firm with capitals of ₹ 50,000; ₹ 30,000 & ₹ 20,000. Their drawings are: X - ₹ 10,000, Y - ₹ 5,000 & Z - ₹ 5,000.

All the drawings are made during middle of the year.

As per partnership deed:

- Interest on capital & drawing is charged at 5% & 10% respectively.
- Each partner is entitled salary of ₹ 2,000 p.a.
- Y is entitled to a commission @ 10% on net profit (after charging above provisions) and after charging his commission.
- 25% of net profit (after charging all the above provision) should be transferred to Reserve Fund.
- Profit for the year was ₹ 60,000.

Divisible profit after above adjustment will be -

- (A) ₹ 34,091
(B) ₹ 33,056
(C) ₹ 44,091
(D) ₹ 44,555

86. A & B start business on 1-1-2009, with capitals of ₹ 30,000 and ₹ 20,000. According to the partnership deed, B is entitled to a salary of ₹ 500 per month and interest is to be allowed on capitals at 6% p.a. Profit sharing ratio is 5:3. During the year the firm earned a profit, before charging salary to B and interest on capital amounting to ₹ 25,000. During the year A withdrew ₹ 8,000 and B withdrew ₹ 10,000 for domestic purposes. Closing balance of partners capital account for A = ? & B = ?

- (A) ₹ 33,800 & ₹ 23,200

- (B) ₹ 23,200 & ₹ 33,800
(C) ₹ 41,800 & ₹ 33,200
(D) ₹ 33,200 & ₹ 41,800
87. X, Y & Z commence a business in partnership. X puts in ₹ 20,000 for the whole year. Y introduced ₹ 30,000 and increases it ₹ 40,000 at the end of four months but withdraws ₹ 10,000 at the end of eight months. Z brings ₹ 50,000 at first, but withdraws ₹ 15,000 at the end of six months. Calculate the profit sharing ratio based on effective capital.
(A) 24:40:51
(B) 41:22:54
(C) 6:4:3
(D) 17:13:8
88. P & Q started business with capital of ₹ 70,000 and ₹ 42,000 on 1st January, 2012. Q is entitled to a salary of ₹ 560 p.m. Interest is allowed on capitals and is charged on drawings at 6% p.a. Profits are to be in ratio of 3:2. During the middle of the year, P withdrew ₹ 11,200 and Q withdrew ₹ 14,000. The profit for the year before appropriation came to ₹ 42,000. Calculate share of profit of A & B.
(A) 10,470 & 10,470
(B) 12,564 & 8,376
(C) 8,376 & 12,564
(D) 17,590 & 11,726
89. B & M are partners sharing profits and losses in the ratio of 3:2 having the capital of ₹ 40,000 and ₹ 25,000 respectively. They are entitled to 9% p.a. interest on capital before distributing the profits. During the year firm earned ₹ 3,900 after allowing interest on capital. Profits apportioned among B and M is
(A) ₹ 2,340 and ₹ 1,560
(B) ₹ 2,340 and ₹ 1,500
(C) ₹ 2,500 and ₹ 1,400
(D) None of the above
90. S & G are partners sharing profits & losses in the ratio 4:1. M was manager who received the salary of ₹ 1,000 p.m. in addition to a commission of 5% on net profits after charging such commission. Profits for the year is ₹ 1,69,500 before charging salary. Find the total remuneration of M.
(A) ₹ 19,500
(B) ₹ 22,000
(C) ₹ 21,750
(D) ₹ 19,000
91. X, Y & Z are partners sharing profits & losses in the ratio of 3:3:2. Each partner withdraws as follows:
X had withdrawn ₹ 15,000 on 15-6-2015. Y had withdrawn ₹ 8,500 on 1-5-2015 & 10,000 on 15.10.2015. Z had withdrawn ₹ 2,500 at the end of each month. Rate of interest on drawing is 9%. Accounting year ends on 31st December each year. Calculate the interest on drawings.
(A) 731.25, 697.5 & 1,237.5
(B) 675, 510 & 1,327.5
(C) 657, 679.5 & 1,237.5
(D) 567, 796.5 & 1,732.5
92. A, B & C had capitals of ₹ 50,000; ₹ 40,000 and ₹ 30,000 respectively for carrying on business in partnership. The firm's reported profit for the year was ₹ 80,000. Find out the share of profit of each partner after providing interest on an advance by A of ₹ 20,000.
(A) 26,267 to each partner
(B) 26,267 for two partner & 26,266 for one partner
(C) ₹ 30,000 each partner.
(D) ₹ 33,333 for A, ₹ 26,667 for B and ₹ 20,000 for C.
93. X, Y & Z are partners sharing profits and losses in the ratio of 4:3:2. During 2015, their capital, drawings & salaries were as follows:
- | Partners | Capital
(₹) | Salaries
(₹) | Drawings
(₹) |
|----------|-----------------|------------------|------------------|
| X | 2,40,000 | 12,000 | 12,000 |
| Y | 1,60,000 | 12,000 | 6,000 |
| Z | 1,00,000 | 12,000 | 3,000 |
- Partners are entitled to interest on capital @ 5% p.a. Interest on drawings to be charged @ 8% p.a. The net profit for the year ended 31-12-2015 was ₹ 1,45,000. On 1-7-2015 X made advance of ₹ 1,00,000 to the firm at 6% p.a. Y's share of profit after above appropriation will be
(A) ₹ 37,707
(B) ₹ 27,280
(C) ₹ 18,853
(D) ₹ 25,753
94. Rohit & Rahul are sharing profits and losses in the ratio of 3:2. The chief clerk of the firm, Rohan, is admitted as a partner with effect from 1-1-2014, and becomes entitled in 1/10th of the net profits, the mutual ratio between Rohit & Rahul remaining unaltered.

Before becoming a partner, Rohan was getting salary of ₹ 5,000 p.m. together with a commission of 4% on the net profits *after* deducting his salary and commission.

It is provided in the partnership deed that the share of Rohan profits as a partner in excess of the amount to which he would have been entitled if he had continued as the chief clerk, should be taken out of Rohit's share of profits.

Net profit for year ended 31-12-2014, amounts to be ₹ 11,00,000. Rohit's share of profit will be

- (A) ₹ 6,00,000
- (B) ₹ 4,00,000
- (C) ₹ 1,10,000
- (D) ₹ 5,00,000

95. A & B are sharing profits & losses in the ratio 3:2. In appreciation of the service of clerk C, who was in receipt of a salary of ₹ 2,400 p.a. and a commission of 5% on the net profit after charging such salary and commission, they took him into partnership as from 1st April 2013, giving him 1/8th share of profits. The agreement provided that any excess over his former remuneration to which C becomes entitled will be borne by A and B in the ratio of 2:3. The profit for the year ended 31-3-2014 amounted to ₹ 44,400. B's share of profit will be

- (A) ₹ 23,540
- (B) ₹ 16,000
- (C) ₹ 15,310
- (D) ₹ 4,400

96. P & S sharing profits & losses in the ratio of 7:3 respectively. As a mark of appreciation of the services of their manager Z, they admitted him into partnership on 1st April 2014 giving him 1/10th share of the future profits, the mutual ratio between P & S remaining unchanged. Before becoming a partner, Z was getting a salary of ₹ 4,000 per month and a commission of 5% on the net profits remaining after charging his salary and commission. It was agreed that any excess over his former remuneration to which Z as a partner becomes entitled will be provided out of P's share of profit. Net profit for the year ended 31-3-2015 amounted to ₹ 19,80,000. P's share of profit = ?

- (A) ₹ 12,88,000
- (B) ₹ 12,30,000
- (C) ₹ 12,83,000
- (D) ₹ 12,38,000

97. X, Y Ltd. & Z Ltd. are partners of X & Co. The partnership deed provided that:

- Mr. X is to be remunerated at 15% of the net profits after charging his remuneration, but before charging interest on capital and provision for taxation.
- Interest is to be provided on capital at 15% p.a.
- Balance profits after making provision for taxation, is to be shared in the ratio of 1:2:2.

During the year ended 31st March 2014:

- (i) The net profit before tax and before making any payment to partners amounted to ₹ 6,90,000.
- (ii) Interest on capitals at 15% p.a. amounted to: ₹ 60,000 for X, ₹ 1,50,000 for Y Ltd. & ₹ 1,80,000 for Z Ltd.
- (iii) Provision for tax is to be at 40% of "Total Income" of the firm. The total income has been computed at ₹ 1,95,000.

Y Ltd.'s share of profit will be -

- (A) ₹ 1,32,000
- (B) ₹ 52,800
- (C) ₹ 85,500
- (D) ₹ 1,12,800

98. P & Q are sharing profits & losses in the ratio of 5:4. On 1-4-2010 they admitted their Manager R into partnership for 1/5th the share of the profits. As Manager, R was receiving a salary of ₹ 60,000 per year and a commission of 5% on the net profit after charging such salary and commission. It is however, agreed that any excess over his former remuneration to which R becomes entitled as a partner is to be borne by P. The profits of the firm for the year ended 31-3-2011 amounted to ₹ 4,27,500. P's share of profit will be

- (A) ₹ 1,94,444
- (B) ₹ 77,500
- (C) ₹ 85,500
- (D) ₹ 1,86,444

99. G, S & C are partners entered into partnership on 1-1-2014 sharing profits and losses in the ratio of 2:2:1. G, however, personally guaranteed that C's share of profit, after charging interest on capital @ 5% p.a., would not be less than ₹ 8,000 in any year. The capitals were: A ₹ 50,000; B ₹ 30,000; & C ₹ 20,000. The profit for the year ended 31-12-2014 amounted to ₹ 35,000. G's share of profit will be

- (A) ₹ 12,000

- (B) ₹ 8,000
(C) ₹ 6,000
(D) ₹ 10,000
100. X & Y were in partnership sharing profits and losses in the ratio of 3:1. They took Z into partnership on a monthly salary of ₹ 800 and 10% of the profits after charging salary and such 10% profit or 1/5th share of profit, whichever is higher. Should the latter exceeds former, the excess is to be borne by X. The profit for the year ended amounted to ₹ 1,05,600. X's share of profit will be –
(A) ₹ 65,455
(B) ₹ 62,662
(C) ₹ 87,273
(D) ₹ 96,000
101. G invests the following into a new partnership: Building with a current market value of ₹ 8,00,000 originally acquired for ₹ 5,00,000, accumulated amortization ₹ 3,00,000, mortgage payable ₹ 4,00,000. Using the above information, the amount of Grant's initial investment is –
(A) ₹ 2,00,000
(B) ₹ 4,00,000
(C) ₹ (2,00,000)
(D) ₹ 8,00,000
102. A, B & C share profits on the basis of capital account balances of ₹ 15,000, ₹ 15,000 & ₹ 30,000. Partnership income is ₹ 1,00,000 for this accounting period. All of the following statements regarding the profit allocation are false except –
(A) Only ₹ 60,000 of the profits will be allocated; the remaining ₹ 40,000 is a bonus.
(B) B's capital account will be total ₹ 40,000 after the profit allocation.
(C) C will receive ₹ 50,000 in cash as a result of the profit sharing.
(D) A's capital account will be debited for ₹ 25,000.
103. On 1-1-2015 balance in capital account of partner was ₹ 1,00,000. He introduced certain amount on 1-5-2015. As per partnership deed interest on capital is to be provided @ 12% p.a. If Profit & Loss Appropriation A/c is debited for ₹ 18,000 as interest on capital, how much amount was introduced by the partner on 1-5-2015?
(A) ₹ 18,000
(B) ₹ 60,000
(C) ₹ 75,000
(D) ₹ 1,00,000
104. On 1-1-2015 balance in capital account of partner was ₹ 5,00,000. He introduced ₹ 1,50,000 on 1-5-2015. He further introduced certain amount on 1.10.2015. As per partnership deed interest on capital is to be provided @ 8% p.a. If Profit & Loss Appropriation A/c is debited for ₹ 52,000 as interest on capital, how much amount was introduced by the partner on 1-10-2015?
(A) ₹ 52,000
(B) ₹ 1,50,000
(C) ₹ 2,00,000
(D) ₹ 1,02,000
105. X & Y are partners sharing profit & loss at the ratio of 1/3 & 2/3 respectively. Net income for this accounting period is ₹ 10,000, while salary of X = ₹ 2,000, interest on Y's drawings = ₹ 3,000 and interest on X's capital = ₹ 2,000. What is the X's share of profit or loss after the adjustment for partner's salary, interest on capital and interest on drawings?
(A) ₹ 3,000
(B) ₹ 6,000
(C) ₹ 9,000
(D) ₹ 2,000
106. In a partnership firm, in the beginning of the year, capital of on partner is ₹ 80,000. During the year, he introduced ₹ 7,000 as additional capital. In addition to this, he withdraws ₹ 2,000 in the middle of each month. The firm does not pay interest on capital but charges 6% interest on drawings. His share profit after interest on drawings is ₹ 20,000. At the end of the year, his capital in the firm would be –
(A) ₹ 83,000
(B) ₹ 1,05,000
(C) ₹ 82,280
(D) ₹ 1,09,000

Answers:

1.	(C)	2.	(D)	3.	(D)	4.	(B)	5.	(C)	6.	(A)	7.	(C)
8.	(C)	9.	(B)	10.	(D)	11.	(B)	12.	(A)	13.	(D)	14.	(D)
15.	(A)	16.	(B)	17.	(D)	18.	(D)	19.	(D)	20.	(C)	21.	(C)

22.	(C)	23.	(B)	24.	(A)	25.	(C)	26.	(A)	27.	(D)	28.	(D)
29.	(C)	30.	(B)	31.	(B)	32.	(C)	33.	(A)	34.	(A)	35.	(B)
36.	(B)	37.	(D)	38.	(C)	39.	(C)	40.	(B)	41.	(C)	42.	(D)
43.	(B)	44.	(B)	45.	(D)	46.	(C)	47.	(C)	48.	(B)	49.	(A)
50.	(A)	51.	(C)	52.	(B)	53.	(C)	54.	(A)	55.	(B)	56.	(D)
57.	(D)	58.	(C)	59.	(B)	60.	(C)	61.	(B)	62.	(B)	63.	(A)
64.	(B)	65.	(B)	66.	(A)	67.	(C)	68.	(B)	69.	(D)	70.	(A)
71.	(A)	72.	(D)	73.	(A)	74.	(A)	75.	(A)	76.	(C)	77.	(C)
78.	(C)	79.	(B)	80.	(D)	81.	(A)	82.	(B)	83.	(C)	84.	(D)
85.	(A)	86.	(A)	87.	(A)	88.	(D)	89.	(A)	90.	(A)	91.	(A)
92.	(B)	93.	(B)	94.	(D)	95.	(C)	96.	(B)	97.	(B)	98.	(D)
99.	(D)	100.	(B)	101.	(B)	102.	(B)	103.	(C)	104.	(C)	105.	(A)
106.	(C)												

Hints for important Practical MCQs

62.

$$1,000 \times 6\% \times \frac{11}{12} = 55$$

$$3,000 \times 6\% \times \frac{8}{12} = 120$$

$$2,000 \times 6\% \times \frac{3}{12} = 30$$

$$1,000 \times 6\% \times \frac{1}{12} = 5$$

 210

63.

$$7,800 \times 3/5 = 4,680$$

$$7,800 \times 2/5 = 3,120$$

64.

Dr.		Profit & Loss Appropriation A/c		Cr.
To Partner salary			By Net profit	52,500
- B		10,500		
To Interest on capital				
- A (1,75,000 × 7%)		12,250		
- B (35,000 × 7%)		2,450		
To Share of profit				
- A	16,380			
- B	10,920	27,300		
		52,500		52,500

65.

Calculation of interest on drawings:

$$A = 2,000 \times 12 \times 8\% \times \frac{6.5}{12} = 1,040$$

$$B = 2,000 \times 12 \times 8\% \times \frac{6}{12} = 960$$

$$C = 2,000 \times 12 \times 8\% \times \frac{5.5}{12} = 880$$

66.

To Partner salary		By Net profit	12,000
- S	5,000		
To Interest on capital			
- H	400		
- S	250		
To Share of profit			
- H	3,810		
- S	2,540		
	<u>6,350</u>		
	12,000		<u>12,000</u>

67.

Calculation of interest on drawings:

$$N = 37,000 \times 10\% \times \frac{8}{12} = 2,467$$

$$S = 45,000 \times 10\% \times \frac{4.5}{12} = 1,688$$

68.

Calculation of interest on capital:

$$25,000 \times 10\% = 2,500$$

$$15,000 \times 10\% = \frac{1,500}{4,000}$$

Note: Interest payable to partner is ₹ 4,000 whereas profit is ₹ 2,400. Thus when profit is not sufficient to pay interest on capital, interest up to profit amount will be allowed in capital ratio (*not in profit sharing ratio*).

Dr.	Profit & Loss Appropriation A/c	Cr.
To Interest on capital		By Net profit
- R (2,400 × 25,000/40,000)	1,500	
- S (2,400 × 15,000/40,000)	900	
	<u>2,400</u>	<u>2,400</u>

69.

See the hints of 65 and solve accordingly.

71.

Particulars	₹
Net profit	6,78,000
Salary (4,000 × 12)	(48,000)
	<u>6,30,000</u>

Particulars	₹
Commission $\left[6,30,000 \times \frac{5}{105} \right]$	(30,000)
	6,00,000

Remuneration to M as manager = 48,000 + 30,000 = 78,000

74.

Let the monthly drawing be 'x'.

$$x \times 12 \times 8\% \times \frac{5.5}{12} = 880$$

$$x = 2,000$$

75.

30,000 × 20% =	6,000
10,000 × 20% × 6/12 =	1,000
	7,000

76.

Calculation of interest on capital:

$$37,500 \times 10\% = 3,750$$

$$22,500 \times 10\% = \frac{2,250}{6,000}$$

Note: Interest payable to partner is ₹ 6,000 whereas profit is ₹ 3,600. Thus when profit is not sufficient to pay interest on capital, interest up to profit will be allowed in capital ratio (*not in profit sharing ratio*).

Dr.	Profit & Loss Appropriation A/c	Cr.
To Interest on capital		By Net profit
- A (3,600 × 37,500/60,000)	2,250	
- B (3,600 × 22,500/60,000)	1,350	
	3,600	3,600

77.

Let the monthly drawing be 'x'.

$$x \times 12 \times 10\% \times \frac{6.5}{12} = 650$$

$$x = 1,000$$

78.

To Interest on loan to Y (80,000 × 6%)	4,800	By Net Profit	6,000
To Share of Profit			
- X	400		
- Y	400		
- Z	400	1,200	
	6,000		6,000

Amount payable to partners:

$$X = 400$$

$$Y = 4,800 + 400 = 5,200$$

$$Z = 400$$

81.

When partners capital account is maintained under fluctuating capital method, all adjustment are made to capital account.

Dr.		Partners Capital A/c		Cr.	
Particulars	X	Y	Particulars	X	Y
To Drawing	5,000	4,000	By Balance b/d	50,000	40,000
To Interest on drawing	250	200	By Partners salary	6,000	4,000
			By Partners Commission	-	5,000
			By P & L Appropriation	12,000	8,000
To Balance c/d	67,750	56,800	By Interest on capital	5,000	4,000
	73,000	61,000		73,000	61,000

83.

$$X: 10,000 + 6,667 = 16,667$$

$$Y: 8,000 + 6,667 = 14,667$$

$$Z: \frac{2,000}{20,000} + \frac{6,666}{20,000} = \frac{8,666}{40,000}$$

85.

To Interest on Capital		By Net Profit	60,000
- X (50,000 × 5%)	2,500	By Interest on Drawings	
- Y (30,000 × 5%)	1,500	- X (10,000 × 10% × 6/12)	500
- Z (20,000 × 5%)	1,000	- Y (5,000 × 10% × 6/12)	250
To Partners Salary		- Z (5,000 × 10% × 6/12)	250
- X	2,000		
- Y	2,000		
- Z	2,000		
To Y Capital A/c			
(50,000 × 10/110)	4,545		
To Reserve Fund			
(50,000 - 4,545) × 25%	11,364		
To Divisible Profit	34,091		
	61,000		61,000

86.

$$\text{Net profit} = 25,000 - 6,000 - 1,800 - 1,200 = 16,000$$

Dr.		Partners Capital A/c		Cr.	
Particulars	A	B	Particulars	A	B
To Drawing	8,000	10,000	By Balance b/d	30,000	20,000
			By Partners salary	-	6,000
			By Interest on Capital	1,800	1,200
To Balance c/d	33,800	23,200	By P & L Appropriation	10,000	6,000
	41,800	33,200		41,800	33,200

87.

Calculation of effective capital:

$$X = 20,000 \times 12 = 2,40,000$$

$$Y = (30,000 \times 4) + (40,000 \times 4) + (30,000 \times 4) = 4,00,000$$

$$Z = (50,000 \times 6) + (35,000 \times 6) = 5,10,000$$

$$2,40,000 : 4,00,000 : 5,10,000$$

$$24 : 40 : 51$$

90.

See the hint of 71 and solve accordingly.

91.

Calculation of interest on drawings:

$$X = 15,000 \times 9\% \times \frac{6.5}{12} = 731.25$$

$$Y = 8,500 \times 9\% \times \frac{8}{12} = 510$$

$$= 10,000 \times 9\% \times \frac{2.5}{12} = 187.5$$

$$\underline{\quad 697.5 \quad}$$

$$Z = 2,500 \times 12 \times 9\% \times \frac{5.5}{12} = 1,237.5$$

93.

To Interest on Capital		By Net Profit	1,45,000
- X (2,40,000 × 5%)	12,000	By Interest on Drawings	
- Y (1,60,000 × 5%)	8,000	- X (12,000 × 8% × 6/12)	480
- Z (1,00,000 × 5%)	5,000	- Y (6,000 × 8% × 6/12)	240
To Partners Salary		- Z (3,000 × 8% × 6/12)	120
- X	12,000		
- Y	12,000		
- Z	12,000		
To Interest on Advance	3,000		
(1,00,000 × 6% × 6/12)			
To Divisible Profit	81,840		
	<u>1,45,840</u>		<u>1,45,840</u>

Y share of profit = $81,840 \times \frac{3}{9} = 27,280$.

94.

Dr.	Profit & Loss Appropriation A/c	Cr.
To Partners Capital A/c:		By Net Profit
- Rohit (6,00,000 – 1,00,000)	5,00,000	11,00,000
- Rahul	4,00,000	
- Rohan (1,00,000 + 10,000)	1,10,000	
	<u>11,00,000</u>	<u>11,00,000</u>

Calculation of remuneration to Rohan as clerk:

Particulars	₹
Net profit	11,00,000
Salary (5,000 × 12)	(60,000)
	10,40,000
Commission $\left[10,40,000 \times \frac{4}{104}\right]$	(40,000)
	10,00,000

Remuneration to Rohan as clerk = 60,000 + 40,000 = 1,00,000

Calculation of share of profit to Rohit & Rahul:

Particulars	₹
Net profit	11,00,000
Less: Share of Rohan as clerk	(1,00,000)
	10,00,000

$$\text{Share of Rohit} = \left[10,00,000 \times \frac{3}{5}\right] = 6,00,000$$

Excess - Rohan getting as partner	(1,00,000)
	<u>5,00,000</u>

$$\left[10,00,000 \times \frac{2}{5}\right] = 4,00,000$$

95.

Dr.	Profit & Loss Appropriation A/c	Cr.
To Partners Capital A/c:	By Net Profit	44,400
- A (24,000 - 460)	23,540	
- B (16,000 - 690)	15,310	
- C (4,400 + 1,150)	5,550	
	<u>44,400</u>	<u>44,400</u>

Calculation of remuneration to C as clerk:

Particulars	₹
Net profit	44,400
Salary	(2,400)
	42,000
Commission $\left[42,000 \times \frac{5}{10}\right]$	(2,000)
	40,000

Remuneration to C as clerk = 2,400 + 2,000 = 4,400

Calculation of share of profit to A & B:

Particulars	₹
Net profit	44,400
Less: Share of C as clerk	(4,400)
	40,000

Share of A $\left[40,000 \times \frac{3}{5} \right] =$	24,000
Excess - C getting as partner $(1,150 \times 2/5)$	(460)
	23,540

Share of B $\left[40,000 \times \frac{2}{5} \right] =$	16,000
Excess - C getting as partner $(1,150 \times 3/5)$	(690)
	15,310

96.

Dr.	Profit & Loss Appropriation A/c	Cr.
To Partners Capital A/c:		By Net Profit
- P (12,88,000 – 58,000)	12,30,000	19,80,000
- S	5,52,000	
- Z (1,40,000 + 58,000)	1,98,000	
	19,80,000	19,80,000

Calculation of remuneration to Z as manager:

Particulars	₹
Net profit	19,80,000
Salary (4,000 x 12)	(48,000)
	19,32,000
Commission $\left[19,32,000 \times \frac{5}{105} \right]$	(92,000)
	18,40,000

Remuneration to Z as manager = 48,000 + 92,000 = 1,40,000

Calculation of share of profit to P & S:

Particulars	₹
Net profit	19,80,000
Less: Share of Z as manager	(1,40,000)
	18,40,000

$$\text{Share of P} = \left[18,40,000 \times \frac{7}{10} \right] = 12,88,000$$

$$\text{Excess - Z getting as partner} = \frac{(58,000)}{12,30,000}$$

$$\text{Share of S} = \left[18,40,000 \times \frac{3}{10} \right] = 5,52,000$$

97.

Dr.	Profit & Loss Appropriation A/c		Cr.
To Provision for tax (1,95,000 × 40%)	78,000	By P & L Adjustment A/c	6,90,000
To Remuneration to X (6,90,000 × 15/115)	90,000		
To Interest on capital			
- X	60,000		
- Y Ltd.	1,50,000		
- Z Ltd.	1,80,000		
To Partners Capital A/c:			
- X	26,400		
- Y Ltd.	52,800		
- Z Ltd.	52,800	1,32,000	
		6,90,000	6,90,000

100.

Dr.	Profit & Loss Appropriation A/c		Cr.
To Partners Capital A/c:		By Net Profit	1,05,600
- P (65,455 - 2,793)	62,662		
- S	21,818		
- Z (18,327 + 2,793)	21,120		
	1,05,600		1,05,600

Calculation of remuneration to Z:

Particulars	₹
Net profit	1,05,600
Salary (800 × 12)	(9,600)
	96,000
Commission $\left[96,000 \times \frac{10}{110} \right]$	(8,727)
	87,273

Remuneration to Z = 9,600 + 8,727 = 18,327

103.

Let the amount introduced be 'x'.

$$1,00,000 \times 12\% = 12,000$$

$$x \times 12\% \times \frac{8}{12} = 0.08x$$

$$\underline{18,000}$$

$$12,000 + 0.08x = 18,000$$

$$0.08x = 6,000$$

$$x = 75,000$$

PARTNERSHIP – ADMISSION OF PARTNER

MCQ on Theory

1. _____ may be described as the aggregate of those intangible attributes of a business which contribute to its superior earning capacity over a normal return on investment.
 - (A) Image of firm
 - (B) Goodwill
 - (C) Work quality
 - (D) None of the above
2. Goodwill brought in by incoming partner in cash for joining in a partnership firm is taken away by the old partners in their –
 - (A) Capital Ratio
 - (B) New Profit Sharing Ratio
 - (C) Sacrificing Ratio
 - (D) Old Profit Sharing Ratio
3. Which of the following factor generally contribute to the value of goodwill of a firm?
 - (A) Efficiency of management
 - (B) Risk involved in the business
 - (C) Location of the business
 - (D) All of above
4. Following are the factors affecting goodwill except: –
 - (A) Nature of business
 - (B) Efficiency of management
 - (C) Technical knowhow
 - (D) Location of the customers
5. Which of the following factor generally contribute to the value of goodwill of a firm?
 - (A) Quality of goods sold by the firm
 - (B) Reputation of the owners
 - (C) Risk involved in the business
 - (D) All of above
6. In which of the following case the need for the valuation of goodwill in a firm may arise?
 - (A) Admission of new partner
 - (B) While changing profit sharing ratio
 - (C) Retirement or death of partner
 - (D) All of above
7. Which of the following asset is compulsory to revalue at the time of admission of a new partner?
 - (A) Stock
 - (B) Fixed Assets
 - (C) Investment
 - (D) Goodwill
8. Which of the following formula is used to calculate goodwill under simple average profit method?
 - (A) $\text{Goodwill} = \text{Weighted average profit} \times \text{No. of year purchase}$
 - (B) $\text{Goodwill} = \text{Average profit} \times \text{No. of year purchase}$
 - (C) $\text{Goodwill} = \text{Super profit} \times \text{No. of years purchases}$
 - (D) $\text{Goodwill} = \text{Super profit} \times \text{Annuity factor}$
9. Under average profit basis goodwill is calculated by –
 - (A) No. of years purchased multiplied with average profits.
 - (B) No. of years purchased multiplied with super profits.
 - (C) Summation of the discounted value of expected future benefits.
 - (D) Super profit divided with expected rate of return.
10. Which of the following formula is used to calculate goodwill under super profit method?
 - (A) $\text{Goodwill} = \text{Weighted average profit} \times \text{No. of year purchase}$
 - (B) $\text{Goodwill} = \text{Average profit} \times \text{No. of year purchase}$
 - (C) $\text{Goodwill} = \text{Super profit} \times \text{No. of years purchases}$
 - (D) Any of the above

- | | Debit | Credit |
|-----|-----------------|-----------------|
| (A) | Asset A/c | Capital A/c |
| (B) | Asset A/c | Revaluation A/c |
| (C) | Revaluation A/c | Capital A/c |
| (D) | Revaluation A/c | Asset A/c |

18. Scarifying ratio is difference between ____ and ____

(A) Old ratio & New ratio
(B) Old ratio & Capital ratio
(C) New ratio & Capital ratio
(D) None of above

19. If goodwill is to be created and then immediately written off, the correct method of entering this in the accounts would be -

	Debit	Credit
(A)	Capital A/c (Old Ratio)	Current A/c (New Ratio)
(B)	Capital A/c (Old Ratio)	Capital A/c (New Ratio)
(C)	Current A/c (New Ratio)	Current A/c (Old Ratio)
(D)	Capital A/c (New Ratio)	Capital A/c (Old Ratio)

20. Reserves created out of profits or balance in Profit & Loss A/c at the time of admission of a new partner must be transferred to the capital accounts of the old partners in the

(A) New Profit Sharing Ratio
(B) Old Profit Sharing Ratio
(C) Scarifying Ratio
(D) Capital Ratio

21. Under super profit basis goodwill is calculated by:

(A) No. of years purchased multiplied with average profits.
(B) No. of years purchased multiplied with super profits.
(C) Summation of the discounted value of expected future benefits.
(D) Super profit divided with expected rate of return.

22. To revalue assets & liabilities on admission, retirement or death of partner _____ is opened.

(A) Goodwill A/c
(B) Suspense A/c
(C) Adjustment A/c
(D) Revaluation A/c

23. A & B are partner for 5:3. They take C and new profit sharing ratio will be 3:2:1. Profit or loss on revaluation is shared by
- A, B & C in 5:3:2
 - A & B in 3:2
 - A & B in 5:3
 - A & B in scarifying ratio
24. Profit or loss on revaluation is shared among the partners in ratio.
- Old profit sharing
 - New profit sharing
 - Capita
 - Equal
25. Sometimes, all the partners including the new partner may agree not to alter the book value of assets and liabilities even when they agree to revalue them. In order to record this, is opened.
- Revaluation A/c
 - Memorandum Revaluation A/c
 - Memorandum Goodwill A/c
 - Memorandum Suspense A/c
26. Under annuity basis goodwill is calculated by -
- No. of years purchased multiplied with average profits.
 - No. of years purchased multiplied with super profits.
 - Summation of the discounted value of expected future benefits.
 - Super profit divided with expected rate of return.
27. The amount that the incoming partner pays for goodwill is known as -
- Adjusted goodwill
 - Premium for capital
 - Premium for goodwill
 - Hidden goodwill
28. When required amount for premium for goodwill is brought in by new partner and this amount is immediately withdrawn by the old partner, then such premium for goodwill shared by old partner in -
- New profit sharing ratio
 - Old profit sharing ratio
 - Scarifying ratio
 - Capital ratio
29. When required amount for premium for goodwill is not brought in by new partner, goodwill account is raised in the books of the firm by debiting goodwill account and crediting partners capital account in -
- New profit sharing ratio
 - Old profit sharing ratio
 - Scarifying ratio
 - Capital ratio
30. When required amount for premium for goodwill is not brought in by new partner, goodwill account is raised in the books of the firm by debiting goodwill account and crediting partners capital account in old profit sharing ratio and written off in if it is agreed not show goodwill in the books of the firm OR ALTERNATIVELY premium for goodwill should be adjusted through partners' capital accounts by debiting new partners share of goodwill to his account and crediting old partners' capital accounts in
- New profit sharing ratio, Scarifying ratio
 - Old profit sharing ratio, Scarifying ratio
 - Scarifying ratio, New profit sharing ratio
 - Capital ratio, New profit sharing ratio
31. Sometime the value of goodwill has to be inferred from the agreement of capitals and profit sharing ratio among the partners, it known as
- Adjusted goodwill
 - Premium for capital
 - Premium for goodwill
 - Hidden goodwill
32. Guaranteed profit is generally given to -
- Incoming partner
 - Retiring partner
 - Sub-partner
 - All the three
33. When a partner is given guarantee by the other partner, loss on such guarantee will be borne by -
- All the other partners
 - Partnership firm
 - Partner with highest ratio
 - Partner giving guarantee
34. A & B are partner for 5:3. They take C and new profit sharing ratio was 4:3:1. Memorandum Revaluation A/c is opened to show assets and liabilities at original values. How profits will be shared?

- (A) In first part of Memorandum Revaluation A/c profit will be shared in the ratio of 4:3:1 by A, B & C respectively and in second part profit will be written back in the ratio of 5:3 by A & B respectively.
- (B) In first part of Memorandum Revaluation A/c profit will be shared in the ratio of 4:3:1 by A, B & C respectively and in second part profit will be written back in the sacrificing ratio.
- (C) In first part of Memorandum Revaluation A/c profit will be shared in the ratio of 5:3 by A & B respectively and in second part profit will be written back in the ratio of 4:3:1 by A, B & C respectively.
- (D) None of the above

Practical MCQ

35. The profits of last 5 years are ₹ 60,000; ₹ 67,500; ₹ 52,500; ₹ 75,000 & ₹ 60,000. Find the value of goodwill, if it is calculated on average profits of last 5 years on the basis of 3 years of purchase.
- (A) ₹ 63,750
(B) ₹ 1,91,250
(C) ₹ 1,89,000
(D) ₹ 2,13,750
36. The profits of last five years are ₹ 85,000; ₹ 90,000; ₹ 70,000; ₹ 1,00,000 and ₹ 80,000. Find the value of goodwill, if it is calculated on average profits of last five years on the basis of 3 years of purchase.
- (A) ₹ 85,000
(B) ₹ 2,55,000
(C) ₹ 2,75,000
(D) ₹ 2,85,000
37. On 1st April, 2011 on the admission of a new partner, it is agreed that goodwill of the firm is valued at 3 years purchase of average profits for the last 5 years. The profits for last 5 years have been as follows:
- | Year ended | Profit/(loss) |
|-----------------|---------------|
| 31st March 2011 | 16,110 |
| 31st March 2012 | 11,850 |
| 31st March 2013 | 8,145 |
| 31st March 2014 | (600) |
| 31st March 2015 | 12,750 |
- Value of goodwill will be -
- (A) ₹ 28,953
(B) ₹ 29,673
(C) ₹ 28,673
(D) ₹ 29,953
38. The profits of last three years are ₹ 42,000; ₹ 39,000 and ₹ 45,000. Find out goodwill of 2 years purchase.
- (A) ₹ 42,000
(B) ₹ 84,000
(C) ₹ 1,26,000
(D) ₹ 36,000
39. On 1st April, 2014 on the admission of a new partner, it is agreed that goodwill of the firm is valued at 2 years purchase of weighted average profits for the last 3 years. The profits for last 3 years have been as follows:
- | Year ended | Profits | Weight |
|-----------------|---------|--------|
| 31st March 2011 | 45,000 | 1 |
| 31st March 2012 | 52,500 | 2 |
| 31st March 2013 | 72,000 | 3 |
- Value of goodwill will be -
- (A) ₹ 1,22,000
(B) ₹ 2,22,000
(C) ₹ 1,22,222
(D) ₹ 1,20,000
40. Find the goodwill of the firm using capitalization method from the following information:
- Total Capital Employed ₹ 8,00,000
Reasonable Rate of Return 15%
Profits for the year ₹ 12,00,000
- (A) ₹ 82,00,000
(B) ₹ 12,00,000
(C) ₹ 72,00,000
(D) ₹ 42,00,000
41. Find the goodwill from the following information:
- Capital employed - ₹ 11,00,000
Rate of normal return - ₹ 10%
Future Maintainable profit - ₹ 2,00,000
No. of year purchases - 3 years
- (A) ₹ 6,00,000
(B) ₹ 2,70,000
(C) ₹ 9,00,000
(D) ₹ 3,70,000
42. The capital of B & D are ₹ 90,000 and ₹ 30,000 respectively with the profit sharing ratio 3:1. The new ratio is 5:3. The goodwill is valued ₹ 80,000

as on that date. Amount payable by a gaining partner to a sacrificing partner is -

- (A) B will pay to D ₹ 10,000.
 (B) D will pay to B ₹ 10,000.
 (C) B will pay to D ₹ 80,000.
 (D) D will pay to B ₹ 80,000.
43. Find the goodwill of the firm using capitalization method from the following information:
 Capital employed ₹ 4,80,000.
 Rate of normal return - 15%.
 Profits for the year ₹ 90,000
 (A) ₹ 4,20,000
 (B) ₹ 3,11,000
 (C) ₹ 1,20,000
 (D) ₹ 2,20,000
44. A, B & C are equal partners. D is admitted to the firm for 1/4th share. D brings ₹ 20,000 capital and ₹ 5,000 being half of the premium for goodwill. The value of goodwill of the firm is -
 (A) ₹ 10,000
 (B) ₹ 40,000
 (C) ₹ 20,000
 (D) None of the above.
45. Average profit of a firm is ₹ 1,20,000. The rate of capitalization is 12%. Assets and liabilities of the firm are ₹ 10,00,000 & ₹ 4,25,000 respectively. The value of goodwill of the firm is -
 (A) ₹ 3,25,000
 (B) ₹ 2,25,000
 (C) ₹ 5,25,000
 (D) ₹ 4,25,000
46. The profits for 2012-2013 is ₹ 2,000; for 2013-2014 is ₹ 26,100 and for 2014-2015 is ₹ 31,200. Closing stock for 2013-2014 and 2014-2015 includes the defective items of ₹ 2,200 and ₹ 6,200 respectively which were considered as having market value nil. Calculate goodwill on average profit method.
 (A) ₹ 23,700
 (B) ₹ 17,700
 (C) ₹ 13,700
 (D) ₹ 17,300
47. A firm of X, Y & Z has a total capital investment of ₹ 3,60,000. The firm earned net profit during the last four years as ₹ 56,000, ₹ 64,000, ₹ 96,000 and ₹ 80,000. The fair return on the net capital employed is 15%. Value of goodwill if it is based on 3 years purchase of the average super profits of past 4 years.
 (A) ₹ 37,500
 (B) ₹ 50,000
 (C) ₹ 60,000
 (D) ₹ 40,000
48. A & B are partners with capitals of ₹ 10,000 and ₹ 20,000 respectively and sharing profits equally. They admitted C as their third partner with 1/4th profits on the payment of ₹ 12,000. The amount of hidden goodwill is
 (A) 6,000
 (B) 10,000
 (C) 8,000
 (D) None of the above
49. Find the goodwill from the following information:
 Capital employed - ₹ 8,25,000
 Rate of normal return - ₹ 10%
 Future Maintainable profit - ₹ 1,50,000
 Annuity factor - ₹ 3.17
 (A) ₹ 4,75,500
 (B) ₹ 2,61,525
 (C) ₹ 3,13,975
 (D) ₹ 2,13,975
50. X & Y share profits & losses in the ratio of 2:1. They take Z as a partner and the new profit sharing ratio becomes 3:2:1. Z brings ₹ 4,500 as premium for goodwill. The full value of goodwill will be -
 (A) ₹ 4,500
 (B) ₹ 18,000
 (C) ₹ 27,000
 (D) ₹ 24,000
51. The net profits after tax of Z & Co. for the past 5 years are as follows:
- | Year | Profit |
|-----------|----------|
| 2007-2008 | 2,56,000 |
| 2008-2009 | 2,64,000 |
| 2009-2010 | 3,76,000 |
| 2010-2011 | 4,86,000 |
| 2011-2012 | 5,30,500 |
- The capital employed is ₹ 16,00,000. Rate of normal return is 15%. Calculate the value of the goodwill on the basis of annuity method on super-profits basis, taking the present value of an annuity of ₹ 1 for the 4 years at 15% as 2.855.
 (A) ₹ 7,65,000
 (B) ₹ 8,67,800

- (C) ₹ 5,70,000
(D) ₹ 4,06,838
52. The following particulars are available in respect of the business carried on by a partnership firm:
Trading Results:
2011 Loss ₹ 5,000
2012 Loss ₹ 10,000
2013 Profit ₹ 75,000
2014 Profit ₹ 60,000
You are required to compute the value of goodwill on the basis of 5 years purchase of average profit.
- (A) ₹ 1,25,000
(B) ₹ 1,50,000
(C) ₹ 10,000
(D) ₹ 1,20,000
53. The net profits after tax of NZ & Co. for the past 3 years are as follows:

Year	Profit
2010-2011	20,000
2011-2012	2,61,000
2012-2013	3,12,000

Closing stock for 2011-2012 and 2012-2013 includes the defective items of ₹ 22,000 and ₹ 62,000 respectively which were considered as having no market value. Calculate goodwill on average profit method.

- (A) ₹ 2,37,000
(B) ₹ 1,77,000
(C) ₹ 1,37,000
(D) ₹ 1,73,000
54. The profits and losses for the last years are:
2011-2012 Losses ₹ 10,000
2012-2013 Losses ₹ 2,500
2013-2014 Profits ₹ 98,000
2014-2015 Profits ₹ 76,000

The average capital employed in the business is ₹ 2,00,000. The rate of interest expected from capital invested is 12%. The remuneration of partners is estimated to be ₹ 1,000 per month not charged in the above losses/profits. Calculate the value of goodwill on the basis of two years purchase of super profits based on the average of 4 years.

- (A) ₹ 9,000
(B) ₹ 8,750

- (C) ₹ 8,500
(D) ₹ 8,250
55. From the following information calculate the value of goodwill.
The adjusted forecast maintainable profit is ₹ 40,000, Capital employed is ₹ 2,00,000, Normal rate of return is 15%, Capitalization rate is 20%.
- (A) ₹ 50,000
(B) ₹ 75,000
(C) ₹ 40,000
(D) ₹ 60,000
56. A, B & C are partners sharing profits and loss in the ratio 3:2:1. They decide to change their profit sharing ratio to 2:2:1. To give effect to this new profit sharing ratio they decide to value the goodwill at ₹ 30,000. Pass the necessary journal entry if Goodwill not appearing in the old balance sheet and should not appear in the new balance sheet.

(A)	B's Capital A/c	Dr.	2,000	
	C's Capital A/c	Dr.	1,000	
	To A's Capital A/c			3,000
(B)	Goodwill A/c	Dr.	30,000	
	To A's Capital A/c			15,000
	To B's Capital A/c			10,000
(C)	A's Capital A/c	Dr.	12,000	
	B's Capital A/c	Dr.	12,000	
	C's Capital A/c	Dr.	6,000	
(D)	To Goodwill A/c			30,000
	A's Capital A/c	Dr.	3,000	
	To B's Capital A/c			2,000
	To C's Capital A/c			1,000

57. The net profits of a business, after providing for income tax for the last 5 years were: ₹ 80,000, ₹ 1,00,000, ₹ 1,20,000, ₹ 1,25,000 and ₹ 2,00,000 respectively. The capital employed in the business is ₹ 10,00,000 and the normal rate of return is 10%. Calculate the value of the goodwill on the basis of the annuity method taking the present value of annuity of ₹ 1 for 5 years at 10% is 3.7907.
- (A) ₹ 84,768
(B) ₹ 95,768
(C) ₹ 94,768
(D) ₹ 60,000

58. A & B are partners sharing profits and losses in the ratio 5:3. On admission, C brings ₹ 70,000 cash and ₹ 48,000 against goodwill. New profit sharing ratio between A, B and C are 7:5:4. Find the sacrificing ratio for A:B.
- (A) 3:1
(B) 4:7
(C) 5:4
(D) 2:1
59. Capital employed by a partnership firm is ₹ 1,00,000. Its average profit is ₹ 20,000. Normal rate of return is 15%. Value of goodwill.
- (A) ₹ 33,333
(B) ₹ 30,000
(C) ₹ 23,333
(D) ₹ 43,667
60. Profits & losses for the last years are:
- | | |
|-----------|------------------|
| 2011-2012 | Losses ₹ 10,000 |
| 2012-2013 | Losses ₹ 2,500 |
| 2013-2014 | Profits ₹ 98,000 |
| 2014-2015 | Profits ₹ 76,000 |
- The average capital employed in the business is ₹ 2,00,000. The rate of interest expected from capital invested is 12%. The remuneration of partners is estimated to be ₹ 1,000 per month. Calculate the value of goodwill on the basis of four years purchase of super profits based on the annuity of the four years. Take discounting rate as 10%.
- (A) ₹ 13,500
(B) ₹ 13,568
(C) ₹ 13,668
(D) ₹ 13,868
61. The profits and losses for the last years are:
- | Year | Profit/(loss) |
|-----------|---------------|
| 2001-2002 | (20,000) |
| 2002-2003 | (5,000) |
| 2003-2004 | 1,96,000 |
| 2004-2005 | 1,52,000 |
- The average capital employed in the business is ₹ 4,00,000. The rate of interest expected from capital invested is 12%. The remuneration of partners is estimated to be ₹ 2,000 p.m. not charged in the above losses/profits. Calculate the value of goodwill on the basis of 2 years purchase of super profits based on the average of four years.
- (A) ₹ 18,000
(B) ₹ 17,500
(C) ₹ 17,000
(D) ₹ 16,500
62. P & Q are partners sharing Profits in the ratio of 2:1. R is admitted to the partnership with effect from 1st April on the term that he will bring ₹ 20,000 as his capital for 1/4th share and pays ₹ 9,000 for goodwill, half of which is to be withdrawn by P & Q. How much cash can P & Q withdraw from the firm?
- (A) 3,000 : 1,500
(B) 6,000 : 3,000
(C) NIL
(D) None of the above
63. H & M are partners in a firm sharing profits and losses in the ratio of 3:2. Their capitals are ₹ 90,000 and ₹ 60,000 respectively. They admit K as a new partner who will get 1/6th share in the profits of the firm. K brings in ₹ 37,500 as his capital. Calculate *hidden goodwill*?
- (A) ₹ 37,500
(B) ₹ 75,000
(C) ₹ 56,250
(D) ₹ 60,000
64. C was admitted in a firm with 1/4th share of the profits of the firm. C contributes ₹ 15,000 as his capital, A & B are other partners with the profit sharing ratio as 3:2. Find the required capital of A & B, if capital should be in profit sharing ratio taking C's as base capital:
- (A) ₹ 27,000 and ₹ 16,000 for A and B respectively.
(B) ₹ 27,000 and ₹ 18,000 for A and B respectively.
(C) ₹ 32,000 and ₹ 21,000 for A and B respectively.
(D) ₹ 31,000 and ₹ 26,000 for A and B respectively.
65. A & B are partner sharing profits and losses in the ratio of 3:2. C is coming as a new partner for 1/3rd share. Calculate new profit sharing ratio among A, B & C.
- (A) 6:4:5
(B) 5:4:6
(C) 3:2:3
(D) 2:3:3
66. X & Y are partners sharing profits in the ratio 5:3. They admitted Z for 1/5th share of profits, for which he paid ₹ 1,20,000 against capital and ₹ 60,000 against goodwill. Find the capital balances for each partner taking Z's capital as base capital.
- (A) 3,00,000, 1,20,000 & 1,20,000

- (B) 3,00,000, 1,20,000 & 1,80,000
 (C) 3,00,000, 1,80,000 & 1,20,000
 (D) 3,00,000, 1,80,000 & 1,80,000
67. H & M are partners in a firm sharing profits and losses in the ratio of 2:5. They admit K as a new partner who will get 1/6th share in the profits of the firm. Calculate new profit sharing ration among H, M & K.
 (A) 10:25:7
 (B) 7:25:10
 (C) 25:10:7
 (D) 10:7:25
68. A & B are partners sharing the profit in the ratio of 3:2. They take C as the new partner, who brings in ₹ 25,000 against capital and ₹ 10,000 against goodwill. New profit sharing ratio is 1:1:1. In what ratio will this amount will be shared among the old partners A & B.
 (A) ₹ 8,000: ₹ 2,000
 (B) ₹ 5,000: ₹ 5,000
 (C) Old partners will not get any share in the goodwill brought in by C
 (D) ₹ 6,000: ₹ 4,000.
69. R & S are in partnership sharing profit and losses at the ratio 3:2. They take T as a new partner. Calculate the new profit sharing ratio. If T purchases 1/10th share from R.
 (A) 27:18:5
 (B) 28:17:5
 (C) 5:4:1
 (D) 19:19:12
70. A & B are partners sharing the profit in the ratio of 3:2. They take C as the new partner, who is supposed to bring ₹ 25,000 against capital and ₹ 10,000 against goodwill. New profit sharing ratio is 1:1:1. C brought cash for his share of Capital and agreed to compensate to A and B outside the firm. How this will be treated in the books of the firm?
 (A) Cash brought in by C will only be credited to his capital account.
 (B) Goodwill will be raised to full value in old ratio.
 (C) Goodwill will be raised to full value in new ratio.
 (D) Cash brought by C will be credited to his account and debited with his share of goodwill, which will be debited to A and B's account in sacrificing ratio.
71. R & S are in partnership sharing profit and losses at the ratio 3:2. They take T as a new partner. Calculate the new profit sharing ratio. If R & S agree to sacrifice 1/10th share to T in the ratio of 2:3.
 (A) 27:18:5
 (B) 28:17:5
 (C) 5:4:1
 (D) 19:19:12
72. A & B are partners of a partnership firm sharing profits in the ratio of 5:3 respectively. C was admitted on the following terms: C would pay ₹ 50,000 as capital and ₹ 16,000 as Goodwill, for 1/5th share of profit. Machinery would be appreciated by 10% (book value ₹ 80,000) and building would be depreciated by 20% (₹ 2,00,000). Unrecorded debtors of ₹ 1,250 would be brought into books now and a creditors amounting to ₹ 2,750 died and need not to pay anything to its estate. Distribution of profit/loss on revaluation between A, B & C = ?
 (A) Loss - ₹ 17,500: ₹ 10,500:0.
 (B) Loss - ₹ 14,000: ₹ 8,400: ₹ 5,600.
 (C) Profits - ₹ 17,500: ₹ 10,500:0.
 (D) Profits - ₹ 14,000: ₹ 8,400: ₹ 5,600.
73. R & S are in partnership sharing profit and losses at the ratio 3:2. They take T as a new partner. Calculate the new profit sharing ratio. If T simply gets 1/10th share of profit.
 (A) 27:18:5
 (B) 28:17:5
 (C) 5:4:1
 (D) 19:19:12
74. A & B are partners of a partnership firm sharing profits in the ratio of 5:3 with capital of ₹ 2,50,000 & ₹ 2,00,000. C was admitted on the following terms: C would pay ₹ 50,000 as capital and ₹ 16,000 as Goodwill, for 1/5th share of profit. Find the balance of capital accounts after admission of C.
 (A) 2,60,000 : 2,06,000 : 50,000
 (B) 2,20,000 : 1,82,000 : 66,000
 (C) 2,92,500 : 2,25,500 : 50,000
 (D) 2,82,500 : 2,19,500 : 66,000
75. A & B are equal partners. They admit C and D as partners with 1/5th and 1/6th share respectively. What is the profit sharing ratio of all the partners?
 (A) 27:18:5:6
 (B) 28:17:5:6

- (C) 5:4:5:6
(D) 19:19:12:10
76. N & Z are partners sharing profits and losses in the ratio 5:3. They admitted S and agreed to give him $\frac{3}{10}$ th of the profit. What is the new ratio after S's admission?
(A) 34:20:12
(B) 49:22:29
(C) 35:21:24
(D) 35:42:17
77. A & B shares profit & losses equally. They admit C as an equal partner and assets were revalued as follow: Goodwill at ₹ 30,000 (book value NIL). Stock at ₹ 20,000 (book value ₹ 12,000); Machinery at ₹ 60,000 (book value ₹ 55,000). C is to bring in ₹ 20,000 as his capital and the necessary cash towards his share of Goodwill. Goodwill Account will not be shown in the books. Find the profit/loss on revaluation to be shared among A, B & C.
(A) 21,500 : 21,500 : 0
(B) 6,500 : 6,500 : 0
(C) 14,333 : 14,333 : 14,333
(D) 4,333 : 4,333 : 4,333
78. A & B are partners sharing profits in the ratio 5:3, they admitted C giving him $\frac{3}{10}$ th share of profit. If C acquires $\frac{1}{5}$ from A and $\frac{1}{10}$ from B, new profit sharing ratio will be:
(A) 5:6:3
(B) 2:4:6
(C) 18:24:38
(D) 17:11:12
79. A & B shares profit & losses equally. They admit C as an equal partner and goodwill was valued as ₹ 30,000 (book value NIL). C is to bring in ₹ 20,000 as his capital and the necessary cash towards his share of Goodwill. Goodwill Account will not remain in the books. What will be the final effect of goodwill in the partner's capital account?
(A) A & B's account credited with ₹ 5,000 each.
(B) All partners' account credited with ₹ 10,000 each.
(C) Only C's account credited with ₹ 10,000 as cash bought in for goodwill.
(D) Final effect will be nil in each partner.
80. A, B & C are partners sharing profits and losses in the ratio 6:3:3, they agreed to take D into partnership for $\frac{1}{8}$ th share of profits. Find the new profit sharing ratio.
(A) 12:27:36:42
(B) 14:7:7:4
(C) 1:2:3:4
(D) 7:5:3:1
81. Ram & Rahim partners sharing profits and losses in the ratio of their effective capital. They had ₹ 2,00,000 and ₹ 1,20,000 respectively in their capital accounts as on 1st January, 2012. Ram introduced a further capital of ₹ 20,000 on 1st April, 2012 and another ₹ 10,000 on 1st July, 2012. On 30th September, 2012 Ram withdrew ₹ 80,000. On 1st July, 2012, Rahim introduced further capital of ₹ 60,000. Calculate the profit sharing ratio of Ram & Rahim.
(A) 4:3
(B) 3:4
(C) 2:3
(D) 3:2
82. A & B having share capital of ₹ 10,000 each, share profits and losses equally. They admit C as an equal partner and goodwill was valued as ₹ 30,000 (book value NIL). C is to bring in ₹ 20,000 as his capital and the necessary cash towards his share of Goodwill. Goodwill Account will not be shown in the books. If profit on revaluation is ₹ 13,000, find the closing balance of the capital account.
(A) 21,500 : 21,500 : 20,000
(B) 31,500 : 31,500 : 30,000
(C) 26,500 : 26,500 : 30,000
(D) 20,000 : 20,000 : 20,000
83. A & B are partner sharing profits and losses in the ratio of 3:2. C is coming as a new partner for $\frac{1}{3}$ rd share. Calculate scarfifying ratio between A and B.
(A) 6:5
(B) 5:4
(C) 3:2
(D) 2:3
84. P & Q are partners sharing Profits in the ratio of 2:1. R is admitted to the partnership with effect from 1st April on the term that he will bring ₹ 20,000 as his capital for $\frac{1}{4}$ th share and pays ₹ 9,000 for goodwill, half of which is to be withdrawn by P and Q. If profit on revaluation is ₹ 6,000 and opening capital of P is ₹ 40,000 and of Q is ₹ 30,000, find the closing balance of each partners capital.
(A) 47,000 : 33,500 : 20,000
(B) 50,000 : 35,000 : 20,000

- (C) 40,000 : 30,000 : 20,000
(D) 41,000 : 30,500 : 29,000
85. A & B are partner sharing profits and losses in the ratio of 5:3. C is coming as a new partner for 1/6th share. Calculate sacrificing ratio between A & B.
(A) 6:5
(B) 5:3
(C) 3:2
(D) 2:3
86. A, B & C were equal partners with goodwill ₹ 1,20,000 in the balance sheet and they agreed to take D as an equal partner on the term that he should bring ₹ 1,60,000 as his capital and goodwill, his share of goodwill was evaluated at ₹ 60,000 and the goodwill account is to be written off before admission. What will be the treatment for goodwill?
(A) Write off the goodwill of ₹ 1,20,000 in old ratio.
(B) Cash brought in by D for goodwill will be distributed among old partners in sacrificing ratio.
(C) Both (A) & (B)
(D) None of the above
87. X & Y are partner sharing profits and losses in the ratio of 5:3. Z is coming as a new partner. New profit sharing ratio among X, Y & Z will be 3:2:1. Calculate sacrificing ratio between X and Y.
(A) 2:1
(B) 1:3
(C) 3:1
(D) 5:3
88. X & Y sharing profits in the ratio of 3:1. They admit Z as a partner who pays ₹ 4,000 as goodwill the new profit sharing ratio being 2:1:1 among X, Y & Z respectively. The amount of goodwill will be credited to -
(A) X & Y as ₹ 3,000 & ₹ 1,000 respectively.
(B) X only
(C) Y only
(D) None of the above
89. P & Q are partner for 11:7. Z is coming as a new partner. New profit sharing ratio among X, Y & Z is will be 11:9:5. Calculate sacrificing ratio between X & Y.
(A) 77:13
(B) 13:77
(C) 11:9
(D) 11:7
90. Y & W were in partnership sharing profit & losses equally. They admit S as a partner and decide to share profits equally. Goodwill is valued at ₹ 60,000 but is to be immediately written off. The effect of this on Ys' capital would be to -
(A) Increase it by ₹ 10,000
(B) Increase it by ₹ 30,000
(C) Decrease it by ₹ 20,000
(D) Decrease it by ₹ 10,000
91. N & D are in partnership sharing profits & losses equally. They agreed to take G as a partner. New profit sharing ratio of N, D & G becomes 4:2:3. Sacrificing ratio is -
(A) 1:1
(B) 1:5
(C) 5:1
(D) 4:2
92. V & T are in partnership. They took W as partners for equal share for which he brought the following:
- | Particulars | ₹ |
|-------------|--------|
| Cash | 5,000 |
| Bank | 8,000 |
| Plant | 20,000 |
| Stock | 12,000 |
| Creditors | 3,000 |
- On admission W's Capital A/c will be credited by -
(A) ₹ 13,000
(B) ₹ 45,000
(C) ₹ 32,000
(D) ₹ 42,000
93. A & B are partners sharing profit & losses in the ration of 3:2. They take C as a partner for 1/4th share. Calculate future profit sharing ratio.
(A) 3:2:4
(B) 9:6:4
(C) 9:6:5
(D) 6:4:4
94. A & B are equal partners. They take C as a third partner for 1/3rd profit. Sacrificing ratio is -
(A) 1:1
(B) 1:5

(C) 5:1

(D) 4:2

95. A & B are partners and decided to take C, the manager as partner on and from 1.1.2015.

C's share of profit after following adjustment was ₹ 8,620.

- Interest on capital @ 5% p.a. capital of each partner is ₹ 30,000.
- C is credited with salary of ₹ 500 p.m., ₹ 200 of which was debited to A; ₹ 100 to B and ₹ 200 to the firm.
- Divisible profits have been divided in the ratio of 5:3:2.

Net profit before above appropriation will be -

- (A) ₹ 53,600
- (B) ₹ 50,000
- (C) ₹ 55,600
- (D) ₹ 50,600

96. N & Z are in partnership sharing profits & losses in the ration of 7:5. They take S into partnership. S is to get 1/6th share which he gets 1/24th from N & 1/8th from Z. Sacrificing ratio = ?

- (A) 13:7
- (B) 7:4
- (C) 1:3
- (D) 7:3

97. A, B & C are equal partners. They decided to take D as a partner. The new profit sharing ratio is 3:3:2:2. Sacrificing ratio is -

- (A) 1:1:4
- (B) 1:5:4
- (C) 5:1:4
- (D) 4:2:4

98. N & Z are in partnership sharing profits & losses in the ration of 4:1. They take S into partnership. S is to get 1/3rd share. N & Z agrees to share future profits & losses equally. Which of the following statement is incorrect?

- (A) N sacrifices 7/15th from his share.
- (B) Z gains 2/15.
- (C) New ratio will be 1:1:1
- (D) None of the above

99. A & B are sharing profits & losses in the ratio of 3:2. C is coming as a new partner who pays ₹ 25,000 as premium for goodwill. The profit sharing ration among A, B & C is equal. If premium money is retained in business which of

the following journal entry is correct for sharing premium for goodwill?

(A)	A Capital A/c Dr.	20,000	
	B Capital A/c Dr.	5,000	
	To Premium for Goodwill A/c		25,000
(B)	Premium for Goodwill A/c Dr.	25,000	
	To A Capital A/c		5,000
	To B Capital A/c		20,000
(C)	Premium for Goodwill A/c Dr.	25,000	
	To A Capital A/c		20,000
	To B Capital A/c		5,000
(D)	Premium for Goodwill A/c Dr.	25,000	
	To A Capital A/c		15,000
	To B Capital A/c		10,000

100. Capital accounts of partner A & B are ₹ 30,000 & ₹ 16,000. They admitted C on the following conditions.

- That C brings in ₹ 10,000 as his capital for 1/4th share in profits.
- That a goodwill account be raised in the books of the firm at ₹ 15,000.
- Profit on revaluation of assets & liabilities was ₹ 2,100.
- That the capital accounts of the partners be readjusted on the basis of their profit sharing ratio and any additional amount be debited or credited to their current accounts.
- General reserve appearing in balance sheet at the time of admission of C was ₹ 6,000.

To give effect to above current account of A & B will be

- (A) Debited by ₹ 25,400 & ₹ 13,700
- (B) Credited by ₹ 20,500 & ₹ 10,300
- (C) Credited by ₹ 26,550 & ₹ 12,550
- (D) Debited by ₹ 20,500 & ₹ 10,300

101. A & B are sharing profits and losses in the ratio of 3:2. C joins the firm for 1/3rd share and is to pay ₹ 20,000 as premium for goodwill but cannot pay anything. As between A & B, they decided to share profits and losses equally. Required journal entry

(A)	A Capital A/c Dr.	36,000	
	B Capital A/c Dr.	24,000	
	To Goodwill A/c		60,000
(B)	Goodwill A/c Dr.	60,000	
	To A Capital A/c		36,000
	To B Capital A/c		24,000

(C)	Goodwill A/c	Dr.	60,000	
	To A Capital A/c			30,000
	To B Capital A/c			30,000
(D)	Premium for Goodwill A/c	Dr.	60,000	
	To A Capital A/c			24,000
	To B Capital A/c			36,000

102. X & Y sharing profits & losses in the ratio of 5:3 respectively. They took Z for 1/5th share of profits. Z was to pay ₹ 50,000 as capital and ₹ 16,000 for his share of goodwill. Capital accounts of the old partner were to be adjusted in the new profit sharing ratio taking Z's capital as base. Capital of X, Y & Z will be

- (A) 1,00,000 : 67,500 : 50,000
 (B) 1,50,000 : 87,500 : 50,000
 (C) 1,25,000 : 75,000 : 50,000
 (D) 1,25,000 : 75,000 : 50,000

103. A & B are partners sharing profits and losses in the ratio of 3:2. C joins the firm for 1/3rd share, and is to pay ₹ 40,000 as premium for goodwill but cannot pay anything. As between A and B, they decided to share profits and losses equally. Goodwill already appearing in balance sheet is 1,00,000 Required journal entry -

(A)	A Capital A/c	Dr.	72,000	
	B Capital A/c	Dr.	48,000	
	To Goodwill A/c			1,20,000
(B)	Goodwill A/c	Dr.	1,20,000	
	To A Capital A/c			72,000
	To B Capital A/c			48,000
(C)	Goodwill A/c	Dr.	20,000	
	To A Capital A/c			12,000
	To B Capital A/c			8,000
(D)	Premium for Goodwill A/c	Dr.	20,000	
	To A Capital A/c			8,000
	To B Capital A/c			12,000

104. X & Y share profits & losses as 1:2. They agree to admit Z (who is also in business on his own) as a third partner.

At the time of admission of Z goodwill was appearing in balance sheet at ₹ 14,000 which was revalued at ₹ 18,000. Z brings the following assets into the partnership:

Goodwill - ₹ 6,000 Furniture - ₹ 2,800, Stock - ₹ 13,600.

After admission of Z, goodwill will appear at in the balance sheet.

- (A) ₹ 14,000
 (B) ₹ 18,000
 (C) ₹ 24,000
 (D) ₹ 26,000

105. N & Z are partners in a firm sharing profits and losses in the ratio of 3:2. S joins the firm for 1/3rd share, and is to pay ₹ 5,000 as premium for goodwill but cannot pay anything. As between N and Z, they decided to share profits and losses equally. It was agreed that goodwill has to be adjusted through partner's capital account. Required journal entry -

(A)	N Capital A/c	Dr.	4,000	
	Z Capital A/c	Dr.	1,000	
	To S Capital A/c			5,000
(B)	S Capital A/c	Dr.	5,000	
	To N Capital A/c			4,000
	To Z Capital A/c			1,000
(C)	S Capital A/c	Dr.	5,000	
	To N Capital A/c			1,000
	To Z Capital A/c			4,000
(D)	Premium for Goodwill A/c	Dr.	20,000	
	To N Capital A/c			8,000
	To Z Capital A/c			12,000

106. H & M are partners in a firm sharing profits and losses in the ratio of 3:2. Their capitals are ₹ 60,000 and ₹ 40,000 respectively. They admit K as a new partner who will get 1/6th share in the profits of the firm. K brings in ₹ 25,000 as his capital. It was agreed that goodwill has to be adjusted through partner's capital account. Required journal entry -

(A)	H Capital A/c	Dr.	10,000	
	M Capital A/c	Dr.	15,000	
	To K Capital A/c			25,000
(B)	K Capital A/c	Dr.	25,000	
	To H Capital A/c			15,000
	To M Capital A/c			10,000
(C)	K Capital A/c	Dr.	25,000	
	To H Capital A/c			10,000
	To M Capital A/c			15,000
(D)	Premium for Goodwill A/c	Dr.	25,000	
	To H Capital A/c			10,000
	To M Capital A/c			15,000

107. A & B are partners sharing profits & losses in the ratio of 3:2. C was admitted to the firm and to introduce a capital of ₹ 25,000. The new profit sharing ratio of A, B and C will be 3:2:1 respectively. C is unable to bring in cash for his share of goodwill, partners therefore, decide to raise goodwill account in the books of the firm. They further decide to calculate goodwill on the basis of C's share in the profits and the capital contribution made by him to the firm. Before admission of C capital account balance of A & B was ₹ 44,000 & ₹ 36,000 respectively. Total goodwill to be raised in the books of the firm = ?

- (A) ₹ 1,50,000
(B) ₹ 1,00,000
(C) ₹ 50,000
(D) ₹ 45,000

108. A, B & C are in partnership sharing profits and losses in the ratio 2:2:1. They want to admit D into partnership with 1/5 share. D brings in ₹ 30,000 as capital and ₹ 10,000 as premium for goodwill. If premium money is retained in business which of the following journal entry is correct for sharing premium for goodwill?

(A)	A Capital A/c	Dr.	4,000	
	B Capital A/c	Dr.	4,000	
	C Capital A/c	Dr.	2,000	
	To Premium for Goodwill A/c			10,000
(B)	Premium for Goodwill A/c	Dr.	10,000	
	To A Capital A/c			2,000
	To B Capital A/c			4,000
	To C Capital A/c			4,000
(C)	Premium for Goodwill A/c	Dr.	10,000	
	To A Capital A/c			4,000
	To B Capital A/c			4,000
	To C Capital A/c			2,000
(D)	Premium for Goodwill A/c	Dr.	10,000	
	To A Capital A/c			3,000
	To B Capital A/c			3,000
	To C Capital A/c			4,000

109. A & B are partners having capital of ₹ 29,000 & 15,000. Reserve shown in balance sheet was ₹ 10,000. C is admitted as a new partner introducing a capital of ₹ 21,000. New profit sharing ratio is 5:3:2. Profit on revaluation of assets & liabilities were ₹ 5,000. C is to bring premium for goodwill

in cash. Goodwill amount being calculated on the basis of C's share in the profits and capital contributed by him. Premium for goodwill to be brought in new partner C should be

- (A) ₹ 30,000
(B) ₹ 25,000
(C) ₹ 15,000
(D) ₹ 5,000

110. A & B are equal partners. They wanted to take C as a third partner and for this purpose goodwill was valued at ₹ 1,20,000. The journal entry for adjustment of value of goodwill through partners' capital accounts will be -

(A)	A Capital A/c	Dr.	20,000	
	B Capital A/c	Dr.	20,000	
	To C Capital A/c			40,000
(B)	C Capital A/c	Dr.	40,000	
	To A Capital A/c			20,000
	To B Capital A/c			20,000
(C)	C Capital A/c	Dr.	40,000	
	To A Capital A/c			15,000
	To B Capital A/c			25,000
(D)	Premium for Goodwill A/c	Dr.	40,000	
	To A Capital A/c			20,000
	To B Capital A/c			20,000

111. A, B & C are equal partners. They decided to take D who brought in ₹ 36,000 as goodwill. The new profit sharing ratio is 3:3:2:2. The journal entry for goodwill will be -

(A)	A Capital A/c	Dr.	6,000	
	B Capital A/c	Dr.	6,000	
	C Capital A/c	Dr.	24,000	
	To D Capital A/c			36,000
(B)	Cash A/c	Dr.	36,000	
	To A Capital A/c			6,000
	To B Capital A/c			6,000
	To C Capital A/c			24,000
(C)	Cash A/c	Dr.	36,000	
	To A Capital A/c			24,000
	To B Capital A/c			6,000
	To C Capital A/c			6,000
(D)	Goodwill A/c	Dr.	36,000	
	To A Capital A/c			12,000
	To B Capital A/c			12,000
	To C Capital A/c			12,000

- 112.** A & B are partners sharing profits & losses in the ratio of 2:1.

A new partner H was admitted into the partnership on the following terms:

- That H brings in cash ₹ 60,000 as goodwill for his 1/3rd share in future profits.
- That H brings such an amount that his capital will be 1/3rd of total capital of the new firm.
- That the capital accounts of the partners be readjusted on the basis of their profit sharing ratio through their current accounts.

Position of capital accounts of partners are as follows:

Particulars	A	B
Opening Balance	2,82,000	2,40,000
General Reserve	28,000	14,000
Premium For Goodwill	40,000	20,000
Revaluation Loss	(16,000)	(8,000)
	3,34,000	2,66,000

What are closing balances of partners capital accounts?

- (A) 4,00,000 : 2,00,000 : 3,00,000
 (B) 4,00,000 : 3,00,000 : 2,00,000
 (C) 5,00,000 : 3,00,000 : 2,00,000
 (D) 4,50,000 : 2,50,000 : 1,50,000
- 113.** A & B were partners sharing profits & losses in the ratio of 3:1. C was admitted to the firm on the following terms:

C would provide ₹ 1,00,000 as a capital and pay ₹ 20,000 as goodwill for his 1/3rd share in future profits. Goodwill account would not appear in the books. A, B & C would share profits equally. Which of the following journal is correct in relation to premium for goodwill ₹ 20,000 brought in by new partner?

(A)	Premium for Goodwill A/c	Dr.	20,000	
	B Capital A/c	Dr.	5,000	
	To A Capital A/c			25,000
(B)	Premium for Goodwill A/c	Dr.	20,000	
	To A Capital A/c			15,000
	To B Capital A/c			5,000
(C)	Premium for Goodwill A/c	Dr.	20,000	
	To A Capital A/c			10,000
	To B Capital A/c			10,000

(D)	Premium for Goodwill A/c	Dr.	20,000	
	A Capital A/c	Dr.	5,000	
	To B Capital A/c			25,000

- 114.** A, B & C are equal partners. D is admitted to the firm for one-fourth share. D brings ₹ 20,000 capital and ₹ 5,000 being half of the premium for goodwill. The value of goodwill of the firm is -

- (A) 20,000
 (B) 40,000
 (C) 10,000
 (D) None of above

- 115.** A & B are partners with capitals of ₹ 14,000 and ₹ 28,000 respectively and sharing profits equally. They admitted C as their third partner with 1/4 profits of the firm on the payment of ₹ 16,800. The amount of hidden goodwill is -

- (A) 8,400
 (B) 14,000
 (C) 11,200
 (D) None of the above.

- 116.** X & Y share profits & losses in the ratio of 2:1. They take Z as a partner and the new profit sharing ratio becomes 3:2:1. Z brings ₹ 4,500 as premium for goodwill. The full value of goodwill will be -

- (A) 24,000
 (B) 27,000
 (C) 18,000
 (D) 4,500

- 117.** A & B are partners sharing the profit in the ratio of 3:2. They take C as the new partner, who is supposed to bring ₹ 25,000 against capital and ₹ 10,000 against goodwill. New profit sharing ratio is 1:1:1. C is able to bring ₹ 30,000 only. How this will be treated in the books of the firm?

- (A) A & B will share goodwill brought by C as ₹ 4,000: ₹ 1,000.
 (B) Goodwill not brought, will be adjusted to the extent of ₹ 15,000 in old profit sharing ratio.
 (C) Both (A) & (B)
 (D) None of above

- 118.** A & B shares profit and losses equally. They admit C as an equal partner and assets were revalued as follow: Stock at ₹ 20,000 (book value ₹ 12,000); Machinery at ₹ 60,000 (book value ₹ 55,000). Find profit/loss on revaluation to be shared among A & B.

- (A) Profit 6,500 & 6,500
 (B) Profit 4,000 & 4,000
 (C) Profit 2,500 & 2,500
 (D) None of above

119. Following is the balance sheet of firm:

ASSETS	₹
Cash	20,000
Other Assets	1,80,000
	2,00,000
Liabilities	₹
Akbar Capital (40%)	37,000
Birbal Capital (40%)	65,000
Tansen Capital (20%)	48,000
Other Liabilities	50,000
	2,00,000

If assets are fairly valued in this balance sheet and partners wishes to admit Jodha as a partner for 1/6th share, how much Jodha should contribute as a capital?

- (A) ₹ 40,000
 (B) ₹ 36,000
 (C) ₹ 33,333
 (D) ₹ 30,000
120. A & B shares profit and losses equally. They admit C as an equal partner and assets were revalued as follow: Stock at ₹ 10,000 (book value ₹ 12,000); Machinery at ₹ 50,000 (book value ₹ 55,000). Building would be appreciated by 10% (book value ₹ 15,000). Find the profit/loss on revaluation to be shared among A and B.
- (A) Profit 2,750 & 2,750
 (B) Loss 2,750 & 2,750
 (C) Profit 2,500 & 2,750
 (D) None of above
121. A & B are sharing profits in the ratio of 5:3. C was admitted on the following terms:
- New profit sharing ratio will be 7:5:3
- Machinery would be appreciated by 10% (book value ₹ 1,80,000)
- Building would be depreciated by 6% (book value ₹ 1,50,000)
- To create provision for bad debts 5% on Debtors of ₹ 40,000
- Find the distribution of profit/loss on revaluation between A & B.

- (A) Profit 4,083 & 2,917
 (B) Profit 2,625 & 4,375
 (C) Profit 2,917 & 4,083
 (D) Profit 4,375 & 2,625

122. X & Y are partners sharing profits in the ratio of 3:2. Z was admitted on the following terms:

New profit sharing ratio will be 5:3:2

Machinery would be depreciated by 8% (book value ₹ 1,80,000)

Building would be appreciated by 15% (book value ₹ 1,50,000)

To create provision for bad debts 5% on Debtors of ₹ 25,000

Unrecorded debtors of ₹ 1,250 would be brought into books

Creditors amounting to ₹ 2,750 died and need not to pay anything

Find the distribution of profit/loss on revaluation between X & Y.

- (A) Profit 3,210 & 2,140
 (B) Profit 6,510 & 4,340
 (C) Profit 1,710 & 1,140
 (D) Profit 1,140 & 1,710
123. P, Q & R are three partners sharing profit & loss in 5:3:2 ratio. P retires from the firm. Q & R decided to continue in new ratio 3:2. On the date of retirement stock, sundry debtors and provisions for bad debts stand in the books at ₹ 50,000, 45,000 & 4,500. The partners decided to revalue assets as under:
- Stock to be reduced to 90%, provisions for bad debts to be brought to 15%. Find the distribution of profit/loss on revaluation.
- (A) Loss to be shared by P, Q & R - ₹ 5,875, 3,525 & 2,350 respectively.
 (B) Loss to be shared by Q & R - ₹ 4,350 & 2,900 respectively.
 (C) Loss to be shared by P, Q & R - ₹ 3,625, 2,175 & 1,450 respectively.
 (D) Profit to be shared by P, Q & R - ₹ 5,875, 3,525 & 2,350 respectively.
124. C was admitted in a firm with 1/4th share of the profits of the firm. C contributes ₹ 37,500 as his capital, A and B are other partners with the profit sharing ratio as 3:2. Find the required capital of A and B, if capital should be in profit sharing ratio taking C's as base capital:
- (A) ₹ 67,500 and ₹ 40,000 for A and B respectively.

- (B) ₹ 67,500 and ₹ 45,000 for A and B respectively.
 (C) ₹ 80,000 and ₹ 52,500 for A and B respectively.
 (D) ₹ 77,500 and ₹ 65,000 for A and B respectively.
125. X & Y are partners sharing profits in the ratio of 5:3. They admitted Z for 1/5th share of profits, for which he paid ₹ 72,000 against capital and ₹ 36,000 against goodwill. Find the capital balances for each partner taking Z's capital as base capital.
 (A) ₹ 1,80,000, ₹ 72,000 and ₹ 72,000.
 (B) ₹ 1,80,000, ₹ 72,000 and ₹ 1,08,000.
 (C) ₹ 1,80,000, ₹ 1,08,000 and ₹ 72,000.
 (D) ₹ 1,80,000, ₹ 1,08,000 and ₹ 1,08,000.
126. A & B are partners sharing profits and losses in the ratio of 3:2 (A's Capital is ₹ 30,000 and B's Capital is ₹ 15,000). They admitted C and agreed to give 1/5th share of profits to him. How much C should bring in towards his capital?
 (A) ₹ 9,000
 (B) ₹ 12,000
 (C) ₹ 14,500
 (D) ₹ 11,250
127. Ramesh & Suresh are partners sharing profits and losses in the ratio of 2:1 respectively. Ramesh capital is ₹ 1,02,000 and Suresh capital is ₹ 73,000. They admit Mahesh and agree to give him 1/5th share in future profits. Mahesh bring ₹ 14,000 as share of goodwill. He agrees to contribute capital in the new profit sharing ratio. How much capital should be brought by Mahesh?
 (A) ₹ 43,750
 (B) ₹ 45,000
 (C) ₹ 47,250
 (D) ₹ 48,000
128. A & B are partners sharing profits & losses in the ratio of 7:3. They admit C as a new partner. A sacrificed 1/7th share of his profit and B sacrificed 1/3rd of his share in favour of C. The new profit sharing ratio will be -
 (A) 3:1:1
 (B) 2:1:1
 (C) 2:2:1
 (D) None of the above
129. M & N are partners sharing profits & losses in equal ratio. Their capital balance stood at ₹ 23,000 and ₹ 27,000 respectively. They wanted to grow their business and admitted P as working partner for 1/3rd share. P is to bring capital in the proportion of his share of profit and besides capital, he is to bring ₹ 9,000 as goodwill. What will be the amount of capital to be brought in by P?
 (A) ₹ 27,000
 (B) ₹ 23,000
 (C) ₹ 36,000
 (D) ₹ 29,500

Answers:

1.	(B)	2.	(C)	3.	(D)	4.	(D)	5.	(D)	6.	(D)	7.	(D)
8.	(B)	9.	(A)	10.	(C)	11.	(B)	12.	(A)	13.	(B)	14.	(D)
15.	(C)	16.	(C)	17.	(D)	18.	(A)	19.	(D)	20.	(B)	21.	(B)
22.	(D)	23.	(C)	24.	(A)	25.	(B)	26.	(C)	27.	(C)	28.	(C)
29.	(B)	30.	(A)	31.	(D)	32.	(A)	33.	(D)	34.	(C)	35.	(C)
36.	(B)	37.	(A)	38.	(B)	39.	(A)	40.	(C)	41.	(B)	42.	(B)
43.	(C)	44.	(B)	45.	(D)	46.	(B)	47.	(C)	48.	(A)	49.	(D)
50.	(C)	51.	(D)	52.	(B)	53.	(B)	54.	(B)	55.	(A)	56.	(A)
57.	(C)	58.	(A)	59.	(A)	60.	(D)	61.	(B)	62.	(A)	63.	(A)
64.	(B)	65.	(A)	66.	(C)	67.	(A)	68.	(A)	69.	(C)	70.	(A)
71.	(B)	72.	(A)	73.	(A)	74.	(A)	75.	(D)	76.	(C)	77.	(B)
78.	(D)	79.	(A)	80.	(B)	81.	(A)	82.	(A)	83.	(C)	84.	(A)
85.	(B)	86.	(C)	87.	(C)	88.	(B)	89.	(A)	90.	(A)	91.	(B)
92.	(D)	93.	(C)	94.	(A)	95.	(B)	96.	(C)	97.	(A)	98.	(D)
99.	(C)	100.	(C)	101.	(B)	102.	(D)	103.	(C)	104.	(C)	105.	(B)

106.	(B)	107.	(D)	108.	(C)	109.	(D)	110.	(B)	111.	(A)	112.	(A)
113.	(A)	114.	(B)	115.	(A)	116.	(B)	117.	(C)	118.	(A)	119.	(D)
120.	(B)	121.	(D)	122.	(B)	123.	(C)	124.	(B)	125.	(C)	126.	(D)
127.	(C)	128.	(A)	129.	(D)								

Hints for Important Practical MCQs

35.

$$\text{Average Profit} = \frac{60,000 + 67,500 + 52,500 + 75,000 + 60,000}{5} = 63,000$$

$$\begin{aligned}\text{Goodwill} &= \text{Average Profit} \times \text{No. of years purchases} \\ &= 63,000 \times 3 \\ &= 1,89,000\end{aligned}$$

37.

$$\text{Average Profit} = \frac{16,110 + 11,850 + 8,145 - 600 + 12,750}{5} = 9,651$$

$$\begin{aligned}\text{Goodwill} &= \text{Average Profit} \times \text{No. of years purchases} \\ &= 9,651 \times 3 \\ &= 28,953\end{aligned}$$

39.

Profit	Weight	Product
45,000	1	45,000
52,500	2	1,05,000
72,000	3	2,16,000
	6	3,66,000

$$\text{Weighted Average Profit} = \frac{3,66,000}{6} = 61,000$$

$$\begin{aligned}\text{Goodwill} &= \text{Weighted average profit} \times \text{No. of years purchases} \\ &= 61,000 \times 2 \\ &= 1,22,000\end{aligned}$$

41.

Future maintainable profit	2,00,000
Less: Normal return (11,00,000 × 10%)	(1,10,000)
Super profit	90,000

$$\begin{aligned}\text{Goodwill} &= \text{Super profit} \times \text{No. of years purchases} \\ &= 90,000 \times 3 \\ &= 2,70,000\end{aligned}$$

42.

Particulars	B	D
Goodwill raised in old ratio 3:1	60,000	20,000
Goodwill written off in new ratio 5:3	50,000	30,000
	10,000	(10,000)

Thus, D will pay ₹ 10,000 to B for change in profit sharing ratio.

$$\begin{aligned}
 43. \text{ Goodwill} &= \left[\frac{\text{Future maintainable profit}}{\text{Normal rate return}} \times 100 \right] - \text{Capital employed} \\
 &= \left[\frac{90,000}{15} \times 100 \right] - 4,80,000 \\
 &= 1,20,000
 \end{aligned}$$

44.

$$\text{Total goodwill} = 5,000 \times \frac{2}{1} \times \frac{4}{1} = 40,000$$

45. Assets - Liabilities = Capital employed

$$10,00,000 - 4,25,000 = 5,75,000$$

$$\begin{aligned}
 \text{Goodwill} &= \left[\frac{\text{Future maintainable profit}}{\text{Normal rate return}} \times 100 \right] - \text{Capital employed} \\
 &= \left[\frac{1,20,000}{12} \times 100 \right] - 5,75,000 \\
 &= 4,25,000
 \end{aligned}$$

46.

Particulars	2012-2013	2013-2014	2014-2015
Reported profits	2,000	26,100	31,200
Stock of defective items (2013-2014)	-	(2,200)	2,200
Stock of defective items (2014-2015)	-	-	6,200
Corrected profits	2,000	23,900	27,200

Note: Closing stock of one year is opening stock of next year. In next year it will be added.

$$\text{Average profit} = \frac{2,000 + 23,900 + 27,200}{3} = 17,700$$

Goodwill = Average profit (As number of year purchase is not given)

49.

Future maintainable profit	1,50,000
Less: Normal return (8,25,000 × 10%)	(82,500)
Super profit	67,500

$$\begin{aligned}
 \text{Goodwill} &= \text{Super profit} \times \text{Annuity Factor} \\
 &= 67,500 \times 3.17 \\
 &= 2,13,975
 \end{aligned}$$

51.

Future maintainable profit	3,82,500
Normal return (16,00,000 × 15%)	(2,40,000)
Super profit	1,42,500

$$\text{Goodwill} = 1,42,500 \times 2.855 = 4,06,838$$

52.

$$\text{Goodwill} = 30,000 \times 5 = 1,50,000$$

53.

Particulars	2010-2011	2011-2012	2012-2013
Reported profits	20,000	2,61,000	3,12,000
Stock of defective items (2011-2012)	-	(22,000)	22,000
Stock of defective items (2012-2013)	-	-	(62,000)
Corrected profits	20,000	2,39,000	2,72,000

Note: Closing stock of one year is opening stock of next year. In next year it will be added.

$$\text{Average profit} = \frac{20,000 + 2,39,000 + 2,72,000}{3} = 1,77,000$$

Goodwill = Average profit (As number of year purchase is not given)

56.

Particulars	A	B	C
Goodwill raised in old ratio 3:2:1	15,000	10,000	5,000
Goodwill written off in new ratio 2:2:1	12,000	12,000	6,000
	3,000	(2,000)	(1,000)

60.

Future maintainable profit	40,375
Remuneration of partners	(12,000)
Normal return (2,00,000 × 12%)	(24,000)
Super profit	4,375

$$\text{Goodwill} = 4,375 \times 3.1698 = 13,868$$

62.

₹ 4,500 will be withdrawn in sacrificing ratio.

63. Total capital on the basis of K's capital $37,500 \times \frac{6}{1} = 2,25,000$

Total capital on the basis of K's capital (37,500 × 6)	2,25,000
Less:	
H Capital	(90,000)
M Capital	(60,000)
K Capital	(37,500)
Hidden goodwill	37,500

64.

New profit sharing ratio = 9:6:5

	A	B	C
Ratio	9	6	5
Capital taking C's capital as base	27,000	18,000	15,000

65.

$$1 - \frac{1}{3} = \frac{2}{3}$$

$$A = \frac{2}{3} \times \frac{3}{5} = \frac{6}{15}$$

$$B = \frac{2}{3} \times \frac{2}{5} = \frac{4}{15}$$

$$\frac{6}{15} : \frac{4}{15} : \frac{1}{3}$$

(5)

$$6 : 4 : 5$$

66.

New profit sharing ratio = 9:6:5

	X	Y	Z
Ratio	20	12	8
Capital taking C's capital as base	3,00,000	1,80,000	1,20,000

67.

$$1 - \frac{1}{6} = \frac{5}{6}$$

$$H = \frac{5}{6} \times \frac{2}{7} = \frac{10}{42}$$

$$M = \frac{5}{6} \times \frac{5}{7} = \frac{25}{42}$$

$$\frac{10}{42} : \frac{25}{42} : \frac{1}{6}$$

$$10 : 25 : 7$$

69.

$$R = \frac{3}{5} - \frac{1}{10} = \frac{30-5}{50} = \frac{25}{50}$$

$$\frac{25}{50} : \frac{2}{5} : \frac{1}{10}$$

(10) (5)

$$25 : 20 : 5$$

$$5 : 4 : 1$$

71.

$$\frac{1}{10} \times \frac{2}{5} = \frac{2}{50}$$

$$\frac{1}{10} \times \frac{3}{5} = \frac{3}{50}$$

$$R = \frac{3}{5} - \frac{2}{50} = \frac{150-10}{250} = \frac{140}{250}$$

$$S = \frac{2}{5} - \frac{3}{50} = \frac{100-15}{250} = \frac{85}{250}$$

$$\frac{140}{250} : \frac{85}{250} : \frac{1}{10}$$

(25)

$$140 : 85 : 25$$

$$28 : 17 : 5$$

72.

Dr.	Revaluation A/c		Cr.
To Building	40,000	By Machinery	8,000
		By Debtors	1,250
		By Creditors	2,750
		By Share of profit	
		- A	17,500
		- B	10,500
	40,000		28,000
			40,000

73.

$$1 - \frac{1}{10} = \frac{9}{10}$$

$$R = \frac{9}{10} \times \frac{3}{5} = \frac{27}{50}$$

$$S = \frac{9}{10} \times \frac{2}{5} = \frac{18}{50}$$

$$\frac{27}{50} : \frac{18}{50} : \frac{1}{10}$$

(5)

$$27 : 18 : 5$$

74.

Particulars	A	B	C
Capital	2,50,000	2,00,000	50,000
Premium for goodwill in scarifying ratio 5:3	10,000	6,000	-
Capital after admission	2,60,000	2,06,000	50,000

75.

$$\frac{1}{5} + \frac{1}{6} = \frac{6+5}{30} = \frac{11}{30}$$

$$1 - \frac{11}{30} = \frac{19}{30}$$

$$A = \frac{19}{30} \times \frac{1}{2} = \frac{19}{60}$$

$$B = \frac{19}{30} \times \frac{1}{2} = \frac{19}{60}$$

$$\frac{19}{60} : \frac{19}{60} : \frac{1}{5} : \frac{1}{6}$$

(12) (10)

$$19 : 19 : 12 : 10$$

81.

Ram's effective capital:

1.1.2012 to 31.3.2012	$2,00,000 \times 3 =$	6,00,000
1.4.2012 to 30.6.2012	$2,20,000 \times 3 =$	6,60,000
1.7.2012 to 30.9.2012	$2,30,000 \times 3 =$	6,90,000
1.10.2012 to 31.12.2012	$1,50,000 \times 3 =$	4,50,000
		24,00,000

Rahim's effective capital:

1.1.2012 to 30.6.2012	$1,20,000 \times 6 =$	7,20,000
1.7.2012 to 31.12.2012	$1,80,000 \times 6 =$	10,80,000
		18,00,000

24,00,000 : 18,00,000

24 : 18

12 : 9

4 : 3

83. First we have to calculate new profit sharing ratio.

$$1 - \frac{1}{3} = \frac{2}{3}$$

$$A = \frac{2}{3} \times \frac{3}{5} = \frac{6}{15}$$

$$B = \frac{2}{3} \times \frac{2}{5} = \frac{4}{15}$$

$$\frac{6}{15} : \frac{4}{15} : \frac{1}{3}$$

(5)

$$6 : 4 : 5$$

Old Ratio - New Ratio = Sacrificing Ratio

$$A = \frac{3}{5} - \frac{6}{15} = \frac{45 - 30}{75} = \frac{15}{75}$$

$$B = \frac{2}{5} - \frac{4}{15} = \frac{30 - 20}{75} = \frac{10}{75}$$

$$15 : 10$$

$$3 : 2$$

95.

$$\text{Total profit on the basis of C's share} = 8,620 \times \frac{10}{2} = 43,100$$

Dr.	Profit & Loss Appropriation A/c		Cr.
To Interest on capital		By Net Profit	50,000
- A	1,500		
- B	1,500		
- C	1,500	4,500	
To C's Salary		2,400	
To Share of profit			
- A	21,550		
- B	12,930		
- C	8,620	43,100	
		50,000	50,000

112.

Particulars	A	B	
Balance	2,82,000	2,40,000	$3,34,000 + 2,66,000 = 6,00,000$
General reserve	28,000	14,000	For $\frac{2}{3}$ share A & B capital = 6,00,000
Premium For Goodwill	40,000	20,000	For $\frac{1}{3} = ?$
Revaluation loss	(16,000)	(8,000)	
	3,34,000	2,66,000	$6,00,000 \times \frac{3}{2} \times \frac{1}{3} = 3,00,000$

115.

Total capital on the basis of C's capital ($16,800 \times 4$)	67,200
Less:	
C Capital	(16,800)
A Capital	(14,000)
B Capital	(28,000)
Hidden goodwill	8,400

118.

Dr.	Revaluation A/c	Cr.
To Share of profit		By Stock 8,000
- A 6,500		By Machinery 5,000
- B 6,500	13,000	
	13,000	13,000

119.

Net capital employed = Total assets - other liabilities

 $2,00,000 - 50,000 = 1,50,000$ $1 - \frac{1}{6} = \frac{5}{6}$ For $\frac{5}{6}$ capital is 1,50,000For $\frac{1}{6} = ?$ $1,50,000 \times \frac{1}{6} \times \frac{6}{5} = 30,000$

120.

Dr.	Revaluation A/c	Cr.
To Stock 2,000		By Building 1,500
To Machinery 5,000		By Share of loss
		- A 2,750
		- B 2,750
	7,000	5,500
		7,000

122.

Dr.	Revaluation A/c	Cr.
To Machinery 14,400		By Building 22,500
To Provisions for bad debts 1,250		By Debtors 1,250
To Share of profit		By Creditors 2,750
- A 6,510		
- B 4,340	10,850	
	26,500	26,500

124.

Total capital on the basis of C's capital = $37,500 \times 4 = 1,50,000$

$$1,50,000 - 37,500 = 1,12,500$$

$$1,12,500 \times \frac{3}{5} = 67,500 \quad 1,12,500 \times \frac{2}{5} = 45,000$$

126. C is coming for $\frac{1}{5}$ share, hence A & B will share remaining $\frac{4}{5}$ share. Calculate total capital on the basis of $\frac{4}{5}$ share as follows:

$$45,000 \times \frac{5}{4} = 56,250; \quad 56,250 \times \frac{1}{5} = 11,250$$

129.

	M	N
Capital	23,000	27,000
Premium for goodwill in sacrificing ratio	4,500	4,500
Total capital after admission	27,500	31,500

$$27,500 + 31,500 = 59,000$$

$$1 - \frac{1}{3} = \frac{2}{3}$$

For $\frac{2}{3}$ capital is 59,000

For $\frac{1}{3} = ?$

$$59,000 \times \frac{1}{3} \times \frac{3}{2} = 29,500$$

PARTNERSHIP – RETIREMENT OF PARTNER

1. In which of the following case the need for the valuation of goodwill in a firm may arise?
 - (I) Admission of new partner
 - (II) While changing profit sharing ratio
 - (III) Retirement of partner
 - (IV) death of partner

Select the correct answer from the options given below -

 - (A) (I) & (III) only
 - (B) (I), (III) & (IV)
 - (C) (I), (II), & (III) only
 - (D) All (I) to (IV)
2. Retiring or outgoing partner -
 - (A) Is liable for firm's liabilities.
 - (B) Not liable for any liabilities of the firm.
 - (C) Is liable for obligations incurred before his retirement.
 - (D) Is liable for obligations incurred before and after his retirement.
3. A partner may retire -
 - (A) With the consent of all the partners
 - (B) In accordance with an express agreement by the partners
 - (C) Where the partnership is at will, by giving notice in writing to all the other partners of his intention to retire.
 - (D) Any of the above
4. Outgoing partner is compensated for parting with firm's future profits in favour of remaining partners. In what ratio do the remaining partners contribute to such compensation amount?
 - (A) Gaining Ratio
 - (B) Capital Ratio
 - (C) Sacrificing Ratio
 - (D) Profit Sharing Ratio
5. Gain Ratio = Minus
 - (A) Old Ratio, New Ratio
 - (B) Old Ratio, Capital Ratio
 - (C) New Ratio, Old Ratio
 - (D) None of above
6. The amount due to the retiring partner can be made by -
 - (A) Lump Sum Payment Method
 - (B) Instalment Payment Method
 - (C) (A) but not (B)
 - (D) (A) or (B)
7. At the time of retirement of partner reserve appearing in balance sheet is distributed to -
 - (A) All partners in their old ratio
 - (B) Continuing partner in their new ratio
 - (C) Continuing partner in their gain ratio
 - (D) All partners in their last agreed capital ratio
8. Before a partner retires, reserves created out of profits or balances in profit and loss account must be transferred to the capital accounts of all the partners in -
 - (A) New profit sharing ratio
 - (B) Old profit sharing ratio
 - (C) Scarifying ratio
 - (D) Gain ratio
9. Claim of the retiring partner is payable in the following form.
 - (A) Fully in cash.
 - (B) Fully transferred to loan account to be paid later with some interest on it.
 - (C) Partly in cash and partly as loan repayable later with agreed interest.
 - (D) Any of the above method.
10. Balance in revaluation account is transferred to old partners in -
 - (A) New profit sharing ratio
 - (B) Old profit sharing ratio
 - (C) Scarifying ratio
 - (D) Gain ratio

11. Joint Life Policy is taken by the firm on the life(s) of -
 (A) All the partners jointly
 (B) All the partners severally
 (C) On the life of all the partners and employees of the firm
 (D) Both (A) and (B)
12. Increase in liability at the time of retirement of partner is -
 (A) Debited to goodwill account
 (B) Debited to profit & loss account
 (C) Debited to revaluation account
 (D) Credited to revaluation account
13. At the time of retirement of a partner, firm gets from the insurance company against the Joint Life Policy taken jointly for all the partners.
 (A) Policy Amount
 (B) Surrender Value
 (C) Policy Value for the retiring partner and Surrender Value for the rest.
 (D) Surrender Value for all the partners.
14. Decrease in liability at the time of retirement of partner is -
 (A) Debited to Goodwill A/c
 (B) Debited to Profit & Loss A/c
 (C) Debited to Revaluation A/c
 (D) Credited to Revaluation A/c
15. Increase in assets at the time of retirement of partner is -
 (A) Debited to Goodwill A/c
 (B) Debited to Profit & Loss A/c
 (C) Debited to Revaluation A/c
 (D) Credited to Revaluation A/c
16. Decrease in assets at the time of retirement of partner is -
 (A) Debited to Goodwill A/c
 (B) Debited to Profit & Loss A/c
 (C) Debited to Revaluation A/c
 (D) Credited to Revaluation A/c
17. A, B & C partners sharing profits & losses in the ratio of 4:3:2. B decided to retire from the firm. Calculate the new profit sharing ratio of A & C if B gives his share to A & C in equal proportion.
 (A) 7:2
 (B) 25:11
 (C) 11:7
 (D) 2:1
18. A, B & C are partners sharing profits and losses in the ratio of 3:2:1. C retires on a decided date and Goodwill of the firm is to be valued at ₹ 60,000. Find the amount payable to retiring partner on account of goodwill.
 (A) ₹ 30,000
 (B) ₹ 20,000
 (C) ₹ 10,000
 (D) ₹ 60,000
19. A, B & C partners sharing profits losses in the ratio of 4:3:2. B decided to retire from the firm. Calculate the new profit sharing ratio of A & C if B gives his share to A & C in ratio of 3:1.
 (A) 7:2
 (B) 25:11
 (C) 11:7
 (D) 2:1
20. A, B & C partners in a firm sharing profits losses in the ratio of 4:3:2. B decided to retire from the firm. Calculate the new profit sharing ratio of A and C if B gives his share to A only.
 (A) 7:2
 (B) 25:11
 (C) 11:7
 (D) 7:3
21. A, B & C are partners sharing profits & losses in the ratio of 3:2:1. B retired from the firm. Partners A & C decided to take his share in 3:1 ratio. What is the new ratio of the partners A & C?
 (A) 3:2
 (B) 3:1
 (C) 3:7
 (D) 2:1

Practical MCQ

17. A, B & C partners in a firm sharing profits losses in the ratio of 4:3:2. B decided to retire from the firm. Calculate the new profit sharing ratio of A & C if B gives his share to A & C in the original ratio of A & C.

23. P, Q and R share profit and losses in the ratio of 4:3:2 respectively. Q retires and P and R decided to share future profits and losses in the ratio of 5:3. Then immediately H is admitted of $\frac{3}{10}$ shares of profits half of which was gifted by P and remaining shares was taken by H equally from P and R. Calculate the new profit sharing ratio after H's admission and gain ratio of P and R.
- (A) New profit sharing ratio = 4:3:3 and Gain Ratio = 13:11
 (B) New profit sharing ratio = 3:3:4 and Gain Ratio = 11:13
 (C) New profit sharing ratio = 4:4:3 and Gain Ratio = 13:11
 (D) New profit sharing ratio = 5:3:2 and Gain Ratio = 11:13
24. C, D & E are partners sharing profits & losses in the proportion of $\frac{1}{2}$, $\frac{1}{3}$ & $\frac{1}{6}$. D retired and the new profit sharing ratio between C & E is 3:2 and the reserve of ₹ 12,000 is divided among the partners in the ratio -
- (A) 2,000: 4,000: 6,000
 (B) 5,000: 5,000: 2,000
 (C) 4,000: 6,000: 2,000
 (D) 6,000: 4,000: 2,000
25. A, B & C are sharing profits in 4:3:2 ratio. B retires. If A & C shares profits of B in 5:3, then find the new profit sharing ratio.
- (A) 47:25
 (B) 17:11
 (C) 31:11
 (D) 14:21
26. A, B & C are partners sharing profits and losses in the ratio of 3:2:1. B retired from the firm. What is the gain ratio of the partners A and C?
- (A) 3:2
 (B) 3:1
 (C) 3:7
 (D) 2:1
27. X, Y & Z are partners sharing profits and losses in the ratio of 3:2:1. Y retired from the firm. New profit sharing ratio between X & Z is 5:3. What is the gain ratio of the partners X & Z?
- (A) 3:2
 (B) 3:1
 (C) 3:7
 (D) 3:5
28. A, B & C partners in a firm sharing profits losses in the ratio of 4:3:2. B decided to retire from the firm. B gives his share to A and C in the original ratio of A & C. What is the gain ratio?
- (A) 4:2
 (B) 25:11
 (C) 11:7
 (D) 2:1
29. A, B & C partners in a firm sharing profits losses in the ratio of 4:3:2. B decided to retire from the firm. B gives his share to A & C in ratio of 3:1. What is the gain ratio?
- (A) 7:2
 (B) 25:11
 (C) 11:7
 (D) 2:1
30. A, B & C partners in a firm sharing profits losses in the ratio of 4:3:2. B decided to retire from the firm. B gives his share to A only. What is the gain ratio?
- (A) 3:-
 (B) -:3
 (C) 11:7
 (D) 2:1
31. A, B & C takes a joint life policy, after 5 years B retires from the firm. Old profit sharing ratio is 2:2:1. After retirement A and C decides to share profits equally. They had taken a joint life policy of ₹ 2,50,000 with the surrender value ₹ 50,000. What will be the treatment in the partner's capital account on receiving the JLP amount if joint life policy premium is fully charged to revenue as and when paid?
- (A) ₹ 50,000 credited to all the partners in old ratio.
 (B) ₹ 2,50,000 credited to all the partners in old ratio.
 (C) ₹ 2,00,000 credited to all the partners in old ratio.
 (D) No treatment is required.
32. A, B & C takes a joint life policy, after 5 years, B retires from the firm. Old profit sharing ratio is 2:2:1. After retirement A & C decides to share profits equally. They had taken a joint life policy of ₹ 2,50,000 with the surrender value ₹ 50,000. What will be the treatment in the partner's capital account on receiving the JLP amount if joint life policy is maintained at the surrender value?

- (A) ₹ 50,000 credited to all the partners in old ratio.
- (B) ₹ 2,50,000 credited to all the partners in old ratio.
- (C) ₹ 2,00,000 credited to all the partners in old ratio.
- (D) No treatment is required.
33. A, B & C sharing profits & losses in the ratio of 3:2:1. A retired and Goodwill of the firm is to be valued at ₹ 24,000. What will be the treatment for goodwill?
- (A) Credited to Revaluation A/c at ₹ 24,000.
- (B) Adjusted through Partners Capital A/c's in gaining/sacrificing ratio.
- (C) Only A's Capital A/c credited with ₹ 12,000.
- (D) Only A's capital account credited with ₹ 24,000.
34. A, B & C takes a joint life policy, after five years B retires from the firm. Old profit sharing ratio is 2:2:1. After retirement A & C decides to share profits equally. They had taken a joint life policy of ₹ 2,50,000 with the surrender value ₹ 50,000. What will be the treatment in the partner's capital account on receiving the JLP amount if joint life policy is maintained at surrender value along with the reserve?
- (A) ₹ 50,000 credited to all the partners in old ratio.
- (B) ₹ 2,50,000 credited to all the partners in old ratio.
- (C) ₹ 2,00,000 credited to all the partners in old ratio.
- (D) Distribute JLP Reserve A/c in old profit sharing ratio.
35. A, B & C were partners sharing profits and losses in the ratio of 3:2:1. A retired and firm received the joint life policy as ₹ 7,500 appearing in the balance sheet at ₹ 10,000. JLP is credited and cash debited with ₹ 7,500, what will be the treatment for the balance in Joint Life Policy?
- (A) Credited to partner's current account in profit sharing ratio.
- (B) Debited to revaluation account.
- (C) Debited to partner's capital account in profit sharing ratio.
- (D) Either (B) or (C).
36. A, B & C are partners sharing profits in the ratio 2:2:1. On retirement of B, goodwill was valued as ₹ 30,000. Find the contribution of A and C to compensate B.
- (A) ₹ 20,000 and ₹ 10,000.
- (B) ₹ 8,000 and ₹ 4,000.
- (C) They will not contribute anything.
- (D) Information is insufficient for any comment.
37. A, B & C were partners sharing profits and losses in the ratio of 2:2:1 respectively with the capital balance of ₹ 50,000 for A & B, for C ₹ 25,000. B declared to retire from the firm and balance in reserve on the date was ₹ 15,000. If goodwill of the firm was valued as ₹ 30,000 and profit on revaluation was ₹ 7,050 then what amount will be transferred to the loan account of B?
- (A) ₹ 70,820
- (B) ₹ 50,820
- (C) ₹ 25,820
- (D) ₹ 58,820
38. Balances of R_1 , R_2 & R_3 sharing profits & losses in proportion to their capitals, stood as:
- $R_1 = ₹ 3,00,000$
- $R_2 = ₹ 2,00,000$
- $R_3 = ₹ 1,00,000$
- R_1 desired to retire from the firm and the remaining partners decided to carry on, joint life policy of the partners surrendered and cash obtained ₹ 60,000. What will be the treatment for Joint Life Policy A/c?
- (A) ₹ 60,000 credited to Revaluation A/c.
- (B) ₹ 60,000 credited to Joint Life Policy A/c.
- (C) ₹ 30,000 debited to Ram's Capital A/c.
- (D) Either (A) or (B)
39. Balances of A, B & C sharing profits & losses in proportion to their capitals, stood as:
- $A = ₹ 2,00,000$
- $B = ₹ 3,00,000$
- $C = ₹ 2,00,000$
- Joint Life Policy Reserve A/c ₹ 80,000 and Joint Life Policy A/c is shown in the balance sheet ₹ 80,000. A desired to retire from the firm and the remaining partners decided to carry on in equal ratio, joint life policy of the partners surrendered and cash obtained ₹ 80,000. What will be the treatment for Joint Life Policy Reserve A/c?
- (A) Cash received credited to Revaluation A/c.
- (B) JLP Reserve balance credited to Partner's Capital A/c in old profit sharing ratio.
- (C) JLP Reserve balance credited to Partner's Capital A/c in new profit sharing ratio.

(D) Cash received credited to Partners' Capital A/c in old profit sharing ratio.

40. Balances of A, B & C sharing profits & losses in proportionate to their capitals, stood as:

A = ₹ 2,00,000

B = ₹ 3,00,000

C = ₹ 2,00,000

A desired to retire from the firm, B and C share the future profits equally, Goodwill of the entire firm be valued at ₹ 1,40,000 and no Goodwill account being raised.

- (A) Credit Partner's Capital A/c with old profit sharing ratio for ₹ 1,40,000.
 (B) Credit Partner's Capital A/c with new profit sharing ratio for ₹ 1,40,000.
 (C) Credit A's Capital A/c with ₹ 40,000 and debit B's Capital A/c with ₹ 10,000 & C's Capital A/c with ₹ 30,000.
 (D) Credit Partner's Capital A/c with gaining ratio for ₹ 1,40,000.

41. Balances of R, H & M sharing profits & losses in the ratio 2:3:2 stood as R - ₹ 10,00,000; H - ₹ 15,00,000; M - ₹ 10,00,000; Joint Life Policy ₹ 3,50,000. H desired to retire from the firm and the remaining partners decided to carry on with the future profit sharing ratio of 3:2. Joint life policy of the partners

surrendered and cash obtained ₹ 3,50,000. What would be the treatment for JLP A/c?

- (A) ₹ 3,50,000 credited to partner's capital account in new ratio.
 (B) ₹ 3,50,000 credited to partner's capital account in old ratio.
 (C) ₹ 3,50,000 credited to partner's capital account in capital ratio.
 (D) ₹ 3,50,000 credited to JLP account.
42. A, B & C are equal partners. C wanted to retire for which value of goodwill is considered as ₹ 90,000. The necessary journal entry will be:

(A)	A Capital A/c	Dr.	15,000	
	B Capital A/c	Dr.	15,000	
	To C A/c			30,000
(B)	C Capital A/c	Dr.	30,000	
	To A Capital A/c			15,000
	To B Capital A/c			15,000
(C)	C Capital A/c	Dr.	30,000	
	To A Capital A/c			10,000
	To B Capital A/c			20,000
(D)	Premium for Goodwill A/c	Dr.	30,000	
	To A Capital A/c			10,000
	To B Capital A/c			20,000

Answers:

1.	(D)	2.	(C)	3.	(D)	4.	(A)	5.	(C)	6.	(D)	7.	(A)
8.	(B)	9.	(D)	10.	(B)	11.	(D)	12.	(C)	13.	(D)	14.	(D)
15.	(D)	16.	(C)	17.	(D)	18.	(C)	19.	(C)	20.	(B)	21.	(A)
22.	(B)	23.	(A)	24.	(D)	25.	(A)	26.	(B)	27.	(D)	28.	(D)
29.	(B)	30.	(A)	31.	(A)	32.	(D)	33.	(B)	34.	(D)	35.	(D)
36.	(B)	37.	(A)	38.	(B)	39.	(B)	40.	(C)	41.	(D)	42.	(A)

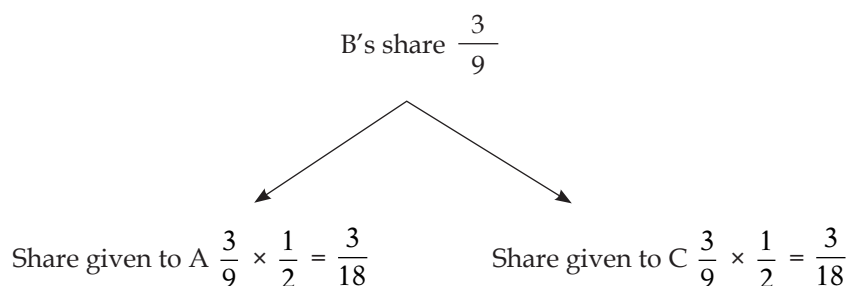
Hints for Important Practical MCQs

17.

If B gives his share to A and C in the original ratio of A and C: New ratio will be 4:2 i.e. 2:1

18.

If B gives his share to A and C in equal proportion:



$$A = \frac{4}{9} + \frac{3}{18} = \frac{72 + 27}{162} = \frac{99}{162}$$

$$C = \frac{2}{9} + \frac{3}{18} = \frac{36 + 27}{162} = \frac{63}{162}$$

99:63

33:21

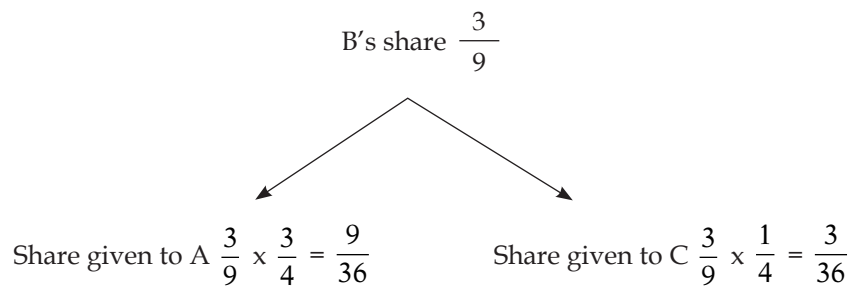
11:7

19.

$$60,000 \times \frac{1}{6} = 10,000$$

20.

If B gives his share to A and C in ratio of 3:1:



$$A = \frac{4}{9} + \frac{9}{36} = \frac{144 + 81}{324} = \frac{225}{324}$$

$$C = \frac{2}{9} + \frac{3}{36} = \frac{72 + 27}{324} = \frac{99}{324}$$

225:99

75:33

25:11

21.

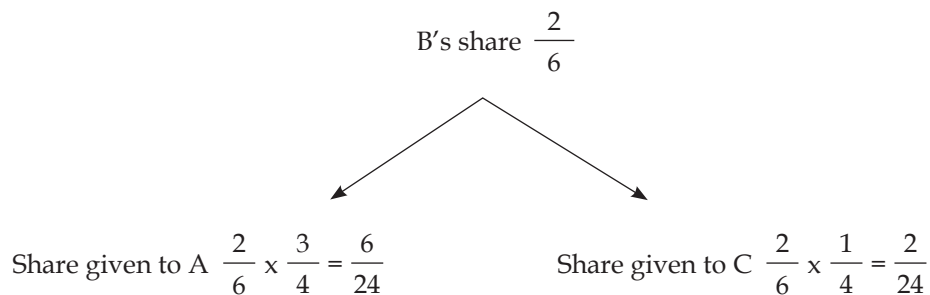
If B gives his share to A only:

$$A = \frac{4}{9} + \frac{3}{9} = \frac{7}{3}$$

7:2

22.

If B gives his share to A and C in ratio of 3:1:



$$A = \frac{3}{6} + \frac{6}{24} = \frac{72 + 36}{144} = \frac{108}{144}$$

$$C = \frac{1}{6} + \frac{2}{24} = \frac{24 + 12}{144} = \frac{36}{144}$$

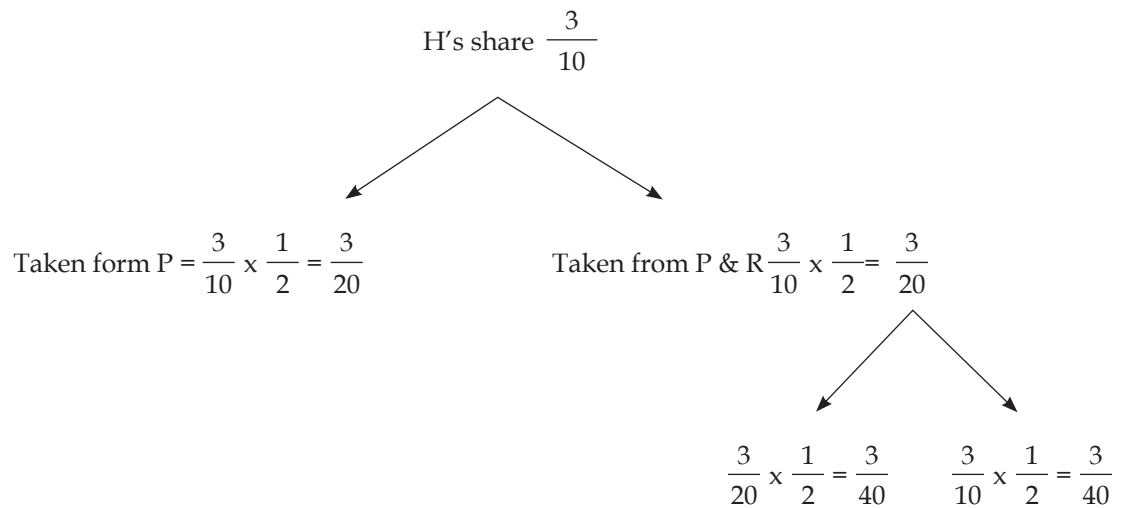
108:36

54:18

3:1

23.

Calculation of new profit sharing ratio:



$$P = \frac{5}{8} - \frac{3}{20} = \frac{100 - 24}{160} = \frac{76}{160} - \frac{3}{40} = \frac{3,040 - 480}{6,400} = \frac{2,560}{6,400}$$

$$R = \frac{3}{8} - \frac{3}{40} = \frac{120 - 24}{320} = \frac{96}{320}$$

$$\frac{2,560}{6,400} : \frac{96}{320} : \frac{3}{10}$$

(20) (640)

$$2560 : 1,920 : 1,920$$

4 : 3 : 3

Calculation of gain ratio:

New Ratio - Old Ratio = Gain Ratio

$$P = \frac{5}{8} - \frac{4}{9} = \frac{45 - 32}{72} = \frac{13}{72}$$

$$R = \frac{3}{8} - \frac{2}{9} = \frac{27 - 16}{72} = \frac{11}{72}$$

13:11

27. New Ratio - Old Ratio = Gain Ratio

$$A = \frac{5}{8} - \frac{3}{6} = \frac{30 - 24}{48} = \frac{6}{48}$$

$$C = \frac{3}{8} - \frac{1}{6} = \frac{18-8}{48} = \frac{10}{48}$$

6:10

3:5

PARTNERSHIP – DEATH OF PARTNER & DISSOLUTION

1. The executors of the deceased partner are entitled to a share of profit earned by the firm from the date of last balance sheet and to the date of death. Which of the entry will be passed for this purpose? (Name of the deceased partner was Mr. X)

(A)	Profit & Loss Suspense A/c To X A/c	Dr.
(B)	X A/c To Profit & Loss A/c	Dr.
(C)	X A/c To Memorandum Revaluation A/c	Dr.
(D)	X A/c To Profit & Loss Suspense A/c	Dr.

2. The estate of a partner who dies, or who becomes insolvent, is not liable for partnership debts contracted

- (A) After the date of the death or insolvency
(B) Before the date of the death or insolvency
(C) After the 1st day of financial year in which he dies or becomes insolvent
(D) All of above

3. The estate of a deceased partner is liable for any act of the firm done after his death.

- (A) True
(B) Partly true
(C) False
(D) None of the above

4. P, Q and R as are in partnership Q dies on 15th June, which of the following statement is true?

- (A) Q's estate is not liable at all.
(B) Q's estate is not liable for any acts of the firm done after 15th June.
(C) Q's estate is liable for all acts up to the end of the financial year when the death occurred.
(D) Q's estate is liable only up to the previous financial year.

5. In the absence of proper agreement, representative of the deceased partner is entitled to the dead partner's share in -

- (A) Profits till date, goodwill, joint life policy, share in revalued assets and liabilities.
(B) Capital, goodwill, joint life policy, interest on capital, share in revalued assets and liabilities.
(C) Capital, profits till date, goodwill, interest on capital, share in revalued assets and liabilities.
(D) Capital, profits till date, goodwill, joint life policy, share in revalued assets and liabilities.

6. As per Section 37 of the Indian Partnership Act, 1932, the executors would be entitled at their choice to the interest calculated from the date of death till the date of payment on the final amount due to the dead partner at p.a.

- (A) 7%
(B) 4%
(C) 6%
(D) 12%

7. On the death of a partner, his executor is paid the share of profits of the dying partner for the relevant period. This payment is recorded in Profit & Loss A/c.

- (A) Adjustment
(B) Appropriation
(C) Suspense
(D) Reserve

8. A, B & C are the partners sharing profits and losses in the ratio 2:1:1. Firm has a joint life policy of ₹ 1,20,000 and in the balance sheet it is appearing at the surrender value i.e. ₹ 20,000. On the death of A, how this JLP will be shared among the partners.

- (A) 50,000 : 25,000 : 25,000

- (B) 60,000 : 30,000 : 30,000
 (C) 40,000 : 35,000 : 25,000
 (D) Whole of ₹ 1,20,000 will be paid to A.
9. R, J & D are the partners sharing profits in the ratio 7:5:4. D died on 30th June, 2015. It was decided to value the goodwill on the basis of 3 year's purchase of last 5 years average profits. If the profits are ₹ 29,600; ₹ 28,700; ₹ 28,900; ₹ 24,000 & ₹ 26,800. What will be D's share of goodwill?
 (A) ₹ 20,700
 (B) ₹ 27,600
 (C) ₹ 82,800
 (D) ₹ 27,000
10. R, J & D are the partners sharing profits in the ratio 7:5:4. D died on 30th June, 2015. Profit for the accounting year 2014-2015 was ₹ 24,000. How much share in profits for the period 1st April, 2015 to 30th June, 2015 will be credited to D's A/c?
 (A) ₹ 6,000
 (B) ₹ 1,500
 (C) Nil
 (D) ₹ 2,000
11. If three partners A, B & C are sharing profits as 5:3:2, then on the death of a partner A, how much B & C will pay to A's executor on account of goodwill. Goodwill is to be calculated on the basis of 2 years purchase of last 3 years average profits. Profits for last three years are: ₹ 3,29,000; ₹ 3,46,000 and ₹ 4,05,000.
 (A) ₹ 2,16,000 & ₹ 1,42,000
 (B) ₹ 2,44,000 & ₹ 2,16,000
 (C) ₹ 3,60,000 & ₹ 3,60,000
 (D) ₹ 2,16,000 & ₹ 1,44,000
12. Where the continuing partners carry on the business of the firm, the dead partner whose claim is not settled, his executor -
 X. is entitled to share of profits since date of cessation as partner.
 Y. is not entitled to claim anything other than unsettled amount
 Z. is entitled to 6% interest p.a. on the unsettled amount.
- Select the correct answer from the options given below -
 (A) Y is correct
 (B) Only X is correct
 (C) Only X is correct
 (D) Either X or Z at his option.
13. Ramu, Shamu & Raju were partners sharing profits and losses in the ratio of 3:2:2. On 1st October, 2019, Ramu died. Profit earned by the firm for the period 1.1.2019 to 31.12.2019 was ₹ 46,600 out of which profit up to 1st October, 2019 was ₹ 35,700. Capital accounts balance of partners on 1st October, 2019 was as follows:
 Ramu = ₹ 87,414
 Shamu = ₹ 55,276
 Raju = ₹ 55,276
 How much claim can be made by Ramu's Executors as per Section 37 of Partnership Act, 1932 for the period 1.10.2019 to 31.12.2019?
 (A) ₹ 4,813
 (B) ₹ 1,311
 (C) ₹ 20,576
 (D) ₹ 15,764
14. _____ rule is applicable at the time of any partner becoming insolvent.
 (A) Garner v. Murray
 (B) Derry v. Peek
 (C) Salomon v. A. Salomon & Co. Ltd.
 (D) Mohiri Bibi v. Dhamodas Ghose
15. When the partners capital accounts are fixed, then as per the decision in the Garner vs. Murray case, any loss arising due to the capital deficiency in the insolvent partners' capital accounts is to be borne by solvent partners in the ratio of _____
 (A) Profit sharing ratio
 (B) Scarifying ratio
 (C) Gaining ratio
 (D) Last agreed capital ratio
16. Garner v. Murray requires
 (A) That all partners should bring in cash equal to their respective shares of the loss on realization
 (B) That all partners should bring in cash equal to their respective shares of the loss on realization and deficiency of insolvent partner should be borne by solvent partners in their profit sharing ratio.
 (C) That all partners including insolvent partner should bring in cash equal to their respective shares of the loss on realization and deficiency of insolvent partner should be borne by solvent partners in their last agreed capital ratio.

(D) That the solvent partners should bring in cash equal to their respective shares of the loss on realization and that the solvent partners should bear the loss arising due to insolvency of a partner in their last agreed capital ratio and

17. In which of the following case Garner v. Murray rule is NOT applicable?

1. Only one partner is solvent.
2. All partners are insolvent.
3. When partnership deed provides a specific method to be followed in case of insolvency of a partner

Select the correct answer from the options given below -

- (A) 1 only
(B) 1 & 2 only
(C) 3 only
(D) 1, 2 & 3

18. K and A are partners in a firm. They share profits and losses in the ratio of 4:1. They decide to dissolve the firm. K Capital - ₹ 1,60,000, A Capital - ₹ 1,00,000, Total assets - ₹ 3,95,000, Total liabilities - ₹ 1,35,000. On dissolution assets realized ₹ 4,25,000 & liabilities settled at ₹ 1,10,000. Net profit or loss on realization = ?

- (A) Profit 3,15,000
(B) Loss 80,000

(C) Loss 55,000

(D) Profit 55,000

19. K and A are partners in a firm. They share profits and losses in the ratio of 4:1. They decide to dissolve the firm. K Capital - ₹ 1,60,000, A Capital - ₹ 1,00,000, Total assets - ₹ 3,95,000, Total liabilities - ₹ 1,35,000. On dissolution assets realized ₹ 3,50,000 & liabilities including unrecorded liability settled at ₹ 1,50,000. Net profit or loss on realization = ?

- (A) Profit 30,000
(B) Loss 60,000
(C) Profit 60,000
(D) Loss 30,000

20. A, B & C are partners firm. Their capital balances were: A - ₹ 24,000, B - ₹ 8,000, C - ₹ 4,000. Their current account balances were: A - ₹ 10,800 (Cr.), B - ₹ 2,000 (Dr.), C - ₹ 6,000 (Dr.). C become insolvent and could not meet his liability to the firm so partners decided to dissolve the firm. Realization loss came to ₹ 31,200. Amount to be paid/(receivable) to/from A & B on final settlement should be ₹ & ₹ (Apply Garner v. Murray principle)

- (A) 25,500 & 2,900
(B) 15,100 & (7,500)
(C) 2,900 & 25,500
(D) 45,200 & 18,400

Answers:

1.	(A)	2.	(A)	3.	(C)	4.	(B)	5.	(B)	6.	(C)	7.	(C)
8.	(A)	9.	(A)	10.	(B)	11.	(D)	12.	(D)	13.	(A)	14.	(A)
15.	(D)	16.	(D)	17.	(D)	18.	(D)	19.	(B)	20.	(A)		

Hints for Important Practical MCQ

13. As per Section 37 of Partnership Act, 1932, in case of settlement of deceased partner's account on the date other than the date of death, the executor of deceased partner has a choice to take Either -

(A)

$$\begin{aligned}
 \text{Profit earned on un-settled capital} &= \text{Profit} \times \frac{\text{Unsettled capital as on 1.10.2019}}{\text{Total capital as on 1.10.2019}} \\
 &= 10,900 \times \frac{87,414}{87,414 + 55,276 + 55,276} \\
 &= 10,900 \times \frac{87,414}{1,97,966} \\
 &= 4,813
 \end{aligned}$$

(B) Interest on capital @ 6% i.e. $87,414 \times 6\% \times 3/12 = 1,311$

Option A is beneficial, therefore heirs of Ramu will opt for proportionate share of profit i.e. 4,813.

18.

Dr.	Realization A/c		Cr.
To Assets	3,95,000	By Liabilities	1,35,000
To Cash/ Bank	1,10,000	By Cash/ Bank (Assets realized)	4,25,000
(Liabilities paid)			
To Share of profit			
- K	44,000		
- A	11,000		
	55,000		
	5,60,000		5,60,000

20.

Dr.				Partners Capital A/c			Cr.
Particulars	A	B	C	Particulars	A	B	C
To Current A/c	-	2,000	6,000	By Balance b/d	24,000	8,000	4,000
To Realization loss	10,400	10,400	10,400	By Current A/c	10,800	-	-
To C's Capital A/c	9,300	3,100	-	By Cash & Bank A/c	10,400	10,400	-
To Cash & Bank A/c	25,500	2,900	-	By A's Capital A/c	-	-	9,300
				By B's Capital A/c	-	-	3,100
	45,200	18,400	16,400		45,200	18,400	16,400

JOINT VENTURE

MCQ on Theory

- Joint Venture A/c is -
 - Personal A/c
 - Nominal A/c
 - Suspense A/c
 - Real A/c
- Which of the following accounts is NOT to be opened in case of separate books for joint venture business are kept?
 - Joint Venture A/c
 - Joint Bank A/c
 - Partner's Capital A/c
 - Memorandum Joint Venture A/c
- Which of these are not relevant to a joint venture?
 - Temporary partnership
 - Co-venturer
 - Master-servant relationship
 - Sharing profits and loss of joint venture
- When separate books for joint venture business are kept, the joint venture expenses -
 - Shall be credited to 'Joint Venture A/c'
 - Shall be credited to 'Other Partner's A/c'
 - Shall be credited to 'Joint Bank A/c'
 - Shall be debited to 'Memorandum Joint Venture A/c'
- The partners to joint venture are called
 - Co-venturer's
 - Partners
 - Principal and agent
 - Friends
- Which of the following accounts is not opened under Joint Venture accounts?
 - Stock Reserve A/c
 - Joint Bank A/c
 - Other Co-venturer's A/c
 - Joint Venture A/c
- When purchases are made for the joint venture out of joint bank account, the account is debited.
 - Joint Venture A/c
 - Expenses A/c
 - Joint Bank A/c
 - None
- Ram & Shyam entered into joint venture. They keep separate set of books. Which of the following entry will be passed if Ram supplies material out of his own stock?

(A)	Joint Venture A/c	Dr.
	To Joint Bank A/c	
(B)	Joint Venture A/c	Dr.
	To Material A/c	
(C)	Material A/c	Dr.
	To Joint Venture A/c	
(D)	Joint Venture A/c	Dr.
	To Ram A/c	
- Which of the following accounts does not follow double entry system of book keeping?
 - Joint Venture A/c
 - Memorandum Joint Venture A/c
 - Joint Bank A/c
 - Other Co-venturer's A/c
- For stock of goods taken over by a Co-venturer in case of separate set of books -
 - Goods A/c will be debited and Joint Bank A/c will be credited
 - Joint Venture A/c will be debited and Joint Bank A/c will be credited
 - Venturer's Capital A/c will be debited and Joint Venture A/c is credited
 - Joint Venture A/c will be debited and Venturer's Capital A/c will be credited

11. The balance of Memorandum Joint Venture A/c indicates -
 (A) Amount payable to Co-venture
 (B) Profit or Loss
 (C) Closing Stock
 (D) Amount of balance to be carried forward.
12. In Memorandum Joint Venture A/c, each Co-venturer records
 (A) All the joint venture transactions
 (B) Common joint venture transactions
 (C) Only those transactions which are affected by him
 (D) None of these
13. Neelam & Neeraj entered into joint venture. They keep separate set of books. Which of the following entry will be passed if Neeraj purchased goods on credit?
- | | | |
|-----|---|--|
| (A) | Joint Venture A/c Dr.
To Neeraj A/c | |
| (B) | Joint Venture A/c Dr.
To Creditors A/c | |
| (C) | Neeraj A/c Dr.
To Joint Venture A/c | |
| (D) | Neeraj A/c Dr.
To Creditors A/c | |
14. Following activities are appropriate for joint Venture business:
 (A) Construction of a river bridge
 (B) Cloth Shop
 (C) Medical Store
 (D) ACC Cement Agency
15. Abnormal loss of joint venture is debited to the following account-
 (A) Joint Venture A/c
 (B) Insurance Company A/c
 (C) General Profit & Loss A/c
 (D) No Account
16. For sending cash to another co-venturer (Y) in case of memorandum joint venture method -
 (A) No entry is passed
 (B) Memorandum Joint Venture A/c is debited and Cash A/c is credited
 (C) Joint Venture with Y A/c is debited and Cash A/c is credited
 (D) Y's A/c is debited and Memorandum Joint Venture A/c is credited
17. When independent books of account are maintained for joint venture business, the expense paid for joint venture is -
 (A) Credited to joint bank account
 (B) Credited to expenses account
 (C) Debited to the partner who paid it.
 (D) Credited to joint venture account.
18. Neel & Raj entered into joint venture. They keep separate set of books. Which of the following entry will be passed if Neel takes the unsold stock?
- | | | |
|-----|--|--|
| (A) | Joint Venture A/c Dr.
To Neel A/c | |
| (B) | Joint Venture A/c Dr.
To Unsold Stock A/c | |
| (C) | Neel A/c Dr.
To Joint Venture A/c | |
| (D) | Unsold Stock A/c Dr.
To Joint Venture A/c | |
19. Kiran and Roshni have entered in a joint venture and keep separate accounts of joint venture. Kiran sold some goods on credit. Some amount of this sale became bad. Which account will be debited for this bad-debt?
 (A) Kiran's A/c
 (B) Cash A/c
 (C) Joint Venture A/c
 (D) Debtor's A/c
20. For payment of joint venture expenses in case of memorandum joint venture method -
 (A) Goods A/c is debited and Cash A/c is credited
 (B) Memorandum Joint Venture A/c is debited and Cash A/c is credited
 (C) Joint Venture A/c is debited and Cash A/c is credited
 (D) Another Co-venturer's A/c and Cash A/c is credited
21. Which of the following statement is true?
 (A) Only one venturer bears the risk.
 (B) Only one venturer can sell the goods.
 (C) Only one venturer can purchase the goods.
 (D) In joint venture, provisions of partnership act apply.
22. There are two Co-venturer's namely X & Y. X is recording all joint venture transactions in his books of account. Discount charges on discount-

ing a bill receivable accepted by Y are debited to -

- (A) X's A/c
- (B) Y's A/c
- (C) Profit & Loss A/c
- (D) Joint Venture A/c

23. Sagar & Aakash entered into joint venture. They keep separate set of books. Which of the following entry will be passed if Sagar sales goods on credit?

(A)	Debtors A/c To Joint Venture A/c	Dr.
(B)	Joint Venture A/c To Sagar A/c	Dr.
(C)	Sagar A/c To Joint Venture A/c	Dr.
(D)	Joint Venture A/c To Debtors A/c	Dr.

24. Which of the following statement is TRUE?

- (A) In case of separate sets of books method of Joint Venture, co-venturer's contribution of goods is debited in Joint Bank A/c
- (B) Co-venturer's contribution in cash is debited in Venturer's personal account
- (C) Discount on discounting of B/R is debited to Venturer's personal account
- (D) Contract money received is credited to Joint Venture Account.

25. On supply of goods out of own stock for joint venture business -

- (A) Joint Venture A/c is credited
- (B) Goods sent on Joint Venture A/c is credited
- (C) Other Co-venturer's A/c is credited
- (D) None of these

26. For opening Joint Bank account, in case of separate sets of books -

- (A) Venture A/c will be debited and Venturers A/c will be credited
- (B) Joint Bank A/c is debited and Venturers Capital A/c is credited
- (C) Joint Venture A/c is debited and Joint Bank A/c will be credited
- (D) Joint Bank A/c will be debited and Joint Venture A/c will be credited

27. Sagar & Aakash entered into joint venture. They keep separate set of books. Which of the following

entry will be passed when cash is received from debtors to whom goods are sold on credit?

(A)	Cash A/c To Debtors A/c	Dr.
(B)	Debtors A/c To Joint Venture A/c	Dr.
(C)	Joint Bank A/c To Debtors A/c	Dr.
(D)	Joint Bank A/c To Joint Venture A/c	Dr.

28. If separate set of books is maintained and discount is received at the time of purchase of goods then such a discount will be treated as-

- (A) Income of joint venture hence credited to joint venture account
- (B) Expense of joint venture hence debited to joint venture account
- (C) Will not be recorded in books of account
- (D) Credited to co-venturer account

29. When unsold stock is taken away by a Co-venturer, the _____ is debited.

- (A) Stock With Joint Venture A/c
- (B) Co-venturer's Capital A/c
- (C) Joint Bank A/c
- (D) None

30. For purchase of plant from Joint Bank A/c, in case separate sets of books are maintained, the correct journal entry will be -

- (A) Plant A/c will be debited and Joint Bank A/c will be credited
- (B) Joint Venture A/c will be debited and Joint Bank A/c will be credited
- (C) Plant A/c will be debited and Venturers Capital A/c will be credited
- (D) Joint Venture A/c will be debited and Plant A/c will be credited

31. When transactions relating to joint venture are recorded in the books of venturer his share of investment is recorded by -

- (A) Crediting cash account
- (B) Crediting his personal A/c
- (C) No entry is made
- (D) None

32. Where separate set of books are maintained, the ledger accounts required are -

- (A) Memorandum Joint Venture, and Joint Venture Account with the other party
- (B) Joint Venture Account and the personal account of the other party
- (C) Joint Venture account, Co-venturer capital accounts and Joint bank account.
- (D) Joint bank account and Joint venture account with the other party.
33. Tanushri & Richa entered into joint venture. They keep separate set of books. Which of the following entry will be passed when certain debtors proved bad if to such debtors goods are sold on credit earlier?
- | | | |
|-----|----------------------|-----|
| (A) | Bad Debt A/c | Dr. |
| | To Joint Venture A/c | |
| (B) | Joint Venture A/c | Dr. |
| | To Bad Debt A/c | |
| (C) | Joint Venture A/c | Dr. |
| | To Debtors A/c | |
| (D) | Debtors A/c | Dr. |
| | To Joint Venture A/c | |
34. For material supplied from own stock by any of the venturer, the correct journal entry will be: (In case of separate sets of books) -
- (A) Joint Venture A/c will be debited and Venturers Capital A/c will be credited
- (B) Joint Venture A/c will be debited and Joint Bank A/c will be credited
- (C) Joint Venture A/c will be debited and Material A/c will be credited
- (D) Joint Bank A/c will be debited and Joint Venture A/c will be credited
35. For opening Joint Bank Account -
- (A) Joint Venture A/c will be debited and Venturer's A/c will be credited
- (B) Joint Bank A/c is debited and Venturer's Capital A/c is credited
- (C) Joint Venture A/c is debited and Joint Bank A/c is credited
- (D) Joint Bank A/c will be debited & Joint Venture A/c is credited
36. Krishna & Rama entered into joint venture. They keep separate set of books. Which of the following entry will be passed when final amount is paid to Krishna on completion of venture?
- | | | |
|-----|-------------------|-----|
| (A) | Krishna A/c | Dr. |
| | To Joint Bank A/c | |
| (B) | Joint Bank A/c | Dr. |
| | To Krishna A/c | |
- | | | |
|-----|----------------------|-----|
| (C) | Joint Venture A/c | Dr. |
| | To Joint Bank A/c | |
| (D) | Krishna A/c | Dr. |
| | To Joint Venture A/c | |
37. Krishna & Rama entered into joint venture. They keep separate set of books. Which of the following entry will be passed when final amount is received from Rama on completion of venture?
- | | | |
|-----|----------------------|-----|
| (A) | Rama A/c | Dr. |
| | To Joint Bank A/c | |
| (B) | Joint Bank A/c | Dr. |
| | To Rama A/c | |
| (C) | Joint Venture A/c | Dr. |
| | To Joint Bank A/c | |
| (D) | Rama A/c | Dr. |
| | To Joint Venture A/c | |
38. Rani & Raja come to together and agreed that Rani will purchase the goods and send it to Raja for sale. Raja will get commission plus share in profit up to 20%. This is example of
- (A) Consignment
- (B) Joint venture
- (C) Consignment cum joint venture
- (D) Master servant relationship
39. Which of the following accounting concept is not applicable in case of joint venture?
- (A) Going Concern Concept
- (B) Dual Aspect Concept
- (C) Cost Concept
- (D) All of the above
40. If any stock is taken over by the venturer, it will be treated as an:
- (A) Income of the joint venture, hence credited to Joint Venture A/c.
- (B) Expenses of joint venture, hence debited to Joint Venture A/c.
- (C) To be ignored as joint venture transaction.
- (D) It will be treated in the personal book of the venturer and not in the books of joint venture.
41. If A supplies goods to B from his own stock in a joint venture, then which of the following entry will be passed in the books of B if each venturer maintains accounts independently for the venture transactions?

(A)	Joint Venture A/c To Goods Sent to Joint Venture A/c	Dr.
(B)	Goods Sent to Joint Venture A/c To Joint Venture A/c	Dr.
(C)	Joint Venture A/c To A's A/c	Dr.
(D)	A's A/c To Joint Venture A/c	Dr.

42. If Y takes away goods for personal use under memorandum joint venture method then he will debit these goods to -

(A) Joint Venture Account
(B) Personal Capital Account
(C) Purchases Account
(D) None

43. Joint venture is short duration partnership.

(A) True
(B) False
(C) Partly true
(D) Can't say anything

44. Ram & Shyam enter into joint venture. Shyam incurred expenses, then which of the following entry will be passed in the books of Ram if each venturer maintains accounts independently for the venture transactions?

(A)	Memorandum Joint Venture A/c To Bank A/c	Dr.
(B)	Shyam A/c To Bank A/c	Dr.
(C)	Shyam A/c To Joint Venture A/c	Dr.
(D)	Joint Venture A/c To Shyam A/c	Dr.

45. Which of the following statement is true?

(A) In case of joint venture parties can use firm name.
(B) Co-venturer's must contribute funds in joint venture in their profit sharing ratio.
(C) In joint venture profit/loss is computed on completion of the venture.
(D) None of the above

46. Advise which of the statement is true?

(A) The joint venture can be formed by a single person only
(B) A legal deed should be drafted before forming joint venture.

(C) The profit to be shared between the venturer in agreed ratio

(D) Joint venture follows going concern concept.

47. A minor can be a co-venturer in joint venture.

(A) True
(B) False
(C) Partly true
(D) Can't say anything

48. Tara & Sitara enter into joint venture. Tara sold some goods on which she is entitled commission. Which of the following entry will be passed in the books of Sitara for commission to Tara, if each venturer maintains accounts independently for the venture transactions?

(A)	Joint Venture A/c To Tara A/c	Dr.
(B)	Tara A/c To Commission A/c	Dr.
(C)	Joint Venture A/c To Commission A/c	Dr.
(D)	Tara A/c To Joint Venture A/c	Dr.

49. Which of the following statement is true?

(A) For joint venture always two persons are required; joint venture with more than two person is not possible.
(B) In joint venture the profit or loss are ascertained on an annual basis.
(C) Doctrine of implied authority is applicable for joint venture.
(D) None of the above

50. If a venturer draws a bill on his co-venturer and if the drawer discounts the bill with same sets of books maintained, the discounting charges will be borne by-

(A) The drawer of the bill
(B) The drawee of the bill
(C) The discounting charges will be recorded in memorandum joint venture account
(D) The discounting charges will be borne by bank

51. Akbar & Birbal enter into joint venture. Akbar supplied some goods from his own stock. If each venturer maintains accounts independently for the venture transactions, then which of the following entry will be passed in the books of Akbar?

- | | | |
|-----|---|-----|
| (A) | Joint Venture A/c
To Birbal A/c | Dr. |
| (B) | Goods Sent to Joint Venture A/c
To Joint Venture A/c | Dr. |
| (C) | Joint Venture A/c
To Goods Sent to Joint Venture A/c | Dr. |
| (D) | Purchases A/c
To Joint Venture A/c | Dr. |
52. Which of the following statement is NOT TRUE?
- (A) Joint venture is a going concern
(B) Joint venture is terminable in nature
(C) Joint venture does not follow accrual basis of accounting
(D) The co-venturer shares the profit in agreed ratio
53. Accounting for joint venture is done on liquidation basis.
- (A) True
(B) False
(C) Partly true
(D) Can't say anything
54. Which of the following statement is true?
- (A) There is no difference between Joint Venture and Partnership
(B) Consignment and Joint Venture is same
(C) There is no separate act for Joint Venture
(D) In case of Joint Venture, the number of third party is one only.
55. Aarav & Aagam enter into joint venture. Aarav draw a bill of exchange on Aagam. On receiving acceptance from Aagam, Aarav discounted the bill with bank. If each venturer maintains accounts independently for the venture transactions, then which of the following entry will be passed in the books of Aagam for recording discount on bill?
- | | | |
|-----|---|-----|
| (A) | Joint Venture A/c
To Aarav A/c | Dr. |
| (B) | Joint Venture A/c
To Discount on B/R A/c | Dr. |
| (C) | Discount on B/R A/c
To Joint Venture A/c | Dr. |
| (D) | Aarav A/c
To Joint Venture A/c | Dr. |
56. If separate sets of books is maintained and suppliers grant discount at the time of making the payment for purchase of goods, such discount received will be treated as-
- (A) Income of Joint Venture, hence credited to Joint Venture A/c
(B) Will be credited to Joint Bank A/c
(C) Will be credited to Co-venturer's Capital A/c
(D) Will be ignored from the books
57. State which of the statement is true?
- (A) Memorandum Joint Venture Account is prepared to find out profit on venture
(B) Memorandum Joint Venture Account is prepared to find out amount due from co-venturer
(C) Memorandum Joint Venture Account is prepared when separate sets of books is maintained
(D) In Memorandum Joint Venture Account only one venturer's transaction is recorded.
58. Which of the following statement is true?
- (A) When separate set of books is maintained, expenses paid by venturer will be credited to joint bank account.
(B) When separate set of books is maintained, expenses paid by venturer will be credited to venturer's capital account.
(C) When separate set of books is maintained, expenses paid by venturer will be credited to Joint venture account.
(D) When separate set of books is maintained, expenses paid by venturer will be credited to Outstanding Expenses Account.
59. The share of profit of the co-venturer maintaining all the joint venture transactions in his books is -
- (A) Debited to other Co-venturer's Personal A/c
(B) Debited to Joint Venture A/c
(C) Debited to Profit & Loss A/c
(D) None of these
60. For material supplied from own stock by any of the venturer, the correct journal entry in case of separate set of books of a joint venture will be
- | | | |
|-----|--|-----|
| (A) | Joint Venture A/c
To Venturer's Capital A/c | Dr. |
| (B) | Joint Venture A/c
To Joint Bank A/c | Dr. |
| (C) | Joint Venture A/c
To Material A/c | Dr. |

(D)	Joint Bank A/c	Dr.
	To Joint Venture A/c	

Practical MCQ

61. A & B sharing profits & losses in the proportion 2:1 in the joint venture. A keeps account of joint venture. B gave ₹ 5,000 to A for joint venture business. A prepared accounts and showed profits of ₹ 2,250. A settled B's Account. In the books of B, _____ profit is credited.

(A) ₹ 2,250
(B) ₹ 750
(C) ₹ 1,500
(D) ₹ 5,750

62. A & B enter a joint venture to prepare an advertisement for XYZ Ltd. The XYZ Ltd. agrees to pay ₹ 10,00,000. A & B contribute ₹ 1,00,000 & ₹ 1,50,000 respectively. These amounts are paid into a joint bank account. Payments made out of the joint bank account were:

Particulars	₹
Purchase of equipment	60,000
Hire of equipment	50,000
Wages	4,50,000
Materials	1,00,000
Office expenses	50,000

A paid ₹ 20,000 as licensing fees. On completion, the film was found defective and XYZ Ltd. made a deduction of ₹ 1,00,000. The equipment was taken over by B at a valuation of ₹ 20,000. Separate books were maintained for the joint venture whose profits were divided in the ratio of 2:3. B's share of profit on joint venture is -

(A) ₹ 1,90,000
(B) ₹ 1,14,000
(C) ₹ 76,000
(D) ₹ 1,10,000

63. Goods costing ₹ 10,000 are taken over by X at 20% less. For this transaction

(A) ₹ 10,000 will be credited to Joint Venture A/c
(B) ₹ 10,000 will be credited to X's A/c
(C) ₹ 8,000 will be credited to X's A/c
(D) ₹ 8,000 will be credited to Joint Venture A/c

64. X & Y entered into joint venture on 1.10.2015 for sale of certain goods. X purchased goods costing ₹ 4,00,000 and incurred expenses ₹ 60,000. He sold

90% of these goods at 30% over the cost price and selling expenses amounted to ₹ 25,000. Sale price of sale from X = ?

(A) ₹ 5,38,200
(B) ₹ 5,67,450
(C) ₹ 4,68,000
(D) ₹ 5,50,200

65. A purchased goods costing 1,00,000. B sold the goods for ₹ 1,50,000. Profit sharing ratio between A & B equal. What will be the final remittance?

(A) B will remit ₹ 1,25,000 to A
(B) B will remit ₹ 1,50,000 to A
(C) A will remit ₹ 1,00,000 to B
(D) B will remit ₹ 25,000 to A

66. If unsold goods costing ₹ 20,000 is taken over by venturer at ₹ 15,000, the Joint Venture A/c will be credited by -

(A) ₹ 20,000
(B) ₹ 15,000
(C) ₹ 5,000
(D) Nil

67. A purchased goods costing ₹ 42,500. B sold goods costing ₹ 40,000 at ₹ 50,000. Balance goods were taken over by A at same gross profit percentage as in case of sale. The amount of goods taken over will be -

(A) ₹ 3,125
(B) ₹ 2,500
(C) ₹ 3,000
(D) None

68. Neel & Karan enter into joint venture sharing profit and losses in the ratio of 3:2. On completion of venture there is profit of ₹ 58,000. If each venturer maintains accounts independently for the venture transactions, then which of the following entry will be passed in the books of Karan for recording profit?

(A)	Joint Venture A/c	Dr.	58,000
	To Neel A/c		34,800
	To Profit & Loss A/c		23,200
(B)	Joint Venture A/c	Dr.	58,000
	To Neel A/c		34,800
	To Karan A/c		23,200
(C)	Joint Venture A/c	Dr.	58,000
	To Profit & Loss A/c		34,800
	To Neel A/c		23,200

(D)	Neel A/c	Dr.	34,800
	Profit & Loss A/c	Dr.	23,200
	To Joint Venture A/c		58,000

69. N & Z enter into joint venture to sell TV sets. N send a draft of ₹ 2,50,000 to Z. Z purchased 200 TV at a cost of ₹ 2,000 and paid freight ₹ 2,000 to sent it to N details of sales by N are as follows:

20 TV set @ 3,000 each at 10% discount

100 TV set @ 2,800 each

80 TV set @ 2,700 each at 5% discount.

N settled the account by sending draft in favour of Z, profits being shared equally. Amount of draft = ?

- (A) ₹ 2,18,600
(B) ₹ 2,87,200
(C) ₹ 2,20,600
(D) ₹ 2,25,200
70. A & B enter into a joint venture to underwrite the shares of W Ltd. W Ltd make an equity issue of 1,00,000 equity shares of ₹ 10 each. 80% of the issue was subscribed by the public. The profit sharing ratio between A and B is 3:2. The balance shares not subscribed by the public, purchased by A & B in profit sharing ratio. How many shares to be purchased by A?
- (A) 80,000 shares
(B) 72,000 shares
(C) 12,000 shares
(D) 8,000 shares
71. X & Y entered into joint venture for sale of certain goods by introducing ₹ 6,00,000 and ₹ 4,00,000 respectively. They decided to share profit & losses in 3:5. Joint bank has to be used for purchase and sale. Each venturer is entitled commission of 5% on sale made by him. X purchased goods costing ₹ 4,00,000 and incurred expenses ₹ 60,000. He sold 90% of these goods at 30% over the cost price and selling expenses amounted to ₹ 25,000. Y purchased goods costing ₹ 5,00,000 and incurred expenses amounting to ₹ 65,000. He sold 80% of the goods at 25% over the cost price and selling expenses amounted to ₹ 30,000. 1/5th of the remaining goods purchased by X was destroyed by fire and insurance company settled the claim at ₹ 20,000. Unsold goods was taken over by X & Y in their profit sharing ratio. What are the amounts for which Joint Venture A/c will be credited for unsold goods taken over by X & Y?

(A) ₹ 56,175 & ₹ 93,625

(B) ₹ 52,500 & ₹ 87,500

(C) ₹ 59,625 & ₹ 99,375

(D) None of the above

72. A & B enter into a joint venture to underwrite shares of K Ltd. K Ltd make an equity issue of 2,00,000 equity shares. 80% of the shares underwritten by the venturer. 1,60,000 shares are subscribed by the public. How many shares are to be subscribed by the venturer?

(A) Nil

(B) 32,000 shares

(C) 36,000 shares

(D) 40,000 shares

73. A & B enter into a joint venture sharing profits and losses in the ratio of 3:2. They opened joint bank account. A & B contributed ₹ 50,000 & 40,000. A's purchase & expenses are ₹ 35,000 and he also supplied materials ₹ 3,000 from his own stock. B's purchase & expenses are ₹ 28,000. All the goods are sold at ₹ 94,000 except goods valued ₹ 2,000 was taken by B.

Profit on joint venture = ?

(A) ₹ 96,000

(B) ₹ 30,000

(C) ₹ 28,000

(D) ₹ 33,000

74. Take the data of above question. Final amount payable to A & B respectively -

(A) ₹ 50,000 & ₹ 71,000

(B) ₹ 71,000 & ₹ 50,000

(C) ₹ 74,000 & ₹ 46,000

(D) ₹ 46,000 & ₹ 74,000

75. A & B purchased a piece of land for ₹ 20,000 and sold it for ₹ 60,000 in 2015. Originally A had contributed ₹ 12,000 and B ₹ 8,000. What will be the profit on venture?

(A) ₹ 40,000

(B) ₹ 20,000

(C) ₹ 60,000

(D) Nil

76. A & B enter into a joint venture sharing profit & losses in the ratio of 2:1. A purchased goods costing ₹ 2,00,000. B sold the goods for ₹ 2,50,000. A is entitled to get 1% commission on purchase and B is entitled to get 5% commission on sales. The profit on venture will be -

(A) ₹ 35,500

- (B) ₹ 36,000
(C) ₹ 34,000
(D) ₹ 38,000
77. Take the data of above question; which option will be correct for final remittance on completion of joint venture?
(A) A will remit ₹ 2,25,667 to B
(B) B will remit ₹ 2,25,667 to A
(C) B will remit ₹ 2,25,000 to A
(D) A will remit ₹ 2,50,000 to B
78. M & N enter into a joint venture where M supplies goods worth ₹ 6,000 and spends ₹ 300 on expenses. N sells the entire lot for ₹ 7,800 paying selling expenses amounting to ₹ 300. Profit sharing ratio is equal. N remits to M the amount due. The amount of remittance will be -
(A) ₹ 6,900
(B) ₹ 7,500
(C) ₹ 6,300
(D) ₹ 6,600
79. P & Q enter into a joint venture sharing profits and losses in the ratio 3:2. P purchased goods costing ₹ 2,00,000. Other expenses of P ₹ 10,000. Q sold the goods for ₹ 1,80,000. Remaining goods were taken over by Q at ₹ 20,000. The amount of final remittance to be paid by Q to P will be -
(A) ₹ 2,15,000
(B) ₹ 2,04,000
(C) ₹ 2,10,000
(D) None
80. C & D entered into a joint venture to construct a bridge. They did not open separate set of books. They shared profits and losses as 3:2. C contributed ₹ 1,50,000 for purchase of materials. D paid wages amounting to ₹ 80,000. Other expenses were paid as:
C - ₹ 5,000 D - ₹ 15,000
C purchased one machine for ₹ 20,000. The machine was taken over by C for ₹ 10,000. Total contract value of ₹ 3,00,000 was received by D. What will be the profit on venture?
(A) ₹ 30,000
(B) ₹ 40,000
(C) ₹ 20,000
(D) ₹ 15,000
81. Take the data of above question; which option will be correct for final remittance on completion of joint venture?
(A) C will remit ₹ 1,89,000 to D
(B) D will remit ₹ 1,89,000 to C
(C) D will remit ₹ 1,99,000 to C
(D) C will remit ₹ 2,99,000 to D
82. R & M entered into a joint venture to purchase and sell new year gifts. They share the profit & losses equally. R purchased goods worth ₹ 1,00,000 and spent ₹ 10,000 in sending the goods to M. He also paid ₹ 5,000 for insurance. M spent ₹ 10,000 as selling expenses and sold goods for ₹ 2,00,000. Remaining goods were taken over by him at ₹ 5,000. What will be the amount to be remitted by M to R as final settlement?
(A) ₹ 1,95,000
(B) ₹ 1,50,000
(C) ₹ 1,55,000
(D) ₹ 80,000
- From the following details give answer to next 4 questions.**
- M & Y entered into joint venture contributing ₹ 45,000 each into the joint bank account to share the profit or loss equally. It was also agreed to pay commission @ 5% on the sale made by the ventures.
- Goods worth ₹ 52,000 was purchased and 50% of the same was sold for ₹ 35,000 by M. ₹ 4,500 was spent on transportation. 25% of goods bought were sold by Y for ₹ 17,500. Unsold goods were taken over at cost price by M & Y.
83. For unsold goods taken over by M Joint Venture A/c will be credited for -
(A) ₹ 6,500
(B) ₹ 6,000
(C) ₹ 13,000
(D) ₹ 7,500
84. Profit on joint venture is = ?
(A) ₹ 3,188
(B) ₹ 3,187
(C) ₹ 6,375
(D) ₹ 7,250
85. Final amount payable to M on completion of joint venture = ?
(A) ₹ 43,438
(B) ₹ 42,562
(C) ₹ 40,250
(D) ₹ 49,938

86. Final amount payable to Y on completion of joint venture = ?
 (A) ₹ 43,438
 (B) ₹ 42,562
 (C) ₹ 40,250
 (D) ₹ 49,938
87. A & B enter into a joint venture sharing profit and losses in the ratio 3:2. A will purchase goods and B will sell. A purchase goods costing ₹ 2,00,000. B sold it for ₹ 3,00,000. The venture is terminated after 3 months. A is entitled to get 10% interest on capital invested irrespective of utilization period. The amount of interest received by A will be -
 (A) ₹ 20,000
 (B) ₹ 10,000
 (C) ₹ 15,000
 (D) ₹ 25,000
88. A bought goods of the value of ₹ 10,000 and consigned them to B to be sold by them on a joint venture, profits being divided equally. A draws a bill on B for an amount equivalent to 80% of cost on consignment. The amount of bill will be:
 (A) ₹ 10,000
 (B) ₹ 8,000
 (C) ₹ 6,000
 (D) ₹ 9,000
89. Arun & Balu entered into joint venture to sell second hand cars. Arun purchased 100 cars for ₹ 35,00,000. Balu spent ₹ 15,00,000 for repair of cars. He also spent ₹ 3,00,000 for 10 cars for air-conditioning. During the testing one Non-AC car met with an accident and insurance company paid the actual cost as the claim. Insurance claim = ?
 (A) ₹ 45,000
 (B) ₹ 46,667
 (C) ₹ 50,000
 (D) ₹ 55,556
90. A bought goods of the value of ₹ 10,000 and consigned them to B to be sold by them on a joint venture, profits being divided equally, A paid ₹ 1,000 for freight and insurance. A draws a bill on B for ₹ 10,000. A got it discounted at ₹ 9,500. B sold the goods for ₹ 15,000. Commission payable to B, ₹ 500. Find out the profit on venture?
 (A) ₹ 3,000
 (B) ₹ 3,500
 (C) ₹ 4,000
 (D) ₹ 3,200
91. A bought goods of the value of ₹ 10,000 and consigned them to B to be sold by them on a joint venture, profits being divided equally, A paid ₹ 1,000 for freight and insurance. A draws a bill on B for ₹ 10,000. A got it discounted at ₹ 9,500. B sold the goods for ₹ 15,000. Commission payable to B, ₹ 500. The amount to be remitted by B to A will be -
 (A) ₹ 12,500
 (B) ₹ 3,000
 (C) ₹ 14,500
 (D) ₹ 13,500
92. A & B entered in a joint venture sharing profits and losses in the ratio of 3:2. A supplies goods to the value of ₹ 80,000 and incurs expenses ₹ 6,000. B supplies goods to the value of ₹ 14,000 and his expenses amount to ₹ 2,000. B sells goods on behalf of the joint venture and realizes ₹ 1,50,000. B entitled to a commission of 5% on sales. Find out A's share of profit on venture?
 (A) ₹ 24,300
 (B) ₹ 25,000
 (C) ₹ 26,000
 (D) ₹ 20,300
- From the following details give answer to next 5 questions.**
- Anushka and Avani entered into joint venture contributing ₹ 5,00,000 each into joint bank account to share the profit or loss equally. It was agreed to pay commission @8% on the sale made by the each of them. They purchased goods for ₹ 8,00,000 and Anushka sold 60% of the same for ₹ 5,20,000. ₹ 25,700 was spent on loading and unloading. 30% of goods were sold by Avani for ₹ 3,00,000. Closing stock was taken by the ventures in the ratio of 3:2 at cost price of purchased amount of goods and the venture's A/c settled from joint bank A/c.
93. For unsold goods taken over by Anushka Joint Venture A/c will be credited for
 (A) ₹ 49,542
 (B) ₹ 33,028
 (C) ₹ 32,000
 (D) ₹ 48,000
94. Profit on joint venture is = ?
 (A) ₹ 8,700
 (B) ₹ 40,700

- (C) ₹ 32,700
(D) ₹ 11,700
95. Final amount payable to Anushka on completion of joint venture = ?
(A) ₹ 4,97,950
(B) ₹ 4,96,350
(C) ₹ 5,45,950
(D) ₹ 5,28,350
96. Final amount payable to Avani on completion of joint venture = ?
(A) ₹ 4,97,950
(B) ₹ 4,96,350
(C) ₹ 5,45,950
(D) ₹ 5,28,350
97. Joint Bank A/c will tally at = ?
(A) ₹ 17,50,000
(B) ₹ 18,20,000
(C) ₹ 18,50,000
(D) ₹ 17,00,000
98. A & B entered in a joint venture sharing profits & losses in the ratio of 3:2. A supplies goods to the value of ₹ 60,000 and incurs expenses amounting ₹ 6,000. B supplies goods to the value of ₹ 16,000 and his expenses amount to ₹ 3,000. B sells goods on behalf of the joint venture and realizes ₹ 1,20,000. B entitled to a commission of 5% on sales. B settles his account by bank draft. How much amount, B will pay to A as final settlement?
(A) ₹ 83,400
(B) ₹ 93,200
(C) ₹ 80,000
(D) ₹ 66,000
99. A & V enter into a joint venture to sell a consignment of biscuits sharing profits & losses equally. A provides biscuits from stock ₹ 10,000. He pays expenses amounting to ₹ 1,000. V incurs further expenses on carriage ₹ 1,000. He receives cash for sales ₹ 15,000. He also takes over goods to the value of ₹ 2,000. Find out profit on venture?
(A) ₹ 3,000
(B) ₹ 5,000
(C) ₹ 6,000
(D) ₹ 3,500
100. What will be the amount to be remitted by V to A?
(A) ₹ 13,500

- (B) ₹ 15,000
(C) ₹ 11,000
(D) ₹ 10,000

From the following details give answer to next 4 questions.

Kailash and Gopal entered into a joint venture for the sale of plots of land. A joint bank account was opened in which Kailash deposited ₹ 30 lakh & Gopal deposited ₹ 10 lakh. They agreed to share profits and losses in the ratio of their respective capitals.

A piece of land was purchased for ₹ 29 lakh. Legal and registration fees of ₹ 3 lakh were paid. A sum of ₹ 8 lakh was spent on development of the land. The land was divided into 40 plots. 30 plots were sold @ ₹ 1.5 lakh each and 6 plots were sold @ ₹ 1.2 lakh each. The brokerage of ₹ 2.2 lakh was paid for selling the plots. The remaining plots were taken over by Kailash & Gopal at the cost price in proportion of the ratio in which they shared profits and losses.

101. For unsold goods taken over by Kailash Joint Venture A/c will be credited for
(A) ₹ 4,00,000
(B) ₹ 3,00,000
(C) ₹ 2,00,000
(D) ₹ 1,00,000
102. Profit on joint venture is = ?
(A) ₹ 14,00,000
(B) ₹ 15,00,000
(C) ₹ 16,00,000
(D) ₹ 17,00,000
103. Final amount payable to Kailash on completion of joint venture = ?
(A) ₹ 37,50,000
(B) ₹ 12,50,000
(C) ₹ 13,50,000
(D) ₹ 40,50,000
104. Final amount payable to Gopal on completion of joint venture = ?
(A) ₹ 37,50,000
(B) ₹ 12,50,000
(C) ₹ 40,50,000
(D) ₹ 13,50,000
105. A & B entered into a joint venture to purchase and sell crackers. Profits or losses were to be shared equally. A purchased crackers worth ₹ 1,00,000

- and incurred the following expenses in sending it to B: Forwarding charges ₹ 6,000, Insurance charges ₹ 5,000 and Rental charges ₹ 4,000. The whole crackers were disposed of by B for ₹ 2,20,000. B incurred advertisement expenses ₹ 20,000. Profit or loss on joint venture = ?
- (A) ₹ 2,20,000
(B) ₹ 85,000
(C) ₹ 1,00,000
(D) ₹ 1,20,000
106. Considering the same data as given in above question; which of the following statement is correct?
- (A) A will remit ₹ 65,000 to B
(B) B will remit ₹ 65,000 to A
(C) A will remit ₹ 1,57,500 to B
(D) B will remit ₹ 1,57,500 to A
107. A purchased 1,000 kg of rice costing ₹ 200 each. Paid carriage ₹ 2,000 and insurance ₹ 3,000. 4/5th of the rice were sold by B at ₹ 250 per kg. Remaining stock were taken over by B at cost. The amount of stock taken over will be:
- (A) ₹ 40,000
(B) ₹ 41,000
(C) ₹ 50,000
(D) ₹ 50,200
108. A & B entered in joint venture to share profits & losses in the ratio of 3:2. A supplies goods to the value of ₹ 60,000 and incurs expenses amounting ₹ 6,000. B supplies goods to the value of ₹ 14,000 and his expenses amount to ₹ 1,000. B sells goods on behalf of the joint venture and realizes ₹ 1,00,000. B entitled to a commission of 5% on sales. B settles his account by bank draft. Find out the profit on venture?
- (A) ₹ 14,400
(B) ₹ 14,000
(C) ₹ 13,000
(D) ₹ 13,200
109. Ram & Mohan entered into a joint venture to purchase and sell new year gifts. They agreed to share the profits and losses equally. Ram purchased goods worth ₹ 1,00,000 and spent ₹ 6,000 in sending the good to Mohan. He also paid ₹ 2,000 for insurance. Ram drew a bill of exchange upon Mohan for ₹ 1,00,000 at 2 months. He got the bill discounted @ 18% p.a. Mohan spent ₹ 3,000 on cartage, ₹ 5,000 as rent and ₹ 5,000 on advertisement. He sold all the gifts for ₹ 2,00,000 after retaining gifts worth ₹ 2,000 for his personal use. Profit or loss on joint venture = ?
- (A) ₹ 78,000
(B) ₹ 80,000
(C) ₹ 81,000
(D) ₹ 76,000
110. Considering the same data as given in above question; which of the following statement is correct?
- (A) Ram will remit ₹ 48,000 to Mohan
(B) Mohan will remit ₹ 48,000 to Ram
(C) Ram will remit ₹ 50,000 to Mohan
(D) Mohan will remit ₹ 50,000 to Ram
111. A purchased goods costing ₹ 2,00,000, B sold 4/5th of the goods for ₹ 2,50,000. Balance goods were taken over by B at cost less 20%. Find out profit on venture?
- (A) ₹ 82,000
(B) ₹ 90,000
(C) ₹ 50,000
(D) None of these
112. A purchased goods for ₹ 2,00,000. B sold the goods for ₹ 2,80,000. Unused material of ₹ 10,000 taken over by A at ₹ 8,000. A is entitled 1% commission on purchase. B is entitled 2% commission on sales. Profit sharing ratio equal. A's share of profit on venture will be -
- (A) ₹ 40,000
(B) ₹ 40,400
(C) ₹ 40,600
(D) ₹ 40,200
113. A & B enter into joint venture sharing profit & loss equally. A purchased 100 kg of rice @ ₹ 20 per kg. Brokerage paid ₹ 200, carriage paid ₹ 300. B sold 90 kg of rice @ ₹ 22 per kg. Balance rice was taken over by B at cost. The value of rice taken over to be recorded in joint venture will be:
- (A) ₹ 200
(B) ₹ 250
(C) ₹ 230
(D) ₹ 220
114. Arun & Balu entered into joint venture to sale second hand cars. Arun purchased 100 cars for ₹ 35,00,000. Balu spent ₹ 15,00,000 for repair of cars. He also spent ₹ 3,00,000 for 10 cars for air-conditioning. Details of sale are as follows:

	Arun	Balu
AC Car	5	4
Non-AC Car	35	46

AC Cars are sold at ₹ 1,75,000 each.

Non-AC Cars were sold:

Arun: 35 cars @ ₹ 1,25,000

Balu: 35 cars @ ₹ 1,10,000

Balu: 11 cars @ ₹ 80,000

During the transit one Non-AC Car met with accident and insurance company paid the actual cost as a claim amount, which was received by Balu. Of the remaining cars, AC car was taken by Arun and Non-AC car was taken by Balu.

Total profit on joint venture = ?

- (A) ₹ 29,55,000
(B) ₹ 59,10,000
(C) ₹ 54,30,000
(D) ₹ 58,60,000
- 115.** Consider the data of above question and select the correct option?
- (A) Arun will receive ₹ 12,75,000 from Balu at the time final settlement on completion of venture.
(B) Balu will receive ₹ 12,75,000 from Arun at the time final settlement on completion of venture.
(C) Balu will receive ₹ 11,25,000 from Arun at the time final settlement on completion of venture.
(D) Arun will receive ₹ 11,25,000 from Balu at the time final settlement on completion of venture.
- 116.** A & B enter into a joint venture sharing profits equally. A purchased 5,000 kg of rice @ ₹ 50 per kg. B purchased 1,000 kg of wheat @ ₹ 60 per kg. A sold 1,000 kg of wheat @ ₹ 70 per kg and B sold 5,000 kg of rice @ ₹ 60 per kg. The profit on venture will be -
- (A) ₹ 1,10,000
(B) ₹ 1,00,000
(C) ₹ 1,20,000
(D) ₹ 60,000
- 117.** Take the data of above question. What will be the final remittance?
- (A) B will remit ₹ 2,10,000 to A
(B) A will remit ₹ 2,10,000 to B
(C) A will remit ₹ 2,00,000 to B
(D) B will remit ₹ 1,80,000 to A
- 118.** A & B enter into a joint venture by opening a joint bank account contributing ₹ 10,00,000. The profit sharing ratio between A and B is 3:2. How much amount to be contributed by A?
- (A) ₹ 6,00,000
(B) ₹ 4,00,000
(C) ₹ 3,00,000
(D) ₹ 5,00,000
- 119.** A, B & C are co-venturer. The relative Profit sharing ratio between A and B is 3:2 and between B & C is also 3:2. Find out the profit sharing ratio between A, B and C.
- (A) 3:2:2
(B) 9:6:4
(C) 4:3:2
(D) 3:2:1
- 120.** A & B entered into a joint venture. They opened a joint bank account by contributing ₹ 2,00,000 each. The expenses incurred on venture is exactly equal to ₹ 2,00,000. Once the work is completed, contract money received by cheque ₹ 4,00,000 and in shares ₹ 50,000. The shares are sold for ₹ 40,000. What will be the profit on venture?
- (A) ₹ 2,50,000
(B) ₹ 2,40,000
(C) ₹ 4,40,000
(D) ₹ 4,50,000
- 121.** A & B entered in a joint venture sharing profits & losses in the ratio of 4:5. A supplies goods to the value of ₹ 50,000 and incurs expenses amounting to ₹ 5,400. B supplies goods to the value of ₹ 14,000 and his expense amount to ₹ 800. B sells goods on behalf of the joint venture and realizes ₹ 92,000. B is entitled to a commission of 5% on sales. B settles his account by bank draft. What will be the final remittance?
- (A) B will remit ₹ 63,044 to A
(B) A will remit ₹ 63,044 to B
(C) A will remit ₹ 69,000 to B
(D) B will remit ₹ 69,000 to A
- 122.** Take the data of above question. What will be the profit on venture?
- (A) ₹ 17,200
(B) ₹ 17,000
(C) ₹ 18,000
(D) ₹ 18,200

123. In a joint venture A & B contributes ₹ 5,000 & ₹ 10,000 respectively. Goods are purchased for ₹ 11,200. Expenses amount to ₹ 800. Sales amount to ₹ 14,000 the remaining goods were taken by B at an agree price of ₹ 400. A and B share profit and losses in the ratio of 1:2 respectively. As a final settlement, how much A will receive?

(A) ₹ 5,800
(B) ₹ 6,000
(C) ₹ 5,000
(D) ₹ 10,800

124. A & B enter into a joint venture sharing profits and losses in the ratio 2:3. Goods purchased by A for ₹ 45,000. Expenses incurred by A ₹ 13,500 and by B ₹ 5,200. B sold the goods for ₹ 85,000. Remaining stock taken over by B at ₹ 7,200. What will be the final remittance to be made by B to A:

.....

(A) ₹ 69,900

(B) ₹ 11,400

(C) ₹ 17,100

(D) ₹ 7,200

125. A, B & C enter into joint venture sharing profit & losses in the ratio of 2:2:1. Further details are as follows:

Particulars	A	B	C
Material supplied	12,000	6,000	-
Expenses paid	3,000	2,000	1,000
Sales proceeds	-	20,000	10,000
Unsold stock taken	-	2,000	500

Profit on joint venture = ?

(A) ₹ 8,500

(B) ₹ 8,000

(C) ₹ 7,500

(D) ₹ 7,000

Answers:

1.	(B)	2.	(D)	3.	(C)	4.	(C)	5.	(A)	6.	(A)	7.	(A)
8.	(D)	9.	(B)	10.	(C)	11.	(B)	12.	(C)	13.	(B)	14.	(A)
15.	(D)	16.	(C)	17.	(A)	18.	(C)	19.	(C)	20.	(D)	21.	(D)
22.	(D)	23.	(A)	24.	(D)	25.	(B)	26.	(B)	27.	(C)	28.	(C)
29.	(B)	30.	(B)	31.	(A)	32.	(C)	33.	(C)	34.	(A)	35.	(B)
36.	(A)	37.	(B)	38.	(B)	39.	(A)	40.	(A)	41.	(C)	42.	(C)
43.	(A)	44.	(D)	45.	(C)	46.	(C)	47.	(B)	48.	(A)	49.	(D)
50.	(C)	51.	(C)	52.	(A)	53.	(A)	54.	(C)	55.	(B)	56.	(A)
57.	(A)	58.	(B)	59.	(B)	60.	(A)	61.	(B)	62.	(B)	63.	(D)
64.	(C)	65.	(A)	66.	(B)	67.	(A)	68.	(A)	69.	(C)	70.	(C)
71.	(A)	72.	(B)	73.	(B)	74.	(B)	75.	(A)	76.	(A)	77.	(B)
78.	(A)	79.	(B)	80.	(B)	81.	(B)	82.	(C)	83.	(A)	84.	(C)
85.	(A)	86.	(B)	87.	(A)	88.	(B)	89.	(C)	90.	(A)	91.	(B)
92.	(A)	93.	(D)	94.	(A)	95.	(A)	96.	(B)	97.	(B)	98.	(A)
99.	(B)	100.	(A)	101.	(B)	102.	(A)	103.	(A)	104.	(B)	105.	(B)
106.	(D)	107.	(B)	108.	(B)	109.	(A)	110.	(D)	111.	(A)	112.	(D)
113.	(B)	114.	(B)	115.	(D)	116.	(D)	117.	(A)	118.	(A)	119.	(B)
120.	(B)	121.	(A)	122.	(A)	123.	(A)	124.	(A)	125.	(A)		

Hints for Important Practical MCQ

61. $2,250 \times \frac{1}{3} = 750$

62.

In the books of A & B

Dr.	Joint Venture A/c		Cr.
To Joint Bank A/c		By Joint Bank A/c	
- Purchase of equipment 60,000		- Film receipt	9,00,000
- Hire of equipment 50,000			
- Wages 4,50,000		By B A/c	
- Materials 1,00,000		- Equipment taken	20,000
- Office expenses 50,000	7,10,000		
To A A/c			
- Licensing fees	20,000		
To Co-venturers A/c			
- A 76,000			
- B 1,14,000	1,90,000		
	9,20,000		9,20,000

63. When goods are taken by any co-venturer, Joint Venture A/c is credited by the amount at which goods is taken; hence ₹ 8,000 will be credited to Joint Venture A/c

64. $4,00,000 \times 90\% \times 130\% = 4,68,000$

65. *Since, exam is in MCQ format. Problems have been solved in short cut method.*

Memorandum Joint Venture A/c		In A's Books JV with B A/c		In B's Books JV with A A/c	
1,00,000	1,50,000			25,000	1,50,000
25,000 50,000		1,00,000			
25,000		25,000	1,25,000	1,25,000	
1,50,000	1,50,000	1,25,000	1,25,000	1,50,000	1,50,000

66. When goods are taken by any co-venturer, Joint Venture A/c is credited by the amount at which goods is taken; hence ₹ 15,000 will be credited to Joint Venture A/c

67. Ratio of profit to cost = $\frac{10,000}{40,000} \times 100 = 25\%$; $2,500 + 625 = 3,125$

69.

Memorandum Joint Venture A/c		In N's Book JV with Z A/c		In Z's Book JV with N A/c	
4,00,000	5,39,200			4,00,000	2,50,000
2,000		2,50,000	5,39,200		
68,600 1,37,200		68,600		2,000	2,20,600
68,600		2,20,600		68,600	
5,39,200	5,39,200	5,39,200	5,39,200	4,70,600	4,70,600

70. $20,000 \times \frac{3}{5} = 12,000$

71.

In the books of X & Y

Dr.			Joint Venture A/c		Cr.	
To Joint Bank A/c					By Joint Bank A/c	
- Purchased goods (X)	4,00,000				- Goods sold (X)	4,68,000
- Purchased goods (Y)	5,00,000	9,00,000			- Goods sold (Y)	5,00,000
					- Insurance claim	20,000
To X A/c						9,88,000
- Expenses	60,000				By X A/c	
- Selling expenses	25,000				- Goods taken	56,175
- Commission	23,400	1,08,400			By Y A/c	
To Y A/c					- Goods taken	93,625
- Expenses	65,000					
- Selling expenses	30,000					
- Commission	25,000	1,20,000				
To Co-venturers A/c						
- X	3,525	9,400				
- Y	5,875					
		11,37,800				11,37,800

Dr.			Co-venturers A/c		Cr.
Particulars	X	Y	Particulars	X	Y
To Joint Venture A/c	56,175	93,625	By Joint Bank A/c	6,00,000	4,00,000
To Joint Bank A/c	6,55,750	4,32,250	By Joint Venture A/c	1,08,400	1,20,000
			By Joint Venture A/c	3,525	5,875
	7,11,925	5,25,875		7,11,925	5,25,875

Dr.			Joint Bank A/c		Cr.	
To X A/c			6,00,000		By Joint Venture A/c	
To Y A/c			4,00,000		By X A/c	
To Joint Venture A/c			9,88,000		By Y A/c	
			19,88,000			19,88,000

Working Notes:

<i>Sale made by X:</i>	₹	<i>Sale made by Y:</i>	₹
Cost of goods (4,00,000 × 90%)	3,60,000	Cost of goods (5,00,000 × 80%)	4,00,000
Add: Profit @ 30%	1,08,000	Add: Profit @ 25%	1,00,000
	4,68,000		5,00,000

Computation of goods taken by X & Y:

Cost of goods (4,00,000 × 10%)	40,000
Add: Non recurring expenses (60,000 × 10%)	6,000
	46,000
Less: Goods destroyed (46,000 × 1/5)	(9,200)
Value of goods	36,800

$$\text{Value of goods taken by X} = 1,49,800 \times \frac{3}{8} = 56,175$$
$$\text{Value of goods taken by Y} = 1,49,800 \times \frac{5}{8} = 93,625$$

73. & 74.

Joint Venture A/c			Co-venturer's A/c				Joint Bank A A/c	
	35,000	94,000	A	B	A	B	50,000	35,000
	3,000	2,000	-	2,000	50,000	40,000	40,000	28,000
18,000	28,000		71,000	50,000	3,000		94,000	71,000
12,000	30,000				18,000	12,000		50,000
	96,000	96,000	71,000	52,000	71,000	52,000	1,84,000	1,84,000

76. & 77.

Memorandum Joint Venture A/c		In A's Book JV with B A/c		In B's Book JV with A A/c	
2,00,000	2,50,000				
2,000		2,00,000	2,25,667	12,500	2,50,000
12,500		2,000		11,833	
23,667		23,667		2,25,667	
11,833	35,500	2,25,667	2,25,667	2,50,000	2,50,000
	2,50,000				

78.

Memorandum Joint Venture A/c		In M's Book JV with N A/c		In N's Book JV with M A/c	
6,000	7,800	6,000	6,900	300	7,800
300		300		600	
300		600		6,900	
600		6,900	6,900	7,800	7,800
600	1,200				
	7,800				

79.

Memorandum Joint Venture A/c		In P's Book JV with Q A/c		In Q's Book JV with P A/c	
2,00,000	1,80,000				
10,000	20,000	2,00,000	6,000	2,04,000	1,80,000
	6,000	10,000	2,04,000		20,000
	4,000				4,000
<u>2,10,000</u>	<u>2,10,000</u>	<u>2,10,000</u>	<u>2,10,000</u>	<u>2,04,000</u>	<u>2,04,000</u>

80. & 81.

Memorandum Joint Venture A/c		In C's Book JV with D A/c		In D's Book JV with C A/c	
1,50,000	10,000	1,50,000	10,000	80,000	3,00,000
80,000	3,00,000	5,000	1,89,000	15,000	
5,000		20,000		16,000	
15,000		24,000		1,89,000	
20,000		1,99,000	1,99,000	3,00,000	3,00,000
24,000					
16,000	40,000				
	3,10,000				

82.

Memorandum Joint Venture A/c		In R's Book JV with M A/c		In M's Book JV with R A/c	
1,00,000	2,00,000	1,00,000	1,55,000	10,000	2,00,000
10,000	5,000	10,000		40,000	5,000
5,000		5,000		1,55,000	
10,000		40,000		2,05,000	2,05,000
40,000		1,55,000	1,55,000		
40,000	80,000				
	2,05,000				

83. to 86.

Joint Venture A/c		Co-venturer's A/c				Joint Bank A A/c	
52,000	35,000	M	Y	M	Y	45,000	52,000
4,500	17,500	6,500	6,500	45,000	45,000	45,000	4,500
1,750	Unsold 6,500	43,438	42,562	1,750	875	35,000	43,438
875	Goods 6,500			3,188	3,187	17,500	42,562
		49,938	49,062	49,938	49,062	1,42,500	1,42,500
3,188							
3,187	6,375						
	65,500						

87. $2,00,000 \times 10\% = 20,000$ 88. $10,000 \times 80\% = 8,000$

89.

$$\text{Insurance claim (i.e. cost of one Non-AC car)} = \frac{35,00,000 + 15,00,000}{100} = 50,000$$

90. & 91.

Memorandum Joint Venture A/c		In A's Book JV with B A/c		In B's Book JV with A A/c	
10,000	15,000	10,000	10,000	10,000	15,000
1,000		1,000	3,000	500	
500		500		1,500	
1,500	500	1,500		3,000	
1,500	3,000	13,000	13,000	15,000	15,000
	15,000				

92.

$$A's \text{ share of profit} = 1,50,000 - 80,000 - 6,000 - 14,000 - 2,000 - 7,500 \times \frac{3}{5} = 24,300$$

93. to 97.

Joint Venture A/c		Co-venturer's A/c				Joint Bank A A/c	
		Anushka	Avani	Anushka	Avani		
8,00,000	5,20,000					5,00,000	8,00,000
25,700	3,00,000	48,000	32,000	5,00,000	5,00,000	5,00,000	25,700
41,600	48,000	4,97,950	4,96,350	41,600	24,000	5,20,000	4,97,950
24,000	32,000			4,350	4,350	3,00,000	4,96,350
4,350		5,45,950	5,28,350	5,45,950	5,28,350		
4,350	8,700					18,20,000	18,20,000
	9,00,000						

98.

Memorandum Joint Venture A/c		In A's Book JV with B A/c		In B's Book JV with A A/c	
60,000	1,20,000	60,000	83,400	16,000	1,20,000
6,000		6,000		3,000	
16,000		17,400		6,000	
3,000				11,600	
6,000				83,400	
17,400		83,400	83,400	1,20,000	1,20,000
11,600	29,000				
	1,20,000				

99. & 100. Try to solve at your own end.

101. to 104.

Joint Venture A/c		Co-venturer's A/c				Joint Bank A A/c	
		Kailash	Gopal	Kailash	Gopal		
29,00,000	52,20,000					30,00,000	29,00,000
3,00,000	3,00,000	3,00,000	1,00,000	30,00,000	10,00,000	10,00,000	3,00,000
8,00,000	1,00,000	37,50,000	12,50,000	10,50,000	3,50,000	52,20,000	8,00,000
2,20,000							2,20,000
							37,50,000
10,50,000		40,50,000	13,50,000	40,50,000	13,50,000		12,50,000
3,50,000	14,00,000					92,20,000	92,20,000
	56,20,000						

Calculation of value of unsold plots:

Land purchased	29,00,000
Legal & registration fees	3,00,000
Development	8,00,000
Cost of 40 plots	40,00,000
Less: Cost of 36 plots sold (40,00,000 × 36/40)	(36,00,000)
Cost of remaining 4 plots	4,00,000

$$\text{Plots taken by Kailash} = 4,00,000 \times \frac{3}{4} = 3,00,000$$

$$\text{Plots taken by Gopal} = 4,00,000 \times \frac{1}{4} = 1,00,000$$

105. & 106.

Memorandum Joint Venture A/c		In A's Book JV with B A/c		In B's Book JV with A A/c	
1,00,000	2,20,000				
15,000		1,00,000	1,57,500	20,000	2,20,000
20,000		15,000		42,500	
42,500		42,500		1,57,500	
42,500	85,000				
	<u>2,20,000</u>	<u>1,57,500</u>	<u>1,57,500</u>	<u>2,20,000</u>	<u>2,20,000</u>

107.

$$(1,000 \times 200) + 2,000 + 3,000 \times \frac{1}{5} = 41,000$$

108. Try to solve at your own end.

109. & 110.

Memorandum Joint Venture A/c		In Ram's Book Mohan A/c		In Mohan's Book Ram A/c	
1,00,000	2,00,000				
6,000	2,000	1,00,000	1,00,000	1,00,000	2,00,000
2,000		6,000	50,000	3,000	2,000
3,000		2,000		5,000	
3,000		3,000		5,000	
5,000		39,000		39,000	
5,000		<u>1,50,000</u>	<u>1,50,000</u>	<u>50,000</u>	
39,000				<u>2,02,000</u>	<u>2,02,000</u>
39,000	78,000				
	<u>2,02,000</u>				

111.

Joint Venture A/c	
2,00,000	2,50,000
82,000	Unsold Goods 32,000
	(2,00,000 × 1/5 × 80%)
<u>2,82,000</u>	<u>2,82,000</u>

112.

$$2,80,000 - 2,00,000 + 8,000 - 2,000 - 5,600 \times \frac{1}{2} = 40,200$$

113.

$$(100 \times 20) + 200 + 300 \times \frac{10}{100} = 250$$

114. & 115.

Memorandum Joint Venture A/c				In Arun's Book Balu A/c		In Balu's Book Arun A/c	
35,00,000	52,50,000						
15,00,000	54,30,000			35,00,000	52,50,000	15,00,000	54,30,000
3,00,000	50,000			29,55,000	80,000	3,00,000	50,000
29,55,000	Unsold 80,000				11,25,000	29,55,000	4,00,000
29,55,000	59,10,000	stock	4,00,000	64,55,000	64,55,000	11,25,000	
	1,12,10,000		1,12,10,000			58,80,000	58,80,000

Sales proceeds:

$$\text{Arun} = (5 \times 1,75,000) + (35 \times 1,25,000) = 52,50,000$$

$$\text{Balu} = (4 \times 1,75,000) + (35 \times 1,10,000) + (11 \times 80,000) = 54,30,000$$

$$\text{Insurance claim (i.e. cost of one Non-AC Car)} = \frac{35,00,000 + 15,00,000}{100} = 50,000$$

Calculation of unsold stock:

$$\text{Air-conditioning charges per car} = 50,000 + \frac{3,00,000}{10} = 80,000$$

$$\text{AC Car} = (1 \times 80,000) = 80,000$$

$$\text{Non-AC Car} = (8 \times 50,000) = 4,00,000$$

116. & 117.

Memorandum Joint Venture A/c				In A's Book JV with B A/c		In B's Book JV with A A/c	
2,50,000	70,000						
60,000	3,00,000			2,50,000	70,000	60,000	3,00,000
30,000				30,000	2,10,000	30,000	
30,000	60,000					2,10,000	
	3,70,000		3,70,000	2,80,000	2,80,000	3,00,000	3,00,000

118. to 125. Try to solve at your own end.

CONSIGNMENT

CHAPTER

13

MCQ on Theory

1. The consignment accounting is made on the following basis -
 - (A) Accrual
 - (B) Realisation
 - (C) Cash Basis
 - (D) None
2. Consignment A/c is -
 - (A) Real Account
 - (B) Personal Account
 - (C) Nominal Account
 - (D) None of the above
3. Which of the following expenses of consignee will be considered as non-selling expenses?
 - (A) Advertisement
 - (B) Insurance
 - (C) Selling Expenses
 - (D) None of the above
4. In accounting consignment means -
 - (A) Goods forwarded from one place to another.
 - (B) Goods forwarded by a person to another.
 - (C) Goods sent by its owner to his agent.
 - (D) Goods sent by its owner to his agent for the purpose by sale.
5. Goods sent on consignment should be debited by consignor to -
 - (A) Consignment A/c
 - (B) Goods sent on consignment A/c
 - (C) Consignees A/c
 - (D) Consignors A/c
6. A proforma invoice is sent by -
 - (A) Consignee to Consignor
 - (B) Consignor to Consignee
 - (C) Debtors to Consignee
 - (D) Debtors to Consignor
7. In the books of consignor the balance of the consignment stock account would be shown -
 - (A) As an asset in the balance sheet.
 - (B) As liability in the balance sheet.
 - (C) On the credit side of trading account.
 - (D) On the debit side of consignment account.
8. Owner of the consignment stock is -
 - (A) Consignor
 - (B) Consignee
 - (C) Debtors
 - (D) None
9. On the dispatch of goods, the entry in the books of Consignee would be -
 - (A) "Consignment A/c" will be debited and "Goods Sent on Consignment A/c" will be credited.
 - (B) "Consignment A/c" debited and "Consignee A/c" credited.
 - (C) No entry
 - (D) None of above
10. Consignment stock will be recorded in the balance sheet of Consignor on asset side at -
 - (A) Invoice value
 - (B) At Invoice value less stock reserve
 - (C) At lower than cost price
 - (D) At 10% lower than invoice value
11. When goods are sent on consignment for recording loading which of the following entry is passed in the books of Consignor?

(A)	Goods Sent on Consignment A/c To Consignment Stock A/c	Dr.
(B)	Goods Sent on Consignment A/c To Consignment A/c	Dr.
(C)	Consignment A/c To Goods Sent on Consignment A/c	Dr.
(D)	Consignment Stock A/c To Goods Sent on Consignment A/c	Dr.

12. Which of the following item is not credited to consignment account?
- Cash sales made by consignee
 - Credit sales made by consignee
 - Consignment Stock
 - Stock reserve on closing stock
13. The consignor is:
- Principal
 - Agent
 - Debtor
 - None of them
14. The commission received from consignor will be transferred to which account?
- General Trading
 - General P& L A/c
 - Balance Sheet
 - None of these
15. Account sales is submitted by -
- Consignor
 - Consignee
 - Principal to his agent
 - Debtor to creditor
16. For recording expenses incurred by consignee, which of the following entry is passed in the books of Consignee?
- | | | |
|-----|---------------------------------------|-----|
| (A) | Consignment A/c
To Cash & Bank A/c | Dr. |
| (B) | Expenses A/c
To Consignment A/c | Dr. |
| (C) | Expenses A/c
To Cash & Bank A/c | Dr. |
| (D) | Consignor A/c
To Cash & Bank A/c | Dr. |
17. The nature of the consignment account is -
- Capital in nature
 - Nominal in nature
 - Realisation A/c in nature
 - Bank A/c in nature
18. The consignee is -
- Principal
 - Agent
 - Buyer
 - Seller
19. In the books of consignor, the expenses incurred by consignor should be debited to -
- Consignees A/c
 - Consignment A/c
 - Expenses A/c
 - Consignor's A/c
20. For acceptance of bill of exchange by Consignee, which of the following entry will be passed in the books of Consignor?
- | | | |
|-----|--|-----|
| (A) | Bills Receivable A/c
To Consignment A/c | Dr. |
| (B) | Bills Receivable A/c
To Consignee A/c | Dr. |
| (C) | Consignor A/c
To Bills Payable A/c | Dr. |
| (D) | Consignee A/c
To Consignment A/c | Dr. |
21. In the books of consignor the acceptance of bills of exchange by the consignee will be credited to:
- Consignment A/c
 - Consignee A/c
 - Income A/c
 - Consignor's A/c
22. Which of the following statement is not true:
- If del-credere commission is allowed, bad debt will not be recorded in the books of consignor.
 - If del-credere commission is allowed, bad debt will be debited in consignment account.
 - Del-credere commission is allowed by consignor to consignee.
 - Del-credere commission is generally relevant for credit sales.
23. In the books of consignor the abnormal loss should be credited to:
- Profit & loss A/c
 - Consignment A/c
 - Trading A/c
 - Consignees A/c
24. For recording loading on unsold stock, which of the following entry is passed in the books of Consignor?
- | | | |
|-----|---|-----|
| (A) | Consignment Stock A/c
To Stock Reserve A/c | Dr. |
|-----|---|-----|

- (B)

Consignment A/c	Dr.
To Stock Reserve A/c	
- (C)

Stock Reserve A/c	Dr.
To Consignment A/c	
- (D)

Stock Reserve A/c	Dr.
To Consignment Stock A/c	
25. Commission will be shared by -
 (A) Consignor & Consignee
 (B) Only Consignee
 (C) Only Consignor
 (D) Third Party
26. In case of del-credere commission, the liability for bad debts is on -
 (A) Consignor
 (B) Consignee
 (C) Customer
 (D) None of the above
27. Out of the following at which point the treatment of "Sales" and "Consignment" is same -
 (A) Ownership transfer
 (B) Money receive
 (C) Stock outflow
 (D) Risk
28. In the books of consignor, the expenses incurred by consignee should be debited to -
 (A) Consignees A/c
 (B) Consignment A/c
 (C) Expenses A/c
 (D) Consignor's A/c
29. In the books of consignor the acceptance of bills of exchange by the consignee will be credited to -
 (A) Consignment A/c
 (B) Consignee's A/c
 (C) Bill receivable A/c
 (D) Bills payable A/c
30. To record unsold stock with Consignee, which of the following entry will be passed in the books of Consignor?
- (A)

Consignment Stock A/c	Dr.
To Consignment A/c	
- (B)

Consignment Stock A/c	Dr.
To Goods Sent to Consignment A/c	
- (C)

Goods Sent to Consignment A/c	Dr.
To Consignment Stock A/c	
- (D)

Consignment Stock A/c	Dr.
To Stock Reserve A/c	
31. Over-riding commission is a commission payable to consignee by consignor for -
 (A) For protecting himself from bad debt
 (B) For making sales above specific price
 (C) As good friend
 (D) As loyalty payment
32. Which of the following statement is wrong:
 (A) Consignor is the owner of the consignment stock
 (B) Del-credere commission is allowed by consignor to protect himself from bad debt
 (C) Proportionate consignor's expenses is added up with consignment stock
 (D) All proportionate consignee's expenses will be added up for valuation of consignment stock.
33. To record credit sale, when del-credere commission is not given which of the following entry is passed in the books of Consignor?
- (A)

Consignment Debtors A/c	Dr.
To Consignment A/c	
- (B)

Consignee A/c	Dr.
To Consignment A/c	
- (C)

Consignment Debtors A/c	Dr.
To Consignee A/c	
- (D)

Consignment Debtors A/c	Dr.
To Sales A/c	
34. In the books of consignor, the balance in the goods sent on consignment account is shown:
 (A) On the asset side to balance sheet.
 (B) On the liability side of balance sheet.
 (C) On the credit side of Trading A/c
 (D) On the credit side of Consignment A/c
35. In the books of consignor, the profit of consignment will be transferred to:
 (A) General Trading A/c
 (B) General P/L A/c
 (C) Drawings A/c
 (D) None of these
36. In the books of Consignee the expenses incurred by him on consignment are debited to -
 (A) Consignment A/c
 (B) Cash A/c

- (C) Consignor's A/c
(D) Expense A/c
37. If del-credere commission is allowed for bad debt, consignee will debit the bad debt amount to:
- (A) Commission Earned A/c
(B) Consignor's A/c
(C) Debtors A/c
(D) General Trading A/c
38. Del-credere commission is calculated on -
- (A) Credit sales
(B) Cash sales
(C) (A) or (B)
(D) Both (A) & (B)
39. Normal losses are due to -
- (A) Avoidable factor
(B) Unavoidable Factor
(C) Contingent Factor
(D) None
40. When Consignor discounts the bills receivable with bank, then which of the following entry will be passed in the books of Consignor?
- | | |
|-----|---|
| (A) | <div style="display: flex; justify-content: space-between;"> <div>Consignment A/c</div> <div>Dr.</div> </div> <div style="display: flex; justify-content: space-between;"> <div>Discount A/c</div> <div>Dr.</div> </div> <div style="display: flex; justify-content: space-between;"> <div>To Bills Receivable A/c</div> <div></div> </div> |
| (B) | <div style="display: flex; justify-content: space-between;"> <div>Bank A/c</div> <div>Dr.</div> </div> <div style="display: flex; justify-content: space-between;"> <div>Profit & Loss A/c</div> <div>Dr.</div> </div> <div style="display: flex; justify-content: space-between;"> <div>To Bills Receivable A/c</div> <div></div> </div> |
| (C) | <div style="display: flex; justify-content: space-between;"> <div>Bank A/c</div> <div>Dr.</div> </div> <div style="display: flex; justify-content: space-between;"> <div>Consignment A/c</div> <div>Dr.</div> </div> <div style="display: flex; justify-content: space-between;"> <div>To Bills Receivable A/c</div> <div></div> </div> |
| (D) | (A) or (C) |
41. Which of the following statement is correct?
- (A) Consignee will pass a journal entry in his books at the time of receiving goods from consignor.
(B) Consignee will not pass any journal entry in his books at the time of receiving goods from consignor.
(C) The ownership of goods will be transferred to consignee at the time of receiving the goods.
(D) Consignee will treat consignor as creditor at the time of receiving goods.
42. In Consignee book, the acceptance of bill of exchange by Consignee will be debited to:
- (A) Trading A/c
(B) Consignor A/c
(C) Balance Payable A/c
(D) Consignee A/c
43. Which of the following entry will be passed in the books of Consignor for recording bad debts if del-credere is allowed to Consignee?
- | | |
|-----|---|
| (A) | <div style="display: flex; justify-content: space-between;"> <div>Bad Debts A/c</div> <div>Dr.</div> </div> <div style="display: flex; justify-content: space-between;"> <div>To Consignment Debtors A/c</div> <div></div> </div> |
| (B) | <div style="display: flex; justify-content: space-between;"> <div>Bad Debts A/c</div> <div>Dr.</div> </div> <div style="display: flex; justify-content: space-between;"> <div>To Profit & Loss A/c</div> <div></div> </div> |
| (C) | <div style="display: flex; justify-content: space-between;"> <div>Bad Debts A/c</div> <div>Dr.</div> </div> <div style="display: flex; justify-content: space-between;"> <div>To Consignee A/c</div> <div></div> </div> |
| (D) | No entry is required to be passed. |
44. If consignor draws a bill on consignee and discounted it with the banker the discounting charges will be debited in -
- (A) General P/L
(B) Consignment A/c
(C) Consignee
(D) Debtors
45. In the books of consignee, the sale of goods is credited to -
- (A) Consignor's A/c
(B) Sales A/c
(C) Consignee's A/c
(D) Cash A/c
46. A proforma invoice is sent by -
- (A) Consignee to consignor
(B) Consignee to debtors
(C) Debtors to consignee
(D) Consignor to consignee
47. Which of the following expenses of consignee will be considered as non-selling expenses -
- (A) Advertisement
(B) Insurance
(C) Godown rent
(D) None of the above
48. Which of the following entry will be passed in the books of Consignor for recording bad debts if del-credere is not allowed to Consignee?
- | | |
|-----|---|
| (A) | <div style="display: flex; justify-content: space-between;"> <div>Consignment A/c</div> <div>Dr.</div> </div> <div style="display: flex; justify-content: space-between;"> <div>To Consignment Debtors A/c</div> <div></div> </div> |
|-----|---|

- | | | |
|-----|---|-----|
| (B) | Bad Debts A/c
To Consignment Debtors A/c | Dr. |
| (C) | Bad Debts A/c
To Consignee A/c | Dr. |
| (D) | No entry is required to be passed. | |
49. For closing stock held by consignee which account must be debited?
- (A) Consignment Stock A/c
(B) Sales A/c
(C) Consignee A/c
(D) Consignment A/c
50. If del-credere commission is allowed by consignor to consignee the bad debt treatment in the books of Consignor will be:
- (A) Will not be recorded in consignor's books
(B) Bad debt will be debited in Consignor's A/c
(C) Bad debt will be charged to General P/L A/c
(D) Bad debt will be recoverable along with credit sales
51. On earning the commission on sales, the Consignee debits in his books -
- (A) Consignor A/c
(B) Profit & Loss A/c
(C) Commission Earned A/c
(D) Consignment A/c
52. Balance in Consignment A/c shows -
- (A) Amount due to consignee
(B) Amount due from consignee
(C) Profit or Loss on consignment
(D) Stock lying with consignee
53. Which of these accounts are not opened in the books of Consignor?
- (A) Consignment A/c
(B) Commission Earned A/c
(C) Goods sent on Consignment A/c
(D) Consignees Personal A/c
54. To record credit sale, when del-credere commission is given which of the following entry is passed in the books of Consignee?
- | | | |
|-----|---|-----|
| (A) | Consignment Debtors A/c
To Consignor A/c | Dr. |
| (B) | Consignor A/c
To Sales A/c | Dr. |
- | | | |
|-----|---|-----|
| (C) | Sales A/c
To Consignment Debtors A/c | Dr. |
| (D) | No entry is required to be passed. | |
55. Which of these is NOT a feature of Consignment?
- (A) There is principal and agent relationship between the Consignor and Consignee.
(B) Consignor presents proforma invoice to the Consignee.
(C) The property in the goods passes on to the Consignee after transfer of the goods.
(D) Consignor reimburses all the expenses to the Consignee.
56. For closing stock held by Consignee which account must be credited?
- (A) Consignment Stock A/c
(B) Sales A/c
(C) Consignee A/c
(D) Consignment A/c
57. Account Sales -
- (A) Have a very particular format
(B) Does not have a specific format
(C) Must be prepared by law
(D) Given by consignor to consignee
58. When Consignment A/c is prepared at invoice price, the profit element (difference of cost price and invoice price) included in the closing stock valued at invoice price shall be
- (A) Debited to "Goods Sent on Consignment A/c"
(B) Debited to "Consignee's A/c".
(C) Credited to "Consignment Stock Reserve A/c"
(D) Debited to "Consignment Stock Reserve A/c"
59. In case of a consignment business continued in the next year, the following accounting treatment will be recorded at the end of first year -
- (A) Consignment Stock A/c is to be closed by debiting it to Consignee's A/c
(B) Consignment Stock A/c is to be closed by debiting it to Consignment A/c
(C) Consignment Stock A/c is to be closed by debiting it to Goods sent on Consignment A/c
(D) Consignment Stock A/c is to be closed by crediting it to Consignment A/c

60. Which of the following statements is CORRECT in respect of goods sent to consignee?

- (A) Consignor and consignee enter into an agreement for sale of goods.
- (B) The relationship between consignor and consignee is that of a trader and a customer.
- (C) The relationship between consignor and consignee is not that of principal and an agent.
- (D) Consignee is entitled to return the goods if remaining unsold.

61. If Consignee sent advance to Consignor, then which of the following entry will be passed in the books of Consignee?

(A)	Consignor A/c	Dr.
	To Cash & Bank A/c	
(B)	Cash & Bank A/c	Dr.
	To Consignee A/c	
(C)	Cash & Bank A/c	Dr.
	To Consignor A/c	
(D)	Consignment A/c	Dr.
	To Cash & Bank A/c	

62. In relation to consignment accounts :

- (A) Consignor sends 'Account Sale' to consignee.
- (B) Consignee sends 'Account Sale' to consignor.
- (C) Debtor sends 'Account Sale' to consignor.
- (D) Consignee sends 'Account Sale' to customer.

63. Amount of 'Abnormal Loss' (Cost Price + Proportionate Expenses)

- (A) Shall be debited to Consignment A/c
- (B) Shall be credited to Consignment A/c
- (C) Shall be credited to General Profit & Loss A/c
- (D) Shall be credited to Insurance Company's A/c

64. Which of the following items is NOT included in the 'Account Sale'?

- (A) Goods sold by consignee.
- (B) Expenses of consignment incurred by consignee.
- (C) Claim paid by insurance company.
- (D) Advance against consignment paid by consignee.

65. Which of the following statements is INCORRECT in respect of consignment accounts?

- (A) Consignor and consignee share consignment profit equally.
- (B) To boost up sales, a certain percentage of profit, in addition to commission, may be allowed to consignee.
- (C) As normal loss is unavoidable, it must be borne by Consignment A/c.
- (D) Abnormal loss is not to be borne by Consignment A/c.

66. If market price of closing stock is also known while preparing Consignment A/c -

- (A) Closing Stock is to be valued at cost.
- (B) Closing Stock is to be valued at market price.
- (C) Closing Stock is to be valued at cost or market price, whichever is higher.
- (D) Closing Stock is to be valued at cost or market price, whichever is lower.

67. When the bill of exchange drawn by the Consignor is accepted by the Consignee which account will be credited in the books of the consignor?

- (A) Consignment A/c
- (B) Consignee's A/c
- (C) Bills Receivable A/c
- (D) Bills payable A/c

68. When commission becomes due to Consignee for the sales, then which of the following entry will be passed in the books of Consignor?

(A)	Consignment A/c	Dr.
	To Commission A/c	
(B)	Consignment A/c	Dr.
	To Consignee A/c	
(C)	Commission A/c	Dr.
	To Consignment A/c	
(D)	Consignor A/c	Dr.
	To Commission A/c	

69. Ordinary commission is

- (A) Based on fixed percentage of cash sales
- (B) Based on fixed percentage of credit sales
- (C) Based on fixed percentage of total sales.
- (D) Given of no del-credere commission is given.

70. For closing bad debts accounts in the books of Consignee, which of the following entry be passed?

(A)	Bad Debts A/c	Dr.
	To Profit & Loss A/c	

(B)	Profit & Loss A/c To Bad Debts A/c	Dr.
(C)	Consignor A/c To Bad Debts A/c	Dr.
(D)	Commission Received A/c To Bad Debts A/c	Dr.

71. An Account Sales is a statement of affairs relating to the -

- (A) Joint Venture
- (B) Sale or Return
- (C) Advance Sales
- (D) Consignment

72. Over-riding or special commission is calculated on -

- (A) Sales at higher price then invoiced
- (B) Total sales
- (C) Difference between actual sales and sales at invoice price or any specified price
- (D) Any of the above

73. Normal loss in consignment -

- (A) Avoidable loss
- (B) Unavoidable loss
- (C) Arises due to theft, accident, fire, pilferage etc.
- (D) Any of the above

74. While calculating abnormal loss _____ is taken.

- (A) Cost price
- (B) Invoice price
- (C) Sale price
- (D) Market price

75. When commission becomes due to Consignee for the sales, then which of the following entry will be passed in the books of Consignee?

(A)	Consignment A/c To Commission A/c	Dr.
(B)	Consignment A/c To Consignor A/c	Dr.
(C)	Commission A/c To Consignment A/c	Dr.
(D)	Consignor A/c To Commission A/c	Dr.

76. In case of _____, ownership of the goods goes to buyer.

- (A) Consignment
- (B) Sale

(C) Bailment

(D) All of the above

77. Which of the following statement is/are incorrect?

- (I) In case of sale of goods, loss has to be borne by buyer.
- (II) Consignee can return the goods not sold by him.
- (III) The profits and losses are shared between the consignor and consignee in agreed ratio.
- (IV) The relation between co-ventures is just like the partners in partnership firm.
- (V) For recording abnormal loss Consignment A/c is credited.

The correct answer is -

- (A) (I) & (III) only
- (B) (III) & (V) only
- (C) (III) only
- (D) (I), (II) & (IV) only

Practical MCQ

78. P of Delhi sends out 100 boxes of toothpaste costing ₹ 200 each. Each box consist of 12 packets. 60 boxes were sold by consignee at ₹ 20 per packet. Amount of sale value will be:

- (A) ₹ 14,400
- (B) ₹ 12,000
- (C) ₹ 13,200
- (D) ₹ 14,200

79. Goods sent to consignment at cost plus 33-1/3%. The percentage of loading on invoice price will be:

- (A) 25%
- (B) 33-1/3 %
- (C) 20%
- (D) None

80. X of Kolkata sends out certain goods to Y of Mumbai at cost plus 25%. 1/2 of the goods received by Y is sold at 1,76,000 at 10% above invoice price. Invoice value of goods send out is -

- (A) ₹ 3,00,000
- (B) ₹ 3,20,000
- (C) ₹ 1,80,000
- (D) ₹ 3,40,000

81. X of Kolkata sends out 2,000 boxes to Y of Delhi costing ₹ 100 each. Consignor's expenses ₹ 5,000. 1/10th of the boxes were lost in consignee's

godown and treated as normal loss. 1,200 boxes were sold by consignee. Value of consignment stock = ?

- (A) ₹ 68,333
- (B) ₹ 61,500
- (C) ₹ 60,000
- (D) ₹ 60,250

82. A consigned goods of ₹ 20,000 to M and paid ₹ 1,000 for expense. The consignee paid ₹ 200 for freight and ₹ 100 for octroi. 80% of goods was sold and commission of ₹ 1,000 was paid. Value of closing stock = ?

- (A) ₹ 4,200
- (B) ₹ 4,000
- (C) ₹ 4,260
- (D) ₹ 5,200

83. Goods costing ₹ 2,00,000 sent out to consignee at Cost plus 25%. Invoice value of the goods will be -

- (A) ₹ 2,50,000
- (B) ₹ 2,40,000
- (C) ₹ 3,00,000
- (D) None

84. A of Ahmedabad consigned goods of ₹ 10,000 to B of Baroda and pays ₹ 1,000 for expense. Goods worth ₹ 2,000 was burnt in transit and the insurance company accepted a claim of ₹ 1,500 then the abnormal loss debited to General Profit & Loss A/c = ?

- (A) ₹ 700
- (B) ₹ 2,000
- (C) ₹ 500
- (D) Nothing

85. Goods costing ₹ 1,80,000 sent out to consignee to show a profit of 20% on Invoice Price. Invoice price of the goods will be:

- (A) ₹ 2,16,000
- (B) ₹ 2,25,000
- (C) ₹ 2,10,000
- (D) None

86. Goods of the Invoice value ₹ 2,40,000 sent out to consignee at 20% profit on cost. The loading amount will be -

- (A) ₹ 40,000
- (B) ₹ 48,000
- (C) ₹ 50,000
- (D) None

87. Raj Radio consigned 2,000 radios of ₹ 80 each to Vijay Radio. The consignor paid expenses ₹ 1,045. The consignee received only 1,800 radios. The consignee paid clearing expenses ₹ 500. Cartage ₹ 100, Warehouse charges ₹ 1,450 and Selling expenses ₹ 600. The consignee sold 1,200 radios. Value of closing stock = ?

- (A) ₹ 48,513.50
- (B) ₹ 48,313.50
- (C) ₹ 48,713.50
- (D) ₹ 48,400.00

88. X sent out certain goods to Y of Delhi. 1/10th of the goods were lost in transit. Invoice value of goods lost ₹ 12,500. Invoice value of goods sent out on consignment will be -

- (A) ₹ 1,20,000
- (B) ₹ 1,25,000
- (C) ₹ 1,40,000
- (D) ₹ 1,00,000

89. 100 tins of oil at ₹ 530, per tin of 15 kg each were sent by Bhavnagar to Ahmedabad to be sold on consignment. He paid ₹ 625 for expenses. Normal loss is considered to be 5%. If the quantity left is 285 kg, then the value of stock is

- (A) ₹ 10,725
- (B) ₹ 53,625
- (C) ₹ 53,000
- (D) ₹ 53,725

90. Rabin consigned goods for the value of ₹ 8,250 to Raj of Kanpur and paid freight etc. of ₹ 650 and insurance ₹ 400. He drew a bill on Raj for 3 months after date for ₹ 3,000 as an advance against consignment, and discounted the bill for ₹ 2,960. Further, he received Account Sales from Raj showing that, part of the goods had realized gross ₹ 8,350 and that his expenses and commission amounted to ₹ 870. The stock unsold was valued at ₹ 2,750. Consignee wants to remit a draft for the amount due. The amount of draft will be -

- (A) ₹ 2,130
- (B) ₹ 4,480
- (C) ₹ 5,130
- (D) ₹ 5,090

91. P have sent 25,000 kg Tea on consignment at ₹ 150 per kg and paid direct expenses of ₹ 25,000. During transit 1,000 kg were totally destroyed. Insurance company paid ₹ 1,45,000, then abnormal loss debited to General Profit & Loss A/c = ?

- (A) ₹ 6,000
(B) ₹ 1,51,000
(C) ₹ 1,50,000
(D) Nothing
92. X sends 1,000 bags to Y costing ₹ 200 each. Consignor's expenses ₹ 2,000. Y's expenses non-selling ₹ 1,000, selling ₹ 2,000. 100 bags were lost in transit. Value of lost in transit will be -
(A) ₹ 20,200
(B) ₹ 20,300
(C) ₹ 20,000
(D) ₹ 23,000
93. Consignee receiving del-credere commission, sold goods worth ₹ 20,000 on credit. Out of it one debtor of ₹ 500 became bankrupt, 25 paise in a rupee is received from him. Then in the books of Consignee bad debts is recorded as -
(A) ₹ 125
(B) ₹ 500
(C) ₹ 375
(D) Nothing
94. X of Kolkata sends out 1,000 bags to Y of Delhi costing ₹ 2,000 each. 600 bags were sold at 10% above cost price. Sales value will be:
(A) ₹ 13,20,000
(B) ₹ 13,00,000
(C) ₹ 12,00,000
(D) ₹ 13,50,000
95. Consignee has sold goods of ₹ 25,000 on credit, out of this one debtor of ₹ 2,000 became insolvent and dividend of 60 paise per rupee was received from him. Only normal commission is paid to Consignee. In this case, in the books of Consignee
(A) ₹ 1,200 will be debited to Bad Debt A/c
(B) ₹ 1,200 will be debited to Consignor's A/c
(C) No entry is required to be passed in the books of consignee.
(D) ₹ 800 will be debited to Consignor's A/c
96. Y consigned 800 packets of toothpaste, each packet containing 100 toothpastes. Cost price of each packet was ₹ 900. Consignee sold 740 packets at the rate of ₹ 12 per toothpaste. He was entitled to 2% commission on sales plus 1% del-credere commission. Commission = ?
(A) ₹ 26,640
(B) ₹ 25,500
(C) ₹ 24,460
(D) ₹ 25,460
97. X of Kolkata sends out 400 bags to Y of Delhi costing ₹ 200 each. Consignor expenses ₹ 2,000. Y's non selling expenses ₹ 2,000 and selling expenses ₹ 1,000. 300 bags were sold by Y. Value of consignment stock = ?
(A) ₹ 20,400
(B) ₹ 20,200
(C) ₹ 20,000
(D) ₹ 21,000
98. F consigned 1,500 liter chemical to K at the rate of ₹ 50 per liter, and paid expenses of ₹ 10,500. Due to evaporation there was a loss of 75 liters. Consignee sold 1,275 liters at the rate of ₹ 75 per liter. Value of closing stock = ?
(A) ₹ 7,500
(B) ₹ 7,800
(C) ₹ 8,550
(D) ₹ 9,000
99. X of Kolkata sent out 2,000 boxes costing 100 each with the instruction that sales are to be made at cost plus 45%. X draws a bill on Y for an amount equivalent to 60% of sales value. The amount of bill will be -
(A) ₹ 1,74,000
(B) ₹ 2,00,000
(C) ₹ 2,90,000
(D) ₹ 1,20,000
100. The consignor consigned goods worth ₹ 50,000 to the consignee and paid expenses ₹ 2,500. Consignee paid ₹ 500 for freight and ₹ 250 for Octroi, Commission of ₹ 2,500 paid on sale of 80% goods. What will be the value of closing stock?
(A) ₹ 10,000
(B) ₹ 10,500
(C) ₹ 10,650
(D) ₹ 10,150
101. X of Kolkata sends out 500 bags to Y costing ₹ 400 each at an invoice price of ₹ 500 each. Consignor's expenses ₹ 4,000 consignee's non-selling expenses ₹ 1,000 and selling expenses ₹ 2,000. 400 bags were sold. The amount of consignment stock at invoice price will be-
(A) ₹ 50,900
(B) ₹ 50,800
(C) ₹ 50,000
(D) ₹ 51,000

102. S consigned goods of ₹ 50,000 to M and pays ₹ 5,000 for expenses. Goods worth ₹ 10,000 was burnt due to fire in transit and the insurance company accepted a claim of ₹ 7,500 then abnormal loss is
- (A) ₹ 2,500
(B) ₹ 10,000
(C) ₹ 3,500
(D) ₹ 7,500
103. X sends 500 bags to Y costing ₹ 400 each at an invoice price of ₹ 500 each. Consignor's expenses ₹ 4,000 consignee's, non-selling expenses ₹ 1,000, selling expenses ₹ 2,000. 400 bags were sold. The amount of stock reserve will be -
- (A) ₹ 10,000
(B) Nil
(C) ₹ 20,000
(D) ₹ 20,400
104. Y consigned 800 packets of toothpaste, each packet containing 100 toothpastes. Cost price of each packet was ₹ 900. Y spent ₹ 100 per packet as cartage, freight, insurance and forwarding charges. One packet was lost on the way and Y lodged claim with the insurance company and could get ₹ 570 as claim on average basis. Consignee took delivery of the rest of the packets and spent ₹ 39,950 as other non-recurring expenses and ₹ 22,500 as recurring expenses.
- Value of abnormal loss = ?
- (A) ₹ 1,000
(B) ₹ 900
(C) ₹ 1,049.94
(D) ₹ 1,078.06
105. X of Kolkata sends out goods costing ₹ 3,00,000 to Y of Mumbai at cost plus 25%. Consignor's expenses ₹ 5,000. 1/10th of the goods were lost in transit. Insurance claim received ₹ 3,000. The net loss on account of abnormal loss is -
- (A) ₹ 27,500
(B) ₹ 25,500
(C) ₹ 30,500
(D) ₹ 27,000
106. Ramesh consigned 2,000 kg of chemicals at a cost of ₹ 800 per kg to John. Ramesh paid freight and insurance charges of ₹ 20,000. Of the above, 500 kg were destroyed by fire during transit. John cleared the balance of 1,500 kg of chemicals. John incurred the following expenses: Godown rent ₹ 5,000, Insurance ₹ 3,000, clearing charges ₹ 4,500. Insurance claim received against fire ₹ 4,00,000 after admitting the salvage value ₹ 10,000. For abnormal loss Consignment A/c will be credited by
- (A) ₹ 4,05,000
(B) ₹ 3,95,000
(C) ₹ 4,06,125
(D) ₹ 3,96,125
107. Rahim of Kolkata sends out 1,000 boxes to Ram of Delhi costing ₹ 100 each at an invoice price of ₹ 120 each. Goods send out on consignment to be credited in general trading will be:
- (A) ₹ 1,00,000
(B) ₹ 1,20,000
(C) ₹ 20,000
(D) None
108. Ramesh consigned 2,000 MT of chemicals at a cost of ₹ 800 per MT to John. Ramesh paid freight & insurance charges of ₹ 20,000. Of the above, 500 MT were destroyed by fire during transit. John cleared the balance of 1,500 MT of chemicals and sold 1,000 MT at average price of ₹ 1,000 per MT. John incurred the following expenses: Godown rent ₹ 5,000, Insurance ₹ 3,000, clearing charges ₹ 4,500. Insurance claim received against fire ₹ 4,00,000 after admitting the salvage value ₹ 10,000. John was entitled to commission of 10% on sales proceeds. Value of closing stock to be credited to Consignment A/c = ?
- (A) ₹ 4,06,500
(B) ₹ 4,16,500
(C) ₹ 3,95,000
(D) ₹ 4,05,000
109. Ram of Kolkata sends out 1,000 boxes to Y of Delhi, costing ₹ 200 each. 1/10th of the boxes were lost in transit. 2/3rd of the boxes received by consignee is sold at cost plus 25%.
- Sales Value = ?
- (A) ₹ 1,00,000
(B) ₹ 1,50,000
(C) ₹ 1,20,000
(D) ₹ 1,40,000
110. X of Kolkata sends out goods costing ₹ 80,000 to Y of Mumbai so as to show 20% profit on invoice value. 3/5th of the goods received by consignee is sold at 5% above invoice price. The amount of sales value will be:

- (A) ₹ 63,000
(B) ₹ 60,000
(C) ₹ 50,400
(D) ₹ 40,000
111. X sends certain goods at cost plus 25%. Invoice value of goods sends out ₹ 2,00,000. 4/5th of the goods were sold by consignee at ₹ 1,76,000. Commission 2% up to invoice value and 10% of any surplus above invoice value. Commission = ?
(A) ₹ 4,800
(B) ₹ 5,200
(C) ₹ 3,200
(D) ₹ 1,600
112. R consigned 2,000 kg of chemicals to J. Of the above, 500 kg were destroyed by fire during transit. J cleared the balance of 1,500 kg of chemicals and sold 1,000 kg at average price of ₹ 1,000 per kg. J incurred the following expenses: Godown rent ₹ 5,000, Insurance ₹ 3,000, clearing charges ₹ 4,500. Insurance claim received against fire ₹ 4,00,000 after admitting the salvage value ₹ 10,000. J was entitled to commission of 10% on sales proceeds. How much amount will be sent by J to R after adjusting his commission and expenses out of the sales proceeds?
(A) ₹ 10,00,000
(B) ₹ 8,87,500
(C) ₹ 4,16,500
(D) ₹ 9,15,000
113. R sends goods costing ₹ 1,00,000 to Y at 20% profit on invoice price. 1/10th of the goods were lost in transit. 1/2 of the balance goods were sold. Stock reserve on consignment stock = ?
(A) ₹ 4,500
(B) ₹ 9,000
(C) ₹ 11,250
(D) ₹ 10,800
114. C of Bangalore consigned goods costing ₹ 3,000 to his agent at Delhi. Freight and insurance paid by consignor ₹ 100. Consignee's expenses ₹ 200. 80% of the goods were sold for ₹ 3,000. Commission 2% on sales. Consignee want to settle the balance with the help of a bank draft. The amount of draft will be:
(A) ₹ 2,740
(B) ₹ 2,800
(C) ₹ 3,000
(D) ₹ 1,800
115. X sent to Y a consignment of 250 televisions costing ₹ 10,000 each. Expenses of ₹ 7,000 were met by the X. Y spent ₹ 4,500 for clearance and the selling expenses were ₹ 500 per television as and when the sale made by Y. Y sold 150 televisions at ₹ 14,000 per television and again 75 television at ₹ 14,400. Value of unsold stock = ?
(A) ₹ 2,51,150
(B) ₹ 2,50,700
(C) ₹ 2,50,000
(D) ₹ 2,51,750
116. 1,000 kg of apples are consigned, the cost being ₹ 3 per kg plus ₹ 400 of freight, it is known that a loss of 15% is unavoidable. Cost per kg = ?
(A) ₹ 5.00
(B) ₹ 4.00
(C) ₹ 3.40
(D) ₹ 3.00
117. A of Mumbai sold goods to B of Delhi, the goods are to be sold at 125% of cost which is invoice price. Commission 10% on sales at invoice price and 25% of any surplus realized above invoice price. 10% of the goods sent out on consignment, invoice value of which is ₹ 12,500 were destroyed. 75% of the total consignment is sold by B at ₹ 1,00,000. What will be the amount of commission payable to B?
(A) ₹ 10,937.50
(B) ₹ 10,000
(C) ₹ 9,000
(D) ₹ 9,700
118. Goods sent on consignment Invoice value ₹ 2,00,000, at cost plus 33.33%. 20% of the goods were lost in transit. Insurance claim received ₹ 10,000. The amount of abnormal loss to be transferred to General Profit & Loss A/c is:
(A) ₹ 30,000
(B) ₹ 20,000
(C) ₹ 35,000
(D) ₹ 25,000
119. X sends 100 boxes to Y costing ₹ 200 each. Consignor's expenses ₹ 4,000. Consignee's non-selling expenses ₹ 900 and selling expenses ₹ 500. 1/10th of the boxes were lost in transit. 2/3rd of the boxes received by consignee were sold.
Value of Consignment Stock = ?
(A) ₹ 7,200
(B) ₹ 7,500

(C) ₹ 7,000

(D) ₹ 6,000

From the following information answer next 6 questions.

Rahim of Mumbai consigned to Raju of Delhi, goods to be sold at invoice price which represents 125% of cost. Raju is entitled to a commission of 10% on sales at invoice price and 25% of any excess realized over invoice price. The expenses on freight and insurance incurred by Rahim were ₹ 10,000. The account sales received by Rahim shows that Raju has effected sales amounting to ₹ 1,00,000 in respect of 75% of the consignment. His selling expenses to be reimbursed were ₹ 8,000. 10% of consignment goods of the value of ₹ 12,500 were destroyed in fire at the Delhi godown and the insurance company paid ₹ 12,000 net of salvage.

120. Commission payable to Raju = ?

(A) ₹ 9,375

(B) ₹ 1,563

(C) ₹ 18,938

(D) ₹ 10,938

121. Abnormal loss credited to Consignment A/c = ?

(A) ₹ 10,000

(B) ₹ 11,000

(C) ₹ 12,500

(D) ₹ 11,500

122. Value of unsold stock = ?

(A) ₹ 18,750

(B) ₹ 20,250

(C) ₹ 21,500

(D) ₹ 21,750

123. Balance of abnormal loss account

(A) Credited to General Profit & Loss A/c by ₹ 1,000

(B) Debited to General Profit & Loss A/c by ₹ 1,000

(C) Credited to General Profit & Loss A/c by ₹ 12,000

(D) Credited to General Profit & Loss A/c by ₹ 12,000

124. Profit or loss on consignment = ?

(A) Loss ₹ 1,438

(B) Profit ₹ 2,312

(C) Profit ₹ 2,438

(D) Loss ₹ 2,438

125. Final amount to be remitted by Raju to Rahim will be

(A) ₹ 81,062

(B) ₹ 1,00,000

(C) ₹ 92,000

(D) ₹ 89,062

126. Goods sent on consignment ₹ 7,60,000. Opening consignment stock ₹ 48,000. Cash sales ₹ 7,00,000. Consignor's expenses ₹ 20,000. Consignee's expenses ₹ 12,000. Commission ₹ 20,000. Closing consignment stock ₹ 3,00,000. The profit on consignment is:

(A) ₹ 1,50,000

(B) ₹ 1,40,000

(C) ₹ 92,000

(D) None

127. X sends 100 boxes to Y costing ₹ 100 each. Consignor's expenses ₹ 1,000. Consignee's selling expenses ₹ 500. 3/5th of the goods sold by consignee, 1/2 of the balance goods were lost in consignee's godown due to fire. The value of abnormal loss will be:

(A) ₹ 3,000

(B) ₹ 2,200

(C) ₹ 4,000

(D) None

128. X sends 1,000 boxes costing ₹ 200 each to Y. 1/10th of the boxes were lost in transit. 2/3rd of the remaining boxes sold by consignee at cost plus 25%. The sale value will be:

(A) ₹ 1,50,000

(B) ₹ 1,40,000

(C) ₹ 1,20,000

(D) ₹ 1,00,000

129. Goods sent out on consignment ₹ 2,00,000. Consignor's expenses ₹ 5,000. Consignee's expenses ₹ 2,000. Cash sales ₹ 1,00,000, credit sales ₹ 1,10,000. Consignment stock ₹ 40,000. Ordinary commission payable to consignee ₹ 3,000. Del-credere commission ₹ 2,000. The amount irrecoverable from customer ₹ 2,000. What will be the profit on consignment?

(A) ₹ 38,000

(B) ₹ 40,000

(C) ₹ 36,000

(D) ₹ 43,000

From the following information answer next 6 questions.

V of Pune purchased 10,000 pieces of Sarees @ ₹ 100 per Saree. Out of these Sarees, 6,000 Sarees were sent on consignment to S of Satara at the selling price of ₹ 120 per Saree. The consignors paid ₹ 3,000 for packaging and freight.

S sold 5,000 Sarees at ₹ 125 per Saree and incurred ₹ 1,000 for selling expenses and remitted ₹ 5,00,000 to Pune on account. They are entitled to a commission of 5% on total sales plus a further 20% commission on any surplus price realised over ₹ 120 per Saree. 3,000 Sarees were sold at ₹ 110 per Saree. Owing to fall in market price, the value of the stock of Sarees in hand is to be reduced by 10%.

130. In the books of V in Trading Account, the purchase account will be debited by ₹
- (A) 10,00,000
(B) 4,00,000
(C) 6,00,000
(D) Nil
131. Loading on goods sent to consignment will be
- (A) ₹ 1,20,000
(B) ₹ 1,44,000
(C) ₹ 1,00,000
(D) ₹ 1,24,000
132. Total Commission payable to S = ?
- (A) ₹ 31,250
(B) ₹ 5,000
(C) ₹ 36,250
(D) ₹ 35,450
133. Value of unsold stock = ?
- (A) ₹ 1,20,000
(B) ₹ 1,20,500
(C) ₹ 1,08,450
(D) ₹ 1,02,500
134. Stock reserve on closing stock = ?
- (A) ₹ 20,000
(B) ₹ 18,000
(C) ₹ 24,000
(D) ₹ 21,600
135. Profit or loss on consignment = ?
- (A) ₹ 95,200
(B) ₹ 75,200
(C) ₹ 93,200
(D) ₹ 84,200
136. X sends 1,000 boxes to Y costing ₹ 20 each. Consignor's expenses ₹ 2,000. 4/5th of the boxes were sold at ₹ 25 each. The profit on consignment will be:
- (A) ₹ 2,400
(B) ₹ 2,000
(C) ₹ 3,000
(D) ₹ 3,500
137. X purchased 1,000 boxes costing ₹ 100 each. 200 boxes were sent to Y at cost plus 25%. 600 boxes were sold at 120 each. The amount of gross profit to be recorded in general trading account will be:
- (A) ₹ 12,000
(B) ₹ 17,000
(C) ₹ (3,000)
(D) None
138. P of Faridabad sent out goods costing ₹ 45,000 to Y of Delhi at cost + 33-1/3%. 1/10th of goods were lost in transit. 2/3rd of the goods are sold at 20% above invoice price. The amount of sale value will be:
- (A) ₹ 54,000
(B) ₹ 43,200
(C) ₹ 60,000
(D) ₹ 36,000
139. M sent goods costing ₹ 45,000 to N at cost + 33-1/3%. 1/10th of goods were lost in transit. 2/3rd of the goods are sold at 20% above invoice price. 1/2 of the sales are on credit. The amount of credit sales will be:
- (A) ₹ 21,600
(B) ₹ 18,000
(C) ₹ 21,000
(D) ₹ 22,500
140. Punjab Cycle of Ludhiana consigned 100 bicycles to Kanpur Cycle costing ₹ 1,500 each, invoiced at ₹ 2,000 each. Kanpur Cycle sent an account sales showing that 80 bicycles had been sold @ ₹ 2,200 each. Kanpur Cycle is entitled to a commission of 5% on invoice price and 25% on any surplus of sale price over invoice price.
- Commission payable to Kanpur Cycle = ?
- (A) ₹ 13,530
(B) ₹ 6,000

- (C) ₹ 4,000
(D) ₹ 12,000
141. A sent certain goods so as to show a profit of 20% on invoice price. 1/10th of the goods were lost in transit. The cost price of goods lost is ₹ 20,000. The invoice value of goods sent out is:
- (A) ₹ 2,50,000
(B) ₹ 2,00,000
(C) ₹ 2,25,000
(D) ₹ 2,40,000
142. D of Kolkata consigned 100 transistor sets costing ₹ 500 each of S of Patna. The invoice proforma was made at ₹ 600 per set. S was entitled to a commission of 7.5% on sales plus 2.5% del-credere commission and 10% of any excess price realized over invoice price. S sold 70 transistor sets at ₹ 800 each, 30 of them on credit. Out of which the proceeds of 3 transistor sets could not be recovered because of the disappearance of the customers. Total Commission payable to S = ?
- (A) ₹ 4,200
(B) ₹ 5,400
(C) ₹ 7,000
(D) ₹ 12,000
143. X send goods costing ₹ 1,00,000 to Y at cost plus 25%. Consignor's expenses ₹ 2,000. 3/5th of the goods were sold by consignee at ₹ 85,000. Commission 2% on sales plus 20% of gross sales less all commission exceeds invoice value. Total commission = ?
- (A) ₹ 3,083
(B) ₹ 3,000
(C) ₹ 2,500
(D) ₹ 2,000
144. R sends goods costing ₹ 2,00,000 to K. R's expenses ₹ 5,000. K's expenses in relation to sales ₹ 2,000. 80% of the goods were sold at 20% above cost. The profit on consignment will be:
- (A) ₹ 26,000
(B) ₹ 32,000
(C) ₹ 26,200
(D) ₹ (6,000)
145. A sends 500 boxes to B costing ₹ 200 each. A's expenses ₹ 5,000. 1/5th of the boxes were still in transit. 3/4th of the goods received by consignee, were sold. The amount of goods still in transit will be:
- (A) ₹ 20,000
(B) ₹ 21,000
(C) ₹ 21,200
(D) None
146. Punjab Cycle of Ludhiana consigned 100 bicycles to Kanpur Cycle costing ₹ 1,500 each, invoiced at ₹ 2,000 each. The consignor paid freight ₹ 10,000 and insurance in transit ₹ 1,500. During transit, 10 bicycles were totally damaged. Kanpur Cycle took delivery of the remaining bicycles and paid ₹ 1,530 for octroi duty. Expenses incurred by Kanpur Cycle on godown rent were ₹ 2,000. Insurance claim was settled at ₹ 14,000.
- Value of abnormal loss credited to Consignment = ?
- (A) ₹ 16,150
(B) ₹ 21,320
(C) ₹ 2,150
(D) ₹ 21,150
147. Take the data of above question; abnormal loss debited to General Profit & Loss A/c = ?
- (A) ₹ 2,150
(B) ₹ 16,150
(C) ₹ 13,000
(D) ₹ 3,150
148. D sends goods to S costing ₹ 2,00,000 at cost plus 25%, with the instruction to sell it at cost plus 50%. If 4/5th of the goods are sold at stipulated selling price and commission allowable 2% on sales. What will be the profit on consignment in the books of consignor?
- (A) ₹ 86,200
(B) ₹ 70,000
(C) ₹ 75,200
(D) ₹ 76,800
149. K sent 500 articles to his agent J at an invoice price of ₹ 25 per articles and paid freight and cartage ₹ 460. J sold 300 articles @ ₹ 30 per article and sent an account sale, deducting ₹ 200 for storage charges and ₹ 300 for selling expenses. He charged 10% commission on the gross sale proceeds. J also informed K that 50 articles had been damaged in transit and they fetched 70% of their cost. Abnormal loss to be debited to General Profit & Loss A/c = ?
- (A) ₹ 1,387
(B) ₹ 1,296
(C) ₹ 480
(D) ₹ 389

150. X of Kolkata sends out goods costing ₹ 3,00,000 to Y of Delhi. Goods are to be sold at cost plus 33-1/3%. The consignor asked consignee to pay an advance for an amount equivalent to 60% of sales value. Amount of advance will be:

(A) ₹ 2,40,000
(B) ₹ 2,00,000
(C) ₹ 3,00,000
(D) None

151. X sends goods costing ₹ 3,00,000 to Y. Commission agreement - 2% on sales plus 3% on sales as del-credere commission. The entire goods sold by consignee for ₹ 4 lakhs. However, consignee is able to recover ₹ 3,95,000 from the debtors. The amount of profit to be transferred to P/L as net commission by consignee will be:

(A) ₹ 15,000
(B) ₹ 22,000
(C) ₹ 21,000
(D) ₹ 20,000

From the following information answer next 6 questions.

B consigned to A 100 calculators. Cost of each calculator was ₹ 190. B incurred expenses of ₹ 500 on dispatch of such goods. A informed B that he had sold 68 calculators @ ₹ 280 each and 11 calculators @ ₹ 270 each and had spent ₹ 1,520 on behalf of the consignor. One damaged calculator was sold for ₹ 50 according to the instructions of consignor. A was entitled to a commission of 6% on gross sales and it included del-credere commission. A could recover only ₹ 250 from a customer to whom one calculator had been sold on credit basis for ₹ 280. All other sales were made on cash basis.

152. Amount payable to A on account of expenses and commission = ?

(A) ₹ 1,520
(B) ₹ 1,321
(C) ₹ 2,841
(D) ₹ 3,341

153. Abnormal loss credited to Consignment A/c = ?

(A) ₹ 190
(B) ₹ 195
(C) ₹ 198
(D) ₹ 148

154. Abnormal loss debited to General Profit & Loss A/c = ?

(A) ₹ 190
(B) ₹ 195
(C) ₹ 198
(D) ₹ 148

155. Unsold stock = ?

(A) ₹ 3,800
(B) ₹ 4,204
(C) ₹ 3,900
(D) ₹ 4,104

156. Profit on consignment = ?

(A) ₹ 3,764
(B) ₹ 3,569
(C) ₹ 4,264
(D) ₹ 3,264

157. Final amount remitted by A to B = ?

(A) ₹ 22,060
(B) ₹ 19,216
(C) ₹ 19,169
(D) ₹ 19,219

158. Pawan sent on consignment to Raman, 10 Cases of tea costing ₹ 5,000 each invoiced proforma at ₹ 6,000 each. Freight and other charges on the consignment amounted to ₹ 3,100. Raman sent an account sales showing that 4 cases had been sold at ₹ 6,000 each and 3 cases at ₹ 7,000 each while 3 cases remained unsold. Raman also informed Pawan that of the three cases remaining in stock, two cases were badly damaged due to bad packing and that they would be sold at ₹ 3,000 per case. Value of abnormal loss to be credited to Consignment A/c = ?

(A) ₹ 10,000
(B) ₹ 10,620
(C) ₹ 4,620
(D) ₹ 6,000

159. Take the data of above question; value of unsold stock = ?

(A) ₹ 6,000
(B) ₹ 6,310
(C) ₹ 12,310
(D) ₹ 10,310

From the following information answer next 5 questions.

D of Kolkata consigned 100 transistor sets costing ₹ 500 each of S of Patna. The invoice proforma was made at ₹ 600 per set. S was entitled to a

commission of $7\frac{1}{2}\%$ on sales plus $2\frac{1}{2}\%$ del-credere commission and 10% of any excess price realized over invoice price. S was to bear all expenses incurred after the goods reached his godown. While sending the goods, D paid ₹ 1,500 as forwarding expenses and insurance. In transit, 10 transistor sets were damaged and D recovered ₹ 4,000 from the insurance company. S took delivery of remaining transistor sets paying ₹ 4,500 as freight, cartage, etc. S sold 70 transistor sets at ₹ 800 each, 30 of them on credit. Out of which the proceeds of 3 transistor sets could not be recovered because of the disappearance of the customers. He paid ₹ 500 as storage and selling expenses.

160. Abnormal loss credited to Consignment A/c = ?

- (A) 5,000
- (B) 5,150
- (C) 6,150
- (D) 7,150

161. Value of unsold stock = ?

- (A) 12,000
- (B) 12,300
- (C) 10,300
- (D) 13,300

162. Abnormal loss debited to General Profit & Loss A/c = ?

- (A) 5,150
- (B) 4,000
- (C) 1,150
- (D) 2,150

163. Profit or loss on consignment = ?

- (A) 11,950
- (B) 8,950
- (C) 6,950
- (D) 12,950

164. Final amount remitted by S to D = ?

- (A) 56,000
- (B) 44,000
- (C) 51,000
- (D) 49,000

165. Abani consigned goods to Sajani for ₹ 1,00,000. Abani paid the following expenses: Freight ₹ 2,500, Insurance ₹ 1,500, booking expenses ₹ 2,000. $\frac{1}{10}$ th of the goods were lost in transit for which the insurance company paid ₹ 9,000. $\frac{4}{5}$ th of the original goods were sold by Sajani for ₹ 1,20,000 and Sajani paid the following expenses:

Freight ₹ 900, Railway yard rent ₹ 450, Godown rent ₹ 1,200, Selling expenses ₹ 3,000.

Abnormal loss = ?

- (A) ₹ 10,000
- (B) ₹ 9,000
- (C) ₹ 10,600
- (D) ₹ 9,600

166. Take the data of above question; Value of unsold stock = ?

- (A) ₹ 10,750
- (B) ₹ 10,600
- (C) ₹ 20,750
- (D) ₹ 20,600

167. 1,000 Bicycles were consigned by Sen to Tilak Ratna at an invoice cost of ₹ 950 each. Sen paid freight ₹ 65,000 and insurance ₹ 11,500. During the voyage 100 bicycles were totally damaged by fire and had to be thrown overboard. Tilak Ratna took delivery of the remaining bicycles and paid ₹ 86,400 for customs duty. Tilak Ratna sent an account sales showing that 800 bicycles had been sold at ₹ 1,400 each. Amount spent by Tilak Ratna on godown rent and advertisement totalled ₹ 12,500. Value of unsold stock = ?

- (A) ₹ 1,12,250
- (B) ₹ 95,000
- (C) ₹ 1,11,290
- (D) ₹ 95,290

168. David sent goods costing ₹ 5,50,000 on consignment basis to Devi on 1.1.2005 @ 7% commission. ₹ 75,000 was spent on transportation by David. Devi spent ₹ 45,000 on unloading. Devi sold 85% of the goods received for ₹ 6,25,000, 10% of the goods for ₹ 85,000 and she took over the balance @ 5% below the cost price. Profit or loss on consignment = ?

- (A) Profit ₹ 14,596
- (B) Loss ₹ 14,596
- (C) Profit ₹ 11,529
- (D) Loss ₹ 11,529

169. Take the data of above question; Final amount to be remitted by Devi to David = ?

- (A) ₹ 7,36,125
- (B) ₹ 6,39,596
- (C) ₹ 6,13,471
- (D) ₹ 6,39,125

170. Usha sent good costing ₹75,50,000 on consignment basis to Gayathri on 1.2.2006 @ 8.5% commission. ₹ 8,25,000 was spent on transportation by Usha. Gayathri spent ₹ 5,25,000 on unloading. 88% of the goods received were sold for ₹ 90,00,000, 10% of the goods for ₹ 10,00,000 and the balance was taken over by Gayathri @ 10% below the cost price. Profit or loss on consignment = ?
- (A) ₹ 2,38,448
(B) ₹ 2,74,348
(C) ₹ 3,74,348
(D) ₹ 3,38,448
171. Take the data of above question; Final amount to be remitted by Gayathri to Usha = ?
- (A) ₹ 1,01,35,500
(B) ₹ 87,49,348
(C) ₹ 1,00,00,000
(D) ₹ 86,13,448
172. A sends goods worth ₹ 50,000 to B for sales for 5% commission. He incurs ₹ 1,500 for freight and ₹ 500 for insurance. The goods are sold for ₹ 60,000, consignee incurs ₹ 500 unloading expenses and ₹ 500 rent. B sends a draft after reducing his expenses and commission. Profit or loss on consignment = ?
- (A) ₹ 4,000
(B) ₹ 2,000
(C) ₹ 6,000
(D) ₹ 5,000
173. Shyam consigned 2,00,000 units @ ₹ 5 each to Ram, and paid freight and insurance amounting to ₹ 1,00,000. Ram spent further the following amounts:
- | | ₹ |
|-------------|-------|
| Insurance | 5,000 |
| Godown rent | 4,000 |
| Clearing | 6,000 |
- 2,000 units were damaged during transit due to heavy rains. Ram sold 1,00,000 units @ ₹ 10 per unit. Ram realized salvage value of damaged units ₹ 2,000. Ram is to get a commission @ 5% on sales. Determine the abnormal loss.
- (A) ₹ 10,000
(B) ₹ 11,000
(C) ₹ 9,000
(D) ₹ 10,110
174. Himanshu sent out goods costing ₹ 80,000 to Navin as to show 20% profit on invoice price. 40% goods were lost in transit. 60% of the goods received were sold half at invoice price and the balance at 25% above the invoice price. Rate of Commission is 10% on sales at invoice price plus 50% of gross sales less all commission exceeds sales at invoice price. Total commission = ?
- (A) ₹ 3,600
(B) ₹ 3,900
(C) ₹ 4,200
(D) ₹ 3,300
175. X of Kolkata sends out goods costing ₹ 1,00,000 to Y of Delhi. 3/5th of the goods were sold by consignee for ₹ 70,000. Commission 2% on sales plus 20% of gross sales less all commission exceeds cost price. The amount of Commission will be:
- (A) ₹ 2,833
(B) ₹ 2,900
(C) ₹ 3,000
(D) ₹ 2,800
176. X of Calcutta sent to Y of Bombay a consignment of 250 televisions costing ₹ 10,000 each. Y sold 150 televisions at ₹ 14,000 per television and again 75 television at ₹ 14,400. Y was entitled to a commission of ₹ 500 per television sold plus one-fourth of the amount by which the gross sale proceeds less total commission there on exceeded a sum calculated at the rate of ₹ 12,500 per television sold. Commission to Y = ?
- (A) ₹ 1,12,500
(B) ₹ 1,63,500
(C) ₹ 2,55,000
(D) ₹ 1,43,500

Answers:

1.	(A)	2.	(C)	3.	(B)	4.	(D)	5.	(A)	6.	(B)	7.	(A)
8.	(A)	9.	(C)	10.	(B)	11.	(B)	12.	(D)	13.	(A)	14.	(B)
15.	(B)	16.	(D)	17.	(B)	18.	(B)	19.	(B)	20.	(B)	21.	(B)
22.	(B)	23.	(B)	24.	(B)	25.	(B)	26.	(B)	27.	(C)	28.	(B)
29.	(B)	30.	(A)	31.	(B)	32.	(D)	33.	(A)	34.	(A)	35.	(B)

36.	(C)	37.	(A)	38.	(D)	39.	(B)	40.	(C)	41.	(B)	42.	(B)
43.	(D)	44.	(B)	45.	(A)	46.	(D)	47.	(B)	48.	(A)	49.	(A)
50.	(A)	51.	(A)	52.	(C)	53.	(B)	54.	(A)	55.	(C)	56.	(D)
57.	(B)	58.	(C)	59.	(D)	60.	(D)	61.	(A)	62.	(B)	63.	(B)
64.	(C)	65.	(A)	66.	(D)	67.	(B)	68.	(B)	69.	(C)	70.	(D)
71.	(D)	72.	(D)	73.	(B)	74.	(A)	75.	(D)	76.	(B)	77.	(C)
78.	(A)	79.	(A)	80.	(B)	81.	(A)	82.	(C)	83.	(A)	84.	(A)
85.	(B)	86.	(A)	87.	(A)	88.	(B)	89.	(A)	90.	(B)	91.	(A)
92.	(A)	93.	(C)	94.	(A)	95.	(C)	96.	(A)	97.	(D)	98.	(D)
99.	(A)	100.	(C)	101.	(D)	102.	(C)	103.	(A)	104.	(A)	105.	(A)
106.	(B)	107.	(A)	108.	(B)	109.	(B)	110.	(A)	111.	(A)	112.	(B)
113.	(C)	114.	(A)	115.	(A)	116.	(B)	117.	(A)	118.	(B)	119.	(B)
120.	(D)	121.	(B)	122.	(B)	123.	(A)	124.	(A)	125.	(A)	126.	(B)
127.	(B)	128.	(A)	129.	(A)	130.	(B)	131.	(A)	132.	(C)	133.	(C)
134.	(B)	135.	(B)	136.	(A)	137.	(A)	138.	(B)	139.	(A)	140.	(D)
141.	(A)	142.	(C)	143.	(A)	144.	(A)	145.	(B)	146.	(A)	147.	(A)
148.	(C)	149.	(C)	150.	(A)	151.	(A)	152.	(C)	153.	(B)	154.	(D)
155.	(C)	156.	(A)	157.	(B)	158.	(C)	159.	(C)	160.	(B)	161.	(D)
162.	(C)	163.	(B)	164.	(B)	165.	(C)	166.	(A)	167.	(A)	168.	(A)
169.	(B)	170.	(C)	171.	(B)	172.	(A)	173.	(C)	174.	(B)	175.	(A)
176.	(B)												

Hints for Practical MCQ

78. $60 \times 12 \times 20 = 14,400$

79. Cost + Profit = Invoice price

$$\begin{array}{r} 100 + 33.33 = 133.33 \\ 33.33 \quad \quad 33.33 \\ \hline 100 \quad \quad 133.33 \\ \frac{1}{3} \quad \quad \frac{1}{4} \end{array}$$

33.33% on cost means 25% on invoice price.

80.

$$1,76,000 \times \frac{100}{110} \times 2 = 3,20,000$$

81.

$$\text{Cost of goods consigned} \times \frac{\text{Unsold quantity}}{\text{Quantity available for sale}} = 2,05,000 \times \frac{600}{1,800} = 68,333$$

82.

Invoice price of unsold quantity (20,000 × 20%)	4,000
(+) Proportionate non-recurring expenses	
- Consignor [1,000 × 20%]	200
- Consignee [300 × 20%]	60
Value of closing stock	4,260

83. $2,00,000 + 50,000 = 2,50,000$.

84.

Cost	2,000
(+) Proportionate non-recurring expenses	
- Consignor $\left[1,000 \times \frac{1}{5}\right]$	200
Value of abnormal loss	2,200

Amount debited to General Profit & Loss A/c = $2,200 - 1,500 = 700$

85. Profit of 20% on Invoice Price means 25% on cost. $1,80,000 + 45,000 = 2,25,000$.

86. 20% profit on cost means $1/6$ of invoice value. $2,40,000 \times 1/6 = 40,000$.

87.

Invoice price of unsold quantity (600×80)	48,000
(+) Proportionate non-recurring expenses	
- Consignor $\left[1,045 \times \frac{600}{2,000}\right]$	313.50
- Consignee $\left[600 \times \frac{600}{1,800}\right]$	200
Value of unsold stock	48,513.50

88.

$$12,500 \times \frac{100}{10} = 1,25,000$$

89.

$$\text{Cost of goods consigned} \times \frac{\text{Unsold quantity}}{\text{Quantity available for sale}} = 53,625 \times \frac{285}{1,425} = 10,725$$

90.

Dr.	Consignee A/c		Cr.
To Consignment A/c	8,350	By Bills Receivable A/c	3,000
		By Consignment A/c	870
		By Cash & Bank A/c (Bal. Fig.)	4,480
	8,350	8,350	

91.

Cost ($1,000 \times 150$)	1,50,000
(+) Proportionate non-recurring expenses	
- Consignor $\left[25,000 \times \frac{1,000}{25,000}\right]$	1,000
Value of abnormal loss	1,51,000

Amount debited to General Profit & Loss A/c = $1,51,000 - 1,45,000 = 6,000$

92.

Cost (100×200)	20,000
(+) Proportionate non-recurring expenses	

- Consignor	$\left[2,000 \times \frac{100}{1,000} \right]$	200
- Consignee	<i>(Goods has been damaged in transit hence no expenses of consignee will be considered)</i>	-
Value of abnormal loss		20,200

93. $500 \times 75\% = 375$

94. $600 \times 2,000 \times 110\% = 13,20,000$

96.

Ordinary commission $(740 \times 100 \times 12 \times 2\%)$	17,760
Del-credere commission $(740 \times 100 \times 12 \times 1\%)$	8,880
Total commission	26,640

97.

Invoice price of unsold quantity (100×200)	20,000
(+) Proportionate non-recurring expenses	
- Consignor $\left[2,000 \times \frac{100}{400} \right]$	500
- Consignee $\left[2,000 \times \frac{100}{400} \right]$	500
Value of unsold stock	21,000

98.

$$\text{Cost of goods consigned} \times \frac{\text{Unsold quantity}}{\text{Quantity available for sale}} = 85,500 \times \frac{150}{1,425} = 9,000$$

99. $2,000 \times 100 \times 145\% \times 60\% = 1,74,000$

100.

Invoice price of unsold quantity $(50,000 \times 20\%)$	10,000
(+) Proportionate non-recurring expenses	
- Consignor $(2,500 \times 20\%)$	500
- Consignee $(750 \times 20\%)$	150
Value of unsold stock	10,650

101.

Invoice price of unsold quantity (100×500)	50,000
(+) Proportionate non-recurring expenses	
- Consignor $\left[4,000 \times \frac{100}{500} \right]$	800
- Consignee $\left[1,000 \times \frac{100}{500} \right]$	200
Value of unsold stock	51,000

102.

Cost	10,000
(+) Proportionate non-recurring expenses	

- Consignor	$\left[5,000 \times \frac{10,000}{50,000} \right]$	1,000
Value of abnormal loss		11,000

Amount debited to General Profit & Loss A/c = 11,000 - 7,500 = 3,500

103. $100 \times 100 = 10,000$

104.

Cost (1 × 900)		900
(+) Proportionate non-recurring expenses		
- Consignor		100
- Consignee	<i>(Goods has been damaged in transit hence no expenses of consignee will be considered)</i>	-
Value of abnormal loss		1,000

105.

Cost (3,00,000 × 10%)		30,000
(+) Proportionate non-recurring expenses		
- Consignor	$(5,000 \times 10\%)$	500
- Consignee	<i>(Goods has been damaged in transit hence no expenses of consignee will be considered)</i>	-
Value of abnormal loss		30,500

Net abnormal loss = 30,500 - 3,000 = 27,500

106.

Cost (500 × 800)		4,00,000
(+) Proportionate non-recurring expenses		
- Consignor	$\left[20,000 \times \frac{500}{2,000} \right]$	5,000
- Consignee	<i>Goods has been damaged in transit hence no expenses of consignee will be considered)</i>	-
Value of abnormal loss		4,05,000

For abnormal loss Consignment A/c will be credited = 4,05,000 - 10,000 = 3,95,000

107. $1,000 \times 100 = 1,00,000$

108.

Invoice price of unsold quantity (500 × 800)		4,00,000
(+) Proportionate non-recurring expenses		
- Consignor	$\left[20,000 \times \frac{500}{2,000} \right]$	5,000
- Consignee	$\left[4,500 \times \frac{500}{1,500} \right]$	1,500
Value of unsold stock		4,06,500

Value of closing stock to be credited to Consignment A/c = 4,06,500 + 10,000 (salvage value of abnormal loss) = 4,16,500

109. Sales Value = $(1,000 - 100) \times 200 \times \frac{2}{3} \times 125\% = 1,50,000$

110. 20% profit on invoice value means 25% on cost.

Sales Value = $80,000 \times 125\% \times \frac{3}{5} \times 105\% = 63,000$

111.

Ordinary commission $(2,00,000 \times 4/5 \times 2\%)$	3,200
Special commission $(1,76,000 - 1,60,000) \times 10\%$	1,600
Total commission	4,800

112. Expenses + Commission = $5,000 + 3,000 + 4,500 + 1,00,000 = 1,12,500$

Dr.	Consignee A/c		Cr.
To Consignment A/c (sales)	10,00,000	By Consignment A/c (Expenses & Commission)	1,12,500
		By Cash & Bank A/c (<i>Bal. Fig.</i>)	8,87,500
	<u>10,00,000</u>		<u>10,00,000</u>

113. 20% profit on invoice value means 25% on cost.

Invoice Price = $1,00,000 \times 125\% = 1,25,000$

Stock Reserve = $(1,25,000 - 12,500 - 56,250) \times 20\% = 11,250$

114. Expenses + Commission = $200 + 60 = 260$.

Dr.	Consignee A/c		Cr.
To Consignment A/c (sales)	3,000	By Consignment A/c (Expenses & Commission)	260
		By Cash & Bank A/c (<i>Bal. Fig.</i>)	2,740
	<u>3,000</u>		<u>3,000</u>

115.

Invoice price of unsold quantity $(25 \times 10,000)$	2,50,000
(+) Proportionate non-recurring expenses	
- Consignor $\left[7,000 \times \frac{25}{250}\right]$	700
- Consignee $\left[4,500 \times \frac{25}{250}\right]$	450
Value of unsold stock	2,51,150

116.

Cost per kg = $\frac{(1,000 \times 3) + 400}{850} = 4$

117. 10% of the goods sent out on consignment, invoice value of which is ₹ 12,500 were destroyed.

Invoice value of goods send = $12,500 \times \frac{100}{10} = 1,25,000$

Ordinary commission $(1,25,000 \times 75\% \times 10\%)$	9,375.00
Special commission $(1,00,000 - 93,750) \times 25\%$	1,562.50
Total commission	10,937.50

118. $2,00,000 - 50,000 \times 20\% - 10,000 = 20,000$. While calculating abnormal loss always cost price has to be taken & not invoice price.

119.

Invoice price of unsold quantity (30×200)	6,000
(+) Proportionate non-recurring expenses	
- Consignor $\left[4,000 \times \frac{30}{100}\right]$	1,200
- Consignee $\left[900 \times \frac{30}{90}\right]$	300
Value of unsold stock	7,500

120. to 125.

In the books of Rahim

Dr.	Consignment A/c		Cr.
To Goods Sent on Consignment A/c (See Note)	1,25,000	By Goods Sent on Consignment A/c (1,25,000 × 25/125)	25,000
To Cash & Bank A/c		By Raju A/c	1,00,000
- Freight & Insurance	10,000	By Abnormal Loss A/c	11,000
To Raju A/c		By Consignment Stock A/c	20,250
- Selling Expenses 8,000		By General Profit & Loss A/c	1,438
- Ordinary Commission 9,375 (1,25,000 × 75% × 10%)			
- Special Commission 1,563	18,938		
To Stock Reserve (18,750 × 1/5)	3,750		
	1,57,688		1,57,688

Dr.	Raju A/c		Cr.
To Consignment A/c	1,00,000	By Consignment A/c	18,938
		By Cash & Bank A/c	81,062
	1,00,000		1,00,000

Dr.	Abnormal Loss A/c		Cr.
To Consignment A/c	11,000	By Cash & Bank A/c	12,000
To General Profit & Loss A/c	1,000		
	12,000		12,000

Working Notes: 10% of consignment goods of the value of ₹ 12,500 were destroyed in fire at the Delhi godown.

For 10% - ₹ 12,500 $12,500 \times \frac{100\%}{10\%} = 1,25,000$

For 100% - ?

Calculation of loading on cost & invoice price:

Cost + Profit = Invoice price

$$\begin{array}{rcl} 100 + 25 & = & 125 \\ \underline{25} & & \underline{25} \\ 100 & & 125 \\ \frac{1}{4} & & \frac{1}{5} \end{array}$$

Calculation of abnormal loss:

Cost price of goods lost (12,500 - 2,500)	10,000
(+) Proportionate non-recurring expenses of	
- Consignor $\left[10,000 \times \frac{12,500}{1,25,000} \right]$	1,000
- Consignee	-
Value of abnormal loss	11,000

Calculation of unsold stock:

Invoice price of goods unsold (1,25,000 × 15%)	18,750
(+) Proportionate non-recurring expenses of	
- Consignor $\left[10,000 \times \frac{18,750}{1,25,000} \right]$	1,500
- Consignee	-
Value of unsold stock	20,250

Calculation of special commission: $[1,00,000 - (1,25,000 \times 75\%)] \times 25\% = 1,563$

126. Prepare rough Consignment A/c; difference on debit side will be profit.

127.

Cost (20 × 100)	2,000
(+) Proportionate non-recurring expenses	
- Consignor $\left[1,000 \times \frac{20}{100} \right]$	200
Value of abnormal loss	2,200

128. Sales Value = $(1,000 - 100) \times 200 \times \frac{2}{3} \times 125\% = 1,50,000$

129. Prepare rough Consignment A/c; difference on debit side will be profit. When del-credere commission is given to consignee then bad loss will not be recorded in the books of consignor.

130. to 135.

In the books of V & Co.

Dr.	Trading and Profit & Loss A/c			Cr.
To Purchases A/c	10,00,000		By Sales A/c (3,000 × 110)	3,30,000
Sent on Consignment	(6,00,000)	4,00,000	By Closing Stock	90,000
To Gross Profit		20,000		
		4,20,000		4,20,000
			By Gross Profit	20,000
To Net Profit		95,200	By Profit on consignment	75,200
		95,200		95,200

Dr.	Consignment A/c		Cr.
To Goods Sent on Consignment A/c (6,000 × 120)	7,20,000	By Goods Sent on Consignment A/c (7,20,000 × 1/6) (Loading on goods sent)	1,20,000
To Cash & Bank A/c - Packaging & freight	3,000	By S & Co. A/c (5,000 × 125)	6,25,000
To S & Co. A/c - Selling expenses 1,000 - Ordinary commission 31,250 (6,25,000 × 5%) - Special commission 5,000 (125 - 120) × 5,000 × 20%	37,250	By Consignment Stock A/c	1,08,450
To Stock Reserve	18,000		
To General Profit & Loss A/c	75,200		
	8,53,450		8,53,450

Dr.	S & Co. A/c		Cr.
To Consignment A/c	6,25,000	By Consignment A/c	37,250
		By Balance c/d	5,87,750
	6,25,000		6,25,000

Calculation of loading on cost & invoice price:

Cost + Profit = Invoice price

100 + 20 = 120	
<u>20</u>	<u>20</u>
100	120
$\frac{1}{5}$	$\frac{1}{6}$

Note 1: Calculation of unsold stock

Cost of 1,000 Sarees (1,000 × 120)	1,20,000
Add: Proportionate non-recurring expenses of	
- Consignor $\left[3,000 \times \frac{1,000}{6,000} \right]$	500
- Consignee	-
	1,20,500
Less: 10% reduction due to fall in market price	(12,050)
Value of unsold stock	1,08,450

Stock reserve will also be reduced by 10% due to fall in market price. (1,20,000 × 1/6) - 2,000 = 18,000

In the books of S

Dr.	V A/c	Cr.
To Cash & Bank A/c		By Cash & Bank A/c (Sale)
- Selling expenses	1,000	6,25,000

To Commission A/c	36,250		
To Balance c/d	5,87,750		
	6,25,000		6,25,000

136.

Dr.	Consignment A/c		Cr.
To Goods Sent on Consignment A/c	20,000	By Consignee's A/c	20,000
To Cash & Bank A/c	2,000	By Consignment Stock A/c	4,400
To General Profit & Loss A/c	2,400		
	<u>24,400</u>		<u>24,400</u>

137.

Dr.		Trading A/c		Cr.
To Purchases A/c	1,00,000		By Sales A/c (600 × 120)	72,000
(-) Sent on Consignment	<u>(20,000)</u>	80,000	By Closing Stock (200 × 100)	20,000
To Gross Profit		<u>12,000</u>		
		<u>92,000</u>		<u>92,000</u>

138.

$$\text{Sales Value} = (45,000 - 4,500) \times 133.33\% \times \frac{2}{3} \times 120\% = 43,200$$

139.

$$\text{Credit Sales} = (45,000 - 4,500) \times 133.33\% \times \frac{2}{3} \times 120\% \times \frac{1}{2} = 21,600$$

140.

Ordinary commission (80 × 2,000 × 5%)	8,000
Special commission (2,200 - 2,000) × 80 × 25%	4,000
Total commission	12,000

141. 20% on invoice price means 25% on cost.

$$\text{Invoice value of goods sent} = 20,000 \times 125\% \times \frac{10}{1} = 2,50,000$$

142.

Ordinary commission (56,000 × 7.5%)	4,200
Del-credere commission (56,000 × 2.5%)	1,400
Special commission (800 - 600) × 70 × 10%	1,400
Total commission	7,000

143. Calculation of special commission:

Gross sale proceeds	85,000
Ordinary Commission (85,000 × 2%)	(1,700)
	83,300
Invoice price of goods sold (1,00,000 × 125% × 3/5)	(75,000)
	8,300
Special Commission	(0.2x)
	x

$$8,300 - 0.2x = x$$

$$8,300 = 1.2x$$

$$x = 6,917$$

$$\text{Special Commission} = 6,917 \times 0.2 = 1,383$$

$$\text{Total commission} = 1,700 + 1,383 = 3,083$$

144.

Dr.	Consignment A/c		Cr.
To Goods Sent on Consignment A/c	2,00,000	By Consignee's A/c	1,92,000
To Cash & Bank A/c	5,000	(2,00,000 × 80% × 120%)	
To Consignee's A/c	2,000	By Consignment Stock A/c	41,000
To General Profit & Loss A/c	26,000	(2,05,000 × 20%)	
	<u>2,33,000</u>		<u>2,33,000</u>

145.

$$\text{Amount of goods still in transit} = (500 \times 200) + 5,000 \times \frac{1}{5} = 21,000$$

146. & 147

Cost of bicycles (10 × 1,500)		15,000
Add: Proportionate non-recurring expenses		
- Consignor	$\left[11,500 \times \frac{10}{100} \right]$	1,150
- Consignee	(Goods has been damaged in transit hence no expenses of consignee will be considered)	-
Value of abnormal loss		<u>16,150</u>

Abnormal loss debited to General Profit & Loss A/c = 16,150 - 14,000 = 2,150.

148.

Dr.	Consignment A/c		Cr.
To Goods Sent on Consignment A/c	2,50,000	By Goods Sent on Consignment A/c	50,000
To Consignee's A/c	4,800	By Consignee's A/c	2,40,000
(2,40,000 × 2%)		(2,00,000 × 4/5 × 150%)	
To Stock Reserve (50,000 × 25/125)	10,000	By Consignment Stock A/c	50,000
To General Profit & Loss A/c	75,200	(2,50,000 × 1/5)	
	<u>3,40,000</u>		<u>3,40,000</u>

149.

Cost of articles (50 × 25)		1,250
Add: Proportionate non-recurring expenses		
- Consignor	$\left[400 \times \frac{50}{500} \right]$	40
- Consignee		-
Value of abnormal loss		<u>1,290</u>

Dr.	Abnormal Loss A/c		Cr.
To Consignment A/c	1,296	By Jay A/c (1,296 × 70%)	907
To Jay A/c (Commission @ 10% on ₹ 907)	91	By General Profit & Loss A/c	480
	1,387		1,387

150. $3,00,000 \times 133.3333\% \times 60\% = 2,40,000$

151.

Dr.	Commission Received A/c		Cr.
To Bad Debt A/c	5,000	By Consignor's A/c	20,000
To General Profit & Loss A/c	15,000	(4,00,000 × 5%)	
	20,000		20,000

152. to 157.

In the books of B

Dr.	Consignment A/c		Cr.
To Goods Sent on Consignment A/c (100 × 190)	19,000	By A A/c	
To Cash & Bank A/c		- (68 × 280)	19,040
- Expenses on dispatch	500	- (11 × 270)	2,970
To A A/c			22,010
- Expenses	1,520	By Abnormal Loss A/c	195
- Commission	1,321	By Consignment Stock A/c	3,900
(22,010 × 6%)	2,841		
To General Profit & Loss A/c	3,764		
	26,105		26,105

Dr.	A A/c		Cr.
To Consignment A/c	22,010	By Consignment A/c	2,841
To Abnormal Loss A/c	50	By Abnormal Loss A/c	3
		By Cash & Bank A/c	19,216
	22,060		22,060

Dr.	Abnormal Loss A/c		Cr.
To Consignment A/c	195	By A A/c	50
To A A/c (50 × 6%)	3	By General Profit & Loss A/c	148
	198		198

Calculation of abnormal loss

Cost of calculator (1 × 190)		190
Add: Proportionate non-recurring expenses of		
- Consignor $\left[500 \times \frac{1}{100}\right]$		5
- Consignee		-
Value of abnormal loss		195

Calculation of unsold stock

Cost of calculators (20 × 190)	3,800
Add: Proportionate non-recurring expenses of	
- Consignor $\left[500 \times \frac{20}{100}\right]$	100
- Consignee	-
Value of unsold stock	3,900

158.

Calculation of abnormal loss

Cost of tea cases (2 × 5,000)	10,000
(+) Proportionate non-recurring expenses	
- Consignor $\left[3,100 \times \frac{2}{10}\right]$	620
- Consignee	-
	10,620
(-) Realizable value of 2 cases (2 × 3,000)	(6,000)
Value of abnormal loss	4,620

159.

Invoice price of tea case (1 × 6,000)	6,000
Add: Proportionate non-recurring expenses	
- Consignor $\left[3,100 \times \frac{1}{10}\right]$	310
- Consignee	-
	6,310
Add: Realizable value of 2 cases	6,000
Value of unsold stock	12,310

160. to 164.

In the books of D

Dr.	Consignment A/c		Cr.
To Goods Sent on Consignment A/c (100 × 600)	60,000	By Goods Sent on Consignment A/c (60,000 × 1/6)	10,000
To Cash & Bank A/c		By Abnormal Loss A/c	5,150
- Forwarding & insurance	1,500	By Suresh A/c (70 × 800)	56,000
To S A/c		By Consignment Stock A/c	13,300
- Freight & cartage	4,500		
- Storage & selling exp.	500		
- Ordinary commission (56,000 × 7.5%)	4,200		
- Del-credere commission (56,000 × 2.5%)	1,400		

Special commission	1,400	12,000	
$(800 - 600) \times 70 \times 10\%$			
To Stock reserve $(12,000 \times 1/6)$		2,000	
To General Profit & Loss A/c		8,950	
		84,450	84,450

Dr.	S A/c		Cr.
To Consignment A/c	56,000	By Consignment A/c	12,000
		By Cash & Bank A/c	44,000
	56,000		56,000

Dr.	Abnormal Loss A/c		Cr.
To Consignment A/c	5,150	By Cash & Bank A/c	4,000
		By General Profit & Loss A/c	1,150
	5,150		5,150

Calculation of loading on cost & invoice price:

Cost + Profit = Invoice price

500 + 100 =	600
$\frac{100}{500}$	$\frac{100}{600}$
$\frac{1}{5}$	$\frac{1}{6}$

Note 1: Calculation of abnormal loss

Cost of transistors (10×500)	5,000
(+) Proportionate non-recurring expenses of	
- Consignor $\left[1,500 \times \frac{10}{100}\right]$	150
- Consignee (Goods has been damaged in transit hence no expenses of consignee will be considered)	-
Value of abnormal loss	5,150

Note 2: Calculation of unsold stock

Invoice price of transistors (20×600)	12,000
(+) Proportionate non-recurring expenses of	
- Consignor $\left[1,500 \times \frac{20}{100}\right]$	300
- Consignee $\left[4,500 \times \frac{20}{90}\right]$	1,000
Value of unsold stock	13,300

165.

Cost of goods $(1,00,000 \times 1/10)$	10,000
(+) Proportionate non-recurring expenses	
- Consignor $\left[6,000 \times \frac{10,000}{1,00,000}\right]$	600

- Consignee	(Goods has been damaged in transit hence no expenses of consignee will be considered)	-
Value of abnormal loss		10,600

166.

Invoice price of unsold stock (1,00,000 - 10,000 - 80,000)	10,000
(+) Proportionate non-recurring expenses	
- Consignor $\left[6,000 \times \frac{10,000}{1,00,000} \right]$	600
- Consignee $\left[1,350 \times \frac{10,000}{90,000} \right]$	150
Value of unsold stock	10,750

167.

Invoice price of Bicycles (100 × 950)	95,000
(+) Proportionate non-recurring expenses of:	
- Consignor $\left[76,500 \times \frac{10}{100} \right]$	7,650
- Consignee $\left[86,400 \times \frac{10}{90} \right]$	9,600
Value of unsold stock	1,12,250

168. & 169.

Dr.	Consignment A/c		Cr.
To Goods Sent on Consignment A/c	5,50,000	By Devi A/c	
To Cash & Bank A/c		- 85% of the goods	6,25,000
- Transportation	75,000	- 10% of the goods	85,000
To Devi A/c		By Devi A/c (goods taken)	26,125
- Unloading	45,000	(5,50,000 × 5% × 95%)	
- Commission	51,529		
(7,10,000 + 26,125) × 7%	96,529		
To General Profit & Loss A/c	14,596		
	7,36,125		7,36,125

Dr.	Devi A/c		Cr.
To Consignment A/c	7,10,000	By Consignment A/c	96,529
To Consignment A/c	26,125	By Cash & Bank A/c	6,39,596
	7,36,125		7,36,125

170. & 171.

Dr.	Consignment A/c		Cr.
To Goods Sent on Consignment A/c	75,50,000	By Gayathri A/c	
To Cash & Bank A/c		- 88% of the goods	90,00,000
- Transportation	8,25,000	- 10% of the goods	10,00,000
			1,00,00,000

Dr.	Consignment A/c		Cr.
To Gayathri A/c		By Gayathri A/c (Goods taken)	1,35,900
- Unloading 5,25,000		(75,50,000 × 2% × 90%)	
- Commission 8,61,552	13,86,552		
(1,01,35,900 × 8.5%)			
To General Profit & Loss A/c	3,74,348		
	1,01,35,900		1,01,35,900

Dr.	Gayathri A/c		Cr.
To Consignment A/c	1,00,00,000	By Consignment A/c	13,86,552
To Consignment A/c	1,35,900	By Cash & Bank A/c	87,49,348
	1,01,35,900		1,01,35,900

172.

Dr.	Consignment A/c		Cr.
To Goods Sent on Consignment A/c	50,000	By B A/c	60,000
To Cash & Bank A/c			
- Freight 1,500			
- Insurance 500	2,000		
To B A/c			
- Unloading expenses 500			
- Rent 500			
- Commission (60,000 × 5%) 3,000	4,000		
To General Profit & Loss A/c	4,000		
	60,000		60,000

173.

Cost of units (2,000 × 5)	10,000
(+) Proportionate non-recurring expenses of:	
- Consignor $\left[1,00,000 \times \frac{2,000}{2,00,000}\right]$	1,000
- Consignee (Goods has been damaged in transit hence no expenses of consignee will be considered)	-
	11,000
Realized salvage value of damaged units	(2,000)
Value of abnormal loss	9,000

174.

Cost of goods sent	80,000
(+) Loading (80,000 × 1/4)	20,000
Invoice price	1,00,000
Goods were lost in transit (1,00,000 × 40%)	(40,000)
Invoice price of goods available for sale	60,000
Invoice price of goods sold (60,000 × 60%)	36,000
- 50% goods sold (36,000 × 50%)	18,000
- 50% goods sold (36,000 × 50% × 125%)	22,500
Gross sale proceeds	40,500

Calculation of special commission:

Gross sale proceeds	40,500
Ordinary Commission (36,000 × 10%)	(3,600)
	36,900
Invoice price of goods sold	(36,000)
	900
Special Commission	(0.5x)
	x

$$900 - 0.5x = x$$

$$900 = 1.5x$$

$$x = 600$$

$$\text{Special Commission} = 600 \times 0.5 = 300$$

$$\text{Total commission} = 3,600 + 300 = 3,900$$

175. Calculation of special commission:

Gross sale proceeds	70,000
Ordinary Commission (70,000 × 2%)	(1,400)
	68,600
Invoice price of goods sold (1,00,000 × 3/5)	(60,000)
	8,600
Special Commission	(0.2x)
	x

$$8,600 - 0.2x = x$$

$$8,600 = 1.2x$$

$$x = 7,167$$

$$\text{Special Commission} = 7,167 \times 0.2 = 1,433$$

$$\text{Total commission} = 1,400 + 1,433 = 2,833$$

176. Calculation of special commission:

Gross sale proceeds (150 × 14,000) + (75 × 14,400)	31,80,000
Ordinary Commission (225 × 500)	(1,12,500)
	30,67,500
Invoice price of goods sold (225 × 12,500)	(28,12,500)
	2,55,000
Special Commission	(0.25x)
	x

$$2,55,000 - 0.25x = x$$

$$2,55,000 = 1.25x$$

$$x = 2,04,000$$

$$\text{Special Commission} = 2,04,000 \times 0.25 = 51,000$$

$$\text{Total commission} = 1,12,500 + 51,000 = 1,63,500$$

ACCOUNTING FOR NON-PROFIT ORGANIZATION

1. Which of the following consist in the final accounts of a non-profit organization -
 - (A) Trading and Profit & Loss A/c and Balance Sheet
 - (B) Income Statement and Statement of Financial Position
 - (C) Receipts & Payments A/c and Income & Expenditure A/c
 - (D) Receipts & Payments A/c; Income & Expenditure A/c and Balance Sheet
2. Income & Expenditure A/c is prepared by transfer of -
 - (I) Nominal accounts
 - (II) Real accounts
 - (III) Personal accounts

The correct answer is -

 - (A) (II) and (III) only
 - (B) (I) and (II) only
 - (C) All (I), (II) and (III)
 - (D) (I) only
3. Receipts and Payments Account is a -
 - (A) Income Statement
 - (B) Cash Book
 - (C) Summary of the Cash Book
 - (D) Statement of Financial Position
4. Receipts and Payments Account is prepared on -
 - (I) Accrual basis of accounting
 - (II) Cash basis of accounting
 - (III) Hybrid basis of accounting

The correct answer is -

 - (A) (I) only
 - (B) (I) or (II)
 - (C) Any of (I) or (II) or (III)
 - (D) (II) only
5. Surplus revealed by income and expenditure account -
 - (A) is shown as deduction in accumulated fund at the balance sheet
 - (B) is transferred to an account called capital fund
 - (C) distrusted among the members of the non-profit organization
 - (D) must be donated to other non-profit organization
6. Which of the following items are included in the Receipts and Payments Account -
 - (A) Only revenue nature receipts and payments relating to a particular accounting period
 - (B) Only capital nature receipts and payments relating to a particular accounting period
 - (C) All kinds of receipts and payments of during a particular accounting period
 - (D) All kinds of receipts and payments relating to a particular accounting period
7. It is the amount which a non-trading concern receives as per the will of a deceased person.
 - (A) Donations
 - (B) Life membership fees
 - (C) Legacy
 - (D) Specific donation
8. Income and Expenditure Account is prepared on -
 - (A) Cash basis
 - (B) Accrual basis
 - (C) Hybrid basis
 - (D) Either (A) or (B)
9. Which of the following is correct treatment of legacy received by non-profit organization?
 - (A) It appears on the credit side of the income and expenditure account. It should be treated as revenue item as it is of recurring nature.
 - (B) It appears on the credit side of the receipts and payments account. It should be capitalized

- being an item of non recurring nature and should be shown on the asset side of the balance sheet.
- (C) It appears on the debit side of the receipts and payments account and on credit side of income and expenditure account.
- (D) It appears on the debit side of the receipts and payments account. It should be capitalized being an item of non recurring nature and should be shown on the liability side of the balance sheet.
10. Income and Expenditure Account records income and expenditure items of -
- (A) Both capital and revenue nature
- (B) Only capital nature
- (C) Only revenue nature
- (D) Only revenue nature related to a particular accounting period
11. Specific donations received will appear on -
- (A) Debit side of Receipt & Payment A/c
- (B) Credit side of Receipt & Payment A/c
- (C) Debit side of Income & Expenditure A/c
- (D) Debit side of Capital Fund A/c
12. Income and Expenditure Account is equivalent to -
- (A) Profit and Loss Account
- (B) Receipts and Payments Account
- (C) Balance Sheet
- (D) Receipts and Expenditure Account
13. If a small amount is received as specific donation then -
- (A) It is shown on the liabilities side of the balance sheet
- (B) It is shown by way of deduction in capital fund in liability side of the balance sheet
- (C) It is treated as income and credited to income and expenditure account
- (D) Any of the above
14. Receipts and Payments Account is in nature of -
- (A) Personal Account
- (B) Artificial Personal Account
- (C) Real Account
- (D) Valuation Account
15. Entrance fees may also be called as -
- (A) Specific donation
- (B) General donation
- (C) Admission fees
- (D) Any of the above
16. Income and Expenditure Account is a -
- (A) Nominal Account
- (B) Real Account
- (C) Representative Personal Account
- (D) Personal Account
17. Which of the following is correct treatment of life membership fees received by non-profit organization?
- (A) The amount received may be taken as capital receipt and credited to life membership account which will be shown on the liabilities side of the balance sheet. On death of the member his contribution is transferred to capital fund.
- (B) The amount received may be credited to life membership account from which an amount equal to the normal annual subscription is transferred to income and expenditure account and the balance is carried forward till it is exhausted. In case of death of a member, the balance, if any, in the life membership account may be transferred to capital fund account.
- (C) The amount received may be credited to life membership account. Thereafter an amount calculated on the basis of the average life of the member is transferred annually to income and expenditure account and the balance is shown on the balance sheet.
- (D) Any of the above
18. Which of the following is not recorded in the Receipts and Payments Account -
- W. Outstanding subscription
- X. Prepaid insurance premium
- Y. Depreciation
- Select the correct answer from the options given below -*
- (A) W and X
- (B) Y and W
- (C) Y only
- (D) All W, X and Y
19. Sale of old assets by non-profit organization -
- (A) is not an income
- (B) will not appear in the income and expenditure account

- (C) sale proceeds will be deducted from the respective asset in the balance sheet
(D) all of the above

20. Depreciation is shown in -

- (A) Receipts and Payments Account
(B) Income and Expenditure Account
(C) Both (A) and (B)
(D) Either (A) or (B)

21. **Statement I:**

R&P A/c starts with the opening balance of cash in hand and at bank.

Statement II:

I&E A/c have no opening balance.

Select the correct answer from the options given below -

- (A) Statement I is Correct while statement II is incorrect.
(B) Both Statement I and II are incorrect
(C) Statement II is Correct while statement I is incorrect.
(D) Both Statement I and II are correct

22. Life membership fee is a -

- (A) Revenue nature receipt
(B) Capital nature receipt
(C) Revenue nature expenditure
(D) Capital nature expenditure

23. Which of the following items are not considered in Receipt & Payment A/c but are considered in Income & Expenditure A/c?

- (A) Outstanding and prepaid
(B) Capital & revenue
(C) Both (A) and (B)
(D) None of the above is correct

24. Excess of income over expenditure is also known as -

- (A) Profit
(B) Surplus
(C) Loss
(D) Deficit

25. Which of the following statement is correct (✓) and which is incorrect (×)?

- (I) In Receipt & Payment A/c all receipts and payments are shown irrespective of the year to which they pertain.

(II) The difference at Dr. side of Receipt & Payment A/c account is known as surplus or deficit and deducted from capital fund.

(III) Income & Expenditure A/c is always accompanied by balance sheet.

(IV) Going concern assumption is not relevant for accounting of non-profit organization.

Select the correct answer from the options given below -

	(I)	(II)	(III)	(IV)
(A)	✓	×	✓	×
(B)	×	✓	×	✓
(C)	×	×	✓	✓
(D)	×	×	✓	×

26. Excess of expenditure over income is also known as -

- (A) Profit
(B) Surplus
(C) Loss
(D) Deficit

27. Professional people like solicitors, doctors, company secretary, cost accountant, chartered accountants etc., prepare for themselves _____ which is a modified form of Income & Expenditure A/c prepared by non-trading concerns.

- (A) Receipt & Expenditure A/c
(B) Income & Payment A/c
(C) Profit & Loss A/c
(D) Any of the above

28. Which of the following is generally considered as a non-profit oriented organization?

- (A) Charitable organization
(B) Corporation
(C) Audit firms
(D) Insurance companies

29. In Receipt & Expenditure A/c prepared by professionals -

- (A) income is determined on cash basis and expenditure on accrual basis.
(B) income is determined on accrual basis and expenditure on cash basis.
(C) either (A) or (B)
(D) none of the above

30. Outstanding subscription for a non-profit organization is considered as a/an -

- (A) Expense
(B) Liability
(C) Equity
(D) Asset
31. "Subscriptions received in advance" pertaining to last year will on the ____ of Subscription A/c prepared for the current year.
(A) Debit side
(B) Credit side
(C) No where
(D) None of the above
32. Non-profit organizations prepare all of the following accounts except the -
(A) Receipts and payment accounts
(B) Income and Expenditure accounts
(C) Balance sheet
(D) Income statement
33. When cash is received for life membership, which one of the following double entries is passed?
(A) Cash Debit and capital Credit
(B) Life membership Debit and cash Credit
(C) Investment Debit and cash Credit
(D) Cash Debit and life membership fund Credit
34. Rent expense of a non-profit organization paid in advance. Which of the following is the correct classification of rent paid in advance?
(A) Expense
(B) Liability
(C) Equity
(D) Asset
35. XYZ club has a bar that maintains a separate trading account for its trading activities. Which of the following is the treatment of profit or loss on bar trading activities?
(A) Profit or loss is directly shown in the balance sheet
(B) Profit or loss is to be presented in income and expenditure account
(C) Profit and loss is credit in income statement
(D) Profit or loss is added to accumulated fund
36. An advance receipt of subscription from a member of the non-profit organization is considered as a/an -
(A) Expense
(B) Liability
(C) Equity
(D) Asset
37. In accounting for not-for-profit organizations, revenues and expenses are reported at ____ amounts and most gains and losses are reported at ____ amounts.
(A) net, gross
(B) gross, net
(C) gross, gross
(D) net, net
38. Purchase of a fixed asset by a non-profit organization will be shown in -
(A) Income and Expenditure account
(B) Receipts and Payments Account
(C) Both (A) and (B)
(D) Neither (A) nor (B)
39. The balance sheet of a non-profit organization such as a charitable hospital doesn't contain the
(A) Assets
(B) Building
(C) Debts
(D) Owner's equity
40. Which of the following is to be recorded in an income and expenditure account?
(A) Purchase of a fixed asset
(B) Capital expenditure incurred on a fixed asset
(C) Profit on the sale of a fixed asset
(D) Sale of a fixed asset
41. A not-for-profit entity has all of the following characteristics except that it will -
(A) operate for purposes other than to provide goods or service at a profit.
(B) not have a positive fund balance
(C) not possess ownership interests like a corporation
(D) receive significant contributions from providers who do not expect returns.
42. Honorarium is a kind of remuneration paid to a person who is not the employee of a non-profit organization. Which of the following statements is true about the honorarium payment?
(A) It's a revenue expenditure
(B) It's a capital expenditure
(C) It's a deferred revenue expenditure
(D) It is not recorded in the books of account

43. Subscription A/c will be credited to Income & Expenditure A/c by -

(A)	Subscription Received (+) Outstanding Subscription for current year (-) Outstanding Subscription for of last year (+) Subscription received in advance of last year (-) Subscription received in advance of next year
(B)	Subscription Received (+) Outstanding Subscription for current year (+) Outstanding Subscription for of last year (-) Subscription received in advance of last year (-) Subscription received in advance of next year
(C)	Subscription Received (-) Outstanding Subscription for current year (-) Outstanding Subscription for of last year (+) Subscription received in advance of last year (+) Subscription received in advance of next year
(D)	Subscription Received (-) Outstanding Subscription for current year (+) Outstanding Subscription for of last year (-) Subscription received in advance of last year (+) Subscription received in advance of next year

44. The capital of a non-profit organization is generally known as -

- (A) Equity
- (B) Accumulated fund/Capital fund
- (C) Cash fund
- (D) Financial reserve

45. How much amount as Rent A/c will be debited to Income & Expenditure A/c -

- (A) Rent Paid (-) Outstanding Rent of current year (+) Outstanding Rent of last year

- (B) Rent Paid (+) Outstanding Rent of current year (+) Outstanding Rent of last year

- (C) Rent Paid (-) Outstanding Rent of current year (-) Outstanding Rent of last year

- (D) Rent Paid (+) Outstanding Rent of current year (-) Outstanding Rent of last year

46. In case of a non-profit organization, life membership fee is treated as -

- (A) A revenue receipt
- (B) A capital receipt
- (C) A deferred revenue receipt
- (D) Either (A) or (B)

47. How much amount as Staff Salary A/c will be debited to Income & Expenditure A/c -

- (A) Staff Salary paid (+) Salary paid in advance for the next year (-) Salary paid in advance in last year for current year
- (B) Staff Salary paid (-) Salary paid in advance for the next year (+) Salary paid in advance in last year for current year
- (C) Staff Salary paid (+) Salary paid in advance for the next year (+) Salary paid in advance in last year for current year
- (D) Staff Salary paid (-) Salary paid in advance for the next year (-) Salary paid in advance in last year for current year

48. XYZ club has a restaurant that maintains a separate trading account for its trading activities. Which of the following is the treatment of profit or loss on restaurant trading activities?

- (A) Profit or loss is directly shown in the balance sheet
- (B) Profit or loss is to be presented in income and expenditure account
- (C) Profit and loss is credit in income statement
- (D) Profit or loss is added to accumulated fund

49. Which of the following is the accounting equation for a non-profit organization?

- (A) Asset = Capital + Liabilities
- (B) Capital + Liabilities = Assets
- (C) Accumulated fund + Liabilities = Assets
- (D) Liabilities = Asset + Accumulated fund

50. In case of a non-profit organization rent of building is due but not yet received by it is considered as a/an -

- (A) Asset
- (B) Liability

- (C) Income
(D) Expenditure
51. Income and expenditure accounts show
(A) Cash available to an organization
(B) Closing capital of an organization
(C) Cash available in the bank account
(D) Surplus or deficit for the current accounting period
52. The amount or property received by a non-profit organization as stated by the will of a deceased person is commonly referred to as -
(A) Donation
(B) Honorarium
(C) Legacy
(D) Endowment
53. Investment in sinking fund by a non-profit organization is a/an -
(A) Liability
(B) Accumulated fund
(C) Asset
(D) Equity
54. In accounting of non-profit organizations, the sale of old newspapers is generally considered as a/an -
(A) Revenue expenses
(B) Capital expenditure
(C) Revenue income
(D) Capital receipt

Practical MCQs

55. A Club is of 200 members. Subscription per member is ₹ 3,000 p.a. Outstanding subscription at the beginning and end of the year were ₹ 18,000 & ₹ 28,000 respectively. Amount of subscription to be shown in Receipts & Payments A/c will be -
(A) ₹ 6,00,000
(B) ₹ 6,18,000
(C) ₹ 5,72,000
(D) ₹ 5,90,000
56. A Club is of 150 members. Subscription per member is ₹ 500 per month. Subscription of 8 members of whole years was not received and subscription from 5 members has been received in advance for 6 months of the next year. The amount of subscription to be shown in Receipts & Payments Account will be -
(A) ₹ 9,00,000
(B) ₹ 8,67,000
(C) ₹ 9,63,000
(D) ₹ 9,33,000
57. From the following particulars, calculate the amount of subscription to be credited to Income & Expenditure A/c for the year ended 31st March 2018.
- | Particulars | 31.3.2017 | 31.3.2018 |
|----------------------------------|-----------|-----------|
| Outstanding subscription | 1,500 | 1,200 |
| Subscription received in advance | 900 | 540 |
- A sum of ₹ 14,670 was received as subscription during the year ended 31st March 2018.
(A) 15,930
(B) 14,730
(C) 14,610
(D) 14,010
58. A Club is of 100 members. Subscription per member is ₹ 2,500 p.a. ₹ 2,18,000 are received during the year 2016-2017 which includes ₹ 20,000 and ₹ 15,000 subscription for the years 2015-2016 and 2017-2018 respectively. At the end of the year 2016-2017, the amount of outstanding subscription will be -
(A) ₹ 32,000
(B) ₹ 52,000
(C) ₹ 35,000
(D) ₹ 67,000
59. A Club is of 100 members. Subscription per member is ₹ 2,500 p.a. ₹ 2,18,000 are received during the year 2016-2017 which includes ₹ 20,000 and ₹ 15,000 subscription for the years 2015-2016 and 2017-2018 respectively. At the end of the year 2016-2017, the amount of subscription received in advance will be -
(A) ₹ 20,000
(B) ₹ 15,000
(C) ₹ 35,000
(D) ₹ 32,000
60. From the following, find out the amount of subscriptions to be included in the Income & Expenditure Account for the year ended 31st March 2009.
Subscription were received during the year 2008 - 2009 as follows:

- | | |
|--|----------------|
| ₹ | (C) ₹ 2,74,000 |
| For the year 2007 - 2008 2,000 | (D) ₹ 2,26,000 |
| For the year 2008 - 2009 30,000 | |
| For the year 2009 - 2010 3,000 | |
- Subscription outstanding as on 31st March 2008 were ₹ 3,500 out of which ₹ 500 were considered to be irrecoverable. On the same date, Subscription received in advance for 2008-2009 were ₹ 2,000. Subscription still outstanding as on 31st March 2009 amounted to ₹ 6,000.
- (A) 36,500
(B) 37,000
(C) 33,000
(D) 39,000
61. An institution received ₹ 1,80,000 as rent during the year 2016-2017 which includes ₹ 36,000 received in advance for the year 2017-2018. Outstanding rent at the end of the years 2015-2016 and 2016-2017 were ₹ 24,000 and ₹ 28,000 respectively. Amount of rent to be shown in Income and Expenditure Account for the year 2016-2017 will be -
- (A) ₹ 1,80,000
(B) ₹ 1,44,000
(C) ₹ 1,40,000
(D) ₹ 1,48,000
62. There are 450 members of a Club, each paying an annual subscription of ₹ 500. On 31st March 2008 subscription in arrear totalled ₹ 5,000. Subscription received during the year ended 31st March 2009 amounted to ₹ 2,23,000 including ₹ 4,500 for the year 2007-2008 and ₹ 7,500 for the year 2009-2010. Calculate the amount of subscription in arrear as on 31st March 2009.
- (A) 10,500
(B) 500
(C) 14,500
(D) 4,500
63. In a Club, subscription received for current year is ₹ 2,50,000, Subscription of current year received in the previous year is ₹ 25,000, Subscription outstanding for current year is ₹ 45,000, Subscription received in advance in current year is ₹ 11,000 and subscription of previous year received in current year is ₹ 35,000. The amount of subscription to be shown in *Receipts & Payments Account* will be -
- (A) ₹ 2,50,000
(B) ₹ 2,96,000
64. In a Club, subscription received for current year ₹ 2,50,000, Subscription of current year received in the previous year ₹ 25,000, Subscription outstanding for current year ₹ 45,000, Subscription received in advance in current year ₹ 11,000 and subscription of previous year received in current year ₹ 35,000. The amount of subscription to be shown in *Income and Expenditure Account* will be -
- (A) ₹ 2,74,000
(B) ₹ 2,26,000
(C) ₹ 3,09,000
(D) ₹ 3,20,000
65. In a Club, subscription received for current year ₹ 2,50,000, Subscription of current year received in the previous year ₹ 25,000, Subscription outstanding for current year ₹ 45,000, Subscription received in advance in current year ₹ 11,000 and subscription of previous year received in current year ₹ 35,000. If the beginning of the current year the outstanding subscription is ₹ 42,000 then the amount of outstanding subscription at the end of the current year will be -
- (A) ₹ 45,000
(B) ₹ 87,000
(C) ₹ 52,000
(D) ₹ 55,000
66. In a Club, subscription received for current year ₹ 2,50,000, Subscription of current year received in the previous year ₹ 25,000, Subscription outstanding for current year ₹ 45,000, Subscription received in advance in current year ₹ 11,000 and subscription of previous year received in current year ₹ 35,000. At the end of the current year amount of subscription received in advance will be -
- (A) ₹ 11,000
(B) ₹ 46,000
(C) ₹ 36,000
(D) ₹ 60,000
67. On the basis of following information calculate the amount will appear the item 'stationery used' in *Income and Expenditure Account* for the year ending 31st March, 2009.
- | | |
|--|----------|
| Stock of stationary on 1.4.2008 | ₹ 12,000 |
| Creditors for stationary on 1.4.2008 | 25,600 |
| Amount paid for stationary during the year ended 31.3.2009 | 1,40,000 |

Stock of stationary on 31.3.2009	23,200
Creditors for stationary on 31.3.2009	24,000

- (A) 1,27,200
(B) 1,38,400
(C) 1,49,600
(D) 1,30,400
68. Without adjusting the items of: Outstanding subscription ₹ 5,600; Outstanding rent ₹ 3,500; and Prepaid insurance ₹ 1,500, the Income and Expenditure Account of Poova Entertainment Club shown a surplus of ₹ 67,000. The amount of surplus after above adjustments will be -
- (A) ₹ 59,400
(B) ₹ 63,400
(C) ₹ 70,600
(D) ₹ 66,400
69. Calculate what amount will be posted to Income and Expenditure Account for the year ending 31st March, 2009:

	₹
Stock of stationary on 1.4.2008	600
Creditors for stationary on 1.4.2008	400
Advances paid for stationary carried forward from 2007-2008	40
Amount paid for stationary during the year 2008-2009	2,160
Stock of stationary on 31.3.2009	100
Creditors for stationary on 31.3.2009	260
Advances paid for stationary on 31.3.2009	60

- (A) 2,000
(B) 2,400
(C) 1,500
(D) 2,500
70. A non-profit organization received ₹ 10,000 as the entrance fee of a new member. If 20% of the fee has to be capitalized, what is the amount of fee needs to be shown in the income and expenditure account?
- (A) ₹ 2,000
(B) ₹ 8,000
(C) ₹ 9,000
(D) ₹ 10,000
71. The following balances are obtained from the books of Satara Cricket Club as on 31.3.2013 and 31.3.2014:

	31.3.2014	31.3.2013
Prepaid expenses	2,500	2,000
Outstanding expenses	3,000	7,500

Expenses paid in cash during the year 2013-2014 was ₹ 80,750.

Expenses to be debited to Income & Expenditure A/c -

- (A) 85,750
(B) 84,750
(C) 75,750
(D) 76,750
72. ₹ 1,00,000 received as the annual membership subscription. Out of this, ₹ 20,000 is pertaining to the previous accounting period, whereas ₹ 10,000 is receivable at the end of the current accounting period. Calculate the amount of subscription that will be shown in the income and expenditure account for this accounting year -
- (A) ₹ 1,00,000
(B) ₹ 90,000
(C) ₹ 1,20,000
(D) ₹ 80,000
73. From the following details calculate the Land & Building purchased during the year -
Land & Building on 1.4.2018 = 2,00,000
Land & Building on 31.3.2019 = 2,13,750
Depreciation provided on land & building during the year was ₹ 11,250.
- (A) ₹ 25,000
(B) ₹ 2,500
(C) ₹ 13,750
(D) Nil
74. Following details are available for Satara social club.
- Closing balance of capital fund = 4,67,000
Donation capitalized during the year = 12,500
Surplus in Income & Expenditure A/c = 18,750
Opening balance of capital fund must be -
- (A) 4,98,250
(B) 4,73,250
(C) 4,60,750
(D) 4,35,750

75. Entrance donations received during the year ended 31.3.2014 = ₹ 1,00,000.

Entrance donation received pending membership on 1.4.2013 = ₹ 1,00,000.

50% of the entrance donation was to be capitalized. There was no pending membership as on 31st March 2014. A sum of ₹ 20,000 received in October 2013 as entrance donation from an applicant was to be refunded as he has not fulfilled the requisite membership qualifications. The refund was made on 03.06.2014. Amount to be credited to Income & Expenditure A/c for Entrance Donation = ?

- (A) 1,10,000
(B) 90,000
(C) 2,00,000
(D) 1,80,000

76. From the following details calculate the "amount paid to creditors for provisions" that will appear in Receipt & Payment A/c of Joyous Club.

Particulars	₹
Opening stock of provisions	10,000
Closing stock of provisions	5,000
Amount debited to I & E A/c for provision used	1,45,000
Creditors for provision (Opening)	8,000
Creditors for provision (Closing)	10,000

- (A) 1,35,000

(B) 1,63,000

(C) 1,47,000

(D) 1,55,000

77. The following information pertains to a Charitable Hospital:

Amount paid to creditors of medicine = ₹ 1,500

	31.3.2008	31.3.2009
Stock of medicines	500	750
Amount due to suppliers of medicines	400	600

Medicine consumed during the year = ?

- (A) 1,400
(B) 1,350
(C) 1,450
(D) 1,500

78. The following information pertains to a Club:

Amount debited to Income & Expenditure A/c as Bar Stock used = 10,900

Amount paid to creditors of medicine = ?

	31.3.2008	31.3.2009
Bar Stock	1,420	1,740
Amount due to suppliers of Bar	1,180	860

- (A) 11,460
(B) 11,340
(C) 11,540
(D) 11,560

Answers:

1.	(D)	2.	(D)	3.	(C)	4.	(D)	5.	(B)	6.	(C)	7.	(C)
8.	(B)	9.	(D)	10.	(D)	11.	(A)	12.	(A)	13.	(A)	14.	(C)
15.	(C)	16.	(A)	17.	(D)	18.	(D)	19.	(D)	20.	(B)	21.	(D)
22.	(B)	23.	(A)	24.	(B)	25.	(A)	26.	(D)	27.	(A)	28.	(A)
29.	(A)	30.	(D)	31.	(B)	32.	(D)	33.	(D)	34.	(D)	35.	(B)
36.	(B)	37.	(B)	38.	(B)	39.	(D)	40.	(C)	41.	(B)	42.	(A)
43.	(A)	44.	(B)	45.	(D)	46.	(B)	47.	(B)	48.	(B)	49.	(C)
50.	(A)	51.	(D)	52.	(C)	53.	(C)	54.	(C)	55.	(D)	56.	(B)
57.	(B)	58.	(D)	59.	(B)	60.	(B)	61.	(D)	62.	(C)	63.	(B)
64.	(D)	65.	(C)	66.	(A)	67.	(A)	68.	(C)	69.	(D)	70.	(B)
71.	(C)	72.	(B)	73.	(A)	74.	(D)	75.	(B)	76.	(B)	77.	(C)
78.	(C)												

Hints for Important Practical MCQs

55.

Dr.	Subscription A/c		Cr.
To Outstanding Subscription (Op.)	18,000	By Subscriptions Rec. in Advance (Op.)	-
To Income & Expenditure A/c (200 × 3,000)	6,00,000	By Receipt & Payment A/c	5,90,000
To Subscriptions Rec. in Advance (Cl.)	-	By Outstanding Subscription (Cl.)	28,000
	6,18,000		6,18,000

56.

Dr.	Subscription A/c		Cr.
To Outstanding Subscription (Op.)	-	By Subscriptions Rec. in Advance (Op.)	-
To Income & Expenditure A/c (150 × 500 × 12)	9,00,000	By Receipt & Payment A/c	8,67,000
To Subscriptions Rec. in Advance (Cl.) (5 × 500 × 6)	15,000	By Outstanding Subscription (Cl.) (8 × 500 × 12)	48,000
	9,15,000		9,15,000

57.

Dr.	Subscription A/c		Cr.
To Outstanding Subscription (Op.)	1,500	By Subscriptions Rec. in Advance (Op.)	900
To Income & Expenditure A/c (Bal. Fig.)	14,730	By Receipt & Payment A/c	14,670
To Subscriptions Rec. in Advance (Cl.)	540	By Outstanding Subscription (Cl.)	1,200
	16,770		16,770

58. & 59.

Dr.	Subscription A/c		Cr.
To Outstanding Subscription (Op.)	20,000	By Subscriptions Rec. in Advance (Op.)	-
To Income & Expenditure A/c (100 × 2,500)	2,50,000	By Receipt & Payment A/c	2,18,000
To Subscriptions Rec. in Advance (Cl.)	15,000	By Outstanding Subscription (Cl.)	67,000
	2,85,000		2,85,000

60.

Dr.	Subscription A/c		Cr.
To Outstanding Subscription (Op.)	3,500	By Subscriptions Rec. in Advance (Op.)	2,000
		By Subscriptions irrecoverable	500
To Income & Expenditure A/c (Bal. Fig.)	37,000	By Receipt & Payment A/c (2,000 + 30,000 + 3,000)	35,000
To Subscriptions Rec. in Advance (Cl.)	3,000	By Outstanding Subscription (Cl.)	6,000
	43,500		43,500

61.

Dr.	Rent A/c		Cr.
To Outstanding Rent (Op.)	24,000	By Rent Received in Advance (Op.)	-
To Income & Expenditure A/c (<i>Bal. Fig.</i>)	1,48,000	By Receipt & Payment A/c	1,80,000
To Rent Received in Advance (Cl.)	36,000	By Outstanding Rent (Cl.)	28,000
	<u>2,08,000</u>		<u>2,08,000</u>

62.

Dr.	Subscription A/c (2008-2009)		Cr.
To Outstanding Subscription (Op.)	5,000	By Subscriptions Rec. in Advance (Op.)	-
To Income & Expenditure A/c (450 × 500)	2,25,000	By Receipt & Payment A/c	2,23,000
To Subscriptions Rec. in Advance (Cl.)	7,500	By Outstanding Subscription (Cl.) (<i>Bal. Fig.</i>)	14,500
	<u>2,37,500</u>		<u>2,37,500</u>

67.

Dr.	Stationary A/c		Cr.
To Balance b/d	12,000	By I & E A/c (<i>Stationery used</i>)	1,27,200
To Creditors For Stationary A/c	1,38,400	By Balance c/d	23,200
	<u>1,50,400</u>		<u>1,50,400</u>

Dr.	Creditors For Stationary A/c		Cr.
To Cash & Bank A/c	1,40,000	By Balance b/d	25,600
To Balance c/d	24,000	By Stationary A/c (<i>Credit purchase</i>) (<i>Bal. Fig.</i>)	1,38,400
	<u>1,64,000</u>		<u>1,64,000</u>

First close "Creditors For Stationary A/c" and then close "Stationary A/c".

68.

$$67,000 + 5,600 - 3,500 + 1,500 = 70,600$$

69.

Dr.	Stationary A/c		Cr.
To Balance b/d	600	By I & E A/c (<i>Stationery used</i>)	2,500
To Creditors For Stationary A/c	2,000	By Balance c/d	100
	<u>2,600</u>		<u>2,600</u>

Dr.	Creditors For Stationary A/c		Cr.
To Advance (Op.)	40	By Balance b/d	400
To Cash & Bank A/c	2,160	By Stationary A/c (<i>Credit purchase</i>) (<i>Bal. Fig.</i>)	2,000
To Balance c/d	260	By Advance (Cl.)	60
	<u>2,460</u>		<u>2,460</u>

71.

Dr.	Expenses A/c		Cr.
To Prepaid expenses	2,000	By Outstanding expenses	7,500
To Receipt & Payment A/c	80,750	By Income & Expenditure A/c	75,750
To Outstanding expenses	3,000	By Prepaid expenses	2,500
	85,750		85,750

73.

Dr.	Land & Buildings A/c		Cr.
To Balance b/d	2,00,000	By Depreciation	11,250
To Receipt & Payment A/c (Bal. Fig.)	25,000	By Balance c/d	2,13,750
	2,25,000		2,25,000

74.

Dr.	Capital Fund A/c		Cr.
		By Balance b/d	4,35,750
		By Donation	12,500
To Balance c/d	4,67,000	By Surplus	18,750
	4,67,000		4,67,000

75.

Dr.	Entrance Donation A/c		Cr.
To Capital Fund A/c	90,000	By Balance b/d	1,00,000
To Income & Expenditure A/c	90,000	By Receipt & Payment A/c	1,00,000
To Entrance Donation refundable	20,000		
	2,00,000		2,00,000

76.

Dr.	Stock of Provision A/c		Cr.
To Balance b/d	10,000	By Income & Expenditure A/c	1,45,000
To Creditors For Provision A/c	1,40,000	By Balance c/d	5,000
(Bal. Fig.)			
	1,50,000		1,50,000

Dr.	Creditors For Provision A/c		Cr.
To Receipt & Payment A/c	1,38,000	By Balance b/d	8,000
To Balance c/d	10,000	By Stock of Provision A/c (Purchases)	1,40,000
	1,48,000		1,48,000

77.

Dr.	Stock of Medicines A/c		Cr.
To Balance b/d	500	By Income & Expenditure A/c	1,450
To Suppliers of Medicines	1,700	By Balance c/d	750
	2,200		2,200

Dr.	Suppliers of Medicines A/c		Cr.
To Receipt & Payment A/c	1,500	By Balance b/d	400
To Balance c/d	600	By Stock of Medicines (Purchases)	1,700
	2,100		2,100

78.

Dr.		Bar Stock A/c		Cr.	
To Balance b/d	1,420	By Income & Expenditure A/c	10,900		
To Creditors For Bar Stock A/c	11,220	(Bar stock consumed)			
(Bal. Fig.)		By Balance c/d	1,740		
	12,640		12,640		

Dr.		Creditors For Bar Stock A/c		Cr.	
To Receipt & Payment A/c (Bal. Fig.)	11,540	By Balance b/d	1,180		
To Balance c/d	860	By Bar Stock A/c	11,220		
	12,400		12,400		

INTRODUCTION TO COMPANY ACCOUNTS

CHAPTER

15

MCQ on Theory

1. The companies are governed by –
 - (A) The Contract Act, 1872
 - (B) The Companies Act, 2013
 - (C) The Partnership Act, 1932
 - (D) The Companies Act, 2014
2. _____ is an artificial person created by law, having separate entity, with perpetual succession and a common seal.
 - (A) Partnership firm
 - (B) HUF
 - (C) Company
 - (D) All of above
3. Which of the following can be treated as type of shares?
 - (A) Equity shares
 - (B) Preference share
 - (C) Both (A) & (B)
 - (D) None of the above
4. Preference shares are those which carry the preferential rights as to –
 - (A) The payment of dividend at a fixed rate
 - (B) The return of capital on winding up of the company
 - (C) Both (A) & (B)
 - (D) Either (A) or (B)
5. will be entitled to receive arrears of their dividend.
 - (A) Cumulative Preference Share
 - (B) Non-Cumulative Preference Share
 - (C) Convertible Debenture
 - (D) All of the above
6. Which of the following section of the Companies Act, 2013 prohibits to issue of shares at discount?
 - (A) Section 53
 - (B) Section 54
 - (C) Section 55
 - (D) Section 56
7. Which of the following right may be given to preference shareholder if provided by Articles?
 - (A) To participate in the surplus profits remaining after payment of equity dividend
 - (B) To receive arrears of dividend at the time of winding up
 - (C) To receive premium on redemption of preference shares
 - (D) All of above
8. Which of the following rights may be given to preference shareholder if provided by Articles?
 - (A) To participate in the surplus remaining after the equity shares are redeemed in winding up
 - (B) To participate in the surplus profits remaining after payment of equity dividend
 - (C) To receive arrears of dividend at the time of winding up
 - (D) All of above
9. Equity shareholder is –
 - (A) Entitled to dividend at a fixed rate
 - (B) Not entitled to dividend at a fixed rate
 - (C) Entitled to dividend prior to payment of dividend to preference shareholder
 - (D) All of above
10. have the right to vote on any resolution placed before the company or general meeting.
 - (A) Preference shareholder
 - (B) Equity shareholders
 - (C) Debenture holder
 - (D) All of above
11. Amount of capital stated in the Memorandum of Association as the share capital of the company is known as –
 - (1) Subscribed Capital or Authorized Capital
 - (2) Paid-up or Subscribed Capital

- (3) Nominal or Called-up Capital
- (4) Nominal or Authorized Capital

The correct answer is —

- (A) (3)
 - (B) (1)
 - (C) (2)
 - (D) (4)
12. _____ refers to that part of the authorized capital which has actually been offered to the public for subscription.
- (A) Called up capital
 - (B) Subscribed capital
 - (C) Issued capital
 - (D) Nominal or authorized capital
13. refers to that part of the issued capital which has actually been subscribed by the public
- (A) Called up capital
 - (B) Subscribed capital
 - (C) Issued capital
 - (D) Nominal or authorized capital
14. _____ refers to that part of the subscribed capital which has actually been paid by the shareholder to whom shares has been allotted.
- (A) Paid-up capital
 - (B) Subscribed capital
 - (C) Issued capital
 - (D) Nominal or authorized capital
15. Public companies issue shares to public through document called —
- (A) Letter of offer & acceptance
 - (B) Offer for sale & acceptance
 - (C) Prospectus
 - (D) None of above
16. _____ means the appropriation of a certain number of shares to an applicant who has applied shares in public issue by the board of directors in consultation with stock exchange.
- (A) Allotment
 - (B) Application
 - (C) Acceptance
 - (D) Final call
17. The issuer company cannot make allotment of shares unless —
- (A) There is over subscription
 - (B) The minimum subscription has been subscribed
 - (C) Promoter has subscribed
 - (D) All of above
18. The minimum subscription is the _____ of the issued amount.
- (A) 50%
 - (B) 80%
 - (C) 75%
 - (D) 90%
19. When shares are issued at a price equal to the face value, they are said to be issued at -
- (A) Discount
 - (B) Premium
 - (C) Par
 - (D) None of above
20. When shares are issued at a price higher than the face value, they are said to be issued at -
- (A) Discount
 - (B) Premium
 - (C) Par
 - (D) None of above
21. When shares are issued at a price less than the face value, they are said to be issued at -
- (A) Discount
 - (B) Premium
 - (C) Par
 - (D) None of above
22. When shares are not payable in a lump sum, first instalment is called —
- (A) Application Money
 - (B) Allotment Money
 - (C) First Call Money
 - (D) Final Call Money
23. When shares are not payable in a lump sum, second instalment is called —
- (A) Application Money
 - (B) Allotment Money
 - (C) First Call Money
 - (D) Final Call Money
24. When shares are not payable in a lump sum, third instalment is called —
- (A) Application Money
 - (B) Allotment Money

- (C) First Call Money
(D) Final Call Money
25. When shares are not payable in a lump sum, fourth instalment is called –
(A) Application money
(B) Allotment money
(C) First call money
(D) Final call money
26. The premium on issue of shares must be treated as –
(A) Revenue Receipt
(B) Deferred Revenue Receipt
(C) Capital Receipt
(D) Capital Loss
27. The premium on issue of shares must be credited to a separate account called –
(A) Share Premium Account
(B) Securities Premium Account
(C) Discount on Issue of Shares
(D) Securities Profit Account
28. Securities premium account must be shown separately on the liabilities side of the balance sheet in under the heading
(A) Share Capital; Shareholders Funds
(B) Reserves & Surplus; Shareholders Funds
(C) Secured Loan; Reserves & Surplus
(D) Unsecured Loan; Profit or Loss
29. Which of the following type of security can be issued *at discount* as per Companies Act, 2013?
(1) Equity Shares
(2) Sweat Equity Shares
(3) Preference Shares
(4) Debentures
(5) Bonds
- Select the correct answer from the options given below –*
(A) (1) & (3) only
(B) (1), (3) & (4) only
(C) (2), (4) & (5) only
(D) (3), (4) & (5) only
30. The discount on issue of debentures must be treated as –
(A) Revenue Loss
(B) Deferred Revenue Receipt
(C) Capital Receipt
(D) Capital Loss
31. Which of the following Table of Schedule I to the Companies Act, 2013 contains the provisions relating to Calls-in-Advance & Calls-in-Arrears?
(A) Table F
(B) Table A
(C) Table C
(D) Table G
32. The amount received as calls-in-advance is a _____ of the company.
(A) right
(B) asset
(C) debt
(D) revenue
33. Amount due on calls made but not paid is known as –
(A) Calls-in-Advance
(B) Calls-in-Arrear
(C) Unpaid amounts
(D) Defaulting amounts
34. If the number of shares issued for is more than the number of shares applied the shares are said to be –
(A) Oversubscribed
(B) Undersubscribed
(C) Minimum subscription
(D) None of above
35. If the number of shares applied for is more than the number of shares issued the shares are said to be –
(A) Oversubscribed
(B) Undersubscribed
(C) Minimum subscription
(D) None of above
36. In case of oversubscription of shares each applicant receives the shares in some proportion, it is known as –
(A) Bonus allotment
(B) Right allotment
(C) Per applicant allotment
(D) *Pro rata* allotment
37. If authorized by the, a company may receive from a shareholder the amount remaining unpaid on shares, even though the amount has

not been called up which is known as calls-in-advance.

- (A) Memorandum of Association (MOA)
- (B) Articles of Association (AOA)
- (C) Prospectus
- (D) Securities Exchange Board of India

38. _____ paid on calls-in-advance.

- (A) Share of company's profit can be
- (B) Dividend can be
- (C) No dividend is
- (D) None of above

39. As per Table F of Schedule I of the Companies Act, 2013, interest on calls in advance can be paid at _____ p.a.

- (A) 8%
- (B) 10%
- (C) 12%
- (D) 15%

40. As per Table F of Schedule I to the Companies Act, 2013, interest on calls in arrear can be received at p.a.

- (A) 10%
- (B) 12%
- (C) 15%
- (D) 8%

41. The interest on calls-in-advance is paid for the period from the –

- (A) Date of receipt of application money to the date of appropriation
- (B) Date of receipt of allotment money to the date of appropriation
- (C) Date of receipt of calls-in-advance to the date of appropriation of the call
- (D) Date of appropriation to the date of dividend payment

42. Balance of interest on calls-in-arrear account is transferred to at the end of the year.

- (A) Share capital account
- (B) Calls in advance account
- (C) Securities premium account
- (D) Profit & loss account

43. Balance of interest on calls-on-advance account is transferred to the at the end of the year.

- (A) Share capital account
- (B) Calls in advance account

(C) Securities premium account

(D) Profit & loss account

44. A company may allot fully paid shares to promoters or any other party for the services rendered by them, share capital account is credited and _____ debited.

- (A) Preliminary expenses account
- (B) Goodwill account
- (C) Capital reserve account
- (D) Suspense account

45. may be said to be the compulsory termination of membership by way of penalty for non-payment of allotment and/or any call money.

- (A) Surrender of shares
- (B) Forfeiture of shares
- (C) Transfer of shares
- (D) Transmission of shares

46. Which of the following security can be forfeited for non-payment of allotment or call money?

- (I) Equity Shares
- (II) Equity Shares, Preference Shares
- (III) Preference Shares, Equity Shares & Debentures
- (IV) Debentures

Select the correct answer from the options given below –

- (A) (I) only
- (B) (III) only
- (C) (I) & (IV) only
- (D) (II) only

47. Which of the following security cannot be forfeited for non-payment of allotment or call money?

- (A) Equity shares
- (B) Preference shares
- (C) Debentures
- (D) Both (A) & (B)

48. Shares forfeited account is to be shown in the balance sheet by way of _____ to the paid up share capital on the liabilities side until the concerned shares are re-issued.

- (A) Addition
- (B) Deduction
- (C) Both (A) & (B)
- (D) Neither (A) nor (B)

49. The forfeited shares may be re-issued -

- (I) at par only

- (II) at par or at premium only
 (III) at par or at discount only
 (IV) at par or at premium or at discount

The correct answer is —

- (A) (II)
 (B) (III)
 (C) (I)
 (D) (IV)
50. If a company receives excess application money and the application money equal to shares issued transferred to Share Capital A/c and application money received on excess shares - some money is adjusted and against allotment and remaining was refunded, then which of the following entry is correct?
- | | | |
|---------------------------|-----|--|
| (A) Share Application A/c | Dr. | |
| Bank A/c | Dr. | |
| To Share Allotment A/c | | |
| To Share Capital A/c | | |
| (B) Share Application A/c | Dr. | |
| To Share Allotment A/c | | |
| To Share Capital A/c | | |
| To Bank A/c | | |
| (C) Share Allotment A/c | Dr. | |
| Share Capital A/c | Dr. | |
| Bank A/c | Dr. | |
| To Share Application A/c | | |
| (D) None of the above | | |
51. Balance of share forfeiture account remaining after reissue is transferred to —
- (A) Capital Reserve A/c
 (B) Securities Premium A/c
 (C) Revenue Reserve A/c
 (D) Profit & Loss A/c
52. If forfeited shares are re-issued at a premium, the amount of such premium should be credited to -
- (A) Capital Reserve Account
 (B) Securities Premium Account
 (C) Revenue Reserve Account
 (D) Profit & Loss Account
53. Debenture holders are the of the company.
- (A) Creditors
 (B) Owners
 (C) Quasi owner
 (D) Deemed owner

54. Shareholders are the of the company.

- (A) Creditors
 (B) Owners
 (C) Quasi owner
 (D) Deemed owner

55. Debenture holders -

- (A) Have voting rights if interest is not paid for more than 3 years
 (B) Have voting rights if interest is not paid for more than 2 years
 (C) Have no voting rights
 (D) Have voting rights

56. Debentures may be issued at -

- (A) Par
 (B) Premium
 (C) Discount
 (D) Any of above

57. Debenture interest is paid at a pre-determined _____ while dividend on equity shares is paid at a _____

- (A) Variable Rate, Bank Rate
 (B) Variable Rate, Fixed Rate
 (C) Fixed Rate, Variable Rate
 (D) Fixed Rate, Bench Mark Rate

58. Interest on debentures is the _____ against profits.

- (A) Appropriation
 (B) Charge
 (C) Transfer
 (D) None of above

59. Dividends are _____ of profits.

- (A) Appropriation
 (B) Charge
 (C) Transfer
 (D) None of above

60. In the company's balance sheet, debentures are shown under the head —

- (A) Secured Loans
 (B) Non-Current Liabilities
 (C) Current Liabilities
 (D) Capital Employed

61. Debentures converted into shares as per the terms of issue of debenture.

- (A) Can be
 (B) Cannot be

- (C) Both (A) & (B)
(D) If permitted by SEBI
62. Debentures forfeited for non-payment of call moneys.
(A) Can be
(B) Cannot be
(C) Both (A) & (B)
(D) None of above
63. At the time of liquidation, debenture holders are paid-off the shareholders are paid.
(A) Before
(B) After
(C) At the same time
(D) None of above
64. If the debentures are issued at a price higher than the nominal value of the debentures, the premium should be credited to –
(A) General Reserve
(B) Securities Premium Account
(C) Reserve Capital
(D) Profit & Loss Account
65. If face value of debentures is more than issue price, then the debentures are said to be issued at a –
(A) Premium
(B) Discount
(C) Par
(D) None of above
66. Discount on issue of debentures is –
(A) Revenue loss
(B) Capital profit
(C) Capital loss
(D) Capital receipt
67. Final accounts of companies are prepared according to _____ of the Companies Act, 2013.
(A) Schedule VI
(B) Schedule V
(C) Schedule II
(D) Schedule III
68. Debentures may be issued by a company for –
(A) Cash
(B) Consideration other than cash
(C) As a collateral security
(D) Any of above
69. The company may allot debentures to the vendors for acquiring some assets as payment for purchase consideration, such issue of debentures to vendors is known as issue of debentures for -
(A) Cash
(B) Consideration other than cash
(C) With consideration
(D) Without consideration
70. If the value of debentures allotted to vendors for acquiring some assets as payment for purchase consideration is more than the agreed purchase price, the difference is credited to
(A) Capital reserve account
(B) Debenture suspense account
(C) Goodwill account
(D) Profit & loss account
71. If the value of debentures allotted to vendors for acquiring some assets as payment for purchase consideration is less than the agreed purchase price, the difference is debited to
(A) Capital reserve account
(B) Debenture suspense account
(C) Goodwill account
(D) Profit & loss account
72. When debentures are issued as collateral security which of the following accounting treatment can be adopted?
(A) No accounting entry is required to issue debentures as collateral security.
(B) Pass following entry for issue debentures as collateral security.
- | | |
|-------------------------|-----|
| Debentures Suspense A/c | Dr. |
| To Debentures A/c | |
- (C) (A) or (B)
(D) None of above
73. A company limited by shares may, if authorized by its can issue preference shares which are or at the option of the company are liable to be redeemed
(A) Memorandum of Association
(B) Articles of Association
(C) Creditors of company
(D) Debtors of company
74. The preference shares can be redeemed –
(A) Out of profits

- (B) Out of the proceeds of fresh issue of equity shares
- (C) Partly out of profits and partly out of the proceeds of fresh issue of equity shares
- (D) Any of the above
75. When preference shares are redeemed out of profits such profit must be -
- (A) Profits which would otherwise available for dividend
- (B) Capital Profit
- (C) Revaluation Profit
- (D) (B) or (C)
76. Only preferences shares can be redeemed.
- (A) Partly paid up
- (B) Fully paid up
- (C) (A) & (B)
- (D) None of above
77. If any premium is to be payable on redemption of preference share, such premium has to be provided -
- (A) Out of the profits which would otherwise available for dividend *i.e.* free reserve
- (B) Out of the securities premium account
- (C) (A) or (B)
- (D) None of above
78. Where preferences shares are redeemed out of profits, a sum equal to the nominal amount of the shares so redeemed must be transferred to -
- (A) Capital Reserve A/c
- (B) Capital Redemption Reserve A/c
- (C) Capital Profit A/c
- (D) Revenue Redemption Reserve A/c
79. The capital redemption reserve account may be applied to issue -
- (A) Right shares
- (B) Bonus debentures
- (C) Bonus to employees of the company
- (D) Bonus shares
80. No company limited by shares, issue any preference shares which is redeemable after the expiry of a period of _____ from the date of issue
- (A) Ten years
- (B) Five years
- (C) Twenty years
- (D) Twenty five years

PRACTICAL MCQ

Issue of Equity Shares

81. N Ltd. issued 1,00,000 equity shares of ₹ 10 each to the public at par. Full amount payable at the time of application. Application were received for 1,20,000 shares. Excess application monies were refunded. Amount to be credited to share capital account should be -
- (A) ₹ 12,00,000
- (B) ₹ 10,00,000
- (C) ₹ 1,20,000
- (D) ₹ 1,00,000
82. S Ltd. issued 1,00,000 equity shares of ₹ 10 each at a premium of ₹ 2 per share to the public. Full amount payable at the time of application. Application were received for 1,20,000 shares. Excess application monies were refunded. Amount to be credited to share capital account should be -
- (A) ₹ 12,00,000
- (B) ₹ 10,00,000
- (C) ₹ 14,40,000
- (D) ₹ 10,40,000
83. 10,000 equity shares of ₹ 10 each were issued to public at a premium of ₹ 2 per share. Application were received for 12,000 shares. Amount of securities premium account will be -
- (A) ₹ 24,000
- (B) ₹ 20,000
- (C) ₹ 4,000
- (D) ₹ 1,600
84. The subscribed share capital of S Ltd. is ₹ 80,00,000 of ₹ 100 each. There were no calls in arrear till the final call was made. The final call made was paid on 77,500 shares. The calls in arrear amounted to ₹ 62,500. The final call per share = ?
- (A) ₹ 25
- (B) ₹ 7.80
- (C) ₹ 20
- (D) ₹ 62.50

On the basis of the information given below, answer next 9 questions.

B Ltd. issued 1,00,000 equity shares of ₹ 10 each to the public at par. The details of the amount payable are as follows:

Application	₹ 2.00
Allotment	₹ 3.00
First & final call	₹ 5.00

Application were received for 1,20,000 shares. Excess application monies were refunded. All other amount was received excepting final call on 1,000 shares. These shares were forfeited and reissued at ₹ 8 per share.

85. On receipt of application money Bank Account will be debited by –
 (A) ₹ 2,00,000
 (B) ₹ 2,40,000
 (C) ₹ 3,00,000
 (D) ₹ 5,00,000
86. Amount to be refunded on allotment for excess application –
 (A) ₹ 20,000
 (B) ₹ 40,000
 (C) ₹ 30,000
 (D) ₹ 50,000
87. Amount due on allotment = ₹
 (A) ₹ 2,00,000
 (B) ₹ 2,40,000
 (C) ₹ 3,00,000
 (D) ₹ 5,00,000
88. Amount due on first & final call = ?
 (A) ₹ 2,00,000
 (B) ₹ 2,40,000
 (C) ₹ 3,00,000
 (D) ₹ 5,00,000
89. On receipt of first & final call bank account will be debited by = ₹
 (A) ₹ 2,00,000
 (B) ₹ 4,95,000
 (C) ₹ 3,00,000
 (D) ₹ 5,00,000
90. On forfeiture of shares "Share Forfeiture Account" will be credited by –
 (A) ₹ 3,000
 (B) ₹ 5,000
 (C) ₹ 8,000
 (D) ₹ 2,000
91. On reissue of forfeited shares, discount debited to "Share Forfeiture Account" = ₹
 (A) ₹ 3,000
 (B) ₹ 5,000

(C) ₹ 8,000

(D) ₹ 2,000

92. On reissue of forfeited shares balance of "Share Forfeiture Account" transferred to capital reserve account = ₹

(A) ₹ 3,000

(B) ₹ 5,000

(C) ₹ 8,000

(D) ₹ 2,000

93. Closing balance of Bank Account = ₹

(A) ₹ 10,03,000

(B) ₹ 10,00,000

(C) ₹ 10,43,000

(D) ₹ 12,00,000

On the basis of the information given below, answer next 9 questions.

D Ltd. issued 1,00,000 equity shares of ₹ 10 each at a premium of ₹ 2 per share. The amount payable as: ₹ 2 on application, ₹ 5 on allotment (including premium) & Rest on first & final call. Applications were received for 1,20,000 shares. Excess application money were refunded to applicants. All monies due were received except the allotment and first & final call monies on 1,000 shares. These shares were forfeited and reissued at ₹ 9 per share.

94. On receipt of application money Bank Account will be debited by –
 (A) ₹ 2,00,000
 (B) ₹ 2,40,000
 (C) ₹ 3,00,000
 (D) ₹ 5,00,000
95. Amount to be refunded on allotment for excess application –
 (A) ₹ 20,000
 (B) ₹ 40,000
 (C) ₹ 30,000
 (D) ₹ 50,000
96. Amount due on allotment = ₹
 (A) ₹ 2,00,000
 (B) ₹ 2,40,000
 (C) ₹ 3,00,000
 (D) ₹ 5,00,000
97. Amount due on first & final call = ?
 (A) ₹ 2,00,000

- (B) ₹ 2,40,000
(C) ₹ 3,00,000
(D) ₹ 5,00,000
98. On receipt of first & final call bank account will be debited by –
(A) ₹ 2,00,000
(B) ₹ 4,95,000
(C) ₹ 3,00,000
(D) ₹ 5,00,000
99. On forfeiture of shares "Share Forfeiture Account" will be credited by –
(A) ₹ 3,000
(B) ₹ 5,000
(C) ₹ 8,000
(D) ₹ 2,000
100. On reissue of forfeited shares, discount debited to "Share Forfeiture Account" = ₹
(A) ₹ 1,000
(B) ₹ 5,000
(C) ₹ 8,000
(D) ₹ 2,000
101. On reissue of forfeited shares balance of "Share Forfeiture Account" transferred to capital reserve account = ?
(A) ₹ 3,000
(B) ₹ 5,000
(C) ₹ 8,000
(D) ₹ 1,000
102. Closing balance of Bank Account = ₹
(A) ₹ 12,39,000
(B) ₹ 12,00,000
(C) ₹ 10,43,000
(D) ₹ 11,99,000
103. A Ltd. acquired assets worth ₹ 71,25,000 from H Ltd. by issue of shares of ₹ 10 @ premium of 25%. The number of shares issued to settle the purchase consideration will be –
(A) 5,70,000 shares
(B) 7,12,500 shares
(C) 84,375 shares
(D) 50,625 shares
104. N Ltd. has allotted 10,000 shares to the applicants of 14,000 shares on *pro rata* basis. The amount payable on application is ₹ 2. Ram applied for 420 shares. The number of shares allotted and amount carried forward for adjustment against allotment –
(A) 300 shares; ₹ 240
(B) 60 shares; ₹ 160
(C) 340 shares; ₹ 160
(D) 320 shares; ₹ 240
105. The following information pertains to X Ltd.
Called-up share capital = ₹ 5,00,000
Calls-in-arrear = ₹ 40,000
Calls-in-advance = ₹ 25,000
Proposed dividend = 15%
The amount of dividend payable is _____
(A) ₹ 75,000
(B) ₹ 72,750
(C) ₹ 71,250
(D) ₹ 69,000
106. R Ltd. purchased the business of C Ltd. for ₹ 2,70,000 payable in fully paid shares. R Ltd. allotted equity shares of ₹ 10 each fully paid in satisfaction of the claim by C Ltd. Such shares are issued *at par*. The number of shares to be issued by R Ltd. to settle the purchase consideration = ?
(A) 22,500
(B) 27,500
(C) 27,000
(D) 30,000
107. R Ltd. purchased the business of C Ltd. for ₹ 2,70,000 payable in fully paid shares. R Ltd. allotted equity shares of ₹ 10 each fully paid in satisfaction of the claim by C Ltd. Such shares are issued *at premium of 20%*. Number of shares to be issued by R Ltd. to settle the purchase consideration = ?
(A) 22,500
(B) 27,500
(C) 27,000
(D) 30,000
108. X was issued 100 shares of ₹ 10 each at a premium of ₹ 1, he paid application money which in total amounted to ₹ 5 (excluding premium) and failed to balance call money of ₹ 5. Find the maximum discount that can be given at the time of re-issue of shares.
(A) ₹ 2
(B) ₹ 4
(C) ₹ 6
(D) ₹ 5

109. S Ltd. acquired fixed assets worth ₹ 15,00,000 by issue of shares of ₹ 100 at a premium of 25%. The number of shares to be issued by S Ltd. to settle the purchase consideration = ?
- (A) 12,000 shares
(B) 15,000 shares
(C) 18,750 shares
(D) 11,250 shares
110. Q Ltd. had allotted 1,00,000 shares to the applicants of 1,40,000 shares on *pro rata basis*. The amount payable on application is ₹ 2. Mr. N applied for 4,200 shares. The number of shares allotted and the amount carried forward for adjustment against allotment money due from Mr. N = ?
- (A) 600 shares; ₹ 1,200
(B) 3,200 shares; ₹ 2,000
(C) 3,400 shares; ₹ 1,600
(D) 3,000 shares; ₹ 2,400
111. R Ltd. forfeited 300 equity shares of ₹ 10 fully called-up, held by Mr. X for non-payment of first call of ₹ 2 and final of ₹ 3 each. However, he paid application money @ ₹ 2 per share and allotment money @ ₹ 3 per share. At the time of forfeiture for Share Capital A/c will be debited by ₹
- (A) 1,500
(B) 3,000
(C) 600
(D) 900
112. R Ltd. forfeited 300 equity shares of ₹ 10 fully called-up, held by Mr. X for non-payment of first call of ₹ 2 and final of ₹ 3 each. However, he paid application money @ ₹ 2 per share and allotment money @ ₹ 3 per share. These shares were reissued at ₹ 10 each. Amount to be transferred to Capital Reserve Account = ?
- (A) 1,500
(B) 3,000
(C) 600
(D) 900
113. R Ltd. forfeited 300 equity shares of ₹ 10 fully called-up, held by Mr. X for non-payment of first call of ₹ 2 and final of ₹ 3 each. However, he paid application money @ ₹ 2 per share and allotment money @ ₹ 3 per share. These shares were reissued at ₹ 7 each. Amount to be transferred to Capital Reserve Account = ?
- (A) 1,500
(B) 3,000
(C) 600
(D) 900
114. R Ltd. forfeited 300 equity shares of ₹ 10 fully called-up, held by Mr. X for non-payment of first call of ₹ 2 and final of ₹ 3 each. However, he paid application money @ ₹ 2 per share and allotment money @ ₹ 3 per share. These shares were reissued at ₹ 12 each. Amount to be transferred to Capital Reserve Account = ?
- (A) 1,500
(B) 3,000
(C) 600
(D) 900
115. T Ltd. forfeited 500 equity shares of ₹ 10 fully called-up, held by Mr. Ram for non-payment of allotment money of ₹ 5 (including ₹ 2 premium), first call of ₹ 2 and final of ₹ 3 each. However, he paid application money @ ₹ 2 per share. These shares were reissued at ₹ 10 each. On reissue amount to be transferred to capital reserve account = ?
- (A) ₹ 1,500
(B) ₹ 2,500
(C) ₹ 500
(D) ₹ 1,000
116. T Ltd. forfeited 500 equity shares of ₹ 10 fully called-up, held by Mr. Ram for non-payment of allotment money of ₹ 5 (including ₹ 2 premium), first call of ₹ 2 and final of ₹ 3 each. However, he paid application money @ ₹ 2 per share. These shares were reissued at ₹ 9 each. On reissue amount to be transferred to capital reserve account = ?
- (A) ₹ 1,500
(B) ₹ 2,500
(C) ₹ 500
(D) ₹ 1,000
117. T Ltd. forfeited 500 equity shares of ₹ 10 fully called-up, held by Mr. Ram for non-payment of allotment money of ₹ 5 (including ₹ 2 premium), first call of ₹ 2 and final of ₹ 3 each. However, he paid application money @ ₹ 2 per share. These shares were reissued at ₹ 13 each. On reissue amount to be transferred to capital reserve account = ?
- (A) ₹ 1,500
(B) ₹ 2,500
(C) ₹ 500
(D) ₹ 1,000

118. W Ltd. forfeited 400 equity shares of ₹ 10 fully called-up, held by Mr. P for non-payment of final call of ₹ 3 each. However, he paid application money @ ₹ 2, Allotment ₹ 2 and first call ₹ 3 per share. These shares were reissued at ₹ 10 each. On reissue amount to be transferred to capital reserve account = ?
- (A) ₹ 2,800
(B) ₹ 1,600
(C) ₹ 1,200
(D) ₹ 400
119. W Ltd. forfeited 400 equity shares of ₹ 10 fully called-up, held by Mr. P for non-payment of final call of ₹ 3 each. However, he paid application money @ ₹ 2, Allotment ₹ 2 and first call ₹ 3 per share. These shares were reissued at ₹ 7 each. On reissue amount to be transferred to capital reserve account = ?
- (A) ₹ 2,400
(B) ₹ 1,600
(C) ₹ 1,200
(D) ₹ 400
120. W Ltd. forfeited 400 equity shares of ₹ 10 fully called-up, held by Mr. P for non-payment of final call of ₹ 3 each. However, he paid application money @ ₹ 2, Allotment ₹ 2 and first call ₹ 3 per share. These shares were reissued at ₹ 13 each. On reissue amount to be transferred to capital reserve account = ?
- (A) ₹ 2,800
(B) ₹ 1,600
(C) ₹ 1,200
(D) ₹ 400
121. X Ltd. forfeited 200 equity shares of ₹ 10 each, ₹ 8 called-up for non-payment of first call money @ ₹ 2 each. Application money @ ₹ 2 per share and allotment money @ ₹ 4 per share have already been received by the company. Out of these 150 share were reissued at 7 per share as showing ₹ 8 paid up. On reissue amount to be transferred to capital reserve account = ?
- (A) ₹ 1,200
(B) ₹ 1,600
(C) ₹ 1,050
(D) ₹ 750
122. Jindal Ltd. forfeited 400 equity shares of ₹ 10 each, issued at par, held by Mr. X for non-payment of the first call of ₹ 2 per share and the final call of ₹ 3 per share. Out of these 250 equity shares were re-issued to Mr. Y ₹ 8 per share and the rest of these were re-issued to Mr. Z at ₹ 7 per share. On reissue amount to be transferred to Capital Reserve Account = ?
- (A) ₹ 1,200
(B) ₹ 1,600
(C) ₹ 1,050
(D) ₹ 750
123. A company has subscribed capital of 2,00,000 equity shares of ₹ 25 each, ₹ 20 per share called up. The directors forfeited 200 equity held by a shareholder who failed to pay the first call made @ ₹ 10 per share. Later, the directors reissued these shares as ₹ 20 per share paid up at ₹ 15 per share. On reissue amount to be transferred to capital reserve account = ?
- (A) ₹ 1,000
(B) ₹ 1,400
(C) ₹ 1,500
(D) ₹ 1,100
124. Due to non-payment of first call of ₹ 3 per share, Mona Ltd. forfeited 100 shares of ₹ 10 each, which were issued at par, ₹ 8 per share were called-up till date. Of these forfeited shares. 80 shares were issued subsequently by Mona Ltd., at ₹ 5 as ₹ 8 paid-up per share. On reissue amount to be transferred to capital reserve account = ?
- (A) ₹ 100
(B) ₹ 140
(C) ₹ 150
(D) ₹ 160
125. Sukriti Ltd. forfeited 100 shares of ₹ 10 each for non-payment of final call of ₹ 2. Of these, 60 shares were re-issued @ ₹ 9 per share as fully paid. On reissue amount to be transferred to capital reserve account = ?
- (A) ₹ 420
(B) ₹ 800
(C) ₹ 200
(D) ₹ 540
126. Z Ltd. issued 10,000 shares of ₹ 10 each. The called up value per share was ₹ 8. The company forfeited 200 shares of Mr. A for non-payment of 1st call money of ₹ 2 per share. He paid ₹ 6 for application and allotment money. On forfeiture, the share capital account will be —
- (A) Debited by ₹ 2,000
(B) Debited by ₹ 1,600

- (C) Credited by ₹ 1,600
(D) Debited by ₹ 1,200

127. Alex Ltd. forfeited 100 shares of ₹ 10 each issued at a premium of 20% (to be paid at the time of application money) on which allotment money of ₹ 4 and first call money of ₹ 3 were not received; the final call money of ₹ 2 is not yet called. These shares were originally allotted in the ratio of 4:5. These shares were subsequently re-issued at a discount of ₹ 1 per share, credited as ₹ 8 paid-up. On reissue amount to be transferred to capital reserve account = ?

- (A) ₹ 90
(B) ₹ 81
(C) ₹ 75
(D) ₹ 54

Issue of Debentures

128. ZPA Ltd. issued 10,000, 12% Debentures of ₹ 100 each at per payable in full on application by 1st April, 2010. Applications were received for 11,000 Debenture. Debentures were allotted on 7th April, 2010. Excess money was refunded.

Amount that will appear in balance sheet as "12% Debenture" = ?

- (A) ₹ 11,00,000
(B) ₹ 10,00,000
(C) ₹ 9,00,000
(D) ₹ 10,80,000

129. Z Ltd. issued 10,000, 12% Debentures of ₹ 100 each at a discount of 10% payable in full on application by 31st May, 2010. Applications were received for 12,000 debentures. Debentures were allotted on 9th June 2010. Excess monies were refunded on the same date. Amount that will appear in balance sheet as "12% Debenture" = ?

- (A) ₹ 11,00,000
(B) ₹ 10,00,000
(C) ₹ 9,00,000
(D) ₹ 10,80,000

130. ZPA Ltd. issued 10,000, 12% Debentures of ₹ 100 each at ₹ 94 on 1st January, 2010. Under the terms of issue, the debentures are redeemable at the end of 8 years from the date of the issue. Calculate the amount of discount to be written-off in each of the 8 years.

- (A) ₹ 8,000
(B) ₹ 7,500

- (C) ₹ 6,000
(D) ₹ 5,000

131. HDC Ltd. issued 10,000, 12% Debentures of ₹ 100 each at ₹ 94 on 1st January 2010. Under the term of issue, 1/5th of the debentures are annually redeemable by drawings, the first redemption occurring on 31st December 2010. Calculate the amount of discount to be written off in 2010 & 2011.

- (A) ₹ 20,000 & 16,000
(B) ₹ 16,000 & 12,000
(C) ₹ 16,000 & 12,000
(D) ₹ 12,000 & 8,000

132. Z Ltd. issued 10% Debentures of ₹ 10 to a vendor having face value ₹ 2,50,000 for purchase of fixed assets of ₹ 2,00,000. No. of debentures to issued to vendors = ?

- (A) 25,000
(B) 20,000
(C) 10,000
(D) 30,000

133. X Ltd. obtained loan from IDBI of ₹ 10,00,000, giving as collateral security of ₹ 15,00,000, 14% Debenture on 1st April 2011. Which of the following accounting treatment is correct to issue debenture as collateral security?

- (A) No accounting entry is required
(B) Debenture Suspense A/c Dr. 15,00,000
To 14% Debenture A/c 15,00,000
(C) Either (A) or (B)
(D) None of above

Issue & Redemption of Preference Shares

134. N Ltd. had 9,000 8% preference shares of ₹ 100 each, fully paid up. The company decided to redeem these preference shares at par by the issue of sufficient number of equity shares. How much equity shares are required to be issued if new equity shares are to be issued at ₹ 10 each.

- (A) 90,000
(B) 1,00,000
(C) 75,000
(D) 93,333

135. S Ltd. had 9,000 8% preference shares of ₹ 100 each, fully paid up. The company decided to redeem these preference shares at par by the issue of sufficient number of equity shares. How much equity shares are required to be issued if

- new equity shares are to be issued at ₹ 12 for a premium including ₹ 2.
- (A) 90,000
(B) 1,00,000
(C) 75,000
(D) 93,333
136. The balance appearing in the books of a company at the end of year were:
CRR A/c = ₹ 50,000
Securities Premium = ₹ 5,000
Revaluation reserve = ₹ 20,000
Profit & Loss A/c (Dr.) = ₹ 10,000
Maximum amount available for bonus shares will be _____
(A) ₹ 50,000
(B) ₹ 55,000
(C) ₹ 45,000
(D) ₹ 57,000
137. S Ltd. issued 2,000, 10% Preference shares of ₹ 100 each at par, which are redeemable at a premium of 10%. For the purpose of redemption, the company issued 1,500 Equity Shares of ₹ 100 each at a premium of 20% per share. At the time of redemption of Preference Shares, the amount to be transferred by the company to the Capital Redemption Reserve Account = ?
(A) ₹ 50,000
(B) ₹ 40,000
(C) ₹ 2,00,000
(D) ₹ 2,20,000
138. During the year 2005-2006, T Ltd. issued 20,000, 12% Preference shares of ₹ 10 each at a premium of 5%, which are redeemable after 4 years at par. During the year 2010-2011, as the company did not have sufficient cash resources to redeem the preference shares, it issued 10,000, 14% debentures of ₹ 10 each at a premium of 10%. At the time of redemption of 12% preference shares, the amount to be transferred to capital redemption reserve = ?
(A) ₹ 90,000
(B) ₹ 1,00,000
(C) ₹ 2,00,000
(D) ₹ 1,10,000
139. Preference shares amounting to ₹ 2,00,000 are redeemed at a premium of 5%, by issue of shares amounting to ₹ 1,00,000 at a premium of 10%. The amount to be transferred to capital redemption reserve = ?
(A) ₹ 1,05,000
(B) ₹ 1,00,000
(C) ₹ 2,00,000
(D) ₹ 1,11,000
140. The balance sheet of A Ltd. as on 31st December, 2008 has 20,000 9% preference shares of ₹ 10 each. On 1.1.2009 the company redeemed preference shares at a premium of ₹ 2 per share. For redemption it realized investments at a value of ₹ 1,60,000 (Book value ₹ 2,00,000). At the time of redemption balance in profit & loss account was ₹ 1,60,000.
Issued at a premium of ₹ 40 per share, such a number of equity shares of ₹ 100 each for the purpose of redemption as to ensure that after the compliance with the requirements of the Companies Act, 2013, the credit balance in profit and loss account would be ₹ 25,000. No. of equity shares to be issued are & balance transferred to capital redemption account ₹
(A) 1,200 shares & ₹ 80,000
(B) 800 shares & ₹ 1,20,000
(C) 1,450 shares & ₹ 55,000
(D) 1,050 shares & ₹ 95,000
141. A Ltd. had 3,000, 12% Redeemable Preference Shares of ₹ 100 each, fully paid up. The company issued 25,000 equity shares of ₹ 10 each at par and 1,000 14% Debentures of ₹ 100 each. The amount to be transferred to Capital Redemption A/c will be _____
(A) Nil
(B) ₹ 50,000
(C) ₹ 2,00,000
(D) ₹ 3,00,000
142. Ajay Ltd. decided to redeem 10,000 Preference shares of ₹ 10 each at 10% premium. Balance in profit & loss account is ₹ 65,000 and in Securities Premium A/c is ₹ 5,000. You are required to calculate the minimum number of equity shares to be issued for the purpose of redemption if new equity shares are to be issued at 20% premium having face value of ₹ 10 each.
(A) 4,000 equity shares
(B) 5,000 equity shares
(C) 3,333 equity shares
(D) 6,000 equity shares

Call-in-Arrear & Calls in Advance

143. X Ltd. made a final call on equity shares @ ₹ 20 each. Face value of shares is ₹ 100. One share holder holding 300 shares paid the final call after 2.5 months after it has become due. The company had adopted Table F of Schedule I to the Companies Act, 2013, the amount of interest on Calls-in-Arrear = ?

(A) ₹ 75
(B) ₹ 125
(C) ₹ 150
(D) ₹ 100

144. X Ltd. made a final call on equity shares @ ₹ 20 each. Face value of shares is ₹ 100. One share holder holding 500 shares had paid the final call before 4 months it has become due. The company had adopted Table F of Schedule I to the Companies Act, 2013, the amount of interest on Calls-in-Advance = ?

(A) ₹ 333.33
(B) ₹ 400
(C) ₹ 2,000
(D) ₹ 600

145. Z Ltd. made the first call of ₹ 30 per share on 15.1.2015. The last date of payment of call money was 31.1.2015. Mr. N, holding 50,000 shares paid the call money on 15.3.2015. The company had adopted Table F of Schedule I to the Companies Act, 2013, the amount of interest on Calls-in-Arrear = ?

(A) ₹ 16,250
(B) ₹ 19,375
(C) ₹ 18,750
(D) ₹ 17,500

146. On 1.1.2015, X Ltd. makes an issue of 1,00,000 equity shares of ₹ 100 each payable as follows:

	₹
Application	20
Allotment	30
Final Call	50 (3 months after allotment)

Applications were received for 1,20,000 shares and the directors refunded the excess application money. One shareholder, who was allotted 2,000, shares paid first and final call with allotment money and another shareholder did not pay allotment money on his 3,000 shares but which he paid with first and final call. Directors have decided to charge and allows interest, according to the Table F of Schedule I to the Companies Act,

2013. The amount of interest on calls-in-arrear = ?

(A) ₹ 2,700
(B) ₹ 4,500
(C) ₹ 2,250
(D) ₹ 3,750

147. On 1.1.2015, X Ltd. marks an issue of 1,00,000 equity shares of ₹ 100 each payable as follows:

	₹
Application	20
Allotment	30
Final call	50 (3 months after allotment)

Applications were received for 1,20,000 shares and the directors refunded the excess application money. One shareholder, who was allotted 2,000, shares paid first and final call with allotment money and another shareholder did not pay allotment money on his 3,000 shares but which he paid with first and final call. Directors have decided to charge and allows interest, according to the Table F of Schedule I to the Companies Act, 2013. The amount of interest on calls-in-advance = ?

(A) ₹ 3,000
(B) ₹ 2,500
(C) ₹ 1,800
(D) ₹ 1,500

148. W Ltd. issued 2,00,000 shares of ₹ 100 each at a premium of 20% on May 01, 2015, payable as follows:

On application (including premium) ₹ 45

On allotment ₹ 25

On first & final call ₹ 50

Sunil to whom 10,000 shares were allotted, has paid ₹ 5,00,000 on June 01, 2015. At the time of remitting the allotment money, he indicated that the excess money should be adjusted towards the call money. The directors of the company made the first and final call on October 31, 2015. The company has a policy of paying interest on calls-in-advance as per **Table F of Schedule I** to the **Companies Act, 2013**. The amount of interest paid to Sunil on Calls-in-Advance will be _____

(A) ₹ 25,000
(B) ₹ 12,500
(C) ₹ 20,833.33
(D) ₹ 18,750

149. Director of ZPA Ltd. made a final call of ₹ 50 per share on 1st August, 2015 indicating the last date of payment of call to be 31st August, 2015. Mr. Black holding 5,000 shares paid the call money on 15 October, 2015. The company has a policy of paying interest on calls-in-arrear as per Table F of Schedule I to the Companies Act, 2013. Interest on calls-in-arrear = ?
 (A) ₹ 3,125
 (B) ₹ 1,562.50
 (C) ₹ 1,875
 (D) ₹ 1,500
150. Director of NSZ Ltd. made a final call of ₹ 50 per share on 1st August, 2015 indicating the last date of payment of call to be 31st August, 2015. Mr. Black holding 8,000 shares paid the call money on 15 June, 2015 along with first call-in-advance. The company has a policy of paying interest on calls-in-advance as per Table F of Schedule I to the Companies Act, 2013. Interest on calls-in-advance = ?
 (A) ₹ 6,000
 (B) ₹ 8,333.33
 (C) ₹ 5,000
 (D) ₹ 10,000
153. Profit on cancellation of debenture is transferred to -
 (A) Capital reserve
 (B) Dividend equalization reserve
 (C) Profit & loss account
 (D) Trading reserve
154. The balance in capital redemption reserve is available for -
 (A) Issue of fully paid-up bonus shares
 (B) Redemption of preference shares
 (C) Redemption of debentures
 (D) All of the above
155. Which of the following statement is true (✓) and which is false (×)?
 P. A debenture holder receives interest only in the event of profits.
 Q. A debenture issued at discount originally cannot be redeemed at premium.
 R. Debenture holder is owner of the company.
 S. A debenture holder can get back his money only at the time of liquidation.

Select the correct answer from the options given below -

	P	Q	R	S
(A)	✓	×	×	×
(B)	✓	✓	×	×
(C)	×	✓	✓	✓
(D)	×	×	×	×

Additional MCQs

151. Following data is available from the records of NS Ltd.
- | | |
|--|----------|
| Issued capital | 20,000 |
| Call in arrear | 10,000 |
| Profit & Loss credit balance on 1.4.2018 | 67,000 |
| Profit for the year | 1,90,610 |
- The company wants to create debenture redemption reserve and transfer ₹ 50,000 every year.
 The company declared 10% dividend.
 The balance of surplus after effecting the above transaction = ?
 (A) ₹ 6,000
 (B) ₹ 6,810
 (C) ₹ 68,100
 (D) ₹ 8,610
152. Interest on debenture is provided on -
 (A) Issue price
 (B) Purchase price
 (C) Face value
 (D) Discounted price
156. As per Companies Act, 2013, preference shares which are issued by company engaged in infrastructure project can issue preference share which are redeemable after _____
 (A) 20 years
 (B) 40 years
 (C) 30 years
 (D) 10 years
157. A preference shares is one which enjoy a -
 (A) Preferential right regarding payment of dividend
 (B) Preferential right regarding allotment of shares
 (C) Preferential right regarding payment of dividend and return of capital
 (D) Preferential right regarding return of capital
158. Z Ltd. issued ₹ 1,00,000 debenture at a discount of 6% on 1.1.2014 repayable in 5 equal instalment. Discount to be written off in each 5 calendar year -

- (A) ₹ 900, ₹ 1,200, ₹ 1,200, ₹ 1,200 & ₹ 300 in 1st, 2nd, 3rd, 4th & 5th year
- (B) ₹ 2,000, ₹ 1,600, ₹ 1,200, ₹ 800 & ₹ 400 in 1st, 2nd, 3rd, 4th & 5th year
- (C) ₹ 400, ₹ 800, ₹ 1,200, ₹ 1,600 & ₹ 2,000 in 1st, 2nd, 3rd, 4th & 5th year
- (D) ₹ 1,200, ₹ 1,200, ₹ 1,200, ₹ 1,200 & ₹ 1,200 in 1st, 2nd, 3rd, 4th & 5th year
- 159.** Unless otherwise stated, a preference share is always deemed to be -
- (A) Cumulative, participating and non-convertible
- (B) Non-cumulative, non-participating and non-convertible
- (C) Cumulative, non-participating and non-convertible
- (D) Non-cumulative, participating and non-convertible
- 160.** Moon Ltd. issued 5,000 debentures of ₹ 100 each at a discount of 10%. The expenses on issue amounted to ₹ 20,000. The company wants to redeem the debentures at the rate of ₹ 1,00,000 each year commencing with the end of 5th year. How much discount and expenses should be written off in each year?
- (A) ₹ 10,000, ₹ 10,000, ₹ 10,000, ₹ 10,000, ₹ 10,000, ₹ 8,000, ₹ 6,000, ₹ 4,000, ₹ 2,000 in each year respectively
- (B) ₹ 10,000, ₹ 10,000, ₹ 10,000, ₹ 10,000, ₹ 10,000, ₹ 4,000, ₹ 6,000, ₹ 6,000, ₹ 8,000 in each year respectively
- (C) ₹ 2,000, ₹ 6,000, ₹ 8,000, ₹ 10,000, ₹ 10,000, ₹ 10,000, ₹ 10,000, ₹ 10,000, ₹ 10,000 in each year respectively
- (D) ₹ 7,000, ₹ 7,000, ₹ 7,000, ₹ 7,000, ₹ 7,000, ₹ 7,000, ₹ 7,000, ₹ 7,000, ₹ 7,000 in each year respectively
- 161.** Preference shares of ₹ 9,00,000 are redeemable by issuing 3,000 equity shares of ₹ 100 each at ₹ 140. The amount to be transferred to Capital Redemption Reserve -
- (A) ₹ 3,80,000
- (B) ₹ 5,00,000
- (C) ₹ 4,20,000
- (D) ₹ 6,00,000
- 162.** G Ltd. purchased fixed asset of ₹ 2,00,000. The consideration was paid by issue of 12% Debenture of ₹ 100 each at discount of 20%. The debenture A/c to be credited with -
- (A) ₹ 1,60,000
- (B) ₹ 2,40,000
- (C) ₹ 2,50,000
- (D) ₹ 2,60,000
- 163.** Which of the following false?
- (A) Loss on re-issue of shares cannot be more than gain on forfeiture of those shares.
- (B) Where all the forfeited shares are not issued the Share Forfeiture A/c will show a credit balance equal to gain on forfeiture of shares not yet issued.
- (C) When the shares are forfeited, securities premium account is debited with share capital if premium is not received.
- (D) Where forfeited shares are issued at premium the amount of such premium is credited to capital reserve account.
- 164.** N Ltd. purchased fixed asset of ₹ 28,80,000. The consideration was paid by issue of 12% Debenture of ₹ 100 each at 20% premium. No. of debentures to be issued -
- (A) 32,000
- (B) 36,000
- (C) 28,800
- (D) 24,000
- 165.** Z Ltd. proposed to issue 1,00,000 equity shares of ₹ 100 each at a premium of 20%. The minimum amount of application money to be collected per share as per the Companies Act, 2013 will be -
- (A) ₹ 5
- (B) ₹ 6
- (C) ₹ 12
- (D) ₹ 8
- 166.** N Ltd. purchased fixed asset of ₹ 4,00,000 out of ₹ 1,30,000 paid in cash and balance in debentures. The consideration was paid by issue of 12% Debenture of ₹ 100 each at 10% discount. No of debentures to be issued -
- (A) 3,000
- (B) 4,000
- (C) 4,444
- (D) 30,000
- 167.** Z Ltd. proposed to issue 1,00,000 equity shares of ₹ 100 each at a premium of 20%. The minimum amount of application money to be collected per share as per the SEBI Guideline will be -
- (A) ₹ 25

- (B) ₹ 30
(C) ₹ 120
(D) ₹ 50
168. Discount on issue of debentures is a -
(A) Capital loss to be shown as goodwill
(B) Capital loss to be written off over the tenure of debentures
(C) Revenue loss to be charged in the year of issue
(D) Capital loss to be written off from the capital reserve
169. X Ltd. was formed with capital of ₹ 10,00,000 dividend into shares of ₹ 10 each. It offered 85% shares as 40% called up on application and 20% on allotment. The subscribers paid ₹ 1,69,000 on allotment. Capital will appear in the balance sheet as shown below in column -

Type of capital	(A)	(B)	(C)	(D)
Authorized	10,00,000	10,00,000	10,00,000	10,00,000
Issued	8,50,000	10,00,000	8,50,000	8,50,000
Unissued	1,50,000	Nil	1,50,000	1,50,000
Subscribed	8,50,000	10,00,000	5,10,000	5,09,000
Called-up	8,50,000	10,00,000	5,10,000	5,10,000
Uncalled-up	Nil	Nil	3,40,000	3,40,000
Paid-up	8,50,000	10,00,000	5,10,000	5,09,000
Calls in arrear	Nil	Nil	Nil	1,000

170. As per the Companies Act, 2013 the companies cannot use the balance of securities premium for -
(A) Premium on redemption of debentures
(B) Issuing bonus shares
(C) Writing off commission on issue of shares or debentures
(D) Loss of issue of debentures
171. The board of directors of a company decided to issue minimum number of equity shares of ₹ 10 each at 20% discount to redeem 4,500 preference shares of ₹ 100 each. If the maximum amount of divisible profit is ₹ 2,50,558. Calculate the number

of equity shares to be issued. How much shares will be issued if they are issued in multiple of 50.

- (A) 24,931 & 24,950
(B) 24,931 & 24,900
(C) 24,932 & 24,950
(D) 24,932 & 24,930
172. **Assertion (A):**
Right shares are given to equity shareholder in proportion to their share capital in the company.
Reason (R):
Equity shareholders assume the greatest risk in the company.

Select the correct answer from the options given below -

- (A) Both A and R are true and R is correct explanation of A
(B) A is true but R is false
(C) Both A and R are true but R is not correct explanation of A
(D) A is false but R is true
173. In balance sheet "interest accrued and not due on debentures" should be shown in -
(A) Debentures
(B) Current liability
(C) Miscellaneous expenditure
(D) Current assets
174. In balance sheet "interest accrued and due on debentures" should be shown in -
(A) Debentures
(B) Miscellaneous expenditure
(C) Current assets
(D) Current liability
175. Underwriting commission will not be paid on shares taken by -
(A) Promoters
(B) Employees
(C) Directors
(D) All

Answers

1.	(B)	2.	(C)	3.	(C)	4.	(C)	5.	(A)	6.	(A)	7.	(D)
8.	(D)	9.	(B)	10.	(B)	11.	(D)	12.	(C)	13.	(B)	14.	(A)
15.	(C)	16.	(A)	17.	(B)	18.	(D)	19.	(C)	20.	(B)	21.	(A)
22.	(A)	23.	(B)	24.	(C)	25.	(D)	26.	(C)	27.	(B)	28.	(B)
29.	(C)	30.	(D)	31.	(A)	32.	(C)	33.	(B)	34.	(B)	35.	(A)

36.	(D)	37.	(B)	38.	(C)	39.	(C)	40.	(A)	41.	(C)	42.	(D)
43.	(D)	44.	(B)	45.	(B)	46.	(D)	47.	(C)	48.	(A)	49.	(D)
50.	(B)	51.	(A)	52.	(B)	53.	(A)	54.	(B)	55.	(C)	56.	(D)
57.	(C)	58.	(B)	59.	(A)	60.	(B)	61.	(A)	62.	(B)	63.	(A)
64.	(B)	65.	(B)	66.	(C)	67.	(D)	68.	(D)	69.	(B)	70.	(C)
71.	(A)	72.	(C)	73.	(B)	74.	(D)	75.	(A)	76.	(B)	77.	(C)
78.	(B)	79.	(D)	80.	(C)	81.	(B)	82.	(B)	83.	(B)	84.	(A)
85.	(B)	86.	(B)	87.	(C)	88.	(D)	89.	(B)	90.	(B)	91.	(D)
92.	(A)	93.	(A)	94.	(B)	95.	(B)	96.	(D)	97.	(D)	98.	(B)
99.	(D)	100.	(A)	101.	(D)	102.	(D)	103.	(A)	104.	(A)	105.	(D)
106.	(C)	107.	(A)	108.	(D)	109.	(A)	110.	(D)	111.	(B)	112.	(A)
113.	(C)	114.	(A)	115.	(D)	116.	(C)	117.	(D)	118.	(A)	119.	(B)
120.	(A)	121.	(D)	122.	(C)	123.	(A)	124.	(D)	125.	(A)	126.	(B)
127.	(C)	128.	(B)	129.	(B)	130.	(B)	131.	(A)	132.	(A)	133.	(C)
134.	(A)	135.	(A)	136.	(B)	137.	(A)	138.	(C)	139.	(B)	140.	(C)
141.	(B)	142.	(A)	143.	(B)	144.	(B)	145.	(C)	146.	(C)	147.	(A)
148.	(B)	149.	(A)	150.	(D)	151.	(D)	152.	(C)	153.	(A)	154.	(A)
155.	(D)	156.	(C)	157.	(C)	158.	(B)	159.	(C)	160.	(A)	161.	(D)
162.	(C)	163.	(D)	164.	(D)	165.	(A)	166.	(A)	167.	(B)	168.	(B)
169.	(D)	170.	(D)	171.	(A)	172.	(C)	173.	(B)	174.	(A)	175.	(D)

Hints for Practical MCQ

81. The Share Capital Account will be credited by number of shares issued multiplied by face value.

Thus, $1,00,000 \times 10 = 10,00,000$.

82. The Share Capital Account will be credited by number of shares issued multiplied by face value. Excess price over face value will be credited to Securities Premium Account.

83. Amount credited to Securities Premium Account = $10,000 \times 2 = 20,000$.

84.

$$\text{Total shares} = \frac{80,00,000}{100} = 80,000; 80,000 - 77,500 = 2,500; \frac{62,500}{2,500} = 25$$

85. to 93. In the books of B Ltd.

Journal Entries

Date	Particulars	Dr. (₹)	Cr. (₹)
	Bank A/c (1,20,000 × 2) Dr.	2,40,000	
	To Share Application A/c		2,40,000
	(Being, application money received for 1,20,000 shares @ ₹ 2 per share)		
	Share Application A/c Dr.	2,40,000	
	To Share Capital A/c (1,00,000 × 2)		2,00,000
	To Bank A/c (20,000 × 2)		40,000
	(Being, application money of 1,00,000 shares @ ₹ 2 per share transferred to capital account and balance refunded to applicants as per Boards Resolution No... dated)		

Share Allotment A/c (1,00,000 x 3) To Share Capital A/c (Being, allotment money due on 1,00,000 shares @ ₹ 3 per share as per Boards Resolution No... dated)	Dr.	3,00,000	3,00,000
Bank A/c (1,00,000 x 3) To Share Allotment A/c (Being, allotment money on 1,00,000 shares @ ₹ 3 per share received)	Dr.	3,00,000	3,00,000
Share First & Final Call A/c (1,00,000 x 5) To Share Capital A/c (Being, first & final money due on 1,00,000 shares @ ₹ 5 per share as per Boards Resolution No.... dated)	Dr.	5,00,000	5,00,000
Bank A/c (99,000 x 5) Calls-in-Arrear A/c (1,000 x 5) To Share First & Final Call A/c (Being, first & final money on 99,000 shares received and amount not received on 1,000 shares transferred to calls-in-arrear account.)	Dr. Dr.	4,95,000 5,000	5,00,000
Share Capital A/c (1,000 x 10) To Share Forfeiture A/c (1,000 x 5) To Calls-in-Arrear A/c (1,000 x 5) (Being, 1,000 shares on which first & final money not received forfeited as per Boards Resolution No... dated)	Dr.	10,000	5,000 5,000
Bank A/c (1,000 x 8) Share Forfeiture A/c (1,000 x 2) To Share Capital A/c (Being, 1,000 shares reissued as per Boards Resolution No... dated)	Dr. Dr.	8,000 2,000	10,000
Share Forfeiture A/c (5,000 - 2,000) To Capital Reserve A/c (Being, balance in share forfeiture account transferred to capital reserve account)	Dr.	3,000	3,000

Cash Book (Bank Column only)

Receipt	₹	Payment	₹
To Share Application A/c	2,40,000	By Share Application A/c	40,000
To Share Allotment A/c	3,00,000	By Balance c/d	10,03,000
To Share First & Final A/c	4,95,000		
To Share Capital A/c	8,000		
	10,43,000		10,43,000

94. to 102.

In the books of D Ltd.

Journal Entries

Date	Particulars	Dr. (₹)	Cr. (₹)
	Bank A/c (1,20,000 x 2) To Share Application A/c	Dr. 2,40,000	2,40,000

(Being, application money received for 1,20,000 shares @ ₹ 2 per share)			
Share Application A/c	Dr.	2,40,000	
To Share Capital A/c (1,00,000 x 2)			2,00,000
To Bank A/c (20,000 x 2)			40,000
(Being, application money of 1,00,000 shares @ ₹ 2 per share transferred to capital account and balance refunded to applicants as per Boards Resolution No... dated)			
Share Allotment A/c (1,00,000 x 5)	Dr.	5,00,000	
To Share Capital A/c (1,00,000 x 3)			3,00,000
To Securities Premium A/c (1,00,000 x 2)			2,00,000
(Being, allotment money due on 1,00,000 shares @ ₹ 5 per share as per Boards Resolution No... dated)			
Bank A/c (99,000 x 5)	Dr.	4,95,000	
Calls-in-Arrear A/c (1,000 x 5)		5,000	
To Share Allotment A/c			5,00,000
(Being, allotment money on 99,000 shares @ ₹ 2 per share received amount not received on 1,000 shares transferred to Calls-in-arrear account)			
Share First & Final Call A/c (1,00,000 x 5)	Dr.	5,00,000	
To Share Capital A/c			5,00,000
(Being, first & final money due on 1,00,000 shares @ ₹ 5 per share as per Boards Resolution No.... dated)			
Bank A/c (99,000 x 5)	Dr.	4,95,000	
Calls-in-Arrear A/c (1,000 x 5)	Dr.	5,000	
To Share First & Final Call A/c			5,00,000
(Being, first & final money on 99,000 shares received and amount not received on 1,000 shares debited to calls-in-arrear account)			
Share Capital A/c (1,000 x 10)	Dr.	10,000	
Securities Premium A/c (1,000 x 2)		2,000	
To Share Forfeiture A/c (1,000 x 2)			2,000
To Calls-in-Arrear A/c (1,000 x 10)			10,000
(Being, 1,000 shares on which allotment and first & final money not received forfeited as per Boards Resolution No... dated)			
Bank A/c (1,000 x 9)	Dr.	9,000	
Share Forfeiture A/c (1,000 x 1)	Dr.	1,000	
To Share Capital A/c			10,000
(Being, 1,000 shares reissued as per Boards Resolution No... dated)			
Share Forfeiture A/c (2,000 - 1,000)	Dr.	1,000	
To Capital Reserve A/c			1,000
(Being, balance in share forfeiture account transferred to capital reserve account)			

Cash Book (Bank Column only)

Receipt	₹	Payment	₹
To Share Application A/c	2,40,000	By Share Application A/c	40,000
To Share Allotment A/c	4,95,000	By Balance c/d	11,99,000
To Share First & Final A/c	4,95,000		
To Share Capital A/c	9,000		
	12,39,000		12,39,000

103. No. of shares to be issued = $\frac{\text{Purchase Consideration}}{\text{Issue Price}} = \frac{71,25,000}{12.5} = 5,70,000$ shares

104. No. of shares allotted = $\frac{10,000}{14,000} \times 420 = 300$ shares

Application money paid = $420 \times 2 = 840$.

Application money transferred to capital = $300 \times 2 = 600$

Excess application money adjusted for allotment = $840 - 600 = 240$

105. Dividend is not payable on Call-in-Advance. Dividend is payable on paid-up capital (*i.e.* Called-up capital minus Call-in-Arrear). Hence, Dividend Payable = $(5,00,000 - 40,000) \times 15\% = 69,000$.

106. No. of shares to be issued = $\frac{\text{Purchase Consideration}}{\text{Issue Price}} = \frac{2,70,000}{10} = 27,000$ shares

107. No. of shares to be issued = $\frac{\text{Purchase Consideration}}{\text{Issue Price}} = \frac{2,70,000}{12} = 22,500$ shares

108. At the time of reissue of shares maximum discount that can be given should not exceed the amount received on forfeited shares. Hence, $10 - 5 = 5$.

109. No. of shares to be issued = $\frac{\text{Purchase Consideration}}{\text{Issue Price}} = \frac{15,00,000}{125} = 12,000$ shares

110.

Shares applied	Shares allotted	Application money received	Application money appropriated towards				Refund
			Application (Capital)	Allotment	First call	Final call	
4,200	3,000	8,400	6,000	2,400	-	-	-

1,40,000 1,00,000

Alternatively,

No. of shares allotted = $\frac{1,40,000}{1,00,000} \times 4,200 = 3,000$ shares

Application money paid = $4,200 \times 2 = 8,400$.

Application money transferred to capital = $3,000 \times 2 = 6,000$

Excess application money adjusted for allotment = $8,400 - 6,000 = 2,400$

111. & 112.

Date	Particulars	Dr. (₹)	Cr. (₹)
	Share capital A/c (300 × 10) Dr.	3,000	
	To Share Forfeited A/c (300 × 5)		1,500

Date	Particulars	Dr. (₹)	Cr. (₹)
	To Share First Call A/c (300 × 2)		600
	To Share Final Call A/c (300 × 3)		900
	Bank A/c (300 × 10) Dr.	3,000	
	To Share Capital A/c		3,000
	Share Forfeited A/c Dr.	1,500	
	To Capital Reserve A/c		1,500

Alternatively, 111. Share Capital A/c is always debited at face value = $(300 \times 10) = 3,000$

Alternatively, 112.

Amount credited to Share Forfeited A/c at the time of forfeiture of shares (300×5)	1,500
(-) Discount on reissue of shares	Nil
Amount credited to Capital Reserve A/c	1,500

113.

Amount credited to Share Forfeited A/c at the time of forfeiture of shares (300×5)	1,500
(-) Discount on reissue of shares (300×3)	(900)
Amount credited to Capital Reserve A/c	600

114.

Amount credited to Share Forfeited A/c at the time of forfeiture of shares (300×5)	1,500
(-) Discount on reissue of shares	Nil
Amount credited to Capital Reserve A/c	1,500

115.

Amount credited to Share Forfeited A/c at the time of forfeiture of shares (500×2)	1,000
(-) Discount on reissue of shares	Nil
Amount credited to Capital Reserve A/c	1,000

116.

Amount credited to Share Forfeited A/c at the time of forfeiture of shares (500×2)	1,000
(-) Discount on reissue of shares (500×1)	(500)
Amount credited to Capital Reserve A/c	500

117.

Amount credited to Share Forfeited A/c at the time of forfeiture of shares (500×2)	1,000
(-) Discount on reissue of shares	Nil
Amount credited to Capital Reserve A/c	1,000

118. to 120.

Application	2	(paid)
Allotment	2	(paid)
First call	3	(paid)
Final call	3	(not paid)
	<u>10</u>	

Amount credited to Share Forfeited A/c at the time of forfeiture of shares (400×7)	2,800
(-) Discount on reissue of shares	Nil

Amount credited to Capital Reserve A/c	2,800
Amount credited to Share Forfeited A/c at the time of forfeiture of shares (400 × 7)	2,800
(-) Discount on reissue of shares (400 × 3)	(1,200)
Amount credited to Capital Reserve A/c	1,600
Amount credited to Share Forfeited A/c at the time of forfeiture of shares (400 × 7)	2,800
(-) Discount on reissue of shares	Nil
Amount credited to Capital Reserve A/c	2,800

121.

Application	2	(paid)
Allotment	4	(paid)
First call	<u>2</u>	(not paid)
Final call	<u>2</u>	(not called-up)
	<u>10</u>	

Share Forfeited A/c credited at the time of forfeiture (200 × 6)	1,200
Proportionate Share Forfeited A/c balance for 150 share (1,200 × 150/200)	900
(-) Discount on reissue of shares (150 × 1)	(150)
Amount to be credited to capital reserve	750

122.

Application & Allotment	5	(paid)
First call	2	(not paid)
Final call	<u>3</u>	(not paid)
	<u>10</u>	

Share Forfeited A/c credited at the time of forfeiture (400 × 5)	2,000
(-) Discount on reissue of shares to Mr. Y (250 × 2)	(500)
(-) Discount on reissue of shares to Mr. Y (150 × 3)	(450)
Amount to be credited to capital reserve	1,050

123.

Application & Allotment	10	(paid)
First call	<u>10</u>	(not paid)
Final call	<u>5</u>	(not called-up)
	<u>25</u>	

Share Forfeited A/c credited at the time of forfeiture (200 × 10)	2,000
(-) Discount on reissue (200 × 5)	(1,000)
Amount to be credited to capital reserve	1,000

124.

Application & Allotment	5	(paid)
First call	<u>3</u>	(not paid)
Final call	<u>2</u>	(not called-up)
	<u>10</u>	

Share Forfeited A/c credited at the time of forfeiture (100 x 5)	500
Proportionate Share Forfeited A/c balance for 80 share (500 x 80/100)	400
(-) Discount on reissue of shares (80 x 3)	(240)
Amount to be credited to capital reserve	160

125.

Share Forfeited A/c credited at the time of forfeiture (100 x 8)	800
Proportionate Share Forfeited A/c balance for 60 share (800 x 60/100)	480
(-) Discount on reissue of shares (60 x 1)	(60)
Amount to be credited to capital reserve	420

126. On forfeiture of shares Share Capital A/c is debited by called-up amount.

Hence, (200 x 8) = 1,600

127.

Application (1 + 2)	3
Allotment	4
First Call	3
Final Call	2
	<u>12</u>

In the books of Alex Ltd.

Journal Entries

Date	Particulars	Dr. (₹)	Cr. (₹)
	Share Capital A/c (100 x 8) (<i>Debited by called up amount</i>) Dr.	800	
	To Share Forfeited A/c (100 + 75) OR (375 - 200)		* 175
	To Share Allotment A/c (100 x 4) - 75)		325
	To Share First Call A/c (100 x 3)		300
	(Being, 100 shares forfeited for non-payment of allotment and first call as per Boards Resolution No.... dated)		
	<i>Note: Securities premium account will not be debited as it is received and it will be deducted while calculating amount to be credited to Share Forfeiture A/c</i>		
	Bank A/c (100 x 7) Dr.	700	
	Share Forfeited A/c (100 x 1) Dr.	100	
	To Share Capital A/c (100 x 8)		800
	(Being, re-issue of 100 forfeited shares @ ₹ 7 per shares at ₹ 8 paid up and discount on re-issue debited to share forfeited account)		
	Share Forfeited A/c (175 - 100) Dr.	75	
	To Capital Reserve A/c		75
	(Being, balance in share forfeiture account transferred to capital reserve account)		

Shares applied	Shares allotted	Application money received	Application money appropriated towards					Refund
			Application		Allotment	First call	Final call	
			Capital	Premium				
125	100	375	* 100	200	* 75	-	-	-

Calculations of shares applied:

For 4 allotted shares - 5 shares applied

For 100 shares - ?

$$\frac{100 \times 5}{4} = 125 \text{ shares}$$

128. In balance sheet face of *debenture issued* will appear. $10,000 \times 100 = 10,00,000$

129. In balance sheet face of *debenture issued* will appear even though debentures are issued at discount. $10,000 \times 100 = 10,00,000$.

130. Total discount = $10,000 \times 6 = 60,000$

Closing date	Debenture outstanding	Ratio	Discount written off
31.12.2010	10,00,000	1	7,500
31.12.2011	10,00,000	1	7,500
31.12.2012	10,00,000	1	7,500
31.12.2013	10,00,000	1	7,500
31.12.2014	10,00,000	1	7,500
31.12.2015	10,00,000	1	7,500
31.12.2016	10,00,000	1	7,500
31.12.2017	10,00,000	1	7,500
		8	60,000

131. Total discount = $10,000 \times 6 = 60,000$

Closing date	Debenture outstanding	Ratio	Discount written off
31.12.2010	10,00,000	10	20,000
31.12.2011	8,00,000	8	16,000
31.12.2012	6,00,000	6	12,000
31.12.2013	4,00,000	4	8,000
31.12.2014	2,00,000	2	4,000
		30	60,000

132. Debenture A/c is always credited by face value whether debentures are issued at par, discount or premium.

Date	Particulars	Dr. (₹)	Cr. (₹)
	Fixed Assets A/c Dr.	2,00,000	
	Discount on Issue Debenture A/c Dr.	50,000	
	To 10% Debenture A/c (25,000 × 10)		2,50,000

133. The following are the two alternative ways by which debentures issued as collateral security can be dealt with.

Method 1:

- (1) Pass entry for loan taken.
- (2) No accounting entry is required to issue debentures as collateral security.

Method 2:

- (1) Pass entry for loan taken.
- (2) Pass following entry for issue debentures as collateral security.

Debentures Suspense A/c
To Debentures A/c

Journal Entries

Date	Particulars	Dr. (₹)	Cr. (₹)
1.4.2011	Bank A/c To Loan from IDBI A/c (Being, loan from IDBI raised)	Dr. 10,00,000	10,00,000
1.4.2011	Debenture Suspense A/c 14% Debenture A/c (Being, 14% debenture of ₹ 100 each issued as collateral security as per Board Resolution No..... dated)	Dr. 15,00,000	15,00,000

134.

$$\text{No. of shares to be issued} = \frac{\text{Amount payable to preference shareholder}}{\text{Nominal value per share}} = \frac{9,00,000}{10} = 90,000$$

135.

$$\text{No. of shares to be issued} = \frac{\text{Amount payable to preference shareholder}}{\text{Nominal value per share}} = \frac{9,00,000}{10} = 90,000$$

136. Capital Redemption Reserve (CRR), Securities Premium can be used for bonus issue. Revaluation reserve cannot be used for issue of bonus shares. Since Profit & Loss A/c has debit balance it should not be considered for bonus calculation. Hence, amount available for bonus issue = 50,000 + 5,000 = 55,000.

137.

Preference share capital	2,00,000	Note: Where any preference shares are redeemed out of profits, a sum equal to the nominal amount of the shares so redeemed must be transferred out of the profits of the company which would otherwise to be available for dividend to a reserve fund called 'Capital Redemption Reserve Account'.
(-) Out of proceeds of fresh issue	(1,50,000)	
	50,000	
(-) Out of P & L A/c	(50,000)	
	Nil	

138.

Preference share capital	2,00,000
(-) Out of P & L A/c	(2,00,000)
	Nil

Preference shares can be redeemed either:

- ◆ **Out of the profits** of the company available for dividend or
- ◆ **Out of the proceeds of a fresh issue of shares** made for the purpose of redemption.

Thus, Company can issue debenture but it cannot be utilized for redemption of preference shares.

139.

Preference share capital	2,00,000	Note: Since P & L A/c has been used for redemption of preference shares so much amount will be transferred to CRR.
(-) Out of proceeds of fresh issue	(1,00,000)	
	1,00,000	
(-) Out of P & L A/c	(1,00,000)	
	Nil	

140.

Free Reserves		Capital profits		
	P & L		SP	CRR
Balance in P & L	1,60,000	On issue of equity shares	58,000	55,000
(-) Loss on sale of Investment	(40,000)	(1,450 × 40)		
	1,20,000			
Premium payable on redemption	(40,000)			
	80,000			
(-) For preference share capital	(55,000)			
	25,000			
Preference share capital	2,00,000	Premium on redemption		40,000
(-) Out of P & L balance	(55,000)	(20,000 × 2)		
	1,45,000	(-) Out of P & L A/c		(40,000)
(-) Out of proceeds of fresh issue	(1,45,000)			Nil
	Nil			

$$\text{No. of equity shares to be issued} = \frac{1,45,000}{100} = 1,450$$

Arrows has been shown so that students can understand the working.

141.

Preference share capital	3,00,000	Note: Since P & L A/c has been used for redemption of preference shares so much amount will be transferred to CRR.
(-) Out of proceeds of fresh issue	(2,50,000)	
	50,000	
(-) Out of P & L A/c	(50,000)	
	Nil	

142.

Free Reserves		Capital Profits	
	P & L		SP
Balance in P & L	65,000	Balance	5,000
(-) Premium payable on redemption	(5,000)	(-) Premium payable on redemption	(5,000)
	60,000		-
(-) For preference share capital	(60,000)	(+) On issue of equity shares (4,000 × 2)	8,000
	-		8,000
Preference share capital	1,00,000	Premium on redemption	10,000
		(1,00,000 × 10%)	
(-) Out of P & L balance	(60,000)	(-) Out of securities premium **	(5,000)
	40,000	(-) Out of P & L A/c	(5,000)
(-) Out of proceeds of fresh issue	(40,000)		-
	-		

** Only existing balance in securities premium can be utilized for writing off premium on redemption on preference shares. Securities premium on issue of new equity shares cannot be utilized for writing off

premium on redemption on preference shares.

$$\text{No. of equity shares to be issued} = \frac{40,000}{10} = 4,000$$

$$\text{143. Interest on Calls-in-Arrear} = 300 \times 20 \times 10\% \times \frac{2.5}{12} = 125$$

$$\text{144. Interest on Calls-in-Advance} = 500 \times 20 \times 12\% \times \frac{4}{12} = 400$$

$$\text{145. Interest on Calls-in-Arrear} = 50,000 \times 30 \times 10\% \times \frac{1.5}{12} = 18,750$$

$$\text{146. Interest on Calls-in-Arrear} = 3,000 \times 30 \times 10\% \times \frac{3}{12} = 2,250$$

$$\text{147. Interest on Calls-in-Advance} = 2,000 \times 50 \times 12\% \times \frac{3}{12} = 3,000$$

$$\text{148. Amount due on allotment by Sunil} = 10,000 \times 25 = 2,50,000.$$

$$\text{Thus, Calls-in-Advance} = 5,00,000 - 2,50,000 = 2,50,000$$

$$2,50,000 \times 12\% \times \frac{5}{12} = 12,500$$

$$\text{149. Interest on Calls-in-Arrear} = 5,000 \times 50 \times 10\% \times \frac{1.5}{12} = 3,125$$

$$\text{150. Interest on Calls-in-Advance} = 8,000 \times 50 \times 12\% \times \frac{2.5}{12} = 10,000$$

COMPUTERIZED ACCOUNTING ENVIRONMENT

CHAPTER

16

1. ERP stands for -
 - (A) Enterprise Resource Planning
 - (B) Economic Resource Planning
 - (C) Efficient Resource Planning
 - (D) Economic Resource Processing
2. Which of the following is not a computer-assisted audit technique?
 - (A) Test data
 - (B) Tagging and lagging
 - (C) Integrated test facility
 - (D) Program analysis
3. Which of the following is not an advantage of introducing computerized accounting systems?
 - (A) Increased job satisfaction
 - (B) Increased accuracy of entries
 - (C) Time saved through speed of inputs
 - (D) Costs involved in training staff to use system
4. Which of the following is not an advantage of a computerized accounting system?
 - (A) Computers process transactions uniformly.
 - (B) Computers help alleviate human errors.
 - (C) Computers can process many transactions quickly.
 - (D) Computers leave a thorough audit trail which can be easily followed.
5. One of the greatest difficulties in auditing a computerized accounting system is:
 - (A) Data can be erased from the computer with no visible evidence.
 - (B) Because of the lack of an audit trail, computer systems have weaker controls and more substantive testing is required.
 - (C) Because of the uniform nature of transaction processing, computer systems have strong controls and less substantive testing is required.
 - (D) The large dissemination of entry points into the computer system leads to weak overall reliance on information generated by a computer.
6. How have electronic data interchange (EDI) systems affected audits?
 - (A) Since orders and billing transactions are done over the computer, source documents cannot be obtained.
 - (B) Auditors often need to plan ahead to capture information about selected transactions over the EDI.
 - (C) There is no audit trail in an EDI system, so controls are typically assessed as weak.
 - (D) Since all transactions occur over the computer, reliability is high and little substantive testing is needed.
7. Since the computer can do many jobs simultaneously, segregation is not as defined as it is in a manual system. How can a computer system be modified to compensate for the lack of segregation of duties?
 - (A) The computer system should be under the direction of the internal audit department.
 - (B) The computer system should be accessible to various competent parties so they can check on each others' work.
 - (C) Strong controls should be built into both the computer software and hardware to limit access and manipulation.
 - (D) Many companies run complete parallel manual and automated accounting systems for a cross check on input and output.
8. One key control in the organization of the information systems department is the:
 - (A) Separation of the systems development group and the operations (data processing) group.
 - (B) Operating personnel should strictly control access to the client's database.

- (C) Controller should manage the information system since it supplements the accounting work already done under the supervision of the controller.
- (D) Information systems department should be under the direction of systems development personnel since they are responsible for the overall performance of the system.
9. Which of the following represent examples of general, application and user control activities, respectively, in the computer environment?
- (A) Control over access to programs, computer exception reports, and manual checks of computer output.
- (B) Manual checks of computer output, control over access to programs, and computer exception reports.
- (C) Computer exception reports, control over access to programs, and manual checks of computer output.
- (D) Manual checks of computer output, computer exception reports, and control over access to programs.
10. When would an auditor typically not perform additional tests of a computer systems controls?
- (A) When the assessed level of control risk is at a minimum.
- (B) When computer controls appear to be strong and risk is at a minimum.
- (C) When controls appear to be weak.
- (D) When inherent risk is at a maximum.
11. When would "auditing around the computer" be appropriate?
- (A) When controls over the computer system are strong.
- (B) When controls over the computer system are non-existent.
- (C) When controls over the computer system are adequate.
- (D) It is never appropriate to audit around the computer.
12. Which of the following would not be an appropriate procedure for testing the general control activities of an information system?
- (A) Inquiries of client personnel
- (B) Inspecting computer logs
- (C) Testing for the serial sequence of source documents
- (D) Examination of the organizational chart to determine the segregation of duties
13. If an auditor is using test data in a client's computer system to test the integrity of the systems output, which of the following type of controls is the auditor testing
- (A) General controls
- (B) User controls
- (C) Quantitative test controls
- (D) Application controls
14. Which of the following is not a function of generalized audit software?
- (A) To aid in the random selection of transactions for substantive testing
- (B) To run in parallel with the client's application software and compare the output
- (C) To test the mathematical accuracy by footing and cross-foot items in the accounting system
- (D) To keep an independent log of access to the computer application software
15. Which of the following most popular software for accounting?
- (A) Tally
- (B) Excel
- (C) Word
- (D) All
16. To select inventory which of the following key is used in Tally -
- (A) F1
- (B) F2
- (C) F3
- (D) F4
17. In Tally F6 key is used -
- (A) Selection of contra voucher
- (B) Selection of payment voucher
- (C) Selection of receipt voucher
- (D) To select company
18. In Tally F4 key is used -
- (A) To select company
- (B) To change menu period
- (C) Selection of contra voucher
- (D) Selection of payment voucher

19. In Tally F2 key is used -
 (A) To change menu period
 (B) To change data
 (C) To save records
 (D) To delete the records
20. Which of the following key will one use in Tally for selection of payment voucher?
 (A) F7
 (B) F5
 (C) F4
 (D) F3
21. To delete a voucher or to delete a master, which of the following shortcut key one will use in tally -
 (A) ALT + A
 (B) ALT + D
 (C) ALT + O
 (D) ALT + W
22. To insert a voucher, which of the following shortcut key one will use in tally -
 (A) ALT + L
 (B) ALT + I
 (C) ALT + V
 (D) ALT + O
23. To export the report in ASCII, HTML or XML format, which of the following shortcut key one will use in tally -
 (A) ALT + E
 (B) ALT + P
 (C) ALT + EX
 (D) ALT + IE
24. To select the budget, which of the following shortcut key one will use in tally -
 (A) ALT + B
 (B) ALT + Q
 (C) ALT + K
 (D) ALT + M
25. Match the following with reference to shortcut keys used in Tally:
- | <i>List-I</i> | <i>List-II</i> |
|-------------------------------|-------------------|
| P. To remove a line in report | 1. CTRL + ALT + I |
| Q. To Abandon the form | 2. CTRL + ALT + R |
| R. To import statutory master | 3. ALT + R |
| S. Rewrite data for a company | 4. ALT + I |
| | 5. ALT + Q |
| | 6. Delete |
- Select the correct answer from the options given below -
- | | <i>P</i> | <i>Q</i> | <i>R</i> | <i>S</i> |
|-----|----------|----------|----------|----------|
| (A) | 3 | 6 | 4 | 2 |
| (B) | 3 | 5 | 1 | 2 |
| (C) | 2 | 5 | 4 | 3 |
| (D) | 6 | 3 | 2 | 1 |

Answers:

1.	(A)	2.	(B)	3.	(D)	4.	(D)	5.	(A)	6.	(B)	7.	(C)
8.	(A)	9.	(A)	10.	(C)	11.	(B)	12.	(C)	13.	(D)	14.	(D)
15.	(A)	16.	(A)	17.	(C)	18.	(C)	19.	(A)	20.	(B)	21.	(B)
22.	(B)	23.	(A)	24.	(A)	25.	(B)						

PART B

AUDITING

- ◆ CONCEPT OF AUDITING
- ◆ TYPES OF AUDIT
- ◆ TOOLS OF AUDITING
- ◆ AUDITOR AND RELATED PROVISIONS

Meaning of Audit

1. The term 'Audit' originated from the Latin word -
 - (A) Audi
 - (B) Audire
 - (C) Auditi
 - (D) Aaditi
2. The term 'Audit' originated from the Latin word "audire" which means to -
 - (A) Hear
 - (B) Wright
 - (C) Learn
 - (D) Teach
3. Audit is performed to ascertain the _____ of information.
 - A. Validity
 - B. ReliabilityThe correct answer is -
 - (A) A only
 - (B) B only
 - (C) Both A & B
 - (D) Either A or B
4. Which of the following is the main function of auditing?
 - (A) To examine books of account
 - (B) To detect and prevent error
 - (C) To detect and prevent fraud
 - (D) All of the above
5. Accounts maintenance is the function of -
 - (A) Practicing Professionals
 - (B) Auditor Staff
 - (C) Accountant
 - (D) Auditor
6. The objective of an audit of financial statement is to enable an auditor to _____ on financial statements.
 - (A) Completion of audit
 - (B) Express an opinion
 - (C) Check the transactions
 - (D) Check fraud
7. The main object of an audit is -
 - (A) Expression of opinion
 - (B) Detection and prevention of fraud and error
 - (C) Both (A) & (B)
 - (D) Depends on the type of audit
8. Auditor has to give its opinion whether the financial statement depicts -
 - (A) True and correct view
 - (B) Fair and correct view
 - (C) True and fair view
 - (D) True and exact view
9. Which of the following statement is correct?
 - (A) Audit safeguards the personal interest of persons associated with the management like partners or shareholders
 - (B) Auditing acts as a moral check on the employees
 - (C) Auditing helps to hide fraud
 - (D) All of the above
10. An audit seeks to provide that the financial statements are free from material error.
 - (A) 100% guarantee
 - (B) Only reasonable assurance
 - (C) Perfect assurance
 - (D) All of the above
11. Audit deals with -
 - (A) Checking of accounts
 - (B) Verification of accounts
 - (C) Examination of accounts
 - (D) All of the above
12. The audit can be _____ only when the accounting _____

- (A) Ends, started
(B) Started, ends
(C) Started, started
(D) None of the above
13. Auditing is a systematic examination of accounts by -
(A) Dependent person
(B) An independent person
(C) Officer of the company
(D) Managing director
14. Time, extent and nature of audit depend upon effectiveness of -
(A) External control system
(B) Inter control system
(C) Internal control system
(D) Human resources control system
15. Time, extent and _____ of audit depend upon effectiveness of internal control.
(A) Nature
(B) Periodicity
(C) Relevance
(D) Format
16. Auditing may be done on _____ examination of accounts.
(A) Test basis
(B) In detail/in-depth
(C) (A) or (B)
(D) None of above
17. Maintenance of accounts is the function of auditing.
(A) True
(B) False
(C) Partly true
(D) None of above
18. Auditor has to report that accounts have been prepared as per -
(A) Generally Accepted Accounting Principles
(B) General Accounting Principles
(C) Principles Generally Accepted
(D) Management Accounting Principles
19. Auditing can be defined as an independent examination of records whether _____ maintained by the entity to express an opinion whether they comply with applicable laws & regulations.

- (A) Financial
(B) Non-financial
(C) (A) or (B)
(D) None of above

Principal Aspect of Auditing

20. Which of the following is/are principal function of audit?
(A) To review of system and procedure
(B) To review of internal control system
(C) To check the arithmetical accuracy of the books of account
(D) All of above
21. Which of the following is/are principal function of audit?
(A) To check whether applicable accounting principal has been followed or not
(B) To compare the financial statements with the books of account and supporting vouchers
(C) To ascertain that the final accounts are been made in accordance with the underlying records.
(D) All of above
22. Which of the following is/are not principal function of audit?
(A) To prepare accounts as per applicable principal.
(B) To review of system and procedure
(C) To review of internal control system
(D) To check the arithmetical accuracy of the books of account
23. It is the of the auditor to physically inspect the assets and their recording in the books of account and verify the legal and official documents
(A) Duty
(B) Liability
(C) No duty
(D) None of above
24. Auditor has to ensure that all the statutory requirements has been complied by the entity like provisions of -
(A) Income-tax Act
(B) Companies Act
(C) Other applicable acts
(D) (A), (B) and (C)

25. The auditor has to report to the _____ for conducting audit whether the financial statements reveals true and fair view of the state of affairs and of the profit or loss earned during the period by the organization.

- (A) Managing director
- (B) Authority appointing him
- (C) Stock exchange
- (D) Register of companies

Benefits of Auditing

26. Which of the following can be treated as benefit of auditing?

- (A) Auditing satisfies owner about the business operations.
- (B) Detection and prevention of errors and frauds.
- (C) Auditing helps in maintaining records up to date.
- (D) All of above

27. One of the following *is not* an advantage of audit -

- (I) It provides satisfaction for owner
- (J) It detects errors and frauds.
- (K) It helps in getting loans
- (L) It reduces cost burden

Select the correct answer from the options given below -

- (A) (I)
- (B) (J)
- (C) (K)
- (D) (L)

28. Which of the following cannot be treated as benefit of auditing?

- (A) Auditing is used in obtaining the dependent opinion.
- (B) The process of audit will establish a moral check in the minds of the working staff.
- (C) Audit helps in protecting the interests of shareholders in case of Joint Stock Company.
- (D) All of above

29. Which of the following can be treated as benefit of auditing?

- (A) Outsiders like creditors, debenture holders and banks etc. will rely on the books of account and financial statements of the business if they are audited by an independent authority.

(B) Audited statements helps to fulfil certain legal requirements.

(C) Auditing exercise involves the review of internal control system, an auditor will identify the gaps in internal control system

(D) All of above

30. Which of the following can be treated as benefit of auditing?

(A) Money can be borrowed easily on the basis of audited balance sheet from financial institutions.

(B) Detection and prevention of errors and frauds.

(C) Auditing is very useful in obtaining the independent opinion

(D) All of above

31. Which of the following can be treated as benefit of auditing?

(A) Helping the management to comply with legal requirement.

(B) Detection and prevention of errors and frauds.

(C) To obtain independent opinion.

(D) All of above

32. Which of the following *cannot* be treated as benefit of auditing?

(A) It is not fully reliable as it is based test checking sometime.

(B) Outsiders like creditors, debenture holders and banks etc. can rely on the books of account and financial statements of the business if they are audited by an independent authority.

(C) Due to higher cost burden in depth checking of books of account is not possible

(D) (A) & (C)

Limitation of Audit

33. Which of the following can be treated as limitation of auditing?

(A) Auditing exercise involves the review of internal control system, an auditor will identify the gaps in internal control system

(B) Outsiders cannot fully rely on the auditor's report as the audit opinion is based on the information provided by the management.

(C) Auditing is very useful in obtaining the independent opinion.

(D) All of above

34. Which of the following can be treated as limitation of auditing?
- (A) Auditing exercise is based on test checking.
 - (B) Timeline become a constraint for an auditor in carrying out the auditing exercise effectively.
 - (C) (A) & (B)
 - (D) None of above
35. Which of the following can be treated as limitation of auditing?
- (A) Auditing is very useful in obtaining the independent opinion.
 - (B) Generally an auditing exercise is based on test checking; hence result may not be true.
 - (C) The evidences obtained by an auditor are persuasive rather than conclusive.
 - (D) (B) & (C)
36. The evidences obtained by an auditor are -
- (A) Conclusive
 - (B) Persuasive
 - (C) Inconclusive
 - (D) Perfect
40. Investigation i.e. critical checking of particular records is ____ for companies.
- (A) Compulsory
 - (B) Voluntary
 - (C) Necessary
 - (D) None of above
41. Auditing is ____ for companies.
- (A) Compulsory
 - (B) Voluntary
 - (C) Necessary
 - (D) None of above
42. Investigation is conducted by any person, who -
- (A) Is Chartered Accountant
 - (B) May not be a Chartered Accountant
 - (C) (A) or (B)
 - (D) None of above
43. Financial audit is conducted by ____ in case of companies.
- (A) Company Secretaries
 - (B) Cost & Works Accountant
 - (C) Company Accountant
 - (D) Chartered Accountant

Investigation, Difference between Investigation & Auditing

37. The ____ is related to critical checking of particular records.
- (A) Investigation
 - (B) Inquiry
 - (C) Accounting
 - (D) Costing
38. Which of the following implies systematic, critical and special examination of the records of a business for a specific purpose?
- (A) Auditing
 - (B) Investigation
 - (C) Inquiry
 - (D) Costing
39. ____ is independent examination of financial information of any entity, when such an examination is conducted with a view to expressing an opinion thereon.
- (A) Investigation
 - (B) Inquiry
 - (C) An audit
 - (D) Accounting
44. ____ may appoint the investigator.
- (A) Owners
 - (B) Management
 - (C) Third parties
 - (D) (A) OR (B) OR (C)
45. Auditor is appointed by -
- (A) Owners
 - (B) Shareholders
 - (C) (A) or (B)
 - (D) Creditors
46. ____ not necessarily restricted to a financial year. It can extend for a period consisting of a number of years.
- (A) Investigation
 - (B) Audit
 - (C) Accounting
 - (D) None of above
47. ____ is generally conducted for a financial year.
- (A) Investigation
 - (B) Audit

- (C) Inquiry
(D) Accounting
48. Investigation seeks evidence
(A) Conclusive
(B) Corroborative
(C) Both (a) & (b)
(D) Persuasive
49. Audit evidences are -
(A) Conclusive
(B) Corroborative
- (C) Both (A) & (B)
(D) Persuasive
50. Which of the following is not correct about investigation?
(A) Investigation may be done by any person having knowledge of entity's business.
(B) Investigation is mandatory in nature and has to be done on yearly basis.
(C) The scope of investigation is decided by appointing authority.
(D) There is no standard format of investigation.

Answers

1.	(B)	2.	(A)	3.	(C)	4.	(D)	5.	(C)	6.	(B)	7.	(C)
8.	(C)	9.	(B)	10.	(B)	11.	(D)	12.	(B)	13.	(B)	14.	(C)
15.	(A)	16.	(C)	17.	(B)	18.	(A)	19.	(C)	20.	(D)	21.	(D)
22.	(A)	23.	(A)	24.	(D)	25.	(B)	26.	(D)	27.	(D)	28.	(A)
29.	(D)	30.	(D)	31.	(D)	32.	(D)	33.	(B)	34.	(C)	35.	(D)
36.	(B)	37.	(A)	38.	(B)	39.	(C)	40.	(B)	41.	(A)	42.	(C)
43.	(D)	44.	(D)	45.	(C)	46.	(A)	47.	(B)	48.	(C)	49.	(D)
50.	(B)												

TYPES OF AUDIT

Internal Audit

1. _____ is an evaluation and analysis of the business operation conducted by the internal audit staff.

(A) External audit
(B) Internal control
(C) Internal audit
(D) Cost audit

2. Internal audit is the independent appraisal activity within an organization for the review of -

(X) Accounting
(Y) Financial
(Z) Business practices

The correct answer is -

(A) (X) and (Y)
(B) (Y) and (Z)
(C) (X) and (Z)
(D) (X), (Y) and (Z)

3. An internal audit is carried out by -

(1) Employee of organization
(2) Chartered accountant working within organization
(3) Officers of organizations

Select the correct answer from the options given below -

(A) (1) and (2)
(B) (1) and (3)
(C) (2) and (3)
(D) (1), (2) and (3)

4. The internal audit is -

(A) Mandatory
(B) Mandatory in certain cases
(C) Compulsory
(D) Not Mandatory

5. An organization gets the internal audit done with a view to evaluate -

(A) Effectiveness of internal control
(B) Soundness of financial system
(C) Effectiveness of business processes
(D) All of the above

6. As per _____, statutory auditor also requires to comment whether the company is having sound internal audit system or not.

(A) Company Audit Report Order, 2015
(B) Company Audit Report Order, 2012
(C) Company Audit Order, 2019
(D) Company Report Order, 2018

Objective of Internal Audit

7. Which of the following is/are objective of internal audit?

(A) To keep proper control over debtors.
(B) To evaluate the accounting system
(C) To help the management to motivate and provide effective leadership to the workers.
(D) None of above

8. Which of the following is/are objective of internal audit?

(A) To review the working of business
(B) To protect the assets of organization
(C) To evaluate the internal check system
(D) All of above

9. Which of the following is/are objective of internal audit?

I. To detect the error in the accounting records
II. To detect frauds in the books of accounting
III. To determine liabilities of employees

The correct answer is -

(A) I only
(B) II only
(C) III only
(D) All I, II and III

10. Which of the following is/are objective of internal audit?
- (A) To check the performance appraisal in relation to financial activities
 - (B) To evaluate the working of each management function
 - (C) To provide suggestions for improvement of business activities
 - (D) All of above
11. Which of the following is/are objective of internal audit?
- (A) To seek new ideas relating to procedures, marketing, financing and other business matters.
 - (B) To determine the proper use of resources
 - (C) To examine the accounting policies
 - (D) All of above
12. Which of the following is/are NOT objective of internal audit?
- (A) To report to the members of company
 - (B) To check the performance appraisal in relation to financial activities
 - (C) To detect the error in the accounting records
 - (D) None of the above.
13. Which of the following is/are *not* objective of internal audit?
- (A) To keep proper control over business activities
 - (B) To help the management to point out weaknesses
 - (C) To help the management to hide mistakes in accounting
 - (D) All of above
14. Which of the following is/are *not* objective of internal audit?
- (A) To determine liabilities of employees
 - (B) To protect the interest of outsiders & competitors
 - (C) To evaluate the working of each management function
 - (D) All of above
15. Which of the following is/are *not* objective of internal audit?
- (A) To formulate business strategy
 - (B) To detect the error in the accounting records
 - (C) To provide suggestions for improvement of business activities
 - (D) All of above
- Benefits Internal Audit**
16. Which of the following is/are benefit of internal audit?
- (A) It helps to have proper accounting system.
 - (B) It helps to better management of business concern
 - (C) It helps to review progress of a business concern
 - (D) All of above
17. Which of the following is/are benefit of internal audit?
- (A) Internal audit is helpful to have effective control over business activities
 - (B) The assets protection is possible through internal audit.
 - (C) The internal audit is helpful to apply division of labour.
 - (D) All of above
18. Which of the following is/are benefit of internal audit?
- (A) It helps to protect accounting records from errors and fraud.
 - (B) Internal audit helps to fix the responsibility of people having poor performance.
 - (C) The work performed by internal auditor can help external auditor in carrying out the audit.
 - (D) All of above
19. Which of the following is/are not benefit of internal audit?
- (A) It helps to have proper accounting system.
 - (B) The assets protection is possible through internal audit.
 - (C) It helps to hide the frauds created by management.
 - (D) All of above
20. Which of the following is/are benefit of internal audit?
- (A) The internal audit is helpful to apply division of labour.
 - (B) It helps to review progress of a business concern

- (C) It helps to protect accounting records from errors and fraud.
- (D) All of above

Types of Audit

21. _____ is generally conducted to ascertain whether the Balance Sheet and Profit & Loss A/c presents a true and fair view of the financial position.
 - (A) Cost audit
 - (B) Financial audit
 - (C) Secretarial audit
 - (D) Management accounting audit
22. For which of the following reason financial audit is conducted?
 - (A) The control of the company is vested in the hands of the management of the company.
 - (B) To get assurance that the financial statements prepared by the management are reliable.
 - (C) To provide assurance to investors regarding profitability and financial position
 - (D) All of above
23. Which of following party is/are interested in financial audit?
 - (A) Trade creditors
 - (B) Banks & financial institutions
 - (C) Tax authorities
 - (D) All of above
24. Which of following party is/are interested in financial audit?
 - (A) Government authorities
 - (B) Labour unions
 - (C) Management
 - (D) All of above
25. Which of following party is/are not interested in financial audit?
 - (A) Trade creditors
 - (B) Debenture holders
 - (C) Shareholders
 - (D) Relatives of management
26. of the Companies Act, 2013 contains provisions regarding the appointment of the auditor.
 - (A) Section 141 (1)
 - (B) Section 139 (1)
 - (C) Section 141 (3)
 - (D) Section 140 (1)
27. Section 139 of the Companies Act, 2013 generally auditors are appointed by -
 - (A) Preference shareholders
 - (B) Equity shareholders
 - (C) Debenture holders
 - (D) Creditors
28. Though auditors are appointed equity shareholders in certain cases auditor can be appointed by -
 - (A) Directors
 - (B) Central government
 - (C) (A) or (B)
 - (D) Debenture holders
29. Auditors are generally appointed by equity shareholders in -
 - (A) Annual general meeting
 - (B) Board meeting
 - (C) Special meeting
 - (D) Extraordinary general meeting
30. is a process to check that the company has complied with the legal and procedural requirements and also followed the due processes.
 - (A) Cost audit
 - (B) Financial audit
 - (C) Secretarial audit
 - (D) Management accounting audit
31. Secretarial audit is also known as -
 - (A) Compliance audit
 - (B) Test audit
 - (C) System audit
 - (D) Sampling audit
32. _____ has been assigned the role of secretarial auditor under Section 2 (2) (c) (v) of the Company Secretaries Act, 1980.
 - (A) Practicing CA
 - (B) Practicing CS
 - (C) Practicing CWA
 - (D) Practicing CFA
33. Which of the following reason is appropriate for introduction of secretarial audit?
 - X. Increasing complexities of laws and responsibilities
 - Y. Failure of Chartered Accountant to carry out such work.
 - Z. Initiating corrective measures and strengthening compliance mechanism and processes.

The correct answer is -

- (A) X
 - (B) X and Y
 - (C) X, Y and Z
 - (D) X and Z
34. Objective of secretarial audit is -
- (A) To protect the interests of all the stakeholders
 - (B) To avoid any legal action against the company and its management
 - (C) To maintain good corporate governance practices
 - (D) All of above
35. _____ shall annex with its Board's report, a secretarial audit report, given by Practicing Company Secretary (PCS) in prescribed form.
- (A) Every listed company and a company belonging to prescribed class
 - (B) Every public company and a company belonging to prescribed class
 - (C) Every company whether it is listed or unlisted and a company belonging to prescribed class
 - (D) Every listed public company and a private company belonging to prescribed class
36. _____ as "a system of audit introduced by the Government of India for the review, examination, and appraisal of the cost accounting records and attendant information, required to be maintained by specified industries."
- (A) Management accounting audit
 - (B) Financial audit
 - (C) Secretarial audit
 - (D) Cost audit
37. _____ defines cost audit as "a system of audit introduced by the Government of India for the review, examination, and appraisal of the cost accounting records and attendant information, required to be maintained by specified industries."
- (A) Chartered Institute of Management Accountants, London
 - (B) The Institute of Cost & Works Accountants of India
 - (C) The Institute of Chartered Accountants of India
 - (D) The Institute of Company Secretaries of India
38. According to _____, cost audit is "the verification of the correctness of cost accounts and of adherence to the cost accounting plan."
- (A) CIMA
 - (B) ICAI
 - (C) ICWAI
 - (D) ICSI
39. Cost audit comprises of -
- (A) The verification of the cost accounting records such as the accuracy of the cost accounts, cost reports, cost statements, cost data, costing techniques and
 - (B) Examining these records to ensure that they adhere to the cost accounting, plans, procedures and objectives.
 - (C) Making adjustment of costing records with accounting records
 - (D) (A) & (B)
40. Ministry of Corporate Affairs has issued mandatory cost audit orders on companies engaged in -
- (A) Electricity & petroleum
 - (B) Industrial alcohol
 - (C) Telecommunications
 - (D) All of above
41. Ministry of Corporate Affairs has issued mandatory cost audit orders on companies engaged in -
- (A) Sugar
 - (B) Fertilization
 - (C) Bulk drugs
 - (D) All of above
42. The cost auditor has to judge -
- (A) Whether the return from expenditure on capital as well as current operations could be improved by some other alternative plan of action
 - (B) Whether the size and channels of expenditure were designed to produce the best results
 - (C) Whether the planned expenditure is designed to give optimum results
 - (D) All of above
43. Cost audit is useful for the purpose of -
- (A) Cost increase
 - (B) Cost reduction

- (C) Cost control
(D) (B) & (C)
44. In India, the, provides for the compulsory tax audit of the accounts of certain income tax assesses whose turnover or receipts exceed the specified limits.
(A) The Companies Act, 2013
(B) The Income Tax Act, 1961
(C) The Direct Tax Code, 2017
(D) All of above
45. The objective of tax audit is to assist the -
(A) To help the assessee to make proper planning for avoidance of tax.
(B) To help the assessee in carrying out frauds
(C) Tax authorities in making the correct income tax assessment of the assessee concerned.
(D) All of above
46. Tax audit under the Income-tax Act, 1961 conducted by -
(A) Practicing CS
(B) Practicing CA
(C) Practicing CWA
(D) Practicing CFA
47. For businessman tax audit is compulsory if his -
(A) Profit exceeds ₹ 1,00,00,000
(B) Turnover exceeds ₹ 1,00,00,000
(C) Taxable income exceeds ₹ 1,00,00,000
(D) Gross receipts exceeds ₹ 1,00,00,000
48. For professional tax audit is compulsory if his -
(A) Profit exceeds ₹ 25,00,000
(B) Receipts exceeds ₹ 25,00,000
(C) Taxable income exceeds ₹ 25,00,000
(D) Gross receipts assets exceeds ₹ 25,00,000
49. In relation to bank audit NPA means -
(A) Non-Performing Assets
(B) No-Performed Assets
(C) Non-Programmed Assets
(D) Non-Personal Assets
50. _____ contains the provisions relating to the maintenance of accounts and audit of banks.
(A) The Banking Regulation Act, 1949
(B) The Income-tax Act, 1961
(C) The Central Sales Tax Act, 1956
(D) None of above
51. Many public trusts get their accounts audited pursuant to the requirement of the -
(A) The Banking Regulation Act, 1949
(B) The Income-tax Act, 1961
(C) The Central Sales Tax Act, 1956
(D) The Companies Act, 1956
52. The insurance audit is an examination of the of the insurance company.
(A) Operations
(B) Records
(C) Books of account
(D) (A), (B) & (C)
53. The auditor should be conversant with the provisions of which contains the provision of the maintenance of accounts and audit of the insurance companies.
(A) The Banking Regulation Act, 1949
(B) The Insurance Regulatory and Development, Act 1999
(C) The Central Sales Tax Act, 1956
(D) None of above
54. Like companies, partnership firms in India are required to get their financial statements audited.
(A) Not legally
(B) Legally
(C) Compulsorily
(D) None of above
55. Partnership firms get their financial statements audited as audited accounts helps in
(A) Proper valuation of goodwill
(B) Distribution of share of the deceased partner to their legal heirs
(C) To get the loan sanctioned from the banks to the firm
(D) All of above
56. Statutory audit is compulsory for -
(A) Company
(B) Partnership firm
(C) Sole proprietor
(D) All of above
57. aims at ensuring that the financial transactions of the government are executed properly under sanctions and authorities and are correctly recorded in the books of account.
(A) Government audit

- (B) Management audit
(C) Functional audit
(D) Cost audit
58. Auditor of government companies are appointed by -
(A) C & AG
(B) CA
(C) CWA
(D) CS
59. In _____, a function is analyzed thoroughly with respect to system, process, input and output.
(A) Functional audit
(B) Performance audit
(C) Propriety audit
(D) Efficiency audit
60. Under _____, the expenditure is analyzed with a view to ascertain the cases of improper, avoidable or in fructuous expenditure even though the expenditure has been incurred in conformity with the existing rules and regulations.
(A) Functional audit
(B) Performance audit
(C) Propriety audit
(D) Trust audit
61. _____ is a form of audit which is being carried out for ascertaining the performance of a system or process or input and is being carried out to judge whether the result as achieved are in conformity with set standards or not.
(A) Functional audit
(B) Management audit
(C) Propriety audit
(D) Efficiency audit
62. Efficiency audit also known as -
(A) Performance audit
(B) Functional audit
(C) Management audit
(D) Propriety audit
63. The performance audit may be initiated by -
(A) The organization
(B) Central government
(C) By external interested parties
(D) (A) or (C)

Answers

1.	(C)	2.	(D)	3.	(D)	4.	(B)	5.	(D)	6.	(A)	7.	(B)
8.	(D)	9.	(D)	10.	(D)	11.	(D)	12.	(A)	13.	(C)	14.	(B)
15.	(A)	16.	(D)	17.	(D)	18.	(D)	19.	(C)	20.	(D)	21.	(B)
22.	(D)	23.	(D)	24.	(D)	25.	(D)	26.	(B)	27.	(B)	28.	(C)
29.	(A)	30.	(C)	31.	(A)	32.	(B)	33.	(D)	34.	(D)	35.	(A)
36.	(D)	37.	(B)	38.	(A)	39.	(D)	40.	(D)	41.	(D)	42.	(D)
43.	(D)	44.	(B)	45.	(C)	46.	(B)	47.	(B)	48.	(B)	49.	(A)
50.	(A)	51.	(B)	52.	(D)	53.	(B)	54.	(A)	55.	(D)	56.	(A)
57.	(A)	58.	(A)	59.	(A)	60.	(C)	61.	(D)	62.	(A)	63.	(D)

TOOLS OF AUDITING

Audit Plan & Audit Programme

1. It lays out the strategies to be followed to conduct an audit -
 - (A) Audit programme
 - (B) Audit plan
 - (C) Audit evidence
 - (D) Audit technique
2. An audit plan includes the -
 - (A) Nature
 - (B) Timing
 - (C) Extent of audit procedures
 - (D) (A), (B) & (C)
3. Which of the following should be considered by the auditor before planning for an audit?
 - (A) Statutory responsibilities
 - (B) Terms of engagement
 - (C) Timing of report
 - (D) All of above
4. Which of the following should be considered by the auditor before planning for an audit?
 - (A) Auditing requirements
 - (B) Identification of significant audit areas
 - (C) Setting of materiality levels
 - (D) All of above
5. The auditor before planning for an audit should consider degree of reliance expected to be placed on -
 - (A) Accounting system
 - (B) Internal control
 - (C) Both (A) & (B)
 - (D) None of above
6. Which of the following should be considered by the auditor before planning for an audit?
 - (A) Degree of reliance expected to be placed on accounting system and internal control
 - (B) Nature and extent of audit evidence
 - (C) Work of internal auditors
 - (D) All of above
7. Which of the following *should not be* considered by the auditor before planning for an audit?
 - (A) Degree of reliance expected to be placed on accounting system and internal control
 - (B) Setting of materiality levels
 - (C) Auditing requirements
 - (D) Requirements of creditors
8. An is a set of instructions which are to be followed for proper execution of audit.
 - (A) Audit programme
 - (B) Audit plan
 - (C) Audit evidence
 - (D) Audit technique
9. An audit program largely depends -
 - (A) Articles of auditors
 - (B) On the size of the organization
 - (C) Time available to auditor
 - (D) None of above
10. _____ are the official record that contains the planning and execution of the audit agreement.
 - (A) Management working papers
 - (B) Audit working papers
 - (C) Assistants working papers
 - (D) All of above
11. Which of the following is advantage of audit programme?
 - (A) It helps in ensuring that all important areas covered.
 - (B) It helps in distributing the work among the assistants.
 - (C) It reduces scope for misunderstanding
 - (D) All of above
12. Which of the following is advantage of audit programme?

- (A) It helps in ensuring that all important areas covered
 (B) With the passage of time new problems arises during the audit may be over looked
 (C) It helps to take review of the progress of work
 (D) (A) & (C)
13. Which of the following is advantage of audit programme?
 (A) It helps to take review of the progress of work
 (B) It provides evidence against charge of negligence
 (C) It helps to have proper audit record
 (D) All of above
14. Which of the following is disadvantage of audit programme?
 (A) Non-availability of trained assistance.
 (B) It helps to take review of the progress of work
 (C) It provides evidence against charge of negligence
 (D) All of above
15. is information used by the auditor in arriving at the conclusions on which the auditor's opinion is based.
 (A) Audit programme
 (B) Audit plan
 (C) Audit evidence
 (D) None of above
16. The auditor has to obtain _____ evidence to substantiate his opinion on the financial statements.
 (A) Sufficient
 (B) Appropriate
 (C) Inappropriate
 (D) (A) & (B)
17. The audit evidence are said to be sufficient when they are in -
 (A) Inadequate quantity
 (B) Adequate quantity
 (C) Both (A) & (B)
 (D) None of above
18. Evidences obtained by auditor are -
 (A) Persuasive
 (B) Conclusive
 (C) Both (A) & (B)
 (D) None of above
19. Evidences obtained by auditor are persuasive rather than conclusive in nature therefore evidence -
 (A) Cannot be 100% reliable
 (B) Are 100% reliable
 (C) Can be 50% reliable
 (D) None of above
20. _____ is usually better than testimonial evidence.
 (A) Oral evidence
 (B) Documentary evidence
 (C) Circumstantial evidence
 (D) Duplicate evidence
21. Audit evidence is more reliable when the auditor obtains consistent evidence -
 (A) From difference sources
 (B) Of a different nature
 (C) (A) or (B)
 (D) None of above
22. evidence is better than evidence
 (A) External, internal
 (B) Internal, external
 (C) Duplicate, original
 (D) Duplicate, external
23. Evidence generated through the auditor's direct _____ is usually better than evidence obtained indirectly.
 (A) Observation
 (B) Inspection
 (C) Computation
 (D) (A), (B) & (C)
24. Which of the following is/are technique of obtaining audit evidence?
 (A) Inspection
 (B) Observation
 (C) Enquiry
 (D) All of above
25. Which of the following is/are technique of obtaining audit evidence?
 (A) Confirmation
 (B) Computation
 (C) Analytical review
 (D) All of above

26. _____ are the documents prepared or obtained by the auditors and retained by him in connection with the audit.
- Management working papers
 - Audit working papers
 - Assistants working papers
 - All of above
27. The working papers are the property of the -
- Client
 - Auditor
 - Management
 - Government
28. If audit working papers are disclosed then it will amount to -
- Ethical misconduct
 - Social misconduct
 - Professional misconduct
 - Moral misconduct
29. Which of the following is/are advantage of audit working papers?
- It helps in proper planning and performance of audit.
 - It helps seniors to supervise the audit work performed by the juniors.
 - It helps to support the auditor's opinion.
 - All of above
30. Which of the following is type of audit working papers?
- Current audit file
 - Permanent file
 - Both (A) & (B)
 - None of above
31. A permanent audit file normally includes -
- Information concerning the legal and organizational structure of the entity.
 - Extracts or copies of important legal documents, agreements
 - Copies of audited financial statements for previous years.
 - All of above
32. The current file normally includes -
- Analysis of transactions and balances
 - Evidence that the work performed by assistants was supervised and reviewed
 - Letters of representation or confirmation received from the client.
 - All of above
33. Record of communication with the retiring auditor can be included in -
- Current audit file
 - Permanent file
 - Both (A) & (B)
 - None of above
34. A permanent audit file normally includes -
- Evidence that the work performed by assistants was supervised and reviewed
 - Letters of representation or confirmation received from the client.
 - Significant audit observations of earlier years
 - All of above
35. A current audit file normally includes -
- Copies of the financial information being reported on and the related audit reports.
 - A record of the study and evaluation of the internal controls related to the accounting system.
 - In the case of a audit statutory corporation, the Act and Regulations under which the corporation functions
 - All of above
36. Which of the following is not advantage of the preparation of audit working papers?
- To provide a basis for review of audit work
 - To provide a basis for subsequent audit
 - To ensure audit work is being carried out as per programme
 - To provide a guide for advising another client on similar issues.

Answers

1.	(B)	2.	(D)	3.	(D)	4.	(D)	5.	(C)	6.	(D)	7.	(D)
8.	(A)	9.	(B)	10.	(B)	11.	(D)	12.	(D)	13.	(D)	14.	(A)
15.	(C)	16.	(D)	17.	(B)	18.	(A)	19.	(A)	20.	(B)	21.	(C)

22.	(A)	23.	(D)	24.	(D)	25.	(D)	26.	(B)	27.	(B)	28.	(C)
29.	(D)	30.	(C)	31.	(D)	32.	(D)	33.	(B)	34.	(C)	35.	(A)
36.	(D)												

AUDITOR AND RELATED PROVISIONS

1. An auditor may function as -

- (I) An employee
- (II) An independent professional

The correct answer is -

- (A) (I) only
- (B) (II) only
- (C) Either (I) or (II)
- (D) Neither (I) nor (II)

2. Where the vacancy is caused by resignation of auditor, the appointment of auditor shall also be approved by the company at a _____ convened within _____ of the recommendation of the Board and he shall hold the office till the conclusion of the _____

- (A) Board meeting; Four months; Next annual general meeting
- (B) General meeting; Three months; Next annual general meeting
- (C) Board meeting; Four months; Fifth annual general meeting
- (D) General meeting; 60 days; Next annual general meeting

3. When the auditor works for the organization, is usually referred to as _____

- (A) External Auditor
- (B) Statutory Auditor
- (C) Internal Auditor
- (D) Management Auditor

4. "Casual Vacancy" in relation to auditor means vacancy which arises due to -

- 1. Resignation
- 2. Death
- 3. Disqualification of auditor

Select the correct answer from the options given below -

- (A) 1 and 2
- (B) 1 and 3

(C) 2 and 3

(D) All 1, 2 and 3

5. When an independent professional outside the organization is appointed; he is known as -

- (A) External Auditor
- (B) Cost Auditor
- (C) Internal Auditor
- (D) Management Auditor

6. Which of the following section of the Companies Act, 2013 contains provisions regarding the appointment of the auditor?

- (A) Section 224
- (B) Section 238
- (C) Section 138
- (D) Section 139

7. Section 139 of the Companies Act, 2013 generally auditors are appointed by -

- (A) Preference Shareholders
- (B) Equity Shareholders
- (C) Debenture Holders
- (D) Creditors

8. The audit report, besides other things necessary in any particular case, need not to expressly state -

- (A) Whether, in opinion of auditor, proper books of account as required by law have been kept by the company
- (B) Whether the company's balance sheet and profit and loss account dealt with by the report are in agreement with the books of account and returns.
- (C) Whether books of account gives true and fair view
- (D) Whether fit and proper person are appointed in the board of the company.

9. Though auditors are appointed equity shareholders in certain cases auditor can be appointed by -

- (i) Directors

- (ii) Central Government
(iii) Debenture holders
The correct answer is -
(A) (i) only of the above
(B) (i) or (iii) of the above
(C) (i) or (ii) of the above
(D) (i), (ii) or (iii) of the above
10. As per Section 139(6) of the Companies Act, 2013 provides that the first auditor or auditors are to be appointed by the _____
(A) Shareholders
(B) Board of directors
(C) Central government
(D) Registrar of companies
11. In which of the following case of casual vacancy, board of director is authorized to fill up the vacancy?
(I) Due to resignation of auditor
(II) Due to death of auditor
(III) Due to disqualification of auditor
Select the correct answer from the options given below -
(A) (I) only
(B) (II) only
(C) (I) & (II) only
(D) (II) & (III) only
12. Company to send any intimation of appointment of first auditor to the Registrar of companies (ROC).
(A) is required
(B) is not required
(C) shall
(D) must
13. In case the Board of directors fails to appoint the first auditors within 30 days of its incorporation, the company in _____ may appoint the first auditors.
(A) Extraordinary General Meeting
(B) Board Meeting
(C) Statutory Meeting
(D) First Annual General Meeting
14. The Article of Association of a company preclude the auditor team from availing himself of all information which is material to enable him to make his report and from fulfilling his statutory duties to the shareholders.
(A) may
(B) can
(C) cannot
(D) none of the above
15. In case the board of directors fails to appoint the first auditors within _____ of its registration, the company shall within _____ at an _____ appoint auditor.
(A) 60 days; 90 days; annual general meeting
(B) 30 days; 60 days; annual general meeting
(C) 60 days; 90 days; extraordinary general meeting
(D) 30 days; 90 days; extraordinary general meeting
16. As per Section 139 (6) of the Companies Act, 2013 provides that the first auditor or auditors are to be appointed by the Board of directors within of the date of the registration of the company.
(A) 30 days
(B) 45 days
(C) 60 days
(D) 90 days
17. The first auditor shall hold office till the conclusion of -
(A) Next five annual general meeting
(B) First annual general meeting
(C) First extraordinary general meeting
(D) None of above
18. Section 139(1) of the Companies Act, 2013 provides that _____ must appoint an auditor.
(A) Only public company
(B) Only private company
(C) Every one man company
(D) Every company
19. Every company shall, at each annual general meeting, appoint an auditor or auditors to hold office from the conclusion of that meeting until the conclusion of -
(A) Every fifth general meeting
(B) Every fourth annual general meeting
(C) Every sixth annual general meeting
(D) Next extraordinary general meeting
20. A firm whereof majority of partners _____ are qualified for appointment as aforesaid may be appointed by its firm name to be auditor of a company.

- (A) Resident in India
(B) Ordinary resident in India
(C) Practicing in India or USA or United Kingdom
(D) Practicing in India
21. The company shall inform the auditor concerned of his or its appointment, and also file a notice of such appointment with the Registrar within _____ of the meeting in which the auditor is appointed.
(A) 7 days
(B) 15 days
(C) 30 days
(D) 45 days
22. Section 139(1) of the Companies Act, 2013 provides that every company must appoint as an auditor.
(I) An individual
(II) A firm
(III) A firm having at least three partners
(IV) Body corporate
The correct answer is -
(A) (I) & (III) only
(B) (II) & (IV) only
(C) (I) & (II) only
(D) (I), (III) & (IV) only
23. Section 139(1) of the Companies Act, 2013 provides that every company must appoint an individual or a firm as an auditor who shall hold office from the conclusion of that meeting till the conclusion of its _____ and thereafter till the conclusion of every _____ and the manner and procedure of selection of auditors by the members of the company at such meeting shall be such as may be prescribed however the company shall place the matter relating to such appointment for ratification by _____ at every _____
(A) Sixth annual general meeting; Fifth meeting; Members; Fifth annual general meeting
(B) Sixth annual general meeting; Sixth meeting; Board of directors; Board meeting
(C) Fifth annual general meeting; Fifth meeting; Members; Extraordinary general meeting
(D) Sixth annual general meeting; Sixth meeting; Members; Annual general meeting
24. Section 139(8) of the Companies Act, 2013 provides that the casual vacancy in the office of auditor may be filled by the -

- (A) Board
(B) Shareholders
(C) Members
(D) Any of the above

25. Section 139(8) of the Companies Act, 2013 provides that the casual vacancy in the office of auditor may be filled by the Board within of such vacancy.
(A) 15 days
(B) 30 days
(C) 45 days
(D) 60 days

Qualifications & Disqualifications of Auditors

26. Which of the following section of the Companies Act, 2013 contains provision as regards to qualifications of auditors?
(A) Section 131
(B) Section 124
(C) Section 224
(D) Section 141
27. Which of the following section of the Companies Act, 2013 contains the provisions relating to disqualification of auditor?
(A) Section 139(3)
(B) Section 141(5)
(C) Section 141(3)
(D) Section 139(5)
28. As per Section 141(1) of the Companies Act, 2013, a person shall be eligible for appointment as an auditor of a company only if he is a -
(A) Chartered Accountant
(B) Company Accountant
(C) Statutory Auditor
(D) Chartered Accountant & Company Secretary
29. Which of the following shall NOT be eligible for appointment as an auditor of a company as per Section 141(3) of the Companies Act, 2013?
(A) Limited liability partnership registered under the Limited Liability Partnership Act, 2008
(B) A person who is holding any security of the company of face value not exceeding ₹ 1 lakh
(C) A person who has been convicted by a Court of an offence involving fraud and a period

of 10 years has been elapsed from the date of such conviction.

(D) All of the above

30. Which of the following shall NOT be eligible for appointment as an auditor of a company as per Section 141(3) of the Companies Act, 2013?

- (I) A body corporate
- (II) Limited liability partnership
- (III) An officer of the company
- (IV) An employee of the company
- (V) A person who is a partner of an officer or employee of the company
- (VI) A person who is in the employment of an officer or employee of the company
- (VII) A person who is indebted to the company in excess of ₹ 2 Lakhs but below ₹ 5 lakhs

The correct answer is -

- (A) (I), (II), (III), (IV), (V) & (VI)
- (B) (I), (II), (III), (IV) & (VII)
- (C) (II), (III) & (VII)
- (D) (I), (III), (IV), (V) & (VI)

31. Which of the following shall be eligible for appointment as an auditor of a company as per Section 141(3) of the Companies Act, 2013?

- (A) An officer or employee of the company
- (B) A person who, or his relative or partner is indebted to the company, or its subsidiary, or its holding or associate company or a subsidiary of such holding company, in excess of ₹ 5 Lakhs
- (C) A person whose relative hold security or interest in the company of face value not exceeding ₹ one lakh.
- (D) None of the above

32. Which of the following services can be rendered by auditor of the company as per Section 144 of the Companies Act, 2013?

- (A) Accounting and book keeping services
- (B) Investment advisory services
- (C) Investment banking services
- (D) None of the above

33. A person is disqualified to be appointed as auditor who, or his relative or partner is indebted to the company, or its subsidiary, or its holding or associate company or a subsidiary of such holding company, in excess of _____

- (A) ₹ 1 Lakh

(B) ₹ 3 Lakhs

(C) ₹ 5 Lakhs

(D) ₹ 10 Lakhs

34. In which of the following independent case Mr. Ram can be appointed as auditor of the XYZ Ltd. as per Companies Act, 2013?

- (I) Relative of Mr. Ram hold securities of ₹ 50,000 in XYZ Ltd.
- (II) Mr. Y, the partner of Mr. Ram has debt payable to PQR Ltd. (Subsidiary of XYZ Ltd.) of ₹ 3,00,000.
- (III) Mr. Z partner of Mr. Ram is working as General Manager in XYZ Ltd.
- (IV) Mr. B has taken loan of ₹ 2 lakh from XYZ Ltd. and relative of Mr. Ram has given guarantee for this transaction.

The correct answer is -

- (A) (I) & (II) only
- (B) (III) & (IV) only
- (C) (I), (II) & (III) only
- (D) (I), (II), (III) & (IV)

Rights, Powers & Duties of Auditors

35. Which of the following is right of auditor?

- (A) To receive notice and attend general meeting
- (B) To visit branch office and right of access to books
- (C) To receive remuneration
- (D) All of above

36. The auditor shall be entitled to require from the of the company such information and explanation as he thinks necessary for the performance of his duties as auditor.

- (A) Officers
- (B) Shareholders
- (C) Creditors
- (D) Debtors

37. Section 143(1) of the Companies Act, 2013 requires an auditor to inquire -

- (A) Whether loans and advances made by the company on the basis of security have been properly secured and whether the terms on which they have been made are prejudicial to the interests of the company or its members

- (B) Where the transactions of the company which are represented merely by book entries are not prejudicial to the interests of the company
- (C) Where the company is not an investment or a banking company, whether so much of the assets of the company as consists of shares, debentures and other securities have been sold at a price less than that at which they were purchased by the company
- (D) All of the above
38. Which of the following is/are duties of auditor?
- (A) to inquire whether transactions of the company which are represented merely by book entries are prejudicial to the interests of the company
- (B) to inquire whether qualified persons are appointed as Key Managerial Personnel
- (C) both (A) & (B)
- (D) neither (A) nor (B)
39. The auditor should also ensure the adherence of Auditing Standards as specified by the -
- (A) Central Government
- (B) International Auditing Standard Committee
- (C) Institute of Chartered Accountants of India
- (D) International Association of Auditing Standard Committee
40. Which of the following rights are available to auditor of the company as per the provisions of the Companies Act, 2013?
- (I) Right to sign the audit report
- (II) Right to speak at general meeting
- (III) Right to attend general meeting
- (IV) Right to advise company on their financial policies
- (V) Right to visit branch office
- Select the correct answer from the options given below -*
- (A) (I), (II), (III) & (V) only
- (B) (I), (II) & (V) only
- (C) (I), (III) & (V) only
- (D) (I), (II), (IV) & (V) only
- (II) Manager of the firm if he is qualified chartered accountant.
- (III) Any partner where firm is appointed as auditor
- (IV) Senior most employee partner where firm is appointed as partner
- (V) Any partner of the firm if and only if he is in practice for more than five years
- The correct answer is -*
- (A) (I), (II) & (IV)
- (B) (I) & (III) only
- (C) (I), (III) & (V)
- (D) (I), (II), (III) & (V)
42. Unqualified opinion also known as -
- (A) Adverse opinion
- (B) Disclaimer of opinion
- (C) Clean report
- (D) Qualified opinion
43. Where there is a situation where auditor is not in a position to collect sufficient appropriate audit evidence which enables him to draw his conclusion then it is proper for the auditor to _____ an opinion due to lack of sufficient appropriate audit evidence.
- (A) Disclaim
- (B) Adverse
- (C) Qualified
- (D) Clear
44. In case the information necessary for the performance of his duties as auditor is not supplied to the auditor, he can report the same to the -
- (A) Members
- (B) Management
- (C) Directors
- (D) Central Government
45. Auditors opinion may be _____
- (A) Qualified opinion
- (B) Adverse opinion
- (C) Unqualified opinion
- (D) Any of the above
46. Which of the following is not essential of audit report?
- (A) Management opinion
- (B) Signature of auditor

Audit Report & Auditors Opinion

41. Which of the following person can sign the audit report?
- (I) Person appointed as auditor of the company

- (C) Date of audit report
(D) All of above
47. Where as a result of the examination of the books of account, the auditor concludes that he does not agree with the true and fair view of financial statements under audit, he express -
(A) Adverse opinion
(B) Clean report
(C) Unqualified opinion
(D) (B) & (C)
48. Adverse opinion also known as -
(A) Negative opinion
(B) Disclaimer of opinion
(C) Unqualified opinion
(D) Clean report
49. Where auditor does not have any reservation, objection regarding the information under audit, then he issues an _____
(A) Adverse opinion
(B) Negative opinion
(C) Disclaimer of opinion
(D) Unqualified opinion
50. Under Section 143(2) of the Companies Act, 2013, the auditor shall make a report to the of the company.
- (A) Managing directors
(B) Board of directors
(C) Members and board of directors
(D) Members
51. Who can sign audit report?
(A) The person appointed as auditor of the company
(B) Manager of auditors firm
(C) Where a firm is appointed as auditors, only a partner in the firm practicing in India
(D) (A) or (C)
52. Which of the following is right of auditor?
(A) To access to books, accounts and vouchers
(B) To obtain information and explanation
(C) To sign the audit report
(D) All of above
53. Disclaimer of opinion means -
(A) Auditors give clean report
(B) The auditor gives qualified report
(C) The auditor gives adverse report
(D) The auditor is unable to express opinion

Answers

1.	(C)	2.	(B)	3.	(C)	4.	(D)	5.	(A)	6.	(D)	7.	(B)
8.	(D)	9.	(C)	10.	(B)	11.	(D)	12.	(B)	13.	(A)	14.	(C)
15.	(D)	16.	(A)	17.	(B)	18.	(D)	19.	(C)	20.	(D)	21.	(B)
22.	(C)	23.	(D)	24.	(A)	25.	(B)	26.	(D)	27.	(C)	28.	(A)
29.	(B)	30.	(D)	31.	(C)	32.	(D)	33.	(C)	34.	(A)	35.	(D)
36.	(A)	37.	(D)	38.	(A)	39.	(C)	40.	(C)	41.	(B)	42.	(C)
43.	(A)	44.	(A)	45.	(D)	46.	(A)	47.	(A)	48.	(A)	49.	(D)
50.	(D)	51.	(D)	52.	(D)	53.	(D)						

Thank You