

1. The success of business depends on the factor.

- a. Land
- b. Labor and capital
- c. Management
- d. All of the above

Ans. (d)

2. ___ States that "anticipate no profits but provide for all possible losses".

- a. The Realization concept
- b. Concept of prudence
- c. Both a & b
- d. The Accrual concept

Ans. (b)

3. Luca Fra Pacioli, ___ mathematician.

- a. An Italian
- b. An Indian
- c. An American
- d. None of the above

Ans. (c)

4. Voucher can be of

- a. Two types
- b. Three types
- c. Four types
- d. Six types

Ans. (b)

5. There are ___ elements of profit and loss Account.

- a. Two
- b. Three
- c. Four
- d. Five

Ans. (a)

6. The term Credit is derived from

- a. French word
- b. Greek word
- c. Latin word

d. None of the above

Ans. (c)

7. ___ is the residual interest of owners in assets over liabilities.

a. Expenses

b. Income

c. Equity

d. None of the above

Ans. (d)

8. ___ records goods returned to the supplier (s).

a. Sales day book

b. Purchase day book

c. Returns Inward book

d. Return outward book

Ans. (d)

9. ___ records credit sale of traded goods.

a. Purchase day book

b. Sales day book

c. Cash book

d. None of the above

Ans. (b)

10. ___ of the cash book is not balanced

a. Discount column

b. Bank

c. Cash

d. All of the above

Ans. (a)

11. There are ___ types of primary books.

a. Two

b. Four

c. Six

d. Eight

Ans. (a)

12. The suffix "c/d" denotes

a. Carried down

- b. Count down
- c. Credit or debit
- d. None of the above

Ans. (a)

13. Which of the following is a book of secondary entries/

- a. Posting
- b. Ledger
- c. Account
- d. None of the above

Ans. (b)

14. The account maintained by the bank for its customer is a

- a. Pay-in-slip
- b. Pass book
- c. Mirror – version
- d. None of the above

Ans. (b)

15. The bank reconciliation statement is

- a. Not a part of books of accounts
- b. A part of books of accounts
- c. A part and parcel of books of accounts
- d. Both b & c

Ans. (a)

16. ___ gives the details of transactions between bank and the customer.

- a. Reconciliation statement
- b. Bank statement
- c. Pass book
- d. Cash book

Ans. (a)

17. ___ is not a part of books of account.

- a. Trial balance
- b. P & L A/c
- c. Trading A/c
- d. Balance sheet

Ans. (a)

18. Trading account shows

- a. Gross profit
- b. Net profit
- c. Notional profit
- d. Both a & b

Ans. (a)

19. Omission of recording a transaction in the primary book is called

- a. Error of principle
- b. Error of omission
- c. Both a & b
- d. Error of commission

Ans. (b)

20. ____ shows the position of Assets and Liabilities of a business entity as on a particular date.

- a. P & L A/c
- b. P & L appropriation A/c
- c. Balance sheet
- d. Suspense Account

Ans. (c)

21. In India Corporate entities registered as per

- a. Companies Act 1948
- b. Companies Act 1956
- c. Banking Regulation Act 1947
- d. None of the above

Ans. (b)

22. Reserve is the part of

- a. Profit
- b. Dividend
- c. Bonus
- d. All of the above

Ans. (a)

23. Minute books are maintained as per

- a. Sec 143
- b. Sec 157
- c. Sec 193

d. Sec 307

Ans. (c)

24. The abridged statements shall be audited and approved by the

- a. Board of Directors
- b. Accountant
- c. Finance Manager
- d. All of the above

Ans. (a)

25. Historical cost of inventories may be determined by using

- a. FIFO
- b. LIFO
- c. Both a & b
- d. Variable Costing Method

Ans. (c)

26. Variable costing is also called

- a. Direct costing
- b. Absorption costing
- c. Both a & b
- d. None of the above

Ans. (b)

27. ____ has a residual interest in corporate profits.

- a. Debenture Capital
- b. Preference Share Capital
- c. Equity Share Capital
- d. Both a & b

Ans. (c)

28. Statutory books are required to be maintained by a Companies Act.

- a. 1932
- b. 1948
- c. 1949
- d. None of the above

Ans. (d)

29. Intangible assets

- a. Have physical existence

- b. Have no physical existence
- c. Which can be seen?
- d. None of the above

Ans. (b)

30. The term 'depreciable assets' refers to:

- a. Tangible assets
- b. Tangible fixed assets
- c. Intangible assets
- d. None of the above

Ans. (b)

31. Provision for taxation is shown under the head ____ in the Balance Sheet.

- a. P & L
- b. Reserves
- c. Provision
- d. All of the above

Ans. (a)

32. All dividends must be paid within ____ days of its declaration.

- a. 37
- b. 42
- c. 48
- d. 52

Ans. (a)

33. MODVAT was introduced by incorporating Rules 57A to 57J in the Central Excise Rules ____

- a. 1932
- b. 1944
- c. 1952
- d. None of the above

Ans. (d)

34. MODVAT was introduced in the year

- a. 1980
- b. 1989
- c. 1992
- d. None of the above

Ans. (d)

35. Which of the following is the distribution of profits to shareholders?

- a. Amortization
- b. Effective Capital
- c. Dividend
- d. Provisions

Ans. (c)

36. Capital required to maintain routine operations is called

- a. Fixed Capital
- b. Working Capital
- c. Fixed assets
- d. All of the above

Ans. (b)

37. Short term obligations which have to be met within the next twelve months is called

- a. Current Assets
- b. Working capital
- c. Secured loans
- d. Current liabilities

Ans. (d)

38. ___ denotes the loss in value on an asset due to wear and tear.

- a. Provision of taxation
- b. Dividend
- c. Depreciation
- d. None of the above

Ans. (c)

39. Managerial remuneration is payable to managerial personnel within the overall ceiling prescribed in section of the Companies Act, ___.

- a. 1956
- b. 1959
- c. 1947
- d. 1955

Ans. (a)

40. The Income Tax Act ____

- a. 1958
- b. 1968

- c. 1972
 - d. 1961
- Ans. (d)

41. Expand MAT
- a. Modified Annual Tax
 - b. Minimum Alternative Tax
 - c. Maximum Annual Tax
 - d. Maximum Alternative Tax
- Ans. (a)

42. An Annual Report comprises
- a. Director's Report
 - b. Auditor's Report
 - c. Annual Account
 - d. All of the above
- Ans. (d)

43. Loans obtained against hypothecation of an asset is called
- a. Unsecured Loan
 - b. Capital
 - c. Secured Loan
 - d. All of the above
- Ans. (c)

44. ICAI has issued Accounting Standard- 6 (AS-6) on:
- a. Material charges
 - b. Dividend
 - c. Depreciation Accounting
 - d. All of the above
- Ans. (c)

45. It is a part of the total equity of a company. The holders of these shares enjoy a certain privilege is called
- a. Equity Share capital
 - b. Preference Share capital
 - c. Capital Structure
 - d. Leverage
- Ans. (a)

46. 'It' is an artificial account that appears in the Trial Balance to account for undetected errors. Here 'It' stands for:

- a. Fixed A/c
- b. Reserve A/c
- c. Suspense A/c
- d. None of the above

Ans. (c)

47. Which of the following is arrived at by deducting the direct cost of goods sold from sales proceeds?

- a. Net profit
- b. Gross profit
- c. Balance Sheet profit
- d. All of the above

Ans. (b)

48. Which of the following is a document supporting cheques deposited into the bank?

- a. Bank statement
- b. Pass book
- c. Cash book
- d. Pay-in-slip

Ans. (d)

49. Folio means the page of

- a. A Journal
- b. A Ledger
- c. Both a & b
- d. None of the above

Ans. (b)

50. Furniture Account is

- a. Real A/c
- b. Nominal A/c
- c. Personal A/c
- d. Representative Personal A/c

Ans. (a)

51. 'It' is a control account maintained in the general ledger which records transactions of individual customer's accounts in a summarized manner. Here 'It' stands for

- a. General Reserve A/c

- b. Sundry Creditors A/c
- c. Sundry Debtors A/c
- d. Both b & c

Ans. (c)

52. Subsidiary Ledger is classified into
- a. Main Ledger and Secondary Books
 - b. General Ledger: Debtors Ledger, Creditors Ledger
 - c. Both a & b
 - d. None of the above

Ans. (b)

53. A ___ Increase in liability, while ___ increase in liability.

- a. Debit, Debit
- b. Credit, Credit
- c. Debit, Credit
- d. Credit, Debit

Ans. (b)

54. Return inward = ___, return outward = ___.

- a. Sales return, purchase return
- b. Purchase return, sales return
- c. Purchase return, purchase book
- d. None of above.

Ans. (a)

55. ___ is the person who draws the bills of exchange & ___ is the person to whom the payment is to be made.

- a. drawer, drawee
- b. drawee, payee
- c. payee, drawee
- d. drawer, the payee.

Ans. (d)

56. 1. Expenses and Losses = Debit

2. Decrease in assets and increase in Liabilities (also equity) = Credit

- a. 1-True; 2-True
- b. 1-False; 2-False
- c. 1-True; 2-False

d. 1-False; 2-True

Ans. (a)

57. 1. The schedules to the Balance Sheet and Profit & Loss A/c contain as much details as Possible.

2. Finance charges include lease rentals, bank commission, and bank charges. Etc.

a. 1-True; 2-False

b. 1-False; 2-False

c. 1-True; 2-True

d. 1-False; 2-True

Ans. (c)

58. 1. Double-entry accounting is not followed while recording transactions.

2. The books of accounts are maintained on an accrual basis.

a. 1-True; 2-True

b. 1-False; 2-False

c. 1-True; 2-False

d. 1-False; 2-True

Ans. (d)

59. Journal is used as the book of ___ entry which cannot be recorded in ___.

a. secondary, journal

b. primary, cash book

c. entries, sales book

d. primary, cash book

Ans. (d)

60. In ___ transaction personal account may or may not be involved while in ___ Transaction personal account is definitely involved.

a. General, journal

b. Cash, sales

c. Credit, purchase

d. Cash, credit

Ans. (d)

61. Wealth maximization ignores the time value of money.

a. True

b. False

Ans. (b)

62. Which of the following are the functions of treasuries?

- a. Taxation and insurance
- b. Managing working capital
- c. Accounting & auditing
- d. All of the above

Ans. (b)

63. $(D1 / P_e) + g = ?$

- a. K_p
- b. K_e
- c. K_d
- d. K_d

Ans. (b)

64. ___ is the influence of power to achieve something.

- a. Operating leverage
- b. Financial leverage
- c. Leverage
- d. None of the above

Ans. (c)

65. As per the NOI approach the ___ remains constant for all degree of leverage.

- a. Operating earning
- b. Market value
- c. Overall capitalization rate
- d. Operating income

Ans. (c)

66. Risk may be defined as the variation of actual cash flows from the expected cash flows.

- a. True
- b. False

Ans. (a)

67. Project invisibility can lead to sub-optimal result when ___ is used for capital retaining.

- a. NPV
- b. IRR
- c. PI

d. ARR

Ans. (c)

68. Cash management is concerned with:

- a. Management of cash flows into & out of the firm
- b. Cash management with the firm
- c. Management of cash balances held by the firm
- d. All of the above

Ans. (d)

69. ___ refers to the credit extended by the supplier goods & services in the normal course of business transaction.

- a. Cash trade
- b. Creditors
- c. Trade credit
- d. Debtors

Ans. (c)

70. Before dispatching the goods to customers on sale, there is always a time lag. The goods manufactured or held for sale cannot be converted into cash immediately. This lag is known as ___ log.

- a. Sale
- b. Storage
- c. Creation
- d. Time

Ans. (b)

71. An annuity for an infinite time period is ____.

- a. Annuity
- b. Capital recovery factors
- c. Perpetuity
- d. Irredeemable

Ans. (c)

72. A company can issue convertible preference shares and not vice-versa.

- a. True
- b. False

Ans. (a)

73. The K_d is lesser than the coupon rate, the value of the bond is ___ than its face value.

- a. Lesser
- b. Stable
- c. Greater
- d. None of the above

Ans. (c)

74. Operating leverage occurs any time a firm has ___ cost.

- a. Fixed
- b. Variable
- c. Semi-variable
- d. Mixed

Ans. (a)

75. Profitability Index is also known as ___.

- a. Internal profitability ratio
- b. Net present worth
- c. Benefit-cost ratio
- d. Estimated wealth benefit ratio

Ans. (c)

76. Inflation, changes in interest ratio and change in economic conditions affect all firms and all industries. These factors are part of ___

- a. International risk
- b. Project risk
- c. Industry risk
- d. Market risk

Ans. (d)

77. When a firm imposes constraints on the total size of its capital budget, is known as ___.

- a. Capital structure
- b. Capita budgeting
- c. Capital rationing
- d. Capitalization

Ans. (c)

78. Capital intensive industries with longer manufacturing process will have ___ requirements of working capital.

- a. Higher

- b. Moderate
- c. Power
- d. Extremely low

Ans. (a)

79. According to Baumol's model, the holding cost for cash management is calculated by –

- a. $K(C/2)$
- b. $C(T/C)$
- c. $\sqrt{2CT/K}$
- d. $K(C/2) + C(T/C)$

Ans. (a)

80. ___ is the order quantity that minimizes the total cost associated with inventory management.

- a. TQM
- b. EOQ
- c. ABC
- d. Re-Order

Ans. (c)

81. Which method prices the issues at the value at which can be procured from the market.

- a. Standard price method
- b. Weighted average
- c. LIFO method
- d. Replacement price method

Ans. (d)

82. IRR is also called:

- a. Yield on investment
- b. Managerial efficiency of capital
- c. The marginal productivity of capital
- d. All of the above

Ans. (d)

83. Higher the risk, greater the premium.

- a. True
- b. False

Ans. (a)

84. The extra working capital required as per the changing production and sales levels of a firm is known as –

- a. Fixed working capital
- b. Networking capital
- c. Temporary working
- d. Permanent working capital

Ans. (c)

85. Which of the following are the assumption are made in Miller and Modigliani approach.

- a. Perfect capital market
- b. 100% dividend payout ratio
- c. Both a & b
- d. Personal tax 100%

Ans. (c)

86. Which of the following points are examined for the economic appraisal?

- a. Cost of the project
- b. Break-even point
- c. Impact of the project on environment
- d. All of the above

Ans. (c)

87. The firm incurs ____ cost when the customer failed to pay the amount to it on the expiry of credit period.

- a. Administrative cost
- b. Credit administrative
- c. Delinquency
- d. Opportunity cost

Ans. (c)

88. MIRR is a better indicator of relative profitability of the project which is also defined as PV of cost.

- a. True
- b. False

Ans. (a)

89. The time gap between acquisition of resources & collection of each from customers is known as ____.

- a. Operating cycle

- b. Business cycle
- c. Production gap
- d. Cash conversion cycle

Ans. (a)

90. A firm that allows liberal credit to its customers will need more working capital.

- a. True
- b. False

Ans. (a)

91. Which of the following is the objective of cash management?

- a. Meeting payment schedule
- b. Minimizing fund held in the form of cash
- c. Both a & b
- d. Neither a & b

Ans. (c)

92. Obtaining finance is an important function of:

- a. Finance controller
- b. Financial accountant
- c. Auditor
- d. Treasurer

Ans. (d)

93. Implicit cost is not a visible cost.

- a. True
- b. False

Ans. (a)

94. Seasonal peak requirements to be met from ____ from banks.

- a. Long term loan
- b. Short term loan
- c. Medium-term
- d. Debentures

Ans. (b)

95. A bond's price moves ____ proportional to its YTM.

- a. Direct
- b. Straight
- c. Inverse

d. None of the above

Ans. (c)

96. ____ is the mix of long-term source of fund like debenture loan, preference loan, preference share & equity.

- a. Capital rationing
- b. Capital structure
- c. Capital budgetary
- d. Capitalization

Ans. (b)

97. $K_t = K_e$

- a. True
- b. False

Ans. (b)

98. The effect of over capitalization is ____ and of under capitalization is ____ dividend rates.

- a. Fall, rise
- b. Rise, fall
- c. Rise, constant
- d. Constant, rise

Ans. (a)

99. RADR is the sum of ____ and ____.

- a. Risk assessment, discount rate
- b. Rate of earning, debenture rate
- c. The risk-free rate, risk premium
- d. Risky risk, discount rate

Ans. (c)

100. ____ is the process of buying a security at a lower price in one market & selling it in another market at a higher price bringing about ____.

- a. Arbitrage, market value
- b. WACC, equilibrium
- c. Operating leverage, equilibrium
- d. Arbitrage, equilibrium

Ans. (d)