

Roll Number _____ Name as per Roll _____

Maximum Marks: 30; Duration: 40 Min

1. Which of the following financial statements shows a company's financial position?

- A) Cash flow statement
- ☒ B) Balance sheet
- C) Auditor's report
- D) Profit and loss account

2. A company declares a cash dividend to be paid to its stockholders next month. The effect of the transaction is to:

- ☒ A) Increase liabilities and decrease stockholders' equity.
- B) Decrease assets and liabilities.
- ☒ C) Decrease assets and stockholders' equity.
- D) Increase assets and stockholders' equity.

3. Which of the following accounting principles requires that revenue be recorded when there is a right to receive rather than when cash is received?

- ☒ A) Accrual
- B) Going concern
- ☒ C) Matching
- D) Realization

4. A firm has the following accounts and financial data for 2002:

Sales Revenue	INR 3,060	Cost of goods sold	INR 1,800
Accounts Receivable	500	Preferred stock dividends	18
Interest expense	126	Tax rate	40%
Total oper. expenses	600	Number of shares of common	
Accounts payable	240	stocks outstanding	1,000

The firm's earnings per share, rounded to the nearest cent, for 2002 is _____.

- A) INR0.53
- B) INR0.32
- C) INR0.30
- D) INR0.51

5. The focal point of financial management in a firm is:

- A) The profits earned by the firm.
- ☒ B) The creation of value for shareholders.
- C) The minimization of the amount of taxes paid by the firm.
- D) The number and types of products or services provided by the firm.

6. Which of the following is not a source of funding for a company?

- A) A debenture issue
- B) Profits retained in the business
- C) An issue of ordinary shares
- ☒ D) An increase in the company's share price

7. Which of the following is probably the most important reason for incorporating as a company?

- A) increased flexibility.
- B) limited liability of shareholders.
- ☒ C) more money for investment.
- D) shared management.

8. Which of the following statements is correct with respect to common-size income and balance sheet statements?

- A) They show how total assets change over time, but not total sales.
- B) They show how total sales change over time, but not total assets.
- ☒ C) They provide no information about how total assets or total sales change over time.
- D) They show how both total sales and total assets change over time.

TOO GOOD!
OH LALA

Remember

9. Net cash flow from operating activities: Rs.12,000; Net cash **used** in investment activities: Rs.8,000; Beginning balance of cash: Rs.7,000; Ending balance of cash: Rs.10,000. Find the net cash flow from (or used in) financing activities.

- A) (Rs.2,000)
- B) (Rs.1,000)
- C) Rs.2,000
- D) Rs.1,000

$$\begin{array}{r} 7 \\ + 12 \\ \hline 19 \\ - 8 \\ \hline 11 \\ + x \\ \hline 18 \end{array}$$

10. With payment of current liabilities, the current ratio will

- A) increase
- B) decrease
- C) not change
- D) Insufficient information

11. Gerald had beginning total stockholders' equity of Rs.160,000. During the year, total assets increased by Rs.240,000 and total liabilities increased by Rs.120,000. Gerald's net income was Rs.180,000. No additional investments were made; however, dividends did occur during the year. How much were the dividends?

- A) Rs.140,000.
- B) Rs.20,000.
- C) Rs.60,000.
- D) Rs.220,000.

12. Your company received Rs.45,000 in advance for services to be performed during the accounting period, 1/3 of the services were rendered. At the beginning of the period, you paid Rs.12,000 for insurance covering three accounting periods. If these are the only transactions during the accounting period, how much operating income should you report on the income statement?

- A) Rs.3,000
- B) Rs.15,000
- C) Rs.33,000
- D) Rs.11,000

$$45000 - 12000$$

13. Which of the following classification of financial statement item is not correct? Consider the following:

- A) Intangible assets: Non-current asset
- B) Bonds payable: Long-term liabilities
- C) Accrued expenses: Current asset
- D) Inventory: Current asset

14. Firm A has a total asset turnover ratio of 5, a net profit margin of 2 percent, and return on equity of 15 percent. Its return on assets is

- A) 3 percent.
- B) 2 percent.
- C) 10 percent.
- D) 6 percent.

15. A firm's annual credit sales are Rs.12,00,000 and its average receivables are Rs.150,000. Assuming a 360-day year, the average collection period is

- A) 45 days.
- B) 60 days.
- C) 20 days.
- D) 30 days.

$$\frac{12,00,000}{150,000} \times 360$$

16. Expenses represent amounts (in rupees) of resources used by the entity to earn revenues. Expenses may actually be paid

- A) Before, when, or after they are incurred.
- B) Only when incurred.
- C) Only after they are incurred.
- D) Only before they are incurred.

17. The balance of the Common Shares account was Rs.500,000 for the entire fiscal year (face value: Rs.10). Net income for the year was Rs.60,000, of which 25% was distributed to shareholders as a cash dividend. The market price of the shares on the last day of the year was Rs.18 per share. The price earnings ratio was:

- A) 20 times
- B) 15 times
- C) 12 times
- D) 25 times

$$\frac{18}{\frac{60,000 \times 0.25}{50,000}} = 10$$

18. The expanded accounting equation refers to

- A) Assets = Liabilities – Owner Capital + Expenses – Revenues + Dividends
- B) Assets - Liabilities + Owner Capital + Revenues – Expenses – Dividends
- C) Assets = Liabilities + Owner Capital + Expenses – Revenues – Dividends
- D) Assets = Liabilities + Owner Capital + Revenues – Expenses – Dividends

19. Bailey Corporation reported for the year 2014: Net income: Rs.10,000; Total assets: Rs.16,000; Total stockholders' equity: Rs.8,000. Bailey Corporation's debt/equity ratio was

- A) 1.0
- B) 1.25
- C) 33.0
- D) 3.0

$$16000 = \text{Debt} + 8000 + 10000$$

20. The cash paid to long-term lenders is included in the _____ section of the statement of cash flows.

- A) investing
- B) financing
- C) operating
- D) net cash

21. Which of the following is a correct statement about shareholders' equity?

- A) It first appears in the income statement
- B) It includes share capital, reserves, retained earnings and non-current liabilities
- C) It includes issued share capital and retained earnings
- D) It equals cash at the bank

22. If opening stock, closing stock, cost of goods sold and sales for a particular period are respectively, Rs.10,000, Rs.12,000, Rs.60,000 and Rs.73,000, what is the gross profit?

- A) Rs.12,000
- B) Rs.13,000
- C) Rs.15,000
- D) Rs.18,000

$$73000 - 60000$$

23. The assumption that requires the transactions of each entity be recorded separately from the transactions of all other organizations and persons refers to the _____.

- A) Economic entity assumption
- B) Stable-monetary assumption
- C) Going-concern assumption
- D) Cost principle

24. On January 1, 20X1, Pravin Company pays in advance for a three-year computer maintenance contract. It follows the calendar year; it also reports quarterly. The payment should be reported as expense?

- A) In 20X1.
- B) In 20X1, 20X2 and 20X3.
- C) In the quarter ended March 31, 20X1.
- D) In 20X3.

25. Which of the following is true of ordinary shares?

- A) They are usually redeemable at a future date.
- B) They entitle their owners to receive a fixed rate of dividend.
- C) The ordinary shareholders are repaid last if the company is wound up.
- D) Ordinary dividends unpaid in one year are usually cumulative.

26. Beginning retained earnings was INR34,400. Ending retained earnings was INR61,600 and net income was INR36,000. Cash paid as dividends was:

- A) INR36,000
- B) INR1,200
- C) INR30,000
- D) INR8,800

27. Given the following data, calculate the value of the firm's capital: Non-current assets Rs.4,000; inventory Rs.350; accounts receivable Rs.180; cash at bank Rs.650 and accounts payable Rs.280.

- A) Rs.5,000
- B) Rs.4,900
- C) Rs.5,460
- D) Rs.5,180

28. The sales, gross profit margin, average debtors and average inventory are Rs.2,00,000, 10%, Rs.40,000 and Rs.30,000 respectively. What is the length of the operating cycle? (Assume 360 days in a year)

- A) 60 days
- B) 126 days
- C) Insufficient information
- D) 132 days

29. The days' sales in inventory is 60. The cost of goods sold is Rs.420,000. The net sales are Rs.600,000. The beginning inventory was Rs.82,000. What is the ending inventory? (Assume 360 days in a year)

- A) Rs.58,000
- B) Rs.118,000
- C) Rs.82,000
- D) Rs.70,000

30. The current ratio and quick ratio for a company are 2:1 and 1.5:1 respectively. If the value of current liabilities is Rs.80,000 what is the value of inventory?

- A) Rs.80,000
- B) Rs.40,000
- C) Rs.1,20,000
- D) Insufficient information

$$\frac{2}{1} = \frac{CA}{80000}$$

$$CA = 160000$$

$$\frac{1.5}{1} = \frac{CA - \text{Inventory}}{80,000}$$

$$160000 - \text{Inventory} = 120000$$

$$360 \quad 60 + 72$$

$$61 + 73$$

$$4000 + 350 + 180 + 650 - 280$$

$$COGS = \frac{180,000}{30,000}$$

$$6$$

$$\text{Gross profit}$$

$$2,00,000$$

$$= \frac{10}{100}$$

$$20,000$$

$$\frac{CA}{CL}$$

$$\frac{4}{2} = 2$$

$$\frac{2,00,000}{60,000}$$

$$21,600$$

$$\frac{1}{4}$$

$$=$$

$$\frac{1}{2}$$