Accounting Principles and Procedures

1. Rules and guidelines that company must follow when reporting financial data is called :
   a) Accounting principles.
   b) Accounting procedures.
   c) Accounting assumptions.
   d) None of the above.
2. Which of the following principle provides the definite and factual basis for assets valuation?
   a) Stable Currency principle
   b) Objectivity Principle
   c) Matching Principle
   d) Cost Principle
3. Which of the following principle states that the assets are purchased for the use and not for resale purpose?
   a) Stable Currency principle
   b) Objectivity Principle
   c) Going-concern principle
   d) Cost Principle
4. Which of the following principles assumes that a business will continue for a long time?
   a) Historical cost
   b) Periodicity
   c) Objectivity
   d) Going concern
5. The accounting principle that states companies and owners should be account for separately:
   a) Business entity concept
   b) Going concern concept
   c) Monetary unit assumption
   d) Periodicity assumption
6. According to _____ the personal expenses paid by Mr. A from his own pocket would not be recorded in business books of account:
   a) Realization principle
   b) Separate entity principle
   c) Matching principle
   d) Materiality principle
7. Which of the following principle deals with the valuation and recording of the assets at cost?
   a) Entity principle
   b) Matching principle
   c) Cost principle
   d) Stable currency principle
8. Which of the following principle is used for recording an expense?
   a) Matching principle

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b) Cost principle
c) Realization principle
d) Objectivity principle

9. Companies not disclosing an imminent bankruptcy would violate the:
a) Business entity concept
b) Going concern concept
c) Monetary unit assumption
d) Periodicity assumption

10. The assumption that states that businesses can divide up their activities into artificial time periods:
a) Business entity concept
b) Going concern concept
c) Monetary unit assumption
d) Periodicity assumption

11. Assets are recorded at their original purchase price according to the:
a) Materiality principle
b) Historical cost principle
c) Cost benefit principle
d) Consistency principle

12. Management concealing important financial information violates the:
a) Materiality principle
b) Historical cost principle
c) Full disclosure principle
d) Consistency principle

13. When estimating unearned revenues, which principle applies?
a) Conservatism principle
b) Historical cost principle
c) Full disclosure principle
d) Consistency principle

14. Switching accounting principles every year would violate the:
a) Conservatism principle
b) Historical cost principle
c) Full disclosure principle
d) Consistency principle

15. Recording expenses and revenues in the same period in which they occur called:
a) Objectivity principle
b) Matching principle
c) Historical cost principle
d) Industry practices constraint

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16. Which accounting concept requires that amounts of goods taken from inventory by the prospector of a business are treated as drawings?
    a) Accruals
    b) Prudence
    c) Separate entity
    d) Substance over form
17. The accounting concept which dictates that non-current assets should be valued at cost less accumulated depreciation, rather than at their enforced saleable value, is:
    a) Understandability
    b) Relevance
    c) Comparability
    d) Going concern
18. Inventories should be valued at the lower of cost and net realizable value. Which one of the following accounting concepts governs this?
    a) Comparability
    b) Prudence
    c) Going concern
    d) None of the above
19. Which of the following statements about accounting procedures is not correct?
    a) The journal shows in one place all the information about specific transactions arranged in chronological order.
    b) A ledger account shows in one place all the information about changes in a specific asset or liability or owner's equity.
    c) Posting is the process of transferring information from ledger accounts to the journal.
    d) The product of the accounting cycle is the formal financial statements such as balance sheet and income statement.
20. Accounting is called the "language of business" because:
    a) It communicates the financial information to the Management only
    b) In order to run a business one must have knowledge about accounting
    c) Different business accounts are involved in financial statements
    d) It helps to organize and communicate financial information to end users
21. Which of the following explains the debit and credit rules relating to recording revenues and expenses?
    a) Realization and matching principle
    b) The effect of revenues and expenses in the owner's equity
    c) Expenses appear on the left side of the income statement
    d) Liabilities are recorded as debit on the balance sheet
22. For purpose of measuring business income, the life of a business is divided into which of the following?
    a) Divided into specific points in time
    b) Divided into irregular cycles

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c) Divided into discrete accounting periods
d) Considered to be a continuous cycle

23. Which of the following statements is associated with the accrual basis of accounting?
a) The timing of cash receipts and disbursements is emphasized.
b) A minimum amount of record keeping is required.
c) This method is used less frequently by businesses than the cash method of accounting.
d) Revenues are recognized in the period they are earned, regardless of the time period the cash is received.

24. An accounting system is used by a business to:
a) Analyze transactions
b) Handle routine bookkeeping tasks
c) Structure information
d) All of the above

25. A business event which can be measured in terms of money and must be recorded in books of accounts is called:
a) Condition
b) Transaction
c) Information
d) Record

26. Liabilities are which of the following?
a) Resources
b) Obligations
c) Future benefits
d) Expenses

27. Gross inflow of economic benefits is called:
a) Assets
b) Liabilities
c) Income
d) Expenses

28. What are the decreases in gross economic benefits of the business?
a) Expenses
b) Obligations
c) Creditors
d) Income or gain

29. Double entry book-keeping was fathered by:
a) F.W.Taylor
b) Henry Fayol
c) Luca Pacioli
d) Murphy Smith

30. One of the detailed rules used to record business transaction is:
a) Objectivity
b) Accruals
c) Double entry book keeping
d) Going concern

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31. How much duration does an accounting period usually have?
    a) Three months
    b) Two years
    c) One year
    d) Five years
32. Which of the following is not normally required for revenue to be recognized according to the revenue principle for accrual basis accounting?
    a) The price is fixed or determinable
    b) Services have been performed
    c) Cash that has already been collected
    d) Evidence of an arrangement for customer payment exists
33. Which of the following balances does the contra-asset account show typically?
    a) Credit
    b) Debit
    c) Negative
    d) Positive
34. Which of the following statements is (are) not consistent with generally accepted accounting principles relating to asset valuation:
    a) Many assets are originally recorded in accounting record at their cost to the business entity.
    b) Subtracting total liabilities from total assets indicates what the owner equity in the business is worth under current market condition.
    c) Accountant assumed that assets such as office supplies, land and buildings will be used in business operations rather than sold at current market prices.
    d) Accountants prefer to base the valuation of assets upon objective, verifiable evidence rather than upon appraisals or personal opinion.
35. The concept of materiality (indicate wrong answer):
    a) Requires that financial statements be accurate to the nearest dollar, but need not show cents.
    b) Is based upon what users of financial statements are thought to consider important.
    c) Permits accountants to ignore generally accepted accounting principles in certain situations.
    d) Permits accountants to use the easiest and most convenient means of accounting for events that are immaterial.
36. Which of the following best describes the application of generally accepted accounting principles to the valuation of accounts receivable?
    a) Realization principle-Accounts receivables are shown at their net realizable value in the balance sheet.

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b) Matching principle-The loss due to an uncollectible account is recognized in the period in which the sale is made, not in the period in which the account receivable is determined to be worthless.

c) Cost principle-Accounts receivables are shown at the initial cost of the merchandise to customers, less the cost the seller must pay to cover uncollectible accounts.

d) Principle of conservatism-Accountants favors using the lowest reasonable estimate for the amounts of uncollectible accounts.

37. What is not a value of accounting relevance?
   a) Predictive value
   b) Feedback value
   c) Timeliness
   d) Reliability

38. What is not a value of accounting reliability?
   a) Verifiability
   b) Representational faithfulness
   c) Timeliness
   d) Neutrality

39. Which of the following true with respect to provision?
   a) It is a liability of uncertain timing or amount
   b) It is a liability of certain timing or amount
   c) It is an asset of uncertain timing or amount
   d) It is an income of uncertain timing or amount

40. Which of the following is true with respect to the measurement of revenue?
   a) Revenue shall be measured at the fair value of the consideration received or receivable
   b) Revenue shall be measured at the future value of the consideration received or receivable
   c) Revenue shall be measured at the discounted value of the consideration received or receivable
   d) Revenue shall not be measured at the fair value of the consideration received or receivable

41. If stock valuation method is changed every year by the firm, which concept the firm has violated?
   a) The materiality concept
   b) The consistency concept
   c) The prudence concept
   d) The going concern concept

42. Which of the following is related to the qualitative characteristics that make financial information useful?

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a) Reliability only
b) Relevancy only
c) Both reliability and relevancy
d) Comparability

43. Which of the following statement is true regarding going concern concept?
a) The business is profitable
b) The assets of the business are valued at market value
c) The business will continue until the directors decide to close it
d) The business will continue for indefinite period

44. Under which of the following assumptions, the financial statements are to be prepared?
a) Future assumptions
b) Past assumptions
c) Accrual basis and going concern basis
d) Accrual basis assumption only

45. Revenue is most commonly recognized at the time when:
a) Cash is collected
b) The order is received from customers
c) The sale is made
d) None of the above

46. For each transaction, double-entry accounting requires which of the following:
a) Debits to asset accounts must create credits to liability or equity accounts
b) A debit to a liability account must create a credit to an asset accounts
c) Total debits must equal total credits
d) None of these

47. Accumulated loss of a company is shown in the balance sheet as:
a) Liability
b) Asset
c) As footnote in balance sheet
d) None of the above

48. Deciding whether to record a sale when order for services is received or when the services are performed is an example of a:
a) Classification issue
b) Recognition issue
c) Valuation issue
d) None of the above

49. Which of the following is an important reason for studying accounting?
a) Accounting information is useful in making economic decisions
b) Accounting plays an important role in society
c) The study of accounting can lead to a challenging career
d) None of the above

50. The prime function of accounting is to:
a) Record economic data
b) Provide the informational basis for action

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c) Classifying and recording business transactions
d) Attain non-economic goals

51. The basic function of financial accounting is to:
a) Record all business transactions
b) Interpret financial data
c) Assist the management in performing functions effectively
d) None of the above

52. Book keeping is mainly concern with:
a) Recording of financial data relating to business operations
b) Designing the systems in recording, classifying, summarizing the recorded data
c) Interpreting the data for internal and external end users
d) None of the above

53. Accounting principles are generally based on:
a) Practicability
b) Subjectivity
c) Convenience in recording
d) All of the above

54. Revenue from sale of products ordinarily is reported as part of the earning in the period:
a) The sale is made
b) The cash is collected
c) The products are manufactured
d) The planning takes place

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55. Which type of accounting change should always be accounted for in current and future periods?
a) Change in accounting principle
b) Change in reporting entity
c) Change in accounting estimate
d) Correction of an error

56. The going concern concept is the underlying basis for:
a) Depreciating fixed asset over their useful lives
b) Disclosing the market value of securities
c) Consolidating the accounts of subsidiary companies with those of parent company
d) Disclosing the sales and other operating information in the income statement

57. Revenue is said to be realized:
a) When the sales are made
b) When the goods are manufactured
c) When cash is received
d) All of the above

58. In case of gold, revenue is recognized in the accounting period in which the gold:

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a) Is mined
b) Is sold
c) Is delivered
d) None of the above

59. In case of long term contracts, revenue is generally recognized:
a) Only on full completion of the contract
b) Only when the full cash is received
c) Even when a part of the contract has been completed
d) All of the above

60. In case of traditional approach, the expense to be matched with revenue is based on:
a) Original cost
b) Replacement cost
c) Cash cost
d) None of the above

61. Which of the following pairs of accounting concepts are most likely to be in conflict with one another?
a) Comparability and understandability
b) Accruals basis and going concern
c) Comparability and reliability
d) Relevance and reliability

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62. Which of the following statements is most accurate about the historical cost concepts?
a) Records transactions from past years
b) Fails to take account of changing price levels over time
c) Values assets at their cost to the business, irrespective of any depreciation or other loss in value
d) Is no longer used in modern accounting systems

63. In times of falling prices, the historical cost convention:
a) Understates asset values and profits
b) Understates asset values and overstates
c) Overstates asset values and profits
d) Overstates asset values and understates profits

64. Which of the following characteristics of financial information contribute to reliability according to the IAS framework for the preparation and presentation of financial statements?
a) Completeness.
b) Prudence
c) Neutrality
d) Faithful
e) All of above

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65. International Accounting standards are acronym of?
    a) IAS
    b) ISA
    c) Both a & b
    d) None of above
66. Accounting standards which applies in Pakistan are?
    a) IAS
    b) ISA
    c) GAAP
    d) None of above
67. GAAP stand for:
    a) Generally Adopted Accounting Principles
    b) Generally Accepted Auditing Principles
    c) Generally Accepted Accounting Principles
    d) Generally Adapted American Principles
68. GAAP are applicable in?
    a) USA
    b) Pakistan
    c) Both a & b
    d) None of above

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Answers:

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

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Journal

1. A record of financial transactions in order by date is called:
   a) Ledger
   b) Journal
   c) Transaction
   d) Narration
2. The process of recording transactions in journal is called:
   a) Posting
   b) Entry making
   c) Adjusting
   d) Journalizing
3. General journal is a book of _____ entries:
   a) First
   b) Original
   c) Secondary
   d) Adjusting
4. Journals are also referred as:
   a) Book of entries
   b) Book of original entries
   c) T account
   d) Books of economic event
5. Books of original entry are called:
   a) Ledger
   b) Work sheets
   c) Journal
   d) None of these
6. The process of recording the economic effects of business transactions in a book of original entry is knows as which of the following?
   a) Double entry system
   b) Debit
   c) Journalizing
   d) Posting
7. Which of the following represents the main step (s) of accounting cycle?
   a) Recording the transactions
   b) Classifying the transactions
   c) Ordering, summarizing, counting the transactions
   d) Recording, classifying, summarizing transactions
8. The other name of journal is:
   a) Ledger
   b) T account

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c) Day book
d) Cash book

9. The process of recording in journal is done:
   a) Two times a year
   b) once a year
   c) Frequently during the accounting period
   d) At the end of a accounting period
10. The standard format of journal does not include which of the following?
   a) Assets column
   b) Date column
   c) Description column
   d) Amount column
11. In which of the following orders data is entered in journal?
   a) Alphabetical order
   b) Numeric order
   c) Bullets order
   d) Chronological order
12. The sale of a business asset on credit is recorded in:
   a) Sales journal
   b) General journal
   c) Cash receipt journal
   d) None of these
13. A brief explanation recorded below every entry in general journal is commonly known as:
   a) Narration
   b) Explanation
   c) Summary
   d) Other information
14. Specialized journals are more adequate for which type of businesses?
   a) Small businesses
   b) Large businesses
   c) Sole proprietorship
   d) Partnership
15. Every business transaction affects at least _____ accounts:
   a) One
   b) Two
   c) Three
   d) Infinite
16. A journal entry in which two or more account is debited or credited is referred as:
   a) Journal entry

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b) Multi entry
c) Additional entry
d) Compound entry

17. The purpose of double entry bookkeeping is:
a) To apply the dual aspect concept.
b) To prepare books of prime entry accurately.
c) To avoid errors.
d) To record capital and revenue transactions correctly.

18. Discount for quick repayment of debt is normally referred as:
a) Trade discount
b) Prompt payment discount
c) Cash discount
d) Bulk discount

19. Discount allowed is a kind of deduction from:
a) Account payable
b) Account receivable
c) Cash account
d) Discount account

20. Discount allowed is:
a) Expense of business
b) Income of business
c) Loss of business
d) Abnormal loss of business

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21. The cash discount allowed to a debtor should be credited to
a) Discount account
b) Customer account
c) Sales account
d) Creditors account

22. In case of a debt becoming bad, the amount should be credited to
a) Debtor account
b) Bad debts account
c) Sales account
d) None of the above

23. The term 2/10-n/30 implies that _____ % discount will be given if the payment is made within _____ days or full amount is receivable within 30 days:
a) 2,10
b) 10,2
c) 10,30
d) 3,15

24. The first step in accounting process is:

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a) Recording the transaction
b) Identifying the transaction
c) Posting the transaction
d) Preparing the source documents

25. Which of the following highlights the correct order of the stages in the accounting cycle?
a) Journalizing, final accounts, posting to the ledger and trial balance
b) Journalizing, posting to the ledger, trial balance and final accounts
c) Posting to the ledger, trial balance, final accounts and journalizing
d) Posting to the ledger, journalizing, final accounts and trial balance

26. Accounting Cycle is a series of activities that begins with _____ and ends with _____.
a) Closing of books, transactions
b) Transaction, After closing Trial Balance
c) Journal, ledger account
d) Transactions, financial statements

27. A transaction caused Rs.15000 decrease in both total assets and total liabilities. This transaction could have been:
a) Purchase of a delivery truck for Rs.15, 000 cash.
b) An asset with a cost of Rs.15, 000 destroyed by fire.
c) Repayment of Rs.15, 000 bank loan.
d) Collection of Rs.15, 000 account receivable.

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28. The stage under which transactions are recorded chronologically in the books of accounts is called:
a) Summarizing
b) Classifying
c) Recording
d) None of these

29. Book-keeping is mainly concerned with:
a) Recording of a financial data relating to business transactions
b) Designing the systems in recording, classifying, summarizing the recorded data
c) Interpreting the data for internal and external users
d) None of these

30. The amount brought in by the proprietor in the business should be credited to:
a) Cash account
b) Capital account
c) Drawings account
d) Creditor account

31. The amount of salary paid to Ali should be debited to:
a) Ali account

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b) Salaries account
c) Cash account
d) None of the above

32. The return of goods by a customer should be debited to:
a) Customer account
b) Sales returns account
c) Goods account
d) Cash account

33. Sales made to Junaid for cash should be debited to
a) Cash account
b) Junaid account
c) Sales account
d) Debtor account

34. The rent paid to the landlord should be credited to
a) Landlord account
b) Rent account
c) Cash account
d) Capital account

35. Which of the following are books of prime entry?
a) Sales day book and trial balance
b) Petty cash book and accounts receivables ledger
c) Petty cash book and journal
d) All of the above

36. A credit entry of Rs. 450 on X's account in the books of Y could have arisen by:
a) X buying goods on credit from Y
b) Y paying X Rs. 450
c) Y returning goods to X
d) X returning goods to Y

37. What journal entry is required to record goods taken from inventory by the owner of a business?
a) Dr. Drawings Cr. Purchases
b) Dr. Sales Cr. Drawings
c) Dr. Drawings Cr. Capital
d) Dr. Purchases Cr. Drawing

38. Imran started a taxi business by transferring her car, worth Rs. 5,000, into the business. What are the accounting entries required to record this?
a) Dr. Capital Rs. 5,000, Cr. Car Rs. 5,000
b) Dr. Car Rs. 5,000, Cr. Drawings Rs. 5,000
c) Dr. Car Rs. 5,000, Cr. Capital Rs. 5,000

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d) Dr. Car Rs. 5,000, Cr. Cash Rs. 5,000

39. Dell sole trader business selling computers. On 12 January 20x7, he employed his daughter as an administrator for the business and took a computer from the store room for her to use in the office.
What is the double entry for this transaction?

a)	Dr Drawings	Cr Cost of sales
b)	Dr Non-current assets	Cr cost of sales
c)	Dr Cost of sales	Cr Drawings
d)	Dr Cost of sales	Cr Non-current assets

40. Which of the following steps of accounting cycle keep on occurring throughout the period?
a) Journalizing and posting the entries
b) Making adjusting entries for the relevant accounts
c) Preparing Trial Balance
d) Preparing financial statements

41. Which of the following accounts will be debited, when increased?
a) Liabilities and expenses
b) Assets and equity
c) Assets and expenses
d) Equity and revenues

42. Loss of goods by fire should be credited to:
a) Loss of goods by fire account.
b) Sales account.
c) Purchase account.
d) Bad debts account.

43. In perpetual inventory system, a return of defective merchandise is recorded by crediting
a) Purchases
b) Purchase Returns
c) Purchase Allowance
d) Merchandise Inventory

44. Which of the following specialized journals records "goods returned by customers"?
a) Purchases journal
b) Sales journal
c) Purchases return journal
d) Sales return journal

45. Sales on credit are recorded in which of the following journal?
a) Purchases journal
b) Sales journal
c) Purchases return journal
d) Sales return journal

46. Transactions that a business doesn't record in any specialized journal are recorded in which of the following journals or day books?
a) Cash payments journal

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b) Cash receipts journal
c) Purchases return journal
d) General journal

47. Which of the following specialized journal will record "goods returned by the business"?
a) Purchases journal
b) Sales journal
c) Purchases return journal
d) Sales return journal

48. Sales and purchase journal don't record:
a) Credit sales
b) Credit purchases
c) Credit sales and purchases
d) Cash sales and purchases

49. Cash received from debtor is recorded in which of the following specialized journal?
a) Purchase journal
b) Sales journal
c) Cash receipts journal
d) Cash payments journal

50. Which of the following is a type of cash receipt journal + cash payment journal?
a) Bank statement
b) Statement of cash flow
c) Cash book
d) Cash documents

51. Cash purchases are recorded in which of the following specialized journal?
a) Purchases journal
b) Sales journal
c) Purchases return journal
d) Cash payments journal

52. Credit purchase of plant and machinery is recorded in which of the following specialized journals?
a) General journal
b) Cash journal
c) Purchase journal
d) Purchase return journal

53. Debit note is the basis for recoding a transaction in which of the following journal?
a) General journal
b) Cash journal
c) Purchases journal
d) Purchases return journal

54. "Sale of old furniture" will be recorded in which of the following specialized journal?
a) Purchases journal
b) Sales journal
c) General journal
d) Cash receipt journal

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55. Credit note is the basis for recording a transaction in which of the following specialized journal?
    a) Purchases journal
    b) Sales return journal
    c) General journal
    d) Cash receipt journal
56. Goods returned by customer should be debited to which of the following accounts?
    a) Sales income account
    b) Sales account
    c) Return inward account
    d) Expenses account
57. "Business paid rent amounting to $100" which of the following specialized journals records this transaction?
    a) Cash receipts journal
    b) Cash payments journal
    c) Sales journal
    d) Purchases journal
58. Credit memo or credit note is entered in which of the following journal:
    a) General journal
    b) Cash journal
    c) Purchases journal
    d) Sales return day book
59. The sales returns day book would include:
    a) Goods bought on credit
    b) Fixed Assets bought that are inappropriate for business
    c) Goods that customers have returned
    d) Goods bought on credit that are returned to the original supplier
60. Goods returned by Mr. B amount to Rs. 4,000. The entry in the books will be:
    a) Mr. B is Debit, Sales Returns is Credit
    b) Sales Returns is Debit, Mr. B is Credit
    c) Mr. B is Debit, Accounts Receivable Credit
    d) Purchases Return Debit, Mr. B is Credit
61. Carriage paid Rs. 50 for the newly purchased machinery if debited to carriage account will effect:
    a) Only carriage account
    b) Only machinery account
    c) Both carriage and machinery account
    d) None of the given options
62. Which of the following is known as evidence that a transaction took place?
    a) Cash receipts journal
    b) General journal
    c) Source document
    d) Cash book

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Answers:

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

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Adjusting Entries

1. Entries recorded at the end of the accounting period to adjust income and expense accounts so that they comply with accrual concept of accounting is called:
   a) Adjusting entries
   b) Journal entries
   c) Cash entries
   d) Credit entries
2. Adjusting entries help allocating incomes and expenses to their:
   a) Cash balances
   b) Appropriate accounting periods
   c) Credit balances
   d) Received or paid cash balances
3. Adjusting entries are used to:
   a) Bring account balances up to date at year end
   b) Close temporary accounts at year end
   c) Close permanent accounts at year end
   d) Bring account balances at zero
4. How many basic types of adjusting entries are there?
   a) Two types
   b) Three types
   c) Four types
   d) Ten types
5. Which of the following is the most common item in adjusting entries of a merchandising business?
   a) Un-earned revenue
   b) Pre-paid expense
   c) Depreciation expense
   d) Accrued revenue
6. An adjusting entry would not be required for which of the following account?
   a) Salaries
   b) Past due expense
   c) Income tax expense
   d) Accounts receivable
7. Which of the following is the next step after the preparation of trial balance?
   a) Adjusted trial balance
   b) Financial statements
   c) Adjusting entries
   d) Closing entries
8. In the accounting cycle:
   a) Books are closed before making financial statements.
   b) Closing entries are made before the adjusting entries.
   c) Adjusting entries are made before financial statements are made.
   d) None of the above.
9. Which of the following adjusting double entries is correct for unearned income?

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a) Debit= Income, Credit= Unearned income
b) Debit= Unearned income, Credit= Income
c) Debit= Cash, Credit= Unearned income
d) Debit= Income, Credit= Cash

10. Which of the following adjusting double entries is correct for accrued expenses?
a) Debit= Expenses, Credit= Accrued expenses
b) Debit= Accrued expenses, Credit= Expenses
c) Debit= Cash, Credit= Accrued expenses
d) Debit= Expenses, Credit= Cash

11. Which of the following adjusting double entries is correct for prepaid expenses?
a) Debit= Expenses, Credit= Prepaid expenses
b) Debit= Prepaid expenses, Credit= Expenses
c) Debit= Cash, Credit= Prepaid expenses
d) Debit= Expenses, Credit= Cash

12. Which of the following adjusting double entries is correct for earned income?
a) Debit= Income, Credit= Earned income
b) Debit=Unearned income, Credit= Income earned
c) Debit= Cash, Credit= Earned income
d) Debit= Income, Credit= Cash

13. Failure to make adjusting entries for accrued income results in:
a) Overstatement of expenses
b) Understatement of expenses
c) Understatement of capital
d) Overstatement of income

14. Identify the consequences of not making adjustment entry for accrued expense
a) Overstatement of liabilities
b) Understatement of liabilities
c) Overstatement of expenses
d) Understatement of capital

15. An adjusting entry for prepaid expenses affects:
a) Assets and expenses
b) Assets and income
c) Liabilities and expenses
d) Liabilities and assets

16. Adjusting entries convert cash based account into _____ based accounting:
a) Capital
b) Asset
c) Accrual
d) Prepaid

17. An unearned income adjusting entry affects;
a) Asset and liabilities
b) Cash and income
c) Income and liabilities
d) Cash and liabilities

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18. A business paid 3 month rent amounting to Rs. 3000 out of this amount one month rent pertains to the next accounting period. Identify the correct amount prepaid expense:
    a) Rs. 3000
    b) Rs. 1000
    c) Rs. 2000
    d) Rs. 4000
19. A business paid Rs. 5000 for technical services but used up the services for only Rs. 2000 until the end of its accounting period. The remaining Rs. 3000 would be referred as:
    a) Accrued expenses
    b) Accrued income
    c) Prepaid income
    d) Prepaid expenses
20. Another name of accrued revenue is:
    a) Outstanding asset
    b) Earned asset
    c) Unearned revenue
    d) Earned revenue
21. Which of the following is the proper journal entry to record Ransom Company's billing of clients for Rs. 500 of services rendered?
    a) Debit Cash 500; Credit Accounts Receivable 500
    b) Debit Accounts Receivable 500; Service Revenue 500
    c) Debit Accounts Receivable 500; Credit Capital Stock 500
    d) Cash 500; Credit Service Revenue 500
22. Which of the following is the most common adjusting entry?
    a) Un-earned revenue
    b) Pre-paid expense
    c) Depreciation expense
    d) Accrued revenue
23. In reviewing some adjusting entries, you observe an entry which contains a debit to Prepaid insurance and a credit to Insurance Expense. The purpose of this journal entry is to record a(n):
    a) Accrued expense
    b) Deferred expense
    c) Expired cost
    d) Prepaid revenue
24. An adjusting entry to record an accrued expense involves a debit to a (n):
    a) Expense account and a credit to a prepaid account
    b) Expense account and a credit to cash.
    c) Expense account and a credit to a liability account
    d) Liability account and a credit to an expense account.
25. The failure to properly record an adjusting entry to accrued expense will result in an:
    a) Understatement of expenses and an understatement of liabilities
    b) Understatement of expenses and an overstatement of liabilities
    c) Understatement of expenses and an overstatement of assets
    d) Overstatement of expenses and an understatement of assets.

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26. Which of the following properly describes a deferr ?
    a) Cash is received after revenue is earned.
    b) Cash is received before revenue is earned.
    c) Cash is paid after expense is incurred
    d) Cash is paid in the same period that an expense is incurred.
27. An adjusting entry to allocate a previously recorded asset to expense involves a debit to an:
    a) Asset account and a credit to cash.
    b) Expense account and a credit to cash
    c) Expense account and a credit to an asset account.
    d) Asset account and a credit to an expense account.
28. Which of the following adjusting entries will cause an increase in revenues and a decrease in liabilities?
    a) Entry to record an accrued expense
    b) Entry to record an accrued revenue
    c) Entry to record the consumed portion of an expense paid in advance and initially recorded as an asset.
    d) Entry to record the earned portion of revenue received in advance and initially recorded as unearned revenue.
29. The failure to properly record an adjusting entry to accrue a revenue item will result in an:
    a) Understatement of revenues and an understatement of liabilities
    b) Overstatement of revenues and an overstatement of liabilities
    c) Overstatement of revenues and an overstatement of assets
    d) Understatement of reve ues and an understatement of assets
30. The failure to properly record an adjusting entry for the expiration of insurance coverage will result in an (assume the account Prepaid Insurance) was charged when the premiums were paid.):
    a) Overstatement of assets and an overstatement of owners' equity.
    b) Understatement of assets and an understatement of owners' equity
    c) Overstatement of assets and an overstatement of liabilities
    d) Overstatement of liabilities and an understatement of owners' equity
31. The omission of the adjusting entry to record depreciation expense will result in an:
    a) Overstatement of assets and an overstatement of owners' equity.
    b) Understatement of assets and an understatement of owners' equity
    c) Overstatement of assets and an overstatement of liabilities
    d) Overstatement of liabilities and an understatement of owners' equity
32. An auditor is examining an adjusting entry that reduces liabilities and increases owners' equity. Which of the following adjusting entries could that be?
    a) Entry to record accrued revenue.
    b) Entry to record the earned portion of revenue received in advance and previously recorded as unearned rent revenue.
    c) Entry to record an accrued expense.
    d) Entry to record the expired portion of expense paid in advance and previously recorded as Prepaid Expense.

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33. The Office Supplies on Hand account had a balance at the beginning of year 3 of $ 1,600. Payments for acquisitions of office supplies during year 3 amounted to $ 10,000 and were recorded by a debit to the asset account. A physical count at the end of year 3 revealed supplies costing $ 1,900 were on hand. The required adjusting entry at the end of year 3 will include a debit to:
    a) Office supplies expense for $ 300
    b) Office supplies on hand for $ 300
    c) Office supplies expense for $ 9,700
    d) Office supplies on hand for $ 1,900
34. The book value of a piece of equipment is the :
    a) Original cost of the equipment.
    b) Current replacement cost of the used equipment.
    c) Current market value of the used equipment.
    d) Difference between the original cost of the equipment and its related accumulated depreciation.
35. If ending accounts receivable exceeds beginning accounts receivable:
    a) Cash collections during the period exceed the amount of revenue earned.
    b) Net income for the period is less than the amount of cash basis income.
    c) No cash was collected during the period.
    d) Cash collections during the year are less than the amount of revenue earned.
36. The Camphor Company made cash sales of services of Rs. 5,000 and credit sales of services of Rs. 4,200 during the month of July. The company incurred expenses of Rs. 6,000 during July of which Rs. 2,000 was paid in cash and the remainder was expected to be paid in August. Using the accrual method of accounting, net income for July amounts to:
    a) Rs. 7,200
    b) Rs. 5,200
    c) Rs. 3,200
    d) Rs. 200
37. The supplies account has a balance of Rs. 1,500 at year end. The actual amount of supplies in hand at the end of period is Rs. 400. The necessary adjusting entry is:
    a) Debit Supplies on Hand Rs. 1100; Credit Supplies Expense Rs. 1100
    b) Debit Supplies Expense Rs. 400; Credit Supplies on Hand Rs. 400
    c) Debit Supplies Expense Rs. 1100; Credit Supplies on Hand Rs. 1100
    d) Debit Supplies on Hand Rs. 400; Credit Supplies Expense Rs. 400
38. Blankenship Company pays its employees every Friday for work rendered that week. The payroll is typically Rs.10, 000 per week. Which of the following journal entries would Blankenship ordinarily record on the Friday payday?
    a) Salary expense Rs. 10,000 - Debit; Salary payable Rs. 10,000 – Credit
    b) Salary expense Rs. 10,000 - Debit; Cash Rs. 10,000 – Credit
    c) Salary payable Rs. 10,000 - Debit; Cash Rs. 10,000 – Credit
    d) Salary payable Rs. 10,000 - Debit; Salary expense Rs. 10,000 – Credit
39. The purpose of adjusting entries is to:
    a) Adjust the retained earnings account for the revenue, expense, and dividends recorded during the accounting period.

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b) Adjust daily the balances in asset, liability, revenue, and expense accounts for the effects of business transactions.
c) Apply the realization principle and the matching principle to transactions affecting two or more accounting periods.
d) Prepare revenue and expense accounts for recording the transactions of the next accounting period.

40. The ABC firm auditing XYZ & CO. recording studios found that total stockholders' equity was understated and liabilities were overstated. Which of the following errors could have been the cause?
a) Making the adjustment entry for depreciation expense twice.
b) Failure to record interest accrued on a note payable.
c) Failure to make the adjusting entry to record revenue that had been earned but not yet billed to clients.
d) Failure to record the earned portion of fees received in advance.

41. While passing adjusting entries for what type of transactions expenses are debited and assets are credited:
a) Accrued revenue
b) Accrued expenses
c) Unearned Revenue
d) Prepaid expenses

42. Which of the following statements is not true?
a) Accrued expenses decrease profit
b) Accrued income decreases profit
c) A prepayment is an asset
d) Unearned income is a liability

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Answers:

1	a	2	b	3	a	4	c	5	c	6	a	7	c	8	c	9	a	10	a
11	b	12	b	13	c	14	b	15	a	16	c	17	c	18	b	19	d	20	d
21	b	22	c	23	b	24	c	25	a	26	b	27	c	28	d	29	d	30	a
31	a	32	b	33	c	34	d	35	d	36	c	37	c	38	a	39	c	40	d
41	d	42	b																

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Cash Book

1. Book in which receipts and payments of business are recorded is called:
   a) Cash book
   b) day book
   c) Purchases book
   d) Sales book
2. A copy of customer account which is issued by a bank to its customer normally informing about his balance after regular interval is called:
   a) Bank statement
   b) Cash book
   c) Bank overdraft
   d) None of above
3. A copy of the customer account in the bank ledger is called:
   a) Cash book
   b) Pass book
   c) Bank statement
   d) All of above
4. Favorable balance of cash book implies that:
   a) Credit balance of cash book
   b) Debit balance of cash book
   c) Bank overdraft
   d) Adjusted balance of cash book
5. In cash book, if nature of balance is not mentioned, it represents:
   a) Favourable or debit balance
   b) Unfavourable or credit balance
   c) Favourable or credit balance
   d) None of the above
6. A cash deposit made by business appears on the bank statement as _____ balance:
   a) Debit
   b) Credit
   c) Expenses
   d) Liability
7. Bank reconciliation statement is the comparison of a bank statement (sent by bank) with the _____ (prepared by business):
   a) Cash receipt journal
   b) Cash payment journal
   c) Cash book
   d) Financial statements

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8. 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
9. In the Bank reconciliation statement "Deposit in transit" is usually:
   a) Subtracted from bank balance
   b) Added to bank balance
   c) Added to Cash book balance
   d) Subtracted from cash book balance
10. Bank reconciliation statement is prepared by:
   a) Accountant of the business
   b) Manager of the business
   c) Controller of the bank
   d) Accountant of the bank
11. Which of the following error results in unadjusted cash book balance?
   a) Outstanding cheque
   b) Unpresented cheque
   c) Deposit in transit
   d) Omission of Bank charges
12. Bank charges amounting to Rs. 5000 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
13. Cheque that are issued by the business but not yet presented to bank:
   a) Uncollected cheque
   b) Uncredited cheque
   c) Outstanding cheque
   d) Bounced cheque
14. Cheque that are presented to bank but not yet credited by the bank:
   a) Unpresented cheque
   b) Uncredited cheque
   c) Outstanding cheque
   d) Bounced cheque
15. Uncollected cheque also referred as:
   a) Unpresented cheque
   b) Uncredited cheque

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c) Outstanding cheque
d) Bounced cheque

16. Favourable balance of bank statement implies that:
a) Credit balance
b) Debit balance
c) Bank overdraft
d) Adjusted balance

17. Standing orders are:
a) Credited in the cash book
b) Debited in the cash book
c) Entered in the bank statement
d) Entered in the petty cash balance

18. A company was entered in hire purchase agreement and had to pay Rs. 1000 per month. Three payments were made via bank account but no entry was found in cash book. Identify the correct adjustment in cash book:
a) Rs. 1000 will be added to cash book balance
b) Rs. 2000 will be deducted from cash book balance
c) Rs. 3000 will be added to cash book balance
d) Rs. 3000 will be subtracted from cash book balance

19. Rs. 5000 deposited in bank account was entered twice in the cash book. Identify the correct adjustment in cash book:
a) Rs. 5000 will be credited
b) Rs. 5000 will be debited
c) Rs. 10,000 will be credited
d) Rs. 10,000 will be debited

20. Bank sent debit advice of Rs. 500 to company being interest on overdraft. It wasn't entered in cash book. Identify the correct adjustment in cash book:
a) Rs. 500 will be debited
b) Rs. 500 will be credited
c) Rs. 1000 will be subtracted
d) Non-adjustable

21. Balance as per cash book (adjusted) = Rs. 1000, Unpresented cheque = Rs. 2000, Uncredited cheque = Rs. 500, Deposit in transit = Rs. 500. Compute the balance as per bank statement:
a) Rs. 2000
b) Rs. 4000
c) Rs. 3000
d) Rs. 2500

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22. A discount of Rs. 2000 was given to a supplier on his prompt repayment of debt but the cashier entered the gross amount in cash book. What should be the adjustment in cash to work out the correct balance of cash book?
    a) Rs. 2000 will be debited in cash book
    b) Rs. 2000 will be credited in cash book
    c) Rs. 4000 will be debited in cash book
    d) Rs. 4000 will be credited in the cash book
23. The closing balance of petty cash book is considered as:
    a) Liability
    b) Asset
    c) Expenses
    d) Income
24. Payment of rent expenses is recorded on which side of cash book?
    a) Receipts
    b) Payments
    c) Income
    d) Expense
25. An entry which is made on both sides of a cash book is called:
    a) Cash entry
    b) Contra entry
    c) Payment entry
    d) Compound entry
26. Cash book records:
    a) Cash payments
    b) Cash receipts
    c) Cash payments and cash receipts
    d) Neither cash payments nor cash receipts
27. Cash discount is allowed on _____ repayment of debt:
    a) Lump sum
    b) Prompt
    c) Actual
    d) None of them
28. Cash book is prepared by:
    a) Bank
    b) Accountant of business
    c) Manager of a company
    d) Bank's cashier
29. The most common imprest system is the _____ system:
    a) Petty cash

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b) Cash book
c) Cash receipt
d) Discount

30 Discount received is recorded on which of the following side of a cash book?
a) Receipts
b) Payments
c) Incomes
d) Expenditures

31. Drawings by owner of business are generally recorded on which of the following side of a cash book?
a) Receipts
b) Payments
c) Incomes
d) Expenditures

32. Which of the following item needs to be entered in the Cash Book in order to bring it in line with the entries on the Bank Statement?
a) A bank charges
b) An error on the Bank Statement
c) An uncredited deposit
d) An unpresented cheque

33. Cash book is a part of:
a) Voucher
b) General Journal
c) General Ledger
d) Trial Balance

34. Which of the following are recorded in cash book?
a) Receipts and payments
b) Profits and losses
c) Assets and liabilities
d) Capital and Expenditures

35. A petty cash book record:
a) All petty cash receipts
b) Cash receipts from customers.
c) All petty cash expenses.
d) None of these

36. The cash book of a company is showing a credit balance of Rs. 1500.Unpresented cheques are amounted to Rs. 2000. An uncredited cheques are Rs. 450. The balance as per bank statement will be:
a) Rs. 50 debit
b) Rs. 100 credit

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c) Rs. 100 debit
d) Rs. 50 credit

37. Introduction capital by owner of business is recorded on which side of a cash book?
a) Receipts
b) Payments
c) Incomes
d) Expenditures

38. Cash book with only cash column is called:
a) Single column cash book
b) Two column cash book
c) Three column cash book
d) Petty cash book

39. Cash book with cash and discount column is mostly referred as:
a) Simple cash book
b) Two column cash book
c) Three column cash book
d) Petty cash book

40. A cash book with cash, bank and discount column is commonly referred as:
a) Cash book
b) Two columns cash book
c) Three columns cash book
d) Petty cash book

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41. A cash book that is used to record the small payments of cash is generally referred as:
a) Simple cash book
b) Two column cash book
c) Three column cash book
d) Petty cash book

42. A simple or one column cash book usually has which of the following main columns?
a) Bank
b) Payments
c) Discount
d) Cash

43. Purchase of office equipment for cash will be recorded on which of the following sides of a cash book?
a) Receipts
b) Payments
c) Incomes
d) Expenditures

44. Postdated cheque are considered as:
a) Cash
b) Bank balance
c) Accounts receivable
d) Cash reserve

45. Postage stamps on hand are considered as:

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a) Bank
b) Prepaid expenses
c) Accounts receivable
d) Creditor

46. Petty cash fund is supposed to be replenished:
a) Every day
b) Every half year
c) Every year
d) At the end of every accounting period

47. Which of the following is generally not the party to a cheque?
a) Payee
b) Payer
c) Bank
d) Seller

48. A credit balance in cash book indicates:
a) Bank balance
b) Cash at bank
c) Bank overdraft
d) Bank underdraft

49. The payment side of the cash book is under cost by Rs. 200 when overdraft as per bank statement is the starting point:
a) Rs 200 will be deducted
b) Rs 200 will be added
c) Rs 400 will be added
d) Rs 400 will be deducted

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Answers:

1	a	2	a	3	b	4	b	5	a	6	b	7	c	8	b	9	b	10	a
11	d	12	c	13	c	14	b	15	b	16	a	17	a	18	d	19	a	20	b
21	a	22	b	23	b	24	b	25	b	26	c	27	b	28	b	29	a	30	b
31	b	32	a	33	c	34	a	35	c	36	d	37	a	38	a	39	b	40	c
41	d	42	d	43	b	44	c	45	b	46	d	47	d	48	c	49	b		

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Depreciation

1. Portion of a fixed asset cost consumed during the current accounting period is called:
   a) Depreciation
   b) Accumulated depreciation
   c) Appreciation
   d) None of above
2. Depreciation is best described as:
   a) A means of spreading the payment for non-current assets over a period of years
   b) A decline in the market value of the assets.
   c) A means of spreading the net cost of non-current assets over their estimated useful life.
   d) A means of estimating the amount of money needed to replace the assets
3. The reducing balance method of depreciating non-current assets is more appropriate then the straight-line method when:
   a) There is no expected residual value for the asset
   b) The expected life of the asset is not capable of being estimated
   c) The asset is expected to be replaced in a short period of time.
   d) The asset decreases in value less in later years than in the early years of use
4. Accumulated depreciation means:
   a) Sum of all depreciation expenses of a fixed asset
   b) Depreciation expenses
   c) Cost of depletion of assets
   d) Future value of fixed asset
5. In the calculation of depreciation, the useful life of a fixed asset is:
   a) A certain figure
   b) An estimate
   c) A predetermined figure for all fixed assets
   d) None of the above
6. 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
7. Cost of a fixed asset – Accumulated depreciation expenses of the fixed asset=?
   a) Book value of a fixed asset
   b) Market value of a fixed asset
   c) Historical cost of a fixed asset
   d) Recoverable amount of a fixed asset

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8. The estimate about useful life of a fixed asset:
   a. Can never be changed
   b. Can be changed
   c. Always changed
   d. None of the above
9. Which of the following is the correct formula for calculating depreciation using service hour's method?
   a) Depreciation=(Cost - Scrape value) / Total hours X Actual hours
   b) Depreciation=(Cost - Accumulated depreciation) / Total hours X Actual hours
   c) Depreciation=(Cost - Accumulated depreciation) / Total hours X Total hours
   d) Depreciation=(Cost - Scrape value) / Actual hours X Total hours
10. A company purchased a new machine for Rs. 500,000 and machine's test run was started to make sure that machine works properly. There was expense of Rs. 5000 incurred on test run, however the sale proceeds of test production were Rs. 2000. You are required to find out the total cost of machine?
   a) Rs. 500,000
   b) Rs. 505,000
   c) Rs. 503,000
   d) Rs. 495,000
11. 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
12. Which of the following is not true about depreciation?
   a) Depreciation causes perpetual and gradual fall in the value of asset
   b) Depreciation does not depend upon on fluctuations in the market value of asset
   c) Depreciation is a charged in case of fixed assets only
   d) Depreciation is a charge against revenue of two or more accounting periods
13. The purpose of recording depreciation on productive assets is to:
   a) Reflect the decline in the market value of the assets each period
   b) Reduce income when the company has an exceptionally profitable year
   c) Be in conformity with the revenue recognition principle
   d) Allocate the original cost of a productive asset to expense over its useful life
14. The appropriate journal entry to record equipment depreciation expense would consist of a debit to Depreciation Expense and a credit to which of the following accounts?
   a) Revaluation asset
   b) Accumulated Depreciation: Equipment

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c) Retained Earnings
d) Cash

15. Which of the following company would like to use the accelerated depreciation method?
a) A company with large tax burdens
b) A company with low tax burdens
c) A company that want to report high net income
d) A company that want to report huge assets

16. Which of the following is the normal balance of an accumulated depreciation account?
a) Debit balance
b) Credit balance
c) Nil balance
d) None of the above

17. How trial balance shows the accumulated depreciation?
a) As a debit item
b) As a credit item
c) It doesn't show
d) None of the above

18. An alternative term used for accumulated depreciation expenses?
a) Provision for depreciation
b) Cumulative depreciation
c) Targeted depreciation
d) Depletion

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19. Which of the following is/are a kind of depreciation expenses?
a) Amortization
b) Depletion
c) Both of them
d) None of the above

20. A fixed asset was bought for Rs. 5000. Its accumulated depreciation is Rs. 3000 and rate of depreciation is 20%. Calculate its depreciation expenses for the current accounting period using reducing balance method?
a) Rs. 600
b) Rs. 2000
c) Rs. 300
d) Rs. 400

21. 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

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d) Matching concept

22. A car was purchased for Rs. 5500. Its residual value was estimated to be Rs. 500 while i monthly depreciation expenses are Rs. 100 using straight line method. Which of the following is the annual rate of depreciation?
    a) 20%
    b) 24%
    c) 2%
    d) 25%
23. Under which method of depreciation the amount of depreciation expenses remains constant throughout the useful life of a fixed asset:
    a) Unit of activity method
    b) Straight line method
    c) None of these
24. Book value of a fixed asset equals to market value or sale proceeds of a fixed asset if:
    a) Gain on sale=0
    b) Loss on sale=0
    c) Gain or loss on sale=0
    d) Gain > loss on sale
25. The term _____ is generally used for the depreciation of natural resources:
    a) Amortization
    b) Depletion
    c) Appreciation
    d) Disposal value
26. Which of the following is a biological asset?
    a) Land
    b) Building
    c) Environment
    d) Living plants and animals
27. Under the revaluation model of fixed assets provided by the international accounting standards, the revaluation of the fixed assets should be carried out:
    a) After 10 years
    b) On a regular basis
    c) Once in 5 years
    d) None of them
28. Depreciation arises because of:
    a) Fall in the market value of an asset
    b) Fall in the value of money
    c) Physical wear and tear
    d) All of the given options

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29. The amount charged to depreciation goes on declining in:
    a). Depreciation fixed method
    b) Annuity method
    c) Written-down value method
    d) Straight line depreciation method
30. Depreciation in spirit is similar to:
    a) Depletion
    b) Amortization
    c) Depression.
    d) All of the above
31. In straight line method of depreciation, the written down value of a fixed asset will be at the end of the life of the asset as under:
    a) Rupee one
    b) Rupee zero
    c) Rupee ten
    d) None of the above.
32. ABC Company owns a building. Which of the following statements regarding depreciation is false from an accounting perspective?
    a) As the market value of the building increases, depreciation should increase
    b) Depreciation is an estimated expense to be recorded each period during the building's life
    c) As depreciation is recorded, stockholders' equity is reduced
    d) As depreciation is recorded, total assets are decreased
33. The purpose of recording depreciation on productive assets is to:
    a) Reflect the decline in the market value of the assets each period
    b) Reduce income when the company has an exceptionally profitable year
    c) Be in conformity with the revenue recognition principle
    d) Allocate the original cost of a productive asset to expense over its useful life
34. In which of the following situations should the named company not record any depreciation expense on the asset described?
    a) Computer Airline is required by law to maintain its aircraft in "as good as new" condition.
    b) Metro Advertising owns an office building that has been increasing in value each year since it was purchased.
    c) Computer Sales Company has in inventory a new type of computer, designed "never to become obsolete."
    d) None of the above answers is correct-in each case, the named company should record depreciation on the asset described.
35. Which of the following statements is correct regarding depreciation methods?

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a) Accumulated depreciation represents a cash fund being accumulated for the replacement of assets
b) The cost of a machine includes the cost of repairing damage to the machine during the installation process
c) A company may use different depreciation methods in its financial statements and its income tax return
d) The use of an accelerated depreciation method causes an asset to wear out more quickly than does use of the straight-line method

36. The sale of a depreciable asset resulting in a loss indicates that the proceeds from the sale were:
a) Less than book value
b) Greater than cost
c) Greater than book value
d) Greater than current market value

37. Which of the following is not an example of accelerated depreciation method?
a) Straight-line method
b) Sum-of-the-years digit method
c) Double-declining balance method
d) Modified Accelerated Cost Recovery System

38. ABC Company sold a plant asset that originally cost Rs. 50,000 for Rs. 22,000 cash. If ABC correctly reports a Rs. 5,000 gain on this sale, the accumulated depreciation on the asset at the date of sale must have been:
a) Rs. 33,000.
b) Rs. 28,000.
c) Rs. 23,000.
d) Some other amount.

39. Depreciation is to be charged because:
a) The machinery gets odd with time.
b) Of physical wear and tear.
c) Of fall in the market value of the asset.
d) The plant is not as good as new one.

0. In straight line method, the depreciation charge is:
a) A fixed percentage of the cost of the asset each year.
b) Always 5% of the cost of the asset each year.
c) A fixed percentage of the book value of the asset each year.
d) None of the above.

1. What is the treatment of Accumulated Depreciation in accounting?
a) Treated as a reserve
b) Treated as a contra asset

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c) Treated as a surplus
d) Treated as an expense

42. Depreciation calculation which is at a lesser amount for every following period:
a) Reducing balance method
b) Straight line method
c) Output method
d) None of above

43. Written down value of an asset:
a) Original cost – Accumulated depreciation
b) Original cost – Appreciation
c) Book value – Accumulated depreciation
d) Original cost – Salvage value

44. What is the treatment of depreciation in accounting?
a) Treated as a reserve
b) Treated as an expense
c) Treated as a surplus
d) Treated as a Liability

45. Which of the following is not an accounting concept?
a) Prudence
b) Going concern
c) Depreciation
d) Matching

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46. Depreciation is based on:
a) Economic life of asset
b) Declared life of asset by supplier
c) Normal life of asset
d) None of the above

47. Depreciation on fixed assets is an example of:
a) Revenue expenditure
b) Capital expenditure
c) Deferred revenue expenditure
d) None of these

48. Depreciation is a process of:
a) Valuation
b) Allocation
c) Both a & b
d) None of these

49. The book value of the depreciable asset is best defined as:
a) The un-depreciated cost of the asset

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b) The price that the asset would fetch if offered for sale
c) Accumulated depreciation of the asset since acquisition
d) None of these

50. The formula (Cost less salvage value/Total capacity in units x units extracted) refers to which depreciation method:
a) Straight line
b) Units of production
c) Declining balance
d) Depletion

51. Which of the following is true regarding the entry to recognize the depreciation expense?
a) It is an application of matching principle
b) It is a closing entry
c) Usually includes an offsetting credit to cash
d) It is done only at the end of each month

52. Depreciation must be accounted for:
a) Revenues
b) Fixed Assets
c) Share Capital
d) None of these

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53. Accelerated depreciation is allowed under:
a) Income Tax Ordinance 2001
b) Voluntary principles
c) Prudential Regulations
d) None of these

54. Machine hour rate method of charging depreciation is useful when the:
a) Output can be effectively measured
b) Use of the asset can be measured in terms of time
c) Utility of the asset can be directly related to its productive use
d) None of the above

55. Profit and Loss on depreciation fund investment is transferred to the:
a) Profit and Loss account
b) Asset account
c) Depreciation Fund account
d) Accumulated depreciation account

56. The profit on depreciation policy is transferred to the:
a) Depreciation reserve account
b) Profit and loss account
c) Asset account
d) Accumulated depreciation account

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57. In the case of Annuity Method the amount of depreciation:
    a) Increase every year
    b) Fixed for all the years
    c) Decreases every year
    d) None of the above
58. For providing depreciation on leasehold property, the appropriate method of depreciation is the:
    a) Replacement method
    b) Revaluation method
    c) Fixed installment method
    d) Units of output method
59. Depletion method of depreciation is used for:
    a) Cattle, loose, tools, etc
    b) Mines, quarries, etc
    c) Machinery, building, furniture, etc
    d) Good will, patents, copy right, etc
60. The interest lost on the acquisition of an asset is taken into account in calculating depreciation in the:
    a) Depletion method
    b) Annuity method
    c) Diminishing balance method
    d) Units of output method
61. In this method, depreciation is charged by allocating depreciable cost in proportion of the annual output to the probable lifetime outputs:
    a) Working hours method
    b) Production units method
    c) Revaluation method
    d) Devaluation method
62. IAS 16 Property, plant and equipment requires non-current assets to start being depreciated when:
    a) They are available for normal use
    b) They are being used normally
    c) They are purchased
    d) None of the above
63. A non-current asset was purchased at the beginning of year 1 for Rs. 2,400 and depreciated by 20% per annum using the reducing balance method. At the beginning of year 4 it was sold for Rs. 1,200. The result of this was:
    a) A loss on disposal of Rs. 240.00
    b) A loss on disposal of Rs. 28.80

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c) A profit on disposal of Rs. 28.80
d) A profit on disposal of Rs. 240.00

64. A business' non-current assets had a book value of Rs. 125,000. An asset which had cost Rs. 12,000 was sold for Rs. 9,000, at a profit of Rs. 2,000: What is the revised book value of non-current assets?
   a) Rs. 113,000
   b) Rs. 118,000
   c) Rs. 125,000
   d) Rs. 127,000

65. The purchase price of a software that will be used for more than 12 months should be regarded as:
   a) A revenue expenditure
   b) A capital expenditure
   c) A long term expense
   d) An accounting period expense

66. 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

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Answers:

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

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Cost Accounting

Followings are the topics of cost accounting cover in this book:

- Introduction to cost accounting
- Cost classification and cost behavior
- Accounting for materials
- Accounting for labour
- Accounting for overheads
- Income statement
- Job, Batch and service costing
- Process costing
- Cost-volume and profit analysis
- Stock or Inventory valuation
- Standard costing and variance analysis
- Marginal and Absorption costing
- Joint and byproduct
- Decision making techniques
- Relevant costing for decision making
- Budgeting

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Introduction to Cost Accounting

1. Price paid to acquire, produce, accomplish or maintain anything is called:
   a) Cost
   b) Expense
   c) Loss
   d) None of the above
2. Monetary value that a company has spent in order to produce something called:
   a) Cost
   b) Loss
   c) Expense
   d) All of above
3. A portion of cost which has been consumed during the current accounting period and contributed to the revenue is called:
   a) Expense
   b) Loss
   c) Expenditures
   d) Capital cost
4. A portion of cost which has been consumed during the current accounting period and did not contribute to the revenue called:
   a) Expense
   b) Loss
   c) Expenditures
   d) Capital cost

Note: Expenditure is the amount of cost; it may be expense or asset

5. Expense and expenditure both are:
   a) Same in meaning
   b) Different in meaning
   c) Singular or plural
   d) None of above
6. A field of accounting that records, classifies and measures of cost is called:
   a) Cost Accounting
   b) Advance Accounting
   c) Managerial Accounting
   d) None of above
7. Basic objective of cost accounting is:
   a) Tax compliance
   b) Financial audit
   c) Cost ascertainment
   d) Profit analysis
8. The main purpose of cost accounting is to
   a) Maximize profits
   b) Help in inventory valuation
   c) Provide information to management for decision making

   d) Aid in the fixation of selling price
9. The main primary objective of cost accounting:
   a) To calculate production annual
   b) Calculate per unit cost
   c) To report data to user
   d) Provide data for financial statement
10. Which of the following is not the objective of cost accounting?
   a) Setting the standard for measuring the efficiency
   b) Correct valuation of inventories
   c) Comparison of actual performance with standard
   d) Preparation of performance reports for shareholders
11. Users of cost accounting are:
   a) Management
   b) Government
   c) Members
   d) I tax authorities
12. Cost strategy means charging:
   a) Highest price for products
   b) Lowest price for product
   c) Varying prices for products
   d) None of these
13. Cost accounting was developed because of the:
   a) Limitations of the financial accounting
   b) Limitations of the management accounting
   c) Limitations of the human resource accounting
   d) Limitations of the double entry accounting
14. The process of comparing actual costs to budgeted costs and takingcorrective action is called:
   a) Planning
   b) Controlling
   c) Implementing
   d) monitoring
15. The process of relying on feedback to ensure a plan is being implemented is:
   a) Planning
   b) Directing
   c) Controlling
   d) measuring
16. Planning and control are:
   a) the same thing, just two different terms
   b) two of the basic functions of management
   c) similar to budgeting and performance evaluation
   d) both b and c
17. A cost Centre is:

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a) A unit of product or service in relation to which costs are ascertained
b) An amount of expenditure attributable to an activity
c) A production or service location, function, activity or item of equipment for which costs are accumulated
d) A centre for which an individual budget is drawn up

18. Valuation of finished goods in cost accounting differs from as in financial accounting as:
a) Cost accounting does consider NRV adjustments
b) Financial accounting does consider material variances
c) Financial accounting does not consider administrative overhead
d) Cost accounting adjust normal losses in a different way

19. Accounting for depreciation is different in cost accounting as compare to financial accounting:
a) Financial accounting does not consider depreciation while valuing stock
b) Cost accounting depreciates assets at machine hour rate but financial accounting depreciates at straight line or reducing balance method
c) Cost accounting does consider depreciation
d) There is not differences in its accounting

20. Accounting of factory over head is different in cost accounting and financial accounting as:
a) In financial accounting overhead are not accounted for but in cost accounting full overhead are recorded
b) In financial accounting all overheads are records but in cost accounting mostly variable overheads are recorded
c) In financial accounting actual factory overhead are recorded but in cost accounting factory overhead are recorded at pre - determined rate
d) In financial accounting under and over absorbed overheads are adjusted as in cost accounting

21. Accounting for labour has different objectives in financial accounting and cost accounting which of the following is objectives of cost accounting:
a) Keeping a record of earning of each employee
b) Keeping record of total hours worked in a year
c) Keeping record of time worked on each job
d) None of above

22. Which of the following statement is incorrect?
a) Financial accounting ignores non-monetary aspects but cost accounting consider these aspects
b) Financial accounting is based on historical data but cost accounting also consider future data
c) Financial accounting calculates department wise profit but cost accounting calculate total profit

d) Objectives of financial accounting is to determine financial performance of business but objectives of cost

23. A document which provides detail about cost center and cost unit is:
a) Tender
b) Cost sheet
c) Invoice
d) Profit statement

24. A good cost accounting system is:
a) If it computes estimated cost only
b) If it cannot be reconciled with financial account
c) If it enables management to increase productivity and rationalize cost structure
d) None of the above

Answers:

1	a	2	a	3	a	4	b	5	b	6	a	7	c	8	c	9	b	10	d
11	a	12	b	13	a	14	b	15	c	16	d	17	a	18	a	19	b	20	c
21	c	22	c	23	b	24	c												

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Cost Classification and Cost Behavior

1. Cost classification can be done in:
   a) Two ways
   b) Three ways
   c) Four ways
   d) Several ways
2. Classification of cost is useful:
   a) To find gross profit
   b) To find net profit
   c) To identify costs
   d) To identify efficiency
3. Overhead cost is the total of:
   a) All indirect costs
   b) All direct costs
   c) Indirect and direct costs
   d) All specific costs
4. Imputed cost is a:
   a) Notional cost
   b) Real cost
   c) Normal cost
   d) Variable cost
5. The cost which is to be incurred even when a business unit is closed is a:
   a) Imputed cost
   b) Historical cost
   c) Sunk cost
   d) Shutdown cost
6. Operating costing is suitable for:
   a) Job order business
   b) Contractors
   c) Sugar industries
   d) Service industries
7. Future costs that effect the current management decision:
   a) Sunk Cost
   b) Standard Cost
   c) Relevant Cost
   d) Irrelevant Cost
8. Costs which are constant for a relevant range of activity and rise to new constant level once that range exceeded is called:
   a) A fixed cost
   b) A variable cost
   c) A mixed cost
   d) A step cost
9. Costing refers to the techniques and processes of:

   a) Ascertainment of costs
   b) Allocation of costs
   c) Apportion of costs
   d) Distribution of costs
10. Direct cost incurred can be identified with:
   a) Each department
   b) Each unit of output
   c) Each month
   d) Each executive
11. Multiple costing is a technique of using two or more costing methods for ascertainment of cost by:
   a) The same firm
   b) The several firms
   c) The same industry
   d) The several industries
12. Wages paid to a labour who was engaged in production activities can be termed as:
   a) Direct cost
   b) Indirect cost
   c) Sunk cost
   d) Imputed cost
13. Elements of costs are:
   a) Three types
   b) Four types
   c) Five types
   d) Seven types
14. Direct expenses are also called:
   a) Major expenses
   b) Chargeable expenses
   c) Overhead expenses
   d) Sundry expenses
15. Indirect material used in production is classified as:
   a) Office overhead
   b) Selling overhead
   c) Distribution overhead
   d) Production overhead
16. Warehouse rent is a part of:
   a) Prime cost
   b) Factory cost
   c) Distribution cost
   d) Production cost
17. Indirect material scrap is adjusted along with:
   a) Prime cost
   b) Factory cost
   c) Labour cost
   d) Cost of goods sold

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18. Prime cost includes:
    a) Direct materials, direct wages and indirect expenses
    b) Indirect materials and indirect labour and indirect expenses
    c) Direct materials, direct wages and direct expenses
    d) Direct materials, indirect wages and indirect expenses
19. Audit fee is a part of:
    a) Works on cost
    b) Selling overhead
    c) Distribution overhead
    d) Administration overhead
20. Counting house salary is a part of:
    a) Factory overhead
    b) Selling overhead
    c) Distribution overhead
    d) Administration overhead
21. An example of variable cost is:
    a) Property tax
    b) Interest on capital
    c) Direct material cost
    d) Depreciation of machinery
22. Cost accounting concepts include all of the following except:
    a) Planning
    b) Controlling
    c) Profit sharing
    d) Product costing
23. When premises are owned, a charge for rent is:
    a) Production cost
    b) Imputed cost
    c) Marginal cost
    d) Cost of sales
24. The ascertainment of costs after they have been incurred is known as:
    a) Marginal costing
    b) Historical costing
    c) Sunk cost
    d) Notional cost
25. Direct material is a:
    a) Manufacturing cost
    b) Administrative cost
    c) Selling cost
    d) Distribution cost
26. The most important element of cost in manufacturing industries is:
    a) Material
    b) Labour
    c) Direct costs
    d) Indirect costs

27. The tracing or reassigning of costs to one or more cost objectives is referred to as:
    a) Cost allocation
    b) Historical costing
    c) Step up costing
    d) Cost apportionment
28. The three main categories of manufacturing costs are:
    a) Direct materials, direct labor and factory overheads
    b) Direct labor, indirect labor and overtime premiums
    c) Raw materials, work in progress and finished goods
    d) Raw materials, direct labor and finished goods
29. Raw material is an example of:
    a) Fixed cost
    b) Variable cost
    c) Semi-variable cost
    d) Direct cost
30. Depreciation is an example of:
    a) Fixed cost
    b) Variable cost
    c) Semi-variable cost
    d) Direct cost
31. The costs which increase or decrease in proportion to the output and sales are known as:
    a) Fixed cost
    b) Variable cost
    c) Semi-variable cost
    d) Total cost
32. As volume increases, the total of mixed cost:
    a) Increases by the same percentage as volume increases
    b) Increases
    c) Decreases
    d) Decreases by the same percentage as the volume increases
33. Discretionary costs are:
    a) Almost always committed
    b) Never fixed
    c) Are usually the first costs reduced in a cost reduction program
    d) Are unavoidable
34. The most significant variable cost in a manufacturing company is most often:
    a) Straight-line depreciation on equipment
    b) Direct materials that go into the product
    c) Utilities
    d) Cost of operating the warehouse to store materials
35. Management can do very little to reduce these types of costs over the period of the next six months:
    a) Flexible costs
    b) Discretionary costs
    c) Committed costs

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d) Product costs

36. Which of the following is classified as a committed, sunk, fixed expense?
    a) Investment in manufacturing equipment
    b) Advertising
    c) Additional maintenance on equipment
    d) Employee benefit programs
37. The term relevant range means the range that:
    a) Will cause costs to fluctuate
    b) Cost relationships identified are valid
    c) Relevant costs are incurred
    d) Production volumes may not vary and will remain constant
38. In a manufacturing company, the costs debited to the work in process inventory account represent:
    a) Direct materials used, direct labor, and manufacturing overhead
    b) Cost of finished goods manufactured
    c) Period costs and product costs
    d) None of the above
39. Manufacturing overhead costs would include:
    a) Marketing costs related to selling the product
    b) The salary of the production line supervisor
    c) The chief executive officer's salary
    d) Research and development costs for a new product
40. Which of the following items of expense are to be adding in FOH cost?
    a) Rent of factory + Head office rent + salaries to factory watchman
    b) Rent of factory + factory lighting bill + Directors salaries
    c) Rent of factory + factory lighting bill + Factory employees salaries
    d) Head office rent + Factory property tax + Factory small tools
41. In which of the following center FOH cost not incurred
    a) Production center
    b) Service center
    c) Head office
    d) None of above
42. The cost of electricity bill of the factory is treated as:
    a) Fixed cost
    b) Variable cost
    c) Step cost
    d) Semi variable cost
43. Which of the following costs is part of the prime cost for manufacturing company?
    a) Cost of transporting raw materials from the suppliers premises
    b) Wages of factory workers engaged in machine maintenance
    c) Depreciation of truck used for deliveries to customers
    d) Cost of indirect production materials
44. The term conversion cost refers to:
    a) Manufacturing costs incurred to produce units of output

    b) All costs associated with manufacturing other than direct labor costs and raw material costs
    c) Costs which are associated with marketing, shipping, warehousing and billing activities
    d) The sum of direct labor costs and all factory overhead costs
45. Depreciation based on the number of units produced would be classified as what type of cost?
    a) Out-of-pocket
    b) Marginal
    c) Variable
    d) Fixed
46. The cost of fire insurance for a manufacturing plant is generally a part of:
    a) Non-manufacturing cost
    b) Direct cost
    c) Semi-variable cost
    d) Conversion cost
47. Primary packing is an item of:
    a) Prime cost
    b) Factory overhead
    c) Selling overhead
    d) Distribution overhead
48. Direct costs are:
    a) Cost which can be indentified with the cost centre but not a single cost
    b) Cost which can be indentified with a single unit
    c) Cost which can be attributed to one accounting period
    d) None of the above
49. Which of the following is indirect cost to manufacture a leather coat?
    a) Leather sheet
    b) Polish
    c) Fabric inside
    d) Wages to tailor
50. Which is the following is the example of indirect labour
    a) Drivers in transportation business
    b) Surgeon in hospital
    c) Chef in a restaurant
    d) Textile engineer in textile mill
51. What is the accounting treatment of normal idle time?
    a) It is charged to factory overhead
    b) It is charged to profit and loss account
    c) It is charged to job by inflating the wage rate

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d) None of the above

52. Which is the following is not true:
    a) Direct material + direct labour cost + FOH cost=Total factory cost
    b) Direct material + direct labour=prime cost
    c) Indirect material + indirect labour + other indirect cost=FOH
    d) FOH + commercial cost =total operating Cost
53. Which is the following is true about variable cost:
    a) It does not show variability of total amount in direct proportion to volume
    b) Decrease per unit with increase in production
    c) Increase per unit with increase in production
    d) Easy assignment to operating department
54. Which of the following shall be included in cost of goods manufactured?
    a) Product cost
    b) Period cost
    c) Both product and period cost
    d) Capital expenditure
55. Which of the method is not a proper method to calculate per unit cost?
    a) Standard costing
    b) Process costing
    c) Job order costing
    d) None of above
56. Which of these can be classified as directly changeable expense?
    a) Royalty
    b) Deprecation
    c) Interest
    d) Electricity
57. If a cost is semi variable what will affect on per unit cost, if production reduces by 10%
    a) It will reduce by 10%
    b) It will remain unchanged
    c) It will increase
    d) It will reduce by 5%
58. Variable costs are conventionally deemed to:
    a) Be constant per unit of output
    b) Vary per unit of output as production volume changes
    c) Be constant in total when production volume changes
    d) Vary, in total, from period to period when production is constant
59. Which of the following does not make sense of classification of cost?
    a) Classification by traceability: direct and indirect cost.
    b) Classification by nature: material, labour, FOH.

    c) Classification by behavior: fixed, variable, semi-variable
    d) Classification by function: normal and abnormal
60. Which of the following is not the classification of cost?
    a) Fixed cost, variable cost, semi variable cost
    b) Controllable, non-controllable cost
    c) Pure cost, fictitious cost
    d) Standard cost, budgetary cost
61. Conversion cost means:
    a) Total material cost and total labour cost
    b) Labour cost and variable factory overhead
    c) Labour cost and total factory overheads
    d) Direct material and direct labour cost
62. Identify semi variable cost from the following examples:
    a) Depreciation
    b) Factory insurance
    c) Electricity and gas bills
    d) Direct material
63. Which of the statement is not true for cost behavior?
    a) Per unit variable costs are constant as output rises
    b) Total fixed costs rise as output rises
    c) Per unit fixed cost fall as output rises
    d) Total variable costs rise as output rises
64. Cost behavior analysis is a study of how a firm costs:
    a) Relate of competitors cost
    b) Respond to inflation
    c) Relate to general price level changes
    d) Respond to changes in activity levels
65. A point at which marginal revenue = marginal cost represents:
    a) Breakeven point
    b) Maximum profit
    c) Fixed cost not fully covered
    d) Total revenue is equal to total cost
66. On a graph fixed cost line will appear as:
    a) A vertical line
    b) A diagonal line having slope upward to right
    c) A horizontal line
    d) A diagonal line having slope downward to right
67. Which of the following statement is incorrect?
    a) There is direct relation between per unit variable cost and per unit total cost

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b) There is direct relation between per unit fixed cost and per unit total cost
c) There is indirect relation between per unit fixed cost and profit per unit
d) There is indirect relation between per unit variable cost and contribution per unit

68. High low method and least square method are used to:
a) Allocate fixed cost
b) Split fixed portion in cost
c) Absorb fixed cost
d) Determine fixed cost per unit

69. In regression line Y = a + bx, "b" is:
a) Fixed cost per unit
b) Variable cost per unit
c) Semi-variable cost per unit
d) None of these

70. Cost which remains same within one range but jumps upward outside the range is called:
a) Fixed cost
b) Semi fixed cost
c) Semi variable cost
d) Step fixed cost

71. Period costs are:
a) Expensed when the product is sold
b) Included in the cost of goods sold
c) Related to specific Period
d) Not expensed

Answers:

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

Accounting for Material Costing

1. Material control involves:
a) Consumption of material
b) Issue of material
c) Purchase of material
d) Purchase, storage and issue of material

2. Material requisition is meant for:
a) Purchase of material
b) Supply of material from stores
c) Sale of material
d) Storage of material

3. Stock control through stock levels and EOQ is called
a) Demand and supply method
b) Perpetual inventory system
c) Periodic inventory system
d) Automatic order method

4. Which of the following methods of stock control aims at concentrating efforts on selected items of material?
a) Perpetual inventory system
b) Material turnover ratio
c) Level setting
d) ABC analysis

5. In base stock method of pricing the material issues, the term base stock represents the quantity of stock being issued:
a) Stock in balance
b) Minimum stock
c) Maximum stock
d) Re-order level

6. Scrap is:
a) Residual of material
b) Wastage of material
c) Surplus material
d) Abnormal loss of material

7. Material is issued by store keeper against:
a) Material requisition
b) Material order
c) Goods received note
d) Purchase requisition

8. The document which is prepared after receiving and inspecting material:
a) Material record note
b) Goods received note
c) Bill of material
d) Inventory record

9. Loss by fire is an example of:

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a) Normal Loss
b) Abnormal Loss
c) Incremental Loss
d) Cannot be determined

10. Taking steps for the fresh purchase of those stocks which have been exhausted and for which requisitions are to be honored in future" is an easy explanation of:
    a) Overstocking
    b) Under stocking
    c) Replenishment of stock
    d) Acquisition of stock
11. A store ledger card is similar to the:
    a) Stock ledger
    b) Bin card
    c) Material card
    d) Purchase requisition card
12. While transporting petrol, a little quantity will be evaporated; such kind of loss is termed as:
    a) Normal Loss
    b) Abnormal Loss
    c) It is incremental loss
    d) It cannot be abnormal loss
13. Lead time is:
    a) Time gap between receiving of goods and issuance
    b) Time gap between ordering and receiving of inventories
    c) Time gap between ordering and use of material
    d) None of above
14. Which of the following is not the assumption of EOQ?
    a) Per unit holding cost is fixed
    b) Per order cost is fixed
    c) Annual demand is fixed
    d) None of the above
15. EOQ is a point where:
    a) Ordering cost is equal to carrying cost
    b) Ordering cost is higher than carrying cost
    c) Ordering cost is lesser than the carrying cost
    d) Total cost is maximum
16. Annual requirement is 8000 units; consumption per week is 110 units. Unit price Rs 5, order cost Rs 10 per order. Carrying cost Rs 1 per unit and lead time is 4 week, find EOQ:
    a) 300 units

b) 250 units
c) 350 units
d) 400 units

17. If opening inventory of material is Rs.20, 000 and closing inventory is Rs. 40,000. The average inventory amount will be:
    a) Rs. 40,000
    b) Rs. 30,000
    c) Rs. 20,000
    d) Rs. 10,000

Hint: Average inventory = $\frac{\text{Opening inventory + Closing inventory}}{2} = \frac{20000+40000}{2} = 30000$

18. Formula to calculate material / inventory turnover ratio is:
    a) Average inventory / material consumed
    b) Material consumed or cost of goods sold / average inventory
    c) Material purchased / average inventory
    d) Cost of goods manufactured / average inventory
19. ABC Company has ordering quantity 10,000 units. They have storage capacity 20,000 units, the average inventory (For storage) would be:
    a) 20,000
    b) 5,000
    c) 10,000
    d) 25,000

Hint: Average inventory = Order size/2, 10000/2 = 5000, it is general assumption that we store half quantity of order size

20. The danger Level can be calculated?
    a) Average consumption x Lead time to get urgent supplies
    b) Normal consumption x Average lead time
    c) Maximum consumption x Lead time to get urgent supplies
    d) Minimum consumption x Lead time to get urgent supplies
21. Calculation of minimum stock level does not consider:
    a) Order level
    b) EOQ
    c) Average usage
    d) Average lead time
22. Which of the following is main objective of inventory management?
    a) To fulfill needs of production
    b) To receive goods from suppliers
    c) To fulfill needs of purchase
    d) To ensure minimum investment in inventories
23. Which of the following shall be disadvantages of overstocking?
    a) Spoilage

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b) Funds blockage
c) Storage cost
d) All of the above

24. Formula to calculate average inventory:
a) EOQ + Safety stock
b) EOQ + re order level
c) EOQ/2 + Safety sock
d) All of the above

25. Which of the following is not included in effective inventory control?
a) Store material with minimum handling and carrying cost
b) Anticipate price changes
c) To schedule production plans
d) Assure adequate inventory for prompt delivery to customer

26. Yousuf & company is facing problems in inventory control i.e maximum investment in inventory, production delay due to inventory shortage and inventory keeping cost is increasing gradually. What technique shall be suitable for company to follow?
a) Linear programming
b) Probability analysis
c) Ratio analysis
d) Economic order quantity

27. What is the formula to calculate re-order level:
a) Maximum usage × Maximum lead time
b) Maximum usage × Maximum lead time + safety stock
c) Minimum usage × Minimum lead time + safety stock
d) Average usage × average lead time + EOQ

28. What is the purpose of safety stock?
a) To avoid the risk of being out of stock on demand by customer
b) To avoid the risk of non-availability of stock in future
c) To avoid the risk of rising prices of stock in future
d) To avoid the risk of being out of cash when stock is actually needed.

29. What is the formula to calculate safety stock?
a) (Maximum usage – minimum lead time) × lead time
b) (Minimum usage – minimum lead time) + EOQ
c) (Maximum usage – average usage) × lead time
d) (Average usage – minimum usage) × lead time

30. ABC plan is used for:
a) Segregation of material to determine the basis for valuation
b) Segregation of material to determine the chances of stock out
c) Segregation of material to determine slow moving items

d) Segregation of material for selective controls based upon cost

31. Formula to calculate absolute maximum level of stock is:
a) (Maximum usage × maximum lead time) + order level
b) Order level - (minimum usage × minimum lead time) + EOQ
c) Order level + (Average usage × average lead time)
d) (Average usage – minimum usage) × normal lead time

32. Formula to calculate normal maximum level of stock is:
a) (Maximum usage × maximum lead time) + order level
b) Order level - (average usage × average lead time) + EOQ
c) Order level + (Average usage × average lead time)
d) (Average usage – minimum usage) × normal lead time

33. Formula to calculate minimum level of stock is:
a) (Maximum usage × maximum lead time) + order level
b) Order level - (average usage × average lead time)
c) Order level + (Average usage × average lead time)
d) (Average usage – minimum usage) × normal lead time

Answers:

1	d	2	b	3	b	4	d	5	b	6	a	7	a	8	b	9	b	10	c
11	b	12	a	13	b	14	d	15	a	16	d	17	b	18	b	19	b	20	a
21	b	22	d	23	d	24	c	25	c	26	d	27	a	28	a	29	c	30	d
31	b	32	b	33	b														

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Accounting for Overheads Costing

1. Sum of all costs incurred during manufacturing process other than direct material and direct labour cost is called:
   a) Factory overhead cost
   b) Prime cost
   c) Conversion cost
   d) None of above
2. The components of Factory overhead are as follow:
   a) Direct material + Indirect material + Direct expenses
   b) Indirect material + Indirect labor + Others indirect cost
   c) Direct material + Indirect expenses + Indirect labor
   d) Direct labor + Indirect labor + Indirect expanses
3. FOH absorption rate is calculated by the way of:
   a) Estimated FOH Cost/Direct labor hours
   b) Estimated FOH Cost/No of units produced
   c) Estimated FOH Cost/Prime Cost
   d) All of the given options
4. A Blanket Rate is:
   a) A single rate which used throughout the organization departments
   b) A double rates which used throughout the organization departments
   c) A single rates which used in different departments of the organization
   d) None of the given options
5. If the applied FOH cost is less than the actual FOH cost, it is:
   a) Unfavorable variance
   b) Favorable variance
   c) Normal variance
   d) Budget variance
6. A typical factory overhead cost is:
   a) Distribution
   b) Internal audit
   c) Compensation of plant manager
   d) Design
7. Factory worker fringe benefits costs are usually charged to:
   a) Work-in-process inventory
   b) Direct labor
   c) Administrative expenses
   d) Factory overhead.
8. It is given that direct material cost is Rs.20,000 and direct labor cost is Rs. 30,000. Factory overhead is Rs. 100,000. What is the overhead absorption rate based on prime cost?

   a) 50%
   b) 20%
   c) 30%
   d) 200%

Hint: Overhead absorption rate= Estimated FOH cost/Prime cost ×100,-100000/50000×100= 200%

9. Floor area may be used as a basis for the apportionment of:
   a) Rent and rates
   b) Building insurance
   c) Lighting
   d) All of the above
10. Allotment of whole items of overhead cost to cost centers or cost units is known as:
   a) Apportionment
   b) Absorption
   c) Allocation
   d) Classification
11. Under/over-absorption of overhead will be minimum when overhead rate is based on:
   a) Maximum capacity
   b) Practical capacity
   c) Normal capacity
   d) Surplus capacity
12. When factory overhead control account has a closing credit balance,it means that the
   a) Over-absorption
   b) Under-absorption
   c) Over-estimation
   d) Under-estimation
13. Bad debts are an example of:
   a) Factory overhead
   b) Administration overhead
   c) Selling overhead
   d) Distribution overhead
14. Overhead are charged at a pre-determined rate of Rs.4 per hour. Total overhead in and hours actually worked were Rs. 1, 40,000 and 40,000 hours respectively. Wha amount of under or over-absorption?
   a) Rs. 20,000 (under-absorption)
   b) Rs. 20,000 (over-absorption)
   c) Rs. 8,000 (under-absorption)
   d) Rs. 8,000 (over-absorption)

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Hint: Under or over absorption = Actual FOH- Applied FOH, 140000-40000@ 4 = 20000

15. Factory overhead should be allocated on the basis of:
    a) Direct labor hours
    b) Direct labor costs
    c) An activity basis which relates to cost incurrence
    d) Machine hours
16. The cost of electric power should be apportioned over different departments according to:
    a) Horse power of motors
    b) No of Light points
    c) Horse power of machine
    d) Number of machines
17. Repair to machinery is apportioned over different departments according to the:
    a) Number of machines in each department
    b) Value of machinery
    c) Floor area occupied by each machine
    d) Horse power of machine
18. Which of the following is semi variable overhead:
    a) Telephone expense
    b) Rent
    c) Depreciation
    d) Insurance
19. Formula to calculate per unit variable cost in high low method:
    a) Difference between operating levels/ Difference between cost
    b) Difference between cost / Fixed cost
    c) Difference between cost at high and low level / difference between operating level
    d) None of above
20. In reciprocal servicing for more than two service departments what method is normally is used to allocate services department overheads:
    a) Simultaneous equation method
    b) Repeated distribution method
    c) High and low method
    d) Straight line method
21. Which of the following is not the treatment of under or over absorbed FOH?
    a) Charge to costs of goods sold
    b) Charge to profit and loss account
    c) Charge to entire production
    d) Treat as a reserve and carry forward
22. Which of the following is not the reason of under / over applied FOH?

    a) Incorrect overhead absorption rate
    b) Actual sales are less / more than budgeted
    c) Actual production is less / more than budgeted
    d) Actual FOH are less / more than budgeted
23. Which of the following is not the method for splitting semi variable expenses?
    a) Variance analysis
    b) High and low method
    c) Linear regression analysis
    d) Method of least square
24. For which of the following overheads, appropriate base for application is not stated:
    a) Insurance
    b) Factory rent
    c) Repair and maintenance
    d) Canteen expense
25. Which of the following is not the advantage of using pre-determined overhead rate?
    a) It ensure accuracy of calculation of cost
    b) It is easy approach for costing of product or job
    c) It helps in decision making
    d) It helps in controlling the overhead expense
26. Which of the following is the not method of apportionment of services department cost to production department?
    a) Direct method
    b) Step down method
    c) Repeat distribution method
    d) Output method
27. Entry for FOH absorption is:
    a) Finished Goods account-Dr, Overhead control account-Cr
    b) Profit & loss account-Dr, Overhead control account-Cr
    c) Work in progress account-Dr, Overhead control account-Cr
    d) Overhead control account-Dr, work in progress account-Cr
28. Which of the following statement about over or under absorbed overheads is correct?
    a) Over absorbed overheads are debited to work in process
    b) Under absorbed overheads are credited to work in process
    c) Over absorbed overheads are credited to profit and loss account
    d) Under absorbed overheads are credited to profit and loss account

Answers:

1	a	2	b	3	d	4	a	5	a	6	c	7	d	8	d	9	d	10	c
11	c	12	a	13	c	14	b	15	c	16	c	17	b	18	a	19	c	20	b
21	d	22	b	23	a	24	c	25	d	26	d	27	c	28	c				

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Income Statement

1. Which of the followings is the correct statement:
   a) Units Sold = Units produced + Closing finished goods units - Opening finished goods units
   b) Units sold = Opening finished goods units + Units produced – Closing finished goods units
   c) Units sold = Sales + Average units of finished goods inventory
   d) Units sold = Sales - Average units of finished goods inventory
2. If, Gross profit = Rs. 40,000 GP Margin = 20% of sales. What will be the value of cost of goods sold?
   a) Rs. 160,000
   b) Rs. 120,000
   c) Rs. 40,000
   d) Rs. 90,000

Hint: Cost of goods sold = 40000/20×80= 160000

3. Net Income before Interest and tax is also called:
   a) Operating Income/Profit
   b) Gross Profit
   c) Marginal Income
   d) Other Income
4. Cost of sales plus profit is:
   a) Selling price
   b) Value of finished product
   c) Value of goods produced
   d) Value of stocks
5. Which of the following is indirect cost?
   a) The depreciation of machinery
   b) The overtime premium incurred at the specific request of a customer
   c) The hire of tools for a specific job
   d) All of the given options
6. Net sales = Sales less:
   a) Sales returns
   b) Sales discounts
   c) Sales returns & allowances
   d) Sales returns & allowances and sales discounts
7. An organization sold units 4,000 and have closing finished goods 3500 units and opening finished goods units were 1000.The quantity of unit produced would be:
   a) 7500 units
   b) 6500 units
   c) 4500 units
   d) 8500 units

Hint: Unit produced = Units sold + finished goods closing units- Finished goods opening units
= 4000 + 3500 – 1000 = 6500

8. Closing work in process Inventory of last year:
   a) Is treated as Opening inventory for current year
   b) Is not carried forward to next year
   c) Become expense in the next year
   d) Charge to Profit & Loss account
9. Sales are Rs. 450,000. Beginning finished goods were Rs. 23,000. Ending finished goods are Rs. 30,000. The cost of goods sold is Rs. 300,000. What is the cost of goods manufactured?
   a) Rs. 323,000
   b) Rs. 330,000
   c) Rs. 293,000
   d) Rs. 307,000

Hint: Cost of goods sold = Cost of goods manufactured + Finished goods opening – Finished goods closing

300000 = Cost of goods manufactured + 23000 – 30000
300000 -23000 + 30000 = Cost of goods manufactured
307000

10. Cost accounting department prepares _____ that helps in preparing the final accounts.
    a) Cost sheets
    b) Cost of goods sold statement
    c) Cost of production Report
    d) Material requisition form
11. All Indirect cost is charged/record in the head of:
    a) Prime cost
    b) FOH cost
    c) Direct labor cost
    d) None of the given options
12. Under/Over applied FOH cost can be adjusted in which of the following:
    a) Entire Production
    b) Cost of Goods sold
    c) Net Profit
    d) All of given options
13. Direct material opening inventory add net purchases is called:
    a) Material consumed
    b) Material available for use
    c) Total material purchased
    d) Material ending inventory
14. Manufacturing entities classified the inventory in which of three kinds?
    a) Material inventory,WIP inventory, Finished goods inventory

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b) Material inventory, Purchased good inventory, WIP inventory
c) Material inventory, Purchased good inventory, Finished goods inventory
d) WIP inventory, Finished goods inventory, Purchased good inventory

15. Increase in material Inventory means:
a) The ending inventory is greater than opening inventory
b) The ending inventory is less than opening inventory
c) Both ending and opening inventories are equal
d) None of the above

16. Amount of net purchase can be calculated as follow:
a) Purchase of direct material add trade discount less purchase return add carriage inward less other material handling cost
b) Purchase of direct material less trade discount l add purchase return add carriage inward less other material handling cost
c) Purchase of direct material less trade discount less purchase return less carriage inward add other material handling cost
d) Purchase of direct material less trade discount less purchase return add carriage inward add other material handling cost

17. Cost of goods sold can be calculated as follows:
a) Cost of goods manufactured Add Opening finished goods inventory Less Closing finished goods inventory
b) Cost of goods manufactured Less Opening finished goods inventory Less Closing finished goods inventory
c) Cost of goods manufactured Less Opening finished goods inventory Add Closing finished goods inventory
d) Cost of goods manufactured Add Opening finished goods inventory Add Closing finished goods inventory

18. If, cost of goods sold = Rs. 70,000, GP Margin = 30% of sales, what will be the value of Sales?
a) Rs. 200,000
b) Rs. 66,667
c) Rs. 100,000
d) Rs. 62,500

Sales = 70000 × 100% / 70% = Rs. 100,000

19. Cost of finished goods inventory is calculated by:
a) Multiplying units of finished goods inventory with the cost per unit
b) Dividing units of finished goods inventory with the cost per unit
c) Dividing per unit cost with finished goods inventory
d) Deducting total cost from finished goods inventory

20. Cost of sale is equal to:
a) Sales – purchases

b) Opening stock + purchases – return outward – Closing stock
c) Purchases – return outward + closing stock
d) Gross profit – expenses

21. If, Sales = 150,000, Gross profit = 15,000 Net loss = 4,000 then the operating expenses will be:
a) Rs. 19,000
b) Rs. 165,000
c) Rs. 131,000
d) Rs. 11,000

Hint: Operating profit or loss = G.P- Operating expense
-4000 = 15000 – Operating expense
-4000 -15000 = - Operating expense
-19000 = -Operating expense
19000 = Operating expense

22. If, Cost of goods manufactured = Rs. 259,500. Opening inventory of finished goods = Rs. 25,000.Closing inventory of finished goods = Rs. 22, 500. What is cost of goods sold?
a) Rs. 284,000
b) Rs. 282,000
c) Rs. 307,000
d) Rs. 262,000

Hint: Cost of goods sold = Cost of goods manufactured + Finished good opening – Finished good closing
= 259500 + 25000 – 22500
= 262000

23. The cost of goods manufactured under a periodic cost accumulation system is equal to the:
a) Beginning finished goods inventory plus purchases
b) Beginning work-in-process plus cost of goods in process during the year
c) Cost of goods put into production plus beginning work-in-process less ending work-in-process
d) Cost of goods sold less beginning work in process

24. Which of the following is the direct cost of manufacturing the goods that were sold by the entity during the reporting period?
a) Cost of Goods Sold
b) Revenue
c) Asset
d) Liability

25. Which of the following is/are included in the cost of goods sold?
a) Cost of materials used

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b) Direct labour cost
c) Factory cost
d) All of the given options

26. Which of the following represents the meaning of turnover in accounting?
a) Gross sale
b) Total profit
c) Total output
d) Total investment

27. How many types of possible format are provided by IAS-1 for income statement?
a) Two types of possible formats
b) Three types of possible formats
c) Four types of possible formats
d) Five types of possible formats

28. The cost of goods and services used up in the process of obtaining revenue are called:
a) Net income
b) Revenue
c) Expenses
d) Liabilities

29. The gross profit mark-up is 40% where:
a) Sales are Rs. 120,000 and gross profit is Rs. 48,000
b) Sales are Rs. 120,000 and cost of sales is Rs. 72,000
c) Sales are Rs. 100,800 and cost of sales is Rs. 72,000
d) Sales are Rs. 100,800 and cost of sales is Rs. 60,480

30. If the profit is 1/4 of the sales then it is:
a) 1/4 of the cost price
b) 1/3 of the cost price
c) 1/5 of the cost price
d) 1/2 of the cost price

31. On July, 1 the finished goods inventory of Ahmad LTD was Rs. 400,00 during the year cost of goods manufacture was Rs. 160,000 sales were Rs 200,000 with a10% gross profit. Value of finished goods inventory will be:
a) Rs. 40000
b) Rs. 20000
c) Rs. 15000
d) Rs. 60000

Cost of goods sold = Cost of goods manufactured + Finished goods opening – Finished s closing

180000 = 160000 + 40000 – Finished goods closing

Finished goods closing = 160000 + 40000 -180000

Finished goods closing = 20000

Answers:

1	b	2	a	3	a	4	a	5	d	6	d	7	b	8	a	9	d	10	b
11	b	12	d	13	b	14	a	15	a	16	d	17	a	18	c	19	a	20	b
21	a	22	d	23	c	24	a	25	d	26	a	27	a	28	c	29	c	30	b
31	b																		

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Job, Batch and Service Costing

1. A system for assigning manufacturing costs to individual product or batch of products is called:
   a) Job costing
   b) Batch costing
   c) Service costing
   d) Textile mill
2. Job costing used in:
   a) Paper mills
   b) Chemical works
   c) Printing works
   d) Textile mill
3. A cluster of costs incurred when a group of product or service are produced is called:
   a) Job costing
   b) Batch costing
   c) Service costing
   d) Textile mill
4. A system of costing in which such costs are consider that are associated with individuals that are providing services is called:
   a) Job costing
   b) Batch costing
   c) Service costing
   d) Textile mill
5. Cost unit of a sugar industry can be:
   a) Per liter
   b) Per ton
   c) Per acre
   d) Per meter
6. When job costing is use, under applied overhead:
   a) Represents the cost of manufacturing overhead that relates to unfinished jobs
   b) Is indicated by a credit balance remaining at year end in the manufacturing overhead account
   c) Is closed out at year end into the cost of goods sold account if the amount is not material
   d) Results when actual overhead costs incurred during a year are less than the amounts applied to individual jobs
7. Which of the following businesses would most likely use job order costing?
   a) A print shop that specializes in wedding invitations
   b) A company that make frozen pizzas
   c) A brewery
   d) An oil refinery
8. The purpose of an overhead application rate is to:
   a) Assign a portion of indirect manufacturing costs to each product manufactured

   b) Determine the type and amount of costs to be debited to the manufacturing overhead account
   c) Chare the work in process inventory account with the appropriate amount of direct manufacturing costs
   d) Allocate manufacturing overhead to expense in proportion to the number of units manufactured during the period
9. Which of the following are not true regarding activity-based costing?
   a) A primary goal of using ABC is a more useful allocation of manufacturing overhead to product lines
   b) Under ABC, direct labour hours are never used to allocate overhead costs to activity pools or product lines
   c) The use of ABC is indicated when it is suspected that each of a firm's product lines consumes approximately the same amount of overhead resources but the current allocation scheme assigns each line a substantially different amount
   d) ABC can be used in conjunction with job order costing
10. Which of the following would be the most appropriate basis for allocating the costs of plant insurance that covers equipment theft and damage?
   a) Direct labor hours
   b) Value of equipment
   c) Machine hours
   d) Square feet of plant space
11. Using ABC to allocate manufacturing overhead can help managers to:
   a) Identify what activities drive overhead costs
   b) Set product prices
   c) Locate inefficiencies in the production process
   d) Do all of the above
12. A cost unit is:
   a) The cost per hour of operating a machine
   b) The cost per unit of electricity consumed
   c) A unit of product or services in relation to which costs are ascertained
   d) A measure of work output in a standard hour
13. In job costing what journal entry should be made for return to the storekeeper of direct materials previously issued to the factory for use on a particular job:
   a) Debit materials and credit factory overhead
   b) Debit materials and credit work-in-process
   c) Debit purchase returns and credit work-in-process
   d) Debit work-in-process and credit materials
14. In a job order cost system, the use of indirect materials would usually be reflected in the general ledger as an increase in:
   a) Stores control

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b) Work-in-process control
c) Factory overhead control
d) Factory overhead applied

15. What is the best cost accumulation procedure to use when many batches, each differing as to product specifications, are produced?
a) Job order.
b) Process.
c) Actual.
d) Standard.

16. Which of the following is the example of job order costing?
a) Calculating cost of one unit
b) Calculating cost of one batch
c) Calculating cost of one process
d) Calculating cost of one department

17. Which of the following industry is most likely to have job order?
a) Cement industry
b) Pizza restaurant
c) Cell phone manufacturing
d) Aircraft industry

18. In job order costing which is more appropriate for FOH?
a) Only actual variable FOH are charged to job
b) Only variable FOH are charged to job at pre-determined rate
c) Total actual FOH are charged to job
d) Total FOH are charged to job at pre-determined rate

19. Which of the following information is not found on job cost card?
a) Job completion date
b) Invoice value of job
c) Normal loss
d) Overhead

20. In job costing, job will be charged with:
a) Actual cost of direct material used for job
b) Standard cost of direct material used for job
c) Relevant cost of direct material used for job
d) Budgeted cost of direct material used for job

21. If NRV of closing work in process of a job is less than cost charged to that job, then which of the following is true:
a) Closing work in process will be valued at cost charged to the job
b) Closing work in process will be valued at NRV

c) It is optional to value closing work in process at cost or at NRV even when NRV is lower
d) Closing work in process is not valued as it is held for a customer

22. Which of the following is the characteristic of service?
a) Intangibility
b) Perishability
c) Heterogeneity
d) All of above

23. Which of the following is not the relevant cost unit of services industry?
a) Lectures in education industry
b) Patient in hospital industry
c) Leather in garment industry
d) Occupied bed in hotel industry

24. Prices of the mass service should be based on:
a) Variable cost only
b) Fixed cost only
c) Largely on variable cost plus few portion of fixed cost
d) Largely on fixed cost plus, few portion of variable cost

25. Which of the following is not the key driver of service cost?
a) Number of complaints
b) Opportunity cost for not providing service
c) Labour
d) All of the above

26. Toy manufacturing industry should use:
a) Unit costing
b) Process costing
c) Batch costing
d) Multiple costing

Answers:

1	a	2	c	3	B	4	c	5	b	6	c	7	a	8	a	9	b	10	b
11	d	12	c	13	B	14	c	15	a	16	b	17	d	18	d	19	c	20	a
21	b	22	d	23	C	24	d	25	d	26	c								

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Process Costing

1. Method for determining the total unit cost of the output of a continuous production process is called:
   a) Process costing
   b) Marginal costing
   c) Absorption costing
   d) None of above
2. Process Costing is relevant to:
   a) Cement industry
   b) Job Order cost oriented Projects
   c) None of the above
3. Process costing is suitable for:
   a) Hospitals
   b) Oil refining firms
   c) Transport firms
   d) Brick laying firms
4. Which of the following businesses would most likely use process costing?
   a) A law firm
   b) A maker of frozen orange juice
   c) A hospital
   d) An auto repair shop
5. If power products use process costing, which of the following are likely to be true?
   a) The products use different amounts of direct labor
   b) The products are created with repetitive processes and high volume
   c) The products are created to customer specifications
   d) None of above
6. Indicate which of the following phrases correctly completes this sentence: Equivalent units of production:
   a) Are measures of productive activity
   b) Represents work done on units still in process, as well as those completed during the period
   c) Are used as the basis for computing per unit costs in most process cost accounting systems
   d) All are correct.
7. The industries that would use process costing include all of the following except:
   a) Petroleum
   b) Sugar industry
   c) Food

   d) Hospitality
8. Which of the following production operations would be most likely to employs a process cost system?
   a) Shipbuilder
   b) Aircraft manufacturer
   c) Crude oil refiner
   d) Homebuilder
9. When using the first in, first out method of process costing, total equivalent units of production for a given period of time is equal to the number of units:
   a) In work-in-process at the beginning of the period times the percent of work necessary to complete the items, plus the number of units started during the period, less the number of units remaining in work-in-process at the end of the period times the percent of work necessary to complete the items
   b) In work-in-process at the beginning of the period, plus the number of units started during the period, plus the number of units remaining in work-in-process at the end of the period times the percent of work necessary to complete the items
   c) Started into process during the period, plus the number of units in work-in-process at the beginning of the period
   d) Transferred out during the period, plus the number of units remaining in work-in-process at the end of the period times the percent of work necessary to complete the items
10. A factory transferred out 8,800 completed units during June, 2,000. Opening stock was 400 units, 75% complete and closing stock was 800 units, 50% complete. Assuming FIFO method is used, the equivalent production during the period was:
    a) 8,900 units
    b) 9,100 units
    c) 9,300 units
    d) 9,500 units

Hint: Equivalent production = Unit completed - opening WIP units × stage of completion + closing WIP units × stage of completion

$= 8800 - 400 \times 75\% + 800 \times 50\%$

$= 8900$

11. A process loss that does not affect the cost per unit is:
    a) Standard loss
    b) Seasonal loss
    c) Normal loss
    d) Abnormal loss

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12. Fifty units are processed at a cost of Rs. 80. Normal loss is 10% and unit cost carries a scrap value of 25 paisa. If actual output is 40 units, transfer to costing profit and loss account on account of abnormal loss is:
    a) Rs.1.25
    b) Rs. 8.75
    c) Rs. 7.50
    d) Rs. 8.00

Hint: Cost of abnormal wastage = $\frac{\text{Total cost} - \text{scrape value of normal loss}}{\text{Total units- Normal loss units}} \times \text{Abnormal loss units}$

$= \frac{80-1.25}{50-5} \times 5$

$= 8.75$

= Cost – scrap value of abnormal loss units (8.75-1.25)

$= 7.50$

13. A company which used FIFO method, begin the current year with 300 units, 50% complete transferred out 5,000 completed units during the year and ended with 500 units 70% completed. Equivalent production during the period was:
    a) 4,700 units
    b) 5,000 units
    c) 5,200 units
    d) 5,800 units

Hint: Equivalent production = Unit completed - opening WIP unit × stage of completion + closing WIP units × stage of completion

$= 5000 - 300 \times 50\% + 500 \times 70\%$

$= 5200$

14. When average method is used, the cost of opening work-in-progress is:
    a) Kept separate from the cost for the new period
    b) Added to the new costs
    c) Subtracted from the new costs
    d) Averaged with other costs to arrive at total cost
15. Which is the following is not standard assumption of cost of production report:
    a) Normal loss always occur at beginning
    b) Material addition in subsequent department does not affect number of unit
    c) Opening work in process exist
    d) Opening work in process does not exist
16. Which of the statement is correct about cost charged to department schedule?
    a) Its represent debit side of WIP account
    b) Its represent credit side of WIP account
    c) Its represent debit side of FOH account

    d) Its represent credit side of FOH account
17. Adjustment of normal loss in 2nd or subsequent department is accounted for in:
    a) Cost charged to department schedule
    b) Equivalent production
    c) Cost accounted for schedule
    d) Both a and c
18. If material is added at a specific point of time then stage of completion of closing WIP will to:
    a) Material and labour only
    b) Material only
    c) Conversion cost only
    d) None of the above
19. In a process account abnormal losses are valued:
    a) At good production cost less repair expense
    b) At their scrap value
    c) The same as good production
    d) At NRV
20. Equivalent unit's needs not to be calculated when:
    a) Opening WIP and closing WIP is same
    b) There is no opening and closing WIP
    c) All unit produced during the period have been sold
    d) None of above
21. What will be the impact of normal loss on the overall per unit cost:
    a) Per unit cost will increase
    b) Per unit cost will decrease
    c) Per unit cost remain unchanged
    d) Normal loss has no relation to unit cost

Answers:

1	a	2	a	3	B	4	b	5	b	6	d	7	d	8	c	9	a	10	a
11	d	12	c	13	C	14	b	15	c	16	a	17	a	18	c	19	c	20	b
21	a																		

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Cost-Volume and Profit Analysis

1. Analysis which is used to determine how changes in costs and volume affect a company's operating income and net income called:
   a) Cost-Volume- Profit analysis
   b) Profit analysis
   c) Revenue analysis
   d) None of above
2. Which assumption is used during cost volume profit analysis called:
   a) Sales price per unit constant
   b) Variable costs per unit constant
   c) Fixed costs constants
   d) All of above
3. Break-even point is also called:
   a) No profit, no loss point
   b) Profit zone
   c) Loss zone
   d) Profit and loss zone
4. Selling price per unit Rs. 10; Variable cost Rs. 8 per unit; Fixed cost Rs. 20,000; Break-even production in units:
   a) Rs. 10,000
   b) Rs.16,300
   c) Rs. 2,000
   d) Rs. 2,500

Hint: Break- even units= Fixed cost/contribution per unit, 20000/2=10000

5. Breakeven is a point at which:
   a) Total revenue is equal to fixed costs
   b) Total revenue is equal to total costs
   c) Marginal revenue is equal to per unit variable costs
   d) Per unit fixed costs is equal to contribution per unit
6. In a break even graph which is the following comes true:
   a) At breakdown even revenue time line touches the fixed cost line
   b) At breakdown level profit line touches the axis
   c) The portion between total cost line and total contribution line is profit
   d) Profit can be found from left area to breakdown point
7. Which of the following statement is incorrect for break-even graph?
   a) Variable cots line and total cost line move parallel
   b) Area between budgeted sales and breakdown point in margin of safety
   c) Total cost and total revenue line starts from origin
   d) Variable cost line and revenue line can never be parallel
8. Selling price - marginal cost
   a) Fixed cost
   b) Semi-variable cost

   c) Contribution
   d) Break-even point
9. Total sales - total variable cost:
   a) Fixed cost
   b) Semi-variable cost
   c) Contribution
   d) Break-even point
10. Fixed cost + profit =
   a) Fixed cost
   b) Semi-variable cost
   c) Margin of safety
   d) Contribution
11. Contribution margin is equal to:
   a) Fixed cost – loss
   b) Profit + variable cost
   c) Fixed cost- profit
   d) Sales- profit
12. Breakeven Analysis is a useful technique for:
   a) Reducing operating costs
   b) Maximizing sales
   c) Resource allocation
   d) None of these
13. When a multi-product plant is being operated at capacity, the products which should be emphasized are those that provide:
   a) The highest contribution margin per unit of the limited resource
   b) The highest contribution margin per unit of product
   c) The highest contribution margin per sales dollar
   d) The highest contribution margin ratio
14. Profit volume ratio is an indicator of:
   a) The rate at which goods are sold
   b) The volume of sales
   c) The volume of profit
   d) The rate of profit
15. Margin of Safety is the difference between:
   a) Planned sales and planned profit
   b) Actual sales and break-even sales
   c) Planned sales and actual sales
   d) Planned sales and planned expenses
16. A large margin of safety indicates:
   a) Over production
   b) Over capitalization
   c) The soundness of the business
   d) Under capitalization
17. An increase in variable costs:
   a) Increases p/v ratio

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b) Increases the profit
c) Reduces contribution
d) Increase margin of safety

18. An increase in selling price:
a) Increases the break-even point
b) Decreases the break-even point
c) Does not affect the break-even point
d) Optimize the breakeven point

19. CVP analysis is most important for the determination of:
a) Sales revenue necessary to equal fixed costs
b) Relationship between revenues and costs at various levels of operations
c) Variable revenues necessary to equal fixed costs
d) Volume of operations necessary to break-even

20. If fixed costs decrease while variable cost per unit remains constant, the new B.E.P in relation to the old B.E.P will be:
a) Lower
b) Higher
c) Unchanged
d) Indeterminate

21. A low P/V ratio indicates:
a) High profitability
b) Low profitability
c) High loss
d) Break even

22. Fixed cost / P/V ratio =
a) Break-even point
b) Margin of safety
c) Contribution
d) Variable cost

23. Contribution - fixed cost =
a) Sales
b) Variable cost
c) Profit
d) Fixed cost

24. Which of the following statement is correct about contribution?
a) Profit + fixed cost
b) Contribution per unit × units sold
c) Sales – variable cost
d) All of the above

25. What is variable cost to sales ratio if selling price is Rs. 20 and contribution is Rs. 4?
a) 20%
b) 40%
c) 80%
d) 60 %

Hint: Variable cost to sales ratio = Variable cost/sales × 100, 16 / 20 ×100 = 80%

26. Increase in per unit variable cost will result in:
a) Increase in breakeven level
b) Decrease in breakeven level
c) Increase in profit margin
d) None of above

27. Which of the follow statement about determine the breakeven point is false:
a) Operating income is equal to zero
b) Breakeven revenue equal fixed costs divide by the variable cost per unit
c) Contribution margin and fixed costs is equal to zero
d) Revenues equal fixed costs plus variable costs

28. The breakeven point decreases if:
a) Variable cost per unit increases
b) Total fixed cost decrease
c) Contribution margin per unit decrease
d) Selling price per unit decrease

29. What selling price needs to be charged to give a profit of Rs. 40,000 on the sale of a 8000 units when fixed cost is RS 590,000 and variable cost is RS 20 per unit:
a) RS. 85
b) RS. 98.75
c) Rs. 108.95
d) RS. 95

Hint: Sales Price = $\frac{\text{Fixed cost + Variable cost + Profit}}{\text{Units sold}}$, $\frac{590000 + 160000 + 40000}{8000} = 98.75$

30. Which of the following is not an assumption of CVP analysis?
a) There is a single product or constant sales mix
b) There analysis applies even outside the relevant range
c) Costs can be divided into fixed and variable element
d) The analysis applied only to a short term time horizon where fixed cost remain fixed

31. How normal loss will be adjusted while calculating break even sales units:
a) Total amount of normal loss will be added to fixed cost
b) Normal loss will be adjusted in contributed per unit
c) Breakeven level cannot be calculate where normal loss exist
d) Normal loss is not considered in break-even analysis

32. Currently CM ratio is 25% how 10% decrease in selling price will be affect CM ratio:
a) Decrease in CM ratio by 10%
b) Decrease in CM ratio by 10%
c) Decrease in CM ratio by 33%

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d) None of these

33. Margin of safety is 25% decrease in selling price by 10 % will be result:
    a) Decrease in margin of safety by 10%
    b) Decrease in margin of safety by 25%
    c) Decrease in margin of safety by 33%
    d) Decrease in margin of safety by 50%
34. Margin of safety is 25% Break even sales are Rs 30 million fixed costs is RS 20 million calculate budgeted sales:
    a) RS 30 million
    b) RS 40 million
    c) RS 50 million
    d) RS 60 million

Hint: Budgeted sales = 30 Million × 100/75 = 40 Million

Answers:

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

Stock or Inventory Valuation

1. Which of the following is/are the method(s) for calculating the cost of inventory?
    a) FIFO Method
    b) Weighted Average Method
    c) Specific Identification Method
    d) All of the given options
2. FIFO stands for:
    a) Future increase in future order
    b) First in first out
    c) Fast in fast out
    d) Fast issue of fast order
3. Which of the following is an inventory pricing procedure in which the oldest costs incurred rarely have an effect on the ending inventory valuation?
    a) FIFO
    b) LIFO
    c) Specific identification
    d) Weighted-average
4. In the period of inflation, which of the following method will result in the greatest value of ending inventory?
    a) First in first out method
    b) Last in first out method
    c) Weighted average cost method
    d) Just in time method
5. LIFO stands for:
    a) Future increase in future order
    b) Last in first out
    c) Fast in fast out
    d) Fast issue of fast order
6. Even though LIFO generally results in lower reported earnings, firms will use LIFO which of the following reasons?
    a) Decreased cash flows from higher taxes
    b) Increased cash flows from lower taxes
    c) Increased cash flows from higher taxes
    d) Decreased cash flows from lower taxes
7. The value of inventories or stock according to standard is figured out at the lower of cost and:
    a) Purchase price
    b) Opportunity cost
    c) Realizable value
    d) Net realizable value
8. Net realizable value of inventory is the expected selling price or market value less

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a) Carry value of the inventory
b) Expenses necessary to complete sale
c) Cost of the stock
d) Replacement cost

9. Cost of an item in the closing inventory is $150 whereas the net realizable value is $120. At which one of following amounts the item should be shown in the financial statement?
   a) $100
   b) $120
   c) $150
   d) $185

Hint: According to IAS-2; inventory will show in the financial statement at lower of cost or NRV

10. An overstatement in the value of closing stock overstates all of the following except
    a) Net income
    b) Current assets
    c) Capital of the business
    d) Cost of goods sold

11. Which of the following are generally the inventories of a service business
    a) Finished goods inventories
    b) Purchased goods
    c) Raw material inventories
    d) Work in process inventories

12. All of the following are the methods of inventory costing except
    a) FIFO method
    b) LIFO method
    c) Average cost method
    d) Standard cost method

13. Which one of the following methods of inventory costing yields highest taxable income?
    a) FIFO method
    b) LIFO method
    c) Average cost method
    d) Standard cost method

14. Which one of the following methods of inventory costing produces ending stock cost close to the market value of the inventories?
    a) FIFO method
    b) LIFO method
    c) Average cost method
    d) None of the above

15. Which of the following inventory costing systems is regarded as the most complex one?

a) Periodic inventory system
b) Perpetual inventory system
c) Physical inventory system
d) None of the above

16. Which one of the following double entries is passed when goods are purchased on credit under perpetual inventory system?
    a) Purchases-Debit and Creditor-Credit
    b) Purchases-Debit and A/C Payable-Credit
    c) Purchases-Debit and Cash-Credit
    d) Inventory-Debit and A/C Payable-Credit

17. Which of the following journal entries is passed when goods are purchased on credit under the periodic inventory system?
    a) Purchases-Debit and Cash-Credit
    b) Cash-Debit and Purchases-Credit
    c) Purchases-Debit and A/C Payable-Credit
    d) Inventory-Debit and A/C Payable-Credit

18. Which one of the following inventory systems ascertains the balance of stock or amount of stock at the end of an accounting period or at the time of physical inventory count?
    a) Periodic inventory system
    b) Perpetual inventory system
    c) ABC system
    d) None of the above

19. Which one of the following inventory costing methods is supposed to issue the most recently purchased goods?
    a) FIFO method
    b) Average cost method
    c) LIFO method
    d) Moving average

20. Which of the following inventory systems is the most appropriate for a business that deals in a precious metal such as gold?
    a) Periodic inventory system
    b) Perpetual inventory system
    c) Physical inventory system

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d) None of the above

21. At the end of ABC firm's accounting period, the closing stock was found to be Rs. 10,000. However, it was realized that a fixed asset of cost Rs. 1000 was included in the stock count. Which of the following is the correct amount of ending inventory or stock?
    a) Rs. 10,000
    b) Rs. 11,000
    c) Rs. 9000
    d) Rs. 8000

Hint: Cost of fixed asset is not part of inventory so it is excluded from cost of inventory

22. An item of inventory was purchased for $100. It can be sold for $125 and company can replace the item with the new one at the cost of $105. Which of the following is the historical cost of that item?
    a) $125
    b) $105
    c) $100
23. Under which method of inventory costing a pre-determined cost is assigned to all items of inventory?
    a) Replacement cost method
    b) Standard cost method
    c) Average method
    d) FIFO method
24. Under which cost flow assumption, the ending inventory is composed of the earliest purchased Merchandise?
    a) FIFO
    b) LIFO
    c) Average cost
    d) Specific identification
25. In a period of rising prices, all of the following statements regarding LIFO are true except:
    a) Net income is generally high
    b) Ending inventory is generally undervalue
    c) It can be used to manipulate net income
    d) Most recent inventory costs are allocated to cost of goods sold
26. Under which cost flow assumption, the ending inventory is composed of the most recently purchased merchandise?
    a) FIFO
    b) LIFO
    c) Average cost
    d) Specific identification
27. Which cost flow assumption most closely matches the actual physical flow of inventory in most retailing businesses?
    a) FIFO

    b) LIFO
    c) Average cost
    d) Specific identification
28. According to which method of pricing issues is close to current economic values:
    a) Last in First Out
    b) First in First Out
    c) Highest in First Out
    d) Weighted average price
29. Continuous stock taking in:
    a) Annual stock taking
    b) Perpetual inventory
    c) ABC analysis
    d) Periodic inventory
30. Perpetual inventory system involves:
    a) Bincard and stores ledger card
    b) Bill of material and material requisition
    c) Purchase requisition and purchase order
    d) Inward and outward invoices
31. LIFO method of pricing of materials is more suitable when:
    a) Material prices are rising
    b) Material prices are falling
    c) Material prices are constant
    d) Material prices are fluctuating
32. Average method of pricing the material issues is useful when:
    a) Material prices are rising
    b) Material prices are falling
    c) Material prices are constant
    d) Material prices are fluctuating
33. The primary purpose for using an inventory cost flow assumption is to:
    a) Parallel the physical flow of units of merchandise
    b) Offset against revenue an appropriate cost of goods sold
    c) Minimize income taxes
    d) Maximize the reported amount of net income
34. The journal entry of purchase of stock under periodic inventory system would be?
    a) Inventory to Cash
    b) Cash to Purchases
    c) Purchases to Inventory
    d) None of the given options
35. The FIFO inventory costing method assumes that the cost of the earliest units purchased is allocated in which of the following ways?
    a) First to be allocated to the ending inventory
    b) Last to be allocated to the cost of goods sold
    c) Last to be allocated to the ending inventory
    d) First to be allocated to the cost of goods sold

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36. Weighted average cost per unit is calculated by which of the following formula
    a) Cost of goods issued/number of units issued
    b) Total cost/total units
    c) Cost of goods manufactured/closing units
    d) Cost of goods sold/total units
37. Store incharge after receiving the material as per the goods received note, plac material at its location and makes an entry in:
    a) Bin Card
    b) Store Ledger Card
    c) Stock Ledger
    d) None of the given options
38. When prices are rising over time, which of the following inventory costing meth most suitable?
    a) FIFO.
    b) LIFO
    c) Weighted average.
    d) Cannot be determined.
39. Under which of the following methods for inventory valuatioh, inventory is valu most recent costs?
    a) FIFO Method
    b) LIFO Method
    c) Weighted Average Method
    d) Specific Identification Method
40. Which one of the following methods for inventory valuation is based on the assu that the most recently purchased merchandise to be sold first?
    a) FIFO Method
    b) LIFO Method
    c) Weighted Average Method
    d) Specific Identification Method
41. Under which of the following methods for inventory valuation, costs of earliest p assumed still to be in inventory?
    a) FIFO Method
    b) LIFO Method
    c) Weighted Average Method
    d) Specific Identification Method
42. Which of the following is not an acceptable inventory method?
    a) Lower of cost or market
    b) Sales value
    c) Specific identification
    d) None of these
43. When costs are rising, which method results higher net income:

    a) LIFO method
    b) FIFO method
    c) Average method
    d) The most recent purchase price method
44. The test of objectivity and verifiability is satisfied by valuing inventory at:
    a) Historical cost
    b) Current replacement price
    c) Net realizable value
    d) None of the above
45. Inventory is valued at lower of the cost or net realizable value on account of the accounting principle of:
    a) Consistency
    b) Conservatism
    c) Realization
    d) None of the above
46. The system which gives continuous information regarding quantum and value of inventory is known as:
    a) Continuous stock taking
    b) Periodic inventory
    c) Perpetual inventory
    d) Standard inventory
47. The value of inventory will be the least in case of:
    a) Aggregate or total inventory method
    b) Item by item method
    c) LIFO method
    d) Group or category method
48. In times of rising prices, the valuation of inventory using the first in first out method, as opposed to the weighted average cost method, will result in which One of the following combinations?

	Cost of sales	Profit	Closing inventory
a)	Lower	Higher	Higher
b)	Lower	Higher	Lower
c)	Higher	Lower	Higher
d)	Higher	Higher	Lower

49. What would be the effect on a company's profit of discovering inventory with cost of Rs 1,250 and a net realizable value of Rs. 1,000, assuming that the same inventory had no been included in the original inventory count?
    a) An increase of Rs. 1,250
    b) An increase of Rs. 1,000

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c) A decrease of Rs. 250
d) No effect at all

Hint: According to IAS-2; inventory will show in the financial statement at lower of cost or NRV, in this scenario profit will effect by NRV because NRV shall consider in the profit calculation.

50. In the year ended 31 August 2004, Barkat records show closing inventory of 1,000 units compared to 950 units, of opening inventory. Which of the following statements is true assuming that prices have fallen throughout the year?
    a) Closing inventory and profit are higher using FIFO rather than AVCO.
    b) Closing inventory and profit are lower using FIFO rather than AVCO.
    c) Closing inventory is higher and profit lower using FIFO rather than AVCO.
    d) Closing inventory is lower and profit higher using FIFO rather than AVCO.

51. David performs an inventory count on 30 December 2006 ahead of the 31 December year end. He counts 1,200 identical units, each of which cost Rs. 50. On 31 December, David sold 20 of the units for Rs. 48 each. What figure should be included in David's statement of financial position for inventory at the year end?
    a) Rs. 60,000
    b) Rs. 59,000
    c) Rs. 57,600
    d) Rs. 56,640

Hint: 1200 -20 = 1180@48 = 56640 inventory is record at NRV because NRV is lower than cost

52. An item of inventory was purchased for Rs. 500. It is expected to be sold for Rs. 1,200 although Rs. 250 will need to be spent on it in order to achieve the sale. To replace the same item of inventory would cost Rs. 650. How should the inventory be valued in the accounts?
    a) Rs. 500
    b) Rs. 750
    c) Rs. 950
    d) Rs. 650

Hint: In this scenario cost is lower than NRV so inventory is realized at cost

53. In time of fluctuating prices which of the following method of stock valuation will be suitable:
    a) LIFO
    b) FIFO
    c) Weighted average
    d) None of these

54. Opening units are 1,000 @ Rs. 8 per unit purchase during the period are 400 units @ Rs 9 per unit what will be average cost:
    a) 9.19
    b) 8.50

c) 8.10
d) 8.29

Hint: $\frac{(1000@8) + (400@9)}{1400} = 8.29$

55. In highly inflationary economy which of the following inventory recording system is suitable:
    a) LIFO
    b) NIFO
    c) FIFO
    d) Weighted average

56. In comparison of FIFO and weighted average, which of the following statement is true if there is inflationary trend?
    a) FIFO cost of sales is lower but FIFO inventory is higher
    b) Weighted average inventory is higher and cost is lower
    c) FIFO inventory is higher and weighted average profit is higher
    d) FIFO inventory is lower and weighted average profit is lower

57. Which of the following is not the advantage of periodic inventory system?
    a) It is very simple
    b) It helps in reducing wastage and spoilage
    c) It requires not technical knowledge
    d) It is less expensive

58. Which of the following is not the advantage of FIFO?
    a) Issue price is based on price actually paid for stock
    b) Closing stock is measured at the most recent prices paid
    c) It is acceptable by tax authorities
    d) It results in high profit even in deflation

Answers:

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

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Standard Costing and Variance Analysis

1. Standard costs provide the building blocks for a (an):
   a) Variable cost
   b) Unit cost
   c) Budget
   d) Overhead cost
2. A standard cost system may be used in:
   a) Job order costing but not process costing
   b) Either job order costing or process costing
   c) Process costing but not job order costing
   d) Neither process costing nor job order costing
3. Difference between actual and standard performance is called:
   a) Variance
   b) Budget
   c) Standard
   d) When the variance should be investigated
4. Variances indicate:
   a) The cause of the variance
   b) Who is responsible for the variance
   c) That actual performance is not going according to plan
   d) When the variance should be investigated
5. The unit standard cost is:
   a) The product of the standard price times the standard quantity for each unit
   b) The price standard for each unit
   c) The actual cost for a standard product
   d) The amount of actual cost to produce a unit in a standardized process
6. The labor rate variance is determined by multiplying the difference between the actual labor rate and the standard labor rate by:
   a) The standard labor hours allowed for a given level of output
   b) The standard labor rate
   c) The actual hours worked during the period.
   d) The actual labor rate
7. Which of the following is not a possible cause of an unfavorable direct labor efficiency variance?
   a) Lack of motivation
   b) Low quality materials
   c) Poor supervision

   d) All of the above could be considered possible causes of an unfavorable labor efficiency variance
8. An unfavorable overhead volume variance indicates that:
   a) Total fixed overhead has exceeded the standard amount budgeted
   b) Variable overhead per unit has exceeded the standard amount budgeted
   c) Actual production was less than the normal volume of output
   d) Actual production was more than the normal volume of output
9. Under the three variance method for analyzing factory overhead, the difference between the actual factory overhead and the factory overhead applied to production is the:
   a) Net overhead variance
   b) Controllable variance
   c) Efficiency variance
   d) Spending variance
10. A favorable overhead spending variance means that:
    a) Overhead has been over applied
    b) Overhead has been under applied
    c) Actual production was less than the normal volume of output
    d) None of the above
11. In setting price standards, the purchasing manager must consider:
    a) Freight
    b) Quality
    c) Discounts
    d) All of these
12. All of the following are true of currently attainable standards except:
    a) Currently attainable standards are based on an efficiently operating work force
    b) Currently attainable standards are based on ideal conditions
    c) Currently attainable standards allow for downtime and rest periods
    d) Currently attainable standards are based on present production processes and technology
13. A company has calculated that volume variance for a given month was unfavorable This could have been caused by which of the following factors?
    a) The number of rejected units was higher than normal
    b) Machine breakdowns were higher than normal
    c) Delays were experienced in the issuing of material to production
    d) All of the given options
14. A cost unit is:
    a) The cost per hour of operating a machine
    b) The cost per unit of electricity consume
    c) A unit of product or services in relation to which costs are ascertained
    d) A measure of work output in a standard hour

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15. Which of the following statement is correct regarding reasons of variance?
    a) Difference between capacity level over which overhead absorption rate is calculated & capacity level attained
    b) Difference between FOH cost budgeted or estimated over which overhead absorption rate and FOH actually incurred
    c) Difference between the actual level which company achieved and budget level which company determined
    d) All of the given
16. Volume variance arises when:
    a) There is rise in overhead rate per hour
    b) There is decline in overhead rate per hour
    c) There is decrease or increase in actual output compared to the budgeted output
    d) None of the above
17. The type of standard that is best suited for cost control objective is:
    a) Normal standard
    b) Basic standard
    c) Expected standard
    d) Ideal standard
18. The corrective actions after the analysis of variances have to be taken by:
    a) Cost accountant
    b) Management
    c) Both a and b
    d) None of the above
19. When actual price is higher or lower than the standard price, then it is:
    a) Sales price variance
    b) Sales volume variance
    c) Sales mix variance
    d) Sales quantity variance
20. Sales margin variance due to sales quantities is measured as:
    a) Standard profit - Revised standard profit
    b) Revised standard profit - Budgeted profit
    c) Standard profit + Revised standard profit
    d) Revised standard profit + Budgeted profit
21. The formula to estimate the sales margin variance due to sales mixture is:
    a) Standard profit - Revised standard profit
    b) Revised standard profit - Budgeted profit
    c) Standard profit + Revised standard profit
    d) Revised standard profit + Budgeted profit
nalysis of overhead variances can be done by:
    a) Two variance method
    b) Three variance method
    c) Four variance method
    d) All of the above

23. The capacity variance arises when:
    a) There are more working hours than the budgeted working hours
    b) There are less working hours than the budgeted working hours
    c) Both a and b
    d) None of the above
24. If the actual output is more than the budgeted output, volume variance is:
    a) Favorable
    b) Non-favorable
    c) No impact
    d) None of the above
25. The formula to estimate overhead cost variances is:
    a) Actual output × Standard overhead rate + actual variable overhead
    b) Actual output × Standard overhead rate per unit - actual overhead cost
    c) Actual output × Standard overhead rate per unit × actual overhead cost
    d) None of the above
26. Idle hours are not deducted in:
    a) Labour efficiency variance
    b) Labour rate variance
    c) Both a and b
    d) None of the above
27. The formula to estimate Labour Mix variance is:
    a) Total standard labour cost of actual output - Total actual cost of actual output
    b) (Standard rate per hour - Actual rate per hour) Actual Hours
    c) (Revised standard time - Actual time) Standard rate
    d) Abnormal idle hours × Standard hourly rate
28. Which of the following statements are true about labour idle time?
    a) Labour idle time variance is not caused by non-availability of raw material
    b) Labour idle time variance is measured as : Abnormal idle hours × Actual hour rate
    c) Labour idle time variance is always unfavorable or adverse
    d) All of the above
29. To get to labour efficiency variance, the formula to be applied is:
    a) Total standard labour cost of actual output - Total actual cost of actual outpu
    b) (Standard rate per hour - Actual rate per hour) Actual Hours
    c) (Standard time - Actual time) Standard rate per hour
    d) Abnormal idle hours × Standard hourly rate
30. Labour efficiency variance is also known as:
    a) Labour time variance
    b) Labour quantity variance
    c) Labour usage variance
    d) All of the above
31. The formula used for calculation of labour rate variance is:
    a) Total standard labour cost of actual output - Total actual cost of actual out
    b) (Standard rate per hour - Actual rate per hour) Actual Hour

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c) (Standard time - Actual time) Standard rate per hour
d) Abnormal idle hours × Standard hourly rate

32. Material price, mix, usage and revised quantity variances are measured on _____ basis, whereas material yield variance is measured on _____ basis:
a) Output, Input
b) Output, Output
c) Input, Output
d) None of the above

33. The data related to Production of T are for material X standard data and actual data are 40 kgs @ Rs 10 and 55 kgs @ Rs 9, respectively. The standard data and actual data for material Y are 50 kgs @ Rs 5 and 35 kgs @ Rs 7. Determine material usage variance:
a) Rs 75 favorable
b) Rs 75 unfavorable
c) Rs 90 unfavorable
d) Rs 90 favorable

Hint: Material usage variance= (Standard quantity – Actual quantity) standard price
For material X= (40-55) 10 = 150 Unfavorable
For material Y= (50-35) 5 = 75 Favorable
Net variance = 75 Unfavorable

34. When actual output is different from standard output, determine:
a) Standard cost of revised standard mix for standard output
b) Actual yield for standard output
c) Standard quantity for actual output
d) None of the above

35. While calculating material yield variance if Standard loss on actual mix is more than actual loss on actual mix then the variance is:
a) Unfavorable
b) Favorable
c) Neither favorable nor unfavorable
d) None of the above

36. Material yield variance is measured using formula:
a) (Actual yield + Standard yield) Standard cost per unit
b) Standard cost of revised standard mix - Standard cost of actual mix
c) (Standard unit price - Actual unit price) Actual quantity used
d) (Actual yield - Standard yield) × Standard cost per unit

37. Material yield variance arises when:
a) Actual output > Standard output
b) Actual output < Standard output
c) Both a and b
d) None of the above

38. If the total actual input of units and total standard input of units is equal, there is no need to calculate revised standard quantity:
a) True
b) False

39. While calculating material mix variance, if revised standard quantity is greater than actual quantity, the variance is:
a) Unfavorable
b) Favorable
c) Neither favorable nor unfavorable
d) None of the above

40. The material usage variance which results due to the difference between standard quantities specified is measured as:
a) Total standard cost - Total actual cost
b) Standard cost of revised standard mix - Standard cost of actual mix
c) (Standard unit price - Actual unit price) Actual quantity used
d) (Standard quantity - Actual quantity) Unit standard price

41. The formula to calculate material price variance is:
a) Total standard cost - Total actual cost
b) Standard cost of revised standard mix - Standard cost of actual mix
c) (Standard unit price - Actual unit price) Actual quantity used
d) (Standard quantity - Actual quantity) Unit standard price

42. Material cost variances is measured as:
a) Total standard cost - Total actual cost
b) Standard cost of revised standard mix - Standard cost of actual mix
c) (Standard unit price - Actual unit price) Actual quantity used
d) (Standard quantity - Actual quantity) Unit standard price

43. In standard costing, the amount of detailed record keeping will normally:
a) Reduce
b) Increase
c) Sometimes reduce sometimes increase
d) Makes no change

44. A company using ideal standards in standard costing should expect that:
a) Most variances will be adverse
b) A large incentive bonus will be payable
c) Employees will be strongly motivated to attain the standards
d) Costs will be controlled better than if lower standard are fixed

45. Material cost variance is Rs.1260 (A) and material price variance is Rs. 960 (F). Wh material quantity variance?
a) 300(F)
b) 2120(F)
c) 2120(A)
d) 300(A)

46. Which variance is not computed for variable overhead?
a) Expenditure variance
b) Efficiency variance
c) Capacity variance

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d) Overall variance

47. Fixed overhead expenditure variance is the difference between:
    a) Budgeted overhead and actual overhead
    b) Absorbed overhead and budgeted overhead
    c) Standard overhead and actual overhead
    d) Absorbed overhead and standard overhead

48. Which of the following variance is always adverse?
    a) Material yield variance
    b) Calendar variance
    c) Idle time variance
    d) None of these

49. If actual material cost is 900 units at Rs.12 per unit and standard material cost is 1,000 units at Rs. 11 per unit, the material price variance is:
    a) Rs. 1000(F)
    b) Rs. 1000(A)
    c) Rs. 900(A)
    d) Rs. 900(F)

Hint: Material price variance = (Standard price – Actual price) Actual quantity
= (12 - 11) 900
= 900

50. The formula standard price × (standard – actual quantity) is used for:
    a) Material cost variance
    b) Material price variances
    c) Material usage variance
    d) Material yield variance

51. What could be the possible causes of favorable material usage:
    a) Price in controlled
    b) Errors in allocation of material
    c) Material used is of higher quality
    d) Excessive waste

52. A variance due to budgeted or expense factors is called:
    a) Idle capacity variances
    b) Spending variance
    c) Labor efficiency variance
    d) None of these

Answers:

1	c	2	b	3	A	4	c	5	A	6	c	7	d	8	c	9	a	10	d		
11	d	12	b	13	D	14	c	15	D	16	c	17	a	18	b	19	a	20	b		
21	a	22	d	23	C	24	a	25	B	26	b	27	c	28	c	29	c	30	d		
31	b	32	c	33	B	34	c	35	B	36	d	37	c	38	a	39	b	40	d		
41	c	42	a	43	A	44	a	45	C	46	c	47	a	48	c	49	c	50	c		
51	c	52	b																		

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Marginal and Absorption Costing

1. Change in the total cost when quantity produced is increase by one or more
   a) Marginal costing
   b) Absorption costing
   c) Variable overheads
   d) None of above
2. A method of costing in which all fixed and variables costs are apportioned to centers is called:
   a) Marginal costing
   b) Absorption costing
   c) Variable overheads
   d) All of above
3. One of the primary differences between marginal costing and absorption cost regarding the treatment of:
   a) Prime cost
   b) Fixed overheads
   c) Variable overheads
   d) Direct materials
4. Absorption costing differs from marginal costing is the:
   a) Fact that standard costs can be used with absorption costing but not w marginal costing
   b) Amount of costs assigned to individual units of products
   c) Kind of activities for which each can be used
   d) Amount of fixed costs that will be incurred
5. Contribution margin is also known as:
   a) Marginal income
   b) Gross profit
   c) Net profit
   d) Net loss
6. Period costs are:
   a) Overhead costs
   b) Prime cost
   c) Variable cost
   d) Fixed costs
7. Absorption costing is also known as:
   a) Historical costing
   b) Real costing
   c) Marginal costing
   d) Real costing
8. Under marginal costing stock are valued at:

   a) Fixed cost
   b) Semi-variable cost
   c) Variable cost
   d) Market price
9. Absorption costing always emphasis on:
   a) Production
   b) Sales
   c) Marketing
   d) Advertising
10. Marginal costing always emphasis on:
   a) Production
   b) Sales
   c) Marketing
   d) Advertising
11. Key-factor in marginal costing is also called:
   a) None cost factor
   b) Cost factor
   c) Sales factor
   d) Limiting factor
12. What is the term that means that all manufacturing costs (direct and indirect, variable and fixed) which contribute to the production of the product are traced to output and inventories?
   a) Job order costing
   b) Process costing
   c) Full or absorption costing
   d) Variable or direct costing
13. Contribution margin is also known as:
   a) Gross profit
   b) Marginal income
   c) Net operating income
   d) Net income
14. When closing stock of finished goods is more than opening stock, profit as per absorp costing will be:
   a) More than
   b) Less than
   c) Equal to that shown by marginal costing
   d) A and b both
15. Marginal costing based selling prices may be used only in the:
   a) Short run
   b) Long run

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c) Both a and b
d) None of above

16. Which of the following is the benefit of absorption costing?
a) It is more useful in short term decision making
b) It avoids arbitrary allocation of fixed overheads
c) It is more useful in pricing decision
d) It avoids profit distortion due to stock fluctuation

17. Which of the following statement is true for absorption costing?
a) All production cost is absorbed into products and closing stock is measured accordingly
b) All production cost is absorbed into products and closing stock is measured w direct cost only
c) All production cost is absorbed into products and closing stock is measured w variable cost only
d) Variable cost is absorbed into products and fixed cost is absorbed into closing stock only

18. Which of the following statement is correct for per unit cost?
a) In absorption costing per unit cost is always higher
b) In marginal costing per unit cost is always higher
c) Per unit cost depends on closing stock
d) Per unit cost depends on opening and closing stock

19. Profits under marginal and absorption costing may be reconciled as:
a) Change in inventory × fixed cost per unit
b) Change in inventory × total cost per unit
c) Change in inventory × variable cost per unit
d) None of the above

20. If a company has opening stock but no closing stock then:
a) Profit under absorption costing will be higher
b) Profit under marginal costing will be higher
c) Profit under marginal and absorption costing will be same
d) Profit will depends upon the value of opening stock

21. Which of the following statement is correct regarding absorption and marginal costing
a) Both methods give same profits in long run
b) There is more profit under absorption costing if there is opening stock more th closing stock
c) There is more profit under marginal costing if there is closing stock more than opening stock
d) None of the above

22. Which of the following is not an argument in favor of marginal costing?

a) It is simple operate
b) It ovoid arbitrary allocation of overhead
c) It is near to matching concept
d) None of the above

23. Which of the following the costing method facilitates manipulation of profit by charging output and stock level?
a) Absorption costing
b) Marginal costing
c) Both A and B
d) None of the above

24. Contribution margin is defined as:
a) Variable cost plus fixed cost per unit
b) Sales values of a cost unit
c) Sales value minus variable cost
d) Sales value minus its fixed cost

25. Production cost under marginal costing includes:
a) Prime cost only
b) Prime cost and fixed overhead
c) Prime cost and variable overhead
d) Prime cost, variable overhead and fixed overhead

Answers:

1	a	2	b	3	b	4	b	5	a	6	d	7	a	8	c	9	a	10	b
11	d	12	c	13	b	14	a	15	a	16	c	17	a	18	a	19	a	20	b
21	a	22	c	23	b	24	c	25	c										

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Joint and By Product

1. Product which have significant values that are generated from a single production pro that uses common inputs called:
   a) Joint product
   b) By product
   c) Similar product
   d) None of above
2. Product which incidentally generate from a common process is called:
   a) Joint product
   b) By product
   c) Similar product
   d) All of above
3. Which of the following statement is correct for by-product?
   a) A product which is produced at very low volume
   b) A product having very low demand in market
   c) An unintended product but produces as a secondary goods
   d) A product sold as a part of scrap
4. Which of the following is not the appropriate basis of joint cost allocation to joint product?
   (a) Sale value basis
   (b) NRV basis
   (c) Physical units basis
   (d) Relevant cost basis
5. Joint costs are:
   a) Indivisible
   b) Present throughout the production process of joint products
   c) Common costs
   d) Both a and c
6. For purposes of allocating joint costs to joint products, the sale price at point of sale reduced by cost to complete after split-off is assumed to be equal to the:
   a) Relative sales value at split-off
   b) Sale price less a normal profit margin at point of sale
   c) Joint costs
   d) Total costs
7. Total joint cost is divided by the total number of units produced to obtain the cost per uni under:
   a) Sales value method
   b) Average cost method

   c) Physical unit method
   d) None of these
8. Joint product manufacturing is fundamental in:
   a) T.V. Company
   b) Automobile company.
   c) Meat packing company
   d) None of the above
9. A bakery produces bread, cakes and biscuits. These products are:
   a) Joint products
   b) Co-products
   c) By-products
10. Wood pieces left out in furniture industry should be treated as:
   a) Waste
   b) Scrap
   c) Joint products
   d) By-products

Answers:

1	a	2	b	3	c	4	d	5	d	6	a	7	b	8	c	9	b	10	b

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Decision Making Techniques

1. Process of selecting a logical choice from the available options is called:
   a) Planning
   b) Controlling
   c) Directing
   d) Decision making
2. Determining the selling price of a particular product is an example of:
   a) Planning
   b) Controlling
   c) Directing
   d) Decision making
3. The fundamental concept behind decision making is:
   a) Computation of cost
   b) To calculate probable
   c) Choosing between alternatives
   d) Problem soiling
4. Sohail ltd has to purchase material X it has two option either to purchase from supplier one at Rs. 50,000 or supplier two at Rs. 55, 000, Rs. 5,000 will be
   a) Sunk cost
   b) Differential cost
   c) Opportunity cost
   d) Future cost
5. Which is the following statement is incorrect about decision making:
   a) It does not concentrates on historical data
   b) It exudes non relevant cost
   c) It includes non-relevant cost
   d) None of above
6. Which is of the best describes the opportunity cost:
   a) Cost involved is seeking new opportunities
   b) Cost of losing an order
   c) Cost of alternate course of action
   d) Cost incurrent on training of staff
7. The predicate future cost that will differ depending upon the alternative course action is called:
   a) Sunk cost
   b) Opportunities cost

   c) Relevant cost
   d) Future cost
8. A company purchased a raw material two years ago Rs. 300,000.It can be sold for Rs 180,000 after further processing cost of Rs 90,000. Further processing cost of Rs.90,000 is:
   a) Opportunity cost
   b) Relevant cost
   c) Sunk cost
   d) Differential cost
9. Which of the following will be minimum price that a company can charge for a special order?
   a) Direct cost
   b) Production cost
   c) Variable cost
   d) Total cost plus profit
10. A company has purchased a machine for Rs. 100000 for a contract. Company is 90% sure that it will win the contract by giving the competitive bid. Cost of machinery is:
   a) Opportunity cost
   b) Sunk cost
   c) Future cost
   d) Relevant cost
11. A company has spare production capacity which of the following will not affect its decision for new order:
   a) Fixed overheads
   b) Current selling
   c) Current contribution per unit
   d) All above
12. A company producing a single unit has spare capacity what minimum price it should charge for an order utilizing spare capacity:
   a) Normal selling price
   b) Variable cost
   c) Increment cost
   d) Opportunity cost
13. Long term cost is also added into minimum price in situation of spare capacity:
   a) When it is relevant

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b) When it is unavoidable
c) Always
d) None of the above

Answers:

1	d	2	d	3	c	4	b	5	c	6	c	7	c	8	b	9	c	10	b
11	d	12	c	13	b														

Relevant Costing for Decision Making

1. Future costs that effect the current management decisions is called:
   a) Fixed cost
   b) Step cost
   c) Standard cost
   d) Relevant cost
2. In deciding to make or buy a product, the management of ABC Corporation should consider as relevant:
   a) Historical cost
   b) Future costs which will be classified as variable rather than fixed
   c) Future costs which will be different under the two alternatives
   d) Future costs which will be classified as fixed rather than variable
3. Which of the following statement is correct?
   a) Depreciation is always irrelevant cost
   b) Book value of plant is relevant cost
   c) Depreciation based on number of unit is relevant cost
   d) None of these
4. Which of the following is incorrect about relevant cost?
   a) Relevant costs are future costs
   b) Relevant cost are cash flow
   c) Relevant cost are sunk costs
   d) Relevant costs are incremental costs
5. Which of the following statement are incorrect?
   a) Variable overheads are generally relevant
   b) Cost of new plant and machinery is relevant
   c) Depreciation based on number of units produces is irrelevent
   d) Both b & c
6. Which of the following statement are correct?
   a) Revenue loss is not relevant cost
   b) Revenue loss is relevant cost
   c) Cost saving is relevant revenue
   d) Both b & c
7. Which is the following is a relevant cost for decision making?
   a) Sunk cost
   b) Committed costs
   c) Allocate fixed costs
   d) Step cost
8. Which of the following statement is incorrect?

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a) Fixed cost is relevant to decision making when it is avoidable
b) Fixed cost is relevant to decision making when it is incremental
c) Fixed cost is relevant when per unit fixed cost is expected to decrease on new order
d) Fixed cost is relevant in long term period

9. Which of the following statement is correct for relevant cost?
   a) Fixed is always irrelevant
   b) Variable cost always relevant
   c) Depreciation is always irrelevant even it is being calculated at number of unit method
   d) All factory overhead are irrelevant if company is opening below normal capacity
10. Which of the following best defines the concept of relevant cost?
   a) A past cost that is same among different alternatives
   b) A past cost that differ among different alternatives
   c) A future cost that is same among different alternatives
   d) A future cost that differ among different alternatives

Answers:

1	d	2	C	3	A	4	c	5	d	6	d	7	d	8	c	9	c	10	d

Budgeting

1. Budget is a plan of income, expenses &other financial operations for:
   a) Current period
   b) Future period
   c) Past period
   d) None of the given options
2. Flexible budget is a budget with the following features:
   a) Changes with volume of production
   b) Changes with variable expenses
   c) Changes in Direct material
3. Sales budget must be prepared:
   a) Independently
   b) Depending on production capacity
   c) Based on Sales forecasts of market
   d) None of the above
4. Cash budget excludes the following:
   a) Non-Cash items
   b) Cash items
   c) Both a and b
   d) None of the above
5. The budget is:
   a) A post-mortem analysis
   b) A substitute of management
   c) An aid to management
   d) Calculation
6. One of the most important tools of cost planning is:
   a) Budget
   b) Direct cost
   c) Unit cost
   d) Cost sheet
7. Sales budget is a:
   a) Functional budget
   b) Expenditure budget
   c) Master budget
   d) Flexible budget
8. The budget which usually takes the form of budgeted profit and loss account and balance sheet is known as:
   a) Flexible budget
   b) Master budget
   c) Cash budget

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d) Purchase budget

9. A budget that gives a summary of all the functional budgets is:
   a) Cash budget
   b) Master budget
   c) Flexible budget
   d) Capital budget

10. Which of the following is usually a long-term budget?
   a) Fixed budget
   b) Cash budget
   c) Sales budget
   d) Capital expenditure budget

11. The fixed-variable cost classification has a special significance in the preparation of:
   a) Capital budget
   b) Cash budget
   c) Master budget
   d) Flexible budget

12. The budget, which is prepared, first of all is:
   a) Master budget
   b) Cash budget
   c) Budget for key factor
   d) Flexible budget

13. Preparing budget figures for different levels of activity within a range under flexible budgeting is:
   a) Formula method
   b) Multi-activity method
   c) Budget cost allowance method
   d) Proportionate method

14. What type of budget is designed to take into account forecast change in costs, prices, etc:
   a) Master budget
   b) Rolling budget
   c) Flexible budget
   d) Functional budget

15. Operation budgets normally cover a period of:
   a) One to ten years
   b) One to two years
   c) One to five years
   d) One year or less

16. The entire process of preparing the budgets is known as:
   a) Planning

   b) Organizing
   c) Budgeting
   d) Controlling

17. Budgetary control starts with:
   a) Planning
   b) Organizing
   c) Budgeting
   d) Controlling

18. Budgetary control ends with:
   a) Planning
   b) Organizing
   c) Budgeting
   d) Control

19. Budget designed to remain constant irrespective of the level of activity attained is called:
   a) Fixed budget
   b) Flexible budget
   c) Sales budget
   d) Production budget

20. Long-term budgets are prepared for:
   a) 1 year
   b) 1-3 years
   c) 1-5 years
   d) 5-10 years

21. The budget which shows the budgeted quantity of output to be produced during a specific period is:
   a) Fixed budget
   b) Flexible budget
   c) Sales budget
   d) Production budget

22. Material consumption budget is prepared on the basis of:
   a) Production budget
   b) Sales budget
   c) Fixed budget
   d) Flexible budget

23. Material budget consists of two parts, one is the consumption budget and another is:
   a) Material purchase budget
   b) Material sales budget
   c) Material production budget
   d) Material budget

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24. Materials purchase budget is prepared on the basis of:
    a) Material sales budget
    b) Material consumption budget
    c) Material production budget
    d) Material budget
25. Labour budget is a part of:
    a) Fixed budget
    b) Sales budget
    c) Production budget
    d) Flexible budget
26. Labour budget is prepared by:
    a) Personnel department
    b) Sales department
    c) Purchase department
    d) Accounts department
27. Budget of indirect costs in the form of indirect wages, indirect material and indirect expenses in the factory is:
    a) Production overhead budget
    b) Administration overhead budget
    c) Selling and distribution overhead budget
    d) Master budget
28. The budget prepared to estimate the expenditure to be incurred for planning, organizing, direction and control function of the management is:
    a) Production overhead budget
    b) Administration overhead budget
    c) Selling and distribution overhead budget
    d) Master budget
29. The budget prepared to estimate expenditure to be incurred to sell the product and its distribution is:
    a) Production overhead budget
    b) Administration overhead budget
    c) Selling and distribution overhead budget
    d) Master budget
30. The budget prepared to estimate the research and development expenditure to be incurred during a specific period is:
    a) Production overhead budget
    b) Administration overhead budget
    c) Selling and distribution overhead budget
    d) Research and development budget
31. The budget prepared to estimate the expenditure on fixed assets is known as:

    a) Capital expenditure budget
    b) Production overhead budget
    c) Administration overhead budget
    d) Selling and distribution overhead budget
32. The budget prepared for replacement of assets, expansion of production facilities, and adoption of new technologies etc. is.
    a) Capital expenditure budget
    b) Production overhead budget
    c) Administration overhead budget
    d) Selling and distribution overhead budget
33. A fixed budget is prepared for only:
    a) One level of activity
    b) Range of activity
    c) Two level of activity
    d) Three level of activity
34. A flexible budget is prepared for a:
    a) One level of activity
    b) Range of activity
    c) Two level of activity
    d) Three level of activity
35. The budget starts without any base is:
    a) Master budget
    b) Flexible budget
    c) Zero base budgeting
    d) Fixed budget
36. The budget which reviews a programme or project from scratch is:
    a) Master budget
    b) Flexible budget
    c) Zero base budgeting
    d) Fixed budget
37. The budget said as resource planning and redeployment process is:
    a) Zero base budgeting
    b) Master budget
    c) Flexible budget
    d) Fixed budget
38. Expected sales + desired closing stock - estimated opening stock
    a) Expected production
    b) Expected sales
    c) Expected purchase
    d) Expected loss
39. In production budget closing stock is added with:

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a) Expense
b) Sales
c) Purchase
d) None of above

40. In production budget opening stock is deducted from:
a) Expense
b) Sales
c) Purchase
d) material

41. ABC manufacturing company has just completed its master budget. The budget indicates that the company's operating cycle needs to be shortened. Thus the company will likely attempt:
a) Stocking larger inventories
b) Reducing cash discounts for prompt payment
c) Tightening credit policies
d) None of the above selections is correct

42. Which of the following is not an element of the master budget?
a) The capital expenditure budget
b) The production schedule
c) The operating expense budget
d) All of the above are elements of the master budget

43. Which of the following is not a potential benefit of using budgets?
a) Enhanced coordination of firm activities
b) More motivated managers
c) More accurate external financial statements
d) Improved interdepartmental communication

44. A flexible budget is:
a) Not appropriate when costs and expenses are affected by fluctuations in volume limits
b) Appropriate for any relevant level of activity
c) Appropriate for control of factory overhead but not for control of direct materials and direct labour
d) Appropriate for control of direct materials and direct labor but not for control of factory overhead

45. A primary difference between a fixed budget and a variable (flexible) budget is that a fixed budget:
a) Includes only fixed costs, while variable budget includes only variable costs
b) Is concerned with only future acquisition of fixed costs, while a variable budget is concerned with expenses which vary with sales
c) Cannot be changed after the period begins, while a variable budget can be changed after the period begins

d) Is a plan for a single level of sales (or other measure of activity), while a variable budget consists of several plans, one for each of several level of sales (or other measure of activity)

46. A budget is expressed:
a) Only in quantitative terms
b) Only in financial terms
c) Quantitative or financial terms
d) Quantitative and / or financial terms

47. A budget which is generally prepared for short period is:
a) Cash budget
b) Master budget
c) Flexible budget
d) Capital expenditure budget

48. Assuming the company is not able to utilize its full capacity because of adverse market conditions, which of the following budgets should be prepared first:
a) Cash budget
b) Master budget
c) Sales budget
d) Production budget

49. Sales budget must be prepared:
a) Independently
b) Depending on production capacity
c) Based on Sales forecasts of market

50. Pakistan follows the following budget system at the federal level:
a) Zero Based Budgeting
b) Program Budgeting
c) Responsibility Budgeting
d) Incremental/Decremental Budgeting

51. Preparation of a budget by a company is compulsory under:
a) No Law
b) Several laws
c) Securities & Exchange Ordinance 1969
d) Company ordinance,1984

52. For management, budgeting is perhaps the most powerful:
a) Forecasting tool
b) Control device
c) Hiring tool
d) Accounting measure

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Answers:

1	b	2	a	3	C	4	a	5	c	6	a	7	a	8	b	9	b	10	d
11	d	12	c	13	B	14	b	15	d	16	c	17	a	18	d	19	a	20	d
21	d	22	a	23	A	24	b	25	c	26	a	27	a	28	b	29	c	30	d
31	a	32	a	33	A	34	b	35	c	36	c	37	a	38	a	39	b	40	b
41	c	42	d	43	C	44	b	45	d	46	d	47	a	48	c	49	b	50	d
51	a	52	b																

Financial Planning

1. Process of evaluating financing and investing options available to a firm is called :
   a) Planning
   b) Budgeting
   c) Estimate
   d) None of above
2. In financial planning, the higher most option price will leads to:
   a) Longer option period
   b) Smaller option period
   c) Lesser price
   d) Higher price
3. Financial policy is evaluated by which of the following?
   a) Profit Margin
   b) Total Assets Turnover
   c) Debt-equity ratio
   d) None of the given options
4. Developing a long term financial plan allows the firm to:
   a) See how investment and financing decisions interact
   b) See how decisions can maximize shareholder wealth
   c) relate the acceptance of a positive NPV project with their determination of growth
   d) all of the above
5. The most common cause(s) of financial problems are:
   a) Undercapitalization.
   b) Inadequate expense control.
   c) Credit terms.
   d) All of the above.
6. The steps in financial planning are:
   a) Forecasting financial needs and developing budgets to meet those needs.
   b) Identifying sources of financing.
   c) Establishing financial controls to ensure the company is following the financial plans.
   d) A & C.
7. A key element in financial planning models is:
   a) That profit is all reinvested.
   b) That all debt is fixed
   c) That the change in assets must equal the change in debt and equity

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d) None of the above

8. Short-term financing plans with high liquidity have:
   a) High return and high risk
   b) Moderate return and moderate risk
   c) Low profit and low risk
   d) None of the above
9. Long-term financing plans with low liquidity have:
   a) High return and high risk
   b) Moderate return and moderate risk
   c) Low return and low risk
   d) None of the above
10. Concerning long term financial planning models, which of following statements is generally not correct:
   a) They are a means of identifying positive NPV investments
   b) They are a means of identifying inconsistencies in spending and financial plans
   c) They are a means of analyzing risk and return on proposed capital spending
   d) Two of the above are generally not correct
11. Which forecast gives management some sense of the profit potential possible of different strategic plans?
   a) Short-term forecast.
   b) Cash flow forecast.
   c) Long-term forecast.
   d) None of the above.
12. A statement that projects management's expectations for revenues and, based on those financial expectations, allocates the use of specific resources throughout the firm is called:
   a) A cash flow.
   b) A budget.
   c) A resource plan.
   d) A resource allocation.
13. A(n) budget is the plan of the various costs and expenses needed to operate the business based on the short-term forecast:
   a) Capital budget
   b) Operating budget
   c) Cash budget

14. Debt capital refers to:
   a) Money raised through the sale of shares.
   b) Funds raised by borrowing that must be repaid.
   c) Factoring accounts receivable.
   d) Inventory loans.
15. The most widely used source of short-term funding is:
   a) Factoring.
   b) Trade credit.
   c) Family and friends.
   d) Commercial banks.
16. A loan backed by collateral is called a:
   a) Line of credit.
   b) Dividend.
   c) Secured loan.
   d) Trade credit.
17. Which of the following is a short-term source of funds:
   a) Issue corporate bonds.
   b) Factor accounts receivable.
   c) Issue common stock
   d) A & b
18. A short-term corporate equivalent of an IOU that is sold in the market place by a firm is called:
   a) Sinking bond.
   b) Mortgage.
   c) Commercial paper.
   d) Convertible bond.
19. A bond backed by the company's real assets is called a:
   a) Preferred bond.
   b) Unsecured bond.
   c) Convertible bond.
   d) First mortgage bond.
20. A firm's profit that is distributed to shareholders is called:
   a) Interest.
   b) Dividends.
   c) Discounts

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d) Stock certificate.

21. The type of corporate ownership stock that gives owners preference over common shareholders in the payment of dividends and in a claim on assets if the company is liquidated is called:
   a) Preferred stock.
   b) Common stock.
   c) Bondholders.
   d) Creditors.

22. The _____ theory says that investors must be paid a premium to hold long term securities:
   a) Expectations hypothesis
   b) Time value theory
   c) Segmentation
   d) Liquidity premium

23. Working capital management involves the financing and management of the _____ assets of the firm:
   a) Fixed
   b) Total
   c) Current
   d) None of the above

24. An asset sold at the end of a specified time period is called a _____ asset:
   a) Temporary current
   b) Self-liquidating
   c) Current
   d) Permanent current

25. Fixed assets are usually financed with _____ funds:
   a) Long-term
   b) Short-term
   c) Permanent
   d) None of the above

26. _____ is usually used to finance self-liquidating assets:
   a) Long-term financing
   b) Short-term financing
   c) Permanent financing
   d) None of the above

27. Short-term interest rates, in a normal economy, are generally _____ than long-term rates:
   a) Higher
   b) The same
   c) Lower
   d) None of the above

28. The expectations hypothesis says that _____ interest rates are a function of _____ interest rates:
   a) Short-term; long-term
   b) Long-term; short-term
   c) Short-term; short-term
   d) None of the above

29. Insurance companies would tend to invest in _____ securities:
   a) Short-term
   b) Intermediate term
   c) Long-term
   d) Not enough information to answer

30. Planning for future growth is called:
   a) Capital budgeting
   b) Working capital management
   c) Financial forecasting
   d) None of the above

31. Which one of the following is not a tool of financial forecasting?
   a) Cash budget
   b) Capital budget
   c) Pro forma balance sheet
   d) Pro forma income statement

32. The first step in developing a proforma income statement is to:
   a) Build a sales forecast
   b) Determine the production schedule
   c) Determine cost of goods sold
   d) None of the above

33. Proforma statements are _____ statements:
   a) Actual
   b) Projected

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c) A previous year's
d) None of the above

34. Financial managers use the _____ to plan for monthly financing needs:
a) Capital budget
b) Cash budget
c) Pro forma income statement
d) None of the above

35. The payments that a firm collects from its customers are called:
a) Cash disbursements
b) Cash outflows
c) Cash receipts
d) None of the above

36. Examples of cash disbursements are all but:
a) Payment for materials purchased
b) Collection of accounts receivable
c) Payment of dividends
d) Payment of taxes

37. In developing the pro forma balance sheet, we get common stock from:
a) The firm's previous balance sheet
b) The firm's cash budget
c) The firm's income statement
d) None of the above

38. The percent of sales method of financial forecasting shows us the relationship between _____ and financing needs:
a) Changes in the level of liabilities
b) Changes in the level of assets
c) Changes in debt
d) Changes in the level of sales

39. Which of the following are microeconomic variables that help define and explain the discipline of finance?
a) Risk and return
b) Capital structure
c) Inflation
d) All of the above

The money markets deal with:

a) Securities with a life of more than one year
b) Short-term securities
c) Securities such as common stock
d) None of the above

41. The ability of a firm to convert an asset to cash is called:
a) Liquidity
b) Solvency
c) Return
d) Marketability

42. Early in the history of finance, an important issue was:
a) Liquidity
b) Technology
c) Capital structure
d) Financing options

43. The appropriate firm goal in a capitalist society is:
a) Profit maximization
b) Shareholder wealth maximization
c) Social responsibility
d) None of the above

44. The agency problem will occur in a business firm if the goals of _____ and shareholders do not agree:
a) Investors
b) The public
c) Management
d) None of the above

45. Source of funds is a:
a) Decrease in a current asset
b) Decrease in a current liability
c) Increase in a current liability
d) A and c above

46. Short-term financing for a business firm includes:
a) Bonds
b) Accounts payable
c) Stockholder's equity
d) Mortgages

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47. Finance is vital for which of the following business activity (activities)?
   a) Marketing research
   b) Product pricing
   c) Design of marketing and distribution channels
   d) All of the given options
48. The most important item that can be extracted from financial statements is the actual _____ of the firm:
   a) Net working capital
   b) Cash flow
   c) Net present value
   d) None of the given options
49. Which of the following ratios is not from the set of asset management ratios?
   a) Inventory turnover ratio
   b) Receivable turnover
   c) Capital intensity ratio
   d) Return on assets
50. Which of the following statement is true regarding debt?
   a) Debt is an ownership interest in the firm.
   b) Unpaid debt can result in bankruptcy or financial failure.
   c) Debt provides the voting rights to the bondholders.
   d) Corporation's payment of interest on debt is fully taxable.
51. _____ are also known as spontaneous financing:
   a) Current liabilities
   b) Current assets
   c) Fixed assets
   d) Long-term liabilities
52. In financial statement analysis, shareholders focus will be on the:
   a) Liquidity of the firm
   b) Long term cash flow of the firm
   c) Profitability and long term health of the firm
   d) Return on investment
53. Which of the following is the cheapest source of financing available to a firm?
   a) Bank loan
   b) Commercial papers
   c) Trade credit

   d) None of the given options
54. ---------- refers to the extent to which fixed-income securities (debt and preferred stock) are used in a firm's capital structure.
   a) Financial risk
   b) Portfolio risk
   c) Operating risk
   d) Market risk
55. Cash management involves all of the following except:
   a) Efficient disbursement of cash
   b) Efficient collection of cash
   c) Wise investment of temporarily surplus cash
   d) Raising cash through the sale of new stock and bonds
56. Which of the following is the principal advantage of high debt financing?
   a) Tax savings
   b) Low bankruptcy costs
   c) Minimum financial risk
   d) Low financial leverage
57. Which of the following holds true regarding aggressive working capital policy?
   a) High liquidity; high profitability; high risk
   b) High liquidity; low profitability; low risk
   c) Low liquidity; low profitability; high risk
   d) low liquidity; high profitability; high risk
58. "Shareholder wealth" in a firm is represented by:
   a) The number of people employed in the firm
   b) The book value of the firm's assets less the book value of its liabilities
   c) The amount of salary paid to its employees
   d) The market price per share of the firm's common stock
59. The long-run objective of financial management is to:
   a) Maximize earnings per share.
   b) Maximize the value of the firm's common stock.
   c) Maximize return on investment.
   d) Maximize market share.
60. What are the earnings per share (EPS) for a company that earned Rs. 100,000 last year in after-tax profits, has 200,000 common shares outstanding and Rs. 1.2 million in retained earnings at the year end?

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a) Rs. 100,000
b) Rs. 6.00
c) Rs. 0.50
d) Rs. 6.50

61. The market price of a share of common stock is determined by:
a) The board of directors of the firm
b) The stock exchange on which the stock is listed
c) The president of the company
d) Individuals buying and selling the stock

62. The key point of financial management in a firm is:
a) The number and types of products or services provided by the firm
b) The minimization of the amount of taxes paid by the firm
c) The creation of value for shareholders
d) The dollars profits earned by the firm

63. _____ of a firm refers to the composition of its long-term funds and its capital structure:
a) Capitalization
b) Over-capitalization
c) Under-capitalization
d) Market capitalization

64. _____ is the price at which the bond is traded in the stock exchange:
a) Redemption value
b) Face value
c) Market value
d) Maturity value

65. _____ enhance the market value of shares and therefore equity capital is not free of cost:
a) Face value
b) Dividends
c) Redemption value
d) Book value

66. In _____ approach, the capital structure decision is relevant to the valuation of the firm:
a) Net income
b) Net operating income

c) Traditional
d) Miller and Modigliani

67. When _____ is greater than zero the project should be accepted:
a) Internal rate of return
b) Profitability index
c) Net present value
d) Modified internal rate of return

68. _____ is defined as the length of time required to recover the initial cash outlay:
a) Payback-period
b) Inventory conversion period
c) Discounted payback-period
d) Budget period

69. _____ refers to a firm holding some cash to meet its routine expenses that are incurred in the ordinary course of business:
a) Speculative motive
b) Transaction motive
c) Precautionary motive
d) Compensating motive

70. _____ refers to the length of time allowed by a firm for its customers to make payment for their purchases:
a) Holding period
b) Pay-back period
c) Average collection period
d) Credit period

71. Amounts due from customers when goods are sold on credit are called:
a) Trade balance
b) Trade debts
c) Trade discount
d) Trade off

72. _____ and _____ are the two versions of goals of the financial management of the firm:
a) Profit maximization, Wealth maximization
b) Production maximization, Sales maximization
c) Sales maximization, Profit maximization

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d) Value maximization, Wealth maximization

73. _____ and_____ carry a fixed rate of interest and are to be paid irrespective of the firm's revenues:
a) Debentures, Dividends
b) Debentures, Bonds
c) Dividends, Bonds
d) Dividends, Treasury notes

74. Credit policy of every company is largely influenced by _____ and _____:
a) Liquidity, Accountability
b) Liquidity, Profitability
c) Liability, Profitability
d) Liability, Liquidity

75. XYZ is an oil based business company, which does not have adequate working capital. It fails to meet its current obligation, which leads to bankruptcy. Identify type of decision involved to prevent risk of bankruptcy:
a) Investment decision
b) Dividend decision
c) Liquidity decision
d) Finance decision

76. How are earnings per share calculated?
a) Use the income statement to determine earnings after taxes (net income) and divide by the previous period's earnings after taxes.
b) Use the income statement to determine earnings after taxes (net income) and divide by the number of common shares outstanding.
c) Use the income statement to determine earnings after taxes (net income) and divide by the number of common and preferred shares outstanding.
d) Use the income statement to determine earnings after taxes (net income) and divide by the forecasted period's earnings after taxes.

77. Which of the following would not improve the current ratio?
a) Borrow short term to finance additional fixed assets.
b) Issue long-term debt to buy inventory
c) Sell common stock to reduce current liabilities
d) Sell fixed assets to reduce accounts payable

78. The gross profit margin is unchanged, but the net profit margin declined over the same period. This could have happened if:
a) Cost of goods sold increased relative to sales
b) Sales increased relative to expenses
c) Govt. increased the tax rate
d) Dividends were decreased

79. XYZ Industries has a debt-to-equity ratio of 1.8 compared with the industry average of 1.6. This means that the company:
a) Will not experience any difficulty with its creditors
b) Has less liquidity than other firms in the industry
c) Will be viewed as having high creditworthiness
d) Has greater than average financial risk when compared to other firms in its industry

80. Kanji Company had sales last year of Rs. 265 million, including cash sales of Rs. 25 million. If its average collection period was 36 days, its ending accounts receivable balance is closest to. (Assume a 365-day year.):
a) Rs. 26.1 million
b) Rs. 23.7 million
c) Rs. 7.4 million
d) Rs. 18.7million

81. A company can improve (lower) its debt-to-total assets ratio by doing which of the following?
a) Borrow more
b) Shift short-term to long-term debt
c) Shift long-term to short-term debt
d) Sell common stock

82. Which of the following statements (in general) is correct?
a) A low receivables turnover is desirable
b) The lower the total debt-to-equity ratio, the lower the financial risk for a firm
c) An increase in net profit margin with no change in sales or assets means a poor ROI
d) The higher the tax rate for a firm, the lower the interest coverage ratio

83. Debt-to-total assets (D/TA) ratio is .4. What is its debt-to-equity (D/E) ratio?
a) .2
b) .6

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c) .667
d) .333

84. Inventory holding period plus receivable collection period is called:
a) Operating cycle
b) Cash conversion cycle
c) Cash cycle
d) None of the above

85. Uses of funds include a (an):
a) Decrease in cash
b) Increase in any liability
c) Increase in fixed assets
d) Tax refund

86. Which of the following would be included in a cash estimation/ budget?
a) depreciation charges
b) dividends
c) goodwill
d) patent amortization

87. Which of the following is not a cash outflow for the firm?
a) Depreciation
b) Dividends
c) Interest payments
d) Taxes

88. All of the following influence capital budgeting cash flows except:
a) Accelerated depreciation
b) Salvage value
c) Tax rate changes
d) Method of project financing used

89. The estimated benefits from a project are expressed as cash flows instead of income flows because:
a) It is simpler to calculate cash flows than income flows
b) It is cash, not accounting income, that is central to the firm's capital budgeting decision
c) This is required by the internal revenue service
d) This is required by the Securities and Exchange Commission

90. A capital investment is one that:

a) Has the prospect of long-term benefits
b) Has the prospect of short-term benefits
c) Is only undertaken by large corporations
d) Applies only to investment in fixed assets

91. A profitability index of .85 for a project means that:
a) The present value of benefits is 85% greater than the project's costs
b) The project's NPV is greater than zero
c) The project returns 85 paisa in present value for each current rupee invested
d) The payback period is less than one year

92. Which of the following statements is correct?
a) If the NPV of a project is greater than 0, its PI will equal 0
b) If the IRR of a project is 0%, its NPV, using a discount rate, k, greater than 0, will be 0
c) If the PI of a project is less than 1, its NPV should be less than 0
d) If the IRR of a project is greater than the discount rate, k, its PI will be less than 1 and its NPV will be greater than 0

93. You are considering two mutually exclusive investment proposals, project A and project B. B's expected value of net present value is Rs. 1,000 less than that for A and A has less dispersion. On the basis of risk and return, you would say that:
a) Project A dominates project B
b) Project B dominates project A
c) Project A is more risky and should offer greater expected value
d) Each project is high on one variable, so the two are basically equal

94. To decrease a given present value, the discount rate should be adjusted:
a) Upward
b) Downward
c) No change
d) Constant

95. In finance, "working capital" means the same thing as:
a) Total assets
b) Fixed assets
c) Current assets
d) Current assets minus current liabilities

96. Which of the following would be consistent with a more aggressive approach to financing working capital?

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a) Financing short-term needs with short-term funds
b) Financing permanent inventory buildup with long-term debt
c) Financing seasonal needs with short-term funds
d) Financing some long-term needs with short-term funds

97. Which asset-liability combination would most likely result in the firm's having the greatest risk of technical insolvency?
a) Increasing current assets while lowering current liabilities
b) Increasing current assets while incurring more current liabilities
c) Reducing current assets, increasing current liabilities, and reducing long-term debt
d) Replacing short-term debt with equity

98. In deciding the appropriate level of current assets for the firm, management is confronted with:
a) A trade-off between profitability and risk
b) A trade-off between liquidity and marketability
c) A trade-off between equity and debt
d) A trade-off between short-term versus long-term borrowing

99. Profitability varies inversely with:
a) Liquidity
b) Risk
c) Financing
d) Liabilities

100. Spontaneous financing includes:
a) Accounts receivable
b) Accounts payable
c) Short-term loans
d) A line of credit

101. Permanent working capital:
a) varies with seasonal needs
b) includes fixed assets
c) is the amount of current assets required to meet a firm's long-term minimum needs
d) includes accounts payable

102. Net working capital refers to:
a) Total assets minus fixed assets

b) Current assets minus current liabilities
c) Current assets minus inventories
d) Current assets

103. Marketable securities are primarily:
a) Short-term debt instruments
b) Short-term equity securities
c) Long-term debt instruments
d) Long-term equity securities

104. Which of the following marketable securities is the obligation of a commercial bank?
a) Commercial paper
b) Negotiable certificate of deposit
c) Repurchase agreement
d) T-bills

105. The basic requirement for a firm's marketable securities:
a) Safety
b) Yield
c) Marketability
d) All of the above

106. A firm's inventory turnover is 5 times on a cost of goods sold of Rs. 800,000. If the inventory turnover ratio is improved to 8 times while the cost of goods sold remains the same, a substantial amount of funds is released from or additionally invested in inventory. In fact:
a) Rs. 160,000 is released
b) Rs. 100,000 is additionally invested
c) Rs. 60,000 is additionally invested
d) Rs. 60,000 is released

107. Increasing the credit period from 30 to 60 days, in response to a similar action taken by all of our competitors, would likely result in:
a) An increase in the average collection period
b) A decrease in bad debt losses
c) An increase in sales
d) Higher profits

108. An increase in the firm's receivable turnover ratio means that:
a) It is collecting credit sales more quickly than before
b) Cash sales have decreased

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c) It has initiated more liberal credit terms
d) Inventories have increased

109. In calculating the costs of the individual components of a firm's financing, the corporate tax rate is important to which of the following component cost formula
a) Common stock
b) Debt
c) Preferred stock
d) None of the above

110. The term "capital structure" refers to:
a) Long-term debt, preferred stock, and common stock equity
b) Current assets and current liabilities
c) Total assets minus liabilities
d) Shareholders' equity

111. The traditional approach towards the valuation of a company assumes:
a) That the overall capitalization rate holds constant with changes in financial leverage
b) That there is an optimum capital structure
c) That total risk is not altered by changes in the capital structure
d) That markets are perfect

112. Reserves & Surplus are which form of financing?
a) Security financing
b) Internal financing
c) Loans financing
d) International financing

113. The sum of all current assets investment is known as:
a) Net working capital
b) Gross working capital
c) Temporary working capital
d) All of these

114. Which of the following would not be financed from working capital?
a) Cash float
b) Accounts receivable
c) Credit sales
d) A new personal computer for the office

115. What is the difference between the current ratio and the quick ratio?

a) The current ratio includes inventories and the quick ratio does not
b) The current ratio does not include inventories and the quick ratio does
c) The current ratio includes physical capital and the quick ratio does not
d) The current ratio does not include physical capital and the quick ratio does

116. Which of the following working capital strategies is the most aggressive?
a) Making greater use of short term finance *and* maximizing net short term asset
b) Making greater use of long term finance *and* minimizing net short term asset
c) Making greater use of short term finance *and* minimizing net short term asset
d) Making greater use of long term finance *and* maximizing net short term asset

117. Which of the following is not the responsibility of financial management?
a) Allocation of funds to current and capital assets
b) Obtaining the best mix of financing alternatives
c) Preparation of the firm's accounting statements
d) Development of an appropriate dividend policy

118. Which of the following are not among the daily activities of financial management?
a) Sale of shares and bonds
b) Credit management
c) Inventory control
d) The receipt and disbursement of funds

119. Banks generally prefer debt-equity ratio at :
a) 1:1
b) 1:3
c) 2:1
d) 3:1

120. An asset is a:
a) Source of fund
b) Use of fund
c) Inflow of funds
d) None of the above.

121. If a company issues bonus shares the debt equity ratio will:
a) Remain unaffected
b) Will be affected
c) Will improve
d) None of the above

122. In the balance sheet amount of total assets is Rs.10 lac, current liabilities Rs.2 lac & capital & reserves are Rs.4 lac .What is the debt-equity ratio?
a) 1;1
b) 1.5:1
c) 2:1
d) None of the above.

123. In last year the current ratio was 3:1 and quick ratio was 2:1 presently current ratio is 3:1 but quick ratio is 1:1.This indicates comparably:

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a) High liquidity
b) Higher stock
c) Lower stock
d) Low liquidity

124. Proprietary ratio is calculated by:
a) Total assets/Total outside liability
b) Total outside liability/Total tangible assets
c) Fixed assets/Long term source of fund
d) Equity/Total assets

125. If current ratio of a company is 1then net working capital will be:
a) Positive
b) Negative
c) Nil
d) None of the above

126. Current ratio is 4:1. Net working capital is Rs.30, 000. Find the amount of current Assets:
a) Rs.10,000
b) Rs.40,000
c) Rs.24,000
d) Rs.6,000

127. Current ratio is 3:1.Current liability is Rs.30000.The net working capital is:
a) Rs.90,000.
b) Rs.30,000
c) Rs.50,000
d) Rs.60,000

128. Quick assets do not include:
a) Inventories.
b) Govt.bond
c) Book debts
d) Advance for supply of raw materials

129. The ideal quick ratio is:
a) 2:1
b) 1:1
c) 5:1
d) None of the above

Answers:

1	a	2	a	3	C	4	d	5	d	6	d	7	d	8	b	9	b	10	d
11	c	12	b	13	B	14	b	15	b	16	c	17	b	18	c	19	d	20	b
21	a	22	d	23	C	24	b	25	a	26	b	27	c	28	b	29	c	30	c
31	b	32	a	33	B	34	b	35	c	36	b	37	a	38	d	39	d	40	b
41	a	42	a	43	B	44	c	45	d	46	b	47	d	48	b	49	c	50	b
51	a	52	c	53	C	54	a	55	d	56	a	57	a	58	d	59	b	60	c
61	d	62	c	63	A	64	c	65	b	66	a	67	c	68	a	69	b	70	d
71	b	72	a	73	B	74	b	75	c	76	b	77	a	78	c	79	d	80	b
81	d	82	b	83	C	84	a	85	c	86	b	87	a	88	d	89	b	90	a
91	c	92	c	93	A	94	a	95	c	96	d	97	c	98	a	99	a	100	b
101	c	102	b	103	A	104	b	105	d	106	d	107	a	108	a	109	b	110	a
111	b	112	b	113	B	114	d	115	a	116	c	117	c	118	a	119	c	120	b
121	a	122	b	123	B	124	d	125	c	126	b	127	d	128	a	129	b		

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Audit

- **Settlement of audit objections**
- **Scrutiny of record for Audit purpose**

This topic has broader scope and covers followings areas of audit

- Introduction to audit
- Audit planning
- Audit procedures
- Fraud and errors
- Verification
- Vouching
- Quality audit
- Internal control system
- Sampling
- Auditor and legal environment
- Audit report
- Miscellaneous topics
  - Code of ethics
  - Government audit
  - General information about audit
  - Information about Auditor General of Pakistan
  - Computer based auditing

Settlement of Audit Objections

1. To which of the following authority audit report is presented:
   a) Audit committee
   b) SECP
   c) Board of directors
   d) Manager finance
2. To which of the following authority take decision about audit objections and further actions plan:
   a) Audit committee
   b) SECP
   c) Board of directors
   d) Manager finance
3. To which authority minutes of meeting of audit committee is forward:
   a) Director audit and finance department
   b) SECP
   c) Board of directors
   d) Manager finance
4. Reply of the objections of audit report is done in:
   a) Para-Wise
   b) As a whole
   c) Only selected objections are reply
   d) None of above
5. Time period in which reply of objections is required:
   a) Within one week from the date of audit report
   b) Within six weeks from the date of audit report
   c) Within one month from the date of audit report
   d) Within two weeks from the date of audit report
6. Which of the following authority supervise the progress of settlements of objections:
   a) Senior officer of audit cell

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b) Audit committee
c) Finance manger
d) Board of directors

7. Time period in which first reminder issued for the reply of settlements of objections:
a) After six weeks from the date of issue of audit report
b) Within 6 months of audit report
c) At any time
d) All of above

8. Time period in which second reminder issued for the reply of settlements of objections
a) Within a month from first reminder
b) Within fifteen days from first reminder
c) Within ten days from first reminder
d) None of above

9. Which of the following book is maintained at every audit office for record of objections
a) Objections book
b) Audit inquiry book
c) Audit manual
d) None of above

10. Objections of routine like cash book, stock register, log books and service book consider settled:
a) When head of department accepted auditor point of view and compliance next
b) When head of department not agree with auditor
c) When head of department not reply to audit officer
d) All of above

11. When follow up of audit report is necessary:
a) When concern area is audited again
b) When concern area is audited first time
c) When SECP force to follow up of objections
d) All of above

12. Which of the following is the area of follow up:

a) Casual
b) Limited
c) Detailed
d) All of above

13. Follow up that is mostly through telephone conversation and review of audit procedures called :
a) Casual follow up
b) Limited follow up
c) Detailed follow up
d) All of above

14. Follow up in which maximum interaction involve with client called:
a) Casual follow up
b) Limited follow up
c) Detailed follow up
d) All of above

15. Follow up in which detailed interaction involve with client called:
a) Casual follow up
b) Limited follow up
c) Detailed follow up
d) All of above

16. Serious irregularity which are sent to the ministry for reply called:
a) Advance Para
b) Draft Para
c) Audit report
d) All of above

17. When no reply receive again advance Para issued to ministry then which Para issued:
a) Draft Para
b) Objection Para
c) Observation Para
d) All of above

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18. Which of the following is the way to settlement of audit observations:
    a) Spot disposal during audit
    b) Disposal in headquarter
    c) Disposal in the meeting
    d) Disposal by the public committee
    e) All of above

Note: Audit of expenditures and receipts include in the topic of settlement of audit objections

19. Which of the following is the account that government maintains:
    a) Consolidated fund
    b) Contingency fund
    c) Public account
    d) All of above
20. Which of the following is the type of consolidated fund:
    a) Revenue
    b) Capital
    c) Debt
    d) All of above
21. Fund which are maintained to meet emergency or unforeseen events called:
    a) Contingency fund
    b) General fund
    c) Consolidated fund
    d) All of above

Answers:

1	a	2	a	3	a	4	a	5	B	6	a	7	a	8	a	9	a	10	a
11	a	12	d	13	a	14	b	15	C	16	a	17	a	18	e	19	d	20	d
21	a																		

Introduction of Auditing

1. Word audit derived from
    a) Latin word " audire"
    b) French word
    c) English word
    d) None of above
2. Systematic examination of books of account by an independent qualified person for issuing report to shareholders or any other appointing authority called:
    a) Audit
    b) Audit report
    c) Vouching
    d) Inspection
3. Definition of audit states that auditor is:
    a) Independent person
    b) Person that evaluate internal control
    c) Part of client organization
    d) None of above
4. An independent examination of financial information of any entity, whether profit oriented or not, and irrespective of its size or legal form called:
    a) Audit
    b) Observation
    c) Inspection
    d) Vouching
5. Which type of audit examines the reliability and integrity of the accounting records:
    a) Financial
    b) Informational
    c) Information systems
    d) Operational
6. Objective of audit depends on:
    a) Selection of auditor
    b) Fraud and errors
    c) Type of audit
    d) Expression of opinion
7. In scope of audit which of the matter is considered:
    a) Audit procedures
    b) Timing of audit
    c) Nature of audit report
    d) Internal control

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8. Types of audit on the basis of time:
   a) Interim audit
   b) Continuous audit
   c) Final audit
   d) All of above

Note: Interim audit: Audit which is conducted during the period, Continuous audit: Audit that remains continue during whole period. Final audit: Audit which is conducted after completion of accounting period

9. Types of audit on the basis of theory:
   a) Statutory
   b) Private
   c) Internal
   d) Government
   e) All of above

Note: Statutory audit: Audit which is conducted by chartered accountant, Private audit: Audit is concerned with sole traders and partnership, for such audit it is not necessary that auditor should be chartered accountant. Government audit: It is related to municipal

10. Types of audit on the basis of purpose:
   a) Management
   b) Cost
   c) Special
   d) All of above

Note: Management audit: Audit which is concerned with the function of management, cost audit: Audit which is concerned with cost of goods and services. Special audit: Audit which is conducted on the direction of SECP, FBR or any other authority

11. Audit which is concerned with the checking of balance sheet items, journal ledger and supporting documents called:
   a) Balance sheet audit/Final audit
   b) Cost audit
   c) Management audit
   d) None of above
12. Audit which is concerned with the checking of income and expenditure as well as use of funds called:
   a) Propriety audit
   b) Cost audit

   c) Management audit
   d) None of above
13. Audit of same company which is conducted by two audit firms called:
   a) Propriety audit
   b) Cost audit
   c) Joint audit
   d) None of above
14. Which type of audit is expensive:
   a) Continuous audit
   b) Final audit
   c) Interim audit
   d) None of above
15. For which type of companies continuous audit is necessary :
   a) Large scale companies
   b) Small scale companies
   c) Cottage industries
   d) None of above
16. Continuous audit supports to company in:
   a) Reducing fraud
   b) Reducing errors
   c) Reducing fraud and errors
   d) None of above
17. Which type of audit is effective when internal control system of an organization is weak:
   a) Final audit
   b) Continuous audit
   c) Interim audit
   d) None of above
18. Primary purpose of interim audit:
   a) Declare interim dividend
   b) Timely reporting
   c) Reduce fraud
   d) None of above
19. Which type of audit is compulsory by government:
   a) Management audit
   b) Statutory audit
   c) Cost audit
   d) None of above
20. Which type of audit is necessary under the companies ordinance 1984:
   a) Management audit

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b) Statutory audit
c) Cost audit
d) None of above

21. For management audit, auditor must be expert in:
a) All functions of business
b) Only knowledge of accounting
c) Only knowledge of audit
d) None of above

22. Characteristics of auditing include all of the following except:
a) Evidence collection
b) System development
c) Set scope and objective
d) Set materiality level

23. Financial statements are the representation of:
a) Management
b) Board of directors
c) Auditor
d) All of above

24. Auditors of financial statements can be classified into categories:
a) 2
b) 3
c) 4
d) 5

25. When deterring materiality level auditor should consider:
a) Prior year errors
b) Prior year financial statement
c) Interim financial statement
d) All of above

Answers:

1	a	2	a	3	a	4	a	5	a	6	c	7	a	8	d	9	e	10	d
11	a	12	a	13	c	14	a	15	a	16	c	17	b	18	a	19	b	20	b
21	a	22	b	23	a	24	a	25	d										

Audit Planning

1. Which of the following is objective of audit planning:
a) Audit may perform in an effective manner
b) Audit may perform easily
c) Reduce audit procedures
d) All of above

2. Planning of audit involve establishing:
a) Overall audit strategy and audit plan
b) Audit documentation
c) Format of audit report
d) None of above

3. Proper planning supports auditor in:
a) Devote attention to important areas of audit
b) Identifying and resolving potential problems on timely basis
c) Organizing and managing audit engagement
d) Coordination of work done by auditor of component and expert
e) All of above

4. Which of the following should involve in audit planning:
a) Engagement partner
b) key members of engagement team
c) Both a & b
d) None of above

Note: Engagement partner means partner of audit firm under that's supervision audit is being conducted

5. Which of the following is the preliminary engagement activity in the audit planning:
a) Performing audit procedures for continuance of client relationship
b) Evaluating compliance with ethical requirements
c) Establishing and understanding of terms of engagement
d) All of above

6. In overall audit strategy auditor determine:

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a) Scope, timing and direction of audit
b) Working paper
c) Determine sampling method
d) None of above

7. In establishing overall audit strategy auditor shall:
a) Identify the characteristics of engagement
b) Ascertain the reporting objective of engagement
c) Ascertain the nature, timing and extent of resources necessary
d) All of above

8. Which of the following is not part of audit planning:
a) Establish scope and objectives
b) Identify risk factors
c) Review of audit documentation
d) Prepare an audit program

9. Which of the following is not an audit risk factor that is considered during audit pl
a) Control risk
b) Compliance risk
c) Inherent risk
d) Detection risk

Note: Compliance risk means different legal penalties and material losses that are face to a organization due to failure to act in accordance with laws and regulations. this risk is relat management

10. At which stage of audit "risk and materiality "level is consider:
a) Audit planning
b) Collection of audit evidence
c) Issue audit report
d) All of above

11. Objective of audit plan is to:
a) Reduce the risk of material misstatement

b) Conduct audit in accordance with ISA
c) Issue unqualified report
d) All of above

12. Audit programme is prepared by:
a) Auditor
b) Client
c) Internal auditor
d) Auditor and its team

13. Which of the following factors that effect in the direction , supervision and review of audit work of engagement team at the time of planning:
a) Size and complexity of the entity
b) Area of audit
c) Assessed risks of material misstatement
d) Capabilities and competence of individual team members
e) All of above

14. In which activities overall audit strategy supports to auditor :
a) Resources require for specific audit area
b) Amount of resources to allocate specific audit area
c) When these resources are to be deployed
d) How such resources will manage
e) All of above

Answers:

1	a	2	a	3	e	4	C	5	D	6	A	7	d	8	c	9	b	10	a
11	b	12	d	13	e	14	E												

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Audit Procedures

1. Different activities that auditor perform to collect audit evidence on which to base opinion is called:
   a) Audit procedures
   b) Confirmation
   c) Audit sampling
   d) All of the above
2. Which of the following is the type of audit procedure:
   a) Risk assessment procedures
   b) Test of controls
   c) Substantive procedures
   d) All of the above
3. Procedures apply to assess the risk of material misstatement that exists called:
   a) Risk assessment procedures
   b) Test of details
   c) Substantive procedures
   d) All of the above
4. Procedure perform to test the effectiveness of a control used by a client to prevent or detect material misstatement called:
   a) Substantive procedures
   b) Test of control
   c) Analytical procedures
   d) All of above
5. Those activities that are performed by the auditor to detect material misstatement or fr called:
   a) Substantive procedures
   b) Confirmation
   c) Audit sampling
   d) All of the above

Note: Substantive procedures also called substantive tests

6. Which of the following is the type of substantive procedure:
   a) Analytical procedures
   b) Test of detail
   c) Both a & b
   d) None of the above
7. Audit procedures which identify the financial fluctuation or variation between budget of different periods called:
   a) Analytical procedures
   b) Test of details
   c) Audit sampling
   d) All of the above
8. Substantive audit procedure in which transaction is verified by different ways or by documentary support called:
   a) Analytical procedures
   b) Test of details
   c) Audit sampling
   d) All of the above
9. If auditor want to verify sales he applies different audit procedures like inspect sales order, gate outward, cash ledger and confirmation from debtors directly these are called:
   a) Analytical procedures
   b) Test of details
   c) Audit sampling
   d) All of the above
10. Analytical procedures in planning stage support to:
   a) Determine nature , timing and extent of audit procedures
   b) Attention to important areas of audit
   c) Identify the risk areas
   d) All of above

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11. Which of the followingsare the different source that auditor generally used to obtain sufficient and appropriate audit evidence :
    a) Inspection and observation
    b) External confirmation and recalculation
    c) Reperformance and analytical procedures
    d) Inquiry
    e) All of the above
12. Examining record or documents and physical examination of assets called:
    a) Inspection
    b) Observation
    c) Confirmation
    d) Analytical procedure
13. Looking at a process or procedures being performed by other called:
    a) Inspection
    b) Observation
    c) Confirmation
    d) Analytical procedure

Note: When management counts inventory at the end of the period and auditor observes this process that is example of observation.

14. Audit evidence obtained by the auditor as a direct written response to the auditor from a third party called:
    a) Inspection
    b) Observation
    c) External Confirmation
    d) Analytical procedure
15. Checking the mathematical accuracy of documents or records called:
    a) Inspection
    b) Recalculation
    c) Confirmation
    d) Analytical procedure

16. Auditor independent execution of procedures or controls that were originally performed as part of the entity internal control called:
    a) Inspection
    b) Reperformance
    c) Confirmation
    d) Analytical procedure
17. Seeking information of knowledgeable persons, both financial and non-financial within the entity or outside the entity called:
    a) Inspection
    b) Reperformance
    c) Inquiry
    d) Analytical procedure

Explanation about audit procedures

Types of audit procedures:

1. Risk assessment procedures
2. Other audit procedures
    a) Test of control
    b) Test of detail

Different source to collect audit evidence

1. Inspection
2. Observation
3. External confirmation
4. Recalculation
5. Reperformance
6. Analytical procedures
7. Inquiry

Answers:

1	a	2	d	3	a	4	b	5	a	6	c	7	a	8	b	9	b	10	d
11	e	12	a	13	B	14	c	15	b	16	b	17	c						

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Verification

1. An inquiry into the value, title, ownership, existence and any charge on the assets ca
   a) Vouching
   b) Verification
   c) Voucher
   d) Investigation
2. In the process of verification auditor observes assets:
   a) Physically
   b) Account balance
   c) legers
   d) None of above
3. Verification is an evaluation of truth and fairness of assets and liabilities appearing
   a) Leger
   b) Balance sheet
   c) Trial balance
   d) None of above
4. Objectives of verification are:
   a) Certify ownership and title
   b) Valuation
   c) Ascertain existence
   d) All of above
5. Verification supports an organization about:
   a) No embezzlement
   b) True and fair view
   c) Proper disclosures
   d) All of above
6. In the process of verification followings techniques are used:
   a) Physical existence
   b) Ownership of assets
   c) Proper disclo

   d) All of above
7. Which of the followings is not verification technique
   a) Valuation of assets
   b) Possession of assets
   c) Tick mark
   d) Charge on asset
8. Vouching is a part of:
   a) Verification
   b) Voucher
   c) Investigation
   d) Audit planning

Note: Assertion is the claim/representation of management about transaction and events, account balance and disclosures

9. Different categories of assertions:
   a) Assertion about transactions and events
   b) Assertion about account balance
   c) Assertion about presentation and disclosure
   d) All of above
10. Which of the following is not one of three categories of assertion:
    a) Assertion about transactions
    b) Assertion about account balance
    c) Assertion about presentation and disclosure
    d) Assertion about financial statements
11. Assertions of management used by the auditor to consider:
    a) Material misstatements
    b) Errors
    c) Fraud
    d) None of above
12. Which of the following is the assertions about transactions and events:
    a) Occurrence

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b) Completeness and accuracy

c) Cutoff and classification

d) All of above

13. Which of the following is the assertions about account balances:

a) Existence

b) Completeness

c) Rights and obligations

d) Valuation and allocation

e) All of above

14. Which of the following is the assertions about presentation and disclosures:

a) Occurrence, rights and obligations

b) Completeness

c) Classification and understandability

d) Accuracy and valuation

e) All of above

15. Which of the following is not assertion about transactions:

a) Occurrence

b) Completeness

c) Classification

d) Vouching

16. If auditor want to verify al! assertions of management then audit:

a) Will early complete

b) Fraud will not occur in future

c) Will not economically feasible

d) Audit procedures will reduce

17. If a debtor is included in the account payable on the financial statements, it is violation of assertion of:

a) Occurrence

b) Completeness

c) Classification

d) Accuracy and valuation

18. Points which are required to consider during verification of assets:

a) Purchase and disposal

b) Depreciation

c) Opening and closing balance

d) All of above

19. Procedures for verification of Building:

a) Classification

b) Schedule of Buildings

c) Valuation

d) All of above

20. Procedures for verification of vehicles:

a) Log books

b) Purchase and disposal

c) Opening and closing balance

d) All of above

21. Procedures for verification of goodwill:

a) Acquisition agreements

b) Purchase consideration

c) Presentation and disclosures

d) All of above

22. Procedures for verification of bank balances:

a) List of bank accounts

b) Bank reconciliation statement

c) Bank payments/Receipts

d) All of above

23. Procedures for verification of cash balance:

a) Opening/Closing balance

b) Cash receipts/payments

c) Physical count

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d) All of above

24. Procedures for verification of wages and salaries:
    a) Personal files of employees
    b) Salaries & wages sheet
    c) Time records
    d) All of above
25. Procedures for verification of directors remuneration:
    a) Minutes of meeting and approval
    b) Components of remuneration like basic salary, allowances
    c) Presentation and disclosures
    d) All of above
26. During verification of self constructed building which of the document has least importance:
    a) Minutes of meeting
    b) Bill of contractor
    c) Certificate of Engineer
    d) All of above
27. When counting cash on hand auditor should:
    a) Ensure presence of somebody from management
    b) Obtain a receipt from cashier
    c) Ensure postage and stamps not included in physical count
    d) Consider temporary advances to employees
28. Which of the following statement is not true about valuation of assets:
    a) Management is responsible for valuation of assets
    b) Auditor can rely on certificate of authorized valuationer
    c) Valuation is not part of audit report
    d) External auditor shall value the assets as per accepted accounting principle

Note: Auditor shall value the assets as per accepted standard on auditing

Answers:

1	b	2	a	3	b	4	d	5	D	6	d	7	c	8	a	9	d	10	d
11	a	12	d	13	e	14	e	15	D	16	c	17	c	18	d	19	d	20	d
21	d	22	d	23	d	24	d	25	D	26	a	27	c	28	d				

Vouching

1. Comparing transactions/entries with documentary evidence in support there to called:
    a) Vouching
    b) Verification
    c) Voucher
    d) Investigation
2. Which is the authentic way to ascertain the accuracy of the transactions/entries:
    a) Vouching
    b) Verification
    c) Voucher
    d) Investigation
3. Vouching is an examination of truth and fairness of transactions recorded in the books of:
    a) Original entry
    b) Balance sheet
    c) Trial balance
    d) None of above
4. Documentary evidence in support of a transaction/entries is called:
    a) Vouching
    b) Verification
    c) Voucher
    d) Investigation

Note: Vouching and voucher are two different concepts; voucher is the base of vouching:

5. Different examples of voucher:
    a) Cash memo, invoice, agreements
    b) Sales ledger
    c) Sales book
    d) Purchase book
6. Vouching supports to auditor in detection and prevention of:
    a) Errors
    b) Frauds

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c) Arithmetical accuracy

d) All of above

7. Auditor verifies the books of original entries, subsidiary books with the help of:

a) Vouching

b) Investigation

c) Verification

d) None of above

8. Source of examine/verification of proper authority for any transaction is called:

a) Vouching

b) Investigation

c) Verification

d) None of above

9. Which of the followings ways are use to observe the period and allocation of transactions:

a) Vouching

b) Investigation

c) Verification

d) None of above

10. Which of the followings is the techniques of vouching:

a) Voucher should dated

b) Voucher should relate to business

c) Voucher should signed

d) All of above

11. Tick marks on transactions is the technique of:

a) Vouching

b) Investigation

c) Verification

d) None of above

12. Which of the followings aspects are observed while vouching the cash sales:

a) Cash book

b) Cash sales return

c) Authority of sales/sales order

d) All of above

13. Which of the followings aspects are observed while vouching the cash purchases:

a) Cash book

b) Cash purchase return

c) Purchase order

d) All of above

14. Which of the followings aspects are observed while vouching the debtors:

a) Credit sales

b) Sales return/Trade discount

c) Receipt from debtors

d) All of above

15. Which of the followings aspects are observed while vouching the creditors:

a) Credit purchase

b) Purchase return/Trade discount

c) Payment to creditors

d) All of above

16. Which of the followings aspects are observed while vouching the investments:

a) Minutes of meeting

b) Cash book

c) Opening/closing balance

d) All of above

17. Which of the followings aspects are observed while vouching the Fixed assets sales and purchase:

a) Minutes of meeting

b) Cash book

c) Opening/Closing balance

d) All of above

18. Which of the followings aspects are observed while vouching the wages account

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a) Wages sheet
b) Cash book
c) Payee's signatures
d) All of above

19. Which of the followings aspects are observed while vouching the wages/sa
a) Wages/Salaries sheet
b) Cash book
c) Payee's signatures
d) All of above

20. Which of the following is the source document for staff salaries:
a) Vouchers
b) Bank statements
c) Approved payrolls
d) All of above

21. Which of the followings aspects are observed while vouching the travelling
a) Manuals for travelling allowance
b) Cash book
c) Cash memos
d) All of above

22. Which of the followings aspects are observed while vouching the commission
a) Agreement of commission
b) Cash book
c) Rate of commission
d) All of above

23. Which of the followings aspects are observed while vouching the interest expe
a) Agreement of interest
b) Cash book/Bank account
c) Rate of interest
d) All of above

24. Which of the followings aspects are observed while vouching the foreign currency accounts:
a) Bank advice
b) Cash book
c) Bank reconciliation statement
d) All of above

25. Which of the followings aspects are observed while vouching the share capital:
a) MOA/AOA
b) Prospectus
c) Premium/Discount on shares
d) All of above

Different aspects are considered while vouching any account but in above multiple choices selected aspects are given due to limitations of options of multiple choices

nswers:

1	a	2	a	3	a	4	c	5	A	6	d	7	a	8	a	9	a	10	d
1	a	12	d	13	d	14	d	15	D	16	d	17	d	18	d	19	d	20	c
1	d	22	d	23	d	24	d	25	D										

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Quality Audit

1. Systematic examination of a quality of management system called:
   a) Quality audit
   b) Compliance audit
   c) Service audit
   d) None of above
2. The most comprehensive type of audit is the:
   a) Product audit
   b) Process audit
   c) System audit
   d) All of above
3. Types of quality audit are:
   a) Product audit
   b) Process audit
   c) System audit
   d) All of above
4. Types of quality audit are
   a) 3
   b) 2
   c) 5
   d) 1
5. An examination of a particular product or service, whether it meets customers specifications called:
   a) Product audit
   b) Process audit
   c) System audit
   d) All of above
6. Process of verification that whether organization system is working with in standard limit:
   a) Product audit
   b) Process audit
   c) System audit
   d) All of above
7. An audit conducted for evaluation of management system called
   a) Product audit
   b) Process audit
   c) System audit

8. An audit conducted for evaluation of management system called:
   a) Product audit
   b) Process audit
   c) System audit
   d) All of above
9. Evaluation of efficiency, effectiveness and goal achievements are objectives of:
   a) Financial audit
   b) Information system audit
   c) Operational audit
   d) All of above
10. A system of quality audit may verify the effectiveness of a quality management system, this is part of:
    a) ISO 9000
    b) ISO 9001
    c) ISO 9002
    d) ISO 9003
11. Comprehensive type of audit is the examination of suitability and effectiveness of the system as a whole called:
    a) Quality audit
    b) Quantity audit
    c) Preliminary audit
    d) All of above

Answers:

1	a	2	d	3	d	4	A	5	A	6	b	7	c	8	c	9	c	10	c
11	a																		

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Internal Control System

1. Internal auditors are responsible for:
   a) Helping management to improve organizational effectiveness and efficiency
   b) Providing an independent review of the financial statements
   c) Assisting in the design and implementation of an ISA
   d) Both a & c
2. Which of the following is the types of internal audits:
   a) A financial audit
   b) An information system audit
   c) An operational audit
   d) A compliance audit
   e) An investigation audit
   f) All of above
3. Purpose of an information systems audit is to review and evaluate the:
   a) Internal control
   b) Efficiency of computer department
   c) Efficiency of production department
   d) All of above
4. Which of the following is the employee of the company:
   a) Internal auditor
   b) External auditor
   c) SECP
   d) All of above
5. Internal auditor generally follows audit standard of:
   a) Institute of Internal auditor
   b) ICMA
   c) SECP
   d) All of above
6. Internal auditor provides report to:

   b) Government
   c) Shareholders
   d) All of above
7. Which of the following is not function of internal auditor:
   a) Internal control review
   b) Risk audits
   c) Financial statements audit
   d) All of above
8. Which auditor frequently measures the compliance of entity policies and procedures:
   a) Internal auditor
   b) External auditor
   c) Both a & b
   d) All of above
9. Which of the followings is the component of internal control system:
   a) Control environment
   b) Entity risk assessment process
   c) Control activities
   d) Information system
   e) Monitoring of control
   f) All of above
10. Which of the followings is the element of control environment of a company:
   a) Commitment to competence
   b) Organizational structure
   c) Human resource policies and practices
   d) Assignment of authority and responsibility
   e) All of above
11. Factors due to which risk can arise and change in the entity:
   a) Change in operating environment
   b) New personal, technology, information system
   c) Corporate restructuring and new accounting pronouncement

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d) All of above

12. Which of the followings are the different control activities in the company :
    a) Performance review
    b) Information processing /Physical control
    c) Segregation of duties
    d) All of above
13. Which of the different procedures to obtain audit evidence about the internal control system of a company:
    a) Inquiry of entity personnel
    b) Observing application of specific controls
    c) Inspecting documents and records
    d) All of above
14. Which of the different factors that are consider to obtain understanding of entity and its internal control system:
    a) Business operation
    b) Investments and investment activities
    c) Financing and financing activities
    d) Financial reporting
    e) All of above
15. Which risks shall consider as significant risk during understanding of entity internal control system:
    a) Whether risk is risk of fraud
    b) About Complexity of transactions
    c) Whether risk is related to recent significant economic, accounting or other developments
    d) All of above
16. Which of the following characteristics should be in well-designed Internal control questionnaire (ICQ):
    a) Questions about strength and weaknesses
    b) Organized according to the function of organization
    c) Provide sufficient source of data about internal control system
    d) All of above

Answers:

1	d	2	f	3	a	4	a	5	a	6	a	7	c	8	a	9	f	10	e
11	d	12	d	13	d	14	e	15	d	16	d								

Sampling

1. Application of audit procedures to less than 100% of items within a population of audit relevance on which to base auditor draw conclusion about entire population called:
    a) Sampling
    b) Population
    c) Vouching
    d) Investigation
2. The entire set of data from which a sample is selected and about which auditor wishes to draw conclusions called:
    a) Sampling
    b) Population
    c) Vouching
    d) Investigation
3. Risk that the auditor conclusion based on a sample may be different from the conclusion if the entire population were subject to the same audit procedures called:
    a) Sampling
    b) Sampling risk
    c) Vouching
    d) Investigation
4. The individual item constituting a population called:
    a) Sampling
    b) Sampling unit
    c) Vouching
    d) Investigation
5. Which of the following factor is considered during sample designing, determining size and selection of items for testing:
    a) Purpose of audit procedures and characteristics of population
    b) Sampling risk
    c) Each sampling unit has chances of selection
    d) All of above

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6. A misstatement or deviation that is demonstrably not representative of misstatement or deviation in a population called:
   a) Anomaly
   b) Sampling unit
   c) Verification
   d) Investigation
7. Which of the following is the method of sample selection:
   a) Random selection
   b) Systematic selection
   c) Monetary unit sampling
   d) Haphazard selection
   e) Block selection
   f) All of above
8. Sampling method in which sample is selected through random number generators and random number table called:
   a) Random selection
   b) Systematic selection
   c) Monetary unit sampling
   d) Haphazard selection
9. Sampling method in which sample is selected by specific interval:
   a) Random selection
   b) Systematic selection
   c) Monetary unit sampling
   d) Haphazard selection
10. Sampling method in which sample size, selection and evaluation of results in monetary amounts called:
   a) Random selection
   b) Systematic selection
   c) Monetary unit sampling
   d) Haphazard selection

11. Sampling method in which auditor selects the sample without following a structured technique:
   a) Random selection
   b) Systematic selection
   c) Monetary unit sampling
   d) Haphazard selection
12. Sampling method in which selection of contiguous (Similar) items from the population:
   a) Random selection
   b) Systematic selection
   c) Monetary unit sampling
   d) Block selection
13. Which of the following factor influence the sample size for tests of controls/details:
   a) Extent to which risk assessment
   b) Tolerable rate of deviation
   c) Expected rate of deviation
   d) Number of sampling unit in the population
   e) All of above
14. Process of dividing a population into sub-population which have similar characteristics called:
   a) Stratification
   b) Sampling
   c) Block selection
   d) None of above

Answers:

1	a	2	b	3	b	4	b	5	d	6	a	7	f	8	a	9	b	10	c
11	d	12	d	13	e	14	a												

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Auditor and Legal Environment

1. A person appointed to examine the books of accounts and report upon them called
   a) Auditor
   b) Director
   c) Management
   d) All of above
2. A person appointed by the management to check the internal system of the organization called:
   a) External auditor
   b) Internal auditor
   c) Board of directors
   d) All of above
3. An independent person who carries out the work of audit to give his legal opinion on financial statements called:
   a) External auditor
   b) Internal auditor
   c) Board of directors
   d) All of above
4. Appointment of auditors of a company is made according to the provisions of companies ordinance 1984:
   a) Section 252
   b) Section 253
   c) Section 254
   d) Section 251
5. Auditor is appointed by followings ways:
   a) First auditor
   b) Subsequent auditor
   c) Casual vacancy
   d) All of above
6. Who is responsible for the appointment of statutory auditor of a limited company:

   a) Human resource manager
   b) Members/Shareholders of the company
   c) Government
   d) All of above
7. Casual vacancy of auditor is appointed by which authorities:
   a) Board of directors
   b) SECP
   c) Both a & b
   d) None of above
8. First auditor is appointed by directors after incorporation of company:
   a) Within 60 days
   b) Within 30 days
   c) Within 50 days
   d) None of above
9. First auditor is appointed, by which authority if auditor could not appoint by directors within 60 days of incorporation:
   a) Shareholders
   b) Directors
   c) Both & b
   d) None of above
10. First auditor is appointed, by which authority if auditor could not appoint by directors within 120 days of incorporation:
   a) Shareholders
   b) Directors
   c) SECP
   d) None of above
11. Subsequent auditor is appointed by shareholders at:
   a) Annual general meeting
   b) At any time after retirement of auditor
   c) Extraordinary general meeting

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d) None of above

12. If Subsequent auditor is not appointed by shareholders at AGM then appointed by:
    a) SECP
    b) Directors
    c) Both & b
    d) None of above
13. Tenure of Subsequent auditor till:
    a) Conclusion of next annual general meeting
    b) Commencement of first annual general meeting
    c) Depends on SECP
    d) None of above
14. Tenure of first auditor till:
    a) Conclusion of first annual general meeting
    b) Commencement of first annual general meeting
    c) Depends on SECP
    d) None of above
15. Casual vacancy of auditor is fulfilled within 30 days of occurrence by:
    a) SECP
    b) Directors
    c) Both & b
    d) None of above
16. Casual vacancy of auditor is not fulfilled within 30 days of occurrence by directors then which authority shall appoint:
    a) SECP
    b) Directors
    c) Both & b
    d) None of above
17. Tenure of auditor of casual vacancy:
    a) Till next AGM
    b) One financial year

    c) Both & b
    d) None of above
18. If auditor is appointed by directors than remuneration shall fixed by:
    a) Directors
    b) Shareholders
    c) SECP
    d) All of above
19. If auditor is appointed by commission (SECP) than remuneration shall fixed by:
    a) Directors
    b) Shareholders
    c) SECP
    d) All of above
20. If auditor is appointed by Shareholders than remuneration shall fixed by:
    a) Directors
    b) Shareholders
    c) SECP
    d) All of above
21. Qualification of auditor of public company or subsidiary of public company or private company which has capital 3 million or more must be:
    a) Chartered Accountant
    b) Cost and management Accountant
    c) Accountant
    d) All of above
22. Which of the followings are disqualified to appoint as an auditor:
    a) Person who was a director, officer or employee of the company during last 3 year
    b) Person who is an employee of a director or officer of the company
    c) Spouse of a director of the company
    d) All of above
23. Which of the followings are disqualified to appoint as an auditor:
    a) Person who is indebted to the company

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b) Body corporate

c) Person who holds shares and does not disinvest within 90 days of appointment

d) All of above

24. As per companies ordinance, a person is disqualified from being appointment as statutory auditor of a company if he holds:

a) Securities carrying voting rights of the company

b) Property of the company

c) Vehicle of the company

d) Goods of the company

25. Which of the following section deals with disqualification of the auditor:

a) Section 254

b) Section 252

c) Section 251

d) Section 256

26. Time period in which notice from a members must be given about appointment of new auditor instead of retiring auditor:

a) At least 14 days before AGM

b) At least 21 days before AGM

c) At least 28 days before AGM

d) None of above

27. Time period in which notice from company to other members must be given about appointment of new auditor instead of retiring auditor:

a) At least 7 days before AGM

b) At least 21 days before AGM

c) At least 28 days before AGM

d) None of above

28. Statutory auditor has right to obtain information from:

a) Employees

b) External stakeholders

c) Officers of the company

d) All of above

29. Which of the following can be appointed as an auditor of central government:

a) Board of director of the company

b) Chartered accountant in practice

c) Chartered accountant not in practice

d) All of above

Answers:

1	a	2	B	3	a	4	a	5	d	6	b	7	c	8	a	9	a	10	c
11	a	12	A	13	a	14	a	15	b	16	a	17	a	18	a	19	c	20	b
21	a	22	D	23	d	24	a	25	a	26	a	27	a	28	d	29	b		

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Audit Report

1. Written opinion expressed by the auditor about the financial statements called:
   a) Auditor's report
   b) Report
   c) Audit conclusion
   d) None of them
2. According to international standards on auditing, basic parts of auditor report are:
   a) 7
   b) 10
   c) 2
   d) 5

Note: Parts of auditor report (Title, Addressee, Introductory paragraph, Management responsibilities, Auditor responsibilities, Auditor opinion, other reporting responsibilities, Signature of the auditor, Date of report, Audit firm address)

3. Auditor report generally addressed to:
   a) Shareholders
   b) Board of directors
   c) Bankers
   d) Both a & b

Note: Addressee of auditor report may vary with the appointing authority

4. Contents and form of auditor report may change:
   a) Due to different nature of engagement
   b) Due to different audit scope
   c) Due to different audit firms
   d) Both a & b
5. Auditor report should be dated:
   a) Not earlier than the date on which auditor has obtained sufficient and appropriate audit evidence
   b) Date on which management letter is issued
   c) Date on which engagement letter is issued
   d) Date on which auditor report is prepared
6. Types of audit reports:
   a) Statutory report
   b) Annual report
   c) Prospectus report
   d) All of above

7. Types of annual reports:
   a) Qualified/unqualified report
   b) Adverse report
   c) Disclaimer report
   d) All of above
8. When auditor has obtained all the information which required and financial statements are providing true and fair view then auditor issued:
   a) Unqualified report
   b) Adverse report
   c) Disclaimer report
   d) None of above
9. When there is disagreement between auditor and management and effect of such disagreement is not material or pervasive then auditor issued:
   a) Qualified report
   b) Adverse report
   c) Disclaimer report
   d) None of above
10. When there is disagreement between auditor and management and effect of such disagreement is material or pervasive then auditor issued:
    a) Qualified report
    b) Adverse report
    c) Disclaimer report
    d) None of above
11. When auditor is unable to express an opinion and effect of which is not material or pervasive then auditor issued:
    a) Qualified report
    b) Adverse report
    c) Disclaimer report
    d) None of above

Note: When misstatement effect the decision of the user of financial statement called materia misstatement and when misstatement not confined/limited to one account balance or item of financial statement called pervasive

12. Standard format of the auditor's report as per Companies Ordinance 1984 is given which of the legal forms:
    a) Form 31 A
    b) Form 32 A
    c) Form 35A
    d) Form 36A

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13. When issuing unqualified opinion auditor must satisfied that:
    a) Total likely misstatement is less than materiality level
    b) Total misstatement more than materiality level
    c) Total misstatement equal to materiality level
    d) None of above
14. When the format and layout of the auditor's report prescribed by local laws and regulations is different from the international standards then which format and layout will follow:
    a) Format of local laws and regulations
    b) Format of international standards
    c) Format of American standards
    d) None of above
15. When supplementary information could not differentiate from financial statements then:
    a) Auditor shall explain in the audit report such information has not been audited
    b) Auditor shall explain in the audit report such information has been audited
    c) Auditor shall express opinion
    d) None of above

Note: Supplementary information is the information which is attach with financial statements that is not required by international accounting standards

Answers:

1	a	2	b	3	d	4	D	5	a	6	d	7	d	8	a	9	a	10	b
11	c	12	c	13	a	14	A	15	a										

Miscellaneous topics

Code of Ethics and Threats for Professional Accountants (Auditor)

1. Fundamental principles that a professional accountant (audit firm) are required to comply with called :
    a) Code of ethics
    b) Audit procedures
    c) Substantive procedures
    d) All of above

Note: Persons who after completion of chartered accountancy join an audit firm or established new audit firm that are called professional accountants

2. Different types of code of ethics:
    a) Integrity
    b) Objectivity
    c) Professional competence and due care
    d) Confidentiality
    e) Professional behavior
    f) All of above
3. How many types of code of ethics:
    a) 5
    b) 6
    c) 4
    d) 3
4. Auditor should be straightforward and honest in all professional and business relationship called:
    a) Integrity
    b) Objectivity
    c) Confidentiality
    d) Professional behavior

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5. Auditor should not allow bias, conflict of interest or influence of others during audit called:
   a) Integrity
   b) Objectivity
   c) Confidentiality
   d) Professional behavior
6. Auditor should maintain professional knowledge and skill as well as follow technical and professional standards during all stages of audit called:
   a) Integrity
   b) Objectivity
   c) Confidentiality
   d) Professional competence and due care
7. Auditor should not disclose any such information to third parties without proper and specific authority during and after audit called:
   a) Integrity
   b) Objectivity
   c) Confidentiality
   d) Professional behavior
8. Auditor should comply with relevant laws and regulations called:
   a) Integrity
   b) Objectivity
   c) Confidentiality
   d) Professional behavior
9. Specific circumstances which creates limitations to the auditor to follow code of ethics called:
   a) Threats
   b) Audit limitations
   c) Professional misconduct
   d) None of above
10. Types of threats to the auditor:

   a) Self-interest threats
   b) Self-review threats
   c) Advocacy threat
   d) Familiarity threat
   e) Intimidation threat
   f) All of above
11. Threat which occur as a result of the financial or other interest of close family members of auditor:
   a) Self-interest threats
   b) Self-review threats
   c) Advocacy threat
   d) Familiarity threat
12. Threat which occur as a result of re-evaluation of previous judgment (An estimate or judgment which he has already given to the entity):
   a) Self-interest threats
   b) Self-review threats
   c) Advocacy threat
   d) Familiarity threat
13. Threat which occur when a auditor promotes a position or opinion to the point that subsequent objectivity may be compromised:
   a) Self-interest threats
   b) Self-review threats
   c) Advocacy threat
   d) Familiarity threat
14. Threat which occur when a auditor could not act objectively during audit due to actual or perceived threats:
   a) Self-interest threat
   b) Self-review threat
   c) Advocacy threat
   d) Intimidation threat

Answers:

1	a	2	f	3	a	4	a	5	b	6	d	7	c	8	d	9	a	10	f
11	a	12	b	13	d	14	d												

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Government Audit

1. Audit of government of Pakistan conduct under the supervision of :
   a) Department of the auditor-general of Pakistan (DAGP)
   b) Department of accounts and audit (DAA)
   c) Department of quality control of Pakistan (DQCP)
   d) None of above
2. Types of government audit:
   a) Certification audit
   b) Compliance with authority audit
   c) Performance audit
   d) All of above
3. Audit of economy, efficiency and effectiveness called:
   a) Certification Audit
   b) Compliance with Authority Audit
   c) Performance Audit
   d) All of above
4. Component of government audit:
   a) Government revenue receive and pending
   b) Expenditures incurred by government
   c) Receipt of foreign aid
   d) Grants
   e) Transfer of money to lower levels of government
   f) Fixed and current assets of government
   g) All of above
5. Which of the followings risks are considered during an audit of government:
   a) Fluctuations in exchange rates
   b) Fluctuation in economic conditions
   c) Natural disaster and other unforeseen occurrence
   d) Potential liability for environmental damages
   e) All of above
6. Which of the following risk is not considered during an audit of government:
   a) Show over expenditures in one grant and under expenditures in another grant
   b) Delay presentation of accounts
   c) Lack of reconciliation
   d) Lack of disclosures of terms and conditions attach to loans
   e) Delay confirmation from debtors
7. Which of the followings is the main component of government revenue:
   a) Federal tax collection
   b) Foreign loans and grants
   c) Domestic loans (Debt)
   d) All of above
8. Auditor of government should remain aware about government:
   a) Policies in the area of audit
   b) Administration

   c) Civil court procedures
   d) None of above
9. Which of the followings offices work under the supervision of controller general of Pakistan (CGP):
   a) Ministries
   b) Federal Departments
   c) Provincial/District Government
   d) All of above
10. Different bank accounts that government of Pakistan operates with SBP that an auditor must consider:
   a) Food account/Non-food account
   b) Fertilizer account
   c) Government deposit account/Saudi Arabia special loan account
   d) Government deposit account
   e) All of above
11. Which of the external factor that auditor should consider during audit of any company:
   a) Economic trends and conditions
   b) General financial indicators and trends
   c) Political conditions, Technological and social factors
   d) All of above

Answers:

1	a	2	d	3	c	4	G	5	e	6	e	7	d	8	a	9	d	10	e	11	d

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General Information about Audit

1. International Stander on Auditing (ISA) issued by:
   a) International Federation of Accountants (IFAC)
   b) International Group of Accountants (IGAC)
   c) Institute of Chartered Accountants (ICAP)
   d) None of above
2. Which independent authority force to auditors to follow (ISA) in Pakistan:
   a) Institute of Chartered Accountants (ICAP)
   b) Institute of Cost and Management Accountants (ICMA)
   c) American Institute of CPAs
   d) All of above

Note: International accounting standards (IAS) are different from international standard on auditing (ISA). IAS are accounting standards but ISA are auditing standards that are applicable in Pakistan

3. How many International Standard on Auditing issued by IFAC:
   a) 36
   b) 40
   c) 38
   d) 42

Note: List of such standards given at the end of this chapter

4. ISA 200 deals with:
   a) Overall objectives of independent auditor and conduct of audit according to international standard on auditing
   b) Agreeing the terms of audit engagements
   c) Audit documentation
   d) Quality control for an audit of financial statements
5. ISA 300 deals with:
   a) Overall objectives of independent auditor and conduct of audit according to international standard on auditing
   b) Audit planning
   c) Audit documentation
   d) Quality control for an audit of financial statements
6. ISA 500 deals with:
   a) Audit evidence
   b) Audit planning
   c) Audit documentation
   d) Quality control for an audit of financial statements

7. Financial reporting framework adopted by management and those charge with governance in the preparation of financial statements called:
   a) Applicable financial reporting framework
   b) Compliance framework
   c) General framework
   d) None of above
8. Financial reporting framework that requires compliance with the requirements of framework called:
   a) Applicable financial reporting framework
   b) Fair presentation framework
   c) Compliance framework
   d) None of above
9. Financial statements of government and non-profit companies are:
   a) Representation by treasury
   b) Representation by officials responsible for financial management of the company
   c) Representation by operation manager
   d) Representation by general manager
10. Primary objective of a financial audit of a government and non-profit entities is to provide assurance that:
   a) Financial statements present fairly the financial position
   b) Entity is using resource effectively and efficiently
   c) Financial statements are free of errors and omissions
   d) None of above
11. Objective of the ordinary audit of financial statements is the expression of an opinion on:
   a) Fairness of the financial statements
   b) Financial statements
   c) Accuracy of financial statements
   d) None of above
12. Auditor accumulate evidence to:
   a) Reach conclusion about the fairness of the financial statements
   b) Defend themselves that he have observed evidence
   c) Satisfy the requirements of company ordinance
   d) Defend themselves in the event of law
13. Responsibility for adopting sound accounting principles and maintaining adequate internal control attach with:
   a) Management
   b) Board of directors
   c) Auditor
   d) Internal auditor

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14. Responsibility for the fair presentation of financial statements attach with:
    a) Management
    b) Board of directors
    c) Auditor
    d) Internal auditor
15. When management shows favorable picture of the state of affairs of the company than actual is called:
    a) Windows Dressing
    b) Teaming and lading
    c) Manipulation of financial position
    d) None of above
16. Which of the followings is the example of windows dressing:
    a) Goods sent on sale or return basis recorded as regular sale
    b) Charging less depreciation on assets
    c) Revenue expenditure recorded as deferred revenue expenditures
    d) Recovery of loan at the end of the year and recorded at the start of the year
    e) All of above
17. Take out money from one account and put back money in same account after some time called:
    a) Windows Dressing
    b) Teeming and lading
    c) Manipulation of financial position
    d) None of above
18. Mr.Ajmal pays cash of Rs.10000 to the cashier and cashier make no entry in record of Mr.Ajmal and later Mr.Ahsan pays Rs.10000 then cashier makes entry in Mr.Ajmal a/c.This is called::
    a) Windows Dressing
    b) Teeming and lading
    c) Manipulation of financial position
    d) None of above
19. An entity whose audit is being conducted called:
    a) Auditee
    b) Client
    c) Auditor
    d) Both a & b
20. Information used by the auditor in arriving at the conclusions on which auditor opinion is based called:
    a) Audit evidence
    b) Audit procedures

    c) Audit report
    d) All of above
21. Measure of quantity of audit evidence called:
    a) Sufficiency of audit evidence
    b) Appropriateness of audit evidence
    c) Quality of audit evidence
    d) All of above
22. Measure of quality of audit evidence called:
    a) Appropriateness of audit evidence
    b) Appropriateness of audit evidence
    c) Quality of audit evidence
    d) All of above
23. The risk that the auditor expresses an inappropriateness audit opinion when the financial statements are materially misstated called:
    a) Misstatement
    b) Audit risk
    c) Detection risk
    d) Control risk
24. Audit risk is a function of risks of:
    a) Material misstatement
    b) Audit risk
    c) Detection risk
    d) Both a & c
25. Which of the followings is the type of audit risk:
    a) Inherent risk
    b) Control risk
    c) Detection risk
    d) All of above
26. The risk that financial statements are materially misstated prior to audit called:
    a) Risk of material misstatement
    b) Audit Risk
    c) Both a & b
    d) All of above
27. The susceptibility of an assertion about a class of transaction, account balance or disclosures to a misstatement before consideration of any related control called:
    a) Inherent risk
    b) Control risk
    c) Detection risk
    d) All of above

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28. The risk that a misstatement that could occur in an assertion about a class of transaction, account balance or disclosures to a misstatement that will not be prevented, or detected and corrected on a timely basis by the entity internal control called:
    a) Inherent risk
    b) Control risk
    c) Detection risk
    d) All of above
29. Such risk in which auditor cannot detect material misstatement is called:
    a) Inherent risk
    b) Control risk
    c) Detection risk
    d) All of above
30. A difference between amount, classification, presentation or disclosure of a reported financial statements items and the amount, classification, presentation or disclosure that is required for the item to be in accordance with applicable financial reporting framework called :
    a) Misstatement
    b) Control risk
    c) Detection risk
    d) Audit risk
31. Professional skepticism means attitude that include:
    a) Questioning mind
    b) Introspective
    c) Unbelieving
    d) None of above
32. The application of relevant training, knowledge and experience, within the context provided by auditing, accounting and ethical standards, in making informed decisions about the course of actions that are appropriate in the circumstances of engagement called:
    a) Professional Judgment
    b) Professional skepticism
    c) Audit procedures
    d) None of above
33. In which of the following scenario auditor use professional judgment:
    a) Setting materiality and audit risk
    b) In determining nature , timing and extent of audit procedures
    c) Evaluating whether sufficient and appropriate audit evidence has obtained
    d) All of above
34. An independent auditor gives assurance after audit of financial statements:

    a) Reasonable
    b) Introspective
    c) Unbelieving
    d) None of above
35. Reasonable assurance means:
    a) Auditor is not insure about correctness of financial statements
    b) Auditor is not responsible for the fairness of financial statements
    c) Auditor is responsible only for issuing of report
    d) None of above
36. High but not absolute level of assurance called:
    a) Reasonable assurance
    b) Absolute level of assurance
    c) Both a & b
    d) None of above
37. Auditor give reasonable assurance due to:
    a) Audit limitations
    b) Delay presentation of financial statements to auditor
    c) lack of cooperation by management
    d) None of above
38. Which of the following is the type of inherent limitation of audit:
    a) Nature of financial reporting
    b) Nature of audit procedures
    c) Audit is compulsory to conduct within reasonable time and cost
    d) All of above
39. Different transactions which has significant impact on the audit limitations:
    a) Fraud
    b) Non-compliance with laws and regulations
    c) Existence of related party relationship
    d) All of above
40. Persons or organizations that are responsible for overseeing the strategic direction of the entity and obligations related to the accountability of the entity called:
    a) Those charged with governance
    b) General manager
    c) Purchase manager
    d) All of above
41. A written contract between audit firm and client or written agreement to perform services by audit firm in exchange of compensation called:
    a) Audit engagement letter
    b) Management letter

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c) Audit report
d) None of above

42. Which of the followings terms that are determine at the time of audit engagement or which of the followings is the part of audit engagement letter:
a) Objective and scope of audit
b) Responsibilities of management and auditor
c) List of inherent limitations of audit
d) Identification of applicable financial reporting framework
e) All of above

43. Letter issued by the auditor to the management to convey weakness/drawback in the internal control system of the company called:
a) Management letter
b) Auditor report
c) Engagement letter
d) None of above

44. In how many days management letter (ML) issued by the auditor to the management after issuing of auditor report:
a) Within 60 days
b) Within 90 days
c) Within 50 days
d) Within 30 days

45. Letter issued during the audit to the management for confirming any information called:
a) Audit memorandum
b) Audit note
c) Audit report
d) Management letter

46. The record of audit procedures performed, audit evidence obtained and conclusion reached is called:
a) Audit documentation/working paper
b) Auditor report
c) Audit plan
d) All of above

47. Form, content and extent of audit documentation depends on which of the following factor:
a) Size and complexity of the entity
b) Nature of audit procedures performed
c) Identified risks of material misstatement
d) Audit methodology and tools used
e) All of above

48. Which of the following is the example of audit documentation:
a) Audit program
b) Checklist
c) Letter of confirmation and representation
d) Analyses
e) All of above

49. Time period in which assembly of audit file is required after the auditor report:
a) Within 60 days
b) Within 90 days
c) Within 50 days
d) Within 30 days

50. How much time period auditor is bound to retain audit working papers after the audit according to ISA:
a) 5 years
b) 6 years
c) 7 years
d) 4 years

51. How much time period auditor is bound to retain audit working papers after the audit according to ICAP:
a) 5 years
b) 6 years
c) 7 years
d) 4 years

52. Which of the following amendment can auditor bring in audit working paper after the finalization of audit file:
a) Deleting, discarding superseded document
b) Sorting and cross-referencing of working papers
c) Signing off on completion of checklists
d) All of above

53. Audit documentation is the property of:
a) Auditor
b) Client
c) Audit committee
d) All of above

54. Quantity of audit working papers collected by auditor mostly effect by:
a) Auditor experience and professional judgment
b) Management integrity
c) Auditor qualification
d) None of above

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55. Which of the followings is the advantage of audit working paper:
    a) Provide a basis for review of audit work
    b) Provide a basis for subsequent audits
    c) Provide surety about audit work according to audit program
    d) All of above
56. Types of files which auditor maintains during audit:
    a) Current file
    b) Permanent/Master file
    c) Both a & b
    d) None of above
57. Audit file which contain information about current working of audit is called:
    a) Current file
    b) Permanent/Master file
    c) Both a & b
    d) None of above
58. Audit file which contain information about the nature of the entity and its internal system called:
    a) Current file
    b) Permanent/Master file
    c) Both a & b
    d) None of above
59. Which of the following is the advantage of audit working paper:
    a) Assist the engagement team to plan and perform audit
    b) Maintain record for future
    c) Enable the conduct of quality control review and inspection
    d) All of above
60. Which of the following is the characteristics of good working papers:
    a) Description about period of audit
    b) Tick marks
    c) Cross-referencing
    d) Indexing
    e) All of above
61. Different symbols that auditor use to indicate work that has been done during audit called:
    a) Vouching
    b) Tick marks
    c) Cross-referencing
    d) Indexing
62. Performance of test of control is documented in:

    a) Audit programme
    b) Auditor working paper
    c) Audit report
    d) All of above
63. Which of the followings locations that auditor shall audit of any organization:
    a) Principal business place
    b) Attached departments
    c) Operational locations
    d) Location where assets are located
    e) All of above
64. Procedures in which auditor record transactions in the proper period called:
    a) Cut-off procedures
    b) Analytical procedures
    c) Test of control
    d) None of above
65. An against the government laws and regulation is called:
    a) Illegal Act
    b) Fraud
    c) Error
    d) None of above
66. Illegal acts effect the financial statements:
    a) Indirectly
    b) Directly
    c) Do not effect
    d) None of above
67. Which of the following statement is not true according to companies ordinance 1984:
    a) Books of account should be at head office
    b) Books of account should be kept for 10 years
    c) Shareholders and director can review books of accounts
    d) None of above
68. Omission or misstatement shall consider material if it individually or in aggregate with other misstatements could influence:
    a) Economic decision of the users of financial statements
    b) Economic decision of auditor
    c) Economic decision of SECP
    d) None of above
69. At which of the different levels materiality is determine for audit of financial statements:
    a) Materiality as a whole
    b) Materiality for particular classes of transactions

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c) Performance materiality
d) All of above

70. When auditor consider materiality in audit of financial statements:
a) Identifying and assessing the risks of material misstatement
b) Determine the nature , timing and extent of audit procedures
c) Evaluating the effect of uncorrected misstatements
d) All of above

71. Which of the different factors that are consider in determining the benchmark for materiality:
a) Elements of financial statements
b) Nature of the entity
c) Entity ownership and structure
d) All of above

Answers:

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

List of different International Standard on Auditing

1. ISA 200, Overall objectives of the independent auditor and conduct of audit accordance with International standard on Auditing
2. ISA 210, Agreeing the Terms of audit engagements
3. ISA 220, Quality control for an audit of Financial statements
4. ISA 230, Audit Documentation
5. ISA 240, The auditors responsibilities relating to fraud
6. ISA 250, Consideration of Laws and regulations in an audit of Financial statements
7. ISA 260, Communication with those charge with Governance
8. ISA 265, Communicating deficiencies In Internal control
9. ISA 300, Planning an Audit of financial statements
10. ISA 315, Identifying and Assessing the risks of material misstatements through understanding of entity and its environment
11. ISA 320, Materiality in planning and performing of audit
12. ISA 330, Auditor response to assessed risks
13. ISA 402, Audit considerations relating to an entity using a service organization
14. ISA 450, Evaluation of misstatements identified during the audit
15. ISA 500, Audit evidence
16. ISA 501, Audit evidence-specific consideration for selected item
17. ISA 505, External confirmations
18. ISA 510, Initial audit engagements- opening balance
19. ISA 520, Analytical procedures
20. ISA 530, Audit Sampling
21. ISA 540, Auditing accounting estimates, including fair value accounting estimates, and related disclosures
22. ISA 550, Related parties
23. ISA 560, Subsequent event
24. ISA 570, Going concern
25. ISA 580, Written representation
26. ISA 600, Special consideration-Audits of group financial statement
27. ISA 610, Using the work of the internal auditors
28. ISA 620, Using the work of internal auditor
29. ISA 700, Forming an opinion and reporting on financial statements
30. ISA 705, Modification to the opinion in the independent auditors report
31. ISA 706, Emphasis of matter paragraphs and other matter paragraphs in the independent auditor report
32. ISA 710, Comparative information-corresponding figures and comparative financial statements

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33. ISA 720, The auditor responsibilities relating to the other information in documents containing audited financial statements
34. ISA 800, Special consideration-audits of financial statements prepared in accordance with special purpose or items of a financial statements
35. ISA 805, Special consideration-audits of single financial statements and specific elements, accounts or items of a financial statements
36. ISA 810, Engagements to report on summary financial statements

Information about Auditor General of Pakistan

1. Office of Auditor General of Pakistan was developed under the constitution of:
   a) Pakistan
   b) India
   c) USA
   d) UAE
2. Terms and conditions of the office of Auditor General of Pakistan determined by:
   a) Parliament
   b) SECP
   c) FBR
   d) All of above
3. Terms and conditions of the office of Auditor General of Pakistan after approval of parliament finally approve by:
   a) President
   b) SECP
   c) FBR
   d) All of above
4. Auditor General of Pakistan remove from the office by the order of:
   a) Supreme court of Pakistan
   b) SECP
   c) FBR
   d) All of above
5. Auditor General of Pakistan is appointed for period of:
   a) 3 years
   b) 4years
   c) 5 years
   d) 1 year
6. Time period in which Auditor General of Pakistan cannot reappoint in the office after he has ceased:
   a) 3 years

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b) 2years

c) 5 years

d) 1 year

7. Basic function of office of Auditor General of Pakistan is to:

a) Bring improvement in financial and reduce possibility of fraud and wastage

b) Bring transparency in the government operations

c) Bring maximum employment in the country

d) Both a & b

8. How many number of employees are working in the office of Auditor General of Pakistan:

a) 1200

b) 1300

c) 1400

d) 1500

9. Office of Auditor General of Pakistan is located in the:

a) Lahore

b) Islamabad

c) Karachi

d) Faisalabad

10. Under which articles of constitution of Pakistan 1973 "Role and powers" of office of Auditor General of Pakistan are described:

a) 168

b) 169

c) 170

d) All of above

11. Under approval of which authority a person can act as Auditor General in case of absent or unable to perform function by Auditor General of Pakistan:

a) President

b) Chief Justice of Pakistan

c) Speaker Punjab Assembly

d) All of above

12. Report of Auditor General of Pakistan is presented before:

a) National Assembly

b) Provincial Assembly

c) District Assembly

d) All of above

13. Budget of Auditor General of Pakistan is classified as:

a) "Charged expenditure"

b) "Chargeable expenditure"

c) "Charged revenue"

d) None of above

14. Different types of audits which are mainly conducted by Auditor General of Pakistan:

a) Regularity and compliance audit

b) Performance audit

c) Both a & b

d) None of above

15. Auditor General of Pakistan is an active member of INTOSAI which is abbreviation of:

a) International organization of supreme audit institutions

b) International organization of senior auditor institutions

c) International organization of social audit institutions

d) All of above

16. Department of Auditor General of Pakistan, (SAI) is abbreviation of:

a) Supreme audit institutions

b) Super audit institutions

c) Social audit institutions

d) All of above

Answers:

1	a	2	A	3	a	4	a	5	b	6	b	7	d	8	d	9	b	10	d
11	a	12	d	13	a	14	c	15	a	16	a								

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Computer Based Auditing

1. Which of the following is the most common audit procedure in computer based audit:
   a) Computer-assisted audit technique (CAAT)
   b) Analytical
   c) Test of control
   d) None of above
2. Which of the following is the type of CAAT:
   a) Generalized audit software (GAS)
   b) Utility software
   c) Test data
   d) Audit expert system
   e) All of above
3. Software that has capability to directly read and access data from various platforms called:
   a) Generalized audit software (GAS)
   b) Utility software
   c) Test data
   d) Audit expert system
4. Which of the following is the feature of Generalized audit software (GAS):
   a) Mathematical calculation
   b) Data analysis
   c) Sequence checking
   d) Duplication checking
   e) All of above
5. Which of the following is the advantage of CAAT:
   a) Computer assisted sampling
   b) File management
   c) Report generation
   d) All of above
6. Which of the following is not advantage of CAAT:

   a) Reduce level of audit risk
   b) Cost saving
   c) Timely identify internal control weaknesses
   d) Analytical procedures are not required
7. Which of the followings is the internal controls in a computer environment:
   a) Application controls
   b) General controls
   c) Both a & b
   d) None of above
8. Different procedures that used to initiate, record , process and report transactions or other financial data called:
   a) Application controls
   b) General controls
   c) Both a & b
   d) All of above
9. Different types of application controls:
   a) Input controls
   b) Processing controls
   c) Output controls
   d) All of above
10. Application controls normally apply on:
   a) Sales
   b) Purchases
   c) Wages
   d) All of above
11. Policies and procedures that relate to many applications and support in effective functioning of application controls called:
   a) General control
   b) Application control
   c) Both a & b

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d) None of above

12. Different types of general controls:
    a) Data center and network operations
    b) System software acquisition, change and maintenance
    c) Access security (physical security of assets)
    d) Authorization
    e) Application system acquisition, development and maintenance
    f) All of above
13. When sorting inventory record by location with generalized audit software, which function of such software is being used:
    a) Data analysis
    b) Calculation
    c) Statistics
    d) File manipulation
14. Audit which assess computer security include a review of:
    a) Type of security errors and fraud
    b) Asset balance verification
    c) Review of compensating controls
    d) Both a & b

Answers:

1	a	2	e	3	a	4	e	5	d	6	d	7	c	8	a	9	d	10	d
11	a	12	f	13	d	14	d												

Public Procurement Rules 2004

1. Which Ordinance deals with the Public Procurement Regulatory Authority:
    a) 2002
    b) 2001
    c) 2004
    d) 2000
2. Tender or an offer in response to an invitation by a person or organization expressing own willingness to undertake a specified project/task at a specific price called:
    a) Bid
    b) Bidder
    c) Contract
    d) Acceptance
3. Person who submits a bid called:
    a) Agent
    b) Bidder
    c) Contract
    d) Acceptance
4. Misrepresentation of facts in order to influence a procurement process called:
    a) Corrupt and fraudulent practices
    b) Fraud
    c) Undue influence
    d) None of above
5. Natural calamities, disaster, accidents, war and operational emergency which creates abnormal situation that require prompt and immediate action to avoid from damage called:
    a) Emergency
    b) Threat
    c) Correction
    d) None of above

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6. A bid which is most closely conforming the evaluation criteria and other specified conditions in bidding documents and have lowest evaluated cost called:
   a) Lowest evaluated bid
   b) Highest evaluated bid
   c) Bid
   d) None of above
7. Procurement of the same commodity from the same source without competition called:
   a) Repeat orders
   b) Same order
   c) Lowest bid
   d) None of above
8. Return for each rupee spent in terms of quality, timeliness, reliability, after sale services called:
   a) Value for money
   b) Money
   c) Return on investment
   d) None of above
9. Procurement rules apply to all procurements made by procuring agencies of the Federal Government:
   a) Within Pakistan
   b) Outside Pakistan
   c) Within or outside Pakistan
   d) None of above
10. Which is the principle of procurements agencies:
   a) Procurements should conduct in a fair and transparent manner
   b) Procurements should conduct in equality manner
   c) Procurement should follow principles of procurements
   d) None of above
11. When there are conflict between Federal Government and international treaty about any obligation/commitment then:

   a) Provisions of Federal Government shall follow
   b) Provisions of International treaty shall follow
   c) Provisions of local Government shall follow
   d) None of above
12. Communication and documentation related to procurements of the Federal Government shall either be:
   a) Urdu or English or both
   b) Urdu
   c) English
   d) None of above
13. When procurement agency is outside the territories of Pakistan and procurement is made locally the procurement agency may use:
   a) Urdu language
   b) Local language
   c) English language
   d) All of above
14. When procurement exceeding the prescribed limit shall be subject to:
   a) Integrity pact
   b) Principles of procurements
   c) National procurements rules
   d) All of above
15. Which of the followings factors that procurement agency shall consider during planning:
   a) Determine the requirements of procuring agency
   b) Delivery time or completion date
   c) Benefits that are likely to accrue to procuring agency in future
   d) All of above
16. Which of the followings factors that procurement agency shall consider during planning:
   a) Determine the requirements of procuring agency
   b) Delivery time or completion date
   c) Benefits in future

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d) All of above

17. Which of the followings limitation apply on the procurement agency:
    a) Splitting or regrouping of proposed procurements
    b) Time period of procurement must be less than one year
    c) Time period of procurement must be more than one year
    d) All of above
18. Specification for procurement should be generic and should not include reference of:
    a) Brand names
    b) Model numbers
    c) Catalogue numbers
    d) All of above
19. Specification rule for procurement does not apply on:
    a) Public sector entities
    b) Private sector entities
    c) Both public and private sector entities
    d) All of above
20. How much value of procurement shall be advertised on the authority website:
    a) 100,000 To 2,000,000
    b) 100,000 To 200,000
    c) 200,000To 300,000
    d) 400,000 To 5,000,000
21. All procurement over two million rupees should be advertised on:
    a) Authority website as well as on newspapers
    b) Only authority website
    c) Only newspaper
    d) None of above
22. How much period information about the procurement should available on the website:
    a) Only one week
    b) Until closing date for submission of bids
    c) One month after date of advertisement

d) Fifteen days after date of advertisement

23. How much time period shall be for response time of national competitive bid:
    a) Less than 15 days
    b) Less than 30 days
    c) More than 15 days
    d) More than 20 days
24. How much time period shall be for response time of international competitive bid:
    a) Less than 15 days
    b) Less than 30 days
    c) More than 15 days
    d) More than 20 days
25. From which date response time shall calculate:
    a) Date of submission of information by the supplier
    b) Date of first publication of the advertisement
    c) Date of inquiry of bid
    d) All of above
26. When response time shall consider in case of advertisement in both electronic and print media:
    a) Date of print media/Date of publication in newspaper
    b) Date of publication in electronic media
    c) Both shall not consider
    d) All of above
27. Procurement rules under clause (b) of rule 42 does not apply on procurements of:
    a) National security
    b) Intellectual property
    c) Both a & b
    d) All of above
28. Which of the followings factors that procuring agency shall consider before selection of suppliers and contractors:
    a) Relevant experience and past performance

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b) Financial position
c) Managerial capabilities
d) Capabilities about personnel, equipments and plant
e) All of above

29. Which of the followings information that procurement agency shall announce in the pre-qualification documents:
a) All information required for pre-qualification
b) Instruction for preparation and submission of pre-qualification documents
c) Evaluation criteria
d) List of documentary evidence required by suppliers or contractors
e) All of above

30. When suppliers or contractors shall consider disqualified by the procurement agency:
a) Provide false information
b) Provide inaccurate information
c) Provide incomplete information
d) All of above

31. When supplier or contractor shall consider blacklisted by the procurement agency:
a) Fail to provide satisfactory performance
b) Indulge in corruption
c) Indulge in fraudulent practices
d) All of above

32. Which principal method a procurement agency shall use:
a) Open competitive bidding
b) Close competitive bidding
c) Open merit base bidding
d) None of above

33. Which principal method a procurement agency shall use:
a) Open competitive bidding
b) Close competitive bidding
c) Open merit base bidding

d) None of above

34. When procurement agency shall engage in open competitive bidding:
a) When cost of the object is more than prescribed financial limit in rule-42
b) When cost of the object is equal to prescribed financial limit in rule-42
c) When cost of the object is less than prescribed financial limit in rule-42
d) All of above

35. When procurement agency shall engage in open competitive bidding:
a) When cost of the object is more than prescribed financial limit in rule-42
b) When cost of the object is equal to prescribed financial limit in rule-42
c) When cost of the object is less than prescribed financial limit in rule-42
d) All of above

36. Which of the followings shall include in the bidding documents:
a) Form of bid
b) Instructions for bidders
c) General or special conditions of contract
d) Delivery time and qualification criteria
e) All of above

37. Procurement agency has right to reserve or can provide preference to national or local suppliers or contractors according to the policies of Federal Government:
a) Yes
b) No
c) Both a & b
d) None of above

38. How much security a bidder is required to submit to procuring agency:
a) 5% of bid price
b) 10% of bid price
c) 50% of bid price
d) 3% of bid price

39. When bid shall open after submission of bid to procurement agency:
a) Within 20 minutes

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b) Within 30 minutes
c) Within 60 minutes
d) Within 40 minutes

40. All bids submitted to procurement agency shall open in the presence of:
a) Government agent
b) Bidders or their representative
c) Senior auditor
d) Bankers of bidder

41. During evaluation of bid; which rate of exchange shall follow procurement agency:
a) Selling rate specified by State Bank of Pakistan
b) Purchase rate specified by State Bank of Pakistan
c) Purchase rate specified by the Government of Pakistan
d) Purchase rate specified by KSE

42. Which type of clarification a procurement agency shall obtain from bidder after opening of bid:
a) Which change the substance of bid
b) Which does not change substance of bid
c) Which effect the substance of bid
d) All of above

43. Request for clarification of bids shall be:
a) In writing
b) Verbal
c) Both writing and verbal
d) None of above

44. Which of the followings factors a procurement agency shall consider before invitation of re-bidding:
a) Assess the reasons for rejection
b) Specifications for procurement shall revise
c) Evaluation criteria shall revise
d) All of above

45. Time period in which announcement of evaluation report shall be:
a) 10 days before award of procurement contract
b) 15 days before award of procurement contract
c) 20 days before award of procurement contract
d) 30 days before award of procurement contract

46. Bid in which one single envelope shall use; in which separate financial and technical proposals called:
a) Single stage-one envelope procedure
b) Single stage-two envelope procedure
c) Separate financial and technical procedures
d) None of above

47. Bid in which one single package involve two separate envelopes; in which separate envelope for financial and technical proposals called:
a) Single stage-one envelope procedure
b) Single stage-two envelope procedure
c) Separate financial and technical procedures
d) None of above

48. Which bidder shall select after evaluation by procurement agency:
a) That has lowest evaluated bid
b) That's bid does not conflict with any other law, rules and regulations
c) That's bid according to policy of Federal Government
d) All of above

49. How much performance guarantee shall demand from successful bidder:
a) Shall not exceed 10% of the contract price
b) Shall not exceed 15% of the contract price
c) Shall not exceed 20% of the contract price
d) Shall not exceed 5% of the contract price

50. Time period up to which procurement agency is required to keep information confidential until:
a) Completion of project

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b) Announcement of proposal
c) After comments about the proposal
d) After acceptance of proposal by suppliers

51. Which of the followings are the alternative methods for procurements other then bid:
a) Petty purchases
b) Request for quotations
c) Direct contracting
d) Negotiated tendering
e) All of above

52. Procurement that's limit below twenty five thousands and shall be exempt from the requirements of bidding or quotation price called:
a) Petty purchases
b) Request for quotations
c) Direct contracting
d) Negotiated tendering
e) All of above

53. Which of the followings conditions are required for request for quotations procurement:
a) Cost of the project below one hundred thousand rupees
b) Minimum three quotations have been obtained
c) Object of purchase from the supplier offering lowest price
d) All of above

54. Which of the followings conditions are required for direct contracting procurement:
a) Procurement about acquisition of spare parts or supplementary services
b) Only one manufacturer or supplier exist
c) In case of an emergency
d) All of above

55. Which of the followings conditions are required for negotiated tendering:
a) Supplies involve are manufactured purely for supporting a specific piece of research
b) Technical or artistic reasons
c) In case of extreme urgency

d) All of above

56. Time period in which payment to suppliers and contractors shall made:
a) Within 30 days
b) Within 20 days
c) Within 10 days
d) Within 60 days

57. How much time period procurement agency shall keep record of all proceedings and associated documents:
a) 5 years
b) 10 years
c) 15 years
d) 7 years

58. Time period in which supplier or contractor may file written complaint about grievances related to procurement agency after the announcement of bid evaluation report:
a) Within 15 days
b) Within 10 days
c) Within 30 days
d) Within 20 days

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Answers:

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

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Preparation of Pension documents

1. Concept of pension was first time given by which country:
   a) Pakistan
   b) Germany
   c) India
   d) USA
2. A periodical payment made by Government to servant or his family against past services rendered by him called:
   a) Pension
   b) Gratuity
   c) Retirement benefit
   d) None of above
3. A recipient of a retirement pension is known as a:
   a) Pensioner
   b) Employee
   c) Retired employee
   d) None of above
4. Types of pensions according to pension rules:
   a) Compensation pension
   b) Superannuation pension
   c) Retiring pension
   d) All of above
5. Pension which is paid on the permanent abolition (elimination)of a servant from post by the Government called:
   a) Compensation pension
   b) Superannuation pension
   c) Retiring pension
   d) Invalid pension
   e) All of above

6. Pension which is paid to servant who by bodily or mentally sick and to whom medical board issue certificate called:
   a) Compensation pension
   b) Superannuation pension
   c) Invalid pension
   d) All of above
7. Pension which is paid to Government servant who is compelled by rule to retire at a particular age called:
   a) Compensation pension
   b) Superannuation pension
   c) Invalid pension
   d) All of above
8. Pension which is paid to Government servant who is permitted to retire after completing qualifying service of 25 years called:
   a) Compensation pension
   b) Superannuation pension
   c) Retiring pension
   d) All of above
9. Pension which is paid on 60 years age called:
   a) Ordinary pension
   b) Extraordinary pension
   c) Service pension
   d) All of above
10. Pension which is paid to employee that is medically unfit and his service less than 10 years called:
   a) Ordinary pension
   b) Extraordinary pension
   c) Gratuity
   d) All of above

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11. How much amount of pension is paid to servant if he retires on the basis of invalid pension:
    a) 2/3 of the pension
    b) 3/4 of the pension
    c) 1/4 of the pension
    d) Full amount of pension
12. Temporary service perform by employee afterward he become permanent employee, whether such period shall count in the pension:
    a) Yes
    b) No
    c) 1/2 period shall consider
    d) Only 5 years shall consider
13. How much period of apprenticeship shall consider in the pension:
    a) 1/2
    b) 1/3
    c) 2/3
    d) 3/4
14. If Service of probationers subsequently confirmed, how much period of probation shall consider:
    a) Full period
    b) Half period
    c) Only 2 years
    d) Only 4 years
15. Which of the following period shall consider in the calculation of amount of pension:
    a) Time spent by Government servant in approved training
    b) All leaves other than extra-ordinary leaves
    c) Both a & b
    d) All of above
16. How much period before employee shall apply to appointing authority about issue of retirement notification:

    a) At least 3 months before date of retirement
    b) At least 3 years before date of retirement
    c) At least 2 years before date of retirement
    d) None of above
17. Which of the followings documents submitted to apply for retirement notification:
    a) Photocopy of first 4 page of service book
    b) Matriculation certificate
    c) National identity card
    d) No demand certificate/No enquiry certificate
    e) All of above
18. To which authority a person shall apply for pension:
    a) District account officer
    b) District audit officer
    c) DCO
    d) All of above
19. Which of the following conditions must fulfill for qualifying service for pension:
    a) On the date of taking charge of any office
    b) Employment must be permanent
    c) Service must be under Government
    d) All of above
20. Different benefits and allowances that a Government servant is receiving before retirement called:
    a) Pension
    b) Emolument
    c) Retirement benefit
    d) None of above
21. On which of the followings Government servants, pension rules not apply:
    a) Engaged on contract
    b) Whose appointment and conditions are made under any other law
    c) Who are excluded by application of this rule

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d) All of above

22. Lump-sum amount that is paid to employees after retirement called:
    a) Pension
    b) Gratuity
    c) Retirement benefit
    d) None of above
23. Pakistan pension fund was constituted under the voluntary pension system rules:
    a) 2005
    b) 2004
    c) 2006
    d) 2003
24. Which pension rule applicable in Punjab:
    a) Pension rules 1963
    b) Pension rules 1962
    c) Pension rules 1965
    d) Pension rules 1964
25. Age limit for the employees to go on retirement or relieve from service:
    a) 60 year
    b) 59 years
    c) 61 years
    d) 50 years
26. Which of the followings are included in the definition of family according to pension rules:
    a) Wife or wives in case of male servant
    b) Husband in case of female servant
    c) Children of Government servant
    d) Widow or widows and children of deceased son of Government servant
    e) All of above
27. Which of the following documents are sent to accountant general by the widow/claimants in case of death of servant:

    a) Application from widow/servant
    b) Death certificate
    c) List of surviving members
    d) Specimen signature of widow/claimant
    e) All of above
28. If a person dies after retirement but within ten years, payment shall made to his family at the rate of:
    a) 75%
    b) 70%
    c) 50%
    d) 90%
29. To whom pension shall equally divide if widow of a servant died:
    a) Among serving sons not above 24 years
    b) Unmarried daughters of the died pensioner
    c) Both a & b
    d) None of above
30. How much amount shall given for marriage of daughter of a servant who died during service:
    a) 40000
    b) 50000
    c) 30000
    d) 100000

Note: Above mentioned amount vary with change in budget or any other notification of Government

31. To how many children's; educational scholarship shall given in case of death of servant during service:
    a) 3
    b) 4
    c) 5
    d) 2
32. If Government servant dies after five years of retirement then who will get group insurance :
    a) No one can obtain
    b) His heirs can obtain

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c) Only cousin can obtain
d) All of above

Note: According to pension rules if servant dies within five years of retirement then his heirs cannot obtain group insurance, if he dies after five years then his heirs can obtain group insurance

33. Government servant can withdraw GP fund:
    a) After 15 years of service
    b) When his service 20 years
    c) When his service 25 years
    d) When his service 30 years
34. Government servant can withdraw GP fund for which purpose:
    a) House/Building repair
    b) Car purchase
    c) Motorcycle purchase
    d) Return of loan to bank
35. If Government servant age is less than 50 years than how much amount of GP fund he can withdraw:
    a) 80%
    b) 50%
    c) 40%
    d) 10%
36. Certificate by the department concerned that all dues against retiring Government servant have been realized and nothing is now outstanding against him called:
    a) No demand certificate
    b) Demand certificate
    c) Pension
    d) Clearance certificate

Answers:

1	b	2	a	3	A	4	d	5	a	6	c	7	b	8	c	9	a	10	b
11	a	12	a	13	A	14	a	15	c	16	a	17	e	18	a	19	d	20	b
21	d	22	b	23	A	24	a	25	a	26	e	27	e	28	a	29	c	30	a
31	a	32	a	33	A	34	a	35	a	36	a								

Preparation of Budget

Note: In the syllabus of FPSC; Contents are given about the Process of preparation of budget rather than types of budget but it is to be noted that why some books mention merely types of budget? So we have focused on the process of preparation of budget which is followed by the ministry of finance

1. Which authority of Government of Pakistan prepares budget:
    a) Ministry of Finance
    b) Ministry of Public relations
    c) Ministry of External affair
    d) Ministry of extraction of natural resources
2. Budget year in Pakistan is from:
    a) 1st July To 30th June
    b) 1st January To 31th December
    c) 1st August To 30th September
    d) None of above
3. Budget preparation process starts in the month of:
    a) December
    b) October
    c) September
    d) May
4. On issuing of which circular budget preparation process starts:
    a) Budget call circular
    b) Budget data circular
    c) Budget preparation circular
    d) Budget circular
5. Development requirements are determine in the months of:
    a) November To February
    b) October To June
    c) March To June
    d) May to June

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6. Scrutiny of data that is collected about the budget is take place in the months of:
   a) March
   b) October
   c) April
   d) May
7. Consideration on the budget is take place in the month of:
   a) April
   b) October
   c) March
   d) May
8. Budget call circular is issued to the:
   a) Administrative Ministries/Divisions
   b) Foreign Government
   c) Local Government
   d) Federal Board of Revenue
9. Budget estimate is prepared separately for:
   a) Development expenditures
   b) Non-development expenditures
   c) Both a & b
   d) None of above
10. In which of two categories budget is divided:
   a) Revenue budget
   b) Capital budget
   c) Both a & b
   d) None of above.
11. Budget which deals with creation of assets and development expenditures called:
   a) Revenue budget
   b) Capital budget
   c) Both a & b
   d) None of above

12. Budget which deals with day to day expenditures/Non-development expenditures called:
   a) Revenue budget
   b) Capital budget
   c) Both a & b
   d) None of above
13. Program which deals with inclusion of development expenditures in the annual budget is called:
   a) Annual Development Programme (ADP)
   b) Annual Development Provisions (ADP)
   c) Annual Development Project (ADP)
   d) None of above
14. Which authority finally approve Annual Development Programme (ADP):
   a) National Economic Council
   b) National Economic Department
   c) National Budget Department
   d) All of above
15. Budget proposal prepared by ministry of finance is presented to:
   a) Federal Cabinet
   b) Provincial Cabinet
   c) Auditor General of Pakistan
   d) All of above
16. After presentation of budget/finance bill to Federal Cabinet then it is presented to:
   a) Federal Cabinet
   b) National Assembly
   c) Speaker National Assembly
   d) All of above
17. Period in which budget/finance bill is approved/rejected by Senate after presentation:
   a) Within 7 days
   b) Within 15 days
   c) Within one month

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d) Within 20 days

18. Which authority authenticate the schedule of authorized expenditures:
   a) Prime Minister
   b) Speaker National Assembly
   c) Speaker Senate
   d) Chief Justice of Pakistan

19. When discussion on the budget could not start after presentation to National Assembly:
   a) On the same day of presentation
   b) On the next day of presentation
   c) After one week of presentation
   d) None of above

20. Which are the Stages of discussion on the budget:
   a) First General discussion on the budget as a whole
   b) Second discussion on charged expenditures
   c) Third discussion on grants
   d) All of above

Answers:

1	a	2	a	3	b	4	a	5	a	6	a	7	a	8	a	9	c	10	c
11	b	12	a	13	a	14	a	15	a	16	b	17	a	18	a	19	a	20	d

Bird's eye view of Budget Process

Determine budget year

↓

Issue budget call circular

↓

Preparation of estimates

↓

Annual Development program (ADP)

↓

New Taxation Proposal

↓

Schedule of authorized expenditure

↓

Submission of budget proposals to the Federal Cabinet

↓

#Submission of budget to National Assembly

↓

Submission of budget to the senate

↓

Authentication of schedule of authorize expenditures

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Bird's eye view of Budget documents

1. Budget speech of the Finance Minister
2. Detail about grants and appropriation
3. Demands for Grants and appropriations
4. Budget in brief
5. Annual Budget Statement
6. Explanatory memorandum of budget
7. Schedule of authorized expenditures
8. Estimates of foreign Assistance
9. Winding up budget speech by the Finance Minister

Heads of accounts, Re-appropriation of Accounts and Supplementary Grants

1. Different ways and means through which transactions are recorded in accounting principles and procedures manuals called:
   a) Chart of account
   b) Chart of detail
   c) Chart of finance
   d) None of above
2. Which of the followings is the part (element) of chart of accounts (COA) of government:
   a) Entity
   b) Function
   c) Object
   d) Fund
   e) Project
   f) All of above
3. How many elements of chart of accounts:
   a) Five
   b) Three
   c) Sixes
   d) Two
4. Chart of accounts (COA) specifically deals with the transactions of:
   a) Federal Government
   b) Provincial Government
   c) Both a & b
   d) None of above
5. Which type of accounts used Federal Government before chart of accounts:
   a) COC
   b) COA
   c) COD
   d) AOC
6. Which authority is responsible to update and maintain chart of accounts:

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a) Auditor General of Pakistan
b) Ministry of finance
c) SECP
d) None of above

7. Chart of accounts applies on entities that maintain:
a) Manual operation
b) Computerized operation
c) Both a & b
d) None of above

8. Which of the followings are the entity sub-elements:
a) Government
b) Divisions/Departments
c) Attached departments
d) District
e) Drawing and disbursing officers
f) All of above

9. Which of the followings are the sub-element of government:
a) Federal Government
b) Provincial Government
c) Both a & b
d) None of above

10. Which of the followings is the entity object:
a) Expenditures
b) Taxes and non-revenue
c) Capital receipts
d) Assets, Liabilities and equity
e) All of above

11. Chart of account generally start with which of the followings account:
a) Assets
b) Liabilities

c) Equity
d) Income

12. Each government is represented in chart of accounts by:
a) Single alpha character
b) Two alpha character
c) Three alpha character
d) Four alpha character

13. Each division or department is identified by:
a) Single alpha character
b) Two numeric characters
c) Three alpha characters
d) Four alpha characters

14. Each district is identified in chart of accounts by:
a) Single alpha character
b) Two alpha characters
c) Three alpha characters
d) Four alpha characters

15. Drawing and disbursing officer is identified in chart of accounts by:
a) Single alpha character
b) Four numeric characters
c) Three alpha characters
d) Four alpha characters

16. The object elements consist of two sub-elements:
a) Accounting element
b) Account number
c) Both a & b
d) None of above

17. Which of the followings are accounting elements:
a) Expenditures
b) Tax receipts

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c) Non-tax receipts
d) Capital receipts
e) Assets
f) Liabilities
g) Equity
h) All of above

18. In which of the following categories accounting numbers are divided:
a) Major object
b) Minor object
c) Detailed object
d) All of above

19. Which of the followings are different types of expenditures of Federal Government:
a) Employee related expense
b) Grants, subsidies and transfers
c) Operating expenses
d) Purchase of assets and repayment of loans
e) Investments
f) All of above

20. Which code is use for expenditures:
a) A0000
b) A00
c) A000
d) A0

21. Which code is use for tax receipts:
a) B0000
b) A00
c) A03
d) B000

22. Which code is use for non- tax receipts:
a) C000

b) C0000
c) C00
d) C0

23. Which code is use for capital receipts:
a) C000
b) E0000
c) C00
d) C0

24. Which code is use for assets:
a) C000
b) F0000
c) C00
d) C0

25. Which code is use for liabilities:
a) G0000
b) C0000
c) C00
d) F000

26. Which code is use for equity:
a) H0000
b) C0000
c) C00
d) F000

27. Which code is use for employee related expense by government:
a) A04
b) A02
c) A03
d) A04

28. Which code is use for employee related expense by government:
a) A04

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b) A02

c) A03

d) A04

29. Which of the followings is the type of assets according to chart of account:

a) Cash and bank balance

b) Receivables

c) Physical assets

d) Investments

e) All of above

30. Which of the followings is the type of liabilities according to chart of account:

a) Current liabilities

b) Deferred liabilities

c) Loans

d) All of above

31. Which of the followings are the different types of fund according to chart of accounts:

a) Consolidated fund

b) Public account

c) Both a & b

d) None of above

32. Consolidated fund consists of:

a) Capital

b) Revenue

c) Both a & b

d) None of above

33. Which of the followings are the types of public accounts:

a) Provident fund

b) Benevolent fund

c) Welfare fund

d) Insurance fund

e) All of above

34. Which of the followings are the description of function element:

a) General public service

b) Defense affairs

c) Public order and safety

d) Economic affairs

e) All of above

35. Why Auditor General of Pakistan prepared chart of accounts:

a) It provides accurate and timely information to Government

b) It supports government to reduce expenditures

c) It is source of earning maximum revenue

d) None of above

36. Federal government has different types of receipts:

a) Revenue

b) Capital

c) Both revenue and capital

d) None of above

37. Which of the followings is the main category of revenue receipts :

a) Taxes and non-tax

b) Gain on sales of assets

c) Gain on sales of land

d) None of above

38. Which of the followings is the source of revenue receipts:

a) Dividend

b) Return on investment of Federal Government

c) Mark up on loan and advances of Federal Government

d) Revenue of commercial departments

e) All of above

39. Which of the followings is the type of direct taxes:

a) Income tax

b) Workers welfare fund

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c) Workers participation fund

d) Capital value taxes

e) All of above

40. Which of the followings is the type of indirect taxes:

a) Custom

b) Sales taxes

c) Federal excise

d) All of above

41. Which of the followings is the type of non-taxes revenue:

a) Income from property and enterprise

b) Receipts from civil administration

c) Both a & b

d) None of above

42. Which of the followings is the type of capital receipt:

a) Recoveries on investments

b) Recoveries of loans and advances

c) Debts

d) All of above

43. Allocation of funds to different departments called:

a) Appropriation

b) Re-appropriation

c) Supplementary Grants

d) None of above

44. Transfer of funds from one primary unit of appropriation to another unit called:

a) Appropriation

b) Re-appropriation

c) Supplementary Grants

d) None of above

45. Re-appropriation is possible:

a) Before expiry of financial year

b) After expiry of financial year

c) First quarter only

d) None of above

46. Which of the following is the type of re-appropriation of funds:

a) From a voted item to another voted item within grant

b) Between operating units

c) From a voted item to another voted item within one grant to another

d) From one charged item to another charged item

e) From a charged item to a voted item

f) All of above

47. Which of the following authority sanction re-appropriation from a voted item to another voted item within grant:

a) Finance Division

b) Ministers

c) Auditor

d) Head of department

48. Which of the following authority sanction re-appropriation between operating units:

a) Finance Division

b) Ministers

c) Auditor

d) Head of department

49. Which of the following authority sanction re-appropriation from a voted item to another voted item from one grant to another:

a) Finance Division

b) Ministers

c) Parliament

d) Head of department

50. To which authority copy of sanction order of appropriation of funds should endorse:

a) Chief accounts officer

b) Auditor General of Pakistan

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c) SECP
d) None of above

51. Application for additional appropriation of funds should ordinarily supported by:
a) Form G.F.R 11
b) Form G.F.R 12
c) Form G.F.R 20
d) Form G.F.R 15.

52. Additional funds that are provided to any head of expenditure thenallotted funds called:
a) Supplementary Grants
b) Gift
c) Donation
d) None of above

53. Which of the following reason force for supplementary grants:
a) An unforeseen emergency
b) Underestimate of expenditure
c) Both a & b
d) None of above

54. Which of the following officer proceed for supplementary grants:
a) Head of department/Controlling officer
b) Auditor General of Pakistan
c) SECP
d) None of above

55. Which provision of Articles apply on supplementary grants under constitution of Pakistan 1973:
a) 80 to 83
b) 90
c) 70 to 73
d) All of above

56. Which Government has power to authorize supplementary grants:
a) Federal Government
b) Provincial Government
c) Local Government
d) All of above

57. Supplementary grants are presented for approval to:
a) National Assembly
b) Senate
c) Controller General of Pakistan
d) Auditor General of Pakistan

58. All applications for supplementary grants normally be submitted to:
a) Government
b) SECP
c) Controller General of Pakistan
d) Auditor General of Pakistan

59. In which of the month normally applications for supplementary grants are submitted:

a) November
b) June
c) December
d) October

60. Which authority shall review application for supplementary grant:
a) Finance Division
b) Administrative Division
c) Audit Division
d) None of above

61. In case of expenditures about which no provision exist in the original budget but such expenditures are necessary, which department shall give explanation:
a) Finance Division
b) Administrative Division
c) Audit Division
d) None of above

Answers:

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

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ENGLISH

The Sentence

A sentence is a word or group of words that give clear sense in a given context i.e. Yousaf reads a book is a sentence because it provides information about a subject-Yousaf and meanings are clear. When we define a sentence, we are concerned with clarity of meanings under a particular situation rather than complete sense. Look at the above sentence where we don't find any information about the type of book that Yousaf reads or place where he reads, or time of this activity but still the meanings are pretty clear(Although not complete), so, we will call it sentence.

Note: For a sentence, group or collection of words is not essential, a single word may also clarify the meanings in particular context e.g. Teacher asks from the students "Have you done your homework?'' and students reply "yes!". Here, "yes" has clarified the meanings to teacher, so, it is sentence under given context.

The subject of a sentence or clause is the part of the sentence or clause about which something is being said. In some sentences the subject is understood, e.g. stop! (The subject 'you' is understood). It normally occurs before the verb in sentences: e.g. the boy came in room quietly. (The noun 'Boy' is the subject). The subject may person, place or thing.

The Predicate is a part of a sentence or clause containing a verb and stating something about the subject. The part of a sentence that expresses what is said about the subject. Predicate is one of the two main parts of a sentence. In above example, the words other than subject (boy) are part of predicate i.e. came in room quietly.

Types of sentence:

The sentences are broadly categorized into following four major types:

1. Declarative or assertative (Contains a statement e.g. we play cricket daily.)
2. Interrogative (Asks a question e.g. Do you love me?)__ (where is your money?)
3. Imperative (Contains an order or request e.g. come here or come here please.)
4. Exclamatory (contains strong feelings and emotions of happiness, sorrow, Wish, prayetc. i.e. hurrah! We have won.)_ (May you live long!)

Hint: You might have noted that every category of sentence is followed by a specific type of punctuation e.g. interrogative sentence always entails a question mark '?' and exclamatory sentence involves sign of exclamation '!'. And other categories have full stop at the end.

Activity No.1

1. A word or group of word that gives clear sense in a given context is called:

(a) Sentence
(b) Phrase
(c) Clause
(d) None of these

2. Identify the subject from following sentence "Akmal offers his prayers regularly".
   a) Akmal
   b) Offers
   c) His
   d) Regularly
   e) Prayers
3. Identify the predicate from following sentence "Akmal offers his prayers regularly"
   a) Akmal offers
   b) Offers his prayers
   c) His prayers
   d) Offers his prayers regularly

Hint: The part of the sentence other than the subject or subject class is referred as predicate because it tells something about subject.

4. "Attaullah goes to School." is a:
   a) Interrogative Sentence
   b) Declarative Sentence
   c) Exclamatory sentence
   d) Imperative Sentence
5. "May you perform Umrah this year!" is a:
   a) Interrogative Sentence
   b) Declarative Sentence
   c) Exclamatory sentence
   d) Imperative Sentence
6. Identify the type of sentence from following sentence "Do it"
   a) Interrogative Sentence
   b) Declarative Sentence
   c) Exclamatory sentence
   d) Imperative Sentence
7. Identify the type of sentence "Why have they forgotten the rules and regulations of the entity?"
   a) Interrogative Sentence

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b) Declarative Sentence
c) Exclamatory sentence
a) Imperative Sentence

8. Identify the object from following sentence "Dr. Ijaz wears clean dress."
   a) Dr. Ijaz
   b) Wears
   c) Clean
   d) Dress

Answer Key:

1.a 2.a 3.d 4.b 5.c 6.c 7.d 8.d

Another classification of sentence

Sentences are further classified into following four categories on the basis of type of clauses therein:

1. Simple sentences
2. Compound sentences
3. Complex Sentences
4. Compound-Complex Sentences

A simple sentence consists of an independent clause, so it contains a subject and a verb. It does NOT contain either a dependent clause or another simple sentence.

Examples of simple sentences

Short simple sentence: The dog barked.

Long simple sentence: Leaning first this way and then that, the large tan dog with a wide black collar barked loudly at the full moon last night from under the lilac bush in the shadow of the north side of the house.

A compound sentence consists of two or more simple sentences joined by

(1) A comma followed by a coordinating conjunction (and, but, or, nor, for, yet, so): e.g. the dog barked, and the cat yowled.

(2) A semicolon: The dog barked; the cat yowled.

(3) A comma, but ONLY when the simple sentences are being treated as items in a series: The dog barked, the cat yowled, and the rabbit chewed.

A complex sentence consists of a combination of an independent clause and a dependent clause. An example with a relative clause as the dependent clause: The dog that was in the street howled loudly. A student who is hungry would never pass up a hamburger.

A compound-complex sentence consists of a combination of a compound sentence and a complex sentence. e.g.

As the dog howled, one cat sat on the fence, and the other licked its paws.

Note: Independent and dependent clauses are the building blocks of sentences. A single independent clause can be a sentence, by itself. However, dependent clauses are used to make sentences more complete and more interesting. **An independent clause** (or main clause) is a clause that can stand by itself as a simple sentence. An independent clause contains a subject and a predicate; it makes sense by itself and therefore expresses a complete thought. **A dependent clause** is a clause that does not express a complete thought.

Activity No.2

1. Akmal and Yousaf have a big argument every summer over where they should spend their summer vacation.
   a) Simple sentence.
   b) Compound sentence
   c) Complex sentence
   d) Compound-Complex Sentence
2. Maryam loves to go to the beach and spend her days sunbathing.
   a) Simple sentence
   b) Compound sentence
   c) Complex sentence
   d) Compound-complex sentence
3. Shabbir, on the other hand, likes the view that he gets from the log cabin up in the mountains, and he enjoys hiking in the forest.
   a) Simple sentence
   b) Compound sentence
   c) Complex sentence
   d) Compound-complex sentence
4. Maryam says there is nothing relaxing about chopping wood, swatting mosquitoes, and cooking over a woodstove.
   a) Simple sentence
   b) Compound sentence
   c) Complex sentence
   d) Compound-complex sentence
5. Ali dislikes sitting on the beach; he always gets nasty sunburn.
   a) Simple sentence
   b) Compound sentence
   c) Complex sentence

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d) Compound-complex sentence

6. Akmal tends to get bored sitting on the beach, watching the waves, getting sand in his swimsuit, and reading detective novels for a week.
   a) Simple sentence
   b) Compound sentence
   c) Complex sentence
   d) Compound-complex sentence
7. This year, after a lengthy, noisy debate, they decided to take separate vacations.
   a) Simple sentence
   b) Compound sentence
   c) Complex sentence
   d) Compound-complex sentence
8. Ajmal went to the White Mountains of New Hampshire, and Pauline went to Cape Cod.
   a) Simple sentence
   b) Compound sentence
   c) Complex sentence
   d) Compound-complex sentence
9. Although they are 250 miles apart, they keep in constant contact on the internet.
   a) Simple sentence
   b) Compound sentence
   c) Complex sentence
   d) Compound-complex sentence
10. Ali took the desktop computer that he uses at work, and Salma sits on the beach with her laptop computer, which she connects to the internet with a cellular phone.
   a) Simple sentence
   b) Compound sentence
   c) Complex sentence
   d) Compound-complex sentence

Answers

1.c 2.a 3.d 4.c 5.b 6.a 7.a 8.b 9.c 10.d

Parts of Speech

In a sentence, there are different words that play their role to clarify the meanings of sentence. Some words are integral part of sentence and others are ancillary and supplement the meanings. On the whole, there are following 8 parts of speech even though there are conflicts in classification on some theoretical basis:

1. Noun
2. Pronoun
3. Adjective
4. Verb
5. Adverb
6. Preposition
7. Conjunction
8. Interjection

Activity No.3

1. Which of the following is a part of speech?
   (a) Noun
   (b) Conjunction
   (c) Preposition
   (d) All of the these
2. Which of the following is not considered as part of speech?
   (a) Verb
   (b) Adjective
   (c) Article
   (d) Noun
3. Which of the following is (are) referred as definite article?
   (a) a
   (b) an
   (c) the
   (d) All of these

Answer:

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1.d 2.c 3.c

Noun

Noun is name of a person, place or thing and is typically used in a sentence as subject or object of a verb or as object of a preposition

e.g Ajmal, Chiniot, Mango

Classification of nouns:

Nouns are generally classified into following categories:

1. Proper Noun
2. Common Noun
3. Collective Noun
4. Material Noun
5. Abstract Noun

Proper Noun is name of particular person, place or thing e.g. Ahsan, Chiniot, Mango. Whereas **Common Noun** is the name of every person, every place or everything of same kind e.g. Man, City, Fruit etc.

Collective Noun is the name of group or collection of persons, places or things e.g. police, Herd, Fleet etc. **Material Noun** is name of matter or substance from which things are made e.g. Wood, Water, gold, wheat etc. **Abstract Noun** is the name of quality, state or action e.g. Service, death, inflation, poverty etc.

Activity No.4

1. A name of a person, place or thing is called:
   a) Noun
   b) Adjective
   c) Adverb
   d) Pronoun
2. The name of a particular person, place or thing is called:
   a) Proper Noun
   b) Common Noun
   c) Material Noun
   d) Abstract Noun
3. The name of quality, state or action is called:

   a) Proper Noun
   b) Material Noun
   c) Common Noun
   d) Abstract Noun
4. "Mohsin" is an example of
   a) Common Noun
   b) Proper Noun
   c) Abstract Noun
   d) Material Noun
5. "Death" is an example of:
   a) Proper Noun
   b) Collect Noun
   c) Abstract Noun
   d) Material Noun
6. A name which is used to represent collection of things or group is called as :
   a) Proper Noun
   b) Collective Noun
   c) Abstract Noun
   d) Material Noun
7. "Flock" is the example of
   a) Proper Noun
   b) Material Noun
   c) Abstract Noun
   d) Collective Noun
8. Identify the collective Noun from following sentence "Ahmad saw a wild buffa and a herd of sheep grazing in the forest near the bank of river"
   a) Wild
   b) Buffalo
   c) Herd
   d) Forest
   e) River

1.a 2.a 3.d 4.b 5.c 6.b 7.d 8.c

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2. Pronouns

Pronouns are words that are used in place of a noun or noun phrase; that is, they can function as the subject or object of a clause.

Adjectives

An adjective is a word that **modifies,** or changes the meaning of a noun or pronoun. It may point out, describe or limit the meaning of the noun or pronoun.

Beautiful, pretty, bold, fierce, majestic, many, few, small, blue, much, green, tall, cute, red, smart, two, any-and the list just goes on. These words might look random but they are all describing words, called adjectives. Adjectives cannot stand on their own as they are supposed to describe nouns or pronoun and modify them. Adjectives are used to bring color to your sentence by making the noun look something special and the sentence sounds more complete. The many types of adjectives make it even more convenient to know where which type of adjective is to be used. The types of adjectives available for use are governed by a number of rules. And it is these rules that need to be understood in order to be able to use these parts of speech to your advantage. For better understanding, know and learn all the kinds of adjectives and the ways in which each type can be used to describe words and/or phrases.

Kinds of Adjectives

1. Descriptive Adjectives or adjective of quality
2. Adjective of quantity
3. Predicative Adjectives
4. Personal Titles
5. Possessive Adjectives
6. Demonstrative Adjectives
7. Indefinite Adjectives
8. Interrogative adjectives
9. Comparative Adjectives
10. Superlative Adjectives

Descriptive Adjectives or adjective of quality

Descriptive adjectives are those adjectives which describe nouns or the noun phrases. For example: 'A beautiful day'. In this case, 'beautiful' is the adjective which qualifies or describes the noun.'day'. Descriptive adjectives have several forms as discussed below.

Colors as adjectives: Black, Blue, White, Green etc.
Touch as adjective: Slippery, Sticky etc.
Feelings as adjectives: Happy, Sad, Angry etc.
Sizes as adjectives: Big, Small, Thin, Thick etc.
Origin as adjectives: European, Latin, Greek etc.
Shapes as adjectives: Triangular, Rectangular, Square, Circular etc.
Qualities as adjectives: Good, Bad, Average etc.
Time as adjective: Yearly, Monthly etc.
Age as adjectives: Young, Ancient, Old etc.
Material as adjectives: Wood, Cotton, Gold etc.
Opinions as adjectives: Pretty, hot, expensive etc.

Adjective of quantity or numeric adjective

Adjective of quantity talks about the quantity of the noun being talked about and provides answer to the question of 'how much'. It shows the quantity or the numbers present in the sentence. For example: 'there were three boys playing in the ground'. Here the word 'three' signifies the quantity or the number of boys playing. Other examples are:

He has *little* intelligence. Sunday is the *first* day of the week. That child is *young*.

Predicative Adjectives

Predicative adjectives are those which follow a linking verb and not placed before a noun. Predicative adjective does not act as a part of the noun it modifies but serves as a complement of a linking verb which connects it to the noun of the sentence. Take for instance 'The bag is heavy'. Here, the predicative adjective 'heavy' is associated with the verb 'is' and links to the noun 'bag'. Other examples are: The weather will be *cool and dry*.

Personal Titles

Personal titles are adjectives where the titles such as, *Mr., Master, Miss, Mrs., Uncle, Auntie, Lord, Dr, Prof.* and so on, are used as adjectives to describe the position of the noun. These titles could be placed in the front or even at the end. For example:
The day after tomorrow, you can visit *Auntie* Pauline and *Uncle* John.

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The classes on Monday will be presented by Dr. Mary and Prof. Kate.

Possessive Adjectives

Possessive adjective is used where the sentence shows possession or belongingness. They are similar to possessive pronouns and, in this case, are used as adjectives which modify a noun or a noun phrase. Here words such as, our, my, your, his, her, it's and their/s, are used. For example:

Have you seen *their* house? This is *his* room.

Demonstrative Adjectives

Demonstrative adjectives are used when there is a need to point specific things. The adjectives function as a way to demonstrate something and are similar to demonstrative pronouns. Here words such as this, that, these, those and what are used. Take, for instance, the sentence: 'If I hear that sound again, I will call the Police'. Here 'that' refers to a specific sound. Other examples are as follows:

Whose is *this* bag?

These mangoes are sour.

Indefinite Adjectives

Indefinite adjectives are used when the sentence has nothing to point out or specify. These adjectives are formed from indefinite pronouns and do not indicate anything in particular. It uses words such as, any, many, few and several, etc. Here is an example explained in detail: 'The chief has heard many people make the same promise'. The word 'Many' is an indefinite adjective which does not specify the quantity of people and modifies the noun 'people' without pointing out exactly who all have made the said same promise. Other examples:

Many children like dinosaurs.

Is there *any* water in the bottle?

Interrogative Adjectives

An Interrogative adjective modifies a noun or a noun phrase and is similar to the interrogative pronoun. It does not stand on its own and includes words such as, which, what, who, whose, whom, where and so on. For example: 'What dress are you wearing?' Here, 'what' modifies the noun 'dress' and is the object of the compound verb 'are wearing'. Other examples:

Which leaves turn color first?

Whose son is he?

Comparative Adjectives

Comparative adjectives are those which imply increase or decrease of the quality or quantity of the nouns. It is used to compare two things in a clause. Adjectives are generally made comparative by adding 'er' to the original work like nicer, taller, smarter, etc; there are some exceptions also. Other examples are:

The detective is *younger* than the thief

This school is *better* than the last one I attended.

Superlative Adjectives

Superlative adjectives express the greatest increase or decrease of the quality; it conveys the supreme value of the noun in question. For instance, 'He is the richest man in this town'. Here, the word 'richest' is the superlative adjective which shows a comparison individually.

Mary is the tallest of all the students.

I am in the smallest class in the school.

It is not difficult to describe anything in this world. Even a lizard can be called pretty by someone and ugly by another; adjectives fall into place right here. The type of description required in the specific sentences is something which should be given utmost attention to and the right kind of adjective must be duly selected. These are the simplest parts of speech ever!

Activity No.5

1. The word which qualifies or explains the meanings of a noun is called:
   a) Pronoun
   b) Adjective
   c) Adverb
   d) Gerund
2. Identify the adjective from sentence, ''He bought a new motorcycle'':
   a) He
   b) New
   c) a
   d) Motorcycle
3. ''Beautiful'' is :

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a) Qualitative adjective
b) Quantitative adjective
c) Possessive adjective
d) Demonstrative Adjective

1.b 2.b 3.a

Verbs

Verbs are a class of words that serve to indicate the occurrence or performance of an action, the existence of a state etc.

Kinds of Verbs

There are two types of verbs in English: Main Verbs and Auxiliary Verbs(Helping Verbs). Main verbs are either regular (play, like, press) or irregular (drink, buy), though irregular verbs are not completely irregular.

Adverbs

An adverb is a word that modifies a verb, an adjective, an adverb and even a whole clause or sentence.

They walked *quickly*. (Modifies the verb "walked")
He was *very* tired. (Modifies the adjective "tired")
She spoke *fairly* slowly. (Modifies the adverb "slowly")
Thus he was punished. (Modifies the sentence "he was punished")

Adverbs usually express time, place, manner, frequency or degree.

They arrived soon. (Time)
He stood there alone. (Place)
Everyone worked diligently. (Manner)
We often eat out. (Frequency)
She almost slipped on the pavement. (Degree)

Besides the kinds of adverbs above, there are also relative and interrogative adverbs.

Relative adverbs

This is the time *when* cherry blossoms come out.
Show me the spot *where* the accident happened.
We don't know the reason *why* he left.

Interrogative adverbs

When are you leaving?
Where do you live?
Why do you look so sad?

Exercise

Say whether the word in bold print in each sentence is used as an adjective or an adverb.

She held fast to her decision despite attempts to make her change her mind.
They found it a tight squeeze having so many people in one small room.
She is always quick with her answers.
The report was submitted too late for the preliminary hearing.
She considers it lowly to serve at tables.
His thesis fell short of expectations.
The discussion went on well into the night.
The alarm was so loud that she woke up with a start.
Everyone in the room was hard at work when I entered.
Shortly after, he left his hometown for good.
Her lively personality gained her many friends.
The proposals have to come in early if they are to be discussed at the meeting.
It is necessary to delve deep into the matter in order to find out the truth.
This substance would be deadly if taken in large doses.
The lecturers will leave on a study tour in early March.

Activity No.6

1. The word which is used to qualify or explain the meanings of verb, adjective and preposition is called:
   a) Adjective
   b) Adverb
   c) Preposition
   d) Pronoun
2. Identify the adverb from following sentence "Mr. Ahsan is driving his car slowly"
   a) Is
   b) Driving
   c) His

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d) Slowly

3. Adverb is usually placed after:

a) Verb

b) Adjective

c) Noun

d) Pronoun

1.b 2.d 3.a

Articles

The indefinite article is used with singular countable nouns in a general or indefinite context, *a* with a noun starting with a consonant sound, and *an* with one starting with a vowel sound. If an adjective comes between the article and the noun, the article used is according to the initial sound of the adjective.

a bicycle a union a clever answer

an animal an hour an interesting story

The indefinite article can also be used with proper nouns as illustrated below:

A Mr. Brown from the audience offered a suggestion.

An Einstein appears only once.

The definite article is used in a more specific reference with all kinds of nouns, countable and uncountable, singular and plural, except most proper nouns. Proper nouns usually carry the definite article only if they include a word which is generally a common noun. This is often the case with places, for example, countries, seas, rivers and mountains.

The United Kingdom (compare "England")

The United States (Compare "North America")

The Indian Subcontinent (Compare "India")

TheAtlantic (meaning "theAtlantic Ocean")

theHimalayas (meaning "theHimalayanMountain")

The definite article is used with a noun which is:

unique or is the only one of its kind in the context,

the second or later reference to a particular noun,

qualified by a phrase or clause.

He is the leader.

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A student won the prize. The student was very pleased with himself.

The progress of this student is excellent.

No article is used for an indefinite reference to a plural noun or an uncountable noun. The determiner *all* or *some* may sometimes be used instead, according to the meaning intended.

1a. Boys like soccer.

1b. All boys like soccer.

2a. Salt must be added.

2b. Some salt must be added to the soup.

No article is used in expressions involving the special function of a noun, such as *bed, school, hospital, prison.*

1a. I always go to bed early.

1b. The man lay dying on the bed.

2a. The children go to school in the afternoon.

2b. There is a celebration held at the school.

No article is used in referring to ordinary meals, but an article has to be used for a meal which is a special function or gathering.

1a. It's time for lunch.

1b. Everyone was invited to the lunch for the new representative.

2a. Please stay for tea.

2b. A tea was held in his honour.

No article is used in expressions referring to means of transport or the time of the day.

1a. We always go to work by bus.

1b. The bus was very crowded.

2a. He stays up late at night.

2b. The baby woke up late in the night.

No article is necessary in certain common phrases.

1a. He was suspicious of friend and foe.

1b. I met a friend yesterday.

2a. They strolled arm in arm in the park.

2b. The victim lost an arm in the accident.

3a. The sorting is done by machine.

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3b. A machine is used to sort out the articles.

No article is necessary in expressions involving one's special responsibility or job in a particular or known context.

1a. The society made him chairman.

1b. He was the chairman of a large firm.

2a. He was elected leader.

2b. the leader of the group was away.

Prepositions

Functions of prepositions

The function of prepositions is to connect a noun structure to some other word in a sentence. This noun structure may be:

1. A noun the salesman showed the pots and pans to his wife.
2. A pronoun: The salesman showed the pots and pans to her.
3. A gerund phrase: The salesman did not mind showing the pots and pans to her.
4. A noun phrase: The salesman showed the pots and pans to whoever might want to buy them.

Prepositions also have special functions as:

Part of a verb (verb-preposition combinations):

Look over (=review); get up (=wake up)

An adverb (mostly adverbs of place and direction):

They sit down. (Down=adverb)

They went down the steps. (Down=preposition)

Forms of prepositions

Prepositions may consist of one, two or three parts:

Examples of single part prepositions:

About	before	for	on	to
Above	below	from	over	under
After	beside	in	past	until
Along	between	into	since	up
Around	by	of	till	with
At	down	offthrough	without	

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Examples of two part prepositions:

According to	because of	out of
Along with	due to	owing to
As for	except for	up to
Away from		

Examples of three part prepositions:

By means of	in relation to	
In comparison with	on top of	In front of

Positions of prepositions:

Generally a preposition comes before its noun object:

He gave the book to the teacher.

However, it may appear in final position in:

1. a question Which school does he go to?
2. an adjective clause There is the school that he goes to.
3. A noun clause I don't know which school he goes to.

Meanings of Prepositions

Concepts of Time, Place, Direction and Distance, etc. can be expressed by prepositions. Such prepositions normally have an adverbial position in a sentence.

Preposition of Time

These can express:

One point in time:

At— with noon, night, midnight; with the time of day.

Periods of time:

On—with days.

In—with periods longer or shorter than a day; i.e. with parts of the day, with months, with years, with seasons.

Extended time (duration):

Since, for, by, from.....to, from.....until, during, (with)in, while.

Examples

They are getting married on Saturday at4 o'clockin the evening.

The reception will be on Sunday at3 o'clockin the afternoon.

She has been away from school for two weeks.

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I'll ring you again within the month.

Note

At can be used for indefinite periods such as: *at night, at lunch-time*; or for short holiday periods: *at the weekend, at Easter*.

Prepositions are almost always omitted before phrases beginning with *last, next, this, that, today, yesterday, tomorrow*: e.g.

Did you attend the lecture yesterday?

I saw that film last week.

Prepositions of Place

These can express:

i) the point itself:

in, inside—for something contained:

There is plenty of food in the refrigerator.

You will find some stamps in the second drawer of my desk.

My father owns a cottage in the country.

Please play inside. It's too hot outside.

on, on(to)—the surface:

A coconut tree fell on to the roof of his house.

There's a 'Beware of Dogs' sign on the gate.

at—a general vicinity:

I'll meet you at the Majestic Hotel.

We are still living at64 Primrose Avenue.

Please sit at the table when you eat!

I stayed at my cousin's house last night.

Turn left at the next intersection.

ii) Away from the point:

Away (from)—general places or vicinities:

I came (away) from the library.

I stayed away from the haunted house.

He drove away from the scene of the accident.

Off—at a distance from the point:

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The car ran off the road when it knocked the signpost.

The Channel Islands are off the coast of France.

The marble rolled off the table.

Across, through, over, along—moving from one place to another:

He kicked the ball through the window.

He walked across the park to his office.

The boy jumped over the fence to get away from the angry bull.

They went along the railway line looking for the missing child.

Out of—moving from a bounded area:

The gunmen were persuaded to come out of the old house.

They chased the dogs out of the school compound.

iii) Towards the point:

To, into, towards—movement towards a particular place:

I went to South America last year.

He went to the airport to get his mother.

The car went slowly into the tunnel.

The people crowded into the streets to watch the National Day celebrations.

The ambulance sped towards the entrance of the hospital.

iv) Towards and then away from the point:

Behind, through, across, round, by, past—movement towards a place and then away from it:

He walked across the bridge on his way to the shops.

The car skidded round the corner.

They drove past the new Town Hall.

The students ran by the judges as they crossed the finishing line.

v) Vertical and horizontal movement from the point:

Up, down, along, across, over—movement in relation to a direction:

The old man walked slowly across the street.

The dog followed his master across the road.

Two schoolboys walked along Manchester Street.

She crossed over the road to post a letter.

The ball rolled over the grass.

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The elderly couple climbed slowly up the steps.

The boy skated down the road on his new skateboard.

vi) Higher than the point:

Over—generally higher than the point:

There is a thick fog over the entire city.

The planes fly over the city to get to the airport.

Over—directly above:

The doctor leaned over the patient.

He had a deep cut over his eye.

A lamp hung over the dining-table.

Above—directly higher than the point; on a higher level:

We flew above the clouds.

There was a dark cloud above the bank.

On top of—close to the point; sometimes touching:

The tourists put their bags on top of the bus.

You'll find a bottle of ink on top of my desk.

vii) Lower than the point:

Under—directly below:

The boy hid the money under a rock in the garden.

There is a small stream under that bridge.

Underneath—close under; sometimes touching:

She wore a pretty dress underneath her thick coat.

Beneath, below—directly under; at a lower level:

The police found the body beneath a pile of wood.

viii) Neighbouring the point:

By, beside, next to—at the side of; near:

He sat by the river reading a book.

She was standing by the window looking at the rain.

They live in a small village beside the sea.

John likes to sit beside his father in the car.

He sits at the desk next to the door.

I don't like wool next to my skin.

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Between—relating the positions of one object to more than two objects:

In the photograph Maria was standing between her father and mother.

Among, amid—in the middle of (several objects):

She found her gold chain amid the ruins of the burnt house.

I live among the mountains.

Opposite—facing:

She sits opposite her friend in the school library.

Around—surrounding; all round:

She put a frame around the painting.

We sat around the table and discussed the film.

In front of—at the beginning (in relation to the point):

He was standing in front of a long queue.

A three-wheeled car was in front of my car.

Near—close to the point; not far from the point:

I like to have my bed near (to) the window.

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Conjunction

The work of a conjunction is to join words, phrases, clauses, or sentences. But while doing so, it can also express certain idea or notions such as time, contrast, reason, etc.

Types of Conjunctions

There are two main kinds of conjunctions—co-ordinate and sub-ordinate:

Co-ordinate Conjunctions join together words, phrases and clauses of equal rank. There are two types of co-ordinate conjunction:

Simple Co-ordinate Conjunctions: and, or, but, nor:

I looked for the dictionary on the shelf and in the cupboard. (Phrases)

The thunder rolled and the lightning flashed. (Clauses)

Correlative Co-ordinate Conjunctions (i.e. those that go in pairs):

Either … or, neither … nor, both … and, not only … but also:

Neither wheat nor groundnuts grow well in this soil. (Phrases)

He's not only a talented pianist but also a good painter.

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Subordinate Conjunctions join clauses of unequal rank, i.e. they join sub-clauses to main clauses:

Main clause	sub-clause
I can buy a car	when I have saved a thousand dollars more.

Subordinate conjunctions are of three kinds:

Simple Subordinate Conjunctions:

After, (al) though, as, because, before, if, how (ever), like, once, since, that, till, unless, until, when (ever), where (ever), whereas, whereby, whereupon, while, whilst.

Compound Subordinate Conjunctions:

Except that, for all that, in that, so that, in order that, in order + to infinitive, such that.

But (that), now (that), providing (that), provided (that), supposing (that), considering (that), given (that), granting (that), granted (that), admitting (that), assuming (that), presuming (that), seeing (that), immediately (that).

As for as, as long as, as soon as, in-so-far as, according to, so as (+ to infinitive).

As if, as though, in case.

Sooner than, rather than.

- **Correlative Subordinate Conjunctions**:(i.e. those that go in pairs):

If... then, (al) though ... yet/nevertheless, more/less/-er ... that, as ... as, so ... as, so ... (that), such ... as, such ... (that), no sooner ... than, whether ... or, the ... the.

Note: Some subordinating conjunctions are also prepositions: as, like, since, until, till, after, before, but.

Function of Conjunctions

Co-ordination of words

(Of the same word class):

Nouns	The violin or the cello is a suitable instrument for her.
Adjectives	The house is beautiful but old-fashioned
Conjunctions	If and when the electricity is installed, we can move to the house.
Adverbs	He works slowly but skillfully.

Co-ordination of Clauses

(Or parts of clauses)

Maria plays the guitar and she also sings in three languages. Arshad is a bright student but he makes little effort.

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You may study French or you may take Dutch.

Co-ordination of Parts of Clauses:

(Note: This occurs where repeated items may be omitted.)

Subjects:

I bought some apples, mangoes, and I bought some limes.

Rashid and his sister are frequent visitors to London.

Verb Phrases:

She writes, or used to write, to her pen-friend every month.

Complements:

He is tall but skinny.

Adverbials:

I can mend the hole in your dress by hand or by sewing machine.

Omission of conjunctions

When several items are linked together, the conjunction is usually omitted (or left out) before all items except the last one.

Please bring me a tomato sandwich, an egg sandwich and a bottle of coke.

This year she is studying History, Geography, French and Spanish.

Often the conjunctions are omitted before the adverbs **then**, **so** and **yet**:

My income is low (and) yet I still manage to live on it.

Her mother is seriously ill (and) so she has to visit the hospital every day.

The car hit the kerb (and) then bounced across the road divider.

Activity No.8

1. The word which joins two or more related sentences, clauses or phrases is called:
   a) Conjunction
   b) Interjection
   c) Preposition
   d) Punctuation
2. Identify the conjunction from following sentence: ''Aslam is regular but Ali is not punctual''
   a) But
   b) Punctual
   c) Regular

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d) He

3. Identify the conjunction from the following sentence "Yousaf goes to office daily and performs his job with diligence.
   a) Goes
   b) To
   c) daily
   d) And
4. "And, but, So, if etc." are usually used as:
   a) Interjection
   b) Conjunction
   c) Preposition
   d) Adjective
5. The word which depicts the feelings, emotions, sentiments and passions expressed in a particular sentence is called as:
   a) Interjection
   b) Conjunction
   c) Preposition
   d) Gerund
6. Identify the interjection from following sentence: "Hurrah! I have passed the examination"
   a) Hurrah
   b) The
   c) Have
   d) passed
7. The word " Class" is grammatically:
   a) Proper noun
   b) Common noun
   c) Collective noun
   d) Both b and c

1.a 2.a 3.d 4.b 5.a 6.a 7.d

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Interjections

When we wish to express our feelings we some time use an interjection—a word of exclamation whose only function is to express emotion or feeling.

Interjections can express such emotions as:

Surprise Oh, What a lovely present!

Satisfaction: Ah, that's much neater essay!

Great satisfaction: Aha those are the books I've been looking for.

Great surprise: Wow, did you see that goal?

Pain: Ouch, you're treading on my foot!

Ow, I've hurt myself.

Excitement/delight: Yipee, grandfather is coming to visit us!

Disgust: Ugh, what a filthy kitchen.

Pleasure, pain: Ooh, the water's lovely and cool.

Ooh, my back aches terribly.

Activity-9

Choose the correct answer. Circle the letter At B or C.

1. I wonder if you_____ ready by 3 0' clock
   a. would be
   b. are
   c. will be
2. But for them we _____ in Madrid on time yesterday
   a. arrived
   b. had arrived
   c. should have arrived
3. She worries lest he _____ to mow the lawn
   a. have forgotten
   b. should forget
   c. Would forget.
4. But for high tax they ____ a very successful business
   a. had got
   b. would have got
   c. Had had got.

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5. Mother asked me if I ____ the room and_____ the floor.
   a. should clean ... and wash
   b. shall clean ... and wash
   c. clean ... and wash
6. He was afraid lest they____ him the job
   a. had offered
   b. should offer
   c. would offer
7. He behaves as if he ____ a license to drive a taxi.
   a. Obtained
   b. had obtained
   c. obtain
8. It is natural that the general's car _____.
   a. should be polished
   b. have been polished
   c. would be polished
9. He spoke to the police as if he _____ the child.
   a. hadn't kidnapped
   b. didn't kidnap
   c. wouldn't have kidnapped
10. If you your cousin give him my best wishes.
   a. will see
   b. saw
   c. see

Answer:

1.c 2. c 3. b 4. b 5. a 6. b 7. b 8. a 9. a 10. c.

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Use of Articles (A, An, The)

	Incorrect Sentence	Correct Sentence
1	He has got headache	He has got a headache
2	He gave me sad news	He gave me a sad news
3	Wisdom is the gift of God	Wisdom is a gift of God
4	Punjab has university of Punjab	Punjab has a university of Punjab
5	Do not make noise	Do not make a noise
6	A green and a white cow is grazing in the field	A green and white cow is grazing in the field
7	Islamabad is as famous city as Karachi	Islamabad is as famous city as Karachi
8	My teacher is a honest man	My teacher is an honest man
9	He is a M.N.A	He is an M.N.A
10	The English is the language of English	English is the language of the English
11	Muslims are a brave people	The Muslims are a brave people
12	He is at the fault	He is at fault
13	He speaks the English fluently	He speaks English fluently
14	The beauty is short-lived	Beauty is short-lived
15	Dog is the faithful animal	The dog is a faithful animal
16	Chenab is a famous river	The Chenab is a famous river
17	Express is a popular newspaper	The Express is a popular newspaper
18	The Sugarcane is grown in Pakistan	Sugarcane is grown in Pakistan
19	You are in wrong	You are in the wrong
20	He is taller of the two	He is the taller of the two
1	The honesty is the best policy	Honesty is the best policy

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22	He got an employment in the insurance	He got employment in the insurance
23	His father is a poet and a teacher	His father is a poet and teacher

Synonyms

Set-A

Word	Synonyms	Word	Synonyms
Alone	Lonely	Amazing	Incredible, Fabulous, Fantastic
Ambitions	Desires, wishes	Awful	Dreadful, terrible
Appearance	Emergence	Alike	Same
Ancestors	Forefather	Abroad	Overseas
Astrology	Horoscopy	Admit	Confess
Acceptable	Agreeable, Suitable	Amount	Quantity
Assume	Suppose	Angry	Mad
Academic	Educational	Attractiveness	Charm, fascination
Attempt	Try	Awakening	Arousing
Assigned	Given, Allotted	Arrival	Coming
Argue	Discuss, Debate, reason	Abundant	Plentiful, ample
Avoid	Avert	Absurd	Vulgar, silly, foolish
Alive to	Aware, conscious of	Alternative	Substitute
Adequate	Proper, Suitable	Automatically	Unconsciously
Apparent	Clear, Obvious	Agony	Pain, suffering
Assert	Declare, Affirm	Acute	Sever, Serious
Alcohol	Wine	Astonished	Surprised, amazed
Apart	Away	Assistance	Support , help
Apartment	Flat, Room	Apparently	Outwardly
Achieve	Gain, Get	Accession	Succession
Astonishment	Amazement	Aqueduct	Waterway
Abandon	Given up, discontinue	Awe	Respect, reverence
Accident	Chance	Analysis	Dissection, Separate
At fault	Defective	Adventure	Undertaking, expedition
Appalling	Horrifying, Shocking	Agonizing	Painful, disturbing
Ardent	Sever, intense	Assure	Satisfy, convince
Absolutely	Utterly, completely	Abolish	Eradicate, wipeout,

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			eliminate
Allies	Friends, Associates	Automatically	Spontaneously
Aside	Away, apart	Admire	Appreciate
Attitude	Behavior	Awed	Fearful, scared
Ancient	Very old	Acute	Intense, extreme
Audience	Spectators, listeners	Attainment	Achievement
Assiduous	Industrious, laborious	Affairs	Matters
Aroma	Fragrance, sweet smell	Appearance	Bearing
Absorb	Grasp, understand	Acquire	Attain
Amalgam	Blend, Combination	Aghast	Frightened, horrified
Adamant	Strict, firm	Altogether	Completely

Set-B

Word	Synonyms	Word	Synonyms
Believe	Accept	Bang	Explosion, Blast
Beginnings	Start	Blind	Dazzle, Daze
Beings	Bodies	Balance	Equity
Beyond	Far off	Blotches	Marks, Spots
Benefit	Profit, Gain	Bare	Only
Basis	Origin	Bedouin	Normadic, Wandering
Boundary	Limit	Barely	Hardly, Scarcely
Badly	Intensely	Bodyguard	Defender, Protector
Bluffer	A cheat	Balance	Remaining
Blessed	Holy, Scared	Blot	Stain, Spot, Marks
Basement	Underground room	Biased	Partial
Bear	Tolerable, Endure	Bare-footed	Without shoes
Blaze	Flesh, Glare	Beside	Near
Basically	Originally	Blazing	Burning, Fiery
Breed	Nourish	Bacteria	Germ, Microbe
Bestow	Confer	Band	Group
Brewing	Fermentation	Baggage	Luggage, Belongings
Beloved	Dear	Barrier	Obstacle, Hurdle
Banish	Exclude, Eliminate	Boast	Brag
Bearing	Behaviour	Barbarian	Brute, Savage
Bother	Trouble, Worry	Boastful	Proud
Abruptly	Promptly	Bottom	Lowest, Undermost
Better	Improve	Bachelor	Unmarried
Bits	Pieces	Board	Lodge, reside

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Blind	Screen, Curtain	Blossom	Flourish, Develop
Bayonet	Dagger	Broaden	Widen, Enlarge
Bully	Frighten	Butler	Waiter
Beautiful	Pretty	Blazes	Hell, Flames
Becoming	Fitting	Bereavement	Sadness, Grief
Beg	Implore	Brilliance	Wisdom
Belly	Stomach	Calamity	Disaster
Brave	Bold	Bucket	Pail
Busy	Active		

Set-C

Word	Synonyms	Word	Synonyms
Cause	Reason	Constantly	Continuously
Consist	Comprise	Compel	Force
Complex	Complicated	Cast	Leave, Throw
Certainty	Assurance, Sureness	Celebration	Function, Ceremony
Conditions	Circumstances, Environment	Crises	Energy
Collection	Group	Occasionally	Seldom, Rare
Cold	Chill, Frost	Crowd	Gathering
Construction	Building	Convey	Carry , Transport
Consider	Think, Deem, Ponder	Consume	Exhaust
Critical	Fault findings	Consign	Deliver
Community	Region, Area	Commence	Start, Begin
Considerable	Large, Big	Clutch	Grip
Climate	Weather, Clime	Career	Profession
Charm	Spell, Amulet	Conjuring	Magical
Conclusions	Results	Cunning	Clever
Career	Life	Contrary	Opposite
Controversy	Disagreement, Dispute	Confine	Restrict
Cure	Remedy, Treatment	Choosy	Picky
Custom	Habit	Candy	Sweets
Close	Shut	Change	Transform

Set-D

Word	Synonyms	Word	Synonyms

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Disturbance	Disorder, Churning	Distemper	Disease, Ailment
Discover	Find, Know	Determined	Decided
Deal with	Concern	Deposit	Entrust. Lodge
Disposal	Throwing away	Delay	Postponement
Deliver	Supply	Domestic	Local
Distinction	Prominence, Eminence	Dedicated	Devoted, Committed
Detest	Dislike, Hate	Determined	Resolved
Distasteful	Unpleasant	Drugs	Narcotics
Drift	Wander aimlessly	Dignity	Glory, Respect
Doze	Drowse, Catnap	Disclose	Reveal
Dismal	Sad, Sorrowful, Gloomy	Discount	Reduction
Damnation	Hell	Delicate	Fragile
Disappear	Vanish, End	Disgrace	Shame
Dismissal	Termination, Discharge	Destroy	Ruined
Disappointed	Hopeless	Demonstrate	Show, Reveal
Destroy	Dispose	Discovery	Finding
Determine	Decide	Deform	Disfigure, Misshape
Deliberately	Intentionally, Purposely	Disregarded	Ignored, Unworthy
Deserve	Entitled to	Distinction	Mark of honour
Diagnose	Analysis	Dignity	Honour, Greatness

Set-E

Word	Synonyms	Word	Synonyms
Eager	Keen	Evil	Bad
Elevate	Raise	Enquire	Investigate
Enormous	Huge	Evaluate	Assess
Extremely	Greatly, Very much	Evil	Bad
Entirely	Completely, Fully, Totally	Exit	Leave
Empty	Unoccupied, Blank	Extra	Additional
Expect	Hope	Exactly	Precisely
Eradicate	Uproot, Remove	Evidently	Obviously
Enlightenment	Awareness, Knowledge	Exemplary	Ideal

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Expense	Expenditure	Economy	Wealth
Equipment	Resources, Amenities	Enterprise	Concern, Business
Excellent	Superb, First-class	Event	Occurrence, Incident
Entire	Completely	Essential	Necessary
Especially	Particularly	Embellishment	Adornment, Decoration
Reduce	Decrease	Energetic	Active
Evicting	Vacating, Removing	Eking	Earning
Extraordinary	Exceptional, Uncommon	Exotic	Foreign

Set-F

Word	Synonyms	Word	Synonyms
Fair	Unbiased	Finish	Complete
False	Untrue	Favour	Support
Fantastic	Renowned	Foe	Enemy, Rival
Fast	Quick	Flourish	Develop, Progress, Grow
Fortunate	Lucky	Fame	Repute
Fun	Entertaining	Fancy	Like, Wish
Function	Operate	Firmly	Tightly, Strongly
Funny	Amusing	Fortunately	Luckily
Former	Previous, Earlier	Fence	Barrier
Fatal	Deadly, Killing, Lethal	Frightening	Horrifying
Firm	Determined	Foresight	Prudence
Famous	Renowned	Fungus	Mould
Fair	Adequate	Forge	Produce, Invest
Formulate	Establish	Fidelity	Loyalty, Faithfulness
Feeding	Contributing	Fortunate	Lucky
Frosty	Cold	Fowl	Bird
Flutter	Flap, Wave	Formation	Foundation

Set-G

Word	Synonyms	Word	Synonyms
Glad	Happy	Grim	Dreadful, Horrible
Grab	Seize	Grave	Serious, Acute
Grumble	Grouse	Grain	Cereals, Corn
Glitter	Sparkle	General	Common
Garbage	Trash	Growth	Increase, Expansion

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Gaze	Look	Gap	Difference
Grade	Classify, Categorize	Generous	Lavish, Liberal
Glorious	Splendid, Magnificent	Grim	Dark, Dire
Glow	Light, Shine, Glare	Gestures	Sings
Glance	Look, Behold	Glimpse	View, Glance
Ghastly	Terribly, Frightfully	Grasp	Understand, Realize
Guilt	Crime	Generation	Bread

Set-H

Word	Synonyms	Word	Synonyms
Hall	Corridor	Hamper	Hinder, Obstruct
Hard	Difficult	Heritage	Inheritence, Legacy
Hazard	Danger	Handicaps	Disability, Defect
Help	Assist	Hardships	Difficulties
Huge	Enormous	Height	Peak, Climax
Hurt	Injure	Hop	Jump, Leap
Hurry	Rush	Honesty	Rectitude
Humble	Simple, Ordinary	Hand over	Deliver, Give
Heat	Warmth	Horizon	View, Vista
Heavily	Extremely	Harmful	Injurious
Heirs	Successors	Hail	Welcome, Greet
Hasten	Hurry, Rush	Hurried	Hastened, moved quickly

Set-I

Word	Synonyms	Word	Synonyms
Ignore	Snub	Indeed	Certainly, Undoubtedly
Immediate	Instantly	Imagine	Think, Fancy, Visualize
Impact	Affect	Improvement	Betterment
Important	Significant	Indeed	Surely
Informal	Casual	Intend	Purpose, Aspire
Inspect	Examine	Inability	Incapability
Insufficient	Inadequate	Immense	Huge, Great
Intellectual	Mental	Inspire	Stimulate, Motivate

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Intelligent	Smart	Illiterate	Uneducated
Intend	Mean	Investigation	Inquiry, Search, Stand
Inventory	Stock	Impelled	Force, Compelled
Invoice	Bill	Idly	Aimlessly, In vain

Set-J

Word	Synonyms	Word	Synonyms
Jealous	Envious	Judgment	Decision
Job	Work	Joinder	Answer, Reply, Response
Joy	Delight	Jerky	Smooth, Shaky
Jewel	Diamond, Pearl		

Set-K

Word	Synonyms	Word	Synonyms
Kid	Child	Kill	Slay, Execute, Murder
Kind	Benevolent	Keep	Hold, Preserve, Retain
Keen	Eager, Ardent	Kneel	Bowed, Bent
Keeness	Intelligent, Talent		

Set-L

Word	Synonyms	Word	Synonyms
Lazy	Indolent, Idle, Sluggish	Learn	Memorize
Little	Tiny, Small, minute	Listen	Hear
Love	Esteem, Admire, Worship	Lots	Many
Look	Gaze, Glance, Watch	Loving	Fond
Loyal	Faithful	Loneliness	Solitude
Lucid	Clear	Likely	Probably
Literary	Of literature	Largely	Mostly, Mainly
Later	Afterwards	Luxuriously	Joyfully, Splendidly
Launch	Introduce	Luggage	Bag, Baggage
Local	Domestic	Leaned	Bowed
Lack	Shortage	Luminous	Bright, Glowing, Shinning

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Set-M

Word	Synonyms	Word	Synonyms
Massive	Huge, Big	Mad	Crazy
Minimum	Least, Lowest	Make	Build
Maxim	Proverb, Saying	Meeting	Assembly
Masses	Public, People	Mild	Gentle
Manage	Arrange	Misery	Distress
Majority	Large number	Modern	Contemporary
Militant	Fighter, Warrior	Maintain	Preserve
Model	System	Mark	Label
Mysterious	Strange	Make	Create, invent, construct
Misery	Pain, Agony	Moody	Temperamental, Glum, Touchy
Mask	Cover, Veil	Missing	Losing
Merely	Only	Mythical	Legendary, Imaginary
Mistaken	False, Wrong, Misguided	Maintenance	Continuity, continuation

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Set-N

Word	Synonyms	Word	Synonyms
Native	Local	Nervous	Anxious, Worried, Agitated
Near	Close	Nip	Chill, Coldness
Necessary	Essential	Numerous	Many, Innumerable
New	Recent, Fresh	Nerve	Courage
Notify	Inform	Nominal	Trivial, Insignificant
Numerous	Many	Noted	Famous
Noon	Midday	Noble	Nice, Good
Nice	Pleasant	Naughty	Mischievous
Neat	Clean, Original, Unique	Notion	Idea, Impression
Narrow	Limited, Thin	Naked	Bare
Nutrious	Healthful, Nourishing	Infect	Contaminate
Necessarily	Certainly, Surely	Nervousness	Anxiety
Natural	Normal, Usual	Nonsense	Absurdity

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Set-O

Word	Synonyms	Word	Synonyms
Odd	Strange, Unusual, Queer	Originally	Initially
Ordeal	Trial, Test, Painful	Ordinary	Common, General
Ocean	Sea	Obstacle	Hurdle
Obtain	Get	Old	Feeble, Ancient
Observe	View, Look, See	Overlook	Miss
Obliged	Forced, Compelled	Ornament	Decoration
Oppressive	Cruel, Harsh	Oversee	Supervise
Occasionally	Seldom, Rarely	Occur	Take place
Opinion	View, Idea, Feeling	Overcome	Control
Occasion	Chance	Opium	Drug, Narcotic

Set-P

Word	Synonyms	Word	Synonyms
Part	Selection	part	Portion, Share, Piece
Perception	Insight	Place	Space, area, spot
Possibility	Opportunity	Popular	Common, Current, Approved
Provide	Supply	Predicament	Quandary, Dilemma, Pickle
Particular	Specific	Plunged	Entered
Promptly	Quickly, Instantly, Hastily	Provision	Facilities
Properties	Qualities	Patriot	Loyalist, Fidelity

Set-Q

Word	Synonyms	Word	Synonyms
Quiet	Silent, Still, Mute	Queer	Strange, Odd, Unusual
Quake	Tremble	Qualification	Education
Queue	Line, Row	Quote	Cite, Mention

Set-R

Word	Synonyms	Word	Synonyms

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Rare	Uncommon, Seldom	Risk	Danger
Reproduce	Procreate	Remarkable	Notable, Noteworthy
Refuse	Rubbish	Resources	Means
Recall	Remember	Relax	Rest
Reflected	Considered, thought	Respite	Break, Pause, Interval
Reveal	Show, Display, Expose	Relish	Taste, Tang
Rubbish	Trash, Waste	Rattle	Worry
Rival	Opponent	Rigid	Hard, strict, inflexible

Set-S

Word	Synonyms	Word	Synonyms
Souvenir	Memento, Reminder	Scarce	Short, Scanty
Split	Shattered, Disunited	Subdue	Defeat
Subsist	Live	Sermon	Address, Speech
Striving	Struggling, Trying	Stately	Graceful, Majestic
Stimulate	Encourage	Signalized	Prominent, Distinguished
Security	Safety	Sagacity	Wisdom
Sufficient	Enough	Shrub	Bush
[illegible]ar	Gaze	Supremacy	Mastery, Hold

Set-T

Word	Synonyms	Word	Synonyms
Ties	Waves	Tiny	Small
Tell	Disclose, Show, Reveal	Transform	Convert
Take	Hold, Catch, Seize	Try	Attempt
Trouble	Anxiety, Worry, inconvenience	Trustworthy	Reliable
Think	Judge, Deem	Temperature	Degree of heat
Talk	Speak	Thrift	Careful, Frugal
Temper	Mood	Tread	Walk, Gait

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Think	Ponder	Tragically	Sadly, Sorrowfully
Torrent	Surge, Flow	Tramp	Drifter, Vagrant
Touch	Attack	Terrible	Horrible
Transact	Deal with, Conduct	Trick	Feat
Trial	Ordeal, Suffering	Thrust	Shove, Push
Treatment	Behaviour	Traditional	Conventional
Thoroughly	Completely	Tremendous	Huge, big, enormous
Threaten	Intimidate	Tribe	Clan

Set-U

Word	Synonyms	Word	Synonyms
Ugly	Frightful, Unpleasant	Unfavorable	Adverse, Hostile, Bad
Unhappy	Miserable, Uncomfortable	Unwilling	Hesitant
Use	Employ, Utilize, Exhaust	Unclean	Dirty
Uncommon	Unusual	Undecided	Unsettled, disputed
Uncooked	Raw	Urgently	Immediately
Under	Below	Unanimous	United, collective
Unfortunate	Unlucky	Unguessed	Unexpected
Usually	Generally	Uproarious	Noisy, loud

Set-V

Word	Synonyms	Word	Synonyms
Vague	Indistinct, Unclear	Visible	Seeable, Noticeable
Vanquish	Conquer	Various	Different
Vary	Differ	Virulent	Deadly, Fatal
Vast	Huge	Vast	Large, Great
Vacation	Holidays	Vivid	Clearly, obviously

Set-W

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Word	Synonyms	Word	Synonyms
Wrong	Incorrect, Inaccurate, erroneous	Want	Desire
Worthless	Useless	Weak	Feeble
Wreck	Ruined, Broken	Withstand	Resist
Withstood	Countered, Faced	Warmth	Heat
Whip	Punish, Beat, Thrash	Wondering	Thinking

Preposition

1. We should be affectionate _____ children
   a) to b) on c) with d) at
2. Ali is addicted _____ heroin
   a) to b) on c) with d) at
3. Sidra is accomplished _____ painting
   a) to b) on c) with d) in
4. Your plan is not agreeable _____ your father's wishes
   a) to b) on c) with d) in
5. My house is adjacent _____ mosque
   a) to b) on c) with d) in
6. The pay was not adequate _____ my qualification
   a) to b) on c) with d) in
7. A leader should be alive _____ the public opinion
   a) to b) on c) with d) in
8. I am not amazed _____ his success
   a) at b) on c) with d) in
9. I am anxious _____ your health
   a) at b) about c) with d) in
10. I am not adverse _____ your health
    a) at b) to c) with d) in
11. We must be ashamed _____ our evil doings
    a) at b) of c) with d) in

Milk is beneficial_____ health

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a) to b) of c) with d) in

13. He was annoyed_____ my performance
a) at b) of c) with d) in

14. The baby was clothed_____ beautiful dress
a) at b) of c) with d) in

15. There is no compensation_____ this loss
a) for b) of c) with d) in

16. The officer is conversant_____ all rules
a) for b) of c) with d) in

17. We should not act contrary_____ all rules
a) for b) of c) to d) in

18. Arslan is eager_____ learning
a) for b) of c) for d) in

19. Students were engaged _____ healthy activities
a) for b) of c) for d) in

20. The Muslims have firm faith _____ Islamic principles
a) for b) of c) for d) in

21. I could not grasp_____ anything from your speech
a) for b) of c) for d) at

22. Corruption is hurtful_____ every society
a) for b) of c) to d) at

23. Do not grumble_____ your fate
a) for b) of c) to d) at

24. He incited_____ theft
a) for b) of c) to d) at

25. The child was leaning_____ theft
a) for b) of c) against d) at

26. Do not meddle_____ my affairs
a) for b) of c) with d) at

27. I was overwhelmed_____ grief
a) for b) of c) with d) at

28. He did not act_____ my advice
a) for b) of c) upon d) at

29. I have no access_____ the minister
a) for b) of c) upon d) to

30. We should abstain_____ drinking

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a) for b) of c) upon d) from

31. His father died_____ cancer

a) for .b) of c) upon d) from

32. He was absorbed_____ her studies

a) for b) in c) upon d) from

33. Death is preferable_____ her studies

a) for b) in c) upon d) from

34. We do not agree_____ his proposal

a) for b) in c) to d) from

35. He was charged_____ theft

a) for b) in c) to d) with

36. Why are you angry _____ me

a) for b) in c) on d) with

37. The boy was staring _____ the girl

a) for b) in c) at d) with

38. I prefer milk _____ tea

a) for b) in c) to d) with

39. He insisted _____ my going there

a) on b) in c) to d) with

40. He always boasts _____ his wealth

a) of b) in c) to d) with

41. He was deprived _____ clothes

a) of b) in c) to d) with

42. He was ignorant_____ my arrival

a) of b) in c) to d) with

43. He is blind_____ one eye

a) of b) in c) to d) with

44. He has been suffering_____ Malaria

a) of b) from c) to d) with

45. Distribute these apples_____ the children

a) in b) among c) between d) with

46. A drowning man catches_____ a straw

a) at b) among c) between d) with

47. He was addicted_____ smoking

a) to b) of c) in d) with

. He is devoid_____ common sense

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a) to b) of c) in d) with

49. I am not afraid_____ any person
a) to b) of c) in d) with

50. He was born_____ December 5, 2015
a) to b) on c) in d) with

51. He was absent_____ the class yesterday
a) to b) on c) from d) with

52. I am not afraid_____ any person
a) to b) on c) of d) with

53. The Muslims trust_____ God
a) to b) on c) of d) in

54. He was not conscious_____ his weaknesses
a) to b) on c) of d) from

55. I am fond_____ fresh fruit
a) to b) on c) of d) from

56. He is glad_____ your success
a) to b) at c) of d) from

57. I live in a house close_____ post office
a) to b) at c) of d) from

58. He is jealous_____ my efficiency in work
a) to b) at c) of d) from

59. We are_____ war with them
a) to b) at c) of d) from

60. He carried_____ the orders of his officer
a) to b) out c) of d) from

61. He apologized to me_____ his behavior
a) to b) for c) of d) from

62. I am obliged_____ him for his help
a) to b) for c) of d) from

63. I am grieved_____ his failure in the examination
a) to b) at c) of d) from

64. He has been loyal_____ his friends in every situation
a) to b) to c) of d) from

65. Please come to me_____ dinner tonight
a) to b) at c) of d) from

66. He quarreled with me_____ a trivial matter

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a) to b) at c) of d) over

67. Do not blame him_____ the accident

a) to b) at c) of d) for

68. The beggars live____ charity

a) to b) at c) of d) on

69. Take care_____ your property

a) to b) at c) of d) on

70. Who is knocking_____ the door

a) to b) at c) at d) on

71. He is born_____ rich family

a) to b) at c) at d) of

72. He insists_____ leaving immediately

a) to b) at c) at d) on

73. We are accustomed_____ doing hard work

a) to b) at c) at d) on

74. He is very good_____ physics

a) to b) at c) at d) on

75. Early rising is good_____ health

a) to b) for c) at d) on

76. She comes_____ a good health

a) to b) of c) at d) on

77. I laughed_____ his joke

a) to b) at c) at d) on

78. He was run_____ by a Tonga

a) to b) over c) at d) on

79. He was run_____ by a Tonga

a) to b) over c) at d) on

80. He is eligible _____ this post due to his ability

a) to b) over c) at d) for

81. She put the kettle_____ fire to boil milk

a) to b) on c) at d) for

82. I cannot bear_____ your story

a) to b) out c) at d) for

83. You should be polite_____ others

a) to b) out c) at d) for

84. Good citizens abide_____ the laws

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a) to b) out c) at d) by

85. Beware_____ dogs
a) to b) out c) at d) of

86. I am thankful_____ you
a) to b) out c) at d) for

87. She is vain_____ her beauty
a) to b) out c) at d) of

88. I am proud_____ my teachers
a) to b) out c) at d) of

89. We have a great fondness_____ our neighbour
a) to b) out c) at d) for

90. She was eager_____ learning
a) to b) out c) at d) for

91. This train is bound_____ Lahore
a) to b) out c) at d) for

92. My brother is_____ home in English
a) to b) out c) at d) for

93. They burst_____ tears
a) to b) out c) into d) for

94. Cholera has broken_____ in the city
a) to b) out c) out d) for

95. I was _____ for class
a) to b) of c) out d) for

96. The teacher was offended_____ the students
a) to b) of c) out d) with

97. He inquired_____ the minister
a) to b) out c) for d) with

98. The manager drew_____ a new plan
a) to b) out c) up d) with

99. The table is being laid_____ tea
a) to b) for c) up d) with

100. The principal gave_____ prizes
a) to b) out c) away d) with

101. I feel_____ the poor
a) to b) out c) for d) with

102. Charity begins_____ home

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a) to b) out c) at d) with

103. He is_____ drugs

a) to b) out c) on d) with

104. We should not boast_____ our wealth

a) to b) out c) of d) with

105. I learn this poem_____ heart

a) by b) out c) of d) with

106. The cat pounced_____ the rate

a) Upon b) out c) of d) with

107. They were laughing_____ the clown

a) at b) out c) of d) with

108. He apologized_____ me

a) on b) out c) of d) with

109. The ship is _____ fir

a) on b) out c) of d) with

110. I am suspicious_____ your statement

a) on b) out c) of d) with

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Answers:

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

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