

**Appendix**  
**2009 - June**  
**Paper - 1 : Fundamentals of Accounting**

**Chapter 1 : Accounting : An Introduction**

■ **Unit 1 : Meaning and Scope of Accounting**

- [1] Rs. 5000 paid as rent of office premises in an/a \_\_\_\_\_
- (a) Event
  - (b) Transaction
  - (c) Both
  - (d) None.
- [2] Which of the following is correct ? Owner's Equity is
- (a)  $(\text{Current Asset} + \text{Fixed Asset}) + (\text{Current Liabilities} + \text{Long term Liabilities})$
  - (b)  $(\text{Current Asset} + \text{Fixed Asset}) - (\text{Current Liabilities} + \text{Long term Liabilities})$
  - (c)  $(\text{Current Asset} - \text{Fixed Asset}) - (\text{Current Liabilities} + \text{Long term Liabilities})$
  - (d) None of the above.
- [3] If owner's capital is Rs. 50,000 liability is Rs. 30,000 and fixed assets is Rs. 70,000, then what is the value of current assets ?
- (a) Rs. 10,000
  - (b) Rs. 40,000
  - (c) Rs. 80,000
  - (d) Rs. 1,00,000

■ **Unit 2 : Accounting Concepts, Principles and Conventions**

- [4] Provision for discount is made due to concept of
- (a) Conservatism
  - (b) Matching
  - (c) Both (a) and (b)
  - (d) Materiality
- [5] The three fundamental accounting assumptions are
- (i) Accrual
  - (ii) Conservatism
  - (iii) Going Concern
  - (iv) Consistency
  - (v) Matching

- (a) (ii), (iii) and (iv)
  - (b) (i), (iii) and (iv)
  - (c) (ii), (iv) and (v)
  - (d) (iii), (iv) and (v)
- [6] Debtors - Rs. 50,000. A provision for bad debt is created @ 5% according to which concept ?
- (a) Conservatism
  - (b) Matching
  - (c) Accrual
  - (d) Dual Aspect
- [7] Outstanding expenses is included in Profit & Loss A/c at the year end according to which concept \_\_\_\_\_
- (a) Matching
  - (b) Full disclosure
  - (c) Accrual
  - (d) Going Concern

## Chapter 2 Accounting Process

### ■ Unit 1 : Basic Accounting Procedures – Journal Entries

- [8] Unexpired expense is \_\_\_\_\_ account.
- (a) Real
  - (b) Nominal
  - (c) Personal
  - (d) Representative Personal
- [9] Rs. 1500 withdrawn for personal use should be debited to \_\_\_\_\_
- (a) Expense Account
  - (b) Purchases Account
  - (c) Sales Account
  - (d) Drawings Account
- [10] Narration is given along with journal entry :
- (a) To signify the impact of entry on profitability
  - (b) To disclose the profit or loss of the transaction.
  - (c) To give a precise explanation for proper understanding of the entry.
  - (d) To secretly understanding the inner meaning of entries.
- [11] Goods worth Rs. 10,000 were withdrawn by the proprietor for his personal use. The account to be credited is
- (a) Sales A/c
  - (b) Drawings A/c

- (c) Purchases A/c
- (d) Expenses A/c

■ **Unit 2 : Ledgers**

- [12] Purchase Return Account always shows a \_\_\_\_\_ balance.
- (a) Debit
  - (b) Credit
  - (c) Either (a) or (b)
  - (d) None
- [13] A opened an account with Rs. 5,000 on 3/12/09. He deposited Rs. 1,000 on 7/12/09. He withdraw Rs. 2,000 on 15/12/09 and deposited a cheque of Rs. 10,000 on 20/12/09. What is the balance on 31/12/09
- (a) Rs. 18,000
  - (b) Rs. 14,000
  - (c) Rs. 4,000
  - (d) None

■ **Unit 3 : Trial Balance**

- [14] Trial Balance creates \_\_\_\_\_ accuracy.
- (a) Principle
  - (b) Arithmetical
  - (c) Clerical
  - (d) None.

■ **Unit 4 : Subsidiary Books**

- [15] Following are not subsidiary books :
- (a) Sales book
  - (b) Cash book
  - (c) Purchase book
  - (d) Bills Receivable Book
- [16] Purchase of furniture on credit should be recorded in \_\_\_\_\_
- (a) Purchase book
  - (b) Sales book
  - (c) Cash book
  - (d) Journal

■ **Unit 5 : Cash Books**

- [17] Interest received of Rs. 100 was recorded as interest paid. What will be the effect on cash balance?
- (a) Cash will reduce by 100.
  - (b) Cash will increase by 200.

- (c) Cash will reduce by 200.  
(d) No effect on cash balance.
- [18] What will be the effect when return inward is wrongly entered as return outward ?
- (a) Gross Profit is increased by Rs. 100.  
(b) Gross Profit is decreased by Rs. 100.  
(c) Gross Profit is increased by Rs. 200.  
(d) Gross Profit is decreased by Rs. 200.
- [19] Total of sales book was understated by Rs. 200. Rectification entry will be :
- (a) Sales A/c Debit, Suspense A/c Credit  
(b) Suspense A/c Debit, Sales A/c Credit  
(c) Debtor A/c Debit, Sales A/c Credit  
(d) Sales A/c Debit, Debtors A/c Credit
- [20] Sale of old furniture is erroneously entered in sales book. Rectification entry will be :
- (a) Debit Sales A/c, Credit Furniture A/c  
(b) Debit Furniture A/c, Credit Sales A/c  
(c) Debit Debtor A/c, Credit Furniture A/c  
(d) Debit Sales A/c, Credit Debtor A/c

### Chapter 3 : Bank Reconciliation Statement

- [21] Bank Reconciliation statement is :
- (a) A part of Pass Book  
(b) A statement prepared by bank.  
(c) A cash book related to cash column  
(d) A statement prepared by customers.

### Chapter 4 : Inventories

- [22] In conditions of inflation, which method will lead to the lowest value of stock ?
- (a) FIFO  
(b) LIFO  
(c) Average price method  
(d) Weighted average pricing method.

### Chapter 5 : Depreciation Accounting

- [23] Price of the computer = Rs. 50,000  
Residual value = Rs. 10,000  
Hours worked for the year = 6000 hrs.

Estimated life of computer = 20,000 hrs.

calculate the amount of depreciation

- (a) Rs. 15,000
- (b) Rs. 12,000
- (c) Rs. 20,000
- (d) Rs. 24,000

[24] A machine was purchased for Rs. 50,000. Installation expenses amounted to Rs. 2,000 wages of Rs. 4,000 were paid on installation. The scrap value at the end of its useful life of 10 years is Rs. 6,000. Repairs of Rs. 6,000 was made after 6 months from the date of purchase. Calculate depreciation

- (a) Rs. 5,600
- (b) Rs. 4,800
- (c) Rs. 5,000
- (d) None

[25] Which method of depreciation is suitable when expenditure on repairs and maintenance, increases as the machine grows old ?

- (a) Reducing balance method
- (b) Straight line method
- (c) Machine hour rate method
- (d) Sinking fund Method.

**Chapter 6 : Preparation of Final Accounts of sole Proprietors**

[26] \_\_\_\_\_. is a summary of all assets and liabilities on a particular date.

- (a) Trial Balance
- (b) Profit and Loss Account
- (c) Balance Sheet
- (d) Funds Flow Statement

[27] If the profit is 25% on sales, then what percentage of profit is on cost.

- (a) 33 %
- (b) 20 %
- (c) 40 %
- (d) 50 %

[28] Sales = Rs. 3,00,000; G.P. on sales is 20 % Purchases = Rs. 2,40,000; Opening stock = Rs. 20,000 Find closing stock.

- (a) Rs. 20,000
- (b) Rs. 24,000

(c) Rs. 16,000

(d) Rs. 12,000

[29] At the end of Trial Balance, the following adjustments are given  
stock destroyed - Rs. 20,000 Insurance claim received Rs. 16,000.  
The effect of the above adjustments will be shown in:

(a) Trading Account

(b) Profit and Loss Account

(c) Balance Sheet

(d) All of the above.

[30] A surplus of revenue over its cost is known as \_\_\_\_\_ of business.

(a) Capital

(b) Profit

(c) Asset

(d) None

[31] Net profit before the following

Adjustments ..... = Rs. 1,80,000

Outstanding Salary . = Rs. 10,000

Prepaid insurance = Rs. 13,000

Calculate profit after adjustments.

(a) Rs. 1,77,000

(b) Rs. 1,83,000

(c) Rs. 2,03,000

(d) None of the above.

[32] Find out the corrected net profit;

Profit before taking into account following adjustments was  
Rs.7,00,000

(i) Rs. 1,00,000 spent on purchase of motor car for business  
purpose, treated as expense in Profit & Loss A/c.

(ii) Rs. 15,000 p.m. rent outstanding for the month of February  
and March not taken into account -

(a) Rs. 7,70,000

(b) Rs. 7,85,000

(c) Rs. 6,15,000

(d) Rs. 6,30,000

[33] Sales = Rs. 11,000, G.P. = 1/10th on cost closing stock before these  
Adjustments Rs. 1,00,000 closing stock after adjustment of sales  
will be -

(a) Rs. 1,10,000

(b) Rs. 90,000

- (c) Rs. 89,000
  - (d) None
- [34] Bad debt recovered of Rs. 2000 which were previously written off as bad debt will be credited to \_\_\_\_\_ A/c
- (a) Bad Debt A/c
  - (b) Debtor A/c
  - (c) Bad debt recovered A/c
  - (d) Suspense A/c

<b>Chapter 7 : Accounting for Special Transactions</b>
--

■ **Unit 1 : Consignment**

- [35] Consignment Account is a :
- (a) Real Account
  - (b) Nominal Account
  - (c) Trading Account
  - (d) Personal Account
- [36] Account Sales includes ;
- (a) Sales made
  - (b) Stock left with consignee
  - (c) Commission earned
  - (d) All of above.
- [37] A sends 1000 units @ Rs. 56 to be sold on consignment basis. Consignor expenses amounted to Rs. 1000. 50 units were cost in transit. Find the new price per unit. (Loss is unavoidable).
- (a) Rs. 50 per unit
  - (b) Rs. 60 per unit
  - (c) Rs. 58.95 per unit
  - (d) Rs. 57 per unit
- [38] A consigned 1000 litres of coconut oil @ Rs. 50 per lt. to B. The normal loss is estimated at 5%. The profit was fixed at 14% on the total cost. What is the sale price per litre ?
- (a) Rs. 57
  - (b) Rs. 60
  - (c) Rs. 70
  - (d) Rs. 55

■ **Unit 2 : Joint Ventures**

- [39] A and B entered into a joint venture. They agreed to share profits and losses equally. A purchased goods worth Rs. 16,000. Goods of Rs. 4,000 were destroyed by fire. Insurance claim of Rs. 3,000 is

received. B sold the rest of the goods for Rs. 20,000. A and B share profits equally A's share of profits is :

- (a) Rs. 4,000
- (b) Rs. 3,000
- (c) Rs. 1,500
- (d) None

[40] A and B entered into joint venture. A supplied goods worth Rs. 7,000 and incurred expenses of Rs. 300. B sold the goods for Rs. 10,000 and incurred expenses of Rs. 500. What is the amount of final remittance ?

- (a) Rs. 8,400
- (b) Rs. 7,900
- (c) Rs. 8,900
- (d) None of these.

■ **Unit 3 : Bills of Exchange and Promissory Notes**

[41] Ram drew a bill on Shyam on 15<sup>th</sup> April, 09 Shyam accepted the same on 17<sup>th</sup> April, 09 for 30 days after sight. What will be the due date of the bill ?

- (a) 18<sup>th</sup> May, 09
- (b) 15<sup>th</sup> May, 09
- (c) 20<sup>th</sup> May, 09
- (d) 17<sup>th</sup> May, 09

[42] Balance as per pass book Rs. 20,000 Rs. 4,000 were directly deposited by a customer into the bank. Then the balance as per cash book is :

- (a) Rs. 24,000
- (b) Rs. 18,000
- (c) Rs. 16,000
- (d) Rs. 22,000

[43] X draws a bill on Y for Rs. 5,000 for 3 months. Before the due date Y sends 1/5th of the amount to X. Y requested X to draw a new bill for the balance amount plus interest @ 12% p.a. for 3 month. Find the amount of the new bill ?

- (a) Rs. 5,150
- (b) Rs. 4,140
- (c) Rs. 4,120
- (d) Rs. 5,440

- [44] A draws a bill for Rs. 20,000 for 3 months on 1.1.09. Bill was discounted with a banker who charged Rs. 100 as discounting charges. At maturity the bill returned dishonoured. With what amount will the bank a/c be credited in the books of A ?
- (a) Rs. 19,000
  - (b) Rs. 20,000
  - (c) Rs. 20,100
  - (d) Rs. 19,900

### Chapter 8 Partnership

#### ■ Unit 1 : Introduction to Partnership Accounts

- [45] A and B are partners having capital of Rs. 50,000 and Rs. 60,000 respectively. Interest on capital is given @ 5% p.a. Profits for the year before appropriation is Rs. 4,600 provide interest on capital out of profits. Increase allocated to partners is :
- (a) Rs. 3,000 and Rs. 2,500
  - (b) Rs. 2,090 and Rs. 2,509
  - (c) Rs. 2,500 and Rs. 2,091
  - (d) Rs. 600 and Rs. 300
- [46] If there is no partnership deed then interest on capital will be charged at ..... p.a.
- (a) 6 %
  - (b) 8 %
  - (c) 9 %
  - (d) NIL

#### ■ Unit 2 : Treatment of Goodwill in Partnership Accounts

- [47] When there is no Goodwill Account in the books and goodwill is raised, \_\_\_\_\_ account will be debited.
- (a) Partner's Capital A/c
  - (b) Goodwill A/c
  - (c) Cash A/c
  - (d) Reserve A/c

#### ■ Unit 3 : Admission of New Partner

- [48] A and B share profits equally. They admit C with 1/7th share. The new profit sharing ratio of A and B is
- (a) 4/7, 1/7
  - (b) 3/7, 3/7
  - (c) 2/7, 2/7
  - (d) None

- [49] A and B are partners C is admitted with 1/5th share C brings Rs.1,20,000 as his share towards capital. The total network of the firm is:
- (a) Rs. 1,00,000
  - (b) Rs. 4,00,000
  - (c) Rs. 1,20,000
  - (d) Rs. 6,00,000
- [50] A and B share profits in the ratio of 3:2. A's capital is Rs. 48,000 B's capital is Rs. 32,000. C is admitted for 1/5th share in profits. What is the amount of capital which C should bring ?
- (a) Rs. 20,000
  - (b) Rs. 16,000
  - (c) Rs. 1,00,000
  - (d) Rs. 64,000

■ **Unit 4 : Retirement of a Partner**

- [51] X, Y, Z are equal partners in a firm. Z retires from the firm. The new profit sharing ratio between X and Y is 1:2 Find the gaining ratio.
- (a) 3:2
  - (b) 2:1
  - (c) 4:1
  - (d) Only B gains by 1/3

**Chapter 9 : Company Accounts**

■ **Unit 1 : Introduction to Company Accounts**

- [52] A \_\_\_\_\_ is an artificial person created by law with a perpetual succession and a common seal.
- (a) Company
  - (b) Partnership firm
  - (c) Sole Proprietorship
  - (d) Hindu Undivided Family
- [53] Right shares are issued to:
- (a) Promoters for the services
  - (b) Holders of convertible debentures
  - (c) Existing shareholders
  - (d) All of the above.
- [54] Interest on calls-in-advance is paid at a rate of :
- (a) 8 % p.a.
  - (b) 6 % p.a.

- (c) 5 % p.a.  
(d) None of these.
- [55] A company issued 20,000 preference shares at the rate of Rs. 100 each at 5 % premium and 2,00,000 equity shares at the rate Rs. 10 each at 10% premium. What is the net amount of securities premium ?
- (a) Rs. 1,00,000  
(b) Rs. 2,00,000  
(c) Rs. 2,40,000  
(d) Rs. 3,00,000
- [56] Share premium is utilized for this purpose :
- (a) For raising goodwill  
(b) For premium payable on redemption of preference share  
(c) For writing of capital losses.  
(d) For paying dividend.
- [57] X purchased the running business of A for Rs. 60,000. In place of cash he discharged the purchase consideration by issue of equity shares of Rs. 10 each at 20% premium. Find the number of shares to be issued ?
- (a) 6,000  
(b) 7,500  
(c) 5,000  
(d) 8,000
- [58] Reserve share capital means :
- (a) part of authorized capital to be called at beginning  
(b) portion of uncalled capital to be called only at liquidation  
(c) Over subscribed capital  
(d) Under subscribed capital
- [59] When full amount is due on any call but it is not received, then the shortfall is debited to -
- (a) Calls in advance  
(b) Calls in arrear  
(c) Share capital  
(d) Suspense account
- **Unit 4 : Issue of Debentures**
- [60] 6000 debentures were discharged by issuing Equity Shares of Rs. 10 each at 20 % premium. Find the number of shares issued.
- (a) 50,000  
(b) 60,000

- (c) 5,000
- (d) 6,000

**Answer**

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