1. O Ltd. maintains the inventory records under perpetual system of inventory. Consider the following data pertaining to inventory of O Ltd. held for the month of March 2005:

Date	Particulars	Quantity	Cost Per unit (Rs)
Mar. 1	Opening Inventory	15	400
Mar. 4	Purchases	20	450
Mar. 6	Purchases	10	460

If the company sold 32 units on March 24, 2005, closing inventory under FIFO method is
(a) Rs.5,200 (b) Rs. 5,681 (c) Rs. 5,800 (d) Rs. 5,950

2. Under inflationary conditions, ________ method will show highest value of closing stock?

(a) FIFO (b) LIFO
(c) Weighted Average (d) None of the above

3. Consider the following for Alpha Co. for the year 2005-06:

Cost of goods available for sale	Rs.1,00,000
Total sales	Rs.80,000
Opening stock of goods	Rs. 20,000

Gross profit margin 25%
Closing stock of goods for the year 2005-06 was

(a) Rs. 80,000 (b) Rs. 60,000 (c) Rs.40,000 (d) Rs. 36,000.

4. Cost of physical stock on 15.4.06 was Rs.3,00,000. Sales amounting Rs1,00,000 and purchases worth Rs50,000 were held between 31.3.06 and 15.4.06. Goods are sold at a profit of 20% on sales. Value of inventory as on 31.3.06 is

(a) Rs 3,50,000 (b) Rs 2,70,000 (c) Rs 3,30,000 (d) Rs 3,00,000

5. Record of purchase of T.V. sets.

Date	Quantity	Price per unit	Units	Rs.
March 4	900	5		
March 10	400	5.50		
Record of issues	600			
March 5	400			
March 12				

The value of T.V. sets on 15 March, as per LIFO will be
(a) Rs. 1,500 (b) Rs. 1,650 (c) Rs. 1,575 (d) None of these

6. Inventories should be generally valued at lower of cost or ________
(a) Fair market value. (b) Replacement value.
(c) Present value. (d) Net realisable value.

7. The following are the details regarding purchases of a certain item during the month of January.

January 1 Purchases 200 units @ Rs.7	**Rs. 1,400**
January 8 Purchases 900 units @ Rs.8	**Rs. 7,200**
January 25 Purchases 300 units @ Rs.9	**Rs. 2,700**
January 30 Purchases 400 units @ Rs.10	**Rs. 4,000**
	Rs. 15,300

A physical inventory of the items taken on January 31 shows that there are 700 units in hand. The valuation of inventory as per FIFO method is:
(a) Rs. 5,400 . (b) Rs. 6,700. (c) Rs. 8,600 (d) Rs. 5,000

8. A firm dealing in cloth has 15000 meters of cloth on April 1, 2005 valued at Rs. 1,50,000 according to LIFO. The firm purchased 20000 meters @ Rs. 12 per meter during the year ending 31st March, 2006 and sold 30000 meters @ Rs. 25 per meter during the same period.
As per LIFO, the closing stock will be valued at:
(a) Rs. 60,000 (b) Rs. 1,25,000 (c) Rs. 50,000 (d) None of these

9. "Inventories should be out of godown in the sequence in which they arrive" is based on
(a) HIFO (b) LIFO
(c) FIFO (b) Weighted average.

10. A minimum quantity of stock always held as precaution against out of stock situation is called __________
(a) Zero stock (b) Risk stock
(c) Base stock (d) None of the above

11. If cost of physical stock on 31.3.2006 is Rs. 2,80,000 and out of which stock of Rs. 1,20,000 is held as consignee. Goods costing Rs. 25,000 were damaged beyond repair and were expected to realize Rs. 5,000 only. The value of own stock on 31.3.2006 will be
(a) Rs. 2,60,000 (b) Rs. 1,60,000 (c) Rs. 1,35,000 (d) Rs. 1,40,000

12. Bank overdraft as per trial balance is Rs.1,60,000. Bank has allowed the customer to overdrew 80% of the hypothecated value of the stock. Hypothecation of stock has been done by the bank at 80% of the original closing stock value. The amount of closing stock is
(a) Rs. 2,00,000 (b) Rs. 2,50,000 (c) Rs. 1,02,400 (d) Rs. 1,28,000

13. Closing stock was not taken on 31.3.2006 but only on 7.4.2006. Following transactions had taken place during the period from 1.4.2006 to 7.4.2006. Sales Rs. 2,50,000, purchases Rs. 1,50,000, stock on 7.4.2006 was Rs. 1,80,000 and the rate of gross profit on sales was 20%. Closing stock on 31.3.2006 will be
(a) Rs. 3,80,000 (b) Rs. 4,00,000 (c) Rs. 2,30,000 (d) Rs. 1,50,000

14. The cost of stock as per physical verification of Bharat Ltd. on 10th April, 2006 was Rs. 1,20,000. The following transactions took place between 1st April, 2006 to 10th April, 2006:

Cost of goods sold	**Rs. 10,000**
Cost of goods purchased	**Rs. 10,000**
Purchase returns	**Rs. 1,000**

The value of inventory as per books on 31st March, 2006 will be
(a) Rs. 1,19,000 (b) Rs. 1,11,000 (c) Rs. 1,21,000 (d) Rs. 1,20,000

15. The following data has been provided by Omega Ltd.:

Item	No.	Units	Cost per unit	Realization value per unit
1	2	10	11	
2	10	5	4	
3	2	2	2	

The value of inventory on item by item basis will be
(a) Rs. 40 (b) Rs. 64 (c) Rs. 66 (d) Rs. 60

16. M/s ABC Brothers, which was registered in the year 2000, has been following Straight Line Method (SLM) of depreciation. In the current year it changed its method from Straight Line to Written Down Value (WDV) Method, since such change would result in the additional depreciation of Rs. 200 lakhs as a result of which the firm would qualify to be declared as a sick industrial unit. The auditor raised objection to this change in the method of depreciation.
The objection of the auditor is justified because

a) Change in the method of depreciation should be done only with the consent of the auditor
b) Depreciation method can be changed only from WDV to SLM and not vice versa
c) Change in the method of deprecation should be done only if it is required by some
statute and change would result in appropriate presentation of financial statement
d) Method of depreciation cannot be changed under any circumstances.

17. In the books of D Ltd. the machinery account shows a debit balance of Rs. 60,000 as on April 1,2003.The machinery was sold on September 30, 2004 for Rs. 30,000. The company charges depreciation @ 20% p.a. on diminishing balance method. Profit/Loss on sale will be
a) 13,200 Profit b) 13,200 loss c) 6,800 profit d) 6,800 loss

18. Ashok purchased a machine on 01.01.2005 for Rs. 1,20,000. Installation expenses were Rs. 10,000.Residual value after 5 years Rs. 5,000. On 01.07.2005,

expenses for repairs were incurred to the extent of Rs. 2,000. Depreciation is provided under straight line method. Annual Depreciation is

a) 13,000 b) 17,000 c) 21,000 d) 25,000

19. A machine purchased on 1.4.2003 for Rs. 10,00,000 was depreciated on straight line basis over its useful life of 10 years. On 1.4.2005, it was found that machine is in a good condition and will be used in the production for another 10 years. The amount of depreciation for the year ending 31.3.2006 will be
a) Rs. 1,00,000 b) Rs. 80,000 c) Rs. 83,333 d) Rs. 66,667

20. In___________ method, depreciation is charged by allocating depreciable cost in proposition of the annual output to the probable life-time output.
a) Working hours method b) Replacement method
c) Revaluation method d) Production units method

21. A firm purchases a 5 years' lease for Rs. 40,000 on 1st January. It decides to write off depreciation on the Annuity method, presuming the rate of interest to be 5% per annum. The annuity for it is 0.230975. The amount of annual depreciation will be
a) Rs. 8,000 b) Rs. 2,000 c) Rs. 9,239 d) Rs. 6,000

22. The balance of machine on 31st March 2006 is Rs. 72,900. The machine was purchased on 1st April 2003 charging depreciation @10% p.a. The cost price of the machine as on 1st April 2003 would be
a) Rs. 1,00,000 b) Rs. 90,000 c) Rs. 81,000 d) Rs. 72,900

23. On 1st January, 2005, Alpha Ltd. purchased a machine for Rs. 50,000 and spent Rs.4,000 on its carriage and Rs. 2,000 on its installation. On the date of purchase, it was estimated that the effective life of the machine will be 10 years and after 10 years its scrap value will be Rs. 6,000. Depreciation is charged on straight line basis. Depreciation for the year 2005 will be
a) Rs. 4,600 b) Rs. 5,000 c) Rs. 4,800 d) Rs. 4,500

24. A transport company purchases a truck for Rs. 2,00,000 on 1st January, 2005. It charges 20%depreciation p.a. according to w.d.v. method. The track was sold on 1st July, 2006 for a sum of Rs. 1,60,000. The profit or loss on sale of truck is

a) Loss of Rs. 16,000. b) Profit of Rs. 16,000.
c) Profit of Rs. 12,000. d) Loss of Rs. 12,000.

25. A machine purchased on 1st April 2004 for Rs. 10,000 is showing a balance of Rs. 6,000 as on 1st April 2006 when depreciation is charged on S.L.M. basis. Now a company wants to sitch over to W.D.V method charging depreciation @ 20%. The amount of excess/ short depreciation of last two years will be

a) Excess depreciation Rs. 400 b) Short depreciation Rs. 400
c) Excess depreciation Rs. 1,600 d) Short depreciation Rs. 1,600

26. Books of Ekta, shows on 1st January 2006 furniture Rs. 20,000. During the year a part of the furniture whose book value on 1st January 2006 is Rs. 1,200 has been exchanged with another furniture by paying additional Rs. 500. Ekta charge depreciation @ 10% p.a. The net amount of the furniture to be shown in the balance sheet will be

a) Rs. 18,508 b) Rs. 20,440 c) Rs. 18,396 d) Rs. 18,478.

27. Under straight line method, depreciation is calculated on
a) Written down value. b) Scrap value.
c) Original cost. d) None of the three.

28. Scrap value of an asset means the amount that it can fetch on sale at the ______of its useful life.
a) Beginning b) End c) Middle d) None of these

29. The balance of furniture and fixtures as on 1st April, 2005 was Rs. 10,000. Furniture of Rs. 5,000 was purchased on 1st October, 2005. Depreciation is charged @ 10% on W.D.V. method. The depreciation for the year ended 31st March, 2006 will be
a) Rs. 1,500 b) Rs. 1,250 c) Rs. 1,750 d) None of these

30. A Ltd. Company purchase machinery on 1st April, 2004 for Rs.1,00,000. The depreciation on this machinery is charged @ 10% per annum on straight line method. On 30th October, 2006 machinery is sold for Rs.89,000. The profit or loss on sale of such machinery is:

a) Profit of Rs. 12,000. b) Loss of Rs. 12,000.
c) Profit of Rs. 14,000. d) Loss of Rs. 6,000.

31. A Promissory Note is –
a) A conditional promise to pay b) An unconditional promise to pay
c) A conditional order to pay d) An unconditional order to pay

32. In case of a Promissory Note, there are –
a) Two parties b) Three parties c) Four Parties d) Five parties

33. A bill of exchange is –
a) A conditional promise to pay b) An unconditional promise to pay
c) A conditional order to pay d) An unconditional order to pay

34. The term of a Bill after sight commences –

a) From the date of acceptance of the bill.
b) From the date of drawing a bill.
c) From the date of receipt of the accepted bill.
d) From the date of receipt of drawn bill.

35. A bill drawn on 23.11.2005 as payable 60 days after date was accepted on 24.11.2005. The date of maturity of this bill will be –
a) 25.1.2006 b) 26.1.2005 c) 27.1.2005 d) None of these

36. When the bill is honoured at the maturity date. The drawee debits –
a) Drawer's Account b) Bills payable Account
c) Cash/Bank Account d) Holder of Bill Account (Banker/Endorsee)

37. A bill drawn on 23.11.2005 as payable 2 months after date was accepted on 24.11.2005. The date of maturity of the bill will be –
a) 25.1.2006 b) 26.1.2006 c) 27.1.2006 d) None of these

38. No entry for payment of the bill at maturity is passed in the books of the drawer –
a) When the bill is retained till maturity,
b) When the bill is sent for collection
c) When the bill is endorsed or discounted
d) None of these

39. Which of the following is not foreign bill?
a) A bill drawn in India, on a person resident outside India and made payable outside India.
b) A bill drawn outside India, on a person resident outside India
c) A bill drawn outside India, made payable in India
d) A bill drawn on a person resident in India made payable in India.

40. Which of the following is correct for presenting bill to notary public:
a) To pay fees to notary public
b) For "bill for collection"
c) If the acceptor can prove that the bill was not properly presented to him for payment,
he can escape the liability, hence for dishonour it is produced.
d) For drawing a fresh bill

41. Under which circumstance drawer and payee is same person:
a) When drawer discounted the bill with banker
b) When drawer endorse the bill to the third party
c) When drawer held the bill till maturity
d) When drawee rejects to accept the bill

42. Which of the following statement is true:

a) Nothing charge is an expense to be borne by drawer
b) Nothing charge is an expense to be borne by drawee
c) Nothing charge is an expense to be borne by payee
d) Nothing charge is an expense to be borne by bank

43. On 10.9.07 X draws a bill on Y for 3 months for Rs. 20, 000. 13th Dec. was a sudden holiday, due date of the bill will be:
a) 11th Dec. b) 12th Dec. c) 13th Dec. d) 14th Dec.

44. One 10.9.07 X draws a bill on Y for Rs. 25, 000 for 30 days. 13th Dec. is public holiday, due date of the bill will be:
a) 11th Dec. b) 12th Dec. c) 13th Dec. d) 14th Dec.

45. X sold goods to Y for Rs. 1,50, 000 on 1.5.07. On the same day, he drew on Y a bill for the amount for 3 months, which Y duly accepted. X got the bill discounted with the bank before the due date, Y became insolvent, later his estate could pay only 40% of the amount due. What will be the amount of deficiency in the books of Y :
a) Rs. 60,000 b) Rs. 1,50,000 c) Rs. 90,000 d) None of these

46. The balance of the petty cash is
a) an expense, b) income c) an asset d) liability

47. Fixed assets are
a) kept in business for use over a long time for earning income
b) meant for resale
c) ment for conversion into cash as quickly as possible
d) All of the above

48. Goodwill is
a) a current asset b) an intangible fixed asset
c) a tangible fixed asset d) an investment

49. Stock is
a) included in the category of fixed assets b) an investment
c) a part of current assets d) an intangible fixed asset

50. A decrease in the provision for doubtful debts would result in:
a) an increase in liabilities b) a decrease in working capital
c) a decrease in net profit d) an increase in net profit

51. The capital of a sole trader would change as a result of:
a) a creditor being paid his account by Cheque
b) raw materials being purchased on credit
c) fixed assets being purchased on credit
d) wages being paid in cash

52. A prepayment of insurance premium will appear in the Balance Sheet and in the Insurance Account respectively as:
a) a liability and a debit balance b) an asset and a debit balance
c) an asset and a credit balance d) none of the above

53. Sales are equal to
a) Cost of goods-Gross profit b) Cost of goods sold + Gross profit
c) Gross profit – Cost of goods sold d) Cost of goods sold + Net profit

54. Gross profit is equal to:
a) Cost of Goods Sold –sales b) Sales – Cost of Goods Sold
c) Cost of Goods Sold + Operating profit
d) Sales – operating cost

55. Cost of goods Sold is equal to:
a) Gross profit –Sales b) Gross profit – operating profit
c) Sales – operating profit d) operating cost – operating expenses

56. Operating Cost is equal to:
a) Cost of goods sold + Operating cost
b) Cost of goods sold – operating expenses
c) Sales – Gross profit d) sales – Operating profit

57. Operating profit is equal to:
a) Sales – Cost of Goods sold b) Sales – Non-operating cost
b) Gross profit – operating expenses d) Net profit + Operating revenue

58. Net profit is equal to:
a) Sales – Cost of Goods sold b) Sales – operating expenses
c) Gross profit – Operating expenses
d) Sales – Operating and Non-operating cost

59. Trading Account is prepared to ascertain:
a) Operating profit b) Net profit
c) Cost of Goods manufactured d) Gross profit

60. Profit & Loss A/c is prepared to ascertain:
a) Operating profit b) Net profit
c) Cost of Goods Manufactured d) Gross profit