



Dr.G.R.Damodaran College of Science

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SEMESTER III

CORE: HIGHER FINANCIAL ACCOUNTING - 302A

Multiple Choice Questions.

1. An ordinary partnership business can have

- A. Not more than 50 partners.
- B. Not more than 20 partners.
- C. Any number of partners
- D. Any number than 2 partners.

ANSWER: B

2. In the absence of an agreement profit and loss are divided by partners in the ratio of:

- A. Capital
- B. Equally
- C. Time devoted by each partners.
- D. None of these.

ANSWER: B

3. Current accounts of the partners should be opened when the capitals are

- A. Fluctuating
- B. Either fixed or fluctuating
- C. Fixed
- D. None of these

ANSWER: C

4. Any partner who investments in the business but does not take active part in the business is

- A. Secret partner
- B. Sleeping partner
- C. Active partner
- D. Nominal partner

ANSWER: B

5. A partners has to pay interest on drawings what is the entry in the personal A/c of the partner?

- A. Credit partners capital A/c
- B. Credit partners current A/c
- C. Debit the partners capital A/c
- D. Debit partners current A/c

ANSWER: D

6. At the time of admission an incoming partner contributes as goodwill

- A. In cash
- B. Does not pay cash
- C. May or may not pay cash for good will
- D. None of these

ANSWER: C

7. Good will is valued as two years purchase of the average profits of three previous years are Rs. 15000, the value of good-will be

- A. Rs. 15000
- B. Rs. 30000
- C. Rs. 20000
- D. Rs. 50000

ANSWER: B

8. An incoming partner pays his share of good will in cash, and profit sharing ration of old partner is changed, Good – will be distributed among old partners

- A. As their old profit ratio
- B. According to new ration
- C. According to sacrifice ratio
- D. None of these

ANSWER: C

9. In the revaluation account an increase in the value of land and building

- A. Appears on the debit side
- B. Appears on the credit side
- C. Appears on the credit side of good will account
- D. Does not appear at all

ANSWER: B

10. In case of retirement of a partner full good will is credited to the accounts of

- A. All partners
- B. Only retiring partner
- C. Only remaining partner
- D. None of the above

ANSWER: A

11. Amount due to out going partner is shown in the balance sheet as his

- A. Liability
- B. Asset
- C. Capital
- D. Loan

ANSWER: D

12. When payment is made for an unrecorded liability

- A. Partners capital A/c Dr. To realization A/c
- B. Realization A/c Dr. To partners capital A/c

- C. Bank/Cash A/c Dr. To realization A/c
- D. Realization A/c Dr. To Bank/Cash A/c

ANSWER: D

13. On the retirement of a partner any reserve being should be transferred to the capital account of
- A. All partners in the old profit sharing ratio
 - B. Remaining partners in the new profit sharing ratio
 - C. Neither the retiring partner, nor the remaining partner
 - D. None of above

ANSWER: A

14. In the absence of an agreement, profits and losses are divided
- A. In the ratio of capitals, devoted by each partner.
 - B. In the ratio of time.
 - C. Equally.
 - D. In the ratio of drawings.

ANSWER: A

15. General Reserve at the time of admission of a new partner is transferred to
- A. Profit and Loss Adjustment A/c.
 - B. Partners Capital Accounts.
 - C. Neither of the two.
 - D. Balance Sheet.

ANSWER: C

16. If all the partners, but one are insolvent it is
- A. Dissolution of an agreement
 - B. Dissolution of firm
 - C. May or may not cause dissolution
 - D. Compulsory dissolution by court

ANSWER: B

17. A partner who takes active part in the firms business is known as partner.
- A. New.
 - B. Active.
 - C. Old.
 - D. Chief.

ANSWER: B

18. Loss on realization is distributed among partners
- A. According to profit and loss ratio
 - B. According to capital ratio
 - C. As decided among them
 - D. Equally by all the partners

ANSWER: A

19. In which ratio an amount of goodwill brought in by new partner is shared by old partners?
- A. Old partners in their new ratio.

- B. Old partners in their capital ratio.
- C. Old partners in their old ratio.
- D. Old partners in their sacrificing ratio.

ANSWER: A

20. Old profit sharing ratio minus new profit sharing ration is equal to

- A. Sacrificing ratio
- B. Ratio of gain
- C. Capital ratio
- D. None

ANSWER: A

21. A is drawing Rs. 500 regularly on the 16th of every month, he will have to pay interest in a year on Rs. 6000 for the total period of @ given rate of interest

- A. 5 months
- B. 6 months
- C. 7 months
- D. 12 months

ANSWER: B

22. On the death of a partner, the amount of Joint Life Policy shall be credited to the capital accounts of

- A. All partners including the deceased partner in their profit sharing ratio.
- B. Remaining partners in the new profit sharing ratio.
- C. Remaining partners equally.
- D. All partners including the decease partner in their capital ratio.

ANSWER: D

23. When good will is brought in cash by new partner, method is known as

- A. Premium method
- B. Revaluation Method
- C. Memorandum Revaluation Method
- D. None

ANSWER: A

24. Good will of the firm is valued Rs. 30000. C an incoming partner purchase $\frac{1}{4}$ share of total profit Good will be raised in the books.

- A. Rs. 30000
- B. Rs. 7500
- C. Rs. 120000
- D. Rs. 7000

ANSWER: A

25. Prepaid insurance is: _____.

- A. Nominal account.
- B. Personal account.
- C. Real account.
- D. Prepaid account.

ANSWER: B

26. When a partnership firm is not registered, it is
- A. Deemed to be an illegal association and is disallowed to carry on business.
 - B. Allowed to carry on business subject to payment of penalty.
 - C. Allowed to carry on business subject to certain disabilities.
 - D. a. Allowed to carry on business only with the special permission of the Registrar of Firms.

ANSWER: B

27. Goodwill is a
- A. Liquid asset
 - B. Fictitious asset
 - C. Current asset
 - D. Intangible asset

ANSWER: D

28. Garner Vs Murray relates to:
- A. Deficiency A/c
 - B. Insolvency
 - C. Contract
 - D. Hire purchase

ANSWER: B

29. Under fluctuation method of capital, what is the treatment of interest on capital?
- A. Credited to capital account
 - B. Debited to capital account
 - C. No treatment or adjustment needed
 - D. Credited to current account

ANSWER: B

30. When a partner takes over the responsibility to pay off an unrecorded liability
- A. Realization A/c Dr. To partners capital A/c
 - B. Bank A/c Dr. To realization A/c
 - C. Realization A/c Dr. To Bank/Cash A/c
 - D. a. Partners capital A/c Dr. To realization A/c

ANSWER: D

31. When an unrecorded asset is taken over by a partner
- A. Realization A/c Dr. To partners capital A/c
 - B. Partners capital A/c Dr. To realization A/c
 - C. Cash A/c Dr. To Bank A/c
 - D. Realization A/c Dr. To Bank/Cash A/c

ANSWER: A

32. Sacrifice made by the old partner can be found out by deducting their new share from the _____
- A. Given share.
 - B. Normal Share.
 - C. Old share.
 - D. None of the above.

ANSWER: C

33. In the absence of an agreement, profits and losses are divided

- A. In the ratio of capitals, devoted by each partner.
- B. In the ratio of time.
- C. Equally.
- D. In the ratio of drawings.

ANSWER: A

34. Current accounts for partners should be opened when

- A. Capitals are fixed.
- B. Capitals are fluctuating.
- C. When capitals are either fixed or fluctuating.
- D. When capitals are neither fixed nor fluctuating.

ANSWER: B

35. Which of the following is NOT generally the characteristic of a partnership business?

- A. Limited life
- B. Ease of formation
- C. Mutual agency
- D. Limited liability

ANSWER: C

36. To which account would the interest on the capital accounts of the partners be credited?

- A. Profit & Loss A/c.
- B. Partners capital A/c.
- C. Partners current A/cs.
- D. Interest A/c.

ANSWER: B

37. A and B invest in a business in the ratio 3 : 2. If 5% of the total profit goes to charity and A's share is Rs. 855, the total profit is

- A. Rs. 1425
- B. Rs. 1500
- C. Rs. 1537.50
- D. Rs. 1576

ANSWER: B

38. When a new partner gives cash for goodwill, the amount is credited to

- A. Goodwill account.
- B. Capital account of the new partner.
- C. Cash account.
- D. None of the above.

ANSWER: B

39. A, B and C jointly thought of engaging themselves in a business venture. It was agreed that A would invest Rs. 6500 for 6 months, B, Rs. 8400 for 5 months and C, Rs. 10,000 for 3 months. A wants to be the working member for which, he was to receive 5% of the profits. The profit earned was Rs. 7400. Calculate

the share of B in the profit.

- A. Rs. 1900
- B. Rs. 2660
- C. Rs. 2800
- D. Rs. 2840

ANSWER: B

40. A, B and C enter into a partnership in the ratio : : . After 4 months, A increases his share 50%. If the total profit at the end of one year be Rs. 21,600, then B's share in the profit is:

- A. Rs. 2100
- B. Rs. 2400
- C. Rs. 3600
- D. Rs. 4000

ANSWER: D

41. General Reserve at the time of admission of a new partner is transferred to

- A. Profit and Loss Adjustment A/c.
- B. Partners Capital Accounts.
- C. Neither of the two.
- D. Balance Sheet.

ANSWER: C

42. A, B, C subscribe Rs. 50,000 for a business. A subscribes Rs. 4000 more than B and B Rs. 5000 more than C. Out of a total profit of Rs. 35,000, A receives

- A. Rs. 8400
- B. Rs. 11,900
- C. Rs. 13,600
- D. Rs. 14,700

ANSWER: D

43. Three partners shared the profit in a business in the ratio 5 : 7 : 8. They had partnered for 14 months, 8 months and 7 months respectively. What was the ratio of their investments?

- A. 5 : 7 : 8
- B. 20 : 49 : 64
- C. 38 : 28 : 21
- D. None of these

ANSWER: B

44. In case of admission of a partner the profit or loss on revaluation of assets and liabilities is shared by ___ partners.

- A. New.
- B. Old
- C. Active
- D. Sleeping

ANSWER: C

45. X and Y who are equal partners admit Z into partnership for 1/7 share, their new Profit Sharing Ratio will be

- A. 3:3:1
- B. 2:6:1
- C. 4:6:2
- D. 6:2:1

ANSWER: B

46. Goodwill is withdrawn by the partner account is credited.

- A. Cash/Bank.
- B. Revaluation.
- C. Profit and Loss.
- D. Creditors.

ANSWER: A

47. A partner who takes active part in the firm s business is known as partner.

- A. New
- B. Active.
- C. Old
- D. Chief

ANSWER: A

48. Debit balance of current account of a partner will appear on the _ side of the Balance Sheet.

- A. Liabilities.
- B. Debit
- C. Assets
- D. Upper

ANSWER: B

49. A starts business with Rs. 3500 and after 5 months, B joins with A as his partner. After a year, the profit is divided in the ratio 2 : 3. What is B's contribution in the capital?

- A. Rs. 7500
- B. Rs. 8000
- C. Rs. 8500
- D. Rs. 9000

ANSWER: D

50. A and B entered into partnership with capitals in the ratio 4 : 5. After 3 months, A withdrew of his capital and B withdrew of his capital. The gain at the end of 10 months was Rs. 760. A's share in this profit is:

- A. Rs. 330
- B. Rs. 360
- C. Rs. 380
- D. Rs. 430

ANSWER: A

51. Realization account is a ----- account.

- A. Personal.
- B. Nominal.
- C. Real.

D. Fictitious.

ANSWER: A

52. A and B started a partnership business investing some amount in the ratio of 3 : 5. C joined then after six months with an amount equal to that of B. In what proportion should the profit at the end of one year be distributed among A, B and C?

A. 3 : 5 : 2

B. 3 : 5 : 5

C. 6 : 10 : 5

D. Data inadequate

ANSWER: C

53. A, B, C rent a pasture. A puts 10 oxen for 7 months, B puts 12 oxen for 5 months and C puts 15 oxen for 3 months for grazing. If the rent of the pasture is Rs. 175, how much must C pay as his share of rent?

A. Rs. 45

B. Rs. 50

C. Rs. 55

D. Rs. 60

ANSWER: A

54. Whenever a new partner is admitted the Profit Sharing Ratio will change and the changed ratio will be known as

A. New ratio.

B. Old ratio.

C. Sacrificing ratio.

D. None of the above.

ANSWER: A

55. What journal entry will be passed when a partner brings cash as capital in the business?

A. Goodwill A/c Dr. To Cash A/c

B. Cash A/c Dr. To Partners Capital A/c

C. Cash A/c Dr. To Revaluation A/c

D. Cash A/c Dr. To P&L A/c

ANSWER: A

56. The ratio in which the old partners have agreed to sacrifice their charges in profit in favour of new partner is called the

A. Sacrificing ratio.

B. Old ratio.

C. New ratio.

D. None of the above.

ANSWER: B

57. In which ratio an amount of goodwill brought in by new partner is shared by old partners?

A. Old partners in their new ratio.

B. Old partners in their capital ratio.

C. Old partners in their old ratio.

D. Old partners in their sacrificing ratio.

ANSWER: A

58. In the event of dissolution of partnership firm, the Provision for Doubtful Debts is transferred to

- A. Sundry debtors A/c.
- B. Realization A/c.
- C. Revaluation A/c.
- D. Partner s Capital A/c.

ANSWER: D

59. A and B started a business in partnership investing Rs. 20,000 and Rs. 15,000 respectively. After six months, C joined them with Rs. 20,000. What will be B's share in total profit of Rs. 25,000 earned at the end of 2 years from the starting of the business?

- A. Rs. 7500
- B. Rs. 9000
- C. Rs. 9500
- D. Rs. 10,000

ANSWER: A

60. In the event of dissolution of a firm, the partner s personal assets are first used for payment of

- A. Personal liabilities.
- B. Firm s liability.
- C. Creditors.
- D. None of the above.

ANSWER: A

61. In the absence of any contract, to the contrary, on dissolution of the partnership firm the capital profit is credited to the partners:

- A. In capital ratio.
- B. In profit sharing ratio.
- C. Equally.
- D. None of the above.

ANSWER: A

62. The sacrificing ratio is used at the time of

- A. Death of a partner.
- B. Admission of a partner.
- C. Retirement of a partner.
- D. Dissolution of a firm.

ANSWER: B

63. Goods of the value of Rs. 1500 taken by the proprietor for his personal use should be debited to:

- A. drawing account
- B. aales account.
- C. purchases account.
- D. stock account.

ANSWER: A

64. Arun, Kamal and Vinay invested Rs. 8000, Rs. 4000 and Rs. 8000 respectively in a business. Arun left

after six months. If after eight months, there was a gain of Rs. 4005, then what will be the share of Kamal?

- A. Rs. 890
- B. Rs. 1335
- C. Rs. 1602
- D. Rs. 1780

ANSWER: A

65. The credit balance of bank account indicates:

- A. amount payable by the bank.
- B. cash at bank.
- C. loan from bank.
- D. amount payable to the bank.

ANSWER: D

66. Simran started a software business by investing Rs. 50,000. After six months, Nanda joined her with a capital of Rs. 80,000. After 3 years, they earned a profit of Rs. 24,500. What was Simran's share in the profit?

- A. Rs. 9,423
- B. Rs. 10,250
- C. Rs. 12,500
- D. Rs. 10,500

ANSWER: D

67. Ravi, Gagan and Nitin are running a business firm in partnership. What is Gagan's share in the profit earned by them? I. Ravi, Gagan and Nitin invested the amounts in the ratio of 2 : 4 : 7. II. Nitin's share in the profit is Rs. 8750.

- A. I alone sufficient while II alone not sufficient to answer
- B. II alone sufficient while I alone not sufficient to answer
- C. Both I and II are necessary to answer
- D. Both I and II are not sufficient to answer

ANSWER: C

68. When a partner dies, firm will receive the:

- A. 1/2 amount of policy
- B. 1/4 amount of policy
- C. 3/4 amount of policy
- D. Full amount of policy

ANSWER: D

69. Joint Life policy a/c is a

- A. Nominal a/c.
- B. Personal a/c.
- C. Real a/c.
- D. None of the above.

ANSWER: B

70. On distribution, the loss on realization should be divided among partners in the ratio of :

- A. Capital.

- B. P/L ratio.
- C. Equally.
- D. None of the above.

ANSWER: C

71. When the partnership is dissolved the balance in the general reserve will be transferred to:

- A. Realization a/c.
- B. Capital a/c.
- C. P/L a/c.
- D. None of the above.

ANSWER: B

72. The amount of deficiency is given under:

- A. List A
- B. List F .
- C. List H
- D. List B

ANSWER: C

73. In the case insolvency of a partner , the deficiency showed be shared among the partners in the:

- A. Old Profit sharing ratio.
- B. Capital ratio.
- C. Equal ratio.
- D. None of the above.

ANSWER: B

74. At the time of dissolution all the assets of firm are transferred to the realization A/c

- A. Market value
- B. Book value
- C. Cost value
- D. Bale value

ANSWER: B

75. Every partner has a right to be consulted in all matters affecting the business of

- A. Sole tradership
- B. Partnership
- C. JSC
- D. None

ANSWER: B

76. A credit balance on a partners current A/c is.

- A. Fixed capital
- B. Part of capital
- C. A current asset
- D. Long term liability

ANSWER: B

77. For the firm interest on drawing is

- A. Expense
- B. Income
- C. Liability
- D. None

ANSWER: B

78. Loss on realization is:

- A. Debited to partners capital A/c
- B. Credited to partners capital A/c
- C. Debited to realization A/c
- D. Credited to realization A/c

ANSWER: A

79. If all the partners, but one, are solvent it is

- A. Dissolution of partnership agreement
- B. Dissolution of firm
- C. May or may not cause dissolution
- D. None of above

ANSWER: B

80. Unrecorded liability paid at the time of dissolution of a partnership is debited to ----- account.

- A. partners capital account
- B. Realisation account
- C. Liability account
- D. Revaluation account

ANSWER: B

81. In case of retirement, accumulated profits and losses are transferred to the capital accounts in the

- A. Capital ratio
- B. Old profit sharing ratio
- C. New profit sharing ratio
- D. None of the above

ANSWER: A

82. Fluctuating capital account is credited with

- A. Interest on capital
- B. Profits of the year
- C. Salaries or remuneration of the partners
- D. All the above

ANSWER: D

83. A firm is unable to pay the debts when _____.

- A. A partner is insolvent.
- B. A partner has debit balance.
- C. The firm is insolvent.
- D. None of the above.

ANSWER: C

84. Royalty account is in the nature of _____.

- A. Real account.
- B. Nominal account.
- C. Personal account.
- D. Revenue account.

ANSWER: B

85. Irrecoverable short workings are transfer to _____

- A. Trading account.
- B. P&L account.
- C. Balance sheet.
- D. P&L Appropriation account.

ANSWER: B

86. When royalty is paid, it is debited in the books of lessee to _____.

- A. Royalty account.
- B. P&L account.
- C. Land lord account.
- D. Lessee account.

ANSWER: C

87. When short workings are to be recovered the account to be debited is _____.

- A. Land lord account.
- B. Short workings account.
- C. P&L account.
- D. Lessee account.

ANSWER: A

88. Royalty is connected with the following type of business _____.

- A. Manufacturing industry.
- B. Mining industry.
- C. Construction business.
- D. Trading business.

ANSWER: B

89. Dead rent is also called _____.

- A. Outstanding rent.
- B. Minimum rent.
- C. Prepaid rent.
- D. Future rent.

ANSWER: B

90. The lessee's right to require short working is related to _____.

- A. First three years.
- B. Subsequence two years.
- C. Terms and agreements.
- D. No specific terms.

ANSWER: C

91. Royalty payable is debited by lessee to _____.

- A. Royalty account.
- B. Land lord account.
- C. P&L account.
- D. Trading account.

ANSWER: A

92. In case of sub-lease royalty earned by the lessor is credited to _____.

- A. Sub-lessee account.
- B. P&L account.
- C. Royalty receivable account.
- D. Sub-lessor account.

ANSWER: C

93. According to section 37 of the Partnership Act the legal heir of the deceased is entitled to the share of profit calculated _____.

- A. Fixed percentage of the profit.
- B. Fixed Interest.
- C. Old share of profit.
- D. None of the above.

ANSWER: B

94. In the case insolvency of a partner, the deficiency showed is shared among the partners in the _____.

- A. Old Profit sharing ratio.
- B. Capital ratio.
- C. Equal ratio.
- D. None of the above.

ANSWER: B

95. A, B and C are partners sharing profits in 4:2:4. When C retires the gaining ratio of A and B is _____.

- A. 1:2.
- B. 4:4.
- C. 2:4.
- D. 4:2.

ANSWER: D

96. In the absence of an agreement, interest on drawings is _____.

- A. allowed.
- B. not allowed.
- C. allowed after one year.
- D. allowed after two year.

ANSWER: B

97. In the absence of an agreement, Salary or remuneration will be _____.

- A. allowed.
- B. not allowed.

- C. allowed after one year.
- D. allowed after two year.

ANSWER: B

98. Goodwill is an -----.

- A. liability.
- B. capital.
- C. nominal account.
- D. intangible asset

ANSWER: D

99. A and B share 5:3. They admit C for 1/6th share. The sacrificing ratio is -----.

- A. 2:3.
- B. 3:3
- C. 5:3
- D. 8:3

ANSWER: C

100. In the absence of an agreement, interest on capital is -----.

- A. allowed.
- B. not allowed.
- C. allowed after one year.
- D. allowed after two year.

ANSWER: B

101. Partners salaries to be debited to _____.

- A. Trading account.
- B. Profit and loss account.
- C. Profit and loss appropriation account.
- D. Partners account.

ANSWER: C

102. List C gives details regarding the _____.

- A. Current assets.
- B. Partly secured creditors.
- C. Fixed assets.
- D. Current Liability.

ANSWER: B

103. List A gives details regarding the ----.

- A. Unsecured creditors
- B. Partly secured creditors
- C. Current assets
- D. Fixed assets

ANSWER: A

104. Any balance in the P/l a/c of the amalgamating firm will be transferred to:

- A. Capital a/c of the partners.

- B. Revaluation a/c
- C. New firm s a/c
- D. P/L a/c

ANSWER: B

105. When the firm sells the business on a going concern, cash balance is transferred to:

- A. Realizations a/c.
- B. Partner s Capital a/c.
- C. Revaluation a/c.
- D. None of the above.

ANSWER: A

106. The average clause in a policy discourages:

- A. Over Insurance.
- B. Under insurance.
- C. Normal insurance.
- D. None of the above.

ANSWER: C

107. According to section 37 of the Partnership Act the legal heir of the deceased is entitled to the share of profit calculated:

- A. Fixed percentage of the profit .
- B. fixed Interest .
- C. Old share of profit .
- D. None of the above.

ANSWER: B

108. Profits of the business is to be shared among the partners , when the profit sharing term is silent :

- A. The Capital ratio.
- B. Equal ratio.
- C. Agreed ratio.
- D. None of the above.

ANSWER: B

109. Current account is opened if capital accounts are maintained under

- A. Fixed capital method.
- B. Fluctuating capital method .
- C. Current capital method.
- D. None on the above.

ANSWER: B

110. Profit or Loss on revaluation at the time of retirement must be transferred to the partners in

- A. Capital Ratio.
- B. Old Profit Sharing Ratio.
- C. Gaining Ratio.
- D. Sacrificing ratio.

ANSWER: B

111. A firm is unable to pay its debts when

- A. A partner is insolvent.
- B. A partner has debit balance.
- C. A firm is insolvent.
- D. None of the above.

ANSWER: B

112. The name which the partnership business is called as

- A. Company.
- B. Joint Venture.
- C. Firm.
- D. None of the above.

ANSWER: C

113. In case of preparing partnership capital under fixed capital method, fixed capital account is prepared and the second to be prepared is

- A. Fluctuating account.
- B. Appropriation account.
- C. Current account.
- D. Capital account.

ANSWER: C

114. The statutory provisions regarding admission of a partner is given under which section of the partnership act ?

- A. Section- 51.
- B. Section- 31.
- C. Section- 21.
- D. Section- 11.

ANSWER: C

115. Liabilities not taken over by the new firm (at the time of amalgamation) will be transferred to

-
- A. New firm s account.
 - B. Revaluation account.
 - C. Capital accounts.
 - D. Realisation account.

ANSWER: C

116. When the lessor receives payment, the credits-----

- A. Lessee account
- B. Royalty account
- C. Short workings account.
- D. None of the above

ANSWER: A

117. The balance of royalty payable account is transferred to-----

- A. Profit and loss account
- B. Royalties suspense account

- C. Production account.
- D. Royalty account

ANSWER: C

118. The lessee's right to recover the short working is related to

- A. first five years
- B. last three years
- C. terms of the agreement
- D. none of the above.

ANSWER: C

119. In the event of recoupment of short workings, the lessor

- A. debit landlord account
- B. credit sub lessee account
- C. debit short workings account
- D. debit profit, and loss account.

ANSWER: C

120. In the books of lessor short workings irrecoverable are to be

- A. credited to profit and loss account
- B. debited to profit and loss account
- C. credited to Trading account
- D. credited to short workings account

ANSWER: D

121. In case the right to recoup short workings has expired the balance in short workings account is transferred by lessee to

- A. profit and loss account
- B. landlords account
- C. minimum rent account
- D. short workings suspense account.

ANSWER: A

122. When short workings are to be recovered by a sublessee the account to be debited is

- A. lessee's account
- B. short workings account
- C. profit and loss account
- D. none of the above.

ANSWER: A

123. One advantage of operating as a partnership would include:

- A. Greater power than a sole trader for decision making
- B. Limited liability for all partners
- C. Being able to raise capital through share issues
- D. Access to a larger amount of initial capital

ANSWER: B

124. The main account for dealing with partnership dissolution would be:

- A. Revaluation
- B. Dissolution
- C. Appropriation
- D. Realisation

ANSWER: D

125. Which of the following would not be found in a partnership appropriation account?

- A. Interest on capital
- B. Salaries
- C. Interest on loan by partner to partnership
- D. Interest on drawings

ANSWER: C

126. What is the minimum number of partners required to commence a partnership business?

- A. 20
- B. 10
- C. 2
- D. 4

ANSWER: C

127. In the general form of partnership, liabilities of partners are

- A. limited
- B. unlimited
- C. limited to the business capital
- D. limited to their agreement

ANSWER: A

128. In written agreement of partnership is most commonly referred to as:

- A. Agreement
- B. partnership deed
- C. partnership contract
- D. partnership Act

ANSWER: B

129. Under fluctuation method of capital, what is the treatment of interest on capital?

- A. credited to capital account
- B. Debited to capital account
- C. No treatment or adjustment needed
- D. Credited to current account

ANSWER: A

130. If, on dissolution of a firm, any assets are given as a gift to a partner,

- A. that Partners capital Account is debited for the written down value of such assets
- B. that Partners capital Account is debited for the market value of such assets
- C. that Partners capital Account is debited for the original cost of such assets
- D. that Partner capital is credited

ANSWER: B

131. On dissolution of a firm, partners loan account is transferred to

- A. Realisation Account
- B. Partners Capital Account
- C. Partners Current Account
- D. None of the above

ANSWER: D

132. The accumulated profits and reserves are transferred to :

- A. Realisation Account
- B. Partners Capital Account
- C. Bank Account
- D. None of the above

ANSWER: B

133. Salaries and wages payable by a firm as on the date of dissolution is treated

- A. as preferential creditors
- B. as secured creditors
- C. as unsecured creditors
- D. as non-recoverable

ANSWER: A

134. On amalgamation, Realization Account is opened

- A. in the books of the purchasing firm
- B. in the books of the vendor firm
- C. in the books of both the purchasing and the vendor firm
- D. none of the above

ANSWER: B

135. On amalgamation, fictitious assets of the vendor firm are transferred to

- A. Partners Capital Accounts
- B. Purchasing Firms Account
- C. Realisation Account
- D. none of the above

ANSWER: A

136. On amalgamation, expenses on dissolution of vendor firm paid by purchasing firm

- A. are debited to Vendor Firms account in the books of purchasing firm
- B. are debited to Goodwill account in the books of purchasing firm
- C. are debited to all partners in the new profit sharing ratio
- D. are debited to the partners of the vendor firm in their profit sharing ratio

ANSWER: B

137. Any balance in the profit and loss account of the amalgamation firm will be transferred to

- A. Capital Account of the partners
- B. Profit & Loss Adjustment Account
- C. New Firms Account
- D. realisation account

ANSWER: A

138. In the case of amalgamation profit or loss on the sale of firm is ascertained through

- A. Realisation Account
- B. Profit & Loss Adjustment Account
- C. Profit and Loss Adjustment Account
- D. None of the above

ANSWER: A

139. Under which method goodwill is raised first and then immediately written off?

- A. premium method
- B. revaluation method
- C. memorandum revaluation method
- D. none of these

ANSWER: C

140. What is the minimum number of partners required to commence a partnership business?

- A. 20
- B. 10
- C. 2
- D. 4

ANSWER: C

141. Profit or loss on memorandum revaluation a/c is distributed to

- A. all the partners including new one
- B. old partners
- C. new partner only
- D. none of them

ANSWER: A

142. At the time of dissolution all the assets of firm are transferred to the realization A/c:

- A. Market value
- B. Book value
- C. Cost value
- D. agreed value

ANSWER: B

143. On dissolution, Which of the following is not be transferred to realisation a/c?

- A. goodwill
- B. cash
- C. machinery
- D. creditors

ANSWER: B

144. When the net assets are less than the purchase consideration, it is

- A. capital reserve
- B. goodwill
- C. neither goodwill nor capital reserve
- D. either goodwill or capital reserve

ANSWER: B

145. Joint life policy fund is shown in

- A. liability side
- B. asset side
- C. credited to P&L a/c
- D. credited to P&L appropriation a/c

ANSWER: A

146. Which one of the following is fictitious asset?

- A. goodwill
- B. patent rights
- C. copy rights
- D. accumulated loss

ANSWER: A

147. The proportion in which old partners make a sacrifice

- A. Ratio of Capital
- B. Ratio of Sacrifice
- C. Gaining Ratio
- D. Profit Sharing Ratio

ANSWER: B

148. In the event of dissolution of a firm, the partners personal assets are first used for payment of

- A. Personal liabilities
- B. Firms liability
- C. Creditors
- D. None of the above

ANSWER: A

149. A partner who takes active part in the firms business is known as partner

- A. Active
- B. Old
- C. Chief
- D. None of the above

ANSWER: B

150. Revaluation account is also known as

- A. Trading account
- B. P & L account
- C. P & L Appropriation account
- D. Balance sheet

ANSWER: C

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