



Dr.G.R.Damodaran College of Science

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II B.Com (AM) [2016-2019]

Semester III

Core: HIGHER FINANCIAL ACCOUNTING - 313A

Multiple Choice Questions.

1. Royalty is a _____ to lessee
- A. Income
 - B. Expenses
 - C. Both income and expenses
 - D. None of the above

ANSWER: B

2. Excess of Minimum rent over royalties is called
- A. shortworkings
 - B. dead rent
 - C. royalties
 - D. none of the above

ANSWER: A

3. All the royalties and short workings irrecoverable should be transferred to
- A. Trading account
 - B. Balance sheet
 - C. Profit & Loss Account
 - D. None of the above

ANSWER: C

4. At the time of admission of a partner, goodwill brought in cash by the new partner is shared by the old partners in their
- A. sacrificing ratio
 - B. gaining ratio
 - C. old ratio
 - D. new ratio

ANSWER: A

5. At the time of admission of a partner, goodwill brought in cash by the new partner is shared by the old partners in their sacrificing ratio, the method is known as
- A. goodwill method
 - B. premium method
 - C. revaluation method
 - D. average method

ANSWER: C

6. On the admission of a partner if goodwill account is raised, this should be debited to

- A. partner account
- B. new partner account
- C. goodwill account
- D. old partner account

ANSWER: C

7. On the admission of a new partner the balance of the P & L account should be transferred to the capital account of old partners in their

- A. new profit sharing ratio
- B. old profit sharing ratio
- C. sacrificing ratio
- D. gaining ratio

ANSWER: B

8. On the admission of a new partner the decrease in value of asset is debited to

- A. Capital account
- B. Balance sheet
- C. Revaluation account
- D. P & L account

ANSWER: C

9. If A and B are sharing profits in the ratio of 3:2, admit c to 1/5th share in the future profit, the sacrificing ratio will be

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

ANSWER: C

10. X and Y share profit in 4:2, Z is admitted into the firm. The new profit sharing ratio is 5:3:2. The sacrificing ratio will be

- A. 2:1
- B. 3:1
- C. 4:1
- D. 5:1

ANSWER: D

11. Capital employed X Normal rate of return is equal to

- A. Super profit
- B. Capital profit
- C. Normal profit
- D. Average profit

ANSWER: C

12. The difference between average profit minus normal profit is

- A. Super profit
- B. Capital profit
- C. Normal profit
- D. Average profit

ANSWER: A

13. The difference between total assets minus liabilities is

- A. Net assets
- B. Gross assets
- C. Net liabilities
- D. Gross liability

ANSWER: A

14. Revaluation account is also known as

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

ANSWER: C

15. Profit or loss from revaluation account will be transferred to the partners

- A. Personal account
- B. Current account
- C. P & L account
- D. Capital account

ANSWER: D

16. Profit or loss from revaluation account will be transferred to the partners capital account in their

- A. new profit sharing ratio
- B. old profit sharing ratio
- C. sacrificing ratio
- D. gaining ratio

ANSWER: B

17. At the time of admission of a new partner undistributed profits is credited to the old partners capital account in

- A. new profit sharing ratio
- B. old profit sharing ratio
- C. sacrificing ratio
- D. gaining ratio

ANSWER: B

18. At the time of admission of a new partner undistributed losses should be distributed to the old partners

- A. Personal account
- B. Current account
- C. P & L account
- D. Capital account

ANSWER: D

19. 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

20. In the absence of an agreement, profit and losses are shared by partners

- A. equally
- B. old profit sharing ratio
- C. sacrificing ratio
- D. gaining ratio

ANSWER: A

21. 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

22. In the absence of an agreement, interest on partners loan shall be

- A. 4 percentage
- B. 5 percentage
- C. 6 percentage
- D. 7 percentage

ANSWER: C

23. 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

24. 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

25. Current account of the partners should be opened when the capital are

- A. fixed
- B. fluctuating
- C. variable
- D. equal

ANSWER: A

26. Revaluation account is a

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

ANSWER: A

27. Goodwill is an

- A. liability

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

ANSWER: D

28. On the admission of a partner, the goodwill is raised at full value, it should be debited to

- A. Goodwill account
- B. Current account
- C. P & L account
- D. Capital account

ANSWER: A

29. In the case of retirement of a partner, profit on revaluation is credited to the capital accounts of the partners in their

- A. profit sharing ratio
- B. sacrificing ratio
- C. capital ratio
- D. gaining ratio

ANSWER: A

30. Gaining ratio is calculated at the time of

- A. admission of a partner
- B. retirement of a partner
- C. insolvency of a partner
- D. leave of a partner

ANSWER: B

31. The difference between new profit ratio and old profit ratio is

- A. new profit sharing ratio
- B. old profit sharing ratio
- C. sacrificing ratio
- D. gaining ratio

ANSWER: D

32. In case of death of a partner, all accumulated profits are distributed among all partners in the

- A. new profit sharing ratio
- B. old profit sharing ratio
- C. sacrificing ratio
- D. gaining ratio

ANSWER: B

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

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

ANSWER: C

34. 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

35. A and B are partners in the ratio of 2:1. They admit C for 1/4 share who contributes for Rs.3,000 for his share of goodwill. The total value of goodwill of the firm is:

A. Rs.3,000

B. Rs.9,000

C. Rs.12,000

D. Rs.15,000

ANSWER: C

36. Goodwill of a firm of A and B is valued at Rs.30,000. It is appearing in the books at Rs.12,000. C is admitted for 1/4 share. What amount he is supposed to bring for goodwill?

A. Rs.3,000

B. Rs.4,500

C. Rs.7,500

D. Rs.10,500.

ANSWER: B

37. Capital employed in a business is Rs.1,50,000. Profit is Rs.50,000 and the normal rate of profit is 20%. The amount of goodwill as per capitalization method would be

A. Rs.1,00,000

B. Rs.1,50,000

C. Rs.2,00,000

D. Rs.3,00,000.

ANSWER: A

38. In the absence of an agreement to the contrary, the partners are

A. Entitled to 6% interest on their capitals, only when there are profits

B. Entitled to 9% interest on their capitals, only when there are profits

C. Entitled to interest on capital at the bank rate, only when there are profits

D. Not entitled to any interest on their capitals.

ANSWER: D

39. How is the premium paid on the Joint Life Policy of partners treated? It is to the accounts.

A. Debited, Partners capital

B. Credited, Partners current

C. Debited, P&L

D. Credited, P&L.

ANSWER: C

40. A and B are partners in a firm sharing profits in the ratio of 3:2. They admit C as a new partner for 1/3 share in the profits of the firm. The new profit sharing ratio of A, B and C is

A. 3:2:1

B. 3:2:2

C. 3:2:3

D. 6:4:5

ANSWER: D

41. A and B were partners sharing profit in the ratio of 21:9. C was admitted for 9/21 share in the profits.

The new profit sharing ratio of A, B and C will be

- A. 13:7:4
- B. 14:9:5
- C. 14:3:2
- D. 14:6:5

ANSWER: D

42. 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

43. When A and B sharing Profit and Losses in the ratio of 3:2, admit C as a partner giving him 1/5 share of profit. This will be given by A and B

- A. Equally
- B. In the ratio of their profits
- C. In the ratio of their capitals
- D. In the ratio of their drawings

ANSWER: B

44. 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. Either A or B

ANSWER: D

45. In which account, the account payable on the capital of the partner charged?

- A. P&L A/c
- B. P&L (Adjustment) A/c
- C. P&L (Appropriation) A/c
- D. Realization A/c.

ANSWER: C

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

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

ANSWER: B

47. If the goodwill account is raised for Rs.10,000, the amount is debited to

- A. The capital accounts of partners
- B. Goodwill account
- C. Cash account
- D. Balance Sheet.

ANSWER: B

48. If the adjustment in the value of Assets at the time of the admission of a partner shows a profit, it

should be credited to the Capital accounts of

- A. The old partners in their new profit sharing ratio
- B. All the partners in their new profit sharing ratio
- C. The old partners in their old profit sharing ratio
- D. None of the above.

ANSWER: C

49. 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: B

50. 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: A

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

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

ANSWER: B

52. 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: C

53. On the dissolution of a firm, the profit or loss is shared by the partners

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

ANSWER: A

54. Realization account is a account.

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

ANSWER: B

55. 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

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: A

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: D

58. Unrecorded liability when paid on dissolution of a firm is debited to

- A. Realization A/c
- B. Liability A/c
- C. Partners Capital A/c
- D. Revaluation A/c.

ANSWER: A

59. 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

60. 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: B

61. 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

62. Interest on capital is always calculated
- A. On the capital balance of partners at the beginning
 - B. On the capital balance of partners at the end
 - C. On the capital balance of partners at an average
 - D. On the capital balance of Partners after all adjustment

ANSWER: A

63. General reserve at the time of admission of a partner is transferred to
- A. Revaluation a/c
 - B. Partners capital a/c
 - C. Profit and loss a/c
 - D. None of the above

ANSWER: B

64. All accumulated losses are transferred to the capital a/c partners in the
- A. New profit sharing ratio
 - B. Old profit sharing ratio
 - C. Capital ratio
 - D. None of the above

ANSWER: B

65. All such assets which have not been taken over by the new firm at the time of amalgamation will be transferred to:

- A. Capital a/c of partners
- B. Revaluation a/c
- C. New firms a/c
- D. None of the above

ANSWER: A

66. 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

67. A and B are sharing profits in the ratio of 3 : 2. C is admitted as a new partner with 1/5 share. Then the ratio of sacrifice will be

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

ANSWER: B

68. Balance Sheet items like profit and loss account balance and general reserve must be transferred to
- A. Revaluation account
 - B. Partners capital accounts
 - C. Realisation account
 - D. Drawings account

ANSWER: B

69. In case of sale of partnership to a company, the profit or loss on the sale is ascertained through
- A. Revaluation method
 - B. Memorandum realization account
 - C. Realization account
 - D. Balance sheet

ANSWER: C

70. Liabilities not taken over by the new firm (at the time of amalgamation) will be transferred to
- A. New firms account
 - B. Revaluation account
 - C. Capital accounts
 - D. Drawings account

ANSWER: C

71. The amount of deficiency is given under
- A. List A
 - B. List H
 - C. List F
 - D. List B

ANSWER: B

72. List C gives details regarding the
- A. Current assets
 - B. Partly secured creditors
 - C. Fixed assets.
 - D. Current Liability

ANSWER: B

73. For the firm, interest on drawing is
- A. Income
 - B. Expenses
 - C. Loss
 - D. Profit

ANSWER: A

74. Partnership Act provides interest on the amount left by the retiring partner
- A. 5%
 - B. 6%
 - C. Bank rate
 - D. None of the above

ANSWER: B

75. The assets, liabilities and capital account of amalgamating firm are closed by opening
- A. Realization account
 - B. Revaluation account
 - C. New firms account
 - D. None of the above

ANSWER: C

76. The average clause in a loss of profits policy protects by

- A. Insured
- B. Insurer
- C. Workers
- D. None of the above

ANSWER: B

77. Revaluation account is a

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

ANSWER: A

78. 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

79. Royalty account is in the nature of

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

ANSWER: B

80. Irrecoverable short workings are transfer to

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

ANSWER: B

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

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

ANSWER: C

82. 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

83. Short working means

- A. Excess of minimum rent over royalty
- B. Excess of royalty over minimum ren

- C. Surplus of royalty
- D. Actual minimum rent

ANSWER: A

84. Royalty are connected with the following type of business

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

ANSWER: B

85. Royalty is the agreement between the following persons

- A. Seller and buyer
- B. Banker and customer
- C. Trustee and beneficiary
- D. Land lord and tenant

ANSWER: D

86. Dead rent is also called

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

ANSWER: B

87. The right of lessee to recoup short working is related to

- A. First three years
- B. Subsequent two years
- C. Terms and agreements
- D. No specify terms

ANSWER: C

88. Royalty payable is debited to _____ by lessee.

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

ANSWER: A

89. In case the right to require short workings has expired, the balance in the short workings account is transfer to

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

ANSWER: B

90. 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

91. When cash is paid by new partner as his share of goodwill it is _____ method

- A. premium
- B. revaluation method
- C. memorandum revaluation method
- D. capitalisation method

ANSWER: A

92. The gains or losses on revaluation, on admission of a new partner, are shared

- A. by the old partners in their new profit sharing ratio
- B. by all the partners (old and new) in their new profit sharing ratio
- C. by the old partners in their old profit sharing ratio
- D. by all the partners equally

ANSWER: C

93. The account which shows changes in the values of assets.

- A. Revaluation Account
- B. Profit and Loss Account
- C. Current Account
- D. Profit and Loss Appropriation Account

ANSWER: A

94. Credit balance on Revaluation Account.

- A. Capital brought in by new partner
- B. Loss on Revaluation
- C. goodwill written off
- D. Profit on Revaluation

ANSWER: D

95. Excess of actual capital over proportionate capital.

- A. Deficit Capital
- B. Profit on Revaluation
- C. Surplus Capital
- D. Loss on Revaluation

ANSWER: C

96. X and Y sharing profit in the ratio of 7 : 3 admit Z on $\frac{3}{7}$ th share in the new firm which he takes $\frac{2}{7}$ th from X and $\frac{1}{7}$ th from Y What is new ratio of partner ?

- A. 29 : 11 : 30
- B. 16 : 8 : 11
- C. 25:15:20
- D. 1:1:1

ANSWER: A

97. P, Q and R are partners who share profits as 3 : 2 : 1. They admit S as a partner and decided to share future profits as P:Q:R:S=5:3:2: 2. Find the sacrifice ratio.

- A. 1:1:1
- B. 2:1:1
- C. 0:1:3

D. 0:0:2
ANSWER: A

98. X and Y are partners sharing Profit and losses in the ratio 2 : 1. Z is admitted as a partner with one-third share which he gets equally from X and Y The new profit sharing ratio will be

- A. 2 : 2 : 2
- B. 4 : 2 : 3
- C. 3: 1 : 2
- D. None of the above

ANSWER: C

99. X and Y share profit and losses in the ratio of 5 : 3. Z is admitted for 3/10th share of profit half of which gifted by X and the remaining share was taken by Z equally from X and Y Calculate the new profit sharing ratio.

- A. 4 : 3 : 3
- B. 1 : 1 : 1
- C. 5 : 1 : 2
- D. 3 : 3 : 2

ANSWER: C

100. If Goodwill appears in the Balance sheet at Rs. 15,000 but valued and raised to Rs. 18,000 therefore entry will be passed for amount.

- A. 15000
- B. 18000
- C. 3000
- D. 5000

ANSWER: C

101. H, K and R are equal partners. D is admitted to the firm for a fourth share. D brings Rs. 20,000 capital and Rs. 5,000 being half of the premium of goodwill. The value of goodwill to the firm is

- A. 10000
- B. 40000
- C. 20000
- D. 12000

ANSWER: B

102. If Goodwill of a firm a Rs. 1500. C admitted for 1/4 share of profit. What is his share of Goodwill?

- A. 187.5
- B. 375
- C. 1500
- D. 6000

ANSWER: B

103. A, B and C are partners in the ratio of 5:3:2. One partner retires, The PSR between the continuing partners is 60% and 40%.

- A. A has retired
- B. B has retired
- C. C has retired
- D. none of the above

ANSWER: A

104. A, B and C are partners sharing profits in the ratio of 5:3:2. One partner retires. The PSR between the continuing partners is 5/7:2/7

- A. A has retired
- B. B has retired
- C. C has retired
- D. none of the above

ANSWER: B

105. Gaining Ratio is calculated on

- A. Retirement of a partner
- B. Death of a partner
- C. Admission of a partner
- D. (a) or (b) above

ANSWER: D

106. X, Y and Z were partners sharing profit in the ratio of 1/5, 1/3 and 7/15 respectively. Z retires and his share taken up by X and Y in the ratio of 3 : 2. Find out new ratio.

- A. 12:13
- B. 13 : 12
- C. 11 : 12
- D. 7 : 9

ANSWER: D

107. B and C are partners in a firm. If C retires

- A. There is no dissolution of the firm
- B. There is only a dissolution of partnership
- C. There is dissolution of both the firm as well as partnership
- D. None of the above

ANSWER: B

108. Change in profit sharing ratio among partners leads to

- A. dissolution of the firm
- B. reconstitution of the partnership
- C. both the above (a) and (b)
- D. none of the above (a) or (b)

ANSWER: B

109. If 2 partners out of 3 become insolvent

- A. The 3rd partner may continue the partnership
- B. the firm must be dissolved
- C. the firm may be dissolved if all the partners agree
- D. there is only dissolution of partnership

ANSWER: B

110. If, on dissolution of firm, an asset is given in full settlement of a liability (to a creditor),

- A. Realisation Account is debited
- B. Realisation Account is credited
- C. P & L a/c is debited
- D. P & L a/c is credited

ANSWER: A

111. 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

112. 34. After transferring liabilities like creditors and bills payables in the Realisation Account, in the absence of any information regarding their payment, such liabilities are treated as :

- A. Never paid
- B. Fully paid
- C. Partly paid
- D. None of the above

ANSWER: B

113. When realisation expenses are paid by a partner on behalf of the firm such expenses are debited to :

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

ANSWER: A

114. Unrecorded assets when taken over by a partner are shown in :

- A. Debit of Realisation Account
- B. Credit of Bank Account
- C. Debit of Bank Account
- D. Credit of Realisation Account

ANSWER: D

115. 36. Unrecorded liabilities when paid are shown in :

- A. Debit of Realisation Account
- B. Debit of Bank Account
- C. Credit of Realisation Account
- D. Credit of Bank Account

ANSWER: A

116. 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

117. Income tax 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

118. 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

119. 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

120. On amalgamation of a firm, Account is opened.

- A. Deficiency
- B. Realization
- C. P & L Adjustment
- D. P & L Suspenses

ANSWER: B

121. 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

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

- A. New Firms Account
- B. Profit & Loss Adjustment Account
- C. capital Accounts
- D. new firm a/c

ANSWER: C

123. 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

124. 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. Non of the above

ANSWER: A

125. In insolvency List A deals with

- A. secured creditors
- B. unsecured creditors

- C. partly secured creditors
- D. preferential creditors

ANSWER: B

126. In insolvency accounting, list B deals with

- A. fully secured creditors
- B. unsecured creditors
- C. partly secured creditors
- D. preferential creditors

ANSWER: A

127. In insolvency accounting, list C deals with

- A. fully secured creditors
- B. unsecured creditors
- C. partly secured creditors
- D. preferential creditors

ANSWER: C

128. 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

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

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

ANSWER: C

130. Partnership type of business is formed by the mutual agreement of partners. What kind of agreement is it?

- A. Oral agreement
- B. Written agreement
- C. Oral or written agreement
- D. None of them

ANSWER: C

131. 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

132. 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

133. 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: D

134. In which of the following types of partnership the liability of at least one partner is unlimited whereas the liability of other partners is limited?

- A. General partnership
- B. Particular partnership
- C. Partnership-at-will
- D. Limited partnership

ANSWER: D

135. In which of the following types of partnership there is no agreement regarding the duration of partnership?

- A. General partnership
- B. Partnership-at-will
- C. Limited partnership
- D. Registered partnership

ANSWER: B

136. The following are the profits of a firm. I yr-Rs. 30,000, II yr-Rs. 30,000, III yr- Rs. 25,000 and Iv yr-Rs. 35,000. The value of the goodwill on the basis of four years purchase of average profit of last four years will be

- A. Rs. 1,20,000
- B. Rs. 1,00,000
- C. Rs.60,000
- D. Rs. 1,60,000

ANSWER: A

137. In order to manage the assets and liabilities of insolvent, Who will be appointed bu the court?

- A. Official receiver
- B. Manager
- C. Executor
- D. another partner

ANSWER: A

138. 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

139. 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

140. A is drawing Rs. 1000 regularly on the last date of every month, he will have to pay interest in a year on Rs.12,0000 for the total period of @ given rate of interest):

- A. 5 months
- B. 5.5 months
- C. 6.5 months
- D. 12 months

ANSWER: B

141. Amount paid on joint life policy can be treated as

- A. expenses
- B. asset
- C. either an expense or an asset
- D. neither an asset nor an expenses

ANSWER: C

142. If the remaining partner want to continue the business, after the retirement of a partner, a new partnership agreement:

- A. Necessary
- B. Not necessary
- C. Optioned
- D. None of above

ANSWER: A

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

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

ANSWER: D

144. The persons who have entered into a partnership business are individually called:

- A. Vender
- B. Agents
- C. Partners
- D. A firm

ANSWER: C

145. If no provision is made in agreement regarding the duration of the partnership:

- A. Limited partnership
- B. Partnership at will
- C. None
- D. Particular partnership

ANSWER: B

146. The price at which a purchasing company is ready to pay for taking over the assets and liabilities

- A. purchase consideration

- B. sale price
- C. cost price
- D. book value

ANSWER: A

147. when the value of the assets are decreased, it is

- A. credited to revaluation a/c
- B. debited to revaluation a/c
- C. deboted to realisation a/c
- D. credited to realisation a/c

ANSWER: B

148. When the net assets are more than the purchase consideration, it is

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

ANSWER: A

149. Average profit of the firm for last four years is Rs. 45,000. and the capital employed is Rs. 2,00,000. calculate the goodwill value under capitalisation method if the return is 10%.

- A. Rs. 2,50,000
- B. Rs. 1,50,000
- C. Rs. 1,00,000
- D. Rs. 75,000

ANSWER: A

150. 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

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