



Dr.G.R.Damodaran College of Science

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II B COM IB [2016-2019]
SEMESTER III
HIGHER FINANCIAL ACCOUNTING-317C
Multiple Choice Questions.

1. In settling the accounts of a firm after dissolution, assets of the firm shall be applied first in paying _____.

- A. Each partner proportionately what is due to him on account of loans advanced by him.
- B. Each partner proportionately what is due to him on account of capital.
- C. Each partner proportionately what is due to him on account profit sharing ratio.
- D. Each partner proportionately what is due to him on account of current a/c balance.

ANSWER: A

2. A and B who are partners sharing profit in the ratio of 7:3, admit C as a new partner. A surrenders 1/7 of his share and B surrenders 1/3 of his share in favour of C. The new profit sharing ratio will be _____.

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

ANSWER: A

3. 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

4. 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: A

5. If a minor chooses to continue as a partner on attaining the age of majority, he/she will be liable to the debts of the firm from the date of his/ her _____.

- A. Attaining majority
- B. Admission to profit of the firm
- C. Choosing to become a partner at a subsequent date
- D. Guardian giving the option.

ANSWER: B

6. When the premium is paid on the Joint Life Policy of partners treated, it is _____accounts.
- A. Debited to Partners capital
 - B. Credited to Partners current
 - C. Debited to P&L
 - D. Credited to P&L.

ANSWER: C

7. When a partnership firm is not registered, it is ____.
- A. 1. Deemed to be an illegal association and is disallowed to carry on business
 - B. 2. Allowed to carry on business subject to payment of penalty
 - C. 3. Allowed to carry on business subject to certain disabilities
 - D. 4. Allowed to carry on business only with the special permission of the Registrar of Firms.

ANSWER: C

8. 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

9. 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

10. 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

11. 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

12. If A and B are sharing profits in the ratio of 3:2, admit c to 1/5th share in the future profit, the new profit sharing ratio will be
- A. 12:8:5
 - B. 12:8:7
 - C. 12:8:6

D. 12:8:8

ANSWER: A

13. 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

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

A. Super profit

B. Capital profit

C. Normal profit

D. Average profit

ANSWER: C

15. The difference between average profit minus normal profit is

A. Super profit

B. Capital profit

C. Normal profit

D. Average profit

ANSWER: A

16. The difference between total assets minus liabilities is

A. Net assets

B. Gross assets

C. Net liabilities

D. Gross liability

ANSWER: A

17. Revaluation account is also known as

A. Trading account

B. P & L account

C. P & L Appropriation account

D. Balance sheet

ANSWER: C

18. 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

19. 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

20. At the time of admission of a new partner undistributed profits is credited to the old partners

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

ANSWER: D

21. 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

22. 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

23. At the time of admission of a new partner undistributed losses should be distributed to the old partners capital account in

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

ANSWER: D

24. 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

25. 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

26. 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

27. 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

28. 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

29. 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

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

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

ANSWER: A

31. Revaluation account is a

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

ANSWER: A

32. Goodwill is an

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

ANSWER: D

33. 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

34. In the case of retirement of a partner, goodwill at its full value is credited to the account of

- A. new partner
- B. old partner
- C. all partners
- D. working partner

ANSWER: C

35. 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

36. 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

37. 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

38. 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

39. In case of death of a partner, all accumulated losses 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

40. 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

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

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

ANSWER: B

42. 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

43. In settling the accounts of a firm after its dissolution, assets of the firm shall be applied first in paying

- A. Each partner proportionately what is due to him on account of loans advanced by him
- B. Each partner proportionately what is due to him on account of capital
- C. Each partner proportionately what is due to him on account profit sharing ratio
- D. The debits of the firm to their parties.

ANSWER: B

44. 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

45. 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 deceased partner in their capital ratio.

ANSWER: A

46. If a minor chooses to continue as a partner on attaining the age of majority, he/she will be liable to the debts of the firm from the date of his/ her

- A. Attaining majority
- B. Admission to profit of the firm
- C. Choosing to become a partner at a subsequent date
- D. Guardian giving the option.

ANSWER: B

47. 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

48. 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

49. 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: B

50. 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

51. 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

52. 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

53. A, B and C are equal partners. If A and B die together in a bus accident, this would result in the dissolution

- A. Of the firm
- B. Of the partnership
- C. Of both the partnership and the firm
- D. Of neither the partnership nor the firm.

ANSWER: C

54. 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

55. 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

56. 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

57. 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

58. When goodwill amount is withdrawn by the partner account is credited.

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

ANSWER: A

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

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

ANSWER: B

60. 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

61. 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

62. Realization account is a account.

- A. Personal

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

ANSWER: B

63. 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

64. 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: B

65. 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

66. 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

67. 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. Partners Capital A/c

ANSWER: B

68. 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

69. 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

70. 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

71. 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

72. 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

73. 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

74. 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

75. 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

76. 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

77. 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

78. 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

79. The amount of deficiency is given under

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

ANSWER: B

80. List C gives details regarding the

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

ANSWER: B

81. For the firm, interest on drawing is

- A. Income
- B. Expenses
- C. Loss
- D. Profit

ANSWER: A

82. 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

83. Fire insurance provides cover for

- A. Tangible assets
- B. Intangible assets
- C. Fictitious assets

D. None of the above

ANSWER: B

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

A. Insured

B. Insurer

C. Workers

D. None of the above

ANSWER: B

85. Revaluation account is a

A. Nominal a/c

B. Real a/c

C. Personal a/c

D. None of the above

ANSWER: A

86. 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

87. Royalty account is in the nature of

A. Real account

B. Nominal account

C. Personal account

D. Revenue account

ANSWER: B

88. Irrecoverable short workings are transfer to

A. Trading account

B. P&L account

C. Balance sheet

D. P&L Appropriation account

ANSWER: B

89. 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

90. 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

91. Short working mean

- A. Excess of minimum rent over royalty
- B. Excess of royalty over minimum ren
- C. Surplus of royalty
- D. Actual minimum rent

ANSWER: A

92. Royalty are connected with the following type of business

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

ANSWER: B

93. 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

94. Dead rent is also called

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

ANSWER: B

95. The righ tof 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

96. Royalty payable is debited to _____ by lessee.

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

ANSWER: A

97. Incase 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

98. 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

99. On admission, the new partner acquires the following rights in the firm

- A. Right to share in the assets of the partnership firm
- B. Right to share in the profits of the partnership firm
- C. Right to share in the reserves existing on the date of admission
- D. (a) and (b) above

ANSWER: A

100. 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

101. 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

102. 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

103. 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

104. Excess of actual capital over proportionate capital.

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

ANSWER: C

105. 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

106. 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

107. If only retiring partners share in goodwill is raised, the entry is

- A. Goodwill A/c Dr. To Retiring Partners Capital A/c
- B. Retiring Partners Capital A/c Dr To Goodwill
- C. Retiring Partners Capital A/c Dr To Continuing Partners Capital Accounts
- D. Continuing Partners Capital Accounts Dr. To Goodwill

ANSWER: A

108. 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

109. 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

110. Adjudication (declaration) of a partner as an insolvent leads to

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

ANSWER: C

111. 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

112. If the amounts realised from assets on dissolution of firm are not sufficient to pay all outside debts

- A. the earliest dues are paid first
- B. the largest dues are paid first
- C. the dues are paid in alphabetical order of the parties

D. the dues are paid proportionately

ANSWER: D

113. When the amount realised from assets is not sufficient to pay fully the firms liabilities, such deficiency is borne

- A. by the creditors in the ratio of their outstanding amounts
- B. by the partners in the ratio of their capitals
- C. by the partners in their profit sharing ratio
- D. by the partners equally

ANSWER: A

114. 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

115. Dividend received by the firm from the private estate of the insolvent partner is

- A. debited to the Cash/Bank account and credited to Dividend Income A/c
- B. debited to the Cash/Bank account and credited to his capital account
- C. debited to the Cash/Bank account and credited to the capitals of the solvent partners
- D. debited to the Cash/Bank account and credited to the capitals of the insolvent partners

ANSWER: D

116. The debit balance in the capital account of the insolvent partner (i.e. deficiency) is

- A. credited to Solvent Partners Capital Accounts in their profit sharing ratio
- B. debited to Solvent Partners Capital Accounts in their profit sharing ratio
- C. debited to Solvent Partners Capital Accounts in the ratio of their capitals
- D. credited to Solvent Partners Capital Accounts in the ratio of their capitals

ANSWER: C

117. 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

118. 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

119. 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

120. 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

121. 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

122. 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

123. 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

124. In piecemeal distribution, amounts realised from assets are used to settle the liabilities in the following order

- A. Partner's Loans, Outside Liabilities, Realisation Expenses, Partners Capitals
- B. Realisation Expenses, Outside Liabilities, Partners Loans, Partners Capitals
- C. Outside Liabilities, Realisation Expenses, Partners Capitals, Partners Loan
- D. None of the above

ANSWER: B

125. 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

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

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

ANSWER: B

127. 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

128. 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

129. 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

130. 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

131. In insolvency List A deals with

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

ANSWER: B

132. In insolvency accounting, list B deals with

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

ANSWER: A

133. In insolvency accounting, list C deals with

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

ANSWER: C

134. 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

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

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

ANSWER: C

136. 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

137. 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

138. The written agreement of partnership is most commonly referred to as:

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

ANSWER: B

139. 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

140. Which of the following is known as the value addition to a business because of business reputation, customers loyalty, brand name etc

- A. Assets
- B. Market capitalization
- C. Goodwill
- D. Market penetration

ANSWER: C

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

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

ANSWER: A

142. 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

143. 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

144. 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

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

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

ANSWER: C

146. 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

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. 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

150. Which one of the following is fictitious asset?

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

ANSWER: D

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