



Dr.G.R.Damodaran College of Science

(Autonomous, affiliated to the Bharathiar University, recognized by the UGC)Re-
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III B.COM[AM] [2015-2018]

SEMESTER III

Core: CORPORATE ACCOUNTING II -513A

Multiple Choice Questions.

1. A business is having adjusted net profits of Rs,100,000 and capital employed Rs,6,00,000.if good will is taken at 3 years purchase of super profits and the expected rate of return is 10% , the value of goodwill will be -----.

- A. Rs 3, 00,000
- B. Rs 5, 00,000.
- C. Rs 1, 20,000.
- D. Rs 1, 80,000.

ANSWER: C

2. A company is having 40,000 equity shares of Rs 15 paid. If the dividend per share is Re.1 and the expected rate of return is `12%, the market value of share will be -----

- A. Rs 12.
- B. Rs 8.33.
- C. Rs 10.
- D. Rs 12.5.

ANSWER: D

3. Banks prepare the accounts for the -----.

- A. Calendar year.
- B. Financial year.
- C. Co-operative year.
- D. Diwali year.

ANSWER: B

4. Bank show the provision for income tax under the head-----.

- A. contingency accounts.
- B. Contingent liabilities.
- C. Other liabilities and provisions.
- D. Borrowings.

ANSWER: C

5. The heading other assets does not include -----.

- A. Silver.
- B. Interest accrued.

C. Inter office adjustment (dr).

D. Gold.

ANSWER: D

6. Rebate on bills discounted is -----.

A. An Item of income.

B. A liability.

C. Income received in advance.

D. Income out standing.

ANSWER: B

7. A valuation balance sheet is prepared by -----.

A. a trading company.

B. a banking company.

C. a life insurance company.

D. a general insurance company.

ANSWER: C

8. Survey expenses for marine insurance claims must be -----.

A. Added to claims.

B. Added to law charges.

C. Shown as a separate item.

D. All the above.

ANSWER: A

9. Income tax on interest, dividend and rent should be-----.

A. Debited to provision for taxation.

B. Credited to provision to taxation.

C. Deducted from interest, dividends and rents.

D. None of the above.

ANSWER: A

10. Under the equity method of accounting dividend received from the associate companies are-----.

A. Credited to p&l account if paid from out of post acquisition profits.

B. Credited to p&l account so long as they are paid from retained earnings.

C. Credited to investment account treated as deferred credit.

D. All the above.

ANSWER: D

11. In case of the marine insurance the provision against unexpired risk is _____.

A. 50%.

B. 60%.

C. 75%

D. 100%

ANSWER: D

12. Bonus in reduction of premium is shown as a _____ in the revenue account.

- A. Surplus.
- B. Premium.
- C. Expense and Income.
- D. None of the above.

ANSWER: C

13. The value of goodwill is more in case of-----.

- A. Annuity Method.
- B. Super profit Method.
- C. Fair value method.
- D. Capitalization Method.

ANSWER: A

14. The parent organization acquiring the controlling interest in another company is called_____.

- A. Subsidiary Company.
- B. Holding company.
- C. Private Company
- D. Deemed Public Company.

ANSWER: A

15. Pre acquisition profits and reserves are treated as-----.

- A. Revenue Profit.
- B. Capital Profit.
- C. Capital Reserve.
- D. Revenue Reserve.

ANSWER: B

16. Post acquisition profits are treated as-----.

- A. Revenue Profit.
- B. Capital Profit.
- C. Capital Reserve.
- D. Revenue Reserve.

ANSWER: A

17. The dividend that is declared between AGM is-----.

- A. Interim Dividend.
- B. Final Dividend.
- C. Semi Dividend.
- D. Haly-yearly dividend.

ANSWER: A

18. For calculating value of equity share by intrinsic value method, it is essential to know-----.

- A. Normal rate of return.
- B. Expected rate of return.
- C. Net equity.
- D. None.

ANSWER: C

19. For calculating value of equity share by earning capacity method, it is essential to know-----.

- A. Nominal value per share.
- B. Rate of earnings.
- C. Dividend per share.
- D. Paid-up value per share.

ANSWER: A

20. A banking company can pay dividend on its share without writing off-----.

- A. Preliminary expenses.
- B. Brokerage.
- C. The bad debts.
- D. None.

ANSWER: B

21. Rebate on bill discounted account is a -----.

- A. Real a/c.
- B. Personal a/c.
- C. Nominal a/c.
- D. Real & nominal a/c.

ANSWER: C

22. Money at call and short notice is shown-----.

- A. Debit side of the p&l a/c.
- B. Credit side of the p&l a/c.
- C. Asset side of the balance sheet.
- D. It is a contra item.

ANSWER: C

23. Loan, cash credit & overdraft are shown-----.

- A. Asset side of the balance sheet.
- B. It is a contra item.
- C. Credit side of the p&l a/c.
- D. Liability side of balance sheet.

ANSWER: A

24. Bills discounted & purchase are shown-----.

- A. Asset side of the balance sheet.
- B. It is a contra item.
- C. Credit side of the p&l a/c.
- D. Liability side of balance sheet.

ANSWER: A

25. Deposits and other accounts are shown-----.

- A. Debit side of the p&l a/c.
- B. Liability side of balance sheet.
- C. As the deduction from the interest & discount on the credit side of the p&l a/c.
- D. Asset side of the balance sheet.

ANSWER: B

26. A general insurance company carry on two are more type of business prepares only-----.

- A. Revenue a/c.
- B. Profit or loss a/c.
- C. Separate revenue a/c for each type of business & combined p &l a/c
- D. Real a/c.

ANSWER: A

27. Expenses of management is shown in-----.

- A. Revenue a/c.
- B. Profit or loss a/c.
- C. Profit or loss a/c appropriate a/c.
- D. Nominal a/c.

ANSWER: A

28. Transfer fee is shown in-----.

- A. Revenue a/c.
- B. Profit or loss a/c.
- C. Profit or loss a/c appropriate a/c.
- D. nominal.

ANSWER: B

29. Legal fee shown on-----.

- A. Revenue a/c.
- B. Profit or loss a/c.
- C. Profit or loss a/c appropriate a/c.
- D. Nominal a/c.

ANSWER: B

30. Preliminary expenses is-----.

- A. Tangible asset.
- B. Intangible asset
- C. Fictitious asset.
- D. None of the above.

ANSWER: C

31. Super profit is the difference between:

- A. Capital employed and Average capital employed.
- B. Average profit and normal profit.
- C. Current year profit and previous year's profit.
- D. None of the above.

ANSWER: B

32. The average return of similar concerns should be considered as:

- A. Average profit.
- B. Expected rate of return.
- C. Normal rate of return.
- D. None of the above

ANSWER: C

33. The average capital employed can be ascertained:

- A. By deducting half of current year's profit from opening capital employed.
- B. By deducting half of current year profit from closing capital employed.
- C. By adding half of current year profit to closing capital employed.
- D. None of the above.

ANSWER: B

34. A business had a capital of Rs. 80,000 at the end. It had earned profits of 10,000 during the year. The average capital employed of the business will be:

- A. Rs. 85,000.
- B. Rs.75,000
- C. Rs.70,000
- D. Rs.90,000

ANSWER: B

35. For calculating the value of an equity share by intrinsic value method, it is essential to know:

- A. Normal rate of Return.
- B. Expected rate of Return.
- C. Net Assets.
- D. None of the above.

ANSWER: C

36. For calculating the value of an equity share by yield method, it is essential to know:

- A. Expected rate of return.
- B. Called up equity share capital.
- C. Capital employed.
- D. None of the above.

ANSWER: A

37. For calculating price-earnings ratio, it is essential to know:

- A. Market value per share.
- B. Nominal value per share.
- C. Paid-up value per share.
- D. None of the above.

ANSWER: A

38. Under net assets method, the value of a share depends on the amount that would be available to:

- A. Preference Shareholders.
- B. Equity shareholders.
- C. Creditors.
- D. None of the above.

ANSWER: B

39. Under the yield method, the value of equity share is calculated on the presumption that the company would be:

- A. Wound up.

- B. Continued.
- C. Wound up or continued.
- D. None of the above.

ANSWER: B

40. Every banking company is required to close its accounts on:

- A. 31 st December.
- B. 31 st March.
- C. 30 th June.
- D. 30 th September.

ANSWER: B

41. The percentage of profit to be transferred to statutory reserve by the banking company is:

- A. 25%.
- B. 15%
- C. 20%
- D. 10%

ANSWER: A

42. An asset which does not generate income to the banker is termed as:

- A. Performing asset.
- B. Fixed Assets.
- C. Non-Performing Asset.
- D. Current Asset.

ANSWER: C

43. Rebate on bills discounted is :

- A. An Accrued income.
- B. An item of income.
- C. A liability.
- D. Income received in advances.

ANSWER: C

44. A Non- banking asset is:

- A. An investment.
- B. An item of office appliances.
- C. Any asset acquired from the debtors in satisfaction of claim.
- D. Money at call and short notice.

ANSWER: C

45. Provision for income tax is shown in the bank accounts under the head:

- A. Borrowings.
- B. Other liabilities.
- C. Operating expenses.
- D. Contingent liabilities.

ANSWER: B

46. The heading other asset does not include:

- A. Stationary and stamps.
- B. Interest accrued.
- C. Gold.
- D. Silver.

ANSWER: C

47. Demand drafts and telegraphic transfers are shown in the bank accounts under the head:

- A. contingent liabilities.
- B. Bills Payable.
- C. Loans and Advances.
- D. Borrowings in India.

ANSWER: B

48. In General Insurance, the policy amount is payable:

- A. After the death of the insured.
- B. After the expiry of the policy period.
- C. Only when the loss occurs or the liability arises.
- D. Only when the insured has attained a certain age.

ANSWER: B

49. The bonus which is to be paid on maturity of the Policy along with the policy amount is known as:

- A. Reversionary Bonus.
- B. Annual Bonus.
- C. Interim Bonus.
- D. Eventual Bonus

ANSWER: A

50. The commission received from the re-insurer is called;

- A. commission on re insurance acceptance.
- B. commission on re insurance ceded.
- C. commission on direct business.
- D. none of the above.

ANSWER: C

51. The commission paid by the re-insurer is known as;

- A. Commission on direct business.
- B. Commission on re insurance ceded.
- C. Commission on re insurance accepted.
- D. None of the above.

ANSWER: B

52. A valuation of balance sheet is prepared by;

- A. Joint stock company.
- B. Banking company.
- C. Life insurance company.
- D. General insurance company.

ANSWER: C

53. In life insurance, the profit of the company is ascertained;

- A. Every year.
- B. Once in six month.
- C. Once in three years.
- D. Once in two years.

ANSWER: C

54. The percentage of profit of life business to be distributed to policy holders is:

- A. 95%.
- B. 100%
- C. 50%
- D. 40%

ANSWER: A

55. A general insurance company carrying on two or more types of business prepares:

- A. separate revenue a/c for each type of business and combined P&L a/c.
- B. combined revenue a/c.
- C. Revenue accounts in respect of different business.
- D. P&L a/c (including appropriation a/c).

ANSWER: C

56. Reinsurance premium paid is shown:

- A. On the debit side of revenue a/c.
- B. On the assets side of balance sheet.
- C. On the liabilities side of balance sheet.
- D. As deduction from the premium on the credit side of revenue a/c.

ANSWER: D

57. Expenses of management (not applicable to any particular business.) are;

- A. Credited in revenue a/c.
- B. Debited in revenue a/c.
- C. Debited in p&l a/c.
- D. Debited in p&l a/c appropriate a/c.

ANSWER: A

58. Legal fees in respect of claims is;

- A. Credited in revenue a/c.
- B. Debited in revenue a/c.
- C. Debited in p&l a/c.
- D. Debited in p&l a/c appropriate a/c.

ANSWER: C

59. Income tax on interest, dividend and rate should be:

- A. Subtracted from interest dividends and rents.
- B. Added to interest dividends and rents.
- C. Debited to provision for tax a/c.
- D. debited to p&l appropriation a/c.

ANSWER: B

60. Leasehold ground rents are shown in-----.

- A. Revenue a/c.
- B. P&l a/c.
- C. Liability side of Balance sheet
- D. Asset side of Balance sheet

ANSWER: A

61. A holding company is one which holds more than;

- A. 2/3 share capital of subsidiary company.
- B. 50% share capital of subsidiary company.
- C. 70 % share capital of Government Company.
- D. None of the above. .

ANSWER: B

62. A company in which more than 50% of shares are held by other company is termed as;

- A. Holding company.
- B. Subsidiary company.
- C. Govt. Company.
- D. Public company.

ANSWER: A

63. Profit made by a subsidiary company up to the date of acquisition of shares by the holding company is known as-----.

- A. Revaluation profits.
- B. Realization profits.
- C. Capital profits.
- D. Revenue profits.

ANSWER: C

64. The excess price paid by a holding company to acquire controlling interest in the subsidiary company is transferred to:

- A. capital reserve.
- B. goodwill a/c.
- C. revenue reserve.
- D. none of the above.

ANSWER: A

65. To excess of the share in equity or net assets of the subsidiary over and above the price paid for the investment is shown as:

- A. capital reserve.
- B. cost of control.
- C. revenue reserve.
- D. none of the above.

ANSWER: B

66. Unrealised profit included in stock is :

- A. deducted from stock in combined balance sheet.

- B. deducted from p&l a/c balance in combined balance sheet liabilities side.
- C. deducted from stock and p&l a/c balance in combined balance sheet.
- D. shown separately in asset side of CBS.

ANSWER: C

67. Disclosure of accounting policies is dealt in;

- A. AS-1.
- B. AS-2.
- C. AS-5.
- D. AS-19.

ANSWER: A

68. Depreciation accounting is dealt in

- A. AS-1
- B. AS-4
- C. AS-6
- D. AS-3

ANSWER: C

69. Cash Flow Statement is dealt in

- A. AS-1
- B. AS-3
- C. AS-2
- D. AS-6

ANSWER: B

70. Valuation of Inventories dealt in:

- A. AS-1
- B. AS-3
- C. AS-2
- D. AS-6

ANSWER: C

71. Inventories should be valued at

- A. Cost
- B. Net realisable value
- C. Cost or net realisable value whichever is less
- D. None of the above

ANSWER: C

72. -----are inflows and outflows of cash and cash equivalents.

- A. Cash flows
- B. Fund flows
- C. Cash and fund flow
- D. None of the above

ANSWER: A

73. Accounting standard board was constituted on-----.

- A. 21.1.77
 - B. 21.4.78
 - C. 23.5.79
 - D. 20.12.77
- ANSWER: A

74. In cash flow statement, closing balance of cash balance is posted in which side of the statement.

- A. sources of cash.
- B. application of cash.
- C. sources of funds.
- D. application of funds.

ANSWER: B

75. In cash flow statement, closing balances of bank balance is posted in which side of the statement.

- A. sources of cash.
- B. application of cash.
- C. sources of funds.
- D. application of funds.

ANSWER: B

76. In cash flow statement, issue of shares is posted in .

- A. sources of cash.
- B. application of cash
- C. sources of funds.
- D. application of funds.

ANSWER: A

77. In cash flow statement, issue of debentures is posted in.

- A. application of cash.
- B. sources of funds.
- C. application of funds.
- D. sources of cash.

ANSWER: B

78. In cash flow statement, sale of fixed assets is posted in.

- A. sources of cash.
- B. application of cash.
- C. sources of funds.
- D. application of funds.

ANSWER: A

79. In cash flow statement, sale of investments is posted in _____ .

- A. sources of cash
- B. application of cash.
- C. sources of funds.
- D. application of funds.

ANSWER: A

80. In cash flow statement, redemption of debentures is posted in.

- A. sources of cash.
- B. application of cash.
- C. sources of funds.
- D. application of funds.

ANSWER: D

81. In cash flow statement, redemption of preference shares is posted in.

- A. sources of cash.
- B. application of cash.
- C. sources of funds.
- D. application of funds.

ANSWER: B

82. In cash flow statement, tax paid is posted in.

- A. sources of funds.
- B. application of funds.
- C. application of cash.
- D. sources of cash.

ANSWER: C

83. Interest on loan are shown in bank accounts under the heading-----

- A. Interest earned
- B. interest expended
- C. advances
- D. Borrowings

ANSWER: A

84. Bank charges are shown in bank accounts under the heading-----

- A. Other income
- B. operating expenses
- C. Interest expended
- D. None of the above

ANSWER: B

85. Interest on overdrafts are shown in bank accounts under the heading-----

- A. Interest expended
- B. Interest earned
- C. other income
- D. operating expenses

ANSWER: B

86. Schedule 4 relates to-----

- A. Deposits
- B. advances
- C. other assets
- D. Borrowings

ANSWER: D

87. Schedule 8 relates to -----

- A. other assets
- B. Borrowings
- C. Advances
- D. investments

ANSWER: D

88. Advances are shown in bank accounts under schedule----

- A. 9
- B. 10
- C. 11
- D. 5

ANSWER: A

89. Deposits are shown in bank accounts under schedule----

- A. 9
- B. 11
- C. 12
- D. 3

ANSWER: D

90. Contingent liability are shown in bank accounts under schedule----

- A. 12
- B. 10
- C. 8
- D. 6

ANSWER: A

91. Balance with other banks and Money at call and short notice are shown in bank accounts under schedule-----

- A. 7
- B. 6
- C. 9
- D. 10

ANSWER: A

92. Locker rent are shown in bank accounts under ----

- A. Schedule 13
- B. Schedule 14
- C. Schedule 15
- D. Schedule 16

ANSWER: B

93. Interest on cash credits are shown in bank accounts under ----

- A. Schedule 14
- B. Schedule 13
- C. Schedule 15

D. Schedule 16

ANSWER: B

94. Business premises are shown in bank accounts under ----

- A. Schedule 8
- B. Schedule 10
- C. Schedule 11
- D. Schedule 6

ANSWER: A

95. Endowment fees are shown in Insurance accounts under-----

- A. Other income
- B. Income from investments
- C. Operating expenses
- D. Benefits paid

ANSWER: A

96. Agents allowance are shown in Insurance accounts under-----

- A. Other income
- B. Benefits paid
- C. Operating expenses
- D. Commission expenses

ANSWER: C

97. Annuities are shown in Insurance accounts under schedule----

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

ANSWER: D

98. Furniture and fittings are shown in Insurance accounts under-----

- A. Investments
- B. Fixed assets
- C. current liabilities
- D. Advances and other assets

ANSWER: B

99. Income tax on interest are shown in Insurance accounts under schedule----

- A. 10
- B. 11
- C. 12
- D. 8

ANSWER: C

100. Sundry creditors are shown in Insurance accounts under schedule----

- A. 10
- B. 11

C. 12

D. 13

ANSWER: D

101. Commission are shown in Insurance accounts under schedule----

A. 1

B. 2

C. 3

D. 4

ANSWER: B

102. Loans on Government securities are shown in Insurance accounts under-----

A. Fixed assets

B. Loans

C. Investments

D. Advances and other assets

ANSWER: B

103. Foreign Government securities are shown in Insurance accounts under schedule----

A. 8

B. 9

C. 10

D. 7

ANSWER: A

104. Cash in current accounts are shown in Insurance accounts under schedule----

A. 12

B. 11

C. 8

D. 7

ANSWER: B

105. A business has a capital of Rs. 40,000 at the end . It had earned profits of Rs. 5,000 during the year. Hence the average capital of the business will be

A. Rs. 42,500

B. Rs. 37,500

C. Rs. 30,000

D. Rs. 25,000

ANSWER: B

106. The average capital of business is Rs. 60,000 and the normal rate of profit is 15%, then the normal rate of profits will amount to

A. Rs. 10,000

B. Rs. 9,000

C. Rs. 15,000

D. Rs. 6,000

ANSWER: B

107. Money at call and short notice is shown----

- A. on the liability side of the balance sheet
- B. on the asset side of the balance sheet
- C. It is a contra item
- D. It is a profit and loss account item

ANSWER: B

108. Loans, cash credits and overdrafts are shown ----

- A. on the asset side of the balance sheet
- B. On the liability side of the balance sheet
- C. These are contra items
- D. None of the above

ANSWER: A

109. Bills discounted and purchased are shown -----

- A. on the asset side of the balance sheet
- B. On the liability side of the balance sheet
- C. These are contra items
- D. None of the above

ANSWER: A

110. Deposits and other accounts are shown ----

- A. on the asset side of the balance sheet
- B. On the liability side of the balance sheet
- C. These are contra items
- D. None of the above

ANSWER: B

111. Transfer fess are credited to

- A. Revenue account
- B. Profit and loss account
- C. Profit and loss appropriation account
- D. Balance sheet

ANSWER: B

112. Legal fees in respect of claims are shown in-----

- A. Revenue account
- B. Profit and loss account
- C. Profit and appropriation account
- D. Balance sheet

ANSWER: A

113. Expenses of management (banking company) are shown in -----

- A. Revenue account
- B. profit and loss account
- C. Balance sheet
- D. Profit and loss appropriation account

ANSWER: B

114. The present value of annuity of Re. 1 for 8 years at 10% is Rs. 2.487. Super profit is Rs. 22,000. The amount of goodwill will be :

- A. Rs. 5,471
- B. Rs. 2,200
- C. Rs. 71,745
- D. Rs. 54,714

ANSWER: D

115. Weighted average profit method is suitable :

- A. When there is stability in profits
- B. When there is unstability in profits
- C. When there is increase in profits gradually
- D. When there is decrease in profits gradually

ANSWER: C

116. It is given that premiums, reinsurance premiums and commission on reinsurance ceded amounted to Rs. 10,00,000, Rs. 50,000 and Rs. 30,000 respectively. Hence, premiums will be shown in the revenue account at-----

- A. Rs. 1,00,000
- B. Rs. 9,50,000
- C. Rs. 9,20,000
- D. Rs. 9,00,000

ANSWER: B

117. In comparison to face value, the valuation of shares is usually:

- A. More
- B. Less
- C. Equal
- D. Less or more

ANSWER: D

118. The most appropriate method of valuation of shares from the point of view of investor is :

- A. Net Assets method
- B. Income Valuation Method
- C. Net Asset and Income Method
- D. None of the above.

ANSWER: B

119. In respect of the valuation of shares, the employed capital means:

- A. Cost price of all the assets
- B. Market value of all the assets
- C. Book value of all the assets
- D. All the above values

ANSWER: B

120. The value of per shares on division of amount of net assets by number of share will be :

- A. Intrinsic Value

- B. Book Value
- C. Cost Price
- D. Market Value

ANSWER: A

121. How many schedules are there in the amended form of Final Account of Banking Company:

- A. 8
- B. 10
- C. 12
- D. 16

ANSWER: D

122. (If nothing is given) What is the percentage maintained by Marine Insurance companies for Reserve for Unexpired Risk :

- A. 40% of Net Premium
- B. 50% of Net Premium
- C. 60% of Net Premium
- D. 100% of Net Premium.

ANSWER: D

123. When were General Insurance Companies nationalised:

- A. 1955
- B. 1969
- C. 1971
- D. 1973

ANSWER: C

124. (If nothing is given) What is the percentage maintained for Additional Reserve :

- A. 10% of Net Premium
- B. 20% of Net Premium
- C. 0% of Net Premium
- D. 25% of Net Premium

ANSWER: C

125. (If nothing is given) What is the percentage maintained by Insurance Companies other than Marine Insurance Company for Reserve for unexpired risk:

- A. 40% of Net Premium
- B. 50% of Net Premium
- C. 45% of Net Premium
- D. 100% of Net Premium

ANSWER: B

126. Medical expenses regarding claims are added to:

- A. Claims
- B. Premium
- C. Management Exp.
- D. None of above

ANSWER: A

127. The average clause in a loss of profits policy protects the

- A. Insured
- B. Insurer
- C. Workers
- D. Tax authorities

ANSWER: B

128. Which one of the following methods is best suited to retail business?

- A. FIFO
- B. LIFO
- C. Latest Purchase Price
- D. Retail price method

ANSWER: D

129. Interest and dividends received in the case of a manufacturing enterprise should be classified as cash flow from

- A. operating
- B. financing
- C. Investing
- D. both (ii) and (iii)

ANSWER: C

130. Banks show the provision for income-tax under the head

- A. Contingency accounts
- B. Contingent liabilities
- C. Other liabilities and provisions
- D. Borrowings

ANSWER: C

131. Survey expenses for marine insurance claims must be

- A. added to claims
- B. added to law charges
- C. added to management expenses
- D. shown as a separate item

ANSWER: A

132. During a year a general insurance company has the following details : Premiums received 500
Premiums on re-insurance accepted 100 Premiums on re-insurance ceded 200

- A. Rs. 500
- B. Rs.600
- C. Rs.700
- D. Rs. 400

ANSWER: D

133. When was banking company regulation act implemented?

- A. 1947
- B. 1949

C. 1950

D. 1956

ANSWER: B

134. What is the rate of statutory reserve to be maintained under section 17 of Banking Company Act?

A. 10% of Net Profit

B. 15% of Net Profit

C. 20% of Net Profit

D. 25% of Net Profit

ANSWER: D

135. Banks show the provision for doubtful debts, under the head

A. Contingency accounts

B. Contingent liabilities

C. Other liabilities and provisions

D. Borrowings

ANSWER: C

136. Depreciation is a process of _____.

A. valuation.

B. allocation.

C. Reduction.

D. appreciation.

ANSWER: B

137. The main objective of providing depreciation is _____.

A. to calculate true profit.

B. to calculate financial position.

C. to reduce tax burden .

D. to reduce profit.

ANSWER: A

138. Depreciation arises because of _____.

A. fall in the market value of an asset.

B. physical wear and tear.

C. fall in the value of money.

D. rise in the value of money.

ANSWER: B

139. Under the straight line method of charging depreciation, depreciation _____.

A. increases every year.

B. decreases every year.

C. is constant.

D. fluctuate every year.

ANSWER: C

140. Under the diminishing balance method depreciation is calculated on _____.

A. original value

- B. written down value.
- C. scrap value.
- D. market value.

ANSWER: B

141. The amount of depreciation charged on machinery will be debited to _____.

- A. machinery account.
- B. depreciation account.
- C. cash account.
- D. bank account.

ANSWER: B

142. Depreciation is provided on _____.

- A. current asset.
- B. fixed assets.
- C. fictitious assets.
- D. investment.

ANSWER: B

143. The permanent, continuing and gradual shrinkage in the book value of a fixed asset is called

- _____
- A. depreciation.
 - B. appreciation.
 - C. reduction.
 - D. computation.

ANSWER: A

144. Depreciation is charged on the _____.

- A. market value.
- B. book value.
- C. purchase value.
- D. sale value.

ANSWER: B

145. Depreciation is charged on _____.

- A. continuous basis.
- B. temporary basis.
- C. daily basis.
- D. monthly basis.

ANSWER: A

146. Mines, quarries, oilfields and forest are example of _____.

- A. fixed assets.
- B. current assets.
- C. wasting assets .
- D. intangible assets.

ANSWER: C

147. Depreciation applies to _____.

- A. current assets .
- B. wasting assets.
- C. intangible assets.
- D. fixed assets.

ANSWER: D

148. Depletion applies to _____.

- A. current assets .
- B. wasting assets.
- C. intangible assets.
- D. fixed assets.

ANSWER: B

149. Amortization applies to _____.

- A. current assets .
- B. wasting assets.
- C. intangible assets.
- D. fixed assets.

ANSWER: C

150. Estimated sale value of the asset at the end of its economic life is known as _____.

- A. purchase value.
- B. market value.
- C. written down value.
- D. residual value.

ANSWER: D

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