(1) Ans. a
Explanation:
AS-2 is applicable on Inventory

(2) Ans. c
Explanation:
Transaction and event both are recorded in accounting.

(3) Ans. a

Examination: Fixed installment or straight line method depreciates cost evenly throughout the useful life of the fixed asset.

Straight line depreciation is calculated as follows:

Depreciation per annum = (Cost – Residual Value) / Useful Life

Where:

Cost includes the initial and any subsequent capital expenditure.

Residual Value is the estimated scrap value at the end of the useful life of the asset. As the residual value is expected to be recovered at the end of an asset's useful life, there is no need to charge the portion of cost equaling the residual value.

Useful Life is the estimated time period an asset is expected to be used from the time it is available for use to the time of its disposal or termination of use.

Here Cost of the asset = Rs. 5,000

Salvage value = Rs. 500

Depreciation/year = (5,000 – 500)/10 = Rs. 450
Depreciation rate = (450/5,000) × 100 = 9%

(4) Ans. d
Explanation:
A's Dr. 600
To Sales A/c 600
Both the accounts are affected.

(5) Ans. c
Explanation :
Amount Forfeited by the Company = 3,000
(–) Discount on re-issue of share = 2000 (2000 × 1)
Amount to be transferred to capital reserve = Rs. 1000.

(6) Ans. b

Examination: Loan amount = 10,000

Interest payable = 6% of 10,000 = Rs. 600

Interest on loan paid = 300

Thus interest outstanding = 600 – 300 = Rs. 300

(7) Ans. b
Examination:

Bank reconciliation statement of …..

Particulars	*Amount*	*Amount*
Balance as per cash book (cr)		2,500
Add:		
Cheques deposited in the Bank but not cleared	1,000	1,000
Less:		
Cheques drawn but not presented for payment	1,400	(1,400)
Balance as per pass book(dr)		2,100

(8) Ans. c
Explanation:
Discounting Charges = $15000 \times 10\% \times \frac{2}{12}$ = 250
Amount received = 15000 – 250 = 14750
B's Share = $14750 \times \frac{2}{5}$ = Rs.5,900

(9) Ans. b
Explanation:
Paid up capital = 25,00,000 – 10,000
= Rs. 24,90,000
Dividend = 24,90,000 x 10%
= Rs. 2,49,000

(10) Ans. a
Explanation:
Sales $= \frac{15000 \times 100}{75} = 20000 \text{Rs.}$

(11) Ans. c
Explanation:
If applied Shares are 6.
Shares Allotted $= \frac{6}{12000}$ x 10000 = 5 Shares

(12) Ans. c
Explanation:

Correct Entry	Drawing A/c Dr.	500	
	To Purchase		500
Wrong Entry	Drawing A/c Dr.	500	
	To Sales		500
Rectification Entry	Sales A/c Dr.	500	
	To Purchase		500

(13) Ans. a

Explanation:
Actual Capital = 2500000 – 15,00,000 = 10,00,000

Normal capital = $\frac{120000}{10} \times 100 = 1200000$

Goodwill = 12,00,000 – 10,00,000 = 200000

(14) Ans. d
Explanation:

Balance as per pass book.	25,000
Less: Directly deposited by customer	5,000
Balance as per cash book	20,000

(15) Ans. d
Explanation :
Applicants of 14000 Share were allotted 10,000 shares.

So applicant of 420 shares allotted = $\frac{10,000}{14,000} \times 420 = 300$ Shares.

And excess money received on Application = (420 – 300) × 2 = Rs. 240

(16) Ans. a
Explanation :
Total amount of purchase Consideration = 7, 50,000
Issued price per share (100 + 25) = 125

So , No. of Share issued = $\frac{7,50,000}{125} = 6000$ Shares.

(17) Ans. d
Explanation :
At the time of forfeiture following entry is passed
Share capital A/c Dr. (No of Share forfieted × Called up capital) i.e 2000 × 9 = Rs. 18,000
So Rs. 18000 shall be debited at the time of forfeiture.

(18) Ans. a
Examination: Recovery of bad debts is a revenue receipt.

(19) Ans. a

Examination: Where interest on drawings is charged it is usually calculated at fixed rate percent from the date of each drawing to the date the accounts are closed. If the dates on which the amounts are drawn are not given, interest is calculated on the whole amount on the assumption that the money was drawn evenly throughout the year. The amount of interest is debited to proprietor's drawings accounts and is credited to the interest on drawings amount. At the close of the accounting period the interest on drawings accounts is closed by transfer to the profit and loss account.

It may, however, be noted that if the withdrawals are of uniform amount and are made at regular intervals, then interest on drawings can be calculated on the total of the amount drawn, for the average of the periods applicable to first and last installment. Therefore, if drawings are made at the beginning of each month, interest should be calculated on the whole amount for 6 and half months.

Here Ram Gopal withdrew Rs. 2,000 on the first day of each month interest on drawings is provided @ 10%.

So interest on drawings will be = 10% of (2000 × 12) × 6.5/12 = Rs. 1,300

(20) Ans. b
Examination: Net profit is calculated by subtracting a company's total expenses from total revenue, thus showing what the company has earned (or lost) in a given period of time (usually one year). also called net income or net earnings.
Here net profit = gross profit – Carriage Outwards – Rent paid – Bad Debts + Apprentice premium – Printing & Stationery = 51,000 – 5,800 – 6,400 – 2,600 + 1,500 – 1,000 = Rs. 36,700.

(21) Ans. c
Examination: Old bill should be considred as cancelled in the given case.

(22) Ans. d
Examination: Fixed capital account is not credited with interest, profit or salary of partner. Fluctuating capital account is credited with all these items.

(23) Ans. c

Examination: Auditor objected as consistency in method of depreciation should be observed and change should be done only if required by statute or change would result in appropriate presentation of financial statement.

(24) Ans. a
Examination: Sales Returns book records returns of credit sales only not cash sales.

(25) Ans. a
Examination: Due to Money measurement concept, all assets which can be measured in money terms, are recorded. Human asset can't be measured in monetary terms.

(26) Ans. a
Examination: Total of sales return book is posted to debit of Sales Return A/c.

(27) Ans. b
Explanation :
If goodwill account is raised in the books of accounts then following entry passed
Goodwill A/c Dr.
To Partners Capital A/c

(28) Ans. a
Explanation :
Capital Rs. 50000 + Reserve $\left(15000 \text{ x } \frac{2}{5} = Rs. 6000\right)$ + Goodwill $\left(30000 \text{ x } \frac{2}{5} = Rs. 12000\right)$ + Profit share $\left(7050 \text{ x } \frac{2}{5} = Rs. 2820\right) \rightarrow$ B's Loan a/c = Rs. 70820.

(29) Ans. d
Examination : Ledger posting is function of book-keeping not accounting.

(30) Ans. c
Explanation:
Partners liability is unlimited.

(31) Ans. a

Explanation:
Normally remaining partners gains the share of retiring partner therefore the share of retiring partner is to be distributed among remaining partners in gaining ratio.

(32) Ans. d
Explanation:
It is shown at the end of balance sheet as contingent liability.

(33) Ans. a
Explanation:
$$\text{Average profit} = \frac{20,000 + 18,000 + 9000 - 2000 - 5000}{5} = \text{Rs.}8000$$
Goodwill = 8000 x 1.5 = Rs. 12000

(34) Ans. c
Explanation:
If Closing Stock is shown in Trial Balance then it means adjusted for cost of goods sold and this balance is to be carried forward as opening balance in next year, hence directly shown in balance sheet.

(35) Ans. c
Examination: Rent is an expense or if received (income). It is a nominal account.

(36) Ans. c
Examination: Income is reflected in form of inflow of assets or decrease of liabilities.

(37) Ans. c
Explanation: Inventory & Materials are current assets and all other are fixed assets.

(38) Ans. a
Explanation: Trial Balance is prepared After Ledger.

(39) Ans. c
Explanation:
Cash book contain debit & credit side, hence it is the form of ledger.

(40) Ans. c
Explanation: Purchase book record only credit purchases of goods.

(41) Ans. b
Examination: Loss on reissue will be Re. 1 per share. The total amount of Rs. 200 will be loss.

(42) Ans. b
Explanation :
Amt. of accrual interest
$$= 10,000 \times 12\% \times \frac{2}{12} = 200$$

(43) Ans. d
Explanation :

Consignment A/c At cost

To Goods on Consignment	100,000	By Deepak [Sale]	100,000
To Cash [consignor exp.] (6,000 +2,000)	8000	By value of stock	29,500
To Deepak [consignee exp.]	16000	With Deepak	
To Deepak [Comm[2% on 100,000	2000		
To P & L Acc. (profit)	3500		
	129500		129500

Value of Stock	
Purchase cost 100,000 × ¼ =	25000
Consignor Exp. 8000 × ¼ =	2000
Consignee non selling exp. 10,000 × ¼ =	2500
	<u>29500</u>

(44) Ans. c
Explanation :
In case of after sign bill due date is calculated from date of acceptance, so due date will be :
2 April, 2006 + 1 Month + 3 Days of Grace = 5 May, 2006.

(45) Ans. c
Explanation :
Loss per debenture = 100 × (6% + 5%) = Rs. 11
Total loss = 1,40,00,000 × 11 = Rs. 15,40,00,000

(46) Ans. d
Explanation:
If change in value of inventory effect on net income then it also effect on tax liability.

(47) Ans. a
Explanation:
Cost or market value which ever is lower as per Conservatism

(48) Ans. a
Explanation:
Subsidiary Book is sub part of journal.

(49) Ans. d
Explanation:
These are the written standards issued by the ICAI which also contain policies.

(50) Ans. a
Explanation:
Company that is incorporated outside India but operates in India

(51) Ans. a
Explanation:
Contingent liability is shown due to convention of full disclosure

(52) Ans. a
Explanation:
Expenditure incurred by a publisher for acquiring copyright is a capital expenditure.

(53) Ans. a
Explanation:
True
Sale and Return day book may be maintained as a memorandum books.

(54) Ans. a
Explanation:
Creditors A/c Dr.
To Capital A/c
(Being payment made to creditor from his own A/c)
This transaction/entry results in increase in capital.

(55) Ans. b
Explanation:
Golden rule of accounting for nominal account ; debit all expenses and losses, credit all income and gains.

(56) Ans. d
Examination : Furniture and fittings is a fixed asset not current.

(57) Ans. a
Explanation:
Bad debts = 25000 x 50% = Rs.12,500.

(58) Ans. a
Explanation:

Trading a/c

Dr. Cr.

To Cost of goods sold	220000	By Sales	300000
To Gross Profit	80000		

(59) Ans. b
Explanation: Management is internal user.

(60) Ans. d
Explanation: Conservatism says that extra income should not be recorded, hence inventory is valued at lower of cost or NRV.

(61) (D)
Offer is defined u/s 2(a) of Indian Contract Act 1872. There should be intention to create legal relation. In the case, Harve V/s Faisi, it was held that if any person doesn't expresses his final willingness, but only expresses an offer for which he will agree for bargaining than it will be called as invitation to offer.

(62) (A)

(63) (A)

(64) (C)

(65) (D)

According to Sec.2 (h) of Indian contract act 1872 every agreement which is enforceable by law, is contract.

(66) (A)

(67) (C)

It is consideration as defined u/s 2(d) of Indian Contract Act 1872.

(68) (A)

(69) (C)

Promise should not be such for which promiser is already bound. Since it the legal liability of police inspector to investigate, hence consideration can not be given. Agreement is void.

(70) (B)

According to Sec 4 of Indian contract act 1872 communication of offer is completed when it comes to the knowledge of that person to whom it was made.

(71) (D)

According to sec 19 of Indian contract act 1872, contracts which are caused by coercion, undue influence , Fraud , mis – statement, will be void able at the will of aggrieved party.

(72) (C)

Consensus ad idem means parties should be agreed on same thing in same manner.

(73) (C)

According to section 20 of Indian contract Act 1872, if both the parties to the contract are unknown of any fact than Agreement will be void.

(74) (C)

Restrain in marriage is immoral. According to sec 23 of Indian contract Act 1872, agreements which are immoral will be void.

(75) (A)

It is valid contract because the commodity which is to be delivered is capable of being ascertained.

(76) (A)

Because it is against public policy. These are void as per provisions contained under sec 23 of Indian contract Act 1872.

(77) (B)

These are void agreements as provisions contained v/s 29 of Indian contract Act 1872.

(78) (B)

According to section 56 of Indian contract act 1872, contracts which are impossible in nature will be void.

(79) (D)

Assignment is not a method for termination of contract. Contract may be terminated by performance, by breach of contract, due to subsequent impossibility, and by mutual consent.

(80) (A)

According to section 56, contract will not became void due to commercial impossibility.

(81) (D)

Contract should be performed within reasonable time and within business hours, when there is no specific time & also no application is made.

(82) (D)

Promisee will sacrifice a part of the promise; hence it will amount to remission.

(83) (B)

When rights and obligations are created by law, it as known as quasi contract. Offer and acceptance are not required.

(84) (C)

Duties of Finder of lost goods will be same as of bailee. He is liable to return such goods to true owner.

(85) (B)

(86) (C)

According to sec 7 of Indian partnership act 1932, when no provision is made by parties for duration of their partnership, or termination of their partnership, than partnership is "partnership at will"

(87) (A)

There should be minimum two partners for creation of partnership.

(88) (C)

Every partner is liable jointly and severally for acts of Firm.

(89) (A)

Sec 31.

(90) (D)

When a partner retires from partnership firm and public notice is not given than-

1. Such partner will be liable for acts of firm 2. Firm will be liable for acts of such partner.

(91) (B)

Registrar of firm is appointed by state government.

(92) (C)

Date of birth of partners is not required to be mentioned in application form filed for registration of firm.

(93) (D)

If registration is not made than partner(s) can not sue on firm & vice- versa, firm can not sue on third party but third party sue on firm.

(94) (D)

Goods include all the movable assets excluding money, money worth and actionable claim.

(95) (D)

Future goods mean goods which shall be produced, acquired or purchased by seller after sale contract but before actual sale.

(96) (A)

Sale contract in which property is transferred to buyer in future after fulfillment of certain conditions is known as agreement to the sale.

(97) (b)

If price is to be determined by third party in a sale contract and any party prohibits the third party to determine the price than other party may sue on such party for compensation.

(98) (B)

Sale by auction is completed on fall on hammer. Bidder may revoke his bid at any time before fall of hammer.

(99) (A)

Lien means retaining the goods. Hence If there is no possession of goods than lien can not be exercised.

(100) (B)

Commitment which is collateral to the main purpose of sale contract is known as warranty. Only Compensation may be demanded on breach of warranty.

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