

(1) Ans. c

Examination: In financial accounting, every single event occurring in monetary terms is recorded. Sometimes, it just so happens that some events are either not recorded or it is recorded in the wrong head of account or wrong figure is recorded in the correct head of account. Whatever the reason may be, there is always a chance of error in the books of accounts. These errors in accounting require rectification.

Here bills receivable passed through bills payable thus bills payable account is overcasted and bills receivable is undercasted.

So the rectifying entry will be

B/P A/c	Dr.	500	
B/R A/c	Dr.	500	
	To A		1,000

(2) Ans. a

Examination: Here Bharti consigned to Bhawna 1,500 Kg of flour costing Rs. 4,500. She spent Rs. 307 as forwarding charges. 5% of the consignment was lost in weighing and handling. Bhawna sold 1,350 Kg of flour at Rs. 4 per kg.

Units lost = 5 % of 1,500 = 75 kgs

Closing inventory = 95% of 1,500 – 1,350 = 75 kgs Cost of goods consigned = 4,500 + 307 = Rs. 4,807

Value of closing inventory = units of unsold inventory × (original cost of goods consigned + direct expenses)/ (total units-units lost)
= 75 × 4,807/(1,500 – 75) = Rs. 253.

(3) Ans. b

Examination: Loss on reissue will be Re. 1 per share. The total amount of Rs. 200 will be loss.

(4) Ans. d

Examination: The adjustment of insurance claim will be reflected in all three-trading A/c, P&L and balance sheet.

(5) Ans. a

Examination: Gross profit is a company's revenue minus its cost of goods sold. Gross profit is a company's residual profit after selling a product or service and deducting the cost associated with its production and sale.

Cost of goods sold is the direct costs attributable to the production or purchase of the goods sold by a company. It excludes indirect expenses such as distribution costs and sales force cost.

Cost of goods sold in the above case = purchases less returns = 60,000 – 10,000 = 50,000
Profit = sales less return – cost of goods sold = 80,000 – 10,000 – 50,000 = Rs. 20000

(6) Ans. a

Examination: In case the bill is renewed the interest will not be charged on the noting charges which will be treated separately and will not be clubbed with the amount of the bill.

Here Total amount of the A's acceptance = 8,000 Amount paid = 4,000

Amount of the renewed bill = Rs. 4,000

Interest for 3 months @12%pa = $4,000 \times \frac{12}{100} \times \frac{3}{12} = \text{Rs. } 120$

(7) Ans. a

Examination: Cost includes the initial and any subsequent capital expenditure.

Here A boiler was purchased from abroad for Rs. 10,000, shipping and forwarding charges amounted to Rs. 2,000, Import duty Rs. 7,000 and expenses of installation amounted to Rs. 1,000.

Thus cost of asset = $10,000 + 2,000 + 7,000 + 1,000 = \text{Rs. } 20,000$

	Cost of Machine	20,000
1 st Year	Depreciation	2,000
1 st Year	Wdv	18,000
2 nd Year	Depreciation	1,800
2 nd Year	Wdv	16,200
3 rd Year	Depreciation	1,620
3 rd Year	Wdv	14,580

(8) Ans. a

Examination: Recovered bad debts will be credited to bad debts recovered A/c not P&L A/c or Trade Receivables.

(9) Ans. d

Examination: Parties to bill of exchange are Drawer (who draws), drawee (on whom bill is drawn) and payee (to whom payment is to be made). Thus all are parties.

(10) Ans. a

Examination: Profit/loss on revaluation is shared among partners in old profit sharing ratio.

(11) Ans. b

Examination: Depreciation on machinery is recorded in P&L A/c as it is an expense.

(12) Ans. c

Explanation :

When call in arrear account is opened than calls in arrear A/c shall be credited at the time of forfeiture of shares.

(13) Ans. a

Explanation :

Sacrifice Ratio = Old Ratio - New Ratio

$$\cancel{\frac{5}{8}} - \frac{7}{16} = \frac{10-7}{16} = \frac{3}{16}$$

$$\cancel{\frac{3}{8}} - \frac{5}{16} = \frac{6-5}{16} = \frac{1}{16}$$

$$= 3:1$$

- (14) Ans. b
 Explanation:
 Stock shown in the balance sheet at cost price.
 Stock on Approval = 3500 – 800 = Rs. 2700

- (15) Ans. c
 Explanation :

$$\text{Amount Received} = 2000 - \left(2000 \times \frac{3}{12} \times \frac{6}{100}\right) = 1970$$

$$\text{Amount send to Sohan} = 1970 \times \frac{1}{2} = 985$$

- (16) Ans. a
 Explanation :
 Entry in the Books of Rohit
 Raj. a/c Dr. 5200
 To B/R a/c 5000
 To Discount a/c 200

Dr.		Discount A/c		Cr.	
Particular	Amount	Particular	Amount		
		By Raj.	200		

- (17) Ans. b
 Explanation :
 Sale value of land 80,000
 Less: Cost on land 60,000
 Profit on Venture 20,000

- (18) Ans. d
 Explanation :
 Purchase cost = Rs. 50,000
 (+) Shipping and forecasting charges = 2,000
 (+) Import duty = 1,000
 (+) Carriage Inwards = 1,000
 (+) Repair Charges = 500
 (+) Installation Charges = 200
 (+) Brokerage = 400
 (+) Iron Paid = 100
55,200

- (19) Ans. a
 Explanation :
 Profit = (Sales – Sales return) – (purchase - purchase return)
 = (40000 – 5000) – (30000 – 5000) = Rs. 10000

- (20) Ans. a
 Explanation :
 Depreciable value = Cost – scrap value.

$$\text{Depreciation} = \frac{5000 \text{ units}}{60,000 \text{ units}} \times (63000 - 3000) = \text{Rs.}5000$$

(21)

Ans. b

Explanation: Account sales contain the detail of transactions of consignee.

(22)

Ans. d

Explanation:

Given that gross profit is 25% on sales

So Gross profit = 25% on 50,00,000

= Rs. 12,50,000

For finding closing inventory, we prepare trading A/c

TRADING ACCOUNT

To Opening Inventory	15,00,000	By Sales	50,00,000
To purchase	45,00,000	By closing Stock (B/f)	22,50,000
To Gross Profit	12,50,000		
	72,50,000		72,50,000

Closing Stock (as per books) = 22,50,000

But as per Physical, closing stock = (20,90,000)

Value of missing inventory = Rs.1,60,000

Cost of goods sold = Sales - Gross Profit

= 50,00,000 - 12,50,000 = Rs. 37,50,000

(23)

Ans. a

Explanation:

Trading a/c

Dr.

Cr.

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

(24)

Ans. c

Explanation:

Bills payable have credit balance.

(25)

Ans. a

Explanation:

Total face value of preference shares to be redeemed is Rs. 6,00,000. Rs. 3,00,000 is available out of general reserve and balance Rs. 3,00,000 is to be replaced through new issue (which is to be made at a discount). The no. of new shares to be issued will be :

$$\frac{3,00,000}{9} = 33,333 \text{ shares}$$

Thus, the face value of the issue will be Rs. 3,33,333.

Entry :

(1)	General Reserve A/c Dr.	3,00,000	
	To Capital Redemption Reserve		3,00,000
(2)	Bank A/c Dr.	3,00,000	
	Share Discount A/c Dr. (33,333x1)	33,333	

	To Share Capital A/c (33,333x10)	3,33,333	
(3)	Preference Share Capital A/c Dr.	6,00,000	
	Premium on Redemption of preference share A/c. Dr.	60,000	
	To Preference Shareholder A/c	6,60,000	
(4)	Security Premium A/c Dr.	60,000	
	To Premium on Redemption of Preference Shares A/c		60,000
(5)	Preference Shareholder A/c Dr.	6,60,000	
	To Bank A/c	6,60,000	

(26) Ans. d

Explanation:

Total amount to be replaced is Rs. 3,00,000 i.e. the face value of shares to be redeemed. Shares issued for Rs. 2,50,000 and therefore amount transferred to Capital Redemption Reserve will be Rs. 50,000.

(27) Ans. a

Explanation:

Cash Balance :

(14000-200) shares x (100-5%) = Rs.1311000

Add: 200 shares x 60 = Rs. 12000

Total = Rs. 1323000

(28) Ans. a

Explanation:

Proforma of Balance Sheet

Share capital	1,80,000	Total Assets	3,40,000
Profits	40,000	(bal.fig)	
Liability	1,20,000		
	3,40,000		3,40,000

(29) Ans. b

Explanation:

Value of closing-stock as per bank = $\frac{160000}{80\%} = \text{Rs.}2,00,000$

Value of closing-stock as per books = $\frac{200000}{80\%} = \text{Rs.}2,50,000$

(30) Ans. b

Explanation:

$1,00,000 - 10,000 = 90,000 / 18,000 = 5 \text{ Year}$

(31) Ans. c

Explanation: Matching concept matches the revenue with expenses, to compute profit.

(32) Ans. a

Explanation :

Sacrifice Ratio = Old Ratio - New Ratio

$\frac{5}{8} - \frac{7}{16} = \frac{10-7}{16} = \frac{3}{16}$

$$\cancel{A} \frac{3}{8} - \frac{5}{16} = \frac{6-5}{16} = \frac{1}{16}$$

$$= 3:1$$

(33) Ans. a

Explanation:

Trial Balance		
Particulars	Dr.	Cr.
Cash A/c	3180	----
Capital A/c	----	10000
Bank A/c	6900	----
Purchases A/c	725	----
Sales A/c	----	950
Salary	----	5
Rent	150	----
Total	<u>10955</u>	<u>10955</u>

(34) Ans. a

Explanation: Car is newly purchased and all the other expenses, incurred after the car is put to use are not to be added to cost.

(35) Ans. b

Explanation: Compensation, may or may not be payable, hence contingent liability.

(36) Ans. a

Explanation:

Cash Book	(6340)
Less:	(2360)
Add:	2368
Pass Book	<u>6332</u>

(37) Ans. b

Explanation :

Date	Particulars	Quantity	Cost Pur.	Amt.	Balance Qty.	Balance Amt.
Jan. 1	To Balance b/d	200	7	1400	200	1400
Jan. 8	Purchases	900	8	7200	1100	8600
Jan. 25	Purchases	300	9	2700	1400	11300
Jan. 30	Sales	400	200×7 200×8	3000	700×8 300×9	8300

So valuation of closing inventory under FIFO is 8300.

(38) Ans. a

Explanation :

Capital Rs. 50000 + Reserve $(15000 \times \frac{2}{5} = \cancel{6000})$ + Goodwill $(30000 \times \frac{2}{5} = \cancel{12000})$ + Profit share $(7050 \times \frac{2}{5} = \cancel{2820}) \rightarrow$ B's Loan a/c = Rs. 70820.

(39) Ans. d

Explanation :

Any amount withdrawn from free Reserve for the Redemption of preference share is transferred to capital Redemption Reserve A/c. Amount Withdrawn from free Reserve (3,00,000 – 120,000) = Rs. 1,80,000.

(40) Ans. b

Explanation :

Suppose Net Profit Rs. 100

Commission @ 5% i.e. Rs. 5

Profit before commission Rs. 105

In question profit before comm. [58000-16000] = Rs. 42000

$$\text{Commission} = \frac{42000}{105} \times 5 = \text{Rs. } 2000$$

(41) Ans. a

Examination: Here amount of the bill = 50,000

Thus amount received from bank on discounting = Rs. 48,000

The charges of the bank is borne by A and B equally and on maturity A will send Rs. 25,000 to B.

(42) Ans. c

Examination: Since purchases is debited Necessary Journal entry to rectify the error will be:

Purchases A/c	Dr.	500	
To Suspense			500

(43) Ans. b

Examination: Consignment is the act of consigning, which is placing any material in the hand of another, but retaining ownership until the goods are sold or person is transferred.

Consignment account

<i>Date</i>	<i>Particulars</i>	<i>Amount</i>	<i>Date</i>	<i>Particulars</i>	<i>Amount</i>
	To goods sent on consignment A/c(100 × 150)	15,000		By Ram Ji Lal-sales (90 × 180)	16,200
	To bank- packing and dispatch	500		By closing inventory	1,620
	To Ram Ji Lal-freight	500			
	To Ram Ji Lal-carriage and octroi	200			
	To Ram Ji Lal-godown rent	100			
	To Ram Ji Lal-insurance	150			
	To Ram Ji Lal-commission	1,215			
	To profit on consignment	155			
		17,820			17,820

Valuation of closing stock:

Cost of goods consigned = 15,000

Add: packing and dispatch = 500

Add:freight = 500

Add: Carriage = 200 Total cost = 16,200

Cost of unsold goods = $16,200 \times 10/100 = 1,620$

(44) Ans. a

Examination: In the above question discount on shares reissued = number of shares reissued \times discount allowed per share = $30 \times 15 = \text{Rs. } 450$.

Amount available for the reissued shares in shares forfeiture account = number of shares reissued \times amount forfeited per share = $30 \times (20) = \text{Rs. } 600$

The surplus amount to be transferred to capital reserve account = $600 - 450 = \text{Rs. } 150$

(45) Ans. c

Examination: Gross profit is a company's revenue minus its cost of goods sold. Gross profit is a company's residual profit after selling a product or service and deducting the cost associated with its production and sale.

Cost of goods sold is the direct costs attributable to the production or purchase of the goods sold by a company. It excludes indirect expenses such as distribution costs and sales force cost.

Cost of goods sold = opening inventory + purchases less purchase return + direct expenses - closing inventory = $80,000 + 3,00,000 - 6,000 + 12,000 + 4,000 + 8,000 - 60,000 = 3,38,000$

And gross profit = sales less sales return - cost of goods sold = $4,10,000 - 10,000 - 3,38,000 = \text{Rs. } 62,000$

(46) Ans. a

Examination: Cost Price: The price, at which an article is purchased, is called its cost price, abbreviated as C.P. Selling Price: The price, at which an article is sold, is called its selling prices, abbreviated as S.P. Profit or Gain: If S.P. is greater than C.P., the seller is said to have a profit or gain.

Here Goods costing Rs. 7,500 were sold at 25% profit on selling price. Let the sales = x (say)

Then profit = 25% of x = $.25x$

Sales = cost + profit

Or $x = 7,500 + .25x$

Or $0.75x = 7,500$

Or $x = \text{Rs. } 10,000$.

(47) Ans. c

Examination: Calculation of cash balance at the end:

Opening Balance		10,000
Add:		
Cash Balance	5,000	
Collection from Receivable (50000-5000-10000)	35,000	40,000
Less:		
Cash Purchases	10,000	
Payment to Suppliers	15,000	

Expenses paid	19,300 (44,300)
Cash balance at the end	5,700

(48) Ans. c
 Examination: 'Closing inventory' means goods lying unsold at the end of previous accounting period or at beginning of current accounting period.

(49) Ans. b
 Examination: Under the pressure of law, expenditure is revenue expense.

(50) Ans. a
 Explanation:
 Prescribed as per schedule III.

(51) Ans. b
 Explanation:
 Gross Profit = 5,00,000 x 20% = 1,00,000

(52) Ans. a
 Explanation:
 Calculation of Profit / Loss:

Amount recd. (35000 + 5000) =	40000
Less : Material	(20000)
Expenses	(2000)
Carriage	(3000)
Profit	15000

'X's share = 15000 x $\frac{1}{2}$ = Rs. 7500

Amount remitted by 'Y' to 'X'
 20000+2000+7500 = Rs. 29500

(53) Ans. b
 Explanation:
 Total capital of firm on basis of C's capital = 30000 x $\frac{4}{1}$ = 120000
 Actual total capital = 32000 + 24000 + 30000 = 86000
 Goodwill = 120000 - 86000 = 34000

(54) Ans. c
 Explanation:
 Amount Not Received = 1000 shares x (2+3)
 = Rs. 5000.

(55) Ans. d
 Explanation:
 Valuation of fixed assets is an example of accounting policy.

(56) Ans. a
 Explanation :

Cost of Boxes = 2000 x 100 =	200000
Add : Profit (200000 x 45%)	90000
Sales Value	290000

Amount of Bill = 290000 x 60% = Rs. 174000.

- (57) Ans. b
 Explanation :
 Suppose Invoice Price Rs. 100,
 Profit @ 20% i.e. Rs. 20,
 Cost = Rs. 80,

$$\text{Profit on cost} = \frac{20}{80} \times 100 = 25\%$$
 Cost = Rs. 1,20,000,
 Profit @ 25% i.e. $1,20,000 \times \frac{25}{100} = \text{Rs. } 30,000$
- (58) Ans. b
 Examination: Rs. 36,400 = (1,12,000 + 6,200) less (65,000 + 6,000 + 3,000 + 6,170 + 1,630)
- (59) Ans. b
 Explanation :

$$\text{Depreciation on machinery} = 10,000 \times 10\% \times \frac{3}{12} = 250$$

$$\text{Depreciation on furniture} = 20,000 \times 5\% \times \frac{3}{12} = 250$$
 Total Depreciation → 250 + 250 = Rs. 500
- (60) Ans. b
 Explanation :

$$\text{Average profit} = \frac{15000 + 20000 + 25000}{3} = 20000$$

$$\text{Normal profit} = 100000 \times \frac{15}{100} = \text{Rs. } 15000$$

$$\text{Super profit} = 20000 - 15000 = \text{Rs. } 5000$$

$$\text{Goodwill} = 5000 \times 2 = \text{Rs. } 10000$$
- (61) Ans. b
 Explanation :
 Not forbidden under law
- (62) Ans. a
 Explanation:
 Earnest money
- (63) Ans. b
 Explanation:
 Nudum Pactum
- (64) Ans. a
 Explanation:
 The agreement is void

- (65) Ans. a
Explanation:
False
- (66) Ans. a
Explanation:
When the letter of acceptance is put into a course of transmission
- (67) Ans. a
Explanation:
Vindictive damages
- (68) Ans. b
Explanation:
Not a distinct legal entity from its partners
- (69) Ans. b
Explanation:
Kartas only
- (70) Ans. a
Explanation:
Can sue conditionally
- (71) Ans. c
Explanation:
Quasi contract
- (72) Ans. c
Explanation:
All the partners unanimously
- (73) Ans. b
Explanation:
Not unlawful
- (74) Ans. b
Explanation:
Maintenance
- (75) Ans. a
Explanation:
Can opt to continue as a partner or not, on attaining majority
- (76) Ans. b
Explanation:
Constructive delivery
- (77) Ans. b
Explanation:
Primary factor

-
- (78) Ans. c
Explanation:
A particular person
- (79) Ans. b
Explanation:
Relation
- (80) Ans. d
Explanation:
Not a Conclusive
- (81) Ans. b
Explanation:
The aggrieved party
- (82) Ans. c
Explanation:
No as the act does not apply retrospectively
- (83) Ans. d
Explanation:
A invites B to a card party. B accepts the invitation.
- (84) Ans. a
Explanation:
The wife can avoid the contract.
- (85) Ans. d
Explanation:
None of these.
- (86) Ans. a
Explanation:
Master & Servant
- (87) Ans. c
Explanation:
An illegal association
- (88) Ans. b
Explanation:
Criminal Proceeding
- (89) Ans. c
Explanation:
Document showing title to goods
- (90) Ans. b
Explanation:
Agreement to sell
- (91) Ans. a

Explanation:

Continuing guarantee means a guarantee which extends to a series of transaction and not for a single transaction.

(92) Ans. b

Explanation:

Yes

(93) Ans. a

Explanation:

Retain possession

(94) Ans. c

Explanation:

Sale by auction

(95) Ans. c

Explanation:

Offer and Acceptance

(96) Ans. a

Explanation:

Real

(97) Ans. d

Explanation:

	A	B	C	D
(d)	2	3	4	1

(98) Ans. a

Explanation:

Y is bound by the contract

(99) Ans. b

Explanation:

No

(100) Ans. c

Explanation:

Anticipatory Breach in an implied manner
