



SEBI Grade A (Paper-2) Question Bank

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SEBI GRADE A 2020 (PAPER-2): QUESTION BANK

Ques1. Batch Costing is suitable for

- a) Sugar Industry
- b) Telecom Industry
- c) **Pharma Industry**
- d) Petroleum refining Industry

Explanation:

- **Batch Costing:** Batch Costing is the aggregate cost related to a cost unit which consists of a group of similar articles which maintains its identity throughout one or more stages of production. **Example:** Pharma industry.

Ques2. Depreciation is a example of

- a) **Fixed Cost**
- b) Variable Cost
- c) Semi Variable Cost
- d) None of these

Explanation: Fixed cost is the cost which does not vary with the change in the volume of activity in the short run. These costs are not affected by temporary fluctuation in activity of an enterprise. **Example:** Rent, Depreciation...etc.



Ques3. _____ cost are historical costs which are incurred in the past.

- a) **Sunk cost**
- b) Imputed cost
- c) Notional cost

d) Marginal cost

Explanation: A sunk cost is a cost that has already been incurred and cannot be recovered.

Ques4. Describe the cost unit applicable to the Bicycle industry:

- a) per part of bicycle
- b) per bicycle**
- c) per tonne
- d) per day

Explanation: **Cost Unit** is a device for the purpose of breaking up or separating costs into smaller sub divisions attributable to products or services.

A few examples of cost units are given below:

Industry / Product	Cost Unit
Automobile	Number of vehicles
Cable	Metres / kilometres
Cement	Tonne
Chemicals / Fertilizers	Litre / Kilogram / tonne
Gas	Cubic Metre
Power - Electricity	Kilowatt Hour
Transport	Tonne-Kilometre, Passenger-Kilometre
Hospital	Patient Day
Hotel	Bed Night
Education	Student year
Telecom	Number of Calls
BPO Service	Accounts handled
Professional Service	Chargeable Hours

Match the following:

1	Historical Cost	A	Specific Situation
2	Opportunity Cost	B	Student year
3	Relevant Cost	C	Imputed Cost
4	Cost unit for education	D	Value of alternative foregone
5	Notional Cost	E	Sunk cost

Ques5. Which of these is not a Material control technique:

- a) ABC Analysis
- b) Fixation of raw material levels
- c) Maintaining stores ledger**
- d) Control over slow moving and non-moving items

Solution:

Techniques of Material Control:

1. ABC Analysis
2. Economic Order Quantity
3. Perpetual Inventory System
4. Review of Slow and Non-moving items
5. Use of control ratio
6. Settings of Various levels.
7. Use of Material Budgeting

8. Establishing an effective purchase procedure

Ques6. Economic order quantity is that quantity at which cost of holding and carrying inventory is:

- a) Maximum and equal
- b) Minimum and equal**
- c) It can be maximum or minimum depending upon case to case.
- d) Minimum and unequal

$$\text{Economic Ordering Quantity} = \sqrt{\frac{2AO}{C}}$$

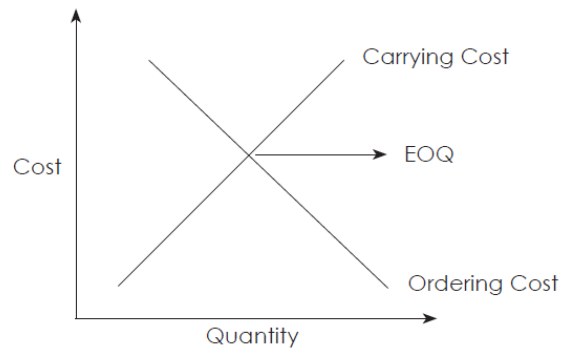
Where,

A = Annual demand /Consumption

O = Ordering Cost per order

C = Carrying Cost per unit per annum.

Graphical representation of EOQ:



Ques7. Calculate EOQ (approx.) from the following details:

Annual Consumption: 24000 units

Ordering cost: Rs. 10 per order

Purchase price: Rs. 100 per unit

Carrying cost: 5%

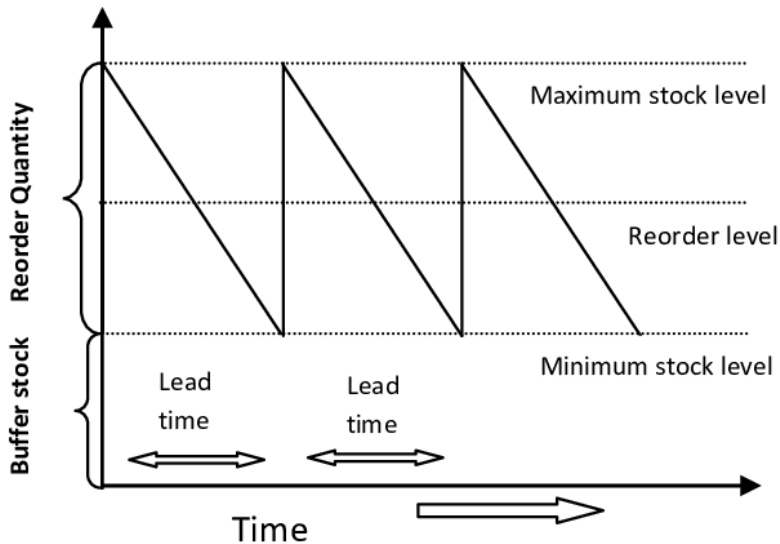
- a) 310**
- b) 400
- c) 290
- d) 300

Solution:

$$\begin{aligned}
 &= \sqrt{\frac{2AO}{C}} = \sqrt{\frac{2 \times 2400 \times 10}{5}} \\
 &= \sqrt{2 \times 2 \times 240 \times 10 \times 10} \\
 &= \sqrt{2 \times 2 \times 4 \times 4 \times 15 \times 10 \times 10} \\
 &= 2 \times 4 \times 10 \times 3.9 \\
 &= 310
 \end{aligned}$$

Ques.8 Re-order level is calculated as:

- a) Maximum consumption x Maximum Lead period
- b) Minimum consumption x Maximum Lead period
- c) 1/2 of (Minimum + Maximum consumption)
- d) Maximum level - Minimum level



- **Maximum Level** = Re-Order Level + Re-Order Qty – (Minimum Rate of Consumption X Minimum Re-Order Period)
- **Minimum Level** = Re-Order level – (Normal Rate of Consumption X Normal Re-Order Period)
- **Reorder level** = (Maximum usage x Maximum lead time) + Safety stock

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Ques.9 Calculate Re-order level from the following:

- 1) Consumption per week: 100-200 units
 - 2) Delivery period: 14-28 days
- a) 5600 units
 - b) 800 units
 - c) 1400 units

- d) 200 units

Solution:

$$\begin{aligned}\text{Re-order Level} &= \text{Maximum Usage} \times \text{Maximum Lead time} + \text{Safety Stock} \\ &= 200 \times 28 \\ &= 5600\end{aligned}$$

Ques.10 ABC analysis is an inventory control technique in which:

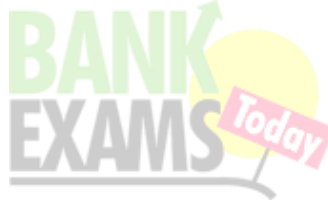
- a) Inventory levels are maintained
- b) Inventory is classified into A, B and C category with A being the highest quantity, lowest value.
- c) Inventory is classified into A, B and C Category with A being the lowest quantity, highest value**
- d) Either b or c.

Solution:

ABC Concept referred to as “**Always Better control or the alphabetic approach**”. ABC concept of classifying good an inventory is very commonly used for exercising effective inventory control. Under this technique, the items in inventory are classified according to value of usage. The higher value items have lower safety stocks, because the cost of protection is very high in respect of higher value items. The lower value items carry higher safety stocks.

Ques.11 Which one out of the following is not an inventory valuation method?

- a) FIFO
- b) LIFO
- c) Weighted Average
- d) EOQ**



Solution:

EOQ is not the part of inventory valuation method. EOQ can be defined as purchase order size which takes into account the optimum contribution of stock holding costs and ordering costs.

Ques.12 Labour turnover means:

- a) Turnover generated by labour
- b) Rate of change in composition of labour force during a specified period**
- c) Either of the above
- d) Both of the above

Ques.13 Which of the following is not an avoidable cause of labour turnover:

- a) Dissatisfaction with Job
- b) Lack of training facilities
- c) Low wages and allowances
- d) Disability, making a worker unfit for work**

Ques.14 Calculate workers left and discharged from the following: Labour turnover rates are 20%, 10% and 6% respectively under Flux method, Replacement method and Separation method. No. of workers replaced during the quarter is 80.

- a) 112

- b) 80
- c) 48
- d) 64

Explanation: Using the Replacement method =

$$\frac{80}{x} = \frac{10}{100}$$

$$x = 800$$

Total number of workers - = 800

now we can easily find the workers separated which is 6% of total workers.

6% of 800 is 48 which is the correct answer.

Separation Method:

Under the Separation Method, the relationship between the number of workers separated or left from the organization and average number of workers of the organization in the period is expressed in terms of percentage.

- A worker may be left or separated from the organization due to surplus workers, poor working conditions and wages, less chance for promotion and the like.

The following formula is used to measure the labour turnover by Separation method.

- **Labour Turnover** = No. of workers left or separated during a period / Average number of workers on role during that period x 100
- **Average No.of. Workers** = (No. of workers at the beginning of the period + No. of workers at the end of the period) / 2

Replacement Method:

- There is no need of replacement if the surplus workers left from the organization. The workers whose services are required by the organization are to be replaced by new appointments if they leave.
- Hence, the relationship between the number of workers replaced and average number of workers of the organization in a period is expressed in terms of percentage under the replacement method.
- Generally, the replacement of labour is followed by the organization if skilled labourers are left from the organization. The following formula is used to measure the labour turnover by replacement method.
 - **Labour Turnover** = No. of workers replaced during a period / Average number of workers on role during that period x 100

Flux Method:

- This is the combination of separation method and replacement method. Both separation and replacement are taken into consideration to calculate labour turnover in Flux method.
- Hence, the relationship between both separation and replacement of labour force of the organization in a period and average number of workers on roll during that period is expressed in terms of percentage. The following formula is used to calculate labour turnover by flux method.

Labour Turnover = (No. of workers separated in a period + No. of workers replaced in the same period) / Average number of workers on role during that period x100

Ques.15 Which is the following study is used to eliminate the wastefulness due to unnecessary motions ?

- a) **Motion study**
- b) Method Study
- c) Time Study
- d) Fatigue Study

Explanation: Motion study is a systematic way of determining the best method of doing the work by scrutinizing the **motions** made by the worker or the machine. As per Gilbreath it is the science of eliminating the wastefulness due to unnecessary **motions**.

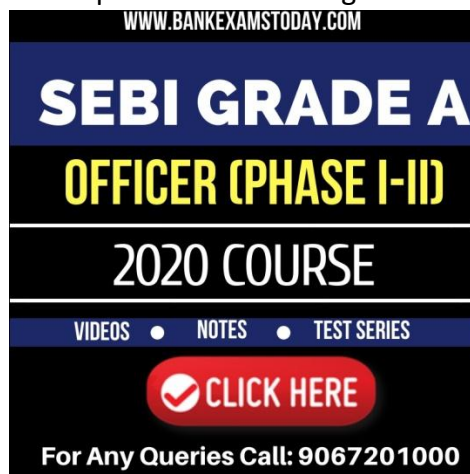
Ques.16 Which of the following is a device to measure the worth of individual workers :

- a) Job evaluation
- b) **Merit rating**
- c) Method study
- d) Fatigue study

Explanation: It is necessary for the management of any organization to establish proper wage and salary structure for various jobs. For doing this in a scientific manner, it is necessary to determine the relative value of jobs and hence a job evaluation is done. Job Evaluation is a technique of analysis and assessment of jobs to determine their relative value within the firm.

Steps for Job Evaluation:

- Identify and isolate component tasks in a job
- Examine how tasks are performed
- Examine why tasks are performed i.e. skills required
- Identify the main duties performed
- Note the prevailing working conditions
- Identify what job demands from the person who is doing it



Merit Rating:

- Merit rating is a device to measure the worth of individual workers.

- While Job Evaluation measures the job, “Merit Rating” measures the Individual workers.
- Main objective of merit rating is to reward employee on the basis of efficiency and merit. Merit rating brings out the comparative worth of workers.

Ques.17 The following is the performance of workers A, B and C in a factory ‘X’:

Workman	Units Produced	Time Taken
A	8	8 hours
B	10	8 hours
C	15	8 hours

- The other relevant information is as follows:
- Standard production per day of 98 hours work 10 units
- Day Wage Guaranteed Rs. 2 per hr.
- Bonus rate is 20%
- Calculate Wages of A, B and C under Gantt Task Bonus Plan.

Solution:

This system combines time rate, piece work system and bonus.

Output	Payment
If output is below standard	Time rate (guaranteed)
Output at standard	Bonus of 20% (usually) of time rate
Output above standard	120% of ordinary piece rate

Ques.18 Standard time per piece 15 minutes

Worker’s hourly rate Re. 1

Time worked 9 hours

Output 40 Pieces

Calculate the earnings of a worker under the Halsey Plan.

Solution:

Under this plan, a minimum hourly wage is paid. Standard hour to produce each unit may be computed on historical basis. In practice, the bonus is calculated to give the employee 50 percent of the time saved. The remaining 50 percent goes to the employer.

Ques.19 Standard Time 32 hours

Actual Time 28 Hours

Wage rate per hour Re. 1 per hour

Work out earnings as per Rowan plan.

Solution:

Under Rowan Method, the worker’s day rate is guaranteed. A standard time is fixed and if a saving is effected by the worker, a percentage equal to the percentage of saving is added to the actual time taken.

Example:

Standard Time 32 hours
Actual Time 28 Hours
Wage rate per hour Re. 1 per hour
Work out earnings as per Rowan plan.

Barth Sharing Plan

Under this, a guaranteed time rate is not provided.

$$\text{Earning} = \text{Rate per hour} \times \sqrt{\text{Standard hours} \times \text{Hours worked}}$$

Ques.20 Find out wages payable to the three workers A, B and C when time taken to complete the job are 6 hours, 5 hours and 4 hours respectively.

The following further information is given:

- a) Time allowed for a job 5 hours, and
- b) Rate per hour Rs. 2

Solution: Group Bonus System

Following cost information is given about a factory:

- 1) Standard production= 80 units per week
- 2) No. of workers in the group= 20
- 3) Bonus= For every increase of 25% in the production, a bonus of Rs. 100 will be shared pro rata among the 20 members of the group
- 4) Actual production= 110 units

Calculate bonus payable to each member of the group.

Ques.21 In case any person who has subscribed for securities of a company has suffered loss/damage as a consequence of acting on misleading prospectus, who among the following would be liable to pay the compensation?

- a) Promoter of the company
- b) Person who authorized the issue of prospectus
- c) Director of the company (at time of issue)
- d) All of the above

Answer: (D) All of the above

Concept: Chapter III – Section 35

Explanation: Section 35 provides for Civil liability for mis-statements/omissions in Prospectus. Each of A, B & C shall be liable to pay compensation to every such party who has sustained loss or damaged due to any such omission/inclusion of statements.

Ques.22 A prospectus which does not include complete particulars of the price of the securities is referred to as _____.

- a) Red Herring Prospectus

- b) Deemed Prospectus
- c) Shelf Prospectus
- d) Abridged Prospectus

Answer: (A) Red Herring Prospectus

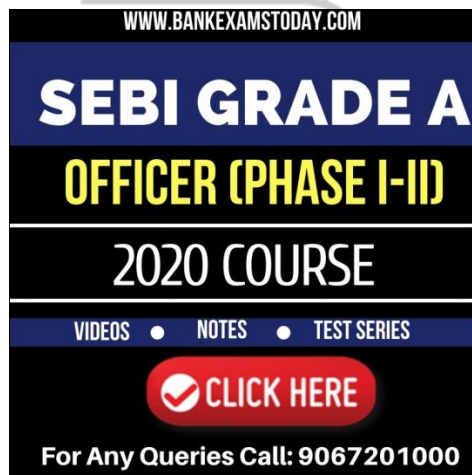
Concept: Chapter III – Section 32

Explanation: Section 32 specifies issue of Red-Herring Prospectus. It does not mention particular details about the price or quantum of securities included in them.

Red Herring Prospectus means a prospectus which does not include complete particulars of the quantum or price of the securities included therein.

Section 32 of the Act deals with Red Herring Prospectus. It provides that-

1. As per this section, a company proposing to make an offer of securities **may issue** a red herring prospectus prior to the issue of a prospectus.
2. A company proposing to issue a red herring prospectus shall **file it with the Registrar at least three days prior to the opening of the subscription list and the offer.**
3. A **red herring prospectus shall carry the same obligations as are applicable to a prospectus.** Any variation between the red herring prospectus and a prospectus shall be highlighted as variations in the prospectus.
4. Upon the closing of the offer of securities, the prospectus stating therein the total capital raised, whether by way of debt or share capital, and the closing price of the securities and any other details as are not included in the red herring prospectus shall be filed with the Registrar and the Securities and Exchange Board.



Ques.23 A company offering securities under private placement, shall allot them within ____ days from the date of receipt of application money.

- a) Fifteen
- b) Thirty
- c) Sixty
- d) Ten

Answer: (C) Sixty

Concept: Chapter III – Part II – Section 42

Explanation: Sub-Section (6) of Section 42 clearly mentions that allotment shall be made within 60 days from date of receipt of application money. In case, company fails to do so, it would have to repay back the application money within 15 days (from date of completion of 60 days)

Private Placement

A sale of stocks, bonds, or securities directly to a private investor, rather than as part of a public offering.

Ques.24 A duplicate share certificate can be issued in case

- (I) It is proven to have been lost.
- (II) It has been torn & surrendered to the company

- a) Both Statement I & II are valid reasons
- b) Both Statement I & II are invalid reasons
- c) Statement I is valid but Statement II is invalid.
- d) Statement I is invalid but Statement I is valid.

Answer: (A) Both Statement I & II are valid cases

Concept: Chapter IV – Section 46

Explanation: A duplicate share certificate can be issued if the share has been lost or destroyed, has been defaced or mutilated or torn and is surrendered back to the company.

Ques.25 Which of the following statement is true regarding issue of shares?

- a) Companies cannot issue shares at discount under any circumstance
- b) Securities premium reserve can be used for writing off expenses on issue of equity shares of the company.
- c) Both A & B are true
- d) Both A & B are false.

Answer: (B) Securities premium reserve can be used for writing off expenses on issue of equity shares of the company.

Concept: Chapter IV - Section 52, 53 & 54

Explanation: Companies cannot issue shares at discount except in the case of sweat equity shares upon fulfilment of certain conditions (Section 53-54). Statement A is therefore false.

Statement B is true. Section 52 (sub-section 2) mentions in what situations can securities premium reserve be applied.

Statement B is true. Section 52 (sub-section 2) mentions in what situations can securities premium reserve be applied.

Notwithstanding anything contained in sub-section (1), the securities premium account may be applied by the company—

(a) **towards the issue of unissued shares of the company** to the members of the company as fully paid bonus shares;

- (b) in **writing off the preliminary expenses** of the company;
- (c) in writing off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company;
- (d) in providing for the premium payable on the redemption of any redeemable preference shares or of any debentures of the company; or
- (e) for the purchase of its own shares or other securities under section 68.

Ques.26 Given statements below are statements referring to debentures.

- (I) No company can issue any debentures carrying any voting rights
 - (II) Debentures can be issued with an option to convert them into shares
- a) Both Statement I & II are true
 - b) Both Statement I & II are false
 - c) Statement I is true but Statement II is false
 - d) Statement I is false but Statement I is true.

Answer: (A) Both Statement I & II are true

Concept: Chapter IV – Section 71

Explanation: Debentures do not carry voting rights unlike Equity shares. Those debentures with option to convert into shares (at some specified date) are called convertible debentures. Both Statements are true, as per 71(2) of the Act.

Ques.27 Dividend declared by a company that has not been claimed is transferred to

- a) General Reserve
- b) Debenture Redemption Reserve
- c) Unpaid Dividend Account.
- d) Dividend Equalization Fund

Answer: (C) Unpaid Dividend Account

Concept: Chapter VIII – Section 124

Explanation: Section 124(1) puts forward the statement that unclaimed dividend (within 30 days of declaration + 7 days) shall be transferred to Unpaid dividend account by the company.

Ques.28 The Investor Education & Protection Fund sources its funds majorly from which of these?

- a) Central Government.
- b) Central Government & State Governments
- c) Central Government, State Governments & Donation from companies
- d) Investor protection awareness Programmes

Answer: (C) Central Government, State Governments & Donation from companies

Concept: Chapter VIII – Section 125

Explanation: According to Sec 125(2a) & 125(2b), funds from Central Government, State Governments,

companies or any other institutions can be credited to the account.

The fund can be used for expenses on Investor protection awareness programmes as mentioned under Section 125(3b).

Ques.29 Every listed public company shall have at least _____ of the total number of directors as independent directors according to Companies Act 2013.

- a) One-fourth
- b) One-third
- c) Half
- d) One-Tenth

Answer: (B) One-Third

Concept: Chapter XI – Section 149

Explanation: According to Section 149 – Appointment & qualification of Directors, every listed public company shall have at least one-third of the total number of directors as independent directors.



Ques.30 With reference to an application to Central government, 'DIN' is allotted to directors. What does 'I' stand for?

- a) Index
- b) Inquiry
- c) Identification
- d) Individual

Answer: (C) Identification

Concept: Chapter XI – Section 154

Explanation: DIN stands for Director Identification Number

Ques.31 The position of a director is said to have become vacant when:

- (I) He is disqualified under Section 164 of Companies Act
- (II) He fails to disclose interest in any arrangement/contract
- (III) He absents himself from all Board Meetings for three months.

- a) Statement I & II are true
- b) Statement II & III are true
- c) Statement I & III are true
- d) All statements – I, II & III are true

Answer: (A) Statement I & II are true

Concept: Chapter XI – Section 167

Explanation: A director's position is said to have vacated under the conditions specified in Section 167(1). Statement I & II are listed in the Section.

Also, if the director absents himself from all meetings of Board for twelve months without any seeking absence/leave, the position is said to have been vacated.

Ques.32 Every company shall hold the first meeting of the Board of Directors within _____ days of the date of its incorporation.

- a) 45
- b) 60
- c) 30
- d) 15

Answer: (C) 30

Concept: Chapter XII – Section 173

Explanation: Sub-section 1 of Section 173, prescribes first meeting to be held within 30 days of incorporation date.

Ques.33 What is the quorum required for a Board of Directors meeting according to Companies Act, 2013?

- a) One-Third of total strength of Directors
- b) Two Directors
- c) A or B – Whichever is lower
- d) A or B – Whichever is higher

Answer: (D) A or B – Whichever is higher

Concept: Chapter XII – Section 174

Explanation: Quoting from 174(1) – 'The quorum for a meeting of the Board of Directors of a company shall be one-third of its total strength or two directors, whichever is higher.'

Ques.34 Which of these is not a criterion for disqualification of an auditor under Section 141 of Companies Act?

- a) Being an officer/employee of the company
- b) Person who has direct relationship with subsidiary of the company
- c) Relatives of Director
- d) A partner of audit firm holding appointment as auditor in 15 companies

Answer: (D) A partner holding appointment as auditor 15 companies

Concept: Chapter X - Section 141

Explanation: Option D would have been disqualification if the auditor held appointment in more than 20 companies. (Section 141(3g))

Ques.35 In case of a Government Company, auditor is appointed by the _____

- a) Directors
- b) State Government
- c) Finance Minister of India
- d) Comptroller & Auditor General of India

Answer: (D) Comptroller & Auditor General of India

Concept: Chapter X – Section 139

Explanation: The Comptroller and Auditor General (CAG) of India appoints the auditor under sub-section (5) or sub-section (7) of section 139.

Ques.36 An auditor can render to the firm

- a) Investment banking services
- b) Management services
- c) Both A & B
- d) Neither A nor B

Answer: (D) Neither A nor B

Concept: Chapter X – Section 144

Explanation: Under Section 144, Auditors cannot render services like internal audits, investment banking, management or actuarial services.

Ques.37 Which of these does not qualify for appointment as Judicial member of Tribunal?

- a) Judge of High court for five years.
- b) Judge of District Court for three years
- c) Advocate of a court for ten years.
- d) All of these.

Answer: (B) Judge of District Court for three years

Concept: Chapter XXVII – Section 409

Explanation: To qualify as Judicial member, a person should/should-have-been a High Court Judge, A district judge for five years or an advocate of a court for ten years.

Hence, B does not qualify.

Ques.38 Who among these is not a part of the selection committee of Tribunal members?

- a) Chief Justice of India
- b) Senior Judge of Supreme Court/Chief Justice of a High Court
- c) Secretary in Ministry of Corporate Affairs
- d) Minister of State of Law & Justice Answer

Answer: (D) Minister of State of Law & Justice

Concept: Chapter XXVII – Section 412

Explanation: Secretary in Ministry of Law & Justice is member of the selection committee not Minister of State. The CJI or his nominee presides over as Chairman.

Ques.39 Any person aggrieved by any order of the Appellate Tribunal may file an appeal to _____.

- a) High Court of Concerned State
- b) Law & Justice Ministry of India
- c) Supreme Court of India
- d) Tribunal Bench, Delhi

Answer: (C) Supreme Court of India

Concept: Chapter XXVII – Section 423

Explanation: Section 423 provides for the aggrieved party to appeal to supreme court within sixty days of receipt of such an order from the Appellate Tribunal.



Ques.40 An audit committee constituted by Board of Directors of a listed company shall consist of minimum of ____ directors.

- a) 2
- b) 7
- c) 5
- d) 3

Answer: (D) 3

Concept: Chapter XII – Section 177

Explanation: Section 177(2) states that the Audit Committee shall consist of a minimum of 3 directors with independent directors forming a majority, provided that the members can read and understand financial statements.

Ques.41 A meeting of the Board shall be called by giving not less than _____ days of notice in writing to every director.

- a) 3
- b) 7
- c) 14
- d) 20

Answer: (B) 7 days

Concept: Chapter XII – Section 173

Explanation: The notice shall be at least 7 days prior to the date of meeting which shall either be postally delivered, or by electronic means.

Ques.42 The maximum number of public companies where a person can hold position as a director is _____.

- a) 5
- b) 10
- c) 15
- d) 20

Answer: (B) 10

Concept: Chapter XI – Section 165

Explanation: The number of companies where a person can serve as a director is a maximum of 20 at the same time, but 10 in case of public companies.

Ques.43 Which of these renders the appointment of a director of a company as ineligible?

- (I) The person is of unsound mind
- (II) The person is an undischarged insolvent
- (III) The person has not paid any calls in respect of his share since last six months.

- a) Statements I & II
- b) Statements I & III
- c) Statements II & III
- d) Statements I, II & III

Answer: (D) Statements I, II & III

Concept: Chapter XI – Section 164

Explanation: All three statements are valid arguments to render an appointment of a director as ineligible.

Ques.44 Within _____ of being allotted a DIN, the existing director of a company shall inform the same to the company.

- a) 2 months
- b) 3 weeks
- c) 1 month
- d) 1 week

Answer: (C) 1 month

Concept: Chapter XI – Section 156

Explanation: Director after being allotted the Director Identification number shall intimate the same to the company within one month.

Ques.45 Minimum number of directors in Board of Directors of a public company shall be:

- a) 2
- b) 3
- c) 1
- d) 5

Answer: (B) 3

Concept: Chapter XI – Section 149

Explanation: Public Company shall have a minimum of 3 directors & Private Company shall have minimum of 2 directors, and one director in case of One-person Company.

Ques.46 An auditor who has resigned shall file a statement with the Company & the Registrar within ____ days from the date of resignation indicating the reasons for the same.

- a) 15
- b) 30
- c) 45
- d) 60

Answer: (B) 30

Concept: Chapter X – Section 140

Explanation: 140(2) states that an auditor who has resigned shall file a statement within 30 days with the Company & the Registrar, and to the CAG in case of companies listed under 139(5) indicating the reasons of the resignation.

Ques.47 Where at any annual general meeting, no auditor is appointed or re-appointed

- a) The place shall have been considered to be vacated
- b) The existing auditor will continue as auditor of the company
- c) New auditor will be appointed by the CAG
- d) Company would not have an auditor at all.

Answer: (B) The existing auditor will continue as auditor of the company

Concept: Chapter X – Section 139

Explanation: Section 139(10) states that existing auditor will continue as auditors of the company in case no appointment/re-appointment has been made at the annual general meeting of the company.

Ques.48 A retiring auditor can be reappointed at an annual general meeting if:

- a) He is not disqualified for appointment
- b) He has given his unwillingness to continue as auditor
- c) Special resolution has been passed to not re-appoint him.
- d) Retiring auditor can never be reappointed.

Answer: (A) He is not disqualified for appointment

Concept: Chapter X – Section 139(9)

Explanation: A retiring partner can be reappointed if he is not disqualified, if he has not submitted his unwillingness to continue or if a special resolution has not been passed not to re-appoint him.

Ques.49 Auditor appointed at the first annual general meeting shall hold office till conclusion of _____ annual general meeting.

- a) Fifth
- b) Second
- c) Sixth
- d) Third

Answer: (C) Sixth

Concept: Chapter X – Section 139

Explanation: Section 139(1) - Every company, shall, at its first annual general meeting, appoint an auditor who will hold office from conclusion of first meeting till the conclusion of sixth general meeting.



Ques.50 The Investor Education & Protection Fund can be used for:

- (I) promotion of investor awareness
 - (II) refund in aspects of unclaimed dividends & matured deposits
- a) Both I & II
 - b) Only I
 - c) Only II
 - d) Neither I nor II

Answer: (A) Both I & II

Concept: Chapter VIII – Section 125(3)

Explanation: The fund can be utilized in respect of refunds in cases of unclaimed dividends, matured deposits, matured debentures, promotion of investors protection/awareness, reimbursement of legal expenses incurred in pursuing class action suits under sections 37 & 245 by the members etc.

Ques.51 In case of physical shares documents, the same shall be destroyed within ____ days by the company in case of buy-back.

- a) 15
- b) 7
- c) 21
- d) 30

Answer: (B) 7 Days

Concept: Chapter IV – Section 68(7)

Explanation: The company shall destroy physically the share/securities so bought back within 7 days of completion of buy-back.

Ques.52 Company can buy back without special resolution at the general meeting if:

- a) Buy back is less than 25% of total paid-up equity capital & free reserves
- b) Buy back is less than 49% of total paid-up equity capital & free reserves
- c) Buy back is less than 10% of total paid-up equity capital & free reserves
- d) Buy back is less than 15% of total paid-up equity capital & free reserves

Answer: (C) Buy back is less than 10% of total paid-up equity capital & free reserves

Concept: Chapter IV – Section 68(2)

Explanation: Section 68 provides for special resolution at the general meeting in case of buy-backs. Quoting 68(2) – ‘... Provided that nothing contained in this clause shall apply to a case where— (i) the buy-back is, ten per cent. or less of the total paid-up equity capital and free reserves of the company....’

Ques.53 Bonus shares cannot be issued from:

- a) Capital Redemption Reserve
- b) Securities Premium Reserve
- c) Free Reserves
- d) Reserve created from Revaluation of Assets

Answer: (D) Reserves created from Revaluation of Assets

Concept: Chapter IV – Section 63

Explanation: Section 63(1) states that no issue of fully paid bonus shares to its members shall be made by capitalizing reserves created from Revaluation of Assets.

Ques.54 If any person deceitfully personates a shareholder/owner of a security, the person shall be punishable with

- a) Fine not less than 1 lakh
- b) Imprisonment not less than 1 lakh
- c) Either A or B
- d) Both A & B

Answer: (D) Both A & B

Concept: Chapter IV – Section 57

Explanation: Minimum 1 lakh & Maximum of 5 lakhs along with an imprisonment not less than 1 year up to 3 years as penalty is stated under Section 57.

Ques.55 Companies that redeem Preference shares out of profits shall transfer an amount equivalent to face value of these shares in _____ account.

- a) General reserve
- b) Debenture Redemption Reserve
- c) Capital Redemption Reserve
- d) Securities Premium Reserve

Answer: (C) Capital Redemption Reserve

Concept: Chapter IV – Section 55

Explanation: Section 55(2c) states for creation of Capital redemption reserve and an amount equal to nominal value of preference shares to be redeemed out of be transferred to it.

Ques.56 If a company issues shares at discount (except sweat equity), in the contravention of the Companies Act, the company shall be punishable with a fine not less than _____

- a) 1 lakh
- b) 2 lakhs
- c) 5 lakhs
- d) 10 lakhs

Answer: (A) 1 lakh rupees

Concept: Chapter IV – Section 53

Explanation: The minimum & maximum fines for violation of this section are 1 lakh & 5 lakh rupees respectively.

Ques.57 Given below are statements on shares:

- (I) Every share in a company having a share capital shall be distinguished by its distinctive number.
- (II) Preference Shares carry preferential rights over repayment on winding-up.

- a) Statements I & II are true
- b) Statements I & II are false
- c) Statement I is true but Statement II is false.
- d) Statement I is false but Statement I is true.

Answer: (A) Statement I & II are true

Concept: Chapter IV – Section 43 & 45

Explanation: Preference Shares have preferential right over payment of (i) dividend & (ii) repayment in case of winding-up.

Ques.58 If a company fails to return/refund the application money in case of non-allotment during the specified period in case of a private-placement, it will be liable to repay the money with interest at the rate of _____ % p.a.

- a) 10%

- b) 6%
- c) 12%
- d) 8%

Answer: (C) 12%

Concept: Chapter III – Part II

Explanation: Quoting from Section 42(6)

‘.....if the company fails to repay the application money within the aforesaid period, it shall be liable to repay that money with interest at the rate of twelve per cent. per annum from the expiry of the sixtieth day.’



Ques.59 All money received in case of a private placement cannot be paid through:

- a) Cheques
- b) Cash
- c) Demand Draft
- d) Banking Channels

Answer: (B) Cash

Concept: Chapter III – Part II

Explanation: Section 42(5) states that the monies received can be through cheques, demand drafts, or any other banking channels but not cash.

Ques.60 A prospectus issued for subscription in one or more class of securities is referred to as ____.

- a) Abridged Prospectus
- b) Red Herring Prospectus
- c) Shelf Prospectus
- d) None of these

Answer: (C) Shelf Prospectus

Concept: Chapter III – Section 31

Explanation: Shelf prospectus is a type of public offering that allows to offer/sell securities to the public with a common prospectus. (not separate ones).

Ques.61 Which of the following information(s) is not stated in the prospectus?

- a) Details about underwriting of the issue
- b) Capital structure of the company
- c) Names & addresses of Directors
- d) All of these are stated in the prospectus.

Answer: (D) All of these are stated in the prospectus

Concept: Chapter III – Section 26

Explanation: A list of details mentioned in prospectus is mentioned in Section 26(1a). All of the above stated documents/details are furnished in a prospectus.

Ques.62 In which of these ways can a private company issue 'securities'?

- a) Rights Issue or Bonus Issue
- b) Private Placement
- c) Offer to Public through prospectus
- d) Both A & B

Answer: (D) Both A & B

Concept: Chapter III – Section 23

Explanation: A public company can issue securities by either of (A), (B) or (C). However, a private company cannot offer securities to public through prospectus.

Ques.63 Given below are statements on qualifications/disqualifications of an auditor:

(I) An individual shall be eligible for appointment as an auditor of a company only if he is a Chartered Accountant.

(II) A body corporate other than an LLP shall not be eligible for appointment as an Auditor.

- a) Statements I & II are true
- b) Statements I & II are false
- c) Statement I is true but Statement II is false.
- d) Statement I is false but Statement I is true.

Answer: (A) Statement I & II are true

Ques.64 The ratio that gives the relationship between contribution & sales value:

- a) Break Even Ratio
- b) Profit Volume Ratio
- c) Margin of Safety Ratio
- d) None of these

Answer: (B) Profit Volume Ratio

Concept: Marginal Costing

Explanation: Profit Volume Ratio = Contribution/Sales.

Ques.65 The correct formula for Break even Point (in units):

- a) Fixed Cost/Variable Cost
- b) Contribution/Fixed Cost
- c) Fixed Cost/Contribution per unit
- d) Variable Cost/Contribution per unit

Answer: (C) Fixed Cost/Contribution per unit

Concept: Marginal Costing

Explanation: Formula for BE point (in units) is Fixed Cost/Contribution per unit. It is a point where there is neither profit nor loss.

Ques.66 If projected sales are 10,000 units & Breakeven sales is 2000 units, Margin of safety will be _____ units.

- a) 12,000
- b) 8,000
- c) 5,000
- d) 2,000

Answer: (B) 8,000 units

Concept: Marginal Costing

Explanation: Margin of Safety = Projected Sales – Break even Sales = 10,000 – 2,000 = 8,000.

Ques.67 Variance which arises due to changes in actual sales quantity from budgeted quantity is called _____.

- a) Sales Volume variance
- b) Sales Margin volume variance
- c) Sales Margin Price variance
- d) Sales price variance

Answer: (A) Sales Volume variance

Concept: Standard Costing

Explanation: Sales Volume Variance = Budgeted Price x (Actual Qty – Budgeted Qty)

Ques.68 Labour Rate Variance =

- a) Actual Time x (Std. Rate – Actual Rate)
- b) Actual Time x (Actual Rate – Actual Time)
- c) Actual Rate x (Std. Time – Actual Time)
- d) Actual Time x (Std. Time – Actual Rate)

Answer: (A) Actual Time x (Std. Rate – Actual Rate)

Concept: Standard Costing

Explanation: Formula for LRV = Actual Time x (SR – AR)

Ques.69 If the completion of contract is less than 25%, _____ profit should be transferred to Profit & Loss account

- a) 1/3rd
- b) 2/3rd
- c) 1/4th
- d) No profit

Answer: (D) No

Concept: Contract Costing

Explanation: In case of incomplete contracts with less than 25% completion rate, no profit shall be transferred to Profit & Loss account.



Ques.70 In contract costing, _____ provides a safeguard against risk of loss due to poor work.

- a) Retention Money
- b) Progress Money
- c) Commission
- d) None of these

Answer: (A) Retention Money

Concept: Contract Costing

Explanation: Retention Money = Value of Work Certified – Payment made

Ques.71 The process of charging both – fixed & variable costs to the processes/products is called _____

- a) Direct Costing
- b) Marginal Costing
- c) Absorption Costing
- d) Historical Costing

Answer: (C) Absorption Costing

Concept: Techniques of Costing

Explanation: Absorption Costing involves practice of charging all costs. Marginal Costing excludes fixed costs. Historical costing ascertains costs only after they have been incurred.

Ques.72 Identify the wrongly matched cost method:

- a) Sugar Industry – Process Costing
- b) Cold Drinks – Unit Costing
- c) Advertising – Job Costing
- d) Real Estate – Operating Costing

Answer: (D) Real Estate – Operating Costing

Concept: Cost Methods

Explanation: Contract Costing is more suitable for Real Estate industry.

Ques.73 The costs that do not play any decision making in the current period are called _____

- a) Period Costs
- b) Marginal Costs
- c) Opportunity Costs
- d) Sunk Costs

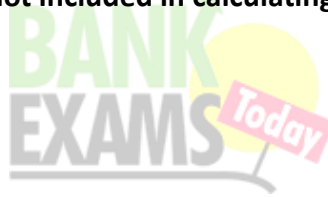
Answer: (D) Sunk Costs

Concept: Introduction to Cost & Management Accounting

Explanation: Sunk Costs are historical cost. (incurred in the past). They do not play a role in current decision making.

Ques.74 Which of the following items is not included in calculating the acid test ratio?

- a) 6-month treasury bill
- b) Accounts Receivable
- c) 60-day Certificate of Deposit
- d) Prepaid Insurance



Answer: (D) Prepaid Insurance

Explanation: Acid Test Ratio= Quick Assets (Marketable Securities, Cash, etc.)/Current Liabilities Quick Assets include all the current assets that can be converted into liquid assets quickly. Although Prepaid Insurance is a short term current asset, it is not a liquid asset. Therefore, it will not be included in the calculation of the acid test ratio.

Ques.75 Calculate the Operating Ratio. Operating Expense= Rs. 50,000, Sales= Rs. 9,00,000, Sales Return= Rs. 60,000, Cost of Goods Sold= 5,00,000

- a) 65.48%
- b) 70.00%
- c) 62.54%
- d) 68.20%

Answer: (A) 65.48%

Explanation: Operating Ratio= (Operating Expenses/ Net Sales) x 100

Total Operating Expense= Operating Expense + Cost of Goods Sold= 50,000+5,00,000= 5,50,000

Net Sales= Sales- Sales Return= 9,00,000-60,000= 8,40,000

Therefore, Operating Ratio= (5,50,000/ 8,40,000) x 100= 65.48%

Cost of goods sold + Administrative expenses + Selling expenses

Ques.76 Debtors Turnover Ratio is also called

- I. Receivables Turnover Ratio
 - II. Stock Velocity
 - III. Payable Turnover Ratio
 - IV. Debtors Velocity
- a) 1. and 4.
 - b) 2. and 3.
 - c) 3. and 4.
 - d) 1. and 3.

Answer: (A) 1. and 4.

Explanation: Debtors Turnover Ratio measures how fast credit sales turn into cash and it also provides an estimate of a company's efficiency in managing the credit the company gives to its customers.

Accounts Receivable Turnover Ratio= $\frac{\text{Net Credit Sales}}{\text{Average Accounts Receivable}}$

Ques.77 Calculate the working capital turnover ratio: Current Assets= Rs. 2,50,000, Current Liabilities= Rs. 2,00,000, Cost of Goods Sold= Rs. 5,00,000

- a) 11 times
- b) 8 times
- c) 10 times
- d) 5 times

Answer: (C) 10 times

Explanation: Working Capital Turnover Ratio= Cost of Goods Sold/ Working Capital

Working Capital= Current Assets- Current Liabilities

= 2,50,000 - 2,00,000

= 50,000

Therefore, Working Capital Turnover Ratio= 5,00,000/ 50,000= 10 times

Ques.78 A higher asset turnover ratio than the industry average means that

- a) The company is efficiently utilising its assets better than all other companies in the industry
- b) The P/E ratio of the company is better than all other companies in the industry
- c) The profits of the company are better than all other companies in the industry

d) The company has the highest spending on fixed assets than all other companies in the industry

Answer: (A) The company is efficiently utilising its assets better than all other companies in the industry

Explanation: Asset Turnover Ratio basically tells us that company is utilising its assets more efficiently to generate sales. When the ratio is higher than the industry average it means that the company is efficiently utilising its assets to generate sales when compared to other companies in the same industry.



Ques.79 Calculate Gross Profit Ratio, Total Sales= Rs. 3,60,000, Cost of Goods Sold= Rs. 3,00,000, Sales Return= Rs. 20,000

- a) 13.87%
- b) 12.00%
- c) 14.52%
- d) 11.76%

Answer: (D) 11.76%

Explanation: Net Sales= 3,60,000- 20,000= 3,40,000

Gross Profit= Net Sales- Cost of Goods Sold

= 3,40,000- 3,00,000

= 40,000

Gross Profit Ratio= (Gross Profit/ Net Sales) x 100

= (40,000/ 3,40,000) x 100

= 11.76%

Ques.80 Calculate Inventory Turnover Ratio, Opening Stock= Rs. 40,000, Closing Stock= Rs. 20,000, Sales= Rs. 4,00,000, Gross Profit Ratio= 25% on sales.

- a) 6 times

- b) 10 times
- c) 8 times
- d) 7 times

Answer: (B) 10 times

Explanation: Inventory Turnover Ratio= Cost of Goods Sold/ Average Inventory

Gross Profit on sales= 25%. Therefore, Gross Profit= 1,00,000

Cost of Goods Sold= Sales- Gross Profit

= 4,00,000- 1,00,000

= 3,00,000

Average Inventory= (Opening+ Closing Stock)/ 2

= (40,000+ 20,000)/ 2

= 30,000

Inventory Turnover Ratio= 3,00,000/ 30,000

= 10 times

Ques.81 Who bears the expenses in case of an offer for sale?

- a) Underwriters
- b) The individual/ body corporate whose shares are being offered to the public**
- c) Existing shareholders
- d) Stock Exchange

Answer – As per section 28(3), the company shall initially do all necessary actions in respect of offer for sale and then be reimbursed for the same by the individual/ body corporate whose shares are being offered to the public. Thus, the individual/ body corporate whose shares are being offered to the public bears the total expenses in case of an offer for sale.

Ques.82 Can private companies issue shares in physical form?

- a) Yes**
- b) No
- c) Both (a) and (b)
- d) Neither (a) and (b)

Answer – As per section 29, only public companies are required to compulsorily issue shares in dematerialized form. **Thus, private companies can issue shares in physical form.**

Ques.83 A company making a public issue shall make an application for permission for listing to which authority before making such a public offer?

- a) **Stock Exchange**
- b) Ministry of Corporate Affairs
- c) Registrar of Companies
- d) SEBI

Answer – As per section 40, every company making public offer shall, before making such offer, **make an application to one or more recognised stock exchange or exchanges and obtain permission for the securities to be dealt with in such stock exchange or exchanges.** Thus, application for listing before making a public issue needs to be done with a stock exchange.

Ques.84 Who can make a private placement of securities?

- a) Private company
- b) Public company
- c) Dormant company
- d) **Both (a) and (b)**

Answer – As per section 42, both private and public companies can make private placement of securities.

Ques.85 The proportion of a shareholder's voting rights in a company shall be made on the basis of?

- a) Called up equity share capital
- b) **Paid up equity share capital**
- c) Preference share capital
- d) Uncalled equity share capital

Answer – As per section 47, proportion of a shareholder's voting rights in a company shall be made on the basis of paid up equity share capital.

Ques.86 X. Ltd conducted a buyback of 20% of its total paid-up equity capital and free reserves and now wants to conduct a further buyback of 10% in the same financial year. Can it do so?

- a) Yes
- b) **No**
- c) Both (a) and (b)
- d) Neither (a) and (b)

Answer – As per section 68, a company can conduct a buyback of only upto 25% of its total paid-up equity capital and free reserves in a financial year. Thus, X. Ltd cannot conduct the further buyback of 10%.

Ques.87 What is the maximum term of debentures as per the Companies Act, 2013?

- a) 10 years from date of issue
- b) **20 years from date of issue**
- c) 30 years from date of issue
- d) No particular period

Answer – As per section 71, a company can issue debentures upto a maximum term of 20 years (in case of certain specified industries) and upto 10 years in case of other companies.

Ques.88 From which of the following can a company issue dividend?

- a) Capital reserve
- b) Free reserve**
- c) Asset revaluation reserve
- d) Statutory reserve

Answer – As per section 123, a company can issue dividends only from its free reserves.

Ques.89 Which authority has established the Investor Education and Protection Fund?

- a) SEBI
- b) RBI
- c) MCA
- d) Central Government**

Answer – As per section 125, the Central Government has established the Investor Education and Protection Fund.



Ques.90 Where are National Company Law Appellate Tribunal (NCLAT) present in the country today?

- a) New Delhi
- b) Mumbai
- c) Chennai**
- d) Hyderabad
- e) Both (a) and (c)

Answer – Recently, the Government notified the establishment of NCLAT in Chennai. Thus, option (E) is correct.

Ques.91 In case any person who has subscribed for securities of a company has suffered loss/damage as a consequence of acting on misleading prospectus, who among the following would be liable to pay the compensation?

- a) Promoter of the company
- b) Person who authorized the issue of prospectus
- c) Director of the company (at time of issue)
- d) All of the above

Answer: (D) All of the above

Concept: Chapter III – Section 35

Explanation: Section 35 provides for **Civil liability for mis-statements/omissions in Prospectus**. Each of A, B & C shall be liable to pay compensation to every such party who has sustained loss or damaged due to any such omission/inclusion of statements.

Ques.92 A prospectus which does not include complete particulars of the price of the securities is referred to as _____.

- a) Red Herring Prospectus
- b) Deemed Prospectus
- c) Shelf Prospectus
- d) Abridged Prospectus

Answer: (A) Red Herring Prospectus

Concept: Chapter III – Section 32

Explanation: Section 32 specifies issue of Red-Herring Prospectus. It does not mention particular details about the price or quantum of securities included in them.

Ques.93 A company offering securities under private placement, shall allot them within ____ days from the date of receipt of application money.

- a) Fifteen
- b) Thirty
- c) Sixty
- d) Ten

Answer: (C) Sixty

Concept: Chapter III – Part II – Section 42

Explanation: Sub-Section (6) of Section 42 clearly mentions that allotment shall be made within 60 days from date of receipt of application money. In case, company fails to do so, **it would have to repay back the application money within 15 days (from date of completion of 60 days)**

Ques.94 A duplicate share certificate can be issued in case

- (I) It is proven to have been lost.
- (II) It has been torn & surrendered to the company
- a) Both Statement I & II are valid reasons

- b) Both Statement I & II are invalid reasons
- c) Statement I is valid but Statement II is invalid.
- d) Statement I is invalid but Statement I is valid.

Answer: (A) Both Statement I & II are valid cases

Concept: Chapter IV – Section 46

Explanation: A duplicate share certificate can be issued if the share has been lost or destroyed, has been defaced or mutilated or torn and is surrendered back to the company.

Ques.95 Which of the following statement is true regarding issue of shares?

- a) Companies cannot issue shares at discount under any circumstance
- b) Securities premium reserve can be used for writing off expenses on issue of equity shares of the company.
- c) Both A & B are true
- d) Both A & B are false.

Answer: (B) Securities premium reserve can be used for writing off expenses on issue of equity shares of the company.

Concept: Chapter IV - Section 52, 53 & 54

Explanation: Companies cannot issue shares at discount except in the case of sweat equity shares upon fulfilment of certain conditions (Section 53-54). Statement A is therefore false. Statement B is true. Section 52 (sub-section 2) mentions in what situations can securities premium reserve be applied.

Ques.96 Given statements below are statements referring to debentures.

- (I) No company can issue any debentures carrying any voting rights
 - (II) Debentures can be issued with an option to convert them into shares
- a) Both Statement I & II are true
 - b) Both Statement I & II are false
 - c) Statement I is true but Statement II is false
 - d) Statement I is false but Statement I is true.

Answer: (A) Both Statement I & II are true

Concept: Chapter IV – Section 71

Explanation: Debentures do not carry voting rights unlike Equity shares. Those debentures with option to convert into shares (at some specified date) are called convertible debentures. Both Statements are true, as per 71(2) of the Act.

Ques.97 Dividend declared by a company that has not been claimed is transferred to

- a) General Reserve
- b) Debenture Redemption Reserve
- c) Unpaid Dividend Account.
- d) Dividend Equalization Fund

Answer: (C) Unpaid Dividend Account

Concept: Chapter VIII – Section 124

Explanation: Section 124(1) puts forward the statement that unclaimed dividend (within 30 days of declaration + 7 days) shall be transferred to Unpaid dividend account by the company.

Ques.98 In case of a Government Company, auditor is appointed by the _____

- a) Directors
- b) State Government
- c) Finance Minister of India
- d) Comptroller & Auditor General of India

Answer: (D) Comptroller & Auditor General of India

Concept: Chapter X – Section 139

Explanation: The Comptroller and Auditor General (CAG) of India appoints the auditor under sub-section (5) or sub-section (7) of section 139.



Ques.99 What is the quorum required for a Board of Directors meeting according to Companies Act, 2013?

- a) One-Third of total strength of Directors
- b) Two Directors
- c) A or B – Whichever is lower
- d) A or B – Whichever is higher

Answer: (D) A or B – Whichever is higher

Concept: Chapter XII – Section 174

Explanation: Quoting from 174(1) – ‘The quorum for a meeting of the Board of Directors of a company shall be one-third of its total strength or two directors, whichever is higher.’

Ques.100 Which of the following statements are true about issue of Bonus Shares?

- (I) Bonus issue increases the liquidity in the stock.
 - (II) Bonus issue can be made from Capital Redemption Reserve
- a) Both I & II
 - b) Only I

c) Only II

d) Neither I nor II

Answer: (A) Both I & II

Concept: Issue of Bonus Shares

Explanation: Bonus issue can be done from free reserves. It also generally increases the liquidity of the stock in the market.

Ques.101 If shares are offered to promoters of a company, which of these accounts is debited?

- a) Promotion Account
- b) Preliminary Expenses
- c) General Reserve
- d) Promoter's personal account

Answer: (B) Preliminary Expenses

Concept: Accounting for Share Capital

Explanation: The specimen entry when shares are offered to promoters is

Incorporation expense A/c... Dr.

To Promoter A/c

Preliminary Expenses A/c.... Dr.

To (Eq.) Share Capital A/c

Ques.102 Which of these items is recorded under cashflow from operating activities?

- a) Advertisement Expenses
- b) Sales Tax paid
- c) Advance received from Customers
- d) All of these

Answer: (D) All of these

Concept: Cashflow Statement

Explanation: All the three transactions relate to the main operations of the business.

- **Operating activities** include cash activities **related to net income**. For example, cash generated from the sale of goods (revenue) and cash paid for merchandise (expense) are operating activities because revenues and expenses are included in net income.
- **Investing activities** include cash activities related to noncurrent assets. Noncurrent assets include
 1. Long term investments;
 2. Property, plant, and equipment; and
 3. The principal amount of loans made to other entities. **For example, cash generated from the sale of land and cash paid for an investment in another company** are included in this category.
- **Financing activities** include cash activities related to noncurrent liabilities and owners' equity. Noncurrent liabilities and owners items include

1. The principal amount of long-term debt,
2. Stock sales and repurchases, and
3. Dividend payments

Ques.103 If market price of a share X is Rs 150, book value is Rs 100 and Earning Price per Share (EPS) is Rs 75, then P/E ratio is _____:

- a) 2
- b) 1.5
- c) 1.25
- d) 0.75

Answer: (A) 2

Concept: Ratio Analysis

Explanation: $P/E \text{ Ratio} = \frac{\text{Market price per share}}{\text{Earning per Share}} = \frac{150}{75} = 2$

Ques.104 If a share issued at premium has been forfeited, Securities premium account can be debited upon forfeiture if:

- a) Premium amount has not yet been received
- b) Premium amount has been received
- c) Will not be debited under any case
- d) Will always be debited during forfeiture.

Answer: (A) Premium amount has not been received.

Concept: Accounting for Share Capital

Explanation: If the amount of premium has already been received, then Securities premium account cannot be debited during forfeiture. If it has not been received, it is cancelled by debiting it.

Ques.105 Which of these items is matched under an incorrect head (Cash flow Statement)?

- a) Goodwill Purchased – Investing
- b) Bonus Shares issued – No cash flow
- c) Interim Dividends paid – Operating
- d) Issue of Preference Shares – Financing

Answer: (C) Interim Dividends – Operating

Concept: Cash Flow Statement

Explanation: Interim Dividend falls under Financing Activities in Cash flow statement.

Ques.106 Given below statements relate to AS- Investments

- (I) If an investment is acquired fully/partly by issue of shares/securities, the acquisition cost shall be the par value of such securities.
 - (II) Profits/Losses made on disposal of current investments is recorded in Profit & Loss statement.
- a) Both Statements I & II are true
 - b) Both Statements I & II are false

- c) Statement I is true but Statement II is false
- d) Statement I is false but Statement I is true

Answer: (D) Statement I is false but Statement II is true

Concept: Accounting Standard – Investment

Explanation: Acquisition cost is Fair value of securities. This may or may not be necessarily equal to par/nominal value of such securities.

Ques.107 Z forfeited 200 shares of Rs 10 each, Rs 7 called up and Rs 4 paid-up. Forfeited Shares account will be credited by Rs ____.

- a) 2000
- b) 1400
- c) 800
- d) 600

Answer: (C) 800

Concept: Forfeiture of Shares

Explanation: Amount that has been received is $200 \times 4 = \text{Rs } 800$. Journal Entry will be:

Share Capital A/C...
 To Forfeited Shares...
 To Unpaid Calls...

Dr. 1400
 800
 600



Ques.108 If Assets = Rs 10,00,000 and Shareholders' Fund is Rs 4,00,000, then Equity Multiplier will be ____

- a) 2.5x
- b) 0.4x
- c) 6x
- d) 1.2x

Answer: (A) 2.5x

Concept: Ratio Analysis

Explanation: Equity Multiplier = Assets/Shareholder's funds = $10,00,000/4,00,000 = 2.5x$

Ques.109 Following statements relate to Elasticity of Demand of a good:

- (I) More the substitutes a good has, higher will be its price elasticity
- (II) More the durability of the product, higher will be its price elasticity.
- a) Both Statements I & II are true
- b) Both Statements I & II are false
- c) Statement I is true but Statement II is false
- d) Statement I is false but Statement II is true

Answer: (A) Both Statements I & II are true

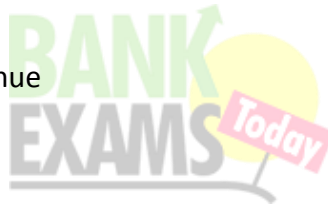
Concept: Demand – Elasticity

Explanation: We can continue use a product (say, table, having a higher durability) for a longer period when price rises, showing higher elasticity. Similarly, the more substitutes a good has, the quicker will be change in preference of consumer in case price of the original good changes.

$$\frac{\% \text{ change in quantity demanded}}{\% \text{ change in price}}$$

Ques.110 Which of these is true in case of Perfect Competition?

- a) Price = Average Revenue
- b) Average Revenue = Marginal Revenue
- c) Price = Marginal Revenue
- d) All of these



Answer: (D) All of these

Concept: Market Structures

Explanation: In a perfectly competitive market, $P = AR = MR$

Ques.111 State the correct relationship between Average Propensity to Save & Average Propensity to Consume.

- a) $APS + APC = 0$
- b) $APS = 1/APC$
- c) $APC + APS = 1$
- d) $APC - APC = 0$

Answer: (C) $APC + APS = 1$

Concept: Consumption Function

Explanation: $APC = C/Y$ and $APS = S/Y$ and the relationship $Y = C + S$ holds

The sum of the average propensity to consume and the average propensity to save is always equivalent to one. A household or a nation must either spend or save all of its income.

Ques.112 Charging different prices to different segments of consumers for the same good is called _____

- a) First Degree Price Discrimination
- b) Second Degree Price Discrimination
- c) Third Degree Price Discrimination
- d) None of these

Answer: (C) Third Degree Price Discrimination

Concept: Market Structures – Monopoly

Explanation: In a third-degree price discrimination, monopolist charges different prices to different groups of consumers for the very same product/good. These groups are classified on the basis on certain similar characteristics such as age, taste & preferences etc.

Different Types of Price Discrimination

1. First Degree Price Discrimination

- This involves charging consumers the maximum price that they are willing to pay. There will be no consumer surplus.

2. Second Degree Price Discrimination

- This involves charging different prices depending upon the choices of consumer. For example quantity, time period, collecting coupons
- **Loyalty cards reward** frequent buyers with discounts on future products.

3. Third Degree Price Discrimination- 'Group price discrimination'

- This involves charging different prices to different groups of people For example: Student Discounts,
- Cheaper prices by the time of the day (e.g. happy hour's in pubs- usually earlier on in evening where demand is lower.

Ques.113 If income elasticity of a good is positive, then the good is a ____

- a) Inferior Good
- b) Bad Good
- c) Normal Good
- d) Giffen Good

Answer: (C) Normal Goods

Concept: Income Elasticity & Demand

Explanation: With increase in income, the demand for Normal Goods increases.

$$\frac{\% \text{ change in quantity demanded}}{\% \text{ change in income}}$$

1. Income Elasticity of Demand for a Normal Good

- A normal good has an Income Elasticity of Demand > 0. This means the demand for a normal good will increase as the consumer's income increases.

2. Income Elasticity of Demand for an Inferior Good

- A inferior good has an Income Elasticity of Demand < 0. This means the demand for a inferior good will decrease as the consumer's income decreases.

3. Income Elasticity of Demand for a Luxury Good

- Luxury goods usually have Income Elasticity of Demand > 1 , which means they are income elastic. This implies that consumer demand is more responsive to a change in income. For example, diamonds are a luxury good that is income elastic.

4. Relatively Inelastic Income Elasticity of Demand

- $0 < \text{Income Elasticity of Demand} < 1$ are goods that are relatively inelastic. This means that consumer demand rises less proportionately in response to an increase in income.

5. Income Elasticity of Demand is 0

- Income Elasticity of Demand = 0 means that the demand for the good isn't affected by a change in income.

Ques.114 A rise in reserve requirements ordered by central bank will lead to _____ of money supply.

- a) Expansion
- b) Contraction
- c) Stagnancy
- d) Re-Monetization

Answer: (B) Contraction

Concept: Monetary Policy Tools

Explanation: An increase in reserve requirements, reduces the banks ability to lend, contracting money supply.



Ques.115 A perfectly horizontal supply curve has the elasticity

- a) 0
- b) Infinity
- c) 1
- d) Cannot be determined

Answer: (B) Infinity

Concept: Supply

Explanation: When supply curve is horizontal, it shows that even a small/negligible price change can cause infinite changes in quantity supplied.

Ques.116 Following statements relate to Consumption & Saving Functions.

- (I) Average Propensity to Consume (APC) can be more than 1
- (II) Average Propensity to Save (APS) is always greater than 0.
- a) Both Statements I & II are true
- b) Both Statements I & II are false
- c) Statement I is true but Statement II is false
- d) Statement I is false but Statement II is true

Answer: (C) Statement I is true but Statement II is false

Concept: Keynes' Consumption Function

Explanation: Consumption can be more than income if there is dis-savings (negative savings). So APC can be greater than 1 and APS can be negative too.

Ques.117 A deliberate downward adjustment of the value of a country's currency by the monetary authority/Government is called _____.

- a) Depreciation
- b) Appreciation
- c) Devaluation
- d) Demonetization

Answer: (C) Devaluation

Concept: Foreign Exchange Markets

Explanation: Devaluation is official lowering of a country's currency value. Followed in Fixed-Exchange rate mechanism.

Ques.118 In foreign exchange terminology, 'I' in SWIFT stands for?

- a) Interest
- b) Interbank
- c) Internet
- d) International

Answer: (B) Interbank

Concept: Foreign Exchange Markets

Explanation: SWIFT stands for Society for Worldwide Interbank Financial Telecommunications.

Ques.119 The demand curve of a _____ form of market structure is usually kinked.

- a) Perfectly Competitive
- b) Monopoly
- c) Oligopoly
- d) Monopolistic Competition

Answer: (C) Oligopoly

Concept: Market Structures

Explanation: The demand curve is kinked at point where price is 'sticky'. At prices above, the demand curve is elastic and prices below the kink, the demand curve is inelastic.

Ques.120 Purchase of financial assets by non-Indians, that does not give them the control over the asset is known as foreign ____.

- a) Direct Investment
- b) Indirect Investment
- c) Portfolio Investment
- d) Private Investment

Answer: (C) Portfolio Investment

Concept: Balance of Payments

Explanation: FPI provides investor with stocks/securities/assets of a company held by investors in another country. It is liquid and sensitive depending on the volatility in the market.

Ques.121 Which of these factors can cause a disequilibrium in the Balance of Payments of a Country?

- a) Political Instability
- b) Higher Imports
- c) Cyclical business fluctuations
- d) All of these

Answer: (D) All of these

Concept: Balance of Payments

Explanation: Economic, Social, Political factors impact the BOP of a country. (D) is the correct choice.

Ques.122 Which of these is not a characteristic of a Monopolistic Competition Market?

- a) Differentiated Products
- b) Firms make supernormal profits in long run
- c) Freedom of Entry & Exit
- d) Many Firms

Answer: (B) Firms make supernormal profits in long run.

Concept: Market Structures

Explanation: Firms under monopolistic competitive market may earn supernormal profits in short run, but tend to earn normal profits in the long run.

Ques.123 Which of these is also referred to as 'below the line' items in Balance of Payments?

- a) Accommodating items
- b) Autonomous Items
- c) Invisibles Trade
- d) None of these

Answer: (A) Accommodating Items

Concept: Balance of Payments

Explanation: Accommodating items are those that help in covering deficit/surplus of autonomous items. They are also referred to as 'below the line' items.

i. Autonomous items:

Autonomous items in the BOP mean those items, which are motivated by profit consideration. Therefore, those items relating to international economic transaction which are motivated by profit consideration are autonomous item such as import and export of goods and services and inflow and outflow of capita items.

ii. Accommodating item:

Accommodating items are those items which correct disequilibrium in the balance of payments. BOP accounts may reflect deficit or surplus. We know these situations are corrected by the government by injecting or withdrawing funds.

These transactions pertain to funding or withdrawal from the official reserve system using gold, special drawing rights and foreign exchange reserves.



Ques.124 Complete the statement: _____ the value of Marginal Propensity to Consume (MPC), _____ will be the Investment Multiplier.

- a) Higher, Higher
- b) Lower, Lower
- c) Higher, Lower
- d) Lower, Higher

Answer: (A) Higher, Higher

Concept: Multiplier

Explanation: Multiplier = $1/(1-MPC)$. Hence, a higher MPC gives a smaller denominator, and hence higher multiplier.

Ques.126 The very notion that Supply shall create its own demand was propounded in the ideology of:

- a) Keynes' Law
- b) Say's Law

- c) Walrus' Law
- d) Pareto's Law

Answer: (B) Says' Law

Concept: Classical Theory on Output & Employment

Explanation: Classical believed in Say's law that stated that supply would create its own demand and the market would clear automatically.

Ques.127 Which of these will be recorded in Current Account of Balance of Payments Statement?

- a) External assistance from Capital Market
- b) Payment for Insurance Services
- c) Commercial borrowings from abroad
- d) Foreign Direct Investment

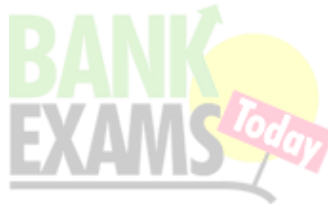
Answer: (B) Payment for Insurance Services

Concept: Balance of Payments

Explanation: Capital Account records items that affect the asset/liability nature of a country. Options A, B & D are recorded in Capital account. Insurance Services is recorded under Invisibles in Current account.

Ques.128 How many creditors/ members must agree to a scheme of compromise or arrangement to make it binding on the company?

- a) One third in value
- b) One half in value
- c) Two third in value
- d) **Three fourth in value**



Answer: As per Section 230(1) and (6) of the Companies Act, 2013, majority of three fourth in value of creditors/ members must agree to a scheme of compromise or arrangement to make it binding on the company.

Ques.129 As per the Companies Act, 2013, Central Government shall make rules in consultation with which authority for merger/ amalgamation of Indian company with a foreign company?

- a) SEBI
- b) **RBI**
- c) MCA
- d) NCLT

Answer: As per Section 234 of the Companies Act, 2013, the Central Government may make rules, in consultation with the Reserve Bank of India, in connection with mergers and amalgamations of Indian company with a foreign company.

Ques.130 In a company without any share capital, how many minimum members are needed to file an application of oppression and mismanagement?

- a) One third of total members

- b) One fifth of total members
- c) Two third of total members
- d) Three fourth of total members

Answer: As per Section 244 of the Companies Act, 2013, in a company without any share capital, a minimum of one fifth members are needed to file an application of oppression and mismanagement.

Ques.131 After how many years will unclaimed dividend from Unpaid Dividend Account be transferred to the Investor Education and Protection Fund?

- a) 2 years
- b) 4 years
- c) 6 years
- d) 7 years

Answer: As per Section 124(5) of the Companies Act, 2013, unclaimed dividend from Unpaid Dividend Account shall be transferred to the Investor Education and Protection Fund after 7 years.

Ques.132 For how many years must the books of accounts of a company be maintained and kept in good order?

- a) 8 years
- b) 4 years
- c) 6 years
- d) 7 years

Answer: As per section 128(5), The books of account of every company relating to a period of not less than eight financial years immediately preceding a financial year must be maintained.

Ques.133 Where a company has subsidiaries/associate companies, it shall, along with its own financial statements prepare a _____ financial statement of the company and all the subsidiaries /associate companies?

- a) Compound
- b) Compiled
- c) Conjunct
- d) Consolidated

Answer: As per section 129(3), consolidated financial statement of the company and all its the subsidiaries /associate companies needs to be prepared.

Ques.134 What is the maximum number of members of the National Financial Reporting Authority other than the Chairperson that can be appointed by the Central Government?

- a) 8
- b) 10
- c) 12
- d) 15

Answer: As per section 132(3), upto a maximum of 15 members of the National Financial Reporting Authority other than the Chairperson can be appointed.

Ques.135 Who should appoint the first auditors of a newly incorporated company within 30 days of incorporation?

- a) Shareholders
- b) Board of Directors**
- c) Registrar of Companies
- d) Promoters

Answer: As per section 139(6), Board of Directors of a newly incorporated company shall appoint the First Auditors.



Ques.136 A person shall be eligible for appointment as an auditor of a company only if he is a:

- a) Company Secretary
- b) Cost Accountant
- c) Chartered Accountant**
- d) Any of the above

Answer: As per section 141, only a Chartered Accountant shall be eligible for appointment as an auditor of a company.

Ques.137 X. Ltd has appointed 15 directors and now wants to appoint 1 more director. Can it do so, if yes, in which manner?

- a) By a special resolution**
- b) By an ordinary resolution
- c) By a Board Resolution
- d) Any of the above

Answer: As per section 149, a director over prescribed limit (15 maximum directors for a company) can be appointed only by a special resolution.

Ques.138 As per the Companies Act, which type of company must appoint a director elected by small shareholders?

- a) **Public company**
- b) Private company
- c) Listed company
- d) All of the above

Answer: As per section 151, a listed company must mandatorily appoint a director elected by small shareholders.

A **small shareholder** is a person who is holding shares of nominal value amounting to a maximum of Rs 20,000 in a public company.

Ques.139 Mr. X is a director in 10 public companies. He now wishes to be appointed as a director in a private company (Y Ltd), which is a subsidiary of another public company. Can he be appointed in Y Ltd?

- a) Yes
- b) No
- c) Both a and b
- d) Neither a nor b

Answer: As per section 165, X cannot be appointed, as the maximum limit of directorships is appointment in 10 public companies and private subsidiaries of public companies will be included in calculating this limit of 10 public companies.

Ques.140 As per the Limited Liability Partnership Act, 2008, can a body corporate be a partner in an LLP?

- a) **Yes**
- b) No
- c) Both a and b
- d) Neither a nor b

Answer: As per section 5, even a body corporate can be a partner in an LLP.

Ques.141 Every designated partner of a LLP shall obtain a ____ from the Central Government?

- a) Director Identification Number (DIN)
- b) **Designated Partner Identification Number (DPIN)**
- c) Disclosure Number (DN)
- d) All of the above

Answer: As per section 7(6) of the Limited Liability Partnership Act, 2008, designated partner of an LLP shall obtain a Designated Partner Identification Number (DPIN).

Ques.142 A person shall cease to be a partner of an LLP:

- a) On his death or on dissolution of partnership
- b) He is declared to be of unsound mind

- c) He is declared as insolvent by a Court or has applied for the same
- d) Any of the above

Answer: As per section 24(2) of the Limited Liability Partnership Act, 2008, a person shall cease to be partner on happening of any of the above.

Ques.143 Demand arises out of...

- a) Want of the commodity
- b) Ability to Pay
- c) Willingness to Pay
- d) All of these

Answer: (D) All of these

Concept: Demand

Explanation: Demand arises out of the desire/want of a commodity, the ability and the willingness to pay it.

Ques.144 If the demand of a good X decreases with increase in price of Y, then X & Y are

- a) Complements
- b) Substitutes
- c) Inferior Goods
- d) Veblen Goods

Answer: (A) Complements

Concept: Factors affecting Demand

Explanation: Complementary Goods are consumed Jointly. Example: Car-Petrol. Price of one affects the demand for the other inversely.

Ques.145 If price elasticity of demand for good X is – 0.5, and the price of X increases by 10%, the quantity demanded _____

- a) Increases by 5%
- b) Increases by 15%
- c) Decreases by 5%
- d) Decreases by 15%

Answer: (C) Decreases by 5%

Concept: Elasticity of Demand

Explanation: Elasticity of Demand = (Proportionate Change in Qty. Demanded)/ (Proportionate Change in Price) Here, Change in Qty Demanded will be = - 0.5 x 10 = - 5%

Ques.146 In general equilibrium, theoretically, if supply increases with demand remaining unchanged, then

- a) Prices fall
- b) Prices rise
- c) Prices don't change
- d) Prices keep fluctuating

Answer: (A) Prices fall

Concept: Demand & Supply

Explanation: An increase in supply shifts the supply curve to right, leading to excess supply in the market. With no change in demand, prices fall to equilibrate the market.

Ques.147 Which of these is not a characteristic feature of Perfect Competition?

- a) No buyer can influence the price of the good.
- b) No seller can influence the price of the good.
- c) Negligible Transportation Cost
- d) Differentiated products

Answer: (D) Differentiated products

Concept: Market Structure

Explanation: Due to high number of buyers and sellers, neither of them can influence the price. Also, 'homogeneous products' is another assumption of Perfectly Competitive market. Hence (D) is incorrect.



Ques.148 When a monopoly (firm) charges the maximum possible price for each unit consumed, it is known as _____ price discrimination.

- a) First degree
- b) Second degree
- c) Third degree
- d) Fourth Degree

Answer: (A) First Degree

Concept: Market Structure

Explanation: Under First degree price discrimination, a firm/company charges the maximum price it can for the units it sells.

Ques.149 In an oligopoly structure, when firms come together to a mutual understanding on the price and output for the market, it is known as _____ oligopoly.

- a) Imperfect

- b) Partial
- c) Collusive
- d) Competitive

Answer: (C) Collusive

Concept Involved: Demand for Money

Explanation: Collusion involves a mutual agreement over providing a certain output at a certain price. The decision is taken and followed jointly by the firms in the market.

Ques.150 Under national income accounting, find the value of output (in lakhs) if it is known that Sales is 1400 lakhs & Change in stock is – 40 lakhs.

- a) 1440
- b) 1360
- c) 1400
- d) 40

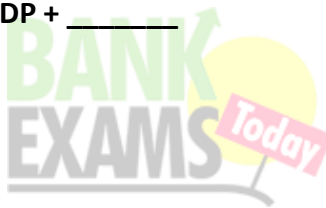
Answer: (B) 1360

Concept: National Income

Explanation: Value of Output = Sales + Change in Output = 1400 – 40 = 1360 lakhs

Ques.151 Complete the relation: $GNP = GDP + \underline{\hspace{2cm}}$

- a) Depreciation
- b) Net Factor income from abroad
- c) Taxes
- d) Subsidies



Answer: (B) Net Factor Income from abroad

Concept: National Income

Explanation: Net factor income is the difference between the factor income earned from abroad by normal residents of a country & that earned by non-residents in the domestic territory of that country. It is added to GDP to obtain GNP.

Ques.152 Which of these items will not be included in National Income calculation?

- a) Construction of a new house
- b) Brokerage on Sale of Securities
- c) Old age Pension
- d) Retirement Pension

Answer: (C) Old age Pension

Concept: National Income Accounting

Explanation: Old age pension is not included as it is a transfer payment. Retirement pension is part of Compensation given to Employees and hence is included in National Income.

Ques.153 Which of the following is most appropriate to determine long-term solvency of a business?

- a) Liquid Ratio
- b) Current Ratio
- c) Gross-Profit Ratio
- d) Debt-Equity Ratio

Answer: (d)

Explanation: Long-term solvency measures the economic health of the firm. Debt-Equity Ratio is a solvency Ratio. Liquid & Current Ratio are more appropriate to know short-term solvency of a firm. Gross-Profit ratio is a profitability ratio.

Ques.154 Which of these statements is definitely true?

- a) Increase in current assets will increase the liquid ratio.
- b) Increase in current liabilities will increase the current ratio
- c) Decrease in current liabilities will increase the current ratio
- d) Decrease in liquid assets will increase the liquid ratio

Answer: (c)

Explanation: Current Ratio = (Current Assets/Current Liabilities).

Therefore, a decrease in current liabilities makes the denominator smaller, and in turn gives a higher current ratio as current assets are now a higher multiple of the (now decreased) current liabilities

Ques.155 If Cost of Goods sold = Rs 20,00,000

Closing Stock = Rs 3,00,000 &

Opening Stock = Rs 5,00,000

Then the stock turnover ratio will be _____

- a) 4 times
- b) 2.5 times
- c) 10 times
- d) 5 times

Answer: (d)

Explanation: $Average\ Stock = \frac{Closing\ Stock + Opening\ Stock}{2} = \frac{3,00,000 + 5,00,000}{2} = 4,00,000$

Thus, Stock Turnover Ratio = $\frac{Cost\ of\ Goods\ sold}{Average\ Stock} = \frac{20,00,000}{4,00,000} = 5\ times$

Ques.156 A _____ creditors turnover ratio shows _____ payment efficiency.

- a) higher, higher
- b) lower, lower
- c) lower, higher
- d) none of the above is true

Answer: (c)

Explanation: Creditors turnover ratio shows how many times did trade payables emerge from transactions of credit purchases. A lower turnover ratio shows promptness in payment to creditors.

Ques.157 Calculate interest coverage ratio of a firm whose Earnings before interest & tax is Rs 12,00,000 and has a long-term debt of 12% Debentures Rs 5,00,000.

- a) 20 times
- b) 12 times
- c) 2.4 times
- d) 2.1 times

Answer: (a)

Explanation: Interest on Debentures = 12% of 5,00,000 = 60,000

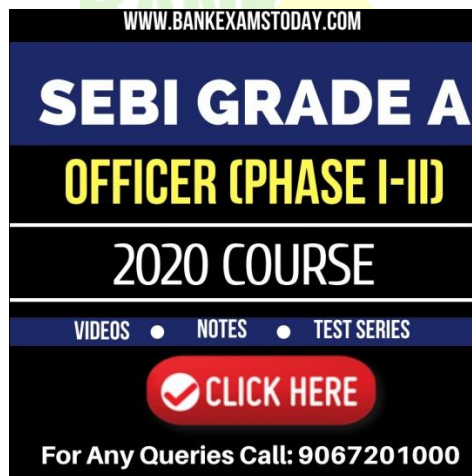
Interest Coverage Ratio = $(12,00,000 / 60,000) = 20$ times.

Ques.158 Which of these is non-operating expense?

- a) Employee benefit expense
- b) Depreciation
- c) Selling & distribution expense
- d) Interest expense

Answer: (d)

Explanation: Operating expenses arise in day-to-day operating activities of the business. Interest expense is not an operating expense. It is a financial expense.



Ques.159 The proprietary ratio of a firm is 0.5 : 1

If total assets of the firm are Rs 45,00,000 then owners funds - _____

- a) 90,00,000
- b) 15,00,000
- c) 22,50,000
- d) 60,00,000

Answer: (c)

Explanation: Proprietary Ratio = Owners Funds/Total Assets

If Total assets are 45,00,000, then Owners funds will be $0.5 \times 45,00,000 = 22,50,000$ ₹

Ques.160 Which of these is false with respect to the P-E Ratio?

- a) $P/E \text{ Ratio} = \frac{\text{Stock Price per share}}{\text{Earnings per Share}}$
- b) Companies with high P/E Ratio are usually considered to be growth stocks.
- c) It is used to determine whether a particular stock is overvalued or undervalued.
- d) P-E ratio is always positive.

Answer: (d)

Explanation: A firm incurring losses has negative earnings and therefore a negative P-E ratio. Hence, (d) is false.

Ques.161 An annual dividend of Rs 20 was declared on a share whose market price is Rs 160. What is the dividend yield-ratio?

- a) 8 %
- b) 12.5 %
- c) 0.8 %
- d) 40 %

Answer: (b)

Explanation: $\text{Dividend Yield Ratio} = \frac{\text{Annual Dividend}}{\text{Market Price of Share}} \times 100$

Here, dividend yield-ratio = $\frac{20}{160} \times 100 = 12.5 \%$

Ques.162 Which of these is not a characteristic of Accounting Information?

- a) Relevance
- b) Reliability
- c) Understandability
- d) Qualitative

Answer: (D) Qualitative

Concept: Accounting as Information System – Basics

Explanation: Accounting Information must be relevant, reliable, comparable & understandable. Qualitative aspects aren't reflected in accounting information

Ques.163 Accounting Standard on Depreciation is not applicable to:

- a) Goodwill & Intangible assets
- b) Forests & Plantations
- c) Research & Development Expenditure
- d) All of the above.

Answer: (D) All of the above

Concept: AS – 6 – Depreciation

Explanation: AS-6 is not applicable on forests & plantations, wasting assets, Research & Development expenditure, Goodwill & intangible assets and livestock.

Ques.164 Assessment of Depreciation depends on the which of these factors:

- a) Historical Cost of Asset & Residual Value of Asset
- b) Market Value of Asset & Residual Value of Asset
- c) Expected useful life of Asset
- d) Both A & C

Answer: (D) Both A & C

Concept: AS-6 Depreciation

Explanation: Depreciation depends on three factors: Historical Cost, Residual value & expected life of the asset.

Ques.165 _____ refers to the net amount that an entity expects to realise from the sale of inventory in the ordinary course of business.

- a) Fair Value
- b) Net Realisable Value
- c) Depreciated value
- d) Future Value

Answer: (B) Net Realisable Value

Concept: AS-2 Inventories

Explanation: The net amount received from proceeds/sale of inventories is called its net realizable value. Fair value is the price that would be received to sell an asset or price paid to transfer a liability in a transaction in the market.

Ques.166 Inventories must be valued at _____

- a) Cost
- b) Market Value
- c) A or B – whichever is Higher
- d) A or B – whichever is lower

Answer: (D) A or B - whichever is lower.

Concept: AS-2 Inventories

Explanation: According to concept of prudence (Conservatism), Inventories are valued at cost or market value, whichever is lower.

Ques.167 Which method of Inventory valuation assumes that items of inventory that were purchased/produced first will be sold first?

- a) LIFO
- b) FIFO
- c) AVCO
- d) None of these

Answer: (B) FIFO

Concept: AS -2 – Inventories

Explanation: According to FIFO (First In First Out) method, the items of inventory most recently produced/purchased will be sold first.

Ques.168 Which of these is not classified as an investing activity while preparing cashflow statement?

- a) Cash receipts from sale of assets
- b) Cash advances made to third parties
- c) Cash repayments of amounts borrowed
- d) Cash payment to acquire fixed assets

Answer: (C) Cash repayments of amounts borrowed

Concept: Cash Flow Statement

Explanation: Cash repayments on amounts borrowed, issue of shares/securities is classified as a Financing activity for a business.



Ques.169 Cash flows arising from taxes on income should be separately disclosed under _____ activities

- a) Operating
- b) Financing
- c) Investing
- d) None of these

Answer: (A) Operating

Concept: Cash Flow Statement

Explanation: Taxes usually arise from income mainly derived from operations. They are shown under the head – Operating activities in cash flow statement.

Ques.170 What does EBITDA stand for?

- a) Earnings before Investment, Tax, Depreciation & Amortization
- b) Earnings before Income, Tax, Depreciation & Amortization
- c) Earnings before Interest, Tax, Discounting & Assets
- d) Earnings before Interest, Tax, Depreciation & Amortization

Answer: (D) Earnings before Interest, Tax, Depreciation & Amortization

Concept: Ratio Analysis

Explanation: EBITDA measures a company's performance. (It factors out in Interest, Tax, Depreciation & Amortization)

Ques.171 Audit Fees is shown under which head in Statement of Profit & Loss?

- a) Administrative Expense
- b) Employee Benefit Expense
- c) Selling & Distribution Expense
- d) Financial Expense

Answer: (A) Administrative Expense

Concept: Company Final Accounts

Explanation: Administrative expenses are the cost related to general day-to-day administration of the business. Examples include insurance, postage, printing & stationery etc.

Ques.172 Buyback of shares _____ the company's Equity share capital.

- a) Increases
- b) Reduces
- c) Multiplies
- d) Does not affect

Answer: (B) Reduces

Concept: Buyback of Shares

Explanation: In case of buyback, the company buys back its own share. This reduces the company's share capital (ownership) to the extent of share-value repurchased by them.

Ques.173 Which type of Preference Shares carry a right to receive a fixed amount of dividend?

- a) Cumulative Preference Shares
- b) Redeemable Preference Shares
- c) Participating Preference Shares
- d) Non-Cumulative Preference Shares

Answer: (D) Non-Cumulative Preference Shares

Concept: Accounting for Share Capital

Explanation: Non-cumulative preference shareholders do not receive arrears on dividends. They carry a right to received dividend at a fixed rate. In case dividend is not declared for the year by the company, this right expires.

Ques.174 Table F of the Companies Act, 2013, interest rate of _____% p.a. is to be paid on money received as Calls-in-advance.

- a) 9%
- b) 10%

- c) 12%
- d) 6%

Answer: (C) 12%

Concept: Accounting for Share Capital

Explanation: When Shareholders pay a part or whole of the amount on shares, which is yet to called up, it is called Calls-in-advance. It attracts interest at 12% p.a. if Table F is followed.

Ques.175 What should be the minimum time gap between two buy-back transactions?

- a) 6 months
- b) 1 year
- c) 2 year
- d) 3 months

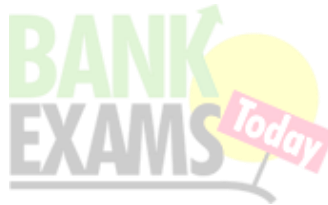
Answer: (B) 1 year

Concept: Buy-back of Shares

Explanation: Section 77(A) of Companies Act specifies a 365 day cooling period between two successive buy-backs approved by the board.

Ques.176 The offer period to the existing shareholders in case of Rights Issue is minimum of ____ days.

- a) 15
- b) 30
- c) 45
- d) 60



Answer: (A) 15

Concept: Rights Issue of Shares

Explanation: As per Section 62(1) of Companies Act, as quoted under 'the offer shall be made by notice specifying the number of shares offered and limiting a time not being less than fifteen days and not exceeding thirty days from the date of the offer within which the offer, if not accepted, shall be deemed to have been declined'

Ques.177 The remaining portion of authorized capital which is not issued in cash/consideration, is termed as _____.

- a) Subscribed Capital
- b) Un-Issued Capital
- c) Called up Capital
- d) Paid up Capital

Answer: (B) Un-Issued Capital

Concept: Accounting for Share Capital

Explanation: Called-up Capital is the fraction of the price of share demanded by the company from shareholders. Paid-Up Capital is the amount actually paid by shareholders. The part that is not issued is called the Un-Issued Capital.

Ques.178 If Gross Profit = Rs 1,40,000;

Gross Sales = Rs 4,20,000

Sales Return = Rs 70,000

Then Gross Profit Ratio will be _____

- a) 25%
- b) 35%
- c) 33.33%
- d) 40%

Answer: (D) 40%

Concept: Ratio Analysis

Explanation: Gross Profit Ratio = $(\text{Gross Profit} / \text{Net Sales}) \times 100 = (1,40,000 / 3,50,000) \times 100 = 40\%$
Net Sales = Sales – Sales Return = 4,20,000 – 70,000 = 3,50,000



Ques.179 From the following Mentioned Accounting Standards, Which is the correct Accounting Standard for the Accounting of Depreciation?

- a) AS-3
- b) AS-5
- c) AS-6
- d) AS-8
- e) None of the Above

Answer: (C)

Explanation: Indian accounting Standard 6 Describes the Accounting of Depreciation on Fixed Assets.

Ques.180 As Per Accounting Standard 6 (Depreciation Accounting) Depreciable Assets are:-

- a) Having Limited Life
- b) Which Are used for More than One year
- c) Which are held for the production of Goods and services, Administration and Rental use
- d) Both B & C
- e) All A, B & C

Answer: (E)

Explanation: As per Accounting Standard -6 Meaning of Depreciable asset is those Assets which have Limited Life, Which are used for More than One year and which are held for the production of Goods and services, Administration and Rental use.

Ques.181 Depreciation is the Process of:-

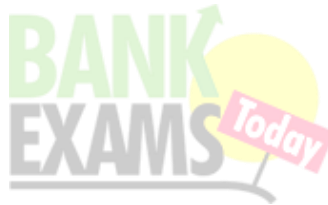
- a) Valuation
- b) Appropriation
- c) Depletion
- d) Segregation
- e) Allocation

Answer: (E)

Explanation: As per AS- 6 Depreciation can be defined as Measure of Wearing out, Consumption or other loss of value of a Depreciable asset arising from use, Passage of time and Market changes. Depreciation is allocated so as to charge a fair proportion of the depreciable amount in each accounting period during the expected useful life of the asset.

Ques.182 As Per AS- 6 Below mentioned all the fixed Assets are depreciable Assets Except

- a) Furniture
- b) Car Given on Rent
- c) Machinery
- d) Land
- e) Building



Answer: (D)

Explanation: As per Accounting Standard -6 Meaning of Depreciable asset is those Assets which have Limited Life, Which are used for More than One year and which are held for the production of Goods and services, Administration and Rental use. All the fixed Assets except land has unlimited Life that is why land is not depreciable Asset.

Ques.183 In Financial year 2018-2019 method for charging depreciation was changed from SLM (Straight Line Method) to WDV (Written Down Value) in Such a Case

- a) No need to Disclose Change in method in Accounting Policy
- b) Such a Change in should be treated as Change in Accounting Policy and should be disclosed
- c) Depreciation to be recalculated from the date of asset coming in use
- d) Depreciation to be recalculated from the date of Change in method of depreciation
- e) Both B & C

Answer: (E)

Explanation: As Per AS -6 if Change in Method is required by statute or for compliance with the accounting standard or if it considered that change in method result in a more appropriate preparation and presentation of the financial Statements of the firm.

When such change is done then depreciation is recalculated in accordance with the new method from the date asset coming into use. And such change is considered as change in Accounting Policy and should be disclosed.

Ques.184 Which of following Factors shall be considered during the useful life of a Depreciable Asset?

- a) Expected Physical Wear and Tear
- b) Obsolescence
- c) Legal or other limits on the use of the assets
- d) Both A & B
- e) All A,B,C

Answer: (E)

Explanation: Due to Normal wear and tear during the use of assets the assets are deteriorated Physically which results in reduction of the value of asset . Due to change in technology there may be permanent decrease in the market value of asset which will obsolete the Asset. Obsolescence arises from outdated and replacing the existing asset with the new and improved model of the asset. Certain Assets such as patents, trademarks etc have fixed life Span and legal time the value of assets decreases with Span of time whether used or not. So above mentioned all the factors effects the useful life of the asset.

Ques.185 As per AS -6 the main objective of Providing Depreciation is to:-

- a) Know the Actual Cash Profit
- b) Calculate the true net Profit
- c) Creating fund for replacement of the fixed asset
- d) To reduce the tax burden
- e) To protect the interest of creditors

Answer: (B)

Explanation: As per AS- 6 Depreciation can be defined as Measure of Wearing out, Consumption or other loss of value of a Depreciable asset arising from use, Passage of time and Market changes. The Main objective of providing depreciation is to ascertain the true Profits of the company.

Other options Calculate the true net Profit, Creating fund for replacement of the fixed asset , To reduce the tax burden are incidental to the main objectives. And depreciation is nothing to do with creditors.

Ques.186 Accounting Standard – 2 Deals with

- a) Contingencies and events occurred after the balance sheet date
- b) Depreciation Accounting
- c) Valuation of inventories
- d) Disclosure of Accounting Policies
- e) Foreign Exchange Transactions

Answer: (C)

Explanation: AS-2 deals with Valuation of Inventories.

Ques.187 As Per Accounting Standard – 2 finished goods will be considered as part of tangible assets if

- a) It is held for sale in the ordinary course of the business
- b) It is for personal use
- c) It is for Construction contracts
- d) Both A & B
- e) Both A & C

Answer: (A)

Explanation: As per AS-2 Inventories means tangible assets held

1. for sale in the ordinary course of business means finished goods

2. in the Process of production for such sale means Work in progress (WIP)

3. For consumption in the Production of goods or services for sale including of maintenance supplies and consumable other than machinery parts which means Raw Material

Hence Option A is correct



Ques.188 Which Accounting Standard will be applied on the Inventories of Construction Contracts

- a) AS-2 of the Valuation of Inventories
- b) AS- 7 of Construction Contracts
- c) AS-10 Accounting for Fixed Assets
- d) Both A & B
- e) All A,B & C

Answer: (B)

Explanation: AS- 7 Construction Contracts. Inventories of Construction Contracts will not come under the AS-2 because the inventory is used for the purpose of Construction of Building or any other plant it is not going to be used as raw material in the production of finished goods which are further to be sold out.

Ques.189 In year 2016 Accounting Standard – 6 (Accounting for Depreciation) was withdrawn by ICAI And its Provisions were included in which of the following standard?

- a) AS-3
- b) AS-16

- c) AS-10
- d) AS-8
- e) None of the Above

Answer: (C)

Explanation: Accounting standard – 10 covers Property, Plant, Equipment + (AS-6 + Schedule ii covers Depreciation Provisions).

Ques.190 A Firm Produces Pens and it requires material which comes in plastic containers. Firm is left with 1,00,000 Plastic Containers during the production process every month. Firm sold these containers at Rs.2 Per container. So the worth of containers held by the Firm is Rs. 200000/- Now the Firm will show this transaction in the category of:-

- a) Fixed Assets
- b) Inventory
- c) Current Assets other than inventory
- d) Stock in trade
- e) Both B & D

Answer: (C)

Explanation: This transaction will be treated in the category of Current assets other than inventory. Because Firm's Main work is production of Pens and not the trading of Plastic containers. As **per As-2 Inventories means tangible assets held**

1. for sale in the ordinary course of business means finished goods
2. in the Process of production for such sale means Work in progress (WIP)
3. For consumption in the Production of goods or services for sale including of maintenance supplies and consumable other than machinery parts which means Raw Material

Ques.191 As Per AS-2 inventory will be valued at :-

- a) Historical Cost
- b) Net realizable Value
- c) Historical cost or Net realizable Value whichever is lower
- d) Historical cost or Net realizable Value whichever is higher
- e) Replacement Cost

Answer: (C)

Explanation: As Per AS-2 inventory will be valued at Historical cost or Net realizable Value whichever is lower.

Ques.192 Accounting Standard – 9 Deals with:-

- a) Contingencies and events occurred after the balance sheet date
- b) Depreciation Accounting
- c) Valuation of inventories
- d) Revenue Recognition

- e) Foreign Exchange Transactions

Answer: (D)

Explanation: Accounting Standard – 9 Deals with Revenue Recognition.

Ques.193 The Accounting Standard of revenue recognition deals in :-

- a) Revenue obtained from the execution of construction contracts
- b) Revenue from Governments Grants
- c) Revenue from Consignment and Hire purchase Contracts
- d) Revenue generated from Interests, Dividends and Royalties obtained from using resources of the Firm
- e) Revenue generated by the insurance companies

Answer: (D)

Explanation: AS-9 deals with revenue recognition of interest, Dividends and royalties revenue which is generated from using resources of the Firm.

Ques.194 As per the delivery method Revenue is recognized when:-

- a) The title of goods is transferred
- b) Order is received for the goods
- c) Payment of goods is made
- d) When goods are delivered
- e) When invoice for the goods is raised

Answer: (D)

Explanation: Revenue should be recognized only when the goods actually delivered and services are actually rendered as per the delivery method.

Ques.195 Delivery Method of revenue Recognition is not applicable on :-

- a) Goods sent on approval basis
- b) Hire Purchase
- c) Consignment
- d) Joint Venture
- e) Both C & A

Answer: (E)

Explanation: In consignment contracts consignor can return the unsold goods any time. And in goods sent on approval is not a actual sale. Hence both the options are not applicable in Delivery Method of revenue recognition.

Ques.196 XY Ltd purchased Machinery Worth Rs. 1500000/- Further XY Ltd. Spent Rs 100000/- on Transportation and Rs.50000/- on Labor and testing during the installation. What will be Cost Price of the Machinery?

- a) Rs.1650000/-
- b) Rs.1600000/-

- c) Rs.1500000/-
- d) Rs.1550000/-
- e) Rs. 1350000/-

Answer: (A)

Explanation: As Per Accounting Standard -10 The Cost incurred on acquiring the Fixed Assets not only includes the purchase of asset but also the incidental charges which help the asset to perform the specified task for which it has been brought.

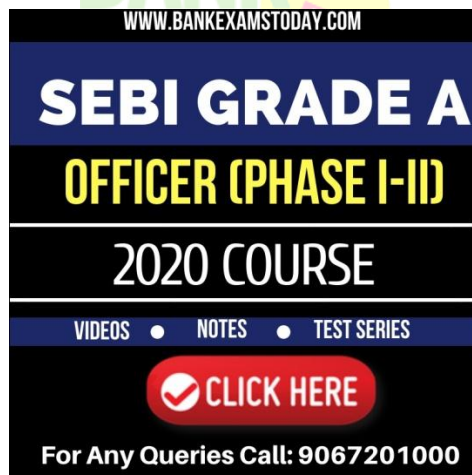
In case of Machinery the cost price will be Purchase Price + All costs of installation like Transportation, Labor, Testing Expenditure etc.

Ques.197 Accounting Standard – 11 Deals with:-

- a) Contingencies and events occurred after the balance sheet date
- b) Depreciation Accounting
- c) Valuation of inventories
- d) Revenue Recognition
- e) The Effects of Changes in Foreign Exchange Rates Transactions

Answer: (E)

Explanation: Accounting Standard – 11 Deals with the Effects of Changes in Foreign Exchange Rates Transaction.



Ques.198 The objective of AS-11 (in Foreign Exchange Rates Transactions) is/are :-

- a) To include Foreign Currency Transactions in Financial Statements of an entity of reporting country
- b) To include Foreign Operations Transactions in Financial Statements of an entity of reporting country
- c) To Translate or Convert Financial Statements into Presentation currency
- d) To report Which Exchange rate to use and to report changes in exchange rate in financial statements
- e) All the Above

Answer: (E)

Explanation: The Objectives of As – 11 are:-

- A. To include Foreign Currency Transactions in Financial Statements of an entity of reporting country
- B. To include Foreign Operations Transactions in Financial Statements of an entity of reporting country
- C. To Translate or Convert Financial Statements into Presentation currency
- D. To report Which Exchange rate to use and to report changes in exchange rate in financial statements

***Presentation currency means that currency in which Financial Statements are prepared

Ques.199 Make a Correct Match:-

- a) 1-2,2-3,3-4,4-1
- b) 1-4,2-3,3-2,4-1
- c) 1-4,2-1,3-4,4-2
- d) 1-3,2-1,3-4,4-2

1. Closing Rate	1.is the price that would be received to sell a asset or paid to transfer a liability in a transaction between participants at the measurement date
2. Exchange Rate	2.Exchange rate at the end of reporting period
3. Exchange Difference	3. Ratio of exchange for two currencies
4. Fair Value	4.Difference resulting from converting of given number of units of one currency into another currency at different exchange rate

Answer: (A)

Explanation: Correct Pair

1. Closing Rate	2.Exchange rate at the end of reporting period
2. Exchange Rate	3. Ratio of exchange for two currencies
3. Exchange Difference	4.Difference resulting from converting of given number of units of one currency into another currency at different exchange rate
4. Fair Value	1.is the price that would be received to sell a asset or paid to transfer a liability in a transaction between participants at the measurement date

Ques.200 Make a Correct Match:-

- a) 1-2,2-3,3-4,4-1
- b) 1-4,2-3,3-2,4-1
- c) 1-4,2-1,3-4,4-2
- d) 1-3,2-1,3-4,4-2

Answer: (B)

Explanation: Correct pair

1. Foreign Operation	4. An Entity which is Associate, Subsidiary, Joint arrangement or Branch of the reporting Entity and the activities of which are conducted and based in a currency or country other than of the
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	reporting entity's country or currency.
2. Functional Currency	3.Currency of Primary economic environment where the reporting entity operates
3. Presentation currency	2. currency in which financial statements are presented
4. Spot Exchange Rate	1.current Market exchange rate for the immediate delivery to buy another currency

Ques.201 Accounting Standard -13 Deals with:-

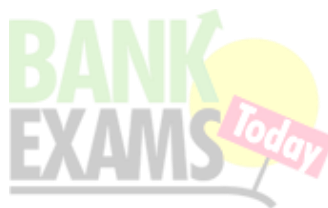
- a) Accounting of Fixed Assets
- b) Investment Accounting
- c) Valuation of inventories
- d) Revenue Recognition
- e) Foreign Exchange Transactions

Answer: (B)

Explanation: Accounting Standard -13 Deals with investment Accounting.

Ques.202 Interest Accrued on investments appears in the Balance sheet of a firm under the category of

- a) Current Assets
- b) Investments
- c) Current Liabilities
- d) Reserve and Surplus
- e) Loans and Advances



Answer: (A)

Explanation: Interest accrued on Investments will appear in current Assets in the Balance sheet of a Firm.

Ques.203 As per AS – 13 Accounting for investment does not deal with:-

- a) Interest, Dividends and rental earned on investments which are covered in Accounting Standard -9 Revenue Recognition
- b) Finance Leases
- c) Investments in Life insurance plans and Life insurance Enterprises
- d) Mutual Funds and venture capital funds
- e) All of the Above

Answer: (E)

Explanation: The Standard Does not deal With:-

A. Interest, Dividends and rental earned on investments which are covered in Accounting Standard -9 Revenue Recognition, B. Finance Leases, C. Investments in Life insurance plans and Life insurance Enterprises ,D. Mutual Funds and venture capital funds.

Ques.204 Shares, Debentures and other securities held in normal course of business will appears in the balance sheet under the category

- a) Stock in trade
- b) Investments
- c) Current Liabilities
- d) Reserve and Surplus
- e) Loans and Advances

Answer: (A)

Explanation: Shares, Debentures and other securities held in normal course of business will appear in the balance sheet under the category of Stock in trade as current asset.



Ques.205 On 28th oct'14 SEBI replaced its Section 11 of SEBI ACT, 1992 with SEBI (Share Based Employee Benefits) Regulations 2014 and it applies on which of these following mentioned schemes?:

- a) Employee Stock option Schemes
- b) Employee Stock Purchase Schemes
- c) Stock Appreciation Rights Schemes
- d) General Employees benefits schemes and retirement Benefits Schemes
- e) All the above

Answer: (E)

Explanation: In 28th oct'14 SEBI replaced its Section 11 of SEBI ACT'1992 with SEBI (Share Based Employee Benefits) Regulations 2014 which applies on all the following mentioned schemes:-

- A. Employee Stock option Schemes
- B. Employee Stock Purchase Schemes
- C. Stock Appreciation Rights Schemes
- D. General Employees benefits schemes and retirement Benefits Schemes

Ques.206 Which Section of Companies Act,2013 Deals with provision for issue of employees stock option schemes subject to Compliance with Rules and Regulations of SEBI :-

- a) Section 65
- b) Section 60

- c) Section 72
- d) Section 62
- e) Section 52

Answer: (D)

Explanation: Section 62 deals with provision for issue of employee's stock option schemes subject to Compliance with Rules and Regulations of SEBI of Companies Act'2013.

Ques.207 The Reason for which companies grant its employees, The Employees stock Option Schemes is/are:-

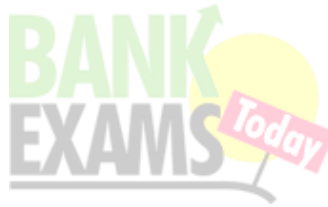
- a) Because Start- up Companies cannot afford to pay huge salaries to its employees
- b) To retain its Employees and award them for being associated with the company
- c) To use it as an obligation granted to employee to subscribe or purchase the shares of the company
- d) To use it as a tool for aligning the interest of Employee with the interest of business
- e) All A, B & D

Answer: (E)

Explanation: All the options except option C are correct because Employees stock Option Schemes are not obligation these are rights granted to employees.

Ques.208 Make a Correct Match:-

- a) 1-2,2-3,3-4,4-1
- b) 1-4,2-3,3-2,4-1
- c) 1-2,2-4,3-1,4-3
- d) 1-3,2-1,3-4,4-2



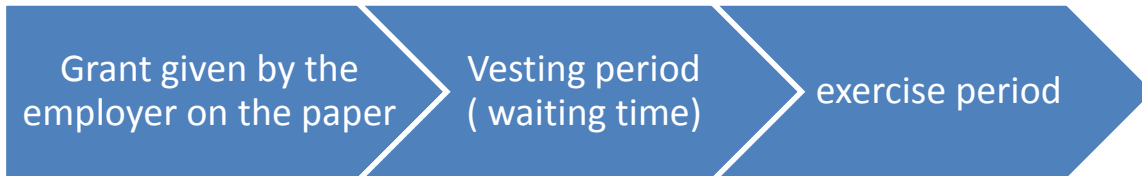
1. Grant	1. time period after vesting after which employee should use his right to apply for shares against the option vested to him in pursuance of Employee Stock options Scheme
2. Vesting Period	2. Issue of option to the Employees under ESOS
3. Exercise Period	3. A right but not an obligation granted to the employee for a specified period of time in the engagement to Employee stock option Scheme to purchase or subscribe to shares of the company at a predetermined price.
4. option	4. time Period between grant date and the date on which all the specified vesting conditions of an employee take place.

Answer: (C)

Explanation:

1. Grant	1. Issue of option to the Employees under ESOS
2. Vesting Period	2. time Period between grant date and the date on which all the specified vesting conditions of an employee take place
3. Exercise Period	3. time period after vesting after which employee should use his right to apply for shares against the option vested to him in

	pursuance of Employee Stock options Scheme
4. option	4.A right but not a obligation granted to the employee for a specified period of time in the engagement to Employee stock option Scheme to purchase or subscribe to shares of the company at a predetermined price.



Ques.209 Under Companies act 2013 what shall be the Minimum years gap between Grant of options and vesting of option?

- a) 3 years
- b) 4 years
- c) 5 years
- d) 1 year
- e) 6 years

Answer: (D)

Explanation: Under Companies act 2013 one year gap between Grant of options and vesting of option is imperative.

Ques.210 As per accounting, employees share based Payment plans are classified as:

- a) Equity settled
- b) Liquidity Settled
- c) Employee Share based payment plans with cash alternatives
- d) Both A & B
- e) All A, B, C

Answer: (E)

Explanation: All A, B, C options are correct

A. Equity settled – Under this plan Employees receives shares

B. Liquidity Settled – Under this plan Employees receives cash based on the value of the company's shares

C. Employee Share based payment plans with cash alternatives- under this plan either the company or the employee has a choice whether to receive shares or cash

Ques.211 Who among the following are eligible for Employee stock option schemes:-

- a) Permanent Employees
- b) Directors and Officers
- c) Independent directors & Promoters
- d) A & B
- e) B & C

Answer: (D)

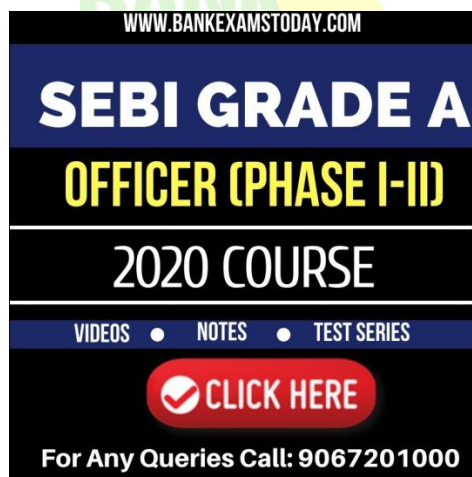
Explanation: Permanent Employees, Directors and Officers are eligible for Employee stock option schemes.

Ques.212 Mr. X was granted ESOPs at an exercise Price of Rs. 1000 per option. The Fair Market value on the date of vesting is Rs. 4500/- while the Fair Market value at the time of Exercise is Rs. 5000/- . Calculate the value of ESOPs.

- a) Rs. 5500/-
- b) Rs. 6000/-
- c) Rs. 4000/-
- d) Rs. 5000/-
- e) Rs. 4500/-

Answer: (C)

Explanation: ESOPS are calculated by:- Fair Market Value of shares on the date of exercise- exercise price actually paid by the price. $\text{Rs } 5000 - \text{Rs } 1000 = \text{Rs. } 4000/-$



Ques.213 A company shall Maintain a Register of Employee Stock Options in:-

- a) Form SH-6
- b) Form SH-12
- c) Form SH-8
- d) Form SH-7
- e) Form SH-5

Answer: (A)

Explanation: A company shall Maintain a Register of Employee Stock Options in Form SH-6.

Ques.214 Whose approval is compulsory before offering any employees stock option scheme to the employees of the Private Company (unlisted) By passing a ordinary resolution:-

- a) Directors
- b) Auditors
- c) Promoters
- d) Shareholders
- e) Employees

Answer: (D)

Explanation: Shareholders approval is compulsory before offering any employees stock option scheme to the employees of the Private Company by passing a ordinary resolution, as per notification dated 05.06.2015.

Ques.215 Out of the following options who can issue Employee stock options schemes?

- a) Unlisted Companies
- b) Unlisted Public companies
- c) Listed companies act 2013
- d) Both A & B
- e) All A, B, C

Answer: (E)

Explanation:

- A. Unlisted Companies- Pvt Companies by passing ordinary resolution
- B. Unlisted Public companies by way of Special Resolution
- C. Listed companies as per SEBI Esop guidelines along with Companies

Ques.216 Companies Buys its own shares so as to:

- a) To improve the value of undervalued stock
- b) To Consolidate the Capital
- c) To improve the company's holding in total capital
- d) Only B & C
- e) All A, B & C

Answer: (E)

Explanation: Company can buy its shares to improve the value of undervalued stock, Consolidate the Capital, improve the company's holding in total capital.

Ques.217 A Company can buy its own shares and other specified securities out of:-

- a) Its Free Reserves
- b) Its Security Premium Account
- c) The Proceeds of the fresh issue of any shares or other specified securities
- d) Both A & B
- e) All A, B, C

Answer: (E)

Explanation: A company can buy its own shares and other specified securities out of Free Reserves, Security Premium, Proceeds of the fresh issue of any shares or other specified securities **However it can't be made out of the proceeds of the earlier issue of shares or same kind of other specified resolution.**

Ques.218 What is the period in which buy back of Shares shall be completed from the date of Passing of the special resolution by the board:-

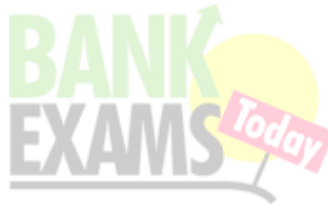
- a) 6 Months
- b) 1 Year
- c) 2 Years
- d) 3 years
- e) 5 Years

Answer: (B)

Explanation: 1 Year is the period in which buy back of Shares shall be completed from the date of Passing of the special resolution by the board.

Ques.219 As per section 68 of Companies Act 2013 what is the percentage of Maximum number of shares that can be bought back in a financial year of paid up capital and free reserves :-

- a) 30%
- b) 10%
- c) 25%
- d) 5%
- e) 35%



Answer: (C)

Explanation: As per section 68 of Company Act 2013, 25% is the percentage of Maximum number of shares that can be brought back in a financial year of paid up capital and free reserves.

Ques.220 Post buy back the company's debt equity ratio cannot exceed by:-

- a) 2:1
- b) 2:4
- c) 3:2
- d) 3:1
- e) 1:1

Answer: (A)

Explanation: Post buy-back the company's debt equity ratio cannot exceed by 2:1.

Ques.221 Under section 68 of Companies Act 2013, the company can Purchase its own shares or other specified securities unless:-

- a) Authorized by Articles of Association

- b) The debt owed by the company is not more than twice the paid up capital and its free reserves after such buy back.
- c) Shares to be bought are partly or Fully paid up.
- d) Passes by a special resolution at a general meeting
- e) All A, B & D

Answer: (E)

Explanation: All options except option C are correct. As per conditions of Section 68 of Companies Act 2013, Partly Paid up shares cannot be bought back by the company.



Ques.222 When a company buy back shares from Free reserves a sum equal to the nominal value of the shares bought shall be transferred to :-

- a) Capital redemption Reserve
- b) Revenue Redemption Reserve
- c) Suspense Account
- d) Profit and Loss Account
- e) Premium of Redemption account

Answer: (A)

Explanation: When a company buy back shares from Free reserves a sum equal to the nominal value of the shares bought shall be transferred to Capital redemption Reserve.

Ques.223 Which of the following mentioned circumstances are correct when companies should not buy-back its securities or other specified securities, directly or indirectly:-

- a) Through any subsidiary including its own subsidiary
- b) Through investment or group of investment companies
- c) When company has defaulted in payment of Deposits or interest payable, filling of annual returns, declaration of dividend & financial statements
- d) Both A & B
- e) All A, B, C

Answer: (E)

Explanation: As Per Section 70 of companies act, 2013 companies should not buy-back its securities or other specified securities, directly or indirectly-

1. Through any subsidiary including its own subsidiary
- 2 Through investment or group of investment companies
- 3 When company has defaulted in payment of Deposits or interest payable thereon, or in redemption of debentures or preference shares or repayment of any term loan.

However this prohibition is lifted if the default has been remedied and period of 3 years has elapsed.

4. Defaulted in filling of annual returns, declaration of dividend & financial statements.

Ques.224 Out of the following options what are the modes of buy back?

- a) From the existing Shareholders or other specified holders on a proportionate basis
- b) From the open Markets
- c) From odd lot holders
- d) A & C
- e) All A, B & C

Answer: (E)

Explanation: Company can buy-back its shares and other securities by any of the following method

1. From the existing Shareholders or other specified holders on a proportionate basis
2. From the open Markets
3. From odd lot holders

Ques 225. As per Amendment to Clause 32 (Cash flow Statement) of SEBI which of the following is true:-

- a) Listed companies shall give cash flow statement along with the balance sheet and Profit and loss account in the Annual Report
- b) The cash flow statements will be prepared in accordance with the accounting standard on cash flow statement issued by ICAI
- c) The cash flow statement shall be presented only under the indirect method as given in AS-3
- d) The cash flow statement shall be presented only under the direct method as given in AS-3
- e) Only A, B & C are correct

Answer: (E)

Explanation: As per Amendment to Clause 32 (Cash flow Statement) of SEBI (January 25, 2000)

- A.** Listed companies shall give cash flow statement along with the balance sheet and Profit and loss account in the Annual Report
- B.** The cash flow statements will be prepared in accordance with the accounting standard on cash flow statement issued by ICAI

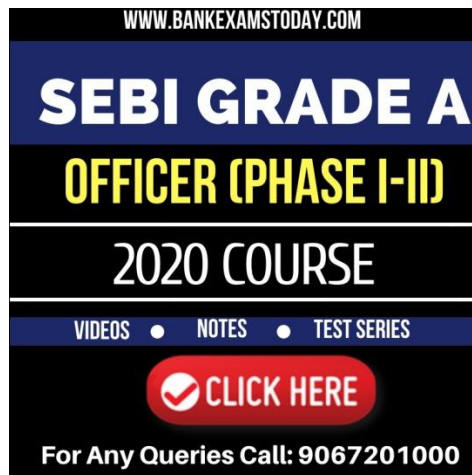
C. The cash flow statement shall be presented only under the indirect method as given in AS-3

Ques 226. A Financial Statement showing the inflows and outflows of cash during a particular period of time is known as:-

- a) Balance sheet statement
- b) Profit and loss Statement
- c) Statement of Cash flows
- d) Statement of fund Flows
- e) Both C & D.

Answer: (C)

Explanation: A Financial Statement showing the inflows and outflows of cash during a particular period of time is known as Statement of Cash flows or cash flow statement.



Ques 227. Match the cash flow activities with the correct examples:-

1. Operating Activities	1. Purchase of equipment for cash, Sale of Machinery, Dividend received
2. Investing Activities	2. Issue of share Capital, Repayment of loans , Dividend Paid
3. Financing Activities	3. Collection of cash from debtors , Payment of income tax

- a) 1-3, 2-1, 3-2
- b) 1-1, 2-3, 3-2
- c) 1-1, 2-2, 3-3
- d) 1-3, 2-2, 3-1
- e) 1-2, 2-3, 3-1

Answer: (A)

Explanation: Operating Activities: - It means cash brought by the company from its normal business activities such as manufacturing and selling of goods or providing services to the customers.

Investing Activities: - It means cash flow from fixed asset, Investment and incidental income.

Financing Activities: - It means Cash flow from capital structure and its service cost.

1. Operating Activities	3. Collection of cash from debtors , Payment of income tax
2. Investing Activities	1 Purchase of equipment for cash, Sale of Machinery, Dividend received
3. Financing Activities	2 Issue of share Capital, Repayment of loans , Dividend Paid

Ques 228. Which of the following are Cash and Cash Equivalents?

- a) Cash & Bank
- b) Stock
- c) Short term investments/ Marketable securities (Maturing within three months)
- d) Both A & B
- e) Both A & C

Answer: (E)

Explanation: Cash and Cash Equivalents are the most liquid form of current assets. Which are cash, Bank, Marketable securities maturing within 90 days.

Ques 229. On the basis of following information the total cash flow collected from the debtors during the year 2019 will be :-

- Debtors on 31st March 2018 :- Rs 20000/-
- Debtors on 31st March 2019 :- Rs 30000/-
- Net Credit Sale During the year 2019 :- Rs.200000/-
- a) Rs. 210000/-
- b) Rs. 250000/-
- c) Rs. 220000/-
- d) Rs. 190000/-
- e) Rs. 200000/-

Answer: (D)

Explanation: Cash collected from debtors = Opening Debtors + Net Credit sales - Closing Debtors

Debtors Account:

Particulars	Amount (Rs)	Particulars	Amount(Rs.)
To Balance B/d	20000	By Cash A/c	190000
To Sale a/c	200000	By Balance C/d	30000
	210000		210000

Ques 230. Which of following rules is/are true while preparing statement of changes in Working Capital in fund flow statement:-

1. Increase in current asset increase in working capital
2. Decrease in current asset decrease in working capital
3. Increase in current Liability decrease in working Capital

- a) Both 1 & 2
- b) Both 2 & 3
- c) Both 1 & 3
- d) All 1, 2, 3

Answer: (E)

Explanation: Rules for the Preparation of working capital statement in fund flow statement are:-

- 1. Increase in current asset ----- Increases working capital
- 2. Decrease in current asset ----- Decreases working capital
- 3. Increase in current Liability ----- Decreases working Capital

Ques 231. Which of the following statements is/are not true? :-

- a) Fund Flow statement is a wider concept than cash flow statement
- b) If the inflow of funds is greater than the outflow of funds then excess goes in increase in working capital
- c) Issue of debentures will result inflow of funds
- d) Conversion of debentures into equity shares is inflow of funds
- e) Both C & D

Answer: (D)

Explanation: Conversion of debentures into equity is not inflow of funds because this transaction will not bring any change in sources and applications of funds.

Ques 232. Fund Flow statement is based on _____ while cash flow statement is based on _____

- a) Accrual Basis and Cash Basis
- b) Cash Basis and Accrual Basis
- c) Both Accrual Basis
- d) Both Cash Basis
- e) None of the above

Answer: (A)

Explanation: Fund Flow stamen is based on Accrual Basis while cash flow statement is based on Cash Basis of accounting.



Ques 233. In fund flow statement Provision for taxation can be taken as:-

- a) Current Asset
- b) Current Liability
- c) Fixed Asset
- d) Non-Current Liability
- e) Either B or D

Answer: (E)

Explanation: Provision for Taxation can be treated either as part of change in working capital (this can be shown in statement of working capital only when this is treated as Current liability otherwise not) or as non-current Liability and adjusted in Profit and loss account. (This can be shown here only when treated as Non-current liability otherwise not).

Ques 234. Which of the following is/are application of funds?

- a) Issue of bonus shares
- b) Redemption of shares/Debentures
- c) Payment of Dividends
- d) Payment of Taxation
- e) All B, C, D

Answer: (E)

Explanation: Application of funds involves redemption of shares/Debentures, Payment of Dividends, Payment of Taxation etc.

Ques 235. Financial derivatives include

- a) stocks
- b) bonds
- c) future
- d) debt
- e) none of the above

Answer: (C) Future

Explanation: Future are exchange traded derivatives, where contract size are also fixed and rest all are financial instrument for raising finance.

Ques 236. The price of a futures contract at the expiration date of the contract

- a) equals the price of the underlying asset
- b) equals the price of the counterparty
- c) equals the hedge position
- d) equals the value of the hedged asset
- e) none of the above

Answer: (A) equals the price of the underlying asset

Explanation: Future is derivative contract and Derivative derives their value from underlying asset and time to maturity. At expiration date there is no time left to maturity hence price is equal to price of underlying asset only.

Ques 237. A disadvantage of a forward contract is that

- a) it may be difficult to find a counterparty
- b) the forward market suffers from lack of liquidity
- c) these contracts have default risk
- d) all of a, b and c above
- e) both (a) and (c) of the above

Answer: (D) all of a, b and c above

Explanation: Forwards are OTC derivative instruments, hence counter party is not easily identifiable, since not traded upon stock exchange hence less liquid-able and counter party can do default in settlement due to no regulatory check.

Ques 238. A long contract requires that the investor

- a) sell securities in the future
- b) buy securities in the future
- c) hedge in the future
- d) close out his position in the future
- e) None of these

Answer: (B) buy securities in the future

Explanation: When you are buying underlying in derivative it is called long position & when you are on selling end it is called short position.

Ques 239. The advantage of forward contracts over futures contracts is that they

- a) are standardized

- b) have lower default risk
- c) are more flexible
- d) both (a) and (b) are true
- e) None of the above

Answer: (C) Are more flexible

Explanation: Future contract are exchange traded derivatives and forward are not. Due to listed on exchange future are more standardised, keep on mark to market, means margin are settled on regular basis to curb default risk. So the only advantage forward have over future is flexibility, due its nature of being OTC product.

Ques 240. Which of following is not derivative instrument or derivative use strategy?

- a) Futures
- b) Forwards
- c) Vanilla Swap
- d) Butterfly
- e) None of these

Answer: (E) None of these

Explanation: Future and Forward are commonly known, Plain swap it-self is known as vanilla swap and Butterfly is advanced option strategy, butterfly can be long or short depending upon net premium paid or received.

Ques 241. In a forward contract the party who commits to sell an asset at a specified date in the future takes _____ position, and the party who commits to buy an asset at a specified date in the future takes _____ position.

- a) risk seeking; risk averse
- b) open; closed
- c) closed; open
- d) long; short
- e) short; long

Answer: (E) Short; long

Explanation: When you are buying underlying in derivative it is called long position & when you are on selling end it is called short position.



Ques 242. OTC derivatives are generally considered risky because _____.

- a) There is no formal system of charging margining.
- b) The stocks in OTC not carry enough reliable information for making sound judgements.
- c) They do not follow any formal rules or mechanisms.
- d) Only a and b
- e) All of a, b and c above

Answer: (E) All of a, b and c above

Explanation: The primary risks involved in trading over-the-counter (OTC) stocks stem from lack of reliable information. OTC-listed stock may be very thinly traded. There is no formal procedure of margins and not regulated in nature. So option(e) seem fit.

Ques 243. Instrument where different sort of payments are exchanged are known as

- a) Swap
- b) Options
- c) Future
- d) Forwards
- e) None of these

Answer: (A) Swap

Explanation: A swap is a derivative contract where two parties exchange financial instruments. Most swaps are derivatives in which two counter parties exchange cash flows of one party's financial instrument for those of the other party's financial instrument.

Ques 244. If you sold a short futures contract you will hope that interest rates

- a) rise
- b) fall
- c) are stable
- d) fluctuate
- e) any of these

Explanation – Correct Answer – Option a. rise

Contract sold is of short position means you are going to pay the interest at fixed constant rate in the interest rate future although expectation in spot market is to increase in the rate of interest.

Ques 245. Out of following, which is not one among 14 principles of management given by Henri Fayol?

- a) Division of work
- b) Unity of command
- c) Unity of direction
- d) Unity of team
- e) Scalar chain

Answer: (D) Unity of Team

Explanation: In 1916 Mr. Fayol wrote a book in which he described these 14 principles of management. Division of work, Authority and responsibility, Discipline, Unity of command, Unity of direction, Subordination of individual interests to the general interests, Remuneration, Centralization, Scalar Chain, Order, Equity, Stability of tenure of personnel, Initiative, Espirit De Corps

Ques 246. What is the main purpose of corporate governance?

- a) To maximise shareholder value
- b) To separate ownership and management control of organisations and the requirement for increased accountability to stakeholder groups.
- c) To ensure that regulatory frameworks are adhered to
- d) To consider the expectation of stake holders
- e) All of above

Answer: (E) All of above

Explanation: Corporate governance is system which suggests best practises, need to be followed by directors, as agents of shareholders but acting in best interest of all the stakeholders, to achieve the object of corporate - maximum shareholder value, in ethical or regulated way.

Ques 247. In Taylor's differential piece rate system an inefficient worker is paid only ____ of the piece rate.

- a) 120%
- b) 75%
- c) 100%
- d) 80%
- e) None of the above

Answer: (D) 80%

Explanation: Differential Piece Rate System was introduced by Taylor, the father of scientific management. The underlying principle of this system is to penalise a slow worker by paying him a low piece rate for low

production and to reward an efficient worker by giving him a higher piece rate for a higher production. Differentials to be applied:

- 80% of piece rate below standard
- 120% of piece rate at or above standard

Ques 248. The process of searching for prospective employees and encouraging them to apply for the jobs in an organization is part of _____

- a) Interview
- b) Selection
- c) Placement
- d) Recruitment
- e) Training

Answer: (D) Recruitment

Explanation: Recruitment is a core function of human resource management. It is the first step of appointment. Recruitment refers to the overall process of attracting, shortlisting, selecting and appointing suitable candidates for jobs within an organization.



Ques 249. A general enduring statement of the intent of business which reflects the belief and philosophy of management is known as

- a) Mission
- b) Vision
- c) Objectives
- d) Goals
- e) None of the above

Answer: (A) Mission

Explanation: A mission statement is a short statement of an organization's purpose, identifying the scope of its operations: what kind of product or service it provides, its primary customers or market, and its geographical region of operation.

Ques 250. MBO programme generally consists of:-

- a) Four stages
- b) Five stages
- c) Six stages
- d) Seven stages
- e) None of these option is correct

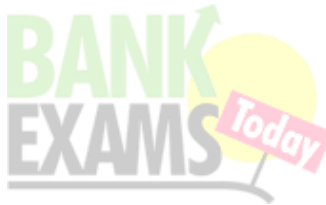
Answer: (C) Six Stages

Explanation: Management by objective has following six stages;

- Define organizational goals
- Define employees objectives
- Continuous monitoring performance and progress
- Performance evaluation
- Providing feedback
- Performance appraisal

Ques 251. What is the first step of planning?

- a) Implementing the plan
- b) Follow up action
- c) Selecting an alternative
- d) Setting objectives
- e) Evaluating alternatives



Answer: (D)

Explanation: Objectives are the ends towards which all the activities are directed. Thus planning begins with objectives because all the policies, procedures etc. are formed to achieve objectives only.

Ques 252. Under which leadership style there is no delegation of authority?

- a) Laissez faire
- b) Autocratic
- c) Democratic
- d) None of these
- e) All of these

Answer: (B)

Explanation: An autocratic leader gives orders and expects his subordinates to obey those orders.

Ques 253. The highest level need in the hierarchy of Abraham Maslow:

- a) Belongingness need
- b) Safety need

- c) Prestige needs
- d) Self-Actualization needs
- e) None of these

Answer: (D)

Explanation: It refers to the drive to become what one is capable of becoming. Thus, it is the highest level of need.



Maslow's hierarchy of needs

Ques 254. Which of the following is helpful in assessing the individual's capacity to learn new skills?

- a) Aptitude test
- b) Personality test
- c) Trade test
- d) Intelligence test
- e) None of these

Answer: (A)

Explanation: This test is conducted to find out how quickly the candidate can learn new skills and methods.

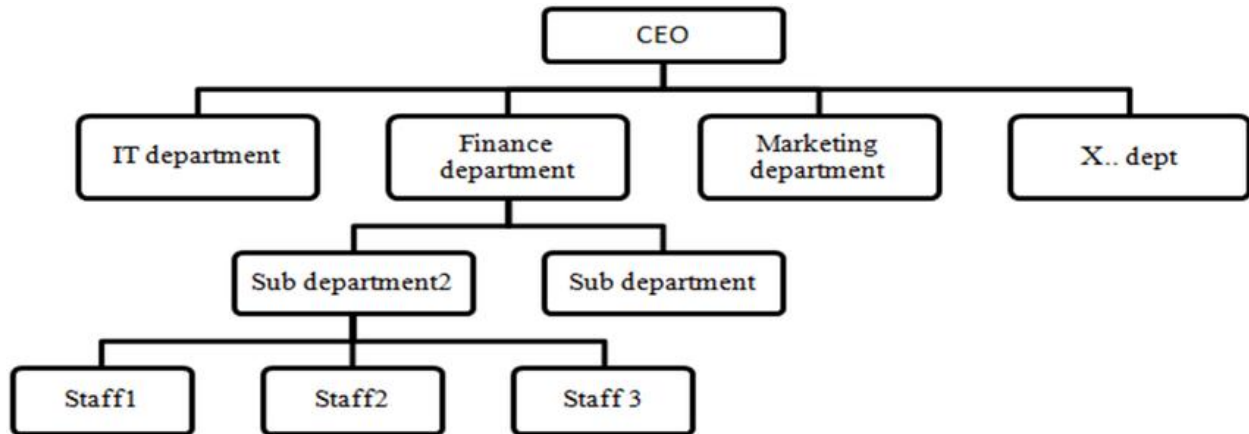
Ques 255. The main advantage of functional organization is

- a) Simplicity
- b) Specialization
- c) Experience
- d) Authority

e) None

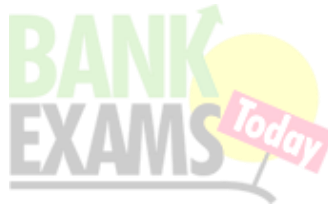
Answer: (B)

Explanation: Under functional organization setup departments are formed according to the specialized functions.



Ques 256. _____ gives shape to the organization structure

- a) Extent of delegation
- b) Span of management
- c) No. of employees
- d) Planning
- e) None



Answer: (B)

Explanation: Span of management refers to the number of subordinates that can be effectively managed by the superiors.

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Ques 257. The principle of consistency refers to the practice of using same accounting policies for similar transactions in all accounting periods. An accounting policy can be changed if the change is required:-

- a) By a Statute
- b) By an accounting standard
- c) For more appropriate presentation of financial statements
- d) Only A & B
- e) All A, B and C

Answer: (E)

Explanation: The principle of consistency refers to the practice of using same accounting policies for similar transactions in all accounting periods. The consistency improves comparability of financial statements through time. **An accounting policy can be changed by required:-**

- A. By a Statute
- B. By an accounting standard
- C. For more appropriate presentation of financial statements

Ques 258. Sale of Xyz Ltd. Include goods worth Rs. 200000/- sent out on approval basis and remaining unsold as on March 31, 2019. The cost of those goods were Rs. 120000/-. The right treatment in respect of sale on approval

basis will be:-

- a) Reduction in both Sales and sundry debtors by Rs. 200000/- each
- b) Credit the trading account with Rs. 120000/- and showing the asset side of balance sheet by stock with customers by Rs. 120000/-
- c) Reduction in Sundry debtors by Rs. 200000/- and showing the asset side of balance sheet by stock with customers by Rs. 200000/-
- d) Both A & B
- e) There will be no special treatment

Answer: (D)

Explanation: Goods sent on approval cannot be considered as sale till the date sale is not confirmed. Therefore on March 31, 2019 to the extent of goods sent on approval basis a reversal entry in the sales account will be Passed.

Sales A/c Dr To sundry Debtors A/c	200000	200000
---------------------------------------	--------	--------

However the cost of the goods should be included with the closing stock so another entry in Trading A/c (with only cost of goods sold)

Stock with customer Account To Trading A/c	Dr 120000	120000
---	--------------	--------

Ques 259. Which of following statement is true?

- a) Income tax provision relating to current year is a charge against profit and loss appropriation account

- b) Income tax provision relating to previous year should be debited to profit and loss account
- c) Interim dividend should be debited to Profit and loss account
- d) Managing Director's Salary should be debited to Profit and loss account
- e) None of the above

Answer: (D)

Explanation: Managing director's salary is expenditure and is to be debited to P & L account like other expenditure. **Other alternatives are not correct:**

- A.** P & L appropriation account is a financial statement wherein allocation of profits is reflected. Income tax provision relating to current year is a charge against P & L account and not P & L appropriation account.
- B.** Income tax provision relating to previous year is a charge against P & L appropriation account and not P & L account.
- C.** Interim dividend is allocation of profit and it is a charge against profit and loss appropriation account and should not be debited to profit and loss account.

Ques 260. The manager of X Ltd. is entitled to a commission of 10% on net profit after charging such commission. If the net profit before charging commission is Rs. 140500/- the amount of commission payable to the manager is

- a) Rs.12773/-
- b) Rs.14050/-
- c) Rs.15611/-
- d) Rs.12000/-
- e) Rs.14000/-

Answer: (A)

Explanation: As the commission payable at 10% on NP after charging commission. The formula is:-

Commission = NP before such commission * Rate of commission / 100 + Rate of Commission

Rs.140500 * 10 / 100 + 10 = Rs.12773/-

Ques 261. In contract accounting the percentage of completion method is an exception to the:-

- a) Business entity Principle
- b) Matching Principle
- c) Historical Cost principle
- d) Revenue recognition principle
- e) Going concern Principle

Answer: (D)

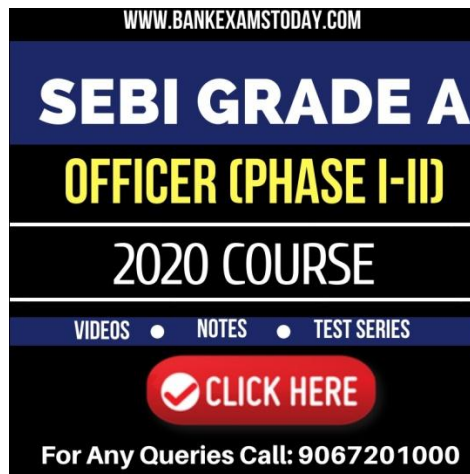
Explanation: In contract accounting return consideration may begin as soon as the work begins. So revenue may be recognized at work in progress. This is exception to the revenue recognition principle.

Ques 262. Which of following is not deferred revenue expenditure?

- a) Expenditure incurred in converting business premises by switching over from manufacturing of one product to another
- b) Advertising expenses
- c) Preliminary Expenses
- d) Expenses in connection with issue of equity shares
- e) None of the above

Answer: (A)

Explanation: Deferred revenue expenditure is an expenditure which is incurred in the present accounting period but its benefit lasts for the following or future accounting period. These expenses are written in current accounting period or over a period of time.



Ques 263. Out of following accounting principle(s) necessitating amortization of intangible assets is/are

- a) Matching Concept
- b) Realization concept
- c) Cost concept
- d) Both A and B
- e) Both B and C

Answer: (A)

Explanation: Under Matching concept requires that all the revenues must matched with the expenses incurred during the accounting period. The expenses relating to intangible assets are amortized over the periods in which the benefit from intangible asset accrues.

Ques 264. The balance sheet gives information regarding the

- a) Cost of goods sold during the year

- b) Financial Position on a Particular date
- c) Financial Position for a Particular Period
- d) Financial Results on a Particular date
- e) Financial Results for a Particular Period

Answer: (B)

Explanation: Balance sheet is prepared to show the financial position of the company on a Particular date. Remember Balance sheet deals with PERSONAL and REAL Accounts.

Ques 265. The accounting measurement that is not applicable with the going concern concept is:-

- a) Historical cost
- b) Continuity
- c) Realization
- d) The transactional approach
- e) Liquidation value

Answer: (E)

Explanation: Liquidation value is the value of the business when it is winding up and is under liquidation whereas the going concern concept assumes that the business will continue over a long time therefore this accounting measurement is not applicable in going concern concept.

Ques 266. Which of the following is a contingent liability?

- a) Potential Lawsuits
- b) Product Warranty
- c) Pending Investigations of a case by law
- d) Only A & B
- e) All A, B, & C

Answer: (E)

Explanation: A contingent liability or a potential loss is that may occur in the future depending on the outcome of specific event.

Ques 267. Consider the following information to XY Ltd. As on March 31, 2019

- Total sundry Debtors are Rs. 30000/-as per trial balance
 - Bad debts identified after preparation of trial Balance Rs. 1000
 - Provision for bad debts to be created 10 % on sundry debtors.
 - Provision for discount on sundry debtors to be created 5%
 - The amount of provision for discount on sundry debtors created for the period ended March 31, 2019 will be
- a) Rs. 1205
 - b) Rs. 1305
 - c) Rs. 1405

- d) Rs. 1505
e) Rs. 1605

Explanation: Provision For discount on sundry debtors will be :-

$$5/100 * \text{Rs. } 26100 = \text{Rs. } 1305/-$$

	Rs.
Sundry Debtors	30,000
Less: Bad debts written-off	1,000
Less : Provision for bad debts @ 10%	29,000
	2,900
	26,100

Ques 268. Z Ltd. Purchased goods worth Rs 600000/- and sold 9/10th of the value of goods for Rs. 700000/-. Net expenses during the year were Rs.25000/- The company report a net profit of Rs.75000. Which of the following concept is violated by the company?

- a) Realization
b) Matching
c) Conservation
d) Accrual
e) Materiality

Answer: (B)

Explanation: Matching concept requires the recognition of revenue and expenses on a comparable basis.

- In the above question net profit is arrived by deducting Rs. 600000 (cost of Purchases)+Rs.25000(expenses) from the sale proceeds of Rs. 700000/-. This does not follow matching concept since the cost of goods sold is to be deducted and not the cost of goods purchases since some purchases have been left in stock.
- So the net profit using matching concept is Rs. 700000 less cost of goods Rs.540000/-(Rs.600000/- *9/10) less expenses of Rs. 25000/-=Rs.135000/-

Ques 269. Consider the following information of XY Ltd. For the year 2019:

Particulars	Rs.
Opening Stock	30000
Closing stock	40000
Purchases	500000
Returns Outwards	10000
Returns Inwards	25000
Carriage Inward	10000

If the Gross profit is 20% of net sales, then the sale for the year 2019 will be

- a) Rs.650000/-
b) Rs.637500/-

- c) Rs. 537500/-
- d) Rs.593500/-
- e) Rs.675000/-

Answer: (B)

Explanation: Cost of goods Sold= Opening Stock+ Net purchases+ Direct Expenses-Closing Stock

= Rs.30000+(Rs.500000- Rs.10000)+ Rs.10000- Rs.40000

= Rs.490000/-

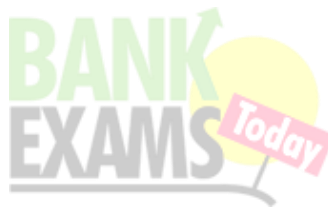
Gross Profit is 20 % of net sales

Net sales $\text{COGS} \times 100 / 80 = \text{Rs.}490000 \times 100 / 80 = \text{Rs.}612500/-$

Sales:- Net sales + Return inward = Rs.612500+ Rs.25000=Rs.637500/-

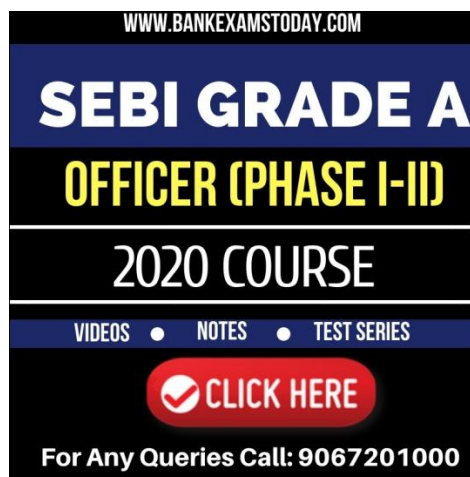
Ques 270. The balances of which of the following accounts do not disappear, once they are posted to trading account:-

- a) Purchase
- b) Sales
- c) Return Inward
- d) Closing stock
- e) Return Outward



Answer: (D)

Explanation: Closing stock does not disappear as this is the value of goods which remain unsold during the end of the period.



Ques 271. Which shall not be deducted from the net profit while calculating managerial remuneration:-

- a) Managing director's Remuneration
- b) Depreciation

- c) Loss on sale of undertaking
- d) Bad debts
- e) Commission Paid

Answer: (A)

Explanation: Managing director's Remuneration shall not be deducted from the net profit while calculating managerial remuneration.

Ques 272. Which of following is not a financial Statement?

- a) Trial Balance
- b) Balance sheet
- c) Cash flow statement
- d) Profit and loss account
- e) Profit and loss appropriation account.

Answer: (A)

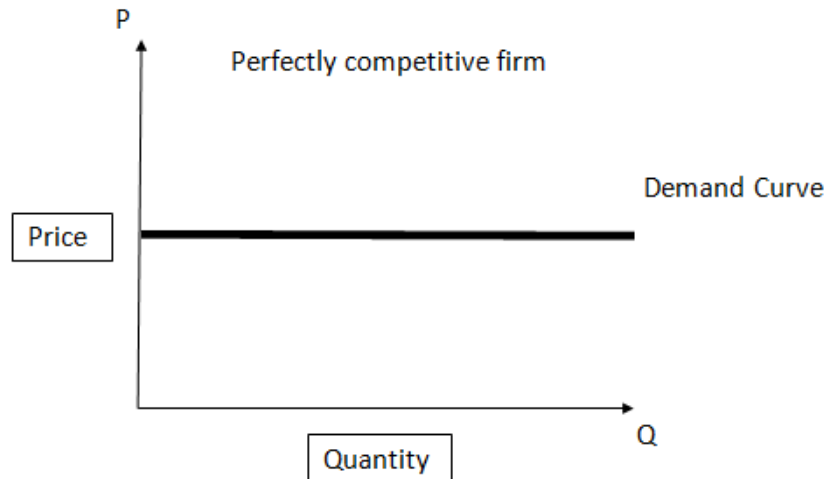
Explanation: Trial Balance is not a financial Statement; it is a list of all accounts at the end of accounting period.

Ques 273. In a perfectly competitive firm demand curve is horizontal because

- a) Firm's advertising is extremely effective
- b) The product it sells is perfectly substitute for the products sold by other firms
- c) Entry of firms is very easy
- d) Demand for the product is inelastic
- e) The cross elasticity of the demand among the firms' products is zero

Answer: (B)

Explanation: In perfectly competitive firm's demand curve is horizontal because the product it sells is perfectly substitute for the products sold by other firms. The Horizontal demand curve indicates that the elasticity for the demand of good is perfectly elastic which means if any individual firm will charge a price slightly above the prevailing market price no one would buy from it because substitute is available.



Ques 274. One considerable difference between the oligopoly and the monopolistic competition is:-

- a) Firms in monopolistic competition produce products which are perfectly substitute but the products are differentiated in oligopoly
- b) Entry is more difficult in oligopoly than in Monopolistic Competition
- c) Advertisement is never done in oligopoly firms
- d) Monopolistic competition is more like monopoly since there are fewer Firms
- e) None of the above

Answer: (B)

Explanation: **Oligopoly** is a market structure which contains a small number of relatively large in size firms with one important power of restriction to enter. Restrictions to enter are the barriers that make it difficult to enter a given market. Because barriers to entry protect small group of firms and restricts competition in a market and on the other hand **monopolistic competition** is a market structure containing a large number of relatively small in size firms, with one important power of freedom to enter or exit.

Ques 275. Match the Following market structure with the firm characteristics:-

1. Perfect competitor	1. A firm characterized by few sellers and many buyers and limited long run resource mobility
2. Oligopolistic	2. A firm characterized by many sellers and buyers, a differentiated product and unlimited long-run resource mobility
3. Monopolist	3 A firm characterized by many sellers and buyers, a homogeneous product, unlimited long run resource mobility and perfect knowledge
4. Monopolistic competitor	4. A firm characterized by single seller and many buyers of a homogeneous product for which there are no close substitutes and barriers to long-run resource mobility

- a) 1-3, 2-1, 3-4, 4-2
- b) 1-2, 2-1, 3-4, 4-3
- c) 1-3, 2-4, 3-1, 4-2
- d) 1-4, 2-1, 3-3, 4-2
- e) 1-2, 2-3, 3-4, 4-1

Answer: (A)

Explanation:

1. Perfect competitor	3 A firm characterized by many sellers and buyers, a homogeneous product, unlimited long run resource mobility and perfect knowledge
2. Oligopolistic	1. A firm characterized by few sellers and many buyers and limited long run resource mobility
3. Monopolist	4. A firm characterized by single seller and many buyers of a homogeneous product for which there are no close substitutes and barriers to long-run resource mobility
4. Monopolistic competitor	2. A firm characterized by many sellers and buyers, a differentiated product and unlimited long-run resource mobility

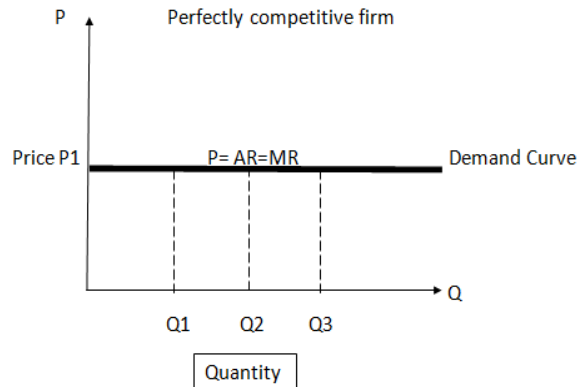


Ques 276. For which of the following mentioned market structures Marginal Revenue and Average Revenue is Equal to Price?

- a) Monopoly
- b) Perfect competition
- c) Oligopoly
- d) Monopolistic Competition
- e) Both A & C

Answer: (B)

Explanation: Price (P) is only equal to marginal revenue (MR) and Average Revenue (AR) in the case of perfect competition because Demand curve is horizontal in perfect competition. No matter how much firm produces, it always would be sold on same price. In other market structure firms can increase or decrease Prices.



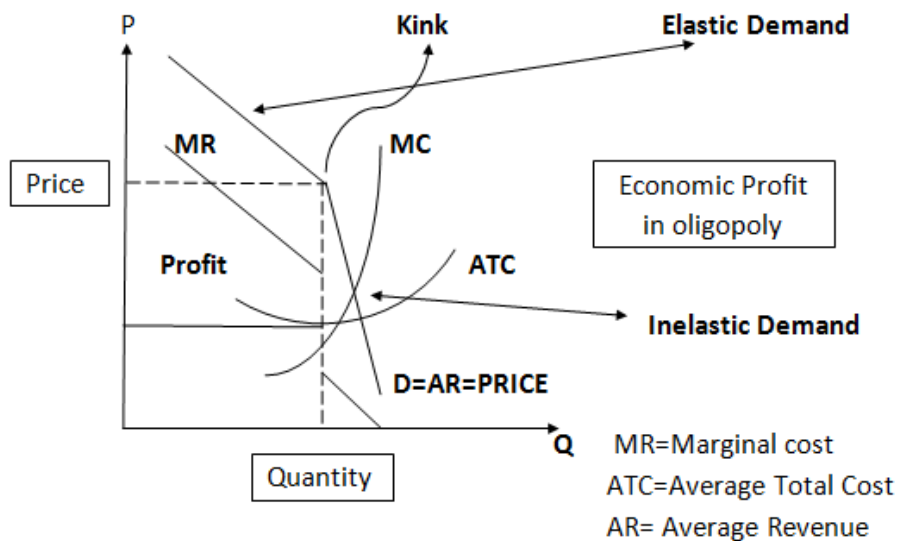
In the above diagram the Price which is P1 always remains the same whether the firm produces Q1, Q2 or Q3 quantities of a product.

Ques 277. From the following mentioned market structures which Structure follows the model of kinked demand curve introduced by Paul M. Sweezy?

- a) Monopoly
- b) Perfect competition
- c) Oligopoly
- d) Monopolistic Competition
- e) Both A & D

Answer: (C)

Explanation: Oligopoly is the market structure which follows the model of kinked demand curve. Kinked demand curve is not a straight line but has a different elasticity for higher and lower Prices.



The demand Curve above mentioned is Kinked. At higher Price demand is elastic because if firm raise its price, other firms will not match it and at lower prices, the demand curve becomes inelastic, if firm lower its price, other firms will match it.

Ques 278. Which of the following is example of Monopolistic Competition?

- a) Car industry
- b) Steel Industry
- c) Electricity generating industry
- d) Car Repair industry
- e) Both A & D

Answer: (E)

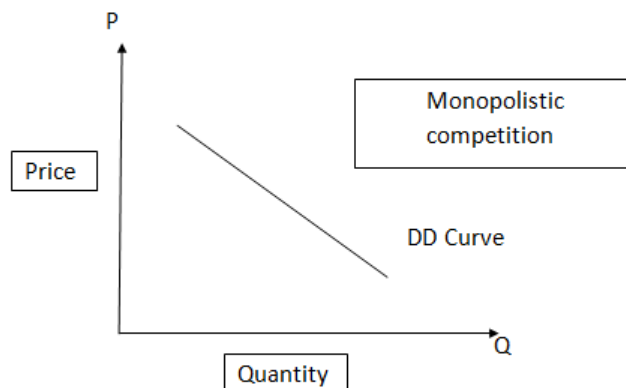
Explanation: Car repair industry is example of Monopolistic Competition and other examples are of Oligopoly.

Ques 279 Demand Curve in monopolistic competition is:-

- a) Elastic
- b) Perfectly elastic
- c) Inelastic
- d) Downward Sloping
- e) Both A & D

Answer: (E)

Explanation: In monopolistic competition DD curve is both Elastic and Downward Sloping. Since there are substitute available in Monopolistic competition hence demand is elastic and if firm in monopolistic competition reduces its price then the demand for product increases and vice versa this is the reason why demand curve in monopolistic competition is not flat but downward sloping.



Ques 280. Which of the statement is true? :-

- a) Monopolistic competitors and monopolists have the same amount of influence over the price of their product

- b) Monopolistic competitors have an incentive to differentiate their products so customers have choices, but monopolists do not have this incentive
- c) Both oligopolies and industries with monopolistic competition involve a large number of sellers
- d) All industries fit into one type of market structure
- e) All the above

Answer: (B)

Explanation: Monopolistic competitors have an incentive to differentiate their products so customers have choices, but monopolists do not have this incentive.

Ques 281. List the four market structures in order from least competitive to most competitive.

- a) Perfect competition, Oligopoly, Monopoly, Monopolistic competition
- b) Monopoly, Oligopoly, Monopolistic competition, Perfect competition
- c) Monopoly, Monopolistic competition, Perfect competition, Oligopoly
- d) Oligopoly, Monopoly, Perfect competition, Monopolistic competition
- e) Monopolistic competition, Monopoly, Perfect competition, Oligopoly

Answer: (B) Monopoly, Oligopoly, Monopolistic competition, Perfect competition.

Explanation: Monopoly: - One seller hence no competition

Oligopoly:- Because barriers to entry protect small group of firms and restricts competition in a market and on the other

Monopolistic competition: - structure containing a large number of relatively small in size firms, with one important power of freedom to enter or exit.

Perfect competition:- Price is only equal to marginal revenue and Average Revenue in the case of perfect competition because Demand curve is horizontal in perfect competition. No matter how much firm produces, it always would be sold on same price. In other market structure firms can increase or decrease Prices. (Most competitive firm can't change price)

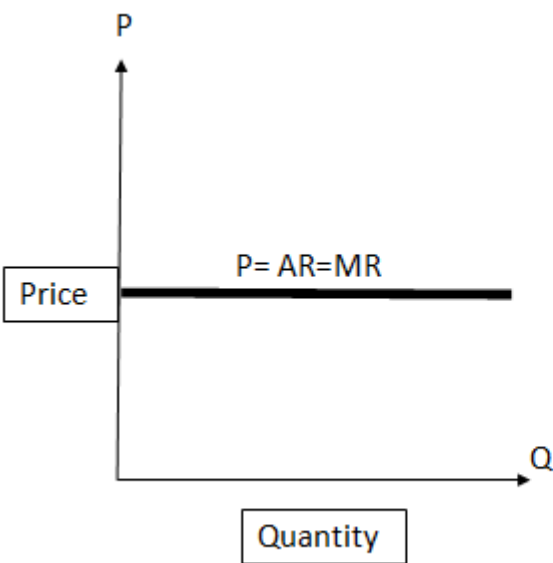


Ques 282. In Monopoly the firm's marginal revenue is _____ while in a perfectly competitive market, each firm's marginal revenue curve is _____.

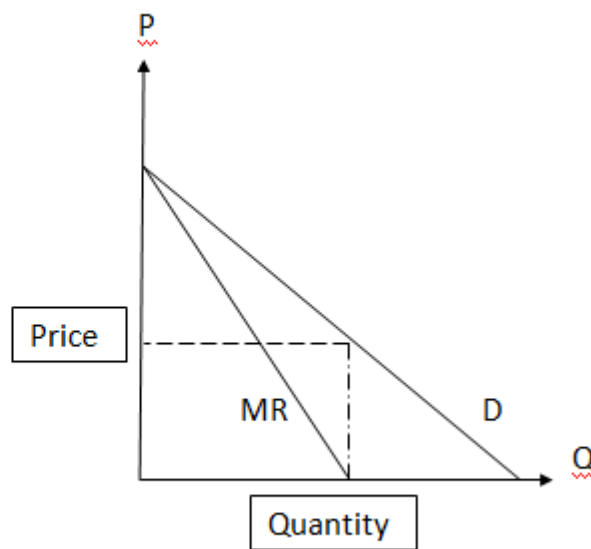
- a) Downward sloping, horizontal
- b) Downward sloping, upward sloping
- c) Upward sloping, horizontal
- d) Horizontal, downward sloping
- e) None of the above

Answer: (A) Downward sloping, horizontal

Explanation:



Perfectly competitive firm



Monopoly

Ques 283. IS-LM Model is also known as which of the following model?

- a) Hicks-Hansen Model
- b) Say's Keynesian Model
- c) Classical Model
- d) NOTA

Answer: (A)

Ques 284. IS and LM Curves are plotted on a Graph between _ and _. Which of the following option is correct?

- a) Interest Rate and GDP
- b) GDP and Price Level
- c) Current Price and GDP
- d) Price and Output

e) NOTA

Answer: (A)

Ques 285. IS-LM Model shows the interaction between _ and _. Which of the following option is correct?

- a) Forex and Goods Market
- b) Financial and Forex market
- c) Goods and Financial Market
- d) Primary and Secondary Market
- e) NOTA

Answer: (C)

Explanation: IS-LM is an economic model that shows the interaction between Goods and Financial Market.

Ques 286. When the Interest Rate rises, which of the following is true for an economy?

- a) Household Expenditure Increase
- b) Household Savings Increase
- c) There is no effect on saving and expenditure
- d) Saving and Expenditure both increase simultaneously.
- e) NOTA

Answer: (B)

Explanation: With the increase in the interest rate in an economy, people tend to hold money in the form of Savings and when the interest rate declines, people spend the money.

Ques 287. Which of the following leads to increased liquidity in the Financial Market?

- a) Low-Interest Rates
- b) High-Interest Rates
- c) There is no impact of Interest rates on Liquidity in Financial Market
- d) Both a and b
- e) NOTA

Answer: (B)

Explanation: With the Increase in Interest Rate, people tend to save/invest more, hence the liquidity in the Financial Market increases, people buy more and more savings and funds flow in the Financial Market.

Ques 288. Phillip Curve shows the relation between which of the following terms?

- I. Inflation
 - II. Unemployment
 - III. Interest Rate
 - IV. GDP
- a) I and IV

- b) II and IV
- c) I and III
- d) I and II
- e) NOTA

Answer: (D)

Explanation: Phillip Curve shows the Relation Between Inflation and Unemployment.

Ques 289. As per Philips Curve, an increase in inflation has what effect on employment?

- a) No effect
- b) Employment Increases
- c) Employment Decreases
- d) Unemployment Increases
- e) NOTA

Answer: (B)

Explanation: As per Philips Curve, there is an inverse relation between Inflation and unemployment, if inflation increases then the unemployment decreases or the employment increases.

Ques 290. Which of the following options defines the characteristics of Stagflation?

- a) High inflation and Low Unemployment
- b) High Inflation and High Employment
- c) Low Inflation and High Employment
- d) High Inflation and High Unemployment
- e) NOTA

Answer: (D)

Explanation: The scenario when the economy experiences high inflation along with high unemployment is known as Stagflation.

Ques 291. What is the full form of NAIRU?

- a) Non-Accelerating Inflating Rate of Unemployment
- b) Non-Advancing Inflation Rate of Unemployment
- c) Non-Accelerating Inflation Rate of Unemployment
- d) Non-Accelerating Inflated Rate of Unemployment
- e) NOTA

Answer: (C)

Ques 292. Which of the following statements are correct?

- I. **Statement 1:** Demand-Pull Inflation is a type of inflation that occurs when the demand for a product is more than its supply.

II. **Statement 2: Cost-Push Inflation is a type of inflation which occurs when the price of commodities rises due to an increase in the manufacturing costs of the commodity**

- a) Statement 1 and Statement 2 are correct
- b) Only Statement 1 is correct.
- c) Only Statement 2 is correct.
- d) NOTA

Answer: (A)



Ques 293. Which of the following options are true regarding Liquidity Ratios?

- a) They measure the ability of a company to fulfill its short-term fund requirement.
- b) The ideal value of all Liquidity Ratio is < 1
- c) Both a and b
- d) NOTA

Answer: (A)

Explanation: Liquidity Ratios are used to measure the company's ability to fulfill its short-term fund requirements. The ideal value of all Liquidity Ratios is different, and they vary as per the type of industry.

Ques 294. PRS Ltd. has a current ratio of 1.76 and a quick ratio of 0.88. What percent of the current assets of PRS Ltd. are liquid assets?

- a) 50%
- b) 33.33%
- c) 25%
- d) 75%
- e) 66.66%

Answer: (A)

Explanation: A ratio of Quick Ratio to Current Ratio gives details of how much of the Current Asset is Liquid Asset. Hence, $\text{Quick Ratio} / \text{Current Ratio} = 0.88 / 1.76 = 0.5$ or 50%

Ques 295. The following information is taken from the financial statement of AR Mobiles Ltd. What will be the Cash Ratio of the company?

Sr. No	Particulars	Amount (in Rs Cr)
1	Accounts Receivable	250.00
2	Bills Payable	120.00
3	Inventories	100.00
4	Cash Balance	115.00
5	Tradable Securities	35.00

- a) 2.08
- b) 1.50
- c) 1.25
- d) 1.04
- e) NOTA

Answer: (C)

Explanation: Cash Ratio = Cash and cash Equivalents / Current Liability = (Cash Balance + Tradable Security) / Bills Payable = $(115 + 35) / 120 = 150 / 120 = 1.25$. Accounts Receivable and Inventory are not counted as Cash and Cash Equivalent or Liability.

Ques 296. Which of the following option shows the Current Relation between Operating Ratio and Operating Profit Ratio?

- a) Operating Ratio = 2 – Operating Profit Ratio
- b) Operating Profit Ratio = 1 + Operating Ratio
- c) Operating Ratio = 2 + Operating Profit Ratio
- d) Operating Profit Ratio = 1 – Operating Ratio
- e) NOTA

Answer: (D)

Explanation: Operating Profit Ratio = 1 – Operating Ratio or (100 – Operating Ratio in percent terms).

Ques 297. Which of the following option shows the correct relation between Gross Profit Ratio, Pretax Profit Ratio, Net Profit Ratio, and the Operating Profit Ratio?

- a) Gross Profit Ratio > Pretax Profit Ratio > Net Profit Ratio > Operating Profit Ratio
- b) Gross Profit Ratio > Operating Profit Ratio > Pretax Profit Ratio > Net Profit Ratio
- c) Gross Profit Ratio > Operating Profit Ratio > Net Profit Ratio > Pretax Profit Ratio
- d) Gross Profit Ratio < Operating Profit Ratio < Net Profit Ratio < Pretax Profit Ratio
- e) NOTA

Answer: (B)

Explanation: Gross Profit Ratio > Operating Profit Ratio > Pretax Profit Ratio > Net Profit Ratio

Ques 298. The following information is taken from the financial statement of XR Media Ltd. What will be the Earnings Per Share(EPS) of the company?

Sr. No.	Particulars	Amount
1	Equity Share Capital @ Rs 10.00 each	1,00,000.00
2	EBIT (Earnings Before Interest and Taxes)	4,00,000.00
3	Interest Expenses	1,50,000.00
4	Tax Payable	80,000.00

- a) Rs. 5.00
- b) Rs. 7.00
- c) Rs. 10.00
- d) No Earning
- e) NOTA

Answer: (B)

Explanation: Net Profit = EBIT – Interest Expenses – Tax payable = 400000 – 150000 – 80000 = 170000.00
 Total Number of Common Equity = Equity Share Capital / Price of Each Share = 100000 / 10 = 10000.
 EPS = Net Profit / Total Number of Common Equity = 170000 / 10000 = Rs. 17.
 Hence, EPS on common Equity of Rs. 10 each = 17 – 10 = Rs. 7.00

Ques 299. The loan of DLX Ltd. was rejected by RBC Bank, which of the following may be a reason for the rejection of the loan?

- a) The Interest Coverage Ratio of the company was negative.
- b) The Interest Coverage Ratio of the company was very high.
- c) Capital Gearing Ratio of the company is negative.
- d) Debt Service Coverage Ratio of the company is high.
- e) NOTA

Answer: (A)

Explanation: Interest Coverage Ratio = EBIT / Total Interest. A negative Interest Coverage Ratio indicates that the gross profit of the company is not even enough to pay the interest dues, such companies are on the verge of getting insolvent. Other Options are not relevant as the company is considered safe if the Capital Gearing Ratio will be less than 1 and a high Debt Service Coverage Ratio implies that the company's operating profit is more than its Total Debt Service payable, this seems to be good, but it is not enough for the company to grow and survive.

Ques 300. Which of the following is false regarding the Proprietary Ratio?

- a) Proprietary Ratio = Total Equity/ Total Capital
- b) Maximum Value of Proprietary Ratio = 5
- c) The Ideal Proprietary Ratio > 0.5
- d) All the Above

e) NOTA

Answer: (B)

Explanation: Proprietary Ratio = Total Equity/ Total Capital = Total Equity / (Total Debt +Total Equity) For Total Debt = 0, Proprietary Ratio =1. Total Debt cannot be less than zero so the Proprietary Ratio cannot be greater than 1.



Ques 301. Details from the annual statement of PRX Media Ltd. is as given below, what will be the Debt-Capital Ratio of the company? Short Term Debt = Rs. 50 Crores, Long Term Debts = Rs. 125 Crore, Total Equity = Rs. 325 Crores

- a) 0.25
- b) 0.51
- c) 0.75
- d) 0.35
- e) NOTA

Answer: (D)

Explanation: Debt-Capital Ratio = Total Liability / Total Capital

= (Short term Debt + Long Term Debt) / (Total Debt + Total Equity)

= (50+125) / (50+125+325) = 175/500 = 0.35

Ques 302. Which of the following Ratio are used to determine the Operational Efficiency of an Organization?

- a) Liquidity Ratios
- b) Solvency Ratios
- c) Turnover Ratio
- d) Profitability Ratio
- e) NOTA

Answer: (C)

Explanation: Turnover Ratios are used to determine the operational efficiency of a company, they are also known as Activity Ratios, Efficiency Ratio, and Asset utilization Ratios.

Ques 303. Financial Information of Great Taste Foods Pvt. Ltd. is given below. What will be the Inventory Turnover Ratio for the Company? Total Purchase = Rs. 8 Lacs, Inventory at the Beginning of FY = Rs 4 Lacs and Inventory at the End of FY = Rs 7 Lacs

- a) 0.9
- b) 0.7
- c) 0.5
- d) 1.0
- e) NOTA

Answer: (A)

Explanation: Inventory Turnover Ratio = Cost of Goods Sold / Average Inventory

Cost of Goods Sold = Inventory at the Beginning of Period + Purchase – Inventory at the End of Period = 4 lacs + 8 Lacs – 7 Lacs = 5 Lacs

Average Inventory = (Inventory at the Beginning + Inventory at the End) / 2 = (4+7) / 2 = 5.5 lacs

Inventory Turnover Ratio = 5 / 5.5 = 0.9

Ques 304. Which of the following statements are correct?

Statement 1: High Working Capital Turnover Ratio indicates that the company is very efficiently using the current assets and liabilities to support its sales

Statement 2: Low Assets Turnover Ratio indicates that the company is utilizing its assets efficiently.

- a) Statement 1 and Statement 2 both are correct
- b) Only Statement 1 is correct
- c) Only Statement 2 is Correct
- d) None of the Statements is Correct

Answer: (B)

Explanation: Working Capital Turnover Ratio = Net Sales / Average Working Capital

High Working Capital Turnover Ratio indicates the company is very efficiently using the current assets and liabilities to support its sales

Assets Turnover Ratio = Total Sales / Average Assets

Low Assets Turnover Ratio indicates that the company is not utilizing its assets efficiently. The company may have invested in a few assets which are not able to generate high sales for the company.

Ques: 305: Who headed the first committee to design the GST model in India?

- a) Nirmala Sitharaman
- b) Arun Jaitley
- c) P. Chidambaram
- d) Asim Das Gupta
- e) Arvind Subramanian

Sol: d

Explanation: Asim Das Gupta headed the first committee to design the GST model in India.

Ques: 306: As per the recent budget, who has been termed as Architect of GST in India?

- a) Pranab Mukherjee
- b) Arun Jaitley
- c) Asim Das Gupta
- d) Narendra Modi
- e) Nirmala Sitharaman

Sol: b

Explanation: As per the recent budget, Arun Jaitley has been termed as Architect of GST in India.

Ques: 307: Which of the following is not a benefit/feature of GST?

- a) Leakage Control
- b) Uniform Tax Structure
- c) Introduction of Cascading Effect
- d) Higher Revenue Efficiency
- e) Easy Administration

Sol: c

Explanation: GST aimed at removing the Cascading effect and not introducing it.

Ques: 308: What is meant by the term registered vendor under GST?

- a) The Vendor is having a valid GSTIN
- b) Business is registered under the Companies Act
- c) The vendor is exempted from all kinds of GST Payments.
- d) The Vendor having an Agriculture based business
- e) NOTA

Sol: a

Explanation: A vendor is said to be registered If he is having a valid GSTIN.

Ques: 309: Which of the following tax has not been merged into GST?

- a) Excise Duty
- b) Customs Duty
- c) Luxury Tax
- d) Purchase Tax
- e) Entertainment Tax

Sol: b

Explanation: Except, Customs Duty all others have been merged in GST.

Ques: 310: E-way bill applies to movement/trade of which of the following?

- a) Goods
- b) Services
- c) GST Exempted Services
- d) All E-Commerce Transactions
- e) All Digital Payments

Sol: a

Explanation: E-Way Bill is only applicable to the movement of Goods.



Ques: 311: E-Way Bill should be generated if the value of the movement of Goods is above the amount of _____. Choose the correct option.

- a) 50,000
- b) 25,000
- c) 1,00,000
- d) 75,000
- e) Compulsory on all Movements of Goods irrespective of the amount

Sol: a

Explanation: E-Way Bill should be generated if the value of the movement of Goods is above the amount of Rs. 50000.00

Ques: 312: What is the GST Tax Rate on Lottery and Mobile Phones respectively?

- a) 18% and 28% respectively
- b) 12% and 18% respectively
- c) 28% and 18% respectively
- d) 5% and 12% respectively
- e) Lottery and Mobile Phone is not under the purview of GST

Sol: c

Explanation: GST Council has imposed a GST of 28% on the lottery and 18% on Mobile Phones (Earlier 12%)

Ques: 313: What is the full form of ITC with respect to GST?

- a) Income Tax Credit
- b) Input Tax Credit
- c) Indian Tax Credit
- d) Inter Tax Credit
- e) Intra Tax Credit

Sol: b

Explanation: ITC stands for Input Tax Credit in GST

Ques: 314: Who is the chairman of the GST Council?

- a) Prime Minister
- b) Chief Economic Advisor
- c) Union Finance Minister
- d) Nominated by the members of GST Council
- e) Chairperson of NITI Ayog

Sol: c

Explanation: Union Finance Minister chairs the GST Council.

Ques: 315 Which of the following option regarding Fund Flow Statements is correct?

- a) Fund Flow Statement is the same as the Cash Flow Statement
- b) Fund Flow Statement and Cash Flow Statement are two different concepts
- c) Fund Flow Statement is used to analyze the short-term fund requirements of the company
- d) NOTA

Sol: b

Explanation: Fund Flow Statement and Cash Flow Statement are two different concepts.

Ques: 316: Fund Flow Statement is also known as?

- a) Where Gone Statement
- b) Movement of Funds Statement
- c) Inflow and Outflow of Funds Statement.
- d) All the Above
- e) NOTA

Sol: d

Ques: 317: Which of the following are sources of Fund Outflow?

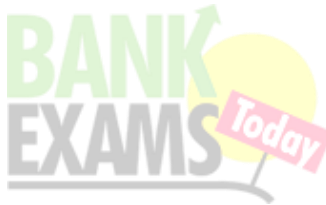
- a) Increase in Liability
- b) Increase in Assets
- c) An equal increase in Current Assets and Current Liabilities
- d) NOTA

Sol: b

Explanation: Increase in Assets is a source of the outflow of funds.

Ques: 318: What does the term 'Fund' mean in Fund Flow Statement?

- a) Assets
- b) Cash
- c) Cash Equivalents
- d) Liabilities
- e) Working Capital



Sol: e

Explanation: Funds mean the Working Capital in the context of Fund Flow Statement.

Ques: 319: Which of the option is correct regarding the Accounting System of Fund Flow Statement?

- a) Fund Flow Statement follows Cash System of Accounting
- b) Fund Flow Statement follows Accrual System of Accounting
- c) Either Cash or Accrual Basis can be used.
- d) Both Cash, as well as Accrual basis, are used in various instances.

Sol: b

Explanation: Fund Flow Statements follow the Accrual System of Accounting.

Ques: 320: Which of the following statement is prepared in the process of creating a Fund Flow Statement?

- a) Funds from Operations (FFO)
- b) Schedule showing change in Working Capital
- c) Both a and b
- d) Neither a nor b

Sol: c

Explanation: Schedule showing a change in working capital and FFO is created in the process of creating a Fund Flow Statement.

Q: 321: Fund Flow Statement is created from the Balance sheet of how many years?

- a) 3
- b) 2
- c) 1
- d) NOTA

Sol: b

Explanation: Fund Flow Statement is created from the Balance sheet of two consecutive years



Ques: 322: Which of the following components are added and Subtracted in Profit and Loss while creating Fund from Operations?

- a) Non-Operating Expense is added, and Non-Operating Income is subtracted
- b) Non-Operating Expense is subtracted, and Non-Operating Income is added.
- c) Non-Operating Expenses as well as Non-Operating Income is added.
- d) Non-Operating Expenses as well as Non-Operating Income is subtracted.
- e) NOTA.

Sol: a

Explanation: Non-Operating Expense is added, and Non-Operating Income is subtracted from the Profit and Loss to reach FFO.

Ques: 323: Which of the following statements contribute to increased Working Capital?

- a) A decrease in Current year Assets than the previous year
- b) Increase in Current year Liabilities than the Previous year
- c) Equal Increase/Decrease in Assets and Liabilities

- d) Increase in Current year Assets than the Previous year
- e) NOTA

Sol: d

Explanation: Increase in Current year Assets than the Previous year leads to increased Working Capital.

Ques: 324: Which of the following statements is/are limitations of Fund Flow Statements?

- a) It considers non-fund items
- b) Fund Flow Statement provides additional information apart from the Financial Statement
- c) It ignores transactions that have nil impact on Working Capital
- d) All the above
- e) NOTA

Sol: c

Explanation: Fund Flow Statement ignores transactions that have nil impact on Working Capital

Ques: 325: Recently, Power Minister Mr. RK Singh proposed a new scheme for Power Sector to 15th Finance Commission, what is the amount of the scheme?

- a) 3 Lacs Crore
- b) 5 Lacs Crore
- c) 10 Lacs Crore
- d) 7 Lacs Crore
- e) 15 Lacs Crore



Sol: a

Explanation: Power Minister Mr. RK Singh proposed a new scheme of Rs. 3 Lacs Crore for Power Sector to 15th Finance Commission.

Ques: 326: Which of the following criteria of Devolution which was present in 14th FC has been dropped by 15th FC?

1. Forest Cover
 2. Population (1971)
 3. Tax Effort
 4. Demographic Performance
- a) Only 2 and 3
 - b) Only 1 and 3
 - c) Only 3 and 4
 - d) Only 1 and 2
 - e) All the above (1,2,3,4)

Sol: d

Explanation: Forest Cover and Population (1971) are no longer a criterion for tax devolution in 15th FC

Ques: 327: Which of the following statement correctly defines the term Income Distance as per the 15th FC?

- a) Income distance is the distance of the state's income from the state with the lowest income.
- b) Income distance is the distance of the state's income from the state with the highest income.
- c) Income distance is the distance of the state's income from the mean income of all the states.
- d) Income distance is the distance of the state's income from form its income as per 14th FC.
- e) NOTA

Sol: b

Explanation: Income distance is the distance of the state's income from the state with the highest income.

Ques: 328: Which of the following is not a member of 15th FC?

- a) Ramesh Chand
- b) Anoop Singh
- c) Arvind Subramanian
- d) Shaktikanta Das
- e) Ashok Lahiri

Sol: c

Explanation: Except, Arvind Subramanian all others are members of the 15th FC.

Ques: 329: What is the current cost-sharing pattern between Centre and North Eastern and the Himalayan States for Disaster Risk Management Fund?

- a) Centre: State = 75:25
- b) Centre: State = 90:10
- c) Centre: State = 80:20
- d) Centre: State = 50:50
- e) Centre: State = 60:40

Sol: b

Explanation: The cost-sharing pattern between center and states is (i) 75:25 for all states, and (ii) 90:10 for north-eastern and Himalayan states.

Ques: 330: What amount of Grants has been fixed for Local Bodies as per the 15th FC?

- a) 90,000 Crore
- b) 1,00,000 Crore
- c) 50,000 Crore
- d) 75,000 Crore
- e) 60,000 Crore

Sol: a

Explanation: The total grants to local bodies for 2020-21 has been fixed at Rs 90,000 crore

Ques: 331: Which of the following is a criterion for Performance-Based Grants by the 15th FC?

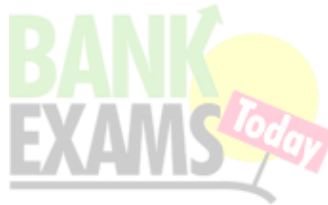
1. Implementation of agricultural reforms
 2. Power sector reforms
 3. Incentives for education
 4. Coverage Affordable Housing for All Scheme
- a) Only 2, 3, and 4
 - b) Only 1, 3, and 4
 - c) Only 1, 2, and 3
 - d) Only 1, 2, and 4
 - e) All the Above (1,2,3, and 4)

Sol: c

Explanation: Coverage Affordable Housing for All Scheme is not a criterion for performance Based Grants.

Ques: 332: Which of the following states have been considered for Special Grants by the 15th FC?

1. Karnataka
 2. Mizoram
 3. Telangana
 4. Nagaland
- a) Only 1, 3 and 4
 - b) Only 1, 2 and 3
 - c) Only 2, 3 and 4
 - d) Only 1, 2 and 4



Sol: b

Explanation: Except Nagaland, all the other three states have been considered for special grants

Ques: 333: As per the 15th FC, the share of states in the center's taxes is recommended to be decreased from 42% during the 2015-20 period to 41% for 2020-21. Which of the following is the reason for the 1% decrease?

- a) Newly formed union territories of Jammu and Kashmir, and Ladakh
- b) Newly Merged union territories of Daman and Diu and Dadar and Nagar Haveli
- c) The decrease in central Revenue Collection
- d) Create a buffer for fighting against a global issue like COVID-19
- e) Account for the GST Cess payable to states to balance the reduced GST collection.

Sol: a

Explanation: The share of states in the center's taxes is recommended to be decreased from 42% during the 2015-20 period to 41% for 2020-21. The 1% decrease is to provide for the newly formed union territories of Jammu and Kashmir, and Ladakh from the resources of the central government.

Ques: 334: Which of the following sectors are not a part of the sector-specific grants by the 15th FC?

- a) Health
- b) Nutrition
- c) Railway
- d) Power
- e) Housing

Sol: d

Explanation: Sector-specific grants for the following sectors will be provided in the final report: (i) nutrition, (ii) health, (iii) pre-primary education, (iv) judiciary, (v) rural connectivity, (vi) railways, (vii) police training, and (viii) housing.

