

**Part-II (i) For CHARTED ACCOUNTANT DEGREE  
(70 Questions)**

31. The accounts relating to all assets & properties are called:-  
a) Personal Accounts  
b) Nominal Accounts  
c) Real Accounts  
d) None of the above
32. Income is recorded on cash basis but expenses are recorded on mercantile basis in the following basis of accounting system:-  
a) Cash Basis  
b) Mercantile Basis  
c) Hybrid Basis  
d) None of the above
33. The final account of a business consists of :-  
a) Trading A/c  
b) P & L A/c  
c) Balance Sheet  
d) All of the above
34. Statement A :- Balance Sheet is summary of the financial position as on date  
Statement B :- Profit & Loss A/c shows profit or loss for the year  
a) Only A is true  
b) Only B is true  
c) Both are true  
d) Neither of two
35. Which of the following is fundamental principle of accounting?  
a) Monetary unit  
b) Going concern  
c) Principle of conservation  
d) All the above
36. As per which principle of accounting, the entity wants to hope for the best and be prepared for the worst-  
a) Going concern  
b) Principle of conservatism  
c) Cost principle  
d) Matching principle

37. The full form of FASB is -
- Federal Accounting & Standards Board
  - Financial Accounting & Standards Board
  - Financial Accounting & Standards Bureau
  - Fiscal Accounting & Standards Board
38. Presentation/disclosures of prior period items is to be made as per -
- AS 29
  - AS 28
  - AS 5
  - AS 15
39. As per accounting standard, contingent liabilities are to be
- Recognized
  - Disclosed
  - Both A & B
  - Neither A nor B
40. As per AS 18 , which Statement is Correct-
- Discloser of transactions between members of a group is necessary in Consolidated Financial Statement
  - No Disclosure is required in Consolidated Financial Statement in respect of intra-group transactions
  - Discloser is required in the Financial Statement of state – controlled enterprises as regards related party relationships with other state- controlled enterprises and transaction with such enterprises
  - All of the above
41. Which is not the part of Six C's of TQM [Total Quality Management]?
- Commitment
  - Culture
  - Cost Object
  - Control
42. Porter's five forces model holds that state of competition in an industry is a composite of competitive pressures operating in 5 areas. One of the area is as:
- Socio – Cultural Force
  - Population in an area
  - Buyer's bargaining power
  - Market intermediaries
43. Organizational environment consists of
- Internal Factor
  - External Factor
  - Both Internal & External factor
  - None of the above

44. A Company's strategy is –  
a) Reactive  
b) Proactive  
c) Partly proactive and partly reactive  
d) None of the above
45. .... Culture exists in fast paced high risk organizations  
a) Fortress  
b) Club  
c) Baseball  
d) Academy
46. The traits or qualities that are considered as valuable are known as.....  
a) Culture  
b) Values  
c) Ethics  
d) All of these
47. The term 'value' is derived from the French word .....  
a) Valoir  
b) Valas  
c) Velois  
d) None of these
48. .... represent an individual's highest priorities and deeply held driving forces.  
a) Values  
b) Principles  
c) Culture  
d) Ethics
49. The 'guna' of dark force is .....  
a) Raja Guna  
b) SatvaGuna  
c) Tams Guna  
d) None of these
50. Indian model of management is .....  
a) Value driven holistioc  
b) Ratopnal holistic  
c) Hybrid  
d) None of these
51. Fundamental theories of Indian Model include .....  
a) Purushartha Theory  
b) Panchakosas Theory  
c) Theory of Gunas  
d) All of these

52. Every promise and every set of promises, forming the consideration for each other, is:
- Agreement
  - Contract
  - Sale of Good
  - Contingent Contract.
53. Maximum number of Public Companies in which a person can be appointed as Director:
- 12
  - 15
  - 10
  - 20
54. In which of the following way of allotment of shares by the Company Valuation Report is not necessary according to Companies Act, 2013:
- Right Issue
  - Preferential Allotment
  - Private Placement
  - Sweat Equity Shares
55. According to Partnership Act, 1932 section 2(b) the definition of “Business” includes:
- Trade
  - Occupation
  - Profession
  - All of Above
56. Where the goodwill of a firm is sold after dissolution, a partner may carry on a business competing with that of the buyer and he may advertise such business, but, subject to agreement between him and the buyer, he may not:
- Use the firm-name
  - Represent himself as carrying on the business of the firm
  - Solicit the custom of persons who were dealing with the firm before its dissolution
  - All of the above
57. The payee or the holder in due course of the cheque as the case may be, makes a demand for the payment of the said amount of money by giving a notice, in writing, to the drawer of the cheque, within ..... days of the receipt of information by him from the bank regarding the return of the cheque as unpaid:
- 15
  - 30
  - 7
  - 21

58. Apex Private Limited wishes to become publicly traded without initiating an IPO, this can be done only with the help of strategy called :
- Preferential Allotment
  - Reverse Merger/Takeover
  - Acquisition
  - Diversification
59. 'London interbank Exchange Rate' (LIBOR) is based on which of the following currencies:
- U.S. Dollar
  - Japanese YEN
  - Pound Sterling
  - All of Above
60. Which one of the following is not a type of merger and acquisition ?
- Conglomerate takeover
  - Horizontal integration
  - Vertical integration
  - Diversification
61. Over Capitalisation is a situation where :
- Capital Structure consist more Equity Share capital contribution than debt Funds
  - Capital structure consist less Equity Share capital contribution is less than debt funds
  - profit is not sufficient to pay interest and a fair return to shareholders of the company
  - company has ability to pay interest and a fair return to its shareholders
62. Process when a Corporate uses debt fund or Preferred Stocks to increase its EPS is known as :
- Trade on Equity
  - Trade Off
  - Capitalisation
  - None of above
63. Interest Coverage ratio greater than 1 implies :
- The current finance cost of the company is greater than its current year earning before interest
  - The finance cost of the company is less than its current year earning before interest
  - The current finance cost of the company is greater than its previous year earning before interest
  - The finance cost of the company is less than its previous year earning before interest

64. Which designation is not included in Structure of Directorate of Income Tax (Tax Payer Services I):

- a) Pr. DGIT (Admin. & TPS)
- b) ADGIT (Tax payers Services-I)
- c) Add. DIT (Tax Payers Services)
- d) Joint DIT (Tax Payers Services)

65. BD Ltd. Is ordered to be liquidated. The following is a list of payments in the process:

- A. Preferential Creditors
- B. Preference Shareholders
- C. Equity shareholders
- D. Legal charges
- E. Liquidator's expenses
- F. Liquidator's remuneration

The correct order of these payments is the following:

- a) E, F, D, A, B, C
- b) E, F, D, B, A, C
- c) D, E, F, A, B, C
- d) D, E, F, B, A, C

66. When profit is loaded on departmental transfers, the following year-end adjustment is done:

- a) Debit P & L A/c and credit Stock Reserve a/c for value = (opening stock minus closing stock qty) x profit loaded on inter departmental transfer
- b) Debit P & L A/c and credit Stock Reserve a/c for value = (closing stock qty) x value of inter departmental transfer
- c) Debit P & L A/c and credit Stock Reserve a/c for value = (opening stock qty) x profit loaded on inter departmental transfer
- d) Debit P & L A/c and credit Stock Reserve a/c for value = closing stock qty) x profit loaded on inter departmental transfer

67. A Head Office supplies goods to its retail branches at wholesale price (WSP), which is cost + wholesale profit (C + WPr). The branches sell the goods at a retail price (RP), which consists of (WSP + BM), where BM is the Branch Margin. There is a theft in the Branch stock. This stock will be credited to the Branch Stock account or Branch trading account at:

- a) RP
- b) C
- c) WSP
- d) Will not be credited to the Branch Stock Account

68. In a cash flow statement, the following is true:
- Increase in accounts payable results in decrease in cash and is part of 'Operating Activities'
  - Increase in accounts payable results in decrease in cash and part of 'Financing Activities'
  - Increase in accounts payable results in increase in cash and is part of 'Operating Activities'
  - Increase in accounts payable results in increase in cash and is part of 'Financing Activities'.
69. The following information is available for a company (figs. Rs. lacs)
- |  |       |
|--|-------|
| NOPAT (Net Operating profit after tax) | = 171 |
| Depreciation                           | = 100 |
| Fixed Assets acquired for operation    | = 230 |
- (net after deducting depreciation)
- Total operating capital = Net operating Working Capital + Net Fixed Assets was 1450 at the beginning and 1800 at the end of the period.
- Then, Free Cash Flow will be:
- 620
  - 391
  - 291
  - 179
70. There are two investment opportunities X and Y, available to an investor. X has higher rate of return and a lower risk. Y has a lower return and higher risk. The investor would use the following measure to arrive at the appropriate decision:
- Expected Return
  - Standard Deviation
  - Coefficient of variation
  - Rate of return x risk
71. The reference date is 1<sup>st</sup> July 2017. A sum of Rs. 1,00,000/- was borrowed on 1<sup>st</sup> January 2015 at 16%p.a. compound interest with half yearly rests. If you are to settle the load on 1<sup>st</sup> July 2017, what would be the amount that is payable?
- $1,00,000 \times (1 + 8/100)^5$
  - $1,00,000 \times (1 + 16/100)^{2.5}$
  - $1,00,000 \times (1 + 16/100)^{2 \times 5}$
  - $1,00,000 \times (1 + 16/200)^{5/2}$
72. The yield to Maturity of a bond that sells higher than its par value will be:
- Equal to the coupon rate of interest of the bond
  - Higher than the coupon rate of interest
  - Lower than the coupon rate of interest
  - Equal to the market rate of interest

73. A company sells products with a six-month warranty of free replacement against manufacturing defects. The following is the appropriate treatment:
- Based on the sales made within six months prior to the Balance Sheet date estimate the number of warranty replacements that may have to be made and make a provision in the accounts for the replacement cost.
  - Do not make a provision, but treat it as a contingent liability and disclose by way of a note to the accounts.
  - Replacements until balance sheet date would have already been expensed. Only the remaining claims are possible. Hence charge the expense as and when they arise in the period they arise. Hence no provision is to be made. No disclosure is required.
  - Charge off to the current year's profit an estimated amount of expense without having a provision account. In case the claims do not materialize, the excess charged can be credited to the next period's P & L account. This will take care of prudence.
74. Where division are encouraged to perform with autonomy, the following is not a natural outcome:
- Divisional interests may give to decisions that are in conflict with what is the overall good for the company
  - Sum of the divisional performance will be more than the total overall performance
  - Management's interference or mediation will often be necessary to pacify fighting divisions
  - The advantage seen in the synergistic approach by the Management will result in the dissatisfaction of a section of managers
75. Mr. P wants to dispose of his Car. He offered his Car to Mr. S for Rs. 5 Lakhs subject to the condition that Mr. S's acceptance should be communicated to him through an individual messenger only. Mr. S accepted the offer of Mr. P through email only. Next day Mr. S paid Rs. 5 Lakhs to Mr. P, who handed over the car to Mr. S. In the instant case:
- The contract is void;
  - The contract is voidable at the option of Mr. P;
  - The Contract is valid;
  - The acceptance is void.
76. Mr. A promised Mr. B that he will sell his Horse to him for a consideration of Rs. 2 Lakhs after the marriage ceremony of Mr. A is over, which is scheduled after three months. But before his son's marriage, Mr. A sold the horse to Mr. C for Rs. 3 Lakhs. Which option is available to Mr. B now?
- Mr. B can claim the horse from Mr. C;
  - Mr. B can claim Mr. A to take back the horse from Mr. C and give it to him as promised;
  - Mr. B can claim the excess profit of Rs. 1 Lakhs earned by Mr. A;
  - Mr. B can claim damages due to the sale of the horse by Mr. A to Mr. C.

77. As per the provisions of the Companies Act, 2013, a company shall re-open its books of account and recast its financial statements if ordered by the Tribunal on an application made by some authorities in this regard. Which among the following is not a proper authority to apply to the Tribunal for the above purpose?
- The Central Government;
  - The CSR committee of the Company;
  - The Income Tax authorities;
  - The Securities and Exchange Board.
78. A partnership firm, which is not registered, suffers from certain disabilities. Which among the following is not considered as a disability?
- No suit in a civil court by the firm or other co-partners against third party can be initiated;
  - The right to sue or claim a set-off if the value of suit exceeds Rs. 100 in value;
  - The right of third parties to sue the firm or any partner;
  - An aggrieved partner cannot bring legal action against another partner or the firm.
79. Mr. NIHAR, a dealer of Refrigerators, purchased two Refrigerators. One for his personal use and the other for resale purpose. Both the refrigerators were found defective after fifteen days elapsed from purchase. Referring to the provisions of the Competition Act, 2002, state the recourse available to him from the following:
- He will be considered as “Consumer” for both the refrigerators and thus he can claim for the damage of both the refrigerators;
  - He will be considered as “Consumer” for the refrigerator which he has purchased for personal consumption and thus he can claim for the damage for that only;
  - He will be considered as “Consumer” for the refrigerator which he has purchased for resale and thus he can claim for the damage for that only;
  - He will not be considered as “Consumer” for any of the refrigerators and thus he cannot claim for any damage.
80. For an individual assessee who has paid medical insurance premium of Rs 35,000 for a non-resident mother aged 66 by way of an account payee cheque, the deduction available u/s 80D of the Income-tax Act, 1961 is Rs
- 25,000
  - 30,000
  - 35,000
  - None of the above
81. A resident individual borrowed a sum of Rs. 7,00,000 at the rate of 10% from a bank towards construction of house on 1-4-2016. The house was completed on 23-3-2017 and occupied for own use. The amount which can be claimed as interest while computing income from house property is
- 35,000
  - 14,000
  - 70,000
  - None of the above

82. A manufacturing company has acquired new machinery for Rs 400 lakhs on 12-3-2016 and put the same to use on 30-3-2016, in its factory at Chennai. In respect of this machinery, the additional depreciation allowable during the AY 2017-18 will be Rs. (in lakhs)
- 40
  - 20
  - Nil
  - None of the above
83. Beneficial circulars issued by the CBDT, even if they deviate from the provisions of the Act, are binding on
- None
  - All income-tax authorities
  - Income-tax Appellate Tribunal
  - Assessees only
84. A student has received a sum of Rs 1,00,000 from State Government as scholarship for pursuing education in the University of Chennai. He has spent Rs 80,000 towards the study expenses. The amount which will be chargeable to income-tax is Rs.
- 1,00,000
  - 80,000
  - Nil
  - 20,000
85. A domestic company has incurred an expenditure of Rs 10 lakhs towards skill development project, notified by the CBDT. Same was not on land or building. Deduction available while computing the business income is Rs (Lakhs)
- 10
  - 15
  - 17.5
  - None of the above.
86. Relief u/s 89 of the Income-tax Act, 1961 is available in respect of
- Arrears of family pension received
  - Arrears of salary received;
  - Both of above;
  - None of above.
87. An individual assessee has filed the return of income on 29-12-2017. The unabsorbed depreciation of Rs. 10 lakhs can be carried forward for
- 4 assessment years
  - 8 assessment years
  - Without time limit
  - Cannot be carried forward, since the return was filed belatedly

88. An assessee is desirous of filing an appeal against the order of the Assessing Officer for levy of penalty of Rs 45,000 for failure to deduct tax at source. The fee payable for filing such appeal will be
- Rs 250
  - Rs 1,000
  - Rs 2,000
  - 1% of such penalty
89. In the context of transfer pricing, Advance Pricing Agreement is valid for a period of \_\_\_ consecutive years
- 4
  - 5
  - 6
  - Till such period as is specified in the Agreement
90. Comparable Uncontrolled Price method of transfer pricing is often made use of in cases of
- Royalty transactions
  - Purchase transactions
  - Sales transactions
  - All of above

**Each question has 4 statements, of which only 1 statement is correct/appropriate. Identify that statement. (91-99)**

91. Which of the following matters do not affect auditor's opinion?
- Qualified opinion
  - Adverse opinion
  - Emphasis of matter
  - Disclaimer of opinion
92. Number of days from the date of registration of a company within which the first auditor of the company is to be appointed by the Board of Directors:
- 90 days
  - 30 days
  - 45 days
  - 60 days
93. Cut-off arrangement is:
- Separation of transactions of one period from another period
  - Separation of regular transactions from extraordinary items
  - Separation of work in progress from Finished goods
  - Separation of purchases, from goods received on sale or return basis

94. Letter of weakness is issued by \_\_\_\_\_
- Management to Auditor
  - Auditor to Management
  - Bank to its clients
  - Insurance company
95. Responsibility to prepare financial statements and to adopt appropriate accounting policies is on:
- Statutory auditor
  - Internal auditor
  - Management of the company
  - Concurrent auditor
96. Fraud is committed in the following manner:
- Overcasting of receipt side of the cash book
  - Undercasting of payments side of the cash book
  - Fictitious entries of deposits in the cash column of cash book
  - Offering discount for payment made without availing credit period
97. Auditor of a public company has to report to Central Government of any fraud within
- 15 days
  - 30 days
  - 45 days
  - 60 days
98. Examples of inflating the payment:
- Teaming & lading
  - Not accounting cash sales fully
  - Making payment against fictitious vouchers
  - Non-accounting of miscellaneous receipts
99. Advantage of using statistical sampling technique
- Sample selection is more objective and based on law of probability
  - Sample size increases in proportion to the size of population
  - Non-sampling errors are large
  - No means to derive calculated risk

**The following question has 4 statements, of which only 1 statement is incorrect/inappropriate. Identify that statement.**

100. In case of statutory audit:

- Extent of work to be done upon the legal requirement
- Approach is governed by his statutory duty to the shareholders
- The auditor is responsible to the management
- He has got independent status