

## Final Accounts

**45 Questions    45 Marks    60 Minutes**

**Select the best choice to answer the following questions:**

1. Current assets include:
  - a) Stock, debtors, prepayments
  - b) Stock, debtors, accruals
  - c) Stock, creditors, prepayments
  - d) Stock, creditors, accruals
2. Drawing is shown on the balance sheet as:
  - a) An addition to the capital account
  - b) A deduction from the capital account
  - c) Part of current liabilities
  - d) Part of current assets
3. A long-term liability is:
  - a) A creditor due for payment within 12 months
  - b) A liability where it is not known when it is to be repaid
  - c) A creditors due for payment after more than 12 months
  - d) The same as an accrual
4. Fixed assets are assets which are:
  - a) Likely to last at least a year and are valuable
  - b) Not going to be depreciated
  - c) Unlikely to last a year
  - d) The unsold goods of the business
5. Current assets are assets which:
  - a) Keep their value over at least a year
  - b) Constantly change their value
  - c) Are depreciated
  - d) Sometimes change their value
6. Liabilities are usually divided between:
  - a) Urgent and non-urgent
  - b) Fixed and current
  - c) Current and long-term
  - d) Medium term and long-term
7. A bank overdraft is usually classified as:
  - a) A current asset
  - b) A long-term liability
  - c) A current liability
  - d) Capital
8. Which of the following will not result in a change in capital?
  - a) A fixed asset brought by the business for Rs. 10,000
  - b) A profit made by the business
  - c) A loss made by the business
  - d) The owner withdrew Rs. 5,000 from the business
9. Which of these is not an expense?
  - a) Carriage inwards      b) Carriage outward
  - c) Discount Received    d) Discount allowed
10. Relating to the closing stock for an accounting period, which of following is true?
  - a) The figure is shown only in the trading account
  - b) The figure is shown only in the balance sheet
  - c) The figure is shown in the trading account and the balance sheet
  - d) The figure is shown as part of purchases in the trading account
11. Depreciation of a delivery van used for carriage inwards and carriage outwards will appear in
  - a) Profit & Loss A/c      b) Trading A/c
  - c) Trading A/c & Profit & Loss A/c
  - d) Profit & loss A/c and balance sheet
12. A profit on the disposal of a fixed asset can also be described as an:
  - a) Over-provision for depreciation on the asset
  - b) Increase in fixed assets on the balance sheet
  - c) Increase in the bank balance
  - d) Under-provision for depreciation on the asset
13. What is the effect of overvaluing closing stock on the current year's profits?
  - a) Decreases the gross profit and net profit
  - b) Increases the gross profit but decreases net profit

- c) Decreases the gross profit and increases net profit  
d) Increases the gross profit and net profit
14. Which of the following would appear in a trading account?  
a) Discount allowed      b) Carriage outward  
c) Carriage inward  
d) Discount received
15. How should a contingent liability be included in a firm's financial statement if the likelihood of a transfer of economic benefit to settle it is remote?  
a) Disclosed by note with some provisions being made  
b) Disclosed by note with no provision being made  
c) Neither disclosure nor provision is required  
d) Adequate provision is required  
e) Adequate provision should be made
16. Which of the following should be classified as current liabilities?  
(i) Sundry debtors  
(ii) Sales tax payable  
(iii) Sundry creditors  
(iv) Investments  
a) (i) & (ii)                      b) (i) & (iv)  
c) (ii) & (iii)                     d) (iii) & (iv)
17. Which of the following would be classified as revenue expenditure for a shop?  
(i) Assistant's wage  
(ii) Trade licence fee paid  
(iii) Purchase of a new shop counter  
(iv) Repainting of the outside of the shop  
a) (i) & (ii)                        b) (i) & (iv)  
c) (i) & (iii)                       d) (i), (ii) & (iv)
18. Relating to the opening and closing stock for a financial period, which of the following is true?  
a) Both figures are shown in the trading account but only the opening stock is shown in the balance sheet  
b) Only the opening stock is shown in the trading account, but both figures are shown in the balance sheet  
c) Both figures are shown in the trading account but only the closing stock is shown in the balance sheet  
d) Only the closing stock is shown in the trading account, but both figures are shown in the balance sheet
19. Which of the following is capital expenditure?  
a) Cost of installing a new machine  
b) Interest paid on loan borrowed to finance the purchase of a new machine  
c) Cost of replacing parts to maintain the efficiency of a machine  
d) Cost of electricity to run a machine
20. Which of the following is not capital expenditure?  
a) A major overhaul to the motor of a delivery van to extend its useful life  
b) An air-conditioner fixed to a delivery van  
c) Cost of replacing tyres of a delivery van  
d) An extra body is added to a delivery van to increase the carrying capacity
21. Which of the following is not shown in the balance sheet?  
a) Fixed deposit                      b) Opening stock  
c) Mortgage on land                d) bank overdraft
22. Gross profit is  
a) Sales less purchases  
b) Net sales less cost of goods sold  
c) Net profit less expenses  
d) Sales less purchases plus opening stock
23. Net profit is determined in the  
a) Trial balance                        b) balance sheet  
c) Profit & loss A/c                 d) Trading A/c
24. Salaries are expenses incurred in making goods into a saleable condition, they should be charged to the  
a) Balance sheet                      b) Trading A/c  
c) Profit & Loss A/c                 d) Trial balance
25. The accounts of a business have been prepared, but no adjustments have been made for accrued expenses at the end of the year

What effect will these omission have on the accounts?

Net profit	Current Assets	Current Liabilities
a) Overstated	No effect	Understated
b) Understated	No effect	Overstated
c) Overstated	Understated	No effect
d) Understated	Overstated	No effect

26. The purchase of an office computer has been debited to Office Expenses instead of to Office Equipment. What effect will this have on the Balance Sheet?

Fixed Assets	Profit	Capital
a) No effect	Understated	No effect
b) No effect	Understated	Understated
c) Understated	No effect	Understated
d) Understated	Understated	No effect

27. The owner of a business has taken goods for his own use but no entry has been made in the books to record this. What is the effect of this one the Balance sheet?

Stock	Capital
a) No effect	No effect
b) No effect	Overstated
c) Overstated	No effect
d) Overstated	overstated

28. Which of the following is not shown in the Profit and loss A/c?

- a) Stationery
- b) carriage inwards
- c) Annual business registration fee
- d) Registration fee for delivery van

29. Net profit is shown on the

- a) Credit side of the balance sheet
- b) Credit side of the trading account
- c) Credit side of the profit & loss A/c
- d) Creditors side of the capital A/c

30. Accumulated depreciation of a fixed asset is shown as

- a) An expense in the profit and loss A/c
- b) A liability in the balance sheet
- c) A deduction of the related fixed asset in the balance sheet
- d) An asset in the balance sheet

31. What is the main purpose of a Balance Sheet?

- a) To report the current value of the business
- b) To report the personal assets of the business
- c) To report the asset and liabilities of the business
- d) To indicate if the business is trading profitably

32. Which of the following is a bank overdraft?

- a) An asset
- b) A liability
- c) Revenue
- d) Expenses

33. Which of the following statements is incorrect?

- a)  $Assets = liabilities + Capital$
- b)  $Capital = assets - liabilities$
- c)  $Capital - liabilities = assets$
- d)  $Liabilities = assets - capital$

34. Which of the following items should be included in the calculation of gross profit?

- a) Carriage outward
- b) Carriage inward
- c) Commission to sales manager
- d) Discount allowed

35. H is recording the invoice for the purchase of a machinery. As well as the basic cost of the asset, the invoice shows the following items:

- Delivery
  - Installation
  - Maintenance
- Which of the cost should be treated as revenue expenditure?

- a) Delivery only
- b) installation only
- c) Maintenance only
- d) All of the costs

36. Which of the following correctly calculates cost of sales?

- a)  $Purchases + opening inventory + closing inventory$
- b)  $Purchase - opening inventory + closing inventory$
- c)  $Purchases - opening inventory - closing inventory$
- d)  $Purchases + opening inventory - closing inventory$



48. The annual insurance premium of B for the period 1<sup>st</sup> July, 2006 to 30 June 2007 is Rs. 13,200, which is 10% more than the previous year. Insurance premiums are paid on 1 July.  
 The amount to be charged to profit and loss account for insurance for the year ended 31<sup>st</sup> December, 2006 is \_\_\_\_\_
- a) Rs. 11,800                      b) Rs. 12,540  
 c) Rs. 12,600                      d) Rs. 13,200
49. Just before his year end, Kamal received a claim for Rs. 30,000 following an accident caused by one of his lorries. He accepted liability and offered to pay Rs. 15,000. His offer was rejected and legal proceedings were started. His legal advisor told him that when the claim goes to court he will be required to pay Rs. 20,000.  
 The amount should be provided in his year end accounts is \_\_\_\_\_
- a) Nil                                      b) Rs. 15,000  
 c) Rs. 20,000                      d) Rs. 30,000
50. In the year to 31<sup>st</sup> March, 2007 Shyam received Rs. 2,98,600 from his customers. At 31<sup>st</sup> March, 2007 he was still owed Rs. 1,58,650. A year earlier he was owed Rs. 1,65,280.  
 The amount of sales for the year to 31<sup>st</sup> March, 2007 was \_\_\_\_\_
- a) Rs. 2,91,970                      b) Rs. 2,98,600  
 c) Rs. 3,05,230                      d) Rs. 4,57,250
51. The following figures have been extracted from a trader's records concerning wages:
- (i) Employees PP contribution Rs. 678  
 (ii) Gross basic wages Rs. 9,900  
 (iii) Income tax deducted Rs. 2,000  
 (iv) Employer's PF contribution Rs. 925
52. Details of a firm's insurance premium are shown below:
- (i) Premium for year ended 31<sup>st</sup> March 2006 paid in April 2005- Rs. 10,800  
 (ii) Premium for year ended 31<sup>st</sup> March 2007 paid in April 2006- Rs. 12,000  
 The amount of premium to be charged to profit and loss account for the year ended 30 June 2006 is \_\_\_\_\_
- a) Rs. 11,100                      b) Rs. 11,700  
 c) Rs. 10,800                      d) Rs. 12,000
53. In October, 2006 X paid Rs. 78,000 for the four months from 1 November, 2006. What should be shown on X's Balance Sheet at 31<sup>st</sup> December, 2006?
- a) Outstanding rent of Rs. 39,000  
 b) Outstanding rent of Rs. 19,500  
 c) Prepaid rent of Rs. 39,000  
 d) Prepaid rent of Rs. 19,500
54. At 31<sup>st</sup> December, 2006 the balance on C's debtors ledger is Rs. 37,890. C has decided to write off balances totaling Rs. 1,570. He wants to maintain 2.5% provision for doubtful debts.  
 What is the value of sundry debtors which should be shown in C's Balance sheet at 31<sup>st</sup> December, 2006?
- a) Rs. 37,142                      b) Rs. 36,400  
 c) Rs. 35,642                      d) Rs. 35,412
55. When Rakesh prepared his draft accounts, he included Rs. 14,000 as outstanding rent for two months. However, he should have provided for only one month's rent.  
 How will Rakesh's current liabilities be affected when he adjusts the outstanding rent?
- a) Increased by Rs. 7,000  
 b) Reduced by Rs. 7,000  
 c) Increased by Rs. 14,000  
 d) Reduced by Rs. 14,000
56. When Neelam prepared her draft accounts, she included her closing stock at a value of Rs. 21,270. She has just found out that some items valued at Rs. 2,150 had not been included in the calculation.  
 How will net profit and net assets be affected when the closing value is corrected?
- |                           | <b>Net profit</b>      | <b>Net Assets</b>      |
|---------------------------|------------------------|------------------------|
| a) Reduced by Rs. 2,150   | Reduced by Rs. 2,150   | Reduced by Rs. 2,150   |
| b) Reduced by Rs. 2,150   | Reduced by Rs. 2,150   | Increased by Rs. 2,150 |
| c) Increased by Rs. 2,150 | Increased by Rs. 2,150 | Reduced by Rs. 2,150   |
| d) Increased by Rs. 2,150 | Increased by Rs. 2,150 | Increased by Rs. 2,150 |

57. At 31<sup>st</sup> March, 2007 Z had an outstanding balance of Rs. 24,000 on his bank loan account. The terms of the loan require him to pay Rs. 400 on the first day of each month.  
 How should the loan be shown in Z's Balance Sheet at 31<sup>st</sup> March, 2007?

<b>Current liability</b>	<b>Non-current liability</b>
a) Nil	Rs. 24,000
b) Rs. 24,000	Nil
c) Rs. 4,800	Rs. 19,200
d) Rs. 19,200	Rs. 4,800

58. Robin allows customer to return faulty goods with,548 for sales returns. At 31<sup>st</sup> in 14 days of purchase. At 31<sup>st</sup> December, 2005 he made a provision of Rs. 6,548 for sales returns. At 31<sup>st</sup> December, 2006 he expected that the provision should be Rs. 7,634.  
 What should be shown in the Profit and loss A/c of Robin for the year ended on 31<sup>st</sup> December, 2006 in respect of the provision?

a) A change of Rs. 7,634  
 b) A change of Rs. 1,086  
 c) A credit of Rs. 7,634  
 d) A credit of Rs. 1,086

59. What entries should be made in a sole trader's capital A/c to record a loss for the period and drawings

<b>Loss</b>	<b>Drawings</b>
a) Debit	Credit
b) Credit	Debit
c) Debit	Debit
d) Credit	Credit

60. In the year to 31<sup>st</sup> December, 2006 Kabir paid Rs. 17,650 for electricity. At 1<sup>st</sup> January, 2006 he had an accrual of Rs. 2,640 for electricity. At 31<sup>st</sup> December, 2006 the accrual was Rs. 3,120.  
 How much to be charged to Profit & Loss A/c for the year ended on 31<sup>st</sup> December, 2006 in respect of electricity?

a) Rs.11,890                      b) Rs.23,410  
 c) Rs. 17,170                      d) Rs. 18,130

61. Shiva is preparing his final accounts for the year to 31<sup>st</sup> March, 2007. The last payment Shiva made for electricity was in February

2007 when he paid Rs. 3,270 for the three months to 31<sup>st</sup> January 2007. What adjustments does Shiva need to make when preparing his final accounts for the year to 31 March, 2007?

- a) A prepayment of Rs. 1,090  
 b) An accrual of Rs. 1,090  
 c) A prepayment of Rs. 2,180  
 d) An accrual of Rs. 2,180

62. In the year to 31<sup>st</sup> March, 2006 K's sales were Rs. 1,82,000. All of his sales were made at a mark up of 30%. His opening stock was Rs. 11,800 and closing stock was Rs. 9,700.

What is the amount of purchase in the year to 31<sup>st</sup> March, 2007?

- a) Rs. 1,40,000                      b) Rs.1,37,900  
 c) Rs. 1,42,100                      d) Rs. 1,25,300

63. The following information has been extracted from a Balance Sheet at 31<sup>st</sup> December, 2006:

	<b>Rs.</b>
Fixed assets	3,00,000
Working capital	30,000
Long term loan	20,000
Profit for the year	35,000
Drawings	25,000

What was the balance on capital account at 31<sup>st</sup> December, 2006?

- a) Rs. 3,00,000                      b) Rs. 3,20,000  
 c) Rs. 3,40,000                      d) Rs. 3,50,000

64. On 1.6.2006 A Ltd. pays a rent bill of Rs. 90,000 for the period to 31.5.2007. What are the charges to the profit and loss A/c and the entry in the balance sheet for the year ended 31.12.2006?

- a) Rs. 52,500 charge to profit and loss A/c and prepayment of Rs. 37,500 in the balance sheet  
 b) Rs. 52,500 charge to profit and loss A/c and accrual of Rs. 3,750  
 c) Rs. 90,000 charge to profit & loss A/c and Nil in the balance sheet  
 d) Rs. 37,500 charge to profit and loss A/c and prepayment Rs. 52,500 in the balance sheet

65. A machine is bought for Rs. 18,000, plus Rs. 3,000 installation costs. It is to be depreciated on a reducing balance basis using a rate of 60% p.a. what is the depreciation to be charged in the second year of the assets's ownership?  
 a) Rs. 12,600                      b) Rs.4,320  
 c) Rs. 5,040                      d) Rs. 8,400
66. X's draft accounts for the year to 31<sup>st</sup> December, 2006 report a loss of Rs. 1,486. When he prepared the accounts, X did not include an outstanding expenses of Rs. 1,625 and a prepayment of Rs. 834. What is X's profit or loss for the year to 31<sup>st</sup> December, 2006 following the inclusion of the outstanding and prepayment?  
 a) A loss of Rs. 695  
 b) A loss of Rs. 2,277  
 c) A loss of Rs. 3,945  
 d) A profit of Rs. 1,807
67. A trial balance at 31<sup>st</sup> December, 2006 includes the following balances:  
 Sundry debtors Rs. 75,943  
 Provision for bad debts Rs. 4,751  
 How should these balance be shown in the Balance sheet as at 31<sup>st</sup> December, 2006?  
 a) A asset of Rs. 71,192  
 b) An asset of Rs. 75,943 and a liability of Rs. 4,751  
 c) A liability of Rs. 71,192  
 d) A liability of Rs. 75,943 and an asset of Rs. 4,751
68. Ram, who is a sole trader, made a profit of Rs. 22,860 in the year to 31<sup>st</sup> March, 2007. During the year his drawings were Rs. 16,890. On 1<sup>st</sup> April, 2006 the balance of his capital account was Rs. 68,920. What is the balance on Ram's capital account at 31<sup>st</sup> March, 2007?  
 a) Rs. 29,170                      b) Rs. 62,950  
 c) Rs. 74,890                      d) Rs. 1,08,670
69. At the beginning of its year, a firm had brought forward a debit balance of Rs. 3,000 on rent account. During the year, the firm paid rent of Rs. 15,000 and carried forward a credit balance of Rs. 2,000. The amount charged to Profit & Loss A/c for rent was  
 a) Rs. 20,000                      b) Rs. 18,000  
 c) Rs. 17,000                      d) Rs. 15,000
70. If a business has paid gas bills totaling Rs. 34,000 during a financial period but owes Rs. 3,000 for gas by the end of the period, what will be the opening balance in the gas account at the start of the following period?  
 a) Rs. 37,000 Cr.                      b) Rs. 3,000 Dr.  
 c) Rs. 31,000 Dr.                      d) Rs. 3,000 Cr.
71. If the capital at the end of the accounting period is Rs. 50,000, the net profit for the year is Rs. 15,000 and drawing is Rs. 3,000, what is the capital at the beginning of the period?  
 a) Rs. 38,000                      b) Rs. 62,000  
 c) Rs. 32,000                      d) Rs. 47,000
72. If sales revenues are Rs. 1,29,000, cost of goods sold is Rs. 1,15,000 and the operating expenses are Rs. 10,000, the gross profit is  
 a) Rs. 4,000                      b) Rs. 14,000  
 c) Rs. 24,000                      d) Rs. 1,19,000
73. At 31<sup>st</sup> March, 2006, an electricity ledger account had an accrual of Rs. 3,000 and a credit balance was brought down at 1<sup>st</sup> April, 2006. During the financial year, electricity invoices totaling Rs. 40,000 were paid, including an invoice of Rs. 6,000 for the quarter ended 27 February, 2007. What is the profit and loss A/c charge for electricity for the year ended 31<sup>st</sup> March, 2007?  
 a) Rs. 37,000                      b) Rs. 39,000  
 c) Rs. 40,000                      d) Rs. 41,000
74. If other incomes received for the year are Rs. 15,000, operating expenses are Rs. 50,000 and the net profit is Rs. 35,000, the gross profit is  
 a) Rs. 85,000                      b) Rs. 50,000  
 c) Rs. 70,000                      d) Rs. 1,00,000
75. The following information has been extracted from the trial balance of a business:

	Rs.
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Sales	1,00,000
Purchases	60,000
Wages	21,000

Closing stock was Rs. 3,000 more than opening stock. One third of the wages was charged to cost of sales in the trading account. What was the gross profit?

- a) Rs. 30,000                      b) Rs. 33,000  
c) Rs. 36,000                      d) Rs. 37,000

76. The carriage inwards of a business amounted to Rs. 6,000, and the carriage outwards was Rs. 7,000. The carriage outwards was charged in the trading account in error, and the carriage inwards was debited in the profit and loss A/c.

What has been the effect of these errors?

<b>Gross Profit</b>	<b>Net Profit</b>
a) Understated by Rs. 1,000	Understated by Rs. 1,000
b) Overstated by Rs. 1,000	Overstated by Rs. 1,000
c) Understated by Rs. 1,000	Not affected
d) Overstated by Rs. 1,000	Not affected

77. Discount received amount to Rs. 10,500 and discount allowed to Rs. 13,000. The discount received has been debited and the discount allowed have been credited in the Profit & Loss A/c.

What has been the effect of these errors on net profit?

- a) Understated by Rs. 2,500  
b) Overstated by Rs. 2,500  
c) Understated by Rs. 5,000  
d) Overstated by Rs. 5,000

78. Carriage inwards in a trial balance is Rs. 2,300. It has been entered in the trading account as Rs. 3,200. In addition motor expenses of Rs. 600 have been posted to the motor vans account.

What effect has this had on the trading and profit and loss account?

<b>Gross profit</b>	<b>Net profit</b>
a) Understated by Rs. 900	Understate by Rs. 300
b) Overstated by Rs. 900	Overstated by Rs. 300
c) Understated by	Overstated by Rs.

Rs. 900	1,500
d) Overstated by Rs. 900	Understated by Rs. 1,500

79. The following information relates to stationery:

Stock at the beginning of the year Rs. 200  
Stock at the end of the year Rs. 150

Stationery bought during the year Rs. 500

Based on the above information, stationery to be recorded in the profit and loss account should be

- a) Rs. 200                              b) Rs. 500  
c) Rs. 150                              d) Rs. 550

80. The trial balance shows provision for doubtful debts Rs. 300 and debtors Rs. 9,000. Assuming that provision for doubtful debts is 5% of the debtor, the amount to be recorded in the profit and loss A/c is

- a) Rs. 750 (Dr.)                      b) Rs. 300 (Dr.)  
c) Rs. 450 (Dr.)                      d) Rs. 150 (Dr.)

81. The trial balance shows provision for depreciation Rs. 5,000 and machinery Rs. 15,000. Assuming that provision for depreciation is 25% on the written down value of machinery at the beginning of the year, the amount to be recorded in the profit and loss account is

- a) Rs. 7,500 (Dr.)                      b) Rs. 3,750 (Dr.)  
c) Rs. 2,500 (Dr.)                      d) Rs. 5,000 (Dr.)

82. A trader prepares his accounts annually to 30<sup>th</sup> April. He pays annual rent of Rs. 12,000 and makes the payments quarterly in advance on January 1, April 1, July 1 and October 1.

Which amount should be included in his accounts for the year ended 30 April, 2004?

- a) Rs. 1,000 accrual  
b) Rs. 1,000 prepayment  
c) Rs. 2,000 accrual  
d) Rs. 2,000 prepayment

83. A trader commenced business on 1<sup>st</sup> February, 2006. He paid rent on his premises as follows:

<b>Date</b>	<b>Period</b>	<b>Amount (Rs.)</b>
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1 Feb, 2006	1 Feb-31 Mar	1,200
1 April 2006	1 Apr-30 Jun	1,800
1 Jul 2006	1 July-30 September	1,800
1 Oct 2006	1 Oct-31 Dec	2,100
1 Jan 2007	1 Jan-31 Mar	2,100

Which amount for rent should be shown in the profit and loss A/c for the year ended 31 January, 2007?

- a) Rs. 6,900                      b) Rs. 7,600  
 c) Rs. 7,800                      d) Rs. 9,000

84. A business has an accounting year that ends on 30 September. Its insurance premiums are paid in advance on 1<sup>st</sup> July each year. Premiums have been paid in the past three years as follows:  
 Year 1 Rs. 1,800  
 Year 2 Rs. 2,000  
 Year 3 Rs. 2,400

How much will be debited in the Profit and Loss A/c for insurance in year 3?

- a) Rs.2,000                      b) Rs. 2,100  
 c) Rs. 2,300                      d) Rs.2,400

85. At 31<sup>st</sup> March, 2006 a firm's balance of provision for bad debts was Rs. 39,000. At 31<sup>st</sup> March, 2007 Sundry Debtors totaled Rs. 5,17,000. It was decided to write off debts totaling Rs. 37,000 and to adjust the provision for bad debts to the equivalent of 5% of the sundry debtors based on past events.

What figure should appear in the profit and loss A/c for the year ended on 31<sup>st</sup> March, 2007 for these items?

- a) Rs. 23,850                      b) Rs. 24,000  
 c) Rs. 22,000                      d) Rs. 61,000

86. At the time of rising prices, what effect does the use of the historical cost concept have on a company's asset values and profit?

- a) Both asset values and profit understated  
 b) Both asset values & profit overstated  
 c) Asset values understated and profit understated  
 d) Asset values overstated and profit understated

87. The inventory value for the financial statement of X for the year ended 31<sup>st</sup> March, 2007 was based on an inventory count on 4 April, 2007, which gave a total inventory value of Rs. 8,36,200. Between 31 March and 4 April, 2007, the following transactions took place:

	<b>Rs.</b>
Purchase goods	8,600
Sales of goods (profit margin 30% on sales)	14,000
Goods returned by X to supplier	700

What adjusted figure should be included in the financial statements for inventories at 31<sup>st</sup> March, 2007?

- a) Rs. 8,38,100                      b) Rs. 8,53,900  
 c) Rs. 8,18,500                      d) Rs. 8,34,500

88. 1<sup>st</sup> April, 2006, K owed Rs. 2,87,540 to his suppliers. During the year he paid his suppliers a total of Rs. 18,58,440. At 31<sup>st</sup> March, 2007 he owed Rs. 2,61,890.

What was K's credit purchases for the year to 31<sup>st</sup> March, 2007?

- a) Rs. 24,07,870                      b) Rs. 18,84,090  
 c) Rs. 13,09,010                      d) Rs. 18,32,790

89. You are given the following information:

	<b>Rs.</b>
Sales	50,000
Gross profit	12,000
Purchases	42,000
Opening stock	13,000
Returns inwards	300

The value of the closing stock would be

- a) Rs. 54,700                      b) Rs. 38,000  
 c) Rs. 17,300                      d) Rs.21,000

90. On 1<sup>st</sup> September, 2006 Laxman took out a business development loan from HDFC Bank of Rs. 3,00,000. This loan is to be repaid in 10 equal six monthly instalments. Laxman made the first repayment of Rs. 30,000 on 1<sup>st</sup> March, 2007.

How should outstanding balance of Rs. 2,70,000 be shown in the balance sheet of Laxman as at 31<sup>st</sup> March, 2007?

- a) A change of Rs. 2,000  
 b) A credit of Rs. 2,000  
 c) A credit of Rs. 500  
 d) A change of Rs. 500



