

**Accounts: Special Conceptual Questions: Home Assignment: Set 1**

**165** Questions **165** Marks **200** Minutes

**1: BRS**

1. A bank reconciliation statement is statement prepared to reconcile

(a) Trial Balance (b) Profit as per books of account with the profit as per income-tax return (c) Cash balance as per cash book with bank balance as per pass book (d) Bank balance as per cash book with bank balance as per bank pass book

2. A bank reconciliation is prepared by the

(a) Bank (b) Creditors (c) Business (d) Supplier

3. While adjusting the cash balance which one of the following is not taken into account

(a) Payment directly received by bank as per instructions. (b) Payment directly made by the bank as per standing instruction. (c) Mistakes in cash book. (d) Mistakes in pass book.

4. Which one of these prepare bank reconciliation statement

(a) Business enterprises (b) Statutory Auditor (c) Customers (d) Reserve Bank of India

5. Debit balance as per pass book means

(a) Bank Overdraft (b) Debit balance in pass book (c) Cash balance with bank (d) None of these

6. Which one of these is true about a bank reconciliation statement?

(a) It is a part of memorandum statement (b) It is a part of cash book (c) It is a part of ledger (d) It is a part of bank document

7. Which one of these will require adjustment of cash book balance?

(a) Overcasting bank column of cash book (b) Cheque issued but not presented for payment (c) Cheque deposited but not cleared (d) Errors in pass book

8. An amount of Rs.2,500 is debited twice in the bank column of cash book. When credit balance as per pass book is the starting point which one of these adjustment would be done at the time of reconciliation.

(a) Add Rs.2,500 to balance as per pass book (b) Deduct Rs.2,500 to balance as per pass book (c) Add Rs.5,000 to balance as per pass book (d) Deduct Rs.5,000 to balance as per pass book

9. Which one of these is not a cause of difference in balance as per pass book & as per cash book?

(a) Errors in cash book (b) Errors in pass book (c) Cheques deposited & cleared (d) Cheques issued but not presented for payment

10. Mr. X issued cheques worth Rs.15,000 in March 2005 out of which cheque worth Rs.10,000 only were presented for payment by 31<sup>st</sup> March 2005. While reconciling bank & cash book balance as on 31<sup>st</sup> March 2005, how much would be added to balance as per cash book to arrive at balance as per pass book.

(a) Rs.15,000 (b) Rs.10,000 (c) Rs.5,000 (d) Rs.7,500

11. Mr. Y presented three cheques Rs.3,000, Rs.4,500 & Rs.3,600 with the bank on 28<sup>th</sup> March, 2005 out of these cheques, cheques amounting to Rs.4,500 & Rs.3,000 were shown in the pass book in the month of April 2005. While reconciling the balance on 31.3.2005 which of these cheques would be taken in reconciliation.

(a) Rs.3,600 (b) Rs.3,000 (c) Rs.4,500 & Rs.3,000 (d) Rs.3,600 & Rs.3,000

12. Which of these bank balance are shown in Trial Balance

(a) Balance as per cash book (b) As per bank pass book (c) As certified by st. Auditor (d) As per bank statement

13. Mr. X had two accounts one current account & another saving bank A/c in a nationalized bank he drew a cheque of Rs.5,000 on saving bank but credited to Current A/c in his cash book. Similarly a cheque of Rs.2,000 deposited in current A/c was debited to Saving Bank A/c what would be effect of these errors in Bank pass book/ Bank statement of these two A/c.

(a) Current A/c balance would be less by Rs.2,000 & Saving A/c balance more by Rs.5,000. (b) Current A/c balance would be more by Rs.2,000 & Saving A/c balance less by Rs.5,000. (c) Current A/c balance would be less by Rs.5,000 & Saving A/c balance more by Rs.2,000. (d) Current A/c balance would be more by Rs.5,000 & Saving A/c less by Rs.2,000.

14. The cash book shows a balance of Rs.11,000 which was different from the pass book balance. The difference is found to be due to a credit entry in pass book amounting to Rs.2,000 for direct payment by a customer & a debit of Rs.250 for bank charges on collection of outstation cheques & other services. What would be the balance as per bank pass book?

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(a) Rs.12,750 (b) Rs.12,250 (c) Rs.13,750 (d) Rs.13,500

15. The bank pass book shows Rs.3,600 but the cash book shows a different balance while analyzing the cause of difference it was noticed that total of debit side of cash book was carried forwarded to next page as in the cash book. What would be the balance as per cash book?

(a) Rs.2,100 (b) Rs.3,100 (c) Rs.2,000 (d) Rs.2,200

16. Which of these statements is true about a bank pass book.

(a) Pass book contains a copy of bank column of the customer cash book (b) Pass book is a copy of customers account in bank book (c) Pass book contains a copy of cash column of customer of cash book (d) Pass book contains a copy of customers current account in cash book

17. Unfavorable balance as per bank pass book means which of these

(a) Bank Overdraft (b) Debit balance in pass book (c) Debit balance in cash book (d) (a & b)

18. Bank reconciliation statement is prepared to

(a) Reconcile cash at bank balance as per cash book with bank balance as per bank pass book (b) Reconcile petty cash in hand with cash balance as per cash book (c) Reconcile total of debit side of cash book (d) All the three

19. Bank reconciliation is prepared by

(a) Sole Proprietor concern (b) Partnership firm (c) Corporate bodies (d) All the three

20. Entry in credit side of bank pass book implies

(a) Cash withdrawn (b) Cash/ Cheque deposited in Bank (c) Business expenses (d) Personal expenses

21. Entry in debit side of Bank pass book implies

(a) Cash withdrawn (b) Cash/ Cheque deposited in Bank (c) Business receipts (d) Personal receipts

22. Credit balance in bank pass book means

(a) Bank overdraft (b) Bank Balance (c) Balance as per cash book (d) Total of bank A/c

23. Debit balance in bank pass book means

(a) Bank Overdraft (b) Bank Balance (c) Balance as per cash book (d) Total of Bank A/c

24. Which of these types of errors are not detected during bank reconciliation

(a) Cash embezzlement by the Cashier (b) Cheque deposited but not credited by bank (c)

Casting mistakes in bank column of cash book (d) Interest or commission charged by the bank but not accounted for in cash book.

25. Mr. T issued cheques worth Rs.25,000 in March 2005 out of which cheques worth Rs.10,000 only were presented for payment by 31<sup>st</sup> March 2005. Balance as per pass book was Rs.45,000. What would be balance as per cash book

(a) 30,000 (b) 20,000 (c) 25,000 (d) 15,000

Select the right option to fill in the blanks:

26. Overdraft means the \_\_\_\_\_ balance in the Pass Book.

(a) Debit (b) Credit (c) Excess (d) Nil

27. Credit Balance of the bank column of cash book means \_\_\_\_\_.

(a) Bank Balance (b) Cash on hand (c) Nothing in particular (d) Bank Overdraft.

28. Bank Reconciliation is a \_\_\_\_\_ & not on \_\_\_\_\_.

(a) account, statement (b) statement, account (c) ledger, journal (d) letter, account

29. The bank balance in the Cash Book \_\_\_\_\_ by cheque drawn & \_\_\_\_\_ by cheque deposited.

(a) increases, decreased (b) does not change, increases (c) decreases, increases (d) decreases, does not change.

30. If transactions of different months in the cash book & pass book are given, the \_\_\_\_\_ transaction will appear in the Bank Reconciliation Statement.

(a) uncommon (b) No (c) common (d) All

Q.6 to 11: Indicate whether the following statements are true or false:

31. Bank Reconciliation statement is prepared by the bank

(a) True (b) False

32. Bank Reconciliation statement shows the profit during the year

(a) True (b) False

33. Bank Reconciliation statement is written in the Bank column of the Cash Book

(a) True (b) False

34. The amount written on the credit side of the cash book (Bank Column) increases the bank balance

(a) True (b) False

35. The amount written on the debit side of the Pass Book increases Bank Overdraft

(a) True (b) False

36. Bank Reconciliation Statement shows the common transactions found in both the Cash Book & the Pass Book during the same month.

(a) True (b) False

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- 37.** Bank Reconciliation Statement is  
(a) a part of the Cash Book (b) a ledger account  
(c) a statement showing the causes of difference between the cash book & pass book balances.  
(d) Neither of the three
- 38.** Bank Reconciliation Statement is prepared by  
(a) Bank (b) customers of a bank (c) creditors of a business (d) neither of the three
- 39.** Debit balance in the Cash Book means  
(a) overdraft as per Pass Book (b) credit balance as per Pass Book (c) overdraft as per Cash Book (d) neither of the three
- 40.** Credit balance in the Cash Book means:  
(a) overdraft as per Pass Book (b) favorable balance as per Pass Book (c) Favorable balance as per Cash Book (d) neither of the three
- (b)
- 41.** A bank reconciliation statement is prepared to find out the causes of the difference between  
(a) the balance as shown by the cash column of the cash book with the balance shown by its bank column (b) the balance as shown by the cash column of the cash book with the balance shown by the pass book (c) the balance shown by the bank column of the cash book with the balance shown by the pass book.
- 42.** A bank pass book is a copy of  
(a) the cash of a customers cash book (b) the bank column of customers cash book (c) the customers account in the bank's ledger.
- 43.** A bank reconciliation statement reconciles the  
(a) ledger with the journal (b) petty cash book with the bank account (c) day books with the bank statement (d) bank statement with the cash book
- 44.** A bank reconciliation statement is prepared to reconcile the difference in  
(a) cash balance & bank balance (b) cash balance & pass book balance (c) bank balance as per bank column of cash book
- 45.** Cheques issued but not yet presented for payment.  
(a) add (b) deduct

**Select the best choice to answer the following question**

46. A bill of exchange must be-  
a) In writing  
b) Signed by the drawee  
c) A conditional order to pay  
d) An unconditional promise to pay
47. A bill of exchange-  
a) Requires no acceptance  
b) Must be accepted  
c) Can be drawn only on a bank  
d) Is drawn by a debtor
48. There are parties to a bill of exchange-  
a) The seller, the buyer and the bank  
b) The debtors, the creditor and the endorsee  
c) The payer, the payee and the bank  
d) The drawer, the drawee and the payee
49. A bill of exchange is payable-  
a) At any time in the future  
b) Only on presentation  
c) On presentation or at a time in the future  
d) Only to a bank
50. Noting is a procedure adopted if a bill of exchange has been dishonoured by  
a) Acceptance  
b) non-acceptance  
c) non-payment  
d) non-acceptance or non-payment
51. upon retirement, the drawer of the bill  
a) requires the payment on the due date  
b) does not get the payment  
c) receives the payment before the due date  
d) receives the payment after the due date.
52. The rebate on bill retired is actually calculated at a fixed percentage per annum on the face value of the bill for  
a) Unexpired period of the bill  
b) Expired period of the bill  
c) Tenor of the bill  
d) None of the above
53. Upon renewal, the indebtedness of the drawee is not restricted to the-  
a) Value of the bill  
b) Face value of the bill

**1: Bills of Exchange and Promissory Notes**

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- c) Discounted value of the bill  
d) Present value of the bill
54. When a bill of exchange is endorsed the amount is payable to the-
- Original holder
  - Bank
  - Endorsee
  - Notary public
55. The discounting of a bill does not affect the position of the-
- Drawer
  - drawee
  - Bank
  - seller
56. Discounted bills receivable is shown in the balance sheet as a
- Current asset
  - Contingent liability
  - Liability
  - Contingent assets
57. State which of the following is a promissory note.
- 'Mr. Amar, I owe you Rs. 100'.
  - 'I promise to pay Rs. 5,000 to Y provided he is ready to go with me to kill X.'
  - 'Received from Mr. Y Rs. 4,000 which I promise to pay on demand'.
  - 'Deposit with me Rs. 4,000 to be returned on demand'.
58. The liability of the maker of a promissory note is
- Secondary but absolute
  - Secondary and conditional
  - Primary and absolute
  - Primary but conditional
59. Accommodation bill is also called-
- Trade bill
  - promissory note
  - Kite bill
  - bank note
60. Which of the following is true?
- This bill is the acknowledgement of the debt
  - This bill is always discounted with bank
  - This bill is drawn and accepted for consideration.
  - In case of dishonour, legal action can be resorted.
61. Which of the following is true?
- A bill of exchange must direct a certain person to receive a certain sum of money.
  - A bills payable on demand is not required to be accepted.
  - A bill of exchange is not one kind of a post dated cheque.
  - A bill payable on demand is estimated to three days of grace.
62. Which of the following is true?
- The person to whom a bill is addressed is the creditor.
  - A bill from the point of view of a creditor is called a bills payable.
  - When the drawer discounts a bill, he credits discount account.
  - Refusal by the acceptor to make payment of the bill on the maturity date is called dishonour of the bill.
63. Which of the following is true?
- No cancellation entry is required when a bill is renewed.
  - A banker holds discounted bills as an agent for collection.
  - Discount at the time of retirement of a bill is a gain for the drawee.
  - The noting charges are ultimately borne by the drawer.
64. Which of the following is true?
- A bill of exchange should be presented on the due date and at the place named.
  - A bill can generally be discounted with the banker where the drawee of the bill has an account
  - A bill of exchange cannot be transferred by the holder to another party by mere physical delivery
  - No entry is passed in the books of the drawer in respect of bills sent for collection.
65. Which of the following is true?
- Noting is not a legally acceptable evidence of disonour.
  - When a bill is honoured, notice must be given to the prior parties.
  - A renewed bill re-establishes the acknowledgment of the debt of the drawee.

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- d) Upon retirement, the drawer of the bill gets a fixed payment.
66. Which of the following is true?
- a) A bill is generally discounted on the due date.
  - b) A bill can be renewed before or after the due date.
  - c) Days of grace is allowed when the bill is payable on demand.
  - d) A bill can be endorsed by the drawer to the drawer to his creditors in full or part settlement of dues.
67. Which of the following is true?
- a) The banker realizes the face value of the discounted bill on the due date from the drawee.
  - b) Upon its dishonour, the holder of a bill has no right of action against the drawee or any previous endorser.
  - c) Entries for noting charges are not similar to the entries for dishonour of a bill
  - d) Upon renewal, the drawee of the bill becomes liable to make a part payment.
68. Which of the following is true?
- a) Upon renewal, the indebtedness of the drawee is restricted to the face value of the bill.
  - b) Retiring a bill is the act of withdrawing a bill of exchange from circulation.
  - c) It is necessary that the drawee, the drawer and the payee should be three different persons.
  - d) A bill of exchange cannot be transferred from one place to another in the same way a cheque is remitted.
69. Which of the following is true?
- a) A bill of exchange can be crossed.
  - b) A dishonoured bill of exchange does not require any noting.
  - c) A bill of exchange does not pay the amount the customer owes.
  - d) A term bill is payable on demand.
70. Which of the following is true?
- a) When the period of the bill is stated in days, the calculation of the due date will be made in terms of calendar month.
  - b) Noting charges paid by the bank is in the nature of interest.
  - c) The noting charges cannot legally be recovered from the drawee.
  - d) When a bill is discounted, the banker does not make the payment in cash.
71. A bill of exchange comes from a (an) \_\_\_\_\_ credit arrangement.
- a) Open
  - b) deferred
  - c) Part
  - d) long
72. The drawing of a bill of exchange converts the \_\_\_\_\_ relationship into a \_\_\_\_\_ relationship.
- a) Debtor-creditor, drawer-drawee
  - b) Debtor-creditor, payer-payee
  - c) Buyer-seller, debtor-creditor
  - d) Buyer-seller, drawer-drawee
73. A bill of exchange is a legal evidence of an acknowledgment of \_\_\_\_\_.
- a) Receipt
  - b) loan
  - c) Debt
  - d) payment
74. A bill of exchange can be drawn on any \_\_\_\_\_ including a bank.
- a) Drawer
  - b) creditor
  - c) Seller
  - d) person
75. For a (an) \_\_\_\_\_ bill of exchange, noting may be necessary.
- a) Honoured
  - b) dishonoured
  - c) Endorsed
  - d) Discounted
76. Discounting is a device to convert the \_\_\_\_\_ into \_\_\_\_\_ at its present value.
- a) Cash, bill
  - b) bill, cash
  - c) Sales, cash
  - d) sale, bill
77. The discount is an expense for the \_\_\_\_\_ and revenue for the \_\_\_\_\_.
- a) Seller, buyer
  - b) banker, drawer
  - c) drawer, banker
  - d) drawer, drawee
78. When a bill is dishonoured, notice of dishonour must be given to the prior parties to retain their \_\_\_\_\_.
- a) Liability
  - b) asset



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- c) Goodwill can have an existence separate from the organisation
- d) Revaluation is the recording of an asset or a liability at the current value.

- c) In equal shares
- d) In the profit sharing ratio

92. Which of the following statement is wrong in the admission of a partner?

- a) Increase in the valuation of asset will increase capital
- b) Increase in the valuation of asset will decrease capital
- c) Increase in the valuation of liability will decrease capital
- d) Decrease in the valuation of liability will increase capital

93. The account that performs the same function as the revaluation account is the

- a) Profit & loss adjustment account
- b) Capital Account
- c) Depreciation Account
- d) Appreciation Account

94. Profit or loss on revaluation of assets and liabilities is shared by

- a) The old partners in the new ratio
- b) The old partners in the old ratio
- c) The old partners in the sacrificing ratio
- d) All the partners in the new ratio

95. The premium for goodwill brought in by the new partner in cash is shared by the old partners in the

- a) Old Ratio
- b) New Ratio
- c) Capital Ratio
- d) Sacrificing Ratio

96. A partnership does not maintain goodwill account. T recently admitted a new partner. No adjustments were made for goodwill in the partners' capital accounts.

What is the effect of this omission?

Old partners' capital accounts total balances	New partners' capital account balance
a) Overstated	Understated
b) Understated	Overstated
c) Understated	Understated
d) Overstated	Overstated

97. A and B decided to form a partnership. On that date, A's goodwill was Rs. 50,000 and B's goodwill was Rs. 30,000.

The partners decided to write off the goodwill immediately.

How should this be done?

- a) According to the amount of capital introduced
- b) According to the amount of goodwill introduced

**Partnership: Retirement of a partner**

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

98. Which of the following is true?

- a) The retirement of a partner result in a new partnership.
- b) Gaining ratio is the ratio in which the old partners are surrendering their share of profit in favour of the new partner.
- c) When a partner retires, goodwill is to be distributed in the capital ratio.
- d) When a partner retires, profit or loss on revaluation is to be shared in the gaining ratio.

99. Which of the following is true?

- a) When the retiring partner's share of goodwill is credited to his capital account, then the same is to be debited to the capital accounts of the remaining partners in the sacrificing ratio.
- b) The amount due to the retiring partners if not paid in cash is transferred to his loan account.
- c) The account of retiring partner's capital is transferred to a loan account, which carries interest @ 10% p.a. until it is paid.
- d) If a partner retires on a date other than the date of preparing final accounts, then he is not entitled to any share in the profit from the date of preceding final accounts to the date of retirement.

100. Which of the following is true?

- a) The profit or loss disclosed by the revaluation account at the time of retirement of a partner is transferred to the capital account of the partners in the capital ratio.
- b) When a partner retires, all accumulated losses are transferred to the capital accounts in new profit sharing ratio.
- c) When a partner retires, a revaluation account is prepared in the interest of the retiring partner.

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- d) Unrecorded asset taken over by a retiring partner should appear in the revaluation account.
101. Which of the following is true?
- a) When a partner retires, a goodwill account may be raised which will find a place in the balance sheet
- b) When a partner retires, a goodwill account may be raised but it should be written off immediately.
- c) When a partner retires, the remaining partners are bring in money to pay off the retiring partner.
- d) Profits and losses on revaluation of assets and liabilities directly affect the partners' current accounts.
102. State which of the following is not true?
- a) A partner can retire from the business with the consent of all the other partners.
- b) The profit or loss on revaluation of assets and liabilities is transferred to continuing partners in the new ratio.
- c) Upon retirement, adjustment for goodwill is made through the partners' capital A/c
- d) A retiring partner is entitled to his share in the goodwill of the firm as per the agreement between the partners.
103. On retirement of a partner, the combined shares of the continuing partners
- a) Will remain same                      b) will reduce
- c) Will increase
- d) will decrease or increase
104. on retirement of a partner, the assets and liabilities of the firm are
- a) to be revalued upward only
- b) to be revalued downward only
- c) to be revalued both upward and downward where necessary
- d) not to be revalued
105. at the time of retirement of a partner, if there is undistributed profit in the balance sheet of the firm, it
- a) will not be distributed amongst the partners
- b) will be distributed in the capital ratio
- c) will be distributed in the old profit sharing ratio amongst all the partners
- d) will be distributed amongst continuing partners
106. Upon retirement, joint life policy surrender value will be distributed
- a) Amongst all partners in the old ratio
- b) Amongst continuing partners in the new ratio
- c) To retiring partners only
- d) Amongst continuing partners in the old ratio
107. Gaining ratio is generally calculated at the time of \_\_\_\_ of a partner.
- a) Retirement only    b) death only
- c) Admission only    d) retirement/death
108. Gaining ratio is calculated only when the retiring partner's share of \_\_\_\_ is to be adjusted.
- a) Goodwill only                              b) reserve only
- c) Goodwill and/or reserve
- d) Goodwill or reserve
109. Gaining ratio is the difference between \_\_\_\_ ratio and \_\_\_\_.
- a) New profit sharing, old profit sharing
- b) New profit sharing, sacrificing
- c) New capital, old capital
- d) Old profit sharing, new profit sharing
110. After retirement of a partner, the combined share of the remaining partners will be \_\_\_\_.
- a) Unchanged                              b) Increased
- c) Decreased
- d) Increased or Decreased
111. A partner can retire with the \_\_\_\_ of all the other partners.
- a) Consent                              b) expressed consent
- c) Implied consent
- d) Expressed or implied consent

**Partnership: Death of a Partner**

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

112. The death of a partner:
- a) Will not terminate the partnership



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- b) Will terminate the partnership
- c) Will compulsorily dissolve the partnership firm
- d) Will not affect anything of the partnership

113. On death of a partner, the combined shares of the surviving partners
- a) Will remain same
  - b) will decrease
  - c) Will increase
  - d) Will decrease or increase

114. On death of a partner, the assets and liabilities of the firm are
- a) To be revalued upward only
  - b) To be revalued downward only
  - c) To be revalued both upward and downward where necessary
  - d) Not to be revalued.

115. Joint life policy premium will be treated as
- a) A personal expenses of the partners
  - b) An operating loss of the firm
  - c) An expense of the firm
  - d) An appropriation of profit

116. At the time of death of a partner if there is undistributed profit in the balance sheet of the firm, it
- a) Will not be distributed amongst the partners
  - b) Will be distributed in the capital ratio
  - c) Will be distributed amongst the surviving partners only
  - d) Will be distributed in the old profit sharing ratio amongst all the partners

117. Upon death, the amount of joint life policy should be distributed
- a) Amongst all partners in the old ratio
  - b) Amongst continuing partners in the old ratio
  - c) To the executors of the deceased
  - d) Amongst continuing partners in the new ratio

118. The executors of deceased partners are entitled to the share of goodwill as per the
- a) Agreement between the partners
  - b) Profit sharing ratio
  - c) Capital ratio
  - d) Equally

119. Which of the following is true?
- a) Due to death of a partner, the profit sharing ratio between the old partners does not change
  - b) The death of a partner dissolves the old partnership firm
  - c) A joint life policy matures on the happening of the first death
  - d) The premium paid on a joint life policy is charged against capital of the partners

120. Which of the following is true?
- a) The question of surrender value arises only in case of joint life policies
  - b) In case of a 'with profit' policy, the holder will get only the amount specified in the policy
  - c) Surrender values are very low during the early years of a policy
  - d) At any time, the surrender value of a policy represents a liability

121. Which of the following is true?
- a) Joint life policy is created by debiting profit and loss account
  - b) Joint life policy reserve is created by debiting profit and loss account
  - c) Joint life policy is always shown as an asset
  - d) Joint life policy is always shown as a liability

122. Which of the following is true?
- a) A joint life policy is opened in the books only when a partner dies
  - b) The final balance of the joint life policy reserve account is shared by the partners in the capital ratio.
  - c) At any point of time, the surrender value of a policy is equal to the total amount of premium paid
  - d) Any premium is debited to joint life policy account as and when paid

123. Which of the following is true?
- a) When a partner dies, the assets of the firm are not revalued but realized
  - b) When a partner dies, the firm receives the surrender value of the policy.
  - c) A deceased partner's share may be taken over by the continuing partners in the agreed ratio
  - d) In the case of death of a partner, the surviving partners cannot continue the business in the usual manner

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124. Which of the following is not true?
- a) When premium payable on the policy taken on the life of partners is treated as an asset, the amount of premium is debited to the joint life policy account and credited to bank account
  - b) When the premium paid on the policy taken on the life of partners is treated as an asset and reserve is to be maintained, then at the end of the accounting year, an amount equal to the premium is debited to profit and loss appropriation account
  - c) When the premium paid on the policy taken on the life of partners is treated as an asset and a joint life policy reserve is to be maintained, then the reserve account appears on the asset side of the balance sheet
  - d) Joint life policy reserve account is in the nature of an accumulated profit
125. Which of the following is true?
- a) A joint life policy is always shown as an asset
  - b) A joint life policy is never shown as an expense
  - c) A joint life policy reserve is an external transaction
  - d) The creation of a joint life policy reserve reduces the divisible profit
126. Which of the following is true?
- a) Revaluation account is unaffected when an unrecorded asset is taken over by the executors of a deceased partner
  - b) Revaluation account is debited at the decrease in the value of creditors at the death of a partner
  - c) Revaluation account is credited when an unrecorded asset is sold on the death of a partner
  - d) Revaluation account is unaffected when revaluation expenses are paid by a partner
127. Which of the following is true?
- a) In case of death of a partner, reserve and surplus should be distributed amongst continuing partners in the new ratio.
  - b) The executors of a deceased partner are entitled to a share of goodwill of the firm as per agreement
  - c) The profit/loss on revaluation of assets and liabilities is transferred to all partners capital accounts equally.
  - d) Upon death, the combined shares of the continuing partners decrease
128. Which of the following is true?
- a) Upon death, when a memorandum revaluation account is prepared, assets and liabilities appear in the Balance sheet at old figures
  - b) Upon death, the amount of joint life policy should be distributed amongst continuing partners
  - c) Upon death, if goodwill is not appearing in the Balance sheet, no adjustment is required
  - d) In the event of the death of a partner, the firm is not entitled to the full value of the individual policy
129. When a partner dies, the joint life policy is\_\_\_\_\_.
- a) Revalued
  - b) realized
  - c) Surrendered
  - d) distributed
130. The premium paid on a joint life policy is shown in the profit and loss account as a (an)\_\_\_\_\_.
- a) Expense
  - b) loss
  - c) Income
  - d) Provision
131. When no joint life policy is shown in the books, the surrender value of the policy represents \_\_\_\_\_ reserve.
- a) Capital
  - b) revenue
  - c) Policy
  - d) Secret
132. When the premium paid is shown in the Profit and loss A/c, the \_\_\_\_\_ profit is reduced
- a) Gross
  - b) divisible
  - c) Net
  - d) capital
133. Surrender value is the amount receivable on a life insurance policy that is cancelled \_\_\_\_\_ the end of its term
- a) After
  - b) at
  - c) Before
  - d) at or before

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134. Joint life policy reserve account should be transferred to the capital account of \_\_\_\_\_ partner(s)

- a) All the partner(s)                      b) solvent  
 c) Insolvent partner(s)                d) continuing

135. If the goodwill raised after the death of a partner is to be written off, then the capital accounts of the remaining partners are debited in \_\_\_\_\_ ratio.

- a) Capital                                  b) gaining  
 c) New profit sharing                  d) old profit sharing

136. The amount received from the insurance company on the joint life policy of the partners in excess of the surrender value is credited to the capital account of the partner in the \_\_\_\_\_ ratio.

- a) Old partner's share                    b) new partner's share  
 c) Old profit sharing                    d) new profit sharing

137. When premium payable in the life policy taken on the life of partners is treated as an asset, then at the end of the year, the balance in joint life policy account in excess of its surrender value is treated as a (an) \_\_\_\_\_.

- a) Profit                                      b) Expense  
 c) Loss                                        d) Asset

138. When premium payable on the life policy taken on the life of partners is treated as an asset, then the amount received on the maturity of the policy in excess of its surrender value is a (an) \_\_\_\_\_.

- a) Profit                                      b) Expense  
 c) Loss                                        d) Asset

**Partnership: Profit and Loss Appropriation Account**

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

139. A partner's private petrol bills have been treated as part of the partnership vehicle expenses. Which of the following entries is necessary to correct the error:

Debit	Credit
-------	--------

a. Drawing A/c	Motor vehicle expenses A/c
b. Motor vehicle expenses A/c	Drawing A/c
c. Motor vehicle expenses A/c	Capital A/c
d. Capital A/c	Motor vehicle expenses account

140. What double entry is necessary to reflect interest earned on fixed partners' capital account balances?

Debit	Credit
a) Partners' current A/c	Profit & loss appropriation A/c
b) Profit & loss appropriation A/c	Partners' current A/c
c) Profit and loss appropriation A/c	Cash A/c
d) Profit & loss appropriation A/c	Partners' capital A/c

141. What double entry is necessary to reflect interest payable on partners' drawings?

Debit	Credit
a) Partners' drawings A/c	Partners' current A/c
b) Profit and loss appropriation A/c	Partners' drawings A/c
c) Partners' drawings A/c	Interest payable A/c
d) Partners' current A/c	Profit & loss appropriation A/c

142. Which of the following is not incorporated in the Partnership Act?

- a) Profit & loss are to be shared equally  
 b) No interest is to be charged on capital  
 c) All loans are to be charged interest @ 6% p.a.  
 d) All drawings are to be charged interest

143. When is the Partnership Act enforced?

- a) When there is no partnership deed  
 b) Where there is a partnership deed but there are differences of opinion between the partners  
 c) When capital contribution by the partners varies

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d) When the partner's salary and interest on capital are not incorporated in the partnership deed.

144. Which one of the following items cannot be recorded in the appropriation account?

- a) Interest on capital
- b) Interest on drawings
- c) Rent paid to partners
- d) Partner's salary

145. How should interest charged on partners' drawings be dealt with in partnership final accounts?

- a) Credited as income in profit & loss A/c
- b) Deducted from profit in allocating the profit among the partners
- c) Added to profit in allocating the profit among the partners
- d) Debited as an expense in the profit & loss A/c

146. Which of the following statement is true?

- a) A minor cannot be admitted as a partner
- b) A minor can be admitted as a partner, only into the benefits of the partnership
- c) A minor can be admitted as a partner but his rights and liabilities are same of adult partner
- d) None of the above.

147. Non-registration of a partnership gives rise to a number of disabilities such as:

- (i) No partner can bring a suit in any court against the firm or his co-partners.
- (ii) The firm cannot file a suit against third party for breach of contract.

Which of the above statement(s) is/are true?

- a) (i) only                      b) (ii) only
- c) Both (i) & (ii)              d) neither (i) nor (ii)

148. In the absence of partnership deed, interest on partners' loan is payable by the firm @

- a) 12% p.a.                      b) 6% p.a.
- c) 10% p.a.                      d) 16% p.a.

149. Ostensible partners are those who

- a) Do not contribution any capital but get some share of profit for lending their name to the business
- b) Contribute very less capital but get equal profit
- c) Do not contribute any capital and without having any interest in the business, lend their name to the business
- d) Contribute maximum capital of the business

150. Sleeping partners are those who

- a) Take active part in the conduct of the business but provide co capital. However, salary is paid to them.
- b) Do not take any part in the conduct of the business but provide capital and share profits and losses in the agreed ratio
- c) Take active part in the conduct of the business but profited no capital. However, share profits and losses in the agreed ratio.
- d) Do not take any part in the conduct of the business and contribute no capital. However, share profits and losses in the agreed ratio.

151. A commission of 20% on net profit after charging such commission is calculated as

- a) 1/6 of the net profit before charging commission
- b) 1/5 of the net profit before charging commission
- c) 1/4 of the net profit before charging commission
- d) 1/3 of the net profit before charging commission

152. Under fixed capital method

- a) Only capital account is maintained
- b) Only current account is maintained
- c) Both capital and current accounts are maintained
- d) Neither capital nor current accounts are maintained

153. The liability of the partner is

- a) Limited to capital contribution
- b) Limited to the extent of share of profit
- c) Unlimited
- d) Unlimited in some cases

**Accounts: Special Conceptual Questions: Home Assignment: Set 1**

154. An ordinary partnership consists of \_\_\_\_\_.
- 2 to 10 partners
  - 2 to 20 partners
  - 2 to 30 partners
  - 2 to 40 partners
155. The characteristics of a partnership are listed below except for \_\_\_\_\_.
- Mutual agency
  - The business must be carried on by all or any of them acting for all
  - Co-ownership of property
  - Limited liability
156. 'The relationship that subsists between persons carrying on a business in common with a view to profit'. The definition best describes \_\_\_\_\_.
- A partnership
  - a corporation
  - A sole proprietorship
  - A company
157. The number of partners required for a bank partnership is \_\_\_\_\_.
- 2 to 5
  - 2 to 10
  - 2 to 15
  - 2 to 20
158. 'Agreed amount payable to partners in respect of duties discharged by them' is known as \_\_\_\_\_.
- Partners' interest
  - Partners' salary
  - Partner's drawings
  - partner's profit
159. If there is no partnership agreement and the firm incurs a loss, the loss should be \_\_\_\_\_.
- Divided in proportion to the capital invested
  - Borne by the partner with the highest capital
  - Borne by the manager of the firm
  - Dividend equally
160. Registration of partnership firm is \_\_\_\_\_.
- Compulsory
  - not compulsory
  - Compulsory if number of partners does not exceed 10
  - Not compulsory if number of partners exceed 10
161. Interest on capital is chargeable to a firm to the extent of available \_\_\_\_\_.
- Reserve
  - profit
  - Profit & reserve
  - Cash
162. When a partner draws a fixed sum for 12 months at the beginning of each months, interest on drawings (at an agreed rate) will be equal to interest of \_\_\_\_\_.
- 5 months
  - 5.5 months
  - 6 months
  - 6.5 months
163. When a partners draws a fixed sum for 6 months at the beginning of each month, interest on drawings (at an agreed rate) will be equal to interest of \_\_\_\_\_.
- 2.5 months
  - 1.5 months
  - 1.75 months
  - 3 months
164. Sourav and Sachin are in partnership, sharing profits and losses in the ratio 3:2. Under the terms of the partnership agreement, Sachin is entitled to a salary of Rs. 80,000.
- The partnership Profit & loss A/c for the year to 31<sup>st</sup> March, 2007 reported a profit of Rs. 1,60,000.
- What is Sourav's? share of profit?
- Rs. 32,000
  - Rs. 48,000
  - Rs. 96,000
  - Rs. 1,12,000
165. Cue & Rest are partners sharing profit and losses in the ratio of 2:1. They are allowed interest at 10% per annum on capitals.
- Other information is as follows:
- |          | Cue (Rs.) | Rest (Rs.) |
|----------|-----------|------------|
| Capitals | 20,000    | 8,000      |
- The partnership has made a net profit for the year of Rs. 40,000.
- How much is Cue's total share of the profit?
- Rs. 24,800
  - Rs. 25,100
  - Rs. 26,800
  - Rs. 27,100

**Accounts: Special Conceptual Questions: Home Assignment: Set 1**

**BRS:**

**[Answer: 1(d), 2(c), 3(d), 4(a), 5(a), 6(a), 7(a), 8(a), 9(c), 10(c), 11(c), 12(a), 13(d), 14(a), 15(d), 16(b), 17(d), 18(a), 19(d), 20(b), 21(a), 22(b), 23(a), 24(a), 25(a) ]**

**[Answer: 26(a) , 27(d), 28(b), 29(c), 30(c), 31(b), 32(b), 33(b) ,34(b), 35(a), 36(b), 37(c), 38(b), 39(b), 40(a), 41(c), 42(c), 43(d), 44(c), 45(b)]**

**3: Death of Partner**

112. b	113. c	114. c
115. c	116. d	117. a
118. a	119. c	120. c
121. a	122. d	123. c
124. c	125. d	126. c
127. b	128. a	129. b
130. a	131. d	132. b
133. c	134. a	135. c
136. c	137. c	138. a

**4. Basics of Partnership Firm**

139. a	140. b	141. d
142. d	143. a	144. c
145. c	146. b	147. c
148. b	149. c	150. b
151. a	152. c	153. c
154. b	155. d	156. a
157. b	158. b	159. d
160. b	161. b	162. d
163. c	164. b	165. c

**Answers:2: Bills Of Exchange**

46. a	47. b	48. d
49. c	50. d	51. c
52. a	53. b	54. c
55. b	56. b	57. c
58. c	59. c	60. b
61. b	62. d	63. c
64. a	65. c	66. d
67. a	68. b	69. c
70. d	71. a	72. a
73. c	74. d	75. b
76. b	77. c	78. a
79. b	80. d	81. c
82. a	83. d	84. c
85. d		

**Answers: 3 Admission of Partner**

86. c	87. c	88. b
89. d	90. b	91. c
92. b	93. a	94. b
95. d	96. b	97. d

**Answers: 3: Retirement of Partner**

98. a	99. b	100. d
101. b	102. b	103. c
104. c	105. c	106. a
107. d	108. c	109. a
110. b	111. d	