

# COMMERCE QUESTION BANK

FOR M.COM ENTRANCE EXAMINATION

Issued on College Annual Day -12<sup>th</sup> MARCH 2016

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## M.Com Entrance Syllabus

### M.Com/M.Com (IS)/PGDiploma in E.Commerce/Taxation

#### PART - A (40) Marks

**BUSINESS LAWS:** Law of Contracts including Essential elements of a valid contract, contingency contracts, performance, discharge, breach and remedies for breach of Contract - Quasi Contracts - Special Contracts including Bailment contracts, Agency contracts. - Sale of Goods Act Conditions and warranties - Consumer Protection' Act - District, State and National level councils - Companies Act 1956 including Appointment, duties, powers of directors, Doctrine of Ultravires - Doctrine of indoor management.

**COST AND MANAGEMENT ACCOUNTING:** Nature and scope of Cost and Management Accounting - Elements of Cost including Material Cost, Direct and indirect material cost, Direct and indirect labor and apportionment of overheads - Methods of costing including job costing and Process costing (excluding inter-process profits) - Financial Statement Analysis including comparative balance sheet Horizontal and vertical analysis. Ratio Analysis includes the interpretation of different accounting ratios, liquidity, profitability and turnover ratios.

**BUSINESS COMMUNICATION AND REPORT WRITING:** (The focus will be on testing the communication skills) Role of Communication in Business including basic Elements of Communication - verbal and non-verbal communication - Business letters - report writing: approach, skills, style and common errors.

**GENERAL ENGLISH (COMPREHENSION):** Synonyms, Antonyms and comprehending a Passage.

**PART - B (60) Marks**

**FINANCIAL ACCOUNTING:** Introduction to Accounting including accounting concepts and conventions -Accounting process - journalizing, posting to ledger accounts - subsidiary books including cashbook. Bank Reconciliation Statement and Bills of Exchange - Preparation of trial balance and Final Accounts - Errors and Rectification - Consignment and joint ventures - Depreciation and reserves. Royalties and Hire purchase and installment system - Single Entry and non trading concerns - Partnership Accounts including admission, retirement, death of a partner and dissolution of a firm - Branch and Departmental Accounts - Company Accounts including issue of shares and debentures, forfeiture, re-issue of forfeiture shares and final accounts.

**QUANTITATIVE TECHNIQUES:** Introduction of Statistics - Meaning, functions and limitations of statistics- Collection of Data - Primary and Secondary sources. classification, Tabulation and Diagrammatic Presentation of Data - Data analysis interpretation of tables and graphs. Measures of Central Tendency - Mode, Median-Arithmetic, Geometric and Harmonic mean -Measures of dispersion, range, quartile deviation, mean deviation and standard deviation - Karl Pearson and Bow ley's Measures of Skew ness -Simple Correlation and Regression .analysis - Set Theory including Types of sets, operation on set - Arithmetic, Geometric and Harmonic Progressions. Analysis of Time series includes trend analysis and seasonal variations. Index numbers including time and factor reversal tests of Price Index numbers. Probability: Theories of Addition and multiplication theorem, Binomial, Poisson and Normal distribution. Calculus: Differentiation Elementary Knowledge and simple problems only.

**INDUSTRIAL ORGANIZATION AND MANAGEMENT:** Concepts of business, industry, commerce, trade, plant and firm - Forms of business organizations -Structure and Size of Industry including optimum firm, Representative firm - State and Industry and Industrial finances including Industrial Policy, Liberalization, Privatization and Globalization, Role of Multinationals, Small scale industries (551) problems and prospects - Long term and short term finances Sources of finance including Stock Exchanges, capital markets and role of SEBI - Introduction to Management including definitions, different approaches to management and functions of management.- Planning and Organization including authority, power and delegation.

**BUSINESS ECONOMICS:** Introduction to Economics, Nature, scope and importance including micro and macro economics - Demand Analysis and theories of Production - Market Structures and Pricing - Theories of Distribution and business cycles.

# BUSINESS LAW

1. Which among the following is a valid Offer
  - a) Cross offer b) counter Offer c) **general offer** d) none of the above
2. An agreement invalid from the beginning is known as
  - a) **Void agreement** b) void contract c) voidable contract d]tender
3. Which of the following contrasts c]valid contrast d]all of the above
  - a)void contract b] voidable c]valid contrast d] all of the above
4. Quid pro quo means
  - a)Something in return b)everything in return c)nothing in return d)All of the above
5. A contract formed other than by words spoken or written is known as
  - a) **Implied contract** b) Expressed Contract C) Void contract d) voidable contrac
6. In which of the following contracts the enforceability factor depends upon future collateral event.
  - a) void contract b) Quasi Contract C) **Contingent Contract** D) wagering Contract
7. Quasi contracts are also known as
  - a) **Constructive contracts** b) commercial contracts C) formal Contracts d) simple contracts
8. A Court order Issued instructing to maintain status Quo is known as
  - a) **Injunction** b) quantum –me rut c) verdict d) non of the above
9. Tender is a variant of
  - a) Acceptance b) Revocation c) **Offer** d) consideration
10. Which of the following events leads to the legitimate discharge of a contract
  - a) failure of third party b) strikes & lockouts c) **supervening impossibility** d) failure of the party to perform
11. Which of the following agreements are invalid from the beginning
  - a) agreements with minor b) agreements with alien enemy c) agreements with lunatic d) all
12. The process of obtaining mental consensus on the subject matter of contract is known as
  - a) Coercion b) consensus ad idem c) free consent d) unilateral consent
- 13 The process of misusing relationship subsisting between the parties in a contract is referred to

- a) Coercion b) undue **influence** c) fraud d) all of the above
- 14 In which of the following remedies the quantum of damages is pre determined.
- a) Ordinary damages b) special damages c) nominal damages d) **liquidated damages**
- 15 Any omission or deliberate negligence which the law recognizes to be illegitimate act leads to
- a) Mistake b) misrepresentation c) concealment d) fraud
16. Any active concealment of fact having knowledge or belief of such fact in due influence of forming a contract is known as
- a) **fraud** b) undue influence c) misrepresentation d) unilateral mistake
17. Which of the following sections defines the term valid contract
- a) **Sec 2(h)** B) sec 2(g) c) Sec 2 (J) d) Sec
- 2(i) 18 which of the following is a void agreement
- a) Wagering agreement b) agreements in restraint of trade c) agreements ion restraint of legal proceedings d) **all of the above.**
19. which of the following contracts are legally enforceable without any consideration
- a) agreements made out of natural love & affection and duly registered as will  
b) agreements to create agencies c) promise to pay time barred debts d) **all of the above**
- 20 Necessities supplied to minor can be recovered under
- a) **Quasi- Contractual obligations** b)( valid contract conditions c) voidable conditions  
d) none of the above e
- 21 which of the following gives a right to cancel the contract of sales in case of the breach.
- a) **Guarantee** b) warrantee c) a& b d) none of the above.
- 22 the process of conveying the delivery of goods with the mere documents is known as
- a) Actual delivery b) symbolic delivery c) **constructive delivery** d) a& b
- 23 which of the following remedies can be exercised by an unpaid seller when the possession of goods is passed.
- a) **Right of stoppage in transit** b) suit for price c) suit for interest d) suit for damages.
24. caveat emptor means
- a) **let the buyers beware** b) let the seller beware c) offers made in sale d)  
concessional sale
- 25 which of the following conditions are recognized as implied guarantees

- a) Condition as to title b) condition as to merchantability c) condition as to quality & fitness d) **all of the above.**

## **COST & MANAGEMENT ACCOUNTING**

### **1. Managerial accounting information is generally prepared for**

- a) Shareholders
- b) Creditors
- c) Managers
- d) Regulatory agencies

### **2. Managerial accounting information**

- a) Relates to the entity as a whole and is highly aggregated
- b) Relates to sub-units of the entity and may be very detailed
- c) Is prepared only once a year
- d) is constrained by the requirements of generally accepted accounting principles

### **3. Which of the following is not an internal user of management information?**

- a) Creditor
- b) Department manager
- c) Controller
- d) Treasurer

### **4. Managerial accounting does not encompass**

- a) Calculating product cost
- b) Calculating earnings per share
- c) Determining cost behavior
- d) Profit planning

### **5. Management accounting is applicable to**

- a) Service entities
- b) Manufacturing entities
- c) Not-for-profit entities

d) All of these

**6. Financial statements for external users can be described as**

- a) User-specific
- b) General-purpose
- c) Special-purpose
- d) Management reports

**7. Management accounting reports can be described as**

- a) General-purpose
- b) Macro-reports
- c) Special-purpose
- d) Classified financial statements

**8. The reporting standard for external financial reports is**

- a) Industry-specific
- b) Company-specific
- c) Generally accepted accounting principles
- d) Department-specific

**9. Internal reports are generally**

- a) Aggregated
- b) Detailed
- c) Regulated
- d) Unreliable

**10. Planning is a function that involves**

- a) Hiring the right people for a particular job
- b) Coordinating the accounting information system
- c) Setting goals and objectives for an entity
- d) Analyzing financial statements

**11. Which of the following is not a management function?**

- a) Demotivating
- b) Planning
- c) Controlling
- d) Directing

**12. A manager who is establishing objectives is performing which management function?**

- a) Motivating
- b) Directing
- c) Planning
- d) Constraining

**13. The document of an organization that depicts authority relationships within the company is the**

- a) Chart of accounts
- b) Ledger
- c) Organization chart
- d) Constitution

**14. Both direct materials and indirect materials are classified as**

- a) Raw materials
- b) Manufacturing overhead
- c) Merchandise inventory
- d) Non-Current assets

**15. The work of factory employees that can be physically associated with converting raw material into finished goods is classified as**

- a) Manufacturing overhead
- b) Indirect materials
- c) Indirect labour
- d) Direct labour

**16. Which one of the following would not be classified as manufacturing overhead?**

- a) Indirect labour
- b) Direct materials
- c) Insurance on factory building
- d) Indirect materials

**17. In manufacturing a product, prime costs are**

- a) Raw materials and manufacturing overhead
- b) Indirect materials and manufacturing overhead

- c) Indirect labour and manufacturing overhead
- d) Direct materials and direct labour

**18. A manufacturing process requires small amounts of glue. The glue used in the process is classified as**

- a) A prime cost
- b) An indirect material
- c) A direct material
- d) Miscellaneous expense

**19. The wages of a maintenance worker in a manufacturing plant would be classified as**

- a) A prime cost
- b) Direct labour
- c) Indirect labour
- d) Compliance costs

**20. Which of the following is not a manufacturing cost category?**

- a) Cost of goods sold
- b) Direct materials
- c) Direct labour
- d) Manufacturing overhead

**21. Lubricants, used irregularly in a production process, are classified as**

- a) Miscellaneous expense
- b) Direct materials
- c) Indirect materials
- d) Immaterial items

**22. Which of the following is not another name for the term manufacturing overhead?**

- a) Factory overhead
- b) Pervasive costs
- c) Burden
- d) Indirect manufacturing costs

**23. Because of automation, which component of product cost is declining?**

- a) Direct labour
- b) Direct materials

- c) Manufacturing overhead
- d) Advertising

**24. The product cost that is most difficult to associate with a product is**

- a) Direct materials
- b) Direct labour
- c) Manufacturing overhead
- d) Raw materials

**25. Which one of the following costs would not be included in inventory?**

- a) Period costs
- b) Prime costs
- c) Conversion costs
- d) Indirect labour costs

**26. Which of the following is not a characteristic of managerial accounting:**

- a) Emphasizes decisions affecting the future
- b) Mandatory for external reports
- c) Need not follow GAAP
- d) Reports to those inside the organization

**27. Which of the following is not a manufacturing cost:**

- a) Direct materials
- b) Manufacturing overhead
- c) Administrative costs
- d) Direct labor

**28. How many classes of inventory accounts do manufacturing companies have:**

- a) One
- b) Three
- c) Two
- d) Four

**29. Costs that are taken directly to the income statement as expenses in the period in which they are incurred are:**

- a) Product costs

- b) Prime costs
- c) Sunk costs
- d) Period costs

**30. Prime costs + Conversion Costs equals:**

- a) Product costs
- b) Prime costs
- c) Manufacturing costs
- d) A meaningless total because direct labor is counted twice.

**31. The potential benefit given up when one alternative is selected over another is a:**

- a) Prime cost
- b) Sunk cost
- c) Opportunity cost
- d) Direct cost

**32. A direct cost is one which:**

- a) Is not worth the effort of tracing to a specific cost object
- b) Remains constant no matter the activity level
- c) Can be easily and conveniently traced to a specific cost object
- d) Always sunk

**33. Which of the following is an example of a fixed cost in a manufacturing company:**

- a) The cost of raw materials
- b) The cost of electricity for running machines
- c) Wages of assembly line workers
- d) Depreciation on factory equipment

**34. Mary works at a convenience store and is paid Rs.400 a week. She considers enrolling in a college to earn a degree. She thinks she will have to quit her job**

**if she goes to college. The wages that she will lose if she chooses college are:**

- a) Sunk cost
- b) Opportunity cost
- c) Indirect cost

d) Prime cost

**35. Which cost is not relevant to the decision whether to purchase a new chocolate dipping machine or continue using the old one:**

- a) The cost of the new machine
- b) Lower maintenance costs for the new machine
- c) The cost of the old machine
- d) Additional training required for operating the new machine

**36. If sales revenue doubles, variable costs will**

- a) decrease in total
- b) increase in total
- c) decrease on a per unit basis
- d) increase on a per unit basis

**37. A cost that remains the same in total, regardless of changes in activity level is a:**

- a) variable cost
- b) fixed cost
- c) mixed cost
- d) step-variable cost

**38. A mixed cost**

- a) is fixed over a wider range of activity than a step cost.
- b) is a fixed cost over the relevant range and a variable cost everywhere else.
- c) contains both fixed and variable components.
- d) always increases on a per unit basis.

**39. A graph of the relationship between total cost and activity level is called a**

- a) Relevant range.
- b) Scatter graph.
- c) Contribution margin graph.
- d) Dependent variable.

**40. Cost accounting information can be used for:**

- a. Budget control and evaluation.
- b. Determining standard costs and variances.

- c. Pricing and inventory valuation decisions.  
d. All of these

**41. A worker has a time rate of Rs. 15/hr. He makes 720 units of a component (standard time:5 minutes/unit in a week of 48 hours. His total wages including Rowan bonus for the week is**

(A) Rs. 792 (B) Rs. 820 (C) Rs. 840 (D) Rs. 864.

**42. A television company manufactures several components in batches. The following data relates to on component: Annual demand:32,000 units; Set-up cost per batch:Rs. 120. Annual rate of interest: 12%; Cost of production per unit: Rs. 16. The Economic Batch Quantity is\_\_\_\_\_units**

(A) 2,500 (B) 4,000 (C) 3,000 (D) 2,000

**43. A company has annual turnover of Rs. 200 lakhs and an average C/S ratio of 40%. It makes 10% profit o sales before charging depreciation and interest which amount to Rs.10 lakhs and Rs. 15 lakhs respectively The annual fi xed cost of the company is\_\_\_\_\_.**

(A) Rs. 85 lakhs (B) Rs. 75 lakhs (C) Rs. 60 lakhs (D) Rs. 55 lakhs.

**44. Sales for two consecutive months of a Company are Rs. 3,80,000 and Rs.4,20,000. The Company's net profi ts for these months amounted to Rs. 24,000 and Rs. 40,000 respectively. There is no change in C/S ratio or fi xed costs. The C/S ratio of the Company is\_\_\_\_\_.**

(A) 1/3 (B) 2/5 (C) 1/4 (D) None of these.

**45. The average period of credit allowed by a Company which has annual credit sales of Rs. 120 lakhs is one month. By reducing the period of credit to half-a-month, sales fall to Rs. 108 lakhs. The fall in the amount of average Debtors is\_\_\_\_\_.**

(A) Rs. 5 lakhs (B) Rs. 4 lakhs (C) Rs. 5.5 lakhs (D) Rs. 6 lakhs.

**46. In activity based costing, costs are accumulated by**

(A) Cost objects (B) Cost benefit analysis (C) Cost Pool (D) None of the above

**47. What component of the profit equation should be set equal to zero to find the Break even point?**

- a) Total sales revenue  
b) Total variable costs

- c) Total fixed costs
- d) Profit

**48 The profit equation is**

- a) Unit price Q – Unit variable costs Q – Total fixed costs = Profit
- b) Unit price Q – Unit variable costs Q + Total fixed costs = Profit
- c) (Unit price – Unit variable costs – Total fixed costs) Q = Profit
- d) Unit price Q + Unit variable costs Q + Total fixed costs = Profit

**49. The formula for break-even point in terms of units is**

- a) Total variable costs/Unit contribution margin
- b) Total fixed costs/Contribution margin ratio
- c) Total fixed costs/Unit contribution margin
- d) Total variable costs/Total fixed costs

**50. Degree of operating leverage is calculated as**

- a) Profit divided by contribution margin.
- b) Break-even sales divided by profit.
- c) Profit divided by break-even sales.
- d) Contribution margin divided by profit

**Answers**

1.c 2.b 3.a 4.b 5.d 6.b 7.c 8.c 9.b 10.c 11.a 12.c 13.c 14.a 15.d 16.b 17.d 18.b 19.c 20.a 21.c 22.b  
 23.a 24.c 25.a 26,b 27c,28b,29d,30c,31c,32a,33d, 34 ,35 ,36 ,37 ,38 ,39 40, 41  
 ,42 43 44 45 46 47 48 49 50

PREPARED BY

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HOD OF COMMERCE

## Financial Services-Banking and Insurance

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- 1) The Banking Regulation Act was passed in India in a) 1948      b) 1949  
c) 1947                      d) 1946
- 2) Deposits which are repayable after the expiry of a specific period is known as  
a) Savings Deposits    b) Current Deposits  
c) Fixed Deposits      d) recurring Deposits
- 3) The fourteen major commercial banks were first nationalized in our country on  
a) 19<sup>th</sup> July 1968      b) 19<sup>th</sup> July 1969  
c) 19<sup>th</sup> July 1967      d) 19<sup>th</sup> July 1966
- 4) Which bank was performing the functions of central bank before establishing Reserve Bank of India.  
a) Imperial Bank of India    b) Union Bank of India  
c) Central Bank of India      d) Bank of India
- 5) The most liquid asset is  
a) Bank Deposits      b) Bonds      c) Money      d) Gold
- 6) Name of the first Banking institution established in India  
a) Hindustan Bank    b) Indian Bank  
c) Central Bank      d) Reserve Bank of India.
- 7) If the bank operations scattered all over the country having a large number of branches the banking system is called.  
a) Multiple Banking system    b) Branch Banking system  
c) Unit Banking system      d) Mass Banking system
- 8) Institution charged with the responsibility of managing the expansion and contraction of the volume of money in the interest of general public welfare is referred as  
a) Development Bank      b) Commercial Bank  
c) Exchange Bank          d) Central Bank
- 9) The rate at which Central Bank accepts bills for discount is called:  
a) Penal rate    b) Bank Rate  
c) Open rate    d) Market rate

- 10) Institutional arrangements facilitating borrowing and lending of short term funds referred to
- a) Money Market      b) Financial Market
  - c) Capital Market      d) Financial Credit
- 11) The scheme introduced by Reserve Bank of India to eliminate credit gaps in rural areas is called
- a) Post Office Savings Banks      b) Regional Rural Banks
  - c) Lead Bank Scheme      d) Agricultural Credit Boards.
- 12) Individual or firm receiving deposits and dealing hundis and money lending are called
- a) Mutual Funds      b) Indigenous Bankers
  - c) Nidhis      d) Chit Funds
- 13) On which day the Twenty Point Economic Program was announced.
- a) July 1<sup>st</sup> 1974      b) July 1<sup>st</sup> 1975
  - c) July 1<sup>st</sup> 1976      d) July 1<sup>st</sup> 1977
- 14) When prices rise every moment and there is no limit to the height to which prices rise, then inflation is called
- a) Galloping inflation      b) Running inflation
  - c) Hyper-inflation      d) Moderate inflation
- 15) Schedule Bank means
- a) Bank with a minimum capital of Rs 10,00,000/-
  - b) Commercial bank included in the second schedule of RBI act
  - c) Nationalized Banks
  - c) Banking company fulfilling section 3 of the Indian companies act.
- 16) Name the first development Bank established in India
- a) Industrial Finance Corporation
  - b) Industrial Credit and Investment Corporation of India
  - c) Industrial Development Bank
  - d) National Small Industries Corporation
- 17) Re-Insurance means
- a) Insured Insuring the same risk partly with other insurers.
  - b) Insurer insuring the same risk wholly or partly with other insurers.
  - c) Insured insuring the same risk with two or more independent insurers.
  - d) Insuring the same risk again after the policy matures.
- 18) In which of the following kinds of insurance, insurable interest should be present both at

the time when policy is taken and at the time when the loss is incurred.

- a) Life insurance      b) Fire Insurance  
c) Marine Insurance    d) All of the above
- 19) The difference between a Bank and Non-Banking Financial Institution (NBFI) is that
- a) A Bank interacts directly with customers while NBFI interacts with Banks and Govt.  
b) A bank indulges in number of activities relating to finance with range of customers, while an NBFI is mainly concerned with the term loan needs of large enterprises.  
c) A Bank deals with both National and an International customer while an NBFI is mainly concerned with finances of foreign companies.  
d) A Banks main interest is to help in business transactions and savings – investment activities while an NBFI's main interest is in the stabilization of the currency.
- 20) The Reserve Bank of India has constituted a working group on RRB's, under the chairmanship of
- a) Shri.S.M.Kelker.    b) M.Vaghul  
c) Dantwala            d) Narshimham
- 21) The Phrase 'Lender of Last Resort' refers to
- a) World Bank          b) IMF  
c) RBI                    d) IDBI
- 22) Which of the following is exclusively concerned with the credit needs of all types' agricultural and rural development in India?
- a) IBRD                    b) RBI  
c) NABARD                d) SBI
- 23) The Banking confined primarily to Non-resident lenders borrowers is called?
- a) Service Banking    b) Inland Banking  
c) Off-Shore Banking    d) Convenient Banking
- 24) A transaction, wherein a financial intermediary buys and sells of specified foreign currency simultaneously for different maturity dates is referred to as:
- a) Options                b) Futures  
c) Swaps                  d) Forward Contract
- 25) A fund raised by a financial service company by pooling the savings of the public and investing in a diversified portfolio with a view to spreading and minimizing risk is

- a) Factoring                      b) Mutual funds  
c) Securitization                d) Leasing
- 26) The system where two or more banking companies are controlled by one or few individuals or by the same group of persons through purchase of shares of such Banks are known as:
- a) Chain Banking                      b) Correspondent Banking  
c) Investment Banking                d) Mixed Banking
- 27) An innovative financial approach introduced to cater to the credit requirements of a large scale segment of the population, who are poor and who remain outside the banking fold is:
- a) Self Help Groups    b) Microfinance  
c) Rural Banking            d) Non Government Organizations
- 28) A device by which book debts are quickly realized through outright sale of account receivables to a financial intermediary or a Banks subsidiary is called?
- a) Hire-purchase credit                b) Merchant Banking  
c) Venture capital                      d) Factoring services.
- 29) Which is the first bank to introduce Credit Card?
- a) Brclays Bank                      b) State Bank Of India  
c) Swiss Bank                          d) Royal Scotland Bank
- 30) An agreement under which a company or firm, acquires a right to make use of capital asset on payment of a prescribed fee called rental charges is referred to as:
- a) Leasing                                      b) Letter of Credit  
c) Derivative security                      d) Fund base financial service
- 31) In which deposit account banker offers a high rate of interest?
- a) Savings deposits    b) Current deposits  
c) Advances                                  d) Term deposits
- 32) A lean is a right of person to retain the goods in his possession until the debt due to him has been:
- a) Fully settled                              b) Partial settled  
c) Partially not settled                      d) Non of the above

33) A statement of accounts rendered by a banker to his customer is known as?

- a) Cheque
- b) Cashbook
- c) Passbook
- d) Ledger

34) The use of instruments within the control of central bank to influence the level of aggregate demand for goods and services by regulations of money supply and credit refers to:

- a) Banking Policy
- b) Fiscal Policy
- c) Government policy
- d) Monetary policy

35) An instrument in writing containing an unconditional order, signed by the maker, directing a certain person to pay a certain sum of money only to, or to the order of a certain person or to the barer of the instrument is termed as:

- a) Bill of Exchange
- b) Cheque
- c) Promissory note
- d) Non of the above

- 36) A piece of paper attached to an instrument for making subsequent endorsements is known as?
- a) Special endorsement                      b) Blank endorsement  
c) Sans recourse endorsement              d) Allonge
- 37) The bailment of goods as security for payment of a debt or performance of a promise is:
- a) Possession b) Lien  
c) Pledge      d) Mortgage
- 38) A promissory note issued by the Government under discount for a specified period stated there in is called?
- a) Discounted Bill      b) Commercial Paper  
c) Trade Bill              d) Treasury Bill
- 39) The Discount and Finance House of India (DFHI) incorporated under the Indian companies act, 1956, commenced its operations in:
- a) May 1980              b) April 1988  
c) May 1988              d) April 1980
- 40) A market where securities issued by central and State Governments, Public bodies and Joint stock companies traded is referred to as:
- a) Stock Exchange              b) New issue market  
c) Primary market              d) Unorganized markets
- 41) To regulate capital market, the Government of India setup the Securities and Exchange Board of India (SEBI) in:
- a) 1972              b) 1976  
c) 1988              d) 1956
- 42) The contracts where the risk insured against is sure to happen but the timing of its happening is not certain can be referred to as:
- a) Insurance      b) Assurance  
c) Policy              d) Underwriting
- 43) Investments in different kinds of securities such as shares debentures or bonds issued by different companies and securities issued by the Government to get maximum returns with minimum risk is known as?
- a) Portfolio Management      b) Issue Management

- c) Post issue Management      d) Underwriting of public issue.
- 44) The Export Import Bank of India was established on? a) Jan 1, 1984      b) Jan 1, 1982  
c) Jan 1, 1986      d) Jan 1, 1980
- 45) The committee which recommended the scheme of insurance of bank deposits in our country was?  
a) The Shroff committee      b) Rural credit survey committee  
c) The Banking Commission      d) Banking Development Committee
- 46) Who is the present Governor of RBI?  
a) Dr. Narasimhan      b) Dr. SubbaRao  
c) Dr. Venugopal Reddy      d) Dr. Raghuram Rajan
- 47) The concept of ATM is introduced in India by which bank?  
a) Bank of India      b) Axis Bank  
c) State Bank of India      d) HSBC
- 48) Market for extremely short period loans refers to:  
a) Acceptance market      b) Call money market  
c) Collateral loan market      d) Bill market
- 49) Name the bank which is legally empowered to issue currency notes except One rupee note in India?  
a) Central Bank of India.      b) Schedule Bank.  
c) Indian Overseas Bank.      d) Reserve Bank of India.
- 50) Core Banking stands for?  
a) Centralized Online Real time Electronic Banking.  
b) Centralized Optical real time Data Exchange Banking.  
c) Centralized Offline Real time Data Exchange Banking.  
d) Centralized Online Real time Data Exchange Banking.

**ANSWERS:**

1).b 2).c 3).b 4).a 5).c 6).a 7).b 8).d 9).b 10).a  
11).c 12).b 13).b 14).c 15).b 16).a 17).b 18).b 19).a 20).a  
21).c 22).c 23).c 24).c 25).b 26).a 27).b 28).d 29).a 30).a  
31).d 32).a 33).c 34).d 35).a 36).d 37).c 38).d 39).b 40).a  
41).c 42).b 43).a 44).b 45).a 46).d 47).d 48).b 49).d 50).a

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## BUSINESS STATISTICS

1. Statistics is concerned with
  - a) Qualitative Data
  - b) Quantitative Data**
  - c) Any kind of data
  - d) Only very simple facts
2. Statistics as a Plural noun indicates
  - a) Statistical Data**
  - b) Statistical Methods
  - c) A Bundle of Lies
  - d) None of the Above
3. As a Singular noun statistics means
  - a) Statistical Data
  - b) Statistical Methods**
  - c) A Bundle of Lies
  - d) None of the Above
4. First step in a Statistical Investigation
  - a) Collection of Data**
  - b) Organisation of Data
  - c) Analysis of Data
  - d) Interpretation of Data
5. The nature of Statistical inference is
  - a) Inductive**
  - b) Deductive
  - c) Qualitative
  - d) None
6. Distrust of Statistics is due to
  - a) Misuse of statistics**

- b) Insufficient statistical methods
  - c) Scope of statistics is limited
  - d) Statistics is considered useless by many people
7. Statistics facilitates
- a) Comparison of data**
  - b) Collection of data
  - c) Organisation of data
  - d) Disposal of data
8. Sample Study is useful
- a) To know the characteristics of the population
  - b) As it is less costly
  - c) Easy to handle the samples
  - d) All of the above**
9. Primary Data is preferred over Secondary Data
- a) Accuracy is important**
  - b) Time available is short
  - c) Sufficient Finance is not available
  - d) Less effort is required
10. Secondary Data is preferred over Primary Data
- a) Sufficient time is available
  - b) Sharp precision is required
  - c) Sufficient finance is available
  - d) Much accuracy is not required**
11. In random sampling
- a) Each element has equal chance of being selected**
  - b) Sample is always full of bias
  - c) Cost involved is high
  - d) All of the Above
12. Stratified sample is preferred where
- a) The population is perfectly homogeneous
  - b) The population is non-homogeneous**
  - c) Random sampling is not possible
  - d) Small samples are required
13. Two Dimensional diagrams are

- a) Volume diagrams
  - b) Area diagrams**
  - c) Linear diagrams
  - d) None of the above
14. Square is a
- a) Simple bar diagram
  - b) Volume diagram
  - c) Two dimensional diagram**
  - d) Cumulative frequency graph
15. Ogive is a
- a) Cumulative Frequency curve**
  - b) Frequency Polygon
  - c) Line diagram
  - d) None of the above
16. Classification is done
- a) After Tabulation
  - b) Before Tabulation**
  - c) Classification implies Tabulation
  - d) Can be done at any time
17. In exclusive type classification
- a) Class limits and class boundaries are the same**
  - b) Class limits are different than class boundaries
  - c) Upper class limit of any class is included in that class
  - d) None of the above
18. In Inclusive type classification
- a) Class limits and class boundaries are the same
  - b) Class limits are different than class boundaries**
  - c) Upper class limit of any class is not included in that class
  - d) None of the above
19. The algebraic sum of deviations from mean is

- a) Least
- b) Maximum
- c) Zero**
- d) None of these

20. The sum of square of deviations from mean is

- a) Least**
- b) Maximum
- c) Zero
- d) None of these

21. An additional observation 15 is included in a series of 11 observation and its mean remains unaffected. The mean of the series was

- a) 11
- b) 15**
- c) 165
- d) 4

22. The median of a series is 10. Two additional observations, 7 and 20, are added to the series. The median of the new series will be

- a) 9
- b) 20
- c) 7
- d) 10**

23. In a batch of 13 students 4 have failed. The marks of the successful candidates were 41, 57, 38, 61, 36, 35, 71, 50 and 40. Find the median marks

- a) 40
- b) 50
- c) 41
- d) 38**

24. The arithmetic mean of the first N natural numbers, 1, 2, 3, ..., N is

- a)  $N/2$
  - b)  $(N+1)/2$
  - c)  $N(N+1)/2$**
  - d) None of these
25. For a symmetrical distribution,  $Q_1$  and  $Q_3$  are 20 and 40 respectively. The value of 50<sup>th</sup> percentile will be
- a) 40
  - b) 20
  - c) 30**
  - d) None of these
26. Total wages paid to the workers in two factories A and B are the same but the modal wage in factory A is larger than the modal wage in factory B. in which factory workers are well off.
- a) A
  - b) B
  - c) Equal in both
  - d) No answer
27. Which is the appropriate average for determining the average size of readymade garments?
- a) Arithmetic Mean
  - b) Mode**
  - c) Median
  - d) Geometric Mean
28. Most appropriate average for qualitative measurements is
- a) Arithmetic Mean
  - b) Median**
  - c) Mode
  - d) None of these
29. The most unstable measure of central tendency is

- a) Arithmetic Mean
  - b) Median
  - c) Mode**
  - d) None of these
30. The sum of deviations of observations is zero when measure from
- a) Median
  - b) G.M
  - c) A.M**
  - d) Mode
31. The average, most affected by the extreme observations, is
- a) Mode
  - b) A.M**
  - c) G.M
  - d) Median
32. The most stable average is
- a) Mode
  - b) A.M**
  - c) G.M
  - d) Median
33. The median of the series 6,3,8,9,5,7 is
- a) 5.5
  - b) 6.5**
  - c) 6.0
  - d) 7.5
34. Which of the following is a positional measure
- a) A.M
  - b) G.M
  - c) H.M
  - d) Median**
35. Measures of Central Tendency are called averages of
- a) First order**

- b) Second order
  - c) Equal
  - d) None of the above
36. For calculating mode, class intervals have to be
- a) Equal**
  - b) Inequal
  - c) No restriction
  - d) None of the above
37. Histogram is used to find
- a) Mean graphically
  - b) Median graphically
  - c) Mode graphically**
  - d) None of the above
38. For finding quartiles, the data should be arranged in
- a) Any order
  - b) Ascending order**
  - c) Descending order
  - d) Need not be arranged
39. The measure based on every item of the series
- a) Range
  - b) Standard deviation**
  - c) Quartile deviation
  - d) All of these
40. Standard deviation is always computed from
- a) Mean**
  - b) Mode
  - c) Median
  - d) Geometric mean
41. Mean deviation is
- a) Less than S.D**
  - b) More than S.D

- c) Equal to S.D  
d) Not related to S.D
42. The mean of absolute deviations from an average is called
- a) S.D  
**b) M.D**  
c) variance  
d) Q.D
43. The range includes
- a) 100% of the items**  
b) 75% of the items  
c) 25% of the items  
d) None of these
44. A measure of dispersion is an indicator of the reliability of
- a) An average**  
b) Variability  
c) Median class  
d) None of these
45. For a symmetrical distribution ,  $Q_1=25$  and  $Q_3=45$ , the median is
- a) 20  
b) 25  
**c) 35**  
d) None of these
46. Quartile deviation is
- a)  $2/3 \sigma$**   
b)  $4/5 \sigma$   
c)  $3/2 \sigma$   
d) None of these
47.  $X=50$   $\sigma=25$ , then Coefficient of Variation is
- a) 200%  
**b) 50%**  
c) 25%  
d) None of these
48. Correlation refers to
- a) Measuring relationship between two variables**

- b) Measuring changes in prices
  - c) Prediction
  - d) None of the above
49. Study of relationship between three or more variables is known as
- a) Multiple correlation**
  - b) Simple correlation
  - c) None of these
50. If  $r$  is more than 6 times the probable error, correlation is
- a) Negative
  - b) Positive
  - c) Significant**
  - d) None of the above

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## **BUSINESS ECONOMICS ( MULTIPLE CHOICE QUESTIONS)**

1. Sales Maximisation concept is given by -----
  - A. Adam Smith
  - B. Samuelson
  - C. Marshall
  - D. Baumol**
2. Micro economic theory is also known as -----
  - A. Business Theory
  - B. Price Theory**
  - C. Individual Theory
  - D. Cost Theory
3. Which will cause a change in the demand for good X?
  - A. A change in taste
  - B. A change in Income**
  - C. A change in the price of X
  - D. A change in price of complementary product
4. A market demand Schedule for a product indicates that -----
  - A. as the product price falls, consumers buy less of the good

B. there is a direct relationship between price and quantity demanded

C. as a product price rises, consumers buy less of other goods

**D. there is an inverse relationship between price and quantity demanded**

5. Profit = -----

A.  $TR+TC$

**B.  $TR-TC$**

C.  $TR \times TC$

D.  $TR/TC$

6. Profit Maximisation goal is suitable for ---- and ---- markets

A. Monopolistic and oligopoly

B. monopolistic and Duopoly

**C. Monopoly and Perfect competition**

D. Monopsony and Duopsony

7. Economics is derived from the greek word OIKONOMIKUS which means

A. Business Management

B. Economics

**C. House Management**

D. Wealth Management

8. Who is assured as father of Economics?

**A. Adam Smith**

B. Robinson

C. Marshall

D. George Bernard

9. Paul.A.Samuelson has defined economics as

A. science of wealth

B. science of material well being

**C. science of dynamic growth and development**

D. none of these

10. Positive Science concern with economics analysis

A. Cause relationship

B. Effect Relationship

**C. Cause and Effect relationship**

D. None of the above

11. The existence of both public and private sector enterprises constitutes

A. capitalist economy

**B. Mixed economy**

C. Socialist economy

D. None of the above

12. Capitalism refers to

- A. the use of markets
- B. government ownership of capital goods
- C. private ownership of capital goods**
- D. private ownership of homes and cars

13. People wants are

- A. more
- B. limited
- C. unlimited**
- D. few

14. The subject matter of economics is

- A. To ensure economic progress of the people
- B. to run business
- C. to satisfy unlimited wants with limited means**
- D. to mobilise resources and to use them

15. Under command economy, activities are guided by

- A. the automatic price system
- B. government planning**
- C. the freedom of consumers
- D. competition

16. Profits is denoted as, which of the following symbol?

- A. sigma
- B. summation
- C. pie**
- D. Alpha

17. In economics the central problem is

- A. money
- B. production
- C. consumption
- D. Scarcity**

18. Utility is measured by

- A. wealth
- B. price
- C. value or worth**
- D. income

19. The extra utility from consuming one more unit of a commodity is called

- A. Marginal utility**
- B. Additional utility
- C. Surplus utility
- D. Bonus utility

20. If marginal utility is zero

- A. Total utility is zero
- B. An additional unit of consumption will decrease total utility
- C. consumption will increase total utility
- D. Total utility is maximised**

21. Economics is a science the basis of this statement does not include

- A. relation between cause and effect
- B. use of deductive method and inductive method for the formation of laws

C. experiments

D. theory

22. Which of the following is an economic activity?

**A. teacher teaching in the school**

B. to teach son at home

C. to serve her child by mother

D. to play football by a student

23. Sales Maximisation is suitable for \_\_\_\_\_ market

**A. oligopoly**

B. duopoly

C. Monopoly

D. Monopsony

24. Demand is a function of -----

A. Income

B. Advertisement

C. Consumers

**D. Price**

25. When we know the quality of a product that buyers wish to purchase at each possible price, we know

**A. Demand**

B. Supply

C. Excess demand

D. Excess supply

26. A Market demand can be derived by adding all the individual demand curves -----

A. vertically

B. horizontally

C. in parallel

D. by any of the above as long as it is consistent

27. Law of demand does not include

A. price of commodity is an independent variable

B. quantity demanded is a dependent variable

C. reciprocal relationship is found between price and quantity demanded

**D. cost of product**

28. For inferior commodities income effect is -----

A. zero

**B. negative**

C. infinite

D. positive

29. In relatively elastic demand ED is -----

A.  $E=1$

B.  $E=0$

**C.  $E>1$**

D.  $E<1$

30. A relative change in quantity demanded is less than the relative change in money income is --  
---

income elasticity

A. high

B. zero

**C. low**

D. negative

31. When prediction about future is based on the assumption that the firm does not

change the course of

its action is            forecast

**A. Passive**

B. Active

C. Short run

D. Long run

32. Which is not a determinant of demand?

A. income

**B. the cost of inputs in production**

C. the prices of related goods

D. future price expectations

33. The price elasticity of demand is the -----

A. percentage change in the price of one will decrease the demand for the other

**B. an increase in the price of one will increase the decrease for the other**

C. a decrease in the price of one will increase the demand for the other

D. a decrease in the price of one will have no effect on the demand for the other

34.     people demand more of product X when the price of product Y decreases. This means X and Y are

A. complements

**B. substitutes**

C. not related

D. both inexpensive

35. Derived demand is directly determined by -----

A. utility

**B. the profitability of using inputs to produce output**

- C. the ability to satisfy consumer desires
- D. personal consumption

36. An increase in consumer income will increase demand for a \_\_\_\_\_ but decrease demand for a \_\_\_\_\_

- A. substitute goods, inferior goods

**B. normal goods, inferior goods**

- C. inferior goods, normal goods
- D. normal goods, complementary goods

37. When demand is elastic-----

- A. a fall in price more than offset by an increase in quantity demanded, so that total revenue rises
- B. the goods is probably a necessity, so price has little effect on quantity demanded

**C. a rise in price will increase total revenue even though less is sold**

- D. buyers are not much influenced by prices of competing products

38. The demand for a good is highly inelastic if-----

- A. the price elasticity of the goods is close to zero
- B. the income elasticity of the goods is close to one
- C. if it is a necessity

**D. both a and c**

39. A perfectly inelastic demand curve -----

- A. is a vertical line parallel to Y axis
- B. is a vertical line parallel to X axis
- C. indicates a good with no close substitutes

**D. a and c**

40. Demand curve is a -----

- A. falling curve
- B. rising curve
- C. upward sloping curve

**D. downward sloping curve**

41. A positive cross elasticity of demand coefficient indicates that-----

- A. a product is an inferior good
- B. a product is a normal goods

**C. two products are substitutes**

- D. two products are

complementary 42. Forecasts

-----

**A. become more accurate with longer time horizons**

- B. are rarely perfect
- C. are more accurate for individual items than for groups of items
- D. all of the above

43. One purpose of short range forecasts is to determine -----

- A. production planning
- B. inventory budgets
- C. research and development plans

**D. facility location**

44. Forecasts are usually classified by time horizon into three categories they are -----

**A. short range, medium range and long range**

- B. finance/accounting, marketing and operations
- C. strategic, tactical and operational
- D. exponential smoothing, regression and time series

45. A forecast with a time horizon of about 3 months to 3 years is typically called a -----

**A. long range forecast**

- B. medium range forecast
- C. short range forecast
- D. weather forecast

46. Forecasts used for new product planning, capital expenditure, facility location or expansion and R&D

typically utilize a -----

- A. short range time horizon
- B. medium range time horizon
- C. long range time horizon**
- D. naive method, because there is no data history

47. The three major types of forecasts used by business organisation are -----

- A. strategic, tactical and operational
- B. economic, technological and demand
- C. exponential smoothing, Delphi and regression
- D. Casual, time series and seasonal**

48. Which of the following is not a step in the forecating process

- A. determine the use of the forecast
- B. eliminate any assumptions**
- C. determine the time horizon
- D. historical and associative

49. The two general approaches to forecasting are-----

- A. qualitative and quantitative
- B. mathematical and statistical**
- C. judgmental and qualitative
- D. historical and associative

50. Which of the following uses three types of participants: decision makers, staff personnel and respondents

- A. executive opinions
- B. sales force composites
- C. the Delphi method

**D. consumer surveys**

51. The forecasting model that the opinions of a group of experts or managers is known as -----

A. sales force composition model

B. multiple regression

**C. jury of executive model**

D. consumer market survey model

52. Which of the following techniques uses variables such as price and promotional expenditures, which are related to the product demand, to predict demand

A. Associative models

**B. exponential smoothing**

C. weighted moving average

D. simple moving average

53. Time-series data may exhibit which of the following behaviours?

**A. Trend**

B. Random variation

C. Seasonality

D. Cycles

54. Gradual long term movement in time series data is called -----

**A. Seasonal variation**

B. cycles

C. trends

D. exponential variation

55. Which of the following is not present in a time series?

A. Seasonality

B. operational variations

C. trend

**D. random variations**

56. In samole survey method      technique is adopted

- A. deliberate
- B. convenience
- C. quota

**D. random**

57. car and petrol are      goods

- A. substitutes

**B. complementary**

- C. producers
- D. None of the above

58. Tea and coffee are      goods

**A. substitutes**

- B. complementary
- C. producers

59. In cross elasticity of demand, for unrelated goods the demand curve will be-----

- A. Horizontal straight line
- B. rectangular hyperbola
- C. vertical line**
- D. none of the above

60. The total outlay method explains the relationship between price and -----

- A. demand
- B. supply
- C. expenditure**
- D. income

61. Supply is a function of -----

- A. a straight line
- B. a parabola

**C. a hyperbola**

D. convex to the origin

62. The supply of a product does not depend on -----

A. labour costs

B. the number of sellers in the market

**C. consumers tastes**

D. existing technology

63. Passive factor of production is -----

A. only land

B. only capital

**C. both land and capital**

D. neither land nor capital

64. Reasons for increasing return in stage I of law of variable proportion is -----

A. Indivisibility

B. Specialisation

**C. both a and b**

65 Economics views on reducing the production costs

- A. internal
- B. inventory
- C. pecuniary

**D. External**

66. Which of the following are not related with factors of production(FOP)

- A. land
- B. capital

**C. raw material**

D. labour

67.. Which factor of production is considered as fixed input

- A. labour
- B. technology
- C. capital

**D. land**

68. The supply of a product does not depend on -----

- A. labour costs
- B. the number of sellers in the market

**C. consumers tastes**

D. existing technology

69 is the remuneration for organisation

- A. rent
- B. wages
- C. interest

**D. profit**

70 input factor is divided as skilled, semiskilled, unskilled

- A. land
- B. capital
- C. Technology

**D. labour**

## AUDITING

1. The main object of an audit is (a) Expression of opinion,(b) Detection and Prevention of fraud and error,(c) Both (a) and(b),(d) Depends on the type of audit.
2. The title of AAS2 issued by Council of ICAI is \_\_\_\_\_
  - a) Objective and Scope of the Financial Statements b) Objective and Scope of the Audit of Financial Statements c)Objective and Scope of Business of an Entity d) Objective and Scope of Financial Statements Audit
3. Which of the following is not true about opinion on financial statements?
  - a) The auditor should express an opinion on financial statements. b) His opinion is no guarantee to future viability of business. c) He is responsible for detection and prevention of frauds and errors in financial statements. d) He should examine whether recognised accounting principle have been consistently
4. A sale of Rs. 50.000 to A was entered as a sale to B. This is an example of \_
  - a) Error of omission b) Error of commission c) Compensating error d) Error of principle
5. „Goods sent on approval basis“ have been recorded as „Credit sales“. This is an example of \_
  - a) Error of principle b) Error of commission c) Error of omission d) Error of duplication
6. Which of the following statements is not true?
  - a) Management fraud is more difficult to detect than employee fraud. b) Internal control system reduces the possibility of occurrence of employee fraud and management fraud. c) The auditor“s responsibility for detection and prevention of errors and frauds is similar.
  - d) All statements are correct.
7. As per AAS4
 

if auditor detects an error then –

  - a) He should inform the management. b) He should communicate it to the management if it is material. c) The auditor should ensure financial statements are adjusted for detected errors. d) Both (b) and (c)

8. Which of the following is not a limitation of audit as per AAS4?
- Objectivity of auditor's judgment
  - Selective testing
  - Persuasiveness of evidence
  - Limitations of internal control system.
9. How many principles are listed in AAS1 which govern auditor's professional obligation?
- Nine
  - Fourteen
  - Seven
  - Eight
10. Both auditing and accounting are concerned with financial statements. Which of the following
- Auditing uses the theory of evidence to verify the financial information made available by Accountancy.
  - Auditing lends credibility dimension and quality dimension to the financial statements prepared by the accountant.
  - Auditor should have thorough knowledge of accounting concepts and convention to enable him to express an opinion on financial statements.
  - All of the above.
11. The risk of management fraud increases in the presence of :
- Frequent changes in supplies,
  - Improved internal control system,
  - Substantial increases in sales,
  - Management incentive system based on sales done in a quarter
12. Auditing standards differ from audit procedures in that procedures relate to
- Audit assumptions,
  - acts to be performed,
  - quality criterion,
  - methods of work
13. Which of the following factors likely to be identified as a fraud factor by the auditor?
- The company is planning a initial public offer of quality shares to raise additional capital for expansion.
  - Bank reconciliation statement includes deposits in transit.
  - Plant and machinery is sold at a loss.
  - The company has made political contributions.
14. The most difficult type of misstatement to detect fraud is based on:
- Related party purchases
  - Related party sales
  - The restatement of sales

- d) Omission of a sales transaction from being recorded.
15. Which of the following statements is correct concerning the required documentation in working papers of fraud risk assessment undertaken by the auditor?
- a) All risk factors as mentioned in AAS4, should be considered and documented along with response to them.
  - b) Document the identification of fraud risk factors along with response to them.
  - c) Document material fraud, risk factors and response to them.
  - d) No documentation is required.
16. Which of the following is the most appropriate potential reaction of the auditor to his assessment that the risk of material misstatement due to fraud is high in relation to existence of inventory?
- a) Visit location on surprise basis to observe test counts
  - b) Request inventory count at a date close to yearend
  - c) Vouch goods sent on approval very carefully
  - d) Perform analytical procedures.
17. Which of the following is not likely to be a fraud risk factor relating to management's Characteristics
- a) Tax evasion
  - b) Failure to correct known weakness in internal control system
  - c) Adoption of conservative accounting principles
  - d) High management turnover
18. Professional skepticism requires that the auditor assume that management is a)
- reasonably honest
  - b) Neither honest nor dishonest
  - c) Not necessarily honest
  - d) Dishonest unless proved otherwise
19. Which of the following information should a successor auditor obtain during the inquiry of the predecessor auditor before accepting engagement?
- i) Information about integrity of management
  - ii) Disagreement with management concerning auditing procedures
  - iii) Review of internal control system.
  - iv) Organization structure
- a) (i) and (ii)
  - b) (ii) and (iii)
  - c) (i) , (ii) and (iii)
  - d) i) and (iii)
20. The audit engagement letter, generally, should include a reference to each of the following except a) limitations of auditing b) responsibilities of management with

- respect to audit work c) expectation of receiving a written management representation letter.  
d) A description of the auditor's method of sample selection.

21. The use of an audit engagement letter is the best method of assuring the auditor will have which of the following?

- a) Auditor will obtain sufficient appropriate audit evidence.
- b) Management representation letter
- c) Access to all books, accounts and vouchers required for audit purpose
- d) Cooperation from other auditors

22. The use of an audit engagement letter is the best method of documenting

- i) the required communication of significant deficiencies in internal control
- ii) significantly higher control risk than that assessed in prior audit.
- iii) Objective and scope of auditor's work
- iv) Notification of any changes in the original arrangements of the audit.

- a) (i) and (ii) b) (i) and (iii) c) ii and (iv) d) (iii) and (iv)

23. An auditor who accepts an audit but does not possess the industry expertise of the business entity should

- a) Engage experts b) obtain knowledge of matters that relate to the nature of entity's business
- c) inform management about it d) take help of other auditors

24. The least important element in the evaluation of an audit firm's system of quality control would relate to

- a) assignment of audit assistants b) system of determining audit fees
- c) consultation with experts d) confidentiality of client's information

25. The primary purpose of establishing quality control policies and procedures for deciding on client evaluation is to

- a) ensure adherence to generally accepted auditing standards
- b) acceptance or retention of clients whose management does not lack integrity
- c) ensure audit fees is charged according to the type of audit work assigned
- d) all of the above

26. Which of the following is not a quality control consideration on accepting a new client?

- a) Availability of audit assistants with necessary skill and competence.
- b) Provision of other services to the client which may impair independence
- c) Predecessor auditor's advice as to whether audit fees were paid promptly
- d) Review of audit work done by one partner by the other

27. An auditor obtains knowledge about a new client's business and its industry to
- Make constructive suggestions concerning improvements to the client's internal control system.
  - Evaluate the appropriateness of audit evidence obtained
  - Understand the events and transactions that may have an effect on client's financial statements.
  - All of the above

## Concepts of Auditing

- Audit of banks is an example of –
  - Statutory audit
  - Balance sheet audit
  - Concurrent audit
  - Both (a) and (b)
  - All of the above
- Concurrent audit is a part of
  - Internal check system
  - Continuous audit
  - Internal audit system
  - None
- In India, balance sheet audit is synonymous to
  - Annual audit
  - Continuous audit
  - Detailed audit
  - Statutory audit
- Audit in depth is synonymous for
  - Complete audit
  - Completed audit
  - Final audit
  - Detailed audit
- Balance sheet audit includes verification of\_
  - Assets
  - Liabilities
  - Income and expense accounts where appropriate
  - All of the above
- Which of the following statements is not true about continuous audit?
  - It is conducted at regular interval
  - It may be carried out on daily basis
  - It is needed when the organization has a good internal control system
  - It is expensive
- Which of the following is not a fact of EPA?
  - Economic audit
  - Efficiency audit
  - Expenditure audit
  - Effectiveness audit
- The Delhi Government had constructed six bungalows for its ministers. They are lying unoccupied for last three years. This would be a matter of concern for
  - Propriety Auditor
  - Performance Auditor
  - Financial Auditor
  - None of the above
- Financial auditor is not concerned with propriety of business transactions. However, the exceptions to this rule are contained for audit of limited companies in\_
  - Section 227 (IA) of the Companies Act, 1956
  - Section 227 (IA) and section

227(4A) of the Act c) CARO, 2003 d) Section

227 (IA) and CARO, 2003

10. Balance sheet does not include

- a) Verification of assets and liabilities
- b) Vouching of income and expense accounts related to assets and liabilities
- c) Examination of adjusting and closing entries
- d) Routine checks

11. Which of the following statements is not correct about materiality?

- a) Materiality is a relative concept
- b) Materiality judgments involve both quantitative and qualitative judgments
- c) Auditor's consideration of materiality is influenced by the auditor's perception of the needs of an informed decision maker who will rely on the financial statements
- d) At the planning stage, the auditor considers materiality at the financial statement level only

12.....the audit risk, the materiality and .....the audit effort

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

13. When issuing unqualified opinion, the auditor who evaluates the audit findings should be satisfied that the

- a) Amount of known misstatement is documented in working papers
- b) Estimates of the total likely misstatement is less than materiality level
- c) Estimate of the total likely misstatement is more than materiality level
- d) Estimates of the total likely misstatement cannot be made

14. In determining the level of materiality for an audit, what should not be considered?

- a) Prior year's errors
- b) The auditor's remuneration
- c) Adjusted interim financial statements
- d) Prior year's financial statements

15. Analytical procedures issued in the planning stage of an audit, generally

- a) helps to determine the nature, timing and extent of other audit procedures
- b) directs attention to potential risk areas
- c) indicates important aspects of business
- d) All of the above

16. Which of the following statements is most closely associated with analytical procedure applied at substantive stage?

- a) It helps to study relationship among balance sheet accounts
- b) It helps to discover material misstatements in the financial statements
- c) It helps to identify possible oversights

- d) It helps to accumulate evidence supporting the validity of a specific account balance
17. For all audits of financial statements made in accordance with AAS14, the use of analytical procedures is at the discretion of the auditor in which stage?
- a) Substantive testing b) Planning stage c) Overall review stage d) All of the above
18. The basic assumption underlying the use of analytical procedures is:
- a) It helps the auditor to study relationship among elements of financial information  
 b) Relationship among data exists and continues in the absence of known condition to the contrary  
 c) Analytical procedures will not be able to detect unusual relationships  
 d) None of the above.
19. What are analytical procedures?
- a) Substantive tests designed to assess control risk  
 b) Substantive tests designed to evaluate the validity of management's representation letter  
 c) Substantive tests designed to study relationships between financial and nonfinancial  
 d) All of the above

## FINANCIAL ACCOUNTING

1. Which of the following functions listed below is NOT the role of an accountant?
  - A. Directing and co-coordinating the work of book-keeping staff.
  - B. Taking vital decisions within the organization.
  - C. Providing periodic financial statements for decision making.
  - D. Safeguarding and controlling the assets of an organization.
  - E. Filing tax and annual returns.
2. Which ONE of the following, in a classified form, contains permanent records of all transactions?
  - A. Cash Book.
  - B. Sales Day Book.
  - C. Journal.
  - D. Ledger.
  - E. Purchases Day Book.
3. When a buyer returns damaged goods to the seller, the buyer receives a .....
  - A. credit note.
  - B. pro-forma invoice.
  - C. debit note.
  - D. consignment note.
  - E. goods returned note.<sup>2</sup>

4. The overall responsibility for the accounting information contained in the financial statements of a business organization rests with the.....

- A. Accountant.
- B. Financial Controller.
- C. Auditor.
- D. Managing Director.
- E. Board of Directors.

5. A business marks up its cost by 50%. This would mean a gross profit inpercentage of

- A. 33.33 on the cost price.
- B. 50 on the selling price.
- C. 66.66on selling price.
- D. 66 .66on the market price.

- E. 33.33 on the selling price.
7. Pending the location of errors in the books of accounts which affect the agreement of the Trial Balance, the difference disclosed is normally posted to.....
- A. Adjustment Account.
  - B. Holding Account.
  - C. Control Account.
  - D. Suspense Account.
  - E. Transit Account.
8. A subsidiary record is a book
- A. of subsidiary entry.
  - B. containing the final account.
  - C. of final entry.
  - D. of original entry.
  - E. found in the ledger.
9. Which of the following is ODD to the class below?
- A. An investor.
  - B. An entrepreneur.
  - C. A proprietor.
  - D. A creditor.
  - E. A debtor.
10. The Doing Business Report" is prepared by which of the following organizations every year?
- (A) **World Bank** (B) Asian Development Bank (ADB)  
(C) International Monetary Fund (IMF) (D) World Trade Organization (WTO)
11. Accounting for Intangible Assets are related to–
- (A) AS - 10 (B) AS - 12
  - (C) AS - 24 (D) **AS – 26**
12. Indian Accounting Standard – 28 is related to–
- (A) Accounting for taxes on income
  - (B) Financial Reporting of Interests in Joint Venture

**(C) Impairment of Assets**

(D) Provisions, Contingent Liabilities and Contingent Assets

13. Recording of capital contributed by the owner as liability ensures the adherence of principle of–

(A) Consistency (B) Going concern

**(C) Separate entity** (D) Materiality

14. A machinery is purchased for Rs. 3,00,000 and Rs. 50,000 is spent on its installation. Rs. 5,000 is spent on fuel. What will be the amount of capital expenditure ?

(A) Rs. 3,00,000 (B) **Rs. 3,50,000**

(C) Rs. 3,55,000 (D) None of these

15 Which of the following errors are not disclosed by Trial Balance ?

(A) Compensatory Errors (B) Errors of Principle

(C) Errors of Omission (D) **All the three**

16 A large amount spent on special advertisement is–

(A) Capital Expenditure (B) Revenue Expenditure

(C) Revenue Loss (D) **Deferred Revenue Expenditure**

17 Double Entry System was introduced in–

(A) America (B) Japan

(C) India (D) **Italy**

18 According to going concern concept a business entity is assumed to have–

(A) **A long life** (B) A small life

(C) A very short life (D) A definite life

19 Which of the following companies do not have the obligation to get its Articles of Association registered along with the Memorandum of Association ?

**(A) Public Company limited by shares**

(B) Unlimited companies

(C) Private companies limited by shares

(D) Companies limited by guarantee

20 According to the Companies Act, 1956, a private company must have at least:

(a) seven directors

(b) three directors

**(c) two directors**

(d) one director

## COMMON COMMERCE QUESTIONS

1. Physical verification of fixed assets is the primary responsibility of the:

- (a) auditor
- (b) management
- (c) government
- (d) sharehol

ders Ans. (b)

2. Auditing Standards differ from auditing procedures in that the procedures relate to:

- (a) measures of performance
- (b) audit principles
- (c) acts to be performed
- (d) audit

judgments Ans. (c)

3. What is the correct sequence of the following assignments?

1. Internal control
2. Test check
3. Internal check
4. Statutory audit

Select the correct answer using the codes given

below:

Codes

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

Ans. (c)

4. Statutory auditor of a company in the case of a casual vacancy may be appointed by the:

- (a) Board of Directors
- (b) Managing Director

- (c) Extraordinary General meeting
- (d) Government

concerned Ans. (a)

5. Which of the following are included in the 'Statutory Books' for the purpose of company audit ?

1. Register of charges
2. Minutes Books for the Board meetings
3. Articles of Association
4. Minutes Book for the shareholder's meeting
5. Register of members
6. Memorandum of Association

Select the correct answer using the codes given below:

Codes:

- (a) 1, 2, 4 and 5
- (b) 2, 3, 4 and 6
- (c) 1, 3, 5 and 6
- (d) 2, 3, 5 and 6

Ans. (b)

6. Consider the following statements:

A statutory auditor of a public limited company claims that he has the following legal rights in relation to his duties:

1. Right to refuse to make a report
2. Right of access to books of accounts and registers
3. Right to seek explanation from directors and officers -
4. Right to make statement in the general

meeting Of the above statements:

- (a) 1, 2, and 3 are correct
- (b) 1, 2 and 4 are correct
- (c) 1, 3, and 4 are correct

(d) 2, 3 and 4 are

correct Ans. (d)

7 Match List-I with List-II and select the correct answer using the codes given below the lists:

List-I List-II

A. Duties of auditors 1. Access to Books of company

B. Rights of auditors 2. Penalty for non-compliance with sections 227 to 229

C. Liabilities of auditors 3. Company in general meeting

D. Removal of auditors 4. To make a

report. Codes:

A B C D

(a) 4 1 2 3

(b) 2 3 1 4

(c) 1 4 3 2

(d) 3 2 4 1

Ans. (a)

8, Consider the following functions of a stock exchange:

1. Providing a ready market for securities

2. Helping capital formation

3. Regulating the capital structure of a company

4. Regulating the public deposits with

companies Of the above functions:

(a) 1, 2, 3 and 4 are correct

(b) 1, 2, and 3 are correct

(c) 1 and 2 are correct

(d) none is

correct Ans. (c)

9. Match List-I with List-II and select the correct answer using the codes given below the

lists: List-I List-II

A. Minimum issued capital for being 1. One

crore listed on a stock exchange

B. Exemption from the consent of controller 2. Three crores

of capital issues for issue of shares

C. Amount payable on shares to be called only 3. Issued capital of less than in installments and not in one stroke Rs. 3 crores

D Listing in OTC exchange 4. Issued capital of Rs.50 crores and above

Codes:

A B C D

(a) 2 1 4 3

(b) 1 3 4 2

(c) 2 1 3 4

(d) 4 3 1 2

Ans. (a)

10. In stock exchange operations, when the speculator buys the right to sell a certain number of shares on an agreed amount at a specified time it is known as:

(a) no option

(b) put option

(c) call option

(d) double

option Ans. (b)

11. The jurisdiction of the M.R.T.P. commission with respect to monopolistic trade practices is not exercisable upon/under:

(a) a reference made to it by the Central Government

(b) an application made to it by the Director General

(c) its own knowledge or information

(d) any of the abovementioned

circumstances. Ans. (c)

12. Complete consolidation as a class of business combination may include:

(a) mergers and amalgamations

(b) pools and cartels

(c) trusts and holding companies

(d) trade associations and chambers of commerce Ans. (a)

13. Modernization of industries can be achieved by:

- (a) ensuring proper enforcement of the provisions of BIFR Act
- (b) permitting PSUs to disinvest
- (c) strictly implementing the provisions of industrial (Development and Regulation) Act, 1957
- (d) creating consciousness among the industrialists about the need for modernization Ans. (d)

14. Which one of the following statements is not correct?

- (a) The preamble to the Industrial Development and Regulation/Act, 1951 is to provide for the development and regulation of certain industries
- (b) The Central Government has the power to add any new undertakings to the first schedule
- (c) Regulation of industries specified in the first schedule to the Act is sought to be achieved by means of:
  - (i) regulation of existing industrial undertakings,
  - (ii) licensing of new industrial undertakings and
  - (iii) licensing for producing new articles

(d) The new industrial policy was announced by the government on July 24, 1991 Ans. (a)

15. Which of the following conditions must be satisfied in a claim for loss by fire?

1. There must be actual fire.
2. Fire must be accidental.
3. Cause of fire must be ascertainable.
4. The goods must have been destroyed, not damaged by fire. Select the correct answer using the codes given

below: Codes:

- (a) 1 and 2
- (b) 1 and 3
- (c) 2 and 3
- (d) 3

and 4 Ans.

(a)

16. A mixed marine policy means:

- (a) combination of fire and marine losses coverage
  - (b) combination of voyage and time policies
  - (c) combination of all types of risk on the sea
  - (d) combination of export credit insurance and marine insurance
- Ans. (b)

17. A building worth five lakhs of rupees is insured for one lakh rupees. There is an average clause in the policy. A portion of the building valued one lakh of rupees is destroyed by fire. The owner can claim and recover:

- (a) one lakh rupees
  - (b) twenty thousand rupees minus the sale of proceeds of the debris
  - (c) five lakh rupees
  - (d) one lakh rupees minus the sale of proceeds of the debris
- Ans. (b)

18. Every person has insurable interest in his own life up to:

- (a) a maximum of Rs. 5,00,000
  - (b) twenty times his net salary drawn
  - (c) an unlimited extent provided the premium payable does not exceed 20% of his sales salary
  - (d) an unlimited extent
- Ans. (d)

19. Plate-Glass is typical type of accident insurance and it is mainly applicable to

- (a) personal accident
  - (b) motor cars
  - (c) retail trade
  - (d) house burglary
- Ans. (d)

20. 'Doctrine of Subrogation' is used in:

- (a) Life Insurance
- (b) Fire Insurance
- (c) Marine Insurance; Fire Insurance

(d) Joint Life  
Insurance Ans. (c)