



UNIT:1

Software used in Accounting

Q:1) What are the features of a computerized accounting system?

Sol:

- A:) It facilitates off-line input and storage of accounting data
- B:) This system never fails
- C:) It generates a print-out of purchase and sale invoices
- D:) None of the above

Correct:C

Q:2) What is not an advantage of a computerized accounting system.

Sol:

- A:) High Speed
- B:) High Reliability
- C:) Reduced training cost
- D:) None of the above

Correct:C

Q:3) What are the types of a computerized accounting system?

Sol:

- A:) Ready to use Software
- B:) Customized Software
- C:) Tailor-made Software
- D:) All of the above

Correct:D

Q:4) What are the advantages of tailor-made software?

Sol:

- A:) These are ready made softwares
- B:) Low cost
- C:) High secrecy of data



D:) None of the above

Correct:C

Q:5) What are the factors to be considered while source accounting software?

Sol:

A:) Flexibility

B:) Adaptability

C:) Interest of management

D:) Both a & b

Correct: D

Q:6) Ram want to install a computerised accounting system but his budget is low. Which software he should opt for

Sol:

A:) Ready to use Software

B:) Customized Software

C:) Tailor-made Software

D:) He can buy any of above, all cost same

Correct:A

Q:7) If an organisation want to develop a computerised accounting system according to its need as the business of organisation is complex. Which software it should opt for :

Sol:

A:) Ready to use Software

B:) Customized Software

C:) Tailor-made Software

D:) Any of above

Correct:C

Q:8) What are the features of computerized accounting software?

Sol:



- A:) storage of accounting data and on-line input
- B:) instantly produces different reports
- C:) group different account
- D:) All of the above

Correct:D

Q:9) The .....of a vendor is also an important factor to consider while opting for a computerized accounting software

Sol:

- A:) Level of profit
- B:) Honesty
- C:) Capability
- D:) None of the above

Correct:C

Q:10) Software must be easy to.....

Sol:

- A:) Install
- B:) Adapt
- C:) Understand
- D:) All of the above

Correct:D

Q:11) Accounting Packages are developed on the basis of

Sol:

- A:) Accounting concepts
- B:) Accounting conventions
- C:) Both Accounting concepts and Conventions



D:) None of the above

Correct:C

Q:12)What type of Software is an Accounting Package?

Sol:

A:) System Software

B:) Application Software

C:) Utility Software

D:) Basic

Correct:B

Q:13)The components of computerised accounting system are

Sol:

A:) Data, Report, Ledger, software, Hardware

B:) Software, Hardware, People, Procedure, Data

C:) Data, Coding, Procedure, Objective, Output

D:) People, Procedure, Hard ware, software

Correct:B

Q:14) Grouping of Accounts means the classification of data from:

Sol:

A:) Assets, Capital, and Liabilities

B:) Assets, Capital, Liabilities, Revenues & Expenses

C:) Assets, Owners equity, Revenue & Expenses

D:) Capital, Liabilities, Revenues, & Expenses

Correct:B

Q:15)Codification of Accounts required for the purpose of:

A:) Hierarchical relationship between groups and components

B:) Data processing faster and preparing of final accounts

C:) Keeping data and information secured

D:) None of the above



Correct:A

Q:16) Method of codification should be

- A:) Such that it leads to grouping of accounts
- B:) An identification mark
- C:) Easy to understand and leads to grouping of accounts
- D:) None of the above

Correct:C

Q:17) Final account subsystem in Accounting Information System (AIS) deals with

Sol:

- A:) Preparation of budgets
- B:) Preparation of Pay Roll
- C:) Preparation of Final Accounts
- D:) None of the above

Correct:C

Q:18)Pick the odd one out

Sol:

- A:) Password security
- B:) Data Audit
- C:) Data Bank
- D:) Data vault

Correct:C

Q:19) Which among the following is an example of mnemonic codes?

Sol:

- A:) AS03, AS04, AS05



- B:) 1925, 1926, 1927, 1928
- C:) ACC, ECO, ENG, MAL
- D:) 001-100, 101-200, 201-300, 301-400

Correct:C

Q:20) Which among the following deals with generation of reports that are vital for management decision making?

Sol:

- A:) Costing sub system
- B:) Pay Roll Accounting Sub system
- C:) Budget Sub System
- D:) Management Information System

Correct:D

Q:21) The need of codification is

Sol:

- A:) Easy to process data
- B:) Keeping proper records
- C:) The generation of block codes
- D:) The encryption of data

Correct:D

Q:22) Choose the correct pair

Sol:

- A:) Cash and Bank sub system – Deals with receipts and payments of cash
- B:) Inventory subsystem – deals with recording of sales
- C:) Payroll Accounting sub system – deals with the preparation of final accounts
- D:) Accounts receivable sub system – deals with expenses



Correct:A

Q:23) It refers to the system of recording, organising, summarising, analysing, interpreting and communicating the financial data of a business.

Sol:

- A:) Manual Accounting
- B:) Computerised Accounting
- C:) Auditing
- D:) Human Resource Accounting

Correct:B

Q:24) Following businesses generally require customised software:

Sol:

- A:) Banking
- B:) Medical
- C:) Retail or point of Sale
- D:) All of the above

Correct:D

Q:25) Features of computerised accounting system

Sol:

- A:) Complete visibility
- B:) Fast, powerful, simple and integrated
- C:) Accuracy and speed
- D:) All of the above

Correct:B

Q:26)When different accounts are clubbed on the basis of some common characteristics that are shared by them, the concept is known as\_\_\_\_\_.

Sol:



- A:) Asset
- B:) Liability
- C:) Income
- D:) Grouping

Correct:D

Q:27) \_\_\_\_\_ is the systematic assignment of number to items to classify and organise them.

Sol:

- A:) Codification
- B:) Coding
- C:) Grouping
- D:) Recording

Correct:B

Q:28)Most organisations use \_\_\_\_\_ for coding their accounts.

Sol:

- A:) Block code
- B:) Block number
- C:) Block group
- D:) Block section

Correct:A

Q:29) Computers can be used in accounting in different number of ways:

Sol:

- A:) Utility in batch processing
- B:) Utility in Online/Interactive Processing
- C:) Utility in Wage/Payroll System
- D:) All of the above

Correct:D





Q:30) Such systems also generate reports which allow the accounting professionals to have a proper view of different transactions in a comprehensive manner.

Sol:

- A:) Enterprise Resource Planning software
- B:) Pre-packaged accounting software
- C:) Spreadsheet software
- D:) Customised accounting packages

Correct:B

Q:31) This software is a package which is used for managing the entire organisation in a comprehensive.

Sol:

- A:) Enterprise Resource Planning software
- B:) Pre-packaged accounting software
- C:) Spreadsheet software
- D:) Customised accounting packages

Correct:A

Q:32)The individual field in the sheet is known as a \_\_\_\_\_.

Sol:

- A:) Row
- B:) Cell
- C:) Column
- D:) Group

Correct:B

Q:33) Such kind of software offers various functionalities such as cell content, pivot table, formulas and macros.

Sol:

- A:) Enterprise Resource Planning software



- B:) Pre-packaged accounting software
- C:) Spreadsheet software
- D:) Customised accounting packages

Correct:C

Q:34) The software may also allow for graphical rendering of data, which is useful for carrying out analysis.

Sol:

- A:) Enterprise Resource Planning software
- B:) Spreadsheet software
- C:) Pre-packaged accounting software
- D:) Customised accounting packages

Correct:B

Q:35)This is the kind of software which is specifically designed for meeting the requirements of a particular business.

Sol:

- A:) Enterprise Resource Planning software
- B:) Customised accounting packages
- C:) Pre-packaged accounting software
- D:) Spreadsheet software

Correct:B

Q:36) The components of Computerised Accounting System are :

Sol:

- A:) Data, Report, Ledger, Hardware, Software
- B:) Data, People, Procedure, Hardware, Software
- C:) People, Procedure, Ledger, Data, Chart of Accounts
- D:) Data, Coding, Procedure, Rules, Output

Correct:B



Q:37)The Computerised Accounting System refers to :

Sol:

- A:) Printing of Balance Sheet and Profit and Loss Accounts using computer
- B:) Processing of accounting transaction through computer and produce records and reports
- C:) Processing of accounting related data and printing reports
- D:) None of the above

Correct:B

Q:38) The components of Computerised Accounting System refers to :

Sol:

- A:) Business transactions are analysed, transactions recorded, prepare trial balance, preparation of balance sheet and profit and loss account
- B:) From data entry to preparation of final statements
- C:) Transformation of manual accounting system to CAS
- D:) None of the above

Correct:A

Q:39) The CAS should be

Sol:

- A:) Simple and integrated, transparent, accurate, scalability, reliability
- B:) Complex, Accurate, Transparent, Faster to work
- C:) Able to transform the manual accounting system to computerised accounting system
- D:) None of the above.

Correct:A

Q:40) A computer is an electric device

Sol:

- A:) True
- B:) False



Correct:B

Q:41) Control unit works as \_\_\_\_\_ of the computer.

Sol:

- A:) Monitor
- B:) Brain
- C:) Component
- D:) Part

Correct:B

Q:42) Accounting standards issued by ICAI are mandatory in India.

Sol:

- A:) True
- B:) False

Correct:A

Q:43) Computer Accounting System is used for recording the financial transaction.

Sol:

- A:) True
- B:) False

Correct:A

Q:44) Which of the following is true statement for computerised accounting system?

- a. the computer accounting system is based on the concept of database.
- b. Computer accounting system does not away with the concept of creating and maintaining journals, ledger etc.

Sol:

- a) Only a
- b) Only b
- c) Both a and b



d) None of the above

Correct:A

Q:45)Opening an account in a computerized accounting system is entirely different from opening an account in a manual system.

Sol:

A:) True

B:) False

Correct:B

Q:46)Creation of company is the first step in Computerized Accounting process.

Sol:

A:) True

B:) False

Correct:A

Q:47)Application softwares

Sol:

A:) Can operate on its own

B:) Cannot operate without Operating Software

C:) Both a and b

D:) None of these

Correct:B

Q:48) Accounting software requires

Sol:

A:) Transactions to be entered once

B:) Transactions to be entered at each stage i.e. recording and posting into accounts

C:) Both a and b

D:) None of the above



Correct:A

Q:49) Accounting softwares available are

Sol:

- A:) Readymade or off-the-shelf software
- B:) Tailor-made software
- C:) Customised Software
- D:) All of these

Correct:D

Q:50) Which of the following software is not operating software?

Sol:

- A:) MS DOS
- B:) Windows XP
- C:) MS Word
- D:) None of these

Correct: C





**UNIT:2**

**Final Accounts of Charitable Trust**

Q:1) The public hospitals do not carry the activities with an intention of earning profits.

Sol:

A:)True

B:)False

Correct:A

Q:2) The Income and Expenditure Account is a summary of cash transactions.

Sol:

A:)True

B:)False

Correct:B

Q:3) The Income and Expenditure Account includes all revenue expenses and income irrespective of its cash flow

Sol:

A:)True

B:)False

Correct:A

Q:4) The Income and Expenditure Account is always accompanied with a cash flow statement

Sol:

A:)True



B:)False

Correct:B

Q:5) The fees are collected only once at the time of admission of a member, hence Entrance Fees should be treated as 'Revenue Receipt'.

Sol:

A:)True

B:)False

Correct:B

Q:6) The fees received from life members is not a periodic subscription, hence are to be capitalized

Sol:

A:)True

B:)False

Correct:A

Q:7.) A Receipts and Payments Account is nothing but a summary of all capital receipts and payments.

Sol:

A:)True

B:)False

Correct:B





Q:8) Charitable Organizations promote welfare of the common man, in general

Sol:

A:)True

B:)False

Correct:A

Q:9) A Receipts and Payments Account record only non-cash items.

Sol:

A:)True

B:)False

Correct:B

Q:10) Receipts and Payments A/c is a summary of:

Sol:

A:) All Capital Receipts and Payments

B:) All Revenue Receipts and Payments

C:) All Revenue and Capital Receipts and Payments

D:) None of the above

Correct:C

Q:11) Out of the following items, which one is shown in the Receipts and Payments Account?

Sol:

A:) Outstanding Salary

B:) Depreciation



C:) Life Membership Fees

D:) Accrued Subscription

Correct:C

Q:12) In case specific fund is maintained, the expenses exceeding the amount of the funds, should be recorded on:

Sol:

A:) Liabilities side of the Balance Sheet

B:) Debit side the Income and Expenditure Account

C:) Credit side of the Income and Expenditure Account

D:) Assets side of the Balance Sheet

Correct:B

Q:13) All receipts from sale of consumable items are treated as:

Sol:

A:) Capital Receipts

B:) Revenue Receipts

C:) Both (a) and (b)

D:) None of these

Correct:B

Q:14) Capital fund is calculated:

Sol:

A:) Income-Expenditure



B:) Assets Liabilities

C:) Capital + Liabilities

D:) None of these

Correct:B

Q:15) Subscription received in advance during the current year is:

Sol:

A:) An income

B:) An Asset

C:) A liability

D:) None of these

Correct:C

Q:16) Balance of Income and Expenditure Account shows:

Sol:

A:)Cash in hand

B:)Capital fund

C:)Net Profit

D:)Excess of Income over expenditure or vice versa

Correct:D

Q:17) Property received as a result of the will of the deceased person is called:

Sol:



A:)Lagacy

B:) Honorarium

C:)Donation

D:)Subscription

Correct:A

Q:18) Receipts and Payments Account usually indicates:

Sol:

A:)Surplus

B:)Capital fund

C:)Debit Balance

D:)Credit Balance

Correct:C

Q:19) Income and Expenditure Account generally indicates:

Sol:

A:)Surplus/ deficit

B:)Cash balance

C:)Capital fund

D:)Net profit/Loss

Correct:A

Q:20) Donation received for a special purpose:



Sol:

A:) Should be credited to Income and Expenditure A/c

B:) Should be credited to a separate account and shown in the Balance Sheet

C:) Should be shown on the Assets side of the Balance Sheet

D:) None of these

Correct:B

Q:21) In not-for-profit organisation, excess of expenditure over income is called :

Sol:

A:)Loss

B:)Profit

C:)Deficit

D:)Surplus

Correct:C

Q:22) Which of the following is a non-profitable organisation ?

Sol:

A:) Jharkhand Academic Council

B:)Tata Steel

C:)Air India

D:)Reliance

Correct:A



Q:23) Income and Expenditure Account is preparedly :

Sol:

- A:) Trending Organisation
- B:) Non-trading Organisation
- C:) Both (a) and (b)
- D:) None of these

Correct:B

Q:24) Sale of old newspapers is:

Sol:

- A:) Capital Receipt
- B:) Revenue Receipt
- C:) Asset
- D:)Profit

Correct:B

Q:25) Income and expenses related to the prize fund is shown in:

Sol:

- A:) Income and Expenditure Account
- B:) Assets side of the Balance Sheet
- C:) Liabilities side of the Balance Sheet
- D:) Cash Account

Correct:A



Q:26) Which of the following is not a not-for-profit organisation:

Sol:

A:)School

B:)Hospital

C:)Club

D:)Partnership Firm

Correct:D

Q:27) Subscription received during the year 50,000 Rs. Subscriptions outstanding at the end of the year 8,000 Rs. Subscription outstanding at the beginning of the year 6,000 Rs. Net Income from subscription will be :

Sol:

A:)Rs 48000

B:)RS 64000

C:)RS 52000

D:)RS 36000

Correct:C

Q:28) In case specific fund is maintained, the expenses exceeding the amount of the funds, should be recorded on:

Sol:

A:) Liabilities side of the Balance Sheet

B:) Debit side of the Income and Expenditure Account

C:) Credit side of the Income and Expenditure Account



D:) Assets side of the Balance Sheet

Correct:B

Q:29) Income and Expenditure Account is:

Sol:

A:)Personal Account

B:)Real Account

C:)Nominal Account

D:)None of these

Correct:C

Q:30) Life Membership Fees received by a club is shown in :

Sol:

A:) Income and Expenditure A/c

B:) Balance Sheet

C:) Receipts and Payments A/c

D:) None of these

Correct:B

Q:31) Receipts and Payments Account is a :

Sol:

A:)Personal Account

B:)Real Account





C:)Nominal Account

D:)None of these

Correct:B

Q:32) Income and Expenditure Account is prepared :

Sol:

A:) By Business Organisation

B:) By Industrial Organisation

C:) By Not-for-Profit Organisation

D:) By All Organisations

Correct:C

Q:33) Payment of honorarium to secretary is treated as :

Sol:

A:)Capital expenditure

B:)Revenue expenditure

C:)An income

D:)None of these

Correct:B

Q:34) Outstanding subscription is a:

Sol:

A:)Income



B:)Assets

C:)(a) and (b) Both

D:)None of these

Correct:C

Q:35) Legacies should be treated as

Sol:

A:)A Liability

B:) A Revenue Receipt

C:) An Income

D:) None of these

Correct:A

Q:36) The excess of assets over liabilities in non-trading concerns is termed as:

Sol:

A:) Capital Fund

B:)Capital

C:)Profit

D:)Net profit

Correct:A

Q:37) For a non-trading concern, honorarium paid is:

Sol:



A:)An Income

B:)An Assets

C:)An Expense

D:)None of these

Correct:C

Q:38) Entrance fees, unless otherwise stated, is treated as:

Sol:

A:)A Capital Receipt

B:)A Revenue Income

C:)A liability

D:)None of these

Correct:B

Q:39) Specific donation is:

Sol:

A:)Capital receipt

B:)Revenue Receipt

C:)Assets

D:)Liabilities

Correct:A

Q:40) Income and Expenditure Account records transactions of:



Sol:

A:)Capital nature only

B:)Revenue nature only

C:)(a) and (b) both

D:)None of these

Correct:B

Q:41) Life membership fee received by a club is:

Sol:

A:)Revenue Receipt

B:)Capital Receipt

C:)(a) and (b)

D:)None of these

Correct:B

Q:42) All receipts of capital nature are shown in :

Sol:

A:) Income and Expenditure A/c

B:) Balance Sheet

C:) P. & L. A/c

D:)None of these

Correct:B



Q:43) All items of revenue in nature are shown in:

Sol:

A:) Income and Expenditure A/c

B:) Balance Sheet

C:)(a) and (b) both

D:)None of these

Correct:A

Q:44) Which of the following is not a not-for-profit organisation ?

Sol:

A:)College

B:)Sports Club

C:)Tata Automobiles

D:)Hospital

Correct:C

Q:45) Subscriptions received in advance by a club are shown on.....of the Balance Sheet

Sol:

A:)Assets Side

B:)Liability Side

C:)Credit Side

D:)Debit Side

Correct:B



Q:46) Which of the following is not an income ?

Sol:

A:)Subscription

B:)Donation

C:)Sale of ticket

D:)Endowment Fund

Correct:D

Q:47) Subscription received by an organisation is:

Sol:

A:)Capital Receipt

B:)Revenue Receipt

C:)Both (a) and (b)

D:)None of the above

Correct:B

Q:48) Not-for-profit organisations are based on.....theory.

Sol:

A:)Fund

B:)Surplus

C:)Profit

D:)Expenses



Correct:A

Q:49) The not for profit concerns prohibit the payment of any .....to their members

Sol:

A:)Dividend

B:)Loss

C:)Assets

D:)Expenditure

Correct:A

Q:50) The primary motive of Charitable Trust organizations is to provide.....

Sol:

A:)Fund

B:)Servive

C:)Profit

D:)Loss

Correct:B





**UNIT:3**  
**VALUATION OF GOODWILL**

Q:1) Goodwill is defined as

Sol:

- A:) Intangible asset
- B:) Fictitious asset
- C:) Current asset
- D:) Liquid asset

Correct: A

Q:2) Break-even indicates

Sol:

- A:) Revenues are more than cost
- B:) Revenues and cost are equal
- C:) Costs are more than revenue
- D:) None of the Above

Correct:B

Q:3) The excess amount which the firm can get on selling its assets over and above the saleable value of its assets is called

Sol:

- A:) Surplus
- B:) Super Profit
- C:) Reserve
- D:) Goodwill

Correct: D

Q:4) A firm's goodwill is not affected by

Sol:

- A:) Location of the firm
- B:) The reputation of the Firm
- C:) Better Customer Service
- D:) None of the Above

Correct: D

Q:5) Weighted average method of calculating goodwill is used when

Sol:





- A:) Profits are not equal
- B:) Profits show an increasing or decreasing trend
- C:) Profits are Fluctuating
- D:) None of the Above

Correct: B

Q:6) Under the capitalisation method, the formula for calculating the goodwill is

Sol:

- A:) Super profits multiplied by the rate of return
- B:) Average profits multiplied by the rate of return
- C:) Super profits divided by the rate of return
- D:) Average profits divided by the rate of return

Correct:C

Q:7) The total capital employed in the company is ₹8,00,000 a reasonable rate of return is 15% and the profit of the year is 12,00,000. The value of goodwill of the company as per the capitalisation method will be

Sol:

- A:)RS 82,00,000
- B:)RS 1200000
- C:)RS 7200000
- D:)RS 4200000

Correct: C

Q:8) A firm earns ₹1,00,000. The normal rate of return is 10%. The assets of the company amounted to ₹11,00,000 and liabilities to ₹1,00,000. Value of goodwill by the capitalisation of average actual profit will be

Sol:

- A:)Rs 200000
- B:)Rs 10000
- C:)Rs 5000
- D:)Rs 100000

Correct:D

Q:9) When there is a change in the current partners' association that results in ending the existing agreement and initiate a formation of a new agreement is known as

Sol:

- A:) Revaluation of Partnership
- B:) Reconstitution of Partnership



C:) Realisation of Partnership

D:) None of the Above

Correct:B

Q:10) Goodwill is nothing more than probability that the old customer will resort to the old place. This definition of goodwill was given by:

Sol:

A:) Spicer and Pegler

B:)ICAI

C:)Lord Elton

D:)AICPA

Correct:C

Q:11) Goodwill is to be calculated at one and half year' purchase of average profit of last 5 years. The firm earned profits during 3 years as ₹ 20,000 ₹ 18,000 and ₹ 9,000 and suffered losses of ₹ 2,000 and ₹5,000 in last 2 years. The amount of goodwill will be

Sol:

A:) Rs 12000

B:) Rs 10000

C:) Rs 15000

D:) None of the Above

Correct:A

Q:12) When there is no Goodwill Account in the books and goodwill is raised,.....account will be debited

Sol:

A:) Partner's Capital

B:) Goodwill

C:) Cash

D:) Reserve

Correct: B

Q:13) The amount of goodwill is paid by new partner :

Sol:

A:) for the payment of capital

B:) for sharing the profit



C:) for purchase of assets

D:) None of these

Correct:B

Q:14) At the time of admission of a new partners general reserve appearing in the old Balance Sheet is transferred to:

A:) All Partner's Capital Accounts

B:) New Partner's Capital Account

C:) Old Partners'. Capital Accounts

D:) None of these

Correct: C

Q:15) An asset which does not have a physical form but has the potential to have a monetary value is known as an -----

Sol:

A:) Fictitious Asset

B:) Physical Asset

C:) Intangible Asset

Correct:C

Q:16) Valuation of ----- Assets is difficult.

Sol:

A:) Intangible

B:) Wasting

C:) Current

Correct: A

Q:17) Following are forms of Intangible assets.

Sol:

A:) Brand, Goodwill, Furniture, Design

B:) Goodwill, Patent Rights, Machinery

C:) Brand, Trademark, Copyrights, Know how

Correct:C

Q:18) The value of Intangible assets is ----- over a period of time.

Sol:

A:) Amortized



B:) Added

C:) Depreciated

Correct:A

Q:19) The following statement stands true when intangible assets are compared to the current assets

Sol:

A:) Useful life is short

B:) Useful life is moderate

C:) Useful life is long

Correct:C

Q:20) This is the feature of Intangible assets

Sol:

A:) They are valuable to internal and external entities.

B:) They are always acquired.

C:) They may be internally created or purchased

Correct:C

Q:21) Intangibility refers to -----

Sol:

A:) Economic benefit

B:) Absence of future value

C:) Absence of physical form and creation.

Correct: C

Q:22) An exclusive legal right in the form of Logo, Brand, Symbol, Name of Design is known as ----

Sol:

A:) Trademark

B:) Patent Right

C:) Copy Right

Correct:A

Q:23) A unique name of symbol or design given to a product or service for easy identification and distinguishing it from the competitor is known as-----

Sol:

A:) Patent Right



B:) Trade Secret

C:) Brand

Correct: C

Q:24) A bundle of rights given by law to the creators of literary, artistic, dramatic, musical work is known as

Sol:

A:) Patent Rights

B:) Trade Rights

C:) Copyrights

Correct:C

Q:25) An exclusive right given to an entity of individual or business firm to manufacture or sell an invention is known as

Sol:

A:) Copyright

B:) Trade right

C:) Patent right

Correct:C

Q:26) From the profits of previous three years, Rs 150000, Rs 200000, and Rs250000/- the value of goodwill at five years of purchase is -----

Sol:

A:) Rs12,50,000/-

B:) Rs 7,50,000/-

C:) Rs10,00,000/-

Correct: C

Q:27) From the profits of previous three years, Rs 150000, Rs 300000, and Rs250000/- and the loss in a year ( Rs. 100000/-) the value of goodwill at three years of purchase is -----

Sol:

A:) Rs 8,00,000

B:) Rs 6,00,000

C:) Rs 4,50,000

Correct:C

Q:28) If Average Profit of a certain firm for last five years is Rs5,00,000 , Normal profit is Rs 3,50,000/-. What would be the Value of Goodwill at 3years purchase of super profit



Sol:

A:) Rs 8,00,000

B:) Rs 6,00,000

C:) Rs 4,50,000

Correct:C

Q:29) Goodwill is defined as

Sol:

A:) Intangible asset

B:) Fictitious asset

C:) Current asset

D:) Current asset

Correct: A

Q:30) Break-even indicates

Sol:

A:) Revenues are more than cost

B:) Revenues and cost are equal

C:) Costs are more than revenue

D:) None of the Above

Correct:B

Q:31) The excess amount which the firm can get on selling its assets over and above the saleable value of its assets is called

Sol:

A:) Surplus

B:) Super profit

C:) Reserve

D:) Goodwill

Correct:D

Q:32) A firm's goodwill is not affected by

Sol:

A:) Location of the firm

B:) The reputation of the Firm

C:) Better Customer Service

D:) None of the Above

Correct:D



Q:33) Weighted average method of calculating goodwill is used when

Sol:

- A:) Profits are not equal
- B:) Profits show a trend
- C:) Profits are fluctuating
- D:) None of the above

Correct:B

Q:34) Under the capitalisation method, the formula for calculating the goodwill is

Sol:

- A:) Super profits multiplied by the rate of return
- B:) Average profits multiplied by the rate of return
- C:) Super profits divided by the rate of return
- D:) Average profits divided by the rate of return

Correct:C

Q:35) The total capital employed in the company is ₹8,00,000 a reasonable rate of return is 15% and the profit of the year is 412,00,000. The value of goodwill of the company as per the capitalization method will be

Sol:

- A:) 82,00,000
- B:) 1200000
- C:) 7200000
- D:) 4200000

Correct:C

Q:36) A firm earns ₹1,00,000. The normal rate of return is 10%. The assets of the company amounted to ₹11,00,000 and liabilities to ₹1,00,000. Value of goodwill by the capitalization of average actual profit will be

Sol:

- A:) 2,00,000
- B:) 10000
- C:) 5000
- D:) 100000

Correct: D

Q:37) If the amount of super profit is negative ,what des it indicate

Sol:



- A:) There is no goodwill
  - B:) There is average goodwill
  - C:) Both
  - D:) None
- Correct:A

Q:38) Which goodwill is recorded in the books of Accounts

Sol:

- A:) Purchase Goodwill
  - B:) Self Generated
  - C:) Both
  - D:) None
- Correct:A

Q:39) When does need valuation of Goodwill

Sol:

- A:) On retirement or Death of a partner
  - B:) Admission of Partner
  - C:) None of the Above
  - D:) Both
- Correct:D

Q:40) Which methods of valuation of Goodwill

Sol:

- A:) Super Profit
  - B:) Capitalization
  - C:) Average Profit
  - D:) All of the Above
- Correct:D

Q:41) Which factor affecting th value of Goodwill

Sol:

- A:) Quality of Product
  - B:) Location of business.
  - C:) Efficient management
  - D:) All of the Above
- Correct: D





Q:42) The profits of the last three years is 42000, 39000,45000. Value of goodwill of 2 years purchase of average profit is

Sol:

- A:) 84000
- B:) 42000
- C:) 126000
- D:) None

Correct:A

Q:43) What do you mean by Super Profit

Sol:

- A:) Average profit – Normal profit
- B:) Total Profits/ No. of Years
- C:) Average profit + normal profits
- D:) None of the above

Correct:A

Q:44) The excess of Average profit over normal profit is called

Sol:

- A:) Super profit
- B:) Normal profit
- C:) Fixed profit
- D:) Abnormal profit

Correct:A

Q:45) The monetary value of reputation of business is called

Sol:

- A:) Goodwill
- B:) Suer profit
- C:) Surplus
- D:) None of the above

Correct:A

Q:46) The profits of the last three years is55000,50000,45000. Value of goodwill of 2 years purchase of average profit is

Sol:

- A:) 100000
- B:) 42000



C:) 126000

D:) None

Correct:A

Q:47) Which methods of valuation of Goodwill

Sol:

A:) Super profits

B:) Average profits

C:) Both

D:) None

Correct: C

Q:48) Goodwill is an intangible Assets

Sol:

A:) True

B:) False

Correct: A

Q:49) Goodwill be purchased

Sol:

A:) True

B:) False

Correct: A

Q:50) Goodwill will have no effect on business Financial status

Sol:

A:) True

B:) False

Correct:A



**UNIT: 4**

**Accounting for Leases**

Q:1) What is Royalty?

Sol:

- A:) A payment is made for the use of Assets
- B:) A fixed payment for the use of Fixed Assets
- C:) Payment made by owners
- D:) None of the above

Correct: A

Q:2) Mining Royalty is based on

Sol:

- A:) Production
- B:) Sales
- C:) Purchase
- D:) Both A and B

Correct: A

Q:3) Patent Royalty is based on

Sol:

- A:) Production
- B:) Sales
- C:) Purchase
- D:) Both A and B

Correct: A



Q:4) Copyright royalty is based on

Sol:

- A:) Sales
- B:) Production
- C:) Purchase
- D:) Both A and B

Correct: A

Q:5) Lessor is the .....

Sol:

- A:) Qwner
- B:) User
- C:) None
- D:) Both

Correct: A

Q:6) Lessee is the.....

Sol:

- A:) Owner
- B:) User
- C:) None
- D:) Both

Correct: B

Q:7) What is minimum Rent?

Sol:

- A:) Payment for use of land which is fixed



- B:) Payment for the use of land on the basis of output
- C:) A payment made to owner
- D:) None of the above

Correct: A

Q:8) Minimum Rent is also called

Sol:

- A:) Dead Rent
- B:) Rock Rent
- C:) Fixed rent
- D:) All of the above

Correct: D

Q:9) Short working = .....- Royalty Payable

Sol:

- A:) Minimum rent
- B:) Capital
- C:) Cash
- D:) None

Correct: A

Q:10) The minimum rent can .....be proportionately, if there is a stoppage due to strike.

Sol:

- A:) Increase
- B:) Decrease
- C:) No change

Correct: B



Q:11) Royalty is a revenue expenditure to lessor

Sol:

A:) True

B:) False

Correct: B

Q:12) Shortworking is the excess of minimum rent over royalty

Sol:

A:) True

B:) False

Correct: A

Q:12) minimum rent is also term as dead rent

Sol:

A:) True

B:) False

Correct: A

Q:13) Royalty Account is .....

Sol:

A:) Nominal account

B:) Real account

C:) Personal Account

D:) None of the above

Correct: A



Q:14) Short working is .....

Sol:

- A:) Excess of minimum rent over the actual royalty
- B:) Excess of actual royalty over minimum rent
- C:) Excess of standard output over Actual output
- D:) None of the above

Correct: A

Q:15) Surplus is.....

Sol:

- A:) Excess of minimum rent over the actual royalty
- B:) Excess of actual royalty over minimum rent
- C:) Excess of actual royalty over minimum rent
- D:) None of the above

Correct: B

Q:16) When the royalty are less than the minimum rent ?

Sol:

- A:) Royalties account is debited with the actual amount of royalties earned
- B:) Royalties account is debited with minimum rent
- C:) Royalties account is debited with the amount paid to landlord
- D:) Royalties account is debited with the excess of minimum rent over actual rent

Correct: A

Q:17) Which of the following statement is false?

Sol:

- A:) Recoupable short working is a current assets
- B:) Lapsed short working is a real account
- C:) Short working is the part of minimum rent not represent by the use of right



D:) Both A and B

Correct: B

Q:18) Which of the following statement is false

Sol:

A:) If a lessee leases a part of the leased property to another person , it is called sublease

B:) Royalty receivable account is opened in the books of Lessor

C:) Recoupable short working is a current assets

D:) None of the above

Correct:B

Q:19) In the books of Lessee , short working recovered amount is debited to

Sol:

A:) Profit and loss account

B:) Minimum rent Account

C:) Royalty Account

D:) Landlord's Account

Correct: A

Q:20) If the royalty is less than minimum rent , the balance of royalty account at the end of the year has to be transfer to

Sol:

A:) Capital reserve account.

B:) Reserve capita account

C:) Profit and loss account

D:) None of the above

Correct: C

Q:21) In case f recoupment of shortworking, the lessee:

Sol:





- A:) Debits Shortworking Account
- B:) Credit Profit and loss account
- C:) Credit short working Account
- D:) None of the above

Correct: C

Q:22) Shortworking means.....

Sol:

- A:) Excess of Minimum rent over royalty
- B:) Excess of royalty over minimum rent
- C:) None of the above

Correct: A

Q:23) Royalties are connected with the following types of business

Sol:

- A:) Mining
- B:) Construction
- C:) Textile
- D:) All of the above

Correct: A

Q:24) royalty is an agreement between the following person

Sol:

- A:) Seller and buyer
- B:) Banker and customer
- C:) Among all partners
- D:) Lessor and lessee

Correct: D



Q:25) Dead rent is also called .....

Sol:

- A:) Outstanding rent
- B:) Minimum rent
- C:) Prepaid rent
- D:) All of the above

Correct: B

Q:26) The objectives of fixing dead rent is .....

Sol:

- A:) Landlord should not get more than a certain amount per year
- B:) Landlord must receive a minimum amount in case of low output or sales
- C:) Both A and B
- D:) None of the above

Correct: B

Q:27) Shortworking can be recouped only out of .....

Sol:

- A:) Surplus
- B:) Loss
- C:) Extra Income
- D:) Taxes

Correct: A

Q:28) Royalties is calculated either on the basis of .....

Sol:

- A:) Production



- B:) Sales
- C:) Output
- D:) Both A and B

Correct: D

Q:29) Shortworking not recouped is debited to P/L Account

Sol:

- A:) True
- B:) False

Correct: A

Q:30) Recoupment of shortworking can be restricted or unrestricted

Sol:

- A:) True
- B:) False

Correct: A

Q:31) Calculate units manufactured during the year; Units Sold – 500, Opening stock – 100; Closing stock – 200

Sol:

- A:) 500
- B:) 700
- C:) 550
- D:) 600

Correct: D



Q:32) Minimum Rent in the first year Rs 1,00,000 and will be increased by Rs 10,000 p.a. for three years and then after by 10% per year. What is the amount at the end of 6th year?

Sol:

A:) Rs 100000

B:) Rs 157300

C:) Rs 168000

D:) Rs 200000

Correct: B

Q:33) Royalty is Rs 64,000, Minimum rent Rs 80,000. Strike is for 3 months with no work done, Minimum rent to be reduced in proportion of time, find the amount paid to Landlord.

Sol:

A:) Rs 60000

B:) Rs 80000

C:) Rs 64000

D:) Rs 100000

Correct: B

Q: 34) What is the example of wasting assets

Sol:

A:) Land

B:) Mine

C:) Stock

D:) Fixed Assets

Correct: B

Q:35) Who is the person take the property on the lessee agreement

Sol:

A:) Lessor

B:) Lessee

C:) Payee

D:) None of these



Correct: B

Q:36) Royalty is an .....to lessee

Sol:

- A:) Income
- B:) Expense
- C:) Both
- D:) None

Correct: B

Q:37) When the lessor receives payment, the credits—

Sol:

- A:) Lessee account
- B:) Royalty account
- C:) Short workings account.

Correct: A

Q:38) The balance of royalty's receivable account is transferred to —

Sol:

- A:) Profit and loss account
- B:) Royalties suspense account
- C:) Production account.

Correct: A

Q: 39) The balance of royalty payable account is transferred to—

Sol:



- A:) Profit and loss account
- B:) Royalties suspense account
- C:) Production account

Correct: C

Q:40) Under the average clause, the loss is suffered by both insurer and insured in the ratio of risk covered

Sol:

- A:) True
- B:) False

Correct: A

Q:41) .....account is credited when lessor receive an amount

Sol:

- A:) Lessee Account
- B:) Lessor Account
- C:) Profit and Loss Account
- D:) Income

Correct: A

Q:42) Royalty is an income to lessee

Sol:

- A:) True
- B:) False

Correct: B

Q:43) Fixed payment made for the used of an assets is called Financial Lease

Sol:

- A:) True
- B:) False



Correct: B

Q:44) Patent Royalty is based in Sales of a Product

Sol:

A:) True

B:) False

Correct: B

Q:45) Shortworking is Excess of Minimum Rent over Actual Production

Sol:

A:) True

B:) False

Correct: B

Q:46) Royalty is Rs 44,000, Minimum rent Rs 50,000. Strike is for 2 months with no work done, Minimum rent to be reduced in proportion of time, find the amount paid to Landlord.

Sol:

A:) Rs 5000

B:) Rs 50000

C:) Rs 44000

D:) Rs 6000

Correct: B

Q:47) Short working is a type of taxes paid by the lessee

Sol:

A:) True

B:) False

Correct: B

Q:48) Recoupment is always necessary in royalties

Sol:



A:) True

B:) False

Correct: B

Q:49) A person who take property on lease is called customer

Sol:

A:) True

B:) False

Correct: B

Q:50) Royalty accounting is covered under Companies Act 1956

Sol:

A:) True

B:) False

Correct: B

