



## Paper 2: Accounting \_Syllabus 2008

### Practice paper 2

#### TRIAL BALANCE and RECTIFICATION OF ERRORS

1. Which of these errors does not affect agreement of Trial Balance.
  - a) Errors of principle.
  - b) Complete omission in subsidiary books.
  - c) Compensating errors.
  - d) All the three.

Ans:- (d)

2. Which of these errors effect only one account.
  - a) Errors of casting.
  - b) Errors of carry forward.
  - c) Errors of posting.
  - d) All the three.

Ans:- (d)

3. Which of these errors affect two or more accounts.
  - a) Errors of complete omission
  - b) Errors of principle.
  - c) Errors of posting to wrong account.
  - d) All the three.

Ans:- (d)

4. Which of the following error is an error of principle.
  - a) ₹5,000 received from Sham credited to Ram A/c.
  - b) ₹5,000 incurred on installation of new plant debited to travelling expenses A/c.
  - c) ₹500 paid for wages debited to salary A/c.
  - d) ₹500 being purchase of raw material debited to purchase A/c ₹50.

Ans:- (b)

5. Which of the following is an one sided error.
  - a) ₹500 purchase of old equipment not recorded in the books of A/c at all.
  - b) ₹500 being expense on travelling expense credited to travelling expenses.
  - c) Both.
  - d) None.

Ans :- (b)



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### CASH BOOK

1. Cash book records-----

- (a). Only cash sales.
- (b). All types of cash receipts and payments.
- (c). Only revenue receipts.
- (d). Only capital receipts.

Ans:- (b)

2. In a three column cash----- does not exist

- (a). Cash column.
- (b). Bank column.
- (c). Petty cash column.
- (d). Discount column.

Ans:- (c )

3. Which of these transactions will not be recorded in cash book-----

- (a). Cash received from debtors.
- (b). Cash paid to creditors.
- (c). Salary remained outstanding.
- (d). Cash deposited with bank.

Ans:- (c )

4. The closing balance of a petty cash book is a / an -----

- (a). Liability.
- (b). Gain.
- (c). Assets.
- (d). Loss

Ans:- (c)

5. Which column of a cash book will not have credit balance -----

- (a). Bank column.
- (b). Discount column
- (c). Cash column
- (d). None.

Ans:- (c )

6. Petty cash balance is a/an -----

- (a). Assets.
- (b). Expenditure
- (c). Liability
- (d). None

Ans:- (a)

7. Which of these is a Part of cash in hand

- (a). Postage stamps. ;
- (b). B/R



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- (c). Cheque Deposited with Bank
- (d). B/R endorsed.

Ans:- (a)

### CLASSIFICATION OF ACCOUNTS

1. Which of the following is a real A/c.
  - a) Salary A/c.
  - b) Bank A/c
  - c) Building A/c
  - d) Goodwill A/c.

Ans:- (c )

2. Which of the following is a personal A/c
  - a) Outstanding Salary A/c.
  - b) Rent A/c
  - c) SBI A/c.
  - d) Bad debts A/c.

Ans:- (c )

3. Which of the following is a representative personal A/c.
  - a) Outstanding salary A/c.
  - b) Rent A/c.
  - c) SBI A/c.
  - d) Bad debts A/c.

Ans:- ( a)

4. Which of the following is a nominal A/c
  - a) Outstanding Salary A/c.
  - b) Rent A/c.
  - c) SBI A/c.
  - d) Debtors A/c.

Ans:- (b)

5. Goodwill A/c is a -----
  - a) Nominal A/c.
  - b) Tangible asset.
  - c) Intangible asset.
  - d) Fictitious asset.

Ans:- (c )



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### JOURNALIZING PROCESS

1. Posting is the process of -----
  - a) Posting the letters in drop box.
  - b) Posting suitable person to a suitable job.
  - c) Entering in the ledger the information contained in the ledger.
  - d) All the three.

Ans:- (c )

2. A book wherein various accounts are opened is called-----
  - a) Subsidiary books.
  - b) Journal.
  - c) Ledger.
  - d) Trial Balance.

Ans:- (c )

3. Which of these is not a special purpose journal
  - a) Cash journal.
  - b) Purchase journal.
  - c) Debtors journal.
  - d) Sales journal.

Ans:- (c )

4. The periodic total of sales day book is posted to -----
  - a) Sales A/c.
  - b) Cash sales A/c.
  - c) Sales return A/c,
  - d) Credit sales A/c

Ans:- (a)

5. The periodic total of purchase day book is posted to -----
  - a) Purchase register.
  - b) Purchase A/c
  - c) Cash purchase A/c
  - d) Credit purchase A/c.

Ans:- (b)



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### REVENUE AND CAPITAL EXPENDITURE

1. Capital expenses are shown in -----
  - a) Balance Sheet.
  - b) Profit and Loss A/c.
  - c) Trading A/c.
  - d) None of these.

Ans:- (a)
2. Revenue receipts are shown in -----
  - a) Balance Sheet
  - b) Profit and Loss appropriation A/c.
  - c) Manufacturing A/c.
  - d) Trading and Profit and Loss A/c.

Ans :-(d)
3. Benefit of revenue expenses extends to
  - a) 10 years.
  - b) 5 years.
  - c) One accounting year
  - d) As long as the business continues.

Ans:- (c )
4. Which of the following is a revenue expenses
  - a) Raw material consumed.
  - b) Plant purchased
  - c) Long term loan raised from bank.
  - d) Share Capital

Ans :- (a)
5. Which of the following is a capital expenditure.
  - a) Repair of plant and machinery
  - b) Salary paid to workers
  - c) Cost of stand by equipment
  - d) Annual whitewash of the office building.

Ans:- (c )
6. Which of these types of expenditure would not be treated as a Capital Expenditure.
  - a) Acquisition of an Asset
  - b) Extension of an Asset
  - c) Improvement of the existing Asset
  - d) Maintenance of the Asset.

Ans:- (d)
7. Expenses of the following nature are treated as a Revenue expenses except -----
  - a) Expenses for day to day running of the business.
  - b) Putting the new asset in working condition.



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- c) Depreciation.
- d) Purchase of raw material.

Ans:- (b)

### SUBSIDIARY BOOKS AND LEDGER POSTING

1. Sales day book records-
  - (a). All sales.
  - (b). All credit sales of manufactured or traded goods.
  - (c). All credit sales.
  - (d). Only cash sales.

Ans:- (b)

2. Purchase day book records
  - (a). All cash purchases
  - (b). All credit purchases
  - (c). Only credit purchase of raw material or goods purchased for resale.
  - (d). All purchases.

Ans:- (c )

3. Journal is also known by -----
  - (a). Memorandum A/c.
  - (b). Kaccha books.
  - (c). Books of original entry.
  - (d). Proper books.

Ans:- (c )

4. The periodic total of sale day book is posted to -----
  - (a). Trading A/c.
  - (b). Profit and Loss A/c.
  - (c). Sales A/c.
  - (d). Manufacturing A/c.

Ans:- (c )

5. The periodic total of purchase day book is posted to -----
  - (a). Creditors A/c.
  - (b). Debtors A/c
  - (c). Purchase A/c.
  - (d). None

Ans:- (c )



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### FINAL ACCOUNT

1. Closing entries are generally passed----
  - (a). At the time of opening new books of account
  - (b). At the time of closing the accounts
  - (c). During the course of accounting period any time.
  - (d). After certification of accounts

Ans:- (b)

2. Closing stock appearing in the trial balance is shown in –
  - (a). Trading A/c and balance sheet
  - (b). Profit and loss A/c.
  - (c). Balance sheet only
  - (d). Trading A/c only

Ans:- (c)

3. Depreciation account appearing in the trial balance is shown in –
  - (a). Profit and loss A/c
  - (b). Trading A/c
  - (c). Deducted from the concerned assets A/c
  - (d). Shown on the liability side.

Ans :- (a)

4. Profit on sale of old plant is shown –
  - (a). In trading A/c
  - (b). In profit and loss appropriation A/c
  - (c). Profit and loss A/c
  - (d). Being a non operating item ignored

Ans:- (c)

5. Carriage on goods purchased is shown in -----
  - (a). Profit and loss A/c
  - (b). Capitalized with work in progress
  - (c). Trading A/c
  - (d). Shown in balance sheet.

Ans:- (c)

6. Which of these is not an operating income
  - (a). Income from sale of trading goods
  - (b). Bad debts recovered
  - (c). Interest on FDs
  - (d). None.

Ans:- (c)



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7. ABC holds an average inventory of ₹36,000(CP) with an inventory turnover of 5 times. If the firm makes a gross profit of 25% on sales, find the total sales of the company.
- ₹2,40,000
  - ₹2,10,000
  - ₹2,00,000
  - ₹1,80,000

Ans:- (a)

8. From the following details what will be the managerial commission.  
Net profit before charging Managerial commission ₹65,000, Managerial commission 11% after charging such commission.
- .6441
  - .5431
  - .7654
  - .9876

Ans:- (a)

9. From the following details what will be the managerial commission.  
Net profit before charging Managerial commission ₹65,000, Managerial commission 11% after charging such commission.
- .6441
  - .5431
  - .6500
  - .5876

Ans:- (c)

10. Arrangement of Balance Sheet in a logical order is known as -----
- Dressing balance sheet.
  - Marshalling balance sheet.
  - Formatting balance sheet.
  - Make up of balance sheet.

Ans:- (b)





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### BANK RECONCILIATION STATEMENT

1. Bank reconciliation is a statement prepared to reconcile----
- Trial balance
  - Cash book
  - Bank A/c
  - Cash as per cash book with bank balance as per bank pass book.

Ans:- (d)

2. Bank reconciliation statement is a part of –
- Cash book.
  - Trial balance.
  - Auditors report.
  - None of these.

Ans :- (a)

3. Benefits of preparing Bank Reconciliation Statement includes -----
- It bring out any errors committed in preparation of Cash book / Bank Pass Book.
  - Highlights under delay in clearance of cheques deposited but not credited.
  - Help know actual bank balance
  - All the three.

Ans:- (d)

4. Debit balance as per bank pass book mean -----
- Surplus cash.
  - Bank Overdraft.
  - Terms deposits with bank.
  - None of these.

Ans :- (b)

5. Which of the following is not a cause of difference in balance as per cash book and balance as per bank pass book-----
- Errors in cash book
  - Errors in pass book
  - Cheques deposited and cleared
  - Cheques issued but not presented for payment.

Ans:- (c )



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### INVENTORY VALUATION

1. Which of the following is not an inventorial cost.
  - (a).Interest
  - (b).Purchase cost
  - (c).Freight and insurance
  - (d).Production cost

Ans:- (a)

2. Which of the following method of inventory valuation is most appropriate for goods purchased for some specific purpose.
  - (a).LIFO
  - (b).FIFO
  - (c).Base stock
  - (d).Specific identification method

Ans:- (d)

3. As per AS2 inventories are valued at least of the cost or
  - (a).Market price
  - (b).Replacement value
  - (c).Net Realizable value
  - (d).Current cost

Ans:- ©

4. Which method of inventory valuation best matches the cost of goods sold with current replacement cost.
  - (a).LIFO
  - (b).FIFO
  - (c).HIFO
  - (d).Weighted average

Ans:-(a)

5. Improper valuation of inventory effects-----
  - (a).Profitability
  - (b).Financial position
  - (c).Both
  - (d).Cash inflows

Ans:- (c )

6. Find the cost of goods sold if goods are sold for ₹2,000 at 25% profit on cost.
  - (a). ₹ 1,600
  - (b). ₹ 1,500
  - (c). ₹ 1,000
  - (d). ₹ 1,800

Ans:-( a)



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7. Find the value of opening stock from the following data:-

Purchases ₹ 1,50,000, Closing stock ₹ 30,000 , sales ₹2,20,000, Gross profit ₹ 40,000.

- (a). ₹ 50,000
- (b). ₹ 55,000
- (c). ₹ 60,000
- (d). ₹ 65,000

Ans:- (c )

### DEPRECIATION ACCOUNTING

1. Which of the following is an external cause of depreciation.

- (a). Routine repair and maintenance
- (b). Misuse
- (c). Obsolescence
- (d). Wear and tear

Ans:- (c )

2. Depreciation is a process of -----

- (a). Valuation of fixed assets
- (b). Allocation of cost over the useful life of assets.
- (c). Generating funds replacements of the assets
- (d). Avoidance of tax.

Ans:- (b)

3. Which of the following is not depreciated.

- (a). Building
- (b). Land
- (c). Plant and Machinery
- (d). Office equipment

Ans:- (b)

4. Schedule XIV of the Companies Act specifies----- as minimum rate of depreciation (WDV) on ship fishing vessels

- (a). 27%
- (b). 33%
- (c). 10%
- (d). 15%

Ans:- (a)

5. ----- is also known as Appraisal system of depreciation .

- (a). Inventory system
- (b). Survey system
- (c). Annuity system
- (d). Insurance

Ans:- (a)



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### CONSIGNMENT ACCOUNTING

1. Consignment account is a ----- A/c
  - (a). Personal
  - (b). Nominal
  - (c). Real
  - (d). Dummy

Ans:- (b)
2. On receipt of the goods the consignee -----
  - (a). Debits trading A/c
  - (b). Credit consignor A/c
  - (c). Debits purchase A/c
  - (d). Makes no entry thereof

Ans:- (d)
3. Which of these is a normal loss-----
  - (a). Loss in weight due to weather conditions
  - (b). Shortage during transit
  - (c). Breakage during handling
  - (d). Loss in value due to market conditions

Ans:- (a)
4. *Del credere* commission is allowed to -----
  - (a). Consignee
  - (b). Consignor
  - (c). Agent of consignee
  - (d). Debt collection agency

Ans:- (a)
5. Balance left in Consignment A/c shows-----
  - (a). Profit or loss on consignment
  - (b). Stock lying with the consignee
  - (c). Stock lying with the debtors
  - (d). Stock awaiting approval

Ans:- (a)
6. If the consignee is allowed *del credere* commission, then he bears-
  - (a). All sales promotion expenses.
  - (b). Loss due to bad debts
  - (c). Loss due shortage of goods
  - (d). All routine expenses in connection with the goods

Ans:- (b)



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7. On 1<sup>st</sup> April 07 Abhay of Patna consigned goods costing ₹7500 to Bhola of Ranchi at a proforma invoice price of 25% profit on sales. The consignment A/c will be credited for stock loading by –

- (a). ₹ 2500
- (b). ₹ 1875
- (c). ₹ 2000
- (d). ₹ 1500

Ans:- (a)

### JOINT VENTURE

1. Joint Venture is a .....

- (a). Personal A/c.
- (b). Nominal A/c
- (c). Real A/c
- (d). Memorandum A/c.

Ans:- (b)

2. Joint Venture with.....( another co-venturer) A/c is a -----

- (a). Personal A/c
- (b). Nominal A/c
- (c). Real A/c
- (d). Memorandum A/c

Ans:- (b)

3. Which of these is not a feature of a Joint venture.

- (a). Continuing business
- (b). No firm name
- (c). Partners called co-venturer
- (d). Partnership for limited purpose

Ans:- (a)

4. Which of these accounts are not opened in a joint venture.

- (a). Stock reserve
- (b). Joint bank A/c
- (c). Joint venture A/c
- (d). Co-venturers personal A/c

Ans :- (a)

5. Profit or loss on joint venture business is shared by the co-venturers-----

- (a). Equally
- (b). In the ratio of capital contributed
- (c). In the agreed upon ratio
- (d). A per seniority

Ans :- (c )



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### BILL OF EXCHANGE

1. Negotiable Instrument Act was enacted in-----

- (a). 1981
- (b). 1881
- (c). 1871
- (d). 2001

Ans: (b)

2. Which of these is not an essential feature of a bill of exchange.

- (a). Unconditional
- (b). Certainty of amount
- (c). In writing
- (d). Amount to be paid in foreign currency

Ans:- (d)

3. A foreign bill of exchange is generally drawn up in-

- (a). Triplicate
- (b). Duplicate
- (c). Single
- (d). Quadruplicate

Ans:- (a)

4. Which of these are not required in a promissory note

- (a). Acceptance
- (b). Unconditional promise to pay
- (c). Properly stamped
- (d). Payment to be made legal currency.

Ans:- (a)

5. Accommodation bills are generally for-

- (a). Genuine trade reasons
- (b). For mutual financial accommodation
- (c). To help augment money supply
- (d). All the three

Ans:- (b)

6. Which of these is not true about a promissory note.

- (a). Unconditional promise
- (b). Crossing
- (c). Certainty of amount
- (d). Payee to a certain person

Ans :- (b)

7. Drawee means a person who –

- (a). Makes the order
- (b). Accepts it



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- (c). Takes the payment on due date
- (d). Creditor

Ans :- (b)

8. Retirement of a bill of exchange means-
- (a). Cancellation of bill
  - (b). Premature payment of bill
  - (c). Discounting of bill
  - (d). Endorsement of bill

Ans :- (b)

9. Early payment of a Bill of Exchange is known as---
- (a). Retirement
  - (b). Renewal
  - (c). Discount
  - (d). Endorsement

Ans :- (a)

10. On early retirement of a B/E who suffers loss of interest –
- (a). Drawee
  - (b). Drawer
  - (c). Payee
  - (d). None.

Ans:- (b)

### SALE OF GOODS ON APPROVAL BASIS

1. When large number of goods are sold on sale on approval basis, which of these record is maintained.

- (a). Sales day book.
- (b). Sale or return journal
- (c). Multicolumn sales book.
- (d). All the three

Ans:- (b)

2. Under sales on return or approval basis, the ownership of goods is passed only-----

- (a). When the buyer gives his consent.
- (b). When the goods are not returned within the specified time.
- (c). When the buyers retains the goods beyond specified time.
- (d). In all the three cases.

Ans ; ( d)



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3. Goods lying with the custom are valued at -----
- Cost price
  - Market price
  - Net realizable value
  - Least of cost or net realizable value.

Ans:- ( d)

### PARTNERSHIP ACCOUNTS

1. Which of these is not an essential feature of a partnership firm ----
- Mutual agency
  - Compulsory registration
  - Association of two or more persons
  - Existence of business
- Ans :- (b)
2. As per Partnership Act, which of these rights are available to a partner-----
- Bonus
  - Salary
  - Commission
  - Equal profit.
- Ans:- (d)
3. Which of the following is odd one-----
- Active
  - Sleeping
  - Nominal
  - Co-venturer
- Ans :- (d)
4. The *inter se* relations of the partners between themselves is that of a-----
- Family friends
  - Business associates
  - Agents of each other
  - Close relatives
- Ans:- (c )
5. Guaranteed profit is given to the -----
- Retiring partner
  - Incoming partner
  - Heirs of the deceased partners
  - All the three.
- Ans :- (b)





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### ADMISSION OF PARTNER

1. Revaluation A/c is a -----

- (a). Personal A/c.
- (b). Nominal A/c
- (c). Real A/c
- (d). Dummy A/c.

Ans:- (b)

2. Profit or loss on revaluation of assets at the time of admission of new partner is distributed in-----

- (a). New profit sharing ratio
- (b). Old profit sharing ratio
- (c). Gaining ratio
- (d). Sacrificing ratio

Ans:- (b)

3. Goodwill is a/an-----

- (a). Intangible asset
- (b). Tangible asset
- (c). Fictitious asset
- (d). Fixed asset

Ans:- (a)

4. Goodwill brought in by the incoming partners distributed in-----

- (a). Old profit sharing ratio
- (b). New profit sharing ratio
- (c). Sacrificing ratio
- (d). Gaining ratio

Ans:- ( c )

5. To which account unrecorded assets are accounted for at the time of admission of a new partner-----

- (a). Profit and loss A/c
- (b). Revaluation A/c
- (c). Realization A/c
- (d). Profit and loss adjustment A/c.

Ans :- ( b )

6. A,B and C are three partners in firm sharing profit and loss equally , D is admitted for 1/4<sup>th</sup> share of the profit, what is the sacrificing ratio.

- (a). 1:1:1
- (b). 1:2:1
- (c). 2:1:1
- (d). 1:1:2

Ans :- (a)



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7. Liability of a partner of firm is-----

- (a). Limited
- (b). Unlimited
- (c). Restricted
- (d). Undefined

Ans:- ( b)

### RETIREMENT AND DEATH OF A PARTNER

1. At the time of retirement of a partner the existing profit and loss balance is transferred to :-

- (a). Realization A/c
- (b). Revaluation A/c
- (c). Goodwill A/c
- (d). Existing partners capital A/c

Ans :- ( d)

2. At the time of retirement of a partner the adjustment of goodwill is done in-----

- (a). Old profit sharing ratio.
- (b). Gaining ratio
- (c). Sacrificing ratio.
- (d). New profit sharing ratio

Ans :- ( b)

3. Retirement of a partner leads to :-

- (a). Gain in profit sharing ratio or remaining partners.
- (b). Loss in the profit sharing ratio of remaining partners
- (c). No change in profit sharing ratio of remaining partners.
- (d). None.

Ans :- ( a)

4. Joint life policy is generally taken on the life of:-

- (a). All the employees of the firm
- (b). The family members of the partners
- (c). All the partners jointly or severally
- (d). All the three

Ans :- ( c )

5. Retiring partner is liable :-

- (a). For firms all liabilities
- (b). For liability incurred with his consent.
- (c). For liability before his retirement
- (d). Not liable at all.

Ans :- ( c )