

# BSNL Junior Accounts Officer Examination - 2014 (Paper II)

Held on 22.02.2015

AN8001

**TO BE FILLED IN BY CANDIDATE BEFORE COMMENCING THE EXAMINATION**

Time allowed : 3 hours

QUESTION BOOKLET CODE

223227

Max. Marks : 300



- (i) Question Booklet No. ....
- (ii) Roll No. ....
- (iii) Post .....
- (iv) Date of Examination .....
- (v) Examination Center .....

No. of Pages : 20

## **INSTRUCTIONS**

Candidates should read the following instructions carefully before answering the questions:

1. Please write Question-Booklet No. and Question Booklet Code on OMR Answer-Sheet compulsorily.
2. All questions carry two marks each,  $\frac{1}{4}$ <sup>th</sup> of mark will be deducted for each wrong answer.
3. Use Black or Blue ball point pen only. As the answers once marked using Blue or Black ball point pen, cannot be changed, candidates are advised to be careful before marking their answers.
4. Rough work, if any, should be done on the space provided in the question booklet.
5. The answer-Sheet (Original) only should be handed over to the invigilator before you leave the Examination Hall. The carbon copy of the answer sheet to be taken away by the candidates. If the carbon copy is handed over instead of Original copy of answer sheet, the same shall not be evaluated.
6. Do not write your name, signature or roll number anywhere except where asked for.
7. Please do not mark the Answer on the Question-Booklet anywhere. Violation of this shall debar you from examination.
8. Deviation from these instructions shall debar you from examination.
9. Mathematical notation, if any, have been used in their usual notation.
10. Cell phone or any other electronic communication device not permitted within the examination hall.
11. Use of simple calculator (non-scientific, non-programmable) is allowed.

**Please Turn Over**

## PAPER-2

Choose one right answer from the 4 options given under each of the question:

1. One of the differences between Partnership and LLP is that:

- (A) Restriction on maximum number of partners in case of Partnership firm and no such restrictions for LLP
- (B) No restriction on maximum number of partners in case of Partnership firm and restrictions on number of partners for LLP
- (C) No partner is liable for legal compliance in case of partnership and in case of LLP all partners are liable for legal compliance
- (D) Partnership is created by law whereas LLP is created by agreement.

2. The penalties for avoiding any payments under the Payment of Gratuity Act may extend to \_\_\_\_\_ months or with fine which may extend to Rs. \_\_\_\_\_

- (A) 7 months ; Rs.15,000
- (B) 6 months ; Rs.20,000
- (C) 6 months ; Rs.10,000
- (D) 7 months ; Rs.10,000

3. The Payment of Gratuity Act was enacted in the year:

- (A) 1972
- (B) 1872
- (C) 1927
- (D) 1947

4. Gratuity is payable to an employee after he/she has rendered continuous service for not less than \_\_\_\_\_ years on his/her date of resignation

- (A) 7
- (B) 8
- (C) 5
- (D) 1

5. What is Contract?

- (A) Offer + Acceptance
- (B) Offer + Acceptance – Enforceability
- (C) Offer + Acceptance + Enforceability
- (D) Offer – Acceptance + Enforceability

6. Withdrawal from ATM is an emplace of \_\_\_\_\_ contract

- (A) Express
- (B) Implied
- (C) Illegal
- (D) Void

7. In which one of the following land mark cases, the agreement with a Minor was declared as void ab initio?

- (A) Mobiribibi Vs Dharmodas Ghosh
- (B) Jager Nath Singh Vs Lalita Prasad
- (C) Raghava Chariah Vs Srinivasa
- (D) Fernandez Vs Gonsalves

8. The amount of Gratuity payable for a monthly rated employee is

- (A) Last drawn monthly wages  $\times$  (15/30)  $\times$  No of completed years of service
- (B) Last drawn monthly wages  $\times$  (15/26)  $\times$  No of completed years of service
- (C) Last drawn monthly wages  $\times$  (15/31)  $\times$  No of completed years of service
- (D) Average of Last 10 months wages  $\times$  (15/26)  $\times$  No of completed years of service

9. Which one of the following transactions is considered as wagering?

- (A) Chit Fund
- (B) Contract of Insurance
- (C) Share market transactions
- (D) Prize competition in a game of skill having a prize money of Rs.12,500/-

10. Which one of the following is not a characteristic of Partnership?

- (A) Mutual agency
- (B) Limited liability
- (C) Restriction on transfer of interest
- (D) Agreement between persons

11. In an Electric Company, original cost of an asset: Rs.3,00,000; Present Cost of replacement : Rs.5,00,000; Amount spent on replacement : Rs.5,75,000. The amount charged to revenue is:

- (A) Rs.3,00,000
- (B) Rs.5,00,000
- (C) Rs.5,50,000
- (D) Rs.2,50,000

12. Which one of the following is true above Agreement by a Minor?

- (A) Agreement by minor is void ab initio.
- (B) Agreement by minor is valid in law
- (C) Agreement by minor can be ratified on attaining majority
- (D) Agreement beneficial to minor is not valid

13. An agreement induced by coercion is \_\_\_\_\_.

- (A) Voidable
- (B) Void
- (C) illegal
- (D) None of the above

14. Mr. A agrees to Purchase from Mr. B, 18 carat gold, thinking to be pure gold. State the validity of contract.

- (A) Contract is valid between A & B
- (B) Contract is void between A & B
- (C) Contract is voidable at the option of A but not B
- (D) Contract is voidable at the option of B but not A

15. Effect of "Fraud" under Contract Act is :

- (A) Contract is voidable at the option of aggrieved party
- (B) Contract is ab initio void
- (C) Contract is valid
- (D) None of the above

16. Which one of the following is an example of contingent contract?

- (A) Insurance
- (B) Contract for purchase of land
- (C) Contract for sale of goods
- (D) None of the above

17. A Transporter refuses to deliver up certain goods to the consignee, except upon the payment of an illegal charge for carriage. The consignee pays the sum charged in order to obtain the goods. Is the consignee is entitled to recover the charge that was illegally charged by the Transporter?

- (A) Yes.
- (B) No
- (C) May be yes may be no
- (D) Information is not sufficient to find an answer

18. Returning the benefits to the owner in order to place the parties in the same position as they occupied before the agreement is called

- (A) Restitution
- (B) Estoppel
- (C) Coercion
- (D) Remission

19. \_\_\_\_\_ damages are not proportionate in the actual pecuniary loss sustained by the aggrieved party.

- (A) Exemplary damages
- (B) Nominal damages
- (C) Liquidated damages
- (D) Special damages

20. Neo Ltd made sales of Rs.30 lakhs for the year 2014 and its corresponding debtors was Rs.4,90,000. Calculate the debtors turnover in terms of days.

- (A) 60 days
- (B) 45 days
- (C) 41 days
- (D) 37 days

21. A company's shares with a face value of Rs.10 each and quoted at Rs.50 each in the stock market. Current rate of dividend is 50% and expected rate of growth is 5% p.a. A steady growth is expected. What is the cost of equity capital of the company?

- (A) 11%
- (B) 12%
- (C) 14%
- (D) 15%

22. Expand ELGI

- (A) Estimate, Learn, Grow, Implement
- (B) Estimate, Learn, Group, Improve
- (C) Estimate, Learn, Group, Implement
- (D) Evolve, Learn, Group, Implement

23. Expand IFRS

- (A) International Financial Reporting Systems
- (B) International Financial Reporting Standards
- (C) Indian Financial Reporting System
- (D) International Forecast Reporting Standards

24. In case of a sub-division of share capital, the total number of shares will \_\_\_\_\_.

- (A) decrease
- (B) decrease proportionately
- (C) increase
- (D) not change

25. Divisible profits do not include \_\_\_\_\_.

- (A) Revaluation Reserve
- (B) General Reserve
- (C) Dividend Equalization Reserve
- (D) P & L A/c balance

26. The maximum tolerable lot in any case shall not exceed:

- (A) 50 shares
- (B) 100 shares
- (C) 500 shares
- (D) No limit

27. For issue of "Sweat Equity Shares", the listed companies should follow the guidelines issued by:

- (A) The Companies Act
- (B) The Securities and Exchange Board of India
- (C) both (A) and (B) of the above
- (D) Controller of Equity Shares (CES)

28. Which of the following statement is TRUE:

- (A) Capital Reserve is that amount which is available for dividend.
- (B) Capital Reserve cannot be used during life-time of the company.
- (C) Capital Reserve must be created out of the profits made on forfeited shares.
- (D) Capital Reserve cannot be used to write off capital losses.

29. Which of the following statement is NOT TRUE (relating to the issue of Bonus Shares)?

- (A) Issue of Bonus Shares is not a dividend
- (B) The issue of Bonus Shares constitutes a Source of fund to the company
- (C) It is a free share of stock given to current share holders in a company.
- (D) It represents no economic event.

30. Which of the following statement is NOT TRUE?

- (A) A company can purchase its own shares from share premium money.
- (B) No buyback shall be made out of the proceeds of earlier issues.
- (C) Capital Redemption Reserve cannot be used to issue fully paid Bonus Shares.
- (D) Securities Premium Account can be used to write off premium payable or to purchase of own shares by a company.

31. 'Floating charge' becomes crystallized when:

- (A) a company ceases to function/goes into liquidation.
- (B) an official receiver is appointed.
- (C) a company fails to pay interest/principal amount.
- (D) all of the above

32. Which of the following statement is TRUE relating to Depositories?

- (A) Depositories holds fund in account.
- (B) It transfers securities between accounts on the instructions of accountholders.
- (C) It facilitates transfer without having to handle money.
- (D) It facilitates safekeeping of money and not shares.

33. ABC Ltd. forfeited 100 shares of Rs.10 each, originally issued at a premium of Rs. 2 per share. The shareholder paid Rs.4 per share on application but did not pay the allotment money of Rs. 4 per share (including premium) and call of Rs.4 per share. The shares are subsequently re-issued at Rs.11 per share as fully paid-up.

Amount transferred to Capital Reserve Account will be :

- (A) Rs.500/-
- (B) Rs.400/-
- (C) Rs.600/-
- (D) Rs.550/-

34. VR Ltd. has made a Public Issue of 2000 shares, 6% Preference Shares of Rs.100 each at a discount of 8% for providing funds for redemption of Preference Shares.

Which of the following amount would be considered as "Proceeds of fresh issue"?

- (A) Rs.2,60,000/-
- (B) Rs.2,16,000/-
- (C) Rs.2,84,000/-
- (D) Rs.1,84,000/-

35. A Ltd. has a share capital of Rs.5,00,000/- Equity Shares of Rs.10/- each. Market value is Rs.25 per share. The company decides to make a rights issue to the existing shareholders in proportion of one right share of Rs.10 at a premium of Rs.3 per share for every five shares held.

Compute the value of "Rights".

- (A) Rs.2.00
- (B) Rs.2.50
- (C) Rs.5.00
- (D) Rs.7.00

36. MV Ltd. issued Rs.10,00,000/- 12% Debentures of Rs.100/- each at a premium of 20%. The Net Effective Rate of Interest will be:

- (A) 12%
- (B) 13.33%
- (C) 20%
- (D) 10%

37. PQR Ltd. purchased assets of Rs.4,50,000/- and took over liabilities of Rs.40,000/- at an agreed value of Rs.4,05,000/- of ST Ltd. PQR Ltd. issued debentures of Rs.100/- each at 10% discount in full satisfaction of the purchase price. Determine the value of Goodwill or capital Reserve.

- (A) Goodwill Rs. 5,000/-
- (B) Capital Reserve Rs. 45,000/-
- (C) Capital Reserve Rs. 5,000/-
- (D) Goodwill Rs. 45,000/-

38. SR Ltd. issued 8,000 12% Debentures of Rs.50/- each payable at a discount of 10% repayable after 5 years at a premium of 10%. The loss on issue of debenture to be written off every year will be:

- (A) Rs.80,000/-
- (B) Rs.16,000/-
- (C) Rs.15,000/-
- (D) Rs.8,000/-

39. RV Ltd. redeemed 5,000 12% Debentures of Rs.100/- each, which were issued at a discount of 10% by converting them into Equity Shares of Rs.10/- each at per Number of equity shares to be issued:

- (A) 50,000
- (B) 45,000
- (C) 55,000
- (D) 60,000

40. A company has outstanding 12% Debentures of Rs.5,00,000/- on 1st January 2013. The company pays interest on 30th June and 31st December. It purchased debentures of Rs.50,000/- for cancellation on 1st May 2013 at Rs.102/- cum-interest. On September 1, 2014, it further purchased for redemption debentures of Rs.1,00,000/- at Rs.95/- ex-interest. Profit on cancellation on September 1 will be:

- (A) Rs.1,000/-
- (B) Rs.10,000/-
- (C) Rs.7,500/-
- (D) Rs.5,000/-

41. From the following particulars, calculate the value of each equity share from the view point of Minority Holdings:

- (i) Share Capital: 1,20,000 equity shares of Rs.10 each fully paid
  - (ii) Profit (after deduction of tax) for last 3 years: Rs.2,70,000/-; Rs.3,60,000/-; Rs.3,42,000/- respectively
  - (iii) Dividend paid for the last 3 years: 12%, 17%, 16%
  - (iv) Normal Rate of Return: 12%
- (A) Rs.17.00  
(B) Rs.22.50  
(C) Rs.14.50  
(D) Rs.12.50

42. X Ltd. has earnings per share of Rs.70/- and is quoted at Rs.630.

Y Ltd. which is a similar firm has earnings per share of Rs.60/-

What should be the value of share of Y Ltd.?

- (A) Rs.420/-
- (B) Rs.540/-
- (C) Rs.570/-
- (D) Rs.600/-

43. TDS on interest on debentures is:

- (A) Current Assets
- (B) Reserve
- (C) Current Liability
- (D) Appropriation

44. Balance of profit in P & L Appropriation Account has to be carried to the Balance Sheet under the heading:

- (A) Shares Capital
- (B) Reserves & Surplus
- (C) Provision
- (D) Miscellaneous Expenditure

45. Unclaimed dividend is to be shown in the Balance-Sheet under the heading?

- (A) Current Assets
- (B) Provision
- (C) Current Liabilities
- (D) Miscellaneous Expenditure

46. M/s. Lakshmi Ltd. has been paying a dividend at 20% on capital of Rs.40 lakh for many years. Its average profit after tax were Rs.12 lakh. In 2013-14, it earned a profit of Rs.10 lakh.

Find to be transferred to General Reserve as required by law, will be:

- (A) Rs.1 lakh
- (B) Rs.4 lakhs
- (C) Rs.2 lakhs
- (D) Rs.5 lakhs

47. Z Ltd. has been suffering heavy losses in the past. So, it has decided to go for reconstruction by reducing 22,000 equity shares of Rs.100/- each into Rs.50/- each so as to write off accumulated losses of Rs.10,70,000/-. The amount of Balance in Capital Reduction A/c will be:

- (A) Rs.20,000/-
- (B) Rs.30,000/-
- (C) Rs.32,000/-
- (D) Rs.38,000/-

48. Which of the following statement is TRUE?

- (A) It is voluntary to create DRR A/c equivalent to 50% of the paid-up value of debenture issue.
- (B) The balance in the Sinking Fund A/c and Sinking Fund Investments A/c will not be same, they will differ.
- (C) In case of financial institutions, profits on sale of sinking fund investments are not capital but operating profits.
- (D) Interest is always calculated on the closing balance of the nominal value of investments.

49. Rent received by a Company (whose main business is real estate) is classified as:

- (A) Cash equivalent
- (B) financing activity
- (C) operating activity
- (D) investing activity

50. From the following particulars, calculate cash inflow from debtors:

- Total Sales : Rs.10,00,000/-
- Cash Sales : 40% of total sales
- Opening Debtors : Rs.1,00,000/-
- Closing Debtors : Rs.1,60,000/-
- Sales Returns : Rs.40,000/-
- (A) Rs.5,00,000/-
- (B) Rs.2,50,000/-
- (C) Rs.7,50,000/-
- (D) Rs.5,50,000/-

51. Calculate cash outflow to creditors from the following particulars:

- Total Purchases : Rs.3,60,000/-
- Cash Purchases : 50% of credit purchases
- Opening Creditors : Rs.10,000/-
- Closing Creditors : Rs.40,000/-
- Purchase Returns : Rs.50,000/-
- Discount (received) : Rs.20,000/-
- (A) Rs.70,000/-
- (B) Rs.1,40,000/-
- (C) Rs.60,000/-
- (D) Rs.1,20,000/-

52. MN Ltd. made a profit of Rs.1,20,000/- after charging depreciation of Rs.20,000/- on assets and a transfer to General Reserve of Rs.30,000/-. The Goodwill written off was Rs.7,000/ and the gain on sale of machineries was Rs.3,000/-. Changes in the value of current assets and current liabilities at the end of the year were:

- Debtors showed an increase of Rs. 6,000/-
- Creditors an increase of Rs. 10,000/-
- Pre-paid expenses an increase of Rs.200/-
- Bills receivable a decrease of Rs. 3,000/-
- Bills payable a decrease of Rs. 4,000/-
- Outstanding expenses a decrease of Rs. 2,000/-
- Ascertain Net Cash from Operating Activities:
- (A) Rs.1,54,800/-
- (B) Rs.1,64,800/-
- (C) Rs.1,74,800/-
- (D) Rs.1,84,800/-

53. During the year a company had the following balances:

- Investments at the beginning of the period: Rs.92,000/-
- Investments at the end of the period: Rs.60,000/-
- During the year, the company sold 60% of its investments held in the beginning of the period at the profit of Rs.20,000/-.

Cash flow from Investing Activities will be:

- (A) Rs.26,000/-
- (B) Rs.36,000/-
- (C) Rs.42,000/-
- (D) Rs.52,000/-

54. EF & Co. had plant and machinery whose written-down value on April 1, 2013 was Rs.15,00,000/- and March 31, 2014 was Rs.18,00,000/- Depreciation for the year was Rs.60,000/-. At the beginning of the year a plant was sold for Rs.40,000/- which had a written down value of Rs.32,000/-.

Compute the Net Cash Flow from Investing Activities:

- (A) Rs.3,52,000/-
- (B) Rs.3,92,000/-
- (C) Rs.3,82,000/-
- (D) Rs.3,62,000/-

55. Calculate Cash Flow from Financial Activities following based on following information:

Particulars	March 31, 2013 (in Rs.)	March 31, 2014 (in Rs.)
Equity Share Capital	12,00,000	16,00,000
9% Debentures	4,00,000	2,00,000
Security Premium	1,00,000	1,50,000

Additional information: Interest paid on Debentures- Rs.36,000/-

- (A) Rs.1,07,000/-
- (B) Rs.2,14,000/-
- (C) Rs.1,57,000/-
- (D) Rs.2,54,000/-

56. From the following figures, compute the Net Cash Flow from Financial Activities:

Particulars	March 31, 2013 (in Rs.)	March 31, 2014 (in Rs.)
Equity Share Capital	16,00,000	24,00,000
10% Debentures	3,00,00	-
10% Debentures	-	6,00,000

Additional information:

- (i) Interest paid on Debentures : Rs.30,000/-  
 (ii) Dividend paid : Rs.80,000/-  
 (iii) During the year 2013-14, the company issued Bonus Shares in the ratio of 2 : 1 by capitalizing the reserve

- (A) Rs.9,90,000/-  
 (B) Rs.1,95,000/-  
 (C) Rs.2,90,000/-  
 (D) Rs.1,90,000/-

57. Payments on capitalized research and development costs are cash flows from \_\_\_\_\_

- (A) Financing activities  
 (B) Investing activities  
 (C) Operating activities  
 (D) Innovation activities

58. Which of the following is NOT a source of Application of Fund?

- (A) Purchase of Fixed Assets  
 (B) Payment of Dividend  
 (C) Depreciation  
 (D) Re-payment of Long-term Loans

59. Which of the following statement is TRUE, relating to "Fund Flow"?

- (A) contains both opening and closing cash  
 (B) changes in working capital  
 (C) net result is increase/decrease in cash  
 (D) changes in cash and cash equivalent

60. One important object of an Audit is the detection and prevention of "errors". Which of the following type of error is due to the cumulative effect of more than one error?

- (A) Errors of Omission  
 (B) Errors of Commission  
 (C) Errors of Principle  
 (D) Compensating errors

61. Which of the following statement is NOT TRUE (relating to Interim Audit)?

- (A) Interim Audit means continuous audit.  
 (B) Interim Audit means an audit up to a definite date.  
 (C) Interim Audit enables the company to declare Interim Dividend.  
 (D) Auditor's report is to be submitted immediately after the completion of Interim Audit.

62. Which of the following is the main purpose for insisting "Working Papers"?

- (A) It serves as supporting evidence to Auditor's Report.  
 (B) It is a defence against charge of negligence.  
 (C) Any item omitted to have seen in the previous year can be given top priority and verified in the current year.  
 (D) All of the above

63. As per the Section 138 of the Companies Act 2013, who among the following can be appointed as Internal Auditor

- (A) Chartered Accountant  
 (B) Cost Accountant  
 (C) Company Secretary  
 (D) Chartered accountant or a cost accountant, or such other professional as may be decided by the Board

64. Which of the following is an essential document for "vouching" when a customer returns the goods?

- (A) Returns outward Book  
 (B) Purchases Book  
 (C) Credit Note  
 (D) Sales Book

65. Vouching the Impersonal Ledger is vital because its irregularity affects:

- (A) Trading and Profit & Loss A/c  
 (B) Balance sheet  
 (C) Both (A) and (B) of the above  
 (D) Neither (A) nor (B) of the above



66. Which of the following account should be examined properly by an auditor in order to verify "Reserve & Surplus" that appears in the Balance-Sheet?

- (A) Profit & Loss Appropriation A/c
- (B) Profit & Loss A/c
- (C) Trading A/c
- (D) Balance-Sheet itself

67. In case of a Joint Stock Company, an auditor should verify the share capital by referring to:

- (A) The Memorandum and Articles of Association
- (B) Minutes Book
- (C) Register of Members and Cash Book
- (D) All of the above

68. Which of the following is a "contingent liability" to be shown as a footnote of the Balance-Sheet?

- (A) Uncalled share capital
- (B) Damages receivable in any legal action taken for infringement of copyright, patents, etc.
- (C) Claim for money from a previous endorser of a bill receivable discounted but might be dishonoured.
- (D) Arrears of dividend on Cumulative Preference Shares

69. When checking transmission of shares due to death or insolvency of the shareholders, the vital document/s to be verified:

- (A) Succession Certificate
- (B) Directors Minutes approving the transmission
- (C) Order of insolvency issued by the Court
- (D) All of the above

70. In case, when an auditor is appointed by the Central Government, he has to act an agent of:

- (A) the shareholders
- (B) the Central Government
- (C) Board of Directors
- (D) None of the above

71. Which of the following statement is TRUE?

- (A) Provision is created to strengthen the financial position of the company.
- (B) Provision can be utilized for distributing dividends.
- (C) Provision is a charge against profits.
- (D) None of the above

72. Which of the following statements relating to Specific Reserve is TRUE?

- (A) Specific Reserve can be distributed if necessary.
- (B) Specific Reserve is a charge on the profits.
- (C) Specific Reserves are shown on the liability side of the Balance-Sheet alongwith the connected items.
- (D) An audit need not scrutinize Specific Reserve, as it is created for unascertained loss.

73. Which of the following is NOT an essential item to be verified before certifying the Statutory Report (Auditor's Report) as correct?

- (A) Shares allotted by the company.
- (B) Cash received in respect of such shares allotted.
- (C) The receipts and payments of the company.
- (D) Relevant court proceedings.

74. The basic objective of Financial Management is:

- (A) profit maximization
- (B) maximization of shareholder's wealth
- (C) maximization of sales
- (D) ensuring financial discipline

75. The goal of wealth maximization takes into consideration:

- (A) risk related to uncertainty of returns
- (B) timing of expected returns
- (C) amount of returns expected
- (D) all of the above

- 76.** Economic Value Added (EVA) is equal to:
- (A) After tax operating profit + the cost of funds used.
  - (B) Before tax operating profit – the cost of funds used.
  - (C) After tax operating profit – the cost of funds used.
  - (D) None of the above
- 77.** Finance function involves:
- (A) procurement and effective utilization of funds
  - (B) procurement of assets
  - (C) expenditure of funds
  - (D) safe custody of funds
- 78.** The fundamental difference between Finance and Accounting relates to:
- (A) accounting methods
  - (B) the treatment of funds
  - (C) fiscal policies
  - (D) structure of organization
- 79.** Apart from economics and accounting “Finance” draws support from:
- (A) marketing
  - (B) production
  - (C) quantitative methods
  - (D) All of the above
- 80.** The functions of the ‘controller’ in the “Organisation of Financial Management Functions” are mainly related to:
- (A) accounting and auditing
  - (B) financing activities of the firm
  - (C) both (A) and (B) of the above
  - (D) None of the above
- 81.** The Capitalization Rate determines:
- (A) the decision relating to dividend policy.
  - (B) the management of working capital.
  - (C) the time and risk preferences of the owners or suppliers of capital.
  - (D) All of the above
- 82.** The primary principle that applies in financial management is:
- (A) analysis of final accounts
  - (B) marginal analysis
  - (C) corporate governance
  - (D) control of costs
- 83.** Which of the following is an “Irrelevant Cash Outflow” in relation to asset selection decisions?
- (A) Cost of the investment.
  - (B) Variable labour expenses
  - (C) Existing Fixed overhead expenses
  - (D) Marginal taxes
- 84.** Which of the following is the main technical flaw of Profit/earning per share maximization decision criterion?
- (A) ambiguity
  - (B) timing of benefits
  - (C) quality of benefits
  - (D) all of the above
- 85.** It is necessary to convert cash flows that result in different time periods to a common point in time. Which of the following technique is most useful to do this?
- (A) compounding
  - (B) discounting
  - (C) Both (A) and (B) above
  - (D) None of the above
- 86.** X. Ltd. is contemplating to buy a machine for Rs.70,000/- which is expected to result in the following Cash Flows After Tax (CFAT). Determine the pay-back period accurately.
- | Year | CFAT (in Rs.) |
|------|---------------|
| 1    | 15,000/-      |
| 2    | 12,000/-      |
| 3    | 18,000/-      |
| 4    | 16,000/-      |
| 5    | 13,000/-      |
| 6    | 20,000/-      |
- (A) 4.69 years
  - (B) 4.09 years
  - (C) 4.39 years
  - (D) 5.02 years

87. The project Y has initial investment of Rs.80,000/- and it earns Rs.32,000/- for four years. What is the NAV of the project? (P.V. of Annuity of Re 1/- @ 10% for 4 years = 3.17)

- (A) Rs.21,440/-
- (B) Rs.18,740/-
- (C) Rs.20,740/-
- (D) Rs.19,440/-

88. In the case of independent investment projects, if the NPV of the project is zero, Internal Rate of Return (IRR) is equal to:

- (A) estimated cash outflows
- (B) cost of capital
- (C) Profitability Index (PI)
- (D) ARR (Average Rate of Return)

89. The cost of capital for new projects is 15%. Two competing projects (A & B) have IRRs of 13% and 14% respectively. Which project is to be selected?

- (A) A
- (B) B
- (C) Both (A) and (B) of the above
- (D) None of the above

90. In case of mutually exclusive investment proposals, which of the following methods is based on total yield/earnings/NPV?

- (A) IRR (Internal Rate of Return)
- (B) PI (Profitability Index)
- (C) NPV (Net Present value)
- (D) None of the above

91. Which method is an appropriate measure in divisible projects selection under capital rationing:

- (A) Equivalent annual NPV
- (B) IRR
- (C) Present Value Index
- (D) all of the above

92. The return after the pay-off period is not considered in case of:

- (A) URR method
- (B) pay back method
- (C) present value index method
- (D) discounted cash flow method

93. Depreciation is included in costs in case of:

- (A) Accounting Rate of Return method
- (B) pay back method
- (C) present value index method
- (D) None of the above

94. Which of the following is an Internal source of long-term financing?

- (A) Equity capital
- (B) Leasing and Hire-purchase finance
- (C) Venture Capital Financing
- (D) Retained earnings

95. Which of the following is the main component of "financial system"?

- (A) financial assets/instruments/security
- (B) financial intermediaries/institutions
- (C) financial markets
- (D) all of the above

96. Under the "green shoe option", the amount of shares that could be over allotted with the public issue will be:

- (A) 20% of the issue size
- (B) upto 10% of the public issue
- (C) upto 15% of the issue size
- (D) 25% of the issue size

97. Which of the following is a 'Liability-related Covenants (Negative) relating to features of Term Loans?

- (A) Reduction in debt-equity ratio by issue of additional capital.
- (B) Restriction on creation of further charge on asset.
- (C) Ban on sale of fixed assets without the lenders approval.
- (D) Maintenance of working capital position in terms of a minimum current ratio.

98. Which of the following is an innovative debt instrument as a source of long-term funds?

- (A) Deep Discount Bond (DDB)
- (B) Secured Premium Notes (SPNs)
- (C) Floating Rate Bonds (FRBs)
- (D) All of the above

99. Which of the following instruments is similar in nature to call options?

- (A) Debentures
- (B) Warrants
- (C) Redeemable Preference Shares
- (D) Bonus Shares

100. The measure of liquidity which is not very useful for comparing the performance of different firms but at the same time useful for internal control is:

- (A) Net working capital
- (B) Stock Turn over Ratio
- (C) Net Profit Ratio
- (D) Capital Turnover Ratio

101. To determine an appropriate financing-mix, which of the following is a high profit (low cost) – high rate (no net working capital) approach?

- (A) Conservative Approach
- (B) Hedging Approach
- (C) A Trade-off between the above two approaches
- (D) All of the above

102. The 'Operating Cycle' means:

- (A) the accounting period of business.
- (B) the period for which net working capital has been locked.
- (C) the time gap between the sales and their actual realization in cash.
- (D) the time gap between purchase of raw materials and sales.

103. Which of the following techniques is used as an important control techniques to assess the performance of inventory management?

- (A) Inventory Turnover Ratio
- (B) EOQ Model
- (C) ABC System
- (D) All of the above

104. Which one of the following is NOT a Primary Motive for maintaining "cash balances"?

- (A) Competition Motive
- (B) Compensating Motive
- (C) Speculative Motive
- (D) Transaction Motive

105. Which of the following is TRUE relating to "Management of cash and marketable securities" (working capital management)?

- (A) Baumol's model takes into account all motives of a holding cash.
- (B) Miller and Orr model assumes that cash balances randomly fluctuate between an upper bound and lower bound.
- (C) Olger's model is based on the use of a simple linear programming model.
- (D) All of the above statements.

106. Roy & Co. furnishes the following information: Accounts receivable collection period at present (reduced to) 3 days; credit sales Rs. 365 lakh a year (billed on a continuous basis); the firms' opportunity cost of funds is 15%; cost of lock-box system is Rs.50,000/-.

What will be the Net Savings/Net Loss?

- (A) Net Savings Rs.5,000/-
- (B) Net Loss Rs.5,000/-
- (C) Net Savings Rs.25,000/-
- (D) Net Loss Rs.25,000/-

107. The term "Credit Standard" refers to:

- (A) the standard rate of interest extended to creditors
- (B) the standard period for which credit has been granted
- (C) the basic criteria for extension of credit to its customers
- (D) the term under which a firm sells goods on credit to the customers.

108. The trade-off with reference to credit standards covers:

- (A) the collection cost
- (B) cost of investment in debtors
- (C) bad debts and level of sales
- (D) All of the above

109. In which of the following area "the Management of receivables" involves crucial decision?

- (A) credit policies
- (B) credit terms
- (C) collection policies
- (D) All of the above

110. In the term "4/10 net 30" – the numeral 30 implies (denotes):

- (A) the maximum period for which credit is available
- (B) the rate of interest
- (C) the rate of trade discount allowed
- (D) the time after which cash discount is allowed

111. Compute the average age of receivables from the following particulars:

Gross Sales	:	Rs.80,000/-
Cash Sales	:	Rs.30,000/-
Accounts receivable on December 1, 2014	:	Rs.12,000/-
Accounts receivable on December 31, 2014	:	Rs. 8,000/-

- (A) 1.2 months
- (B) 1.8 months
- (C) 2.4 months
- (D) 2.2 months

112. Which of the following is the key decision area in "inventory management"?

- (A) Classification problem
- (B) Order quantity problem
- (C) Safety stock
- (D) All of the above

113. Which of the following is an indirect form of working capitals financing provided by banks?

- (A) Cash credit/OD
- (B) Letter of credit
- (C) Bills purchased/discounted
- (D) Working capital term loan

114. A company raises preference share capital of Rs.1,00,000/- by issue of 10% Preference Shares of Rs.10/- each.

Compute the cost of Preference Share capital if they are issued at 10% discount.

- (A) 9.09%
- (B) 10%
- (C) 11.11%
- (D) 9.99%

115. The value of optionally Convertible Debentures (CDs) depends upon the factor:

- (A) conversion value
- (B) straight debentures value
- (C) option value
- (D) all of the above

116. Which of the following statement is TRUE?

- (A) "Sale and lease back" is an indirect form of leasing.
- (B) The mandatory for the lessor to transfer ownership to the lessee in the case of financial leases.
- (C) Lease rents are higher in case of financial leases.
- (D) Lease period is higher for operating leases

117. Under which of the following "Basis of Accounting", revenues are recognized on cash basis while accrual basis is adopted for expenses?

- (A) Cash basis of accounting
- (B) Hybrid basis of accounting
- (C) Accrual basis of accounting
- (D) Matching concept

118. Which of the following is a source document for Return Inward Book?

- (A) Debit Note issued to creditors
- (B) Inward Invoice received from the creditors
- (C) Debit Note received from creditors
- (D) Credit Note received from creditors

119. Revenue Profits are shown as:

- (A) Fictitious assets in the Balance-Sheet
- (B) Foot-note in the Balance-Sheet
- (C) Reserves & Surplus in the Balance-Sheet
- (D) Appropriation of profit in P & L Appropriation A/c

120. Accounting Standard AS-9 deals with:

- (A) Cash flow statement
- (B) Depreciation accounting
- (C) Accounting for fixed assets
- (D) Revenue recognition

121. AS-1 requires certain enterprises to prepare a statement disclosing information as to revenue, assets and capital expenditure for each product or geographical area – which is known as:

- (A) Cash flow statement
- (B) Times Series
- (C) Segment Report
- (D) Trend Ratios

From the following information answer Questions 122-126.

Particulars:

Stock Velocity	: 6
Gross Profit Margin	: 20%
Capital Turnover Ratio	: 2
Fixed Assets Turnover Ratio	: 4
Debt Collection Period	: 2 months
Creditors Payment Period	: 73 days
Debt Collection Period	: 2 months
Creditors Payment Period	: 73 days
Gross Profit	: Rs. 3,00,000/-
Excess and closing stock over opening stock	: Rs. 25,000/-

122. Calculate Sales:

- (A) Rs.12,00,000/-
- (B) Rs.15,00,000/-
- (C) Rs.18,00,000/-
- (D) Rs.20,00,000/-

123. Ascertain cost of goods sold:

- (A) Rs.12,00,000/-
- (B) Rs.13,00,000/-
- (C) Rs.14,00,000/-
- (D) Rs.15,00,000/-

124. Calculate Closing stock:

- (A) Rs.1,72,250/-
- (B) Rs.2,02,500/-
- (C) Rs.2,12,500/-
- (D) Rs.1,92,250/-

125. Compute Capital:

- (A) Rs.10,00,000/-
- (B) Rs.15,00,000/-
- (C) Rs.3,00,000/-
- (D) Rs.7,50,000/-

126. Calculate Fixed Assets:

- (A) Rs.3,75,000/-
- (B) Rs.3,70,000/-
- (C) Rs.3,55,000/-
- (D) Rs.3,15,000/-

127. Fixed Costs : Rs.15,000/-

Selling Price/Unit : Rs.500/-

Variable cost/unit : Rs.9/-

What will be the New B.E.P. when variable cost increases by 10%?

- (A) 2,941 units
- (B) 2,500 units
- (C) 2,750 units
- (D) 2,841 units

128. From the following particulars, calculate the New Selling Price per unit if the B.E.P. is to be brought down to 4,000 units?

Variables cost per unit : Rs.60/-

Fixed expense : Rs.2,00,000/-

Selling price per unit : Rs.100/-

- (A) Rs.110/-
- (B) Rs.90/-
- (C) Rs.80/-
- (D) Rs.120/-

129. The P/V ratio of a firm is 50% and the Margin of safety is 40%. Compute the Net Profit if Sales is Rs.5,00,000/-.

- (A) Rs.1,50,000/-
- (B) Rs.1,00,000/-
- (C) Rs. 50,000/-
- (D) Rs.1,20,000/-

130. Total Sales : Rs.3,60,000/-

Selling price per unit : Rs.100/-

Variables cost per unit : Rs.50/-

Fixed costs : Rs.1,00,000/-

If the selling price is reduced to Rs.90/- per unit, the margin of safety is reduced by:

- (A) Rs.50,000/-
- (B) Rs.66,000/-
- (C) Rs.61,000/-
- (D) Rs.1,50,000/-

131. Selling price per unit : Rs.25/-  
Direct Material cost per unit : Rs.8/-  
Direct Labour cost per unit : Rs.5/-  
Fixed overheads : Rs.24,000/-  
Variables Overheads : 60% on  
Direct Labour  
Trade discount : 4%  
If sales are above 20% above break-even volume, compute the Net Profit.

- (A) Rs.6,800/-  
(B) Rs.4,800/-  
(C) Rs.5,800/-  
(D) Rs.5,000/-

From the following data answer Questions 132-134.

- Sales : Rs.75 lakhs  
Variable costs : Rs. 42 lakh  
Fixed costs : Rs.6 lakhs  
The firm has borrowed : Rs.45 lakhs  
@ 9% interest  
Equity Capital : Rs.55 lakh

132. Compute Operating Leverage:

- (A) 1.25  
(B) 1.22  
(C) 1.35  
(D) 1.32

133. Compute Financial Leverage:

- (A) 1.28  
(B) 1.38  
(C) 1.18  
(D) 1.08

134. Calculate Combined Leverage:

- (A) 1.14  
(B) 1.24  
(C) 1.34  
(D) 1.44

135. OPC means;

- (A) Open Personal Computer  
(B) One Person Company  
(C) Open Professional Computer  
(D) One Process Configuration

136. Formation of Companies with Charitable Objectives is covered under Sec \_\_\_\_\_ of the Companies Act, 2013:

- (A) 25  
(B) 14  
(C) 8  
(D) 27

137. What is the minimum number of meeting of the Board of Directors of the Company to be conducted in a year as per the provisions of Companies Act, 2013:

- (A) 5  
(B) 6  
(C) 2  
(D) 4

138. Form to be filed by the resigning Director of a Company is

- (A) DIR 11  
(B) DIR 12  
(C) DIR 13  
(D) DIR 14

139. What is NFRA as given in Companies Act 2013?

- (A) National Financial Reporting Agency  
(B) Non-Financial Reporting Authority  
(C) National Financial Reporting Authority  
(D) National Financial Related Authority

140. The first Annual General Meeting of a Company be held within \_\_\_\_\_ months from the date of closing of the first financial year of the Company.

- (A) 9 months  
(B) 18 months  
(C) 4 months  
(D) 6 months

141. The requisite quorum for AGM of a Company with 2700 members is

- (A) 12  
(B) 05  
(C) 15  
(D) 27

142. Calculate the adjusted average profit after adjusting the effect of the following errors, if the profit before discovering error was Rs.10,000/-:

(i) Payment of rent Rs.1,250/- debited to landlord's personal account.

(ii) A cash purchase of Rs.1,050/- not posted in the ledger.

- (A) Rs.7,700/-  
 (B) Rs.12,300/-  
 (C) Rs.9,800/-  
 (D) Rs.8,950/-

143. Of the following ledger balances, which account has credit balance?

- (A) Purchases  
 (B) Discount allowed  
 (C) Bills payable  
 (D) Cash at bank

144. Show the necessary adjustments in Trading A/c and Balance-Sheet from the following information:

31.12.2014	Value of Goods still with customers sold on sale or return basis, treated as sales	Rs.1,20,000/-
	G.P. on cost = 25%	

- (A) Cost of stock with customers: Rs.90,000  
 (B) Cost of stock with customers: Rs.96,000  
 (C) Cost of stock with customers: Rs.30,000  
 (D) Cost of stock with customers: Rs.1,50,000

145. Mr. X has Rs. 5,00,000/- to the credit of his capital account on January 1, 2014. His drawings during the year amounted to Rs.70,000/-. Charge interest on capital at 5% p.a. and Rs.4,300/- on drawings. Net profit for the year after all adjustments was Rs.1,24,000/-. What would be the capital at the end of the year?

- (A) Rs.6,24,000/-  
 (B) Rs.3,76,600/-  
 (C) Rs.5,74,700/-  
 (D) Rs.5,79,900/-

146. From the following particulars, ascertain the amount of provision for doubtful debts to be debited to Profit & Loss A/c.

Opening Provision for Doubtful Debts :	Rs.24,000/-
Closing Sundry Debtors :	Rs.4,20,000/-
Bad Debts yet to be written off :	Rs.20,000/-

Provide for Doubtful Debts @ 10% on debtors.

- (A) Rs.39,000/-  
 (B) Rs.39,600/-  
 (C) Rs.36,600/-  
 (D) Rs.36,000/-

147. Analysis of financial statements based on data from year to year and not one date or period of time is referred to as:

- (A) External Analysis  
 (B) Internal Analysis  
 (C) Vertical Analysis  
 (D) Horizontal Analysis

148. While preparing a Common Size Income Statement, which of the following items is to be taken as Base in general?

- (A) Total amount of all items  
 (B) Net Sales  
 (C) Net Profits  
 (D) Gross Profit

149. Calculation of percentage relationship that each item bears to the same item in the base year is known as \_\_\_\_\_:

- (A) Common Size Statements  
 (B) Time Series  
 (C) Trend Percentages  
 (D) Trend Ratios

150. Which of the following is NOT an appropriation of profit, in the preparation of P & L Appropriation A/c?

- (A) Provision for tax  
 (B) Amount transferred to General Reserve A/c  
 (C) Amount transferred to Dividend Equalization Reserve  
 (D) Amount of dividend proposed and distributed