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# National Testing Agency

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## Financial Accounting and Analysis

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## Financial Accounting and Analysis 1

<b>Section Id :</b>	512452804
<b>Section Number :</b>	1
<b>Section type :</b>	Online
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<b>Number of Questions :</b>	50

<b>Number of Questions to be attempted :</b>	50
<b>Section Marks :</b>	100
<b>Mark As Answered Required? :</b>	Yes
<b>Sub-Section Number :</b>	1
<b>Sub-Section Id :</b>	512452844
<b>Question Shuffling Allowed :</b>	Yes

**Question Number : 1 Question Id : 51245213576 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0**

ABC Co. deals in buying and selling widgets. During the year, the company purchased widgets worth Rs. 50,000. The company sold widgets costing Rs.35,000. The accountant of the company charged Rs. 50,000 as cost of sales. Which accounting concept did he violate?

1. Money measurement concept
2. Materiality concept
3. Matching concept
4. Entity concept

**Options :**

- 51245242301. 1
- 51245242302. 2
- 51245242303. 3
- 51245242304. 4

**Question Number : 2 Question Id : 51245213577 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0**

The owner of a business bought air conditioner for his home. The accountant reported it as the assets of the business. Which accounting concept has not been followed by the accountant?

1. Cost concept
2. Accrual concept
3. Matching concept
4. Entity concept

**Options :**

- 51245242305. 1
- 51245242306. 2
- 51245242307. 3
- 51245242308. 4

**Question Number : 3 Question Id : 51245213578 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0**

X Co. took a five year loan of Rs. 25,000 from his friend, free of interest on January 1, 2018, payable in five instalments, each instalment payable on Dec 31. First instalment due on 31<sup>st</sup> December, 2018. As on March 31<sup>st</sup> 2018, what is the amount that should be reflected in the balance sheet as current liability and non-current liability respectively?

1. Rs.12,500 and Rs.12,500
2. Rs.10,000 and Rs.15,000
3. Rs.5,000 and Rs. 20,000
4. Rs.20,000 and Rs. 5,000

**Options :**

- 51245242309. 1
- 51245242310. 2
- 51245242311. 3

51245242312. 4

**Question Number : 4 Question Id : 51245213579 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0**

John wants to know the cash receipts and cash payments for his business for the last three months. Which financial statement would help him find the details?

1. Balance Sheet
2. Cash Flow Statement
3. Income Statement
4. All of the above

**Options :**

- 51245242313. 1
- 51245242314. 2
- 51245242315. 3
- 51245242316. 4

**Question Number : 5 Question Id : 51245213580 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0**

Installation charges paid in cash for installing a new equipment. This transaction would affect the accounting equation in the following way:

1. Increase in total equity and increase in total assets
2. No change in total equity and no change in total assets
3. Increase in total liabilities and increase in total assets
4. Decrease in total equity and increase in total assets

**Options :**

- 51245242317. 1
- 51245242318. 2
- 51245242319. 3
- 51245242320. 4

**Question Number : 6 Question Id : 51245213581 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0**

ABC Co. has imported a machine from France. Which of the following is NOT the element of machine's cost?

1. Invoice price of machine
2. Custom duty
3. Delivery Costs
4. Penalty paid on customs duty

**Options :**

- 51245242321. 1
- 51245242322. 2
- 51245242323. 3
- 51245242324. 4

**Question Number : 7 Question Id : 51245213582 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0**

As on 31<sup>st</sup> March, 2019, a company had trade payables of Rs.15,000, short-term borrowings Rs.10,000, Long-term borrowings Rs. 20,000 and Rs. 50,000 as a part of owner's equity. What would be the amount of liabilities held by the firm on 31<sup>st</sup> March 2019?

1. Rs. 15,000
2. Rs. 10,000
3. Rs. 45,000
4. Rs. 35,000

**Options :**

- 51245242325. 1
- 51245242326. 2

51245242327. 3

51245242328. 4

**Question Number : 8 Question Id : 51245213583 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0**

A customer is declared bad and it is certain that the business will not be able to recover the amount. In this context which of the following is correct?

1. Trade receivables have to be written off and Allowance for credit loss would get reduced by that amount.
2. Trade receivables would have to be written off and Allowance for credit loss would get increased by that amount.
3. Bad debts would get reduced and Allowance for credit loss would get increased by that amount.
4. Revenue will increase and Allowance for credit loss would get increased.

**Options :**

51245242329. 1

51245242330. 2

51245242331. 3

51245242332. 4

**Question Number : 9 Question Id : 51245213584 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0**

The company purchased equipment on 1<sup>st</sup> May 2019 costing Rs. 100,000 from a dealer on credit, amount payable after three months. The useful life of the asset is estimated at 10 years with a salvage value of Rs. 4,000. What would be the effect of this transaction on the accounting equation for the month of May 2019 after passing entry for depreciation?

1. Assets will increase by 100,000, Liabilities will increase by 100,000
2. Assets will increase by 100,000, Liabilities will increase by 90,000, Equity will increase by 10,000
3. Assets will increase by 100,000, Liabilities will increase by 96,000, Equity will increase by 4,000
4. Assets will increase by 99,200, Liabilities will increase by 100,000, Equity will decrease by 800

**Options :**

51245242333. 1
51245242334. 2
51245242335. 3
51245242336. 4

**Question Number : 10 Question Id : 51245213585 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0**

A company paid insurance premium for Rs.12,000 for one year starting from 1<sup>st</sup> Aug 2018 to 31<sup>st</sup> July 2019. What would be the effect of this transaction on equity for the year ended 31<sup>st</sup> March 2019?

1. Equity will increase by 7,000
2. Equity will decrease by 8,000
3. Equity will increase by 4,000
4. Equity will decrease by 12,000

**Options :**

51245242337. 1

51245242338. 2

51245242339. 3

51245242340. 4

**Question Number : 11 Question Id : 51245213586 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0**

The opening balance of equity as on 01.04.18 is Rs.2,00,000. Capital introduced during the year Rs. 30,000. The firm distributed a dividend of Rs. 20,000 during the year. The closing balance of equity as on 31.03.19 is Rs. 3,00,000. What is the amount of profit earned by the company during the year?

1. 1,10,000

2. 90,000

3. 1,20,000

4. 2,50,000

**Options :**

51245242341. 1

51245242342. 2

51245242343. 3

51245242344. 4

**Question Number : 12 Question Id : 51245213587 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0**



Furniture is a \_\_\_\_\_ asset for a steel manufacturer and furniture is a \_\_\_\_\_ asset for a furniture dealer.

1. Current, Non-Current
2. Non-Current, Intangible
3. Non-Current, Current
4. Intangible, Current

**Options :**

51245242345. 1

51245242346. 2

51245242347. 3

51245242348. 4

**Question Number : 13 Question Id : 51245213588 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0**

ABC company has the following purchases and sales of inventory for the month of August 2019		
Inventory purchases on	Units	Cost per unit (Rs)
Aug-01	100	5
Aug-06	500	6
Aug-12	300	7
Sales of Inventory		
Aug-08	450	

Calculate the value of closing stock as per first in first out (FIFO) method.

1. Value of closing stock is 2100
2. Value of closing stock is 2400
3. Value of closing stock is 3000
4. Value of closing stock is 2250

**Options :**

- 51245242349. 1
- 51245242350. 2
- 51245242351. 3
- 51245242352. 4

**Question Number : 14 Question Id : 51245213589 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0**

The accumulated depreciation on equipment as on 31<sup>st</sup> March 2017 and 31<sup>st</sup> March 2016 is Rs. 5,445 and Rs. 5,000 respectively. What is the amount of depreciation charged during the year ended 31<sup>st</sup> March 2017?

1. Rs. 500
2. Rs. 450
3. Rs. 445
4. Rs. 455

**Options :**

- 51245242353. 1
- 51245242354. 2
- 51245242355. 3
- 51245242356. 4

**Question Number : 15 Question Id : 51245213590 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0**

A company purchases machinery for Rs. 5,50,000. It estimates that the equipment will have a salvage value of Rs. 50,000 and its useful life will be 5 years. Calculate the amount of depreciation to be charged every year, assuming the company follows straight-line depreciation.

1. Rs. 1,00,000
2. Rs. 90,000
3. Rs. 1,06,000
4. Rs. 94,000

**Options :**

- 51245242357. 1
- 51245242358. 2
- 51245242359. 3
- 51245242360. 4

**Question Number : 16 Question Id : 51245213591 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0**

A company's inventories and purchases information for the year ended 31<sup>st</sup> December 2015 is as follows:

Opening inventories 1 <sup>st</sup> Jan 2015	Rs. 20,000
Purchases during the month	Rs. 62,000
Closing inventories 31 <sup>st</sup> Dec 2015	Rs. 18,000

What is the cost of goods sold during the year ended 31<sup>st</sup> Dec 2015?

1. Rs. 72,000
2. Rs. 87,000
3. Rs. 64,000
4. Rs. 77,000

**Options :**

- 51245242361. 1
- 51245242362. 2
- 51245242363. 3
- 51245242364. 4

**Question Number : 17 Question Id : 51245213592 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0**

Landlord Co. purchased land two years ago at a cost of Rs. 1,00,000. The land was sold in cash for Rs. 1,50,000 during the current financial year. What is the amount of cash inflows that would be shown under the investing activities in the cash flow statement?

1. Rs. 1,50,000
2. Rs. 1,00,000
3. Rs. 50,000
4. Rs. 2,00,000

**Options :**

- 51245242365. 1
- 51245242366. 2
- 51245242367. 3
- 51245242368. 4

**Question Number : 18 Question Id : 51245213593 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0**

Ace Company has revenue of Rs. 5,00,000, cost of goods sold Rs. 3,40,000, interest expense of Rs. 24,000, taxes of Rs.18,000 and Administration expenses of Rs.15,000, What is Ace Company's operating profit?

1. Rs. 1,27,000
2. Rs. 1,03,000
3. Rs. 1,60,000
4. Rs. 1,45,000

**Options :**

- 51245242369. 1
- 51245242370. 2
- 51245242371. 3
- 51245242372. 4

**Question Number : 19 Question Id : 51245213594 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0**

Amount spent for replacing the damaged part of an equipment is not to be capitalised.

1. True
2. False
3. Sufficient information not available
4. Usually remains true

**Options :**

- 51245242373. 1
- 51245242374. 2
- 51245242375. 3
- 51245242376. 4

**Question Number : 20 Question Id : 51245213595 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0**

Lara Co.'s opening inventory at April 1, (year 1), was overstated by Rs. 20,000, and its ending inventory was understated by Rs. 52,000. As a result, Lara's cost of goods sold for year 1 was

1. Understated by Rs. 32,000
2. Overstated by Rs. 72,000
3. Understated by Rs. 72,000
4. Overstated by Rs. 26,000

**Options :**

- 51245242377. 1
- 51245242378. 2
- 51245242379. 3

51245242380. 4

**Question Number : 21 Question Id : 51245213596 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0**

Tim Co., a dealer of heavy equipments bought the equipment from the manufacturer in Feb 2018 for Rs. 20,000.

On March 31, year 1, the dealer sold this equipment to Heavy Machines Inc. for Rs. 25,000, under the following terms: 3% discount if paid within thirty days, 1% discount if paid after thirty days but within sixty days, or payable in full within ninety days, if not earlier.

However, the agreement had a clause that Heavy machines could return this equipment to Tim if Heavy machines was unable to resell the equipment before the expiry of the ninety-day payment period, in which case Heavy Machines's payment obligation would be cancelled. How much should be included for the sale of this equipment to Heavy machines in the net sales of Tim for the year ended March 31, year 1?

1. Rs. 24,250
2. Rs. 24,750
3. Rs. 0
4. Rs. 25,000

**Options :**

- 51245242381. 1
- 51245242382. 2
- 51245242383. 3
- 51245242384. 4

**Question Number : 22 Question Id : 51245213597 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0**

In the current year, Giraffe Inc., had Rs. 20 million of sales revenue, while total operating costs were held to Rs. 8 million. The firm had an the interest expense of Rs. 2 million and the tax rate is 20%, what is the firm's profit after tax?

1. Rs. 9 million
2. Rs. 12 million
3. Rs. 8 million
4. Rs. 10 million

**Options :**

51245242385. 1  
51245242386. 2  
51245242387. 3  
51245242388. 4

**Question Number : 23 Question Id : 51245213598 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0**

An entity earns gross profit at the rate of 30%, incurs selling, general and administrative expenses of Rs. 100 lakhs, interest expense of Rs. 100 lakhs, earned a net income of Rs. 200 lakhs. If the corporate tax rate is 20%, the amount of revenue earned for the year is:

1. Rs.1900 lakhs
2. Rs.1800 lakhs
3. Rs.1500 lakhs
4. Rs.4800 lakhs

**Options :**

51245242389. 1  
51245242390. 2  
51245242391. 3  
51245242392. 4



**Question Number : 24 Question Id : 51245213599 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0**

Mike Inc., purchased manufacturing equipment for Rs. 1,00,000, with an estimated useful life of 10 years and a salvage value of Rs. 10,000. The depreciation charged for the second year for this equipment using the straight line method is

1. Rs.10,000
2. Rs.9,000
3. Rs.8,100
4. Rs.8,000

**Options :**

- 51245242393. 1
- 51245242394. 2
- 51245242395. 3
- 51245242396. 4

**Question Number : 25 Question Id : 51245213600 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0**

Below is the Income Statement and Balance Sheet of ABC Co. for the year 2018.

<b>Income Statement for the year ended 31<sup>st</sup> March 2018</b>	<b>Rs.</b>
Revenue	1,50,000
Less: Cost of goods sold	70,000
Gross profit	80,000
Operating expenses	30,000
Earnings before interest and tax	50,000
Interest expense	12,000
Earnings before tax	38,000
Tax	12,000
Net income (Profit after Tax)	26,000

The net profit margin ratio for the year 2018 is

1. 17.25%
2. 17.33%
3. 16.7%
4. 13.33%

**Options :**

51245242397. 1  
51245242398. 2  
51245242399. 3

51245242400. 4

**Question Number : 26 Question Id : 51245213601 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0**

Lower net profit margin compared to previous year may be due to

1. Increased proportion of cost of goods sold expense to revenue as compared to last year
2. Increased proportion of operating expenses to revenue
3. Increase proportion of interest expense to revenue
4. All of the above

**Options :**

51245242401. 1

51245242402. 2

51245242403. 3

51245242404. 4

**Question Number : 27 Question Id : 51245213602 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0**

Which of the following would improve the fixed asset turnover ratio?

- A. Sale of fixed assets
- B. Buy new fixed assets
- C. Decline in demand of the products
- D. Depreciating assets at higher rate

Choose the **correct** answer from the options given below:

- 1. A and B only
- 2. B and C only
- 3. C and D only
- 4. A and D only

**Options :**

- 51245242405. 1
- 51245242406. 2
- 51245242407. 3
- 51245242408. 4

**Question Number : 28 Question Id : 51245213603 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0**

ABC Ltd did not record bank receipts of Rs. 2,00,000 from a customer on account of sales made earlier in its books. The effect of this error on Profit and loss account is:

- 1. Profit will increase by Rs. 2,00,000
- 2. No impact on profit and loss account
- 3. Profit will reduce by Rs. 2,00,000
- 4. None of the above

**Options :**

- 51245242409. 1
- 51245242410. 2
- 51245242411. 3
- 51245242412. 4

**Question Number : 29 Question Id : 51245213604 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0**

A company has 10000 issued and subscribed and fully paid up shares of Rs. 10 each. The market value of the shares is Rs. 20. The company declares a dividend of 10 %. The amount of dividend that needs be paid will be Rs. \_\_\_\_\_

- 1. Rs.20000
- 2. Rs.10000
- 3. Rs.30000
- 4. Rs.15000

**Options :**

- 51245242413. 1
- 51245242414. 2
- 51245242415. 3
- 51245242416. 4

**Question Number : 30 Question Id : 51245213605 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0**

The following is the financial information of a company-

<b>Income Statement for the year ended 31<sup>st</sup> March</b>	<b>2018</b>
Revenue	1,50,000
Less: Cost of goods sold	70,000

Gross profit	80,000
Operating expenses	30,000
Earnings before interest and tax	50,000
Interest expense	12,000
Earnings before tax	38,000
Tax	12,000
Net income	26,000

<b>Balance Sheet as at 31<sup>st</sup> March</b>	<b>2018</b>
<b>Assets</b>	
Property, plant & equipment	5,00,000
Inventory	40,000
Receivables	30,000
Cash and cash equivalents	10,000
<b>Total assets</b>	<b>5,80,000</b>
<b>Equity &amp; Liabilities</b>	
Share capital	4,00,000
Retained earnings	1,40,000
Long-term borrowings	20,000

Trade payables	10,000
Other current liabilities	10,000
<b>Total equity &amp; liabilities</b>	<b>5,80,000</b>

Based on the above information, the fixed asset turnover ratio for 2018 is

\*Note - Ignore averaging

1. 4.25 times
2. 30 times
3. 4.31 times
4. 0.30 times

**Options :**

51245242417. 1  
51245242418. 2  
51245242419. 3  
51245242420. 4

**Question Number : 31 Question Id : 51245213606 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No**

**Correct Marks : 2 Wrong Marks : 0**

High inventory turnover ratio implies

1. Inventory getting sold quickly
2. Slow moving inventory
3. Bulk purchase of inventory
4. Obsolete inventory

**Options :**

51245242421. 1  
51245242422. 2  
51245242423. 3  
51245242424. 4

**Question Number : 32 Question Id : 51245213607 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0**

Refer the financial information below:

<b>Income Statement for the year ended 31<sup>st</sup> March</b>	<b>2018</b>
Revenue	1,50,000
Less: Cost of goods sold	70,000
Gross profit	80,000
Operating expenses	30,000
Earnings before interest and tax	50,000
Interest expense	12,000
Earnings before tax	38,000
Tax	12,000
Net income	26,000
<b>Balance Sheet as at 31<sup>st</sup> March</b>	<b>2018</b>
<b>Assets</b>	
Property, plant & equipment	5,00,000
Inventory	40,000



Receivables	30,000
Cash and cash equivalents	10,000
<b>Total assets</b>	<b>5,80,000</b>
<b>Equity &amp; Liabilities</b>	
Share capital	4,00,000
Retained earnings	1,40,000
Long-term borrowings	20,000
Trade payables	10,000
Other current liabilities	10,000
<b>Total equity &amp; liabilities</b>	<b>5,80,000</b>

The Receivable turnover ratio and inventory ratio respectively are :

1. 4, 2.75
2. 5, 3.75
3. 3, 3.25
4. 2, 4

**Options :**

51245242425. 1
51245242426. 2
51245242427. 3
51245242428. 4

**Question Number : 33 Question Id : 51245213608 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0**

The following information is related to ABC Co.

The following information is related to ABC Co.

<b>Income Statement for the year ended 31<sup>st</sup> March 2018</b>	<b>Rs.</b>
Revenue	1,50,000
Less: Cost of goods sold	70,000
Gross profit	80,000
Operating expenses	30,000
Earnings before interest and tax	50,000
Interest expense	12,000
Earnings before tax	38,000
Tax	12,000
Net income	26,000

<b>Balance Sheet as at 31<sup>st</sup> March 2018</b>	<b>Rs.</b>
<b>Assets</b>	
Property, plant & equipment	5,00,000
Inventory	40,000
Receivables	30,000
Cash and cash equivalents	10,000
<b>Total assets</b>	<b>5,80,000</b>

<b>Equity &amp; Liabilities</b>	
Share capital	4,00,000
Retained earnings	1,40,000
Long-term borrowings	20,000
Trade payables	10,000
Other current liabilities	10,000
<b>Total equity &amp; liabilities</b>	<b>5,80,000</b>

Referring the above information, how many days the company takes to collect its receivables?

1. 83 days
2. 63 days
3. 73 days
4. 93 days

**Options :**

51245242429. 1  
51245242430. 2  
51245242431. 3  
51245242432. 4

**Question Number : 34 Question Id : 51245213609 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0**

The following information is related to ABC Co.

<b>Balance Sheet as at 31<sup>st</sup> March</b>	<b>2018</b>
<b>Assets</b>	

Property, plant & equipment	5,00,000
Inventory	40,000
Receivables	30,000
Cash and cash equivalents	10,000
<b>Total assets</b>	<b>5,80,000</b>
<b>Equity &amp; Liabilities</b>	
Share capital	4,00,000
Retained earnings	1,40,000
Long-term borrowings	20,000
Trade payables	10,000
Other current liabilities	10,000
<b>Total equity &amp; liabilities</b>	<b>5,80,000</b>

Calculate the company's current ratio.

1. 4
2. 2
3. 3
4. 1.50

**Options :**

51245242433. 1

51245242434. 2

51245242435. 3

51245242436. 4

**Question Number : 35 Question Id : 51245213610 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0**

Solvency ratios measure the ability of the company to meet its

1. Short-term obligations
2. Long term obligations
3. Recurring expenses
4. Capital asset expenditure

**Options :**

51245242437. 1

51245242438. 2

51245242439. 3

51245242440. 4

**Question Number : 36 Question Id : 51245213611 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0**

The following information is related to ABC Co.

<b>Income Statement for the year ended 31<sup>st</sup> March 2018</b>	<b>Rs.</b>
Revenue	1,50,000
Less: Cost of goods sold	70,000
Gross profit	80,000
Operating expenses	30,000
Earnings before interest and tax	50,000
Interest expense	12,000
Earnings before tax	38,000
Tax	12,000
Net income	26,000

Calculate the interest coverage ratio

1. 3.17
2. 4.17
3. 2
4. 3

**Options :**

51245242441. 1  
51245242442. 2

51245242443. 3

51245242444. 4

**Question Number : 37 Question Id : 51245213612 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0**

	Year 1	Year 2	Year 3
The following is the data related to Tango Co.			
Payable days	28	25	20
Inventory holding in days	32	28	25
Receivable days	40	38	35

Based on the above data, which of the following is NOT correct?

1. Payables have not been managed well to improve the company's liquidity
2. Inventory has not been managed well that has led to inventory overstocking
3. Receivables have been managed well to improve the collection period
4. Operating cycle has improved

**Options :**

51245242445. 1

51245242446. 2

51245242447. 3

51245242448. 4

**Question Number : 38 Question Id : 51245213613 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0**

A company observed a decline in inventory turnover ratio. Which of the following reasons could be the reasons for decline in inventory turnover ratio?

- A. The company had bought in bulk for getting discounts
- B. The company had installed a new ERP because of which inventory management became more efficient
- C. Due to some technical glitches in the software, order with increased quantities were placed to the suppliers
- D. The company had written off some inventory due to being not in demand

- 1. A and B
- 2. B and C
- 3. A and C
- 4. A and D

**Options :**

- 51245242449. 1
- 51245242450. 2
- 51245242451. 3
- 51245242452. 4

**Question Number : 39 Question Id : 51245213614 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0**



Time Co had an average receivables days outstanding of 50 days in 2017. The company is trying to reduce its receivable days from 50 to 44 days. The ending receivables in 2017 were Rs.2000 million, and for 2018, it is expected to increase to Rs.2500 million. Calculate the approximate change in revenue required to achieve the estimated target.

1. Rs. 18,738
2. Rs. 6139
3. Rs. 20739
4. Rs. 5,897

**Options :**

51245242453. 1  
51245242454. 2  
51245242455. 3  
51245242456. 4

**Question Number : 40 Question Id : 51245213615 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0**

PQR Co. operates a juice delivery service that specializes in business refreshments for large corporations. PQR Co. requires customers to place their orders 1 weeks in advance of the scheduled events. It bills its customers on the 15th day of the month following the date of service and requires that payment be made within 20 days of the billing date.

Going with best accounting practices, PQR CO. should recognize revenue when

1. The company receives the order from the corporates.
2. The juice is delivered to the corporate staffs.
3. Invoice is mailed to the companies.
4. Payment is received by PQR Co.

**Options :**

51245242457. 1

51245242458. 2

51245242459. 3

51245242460. 4

**Question Number : 41 Question Id : 51245213616 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0**

Ace Company has revenue of Rs.200,000, cost of sales of Rs.110,000, interest expense of Rs.15,000, taxes of Rs.28,000 and operating expenses of Rs.25,000, What is Ace's operating profit margin?

1. 30.75%

2. 32.50%

3. 27.50%

4. 25.45%

**Options :**

51245242461. 1

51245242462. 2

51245242463. 3

51245242464. 4

**Question Number : 42 Question Id : 51245213617 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0**

Following is the data related to Pure Water Inc. for the year ended 31<sup>st</sup> Dec 2016.

Revenue Rs. 5,00,000

Cost of Goods Sold Rs. 2,80,000

Average assets Rs.10,00,000

Average equity Rs. 3,00,000

The company's gross profit margin ratio is

1. 48%
2. 34%
3. 44%
4. 55%

**Options :**

51245242465. 1

51245242466. 2

51245242467. 3

51245242468. 4

**Question Number : 43 Question Id : 51245213618 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0**

Which of the following statements are true?

- A. Common-size balance sheet presents each item as a percentage of Total .
  - B. Common size income statement presents each item as a percentage of revenue.
  - C. Common size analysis is also called vertical analysis.
- 
- 1. Both A and B
  - 2. Both A and C
  - 3. Both B and C
  - 4. A, B and C

**Options :**

- 51245242469. 1
- 51245242470. 2
- 51245242471. 3
- 51245242472. 4

**Question Number : 44 Question Id : 51245213619 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0**

Given the quick ratio of 2.50, current assets of Rs.55,000, and inventory of Rs.12,000, the value of current liabilities is

- 1. Rs.12,500
- 2. Rs.22,500
- 3. Rs.17,200
- 4. Rs.16,000

**Options :**

- 51245242473. 1
- 51245242474. 2
- 51245242475. 3

51245242476. 4

**Question Number : 45 Question Id : 51245213620 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0**

Which of the following risk is measured by debt-equity ratio?

1. Liquidity risk
2. Financial risk
3. Management risk
4. Overall Business risk

**Options :**

- 51245242477. 1
- 51245242478. 2
- 51245242479. 3
- 51245242480. 4

**Question Number : 46 Question Id : 51245213621 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0**

High fixed asset turnover ratio indicates

1. The firm is not able to use its fixed assets fully
2. The firm is managing its debts well
3. The firm is able to generate higher sales as compared to its competitors
4. The firm is efficiently using its fixed assets to generate sales

**Options :**

- 51245242481. 1
- 51245242482. 2
- 51245242483. 3
- 51245242484. 4

**Question Number : 47 Question Id : 51245213622 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No**

**Correct Marks : 2 Wrong Marks : 0**

The following information has been extracted from the balance sheet of a company as at 31<sup>st</sup> March 2018 and 31<sup>st</sup> March 2019

As at <b>2019</b>	<b>31<sup>st</sup> March 2018</b>	<b>31<sup>st</sup> March</b>
Total Assets	Rs. 3,00,000	Rs. 5,00,000
Total liabilities	Rs. 1,25,000	Rs. 2,50,000

Based on the above information, determine the profit of the company earned during the year ended 31<sup>st</sup> March 2019 assuming there was no additional capital or dividend issued during the year ended 31<sup>st</sup> March 2019.

(Hint: Use the Accounting Equation)

1. Rs. 200,000
2. Rs. 125,000
3. Rs.75,000
4. Rs. 175,000

**Options :**

51245242485. 1
51245242486. 2
51245242487. 3
51245242488. 4

**Question Number : 48 Question Id : 51245213623 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0**

Rent expense for the month of March 2019 was due but paid in the next month. How should the item be treated in the financial statements ending on 31<sup>ST</sup> March 2019?

1. Treated as income in the profit and loss statement
2. Treated as advance received
3. Treated as expenses and liability created
4. Expenses paid in advance

**Options :**

- 51245242489. 1
- 51245242490. 2
- 51245242491. 3
- 51245242492. 4

**Question Number : 49 Question Id : 51245213624 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0**

Which of the following is an example of current asset?

- A. Amounts receivable within 8 months
- B. Borrowings to be paid within 6 months
- C. Equipment in the factory
- D. Inventory held for sale

1. A and B
2. B and C
3. A and D
4. B and D

**Options :**

- 51245242493. 1
- 51245242494. 2
- 51245242495. 3
- 51245242496. 4

**Question Number : 50 Question Id : 51245213625 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0**

Which of the following activities is/are classified as cash flow from investing activity?

- A. Sale of goods and services
  - B. Purchase of land
  - C. Interest received on investments
  - D. Issue of shares
- 
- 1. A and B
  - 2. B and C
  - 3. C and D
  - 4. A and D

**Options :**

- 51245242497. 1
- 51245242498. 2
- 51245242499. 3
- 51245242500. 4