

**TY BCOM SEM V/PAPER CODE: 23101/FINANCIAL ACCOUNTING**

**QUESTION BANK**

1. The formula used to calculate current ratio is
  - a) Current assets / Current liabilities
  - b) Current liabilities / Current assets
  - c) Inventory / Current liabilities
  - d) Current liabilities / Inventory
2. Which of the following denotes the dividend declared by the directors between two annual general meetings ?
  - a) Proposed dividend
  - b) Final dividend
  - c) Interim dividend
  - d) Unpaid dividend
3. Price earnings ratio =
  - a) Market Price per share / Earnings per share
  - b) Earnings per share / Market Price per share
  - c) (Market Price per share x No. of shares) / Earnings per share
  - d) Market Price per share / (Earnings per share x No. of shares)
4. The projects having Profitability index of less than \_\_\_\_\_ will be rejected.
  - a) 0
  - b) 0.5
  - c) 1
  - d) 1.5
5. Debt Service coverage ratio is calculated as \_\_\_\_\_.
  - a) (Net Profit after taxes + Depreciation + Interest on term loan) / (Interest + Instalment)
  - b) (Net Profit after taxes + Depreciation – Interest on term loan) / (Interest + Instalment)
  - c) (Net Profit after taxes + Depreciation + Interest on term loan) / (Interest – Instalment)
  - d) (Net Profit after taxes – Depreciation + Interest on term loan) / (Interest + Instalment)
6. Receipt of loans/borrowings appear in the cash budget under the head
  - a) Operating cash inflow
  - b) Non-operating cash inflow
  - c) Operating cash outflow
  - d) Non-operating cash outflow
7. The accounting report which summarizes the revenues and expenses for a specified accounting period is referred to as
  - a) Income report
  - b) Statement of cash flows
  - c) Profit and loss Account
  - d) both a & b
8. Calculate the Gross Profit Ratio from the following figures : Sales \$ 1,00,000/-, Purchases \$ 60,000/-, Sales Return \$ 10,000/-, Opening stock \$ 20,000/-, Purchases Return \$ 15,000/-, Closing Stock \$ 5,000/-
  - a) 0.1234
  - b) 0.3333
  - c) 0.4354
  - d) 0.6545
9. Dividends are usually paid on
  - a) Authorised capital
  - b) Issued capital
  - c) Paid up capital
  - d) Reserved capital

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10. Which of the following statements is true ?
- a) Asset side of the Balance Sheet of a sick company shows the assets at much lower value than the real values
  - b) Preference dividends on Cumulative Preference Shares of a sick company may be in arrear for several years
  - c) In internal reconstruction company is liquidated
  - d) External reconstruction involves reduction of capital
11. A scheme of reconstruction involving \_\_\_\_\_ must be authorized by the Memorandum or Article of Association, approved by the Board and a special resolution of the concerned members.
- a) Reduction of Share Capital
  - b) Alteration of Share Capital
  - c) Variation of Shareholders' Rights
  - d) Compromise/Arrangement
12. Surrender of fully paid shares amounts to
- a) Reduction of Share Capital
  - b) Alteration of Share Capital
  - c) Variation of Shareholders' Rights
  - d) Compromise/Arrangement
13. Share Capital ( ₹1) A/C                      Dr.  
To Share Capital ( ₹ 10) A/C  
The above entry, in a scheme of reconstruction, records
- a) consolidation of share capital
  - b) sub-division of share capital
  - c) conversion of shares into stock
  - d) conversion of stock into shares
14. Shares of ₹ 100 each (paid-up value ₹ 90 each) are reduced to shares of nominal value of ₹ 90 each in a scheme of reconstruction.
- a) There will be credit of ₹ 10 per share to Capital Reduction A/C
  - b) There will be credit of ₹ 90 per share to Capital Reduction A/C
  - c) There will be credit of ₹ 100 per share to Capital Reduction A/C
  - d) There will be no credit to Capital Reduction A/C
15. In Internal Reconstruction
- a) No company is liquidated
  - b) Only one company goes into liquidation
  - c) two or more companies are liquidated
  - d) One or more companies go into liquidation
16. Increase, consolidation or sub-division of share capital of the company involves –
- a) Alteration of Share Capital
  - b) Variation of Shareholders' Rights
  - c) Reduction of Share Capital
  - d) Compromise/Arrangement
17. Equity shareholders giving up their claim to the reserves and accumulated profits amounts in
- a) Reduction of Share Capital
  - b) Alteration of Share Capital
  - c) Variation of Shareholders' Rights
  - d) Compromise/Arrangement

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18. Reduction of share capital of a company means reduction in
- a) Only called up share capital
  - b) Subscribed and/or paid-up share capital
  - c) Only authorised capital
  - d) Only uncalled share capital
19. The existing 1,000 shares of ₹ 1 each are altered to 100 shares of ₹ 10 each. This is known as
- a) Consolidation
  - b) Sub-division
  - c) Conversation in Stock
  - d) Surrender
20. The Micro Corporation Ltd. is authorized to issue 1,00,000 shares of equity shares. It had issue 30,000 shares. It has bought back 5,000 shares. As a result of these transactions, The no. of shares : (i) in authorized share capital and (ii) in issued share capital will be
- a) 1,00,000; 25,000
  - b) 75,000; 25,000
  - c) 1,00,000; 30,000
  - d) 75,000; 30,000
21. According to S. 68, Buy-back should be
- a) less than twenty-five per cent of the total nominal capital and free reserves of the company
  - b) less than twenty-five per cent of the total issued capital and free reserves of the company
  - c) less than twenty-five per cent of the total paid-up capital and free reserves of the company
  - d) more than twenty-five per cent of the total paid-up capital and free reserves of the company
22. Which of the following statements is true ?
- a) Redemption of preference shares is known as Buy-back
  - b) Repayment of equity shares is known as Buy-back
  - c) Redemption of debentures is known as Buy-back
  - d) Purchase of own debentures is known as Buy-back
23. According to S. 68, buy-back of equity shares in any financial year
- a) shall not exceed twenty-five per cent of its total paid-up equity capital and free reserves in that financial year
  - b) shall not exceed twenty-five per cent of its total paid-up equity capital less free reserves in that financial year
  - c) shall not exceed twenty-five per cent of its total paid-up equity capital in that financial year
  - d) shall not be less than twenty-five per cent of its total paid-up equity capital in that financial year
24. Equity shares can be bought back
- a) out of profits only
  - b) out of proceeds of fresh issue only
  - c) out of capital profit only
  - d) its free reserves; or the securities premium account; or the proceeds of shares

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25. Which of the following is not a 'free reserve' for the purpose of buyback of shares
- a) Profit & Loss Account
  - b) General Reserve
  - c) Dividend Equalisation Reserve
  - d) Revaluation Reserve
26. The buy-back of equity shares in any financial year shall not exceed twenty-five per cent of its total
- a) Authorised capital in that financial year
  - b) Paid-up equity capital in that financial year
  - c) Paid-up capital and free reserves in that financial year
  - d) called-up capital in that financial year
27. If equity shares have been bought back out of free reserves, amount equal to the face value of equity shares bought back should be transferred to
- a) Development Rebate Reserve
  - b) General Reserve
  - c) Sinking Fund
  - d) Capital Redemption Reserve
28. According to S. 68, every buy-back shall be
- a) completed within twelve months from the date of passing the special resolution
  - b) completed within twelve months from the date of authorization by the Articles of Association
  - c) completed within twelve months from the date the shares becoming fully paid-up
  - d) completed not before twelve months from the date of passing the special resolution
29. On buyback of shares, there is a reduction in the share capital to the extent of the
- a) Market value of the shares bought back
  - b) Face value of the share bought back
  - c) Called-up value of the shares bought back
  - d) Un-paid value of the shares bought back
30. Buy-back of equity shares in any financial year shall not exceed 25% of its
- a) Total paid-up equity capital in that financial year
  - b) Total paid-up capital
  - c) Total paid-up equity capital and free reserves of the company
  - d) Total nominal capital and free reserves of the company
31. Interest is always calculated on the
- a) Market Value of the security
  - b) Nominal Value of the security
  - c) Book value of the security
  - d) Weighted Average Cost of the security
32. Following is not a Fixed Income Bearing Security
- a) Debentures
  - b) Equity Shares
  - c) Preference Shares
  - d) Government security

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33. XYZ buys 200 Debentures of nominal value of ₹ 100 each of ICICI Ltd. at 98 (ex-interest) on 1-3-2012 from ABC. Interest @ 12% p.a. is to be paid half-yearly on 30th June and 31st December.
- a) XYZ has the right to claim interest of ₹ 400  
b) ABC has the right to claim interest of ₹ 400  
c) XYZ has the right to claim interest of ₹ 2,400  
d) XYZ has the right to claim interest of ₹ 1,200
34. XYZ buys 200 Debentures of nominal value of ₹ 100 each of ICICI Ltd. at 101 (cum-interest) on 1-3-2012 from ABC. Interest @ 12% p.a. is to be paid half-yearly on 30th June and 31st December. Total payment made by XYZ is
- a) ₹ 19,600                      b) ₹ 20,200                      c) ₹ 20,000                      d) ₹ 19,800
35. If market value of investment held as current asset is less than cost
- a) difference is credited to profit & loss a/c                      b) difference is debited to profit & loss a/c  
c) difference is ignored                      d) difference is debited to capital reserve a/c
36. If market value of investment held as long term asset is less than cost
- a) difference is credited to profit & loss a/c                      b) difference is debited to profit & loss a/c  
c) difference is ignored                      d) difference is debited to capital reserve a/c
37. Long term investments are carried at
- a) Fair Value                      b) Cost Price  
c) Cost or Market Value whichever is less                      d) Market Value
38. A Ltd. acquired 2,000 equity shares of Omega Ltd., on cum-right basis at ₹ 75 per share. Subsequently, omega Ltd. made a right issue of 1:1 at ₹ 60 per share, which was subscribed for by A. Total cost of investments at the year end will be ₹
- a) 2,70,000                      b) 1,50,000                      c) 1,20,000                      d) 30,000
39. On each sale of investment, the profit or loss is calculated as
- a) Sale Price Less Simple Average Cost                      b) Sale Price Less Weighted Average Cost  
c) Sale Price Less Cost on FIFO basis                      d) Sale Price Less Cost on LIFO basis
40. Ethics are unchanging over time and place
- a) Ethical relativism                      b) Deontological ethics  
c) Ethical absolutism                      d) Teleological ethics
41. Under the Companies Act, 2013, minimum CSR expenditure must be incurred by every company
- a) having a turnover of Rupees 500 crore or more during any financial year  
b) having a turnover of Rupees 1,500 crore or more during any financial year  
c) having a turnover of Rupees 5 crore or more during any financial year  
d) having a turnover of Rupees 1,000 crore or more during any financial year

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42. Obey certain ethical rules no matter what the results are
- a) Ethical relativism
  - b) Deontological ethics
  - c) Ethical absolutism
  - d) Teleological ethics
43. Under the Companies Act, 2013, every company must spend in every financial year
- a) at the most 2% of the average net profits of the company made during the 3 immediately preceding financial years
  - b) at least 3% of the average net profits of the company made during the 3 immediately preceding financial years
  - c) at least 3% of the average net profits of the company made during the 2 immediately preceding financial years
  - d) at least 2% of the average net profits of the company made during the 3 immediately preceding financial years
44. Ethical decisions must consider the consequences
- a) Ethical relativism
  - b) Deontological ethics
  - c) Ethical absolutism
  - d) Teleological ethics
45. Ethics vary between different ages and different communities
- a) Ethical relativism
  - b) Deontological ethics
  - c) Ethical absolutism
  - d) Teleological ethics
46. The IFAC Code has \_\_\_\_\_ Part(s).
- a) One
  - b) Two
  - c) Three
  - d) Five
47. Ethics education at \_\_\_\_ stage instils in accountants fundamental knowledge on matters concerning professional values, ethics and attitudes.
- a) 1<sup>st</sup>
  - b) 2<sup>nd</sup>
  - c) 3<sup>rd</sup>
  - d) 4<sup>th</sup>
48. Ethics Knowledge is the focus of the \_\_\_\_\_ stage in Ethics Education
- a) 1<sup>st</sup>
  - b) 2<sup>nd</sup>
  - c) 3<sup>rd</sup>
  - d) 4<sup>th</sup>
49. In ABC analysis 'A' class consist of items having \_\_\_\_\_.
- a) Accurate records
  - b) Good records
  - c) Minimal records
  - d) No records
50. Financial leverage =
- a)  $\text{Earnings before interest and tax} / (\text{Earnings before interest and tax} - \text{Interest})$
  - b)  $\text{Earnings before interest and tax} / (\text{Earnings before interest and tax} + \text{Interest})$
  - c)  $(\text{Earnings before interest and tax} - \text{Interest}) / \text{Earnings before interest and tax}$
  - d)  $(\text{Earnings before interest and tax} + \text{Interest}) / \text{Earnings before interest and tax}$