PART A

1. **Assertion (A): Accounting information is sometimes based on estimations.**

Reason (R): The financial statements always reflects true position of the business. [1]

(A) Both A and R are true and R is the correct explanation of A.

(B) Both A and R are true but R is not the correct explanation of A.

(C) A is true but R is false.

(D) A is false but R is true.

2. **Which of the following is the correct representation of the Accounting Equation?** [1]

(A) Assets = Liabilities + Revenue

(B) Assets = Liabilities + Capital

(C) Assets = Revenue + Expenses

(D) Assets = Liabilities + Drawings

3. **An increase in provision for bad debt will** [1]

(A) Decrease liabilities (B) Increase Assets

(C) Increase net income (D) Increase liabilities

4. **The following transactions took place in a business:**

(i) The owner invested ₹50,000 in cash.

(ii) Purchased goods worth ₹20,000 on credit.

(iii) Sold goods for ₹30,000 on credit.

What is the total amount of liabilities at the end of the transactions? [1]

(A) ₹50,000 (B) ₹30,000

(C) ₹20,000 (D) ₹10,000

5. **Which of the following transactions is of a financial character and will be recorded in the business?**

(i) Goods were taken from the business by the proprietor for her personal use

(ii) Interviewing the candidates for employment

(iii) Sale of Household furniture ₹5,000

(iv) Received an order for sales of goods [1]

(A) Only (iv) is correct (B) Only (i) is correct

(C) Only (iii) is correct (D) Only (ii) is correct

6. **Which of the following items is not included in the Trading Account?** [1]

(A) Sales (B) Opening Stock

(C) Purchases (D) Capital

7. Which of the following is objective of provision? [1]

(A) To meet unknown losses and liabilities

(B) To meet anticipated losses and liabilities

(C) To hoard funds

(D) None of these

8. Which of the following accounts is a Personal Account? [1]

(A) Rent Expense Account **(B)** Cash Account

(C) Capital Account **(D)** Sales Account

9. Which of the following is not a type of personal account? [1]

(A) Ram's A/c **(B)** Investment A/c

(C) SBI Bank A/c **(D)** Atul's Capital A/c

10. Which of the following statements is correct regarding Provisions and Reserves? [1]

(A) Provisions are created for known and certain liabilities, while Reserves are created for uncertain liabilities.

(B) Provisions are created out of profits, while Reserves are created to meet specific future needs.

(C) Provisions are shown under liabilities, while Reserves are shown under assets.

(D) Provisions are created to meet future contingencies, while Reserves are created to strengthen the financial position of the business.

11. Capital is: [1]

(A) not a liability

(B) internal as well as external liability

(C) internal liability

(D) external liability

12. Which of the following is not considered as capital in accounting? [1]

(A) Owner's investment in the business

(B) Profit earned by the business

(C) Money borrowed from a bank

(D) Revaluation of assets

13. If the Owner's Equity is 20,000 and Creditor's Equity is 40,000. What will be the assets of the firm? [1]

(A) 50,000 **(B)** 60,000

(C) 40,000 **(D)** 20,000

14. **Which of the following is considered a current asset?** [1]

(A) Land
(B) Buildings
(C) Accounts Receivable
(D) Machinery

15. **The thing which is purchased and sold in the business is called:** [1]

(A) goods
(B) creditor
(C) assets
(D) capital

16. Which of the following is not a subsidiary book? [1]

(A) Purchase Day Book

(B) Cash Book

(C) Bank Reconciliation Statement

(D) Sales Day Book

17. To whom do the reserves belong to: [1]

(A) Debtor

(B) Creditors

(C) Seller

(D) Proprietor

PART B

27. Stock as on 01.04.2010 ₹ 10,000; Sales ₹ 2,00,000; Purchases ₹ 1,45,000; carriage inwards ₹ 4,000; clearing charges ₹ 5,000; sales returns ₹ 1,500; purchases return ₹ 2,000; carriage outward ₹ 2,500; stock as on 31.03.2011 ₹ 15,000. Calculate cost of goods sold [1]

(A) ₹ 50,000 (B) ₹ 1,57,000

(C) ₹ 51,000 (D) ₹ 1,47,000

28. The Balance Sheet is prepared to show: [1]

(A) Financial position of the business

(B) Profit or loss during the year

(C) Cash flow during the year

(D) None of the above

29. Insurance Premium paid during the year is ₹ 10,000 and Prepaid Insurance is ₹ 3,000. Insurance Expenses shown in the Profit and Loss Account will be: [1]

(A) ₹ 10,000 (B) ₹ 13,000

(C) ₹ 7,000 (D) ₹ 3,000