FIN611 SOLVED QUIZ MIDTERM BY MADEEHA GULRAIZ WIT REFRENCE

QUESTION: Which of the following entity is profit oriented?

Select correct option:

NGO
Trust
Society
Limited Company

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QUESTION: Which of the following is NOT included in the credit side of cash book?

Select correct option:

Discount received
Capital payments
Closing balance of cash
Revenue payments

Cash Book

Receipts	Amount Rs.	Payment	Amount Rs.
Opening balance	xxx	All payments either relating to capital or revenue payments	xxx
All receipts either relating to capital or revenue receipts	xxx	Closing balance	xxx
	xxx		xxx

Ref: Handouts page # 12

QUESTION: "Receipts and Payments Account" is prepared at the:

Select correct option:

End of the year
Start of the year
Mid of the financial year
None of the given options

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QUESTION: What is the value of sales, if the cost of goods sold is Rs. 3,000 and the gross profit is 20 % of sales?

Select correct option:

Rs. 3,600
Rs. 3,750
Rs. 6,000
Rs.15,000

SOLUTION: If gross profit is 20% of sale than the rest of %age is 80 (cost of goods sold)

Gross profit = Cost of good sold x 20/80

= 3000 x ¼ = 750

Sales = Cost of good sold + Gross Profit = 3000+750 = 3750

QUESTION: If the owners' equity and liabilities of the business ABC are worth Rs. 70,000 and Rs.19,000 respectively then the Total Assets consist of:

Select correct option:

Rs.60,000
Rs.89,000
Rs.41,000
Rs.19,000

ASSETS = OWNER'S EQUITY + LIABILITIES
= 70000 + 19000
= 89000

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QUESTION: The debit side of the Branch stock account indicates:

Select correct option:

Inflow of cash
Outflow of cash
Inflow of stock
Outflow of stock

REF:
http://www.accountingexplanation.com/accounting_dictionary/branch_stock_account_definition.htm

QUESTION: The capital shall be maintained at the same figure during the Partnership and no adjustment shall be passed in the capital account during the period. Which method of Partnership capital account explains this?

Select correct option:

Fluctuating capital
Fixed capital
Both of the above methods
None of the given options

Ref: http://studytesttime.com/basics-of-partnership-accounting/3-capital-account
and the Lecture slide of lec # 17

QUESTION: Rent and rates are allocated and apportioned to the different departments on the basis of:

Select correct option:

Sale of each department
Number of employees
Purchase of each department
Area / Floor space occupied

REF page 44-45

Obvious just ratio

Most of the expenses are allocated on the most logical basis that is obvious and als just. Nature of the expenses and nature of the business will determine the basis fo division. Some important basis and expenses are given below:

S#	Basis	Expenses
1	Sales/Work-done Revenue	Selling and distribution expenses After sales service Discount allowed Carriage/freight outward Bad debts Selling commissions Advertisement
2	Number of Employees	Salaries and wages Staff welfare Canteen/cafeteria facility Group insurance
3	Area Occupied	Building rent Building depreciation Building insurance Building repair and maintenance Air conditioning and heating Property tax Inter-com
4	Purchases of goods/raw material	Carriage/freight inward Import duties Custom tax Receiving and handling cost Discount received (income)

QUESTION: Which of the following is TRUE with respect to the sacrifice ratio?

Select correct option:

- **Old profit ratio – New profit ratio**
- Old profit ratio – Gross profit ratio
- Old profit ratio – Net profit ratio
- Old profit ratio – Operating

(Page # 84)

Question # 4

A and B are partners who share the profits in the ratio of 3/5 and 2/5 respectively they admit C into partnership and the profit sharing ratio is agreed at 3/8 : 3/8: 2/8 respectively. Calculate the sacrifice ratio of old partners

Solution:

A's sacrifice ratio	**B's sacrifice ratio**
Old ratio – New ratio =	Old ratio – New ratio =
3/5 – 3/8=	2/5 – 3/8 =
$\frac{24-15}{40}$	$\frac{16-15}{40}$
= 9/40	**=1/40**

Sacrifice ratio = 9:1

QUESTION: A branch that works independent to the head office is also known as:
Select correct option:

- Profit centre
- **Investment centre**
- Retail centre
- Whole sale branch

(Page # 51) Independent Branch

This is the type of branch which maintains its own set of books. The method of accounting is the double entry book keeping. Branch manager of such a branch is given certain powers for decision making regarding procurement, selling, advertising, staffing, pricing, and even for purchasing of fixed assets. These branches are taken as an investment centre.

QUESTION: Individuals or institutions with activities, other than trade, are known as:
Select correct option:

- Manufacturing concerns
- **Non-trading concerns**

- Trading concerns
- None of the given options

QUESTION: Which of the following statement is NOT TRUE about the journal entry of the Cash-in-transit?
Select correct option:

- It is recorded when cash is on the way
- It is recorded by both Head office and the Branch
- **It is recorded by either of the parties**
- All of the given options

(Page # 72)-
Cash in transit

Cash in transit A/C
Branch A/C or Head office A/C

QUESTION: Which of the following method of profit calculation is quite similar to the single entry system under the branch accounting?
Select correct option:

- **Income statement system**
- Debtor system
- Stock and debtor system
- Final account system

(Ref Page # 57)Income Statement of the branch we shall be using all those skills which we have learned in the single entry system of accounting during conversion of single entry into double entry.

QUESTION: Under single entry system, which of the following is prepared in order to have an idea about the financial position on a particular date?

Select correct option:

Balance sheet
Stement of equity
Statement of affairs **www.vchowk.com**

Profit and loss account

QUESTION: Which one of the following reason occur, would change the constitution of the Partnership (Partnership deed)?

Select correct option:

Revaluation of assets
Increase in liabilities
Retirement of an existing partner
In case of Net loss

(Ref Page # 82)

Following changes occur in the constitution of the partnership (Partnership deed) these changes might occur because of the following reasons:

- Admission of a new partner
- Retirement of an existing partner
- Death of a partner

QUESTION: Which of the following statement is TRUE about the branch Trial Balance?

It is prepared by the head office
It is prepared by the all whole sale branches
It is only prepared by the independent branch
It prepare to balance the accounts under single entry system

QUESTION: Which of the following account will be credited for distribution of profit to partners?

Select correct option:

Profit and loss account
Profit and loss appropriation account
Partner's capital accounts
Cash account

QUESTION: Which of the following account will be credited for salary payable to partners against the distribution of profit?

Select correct option:

Profit and loss account
Profit and loss appropriation account
Partner's capital accounts
Salaries account

SALARIES OF PARTNERS

A partner is not entitled to a salary as remuneration for his services to the partnership unless the agreement stipulates this. One does not enter into a contract with oneself as employer and employee.

However, when a partnership agreement does make provision for the payment of a salary to a partner, this must be allocated to him even if there is insufficient profit for appropriation of profit. Therefore the salaries of partners will be shown in the Appropriation account and not in the Profit and Loss account. A partner does not necessarily receive a monthly salary. An annual allowance is made in terms of the partnership agreement.

• **MONTHLY SALARY PAID TO PARTNERS**
DEBIT: Drawings: A and/or Drawings B
CREDIT: Bank
• **CLOSING TRANSFER AT THE END OF THE YEAR**
DEBIT: Current Account: A and Current Account: B
CREDIT: Drawings: A and Drawings: B
(TWO ENTRIES)
• **ANNUAL SALARY ALLOWANCES**
DEBIT: Salary: A and/or Salary: B
CREDIT: Current Account: A and Current Account: B
• **CLOSING TRANSFER AT THE END OF THE YEAR**
DEBIT: Appropriation Account
CREDIT: Salary: A and/or Salary: B

□THE EFFECT ON THE ACCOUNTING EQUATION

ACCOUNT DEBIT	ACCOUNT CREDIT	ASSETS	OWNERS'EQUITY	LIABILITIES
Drawings:	A Bank (favourable)	-	-	0
Or				
Salary:	A Current Account: A	0	+/-	0

QUESTION: Capital fund of Non-trading concern is equal to:
Select correct option:

Assets + Income
Assets + Liabilities
Expenditure + Liabilities
Assets – Liabilities

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QUESTION: Which of the following is used to extract the opening balance of fixed assets in single entry system?
Select correct option:

Debtors account
Cash account
Statement of affairs
Assets account

The opening balance of Capital Fund is calculated through the Statement of Affairs as on the opening date.
Statement of Affairs From examination stand point, Drawings and Fresh capital will be given in the questions but often the students will be required to calculate the opening and closing balances of Owner's Equity as these will not be given in the question as a single amount. (Ref: page # 2)

QUESTION: Which of the following is NOT a feature of goods sent to branch account, under the stock and debtor system?
Select correct option:

It is debited with the goods return to the head office
It is debited with the loading (net) on goods sent to branch

It is debited with the goods return by the debtors
None of the given options
Read page # 64 to confirm the answer

QUESTION: What would be the value of total sales by head office if the goods sent to independent branch are Rs. 50,000 and sales by Head office is Rs. 40,000?
Select correct option:

Rs. 10,000
Rs. 40,000
Rs. 50,000
Rs. 90,000

QUESTION: The "credit balance" in the Income and Expenditure Account indicates:
Select correct option:
The excess of income over expenditure
The excess of expenditure over income
The excess of cash receipts over cash payments
The excess of cash payments over cash receipts
Obtain surplus (excess of incomes over the expenses) or deficit (excess of expenses over the incomes).

QUESTION: If the Sales of Department 'A' & Department 'B' are Rs. 1,200 and Rs. 300 respectively, total selling expenses are Rs. 150, then the selling expense allocated to the Department 'B' is:
Select correct option:

Rs. 150
Rs. 120
Rs. 300
Rs. 30
SOLUTION

A	:	B
1200	:	300
12	:	3
4	:	1

Total Ratio = 5, selling exp. = 150
so, Selling Expenses allocated to **Dep. B** = 150 * 1 / 5 = 30

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