FIN611 – Quiz # 2 – Lecture # 1-19 – Fall 2012

QUESTION: Which of the following entity is profit oriented?
Select correct option:
NGO
Trust
Society
Limited Company

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

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

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 =

$\frac{24 - 15}{40}$ $= 9/40$ $\frac{16 - 15}{40}$ $= 1/40$

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

FIN611 – Quiz # 2 – Lecture # 1-19 – Fall 2012

(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
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
http://www.futureaccountant.com/partnership-accounts/study-notes/parntership-accounts-accounting-profit-loss-appropriation.php

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
http://www.futureaccountant.com/partnership-accounts/study-notes/parntership-accounts-accounting-profit-loss-appropriation.php

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

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

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

QUESTION: If the value of whole business is Rs. 600,000 and Net assets or capital is Rs. 320,000. What is the value of Goodwill?
Select correct option:

Rs. 280,000
Rs. 320,000
Rs. 560,000
Rs. 920,000

QUESTION: Which of the following represents the partnership agreement in writing?
Select correct option:

Partnership registration
Partnership deed
Partnership-at-will

Partnership certification

QUESTION: Mr. A is the incoming partner, is to bring Rs. 6,000 by way of goodwill for 1/5th share in the firms profit. The total goodwill

of the firm will be valued at:
Select correct option:

Rs. 1,200
Rs. 17,000
Rs. 33,000
Rs. 30,000

QUESTION: The difference between the cost price and the invoice price is known as:
Select correct option:

Gross Profit
Net Profit
Loading
Sale price
Difference between cost and pro-forma invoice price is known as loading

QUESTION: In Non-profit organization, the excess of total assets over total external liabilities is called:
Select correct option:

Surplus
Deficit
Capital fund
Profit

QUESTION: Under the net wroth method of single entry the Net profit is equal to:
Select correct option:

Closing capital -Opening Capital
Opening Capital - Closing capital
Opening Capital + Closing capital
Total Assets + Total Liabilities

Fin611 solved Quiz

QUESTION: Profit of the business can be measured as an increase in:

A. The net worth of the business
B. The net liabilities of the business
C. The net working capital of the business
D. The net drawings of the business

QUESTION: 2. Which of the following is similar to the statement of affairs?

A. Income statement
B. Balance sheet
C. Statement of changes in equity
D. Bank reconciliation statement

QUESTION:. Under the net worth method of single entry system, profit is ascertained by calculating __________ and adjusting the drawings.

A. Increase in liabilities
B. Increase in capital
C. Increase in assets
D. Increase in expenses

QUESTION: 4. Which one of the following represents a capital receipt?

A. Receipt from sale of goods
B. Receipt of rent
C. Receipt of commission
D. Long-term loan received from bank

QUESTION: 5. If the profit is 1/4 of the sales then it is:

A. 1/4 of the cost price
B. 1/5 of the cost price
C. 1/2 of the cost price
D. 1/3 of the cost price

QUESTION: 6. Subscription received in advance by the Non-profit organization is treated as:

A. A Liability
B. An Income
C. An Asset
D. An Expense

QUESTION: 7. The difference of two sides of "Receipts & Payments Account" represents:

A. Opening cash balance
B. Closing creditors
C. Closing cash or bank balance
D. Closing debtors

QUESTION: 8. What would be the value of 'Outstanding subscriptions' at beginning of the year, if the subscription realized were Rs. 900 and the balance reported in the Balance sheet is Rs. 400?

A. Rs. 1,300
B. Rs. 900
C. Rs. 500
D. Rs. 400

QUESTION: 9. Which of the following expense is NOT allocated and apportioned on the basis of purchase of raw material made by each department?

A. Discount receive
B. Import duty
C. Carriage inward
D. Canteen expense

QUESTION: 10. What would be the value of depreciation allocated to Department 'X', if the total depreciation on building is Rs. 3,000 and the area covered by Department 'X' & 'Y' is 2/3 and 1/3 respectively?

A. Rs. 2,000
B. Rs. 3,000
C. Rs. 1,000
D. Rs. 1,500

QUESTION: 1. A branch that works independent to the head office is also known as:

A. Investment centre
B. Profit centre
C. Retail centre
D. Whole sale branch

QUESTION: 2. If the head office send cash Rs. 49,000 for the payment of salaries during the year, under the debtor system Rs. 49,000 would be considered as:

A. An expense for the branch
B. Fresh capital for the branch
C. An asset for the branch
D. A liability for the branch

QUESTION: 3. The difference between the cost price and the invoice price is known as:

A. Gross Profit
B. Loading
C. Sale price
D. Net Profit

QUESTION: 4. Which one of the following is **TRUE** about the independent branch?

A. It is wholly controlled by the head office

B. It is also called a service branch
C. It has a separate legal entity
D. Books are prepared on double entry system

QUESTION: 5. Which of the following account is **NOT** attributed to the books of an independent branch?
A. Cash Account
B. Goods-in-Transit Account
C. Creditors Account
D. Capital Account

QUESTION: 6. Which of the following represents the partnership agreement in writing?
A. Partnership registration
B. Partnership-at-will
C. Partnership deed
D. Partnership certification

QUESTION: 7. Which of the following statement is **NOT TRUE** about the branch Trial Balance?
A. It is prepared by the head office
B. It is only prepared by the independent branch
C. It shows the accuracy of debits and credits
D. All the closing balances of ledger accounts appear in Trial Balance

QUESTION: 8. Mr. A is the incoming partner, is to bring Rs. 6,000 by way of goodwill for 1/5th share in the firms profit. The total goodwill of the firm will be valued at:
A. Rs. 1,200
B. Rs. 17,000
C. Rs. 33,000
D. Rs. 30,000

QUESTION: 9. If the value of whole business is Rs. 600,000 and Net assets or capital is Rs. 320,000. What is the value of Goodwill under the capitalization method?
A. Rs. 280,000
B. Rs. 320,000
C. Rs. 560,000
D. Rs. 920,000

QUESTION: 10. Which of the following is **TRUE** with respect to the loss on revaluation of assets and liabilities?
A. Revaluation account is credited
B. Capital of old partners are credited

C. Revaluation account is debited
D. New profit ratio is utilized for loss distribution