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## Advanced Accounting And Auditing

- Books of original entry are called:  
(a) Ledger (b) Worksheets  
(c) Journal ✓ (d) None of these
- For preparing balance sheets prepaid expenses are shown as part of:  
(a) Liability (b) Equities  
(c) Assets ✓ (d) None of these
- Unpaid and unrecorded expenses are called:  
(a) prepaid expenses  
(b) Accrued expenses ✓  
(c) Additional expenses  
(d) None of these
- Amount, cash or other assets removed from business by owner is:  
(a) Capital (b) Drawings ✓  
(c) Assets (d) None of these
- Under the diminishing balance method, depreciation amount is:  
(a) payment (b) Receipts  
(c) Expenditure ✓ (d) None of these
- Users of accounting information include:  
(a) The Tax Authorities (b) Investors ✓  
(c) Creditors  
(d) None of these
- The business form (s) in which the owner (s) is (are) personally liable is (are) the:  
(a) partnership only  
(b) proprietorship only ✓  
(c) Corporation only  
(d) partnership and proprietorship  
(e) None of these
- The investment of personal assets by the owner:  
(a) Increase total assets and increases owners equity ✓  
(b) Increases total assets only  
(c) Has no effect on assets but increase owner's equity  
(d) Increases assets and liabilities  
(e) None of these
- All of the following are forms of business organizations except:  
(a) proprietorship (b) Corporation  
(c) Retailer ✓ (d) partnership
- Economic resources of a business that are expected to be of benefit in the future are referred to as:  
(a) Liabilities (b) Owner's equity  
(c) Withdrawals (d) Assets ✓  
(e) None of these
- An owner investment of land into the business would:  
(a) Decrease withdrawals  
(b) Increase liabilities  
(c) Increase owner's equity  
(d) Decrease assets  
(e) None of these ✓
- A cash purchase of supplies would:  
(a) Decrease owner's equity  
(b) Increase liabilities  
(c) Have no effect on total assets  
(d) None of these ✓
- An owner investment of cash into the business would:  
(a) Increase assets ✓  
(b) Decrease liabilities  
(c) Increase withdrawals  
(d) Decrease owner's equity  
(e) None of these
- The payment of rent each month for office space would:  
(a) Decrease total assets  
(b) Increase liabilities  
(c) Increase owner's equity  
(d) None of these ✓
- Which one of the following accounts would usually have a debit balance?  
(a) Cash  
(b) Creditors  
(c) Accounts payable  
(d) Salaries Expense ✓  
(e) None of these
- Quick assets include, which of the following?  
(a) Cash  
(b) Accounts Receivable

- (c) Inventories  
(d) Only (a) and (b) ✓  
(e) None of these
17. Net income plus operating expenses is equal to:  
(a) Net Sales  
(b) Cost of goods available for sale  
(c) Cost of goods sold  
(d) Gross profit ✓  
(e) None of these
18. The maximum number of partners in Pakistan can be fixed at the following:  
(a) 20 (b) 50 ✓  
(c) 75 (d) None of these
19. Balance sheet is always prepared:  
(a) For the year ended  
(b) As on a specific date ✓  
(c) None of these
20. During the Audit of Meat packers Ltd. you are assigned to cover the audit of the payrolls of 800 employees numerate the test, you would carry out to ensure that:  
(a) All employees are genuine  
(b) payments are only made for work done  
(c) Statutory documents are properly effected in accordance with the law.  
(d) proper allocation of wages is made to various departments ✓
21. The measurable value of an alternative use of resources is referred to as:  
(a) An opportunity cost ✓  
(b) An imputed cost  
(c) A differential cost  
(d) A sunk cost  
(e) None of these
22. A cost center is:  
(a) A unit of production in relation to which costs are ascertained.  
(b) A location which is responsible for controlling direct costs.  
(c) Part of the factory overhead system by which costs are gathered. ✓  
(d) Any location or department which incurs cost.  
(e) None of these
23. Fixed cost:  
(a) May change is total when such change is not related to changes in production.  
(b) Will not change in total because it is not related to changes in production. ✓  
(c) Is constant per unit for each unit of change in production.  
(d) May change is total, depending on production with the relevant range.  
(e) None of these
24. Completion of a job is a result in:  
(a) DR Finished goods CR WIP ✓  
(b) DR Cost of goods CR Finished goods  
(c) DR WIP CR FOH control  
(d) DR FOH control CR FOH applied  
(e) None of these
25. Operating cost is often named as:  
(a) Manufacturing cost plus commercial expenses  
(b) prime cost plus factory overheads.  
(c) Direct material plus direct labour.  
(d) Selling plus administrative expenses ✓  
(e) None of these
26. Expenses such as rent and depreciation of a building are shared by several departments these are:  
(a) Indirect expenses  
(b) Direct expenses  
(c) Joint expenses ✓  
(d) All of the above  
(e) None of these
27. If under-applied FOH is closed to cost of goods sold, the journal entry is:  
(a) DR cost of goods sold CR FOH control  
(b) DR FOH control CR cost of goods sold ✓  
(c) DR FOH control CR profit loss account  
(d) None of these
28. Based on this data Re-order level is:  
(a) 4500 units ✓ (b) 3900 units  
(c) 1200 units (d) 400 units
29. A credit balance remaining in FOH control is called:  
(a) Over applied overhead ✓  
(b) Under-applied overhead  
(c) Actual overhead  
(d) None of these
30. Direct material cost plus direct labour cost is called:

- (a) prime cost ✓ (b) Conversion cost  
(c) product cost (d) All of these
- (c) None of these
31. Productivity means:  
(a) The ability to produce ✓  
(b) All units produce  
(c) Good units produce  
(d) None of these
32. Economic resources of a business that are expected to be of benefit in the future are referred to as:  
(a) Liabilities (b) Owner's equity  
(c) Withdrawals (d) Assets ✓  
(e) None of these
33. Short-Term Loan can be best described as:  
(a) If the period is three years  
(b) If the period is less than one year ✓  
(c) If the period is over one year  
(d) None of these
34. Preparation of final financial reports is governed in Pakistan under:  
(a) No Law  
(b) Companies Ordinance  
(c) None of these ✓
35. Inventory turnover is calculated as under:  
(a)  $\frac{\text{Cost of Goods sold closing Inventory}}{\text{Sales}}$  ✓  
(b)  $\frac{\text{Gross profit Closing Inventory}}{\text{Opening Inventory}}$   
(c) Opening Inventory  
(d) None of these
36. There is a difference between:  
(a) Worksheet and Balance Sheet worksheet as ✓  
(b) Worksheet and profit and Loss Account  
(c) Combination results of profits and financial position  
(d) None of these
37. Preparation of annual report of a firm is governed under:  
(a) Partnership Act 1932  
(b) Under partnership Deed  
(c) None of these ✓
38. Return of Equity will be calculated as under:  
(a)  $\frac{\text{Operating profit} \times 100}{\text{Equity}}$   
(b)  $\frac{\text{Net profit} \times 100}{\text{paid up Capital only}}$  ✓
- (c) None of these
39. Prime cost is calculated as under:  
(a)  $\text{Manufacturing Cost} + \text{Cost of Goods Sold}$   
(b) Direct material plus factory overheads  
(c)  $\text{Direct Labour} + \text{Direct Material}$  ✓  
(d) None of these
40. Increase in income constitutes:  
(a) Inflows ✓ (b) Outflows  
(c) None of these
41. Audit and special audit are the same:  
(a) In Insurance Company  
(b) In Banking Company ✓  
(c) None of these
42. Rent of the premises constitutes variable expense for cost allocation.  
(a) True (b) false ✓
43. Principal and Markup payment within one year constitutes long term liability for disclosure in the balance sheet of a company.  
(a) True (b) False ✓
44. Working Capital finance can be termed as "Running Finance" in a limited company.  
(a) True (b) False ✓
45. Conversion cost is calculated as under:  
(a) Labour plus materials  
(b) Labour plus overheads ✓  
(c) None of these
46. Current Ratio can be calculated as under:  
(a)  $\frac{\text{Current Liabilities}}{\text{Current Assets}}$   
(b)  $\frac{\text{Current Assets}}{\text{Current Liabilities}}$  ✓  
(c) None of these
47. The need for keeping a record of income and expenditures in a clear and systematic manner has given rise to the subject of:  
(a) Book keeping (b) Accounting Cycle ✓  
(c) Manufacturing (d) None of these
48. If proper books of accounts are not kept in a business, the amount of profit:  
(a) Can be ascertained  
(b) Cannot be ascertained ✓  
(c) Easily ascertained  
(d) None of these

49. The state under which transactions are recorded chronologically in the books of accounts is called:  
(a) Summarizing (b) Classifying  
(c) Recording (d) None of these ✓
50. Book-Keeping is mainly concerned with:  
(a) recording of a financial data-relating to business transaction. ✓  
(b) designing the system in recording, classifying, summarizing the recorded data.  
(c) interpreting the data for internal and external users.  
(d) None of these
51. The terms expense and expenditure are:  
(a) Same in Nature  
(b) Different in Nature ✓  
(c) Opposite in Nature  
(d) None of these
52. When goods are given away as charity or free samples, the purchases account should be:  
(a) Debited (b) Credited ✓  
(c) Recorded in Balance Sheet  
(d) None of these
53. The sale of a business asset on credit is recorded in:  
(a) Sales Journal  
(b) General Journal ✓  
(c) Cash Receipt Journal  
(d) None of these
54. The discount account is a:  
(a) personal Account  
(b) Nominal Account  
(c) Real Account ✓  
(d) Asset Account  
(e) None of these
55. The payments side of the cash book is under cost by Rs 200 when overdraft as per bank statement is the starting point:  
(a) Rs 200 will be deducted ✓  
(b) Rs 200 will be added  
(c) Rs 400 will be added  
(d) None of these
56. All the direct expenses are charged to:  
(a) Balance Sheet  
(b) Profit and Loss Account  
(c) Trading Account ✓  
(d) None of these
57. Those liabilities which arise only on the happening of some event, are called:  
(a) Current Liabilities  
(b) Contingent Liabilities ✓  
(c) Outstanding Liabilities  
(d) None of these
58. Marshalling of balance sheet means:  
(a) the ordering of its assets and liabilities ✓  
(b) the totaling of its assets and liabilities  
(c) excess of assets over liabilities  
(d) none of these
59. Commission received in advance is to be considered as:  
(a) Outstanding Expense  
(b) Accrued Income  
(c) prepaid Expense  
(d) Unearned Income ✓  
(e) None of these
60. The provision for discount on creditors is often not provided in keeping with the principle of:  
(a) Materiality (b) Consistency  
(c) Conservatism ✓ (d) Realization  
(e) None of these
61. Which one of the following is not considered the permanent part of the accounting record:  
(a) Journal (b) Trial Balance  
(c) Balance Sheet (d) Final Accounts  
(e) None of these ✓
62. A working paper which is prepared by the accountant for his own convenience is called:  
(a) Work Sheet ✓  
(b) Cash Flows Statement  
(c) Balance Sheet  
(d) Final Accounts  
(e) None of these
63. Any expenditure incurred to increase the profit earning capacity of the concern is a:  
(a) Revenue Expenditure ✓  
(b) Current Expenditure  
(c) Capital Receipt

- (d)Capital Expenditure  
(e)None of these
64. Depreciation on fixed assets is an example of:  
(a)Revenue Expenditure✓  
(b)Capital Expenditure  
(c)Deferred Revenue Expenditure  
(d)None of these
65. The capital receipts are shown in the balance sheet on the:  
(a)Liability Side✓ (b)Asset Side  
(c)Debit Side  
(d)None of these
66. Error due to wrong allocation as expenditure between capital and revenue is regarded as:  
(a)Error of Omission  
(b)Error of principle✓  
(c)Compensation Errors  
(d)Error of Commission  
(e)None of these
67. The heat treatment department at Noori pipe is the third department in a sequential process. The work in process account for the department would consist of:  
(a)Cost transferred in from the prior department  
(b)materials costs added in the heat treatment department  
(c)Conversion costs added in the heat treatment department  
(d)all of the above✓  
(e)none of these
68. Costs in the beginning work in process inventory are added to the cost of the current period when making units cost calculations by:  
(a)The FIFO cost method✓  
(b)The weighted average method  
(c)The quantity schedule method  
(d)LIFO method  
(e)None of these
69. A chemical process has normal wastage of 10% of input. In a period, 2500 kgs of material was input and there was an abnormal loss of 75 kgs. What quantity of good production was achieved?  
(a)2175 Kgs✓ (b)2250 Kgs
- (c)2325 Kgs (d)2425 Kgs
70. Premium on issue of shares can be used for:  
(a)Payment of Dividends  
(b)Writing off preliminary Expenses✓  
(c)Paying Fees to Director  
(d)Redemption of debentures  
(e)None of these
71. Right shares mean the shares which are:  
(a)issued to promoters for their services  
(b)issued to holders of convertible debentures  
(c)issued to directors of the company  
(d)offered to the existing shareholders✓  
(e)None of these
72. Pre-incorporation profit is to be credited to:  
(a)Capital Reserve✓  
(b)profit and loss account above the line  
(c)profit and loss account below the line  
(d)General premium  
(e)None of these
73. The excess of purchase price over the net assets is:  
(a) Goodwill✓  
(b)Capital Reserve  
(c)Preliminary Expenses  
(d)Share premium  
(e)None of these
74. Statutory report is necessary in the case of:  
(a)All companies  
(b)Public Limited Companies✓  
(c) Foreign Limited Companies  
(d)Private Limited Companies  
(e)None of these
75. Dividends are usually paid on:  
(a)Called up Capital  
(b)Paid up Capital✓  
(c)Paid up capital call in advance  
(d)Subscribed Capital  
(e)None of these
76. Provision for taxation of a previous year was Rs. 100,000 and tax assessed for that year Rs. 80,000. The adjustment for this is:  
(a)a debit of Rs. 100,000 above the line

- (b) a credit of Rs. 80,000 below the line  
 (c) a credit of Rs. 20,000 above the line  
 (d) a credit of Rs. 20,000 below the line ✓  
 (e) none of these
77. Amount set apart to meet losses to bad debt is a:  
 (a) Provision ✓ (b) Reserve  
 (c) Liability (d) Contingent Liability  
 (e) None of these
78. Advance payment of tax is in the nature of:  
 (a) Asset (b) Revenue Expense  
 (c) Liability (d) prepaid Expense ✓  
 (e) None of these
79. Evaluative-positive or negative-concerning people, objects, or events are called:  
 (a) perceptions (b) Attitudes ✓  
 (c) Beliefs (d) Values  
 (e) None of these
80. The auditor is required to report that Financial Statements are:  
 (a) True & Correct  
 (b) Complete & Correct  
 (c) True & Fair ✓  
 (d) Covering all required records  
 (e) None of these
81. The auditors are appointed by the following authorities:  
 (a) Creditors (b) Debtors  
 (c) Share Holders ✓ (d) Directors  
 (e) None of these
82. Interim audit is conducted for examining the account for:  
 (a) Full One Year  
 (b) Next One Year  
 (c) Previous One Year  
 (d) For a part of current year ✓  
 (e) None of these
83. Payment should be made preferably through:  
 (a) Cross Cheque ✓ (b) Bank Draft  
 (c) pay Order (d) Cash Basis  
 (e) None of these
84. The purchase of machinery on account world:  
 (a) Increase an asset and decrease another asset.  
 (b) Increase an asset and decrease liability.  
 (c) Increase an asset and increase liability ✓  
 (d) Decrease an asset and increase liability
85. In general, the accounts in the Income Statement are known as:  
 (a) Real Account  
 (b) Contra Asset  
 (c) Nominal Account ✓  
 (d) Unrecorded reverse account
86. In general terms, financial assets appear in the Balance Sheet as:  
 (a) Face Value ✓  
 (b) Current Cash Value  
 (c) Cash  
 (d) Estimated future sales value
87. Which of the following is least important as a measure of short-term liquidity.  
 (a) Debtor Ratio  
 (b) Current Ratio  
 (c) Cash flow from operating activities ✓  
 (d) Quick Ratio
88. Uzmaid Net income was Rs 4,00,000 in 2003 and Rs 1,60,000 in 2004 what percentage increase in net income from 2003 off let the decline in profits in 2004?  
 (a) 50% (b) 150% ✓  
 (c) 20% (d) 70%
89. External uses of financial accounting information include all of the following except.  
 (a) Investors ✓ (b) Labour Unions  
 (c) Line Manager (d) General Public
90. A fixed budget is:  
 (a) A budget for single level of activity  
 (b) A budget which ignored inflation  
 (c) Used only for fixed cost ✓  
 (d) An overhead cost budget
91. Heavy expenditure on advertisement of a new product is a:  
 (a) Capital expenditure  
 (b) Revenue expenditure ✓  
 (c) Deferred Revenue expenditure  
 (d) None of the above
92. Subscriptions received in advance is:  
 (a) An Income (b) An Asset  
 (c) A Liability ✓ (d) A Loss

93. At the time of admission of a new partner good will raised should be written off in:  
(a) New profit sharing ratio  
(b) Old profit sharing ratio ✓  
(c) Sacrificing ratio  
(d) Gaining ratio
94. A and B are partners in the ratio of 2:1. They admit C for 1/4 share who contributes Rs 3000 for his share of goodwill. The total value of the goodwill of the firm is:  
(a) Rs 3,000 (b) Rs 9,000  
(c) Rs 12,000 ✓ (d) Rs 15,000
95. Sales of Mustafa of Rs 10,000 not recorded in the books would affect:  
(a) Sales Account  
(b) Mustafa Account  
(c) Sales Account and Mustafa Account ✓  
(d) None of the above
96. Depreciation is a process of:  
(a) Valuation ✓ (b) Allocation  
(c) Both a & b (d) None of these
97. Loss on sale of an asset should be written off against:  
(a) Share premium account  
(b) Sales account  
(c) Depreciation fund account  
(d) None of the above ✓
98. Income and expenditure account reveals:  
(a) Cash in hand  
(b) Surplus or deficiency ✓  
(c) Capital account  
(d) None of the above
99. Which of the following is true regarding the work sheet.  
(a) It is the form, which an accountant uses for his own aid and convenience.  
(b) It assists in the orderly preparation of the adjustments and financial statements at the end of the account periods.  
(c) It can substitute for Journal and Ledger.  
(d) Only a & b are true ✓
100. The post closing trial balance will:  
(a) Contain only income statement accounts  
(b) Contain both balance sheet accounts  
(c) Contain both income Statement and balance sheet accounts ✓  
(d) Be prepared before closing entries are posted to the ledger.
101. The cost of goods and service used up in the process of obtaining revenue are called:  
(a) Net Income (b) Revenue  
(c) Expenses ✓ (d) Liabilities
102. State which of the following are characteristics of job costing.  
(i) Homogeneous products  
(ii) Customer driven production  
(iii) Complete production possible within a single accounting period.  
(a) (i) only  
(b) (i) and (ii) only ✓  
(c) (ii) and (iii) only  
(d) (i) and (ii) only  
(e) None of above
103. State which of the following are characteristics of contract costing:  
(i) Homogeneous production  
(ii) Customer driven production  
(iii) Short time scale from commencement to completion of the cost unit.  
(a) (i) and (ii) only  
(b) (i) and (iii) only  
(c) (ii) and (iii) only ✓  
(d) (ii) only  
(e) None of above
104. The budget cost allowance for an activity level of 4,000 units is.  
(a) Rs 7,200 (b) Rs 14,700  
(c) Rs 17,200 (d) Rs 22,200 ✓  
(e) None of these values
105. Direct costs are:  
(a) Costs which can be identified with a cost center but not identified to a single cost unit.  
(b) Costs which can be identified with a single cost unit. ✓  
(c) Costs incurred as a direct result of a particular decision.  
(d) Costs incurred which can be attributed to a particular accounting period.  
(e) None of above



106. A master budget comprises:
- (a) The budgeted profit and loss account
  - (b) The budgeted cash flow, budgeted profit and loss account and budgeted balance sheet.
  - (c) The budgeted cash flow.
  - (d) The entire set of budgets prepared ✓
  - (e) None of above
107. The best description of a by-product is a joint product which:
- (a) Has no economics value
  - (b) Accounts for a relatively small proportion of the total sales value of the production process.
  - (c) Accounts for a relatively small proportion of the total value of the production process. ✓
  - (d) Will need to be disposed off at a cost.
  - (e) None of above
108. What type of budget is designed to take into account forecast changes in costs, prices etc.
- (a) Rolling budget
  - (b) Functional Budget
  - (c) Flexible Budget
  - (d) Master Budget ✓
  - (e) None of them
109. Working capital is the:
- (a) Effective capital of the company when the business is in full swing.
  - (b) Capital borrowed from the bank.
  - (c) Difference between the current assets and current liabilities ✓
  - (d) None of them
110. The most acceptable method of measuring income is.
- (a) To match the costs with revenue
  - (b) To find out this difference in net worth as on two dates. ✓
  - (c) To apply normal rate of return on capital invested.
  - (d) None of above
111. Up what level Agriculture income is exempt from tax?
- (a) Rs 80,000
  - (b) Rs 100,000
  - (c) Fully exempt ✓
  - (d) Totally taxable
- (e) None of the above
112. Average relief is available on the following except:
- (a) Donation for Charitable purpose
  - (b) Investment in Shares
  - (c) Retirement Annuity scheme ✓
  - (d) Mark up on Housing Finance Scheme
  - (e) Donation of Baitul-Mal Fund
  - (f) None of above
113. Special tax relief is granted to a senior citizen if his age is:
- (a) 50 years or above
  - (b) 60 years or above ✓
  - (c) 65 years or above
  - (d) None of the above
114. When preparing balance sheet of a company. Goodwill, patents, Trade Mark and designs come under the head of:
- (a) Fixed Assets ✓
  - (b) Fictitious Assets
  - (c) Current Assets
  - (d) Miscellaneous Expenditure
  - (e) None of above
115. In comparison to the external auditor, an internal auditor is more likely to be concerned with:
- (a) Internal Administrative Control
  - (b) Cost Accounting procedures
  - (c) Operational Auditing
  - (d) Internal Accounting control ✓
  - (e) None of above
116. An auditor's unqualified short form report.
- (a) Implies only, that items disclosed in the financial statement and foot notes are properly presented and takes no position on the adequacy of disclosure.
  - (b) Implies that disclosure is adequate in the financial Statements and foot notes.
  - (c) Explicitly states that disclosure is adequate in the financial statements and foot notes.
  - (d) Explicitly states that all material items have been disclosed in conformity with generally accepted accounting principles. ✓
  - (e) None of above

117. The role of finance function in the future will be:
- Tactical
  - Professional Advisor ✓
  - Stewards
  - Specialist team member
  - None of above
118. In principle current Assets are financed from:
- Retained Earning
  - Long term debts
  - Issue of fresh Capital ✓
  - Current Liabilities
  - None of above
119. A non-banking asset is:
- Item of office equipment
  - Bank premises
  - Secured property acquired from defaulting borrower
  - All of the above
  - None of the above ✓
120. When preparing a production budget, the quantity to be produced equals.
- Sales quantity+Opening Stock+Closing Stock
  - Sales quantity-Opening stock+Closing Stock
  - Sales quantity-Opening stock-Closing stock
  - Sales quantity ✓
  - None of the above
121. Which of the following best describes the nature of an asset?
- Something with a ready market value
  - An economic resource, which will provide some future benefits, owned by a business. ✓
  - The amount of the owner's investment in a business.
  - None of these
122. A balance sheet is prepared to find out financial position of a firm:
- For a specified period
  - On a particular date ✓
  - At the time of sale of business
  - None of these
123. The preparation of work sheet:
- Constitutes creation of a final financial statement.
  - Eliminates the need for entering adjusting entries in the journal.
  - Provides the information needed for journalizing adjusting and closing entries. ✓
  - None of these
124. Assets would be overstated if necessary adjusting entry was omitted for:
- Expired Insurance ✓
  - Accrued Salaries
  - Accrued Interest Earned
  - None of these
125. The book value of the depreciable asset is best defined as.
- The un-depreciated cost of the asset ✓
  - The price that the asset would fetch if offered for sale.
  - Accumulated depreciation of the asset since acquisition.
  - None of these
126. Which of the following is not an intangible asset?
- A patent
  - A trademark
  - An investment in marketable securities
  - None of these ✓
127. A company has current ratio of 2 to 1 at the end of year 1. Which one of the following transactions will increase this ratio?
- Sales of bonds payable at a discount ✓
  - Declaration of a 20% cash dividend
  - Collection of a large account receivable
  - None of these
128. If sales increase by 10% from year 1 to 2 and cost of goods sold increases only 6%, the gross profit on sales will increase by.
- 4% ✓
  - 10%
  - 6%
  - None of these
129. Which of the following amounts appears in both the income statement and balance sheet?
- Net Income ✓
  - Accumulated depreciation
  - Dividends

- (d)None of these
129. Both the accounts for depreciation expense and accumulated depreciation.
- (a)Are closed at the end of the period✓
  - (b)Appear in the Adjusted Trial Balance Columns of the worksheet
  - (c)Appear in the Trial Balance Columns of the worksheet
  - (d)None of these
130. When a partnership is liquidated:
- (a)Any cash distribution to partners is allocated according to the profit and loss sharing ratio.
  - (b)Cash is distributed to each partner according to his or her capital account balance before the sale of partnership assets.✓
  - (c)Any gain or loss on disposal of partnership assets is divided among the partners according to their relative account balances.
  - (d)None of these
131. In projecting the future profitability of a trading company, investors will be least concerned with changes in:
- (a)The gross profit rate✓
  - (b)The quick ratio
  - (c)Sales volume
  - (d)None of these
132. Revenue is most commonly recognized at the time when:
- (a)Cash is collected
  - (b)The order is received from customers
  - (c)The sale is made✓
  - (d)None of these
133. Which of the following list of accounts is used to compute the cost of goods sold?
- (a)purchases, inventory, and sales returns.
  - (b)Gross profit, purchase returns and carriage inward.
  - (c)Inventory, net sales and purchases✓
  - (d)None of these
134. Which of the following is ascertained by drawing up an income and expenditure account?
- (a)Cash is hand
  - (b)Surplus or Deficiency✓
  - (c)Capital Fund
  - (d)None of these
135. On April 1, Hassan & Company received and paid a Rs. 700 bill for the advertising done in March. In addition to this bill the company paid Rs. 6,100 during April for expenses incurred in that month. Hassan & Company paid Rs. 3,600 as salary to employees for work done in April. Based on these facts, total expenses for the month of April were:
- (a)Rs. 6,100
  - (b)Rs. 6,800
  - (c)Rs. 10,700
  - (d)None of these✓
136. A retail store had current assets of Rs. 72,000 and a current ratio of 2 to 1. The amount of working capital must have been:
- (a)Rs. 144,000✓
  - (b)Rs. 108,000
  - (c)Rs. 72,000
  - (d)None of these
137. Bond holders would be most interested in which of the following?
- (a)Quick ratio✓
  - (b)Inventory turnover
  - (c)Times interest earned
  - (d)None of these
138. The amount of overtime premium contained in direct wages would normally be classified as:
- (a)Part of prime cost✓
  - (b)Factory overhead
  - (c)Direct labour cost
  - (d)Administrative overhead
139. Which one of the following statements is incorrect with respect of external auditors:
- (a)External auditors are independent of organization
  - (b)The responsibility of external auditor is fixed by statute
  - (c)External auditors report to the members
  - (d)External auditors work many range over many areas of activities as determined by the management✓
140. The first auditor of a public Limited Company is appointed by the directors with in:

- (a) 30 days of incorporation ✓  
(b) 60 days of incorporation  
(c) 90 days of incorporation  
(d) 120 days of incorporation
141. Audit working papers are the property of:  
(a) Client  
(b) Accountant  
(c) Auditor ✓  
(d) Registrar of Companies
142. Which of the following would be least likely to be considered an objective of a system of internal control:  
(a) Checking the accuracy and reliability of accounting data  
(b) Detecting management fraud  
(c) Encouraging adherence of managerial policies  
(d) Safeguarding assets ✓
143. Dividend income is subject to tax at source at:  
(a) 0%                      (b) 5%  
(c) 10% ✓                  (d) 15%
144. Tax deducted at source will be treated as:  
(a) Taxable  
(b) Exempt  
(c) Deductible from net tax ✓
145. One of the basic purposes of business combination is:  
(a) To provide better services to the community  
(b) To sell the goods at competitive prices  
(c) To reap profit by eliminating competition ✓  
(d) To increase sales
146. A cooperative society is registered under cooperative society act of:  
(a) 1925 ✓                      (b) 1930  
(c) 1984                      (d) 1948
147. Which one of the following is not considered a legal document of joint stock company?  
(a) Memorandum of association  
(b) Articles of association  
(c) prospectus ✓  
(d) Shares
148. Average relief is allowed on the following expenditures except:  
(a) Donation for Charitable purpose ✓  
(b) Investment in Shares  
(c) Mark-up on housing finance  
(d) Contribution to employees Children education fund
149. The most important reason for having an annual audit is to:  
(a) Provide assurance to investors & others stake holders that financial statements are dependable.  
(b) Enable Directors to avoid personal responsibility for any deficiency in the financial statement  
(c) Meet the requirement of government agency.  
(d) provide assurance that fraud, if any exists, will be brought to light. ✓
150. A job-order costing system is most appropriate for which of the following types of manufacturing?  
(a) Flour milling  
(b) paper manufacturer ✓  
(c) Automobile manufacturer  
(d) Shipbuilders
151. The predetermined overhead rate is:  
(a) Determined at the end of the accounting period ✓  
(b) Determined by dividing the allocation base by the estimated overhead  
(c) Used in a normal cost system  
(d) Never applied to the work in process at the end of the period
152. Actual overhead costs appear:  
(a) On a job cost sheet ✓  
(b) In the work in process Account  
(c) In the Financial Goods Account  
(d) In the Manufacturing Overhead Account
153. Which of the following is a cleaning account?  
(a) Manufacturing Summary  
(b) Manufacturing Overhead  
(c) Depreciation Expense  
(d) Accumulated Depreciation ✓
154. The basic concept which recognizes that the cost of internal control should not exceed the benefits expected to be derived is known as:  
(a) Reasonable assurance ✓

- (b) Management responsibility  
(c) Limited liability  
(d) Management by exception
145. Which of the following eliminates details from the working trial balance by classifying and summarizing similar or related items?  
(a) Lead Schedules  
(b) Control accounts ✓  
(c) Supporting schedules  
(d) Accounts analysis
146. Which one of the following would be least likely to be considered a control objective?  
(a) Safeguarding assets ✓  
(b) Detecting management fraud  
(c) Accuracy of accounting data  
(d) Adherence of managerial policies
147. Which of the following statements is false?  
(a) Checklist is a method of internal control for a small business  
(b) Two types of audit tests are compliance tests and substantive tests ✓  
(c) Materiality and audit risk have direct relationship  
(d) Internal control consists of both accounting controls and administrative controls
148. Which of the following is principal purpose of evaluation of internal control?  
(a) Compliance with auditing standards ✓  
(b) Checking efficiency of management  
(c) Issuance of letter of weakness in internal control  
(d) Determining nature, timing and extent of substantive audit test  
(e) None of these
149. Which one of the following assets is not eligible for initial depreciation allowance?  
(a) Vehicle for factory labour  
(b) Professional books  
(c) Vehicle plying for hire ✓  
(d) Ship
150. Which one of the following is an agricultural income?  
(a) Royalty income from mines  
(b) Income from cultivation of rice ✓  
(c) Income from sale of irrigation water  
(d) Income from poultry farm
151. Which one of the following expenditures is admissible under the head income from Business?  
(a) Cost of issue of shares  
(b) Wealth tax  
(c) Loss by fire ✓  
(d) Interest payable to partner
152. Which of the following rental income is exempted from tax under the head Income from property?  
(a) Property income held under trust  
(b) Self-occupied residential property  
(c) Income from agricultural building ✓  
(d) All of these
153. The face value and market value of shares remain the same in case of:  
(a) Public limited company  
(b) Co-operative society  
(c) Single member company ✓  
(d) Private limited company
154. Which of the following combination of businesses makes different types of goods and have in common either raw material or final product?  
(a) Horizontal  
(b) Vertical ✓  
(c) Circular  
(d) Lateral
155. The status of Chamber of Commerce and Industry in Pakistan is:  
(a) Partnership  
(b) Association of persons ✓  
(c) Limited company (d) Club
156. Markets are necessary because:  
(a) Demand always exceeds supply  
(b) Barter cannot work properly  
(c) Competition is encouraged  
(d) Buyers and sellers are different people ✓
157. Discovery of business opportunities and arrangement of property, funds and management ability to set up a business is called:  
(a) Incorporation (b) Integration  
(c) Amalgamation (d) Promotion ✓

158. Which of the following transaction represent an expense?  
(a) The owner withdrew Rs. 1,600 from the business for personal use.  
(b) purchased a photocopying machine for Rs. 2,750 cash.  
(c) purchased medical supplies for cash from Healthcare Labs. Rs. 1,630  
(d) Received a telephone bill amounting to Rs. 550 to be paid within ten days. ✓
159. Which of the following statements about accounting procedures is not correct?  
(a) The journal shows in one place all the information about specific transactions arranged in chronological order.  
(b) A ledger account shows in one place all the information about changes in a specific asset or liability or owner's equity.  
(c) posting is the process of transferring information from ledger accounts to the journal. ✓  
(d) The product of the accounting cycle in the formal financial statements such as balance sheet and income statement.
160. Which of the following financial statements reflects the overall financial position of the business?  
(a) Statement of cash flows  
(b) Income Statement  
(c) Balance Sheet ✓  
(d) Statement of owner's equity
161. Trial Balance is prepared:  
(a) To ensure arithmetical accuracy of accounting records. ✓  
(b) To establish complete accuracy of accounting records.  
(c) To determine the amounts payable to suppliers for purchase of goods on credit.  
(d) To ensure efficient use of resources of the business.
162. In the accounting cycle:  
(a) Closing entries are made before adjusting entries.  
(b) Closing entries are made after the adjusting entries.  
(c) Adjusting entries are made after financial statements are prepared.  
(d) Financial statements are prepared after closing trial balance. ✓
163. Which of the following is an intangible asset?  
(a) An investment in marketable securities  
(b) Leasehold land.  
(c) Loose tools  
(d) Copyrights ✓
164. Expense is recorded in the accounting records when  
(a) Cash is paid  
(b) The purchase order is placed with the supplier  
(c) purchases are made  
(d) None of these ✓
165. The cash basis of accounting.  
(a) In widely used by manufacturing firms.  
(b) Is often used by merchandising firms. ✓  
(c) Usually results in a larger amount of tax than under accrual basis accounting.  
(d) Cannot be used in filing income tax returns.
166. The straight-line method of depreciation.  
(a) Generally gives best results because it is easy to apply.  
(b) Should be used in a period of inflation, because it accumulates the fund for the replacement of asset at a uniform rate.  
(c) Is the best method used for wasting assets.  
(d) Ignores fluctuations in the rate of asset usage. ✓
167. Which of the following accounts are not closed at the end of an accounting period?  
(a) Revenue accounts  
(b) Expense accounts  
(c) Drawing accounts  
(d) Asset accounts ✓
168. Under periodic inventory system cost of good sold is determined and recognized in the books of accounts.  
(a) At the time of purchase of goods  
(b) At the time of sale of goods  
(c) At the end of the year ✓

- (d) None of these
169. A transaction caused a Rs. 10,000 decrease in both assets and total liabilities. This transaction could have been:
- (a) purchase of furniture for Rs. 10,000
  - (b) An asset costing Rs. 10,000 was destroyed by fire
  - (c) Repayment of bank loan Rs. 10,000 ✓
  - (d) Collection of a Rs. 10,000 account receivable.
170. Which ratio indicates a firm's ability to pay current liabilities in the shokest possible time?
- (a) Current Ratio
  - (b) Equity Ratio
  - (c) Debt Ratio ✓
  - (d) Quick Ratio
171. Which of the following is least important in determining the fair market value of a share?
- (a) Earning and dividends per share
  - (b) Book value per share
  - (c) The available supply of shares and the demand to purchase the shares ✓
  - (d) The par value of share.
172. Financial statements prepared by a business firm are most likely to be:
- (a) Fully reliable
  - (b) Tentative in nature ✓
  - (c) Relevant for all types of decisions
  - (d) Always misleading
173. One of the following is not an officer of a company:
- (a) Share registrar ✓
  - (b) Controller
  - (c) Secretary
  - (d) Treasurer
174. A deficit appears on the balance sheet:
- (a) Among the assets
  - (b) As a deduction from total paid-up capital ✓
  - (c) Among the liabilities
  - (d) None of these
175. Audit programme is prepared by:
- (a) Audit staff
  - (b) Chief Accountant
  - (c) Directors
  - (d) Audit Management ✓
- (c) None of these
176. Verification is carried out for:
- (a) Closing stock
  - (b) Rent income
  - (c) Dividend Received
  - (d) Wages & Salaries
  - (e) None of these ✓
177. Retiring auditor can be appointed at:
- (a) Statutory Meeting
  - (b) AGM ✓
  - (c) Directors Meeting
  - (d) Creditors Melting
  - (e) None of these
178. Unqualified report is favourable for:
- (a) Management ✓
  - (b) Creditors
  - (c) Debtors
  - (d) Employees
  - (e) None of these
179. Normally test Checking is adopted in case of:
- (a) Continuous Audit ✓
  - (b) Final Audit
  - (c) Interim Audit
  - (d) Special Audit
  - (e) None of these
180. In partnership minimum number of members is:
- (a) 2 ✓
  - (b) 3
  - (c) 4
  - (d) 5
  - (e) 20
181. In public Ltd. Company, minimum number of members is:
- (a) 2
  - (b) 3
  - (c) 5
  - (d) 7 ✓
  - (e) 10
182. Short term finance can be arranged through:
- (a) Sales of Debentures
  - (b) Sales of Shares
  - (c) Bank loan ✓
  - (d) Debtors collection
  - (e) None of these
183. Statutory meeting is necessary in case of:
- (a) private Ltd. Co.
  - (b) Public Ltd. Co. ✓
  - (c) Partnership
  - (d) Cooperative Society
  - (e) None of these

184. Current Companies Ordinance is that of:  
(a)1932 (b)1984✓  
(c)2001 (d)2002  
(e)2003
185. The Addition of Material and Labour is called:  
(a)Conversion cost  
(b)prime cost✓  
(c)Financial cost  
(d)Absorption cost  
(e)None of these
186. Expenses can be called as:  
(a)Expired cost✓  
(b)project cost  
(c)prime cost  
(d)Conversion cost  
(e)None of these
187. EOQ is adopted to have efficient:  
(a)Material Management✓  
(b) Labour Management  
(c)FOH Management  
(d)Selling Expenses Control  
(e)None of these
188. Which of the following is Fixed Cost?  
(a)Rent✓  
(b)Income Tax  
(c)Repair  
(d)Electricity (e)Insurance
189. The statement prepared under process costing is called:  
(a)Cost of good sold statement  
(b)Income statement  
(c)Cost of Production Report✓  
(d)Variance Statement  
(e)None of these
190. Current Income Tax Ordinance is that of:  
(a)1990 (b)2001✓  
(c)2002 (d)2003  
(e)2008
191. Which of the following will be considered as capital expenditure?  
(a)Material Expenses  
(b)Machinery Purchased✓  
(c)Labour paid  
(d)FOH applied  
(e)Income Tax paid
192. Which of the following is exempted from tax at present?  
(a)Agricultural Income✓  
(b)Bank profits  
(c)Salary Income  
(d)profit of public Ltd. Co.  
(e)Profit of private Ltd.Co.
193. If Income year of a salaried person ends on 30th June, 2008, then tax year would be.  
(a)2007-08✓  
(b)2008-09  
(c)2009-10  
(d)2008
194. Which of the following can be adjusted against Income Tax Liability?  
(a)Withholding Tax on Telephone Bills✓  
(b)Excise duty paid  
(c)Custom duty paid  
(d)Sales tax paid  
(e)Trade tax paid
195. Which one is not a feature of process costing?  
(a)Classification of costs into fixed and Variable  
(b)Emergence of more than one product  
(c)Equivalent production  
(d)Duration of work is long  
(e)None of these✓
196. The process loss not allowed to affect the cost of goods units is:  
(a)Normal loss✓ (b)Standard loss  
(c)Abnormal loss (d)Material loss  
(e)None of these
197. - Agriculture, forestry, hunting and fishing is included in:  
(a)Genetic industry✓  
(b)Extractive industry  
(c)Manufacturing industry  
(d)Construction industry  
(e)None of these
198. The minimum number directors is unlisted public limited company is:  
(a)5 (b)10  
(c)3 (d)7✓  
(e)None of these
199. In Pakistan chamber of commerce and industry is registered with:



- (a)Registrar of firms  
(b)Registrar of companies✓  
(c)Registrar of societies  
(d)Registrar of clubs  
(e)None of these
200. Which of the following partnership can be formed for indefinite period?  
(a)Limited partnership✓  
(b)Joint venture  
(c)partnership will  
(d)particular partnership  
(e)None of these
201. Repetition of client clerical routines such as footing and posting is called:  
(a)Vouching  
(b)Reperformance  
(c)Scanning  
(d)Tracing  
(e)None of these✓
202. The direction of testing from the source document to the accounting record is called:  
(a)Vouching✓ (b)Sampling  
(c)Tracing (d)Verification  
(e)None of these
203. Which of the following liability of an auditor has occurred when auditor failed to study articles of association and the directors paid dividend out of capital?  
(a)Negligence✓  
(b)Misfeasance  
(c)Libel  
(d)Breach of contract  
(e)None of these
204. Visual examination of accounting record and schedules to identify unusual items or inconsistencies is called:  
(a)Observation✓  
(b)Scanning  
(c)Inquiry  
(d)Inspection  
(e)None of these
206. Which of the following is revenue expenditure?  
(a)Cost of feasibility report  
(b)Legal expenses of income tax appeal  
(c)Cost of issuance of additional capital✓  
(d)Cost of preparation of partnership deed  
(e)None of these
207. Which of the following is not capital asset?  
(a)Shares of company  
(b)Jewellery  
(c)Coin  
(d)Copy rights✓  
(e)None of these
208. Ground rent is an income from:  
(a)Agriculture (b)Salary  
(c)Business (d)Other sources✓  
(e)None of these
209. Which of the following is admissible expenditure in respect of income from business?  
(a)Fines and penalties  
(b)Income Tax  
(c)Excise Duty  
(d)Cost of permanent shop board✓  
(e)None of these
210. Which one of the following is an agricultural income?  
(a)Income from poultry farm  
(b)Income from cultivation of rice✓  
(c)Income from sale of water for irrigation  
(d)Royalty income from mines  
(e)None of these
211. Identify the item that is likely to serve as source document:  
(a)Trial balance  
(b)Income statement  
(c)Balance sheet  
(d)Invoice from supplier✓
212. The formula  $(\text{Cost less salvage value} / \text{Total capacity in units} \times \text{units extracted})$  refers to which depreciation method:  
(a)Straight line  
(b)Units of production✓  
(c)Declining balance  
(d)Depletion
213. While passing adjusting entries for what type of transactions expenses are debited and assets are credited:  
(a)Accrued revenue  
(b)Accrued expenses✓  
(c)Declining balance

- (d) Depletion
214. Of the following statements, which one is untrue for the corporate form of organization:
- (a) It is a separate legal entity  
 (b) It has a limited life ✓  
 (c) Income that is distributed to owners is usually taxed twice  
 (d) Ownership rights can be easily transferred
215. For each transaction, double-entry accounting requires which of the following:
- (a) Debits to asset accounts must create credits to liability or equity accounts  
 (b) A debit to a liability account must create a credit to an asset account ✓  
 (c) Total debits must equal total credits ✓  
 (d) None of these
216. When costs are rising, which method reports higher net income:
- (a) LIFO (b) FIFO ✓  
 (c) Average  
 (d) The most recent purchase price
217. A transaction caused Rs. 20,000 decrease in both total assets and total liabilities. This transaction could have been:
- (a) purchase of an asset for Rs. 20,000 cash  
 (b) Asset costing Rs. 20,000 destroyed by fire  
 (c) Repayment of Rs. 20,000 bank loan. ✓  
 (d) Collection of Rs. 20,000 account receivable.
218. Income and expenditure account is a non trading institution records transaction of:
- (a) Revenue nature only  
 (b) Capital nature only  
 (c) Both (a) & (b)  
 (d) Income of revenue nature and expenditure of revenue and capital nature ✓
219. At the time of admission of a new partner, good will raised should be written off in:
- (a) New profit sharing ratio  
 (b) Old profit sharing ratio ✓
- (c) Sacrificing ratio  
 (d) Gaining ratio
220. A and B are partners in the ratio of 2:1. They admit C for 100 shares who contribute Rs. 3000 for his share of goodwill:
- (a) Rs. 3,000 (b) Rs. 9,000 ✓  
 (c) Rs. 12,000 (d) Rs. 15,000
221. Second hand machinery worth Rs. 10,000 was purchased, repairing of the machinery cost Rs. 1,000. The machinery was installed by own workers Wage for this being Rs. 200, the machinery account should be debited for:
- (a) Rs. 10,000 (b) Rs. 11,000  
 (c) Rs. 11,200 ✓ (d) None of these
222. If net sales Rs. 100,000 cost of goods sold Rs. 55,000. Administrative expenses Rs. 5,000 Selling expenses Rs. 4,375. Interest expense Rs. 500, the operation profit is:
- (a) Rs. 35,325 (b) Rs. 45,000  
 (c) Rs. 39,700 (d) Rs. 34,825 ✓
223. Which ratio best reflects a company's ability to meet immediate interest payments?
- (a) Debt ratio  
 (b) Equity ratio  
 (c) Times interest earned ✓  
 (d) None of these
224. Identify which items are subtract from the list amount and not recorded when computing purchase price:
- (a) Freight in  
 (b) Trade discount ✓  
 (c) Purchase discount  
 (d) Purchase return
225. Bonus payable only on the maturity of the policy is termed as:
- (a) Cash bonus ✓  
 (b) Reversionary bonus  
 (c) Interim bonus  
 (d) Bonus is reduction of premium
226. Rebate on bill discounted (unearned discount) is:
- (a) An expense (b) An income  
 (c) An liability ✓ (d) An asset

227. Which of the following is an example of internal transaction?  
 (a) Cash received from debtor  
 (b) Goods sold on credit  
 (c) Supplies Consumed in the office ✓  
 (d) Salaries paid to employees  
 (e) None of these
228. Which of the following is an example of non-exchange transaction?  
 (a) Good lost by fire ✓  
 (b) Electric Charges paid  
 (c) Machinery purchased on credit  
 (d) None of these
229. A company receives 40% of monthly sales and 50% in the following month and rest is received in third month the sales for January are Rs. 20 February Rs. 30 and March Rs. 40 the collection for March is.  
 (a) Rs. 27 (b) Rs. 30  
 (c) Rs. 33 (d) Rs. 36  
 (e) None of these ✓
230. The time limit for payment of dividend for a listed public limited company is:  
 (a) 30 days  
 (b) 45 days  
 (c) 60 days  
 (d) 90 days ✓  
 (e) None of these
231. The time limit for payment of dividend for a unlisted limited company is:  
 (a) 90 days (b) 60 days ✓  
 (c) 45 days (d) 30 days  
 (e) None of these
232. As per Companies Ordinance 1984 a listed public limited company is bound to prepare its financial statements on:  
 (a) Yearly basis ✓  
 (b) Half-yearly basis  
 (c) Quarterly basis  
 (d) Daily basis  
 (e) None of these
233. As per Companies Ordinance 1984 loose tools are recorded under the head of:  
 (a) Current assets ✓  
 (b) Fixed assets  
 (c) Long-term investment  
 (d) Long-term deposits  
 (e) None of these
234. In Pakistan commercial bank can be formed and is registered under the.  
 (a) Companies Ordinance 1984  
 (b) Banking Companies Ordinance 1962 ✓  
 (c) State Bank of Pakistan Act 1956  
 (d) Modaraba Companies Ordinance 1980  
 (e) None of these
235. In Pakistan a commercial bank prepares its annual accounts under the.  
 (a) Companies Ordinance 1984  
 (b) Banking Companies Ordinance 1962 ✓  
 (c) State Bank of Pakistan Act 1948  
 (d) Modaraba Companies Ordinance 1980  
 (e) None of these
236. A company pays income tax at the rate of 40% the net income after tax is Rs. 24 The net income before tax is:  
 (a) Rs. 40 ✓ (b) Rs. 80  
 (c) Rs. 24 (d) Rs. 16  
 (e) None of these
237. In Pakistan insurance company can be formed and is registered under the.  
 (a) Companies Ordinance 1984  
 (b) Banking Companies Ordinance 1962  
 (c) Insurance Ordinance 2000 ✓  
 (d) Modaraba Companies Ordinance 1980 /  
 (e) None of these
238. The working of the insurance company is governed by the:  
 (a) Companies Ordinance 1984  
 (b) Banking Companies Ordinance 1962  
 (c) Insurance Ordinance 2000 ✓  
 (d) Modaraba Companies Ordinance 1980  
 (e) None of these
239. Which of the following transactions would result in an increase in the current ratio?  
 (a) Paid cash for a one-year insurance policy  
 (b) Collected an account receivable ✓  
 (c) Used the allowed method to write-off an un-collectible account  
 (d) Borrowed money by issuing a long-term note  
 (e) None of these
- \*\*\*\*\*

## Principal of Accounting

Q.1 Four possible answers are given for the following questions. Tick mark (✓) the correct answer:

- A proper and fair planning of expenditures helps us to ensure proper use of:
  - Our liabilities
  - An income✓
  - Our expenses
  - Assets
- The need for keeping a record of income and expenditures in a clear and systematic manner has given rise to the subject of.
  - Book keeping✓
  - Accounting cycle
  - None of the above
  - Manufacturing cycle
- It is possible to increase the amount of saving through proper management and effective control of:
  - The family liabilities
  - The family income✓
  - The family assets
  - None of the above
- It is all the more necessary for an organization or a concern to keep:
  - Improper accounts
  - Proper accounts✓
  - Incomplete records
  - None of the above
- If proper books of accounts are not kept in a business the amount of profit:
  - Can be ascertained
  - Cannot be ascertained✓
  - Easily ascertained
  - None of the above
- Accounting is often referred to as the language of the:
  - Business✓
  - Schools
  - Daily life
  - Information technology
- Accounting was developed by people, who were seeking better ways to gather and report useful information about:
  - Families
  - Individual
  - Organizations✓
  - Friends
- The act of collecting, processing, reporting, analyzing, interpreting and projecting financial information is called:
  - Economics
  - Accounting✓
  - Information technology
  - Introduction to business
- Accounting principles, are generally based on:
  - Practicability✓
  - Subjectivity
  - Convenience in recording
  - None of the above
- The system of recording transactions based on dual concept is called:
  - Double account system
  - Double entry system✓
  - Single entry system
  - Management system
- No accounting is possible for an event or transaction which is not measurable terms of:
  - Money✓
  - Goods
  - Units
  - Ethical values
- The stage under which transactions are recorded chronologically in the books of accounts is called:
  - Summarizing
  - Classifying
  - Recording✓
  - None of the above
- The stage under which the transactions of the same or similar nature are classified and recorded separately is known as:
  - Classifying✓
  - Recording
  - Interpretation
  - None of the above
- The stage under which all necessary dates and information's are summarized on the basis of classified record of transactions

- and communicated to management and other interested persons is called as:
- (a) Recording
  - (b) Summarizing ✓
  - (c) Interpretation
  - (d) None of the above
15. Book-keeping is mainly concerned with:
- (a) Recording of a financial data relating to business transactions ✓
  - (b) Designing the systems in recording, classifying, summarizing the recorded data
  - (c) Interpreting the data for internal and external users
  - (d) None of the above
16. The prime function of accounting is to:
- (a) Record economics data
  - (b) Provide the informational basis for action
  - (c) Classifying and recording business transaction ✓
  - (d) None of the above
17. Management accounting provides invaluable services to management in performing:
- (a) All management functions ✓
  - (b) Controlling functions
  - (c) Coordinating management functions
  - (d) None of the above
18. In double entry system of book-keeping every business transaction affects:
- (a) Debit or credit side of the same account
  - (b) Two accounts ✓
  - (c) The same side of the same account
  - (d) None of the above.
19. Any dealing between two persons or things is a:
- (a) Transaction ✓
  - (b) Introduction
  - (c) Meeting
  - (d) Seminar
20. When cash is paid or received as a result of an exchange, the transaction is said to be a:
- (a) Sale transaction
  - (b) Cash transaction ✓
  - (c) Credit transaction
  - (d) None of the above
21. When the payment or receipt of cash is postponed for a future date, this transaction is said to be:
- (a) Credit transaction ✓
  - (b) Cash transaction
  - (c) None of the above
  - (d) Introduction
22. Any activity undertaken for the purpose of earning profit is called:
- (a) Performance
  - (b) Dealing
  - (c) Business ✓
  - (d) Duties
23. The owner of the business is known as:
- (a) Sale man
  - (b) Agent
  - (c) Proprietor ✓
  - (d) Employee
24. The amount with which the trader starts his business is known as:
- (a) Drawings
  - (b) Capital ✓
  - (c) Stock
  - (d) Purchases
24. The cash or goods taken away by the proprietor from the business for his personal use are called his:
- (a) Capital
  - (b) Cash
  - (c) Drawings ✓
  - (d) Purchases
25. When saleable goods are bought in a business, it is said to be:
- (a) Sales
  - (b) Purchases ✓
  - (c) Assets
  - (d) Goods
26. If the goods are purchased from a supplier and payment is made to him at the same time, such purchases are known as:
- (a) Credit purchases
  - (b) Cash purchases ✓
  - (c) Cash sales
  - (d) Credit sales
27. If the goods are purchased for which payment will have to be made at some future date it is known as:
- (a) Cash purchases
  - (b) Purchases an account ✓
  - (c) Returns outwards
  - (d) Credit sales
28. If the defective or damage goods return to the suppliers are called:
- (a) Purchases returns ✓
  - (b) Sales return
  - (c) Return inwards
  - (d) Expense

29. The other name of purchases return is: ,  
(a) Return outwards✓  
(b) Return inwards  
(c) None of the above  
(d) Sales return
30. The concession given by the supplier to the buyer on purchases of goods is known as:  
(a) Sales discount  
(b) Trade discount  
(c) Purchase discount✓  
(d) Discount received
31. The concession given by supplier to the buyer on sales of goods is said to be:  
(a) Cash discount  
(b) Trade discount  
(c) Sales discount✓  
(d) Purchases discount
32. The form of remuneration for services rendered by one person to another is called:  
(a) Loan (b) Commission ✓  
(c) Equity (d) Sales
33. The discount allowed by manufacturer or wholesaler at the time of selling good to retailer as a deduction from the listed-price or catalogue price, is called as:  
(a) Trade discount✓  
(b) Cash discount  
(c) Sale discount  
(d) Purchases discount
34. The deduction or allowance given by a creditor to a debtor if the amount due is paid by the debtor before the due date is known as:  
(a) Trade discount  
(b) Cash discount✓  
(c) Sales discount  
(d) None of the above
35. A person who owns money on goods to another is called:  
(a) Employer (b) Debtor✓  
(c) Account payable (d) Creditor
36. A person who pays out something or to whom money is owing is called:  
(a) Debtor (b) Creditor✓  
(c) Account receivable (d) Owner
37. Financial accounting is mainly confined to preparation of:  
(a) Manufacturing statement  
(b) Financial statement✓  
(c) Production statement  
(d) Sales statement
38. The costs of the goods and services used up in the process of obtaining revenue is called:  
(a) Liabilities (b) Expenses✓  
(c) Assets (d) Income
39. The term expense and expenditure are:  
(a) Same in nature✓  
(b) Different in nature  
(c) Opposite in nature  
(d) None of the above
40. A summarized record of transactions relating to a person or thing is called as:  
(a) Ledger (b) Journal  
(c) Account✓ (d) Trial balance
41. Debtors are also known as:  
(a) Account receivable✓  
(b) Account payable  
(c) Bills payable  
(d) Proprietor
42. Creditors are also termed as:  
(a) Account receivable  
(b) Account payable✓  
(c) Bill receivable  
(d) None of the above
43. The properties and possessions of a business both tangible and intangible are called:  
(a) Liabilities (b) Assets✓  
(c) Income (d) Expenses
44. The debts due by a business to its proprietor and others is termed as:  
(a) Liabilities✓ (b) Assets  
(c) Expenses (d) Incomes
45. Any written evidence in support of a business transaction is called:  
(a) A business letter  
(b) Voucher✓  
(c) Financial statement  
(d) Manufacturing statement
46. All merchandise commodities which are purchased by the business for selling purpose is called:

- (a) Inventory ✓  
(b) Capital  
(c) Assets  
(d) None of the above
47. The rights to properties of the business are called:  
(a) Liabilities  
(b) Assets  
(c) Equities ✓  
(d) None of the above
48. The span of time for which a business generally prepares its financial statements is termed as:  
(a) Accounting period ✓  
(b) Accounting cycle  
(c) Accounting standards  
(d) Manufacturing period
49. The price of goods sold or services rendered by a business to its customers, is termed as:  
(a) Net profit (b) Revenue ✓  
(c) Expenses (d) Net loss
50. Net income or net profit is equal to:  
(a) Revenue - income  
(b) Revenue - expenses ✓  
(c) Revenue + expenses  
(d) None of the above
51. Double entry means:  
(a) Entry in two sets of books  
(b) Entry at two dates  
(c) Entry for two aspects of the transaction ✓  
(d) Memorandum entry
52. The system in which accounting entries are made on the basis of amounts having become due for payment or receipt is known as:  
(a) Cash system of accounting  
(b) Accrual system of accounting ✓  
(c) None of the above  
(d) Manufacturing cycle
53. The term 'Accounting' and 'Book-keeping' are classified as:  
(a) Same  
(b) Different ✓  
(c) Opposite  
(d) None of the above
54. Double entry system requires the-maintenance of:  
(a) Not any book of accounts  
(b) Only one book of accounts  
(c) A number of books of accounts ✓  
(d) None of the above
55. Accounting principles are generally based on:  
(a) Practicability ✓  
(b) Subjectivity  
(c) Convenience in recording  
(d) Daily life.
56. Events which are related with money are called:  
(a) Monetary events ✓  
(b) Non-monetary events  
(c) Non-social events  
(d) Political events
57. Events which are not related with money or which do not change the financial position of a person are known as:  
(a) Monetary events  
(b) Non-monetary events ✓  
(c) Social events  
(d) Political events
58. A transaction will be possible, when these will be:  
(a) One party  
(b) Two parties ✓  
(c) No party  
(d) None of the above
59. All the events relevant to business must be measurable in terms of:  
(a) Goods (b) Units  
(c) Money ✓ (d) Ethical values
60. If there is a change in total value of assets and liabilities of a business concern, it will be consider as:  
(a) Qualitative change  
(b) Quantitative change ✓  
(c) Monetary change  
(d) Political change
61. If there is increase or decrease in the different elements or liabilities, but the value of total assets and total liabilities remains unchanged, it will be consider as:  
(a) Qualitative change ✓  
(b) Quantitative change

- (c) Monetary change  
(d) Political change
62. When there is no question of meeting the value of a transaction, it is regarded as a:  
(a) Each transaction  
(b) Credit transaction  
(c) Paper transaction✓  
(d) None of the above
63. A transaction taking place with an outside person or organization, is called on:  
(a) Internal transaction  
(b) External transaction✓  
(c) Paper transaction  
(d) None of the above
64. A transaction taking place with which no outside person or organization is involved is called as:  
(a) Internal transaction✓  
(b) External transaction  
(c) Paper transaction  
(d) None of the above
65. Which of the system of recording transaction on dual aspect concept of accounting:  
(a) Double account system  
(b) Double entry system✓  
(c) Single entry system  
(d) Management system
66. According to the money measurement concept the following will be recorded in the books of accounts of the business:  
(a) Health of the director of the company  
(b) Quality of company's goods  
(c) Value of the plant and machinery✓  
(d) None of the above
67. The concept of conservation takes into account:  
(a) All future profits and all future losses  
(b) All future profits but leaves all future losses  
(c) All future losses but leaves all future profits✓  
(d) None of the above
68. The concept of conservation will have the effect of:  
(a) Understatement of assets✓  
(b) Understatement of liabilities✓  
(c) Overstatement of assets  
(d) None of the above
69. Realization concept implies:  
(a) The receipt of the order  
(b) The delivery of the goods✓  
(c) The receipt of cash from the customer  
(d) None of the above
70. The proprietor is treated as a creditor to the extent of his capital according to:  
(a) Cost concept  
(b) Business entity concept✓  
(c) Going concern concept  
(d) None of the above
71. The accounting equation is based on:  
(a) Going concern concept  
(b) Dual aspect concept  
(c) Money measurement concept✓  
(d) None of the above
72. An obligation of the entity to owners is treated as a liability in the balance sheet according to:  
(a) Going concern concept✓  
(b) Dual aspect concept  
(c) Business entity concept  
(d) None of the above
73. Market value of investments is shown as a foot note according to:  
(a) Convention of disclosure✓  
(b) Convention of consistency  
(c) Convention of conservation  
(d) None of the above
74. Making the provision for doubtful debts in anticipation of actual bad debts is on the basis of:  
(a) Convention of disclosure  
(b) Convention of consistency  
(c) Convention of conservation✓  
(d) None of the above
75. The use of an accelerated method of depreciation is based on:  
(a) Convention of disclosure  
(b) Convention of materiality  
(c) Convention of conservation✓  
(d) None of the above
76. The accounting equation is:  
(a) Liabilities = Assets + Capital✓  
(b) Assets = Capital - Liabilities  
(c) Assets = Capital + Liabilities  
(d) one of the above



77. In accounting, all business transactions are recorded as having:  
(a) Dual aspect ✓  
(b) Single aspect  
(c) None of the above  
(d) Economic aspect
78. Accounting principle is general law or rule follows in the preparation of:  
(a) Accounting equation  
(b) Financial statements  
(c) Personal accounts  
(d) Bank accounts ✓
79. Usefulness, objectivity and feasibility are the three basic norms found in:  
(a) Accounting transactions  
(b) Accounting concepts  
(c) Accounting principles ✓  
(d) None of the above
80. The cost concept applied only to the assets and not to:  
(a) Expenses  
(b) Liabilities ✓  
(c) Incomes  
(d) None of the above
81. The qualitative aspect of things are ignored by:  
(a) Dual aspect concept  
(b) Entity concept ✓  
(c) Money measurement concept  
(d) None of the above
82. The equity of creditors represents debts of the business and are called:  
(a) Assets  
(b) Liabilities ✓  
(c) Capital  
(d) Income
83. The equity of the owners is called:  
(a) Assets  
(b) Liabilities  
(c) Capital ✓  
(d) Income
84. The cost concept is helpful in making.  
(a) Unreal records  
(b) Incomplete records  
(c) Truthful records ✓  
(d) None of the above
85. The individual record of an asset, a liability, a revenue, an expense or capital in a summarized manner is called:  
(a) A trial balance  
(b) Ledger  
(c) An account ✓  
(d) Journal
86. Accounts relating to persons or firms are called:  
(a) Real accounts  
(b) Proprietary accounts  
(c) Personal accounts ✓  
(d) Nominal accounts
87. When an account represents certain person or person then it is called as:  
(a) Artificial person's account  
(b) Representative personal account ✓  
(c) Nature person's account  
(d) Real accounts
88. Salary outstanding account relevant to:  
(a) Representative personal account ✓  
(b) Artificial person's account  
(c) Natural persons account  
(d) Nominal accounts
89. Personal accounts are related to:  
(a) Assets and liabilities  
(b) Expenses, losses  
(c) Customers, creditors etc ✓  
(d) Incomes
89. Real account are related to:  
(a) Assets ✓  
(b) Expenses, losses and incomes  
(c) Customers, creditors  
(d) Incomes
90. Nominal accounts are related to:  
(a) Assets and liabilities  
(b) Expenses, losses and incomes ✓  
(c) Customers, creditors etc  
(d) Capital account
91. The basic rules of book-keeping debit the receiver and credit the giver' is applicable to:  
(a) Personal account ✓  
(b) Real account  
(c) Nominal account  
(d) Expense account
92. The basic rule of book-keeping debit all expenses and losses and credit' all incomes and gains is applicable to:  
(a) Personal account  
(b) Real account  
(c) Nominal account ✓  
(d) Capital account
93. Cash account is concerned with  
(a) Real account ✓

- (b) Personal account  
(c) Nominal account  
(d) Capital account
94. Capital account is a kind of:  
(a) Real account  
(b) Nominal account  
(c) Personal account ✓  
(d) Income account
95. Mr. Imran account is a kind of:  
(a) Real account  
(b) Personal account ✓  
(c) Nominal account  
(d) Expense account
96. Sales account is concerned with.  
(a) Personal account  
(b) Real account  
(c) Nominal account ✓  
(d) Expense account
97. Rent account is a kind of:  
(a) Real account  
(b) Personal account  
(c) Nominal account ✓  
(d) Capital account
98. Machinery account is concerned with.  
(a) Real account ✓  
(b) Personal account  
(c) Nominal account  
(d) Expense account
99. Profits and losses are recorded by  
(a) Personal account  
(b) Real account  
(c) Nominal account ✓  
(d) Machinery account
100. Every transaction has.  
(a) Single aspect  
(b) Dual aspect ✓  
(c) Triple aspect  
(d) Paper transaction
101. The money with which business is started is known as:  
(a) Capital ✓ (b) Creditor  
(c) Income (d) Debtor
102. The person who owes money is:  
(a) A creditor (b) A debtor ✓  
(c) An owner (d) Agent
103. The person to whom money is owned is:  
(a) A creditor ✓ (b) A debtor  
(c) An owner (d) Agent
104. The books of account in which business transactions are originally recorded in chronological order are:  
(a) Ledger (b) Journal ✓  
(c) Trial balance (d) Balance sheet
105. The act of recording each transaction in the journal is called:  
(a) Journalizing ✓ (b) Posting  
(c) Journal folio or folioing  
(d) Ledger
106. Journal shows all necessary information regarding:  
(a) The document  
(b) A transaction ✓  
(c) The accounting  
(d) Meeting
107. Transactions are recorded chronologically so, journal is called:  
(a) Entry book  
(b) Transaction book  
(c) Chronological book ✓  
(d) Voucher
108. A transaction is recorded on the same day it takes place so, journal is also called:  
(a) A day book ✓  
(b) A history book  
(c) An entry book  
(d) Ledger book
109. Narration is always written:  
(A) Above each entry  
(b) Below each entry ✓  
(c) Between of each entry  
(d) None of the above
110. A journal is generally kept on:  
(a) A columnar basis ✓  
(b) A row basis  
(c) A single line basis  
(d) Vertical basis
111. The specimen ruling of a journal is divided into:  
(a) Three columns  
(b) Five columns ✓  
(c) Six columns  
(d) Two columns
112. In form of journal, the first column represent:  
(a) Ledger folio (L.F) (b) Date ✓

- (c) Amount (d) Debit
113. The particular column in journal form is the column for:  
 (a) Account title and description ✓  
 (b) Account title and date  
 (c) Amount  
 (d) Date
114. Accounting to the journalizing rule, the page numbers of the ledger where the two concerned accounts have been posted are written in:  
 (a) The first column of journal form  
 (b) The second column of journal form  
 (c) The third column of journal form ✓  
 (d) The fourth column of journal form
115. Recording a transaction in the appropriate place of the concerned book of account is called:  
 (a) An accounting record  
 (b) A statement  
 (c) An entry ✓  
 (d) None of the above
116. A short explanation of each transaction is written under each entry which is called:  
 (a) Narration ✓  
 (b) Original entry  
 (c) Subsidiary entry  
 (d) Memorandum entry
117. The complete story of a transaction in one entry is shown by:  
 (a) Voucher book (b) Journal ✓  
 (c) Document (d) Day book
118. Any mistake in ledger can be easily detected with the help of:  
 (a) Journal ✓  
 (b) Balance sheet  
 (c) Trial balance  
 (d) Financial statement
119. The entry in which more than one account is debited or more than one account is credited is known as:  
 (a) Single entry  
 (b) Compound entry ✓  
 (c) Memorandum entry  
 (d) None of the above
120. The money with which proprietor starts his business, is called:  
 (a) Investment (b) Capital ✓
- (c) Cash (d) Loan
121. When proprietor brings capital in the business it is recorded in:  
 (a) Capital a/c ✓  
 (b) Proprietor a/c  
 (c) Creditors a/c  
 (d) Debtors a/c
122. Any cash or goods taken away by the proprietor for his personal use are called:  
 (a) Capital (b) Drawings ✓  
 (c) Income (d) Expense
123. When goods are given away as charity or free samples, the purchases a/c should be:  
 (a) Debited  
 (b) Credited ✓  
 (c) Recorded in balance sheet  
 (d) None of the above
124. When goods are lost by fire or by theft or an accident, purchases a/c should be:  
 (a) Credited ✓  
 (b) Debited  
 (c) Both of these  
 (d) None of the above
125. Debit signifies:  
 (a) Increase in asset account and decrease in liabilities ✓  
 (b) Increase in liabilities accounts and decrease in expense or account  
 (c) Increase in asset a/c and decrease in expenses account  
 (d) Increase in income a/c and decrease in expense account
126. Credit signifies:  
 (a) Increase in assets a/cs and expense a/cs  
 (b) Increase in liabilities a/cs and income a/cs ✓  
 (c) Increase in expenses a/cs and liabilities a/cs  
 (d) Increase in assets a/cs and expenses a/cs
127. Left side of asset account is for:  
 (a) Recording decreases  
 (b) Recording increases ✓  
 (c) Recording the correction of errors  
 (d) None of the above

128. Right side of an asset account is for:  
(a) Recording decreases✓  
(b) Recording increases  
(c) Recording, decreases and increase  
(d) None of the above
129. A business transaction affects:  
(a) At least one account  
(b) At least two accounts✓  
(c) Maximum of three accounts  
(d) None of the above
130. Loss of goods by fire should be credited to:  
(a) Purchases a/c✓  
(b) Sales a/c  
(c) Loss by goods by fire a/c  
(d) Capital a/c
131. Sales of goods to x for cash should be debited to:  
(a) Purchases (b) Cash✓  
(c) Sales (d) Drawings a/c
132. A payment of rupees five hundred to Saeed Transporters for bringing a machine to our factory should be debited to.  
(a) Saeed transporters  
(b) Machine a/c✓  
(c) Cash a/c  
(d) Carriage a/c
133. Rupees 500, with drawn by the owner for his private use should be credited to:  
(a) Owner's drawings a/c  
(b) Expenses a/c  
(c) Cash a/c  
(d) Capital a/c✓
134. Wages of workmen employed for setting up new machinery should be debited to:  
(a) Expenses a/c (b) Wages a/c  
(c) Machinery a/c✓ (d) Salaries a/c
135. Rs. 10 received from Ali whose account was previously written off as bad debt should be credited to:  
(a) Ali's account  
(b) Bad debts account✓  
(c) Bad debts recovered account  
(d) Creditors a/c
136. A purchase of furniture for cash should be debited to:  
(a) Cash account  
(b) Furniture account✓  
(c) Purchases account  
(d) Fixture account
137. A withdrawal of cash from the business by proprietor should be debited to:  
(a) Cash account  
(b) Drawings account✓  
(c) Capital account  
(d) Expense account
138. Goods of the value of Rs. 1000 are given away as charity, this account should be debited to:  
(a) Charity account✓  
(b) Sales account  
(c) Purchases account  
(d) Asset account
139. Furniture purchased for private use of a partner should be debited to:  
(a) Furniture account  
(b) Partner's capital account  
(c) Purchases account  
(d) Partner's drawings account✓
140. The amount of salary paid to Imran should be debited to:  
(a) The account of Imran  
(b) Salaries account✓  
(c) Cash account  
(d) Wages account
141. The return of goods by a customer should be debited to:  
(a) Customer's accounts  
(b) Sales returns account✓  
(c) Goods account  
(d) Purchases account
142. The rent paid to the landlord should be credited to:  
(a) Landlord's account  
(b) Rent account  
(c) Cash account✓  
(d) Rent outstanding account
143. The Cash discount allowed to a debtor should be credited to:  
(a) Discount account  
(b) Customer's account  
(c) Sales a/c  
(d) Creditor's account✓
144. In case of a debt becoming bad, the amount should be credited to:

- (a) Debtor's account ✓  
(b) Bad debts account  
(c) Sales account  
(d) Creditor's account
145. The sale of business asset on credit is recorded in:  
(a) Sales journal  
(b) General journal ✓  
(c) Cash receipt journal  
(d) None of the above
146. The Book in which accounts are maintain is called:  
(a) Daybook (b) Journal  
(c) Ledger ✓ (d) Sales book
147. The debits and credits of journalized transactions are transferred to:  
(a) Chronological book  
(b) Ledger ✓  
(c) Journal  
(d) Purchases book
148. The closing balance of the current year will be the opening balance of the:  
(a) Last year ✓  
(b) Current year  
(c) Next year  
(d) None of the above
149. Excess of debit over credit is called:  
(a) Debit balance ✓  
(b) Credit balance  
(c) Closing balance  
(d) Opening balance
150. The process of recording a transaction in ledger is called:"  
(a) Posting ✓ (b) Journalizing  
(c) Entry (d) Recording
151. Which one of the following is called the king of all books of account:  
(a) The cash book (b) Journal  
(c) Ledger ✓ (d) balance
152. The unit of classification of data with in the ledger is the:  
(a) Transaction  
(b) Account ✓  
(c) Compound entry  
(d) Memorandum entry
153. The closing debit balance falls on the:  
(a) Credit side ✓  
(b) Debit side  
(c) Both debit and credit side  
(d) None of the above
154. Ledger is a book in which:  
(a) Only real accounts are opened  
(b) Only real and personal accounts are opened  
(c) All the real, personal and nominal accounts are opened ✓  
(d) None of the above
155. The journal reference (J.R) helps in locating the entry easily in:  
(a) Ledger (b) Journal ✓  
(c) Trial balance  
(d) Balance sheet
156. The process of equalizing the two sides of an account is known as:  
(a) Balancing ✓  
(b) Journalizing  
(c) Posting  
(d) None of the above
157. While balancing art account the difference of the two sides is recorded on:  
(a) Larger side  
(b) Small side ✓  
(c) Both larger and smaller side  
(d) None of the above
158. Expenses normally shares:  
(a) Debit balance ✓  
(b) Credit balance  
(c) Debit and credit balance both  
(d) None of the above
159. Liabilities normally shows:  
(a) Debit balance  
(b) Credit balance ✓  
(c) Both debit and credit balance  
(d) None of the above
160. Accounts of revenue normally have:  
(a) Debit balance  
(b) Credit balance ✓  
(c) Both credit and debit balance  
(d) None of the above
161. Assets normally has:  
(a) Debit balance ✓  
(b) Credit balance  
(c) Both debit and credit balance  
(d) None of the above
162. Excess of credit over debit is called.  
(a) Debit balance

- (b) Credit balance ✓  
(c) Opening balance  
(d) None of the above
163. If the two sides of an account are equal, that account will show:  
(a) Zero balance ✓  
(b) Debit balance  
(c) Credit balance  
(d) None of the above
164. A trial balance is:  
(a) A balance sheet  
(b) A rough draft of the final accounts  
(c) A list of the balances in the ledger ✓  
(d) None of the above
165. The main purpose of a trial balance is to:  
(a) Help balance the bank account  
(b) Check the accuracy of the books of original entry  
(c) Help check the arithmetical accuracy of the double entry ✓  
(d) None of the above
166. Which of the following types of error in the ledger will not be revealed by a trial balance:  
(a) An error of omission ✓  
(b) An error of commission  
(c) An error of principle  
(d) None of the above
167. A suspense account is opened when the:  
(a) Trading account does not balance  
(b) Profit and loss account does not balance  
(c) Trial balance does not balance ✓  
(d) None of the above
168. The ledger is the book for the:  
(a) First entry  
(b) Second entry ✓  
(c) Third entry  
(d) Fourth entry
169. The ledger is the book for the:  
(a) Chronological record  
(b) Daily record  
(c) Analytical record ✓  
(d) None of the above
170. When we post the various entries from the journal in to the ledger, we should write the ledger page in the:  
(a) Ledger folio column of journal ✓  
(b) Journal folio column of journal  
(c) Journal folio column of journal  
(d) None of the above
171. In case, the trial balance is not prepared, it will be almost impossible to prepare:  
(a) The journal  
(b) The ledger  
(c) The financial statements ✓  
(d) None of the above
172. The ruling of a trial balance is similar to that of:  
(a) A journal ✓  
(b) A ledger  
(c) A balance sheet  
(d) None of the above
173. Cash sales to Mr. Ali will be posted to credit side of:  
(a) Mr. AH account  
(b) account  
(c) Sales account ✓  
(d) None of the above
174. Salary paid in cash to Rahat will be posted to salary account on the:  
(a) Credit side (b) Debit side ✓  
(c) Both sides (d) None of the above
175. Building purchased for cash will be posted to building account on the:  
(a) Debit side ✓  
(b) Credit side  
(c) Both sides  
(d) None of the above
176. Cash purchases from Khalid will be posted to debit side of:  
(a) Cash A/c (b) Sale A/c  
(c) Purchase A/c ✓ (d) Expense A/c
177. The person to whom we are indebted is:  
(a) Debtor (b) Creditor ✓  
(c) Employee (d) Agent
178. The person who is indebted to us is ours:  
(a) Debtor ✓ (b) Creditor  
(c) Owner (d) Agent
179. The amount with which a business is started is called:  
(a) Capital ✓ (b) Loan  
(c) Profit (d) Investment
180. The left hand side of Account is called:

- (a) Credit side  
 (b) Debit side ✓  
 (c) Both debit and credit  
 (d) None of the above
181. The right hand side of an Account is called:  
 (a) Debit side  
 (b) Credit side ✓  
 (c) Both debit and credit  
 (d) None of the above
182. Transactions relating to income-expenditure and profit-loss are recorded in:  
 (a) Real account  
 (b) Nominal account ✓  
 (c) Personal account  
 (d) Capital account
183. Transactions relating to persons or institutions:  
 (a) Real account  
 (b) Nominal account  
 (c) Personal account ✓  
 (d) Drawings account
184. Transactions relating to properties or assets are recorded in:  
 (a) Real accounts ✓  
 (b) Nominal accounts  
 (c) Personal accounts  
 (d) None of the above
185. The difference of the totals of the two sides of an account is called:  
 (a) Brought forward ✓  
 (b) Carry forward  
 (c) Balance  
 (d) None of the above
186. The arithmetical accuracy of books of account is verified through:  
 (a) Journal  
 (b) Ledger  
 (c) Trial balance ✓  
 (d) None of the above
187. Cash transactions, are recorded in:  
 (a) Creditor's  
 (b) Debtor's book  
 (c) Cash book ✓  
 (d) None of the above
188. Transactions are primarily recorded in:  
 (a) Journal ✓  
 (b) Ledger  
 (c) Trial balance  
 (d) Balance sheet
189. Transactions are finally recorded in:  
 (a) Journal  
 (b) Ledger ✓  
 (c) Trial balance  
 (d) None of the above
190. Journal is called:  
 (a) Book of original entry ✓  
 (b) Book of final entry  
 (c) Book of single entry  
 (d) None of the above
191. Ledger is called:  
 (a) Book of original entry  
 (b) Book of final entry ✓  
 (c) Book of compound entry  
 (d) None of the above
192. The word "By" is used with an account while making posting on:  
 (a) Debit side of an account  
 (b) Credit side of an account ✓  
 (c) Both sides of an account  
 (d) None of the above
193. The word "To" is used with an account while making posting on:  
 (a) Debit side of an account ✓  
 (b) Credit side of an account  
 (c) Both side of a account  
 (d) None of the above

## BANKING TRANSACTIONS

**Q.1-** Four possible answers are given for the following questions. Tick mark (S) the correct answer:

- An institution which purchases and sells money and transacts other financial - business of like nature is called:  
 (a) College (b) Bank ✓  
 (c) Hospital (d) Manufacturing
- Bank borrow money in the shape of deposits and lends it in various ways: it consider its:  
 (a) Primary function ✓

- (b) General utility function  
(c) Agency functions  
(d) Secondary function
3. A bank performs certain functions for the benefit of general public which are called us:  
(a) Primary functions  
(b) General utility functions✓  
(c) Agency functions  
(d) Secondary function
4. When banks act as agents of their customers and tender great service in that capacity these are:  
(a) Primary functions  
(b) General utility functions  
(c) Agency functions✓  
(d) Secondary function
5. To keep valuable things and papers in safe custody, is the example of bank's:  
(a) Primary function  
(b) General utility function✓  
(c) Agency function  
(d) Secondary function
6. To realize interest and dividend on behalf of their customers is the example of banks:  
(a) Primary function  
(b) General utility function  
(c) Agency function✓  
(d) Secondary function
7. To finance the import and export trade of a country is the example of banks:  
(a) Primary function  
(b) Agency function  
(c) General utility function✓  
(d) Secondary function
8. Issue of various important documents is the example of banks:  
(a) Primary functions  
(b) General utility function✓  
(c) Agency function  
(d) Secondary function
9. A commercial bank receives money on:  
(a) Two accounts  
(b) Three accounts✓  
(c) Four accounts  
(d) Five accounts
10. The customer is allowed to deposit or withdraw money as and when he likes, in" case of:  
(a) Current account✓  
(b) Saving bank account  
(c) Fixed deposit account  
(d) None of the above
11. In case, deposits can be made only up to a certain amount and withdrawals are allowed only twice or thrice a week, not exceeding a certain amount, is:  
(a) Current  
(b) Saving bank account✓  
(c) Fixed deposit account  
(d) None of the above
12. When a certain amount is deposited for a fixed period such as six months, one year or longer, such type of account is:  
(a) Current account  
(b) Saving bank account  
(c) Fixed deposit account✓  
(d) None of the above
13. When a customer is authorized to borrow up to an agreed amount in excess of the customers bank balance, if will be called:  
(a) Bank overdraft✓  
(b) Bank under draft  
(c) Bank balance  
(d) None of the above
14. When a commercial bank advances a fixed sum for a definite period of time, it will called:  
(a) Overdraft  
(b) Loans✓  
(c) Under draft  
(d) None of the above
15. Which of the following should be filed up. When money is to be deposited in the  
(a) Draft (b) Cheque  
(c) Pay-in-slip✓ (d) Pay order
16. A customer can withdrawal from his account or make payment to various parties "by issue of:  
(a) Pay-in-slips  
(b) Cheques✓  
(c) Overdrafts  
(d) None of the above



17. In the books of the bank, whenever an account is opened the customer is finished with a:
- Bank-pass book✓
  - Cheque book
  - Pay-in-slip book
  - None of the above
18. When two parallel lines are drawn across the face of a cheque, it is said to be:
- A bearer cheque
  - An order cheque
  - A crossed cheque✓
  - None of the above
19. When the cheque is paid by the drawee bank, it is said to be:
- Honoured
  - Dismoured
  - Endorsed✓
  - None of the above
20. When the cheque is not paid by the drawee bank, it is said to be:
- Honoured
  - Dishonoured
  - Endorsed
  - None of the above✓
21. The act of signing on the back of the cheque in order to transfer it to someone else is called:
- Crossing
  - Endorsement✓
  - Drafting
  - None of the above
22. Commercial banks give the facility of remittance or money from one place to another, through:
- Cheques
  - Overdrafts
  - Bank drafts✓
  - None of the above
23. Hundi is exactly like a:
- Bank draft✓
  - Cheque
  - Pay in slip
  - None of the above

## BILLS OF EXCHANGE

- The method of payment by bill of exchange depend on:
  - Cash basis
  - Credit basis✓
  - Reserve basis
  - None of the above
- Bill receivable book is a part of the:
  - Journal✓
  - Ledger
  - Profit and loss account
  - Balance sheet
- A bill of exchange contains:
  - An unconditional order✓
  - A promise
  - A request to deliver goods
  - A conditional order
- A bill of exchange is drawn by:
  - A debtor
  - A creditor✓
  - A holder
  - Endorsee
- Bill receivable account is a:
  - Nominal account
  - Personal account✓
  - Real account
  - Expense account
- At the time of drawing a bill, the drawer credits:
  - Debtors account✓
  - Creditors account
  - Bill receivable account
  - Suppliers account
- When a bill is discharged, the acceptor debits:
  - Creditors account
  - Cash account
  - Bill payable account✓
  - Bill receivable account
- At the time of endorsement of a bill, the drawer credits:
  - The drawee a/c
  - The endorsee's personal account
  - Bill receivable account✓

- (d) Endorsee's account
9. Retiring a bill under rebate means:  
 (a) Making payment for the bill before the due date ✓  
 (b) Making payment for the bill after the due date  
 (c) Dishonouring bill  
 (d) None of the above
10. At the time of endorsement of a bill, the drawee debits:  
 (a) Bill payable account  
 (b) Other party's account  
 (c) No account (No entry) ✓  
 (d) None of the above
11. If a bill is dishonoured, when presented for payment by third party, the drawer will debit:  
 (a) Acceptor's account ✓  
 (b) Third party's account  
 (c) Neither of that two  
 (d) Endorsee
12. When noting charges are paid by the bank at the time of the dishonour of the bill, the drawee credits:  
 (a) Bill payable  
 (b) Discount account  
 (c) Noting charges a/c  
 (d) Drawer's account ✓
13. The person to whom a bill is addressed is the:  
 (a) Debtor ✓ (b) Creditor  
 (c) Holder (d) Agent
14. A bill from the point of view of a creditor is called a:  
 (a) Bill payable  
 (b) Bill receivable ✓  
 (c) Bill acceptable  
 (d) Bill reject able
15. When the drawer discounts a bill, he debits:  
 (a) Discount account ✓  
 (b) Endorserrient account ---  
 (c) Interest account  
 (d) Drawee's account
16. Refusal by the acceptor to make payment of the bill on the maturity date is called:  
 (a) Retirement of the bill  
 (b) Dishonour of the bill ✓
- (c) Collection of the bill  
 (d) Honour of the bill
17. When noting charges are paid at the time of dishonour of the bill, the drawee always debits:  
 (a) Noting charges account ✓  
 (b) Interest account  
 (c) Discount account  
 (d) Drawer's account
18. In case of bill of exchange, there are minimum:  
 (a) Two parties ✓  
 (b) Three parties  
 (c) Four parties  
 (d) One party
19. Bill of exchange is a convenient method for the transfer of:  
 (a) Cash (b) Goods  
 (c) Debt ✓ (d) Investment
20. The period of time after which a bill becomes payable is called:  
 (a) Tenor ✓  
 (b) Usance  
 (c) Grace days  
 (d) None of the above
21. When a bill is accepted without any condition to the order of the drawer, it is called:  
 (a) Qualified acceptance  
 (b) General acceptance ✓  
 (c) Unqualified acceptance  
 (d) None of the above
22. In case of accommodation bills, if one party becomes insolvent, then the short remittance is credited to:  
 (a) Deficiency account ✓  
 (b) Bad debts account  
 (c) Insolvency account  
 (d) Solvency account
23. Accommodation bill are drawn, accepted and endorsed:  
 (a) Without any consideration ✓  
 (b) For some consideration  
 (c) Half for consideration  
 (d) None of the above
24. Amount of noting charges is the actual expense of:  
 (a) Drawee ✓ (b) Drawer

- (c) Banker (d) Endorsee
25. The amount deducted by bank of the bill from the face value of the bill is called:  
 (a) Interest (b) Rebate  
 (c) Discount ✓ (d) Commission
26. The procedure by which a bill is transferred from one person to another person for the settlement of debts is called.  
 (a) Retirement  
 (b) Endorsement ✓  
 (c) Renewal  
 (d) None of the above
27. When the bill is dishonoured bill payable account is debited in the books of the:  
 (a) Bank (b) Drawer  
 (c) Drawee ✓ (d) Endorsee
28. When the bill is dishonoured acceptor's account is debited in the books of the:  
 (a) Bank (b) Drawer ✓  
 (c) Drawee (d) Endorsee
29. When an endorsed bill is dishonoured endorsee's or creditor's account is in the books of the:  
 (a) Bank  
 (b) Drawee  
 (c) Drawer ✓  
 (d) Agent
30. The drawer always debits acceptor's account for noting charges paid on:  
 (a) Honour of a bill  
 (b) Endorsement of a bill  
 (c) Dishonour of a bill ✓  
 (d) None of the above
31. When a bill is renewed, interest account is credited in the books of the:  
 (a) Drawer ✓ (b) Drawee  
 (c) Bank (d) Endorsee
32. When a party becomes insolvent, the bill accepted by him is treated as:  
 (a) Honoured  
 (b) Dishonoured ✓  
 (c) Discounted  
 (d) None of the above
33. Interest on renewal of a bill is a revenue to the:  
 (a) Drawer ✓ (b) Drawee  
 (c) Endorsee (d) Acceptor
34. Interest on renewal of a bill is a expense to- the:  
 (a) Drawer (b) Drawee ✓  
 (c) Endorsee (d) Seller
35. In case of discounting of bill with the bank, the acceptor will passed:  
 (a) Discounting  
 (b) Acceptance entry  
 (c) No entry ✓  
 (d) None of the above
36. In case of retiring a bill, rebate is treated as expense for the:  
 (a) Holder ✓ (b) Acceptor  
 (c) Banker (d) Agent
37. The rebate, in case of retiring of a bill is revenue for the:  
 (a) Holder (b) Acceptor ✓  
 (c) Banker (d) Agent
38. When bills are drawn in one country and accepted and payable in another country are called:  
 (a) Inland bills  
 (b) Local bills  
 (c) Foreign bills ✓  
 (d) None of the above
39. When bills are drawn in a country upon persons living in- the same country or made payable in the same country are known as:  
 (a) inland ✓  
 (b) Foreign bills  
 (c) Overseas bills  
 (d) None of the above
40. A promissory note contains.  
 (a) A conditional order  
 (b) A promise ✓  
 (c) A request to deliver goods  
 (d) An unconditional order
41. A promissory note is written by:  
 (a) Debtor ✓ (b) Creditor  
 (c) Bank (d) Agent
42. Promissory note is a written promise between:  
 (a) Four parties  
 (b) Three parties  
 (c) Two parties ✓  
 (d) Five parties

43. A promissory note should be:  
 (a) Oral  
 (b) Written ✓  
 (c) Verbal  
 (d) None of the above
44. Accommodation bills are drawn and accepted for:  
 (a) Financial assistance ✓  
 (b) Consideration  
 (c) Debt  
 (d) Loan
45. In case of bill of exchange for obtaining the debt, legal action can be resorted by:  
 (a) Drawer ✓ (b) Drawee  
 (c) Banker (d) Endorsee
46. The due date of a bill of exchange, when the amount of the bill is payable by the drawee, is called the:  
 (a) Acceptance date  
 (b) Maturity date ✓  
 (c) Dishonoured date  
 (d) Bill written date
47. In case of bill of exchange, every bill has to be accepted by the:  
 (a) Drawer (b) Bank  
 (c) Drawee ✓ (d) Agent
48. A liability that will only arise if a certain event occurs, is called:  
 (a) Contingent liability ✓  
 (b) Mutual liability  
 (c) Future liability  
 (d) None of the above
49. When a bill is dishonoured, the holder of the bill, goes to an official called:  
 (a) Clerk  
 (b) Notary public ✓  
 (c) Inspector  
 (d) Agent
50. In case of dishonour, the notary public will charge a small fee from the holder, is known as:  
 (a) Interest (b) Rebate  
 (c) Noting charges ✓ (d) Discount

## SUB-DIVISION OF JOURNAL CASH BOOK, BANK RECONCILIATION STATEMENT AND PETTY CASH BOOK

**Q.1** Four possible answers are given for the following questions. -Tick mark (✓) the correct answer:

### CASH BOOK

- The books in which are recorded the details of transactions as they place from day to day, in a classified manner, are known as:  
 (a) Subsidiary books ✓  
 (b) Vouchers books  
 (c) Recording books  
 (d) Receipts books
- All cash receipts and cash payments are recorded in:  
 (a) Sales book  
 (b) Purchases book  
 (c) Cash book ✓  
 (d) Recording book
- The book is used to record all credit purchases is called:  
 (a) Purchases book ✓  
 (b) Purchases return book  
 (c) Cash book  
 (d) Creditor book
- All the transactions, related to credit sales recorded in:  
 (a) Sales return book  
 (b) Sales book ✓  
 (c) Cash book  
 (d) Debtor's book
- Those transactions for which there is no separate book, for recording are recorded in:  
 (a) Journal proper ✓  
 (b) Bills receivable book

- (c) Bills payable book  
(d) Cash book
6. Subsidiary books are called books of:  
(a) Original entry ✓  
(b) Secondary entry  
(c) Temporary entry  
(d) Basic entry
7. Practically, the cash book is a substitute for cash account in the:  
(a) Journal  
(b) Ledger ✓  
(c) Trial balance  
(d) Petty cash book
8. When cash is received from a debtor or customer, generally a receipt or cash memo is issued to the debtor which is called:  
(a) Receipt voucher ✓  
(b) Payment voucher  
(c) Cash voucher  
(d) Cash receipt
9. When money is paid to a creditor or supplier a receipt is obtained from him which is called:  
(a) Receipt voucher  
(b) Payment voucher ✓  
(c) Cash voucher  
(d) Petty cash voucher
10. A document evidencing cash receipts and payments and forming the basis for making entries in the cash book is called:  
(a) Receipt voucher  
(b) Payment voucher  
(c) Cash voucher ✓  
(d) Cash memo
11. Single column cash book is used for recording:  
(a) Cash transactions only ✓  
(b) Cash and bank transactions  
(c) Cash, bank and discount transactions  
(d) None of the above
12. The double column cash book makes the record of:  
(a) Cash transactions only  
(b) Cash and bank transactions ✓  
(c) Cash, bank and discount transactions  
(d) None of the above
13. The treble column cash book makes the record of:  
(a) Cash transactions only  
(b) Cash and bank transactions  
(c) Cash, bank and discount transactions ✓  
(d) None of the above
14. Discount deducted from the catalogue or list price is called:  
(a) Trade discount ✓  
(b) Cash discount  
(c) Catalogue discount  
(d) Credit discount
15. If a person pays his debit before the due date of payment the recipient may grant him an allowance for doing so, this allowance is known as:  
(a) Trade discount  
(b) Cash discount ✓  
(c) Catalogue discount  
(d) Credit discount
16. If an amount is entered on the debit side of an account and the exact amount is again entered on the credit side of the same account, it is called a:  
(a) Contingent entry  
(b) Contra entry ✓  
(c) Compound entry  
(d) Double entry
17. The balance on the debit side of the bank column in cash book indicates:  
(a) The total amount withdrawn from bank  
(b) The total amount deposited from bank  
(c) Cash at bank ✓  
(d) Cash in hand
18. The balance of the column is always:  
(a) Debit balance ✓  
(b) Credit balance  
(c) Both debit and credit balances  
(d) None of the above
19. 'Discount columns' of the cash book are totaled whereas bank and cash columns are 'balanced' because:  
(a) Discount columns represent rough work  
(b) Discount columns are in the nature of memorandum accounts ✓  
(c) It represent expense  
(d) It represent income

20. The cash book in book-keeping records:  
(a) All receipts and payments in cash ✓  
(b) All cash and credit sale of goods  
(c) All credit and cash purchase of goods  
(d) Only cash payments
21. Cash discount is provided on:  
(a) Prompt payment ✓  
(b) Sale  
(c) Purchase  
(d) List price
22. Cash account is a:  
(a) Personal account  
(b) Real account ✓  
(c) Nominal account  
(d) Both real and personal account
23. The discount account is a:  
(a) Personal account  
(b) Real account  
(c) Nominal account ✓  
(d) Asset account
24. A contra entry is one which does not require posting to the:  
(a) Journal  
(b) Ledger ✓  
(c) Cash book  
(d) None of the above
25. A contra-entry appears on both sides of:  
(a) Journal  
(b) Cash book ✓  
(c) Trial balance  
(d) Sales book
26. Cash account will show:  
(a) Debit or credit balance  
(b) Credit balance  
(c) Debit balance ✓  
(d) Both debit and credit
27. Cash book is:  
(a) Subsidiary journal  
(b) Subsidiary journal and ledger account ✓  
(c) Ledger account  
(d) Subsidiary journal or ledger account
28. A customer's cheque returned dishonoured is recorded.  
(a) Returns inwards books  
(b) Cash book ✓  
(c) Ledger  
(d) Sales book
29. Cash sales are recorded in:  
(a) Sales book  
(b) Cash book ✓  
(c) Debtor's book  
(d) None of the above
30. Bank columns of the cash book represent bank account in the:  
(a) Journal  
(b) Ledger ✓  
(c) Trial balance  
(d) Pass book
31. In business concern, cash balance is a very important element of its:  
(a) Financial condition ✓  
(b) Administrative condition  
(c) Managerial condition  
(d) Marketing condition
32. The customer may deposit cash or cheque with the aid of a:  
(a) Bank statement  
(b) Pay-in-slip ✓  
(c) Passbook  
(d) Cash book
33. A copy of the customer's account in the bank's ledger is called:  
(a) Deposit statement  
(b) Balance statement  
(c) Bank statement ✓  
(d) Customer
34. Disagreement in balances may arise owing to mistake or mistakes in the:  
(a) Cash book only  
(b) Bank statement  
(c) Cash book or bank statement ✓  
(d) Bank column of the cash book only
35. The statement which contains a complete and satisfactory explanation of the differences in balances as per cash book and bank statement is known as:  
(a) Bank statement  
(b) Cash statement  
(c) Balance statement  
(d) Bank reconciliation statement ✓
36. Bank account is a:  
(a) Personal account  
(b) Real account ✓  
(c) Nominal account  
(d) None of the above
37. A bank reconciliation statement is prepared by:

- (a) Banker  
(b) Accountant of the business ✓  
(c) Statutory auditors  
(d) Registrar
38. When bank column of a cash book shows a credit balance, it means:  
(a) Cash balance  
(b) Bank balance  
(c) Under draft  
(d) Over draft ✓
39. Bank reconciliation is not a:  
(a) Ledger account ✓  
(b) Memorandum statement  
(c) Reconcile records  
(d) Procedure to prove cash book balance
40. Bank reconciliation statement is a part of:  
(a) Pass book  
(b) Ledger accounts  
(c) Journal  
(d) Cash book ✓
41. Bank statement is the statement of account of the customer maintained by the:  
(a) Customer  
(b) Accountant of the business  
(c) Bank ✓  
(d) Statutory auditor
42. The debit balance of the bank account in the books of the business should be equal to the credit balance of the account of the business in the books of the:  
(a) Business  
(b) Bank ✓  
(c) Registrar  
(d) Notary- public
43. When bank statement shows a credit balance it means:  
(a) Favourable balance ✓  
(b) Unfavourable balance  
(c) Overdraft  
(d) None of the above
44. When bank column of a cash book shows a debit balance it means:  
(a) Overdraft as per bank  
(b) Unfavourable balance as per cash book  
(c) Favourable balance as per cash book ✓  
(d) Favourable balance as per pass book
45. When bank statement shows a debit total balance, it means:  
(a) Overdraft as per cash book  
(b) Unfavourable balance as per cash book  
(c) Favourable balance as per cash book  
(d) Overdraft as per bank statement ✓
46. Bank reconciliation statement is:  
(a) A memorandum statement ✓  
(b) A ledger account  
(c) A part of the cash book  
(d) A part of the journal
47. In adjusting the cash balance one of the following is not taken into account:  
(a) Mistakes in the cash book  
(b) Mistakes in the bank statement ✓  
(c) Interest and dividends credited in the bank statement  
(d) None of the above
48. Unfavourable bank balance means:  
(a) Credit balance in the cash book ✓  
(b) Credit balance in the bank statement  
(c) Debit balance in the cash book  
(d) Both debit, credit balance in cash book
49. The payments side of the cash book is under cast by Rs. 200, when overdraft as per bank statement is the starting point:  
(a) Rs. 200 will be deducted ✓  
(b) Rs. 200 will be added  
(c) Rs. 400 will be added  
(d) Rs. 400 will be deducted
50. An amount of Rs. 1000 is debited twice in the bank statement: when overdraft as per the cash book is the starting point:  
(a) Rs. 1000 will be deducted  
(b) Rs. 1000 will be added  
(c) Rs. 2000 will be deducted  
(d) Rs. 2000 will be added ✓
51. The book in which small payments, which are not convenient to record in the main cash book, are recorded is called:  
(a) Mini cash book  
(b) Main cash book  
(c) Daily expenses book  
(d) Petty cash book ✓
52. The balance of petty cash book is:  
(a) A liability  
(b) An expense

- (c) Again (d) An asset✓
53. The petty cash book is used for recording:  
(a) Petty cash payments✓  
(b) Petty cash receipts from customers  
(c) All cash payments  
(d) All credit payments
54. Petty cash system is designed:  
(a) To meet the needs of small business  
(b) To cover small and miscellaneous income  
(c) To cover the small expenditure to be paid in cash✓  
(d) To cover both small income and expenditures:
55. The term imprest system is used to relation to:  
(a) Purchase book  
(b) Sales book  
(c) Cash book  
(d) Petty cash book✓
56. Petty cash book is a branch of:  
(a) Pass book  
(b) Sales bank  
(c) Cash book✓  
(d) Purchase book
57. When the monthly bank statement is sent out which one of the following would not appear:  
(a) Interest charged by the bank  
(b) A dishonoured cheque  
(c) A direct debit  
(d) A payment from petty cash✓
58. The petty cash is kept on the imprest system and the balance at the start of the month is Rs. 1000. If petty cash expenses during the month of Rs. 720 are incurred, the amount received from the cashier at the start of the next month should be:  
(a) Rs. 280 (b) Rs. 720✓  
(c) Rs. 1000 (d) Rs. 1720
59. An analytical petty cash book  
(a) Lists different petty cash expenses under their relevant headings✓  
(b) Is used instead of a three column cash book  
(c) Is not part of the double entry system  
(d) Is always run on the imprest system
60. Under the imprest system the petty cash is:  
(a) Increased every week  
(b) Reduced every week  
(c) Always restored to the original amount✓  
(d) Used up completely before being restored
61. After the preparation of a trial balance, the next level of work in accounting is called:  
(a) Rectification of the errors  
(b) Preparation of bank reconciliation statement  
(c) Work sheet  
(d) Final accounts✓
62. Which of the following, enable us to check on the conduct of the business, and to discover whether it is being run profitably:  
(a) Final accounts✓  
(b) Trialbalance  
(c) Ledgers  
(d) Journal
63. The statements which are finally prepared to show the profit earned "or loss, suffered by the firm and financial state of affairs of the firm at the end of the period.  
(a) Bank statements  
(b) Final accounts✓  
(c) Bank reconciliation statements  
(d) Ledger accounts
64. The gross result (gross profit or gross loss) of the business is shown by:  
(a) Profit and loss account  
(b) Profit and loss appropriation account  
(c) Trading account✓  
(d) Balance sheet
65. The net result (net profit or net loss) of the business is shown by:  
(a) Profit and loss account✓  
(b) Profit and loss appropriation account  
(c) Trading account  
(d) Balance sheet
66. The net profit or loss of the business has been distributed or disposed off is shown by:  
(a) Profit and loss account✓



- (b) Profit and loss appropriation account  
(c) Trading account  
(d) Balance sheet
67. Which of the following discloses the financial position of the business:  
(a) Trading account  
(b) Profit and loss account  
(c) Profit & loss appropriation a/c  
(d) Balance sheet✓
68. The profit and loss appropriation account is not prepared in the case of:  
(a) Partnership business  
(b) Public limited company  
(c) Sole proprietorship business✓  
(d) Private limited company
69. Trading account is the account which is prepared to determine the:  
(a) Only Gross profit of the business  
(b) Only Gross loss of the business  
(c) Gross profit or the Gross loss of the business✓  
(d) None of the above
70. The balance of trading account which represents either Gross profit or Gross loss is transferred to:  
(a) Profit and loss account✓  
(b) Balance sheet  
(c) Work sheet  
(d) Position statement
71. Gross profit equals:  
(a) Sales minus closing stock  
(b) Purchases minus closing stock  
(c) Net profit minus expenses  
(d) Sales minus cost of goods sold✓
72. Cost of sales equals:  
(a) Sales minus purchases  
(b) Purchases minus returns out plus closing stock  
(c) Sales + Opening stock - (Purchaser + Closing stock)  
(d) Opening stock - Closing stock + Purchases minus return out✓
73. Net profit equals:  
(a) Gross profit minus expenses✓  
(b) Sales minus cost of sales  
(c) Sales minus expenses  
(d) Capital minus expenses
74. A man buys Rs, 40,000 worth of goods and sells them for Rs. 50,000. His gross profit is:  
(a) Rs. 10,000✓ (b) Rs. 20,000  
(c) Rs. 30,000 (d) Rs. 40,000
75. If the gross profit is Rs. 5000 and the net profit is 25% of the gross profit. The expenses must be:  
(a) Rs. 1250 (b) Rs. 3750✓  
(c) Rs. 4150 (d) Rs. 6250
76. An operating statement is similar to a:  
(a) Trial balance  
(b) Balance sheet  
(c) Trading profit and loss account✓  
(d) Bank reconciliation statement
77. Net sales equals sales minus:  
(a) Return outwards  
(b) Return inwards✓  
(c) Cost of goods sold  
(d) Carriage on sales
78. All duties on goods purchased should be debited to:  
(a) Profit and loss account  
(b) Balance sheet  
(c) Position statement  
(d) Trading account✓
79. All those expenses which are incurred to convert raw-materials into finished goods or which may be regarded as a part of the cost of purchasing the goods are called:  
(a) Direct expenses✓  
(b) Indirect expenses  
(c) Administrative expenses  
(d) Sales expenses
80. All the direct expenses are charged to:  
(a) Balance sheet  
(b) Profit and loss account  
(c) Trading account✓  
(d) None of these
81. An amount paid to a person for exploiting rights possessed by him, is called as:  
(a) Excise duty  
(b) Octroi duty  
(c) Royalty✓  
(d) Wages

82. The nominal accounts are transferred to the:  
(a) Profit and loss account ✓  
(b) Balance sheet  
(c) Position statement  
(d) Statement of financial condition
83. The real or personal accounts goes to the:  
(a) Profit and loss account  
(b) Trading account  
(c) Income statement  
(d) Balance sheet ✓
84. The dues imposed on ships and their cargoes when they are unloaded on the part are called:  
(a) Excise duty  
(b) Octroi duty  
(c) Dock charges ✓  
(d) Clearing charges
85. Dock charges is a:  
(a) Indirect expense  
(b) Direct expense ✓  
(c) Direct income  
(d) Indirect income
86. All the direct expenses debited to the:  
(a) Profit and loss account  
(b) Balance sheet  
(c) Trading account ✓  
(d) Income statement
87. All the indirect expenses debited to the:  
(a) Profit and loss account ✓  
(b) Trading account  
(c) Balance sheet  
(d) None of the above
88. The excess of the net income from sales over the cost of goods sold is called:  
(a) Cost of good sold  
(b) Gross profit ✓  
(c) Net profit  
(d) Operating profit
89. The excess of gross profit on sales over total operating, expenses is called:  
(a) Cost of good sold  
(b) Gross profit  
(c) Net profit ✓  
(d) Non-operating income
90. The account which is prepared for determining gross profit or gross loss of a business concern, is called:  
(a) Balance account  
(b) Trading A/c ✓  
(c) Bank statement  
(d) Cash statement
91. The account which is prepared for determining net-profit or net-loss  
(a) Personal account  
(b) Real account  
(c) Profit and loss account ✓  
(d) Trading account
92. The total operating expenses is equal to:  
(a) Gross profit + Selling expenses  
(b) Selling expenses + General expenses ✓  
(c) Selling expenses - General expenses  
(d) Gross profit - General expenses
93. The statement of assets, liabilities and owner's equity (capital) on a particular date is called:  
(a) Balance sheet ✓  
(b) Income statement  
(c) Bank statement  
(d) Cash statement
94. The order in which assets and liabilities are stated on the balance sheet is termed as:  
(a) Liquidity  
(b) Realizability  
(c) Marshalling ✓  
(d) None of the above
95. All the things and properties under the ownership of the business is called:  
(a) Liabilities  
(b) Assets ✓  
(c) Incomes  
(d) Capital
96. Our dues to others or anything against which we are to pay money or render service, is known as:  
(a) Owner's equity (b) Asset  
(c) Liability ✓ (d) Expenses
97. Balance sheet reveals the financial position of a concern on a particular date at a point of time, so it is also called:  
(a) Income statement  
(b) Accounting statement  
(c) Balance statement  
(d) Position statement ✓

98. Assets which have some market value are called:  
(a) Real assets ✓  
(b) Fictitious assets  
(c) Current assets  
(d) Liquid assets
99. Assets which have long life and which are bought for use for a long period of time are called:  
(a) Current assets  
(b) Fixed assets ✓  
(c) Fictitious assets  
(d) Wasting assets
100. Assets which have physical existence and which can be seen, touched and felt are called:  
(a) Current assets  
(b) Intangible assets  
(c) Tangible assets ✓  
(d) Fictitious assets
101. Assets which have no physical existence and which cannot be seen, touched or  
(a) Fixed assets  
(b) Tangible assets  
(c) Fictitious assets  
(d) Intangible assets ✓
102. Assets which are short-lived and which can be converted into cash quickly to meet short-term liabilities are called:  
(a) Current assets ✓  
(b) Fixed assets  
(c) Intangible assets  
(d) Tangible assets
103. Out of the current assets there which can be converted into cash very quickly or which are already in form of cash are called:  
(a) Wasting assets  
(b) Intangible assets  
(c) Liquid or quick assets ✓  
(d) Fictitious assets
104. Assets which have no market value are called:  
(a) Liquid assets  
(b) Quick assets  
(c) Fictitious assets ✓  
(d) Real assets
105. Assets whose value gradually reduce on account of use and finally exhausts completely, are called:  
(a) Liquid assets  
(b) Wasting assets ✓  
(c) Fictitious assets  
(d) Quick assets
106. Assets which comes into existence upon the happening of a certain event, are called:  
(a) Fixed assets  
(b) Fictitious assets  
(c) Floating assets  
(d) Contingent assets ✓
107. Expense paid in advance and income earned but not received are known as:  
(a) Contingent assets  
(b) Circulating assets  
(c) Quick assets  
(d) Outstanding assets ✓
108. The total amount of debts payable by a business to its owner is called:  
(a) Internal liabilities  
(b) External liabilities ✓  
(c) Deferred liabilities  
(d) Quick liabilities
109. All debts payable by a business to the outsiders (other than the owner) are called:  
(a) Internal liabilities  
(b) External liabilities ✓  
(c) Deferred liabilities  
(d) Liquid liabilities
110. The liabilities which are repayable after a long period of time are called:  
(a) Liquid liabilities  
(b) Fixed liabilities ✓  
(c) Deferred liabilities  
(d) Current liabilities
111. The debts which are repayable within a short period of time are called:  
(a) Long-term liabilities  
(b) External liabilities  
(c) Short-term liabilities ✓  
(d) Internal liabilities
112. Debts which are repayable in the course of a month are called:  
(a) Internal liabilities

- (b) External liabilities  
(c) Deferred liabilities  
(d) Quick liabilities✓
113. Debts which are repayable in the course of less than one year but **more** than one month, is called:  
(a) Liquid or quick liabilities  
(b) Deferred liabilities✓  
(c) External liabilities  
(d)Contingent liabilities
114. Those liabilities which arise only on the happening of some event, are called:  
(a) Current liabilities  
(b) Contingent liabilities✓  
(c) Outstanding liabilities  
(d) Fixed liabilities
115. Outstanding expenses and unearned incomes are known as:  
(a) Current liabilities  
(b) Contingent liabilities  
(c) Outstanding liabilities✓  
(d) Fixed liabilities
116. The surplus or excess of assets over liabilities is called the:  
(a) Assets of proprietor  
(b) Liability of proprietor  
(c) Income of proprietor  
(d) Capital of proprietor✓
117. For the business concern, capital is a:  
(a) Liability✓ (b) Expense  
(c) Income (d) Asset
118. The portion of the funds of a concern which is represented by the fixed and floating assets is called the:  
(a) Fixed capital  
(b) Trading capital✓  
(c) Circulating capital  
(d) Working capital
119. The portion of the funds of a concern which is represented by the fixed assets is called the:  
(a) Circulating capital  
(b) Trading capital  
(c) Fixed capital✓  
(d) Working capital
120. The portion of the funds of a concern which is represented by the floating or circulating assets is called the:  
(a) Working capital  
(b) Fixed capital  
(c) Trading capital  
(d) Circulating capital✓
121. The excess of the floating assets over the floating liabilities is also called:  
(a) Fixed capital  
(b) Trading capital  
(c) Circulating capital  
(d) Working capital✓
122. The debentures and other fixed loans are sometimes called the:  
(a) Working capital  
(b) Circulating capital  
(c) Fixed capital  
(d) Loan capital✓
123. Closing stock is recorded at the:  
(a) Balance sheet and trading a/c✓  
(b) Balance sheet only  
(c) Profit and loss a/c  
(d) Trading a/c only
124. Marshalling of balance sheet means:  
(a) The ordering of its assets and liabilities✓  
(b) The totaling of its assets and liabilities  
(c) Excess of assets over liabilities  
(d) None of the above
125. The valuation of closing stock is at:  
(a) Cost price  
(b) Market price  
(c) Cost or market price which ever is lower✓  
(d) Both on cost and market price
126. Balance sheet shows the:  
(a) Profit earned by a business  
(b) Financial position of a business✓  
(c) Balances of all accounts  
(d) Less earned by a business
127. Profit and loss account shows the:  
(a) Profit and loss through sale of assets  
(b) Total capital Employed  
(c) Profit and loss distribution  
(d) Profit earned or loss suffered by the business✓
128. Stock in trade is:  
(a) A current asset✓  
(b) A fixed asset  
(c) An intangible asset

- (d) A wasting asset
129. Expenses relating to sale of goods are shown in:  
(a) Trading account  
(b) Profit and loss account ✓  
(c) Balance sheet  
(d) Sales account
130. A profit and loss account is prepared:  
(a) For a certain given period ✓  
(b) At a particular point of time.  
(c) On fixed date  
(d) After the fixed date
131. A balance sheet discloses the financial position of a firm:  
(a) For a given period  
(b) On a particular point of time ✓  
(c) On a certain fixed date  
(d) After the fixed date
132. Sales are equal to:  
(a) Cost of goods sold + Profit ✓  
(b) Gross profit - Cost of goods sold  
(c) Gross profit + Cost of goods sold  
(d) Cost of goods sold - Gross profit
133. Gross profit is equal to  
(a) Sales - Closing stock  
(b) Purchases - Closing stock  
(c) Sales - Cost of goods sold ✓  
(d) Sales + Opening stock
134. Cost of sales is equal to  
(a) Sales - Purchases  
(b) Purchases - Returns out + Closing stock  
(c) Opening stock + Closing stock + Purchases + Returns out  
(d) Opening stock - Closing stock + Purchases - Returns out ✓
135. A balance sheet is- a:  
(a) Statement of debtors and creditors  
(b) Statement of income and expenditures  
(c) Financial statement of a business on a particular date ✓  
(d) Statement of profit earned by a business
136. Current liabilities are such obligations which are to be satisfied:  
(a) Within one year ✓  
(b) Within two year  
(c) Within three years
- (d) Within four years
137. Out of the following, the example of a current asset is:  
(a) Surrender value of life insurance policy  
(b) Discount on debentures  
(c) Bill receivable ✓  
(d) Goodwill
138. Purchase of an asset is called:  
(a) An expense  
(b) An expenditure ✓  
(c) A loss  
(d) An income
139. The balance appearing on the debit side of the trial balance as an expenditure shown in the:  
(a) Balance sheet ✓  
(b) Trading account  
(c) Profit and loss account  
(d) Income statement
140. If the profit is 1/4 of the sales then it is:  
(a) 1/4 of the cost price  
(b) 1/3 of the cost price ✓  
(c) 1/5 of the cost price  
(d) 1/2 of the cost price
141. If the profit is 25% of the cost price then it is:  
(a) 25% of the sale price  
(b) 33% of the sale price  
(c) 20% of the sale price ✓  
(d) 26.5% of the sale price
142. Interest on capital is:  
(a) Expenditure for the business  
(b) Gain for the business  
(c) Income outstanding for the business  
(d) Expense for the business ✓
143. Interest on drawings is:  
(a) Expenditure for the business  
(b) Expense for the business  
(c) Gain for the business ✓  
(d) Loss for the business
144. Trade discount allowed on the sales if appearing in the trial balance, is shown in the final accounts:  
(a) On the debit side of trading a/c  
(b) On the debit side of the profit and loss a/c  
(c) On credit side of the profit and loss a/c

- (d) By way of deduction from the sales in the trading a/c ✓
145. Goods given as charity should be credited to:  
 (a) Purchases a/c ✓ (b) Charity a/c  
 (c) Sales a/c (d) Drawing a/c
146. Income tax paid by a sole trader is shown:  
 (a) On the debit side of trading a/c  
 (b) On the debit side of profit and loss a/c  
 (c) On the credit side of trading a/c  
 (d) By way of deduction from the capital in the balance sheet ✓
147. The withdrawal of goods from the business by the proprietor should be credited  
 (a) Drawings account  
 (b) Purchases account ✓  
 (c) Capital account  
 (d) Opening stock account
148. The loss on sale of old machinery is debited to:  
 (a) Profit and loss a/c ✓  
 (b) Machinery account  
 (c) Depreciation account  
 (d) Sales account
149. Wages paid on the erection of a new machinery should be debited to:  
 (a) Wages account  
 (b) Cash account  
 (c) Machinery account ✓  
 (d) None of the above
150. The income statement has normally.  
 (a) One part (b) Two parts ✓  
 (c) Three parts (d) Four parts
151. Patents and dies are the examples of:  
 (a) Tangible assets  
 (b) Intangible assets ✓  
 (c) Contingent assets  
 (d) Outstanding assets
152. If the closing stock appears in the trial balance, it taken only to the:  
 (a) Trading account  
 (b) Balance sheet ✓  
 (c) Profit and loss account  
 (d) Both trading account and balance sheet
153. A claim which can be enforced the assets of the firm in the court is called:  
 (a) Assets (b) Equity ✓  
 (c) Liability (d) Creditor
154. Net profit transferred:  
 (a) Capital A/c ✓  
 (b) Creditor A/c  
 (c) Cash A/c  
 (d) Drawing A/c
155. Net loss is credited to:  
 (a) Trading account  
 (b) Profit and loss account ✓  
 (c) Cash account  
 (d) None of the above
156. Sales discount is debited to:  
 (a) Trading account  
 (b) Balance sheet  
 (c) Profit and loss account ✓  
 (d) Both trading & profit and loss account
157. Gross loss is debited to:  
 (a) Trading a/c  
 (b) Balance sheet  
 (c) Cash account  
 (d) Profit and loss account ✓
158. Wages and salaries are debited to:  
 (a) Trading account ✓  
 (b) Profit and loss account  
 (c) Balance sheet  
 (d) Both trading account and balance sheet
159. Gross profit is credited to:  
 (a) Trading account  
 (b) Profit and loss account ✓  
 (c) Balance sheet  
 (d) Both trading & profit and loss account
160. Closing stock is credited to:  
 (a) Profit and loss account  
 (b) Trading account ✓  
 (c) Balance sheet  
 (d) Both trading and profit and loss a/c
161. Payment for the purchase is machinery is termed as:  
 (a) Expense  
 (b) Expenditure ✓  
 (c) Liability  
 (d) Asset
162.  $\text{Gross profit} + \text{Stock in the beginning} + \text{Purchases} + \text{Direct expenses} - \text{Stock at the end} = ?$   
 (a) Sales ✓

- (b) Cost of goods sold  
(c) Cost of goods available for sale  
(d) Net purchases
163. The balance sheet that divides its accounts into subgroups within the major sections of the statement is called:  
(a) The account form of balance sheet  
(b) The report form of balance sheet ✓  
(c) T-form of balance sheet  
(d) A classified balance sheet ✓
164. All expenses connected with the office and its conduct are called:  
(a) Selling expenses  
(b) Marketing expenses  
(c) Administrative expenses ✓  
(d) Services expenses
165. According to the marshalling method, under which assets are shown in the order of permanence and liabilities are shown in order of liquidity, is known as:  
(a) Permanency preference method  
(b) Liquidity preference method  
(c) Mixed method ✓  
(d) None of these
166. The marshalling method, under which the assets and liabilities are shown in balance sheet in order of their permanence is called:  
(a) Permanency preference method ✓  
(b) Liquidity preference method  
(c) Mixed method  
(d) None of these
167. The marshalling method, under which the assets and liabilities are shown in order of their liquidity, is called:  
(a) Permanency preference method  
(b) Liquidity preference method ✓  
(c) Mixed method  
(d) None of these
168. Permanency preference method is adopted by:  
(a) Sole proprietorship  
(b) Partnership  
(c) Banks  
(d) Joint stock companies ✓
169. The liquidity preference method, mostly adopted by:  
(a) Sole proprietorship and partnership ✓  
(b) Joint stock companies  
(c) Banks  
(d) Insurance companies
170. The mixed method is adopted by:  
(a) Sole proprietorship  
(b) Partnership  
(c) Joint stock companies  
(d) Banks and insurance companies ✓
171. Every business concern ascertains profit or loss of the business at the end of the year through:  
(a) Journal  
(b) Ledger  
(c) Final account ✓  
(d) Bills of exchange
172. The system of accounting, in which accounting entries are made only when cash received or paid, is known as:  
(a) Cash system of accounting ✓  
(b) Accrual system of accounting  
(c) Mercantile system of accounting  
(d) None of these
173. The accounting system, in which accounting entries are made on the basis of amount having become due for payment or receipt, is known as:  
(a) Cash system of accounting  
(b) Accrual or mercantile system of a/c ✓  
(c) Current accounting period  
(d) Outstanding system
174. The act to make a correct record of a transaction which has not been entered or which has been entered but in an incomplete or wrong way, is said to be:  
(a) A transaction  
(b) On entry  
(c) A reversed entry  
(d) An adjustment ✓
175. The expenses incurred but have not been actually paid till the end of the current accounting year, is known as:  
(a) Prepaid expenses  
(b) Un-expired expenses  
(c) Accrued outstanding expenses ✓  
(d) Unearned revenue
176. Which of the following correct adjusting entry is to be passed for outstanding expenses:

- (a) Outstanding expenses a/c XX Dr  
To expenses a/c XX
- (b) Prepaid expenses a/c XX  
To expenses a/c XX
- (c) Expenses a/c XX Dr ✓  
To outstanding expenses a/c XX Cr
- (d) Expenses a/c XXX  
To prepaid expenses a/c XX
177. Expenses paid in advance before they have fallen due are called:
- (a) Prepaid expenses ✓  
(b) Outstanding expenses  
(c) Accrued expenses  
(d) Expenses payable
178. Which of the following correct adjusting entry is to be passed for prepaid expenses.
- (a) Prepaid expenses a/c XX Dr ✓  
To expenses a/c XX Cr  
(b) Expenses a/c XX  
To prepaid expenses a/c XX  
(c) Expenses a/c XX  
To accrued expenses a/c XX  
(d) Expenses a/c XX  
To outstanding expenses XX
179. A prepaid expense is:
- (a) A liability  
(b) An asset  
(c) An income ✓  
(d) A management expense
180. A revenue which have earned or which has become due in the current year but not been received in cash within the current year, is known as:
- (a) Accrued expenses  
(b) Prepaid expenses  
(c) Unearned revenue  
(d) Accrued income ✓
181. Which of the following correct adjusting entry is to be passed for accrued income:
- (a) Income a/c XX  
To income receivable in advance XX  
(b) Accrued income a/c XX Dr ✓  
To income a/c XX Cr  
(c) Prepaid income a/c XX  
To income a/c XX  
(d) Income received in advance a/c XX  
To income a/c XX
182. The outstanding income or accrued income will appears in the balance sheet as:
- (a) A liability (b) An income  
(c) An expense (d) An asset ✓
183. Income received in advance but not earned is called:
- (a) Unearned income ✓  
(b) Prepaid revenue  
(c) Outstanding income  
(d) Accrued income
184. The credit balance of the income received in advance will be shown on the balance sheet as:
- (a) An asset (b) An expense  
(c) A liability ✓ (d) An income
185. Which of the following correct adjusting entry is to be passed for income received in advance during the current period:
- (a) Income received in advance a/c XX  
To income a/c XX  
(b) Income a/c XX Dr ✓  
To income received in advance a/c XX  
(c) Accrued income a/c XX  
To income a/c XX  
(d) Income a/c XX  
To accrued income a/c XX
186. The gradual and permanent decrease in the value of an asset from any cause, is know as:
- (a) Reduction of assets  
(b) Revaluation of assets  
(c) Realization of assets  
(d) Depreciation ✓
187. Which of the following correct adjusting entry is passed at the end of the year on account of depreciation:
- (a) Depreciation a/c XX Dr ✓  
To Asset a/c XX Cr  
(b) Asset a/c XX  
To Depreciation a/c XX  
(c) Asset a/c XX  
Depreciation a/c XX  
To Asset a/c XX  
(d) None of these entries
188. From the business point of view, interest on capital is regarded as:
- (a) An income



- (b) An expense ✓  
(c) An asset  
(d) A profit
189. At the end of the year when interest on capital is recorded, which of the following correct adjusting entry is to be passed:  
(a) Capital a/c XX  
To interest on capital a/c XX  
(b) Capital a/c XX  
To profit and loss a/c XX  
(c) Interest on capital a/c XX Dr ✓  
To capital a/c XX Cr  
(d) Profit and loss a/c XX  
To interest as capital a/c XX
190. From the business point of view, interest on drawings is:  
(a) An asset of the business  
(b) An expense to the business  
(c) A liability of the business  
(d) A revenue to the business ✓
191. The unsold stock the end of the year represents the:  
(a) Opening stock  
(b) Opening purchases  
(c) Closing stock ✓  
(d) Closing purchases
192. Which of the following correct adjusting entry passed at the end of the year on account of closing stock:  
(a) Profit and loss a/c XX  
To closing stock XX  
(b) Closing stock a/c XX  
To closing stock a/c XX  
(c) Trading a/c XX  
To closing stock a/c XX  
(d) Closing stock a/c XX Dr ✓  
To trading a/c XX Cr
193. Commission received in advance is to consider as:  
(a) Outstanding expense  
(b) Accrue income  
(c) Prepaid expense  
(d) Unearned income ✓
194. Unpaid salaries are to be consider as:  
(a) Outstanding expenses ✓  
(b) Accrued income  
(c) Prepaid expenses  
(d) Unearned income
195. Insurance premium paid in advance is:  
(a) An outstanding expense  
(b) An accrued income ✓  
(c) A prepaid expense  
(d) An unearned income
196. Interest due but not received is:  
(a) An outstanding expense  
(b) An accrued income ✓  
(c) A prepaid expense  
(d) An unearned income
197. Rent due but not paid is to be:  
(a) An outstanding expense ✓  
(b) An accrued income  
(c) A prepaid expense  
(d) An unearned income
198. Discount to be received is:  
(a) An outstanding expense  
(b) An accrued income ✓  
(c) A prepaid expense  
(d) An unearned income
199. Bill for repairs not yet paid is:  
(a) An outstanding expense ✓  
(b) An accrued income  
(c) A prepaid expense  
(d) An unearned income
200. In balance sheet rent outstanding should appear on:  
(a) Asset side  
(b) Liabilities side ✓  
(c) Debit side  
(d) Both debit and credit side
201. Wages paid for installing a machine should be debited to:  
(a) Machinery a/c ✓  
(b) Wages a/c  
(c) Cash a/c  
(d) Both machinery and wages a/c
202. In balance sheet, prepaid expenses should be appear as:  
(a) Liabilities (b) Incomes  
(c) Expenses (d) Assets ✓
203. In balance sheet, pre received income is shown on:  
(a) Debit side  
(b) Liability side ✓  
(c) Both debit and credit side  
(d) None of these

204. Net profit is always:  
(A) Equal to gross profit  
(b) More than gross profit  
(c) Less than gross profit ✓  
(d) Parallel to gross profit
205. Net loss is always:  
(a) Than gross loss ✓  
(b) Less than gross loss  
(c) Equal to gross loss  
(d) Parallel to gross loss
206. While making the adjusting entry in respect of depreciation, machinery account is:  
(a) Debited  
(b) Credited ✓  
(c) Both debit and credit  
(d) Neither debit nor credit
207. The principle of framing a closing entry in respect of net profit, is to debit profit and loss account and credit:  
(a) Cash a/c (b) Net profit a/c  
(c) Capital a/c ✓ (d) None of these
208. Outstanding wages are shown as:  
(a) An expense (b) A liability ✓  
(c) An asset (d) An income
209. While making an adjusting entry in respect of closing stock, we debit:  
(a) Closing stock ✓  
(b) Trading account  
(c) Purchases account  
(d) Opening stock
210. While, making an adjusting entry in respect of interest on capital, we credit:  
(a) Interest on capital account  
(b) Capital account ✓  
(c) Profit and loss account  
(d) Trading account"
211. When a customer become business debtor the amount due from him is called:  
(a) Loan (b) Allowance  
(c) Bad debt (d) Debts ✓
212. The debts which cannot recovered from the debtors, are called:  
(a) Debts (b) Loans  
(c) Bad debts ✓ (d) Allowances
213. Bad debts is a business:  
(a) Asset (b) Liability  
(c) Loss ✓ (d) Profit
214. Which of the following correct adjusting entry- to be passed for bad debts:  
(a) Bad debts a/c XX Dr ✓  
To sundry debtor a/c XX Cr  
(b) Sundry debtor a/c XX  
To bad debts a/c XX  
(c) Bad debts a/c XX  
To profit and loss a/c XX  
(d) Bad debts a/c XX  
To creditor a/c XX
215. The bad debts which are appearing in the trial balance only to be debited to:  
(a) Balance sheet  
(b) Profit and loss a/c ✓  
(c) Trading a/c  
(d) Debtors a/c
216. No adjustment is required for any bad debt which is appearing already in the:  
(a) Trial balance ✓  
(b) Profit and loss account  
(c) Balance sheet  
(d) None of these
217. The debts, the recovery or realization of which is doubtful or uncertain, are known as:  
(a) Debts  
(b) Bad debts  
(c) Doubtful debts ✓  
(d) Provision for bad debts
218. The amount setting a side out of profit for a possible loss or liability is called as:  
(a) Debts (b) Provision ✓  
(c) Interest (d) Doubtful debts
219. Bad debts is debited to  
(a) Debtors account  
(b) Creditors account  
(c) Bad debts account ✓  
(d) Cash account
220. Bad debt recovered is credited to:  
(a) Debtors account  
(b) Bad debts recovered a/c ✓  
(c) Provision for bad debts a/c  
(d) Creditor a/c
221. Provision for doubtful debts is debited to:  
(a) Debtors a/c  
(b) Bad debts recovered a/c  
(c) Profit and loss a/c ✓  
(d) Provision for bad debts a/c

222. While making adjusting entries, income received in advance is debited to income account and credited to:  
 (a) Profit and loss a/c  
 (b) Bad debts recovered a/c  
 (c) Debtor's a/c  
 (d) Income received in advance a/c
223. Adjusting entries are made at the end of each business:  
 (a) Day (b) Week  
 (c) Year✓ (d) Hours
224. Provision for bad debts account normally has a:  
 (a) Debit balance  
 (b) Credit balance✓  
 (c) Both debit and credit balances  
 (d) None of these
225. From the business point of view, the discount allowed to customers is:  
 (a) A profit (b) A loss✓  
 (c) An asset (d) A liability
226. Business give a cash discount, on making prompt paying to its:  
 (a) Debtors✓ (b) Creditors  
 (c) Investors (d) Partners
227. Business received discount from its:  
 (a) Debtors  
 (b) Creditors✓  
 (c) Investors  
 (d) Partners
228. The provision for bad debts is made by crediting:  
 (a) Profit and loss account  
 (b) Debtors account  
 (c) Creditors account  
 (d) Provision for bad debts account✓
229. The provision for discount on debtors is calculated on the amount of debtors  
 (a) Before deducted the provision for doubtful debts  
 (b) Left after deducting the provision for doubtful debts✓  
 (c) Before deducting the actual bad debts  
 (d) Before deducting the provision for doubtful debts
230. The provision for discount on creditors is often not provided in keeping with the principle of:  
 (a) Materiality (b) Consistency  
 (c) Conservatism✓ (d) Realization
231. The correct entry for creating provision for bad debts is:  
 (a) Debtors XXX  
 To provision for bad debts XXX  
 (b) Creditors XXX  
 To provision for bad debts XXX.  
 (c) Profit and loss a/c/Bad debtsXXX Dr  
 To provision for bad debts XXX Cr✓  
 (d) Provision for bad debts XXX  
 To bad debts XXX
232. The correct entry for creating provision for discount is:  
 (a) Debtors XXX  
 To provision for discount  
 (b) Profit and loss a/c/Discount allowed a/c✓  
 To provision for discount  
 (c) Creditors  
 To provision for discount  
 (d) Provision for discount  
 To discount allowed

## THE WORK SHEET

**Q.1-** Four possible answers are given for the following questions. Tick mark (✓) the correct answer:

- A large columnar working paper for the accountants for analyzing the all, accounting data required at the end of the financial period, is known as:  
 (a) Bank statement  
 (b) Final accounts  
 (c) Worksheet✓  
 (d) financial statement
- One way of avoiding errors in the permanent Accounting records, is to use a form, called:  
 (a) Bank statement  
 (b) Work sheet✓  
 (c) Balance sheet  
 (d) Journal form
- A working paper of accountants, prepared by lead pencil is:  
 (a) Work sheet✓

- (b) Balance sheet  
(c) Income statement  
(d) General journal
4. Which one of the following is not consider the permanent part of the accounting record:  
(a) Journal  
(b) Trial balance  
(c) Balance sheet  
(d) Worksheet✓
5. Which one of the following is used to simplifies work to be done at the end of the period:  
(a) Balance sheet  
(b) Income statement  
(c) Worksheet  
(d) None of these
6. If the management wants to furnish a quick means of determining the business results, which one of the following will be prepared:  
(a) Trial balance (b) Journal  
(c) Bank statement (d) Worksheet
7. The body of the work-sheet contain:  
(a) One pair of money column  
(b) Two pairs of money columns  
(c) Four pairs of money columns  
(d) Five pairs of money columns
8. In the preparation of the work sheet the amounts in the trial balance columns are taken directly from the:  
(a) Journal  
(b) Trial balance  
(c) Ledger  
(d) Final accounts
9. Mostly every adjusting entry affects are:  
(a) Income statement  
(b) Balance sheet  
(c) Both profit and loss accounts and work sheet  
(d) Both the balance sheet and the income statement
10. In work sheet, the amounts appearing in the adjusted trial balance columns are the amounts that will appear in the:  
(a) Financial statements  
(b) Cash flows statement  
(c) Bank reconciliation statement  
(d) Owner's capital statement
11. Work sheet also use as a source to prepared:  
(a) Cash flows statement  
(b) Financial statement  
(c) Bank reconciliation statement  
(d) Owner's capital statement
12. A working paper which is prepared by the accountant for his own convenience is called:  
(a) Work sheet  
(b) Cash flows statement  
(c) Balance sheet✓  
(d) Final accounts
13. The amount invested by the person in the business to produce revenue is said to be:  
(a) Capital✓ (b) Revenue  
(c) Assets (d) Expense
14. The price of goods sold or services rendered by a business to its customers is known as:  
(a) capital (b) Revenue✓  
(c) Asset (d) Expense
15. Transaction having long term effect are known as:  
(a) Revenue transactions  
(b) Revenue expenditures  
(c) Capital expenditures  
(d) Capital transactions✓
16. Transactions having short term effect are known as:  
(a) Revenue  
(b) Capital  
(c) Revenue transaction✓  
(d) Capital transaction
17. Any expenditure that benefits the business for several accounting years is regarded us a:  
(a) Capital expenditure✓  
(b) Revenue expenditure  
(c) Deferred expenditure  
(d) Current expenditure
18. Any expenditure that benefits the business only for one accounting year is considered a:  
(a) Capital expenditure

- (b) Revenue expenditure ✓  
(c) Future expenditure  
(d) Capitalized expenditure
19. Any expenditure which is not incurred repeatedly and regularly is a:  
(a) Revenue expenditure  
(b) Short term expenditure  
(c) Capital expenditure ✓  
(d) Current expenditure
20. Any expenditure which is incurred again and again is a:  
(a) Capital expenditure  
(b) Future expenditure  
(c) Deferred expenditure  
(d) Revenue expenditure ✓
21. Any expenditure incurred to the increase the profit earning capacity of the concern is a:  
(a) Revenue expenditure  
(b) Current expenditure  
(c) Capital receipt  
(d) Capital expenditure ✓
22. Any expenditure incurred to keep the activities of a concern going is:  
(a) Capital expenditure  
(b) Revenue receipt  
(c) Revenue expenditure ✓  
(d) Future expenditure
23. Expenditure incurred after buying second hand asset to bring it in to proper working place is a:  
(a) Capital expenditure ✓  
(b) Revenue expenditure  
(c) Deferred expenditure  
(d) Capital loss
24. Expenditure incurred on the purchase and installation of a new asset is regarded as:  
(a) Revenue expenditure  
(b) Capital expenditure ✓  
(c) Revenue receipt  
(d) Revenue-loss
25. An expenditure is capital in nature when:  
(a) The amount involved is heavy  
(b) It increases the quantity of fixed assets ✓  
(c) It is the paid as interest on loans for the business  
(d) It is the personal expenditure of the owner of capital
26. If the goods or a service lost less than one year it is:  
(a) Revenue expenditure ✓  
(b) Capital expenditure  
(c) Revenue receipt  
(d) Capital receipt
27. If the goods or a service lost longer than one year, it is  
(a) Revenue expenditure  
(b) Capital expenditure ✓  
(c) Revenue receipt  
(d) Capital receipt
28. Revenue expenditure the impact of which is likely to last for more than one year is:  
(a) Capital expenditure  
(b) Revenue expenditure  
(c) Deferred revenue expenditure ✓  
(d) None of these
29. Expenditure to maintain the asset is:  
(a) Capital expenditure  
(b) Revenue expenditure ✓  
(c) Future expenditure  
(d) Deferred revenue expenditure
30. Expenditure to improve the asset is:  
(a) Deferred revenue expenditure  
(b) Revenue expenditure  
(c) Current expenditure  
(d) Capital expenditure ✓
31. The expenditure reduce revenue (profit) of the-business, are:  
(a) Revenue expenditure ✓  
(b) Capital expenditure  
(c) Fixed expenditure  
(d) Future expenditure
32. Which one of the following is not appear in the balance sheet:  
(a) Revenue expenditure ✓  
(b) Capital expenditure  
(c) Deferred revenue expenditure  
(d) Future expenditure
33. An expenditure incurred in increasing the efficiency of a fixed asset is called:  
(a) Revenue expenditure  
(b) Capital expenditure ✓  
(c) Current expenditure  
(d) None of these

34. Any expenditure incurred in acquiring the right to carry on a business is:  
(a) Revenue expenditure  
(b) Current expenditure  
(c) Capital expenditure ✓  
(d) Deferred expenditure
35. Some revenue nature expenditures are directly connected with fixed assets and are fully added to the cost of assets are:  
(a) Current expenditure  
(b) Revenue expenditure  
(c) Deferred expenditure  
(d) Capitalized expenditure ✓
36. The capitalized expenditures are shown is:  
(a) Trading a/c  
(b) Profit and loss a/c  
(c) Balance sheet assets side ✓  
(d) Balance sheet liabilities side
37. Preliminary expenses are:  
(a) Revenue expenditures  
(b) Capital expenditure  
(c) Capitalized expenditures  
(d) Deferred revenue expenditure ✓
38. Depreciation on fixed assets is an example of:  
(a) Revenue expenditure ✓  
(b) Capital expenditure  
(c) Deferred revenue expenditure  
(d) None of these
39. Cartage paid on the new machine is:  
(a) Revenue expenditure ✓  
(b) Capital expenditure  
(c) Deferred expenditure  
(d) Current expenditure
40. All revenue expenditure and receipts are taken to:  
(a) Trading a/c only  
(b) Profit and loss  
(c) Trading and profit and loss a/c ✓  
(d) Balance sheet
41. Any expenditure incurred in achieving operating economy is known as:  
(a) Revenue expenditure  
(b) Current expenditure ✓  
(c) Capital expenditure  
(d) Capital receipt
42. The cost of furniture purchased for sale is:  
(a) Revenue expenditure ✓  
(b) Capital expenditure  
(c) Deferred expenditure  
(d) None do these
43. Cost of goods purchased for re sale is an example:  
(a) Capital revenue  
(b) Revenue expenditure ✓  
(c) Deferred revenue expenditure  
(d) Future expenditure
44. Expenditure incurred in acquiring the patents right for the business is an example of:  
(a) Revenue expenditure  
(b) Deferred revenue expenditure  
(c) Capital expenditure ✓  
(d) Short term expenditure
45. Freight paid on a new machine will be debited to:  
(a) Machinery account ✓  
(b) Freight account  
(c) Profit and loss account  
(d) None of these
46. Rs.5000 spent on the replacement of worn out parts of the machinery is charged to:  
(a) Capital expenditure  
(b) Revenue expenditure ✓  
(c) Expenditure  
(d) Deferred revenue expenditure
47. Discount allowed on issue of shares is an example of:  
(a) Capital expenditure  
(b) Revenue expenditure  
(c) Deferred revenue expenditure ✓  
(d) term expenditure
48. Rs.3000 spent on the repairs before using the second hand machinery purchase recently is a:  
(a) Revenue charge  
(b) Deferred revenue charge  
(c) Capital charge ✓  
(d) None of these
49. Expenses incurred in manufacturing products is a:  
(a) Revenue charge ✓  
(b) Deferred revenue charge

- (c) Capital charge  
(d) None of these
50. Heavy expenditure on advertisement of a new product is a:  
(a) Capital expenditure  
(b) Revenue expenditure  
(c) Current expenditure  
(d) Deferred revenue expenditure✓
51. A sum of Rs.2000 paid as wages to repair office furniture should be debited to  
(a) Repairs a/c✓  
(b) Cash a/c  
(c) Furniture a/c  
(d) None of these
52. Distinction between capital and revenue items is important for the preparation of  
(a) Balance sheet only  
(b) Final account✓  
(c) Bank reconciliation statement  
(d) Cash book
53. Receipts which are non recurring by nature and whose benefit is enjoyed over a long period are called:  
(a) Capital receipts✓  
(b) Revenue receipts  
(c) Short term receipts  
(d) Capital profit
54. Receipt which are recurring by nature and which are available for meeting all day to day expenses of a business concern are known as:  
(a) Capital receipts  
(b) Revenue receipts✓  
(c) Long term receipts  
(d) Revenue profit
55. A receipt is capital in nature, when:  
(a) It relates to profit and loss a/c  
(b) It relates to fixed assets  
(c) It credited to capital a/c✓  
(d) The amount is heavy
56. A receipt is revenue in nature, when:  
(a) It relates to balance sheet  
(b) It is received in the accounting year  
(c) The amount is small  
(d) It relates to routine activity of the business✓
57. Receipt on account of fixed asset is a:  
(a) Revenue receipt  
(b) current receipt  
(c) Capital receipt✓  
(d) Deferred receipt
58. Capital contributed by the partners is a:  
(a) Revenue receipt  
(b) Capital receipt✓  
(c) Current receipt  
(d) Deferred receipt
59. The revenue receipts are shown in profit and loss account on the:  
(a) Debit side  
(b) Credit side✓  
(c) Expense side  
(d) Both debit and credit sides
60. The capital receipts are shown in the balance sheet on the:  
(a) Liability side✓  
(b) Asset side  
(c) Debit side  
(d) None of these
61. Receipts decreases the value of asset or increases the value of liability are:  
(a) Revenue receipts  
(b) Capital receipts✓  
(c) Short term receipts  
(d) Capital profit
62. Receipt does not increases or decrease the value of asset or liability are:  
(a) Long term receipts  
(b) Capital receipts  
(c) Revenue receipts✓  
(d) Revenue profit
63. Money received from the sale of goods is:  
(a) Capital receipt  
(b) Long term receipt  
(c) Revenue profit  
(d) Revenue receipt✓
64. Money obtained by the issue of debentures is:  
(a) Capital receipt✓  
(b) Revenue receipt  
(c) Capital profit  
(d) Revenue profit
65. Amount received against a trade debt previously written off bad is a:  
(a) Capital receipt  
(b) Revenue receipt✓  
(c) Capital loss

- (d) Capital profit
66. Sale proceeds of stock in trade are:  
(a) Capital receipts  
(b) Revenue receipts✓  
(c) Capital loss  
(d) Capital profit
67. Amount contributed by the proprietor as his capital is regarded as:  
(a) Capital receipt✓  
(b) Revenue receipt  
(c) Capital loss  
(d) Revenue profit
68. The profit which is earned on the sale of a fixed asset is regarded as:  
(a) Capital profit✓  
(b) Revenue profit  
(c) Capital loss  
(d) Capital receipt
69. The profit which is earned during the ordinary course of business is regarded as  
(a) Capital profit  
(b) Revenue profit✓  
(c) Revenue loss  
(d) Long term profit
70. The capital profit should be transferred to:  
(a) Profit and loss a/c✓  
(b) Trading a/c  
(c) Balance sheet  
(d) Both trading and profit and loss a/c and balance sheet
71. The revenue profit should be transferred to:  
(a) Balance sheet  
(b) Trading a/c✓  
(c) Profit and loss a/c  
(d) None of these
72. If an asset, whose book value is Rs.6000 on the date of sale is sold for Rs.8000 the capital profit is:  
(a) 6000 (b) 8000  
(c) 14000 (d) 2000✓
73. The loss suffered by a business on the sale of a fixed asset is regarded as:  
(a) Capital loss✓  
(b) Revenue loss  
(c) Ordinary loss  
(d) Regular loss
74. The loss suffered by the business in the ordinary course or day to day operation is regarded as:  
(a) capital loss  
(b) Revenue loss✓  
(c) Non recurring loss  
(d) Long term, loss
75. The loss incurred on raising capital of joint stock company is regarded as:  
(a) Recurring loss  
(b) Revenue loss  
(c) Capital loss✓  
(d) Ordinary loss
76. Capital loss may be shown in:  
(a) Trading statement  
(b) Income statement✓  
(c) Cash statement  
(d) Balance sheet
77. Revenue losses are shown in:  
(a) Trading a/c  
(b) Profit and loss a/e✓  
(c) Balance sheet  
(d) None of these
78. If a building having book value of Rs.60000 is sold for Rs.45000 the capital loss is:  
(A) 60000  
(b) 105000  
(c) 15000✓  
(d) None of these
79. The amount which is actually paid on account of a capital expenditure is:  
(a) Capital payment✓  
(b) Revenue payment  
(c) Capital loss  
(d) Capital expenditure
80. An amount which is actually paid on the account of some revenue expenditure is:  
(a) Capital payment  
(b) Revenue payment✓  
(c) Revenue loss  
(d) Revenue expenditure
81. A payment is a capital in nature, when:  
(a) It is incurred to decrease the tax liability  
(b) It arises due to abnormal reasons  
(c) It relates to capital expenditure✓  
(d) None of these



82. A payment is a revenue in nature, when:  
(a) It arises due to normal reason  
(b) It relates of capital losses  
(c) It relates to capital expenditure  
(d) It relates to revenue expenditures✓
83. Errors usually occur in the books of accounts can broadly be divided into:  
(a) One class  
(b) Two classes✓  
(c) Three classes  
(d) Four classes
84. Errors which are made in original documents, original entry books and in the posting from the original entry books into the ledger are regarded as:  
(a) Book-keeping errors✓  
(b) Trial balance errors  
(c) Error of final accounts  
(d) None of these
85. If a transaction has been completely omitted from the original books of account, it will be consider, as:  
(a) Error of commission  
(b) Error of omission✓  
(c) Error of principle  
(d) Compensating error
86. Error of commission arises when:  
(a) Any transaction is incorrectly recorded, either wholly or partially✓  
(b) Any transaction is left either wholly or partially.  
(c) Any transaction is recorded in a fundamentally incorrect manner  
(d) Any transaction affect one account
87. Errors in additions and carry-forwards in books of original entry, is regarded as:  
(a) Error of omission  
(b) Error of principle  
(c) Compensating errors  
(d) Error of commission✓
88. Error of principle arises when:  
(a) Any transaction is incorrectly recorded, either wholly or partially  
(b) Any transaction is left either wholly or partially  
(c) Any transaction is recorded in a fundamentally incorrect manner✓  
(d) One error is compensated by the other error✓
- (d) Any transaction affect one account
89. Error due to wrong allocation, as expenditure between capital and revenue is regarded as:  
(a) Error of omission  
(b) Error of principle✓  
(c) Compensating errors  
(d) Error of commission
90. The errors in which amount have occurred on the opposite sides of two or more accounts and have concealed themselves in the net result, are:  
(a) Errors of principle  
(b) Errors of omission  
(c) Errors of commission  
(d) Compensating errors✓
91. If a transaction has been journalized but has been posted wrongly in the ledger account, it is an:  
(a) Error of posting✓  
(b) Error of principle  
(c) Error of omission  
(d) Error of commission
92. Goods purchased from Robin for Rs. 600 have been posted to Rahim account, it is an:  
(a) Error of omission  
(b) Error of casting  
(c) Error of posting✓  
(d) Error of commission
93. If the error occur due to short casting or excess occur due to short casting or excess casting in any subsidiary book or in any account in the ledger, it is an:  
(a) Error of posting  
(b) Error of casting✓  
(c) Error of omission  
(d) Error of commission
94. Compensating errors, arises when:  
(a) Any transaction is left wholly or partially  
(b) Any transaction is incorrectly recorded either wholly or partially  
(c) Any transaction is recorded in a fundamentally incorrect manner  
(d) One error is compensated by the other error✓

95. The process of totaling the transactions at the end of the period is called:  
(a) Posting  
(b) Casting ✓  
(c) Journalizing  
(d) Compensating
96. Wages paid Rs. 600 were posted to wages account as Rs. 60. To rectify the error, the wages account will be  
(a) Debited by Rs. 540 ✓  
(b) Debited by Rs. 660  
(c) Debited by Rs. 600  
(d) Credited by Rs. 550
97. Omission of a transaction from a subsidiary record affect:  
(a) One account  
(b) Two accounts ✓  
(c) Three accounts  
(d) Several accounts
97. Error of principle involves an incorrect allocation of expenditure or receipt between:  
(a) Capital and revenue ✓  
(b) Capital and capitalized  
(c) Revenue and deferred revenue  
(d) Revenue and revenue
98. The error in the casting of sales book is called as:  
(a) Error of principle  
(b) Error of omission  
(c) Clerical error ✓  
(d) Compensating error
99. Wages paid for the erection of a machine debited to wages a/c is an example of:  
(a) Clerical error  
(b) Error of principle ✓  
(c) Error of omission  
(d) Compensating error
100. Error of casting in bill receivable book affects:  
(a) Bill payable a/c  
(b) Debtor a/c  
(c) Bill receivable a/c ✓  
(d) Creditors a/c
101. Over casting of purchases book is in example of error of:  
(a) Carry forward  
(b) Posting  
(c) Compensating  
(d) Casting ✓
102. Error of posting affects:  
(a) One account ✓  
(b) Two accounts  
(c) Three accounts  
(d) Four accounts
103. Sales of Rs. 625 to Ali were posted to his account as Rs. 562. To rectify the error, - Ali's account will be:  
(a) Debited by Rs. 118  
(b) Debited by Rs. 63 ✓  
(c) Credited by Rs. 63  
(d) Both debited and credited by Rs. 63
104. Sales of Rs. 500 to Amjad were not recorded while rectifying this error, Amjad's account will be:  
(a) Credited by Rs. 1000  
(b) Credited by Rs. 500  
(c) Debited by Rs. 500 ✓  
(d) Debited by Rs. 1000
105. An asset was purchased for the business, however, the amount was debited to purchases account. It is an error of:  
(a) Recording (b) Posting  
(c) Costing (d) Principle ✓
106. Some expenses are incurred at the time of the sale of an asset. The amount will be debited to:  
(a) Assets account ✓  
(b) Expenses account  
(c) Cash account  
(d) Purchases account
107. Impersonal accounts are affected by:  
(a) Errors of carry forward ✓  
(b) Errors, of casting  
(c) Errors of omission  
(d) None of these
108. Purchases from Kamran Rs. 499, were not recorded. This will affect:  
(a) Only purchases a/c  
(b) Only Kamran a/c  
(c) Both the accounts ✓  
(d) None of these
109. Sales to Fahad, Rs. 506, posted to his account as Rs. 605 affect:  
(a) Sales a/c  
(b) Fahad a/c ✓

- (c) Cash a/c  
(d) Debtors a/c
110. Sales to Imran Rs. 336, have been debited to Kamran's account. This will be rectified by:  
(a) Debiting Imran's A/c and credited Kamran's a/c ✓  
(b) Debiting Kamran's A/c and crediting Imran's a/c  
(c) Crediting both the accounts  
(d) None of these
111. Cartage paid Rs. 100, for the newly purchased machinery, if debited to cartage account will affect:  
(a) Both the cartage and machinery a/c ✓  
(b) Only machinery a/c  
(c) Only cartage a/c  
(d) Only cash a/c
112. Goods purchased from Salman Rs. 3000, were passed through sales book. The rectification of the error will:  
(a) Increase the gross profit  
(b) Decrease the gross profit ✓  
(c) Have no effect on the gross profit  
(d) Have double effect on the gross profit
113. An amount of Rs. 600, written off as bad, was received from X and was credited to X's personal account. The rectification of this entry will:  
(a) Increase net profit by Rs. 600 ✓  
(b) Reduce net profit by Rs. 600  
(c) Increase net profit by Rs. 1200  
(d) Reduce net profit by Rs. 1200
114. An amount of Rs. 1000 paid to Ali against an acceptance was debited to Awis account. The rectification of the error will:  
(a) Increase the net profit  
(b) Decrease the net profit  
(c) First increase, then decrease the net profit  
(d) Have no effect on the net profit ✓
115. A credit sale was wrongly passed through purchases book, the rectification of the entry will:  
(a) Increase the net profit, by double amount ✓  
(b) Decrease the net profit  
(c) Decrease the net profit by double amount  
(d) Have no effect on the net profit
116. Goods sold for Rs. 1,000 were entered in the sales book by Rs. 2000, the rectification of the entry will:  
(a) Increase the net profit  
(b) Decrease the net profit ✓  
(c) Have double effect on net profit  
(d) Have no effect on net profit
117. Paid our acceptance to Mr. I was posted to the debit of M's account. The rectification of the entry will:  
(a) Increase the net profit  
(b) Decrease the net profit  
(c) Have double effect on net profit  
(d) Have no effect on net profit ✓
118. Error of principle affects:  
(a) One account only  
(b) Two account ✓  
(c) Less than two  
(d) Have no effect on any account
119. Error of omission from trial balance affects:  
(a) One account ✓  
(b) Two account  
(c) Three account  
(d) Four account
120. Errors, which are made in the preparation of the trial balance are called:  
(a) Errors of omission  
(b) Errors of commission  
(c) Errors of principle  
(c) Trial balance errors ✓
121. Only those errors affect the profit of the business which are related to:  
(a) Trading and profit and loss a/c ✓  
(b) Balance sheet  
(c) Trading a/c only  
(d) Profit and loss a/c only
122. If any expense a/c or revenue a/c is wrongly debited, the profit will decrease and when it is rectified:  
(a) The profit will become double  
(b) The profit will become half  
(c) The profit will increase ✓  
(d) The profit will less

123. If by error, any revenue omitted to be recorded it will:  
(a) Understate the profit  
(b) Overstate the profit ✓  
(c) Both understate and overstate the profit  
(d) Having no effect on profit
124. If there is any error in cash account, it will affect:  
(a) Trading a/c  
(b) Profit and loss a/c  
(c) Balance sheet ✓  
(d) Both trading and profit and loss a/c
125. If the error is committed in liabilities account, it will have its impact on the:  
(a) Trading a/c only  
(b) Profit and loss a/c only  
(c) Both trading & profit & loss-a/c  
(d) None of these ✓
126. When all the errors are rectified and posted to suspense a/c. the suspense a/c shows:  
(a) Debit balance  
(b) Credit balance  
(c) Both sides are equal ✓  
(d) None of these
127. In case of double sided errors, the correct entry should be, equal to:  
(a) Wrong entry + Rectifying entry ✓  
(b) Wrong entry + Suspense entry  
(c) Rectifying entry + Suspense entry  
(d) Correct entry + Rectifying entry
128. Under or over casting of a subsidiary book is an example of error of:  
(a) Omission ✓  
(b) Principle  
(c) Both omission and principle  
(d) Commission ✓
129. Errors which affect profit and loss relate to:  
(a) Real a/c (b) Personal a/c  
(c) Nominal a/c ✓  
(d) None of these
130. Errors of carry forward effect:  
(a) Impersonal accounts ✓  
(b) Personal accounts  
(c) Both personal and impersonal accounts
- (d) None of these
131. Short debit to an account increases the credit side of the:  
(a) Trial balance ✓  
(b) Profit and loss account  
(c) Balance sheet  
(d) Both profit & loss a/c & trial balance
132. An account in which, are entered transactions, which cannot be placed to their proper accounts for want of sufficient information is called:  
(a) Profit and loss a/c  
(b) Trading a/c  
(c) Real a/c  
(d) Suspense a/c ✓
133. Sometimes a trial balance may not agree under such circumstances, the difference may be placed to a:  
(a) Trading a/c  
(b) Suspense a/c ✓  
(c) Profit and loss a/c  
(d) Personal a/c
134. When the mistakes are discovered subsequently, they are rectified through the:  
(a) Suspense a/c ✓  
(b) Trading a/c  
(c) Profit and loss a/c  
(d) None of these
135. Double sided error is one which exists simultaneously in:  
(a) One a/c  
(b) Two a/c ✓  
(c) Several accounts  
(d) None of these
136. A purchases returns of Rs. 600 to P if entered in the sales book would affect:  
(a) P's account  
(b) Purchases returns account  
(c) Sales account  
(d) Purchases returns account and sales a/c ✓
137. A company's share capital consists of 50,000 25c ordinary shares, which were all issued at a premium of 10%. The current market value of shares is 40c each.

What is the amount of share capital of the company appearing in Statement of Financial Position?

- (a) \$ 5,000 (b) \$ 12,500✓  
(c) \$ 20,000 (d) \$ 18,000

Share capital = No of shares issued × Par value per share  
= 50,000 × 25/100 = \$ 12,500

138. If a manager of a limited liability company is also a shareholder of that company, then the salary paid to that manager is treated as appropriation of profit and not as an expense of the company.

- (a) True (b) False✓

139. A limited liability company issued 80,000 ordinary shares of 50c each at a premium of 25c per share. The cash received was correctly recorded but the full amount was credited to the ordinary share capital account.

Which of the following journal entries is needed to correct this error?

- (a) Share premium account 20,000 Dr  
Share capital account 20,000 Cr  
(b) Share capital account 20,000 Dr✓  
Share premium account 20,000 Cr  
(c) Share capital account Dr 40,000  
Share premium account 40,000 Cr  
(d) Share capital account Dr 25,000  
Cash 25,000 Cr

140. Which of the following journal entries could correctly record a bonus (capitalization) issue of shares?

- (a) Cash 80,000 Dr  
Ordinary share capital 80,000 Cr  
(b) Ordinary share capital 80,000 Dr  
Share premium 80,000 Cr  
(c) Share premium 80,000 Dr✓  
Ordinary share capital 80,000 Cr  
(d) Investments 80,000 Dr  
Cash 80,000 Cr

141. The issued share capital of Beta Limited is as follows:

Ordinary shares of 25c each 400,000  
5% Preference shares of 50c each  
600,000

In the year ended 31 December 2007, the company has paid the preference dividend for the year and an interim dividend of 1c per share on the ordinary shares. A final ordinary dividend of 4c per share is proposed.

What is the total amount of dividends relating to the year ended 31 December 2007?

- (a) \$ 180,000 (b) \$ 110,000✓  
(c) \$ 120,000 (d) \$ 125,000

142. According to IAS 1 Presentation of Financial Statements, dividends paid during the year should be disclosed in:

- (a) Statement of financial Position  
(b) Income Statement  
(c) Statement of changes in equity✓  
(d) None of these

143. A limited liability company may have several types of reserves. Which of the following are available for distribution as dividend?

- 1- Building expansion reserve  
2- Share premium  
3- Revenue reserves  
4- Capital reserve  
5- General reserve

- (a) 1,2,3,4 and (b) 4 only  
(c) 1,3 and 5✓ (d) 1 and 5

144. At 30 June 2007 a company's capital structure was as follows:

Ordinary share capital  
600,000 shares of 50c each 300,000  
Share premium account 130,000

In the year ended 30 June 2008 the company made a rights issue of 1 share for every 2 held at 75c per share and this was taken up in full. Later in the year the company made a bonus issue of 1 share for every 6 held, using the share premium account for the purpose.

What was the company's capital structure at 30 June 2008?

- (a) 550,000 145,000  
(b) 355,000 170,000  
(c) 525,000✓ 130,000  
(d) 500,000 200,000

145. Which of the following is not a part of shareholder's equity of limited liability company.
- Share premium
  - Revaluation reserves
  - Ordinary share capital
  - Redeemable preferred share capital ✓
146. A company has an authorized share capital of \$ 2,000,000 consisting of 50c ordinary shares. The issued share capital of the company consists of 800,000 shares. A dividend of 3c per share is declared.
- What is the amount of dividend payable to shareholders?
- \$ 34,000
  - \$ 24,000 ✓
  - \$ 18,000
  - \$ 250,000
147. Revenue reserves of a company would increase if the company.
- Declares dividend
  - Issues shares at a premium
  - Retains profit in the company ✓
  - Creates reserves out of retained earning
148. A company's authorized share capital consists of 8,000,000 25c ordinary shares. The company pays a dividend 5% and the total amount received by the shareholder is \$ 60,000. What is the amount of paid up capital of the company appearing in its statement of Financial Position?
- \$ 1,200,000 ✓
  - \$ 1,300,000
  - \$ 1,400,000
  - \$ 1,300,000
149. A company has an authorized share capital of 900,000 ordinary shares of \$1 each, of which 600,000 have been issued at a premium of 25c each, thereby raising capital of \$ 750,000 ( $600,000 \times 1.25$ ). The directors are considering allocating \$ 480,000 for dividend payments this year. This amounts to a dividend of:
- 45c per share
  - 90c per share
  - 65c per share
  - 80c per share ✓
150. The following information is available for LMB, a limited liability company.
- |                             |           |
|-----------------------------|-----------|
| 50c ordinary shares         |           |
| 5% preference shares of 50c |           |
| 3,000,000                   | 2,000,000 |
| 600,000                     | 350,000   |
- In addition to providing for the preference dividend for a financial year, an ordinary dividend of 3c per share is to be paid. What is the total amount of dividend for the year?
- \$ 135,000
  - \$ 134,000
  - \$ 120,000
  - \$ 137,000 ✓
151. At 31 December 2007 the capital structure of a company was as follows:
- |                        |                             |        |
|------------------------|-----------------------------|--------|
| Ordinary share capital | 300,000 shares of 25c each. | 75,000 |
| Share premium account  |                             | 50,000 |
- During 2008 the company made a bonus issue of one share for every three held, using the share premium account for the purpose, and later issued for cash another 80,000 shares at 75c per share.
- 140,000
  - 130,000
  - 120,000
  - 125,000
- |  |          |
|--|----------|
|  | 93,000   |
|  | 65,000   |
|  | 65,000 ✓ |
|  | 57,000   |
152. Under which of the following style of business, retained earning account is maintained.
- Sole ownership
  - Partnership business
  - Company ✓
  - All of above
153. The amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties in an arm's length transaction is called:
- Revenue
  - Fair market values ✓
  - Cost value
  - Dividend
154. Minority interest account in the books of Holding company is a liability account.
- True
  - False ✓
155. In a limited liability company, the net profit or loss of the company is transferred to:

- (a) Share capital account  
 (b) Capital reserve account  
 (c) Retained earning account ✓  
 (d) General reserve account
156. Following is the detail of assets and liabilities of a limited liability company.
- |                          |         |
|--------------------------|---------|
| Cash in hand             | 50,000  |
| Cash at bank             | 80,000  |
| Account receivable       | 25,000  |
| Prepaid rent             | 10,000  |
| Allowance for receivable | 3,000   |
| Plant an machinery       | 250,000 |
| Furniture                | 40,000  |
| Account payable          | 20,000  |
- What is the amount of working capital of the company?  
 (a) \$ 142,000 ✓ (b) \$ 145,000  
 (c) \$ 157,000 (d) \$ 165,000
157. Fancy Ltd registered with an authorized share capital of \$ 1,500,000 divided into 1,500,000 shares of \$1 each. Fancy Ltd issued 500,000 shares at a premium of 30c per share. At year end the company declared dividend of \$ 200,000. What is the rate of dividend declared by the company?  
 (a) 31c per share  
 (b) 35c per share  
 (c) 45c per share  
 (d) 25c per share ✓
158. Nice and fair limited issued 90,000 ordinary shares of 80c each at a premium of 20c hare. Nice and Fair recorded cash correctly but the full amount was credited to the ordinary share capital account. Which of the following journal entries is needed to the ordinary share capital account.
- |                       |            |
|-----------------------|------------|
| (a) Share premium a/c | 18,000     |
| Share capital a/c     | 18,000     |
| (b) Share capital a/c | 72,000     |
| Share premium a/c     | 72,000     |
| (c) Share capital a/c | 18,000Dr ✓ |
| Share premium a/c     | 18,000Cr   |
| (d) Share capital a/c | 18,000     |
| Cash                  | 18,000     |
159. Benzon & Benzon Ltd was registered with an authorized share capital of \$1,800,000 divided into 2,000,000 shares of \$90c each. Benzon & Benzon Ltd issued 1,000,000 shares at a discount of 40c per share. At year end the company declared dividend of \$1,000,000.  
 (a) 90c per share  
 (b) \$1 per share ✓  
 (c) 870c per share  
 (d) \$1/5 per share
160. Which of the following best describes the working capital of a business?  
 (a) Total assets minus current liabilities  
 (b) Net Current assets minus current liabilities ✓  
 (c) Fixed assets plus current assets  
 (d) Share capital plus general reserves
161. A company made an issue for cash of 1,500,000 50c shares at a discount of 10c share. Which of the following journal entries correctly records the issue?  
 (a) Share capital 750,000Dr  
 Share premium 150,000Cr  
 Bank 900,000Dr  
 (b) Bank 900,000Cr  
 Share capital 750,000Dr  
 Share premium 150,000Cr  
 (c) Bank 750,000Dr  
 Share capital 600,000  
 Share Discount 150,000Cr  
 (d) Bank 600,000 Dr ✓  
 Share Discount 150,000Cr  
 Share capital 750,000
162. The issued share capital of Alpha is as follows:  
 Ordinary shares of 40c each 1,20,000  
 10% Preference shares of \$1 each 500,000
- In the year ended 30 September 2008, the company has paid the preference dividend for the year and an interim dividend of 5c per share o the ordinary shares. A final ordinary dividend of 2c per share is proposed. What is the total amount of dividends relating to the year ended 30 September 2008?  
 (a) \$50,000

- (b) \$210,000  
(c) \$260,000✓  
(d) \$280,000
163. A company has \$ 250,000 ordinary shares at a par value of 40 cents each and 140,000 6% preference shares at a par value of 80 cents each.  
The board of directors declare a dividend of 8c per ordinary share along with preference shares dividend.  
(a) \$ 50,000 (b) \$ 56,720✓  
(c) \$ 6,720 (d) \$ 56,000
164. The following information is related to a limited liability company:  
80c per ordinary share  
2,500,000 1,200,000  
7% preference shares of \$1 each.  
700,000 350,000  
At year end the company paid ordinary dividend @5% in addition to preference dividend.  
What is the total amount of dividends for the year?  
(a) \$ 84,500✓ (b) \$ 90,000  
(c) \$ 105,000 (d) \$ 110,500
165. A company made an issue for cash of 1,800,000 90c shares at a premium of 10c per share.  
Which of the following journal entries correctly records the issue?  
(a) Share capital 1,620,000  
Share premium 180,000  
Bank 1,800,000  
(b) Bank 1,800,000✓  
Share capital 1,620,000  
Share premium 180,000  
(c) Bank 1,800,000  
Share capital 1,620,000  
Share discount 180,000  
(d) Share capital 1,800,000  
Share premium 180,000  
Bank 1,620,000
166. Which of the following might appear as an item in a company's statement of changes in equity?  
(1) Profit on disposal of properties.  
(2) Surplus on revaluation of properties  
(3) Equity dividends proposed after the statement of Financial position date.  
(4) Issue of share capital.  
(a) (1), (3) and (4) only  
(b) (2) and (4) only✓  
(c) (1) and (2) only  
(d) (3) and (4) only
167. Which of the following statements about financial statements are in accordance with IAS 1?  
1. The authorized share capital of the company must be disclosed by note or on the face of the statement of financial position.  
2. The total of staff costs for the period must be disclosed by note or on the face of the income statement.  
3. The accounting policies adopted by the company must be disclosed but only if they do not comply with accounting standards.  
4. Proposed ordinary dividends should not be recognized as liabilities unless they have been proposed or declared before the statement of financial position date.  
(a) 1,2 and 3 (b) 1,2 and 4✓  
(c) 2,3 and 4 (d) 1,3 and 4
168. Which of the following statements about company financial statements is/are correct, according to international accounting standards?  
1. A material profit or loss on the sale of part of the entity must appear in the income statement as an extraordinary item.  
2. dividends paid and proposed should be included in the income statement.  
3. the income statement must show separately any material profit or loss from operations discontinued during the year.  
4. The statement of changes in equity must not include unrealized gains or losses.  
(a) 1,2 and 3 (b) 2 and 4  
(c) 3 only✓ (d) 1 and 4
- \*\*\*\*\*



## COST CONCEPT & PRINCIPLES

- 1- The main purpose of cost accounting is to
  - (a) Maximise profits
  - (b) help in inventory valuation
  - (c) Provide information to management for decision-making ✓
  - (d) aid in the fixation of selling prices.
- 2- One of the most important tools in cost planning is
  - (a) direct cost
  - (b) cost sheet
  - (c) budget ✓
  - (d) marginal costing
- 3- The purpose of cost accounting is to provide information for
  - (a) preparing costing P & L A/c
  - (b) cost control ✓
  - (c) locating factors leading to wastages and losses
  - (d) assessing the profitability and financial position of the firm.
- 4- Fixed cost per unit increases when
  - (a) variable cost per unit increases
  - (b) variable cost per unit decreases
  - (c) production volume increases
  - (d) production volume decreases. ✓
- 5- Variable cost per unit
  - (a) varies when output varies
  - (b) remains constant ✓
  - (c) increases when output increases
  - (d) decreases when output decreases.
- 6- Increase in total variable cost is due to
  - (a) increase in fixed cost
  - (b) increase in production ✓
  - (c) increase in sales
  - (d) increase in total cost.
- 7- An example of variable cost is
  - (a) property taxes
  - (b) direct material cost ✓
  - (c) interest on capital
  - (d) depreciation of machinery.
- 8- An example of fixed cost is
  - (a) direct material cost
  - (b) depreciation of machinery
  - (c) works manager's salary ✓
  - (d) chargeable expenses.
- 9- Cost accounting concepts include all of the following except
  - (a) planning
  - (b) profit sharing ✓
  - (c) controlling
  - (d) product costing
- 10- The three major elements of product costs are all but
  - (a) direct materials
  - (b) direct labour
  - (c) factory overhead
  - (d) indirect labour. ✓
- 11- Cost of goods produced includes
  - (a) production cost and finished goods inventory
  - (b) production cost and work-in-progress ✓
  - (c) production cost, work-in-progress and finished goods inventory.
- 12- Cost of goods sold includes
  - (a) cost of production and work-in-progress
  - (b) cost of production and finished goods inventory ✓
  - (c) cost of production, work-in-progress and finished goods inventory.
- 13- An overstatement of work-in-progress at the end of a period will
  - (a) overstate cost of goods produced
  - (b) understate current assets
  - (c) understate gross profit
  - (d) overstate net profit. ✓
- 14- Conversion cost is equal to the total of
  - (a) material cost and direct wages
  - (b) material cost and indirect wages
  - (c) direct wages and factory overhead ✓
  - (d) material cost and factory overhead.
- 15- Multiple costing method is used in
  - (a) oil refinery
  - (b) car manufacturing company ✓
  - (c) sugar mill
  - (d) multi-product company.

- 16- Toy manufacturing company should use  
(a) unit costing  
(b) batch costing ✓  
(c) job costing  
(d) multiple costing.
- 17- Electricity generating company should employ  
(a) unit costing  
(b) operation costing  
(c) process costing  
(d) operating costing. ✓
- 18- Job costing is used in  
(a) paper mills  
(b) printing press ✓  
(c) chemical works  
(d) textile mill
- 19- Output costing is employed in  
(a) mining quarries  
(b) brick kilns  
(c) steel production  
(d) all of these. ✓
- 20- Contract costing is used in  
(a) ship-building ✓  
(b) automobile industries  
(c) aeroplane industries  
(d) none of these.
- 21- Which method of costing is best suited for interior decorator ?  
(a) Job costing ✓  
(b) Process costing  
(c) Contract costing  
(d) Operating costing.
- 22- Which method of costing is used in hospitals ?  
(a) Job costing  
(b) Operating costing ✓  
(c) Unit costing  
(d) No method is used
- 23- Costs which are ascertained after they have been incurred are known as  
(a) imputed costs  
(b) historical costs ✓  
(c) sunk costs  
(d) opportunity costs.
- 24- Prime cost plus variable overhead is known as  
(a) production cost  
(b) total cost  
(c) marginal cost ✓  
(d) cost of sales.
- 25- When premises are owned, a charge in lieu of rent is  
(a) opportunity cost  
(b) sunk cost  
(c) imputed cost ✓  
(d) future cost
- 26- Research and development cost is a  
(a) pre-production cost ✓  
(b) opportunity cost  
(c) sunk cost  
(d) imputed cost.
- 27- When amount deposited in a bank is withdrawn for financing a project, the loss of interest on bank deposit will be referred to as  
(a) sunk cost  
(b) pre-production cost  
(c) opportunity cost ✓  
(d) replacement cost.
- 28- Which of the following is virtually always after-production cost ?  
(a) research and development cost  
(b) selling and distribution cost ✓  
(c) interest on capital  
(d) all of these.
- 29- Indirect material cost is a part of  
(a) Prime cost  
(b) Factory overhead ✓  
(c) Chargeable expenses
- 30- Which of the following is the most important advantage of cost accounting to management ?  
(a) It increase the reputation of the company  
(b) It meets the statutory requirements of Companies Act.  
(c) It reveal profitable and unprofitable activities of the business. ✓  
(d) It checks the accuracy of financial accounts.
- 31- An example of direct expense is  
(a) Direct material cost  
(b) Direct labour cost  
(c) both (a) and (b)

- (d) Hire of a special plant for a particular job ✓
- 32- Coal used in a factory is an example of  
 (a) Direct material  
 (b) Direct expense  
 (c) Indirect material ✓  
 (d) Indirect expense
- 33- Which of the following is not a relevant cost  
 (a) Replacement cost  
 (b) Sunk cost ✓  
 (c) Marginal cost  
 (d) Replacement cost.
- 34- A cost which increases or decreases per unit when volume of output decreases or increases is  
 (a) Fixed cost ✓  
 (b) Direct cost  
 (c) Variable cost  
 (d) Indirect cost
- 35- Which of the following is apart of both prime cost and conversion cost  
 (a) Direct material  
 (b) Direct labour ✓  
 (c) Indirect material  
 (d) Indirect labour
- 36- Which of the following is a technique of profit planning.  
 (a) Standard costing and variance analysis  
 (b) Marginal costing and cost volume profit analysis. ✓  
 (c) Uniform costing  
 (d) Multiple costing.
- 37- Which of the following is an effective technique of cost control ?  
 (a) Standard costing ✓  
 (b) Budgetary control  
 (c) Marginal costing  
 (d) Uniform costing
- 38- Which of the following industries are not suitable for use of multiple costing?  
 (a) Car manufacture  
 (b) Radio manufacture  
 (c) Paper mill ✓  
 (d) locomotive works.
- 39- Batch costing is a variant of  
 (a) Job costing ✓  
 (b) Unit costing  
 (c) Process costing  
 (d) Multiple costing
- 40- In tyre manufacture, which method of costing should be used?  
 (a) Unit costing  
 (b) Batch costing ✓  
 (c) Job costing  
 (d) Process costing.

## MATERIAL COST

- 1- Direct material is a  
 (a) Fixed cost  
 (b) Variable cost ✓  
 (c) Semi variable cost.
- 2- Direct material is a  
 (a) Manufacturing cost ✓  
 (b) Administration cost  
 (c) Selling and distribution cost  
 (d) Any of the above.
- 3- In manufacturing industries, the most important element of cost is  
 (a) Material ✓ (b) Labour  
 (c) Overheads
- 4- Which of the following is an accounting record?  
 (a) Bill of Material (b) Bin card  
 (c) stores ledger ✓ (d) All of these
- 5- Which of the following documents is used for issuing materials to productions departments ?  
 (a) Purchase Requisition Note  
 (b) Stores Requisition Note ✓  
 (c) Goods Received Note  
 (d) Stores Credit Note.
- 6- Which of following is considered to be a normal loss of materials ?  
 (a) Loss due to accidents  
 (b) Pilferage  
 (c) Loss due to breaking the bulk ✓  
 (d) Loss due to careless handling of materials  
 (e) All of these.
- 7- According to which of the following methods of pricing, issues are close to current economic values ?

- (a) Last-in-first-out price ✓  
(b) First-in-first-out price  
(c) Highest-in-first-out price  
(d) Weighted average price.
- 8- In which of the following methods of pricing, costs lag behind the current economic values ?  
(a) Last-in-first-out price  
(b) First-in-first-out price ✓  
(c) Replacement price  
(d) Weighted average price.
- 9- Which of the following methods of stock control aims at concentrating efforts on selected items of materials ?  
(a) Perpetual inventory system  
(b) Materials turnover  
(c) Maximum, minimum and re-order level setting  
(d) ABC analysis. ✓
- 10- In base stock method of pricing the material issues, the term 'base stock' represents the  
(a) Quantity of stock being issued  
(b) Stock in balance  
(c) Minimum stock ✓  
(d) Maximum stock.
- 11- Which of the following items of cost should NOT be treated as direct material  
(a) Electricity representing 90% of the total cost  
(b) Sand paper used in production  
(c) Thread used in stitching garments  
(d) All of the above. ✓
- 12- Continuous stock-taking is a part of  
(a) Annual stock-taking  
(b) Perpetual inventory system ✓  
(c) ABC analysis.  
(d) Periodic inventory system
- 13- The classification of items in ABC analysis is made on the basis of  
(a) Investment value of materials  
(b) Consumption value of materials  
(c) Quantity of materials consumed  
(d) All of these ✓
- 14- In which of the following methods, issues of materials are priced at a pre-determined rate ?  
(a) Inflated price method  
(b) Standard price method ✓  
(c) Replacement price method  
(d) Specific price method
- 15- In which of the following methods, materials are issued at the price prevailing at the time of issue ?  
(a) Inflated price method  
(b) Standard price method  
(c) Replacement price method" ✓  
(d) Specific price method
- 16- The storekeeper should initiate a purchase requisition when stock reaches  
(a) Minimum level  
(b) maximum level ✓  
(c) re-order level  
(d) average level
- 17- Which of the following material losses should be transferred to Costing Profit and Loss Account ?  
(a) Loss by evaporation  
(b) Loss due to improper storage of materials ✓  
(c) Loss due to breaking the bulk  
(d) All of these.
- 18- When material prices fluctuate widely, the method of pricing that gives absurd results is  
(a) Simple average price ✓  
(b) Weighted average price  
(c) Moving average price  
(e) Inflated price.
- 19- When prices fluctuate widely, the method that will smooth out the effect of fluctuations is  
(a) Simple average  
(b) Weighted average ✓  
(c) FIFO  
(d) LIFO.
- 20- In which of the following methods, the charge to production is at actual cost?  
(a) Weighted average price  
(b) Standard price  
(c) Replacement price  
(d) FIFO ✓
- 21- Expected annual usage of a particular raw material is 2,00,000 units and the

- economic order quantity is 10,000 units. The invoice cost of each unit is Rs. 500 and the cost to place one order is Rs. 80. The average inventory is
- (a) 1,00,000 units  
 (b) 5,000 units ✓  
 (c) 10,000 units  
 (d) 7,500 units.
- 22- Taking the data in Q. 3.21 above, the estimated annual ordering cost is
- (a) Rs. 1,600 ✓  
 (b) Rs. 10,000  
 (c) Rs. 3,200  
 (d) Rs. 5,000
- 23- On the basis of data given in Q 3.21, number of orders to be placed in each year are
- (a) 10 (b) 50 ✓  
 (c) 20 (d) 100
- 24- When material prices are showing a rising trend, which method of pricing will show lower cost of production
- (a) FIFO ✓ (b) LIFO  
 (c) Weighted average  
 (d) Replacement price.
- 25- In periods of rising prices, which method of pricing shows higher stock values
- (a) FIFO ✓ (b) LIFO  
 (c) Weighted average  
 (d) Replacement price
- 26- In which method, prices charged to production are at the current prices prevailing in the market
- (a) FIFO (b) LIFO  
 (c) Weighted average  
 (d) Replacement price ✓
- 27- When prices are showing a falling tendency, which method of pricing of material issues will show higher closing stock value
- (a) FIFO (b) LIFO ✓  
 (c) Weighted average  
 (d) Specific price method
- 28- When production is below standard specification or quality and cannot be rectified by incurring additional cost, it is

called

- (a) Defectives (b) Waste  
 (c) Spoilage ✓ (d) Scrap

## Labour Cost

- 1- In which of the following incentive plans of wages payment, wages on time basis are NOT guaranteed ?
- (a) Halsey plan  
 (b) Rowan plan  
 (c) Taylor's differential piece rate system ✓  
 (d) Gantt's task and bonus system.
- 2- Under the high wage plan, a worker is paid
- (a) at a time rate higher than the usual rate ✓  
 (b) according to his efficiency  
 (c) at a double rate for overtime  
 (d) normal wages plus bonus.
- 3- Which of the following incentive methods of wage payment should be used for indirect workers.
- (a) Rowan plan  
 (b) Taylor's differential piece rate system  
 (c) Gantt's task and bonus plan  
 (d) All of the above  
 (e) None of the above. ✓
- 4- Which of the following methods of wage payment is most suitable where quality and accuracy of work is of primary importance ?
- (a) Piece rate system  
 (b) Differential piece work system  
 (c) Time rate system ✓  
 (d) Halsey premium system
- 5- Cost of idle time arising due to non-availability of raw material is
- (a) charged to Costing Profit and Loss A/c ✓  
 (b) charged to factory overheads  
 (c) recovered by inflating the wage rate.

- 6- When overtime is required for meeting urgent orders, overtime premium should be  
 (a) Charged to Costing Profit and Loss A/c  
 (b) Charged to overhead costs  
 (c) Charged to respective jobs. ✓
- 7- Wages sheet is prepared by  
 (a) time-keeping department  
 (b) payroll department ✓  
 (c) personnel department  
 (d) cost accounting department.
- 8- Time and motion study is conducted by the  
 (a) time-keeping department  
 (b) payroll department  
 (c) personnel department  
 (d) engineering department ✓
- 9- Labour productivity is measured by comparing  
 (a) Actual time with standard time  
 (b) Total output with total man hours  
 (c) Added value for the product with total wage cost  
 (d) None of the above. ✓
- 10- Labour turnover is measured by  
 (a) Number of workers replaced average number of workers ✓  
 (b) Number of workers left-i-number in the beginning plus number at the end.  
 (c) Number of workers joining number in the beginning of the period  
 (d) All of these  
 (e) None of these.
- 11- Under Gantt's Task and Bonus plan, no bonus is payable to a worker if his efficiency is less than  
 (a) 50% (c) 83 $\frac{1}{3}$ %  
 (b) 66 $\frac{2}{3}$ % (d) 100% ✓
- 12- Under Emerson's Efficiency System, no bonus is payable when efficiency is upto  
 (a) 50% (c) 83 $\frac{1}{2}$ %  
 (b) 66  $\frac{2}{3}$  % ✓ (d) 100%
- 13- When standard outputs is 10 units per hour and actual output is 12 units per hour, the efficiency is  
 (a) 80% (c) 120% ✓  
 (b) 100% (d) None of these
- 14- Given that for a job, standard time is 8 hours, actual time taken is 6 hours and the time rate is Rs 2 per hour. What is the total wages under Halsey Premium Plan?  
 (a) Rs 18 (c) Rs 1-4 ✓  
 (b) Rs 16 (d) Rs 12.
- 15- What will be the amount of wages if Halsey-weir plan is applied on the data in Q. 3.14 above?  
 (a) Rs. 13.00 (c) Rs. 13.80  
 (b) Rs. 13.20 ✓ (d) Rs. 14.00
- 16- Using data as given in Q. 3.14 above, what will be the amount of wages under time rate system?  
 (a) Rs. 12 ✓ (c) 16  
 (b) Rs. 14 (d) 18.
- 17- Using data as given in Q. 3.14 above, what will be the amount of bonus under Rowan plan?  
 (a) Rs.2 (b) Rs. 3 ✓  
 (c) Rs.4 (d) None of the above.
- 18- Using data as given in Q 3.14 above, what is the amount of bonus- under Halsey plan?  
 (a) Rs. 2 ✓ (c) Rs. 4  
 (b) Rs. 3 (d) Nil.
- 19- Standard output is 100 units per day of 8 hours and the piece rates are 20 paise per unit and 15 paise per unit under Taylor's differential piece rate system, what will be amount of wages if a worker produces 95 units in a day?  
 (a) Rs. 14.00 (c) 18.50  
 (b) Rs. 14.25 ✓ (d) 19.00
- 20- Given the data in 3.19 above, what will be the amount of wages under Taylor's differential piece rate system, if a worker produces 101 units in a day?  
 (a) Rs. 15.15 (c) 20.15  
 (b) Rs. 20.00 (d) 20.20 ✓
- 21- Comparing Rowan and Halsey Premium plans, it is seen that when the time saved is less than 50% of the time saved,  
 (a) Rowan, plan allows more wages to a worker than Halsey plan ✓  
 (b) Rowan plan allows less wages to a worker than Halsey plan

- (c) Rowan and Halsey plan allow equal wages to a worker
- 22- When time saved is 40% of the standard time, Halsey plan allows  
 (a) more wages than Rowan plan  
 (b) less wages than Rowan plan ✓  
 (c) equal wages as compared to Rowan plan
- 23- Wages under Rowan and Halsey plans are exactly equal when time saves is  
 (a) nil  
 (b) 50% of the standard time  
 (c) both (a) and (b) ✓
- 24- Standard time is 60 hours and guaranteed time rate is 30 paise per hour. What is the amount of wages if job is completed in 48 hours? Rowan plan is in use.  
 (a) Rs. 24.00 (c) Rs. 17.28 ✓  
 (b) Rs. 26.80 (d) Rs. 20.40
- 25- Which of the following is a group incentive plan?  
 (a) Priestman plan ✓  
 (b) Halsey Weir plan  
 (c) Badaux plan  
 (d) All of these
- (a) fixed overhead  
 (b) variable overhead  
 (c) semi-fixed or semi-variable overhead ✓
- 5- Charging to a cost centre those overheads that result solely from the existence of that cost centre is known as  
 (a) allocation ✓  
 (b) absorption  
 (c) apportionment  
 (d) allotment.
- 6- Absorption means  
 (a) charging of overheads to cost centres  
 (b) charging of overheads to cost units ✓  
 (c) charging of overheads to cost centres or cost units.
- 7- Administration overheads are recovered as a percentage of  
 (a) direct materials  
 (b) prime cost  
 (c) direct wages  
 (d) works cost. ✓
- 8- Which of the following is a service department?  
 (a) Refining department  
 (b) Receiving department ✓  
 (c) Machining department  
 (d) Finishing department.

## OVERHEAD COST

- 1- The allotment of whole items of cost to cost centres or cost units is called  
 (a) Cost allocation ✓  
 (b) Overhead absorption  
 (c) Cost apportionment  
 (d) Overhead allotment
- 2- Packing cost is a  
 (a) production cost  
 (b) distribution cost  
 (c) selling cost  
 (d) It may be any of the above. ✓
- 3- Directors' remuneration and expenses form a part of  
 (a) production overhead  
 (b) selling overhead  
 (c) administration overhead ✓  
 (d) distribution overhead.
- 4- Salary of a foreman should be classified as a  
 (a) fixed overhead  
 (b) variable overhead  
 (c) semi-fixed or semi-variable overhead ✓
- 9- Which of the following is NOT is selling overhead?  
 (a) Insurance to cover sold goods while in transit ✓  
 (b) Royalty on sales  
 (c) Legal costs for debt realisation  
 (d) Distribution of samples.
- 10- Which method of absorption of factory overheads do you suggest in a concern which produced only one uniform type of product?  
 (a) Percentage of direct wages basis  
 (b) A rate per unit of output ✓  
 (c) Direct labour hour rate  
 (d) Any of the above.  
 (e) Machine hour rate
- 11- When the amount of under-or over-absorption is significant, it should be disposed of by

- (a) transferring to Costing Profit and Loss A/c.  
 (b) the use of supplementary rates ✓  
 (c) carrying over as a deferred charge to the next accounting year.
- 12- Idle capacity of a plant refers to the difference between  
 (a) maximum capacity and practical capacity  
 (b) practical capacity and normal capacity  
 (c) practical capacity and capacity based on sales expectancy ✓  
 (d) maximum capacity and actual capacity.
- 13- Maximum possible productive capacity of a plant, when no operating time is lost, is its  
 (a) Practical capacity  
 (b) Theoretical capacity  
 (c) Normal capacity ✓  
 (d) Capacity based on sales expectancy.
- 14- The capacity which is based on the long term average of the sales expectancy level is known as  
 (a) Practical capacity  
 (b) Normal capacity ✓  
 (c) Actual capacity  
 (e) None of these.
- 15- When the amount of overhead absorbed is less than the amount of overhead incurred, it is called  
 (a) under-absorption of overhead ✓  
 (b) over-absorption of overhead  
 (c) proper absorption of overhead.
- 16- Bad debt is an examples of  
 (a) Production overhead  
 (c) Selling overhead ✓  
 (b) Administration overhead  
 (d) Distribution overhead.
- 17- Number of workers employed is used as a basis for the apportionment of  
 (a) time office costs  
 (b) canteen expenses  
 (c) personnel department expenses  
 (d) any of these ✓
- 18- When the factory overhead control account has a closing debit balance, factory overhead was  
 (a) over-absorbed  
 (c) fixed  
 (b) under-absorbed ✓  
 (d) variable
- 19- Factory overhead should be absorbed on the basis of  
 (a) relationship to cost incurred ✓  
 (c) direct labour cost  
 (b) direct labour hours  
 (d) machine hours.
- 20- In which of the following methods of providing depreciation, the amount of depreciation goes on decreasing with the age of the asset?  
 (a) Reducing balance method  
 (b) Sum of digits method  
 (c) Annuity method  
 (d) (a) and (b) above ✓
- 21- Which of the following is a scientific and accurate method of absorption of factory overheads  
 (a) Percentage on prime cost  
 (b) Machine hour rate ✓  
 (c) percentage on direct labour cost  
 (d) All of these.
- 22- What is the basis for distribution of indirect material cost to various departments?  
 (a) Direct allocation ✓  
 (b) Cost of direct materials consumed  
 (c) Machine hours worked.
- 23- Warehouse expenses is an example of  
 (a) Production overhead  
 (b) Selling overhead  
 (c) Distribution overhead. ✓
- 24- Selling and distribution overheads are absorbed on the basis of  
 (a) Rate per unit  
 (b) Percentage on works cost  
 (c) Percentage on selling price of each unit  
 (d) Any of these ✓
- 25- The following balances appear as on 31st Dec. 1997 for X Ltd.  
 Overhead over-applied                      Rs. 350



Cost of goods sold	Rs. 9,50,000
Work-in-progress inventory	Rs. 38,000
Finished goods inventory	Rs. 75,000

the most appropriate treatment of over-applied overhead would be :

- (a) to transfer it to costing P & L A/c ✓  
 (b) to prorate it between work-in-progress inventory and finished goods inventory  
 (c) to prorate it between inventory of work-in-progress and finished goods and cost of goods sold.
- 26- The difference over a period of time, between actual factory overhead and absorbed factory overhead will usually be minimum when the predetermined overhead rate is based on  
 (a) normal capacity ✓  
 (b) machine hours  
 (c) maximum capacity  
 (d) none of the above.  
 (e) direct labour hours
- 27- A company found that the differences in product costs resulting from the application of pre-determined overhead rates rather than actual overhead rates were immaterial even though actual production was substantially less than planned production. The most likely explanation is that  
 (a) factory overhead was mainly composed of variable costs.  
 (b) several products were produced simultaneously  
 (c) fixed factory overhead was a significant cost ✓  
 (d) costs of factory overhead items were substantially larger than anticipated.
- 28- Under-absorbed factory overhead costs are  
 (a) excess variable factory overhead costs  
 (b) factory overhead cost not allocated to units produced  
 (c) fixed factory costs not allocated to unit produced  
 (d) cost that cannot be controlled  
 (e) None of the above. ✓
- 29- If a pre-determined factory overhead rate is not employed and the volume of production is reduced from the level planned, the cost per unit would be expected to  
 (a) remain unchanged for fixed costs and increase for variable costs  
 (b) increase for fixed cost and remain unchanged for variable costs ✓  
 (c) increase for fixed costs and decrease for variable costs  
 (d) decrease for fixed costs and decrease for variable costs.
- 30- The least suitable basis for applying overhead is  
 (a) materials consumed ✓  
 (c) direct labour hours  
 (b) direct labour cost  
 (d) machine hours.
- 31- Excess plant capacity means  
 (a) temporary idleness of plant  
 (b) greater production capacity than a company can use ✓  
 (c) the difference between theoretical capacity and actual capacity,  
 (d) capacity below which production should not fall.
- 32- The concept of ideal capacity of plant as used in cost accounting is its  
 (a) theoretical maximum capacity ✓  
 (b) best capacity for normal production  
 (c) capacity used for standard setting  
 (d) capacity below which production should not fall.
- 33- General overhead should be apportioned to various departments on the basis of  
 (a) cost of materials consumed  
 (b) production hours ✓  
 (c) No. of workers  
 (d) capital value of asset
- 34- Pre-determined overhead recovery rate is Rs 3 per hour, and predetermined hours are 50,000. Actual hours worked are 55,000 and till and overhead Rs 1,70,000. What is the amount of under or over-absorption of overhead  
 (a) Rs. 20000 over-absorption

- (b) Rs. 5,000 under-absorption✓  
 (c) Rs. 20,000 over-absorption  
 (d) Rs. 5,000 over-absorption
- 35- In Q. 3.34, what is the amount of pre-determined overhead ?  
 (a) Rs. 1,50,000✓  
 (c) cannot be computed  
 (b) Rs. 1,65,000  
 (d) None of these
- 36- What is the amount of absorbed overhead in Q.3.34 ?  
 (a) Rs. 1,50,000 (c) Rs 15,000  
 (b) Rs 1,65,000✓ (d) Rs 20,000
- 37- In a factory overhead are recovered at the rate of Rs. 5 per machine hour. Total expenses incurred and actual machine hours worked are Rs 80,000 and 10,000 hours respectively. Pre determined overhead amount to Rs 60,000. What is the amount of under/over absorption ?  
 (a) Rs. 20,000 under-absorption  
 (b) Rs. 30,000 under-absorption✓  
 (c) Rs. 20,000 over-absorption  
 (d) Rs. 30,000 over-absorption
- 38- In Q.3.37, which method should be used to treat under/over absorbed amount in cost accounts ?  
 (a) Tr. to costing P & L A/c  
 (b) Carry over to next year  
 (c) Use of supplementary rate  
 (d) Any of the above.
- 39- In Q.3.37, What is the predetermined number of machine hours ?  
 (a) 16,000 (c) Cannot be known.  
 (b) 12,000✓ (d) None of these
- 40- A machine purchased for Rs 20,000 is discarded because of obsolescence and sold for Rs 5,000 after three years of service, resulting in a loss of Rs 3,000. This loss should be  
 (a) treated as production cost  
 (b) transferred to costing P & L A/c in the year of sale✓  
 (c) spread over the years of the remaining expected life of the machine  
 (d) Either (b) or (c)

## JOB, BATCH & CONTRACT COSTING

- 1- In a job cost system, costs are accumulated  
 (a) by specific job✓  
 (b) by department or process  
 (c) by kind of material used  
 (e) on a monthly basis
- 2- The principal factors to be considered in designing a cost system include  
 (a) Manufacturing process  
 (b) desires of management  
 (c) nature of business  
 (d) company organisation structure  
 (e) all of the above✓
- 3- The most suitable cost system-where the products differ in type of materials used and work performed is  
 (a) Job costing✓  
 (c) Operating costing  
 (b) Process costing  
 (d) None of these.
- 4- In shoe manufacture, the most suitable cost system is  
 (a) Job costing  
 (b) Contract costing  
 (c) Batch costing✓  
 (d) None of these
- 5- Job costing is used in  
 (a) Repair shops  
 (b) Furniture making  
 (c) Printing presses  
 (d) Automobile garages  
 (e) All of these✓
- 6- Most of the expenses are direct in  
 (a) job costing  
 (b) contract costing✓  
 (c) batch costing  
 (d) All of these
- 7- When a contract is not completed at the end of the accounting year, profit on incomplete contract is  
 (a) transferred to Profit and Loss Account  
 (b) transferred to reserve

- (c) transferred partly to Profit and Loss Account and partly to reserve. ✓
- 8- When a contract is not completed at the end of the year, loss on incomplete contract is
- (a) transferred to Profit and Loss Account ✓  
 (b) transferred to work-in-progress  
 (c) transferred partly to Profit and Loss Account and partly to work-in progress.
- 9- For contracts which are very near completion, the amount of profit to be credited to Profit and Loss Account is ascertained by the following formula:
- (a) Estimated profit  $\times \frac{\text{Work certified}}{\text{Contract price}}$   
 (b) Estimated profit  $\times \frac{\text{Work certified}}{\text{Contract price}} \times \frac{\text{Cash received}}{\text{Work certified}}$   
 (c) Estimated profit  $\times \frac{\text{Work certified}}{\text{Contract price}} \times \frac{\text{Cost of work done}}{\text{Total cost to date}}$   
 (d) Any of the above ✓
- 10- When a contract is 40% complete, the amount of profit to be taken credit for is usually
- (a) the amount of profit estimated  
 (b) 40% of the estimated profit  
 (c) 1/3 of the estimate profit multiplied by cash ratio. ✓
- 11- In contract accounts, the amount of work-in-progress consists of
- (a) cost of work completed, certified and uncertified  
 (b) cost of work uncompleted  
 (c) the amount of profit not transferred to Profit and Loss Account  
 (d) (a) and (b) above  
 (e) (a) (b) and (c) ✓
- 12- Cost-plus contract is usually entered into in those cases where
- (a) cost can be easily estimated  
 (b) it is not possible to compute the cost in advance with a reasonable degree of accuracy. ✓  
 (c) contractor wants to earn a higher amount of profit.
- 13- Contract price is not fixed in case of
- (a) Cost-plus contracts  
 (b) De-escalation clause  
 (c) Escalation clause  
 (d) All of the above. ✓
- 14- Cost plus contract is useful from the point of view of
- (a) contractor  
 (b) contractee  
 (c) both contractor and contractee. ✓
- 15- In contract costing, contract account is prepared by the
- (a) contractor ✓  
 (b) contractee  
 (c) both by contractor and contractee.
- 16- In a building contract of Rs. 2,40,000, at the end of the year work certified is Rs. 1,60,000 and estimated profit is Rs. 15,000. What is the amount of profit to be credited to Profit and Loss Account assuming cash ratio is 80% ?
- (a) Rs. 15,000  
 (b) Rs. 12,000  
 (c) Rs. 8,000 ✓
- 17- Economic batch quantity is that size of the batch of production where
- (a) average cost is minimum  
 (b) total cost is minimum ✓  
 (c) set-up cost of machine is minimum  
 (b) carrying cost is minimum
- 18- Production order means
- (a) an order received from a customer for the production of a specific item  
 (b) instructions to the shops to proceed with the production of the product ✓  
 (c) an order to the store-keeper to issue necessary materials for production.
- 19- In contract costing, valuation of which of the following does not include an element of profit.
- (a) work in progress certified  
 (b) work in progress uncertified ✓  
 (c) Both (a) and (b)  
 (c) Neither (a) nor (b)
- 20- A contract of Rs. 5,00,000 is 55% complete as certified. It shows a national loss of Rs 20,000. Accounting treatment of this loss is
- (a) Transfer 2/3 of this loss to P&L A/c

- (b) Transfer  $2/3$  x cash ratio of this loss to P&L A/c  
 (c) Transfer 55% of this loss to P&L A/c  
 (d) Transfer entire amount of loss to P & L A/c ✓
- 21- Direct cost chargeable to contract does not include  
 (a) Materials  
 (b) Storage lost ✓  
 (c) Labour  
 (d) both (c) and (d)  
 (e) Supervision
- 22- Which of the following items is not written on the credit side of the contract account  
 (a) Work in progress—certified and uncertified  
 (b) Materials returned  
 (c) Cash received from contractee ✓  
 (d) Plant at site
- (a) Dr. Process account  
 Cr. Costing Profit and Loss Account  
 (b) Dr. Abnormal Wastage Account  
 Cr. Costing Profit and Loss Account  
 (c) Dr. Costing Profit and Loss account ✓  
 Cr. Abnormal Wastage Account.
- 4- 100 units are introduced in a process in which normal loss is 15 units. If actual output is also 100 units, then there is  
 (a) no abnormal loss or abnormal gain  
 (b) an abnormal loss  
 (c) an abnormal gain. ✓
- 5- 50 units are processed at a total cost of Rs. 80, normal loss being 10%. Each unit carries a scrap value of 25 paise. If output is 40 units, the value of abnormal loss will be  
 (a) Rs. 1.25 (c) Rs. 8.75 ✓  
 (b) Rs. 8.00 (d) Rs. 8.88.
- 6- Given, the data in Q. 3.5 above, the normal cost of one unit is  
 (a) Rs. 0.25 (b) Rs. 1.78  
 (c) Rs. 1.60 (d) Rs. 1.75 ✓
- 7- A factory transferred out 8,800 completed units during Jan. 1997. Opening stock was 400 units 75% completed and closing stock was 800 units 50% completed. Assuming FIFO method, the equivalent production during the period was  
 (a) 8,900 units ✓  
 (c) 9,300 units  
 (c) 9,100 units  
 (d) 9,500 units.
- 8- In a factory, the equivalent production (using FIFO method) was 7,500 units during a period which had 500 units 60% complete on hand at the start and 600 units 75% complete at the end of the period. How many units were introduced during the period  
 (a) 6,750 (c) 7,050  
 (b) 6,850 ✓ (d) 7,150
- 9- An under-statement of ending work-in-progress inventory will  
 (a) understate cost of goods produced  
 (b) understate net profit ✓

## Process Output and Operating Costing

- 1- The type of process loss that should not affect the cost of inventories is:  
 (a) abnormal loss ✓  
 (b) seasonal loss  
 (c) normal loss  
 (d) standard loss
- 2- During Jan. 1997, Marconi Ltd. had total manufacturing cost of Rs. 1,80,000. The business completed 14,000 units of product, of which 4,000 units were half completed in Dec 1996 and started production on an additional 6,000 units that were half completed at the end of Jan. 1997. For Jan. 1997, that production cost per unit was  
 (a) Rs. 18  
 (b) Rs. 12 ✓  
 (c) Rs. 16.36  
 (d) Rs. 9
- 3- Accounting entry for writing off the cost of abnormal wastage in a process is

- (c) overstate gross profit  
(d) overstate current assets.
- 10- An over-statement of beginning work-in-progress inventory will  
(a) understate cost of goods sold  
(b) understate the profit. ✓  
(c) overstate net profit  
(d) overstate gross profit.
- 11- When units are lost at the end of the production process, the cost is charged to  
(a) factory overhead  
(b) work-in-progress  
(c) selling expense  
(d) completed units ✓
- 12- The term Economic Batch Quantity is used in relation to:  
(a) Operating costing  
(b) Process costing  
(c) Batch costing ✓  
(d) Unit costing.
- 13- An advantage of incorporating inter-process profits in accounts is that  
(a) profitability of each process is separately revealed ✓  
(b) company can earn higher profits  
(c) it helps in the control of costs in processes
- 14- Input in a process is 4,000 units and normal loss is 20%. When finished output in the process is only 3240 units, there is an  
(a) abnormal loss of 40 units  
(b) abnormal gain of 40 units ✓  
(c) neither abnormal loss nor abnormal gain
- 15- In Q. 3.14 further assuming scrap value of loss is Rs. 5 per unit, the amount of sales from scrap is:  
(a) Rs. 3,800 ✓  
(c) Rs.200  
(b) Rs. 4,000  
(d) None of these.
- 16- Further assuming (in Q. 3.14 and Q 3.15) that cost assigned to abnormal gain of 40 units is Rs. 280, the amount to be transferred to Costing Profit and Loss Account is  
(a) Rs. 280  
(b) Rs. 200  
(c) Rs. 80 ✓  
(d) Rs. 360
- 17- Hopeless Company, which uses FIFO method in process costing, began the current year with 300 units 50% completed, transferred out 5,000 completed units during the year and ended with 500 units 70% completed. Equivalent production for the period was:  
(a) 5,000  
(b) 4,700  
(c) 5,200 ✓  
(d) 5,800.
- 18- Classification and accumulation of costs by fixed and variable costs is of special importance in  
(a) process costing  
(c) operation costing  
(b) unit costing  
(d) operating costing ✓  
(e) none of these.
- 19- Joint product manufacturing is fundamental in  
(a) automobile industry  
(b) oil refineries ✓  
(c) engineering company  
(d) All of the above.
- 20- Individual products, each of a significant sales value, produced simultaneously from the same raw material, should be known as  
(a) by-products  
(b) joint products ✓  
(c) main products  
(d) common products.
- 21- Total manufacturing costs are divided by the total number of units produced to obtain a cost per unit under the—  
(a) average unit cost method  
(b) sales value method  
(c) physical unit measurement method. ✓
- 22- Which of the following are virtually always subsequent costs  
(a) raw material costs  
(b) selling and distribution cost ✓  
(c) direct labour costs  
(d) None of these

- 23- When by-products are of small total value, its accounting should be by  
(a) apportioning a part of joint cost to by-products  
(b) realisable value of by-products should be treated as miscellaneous income and transferred to P & L A/c✓  
(c) realisable value of by-products should be apportioned over the main products.  
(d) Any of these
- 24- Net realisable value of by-products at the split off point should be calculated by reverse cost method when  
(a) By products are of small total value  
(b) By-products are of considerable sales value  
(c) By-products require further processing for their sale✓
- 25- 'Cost per unit is the average cost' is applicable in  
(a) Job costing  
(b) Multiple costing  
(c) Operating costing✓  
(d) Contract costing
- 26- Trimmings in timber industry should be treated as a  
(a) waste  
(b) by-product.  
(c) scrap✓  
(d) joint product.
- 27- The method of accounting for joint product costs that will produce the same gross profit rate for all the products is—  
(a) Sales value method✓  
(b) Physical measure method  
(c) Average unit cost method  
(d) All of these.
- 28- Which of the following methods of accounting of by-products should be applied when the by-product is to be utilised in the undertaking itself as material for some other process ?  
(a) Sales-value method  
(b) Opportunity cost method✓  
(c) Other income method  
(d) Reverse cost method.
- 29- Credit is given to the process account at a pre-determined value of the byproduct under the  
(a) Standard cost method✓  
(b) Reserve cost method  
(c) Opportunity cost method  
(e) Sales value method.
- 30- The primary purpose of apportioning joint costs of a processing centre to various products produced is to  
(a) develop accurate processing cost variances product-wise  
(b) report more correct standard product costs for comparative analysis  
(c) establish inventory cost assigned to unsold units  
(d) record accurate cost of sales by product lines✓  
(e) None of the above
- 31- In the sales value method of apportioning joint costs to various products, the basis of apportionment is  
(a) Selling prices of each of joint products  
(b) Selling price multiplied by units sold of each of joint products.  
(c) Sales value less subsequent production costs of individual products  
(d) Any of the above. ✓
- 32- A product which has practically no sales or utility value is  
(a) Waste✓  
(b) By product Scrap  
(c) Scrap  
(d) Spoilage
- 33- A bakery produces cakes, biscuits and bread. These products should be treated as  
(a) joint products  
(b) co-products✓  
(c) by-products  
(d) main products
- 34- A method of apportionment of joint costs to various joint products on the basis of their respective capacities to bear joint costs is  
(a) sales value method✓  
(b) physical units methods

- (c) average cost method  
(d) marginal cost and contribution method
- 35- Given: Input 1,000 units, Cost of production Rs 1,850, Normal loss 10% of input, Actual loss 50 units, Scrap value Rs 0.50 per unit. What is the abnormal loss/gain?  
(a) 50 units abnormal gain ✓  
(b) 50 units abnormal loss  
(c) 100 units abnormal gain  
(d) 100 units abnormal loss
- 36- In Q 3.35, what is the cost per unit?  
(a) Rs. 2.18 (c) Rs. 2 ✓  
(b) Rs. 2.05 (d) Rs. 1.89
- 37- Output of a process was 2,500 units, normal loss is 10% of input and abnormal loss 200 units. How many units were introduced in the process?  
(a) 2,700 (c) 3,200  
(b) 3,000 ✓ (d) 3,500
- 38- In Q 3.37, What is the quantity of total loss?  
(a) 270 units (c) 350 units  
(b) 300 units (d) 500 units ✓
- 39- When quantity sold is 18,000 units, opening stock 2,000 units and closing stock 3,000 units, what is the quantity produced?  
(a) 16,000 units  
(b) 19,000 units ✓  
(c) 17,000 units  
(d) 20,000 units
- 40- A transport company is running 3 buses with 50 passengers each, covering a distance of 100 km daily. What is the number of passenger km. per day?  
(a) 5,000 (b) 300  
(c) 15,000 ✓ (d) 150
- (d) None of these.
- 2- Which of the following accounts make the cost ledger self-balancing?  
(a) Overhead adjustment account  
(b) Costing P. & L. account  
(c) Cost Ledger control account ✓  
(d) None of the above.
- 3- Costing Profit and Loss account does not record the  
(a) sales value of goods  
(b) balance of overhead adjustment account  
(c) balance of cost of sales account  
(d) balance of stores ledger control account ✓
- 4- The closing balance of cost of sales account is transferred to  
(a) Cost ledger control account  
(b) Selling and distribution overhead account  
(c) Costing profit and loss account. ✓
- 5- Purchases for special jobs is debited to  
(a) Work-in-progress ledger control account ✓  
(b) Cost ledger control account  
(c) Stores ledger control account.
- 6- Journal entry for recording sales in non-integrated system is  
(a) Dr. Cost Ledger Control Account  
Cr. Costing Profit and Loss Account ✓  
(b) Dr. Cost of Sales Account Cr Sales  
(c) Dr. Selling and Distribution Overhead Account Cr. Sales
- 7- Journal entry for absorption of production overheads in non-integral accounts is  
(a) Dr. Production Overhead Account  
Cr. Cost Ledger Control Account  
(b) Dr. Work-in-progress Control Account ✓  
Cr. Production Overhead Account  
(c) Dr. Overhead Adjustment Account  
Cr. Production Overhead Account.  
(d) Dr. Production Overhead Account  
Cr. Work in progress Control Account

## COST BOOK-KEEPING

- 1- Cost and financial accounts are reconciled under  
(a) Integral system  
(b) Under both (a) and (b)  
(c) Non-integral system ✓

- 8- Journal entry for the absorption of selling and distribution overhead account in non-integral accounts is:  
 (a) Dr. Cost of sales account ✓  
 Cr. Selling and distribution and overhead account  
 (b) Dr. Finished goods ledger control account  
 Cr. Selling and distribution overhead account  
 (c) Dr. Cost ledger control account  
 Cr. Selling and distribution overhead account  
 (d) None of these.
- 9- Journal entry for over-absorbed administrative overhead amount in control accounts is :  
 (a) Dr. Costing profit and loss account  
 Cr. Cost ledger control account  
 (b) Dr. Overhead adjustment account  
 Cr. Administration overhead account  
 (c) Dr. Administration overhead account  
 Cr. Overhead adjustment account  
 (d) No entry is required ✓
- 10- Journal entry for issuing materials to production (in control accounts) is :  
 (a) Dr. Stores ledger control account Cr. Cost ledger control account  
 (b) Dr. Cost ledger control account Cr. Stores ledger control account  
 (c) Dr. Work-in-progress control account Cr. Stores ledger control account ✓  
 (d) No entry is required.
- 11- Journal entry for payment of wages (in control accounts) is :  
 (a) Dr. Wages control account Cr. Cash  
 (b) Dr. Wages control account.  
 Cr. Cost ledger control account ✓  
 (c) Dr. Wages Cr. Cash  
 (e) No entry is required
- 12- Payment to creditors for supplies made. Journal entry (in control accounts) will be  
 (a) Dr. Sundry creditors Cr. Cash  
 (b) Dr. Sundry creditors  
 Cr. Cost ledger control account  
 (c) Dr. Sundry creditors  
 Cr. Costing Profit and loss account  
 (d) No entry is required ✓
- 13- What entry will be passed under integrated system for purchase of stores on credit ?  
 (a) Dr. Purchases A/c  
 Cr. Creditors A/c  
 (b) Dr. Stores ledger control A/c ✓  
 Cr. Creditors A/c  
 (c) Dr. Stores ledger control A/c  
 Cr. General Ledger Adjustment A/c  
 (d) None of these
- 14- What accounting entry under integrated system will be passed for payment to creditors for supplies made?  
 (a) Dr. Creditors A/c Cr. Cash A/c ✓  
 (b) Dr. Stores ledger control A/c  
 Cr. Creditors A/c  
 (c) Dr. Stores ledger control A/c  
 Cr. General Ledger Adjustment A/c  
 (d) None of these
- 15- What will be the accounting entry in integrated accounts for absorption of works overheads ?  
 (a) Dr. Work-in-progress control A/c ✓  
 Cr. Factory overhead control A/c  
 (b) Dr. Factory overhead A/c  
 Cr. Factory overhead control A/c  
 (c) No entry is required.
- 16- The accounting entry in integrated accounts for recording sales will be  
 (a) Dr. Cost ledger control A/c Cr. Profit and Loss A/c  
 Dr. Sales A/c  
 Cr. Profit and Loss A/c  
 (c) Dr. Debtors or Cash A/c Cr. Sales A/c ✓  
 (d) None of these
- 17- Under integral system, the accounting entry for recording depreciation charges on machinery will be  
 (a) Dr. Depreciation A/c Cr. Machinery A/c  
 (b) Dr. Factory overhead control A/c  
 Cr. Machinery A/c ✓



- (c) Dr. Factory overhead control A/c Cr. Cost ledger control A/c
- 18- Integral accounts eliminate the necessity of operating  
 (a) Cost Ledger Control account ✓  
 (b) Stores Ledger control account  
 (c) Overhead adjustment account  
 (d) All of these.
- 19- Which of the following items is not included in cost accounts ?  
 (a) Interest received on bank deposits  
 (b) Debenture interest  
 (c) Dividend paid on share capital  
 (d) Damages payable at law  
 (e) All of these ✓
- 20- Which of the following items is included in cost accounts ?  
 (a) Transfer to general reserve  
 (b) Charitable donation  
 (c) Notional rent ✓  
 (d) Rent receivable  
 (e) None of the above.
- 21- When costing profit is Rs. 12,500 and a charge in lieu of rent is Rs. 1,000, the financial profit should be  
 (a) Rs. 12,500 (b) Rs. 11,500  
 (c) Rs. 13,500 ✓
- 22- When costing loss is Rs. 5,600, administrative overhead under-absorbed being Rs. 400, the loss as per financial accounts should be  
 (a) Rs. 5,600 (b) Rs. 6,000 ✓  
 (c) Rs. 5,200
- 23- Depreciation charged in costing is Rs. 12,500 and in financial books is Rs. 11,200. What will be the financial profit when costing profit is Rs. 5,000?  
 (a) Rs. 5,000 (b) Rs. 3,700  
 (c) Rs. 6,300 ✓
- 24- Profit as per financial books is Rs. 72,000. What will be the profit as per costing books when selling and distribution expenses, actual as well as predetermined, are Rs. 2,500 ?  
 (a) Rs. 72,000 ✓ (b) Rs. 70,500  
 (c) Rs. 69,500.
- 25- Which of the following items is not included in financial books ?  
 (a) Heavy donations  
 (b) Loss on the sale of fixed assets  
 (c) Notional rent ✓  
 (d) Interest on borrowed capital  
 (e) all of these.
- 26- Which of the following items shall be added to costing profit to arrive at financial profit ?  
 (a) Under-absorption of works overhead  
 (b) Interest on debentures paid  
 (c) Rent receivable ✓  
 (d) Income tax paid  
 (e) All of the above
- 27- Which of the following accounts will always have a debit balance?  
 (a) Overhead adjustment account  
 (b) work in progress ledger control account ✓  
 (c) Cost ledger control account  
 (d) Factory overhead control account.
- 28- Under integral system, accounting entry for recording return of material from production to stores department is  
 (a) Dr. Stores ledger control A/c ✓  
 Cr. Work in progress control A/c  
 (b) Dr. Work in progress control A/c Cr. Stores ledger control A/c  
 (c) Dr. Stores ledger control A/c Cr. Cost ledger control A/c  
 (d) No entry is required
- 29- Under non-integral system, accounting entry for recording abnormal wastage in production is  
 (a) Dr. Stores ledger control A/c  
 Cr. Work in progress ledger control A/c  
 (i) Dr. work in progress ledger control A/c Cr. Costing P&L A/c  
 (c) Dr. Costing P & L A/c ✓  
 Cr. Work in progress ledger control A/c  
 (d) No entry
- 30- Under non-integral system, accounting entry for cash received from debtors is  
 (a) Dr. Cash A/c  
 Cr. Debtors A/c

- (b) Dr. Cost ledger control A/c Cr. Cash A/c  
 (c) Dr. Cash A/c  
 Cr. Cost ledger control A/c  
 (d) No entry. ✓

## BUDGETARY CONTROL

- 1- A budget that gives a summary of all the functional budgets and projected Profit and Loss A/c is known as  
 (a) Capital budget  
 (b) Flexible budget  
 (c) Master budget ✓  
 (d) Discretionary budget
- 2- In flexible budgeting,  
 (a) statements included in the budget report vary from period to period  
 (b) budget-standards may be adjusted at will  
 (c) reporting dates vary according to the activity level reported upon  
 (d) planned activity level is adjusted to the actual activity level before the budget comparison report is prepared. ✓
- 3- The fixed-variable cost classification has a special significance in the preparation of,  
 (a) Flexible budget ✓  
 (b) Master budget  
 (c) Cash budget  
 (d) Capital budget
- 4- If a company wishes to establish a factory overhead budget system in which estimated costs can be derived directly from estimates of activity levels, it should prepare a  
 (a) Flexible budget ✓  
 (b) Master budget  
 (c) Cash budget  
 (d) Fixed budget
- 5- Of little or no relevance in evaluating the performance of an activity would be  
 (a) Flexible budget  
 (b) Fixed budget
- (c) difference between planned and actual results  
 (d) planning and control of future activities ✓
- 6- The basic difference between a fixed budget and a flexible budget is that a fixed budget  
 (a) includes only fixed costs, and a flexible budget only variable costs  
 (b) is a budget for a single level of some measure of activity, while a flexible budget consists of several budgets based on different activity levels ✓  
 (c) is concerned with future acquisition of fixed assets, while a flexible budget is concerned with expenses that vary with sales.  
 (d) cannot be changed after a fiscal period begins, while a flexible budget can be changed after a fiscal period begins.
- 7- The budget for a specific activity level during a year was Rs. 50,000, while actual costs for the same period was Rs. 45,000. Considering these facts, it can be said that the plant manager has done a better than expected job in controlling the costs if  
 (a) the cost is variable and actual production was 80% of budgeted production  
 (b) the cost is variable and actual production was 90% of budgeted production  
 (c) the cost is variable and actual production equaled budgeted production. ✓
- 8- The budget that is set first and all the other budgets are subordinate to it, is  
 (a) Cash budget  
 (b) Master budget  
 (c) Capital expenditure budget  
 (d) Budget for the key factor ✓  
 (e) Sales budget
- 9- The success of a flexible budget depends upon careful study and classification of expenses into:  
 (a) historical and predetermined

- (b) manufacturing, administrative and selling  
(c) fixed, variable and semi-variable. ✓
- 10- One of the most important tools of cost planning is  
(a) cost sheet (b) unit cost  
(c) direct cost (d) budget ✓
- 11- A ..... is a planned result that an enterprise aims to attain.  
(a) Forecast  
(b) Budget ✓  
(c) Marginal cost  
(d) None of these
- 12- A ..... is a prediction of what will happen as a result of a given set of circumstances  
(a) Forecast ✓  
(b) Budget  
(c) Marginal cost  
(d) None of these.
- 13- A budget which lays more stress on control aspect is a  
(a) operating budget  
(b) responsibility budget ✓  
(c) flexible budget  
(d) financial budget
- 14- Which of the following is usually a long-term budget ?  
(a) Sales budget  
(b) Cash budget  
(c) Capital expenditure budget ✓  
(d) Fixed budget
- 15- A budget representing fixed assets expenditure during the budget period is  
(a) Fixed budget  
(b) Capital expenditure budget ✓  
(c) Long term cash budget  
(d) Master budget

## STANDARD COSTING & VARIANCE ANALYSIS

- 1- The cost of a product as determined under standard cost system is  
(a) fixed cost (c) direct cost  
(c) historical cost  
(d) pre-determined cost. ✓
- 2- In evaluating deviations of actual from standard cost, the probable technique used is  
(a) variable regression  
(b) trend analysis  
(c) variance analysis ✓  
(d) linear progression
- 3- The type of standard that is best suited from cost control point of views is  
(a) Theoretical standard  
(b) Normal standard  
(c) Expected standard ✓  
(d) Basic standard.
- 4- Which of the following standards can be attained under the most favourable conditions possible ?  
(a) Theoretical standard ✓  
(b) Normal standard  
(c) Expected standard  
(d) Basic standard.
- 5- One purpose of standard costs may be described as  
(a) promoting and measuring performance  
(b) setting cost of manufacture  
(c) controlling and reducing costs ✓  
(d) simplifying production operations.
- 6- A company using theoretical standards in a standard cost system should expect that  
(a) Most variances will be unfavourable ✓  
(b) employees will be strongly motivated to attain the standards  
(c) a large incentive bonus will be paid

- (d) costs will be controlled better if lower standards were used.
- 7- A company controls its production costs by comparing its actual monthly production cost with the expected levels. Any significant deviations from these expected levels are investigated and evaluated as a basis for corrective action. The quantitative technique that is most probably being used is  
 (a) time series or trend regression analysis  
 (b) differential calculus  
 (c) correlation analysis  
 (d) standard cost variance analysis ✓
- 8- In standard costing system, labour rate variance is obtained by multiplying the  
 (a) actual rate by the difference between actual hours and standard hours  
 (b) actual hours by the difference between actual rate and standard rate ✓  
 (c) standard rate by the difference between standard hours and actual hours.
- 9- Overhead cost variance is the difference between  
 (a) Actual overhead and budgeted overhead  
 (b) Absorbed overhead and budgeted overhead  
 (c) Absorbed overhead and actual overhead ✓  
 (d) Actual overhead and standard overhead
- 10- If standard hours are 400 @ Rs. 1 per hour and actual hours are 380 @ Rs. 1.25 per hour, the labour rate variance is:  
 (a) Rs. 20 (Favourable)  
 (c) Rs. 100 (Adverse)  
 (b) Rs. 25 (Favourable)  
 (d) Rs. 95 (Adverse). ✓
- 11- Labour efficiency variance in the above Q. 3.10 is  
 (a) Rs. 20 (Favourable) ✓  
 (b) Rs. 95 (Unfavourable)  
 (c) Rs. 25 (Favourable)  
 (d) None of these.
- (c) Rs. 100 (Unfavourable)
- 12- In standard costing, the material price variance is obtained by multiplying the  
 (a) actual price by the difference between actual quantity purchased and standard quantity allowed  
 (b) actual quantity consumed by the difference between actual price and standard price ✓  
 (c) standard price by the difference between standard quantity purchased and standard quantity allowed.  
 (d) standard quantity by the difference between actual price and standard price.
- 13- If actual material cost is 900 units at Rs. 8 per unit and standard material, cost in 1,000 units at Rs. 6 per unit, the material cost variance is:  
 (a) Rs. 2,400 (Favourable)  
 (c) Rs. 1,200 (Favourable)  
 (b) Rs. 2,400 (Adverse)  
 (d) Rs. 1,200 (Adverse). ✓
- 14- The material price variance in the above Q. 3.13 is:  
 (a) Rs. 600 (Favourable)  
 (b) Rs. 1,800 (Adverse) ✓  
 (c) Rs. 1,200 (Adverse)  
 (d) Rs. 2,400 (Favourable)
- 15- Material usage variance in the above Q. 3.13 is  
 (a) Rs. 600 (Favourable)  
 (c) Rs. 1,800 (Favourable)  
 (b) Rs. 1,000 (Adverse)  
 (d) Rs. 2,000 (Adverse)
- 16- Which of the following variances arises only when more than one material is used in the manufacture of a product ?  
 (a) material price variance  
 (b) Material mix variance ✓  
 (c) Material usage variance  
 (d) All of the above.  
 (e) Material yield variance
- 17- Standard costing will produce the same financial statement results as actual or conventional costing when standard cost variances are distributed  
 (a) cost of goods sold  
 (b) cost of goods sold and inventory ✓

- (c) Income or Expense account  
(d) a balance sheet account.
- 18- Material mix variance is a sub-variance of  
(a) Material cost variance  
(b) Material price variance.  
(c) Material quantity variance ✓  
(d) Material yield variance.
- 19- Material cost variance is Rs. 550 (A) and material price variance Rs. 150 (F), the material usage variance should be :  
(a) Rs. 400 (A) (c) Rs. 400 (F)  
(b) Rs. 700 (A) ✓ (d) Rs. 700 (F)
- 20- Overhead Budget Variance is a sub-variance of  
(a) Overhead volume variance  
(b) Overhead efficiency variance  
(c) Overhead cost variance ✓  
(d) None of these.
- 21- Idle time a variance is a sub-variance of  
(a) Overhead efficiency variance  
(b) Labour cost variance  
(c) Labour time variance  
(d) Labour efficiency variance. ✓
- 22- Material price variance is Rs. 300 (A), material mix variance Rs. 150 (A) and material sub-usage variance is Rs. 50 (F). The material cost variance is  
(a) Rs. 400 (A) ✓  
(c) Rs. 500 (A)  
(b) Rs. 450 (A)  
(d) cannot be computed
- 23- In Q. 3.22 above, the material quantity variance is  
(a) Rs. 50 (A)  
(b) Rs. 300 (A)  
(c) Rs. 100 (A) ✓  
(d) Rs. 250 (A)
- 24- Overhead budget variance is Rs. 700 (A), overhead efficiency variance is Rs. 300 (F). What is the amount of variable overhead cost variance ?  
(a) Rs. 1,000 (F)  
(b) Rs. 400 (F)  
(c) Rs. 400 (A) ✓  
(d) Rs. 1,000 (A)
- 25- The type of variance not computed for factory overhead is :  
(a) controllable  
(b) equivalent production ✓  
(c) volume  
(d) idle capacity.
- 26- Standard costing can be used along with  
(a) Marginal costing  
(b) Job and process costing ✓  
(c) Absorption costing  
(d) All of the above. ✓
- 27- Standard cost are useful in all of the following except -  
(a) reducing costs  
(b) speeding up preparation of operating reports  
(c) establishing records ✓  
(d) costing inventories.
- 28- At the end of a financial year Hot Shot Company had several substantial variances from standard variable manufacturing costs. The one for which there is the strongest justification for allocation between inventories and cost of goods sold is the one attributable to.  
(a) additional costs of raw materials acquired under a speculative purchase contract  
(b) a breakdown of equipment  
(c) increased labour rates won by the union as a result of strike during the year ✓  
(d) overestimates of production activity for the period resulting from failure to predict an unusual decline in the market for the company's product.
- 29- Controllable variances are best disposed of by transferring to  
(a) cost of goods sold  
(b) inventories of work-in-progress and finished goods  
(c) cost of goods sold and inventories  
(d) Costing Profit and Loss A/c ✓
- 30- Uncontrollable variances are best disposed of by transferring to  
(a) cost of goods sold

- (b) inventories of work-in-progress and finished goods  
(c) cost of goods sold and inventories ✓  
(d) Costing Profit and Loss A/c
- 31- Overhead cost variance may be analysed into  
(a) two variances  
(c) four variances  
(b) three variances  
(d) any of the above. ✓
- 32- Which of the following statement best explains the difference between standard costing and budgetary control.  
(a) Budget is a projection of financial accounts whereas standard cost is a projection of cost accounts.  
(b) Variances are analysed under standard costing but not under budgetary control  
(c) The budget, "as a statement of expected costs, is used for forecasting of finance, material and labour cost, etc, whereas standards tell what the cost "should be" if certain performances are achieved. ✓  
(d) Budgetary control is more intensive than standard costing.
- 33- Fixed overhead expenditure variance is the difference between  
(a) Budgeted overhead and actual overhead ✓  
(b) Standard overhead and actual overhead  
(c) Absorbed overhead and budgeted overhead  
(d) Absorbed overhead and standard overhead
- 34- Variable overhead expenditure variance is the difference between  
(a) Budgeted overhead and actual overhead  
(b) Standard overhead and actual overhead ✓  
(c) Absorbed overhead and budgeted overhead  
(d) Absorbed overhead and standard overhead
- 35- Calendar variance is a sub-variance of  
(a) Expenditure variance  
(b) Efficiency variance  
(c) Variable overhead cost variance  
(d) Volume variance ✓
- 36- Total sales margin variance is the difference between  
(a) Actual profit and standard profit  
(b) Actual profit and budgeted profit ✓  
(c) Actual sales and budgeted sales  
(d) None of these
- 37- Which of the following variances is always adverse  
(a) Sales margin mix variance  
(b) Fixed overhead capacity variance  
(c) Calendar variance  
(d) Idle time variance ✓  
(c) None of these
- 38- Which of the following variances is always favourable  
(a) Overhead volume variances  
(b) Calendar variance  
(c) Sales value mix variance  
(d) None of these ✓
- 39- Sales volume variance is Rs 9,000 (F) and sales value variance is Rs 5,000 (F). What is the sales price variance?  
(a) Rs. 14,000 (F)  
(b) Rs. 4,000 (F)  
(c) Rs. 4,000 (A) ✓  
(d) None of these
- 40- Fixed overhead cost variance is Rs 2,200 (A), expenditure variance is Rs 200(A), Calendar variance Rs 500 (F). What is the volume variance?  
(a) Rs. 2,700 (A)  
(b) Rs 2,000 (A) ✓  
(c) Rs. 1,900 (A)  
(d) Rs. 2,500 (F)
- 41- Given - Material 5 kg per unit of output is allowed Standard price Rs 5 per kg. Actual price Rs 4.80 per kg. Actual material consumed 2,200 kg. Actual output 400 units, What is the material cost variance ?  
(a) Rs400(A)  
(b) Rs. 560 (A) ✓  
(c) Rs 560 (F)

- (d) Rs. 400 (F)
- 42- What is the material price variance as per Q. 3.41 ?  
 (a) Rs400(F)  
 (b) Rs 440 (F) ✓  
 (c) Rs 400 (A)  
 (d) Rs 440 (A)
- 43- What is the material quantity variance in Q 3.41 ?  
 (a) Rs960(A)  
 (c) Rs 1,000 (A) ✓  
 (b) Rs960(F)  
 (d) Rs 1,000 (F)
- 44- Given : Standard wage rate Rs 4 per hour Standard hours Rs 15 per unit of output Actual wage rate Rs 3.90 per hour Actual output 1,000 units Actual hours 15,300 What is the labour efficiency variance?  
 (a) Rs330(A)  
 (b) Rs 1,200 (A) ✓  
 (c) Rs1,530(F)  
 (d) Rs 1,200 (F)
- 45- What is the labour rate variance in Q.3.44 ?  
 (a) Rs. 330 (A)  
 (b) Rs. 1200 (F)  
 (c) Rs. 1530 (F)✓  
 (d) Rs1200(A)
- 2- One of the primary differences between marginal costing and absorption costing is regarding the treatment of  
 (a) direct materials  
 (b) fixed overheads✓  
 (c) variable overheads  
 (d) prime cost.
- 3- Contribution margin is also known as  
 (a) marginal income✓  
 (c) net income  
 (b) gross profit  
 (d) net profit
- 4- Period costs are  
 (a) variable costs  
 (b) prime cost  
 (c) fixed costs✓  
 (d) overhead costs.
- 5- A costing method in which the fixed factory overheads are added to inventory valuation is  
 (a) Direct costing  
 (b) Marginal costing  
 (c) Absorption costing✓
- 6- Profit shown by absorption costing will tend to exceed profit shown by marginal costing method if  
 (a) units produced exceed units sold✓  
 (b) variable manufacturing costs decrease  
 (c) units sold exceeds units produced  
 (d) fixed manufacturing costs decrease.

## MARGINAL COSTING & COT VOLUME PROFIT ANALYSIS

- 1- Product costs under marginal costing include  
 (a) prime costs only  
 (b) prime costs and variable overhead✓  
 (c) prime costs and fixed overhead.  
 (d) material cost and variable overhead

- 7- There will be no difference in profit as shown by marginal costing and that of absorption costing when
- (a) opening and closing stock of finished goods remain constant ✓
  - (b) closing stock of finished goods is more than its opening stock
  - (c) opening stock of finished goods is more than its closing stock
  - (d) none of the above
- 8- Absorption costing differs from marginal costing in the
- (a) fact that standard costs can be used with absorption costing but not with marginal costing
  - (b) amount of fixed costs that will be incurred
  - (c) kinds of activities for which each can be used
  - (d) amount of costs assigned to individual units of products ✓
- 9- Reporting under marginal costing is accomplished by
- (a) eliminating the work-in progress inventory account
  - (b) including only variable costs in income statement
  - (c) matching variable costs against revenue and treating fixed costs as period costs ✓
  - (d) treating all costs as period costs.
- 10- Under the marginal costing concept, unit product cost would most likely be increased by
- (a) a decrease in the number of units produced
  - (b) an increase in the number of units produced
  - (c) an increase in the commission paid to salesman for each unit sold ✓
  - (d) an increase in the remaining useful life of factory machinery depreciated on written down value method.
- 11- Contribution margin is equal to
- (a) Sales—Fixed cost—Profit
  - (b) Profit + Variable cost
  - (c) Fixed cost—Loss. ✓
- 12- Profit/Volume ratio is an indicator of
- (a) the volume of sales
  - (b) the volume of profit
  - (c) the rate at which goods are sold
  - (d) the rate of profit ✓
  - (e) All of these.
- 13- When fixed cost is Rs. 10,000 and P/V ratio is 50%, the break-even point will be
- (a) Rs. 20,000 ✓
  - (b) Rs. 50,000
  - (c) Rs. 40,000
  - (d) None of these
- 14- When fixed cost is Rs. 7,000, profit Rs. 3,000 and sales Rs.50,000, the P/V ratio will be



- (a) 14%  
(b) 20%✓  
(c) 25%  
(d) P/V ratio cannot be computed from the data given
- 15- When P/V ratio is 40% and sales value Rs. 10,000, the variable cost will be  
(a) Rs. 4,000  
(b) Rs. 6,000✓  
(c) Rs. 10,000  
(d) Variable cost cannot be calculated from the data given.
- 16- If net profit is 10% and P/V ratio is 50%, the margin of safety will be  
(a) 10% (b) 20%✓  
(c) 50%  
(d) margin of safety cannot be computed
- 17- The margin of safety may be improved by  
(a) increasing sales volume  
(b) increasing selling price  
(c) lowering variable cost  
(d) lowering fixed costs  
(e) All of these. ✓
- 18- An item whose entire amount is usually a differential cost is  
(a) factory overhead  
(b) direct cost✓  
(c) period cost  
(d) conversion cost
- 19- As part of the data presented in support of a proposal to increase the production of car radios, the sales manager of XYZ Electronics reported the total additional cost required for the proposed increased level of production. The increase in total cost is known as:  
(a) opportunity cost  
(b) controllable cost  
(c) out-of-pocket cost  
(d) differential cost. ✓
- 20- Alto Palo Company has temporary unused production capacity. The idle plant facilities can be used to manufacture a low margin item. The low margin item should be produced, if it can sold for more then its:  
(a) fixed costs (b) prime costs  
(c) variable costs✓ (d) indirect costs.
- 21- Cost- volume-profit analysis is most important for the detennination of the  
(a) volume of operations necessary to break-even  
(b) variable-revenues necessary to equal fixed costs  
(c) relationship between revenues and costs at various level of operations✓  
(d) sales revenue necessary to equal fixed costs.
- 22- The alternative that would decrease the contribution margin per unit the most is a 20%

- (a) decrease in selling price ✓  
 (b) increase in selling price  
 (c) increase in variable costs  
 (d) decrease in variable cost
- 23- When referring to margin of safety, one has the following in mind:  
 (a) the excess of budgeted or actual sales over fixed costs  
 (b) the excess of actual sales over break-even sales ✓  
 (c) the excess of actual sales over budgeted sales  
 (d) the excess of sales revenue over variable cost
- 24- The conventional break-even analysis does not assume that  
 (a) selling price per unit will remain fixed  
 (b) total fixed costs remain the same  
 (c) variable cost per unit will vary ✓  
 (d) productivity per worker will remain unchanged.
- 25- If fixed costs decrease while variable cost per unit remain constant, the new break-even point in relation to the old break-even point will be  
 (a) indeterminate (c) higher  
 (b) unchanged (d) lower ✓
- 26- If fixed costs decrease while the variable cost per unit remain constant, the new contribution margin in relation to old contribution margin will be  
 (a) indeterminate (c) higher  
 (b) unchanged ✓ (d) lower
- 27- When margin of safety is 20% and contribution sales ratio is 60% the profit will be  
 (a) 30% (d) 12% ✓  
 (c) 33 1/3%  
 (d) cannot be computed.
- 28- When fixed cost is Rs.20,000 and margin of safety is Rs. 10,000, the P/V ratio will be:  
 (a) 200% (b) 33.3%  
 (c) 50%  
 (d) cannot be computed ✓
- 29- When sales jumped from Rs. 3,00,000 to Rs.4,00,000 and profit increased by Rs. 40,000, the P/V -atio is:  
 (a) 7.5 % (c) 40% ✓  
 (b) 10%  
 (d) cannot be computed
- 30- When total fixed cost is RS. 50,000 and variable cost to sales is 75%, the break-even point is:  
 (a) Rs. 37,500  
 (c) Rs. 2,00,000 ✓  
 (b) Rs. 12,500  
 (d) cannot be determined
- 31- On sales of Rs.2,00,000, fixed cost is Rs. 30,000 and P/V ratio is 40% What is the profit?  
 (a) Rs. 50,000 ✓

- (c) Rs. 12,000  
(6) Rs. 80,000  
(d) None of these
- 37- When sales are Rs. 80,000 and P/V ratio is 80%, the amount of variable cost is  
(a) Rs. 64,000  
(b) Rs. 48,000  
(c) Rs. 16,000✓  
(d) cannot be known.
- 38- In order to earn a profit of Rs. 10,000, when fixed cost is Rs. 20,000 and P/V ratio 20%, the amount of sales should be  
(a) Rs. 40,000  
(b) Rs. 1,00,000  
(c) Rs. 30,000  
(d) Rs. 1,50,000✓
- 39- When profit changes by Rs. 20,000, the sales changes by Rs. 25,000, the P/V ratio is  
(a) 20%      (b) 25%  
(c) 80%✓  
(d) Cannot be calculated
- 40- When sales volume increases  
(a) break-even point increases  
(b) total loss will increase  
(c) total profit will increase✓  
(d) All of the above.
- 41- Which of the following would cause the greatest increase in the unit contribution margin  
(a) 20% decrease in fixed cost  
(b) 20% increase in selling price✓  
(c) 20% decrease in variable cost.
- 42- Woody Company, which manufactures sneakers, has enough idle capacity available to accept a special order of 20,000 pairs of sneakers at Rs.6 per pair. The normal selling price is Rs.10 per pair. Variable manufacturing costs are Rs.4.50 a pair and fixed manufacturing costs Rs. 1.50 a pair. Woody will not incur any selling expenses as a result of the special order. What would be the effect on operating income if special order could be accepted without affecting normal sales?  
(a) Nil  
(b) Rs. 90,000 increase  
(c) Rs. 30,000 increase✓  
(d) Rs. 1,20,000 increase
- \*\*\*\*\*

# Cost Accounting

## (A)

- The cost of goods manufactured, under a periodic cost accumulation system, is equal to the:
  - Beginning finished goods inventory plus purchases.
  - Beginning work-in-process plus cost of goods in process during the year.
  - Cost of goods put into production plus beginning work-in-process less ending work-in-process. ✓
  - Cost of goods sold less beginning work-in-process.
- The cost of goods sold under a periodic cost accumulation system is equal to the:
  - Cost of goods available for sale less ending finished goods inventory. ✓
  - Cost of goods available for sale plus beginning finished goods inventory.
  - Cost of goods manufactured plus beginning finished goods inventory.
  - Cost of goods manufactured less beginning finished goods inventory.
- Under a perpetual cost accumulation system, the cost of direct materials, direct labor, and factory overhead must first flow through the:
  - Finished goods account.
  - Continuous processing is performed. (d)
  - Homogeneous products are produced. (d) ✓
  - Customized products are produced. (d)
- A job order cost accumulation system is most suitable where:
  - Mass production techniques are used. (d)
  - Continuous processing is performed. (d)
  - Homogeneous products are produced. (d)
  - Customized products are produced. (d) ✓
- In a process cost system, the unit cost is computed for a:
  - Job
  - Department. ✓
  - Batch of goods
  - Category of goods
- The process cost system, the unit cost is computed for a:
  - Normal costing. ✓
  - Standard costing.
  - Actual costing
  - Product costing.
- Which of the following is a cost behavior-oriented approach to product costing?
  - Absorption costing.
  - Process costing.
  - Direct costing. ✓
  - Job order costing
- Because the unit cost of a product cannot be determined until the end of the period, periodic cost accumulation systems generally record only:
  - Standard costs. (c)
  - Normal costs. (d)
  - Process costs.
  - Actual costs. ✓
- Which of the following is not an example of a normally issued external financial statement?
  - Statement of financial position.
  - Statement of results of operations.
  - Statement of performance evaluation. ✓
  - Statement of retained earnings.
- The amount of cost of goods manufactured appearing on the bottom of the cost of goods manufactured statement also appears on the:
  - Statement of financial position.
  - Statement of results of operations. ✓
  - Statement of performance evaluation
  - Statement of retained earnings.
- Sparkling Seltzer, Inc. bottled 200,000 gallons of seltzer water at a total cost of \$56,000. Assuming that 75% of the bottled seltzer is sold, what is the unit cost of the seltzer and the total cost of the ending finished goods inventory, respectively?
  - \$.07 per quart; \$ 14,000
  - \$.28 per gallon; \$ 42,000
  - \$.28 per gallon; \$ 12,000 ✓
  - \$.07 per quart; \$ 42,000
- Lehmann Manufacturing Corporation has the following information for the period just completed:
 

Direct materials	\$65,000
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Direct labor \_\_ 74,000  
 Factory overhead \_\_ ?  
 Beginning work-in-process inventory \_\_ 31,000  
 Ending work-in-process inventory \_\_ 37,680  
 Beginning finished goods inventory \_\_ 46,000  
 Ending finished goods inventory \_\_ 22,000

**Additional information:** Last year total operating costs were \$256,000. This year's total operating costs, of which 18% constitute selling, general, and administrative expenses, are \$30,000 lower than last year's. What amount represents factory overhead?

- (a) \$29,000 ✓                      (c) \$47,000  
 (b) \$34,300                        (d) \$53,600
13. The accumulation of total costs and the computation of unit costs are the primary objectives of:
- (a) A perpetual cost accumulation system.  
 (b) A periodic cost accumulation system.  
 (c) Both a periodic and a perpetual cost accumulation system. ✓  
 (d) A job order cost accumulation system.  
 e. Neither a periodic nor a perpetual cost accumulation system.
14. Hogan Manufacturing Company uses a process cost system. During the period \$139,000 worth of produced goods were transferred to finished goods inventory.
- Additional information:**  
 Beginning finished goods inventory \_\_ \$ 14,000  
 Ending finished goods inventory \_\_ \$ 18,000  
 Total cost of operation \_\_ \$ 164,000  
 Selling, general and administrative expenses \_\_ \$ 12,000  
 What is Hogan Manufacturing Company's cost of goods manufactured?
- (a) \$ 157,000                      (c) \$ 138,000  
 (b) \$ 139,000 ✓                    (d) \$ 152,000
15. Balance Sneaker Company charges factory overhead to work-in-process inventory on the basis of a predetermined factory overhead application rate. To do this, the

predetermined factory overhead application rate is multiplied by the actual input of a given period. The management of Balance Sneaker Company charges factory overhead in this manner to avoid fluctuations in the unit cost of goods produced that would result if factory overhead was charged to work-in-process as it was incurred. Balance Sneaker Company uses:

- (a) Normal costing ✓  
 (b) Actual costing  
 (c) Standard costing.  
 (d) Absorption costing.
16. Which statement, if any, is incorrect?
- (a) Direct costing is a behavior-oriented approach because product costs are all variable by nature under direct costing and a direct relationship between cost and output can thus be maintained.  
 (b) Both direct and absorption costing methods are suitable for use in a job order cost system or in a process cost system.  
 (c) For purposes of external financial reporting, absorption costing must be used.  
 (d) Ignore the question's wording. All statements are correct. ✓
17. Lloyed Company has just contracted to sell 1,000 units of product X to Epson Company for a 12% profit over estimated cost. Lloyed Company most likely uses a:
- (a) 12% profit over estimated cost. Lloyed Company most likely uses a: ✓  
 (b) Job order cost system.  
 (c) Process cost system.  
 (d) System that cannot be determined from the information given.
18. Jerry's Pretzel Company uses a process cost system. The pretzel products are completed after they have been through each of Jerry's three manufacturing departments. This month's departmental unit cost information follows:
- Department 1 \_\_ \$.14  
 Department 2 \_\_ \$.39  
 Department 3 \_\_ \$0.9  
 Production for the month was 10,000 packages of pretzels. During the month, Jerry's Pretzel Company incurred \$500 of

selling and administrative expenses. What is the total unit cost of a pretzel package?

- (a) \$.21 (c) \$.67  
(b) \$.62 ✓ (d) \$.57

19. Internal reports:

- (a) May as a basis of valuation use any monetary or physical measurement basis.  
(b) must adhere to generally accepted accounting principles.  
(c) Usually adopt a company-wide perspective.  
(d) Are directly regulate(d)

20. The following data relate to Lend Manufacturing Company for the period:

Direct labor \_\_ \$ 2,400

Factory overhead \_\_ 1,700

Work-in-process inventory at beginning of period \_\_ 11,000

Work-in-process inventory at end of period \_\_ 5,000

Cost of goods manufactured \_\_ 16,000

Sales \_\_ 50,000

Opening finished goods inventory \_\_ 9,000

Closing finished goods inventory \_\_ 8,000

Total selling, general, and administrative costs \_\_ 14,000

What is the cost of direct materials put into production the period? By what amount will retained earnings increase (assuming no taxes or dividends)?

- (a) \$7,700; \$ 14,000  
(b) \$4,800; \$ 25,000  
(c) \$5,600; \$33,000  
(d) \$5,900; \$19,000 ✓

**(B)**

1. A written order sent to inform the purchasing department of a need for materials is called a:

- (a) Purchase order.  
(b) Receiving report.  
(c) Purchase requisition. ✓  
(d) Materials requisition form.

2. A written request to a supplier for specified goods at an agreed-upon price is called a:

- (a) Purchase order. ✓  
(b) Receiving report.  
(c) Purchase requisition.

(d) Materials requisition form.

3. Which of the following forms must be filled out when inventory is to be removed from the materials inventory to be placed into production?

- (a) Purchase order.  
(b) Receiving report.  
(c) Purchase requisition.  
(d) Materials requisition form. ✓

4. Under a periodic inventory system, the purchase of materials is recorded in an account entitled:

- (a) Cost of Goods Sold(d)  
(b) Purchases of Raw Materials. ✓  
(c) Materials Inventory  
(d) Work-in-Process Inventory.

5. Under a perpetual inventory system, the purchase of materials is recorded in an account entitled:

- (a) Cost of Goods Sold(d)  
(b) Purchases of Raw Materials.  
(c) Materials Inventory ✓  
(d) Work-in-Process Inventory.

6. The total of the materials subsidiary ledger inventory card must be equal to the amount in the following account:

- (a) Cost of Goods Sold(d)  
(b) Purchases of Raw Materials.  
(c) Materials Inventory ✓  
(d) Work-in-Process Inventory.

7. Which of the following is usually prepared daily by employees for each job worked on?

- (a) Labor job ticket. ✓  
(b) Time card(d)  
(c) Administrative expense  
(d) cost Control Car(d)

8. Factory worker fringe benefit costs are usually charged to:

- (a) Work-in-process inventory  
(b) Direct labor.  
(c) Administrative expense.  
(d) Factory overhead ✓

9. Vacation pay for factory workers should be charged to:

- (a) Work-in-process inventory  
(b) Direct labor.  
(c) Administrative expense.

- (d) Factory overhead ✓
10. The cost of idle time incurred by employees that is considered normal for the production process should be charged to:
- Work-in-process inventory
  - Direct labor.
  - Administrative expense.
  - Factory overhead ✓
11. Which statement is correct?
- for purposes of internal control, the quantity ordered should not be shown on the copy of the purchase order sent to the receiving department. ✓
  - Three copies of a purchase requisition are customarily made; the original is for the purchasing department and a copy goes to both the storeroom clerk and the receiving department.
  - For purposes of internal control, the three documents—purchase order, receiving report, and vendor's invoice—should be matched and approved by someone who regularly handles one of these documents.
  - A materials requisition form is simply another name for a purchase requisition form.
12. Jason company accounts for materials issued to production through a periodic inventory system. If Jason Company had materials available for use of \$30,000, purchases of \$16,000, and an ending materials inventory (based on a physical count) of \$9,000, what is the cost of materials issued?
- \$37,000
  - \$23,000
  - \$5,000
  - \$21,000 ✓
13. An inventory control procedure in which a review of materials on hand is made on a regular and periodic basis (Such as a review every 30 days) is known as the:
- ABC plan.
  - Order cycling metho(d)
  - Automatic order system.
  - Min-max metho(d)
14. The following analysis was prepared by Logic, Inc. using the ABC plan:
- Items 1-3, 8% of all items = 75% of usage cost = A items  
 Items 4-6, 30% of all items = 22% of usage cost = B items  
 Items 7-9, 62% of all items = 3% of usage cost = C items  
 Items under the A classification should have all the following control characteristics except for:
- Frequent review.
  - Detailed records.
  - A large quantity of safety stock. ✓
  - Upper-level supervision.
15. Which statement is correct?
- Vacation pay should be charged to work-in-process when an employee is on vacation.
  - Accounting for holiday pay is handled in much the same way as vacation pay. ✓
  - For a salaried employee, vacation pay, holiday pay, and overtime pay should be accrued over periods of productive labor and charged to factory overhead control.
  - Because of appreciable increases in payroll fringe benefit costs, many companies have changed their treatment of these costs and now charge them to factory overhead control.
16. The Lemon Car Company operates two shifts. The company's day shift pay rate is \$5.00 per hour and the night shift pay rate is \$5.50 for the same work (\$50 more per hour). Which entry is appropriate for a night shift worker who puts in 35 hours?
- Work-in-process inventory \_ 175.00  
 Work-in-process inventory—shift premium \_ 17.50  
 Payroll payable \_ 192.50
  - Work-in-process inventory \_ 192.50  
 Payroll payable \_ 192.50
  - Work-in-process inventory \_ 175.00  
 Loss from shift premium \_ 17.50  
 Payroll payable \_ 192.50
  - Work-in-process inventory \_ 175.00  
 Factory overhead control—shift premium \_ 17.50 ✓  
 Payroll payable \_ 192.50

17. Idle time that results from negligence or inefficiency should:
- (a) Be accounted for in a manner similar to overtime premium that resulted from poor workmanship. ✓
  - (b) Be accounted for in the same manner as idle time that is normal (cannot be avoided) for a production process.
  - (c) Be charged to administrative expense.
  - (d) Be accounted for in a manner similar to overtime premium that resulted from the requirements of a specific job. (b)
18. Meat Cutters Corp., according to the law, withholds two items from their employees' earnings: income taxes (federal, state, and local) and social security taxes as per the Federal Insurance contributions Act. Last week these items amounted to \$12,800 and \$3,988, respectively. Last week's gross payroll amounted to \$64,000. Meat Cutters Corp pays federal unemployment taxes at a rate of .8% on gross payroll; pays state unemployment taxes at 1.6%; and contributors to the employee's pension fund at a rate of 7%. What is the combined cost of employer taxes and fringe benefit costs for last week?
- (a) \$14,612
  - (b) \$26,792
  - (c) \$10,004 ✓
  - (d) \$6,016
- Questions 3-19 and 3-20 are based on the following information:  
Mitmakers Co. pays their employees on a combined minimum rate and piecework rate plan. the minimum guaranteed daily wage is \$55. Any employee who produces more than 20 baseball mitts receives a bonus.
19. yesterday, Mr. Fabor produced 23 mitts. What amount should be charged to factory over-head control?
- (a) 0 ✓
  - (b) \$8.25
  - (c) \$55.00
  - (d) \$63.25
20. Yesterday Mr. Jackson produced 7 mitts. What amount should be charged to work-in-process inventory?
- (a) 0
  - (b) \$19.25 ✓
  - (c) \$35.75
  - (d) \$55.00
21. An item of inventory purchased this period for \$15 has been written down to its current replacement cost of \$10. It sells for \$30 with a disposal cost of \$3 and a normal profit of \$12. Which of the following statement is not true?
- (a) The cost of goods sold of the following year will be understate(d)
  - (b) The current year's income in understate(d)
  - (c) The ending inventory of the current year is understate(d)
  - (d) Income of the following year will be understated ✓
22. Which of the following statement is true in applying the lower-of-cost-or-market rule to work in process inventory?
- (a) This category is an exception, and the rule does not apply.
  - (b) The cost of completing the inventory is added to the cost of disposal, and both are deducted from the estimated sales price when computing realizable value. ✓
  - (c) market value can not ordinarily determine(d)
  - (d) Equivalent production is multiplied by the sales price.
23. The method of inventory costing which most nearly approximates the actual flow of costs and units in most manufacturing situations is:
- (a) Average
  - (b) First-in-First-out ✓
  - (c) Last-in, First-out;
  - (d) Standard
24. If a unit of inventory has declined in value below original cost but the market value, exceeds net realizable value the amount to be used for purposes of inventory valuation is:
- (a) Net realizable value ✓
  - (b) Original cost;
  - (c) Market value;
  - (d) Net realizable value less normal profit margin.
25. When evaluating materials inventory at cost or market, which ever is lower, the term "market" means:
- (a) Net realizable value;



- (b) Net realizable value less a normal profit margin;  
 (c) Replacement cost ✓  
 (d) Discounted present value.
26. Which statement is not valid as it applies to inventory costing methods?  
 (a) If inventory quantities are to be maintained, part of the earnings must be invested (plowed back) in inventories when fifo is used during a period of rising prices.  
 (b) Lifo tends to smooth out the income pattern, since it matches the current cost of goods sold with current revenue, and inventories remain at constant quantities;  
 (c) When a firm using the lifo method fails to maintain its usual inventory position (reduces stock on hand below customary levels), there may be a matching of old costs with current revenue;  
 (d) Unlike lifo, the use of lifo permits some control by management over the amount of income for a period through controlled purchases. ✓
27. If inventory levels are stable or increasing, an argument which is not in favor of the lifo method as compared to fifo is:  
 (a) Income tax tends to be reduced in periods of rising prices;  
 (b) Cost of goods sold tends to be stated at approximately current cost in the income statement;  
 (c) Cost assignments typically parallel the physical flow of goods; ✓  
 (d) Income tends to be smoothed as prices change over a period of time.
28. An inventory costing procedure in which the oldest costs incurred rarely have in effect on the ending inventory is:  
 (a) Fifo; ✓ (b) Lifo;  
 (c) Conventional retail; (d) Average
29. A company's inventory cost on its balance sheet was lower using lifo than fifo. Assuming no beginning inventory, the direction of movement of the cost of purchases during the period was:  
 (a) Up; (b) Down ✓  
 (c) Steady; (d) Undeterminable.
30. Expected annual usage of materials is 2,00,000 units, and the economic order quantity is 10,000 units. The invoice cost of each unit is \$500, and the cost to place one purchase order is \$80. the average inventory is:  
 (a) 1,000,000 units;  
 (b) 5,000 units; ✓  
 (c) 10,000 units;  
 (d) 7,500 units.
31. Based on the information in (a), the estimated annual order cost is:  
 (a) \$16,000; ✓  
 (b) \$100,000  
 (c) \$32,000  
 (d) \$50,000.
32. A sales office has developed the probabilities for daily sales of perishable product.
- | Daily Sale | Probabilities |
|------------|---------------|
| 100 units  | .2            |
| 150        | .5            |
| 200        | .2            |
| 250        | <u>.1</u>     |
|            | 1.0           |
- The product is restocked at the start of each day. If the company desires a 90% probability of satisfying sales demand, the initial stock balance for each day should be:  
 (a) 250; (b) 160;  
 (c) 200; ✓ (d) 150.
33. Stewart Company has developed an inventory model for Product A and needs a solution for minimizing the total annual inventory cost. Included in A's inventory cost are the costs of holding, ordering and receiving, and incurring stockouts. The solution for minimizing inventory cost would state:  
 (a) At what inventory level and how many units to reorder; ✓  
 (b) Either at what inventory level or how many units to reorder;  
 (c) How many units but not at what inventory level to reorder;  
 (d) At what inventory level but not how many units to reorder.

34. A company's treasurer complains about an excessive investment in inventories. At the same time, the purchasing agent states that large inventory balances are necessary to take advantage of supplier discounts, and the production manager complains that production often is delayed by inventory shortages. The quantitative technique most relevant to this situation is:
- (a) Economic order quantity models; ✓
  - (b) Linear programming;
  - (c) Payback analysis;
  - (d) Probability analysis;
35. A company places orders for a certain item for which the order size is determined in advance, using the EOQ formula. All orders are the same size. When the policy is implemented, demand per period is only one half of the expected demand when order size was computed. Consequently, the actual total inventory cost will be:
- (a) Larger than if the expected demand per period has occurred, and larger than if the actual demand per period has been used to calculate order size; ✓
  - (b) Larger than if the expected demand per period had occurred, and smaller than if the actual demand per period had been used to calculate order size;
  - (c) Smaller than if the expected demand per period had occurred, the larger than if the actual demand per period had been used to calculate order size;
  - (d) Smaller than if the expected demand per period had occurred, and smaller than if the actual demand per period had been used to calculate order size.
36. Ignoring safety stocks, a valid computation of the order points is:
- (a) The economic order quantity;
  - (b) The economic order quantity multiplied by the anticipated demand during the lead time;
  - (c) The square root to the anticipated demand during the lead time. ✓
37. For its economic order quantity model, a company has a cost of \$10 for placing an order and an annual cost \$2 carrying one unit in stock if the cost placing an order increases by 20%, the annual cost of carrying one unit in stock increases by 25%, and all other considerations remain constant, the economic order quantity will:
- (a) Remain unchanged;
  - (b) Decrease; ✓
  - (c) Increase;
  - (d) Either increase or decrease depending on the order point.
38. The basic EOQ model assumes demand is determinable and the essence of the model is:
- (a) To minimize ordering cost or carrying cost and maximize the rate of inventory turnover;
  - (b) To minimize ordering cost r carrying cost, whichever is higher;
  - (c) To order sufficient quantity to meet the next period's demand economically;
  - (d) To minimize the total order cost and carrying cost. ✓
39. In computing economic order quantity, a LIFO or FIFO inventory method will have the following result:
- (a) No effect. ✓
  - (b) LIFO will increase the order quantity in times of rising prices;
  - (c) LIFO will reduce the order quantity in times of rising prices;
  - (d) FIFO will increase the order quantity in times of rising prices.
40. A company has correctly computed its economic order quantity as 500 units. However, management feels it would rather order in quantities of 600 units; The company's total annual ordering cost and total annual carrying cost for an order quantity of 600 units compared to the respective amounts for an order quantity of 500 units would be:
- (a) A higher ordering cost and higher carrying cost;
  - (b) A lower ordering cost and a lower carrying cost;
  - (c) A higher ordering cost and a lower carrying cost;

(d) A lower ordering cost and a higher carrying cost. ✓

### (C)

- Depreciation based on the number of units produced would be classified as what type of cost?
  - Out-of-pocket
  - Marginal
  - Variable ✓
  - Fixed
- The variable factory overhead application rate under the normal, practical, and expected activity levels would be the same:
  - Except for normal volume.
  - Except for practical capacity.
  - Except for expected activity.
  - For all three activity levels. ✓
- Cox Company found that the differences in product costs, resulting from the application of predetermined overhead rates rather than actual overhead rates, were immaterial—even through actual production was substantially less than planned production. The most likely explanation is that:
  - Overhead was composed chiefly of variable costs. ✓
  - Several products were produced simultaneously.
  - Fixed factory overhead was a significant cost.
  - Costs of overhead items were substantially higher than anticipated. (d)
- If a predetermined overhead rate is not employed and the volume of production is increased over the level planned, the cost per unit would be expected to:
  - decrease for fixed costs and remain unchanged for variable costs. ✓
  - Remain unchanged for fixed costs and increase for variable costs.
  - Decrease for fixed costs and increase for variable costs.
  - Increase for fixed costs and increase for variable costs.
- The Carlo company budgeted overhead at \$255,000 for the period for Department A, on the basis of a budgeted volume of 100,000 direct labor hours. At the end of the period, the Factory Overhead Control account for Department A had a balance of \$270,000; actual direct labor hours were 105,000. What was the over or underapplied overhead for the period?
  - \$2,250, overapplied
  - \$2,250, underapplied ✓
  - \$15,000, overapplied
  - \$15,000, underapplied
- Factory overhead application rates best reflect anticipated fluctuations in sales over several years when the rates are computed using figures based on:
  - Maximum capacity
  - Normal capacity ✓
  - Practical capacity
  - Expected capacity
- Preferably, underapplied factory overhead resulting from significant unanticipated price increases should be written off by:
  - Decreasing cost of good sold (d)
  - Increasing cost of goods sold (d)
  - Decreasing cost of goods sold, work-in-process inventory, and finished goods inventory.
  - Increasing cost of goods sold, work-in-process inventory, and finished goods inventory. ✓
- In order to identify costs that relate to a specific product, an allocation base should be chosen that:
  - Does not have a cause and effect relationship.
  - Has a cause and effect relationship. ✓
  - Considers variable costs but not fixed costs.
  - Considers direct materials and direct labor but not factory overhead. (d)
- The only method of allocating service department costs to producing departments that considers reciprocal services is called the:
  - Direct method
  - Out-of-step method
  - Step method
  - Algebraic method ✓

10. In the determination of factory overhead application rates, the numerator of the formula is the:
- (a) Actual factory overhead for the next period
  - (b) Estimated factory overhead for the next period ✓
  - (c) Actual labor hours for the next period
  - (d) Estimated labor hours for the next period
11. Which productive capacity level does not consider product demand, but at the same time accounts for anticipated and unavoidable interruptions in production?
- (a) Short-run productive capacity
  - (b) Normal productive capacity
  - (c) Theoretical productive capacity
  - (d) Realistic productive capacity ✓
12. Expected productive capacity for the current year is 175,000 units. Management expects production of 208,000 units in the following year. Fixed factory overhead costs are \$18,000. If the factory overhead application rate, under expected productive capacity, is \$2.08, what is the variable factory overhead cost per units?
- (a) \$1.03
  - (b) \$1.05 ✓
  - (c) \$1.17
  - (d) \$1.21
13. Which statement regarding productive capacity is incorrect?
- (a) A main drawback of using expected productive capacity is its ability to exaggerate the effect of business cycles.
  - (b) Excess capacity is a product cost that should be charged to a loss account to alert management that something must be done to reduce existing facilities that are in excess of what the sales department could ever hope to sell in the long run. ✓
  - (c) When a company that has huge physical capacity uses expected productive capacity, it is possible that low product demand could lead to fewer products being made, which would cause the unit cost of production to increase. Such an increase could lead to a corresponding increase in sales price which would further diminish product demand.
  - (d) Long-run productive capacity eliminates the possibility of manipulating unit product cost by deliberately varying production levels.
14. Lens Crafting Manufactures makes eyewear products and various accessories for those products, ranging from conservative glasses to trendy eye-coloring contacts and prescription sports goggles. To manufacture such products, Lens Crafting Manufactures relies on competent personnel, from the medical eye specialist staff right on down on the college student help. Of course, Lens Crafting manufacturers makes use of the latest in technological machinery and equipment. Which of the following bases would be most appropriate for computing Lens Crafting Manufactures' factory overhead application rate?
- (a) Units of production
  - (b) Direct labor cost
  - (c) Direct labor hours ✓
  - (d) Machine hours
15. J & J Company budgeted total variable overhead costs at \$180,000 for the current period. In addition, they budgeted costs for factory rent at \$215,000, costs for depreciation on office equipment at \$12,000, costs for office rent at \$92,000, and costs for depreciation of factory equipment at \$38,000. All these costs were based upon estimated machine hours of 80,000. At the end of the period, the Factory Overhead Control account had a balance of \$387,690. Actual machine hours were 74,000. What was the over-or underapplied factory overhead for the period?
- (a) \$12,650 overapplied ✓
  - (b) \$12,650 underapplied
  - (c) \$108,850 overapplied
  - (d) \$108,850 underapplied
16. When the planned activity level used to calculate the predetermined factory overhead application rate differs from the actual level achieved for the period, the result is a:
- (a) Denominator variance. ✓

- (b) Efficiency variance.  
 (c) Controllable variance.  
 (d) Underapplication of fixed factory overhead(d)
17. Slam Dunk Basketball company has the following information relating to the current period(d)  
 Units sold \_\_ 100,000  
 Units in finished goods inventory \_\_ 70,000  
 Units in work-in-process inventory \_\_ 30,000  
 Materials inventory \_\_ 50,000  
 Additionally, factory overhead control was charged during the period for \$325,000 and factory overhead applied was \$375,000. (The difference is considered significant.) Which of the following entries is the correct manner to account for the difference between applied and actual factory overhead?
- (a) Overapplied factory overhead \_\_ 50,000  
 Cost of goods sold \_\_ 50,000
- (b) Cost of goods sold \_\_ 20,000  
 Finished goods inventory \_\_ 14,000  
 Work-in-process inventory \_\_ 6,000  
 Material inventory \_\_ 10,000  
 Applied factory overhead \_\_ 50,000
- (c) Overapplied factory overhead \_\_ 50,000  
 Cost of goods sold \_\_ 20,000  
 Finished goods inventory \_\_ 14,000  
 Work-in-process inventory \_\_ 10,000
- (d) Overapplied factory overhead \_\_ 50,000  
 Cost of goods sold \_\_ 25,000✓  
 Finished goods inventory \_\_ 17,500  
 Work-in-process inventory \_\_ 7,500

18. Which statement is correct?
- (a) Insignificant differences between applied and actual factory overhead are usually treated as a period cost by adjusting cost of goods sold(d)
- (b) The purpose of a proration entry to account for a difference between actual and applied factory overhead is to allocate the under- or over-applied overhead to those accounts that were originally distorted if what unintentionally proved to be the incorrect application rate is used, their ending balances can be adjusted to

approximate what they would have been if the correct application rate had been used

(c) In order to prorate the over application of factory overhead, cost of goods sold would be increased✓

(d) Significant differences between applied and actual factory overhead should be prorated to work-in-process inventory, finished goods inventory, and cost of goods sold, in proportion to the unadjusted factory overhead balance in each of those accounts.

The following information relates to questions 19 and 20:

Service departments (total estimated costs):

Building and ground maintenance \_\_ \$21,960.40

Storeroom \_\_ 15,990.00

Producing departments (estimated factory overhead costs):

Machinery \_\_ 42,000.00

Assembly \_\_ 51,000.00

	Estimated Direct Labor Hours	Estimated Square Feet	Number of Requisitions
Building and ground maintenance		750	150
Storeroom		130	40
Machinery	1,925	890	2,500
Assembly	1,200	2,330	1,400
Total	3,125	4,100	4,090

Management decided that the appropriate bases to be used by the Buildings and Ground Maintenance and Storeroom service departments are square feet and requisitions, respectively. Direct labor hours are used to compute the producing departments' factory overhead application rates.

19. Using the direct method, what is the Assembly Department's factory overhead application rate?  
 (a) \$30.30 (c) \$55.70  
 (b) \$47.46 (d) \$60.53✓
20. Using the algebraic method, compute for the Building and Grounds Maintenance

- Department the combined total amount to be allocated to the Storeroom Service Department and both producing departments. (Take all calculations to four decimal places but round answers to the nearest dollar).
- (a) \$21,960 (c) \$23,467  
(b) \$22,584 ✓ (d) \$24,722
21. Over applied factory overhead will always result when a predetermined factory overhead rate is employed and:
- (a) Production is greater than defined capacity;  
(b) Actual overhead costs are less than expected;  
(c) Defined capacity is less than normal capacity;  
(d) Overhead incurred is less than applied overhead ✓
22. The difference over a period of time between actual factory overhead and applied factory overhead will usually minimal when the predetermined overhead rate is based on:
- (a) Normal capacity; (b) Designed capacity;  
(c) Direct labor hours; (d) Machine hours
23. If a predetermined factory overhead rate is not employed and the volume of production is reduced from the level planned, the cost per unit would be expected to:
- (a) Remain unchanged for fixed cost and increase for variable cost; ✓  
(b) Increase for fixed cost and remain unchanged for variable cost;  
(c) Increase for fixed cost and decrease for variable cost;  
(d) Decrease for fixed cost and decrease for variable cost.
24. A spending variance for factory overhead is the difference between actual factory overhead cost and factory overhead cost that should have been incurred for the actual hours worked and results from:
- (a) Price difference for factory overhead costs;  
(b) Quantity differences for factory overhead costs;  
(c) Price and quantity differences for factory overhead costs; ✓  
(d) Differences caused by production volume variation.
25. Factory overhead should be allocated on the basis of:
- (a) An activity basis which relates to cost incurrence; ✓  
(b) Direct labor hours;  
(c) Direct labor cost;  
(d) Machine hours.
26. If over-or underapplied factory overhead is interpreted as an error in allocating actual costs against the production for the year, this suggest to an accountant that the over-or underapplied factory overhead for the year should be:
- (a) Carried forward in the factory overhead account from year to year;  
(b) Eliminated by changing the predetermined factory overhead rate in subsequent years;  
(c) Apportioned among the work in process inventory, the finished goods inventory, and the cost of goods sold; ✓  
(d) Treated as a special gain or loss occurring during the year.
27. Under applied factory overhead costs are:
- (a) Fixed factory costs not allocated to units produced;  
(b) Factory overhead costs not allocated to units produced; ✓  
(c) Excess variable factory overhead costs;  
(d) Costs that can not be controlled
29. When a manufacturing company has a highly automated manufacturing plant producing many different products, the most appropriate basis for applying factory overhead to work in process is:
- (a) Direct labor hours;  
(b) Direct labor dollars;  
(c) Machine hours; ✓  
(d) Cost of material use
30. According to Internal Revenue Service regulations, significant underapplied factory overhead resulting from unanticipated price increase should be disposed of by:

- (a) Decreasing cost of goods sold;  
 (b) Increasing cost of goods sold;  
 (c) Decreasing cost of goods sold, work in process inventory, and finished goods inventory;  
 (d) Increasing cost of goods sold, work in process inventory, and finished goods inventory.✓
31. If a company uses a predetermined rate for application of factory overhead, the idle capacity variance is the:  
 (a) Over- or underapplied fixed cost element of over head;✓  
 (b) Over- or underapplied variable cost element of voerhead;  
 (c) Difference in budgeted costs and actual costs of fixed over head items;  
 (d) Difference in budgeted costs and actual costs of variable overhead items.
32. Which of the following should not be on a monthly cost control report of a department manager?  
 (a) Departmental Labor cost;  
 (b) Departmental supplies cost;✓  
 (c) Depreciation on departmental equipment;  
 (d) Cost of materials used in the department.
33. Periodic internal performance reports based upon a responsibility accounting system should not:  
 (a) Distinguish between controllable and uncontrollable costs;  
 (b) Be related to the organization chart;  
 (c) Include allocated fixed overhead in determining performance evaluation;✓  
 (d) Include variances between actual and controllable costs.
34. The concept of management by exception refers to management's:  
 (a) Lack of a predetermined plan;  
 (b) Consideration of only rare events;  
 (c) Consideration of items selected at random;  
 (d) Consideration of only those items which vary materially from plans.✓
35. Of most relevance in deciding how or which costs should be assigned to a responsibility center is the degree of:  
 (a) Avoidability; (b) Causality;  
 (c) Controllability;✓ (d) Variability.
36. Of most relevance in deciding how indirect costs should be assigned to a product is the degree of:  
 (a) Avoidability; (b) Causality;  
 (c) Controllability;✓ (d) Linearity.
37. The most desirable measure for evaluating the performance of the departmental manager is departmental:  
 (a) Revenue less controllable departmental expenses;✓  
 (b) Net income;  
 (c) Contribution to indirect expenses;  
 (d) Revenue less departmental expenses.
38. The term that identifies an accounting system in which the operations of the business are broken down into cost centers and the control function of the supervisor or the manager is emphasized is:  
 (a) Responsibility accounting;✓  
 (b) Operations-research accounting;  
 (c) Control accounting;  
 (d) Budgetary accounting;

**(D)**

1. Tillman Corporation uses a job order system and has two production departments, M and (A) Budgeted manufacturing costs for 19X1 are as follows:

	Department M	Department A
Direct materials	\$700,000	\$100,000
Direct labor	200,000	800,000
Manufacturing overhead	600,000	400,000

The actual material and labor cost charged to job 432 during 19X1 were as follows:

Direct material \_\_\_\_\_ \$25,000

Direct labor:

Department M \_\_\_\_\_ \$ 8,000

Department A \_\_\_\_\_ 12,000 20,000

Tillman applies manufacturing overhead to production orders on the basis of direct labor cost using departmental rates

predetermined at the beginning of the year on the basis of the annual budget. The total manufacturing cost associated with job 432 for 19X1 should be:

- (a) \$50,000                      (c) \$65,000  
 (b) \$55,000                      (d) \$75,000✓

2. Worrell Corporation has a job order cost system. The following debits (credits) appeared in the general ledger account Work-in-Process Inventory for the month of March 19X2:

March 1, balanced \_\_\_\_\_ \$ 12,000

March 31, direct materials \_\_\_\_\_ \$ 40,000

March 31, direct labor \_\_\_\_\_ \$ 30,000

March 31, factory overhead applied \_\_\_\_\_ \$ 27,000

March 31, to finished goods \_\_\_\_\_ \$ (100,000)

Worrell applies factory overhead to production at a predetermined rate of 90% of direct labor cost. Job 232, the only job still in process at the end of March 19X2, has been charged which factory overhead of \$2,250. What was the amount of direct materials charged to job 232?

- (a) \$2,250                      (c) \$4,250✓  
 (b) \$2,500                      (d) \$9,000

3. Under-Heller Company's job order cost system, estimated costs of defective work (considered normal in the manufacturing process) are included in the predetermined factory overhead application rate. During March 19X2 job 210 for 2,000 handsaws was completed at the following costs per unit:

Direct materials \_\_\_\_\_ \$ 5

Direct labor \_\_\_\_\_ \$ 4

Factory overhead (applied at 150% of direct labor cost) \_\_\_\_\_ \$ 6

\$ 15

Final inspection of job 210 disclosed 100 defective saws, which were reworked at a cost of \$2 per unit for direct labor, plus overhead at the predetermined rate. The defective units on job 210 fell within the normal range. What is the total rework cost and to what account should it be charged?

Rework Cost	Account Charged
(a) \$200	Work-in-Process
(b) \$200	Factory Overhead Control
(c) \$500	Work-in-Process
(d) \$500✓	Factory Overhead Control

4. In job order costing, payroll taxes paid by the employer for factory employees are preferably accounted for as:

- (a) Direct labor.                      (c) Indirect labor  
 (b) Factory overhead  
 (d) Administrative costs.✓

5. Which of the following would not be used in job order costing?

- (a) Standards  
 (b) Averaging of direct labor and material rate✓  
 (c) Direct costing  
 (d) Factory overhead allocation based on direct labor hours applied to the job

6. In job order costing, what journal entry should be made for the return to the storekeeper of direct materials previously issued to the factory for use on a particular job?

- (a) Debit Materials and credit Factory Overhead  
 (b) Debit Materials and credit Work-in-Process.✓  
 (c) Debit Purchase Returns and credit Work-in-Process.  
 (d) Debit Work-in-Process and credit Materials.

7. A materials requisition form normally does not contain which of the following?

- (a) Vendor's name✓  
 (b) Unit cost  
 (c) Quantity requisitioned  
 (d) Job number

8. A job order cost sheet normally does not contain which of the following?

- (a) Direct materials  
 (b) Direct labor  
 (c) Actual factory overhead✓  
 (d) Applied factory overhead

9. Units which do not meet production standards and which are sold for their salvage value (if any) are called:

- (a) Spoiled units✓



- (c) Scrap material  
 (b) Defective units  
 (d) Waste material
10. Units which do not meet production standards and which must be processed further in order to be salable as good units or irregulars are called:  
 (a) Spoiled units (c) Scrap material  
 (b) Defective units (d) Waste material
11. Using a perpetual inventory system, the entry to record the purchase of indirect materials would include a debit to \_\_\_\_, and the entry to record subsequently the placement of indirect materials into production would include a debit to \_\_\_\_.  
 (a) Materials inventory, work-in-process inventory  
 (b) Materials inventory, factory costs  
 (c) Work-in-process inventory, factory overhead control  
 (d) Materials inventory, factory overhead control ✓
12. In a job order cost system, the source document used for the accumulation of factory overhead costs is a:  
 (a) Job factory overhead cost sheet.  
 (b) Factory overhead application cost sheet.  
 (c) Departmental factory overhead cost sheet. ✓
13. Safety first parachute Company uses a job order cost system and has two production departments, T and P. Budgeted information for the year is as follows:

	Department T	Department P
Machine hours	500	25,000
Direct materials	\$400,000	\$600,000
Direct labor	\$350,000	\$100,000
Factory overhead	\$455,000	\$300,000

Both Department T and Department P apply factory overhead to production order through the use of predetermined factory overhead application rates, which are based upon the yearly budget. Department T applies factory overhead on a direct labor cost basis while Department P does so on a machine hour basis. Actual information

relating to job 194 during the year was as follows:

Machine hours:

Department T \_\_\_ 150

Department P \_\_\_ 2,500

Direct materials \_\_\_ \$ 18,000

Direct labor:

Department T \_\_\_ \$ 11,000

Department P \_\_\_ \$ 4,500

Factory overhead control:

Department T \_\_\_ \$ 14,500

Department P \_\_\_ \$ 24,600

If Safety First Parachute Company contracted to sell job 194 for \$100,000, and if estimated selling and administrative expenses are 5% of the selling price, what is the estimated profit on job 194?

- (a) \$17,200 ✓ (c) \$28,600  
 (b) \$22,400 (d) \$33,700

14. Twenty workers, paid at a wage rate of \$10.50 per hour, worked 40 hours each, entirely on job 52, during the past week.

Eight other workers who are paid at a wage rate of \$7.50 per hour, spent half of their 40-hour work week on job 52 and the remainder of their time on job 53. In addition, Bill Hammond, a part-timer, worked on job 52 for 16 hours but was unable to work for 4 hours because of the inefficiency of his fellow workers in prior stage. Bill Hammond earns \$9.25 per hour. Salaries for supervisors and maintenance personnel related to jobs 52 and 53 amounted to \$1,250. Assuming that payroll withholdings are ignored and jobs 52 and 53 are the only jobs being performed, what is the entry to record labor cost?

- (a) Work-in-process inventory \_\_\_ job 52 \_\_\_ 10373  
 Work-in-process inventory \_\_\_ job 53 \_\_\_ 1,825  
 Factory overhead control \_\_\_ job 52 \_\_\_ 37  
 Payroll payable \_\_\_ 12,235  
 (b) Work-in-process inventory \_\_\_ job 52 \_\_\_ 9,748 ✓  
 Work-in-process inventory \_\_\_ job 53 \_\_\_ 1,200  
 Factory overhead control \_\_\_ 1,250

- Loss from idle time \_\_ 37  
 Payroll payable \_\_\_\_ 12,235  
 (c) Work-in-process inventory \_\_ job 52 \_\_ 9,748  
 Work-in-process inventory \_\_ job 53 \_\_ 1,200  
 Factory overhead control \_\_\_\_ 1,287  
 Payroll payable \_\_\_\_ 12,235  
 (d) Work-in-process inventory \_\_ job 52 \_\_ 9,748  
 Work-in-process inventory \_\_ job 53 \_\_ 1,200  
 Factory overhead control \_\_\_\_ 1,250  
 Factory overhead control \_\_ idle time \_\_ 37  
 Payroll payable \_\_\_\_ 12,235
15. \_\_\_\_\_ is similar to a by-product that results from a joint manufacturing process.  
 (a) A spoiled unit  
 (b) Scrap material ✓  
 (c) A defective unit  
 (d) Waste material
16. Which statement is correct?  
 (a) The accounting for abnormal spoilage will not affect the unit cost of good units in a production process. ✓  
 (b) Management's goal should be to operate a production process that will yield a perfect product almost 100% of the time.  
 (c) Abnormal spoilage is usually considered a part of the cost of production.  
 (d) Spoilage is the result of inefficient production methods.
17. Assume that 50,000 units are put into production for job 303 and the total cost of production was \$1,50,000. Normal spoilage for general production is estimated to be 2.5%. At the completion of production only 47,000 units were good (The remaining units were spoiled and had a salvage value of \$7 each). Management considers spoilage to be inherent in nature to the general production process and includes normal spoilage in the predetermined factory overhead application rate. When accounting for the spoilage of job 303, what is the total amount of costs to be removed from work-in-process inventory?  
 (a) \$37,500 ✓ (c) \$61,250  
 (b) \$50,000 (d) \$90,000
- Questions 5-18 and 5-19 relate to Howard's Graphite-Boron Tennis Racquet Manufacturing Plant. Assume that 15,000 tennis racquets are placed into production for job 22. Normal defective units were expected to be 7% of job 22's production. Actual defective units were 1,100. the costs to rework the 1,100 defective units were as follows:  
 Direct materials \_\_ \$5,500  
 Direct labor \_\_ \$19,800  
 Factory overhead applied (75% of direct labor dollars) \_\_ \$ 14,850  
 Total \_\_ \$40,150
18. Assuming that the rework costs were ignored in the computation of the factory overhead application rate, what is the amount of rework costs to be charged to work-in-process inventory for job 22?  
 (a) \$0 (c) \$38,325 ✓  
 (b) \$32,675 (d) \$40,150
19. What is the amount of payroll liability incurred by Howard's Graphite-Boron Tennis Racquet Manufacturing Plant in servicing job 22's abnormal defective units?  
 (a) \$0 (c) \$1,250  
 (b) \$900 ✓ (d) \$1,825
20. Scrap accumulating from job 512 was sold for \$450. job 512 was sold for \$450. Job 512 also resulted in waste disposal costs of \$150. If estimated scrap had been taken into consideration when computing the factory overhead application rate, and if waste material costs are allocated to specific jobs, proper accounting treatment would include a:  
 (a) Total debit of \$150 to factory overhead control. ✓  
 (b) Total debit of \$699 to factory over head control.  
 (c) Total debit of \$300 to factory over head control.  
 (d) Total debit of \$450 to factory over head control.

21. Of the following production operations, the one most likely to employ job order cost accumulation is:

(a) Soft drink manufacturing;  
 (b) Shipbuilding; ✓  
 (c) Crude oil refining;  
 (d) Candy manufacturing.

22. Under job order cost accumulation, the dollar amount of the entry involved in the transfer of inventory from Work in Process to Finished Goods is the sum of the costs charged to all jobs:

(a) Started in process during the period;  
 (b) In process during the period;  
 (c) Completed and sold during the period;  
 (d) Completed during the period ✓

(Question No. 23 to 27 are based on following information) Bachr Company is a manufacturing company with a fiscal year that runs from July 1 to June 30. The Company uses a job-order accounting system for its production costs.

A predetermined overhead rate based upon direct-labor hours is used to apply overhead to individual jobs. A flexible budget of overhead costs was prepared for the 19-7-8 fiscal year as follows:

Direct labor hours	100,000	120,000	140,000
Variable overhead costs	\$325,000	\$390,000	\$455,000
Fixed overhead costs	216,000	216,000	216,000
Total overhead	\$541,000	\$606,000	\$671,000

Officials have determined 120,000 direct-labor hours as the expected volume for the year. The following information is for November, 19-7. Jobs 77-5 and 77-51 were completed during November.

Inventories November 1, 19-7:	
Raw materials and supplies	\$ 10,500
Work-in-process (Job 77-50)	54,000
Finished goods	112,500
Purchases of raw materials and supplies:	
Raw materials	\$ 135,000

Supplies	15,000
Materials and supplies requisitioned for production:	
Job 77-50	\$ 45,000
Job 77-51	37,500
Job 77-52	25,500
Supplies	12,000
	\$ 120,000

Factory direct-labor hours:

Job 77-50	3,500 DLH
Job 77-51	3,000 DLH
Job 77-52	2,000 DLH

Labor costs:

Direct-labor wages	\$ 51,000
Indirect-labor wages (4,000 hours)	15,000
Supervisory salaries	6,000
Building occupancy costs (heat, light, depreciation, et(c)):	
Factory facilities	\$ 6,500
Sales offices	1,500
Administrative offices	1,000
	\$ 9,000

Factory equipment costs:

Power	\$ 4,000
Repairs and maintenance	1,500
Depreciation	1,500
Other	1,000
	\$ 8,000

23. The predetermined overhead rate to be used to apply overhead to individual jobs during the 19-7-8 fiscal year is

(a) \$ 3.25 per DLH  
 (b) \$ 5.05 per DLH  
 (c) \$ 5.05 per DLH ✓  
 (d) \$ 5.41 per DLH

24. The total cost job 77-50 is

(a) \$ 81,750  
 (b) \$ 135,750 ✓  
 (c) \$ 142,750  
 (d) \$ 146,750

**Note:** Without prejudice to your answer to Item 1, assume that the predetermined overhead rate is \$4.50 per direct-labor hour.

Use this amount in answering items 2 through 6:

25. The factory-overhead costs applied to job 77-52 during November were  
(a) \$ 9,000 ✓ (b) \$ 47,500  
(c) \$ 46,500 (d) \$ 8,000
26. The total amount of overhead applied to jobs during November was  
(a) \$ 29,250 (b) \$ 38,250 ✓  
(c) \$ 47,250 (d) \$ 56,250
27. Actual factory overhead incurred during November 19-7 was  
(a) \$ 38,000 (b) \$ 41,500  
(c) \$ 47,500 ✓ (d) \$ 50,500  
(e) None of these

(E)

1. Purchased materials are added in the second department of a three-department process; this increases the number units produced in the second department and would always:  
(a) change the direct labor cost percentage in the ending work-in-process inventory. ✓  
(b) Cause no adjustment to the unit cost transferred in from the first department.  
(c) Increase total unit costs.  
(d) Decrease total ending work-in-process inventory.
2. Purchased materials are added in the second department of a three-department process; this does not increase the number of units produced in the second department and would:  
(a) Not change the dollar amount transferred to the next department.  
(b) Decrease total work-in-process inventory.  
(c) Increase the factory overhead portion of the ending work-in-process inventory.  
(d) Increase total unit cost ✓
3. An equivalent unit of material or conversion cost is equal to:  
(a) The amount of material or conversion cost necessary to complete one unit of production. ✓  
(b) A unit of work-in-process inventory.  
(c) The amount of material or conversion cost necessary to start a unit of production into work-in-process inventory.  
(d) Fifty in-process inventory.  
(e) Fifty percent of the material or conversion cost of a unit of finished goods inventory (assuming a linear production pattern).
4. Which of the following production operations would be most likely to employ a process cost system?  
(a) Shipbuilder  
(b) Aircraft manufacturer  
(c) Crude oil refiner ✓  
(d) Homebuilder
5. In process cost computations, the cost of ending work-in-process inventory is calculated on the:  
(a) Quantities schedule  
(b) Equivalent Production schedule  
(c) Total Costs to Account For schedule  
(d) Total Costs Accounted For schedule ✓
6. The system flow in which the initial raw materials are placed into process in the first department and flow through every department in the factory is called a:  
(a) Sequential product flow. ✓  
(b) Parallel product flow.  
(c) Selective product.  
(d) Uniform product flow.
7. The analysis of the activity in a department or cost center for a period is called a:  
(a) Quantity report.  
(b) Cost of production report. ✓  
(c) Cost of goods manufactured report.  
(d) Equivalent production report.
8. The physical flow of units into and out of department is shown on the:  
(a) Quantities schedule ✓  
(b) Equivalent Production schedule  
(c) Costs of Account For schedule  
(d) Costs Accounted For schedule.
9. The total amount on the Costs to Account For schedule must equal the total amount on the:  
(a) Quantities schedule.  
(b) Equivalent Production schedule.  
(c) Costs to Account For schedule.

- (d) Costs Accounted For schedule. ✓
10. The restatement of incomplete units in terms of completed units is called:
- Quantities produce(d)
  - Total production.
  - Equivalent production. ✓
  - Approximate production
11. Reedman Company had 6,000 units in process at the beginning of the month in Department (A) During the month an additional 12,000 units were placed into process. If Reedman Company had 4,200 units in process at the end of the month, what is the amount of units transferred to Department B, assuming that all units completed in Department A are transferred to Department B?
- 15,800 ✓
  - 18,200
  - 20,000
  - 24,200
12. Computouch produces computers. Each of their computer's circuit boards is prepared individually and then will reach a stage where it is affixed to the computer cabinet. Computouch uses a:
- Selective product flow system.
  - Parallel product flow system. ✓
  - Sequential product flow system.
  - Two tier product flow system.
13. Which of the following statements is incorrect?
- The use of a process cost system does not alter the manner of accumulating direct materials, direct labor, and factory overhead costs.
  - The accumulation of direct materials costs is much simpler in a process cost system than in a job order system.
  - A process cost system may accumulate either normal absorption costs or standard absorption costs.
  - Actual factory costs in a process cost system should be charged to work-in-process to avoid fluctuations in monthly unit costs. ✓
- Questions 14 and 15 relate to M Company. M Company has two producing departments: Department A and Department (B) Department A works on raw material XYZ and then transfers it to Department (B) After Department B puts on its finishing touches, it transfers the product to finished goods inventory.
14. If Department A had put 95,000 units into process during the period and had ending units in process of 21,000, what is the number of units transferred to finished goods inventory, if Department B's ending units in process are 12,000?
- 104,000
  - 83,000
  - 74,000
  - 62,000 ✓
15. M Company's direct materials are added at the beginning of the production process in Department (A) If Department A's ending units in process are 60% complete as to conversion costs, on the basis of a separate direct materials computation, what is Department A's equivalent units?
- 80,000
  - 86,6000
  - 95,000 ✓
  - 102,400
- Questions 16 and 17 relate to Walboro Company bottles Walboro's famous spring water. The water is filtered in Department 1 and then flows through to Department 2 where it is bottle(d) (The company's only direct material cost occurs in the bottling stage.) The quantity schedules of Walboro Company are as follows:
- Department 1:
- |                                   |        |
|-----------------------------------|--------|
| 110,000                           |        |
| Units started in process          |        |
| Units transferred to Department 2 | 80,000 |
| Ending units in process           | 30,000 |
| 110,000                           |        |
- Department 2:
- |   |        |
|---|--------|
| 80,000  |        |
| Units received from Department 1              |        |
| Units transferred to finished goods inventory | 61,400 |
| Ending units in process                       | 18,600 |
| 80,000  |        |
- Ending units in process in both departments are 72% complete as to conversion costs.
16. Direct material equivalent units of production for Department 1 are:
- 0 gallons ✓
  - 101,600 gallons

- (b) 80,000 gallons  
(d) 110,000 gallons
17. Department 2 would have how many equivalent gallons of production, on the basis of a conversion cost computation?
- (a) 61,400 gallons  
(b) 74,792 gallons ✓  
(c) 68,929 gallons  
(d) 80,000 gallons

18. Information taken from the Costs to Account For schedule of a company with two production departments is as follows:

Department	A—Initial	Processing
Department		Department

	Equivalent	
	Unit Cost	
Costs added by department:	\$4.29	
Direct materials	\$2.93	
Factory overhead	\$1.17	

Department	B—Final	Production
Department		Department

	Equivalent	Equivalent
	Production	Unit Cost
Costs added by department		
Direct labor	20,000	\$3.19
Factory overhead	20,000	41.20

If Department A transferred 32,000 units into Department B, what is the total cost to be accounted for?

- (a) \$356,280 ✓                      (c) \$419,716  
(b) \$255,600                        (d) \$87,800
19. Which statement is correct?
- (a) Units started in process (or received from other departments) plus units added to production will always equal units transferred out plus units completed and still on hand plus ending units in process.  
(b) Units added in subsequent departments will affect transferred-in equivalent unit cost in the costs to account for schedule ✓  
(c) The stage of completion of work-in-process ending inventory is most often based upon the actual physical state of completion of each unit in work-in-process ending inventory.  
(d) The Costs Accounted For section of the cost of production report shows which costs were accumulated by the department.

20. Department 3 of Rocky Robot Company has the following pieces of information included in its cost of production report:

	Quantities
Units transferred-in from Department 2	54,000
Units added to production	24,330
	58,330
Ending units process	78,330

Costs To Account For			
Costs from preceding department			
Units	Total Cost	Equivalent	Equivalent
		Production	Unit Cost
54,000	\$391,500	54,000	\$7.25

Costs added by department:			
Direct materials	\$80,000	65,000	\$1.23
Direct labor	\$60,000	60,000	\$1.00
Factory overhead	\$90,000	60,000	\$1.50

Costs Accounted For			
Transferred to finished goods inventory			
\$509,221			

Additional information: Ending units in process in Department 3 are 100% complete as to direct materials and 45% complete as to conversion costs.

- What is the amount of total costs accounted for?
- (a) \$556,321                      (c) \$656,321 ✓  
(b) \$601,321                      (d) \$701,321
21. A characteristic which applies to process costing but not to job order costing is:
- (a) Identifiable batches of production;  
(b) Equivalent units of production; ✓  
(c) Averaging process;  
(d) Use of standard costs.
22. In processing goods through a factory, materials are successively run through producing Departments A, B, and C. For product costing purposes, Department B should treat items received from Department A as:
- (a) Materials; ✓                      (b) Work in process;  
(c) Finished goods;                (d) Equivalent units.
23. The type of spoilage that should not affect the recorded cost of inventories is:
- (a) Abnormal spoilage; ✓  
(b) Normal spoilage;  
(c) Seasonal spoilage.

- (d) Standard spoilage.
24. Transferred in costs in a cost of production report are most similar to:
- (a) Materials added at the beginning of her process; ✓  
 (b) Conversion costs added during the process;  
 (c) Costs transferred to the next process;  
 (d) Costs included in beginning inventory.

**(F)**

1. A quantitative expression of management objectives is a(n).
- (a) Organization chart  
 (b) Budget  
 (c) Management chart ✓  
 (d) Procedural chart
2. Operations budgets normally cover a period of:
- (a) One year or less ✓  
 (b) One to five years  
 (c) One to two years  
 (d) One to ten years
3. The various components of a budget are usually prepared by:
- (a) Staff management  
 (b) The budget director ✓  
 (c) Line management  
 (d) The controller
4. A budget in which a responsibility center manager must justify each planned activity and its estimated total cost is called a.
- (a) Conventional budget  
 (b) Program planning and budget system  
 (c) Master budget  
 (d) Zero-based budget ✓
5. A budget that focuses on the output of the organization is called a.
- (a) Conventional budget  
 (b) Program planning and budget system  
 (c) Master budget ✓  
 (d) Zero based budget
6. Theory X (by McGregor) assumes that:
- (a) Employees dislike work  
 (b) Both a and b  
 (c) Employees will avoid work whenever possible ✓  
 (d) Neither a nor b
7. Theory Y (by McGregor) assumes that:
- (a) Employees dislike work  
 (b) Both a and b  
 (c) Employees will void work whenever possible  
 (d) Neither a nor b ✓
8. Which of the items below is not a hierarchy of human needs as set forth by Maslow?
- (a) Self-fulfillment (b) Work  
 (c) Self-respect ✓ (d) Safety
9. A budgeting process wherein each and every line of the master budget is specified by upper level management is called a(n):
- (a) Authoritative budget ✓  
 (b) Master budget  
 (c) Participative budget  
 (d) Organization budget
10. A budgeting process wherein middle and lower level managers plan either in general or specific terms what they believe to be realistic expectations of what their performance should be is called a(n):
- (a) Authoritative budget  
 (b) Master budget ✓  
 (c) Participative budget  
 (d) Organization budget
11. Under which approach do all levels in a company participate to some extent in developing the master budget?
- (a) Upper management  
 (b) Grass roots  
 (c) Historical estimating ✓  
 (d) Bottom-up
13. The foundation of the master budget is:
- (a) The cash budget  
 (b) The sales forecast  
 (c) Current resources ✓  
 (d) Estimate production
14. The sales budget (in units) adjusted for inventory changes is the:
- (a) Production budget ✓  
 (b) Direct materials purchases budget

- (c) Inventory storing budget  
(d) Direct materials usage budget
15. Production should.
- (a) Be set at the highest capacity in order to establish the highest possible inventory levels.  
(b) Be scheduled efficiently so that the employment level can remain stable ✓  
(c) Be set to minimize carrying costs  
(d) Answers b and c only  
(e) All the above
- The following information relate to questions 9-16 and 9-17.
- Master Budget Company had a cost of goods sold budget for the quarter of \$210,000. The following data are also based on the quarterly cost of goods sold budget.
- Finished goods inventory – beginning \$38,000  
Finished goods inventory – ending \$41,000  
Factory overhead budget 63,000
16. What is the total manufacturing cost for the quarter?  
(a) \$207,000 (b) \$234,000 ✓  
(c) \$213,000 (d) \$276,000
17. Assuming that the direct labor budget for the quarter was \$58,000. What is the direct materials purchases budget for the quarter?  
(a) \$86,000 (b) \$234,000  
(c) \$98,000  
(d) It cannot be determine from the information provided ✓
18. As president of Super Vac, the vacuum company of the future, you are preparing a master budget. For the deluxe vac, you have forecasted unit sales in January, February, and March to be 3,000, 3,400, and 3,250, respectively. On January 1, 19XX, as a result of intense emand, you have no beginning inventory. You would like to have 1,200 units in ending inventory for the month of January, 1,000 units is ending inventory for February, and 800 for March. While preparing the direct materials purchases budget for February, you are particularly concerned with the purchase cost for component 8, three units of component 8 are required to make one deluxe vac unit. If the desired inventory for component 8 is 60% of the following month's production requirements for component 8 and the unit cost of component 8 is \$12.50, what is the purchase cost in February on the direct materials purchases budget for component 8?  
(a) \$38,875 (b) \$92,450  
(c) \$64,280 (d) \$116,625 ✓
19. Which statement would apply to participative budgeting?  
(a) The authoritative budgeting process has some fundamentally negative aspects which will decrease the overall efficiency of the firm in the long run  
(b) Budget people can obtain feelings of success only by finding fault with factory people  
(c) Pseudoparticipation is a positive step toward the establishment of a participative budgetary process ✓  
(d) An authoritative budget is perceived by employees as a pressure device
20. Jim Slack is a middle level manager in charge of a special project. As Jim's company uses a participative budgeting process. Jim submitted a budget of \$15,000. If actual costs related to the project were \$14,400, but it was determined that the project could have been completed for \$13,900, what is the true variance?  
(a) \$400 unfavorable ✓  
(b) \$1,100 favorable  
(c) \$600 favorable  
(d) \$500 unfavorable
21. Flexible budgeting is a reporting system wherein the.  
(a) Budget standards may be adjusted at will  
(b) Reporting dates vary according to the activity levels reported upon  
(c) Statement include in the budget report vary from period to period



- (d) Plane activity level is adjusted to the actual activity level before the budget comparison report is prepared ✓
22. The budget for a specific cost during a fiscal period was \$80,000, while the actual cost for the same period was \$72,000 considering these facts, it can be stated that the plant manager has done a better than expected job in controlling the cost if.
- (a) The cost is variable and actual production was 90% of budgeted production.
- (b) The cost is variable and actual production has equaled budgeted production ✓
- (c) The cost is variable and actual production was 80% of budgeted production
- (d) None of the above
23. The primary difference between a fixed budget and a flexible budget is that a fixed budget.
- (a) Includes only fixed costs, while a flexible budget includes only variable costs
- (b) Is concerned only with acquisitions of plant assets, while a flexible budget is concerned with expenses that vary with sales
- (c) Cannot be changed after a fiscal period begins, while a flexible budget can be changed after a fiscal period begins
- (d) Is a budget for a single level of some measure of activity, while a flexible budget consists of several budgets or a range of budgets based on some measure of activity ✓
24. Application rates for factory overhead best reflect anticipated fluctuations in sales over a cycle of years when they are computed under the concept of.
- (a) Theoretical capacity
- (b) Normal capacity ✓
- (c) Practical capacity
- (d) Expected actual capacity
25. The variable factory overhead rate under the practical capacity, expected actual capacity and normal capacity levels would be the:
- (a) Same except for normal capacity
- (b) Same except for practical capacity
- (c) Same except for expected actual capacity
- (d) Same for all three levels ✓
26. A fixed cost
- (a) May change in total when such change is unrelated to changes in production ✓
- (b) Will not change in total because it is unrelated to changes in production
- (c) Is constant per unit for each unit of change in production
- (d) May change in total, depending on production within the relevant range
27. The term "relevant range" as used in cost accounting means the range.
- (a) Over which costs may fluctuate
- (b) Over which cost relationships are valid ✓
- (c) Of probable production
- (d) Over which relevant costs are in current
28. The total cost for Gallop, Inc, is budgeted at \$230,000 for 50,000 units and at \$280,000 for 60,000 units of output. Because of the need for additional facilities, the budgeted fixed cost for 60,000 is 25% more than for 50,000 units. Gallop' budgeted variable cost per unit of output is.
- (a) \$1.60
- (b) \$1.67
- (c) \$3.00 ✓
- (d) \$5.00
30. In the attempt to establish a means of predicting the total cost per desk, production management has found that total direct labour hours per unit correlate very highly with the total incurred cost per desk. Management proposes the use of simple regression analysis as a means of predicting the cost to manufacture a desk. Which of the following statements is not true of this techniques?
- (a) An equation of the form  $y = a + bx$  results

- (b) The coefficient of correlation will be greater than 1 ✓  
 (c) The predict value is known as the dependent variable  
 (d) The method of least squares can be used in the determination
31. A plant superintendent has noticed that spoiled units occur in the manufacturing process on Monday more than on any other day of the week if appropriate data to determine the relationship between spoiled units and the day of the week are collected, the resultant number.  
 (a) Provides a measure of the extent to which the day of the week are accounts for the variability in the spoiled units. ✓  
 (b) Provides a measure of the extent to which the spoiled units account for the variability in the day of the week  
 (c) Establishes that one variable is the cause of another variable  
 (d) Establishes that they day of the week is the cause of the spoiled units
32. A retail store is interested in the relationship between sales (independent variable) and theft losses (dependent variable). Using the proper formula. The coefficient of correlation is computed to be 95. Concerning these factors (sales and theft losses) a definite conclusion in that.  
 (a) An increase in sales causes an increase in theft losses.  
 (b) Movement of these factors is in opposite directions  
 (c) Movement of these factors is entirely unrelated  
 (d) Movement of these factors is in the same direction ✓
33. The appropriate range for the coefficient of correlation (r) is:  
 (a)  $0 \leq r \leq 1$  (b)  $-1 \leq r \leq 1$  ✓  
 (c)  $-100 \leq r \leq 100$   
 (d)  $\text{infinity} \leq r \leq \text{infinity}$
34. Sales budgets is a  
 (a) Functional budget ✓  
 (b) Master budget  
 (c) Expenditure budget
35. In the case of plant the key factor may be  
 (a) Insufficient capacity ✓  
 (b) Shortage of experienced salesmen  
 (c) General shortage of power
36. The difference between fixed and variable cost has a special significance in the preparation of  
 (a) Flexible budget ✓  
 (b) Master budget  
 (c) Cash budget
37. The budget that is prepared first of all is  
 (a) Cash budget (b) Master budget  
 (c) Budget for the key factor ✓
38. In case of materials, the key factors may be  
 (a) Insufficient advertising  
 (b) Restrictions imposed by quota ✓  
 (c) Low market demand
39. The budget, which commonly takes the form of budgeted profit and Loss Account and Balance Sheet is  
 (a) Cash budget  
 (b) Master budget ✓  
 (c) Flexible budget
40. Preparing budget figures for different levels of activity within a range, under flexible budgeting is.  
 (a) Multi activity method ✓  
 (b) Formula method  
 (c) Budget cost allowance method

## (G)

1. Which of the following terms is not to be used interchangeably with the word "standard costs"?
- (a) Planned costs  
 (b) Scheduled costs  
 (c) Predicted costs  
 (d) Estimate costs ✓
2. When factory overhead is applied to production on the basis of actual inputs multiplied by a predetermined application rate, the process is known as:
- (a) Normal costing ✓  
 (b) Standard costing  
 (c) Actual costing  
 (d) Historical costing

3. Which of the following cost bases should be used to value inventory for external financial reporting?  
(a) Standard cost  
(b) Applied costs ✓  
(c) Historical cost  
(d) Normal cost
4. Standard costs provide the building blocks for a(n):  
(a) Variable cost (b) Budget  
(c) Unit cost ✓ (d) Overhead cost
5. When standard costs are used, the amount of detailed record keeping will normally  
(a) Reduce ✓  
(b) Stay the same  
(c) Increase  
(d) Be more time consuming
6. A standard that is never altered once established is known as a(n):  
(a) Ideal standard  
(b) Attainable standard ✓  
(c) Basic standard  
(d) Projected standard
7. A standard that is developed using utopian conditions for a given manufacturing process is known as a(n):  
(a) Ideal standard ✓  
(b) Attainable standard  
(c) Basic standard  
(d) Projected standard
8. Standards that can be met or even surpassed by the employment of efficient operations are known as a(n):  
(a) Ideal standard  
(b) Attainable standard ✓  
(c) Basic standard  
(d) Projected standard
9. Predetermined specifications of quantities that should go into the production of one finished unit are known as:  
(a) Price standards  
(b) Estimated standards  
(c) Hypothetical standards  
(d) Efficiency standards ✓
10. The area on a learning curve in which the average direct labor time per unit stabilizes is known as the:  
(a) Boredom stage  
(b) Learning stage ✓  
(c) Constant stage  
(d) Early stage
11. Which one of the following statements best characterizes standard costs?  
(a) Per unit costs are  
(b) Per unit costs have been  
(c) Per unit costs will be  
(d) Per unit costs should be ✓
12. P. Wilson, CPA, has been conducting an audit of Joy Toys Manufacturing company. The management of Joy Toys listed inventory in the financial statements at a standard cost of \$410,000. In the course of an otherwise clean audit, Wilson found that actual inventory costs were \$745,000. Before giving a favorable opinion on the financial statements of Joy Toys, Wilson:  
(a) Must change inventory costs on the financial statements so that they are listed at actual inventory cost  
(b) Must adjust the inventories cost at standard to approximate actual costs ✓  
(c) Must approve the use of the standard costs for inventory on the financial statements  
(d) Need do nothing
13. Unfavorable variances are the result of management's use of:  
(a) Ideal standards ✓  
(b) Efficiency standards  
(c) Basic standards  
(d) None of the above  
(e) Attainable standards
14. Which statement regarding direct material price standards is most correct?  
(a) Production departments are normally responsible for setting their own direct material price standards.  
(b) After management sets a standard price per unit of direct material, quality and delivery standards can then be determined.  
(c) Even if there are thousands of direct materials, a standard unit price must be computed for each one ✓

- (d) Once a direct material price standard has been set, it takes effect for the entire financial period
15. Which department is in the best position to set realistically attainable quantity standards for a production process?  
 (a) Production (b) Purchasing  
 (c) Accounting (d) Engineering✓
16. Which statement is incorrect?  
 (a) Items like vacation pay and sick pay are usually included in the standard rate of pay✓  
 (b) The standard rate of pay that an individual will receive is usually based on the type of job being performed and the experience that the person has had on the job  
 (c) If a union contract calls for an increase in pay during the year, this change must be incorporated into the standard wage rate  
 (d) Direct labor price standards are predetermined rates for a period
17. Standards for the Blackwell Corporation are listed below.  
 Direct materials price.... \$10 per pound  
 Direct material efficiency ..... 3 pounds per unit  
 Direct labor price ..... \$12 per direct labor hour  
 Direct labor efficiency ..... 4 direct labor hours per unit  
 Variable factory overhead application rate ..... \$2.20 per direct labor hour  
 Fixed factory overhead application rate ..... \$5 per direct labor hour  
 What is the total standard cost per unit?  
 (a) \$106.80 (b) \$122.60  
 (c) \$114.40 (d) \$128.20✓
18. The following information relates to a 70% learning curve.  
 Cumulative units of production  
 1, 2, 4, 8, 16  
 Cumulative Average Hours/Unit  
 5, 3.5, 2.45, 1.715, ?  
 What is the output per hour that relates to 16 cumulative units of production?  
 (a) .76 (b) .97
- (c) .83✓ (d) 1.20
19. Which of the following elements of production is not viewed as waste time?  
 (a) Processing time✓ (b) Moving time  
 (c) Inspection time (d) Queue time
20. Which of the following actions will increase throughput time?  
 (a) Reducing the number of defective parts produced  
 (b) Changing the plant layout so that production departments are spread out further in location than they currently are✓  
 (c) Designing a product so that it requires processing in fewer production departments  
 (d) Better production coordination among production departments
21. A purpose of standard costing is to:  
 (a) Determine the break-even production level  
 (b) Control costs✓  
 (c) Eliminate the need for subjective decisions by management  
 (d) Allocate cost more accurately
22. A company employing very tight (theoretical) standards in a standard cost system should expect that:  
 (a) A large incentive bonus will be paid  
 (b) Most variances will be unfavorable✓  
 (c) Employees will be strongly motivated to attain the standards  
 (d) Costs will be controlled better than if lower standards were used
23. Of the different types of standards listed below, the one which best describes labor cost that should be incurred under forthcoming efficient operating conditions is:  
 (a) Ideal  
 (b) Basic  
 (c) Maximum efficiency  
 (d) Normal✓
24. In standards costing, standard hours allowed is a means of measuring  
 (a) Standard output at standard hours  
 (b) Actual output at standard hours✓  
 (c) Standard output at actual hours

- (d) Actual output at actual hours
25. In preparing the cost report at standard for process costing.
- (a) Equivalent units are not used.
  - (b) Equivalent units are computed using an approach that ignores inventories
  - (c) The actual equivalent units are multiplied by the standard cost per unit✓
  - (d) The standard equivalent units are multiplied by the actual cost per unit
26. In a standard cost system, the materials purchase price variance is obtained by multiplying the.
- (a) Actual price by the difference between actual quantity purchased and standard quantity allowed
  - (b) Actual quantity purchased by the difference between actual price and standard price✓
  - (c) Standard price by the difference between standard quantity purchased and standard quantity allowed.
  - (d) Standard quantity purchased by the difference between actual price and standard price
27. A favorable labor efficiency variance indicates.
- (a) The average wage rate paid was less than the standard rate
  - (b) The standard labor hours allowed for the units produced were greater than actual labor hours used✓
  - (c) The actual total labor cost incurred was less than the standard labor cost allowed for the units produced
  - (d) The number of units produced was less than the number of units budgeted for the period
28. The standard cost variance representing the difference between actual factory overhead incurred and budgeted factory overhead based on actual hours worked is the:
- (a) Volume variance
  - (b) Spending variance
  - (c) Efficiency variance✓
  - (d) Quantity variance
29. The fixed portion of the standard factory overhead application rate is a function of a predetermined "normal" activity level. If standard hours allowed for good output equal this "normal" activity level for a given period, the volume variance will be:
- (a) Zero✓
  - (b) Favorable
  - (c) Unfavorable
  - (d) Either favorable, depending on the budgeted overhead
30. Standard Costs are.
- (a) Ideal costs
  - (b) Normal costs
  - (c) Average costs
  - (d) Reasonably attainable costs✓
31. The type of closing which is most suitable for cost control purpose is
- (a) Standard-Costing✓
  - (b) Post costing
  - (c) Continuous costing
- (H)**
1. If the total direct materials variance (actual cost of direct materials used compared with the standard cost of the standard amount of direct materials required) for a given operation is favorable, why must this variance be further evaluated as to price and usage?
- (a) There is no need to further evaluate the total direct materials variance if it is favorable
  - (b) Generally accepted accounting principles require that all variances be analyzed in three stages
  - (c) All variances must appear in the annual report to equity owners for proper disclosure
  - (d) This will allow management to evaluate separately the efficiency of the purchasing and production functions✓
2. Which of the following is the most probable reason a company would experience an unfavorable direct labor rate variance and a favorable direct labor efficiency variance?

- (a) The mix of workers assigned to the particular job was heavily weighted toward the use of higher paid experienced individuals ✓
- (b) The mix of workers assigned to the particular job was heavily weighted towards the use of new, relatively low paid, unskilled workers
- (c) Because of the production schedule, workers from other production areas were assigned to assist this particular process
- (d) Defective materials caused more direct labor to be used in order to produce a standard unit
3. What type of direct materials variance for price and efficiency will arise if the actual number of pounds of direct materials used exceeds standard pounds allowed but actual cost was less than standard cost?
- (a) Unfavorable ✓ Favorable
- (b) Favorable Favorable
- (c) Favorable Unfavorable
- (d) Unfavorable Unfavorable
4. What standard cost variance represents the difference between actual factory overhead incurred and budgeted factory overhead based on actual direct labor hours worked?
- (a) Volume variance
- (b) Efficiency variance ✓
- (c) Spending variance
- (d) Quantity variance
5. Given below are the following notations and their respective meanings.  
 AH = Actual direct labor hours  
 SHA = Standard direct labor hours allowed for actual production  
 AR = actual rate  
 SR = Standard rate  
 Which formula represents the calculation of the direct labor efficiency variance?
- (a)  $SR(AH - SHA)$  ✓
- (b)  $AR(AH - SHA)$
- (c)  $AH(AR - SR)$
- (d)  $SHA(AR - SR)$
6. When standard costs are used in a process costing system, how, if at all, are equivalent units involved or used in the cost of production report at standard?
- (a) Equivalent units are not used
- (b) Equivalent units are computed using a "special" approach
- (c) The actual equivalent units are multiplied by the standard cost per unit ✓
- (d) The standard equivalent units are multiplied by the actual cost per unit
7. Excess direct labor wages will be disclosed in which type of variance?
- (a) Yield
- (b) Direct labor efficiency
- (c) Quantity
- (d) Direct labor rate (price) ✓
8. A debit balance in the direct labor efficiency variance account indicates that:
- (a) Standard direct labor hours exceed actual direct labor hours
- (b) Actual direct labor hours exceed standard direct labor hours ✓
- (c) Standard rate and standard direct labor hours exceed actual rate and actual direct labor hours
- (d) Actual rate and actual direct labor hours exceed standard rate and standard direct labor hours
9. When performing input-output variance analysis in standard costing, "standard direct labor hours allowed" is a means of measuring.
- (a) Standard output at standard direct labor hours
- (b) Actual output at standard direct labor hours ✓
- (c) Standard output at actual direct labor hours
- (d) Actual output at actual direct labor hours
10. If a company uses a predetermined rate for absorbing factory overhead, the volume variance is the.
- (a) Under applied or over applied variable cost element of factory overhead
- (b) Under applied or over applied fixed cost element of factory overhead ✓

- (c) Difference in budgeted costs and actual costs of fixed factory overhead items
- (d) Difference in budgeted costs and actual costs of variable factory overhead items
11. The management of Alfman Brothers set a standard on a direct material at \$25 per unit. Actual cost of this direct material fluctuate during the period. Of the 10,000 units purchased, 50% had a cost of \$24.70, 20% were purchased at a price of \$24.90, and the remaining units had a cost of \$25.60. What is the direct material price variance?
- (a) \$200 favorable
- (b) \$100 unfavorable
- (c) \$3,000 favorable ✓
- (d) \$6,000 unfavorable
12. Which statement is incorrect?
- (a) All variances should be computed at the end of a period ✓
- (b) A management by exception technique to variance investigation may be sub optimal approach
- (c) Responsibility for costs should be assigned only to the department or cost center having the authority to incur the cost
- (d) A major reason for using a standard cost system is to aid management in controlling production
13. Equivalent production is not critical to the computation of which variance?
- (a) Usage (b) Spending
- (c) Direct labor efficiency
- (d) None of the above ✓
- (e) Idle capacity
14. Which statement is correct?
- (a) In every instance, a company will benefit by having a favorable variance
- (b) When management sets standards, it tries to do so realistically. Therefore, when variances develop it is not as a result of the use of incorrect standards
- (c) Because the actual price per unit is used in the computation of a direct materials efficiency variance, management can separate the purchasing department price efficiencies or inefficiencies when analyzing this variance.
- (d) If an unfavorable variance is discovered, management should always investigate to identify and correct the cause of the variance
- (e) None of the above ✓
15. Slacker Company had the following factory overhead variances.
- Efficiency variance = \$8,000 unfavorable
- Controllable variance = \$12,000 unfavorable
- Production volume variance = \$20,000 unfavorable
- What is Slacker Company's overall factory overhead variance using the one factor analysis variance?
- (a) \$40,000 unfavorable
- (b) \$32,000 unfavorable ✓
- (c) \$24,000 unfavorable
- (d) \$20,000 unfavorable
- (e) It cannot be determined from the given information
17. Which statement is correct?
- (a) If you compute the one-factor analysis of the factory overhead variance, there is no need to computer direct material or direct labor variances.
- (b) The production volume variance will differ between two-factor and three factor analysis of factor overhead variances
- (c) If a flexible budget is used and actual production differs from planned production, an accurate cost comparison cannot be made
- (d) Information content should be a major consideration when deciding between using one-factor, two-factor, or three-factor analysis of factory overhead variances ✓
18. A major distinction between the processes of computing the budget variance and the price variance lies with the exclusion of what component?
- (a) Budgeted factory overhead
- (b) Actual factory overhead

- (c) Actual direct labor hours worked ✓  
(d) Standard unit price
20. A favorable factory overhead efficiency variance indicates that.
- (a) Standard direct labor hours allowed exceed actual direct labor hours worked ✓  
(b) Actual rate and actual direct labor hours exceed the standard rate and standard direct labor hours  
(c) Actual direct labor hour worked exceed standard direct labor hours allowed  
(d) Actual rate and standard direct labor hours exceed the standard rate and standard direct labor hours
21. An organization using ideal standards for standard costing purpose should expect that.
- (a) Most variances will be unfavorable ✓  
(b) Employees will be strongly motivated to work harder and achieves the standard  
(c) A large incentive bonus will have to be paid
22. Direct Material Price variance is computed by multiplying the
- (a) Standard rate with the difference between standard quantity and actual quantity of material  
(b) Actual quantity with the difference between standard rate and actual rate ✓  
(c) Actual rate with the difference between standard quantity and actual quantity of material
23. Direct Material Usage Variance is computed by multiplying the
- (a) Standard rate with the difference between the standard quantity for actual output and the actual quantity ✓  
(b) Actual rate with the difference between the standard quantity for actual output and the actual quantity  
(c) Standard rate with the difference between the standard quantity for standard output and the actual quantity
24. Direct Labor Efficiency variance is computed by multiplying the
- (a) Actual rate with the difference between standard time for standard output and actual time  
(b) Standard rate with the difference between standard time for standard output and actual time  
(c) Standard rate with the difference between actual time for actual output and actual time ✓
25. Overhead Cost Variance is the difference between
- (a) Recovered overheads and actual overheads ✓  
(b) Budgeted overheads and actual overheads  
(c) Budgeted overheads and standard overheads
26. Overhead Expenditure Variance is the difference between.
- (a) Recovered overheads and budgeted overheads  
(b) Budgeted overheads and actual overheads ✓  
(c) Standard overheads and actual overheads

**(D)**

1. Factory overhead costs under a standard cost system are debited to Work-in-Process Inventory at:
- (a) Normal costs  
(b) Actual costs ✓  
(c) Standard costs  
(d) Both standard and actual cost
2. Which of the following accounts is not kept at standard costs under a standard cost system?
- (a) Work-in-Process Inventory  
(b) Finished Goods Inventory  
(c) Cost of Goods Sold  
(d) Factory Overhead Control ✓
3. Which of the following method of recording direct materials purchases is preferred for control purposes?
- (a) Maintaining the Materials Inventory account at standard costs ✓



- (b) Maintaining the materials Inventory account at actual cost
- (c) Recording direct materials purchased at normal costs
- (d) Recording direct materials requisitioned at actual cost
4. Under a standard cost system, factory overhead is applied to work-in-process inventory by using.
- (a) Actual direct labor hour and the actual factory overhead application rate
- (b) Standard direct labor hours allowed and the actual factory overhead application rate
- (c) Actual direct labor hours and the standard factory overhead application rate
- (d) Standard direct labor hour allowed and the standard factory overhead application rate✓
5. When inventory is to be shown at standard costs, the variances will be charged off as a:
- (a) Product cost (b) Fixed cost
- (c) Variable cost (d) Period cost✓
6. When inventory is to be shown at actual costs, the variances will be charged off as a:
- (a) Product cost✓ (b) Fixed cost
- (c) Variable cost (d) Period cost
7. For external financial statement purposes, inventories must be reported at.
- (a) Standard costs (b) Actual costs
- (c) Period costs✓ (d) Direct costs
8. Variance that the treated as period costs will be closed to:
- (a) Finished goods inventory
- (b) Cost of goods sold✓
- (c) Work-in-process inventory
- (d) Finished goods inventory and cost of goods sold
9. What is the normal year-end treatment variances recognized in a cost accounting system utilizing standards?
- (a) Reclassified to deferred charges until related production is sold
- (b) Allocated among cost of goods manufactured and ending work-in-process inventory
- (c) Closed to cost of goods sold in the period in which they arose✓
- (d) Capitalized as a cost of ending finished goods inventory
10. How should a usage (efficiency) variance that is significant in amount be treated at the end of a accounting period?
- (a) Reported as a deferred charge or credit
- (b) Allocated among work-in-process inventory, finished goods inventory, and cost of goods sold✓
- (c) Charge or credited to cost of goods manufactured
- (d) Allocated among cost of goods manufactured, finished goods inventory, and cost of goods sold
11. Journal entries in a standard cost system.
- (a) Apply only to process cost systems
- (b) Record unfavorable cost variances as debits and favorable cost variances as credits✓
- (c) Index actual costs up to the standard cost level to avoid the hassle of maintaining both actual and standard cost records.
- (d) Require less work than a system that does not use standard cost
12. Standard costs.
- (a) Are recorded in addition to actual costs
- (b) Are the costs used to charge production costs to work-in-process in a standard cost system
- (c) Are used to keep track of finished goods inventory and cost of goods sold in a standard cost system
- (d) Both a and b
- (e) All the above✓
- Questions 12-13 through 12-15 relate to the following two common methods for journalizing a direct materials price variance in a standard cost system
- Method 1:** Materials inventory is maintained at standard cost and price variances are recorded as direct materials are received
- Method 2:** Materials inventory is maintained at actual cost and price variances are recorded when materials are put into production.

13. Which method is preferred for control purposes and which method is preferred for its adherence to the matching concept?
- |                |          |
|----------------|----------|
| (a) Method 2   | Method 1 |
| (b) Method 1 ✓ | Method 1 |
| (c) Method 1   | Method 2 |
| (d) Method 2   | Method 2 |
14. As a member of the management consulting team of Burke and Kurtz, you are privy to the following facts of X company.
- The actual direct materials weight average purchase price..... \$25  
 The standard direct materials price .... \$26  
 The direct materials price variance under method 1 exceeds the direct material price variance under method 2 by ..... \$400  
 Direct materials put into production .... 6,000 units  
 There is no beginning direct materials inventory.
- Under method 2, how many dollars will be debited to Materials Inventory to record the purchase of direct materials?
- |                 |               |
|-----------------|---------------|
| (a) \$150,000   | (b) \$160,000 |
| (c) \$156,000 ✓ | (d) \$166,400 |
15. Pixley Company has the following information.
- Standard direct materials price.....\$15  
 Direct materials weighted average actual purchase price ..... \$16.50  
 Direct materials purchased .... 5,000 units
- Under method 1, the entry to record the purchase of direct materials would include a debit entry to Materials Inventory and a credit entry to Accounts Payable. What are the dollar amounts of these entries?
- |              |          |
|--------------|----------|
| (a) \$75,000 | \$75,000 |
| (b) 82,500   | 75,000   |
| (c) 82,500   | 82,500   |
| (d) 75,000 ✓ | 82,500   |
17. The following information relates to Simpson Company and its standard cost system at the end of the period.
- Factory overhead of \$35,000 was charged to Work in process inventory
- Factory overhead control had a balance of \$43,5000  
 Factory overhead price variance had an unfavorable balance of \$2,000  
 Factory overhead production volume variance had an unfavorable balance of \$9,500.
- In recording the factory overhead variances, there would be:
- |   |
|---|
| (a) A debit to total factory overhead variance in the amount \$11,500   |
| (b) A debit to factory overhead control for \$43,000 and a credit to factory overhead applied for \$35,000                          |
| (c) A credit to factory overhead price variance for \$2,000 and a credit to factory overhead production volume variance for \$9,500 |
| (d) A credit to factory overhead efficiency variance for \$3,500 ✓  |
| (e) None of the above   |
18. Generally accepted accounting principles require for external financial statements that.
- |  |
|--|
| (a) Variances appear as a separate deduction or addition to gross profit   |
| (b) Variances may be a direct adjustment to cost of goods sold   |
| (c) The amount of each variance be prorated among the cost of goods sold, materials inventory, work in process inventory, and finished goods inventory ✓ |
| (d) None of the above GAAP is silent in this matter  |
19. When prorating the direct materials variances.
- |  |
|--|
| (a) The direct materials price variance is allocated first because it affects the direct materials efficiency variance   |
| (b) The direct materials efficiency variance should be allocated first   |
| (c) The direct materials efficiency variance should not be allocated first because it has no effect on the direct materials price variance or the materials inventory account. |
| (d) Both a and c ✓   |

20. Bitech Company has the following information:

Net unfavorable conversion costs variances

Direct labor price .....	\$4,500
Direct labor efficiency .....	2,000
Total factory overhead .....	6,000
Total .....	\$ 12,500
Work in process inventory	400
Finished goods inventory	1,200
Cost of goods sold	3,400
Total equivalent units	5,000

Additional, the one variance method was used to analyze factory overhead.

The journal entry to prorate the net unfavorable conversion cost variance would include:

- A debit to direct Labor Efficiency Variance for \$2,000
- A debit to Cost of Goods Sold for \$12,5000
- A debit to Finished Goods Inventory for \$3,400
- A debit to Work in process inventory for \$1,200
- None of the above ✓

### (J)

1. Net profit under absorption costing may differ from net profit determined under direct costing. Is the difference calculated as:

- The quantity of all units an inventory times the relevant fixed cost per unit ✓
- The quantity of all units in inventory times the relevant variable cost per unit
- The quantity of all units produced times the relevant fixed cost per unit
- The quantity of all units produced times the relevant variable cost per unit

2. Absorption costing differs from direct costing in the:

- Fact that standard costs can be used with absorption costing but not with direct costing

(b) Amount of costs assigned to individual units of product ✓

(c) Kinds of activities for which each can be used to report

(d) Amount of fixed costs that will be incurred

3. Income computed by the absorption costing method will tend to exceed income computed by the direct costing method if:

- Units produced exceed units sold ✓
- Fixed manufacturing costs decrease
- Variable manufacturing costs decrease
- Units sold exceed units produced

4. What is the term that means that all manufacturing costs (direct and indirect, variable and fixed) which contribute to the production of the product are traced to output and inventories?

- Job order costing
- Full or absorption costing
- Process costing ✓
- Variable or direct costing

5. A basic cost accounting method in which fixed factory overhead is added to inventory is:

- Absorption costing ✓
- Direct costing
- Variable costing
- Process costing

6. Reporting under the direct costing concept is accomplished by:

- Including only direct cost in the income statement
- Eliminating the Work in process inventory account
- Matching variable costs against revenue and treating fixed costs as period costs ✓
- Treating all costs as period costs

7. Which of the following is a more descriptive term for the type of cost accounting often called direct costing?

- Out of pocket costing
- Variable costing ✓
- Relevant costing
- Prime costing

8. Product costs under direct costing include.
- (a) Prime cost only
  - (b) Prime costs and variable factory overhead ✓
  - (c) Prime cost and fixed factory overhead
9. The contribution margin is also known as.
- (a) Marginal income ✓
  - (b) Net income
  - (c) Net operating profit
10. What will be the difference in net earnings computed using direct costing as opposed to absorption costing if the ending inventory increases with respect to the beginning inventory in terms of units?
- (a) There will be no difference in net earnings
  - (b) Net earnings computed using direct costing will be higher
  - (c) The difference in net earnings cannot be determined from the information given
  - (d) Net earning computed using direct costing will be lower. ✓
11. Direct costing.
- (a) Lends itself more easily to analysis of cost volume profit relationships than does absorption costing
  - (b) Has recently grown in use
  - (c) Is more suitable than absorption costing for management's planning, control and decision making needs ✓
  - (d) Is less widely used than absorption costing
  - (e) All the above
12. Under direct costing.
- (a) Variable factory overhead costs are product costs
  - (b) Fixed factory overhead is not included in inventory
  - (c) Product costs are relate to the volume of production
  - (d) All the above ✓
13. The proponents of which costing method argue that production cannot take place without incurring fixed factory overhead?
- (a) Absorption
  - (b) Normal
  - (c) Direct
  - (d) Full
  - (e) Both a and d ✓
14. Which statement is incorrect?
- (a) For external financial reporting, absorption costing must be used
  - (b) For internal reporting, direct costing must be used ✓
  - (c) Management likes direct costing for internal reporting because of its cost behavior
  - (d) Management will not use direct costing for external reports when dealing with the internal revenue service.
15. Company D uses direct costing. During this period Company D had variable factory overhead in the amount of \$8,400 and variable cost of goods manufactured of \$74,000. Ending work in process inventory comprises.
- |                           |       |       |
|---------------------------|-------|-------|
| Direct materials          | ..... | \$800 |
| Direct labor              | ..... | 1,400 |
| Variable factory overhead | ..... | 600   |
- In addition, \$10,000 was a period cost relating to fixed factory overhead. Had company D followed the absorption costing method, assuming that 10% of the fixed factory overhead cost relates to ending work in process inventory, the cost of goods manufactured would have been \$98,000. Under the absorption costing method, what is total factory overhead?
- (a) \$24,000
  - (b) \$22,400
  - (c) \$33,400 ✓
  - (d) \$37,800
  - (e) None of the above
16. Which variance cannot exist under direct costing?
- (a) Production volume variance ✓
  - (b) Price variance
  - (c) Efficiency variance
  - (d) Controllable variance
  - (e) All the above
17. As chief executive officer of a major company in the automobile manufacturing industry you have been given a contract in which your bonus hinges upon obtaining a certain minimum level of operating income. If you expect sales to exceed production during the period. Your chances of obtaining the

- bonus are generally greater under which of the following methods?
- (a) The direct costing method✓
  - (b) The absorption costing method
  - (c) The actual costing method
  - (d) The prime costing method
19. The principal disadvantage of absorption costing is:
- (a) That it is not acceptable under GAAP for external financial reporting
  - (b) That it is not widely used
  - (c) That its method results in a distortion of the time relationship between sales, cost of goods sold, and net income✓
  - (d) Direct costing
20. Direct costing is advantageous because:
- (a) It facilitates the computations of variable cost, contribution margin, and fixed costs data necessary for operations planning.
  - (b) Deviations from standards are more readily apparent and can be corrected more quickly than in absorption costing had been used.
  - (c) It has better control and yields better information than absorption costing when incorporate into a responsibility accounting system.
  - (d) All the above✓
21. The term meaning that all manufacturing costs (Direct and indirect, fixed and variable) which contribute to the production of the product are traced to output and inventories is:
- (a) Job order costing
  - (b) Process costing
  - (c) Absorption costing✓
  - (d) Direct costing
22. The term that is most descriptive of the type of cost accounting often called direct costing is.
- (a) Out of pocket costing
  - (b) Variable costing✓
  - (c) Relevant costing
  - (d) Prime costing
23. Costs treated as product costs under direct costing are:
- (a) Prime costs only
  - (b) Variable production costs only✓
  - (c) All variable costs
  - (d) All variable and fixed manufacturing costs
24. The basic assumption made in direct costing with respect to fixed cost is that a fixed cost is.
- (a) A controllable cost
  - (b) A product cost
  - (c) An irrelevant cost
  - (d) A period cost✓
25. Operating income computed using direct costing would generally exceed operating income computed using absorption costing if,
- (a) Units sold exceed units produced✓
  - (b) Units sold are less than units produced
  - (c) Unit sold equal units produced
  - (d) The unit fixed cost is zero
26. A company has operating income of \$50,000 using direct costing for a given period. Beginning and ending inventories for that period were 13,000 units and 18,000 units, respectively. If the fixed factory overhead application rate is \$2 per unit, the operating income using absorption costing is.
- (a) \$40,000
  - (b) \$50,000
  - (c) \$60,000✓
  - (d) \$55,000
27. Absorption costing differs from direct costing in the.
- (a) Fact that standard costs can be used with absorption costing but not with direct costing
  - (b) Kinds of activities for which each can be used to report
  - (c) Amount of costs assigned to individual units of product✓
  - (d) Amount of fixed costs that will be incurred
28. When a firm uses direct costing
- (a) The cost of a unit of product changes because of changes in the number of units manufactured.
  - (b) Profits fluctuate with sales✓
  - (c) An idle capacity variance calculated by a direct costing system

- (d) Product costs include variable administrative costs
29. Operating income under absorption costing can be reconciled to operating income determine under direct costing by computing the difference between.
- (a) Inventoried fixed costs in the beginning and ending inventories and any defer over or under applied fixed factory overhead. ✓
- (b) Inventoried discretionary costs in the beginning and ending inventories
- (c) Gross profit (absorption costing method) and contribution margin (direct costing method)
- (d) Sales are recorded under the direct costing method and sales as recorded under the absorption costing method.
30. Under the direct costing concept, unit product cost would most likely be increased by.
- (a) A decrease in the remaining useful life of factory machinery depreciated by the unit-of-production method. ✓
- (b) A decrease in the number of units produced
- (c) An increase in the remaining useful life of factory machinery depreciate by the sum of the years digits methods
- (d) An increase in the commission paid to sales persons for each unit sold
31. When using direct costing information, the contribution margin discloses the excess of.
- (a) Revenue over fixed cost
- (b) Revenue over variable cost
- (c) Projected revenue over the break even point ✓
- (d) Variable cost over fixed cost
- (c) Standard costs
- (d) Conversion costs
2. The measureable value of an alternative use of resources is referred to as a(an):
- (a) Opportunity cost ✓
- (b) Differential cost
- (c) Imputed cost
- (d) Sunk cost
3. A cost incurred in the past and hence irrelevant for current decision making is a:
- (a) Fixed cost
- (b) Sunk cost
- (c) Discretionary cost ✓
- (d) Direct cost
4. In deciding to make or buy a product, the management of Ashworth company should consider as relevant.
- (a) Historical costs
- (b) Future costs which will be classified as variable rather than fixed
- (c) Future costs which will be different under the two alternatives ✓
- (d) Future costs which will be classified as fixed rather than variable
5. A company manufactures two joint products at a joint cost of \$1,000. These products can be sold when split off or when further processed at an additional cost and sold as higher quality items. The decision to sell at split-off or after further processing should be base on the.
- (a) Assumption that the \$1,000 joint cost is irrelevant. ✓
- (b) Allocation of the \$1,000 joint cost using the relative sales value approach.
- (c) Assumption that the \$1,000 joint cost must be allocated using a physical measure approach.
- (d) Allocation of the \$1,000 joint cost using any equitable and rational allocation basis.
6. A company owns equipment that is used to manufacture important parts for its production process. The company plans to sell the equipment for \$10,000 and to select one of the following alternatives:
- (1) acquire new equipment for \$80,000

**(K)**

1. The type of costs presented to management for elimination of a product line should be limited to:
- (a) Relevant costs ✓
- (b) Controllable costs

- or (2) purchase the important parts from an outside company at \$4 per part. The company should quantitatively analyze the alternatives by comparing the cost of manufacturing the parts.
- (a) Plus \$80,000 to the cost of buying the parts less \$10,000  
 (b) To the cost of buying the parts less \$10,000  
 (c) Less \$10,000 to the cost of buying the parts  
 (d) To the cost of buying the parts ✓
7. Pena Company temporarily has excess production capacity. The idle plant facilities can be used to manufacture low-margin item. The low margin item should be produced if it can be sold for more than its.
- (a) Fixed costs  
 (b) Variable costs  
 (c) Variable costs plus any opportunity cost of the idle facilities ✓  
 (d) Indirect costs plus any opportunity cost of the idle facilities
8. In deciding whether to manufacture a part of buy if from an outside vendor a cost that is irrelevant to the short run decision is:
- (a) Direct labor  
 (b) Variable factory overhead  
 (c) Fixed factory overhead that will be avoided if the part is bought from an outside vendor.  
 (d) Fixed factory overhead that will continue even if the part is bought from an outside. ✓
9. As part of the data presented in support of a proposal to increase the production of clock radios, the sales manager of Wittman Electronics report the total additional cost required for the proposed increased production level. The increase in total cost is known as:
- (a) Controllable cost  
 (b) Opportunity cost ✓  
 (c) Incremental cost  
 (d) Out of pocket cost
10. In considering a special order situation that will enable a company to make use of currently idle capacity, which of the following costs would be irrelevant?
- (a) Materials  
 (b) Direct labor ✓  
 (c) Depreciation  
 (d) Variable factory overhead
11. A manufacturer operating at 95% of capacity has been offered a new order at \$7.25 per unit requiring 15% of capacity. No other use of the 5% current idle capacity can be found. However, if the order were accepted, the subcontracting for the required 10% additional capacity would cost \$7.50 per unit. The variable cost of production for the manufacturer on a per unit basis follows.
- |                   |        |
|-------------------|--------|
| Materials         | \$3.50 |
| Labor             | 1.50   |
| Variable overhead | 1.50   |
|                   | \$6.50 |
- The profit from current business is expected to be \$10,000. In applying the contribution margin approach to evaluating whether to accept the new order, assuming subcontracting, the following values would be computed for.
- (a) \$0 \$7.17 ✓  
 (b) \$0 \$6.83  
 (c) \$5,000 \$7.17  
 (d) \$5,000 \$6.83
13. Peluso Company, a manufacturer of snowmobiles, is operating at 70% of plant capacity. Peluso's plant manager is considering making the headlights now being purchased for \$11,00 each, a price that is to expected to change in the near future. The Peluso plant plant has the equipment and labor force required to manufacture the headlights. The design engineer estimates that each headlight requires \$4,00 of direct materials and \$3,00 of direct labor. Peluso's plant overhead rate is 200% of direct labor dollars and 40% of the overhead is fixed cost. A decision by Peluso Company to

- manufacture the headlight will result in a gain (loss) for each headlight of.
- (a) \$(2,00)  
 (b) \$2,80  
 (c) \$1,60 ✓  
 (d) None of the above
14. Darien Industries provides a cafeteria for its employees. The operation of the cafeteria requires fixed costs of \$4,700 per month and variable costs of 40% of sales. Cafeteria sales are currently averaging \$12,000 per month. Darien has an opportunity to replace the cafeteria with vending machines. Gross customer spending at the vending machines is estimate to be 40% greater than the current cafeteria sales because the machines are available at all hours. By replacing the cafeteria with vending machines Darien would receive 16% of the gross customer spending and avoid all cafeteria costs. A decision to replace the cafeteria with vending machines will result in a monthly increase (decrease) in operating income of.
- (a) \$(580)                      (b) \$1.60  
 (c) \$40                              (d) \$2.80 ✓  
 (e) None of the above
15. Given the following data.
- |                                |            |           |         |
|--------------------------------|------------|-----------|---------|
| Sales                          | \$21,000,  | \$12,000, | \$9,000 |
| Variable costs                 | 15,000,    | 7,500,    | 6,000   |
| Contribution margin            | \$6,000,   | \$4,500,  | \$3,000 |
| Directly traceable fixed costs | 5,000,     | 2,000,    | 4,000   |
| Common (allocated) fixed costs | 2,000,     | 2,000,    | 2,000   |
| Net income (loss)              | \$(1,000), | \$500,    | \$3,000 |
- Which product(s) if any, should be dropped in order to maximize profitability?
- (a) All three products  
 (b) E and G only  
 (c) E only  
 (d) G only ✓  
 (e) None of the products should be dropped
16. The following segmented statement for a party supplied manufacturer represents income by product line.
- |                    |           |           |            |           |
|--------------------|-----------|-----------|------------|-----------|
| Sales              | \$20,000, | \$30,000, | \$50,000,  | \$100,000 |
| Cost of goods sold | 10,000,   | 18,000,   | 40,000,    | 68,000    |
| Gross profit       | \$10,000, | \$12,000, | \$10,000,  | \$32,000  |
| Operating expenses |           |           |            |           |
| Administrative     | 5,000,    | 5,000,    | 5,000,     | 15,000    |
| Selling            | 3,000,    | 4,500,    | 7,500,     | 15,000    |
| Net income         | \$2,000,  | \$2,500,  | \$(2,500), | \$2,000   |
- Assume that administrative expense is a common cost which has been allocated equally to each product line; selling expenses are 15% of sales; and cost of goods sold is all variable. The firm has suggested eliminating horns. What would be the impact on total net income if this suggestion were adopted?
- (a) \$10,000 increase  
 (b) \$10,000 decrease  
 (c) \$2,500 increase  
 (d) \$2,500 decrease ✓
17. The Anthony Company makes two products, X and Y, in a joint process. At the split off point 60,000 units of product X and 70,000 units of product Y are available each month. Monthly joint production costs total \$200,000. Product x can be sold at the split off point for \$3.20 per unit. Product Y can either be sold at the split off point for \$2.60 per unit of it can be processed further and sold for \$5.80 per unit. If product Y is processed further, additional processing costs of \$2.30 per unit will be incurred. If product Y is processed further rather than being sold at the split off point, the change in monthly net income would be.
- (a) \$137,000 decrease  
 (b) \$245,000 increase  
 (c) \$63,000 increase ✓  
 (d) \$244,000 increase  
 (e) None of these



18. The Carter Company makes products A and B in a joint process from a single input, R. During a typical production run, 50,000 units of R yield 20,000 units of A and 30,000 units of B at the split off point. Joint production costs total \$90,000 per production run. The unit selling price for A is \$4 and for B is \$3.80 at the split off point. However, B can be processed further at a total cost of \$60,000 and then sold for \$7.000 per unit.
- In a decision between selling B at the split off point or processing B further, which of the following items is not relevant?
- (a) The \$60,000 costs to process B beyond the split off point  
 (b) The \$3.80 unit sales price of B at the split off point  
 (c) The portion of the \$90,000 joint production cost allocated to B ✓  
 (d) The \$7 unit selling price for B after further processing  
 (e) All the above costs are relevant
19. An avoidable cost is.
- (a) A cost that may be saved by not adopting an alternative. ✓  
 (b) The profit forgone by selecting one alternative instead of another.  
 (c) A cost, which does not entail any dollar outlay but which is relevant to the decision making process.  
 (d) A cost that continuously to be incurred even though there is no activity  
 (e) A cost common to all alternatives in question and not clearly or practically allocate to any of the alternatives
20. The term increment cost refers to:
- (a) The difference in total costs that results from selecting one alternative instead of another. ✓  
 (b) The profit forgone by selecting one alternative instead of another.  
 (c) A cost that continues to be incurred even though there is no activity.  
 (d) A cost common to be incurred even though there is no activity.  
 (e) A cost common to all alternatives in question and not clearly or practically allocable to any of the alternatives.
21. Woody Company, which manufactures sneakers, has enough idle capacity available to accept a special order of 20,000 pairs of sneakers at \$6.00 a pair. The normal selling price is \$10.00 of pair. Variable manufacturing costs are \$4.50 a pair, and fixed manufacturing costs are \$1.50 a pair. Woody will not incur any selling expenses as a result of the special order. What would the effect on operating income be if the special order could be accepted without effecting normal sales?
- (a) \$0  
 (b) \$30,000 increase ✓  
 (c) \$90,000 increase  
 (d) \$120,000 increase
22. The Reno Company manufactures Part No 498 for use in its production cycle. The cost per unit for 20,000 units of Part No. 498 are as follows.
- |                        |      |
|------------------------|------|
| Direct materials       | \$ 6 |
| Direct labor           | 30   |
| Variable overhead      | 12   |
| Fixed overhead applied | 16   |
|                        | \$64 |
- The Tray Company has offered to sell 20,000 units of Part No. 498 to Reno for \$60 per unit. Reno will make the decision to buy the part from Tray if there is a savings of \$25,000 for Reno. If Reno accepts Tray's offer, \$9 per unit of the fixed overhead applied would be totally eliminated. Furthermore, Reno has determined that the released facilities could be used to save relevant costs in the manufactured of Part No. 575. In order to have a savings of \$25,000, the amount of relevant costs that would be saved by using the released facilities in the manufacture of Part No, 575 would have to be
- (a) \$80,000  
 (b) \$85,000 ✓  
 (c) \$125,000  
 (d) \$140,000

## (L)

1. Wilson Company prepared the following preliminary forecast concerning product G for 19X2 assuming no expenditure for advertising.

Selling price per unit	.....	\$10
Unit sales	.....	100,000
Variable costs	.....	\$600,000
Fixed costs	.....	\$300,000

On the basis of a market study in December 19X1, Wilson estimated that it could increase the unit selling price by 15% and increase the unit sales volume by 10% if \$100,000 were spent on advertising. Assuming that Wilson incorporates these changes in its 19X2 forecast, what should be the operating income from product G?

- (a) \$175,000                      (b) \$190,000  
(c) 205,000✓                      (d) \$365,000

2. Birney company is planning its advertising campaign for 19X1 and has prepared the following budget data on the basis of a zero advertising expenditure.

Normal plant capacity	.....	200,000 units
Sales	.....	150,000 units
Selling price	.....	\$25.00 per unit
Variable manufacturing costs		\$15.00 per unit

Fixed costs		
Manufacturing	.....	\$800,000
Selling and administrative	.....	\$700,000

An advertising agency claims that an aggressive advertising campaign would enable Birney to increase its unit sales by 20%. What is the maximum amount that Birney can pay for advertising and obtain an operating profit of \$200,000?

- (a) \$100,000✓                      (b) \$200,000  
(c) \$300,000                      (d) \$550,000

3. In planning its operations for 9X1 on the basis of a sales forecast of \$6,000,000, Wallace, Inc. prepared the following estimated data.

Direct materials		\$1,600,000
Direct labor		1,400,000
Factory overhead		600,000

		\$900,000
Selling expenses		240,000
		360,000
Administrative expenses		60,000
		140,000
		\$3,900,000
		\$1,400,000

What would be the amount of sales dollars at the breakeven point?

- (a) \$2,250,000                      (b) \$3,500,000  
(c) \$4,000,000✓                      (d) \$5,300,000

4. War field Company is planning to sell 100,000 units of product T for \$12,000 a unit. The fixed costs are \$280,000. In order to realize a profit of \$200,000, what would the variable costs be?

- (a) \$480,000                      (b) \$720,000✓  
(c) \$900,000                      (d) \$920,000

5. The Seahawk Company is planning to sell 200,000 units of product B. The fixed costs are \$400,000 and the variable costs are 60% of the selling price. In order to realize a profit of \$100,000, the selling price per unit would have to be.

- (a) \$3.75                              (b) \$5.00  
(c) \$4.17                              (d) \$6.25✓

6. At a break even point of 400 units sold, the variable costs were \$400 and the fixed costs were \$200. What will be 401<sup>st</sup> unit sold contribute to profit before income taxes.

- (a) \$0                                      (b) \$0.50✓  
(c) \$1.00                                      (d) \$1.50

7. Koby Co. has sales of \$200,000 with variable expenses of \$150,000, fixed expenses of \$60,000 and an operating loss of \$10,000. By how much would Koby have to increase its sales in order to achieve an operating income of 10% of sales?

- (a) \$400,000                      (b) \$251,000  
(c) \$231,000                      (d) \$200,000✓

8. If the fixed costs attendant to a product increase while variable costs and sales price remain constant, what will happen to (1) contribution margin per unit and (2) break even point?

- (a) Increase                              Decrease

- (b) Decrease                      Increase  
 (c) Unchanged ✓                  Increase  
 (d) Unchanged                    Unchanged
9. The Ship Company is planning to produce two products, Alt and Tude. Ship is planning to sell 100,000 units of Alt at \$4 a unit and 200,000 units of Tude at \$3 a unit. Variable costs are 70% of sales for Alt and 80% of sales for Tude. In order to realize a total profit of \$160,000, what must the total fixed costs be?  
 (a) \$80,000 ✓                      (b) \$90,000  
 (c) 240,000                        (d) \$600,000
10. Mixed costs are those costs that can be classified as having:  
 (a) Both direct and indirect labor components only  
 (b) Both direct labor and raw materials only  
 (c) Characteristics of both fixed and variable costs ✓  
 (d) Any costs associated with indirect labor  
 (e) All fixed costs

Questions 11-14 through 15-15 are based on the following information. Treat each question independently.

The statement of income for Davann Co. presented below represents the operating results for the fiscal year just ended. Davann had sales of 1,800 tons of product during the current year. The manufacturing capacity is 3,000 of product.

**DAVANN CO**  
**Statement of Income**

**For the Year Ended December 31, 19X1**

Sales.....	\$900,000
Variable costs:	
Manufacturing.....	\$315,000
Selling costs.....	180,000
Total variable costs.....	\$495,000
Contribution margin.....	\$405,000
Fixed costs:	
Manufacturing.....	\$90,000
Selling.....	112,500
Administration.....	45,000
Total fixed costs.....	\$247,500
Net income before income taxes.....	\$157,500

- Income taxes (40%).....(63,000)  
 Net income after income taxes.....\$94,500
11. The break even volume in tons of product for 19X1 is:  
 (a) 420 tons                      (b) 495 tons  
 (c) 550 tons                      (d) 1,100 tons ✓  
 (e) Some other amount
12. If the sales volume is estimated to be 2,100 tons in the next year, and if the prices and costs stay at the same levels and amounts next year, the after tax net income that Davann can expect for 19X1 is:  
 (a) \$110,250                      (b) \$135,000 ✓  
 (c) \$184,500                      (d) \$283,500  
 (e) Some other amount
13. Davann has a potential foreign customer that has offered to buy 1,500 tons a \$450 per ton. Assume that all Davann's costs would be at the same levels and rates as in 19X1. What new net income after taxes would Davann make if it took this order and rejected some business from regular customers so as not to exceed capacity?  
 (a) \$211,500 ✓                      (b) \$252,000  
 (c) \$256,500                      (d) \$297,500  
 (e) Some other amount
14. Davann plans to market its product in a new territory. It estimates that an advertising and promotion program costing \$61,500 annually would need to be undertaken for the next two or three years. In addition, a \$25 per ton sales commission over and above the current commission to the sales force in the new territory would be required. How many tons would have to be sold to maintain Davann's current after-tax income of \$94,500?  
 (a) 273,333 tons  
 (b) 307,500 tons ✓  
 (c) 1,095,000 tons  
 (d) 1,545,000 tons  
 (e) Some other amount
15. Assume that Davann estimates the per ton selling price would decline 10 percent next year. Variable costs would increase \$40 per ton and the fixed costs would not

change. What sales volume in dollars would be required to earn an after-tax net income of \$94,500 next year?

- (a) \$825,000 (b) \$1,140,000  
(c) \$1,350,000 ✓ (d) \$1,500,000  
(e) Some other amount

Questions 15-16 through 15-20 are based on the following information:

The Able Company has one department that produces three replacement parts for the company. However, only one part can be produced in any month because of the adjustment that must be made to the equipment. The department can produce up to 15,000 units of any one of the three parts in each month. The company expresses the monthly after tax cost volume profit relationships for each part using an equation method. The format of the equations and the equation for each replacement part are given below.

Equation format  
 $(ATR) \times [(SP - VC) \times U - FC]$   
ATR = After-tax rate  
SP = Selling price  
VC = Variable cost  
U = Units  
FC = Fixed costs

Part	Part Equations
AL45	$.6[(\$4.00 - \$1.25) U - \$33,400]$
BT62	$.6[(\$4.05 - \$2.55) U - \$15,000]$
GM17	$.6[(\$4.10 - \$2.00) U - \$22,365]$

16. The contribution margin per unit for part BT62 is:  
(a) \$1.50 ✓ (b) \$2.50  
(c) \$2.55 (d) \$4.05  
(e) Not determinable from the facts presented
17. The break-even volume in units for part GM17 is.  
(a) 6,390 units (b) 10,650 units ✓  
(c) 13,419 units (d) 17,705 units  
(e) Some other amount
18. If Able Company produces and sells 13,000 units of part AL45, the amount of Ables after tax net income attributable to this product would be.  
(a) \$940 (b) \$1,410  
(c) \$2,350 ✓ (d) \$8,090

(e) Some other amount

19. The number of units of part BT62 required to be produced and sold to contribute \$4,140 to Able's net after-tax income is.  
(a) 5,400 units (b) 9,000 units  
(c) 12,800 units (d) 14,600 units ✓  
(e) Some other amount
20. The production and unit sales volume level at which Able Company will be indifferent as between parts BT62 and GM17 is:  
(a) 4,092 units (b) 7,365 units  
(c) 10,380 units (d) 12,275 units ✓  
(e) Some other amount
21. Contribution margin is also known as.  
(a) Marginal Income ✓  
(b) Gross Profit  
(c) Net Income
22. Period cost means.  
(a) Variable cost  
(b) Fixed cost ✓  
(c) Prime cost
23. The costing method in which fixed factory overhead are added to inventory is:  
(a) Direct costing  
(b) Marginal costing  
(c) Absorption costing ✓
24. When fixed cost is Rs.10,000 and P/V ratio is 50% the break-even point will be:  
(a) Rs.20,000 ✓  
(b) Rs.40,000  
(c) Rs. 50,000  
(d) None of these
25. When profit volume ratio is 40% and sales value Rs. 10,000, the variable costs will be:  
(a) Rs. 4,000  
(b) Rs. 6,000 ✓  
(c) Rs. 10,000  
(d) None of these
26. When margin of safety is 20% and P/V ratio is 60%, the profit will be:  
(a) 30% (b) 33 1/3%  
(c) 12% ✓ (d) None of these

27. When sales are Rs.2 lanks, fixed cost Rs.30,000 P/V ratio 40% the amount of profit will be:  
 (a) Rs. 50,000✓ (b) Rs.80,000  
 (c) Rs. 12,000

Question No.28 to 33 are based on following information)

The Dooley Co. manufactures two products, baubles and trinkets. The following are projections for the coming year.

28. Assuming that the facilities are not jointly used, the breakeven output (in units) for baubles would be.  
 (a) 8,000 (b) 7,000  
 (c) 6,000 (d) 5,000✓
29. The breakeven volume (dollars) for trinkets would be.  
 (a) \$8,000✓ (b) \$7,000  
 (c) \$6,000 (d) \$5,000
30. Assuming that consumers purchase composite units for four baubles and three trinkets, the composite unit contribution margin would be.  
 (a) \$4.40✓ (b) \$4.00  
 (c) \$1.33 (d) \$1.10
31. If consumers purchase composite units of four baubles and three trinkets, the break even output for the two products would be.  
 (a) 6,909 baubles; 6,909 trinkets  
 (b) 6,909 baubles; 5,182 trinkets✓  
 (c) 5,000 baubles; 8,000 trinkets  
 (d) 5,000 baubles; 6,000 trinkets
32. If baubles and trinkets become one-to-one complements and there is not change in the Dooley Co.'s cost function, the breakeven volume would be  
 (a) \$22,500 (b) \$15,750  
 (c) \$13,300✓ (d) \$10,858

### (M)

1. Which of the following projects does not involves a capital budgeting decision?  
 (a) A proposal to purchase a computer system

(b) A proposal for a 5-years research and development by a car manufacturer to develop an engine that would get 100 miles per gallon

(c) A proposal to replace a 2-year-old company car with a new car

(d) A proposal by a retail food store to increase the number of cans of a particular tomato paste held in inventory✓

2. Survey studies have found that the most important and most difficult stage of the capital budgeting process is:

(a) Project definition and cash flow estimation✓

(b) Project evaluation and selection

(c) Project performance review

(d) None of the above

3. Which of the following statements is incorrect?

(a) An objective systematic analytical frame work is needed to guide management in making capital budgeting decisions.

(b) Some capital expenditures are accepted as needed in the normal course of business operations

(c) The replacement of one typewriter with another is an example of a strategic capital budgeting decision✓

(d) A project must be carefully defined so that its expected benefits and costs are not dependent upon whether another project is accepted

4. A proposed project to build a 20,000 square-foot office facility in Doylestown, Pa. and which of the following projects would be mutually exclusive?

(a) Purchase a tailor-made software package for \$50,000 for the accounting department

(b) Purchase a machine to replace one of the firm's existing machines

(c) Purchase four new cars for the sales force

(d) Build an 18,000 square foot office facility in Doylestown, Pa.✓



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- (a) direct material/cost unit ✓  
 (b) direct material/production overheads  
 (c) indirect material/cost unit  
 (d) prime cost/production overhead.
4. A firm uses direct labour as a basis for overhead absorption. If large fluctuations in labour hours are experienced:  
 (a) this is a reason to use predetermined overhead rate ✓  
 (b) this will mean that overheads will be under or over absorbed for the year  
 (c) different amounts of overhead will be charged to jobs with the same labour hours  
 (d) it will be better to use a machine hour rate.
5. A predetermined overhead rate using machine hours as a basis:  
 (a) is calculated by dividing actual overheads by budgeted machine hours.  
 (b) results in the over absorption of overhead  
 (c) is inferior to a rate based on labour hours  
 (d) results in charging similar overheads to jobs with similar machine hours ✓
6. A firm recovers overheads on labour hours which were budgeted at 3500 with overheads of £43,750 Actual results were 3620 hours with overheads of £44,535.  
 (a) Overheads were underabsorbed by £785  
 (b) Overheads were overabsorbed by £715 ✓  
 (c) Overheads were overabsorbed by £1,500  
 (d) Overheads were underabsorbed by £715
7. The costing associated with a typical site based contract:  
 (a) means that more costs can be identified as direct  
 (b) requires some estimate to be made of interim profits  
 (c) means that the contract account will be credited with materials at the end of the contract  
 (d) includes all of these. ✓
8. 'Using process costing the amount of cost transferred to Finished Goods stock is the cost of:  
 (a) the equivalent production for the period  
 (b) the units started and completed during the period  
 (c) the units completed during the period ✓  
 (d) the units in the opening Finished Goods stock
9. Double loop feedback:  
 (a) is information designed to ensure that operations conform to plans  
 (b) is designed to assess how well the control system operates and how relevant current plans are ✓  
 (c) is information passed up two layers of the organisation  
 (d) is information that is double checked for accuracy.
- The following data relate to questions 10 to 13. A firm makes a single product and data for a period are: No opening stock Sales 65,000 units & £60 each Production 73,500 units Variable costs £23 per unit Total fixed costs for period £1.3m Fixed overheads are recovered on a unit basis and the average production level is 70,000 units.
10. Using marginal costing the profit for the period is: (to nearest £'000)  
 (a) £2,445,000 (b) £1,293,000 ✓  
 (c) £1,145,000 ✓ (d) £1,295,000
11. Using absorption costing the profit for the period is?  
 (a) £2,445,000 (b) £1,293,000 ✓  
 (c) £1,145,000 (d) £1,295,000
12. Using marginal costing the closing stock valuation is?  
 (a) £353,357 (b) £80,500  
 (c) £345,840 (d) £195,500 ✓
13. Using absorption costing the closing valuation is?  
 (a) £353,357 ✓ (b) £80,500  
 (c) £345,840 (d) £195,500
14. In the accounting for Standard Costing, the costs recorded in the Factory Overhead account:

- (a) must be at Standard
- (b) may be at Actual or Standard
- (c) must be at actual ✓
- (d) depend on whether there is over or under recovery

The following data are to be used for questions and A process produces three products R, S and T. Total joint costs were £17,000 and outputs and selling prices were:

- R 250 kgs sold at £22 per kg
- S 550 kgs sold at £19 per kg
- T 450 kgs sold at £25 per kg

15. Apportioning the joint costs on the physical unit basis gives:
- (a) R = £4,250 S = £9,350 T = £7,650 ✓
  - (b) R = £3,438 S = £3,631 T = £7,031
  - (c) R = £6,667 S = £5,667 T = £5,666
  - (d) R = £5,667 S = £4,894 T = £6,439
16. Apportioning the joint costs on the sales value basis gives:
- (a) R = £4,250 S = £9,350 T = £7,650
  - (b) R = £3,438 S = £6,531 T = £7,031 ✓
  - (c) R = £5,667 S = £5,667 T = £5,666
  - (d) R = £5,667 S = £4,894 T = £6,439

The following data are the basis of questions 17 and 18.

Process 2 for period

	Units
Opening WIP 1,800	(80% complete)
Started in process	16,000
Completed	15,000
Closing WIP 2,800	(60% complete)

17. Using the FIFO method the equivalent production is:
- (a) 15,240 ✓
  - (b) 15,760
  - (c) 16,680
  - (d) 15,000
18. Using the Average cost method the equivalent production is:
- (a) 15,240
  - (b) 15,760
  - (c) 16,680 ✓
  - (d) 15,000
19. Using the high/low method what is the value of the slope based on the following data?
- (a) £1 per unit
  - (b) £2.11 per unit
  - (c) £2.51 per unit
  - (d) £1.54 per unit ✓
20. In the regression result,  $y = £280 + £2.6$

- (a) £2.6 in an estimate of the fixed costs per unit
- (b) x is the dependent variable
- (c) y is the dependant variable ✓
- (d) there are two independent variables.

21. Given that  $Jy = 694$ ,  $Z = 72$ .  $Xxy = 8210$  and  $Ex$
- (a)  $y = £16.22 + 7.60$  ✓
  - (b)  $y = £72 + 9x$
  - (c)  $y = £76 + 1.622$
  - (d) none of the above.
22. The distance A represents:
- (a) contribution at activity level X ✓
  - (b) profit at activity level X
  - (c) the amount of variable costs at activity level X
  - (d) the margin of safety.
23. The distance B represents
- (a) contribution at activity level Y
  - (b) the amount of variable costs at activity level Y
  - (c) the level of sales at activity Y
  - (d) the amount of variable costs at activity level Y ✓
24. Which of the following are possible causes of the changes in the graph at activity level Z?
- (a) an increase in sales value causing an increase in contribution
  - (b) a decrease in fixed costs causing an increase in variable costs
  - (c) an increase in total fixed costs and a decrease in variable costs per unit ✓
  - (d) an increase in total variable costs and a decrease in fixed costs per unit.
25. What do the lines C and D represent?
- (a) Fixed costs and variable costs respectively
  - (b) Total costs and variable costs respectively ✓
  - (c) Variable cost and fixed costs respectively
  - (d) Sales revenue and total costs respectively

The following data are to be used for questions 26 to 28.

	Last year	This year
Output (units)	15,000	17,000





# Audit

## (A)

- Auditing refers to
  - preparation and checking of accounts.
  - examination of accounts of business units only.
  - examination of accounts by professional accountants. ✓
  - checking of vouchers.
- Main object of auditing is
  - detection of errors.
  - to find out whether P & L A/c and B/S show true and fair state of affairs.
  - detection of frauds. ✓
  - detection and prevention of frauds and errors.
- Auditing is luxury for a
  - joint stock company.
  - partnership firm.
  - small shop-keeper. ✓
  - government company.
- Limitation of audit is
  - that it does not reveal complete picture.
  - that it does not guarantee accuracy of accounts.
  - that auditor may be biased.
  - all of the above. ✓
- Auditor, in general, is an
  - employee of the company.
  - agent of the company.
  - agent of the shareholders. ✓
  - none of the above.
- Auditing is compulsory for
  - small-scale business enterprises.
  - all partnership firms.
  - all joint stock companies. ✓
  - all proprietary concerns.
- Propriety audit refers to
  - verification of accounts.
  - examination of accounts of proprietary concerns.
  - enquiry against justification and necessity of expenses. ✓
  - audit of Government companies.
- Propriety audit is normally undertaken in case of
  - joint stock company.
  - government company.
  - statutory corporation.
  - government departments. ✓
- Test checking should not be applied to.
  - Purchase Book.
  - Sales Book.
  - Stock Book.
  - Cash Book. ✓
- Special Audit is necessary for
  - manufacturing concern.
  - processing concern.
  - inefficient concern. ✓
  - trading concern.
- Cost of removal of business to a more convenient place is a
  - capital expenditure.
  - revenue expenditure.
  - deferred revenue expenditure. ✓
  - none of the above.
- Expenses on experiments are
  - revenue expenses.
  - capital expenses.
  - deferred revenue expenses. ✓
  - none of the above.
- Interim audit refers to
  - examination of accounts continuously.
  - examination of accounts intermittently.
  - audit work to find out and check interim profits of a company. ✓
  - carrying on audit for bonus purposes at the end of year.
- Final audit implies
  - audit of accounts at the end of year.
  - finally checking of accounts to reveal frauds.
  - audit for submitting report immediately at the end of year.
  - audit of banking companies.
- A continuous audit is specially needed for
  - any trading concern.
  - smaller concerns.
  - banking companies. ✓
  - any manufacturing concern.
- Alteration of a figures after audit is a limitation of
  - final audit.
  - continuous audit. ✓

- (c) interim audit.  
(d) none of the above.
17. Joint audit implies  
(a) audit of two concerns together.  
(b) audit of joint stock companies.  
(c) audit of joint sector companies.  
(d) audit of two firms of C. A. ✓
18. Management audit means.  
(a) audit undertaken on behalf of the management.  
(b) evaluating performance of various management processes and functions. ✓  
(c) audit undertaken on behalf of Government publish management.  
(d) compulsory audit of company management.
19. Systems audit implies.  
(a) systematic examination of accounts.  
(b) audit undertaken to improve auditing systems.  
(c) enquiring accounting and control systems. ✓  
(d) checking the performance of management.
20. Internal audit means  
(a) audit undertaken to ascertain truth and fairness of state of affairs.  
(b) audit undertaken internally to evaluate management functions.  
(c) audit undertaken by employees of the organisation to check financial irregularities. ✓  
(d) audit by independent auditor to improve internal affairs.
21. Internal audit is  
(a) compulsory for a company with paid-up capital of Rs. 25 Lakh and above.  
(b) voluntary for a company. ✓  
(c) not necessary for a company.  
(d) necessary for a company.
22. Institute of Chartered Accountants of Pakistan was established in.  
(a) 1956. (b) 1949.  
(c) 1956. (d) 1961. ✓
23. The audit is an examination of  
(a) Balance sheet.  
(b) Profit and loss account.  
(c) Balance sheet and profit & loss account. ✓  
(d) None of the above.
24. The audit of accounts of a company shall be  
(a) Independent ✓  
(b) Comprehensive.  
(c) Moral.  
(d) All above.
25. Primary objective of carrying audit is to  
(a) Impose moral checks on employees.  
(b) Submit report to share holders.  
(c) Express an opinion of on financial statements. ✓  
(d) All above.
26. The audit shall be organized in such a manner to cover  
(a) Capital expenditure and receipts.  
(b) Revenue expenditure and receipts.  
(c) All aspects. ✓  
(d) None of the above.
27. The audit which is conducted after the close of financial year is called.  
(a) Continuous audit.  
(b) Final Audit. ✓  
(c) Preparation and examination of the accounts.  
(d) None of the above
28. Auditor is responsible for  
(a) Preparation of the accounts.  
(b) Expression of an opinion. ✓  
(c) Preparation and examination of the accounts.  
(d) None of the above.
29. Examine of books of accounts is known as examination  
(a) Accounting. (b) Auditing. ✓  
(c) Investigation. (d) Book Keeping.
30. Continuous audit is compulsory for a  
(a) Private Limited company.  
(b) Public Limited Company (listed) ✓  
(c) Public Limited Company (unlisted) ✓  
(d) None of the above. ✓
31. The classes of audit are  
(a) Final audit. (b) Continuous audit.  
(c) Interim audit, (d) All of the above. ✓
32. The main objective of an audit is to  
(a) Examine the books of accounts.

- (b) Form an opinion on the financial statement. ✓  
(c) Report to the shareholder.  
(d) Investigate the books of accounts.
33. Which of the following statements correctly describes the principal purpose of the external audit of an enterprise within Pakistan?  
(a) To communicate weaknesses of Internal Control system.  
(b) To assist management in the preparation of the enterprise's periodic financial statements.  
(c) To examine and express an opinion on the enterprise's periodic financial statements. ✓  
(d) To assist management in the maintenance of the enterprise's accounting records.
34. To which one of the following does the auditor formally report when conducting his annual audit in accordance with the Companies Ordinance, 1984?  
(a) The directors.  
(b) Regulatory bodies.  
(c) The shareholders/members. ✓  
(d) The secretary.
35. Interim audit lies between :  
(a) Final audit & continuous audit. ✓  
(b) Between statutory audit & continuous audit.  
(c) Both.  
(d) None of the above.
36. Depth tests are also called:  
(a) Substantive test.  
(b) Compliance test.  
(c) Cradle to grave test. ✓  
(d) None of the above.
37. Objectives of depth test are  
(a) To test the accuracy of the record of the client's accounting system.  
(b) To perform compliance test.  
(c) To provide evidence of a substantive nature.  
(d) All of the above. ✓
38. Audit starts where  
(a) Accountancy's work ends. ✓  
(b) Book keeping ends.  
(c) None of the above.  
(d) All of the above.
39. A final audit is also called  
(a) Interim audit.  
(b) Complete audit. ✓  
(c) Statutory audit  
(d) None of the above.
40. A final audit is started  
(a) After the close of the accounting year. ✓  
(b) After the close of the book keeping work  
(c) Both.  
(d) None of the above.
- (B)**
1. Internal check refers to  
(a) Checking of record by the cashier.  
(b) Checking of accounts by the internal auditor.  
(c) Checking of work of one person by another automatically. ✓  
(d) Management control internally over subordinates.
2. The object of internal check is to  
(a) Control wastages of resources.  
(b) Prevent errors and frauds. ✓  
(c) Verify the cash receipts and payments.  
(d) Facilitate quick decision by the management.
3. Effective Internal check system reduces.  
(a) The liability of auditor.  
(b) Work of auditor. ✓  
(c) Both work as well as liability of auditor.  
(d) Responsibilities of an auditor.
4. Internal check is a part of  
(a) Internal audit.  
(b) Internal accounting.  
(c) External audit.  
(d) Internal control. ✓
5. Internal check is carried on by  
(a) Special staff.  
(b) Internal auditor.  
(c) Accountant.  
(d) None of the above. ✓
6. Internal check is suitable for  
(a) Larger concerns. ✓  
(b) Smaller concerns.  
(c) Petty shop-keepers.

- (d) None of the above.
7. Internal check involves.
- (a) Reduction of work of cashier.
  - (b) Division of responsibilities of members of staff. ✓
  - (c) Verification of inventory.
  - (d) Collusion among the members of staff.
8. Internal audit is undertaken.
- (a) By independent auditor.
  - (b) Statutorily appointed auditor.
  - (c) By a person appointed by the management. ✓
  - (d) By a Government auditor.
9. Internal auditor is appointed by the
- (a) Management. ✓
  - (b) Shareholders.
  - (c) Government.
  - (d) None of the above.
10. The scope of work of internal audit is decided by the
- (a) Shareholders.
  - (b) Management. ✓
  - (c) Government.
  - (d) Law.
11. The scope of work of statutory audit for a company is decided by the
- (a) Shareholders. (b) Management.
  - (c) Government. (d) Law. ✓
12. The object of internal audit is
- (a) To prevent errors and fraud.
  - (b) To detect errors and frauds.
  - (c) To improve financial control.
  - (d) All of the above. ✓
13. Internal auditor can be removed by the
- (a) Government.
  - (b) Shareholders.
  - (c) Management. ✓
  - (d) None of the above.
14. Control and management of audit profession is in the hands of
- (a) Government.
  - (b) Regulatory bodies.
  - (c) Institute of Chartered Accountants of Pakistan. ✓
  - (d) Institute of Cost and Management Accountants of Pakistan.
15. Internal check is carried on by
- (a) Staff specially appointed for the purpose.
  - (b) Internal auditor.
  - (c) The members of the staff among themselves. ✓
  - (d) Supervisor of the staff.
16. Internal check is essential for
- (a) Petty traders.
  - (b) Cash transactions in a large concern. ✓
  - (c) A concern using automatic equipments.
  - (d) None of the above.
17. The risk that material errors may occur in the preparation of financial statements is known as :
- (a) Audit risk. (b) Control risk.
  - (c) Inherent risk. (d) Detection risk.
18. The auditor's main objective in making a preliminary evaluation of internal control is to :
- (a) Assess whether the management has met its responsibility to establish an effective system.
  - (b) Determine the degree of reliance which will be placed on the internal controls. ✓
  - (c) Identify those internal controls on which he may wish to place reliance.
  - (d) Identify any weakness in the system which should be reported to the management.
19. The nature, timing and extent of substantive procedures are influenced by the level of:
- (a) Inherent risk.
  - (b) Control risk.
  - (c) Both((a)&((b)). ✓
  - (d) None of above.
20. Internal control system includes.
- (a) Financial controls.
  - (b) Administrative controls.
  - (c) Both. ✓
  - (d) None of the above.
21. The auditor of public company will be
- (a) Cost and management accountant.
  - (b) Chartered Accountant. ✓
  - (c) Any individual.
  - (d) All of the above.
22. To become an internal auditor person must be
- (a) A Chartered Accountant.

- (b) A cost and management accountant.  
 (c) M-Com.  
 (d) No qualification is required. ✓
23. Internal auditor is responsible to report.  
 (a) Shareholders.  
 (b) Creditors.  
 (c) Management. ✓  
 (d) (a) & (b).
24. An Audit technique reviewing the internal control system is known as  
 (a) Verification.  
 (b) Substantive test.  
 (c) Compliance test. ✓  
 (d) Physical check.
25. A simple control which an enterprise can usefully employ is referred to as the 'imprest system'. To which of the following accounting areas is this control applicable?  
 (a) Wages control and reconciliation.  
 (b) Petty cash control and reimbursement. ✓  
 (c) Debtor control.  
 (d) Stock control.
26. Substantive tests are designed to obtain evidence as to  
 (a) The effectiveness of the design of the accounting and internal control system.  
 (b) Completeness, accuracy and validity of data produced by accounting system. ✓  
 (c) Both.  
 (d) None of the above.
27. Test of control are performed to obtain evidence as to  
 (a) The effectiveness of the design of the accounting and internal control system. ✓  
 (b) Completeness accuracy and validity of data produced by accounting system.  
 (c) Both.  
 (d) None of the above.
28. Another name of test of control is  
 (a) Compliance test. ✓  
 (b) Substantive test.  
 (c) Walk through test.  
 (d) None of the above.
- (C)**
1. Vouching implies  
 (a) Inspection of receipts.  
 (b) Examination of vouchers to check authenticity of records ✓  
 (c) Surprise checking of accounting records.  
 (d) Examining the various assets.
2. Payment for good purchased should be vouched with the help of  
 (a) Creditor's Statement.  
 (b) Correspondence with the suppliers.  
 (c) Cash Memos. ✓  
 (d) Ledger Accounts.
3. Payment for wages should be vouched with the help of  
 (a) Piece Work Statement.  
 (b) Wages Sheets. ✓  
 (c) Minute Book.  
 (d) Bank Pass Book.
4. Commission paid should be vouched with the help of  
 (a) Salary Book  
 (b) Wages Sheets.  
 (c) Creditors' Statement.  
 (d) Commission Book and related agreements. ✓
5. The most reliable voucher is one which originates  
 (a) In the concern.  
 (b) Outside the concern.  
 (c) Outside the concern and sent directly to the auditor. ✓  
 (d) In the concern and sent directly to the auditor.
6. Sales proceeds from machine should be vouched with the help of  
 (a) Cash Books.  
 (b) Sale Contract. ✓  
 (c) Brokers's Statement.  
 (d) None of the above.
7. Payment for building purchased should be vouched with the help of  
 (a) Title Deed. ✓  
 (b) Correspondence with the brokers.  
 (c) Building Account.  
 (d) Cash Book.
8. Partner's drawings should be vouched with the help of  
 (a) Stock Book.  
 (b) Cash Book.

- (c) Memorandum Drawings Book. ✓  
 (d) Agreement Deed.
9. Investment should be vouched with the help of  
 (a) Commission Book.  
 (b) Broker's Book. ✓  
 (c) Sales Deeds.  
 (d) Minute Book.
10. Receipts from debtors should be vouched with the help of  
 (a) Counterfoil Receipts and Cash Book. ✓  
 (b) Supplier's Statement.  
 (c) Sales Deeds.  
 (d) General Ledger.
11. Dividend received should be vouched with the help of  
 (a) Debtors Statement.  
 (b) General Ledger.  
 (c) Dividends Book.  
 (d) Counterfoils of dividend warrants. ✓
12. Receipts from sale of investment should be vouched with the help of  
 (a) Broker's Budget Notes.  
 (b) Broker's Sold Notes. ✓  
 (c) Minute Book.  
 (d) Inventory of investment.
13. Purchase Returns should be vouched with the help of  
 (a) Bought Notes.  
 (b) Credit Notes. ✓  
 (c) Goods Inwards Book.  
 (d) Cash Book.
14. Payment for bills should be vouched with the help of  
 (a) Debtor's Statement.  
 (b) Creditor's Statement.  
 (c) Bills Returned. ✓  
 (d) Bills with the suppliers.
- (D)**
1. Verification refers to  
 (a) Examination of journal and ledger.  
 (b) Examination of vouchers related to assets.  
 (c) Examining the physical existence and valuation of assets. ✓  
 (d) Calculation of value of assets.
2. Object of verification is  
 (a) Physical verification of assets.  
 (b) Checking value of assets.  
 (c) Examining the authority of their acquisition.  
 (d) All of the above. ✓
3. Which of the following statements is correct?  
 (a) Valuation is a part of verification. ✓  
 (b) Verification is a part of valuation.  
 (c) Valuation has nothing to do with verification.  
 (d) Auditor is a valuer.
4. Stock should be valued at  
 (a) Cost.  
 (b) Market Price.  
 (c) Cost or Market price whichever is lower. ✓  
 (d) Cost less depreciation.
5. Valuation means  
 (a) Calculating value of assets. ✓  
 (b) Checking the value of assets.  
 (c) Checking the physical existence of assets.  
 (d) Examining the authenticity of assets.
6. "Auditor is not a valuer" was stated in  
 (a) Kingston Cotton Mills Case. ✓  
 (b) London and General Bank case.  
 (c) Les V. Neuchatel Co. Ltd. Case.  
 (d) London Oil Storage Co. Case.
7. Fixed assets are valued at  
 (a) Cost.  
 (b) Market Price.  
 (c) Cost or market price whichever is less.  
 (d) Cost less depreciation. ✓
8. Plantation products are valued at  
 (a) Cost.  
 (b) Market Price.  
 (c) Cost or market price whichever is lower.  
 (d) Net amount subsequently realised. ✓
9. Incomplete contracts should be valued on the basis of  
 (a) Net profit of the period.  
 (b) Two-third of net profit of the period.  
 (c) Two-third of estimated profit of the period. ✓  
 (d) None of the above.
10. Motor Cars should be valued on the basis of  
 (a) Cost.  
 (b) Market Price.  
 (c) Cost or Market price whichever is lower.

- (d) Depreciated value. ✓
11. Floating assets are valued at  
(a) Cost.  
(b) Market Price.  
(c) Cost or market price whichever is lower. ✓  
(d) Cost less depreciation.
12. Livestock should be valued with the help of  
(a) Actual counting.  
(b) Cost.  
(c) Market value.  
(d) Schedule of livestock. ✓
13. Timber should be valued at  
(a) Cost.  
(b) Market Price.  
(c) Cost or market price whichever is lower.  
(d) Original cost plus maintenance cost. ✓
14. Wine should be valued at  
(a) Cost.  
(b) Above Cost. ✓  
(c) Market Value.  
(d) Cost or market value whichever is lower.
15. Goods on consignment should be valued at  
(a) Cost.  
(b) Market Price.  
(c) Cost or market price whichever is lower.  
(d) Original cost plus maintenance cost. ✓
16. Goods sold on the basis of "Sales or return" should.  
(a) Be included in the stock. ✓  
(b) Not be included in the stock.  
(c) Not be checked by auditor.  
(d) None of the above.
17. Contingent liability for bills discounted should be verified by  
(a) Balance sheet.  
(b) Note by management.  
(c) Bills receivables book. ✓  
(d) None of the above.
18. Outstanding expenses should be verified with the help of  
(a) Cash Book.  
(b) Balance Sheet.  
(c) None of the above.  
(d) Journal Proper. ✓
19. Loose tools should be valued at  
(a) Cost.  
(b) Cost less depreciation.  
(c) Market Price  
(d) Original cost plus maintenance cost.
20. Loans given should be verified with the help of  
(a) Statement of Loans.  
(b) Schedule of book debts. ✓  
(c) Inspection of agreements.  
(d) Certificate from the bank.
21. Book Debts should be verified with the help of  
(a) Balance Sheet.  
(b) Amount received from Debtors.  
(c) Debtor's schedule. ✓  
(d) Certificate from the management.
22. To verify Goodwill, the auditor should check.  
(a) Sales Deed.  
(b) Purchase Agreement. ✓  
(c) Balance Sheet.  
(d) Certificate from the management
23. Investments in hand should be verified with the help of  
(a) Schedule of Investments.  
(b) Balance Sheet.  
(c) Inspection of Securities. ✓  
(d) Certificate from the bank.
24. Inspection of securities for verifying investment was emphasized in  
(a) London and General Bank case.  
(b) City Equitable Insurance Co. Ltd. case. ✓  
(c) Armitage V. Brewer and Knott.  
(d) Farrows Bank Ltd.
25. With regard to issue of share warrants to the bearers, the auditor should see that it is :  
(a) Permitted by Memorandum of Association. ✓  
(b) Sanctioned by the Central Government.  
(c) Permitted by the Board of Directors  
(d) None of the above.
26. For the forfeiture of shares, the auditor should check that it is permitted,  
(a) By Memorandum of Association.  
(b) By Articles of Association. ✓  
(c) Under Companies Ordinance 1984.  
(d) None of the above.



27. If balance confirmed by the debtor is in agreement with the book balance, it provides the audit evidence as to:
- Collectibility of balance.
  - Existence and accuracy of recorded balance. ✓
  - Absence of unrecorded balance.
  - None of the above.
28. The primary reason an auditor requests that letters of inquiry be sent to a client's lawyer is to provide the auditor with:
- A description and evaluation of litigation, claims, and assessments that existed at the date of the balance sheet.
  - An expert opinion as to whether a loss is possible probable, or remote.
  - The opportunity to examine the documentation concerning litigation, claims and assessments.
  - Corroboration of the information furnished by management concerning litigation, claims and assessments. ✓
34. Another name of teeming & lading is.
- Substantive test.
  - Compliance test.
  - Lapping. ✓
  - All of the above.
- (E)**
- First auditor of a company is appointed by the
    - Shareholder.
    - Central Government.
    - Corporate Law Authority.
    - Board of Directors. ✓
  - Which of the following persons is qualified to be a company auditor?
    - Chartered Accountant. ✓
    - An employee of the company.
    - A body corporate.
    - A person who is indebted to the company for Rs.800.
  - Which of the following persons is not qualified to be a company auditor?
    - A body corporate.
    - An employee of the company. ✓
    - A person who is indebted to the company for an amount exceeding Rs. 100.
    - All of the above. ✓
  - The following cannot be appointed as an auditor of the company.
    - A chartered accountant
    - A firm of C. A
    - A body corporate
    - None of the above. ✓
  - The first auditor of company will hold office.
    - For a period of one year.
    - Till holding of statutory meeting.
    - Till the conclusion of first annual general meeting. ✓
    - Till a new auditor is appointed.
  - Normally, a company auditor is appointed by the
    - Central Government.
    - Shareholders. ✓
    - Board of Directors.
    - Corporate Law Authority.
  - An auditor in a casual vacancy is appointed by the
    - Board of Directors. ✓
    - Shareholders.
    - Central Government.
    - Corporate Law Authority.
  - If an auditor, not appointed at annual general meeting, is appointed by the
    - The Central Government.
    - Board of Directors.
    - Shareholders.
    - Corporate Law Authority. ✓
  - A vacancy caused by resignation of the auditor is filled only.
    - By Board of Directors. ✓
    - At the general meeting of shareholders.
    - By the Central Government.
    - By the Corporate Law Authority.
  - A Special Auditor is appointed by the
    - Shareholders.
    - Board of Directors.
    - Central Government. ✓
    - None of the above.
  - A company auditor can be removed before expiry of his term by
    - Shareholders. ✓
    - Board of Directors.
    - Central Government.

- (d) State Government.
12. The first auditors of a company shall be appointed.
- Within Sixty days of the date of incorporation. ✓
  - Within Sixty days of commencement of business.
  - During first annual general meeting.
  - None of the above.
13. A notice for appointment as auditor of a person other than a retiring auditor shall be given
- At least 14 days before the retirement of previous auditor.
  - Not less than 14 days before the meeting of Board of Directors.
  - Not less than 14 days before the AGM. ✓
  - None of the above.
14. Auditor is appointed by
- Chief Executive of the company.
  - Finance Manager of the company.
  - Any individual.
  - None of the above. ✓
15. First auditor is appointed by
- Chief Executive of the company.
  - Finance Manager of the company.
  - Shareholders of the company.
  - None of the above. ✓
16. Following can be appointed as an auditor of a public company.
- Director of the company.
  - Body Corporate.
  - Chartered Accountant. ✓
  - ((a) and ((b)).
- (F)**
1. Remuneration of a company auditor is fixed by the
- Shareholders.
  - Board of Directors.
  - Central Government.
  - Appointing Authority. ✓
2. A company auditor, in general, has to submit his report to
- Shareholders. ✓
  - Central Government.
  - Corporate Law Authority.
  - Board of Directors.
3. A special auditor has to submit his report to the
- Shareholders.
  - Central Government. ✓
  - Corporate Law Authority.
  - Board of Directors.
4. Internal auditor has to submit report to
- Shareholders.
  - Government.
  - Corporate Law Authority.
  - None of the above. ✓
5. Auditor should be dutiful like a
- A watch dog. ✓
  - A blood hound.
  - A detective.
  - An insurer.
6. An audit report is addressed to
- Chairman of the Board of Directors.
  - Chief Executive of the Company.
  - Board of Directors.
  - Members. ✓
7. The date of the auditor's report should be
- The date immediately after completion of examination.
  - After approval of financial statements by the Board of Directors. ✓
  - After approval of accounts by the shareholders.
  - None of the above.
8. If detection risk cannot be reduced to an acceptable level, auditor should
- Quality or disclaim his opinion. ✓
  - Withdraw from the engagement.
  - Do either ((a) or ((b)).
  - None of the above.
9. Auditor's report is signed by
- One Director.
  - Two Directors.
  - Directors and Chief Executive.
  - None of the above. ✓
10. Where the auditor qualifies his audit report on the grounds of uncertainty as to the appropriateness of the going concern assumption he should, as far as possible, identify the nature of the adjustments that may have to be made to the financial statements. Which of the following is unlikely to be a consideration arising in the

- context of financial statements redrafted on a break up basis?
- Recoverability of assets.
  - Reclassification of liabilities.
  - Possibility of additional assets. ✓
  - Possibility of additional liabilities.
11. The auditor of Shabbir Limited completed his audit work, including his review of post balance sheet events, in respect of the financial statements for the year ended 30 September 19X0 on 1 February 19X1. The directors approved the financial statements on 7 February 19X1 and the audit report was signed and dated the same day. Which of the following is the most preferable date for the directors to sign the letter of representation requested by the auditor?
- 1 February 19X1
  - 6 February 19X1.
  - 7 February 19X1. ✓
  - February 19X1.
12. Which of the following terms represents the form of qualification arising from limitation of scope which the auditor considers to be of fundamental importance?
- Disclaimer of opinion. ✓
  - Unqualified opinion.
  - 'Except for' opinion.
  - 'Subject to' opinion.
13. Which of the following is explicitly stated in, rather than implied by, an unqualified audit report on the accounts of a limited company?
- Working papers are maintained on which an opinion is based.
  - information given in the directors' report is consistent with the financial statements.
  - The financial statements have been properly prepared in accordance with the Companies Ordinance 1984. ✓
  - Proper and in-time returns have been received from the branches.
14. Which of the following is not a necessary component of the audit report for a limited company?
- The identify of the auditor.
  - A statement specifying that the auditor has complied with International Standards on Auditing. ✓
  - Terms of engagement.
  - Identification of the financial statements audited.
- (G)**
- When annual general meeting of a listed company is held
    - The auditor is entitled to attend.
    - The auditor must attend the AGM in person.
    - The auditor or some other person authorised by him, in writing, must attend the AGM. ✓
  - During the course of audit, an auditor finds that fictitious sales have been undertaken to inflate profits. Whether he should.
    - Ignore it.
    - Allow it.
    - Qualify his report for it. ✓
    - None of the above.
  - During the course of a company audit, an auditor finds that its machinery has been shown at Rs. 40,000 after charging depreciation, though its market value is only Rs. 20,000. Whether he should.
    - Ignore it.
    - Allow it. ✓
    - Not allow it.
    - Qualify his report.
  - During a company audit, the management argues with the auditor, that machinery has been very well maintained and is as good as new. Hence there is no need for charging depreciation on it. Whether the auditor should.
    - Accept it. (b) Ignore it.
    - Reject it. ✓ (d) None of the above.
  - If there is a capital loss, the auditor should.
    - Not allow payment of dividends.
    - Allow payment of dividends. ✓
    - Allow payment of dividends after making such losses good.
    - None of the above.
  - A bank can declare dividends.
    - Without making capital losses goods.

- (b) After making capital losses goods. ✓  
(c) None of the above.
7. A company auditor should see that the dividend should be paid.  
(a) After charging depreciation. ✓  
(b) Without charging depreciation.  
(c) Out of capital.  
(d) None of the above.
8. Auditor should see that if past revenue losses exist, current profits.  
(a) May be used for payment of dividends.  
(b) May not be used for payment of dividends. ✓  
(c) Postpone payment of dividends.  
(d) None of the above.
9. Profits prior to incorporation of company.  
(a) Can be paid as dividends.  
(b) Cannot be paid as dividends. ✓  
(c) Can be used for revenue expenses.  
(d) None of the above.
10. If profits are overstated due to revenue expenses being charged to capital, it will amount to payment of dividend.  
(a) Out of capital. ✓  
(b) Out of capital profits.  
(c) Out of revenue profits.  
(d) None of the above.
11. Which of the following statements is correct?  
(a) Dividend can be paid out of sale proceeds of fixed assets.  
(b) Dividend can never be paid out of capital. ✓  
(c) Dividend cannot be paid out of accumulated reserves.  
(d) Dividend can be paid without charging depreciation.
12. In his report, the auditor gives his.  
(a) Judgment.  
(b) Opinion. ✓  
(c) Guarantee to correctness of accounts.  
(d) True state of affairs.
13. In his report, the company auditor states.  
(a) Correct state of affairs.  
(b) True state of affairs.  
(c) True and fair state of affairs. ✓  
(d) Fair state of affairs.
14. The company has earned profits on sale of its machinery and wants to pay dividend out of it. As auditor, you should.  
(a) Allow it.  
(b) Not allow it.  
(c) Allow it with certain conditions. ✓  
(d) None of the above.
15. There is a large accumulation of unclaimed dividend and the company directors want to pay dividend out of it. As auditor, you should.  
(a) Allow it.  
(b) Not allow it.  
(c) Allow it after it becomes time-barred. ✓  
(d) None of the above.
16. In the general meeting of company, shareholders want dividend @ 10% whereas directors recommended @  $7\frac{1}{2}\%$ . As an auditor would you.  
(a) Allow 10%.  
(b) Not allow 10%.  
(c) Allow only  $7\frac{1}{2}\%$ . ✓  
(d) None of the above.
17. A company has resorted to heavy sale of stock with a view to pay dividends to shareholders. As an auditor, your should.  
(a) Justify it. (b) Not justify it.  
(c) Ignore it. ✓ (d) Report it.
18. A company has earned profits and declared dividends, but does not want to pay dividend due to shortage of cash. As auditor you should suggest, if asked, that.  
(a) Dividend should be paid.  
(b) Dividend need be paid.  
(c) Dividend must be paid within 42 days of declaration of dividends.  
(d) Dividend must be paid within 45 days. ✓
19. You find that company has given loan to its shareholders for purchasing of its shares. Would you, as auditor.  
(a) Allow it. (b) Not allow it. ✓  
(c) Ignore it. (d) None of the above.
20. Auditor finds that there is a change in the method of valuation of stock; whether he should.  
(a) Allow it.

- (b) Disallow it.  
(c) Allow it with a note to this effect. ✓  
(d) Ignore it.
21. In the annual general meeting of a company, the auditor is questioned as why he has signed the balance sheet when assets would not realise the value shown in it. Which of the following arguments given by auditor is correct?  
(a) Market value of assets has nothing to do with assets.  
(b) Market value of assets cannot be ascertained.  
(c) Assets are shown treating it as a going concern. ✓  
(d) None of the above.
22. The auditor finds that a company has paid interest out of capital. Whether he should.  
(a) Allow it. (b) Not allow it. ✓  
(c) Ignore it. (d) None of the above.
23. The auditor did not care to check adequacy of Provision for bad and Doubtful Debts. Whether he can be held.  
(a) Liable for it. ✓  
(b) Not liable for it.  
(c) Liable criminally for it.  
(d) None of the above.
24. The auditor resorted to test checking and with the result, he could not disclose certain frauds. Whether he can be held.  
(a) Liable for it. ✓  
(b) Not liable for it.  
(c) Liable criminally for it.  
(d) None of the above.
25. During the course of an audit, an auditor finds that no vouchers are available for certain payments. Whether he should  
(a) Seek proper explanation for it.  
(b) Demand vouchers for it. ✓  
(c) Ignore it.  
(d) Accept certificate for it.
26. Premium received on issue of shares, later forfeited, should be transferred to  
(a) Capital Reserve.  
(b) Shares Forfeited Account.  
(c) Capital Account.  
(d) None of the above. ✓
27. Profits on reissue of forfeited shares should be transferred to  
(a) Shares Forfeited Account. ✓  
(b) Capital Reserve Account.  
(c) Profit and Loss Account.  
(d) Profit and Loss Appropriation Account.
28. With regard to issue of share certificates, the auditor should refer to section.  
(a) 110. (b) 113. ✓  
(c) 114. (d) 74.
29. Increase in share capital is permitted by.  
(a) Memorandum of Association.  
(b) Articles of Association. ✓  
(c) Court.  
(d) Companies Ordinance 1984.
30. For sub-division of shares in smaller amount, the auditor should refer to  
(a) Court's sanction. ✓  
(b) Director's Minute Book.  
(c) Shareholders's Minute Book.  
(d) Companies Ordinance 1984.
31. Share capital can be increased by.  
(a) Increasing face value of shares.  
(b) Issuing shares at premium.  
(c) Issue of fresh shares. ✓  
(d) None of the above.
32. For reduction in share capital, the auditor should see that  
(a) It is permitted by Memorandum of Association.  
(b) It is permitted by Articles of Association.  
(c) There is prior sanction of Federal Government.  
(d) There is prior sanction by the court. ✓
33. Divisible profits should not include  
(a) Interest on capital.  
(b) Capital.  
(c) Depreciation.  
(d) None of the above. ✓
34. Dividends cannot be paid out of  
(a) Capital profits. ✓  
(b) Capital receipts.  
(c) Revenue receipts.  
(d) None of the above.
35. Issue of payment of dividend out of capital was raised in  
(a) Fisher V. Black White Publishing Co.

- (b) Lubbock V. The British Bank of S. America. ✓  
(c) Mckesson & Robbins case.  
(d) London & General Bank case.
36. Capital profits.  
(a) Can be paid by way of dividends.  
(b) Cannot be paid way of dividends.  
(c) Can be paid by way of dividend under certain conditions. ✓  
(d) None of the above.
37. Payments of dividend out of capital profit does not amount to  
(a) Payment of dividend out of capital.  
(b) Payment of dividend out of profits. ✓  
(c) Payment of dividend out of capital receipts.  
(d) None of the above.
38. Capital profits imply profits earned  
(a) Through business transactions.  
(b) From capital.  
(c) From sale of fixed assets. ✓  
(d) From sale of current assets.
39. While checking allotment of shares, the auditor should see that it is made within  
(a) 100 days of issue of prospectus.  
(b) 120 days of issue of prospectus.  
(c) 150 days of issue of prospectus.  
(d) None of the above. ✓
40. While checking allotments auditor should see that amount.  
(a) Equal to estimated fixed capital is received. ✓  
(b) Equal to estimated working capital is received.  
(c) Necessary for purchase of land and building has been received.  
(d) None of the above.
41. Auditor should see that the return of allotment has been sent to Registrar within.  
(a) 1 month. ✓ (b) 2 months.  
(c) 3 months. (d) 40 days.
42. Application money should not be with drawn unless.  
(a) Allotment is made.  
(b) Cash Book has been prepared.  
(c) Certificate to commence business obtained. ✓  
(d) Certificate of incorporation obtained.
43. Shares issued for consideration other cash should be vouched with the help of  
(a) Director's Minute Book.  
(b) Shareholder's Minute Book.  
(c) Contract with the Party concerned. ✓  
(d) Cash Book.
44. A company can issue Redeemable Preference Shares, if authorised by  
(a) Memorandum of Association.  
(b) Articles of Association. ✓  
(c) Companies Ordinance 1984.  
(d) None of the above.
45. Auditor should see that amount received for Premium on Issue of Shares should be shown in  
(a) Subscribed Capital.  
(b) Capital Reserve Fund.  
(c) Share Premium Account. ✓  
(d) Paid-up Capital Account.
46. Share Premium Account should be shown in the Balance Sheet under  
(a) Paid-up-Capital.  
(b) Subscribed Capital.  
(c) Reserves and Surplus. ✓  
(d) Reserved Capital.
47. Amount of share premium may be utilised for  
(a) Payment of dividend.  
(b) Writing off of preliminary expenses. ✓  
(c) Routine expenses.  
(d) Purchase of fixed assets.
48. Shares can be issued at discount under section.  
(a) 76. (b) 75.  
(c) 79. (d) 84. ✓
49. The contents of statutory report are governed by:  
(a) Sec. 157. ✓ (b) Sec. 160  
(c) Sec. 165. (d) Sec. 175
50. When auditor is not appointed within 120 days of incorporation of the company then he will be appointed by.  
(a) Directors.  
(b) Shareholders.  
(c) Corporate Law authority. ✓  
(d) None of the above.
51. Legal provision as to distribution of dividend are contained in.

- (a) Sec. 248 to 251. ✓  
 (b) Sec. 260 to 265.  
 (c) Sec. 270 to 272.  
 (d) All of the above.
52. Following section deals with the treatment of surplus arising out of revaluation of fixed assets.  
 (a) Sec. 231. (b) Sec. 235. ✓  
 (c) Sec. 240. (d) None of the above.
53. The auditor of private company will be  
 (a) Chartered Accountant.  
 (b) Cost & Management Accountant.  
 (c) Master of Commerce.  
 (d) No qualification is mentioned. ✓
54. Scope of audit of other than public company will be defined by.  
 (a) Statute.  
 (b) By management.  
 (c) By agreement between client and auditor ✓  
 (d) All of the above.
55. Company can issue shares at discount if it is permitted by.  
 (a) Memorandum of Association.  
 (b) Articles of Association. ✓  
 (c) Prospectus.  
 (d) Statement in lieu of prospectus.
- (H)**
1. Auditor is liable for  
 (a) Not verifying petty cash.  
 (b) Not determining stock.  
 (c) Not checking accounts properly.  
 (d) All of the above. ✓
2. An auditor is held criminally liable for  
 (a) Loss to his client.  
 (b) Neglect of his duty.  
 (c) Offences against statutory provisions. ✓  
 (d) Frauds.
3. If an auditor allows publication of annual reports knowing them to be materially false to deceive shareholders, he incurs.  
 (a) Contractual liability.  
 (b) Civil liability.  
 (c) Criminal liability. ✓  
 (d) None of the above.
4. An auditor can be held liable under C.A. Ord. 1961 for  
 (a) Negligence.  
 (b) Criminal offence.  
 (c) Professional misconduct. ✓  
 (d) Breach of contract.
5. If a company auditor gives false evidence intentionally, he can be held for  
 (a) Negligence.  
 (b) Misfeasance. ✓  
 (c) Breach of contract.  
 (d) Criminal Liability.
6. If a company auditor has misapplied money of a company, he may be held liable for  
 (a) Negligence.  
 (b) Misfeasance.  
 (c) Criminal Liability.  
 (d) Contractual liability. ✓
7. If an auditor is found guilty of falsification of company books, he will incur.  
 (a) Criminal liability. ✓  
 (b) Civil liability.  
 (c) Contractual liability.  
 (d) None of the above.
8. Civil liability of an auditor implies liability for  
 (a) Misappropriation of Cash.  
 (b) Misappropriation of goods.  
 (c) Fraud.  
 (d) Misfeasance. ✓
9. In which of the following cases, it was decided that "it is not the duty of an auditor to take stock"?  
 (a) London and General Bank case.  
 (b) London Oil Storage Company case.  
 (c) Kingston Cotton Mill case. ✓  
 (d) None of the above.
10. An auditor, working in honorary capacity, is  
 (a) Liable. ✓  
 (b) Not liable.  
 (c) Criminally liable.  
 (d) None of the above.
11. For misstatement in a company prospectus, the auditor incurs  
 (a) Civil liability. ✓  
 (b) Criminal liability.  
 (c) Contractual liability.

- (d) None of the above.
12. If an auditor fails to satisfy himself that the transactions are ultra virus the directors, he incurs.
- Criminal Liability.
  - Civil liability. ✓
  - Contractual liability.
  - None of the above.
13. A Chartered Accountant sent circular letters soliciting work. Can he be held liable.
- For misfeasance.
  - For negligence.
  - Criminally.
  - For professional misconduct. ✓
14. Duty of Auditor is to
- Form an opinion. ✓
  - Report.
  - Examine books of accounts.
  - Attend annual general meeting.
15. Auditors has right to
- Obtain information. ✓
  - Give information.
  - Prepare accounts.
  - None of the above.
16. With whom does the auditor of a limited company have a contractual relationship?
- The company.
  - The directors.
  - Chief Executive.
  - The Company and the shareholders. ✓
- (c) Appointment confirmation of auditor.  
(d) All of the above.
4. For planning auditor must have knowledge of clients business which can be obtained from
- Clients annual report.
  - Previous year working papers.
  - Trade journals and magazines.
  - All of the above. ✓
5. The International Standards on Auditing 4 'Planning', observes that adequate audit planning helps to ensure that attention is directed to critical aspects of the audit. What audit working paper will normally provide satisfactory evidence of this aspect of audit planning?
- Client's timetable for accounts preparation.
  - Systems flowcharts.
  - The planning memorandum. ✓
  - Points brought forward schedule.

**(J)**

- (I)
1. The auditor should plan to
- Conduct an effective audit. ✓
  - Disclose fraud.
  - Examine production/manufacturing techniques.
  - Issue unqualified report.
2. Audit plan is prepared
- Before the start of audit. ✓
  - During audit.
  - After audit.
  - At any time.
3. Audit programme is a written document which includes.
- Audit procedures to be carried out. ✓
  - Relevant accounting ratio.
1. Engagement letter is written by
- Director.
  - Auditors. ✓
  - Creditors.
  - Chief Executive.
2. Before the commencement of his audit work letter sent by the auditor is known as
- Management letter.
  - Representation letter.
  - Engagement letter. ✓
  - None of the above.
- (3) Which of the following assertions should be included in the engagement letter for a new private company client trading as an electrical wholesaler?
- The responsibility for the prevention and detection of irregularities and fraud rests with management.
  - The auditor's examination should not be relied upon to disclose irregularities and fraud which may exist.
  - The auditor has no responsibility to detect fraud and irregularities in the course of his work.



- 4) The auditor will endeavour to plan his work so as to have a reasonable expectation of detecting material misstatements resulting from irregularities or fraud.
- (a) Assertions 1, 2 and 4 only. ✓  
 (b) Assertion 2 & 3 Only.  
 (c) All the above.  
 (d) Assertions 1, 2 and 3 only.
4. Which of the following statements describes most accurately the principal purpose of the engagement letter in respect of a limited company audit assignment?
- (a) To define the extent of the auditor's responsibilities. ✓  
 (b) Arrangement regarding the planning for an audit.  
 (c) To establish the audit fee for the current year.  
 (d) To draw the attention of the directors to the range of services that the firm can offer.
5. Auditor sends engagement letter
- (a) Before commencement of audit. ✓  
 (b) During the course of the audit.  
 (c) At the end of the audit.  
 (d) All of the above.

**(K)**

1. Working papers are property of
- (a) Client.  
 (b) Registrar.  
 (c) Auditor ✓  
 (d) Corporate law authority.
2. Which one of the following working papers would normally be retained on the permanent file maintained for a limited company audit client?
- (a) Extracts of shareholders and management meetings.  
 (b) Entity policy regarding provident fund.  
 (c) Engagement letter.  
 (d) Copy of the Memorandum and Articles of Association. ✓
3. Which one of the following working papers would normally be retained on the current file maintained for a limited company audit client?

- (a) An organisation chart summarising management functions and the division of responsibilities within the company.  
 (b) Analysis of transactions & balances.  
 (c) A copy of the bank's response to the standard audit request letter. ✓  
 (d) A description of the business and its operations.

**(L)**

1. Misappropriation of goods may be checked by
- (a) Proper supervision over stock. ✓  
 (b) Checking of employees.  
 (c) Punishment of employees.  
 (d) None of the above.
2. Window dressing implies
- (a) Curtailment of expenses.  
 (b) Checking wastages.  
 (c) Under-valuation of assets.  
 (d) Over-valuation of assets. ✓
3. Falsification of accounts is undertaken by
- (a) Auditors.  
 (b) Clerks.  
 (c) Accountants.  
 (d) Responsible officials. ✓
4. Errors of omission are
- (a) Technical errors.  
 (b) Errors of principle.  
 (c) Compensating errors.  
 (d) None of the above. ✓
5. Valuation of assets on wrong basis is
- (a) Technical error  
 (b) Clerical error.  
 (c) Error of Principle. ✓  
 (d) Compensating error.
6. Test checking refers to
- (a) Testing of accounting records.  
 (b) Testing of honesty of employees.  
 (c) Intensive checking of a selected number of transactions. ✓  
 (d) Checking of all transactions recorded.
7. Which of the following procedures would be the most appropriate to identify the fraud of teeming and lading?
- (a) Reviewing aged-debtors' listings.  
 (b) Debtors' circularisation. ✓

- (c) Reviewing bank reconciliation.
- (d) Checking subsequent clearance of debtors.

8. Detection and prevention of errors and fraud is the responsibility
- (a) Auditor (External).
  - (b) Internal Auditor.
  - (c) Management. ✓
  - (d) None of the above.

### (M)

1. The date of representation letter is normally the date on which
  - (a) Audit is started.
  - (b) Accounts are approved by the Board of Directors.
  - (c) Audit report is signed by the auditors. ✓
  - (d) Audit field work is completed.
2. The letter issued by the auditor to his client describing the weakness in the system observed during his audit is referred to as
  - (a) Representation letter.
  - (b) Management letter. ✓
  - (c) Audit Engagement letter.
  - (d) None of the above.
3. The directors of Noshaba Limited have refused the auditor's request to sign a formal letter of representation covering various matters which were covered by oral representations obtained from company staff during the audit. Which of the following is not acceptable as an alternative form of evidence in respect of the matters on which representations were sought?
  - (a) The audit working papers contain a record of the oral representations. ✓
  - (b) The representations have been formally minuted by the directors.
  - (c) The auditor has prepared a statement of the representations which he has sent to the directors; the directors have confirmed in writing that the auditor's understanding of the representations is correct.
  - (d) The auditor has held a meeting with the directors at which a statement of representations prepared by himself is

discussed and agreed; the purpose and outcome of the meeting has been minuted.

### (N)

1. One reason why an auditor uses analytical procedures that focus on the client's operations is to identify.
  - (a) Improper separation of accounting and other financial duties.
  - (b) Weakness of material nature in the system of internal accounting control.
  - (c) Unusual transactions. ✓
  - (d) Noncompliance with prescribed control procedures.
2. An abnormal fluctuation in gross profit that might suggest the need for extended audit procedures for sales and inventories would most likely be identified in the planning phase of the audit by the use of:
  - (a) Tests of transactions and balances.
  - (b) A preliminary review of internal accounting control.
  - (c) Specialized audit programs.
  - (d) Analytical procedures. ✓
3. An example of an analytical procedure is the comparison of:
  - (a) Financial information with similar information regarding the industry in which the entity operates. ✓
  - (b) Recorded amounts of major disbursements with appropriate invoices.
  - (c) Results of a statistical sample the expected characteristics of the actual population.
  - (d) Generated data with similar data generated by manual accounting system.
4. An auditor ordinarily examines invoice from lawyers primarily in order to:
  - (a) Substantiate accruals.
  - (b) Assess the legal ramifications of litigation in progress.
  - (c) Estimate the amount of contingent liabilities. ✓
  - (d) Identify possible unasserted litigation, claims, and assessments.

5. The auditors of a public limited company discover an omission which existed on the date of the auditor's report. Due to this discovery they are unable to support the previously expressed opinion. If they believe persons are currently relying on the report, they should promptly:

(a) Undertake to apply the omitted procedure or alternative procedures that would provide a satisfactory basis for the opinion.

(b) Notify the board of directors that the previously expressed opinion is not to be relied on. ✓

(c) Notify the stockholders currently relying on the report that the previously expressed opinion is not to be relied on.

(d) Notify that the previously expressed opinion is not to be relied on.

6. An auditor should obtain written representation from management concerning litigation claims and assessments. These representations may be limited to matters considered either individually or collectively material, provided an understanding on the limits of materiality for this purpose has been reached by:

(a) The auditor and the client's lawyer.

(b) Management and the auditor.

(c) Management, the client's lawyer, and the auditor.

(d) The auditor independently of management. ✓

7. Analytical review procedures are a type of substantive testing. Which of the following correctly describes the stages of an audit during which the auditor may plan to make use of analytical review procedures?

(a) Analytical review is confined in its application to the closing stages of the audit when the review of the financial statements is conducted.

(b) Analytical review procedures can be applied to individual account areas as well as to the review of financial statements and can be used at all stages of the audit other than initial planning. ✓

(c) Analytical review can be applied at all stages of the audit, including initial planning.

(d) Analytical procedure can only be applied at review stages.

## (O)

1. Which of the following characterises the so-called 'around the machine' approach to auditing in a computer environment?

(a) Audit work is based on the review of inputs to and outputs from the computer. ✓

(b) The detailed computer processing routines used in the various parts of the system are examined to determine whether controls are adequate.

(c) Audit software is used to examine the contents of computer files.

(d) Transactions are 'walked through' manually in order to test whether computerised processes are operating correctly.

2. Which of the following is a general control?

(a) Procedures for investigating unauthorised access attempts to data files. ✓

(b) Manual scrutiny of output.

(c) Programmed reasonableness checks.

(d) Programmed sequence checking.

3. The two principal CAATs are test data and audit software. In respect of which of the following audit activities would the use of test data be most relevant?

(a) Analytical review of the financial statements.

(b) Testing of programmed controls over sales invoicing. ✓

(c) Selection and extraction of a sample for a debtors circularisation.

(d) Verification of aged debtors balances.

4. Which of the following CAATs may provide a continuous review of a client's programmed controls?

(a) Test data,

(b) A utility programme.

(c) An embedded Facility. ✓

(d) A purpose written programme.

## Law Of Contract

- Law of contract is.
  - not the whole law of agreements nor is it the whole law of obligation ✓
  - the whole law of agreements
  - the whole law of obligations
  - none of the above
- A contract creates
  - rights in personam ✓
  - right in rem
  - only rights and no obligations
  - only obligations and no rights
- An agreement is a voidable contract when it is.
  - enforceable if certain conditions are fulfilled
  - enforceable by law at the option of the aggrieved party ✓
  - enforceable by both the parties
  - not enforceable at all
- An agreement not enforceable by law is said to be
 

(a) void ✓	(b) voidable
(c) valid	(d) illegal
- A contract.
  - may be void as originally entered into
  - may become void subsequent to its formation ✓
  - cannot become void under any circumstances
  - may become void at the will of a party
- The transaction collateral to an illegal agreement are.
  - not affected in any manner
  - also tainted with illegality ✓
  - voidable at the option of the plaintiff
  - void
- An agreements is.
  - offer
  - offer + acceptance ✓
  - offer + acceptance + consideration
  - contract
- A contract is.
  - a legal obligation
  - an agreement plus a legal obligation ✓

- consensus ad idem
  - an agreement plus a legal object
- Flaw in capacity to contract may arise from
    - lack of free consent
    - lack of consideration
    - minority ✓
    - absence of legal formalities

## Offer And Acceptance

- Which of the following result/results in an offer?
  - A declaration of intention
  - An invitation to offer
  - An advertisement offering reward to anyone who finds the lost dog of the advertiser ✓
  - An offer made in a joke
- A specific offer can be accepted by.
  - any person
  - any friend of offerer
  - the person to whom it is made ✓
  - any friend of offeree
- A letter of acceptance sufficiently stamped and duly addressed is put into course of transmission. There is.
  - a contract voidable at the option of acceptor
  - a contract voidable at the option of offerer
  - no contract at all
  - a valid contract ✓
- Acceptance may be revoked by the acceptor
  - at any time
  - before the letter of acceptance reaches the offerer
  - after the letter of acceptance reaches the offerer
  - before the death of the acceptor
- An advertisement to sell a thing by auction is.
  - an offer
  - an invitation to offer ✓
  - no offer at all
  - a contract

6. On the face of the ticket for a journey the words "For conditions seek back" are printed in small print. The passenger.
- is bound by the conditions whether he takes care to read them or not
  - is not bound by the condition ✓
  - may not take note of the conditions
  - none of the above
7. An offer is made to Mani in a crowd. It
- can be accepted by him alone ✓
  - may be accepted by any person who hears it
  - may be accepted by his brother
  - may be accepted by his friend
8. An acceptance is not according to the mode prescribed but the offerer decides to keep quiet. In such a case there is.
- a contract ✓
  - no contract
  - a voidable contract
  - an unenforceable contract
9. There is a counter-offer when.
- the offeree gives conditional acceptance or introduces a fresh term in acceptance. ✓
  - The offerer makes a fresh offer
  - The offeree makes some query
  - The offeree accepts it
10. A makes an offer to B on 10<sup>th</sup> by a letter which reaches B on 12<sup>th</sup>. B posts letter of acceptance on 14<sup>th</sup> which reaches A on 16<sup>th</sup>. The communication of acceptance is complete as against A on.
- 12<sup>th</sup>
  - 14<sup>th</sup>
  - 16<sup>th</sup> ✓
- (c) must move from the third party  
(d) may move from the promisor
3. Consideration.
- must be adequate to the promise made
  - need not be adequate to the promise made ✓
  - must be of reasonable value
  - must be of more value than the value of promise made
4. Consideration must be something which the promisor.
- is already bound to do
  - is not already bound to do ✓
  - may voluntarily do
  - must not do
5. Compromise of disputed claims.
- is a good consideration for a contract ✓
  - is not a good consideration for a contract
  - results in a void agreement
  - is not permitted by law.
6. A promise to compensate, wholly or in part, a person who has already voluntarily done something for the promisor is.
- enforceable ✓
  - not enforceable because it is without consideration
  - void
  - voidable
7. A person who is not a party to a contract.
- cannot sue
  - can sue
  - can sue only in well recognized cases ✓
8. Consideration in a contract.
- may be past, present or future ✓
  - may be present or future only
  - must be present only
  - must be future only
9. An agreement made without consideration is
- valid
  - illegal
  - voidable
  - void ✓
10. A promises to subscribe to a charity. The promise is a
- valid contract
  - voidable contract
  - void agreement ✓
  - void contract

## Consideration

1. Consideration must move at the desire of.
- the promisor ✓
  - the promisee
  - promisor or any third party
  - both the promisor and the promisee
  - any third party
2. Consideration.
- must move from the promisee
  - may move from the promisee or any other person ✓

## Capacity To Contract

- An agreement with or by a minor is.
  - void✓
  - voidable at the option of the minor
  - voidable at the option of the other party
  - valid
- On attaining the age of majority a minor's agreement.
  - can be ratified
  - cannot be ratified✓
  - becomes void
  - becomes valid
- A minor, by misrepresenting his age, borrows some money.
  - He can be sue for fraud
  - He cannot be sued for fraud✓
  - He is liable to return the money
  - None of the above
- A minor enters into a contract for the purchase of certain necessaries. In such a case.
  - he is not personally liable to pay
  - he is liable to pay✓
  - his estate is liable to pay
  - his guardian is liable to pay
- A person is usually of unsound mind, but occasionally of sound mind.
  - He may enter into a contract when he is of sound mind✓
  - He may not make a contract even when he is of sound mind
  - He cannot enter into a contract at all
  - None of the above
- A contract by an idiot is.
  - voidable
  - enforceable
  - invalid
  - void ab initio✓
- Contracts made before war with an alien enemy which are against public policy are.
  - suspended and are revived after the war is over
  - dissolved✓
  - not affected at all
  - void ab initio
- The contractual capacity of a company is regulated by.
  - its Memorandum of Association and the provisions of the Companies Act✓
  - The terms of contract entered into with a third party
  - Its Articles of Association
  - Its prospectus
- An agreement with a minor is.
  - absolutely void✓
  - a voidable contract
  - a contract which is valid
  - none of these
- Mohiri Bibi v. Bharmodas Ghose, (1903) 301 Cal. 539 case deals with.
  - communication of offer
  - communication of acceptance
  - a minor's agreement✓
  - fraud
  - a lunatic's agreement
- Flaw in capacity to contract may arise from.
  - want of consideration
  - unsoundness of mind✓
  - illegality of object
  - uncertainty of object

## Free Consent

- Where consent is caused by fraud or misrepresentation, the contract is.
  - voidable at the option of the aggrieved party✓
  - void
  - unenforceable
  - not affected in any manner
- Where both the parties to an agreement are under a mistake as to matter of fact essential to the agreement, the agreement is.
  - void✓
  - voidable
  - illegal
  - not affected at all
- Merely because a contract was caused by one of the parties to it being under a mistake as to a matter of fact, it is not.
  - voidable✓
  - void
  - affected at all
  - none of the above

4. Consent given to a contract under misrepresentation by the other party makes the contract.  
 (a) void (b) invalid  
 (c) unenforceable (d) voidable✓
5. When a person positively asserts that a fact is true when his information does not warrant it to be so, though he believes it to be true, there is  
 (a) misrepresentation✓  
 (b) fraud  
 (c) undue influence  
 (d) coercion
6. Fraud exists when it is shown that a false representation has been made.  
 (a) Knowingly (b) unknowingly  
 (c) unintentionally  
 (d) recklessly, not caring whether it is true or false  
 (e) a & d above✓
7. A mere attempt at deceit by one party  
 (a) is not fraud unless the other party is actually deceived✓  
 (b) is fraud whether the other party has been deceived or not  
 (c) amounts to misrepresentation
8. When consent to an agreement is obtained by undue influence, the agreement is a  
 (a) contract voidable at the option of the party whose consent was so obtained✓  
 (b) void contract  
 (c) valid contract  
 (d) void agreement
9. Which of the following relationships raise presumption of undue influence?  
 (a) Landlord and tenant  
 (b) Parent and child  
 (c) Doctor and patient  
 (d) Husband and wife  
 (e) Finance and financee  
 (f) Creditor and debtor  
 (g) b,c,e✓
10. If there is error in cause, the contract is.  
 (a) void (b) voidable✓  
 (c) valid (d) illegal
11. If there is error in consensus, the agreement is.  
 (a) void✓ (b) voidable  
 (c) valid (d) illegal
12. If there is an unilateral mistake as regards identity of a party caused by fraud of the other party, the contract is.  
 (a) void✓ (b) voidable  
 (c) valid (d) illegal
13. If there is a fraudulent misrepresentation as to the contents of a document, the contract is.  
 (a) void (b) voidable✓  
 (c) valid (d) illegal
14. If there is a fraudulent misrepresentation as to the character of a document, the contract is.  
 (a) void✓ (b) voidable  
 (c) valid (d) illegal
15. Cundy v. Lindsay, (1878) 3 A.C. 459 case deals with  
 (a) coercion (b) undue influence  
 (c) mistake as to the nature of transaction  
 (d) mistake as regards identity✓
16. A promise made without the intention of performing it amounts to.  
 (a) innocent misrepresentation  
 (b) fraud✓  
 (c) negligent misrepresentation  
 (d) wrongful misrepresentation
17. The unlawful detention of any property of a person to obtain his consent to a contract amounts to  
 (a) misrepresentation (b) fraud  
 (c) undue influence (d) coercion✓

## Legality of Object

1. The collateral transactions to an illegal agreement are.  
 (a) void (b) illegal✓  
 (c) voidable (d) not affected at all
2. An agreement made with an alien enemy is.  
 (a) unlawful on the ground of public policy✓  
 (b) unlawful because it becomes difficult to be performed  
 (c) valid (d) voidable

3. A person enters into agreement whereby he is bound to do something which is against his public or professional duty. The agreement is.
  - (a) void on the ground of public policy✓
  - (b) valid
  - (c) voidable
  - (d) illegal
4. Regulations as to the opening and closing of business in a market are.
  - (a) not unlawful even if they are in restraint of trade✓
  - (b) unlawful because they are in restraint of trade
  - (c) void
  - (d) not valid
5. An employee, by the terms of his service agreement, is prevented from accepting a similar engagement after the termination of his service. The restraint is.
  - (a) valid
  - (b) void✓
  - (c) illegal
  - (d) unenforceable
6. Nordenfelt v. Maxim Nordenfelt Gun Co., (1904) 29 B.L.R 107 case deals with
  - (a) agreement in restraint of legal proceedings
  - (b) minor's agreements
  - (c) agreements in restraint of trade✓
  - (d) agreements in restraint of marriage

## Contingent Contracts

1. A contract of insurance is a
  - (a) contract of guarantee
  - (b) contingent contract✓
  - (c) wagering agreement
  - (d) unilateral agreement
2. Which of the following are contingent contracts?
  - (a) Contracts of insurance✓
  - (b) Contracts of guarantee
  - (c) Contracts for the sale of goods on credit
  - (d) Wagering agreements
3. A contingent contract is.
  - (a) void
  - (b) voidable
  - (c) valid✓
  - (d) illegal
4. A contracts to pay B Rs. 10,000 if B's house is burnt. This is a
  - (a) wagering agreement
  - (b) void agreement
  - (c) voidable agreement
  - (d) contingent contract✓
  - (e) contract of guarantee
5. A agrees to pay B Rs. 2,000 if a certain ship does not return at Port of Bombay within a year. A's promise can be enforced when the ship.
  - (a) arrives Bombay in a damaged condition during the year
  - (b) is lost during the year
  - (c) is sunk during the year
  - (d) arrives Bombay in a good condition during the year
  - (e) b & c above.

## Performance of Contract

1. Promises forming consideration for each other are known as.
  - (a) independent promises
  - (b) dependent promises
  - (c) reciprocal promises✓
  - (d) mutual promises
2. Each party is a promisor and a promisee in case of.
  - (a) past consideration
  - (b) present consideration
  - (c) every contract
  - (d) reciprocal promises✓
3. When the promisee refuses to accept performance from the promisor who offers to perform, it is
  - (a) attempted performance✓
  - (b) vicarious performance
  - (c) tender
  - (d) frustration of contract
4. Sale of goods for cash is an example of
  - (a) mutual and independent promises
  - (b) mutual and dependent promises
  - (c) mutual and concurrent promises✓
  - (d) conditional and dependent promises
5. When a party to a contract transfers his contractual rights to another, it is known as.
  - (a) rescission of contract
  - (b) waiver of contract
  - (c) discharge of contract



- (d) assignment of contract ✓
6. Where the debtor does not expressly intimate or where the circumstances attending on a payment do not indicate any intention the creditor.
- (a) may apply it even debt +0a time barred.
- (b) may apply it at his discretion to any lawful debt due
- (c) a & b above ✓
7. When two or more persons have made a joint promise, then unless a contrary intention appears from the contract, all such persons must fulfill the promise.
- (a) jointly ✓
- (b) severally
- (c) jointly and severally
- (d) jointly or severally
8. Assignment by operation of law takes place.
- (a) by the mutual consent of the parties
- (b) by the will of either party
- (c) when the subject matter of contract ceases to exist
- (d) by the death of a party to a contract ✓
9. A who owes Rs. 10,000 to B dies leaving an estate of Rs. 6,000. The legal representatives of A are
- (a) liable for Rs. 10,000
- (b) liable for Rs. 6,000 ✓
- (c) not liable at all
- (d) liable for Rs. 3,000
10. Owing to a strike in the factory of A, he is not able to supply the goods to as per the terms of the agreement. The agreement in such a case.
- (a) is discharged
- (b) is not discharged ✓
- (c) becomes void
- (d) is voidable at the option of A
- (c) voidable at the option of the plaintiff
- (d) illegal
2. An agreement to do an act impossible in itself.
- (a) is void ✓
- (b) is voidable
- (c) is void ab initio
- (d) becomes void when impossibility is discovered.
3. If a new contract is substituted in place of an existing contract, it is called.
- (a) alteration (b) rescission
- (c) novation ✓ (d) remission
4. The case of Taylor v. Caldwell (1883) 3 B & S. 826 deals with
- (a) discharge of contract by destruction of subject matter ✓
- (b) anticipatory breach of contract
- (c) discharge of contract by death of a party
- (d) breach of contract
5. A lends Rs. 500 to B. He later tells B that he need not repay the amount. The contract is discharged by.
- (a) breach (b) waiver
- (c) novation (d) performance ✓
6. A contract has become more difficult of performance due to some un-contemplated events or delays. The contract.
- (a) is discharged
- (b) is not discharged ✓
- (c) becomes void
- (d) becomes voidable
7. Where a contract could not be performed because of the default by a third person on whose work the promisor relied, it
- (a) is not discharged ✓
- (b) is discharged
- (c) becomes void
- (d) becomes voidable
8. A creditor agrees with his debtor and a third party to accept that third party as his debtor. The contract is discharged by.
- (a) performance
- (b) alteration
- (c) waiver ✓
- (d) remission
- (e) rescission

## Discharge of a contract

If a contract contains an undertaking to perform an impossibility, the contract is.

- (a) void ab initio ✓
- (b) void

9. Satyabrata Ghose v. Mugnecram Bangur & Co., A.I.R (1954) S.C. 44 Case deals with.
- agreements opposed to public policy ✓
  - supervening impossibility
  - contracts of guarantee
  - agency
10. A undertakes to paint a picture for B. He dies before he paints the picture. The contract.
- is discharged by death ✓
  - becomes voidable at the option of B
  - becomes voidable at the option of the legal representatives of A
  - will have to be performed by the legal representatives of A

## Quasi Contract

- A quasi-contract,
  - is a contract
  - is an agreement
  - has only a legal obligation ✓
  - is none of these
- When an agreement is discovered to be void, any person who has received any advantage under such agreement,
  - is bound to restore it ✓
  - is not bound to return it
  - may retain it
- A minor has been supplied necessaries on credit.
  - He is not liable
  - He is personally liable
  - His estate is liable ✓
  - He is not personally liable
- A person who finds good belonging to another and takes them into his custody, is subject to the same responsibility as a,
 

(a) bailee ✓	(b) true owner
(c) bailor	(d) pledgee
- A finder of lost goods is a
 

(a) bailor	(b) bailee ✓
(c) true owner	(d) thief
- Quantum meruit means,
  - a non-gratuitous promise
  - an implied promise
  - as much as is earned ✓
  - as much as is paid

## Remedies for breach of Contract

- The Court may grant rescission where the contract is.
  - voidable at the option of the plaintiff ✓
  - void
  - unenforceable
  - illegal
- The foundation of modern law of damages was laid down in.
  - Tinn v. Hoffman
  - Taylor v. Caldwell
  - Hadley v. Baxendale ✓
  - Addis v. Gramophone Co.
- Specific performance may be ordered by the Court when
  - the contract is voidable
  - damages are an adequate remedy
  - damages are not an adequate remedy ✓
  - the contract is uncertain
- The measure of damage in case of breach of a contract is the difference between the
  - contract price and the market price at the date of breach ✓
  - contract price and the maximum market price during the term of the contract
  - contract price and the price at which the plaintiff might have sold the goods
  - contract price and the price fixed by Court
- Hadley v. Baxendale, (1854) 8 Ex Ch. 341 Case deals with
  - anticipatory breach of contract
  - quantum of damages ✓
  - supervening impossibility
  - quasi-contract
- Anticipatory breach of a contract takes place
  - during the performance of the contract
  - at the time when the performance is due
  - before the performance is due ✓
  - at the time when the contract is entered into

7. In case of wrongful dishonour of a cheque by a banker having sufficient funds to the credit of the customer, the Court may award.
- ordinary damages
  - nominal damages
  - exemplary damages ✓
  - contemptuous damages
8. Ordinary damages are damages which
- arise in the usual course of things from the breach ✓
  - which are in the contemplation of parties at the time when the contract is made
  - are agreed in advance
  - are given by way of punishment for breach of contract
9. A agreed to sell 100 shares to B at Rs. 75 per share, delivery to be given on 1<sup>st</sup> March B refused to accept delivery on 1<sup>st</sup> March as price had gone down to Rs. 60 per share. subsequently A sold these shares at Rs. 92 per share.
- A cannot recover any damages from B
  - A will have to restore to B Rs. 1,700 i.e., the profit he made
  - A can recover Rs. 1,500 from B as damages ✓
  - A can recover damages to be determined by the president of the stock exchange
10. Exemplary damages are.
- allowed in case of dishonour of a cheque by a banker having sufficient funds. ✓
  - the difference between the contract price and the market price
  - allowed for income venience caused by breach of contract
  - allowed where in case of breach of contract, the plaintiff has not suffered any loss

## 1. Indemnity And Guarantee

- A contract of indemnity is a.
  - contingent contract ✓
  - wagering contract
  - wagering contract
  - void agreement
- The definition of a contract of indemnity as given in the contract act includes.
  - express promises to indemnify
  - implied promises to indemnify
  - cases where loss arises from accidents and events not depending on the conduct of the promisor or any other person
  - cases where the loss is caused by the conduct of the promisor himself or by the conduct of any other person
  - a & b above ✓
- S and P go into a shop. S says to the shopkeeper, C, "Let P have the goods and if he does not pay you, I will." This is a
  - contract of guarantee ✓
  - contract of indemnity
  - wagering agreement
  - quasi-contract
- Any variance made without surety's consent in the terms of the contract between the principal debtor and the creditor discharges the surety.
  - as to transactions prior to variance
  - as to transactions subsequent to variance ✓
  - as to all transaction
  - from his liability under the guarantee
- A guarantee obtained by a creditor by keeping silence as to material circumstances is.
  - valid
  - voidable
  - unenforceable ✓
  - invalid ✓
- Where there are co-sureties, a release by the creditor of one of them.
  - discharges the other co-sureties
  - does not discharge the other co-sureties ✓

- (c) makes all the co-sureties immediately liable  
 (d) makes the contract of guarantee void
7. The right of subrogation in a contract of guarantee is available to the  
 (a) creditor (b) principal debtor  
 (c) surety✓ (d) indemnifier
8. The omission of the creditor to sue within the period of limitation  
 (a) discharges the surety  
 (b) does not discharge the surety✓  
 (c) makes the contract of guarantee void  
 (d) makes the contract of guarantee illegal

## Bailment and Pledge

1. A bailee has  
 (a) a right of particular lien over the goods bailed✓  
 (b) a right of general lien  
 (c) a right of both particular and general lien  
 (d) no lien at all over the goods bailed
2. The position of a finder of lost goods is that of a  
 (a) bailor (b) bailee✓  
 (c) surety (d) principal debtor
3. A gratuitous bailor is liable to the bailee for defects in the goods bailed.  
 (a) even if he is not aware of them  
 (b) only if he is aware of them✓  
 (c) in all cases of loss
4. If the goods of the bailor get mixed up with the like goods of the bailee by an Act of God, the mixture belongs to the bailor and the bailee in proportion to their shares but the cost of separation will have to be borne by:  
 (a) the bailee✓  
 (b) the bailor  
 (c) both of them in proportion to the value of their goods  
 (d) neither of them
5. A bailee fails to return the goods according to the bailor's direction. He takes reasonable care of the goods but still the goods are lost. The loss will fall on.

- (a) the Bailee✓  
 (b) the bailor  
 (c) on both of them  
 (d) neither of them
6. A who purchases certain goods from B by a misrepresentation pledges them with C. The pledge is.  
 (a) valid✓ (b) void  
 (c) voidable (d) invalid
7. A gratuitous Bailment is one which is  
 (a) supported by consideration  
 (b) not supported by consideration✓  
 (c) not enforceable by law  
 (d) void
8. General lien is available to a  
 (a) bailee (b) bailor  
 (c) banker✓ (d) pawnee
9. A finder of goods can sell the goods  
 (a) if the goods are of a value less than Rs. 100  
 (b) if the owner refuses to pay bailee's charges in preserving the goods  
 (c) if the goods are of a perishable nature  
 (d) with the permission of the police  
 (e) b & c above

## Contract of agency

1. For a valid ratification the principal must have contractual capacity.  
 (a) both at the time of the contract and at the time of ratification✓  
 (b) at the time of ratification  
 (c) at the time of contract  
 (d) at any time
2. An agent is personally liable when he acts for  
 (a) an undisclosed principal  
 (b) a named principal  
 (c) a principal not in existence  
 (d) a & c above
3. For a general balance of account between a factor and the principal, the factor  
 (a) does not have any lien on the goods of his principal  
 (b) has a particular lien on the goods of his principal

- (c) has a general lien on the goods of his principal ✓
4. If there is no agreement, an agent is.
- (a) not entitled to any remuneration  
(b) entitled to a reasonable remuneration ✓  
(c) entitled to remuneration which he thinks is reasonable  
(d) entitled to remuneration which the principal thinks is reasonable
5. For his commission or remuneration, an agent has
- (a) a general lien  
(b) a particular lien ✓  
(c) no lien at all
6. Where an agent appoints a sub-agent without having authority to do so.
- (a) the agent is responsible for the acts of the sub-agent ✓  
(b) the agent is not responsible for the acts of the sub-agent  
(c) the principal is responsible for the acts of the sub-agent  
(d) both the principal and the agent are responsible for the acts of the sub-agent
7. An agent is acting for an undisclosed principal. Who of following is liable to the third party?
- (a) principal alone (b) agent alone  
(c) both principal and agent ✓  
(d) either principal or the agent
8. When an undisclosed principal subsequently intervenes, the other contracting party may sue.
- (a) only the principal (b) only the agent  
(c) both ✓  
(d) either the principal or the agent
9. A entrusts his property to B and it becomes necessary for B to incur some expenses for preserving it B is, therefore, an agent.
- (a) by precedent authority  
(b) by estoppel  
(c) by holding out  
(d) of necessity ✓
10. An agent makes some secret profit out of the business of agency. He loses
- (a) his remuneration (b) his profit  
(c) not only his profits but also his remuneration ✓

## Sale of Goods

1. In a sale, the property in goods.
- (a) is transferred to the buyer ✓  
(b) is yet to be transferred to the buyer  
(c) may be transferred at a future time  
(d) is transferred when goods are delivered to the buyer  
(e) is transferred when the buyer pays the price
2. Specific goods are those which are identified
- (a) at the time of contract of sale ✓  
(b) subsequent to the formation of contract of sale  
(c) by an expert  
(d) by the seller  
(e) by the buyer
3. The term 'property' as used in the sale of goods act means.
- (a) possession (b) ownership ✓  
(c) ownership and possession both  
(d) the subject matter of contract of sale
4. If a price is not determined by the parties in a contract of sale, the buyer is bound to pay
- (a) the price demanded by the seller  
(b) a reasonable price ✓  
(c) the price which the buyer thinks is reasonable  
(d) the price to be determined by a third independent person

## Conditions & Warranties

1. The doctrine of caveat emptor applies
- (a) in case of implied conditions and warranties ✓  
(b) when the buyer does not intimate his purpose to the seller and depend upon his own skill and judgment  
(c) when goods are sold by sample  
(d) when goods are sold by description
2. If a sale is by sample as well as by description, the implied condition is that the goods shall correspond with

- (a) sample (b) description  
(c) both sample and description✓  
(d) either sample or description
3. In a sale, there is an implied condition on the part of the seller that he  
(a) has a right to sell the goods✓  
(b) is in possession of the goods  
(c) will have the right to sell  
(d) will acquire the goods
4. A condition is a stipulation which is  
(a) essential to the main purpose of contract of sale✓  
(b) not essential to the main purpose of contract of sale  
(c) collateral to the main purpose of contract of sale  
(d) none of the above
5. In case of breach of a warranty, the buyer can  
(a) repudiate the contract  
(b) claim damages only✓  
(c) return the goods  
(d) refuse to pay the price  
(e) refuse to take delivery of the goods
6. In case of breach of a warranty, the buyer can  
(a) claim damages only  
(b) repudiate the contract✓  
(c) cannot return the goods  
(d) refuse to take delivery of the goods
- (a) the goods have been delivered to the buyer  
(b) the goods have not been delivered to the buyer  
(c) there is a specific agreement✓  
(d) none of the above
4. In a contract of sale, unless goods are ascertained, there is  
(a) a sale  
(b) an agreement to sell✓  
(c) a void agreement  
(d) an unenforceable agreement
5. Where there is an unconditional contract for the sale of specific goods in a deliverable the property in the goods passes to the buyer when  
(a) the goods are delivered to the buyer  
(b) the price is paid by the buyer  
(c) the contract is made✓  
(d) the buyer accepts the goods
6. Where there is a contract for the sale of unascertained goods, the property in goods.  
(a) passes when the buyer pays the price  
(b) does not pass until the goods are ascertained✓  
(c) when the contract is entered into  
(d) when the buyer accepts the goods
7. If the contract is silent as to the party who is to appropriate the goods.  
(a) the buyer is to appropriate  
(b) the seller is to appropriate  
(c) the party who under the contract is first to act is to appropriate✓  
(d) any party may appropriate
8. In a C.I.F. contract the property in the goods passes from the seller to the buyer when the  
(a) goods are shipped✓  
(b) goods are received by the buyer  
(c) contract is entered into  
(d) price is paid

## Transfer of Property

1. The main object of contract of sale is  
(a) transfer of possession of goods  
(b) transfer of property in goods from seller to buyer✓  
(c) delivery of goods  
(d) payment of price
2. Risk follows ownership  
(a) only when goods have been delivered  
(b) only when price has been paid  
(c) whether delivery has been made or not  
(d) ever when price has not been paid  
(e) c & d above✓
3. In an agreement to sell, the seller can sue for price if

## Performance of contract

- There is a constructive delivery of goods
  - when the seller hands over to the buyer the key of the warehouse where the goods are lying
  - where a third person in possession of the goods acknowledges to the buyer that he holds them on his behalf✓
  - when the seller physically delivers the goods to the buyer
  - when the seller asks the buyers to take delivery of the goods
- Where there is no specific agreement as to place, the goods sold are to be delivered at the place.
  - at which they are at the time of sale✓
  - of the buyer
  - desired by the buyer
  - to be determined by the seller
  - to be determined by the buyer
- Unless otherwise agreed, where goods are sent by the seller to the buyer by in route involving sea transit, the seller
  - must inform the buyer in time to get the goods insured✓
  - may insure the goods
  - must insure the goods
  - need not inform the buyer
- Unless otherwise agreed, where goods are delivered to the buyer and he rejects them.
  - he is not bound to return them to the seller
  - it is sufficient if he intimates to the seller that he has rejected the goods✓
  - he is bound to deliver them to the seller
  - he may keep them with him
- A seller delivers goods in excess of the quantity order for the buyer may
  - accept the whole
  - reject the whole
  - accept the goods ordered for and return the excess
  - none of these
  - a,b,c above
- Where the neglect or refusal of the buyer to take delivery of goods amounts to a repudiation of the contract, the seller may sue for the
  - price or damages✓
  - price only
  - damages only
  - both for price and damages

## Rights of an unpaid seller

- The lien of an unpaid seller depends on
  - possession✓
  - title
  - ownership
  - whether the buyer has paid the price or not
- An unpaid seller can exercise his right of lien
  - where the goods have been sold on credit and the term of credit has not expired
  - where the buyer has not become insolvent
  - for the price of the goods✓
  - for the price of the goods and for other charges
- The right of lien exercised by an unpaid seller is to
  - retain possession✓
  - regain possession
  - recover price and other charges
  - damages
- An unpaid seller can exercise the right of stoppage in transit when the carrier holds the goods
  - as seller's agent
  - as buyer's agent
  - as agent of both of them
  - in his own name✓
- If the goods are rejected by the buyer and the carrier or other bailee continues to be in possession of them, the transit.
  - is deemed to be at an end
  - is not deemed to be at an end✓
  - commences
  - none of the above

6. An unpaid seller has not given notice of resale to the buyer. On resale there is a loss.  
 (a) The unpaid seller can recover it from the buyer  
 (b) The unpaid seller cannot recover it from the buyer ✓  
 (c) The buyer can recover it from the unpaid seller  
 (d) The buyer must compensate the unpaid seller
7. An unpaid seller has not given notice of resale to the buyer. On resale there is a profit. The unpaid seller.  
 (a) is bound to hand it over to the buyer ✓  
 (b) is not bound to hand it over to the buyer  
 (c) may dispose of it in any manner he likes  
 (d) may set it off against a previous loss in similar circumstances
8. If a seller makes use of pretended bidding to raise the price, the sale is  
 (a) voidable at the option of the buyer ✓  
 (b) void (c) valid  
 (d) illegal
- (c) 15 (d) 20
5. An unregistered firm wants to enforce against a third party a right arising from a contract it.  
 (a) can sue the third party  
 (b) cannot sue the third party ✓  
 (c) can sue the third party subject to certain conditions
6. The case of Cox. V. Hickman, (1860) 8 H.L.C 268 deals with  
 (a) test of partnership ✓  
 (b) registration of firm  
 (c) implied authority of a partner  
 (d) dissolution of firm
7. The maximum number of partners allowed in a firm carrying on general business is.  
 (a) 10 (b) 20 ✓  
 (c) 50 (d) 100
8. There is no provision in the partnership deed regarding the duration partnership. This is  
 (a) partnership at will ✓  
 (b) partnership for an indefinite period  
 (c) partnership by estoppel  
 (d) partnership not recognized by law
9. Registration of a firm under the Indian Partnership Act is  
 (a) compulsory (b) not optional  
 (c) not necessary ✓ (d) inevitable
10. The non-registration of a firm does not affect the right of the firm  
 (a) to file a suit for the recovery of more than Rs. 100  
 (b) to file a suit for the recovery of less than Rs. 100  
 (c) to file a suit against a partner for recovery of money due by him  
 (d) to claim a set-off not exceeding Rs. 100  
 (e) b & d above

## Partnership

1. A firm  
 (a) has a legal existence of its own  
 (b) does not have a legal existence, apart from its partners ✓  
 (c) has no legal existence  
 (d) none of the above
2. If one exclusive test of partnership between a group of persons is to be named it is.  
 (a) joint ownership of property  
 (b) sharing of profits  
 (c) contribution of capital  
 (d) mutual agency ✓
3. In partnership, the liability of the partners is  
 (a) joint  
 (b) several  
 (c) joint and several ✓  
 (d) joint or several
4. The maximum number of partners in a firm carrying on banking business cannot exceed.  
 (a) 5 (b) 10 ✓

## Relation of Partners

1. A nominal partner is  
 (a) liable for the debts of the firm ✓  
 (b) not liable for the debts of the firm  
 (c) liable for a nominal sum  
 (d) one whose liability is primary



2. As to important matters concerning the nature of the business, no change may be effected.
  - (a) without the consent of all the partners✓
  - (b) without the consent of the majority of the partners
  - (c) at all
3. In the absence of any agreement, the partners are entitled to share profits
  - (a) equally✓
  - (b) in the ratio of capital
  - (c) in the ratio of times spent
  - (d) none of these
4. If a minor chooses to become a partner on attaining the age of majority, he will be liable for the debts of the firm
  - (a) from the date of his attaining majority
  - (b) from the date of his admission to the benefits of the partnership✓
  - (c) from the date of his election to become a partner of the firm
  - (d) from the date of his attaining majority or election, whichever is earlier
  - (e) as determined by other partners
5. Public notice is not given on the death of a partner but the firm continues the business. For the acts of the firm done after his death
  - (a) the estate of the deceased partner is liable
  - (b) the estate of the deceased partner is not liable✓
  - (c) his legal representatives are personally liable
6. A firm in the course of its business receives money from a third party. One of the partners misapplies it.
  - (a) The firm is liable to make good the loss✓
  - (b) The firm is not liable to make good the loss
  - (c) The defaulting partner alone is liable
  - (d) The defaulting partner is not liable
7. The position of a minor partner is dealt with in the partnership Act in
  - (a) Sec. 25
  - (b) Sec. 29
  - (c) Sec. 30✓
  - (d) Sec. 35
8. Where a partner is entitled to interest on capital subscribed by him, such interest will be payable.
  - (a) only out of profit
  - (b) only out of capital✓
  - (c) out of profits or out of capital
  - (d) none of these
9. Where a partner retires, and the remaining partners carry on the business with the firm's property without any final settlement of accounts, the outgoing partner is entitled to.
  - (a) interest at 6 percent per annum on the amount due to him
  - (b) such share of the profits as may be attributable to the use of his share of the firm's property
  - (c) either of the above two at the option of the outgoing partner✓
  - (d) interest at the rate of 15 percent per annum on the amount due to him
10. The liability of partners in a firm is.
  - (a) limited
  - (b) unlimited
  - (c) joint
  - (d) joint and several
  - (e) b & d above✓
11. A change in the nature of business of a firm can be made if.
  - (a) the majority of the partners agree
  - (b) the senior partners agree
  - (c) the financing partners agree
  - (d) the working partners agree
  - (e) all the partners agree✓
12. In the absence of any agreement interest on advances to a partner is.
  - (a) allowed at 15 percent
  - (b) not allowed at all
  - (c) allowed at the market rate of interest
  - (d) allowed at 6 percent✓
  - (e) allowed at 10 percent
13. A partner of a trading firm has implied authority to.
  - (a) submit a dispute relating to the business of the firm to arbitration
  - (b) open a banking account on behalf of the firm in his own name
  - (c) employ a solicitor to defend an action against the firm✓

- (d) withdraw a suit or proceedings file on behalf of the firm
- (e) admit any liability in a suit or proceedings against the firm
- (f) acquire immovable property on behalf of the firm
- (g) transfer immovable property belonging to the firm
- (h) enter into partnership on behalf of the firm

## Dissolution of Firm

1. Dissolution of partnership means.
  - (a) complete breakdown of the relation of partnership between all the partners
  - (b) only a change in the relation of the partners ✓
  - (c) stopping the business of the firm for some time
  - (d) stopping the business permanently
2. Where a partner has become of unsound mind, the Court may
  - (a) dissolve the firm on the petition of any partner ✓
  - (b) not dissolve the firm
  - (c) order to other partners to continue the business
3. A partner in a firm, transfers the whole of his interest in the firm to a third party. The Court may
  - (a) dissolve the firm at the instance of any other partner ✓
  - (b) dissolve the firm at the instance of A.
  - (c) dissolve the firm at its own discretion
  - (d) not dissolve the firm at the instance of any other partner
4. If the assets of a firm are insufficient to discharge the debts and liabilities of the firm, the partners shall bear deficiency
  - (a) in the profit sharing ratio ✓
  - (b) in the capital ratio
  - (c) equally
  - (d) as determined by the Court

## Negotiable Instrument

1. A negotiable instrument is one of the property in which is acquired by any one who take it.
  - (a) conditionally (b) for value
  - (c) bona fide
  - (d) bona fide and for value ✓
2. A holder in due course gets an instrument
  - (a) subject to defects
  - (b) free from defects ✓
  - (c) subject to equities between the transferor and the holder .
  - (d) subject to certain defences available to previous parties

## Note, Bills and Cheques

1. A promissory note is a document in writing containing.
  - (a) a conditional promise to pay
  - (b) a conditional order to pay
  - (c) an unconditional promise to pay ✓
  - (d) an unconditional order to pay
2. If a document contains a conditional promise to pay, it is.
  - (a) a promissory note
  - (b) not a promissory note ✓
  - (c) a bill of exchange
  - (d) a conditional promissory note
3. A promise to pay is conditional if
  - (a) it depends upon an event which is certain to happen
  - (b) the promise is to pay on X's death if he leaves the maker enough to pay ✓
  - (c) it is to pay on demand
  - (d) it is to pay after a certain period
4. A bill which is not expressed to be payable on demand is
  - (a) entitled to 3 days of grace ✓
  - (b) not entitled to any days of grace
  - (c) entitle to 2 days of grace
  - (d) entitled to 5 days of grace
5. The addition of the words 'not negotiable' to a crossing.

- (a) restricts the transferability of the cheque  
 (b) does not restrict the further transferability of the cheque ✓  
 (c) makes the cheque payable at the counter of the bank  
 (d) does not make any difference
6. A promissory note or bill of exchange or cheque is an inland instrument if.  
 (a) drawn in India and payable outside India  
 (b) draw upon any person resident in India  
 (c) drawn and payable in India ✓  
 (d) drawn and payable outside India
7. Where a cheque bears across its face an addition of the name of a banker the crossing is.  
 (a) general (b) special ✓  
 (c) not negotiable (d) restrictive
8. A bill of exchange cannot be  
 (a) endorsed (b) crossed ✓  
 (c) accepted (d) transferred
9. The instruments which are entitled to days of grace are  
 (a) a cheque  
 (b) a promissory note in which no time is mentioned  
 (c) a promissory note payable on a specified day  
 (d) a promissory note payable after sight  
 (e) c & d above ✓
10. If a promissory note falls due on 15<sup>th</sup> August which is a public holiday, it is deemed to be due on.  
 (a) 14<sup>th</sup> August ✓ (b) 15<sup>th</sup> August  
 (c) 16<sup>th</sup> August (d) 18<sup>th</sup> August
2. The defence of absence of failure of consideration in the case of a negotiable instrument is available  
 (a) only between parties in immediate relationship ✓  
 (b) as against a holder in due course only  
 (c) as against drawer  
 (d) as against acceptor
3. In a promissory note, a minor can be  
 (a) a maker (b) a payee ✓  
 (c) an acceptor (d) a drawer
4. For a promissory note made by a minor for necessaries supplied to him.  
 (a) it is only his estate which is liable for such a note ✓  
 (b) he is personally liable for such a note  
 (c) he is not liable at all  
 (d) he is liable if the supplier does not know of his minority
5. It suit on a promissory note by a holder in due course its maker.  
 (a) can deny the validity of the promissory note as originally drawn  
 (b) cannot deny the validity of the promissory note as originally made ✓  
 (c) can set up the plea of absence of consideration  
 (d) can set up the plea of incapacity of payee
6. Where an instrument is negotiated to a holder in due course, other parties to the instrument can.  
 (a) escape liability on the ground that the delivery of the instrument was conditional  
 (b) escape liability on the ground that the delivery of the instrument was for a special purpose only  
 (c) take the plea of absence of consideration  
 (d) none of the above ✓
7. The defences of the part of a person liable on a negotiable instrument that is has been obtained from him by means of fraud or unlawful consideration.  
 (a) can be set up against a holder in due course

## Parties to a Negotiable Instrument

1. An acceptor of a bill used by a holder in due course pleads that the payee is a minor. This plea is  
 (a) valid (b) not valid ✓  
 (c) unlawful (d) conditional

- (b) cannot be set up against a holder in due course✓
- (c) can be set up against any party including a holder in due course
- (d) cannot be set up at all

## Negotiation

1. A holder negotiates a bill or note payable to bearer by mere delivery to a bona fide transferee for value. The latter.
  - (a) acquires a good title to it✓
  - (b) does to acquire a good title to it
  - (c) acquires no title to it at all
  - (d) acquires a conditional title
2. If the signatures of the maker on a negotiable instrument are forged, a person acquiring it in good faith.
  - (a) acquires a good title to it
  - (b) does not acquire a good title to it✓
  - (c) acquires a better title
  - (d) none of the above
3. A bill is negotiate by means of a forged endorsement. A person claiming under the endorsement for value and in good faith.
  - (a) acquires a good title to it
  - (b) acquires the right of a holder in due course
  - (c) does not acquire the rights of a holder in due course✓
4. In a negotiable instrument, as between immediate parties, the defendant by taking plea of absence of consideration.
  - (a) can avoid liability✓
  - (b) cannot avoid liability
  - (c) can reduce his liability
  - (d) non of the above
5. If a finder obtains payment on a lost bill, the person who pays it in due course
  - (a) gets a valid discharge for it✓
  - (b) does not get a valid discharge for it
  - (c) continues to be liable to the holder who lost the bill
  - (d) is liable to all prior parties
6. A negotiable instrument payable to bearer is said to be negotiated to a party when it is
  - (a) delivered to that party✓

- (b) indorsed and delivered to the party
- (c) stolen by that party
- (d) forcibly taken by that party
- (e)

## Presentment of a Negotiable Instrument

1. If a person takes qualified acceptance he,
  - (a) discharges all the parties prior to himself✓
  - (b) does not discharge any party prior to himself
  - (c) discharges only some of the parties
  - (d) discharges the instruments
2. If any of the signatures on a negotiable instrument are forged, a person acting in good faith.
  - (a) acquires a good title to it
  - (b) does not acquire any title to it✓
  - (c) does not acquire a good title to it
  - (d) none of the above
3. Where a bill is dishonoured by non-acceptance, presentment for payment.
  - (a) is necessary
  - (b) is not necessary✓
  - (c) is optional
  - (d) may or may not be made
4. Where the acceptance of a bill does not express for whose honour it is made, it is deemed to be made for the honour of the
  - (a) drawer✓
  - (b) drawer
  - (c) holder
  - (d) maker

## Dishonor of a Negotiable Instrument

1. A promissory note and a cheque are dishonoured by.
  - (a) non-payment only✓
  - (b) by non-acceptance only
  - (c) by non-acceptance or non-payment
  - (d) by either non-acceptance or non-payment

2. In the case of an inland bill or promissory note, notice of dishonour is
  - (a) compulsory ✓ (b) not compulsory
  - (c) optional (d) voluntary
3. The omission to get an instrument note
  - (a) does not affect the rights of the holder thereon ✓
  - (b) affects his rights
  - (c) partially affects his rights
  - (d) affects the rights of prior parties
4. The acceptor of a bill resides abroad. The holder is entitled to receive compensation at the current rate of exchange between the two countries on the date when the bill is.
  - (a) dishonoured ✓ (b) drawn
  - (c) accepted (d) endorsed
5. Notice of dishonour is to be given by
  - (a) the drawer of a bill in all cases
  - (b) acceptor of a bill
  - (c) the holder of the bill at the time of dishonour ✓
  - (d) all the prior parties even if they themselves have to received the notice of dishonour
6. A person acquires a negotiable instrument after its dishonour. He acquires.
  - (a) the rights of a holder in due course
  - (b) the rights of his immediate transferor
  - (c) no rights ✓
7. When a negotiable instrument is dishonoured, the holder is entitled to receive.
  - (a) the principal sum only
  - (b) the principal sum plus interest on it
  - (c) the principal sum plus interest plus expense incurred in presenting, noting and protesting the instrument ✓
  - (d) the principal sum plus damages arising from the non-performance of other contracts

## Discharge of a Negotiable Instrument

1. Discharge of an instrument means.
  - (a) discharge of one or more of the parties liable thereon
  - (b) extinction of all rights under it ✓
  - (c) discharge of the holder
  - (d) none of the above
2. If the maker of a note or acceptor of a bill becomes its holder at or after its maturity, in his own right.
  - (a) the instrument is not discharged ✓
  - (b) only the maker or acceptor is discharged
  - (c) only the drawer is discharged
3. When the holder of a negotiable instrument cancels the name of a party on the instrument with intent to discharge him.
  - (a) such party and subsequent parties are discharged ✓
  - (b) such party and parties prior to him are discharged
  - (c) such party alone is discharged
  - (d) the instrument is discharged
4. All previous parties not consenting are discharged from liability if the holder of a bill of exchange allowed the drawer to accept it more than.
  - (a) 1 day exclusive of public holidays
  - (b) 40 hours (c) 48 hours
  - (d) 48 hours exclusive of public holidays ✓
  - (e) 64 hours
5. A payment by a party who is secondarily liable
  - (a) does not discharge the instrument ✓
  - (b) discharges the instrument
  - (c) discharges the parties subsequent to him
  - (d) discharges the parties prior to him
6. Which of the following alterations are material and vitiate an instrument?
  - (a) An alteration of the place of payment
  - (b) An alteration made for the purpose of correcting a mistake
  - (c) An alteration made to carry out the common intention of the original parties

- (d) Filling blank of an inchoate instrument
- (e) Addition of place of payment
- (f) A & e above

## Rules of Evidence and International Law

1. A bill of exchange made payable at a place different from that in which it is made or endorsed, is dishonoured. As to what constitutes dishonour and what notice of dishonour is sufficient will be determined by the law of the place where it is.
  - (a) made payable✓
  - (b) drawn
  - (c) accepted
  - (d) indorsed
2. The liability of the maker of a foreign bill is determined by the law of the place.
  - (a) where it has been made
  - (b) of the payee✓
  - (c) of the endorse
  - (d) of the drawer is case of need
3. The liability of the acceptor of a bill is determined by the place where it has been.
  - (a) drawn (b) indorsed
  - (c) made payable✓

## Hundies

1. A letter of introduction given to the holder by some prior party to a hundi to be used by him in case the hundi is not accepted is called.
  - (a) Nam jog hundi
  - (b) Zickri ebit✓
  - (c) Jokhmi hundi
  - (d) Jawabee hudi
2. A hundi is payable to or to the order of a specified person named in the hundi.
  - (a) Shah jog hundi
  - (b) Nam jog hundi✓
  - (c) Zickri chit
  - (d) Jawabee hundi

## Banker and Customer

1. Banker has, in the absence of a contract to the contrary,
  - (a) a general lien✓
  - (b) a particular lien
  - (c) no lien at all
2. A banker may dishonour a customer's cheque when
  - (a) the customer countermands payment
  - (b) the customer becomes insolvent
  - (c) a garnishee order is received by it
  - (d) the baker does not have sufficient funds to the credit of the customer✓
3. The paying bankers are placed in a privileged position as regards the payment of their customers cheques by
  - (a) Sec. 10 (b) Sec. 85✓
  - (c) Sec. 118 (d) Sec. 131
4. When a cheque is wrongly dishonoured by a banker, the banker is liable to the
  - (a) holder (b) original payee
  - (c) drawer✓ (d) indorsers
5. An arbitration agreement to be valid
  - (a) must be in writing (b) may be oral
  - (c) may be oral or in writing
  - (d) must have all the essentials of a valid contract
  - (e) a & b above
6. A party to an arbitration agreement commences legal proceedings in respect of some matter covered by the agreement. On the application of the other party
  - (a) the Court may stay the proceedings✓
  - (b) the Court must stay the proceeding
  - (c) the Court must not stay the proceedings
  - (d) the Court may declare the contract as void
7. The matters which cannot be referred to arbitration include
  - (a) time-barred debts
  - (b) insolvency matters
  - (c) questions of maintenance payable to a wife
  - (d) divorce
  - (e) matters of right to hold office of a priest in a temple

(f) b & d above.

## Arbitration without intervention of a court

- The authority of a duly appointed arbitrator or umpire.
  - cannot be revoked
  - may be revoked
  - can be revoked if the Court grants leave✓
- Death takes place of a party to an arbitration agreement. The agreement
  - is discharged
  - is not discharged✓
  - becomes void
  - becomes voidable
- If the reference is to an even number of arbitrators, they shall appoint an umpire within.
  - 1 month✓
  - 2 months
  - 3 months
  - 6 months
- If the parties fail to fix remuneration of the arbitrator, he is
  - entitled to a reasonable remuneration✓
  - not entitled to any remuneration
  - entitled to remuneration demanded by him
  - entitled to remuneration to be fixed by the Court
- The appointment of an arbitrator is invalid. The Court shall
  - modify the award made by him
  - remit the award to him for reconsideration
  - set aside the award given by him✓
- The Court can set aside an award given by an arbitrator
  - where the award is imperfect in form
  - where the arbitrator is found guilty of misconducting himself or the proceedings✓
  - where the award is indefinite or incapable of execution
  - none of these
- An award is valid if it

- is not in writing
  - determines all the matters referred to✓
  - is not signed
  - is not certain
- An arbitrator has the power to
    - determine validity of the arbitration agreement
    - alter the terms of the arbitration agreement
    - order the specific performance of a contract✓
    - make ex-gratia payment

## Law of Insurance

- The insured in case of loss against which the policy has been issued, is bound to pay the.
  - actual amount of loss
  - actual amount of loss not exceeding the amount of the policy✓
  - reasonable amount of loss
  - less than actual amount of loss
- In life assurance, insurable interest must be present.
  - at the time of death
  - when the insurance is effected✓
  - both at the time of insurance and at the time of death
  - throughout the term of the policy
- In marine insurance, insurable interest must be present.
  - at the time of contract
  - at the time of loss✓
  - both at the time of contract and at the time of loss
  - any time during the currency of the policy
- Cause proxima, in case a loss is the result of two or more causes, means.
  - the last cause
  - the first cause
  - the most effective cause✓
  - any cause
- If a co-insurer has paid more than his share of loss, he

- (a) is entitled to contribution from his co-insurers in proportion to the amount which each insurer has undertaken to pay ✓  
 (b) is entitled to contribution from his co-insurers in equal proportion  
 (c) is not entitled to any contribution  
 (d) none of the above
6. If a contract of insurance is induced by fraud or misrepresentation on the part of the assured and the insurer avoids the policy.  
 (a) the premium is returnable  
 (b) the premium is not returnable ✓  
 (c) a part of the premium is returnable  
 (d) the insurer can claim damages
7. Where an assured bona fide over-insures on an unvalued policy.  
 (a) a proportionate premium is returnable ✓  
 (b) premium is not returnable  
 (c) the policy is void  
 (d) the policy is voidable
8. Where an assured insures the same risk with two or more independent insurance and the total sum insured exceeds the value of the subject matter.  
 (a) it is a case of contract of re-insurance  
 (b) it is a case of contract of double insurance ✓  
 (c) both the policies are void  
 (d) both the policies are voidable
9. In case of double insurance if a loss occurs the assured may claim payment from  
 (a) the insurers in such order as he may think fit  
 (b) the insurers in equal proportions  
 (c) the insurers in proportion of the amount of the policy  
 (d) any of the insurers  
 (e) a & b above
10. The premium is not returnable  
 (a) where the consideration for the premium has totally failed  
 (b) where the assured has no insurable interest in the subject matter  
 (c) where the policy is void ab initio  
 (d) where the risk is run even for a short period ✓

## Life Insurance

1. A surety has an insurable interest in the life of his  
 (a) co-surety only  
 (b) principal debtor only  
 (c) co-surety and principal debtor ✓  
 (d) none of the above
2. A father has an insurable interest in the life of his son when.  
 (a) the former supports the latter  
 (b) the latter supports the former ✓  
 (c) the father is independent  
 (d) the son is independent
3. A contract of life insurance is.  
 (a) a wagering agreement  
 (b) a contingent contract ✓  
 (c) a contract of identity  
 (d) none of these
4. In the following relationships there is presumption of insurable interest.  
 (a) Father and son  
 (b) Mother and son  
 (c) Husband and wife ✓  
 (d) Brother and sister
5. An insurer can call the validity of life insurance policy in question on the ground of concealment of material facts within a period of.  
 (a) 6 months from the date of the issue of the policy  
 (b) 1 year from the date of the issue of the policy  
 (c) 2 years from the date of the issue of the policy ✓  
 (d) 3 years from the date of the issue of the policy

## Fire Insurance

1. Average clause in a fire policy checks  
 (a) under-insurance ✓  
 (b) over insurance  
 (c) fraud (d) double insurance
2. Property worth Rs. 5,000 is insured for Rs. 1,000. There is an average clause in the



- policy. Property worth Rs. 10,000 is destroyed by fire. The insure can claim.  
 (a) Rs. 100 (b) Rs. 200✓  
 (c) Rs. 1,000 (d) Rs. 5,000
3. A person who is in lawful possession of goods belonging to another.  
 (a) cannot insure them  
 (b) can insure them even without the knowledge of the owner✓  
 (c) cannot insure without the knowledge of the owner  
 (d) can insure them by paying extra premium
4. In the event of loss in case of a value policy of fire insurance.  
 (a) a fixed amount is payable✓  
 (b) actual amount of loss is payable  
 (c) a reasonable amount is payable  
 (d) none of the above
5. In the case of fire policy the persons who do not have insurable interest in the subject matter are.  
 (a) mortgagor (b) neighbour✓  
 (c) insurer (d) pledgee
6. In a fire policy the amount payable in case of loss is fixed. This is a  
 (a) specific policy  
 (b) valued policy✓  
 (c) floating policy  
 (d) replacement policy
7. In a voyage policy, where the voyage is to be performed in stages, the ship must be seaworth at the commencement of.  
 (a) the voyage  
 (b) each stage of voyage✓  
 (c) at prominent stages of voyage
8. Where a ship, without any lawful excuse, deviates from the voyage contemplated by the policy the insurer.  
 (a) is not liable at all  
 (b) is liable for any loss which might have occurred prior to deviation✓  
 (c) continuous to be liable till the completion of the voyage  
 (d) is liable for loss which occurs after deviation
9. Insurable value in marine insurance means.  
 (a) insurable interest  
 (b) value of insurable interest✓  
 (c) amount to be paid by the insurer in case of loss  
 (d) none of the above
10. Floating policy of marine insurance means a policy which.  
 (a) describes the insurance in general terms✓  
 (b) covers the risk during a particular voyage  
 (c) covers the risk during a particular voyage for a specific period  
 (d) is for a definite period of time
11. Constructive total loss occurs where  
 (a) the subject-matter ceases to be a thing of the kind insured  
 (b) the subject-matter is irreparably damaged  
 (c) the assure is irretrievably deprived of the subject-matter  
 (d) the cost of recovering the goods or ship would exceed their value when recovered.✓

## Marine Insurance

1. Where the subject matter has been insured lost or not lost and has arrived safely at the time when the contract is concluded.  
 (a) the premium is returnable  
 (b) the premium is not returnable✓  
 (c) a part of the premium is returnable  
 (d) the policy becomes void
2. In PPI policy the existence of insurable interest.  
 (a) is to be proved at the time of loss  
 (b) need not be proved at the time of loss  
 (c) is presumed  
 (d) I to prove at the time of contract  
 (e) b & c above.

## Carriage of Goods

1. For the injury or damage to the goods caused by declared enemies of the state a carrier is.

- (a) liable (b) not liable ✓  
 (c) liable only for a part of the loss  
 (d) liable for the loss to be determined by the Court
2. Unless otherwise agreed, all goods are considered to have been delivered to the railway for carriage at.  
 (a) owner's risk rate ✓  
 (b) railway risk rate  
 (c) ordinary rate (d) special rate
3. The responsibility of the railway administration is.  
 (a) limited to that of a bailee  
 (b) more than that of a bailee ✓  
 (c) extinguished altogether  
 (d) none of the above
4. The law relating to carriage of goods by land is found in.  
 (a) The Carriers Act 1865  
 (b) The Bills of Lading Act 1856  
 (c) The Merchant Shipping Act 1958  
 (d) The Railways Act 1989  
 (e) A & b above. ✓
5. Unless it is declared in writing and an additional charge is paid, the liability of a railway administration in case of loss of articles of special value is limited to.  
 (a) Rs. 100 (b) Rs. 500 ✓  
 (c) Rs. 1,000 (d) Rs. 2,000
3. When goods are to be carried partly by sea and partly by land and the ship owner has charged both for carriage by sea and carriage by land, the bill of lading is called.  
 (a) a through bill of lading ✓  
 (b) on board bill of lading  
 (c) a claused bill of lading  
 (d) a clean bill of lading
4. Where goods are carried in a general ship, the master has  
 (a) power to sign bills of lading ✓  
 (b) no power to sign bills of lading  
 (c) power to enter into contract  
 (d) power to give warranties
5. Primage means.  
 (a) freight ✓  
 (b) demurrage  
 (c) a customary charge over and above the freight  
 (d) the liability of the charter to pay freight
6. A bill of lading is.  
 (a) a document of title to goods  
 (b) not a document of title to the goods  
 (c) a negotiable instrument  
 (d) quasi negotiable instrument  
 (e) a & d above.
7. Seaworthiness of a ship means that the ship is reasonably fit to encounter the perils of the sea. This undertaking.  
 (a) is absolute (b) is not absolute  
 (c) may be conditional  
 (d) none of the above

## Carriage by Sea

1. A contract between a ship owner and a consignor of goods by which an entire ship is placed at the disposal at the disposal of the consignor is called.  
 (a) charter party ✓  
 (b) bill of lading  
 (c) Mate's receipt  
 (d) bailment
2. Where a bill lading acknowledges receipt of goods in apparent good condition, it is termed a  
 (a) clean bill of lading ✓  
 (b) claused bill of lading  
 (c) dirty bill of lading  
 (d) through bill of lading

## Carriage by Air

1. In the carriage of passengers the liability of the air carrier is limited to a sum of.  
 (a) 1,00,000 francs  
 (b) 1,25,000 francs  
 (c) 2,50,000 francs ✓  
 (d) 5,00,000 francs
2. The air consignment note is prepared by the  
 (a) consignor ✓  
 (b) air carrier  
 (c) forwarding agent  
 (d) consignee

3. The contract for carriage of goods by air is contained in  
 (a) Passenger ticket  
 (b) Luggage ticket  
 (c) Air consignment note ✓  
 (d) Airway bill
4. The air consignment note must be made out by the consignor in  
 (a) duplicate  
 (b) two original parts  
 (c) three original parts ✓  
 (d) four original parts
5. (d) Input tax \$ 6,00 Output tax \$ 5,000
6. A business purchased goods on credit for \$ 50,000 excluding sales tax and paid sales tax @ 15% on its purchases. What is the amount of its trade payable?  
 (a) \$ 57,500 ✓  
 (b) \$ 42,500  
 (c) \$ 50,000  
 (d) \$ 60,000
7. A manufacturer purchased raw material for Rs. 80,000 excluding sales tax and paid sales tax @ 15% on purchases. On completion of manufacturing process, he sold goods for Rs. 100,000 excluding sales tax and charged sales tax @ 15% on sales.

\*\*\*\*\*

## Income Tax

1. Sales tax is:  
 (a) A wealth tax  
 (b) An indirect tax ✓  
 (c) A property tax  
 (d) An income tax
2. Sales tax is levied on:  
 (a) Sale of all goods and services  
 (b) Sale of taxable goods only  
 (c) Sale of all taxable goods and services ✓  
 (d) Sale of food items only
3. The final burden of sales tax is borne by:  
 (a) Manufacturer  
 (b) Whole seller  
 (c) Retailer  
 (d) Consumer ✓
4. Sales tax levied on sale of taxable goods and services is termed as output tax.  
 (a) True ✓ (b) False
5. A manufacturer purchased raw material for \$ 40,000 excluding sales tax and paid sales tax @ 15% on purchases. On completion of manufacturing process, he sold goods for \$ 70,000 excluding sales tax and charged sales tax @ 15% on sales. What is the amount of input tax and output tax of the manufacturer?  
 (a) Input tax \$ 10,500 Output tax \$ 6,000  
 (b) Input tax \$ 6,000 Output tax \$ 10,500 ✓  
 (c) Input tax \$ 4,000 Output tax \$ 10,500
6. What is the amount of input tax and output tax of the manufacturer?  
 (a) Input tax Rs. 7,500  
 Output tax Rs. 4,000  
 (b) Input tax Rs. 9,000  
 Output tax Rs. 14,500  
 (c) Input tax Rs. 8,000  
 Output tax Rs. 12,500  
 (d) Input tax Rs. 12,000 ✓  
 Output tax Rs. 15,000
8. The excess of output sales tax on input sales tax is,  
 (a) Receivable from tax authorities  
 (b) Payable to consumer  
 (c) Payable to tax authorities ✓  
 (d) Receivable from consumer
9. The excess of input sales tax on output sales tax is:  
 (a) Receivable from consumer  
 (b) Payable to consumer  
 (c) Payable to tax authorities  
 (d) Receivable from tax authorities ✓
10. A manufacturer purchased material excluding sales tax for \$ 50,000 and paid sales tax @ 15% on purchases. After manufacturing the products, he sold them for \$ 80,000 excluding sales tax and charged sales tax @ 15% on sales. What amount of sales tax is paid by manufacturer to tax authorities.  
 (a) \$ 2,500 (b) \$ 3,500  
 (c) \$ 4,500 ✓ (d) \$ 5,500

11. A manufacturer purchased material excluding sales tax for Rs. 20,000 and paid sales tax @ 15% on purchases. After manufacturing the products, he sold them for Rs. 35,000 excluding sales tax and charged sales tax @ 15% on sales. What amount of sales tax is paid by manufacturer to tax authorities?  
 (a) 2,300 (b) 2,250✓  
 (c) 1,250 (d) 2,500
12. The excess of output tax on input tax is paid by business to tax authorities on:  
 (a) Monthly basis  
 (b) Quarterly basis✓  
 (c) Semi-annually basis  
 (d) Annual basis
13. An unregistered person is not allowed to reclaim his input sales tax.  
 (a) True✓ (b) False
14. A business sold goods on credit for Rs. 60,000 excluding sales tax and charged sales tax @ 15% on its sales. What is the amount of its trade receivable?  
 (a) Rs. 60,000 (b) Rs. 51,000  
 (c) Rs. 69,000✓ (d) Rs. 70,000
15. Sales tax paid on purchase of taxable goods and services is termed as output tax.  
 (a) True (b) False✓
16. When a business makes credit sales, the total amount of invoice including sales tax charge is recorded in sales day book.  
 (a) True ✓ (b) False
17. The excess of input tax over output tax is receivable.  
 (a) By consumer from tax authorities  
 (b) By business from consumer  
 (c) By business from tax authorities✓  
 (d) By tax authorities from business
18. The excess of output tax over input tax is receivable.  
 (a) By business from tax authorities  
 (b) By business from consumer  
 (c) By consumer from tax authorities  
 (d) By tax authorities from business✓
19. Sales tax is charged on sales and not on profit of business.  
 (a) True✓ (b) False
20. Trade receivables and trade payables are shown in the accounts exclusive of sales tax.  
 (a) True (b) False✓
21. Sales tax payable to tax authorities is shown as:  
 (a) Expense in income statement  
 (b) Current asset in Statement of Financial Position  
 (c) Current liability in Statement of Financial Position✓  
 (d) Income in Income Statement
22. Sales tax refundable from tax authorities is shown as a (n):  
 (a) Current liability in Statement of Financial Position  
 (b) Current asset in Statement of Financial Position✓  
 (c) Expense in Income Statement  
 (d) Income in Income Statement
23. Johnson, a sales tax registered trader purchased a machine for use in his business. The invoice for machine showed the following costs related to purchase of machine.
- |                                |               |
|--------------------------------|---------------|
| Machine                        | 70,000        |
| Delivery charges               | 2,000         |
| Installation & testing charges | 2,000         |
| Maintenance (2 Years)          | <u>3,000</u>  |
|                                | 77,000        |
| Sales tax (17.5%)              | <u>13,475</u> |
| Total                          | 90,475        |
- How much should Johnson capitalize as a non-current asset in relation to the purchase of machine?  
 (a) \$ 990,475 (b) \$ 75,000  
 (c) \$ 74,000✓ (d) \$ 13,475
24. Maria, a sale tax registered trader purchased equipment for use in her business. The invoice for machine showed the following costs related to purchase of equipment.
- |                                |              |
|--------------------------------|--------------|
| Equipment                      | 25,000       |
| Delivery charges               | 200          |
| Installation & testing charges | 800          |
| Maintenance (1 Years)          | <u>1,000</u> |
|                                | 27,000       |
| Sales tax (17.5%)              | <u>4,725</u> |

- Total 31,725
- How much should Maria capitalize as a non-current asset in relation to the purchase of equipment?  
 (a) \$ 26,000✓ (b) \$ 27,000  
 (c) \$ 31,725 (d) \$ 4,725
25. Irrecoverable amount of input sales tax is included in the cost of item purchased.  
 (a) True✓ (b) False
26. A registered person purchased taxable goods for \$ 45,000 excluding sales tax and also paid sales tax @ 15% on purchases.  
 What is the amount of purchases shown in Income statement?  
 (a) \$ 45,000✓ (b) \$ 38,250  
 (c) \$ 51,250 (d) \$ 50,000
27. An un-registered person purchased taxable goods for \$ 60,00 excluding sales tax and also paid sales tax @ 15% on purchases.  
 What is the amount of purchases shown in income statement?  
 (a) \$ 60,000 (b) \$ 51,000  
 (c) \$ 69,000✓ (d) \$ 70,000
28. Sales tax paid on business entertaining items is not recoverable from tax authorities.  
 (a) True✓ (b) False
29. A business charges \$ 5,000 of sales tax on its sales and paid \$ 2,800 of sales tax on its purchases which include \$ 500 sales tax on business entertaining.  
 What is the amount of sales tax payable to tax authorities by the business?  
 (a) \$ 5,000 (b) \$ 2,800  
 (c) \$ 2,200 (d) \$ 2,700✓
30. A business charges 4 8,000 of sales tax on its sales and paid \$ 5,600 of sales tax on its purchases which include \$ 600 sales tax on business entertaining.  
 What is the amount of sales tax payable shown in Statement of Financial Position of the business?  
 (a) \$ 2,400 (b) \$ 3,000✓  
 (c) \$ 8,000 (d) \$ 5,600
31. In Income statement, a registered person show his purchases excluding sales tax paid on purchases.  
 (a) True✓ (b) False
32. In Income statement, a non-registered person shows its purchases excluding sales tax paid on purchases.  
 (a) True (b) False✓
33. In Income statement, a registered person shows its sales including sales tax charged on sales.  
 (a) True (b) False✓
34. A business made sales of \$ 57,500 including 15% sales tax. What is the amount of sales shown in Income statement?  
 (a) \$ 57,500 (b) \$ 66,125  
 (c) \$ 50,000 (d) % 60,000
35. A registered business made purchases of \$ 46,000 including 15% sales tax. What is the amount of purchases shown in income statement?  
 (a) \$ 46,000 (b) \$ 40,000✓  
 (c) \$ 52,900 (d) \$ 48,000
36. A non-registered business made purchases of \$ 92,000 including 15% sales tax. What is the amount of purchases shown in income statement?  
 (a) \$ 80,000 (b) \$ 105,800  
 (c) \$ 97,000 (d) \$ 92,000✓
37. A registered business made credit sales of \$ 34,500 including 15% sales tax. Which of the following is correct entry for the above transaction?  
 (a) Account receivable 30,000Dr  
 Sales tax receivable 4,500  
 Sales 34,500Cr  
 (b) Account Receivable 34,500Dr  
 Sales 34,500Cr  
 (c) Account Receivable 34,500Dr✓  
 Sales tax payable 4,500  
 Sales 30,000Cr  
 (d) Account receivable 30,000Dr  
 Sales 30,000Cr
38. A business made credit sales of \$80,500 including 15% sales tax. Which of the following is correct entry for the above transaction?

- (a) Account receivable 70,000Dr  
Sales tax receivable 10,500  
Sales 80,500Cr
- (b) Account receivable 80,500Dr  
Sales 80,500Cr
- (c) Account Receivable 70,000Dr  
Sales 70,000Cr
- (d) Account Receivable 80,500Dr✓  
Sales tax payable 10,500  
Sales 70,000Cr
39. A registered trader, purchased goods for \$ 69,000 including 15% sales tax. Which of the following is correct entry for above transaction?
- |                      | Dr      | Cr     |
|----------------------|---------|--------|
| (a) Purchases        | 69,000  |        |
| Account payable      |         | 69,000 |
| (b) Purchases        | 69,000  |        |
| Sales tax receivable |         | 9,000  |
| Account payable      |         | 60,000 |
| (c) Purchases        | 60,000✓ |        |
| Sales tax payable    | 9,000   |        |
| Account payable      |         | 69,000 |
| (d) Purchases        | 69,000  |        |
| Sales tax payable    |         | 9,000  |
| Account payable      |         | 60,000 |
40. A non registered trader, purchased goods for \$ 23,000 including 15% sales tax. Which of the following is correct entry for above transaction?
- |                      | Dr      | Cr     |
|----------------------|---------|--------|
| (a) Purchases        | 23,000✓ |        |
| Account payable      |         | 23,000 |
| (b) Purchases        | 23,000  |        |
| Sales tax receivable |         | 3,000  |
| Account payable      |         | 20,000 |
| (c) Purchases        | 20,000  |        |
| Sales tax payable    | 3,000   |        |
| Account payable      |         | 23,000 |
| (d) Purchases        | 20,000  |        |
| Sales tax payable    |         | 20,000 |
41. A registered business purchased goods on credit for \$ 70,000 excluding sales tax and paid sales tax @ 15% on its purchases. Which of the following is correct entry for above transaction?
- |                      | Dr      | Cr     |
|----------------------|---------|--------|
| (a) Purchases        | 70,000  |        |
| Account payable      |         | 70,000 |
| (b) Purchases        | 80,500  |        |
| Sales tax receivable |         | 10,500 |
| Account payable      |         | 70,000 |
| (c) Purchases        | 70,000  |        |
| Sales tax payable    |         | 10,500 |
| Account payable      |         | 80,500 |
| (d) Purchases        | 80,500✓ |        |
| Sales tax payable    |         | 80,500 |
42. An un-registered business purchased goods on credit for \$ 40,000 excluding sales tax and paid sales tax @ 15% on its purchases. Which of the following is correct entry for above transaction?
- |                      | Dr      | Cr     |
|----------------------|---------|--------|
| (a) Purchases        | 46,000✓ |        |
| Account payable      |         | 46,000 |
| (b) Purchases        | 46,000  |        |
| Sales tax receivable |         | 6,000  |
| Account payable      |         | 40,000 |
| (c) Purchases        | 40,000  |        |
| Sales tax payable    | 6,000   |        |
| Account payable      |         | 46,000 |
| (d) Purchases        | 46,000  |        |
| Sales tax payable    |         | 46,000 |
43. A registered business made credit sales of \$ 75,000 excluding sales tax and charged sales tax @ 15% of sales. Which of the following is correct entry for the above transaction?
- |                        | Dr      | Cr     |
|------------------------|---------|--------|
| (a) Account Receivable | 75,000  |        |
| Sales tax Receivable   | 11,250  |        |
| Sales                  |         | 86,250 |
| (b) Account Receivable | 86,250  |        |
| Sales                  |         | 86,250 |
| (c) Account Receivable | 86,250✓ |        |
| Sales tax payable      |         | 11,250 |
| Sales                  |         | 75,000 |
| (d) Account receivable | 75,000  |        |
| Sales                  |         | 75,000 |
44. A registered person sold goods on credit for \$ 30,000 and offered a cash discount of 5% if paid within 20 days. What is the amount of sales tax charged on sales of \$ 30,000 if the customer paid the invoice within 20 days. The rate of sales tax is 15%
- |              |              |
|--------------|--------------|
| (a) \$ 4,500 | (b) \$ 4,600 |
| (c) \$ 4275✓ | (d) \$ 5,000 |

45. A registered person sold goods on credit for \$ 50,000 and offered a cash discount of 5% if paid within 30 days. What is the amount of sales tax charged on sales of \$ 50,000 if the customer failed to pay the voice within 30 days. The rate of sales tax is 15%.
- (a) \$ 7,500 (b) \$ 6,700  
(c) \$ 7,550 (d) \$ 7,125✓
1. No of heads of income.
- (a) 4 (b) 5✓  
(c) 3 (d) 6
2. Special allowances include.
- (a) Daily allown ✓  
(b) utility  
(c) medical  
(d) conveyance
3. Types of provident fund.
- (a) Govt. P.F  
(b) Reorganized P.F  
(c) unrecognized P.F  
(d) a,b & c✓
4. Medical allowance at 10 percent is exempt of
- (a) M.T.S  
(b) Salary  
(c) Basic salary✓  
(d) Medical Allownce
5. If nothing is mention with the amount of salary its will always be assumed as.
- (a) Per month (b) Per annum  
(c) Per year (d) b and c✓
6. Employer provide a furnished unfurnished accommodation.
- (i) Rent entitlement  
(ii) 45% of MTS or Basic salary in both what will be taxable.
- (a) Rent entitlement (b) 45% MTS  
(c) Lesser amount  
(d) Higher amount ✓
7. If facility provided to Admissible Areas then what will be rate of MTS or B.S
- (a) 45% (b) 35%  
(c) 30%✓ (d) 40%
8. If the amount of Gratuity approved by Govt. then the amount is:
- (a) Taxable (b) Exempt✓  
(c) 10% exempt (d) 30% exempt
9. If the amount of Gratuity is given and nothing will be mention it will be assumed as approved by.
- (a) Board (b) unapproved  
(c) FBR (d) CIT✓
10. Bench mark rate at the year 2012.
- (a) 10% (b) 11%  
(c) 15% (d) 14%✓
11. KIBOR stands for.
- (a) Karachi inter board offered rate  
(b) Karachi inter bank offered rate✓  
(c) Karachi invention  
(d) Karachi Inter Break offered rate
12. Rate of KIBOR on 3<sup>rd</sup> July 2012 was.
- (a) 12% (b) 11.95%✓  
(c) 11.50% (d) 10%
13. Types of Tax year
- (a) Normal tax year  
(b) Special tax year  
(c) Transitional tax year  
(d) a, b and c✓
14. Agriculture income is treated at what head of income.
- (a) Business (b) Capital gain  
(c) Salary (d) Other sources✓
15. Employer's contribution in Provident fund is.
- (a) Taxable (b) Exempt 10%  
(c) Included in Taxable income✓  
(d) 25% exempt
16. Teachers are entitled for a concession of what percent of Gross Tax.
- (a) 50% (b) 60%  
(c) 75% ✓ (d) 70%
17. In which what will not be allowed for average relief.
- (a) Donation for charitable prison  
(b) Contribution to approved pension fund  
(c) Profit an Debt  
(d) Donation to Bait-ul-Mal✓
18. Conveyance provided to employec for personal use what will be the rate of tax.
- (a) 5% (b) 10%✓  
(c) 15% (d) 20%
19. Conveyance provided by employ Acquire on lease. What will be the amount on which tax is calculate.

- (a) Cost (b) Lease Rental  
(c) Book value  
(d) Four market value✓
20. Dividend written in.  
(a) Salary (b) Capital Gain  
(c) Business (d) FTR✓
21. The amount spent on the purchase of fixed asset is:  
(a) Capital Receipts  
(b) Revenue Receipts  
(c) Capital expenditure✓  
(d) Revenue expenditure
22. The amount spent on the purchase of floating Asset is.  
(a) Capital Receipts  
(b) Revenue receipts  
(c) Capital expenditure  
(d) Revenue expenditure ✓
23. Period of benefit more then on year then it will be a.  
(a) Capital expenditure✓  
(b) Revenue Expenditure  
(c) Capital Receipts  
(d) Revenue receipts
24. Expenditure made at the initiation of business are:  
(a) Cap Expenditure✓  
(b) Capital Receipts  
(c) Revenue Expenditure  
(d) Revenue Expenditure
25. When the amount is Received on sale of circulating asset then it will be.  
(a) Cap Expenditure  
(b) Revenue Expenditure  
(c) Capital receipts  
(d) Revenue receipts
26. In small company paid up capital plus undistributed reserves should not exceed.  
(a) 25 million rupees✓  
(b) 5 million rupees  
(c) 30 million rupees  
(d) 20 million rupees
27. Resident person the total stay during tax year is more than  
(a) 182 days (b) 183 days✓  
(c) 184 days (d) 180 days
28. In which of the following the capital asset is treat.  
(a) Stock in trade  
(b) Moveable property  
(c) Raw material held for purpose of business  
(d) Shares on public company✓
29. In which what are the non-agricultural income.  
(a) Income from growing tea  
(b) Income from cultivation of wheat  
(c) Land revenue assigned to tagirav  
(d) Income from stone quarries✓
30. In appellate Tribunal the members are appointed by the  
(a) High court  
(b) Board  
(c) Supreme Court  
(d) Federal Govt.✓
31. Find authority of Tax to hear the appeal.  
(a) Court  
(b) Govt. Accountant member  
(c) CIT  
(d) Appellate Tribunal✓
32. Donation to chartable institution is allowed for rebate at what rate.  
(a) 30%✓ (b) 50% allowed  
(c) 20% (d) 40% allowed
33. What will be charge the rate on winning from raffle or lottery  
(a) 10% of such wining  
(b) 20% of such winning✓  
(c) 40% of such winning  
(d) 15% of such winning
34. Flying Allownce received from Pakistan Armed forces PIA, what will be the rate of tax.  
(a) 1.5% of such allowance  
(b) 2% of such allowance  
(c) 2.5% of such allowance✓  
(d) 3% of such allowance
35. Which of the following is not under the FTR.  
(a) Dividend income  
(b) Profit on debts  
(c) Winning from lottery  
(d) Agriculture income✓
36. At what amount the property tax is not charged up to.  
(a) 150,000 up to✓ (b) 200,000 up to



- (c) 250,000 up to (d) 300,000 up to
37. The tax will not be charged of the taxable income does not exceed.  
 (a) 200,000 (b) 250,000  
 (c) 300,000 (d) 350,000✓
38. For Applying marginal relief if the total income does not exceed 10,50,100 then what will be the rate of the exceeding last slab.  
 (a) 10% (b) 20%  
 (c) 30%✓ (d) 40%
39. Which withdrawal from banking what rate will be charged.  
 (a) .1% (b) .2%  
 (c) .3%✓ (d) .4%
40. What will not be deducted out total income.  
 (a) Zakat Paid  
 (b) Worker welfare fund  
 (c) Donation to approved institution  
 (d) Donation to Bait-ul-Mal✓
41. If the taxpayer in tax office are not agree dispute on particular point the appeal can be made to.  
 (a) Appellate tribunal✓  
 (b) High court  
 (c) Cit  
 (d) FBR
42. The Decision of the Tribunal on point of facts in final. However, in case of point of Law the matter may be referred to:  
 (a) CIT (b) High Court✓  
 (c) FBR (d) a, b and c
43. Agricultural income means income.  
 (a) Derived from land  
 (b) Land is situated inn Pakistan  
 (c) Land is used for Agriculture purpose  
 (d) The above all✓
44. What will be the Penalty for failure to apply for registration under sec 181 of the income tax ordinance rool.  
 (a) 5000 ✓ (b) 10,000  
 (c) 11000 (d) 20,000

## INCOME TAX ORDINANCE 2001

1. Business means any activity the motive of which is:  
 (a) To loss business  
 (b) To earn profit✓  
 (c) To earn extraordinary amount by illegal way  
 (d) None of above
2. Essential of Business are:  
 (a) Trade  
 (b) Commerce  
 (c) Manufacture  
 (d) All of above✓
3. All professions are business but all business are not professions:  
 (a) True (b) False
4. Incomes taxable under the head of income from business are:  
 (a) Gains & profit  
 (b) Income from trade  
 (c) Profession  
 (d) Services & property  
 (e) Management fee & value of any benefit  
 (f) Profit on debt  
 (g) All of above✓
5. Income which are not taxable:  
 (a) Remuneration received by an examiner  
 (b) Enrolment fee received by Bar Council  
 (c) Income of non-professional writer All of above  
 (d) All of above✓
6. Capital assets means property of any kind held by a person (assessee):  
 (a) True✓ (b) False
7. Any profit and gains arising from sale of capital asset is taxable under the head of capital gains:  
 (a) True✓ (b) False
8. Movable property is included in the definition of capital asset.

- (a) True ✓ (b) False
9. What are not capital assets:  
(a) Any stock in trade & raw materials  
(b) Any land from which agriculture is derived  
(c) Any immovable property for personal use  
(d) All of above ✓
10. Essentials of capital gains are:  
(a) Profit  
(b) Capital asset  
(c) Transfer  
(d) All of above ✓
11. Where asset is disposed off after one year:  
(a) 75% of capital gain is taxable  
(b) Remaining 25% is exempt from tax  
(c) Both(a)&(b) ✓  
(d) None of above
12. Modes of transfer of capital gains are:  
(a) By sale & exchange  
(b) By disposition  
(c) By relinquishment  
(d) All of above ✓
13. Expenses incurred in any business or borne by a tax payer may be:  
(a) Capital expenditure  
(b) Revenue/business expenditure  
(c) Both (a) & (b) ✓  
(d) None of above
14. All the expenditures made at the initiation of business are capital expenditures:  
(a) True ✓ (b) False
15. Legal fee paid to legal adviser for drafting Memorandum of a partnership deed for partnership firm represents:  
(a) Capital expenditures ✓  
(b) Revenue expenditures  
(c) Business expenditure  
(d) None of above
16. Objects of differentiating between capital expenditure and business expenditure are:  
(a) Correct assessment expenditure  
(b) Correct preparation of balance sheet  
(c) Correct preparation of profit and loss  
(d) All of above ✓
17. Income means  
(a) Profit or gains  
(b) Amount  
(c) Chargeable to tax and loss of income  
(d) All of above ✓
18. What are include in income:  
(a) Profit gains  
(b) Income from imports  
(c) Income from exports  
(d) All of above ✓
19. What are not included in income:  
(a) Face value of any bonus shares  
(b) Bonus paid to share holders of company  
(c) Both (a) & (b) ✓  
(d) None of above
20. Any amount received in installments is called:  
(a) Capital income ✓  
(b) Revenue income  
(c) Both (a) & (b)  
(d) None of above
21. Any amount which is received lump sum is called:  
(a) Capital income  
(b) Revenue income ✓  
(c) Both (a) & (b)  
(d) None of above
22. Meaning of word income is that which comes as the periodical produce of:  
(a) One's work  
(b) One's business  
(c) One's land or investments  
(d) All of above ✓
23. Salary means fixed:  
(a) Weekly remuneration  
(b) Monthly remuneration  
(c) Both(a)&(b) ✓  
(d) None of above
24. Gratuity is a lump sum amount given by the employer normally at the time of:  
(a) Appointment  
(b) During continuous service  
(c) Retirement ✓  
(d) None of above
25. According to section 155(2) the tax deducted under sub-section (1) shall be a final tax on the income from property:  
(a) True ✓ (b) False

26. Capital gain is the fourth source of income for a person and is chargeable to tax under the head of "Capital gain".  
 (a) True✓ (b) False
27. Income tax is an annual charges upon a person deriving such income during tax:  
 (a) Month (b) Year✓  
 (c) Day (d) None of above
28. Classification of income of the person under five different heads does:  
 (a) Not mean that a person will have to pay five different taxes✓  
 (b) Mean that a person will have to pay five different taxes  
 (c) Both (a) & (b)  
 (d) None of above
29. Section 39 of Income Tax Ordinance 2001 enumerates the income from:  
 (a) Other sources✓ (b) Business  
 (c) Property (d) None of above
30. What include in income from other source i.e.  
 (a) Dividend  
 (b) Profit on Debt  
 (c) Royalty  
 (d) All of above✓
31. Income from other sources which are not taxable but included in income from other sources:  
 (a) Director's fee  
 (b) Tips  
 (c) Interest on Bank Deposits  
 (d) All of above✓
32. Deductions are admissible under section 40 of Income Tax Ordinance 2001:  
 (a) Zakat  
 (b) Repair & maintenance  
 (c) Insurance charges  
 (d) All of above✓
33. Section 41 to 56 of the Income Tax Ordinance 2001 deal with the exemptions and tax concessions available to a tax payer:  
 (a) True✓ (b) False
34. Section 60 to 65 of income tax ordinance are relating to:  
 (a) Exemptions  
 (b) Deductible allowances✓  
 (c) Income from other sources  
 (d) Non of above
35. The word depreciation has not been defined in Income Tax Ordinance 2001 however it means a:  
 (a) Decrease in a value of an asset✓  
 (b) Increase in a value of an asset  
 (c) Decrease in capital gain  
 (d) None of above
36. Kinds of depreciation are:  
 (a) Initial depreciation  
 (b) Additional initial depreciation  
 (c) Normal depreciation  
 (d) All of above✓
37. Reasons of depreciation are:  
 (a) New invention  
 (b) Decrease in market value  
 (c) Passage of time & loss  
 (d) All of above✓
38. Assets on which depreciation is allowed  
 (a) Building, plant  
 (b) Machinery, furniture, Aero engines  
 (c) Computer, motor vehicles, ships, Air crafts, Air photographic apparatus, laboratory equipments  
 (d) All of above✓
39. A firm is an association of person for the purpose of:  
 (a) Income (b) Property  
 (c) Business✓  
 (d) None of above
40. Time for application for the registration of firm is:  
 (a) Start in income year  
 (b) End of income year✓  
 (c) Mid of income year  
 (d) None of above
41. Return is a statement by which assesses shows his income:  
 (a) During a income year✓  
 (b) End of year  
 (c) Start of year  
 (d) None of above
43. When tax payer is file an application on the prescribe form along with the returned income, when this return duly completed,

- is submitted to the authorities it is known as:
- (a) Furnishing the return of income ✓  
 (b) Return of income  
 (c) Return of Business  
 (d) None of above
44. According to section 114 of income tax ordinance 2001, it is necessary for the persons to furnish the returns of income:
- (a) Every company irrespective of its income  
 (b) Any non-profit organization  
 (c) Any approved Welfare institution  
 (d) All of above ✓
44. Persons who are not required to furnish a return of income for a tax year are:
- (a) A widow  
 (b) An orphan below the age of 25 year  
 (c) A disabled person  
 (d) All of above ✓
45. In case of company who tax year ends between 1<sup>st</sup> January and 30<sup>th</sup> June, the time for filing return is upto:
- (a) 31<sup>st</sup> December of the same year ✓  
 (b) 31<sup>st</sup> January of next year  
 (c) 30<sup>th</sup> June of same year  
 (d) None of above
47. Grounds for extension of filing of return provided by tax payer (assessee) are:
- (a) Absence from Pakistan  
 (b) Sickness  
 (c) A misadventure or any other genuine difficulty  
 (d) All of above ✓
48. Penalty for not filing return is:
- (a) 1/10 of one percent of tax payable for each day of default  
 (b) minimum 25% of tax, payable  
 (c) Both (a) & (b) ✓  
 (d) None of above
49. Section 120 to 126 of Income Tax Ordinance 2001, are relating to:
- (a) Assessment ✓ (b) Return  
 (c) Business (d) None of above
51. Assessment means process of:
- (a) Ascertaining ✓ (b) Collection  
 (c) Depositing (d) None of above
52. How many cycle of assessment:
- (a) Five ✓ (b) Six  
 (c) Seven  
 (d) None of above
53. Who can amend the assessment:
- (a) Commissioner ✓  
 (b) Deputy Commissioner  
 (c) Assistant Commissioner  
 (d) None of above
54. Period of amend of the assessment is:
- (a) Within five years after the issuance of commissioner order ✓  
 (b) Within six years after the issuance of commissioner order  
 (c) Within seven years after the issuance of commissioner order  
 (d) None of above
55. The persons who can file appeal in income tax ordinance 2001 are:
- (a) Tax payer  
 (b) Third party  
 (c) Commissioner of income tax  
 (d) Both (a) & (b) ✓
56. Authorities to whom the appeal can be submitted:
- (a) Commissioner (Appeals)  
 (b) Appellate tribunal  
 (c) Reference to high court  
 (d) Supreme Court  
 (e) All of above ✓
57. Sections 127 to 129 of Income Tax Ordinance describe the procedure of appeal to:
- (a) Commissioner (Appeals) ✓  
 (b) Appellate tribunal  
 (c) Both (a) & (b)  
 (d) None of above
58. The appellate tribunals is disposing of an appeal under section:
- (a) 132 ✓ (b) 133  
 (c) 134 (d) None of above
59. Reference filed before High Court does not effect the recovery:
- (a) False (b) True ✓
60. Reference filed before High Court under section:

- (a) 132 (b) 133✓  
(c) 134  
(d) None of above
61. When ever a case is reconsidered by the same or the higher administration authority it is known as:  
(a) Revision✓ (b) Review  
(c) Appeal (d) None of above
62. A person may be appointed as a judicial member of the \_\_\_\_\_ appellate Tribunal if the person:  
(a) Has exercised powers of a District Judge or Judge of a High Court  
(b) Is or has been an advocate of a High Court and is qualified to be a Judge of the High Court  
(c) Both (a) & (b)✓  
(d) None of above
63. Alternative dispute resolution is described under section:  
(a) 134 (b) 134A✓  
(c) 135  
(d) None of above
64. Recovery proceeding can be initiated against defaulter of income tax by income tax authorities:  
(a) False (b) True✓
65. Authorities who can recover income tax:  
(a) Commissioner Inland  
(b) Deputy Commissioner Inland Revenue  
(c) Both (a) & (b) ✓  
(d) None of above
66. Modes of Recovery of income tax under section 138 of income tax ordinance 2001 are:  
(a) Attachment of property  
(b) Sale of property  
(c) Appointment of receiver  
(d) Arrest & detention  
(e) All of above✓
67. Deduction of tax at source have great importance  
(a) It saves time  
(b) Collection of tax becomes easy"  
(c) Both (a) & (b)✓  
(d) None of above
68. Principles in respect of deduction are laid down:  
(a) Method of accounting regularly used by assessee  
(b) Expenditure should be from tax payer  
(c) Expenditure should be in that income year in which such income assessed  
(d) All of above✓
69. The principle of deduction of tax at source is applicable as under:  
(a) Salary (b) Dividend  
(c) Profit on debt  
(d) All of above✓
70. A tax payer can take back the amount which has been paid by him it is in excess this is called:  
(a) Refund✓ (b) Deduction  
(c) Dividend  
(d) None of above
71. Who is entitled to claim refund:  
(a) Person who paid tax/tax payer  
(b) Guardian  
(c) Receiver & Trustee  
(d) Legal representative of tax payer  
(e) All of above✓
72. Section 170 of Income Tax Ordinance 2001 described the procedure of:  
(a) Refunded✓ (b) Deduction  
(c) Dividend  
(d) None of above
73. Penalty is a punishment:  
(a) Corporeal or pecuniary  
(b) Civil or Criminal  
(c) Both (a) & (b)✓  
(d) None of above
74. The principle of mens-rea is not applicable under the tax laws regarding:  
(a) Imposition of penalty✓  
(b) Imposition of deduction  
(c) Imposition of refund  
(d) None of above
75. Ignorance of law provides no defence against penal liability:  
(a) True✓ (b) False
76. Person fail to furnish income tax return within reasonable time, the amount of imposed penalty is:

- (a) Equal to 1/10 of one percent of taxable for each day of default  
 (b) Minimum penalty of Rs.50,000  
 (c) Maximum penalty of 25% of tax payable in respect of that tax year  
 (d) All of above ✓
77. Any person without reasonable cause fails to furnish the required statement within the time allowed the commissioner Inland Revenue the amount of penalty imposed is:  
 (a) Initial penalty of Rs.2000  
 (b) Additional penalty of Rs.200 for each day during which default continues  
 (c) Both (a) & (b) ✓  
 (d) None of above
78. Any tax payer fails to pay the tax within specified time, the amount of penalty imposed is:  
 (a) First default 5% of tax  
 (b) Second default additional penalty 25% of the tax  
 (c) Third default 50%  
 (d) All of above ✓
79. Any person conceals his income before tax authorities penalty imposed is:  
 (a) Rs.25000-  
 (b) Equal to tax which person evaded  
 (c) Both (a) & (b) ✓  
 (d) None of above
80. Any person without reasonable cause fails to maintain accounts, the penalty imposed is:  
 (a) Rs. 10,000-  
 (b) 5% of the amount of tax on income which ever is higher  
 (c) Both (a) & (b) ✓  
 (d) None of above
81. Any person without reasonable cause fails to comply with the notice penalty imposed is:  
 (a) First default Rs.5000/-  
 (b) Rs. 10,000-for each subsequent default  
 (c) Both (a) & (b) ✓  
 (d) None of above
82. Any person obstructs any income tax authority is discharge of function a penalty imposed is:  
 (a) Rs.25000-  
 (b) 100% of the amount of tax involved which is higher  
 (c) Both (a) & (b) ✓  
 (d) None of above.
83. Income Tax authorities has great importance in the proper administration of tax system. It provide:  
 (a) Revenue for the country in order to run the economic affairs ✓  
 (b) Administration for justice  
 (c) Both (a) & (b)  
 (d) None of above
84. Different authorities of income tax are described in Income Tax Ordinance 2001 under section:  
 (a) 207 ✓ (b) 209  
 (c) 211  
 (d) None of above
85. Income tax authority mean such authority which are appointed for the administration of taxation system:  
 (a) True ✓ (b) False
86. Service of Notices and other documents is described undej section:  
 (a) 218 ✓ (b) 219  
 (c) 220  
 (d) None of above
87. The highest executive authority of income tax in Pakistan is:  
 (a) Board ✓  
 (b) Commissioner  
 (c) Deputy Commissioner  
 (d) None of above
88. Rectification of Mistakes is described under section:  
 (a) 221 ✓ (b) 222  
 (c) 223  
 (d) None of above
- \*\*\*\*\*

## Economics

### (A)

- Father of political economy.
  - Adam Smith ✓
  - Malthus
  - Robbins
  - Marshall
- He described economics as a science of material welfare.
  - Robbins
  - Marshall ✓
  - Ricardo
  - Keynes
- Economic laws are:
  - exact
  - approximate ✓
  - brief
  - definite
- Economic laws are
  - scientific ✓
  - moral
  - natural
  - unreal
- Economics is a science.
  - spiritual
  - social ✓
  - dismal
  - moral
- Economic problems arise because of:
  - greed
  - scarcity ✓
  - dishonesty
  - laziness
- Which statement relates to macroeconomics.
  - Oil prices are rising in Pakistan.
  - profit rate is high in textile industry.
  - The firms try to make huge profits.
  - The government has failed to control inflation. ✓
- Which statements is true? (only one answer is true).
  - Economics is a physical and normative science
  - Economics is a social and natural science.
  - Economics is physical and positive science.
  - Economics is a social and normative science. ✓
- Ceteris paribus means.
  - other things equal ✓
  - all variables are independent
  - all relationships are inverse
  - that no other assumptions are made
- In economics, assumptions
  - make economic theory useless
  - mean other things equal
  - enable economists to simplify reality ✓
  - used in micro and not in macroeconomics
- A positive statement.
  - concerns what is ✓
  - is always accurate
  - deals with values and opinions
  - cannot be tested in the real world
- Normative economics
  - deals solely with the facts
  - is never studied in colleges
  - involves opinions and interpretations ✓
  - is clearly preferable to positive economics
- Basic economic problem is:
  - inflation
  - unemployment
  - poverty
  - scarcity ✓
- Scarcity exists.
  - in only poor countries
  - in a country that uses resources inefficiently
  - in all countries of the world ✓
  - when society produces unimportant or silly goods
- Microeconomics concentrates.
  - on inflation
  - international economic relations
  - individual economic units ✓
  - economic development of Pakistan
- Macroeconomic deals with.
  - how to buy groceries
  - aggregate economic activity ✓
  - establishment of a new firm
  - industrial activity
- Three basic economic problems.
  - what, how and for whom ✓
  - why, where, and when
  - what, which and how much
  - what, which, why
- Economics.
  - is more important than mathematics
  - is a social science ✓
  - should be made compulsory for every student
  - is difficult to study
- Economic laws.
  - are not universal
  - are not testable
  - are not predictive
  - are not descriptive

- (a) must be followed  
(b) are hated by people  
(c) have economic behaviour of people✓  
(d) are unscientific
20. Adam Smith was a  
(a) was a saint  
(b) a modern economist  
(c) good sports man  
(d) classical economist✓
21. Marshall in his definition of economics.  
(a) uses the concept of material welfare✓  
(b) dislikes wealth  
(c) accuses Adam Smith  
(d) praises Robbins
22. "Wealth of nation"  
(a) is another name for united nations  
(b) is a book✓  
(c) indicates total wealth of rich countries  
(d) contains formulas to earn wealth
23. Marshall wrote the book.  
(a) introduction to economics  
(b) principles of economics✓  
(c) classical economics  
(d) microeconomic theory
24. Economic theory means.  
(a) economic policy  
(b) economic principles✓  
(c) advises neutrality in economics  
(d) none of the above
25. Robbins in his definition.  
(a) talks of scarcity of resources✓  
(b) preaches moral values  
(c) advises neutrality in economics  
(d) none of the above
26. Market system means.  
(a) socialism (b) capitalism✓  
(c) a place where goods are traded  
(d) all of the above
27. One or more persons living together and having a common budget is called.  
(a) union (b) organization  
(c) household✓ (d) house members
28. 'Wealth of Nations' was written in.  
(a) 1976 (b) 1976  
(c) 1776✓ (d) 1676
29. Economic principles are also called.  
(a) economic law (b) economic theory  
(c) economic model (d) all of the above✓
30. 'Wealth of Nations' was written by.  
(a) Adam Smith✓ (b) Malthus  
(c) Marshall (d) Newton
31. Select the correct statement.  
(a) economics affects politics  
(b) economic affects history  
(c) Geography affects economics  
(d) all of the above are true✓
32. Prof. Marshall thins.  
(a) economics studies national welfare  
(b) economics studies personal welfare  
(c) economics studies total welfare  
(d) economics studies material welfare✓
33. 'Everyone should study economics' is a.  
(a) positive statement  
(b) normative statement✓  
(c) true statement  
(d) nonsense
34. Utility and usefulness are.  
(a) equal (b) different✓  
(c) similar (d) unrelated
35. Rotten eggs are:  
(a) free good✓ (b) economic good  
(c) service (d) wealth
36. Scarcity means that  
(a) non availability of goods  
(b) high price of goods  
(c) No body wants to consume it  
(d) the good is available but it is not free✓
37. The basic economic problem common to all societies is.  
(a) the elimination of scarcity  
(b) what, how and for whom to produce✓  
(c) equal distribution of wealth  
(d) the achievement of full employment
38. Human wants are:  
(a) one thousand (b) few  
(c) innumerable✓ (d) countable
39. Scarcity means.  
(a) non availability of goods  
(b) high price of goods  
(c) less supply than demand✓  
(d) high profit of the firms
40. Validity of economic theories can never be proved with 100 percent certainty, because.  
(a) ceteris paribus clause✓  
(b) limited number of observation is possible



- (c) some observation will be made in future which refute the theory  
(d) b and c

**(B)**

- Adam Smith is famous for.
    - laws of taxation
    - laws of economics
    - the book 'Wealth of Nations'
    - a and c of above✓
  - An economy means.
    - Study of economics
    - A country's economic system✓
    - domestic trade
    - sources of income of a family
  - The basic problem of economics is.
    - corruption of govt officers
    - Inefficiency of workers
    - selfishness of people
    - scarcity of resources✓
  - Economic laws are made through.
    - productive method
    - Inductive method
    - deductive and inductive method✓
    - selective and elective method
- (c) the total is negative  
(d) the total is decreasing✓
- The term 'marginal' in economics means.
    - unimportant
    - additional✓
    - the minimum unit
    - just barely passing
  - Utility is most closely related to the term.
    - useful
    - useless
    - necessary
    - satisfaction✓
  - Demand curve slopes downward because of the law of:
    - consumer equilibrium
    - utility maximization
    - utility minimization
    - diminishing marginal utility✓
  - A consumer's spending is restricted because of:
    - marginal utility
    - budget constraint✓
    - demand curve
    - utility maximization
  - Law of substitution is another name for law of:
    - law of diminishing MU
    - law of equi-MU✓
    - law of demand
    - satisfaction
  - Law of Equi-marginal Utility is a law of.
    - production of wealth
    - consumption of wealth✓
    - distribution of wealth
    - exchange of wealth
  - Utility and usefulness are.
    - equal
    - different✓
    - similar
    - unrelated
  - When MU is positive, TU
    - increases✓
    - different
    - similar
    - unrelated
  - Diminishing marginal utility is the basis of.
    - law of supply
    - law of demand✓
    - laws of returns
    - None of above
  - When  $MU = 0$ , TU is
    - minimum
    - maximum✓
    - increasing
    - decreasing
  - Quality of a commodity that satisfies some human want or need is called.
    - 'service'
    - demand
    - utility✓
    - efficiency

**Consumer Behaviour**

Select the correct answer.

- Rotten eggs are.
  - free good✓
  - economic good
  - service
  - wealth
- Human wants are:
  - one thousand
  - few
  - innumerable✓
  - countable
- A consumer is in equilibrium when marginal utilities are.
  - minimum
  - highest✓
  - equal
  - increasing
- In economics, one or more persons sharing common consumer budget is called
  - business firm
  - gathering
  - organization
  - household✓
- When marginal is negative, it must be true that
  - the average is negative
  - the average is decreasing

17. Indifference curves are convex to the origin because.  
 (a) two goods are perfect substitutes  
 (b) two goods are imperfect substitutes ✓  
 (c) two goods are perfect complementary goods  
 (d) none of the above
18. MU curve.  
 (a) rises left to right  
 (b) positive utility  
 (c) falls left to right ✓  
 (d) is always horizontal
19. Equilibrium is explained by.  
 (a) negative utility (b) positive utility  
 (c) marginal utility ✓ (d) profit
20. If a person consumes goods X and Y and maximizes total utility, then MU per rupee from the two goods must be.  
 (a) equal ✓ (b) unequal  
 (c) increasing (d) decreasing
21. If a consumer moves upward along an indifference curve, his total utility.  
 (a) first increases then decreases  
 (b) does not change ✓  
 (c) increases  
 (d) decreases
4. If quantity demanded is completely unresponsive to changes in price, demand is.  
 (a) inelastic  
 (b) unit elastic  
 (c) Elastic  
 (d) Perfectly inelastic ✓
5. Other things equal, if a good has more substitutes, its price elasticity of demand is.  
 (a) larger ✓ (b) smaller  
 (c) zero (d) unity
6. Price of a product falls by 10% and its demand rises by 30%. The elasticity of demand is.  
 (a) 10% (b) 30%  
 (c) 3 ✓ (d) 1/3
7. If elasticity of demand is very low it shows that the commodity is.  
 (a) a necessity ✓  
 (b) a luxury  
 (c) has little importance in total budget  
 (d) a and c above
8. The following are causes of shift in demand EXCEPT the one.  
 (a) change in income  
 (b) change in price ✓  
 (c) change in fashion  
 (d) change in prices of substitutes
9. When demand is perfectly inelastic, an increase in price will result in.  
 (a) a decrease in total revenue  
 (b) an increase in total revenue ✓  
 (c) no change in total revenue  
 (d) a decrease in quantity demanded
10. If demand is unitary elastic, a 25% increase in price will result in.  
 (a) 25% change in total revenue  
 (b) no change in quantity demanded  
 (c) 1% decrease in quantity demanded  
 (d) 25% decrease in quantity demanded ✓
11. Irrespective of price, Somia always spends Rs.100 a week on ice cream, we conclude that.  
 (a) elasticity of demand is 0 ✓  
 (b) elasticity of demand is 1  
 (c) elasticity of demand is infinite  
 (d) the law of demand has been violated

## Demand

Select the correct answer.

1. Normally a demand curve will have the shape.  
 (a) horizontal  
 (b) vertical  
 (c) downward sloping ✓  
 (d) upward sloping
2. Law of demand shows relation between.  
 (a) income and price of commodity  
 (b) price and quantity of commodity ✓  
 (c) income and quantity demanded  
 (d) quantity demanded and quantity supplied
3. This is an assumption of law of demand.  
 (a) price of the commodity should not change  
 (b) quantity should not change  
 (c) supply should not change  
 (d) income of consumer should not change ✓

12. When cross elasticity of demand for A and B is positive number, one can conclude that.
- the goods are cheaper
  - the goods are inferior
  - the goods are substitutes ✓
  - the goods are complements
13. If demand is inelastic, a change in the price.
- will change the quantity in same direction
  - will change total revenue in same direction ✓
  - will change total revenue in the opposite direction
  - will not change quantity
14. This is the assumption of law of demand.
- Price of the commodity should not change
  - Quantity demanded should not change
  - Prices of substitutes should not change ✓
  - Demand curve must be linear
15. Which of the following is a demand function?
- $Q + 4P = 20$  ✓
  - $Q = 35 + 3P$
  - $Q - 2P - 15 = 0$
  - $5P - Q = 4$
16. Zaheer has a special taste for college canteen is chicken rolls. The owner of the canteen doubles the price of chicken roll. Zaheer did not respond to the increase in prices and kept on demanding the same quantity of chicken roll. His demand for chicken roll is.
- perfectly elastic
  - perfectly inelastic ✓
  - elastic
  - less elastic
17. Price and demand are positively correlated in case of:
- necessities
  - comforts
  - Giffen goods ✓
  - luxuries
18. The elasticity of demand of durable goods is.
- less than unity
  - greater than unity ✓
  - equal to unity
  - zero
19. The demand of a commodity having many substitutes is.
- more elastic ✓
  - less elastic
  - zero elastic
  - infinite elastic
20. Mr. Suleri 50 liters of petrol when his monthly income was Rs. 25,000. Now his monthly income has risen to Rs. 50,000 and he purchases 100 liters of petrol. His income elasticity of demand for petrol is:
- 1 ✓
  - 100%
  - less than one
  - more than one
21. When price elasticity of demand for normal goods is calculated, the value is always.
- positive ✓
  - negative
  - constant
  - greater than one
22. Income elasticity of demand for normal good is always.
- 1
  - more than one
  - negative
  - positive ✓
23. Demand is a function of:
- price ✓
  - quantity
  - supply
  - none
24. If price and total revenue move in the same direction, then demand is
- inelastic ✓
  - elastic
  - unrelated
  - perfectly elastic
25. Price elasticity of demand measures.
- change in price caused by changes in demand
  - the rate of change of sales
  - the responsiveness of demand of price changes ✓
  - the value of sales at a given price
26. Which one can cause a change in demand
- change in income
  - change in supply
  - change in tastes
  - a and c of above ✓
27. A seller can increase his sales revenue by charging a lower price, if the demand has.
- $e < 1$  ✓
  - $e = 1$
  - $e > 1$
  - $e = 0$
28. A horizontal demand curve has a price elasticity of.
- zero
  - infinity ✓
  - 1
  - variable
29. Cross elasticity for Suzuki and Honda cars will be.
- positive ✓
  - negative
  - zero
  - infinite

30. If price elasticity of demand is very low, the commodity is.  
 (a) necessity✓ (b) luxury  
 (c) substitute (d) not available
31. Which one is not determinant of demand.  
 (a) tastes  
 (b) income  
 (c) method of production  
 (d) price✓
32. To say that two goods are unrelated, their cross price elasticity of demand should be.  
 (a) less than 0 (b) greater than 0  
 (c) equal to 0✓ (d) 1
33. If demand has unit price elasticity, a change in price causes.  
 (a) increase in total revenue  
 (b) decrease in total revenue  
 (c) no change in total revenue✓  
 (d) indeterminate
34. Market demand curve is a summation of all individual demand curves as.  
 (a) vertical (b) horizontal✓  
 (c) mathematical (d) local

## Supply

1. Which of is increasing function of price.  
 (a) demand (b) utility✓  
 (c) supply (d) consumption
2. It described the law of supply.  
 (a) supply curve✓ (b) supply schedule  
 (c) supply equation (d) all the three
3. Supply curve will shift when.  
 (a) price falls (b) price rises  
 (c) demand shifts  
 (d) technology changes
4. An increase in demand would cause supply curve to.  
 (a) shift to the left  
 (b) shift to the right  
 (c) change in slope of supply curve✓  
 (d) no effect on supply
5. If price changes by one % and supply changes by 2% then supply is.  
 (a) elastic✓ (b) inelastic  
 (c) indeterminate (d) static
6. If elasticity of supply is greater than one. Supply curve will be.  
 (a) horizontal (b) vertical
- (c) passing through origin  
 (d) touching y-axis✓
7. Supply curve.  
 (a) is vertical in long run  
 (b) is flatter in long run✓  
 (c) is same in long and short run  
 (d) is horizontal in both short and long run
8. During a particular year farmers experienced a dry weather, if all other factors remain constant, farmers supply curve for wheat will shift to  
 (a) rightward (b) leftward✓  
 (c) downward (d) no direction
9. When supply of a commodity increases without change in price it is called.  
 (a) fall in supply  
 (b) expansion in supply  
 (c) contraction in supply in  
 (d) rise in supply✓
10. In May 2011, firm was supplying 500kg of sugar at market price of Rs. 30/- per kg. During June 2011, firm's supply of sugar had decreased to 450kg at price Rs. 20/- per kg. These changes show that supply of sugar is:  
 (a) perfectly elastic (b) perfectly inelastic  
 (c) less elastic✓ (d) more elastic
11. What best explains a shift in market supply curve to the right?  
 (a) An advertising campaign is successful in promoting the good  
 (b) A new technique makes it cheaper to produce the good✓  
 (c) The government introduces a tax on the good  
 (d) The price of raw materials increases
12. Supply of a commodity means.  
 (a) Willingness to sell a certain quantity✓  
 (b) physical stocks available  
 (c) planned production  
 (d) total production in a given period
13. If elasticity of supply is one, supply curve will be.  
 (a) horizontal  
 (b) vertical  
 (c) passing through origin✓  
 (d) touching x-axis

14. Which of the following shifts supply curve of cars to the right.  
 (a) tax on new cars  
 (b) increase in wages of workers  
 (c) decrease in steel price ✓  
 (d) a successful promotion campaign by sellers
15. Long period supply curve is.  
 (a) relatively flatter  
 (b) relatively steeper  
 (c) more elastic  
 (d) a and c of above ✓
16. If a firm makes 200 units of a good available at a price of Rs. 10 per unit, the elasticity is.  
 (a) 0.05 (b) 10  
 (c) 20 (d) indeterminate ✓
- (b) tells consumers to buy more chicken  
 (c) tells producers to produce more mutton  
 (d) provides no information  
 (e) b and c above ✓
6. In market equilibrium, supply is vertical line. The downward sloping demand curve shifts to the right. Then  
 (a) price will fall  
 (b) price remains same  
 (c) price will rise ✓  
 (d) quantity rises
7. Equilibrium.  
 (a) is a state that can never be achieved in economics.  
 (b) is an important idea for predicting economic changes ✓  
 (c) is a stable condition.  
 (d) is an unstable condition.
8. Ten rupees is the equilibrium price for good Z. If govt. fixes price at Rs.5, there is:  
 (a) a shortage ✓ (b) a surplus  
 (c) excess supply (d) loss
9. A rise in supply and demand in equal proportion will result in.  
 (a) increase in equilibrium price and decrease in equilibrium quantity.  
 (b) decrease in equilibrium price and increase in equilibrium quantity.  
 (c) no change in equilibrium price and increase in equilibrium quantity. ✓  
 (d) increase in equilibrium price and no change in equilibrium quantity.
10. The price and sales of sugar both increase. What could be the cause of this?  
 (a) a decrease in the incomes of the consumers.  
 (b) a decrease in the tax on sugar.  
 (c) An increase in the wages of workers in the sugar industry.  
 (d) An increase in the prices of sugar substitutes. ✓
11. If we know that quantities bought and sold are equal, we can conclude that.  
 (a) quantities demanded and supplied are also equal.  
 (b) the market is in equilibrium.  
 (c) there will be no tendency for a price change.

## Market Equilibrium

1. A decrease in demand causes the equilibrium price to.  
 (a) rise (b) fall ✓  
 (c) remain constant (d) indeterminate
2. When price is below equilibrium level, there will be.  
 (a) surplus commodity in the market  
 (b) shortage of commodity in the market ✓  
 (c) supply curve will shift  
 (d) demand curve will shift
3. If equilibrium price rises but equilibrium quantity remains unchanged, the cause is.  
 (a) supply and demand both increase equally  
 (b) supply and demand both decrease equally  
 (c) supply decreases and demand increases ✓  
 (d) supply increases and demand decreases
4. Price of a product is determined in a free market.  
 (a) by demand for the product  
 (b) by supply of the product  
 (c) by both demand and supply ✓  
 (d) by the government
5. An increase in the price of mutton provides information which.  
 (a) tells consumers to buy more mutton

- (d) all of the above. ✓
- If price is set above equilibrium level, there will be.
    - surplus commodity in the market ✓
    - shortage of commodity in the market
    - supply curve will shift
    - demand curve will shift
  - if equilibrium price rises but equilibrium quantity is unchanged, the cause is.
    - supply and demand both increase equally
    - supply and demand decrease equally
    - supply curve is vertical and demand increases ✓
    - supply increases and demand is same
  - Market equilibrium means.
    - number of buyers and sellers are equal
    - Demand and supply of commodity are equal ✓
    - no price is changing
    - prices rise very slowly
  - markets where firms supply goods and services demanded by households are.
    - factor market
    - product market ✓
    - open markets
    - resource markets
  - Demand and supply curves cross at.
    - always at 60 degree
    - at 90 degree
    - at equal angle
    - at any angle ✓
  - When demand is perfectly elastic, an increase in supply will result in.
    - decrease in quantity sold
    - increase in quantity sold ✓
    - fall in price
    - b and c of above
  - Demand and supply forces determine market price.
    - only in perfect competition
    - only in monopoly market
    - in both markets ✓
    - none of the above
- Land or Natural Resources**
- Labour is hirable but you cannot hire.
    - capital
    - land
    - manager
    - entrepreneur ✓
  - The three broad types of productive resources are:
    - money, profit and interest
    - capital, labour and natural resources ✓
    - bond, stock shares and deposits
    - technology, human capital and markets
  - Land means.
    - sea
    - surface of earth
    - natural forests
    - all natural resources ✓
  - Economic development of a country requires.
    - skilled labour
    - diplomacy
    - abundant natural resources
    - a and c of above ✓
  - Productivity of land can be raised by.
    - extensive cultivation
    - intensive cultivation ✓
    - better marketing
    - a and b of above
  - Land.
    - is a free gift of nature
    - lacks geographical mobility
    - is not hirable
    - a and b of above ✓
  - Which of the following is NOT an input.
    - labour
    - entrepreneurship
    - natural resources
    - production ✓
  - Which of the following input factor takes risk, innovates and coordinates.
    - capital
    - labour
    - productivity
    - entrepreneur ✓
  - Which of the following is correct with respect to resources.
    - Money is a capital good
    - Human skills are a labour input ✓
    - Entrepreneur is part of the labour input
    - Natural resources include human input
  - The transformation of resources into economic goods and services is called.
    - technical efficiency
    - input
    - production ✓
    - increasing returns
  - Economic goods produced by firms are called.
    - productivity

- (b) innovation  
(c) technological progress  
(d) out put ✓
12. Land is  
(a) hireable (b) not hireable  
(c) homogeneous ✓ (d) a form of capital
13. Geographical mobility is not possible for.  
(a) land ✓ (b) labour  
(c) capital (d) wealth
14. The following is NOT a factor of production  
(a) labour (b) entrepreneurship  
(c) land (d) money ✓
15. Which of the following factors takes risk, innovates and coordinates.  
(a) capital (b) labour  
(c) bank (d) entrepreneur ✓
16. The transformation of resources into economic goods and services is.  
(a) input (b) production  
(c) increasing returns (d) output ✓
17. For production of goods we need factors.  
(a) few (b) 2  
(c) 4 ✓ (d) unlimited
18. Standard of living of a country can be raised if it increases.  
(a) labour force (b) production ✓  
(c) money supply (d) exports
19. Productivity of land can be raised by.  
(a) extensive cultivation  
(b) intensive cultivation ✓  
(c) better marketing  
(d) increasing money supply
20. Natural environment that supports production of goods and services is included in.  
(a) labour (b) money  
(c) capital (d) land ✓
21. An example of natural resource is.  
(a) factory  
(b) skilled doctor  
(c) oil reserves in the ground ✓  
(d) oil reserves in storage tank
22. Production in economics means.  
(a) factors of production  
(b) doing some job  
(c) output of goods ✓  
(d) profit
23. Which is true.  
(a) labour produces land  
(b) land produces labour  
(c) labour produces capital ✓  
(d) capital produces labour
24. Land, labour and capital are needed to produce goods. They are collectively called.  
(a) elements of production  
(b) factors of production ✓  
(c) tools of production  
(d) cost of production
25. If a firm increases the ratio of capital to labour, it becomes ore.  
(a) labour intensive  
(b) capital intensive ✓  
(c) output intensive  
(d) input intensive

## Human Resources

1. According to Malthus, population increases by progression of kind.  
(a) systematic (b) arithmetic  
(c) geometric ✓ (d) automatic
2. Productivity of labour can be increased by.  
(a) raising minimum wages  
(b) raising average wages  
(c) increasing skills of workers ✓  
(d) punishing absentee workers
3. All labour is.  
(a) homogeneous (b) heterogeneous ✓  
(c) lazy (d) intelligent
4. Mobility of labour.  
(a) increases efficiency of labour  
(b) spoils labour  
(c) increases division of labour  
(d) a and c of above ✓
5. Unemployment due to mechanization of agriculture is.  
(a) seasonal (b) structural ✓  
(c) industrial (d) personal
6. Labour input includes.  
(a) inventor (b) innovator  
(c) unskilled work (d) all of the above ✓
7. A skilled worker is an example of.  
(a) entrepreneur (b) capital input  
(c) labour input (d) b and c above ✓

8. Labour force participation rate is the.  
 (a) proportion of population that is working  
 (b) proportion of population working or looking for work. ✓  
 (c) proportion of skilled workers in population  
 (d) proportion of female workers to male workers
9. The set of skills and abilities that workers possess for production of goods and serves is.  
 (a) motivation (b) wealth  
 (c) human capital ✓ (d) natural talent
10. Saqib graduated one month ago. He is still unemployed. His unemployment is.  
 (a) structural (b) frictional ✓  
 (c) seasonal (d) personal
11. The factor that is LEAST likely to be a result of specialization is.  
 (a) increased production  
 (b) greater refinement of skills  
 (c) increase in self-sufficiency ✓  
 (d) introduction of new technology
12. Every country should have population.  
 (a) minimum (b) constant  
 (c) optimum ✓ (d) fast growing
13. Underemployment of labour means that.  
 (a) a worker does not get full time job  
 (b) a worker is not happy with his present job  
 (c) A person does not get job according to his qualification  
 (d) a and c of above ✓
14. An example of labour is  
 (a) gambler  
 (b) jogger  
 (c) computer engineer ✓  
 (d) student
15. Which of the following is NOT an advantage of division of labour.  
 (a) workers spend less time moving from job to job  
 (b) workers become dependent on other workers ✓  
 (c) workers become more efficient at performing repeated tasks  
 (d) machinery is more easily introduced to perform simple tasks.
16. Rickshaw has replaced tonga as local transport. As a result the tonga-drivers have become unemployed. Such unemployment is called.  
 (a) structural ✓ (b) frictional  
 (c) seasonal (d) personal
17. Optimum population is defined by the economists as the level of population at which.  
 (a) death rate equals birth rate  
 (b) labour productivity is maximized  
 (c) country achieves food self sufficiency  
 (d) national income per head is maximized ✓
18. The human effort applied to the production of goods is called in economics.  
 (a) labour ✓ (b) skill  
 (c) experience (d) service
19. To reduce the level of unemployment the government may.  
 (a) reduce money supply  
 (b) reduce mobility of labour  
 (c) reduce minimum wages  
 (d) increase government spending ✓
20. They are included in labour EXCEPT.  
 (a) college principal (b) professors  
 (c) office clerk (d) students ✓
21. Labour cannot be.  
 (a) recorded (b) satisfied  
 (c) stored ✓ (d) controlled
22. In Pakistan rate of labour participation is.  
 (a) 10% (b) 20%  
 (c) 30% ✓ (d) 40%
23. Estimate of Pakistan's population in 2010 is.  
 (a) 17 crore ✓ (b) 27 crore  
 (c) 37 crore (d) 47 crore
24. This is NOT the result of specialization.  
 (a) increased production  
 (b) increase in self sufficiency ✓  
 (c) increase in cost of production  
 (d) increase in trade
25. If a farmer moves from village to a town and establishes a small factory, it is a kind of mobility.  
 (a) geographical (b) occupational  
 (c) social (d) all of the above ✓
26. Efficiency of labour is not affected by.



- (a) attitude of worker  
 (b) attitude of employer ✓  
 (c) attitude of wife/husband  
 (d) all affect
27. About labour we can say with certainty that it is,  
 (a) perishable ✓ (b) hireable  
 (c) reliable (d) all of the above

## Capital Resources

1. Which of the following is capital?  
 (a) toy of a child  
 (b) plough of the farmer ✓  
 (c) calculator of the student  
 (d) novel book in the library
2. Which is true.  
 (a) capital depreciates ✓  
 (b) capital is primary factor of production  
 (c) capital is not hireable  
 (d) human capital is real capital
3. To the economist, investment refers to.  
 (a) sale of real estate  
 (b) creation of new capital ✓  
 (c) purchase of a prize bond  
 (d) decrease in inventories
4. A factory is an example of.  
 (a) capital ✓ (b) scarcity  
 (c) natural resources (d) none of the above
5. In an economy government constructed a new water reservoir (e.g. Mangla Dam) for the purpose of irrigation, this might be taken as.  
 (a) increase in supply of capital ✓  
 (b) increase in supply of land  
 (c) increase in supply of land and supply of capital  
 (d) none of the above
6. Which of the following is NOT capital as economists use the term.  
 (a) an office building  
 (b) machinery in a factory  
 (c) an industrial robot  
 (d) money ✓
7. Which of the following is a producer good.  
 (a) pen (b) cycle  
 (c) mobile phone (d) hammer ✓
8. An example of money capital is.  
 (a) cash  
 (b) money in a savings account ✓  
 (c) prize bond (d) golden ring
9. Which is NOT a cause of slow capital formation in Pakistan.  
 (a) poverty  
 (b) illiteracy  
 (c) bad governance  
 (d) low rate of taxes ✓
10. Capital formation takes place when.  
 (a) people save a part of their incomes  
 (b) saved amount is invested  
 (c) investors expect good return  
 (d) all of the three ✓
11. Which of the following is capital.  
 (a) tractor (b) TV station  
 (c) Tarbela Dam (d) all of the three ✓
12. The difference between iron ore deposits and the steel produced from these deposits illustrates the difference between.  
 (a) labour and natural resources  
 (b) labour and capital  
 (c) natural resources and capital ✓  
 (d) natural resources and entrepreneurship
13. It is function of capital.  
 (a) provision of machinery  
 (b) payment of wages  
 (c) establish good relation with other countries  
 (d) a and b of above ✓
14. These are kinds of capital EXCEPT.  
 (a) fixed capital  
 (b) expensive capital ✓  
 (c) working capital  
 (d) real capital
15. Productivity of capital depends upon.  
 (a) quality of labour  
 (b) quality of raw materials  
 (c) quality of management  
 (d) all of the above ✓
16. Net investment equals Gross investment MINUS.  
 (a) fixed capital  
 (b) capital depreciation  
 (c) capital appreciation  
 (d) capital formation ✓

## Organization

- Those who invest in joint stock companies are called.
  - partners
  - shareholders✓
  - members
  - associates
- Limited liability is one of the advantages of.
  - partnership
  - sole proprietor
  - joint stock company✓
  - cooperative society
- He prepares the initial plan of the business.
  - capitalist
  - manager
  - entrepreneur✓
  - officer
- It is most suitable for large scale business.
  - proprietorship
  - partnership
  - corporation✓
  - cooperative society
- A public limited company is run by.
  - board of governors
  - board of managers
  - board of advisors
  - board of directors✓
- They can expand their business by selling shares in the stock market.
  - proprietor of a business
  - partners of the business
  - joint stock company✓
  - industrial cooperative societies
- Reward of which factor of production is not pre-determined?
  - Labour
  - Land
  - Capital
  - Organization✓
- It is an example of public limited company.
  - WAPDA
  - President House
  - SHELL Petroleum✓
  - none of the above
- A public corporation comes into existence by means.
  - registration under the companies
  - registration with the stock exchange
  - Act of Paliment✓
  - Decisious by the short holders
- If a public limited company issues bonds to increase resources, then it pays.
  - fixed premium to bond holders
  - fixed interest to bond holders✓
  - fixed tax to bond holders
  - fixed profit to bond holders
- A joint stock company has.
  - limited liability✓
  - unlimited liability
  - limited capital
  - unlimited capital
- A person who contributes funds in partnership but does not take active part in management of business is called.
  - sleeping partner✓
  - helping partner
  - temporary partner
  - unlimited capital
- The word 'LIMITED' at the end of a firm's name means.
  - it produces only one commodity
  - has limited capital
  - cannot have more then 100 members
  - shareholders liability to pay debt of firm cannot exceed value of their investment✓
- WAPDA is a.
  - public corporation✓
  - public company
  - private company
  - partnership

## Scale of Production

- Negative returns in the short run imply that.
  - average product is negative
  - total product is negative
  - marginal is negative✓
  - total cost is falling
- Economies of scale.
  - occur when increase in input causes less than proportionate increase in output
  - suggest that firm's marginal cost curve lies above its average cost curve.
  - suggest that the firm's marginal cost curve is declining
  - occur when average cost is falling✓
- In law of diminishing returns at least one factor.
  - must be constant✓
  - must be owned by the firm
  - must be purchasable
  - must be efficient
- Economies of scale are of two kinds.
  - temporary and permanent
  - internal and external✓

- (c) managerial and industrial  
(d) natural and artificial
5. Laws of return apply to firms working in.  
(a) perfect competition  
(b) monopoly  
(c) small firm  
(d) all kinds of market situations✓
6. During short period, diminishing returns may follow because.  
(a) quantity of labour is fixed  
(b) quantity is fixed  
(c) quantity of capital is fixed  
(d) quantity of any one factor is fixed✓
7. Which of the following sayings describes diminishing marginal returns is the short run?  
(a) when the cat is away, the mouse will play  
(b) Too many cooks spoil the broth✓  
(c) A rolling stone gathers no moss  
(d) A stitch in time saves nine
8. When a firm using a fixed amount of land and capital takes on more workers, it finds that marginal product (MP) of labour falls but the average product (AP) of labour rises. This can be explained by the factors that.  
(a) the MP of labour is greater than AP of labour✓  
(b) the additional workers are more efficient  
(c) MP and AP always moves in opposite directions  
(d) b and c
9. Following figure shows the changes in output when different units of labour are combined with fixed units of land and capital.  
(a) over the range of employment OP✓  
(b) over the range of employment OC  
(c) over the range of employment PC  
(d) over the range of employment OX
10. Which of the following is example of external economies of scale?  
(a) Discount on purchases of raw materials  
(b) technical progress leads to development of machines at low price✓
- (c) Hiring of specialized staff due to increase in scale of production  
(d) A firm starts producing by products
11. Which point shows efficiency in production.  
(a) A (b) B  
(c) C✓ (d) D
12. Which point is unattainable.  
(a) A✓ (b) B  
(c) C (d) D
13. Which point shows inefficiency in production.  
(a) A (b) B✓  
(c) C (d) D
14. The maximum point on TP curve is at quantity of labour where.  
(a) Average physical product of labour is equal to 1  
(b) MMP of labour is at its maximum.  
(c) Curves of APP and MPP of labour intersect  
(d) MPP of labour is zero✓
15. In an economy government constructed a new water reservoir for the purpose of irrigation this might be taken as.  
(a) increase in supply of capital✓  
(b) increase in supply of land  
(c) increase in supply of land and supply of capital  
(d) None of the above
16. Internal economies of scale include.  
(a) risk-bearing economies  
(b) trade mark  
(c) managerial economies  
(d) a and c of above✓
17. If in a production process, all inputs are increased by 10% and output increases by less than 10%. Then it is called.  
(a) economies of scale  
(b) diseconomies of scale✓  
(c)  
(d)
18. The production function relates to.  
(a) cost to output (b) cost out input  
(c) output to input✓ (d) demand to output
19. Marginal product curve intersects average product curve when AP curve is.  
(a) minimum (b) maximum✓

- (c) rising (d) falling
20. When MP is zero, TP is.  
(a) minimum (b) maximum ✓  
(c) rising (d) falling
21. Marginal product indicates.  
(a) total product ✓ (b) average product  
(c) variable product (d) none of the above
22. Law of decreasing returns generates.  
(a) law of economic growth  
(b) law of increasing costs ✓  
(c) law of variable costs  
(d) law of decreasing costs
23. When diseconomies of scale outweigh economies of scale the.  
(a) long run ac curve rises ✓  
(b) marginal cost falls  
(c) ATC curve falls (d) AVC falls
24. Economies and diseconomies determine the shape of.  
(a) long run AC curve ✓  
(b) short run AC  
(c) average fixed cost  
(d) none of the above
- (d) no close substitute ✓
6. In case of monopoly.  
(a) marginal revenue curve always slopes upward  
(b) total revenue curve always slopes upward  
(c) marginal revenue is always equal to average revenue  
(d) marginal revenue is always less than average revenue ✓
7. In case of perfect competition in the market.  
(a) marginal revenue curve always slopes upward  
(b) marginal revenue curve always slopes downward  
(c) marginal revenue is always equal to average revenue ✓  
(d) marginal revenue is always less than average revenue
8. In the business world.  
(a) a firm working under perfect competition wants to become a monopoly ✓  
(b) a firm working under monopoly to become a competitive firm  
(c) monopoly price is always higher than competitive price  
(d) competitive price is always higher than monopoly price
9. Which is NOT true.  
(a) perfect monopoly does not exist in real world  
(b) perfect competition does not exist in real world  
(c) every monopoly is evil ✓  
(d) every firm wants to reduce competition
10. The major difference between perfect competition and monopolistic competition is.  
(a) unity of firms  
(b) differentiated product ✓  
(c) rate of profit  
(d) free exit and entry
11. Marginal revenue is always less than price at all levels of output in.  
(a) perfect competition  
(b) monopoly ✓

## Market

1. Which of the following is one of the assumptions of perfect competition.  
(a) few buyers and few sellers  
(b) many buyers and few sellers  
(c) many buyers and many sellers ✓  
(d) all sellers and buyers are honest
2. A firm under perfect competition is.  
(a) price maker (b) price breaker  
(c) price taker ✓ (d) price shaker
3. Which of the following markets comes closest to perfect market.  
(a) wheat market ✓ (b) cigarette market  
(c) cold drinks market (d) stock market
4. This kind of market is undesirable.  
(a) general markets (b) specialized  
(c) local market (d) national market  
(e) None of above ✓
5. Which is a condition for existence of monopoly.  
(a) big size (b) identical product  
(c) absence of government taxes

- (d) TRP = wage rate
- How is unemployed.
    - housewife
    - college student
    - a peer who lives on gifts from mureeds
    - a fresh graduated engineer who is searching for a job ✓
  - Standard of living of workers depends upon their.
    - nominal wages
    - real wages ✓
    - average product
    - govt. policy
  - Doctors get higher wages than clerks because.
    - doctors are in short supply ✓
    - doctors have more respect in society
    - doctors are organized in trade unions
    - people fear doctor's displeasure
  - Under marginal Productivity Theory, reward for labour is determined by.
    - owner
    - government
    - labour
    - marginal product ✓
  - The reward of their services cannot be fixed.
    - wage earner
    - rent receiver
    - interest receiver
    - profit earner ✓
  - Fixing of minimum wage.
    - raises demand for labour
    - raises profits
    - causes unemployment ✓
    - profit earner
  - The supply of labour is based on the trade off between leisure and
    - wealth
    - work ✓
    - wages
    - price of product
  - He cannot be unemployed.
    - policeman
    - beggar ✓
    - milkman
    - bank officer
  - (c) are fixed by contract
  - (d) are always higher than wages
  - Profits.
    - are lower in the long run than in the short run
    - can be negative
    - are less in perfect competition than in monopoly
    - all of the above ✓
  - Profits.
    - are necessary ✓
    - are unnecessary
    - can never be negative
    - all of the above
  - Profits arise because an entrepreneur
    - prepares plan
    - innovates
    - lends money
    - a and b of above ✓
  - Profits.
    - are less in the long run than in short
    - can be negative in the form of loss
    - are less in perfect competition than in monopoly
    - all of the above are true ✓
  - Gross profit does NOT include.
    - rent of his own land
    - interest receiver
    - wage earner
    - taxes ✓
  - Some economists say that profit earner is a kind of.
    - rent receiver
    - interest receiver
    - wage earner ✓
    - govt. officer
  - Risks in the business arise because of.
    - introduction of the new products
    - uncertain policy of rival firms
    - changes in tastes
    - all the above ✓
  - According to Prof. Knight risks are of ..... Kinds.
    - 2 ✓
    - 3
    - 4
    - many
  - This is not a function of the entrepreneur.
    - supervise
    - innovate
    - lend money ✓
    - prepare plan
  - Gross profit includes.
    - Monopoly profit
    - pure profit

## Profit

- Professor Knight is famous for his theory of.
  - rent
  - profit ✓
  - population
  - wages
- Profits.
  - are residual payment ✓
  - are pre-determined

- (a) expenditure method  
(b) income method  
(c) product method  
(d) all of the above✓
19. Which statement is true.  
(a)  $NNP = GNP - \text{Depreciation}$ ✓  
(b)  $NNP = NI$   
(c)  $NNP = DPI$
20. Transfer payments means.  
(a) bank loans  
(b) the payment without work✓  
(c) tax payments  
(d) payments made to all factors of production
21. Direct taxes are not included in.  
(a)  $NNP$  (b)  $PI$   
(c)  $DPI$ ✓ (d) an and c of above
22. When national income is estimated by expenditure method, we include.  
(a) all govt. expenditure  
(b) all households expenditure  
(c) all expenditure of the business sector  
(d) all of a, b and c✓
23. Which statement is true.  
(a) national expenditure = national income✓  
(b) national expenditure = national income + national production  
(c) national expenditure = national income + national taxes  
(d) national expenditure = national income taxes
24. Which statement is true.  
(a) National income = National Expenditure - Indirect taxes  
(b)  $NI - GNP = NNP$   
(c)  $NI - NNP = \text{indirect taxes}$ ✓  
(d)  $NI = PI$
25. There are methods of measuring national income.  
(a) 5 (b) 2  
(c) 1 (d) 3✓
26. If we compare GDP and GNP, then  
(a)  $GNP = GDP - \text{net income from abroad}$   
(b)  $GNP = GDP + \text{net income from abroad}$ ✓  
(c)  $GNP - NNP = \text{net income from abroad}$   
(d)  $GNP = NNP + \text{net income from abroad}$
27. It is deducted from GNP to get NNP.  
(a) indirect taxes (b) depreciation✓  
(c) direct taxes (d) transfer payments
28. Select the correct statements.  
(a) transfer payments are included in national income  
(b) depreciation allowance is a part of  $GNP$ ✓  
(c) taxes are not included in  $NNP$   
(d)  $GDP$  means Gross Direct Production
29. Which is the largest figure.  
(a)  $NNP$  (b)  $GNP$ ✓  
(c)  $DPI$  (d)  $PI$
30. Which is a flow concept.  
(a) number of my shirts  
(b) my monthly income✓  
(c) my total wealth  
(d) money supply
31. To avoid double counting when  $GDP$  is estimated, economist.  
(a) use  $GDP$  deflator  
(b) calculate value added at each stage of production✓  
(c) use retail prices  
(d) use price only intermediate goods
32. A TV set purchased from a retail store is an example of.  
(a) Intermediate good (b) capital goods  
(c) surplus goods (d) final goods✓
33. It is deducted from  $GNP$  to find  $NNP$ .  
(a) savings  
(b) direct taxes  
(c) depreciation allowance✓  
(d) subsidies
34. Undistributed profits are considered.  
(a) income earned but not received  
(b) income received but not earned  
(c) income earned and received  
(d) none of the above✓

## Additional Objective Questions

1.  $GNP$  is.  
(a) total sales in the economy  
(b) total monetary transactions in an economy

- (c) total increase in wages in an year  
(d) total production of goods in a period
17. In calculating national income which one will not be included.  
(a) exports  
(b) undistributed by firms  
(c) wages of a lecturer  
(d) old age pensions✓
18. In circular flow model.  
(a) Households own the resources✓  
(b) There are never international transactions  
(c) Household income is limited to wages and salaries  
(d) Financial markets ensure that the federal govt.'s budget is balanced annually.
7. Which of the following would increase national income.  
(a) increase in taxation  
(b) increase in savings  
(c) increase in govt. in govt. spending✓  
(d) decrease in consumption spending
8. Which of the following is a withdrawal from the circular flow income stream.  
(a) investment (b) subsidies  
(c) taxation✓ (d) consumption

## NI of Pakistan

1. Which shows equilibrium of national income.  
(a) Consumption = investment  
(b) Saving = investment✓  
(c) Saving < investment  
(d) Saving > investment
2. This may cause an increase in national income.  
(a) rise in exports✓  
(b) rise in imports  
(c) fall in consumer spending  
(d) increase in saving
3. If  $C = 200$  and  $I = 40$  then  $Y$  will equal.  
(a) 160 (b) 240✓  
(c) 8000 (d) none of the above
4. Consumption is a function of.  
(a) saving (b) investment  
(c) income✓ (d) none
5. Which one is investment in economics.  
(a) building a factory✓  
(b) buying shares in stock exchange  
(c) depositing money in bank  
(d) depositing money in housing society
6. Marginal propensity to consume (MPC) is  
(a) total income spent on consumption  
(b) ratio of total income consumed  
(c) ratio of additional income consumed✓  
(d) consumption divided by saving
1. Pakistan's saving rate is.  
(a) 5% (b) 15%✓  
(c) 25% (d) 35%
2. Pakistan's per capita income at constant prices in rupees is.  
(a) Rs. 32,000✓ (b) 62,000  
(c) 92,000 (d) 9000
3. Largest sector of Pakistan economy is.  
(a) agriculture✓ (b) industry  
(c) transport (d) services
4. In the world population-wise Pakistan is.  
(a) 3<sup>rd</sup> (b) 4<sup>th</sup>  
(c) 6<sup>th</sup>✓ (d) 8<sup>th</sup>
5. Population growth rate in Pakistan is  
(a) 1% (b) 2%✓  
(c) 3% (d) 4%
6. Contribution of industrial sector in Pakistan GDP is.  
(a) 18%✓ (b) 28%  
(c) 38% (d) 48%
7. According to Pakistan Economic Survey, per capita income of Pakistan in U.S. dollars is.  
(a) 400 (b) 800✓  
(c) 1600 (d) 2000
8. Which one is per capita income.  
(a) per worker income  
(b) per person income✓  
(c) per family income  
(d) per industrial unit income
9. Base year of Pakistan for national accounting is.  
(a) 1979-1980 (b) 1989-1990  
(c) 1999-2000✓ (d) 2009-2010

- (d) all of the above
15. Economic development is measured on the basis of.  
 (a) increase in nominal GNP  
 (b) increase in real GNP ✓  
 (c) increase in personal incomes  
 (d) increase in government revenue
16. Select the combination which is most likely to be found in developing countries.  
 (a) birth rate — gross domestic product  
 (b) death rate — infant mortality rate  
 (c) GDP per head — birth rate ✓

## Money

1. Rupee is a coin.  
 (a) full value (b) token money ✓  
 (c) credit money (d) convertible
2. Cash can Not be directly drawn from a bank against.  
 (a) Cross cheque ✓ (b) Order cheque  
 (c) beautiful (d) heavy
3. Money material should be.  
 (a) abundant (b) scarce ✓  
 (c) beautiful (d) heavy
4. In Pakistan money of account is  
 (a) paisa (b) rupee ✓  
 (c) gold (d) dollar
5. If no money is used to exchange goods, it is called.  
 (a) barter ✓ (b) currency  
 (c) black market (d) free trade
6. Which is not the function of money.  
 (a) make demand and supply equal ✓  
 (b) store of value  
 (c) medium of exchange  
 (d) measure of value
7. Which is money.  
 (a) cheque (b) credit card  
 (c) currency ✓ (d) prize bond
8. Convertible money means.  
 (a) it can buy goods  
 (b) Govt. can give gold against it ✓  
 (c) illegal money  
 (d) low value money
9. Barter has the defect.  
 (a) goods exchanged are of inferior quality  
 (b) goods cannot be exchanged for services  
 (c) lack of common measure of value ✓  
 (d) none of the above
10. Legal money is called so because.  
 (a) the buyer must pay in that money  
 (b) can be converted into gold  
 (c) sellers do not accept any other money  
 (d) it is official medium of exchange ✓
11. It is the medium of exchange.  
 (a) black money (b) near money  
 (c) currency ✓ (d) foreign exchange
12. The govt. can control inflation by  
 (a) increasing demand for goods  
 (b) increasing supply of goods ✓  
 (c) increasing money supply  
 (d) decreasing taxes
13. Government of Pakistan issues currency on the basis of.  
 (a) availability of gold in the country  
 (b) availability of dollars in the country  
 (c) demand for money in the country ✓  
 (d) tax collection
14. Quantity of money has relation with value of money.  
 (a) direct (b) indirect  
 (c) inverse ✓ (d) no relation
15. Commercial banks create.  
 (a) credit money ✓  
 (b) token money  
 (c) legal money  
 (d) do not create money
16. Cheque is.  
 (a) legal money (b) credit money  
 (c) paper money (d) none money ✓
17. The most important feature of money.  
 (a) general acceptability ✓  
 (b) convertibility into gold  
 (c) store of value  
 (d) medium of exchange
18. It can change money supply.  
 (a) National Assembly  
 (b) Supreme court  
 (c) Government  
 (d) State bank ✓
19. Which of the following increases money supply in the country?  
 (a) purchase of bonds by state bank ✓  
 (b) sale of bonds by state bank  
 (c) increase in discount rate  
 (d) decrease in taxes



- (b) Monetary and labour policy  
(c) Fiscal and commercial policies  
(d) All of the above
10. Inflation is a situation when.  
(a) Prices of some goods rise  
(b) General price level rises continuously✓  
(c) Prices double every year  
(d) Prices rise and fall
11. Under normal circumstances, the velocity of circulation of money in a country is.  
(a) 100% (b) negative  
(c) less than 10✓ (d) zero
12. In Pakistan in the year 2005-06 money supply was about?  
(a) Rs. 1800 billion✓  
(b) Rs. 1800 million  
(c) Rs. 1800 trillion  
(d) uncountable
13. Banks discount it an advance loans.  
(a) draft  
(b) bill of exchange✓  
(c) pay order (d) gold
14. Paper money is called fiat money because.  
(a) it is issued with authority of government✓  
(b) it is convertible into gold  
(c) it can be easily printed  
(d) it is light weight
15. According to Keynes, demand for money is affected by.  
(a) income  
(b) rate of interest  
(c) literacy rate  
(d) a and b of above✓
16. During inflation.  
(a) lenders lose, borrowers gain✓  
(b) borrowers lose, lenders gain  
(c) borrowers and lenders both lose  
(d) all sections of the society gain
17. The quantity demanded of money rises.  
(a) as the interest rises  
(b) as the interest rate falls✓  
(c) a the supply of money falls  
(d) as the number if banks rises
18. Which people are most likely to gain during inflation.  
(a) Those living on pension  
(b) Those living on their saving  
(c) Those who are repaying borrowed money✓  
(d) Those who have lent money
19. If quantity of money increases 100% other things remaining constant, value of money changes by.  
(a) increases by 100%  
(b) decreases by 100%✓  
(c) decreases by 200%  
(d) does not change
20. For the economy, prices are beneficial.  
(a) falling slowly (b) rising slowly✓  
(c) rising fast (d) falling fast
21. According to Lord Keynes, people demand money for purposes (motives).  
(a) 1 (b) 2  
(c) 3 (d) 4✓

## Bank

1. Profit and loss-sharing is an element of this system.  
(a) Islamic✓ (b) Capitalistic  
(c) Socialistic (d) none
2. Cash cannot be obtain from a bank against.  
(a) cross cheque✓ (b) order cheque  
(c) bearer cheque (d) traveler cheque
3. Commercial banks accept deposits and provide.  
(a) money (b) cheque  
(c) loans✓ (d) bill of exchange
4. The banks can give loans.  
(a) unlimited (b) equal to deposits  
(c) less than deposits  
(d) more than deposits✓
5. Banks discount it and advance loans.  
(a) draft (b) bill of exchange✓  
(c) pay order (d) gold
6. Banks prepare their balance sheet.  
(a) weekly✓ (b) monthly  
(c) quarterly (d) annually
7. Balance sheet of a bank has two parts.  
(a) supply and demand for deposits  
(b) supply and demand of advances  
(c) assets and liabilities✓  
(d) cash reserves and loans
8. When banks prepare their balance sheets, they show the money lent in.  
(a) liabilities (b) assets✓

- (a) They vary inversely ✓  
 (b) They vary directly  
 (c) They are not relate  
 (d) They are related in long run and not in the short run
6. Which is the most widely used tool of monetary policy.  
 (a) Clearing house  
 (b) open-market operations ✓  
 (c) discount rate  
 (d) issuing of notes
7. When the State Bank wants to decrease money supply in the country, it  
 (a) buys govt. securities in stock market  
 (b) sells govt. securities ✓  
 (c) lowers discount rate  
 (d) b and c of above
8. Monetary policy consists of.  
 (a) decreasing taxes  
 (b) changing total money supply ✓  
 (c) checking commercial banks  
 (d) printing of money
9. State Bank of Pakistan has departments.  
 (a) issue and banking department  
 (b) issue and research departments  
 (c) banking and research department  
 (d) issue, research and banking department ✓
10. Central bank's rate of lending to commercial banks is called.  
 (a) interest rate (b) discount rate ✓  
 (c) money rate (d) control rate
11. When a central bank wants to increase money supply in circulation.  
 (a) purchases govt. securities  
 (b) lowers bank rate  
 (c) directs banks to advance more loans  
 (d) a and b of above ✓
12. State Bank of Pakistan is run by.  
 (a) Board of directors ✓  
 (b) Board of governor  
 (c) Board of managers  
 (d) Board of bankers
13. Credit money is controlled by.  
 (a) government (b) commercial banks  
 (c) central bank ✓ (d) markets
14. Every country establishes central bank to.  
 (a) issue notes  
 (b) supervise commercial banks  
 (c) give loans to businessmen policy  
 (d) a and b of above ✓
15. It is NOT an instrument of monetary policy.  
 (a) Bank rate (b) commercial bank  
 (c) government (d) stock exchange ✓
16. It creates credit..  
 (a) central bank (b) commercial bank ✓  
 (c) government (d) stock exchange
17. Which is a monetary measure to increase employment.  
 (a) increase in govt. expenditure  
 (b) reduce govt. expenditure  
 (c) increase in interest rate  
 (d) reducing interest rate ✓
18. In order to reduce consumer borrowing this is raised.  
 (a) commercial bank deposits  
 (b) government spending  
 (c) interest rate ✓  
 (d) the exchange rate
19. Which organization controls the banking system in most countries.  
 (a) central bank ✓  
 (b) commercial bank  
 (c) investment bank  
 (d) world bank
20. Treasury bill is used for.  
 (a) getting short term loans ✓  
 (b) getting long term loans  
 (c) treasury bill is not credit instrument  
 (d) treasury bill is a govt. tax bill
21. Out of the following the only recognized legal tender is.  
 (a) cheque  
 (b) bank notes and coins ✓  
 (c) bank notes and cheques  
 (d) credit card
22. Open Market Operations is.  
 (a) buying and selling bills of exchange  
 (b) buying and selling govt. securities ✓  
 (c) buying and selling shares of companies  
 (d) buying and selling foreign exchange
- ## Banking in Pakistan
1. Nationalization of banks was done in.  
 (a) 1974 ✓ (b) 1976  
 (c) 1978 (d) 1980

12. According to Heckscher and Ohlin basic cause of international trade is,  
 (a) difference in factor endowments✓  
 (b) difference in markets  
 (c) difference in political systems  
 (d) difference in ideology
13. All are advantages of foreign trade EXCEPT.  
 (a) people get foreign exchange✓  
 (b) nations complete  
 (c) cheaper goods  
 (d) optimum utilization of country's resources
14. Two countries can again from foreign trade if.  
 (a) cost ratios are different  
 (b) tariff rates are different  
 (c) price ratios are different  
 (d) a and c of above✓
15. International trade and domestic trade differ because of.  
 (a) trade restrictions  
 (b) immobility of factors  
 (c) different government policies  
 (d) all of the above✓
16. Terms of trade of developing countries are generally unfavorable because.  
 (a) they export primary goods  
 (b) they import value added goods  
 (c) they export few goods  
 (d) a and b of above✓
17. Term of trade of a country show.  
 (a) ratio of goods exported and imported  
 (b) ratio of import duties  
 (c) ratio of prices of exports and imports✓  
 (d) a and c of above
18. In a free trade world in which no restrictions exist, international trade will lead to.  
 (a) reduced real living standard  
 (b) decreased efficiency  
 (c) increased efficiency✓  
 (d) reduced real GDP
19. Govt. policy about exports and imports is called.  
 (a) monetary policy (b) fiscal policy  
 (c) commercial policy✓ (d) finance policy
20. What would encourage trade between two countries.  
 (a) different tax system  
 (b) frontier checks  
 (c) national currencies  
 (d) reduced tariffs✓
21. "Terms of trade" between two countries refer to a ratio of.  
 (a) export prices to import prices✓  
 (b) currency values  
 (c) exports to imports  
 (d) balance of trade to balance of payments
22. What would encourage trade between two countries.  
 (a) different tax system  
 (b) quality control  
 (c) reduced tariffs✓  
 (d) fixing import quotas

## Balance of Payment in Pakistan

1. Balance of payments of a country includes.  
 (a) current account  
 (b) monetary account  
 (c) capital account  
 (d) all of above✓
2. Balance of payments of a country includes.  
 (a) balance of trade  
 (b) capital receipts and payments  
 (c) savings and investment account  
 (d) a and b of above✓
3. Final balance of payments of a country is.  
 (a) always balanced✓ (b) always deficit  
 (c) always surplus (d) fluctuates
4. Balance of Payments of a country has parts.  
 (a) 2 (b) 3✓  
 (c) 4 (d) 5
5. Exchange rate for currencies is determined by supply and demand in system of.  
 (a) fixed exchange rate  
 (b) flexible✓  
 (c) constant  
 (d) govt. regulated
6. If GNP of Pakistan rises, it will encourage.  
 (a) exports (b) in,ports  
 (c) both✓ (d) none

2. Pakistan's exports mainly consists of products.  
 (a) Semi-manufactured ✓  
 (b) Machinery  
 (c) Mineral  
 (d) Services
3. The largest item in our import list is.  
 (a) consumer goods (b) machinery  
 (c) petroleum ✓ (d) computers
4. Select the correct statement.  
 (a) Pakistan's largest item of import is machinery  
 (b) Pakistan's exports mainly consist of low-value goods ✓  
 (c) Direction of trade means what goods are being exported  
 (d) Imports are not needed
5. Commercial policy means.  
 (a) policy about markets  
 (b) policy about money supply  
 (c) policy about imports and exports ✓  
 (d) policy for controlling of prices of goods
6. Import of Petroleum makes Pakistan's import bill.  
 (a) 15% (b) 25% ✓  
 (c) 35% (d) 45%
7. The largest item of Pakistan's exports is.  
 (a) cotton (b) rice  
 (c) cotton yarn  
 (d) ready made garments ✓
8. Largest share of Pakistan's exports go to.  
 (a) China (b) Japan  
 (c) England (d) USA ✓
9. Pakistan's share in the world for cotton textiles is.  
 (a) less than 3% ✓ (b) 10%  
 (c) 20% (d) 30%
10. Pakistan's ,  
 (a) exports are increasing  
 (b) imports are increasing ✓  
 (c) exports and imports are increasing  
 (d) all are true
11. In Pakistan's share in the world for cotton textiles is.  
 (a) export's foreign trade  
 (b) exports are greater than imports  
 (c) exports are less than imports ✓  
 (d) imports are double of exports
12. From Jan 2005, custom duties are reduced because of international agreement under.  
 (a) WTO ✓ (b) IMF  
 (c) World Bank (d) a and b of
13. Pakistan's exports mainly consists of.  
 (a) Machinery (b) consumer goods ✓  
 (c) minerals (d) computer
14. To facilitate foreign trade, Pakistan has established in different cities.  
 (a) Inland ports (b) Regional parts  
 (c) Dry parts ✓ (d) Private ports
15. The balance of payments account of Pakistan is prepared by.  
 (a) government of Pakistan  
 (b) National Bank of Pakistan  
 (c) State Bank of Pakistan ✓  
 (d) Export Bureau of Pakistan
16. Pakistan exports these goods.  
 (a) ready-made garments, computers, rice  
 (b) rice, leather products, tractors  
 (c) cotton yarn, fish, rice ✓  
 (d) ready made garments, edible oil, rice
17. Pakistan imports these goods.  
 (a) machinery, tea, fish  
 (b) machinery, petroleum, fish  
 (c) tea, fish, fertilizers  
 (d) machinery, oil, fertilizer ✓

## Balance of Payment of Pakistan

1. On the basis of earnings, order of Pakistan's exports is.  
 (a) rice, cotton, yarn, carpets  
 (b) rice, carpets, cotton yarn  
 (c) cotton yarn, rice, carpets ✓  
 (d) cotton yarn, carpets, rice
2. On the basis of value, order of Pakistan imports is.  
 (a) oil, chemicals, machinery  
 (b) oil, machinery, chemicals ✓  
 (c) machinery, oil, chemicals  
 (d) machinery, chemical, oil
3. Devaluation of currency can help to increase exports if elasticity of demand of exportable items in other countries is.  
 (a) less than one (b) greater than one ✓  
 (c) equal to one (d) zero

- (a) Govt. expenditure outstrips tax receipts  
 (b) Govt. tax receipts outstrips expenditure  
 (c) Government expenditure equals tax revenue✓  
 (d) None of the above
16. Government finance is called.  
 (a) national finance  
 (b) public finance✓  
 (c) private finance  
 (d) a and b of above
17. How the government can meet its expenditure.  
 (a) by taxing people  
 (b) by borrowing from banks and other governments  
 (c) by printing new money  
 (d) by all the three methods✓
18. The government can collect funds from.  
 (a) taxes  
 (b) fees  
 (c) prices of public goods  
 (d) all the three✓
19. A direct tax is that which.  
 (a) is heavy burden on the tax payers  
 (b) can be directly deposited in the banks  
 (c) can not be evaded  
 (d) is paid by the person on whom it is levied✓
20. In Pakistan Government budget is prepared by.  
 (a) National assembly  
 (b) President of Pakistan  
 (c) Ministry of Finance✓  
 (d) State Bank of Pakistan
21. In Pakistan Income tax is.  
 (a) progressive tax  
 (b) proportional  
 (c) direct  
 (d) a and c of above✓
22. Which tax better conforms to the principle of equality in taxation.  
 (a) progressive tax✓ (b) regressive tax  
 (c) proportional tax (d) fixed tax
23. Which one is NOT a principle of taxation.  
 (a) principle of equality  
 (b) principle of certainty  
 (c) principle of morality✓  
 (d) principle of diversity
24. A country has proportional system of taxation. A person pays Rs. 500 tax when his income is 5000, how much tax he will pay if his earning rises to 8000.  
 (a) 200 (b) 400  
 (c) 600 (d) 800✓
25. Which source a private company cannot use?  
 (a) a bank loan  
 (b) a bank overdraft  
 (c) selling new shares in stock exchange  
 (d) deficit finance (new money)✓
26. Net taxes are.  
 (a) Domestic taxes minus foreign taxes  
 (b) Business taxes minus personal taxes  
 (c) Total taxes minus govt. transfer payments✓  
 (d) Total taxes minus govt. purchases
27. Which is NOT counted as public expenditure?  
 (a) Subsidy given to local city bus service  
 (b) Defence expenditure  
 (c) Investment spending by public companies✓  
 (d) Interest payment of national debt
28. If income tax is asses at Rs. 100 on an income of Rs. 1000. Compared to this, which one of the following indicates that the income tax rate is progressive?  
 (a) Rs. 150 tax on Rs. 2000 income  
 (b) Rs. 350 tax on Rs. 3000 income✓  
 (c) Rs. 400 tax on Rs. 4000 income  
 (d) Rs. 450 tax on Rs. 5000 income

## Tax System of Pakistan

- Tax is a payment.  
 (a) compulsory✓ (b) voluntary  
 (c) unnecessary (d) temporary
- The main source of revenue of federal government is  
 (a) property (b) income tax  
 (c) custom duties (d) sales tax✓
- In Pakistan government budget is prepared by.  
 (a) National assembly  
 (b) President of Pakistan  
 (c) Ministry of Finance✓  
 (d) State Bank of Pakistan

6. Which is the basic economic problem which is common in all economic systems.  
 (a) allocation of scarce resources ✓  
 (b) elimination of inflation  
 (c) to increase exports  
 (d) to reduce taxation
7. In a country like Pakistan,  
 (a) all economic decisions are made through markets  
 (b) there is no planning  
 (c) govt. owns most of the means of production forces along with some planning by the govt.  
 (d) there is reliance on market ✓
8. Capitalism is define as an economic system where there is,  
 (a) a lack of planning ✓  
 (b) a reliance over free market  
 (c) private ownership of property  
 (d) all of the above
9. Pakistan is a,  
 (a) mixed economy ✓  
 (b) capitalistic economy  
 (c) socialistic economy  
 (d) Islamic economy
1. Economic problems arise because.  
 (a) Various religions exist  
 (b) Rich people do not pay tax  
 (c) There are limited resources but unlimited wants ✓  
 (d) none of the above
2. The one who believe that economics is related to scarcity of resources and multiplicity of wants will be called.  
 (a) a classical economist  
 (b) a neo-classical  
 (c) modern economist ✓  
 (d) not an economist
3. Human being is the focus of study is the definition of economics by.  
 (a) Alfred Marshall ✓  
 (b) Adam Smith  
 (c) Paul A. Samuelson  
 (d) Aristotle
4. Scarcity definition or the modern definition of economics was given by.  
 (a) Alfred Marshall (b) Adam Smith  
 (c) Pigou (d) Lionel Robbins ✓
5. Multiple ends and scarce means is in the center of definition of economics by.  
 (a) Alfred Marshal (b) Robbins ✓  
 (c) Adam Smith (d) Aristotle
6. "The concept of welfare is not clearly defined and cannot be measured" is true for which definition of economics.  
 (a) Classical  
 (b) Neo-classical ✓  
 (c) Modern  
 (d) None of the above
7. While using inductive method, we move from.  
 (a) particular to general ✓  
 (b) general to particular  
 (c) model to theory (d) both a and b
8. Macroeconomics studies topics like.  
 (a) national income ✓  
 (b) consumer behavior  
 (c) individual welfare  
 (d) demand and supply
9. Microeconomics studies topics like.  
 (a) National Income  
 (b) Economic growth  
 (c) Demand and supply ✓  
 (d) b and c
10. "The Principles of Economics" (1890) was written by.  
 (a) Aristotle (b) Robbins  
 (c) Adam Smith (d) Alfred Marshall ✓

## Utility Theory

### A Cardinal Approach To Consumer's Behaviour

1. When economists speak of the utility of a certain good, they are referring to.  
 (a) the demand for the good  
 (b) the usefulness of the good in consumption  
 (c) the characteristic of the good to satisfy a human want ✓  
 (d) all of the above  
 (e) None of the above
2. For two commodities X and Y, A utility-maximizing rational consumer will decide to consume a combination such that.

- (h) Keeping income constant and varying the price of both commodities.
- (c) Keeping prices constant and varying the income of the consumer.
- (d) Varying both income of the consumer and price of the commodity.
- (e) Just shifting the price line parallel upwards.
4. An income consumption curve can be most easily derived by joining the tangency points of various IC's and Price lines by.
- (a) Keeping income constant and varying the price of one commodity.
- (b) Keeping income constant and varying the price of both commodities.
- (c) Keeping prices constant and varying the income of the consumer. ✓
- (d) Varying both income of the consumer and price of the commodity.
- (e) Just shifting the price line parallel upwards.
5. A ten percent increase in income of the consumer will.
- (a) Shift the price line parallel upwards. ✓
- (b) Shift the price line parallel downwards.
- (c) Rotate the price line clockwise of the x-axis.
- (d) Rotate the price line clockwise on the y-axis.
- (e) Result in no change.
6. A ten percent increase in the price of the good represented on the x-axis will.
- (a) Shift the price line parallel upwards
- (b) Shift the price line parallel downwards
- (c) Rotate the price line clockwise on the x-axis ✓
- (d) Rotate the price line clockwise on the y-axis
- (e) Result in no change
7. A ten percent increase price of both the commodities will.
- (a) Shift the price line parallel upwards
- (b) Shift the price line parallel downwards ✓
- (c) Rotate the price line clockwise on the x-axis
- (d) Rotate the price line clockwise on the y-axis
- (e) Result in no change
8. A ten percent increase in income of the consumer will.
- (a) Shift the price line parallel upwards ✓
- (b) Shift the price line parallel downwards
- (c) Rotate the price line clockwise on the x-axis
- (d) Rotate the price line clockwise on the y-axis
- (e) Result in no change
9. The marginal rate of substitution is defined as.
- (a) The slope of the price line
- (b) The slope of the indifference curve ✓
- (c) The length of the indifference curve
- (d) The length of the price line
- (e) None of the above
10. The consumer is in equilibrium when.
- (a) The slope of the budget line is zero
- (b) The slope of indifference curve is negative
- (c) The marginal rate of substitution is maximum
- (d) The marginal rate of substitution is equal to the ratio of process ✓
- (e) All points on the indifference curve lie above the price line

## Demand Analysis

1. Demand is.
- (a) The amount of a commodity that consumers want to purchase
- (b) A relationship between quantity demanded and price ✓
- (c) The amount of a commodity that consumers can purchase
- (d) The inquiries made about a commodity
- (e) None of the above
2. Shift factors in the demand function are.
- (a) The factors that continuously shift.
- (b) The factors, the change of which, can shift the demand curve. ✓
- (c) The factors, the change of which, can shift the quantity demanded.
- (d) The factors, the change of which, changes the slope of demand curve.
- (e) None of the above.
3. All of the following are shift factors of demand function except.

- (c) None of the above.
6. We may observe a rise in supply when.
- There is a cut in taxes on inputs.
  - There is political stability.
  - Technology improves.
  - All of the above. ✓
  - None of the above.
7. For the supply curve  $Q_s = c + d P$ , the shift factors have an impact on the value of.
- d
  - c ✓
  - p
  - all of the above
  - none of the above
1. Given demand function  $Q_d = 100 - 2P$  and  $P = 10$ , the price elasticity of demand is.
- 2
  - 2
  - 0.5
  - 0.25 ✓
  - $\frac{1}{2}$
2. If demand for a good is elastic.
- a rise in price increases consumer's expenditure on that good.
  - A fall in price increases consumer's expenditure on that good. ✓
  - Change in prices results in no change in expenditure.
  - Nothing can be said about price-expenditure relationship.
  - None of the above.
3. Given the following possibilities, when will consumer's expenditure on the good decrease?
- demand is unitary elastic and price falls
  - demand is elastic and price rises
  - demand is inelastic and price falls
  - a & c
  - b & c ✓
4. If price rises by 10% and quantity demanded decreases by 8%.
- Demand is elastic
  - Demand is inelastic ✓
  - Supply is elastic
  - Supply is inelastic
  - None of the above
5. If the percentage effect of price of a substitute on the quantity demanded of a commodity is expressed as.
- Income elasticity
  - Cross elasticity ✓
  - Price elasticity
  - Taste elasticity
  - None of the above
6. If the price elasticity of demand for good 'X' is less than one, then good 'X' can be.
- A luxury
  - A necessity ✓
  - Highly elastic
  - Unitary elastic
  - None of the above
7. For normal goods, income elasticity is.
- Zero
  - Positive ✓
  - Negative
  - Greater than one
  - None of the above
8. If price of a substitute increases by 10% and the quantity demanded of the good increases by 5% then the cross elasticity will be.
- $\frac{1}{2}$  ✓
  - 4
  - zero
  - 2
  - none of the above
9. For normal goods.
- Price elasticity of demand is positive and income elasticity is negative.
  - Price elasticity of demand is negative and cross elasticity is negative.
  - Both price elasticity and income elasticity are negative.
  - Price elasticity of demand is negative and income elasticity of demand is positive. ✓
  - Both price and income elasticity are positive.
10. Determinants of elasticity of supply include.
- Time
  - Stocks
  - International trade restrictions
  - All of the above ✓
  - None of the above
11. Increase in international trade restrictions normally.
- Have nothing to do with elasticity.
  - Effect elasticity of demand.
  - Effect elasticity of supply. ✓
  - Effect both elasticity of demand and supply.
  - None of the above is true.
12. In the long run.
- Elasticity of supply is greater than short run. ✓



- (b) The labour becomes weaker.
- (c) Machines depreciate.
- (d) All of the above.
- (e) None of the above.

## The Cost of Production

1. Cost can be explained as.
  - (a) Initial investment to start a business.
  - (b) Sum of rewards to the factors of production. ✓
  - (c) Flow of daily expenditures.
  - (d) Cash spend
  - (e) None of the above
2. Marginal cost is.
  - (a) Derivative of total cost.
  - (b) Slope of total cost curve.
  - (c) Rate of change in cost per unit of output.
  - (d) All of the above ✓
  - (e) None of the above
3. Total cost function with a U-shaped MC can be represented by.
  - (a) A linear equation
  - (b) A quadratic equation
  - (c) A cubic equation ✓
  - (d) An exponential function
  - (e) None of the above
4. Plant size can be represented by.
  - (a) Long run average cost curve.
  - (b) A short run average cost curve. ✓
  - (c) Long run marginal cost.
  - (d) All of the above.
  - (e) None of the above.
5. Planning curve is another name for.
  - (a) Fixed cost curve.
  - (b) Short run marginal cost curve.
  - (c) Long run marginal cost curve.
  - (d) Short run average cost curve.
  - (e) Long run average cost curve. ✓
6. In the second stage of production.
  - (a) Marginal cost increases. ✓
  - (b) Marginal cost decreases.
  - (c) Marginal cost is constant.
  - (d) Marginal product increases.
  - (e) Total product falls.
7. Long run average cost is U-shaped because of.
  - (a) Economies of scale.

- (b) Diseconomies of scale.
  - (c) U-shape of short run average cost curve.
  - (d) a & b ✓
  - (e) a & c
8. Marginal cost curve intersects average cost curve at.
    - (a) Minimum total cost.
    - (b) Minimum fixed cost.
    - (c) Minimum marginal cost.
    - (d) Minimum average cost. ✓
    - (e) None of the above.
  9. The planning curve may eventually rise because of.
    - (a) Managerial inefficiencies. ✓
    - (b) Lack of planning.
    - (c) Political events.
    - (d) All of the above.
    - (e) None of the above.
  10. L-shape long run average cost is related to.
    - (a) Classical cost theorists.
    - (b) Modern cost theorists. ✓
    - (c) Macroeconomists.
    - (d) Accountants.
    - (e) None of the above.

## The Business Firm

1. The characteristics of perfect competition include.
  - (a) A single firm.
  - (b) A homogeneous products. ✓
  - (c) Small number of buyers.
  - (d) Restricted entry and exit.
  - (e) None of the above.
2. Perfect competition is.
  - (a) A market structure. ✓
  - (b) A union of firms.
  - (c) Market where firms have perfect control over price.
  - (d) A market where  $MR = AR = 0$
  - (e) None of the above.
3. Under perfect competition with short run super normal profit, firms achieve an optimum level where.
  - (a)  $MR = TR = P = MC$
  - (b)  $MR = AC = P = MC$  ✓
  - (c)  $MR = AR = P = AC$
  - (d)  $MR = AR = P = MC$
  - (e) None of the above

- (d) A market where  $MR = AR$   
 (e) none of the above
3. Under monopoly the industry is.  
 (a) Constituted of a large number of firms  
 (b) Larger than the firm  
 (c) More powerful than the firm  
 (d) The firm itself ✓  
 (e) None of the above
4. Under monopoly in the short run.  
 (a) Loss is possible  
 (b) Loss is not possible  
 (c) Super normal profit is possible  
 (d) a & b  
 (e) a & c ✓
5. In the long run under monopoly.  
 (a) The firm earns super normal profits ✓  
 (b) The firm earns normal profits  
 (c) The firm may face loss  
 (d) All above are possible  
 (e) The firm must shut down
6. For equilibrium under monopoly a required condition is that.  
 (a) Slope of  $MR >$  slope of  $MC$   
 (b)  $MC = MR$   
 (c)  $AR > LAC$   
 (d) All of the above ✓  
 (e) None of the above
7. In the long run under monopoly, firms can earn super normal profits after.  
 (a) Entry and exit of firms  
 (b) Forcing all firms to increase their price  
 (c) Bribing the government officials  
 (d) Successive plant size adjustments ✓  
 (e) Producing at highest possible levels
8. Monopoly.  
 (a) Is often the market situation  
 (b) Is always the market situation  
 (c) Is never the market situation  
 (d) Describes all markets in developing countries  
 (e) None of the above ✓
9. Which of the following statement is correct under monopoly.  
 (a) Prices are out of the control of the individual firm  
 (b) Prices are controlled by the monopolist ✓  
 (c) Prices are taken as fixed for an individual firm  
 (d) All of the above  
 (e) None of the above
10. Under monopoly, as compared to perfect competition, the demand is.  
 (a) More elastic  
 (b) Has the same elasticity  
 (c) Less elastic ✓  
 (d) Greater than perfect competition  
 (e) None of the above

## Models of Imperfect Competition

1. Monopolistic competition is an model related to.  
 (a) Perfect competition  
 (b) Imperfect competition ✓  
 (c) Monopoly  
 (d) All of the above  
 (e) None of the above
2. The theory of monopolistic competition is authored by.  
 (a) Joan Robinson  
 (b) Edward chamber line ✓  
 (c) Heinrich von stackelberg  
 (d) Alfred marshall  
 (e) Adam smith
3. Freedom of entry of firm is a characteristic of.  
 (a) Perfect competition  
 (b) Monopoly  
 (c) Monopolistic competition  
 (d) a & c ✓  
 (e) a & d
4. An assumption of monopolistic competition not found in perfect competition is.  
 (a) Free entry of firms  
 (b) Product differentiation ✓  
 (c) Large number of buyers/ sellers  
 (d) All of the above  
 (e) None of the above
5. Every firm has some degree of monopoly power can be a statement related to.  
 (a) perfect competition  
 (b) monopoly  
 (c) monopolistic competition ✓

- (b) A factor of production with perfectly elastic supply  
 (c) Not a factor of production  
 (d) The only real factor of production  
 (e) None of the above
3. Return to a firm owner above the opportunity cost of his capital invested in business is called.  
 (a) Inframarginal rent  
 (b) Recardian rent  
 (c) Quasi-rent ✓  
 (d) Super rent  
 (e) None of the above
4. The Recardian theory of rent assumes that there is.  
 (a) Monopoly situation in the labour market  
 (b) Perfect competition in the labour market ✓  
 (c) Imperfect competition in the labour market  
 (d) The law of increasing returns applies to land  
 (e) None of the above
5. The rent on the marginal land in Recardian theory is.  
 (a) The highest  
 (b) Equal to profit on the most fertile land  
 (c) Zero ✓  
 (d) Decided by the land owner  
 (e) None of the above
6. The following theory can be applied for rent determination.  
 (a) Marginal utility theory  
 (b) Modern theory of cost  
 (c) Monopoly  
 (d) Marginal productivity theory ✓  
 (e) None of the above
7. The difference between total earnings and transfer earnings is called.  
 (a) Recardian rent  
 (b) Economic rent ✓  
 (c) Inframarginal rent  
 (d) All of the above  
 (e) None of the above
1. National income accounting began in.  
 (a) The fifteenth century  
 (b) The seventeenth century ✓  
 (c) The nineteenth century  
 (d) 1917  
 (e) none of the above
2. National Income does not include.  
 (a) Production of goods for sale  
 (b) Production of goods for the household  
 (c) Childcare within the household by the mothers  
 (d) a & b  
 (e) b & c ✓
3. GDP can be estimated by summing.  
 (a) Production (b) Incomes  
 (c) Expenditures (d) All of the above ✓  
 (e) None of the above
4. Pakistan's GDP does not include.  
 (a) Cars produced in Pakistan  
 (b) Cars produced in China  
 (c) Cars produced in Korea by a Pakistan firm  
 (d) a & b  
 (e) b & c ✓
5. Income of foreigners within a country is included in the country's.  
 (a) GDP ✓  
 (b) GNP or GNI  
 (c) Social Security contribution  
 (d) PI  
 (e) National Income at factor cost
6. Circular flow of income shows that.  
 (a) Expenditures = household production = income  
 (b) Salaries = outputs = incomes  
 (c) Expenditures = outputs = income ✓  
 (d) Expenditures = outputs = disposable income  
 (e) None of the above
7.  $GNP = C + I + G + (X - M)$  is an estimation of GNP by the  
 (a) Expenditure approach ✓  
 (b) Income approach  
 (c) Value added method  
 (d) All of the above  
 (e) None of the above
8. GDP can be.  
 (a) Greater than GNI  
 (b) Less than GNI  
 (c) Equal to GNI  
 (d) All of the above ✓  
 (e) None of the above

- (b) All investment is induced investment  
 (c) All investment is autonomous✓  
 (d) All investment is un-played  
 (e) None of the above
4. According to Keynes, Marginal efficiency of capital and interest rate are.  
 (a) Directly related  
 (b) Inversely related✓  
 (c) Not related  
 (d) The same thing  
 (e) None of the above
5. A project may be undertaken if the net present value of future income is.  
 (a) Less than cost  
 (b) Greater than cost✓  
 (c) Less than interest rate  
 (d) All of the above  
 (e) None of the above
6. If the society becomes more optimistic then the net present value of future incomes will.  
 (a) Increase✓  
 (b) Decrease  
 (c) Remain unchanged  
 (d) Become zero (d) None of the above
- (d) Is always at less than full employment level  
 (e) None of the above
4. If the investment multiplier is 5 and there is new investment of Rs. 500 million, the national income will.  
 (a) increase by Rs. 500 million  
 (b) increase by Rs. 2500 million✓  
 (c) Decrease by 1%  
 (d) Decrease by 5%  
 (e) Remain unchanged
5. If the MPC = 0.8, the multiplier will be.  
 (a) 5✓ (b) 2  
 (c) 10 (d) 50  
 (e) can not be determined
6. When total expenditures fall short of full employment income, we may be facing.  
 (a) An inflationary gap  
 (b) A deflationary gap✓  
 (c) Both inflationary and deflationary gap  
 (d) Full employment problem  
 (e) None of the above
1. Theory of absolute advantages was given by.  
 (a) Adam Smith✓ (b) David Ricardo  
 (c) Hickscher (d) Ohlin  
 (e) None of the above

## Income And Employment Determination

1. David Hume and Ricardo are considered to be.  
 (a) Classical economists✓  
 (b) Neoclassical economists  
 (c) Monetarists  
 (d) Structuralist  
 (e) Keynesians
2. "Supply creates its own demand."  
 (a) Is a classical theory✓  
 (b) Is a Keynesian theory  
 (c) Is a monetarist theory  
 (d) All believe in it  
 (e) Is true only in the short run
3. Keynes believed that equilibrium level of income is.  
 (a) Always at full employment level  
 (b) Never at full employment level  
 (c) Not necessarily at full employment level✓
2. A country has absolute advantage in the production of a commodity as compared to other nation if she  
 (a) Produces greater quantity of the commodity at a given cost  
 (b) Produces the same quantity of the commodity at lower cost  
 (c) It produces lesser quantity of the commodity than the other nation  
 (d) a & b✓  
 (e) a & c
3. The theory of absolute advantages can not be applied if, for two goods, one trade partner.  
 (a) Has absolute disadvantage in one commodity only  
 (b) Has absolute advantage in one commodity only  
 (c) Has absolute advantage in both commodities✓  
 (d) All of the above

5. In a proportional tax system.
- The rate of tax increases with the level of income
  - The rate of tax decreases with the level of income
  - The rate of tax remains the same regardless of income ✓
  - Proportionally higher tax rate is charged from the elite class
  - None of the above
6. The basic canons of taxation were provided by.
- Canon
  - Smith ✓
  - Marshall
  - Ricardo
  - Keynes
7. In a progressive tax system.
- The rate of tax increases with income brackets ✓
  - The rate of tax decreases with income brackets
  - The rate of tax remains the same regardless of income
  - Proportionally higher tax rate is charged from the elite class
  - None of the above
8. Wealth tax is an example of.
- Indirect tax
  - Direct tax ✓
  - Injustice
  - All of the above
  - None of the above
- (c) Tabulation ✓ (d) Distribution
4. In a table, foot note and source notes are:
- Different ✓
  - Same
  - Identical
  - None of above
5. Which of the following is written at the top of the table?
- Prefatory note
  - Title ✓
  - Foot note
  - Source note
6. The minimum number of classes may be determined by the formula:
- $C = \sqrt{n}$  (approximately) ✓
  - $1 + 3.3$
  - $\frac{R}{C}$  (approximately)
  - $\frac{C}{R}$  (approximately)
7. The graph of the symmetrical distribution is:
- U-shaped
  - J-shaped
  - Bell-shaped ✓
  - None of above
8. Lower class boundary of 30-35 will be:
- 35
  - 30 ✓
  - 32.5
  - None of above
9. The graph of mid points and frequency is called:
- Pie diagram ✓
  - Bar diagram
  - Histogram
  - None of above
10. For a given class 34-36, the mid point will be:
- 34
  - 36
  - 70
  - 35 ✓
11. Relative frequencies are obtained by:
- Dividing the mid points by the total frequency
  - Dividing the total by the frequency
  - Dividing the frequency by total frequency ✓
12. Which of the following is written at the bottom of the table?
- Foot note
  - Source note
  - Prefatory note
  - both a and b ✓
13. As a general rule, statisticians tend to use which of the following number of classes when arranging the data:

\*\*\*\*\*

## Business Mathematics & Statistics

1. Tabulation means, the process of arranging the data into:
- Rows and columns ✓
  - Columns
  - Rows
  - Different classes
2. A graph of cumulative frequency is called:
- Frequency polygon
  - Ogive ✓
  - Histogram
  - Polygon
3. The process of systematic arrangement of data into rows and columns is called.
- Presentation
  - Classification

- (b)  $\frac{R}{C}$  (approximately) ✓  
 (c)  $C = \sqrt{n} + 3.4$   
 (d)  $\frac{C}{R}$  (approximately)
35. The presentation of available data in ascending order of magnitude called:  
 (a) Classification (b) Tabulation  
 (c) Array ✓ (d) Random
36. The arrangement of data according to its time of occurrence is known as:  
 (a) Chronological classification  
 (b) Spatial classification  
 (c) Temporal classification  
 (d) Both a and c ✓
37. Graph of time series is also called:  
 (a) Band graph  
 (b) Line graph ✓  
 (c) Bar graph  
 (d) None of above
38. A graph which is used to show the maximum and minimum values of a variable is called.  
 (a) Lien graph  
 (b) Bar graph  
 (c) Range graph ✓  
 (d) None of above
39. A graph containing set of rectangles:  
 (a) Historigram  
 (b) Histogram ✓  
 (c) Frequency polygon
40. Histogram is a:  
 (a) Bar graph of frequency distribution ✓  
 (b) Bar graph of time series  
 (c) Line graph of frequency distribution
41. The term bar mean a:  
 (a) Thick wide line ✓  
 (b) Thin wide line  
 (c) Thick narrow line
42. Only one variable can be represented on:  
 (a) Simple bar diagram ✓  
 (b) Multiple bar diagram  
 (c) Grouped bar diagram
43. A device of representing statistical data in picture.  
 (a) Pictograph (b) Pictogram  
 (c) Cartogram (d) Both a & b ✓
45. Classification of data on the basis of place is called:  
 (a) Temporal classification  
 (b) Spatial classification  
 (c) Geographical classification  
 (d) Both b and d ✓
46. Classification of data on the basis of characteristics or attributes like social status etc is called:  
 (a) Spatial classification  
 (b) Temporal classification  
 (c) Qualitative classification ✓  
 (d) Quantitative classification
47. Classification of data on the basis of differences in quantity is called:  
 (a) Spatial classification  
 (b) Temporal classification  
 (c) Qualitative classification ✓  
 (d) Quantitative classification
48. The arrangement of sector in a Pie chart is:  
 (a) Random  
 (b) Ascending order  
 (c) Clockwise  
 (d) Anti clockwise ✓
49. Which of the following is not involved in the formation of frequency distribution?  
 (a) Editing ✓ (b) Range  
 (c) Number of classes (d) Class interval
50. Median is graphically obtained by using.  
 (a) Histogram (b) Ogive ✓  
 (c) Frequency curve (d) None of these

## Linear Equations

1. If  $2x + 3y = 5$  and  $x = 2$ , then the value of  $y$  is:  
 (a)  $\frac{1}{3}$  (b) 1  
 (c) 3 ✓ (d) 9
2. The values of  $x$  and  $y$  that simultaneously satisfy the equations  $2x + 3y = 5$  and  $7x - 4y = 3$  are.  
 (a) 0,1 (b) 1,0  
 (c) -1,1 (d) 1,1 ✓
3. The solution of the system of simultaneous linear equations.  $4x - 3y = 7$  and  $7x + 5y = 2$  is:  
 (a)  $x = 1, y = 1$   
 (b)  $x = -1, y = 1$

- $$\frac{1}{2(2x+3y)} + \frac{12}{7(3x-2y)} = \frac{1}{2}$$

$$\frac{7}{(2x+3y)} + \frac{4}{(3x-2y)} = 2$$
 is:
- (a)  $\{(1,0)\}$  (b)  $\{(1,-1)\}$   
 (c)  $\{(1,2)\}$  (d)  $\{(2,1)\}$  ✓
18. The solution of the equation  $4x + 6y = 3xy$  and  $8x + 9y = 5xy$  is given by:
- (a)  $x = 1, y = 2$  (b)  $x = 2, y = 3$   
 (c)  $x = 1, y = -1$  (d)  $x = 3, y = 4$  ✓
19. If  $\frac{2}{x} + \frac{3}{y} = \frac{9}{xy}$  and  $\frac{4}{x} + \frac{9}{y} = \frac{21}{xy}$ , where  $x \neq 0, y \neq 0$ , then the values of  $x$  and  $y$  are respectively.
- (a) 0 and 1 (b) 1 and 2  
 (c) 2 and 3 (d) 1 and 3 ✓
20. The set of homogeneous simultaneous equations  $4x + 2y = 0$  and  $6x + 3y = 0$  has:
- (a)  $x = 0, y = 0$  as solutions  
 (b)  $x = 0, y = 0$  and  $x = 1, y = -2$  as solutions  
 (c)  $x = 0, y = 0; x = -1, y = 2$  and  $x = 1, y = -2$  as solutions  
 (d) an infinite number of solutions ✓
21. The equations  $3x - 4y - 5$  and  $12x - 16y - 20$  have:
- (a) no common solution  
 (b) exactly one common solution  
 (c) exactly two common solutions  
 (d) more than two common solutions ✓
22. The system of equations  $3x + y - 1 = 0$  and  $6x + 2y - 2 = 0$
- (a) has  $x = 1$  and  $y = 2$  as solutions  
 (b) has  $x = -1$  and  $y = -2$  as solutions  
 (c) does not have a solution  
 (d) has infinitely many solutions ✓
23. Consider the following two sets of equations:
- i.  $2x - y = 0$  and  $6x - 3y = 0$   
 ii.  $3x - 4y = 0$  and  $12x - 20y = 0$  then
- (a) both sets I and II possess unique solutions  
 (b) Set I possesses unique solution and set II has infinitely many solutions  
 (c) Set II possesses unique solution and set I possesses infinitely many solutions ✓  
 (d) None of the sets I and II possesses a unique solution
24. The equations  $2x + y = 5$  and  $x + 2y = 4$  are
- (a) consistent and have a unique solution ✓  
 (b) consistent and have infinitely many solution  
 (c) inconsistent  
 (d) None of these
25. The equations  $4x + 7y - 10 = 0$  and  $2x + 35y - 50 = 0$  are:
- (a) consistent and have a unique solution  
 (b) consistent and have infinitely many solutions ✓  
 (c) inconsistent  
 (d) none of these
26. The equations  $3x + y - 1 = 0$  and  $6x + 2y - 5 = 0$  are
- (a) consistent and have a unique solution  
 (b) consistent and have infinitely many solutions  
 (c) inconsistent ✓  
 (d) None of these
27. The number of solution of the equations  $x + \frac{1}{y} = 2$  and  $2xy - 3y = -2$  is:
- (a) 0 ✓ (b) 1  
 (c) 2 (d) None of these
29. The condition for which the system of equations  $Kx - y = 2$  and  $6x - 2y = 3$  has a unique solution, is
- (a)  $k = 3$  (b)  $k \neq 3$  ✓  
 (c)  $k \neq 0$  (d)  $k = 0$
30. The value of  $k$  for which the system of equations  $2x + 3y = 5$  and  $4x + ky = 10$  has an infinite number of solutions, is
- (a) 1 (b) 3  
 (c) 6 ✓ (d) 0
31. The value of  $k$  for which the system of equations  $x + 2y - 3 = 0$  and  $5x + ky + 7 = 0$  has no solution, is
- (a) 10 (b) 6  
 (c) 3 (d) 1
32. For what value of  $k$  will the system of equations  $3x + 5y = 0$  and  $kx + 10y = 0$  have a non zero solution?
- (a) 0 (b) 2

- (c) 70,50 (d) 60,40
47. A and B each has some money. If A gives Rs. 30 to B, then B will have twice the money left with A. But if B gives Rs. 10 to A, then A will have thrice as much as is left with B. Then, A and B have respectively:  
 (a) Rs. 44, Rs. 72 (b) Rs. 62, Rs. 34✓  
 (c) Rs. 72, Rs. 44 (d) Rs. 34, Rs. 62
48. A two digit number is obtained by either multiplying the sum of the digits by 8 and adding 1 or by multiplying the difference of digits by 13 and adding 2. The number is:  
 (a) 41✓ (b) 63  
 (c) 31 (d) 23
49. A man has some hens and cows. If the number of heads be 48 and number of feet equals 140, the number of hens will be:  
 (a) 26✓ (b) 24  
 (c) 23 (d) 22
50. The monthly incomes of A and B are in the ratio 4:3. Each of them saves Rs. 600. If the ratio of their expenditures is 3:2, then the monthly income of A is:  
 (a) Rs. 2400✓ (b) Rs. 1800  
 (c) Rs. 2000 (d) Rs. 3600
51. Rs. 49 were divided among 150 children. Each girl got 50 paise and a boy 25 paise. How many boys were there?  
 (a) 100 (b) 102  
 (c) 104✓ (d) 105
52. A man purchased 47 stamps of 20 paise and 15 paise. The total amount he spent was Rs. 8.80. The number of 20 paise and 15 paise stamps which he purchased.  
 (a) is 12 and 35 respectively  
 (b) is 10 and 37 respectively  
 (c) is 35 and 12 respectively✓  
 (d) can't be determined from the given data
53. A purse contains only 25 paise and 10 paise coins. The total amount in the purse is Rs. 8.25. If the number of 25 paise coins is one-third of the number of 10 paise coins in the purse, then the total number of coins in the purse is:  
 (a) 30 (b) 40  
 (c) 45 (d) 60✓
54. A railway half ticket costs half the full fare but the reservation charge is the same on half ticket as on full ticket. One reserved first class ticket for a journey between two stations is Rs. 362 and one full and one half reserved first class tickets cost Rs. 54. The reservation charge is:  
 (a) Rs. 18 (b) Rs. 22✓  
 (c) Rs. 38 (d) Rs. 46
55. Points A and B are 60km apart. A bus starts from A and another from B at the same time. If they go in the same direction they meet in 6 hours and if they go in opposite directions, they meet in 2 hours. The speed of the bus with greater speed is:  
 (a) 10 km/hr (b) 20 km/hr✓  
 (c) 30 km/hr (d) 40 km/hr
56. In covering a distance of 30km Amit takes 2 hours more than Suresh. If Amit doubles his speed, he would take 1 hour less than Suresh. Amit's speed is:  
 (a) 5 km/hr (b) 7.5km/hr  
 (c) 6 km/hr (d) 6.25 km/hr
57. The area of a rectangle gets reduced by  $9m^2$  if its length is reduced by 5m and breadth increased by 3m. If we increase the length by 3m and breadth by 2m, the area is increased by  $67m^2$ . The length of the rectangle is:  
 (a) 9m (b) 15.6m  
 (c) 17m✓ (d) 18.5m
58. If from twice the greater of the two numbers, 20 is subtracted, the result is the other number. If from twice the smaller number, 5 is subtracted, the result is the first number. The largest number is:  
 (a) 12 (b) 18  
 (c) 15✓ (d) 25
59. The system of linear in-equations  $x + y \leq 0$ ,  $x \geq 0$  and  $x \geq 0$ ,  $y \geq 0$  has:  
 (a) 3 solution  
 (b) exactly 1 solution✓  
 (c) no solution  
 (d) an infinite number of solutions
60. If  $x + 2y \leq 3$ ,  $x > 0$  and  $y > 0$ , then one of the solutions is:  
 (a)  $x = -1$ ,  $y = 2$  (b)  $x = 2$ ,  $y = 1$   
 (c)  $x = 1$ ,  $y = 1$ ✓ (d)  $x = 0$ ,  $y = 0$



- (c)  $m \geq -1$  (d)  $m \geq 0$
26. The positive value of  $k$  for which the equation  $x^2 + kx + 64 = 0$
- (a) 4 (b) 8  
(c) 12 (d) 16✓
27. If the equation  $x^2 - ax + 1 = 0$  has two distinct roots, then the value of  $a$  is precisely different from:
- (a) 1 & -1 (b) 2 & -2✓  
(c) 1 & 2 (d) -1 & -2
28. The roots of the equation  $(q - r)x^2 + (r - p)x + (p - q) = 0$  are:
- (a)  $\frac{r-p}{q-r}$  (b)  $\frac{p-q}{q-r}$ ✓  
(c)  $\frac{p-r}{p-q}$  (d)  $\frac{r-p}{p-q}$
29. If  $\log_{10}(x^2 - 6x + 45)$ , then the values of  $x$  are:
- (a) 6, 9 (b) 9, -5  
(c) 10, 5 (d) 11, -5✓
30. Vidya and Vandana solve a quadratic equation. In solving it, Vidya made a mistake in the constant term and got the roots as 6 and 2, while Vandana made a mistake in the coefficient of  $x$  only and obtained the roots as -7 and -1. The correct roots of the equation are:
- (a) 6, -1 (b) -7, 2  
(c) -6, -2 (d) 7, 1✓
31. A and B solved a quadratic equation. In solving it, A made a mistake in the constant term and obtained the roots as 5, -3 while B made a mistake in the coefficient of  $x$  and obtained the roots as 1, -3. The correct roots of the equation are:
- (a) +1, +3 (b) -1, 3✓  
(c) -1, -3 (d) 1, -1
32. If the equation  $9x^2 + 6kx + 4 = 0$  has equal roots, then the value of  $k$  must be:
- (a) zero  
(b) either 2 or zero  
(c) either -2 or zero  
(d) either 2 or -2✓
33. The roots of  $\frac{x+4}{x-4} + \frac{x-4}{x+4} = \frac{10}{3}$  are:
- (a)  $\pm 4$  (b)  $\pm 6$
- (c)  $\pm 8$ ✓ (d)  $2 \pm \sqrt{3}$
34. The relationship between  $x$  and  $y$  as shown in the given table is:
- | X | 0   | 1  | 2  | 3  | 4 |
|---|-----|----|----|----|---|
| Y | 100 | 90 | 70 | 40 | 0 |
- (a)  $y = 100 - 10x$   
(b)  $y = 100 - 5x - 5x^2$ ✓  
(c)  $y = 100 - 5x^2$   
(d)  $y = 20 - x - x^2$
35. The value of  $p$  so that  $x^2 + 5px + 16 = 0$  has no real root:
- (a) is greater than  $\frac{8}{5}$   
(b) is less than  $-\frac{8}{5}$   
(c) lies between  $-\frac{8}{5}$  and  $\frac{8}{5}$   
(d) None of these
36. The roots of a quadratic equation are 5 and -2. The equation is:
- (a)  $x^2 - 3x + 10 = 0$   
(b)  $x^2 - 3x - 10 = 0$ ✓  
(c)  $x^2 + 3x + 10 = 0$   
(d)  $x^2 + 3x - 10 = 0$
37. If the sum of the roots of a quadratic equation is 6 and the product of the roots is also 6, then the equation is:
- (a)  $x^2 - 6x + 6 = 0$ ✓  
(b)  $x^2 + 6x - 6 = 0$   
(c)  $x^2 - 6x - 6 = 0$   
(d)  $x^2 + 6x + 6 = 0$
38. If one root of the equation  $3x^2 - 10x + 3 = 0$  is  $\frac{1}{3}$  the other root is:
- (a)  $-\frac{1}{3}$  (b) -3  
(c) 3✓ (d)  $\frac{1}{3}$
39. The quadratic equation whose one root is  $3 + 2\sqrt{3}$ , is
- (a)  $x^2 + 6x - 3 = 0$  (b)  $x^2 - 6x - 3 = 0$ ✓  
(c)  $x^2 + 6x + 3 = 0$  (d)  $x^2 - 6x + 3 = 0$
40. If the equation  $ax^2 - 5x + c = 0$  has 10 as the sum of the roots and also as the product of the roots, which of the following is true?

- (c)  $x^2 + 5x - 6 = 0$  (d)  $x^2 - 5x + 6 = 0$  ✓
57. If  $\alpha, \beta$  are the roots of the equation  $2x^2 - 5x + 7 = 0$ , then the equation whose roots are  $(2\alpha + 3\beta)$  and  $(3\alpha + 2\beta)$  is:
- (a)  $2x^2 - 25x + 82 = 0$   
 (b)  $2x^2 - 25x - 82 = 0$   
 (c)  $2x^2 - 25x + 82 = 0$  ✓  
 (d)  $2x^2 + 25x - 82 = 0$
58. The quadratic equation whose roots are the reciprocals of the roots of the equation  $3x^2 - 20x + 17 = 0$  is:
- (a)  $20x^2 - 17x + 3 = 0$   
 (b)  $17x^2 - 20x + 3 = 0$  ✓  
 (c)  $20x^2 + 17x - 3 = 0$   
 (d)  $17x^2 + 20x - 3 = 0$
59. If  $\alpha, \beta$  are the roots of the equation  $x^2 + kx + 12 = 0$  such that  $\alpha - \beta = 1$ , the value of  $k$  is:
- (a) 0 (b)  $\pm 5$   
 (c)  $\pm 1$  (d)  $\pm 7$  ✓
60. The roots of the equation  $x^2 + px + q = 0$  are 1 and 2. The roots of the equation  $qx^2 - px - 1 = 0$  must be:
- (a)  $\frac{1}{2}$  (b)  $-\frac{1}{2}, -1$  ✓  
 (c)  $-\frac{1}{2}, 1$  (d)  $-1, \frac{1}{2}$
61. Consider the equation  $px^2 + qx + r = 0$ , where  $p, q, r$  are real. The roots are equal in magnitude but opposite in sign when:
- (a)  $q = 0, r = 0, p \neq 0$   
 (b)  $p = 0, qr \neq 0$   
 (c)  $r = 0, pq \neq 0$   
 (d)  $q = 0, pr \neq 0$  ✓
62. If the equations  $x^2 + 2x - 3 = 0$  and  $x^2 + 3x + k = 0$  have a common root, then the non-zero value of  $k$  is:
- (a) 1 (b) 2  
 (c) 3 (d) 4 ✓
63. If the equations  $2x^2 - 7x + 3 = 0$  and  $4x^2 + ax - 3 = 0$  have common root, then the values of  $a$  are:
- (a) -11 or 4 ✓ (b) -11 or -4  
 (c) 11 or 4 (d) 11 or 4
66. If the ratio between the roots of the equation  $lx^2 + nx + n = 0$  is  $p:q$ , then the value of  $\sqrt{\frac{p}{q}} + \sqrt{\frac{q}{p}} + \sqrt{\frac{n}{l}}$  is:
- (a) 1 (b) 3  
 (c) 0 ✓ (d) -1
67. The condition for  $ax^2 + bx + c$  to be expressed as the product of linear polynomials is:
- (a)  $b^2 - 4ac = 0$  (b)  $b^2 - 4ac < 0$   
 (c)  $b^2 - 4ac \geq 0$  ✓ (d)  $b^2 = ac$
68. The expression  $x^2 - x + 1$  has:
- (a) one proper linear factor  
 (b) two proper linear factors  
 (c) no proper linear factor ✓  
 (d) None of these
69. Which of the following quadratic polynomials can be factorized into a product of real linear factors?
- (a)  $2x^2 - 5x - 9$  (b)  $2x^2 + 4x - 5$  ✓  
 (c)  $3x^2 + 4x - 6$  (d)  $5x^2 - 3x + 2$
70. Which of the following is true for real values of  $k$  for which the polynomial  $12x^2 + 6x + k$  can be factorized into a product of real linear factors?
- (a)  $k < \frac{9}{2}$  (b)  $k \leq \frac{9}{2}$  ✓  
 (c)  $k > \frac{9}{2}$  (d)  $k \geq \frac{9}{2}$
72. The value of  $x$  for which the polynomials  $x^2 - 1$  and  $x^2 - 2x + 1$  vanish simultaneously, is:
- (a) 2 (b) -1  
 (c) 1 ✓ (d) -2
73. The solution set of the equation  $x^{2.5} + x^{1.5} - 2 = 0$  is:
- (a)  $\{8, 1\}$  (b)  $\{8, -1\}$   
 (c)  $\{-8, -1\}$  (d)  $\{-8, 1\}$  ✓
74. The value of  $x$  in the equation  $\sqrt{\frac{x}{1-x}} + \sqrt{\frac{1-x}{x}} = 2\frac{1}{6}$  is:
- (a)  $\frac{5}{13}$  (b)  $\frac{7}{13}$   
 (c)  $\frac{9}{13}$  ✓ (d) None of these

- (a)  $\{\pi\sqrt{2}, 3+\sqrt{7}\}$  ✓  
 (b)  $\left\{3, \pi, \frac{2}{7}, -5, 3+\sqrt{7}\right\}$   
 (c)  $\left\{3, \frac{2}{7}, -5\right\}$   
 (d)  $\{3, -5\}$
8. Consider the following statements:  
 (a) Any set A is comparable with itself ✓  
 (b)  $\{0\}$  is a singleton set  
 (c)  $\{\phi\}$  is an empty set  
 Of these statements, the correct ones are:  
 (a) 1 & 2 ✓ (d) 1 & 3  
 (c) 2 & 3 (d) 1, 2 & 3
9. The total number of elements in the power set of a set A containing n elements is:  
 (a)  $n^2$  (b)  $2^n$  ✓  
 (c)  $n^{-1}$  (d) None
10. If a finite set S contains n elements, then the number of non-empty proper subsets of S is:  
 (a)  $2 \cdot 2^n - 1$  (b)  $2(2^n - 1)$   
 (c)  $(2^{n-1} - 1)$  (d)  $2(2^{n-1} - 1)$  ✓
11. The set  $\{x:(x-2)(x-3) > 0\}$  is equal to:  
 (a)  $\{x:2 < x < 3\}$   
 (b)  $\{x:x < 3\} \cup \{x:x < 2\}$   
 (c)  $\{x:x > 3\} \cup \{x:x < 2\}$  ✓  
 (d) None of these
12. The number of all possible subsets of a set containing n elements is:  
 (a) n (b)  $2^n$  ✓  
 (c)  $n^2$  (d)  $n!$
13. The number of all possible proper subsets of  $\{2, 3, 5\}$  is:  
 (a) 3 (b)  $3!$   
 (c)  $7$  ✓ (d) 8
14. The number of all possible subsets of the set  $\{1, \{2, 3\}\}$  is:  
 (a) 2 (b)  $4$  ✓  
 (c) 6 (d) 8
15. If  $A = \{a, b\}$ , then the power set of A is:  
 (a)  $\{a^1, b^2\}$  (b)  $\{a^2, b^3\}$   
 (c)  $\{\phi, \{a\}, \{b\}\}$   
 (d)  $\{\phi, \{a\}, \{b\}, \{a, b\}\}$  ✓
16. The set which is comparable with the set  $\{a, b, c, d\}$  out of the following is:  
 (a)  $\{x, y, z, t\}$  (b)  $\{b, c, d, e\}$   
 (c)  $\{a, b, d, e\}$  (d)  $\{b, c, d\}$  ✓
17. Which one of the following is a correct statement?  
 (a)  $\phi = 0$  (b)  $\phi = \{0\}$   
 (c)  $\phi = \{\phi\}$  (d)  $\phi = \{ \}$  ✓
18. Which one of the following is a correct statement?  
 (a)  $\{a\} \in \{a, b, c\}$  (b)  $a \subseteq \{a, b, c\}$   
 (c)  $\phi \in \{a, b, c\}$  (d)  $a \in \{\{a\}, b\}$   
 (c) None of these ✓
19. Which one of the following is a correct statement?  
 (a)  $\{a\} \subseteq \{\{a\}, b, c\}$   
 (b)  $\{a\} \in \{\{a\}, b, c\}$  ✓  
 (c)  $\{a, b\} \subseteq \{\{a\}, b, c\}$   
 (d)  $a \in \{\{a\}, b, c\}$
20. Which one of the following is a correct statement?  
 (a) every subset of an infinite set is infinite  
 (b) every set has a proper subset  
 (c)  $\{a, b, c, 1, 2, 3, a, b, c, 1, 2, 3, \dots\}$  is an infinite set  
 (d) every subset of a finite set is finite ✓
21. Which of the following is a correct statement?  
 (a)  $\{\phi\} \subset \{a, b, c\}$  (b)  $\phi \in \{a, b, c\}$   
 (c)  $\phi \subset \{a, b, c\}$  ✓ (d) None of these
22. Which of the following is a correct statement?  
 (a)  $\{x:x+5=5\} = \phi$   
 (b)  $\{x:x+5=5\}$  is not a set  
 (c)  $\{x:x+5=5\} = 0$   
 (d)  $\{x:x+5=5\} = \{0\}$  ✓
23. Which of the following is a singleton set?  
 (a)  $\{x \in \mathbb{R} : x^2 = x\}$   
 (b)  $\{x \in \mathbb{N} : 3x = 4\}$   
 (c)  $\{x \in \mathbb{R} : x^2 = -1\}$   
 (d)  $\{x : x \text{ is an integer which is neither +ve nor negative}\}$  ✓
24. Which of the following is an infinite set -?  
 (a)  $\{a, b, c, 1, 2, 3\}$  is not a set  
 (b)  $\{a, b\} \subset \{\{a\}, b, c\}$  ✓  
 (c)  $\{x \in \mathbb{R} : |x| = -1\} = \phi$   
 (d)  $\{x \in \mathbb{R} : 1 < x < 2\}$  is finite

- (c) 9 (d) 18
44. Let  $X = \{1, 2, 3, 4, 5, 6, 7, 8, 9, 10\}$  be the universal set and  $A = \{2, 4, 6\}$ ,  $B = \{1, 3, 7\}$ . Then  $A^c \cap B^c$  is equal to:  
 (a)  $\{2, 4, 5, 6, 8, 9, 10\}$   
 (b)  $\{1, 3, 5, 7, 8, 9, 10\}$   
 (c)  $X$   
 (d)  $\{5, 8, 9, 10\}$  ✓
45. Consider the following statement.  
 If  $P^c$  denotes the complement of the set  $P$ , then:  
 (a) None is true ✓  
 (b) Only one is true  
 (c) Two of them are true  
 (d) All are true
46. Which of the following is a true statement?  
 (a)  $(A \cup B)^c = (A^c \cup B^c)$   
 (b)  $(A \cup B)^c = A \cup B^c$   
 (c)  $(A \cup B)^c = A^c \cap B$   
 (d)  $(A \cup B)^c = A^c \cap B^c$  ✓
47. If  $A, B, C$  are any three sets, then:  
 (a)  $A - (B \cup C) = (A - B) \cup (A - C)$   
 (b)  $A - (B \cup C) = (A - B) \cap (A - C)$  ✓  
 (c)  $A - (B \cup C) = (A - B) \cup (A \cup C)$   
 (d)  $A - (B \cup C) = (A \cup B) - (A \cup C)$
48. Which one of the following is a true statement?  
 (a)  $A^c = \{x : x \in \cup Ax \in A\}$   
 (b)  $A^c = \{x : x \in \cup Ax \notin A\}$  ✓  
 (c)  $A^c = \{x : x \in \cup Vx \in A\}$   
 (d)  $A^c = \{x \in \cup Vx \notin A\}$
49. The symmetric difference of  $A$  and  $B$  is:  
 (a)  $(A - B) \cap (B - A)$   
 (b)  $(A - B) \cup (B - A)$  ✓  
 (c)  $(A - B) - (B - A)$   
 (d)  $(A - B) \times (B - A)$
50. If  $X$  and  $Y$  are two sets and  $X^c$  denotes the complement of  $X$ , then  $X \cap (X \cup Y)$  equals:  
 (a)  $x$  (b)  $y$   
 (c)  $\phi$  ✓ (d) None
51. If  $A \subseteq B$ , which of the following statements is correct?  
 (a)  $A \cup B = B \Rightarrow A = B$   
 (b)  $A \cap B = B \Rightarrow A = B$  ✓  
 (c)  $A - B = A \Rightarrow A = B$   
 (d)  $B - A = B \Rightarrow A = B$
52. If  $A \subseteq B$ , then  $A \cap B$  is equal to:  
 (a)  $A$  ✓ (b)  $B$   
 (c)  $\phi$  (d)  $B - A$
53. If  $A \subseteq B$ , then  $A \cup B$  is equal to:  
 (a)  $A$  ✓ (b)  $B$   
 (c)  $\phi$  (d) None
54. If  $A, B$  and  $C$  be any three sets, then  $A \cap (B \cap C)$  is the same as:  
 (a)  $(A \cap C) \cup (A \cap B)$   
 (b)  $(A \cup C) \cap (B \cup C)$  ✓  
 (c)  $(A \cup B) \cap (B \cup C)$   
 (d)  $(A \cup C) \cap (B \cup C)$
55.  $A - (B \cup C)$  equals:  
 (a)  $(A - B) \cup (A - C)$   
 (b)  $(A - B) \cap (A - C)$  ✓  
 (c)  $(A - B) \cup C$   
 (d)  $(A - C) \cup B$
56.  $(A - B)$  equals:  
 (a)  $A \cap B$  (b)  $A^c \cap B$   
 (c)  $A \cap B^c$  ✓ (d)  $A^c \cap B^c$
57. If  $A$  and  $B$  are two sets such that  $n(A) = m$ ,  $n(B) = n$  and  $n(A \cap B) = p$ , then  $n(A \cup B)$  is equal to:  
 (a)  $m + n$  (b)  $m + n - p$   
 (c)  $m + n - p$  ✓ (d)  $m + n - p$
58. If  $A = \{x \in \mathbb{N} : 1 \leq x \leq 10\}$ ,  $A - B = \{1, 2, 3, 4\}$  and  $B = \{2, 3, 6, 10\}$  then  $(A - B)^c$  is:  
 (a)  $\{6, 10\}$  (b)  $\{1, 4\}$   
 (c)  $\{2, 3\}$   
 (d)  $\{2, 3, 5, 6, 7, 8, 9, 10\}$  ✓
59. If  $A \subseteq B$ , then  $A - B$  is equal to:  
 (a)  $A$  (b)  $B$   
 (c)  $\phi$  ✓ (d)  $B - A$
60. If  $A \subseteq B$ , then  $A \cap B$  is equal to:  
 (a)  $A$  ✓ (b)  $B$   
 (c)  $\phi$  (d) None
61. If  $A \subseteq B$ , then  $A - B$  is equal to:  
 (a)  $A$  (b)  $B$  ✓  
 (c)  $\phi$  (d) None
62. If  $A \subseteq B$ , then:  
 (a)  $A^c \subseteq B^c$  (b)  $B^c \subseteq A^c$  ✓  
 (c)  $A^c \subseteq B^c$  (d)  $A^c \cap B^c = \phi$
63.  $A \cap (B - A)$  equals:  
 (a)  $B$  (b)  $A$   
 (c)  $\phi$  ✓ (d)  $B - A$
64.  $A \cup (B - A)$  equals:  
 (a)  $B$  (b)  $A$

87. If  $x$  is the set of all integers and  $f$  is defined on  $X$  by  $f(n) = n^2$ , then the image of the set  $\{-2, -1, 0, 1, 2\}$  is:

- (a)  $\{-2, -1, 0, 1, 2\}$  (b)  $\{-2, 1, 0\}$   
 (c)  $\{0, 1, 2\}$  (d)  $\{0, 1, 4\}$  ✓  
 88. The range of the function  $f(x) = a \cos (bx + c) + d$ ,  $a > 0$  is:  
 (a)  $[-a, a]$  (b)  $[-a-d, a-d]$   
 (c)  $[-d-a, d+a]$  (d)  $[d-a, d+a]$  ✓

## Percentage

1.  $02 = ?\%$   
 (a) 20 (b)  $2\%$  ✓  
 (c) .02 (d) .2
2.  $12\frac{1}{2}$  is equivalent to:  
 (a) 0.8 (b) 1.25  
 (c) 0.125 ✓ (d) 12.5
3. 5 out of 2250 parts of earth is sulphur. What is the percentage of sulphur in earth?  
 (a)  $\frac{11}{50}$  (b)  $\frac{2}{9}$  ✓  
 (c)  $\frac{1}{45}$  (d)  $\frac{2}{45}$
4.  $45 \times ? = 25\%$  of 900  
 (a) 16.20 (b) 500  
 (c) 4 (d)  $5\%$  ✓
5.  $218\%$  of 1674 =  $? \times 1800$   
 (a) 4 (b) 0.5  
 (c) 6 (d) None of these ✓
6.  $13937.869 \div 199354 + 15\%$  of 201 = ?  
 (a) 150 (b) 90  
 (c) 80 (d)  $100\%$  ✓
7.  $63\%$  of  $3\frac{4}{7}$  is:  
 (a)  $2.25\%$  ✓ (b) 2.40  
 (c) 2.50 (d)  $2.75\%$  ✓
8. If  $30\%$  of a number is 12.6, then the number is:  
 (a) 41 (b) 51  
 (c)  $52\%$  ✓ (d) 42
9.  $5\%$  of  $(25\%$  of Rs. 1600) is:  
 (a) Rs. 5 (b) Rs. 17.50  
 (c) Rs.  $20\%$  ✓ (d) Rs. 25
10.  $8\frac{1}{3}\%$  of  $? = 150$   
 (a) 1250 (b)  $1800\%$  ✓
- (c) 1700 (d) 1400
11.  $35\%$  of 30 =  $25\%$  of  $? + 1$   
 (a) 28 (b)  $38\%$  ✓  
 (c) 42 (d) 32
12. What percent is  $3\%$  of  $5\%$ ?  
 (a)  $60\%$  ✓ (b)  $50\%$   
 (c)  $15\%$  (d)  $30\%$
13.  $? \%$  of 6144 =  $2\frac{1}{2} \times 245.76$   
 (a) 16 (b)  $20\%$  ✓  
 (c) 5 (d) 10
14.  $12.5\%$  of 192 =  $50\%$  of ?  
 (a)  $48\%$  ✓ (b) 96  
 (c) 24 (d) None
15.  $\frac{30\% \text{ of } 80}{?} = 24$   
 (a)  $\frac{3}{10}$  (b)  $\frac{3}{17}$   
 (c) 1 ✓ (d) 2
16. What is  $25\%$  of  $25\%$  equal to?  
 (a) 6.25 (b) .625  
 (c) .0625 ✓ (d) .00625
17.  $45\%$  of  $? + 30\%$  of 90 =  $30\%$  of 210.  
 (a) 120 (b)  $80\%$  ✓  
 (c) 60 (d) 90
18. One fourth of one third of two fifth of a number is 15. What Will be  $40\%$  of that number?  
 (a) 120 (b) 350  
 (c) 270 (d)  $180\%$  ✓
19. If  $37\%$  of a number is 990.86, what will be approximately  $19\%$  of that number?  
 (a) 600 (b) 400  
 (c)  $500\%$  ✓ (d) 700
20. If  $15\%$  of 40 is greater than  $25\%$  of a number by 2, the number is:  
 (a)  $16\%$  ✓ (b) 20  
 (c) 24 (d) 32
21. What percent of 7.2 kg is 18gms?  
 (a)  $25\%$  ✓ (b)  $2.5\%$   
 (c) .25% (d)  $025\%$
22. If  $40\%$  of  $40\%$  of  $x = 40$ , then  $x$  is:  
 (a) 100 (b) 400  
 (c)  $250\%$  ✓ (d) 1000
23.  $\sqrt{3.6\% \text{ of } 40} = ?$   
 (a) 2.8 (b) 1.8  
 (c)  $1.2\%$  ✓ (d) None

44. A student has to secure 40% marks to pass. He gets 178 marks and fails by 22 marks. The maximum marks are:  
 (a) 200 (b) 500✓  
 (c) 800 (d) 1000
45. A house-owner was having his house painted. He was advised that he would require 25 kg of paint. Allowing for 15% wastage and assuming that the paint is available in 2kg cans, what would be the cost of paint purchased, if one can cost Rs. 16?  
 (a) Rs. 240✓ (b) Rs. 180  
 (c) Rs. 160 (d) Rs. 360
46. A reduction of 12.5% in the price of a dining table brought down its price to Rs. 4375. The original price (in Rs.) of the table was:  
 (a) 6000 (b) 5400  
 (c) 5200 (d) 5000✓
47. Of the total amount received by Kiran, 20% was spent on purchases and 5% of the remaining on transportation. If he is left with Rs. 1520, the initial amount was:  
 (a) Rs. 2800 (b) Rs. 2000  
 (c) Rs. 2400 (d) Rs. 1600
48. In a library, 20% books are in Hindi, 5% of the remaining are in English and the remaining 9000 are in various other languages. What is the total number of books in English?  
 (a) 4000 (b) 3000  
 (c) 2250 (d) None of these✓
49. A vinash spends 30% of his income on scooter petrol,  $\frac{1}{4}$  of the remaining on house rent and the balance on food. If he spends Rs. 300 on petrol, the what is the expenditure on house rent?  
 (a) Rs. 525 (b) Rs. 1000  
 (c) Rs. 675 (d) Rs. 175✓
50. A man spends 35% of his income on house rent, 75% of the remaining on other items. What percentage of income does he save?  
 (a) 16.25✓ (b) 34.50  
 (c) 48.75 (d) None
51. The price of jute has been reduced by 20%. If the reduced price is Rs. 800 per Quintal, the original price per quintal was  
 (a) Rs. 900 (b) Rs. 640  
 (c) Rs. 960 (d) Rs. 1000✓
52. Swati spends 40% of her salary on food, 25% on house rent, 15% on entertainment and 5% on conveyance. If her saving at the end of a month is Rs. 1200, then her salary per month (in Rs.) is:  
 (a) 4000 (b) 6000  
 (c) 8000✓ (d) 10000
53. Samir spends 40% of his salary on food articles and one third of the remaining on transport. If he saves Rs. 450 per month which is half of the balance after spending on food items and transport, what is his monthly salary?  
 (a) Rs. 4500 (b) Rs. 2250✓  
 (c) Rs. 1125 (d) Rs. 2500
54. Kamal has some apples. He sold 40% more than he ate. If he sold 70 apples, how many did he eat?  
 (a) 50✓ (b) 90  
 (c) 18 (d) 42
55.  $\frac{5}{9}$  part of the population in a village are males. If 30% of the males are married, the percentage of unmarried females in the total population is:  
 (a) 70% (b) 40%  
 (c)  $27\frac{7}{9}\%$ ✓ (d) 20%
56. In an examination, 1100 boys and 900 girls appeared. 50% of the boys and 40% of the girls passed the examination. The percentage of candidates failed is:  
 (a) 45 (b) 45.5  
 (c) 54.5✓ (d) 59.2
57. A school has only three classes which contain 40, 50 and 60 students respectively. The pass percentages of these classes are 10, 20 and 10 respectively. The pass percentage of the school is:  
 (a)  $13\frac{1}{3}\%$ ✓ (b) 15

- (a) 4 (b) 5 (a) 30% (b) 21.6%✓  
 (c) 6✓ (d) 7 (c) 17.8% (d) 15.6%
71. To a sugar solution of 3 liters containing 40% sugar, one liter of water is added. The percentage of sugar in the new solution is:  
 (a)  $13\frac{1}{3}\%$  (b) 15%  
 (c) 30%✓ (d) 33%
72. The price of an article is cut by 20%. To restore it to the former value, the new price must be increased by:  
 (a) 20% (b) 25%✓  
 (c)  $16\frac{2}{3}\%$  (d) 24%
73. The income of a broker remains unchanged though the rate of commission is increased from 4% to 5%. The percentage of slump in business is:  
 (a) 1% (b) 8%  
 (c) 20%✓
74. In an examination, there are 3 papers of mathematics of 100 marks each. A boy secures 60% in the first paper and 70% in the second paper. In order to secure 70% in the aggregate the percentage of marks he should secure in third paper will be:  
 (a) 90% (b) 80%✓  
 (c) 75% (d) 70%
75. A candidate scoring 25% marks in an examination fails by 30 marks while another candidate who scores 30% marks gets 20 marks more than those required to pass. The pass percentage is:  
 (a) 25% (b) 35%  
 (c) 40%✓ (d) 50%
76. Two numbers are less than a third number by 30% and 37% respectively. How much percent is the second number less than the first?  
 (a) 10%✓ (b) 7%  
 (c) 4% (d) 3%
77. A bag contains 600 coins of 25p denomination and 1200 coins of 50p denomination. If 12% of 25p coins and 24% of 50p coins are removed, the percentage of money removed from the bag is nearly:  
 (a) 30% (b) 21.6%✓  
 (c) 17.8% (d) 15.6%
78. 5% of income of A is equal to 15% of income of B and 10% of income of B is equal to 20% of income of C. If income of C is Rs. 2000, then total income of A, B & C is:  
 (a) Rs. 6000 (b) Rs. 18000✓  
 (c) Rs. 20000 (d) Rs. 14000
79. In an examination, A got 10% marks less than B, B got 25% marks more than C and C got 20% less than D. If A got 360 marks out of 500, the percentage of marks obtained by D was.  
 (a) 70 (b) 75  
 (c) 80✓ (d) 85
80. If the numerator of a fraction be increased by 15% and its denominator be diminished by 8%, the value of the fraction is  $\frac{15}{16}$ . The original fraction is  
 (a)  $\frac{3}{5}$  (b)  $\frac{3}{4}$ ✓  
 (c)  $\frac{3}{7}$  (d)  $\frac{2}{3}$
81. In an examination, 35% of total students failed in Hindi, 45% failed in English and 20% in both. The percentage of those who passed in both the subjects is:  
 (a) 10 (b) 20  
 (c) 30 (d) 40✓
82. Raman's salary was decreased by 50% and subsequently increased by 50%. He has a loss of:  
 (a) 0% (b) 25%✓  
 (c) 0.25% (d) 2.5%
83. Arvind spends 75% of his income. His income is increased by 20% and he increased his expenditure by 10%. His savings are increased by:  
 (a) 10% (b) 25%  
 (c)  $37\frac{1}{2}\%$  (d) 50%✓
84. There are 600 boys in a hostel. Each plays either hockey or football or both. If 75% play hockey and 45% play football, how many play both?

- ratio between the reduction in consumption and the original consumption is:  
 (a) 1:3 (b) 1:4  
 (c) 1:5✓ (d) 1:6
100. The price of sugar increased by 20%. As a result, a family decreases its consumption by 25%. The expenditure of the family on sugar will be decreased by:  
 (a) 10%✓ (b) 5%  
 (c) 14% (d) 15%
101. If the price of sugar rises from Rs 6 per kg to Rs 7.50 per kg, a person, to have no increase in his expenditure on sugar, will have to reduce his consumption of sugar by:  
 (a) 15% (b) 20%✓  
 (c) 25% (d) 30%
102. The price of sugar increases by 32%. A family reduces its consumption so that the expenditure of the sugar is up by 10% only. If the total consumption of sugar before the price rise was 10kg per month, then the consumption of sugar per month at present (in kg) is:  
 (a)  $8\frac{1}{3}$ ✓ (b)  $8\frac{1}{2}$   
 (c)  $8\frac{3}{4}$  (d) 9
103. Prices register an increase of 10% on food grains and 15% on other items of expenditure. If the ratio of an employee's expenditure on food grains and other items be 2:5, by how much should his salary be increased in order that he may maintain the same level of consumption as before, his present salary being Rs. 2590?  
 (a) Rs. 323.75 (b) Rs. 350  
 (c) Rs. 360.50 (d) None✓
104. The population of a town increases by 15% annually. If its population was 8000 in 1995, what will it be in 1997?  
 (a) 9200 (b) 10400  
 (c) 9600 (d) 10580✓
105. The population of a town is 18000. It increases by 10% during first year and by 20% during the second year. The population after 2 years will be:  
 (a) 19800 (b) 21600
- (c) 23760✓ (d) None
106. The value of sewing machine depreciates every year by 4%. Its value at present is Rs. 200. What will be its value after 2 years?  
 (a) Rs.  $\left(200 \times \frac{23}{5}\right)$   
 (b) Rs.  $\left[\left(200 \times \frac{24}{25}\right)^2\right]$ ✓  
 (c) Rs.  $\left[200 \times \left(\frac{25}{26}\right)^2\right]$   
 (d) Rs.  $\left[200 \times \left(\frac{26}{25}\right)^2\right]$
107. The population of a city increases at the rate of 5% annually. Its present population is 1,85,220. Its population 3 years ago was:  
 (a) 181500 (b) 183433  
 (c) 160000✓ (d) 127783
108. The value of a machine depreciates at the rate of 10% every year. It was purchased 3 years ago. If its present value is Rs. 8748, its purchase price was:  
 (a) Rs. 10000 (b) Rs. 11372.40  
 (c) Rs. 12000✓ (d) None
109. A ball pen factory decided to reduce its production by 10% over that of previous month for next 3 months starting from February 1994. In January 1994, it produced 300 ball pens. How many ball pens were produced in March 1994?  
 (a) 2700 (b) 2430  
 (c) 2187✓ (d) 2400
110. The present population of a country estimated to be 10 crores is expected to increase to 13.31 crores during the next three years. The uniform rate of growth is:  
 (a) 8% (b) 12.7%  
 (c) 10%✓ (d) 15%
111. A building worth Rs. 133,100 is constructed on land worth Rs. 72,900. After how many years will the value of both be the same if land appreciates at 10% p.a. and building depreciates at 10% p.a.?



- (a) 3600 (b) 1440  
(c) 1800✓ (d) Data inadequate

127. Arun gave a portion of the money he had to Gopal. Gopal in turn gave 40% of what he got from Arun to Dinesh. How much money did Dinesh get? To find out the answer, which of the following information given in statements (P) and (Q) is/are sufficient?

- P: Arun had Rs. 4,000 with him  
Q: The difference between the amounts of Gopal and Dinesh was Rs. 500.  
(a) Only Q is sufficient✓  
(b) Only P is sufficient  
(c) Either P or Q is sufficient  
(d) Both P and Q together are needed.

128. The price of an article was increased by  $p\%$ . Later the new price was decreased by  $p\%$ . If the latest price was Rs 1. The original price was

- (a) Rs 1 (b) Rs.  $\left(\frac{1-p^2}{100}\right)$   
(c) Rs.  $\left(\frac{10000}{10000-p^2}\right)$ ✓ (d) Rs.  $\left(\frac{\sqrt{1-p^2}}{100}\right)$

## Profit & Loss

1. Cost of 3 cricket balls = cost of 2 pairs of leg pads.  
Cost of 3 pairs of leg pads = cost of 2 pairs of gloves.  
Cost of 3 pairs of gloves = cost of 2 cricket bats.  
If a cricket bat cost Rs. 54, what is the cost of a cricket ball?  
(a) Rs. 12 (b) Rs. 14  
(c) Rs. 16✓ (d) Rs. 18
2. If, by selling an article for Rs. 100, a man gains Rs. 15, then his gain percent is.  
(a) 15% (b)  $12\frac{2}{3}\%$   
(c)  $17\frac{11}{17}\%$ ✓ (d)  $17\frac{1}{4}\%$
3. What is the loss percent if a man loses Rs. 10 on selling an article for Rs. 100?

- (a)  $9\frac{1}{11}\%$  (b) 10%  
(c)  $11\frac{1}{9}\%$  (d) None✓

4. A shopkeeper sold an article for Rs. 2564.36. Approximately what was his profit percent if the cost price of the article was Rs. 2400?

- (a) 7✓ (b) 8  
(c) 12 (d) 60

5. When a commodity is sold for Rs. 34.80, there is a loss of 25%. What is the cost price of the commodity?

- (a) Rs. 46.40✓ (b) Rs. 26.10  
(c) Rs. 43 (d) Rs. 43.20

6. A man sold an article for Rs. 247.50 thereby gaining  $12\frac{1}{2}\%$ . The cost of the article was:

- (a) Rs. 225 (b) Rs. 224  
(c) Rs. 220✓ (d) Rs. 210

7. A retailer buys a radio for Rs. 225. His overhead expenses are Rs. 15. He sells the radio for Rs. 300. The profit percent of the retailer is:

- (a) 10 (b) 25✓  
(c) 50 (d) 52

8. A shopkeeper bought an article for Rs. 319.60. Approximately, at what price should he sell the article to make 25% profit?

- (a) Rs. 400✓ (b) Rs. 450  
(c) Rs. 500 (d) Rs. 600

9. If the selling price of an article is  $\frac{4}{3}$  times its cost price, the profit percent is:

- (a)  $33\frac{1}{3}\%$ ✓ (b)  $25\frac{1}{4}\%$   
(c)  $20\frac{1}{2}\%$  (d)  $20\frac{1}{3}\%$

10. There would be 10% loss if a toy is sold at Rs. 10.80 per piece. At what price should it be sold to earn a profit of 20%?

- (a) Rs. 12 (b) Rs. 12.96  
(c) Rs. 14.40✓ (d) None

- (a)  $2\frac{2}{7}\%$  loss                      (b)  $3\frac{6}{7}\%$  gain
- (c)  $3\frac{2}{7}\%$  loss                      (d)  $2\frac{6}{7}\%$  gain ✓
28. A man buys oranges at Rs. 5 a dozen and an equal number at Rs. 4 a dozen. He sells item at Rs. 5.50 a dozen and makes a profit of Rs. 50. how many orange does he buy?
- (a) 30 dozens                      (b) 40 dozens
- (c) 50 dozens ✓                      (d) 60 dozens
29. Ajay bought 15 kg of dal at the rate of Rs. 14.50 per kg and 10 kg at the rate of Rs. 13 per kg. He mixed the two and sold the mixture at the rate of Rs 15 per kg. What was his total gain in this transaction?
- (a) Rs. 1.10                      (b) Rs. 16.50
- (c) Rs. 11                      (d) Rs. 27.50 ✓
30. A producer of tea blends two varieties of tea from two tea gardens one costing Rs. 18 per kg and another Rs. 20 per kg in the ratio 5:3. If he sells the blended variety at Rs. 21 per kg, then his gain percent is:
- (a) 10                      (b) 12 ✓
- (c) 19                      (d) 22
31. Gopal purchased 35 kg of rice at the rate of Rs. 9.50 per kg and 30kg at the rate of Rs. 10.50. per kg. He mixed the two. Approximately, at what price per kg should he sell the mixture to make 35% profit in the transaction?
- (a) Rs. 12                      (b) Rs. 12.50
- (c) Rs. 13                      (d) Rs. 13.50 ✓
32. Pure ghee costs Rs. 100 per kg. After adulterating it with vegetable oil costing Rs. 50 per kg, a shopkeeper sells the mixture at the rate of Rs. 96 per kg, thereby making a profit of 20%. In what ratio does he mix the two?
- (a) 1:2                      (b) 3:2 ✓
- (c) 5:3
33. By mixing two qualities of pulses in the ratio 2:3 and selling the mixture at the rate of Rs. 22 per kilogram, a shopkeeper makes a profit of 10%. If the cost of the smaller quantity be Rs. 14 per kg, the cost per kg of the larger quantity is:
- (a) Rs. 23                      (b) Rs. 24 ✓
- (c) Rs. 25                      (d) None of these
34. A dealer professing to sell his goods at cost price, uses a 900gm weight for a kilogram. His gain percent is:
- (a) 9                      (b) 10
- (c) 11                      (d)  $11\frac{1}{9}\%$  ✓
35. A dishonest dealer professes to sell his goods at cost price. But the uses a false weight and thus gains  $6\frac{18}{47}\%$ . For a kg, he uses a weight of:
- (a) 953 gms                      (b) 940 gms ✓
- (c) 960 gms                      (d) 947 gms
36. A grain dealer cheats to the extent of 10% while buying as well as selling, by using false weights. His total gains is:
- (a) 10%                      (b) 20%
- (c)  $22\frac{2}{9}\%$                       (d) 21% ✓
37. Toffees are bought at the rate of 3 for a rupee. To gain 50%, they must be sold at:
- (a) 2 for a rupee ✓                      (b) 1 for a rupee
- (c) 4 for a rupee                      (d) 5 for a rupee
38. By selling toffees at 20 for a rupee, a man loses 4%. To gain 20%, for one rupee, he must sell.
- (a) 16 toffees ✓                      (b) 20 toffees
- (c) 24 toffees                      (d) 25 toffees
39. By selling 45 lemons for Rs. 40, a man loses 20%. How many should he sell for Rs. 24 to gain 20% in the transaction?
- (a) 16                      (b) 18 ✓
- (c) 20                      (d) 22
40. Vikas bought paper sheets for Rs. 7200 and spent Rs. 200 on transport. Paying Rs. 600, he had 330 boxes made, which he sold at Rs. 28 each. His profit percentage is:
- (a) 15.5 ✓                      (b) 40
- (c) 60                      (d) None of these
41. Bhajan Singh purchased 120 reams of paper at Rs. 80 per ream. He spent Rs. 280 on transportation, paid octroi at the rate of 40 paise per ream and paid Rs. 72 to the coolie. If he wants to have a gain of 8%, what must be the selling price per ream?
- (a) Rs. 90 ✓                      (b) Rs. 87.48

55. Monika purchased a pressure cooker at  $\frac{9}{10}$ th of its selling price and sold it at 8% more than its S.P. Her gain is  
 (a) 20%✓ (b) 18%  
 (c) 10% (d) 8%
56. An article is sold at a certain price. By selling it at  $\frac{2}{3}$  of that price one loses 10%.  
 The gain percent at original price is:  
 (a) 20% (b)  $33\frac{1}{3}$ %  
 (c) 35%✓ (d) 40%
57. The selling price of an article is Rs. 39. If its cost price is numerically equal to its profit percent, then its cost price (in Rs.) is:  
 (a) 25 (b) 30✓  
 (c) 35 (d) 37
58. A grocer sells rice at a profit of 10% and uses weights which are 20% less than the market weight. The total gain earned by him will be:  
 (a) 30% (b) 35%  
 (c) 37.5%✓ (d) None of these
59. A dealer sold three-fourth of his articles at a gain of 20% and the remaining at C.P. The gain earned by him in the whole transaction is:  
 (a) 25% (b) 20%  
 (c) 15%✓ (d) 10%
60. A man purchased sugar worth Rs. 400. He sold  $(\frac{3}{4})$ th at a loss of 10% and the remainder at a gain of 10%. On the whole, he gets  
 (a) a loss of 5%✓  
 (b) a gain of  $5\frac{1}{2}$ %  
 (c) a loss of  $5\frac{1}{19}$ %  
 (d) a loss of  $5\frac{1}{19}$ %
61. Two-third of a consignment was sold at a profit of 5% and the remainder at a loss of 2%. If the total profit was Rs. 400, the value of the consignment (in rupees) was:  
 (a) 20000 (b) 15000✓
- (c) 12000 (d) 10000
62. Vivek purchased 120 tables at a price of Rs. 110 per table. He sold 30 tables at a profit of Rs. 12 per table and 75 tables at a profit of Rs. 14 per table. The remaining tables were sold at a loss of Rs. 7 per table. What is the average profit per table?  
 (a) Rs. 12.875 (b) Rs. 10.04  
 (c) Rs. 10.875✓ (d) Rs. 1280
63. Hemants sold 10 sarees for a total profit of Rs. 460 and 12 sarees for a total profit of Rs. 144, at what profit per saree should he sell the remaining 20 sarees so that he gets an average profit of Rs. 18 per saree?  
 (a) Rs. 7.40 (b) Rs. 7.60✓  
 (c) Rs. 7.80 (d) Rs. 8.00
64. A fruit seller has 24kg of apples. He sells a part of these at 20% gain and the balance at a loss of 5%. If on the whole he earns a profit of 10%, the amount of apples sold at a loss is:  
 (a) 6kg (b) 4.6kg  
 (c) 9.6kg✓ (d) 11.4kg
65. The C.P. of two watches taken together is Rs. 840. If by selling one at a profit of 16% and the other at a loss of 12%, there is no loss or gain in the whole transaction, then the C.P. of the two watches are respectively.  
 (a) Rs. 360, Rs. 480✓  
 (b) Rs. 480, Rs. 360  
 (c) Rs. 380, Rs. 46  
 (d) Rs. 400, Rs. 400
66. The C.P. of an article is 40% of the S.P. The percent that the S.P. is of C.P. is  
 (a) 250%✓ (b) 240%  
 (c) 60 (d) 40
67. A machine is sold at a profit of 10%. Had it been sold for Rs. 80 less, there would have been a loss of 10%. The C.P. of the machine is:  
 (a) Rs. 350 (b) Rs. 400✓  
 (c) Rs. 450 (d) Rs. 520
68. If an article is sold at 5% gain instead of 5% loss, the seller gets Rs. 6.72 more. The C.P. of the article is:  
 (a) Rs. 67.20✓ (b) Rs. 120

83. A dealer sold an article at a loss of  $2\frac{1}{2}\%$ . Had he sold it for Rs 100 more, he would have gained  $7\frac{1}{2}\%$ . To gain  $12\frac{1}{2}\%$ , he should sell it for:
- (a) Rs 850 (b) Rs 925  
(c) Rs 1080 (d) Rs 1125✓
84. A single discount equivalent to a discount to a discount series of 40% and 20% is:
- (a) 50% (b) 52%✓  
(c) 55% (d) 60%
85. A single discount equivalent to a discount series of 30%, 20% and 10% is:
- (a) 50% (b) 49.6%✓  
(c) 49.4% (d) 51%
86. Successive discounts of  $x\%$  and  $y\%$  are equivalent to a single discount.
- (a)  $(x+y)\%$   
(b)  $\left(x+y-\frac{xy}{100}\right)\%$   
(c)  $\left(x+y+\frac{xy}{100}\right)\%$   
(d)  $\left(x+y-\frac{xy}{100}\right)\%$ ✓
87. A table is offered for Rs. 300 with 20% and 10% off. If in addition, a discount of 5% is offered on cash payment, then the cash price of the table is:
- (a) Rs. 240 (b) Rs. 216  
(c) Rs. 210 (d) Rs. 205.20✓
88. On a Rs. 10000 payment order, a person has a choice between 3 successive discounts of 10%, 10% and 30% and 3 successive discounts of 40%, 5% and 5%. By choosing the better offer, he can save:
- (a) Rs. 200 (b) Rs. 225✓  
(c) Rs. 400 (d) Rs. 433
89. The marked price of a fan is Rs. 620. Due to off season, a 15% discount is allowed. The S.P. of the fan is:
- (a) Rs. 427 (b) Rs. 527✓  
(c) Rs. 537 (d) Rs. 547
90. A bag marked at Rs 80 is sold for Rs. 68. The rate of discount is:
- (a) 20% (b)  $17\frac{11}{17}\%$   
(c) 15%✓ (d) 12%
91. A tradesman marks his goods 30% above the C.P. If he allows a discount of  $6\frac{1}{4}\%$ , then his gain percent is:
- (a)  $23\frac{3}{4}\%$  (b) 22%  
(c)  $21\frac{7}{8}\%$ ✓ (d) None
92. The difference between a discount of 40% on Rs. 500 and two successive discounts of 36% and 4% on the same amount is:
- (a) Nil (b) Rs. 2  
(c) Rs. 7.20✓ (d) Rs. 1.93
93. At what percentage above the C.P. must an article be marked so as the gain 33% after allowing a customer a discount of 5%?
- (a) 38% (b) 40%✓  
(c) 43% (d) 48%
94. A dealer marks his goods 20% above C.P. He then allows some discount on it & makes a profit of 8%. The rate of discount is:
- (a) 4% (b) 6%  
(c) 10%✓ (d) 12%
95. Rajesh buys an article with 25% discount on its marked price. He makes a profit of 10% by selling it at Rs. 660. The marked price is:
- (a) Rs. 600 (b) Rs. 685  
(c) Rs. 700 (d) Rs. 800✓
96. What price should a shopkeeper mark on an article, costing him Rs. 153, to gain 20% after allowing a discount of 15%?
- (a) Rs. 224 (b) Rs. 216✓  
(c) Rs. 184 (d) Rs. 162
97. A video cassette is listed at Rs. 150, with a discount of 20%. What additional discount must be offered to bring the net price to Rs. 108?
- (a) 15% (b)  $12\frac{1}{2}\%$   
(c) 10%✓ (d) 8%

watch. Had he not allowed any discount, he would have made a profit of 20%. What was the C.P. of the watch?

- (a) Rs. 648 (b) Rs. 600  
(c) Rs. 500 ✓ (d) None of these

## Square Roots & Cube Roots

1.  $\sqrt{64009}$  is equal to:  
(a) 803 (b) 363  
(c) 347 (d) 253 ✓
2.  $\sqrt{248 + \sqrt{51 + \sqrt{169}}}$  is equal to:  
(a) 14 (b) 16 ✓  
(c) 16.6 (d) 18.8
3.  $\sqrt{176 + \sqrt{2401}}$  is equal to:  
(a) 14 (b) 15 ✓  
(c) 18 (d) 24
4. The value of  $\sqrt{15612 + \sqrt{154 + \sqrt{225}}}$  is:  
(a) 13 (b) 15  
(c) 25 (d) 125 ✓
5.  $\sqrt{0.01 + \sqrt{0.0064}}$  is equal to:  
(a) 0.3 ✓ (b) 0.03  
(c) 0.42 (d) None
6.  $\frac{1872}{\sqrt{?}} = 234$   
(a) 8 (b) 16  
(c) 64 ✓ (d) 8
7.  $\frac{2592}{?} = 324$   
(a) 8 (b) 16  
(c) 64 ✓ (d) 8
8.  $140\sqrt{?} + 315 = 1015$   
(a) 5 (b) 16  
(c) 25 ✓ (d) 36
9.  $\frac{2707}{?} = 27.07$   
(a) 10 (b) 100  
(c) 1000 (d) 10000 ✓
10.  $\sqrt{81} + \sqrt{0.81} = 10.09 - ?$   
(a) 1.19 (b) 1.1  
(c) 1 (d) 0.19 ✓
11.  $\sqrt{\frac{32.4}{?}} = 2$   
(a) 9 (b) 9  
(c) .09 (d) None ✓
12.  $\sqrt{\frac{?}{169}} = \frac{54}{39}$   
(a) 108 (b) 324 ✓  
(c) 2916 (d) 4800
13.  $\frac{\sqrt{24} + \sqrt{216}}{\sqrt{96}} = ?$   
(a)  $2\sqrt{6}$  (b) 2 ✓  
(c)  $6\sqrt{2}$  (d)  $\frac{2}{\sqrt{6}}$
14.  $\frac{\sqrt{32} + \sqrt{48}}{\sqrt{8} + \sqrt{12}} = ?$   
(a)  $\sqrt{2}$  (b) 2 ✓  
(c) 4 (d) 8
15. If  $\sqrt{1 + \frac{x}{144}} = \frac{13}{12}$ , then x is equal to:  
(a) 1 (b) 12  
(c) 13 (d) 25 ✓
16. If  $\sqrt{1 + \frac{x}{169}} = \frac{14}{13}$ , then x is equal to:  
(a) 1 (b) 13  
(c) 27 ✓ (d) None
17.  $\sqrt{\frac{.289}{.00121}}$  is equal to  
(a)  $\frac{170}{11}$  ✓ (b)  $\frac{17}{110}$   
(c)  $\frac{17}{11}$  (d)  $\frac{0.17}{11}$
18.  $\sqrt{\frac{36}{102.4}}$  is equal to:  
(a)  $\frac{29}{32}$  (b)  $\frac{19}{72}$   
(c)  $\frac{19}{32}$  ✓ (d)  $\frac{29}{62}$
19. If  $\frac{\sqrt{1296}}{x} = \frac{x}{2.25}$  then the value of x is:  
(a) 6 (b) 7 ✓  
(c) 8 (d) 9

- (c) 2.666 (d) 0.544
39. If  $\sqrt{75.24} + x = 8.71$ , the value of  $x$  is:  
 (a) 6.241 (b) 62.41  
 (c) 6.241✓ (d) None
40.  $\left(\frac{\sqrt{7} + \sqrt{5}}{\sqrt{7} - \sqrt{5}} + \frac{\sqrt{7} - \sqrt{5}}{\sqrt{7} + \sqrt{5}}\right)$  is equal to:  
 (a)  $2(\sqrt{7} + \sqrt{5})$  (b)  $2(\sqrt{7} - \sqrt{5})$   
 (c) 2 (d) 12✓
41.  $\frac{1}{(\sqrt{9} - \sqrt{8})}$  is equal to:  
 (a)  $(3 - 2\sqrt{2})$   
 (b)  $(3 + 2\sqrt{2})$ ✓  
 (c)  $\frac{1}{2}(3 - 2\sqrt{2})$   
 (d)  $\frac{1}{2}(3 + 2\sqrt{2})$
42.  $(2\sqrt{27} - \sqrt{75} + \sqrt{12})$  is equal to:  
 (a)  $\sqrt{3}$  (b)  $2\sqrt{3}$   
 (c)  $3\sqrt{3}$ ✓ (d)  $4\sqrt{3}$
43.  $\frac{1}{(\sqrt{9} - \sqrt{8})} - \frac{1}{(\sqrt{8} - \sqrt{7})} + \frac{1}{(\sqrt{7} - \sqrt{6})}$   
 $\frac{1}{(\sqrt{6} - \sqrt{5})} + \frac{1}{(\sqrt{5} - \sqrt{4})}$  is equal to  
 (a) 0 (b) 1  
 (c) 5✓ (d)  $\frac{1}{3}$
44.  $\frac{\sqrt{8750}}{\sqrt{14}}$  is equal to:  
 (a) 24.75 (b) 27.25  
 (c) 25✓ (d) 35
45.  $\sqrt{50} \times \sqrt{98}$  is equal to:  
 (a) 65.95 (b) 63.75  
 (c) 70.25 (d) 70✓
46. If  $\sqrt{6} = 2.449$ , then the value of  $\frac{3\sqrt{2}}{2\sqrt{3}}$  is  
 (a) 0.6122 (b) 1.223  
 (c) 1.2245✓ (d) 0.8163
47. The square root of  $(7 + 2\sqrt{10})$  is:  
 (a)  $(\sqrt{5} + \sqrt{2})$ ✓ (b)  $(\sqrt{3} + \sqrt{4})$   
 (c)  $(\sqrt{6} + 1)$  (d)  $(2 + \sqrt{5})$
48. The square root of  $(8 + 2\sqrt{15})$  is:  
 (a)  $(\sqrt{2} + \sqrt{6})$  (b)  $(\sqrt{5} + \sqrt{3})$ ✓  
 (c)  $(2\sqrt{3} + 5\sqrt{5})$  (d)  $2 + \sqrt{6}$
49. The square root of  $(3 + \sqrt{5})$  is:  
 (a)  $\left(\frac{\sqrt{3}}{2} + \frac{1}{\sqrt{2}}\right)$  (b)  $\left(\frac{\sqrt{3}}{2} - \frac{1}{\sqrt{2}}\right)$   
 (c)  $\left(\frac{\sqrt{5}}{2} - \frac{1}{\sqrt{2}}\right)$  (d)  $\left(\frac{\sqrt{5}}{2} + \frac{1}{\sqrt{2}}\right)$ ✓
50. If  $\sqrt{2} = 1.4142$ , then  $\frac{\sqrt{2}}{(2 + \sqrt{2})}$  is equal to:  
 (a) 0.4713 (b) 0.2071  
 (c) 0.4142✓ (d) 0.828
51. If  $\sqrt{2} = 1.4142$ , then square root of  $\left[\frac{\sqrt{2}-1}{\sqrt{2}+1}\right]$  is equal to:  
 (a) 0.732 (b) 20.3652  
 (c) 1.3142 (d) 0.4142✓
52. If  $\sqrt{2} = 1.4142$ , then  $\left(\frac{4 + \sqrt{2}}{\sqrt{2} + 1}\right)$  is equal to:  
 (a) 2.1236 (b) 2.2426✓  
 (c) 2.4136 (d) 2.3216
53. The greatest number of four digits which is a perfect square, is:  
 (a) 9996 (b) 9801✓  
 (c) 2.4136 (d) 2.3216
54. The largest number of five digits which is a perfect square is:  
 (a) 99999 (b) 99764  
 (c) 99976 (d) 99856✓
55. The least number of 4 digits which is a perfect squarer, is:  
 (a) 1000 (b) 1016  
 (c) 1036 (d) 1024✓
56. What is the smallest number to be subtracted from 549162 is order to make it a perfect square?  
 (a) 28 (b) 36  
 (c) 62 (d) 81✓
57. The least number to be added to 269 to make it a perfect square, is:  
 (a) 31 (b) 16  
 (c) 7 (d) 20✓

- (a) 67 (b) 77✓  
(c) 87 (d) 57
78.  $\sqrt[3]{\sqrt{.000064}} = ?$   
(a) .02 (b) .2✓  
(c) 2 (d) None
79. The largest four-digit number which is a perfect cube is:  
(a) 9999 (b) 9261✓  
(c) 8000 (d) None
80. By what least number 675 be multiplied to obtain a number which is a perfect cube?  
(a) 5✓ (b) 6  
(c) 7 (d) 8
81. By what least number 4320 be multiplied to obtain a number which is a perfect cube?  
(a) 10 (b) 30  
(c) 20 (d) 50✓
82. What is the smallest number by which 3600 be divide to make it a perfect cube?  
(a) 9 (b) 50  
(c) 300 (d) 450✓
83. The cube root of .000216 is:  
(a) .6 (b) .06✓  
(c) .006 (d) None
84.  $\sqrt[3]{4\frac{12}{125}} = ?$   
(a)  $1\frac{3}{5}$ ✓ (b)  $1\frac{2}{5}$   
(c)  $1\frac{4}{5}$  (d)  $2\frac{2}{5}$
- Average**
1. The average of first five prime number is:  
(a) 4.5 (b) 5  
(c) 5.6✓ (d) 7.5
2. The average of first five multiples of 3 is:  
(a) 3 (b) 9✓  
(c) 12 (d) 15
3. The average of first 50 natural numbers is:  
(a) 12.25 (b) 21.25  
(c) 25 (d) 25.5✓
4. The mean of  $1^2, 2^2, 3^2, 4^2, 5^2, 6^2, 7^2$  is:  
(a) 40 (b) 20✓  
(c) 30 (d) 10
5. The average of all odd numbers upto 100 is:  
(a) 51 (b) 50✓
- (c) 49.5 (d) 49
6. If a,b,c,d,e are five consecutive odd numbers, their average is:  
(a)  $5(a+4)$  (b)  $\frac{abcde}{5}$   
(c)  $5(a+b+c+d+e)$  (d) None of these✓
7. The average of 7 consecutive numbers is 33. The largest of these numbers is:  
(a) 36 (b) 33  
(c) 30✓ (d) 28
8. The average of four consecutive even numbers is 27. The largest of these numbers is:  
(a) 36 (b) 32  
(c) 30✓ (d) 28
10. The average height of 30 boys out of a class of 50, is 160cm. If the average height of the remaining boys is 165 c, the average height of the whole class (in cm) is:  
(a) 161 (b) 162✓  
(c) 163 (d) 164
11. There are three sections of a class in a school. The number of students in the three sections is 38,32 and 40 and the average age of the students in these sections separately is 15.3 years, 16.5 years and 15.9 years respectively. What is the average age of the class?  
(a) 15.9 yrs (b) 15.92 yrs  
(c) 15.96 yrs (d) None✓
12. The average of three numbers is 20. If two numbers are 16 and 22, the third is:  
(a) 22✓ (b) 20  
(c) 19 (d) 18
13. The average of two numbers is M. If one number is N, then the other number is:  
(a) 2N (b) 2M  
(c) M-N (d) 2M-N✓
14. The average of five results is 46 and that of the first four is 45, the fifth result is:  
(a) 1 (b) 10  
(c) 12.5 (d) 50✓
15. The average of Kanchan's marks in 7 subjects is 75. His average in six subjects excluding Science is 72. How many marks did he get in Science?  
(a) 72 (b) 90  
(c) 93✓ (d) None of these

- numbers is 8.5. The average of the three new numbers is:
- (a) 11✓ (b) 7.75  
(c) 8.5 (d) 7
34. The average age of 30 students is 9 years. If the age of their teacher is included, it becomes 10 years. The age of the teacher (in years) is:
- (a) 27 (b) 31  
(c) 35 (d) 40✓
35. The average age of 24 boys and the teacher is 15 years. When the teacher's age is excluded, the average decreases by 1. What is the age of the teacher?
- (a) 38 years (b) 39 years✓  
(c) 40 years  
(d) Data inadequate
36. The average weight of 50 balls is 2 lbs. If the weight of the container be included, the average weight will increase by 0.05 lbs. The weight of the container is:
- (a) 4.55 lbs✓ (b) 2.2 lbs  
(c) 2.3 lbs (d) 2.5 lbs
37. The average weight of 29 students is 28kg. By the admission of a new students, the average weight is reduced to 27.8 kg. The weight of the new student is.
- (a) 22kg✓ (b) 21.6kg  
(c) 22.4kg (d) 21kg
38. The average salary per month of 30 employees in a company is Rs. 4000. If the manager's salary is added, the average salary increase to Rs. 4300, what is the salary of the manager?
- (a) Rs. 10000 (b) Rs. 13000  
(c) Rs. 12000 (d) Rs. 13300✓
39. The average age of 40 students of a class is 15 years. When 10 new students are admitted, the average is increased by 1.5kg when one of the mean who weighs 65kg is replaced by a new man. The weight of the new man is:
- (a) 15.2 yrs (b) 16 yrs✓  
(c) 16.2 yrs (d) 16.4 yrs
40. The average weight of 8 men is increased by 1.5 kg when one of the men who weighs 65kg is replaced by a new man. The weight of the new man is:
- (a) 76kg (b) 76.5kg  
(c) 76.7kg (d) 77kg✓
41. The average weight of 9 mangoes increases by 20g if one of them weighing 120g is replace by another. The weight of the new mango is:
- (a) 180g (b) 200g  
(c) 260g (d) 300g✓
42. The average weight of 6 men decreases by 3 kg when one of them weighing 80 kg is replaced by a new man. The weight of the new man is:
- (a) 56kg (b) 58kg  
(c) 62kg✓ (d) 76kg
43. The average of 5 consecutive number is n. If the next two numbers are also included, the average will.
- (a) increase by 1✓  
(b) remain the same  
(c) increase by 1.4  
(d) increase by 2
44. The average age of a committee of eight members is 40 years. A member aged 55 years retired and his place was taken by another member aged 39 years. The average age of the present committee is:
- (a) 39 years (b) 38 years✓  
(c) 36 years (d) 35 years
45. A cricketer has a certain average for 9 inning. In the tenth inning, he scores 100 runs, thereby increasing his average by 8 runs. His new average is:
- (a) 20 runs (b) 24 runs  
(c) 28 runs✓ (d) 32 runs
46. A man whose bowling average is 12.4, takes 5 wickets for 26 runs and thereby decreases his average by 0.4. The number of wickets, taken by him before his last match is:
- (a) 85✓ (b) 78  
(c) 72 (d) 64
47. The mean temperature of Monday to Wednesday was 37°C. If the temperature on Thursday was  $\frac{4}{5}$ th that of Monday, the temperature on Thursday was:
- (a) 36.5°C (b) 36°C✓  
(c) 35.5°C (d) 34°C



3. The ratio of the ages of Swati and Varun is 2:5. After 8 years, their ages will be in the ratio of 1:2. The difference in their present ages (in years) is:  
 (a) 24 ✓ (b) 26  
 (c) 29 (d) 32
4. A father is twice as old as his son. 20 years ago, the age of the father was 12 times the age of the son. The present age of the father (in years) is:  
 (a) 44 ✓ (b) 32  
 (c) 22 (d) 45
5. Five year ago, the total of the ages of a father and his son was 40 years. The ratio of their present ages is 4:1. What is the present age of the father?  
 (a) 30 years (b) 20 years  
 (c) 25 years (d) None of these ✓
6. One year ago, Mrs Promila was four times as old as her daughter Swati. Six years hence, Mrs Promila's age will exceed her daughter's age by 9 years. The ratio of the present ages of Promila and her daughter is:  
 (a) 9:2 (b) 11:3  
 (c) 12:5 (d) 13:4 ✓
7. Sachin was twice as old as Ajay 10 years back. How old is Ajay today if Sachin will be 40 years old 10 years hence?  
 (a) 20 year ✓ (b) 10 years  
 (c) 30 years (d) None of these
8. Ten years ago A was half of B in age. If the ratio of their present ages is 3:4, what will be the total of their present ages?  
 (a) 8 years (b) 20 years  
 (c) 30 years (d) 35 years ✓
9. Sushil was thrice as old as Sehla 6 years back. Sushil will be  $\frac{5}{3}$  times as old as Sehla 6 years hence. How old is Snehal today?  
 (a) 18 years (b) 24 years  
 (c) 12 years ✓ (d) 15 years
10. If 6 years are subtracted from the present age of Gulzar and the remainder is divided by 18, then the present age of his grandson Anup is obtained. If Anup is 2 years younger to Mahesh whose age is 5 years, then what is the present age of Gulzar?  
 (a) 96 years (b) 84 years  
 (c) 48 years (d) 60 years ✓
11. The total of the ages of A, B and C at present is 90 years. Ten year ago, the ratio of their ages was 1:2:3. What is the age of B at present?  
 (a) 40 years (b) 30 years ✓  
 (c) 20 years (d) 18 years
13. Sneha's age is  $\frac{1}{6}$ th of her father's age. Sneha's father's age will be twice of Vimal's age after 10 years. If Vimal's eighth birthday was celebrated two year before, then what is Sneha's present age?  
 (a) 24 years (b) 30 years  
 (c)  $6\frac{2}{3}$  years (d) None of these ✓
14. Jayesh is a much younger to Anil as he is older to Prashant. If the sum of the age of Anil and Prashant is 48 years, what is the age of Jayesh?  
 (a) 20 years (b) 30 years  
 (c) 24 years ✓ (d) Can not be determined
15. The sum of the age of a father and son is 45 years. Five years ago the product of their ages was four times the father's age at that time. The present age of father and son, respectively are:  
 (a) 25 years 10 years  
 (b) 36 years, 9 years ✓  
 (c) 39 years, 6 years  
 (d) None of these
16. Kamla got married 6 years ago. Today her age is  $1\frac{1}{4}$  times her age at the time of marriage. Her son's age is  $\frac{1}{10}$  times her age. Her son's age is:  
 (a) 2 years (b) 3 years ✓  
 (c) 4 years (d) 5 years
17. Ten years ago, Chandrawati mother was four times older than her daughter. After ten years, the mother will be twice older than daughter. The present age of Chandrawati is:  
 (a) 5 years (b) 10 years

34. The average age of 12 students is 20 years. If the age of one more student is include, the average decreases by 1. What is the age of the new student?  
 (a) 5 years (b) 7 years ✓  
 (c) 9 years (d) 11 years
35. The average age of an adult class is 40 years. Twelve new students with an average age of 32 years join the class, thereby decreasing the average of the class by four years. The original strength of class was.  
 (a) 10 (b) 11  
 (c) 12 ✓ (d) 15

## Probability Distributions

1. When n dice are rolled, the possible outcomes are:  
 (a) 6 (b) 2  
 (c) 4 (d)  $6n$  ✓
2. Two cards are selected at random with replacement from a pack of 52 playing cards. The possible outcomes are:  
 (a) 208 (b) 2704  
 (c) 104 (d) 1326 ✓
3. Five cards are selected at random from a pack of 52 cards without replacement. The possible combinations are:  
 (a) 2704 (b)  $(52)5$   
 (c) 2598960 ✓ (d) 26
4. The digits 1,2,3,4,5 are the roll numbers of 5 students there roll numbers are written on the paper slips and two paper slips are selected at random without replacement. The possible combinations are:  
 (a) 10 ✓ (b) 5  
 (c) 2 (d) 25
5. A fair coin is tossed 100 times, the expected number of heads are:  
 (a) 75 (b) 200  
 (c) 100 (d) 50 ✓
6. When two dice are rolled, the maximum total on the two faces of the dice will be:  
 (a) 1 (b) 4  
 (c) 12 ✓ (d) 36
7. A random sample of 200 random digits is selected from a random number table. Expected number of zeros in the sample is:  
 (a) 25 (b) 20 ✓
- (c) 50 (d) 100
8. Six digits are selected at random again and again from a random number table and the eve digit are counted each time. In most of the cases, the number of even digits will be:  
 (a) 36 (b) 12  
 (c) 6 (d) 3 ✓
9. The term sample space is used for:  
 (a) All possible outcomes ✓  
 (b) Probability  
 (c) Sample  
 (d) one of above
10. The term 'even' is used for:  
 (a) Sample space  
 (b) A sub-set of the sample space ✓  
 (c) Total number of outcomes  
 (d) Probability
11. The six faces of the die are called equally likely if the die is:  
 (a) Six-faced (b) Round  
 (c) Fair ✓ (d) Steeper
12. Two events A and B are called mutually exclusive if:  
 (a)  $A \cap B = \phi$  (b)  $A \cup B = \phi$  ✓  
 (c)  $A \cup B = S$  (d) None of above
13. If A and B are two mutually exclusive events, then:  
 (a)  $P(A \cup B) = 0$  (b)  $P(A \cap B) = 1$   
 (c)  $P(A \cap B) = 0$  (d) None of these ✓
14. The two events A and B are called not mutually exclusive events. If:  
 (a)  $A \cup B = \emptyset$  (b)  $A \cup B \neq \emptyset$  ✓  
 (c)  $A \cap B = \emptyset$  (d)  $A \cap B \neq \emptyset$
15. When a die and a coin are rolled together, all possible out comes.  
 (a) 2 (b) 36  
 (c) 6 (d) 12 ✓
16. An event that contains more than one sample point is called.  
 (a) Compound event ✓  
 (b) Independent event  
 (c) Simple event  
 (d) Multipic event
17.  $A \cup B$  means:  
 (a) Elements of A and B  
 (b) Elements of A or B ✓

- (a) 0.6 (b) 0.06✓  
(c) 0.1 (d) 0.5
34. If  $P(B) = 0$  then the conditional probability is:  
(a) Undefined✓ (b) Zero  
(c) One (d) None of above
35. In venn diagram universal set  $U$  is represented by a:  
(a) Rectangle (b) Square  
(c) Circle✓ (d) Both a & b
36. A set having no element is called:  
(a) Infinite set (b) Null set✓  
(c) Zero set (d) Empty set
37. If every element of a set  $A$  is also an element of  $B$ , then  $A$  set is called.  
(a) Subset of  $B$ ✓ (b) Subset of  $A$   
(c) Universal set (d) Null set
38. The probability of drawing a picture card from a pack of 52 cards is.  
(a)  $\frac{12}{56}$ ✓ (b)  $\frac{4}{52}$   
(c)  $\frac{26}{52}$  (d)  $\frac{13}{52}$
39. The probability of drawing spade cards from a pack of 52 cards is:  
(a)  $\frac{12}{52}$  (b)  $\frac{26}{52}$   
(c)  $\frac{4}{52}$  (d)  $\frac{13}{52}$ ✓
40. The probability of drawing red cards from a pack of 52 cards is:  
(a)  $\frac{13}{52}$  (b)  $\frac{12}{52}$   
(c)  $\frac{4}{52}$  (d)  $\frac{26}{52}$ ✓
41. The probability of drawing black cards from a pack of 52 cards is:  
(a)  $\frac{13}{52}$ ✓ (b)  $\frac{4}{52}$   
(c)  $\frac{26}{52}$  (d)  $\frac{12}{52}$
42. The probability of drawing king from a pack of 52 cards is:  
(a)  $\frac{4}{52}$ ✓ (b)  $\frac{13}{52}$

- (c)  $\frac{26}{52}$  (d)  $\frac{12}{52}$

## Instructions Ideas

- If one event is unaffected by the outcome of another event, the two events are said to be.  
(a) Dependent (b) Independent✓  
(c) Mutually exclusive (d) All of above
- If  $P(A \text{ or } B) = P(A)$ , then  
(a)  $A$  and  $B$  are mutually exclusive  
(b) The Venn diagram areas for  $A$  and  $B$  overlap  
(c)  $P(A) + P(B)$  is the joint probability of  $A$  and  $B$ ✓  
(d) None of the above
- The simple probability of an occurrence of an event is called the  
(a) Bayesian probability  
(b) Joint probability  
(c) Marginal probability✓  
(d) Conditional probability
- Why are the events of a coin toss mutually exclusive?  
(a) The outcome of any toss is not affected by the outcomes of those preceding it.  
(b) Both a head and a tail cannot turn up on any one toss.✓  
(c) The probability of getting a head and the probability of getting a tail are the same  
(d) All of these  
(e)  $A$  and  $B$  but not  $C$
- If a venn diagram were drawn for events  $A$  and  $B$  which are mutually exclusive, which of the following would always be true of  $A$  and  $B$ ?  
(a) Their parts of the rectangle will overlap  
(b) Their parts of the rectangle will be equal in area.  
(c) Their parts of the rectangle will not overlap✓  
(d) None of these  
(e)  $b$  and  $c$  but not  $a$
- What is the probability that a value chosen at random from a particular population is larger than the median of the population?  
(a) 0.25 (b) 0.50✓  
(c) 1.0 (d) 0.67

- (a)  $\frac{1}{16}$  (b)  $\frac{5}{8}$  (c)  $\frac{7}{36}$  (d)  $\frac{1}{4}$
- (c)  $\frac{3}{8}$  ✓ (d)  $\frac{7}{16}$
7. Tickets numbered 1 to 20 are mixed up and then a ticket is drawn at random. What is the probability that the ticket drawn bears a number which is a multiple of 3?
- (a)  $\frac{3}{20}$  (b)  $\frac{3}{10}$  ✓ (c)  $\frac{2}{5}$  (d)  $\frac{1}{2}$
8. One card is drawn at random from a pack of 52 cards. What is the probability that the card drawn is a face card?
- (a)  $\frac{4}{13}$  ✓ (b)  $\frac{1}{4}$  (c)  $\frac{9}{25}$  (d)  $\frac{1}{13}$
9. One card is drawn at random from a pack of 52 cards. What is the probability that the card drawn is a king?
- (a)  $\frac{1}{13}$  ✓ (b)  $\frac{1}{52}$  (c)  $\frac{3}{13}$  (d)  $\frac{1}{4}$
10. One card is drawn at random from a pack of 52 cards. What is the probability that the card drawn is either a red card or a king?
- (a)  $\frac{6}{13}$  (b)  $\frac{1}{2}$  (c)  $\frac{7}{13}$  ✓ (d)  $\frac{27}{52}$
11. What is the probability that an ordinary year has 53 Sundays?
- (a)  $\frac{53}{365}$  (b)  $\frac{1}{7}$  ✓ (c)  $\frac{2}{7}$  (d)  $\frac{48}{53}$
12. In a simultaneous throw of two dice, what is the probability of getting a total of 7?
- (a)  $\frac{1}{6}$  ✓ (b)  $\frac{7}{12}$  (c)  $\frac{7}{36}$  (d)  $\frac{1}{4}$
13. In a simultaneous throw of two dice, what is the probability of getting a doublet?
- (a)  $\frac{1}{6}$  ✓ (b)  $\frac{1}{4}$  (c)  $\frac{3}{4}$  (d)  $\frac{2}{3}$
14. In a simultaneous throw of two dice, what is the probability of getting a total of 10 or 11?
- (a)  $\frac{7}{12}$  (b)  $\frac{5}{36}$  ✓ (c)  $\frac{1}{6}$  (d)  $\frac{1}{4}$
15. Tickets numbered from 1 to 20 are mixed up and a ticket is drawn at random. What is the probability that the ticket drawn has a number which is a multiple of 3 or 7?
- (a)  $\frac{1}{15}$  (b)  $\frac{1}{2}$  (c)  $\frac{2}{5}$  ✓ (d)  $\frac{7}{20}$
16. A bag contains 6 black and 8 white balls. One ball is drawn at random. What is the probability that the ball drawn is white?
- (a)  $\frac{4}{7}$  ✓ (b)  $\frac{3}{4}$  (c)  $\frac{4}{3}$  (d)  $\frac{1}{8}$
17. A bag contains 8 red and 5 white balls. 2 balls are drawn at random. What is the probability that both are white?
- (a)  $\frac{5}{16}$  (b)  $\frac{2}{13}$  (c)  $\frac{3}{26}$  (d)  $\frac{5}{39}$  ✓
18. A bag contains 5 blue and 4 black balls. Three balls are drawn at random. What is the probability that 2 are blue and 1 is black?
- (a)  $\frac{1}{3}$  (b)  $\frac{2}{5}$  (c)  $\frac{1}{6}$  ✓ (d) None

- (b) Tomorrow's profit will be less than \$ 13.45
- (c) Tomorrow's profit will be more than \$ 13.45
- (d) Tomorrow's loss will be \$ 13.45
- (e) None of the above ✓
2. For a given binomial distribution with  $n$  fixed, if  $p < 0.5$ , then:
- (a) The Poisson distribution will provide a good approximation
- (b) The Poisson distribution will provide a bad approximation
- (c) The binomial distribution will be skewed left
- (d) The binomial distribution will be skewed right ✓
- (e) The binomial distribution will be symmetric
3. Suppose we have a Poisson distribution with  $\lambda = 2$ . Then the probability of having exactly 10 occurrences is:
- (a)  $\frac{2^{10} e^{-10}}{10!}$
- (b)  $\frac{2^{-10} e^{-2}}{2!}$
- (c)  $\frac{2^{-10} e^{-10}}{10!}$
- (d)  $\frac{2^{10} e^{-2}}{10!}$  ✓
4. Which of the following is a characteristic of the probability distribution for any random variable?
- (a) A probability is provide for every possible value
- (b) The sum of all probabilities is 1
- (c) No given probability occurs more than once
- (d) A and b but not c ✓
5. Which of the following could never be described by a binomial distribution?
- (a) The number of defective widgets produced by an assembly process
- (b) The amount of water user daily by a single household ✓
- (c) The number of people in your class who can answer this question correctly
- (d) All of these could always be describe by a binomial distribution
6. If  $p = 0.4$  for a particular Bernoulli process, the calculation  $\left(\frac{7!}{3! \times 4!}\right) (0.4)^3 (0.6)^4$  gives the probability of getting:
- (a) Exactly three successes in seven trials ✓
- (b) Exactly four successes in seven trials
- (c) Three or more successes I seven trials
- (d) Four or more successes I seven trials
- (e) None of these
7. For binomial distributions with  $p = 0.2$ .
- (a) A distribution for  $n = 2,000$  would more closely approximate the normal distribution than one for  $n = 50$ .
- (b) No matter what the value of  $n$ , the distribution is skewed to the right
- (c) The graph of this distribution with  $p = .2$  and  $n = 100$  would be the exact
- (d) All of these ✓
- (e) a and b but not c
8. Which of the following is a necessary condition for use of a Poisson distribution?
- (a) Probability of one arrival per second is constant
- (b) The number of arrivals in any 1 second interval is independent of arrivals in other intervals
- (c) The probability of two or more arrivals in the same second is zero
- (d) All of these ✓
- (e) b and c but not a
9. In what case would the Poisson distribution be a good approximation of the binomial?
- (a)  $n = 40, p = 0.32$
- (b)  $n = 4, q = 0.79$
- (c)  $n = 200, q = 0.98$  ✓
- (d)  $n = 10, p = 0.03$
- (e) a and c
- (f) All of these
10. For a normal curve with  $\mu = 55$  and  $\sigma = 10$ , how much area will be found under the curve to the right of the value 55?
- (a) 1.0
- (b) 0.68
- (c) 0.5 ✓
- (d) 0.32
- (e) Cannot be determined from the information given.
11. Suppose you are using a normal distribution to approximate a binomial distribution with

- distribution of the mean for samples of size 25?
- (a) 24✓ (b) 2  
(c) 4.8  
(d) Cannot be determined from the information given
6. The central limit theorem assures us that the sampling distribution of the mean.
- (a) Is always normal  
(b) Is always normal for large sample sizes  
(c) Approaches normality as sample size increases✓  
(d) Appears normal only when N is greater than 1,000
7. Suppose that, for a certain population  $\sigma_x$  is calculated as 20 when samples of size 25 are taken and as 10 when samples of size 100 are taken. A quadrupling of sample size, then, only halved  $\sigma_x$ . We can conclude that increasing sample size is
- (a) Always cost effective  
(b) Sometimes cost effective✓  
(c) Never cost effective  
(d) Never cost effective
8. Refer again to the data of Question 30. What must be the value of  $n$  for this in finite population?
- (a) 1,000 (b) 500  
(c) 377.5 (d) 100✓
9. The finite population multiplier does not have to be used when the sampling fraction is.
- (a) Greater than 0.05  
(b) Greater than 0.50  
(c) Less than 0.50  
(d) Greater than 0.90  
(e) None of these✓
10. The standard error of the mean for a sample size of two or more is.
- (a) Always greater than the standard deviation of the population  
(b) Generally greater than the standard deviation of the population  
(c) Usually less than the standard deviation of the population  
(d) None of these✓
11. A border patrol checkpoint that stops every passenger van is using
- (a) Simple random sampling  
(b) systematic sampling  
(c) stratified sampling  
(d) complete enumeration✓
12. In a normally distributed population, the sampling distribution of the mean
- (a) Is normally distributed  
(b) Has a mean equal to the population mean  
(c) Has a standard deviation equal to the population standard deviation divided by the square root of the sample size  
(d) All of the above✓  
(e) Both a and b
13. The central limit theorem
- (a) Requires some knowledge of the frequency distribution  
(b) Permits us to use sample statistics of make inferences about population parameters✓  
(c) Relates the shape of a sampling distribution of the mean to the mean of the sample  
(d) Requires a sample to contain fewer than 30 observations

## Index Number

1. Index numbers are called:
- (a) Economic barometers✓  
(b) Mathematical barometers  
(c) Statistical barometers  
(d) Scientific barometers
2. Pasache's index number is called:
- (a) Composite index number✓  
(b) Simple index number  
(c) Un-weighted index number  
(d) None of above
3. If Laspayer's price index = 109.5, Paasche's price index = 112.5, then Faisher's ideal index will be equal to:
- (a) 104.1 (b) 111✓  
(c) 100 (d) 110.2
4. Laspeyre's index number is also called:
- (a) Current year weighted index number  
(b) Ideal index number  
(c) Base year weigh index number✓

- (d) None of above
5. Index number are divided into following two types.  
(a) Up-weighted and weight index number  
(b) Simple and un-weighted index numbers  
(c) Price and quantity index numbers✓  
(d) Simple and composite index numbers
6. An index number having a wide scope is called:  
(a) Special purpose index number  
(b) Price index number  
(c) General purpose index number✓  
(d) Quantity index number
7. The most suitable average for computation of index numbers is:  
(a) G.M✓ (b) Median  
(c) A.M (d) Mode
8. Geometric mean of the relatives is:  
(a) Non-reversible (b) Reversible✓  
(c) Both a and b (d) None of above
9. Which of the following is called an ideal index number?  
(a) Paasche's index number  
(b) Lasperye's index number  
(c) Marshall's index number  
(d) Fisher's index number✓
10. A normal year should be free from:  
(a) Floods (b) Strikes  
(c) War (d) All of above✓
11. Index for base period is always taken as:  
(a) 50 (b) 100✓  
(c) 120 (d) 200
12. In chain base method, the base period is:  
(a) Constant (b) Fixed  
(c) Not fixed✓ (d) None of above
13. Consumer price index numbers are obtained by:  
(a) Fisher's ideal formula  
(b) Marshall Edge worth's formula  
(c) Paasche's formula  
(d) Laspayre's formula✓
14. Price relatives computed by chain base method is called:  
(a) Simple relatives  
(b) Link relatives✓  
(c) Price relatives  
(d) Value index
15. If all the value of equal importance, the index numbers are called.  
(a) Un-weighted✓ (b) Weighted  
(c) Simple (d) Value index
16. If all the values are not of equal importance, the index number is called.  
(a) Weighted✓ (b) Un-weighted  
(c) Composite (d) Simple
17. When the price of a year is divided by the price of a particular year, we get?  
(a) Price relative (b) Link relatives  
(c) Simple relatives✓ (d) All of above
18. When the price of a year is divided by the price of the preceding year, we get?  
(a) Price index  
(b) Simple relative  
(c) Link relative✓  
(d) Value index
19. Index number calculated by Fisher's formula is ideal because it satisfies.  
(a) Factor reversal test  
(b) Time reversal test  
(c) Circular test  
(d) All of above✓
20. Marshall Edge worth price index was proposed by:  
(a) Two English economist✓  
(b) Two English Mathematician  
(c) Three English economist  
(d) The English scientist
21. The general purchasing power of the currency of a country is determined by:  
(a) Simple index  
(b) Whole sale price index✓  
(c) Volume index  
(d) Composite index
22. An index number is called a simple index when it is computed from:  
(a) Multiple variables  
(b) Bi-variables  
(c) Single variable✓  
(d) All of above
23. WPI stands for:  
(a) Whole sale price index✓  
(b) Whole price index  
(c) Wider price index  
(d) Weighted price index
24. Paasche's price index is define as:

- (a)  $\frac{\sum P_0q_n}{\sum P_0q_n} \times 100$  (b)  $\frac{\sum P_nq_0}{\sum P_nq_0} \times 100$
- (c)  $\frac{\sum P_nq_n}{\sum P_nq_0} \times 100$  (d)  $\frac{\sum P_nq_n}{\sum P_0q_n} \times 100$  ✓
25. The formula for constructing Paasche's quantity index is:
- (a)  $\frac{\sum q_nP_0}{\sum q_0P_0} \times 100$
- (b)  $\frac{\sum P_nq_n}{\sum P_0q_n} \times 100$
- (c)  $\frac{\sum q_nP_n}{\sum q_0P_n} \times 100$  ✓
- (d)  $\frac{\sum q_0P_n}{\sum q_0P_n} \times 100$
26. The formula for constructing Fisher's quantity index.
- (a)  $\sqrt{\frac{\sum q_nP_0}{\sum q_0P_0} \times \frac{\sum q_nP_n}{\sum q_0P_n}} \times 100$  ✓
- (b)  $\frac{\sum q_nP_0}{\sum q_0P_0}$
- (c)  $\sqrt{\frac{\sum q_nP_0}{\sum q_0P_0} \times \frac{\sum q_0P_n}{\sum q_0P_n}} \times 100$
- (d)  $\frac{\sum q_0P_0}{\sum P_nq_n}$
27. The index numbers are calculated in:
- (a) Ratios (b) Percentages ✓  
(c) Decimal (d) Fractions
28. Base year quantities are used as weights in
- (a) Paasche's index number  
(b) Fisher's index number  
(c) Marshall Edge worth index number  
(d) Laspeyre's index number ✓
29. An index number calculated for more than one items is called.
- (a) Simple index number  
(b) Compound index number  
(c) Composite index number ✓  
(d) Relative index number
30. A simple price index is defined as:
- (a)  $\frac{P_n}{P_0} \times 100$  ✓ (b)  $\frac{q_n}{P_0} \times 100$   
(c)  $\frac{q_n}{q_0} \times 100$  (d)  $\frac{q_0}{q_n} \times 100$
31. Fishers index number is the G.M. of the
- (c) Laspeyre's index number  
(d) Paasche's index number ✓
32. In fixed base method the base period should be:
- (a) Normal year ✓  
(b) Abnormal year  
(c) Fluctuating year  
(d) Both b & c
33. The number of commodities in the construction of whole sale index should be between 20 to 50, according to:
- (a) Fisher ✓ (b) Marshall  
(c) Edge worth (d) Paasche's
34. The prices of rice are compared by:
- (a) Weighted index ✓  
(b) Simple index  
(c) Composite index  
(d) Compound index
35. Aggregative expenditure method & family budget method always give.
- (a) Approximate results  
(b) Same results ✓  
(c) Different results  
(d) Antonymous results
36. Which formula is used in chain base method.
- (a)  $\frac{P_n - 1}{P_n} \times 100$  (b)  $\frac{P_n}{P_n - 1} \times 100$  ✓  
(c)  $\frac{P_n}{P_0} \times 100$  (d)  $\frac{P_0}{P_n} \times 100$
37. Which formula is used in fixed base method.
- (a)  $\frac{P_n}{P_0} \times 100$  ✓ (b)  $\frac{P_0}{P_n} \times 100$   
(c)  $\frac{P_n - 1}{P_n} \times 100$  (d)  $\frac{P_n}{P_n - 1} \times 100$
38. The general purchasing power of currency is determined by:
- (a) Volume index  
(b) Composite index  
(c) Whole sale price index ✓



- (d) Retail price index
39. Geometric mean of the relatives is:  
 (a) Flexible (b) Rigid  
 (c) Non-reversible (d) Reversible✓
40. What is the most suitable average for index number?  
 (a) Mode (b) G.M.✓  
 (c) A.M. (d) Median

## INDEX NUMBER

1. If an index number calculation over 8 years with a base value of 100 gave an index for 1993 of 110, what would be the percentage relative for 1993?  
 (a) 110✓ (b) 90.9  
 (c) 13.75 (d) 880  
 (e) Cannot to determine from the information given
2. To measure changes in total monetary worth, one should calculate.  
 (a) A price index  
 (b) A quantity index  
 (c) A value index✓  
 (d) None of these
3. Suppose a composite price index for 1 gallon of milk, 2 loaves of bread, and 1 pound of hamburger was 110 in 1995 and 119 in 1996. If both indices were computed from a 1994 base of 100, how much did the general price level rise from 1995 to 1996?  
 (a) 9% (b) 8.18%  
 (c) 19% (d) 7.56%  
 (e) Cannot be determined from the information given✓
4. Which of the following describes an advantage of using the Laspeyres method?  
 (a) Many commonly used quantity measures are not tabulated for every period  
 (b) Changes in consumption patterns are taken into account  
 (c) One index can be easily compared with another  
 (d) All of these  
 (e) a and c but not b✓
5. What can be concluded if the weighted aggregates price index for a set of prices was calculated as 1061 using the Laspeyres method and 112 using the Paasche method?  
 (a) The Paasche index is incorrect  
 (b) There is a trend toward less expensive goods  
 (c) There is a trend toward more expensive goods✓  
 (d) The difference can be attribute to a poor estimation of consumer attitudes  
 (e) a and b only
6. When computing a weighted average of relatives index, we would be best able to compare indices from various period if:  
 (a) Base values were used as  $P_n Q_n$   
 (b) Current values were as  $P_n Q_n$   
 (c) Fixed values were used as  $P_n Q_n$   
 (d) Either base or fixed values were used as  $P_n Q_n$ ✓  
 (e) Either current values or fixed values were used as  $P_n Q_n$
7. Commodities subject to considerable price variations could best be measured by a:  
 (a) Price index (b) Value index✓  
 (c) Quantity index (d) None of these
8. A base period can be described as a "normal" period if:  
 (a) It is at neither the peak nor the trough of a fluctuation✓  
 (b) It is the most recent period for which we have data  
 (c) There was no inflation or deflation of prices during the period  
 (d) It is the average of several consecutive periods
9. The weights used in a quantity index are:  
 (a) Percentages of total quantity  
 (b) Prices✓  
 (c) Average of quantities  
 (d) None of these
10. In an un-weighted average of relatives index,  $(P_t/P_o) \times 100$  is calculated for each product in the composite. What is then done with these values for finish the calculation?  
 (a) The values are multiplied together  
 (b) The largest value is found  
 (c) The values are averaged✓  
 (d) The average difference from the median of the values is found and then squared
11. To measure how much the cost of some variable changes over time, you would use:

- (a) A value index  
 (b) An inflation index  
 (c) A quantity index  
 (d) All of these  
 (e) None of these✓
12. It is possible to change the base year without changing the quantities used for weights when using.
- (a) The Paasche method  
 (b) The Laspeyres method  
 (c) The weighted aggregates method  
 (d) None of these✓
13. When the base year values are use as weights the weighted average of relatives price index is the same as:
- (a) The Paasche index  
 (b) The Laspeyres index✓  
 (c) The un-weighted average of relatives price index  
 (d) None of the above
14. A primary difference between average of relatives and aggregates methods is that:
- (a) Aggregates methods sum all prices before finding the ratio✓  
 (b) Average of relatives methods sum all prices before finding the ratio  
 (c) Aggregates methods are useful only for price indices  
 (d) a and c but not b  
 (e) None of the above
15. Comparing price indices of military airplanes from 1976 to 1996.
- (a) Would dearly prove how defense spending has skyrocketed in the last 20 years  
 (b) Would best be accomplished using the Paasche method  
 (c) Should use the average of 1974 and 1975 for the base period  
 (d) Would make little sense, given the significant technological differences in the items being compared✓
16. If the organizers of the 1995 Iron man Triathlon wished to evaluate the winning times each year, relative to the winning time in 1980 (the first year of the competition), they might use.

- (a) An un-weighted aggregates index, with 1980 as the base✓  
 (b) A weighted aggregates index with 1980 as the base using the number of competitors each year as the weights  
 (c) The Paasche method  
 (d) Any of the above  
 (e) a or b but not c

## REGRESSION AND CORRELATION

1. Suppose that we know the height of a student but do not know her weight. We use an estimating equation to determine an estimate of her weight based on her height. We can therefore surmise that.
- (a) Weight is the independent variable  
 (b) Height is the dependent variable  
 (c) The relationship between weight and height is an inverse one  
 (d) None of these✓  
 (e) b and c but not a
2. Suppose you are told that there is a direct relationship between the price of artichokes and the amount of rain that fell during the growing season. It can be calculated that.
- (a) Prices tend to be high when rainfall is high✓  
 (b) Prices tend to be low when rainfall is high  
 (c) A large amount of rain causes prices to rise  
 (d) A lack of rain causes prices to rise
3. Suppose it is calculated that a is 4 and b is 2 for a particular estimating line with one independent variable. If the independent variable has a value of 2, what value should be expected for the dependent variable?
- (a) 8✓ (b) 10  
 (c) -1 (d) 0
4. Suppose the estimating equation  $\hat{Y} = 5 - 2x$  has been calculated for a set of data. Which of the following is true for this situation?
- (a) The y-intercept of the line is 2  
 (b) The slope of the line is negative

- (c) The line represent an inverse relationship  
 (d) All of these  
 (e) b and c but not a ✓
5. We know that the standard error is the same at all points on a regression line because we assumed that:  
 (a) Observed values for Y are normally distributed around each estimated value of  $\hat{Y}$   
 (b) The variances of the distribution around each possible value of y are the same ✓  
 (c) All available data were taken into account when the regression line was calculated  
 (d) None of these
6. The variation of the Y values around the regression line is best expressed as:  
 (a)  $\sum (Y + \hat{Y})^2$   
 (b)  $\sum (Y - \hat{Y})^2$  ✓  
 (c)  $\sum (Y - \bar{Y})^2$   
 (d)  $\sum (Y + \hat{Y})^2$
7. The value of  $r^2$  for a particular situation is 0.49. What is the coefficient of correlation?  
 (a) 0.9 (b) 0.7  
 (c) 0.07  
 (d) Cannot be determined from the information given ✓
8. The fraction  $\frac{\sum (Y - \hat{Y})^2}{\sum (Y - \bar{Y})^2}$  represents.  
 (a) The fraction of total variation in Y that is unexplained ✓  
 (b) The fraction of total variation in Y that is explained  
 (c) The fraction of total variation Y that was caused by changes in x  
 (d) None of these
9. In the equation  $Y = A + BX + e$ , the e represents.  
 (a) The X-intercept of the observed data  
 (b) The value of Y to which others are compared to determine the best fit  
 (c) Random disturbances from the population regression line ✓  
 (d) None of these
10. Suppose you wish to compare the hypothesized value of B to a sample value of b that has been calculated. Which of the following must be calculated before the others?  
 (a)  $S_b$  (b)  $S_c$  ✓  
 (c)  $S_p$   
 (d) Calculations can be made in any order
11. For the estimating equation to be a perfect estimator of the dependent variable, which of these would have to be true?  
 (a) The standard error of the estimate is zero  
 (b) All the data points are on the regression line  
 (c) The coefficient of determination is 1  
 (d) a and b but not c ✓  
 (e) all of these
12. If the dependent variable increases as the independent variable increases in an estimating equation, the coefficient of correlation will be in the range.  
 (a) 0 to 1 (b) 0 to 0.05  
 (c) 0 to -2 (d) None of these ✓
13. Suppose the fraction of variation in Y that is unexplained by the independent variable X is 1/4. Then  $r^2$  is:  
 (a) 3/4 (b) 3/4 ✓  
 (c) 15/16 (d) None of these
14. The sample coefficient of determination is developed from the variation of the observed Y values around.  
 (a) The mean of the observed independent variables  
 (b) The mean of the observed dependent variable  
 (c) The fitted regression line  
 (d) b and c but not a ✓  
 (e) a, b and c
15. If  $Y = a + bX$ , the sample regression line, and  $Y = A + BX$ , the true unknown population regression equation, are equivalent, then the following must be true.  
 (a) The estimating equation is a perfect estimator of the dependent variable  
 (b) All the data points are on the regression line  
 (c)  $r^2 = 1$

- (d) All of the above  
(e) None of the above ✓

## TIME SERIES

- A time series of annual data can contain which of the following components?
  - Secular trend
  - Cyclical fluctuation
  - Seasonal variation
  - All of these
  - a and b but not c ✓
- Suppose you were considering a time series of data for the quarters of 1992 and 1993. The third quarter of 1993 would be coded as:
 

(a) 2	(b) 3
(c) 5 ✓	(d) 6
- Suppose that a particular time series should be fitted with a parabolic curve. The general form for this second-degree equation is  $\hat{Y} = a + bx + cx^2$ . What do the  $x$ 's represent in this formula?
  - Coded values of the time variables ✓
  - A numerical constant that is determined by a formula
  - Estimates of the dependent variable
  - None of these
- Assume that a time series with annual data for the years 1988-1996 is described well by the second degree equation  $\hat{Y} = 5 + 3x - 9x^2$ . Based only on this secular trend, what is the forecast value for 1997.
 

(a) 161	(b) 245 ✓
(c) 347	(d) 293.75
- Suppose that  $Y = 10 + 3x$  describes well an annual time series for 1987-1993. If the actual value of  $Y$  for 1990 is 8, what is the percent of trend for 1990?
 

(a) 125%	(b) 112.5%
(c) 90%	(d) 80% ✓
- A time series for the years 1985-1996 had the following relative cyclical residuals in chronological order. -1%, -2%, 1%, 2%, -1%, -2%, 1%, 2%, -1%, -2%, 1%, 2%. The relative cyclical residual for 1997 should be.
 

(a) 3%	(b) -1%
(c) -2%	(d) Cannot be determined from information given ✓
- Assumed that you have been given quarterly sales data for a 5-year period. To use the ratio-to-moving-average method of computing a seasonal index, you first step would be:
  - Compute the 4-quarter moving average
  - Discard highest and lowest values for each quarter
  - Calculate the 4-quarter moving total ✓
  - None of these
- What is the unadjusted index for the third quarter?
 

(a) 108.88	(b) 109.0 ✓
(c) 110.23	(d) 110.96
(e) None of these	

9. Assume that the total of the unadjusted indices for the four quarters is 404.04. If the unadjusted index for the first quarter is 97.0, what is the adjusted seasonal index for the first quarter?
- (a) 96.03✓ (b) 97.98  
(c) 24.01 (d) 99.00  
(e) Cannot be determine from the information given
10. The adjusted seasonal index for the fourth quarter is 95.0. If the deseasonalized trend line that was calculated to estimate quarterly sales is  $\hat{Y} = 400 + 9x$ , what would be the seasonalized sales estimate for the fourth quarter of 1994.
- (a) 499.7 (b) 610.85✓  
(c) 643.0 (d) 676.8
11. If a time series has an even number of years, and we use coding, then each coded interval is equal to:
- (a) 1 year (b) 2 years  
(c) 1 month (d) 6 months✓  
(e) None of these
12. A method used to deal with cyclical variation when the cyclical component does not explain most of the variation left unexplained by the trend component is:
- (a) Spearman analysis  
(b) Specific analysis  
(c) Second-degree analysis  
(d) Relative cyclical residual  
(e) All of these  
(f) None of these✓
13. For a given year, if an adjusted seasonal index for some period is greater than 100, then the following must be true:
- (a) The adjusted index for some other period is  $> 100$   
(b) The adjusted index for some other period is  $< 100$ ✓  
(c) The adjusted index for some other period is  $= 100$   
(d) a and b but not c  
(e) None of the above
14. If the percent of trend for a particular year in a time series is greater than 100%, then for this year.
- (a) The actual time-series value lies below the trend line and the relative cyclical residual is positive  
(b) The actual time-series value lies below the trend line and the relative cyclical residual is positive  
(c) The actual time-series value lies above the trend line and the relative cyclical residual is negative  
(d) The actual time-series value lies above the trend line and the relative cyclical residual is positive✓
15. Which of the following are common reasons for studying both secular trends and seasonal variation:
- (a) To allow the elimination of the component from the series  
(b) To describe past patterns  
(c) To project past patterns into the future  
(d) All of the above✓  
(e) None of the above
- \*\*\*\*\*

**PUNJAB PUBLIC  
SERVICE COMMISSION,  
LAHORE**  
WRITING TEST FOR  
RECRUITMENT TO THE POSTS  
OF LECTURER COMMERCCE  
BS - 17 MALE  
FEMALE IN THE PUNJAB  
EDUCATION  
DEPARTMENT, 2011.

Time Allowed: 2 Hours

Maximum Marks: 100

1. Write your allotted roll number in the top right corner of QUESTION PAPER and in the specified place of ANSWER SHEET.
2. Read the QUESTION PAPER carefully and mark your answers on the ANSWER SHEET.
3. Each question has four options: Fill only one box that you think is correct answer. 0.25 marks will be deducted for each incorrect answer.
4. Instructions of filling box have been given on the Answer Sheet. Read them before attempting.
5. Read the instruction for filling your ROLL NO. and marking your answer on the ANSWER SHEET before starting answering.
6. Sign the Answer Sheet in the box provided at the left bottom corner.
7. Return both Question Paper and Answer Sheet, to the staff, at the end of test.

1. The amount of money in the account of account holder is called.
 

(a) Profit	(b) Interest
(c) Deposit✓	(d) Loan
2. Cheque is always crossed by:
 

(a) drawer✓	(b) Drawee
(c) Holder	(d) None of these
3. What is the purpose of bank slip?

- (a) To credit an overseas bank account
  - (b) To pay a creditor who does not have a bank account
  - (c) To pay money into a bank account✓
  - (d) To with draw money from current account
4. Dishonored cheque means:
 

(a) Cheque cashed by ban:
(b) Cheque presented to the bank and refused for the payment✓
(c) a cheque the amount has not been filled
(d) a cheque which is not signed
  5. Commercial Bank is called:
 

(a) Banker's Bank
(b) Custodian of exchange
(c) Banker to Government
(d) Bank of Public
  6. The World Bank has been derived from?
 

(a) Bank	(b) Bancus
(c) Banco	(d) None of these✓

 Which account is suitable for business community?
 

(a) Saving account
(b) Current account✓
(c) Profit and loss account
(d) Deposit account
  8. The objective of central bank is
 

(a) Welfare of public✓
(b) To earn profit
(c) Economic prosperity & development
(d) Receiving Deposits
  9. The State Bank of Pakistan was inaugurated by
 

(a) Liaqat Ali Khan
(b) Abdul Rub Nishter
(c) Allama Iqbal
(d) Quaid-e-Azam✓
  10. Commercial Banks creates the following:
 

(a) Metallic Money	(b) Credit
(c) Paper	(d) All of above✓
  11. On what type of bank account may a trader draw cheques?
 

(a) Current Account✓
(b) Deposit Account
(c) Investment Account
(d) Loan Account
  12. A trader with a bank current account wishes to make monthly payments for a

- trade journal. Which method of payment would be most suitable to use?  
 (a) Bank Draft (b) Bank Notes  
 (c) Cable Transfer  
 (d) standing Order✓
13. Which service is not available to bank customer through ATM's?  
 (a) Checking the balance of their accounts  
 (b) Organizing personal loans  
 (c) Requesting Printed Bank Statements  
 (d) With drawing cash✓
14. ABC Corporation is a large manufacturing company. It needs immediate finance as it is having cash flow problems. Which sources of finance would be the most suitable for ABC Corporation?  
 (a) Higher purchase (b) Over draft✓  
 (c) Shares (d) Trade Credit
15. Using credit means that the customer.  
 (a) always pays extra for the goods  
 (b) Gets goods repaired for nothing  
 (c) Obtain discounts on goods  
 (d) uses of goods but pay later✓
16. A customer wishes to buy a laptop computer on credit. Which form of credit will ensure the laptop computer becomes the customer property immediately?  
 (a) Credit card✓  
 (b) Credit Transfer  
 (c) Higher Purchase  
 (d) Leasing
17. Telephone banking is used by customers who do not wish to visit their bank in person. Which service can customer receive through telephone banking?  
 (a) Buying and selling shares  
 (b) confirming account balances✓  
 (c) Organizing insurance cover  
 (d) Safeguarding legal documents
18. What is a current account at a commercial bank?  
 (a) An account for daily transactions✓  
 (b) An account requiring a passbook  
 (c) An account used for saving  
 (d) An accounting which cannot be overdrawn
19. What is the meaning of the term "limited liability"?  
 (a) Shares are issued only to a certain total value  
 (b) Shareholders are paid back only certain percentage of their investment  
 (c) Shareholders can lose only the value of their investment✓  
 (d) Shareholders can buy only a certain sum of share capital
20. A company raises finance by issuing debentures. The debentures holders entitled to:  
 (a) Interest after the share holders have been paid  
 (b) one vote per share  
 (c) Repayment before shareholders if the company goes into liquidation✓  
 (d) Variable dividend
21. A contract comprises of:  
 (a) Offer + Acceptance ✓  
 (b) Agreement + Consideration  
 (c) Offer + Acceptance + Agreement  
 (d) Agreement + Enforceability
22. An agreement is void ab-initio is called.  
 (a) Void contract  
 (b) Void Agreement✓  
 (c) Voidable contract  
 (d) Illegal agreement
23. Which of the following is an offer?  
 (a) An invitation to offer  
 (b) An advertisement  
 (c) Both a & b✓  
 (d) None of these
24. specific offer can be accepted by:  
 (a) Any person  
 (b) Any friend of offeror  
 (c) The person to whom offer is made✓  
 (d) Any one of the public
25. An agreement without consideration is:  
 (a) Void✓ (b) Valid  
 (c) Voidable (d) Illegal
26. Consideration must move from  
 (a) Promisor (b) Promisee✓  
 (c) Third party  
 (d) Promisee or any other person
27. Incapacity of contract may be due to:  
 (a) Absence of legal formalities  
 (b) Lack of consideration  
 (c) Minority✓

- (d) None of these
28. Contract of insurance is a:  
 (a) Unilateral contract  
 (b) Contingent contract  
 (c) Wagering contract  
 (d) Contract of guarantee
29. Quantum meruit means:  
 (a) As much as is earned  
 (b) As much as is paid  
 (c) A non gratuitous act  
 (d) None of these✓
30. Each party to a contract is both promisor and promisee in case of:  
 (a) Present consideration  
 (b) Valid contract  
 (c) Reciprocal promises✓  
 (d) Part of consideration
31. Income tax ordinance 2001, was promulgated on:  
 (a) 1<sup>st</sup> July 2001  
 (b) 13<sup>th</sup> September 2001  
 (c) 1<sup>st</sup> January 2001  
 (d) 1<sup>st</sup> July 2002✓
32. Normal tax year starts from:  
 (a) 1<sup>st</sup> September each year  
 (b) 1<sup>st</sup> July each year✓  
 (c) 1<sup>st</sup> January each year  
 (d) 1<sup>st</sup> March each year
33. Income from property is taxable under:  
 (a) NTR✓ (b) FTR  
 (c) Both a & b (d) None of these
34. A person shall be resident if he spends the following days in Pakistan:  
 (a) 182 days (b) 180 days  
 (c) 181 days (d) 183 days✓
35. Benchmark rate for loan given by employer to employee for tax year 2011 is:  
 (a) 11% (b) 12%  
 (c) 13% (d) 10%
36. The rates of tax are specified in:  
 (a) 1<sup>st</sup> Schedule✓ (b) 3<sup>rd</sup> Schedule  
 (c) 5<sup>th</sup> Schedule (d) 7<sup>th</sup> Schedule
37. Employer's contribution in case of Government provident fund is:  
 (a) Taxable (b) Exempt  
 (c) No treatment  
 (d) Exempt up to 10% of basic salary✓
38. Income tax appellate tribunal is appointed by the:  
 (a) Federal board of revenue  
 (b) Federal Government✓  
 (c) Supreme court of Pakistan  
 (d) Income tax ordinance 2001
39. There can be no loss under the head:  
 (a) Income from salary✓  
 (b) Income from business  
 (c) Income from other sources  
 (d) None of above
40. Revenues can be defined as:  
 (a) Economic resources owned by an entity that is expected to provide future benefits  
 (b) Inflows of assets in exchange for goods sold or services rendered by the entity  
 (c) Any increase in owner's equity  
 (d) An increase in cash
41. The objectivity principle requires that:  
 (a) Business transactions must be consistent with the objectives of the entity  
 (b) Accounting principles must meet the objectives of the securities and exchange commission  
 (c) Amounts recorded in the financial statement must be based on independent, verifiable evidence✓  
 (d) FASB must be fair and unbiased in its deliberation over new accounting standards
42. A liability in the amount of Rs. 500 is paid in cash. Which of the following is true?  
 (a) An asset is increased and a liability is decreased  
 (b) An asset is increased and a liability is increased  
 (c) An asset is decreased and a liability is decreased✓  
 (d) A liability is decreased and owner's equity is increased
43. An owner withdraws Rs. 300 each month from the business. Which of the following is true?  
 (a) An asset is decreased and owner's equity is decreased✓  
 (b) An asset is decreased and owner's equity is increased



- (c) An asset is increased and a liability is decreased  
(d) There is no effect on any asset, liability, or owner's equity
44. An expense is incurred that will be paid for the next month. Which of the following is true?  
(a) An asset is decreased and owner's equity is decreased  
(b) An asset is increased and a liability is increased ✓  
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45. A customer is billed for services rendered. Which of the following is true?  
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(b) An asset is increased and owner's equity is increased  
(c) One asset is increased and another asset is decreased  
(d) There is no effect on any asset, liability or owner's equity ✓
46. The amount due from a customer whose was billed last month is collected.  
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(b) An asset is increased and owner's equity is increased  
(c) One asset is increased and another asset is decreased ✓  
(d) An asset is increased and a liability is increased
47. Which one of the following accounts would most likely be included in an accrual type adjusting entry?  
(a) Insurance expense  
(b) Prepaid rent ✓  
(c) Interest expense  
(d) Unearned revenue
48. The revenue recognition principle states that:  
(a) Revenue should be recorded when earned ✓  
(b) Revenue should be recorded when the cash is collected
- (c) Expenses should be recorded in the same period as the associated revenue  
(d) Revenue should be listed on the income statement first
49. A company purchased a 1-year insurance policy on June 1 for Rs. 720. The entire amount was debited to prepaid insurance at that time. At Dec. 31 year end the proper adjusting entry would include.  
(a) A debit to insurance expense for Rs. 300  
(b) A credit to insurance expense for Rs. 420  
(c) A credit to prepaid insurance for Rs. 720  
(d) The credit to prepaid insurance for Rs. 420 ✓
50. A company collected 1 year's rent in advance on Oct. 1. The entire amount Rs. 1,200 was credited to unearned revenue the proper adjusting entry at the Dec 31 year end would to include.  
(a) A debit to unearned revenue for Rs. 900  
(b) A debit to unearned revenue for Rs. 300 ✓  
(c) A credit to unearned revenue for Rs. 900  
(d) A debit to revenue earned for Rs. 900
51. Which of the following items is a current asset?  
(a) Unearned Revenue  
(b) Real estate held for resale ✓  
(c) Temporary investments  
(d) Patents
52. When interest earned but not yet collected is accrue at year end, the proper adjusting entry includes a:  
(a) Debit to interest receivable  
(b) Debit to cash  
(c) Credit to interest expense ✓  
(d) Credit to interest payable
53. The operating cycle is:  
(a) The average length of time between the purchase of merchandise inventory and the realization of cash from the sale of the inventory.

- (a) The length of time between the preparation of financial statements✓  
(b) The estimate length of time that the entity will remain in business  
(c) The average length of time between the sale of merchandise inventory and the replacement of inventory
54. Which one of the following accounts would usually have a credit balance?  
(a) Cash (b) Account payable✓  
(c) Equipment (d) Salaries Expense
55. Which one of the following account would usually have a debit balance?  
(a) Notes payable  
(b) Bilal, Capital  
(c) Bilal, Withdraws✓  
(d) Service's Fees Earned
56. A trail balance is prepared to:  
(a) Prove that there were no error is made in recording the business transaction in the general journal  
(b) Prove that there were no error is made in posting form general journal to the general ledger  
(c) Prove that each account balance is correct  
(d) Summarize the account balances as an aid in the preparation of the financial statements✓
57. Which of the following does not appear on a work sheet?  
(a) The unadjusted trial balance✓  
(b) Adjusting entries  
(c) Closing entries  
(d) The withdrawals account
58. Which of the following indicates that a company earned a net income for the period?  
(a) Adjusting entries were not made  
(b) The sum of the debits exceed the sum of the credit in the income statements columns of the worksheet  
(c) The sum of the credits exceeded the sum of the debits in the income statement columns of the worksheet✓  
(d) The withdrawals account had a debit balance
59. Balance sheet accounts:  
(a) Are called real accounts  
(b) Represent amounts accumulated during a specific period of time✓  
(c) Have zero balances after the closing process is complete  
(d) Are called nominal accounts
60. It is useful to make reversing entries for:  
(a) Adjusting entries recording depreciation expense  
(b) Adjusting entries relate to accruals✓  
(c) Adjusting entries relate to deferrals that were recorded initially in a liability account  
(d) All of the above
61. A company collected Rs. 3600 for 1 year' rent in advance on Nov. 1<sup>st</sup> of the current year. The entire amount recorded by making a credit to rental revenue. The year end adjusting entry on Dec 31 should include:  
(a) A credit to the rental revenue for Rs. 600  
(b) A debit to unearned revenue for Rs. 3000  
(c) A debit to rental revenue for Rs. 3000✓  
(d) A debit to unearned rental revenue for Rs. 6000
62. Net income plus operating expenses is equal to:  
(a) Net sales  
(b) Cost of goods available for sale  
(c) Cost of goods sold  
(d) Gross profit✓
63. When purchase merchandise is returned, a credit would be made to:  
(a) Merchandise inventory✓  
(b) Purchase return and allowances  
(c) Accounts payable  
(d) Purchases
64. A cash payment journal would not include a:  
(a) Cash credit column  
(b) Accounts payable debit column✓  
(c) Sales discount credit column  
(d) Sundry accounts debit column
65. A customer return merchandise that was sold on account. The account has not been

- paid. This transaction should be recorded in:
- (a) Sales journal ✓  
 (b) Cash receipts journal  
 (c) Cash payments journal  
 (d) General journal
66. A cash sale of merchandise should be recorded in the:
- (a) Sales journal  
 (b) General ledger  
 (c) Cash receipts journal ✓  
 (d) Cash payments journal
67. When posting the column totals of a cash payments journal a debit should be posted to:
- (a) Cash  
 (b) Purchase discounts  
 (c) Accounts receivable  
 (d) Account payable ✓
68. A purchase requisition is:
- (a) An internal document to indicate the quantity and specification of goods needed and to request that the company acquire them ✓  
 (b) Written authorization to pay vendor  
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69. One of the weaknesses of the direct written off method is that:
- (a) It under states accounts receivable on the balance sheet  
 (b) It violates the matching principles  
 (c) It is too difficult to use or many companies  
 (d) It is base on estimates ✓
70. Sarame Company receives a 10%, Rs. 15,000 note receivable from Halima Company. The note is due in omonth. The maturity value of the note is:
- (a) Rs. 13,500 (b) Rs. 15,000  
 (c) 15,750 ✓ (d) Rs. 16,500
71. Which of the following inventory cost methods is most appropriate for a merchandise inventory with a relatively small number of unique items and a high cost per item?
- (a) FIFO (b) LIFO  
 (c) Weighted average  
 (d) Specific identification ✓
72. The inventory method that assigns the most recent costs to cost of goods sold is:
- (a) FIFO (b) LIFO ✓  
 (c) weighted average  
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73. In a period of rising prices, the inventory method that results in the high net income is:
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 (c) Weighted average  
 (d) Specific identification
74. The lower of cost or market rule for inventory is justified by the:
- (a) Matching principle  
 (b) Consistency principle  
 (c) Conservatism principle ✓  
 (d) Historical cost principle
75. Which of the following is an example of a capital expenditure?
- (a) Cost of cleaning the carpet in the main office  
 (b) Cost of replacing light bulbs in the factory ✓  
 (c) Cost of replacing the roof on the office factory  
 (d) Cost of turn up the delivery trucks
76. The time period over which an intangible asset should be amortized is:
- (a) Its estimate useful life ✓  
 (b) Its estimated useful life or 40 years, whichever is shorter  
 (c) 40 years  
 (d) Its estimate useful life or 40 years, whichever is longer
77. An advantage of a partnership form of business organization is:
- (a) Unlimited liability  
 (b) Mutual agency  
 (c) Ease of formation ✓  
 (d) Limited life
78. Partnership liquidation occur when:
- (a) A new partner is admitted  
 (b) The ownership interest of one partner is sold to a new partner

- (c) The assets are sold, liabilities paid and business operations terminated ✓
70. When a limited partnership is formed.
- (a) The partnership activities are limited ✓  
 (b) All of the partners have limited liabilities  
 (c) Some of the partners have limited liabilities  
 (d) None of the partners have limited liabilities
80. Which of the following is not a right possessed by common stockholders of a corporation?
- (a) The right to vote in the election of the board of directors ✓  
 (b) The right to receive the minimum amount of dividends each year  
 (c) The right to sell their stock to anyone they choose  
 (d) The right to purchase their proportionate of any new stock issue ✓
81. A corporation issues 2000 shares of common stock for Rs. 32000. The stock has a state value of Rs. 10 per share. The journal entry to record the stock issuance would include a credit to common stock for.
- (a) Rs. 20,000 ✓ (b) Rs. 32,000  
 (c) Rs. 12,000 (d) Rs. 2,000
82. The par value per share of common stock represents:
- (a) The minimum selling price of the stock established by the articles of incorporation ✓  
 (b) The minimum amount the stock holder will receive when the corporation is liquidated  
 (c) An arbitrary amount established in the articles of incorporation  
 (d) The amount of dividends to be received each year
83. When a stock subscription at a price above par is recorded, which of the following accounts would be credited?
- (a) Common stock ✓  
 (b) Common stock subscribed  
 (c) Paid in capital in excess of par common  
 (d) Both b and c
84. When common stock is issued in exchange for a non-cash asset, the transaction should be recorded at:
- (a) The par value of the stock issue  
 (b) The fair value of the stock issue  
 (c) The fair value of the asset acquired ✓  
 (d) The fair value of the stock issue or the fair value of an asset acquired, whichever can be determined more objectively
85. How is treasury stock shown on the balance sheet?
- (a) As an asset  
 (b) As a decrease in a stockholder's equity ✓  
 (c) As an increase in a stockholder's equity  
 (d) Treasury stock is not shown on the balance sheet
86. If preferred stock has dividends in arrears, the preferred stock must be:
- (a) Participating (b) Callable  
 (c) Cumulative ✓ (d) Convertible
87. Which of the following is not classified as paid in capital on the balance sheet.
- (a) Common stock  
 (b) Common stock subscribed  
 (c) Donated capital ✓  
 (d) Treasury stock
88. An appropriation of retained earnings:
- (a) Decreases total retained earnings  
 (b) Increases total retained earnings  
 (c) Decreases total retained earnings ✓  
 (d) has no effect on total retained earnings
89. When a small stock dividend is declared, which of the following account is credited?
- (a) Common stock  
 (b) Dividends payables  
 (c) Stock dividend distributable ✓  
 (d) Retain earnings un-appropriated
90. Which of the following increase cash?
- (a) Depreciation expense  
 (b) Acquisition of treasury stock  
 (c) The declaration of a cash dividend  
 (d) Borrowing money by issuing a 6 month note payable ✓

91. Which of the following should be shown on a statement of cash flows under cash flows from financing activities.
- (a) The purchase of a long term investment in the common stock of another company
  - (b) The payment of cash to retire a long term note payable.
  - (c) The purchased from the sale on a building.
  - (d) The insurance of a long term note payable to acquire land.
92. Common size financial statements are:
- (a) Financial statements for companies of the same size in the same industry
  - (b) Comparative financial statements in which each item is expressed as a percentage of the item in a base year
  - (c) Financial statements for different companies that have the same number of income statement and balance sheet accounts
  - (d) Financial statements in which each item on a statement is expressed as a percentage of a key item on the same statement✓
93. Which of the following generally is the most useful in analyzing companies of different size?
- (a) Comparative financial statements
  - (b) Common size financial statements✓
  - (c) Constant dollar accounting
  - (d) The accounting policies note
94. Quick assents include which of the following?
- (a) Cash
  - (b) Account receivable
  - (c) Marketable securities
  - (d) All of the above✓
95. The numerator of the rate of return on common stock holder's equity ratio is equal to:
- (a) Net income
  - (b) Net income minus preferred dividends✓
  - (c) Income before interest expense
  - (d) Dividend per share of common stock
96. All of the following are true of product costs except.
- (a) Product costs are assets✓
  - (b) Product costs are the costs incurred to acquire products to sell
  - (c) Product costs are expensed when incurred
  - (d) Product costs may be fixed or variable
97. Which of the following cost is not a period cost?
- (a) Sales people's salaries✓
  - (b) Factory rent
  - (c) General administrative costs
  - (d) Research and development costs
98. Total manufacturing costs for a period include all of the following costs except.
- (a) Raw materials used
  - (b) Direct labor cost
  - (c) Cost of goods completed✓
  - (d) Factory overhead
99. The total cost of units completed from work in process is transferred to which of the following accounts?
- (a) Cost of Goods sold
  - (b) Finished Goods✓
  - (c) Cost of Goods Complete
  - (d) Merchandise inventory
100. The numerator of the rate of return on total assets ratio is equal to:
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- (b) Prepaid rent ✓
- (c) Interest expense
- (d) Unearned revenue
48. The revenue recognition principle states that:
- (a) Revenue should be recorded when earned ✓
- (b) Revenue should be recorded when the cash is collected
- (c) Expenses should be recorded in the same period as the associated revenue
- (d) Revenue should be listed on the income statement first
49. A company purchased a 1-year insurance policy on June 1 for Rs. 720. The entire amount was debited to prepaid insurance at that time. At Dec. 31 year end the proper adjusting entry would include.
- (a) A debit to insurance expense for Rs. 300
- (b) A credit to insurance expense for Rs. 420
- (c) A credit to prepaid insurance for Rs. 720
- (d) The credit to prepaid insurance for Rs. 420 ✓
50. A company collected 1 year's rent in advance on Oct. 1. The entire amount Rs. 1,200 was credited to unearned revenue the proper adjusting entry at the Dec 31 year end would to include.
- (a) A debit to unearned revenue for Rs. 900
- (b) A debit to unearned revenue for Rs. 300 ✓
- (c) A credit to unearned revenue for Rs. 900
- (d) A debit to revenue earned for Rs. 900
51. Which of the following items is a current asset?
- (a) Unearned Revenue
- (b) Real estate held for resale ✓
- (c) Temporary investments
- (d) Patents
52. When interest earned but not yet collected is accrue at year end, the proper adjusting entry includes a:
- (a) Debit to interest receivable
- (b) Debit to cash
- (c) Credit to interest expense ✓
- (d) Credit to interest payable
53. The operating cycle is:
- (a) The average length of time between the purchase of merchandise inventory and the realization of cash from the sale of the inventory.



- trade journal. Which method of payment would be most suitable to use?  
 (a) Bank Draft (b) Bank Notes  
 (c) Cable Transfer  
 (d) standing Order✓
13. Which service is not available to bank customer through ATM's?  
 (a) Checking the balance of their accounts  
 (b) Organizing personal loans  
 (c) Requesting Printed Bank Statements  
 (d) With drawing cash✓
14. ABC Corporation is a large manufacturing company. It needs immediate finance as it is having cash flow problems. Which sources of finance would be the most suitable for ABC Corporation?  
 (a) Higher purchase (b) Over draft✓  
 (c) Shares (d) Trade Credit
15. Using credit means that the customer.  
 (a) always pays extra for the goods  
 (b) Gets goods repaired for nothing  
 (c) Obtain discounts on goods  
 (d) uses of goods but pay later✓
16. A customer wishes to buy a laptop computer on credit. Which form of credit will ensure the laptop computer becomes the customer property immediately?  
 (a) Credit card✓  
 (b) Credit Transfer  
 (c) Higher Purchase  
 (d) Leasing
17. Telephone banking is used by customers who do not wish to visit their bank in person. Which service can customer receive through telephone banking?  
 (a) Buying and selling shares  
 (b) confirming account balances✓  
 (c) Organizing insurance cover  
 (d) Safeguarding legal documents
18. What is a current account at a commercial bank?  
 (a) An account for daily transactions✓  
 (b) An account requiring a passbook  
 (c) An account used for saving  
 (d) An accounting which cannot be overdrawn
19. What is the meaning of the term "limited liability"?
- (a) Shares are issued only to a certain total value  
 (b) Shareholders are paid back only certain percentage of their investment  
 (c) Shareholders can lose only the value of their investment✓  
 (d) Shareholders can buy only a certain sum of share capital
20. A company raises finance by issuing debentures. The debentures holders entitled to:  
 (a) Interest after the share holders have been paid  
 (b) one vote per share  
 (c) Repayment before shareholders if the company goes into liquidation✓  
 (d) Variable dividend
21. A contract comprises of:  
 (a) Offer + Acceptance ✓  
 (b) Agreement + Consideration  
 (c) Offer + Acceptance + Agreement  
 (d) Agreement + Enforceability
22. An agreement is void ab-initio is called.  
 (a) Void contract  
 (b) Void Agreement✓  
 (c) Voidable contract  
 (d) Illegal agreement
23. Which of the following is an offer?  
 (a) An invitation to offer  
 (b) An advertisement  
 (c) Both a & b✓  
 (d) None of these
24. specific offer can be accepted by:  
 (a) Any person  
 (b) Any friend of offeror  
 (c) The person to whom offer is made✓  
 (d) Any one of the public
25. An agreement without consideration is:  
 (a) Void✓ (b) Valid  
 (c) Voidable (d) Illegal
26. Consideration must move from:  
 (a) Promisor (b) Promisee✓  
 (c) Third party  
 (d) Promisee or any other person
27. Incapacity of contract may be due to:  
 (a) Absence of legal formalities  
 (b) Lack of consideration  
 (c) Minority✓

9. Assume that the total of the unadjusted indices for the four quarters is 404.04. If the unadjusted index for the first quarter is 97.0, what is the adjusted seasonal index for the first quarter?
- (a) 96.03✓ (b) 97.98  
(c) 24.01 (d) 99.00  
(e) Cannot be determine from the information given
10. The adjusted seasonal index for the fourth quarter is 95.0. If the deseasonalized trend line that was calculated to estimate quarterly sales is  $\hat{Y} = 400 + 9x$ , what would be the seasonalized sales estimate for the fourth quarter of 1994.
- (a) 499.7 (b) 610.85✓  
(c) 643.0 (d) 676.8
11. If a time series has an even number of years, and we use coding, then each code interval is equal to:
- (a) 1 year (b) 2 years  
(c) 1 month (d) 6 months✓  
(e) None of these
12. A method used to deal with cyclical variation when the cyclical component does not explain most of the variation left unexplained by the trend component is:
- (a) Spearman analysis  
(b) Specific analysis  
(c) Second-degree analysis  
(d) Relative cyclical residual  
(e) All of these  
(f) None of these✓
13. For a given year, if an adjusted seasonal index for some period is greater than 100, then the following must be true:
- (a) The adjusted index for some other period is  $> 100$   
(b) The adjusted index for some other period is  $< 100$ ✓  
(c) The adjusted index for some other period is  $= 100$   
(d) a and b but not c  
(e) None of the above
14. If the percent of trend for a particular year in a time series is greater than 100%, then for this year.
- (a) The actual time-series value lies below the trend line and the relative cyclical residual is positive  
(b) The actual time-series value lies below the trend line and the relative cyclical residual is positive  
(c) The actual time-series value lies above the trend line and the relative cyclical residual is negative  
(d) The actual time-series value lies above the trend line and the relative cyclical residual is positive✓
15. Which of the following are common reasons for studying both secular trends and seasonal variation:
- (a) To allow the elimination of the component from the series  
(b) To describe past patterns  
(c) To project past patterns into the future  
(d) All of the above✓  
(e) None of the above
- \*\*\*\*\*

- (c) The line represent an inverse relationship  
 (d) All of these  
 (e) b an c but not a✓
5. We know that the standard error is the same at all points on a regression line because we assumed that:  
 (a) Observed values for Y are normally distributed around each estimated value of  $\hat{Y}$   
 (b) The variances of the distribution around each possible value of y are the same✓  
 (c) All available data were taken into account when the regression line was calculated  
 (d) None of these
6. The variation of the Y values around the regression line is best expressed as:  
 (a)  $\sum (Y + \bar{Y})^2$   
 (b)  $\sum (Y - \hat{Y})^2$  ✓  
 (c)  $\sum (Y - \bar{Y})^2$   
 (d)  $\sum (Y + \hat{Y})^2$
7. The value of  $r^2$  for a particular situation is 0.49. What is the coefficient of correlation? -  
 (a) 0.9 (b) 0.7  
 (c) 0.07 (d) Cannot be determined from the information given✓
8. The fraction  $\frac{\sum (Y - \hat{Y})^2}{\sum (Y - \bar{Y})^2}$  represents.  
 (a) The fraction of total variation in Y that is unexplained✓  
 (b) The fraction of total variation in Y that is explained  
 (c) The fraction of total variation Y that was caused by changes in x  
 (d) None of these
9. In the equation  $Y = A + BX + e$ , the e represents.  
 (a) The X-intercept of the observed data  
 (b) The value of Y to which others are compared to determine the best fit  
 (c) Random disturbances from the population regression line✓  
 (d) None of these
10. Suppose you wish to compare the hypothesized value of B to a sample value of b that has been calculated. Which of the following must be calculated before the others?  
 (a)  $S_b$  (b)  $S_c$  ✓  
 (c)  $S_d$   
 (d) Calculations can be made in any order
11. For the estimating equation to be a perfect estimator of the dependent variable, which of these would have to be true?  
 (a) The standard error of the estimate is zero  
 (b) All the data points are on the regression line  
 (c) The coefficient of determination is -1  
 (d) a and b but not c✓  
 (e) all of these
12. If the dependent variable increases as the independent variable increases in an estimating equation, the coefficient of correlation will be in the range.  
 (a) 0 to 1 (b) 0 to -0.05  
 (c) 0 to 2 (d) None of these✓
13. Suppose the fraction of variation in Y that is unexplained by the independent variable X is 1/4. Then  $r^2$  is:  
 (a) 1/4 (b) 3/4 ✓  
 (c) 15/16 (d) None of these
14. The sample coefficient of determination is developed from the variation of the observed Y values around.  
 (a) The mean of the observed independent variables  
 (b) The mean of the observed dependent variable  
 (c) The fitted regression line  
 (d) b and c but not a✓  
 (e) a, b and c
15. If  $Y = a + bX$ , the sample regression line, and  $Y = A + BX$ , the true unknown population regression equation, are equivalent, then the following must be true.  
 (a) The estimating equation is a perfect estimator of the dependent variable  
 (b) All the data points are on the regression line  
 (c)  $r^2 = 1$

- (d) Retail price index
39. Geometric mean of the relatives is:  
 (a) Flexible (b) Rigid  
 (c) Non-reversible (d) Reversible✓
40. What is the most suitable average for index number?  
 (a) Mode (b) G.M.✓  
 (c) A.M. (d) Median

## INDEX NUMBER

1. If an index number calculation over 8 years with a base value of 100 gave an index for 1993 of 110, what would be the percentage relative for 1993?  
 (a) 110✓ (b) 90.9  
 (c) 13.75 (d) 880  
 (e) Cannot to determine from the information given
2. To measure changes in total monetary worth, one should calculate.  
 (a) A price index  
 (b) A quantity index  
 (c) A value index✓  
 (d) None of these
3. Suppose a composite price index for 1 gallon of milk, 2 loaves of bread, and 1 pound of hamburger was 110 in 1995 and 119 in 1996. If both indices were computed from a 1994 base of 100, how much did the general price level rise from 1995 to 1996?  
 (a) 9% (b) 8.18%  
 (c) 19% (d) 7.56%  
 (e) Cannot be determined from the information given✓
4. Which of the following describes an advantage of using the Laspeyres method?  
 (a) Many commonly used quantity measures are not tabulated for every period  
 (b) Changes in consumption patterns are taken into account  
 (c) One index can be easily compared with another  
 (d) All of these  
 (e) a and c but not b✓
5. What can be concluded if the weighted aggregates price index for a set of prices was calculated as 1061 using the Laspeyres method and 112 using the Paasche method?  
 (a) The Paasche index is incorrect  
 (b) There is a trend toward less expensive goods  
 (c) There is a trend toward more expensive goods✓  
 (d) The difference can be attribute to a poor estimation of consumer attitudes  
 (e) a and b only
6. When computing a weighted average of relatives index, we would be best able to compare indices from various period if:  
 (a) Base values were used as  $P_n Q_n$   
 (b) Current values were as  $P_n Q_n$   
 (c) Fixed values were used as  $P_n Q_0$   
 (d) Either base or fixed values were used as  $P_n Q_n$ ✓  
 (e) Either current values or fixed values were used as  $P_n Q_n$
7. Commodities subject to considerable price variations could best be measured by a:  
 (a) Price index (b) Value index✓  
 (c) Quantity index (d) None of these
8. A base period can be described as a "normal" period if:  
 (a) It is at neither the peak nor the trough of a fluctuation✓  
 (b) It is the most recent period for which we have data  
 (c) There was no inflation or deflation of prices during the period  
 (d) It is the average of several consecutive periods
9. The weights used in a quantity index are:  
 (a) Percentages of total quantity  
 (b) Prices✓  
 (c) Average of quantities  
 (d) None of these
10. In an un-weighted average of relatives index,  $(P_i/P_0) \times 100$  is calculated for each product in the composite. What is then done with these values for finish the calculation?  
 (a) The values are multiplied together  
 (b) The largest value is found  
 (c) The values are averaged✓  
 (d) The average difference from the median of the values is found and then squared
11. To measure how much the cost of some variable changes over time, you would use:

- (d) None of above
5. Index number are divided into following two types.  
 (a) Lip-weighted and weight index number  
 (b) Simple and un-weighted index numbers  
 (c) Price and quantity index numbers ✓  
 (d) Simple and composite index numbers
6. An index number having a wide scope is called:  
 (a) Special purpose index number  
 (b) Price index number  
 (c) General purpose index number ✓  
 (d) Quantity index number
7. The most suitable average for computation of index numbers is:  
 (a) G.M ✓ (b) Median  
 (c) A.M (d) Mode
8. Geometric mean of the relatives is:  
 (a) Non-reversible (b) Reversible ✓  
 (c) Both a and b (d) None of above
9. Which of the following is called an ideal index number?  
 (a) Paasche's index number  
 (b) Lasperye's index number  
 (c) Marshall's index number  
 (d) Fisher's index number ✓
10. A normal year should be free from:  
 (a) Floods (b) Strikes  
 (c) War (d) All of above ✓
11. Index for base period is always taken as:  
 (a) 50 (b) 100 ✓  
 (c) 120 (d) 200
12. In chain base method, the base period is:  
 (a) Constant (b) Fixed  
 (c) Not fixed ✓ (d) None of above
13. Consumer price index numbers are obtained by:  
 (a) Fisher's ideal formula  
 (b) Marshall Edge worth's formula  
 (c) Paasche's formula  
 (d) Laspayte's formula ✓
14. Price relatives computed by chain base method is called:  
 (a) Simple relatives  
 (b) Link relatives ✓  
 (c) Price relatives  
 (d) Value index
15. If all the value of equal importance, the index numbers are called.  
 (a) Un-weighted ✓ (b) Weighted  
 (c) Simple (d) Value index
16. If all the values are not of equal importance, the index number is called.  
 (a) Weighted ✓ (b) Un-weighted  
 (c) Composite (d) Simple
17. When the price of a year is divided by the price of a particular year, we get?  
 (a) Price relative (b) Link relatives  
 (c) Simple relatives ✓ (d) All of above
18. When the price of a year is divided by the price of the preceding year, we get?  
 (a) Price index  
 (b) Simple relative  
 (c) Link relative ✓  
 (d) Value index
19. Index number calculated by Fisher's formula is ideal because it satisfies.  
 (a) Factor reversal test  
 (b) Time reversal test  
 (c) Circular test  
 (d) All of above ✓
20. Marshall Edge worth price index was proposed by:  
 (a) Two English economist ✓  
 (b) Two English Mathematician  
 (c) Three English economist  
 (d) The English scientist
21. The general purchasing power of the currency of a country is determined by:  
 (a) Simple index  
 (b) Whole sale price index ✓  
 (c) Volume index  
 (d) Composite index
22. An index number is called a simple index when it is computed from:  
 (a) Multiple variables  
 (b) Bi-variables  
 (c) Single variable ✓  
 (d) All of above
23. WPI stands for:  
 (a) Whole sale price index ✓  
 (b) Whole price index  
 (c) Wider price index  
 (d) Weighted price index
24. Paasche's price index is define as:

$\mu = 5$ ,  $\sigma = 2$ , and wish to determine the probability of getting more than seven successes. From the normal table, you would determine the probability that  $z$  is greater than.

- (a) 0 (b) 0.5  
 (c) 0.75 (d) 1.0  
 (e) 1.25 ✓ (f) 1.5
12. For a normal curve with a mean of 120 and a standard deviation of 35, what proportion (in percent) of the area under the curve will lie between the values of 40 and 82?  
 (a) 12.7 ✓ (b) 85.1  
 (c) 13.8 (d) 48.9  
 (e) 12.1 (f) 19.4
13. Which of the following normal curves looks most like the curve for  $\mu = 10$ ,  $\sigma = 5$ ?  
 (a) Curve for  $\mu = 10$ ,  $\sigma = 10$   
 (b) Curve for  $\mu = 20$ ,  $\sigma = 10$   
 (c) Curve for  $\mu = 20$ ,  $\sigma = 5$  ✓  
 (d) Curve for  $\mu = 12$ ,  $\sigma = 3$   
 (e) a, c and d  
 (f) None of these
14. A binomial distribution may be approximated by a Poisson distribution if:  
 (a)  $n$  is large and  $p$  is large  
 (b)  $n$  is small and  $p$  is large  
 (c)  $n$  is small and  $p$  is small  
 (d) none of these ✓  
 (e) a and b but not c
15. The standard deviation of a binomial distribution depends on:  
 (a) Probability of success  
 (b) probability of failure  
 (c) Number of trials  
 (d) a and b but not c  
 (e) b and c but not a  
 (f) a, b and c ✓

## SAMPLING & SAMPLING DISTRIBUTION

1. In random sampling, we can describe mathematically how objective our estimates are. Why is this?

(a) We always know the chance that any population element will be included in the sample.

- (b) Every sample always has an equal chance of being selected  
 (c) All the samples are of exactly the same size and can be counted  
 (d) None of these  
 (e) a and b but not c ✓
2. Suppose you are performing stratified sampling on a particular population and have divided it into strata of different sizes. How can you now make your sample selection?  
 (a) select at random an equal number of elements from each stratum  
 (b) draw equal number of elements from each stratum and weigh the results  
 (c) draw number of elements from each stratum proportional to their weights in the population  
 (d) a and b only  
 (e) a and c only ✓
3. In which of the following situations would  $\sigma_s = \frac{\sigma}{\sqrt{n}}$  be the correct formula to use for computing  $\sigma_s$ ?  
 (a) Sampling is from an infinite population  
 (b) Sampling is from a finite population with replacement  
 (c) Sampling is from a finite population without replacement  
 (d) A and b only ✓  
 (e) B and c only
4. The dispersion among sample means is less than the dispersion among the sample items themselves because.  
 (a) Each sample is smaller than the population which it is drawn  
 (b) Very large values are averaged down and very small values are averaged up ✓  
 (c) The sampled items are all drawn from the same population  
 (d) None of these  
 (e) B and c but not a
5. Suppose that a population with  $N = 144$  has  $\mu = 44$ . What is the mean of the sampling

19. Two cards are drawn at random from a pack of 52 cards. What is the probability that the drawn cards are both aces?
- (a)  $\frac{1}{221}$  ✓ (b)  $\frac{2}{13}$   
 (c)  $\frac{3}{26}$  (d) None
20. The odds in favour of an event are 3:5. The probability of occurrence of the event is:
- (a)  $\frac{3}{5}$  (b)  $\frac{3}{8}$  ✓  
 (c)  $\frac{1}{3}$  (d)  $\frac{1}{5}$
21. The odds against the occurrence of an event are 5:4. The probability of its occurrence is:
- (a)  $\frac{4}{5}$  (b)  $\frac{4}{9}$  ✓  
 (c)  $\frac{1}{5}$  (d)  $\frac{1}{4}$
22. What is the probability of getting a king or a queen in single draw from a pack of 52 cards?
- (a)  $\frac{1}{26}$  (b)  $\frac{1}{13}$   
 (c)  $\frac{2}{13}$  ✓ (d) None
23. In a lottery there are 10 prizes and 25 blanks. What is the probability of getting prize?
- (a)  $\frac{1}{10}$  (b)  $\frac{2}{5}$   
 (c)  $\frac{2}{7}$  ✓ (d)  $\frac{5}{7}$
24. An urn contains 9 red, 7 white and 4 black balls. A ball is drawn at random. What is the probability that the ball drawn is not red?
- (a)  $\frac{1}{11}$  (b)  $\frac{9}{11}$   
 (c)  $\frac{2}{11}$  (d)  $\frac{11}{20}$  ✓
25. A card is drawn from a pack of 52 cards. A card is drawn at random. What is the probability that it is neither a heart nor a king?
- (a)  $\frac{4}{13}$  (b)  $\frac{9}{13}$  ✓  
 (c)  $\frac{2}{13}$  (d)  $\frac{4}{13}$
26. In a single throw of two dice what is the probability of not getting the same number on both the dice?
- (a)  $\frac{1}{6}$  (b)  $\frac{2}{3}$   
 (c)  $\frac{5}{6}$  ✓ (d)  $\frac{1}{3}$
27. A card is drawn at random from a pack of 52 cards. What is the probability that the card drawn is a spade or a king?
- (a)  $\frac{4}{13}$  ✓ (b)  $\frac{3}{13}$   
 (c)  $\frac{2}{13}$  (d)  $\frac{1}{13}$
28. The probability of occurrence of two events E and F are 0.25 and 0.30 respectively. The probability of their simultaneous occurrence is 0.14, the probability that either E occurs or F occurs is:
- (a) 0.31 (b) 0.61 ✓  
 (c) 0.69 (d) 0.89
29. If B and F be events in a sample space such that  $P(E \cup F) = 0.8$ ,  $P(E \cap F) = 0.3$  and  $P(E) = 0.5$ , then  $P(F)$  is:
- (a) 0.6 ✓ (b) 1  
 (c) 0.8 (d) None
30. If E and F be mutually exclusive events such that  $P(E) = 0.4$  and  $P(F) = 0.5$ , then  $P(E \cup F)$  is:
- (a) 0.2 (b) 0.1  
 (c) 0.9 ✓ (d) None
31. If E and F independent events such that  $P(E) = 0.7$  and  $P(F) = 0.3$ ; then  $P(E \cap F)$  is:
- (a) 0.4 (b) 1  
 (c) 0.21 ✓ (d) None

## Probability-3

### Probability Distribution

1. If the respected daily profit of a lemonade stand is \$13.45, then:
- (a) Tomorrow's profit will be \$ 13.45

7. Assume that a single fair die is rolled once. Which of the following is true?
- The probability of rolling a number higher than 1 is  $1 - P(1 \text{ is rolled})$ .
  - The probability of rolling a 3 is  $1 - P(1, 2, 4, 5 \text{ or } 6 \text{ is rolled})$
  - The probability of rolling 5 or 6 is higher
  - All of these
  - a and b but not c ✓
8. If A and B are mutually exclusive events then  $P(A \text{ or } B) = P(A) + P(B)$ . how does the calculation  $P(A \text{ or } B)$  change if A and B to mutually exclusive?
- $P(AB)$  must be subtracted from  $P(A) + P(B)$ . ✓
  - $P(AB)$  must be added to  $P(A) + P(B)$ .
  - $[P(A)+P(B)]$  must be multiplied by  $P(AB)$ .
  - $[P(A)+P(B)]$  must be divided by  $P(AB)$ .
  - None of these
9. Leo C. Swartz a taxi driver the Chicago, has found that the weather affects his customer's tipping. If it is raining, his customers usually tip poorly. When it is not raining however, they usually tip well. Which of the following is true?
- Tips and weather are statistically independent
  - The weather conditions Leo cited are not mutually exclusive
  - $P(\text{good tip rain})$  is larger than  $P(\text{bad tip I rain})$
  - None of these ✓
  - a and c but not b
10. Assume that a die is rolled twice in succession and that you are asked to draw the probability tree showing all possible outcomes of the two rolls. How many branches will your tree have?
- 6
  - 12
  - 36
  - 42 ✓
  - 48
14. Symbolically, a marginal probability is.
- $P(AB)$
  - $P(BA)$
  - $P(B|A)$
  - $P(ABC)$
  - None of these ✓
15. If we sum all the probabilities of the conditional events in which the event A occurs while under statistical dependence, the result is.
- The marginal probability of A
  - The joint probability of A
  - The conditional probability of A
  - None of these ✓

## Probability-2

### Practice

- In a throw of a coin, the probability of getting a head is:
  - $\frac{1}{2}$  ✓
  - $\frac{1}{4}$
  - 1
  - None
- In a throw of a die, the probability of getting a prime number is:
  - $\frac{1}{2}$  ✓
  - $\frac{1}{2}$
  - $\frac{2}{3}$
  - $\frac{3}{4}$
- In a simultaneous throw of two coins, the probability of getting at least once head is:
  - $\frac{1}{2}$
  - $\frac{2}{3}$
  - $\frac{3}{4}$  ✓
  - $\frac{1}{3}$
- Three unbiased coins are tossed. What is the probability of getting exactly two heads?
  - $\frac{1}{3}$
  - $\frac{3}{4}$
  - $\frac{2}{3}$
  - $\frac{3}{8}$  ✓
- Three unbiased coins are tossed. What is the probability of getting at most 2 heads?
  - $\frac{1}{4}$
  - $\frac{3}{8}$
  - $\frac{7}{8}$  ✓
  - $\frac{1}{2}$
- What is the probability that a number selected from the number 1,2,3,4,5..... 16 is prime number is?



- (c) Element of A  
(d) Elements of B
18. Total possible sample space by rolling 3 dice would be:  
(a) 144 (b) 216  
(c) 42 (d) 256✓
19. The probability of drawing black cards from a pack of 52 cards is  
(a)  $\frac{13}{52}$  (b)  $\frac{12}{52}$   
(c)  $\frac{4}{52}$  (d)  $\frac{26}{52}$ ✓
20. The probability of drawing black cards from a pack of 52 cards.  
(a)  $\frac{13}{52}$  (b)  $\frac{4}{52}$   
(c)  $\frac{26}{52}$ ✓ (d)  $\frac{12}{52}$
21. The probability of drawing king from a pack of 52 cards is:  
(a)  $\frac{4}{52}$ ✓ (b)  $\frac{13}{52}$   
(c)  $\frac{26}{52}$  (d)  $\frac{12}{52}$
22. Four fair coins are tossed what is the probability that exactly one head turn up:  
(a)  $\frac{4}{16}$  (b)  $\frac{1}{4}$ ✓  
(c)  $\frac{4}{8}$  (d)  $\frac{2}{4}$
23. A coin is thrown four times what is the probability that at least one head turns up?  
(a)  $\frac{4}{16}$  (b)  $\frac{1}{4}$   
(c)  $\frac{4}{8}$  (d)  $\frac{2}{4}$ ✓
24. A card is drawn from an ordinary pack of 52 cards. The probability that it is red, and either an ace or a heart is.  
(a)  $\frac{2}{52}$  (b)  $\frac{1}{13}$   
(c)  $\frac{1}{52}$  (d)  $\frac{2}{13}$ ✓
25. The events A, B and C are called exhaustive events.  
(a)  $A \cup B \cup C = S$ ✓  
(b)  $A \cup B \cup C = A$   
(c) None of above
26. The probability of appearing 5 in rolling is six faced cubic dice is:  
(a)  $\frac{2}{6}$  (b)  $\frac{1}{6}$ ✓  
(c)  $\frac{3}{6}$  (d)  $\frac{1}{2}$
27. The probability of drawing a white ball from a bag containing 6 red 8 black 10 green and 5 white balls is:  
(a)  $\frac{6}{29}$   
(b)  $\frac{8}{29}$   
(c)  $\frac{5}{29}$   
(d) None of above✓
28. When a pair of dice is rolled, the sample space consists of:  
(a) 2 outcomes (b) 8 outcomes  
(c) 36 outcomes✓ (d) 30 outcomes
29. Probability of an ace from pack of cards is:  
(a)  $\frac{1}{52}$  (b)  $\frac{4}{52}$ ✓  
(c)  $\frac{13}{52}$  (d)  $\frac{26}{52}$
30. Probability of head on tossing a coin is:  
(a)  $\frac{1}{4}$  (b)  $\frac{1}{3}$   
(c)  $\frac{1}{3}$  (d)  $\frac{1}{2}$ ✓
31. From a bag containing 4 white and 5 black ball 2 balls are drawn at random the probability that they are of same colour is:  
(a)  $\frac{3}{9}$ ✓ (b)  $\frac{2}{9}$   
(c)  $\frac{4}{9}$  (d)  $\frac{5}{9}$
32. If  $P(A) = 0.30$  and  $P(B) = 0.6$  then P  
(a) .9 (b) .18✓  
(c) .3 (d) .3
33. For two independent events A and B,  $P(A) = .20$  and  $P(B) = 0.30$ , then  $P(A \cap B)$

- (c) 20 years ✓ (d) 30 years
18. In 10 years, A will be twice as old, as B was 10 years ago. If A is now 9 years older than B, the present age of B is:  
 (a) 19 years (b) 29 years  
 (c) 319 years ✓ (d) 49 years
19. The age of father 10 years ago was thrice age of his son. Ten years hence, the father's age will be twice that of his son. The ratio of their present ages is:  
 (a) 5:2 (b) 9:2  
 (c) 7:3 ✓ (d) 13:4
20. Two years ago a man was 6 times as old as his son. After 18 years, he will be twice as old as his son. Their present ages (in years) are:  
 (a) 32,7 ✓ (b) 34,9  
 (c) 36,11 (d) None of these
21. The ages of two persons differ by 20 years. If 5 years ago, the elder one be 5 times as old as the younger one, their present ages (in years) are respectively.  
 (a) 30,10 ✓ (b) 25,5  
 (c) 29,9 (d) 50,30
22. The difference between the ages of two persons is 10 years. 15 years ago, the elder one was twice as old as the younger one the present age of the elder person is:  
 (a) 35 years ✓ (b) 45 years  
 (c) 55 years (d) 25 years
23. Three years ago the average age of A and B was 18 years. With C joining them now, the average becomes 22 years. How old is C now?  
 (a) 24 years ✓ (b) 27 years  
 (c) 28 years (d) 30 years
24. Pushpa is twice as old as Rita was 2 years ago. If the difference of their ages be 2 years, how old is Pushpa today?  
 (a) 6 years (b) 8 years ✓  
 (c) 10 years (d) 12 years
25. The ratio of the father's age of his son's age is 7:3. The product of their ages is 756. the ratio of their ages after 6 years will be:  
 (a) 5:2 (b) 2:1 ✓  
 (c) 11:7 (d) 13:9
26. Average age of A and B is 24 years and average age of B,C and D is. 22 years. The sum of the ages of A,B,C and D.  
 (a) 90 years (b) 96 years  
 (c) 114 years (d) Data inadequate ✓
27. The ratio of Meena's age to the age of her mother is 3:8. The difference of their ages is 35 years. The ratio of their ages after 4 years will be:  
 (a) 7:12 (b) 5:12 ✓  
 (c) 84:43 (d) 42:47
28. One year ago, a father was four times as old as his son. In 6 years time his age exceeds twice his son's age by 9 years. The ratio of their present ages is:  
 (a) 9:2 (b) 11:3 ✓  
 (c) 12:5 (d) 13:4
29. The age of Anu's father is four times his age. If 5 years ago, the father's age was even times the age of his son at that time, what is Anu's father's present age?  
 (a) 35 years (b) 40 years ✓  
 (c) 70 years (d) 84 years
30. Runial is four times as old as his son. Four years hence, the sum of their ages will be 43 years. The present age of the son is:  
 (a) 5 years (b) 7 years ✓  
 (c) 8 years (d) 10 years
31. Ratio of Ashok's age to Sandeep's age is 4:3. Ashok will be 26 years old after 6 years. How old is Sandeep now?  
 (a) 12 years (b) 15 years ✓  
 (c)  $19\frac{1}{2}$  years (d) 21 years
32. The ratio of Vimal's age and Aruna's age is 3:5 and the sum of their ages is 80 years. The ratio of their ages after 10 years will be:  
 (a) 2:3 ✓ (b) 1:2  
 (c) 3:2 (d) 3:5
33. The average age of five members of a family is 21 years. If the age of the grandfather be included, the average is increased by 9 years. The age of the grandfather is:  
 (a) 66 years (b) 72 years ✓  
 (c) 75 years (d) 84 years

48. A team of 8 persons joins in a shooting competition. The best marksman scored 85 points. If he had scored 92 points, the average score for the team would have been 84. The number of points, the team scored, was:  
 (a) 672 (b) 665 ✓  
 (c) 645 (d) 588
49. The average weight of 3 men A, B and C is 84kg. Another man D joins the group and the average now becomes 80kg. If another man E, whose weight is 3 kg more than that of D, replaces A then the average weight of B, C, D and E becomes 79kg. The weight of A is:  
 (a) 70kg (b) 72kg ✓  
 (c) 75kg (d) 80kg
50. Three years ago, the average age of A, B and C was 27 years and that of B and C, 5 years ago was 20 years. A's present age is:  
 (a) 30 yrs (b) 35 yrs  
 (c) 40 yrs ✓ (d) 48 yrs
51. Three years ago, the average age of a family of 5 members was 17 years. A baby having been born, the average age of the family is the same today. The present age of the baby is:  
 (a) 2 yrs ✓ (b) 2.4 yrs  
 (c) 3 yrs (d) 1.5 yrs
52. Five years ago, the average age of A, B, C and D was 45 years. With E joining them now, the average of all the five is 49 years. How old is E?  
 (a) 25 yrs ✓ (b) 40 yrs  
 (c) 45 yrs (d) 64 yrs
53. Five years ago, the average age of P and Q was 15 years. Average age of P, Q and R today is 20 years. How old will R be after 10 years?  
 (a) 35 yrs (b) 40 yrs  
 (c) 30 yrs ✓ (d) 50 yrs
54. The average age of boys in the class is twice the number of girls in the class. If the ratio of boys and girls in the class of 36 be 5:1, what is the total of the ages (in years) of the boys in the class?  
 (a) 490 (b) 196  
 (c) 420 (d) 360 ✓
55. In a cricket eleven, the average of eleven players is 28 years. Out of these, the average ages of three groups of three players each are 25 years, 28 years and 30 years respectively. If in these groups, the captain and the youngest player are not included, and the captain is eleven years older than the youngest player, what is the age of the captain?  
 (a) 33 years (b) 34 years  
 (c) 35 yrs ✓ (d) 36 years
56. After replacing an old member by a new member, it was found that the average age of five members of a club is the same as it was 3 years ago. What is the difference between the ages of the replaced and the new members?  
 (a) 15 yrs ✓ (b) 8 yrs  
 (c) 4 yrs (d) 2 yrs
57. The average age of a class is 15.8 years. The average age of the boys in the class is 16.4 yrs while that of the girls is 15.4 years. What is the ratio of boys to girls in the class?  
 (a) 1:2 (b) 3:4  
 (c) 3:5 (d) None of these ✓
58. The average age of 3 children in a family is 20% of the average age of the father and the eldest child. The total age of the mother and the youngest child is 39 years. If the father's age is 26 years, what is the age of second child?  
 (a) 15 yrs (b) 18 yrs  
 (c) 20 yrs (d) Can not be determined ✓

## Problems On Ages

- The ratio of the ages of Meena and Meera is 4:3. The sum of their ages is 28 years. The ratio of their ages after 8 years will be:  
 (a) 4:3 (b) 12:11  
 (c) 7:4 (d) 6:5 ✓
- The ages of Ram and Mukta are in the ratio of 3:5. After 9 years, the ratio of their ages will become 3:4. The present age of Mukta (in years) is:  
 (a) 9 (b) 15 ✓  
 (c) 18 (d) 24

16. The average of eight numbers is 14. The average of six of these numbers is 16. The average of the remaining two numbers is:  
(a) 4 (b) 8✓  
(c) 16 (d) Data inadequate
17. The average price of three items of furniture is Rs. 15000. If their prices are in the ratio 3:5:7, the price of the cheapest item is:  
(a) Rs. 9000✓ (b) Rs. 15000  
(c) Rs. 18000 (d) Rs. 21000
18. Of the three numbers, second is twice the first and is also thrice the third. If the average of the three numbers is 44, the largest number is:  
(a) 24 (b) 36  
(c) 72✓ (d) 108
19. The average of ten numbers is 7. If each number is multiplied by 12, then the average of new set of numbers is:  
(a) 7 (b) 19  
(c) 82 (d) 84✓
20. A man spends Rs. 1800 monthly on an average for the first four months an Rs. 2000 monthly for the next eight months and saves Rs. 5600 a year. His average monthly income is:  
(a) Rs. 2000 (b) Rs. 2200  
(c) Rs. 2400✓ (d) Rs. 2600
21. The average age of 30 students of a class is 12 years. The average age of a group of 5 of the students is 10 years and that of another group of 5 of them is 14 years. What is the average age of the remaining students?  
(a) 8 years (b) 10 years  
(c) 12 years✓ (d) 14 years
22. A class has two sections, in one of which there are 40 students with an average of 14.5 years. The average of the class is 14.2 years. If there will be 32 students in the other section, it's average age is:  
(a) 13.5 years (b) 13.6 years  
(c) 13.7 years (d) None✓
23. The average of 50 numbers is 38. If two numbers, namely 45 and 55 are discarded, the average of the remaining numbers is:  
(a) 36.5 (b) 37  
(c) 37.5✓ (d) 37.52
24. The mean of 100 observations was calculated as 40. It was found later on that one of the observations was misread as 84 instead of 53. The correct mean is:  
(a) 39 (b) 39.7✓  
(c) 40.3 (d) 42.7
25. The average of six numbers is 30. If the average of first four is 25 and that of last three is 35, the fourth number is:  
(a) 25✓ (b) 30  
(c) 35 (d) 40
26. The average of 11 observations is 60. If the average of first five observations is 58 and that of the last is 56, then the sixth observation is:  
(a) 90✓ (b) 110  
(c) 85 (d) 100
27. In seven given numbers, the average of first four numbers is 4 and that of the last four numbers is also 4. If the average of these seven numbers is 3, the fourth number is:  
(a) 3 (b) 4  
(c) 7 (d) 11✓
28. The average of 25 results is 18. The average of first twelve of them is 14 and that of last twelve is 17. The thirteenth result is:  
(a) 28 (b) 78✓  
(c) 72 (d) 85
29. Out of four numbers, the average of first three is 16 and that of the last three is 15. If the last number is 18, the first number is:  
(a) 20 (b) 21✓  
(c) 23 (d) 25
30. Mukesh has twice as much money as Sohan and Sohan has 50% more money than what Pankaj has. If the average money with them is Rs. 110, then Mukesh has:  
(a) Rs. 55 (b) Rs. 60  
(c) Rs. 90 (d) Rs. 180✓
31. A motorist travels to a place 150 km away at an average speed of 50 km per hour and returns at 30 km per hour. His average speed for the whole journey in km per hour is:  
(a) 35 (b) 37  
(c) 37.5✓ (d) 40
33. The average of 5 numbers is 7. When 3 new numbers are added, the average of the eight

58. The least square number which is exactly divisible by 10, 12, 15 and 18, is:  
 (a) 360 (b) 400  
 (c) 900✓ (d) 1600
59. The least number by which 294 must be multiplied to make it a perfect square is:  
 (a) 2 (b) 3  
 (c) 6✓ (d) 24
60. The least number by which 1470 must be divided to get a number which is a perfect square, is:  
 (a) 6 (b) 5  
 (c) 15 (d) 30✓
61.  $\frac{\frac{1}{\sqrt{9}} - \frac{1}{\sqrt{11}}}{\frac{1}{\sqrt{9}} + \frac{1}{\sqrt{11}}} \times \frac{10 + \sqrt{99}}{?} = \frac{1}{2}$   
 (a) 2✓ (b) 3  
 (c) 4 (d) None
62.  $\left(\frac{\sqrt{7} + \sqrt{5}}{\sqrt{7} - \sqrt{5}}\right)$  is equal to:  
 (a)  $6 + \sqrt{35}$ ✓ (b)  $6 - \sqrt{35}$   
 (c) 2 (d) 1
63. Which one of the following numbers has rational square root?  
 (a) 0.4 (b) 0.09✓  
 (c) 0.9 (d) 0.025
64. The value of  $\sqrt{2}$  up to three places of decimal is:  
 (a) 1.410 (b) 1.412  
 (c) 1.413 (d) 1.414✓
65. If  $a = 5 + 2\sqrt{6}$ , then the value of  $\left(\sqrt{a} - \frac{1}{\sqrt{a}}\right)$  is:  
 (a)  $2\sqrt{2}$ ✓ (b)  $3\sqrt{2}$   
 (c)  $2\sqrt{3}$  (d)  $3\sqrt{3}$
66.  $\sqrt{12 + \sqrt{12 + \sqrt{12 + \dots}}} = ?$   
 (a) 3 (b) 4✓  
 (c) 6 (d) greater than 6
67. If  $a = \sqrt{3 + \sqrt{3 + \sqrt{3 + \dots}}}$ , then which of the following is true?  
 (a)  $2 < a < 3$ ✓ (b)  $a > 3$
- (c)  $3 < a < 4$  (d)  $a = 3$
68. The value of  $\sqrt{0.4}$  is:  
 (a) 0.2 (b) 0.02  
 (c) 0.63✓ (d) 0.51
69. The value of  $\sqrt{0.121}$  is:  
 (a) 0.11 (b) 1.1  
 (c) 0.347✓ (d) 0.011
70. The value of  $\sqrt{0.064}$  is:  
 (a) 0.8 (b) 0.08  
 (c) 0.008 (d) 0.252✓
71. The value of  $\sqrt{\frac{0.16}{0.4}}$  is:  
 (a) 0.2 (b) 0.02  
 (c) 0.63✓ (d) None
72. If  $2 * 3 = \sqrt{13}$  and  $3 * 4 = 5$ , then the value of  $5 * 12$  is:  
 (a)  $\sqrt{17}$  (b)  $\sqrt{29}$   
 (c) 12 (d) 13✓
73. If  $x * y * z = \sqrt{\frac{(x+2)(y+3)}{(x+1)}}$ , the value of  $(6 * 15 * 3)$  is:  
 (a) 2 (b) 3  
 (c) 4 (d) None✓
74. If  $\sqrt{0.4 \times 0.4 \times a} = .004 \times .4 \times \sqrt{b}$ , then  $\frac{a}{b}$  is:  
 (a)  $16 \times 10^{-4}$  (b)  $16 \times 10^{-3}$   
 (c)  $16 \times 10^{-5}$ ✓ (d) None
75. A man plants 15376 apple trees in his garden and arranges them so that there are as many rows as there are apple trees in the row, then the number of rows is.  
 (a) 126 (b) 124✓  
 (c) 134 (d) 144
76. A General wishes to draw up his 36581 soldiers in the form of a solid square. After arranging them, he found that some of them are left over. How many are left?  
 (a) 81 (b) 65  
 (c) 100✓ (d) None
77. A group of students decided to collect as many paise from each member of the group as is the number of members. If the total collected amounts to Rs. 59.29, the number of members in the group is:

20. If  $\sqrt{6084} = 78$ , then the value of  $(\sqrt{60.84} + \sqrt{.6084} + \sqrt{.006084} + \sqrt{.00006084})$  is:
- (a) 86.658 (b) 8.6658  
(c) .86658 (d) 866.58✓
21. If  $\sqrt{841} = 29$ , then the value of  $(\sqrt{841} + \sqrt{.841} + \sqrt{0.841} + \sqrt{0.000841})$  is:
- (a) 322.19 (b) 32.219✓  
(c) 34.179 (d) 31.129
22.  $\sqrt{110\frac{1}{4}} = ?$
- (a) 19.5 (b) 10.25  
(c) 10.5✓ (d) 11.5
23.  $\sqrt{\frac{.081 \times .484}{.0064 \times 6.25}}$  is equal to:
- (a) 9 (b) 0.9  
(c) 99 (d) 0.99✓
24.  $\sqrt{\frac{0.204 \times 42}{0.07 \times 3.4}}$  is equal to:
- (a) 6✓ (b) 0.6  
(c) 0.06 (d)  $\frac{1}{6}$
25.  $\sqrt{\frac{9.5 \times 0085 \times 18.9}{.0017 \times 1.9 \times 2.1}}$  is equal to:
- (a) 0.15 (b) 0.5  
(c) 15✓ (d) 25
26.  $\sqrt{\frac{0.081 \times 0.324 \times 4.624}{1.5625 \times 0.0289 \times 72.9 \times 64}}$  is equal to:
- (a) 24 (b) 2.4  
(c) 0.024✓ (d) None
27.  $\sqrt{\frac{1.21 \times 0.9}{1.1 \times 0.11}}$  is equal to:
- (a) 2 (b) 3✓  
(c) 9 (d) 11
28.  $\sqrt{1\frac{9}{16}}$  is equal to:
- (a)  $1\frac{3}{4}$  (b)  $1\frac{1}{4}$ ✓  
(c) 1.125 (d) None
29. If  $\frac{x}{\sqrt{2.25}} = 550$ , then the value of x is:
- (a) 825✓ (b) 82.5
- (c) 3666.66 (d) 2
30.  $\sqrt{.00059049} = ?$
- (a) .243 (b) .0243✓  
(c) .00243 (d) .000243
31. The least perfect square number divisibly by 3,4,5,6 and 8 is:
- (a) 900 (b) 1200  
(c) 2500 (d) 3600✓
32. If  $\sqrt{5} = 2.236$ , then the value of  $\frac{1}{\sqrt{5}}$  is:
- (a) .367 (b) .745  
(c) .447✓ (d) None
33. If  $\sqrt{3} = 1.732$ , then the value of  $\sqrt{\frac{3}{4}}$  is:
- (a) 0.577 (b) 0.866✓  
(c) 0.433 (d) None
34. If  $\sqrt{5} = 2.236$  and  $\sqrt{3} = 1.732$ , the value of  $\frac{1}{\sqrt{5} + \sqrt{3}}$  is:
- (a) 0.504 (b) 0.252✓  
(c) 0.362 (d) None
35. If  $\sqrt{2} = 1.4142$ , the value of  $\frac{7}{(3 + \sqrt{2})}$  is:
- (a) 1.5858✓ (b) 4.4142  
(c) 3.4852 (d) 3.5858
36. If  $a = \frac{\sqrt{5} + 1}{\sqrt{5} - 1}$  and  $\frac{\sqrt{5} - 1}{\sqrt{5} + 1}$ , the value of  $\left(\frac{a^2 + ab + b^2}{a^2 - ab + b^2}\right)$  is:
- (a)  $\frac{3}{4}$  (b)  $\frac{4}{3}$ ✓  
(c)  $\frac{3}{5}$  (d)  $\frac{5}{3}$
37. The expression  $(2 + \sqrt{2}) + \frac{1}{(2 + \sqrt{2})} + \frac{1}{\sqrt{2} - 2}$  equals:
- (a) 2✓ (b)  $2\sqrt{2}$   
(c)  $2 - \sqrt{2}$  (d)  $2 + \sqrt{2}$
38. If  $\sqrt{24} = 4.889$ , the value of  $\sqrt{\frac{8}{3}}$  is:
- (a) 1.333 (b) 1.633✓

98. If the S.P. of Rs. 24 results in a 20% discount on list price, what S.P. would result in a 30% discount on list price?  
 (a) Rs. 27 (b) Rs. 21 ✓  
 (c) Rs. 20 (d) Rs. 9
99. A house was sold for Rs.  $y$  by giving a discount of  $x\%$ . Then, its list price is:  
 (a)  $\frac{100y}{1-(x/100)}$  (b)  $\frac{100y}{100-x}$  ✓  
 (c)  $\frac{100y}{1-x}$  (d) None of these
100. A trader allows two successive discounts of 20% and 10%. If he sells an article for Rs. 108, then the marked price of the article is:  
 (a) Rs. 150 ✓ (b) Rs. 148  
 (c) Rs. 142 (d) Rs. 140
101. A customer purchased an office bag with a price tag of Rs. 600 in a sale where 25% discount was being offered on the tag price. The customer was given a further discount of 10%. The final amount paid by the customer was:  
 (a) Rs. 565 (b) Rs. 540  
 (c) Rs. 405 ✓ (d) Rs. 390
102. A shopkeeper earns a profit of 12% on selling a book at 10% discount on the printed price. The ratio of the cost price to the printed price of the book is:  
 (a) 50:61 (b) 45:56 ✓  
 (c) 99:125 (d) 25:69
103. A retailer buys 3 articles from a wholesaler at the price of 27. If he sells this at their marked price, the gain percent in the transaction is:  
 (a)  $9\frac{1}{11}\%$  (b) 10%  
 (c)  $11\frac{1}{9}\%$  ✓ (d)  $16\frac{2}{3}\%$
104. Pankaj bought a bag with 20% discount on the original price. He got a profit of Rs. 50, by selling it at a price 150% of the price at which he bought. What was the original price of the bag?  
 (a) Rs. 125 ✓ (b) Rs. 150  
 (c) Rs. 175 (d) Rs. 200
105. Anil bought a T.V. with 20% discount on the labeled price. Had he bought it with 25% discount, he would have saved Rs. 500. At what price did he buy the T.V.?  
 (a) Rs. 16000 (b) Rs. 12000  
 (c) Rs. 10000 ✓ (d) Rs. 5000
106. A retailer buys a sewing machine at a discount of 15% and sells it for Rs. 1955. Thus, he makes a profit of 15%. The discount is:  
 (a) Rs. 300 ✓ (b) Rs. 290  
 (c) Rs. 275 (d) Rs. 270
107. A discount of 30% on the marked price of a toy reduces its S.P. by Rs. 30. What is the new S.P.  
 (a) Rs. 130 (b) Rs. 100  
 (c) Rs. 70 ✓ (d) Rs. 21
108. A cloth merchant announces 25% rebate in prices. If one needs to have a rebate of Rs. 40, then how many shirts each costing Rs. 30, he should purchase?  
 (a) 5 (b) 6  
 (c) 7 (d) 10
109. If a commission of 10% is given on the written price of an article, the gain is 20%. If the commission is increased to 20%, the gain is:  
 (a)  $6\frac{2}{3}\%$  ✓ (b)  $7\frac{1}{4}\%$   
 (c)  $12\frac{1}{2}\%$  (d)  $13\frac{1}{3}\%$
110. A shopkeeper professes to sell all things at a discount of 10%, but increases the S.P. of each article by 20%. His gain on each article is:  
 (a) 6% (b) 8% ✓  
 (c) 10% (d) 12%
111. Even after reducing the marked price of a transistor by Rs. 32, a shopkeeper makes a profit of 15%. If the cost price be Rs. 320, what percentage of profit would he have made if he had sold the transistor at the marked price?  
 (a) 10% (b) 20%  
 (c) 25% ✓ (d) None of these
112. After allowing a discount of 10% on M.P., a shopkeeper charges Rs. 540 for a

- (c) Rs. 134.40 (d) Rs. 240
69. If by selling an article there would have been a loss of  $2\frac{1}{2}\%$  and by selling it at Rs. 6 more than the earlier S.P., there would have been a profit of 5%. Then the C.P. of the article is:  
(a) Rs. 78 (b) Rs. 80✓  
(c) Rs. 82 (d) Rs. 84
70. A person bought an article and sold it at a loss of 10%. If he had bought it for 20% less and sold it for Rs. 55 more, he would have had a profit of 40%. The C.P. of the article is:  
(a) Rs. 200 (b) Rs. 225  
(c) Rs. 250✓ (d) None of these
71. A man bought an article and sold it at a gain of 5%. If he had bought it at 5% less and sold it for Rs. 1 less, he would have made a profit of 10%. The C.P. of the article was:  
(a) Rs. 100 (b) Rs. 150  
(c) Rs. 200✓ (d) Rs. 500
72. Kishan bought a certain quantity of rice at the rate of Rs. 150 per quintal and 10% of the rice was spoiled. At what price should he sell the remainder to gain 20% of his outlay?  
(a) Rs. 190 per quintal  
(b) Rs. 200 per quintal✓  
(c) Rs. 210 per quintal  
(d) Rs. 215 per quintal
73. A reduction of 25% in the price of eggs will enable one to buy 4 dozen more eggs for Rs. 96. What is the price per dozen?  
(a) Rs. 6 (b) Rs. 8✓  
(c) Rs. 8.50 (d) Rs. 9
74. An article when sold at a gain of 5% yields Rs. 15 more than when sold at a loss of 5%. What is the C.P.?  
(a) Rs. 64 (b) Rs. 80  
(c) Rs. 150✓ (d) Rs. 200
75. Raghu bought 4 dozen oranges at Rs. 12 per dozen and 2 dozen oranges at Rs. 16 per dozen. He sold them all to earn 20% profit. At what price per dozen did he sell the oranges?  
(a) Rs. 14.40 (b) Rs. 16✓  
(c) Rs. 16.80 (d) Rs. 19.20
76. Nandlal purchased 20 dozen notebooks at Rs. 48 per dozen. He sold 8 dozen at 10% profit and the remaining 12 dozen with 20% profit. What is his profit percentage in this transaction?  
(a) 15 (b) 16✓  
(c) 7.68 (d) 19.2
77. Profit after selling a commodity for Rs. 425 is the same as the loss after selling it for Rs. 355. What is the cost of the commodity?  
(a) Rs. 385 (b) Rs. 390✓  
(c) Rs. 395 (d) Rs. 400
78. An article when sold for Rs. 840 earns a profit which is double the amount of loss when the same article is sold for Rs. 600. What is the C.P. of the article?  
(a) Rs. 500  
(b) Rs. 680✓  
(c) Rs. 720  
(d) Data inadequate
79. The profit earned by selling an article for Rs. 900 is double the loss incurred when the same article is sold for Rs. 450. At what price should the article be sold to make 25% profit?  
(a) Rs. 600  
(b) Rs. 750✓  
(c) Rs. 800  
(d) Data inadequate
80. The percent profit made when an article is sold for Rs. 78 is twice as much as when it is sold for Rs. 69. What is the cost price of the article?  
(a) Rs. 51 (b) Rs. 55.50  
(c) Rs. 60✓ (d) None
81. Profit earned by selling an article for Rs. 1060 is 20% more than the loss incurred by selling the article for Rs. 950. At what price should the article be sold to earn 20% profit?  
(a) Rs. 980 (b) Rs. 1080  
(c) Rs. 1800 (d) None✓
82. A man sold an article for Rs. 75 and lost something. Had he sold it for Rs. 96, his gain would have been double the former loss. The C.P. of the article is:  
(a) Rs. 81 (b) Rs. 82✓  
(c) Rs. 83 (d) Rs. 85.50



- (c) Rs. 89 (d) Rs. 86
42. A man gains 10% by selling a certain article for a certain price. If he sells it at double the price, the profit made is:  
 (a) 20% (b) 120%✓  
 (c) 100% (d) 140%
43. A person bought 20 liters of milk at the rate of Rs. 8 per liter. He got it churned after spending Rs. 10 and got 5 kg of cream and 20 liters of tone milk. If he sold the cream at Rs. 30 per kg and tone milk at Rs 4 per liter, his profit in the transaction is:  
 (a) 25% (b) 35.3%✓  
 (c) 37.5% (d) 42.5%
44. A sells a bicycle to B at a profit of 20% and B sells it to C at a profit of 25%. If C pays Rs. 1500, what did A pay for it?  
 (a) Rs. 825 (b) Rs. 1000✓  
 (c) Rs. 1100 (d) Rs. 1125
45. A bought a radio set and spent Rs. 110 on its repairs. He then sold it to B at 20% profit, B sold it to C at a loss of 10% and C sold it for Rs 1188 at a profit of 10%. What is the amount for which A bought the radio set?  
 (a) Rs. 850 (b) Rs. 890✓  
 (c) Rs. 930 (d) Rs. 950
46. If the manufacture gains 10%, the wholesale dealer 15% and the retailer 25%, then the cost of production of a table, the retail price of which is Rs. 1265 was.  
 (a) Rs. 632.50 (b) Rs. 800✓  
 (c) Rs. 814 (d) Rs. 834.34
47. Kanak owns a plot worth Rs. 10000. He sells it to Raman at 10% profit Raman sells the plot back to Kanak at a loss of 10%. In the whole transaction, Kanak gets.  
 (a) no profit no loss  
 (b) profit of Rs. 2000  
 (c) profit of Rs. 1100✓  
 (d) profit of Rs. 1000
48. Two mixers and one T.V. cost Rs. 7000, while two T.V.s and a mixer cost Rs. 9800. the value of one T.V. is.  
 (a) Rs. 2800 (b) Rs. 2100  
 (c) Rs. 4200✓ (d) Rs. 8400
49. A dealer sold two of his cattle for Rs. 500 each. On one of them he lost 10% and on the other, he gained 10%. His gain or loss percent in the entire transaction was.  
 (a) 10% loss  
 (b) 1% gain  
 (c) 1% loss✓  
 (d) Neither loss nor gain
50. A man sells two houses at the rate of Rs. 1.995 lakhs each. On one he gains 5% and on the other, he loses 5%. His gain or loss percent in the whole transaction?  
 (a) 0.25% loss✓ (b) 0.25% gain  
 (c) 2.5% loss (d) 25% loss
51. A man sells two commodities for Rs. 4000 each, neither losing nor gaining in the deal. If he sold one commodity at a gain of 25%, the other commodity is sold at a loss of:  
 (a)  $16\frac{2}{3}\%$ ✓ (b)  $18\frac{2}{9}\%$   
 (c) 25% (d) None
52. A horse and a cow were sold for Rs. 12000 each. The horse was sold at a loss of 20% and the cow at a gain of 20%. The entire transaction resulted in:  
 (a) no loss or gain  
 (b) loss of Rs. 1000  
 (c) gain of Rs. 1000✓  
 (d) gain of Rs. 2000
53. A person earns 15% on an investment but loses 10% on another investment. If the ratio of the two investments be 3:5, what is the gain or loss on the two investments taken together?  
 (a)  $6\frac{1}{4}\%$  loss (b)  $13\frac{1}{8}\%$  gain  
 (c)  $13\frac{1}{8}\%$  loss (d) None of these✓
54. The manufacturer of a certain item can sell all he can produce at the selling price of Rs. 60 each. If costs him Rs. 40 in materials and labour to produce each item and he has overhead expenses of Rs. 3000 per week in order to operate the plant. The number of units he should produce and sell in order to make a profit of at least Rs. 1000 per week, is:  
 (a) 200✓ (b) 250  
 (c) 300 (d) 400

11. By selling an article for Rs. 19.50, a dealer makes a profit of 30%. By how much should he increase his selling price so as to make a profit of 40%?  
 (a) Rs. 1.50 ✓ (b) Rs. 1.75  
 (c) Rs. 2 (d) Rs. 3
12. Rahim buys mangoes at the rate of 3 kg for Rs. 21 and sells them at 5 kg for Rs. 50. To earn Rs. 102 as profit, he must sell.  
 (a) 26kg (b) 32kg  
 (c) 34kg ✓ (d) 56kg
13. If books bought at price ranging from Rs. 200 to Rs. 350 are sold at prices ranging from Rs. 300 to Rs. 425, what is the greatest possible profit that might be made in selling eight books?  
 (a) Rs. 400 (b) Rs. 600  
 (c) Cannot be determined  
 (d) None of these ✓
14. The cost price of 20 articles is the same as selling price of 15 articles. The profit percent in the transaction is:  
 (a) 25 (b) 30  
 (c)  $33\frac{1}{3}$  ✓ (d) 50
15. A man sells 320 mangoes at the cost price of 400 mangoes. His gain percent is.  
 (a) 10% (b) 15%  
 (c) 20% (d) 25% ✓
16. If the cost price of 12 tables is equal to the selling price of 16 tables, the loss percent is:  
 (a) 15% (b) 20% ✓  
 (c) 25% (d) 30%
17. If the selling price of 18 articles is equal to the C.P. of 21 articles the loss or gain percent is:  
 (a)  $16\frac{2}{3}$  % gain (b)  $14\frac{2}{7}$  % gain  
 (c)  $16\frac{2}{3}$  % loss ✓ (d)  $14\frac{2}{7}$  % loss
18. A man sold 250 chairs and had a gain equal to selling price of 50 chairs. His profit percent is:  
 (a) 5% (b) 10%  
 (c) 25% ✓ (d) 50%
19. If by selling 110 mangoes, the C.P. of 120 mangoes is realized, the gain percent is.  
 (a)  $11\frac{1}{9}$  % (b)  $9\frac{1}{9}$  %  
 (c)  $10\frac{10}{11}$  % (d)  $9\frac{1}{11}$  % ✓
20. A vendor loses the S.P of a oranges on selling 36 oranges. His loss percent is:  
 (a)  $12\frac{1}{2}$  % (b)  $11\frac{1}{9}$  %  
 (c) 10% ✓ (d) None of these
21. By selling a pen for Rs. 15, a man loses one-sixteenth of what it cost him. The cost price of the pen is:  
 (a) Rs. 180 (b) Rs. 20  
 (c) Rs. 21 (d) Rs. 16 ✓
22. By selling an article, Sheetal earned a profit equal to  $\frac{1}{4}$ th of the price he bought it. If he sold it for Rs. 375, what was the cost price?  
 (a) Rs. 281.75 (b) Rs. 300 ✓  
 (c) Rs. 312.50 (d) Rs. 350
23. A shopkeeper, on selling a pen for Rs. 10, loses  $\frac{1}{11}$  of what it costs him. His cost price is:  
 (a) Rs. 9 (b) Rs. 10  
 (c) Rs. 11 ✓ (d) Rs. 12
24. A fruit seller purchases oranges at the rate of 3 for Rs 5 and sells them at 2 for Rs. 4. His profit in the transaction is:  
 (a) 10% (b) 15%  
 (c) 20% ✓ (d) 25%
25. If I purchased 11 books for Rs. 10 and sold all the books at the rate of 10 books for Rs. 11, the profit percent is:  
 (a) 10% (b) 11%  
 (c) 21% ✓ (d) 100%
26. A man bought a number of oranges at 3 for a rupee and an equal number at 2 for a rupee. At what price per dozen should he sell them to make a profit of 20%?  
 (a) Rs. 4 (b) Rs. 5  
 (c) Rs. 6 ✓ (d) Rs. 7
27. A man buys eggs at 2 for Re 1 and an equal number at 3 for Rs. 2 and sells the whole at 5 for Rs. 3. His gain or loss percent is:

- (a)  $2\frac{1}{2}$  (b) 2
- (c)  $1\frac{1}{2}$  (d)  $3\checkmark$
112. The population of a town increases 4% annually but is decrease by emigration annually to the extent of  $(1/2)\%$ . What will be the increase percent in 3 years?  
 (a) 9.8 (b) 10  
 (c) 10.5 (d)  $10.8\checkmark$
113. The current birth rate per thousand is 32, whereas corresponding death rate is 11 per thousand. The net growth rate in terms of population increase in percent is given by.  
 (a) 0.021% (b) 0.0021%  
 (c) 21% (d)  $2.1\%\checkmark$
114. A reduction of 21% in the price of wheat enables a person to buy 10.5 more for Rs. 100. What is the reduced price per kg?  
 (a) Rs. 2 $\checkmark$  (b) Rs. 2.25  
 (c) Rs. 2.30 (d) Rs. 2.50
115. A man's basic pay for a 40 hours week is Rs. 20. Overtime is paid for at 25% above the basic rate. In a certain week, he worked overtime and his total wage was Rs. 25. He therefore, worked for a total of.  
 (a) 45 hours (b) 47 hours  
 (c)  $48\text{ hours}\checkmark$  (d) 50 hours
116. Salaries of A, B and C are in the ratio 1:2:3. Salary of B and C together is Rs. 6000. By what percent is salary of C more than that of A?  
 (a) 300 (b) 600  
 (c) 100 (d)  $200\checkmark$
117. The price of a table is Rs. 400 more than that of a chair. If 6 tables and 6 chairs together cost Rs. 4800, by what percent is the price of the chair less than that of the table?  
 (a) 200 (b) 400  
 (c) 100 (d)  $\text{None of these}\checkmark$
118. If the side of a square is increased by 25%, then its area is increased by:  
 (a) 25% (b) 55%  
 (c) 40.5% (d)  $56.25\%\checkmark$
119. The length and breadth of a square are increase by 40% and 30% respectively. The area of the resulting rectangle exceed the area of the square by:  
 (a) 42% (b) 62%  
 (c)  $82\%\checkmark$  (d) None
120. The length of a rectangle is increased by 20% and the width is decreased by 20%. The area decreases by:  
 (a) 0.8% (b) 1.2%  
 (c)  $4\%\checkmark$  (d) 8%
121. The length of a rectangle is increased by 60%. By what percent would the width have to be decreased to maintain the same area?  
 (a)  $37\frac{1}{2}\%\checkmark$  (b) 60%  
 (c) 75% (d) None
122. If the radius of a circle is decreased by 50%, its area is reduced by:  
 (a) 25% (b) 50%  
 (c)  $75\%\checkmark$  (d) 45%
123. For a sphere of radius 10cm, the numerical value of surface area is what percent of the numerical value of its volume?  
 (a) 24% (b) 26.5%  
 (c)  $30\%\checkmark$  (d) 45%
124. The radius of a sphere is increased by 50%. The increase in surface area of the sphere is:  
 (a) 100% (b)  $125\%\checkmark$   
 (c) 150% (d) 200%
125. A cricket team won 40% of the total number of matches it played during a year. If it lost 50% of the matches played and 20 matches were drawn, the total number of matches played by the team during the year was:  
 (a)  $200\checkmark$  (b) 100  
 (c) 50 (d) 40
126. In a market survey, 20% opted for product A whereas 60% opted for product B. The remaining individuals were not certain. If the difference between those who opted for product B and those who were uncertain was 720, how many individuals were covered in the survey?

- (a) 48 (b) 60  
(c) 80 (d) 120✓
85. In a certain office, 72% of the workers prefer tea and 44% prefer coffee. If each of them prefers tea or coffee and 40 like both, the total number of workers in the office is:  
(a) 200 (b) 240  
(c) 250✓ (d) 320
86. In an examination, 80% of the students passed in English 85% in Mathematics and 75% in both English and Mathematics. If 40 students failed in both the subjects, the total number of students is:  
(a) 200 (b) 240  
(c) 250✓ (d) 320
87. In an examination, 35% candidates failed in one subject and 42% failed in another subject while 15% failed in both the subjects. If 2500 candidates at the examination, how many passed in either subject but not in both?  
(a) 325 (b) 1175✓  
(c) 2125 (d) None of these
88. p is six times as large as q. The percent that q is less than p, is:  
(a)  $83\frac{1}{3}$ ✓ (b)  $16\frac{2}{3}$   
(c) 90 (d) 60
89. The boys and girls in a college are in the ratio 3:2. If 20% of the boys and 25% of the girls are adults, the percentage of students who are not adults is.  
(a) 58% (b) 67.5%  
(c) 78%✓ (d) 82.5%
90. In an election between two candidates, a candidate who gets 40% of total votes is defeated by 15000 votes. The number of votes polled by the winning candidate is:  
(a) 6000 (b) 10000  
(c) 22500 (d) 45000✓
91. In an election between two candidates, one got 55% of total valid votes, 20% of the votes were invalid. If the total number of votes was 7500, the number of valid votes that the other candidate got was:  
(a) 2700✓ (b) 2900  
(c) 3000 (d) 3100
92. At an election involving two candidates, 68 votes were declared invalid. The winning candidate scores 52% and wins by 98 votes. Total number of votes polled is:  
(a) 2518✓ (b) 2450  
(c) 2382 (d) None
93. A's income is 25% more than B's income B's income in terms of A's income is:  
(a) 75% (b) 80%✓  
(c) 90% (d) 96%
94. Anil's height is 20% less than Deepak's. How much is Deepak's height more than Anil's?  
(a)  $16\frac{2}{3}$ % (b) 18%  
(c) 20% (d) 25%✓
95. Water tax is increased by 20% but its consumption is decreased by 20%. Then, the increase or decrease in the expenditure of the money is:  
(a) No change  
(b) 5% decrease  
(c) 4% increase  
(d) 4% decrease✓
96. On increasing the price of T.V. sets by 30%, their sale decreases by 20%. What is the effect on the revenue receipts of the shop?  
(a) 4% increase✓ (b) 4% decrease  
(c) 8% increase (d) 8% decrease
97. A man spends 75% of his income. His income increases by 20% and he increased his expenditure by 15%. His savings are then increased by.  
(a) 33% (b)  $33\frac{1}{3}$ %  
(c) 35%✓ (d) 40%
98. The price of sugar increases by 20%. By what percent must a house wife reduce the consumption of sugar, so that the expenditure on sugar is the same as before?  
(a)  $16\frac{2}{3}$ ✓ (b) 20  
(c) 80 (d)  $83\frac{1}{3}$
99. The price of oil is increased by 25%. If the expenditure is not allowed to increase, the

- (c) 20 (d)  $16\frac{2}{3}$
58. 30% of A's salary is equal to 20% of  $\frac{3}{5}$ th of B's salary. If B's salary is Rs. 2400, what is A's salary?  
 (a) Rs. 1880 (b) Rs. 1000  
 (c) Rs. 960✓ (d) Rs. 2160
59. Alekh secured 50% marks in Hindi, 60% in English and 70% in Maths as well as in Science. What were his total marks if the maximum marks obtainable in each of these 4 subjects was 50?  
 (a) 125✓ (b) 120  
 (c) 250 (d) 150
60. If x% of a is the same as y% of b, then z% of b is:  
 (a)  $\frac{yz}{x}$ % of a (b)  $\frac{xy}{z}$ % of a  
 (c)  $\frac{xz}{y}$ % of a✓ (d) None of these
61. In a city, 35% of the population is composed of migrants, 20% of whom are from rural areas. Of the local population, 48% is female while this figure for rural and urban migrants is 30% and 40% respectively. If the total population of the city is 728400, what is its female population?  
 (a) 324138 (b) 349680  
 (c) 509940 (d) None✓
62. A's marks in Biology are 20 less than 25% of the total marks obtained by him in Biology, Maths and Drawing. If his marks in Drawing be 50, what are his marks in Maths?  
 (a) 40  
 (b) 45  
 (c) 50  
 (d) Can't be determined✓
63. An increase of Rs. 60 in the monthly salary of Madan made it 50% of the monthly salary of Kamal. What is Madan's present monthly salary?  
 (a) Rs. 180 (b) Rs. 240  
 (c) Rs. 300 (d) Data inadequate✓
64. From a container having pure milk, 20% is replaced by water and the process is repeated thrice. At the end of the third operation, the milk is:  
 (a) 40% pure (b) 50% pure  
 (c) 51.2% pure✓
65. A man bought a house for Rs. 5 lakhs and rents it. He puts  $12\frac{1}{2}$ % of each month's rent aside for repairs, pays Rs. 1660 as annual taxes and realizes 10% on his investment thereafter. The monthly rent of the house is:  
 (a) Rs. 5000 (b) Rs. 4920✓  
 (c) Rs. 2500 (d) Rs. 2460
66. In a public school,  $\frac{1}{5}$ th of girls and  $\frac{1}{4}$ th of boys are under 12 years age. If the total strength of the school is 1000 and number of girls is  $\frac{2}{5}$ th of the total, what part of the total strength of the school is accounted for by those which are 12 years or more of age?  
 (a) 23% (b) 45%  
 (c) 55% (d) 77%✓
67. The salaries of A and B together amount to Rs. 2000. A spends 90% of his salary and B, 85% of his. If now, their savings are the same, what is A's salary?  
 (a) Rs. 1500✓ (b) Rs. 1250  
 (c) Rs. 750 (d) Rs. 1600
68. A debtor can pay 87 paise in the rupee, but if his creditors would take 20% of his debts, he could pay them and have Rs. 42 left. His debts and assets respectively are.  
 (a) Rs. 600, Rs. 522✓  
 (b) Rs. 500, Rs. 521  
 (c) Rs. 400, Rs. 520
69. 300 grams of sugar solution has 40% sugar in it. How much sugar should be added to make it 50% in the solution?  
 (a) 10 gms (b) 40 gms  
 (c) 60 gms✓ (d) 80 gms
70. The quantity of water (in ml) needed to reduce 9 ml shaving lotion containing 50% alcohol to a lotion containing 30% alcohol, is:

24. By how much percent is four-fifth of 70 lesser than five-seventh of 112?  
 (a) 42% (b) 30%✓  
 (c) 24% (d) 36%
25. What will be 160% of a number whose 200% is 140?  
 (a) 200 (b) 160  
 (c) 140 (d) 112✓
26. If 75% of a number is added to 75, the result is the number itself. Then, the number is:  
 (a) 400 (b) 300✓  
 (c) 60 (d) 50
27. Subtracting 40% of a number from the number, we get the result as 30. The number is:  
 (a) 28 (b) 50✓  
 (c) 52 (d) 70
28. If three-fifth of a number is 40 more than 40% of the same number. What is the number?  
 (a) 100 (b) 150  
 (c) 200✓ (d) 400
29. A number, on subtracting 15 from it, reduces to its 80%. What is 40% of that number?  
 (a) 60 (b) 45  
 (c) 30✓ (d) 90
30. Calculation shows that an angle is  $37\frac{1}{2}$ . The size obtained by drawing and measurement is  $36^\circ$ . The error percent is:  
 (a)  $1\frac{1}{2}$  (b) 3  
 (c) 4✓ (d)  $4\frac{1}{6}$
31. The population of a town has increased from 133575 to 138918. The percent increase in population is.  
 (a) 2.5 (b) .3  
 (c) 3.5 (d) 4✓
32. If X is 90% of Y, What percent of X is Y?  
 (a) 101.1 (b) 1900  
 (c) 90 (d) 111.1✓
33. If x% of y is the same as  $\frac{4}{5}$  of 80, then the value of xy is:  
 (a) 320 (b) 400  
 (c) 640 (d) None✓
34. Subtracting 6% of x from x is equivalent to multiplying x by how much?  
 (a) 0.94✓ (b) 9.4  
 (c) .094 (d) 94
35. If 8% of x = 4% of y, the 20% of x is:  
 (a) 10% of y (b) 16% of y  
 (c) 80% of y (d) None of these✓
36. (x% of y + y% of x) = ?  
 (a) x% of y (b) y% of x  
 (c) 2% of xy✓ (d) xy% of 3
37. If 90% of A = 30% of B and B = x% of A, then x is equal to:  
 (a) 900 (b) 300✓  
 (c) 800 (d) 600
38. x% of y is y% of:  
 (a) x✓ (b)  $\frac{x}{100}$   
 (c) 100x (d)  $\frac{y}{100}$
39. A number increased by  $37\frac{1}{2}\%$  gives 33. The number is:  
 (a) 27 (b) 25  
 (c) 24✓ (d) 22
40. The number which when decreased by  $27\frac{1}{2}\%$  gives 87 is:  
 (a) 27 (b) 25  
 (c) 24✓ (d) 22
41. 40 quintals is what percent of 2 metric tonnes?  
 (a) 20% (b) 2%  
 (c) 200%✓ (d) 150%
42. It is known that 20% of the mangoes are rotten. If the number of rotten mangoes is 35, then the total number of mangoes is:  
 (a) 150 (b) 175✓  
 (c) 180 (d) 185
43. If 70% of students in a school are boys and the number of girls is 504, the number of boys is:  
 (a) 1680 (b) 1176✓  
 (c) 1276 (d) None of these

- (c)  $A \cup B$  ✓ (d)  $B - A$
65.  $A - B = B - A$  if and only if:  
 (a)  $A \subseteq B$  or  $B \subseteq A$   
 (b)  $A = \phi$  or  $B = \phi$   
 (c)  $A = B$  ✓  
 (d) None
66. If  $A \cap B = \phi$ , then:  
 (a)  $B \subseteq A$   
 (c)  $A^c \subseteq B^c$   
 (b)  $A \subseteq B^c$  ✓  
 (d)  $B^c \subseteq A^c$
67.  $(A^c \cup B^c)^c$  equals:  
 (a)  $A \cup B$   
 (c)  $A - B$   
 (b)  $A \cap B$  ✓  
 (d)  $(A - B)^c$
68. If  $A \cup B = A \cup C$ , then:  
 (a)  $B = C$   
 (c)  $C \subseteq B$   
 (b)  $B \subseteq C$   
 (d) None ✓
69.  $A - B = \phi$  if and only if:  
 (a)  $A = B$   
 (c)  $A \subseteq B$  ✓  
 (b)  $B \subseteq A$   
 (d) None
70. If A and B are two subsets of X, then  $A^c \subseteq B$  if and only if:  
 (a)  $A \cup B = X$  ✓  
 (c)  $A \cap B = A$   
 (b)  $A \cap B = \phi$   
 (d) None
71.  $A \cap (B - C)$  is equal to:  
 (a)  $(A \cap B) - (A \cap C)$   
 (b)  $(A \cap B) - C$   
 (c)  $(A \cap B) - (A \cap C)$  ✓  
 (d)  $A - (B \cap C)$
72. If  $A = \{2,3,5\}$ ,  $B = \{4,5,6\}$ , then  $(A \cap B) \times A$  is:  
 (a)  $\{(2,5), (3,5)\}$   
 (b)  $\{(5,2), (5,3)\}$   
 (c)  $\{(5,2), (5,3), (5,5)\}$  ✓  
 (d)  $\{(5,2), (2,5), (3,5)\}$
73. If  $A = \{0,1,2\}$  and  $B = \{2,4,6\}$ , then  $(A \cap B) \times (A \cup B)$   
 (a)  $\{(0,2), (1,2), (2,2), (4,2), (6,2)\}$   
 (b)  $\{(2,0), (2,1), (2,2), (4,2), (2,6)\}$   
 (c)  $\{(0,2), (2,1), (2,2), (2,4), (2,6)\}$   
 (d)  $\{(2,0), (2,1), (2,2), (2,4), (2,6)\}$  ✓
74. If a set A has 5 elements and a set B has 10 elements, then number of elements in  $A \times B$  is:  
 (a) 50 ✓  
 (c) 5  
 (b) 15  
 (d) None
76. X and Y are subsets of a universal set U. If for all subsets P of U,  $P \cap X = P \cap Y$ , then X and Y are respectively:  
 (a)  $\phi, \phi$   
 (c)  $U, \phi$  ✓  
 (b)  $U, U$   
 (d)  $\phi, U$
80. In a group of persons, each one knows either Hindi or Tamil. If 100 know Hindi, 50 know Tamil and 30 know both, how many persons are there in the group?  
 (a) 120 ✓  
 (c) 150  
 (b) 130  
 (d) 180
81. If 63% of Indians like milk and 76% like tea, how many like both?  
 (a) 13%  
 (c) 39% ✓  
 (b) 26%  
 (d)  $6\frac{1}{2}\%$
82. In a group of 52 persons, 16 drink tea but not coffee and 33 drink tea. How many drink coffee but not tea?  
 (a) 3  
 (c) 17 ✓  
 (b) 7  
 (d) 19 ✓
83. A dinner party is to be fixed for a group consisting of 100 persons. In this party, 50 persons do not prefer fish, 60 prefer chicken and 10 do not prefer either chicken or fish. The number of persons who prefer both fish and chicken is:  
 (a) 10  
 (c) 30  
 (b) 20 ✓  
 (d) 40
84. In a class consisting of 100 students 20 know English and 20 do not know Hindi and 10 know neither English nor Hindi. The number of students knowing both Hindi and English is:  
 (a) 5  
 (c) 15  
 (b) 10 ✓  
 (d) 20
85. The function  $f: N \rightarrow N$   $f(x) = 2x$ , where N is the set of natural numbers, is:  
 (a) one-one & onto  
 (b) one-one but not onto ✓  
 (c) onto but not one-one  
 (d) Neither one-one nor onto
86. If  $f(x) = x^2$  and  $g(x) = x^3$ , x being real, then:  
 (a) f is one-one but g is not one-one  
 (b) f is not one-one and g is one-one ✓  
 (c) Neither f nor g is one-one  
 (d) Both f and g are one-one

25. Which one of the following is an infinite set?
- $\{x : x \in \mathbb{N}, x < 50\}$
  - $\{x : x \in \mathbb{I}, x < 50\}$  ✓
  - $\{x : x \in \mathbb{I}, x \text{ is a factor of } 500\}$
  - $\{x : x \text{ is a whole number, } x < 1000\}$
26. Which one of the following is a finite set?
- $\{x : x \in \mathbb{I}, x < 1\}$
  - $\{x : x \in \mathbb{R}, 0 < x < 1\}$
  - $\{x : x \in \mathbb{N}, x > 5\}$
  - $\{x : x \text{ is an even prime}\}$  ✓
27. Which one of the following is the empty set?
- $\{0\}$
  - $\{x \in \mathbb{N} : 5x = 9\}$  ✓
  - $\{x \in \mathbb{I} : 0 < x < 4 \text{ \& } x \text{ is even}\}$
  - $\{x \in \mathbb{I} : (x-1)(x-2) = 0 \text{ \& } x \text{ is odd}\}$
28. Which of the following pairs of sets is disjoint?
- $\{0, 1, 2\}$  &  $\{0, -1, -2\}$
  - $\{1, 3, 4, 5\}$  &  $\{3, 5, 7\}$
  - $\{1, 3, 5, 7\}$  &  $\{2, 4, 7, 9\}$
  - $\{1, 2, 3\}$  &  $\{-1, -2, -3\}$  ✓
29. Let  $A = \{1, 2, 3, 4, 5, 6\}$ . Then the incorrect statement is:
- $\phi \subseteq A$
  - $A \subseteq A$
  - $\{1, 5, 7\} \subseteq A$  ✓
  - $\{1, 2, 3\} \subseteq A$
30. Let  $A = \{x \in \mathbb{R} : 0 < x < 1\}$ . Which of the following is not an element of  $A$ ?
- $1$  ✓
  - $\frac{1}{2}$
  - $\frac{1}{3}$
  - $\frac{1}{4}$
31. Let  $A$  be the set of squares of natural numbers and let  $x \in A, y \in A$  then:
- $x + y \in A$
  - $x - y \in A$
  - $\frac{x}{y} \in A$
  - $xy \in A$  ✓
32. If  $A$  is the set of all positive integers and  $B$  is the set of all negative integers, then  $A \cup B$  is:
- the set of all integers
  - $\{0\}$
  - the set of all integers except zero ✓
  - None of these
33. If  $A$  is the set of all integral multiples of 3 and  $B$  is the set of all integral multiples of 5, then  $A \cap B$  is the set of all integral multiples of:
- $3+5$
  - $5-3$
  - $\text{g.c.d.}(3,5)$
  - $\text{L.c.m.}(3,5)$  ✓
35. The number of elements of the set  $\{x : x \in \mathbb{N}, x^2 = 1\}$ , where  $\mathbb{N}$  is the set of all natural numbers is:
- 2
  - 1 ✓
  - 0
  - 3
36. If  $A = \{1, 2, 3, 4\}$  and  $B = \{5, 6, 7\}$ , then  $A \cup B$  is:
- $\{1, 2, 3\}$
  - $\{5, 6, 7\}$
  - $\{4\}$
  - $\phi$  ✓
37. Let  $A = \{0, 1, 2, 4\}$ ,  $B = \{5, 6, 1, 3, 9\}$  and  $C = \{0, 1, 2, 3, 9, 13\}$ . Then,  $(A \cap B) \cup C$  is:
- $\{0, 1, 2, 3, 9, 13\}$  ✓
  - $\{0, 2, 3, 4, 9, 13\}$
  - $\{0, 1, 3\}$
  - $\{1, 3\}$
38. Let  $A = \{1, 2, 3, 4, 5\}$ ,  $B = \{2, 4, 6, 8\}$  and  $C = \{3, 4, 5, 6\}$ . The,  $(A \cup B) \cap C$  is:
- $\{3, 4\}$
  - $\{3, 4, 5, 6\}$  ✓
  - $\{1, 2, 3, 4, 6, 8\}$
  - $\{4, 6\}$
39. If  $A = \{1, 2, 3, \dots, 9\}$ ,  $B = \{2, 4, 6, 7, 8\}$  and  $C = \{3, 4, 5, 8, 9, 10\}$ , then  $(A - B) \cup C$  is:
- $\{1, 3, 4, 5, 8, 9, 10\}$  ✓
  - $\{1, 2, 3, 4, 5, 6, 7, 8, 9\}$
  - $\{2, 4, 6, 8\}$
  - $\{1, 3, 4, 5, 8, 9\}$
40. If  $A \cup B = A$ , then:
- $A \subset B$
  - $B \subset A$  ✓
  - $A \not\subset B \text{ \& } B \not\subset A$
  - None
41. If  $A \cap B = A$ , then:
- $A \subset B$  ✓
  - $B \subset A$
  - $A \not\subset B \text{ \& } B \not\subset A$
  - None
42. If  $A \cup B = \phi$ , then:
- $A = \phi$  or  $B = \phi$
  - $A = \phi$  and  $B = \phi$  ✓
  - $A = \phi$  &  $B \neq \phi$
  - $A \neq \phi$  and  $B = \phi$
43. If  $A$  has 3 elements and  $B$  has 6 elements, then the minimum number of elements in  $A \cup B$  is:
- 3
  - 6 ✓



75. The value of  $x$  in the equation  $8\left(x^2 + \frac{1}{x^2}\right)$

$$-42\left(x - \frac{1}{x}\right) + 29 = 0$$
 is:

- (a)  $4\checkmark$  (b)  $-2$   
 (c)  $\frac{1}{2}$  (d)  $\frac{1}{4}$

76. The value of  $x$  in the equation

$$\left(x + \frac{1}{x}\right)^2 - \frac{3}{2}\left(x - \frac{1}{x}\right) = 4$$
 is:

- (a)  $-2$  (b)  $\frac{1}{2}$   
 (c)  $1\checkmark$  (d)  $0$

77. The solution set of the equation  $(x+1)(x+2)(x+3)(x+4) = 120$  is:

- (a)  $\{6, 1\}$  (b)  $\{6, -1\}$   
 (c)  $\{-6, 1\}\checkmark$  (d)  $\{-6, -1\}$

78. The value of  $x$  in the equation  $\sqrt{4x-3} + \sqrt{2x+3} = 6$  is:

- (a)  $3$  (b)  $1$   
 (c)  $100$  (d)  $111\checkmark$

79. The roots of the equation  $4^x - 3 \cdot 2^{x+2} + 32 = 0$  would include.

- (a)  $1, 2$  and  $3$  (b)  $1$  and  $2$   
 (c)  $1$  and  $3$  (d)  $2$  and  $3\checkmark$

80. The solution set of the equation  $5^{x+1} + 5^{2-x} = 126$  is:

- (a)  $\{1, 2\}$  (b)  $\{-1, 2\}\checkmark$   
 (c)  $\{1, -2\}$  (d)  $\{1, -2\}$

81. The two parts into which  $57$  should be divided so that their product is  $782$  are:

- (a)  $43, 14$  (b)  $33, 24$   
 (c)  $34, 23\checkmark$  (d)  $44, 13$

82. The sum of a number and its reciprocal is

$$2\frac{1}{20}$$
. The number is:

- (a)  $\frac{5}{4}\checkmark$  (b)  $\frac{3}{4}$   
 (c)  $\frac{4}{3}$  (d)  $\frac{1}{6}$

83. A two digit number is such that the product of the digits is  $8$ . When  $18$  is added to the number, the digits are reversed. The number is:

- (a)  $18$  (b)  $24\checkmark$   
 (c)  $81$  (d)  $42$

84. The perimeter of a rectangle is  $82$  m and its area is  $400\text{m}^2$ . The breadth of the rectangle is:

- (a)  $25\text{m}$  (b)  $16\text{m}\checkmark$   
 (c)  $9\text{m}$  (d)  $20\text{m}$

85. Out of a group of swans,  $\left(\frac{7}{2}\right)$  times the

square root of the number are swimming in water while two remaining are playing on the shore. The total number of swans is:

- (a)  $4$  (b)  $8$   
 (c)  $12$  (d)  $16\checkmark$

## Set-Theory

- A set is:
  - a collection of objects
  - a group of objects
  - a collection of objects with a fixed common property
  - a well defined collection of objects $\checkmark$
- If  $A = \{1\}$ , which of the following statements is correct?
  - $A = 1$  (b)  $1 \subset A$
  - $\{1\} \in A$  (d)  $1 \in A\checkmark$
- If  $A = \{1, 2, \{3, 4\}\}$ , which of the following statements is incorrect?
  - $3 \in A$  (b)  $\{1\} \subset A\checkmark$
  - $\{2\} \in A$  (d)  $1 \subseteq A$
- If  $A = \{1, \{2, 3\}, 5\}$ , which of the following statements is incorrect?
  - $\{2, 3\} \in A$  (b)  $\{\{2, 3\}\} \subseteq A$
  - $\{3\} \subseteq A\checkmark$  (d)  $\{5\} \subseteq A$
- If  $A = \{2, \{3, 4\}, 6\}$ , which of the following is correct?
  - $\{2\} \in A$  (b)  $\{3\} \in A$
  - $\{4\} \in A$  (d)  $\{3, 4\} \in A\checkmark$
- If  $A = \{1, \{2, 3\}, 4\}$ , which of the following is a subset of  $A$ ?
  - $\{1, 2\}$  (b)  $\{2, 3\}$
  - $\{3, 4\}$  (d)  $\{1, 4\}\checkmark$
- Let  $A = \{3, \pi, \sqrt{2}, \frac{2}{7}, -5, 3 + \sqrt{7}\}$ . The subset of  $A$  containing all the elements from it which are irrational numbers is:

- (a)  $a = \frac{1}{2}, c = 5$  ✓ (b)  $a = 2, c = 3$
- (c)  $a = 5, c = \frac{1}{2}$  (d)  $a = 3, c = 2$
41. If the sum of the roots of the equation  $kx^2 + 2x + 3k = 0$  is equal to their product, then the value of  $k$  is:
- (a)  $\frac{1}{3}$  (b)  $-\frac{1}{3}$
- (c)  $\frac{2}{3}$  (d)  $-\frac{2}{3}$  ✓
42. If  $(x+3)(x+4)(x+5) = x(x-2)^2 + 16x^2 - 26$ , then:
- (a)  $x = -2$  ✓ (b)  $x = 2$
- (c)  $x = 3$  (d)  $x = 4$
43. If  $\alpha, \beta$  be the roots of  $ax^2 + bx + c = 0$ , the value of  $\alpha^2 + \beta^2$  is:
- (a)  $\frac{b^2 - 4ac}{2a}$  (b)  $\frac{b^2 - 2ac}{2a}$
- (c)  $\frac{b^2 - 2ac}{a^2}$  ✓ (d)  $\frac{b^2 - 4ac}{2ac}$
44. If  $\alpha, \beta$  are the roots of  $x^2 - px + q = 0$ , then the value of  $\alpha^2 + \beta^2$  is:
- (a)  $p^2 + 2q$  (b)  $p^2 - 2q$  ✓
- (c)  $p(p^2 - 3q)$  (d)  $p^2 - 4q$
45. If  $\alpha, \beta$  are the roots of the quadratic equation  $x^2 - 6x + 6 = 0$ , the value of  $\alpha^2 + \beta^2$  is:
- (a) 36 (b) 24 ✓
- (c) 12 (d) 6
46. If  $\alpha, \beta$  are the roots of the equation  $x^2 - 8x + p = 0$  and  $\alpha^2 + \beta^2 = 40$ , then  $p$  is equal to:
- (a) 8 (b) 10
- (c) 12 ✓ (d) 14
47. If  $\alpha, \beta$  are the roots of the equation  $x^2 + x + 1 = 0$ , the value of  $\alpha^4 \beta^4$  is:
- (a) 0 (b) 1
- (c) -1 ✓ (d) None of these
48. If  $\alpha, \beta$  are the roots of the equation  $2x^2 - 4x + 3 = 0$ , then the value of  $\alpha^3 + \beta^3$  is:
- (a) -1 ✓ (b) 1
- (c) 2 (d) 0
49. If  $\alpha, \beta$  are the roots of the equation  $x^2 - 5x + 6 = 0$ , the value of  $\alpha^2 - \beta^2$  is:
- (a)  $\pm 4$  (b)  $\pm 5$  ✓
- (c)  $\pm 6$  (d) 0
50. If  $\alpha, \beta$  are the roots of  $x^2 + px$  of  $\frac{\alpha}{\beta} + \frac{\beta}{\alpha}$  is:
- (a)  $\frac{p^3 - 2q}{q}$  ✓ (b)  $\frac{p^2 + 2q}{q}$
- (c)  $\frac{-p^3 + 2q}{q}$  (d)  $\frac{-p^3 - 2q}{q}$
51. If  $\alpha, \beta$  are the roots of the equation  $ax^2 + bx + c = 0$ , the value of  $\frac{\alpha}{\beta^2} + \frac{\beta}{\alpha^2}$  is:
- (a)  $\frac{b^2 - 2ac}{ac}$  (b)  $\frac{-b^3 + 3abc}{a^3}$
- (c)  $\frac{-b^3 - 3abc}{ac^2}$  ✓ (d)  $\frac{b^2 - 2ac}{a^2}$
52. If one root of  $5x^2 + 13x + k = 0$  be the reciprocal of the other root, the value of  $k$  is:
- (a) 0 (b) 1
- (c) 2 (d) 5 ✓
53. The roots of the equation  $ax^2 + bx + c = 0$  will be reciprocals if:
- (a)  $a = b$  (b)  $b = c$
- (c)  $c = a$  ✓ (d) None of these
54. The value of  $k$  for which the roots  $\alpha, \beta$  of the equation  $x^2 - 6x + k = 0$  satisfy the relation  $3\alpha + 2\beta = 20$ , is
- (a) 8 ✓ (b) -8
- (c) 16 (d) -16
55. If  $\alpha, \beta$  are the roots of the equation  $2x^2 - 3x + 1 = 0$ , then the equation whose roots are  $\frac{\alpha}{\beta}$  and  $\frac{\beta}{\alpha}$  is:
- (a)  $2x^2 + 5x + 2 = 0$
- (b)  $2x^2 - 5x - 2 = 0$
- (c)  $2x^2 + 5x - 2 = 0$
- (d)  $2x^2 - 5x + 2 = 0$  ✓
56. If  $\alpha, \beta$  are the roots of the equation  $x^2 - 3x + 2 = 0$ , then the equation whose roots are  $(\alpha + 1)$  and  $(\beta + 1)$  is:
- (a)  $x^2 + 5x + 6 = 0$  (b)  $x^2 - 5x - 6 = 0$

## Quadratic Equations

1. The value of the expression  $16x^2 + 24x + 9$  for  $x = -\frac{3}{4}$  is:  
 (a) 2 (b) 1  
 (c) 0 ✓ (d) -1
2.  $x = 3$  is solution of the equation  $3x^2 + (k - 1)x + 9 = 0$  if  $k$  has value.  
 (a) 13 (b) -13  
 (c) 11 (d) -11 ✓
3. The roots of the equation  $x^2 + 2x - 35 = 0$  are:  
 (a) 5, 7 (b) -5, -7  
 (c) -5, 7 (d) 5, -7 ✓
5. The quadratic polynomial in  $x$  whose zeros are  $a, 2a$  is:  
 (a)  $(x+a)(x-2a)$  (b)  $(x-2a)(x+2a)$   
 (c)  $(x+a)(x+2a)$  (d)  $(x-a)(x-2a)$  ✓
6. The expression  $x^4 + 7x^2 + 16$  can be factorized as:  
 (a)  $(x^2 + x + 1)(x^2 + x + 16)$   
 (b)  $(x^2 + x + 4)(x^2 - x - 4)$   
 (c)  $(x^2 + x - 4)(x^2 - x + 4)$  ✓  
 (d)  $(x^2 + x - 4)(x^2 - x - 4)$
7. The solution of  $2 - x = \frac{x-2}{x}$  would include:  
 (a) -2, -1 (b) 2, -1 ✓  
 (c) -4, 2 (d) 4, -2
8. The common root of the equations  $x^2 - 7x + 10 = 0$  and  $x^2 - 10x + 16 = 0$  is:  
 (a) -2 (b) 3  
 (c) 5 (d) 2 ✓
9. If  $x$  is real, the value of the expression  $-3x^2 + 6x - 1$  is:  
 (a) less than 2 (b) greater than 2  
 (c) lies between -2 and 2  
 (d) None of these ✓
14. If the product of the roots of  $x^2 - 3x + k = 0$  is -2 the value of  $k$  is  
 (a) -2 (b) 8 ✓  
 (c) 12 (d) -8
15. If one root of the equation  $2x^2 + ax + 6 = 0$  is 2 the value of  $a$  is:  
 (a) 7 (b)  $\frac{7}{2}$
- (c) -7 ✓ (d)  $-\frac{7}{2}$
16. The ratio of the sum and the product of the roots of  $7x^2 - 12x + 18 = 0$  is:  
 (a) 7:12 (b) 2:3 ✓  
 (c) 3:2 (d) 7:18
17. The roots of  $2x^2 - 6x + 7 = 0$  are:  
 (a) real, unequal and rational  
 (b) real, unequal and irrational  
 (c) real and equal  
 (d) imaginary ✓
18. The roots of  $2x^2 - 6x + 3 = 0$  are:  
 (a) real, unequal and  
 (b) real, unequal and irrational ✓  
 (c) real and equal  
 (d) imaginary
19. With respect to the roots of  $x^2 - x - 2 = 0$ , we can say that  
 (a) both of them are natural numbers  
 (b) both of them are integers ✓  
 (c) the latter of the two is negative  
 (d) none of these
20. The equation  $x^2 + 4x + k = 0$  has real roots. Then:  
 (a)  $k \geq 4$  (b)  $k \leq 4$  ✓  
 (c)  $k \leq 0$  (d)  $k \geq 0$
21. The value of  $k$  for which  $x^2 - 4x + k = 0$  has coincident roots is:  
 (a) 4 ✓ (b) -4  
 (c) 0 (d) 2
22. The equation ( $m$  being real),  $mx^2 + 2x + m = 0$  has two distinct roots, if:  
 (a)  $m \neq 0$  (b)  $m \neq 0, 1$   
 (c)  $m \neq 1, -1$  ✓
23. If the equation  $x^2 + 2(k+2)x + 9k = 0$  has equal roots, the values of  $k$  are:  
 (a) 1, 4 ✓ (b) -1, 4  
 (c) 1, -4 (d) -1, -4
24. If the roots of  $ax^2 + bx + c = 0$  be equal, then the value of  $c$  is:  
 (a)  $-\frac{b}{2a}$  (b)  $\frac{b}{2a}$   
 (c)  $-\frac{b^2}{4a}$  (d)  $\frac{b^2}{4a}$  ✓
25. If the roots of  $x^2 + 4mx + 4m^2 + m + 1 = 0$  are real, then:  
 (a)  $m = -1$  (b)  $m \leq -1$  ✓

- (c) 6✓ (d) 8
33. The course of any enemy submarine as plotted on a set of rectangular axes gives the equation  $2x + 3y = 5$ . On the same axes, the course of destroyer is indicated by  $x - y = 10$ . The point  $(x, y)$  at which the submarine can be destroyed is:
- (a) (7, -3)✓ (b) (-3, 7)  
(c) (-7, 3) (d) (3, -7)
34. A system of two simultaneous linear equation in two variables is inconsistent, if their graphs.
- (a) are parallel✓ (b) are coincident  
(c) intersect in one point (d) None of these
35. For what value of  $k$  will the equations  $2x + 32y + 3 = 0$  and  $3x + 48y + k = 0$  represent coincident lines?
- (a)  $\frac{2}{3}$  (b)  $\frac{3}{2}$   
(c)  $\frac{9}{2}$ ✓ (d) 1
36. The equations  $ax + b = 0$  and  $cx + d = 0$  are consistent, if
- (a)  $ad = bc$ ✓ (b)  $ad + bc = 0$   
(c)  $ab - cd = 0$  (d)  $ab + cd = 0$
37.  $E_1$  and  $E_2$  are two linear equations in two variables  $x$  and  $y$ ,  $(0, 1)$  is a solution of both  $E_1$  and  $E_2$ ,  $(2, -1)$  is a solution of  $E_1$  only and  $(-2, -1)$  is a solution of  $E_2$  only.  $E_1$  and  $E_2$  are.
- (a)  $x = 0, y = 1$   
(b)  $2x - y = -1, 4x + y = 1$   
(c)  $x + y = 1, x - y = -1$ ✓  
(d)  $x + 2y = 2, x + y = 1$
38. The total cost of 6 books and 4 pencils is Rs. 34 and that of 5 books and 50 pencils is Rs. 30. The cost of each book and pencil (in Rs.) respectively is.
- (a) 1 and 5 (b) 5 and 1✓  
(c) 6 and 1 (d) 1 and 6
39. The sum of two numbers is 80. If the larger number exceeds four times the smaller one by 5, then the smaller number is.
- (a) 5 (b) 15✓  
(c) 20 (d) 25
40. The difference between two numbers is 5 and the difference between their squares is 65. The larger number is:
- (a) 9✓ (b) 10  
(c) 11 (d) 12
41. If 3 chairs and 2 tubes cost Rs. 1200 and 5 chairs and 3 tubes cost Rs. 1900, then the cost of 2 chairs and 2 tubes (in Rs.) is:
- (a) 700 (b) 900  
(c) 1000✓ (d) 1100
42. Let  $x$  and  $y$  be the costs of a mango and an orange respectively. Suppose, cost of 2 mangoes is 1 rupee more than cost 3 oranges and cost of 3 oranges is 1 rupee more than the cost of one mango. Then,
- (a)  $2x - 3y = 1, x - 3y = -1$ ✓  
(b)  $2x - 3y = 1, 3y - x = -1$   
(c)  $2x + 3y = 1, 3y - x = -1$   
(d)  $3y - 2x = 1, x - 3y = 1$
43. If three times the larger of two numbers is divided by the smaller, the quotient and the remainder, each is equal to 6. If five times the smaller is divided by the larger, the quotient is 2 and the remainder is 3. The smaller number is.
- (a) 6 (b) 7✓  
(c) 8 (d) 9
44. A number consists of two digits, whose sum is 10. If 18 is subtracted from the number, digits are reversed is 2 and the remainder is 3. The smaller number is.
- (a) 64✓ (b) 46  
(c) 55 (d) 78
45. A number consists of two digits whose sum is 9. The number obtained by reversing the order of the digits of the given number, exceeds the given number by 27. The number is.
- (a) 36✓ (b) 45  
(c) 54 (d) 27
46. There are two examination halls, P and Q. If 10 students are sent from P to Q, then the number of students in each room is the same. If 20 students are sent from Q to P, then the number of students in P is double of that in Q. The number of students in P and Q respectively are.
- (a) 100, 80✓ (b) 80, 60

- (c)  $x = -1, y = -1$   
 (d)  $x = 1, y = -1$  ✓
4. If  $2x + 3y = 12$  and  $3x - 2y = 5$ , then  $x$  and  $y$  must have the values:  
 (a) 2 and 3 (b) 2 and -3  
 (c) 3 and -2 (d) 3 and 2 ✓
5. If  $7x + 9y = 85$  and  $4x + 5y = 48$ , then:  
 (a)  $x = 5, y = \frac{50}{9}$  (b)  $x = \frac{40}{7}, y = 5$   
 (c)  $x = 37, y = 3$  (d)  $x = 7, y = 4$  ✓
6. The solution of the equations  $x - y = 0.9$  and  $\frac{11}{2(x+y)} = 1$  is:  
 (a)  $x = 3.2, y = 2.3$  ✓ (b)  $x = 1, y = 0.1$   
 (c)  $x = 2, y = 1.1$  (d) None of these
7. If  $12x + 17y = 53$  and  $17x + 12y = 63$ , the  $x$  and  $y$  are respectively equal to.  
 (a) 1.4 (b) 3.1 ✓  
 (c)  $4, \frac{5}{17}$  (d) 0.5
8. The solution of the simultaneous linear equations.  
 $\frac{2x}{3} - \frac{y}{2} = \frac{-1}{6}$  and  $\frac{x}{2} + \frac{2y}{3} = 3$  is  
 (a)  $x = 2, y = 3$  ✓ (b)  $x = -2, y = 7$   
 (c)  $x = 2, y = -3$  (d)  $x = -2, y = -3$
9. The solution of the pair of equations  
 $\frac{3}{x} + \frac{6}{y} = 12$  and  $-\frac{4}{x} + \frac{12}{y} = 44$  is given by:  
 (a)  $x = 2, y = 3$  (b)  $x = -2, y = 3$   
 (c)  $x = -\frac{1}{2}, y = 3$  (d)  $x = -\frac{1}{2}, y = \frac{1}{3}$  ✓
10. Consider the equations  $P: \frac{2}{x} + \frac{3}{y} = 6$  and  
 $Q: \frac{1}{x} + \frac{1}{2y} = 2$ . Then  $x = \frac{2}{3}, y = 1$  satisfy  
 (a) P, not Q (b) Q, not P  
 (c) P and Q both ✓ (d) Neither P nor Q
11. The solution of the equations  
 $\frac{3x - y + 1}{3} = \frac{2x + y + 2}{5} = \frac{3x + 2y + 1}{6}$  is  
 given by:  
 (a)  $x = 2, y = 1$  (b)  $x = 1, y = 1$  ✓  
 (c)  $x = -1, y = -1$  (d)  $x = 1, y = 2$
12. The solution to the system of equations  $|x + y| = 1$  and  $x - y = 0$  is given by:  
 (a)  $x = y = \frac{1}{2}$  (b)  $x = y = -\frac{1}{2}$   
 (c)  $x = -1, y = 0$   
 (d)  $x = y = \frac{1}{2}$  or  $x = y = -\frac{1}{2}$  ✓
13. The value of  $y$  in the solution of the equation  $2^{x+y} = 2^{x-y} = \sqrt{8}$  is:  
 (a) 0 ✓ (b)  $\frac{1}{4}$   
 (c)  $\frac{1}{2}$  (d)  $\frac{3}{4}$
14. The value of  $x + y$  in the solution of the equations  $\frac{x}{4} + \frac{y}{3} = \frac{5}{12}$  and  $\frac{x}{2} + y = 1$  is:  
 (a)  $\frac{1}{2}$  (b)  $\frac{3}{2}$  ✓  
 (c) 2 (d)  $\frac{5}{2}$
15. The solution of the equations  $\frac{m}{x} + \frac{n}{y} = a$ ,  
 $\frac{n}{x} + \frac{m}{y} = b$  is given by:  
 (a)  $x = \frac{n^2 + m^2}{am - bn}, y = \frac{m^2 - n^2}{bm - an}$   
 (b)  $x = \frac{m^2 - n^2}{am - bn}, y = \frac{n^2 - m^2}{bm - an}$   
 (c)  $x = \frac{m^2 - n^2}{am - bn}, y = \frac{m^2 - n^2}{bm - an}$  ✓  
 (d)  $x = \frac{n^2 - m^2}{am - bn}, y = \frac{n^2 - m^2}{bm - an}$
16. The solution of the equations  
 $\frac{3}{x+y} + \frac{2}{x-y} = 2$  and  $\frac{9}{x+y} - \frac{4}{x-y} = 1$  is  
 given by:  
 (a)  $x = \frac{1}{2}, y = \frac{3}{2}$  (b)  $x = \frac{5}{2}, y = \frac{1}{2}$  ✓  
 (c)  $x = \frac{3}{2}, y = \frac{1}{2}$  (d)  $x = \frac{1}{2}, y = \frac{5}{2}$
17. The solution set of the equations.

- (a) Between 5 and 20 ✓ (b) Fewer than 5  
(c) Between 1 and 5 (d) More than
14. The smallest and the largest values of any given class of a frequency distribution are called.  
(a) Class interval (b) Class limits ✓  
(c) Class marks (d) None of above
15. In construction of frequency distribution, the first step is:  
(a) To find the class boundaries  
(b) To calculate the class marks  
(c) To find range of the data ✓  
(d) None of above
16. The footnotes are normally represented by:  
(a) ----- (b) ★★★★★ ✓  
(c) ..... (d) ??????
17. In a statistical table, column captions are also called:  
(a) Stubs (b) Box heads ✓  
(c) Prefatory spaces (d) Body
18. Source notes are given at the:  
(a) End of the table ✓  
(b) Beginning of the table  
(c) Top of the table  
(d) Middle of the table
19. The number of tally count for each value is called its:  
(a) Class mark (b) Class interval  
(c) Frequency ✓ (d) Range
20. The part of the table containing column captions is called:  
(a) Stub (b) Box-head ✓  
(c) Body (d) Prefatory
21. The part of the table containing row captions is called.  
(a) Stub ✓ (b) Box-head  
(c) Body (d) Prefatory
22. The headings for different rows are called:  
(a) Rows captions ✓  
(b) Column captions  
(c) Stubs  
(d) Both a & c
23. The headings for different columns are called.  
(a) Column captions  
(b) Rows captions  
(c) Box-head  
(d) Both a & c ✓
24. In pie diagram the angle Q is obtained by the:  
(a)  $\frac{\text{Component Part}}{\text{Total}} \times 180$   
(b)  $\frac{\text{Component Part}}{\text{Total}} \times 360$  ✓  
(c)  $\frac{\text{Component Part}}{\text{Total}} \times 100$   
(d)  $\frac{\text{Component Part}}{\text{Total}} \times 120$
25. Frequency polygon is a:  
(a) Circular graph (b) Square graph  
(c) Bar graph (d) Line graph ✓
26. The cumulative frequency polygon is also called.  
(a) Ogive ✓ (b) Bar graph  
(c) Rectangular graph (d) Histogram
27. A bimodal frequency curve consists of:  
(a) Two maxima ✓ (b) One maxima  
(c) Three maxima (d) No Maxima
29. The difference between the upper and the lower class boundaries of a class is known as:  
(a) Class marks (b) Class limit  
(c) Class interval ✓ (d) Range
30. To show no entry in a cell of the dashes (---) and ..... are used:  
(a) ??? (b) ★★★★★  
(c) ..... ✓ (d) zeroes
31. In frequency curve if the longer tail occurs to the left curve is called:  
(a) Positively skewed (b) Symmetrical  
(c) Negatively skewed ✓ (d) Identical
32. In frequency curve if the longer tail occurs to the right, the curve is called:  
(a) Positively skewed ✓  
(b) Symmetrical  
(c) Negatively skewed  
(d) Identical
33. Graph of time series:  
(a) Histogram ✓ (b) Histogram  
(c) Frequency polygon (d) Ogive
34. Width of the class (h) is obtained by the relation.  
(a)  $\sqrt{n}$

- (c) None of the above
4. The theory of comparative advantages can be applied if, for two goods, one trade partner.
- (a) Has absolute disadvantage in one commodity only  
 (b) Has absolute advantage in one commodity only  
 (c) Has absolute advantage in both commodities  
 (d) All of the above ✓  
 (e) None of the above
5. Comparative advantage means.
- (a) Greater absolute advantage in one commodity  
 (b) Less absolute disadvantage in one commodity  
 (c) Comparative advantage in both commodities  
 (d) a & b ✓  
 (e) a & c
6. A country can not have.
- (a) Absolute advantage in both commodities  
 (b) Comparative advantage in both commodities ✓  
 (c) Absolute disadvantage in both commodities  
 (d) a & b  
 (e) a & c
11. According to the modern theory of trade, a labor intensive commodity will be produced by a
- (a) Capital abundant country  
 (b) Labour abundant country  
 (c) Both the labour abundant and capital abundant country ✓  
 (d) By none of the countries  
 (e) None of the above
12. Partial specialization is a result of trade according to which theory?
- (a) Theory of absolute advantages  
 (b) Theory of comparative advantages  
 (c) Heckscher-Ohlin theorem ✓  
 (d) All of the above  
 (e) None of the above
13. Both trade partners benefit from trade according to which theory?
- (a) Theory of absolute advantages  
 (b) Theory of comparative advantages  
 (c) Heckscher-Ohlin theorem  
 (d) All of the above ✓  
 (e) None of the above
14. According to modern theory of trade, after trade, both trading nations are on a.
- (a) Higher production possibility curve  
 (b) Higher community indifference curve ✓  
 (c) Lower production possibility curve  
 (d) Lower community indifference curve  
 (e) None of the above
15. According to the modern theory of trade, engaging in trade, the welfare of.
- (a) Both countries increases ✓  
 (b) Of the country having absolute advantage in both commodities increases  
 (c) None of the countries increases  
 (d) The exporters only increases  
 (e) None of the above
1. Tax is.
- (a) Paid by choice  
 (b) A compulsory contribution to the society ✓  
 (c) A type of fine for living in a country  
 (d) A type of fee for citizenship  
 (e) None of the above
2. In a tax system, the canon of economy means that
- (a) Less tax should be collected  
 (b) Only economists should be taxed  
 (c) Only economists should collect taxes  
 (d) Tax collection costs should be reasonable ✓  
 (e) None of the above
3. Ad Valorem tax means.
- (a) Tax at value ✓ (b) Tax at volume  
 (c) Tax per unit (d) Tax on weight  
 (e) None of the above
4. Indirect taxes are.
- (a) Paid by one person and burden is on another person ✓  
 (b) Paid by a person and the burden fall on the same person  
 (c) Paid by a person and the burden is on the government  
 (d) All the above are possible  
 (e) None of the above

9. GNP/ GNI is not a good measure of welfare because it does not include.
- Household production
  - Non-material items
  - Happiness
  - All of the above✓
  - None of the above
10. GNP minus depreciation gives
- GNI
  - PI
  - NNP✓
  - GDP
  - None of the above

## Consumption And Saving

1. According to Keynes theory of consumption, consumption grows with income but
- More than proportionality
  - Less than proportionately✓
  - Only till the need for necessities is fulfilled
  - At a constant rate
  - None of the rate
2. MPC is the slope of the
- Consumption function✓
  - Saving function
  - Disposable income
  - All of the above
  - None of the above
3. For the consumption function described by the equation  $C = 500 + 0.8 Y_d$ , the MPC is.
- 8%
  - 0.8
  - 80%✓
  - a & b
  - b & c
4. The following is not correct.
- $MPC + APC = 1$ ✓
  - $MPC + MPS = 1$
  - $APC + APS = 1$
  - $C = a + b Y_d$
  - b & c
5. If average propensity to save is 0.2, then
- $MPC = 0.2$
  - $MPC = 0.1$
  - $MPC = 1$
  - $MPC = 2$
  - None of the above✓
6. The following is/ are positively sloped.
- Saving function
  - Consumption function
  - Long run consumption function
  - All of the above✓
  - None of the above
7. The idea that long run consumption function passes through the origin was given by.
- J.M. Keynes
  - Simon Kuznets✓
  - Alfred Marshall
  - Adam Smith
  - None of the above
8. The following may influence consumption.
- Household size
  - Future expectations
  - Geographical location
  - All of the above✓
  - None of the above
9. If MPC declines over time then.
- MPS will increase✓
  - MPS will also decrease
  - MPS may remain the same
  - All of the above is possible
  - None of the above
10. If the structure of the population changes in such a way that the proportion of young people increases considerably then.
- APC will increase
  - APC will decline
  - APS will decline
  - a & b
  - a & c✓
1. Induced investment is the part of investment that.
- Depends on income
  - Is independent of income✓
  - Some times depends and some time does not depend on income
  - Depends on income only in the long run
  - None of the above
2. Investment is.
- A decreasing function of income
  - An increasing function of income
  - The change in existing stock of capital✓
  - a & b
  - b & c
3. Keynes believed that in the short run.
- Investment depends on income



- (d) all of the above  
(e) none of the above
6. Advertising.  
(a) Normally shifts the demand curve to the right  
(b) May increase the slope of demand curve  
(c) May cause a decrease in elasticity of demand  
(d) All of the above ✓  
(e) None of the above
7. In the long run, a firm operating under monopolistic competition earns.  
(a) Normal profit ✓  
(b) Super normal profit  
(c) Negative profit  
(d) Positive economic profits  
(e) None of the above
8. Under oligopoly, we find  
(a) One seller (b) Two sellers  
(c) few sellers ✓ (d) Many sellers  
(e) Any number of sellers
9. Sweezy's kinked demand model is related to.  
(a) Oligopoly ✓  
(b) Perfect competition  
(c) Monopolistic competition  
(d) All of the above  
(e) None of the above
10. Cartel is a type of.  
(a) Perfect competition  
(b) Monopoly ✓  
(c) Monopolistic competition  
(d) All of the above  
(e) None of the above
2. In a competitive labour market, wage rate is determined by.  
(a) The owners of a firm  
(b) Developed countries  
(c) Demand and supply of labour ✓  
(d) Demand and supply of goods  
(e) None of the above
3. According to marginal productivity theory, the price of a factor, in the long run will be equal to.  
(a) The factor's available quantity  
(b) The price decided by the government  
(c) The factor's price in other countries  
(d) The factor's marginal revenue product ✓  
(e) None of the above
4. Marginal productivity is also called.  
(a) Marginal revenue product  
(b) Marginal physical product  
(c) Marginal product of a factor  
(d) All of the above ✓  
(e) None of the above
5. In the marginal productivity theory, the supply of labour is.  
(a) Inelastic  
(b) Perfectly elastic ✓  
(c) Highly elastic  
(d) Equal to population  
(e) None of the above
6. The modern theory of factor pricing discussed here assumes that labour supply is.  
(a) Perfectly elastic  
(b) Inelastic  
(c) Less than perfectly elastic ✓  
(d) Infinite  
(e) None of the above

## Factors Market And Income Distribution

1. Distribution theories explain.  
(a) Distribution of produced wealth among factors of production ✓  
(b) Distribution of bribe money among government officials  
(c) Distribution of power among politicians  
(d) Distribution of oil resources among developed nations  
(e) None of the above

## Wages The Price of Labour

1. Rent is a concept the can be used for.  
(a) Labour (b) Capital  
(c) Land  
(d) All factors of production ✓  
(e) None of the above
2. Land is.  
(a) A relatively fixed factors of production ✓

4. Under perfect competition with short run super normal profit.
- (a)  $AC < MC$  (b)  $AC > MC$ ✓  
 (c)  $AC = MC$  (d)  $AC = AR$   
 (e)  $AR = MC$
5. In the long run under perfect competition.
- (a)  $LAC < LMC$   
 (b)  $LAC < LMC$   
 (c)  $LAC = LMC = AR = MR = P$ ✓  
 (d)  $LAC > AR > MR$   
 (e) None of the above
6. For equilibrium under perfect competition a required condition is that.
- (a) Slope of  $MR >$  slope of  $MC$   
 (b) Slope of  $MC >$  slope of  $MR$ ✓  
 (c) Slope  $MR =$  slope of  $MC$   
 (d) Slope of  $MC <$  slope of  $MR$   
 (e) None of the above
7. A shut down point is actually.
- (a) A long run situation  
 (b) A long run profit maximization  
 (c) A short run loss minimization✓  
 (d) A point where revenues are zero  
 (e) None of the above
8. In the long run under perfect competition, firms earn only normal profits.
- (a) Costs are high  
 (b) Government does not allow super normal profits  
 (c) Price are very low  
 (d) Taxes are high  
 (e) Free entry and exit of firms is possible✓
9. Under perfect competition in the short run, the supply curve of the firm is actually her.
- (a) Marginal cost curve✓  
 (b) Average cost curve  
 (c) Input supply curve  
 (d) Marginal revenue curve  
 (e) None of the above
10. Under perfect competition in the long run, the industry supply curve is by.
- (a) Intersection of demand and supply curves✓  
 (b) Adding all marginal costs  
 (c) Adding all supply curves  
 (d) All above can be used  
 (e) None of the above
11. The firm feels that she can not cover average total cost in the short the firm will decide to.
- (a) Permanently hut down  
 (b) Temporarily shut down✓  
 (c) Do nothing because nothing can be done  
 (d) Increase production  
 (e) Decrease production
12. perfect competition.
- (a) Is often the market situation  
 (b) Is always the market situation  
 (c) In never the market situation  
 (d) Is rarely the market situation✓  
 (e) None of the above
13. Which of the following statement is correct under perfect competition.
- (a) Prices are out of the control of the individual firm  
 (b) Prices are determined by demand and supply in the industry  
 (c) Prices are taken as fixed for an individual firm  
 (d) All of the above✓  
 (e) None of the above
14. If the price per unit of a product in the market is Rs. 20 and average cost is Rs. 18 then the firm is earning.
- (a) Normal profits  
 (b) Super normal profits✓  
 (c) Nothing  
 (d) Rs. 20 per unit  
 (e) None of the above
15. Under perfect competition, the demand is.
- (a) Inelastic (b) Infinitely elastic✓  
 (c) Less elastic (d) Minimum possible  
 (e) None of the above
1. The characteristics of monopoly include.
- (a) A single firm✓  
 (b) Control over price  
 (c) Barriers to entry of firms  
 (d) Free entry and exit  
 (e) None of the above
2. Monopoly is.
- (a) A market structure✓  
 (b) A union of firms  
 (c) Market where many firms have perfect control over price

- (b) Elasticity of supply is less than short run.  
 (c) Elasticity of demand is less than short run.  
 (d) B & c  
 (e) a & c
13. For a luxury.  
 (a) Price elasticity of demand is positive  
 (b) Demand is highly elastic ✓  
 (c) Demand is less elastic  
 (d) Supply is less elastic  
 (e) None of the above.
14. If price rises from 10 to 20 Rs. Quantity demanded fall from 100 to 50, the point elasticity of demand at Rs. 10 is.  
 (a)  $\frac{1}{2}$  (b)  $\frac{1}{4}$   
 (c)  $-\frac{1}{2}$  ✓ (d) 1  
 (e) 2

## Market Equilibrium

1. If both demand and supply rise, what happens to equilibrium price?  
 (a) It will increase  
 (b) It will decrease  
 (c) It will Not change  
 (d) Nothing can be said ✓  
 (e) First price will rise then fall
2. If demand rises by 10% and supply rise by 50% what happens to equilibrium price?  
 (a) It will increase (b) It will decrease ✓  
 (c) It will not change  
 (d) Nothing can be said  
 (e) First price will rise then fall
3. In a shortage situation, price will.  
 (a) Rise ✓ (b) Fall  
 (c) Be unchanged  
 (d) Nothing can be said  
 (e) First fall and then rise

## Production

1. Production can be explained as.  
 (a) A process to use labor, capital and other factors to create new commodities.  
 (b) A process to transform inputs into output  
 (c) Creating goods using factors of production.  
 (d) All of the above. ✓
- (e) None of the above.
2. Production function is.  
 (a) a mathematical formula.  
 (b) A relationship between goods and services.  
 (c) A relationship between labor, capital, etc.  
 (d) A relationship between inputs and outputs. ✓  
 (e) None of the above.
3. The relation between inputs and out put is give by.  
 (a) Law of eventually diminishing returns.  
 (b) Law of variable proportions.  
 (c) Laws of production.  
 (d) All of the above. ✓  
 (e) None of the above.
4. Marginal Product is.  
 (a) The slope of the production function.  
 (b) Rate of change of output w.r.t one input.  
 (c) Change in TP/ change in some variable input.  
 (d) All of the above. ✓  
 (e) None of the above.
5. At maximum total product, marginal product is.  
 (a) Zero ✓  
 (b) Negative  
 (c) Positive  
 (d) Negative and rising  
 (e) None of the above
6. In the second stage of production.  
 (a) MP falls and TP remains constant.  
 (b) MP falls and total product increases. ✓  
 (c) Marginal product increases and TP falls.  
 (d) MP increases and TP remains constant.  
 (e) None of the above.
7. Law of returns are also called.  
 (a) Laws of revenues  
 (b) Laws of inputs  
 (c) Laws of diminishing revenues  
 (d) Laws of increasing revenues  
 (e) Laws of costs ✓
8. The returns may diminish because.  
 (a) Only one variable factor is combined with fixed factors of production. ✓

- (a) Price ✓  
 (b) Tastes  
 (c) Supply  
 (d) Price of other goods  
 (e) Expectations of future price change
4. The 'law of demand' implies that, *ceteris paribus*,  
 (a) Demand varies directly with price.  
 (b) Demand varies inversely with price. ✓  
 (c) Demand has nothing to do with price.  
 (d) Demand always increases when price changes.  
 (e) Demand always decrease when price changes.
5. The quantity demanded of a normal product increases when.  
 (a) The consumer's income decreases.  
 (b) The price of the product falls. ✓  
 (c) The price of a substitute falls.  
 (d) All of the above.  
 (e) None of the above.
6. We may observe a rise in demand when.  
 (a) There is a general rise in income.  
 (b) Population grows.  
 (c) The price of other substitutes increases.  
 (d) All of the above. ✓  
 (e) None of the above.
7. The 'ceteris Paribus' assumption of the law of demand includes that.  
 (a) The price does not change.  
 (b) The quantity demanded does not change.  
 (c) The expectations about future price do not change. ✓  
 (d) All of the above.  
 (e) None of the above.
8. Extension and contraction in demand are caused by.  
 (a) Income changes (b) Price changes ✓  
 (c) Population changes (d) All of the above  
 (e) None of the above
9. For the equation  $Q_d = 330 - P$  of the demand curve, the slope of the demand curve is.  
 (a) 1 ✓ (b) 330  
 (c) 2 (d) P  
 (e) None of the above
10. The demand equations for two consumers are  $Q_1 = 50 - P$  and  $Q_2 = 50 - 2P$ . The market demand equation (assuming only two consumers) would be  
 (a)  $Q_d = 20 - P$  (b)  $Q_d = 5050 - 2P$   
 (c)  $Q_d = 100 - 2P$  (d)  $Q_d = 50 - 3P$   
 (e)  $Q_d = 100 - 3P$  ✓

## Supply

1. Supply is.  
 (a) The amount of a commodity that is produced.  
 (b) A relationship between quantity supplied and price. ✓  
 (c) The availability of raw material for production of the commodity.  
 (d) All of the above.  
 (e) None of the above.
2. Shift factors in the supply function are.  
 (a) The factors that continuously shift.  
 (b) The factors, the change of which, can shift the supply curve. ✓  
 (c) The factors, the change of which, changes the slope of supply curve.  
 (d) All of the above.  
 (e) None of the above.
3. All of the following are shift factors of supply function except.  
 (a) Price ✓  
 (b) Cost of production  
 (c) Price of inputs  
 (d) Tax  
 (e) Political Stability
4. The 'law of supply' implies that, *ceteris paribus*,  
 (a) Supply varies directly with price. ✓  
 (b) Supply varies inversely with price.  
 (c) Supply has nothing to do with price.  
 (d) Supply always increases when price changes.  
 (e) Supply always decreases when price changes.
5. The quantity supplied of a normal product increases when.  
 (a) The cost of production increases.  
 (b) The price of the product falls.  
 (c) The price of the product rises. ✓  
 (d) All of the above.

- (a) The ratio of Marginal utilities to price is equal for all commodities.  
 (b)  $TU_x/P_x$  is equal to  $TU_y/P_y$   
 (c)  $P_x (TU_y) = P_y (TU_x)$   
 (d) All of the above ✓
3. Economists use the term marginal utility to mean.  
 (a) Additional satisfaction gained divided by additional cost of the last unit.  
 (b) Total satisfaction gained when consuming a given number of units.  
 (c) Additional satisfaction gained by the consumption of one more unit of a good. ✓  
 (d) The utility if all available units of a commodity are consumed.  
 (e) None of the above.
4. The following must hold true for the law of diminishing marginal utility.  
 (a) Utility should be subjective  
 (b) Utility should be additive  
 (c) Consumption should be continuous  
 (d) All of the above ✓  
 (e) None of the above
5. If a consumer derives marginal utilities for 6 successive units of a commodity as 12,10,8,6,4 and 2 respectively, the total utility after consuming the fourth unit will be.  
 (a) 30 (b) 40  
 (c) can not be calculated  
 (d) the same as marginal utility  
 (e) none of the above ✓
6. Total utility is maximum when.  
 (a) Marginal utility is zero ✓  
 (b) All the units are consumed  
 (c) Marginal utility is maximum  
 (d) Total utility intersects marginal utility  
 (e) None of the above
7. The area under the marginal utility curve represents.  
 (a) largest value of marginal utility  
 (b) demand  
 (c) Marginal utility  
 (d) Total utility ✓  
 (e) The number of unit of the commodity consumed
8. If a consumer is at the equilibrium point, change in the combination consumed while remaining within the same budget limits, total utility will.  
 (a) Decrease ✓ (b) Increase  
 (c) Not change (d) Vanish  
 (e) Be negative
9. Utility theory is attributed to.  
 (a) Walras (b) Marshall  
 (c) Gossen (d) All of the above ✓  
 (e) None of the above
10. Utility is an ex ante concept means that.  
 (a) After consumption the consumer knows what utility she gained.  
 (b) Consumer know the utility before consuming ✓  
 (c) Utility changes before consumption  
 (d) The quality of the commodity worsens for every extra unit  
 (e) The concept of utility is very old

### Ch-3

1. Indifference Curves slope negatively because.  
 (a) They are convex to origin  
 (b) To show same level of satisfaction, the increase of units of one commodity must be offset by decrease in the units of the second. ✓  
 (c) They do not intersect each other.  
 (d) All of the above  
 (e) none of the above
2. Which of the following is not a property of a normal indifference curve?  
 (a) It is convex to the origin  
 (b) The marginal rate of substitution is constant as you move along an indifference curve.  
 (c) It will not intersect another IC of the same individual.  
 (d) Satisfaction is greatest where a 45 degree line originating from origin intersects the indifference curve. ✓  
 (e) It slopes negatively.
3. A price consumption curve can most easily be derived by joining the tangency points of various ICs and Price lines by.  
 (a) Keeping income constant and varying the price of one commodity. ✓

4. In Pakistan Income tax is.  
 (a) progressive tax (b) proportional  
 (c) direct ✓ (d) a and c of above
5. The budget estimate prepare by ministry of finance is finally approved by.  
 (a) State Bank (b) President  
 (c) Senate  
 (d) National Assembly ✓
6. Federal govt. budget estimate of 2005-06 is.  
 (a) 1315 million (b) 1315 billion ✓  
 (c) 1315 trillion  
 (d) bigger than 1315 trillion
7. Government of Pakistan can increase its resources by.  
 (a) taxing people (b) printing new notes  
 (c) borrowing (d) all the three ✓
8. The Non-Muslims pay Zakat.  
 (a) at a higher rate than Muslims  
 (b) at a lower rate than Muslims  
 (c) at the same rate  
 (d) do not pay Zakat ✓
9. To control inflation the government should increase.  
 (a) budget deficit  
 (b) consumer spending  
 (c) income tax ✓  
 (d) pensions
10. In past decades Pakistan increased its GDP, yet living standard of majority has not risen. The most important cause of this situation is.  
 (a) increased govt. expenditure  
 (b) increased imports  
 (c) increase education  
 (d) increased population ✓
11. Which of the following should NOT be the aim of a government.  
 (a) economic growth  
 (b) full employment  
 (c) inequality of incomes ✓  
 (d) price stability
12. Which of the following would cause incomes to become more unequal.  
 (a) increased employment  
 (b) increased unemployment allowance  
 (c) more progressive taxes  
 (d) more regressive taxes ✓
13. What is the benefit of tariffs.  
 (a) increased choice  
 (b) increased government revenue ✓  
 (c) more competition  
 (d) more trade
14. Pakistan's public debt is.  
 (a) larger than GNP  
 (b) approximately equal to GNP  
 (c) smaller than GNP ✓  
 (d) smaller than our exports
15. Pakistan's fiscal year starts from.  
 (a) 1<sup>st</sup> September (b) 1<sup>st</sup> January  
 (c) 1<sup>st</sup> April (d) 1<sup>st</sup> July ✓
16. Tax is a payment.  
 (a) unnecessary (b) compulsory ✓  
 (c) voluntary (d) temporary
17. The Federal budget is presented in the parliament by.  
 (a) Prime Minister  
 (b) President  
 (c) Finance Minister ✓  
 (d) Commerce Minister

## Economic System

1. In capitalism there is sovereignty of.  
 (a) producer (b) consumer ✓  
 (c) government (d) businessmen
2. Basic principle of Islamic economic system is.  
 (a) equality (b) justice ✓  
 (c) high profit (d) less consumption
3. In capitalistic system, prices of goods are determined by.  
 (a) sellers  
 (b) buyers  
 (c) government  
 (d) forces of demand and supply ✓
4. In socialistic system prices of goods are determined by.  
 (a) sellers  
 (b) buyers  
 (c) government ✓  
 (d) forces of demand and supply
5. In working of markets, the Islamic system is nearer to.  
 (a) capitalism (b) socialism  
 (c) mixed economy ✓ (d) none of the above

4. Rising prices of goods in Pakistan will.
  - (a) increase our exports
  - (b) increase our imports✓
  - (c) will increase both exports and imports
  - (d) will not affect exports or imports
5. Balance of payments statement of Pakistan is prepared by.
  - (a) finance minister
  - (b) central statistical
  - (c) state bank✓
  - (d) export promotion
6. What could a government do to correct the current account deficit.
  - (a) reduce the deficit on the balance of trade✓
  - (b) reduce the repayment of loans
  - (c) reduce the surplus on the capital account
  - (d) reduce the volume of exports
7. Rich countries have deficit in their balance of payments.
  - (a) always
  - (b) never
  - (c) alternate years
  - (d) sometime✓
6. One of the following is NOT a feature of public finance.
  - (a) publicity
  - (b) secrecy✓
  - (c) efforts to balance income and expenditure
  - (d) taking steps to increase income
7. It is direct tax.
  - (a) excise tax
  - (b) sales tax
  - (c) income tax✓
  - (d) custom duty
8. These are heads of expenditure of the government EXCEPT.
  - (a) provide social services
  - (b) defence
  - (c) improve transport and communication
  - (d) provide cosmetics✓
9. The most important source of income of a government is.
  - (a) foreign loans
  - (b) taxes✓
  - (c) printing of new money
  - (d) sale of government property
10. Progressive taxes.
  - (a) increase government revenue
  - (b) bring equality in distribution of incomes
  - (c) act as penalty for rich people
  - (d) a and b of above✓

## Public Finance

1. Taxes are levied to.
  - (a) penalize people
  - (b) provide direct benefits to tax payers
  - (c) provide general benefits for the people✓
  - (d) to accumulate funds
2. Whom of the following propounded principles of taxation.
  - (a) Keynes
  - (b) Marshall
  - (c) Adam Smith✓
  - (d) Al Ghazali
3. Taxes on commodities are.
  - (a) direct taxes
  - (b) indirect taxes✓
  - (c) progressive taxes
  - (d) proportional taxes
4. Govt. prepares its budget.
  - (a) weekly
  - (b) monthly
  - (c) quarterly
  - (d) annually✓
5. One of the following is NOT a feature of private finance.
  - (a) balancing of income and expenditure
  - (b) secrecy
  - (c) saving some part of income
  - (d) publicity✓
11. These are principles of taxation.
  - (a) Principle of equality
  - (b) principle of certainty
  - (c) principle of secrecy
  - (d) a and b of above✓
12. In Pakistan, taxes are levied by.
  - (a) Prime minister of Pakistan
  - (b) President of Pakistan
  - (c) Federal cabinet of ministers
  - (d) National assembly✓
13. Which of the following tax is best example of ability to pay principle of taxes.
  - (a) excise tax on cigarettes
  - (b) highway toll tax
  - (c) proportional sales tax
  - (d) personal income tax✓
14. Govt. taxing and spending policies are called.
  - (a) monetary policy
  - (b) fiscal policy✓
  - (c) commercial policy
  - (d) finance policy
15. Govt. budget is balanced when.

7. A country that does not trade with other countries is called an economy.  
 (a) open (b) closed ✓  
 (c) independent (d) none
8. If Japanese import more goods from Pakistan (other things remain same)  
 (a) our balance of payments will improve  
 (b) Japan's BOP will deteriorate  
 (c) Our BOP will deteriorate  
 (d) A and b of above ✓
9. Invisible items in balance of payments include.  
 (a) foreign remittances  
 (b) Income from tourists  
 (c) Internet charges  
 (d) All the above ✓
10. Pakistan follows the policy of.  
 (a) fixed exchange rate  
 (b) flexible exchange rate ✓  
 (c) controlled exchange rate  
 (d) increasing exchange rate
11. It helps countries to meet deficit in balance of payments.  
 (a) IMF ✓ (b) WTO  
 (c) World Bank (d) UNO
12. The balance of payments of country means  
 (a) balance in income and expd. Of govt  
 (b) balance in demand and supply of money  
 (c) balance in export and import earnings  
 (d) The annual account of foreign trade ✓
13. Pakistan exports are part of our GDP.  
 (a) 5% (b) 15% ✓  
 (c) 25% (d) 35%
14. What would cause a country's exchange rate to fall.  
 (a) an increased demand for its exports  
 (b) increased demand for its imports ✓  
 (c) an increased inflow of capital  
 (d) none of the above
15. Which of the following must always balance.  
 (a) balance of visible trade  
 (b) balance of invisible trade  
 (c) balance on the current account  
 (d) balance of payments ✓
16. What will be expected result if the value of rupee falls against dollar.  
 (a) the price of Pakistan goods in USA will rise  
 (b) the price of Pakistan in Pakistan will fall  
 (c) the price of American goods in USA will fall  
 (d) the price of American goods in Pakistan will rise ✓
17. If TOYOTA company, establishes a factory in Pakistan, this will be recorded in balance of payments in the section.  
 (a) capital account ✓  
 (b) visible balance  
 (c) invisible balance  
 (d) official financing
18. If CDA (Capital Development Authority Islamabad) gets a loan from world bank for roads, it will be recorded in the balance of payments in section.  
 (a) capital account ✓  
 (b) visible balance  
 (c) invisible balance  
 (d) official financing
19. Which of the following must always balance.  
 (a) the balance of payments ✓  
 (b) the balance of trade  
 (c) the exchange rate  
 (d) the terms of trade
20. Which of the following compares the average price of exports to average price of imports.  
 (a) the balance of payments  
 (b) the balance of trade  
 (c) the exchange rate  
 (d) the terms of trade ✓

## Foreign Trade of Pakistan

1. Pakistan's exports mainly consists of products.  
 (a) semi-manufactured goods and manufactured goods ✓  
 (b) primary  
 (c) manufactured goods  
 (d) food products



2. National Bank of Pakistan is.  
(a) industrial bank (b) commercial bank ✓  
(c) central bank (d) investment bank
3. Total number of branches of Pakistan banks in approximately.  
(a) 2500 (b) 7500 ✓  
(c) 12500 (d) 17500
4. National Bank of Pakistan was established in.  
(a) 1949 ✓ (b) 1959  
(c) 1969 (d) 1979
5. The bank established for loans to very small enterprises is called.  
(a) Micro Finance Bank ✓  
(b) Modarba Bank S  
(c) SME Bank  
(d) First Mini Bank
6. Pakistan has a banking system.  
(a) Developed ✓  
(b) underdeveloped  
(c) very inefficient  
(d) a and c of above
7. Commercial banks in Pakistan are supervised by.  
(a) State Bank ✓  
(b) National Bank  
(c) Finance minister  
(d) World Bank
8. National Bank is a.  
(a) Public sector bank ✓  
(b) Private Bank  
(c) Micro finance bank  
(d) Specialized bank
9. First Women bank is.  
(a) Private bank  
(b) Govt. bank ✓  
(c) Non Scheduled bank  
(d) Investment bank
10. (a) Adam Smith (b) Ricardo ✓  
(c) Hicks (d) Arshad
3. Which is NOT an advantage of international trade.  
(a) export of surplus production  
(b) import of defence material  
(c) dependence of foreign countries ✓  
(d) availability of cheap raw materials
4. If Japan and Pakistan start free trade, difference in wages in two countries will.  
(a) increase (b) decrease ✓  
(c) no effect (d) double
5. Trade between two countries can be useful if cost ratios of goods are.  
(a) equal (b) different ✓  
(c) undetermined (d) decreasing
6. Modern theory of international trade is based on the views of.  
(a) Robbins and Ricardo  
(b) Adam Smith and Marshall  
(c) Heckscher and Ohlin ✓  
(d) Saleem and Kareem
7. Foreign trade creates among countries.  
(a) conflicts (b) cooperation ✓  
(c) hatred (d) a and b
8. Net exports equal.  
(a) exports x imports  
(b) exports + imports  
(c) exports - imports ✓  
(d) exports of services only
9. A tariff.  
(a) increases the volume of trade  
(b) reduces the volume of trade ✓  
(c) has no effect on volume of trade  
(d) a and c of above
10. A tariff is.  
(a) a restriction on the number of export firms.  
(b) Limit on the amount of imported goods  
(c) Tax on imports ✓  
(d) b and c of above
11. Dumping refers to.  
(a) buying goods at low prices abroad and selling at higher prices locally.  
(b) Expensive goods selling for low prices  
(c) Reducing tariffs  
(d) Sale of goods abroad at low a price, below their cost and price in home market ✓

## International Trade

1. Which of the following is international trade.  
(a) Trade between provinces  
(b) Trade between regions  
(c) Trade between countries ✓  
(d) B and c of above
2. Theory of comparative advantage was presented by.

- (c) both assets and liabilities  
(d) none
9. The power of a bank to create credit is affected by.  
(a) the cash reserve requirement  
(b) the amount of cash available  
(c) the number of branches of a bank  
(d) a and b of above✓
10. Demand deposits are.  
(a) bank notes  
(b) money (they can be used to make payments)✓  
(c) considered as near money  
(d) legal money
11. An asset is liquid when it is.  
(a) being traded frequently  
(b) earning a good rate of return  
(c) is money or easily converted into money✓  
(d) all of the above
12. A bank has Rs. 5 million in cash. The minimum reserve ratio is 20%. What is maximum potential increase in total deposits.  
(a) 0  
(b) 5m  
(c) 10m  
(d) 25m✓
13. The following is not a bank liability.  
(a) demand deposit  
(b) time deposit  
(c) saving deposit  
(d) loans✓
14. When a commercial bank creates credit, it immediately raises.  
(a) its assets  
(b) its liabilities  
(c) money supply✓  
(d) real national income
15. Which is the source of interest for a bank.  
(a) advances  
(b) bills discounted  
(c) investments  
(d) all✓
16. Commercial banks are able to create money by.  
(a) printing money  
(b) making loans✓  
(c) moral suasion  
(d) selling government bonds
17. Which is a function of a commercial bank.  
(a) acting as a govt. banker  
(b) fixing the exchange rate  
(c) issuing bank notes  
(d) making loans✓
18. When a commercial bank creates credit, its immediate effect is that it raises.  
(a) the exchange rate  
(b) the interest rate  
(c) the money supply✓  
(d) the real national income
19. Total number of bank branches in Pakistan is.  
(a) more than 5000 but less than 10,000✓  
(b) more than 10,000 but less than 15,000  
(c) more than 15,000 but less than 20,000  
(d) more than 20,000 but less than 25,000
20. Demand deposits mean.  
(a) saving accounts  
(b) profit loss account  
(c) chequeable deposits✓  
(d) time deposits
21. Which is considered liability by a bank.  
(a) loans  
(b) bank's building and equipment  
(c) time deposits✓  
(d) time deposits
22. Demand deposits are money because.  
(a) they are backed by gold  
(b) they are assets of banks  
(c) they can be used to make payments✓  
(d) all of the above

## Central Bank

1. Bank rate in Pakistan is.  
(a) 9%✓  
(b) 19%  
(c) 29%  
(d) 39%
2. State Bank was established in.  
(a) 1948✓  
(b) 1950  
(c) 1952  
(d) 1954
3. 10-rupee note is issued by.  
(a) National Bank  
(b) State Bank✓  
(c) Govt. of Pakistan  
(d) Governor State Bank
4. Acting as lender of last resort, a central bank lends to:  
(a) money markets  
(b) stock exchange  
(c) commercial banks✓  
(d) does not lend
5. Which statement is true of the relationship between bond prices and bond yields?

20. Paper money came into use.  
 (a) 100 years ago (b) 200 years ago ✓  
 (c) 1000 years ago (d) 2000 years ago
21. Which property the paper money does not possess.  
 (a) acceptability (b) divisibility  
 (c) durability ✓ (d) portability
22. A saving account in a bank represents the function of money.  
 (a) a measure of value  
 (b) a medium of exchange  
 (c) a standard for deferred payments  
 (d) store of value ✓
23. A student records her income and spending for past month, she uses the function of money.  
 (a) medium of exchange  
 (b) standard of deferred payments  
 (c) store of value  
 (d) unit of account ✓
24. Who implements monetary policy of the country?  
 (a) central bank ✓  
 (b) commercial banks  
 (c) finance company  
 (d) a govt. department
25. Which property paper money does NOT possess.  
 (a) acceptability (b) divisibility  
 (c) durability ✓ (d) portability
26. Anything use as money must be.  
 (a) fixed in value (b) fixed in supply  
 (c) legal tender (d) readily acceptable ✓
27. What will promote savings?  
 (a) increase in credit facilities  
 (b) increase in taxation  
 (c) increase in personal incomes ✓  
 (d) rising prices
28. Treasury Bill is a document used for  
 (a) a short term loan to be exporter  
 (b) a long term loan to the government  
 (c) a short term loan to the government ✓  
 (d) a short term loan to a govt. employee
29. Which does NOT represent a method of payment?  
 (a) cheque  
 (b) saving certificate ✓  
 (c) currency note  
 (d) bill of exchange
30. Which is NOT a desirable characteristic of money?  
 (a) portable  
 (b) uniform  
 (c) easily recognized  
 (d) easily duplicated ✓

## Value of Money

1. Purchasing power of money during deflation is.  
 (a) reduced (b) increased ✓  
 (c) constant (d) fluctuating
2. Velocity of circulation of money means the number of times a unit of money.  
 (a) changes hands daily  
 (b) changes hands monthly  
 (c) changes hands annually ✓  
 (d) changes purchasing power
3. The equation of exchange  $PT = MV$  was given by  
 (a) Fisher ✓ (b) Crowther  
 (c) Kuznet (d) Keynes
4. Value of money in Pakistan is determined by.  
 (a) Govt. of Pakistan  
 (b) State Bank  
 (c) General price level ✓  
 (d) Value of dollar
5. When value of money falls, they benefit more.  
 (a) farmers (b) industrialist  
 (c) lenders (d) debtors ✓
6. When the nation's money supply is Rs. 1200 billion and GDP is Rs. 4800 billion, velocity of circulation money is.  
 (a) 0.25 (b) 4 ✓  
 (c) 0.4 (d) billion rupees
7. Which one is equation of exchange.  
 (a)  $PT = MV$  ✓ (b)  $PV = MT$   
 (c)  $PM = TV$  (d) None
8. If quantity of money is doubled, then according to quantity theory value of money is.  
 (a) remains constant (b) doubled  
 (c)  $\frac{1}{2}$  ✓ (d)  $\frac{1}{4}$
9. Inflation can be controlled by applying.  
 (a) Monetary and fiscal policies ✓

10. Average growth rate of Pakistan's national income in past five years have been.  
 (a) 36% (b) 26%  
 (c) 16% (d) 6%✓
11. Which of the following is an example of primary production  
 (a) production of a computer  
 (b) farmer growing wheat✓  
 (c) housewife bakes a cake  
 (d) opening of a new school
12. Which is most likely to cause a more even distribution of income.  
 (a) an increase in indirect taxes  
 (b) an increase in managers salaries  
 (c) an increase in progressive taxation✓  
 (d) an increase in the rate of inflation
13. If a country's growth rate were 5%, it means there would be 5% increase in  
 (a) industrial output (b) retail price index  
 (c) government revenue  
 (d) goods and services produced✓
14. Pakistan's per capita income is less than.  
 (a) Japan (b) Korea  
 (c) India (d) all✓
15. Working population is percent of total population of Pakistan.  
 (a) 20% (b) 30%  
 (c) 40% (d) 50%
16. Literacy rate in Pakistan is.  
 (a) 33% (b) 43%  
 (c) 53%✓ (d) 73%
4. Pakistan is an economy.  
 (a) developing✓  
 (b) developed  
 (c) fast growing economy  
 (d) a and c of above
5. Contribution of industrial sector in Pakistan economy is.  
 (a) 28% (b) 18%✓  
 (c) 8% (d) undetermined
6. The largest sector of Pakistan economy is.  
 (a) Transport (b) Agriculture✓  
 (c) Industry (d) Trade
7. Size of Pakistan's 8<sup>th</sup> plan was in rupees.  
 (a) 700 billion (b) 1700 billion✓  
 (c) 2700 billion (d) 3700 billion
8. Pakistan produces of its oil requirements.  
 (a) 25%✓ (b) 35%  
 (c) 45% (d) 55%
9. Investment rate in Pakistan is around.  
 (a) 8% (b) 18%✓  
 (c) 28% (d) 38%
10. Which of the following is NOT a characteristic of underdeveloped countries.  
 (a) low per capita income  
 (b) low growth rate of GDP  
 (c) low educational levels  
 (d) low population growth rate✓
11. Pakistan income is low because.  
 (a) fast growing population✓  
 (b) lack of natural resources  
 (c) low saving rate  
 (d) a and c of above

## Economic Development

1. Pakistan started its first five-year plan in.  
 (a) 1947 (b) 1950  
 (c) 1955✓ (d) 1960
2. Contribution of agriculture in Pakistan's national income is.  
 (a) 20% (b) 24%✓  
 (c) 28% (d) 32%
3. Most of our exports consist of.  
 (a) cotton products✓  
 (b) machinery  
 (c) sports goods  
 (d) a and b of above
12. The most important factor in economic development is.  
 (a) quality of human resources✓  
 (b) lack of natural resources  
 (c) quality of governance  
 (d) quality of banking system
13. Which is likely to be higher in a developing country like Pakistan.  
 (a) birth rate✓ (b) GDP per had  
 (c) life expectancy  
 (d) net investment per head
14. Economic development  
 (a) is the same as economic growth  
 (b) means improvement in lifestyle✓  
 (c) exists when there is equal distribution of income.

- (c) the market value of all goods and services produced in an economy ✓  
(d) total spending in an economy
2. GNP includes.  
(a) a loan from a bank  
(b) a loan from one's parents  
(c) gifts and donations  
(d) a broker's commission ✓
3. In terms of national income accounts, multiple counting refers to.  
(a) the addition to GNP of multiple units of a good  
(b) counting currently produced goods more than once ✓  
(c) the inclusion in GNP of gross spending and taxes  
(d) counting both goods and services
4. net Investment is.  
(a) gross investment minus household investment  
(b) gross investment minus govt. investment  
(c) gross investment minus capital consumption allowance ✓  
(d) none of the above
5. PI is equivalent to.  
(a) DPI minus personal taxes  
(b) DPI plus unearned receipts  
(c) DPI minus income earned but not received  
(d) NI plus unearned receipts minus earnings not received (taxes) ✓
6. Market value of all final goods and services produced in a country during a year is definition of.  
(a) NI (b) NNP  
(c) GNP ✓ (d) Consumption
7. Investment spending includes the purchase of.  
(a) stocks (b) govt. bonds  
(c) residential construction ✓  
(d) all of the above
8. Which of the following would not be included in GNP.  
(a) govt. transfer payments ✓  
(b) payment for construction of state highway  
(c) govt. purchase of an airplane  
(d) salary paid for the president's secretary
9. Consumption spending does not include.  
(a) Household's purchases of food  
(b) Household's purchase of a car  
(c) Household's payment of rent for an apartment  
(d) Household's purchase of stock in any XYZ corporation ✓
10. Net exports are.  
(a) total exports plus total imports  
(b) total exports minus total imports ✓  
(c) total imports minus total exports  
(d) total exports divided by total imports
11. National income is.  
(a) Total income spent in the economy  
(b) sum of disposable personal income and saving  
(c) NNP minus the capital consumption allowance  
(d) Total income earned in producing the national product ✓
12. Which of the following is not included in personal income.  
(a) social security benefits  
(b) dividend payments  
(c) undistributed corporate profits ✓  
(d) interest received from of saving certificates
13. Traffic fines are.  
(a) part of personal consumption spending  
(b) excluded from national income accounts  
(c) included in NI but not in PI  
(d) included in PI but not in disposable PI ✓
14. Govt. transfer payment include.  
(a) social security benefits  
(b) welfare benefits  
(c) student scholarships  
(d) all of the above ✓
15. Which of the following would increase level of national income.  
(a) an increase in taxation  
(b) a reduction in government spending  
(c) a reduction in consumer spending  
(d) an increase in exports ✓
16. National income is a measure of.  
(a) the size of government revenue  
(b) payments made to factors of production ✓

- (c) windfall profit (d) all of the above✓  
 13. He put forward the theory of profit.  
 (a) Keynes (b) Adam Smith  
 (c) Knight✓ (d) Anyson  
 14. Profits arise  
 (a) only in monopoly  
 (b) because of uncertainty✓  
 (c) shortage of goods  
 (d) like interest

## National Income

1. NI = NE is an  
 (a) equation (b) identity✓  
 (c) function (d) none  
 2. Per capita income is.  
 (a) income per worker  
 (b) income per head✓  
 (c) income per household  
 (d) income per industrial unit  
 3. If indirect taxes are deducted from NNP and subsidies are added, we achieve.  
 (a) personal savings (b) DPI  
 (c) NI✓ (d) Per capita income  
 4. Transfer payments are not included in national income because.  
 (a) Such payments are made to persons living abroad  
 (b) Double counting would result✓  
 (c) They are illegal  
 (d) There is no method to account for these  
 5. To determine the correct level of GNP, it is necessary to:  
 (a) To add up the values of goods and services during one year✓  
 (b) Add up all savings  
 (c) To count all imports  
 (d) To add up the value of semi finished goods  
 6. Real national income increases when.  
 (a) price of goods are rising  
 (b) national savings increase  
 (c) quantity of goods and services increases✓  
 (d) none of above  
 7. It is considered as investment.  
 (a) construction of a house✓  
 (b) purchase of an old house  
 (c) salaries of college professors  
 (d) a and b of above  
 9. GNP is always.  
 (a) less than NNP  
 (b) greater than NNP✓  
 (c) equal to NNP  
 (d) any of i,ii,iii  
 10. The four factor payments are:  
 (a) money, capital, salaries and income  
 (b) wages, rent, interest and profit✓  
 (c) money, power, prestige and wealth  
 (d) wages, interest, salaries and income  
 11. Which of the following is transfer payment?  
 (a) payment of college tuition  
 (b) a social security payment✓  
 (c) a interest payment  
 (d) payment for a leased car  
 12. Which of the following is counted in GDP.  
 (a) used car sale  
 (b) purchase of 100 shares of PSO  
 (c) a TV set produced this year but not sold.✓  
 (d) the leisure people consume.  
 13. If government increases taxes, private savings.  
 (a) increase (b) decrease✓  
 (c) do not change  
 14. If  $C = 200$  and  $I = 40$  then  $Y$  will equal.  
 (a) 160 (b) 240✓  
 (c) 200 (d) none of the above  
 15. Corporate tax is levied on:  
 (a) landlords  
 (b) municipal corporations  
 (c) big companies✓  
 (d) importers  
 16. If we deduct direct tax from personal income, we get.  
 (a) Net national income  
 (b) personal saving  
 (c) disposable income✓  
 (d) per capita income  
 17. The largest part of national income is.  
 (a) consumption✓ (b) investment  
 (c) saving (d) transfer payments  
 18. We measure national income by this method.

## Equilibrium of firm

- A firm decides to exit the industry when.
  - AC starts rising
  - MC starts rising
  - Price is less than LAC ✓
  - TC starts rising
- Profit is maximum when.
  - TC and TR curves are parallel ✓
  - MC and MR curves are parallel
  - TC and TR curves cross each other
  - AC and AR curves cross each other
- In monopoly and perfect competition the cost curves are.
  - similar ✓
  - different
  - opposite
  - falling in competition, rising in monopoly
- Normal profit is called normal because.
  - it is neither very high nor very low
  - it is minimum acceptable to the producer ✓
  - it is minimum which buyer wants to pay
  - it is the maximum allowed by govt.
- If a firm shuts down temporarily, it will incur loss equal to.
  - AFC
  - AR = AC
  - TFC ✓
  - None of above
- Under perfect competition.
  - AC = AVC
  - AR = AC
  - MC = MR ✓
  - AR = MR
- The necessary condition for equilibrium position of a firm is
  - MR > MC
  - MC > price
  - MC = MR ✓
  - MC = AC
- When a competitive firm achieves long run equilibrium then.
  - P = MC
  - MR = MC
  - P = ATC
  - all of the above ✓
- The most efficient scale of production of a firm is where.
  - LAC is minimum ✓
  - SAC is minimum
  - LMC is minimum
  - SMC is minimum
- A firm should shut down in the short run if it is not covering its.
  - variable cost ✓
  - fixed cost
  - total cost
  - explicit cost (money outlays)
- A monopoly generally.
  - allocates resources in a socially optimal way
  - encourages greater income equality
  - encourages greater efficiency
  - produces less quantity than the quantity which minimizes average cost ✓
- Marginal revenue is always less than price at all levels of output in.
  - perfect competition
  - monopoly
  - both a and b
  - none of the above ✓
- Marginal revenue of a monopolist is.
  - equal to price
  - greater than price
  - less than price ✓
  - increases with output

## Wages

- Union leaders are in a better position to bargain for higher wages if demand for labour is.
  - elastic
  - inelastic ✓
  - very large
  - permanent
- Sometimes the supply curve of labour bends.
  - downward
  - upward
  - backward ✓
  - firstly upward and then downward
- In which form the largest percentage of national income is earned.
  - interest income
  - proprietor's income
  - employee's wages ✓
  - rental income
- The minimum wage is an example of.
  - price floor ✓
  - price ceiling
  - equilibrium wage
  - efficiency of labour
- A firm maximizes profit if.
  - MRP = Wage rate ✓
  - MRP = ARP
  - MRP is rising

- (c) both a and b  
(d) none of the above
12. Which of the following is NOT a characteristic of perfect competition?  
(a) free entry and exit of the firms  
(b) demand curve of a firm is horizontal✓  
(c) marginal revenue curve is horizontal  
(d) individual firm can influence the price
13. When marginal revenue is zero, total revenues is.  
(a) maximum✓ (b) minimum  
(c) zero (d) decreasing
14. Marginal revenue is always less than price at all levels of output in.  
(a) perfect competition  
(b) monopoly✓  
(c) both a and b  
(d) none of the above
15. Under perfect competition MR and AR curves.  
(a) are the same✓  
(b) are different  
(c) intersect each other
- (a) short run  
(b) long run✓  
(c) both periods  
(d) none of the period
7. Which statement is true.  
(a)  $ATC + AVC = AFC$   
(b)  $ATC + MC = AFC$   
(c)  $ATC + AFC = AVC$   
(d)  $AFC + AVC = ATC$ ✓
8. Which is NOT a cause of shift in cost curves of a firm.  
(a) excise tax (b) prices of inputs  
(c) increase in productivity  
(d) price of product✓
9. MC is given by slope of.  
(a) TFC (b) TC✓  
(c) ATC (d) AVC
10. TC  
(a) starts from origin (b) not from origin✓  
(c) is parallel to y-axis (d) parallel to x-axis
11. TVC  
(a) starts from origin (b) not from origin✓  
(c) is parallel to y-axis (d) parallel to x-axis
12. TC  
(a) rises continuously (b) falls then rises✓  
(c) is horizontal to x-axis  
(d) is parallel to y-axis
13. All the following are U-shaped EXCEPT.  
(a) AVC (b) AFC✓  
(c) AC (d) MC
14. The cost which a firm incurs for purchasing or hiring factors is called.  
(a) implicit (b) explicit✓  
(c) real (d) basic
15. Short run means is a period.  
(a) less than one year  
(b) in which at least one input is fixed✓  
(c) in which no input can be changed  
(d) in which firms can easily enter or exit
16. Long run is a period.  
(a) three years or longer.  
(b) long enough to allow firms to change plant size and capacity✓  
(c) in which a firm need not get loans  
(d) which affects larger more than smaller firms
17. As output increases, AC curve.  
(a) falls (b) rises

## Cost of Production

1. In monopoly at various output levels.  
(a)  $AR < MR$   
(b)  $AR > MR$   
(c)  $AR = MR$ ✓  
(d) AR and MR curves are parallel
2. Excise tax is a part of  
(a) fixed cost (b) variable cost✓  
(c) implicit cost (d) is not part of cost
3. The shape of rectangular hyperbola is made by.  
(a) MC (b) AFC✓  
(c) AVC (d) TFC
4. As output increases.  
(a) MC curve firstly falls then rises✓  
(b) MC firstly rises then falls  
(c) MC continuously rises  
(d) continuously falls
5. Unit cost is another name for.  
(a) MC (b) AFC  
(c) AVC (d) ATC✓
6. All inputs can be varied in.