

## COMMERCE – Model Questions

Q1. Owner of the business is separate from Business.

*The statement is derived from the principle:*

- (a) *Money measurement concept*
- (b) *Business entity concept*
- (c) *Going concern concept*
- (d) *None of the above*

Q2. Which of the following statement is correct?

- (a) *Increase in current asset and increase in current liability increases working capital.*
- (b) *Increase in current liability and decrease in current asset decreases working capital.*
- (c) *Decrease in current asset and decrease in current liability decreases working capital.*
- (d) *Decrease in current asset and increase in current liability increases working capital.*

Q3. Company form of business organization is most successful for the reason that:

- (a) *There are large number of members as owner*
- (b) *It has a perpetual succession*
- (c) *It has a limited liability*
- (d) *Shares are transferable and owner's liability is limited.*

Q4. Choose the most correct statement:

- (a) *'Policy' is the constant answer to recurring questions.*
- (b) *'Policy' is the rule of the organisation.*
- (c) *'Policy' is treated as strategy of the organisation.*
- (d) *None of the above statement is correct.*

Q5. Which account is to be credited if goods withdrawn by proprietor for personal use are debited to drawings account:

- (a) *Capital a/c*
- (b) *Closing stock a/c*
- (c) *Purchase a/c*
- (d) *Sales a/c*

Q6. Commission earned during the accounting period but not received is treated as credit side item in profit & loss a/c as per:

- (a) *Cost concept*
- (b) *Cash basis of accounting*
- (c) *Accrual concept*
- (d) *None of the above*

Q7. Mr. X started the business in October 2013 and completes the accounting year in October 2014. His first assessment year is:

- (a) *2013-2014,*
- (b) *2014-2015*
- (c) *2015-2016*
- (d) *None of the above.*

Q8. If Mr. Ramesh, aged, 57 years, has a salary income of Rs.10,00,000/- during 2014-15, and a provident fund contribution is Rs.2,00,000/ in the same period then his income-tax liability for the relevant assessment year is :

- (a) *Rs.65,000/*
- (b) *Rs.75,000/*
- (c) *Rs.83,250/*
- (d) *Rs.87,550/*

Q9. Depreciation is considered as:

- (a) *Converting fixed assets into expenses*
- (b) *A non-cash expenditure*
- (c) *A source of fund*

(d) All of the above

Q10. The value of a correlation between two series lies between:

- (a) 0 to 1
- (b) +1 to +2
- (c) -1 to +1
- (d) None of the above.

Q11. When each item within the population has equal chance of being selected in a statistical study it is called as:

- (a) Sampling
- (b) Purposive sampling
- (c) Random sampling
- (d) None of the above.

Q12. When a cumulative frequency curve is drawn on a graph for a given data it is called:

- (a) Ogive
- (b) Line graph
- (c) Cartogram
- (d) None of the above.

Q13. Which of the following is correct?

- (a)  $\text{Mean} = 2\text{mode} - 3\text{median}$
- (b)  $\text{Mode} = 2\text{mean} - 3\text{median}$
- (c)  $\text{Median} = 2\text{mode} - 3\text{mean}$
- (d)  $\text{Mode} = 3\text{median} - 2\text{mean}$

Q14. If the summation of the deviations square from arithmetic mean is 110 and no. of items is 11 the standard deviation of the series is :

- (a) 11
- (b) 10
- (c) 5.2
- (d) 3.16

Q15. The geometric mean of three numbers-4, 8 and 16 is:

- (a) 8.75
- (b) 7.85
- (c) 8
- (d) 9.5

Q16. A agrees with B to murder C for a sum of Rs.10,000/- This is not a valid contract because:

- (a) Consideration in the agreement is inadequate
- (b) Objective in the agreement is unlawful
- (c) C is not a party to agreement
- (d) None of the following.

Q17. A supplied food to B's wife for a month while B being a lunatic was in a mental asylum. B is liable to pay A for the same because:

- (a) A supplies the necessities of B's wife
- (b) B's wife is A's friend
- (c) B is A's client.
- (d) None of the above.

Q18. A publisher sends certain books to B a Librarian on 'Sale or Return' basis. What kind of agreement is it?

- (a) It is a contingent contract.
- (b) It is a quasi contract.
- (c) It is a conditional contract.
- (d) None of the above.

Q19. Two trading firms, each having twelve partners join hands and make a partnership firm having twenty four partners. Is it a valid entity?

- (a) Yes, a valid partnership firm.
- (b) No, it's an illegal association
- (c) Yes, it is in the nature of a private company.
- (d) None of the above.

Q20. Out of two partners A and B, A retired and C joined. A creditor who has no knowledge of A's retirement continued to give advance to the firm after A's retirement. From whom C can claim his demand?

- (a) From B and C
- (b) From A and B
- (c) From A, B and C
- (d) None of the above.

Q21. Which one of the following is a Negotiable Instrument?

- (a) Debentures
- (b) Dividend warrant
- (c) Postal order
- (d) None of the above

Q22. A endorsed a bill to B, B to C, C to D and D to E. Lastly E endorsed to A. Can A hold E liable E if the bill is dishonoured?

- (a) No.
- (b) Yes.
- (c) No if E agrees.
- (d) Yes if E agrees.

Q23. Policy Holder's interest in an Insurance contract is protected by:

- (a) Insurer
- (b) SEBI
- (c) Ministry of Company Affairs
- (d) IRDA.

Q24. The share of foreign capital in an Indian private insurance company is:

- (a) 25%
- (b) 45%
- (c) 49%
- (d) 26%

Q25. The protection provided to the Investors in Securities market in India is ensured by:

- (a) RBI
- (b) SBI
- (c) Department of Economic Affairs
- (d) SEBI

Q26. Credit Ratings are undertaken to:

- (a) Evaluate the Equity shares
- (b) Evaluate the Preference Shares
- (c) Evaluate the Debentures
- (d) Evaluation of capability for timely servicing of corporate debt and obligations

Q27. Debit card provides a right to purchase goods or services when the user:

- (a) Do not have adequate balance in his bank account
- (b) Do not have adequate cash in hand
- (c) Do have adequate balance in his bank account.
- (d) None of the above.

Q28. The faster transfer of money in a bank from one account to another is possible by:

- (a) Bank Draft
- (b) Cheque
- (c) RTGS
- (d) None of the above

Q29. The process of living with future income is facilitated by bank:

- (a) *By issue of Credit cards*
- (b) *By issue of Debit cards*
- (c) *By providing overdraft facility*
- (d) *None of the above.*

Q30. *The players/members in the financial system are Financial institutions, Financial market and:*

- (a) *RBI and SBI*
- (b) *SEBI and RBI*
- (c) *Financial assets*
- (d) *Financial assets and Regulating agencies*

Q31. *Which of the following is the meaning of strategic plans?*

- (a) *Plans that apply to the entire organization, establish, overall objectives and position an organization in terms of its environment.*
- (b) *Plans that specify the details of how an organization's overall objectives are to be achieved.*
- (c) *Plans which have clearly defined objectives*
- (d) *Plans which are made for different periods.*

Q32. *Which of the following is not a step in decision making process?*

- (a) *Identification of a problem*
- (b) *Identification of decision criteria*
- (c) *Development of alternatives*
- (d) *Asking subordinates to take a decision*

Q33. *The chain of command is the line of authority that extends:*

- (a) *From lower level of management to upper level*
- (b) *From middle level of management to lower level*
- (c) *From upper level to the lowest level of management*
- (d) *From middle level to upper level of management.*

Q34. *Which of the following does not come under entrepreneurial competencies?*

- (a) *Dictating employees*
- (b) *Self confidence*
- (c) *Initiative*
- (d) *Looking for opportunities*

Q35. *Which of the following is not a source of Venture Capital?*

- (a) *SBI Mutual fund*
- (b) *The EXIM Bank*
- (c) *SIDBI Venture Fund*
- (d) *Intel capital*

Q36. *Which of the following factors comes under Socio-cultural environment?*

- (a) *Money market*
- (b) *Education*
- (c) *Demand for capital*
- (d) *Population*

Q37. *Number of industries reserved for government sector in 1956 Industrial Policy is*

- (a) *12*
- (b) *13*
- (c) *15*
- (d) *17*

Q38. *Globalisation refers to :*

- (a) *Maintaining trade barriers among countries*
- (b) *Merging of a foreign company with a home company*
- (c) *A process of integration of the world in to one huge market*
- (d) *Removal of competition between traders of different countries in the world.*

Q39. *Which of the following arguments does not favour Privatisation?*

- (a) *Improve efficiency of the organisation*
- (b) *PSUs cause heavy financial loss to the Government*
- (c) *Inability of public enterprises to improve their management system*
- (d) *Private industries are better managed than public enterprises*

Q40. Which of the following statement is not true?

- (a) *Consumer Protection Act 1986 provides effective protection against unfair trade practices.*
- (b) *Consumer Protection Act 1986 provides protection against unsatisfactory services.*
- (c) *Consumer Protection Act 1986 provides protection against supply of defective goods.*
- (d) *Consumer Protection Act 1986 provides protection against sale of consumer goods.*

Q41. Accounting covers the following activities:

- (a) *Recording, classifying, summarizing and analysing.*
- (b) *Summarizing and analyzing.*
- (c) *Identifying measuring and communicating information to permit judgement.*
- (d) *Recording and classifying.*

Q42. Which of the following is/are objectives of issuing Accounting Standards?

- (a) *Improve the reliability of financial statements.*
- (b) *Improve the comparability of financial statements.*
- (c) *Provide a set of accounting policies.*
- (d) *All of these.*

Q43. The Indian Accounting Standards are issued by:

- (a) *Reserve Bank of India*
- (b) *Institute of Chartered Accountants of India.*
- (c) *Securities Exchange Board of India*
- (d) *Comptroller and Accountant General of India.*

Q44. Cash withdrawn by proprietor from the business for personal use is an example of which of the following transactions:

- (a) *Decrease in Assets, decrease in owners' equity.*
- (b) *Increase in one asset, decrease in another asset.*
- (c) *Increase in Asset, increase in liability.*
- (d) *Increase in Asset decrease in liability.*

Q45. Bank account is a:

- (a) *Real account*
- (b) *Personal account*
- (c) *Nominal account*
- (d) *None of these*

Q46. Even after the agreement of Trial Balance which of the errors can remain:

- (a) *An entry not posted in the ledger at all.*
- (b) *Transaction not entered at all in journal.*
- (c) *A wrong amount retained in both columns of the journal*
- (d) *All of the above.*

Q47. Work Cost includes:

- (a) *Direct Material + Direct labour+ chargeable expenses*
- (b) *Direct Material + Direct labour + office overheads*
- (c) *Direct material +Direct labour+ Direct expenses+ works expenses*
- (d) *None of the above*

Q48. Conversion Cost includes:

- (a) *Direct material+ Direct labour+ Works expenses*
- (b) *Indirect Material+ Indirect labour + other expenses*
- (c) *Labour cost + manufacturing expenses*
- (d) *None of the above*

Q49. Cost plus contracts are more popular in one of the followings:

- (a) Ship building
- (b) Construction of Flyovers
- (c) Construction of Railway lines
- (d) Paper industry

Q50. If the amount of work certified is more than 25% but less than 50% of the contract price then the amount transferred to profit and loss account is \_\_\_\_\_ of notional profit

- (a)  $\frac{2}{3}$
- (b)  $\frac{1}{3}$
- (c)  $\frac{1}{4}$
- (d)  $\frac{1}{2}$

Q51. An input of 5000 Kgs of material introduced into the process and expected loss is 8% and if the actual output is 4300 Kgs the abnormal loss is :

- (a) 400 Kgs
- (b) 300 Kgs
- (c) 500 Kgs
- (d) 600 Kgs

Q52. In the process costing the abnormal loss is treated as \_\_\_\_\_ cost and written off to profit and loss account.

- (a) Unit
- (b) Period
- (c) Future
- (d) Process

Q53. Activity based costing is based on the belief that activity:

- (a) Give rise to cost
- (b) Does not give rise to cost
- (c) Give rise to product
- (d) None of the above.

Q54. The difference between fixed and variable cost has a special significance in the preparation of

- (a) Flexible budget
- (b) Master budget
- (c) Cash Budget
- (d) None of the above

Q55. When there is no opening or closing stock, profit under marginal costing will be:

- (a) Greater than absorption costing
- (b) Less than absorption costing
- (c) Equal to absorption costing
- (d) Greater, lower or equal depending on certain factors

Q56. When sales increase from Rs 40,000/- to Rs 50,000/- and profit increases by Rs 5,000, the P/V ratio is:

- (a) 50%
- (b) 20%
- (c) 10%
- (d) cannot be computed.

Q57. How much stock can be bought by investing Rs. 882 in 8% preference shares at 2% discount?

- (a) Rs. 900
- (b) Rs. 910
- (c) Rs. 950
- (d) None of the above

Q58. How much stocks are to be sold to realise Rs. 1586.25 from 11% stock at 6 premium brokerage  $\frac{1}{4}$ .

- (a) Rs. 1500
- (b) Rs. 1600
- (c) Rs. 1550
- (d) Rs. 1650

Q59. If the  $3\frac{1}{2}$  stock is quoted at  $98\frac{1}{2}$  what should be the fair price for 3%?

- (a) Rs. 85
- (b) Rs. 86
- (c) Rs. 84.43
- (d) Rs. 85.50

Q60. A sells a radio to B at a profit of 10%. B sells it to C at a profit of 5%. If C pays Rs. 231 for it, for how much did A buy it?

- (a) Rs. 300
- (b) Rs. 200
- (c) Rs. 250
- (d) Rs. 220

Q61. The Banker's Discount (BD) on a certain sum of money is Rs. 36, and discount on the same sum for the same time and at the same rate is Rs. 30. Find the Sum?

- (a) Rs. 200
- (b) Rs. 250
- (c) Rs. 280
- (d) Rs. 180

Q62. Which is the greater value in the following  $\log 3^{81}$  or  $\log 9^{81}$ ?

- (a)  $\log 3^{81}$       (b)  $\log 9^{81}$       (c) None of the above      (d) Both are equal

Q63. Find the number of years in which a sum doubles itself at 4% per annum compound?

- (a) 20      (b) 18.25      (c) 18      (d) 19

Q64. A market survey over 1000 consumers revealed that 730 consumers like the Product A and 455 consumers like the Product B. What is the least number that likes both the Products?

- (a) 200      (b) 190      (c) 185      (d) 195

Q65. What is the value of X and Y using Carvers Rule?

$$2x + y = 10$$

$$3x + 2y = 17$$

- (a) 4, 4,      (b) 3, 4,      (c) 2, 2,      (d) 1, 0,

Q66. Find the differential Co-efficients of the function  $6/x^3$  with respect to x.

- (a)  $-18/x^4$       (b)  $20/x^2$       (c)  $+18/x^4$       (d)  $-18/x^3$

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## ANSWER KEYS

1. (b)	2. (b)	3. (d)	4. (a)	5. (c)	6. (c)
7. (c)	8. (d)	9. (d)	10. (c)	11. (c)	12. (a)
13. (d)	14. (d)	15. (c)	16. (b)	17. (a)	18. (c)
19. (b)	20. (b)	21. (b)	22. (a)	23. (d)	24. (c)
25. (d)	26. (d)	27. (c)	28. (c)	29. (a)	30. (d)
31. (a)	32. (a)	33. (c)	34. (a)	35. (a)	36. (b)
37. (d)	38. (c)	39. (d)	40. (d)	41. (c)	42. (d)
43. (b)	44. (a)	45. (b)	46. (d)	47. (c)	48. (c)
49. (a)	50. (b)	51. (b)	52. (b)	53. (c)	54. (a)
55. (c)	56. (a)	57. (a)	58. (a)	59. (c)	60. (b)
61. (d)	62. (a)	63. (c)	64. (c)	65. (b)	66. (a)