

Paper 1 - Accounting: Full Trend Bank

Section 1 - 50 MCQs (answers inline)

Q1. Inventory valuation: Cost 117; NRV before selling expense 91; selling expense 2. Value as per AS 2 (lower of cost and NRV net of selling expense)?

- (a) 117
- (b) 91
- (c) 89
- (d) 89

Answer: 89 - NRV net = 91-2 = 89. Lower of cost and NRV net = min(117, 89) = 89.

Q2. Depreciation: Asset cost 127456, residual 0, life 3 years, method WDV. What is year 1 depreciation? (use rate 10 percent)

- (a) 12745
- (b) 11471
- (c) 14020
- (d) 10196

Answer: 12745 - WDV -> year 1 depreciation = 12745.

Q3. Bank Reconciliation: Cheques issued but not presented should be deducted from cash book to reach pass book. True or false?

- (a) True
- (b) False
- (c) Depends on balance type
- (d) Not applicable

Answer: True - To reconcile cash book to pass book, deduct cheques issued but not presented.

Q4. Sale of asset: Cost 8804, accumulated depreciation 2167. Sold for 2864. Profit or loss?

- (a) Profit of 3773
- (b) Loss of 3773
- (c) No profit no loss
- (d) Cannot be determined

Answer: Loss of 3773 - Book value = 8804-2167 = 6637; sale 2864; P/L = 2864-6637 = -3773.

Q5. Consignment: Normal loss is valued at scrap or absorbed by good units?

- (a) Valued at scrap
- (b) Absorbed by good units (not valued)
- (c) Valued at cost
- (d) Valued at replacement cost

Answer: Absorbed by good units (not valued) - Normal loss cost is borne by remaining units. Scrap reduces overall cost if realized.

Q6. Partnership: Goodwill raised on admission and written off immediately among partners in which ratio?

- (a) Old ratio
- (b) New ratio

- (c) Sacrificing ratio
- (d) Gaining ratio

Answer: Old ratio - Written off among all partners in old ratio.

Q7. NPO: Small, recurring entrance fees are generally treated as:

- (a) Capital receipt
- (b) Revenue receipt
- (c) Deferred income
- (d) Directly to capital fund

Answer: Revenue receipt - Recurring and small -> revenue; large and non-recurring may be capital.

Q8. Bills: On dishonour by non-payment, drawee's account to be debited is:

- (a) Drawer
- (b) Bills payable
- (c) Cash
- (d) Discount account

Answer: Drawer - Liability to drawer restored.

Q9. In incomplete records, opening capital is found using:

- (a) Statement of affairs (assets minus liabilities)
- (b) Trial balance
- (c) Cash book
- (d) Trading account

Answer: Statement of affairs (assets minus liabilities) - Single entry -> statement of affairs.

Q10. Company accounts: Issue of shares at discount is:

- (a) Not permitted (basic rule)
- (b) Permitted freely
- (c) Permitted only to employees
- (d) Always illegal

Answer: Not permitted (basic rule) - Basic exam answer: not permitted, barring specific exceptions (sweat equity etc.).

Q11. Inventory valuation: Cost 98; NRV before selling expense 88; selling expense 1. Value as per AS 2 (lower of cost and NRV net of selling expense)?

- (a) 98
- (b) 88
- (c) 87
- (d) 87

Answer: 87 - $NRV\ net = 88 - 1 = 87$. Lower of cost and $NRV\ net = \min(98, 87) = 87$.

Q12. Depreciation: Asset cost 146196, residual 0, life 5 years, method WDV. What is year 1 depreciation? (use rate 10 percent)

- (a) 14619
- (b) 13157
- (c) 16081
- (d) 11695

Answer: 14619 - WDV -> year 1 depreciation = 14619.

Q13. Bank Reconciliation: Cheques issued but not presented should be deducted from cash book to reach pass book. True or false?

- (a) True
- (b) False
- (c) Depends on balance type
- (d) Not applicable

Answer: True - To reconcile cash book to pass book, deduct cheques issued but not presented.

Q14. Sale of asset: Cost 9390, accumulated depreciation 1231. Sold for 2540. Profit or loss?

- (a) Profit of 5619
- (b) Loss of 5619
- (c) No profit no loss
- (d) Cannot be determined

Answer: Loss of 5619 - Book value = 9390-1231 = 8159; sale 2540; P/L = 2540-8159 = -5619.

Q15. Consignment: Normal loss is valued at scrap or absorbed by good units?

- (a) Valued at scrap
- (b) Absorbed by good units (not valued)
- (c) Valued at cost
- (d) Valued at replacement cost

Answer: Absorbed by good units (not valued) - Normal loss cost is borne by remaining units. Scrap reduces overall cost if realized.

Q16. Partnership: Goodwill raised on admission and written off immediately among partners in which ratio?

- (a) Old ratio
- (b) New ratio
- (c) Sacrificing ratio
- (d) Gaining ratio

Answer: Old ratio - Written off among all partners in old ratio.

Q17. NPO: Small, recurring entrance fees are generally treated as:

- (a) Capital receipt
- (b) Revenue receipt
- (c) Deferred income
- (d) Directly to capital fund

Answer: Revenue receipt - Recurring and small -> revenue; large and non-recurring may be capital.

Q18. Bills: On dishonour by non-payment, drawee's account to be debited is:

- (a) Drawer
- (b) Bills payable
- (c) Cash
- (d) Discount account

Answer: Drawer - Liability to drawer restored.

Q19. In incomplete records, opening capital is found using:

- (a) Statement of affairs (assets minus liabilities)

- (b) Trial balance
- (c) Cash book
- (d) Trading account

Answer: Statement of affairs (assets minus liabilities) - Single entry -> statement of affairs.

Q20. Company accounts: Issue of shares at discount is:

- (a) Not permitted (basic rule)
- (b) Permitted freely
- (c) Permitted only to employees
- (d) Always illegal

Answer: Not permitted (basic rule) - Basic exam answer: not permitted, barring specific exceptions (sweat equity etc.).

Q21. Inventory valuation: Cost 97; NRV before selling expense 120; selling expense 0. Value as per AS 2 (lower of cost and NRV net of selling expense)?

- (a) 97
- (b) 120
- (c) 120
- (d) 97

Answer: 97 - NRV net = 120-0 = 120. Lower of cost and NRV net = min(97, 120) = 97.

Q22. Depreciation: Asset cost 115182, residual 0, life 3 years, method SLM. What is year 1 depreciation?

- (a) 38394
- (b) 34554
- (c) 42233
- (d) 30715

Answer: 38394 - SLM -> year 1 depreciation = 38394.

Q23. Bank Reconciliation: Cheques issued but not presented should be deducted from cash book to reach pass book. True or false?

- (a) True
- (b) False
- (c) Depends on balance type
- (d) Not applicable

Answer: True - To reconcile cash book to pass book, deduct cheques issued but not presented.

Q24. Sale of asset: Cost 8608, accumulated depreciation 2475. Sold for 4384. Profit or loss?

- (a) Profit of 1749
- (b) Loss of 1749
- (c) No profit no loss
- (d) Cannot be determined

Answer: Loss of 1749 - Book value = 8608-2475 = 6133; sale 4384; P/L = 4384-6133 = -1749.

Q25. Consignment: Normal loss is valued at scrap or absorbed by good units?

- (a) Valued at scrap
- (b) Absorbed by good units (not valued)

- (c) Valued at cost
- (d) Valued at replacement cost

Answer: Absorbed by good units (not valued) - Normal loss cost is borne by remaining units. Scrap reduces overall cost if realized.

Q26. Partnership: Goodwill raised on admission and written off immediately among partners in which ratio?

- (a) Old ratio
- (b) New ratio
- (c) Sacrificing ratio
- (d) Gaining ratio

Answer: Old ratio - Written off among all partners in old ratio.

Q27. NPO: Small, recurring entrance fees are generally treated as:

- (a) Capital receipt
- (b) Revenue receipt
- (c) Deferred income
- (d) Directly to capital fund

Answer: Revenue receipt - Recurring and small -> revenue; large and non-recurring may be capital.

Q28. Bills: On dishonour by non-payment, drawee's account to be debited is:

- (a) Drawer
- (b) Bills payable
- (c) Cash
- (d) Discount account

Answer: Drawer - Liability to drawer restored.

Q29. In incomplete records, opening capital is found using:

- (a) Statement of affairs (assets minus liabilities)
- (b) Trial balance
- (c) Cash book
- (d) Trading account

Answer: Statement of affairs (assets minus liabilities) - Single entry -> statement of affairs.

Q30. Company accounts: Issue of shares at discount is:

- (a) Not permitted (basic rule)
- (b) Permitted freely
- (c) Permitted only to employees
- (d) Always illegal

Answer: Not permitted (basic rule) - Basic exam answer: not permitted, barring specific exceptions (sweat equity etc.).

Q31. Inventory valuation: Cost 124; NRV before selling expense 117; selling expense 5. Value as per AS 2 (lower of cost and NRV net of selling expense)?

- (a) 124
- (b) 117
- (c) 112
- (d) 112

Answer: $112 - NRV\ net = 117 - 5 = 112$. Lower of cost and NRV net = $\min(124, 112) = 112$.

Q32. Depreciation: Asset cost 144648, residual 0, life 5 years, method WDV. What is year 1 depreciation? (use rate 15 percent)

- (a) 21697
- (b) 19527
- (c) 23866
- (d) 17357

Answer: 21697 - WDV -> year 1 depreciation = 21697.

Q33. Bank Reconciliation: Cheques issued but not presented should be deducted from cash book to reach pass book. True or false?

- (a) True
- (b) False
- (c) Depends on balance type
- (d) Not applicable

Answer: True - To reconcile cash book to pass book, deduct cheques issued but not presented.

Q34. Sale of asset: Cost 9287, accumulated depreciation 2082. Sold for 5761. Profit or loss?

- (a) Profit of 1444
- (b) Loss of 1444
- (c) No profit no loss
- (d) Cannot be determined

Answer: Loss of 1444 - Book value = $9287 - 2082 = 7205$; sale 5761; P/L = $5761 - 7205 = -1444$.

Q35. Consignment: Normal loss is valued at scrap or absorbed by good units?

- (a) Valued at scrap
- (b) Absorbed by good units (not valued)
- (c) Valued at cost
- (d) Valued at replacement cost

Answer: Absorbed by good units (not valued) - Normal loss cost is borne by remaining units. Scrap reduces overall cost if realized.

Q36. Partnership: Goodwill raised on admission and written off immediately among partners in which ratio?

- (a) Old ratio
- (b) New ratio
- (c) Sacrificing ratio
- (d) Gaining ratio

Answer: Old ratio - Written off among all partners in old ratio.

Q37. NPO: Small, recurring entrance fees are generally treated as:

- (a) Capital receipt
- (b) Revenue receipt
- (c) Deferred income
- (d) Directly to capital fund

Answer: Revenue receipt - Recurring and small -> revenue; large and non-recurring may be capital.

Q38. Bills: On dishonour by non-payment, drawee's account to be debited is:

- (a) Drawer
- (b) Bills payable
- (c) Cash
- (d) Discount account

Answer: Drawer - Liability to drawer restored.

Q39. In incomplete records, opening capital is found using:

- (a) Statement of affairs (assets minus liabilities)
- (b) Trial balance
- (c) Cash book
- (d) Trading account

Answer: Statement of affairs (assets minus liabilities) - Single entry -> statement of affairs.

Q40. Company accounts: Issue of shares at discount is:

- (a) Not permitted (basic rule)
- (b) Permitted freely
- (c) Permitted only to employees
- (d) Always illegal

Answer: Not permitted (basic rule) - Basic exam answer: not permitted, barring specific exceptions (sweat equity etc.).

Q41. Inventory valuation: Cost 98; NRV before selling expense 124; selling expense 4. Value as per AS 2 (lower of cost and NRV net of selling expense)?

- (a) 98
- (b) 124
- (c) 120
- (d) 98

Answer: $98 - \text{NRV net} = 124 - 4 = 120$. Lower of cost and NRV net = $\min(98, 120) = 98$.

Q42. Depreciation: Asset cost 137332, residual 0, life 4 years, method WDV. What is year 1 depreciation? (use rate 15 percent)

- (a) 20599
- (b) 18539
- (c) 22659
- (d) 16479

Answer: 20599 - WDV -> year 1 depreciation = 20599.

Q43. Bank Reconciliation: Cheques issued but not presented should be deducted from cash book to reach pass book. True or false?

- (a) True
- (b) False
- (c) Depends on balance type
- (d) Not applicable

Answer: True - To reconcile cash book to pass book, deduct cheques issued but not presented.

Q44. Sale of asset: Cost 11958, accumulated depreciation 2924. Sold for 3423. Profit or loss?

- (a) Profit of 5611
- (b) Loss of 5611
- (c) No profit no loss
- (d) Cannot be determined

Answer: Loss of 5611 - Book value = 11958-2924 = 9034; sale 3423; P/L = 3423-9034 = -5611.

Q45. Consignment: Normal loss is valued at scrap or absorbed by good units?

- (a) Valued at scrap
- (b) Absorbed by good units (not valued)
- (c) Valued at cost
- (d) Valued at replacement cost

Answer: Absorbed by good units (not valued) - Normal loss cost is borne by remaining units. Scrap reduces overall cost if realized.

Q46. Partnership: Goodwill raised on admission and written off immediately among partners in which ratio?

- (a) Old ratio
- (b) New ratio
- (c) Sacrificing ratio
- (d) Gaining ratio

Answer: Old ratio - Written off among all partners in old ratio.

Q47. NPO: Small, recurring entrance fees are generally treated as:

- (a) Capital receipt
- (b) Revenue receipt
- (c) Deferred income
- (d) Directly to capital fund

Answer: Revenue receipt - Recurring and small -> revenue; large and non-recurring may be capital.

Q48. Bills: On dishonour by non-payment, drawee's account to be debited is:

- (a) Drawer
- (b) Bills payable
- (c) Cash
- (d) Discount account

Answer: Drawer - Liability to drawer restored.

Q49. In incomplete records, opening capital is found using:

- (a) Statement of affairs (assets minus liabilities)
- (b) Trial balance
- (c) Cash book
- (d) Trading account

Answer: Statement of affairs (assets minus liabilities) - Single entry -> statement of affairs.

Q50. Company accounts: Issue of shares at discount is:

- (a) Not permitted (basic rule)
- (b) Permitted freely
- (c) Permitted only to employees
- (d) Always illegal

Answer: Not permitted (basic rule) - Basic exam answer: not permitted, barring specific exceptions (sweat equity etc.).

Section 2 - 30 Case-based questions (answers inline)

Case 1. Final accounts: sales 201000, GP rate 25 percent, opening stock 30300, closing stock 40500, expenses 20000. Compute purchases and net profit.

Answer: COGS = 150750. Purchases = COGS + closing - opening = 160950. Net profit = GP - expenses = 50250 - 20000 = 30250.

Case 2. Depreciation and sale: cost 124000, life 5 (SLM), sold at end of year 3 for 60000. Find profit or loss and pass the journal at sale.

Answer: Annual dep = 24800; book value at sale = 49600; profit/loss = 10400. Entry: Dr Bank 60000, Dr Accumulated Dep 74400, Cr Machine 124000, Balancing to Profit 10400.

Case 3. Consignment: goods invoice 104500, consignor expenses 5000, normal loss 1000 units with scrap 10000, total units 10000. Find cost per good unit.

Answer: Net cost = 104500+5000-10000 = 99500. Good units = 9000. Cost per good unit = 11.06.

Case 4. BRS: cash book shows credit balance 50400 (overdraft). Cheques issued not presented 4000; cheques deposited not collected 6000; bank charges not recorded 200. Find pass book balance.

Answer: Start with -50400. Add 4000, deduct 6000 and 200. Pass book balance = -52600 (negative => overdraft).

Case 5. NPO: Life membership fees received 102500. Treatment?

Answer: Capital receipt added to capital fund. If policy amortises evenly over 5 years, income per year = 20500.

Case 6. Final accounts: sales 206000, GP rate 25 percent, opening stock 31800, closing stock 43000, expenses 20000. Compute purchases and net profit.

Answer: COGS = 154500. Purchases = COGS + closing - opening = 165700. Net profit = GP - expenses = 51500 - 20000 = 31500.

Case 7. Depreciation and sale: cost 134000, life 5 (SLM), sold at end of year 3 for 60000. Find profit or loss and pass the journal at sale.

Answer: Annual dep = 26800; book value at sale = 53600; profit/loss = 6400. Entry: Dr Bank 60000, Dr Accumulated Dep 80400, Cr Machine 134000, Balancing to Profit 6400.

Case 8. Consignment: goods invoice 112000, consignor expenses 5000, normal loss 1000 units with scrap 10000, total units 10000. Find cost per good unit.

Answer: Net cost = 112000+5000-10000 = 107000. Good units = 9000. Cost per good unit = 11.89.

Case 9. BRS: cash book shows credit balance 50900 (overdraft). Cheques issued not presented 4000; cheques deposited not collected 6000; bank charges not recorded 200. Find pass book balance.

Answer: Start with -50900. Add 4000, deduct 6000 and 200. Pass book balance = -53100 (negative => overdraft).

Case 10. NPO: Life membership fees received 105000. Treatment?

Answer: Capital receipt added to capital fund. If policy amortises evenly over 5 years, income per year = 21000.

Case 11. Final accounts: sales 211000, GP rate 25 percent, opening stock 33300, closing stock 45500, expenses 20000. Compute purchases and net profit.

Answer: COGS = 158250. Purchases = COGS + closing - opening = 170450. Net profit = GP - expenses = 52750 - 20000 = 32750.

Case 12. Depreciation and sale: cost 144000, life 5 (SLM), sold at end of year 3 for 60000. Find profit or loss and pass the journal at sale.

Answer: Annual dep = 28800; book value at sale = 57600; profit/loss = 2400. Entry: Dr Bank 60000, Dr Accumulated Dep 86400, Cr Machine 144000, Balancing to Profit 2400.

Case 13. Consignment: goods invoice 119500, consignor expenses 5000, normal loss 1000 units with scrap 10000, total units 10000. Find cost per good unit.

Answer: Net cost = 119500+5000-10000 = 114500. Good units = 9000. Cost per good unit = 12.72.

Case 14. BRS: cash book shows credit balance 51400 (overdraft). Cheques issued not presented 4000; cheques deposited not collected 6000; bank charges not recorded 200. Find pass book balance.

Answer: Start with -51400. Add 4000, deduct 6000 and 200. Pass book balance = -53600 (negative => overdraft).

Case 15. NPO: Life membership fees received 107500. Treatment?

Answer: Capital receipt added to capital fund. If policy amortises evenly over 5 years, income per year = 21500.

Case 16. Final accounts: sales 216000, GP rate 25 percent, opening stock 34800, closing stock 48000, expenses 20000. Compute purchases and net profit.

Answer: COGS = 162000. Purchases = COGS + closing - opening = 175200. Net profit = GP - expenses = 54000 - 20000 = 34000.

Case 17. Depreciation and sale: cost 154000, life 5 (SLM), sold at end of year 3 for 60000. Find profit or loss and pass the journal at sale.

Answer: Annual dep = 30800; book value at sale = 61600; profit/loss = -1600. Entry: Dr Bank 60000, Dr Accumulated Dep 92400, Cr Machine 154000, Balancing to Loss 1600.

Case 18. Consignment: goods invoice 127000, consignor expenses 5000, normal loss 1000 units with scrap 10000, total units 10000. Find cost per good unit.

Answer: Net cost = 127000+5000-10000 = 122000. Good units = 9000. Cost per good unit = 13.56.

Case 19. BRS: cash book shows credit balance 51900 (overdraft). Cheques issued not presented 4000; cheques deposited not collected 6000; bank charges not recorded 200. Find pass book balance.

Answer: Start with -51900. Add 4000, deduct 6000 and 200. Pass book balance = -54100 (negative => overdraft).

Case 20. NPO: Life membership fees received 110000. Treatment?

Answer: Capital receipt added to capital fund. If policy amortises evenly over 5 years, income per year = 22000.

Case 21. Final accounts: sales 221000, GP rate 25 percent, opening stock 36300, closing stock 50500, expenses 20000. Compute purchases and net profit.

Answer: COGS = 165750. Purchases = COGS + closing - opening = 179950. Net profit = GP - expenses = 55250 - 20000 = 35250.

Case 22. Depreciation and sale: cost 164000, life 5 (SLM), sold at end of year 3 for 60000. Find profit or loss and pass the journal at sale.

Answer: Annual dep = 32800; book value at sale = 65600; profit/loss = -5600. Entry: Dr Bank 60000, Dr Accumulated Dep 98400, Cr Machine 164000, Balancing to Loss 5600.

Case 23. Consignment: goods invoice 134500, consignor expenses 5000, normal loss 1000 units with scrap 10000, total units 10000. Find cost per good unit.

Answer: Net cost = 134500+5000-10000 = 129500. Good units = 9000. Cost per good unit = 14.39.

Case 24. BRS: cash book shows credit balance 52400 (overdraft). Cheques issued not presented 4000; cheques deposited not collected 6000; bank charges not recorded 200. Find pass book balance.

Answer: Start with -52400. Add 4000, deduct 6000 and 200. Pass book balance = -54600 (negative => overdraft).

Case 25. NPO: Life membership fees received 112500. Treatment?

Answer: Capital receipt added to capital fund. If policy amortises evenly over 5 years, income per year = 22500.

Case 26. Final accounts: sales 226000, GP rate 25 percent, opening stock 37800, closing stock 53000, expenses 20000. Compute purchases and net profit.

Answer: COGS = 169500. Purchases = COGS + closing - opening = 184700. Net profit = GP - expenses = 56500 - 20000 = 36500.

Case 27. Depreciation and sale: cost 174000, life 5 (SLM), sold at end of year 3 for 60000. Find profit or loss and pass the journal at sale.

Answer: Annual dep = 34800; book value at sale = 69600; profit/loss = -9600. Entry: Dr Bank 60000, Dr Accumulated Dep 104400, Cr Machine 174000, Balancing to Loss 9600.

Case 28. Consignment: goods invoice 142000, consignor expenses 5000, normal loss 1000 units with scrap 10000, total units 10000. Find cost per good unit.

Answer: Net cost = 142000+5000-10000 = 137000. Good units = 9000. Cost per good unit = 15.22.

Case 29. BRS: cash book shows credit balance 52900 (overdraft). Cheques issued not presented 4000; cheques deposited not collected 6000; bank charges not recorded 200. Find pass book balance.

Answer: Start with -52900. Add 4000, deduct 6000 and 200. Pass book balance = -55100 (negative => overdraft).

Case 30. NPO: Life membership fees received 115000. Treatment?

Answer: Capital receipt added to capital fund. If policy amortises evenly over 5 years, income per year = 23000.