



Paper 2: Accounting _Syllabus 2008

Practice paper 2

TRIAL BALANCE and RECTIFICATION OF ERRORS

1. Which of these errors does not affect agreement of Trial Balance.

- a) Errors of principle.
- b) Complete omission in subsidiary books.
- c) Compensating errors.
- d) All the three.

Ans:- (d)

2. Which of these errors effect only one account.

- a) Errors of casting.
- b) Errors of carry forward.
- c) Errors of posting.
- d) All the three.

Ans:- (d)

3. Which of these errors affect two or more accounts.

- a) Errors of complete omission
- b) Errors of principle.
- c) Errors of posting to wrong account.
- d) All the three.

Ans:- (d)

4. Which of the following error is an error of principle.

- a) ₹5,000 received from Sham credited to Ram A/c.
- b) ₹5,000 incurred on installation of new plant debited to travelling expenses A/c.
- c) ₹500 paid for wages debited to salary A/c.
- d) ₹500 being purchase of raw material debited to purchase A/c ₹50.

Ans:- (b)

5. Which of the following is an one sided error.

- a) ₹500 purchase of old equipment not recorded in the books of A/c at all.
- b) ₹500 being expense on travelling expense credited to travelling expenses.
- c) Both.
- d) None.

Ans :- (b)



Paper 2: Accounting _Syllabus 2008

CASH BOOK

1. Cash book records-----
- (a). Only cash sales.
 - (b). All types of cash receipts and payments.
 - (c). Only revenue receipts.
 - (d). Only capital receipts.

Ans:- (b)

2. In a three column cash----- does not exist
- (a). Cash column.
 - (b). Bank column.
 - (c). Petty cash column.
 - (d). Discount column.

Ans:- (c)

3. Which of these transactions will not be recorded in cash book-----
- (a). Cash received from debtors.
 - (b). Cash paid to creditors.
 - (c). Salary remained outstanding.
 - (d). Cash deposited with bank.

Ans:- (c)

4. The closing balance of a petty cash book is a / an -----
- (a). Liability.
 - (b). Gain.
 - (c). Assets.
 - (d). Loss

Ans:- (c)

5. Which column of a cash book will not have credit balance -----
- (a). Bank column.
 - (b). Discount column
 - (c). Cash column
 - (d). None.

Ans:- (c)

6. Petty cash balance is a/an -----
- (a). Assets.
 - (b). Expenditure
 - (c). Liability
 - (d). None

Ans:- (a)

7. Which of these is a Part of cash in hand
- (a). Postage stamps. ;
 - (b). B/R



Paper 2: Accounting _Syllabus 2008

- (c). Cheque Deposited with Bank
- (d). B/R endorsed.

Ans:- (a)

CLASSIFICATION OF ACCOUNTS

1. Which of the following is a real A/c.
- a) Salary A/c.
 - b) Bank A/c
 - c) Building A/c
 - d) Goodwill A/c.

Ans:- (c)

2. Which of the following is a personal A/c
- a) Outstanding Salary A/c.
 - b) Rent A/c
 - c) SBI A/c.
 - d) Bad debts A/c.

Ans:- (c)

3. Which of the following is a representative personal A/c.
- a) Outstanding salary A/c.
 - b) Rent A/c.
 - c) SBI A/c.
 - d) Bad debts A/c.

Ans:- (a)

4. Which of the following is a nominal A/c
- a) Outstanding Salary A/c.
 - b) Rent A/c.
 - c) SBI A/c.
 - d) Debtors A/c.

Ans:- (b)

5. Goodwill A/c is a -----
- a) Nominal A/c.
 - b) Tangible asset.
 - c) Intangible asset.
 - d) Fictitious asset.

Ans:- (c)



Paper 2: Accounting _Syllabus 2008

JOURNALIZING PROCESS

1. Posting is the process of -----
- a) Posting the letters in drop box.
 - b) Posting suitable person to a suitable job.
 - c) Entering in the ledger the information contained in the ledger.
 - d) All the three.

Ans:- (c)

2. A book wherein various accounts are opened is called-----
- a) Subsidiary books.
 - b) Journal.
 - c) Ledger.
 - d) Trial Balance.

Ans:- (c)

3. Which of these is not a special purpose journal
- a) Cash journal.
 - b) Purchase journal.
 - c) Debtors journal.
 - d) Sales journal.

Ans:- (c)

4. The periodic total of sales day book is posted to -----
- a) Sales A/c.
 - b) Cash sales A/c.
 - c) Sales return A/c,
 - d) Credit sales A/c

Ans:- (a)

5. The periodic total of purchase day book is posted to -----
- a) Purchase register.
 - b) Purchase A/c
 - c) Cash purchase A/c
 - d) Credit purchase A/c.

Ans:- (b)



Paper 2: Accounting _Syllabus 2008

REVENUE AND CAPITAL EXPENDITURE

1. Capital expenses are shown in -----
 - a) Balance Sheet.
 - b) Profit and Loss A/c.
 - c) Trading A/c.
 - d) None of these.Ans:- (a)
2. Revenue receipts are shown in -----
 - a) Balance Sheet
 - b) Profit and Loss appropriation A/c.
 - c) Manufacturing A/c.
 - d) Trading and Profit and Loss A/c.Ans :- (d)
3. Benefit of revenue expenses extends to
 - a) 10 years.
 - b) 5 years.
 - c) One accounting year
 - d) As long as the business continues.Ans:- (c)
4. Which of the following is a revenue expenses
 - a) Raw material consumed.
 - b) Plant purchased
 - c) Long term loan raised from bank.
 - d) Share CapitalAns :- (a)
5. Which of the following is a capital expenditure.
 - a) Repair of plant and machinery
 - b) Salary paid to workers
 - c) Cost of stand by equipment
 - d) Annual whitewash of the office building.Ans:- (c)
6. Which of these types of expenditure would not be treated as a Capital Expenditure.
 - a) Acquisition of an Asset
 - b) Extension of an Asset
 - c) Improvement of the existing Asset
 - d) Maintenance of the Asset.Ans:- (d)
7. Expenses of the following nature are treated as a Revenue expenses except -----
 - a) Expenses for day to day running of the business.
 - b) Putting the new asset in working condition.



Paper 2: Accounting _Syllabus 2008

- c) Depreciation.
- d) Purchase of raw material.

Ans:- (b)

SUBSIDIARY BOOKS AND LEDGER POSTING

1. Sales day book records-
 - (a). All sales.
 - (b). All credit sales of manufactured or traded goods.
 - (c). All credit sales.
 - (d). Only cash sales.

Ans:- (b)

2. Purchase day book records
 - (a). All cash purchases
 - (b). All credit purchases
 - (c). Only credit purchase of raw material or goods purchased for resale.
 - (d). All purchases.

Ans:- (c)

3. Journal is also known by -----
 - (a). Memorandum A/c.
 - (b). Kaccha books.
 - (c). Books of original entry.
 - (d). Proper books.

Ans:- (c)

4. The periodic total of sale day book is posted to -----
 - (a). Trading A/c.
 - (b). Profit and Loss A/c.
 - (c). Sales A/c.
 - (d). Manufacturing A/c.

Ans:- (c)

5. The periodic total of purchase day book is posted to -----
 - (a). Creditors A/c.
 - (b). Debtors A/c
 - (c). Purchase A/c.
 - (d). None

Ans:- (c)



Paper 2: Accounting _Syllabus 2008

FINAL ACCOUNT

1. Closing entries are generally passed----
- (a). At the time of opening new books of account
 - (b). At the time of closing the accounts
 - (c). During the course of accounting period any time.
 - (d). After certification of accounts

Ans:- (b)

2. Closing stock appearing in the trial balance is shown in –
- (a). Trading A/c and balance sheet
 - (b). Profit and loss A/c.
 - (c). Balance sheet only
 - (d). Trading A/c only

Ans:- (c)

3. Depreciation account appearing in the trial balance is shown in –
- (a). Profit and loss A/c
 - (b). Trading A/c
 - (c). Deducted from the concerned assets A/c
 - (d). Shown on the liability side.

Ans :- (a)

4. Profit on sale of old plant is shown –
- (a). In trading A/c
 - (b). In profit and loss appropriation A/c
 - (c). Profit and loss A/c
 - (d). Being a non operating item ignored

Ans:- (c)

5. Carriage on goods purchased is shown in -----
- (a). Profit and loss A/c
 - (b). Capitalized with work in progress
 - (c). Trading A/c
 - (d). Shown in balance sheet.

Ans:- (c)

6. Which of these is not an operating income
- (a). Income from sale of trading goods
 - (b). Bad debts recovered
 - (c). Interest on FDs
 - (d). None.

Ans:- (c)



Paper 2: Accounting _Syllabus 2008

7. ABC holds an average inventory of ₹36,000(CP) with an inventory turnover of 5 times. If the firm makes a gross profit of 25% on sales, find the total sales of the company.

(a). ₹2,40,000
(b). ₹2,10,000
(c). ₹2,00,000
(d). ₹1,80,000

Ans:- (a)

8. From the following details what will be the managerial commission.

Net profit before charging Managerial commission ₹65,000, Managerial commission 11% after charging such commission.

(a). 6441
(b). 5431
(c). 7654
(d). 9876

Ans:- (a)

9. From the following details what will be the managerial commission.

Net profit before charging Managerial commission ₹65,000, Managerial commission 11% after charging such commission.

(a). 6441
(b). 5431
(c). 6500
(d). 5876

Ans:- (c)

10. Arrangement of Balance Sheet in a logical order is known as -----

(a). Dressing balance sheet.
(b). Marshalling balance sheet.
(c). Formatting balance sheet.
(d). Make up of balance sheet.

Ans:- (b)



Paper 2: Accounting _Syllabus 2008

BANK RECONCILIATION STATEMENT

1. Bank reconciliation is a statement prepared to reconcile----
- (a). Trial balance
 - (b). Cash book
 - (c). Bank A/c
 - (d). Cash as per cash book with bank balance as per bank pass book.

Ans:- (d)

2. Bank reconciliation statement is a part of –
- (a). Cash book.
 - (b). Trial balance.
 - (c). Auditors report.
 - (d). None of these.

Ans :- (a)

3. Benefits of preparing Bank Reconciliation Statement includes -----
- (a). It bring out any errors committed in preparation of Cash book / Bank Pass Book.
 - (b). Highlights under delay in clearance of cheques deposited but not credited.
 - (c). Help know actual bank balance
 - (d). All the three.

Ans:- (d)

4. Debit balance as per bank pass book mean -----
- (a). Surplus cash.
 - (b). Bank Overdraft.
 - (c). Terms deposits with bank.
 - (d). None of these.

Ans :- (b)

5. Which of the following is not a cause of difference in balance as per cash book and balance as per bank pass book-----
- (a). Errors in cash book
 - (b). Errors in pass book
 - (c). Cheques deposited and cleared
 - (d). Cheques issued but not presented for payment.

Ans:- (c)



Paper 2: Accounting _Syllabus 2008

INVENTORY VALUATION

1. Which of the following is not an inventorial cost.

- (a).Interest
- (b).Purchase cost
- (c).Freight and insurance
- (d).Production cost

Ans:- (a)

2. Which of the following method of inventory valuation is most appropriate for goods purchased for some specific purpose.

- (a).LIFO
- (b).FIFO
- (c).Base stock
- (d).Specific identification method

Ans:- (d)

3. As per AS2 inventories are valued at least of the cost or

- (a).Market price
- (b).Replacement value
- (c).Net Realizable value
- (d).Current cost

Ans:- ©

4. Which method of inventory valuation best matches the cost of goods sold with current replacement cost.

- (a).LIFO
- (b).FIFO
- (c).HIFO
- (d).Weighted average

Ans:-(a)

5. Improper valuation of inventory effects-----

- (a).Profitability
- (b).Financial position
- (c).Both
- (d).Cash inflows

Ans:- (c)

6. Find the cost of goods sold if goods are sold for ₹2,000 at 25% profit on cost.

- (a).₹ 1,600
- (b).₹ 1,500
- (c).₹ 1,000
- (d).₹ 1,800

Ans:-(a)



Paper 2: Accounting _Syllabus 2008

7. Find the value of opening stock from the following data:-

Purchases ₹ 1,50,000, Closing stock ₹ 30,000 , sales ₹2,20,000, Gross profit ₹ 40,000.

- (a). ₹ 50,000
- (b). ₹ 55,000
- (c). ₹ 60,000
- (d). ₹ 65,000

Ans:- (c)

DEPRECIATION ACCOUNTING

1. Which of the following is an external cause of depreciation.

- (a). Routine repair and maintenance
- (b). Misuse
- (c). Obsolescence
- (d). Wear and tear

Ans:- (c)

2. Depreciation is a process of -----

- (a). Valuation of fixed assets
- (b). Allocation of cost over the useful life of assets.
- (c). Generating funds replacements of the assets
- (d). Avoidance of tax.

Ans:- (b)

3. Which of the following is not depreciated.

- (a). Building
- (b). Land
- (c). Plant and Machinery
- (d). Office equipment

Ans:- (b)

4. Schedule XIV of the Companies Act specifies----- as minimum rate of depreciation (WDV) on ship fishing vessels

- (a). 27%
- (b). 33%
- (c). 10%
- (d). 15%

Ans:- (a)

5. ----- is also known as Appraisal system of depreciation .

- (a). Inventory system
- (b). Survey system
- (c). Annuity system
- (d). Insurance

Ans:- (a)



Paper 2: Accounting _Syllabus 2008

CONSIGNMENT ACCOUNTING

1. Consignment account is a ----- A/c
 - (a). Personal
 - (b). Nominal
 - (c). Real
 - (d). DummyAns:- (b)
2. On receipt of the goods the consignee -----
 - (a). Debits trading A/c
 - (b). Credit consignor A/c
 - (c). Debits purchase A/c
 - (d). Makes no entry thereofAns:- (d)
3. Which of these is a normal loss-----
 - (a). Loss in weight due to weather conditions
 - (b). Shortage during transit
 - (c). Breakage during handling
 - (d). Loss in value due to market conditionsAns:- (a)
4. *Del credere* commission is allowed to -----
 - (a). Consignee
 - (b). Consignor
 - (c). Agent of consignee
 - (d). Debt collection agencyAns:- (a)
5. Balance left in Consignment A/c shows-----
 - (a). Profit or loss on consignment
 - (b). Stock lying with the consignee
 - (c). Stock lying with the debtors
 - (d). Stock awaiting approvalAns:- (a)
6. If the consignee is allowed *del credere* commission, then he bears-
 - (a). All sales promotion expenses.
 - (b). Loss due to bad debts
 - (c). Loss due shortage of goods
 - (d). All routine expenses in connection with the goodsAns:- (b)



Paper 2: Accounting _Syllabus 2008

7. On 1st April 07 Abhay of Patna consigned goods costing ₹7500 to Bhola of Ranchi at a proforma invoice price of 25% profit on sales. The consignment A/c will be credited for stock loading by –

- (a). ₹ 2500
- (b). ₹ 1875
- (c). ₹ 2000
- (d). ₹ 1500

Ans:- (a)

JOINT VENTURE

1. Joint Venture is a

- (a). Personal A/c.
- (b). Nominal A/c
- (c). Real A/c
- (d). Memorandum A/c.

Ans:- (b)

2. Joint Venture with.....(another co-venturer) A/c is a -----

- (a). Personal A/c
- (b). Nominal A/c
- (c). Real A/c
- (d). Memorandum A/c

Ans:- (b)

3. Which of these is not a feature of a Joint venture.

- (a). Continuing business
- (b). No firm name
- (c). Partners called co-venturer
- (d). Partnership for limited purpose

Ans:- (a)

4. Which of these accounts are not opened in a joint venture.

- (a). Stock reserve
- (b). Joint bank A/c
- (c). Joint venture A/c
- (d). Co-venturers personal A/c

Ans :- (a)

5. Profit or loss on joint venture business is shared by the co-venturers-----

- (a). Equally
- (b). In the ratio of capital contributed
- (c). In the agreed upon ratio
- (d). A per seniority

Ans :- (c)



Paper 2: Accounting _Syllabus 2008

BILL OF EXCHANGE

1. Negotiable Instrument Act was enacted in-----

- (a). 1981
- (b). 1881
- (c). 1871
- (d). 2001

Ans: (b)

2. Which of these is not an essential feature of a bill of exchange.

- (a). Unconditional
- (b). Certainty of amount
- (c). In writing
- (d). Amount to be paid in foreign currency

Ans:- (d)

3. A foreign bill of exchange is generally drawn up in-

- (a). Triplicate
- (b). Duplicate
- (c). Single
- (d). Quadruplicate

Ans:- (a)

4. Which of these are not required in a promissory note

- (a). Acceptance
- (b). Unconditional promise to pay
- (c). Properly stamped
- (d). Payment to be made legal currency.

Ans:- (a)

5. Accommodation bills are generally for-

- (a). Genuine trade reasons
- (b). For mutual financial accommodation
- (c). To help augment money supply
- (d). All the three

Ans:- (b)

6. Which of these is not true about a promissory note.

- (a). Unconditional promise
- (b). Crossing
- (c). Certainty of amount
- (d). Payee to a certain person

Ans :- (b)

7. Drawee means a person who –

- (a). Makes the order
- (b). Accepts it



Paper 2: Accounting _Syllabus 2008

- (c). Takes the payment on due date
- (d). Creditor

Ans :- (b)

8. Retirement of a bill of exchange means-

- (a). Cancellation of bill
- (b). Premature payment of bill
- (c). Discounting of bill
- (d). Endorsement of bill

Ans :- (b)

9. Early payment of a Bill of Exchange is known as---

- (a). Retirement
- (b). Renewal
- (c). Discount
- (d). Endorsement

Ans :- (a)

10. On early retirement of a B/E who suffers loss of interest –

- (a). Drawee
- (b). Drawer
- (c). Payee
- (d). None.

Ans:- (b)

SALE OF GOODS ON APPROVAL BASIS

1. When large number of goods are sold on sale on approval basis, which of these record is maintained.

- (a). Sales day book.
- (b). Sale or return journal
- (c). Multicolumn sales book.
- (d). All the three

Ans:- (b)

2. Under sales on return or approval basis, the ownership of goods is passed only-----

- (a). When the buyer gives his consent.
- (b). When the goods are not returned within the specified time.
- (c). When the buyers retains the goods beyond specified time.
- (d). In all the three cases.

Ans ; (d)



Paper 2: Accounting _Syllabus 2008

3. Goods lying with the custom are valued at -----
(a). Cost price
(b). Market price
(c). Net realizable value
(d). Least of cost or net realizable value.

Ans:- (d)

PARTNERSHIP ACCOUNTS

1. Which of these is not an essential feature of a partnership firm ----
(a). Mutual agency
(b). Compulsory registration
(c). Association of two or more persons
(d). Existence of business
Ans :- (b)
2. As per Partnership Act, which of these rights are available to a partner-----
(a). Bonus
(b). Salary
(c). Commission
(d). Equal profit.
Ans:- (d)
3. Which of the following is odd one-----
(a). Active
(b). Sleeping
(c). Nominal
(d). Co-venturer
Ans :- (d)
4. The *inter se* relations of the partners between themselves is that of a-----
(a). Family friends
(b). Business associates
(c). Agents of each other
(d). Close relatives
Ans:- (c)
5. Guaranteed profit is given to the -----
(a). Retiring partner
(b). Incoming partner
(c). Heirs of the deceased partners
(d). All the three.
Ans :- (b)



Paper 2: Accounting _Syllabus 2008

ADMISSION OF PARTNER

1. Revaluation A/c is a -----

- (a). Personal A/c.
- (b). Nominal A/c
- (c). Real A/c
- (d). Dummy A/c.

Ans:- (b)

2. Profit or loss on revaluation of assets at the time of admission of new partner is distributed in-----

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

Ans:- (b)

3. Goodwill is a/an-----

- (a). Intangible asset
- (b). Tangible asset
- (c). Fictitious asset
- (d). Fixed asset

Ans:- (a)

4. Goodwill brought in by the incoming partners distributed in-----

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

Ans:- (c)

5. To which account unrecorded assets are accounted for at the time of admission of a new partner-----

- (a). Profit and loss A/c
- (b). Revaluation A/c
- (c). Realization A/c
- (d). Profit and loss adjustment A/c.

Ans :- (b)

6. A, B and C are three partners in firm sharing profit and loss equally, D is admitted for $\frac{1}{4}$ th share of the profit, what is the sacrificing ratio.

- (a). 1:1:1
- (b). 1:2:1
- (c). 2:1:1
- (d). 1:1:2

Ans :- (a)



Paper 2: Accounting _Syllabus 2008

7. Liability of a partner of firm is-----

- (a). Limited
- (b). Unlimited
- (c). Restricted
- (d). Undefined

Ans:- (b)

RETIREMENT AND DEATH OF A PARTNER

1. At the time of retirement of a partner the existing profit and loss balance is transferred to :-

- (a). Realization A/c
- (b). Revaluation A/c
- (c). Goodwill A/c
- (d). Existing partners capital A/c

Ans :- (d)

2. At the time of retirement of a partner the adjustment of goodwill is done in-----

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

Ans :- (b)

3. Retirement of a partner leads to :-

- (a). Gain in profit sharing ratio or remaining partners.
- (b). Loss in the profit sharing ratio of remaining partners
- (c). No change in profit sharing ratio of remaining partners.
- (d). None.

Ans :- (a)

4. Joint life policy is generally taken on the life of:-

- (a). All the employees of the firm
- (b). The family members of the partners
- (c). All the partners jointly or severally
- (d). All the three

Ans: - (c)

5. Retiring partner is liable :-

- (a). For firms all liabilities
- (b). For liability incurred with his consent.
- (c). For liability before his retirement
- (d). Not liable at all.

Ans :- (c)