

Competitive Exams: Commerce MCQs (Practice-Test 14 of 99)

1. The quality of information is measured by its
 - a. accuracy
 - b. cost
 - c. degree of statistical validity
 - d. timeliness

2. Which one of the following transactions can change the current ratio?
 - a. Purchase of goods for cash
 - b. Payment to outstanding trade creditors
 - c. Acceptance on a Bill of Exchange written by a trade creditor
 - d. Dishonour of a Bill of Exchange

3. Which one of the following is not correctly matched?
 - a. Company—Authorized capital
 - b. Shares—Face value
 - c. Bonus shares—Market value
 - d. Preference shares—Fixed dividend

4. Auditing is compulsory in case of
 - a. Joint-stock Company
 - b. Charitable Trust
 - c. Cooperative Society
 - d. All of the above

5. Which one of the following statements is not correct in respect of private limited companies?
 - a. Number of members is limited to 50

- b. Operations are restricted to a particular State
 - c. Invitation to public for subscription to capital is prohibited
 - d. Transfer of shares is restricted
6. A company needs to issue prospectus
- a. for every Public issue
 - b. for every Public issue as well as Rights issue
 - c. for every Public issue. Rights issue and Bonus shares
 - d. for every Public issue if it is a private limited company
7. • **Assertion (A):** Management Audit should be conducted by a team of experts.
- **Reason (R):** Management Audit is a critical examination of policy and practices of management from the highest level to downward in order to ascertain that sound management prevails in the business concern.
- a. Both A and R are individually true and R is the correct explanation of A
 - b. Both A and R are individually true but R is not the correct explanation of A
 - c. A is true but R is false
 - d. A is false but R is true
8. • **Assertion (A):** If it is found that some errors and/or frauds are remaining undetected due to the fact that a statutory auditor depended upon test checking, then the said auditor will be held responsible for negligence in the performance of his duties.
- **Reason (R):** A statutory auditor cannot, in any way, avoid or reduce the responsibility laid on him by the statutes.
- a. Both A and R are individually true and R is the correct explanation of A
 - b. Both A and R are individually true but R is not the correct explanation of A
 - c. A is true but R is false
 - d. A is false but R is true
9. • **Assertion (A):** An auditor of a large business concern has to adopt test checking based on scientific statistical sampling technique instead of checking the whole of transaction of a particular class.

- **Reason (R):** Test checking on scientific statistical sampling technique, reduces the volume of unnecessarily cumbersome audit work involved in detailed checking of all transactions.
 - a. Both A and R are individually true and R is the correct explanation of A
 - b. Both A and R are individually true but R is not the correct explanation of A
 - c. A is true but R is false
 - d. A is false but R is true

- 10. • **Assertion (A):** Revenue expenditure is written off in the year in which it occurs.
 - **Reason (R):** The benefit of revenue expenditure is consumed in the year in which it arises.
 - a. Both A and R are individually true and R is the correct explanation of A
 - b. Both A and R are individually true but R is not the correct explanation of A
 - c. A is true but R is false
 - d. A is false but R is true

- 11. • **Assertion (A):** Cash Flow Statement and Fund Flow Statement disclose same information.
 - **Reason (R):** Both are prepared out of the same data.
 - a. Both A and R are individually true and R is the correct explanation of A
 - b. Both A and R are individually true but R is not the correct explanation of A
 - c. A is true but R is false
 - d. A is false but R is true

- 12. • **Assertion (A):** Liquid ratio reveals strength of liquidity of a business unit.
 - **Reason (R):** Liquid ratio analyses liquid assets and liquid liabilities of a business unit in order to assess the extent of liquidity.
 - a. Both A and R are individually true and R is the correct explanation of A
 - b. Both A and R are individually true but R is not the correct explanation of A
 - c. A is true but R is false

d. A is false but R is true

13. • **Assertion (A):** Profit and Loss Account, and Balance Sheet are financial statements showing financial position of a business unit.
- **Reason (R):** Profit and Loss Account and Balance Sheet are prepared at the end of the financial year.
- a. Both A and R are individually true and R is the correct explanation of A
 - b. Both A and R are individually true but R is not the correct explanation of A
 - c. A is true but R is false
 - d. A is false but R is true
14. • **Assertion (A):** The interest on debentures can be capitalized up to the complete construction of the fixed assets.
- **Reason (R):** The construction of fixed assets could only be completed by the use of these funds.
- a. Both A and R are individually true and R is the correct explanation of A
 - b. Both A and R are individually true but R is not the correct explanation of A
 - c. A is true but R is false
 - d. A is false but R is true
15. • **Assertion (A):** The role of the Doctrine of Indoor Management is opposed to the rules of constructive notice.
- **Reason (R):** The constructive notice seeks to protect the company against the outsider whereas the Doctrine of Indoor Management operates to protect outsider against the company.
- a. Both A and R are individually true & R is the correct explanation of A
 - b. Both A and R are individually true but R is not the correct explanation of A
 - c. A is true but R is false
 - d. A is false but R is true