

Competitive Exams: Commerce MCQs (Practice-Test 21 of 99)

1. Which one of the following statements is correct?
 - a. Business policy is another name for long range planning
 - b. Strategic planning is the function of middle management
 - c. Operational planning is the function of top management
 - d. Strategic planning is largely influenced by external environment

2. What is indent in foreign trade?
 - a. Shipping documents in duplicate
 - b. A certificate indicating that the goods have been loaded on board the ship
 - c. A firm and binding order from the importer
 - d. A letter of intent from the overseas supplier

3. • **Assertion (A):** According to the Doctrine of Indoor Management, persons dealing with the company are only required to see that the proposed dealings are apparently regular and consistent With the Memorandum of Association and Articles of Association.
• **Reason (R):** It is presumed that the Directors are acting lawfully
 - 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

4. • **Assertion (A):** Individual perceptions, expectations, expected outcome of a given behaviour and situational factors also play a vital role in motivation.
• **Reason (R):** Though need is not fully rejected, need satisfaction is not the only aspect of a person's behaviour.
 - 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
5. • **Assertion (A):** Holding company is a partial consolidation.
- **Reason (R):** If company C is the subsidiary of B, and B is a subsidiary of A, then C will be deemed to be a subsidiary of A through the medium of B.
- 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
6. • **Assertion (A):** A private limited company must prepare its own Articles of Association.
- **Reason (R):** A private limited company can invite public to subscribe to its share and debentures.
- 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
7. • **Assertion (A):** While preparing Trading and Profit and Loss A/c and Balance Sheet, the adjustments given outside the trial balance are to be shown in final accounts at two places, if treated directly.
- **Reason (R):** Adjustments are to be made to comply with the matching principle.
- 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):** Current ratio shows the ability of the firm to meet its short term obligations.

- **Reason (R):** Current ratio is also used in inventory
 - 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):** Vouching refers to examination by the auditor of documentary evidence supporting and substantiating a transaction recorded in books.

- **Reason (R):** Verification refers to confirming the actual existence, possession, ownership, basis of valuation and freedom from encumbrance.
 - 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. Consider the following statements

- a. A letter of credit eliminates the risk of payment in foreign trade
- b. Revolving letter of credit and circular letter of credit are two different entities
- c. Revocable letter of credit is a confirmatory letter of credit

Which of the statements given above is/are correct?

- a. 1 only
- b. 2 and 3
- c. 1 and 3
- d. 1, 2 and 3

11. Consider the following statements:

- a. A public limited company can commence business only after getting the Certificate of Commencement of Business
- b. In a public limited company, Directors cannot borrow from the company without the approval of the Central

Government

Which of the statements given above is/are correct?

- a. 1 only
- b. 2 only
- c. Both 1 and 2
- d. Neither 1 nor 2

12. Consider the following statements

- a. Sole-proprietorship type of business unit is not governed by the Contract Act.
- b. A private limited company is governed by the Partnership Act whereas a public limited company is governed by the Companies Act

Which of the statements given above is/are correct?

- a. 1 only
- b. 2 only
- c. Both 1 and 2
- d. Neither 1 nor 2

13. Consider the following statements

- a. In case of the marine insurance, the insurable interest must exist at the time the loss occurs
- b. In case of fire insurance, insurable interest must exist both at the time of the contract and at the time of loss

Which of the statements given above is/are correct?

- a. 1 only
- b. 2. Oniy
- c. Both 1 and 2
- d. Neither 1 nor 2

14. Consider the following statements

- a. Workmen's Compensation and Third Party insurance are examples of guarantee insurance

b. Re-insurance is more common under fire and marine insurance

Which of the statements given above is/are correct?

a. 1 only

b. 2 only

c. Both 1 and 2

d. Neither 1 nor 2

15. A change in the exchange rate will change the amount of local currency receivable on a bill denominated in a foreign currency. The risk involved is called

a. Foreign exchange risk

b. Import risk

c. Transaction risk

d. Monetary risk