

## Competitive Exams: Commerce MCQs (Practice-Test 23 of 99)

1. The auditor must ensure that the amount of premium on the issue of shares is not utilized for
  - a. issue of bonus shares
  - b. writing off commission paid on the issue of shares
  - c. providing for premium paid on redemption of preference shares
  - d. transfer to capital redemption reserve
  
2. According to the Companies Act, 1956 every registered company shall have to prepare which of the following accounts and statements at the end of the financial year for approval of the shareholders and submission to the Register of Companies?
  - a. Profit and Loss Account and Balance Sheet after making adjustments for inflation
  - b. Profit and Loss Account, Balance Sheet and Funds Flow statement
  - c. Profit and Loss Account, Balance Sheet and Cash Flow statement
  - d. Profit and Loss Account and Balance

Sheet

3. Under which of the following circumstances can an auditor give a qualified report?
  - a. When the accounts have not been prepared in accordance with the provisions of the Companies Act
  - b. When books of accounts have not been kept
  - c. When the financial statements are in agreement with books of accounts and returns
  - d. When the accounts of the company do not show a true and fair view of the company as at the end of the financial year
  - e. Select the correct answer using the codes given below
    - i. 1, 2 and 4
    - ii. 1, 2 and 3
    - iii. 2, 3 and 4

iv. 1, 3 and 4

4. The system of internal check ensures that
  - a. Work is distributed among the employees according to their merit and qualifications
  - b. Work is completed as per the prescribed time schedule
  - c. Work performed by one employee is automatically checked by another employee
  - d. Work performed by an employee is checked by internal audit staff
  
5. Section 210A concerning the Constitution of National Advisory Committee on Accounting Standards by the Central Government for advice on the formulation and laying down of accounting policy and accounting standards for adoption by the companies or class of companies under the Act, has been inserted by
  - a. the Companies (Amendment) Act, 1999 with retrospective effect of 31.10. 1998
  - b. the Companies (Amendment). Act, 1988
  - c. the Companies (Central Government) General Rules and Forms, 1956
  - d. None of the above
  
6. Which of the following Is not disqualified for appointment as auditor of a company?
  - a. A firm having chartered accountants as its partners
  - b. An officer or employee of the company
  - c. A person who is a partner or who is in the employment of an officer or employee of the company
  - d. A person who is indebted to the company for an amount exceeding Rs. 1000 or a guarantor for more than Rs. 1000
  
7. The auditor is generally expected to carry out the following in a particular sequence
  - a. Verification of assets and liabilities
  - b. Vouching the transactions
  - c. Checking the valuation of assets and liabilities

Select the correct sequence using the codes given below:

- a. 2 – 3 – 1
- b. 1 – 2 – 3

c. 2 – 1 – 3

d. 3 – 1 – 2

8. Match List I (Statements) with List II (Forms of combination) and select the correct answer using the codes:

List-I

- a. X Co. Ltd. Buys up the Y Co. Ltd. & shareholders of Y Co. Ltd. Get shares in the X Co. Ltd.
- b. X Co. Ltd. And Y Co. Ltd. Both join to form a new company, namely, Z Co. Ltd. To which they transfer all of their assets and liabilities; and their shareholders receive the shares of Z Co. Ltd.
- c. X Co. Ltd. Buys 51% of shares in the Y Co. Ltd.
- d. X Co. Ltd. And Y Co. Ltd. Have the same Directors

List-II

- a. Amalgamation
- b. Merger
- c. Cartel
- d. Holding Company
- e. Community of Interest

    A    B    C    D

a. 4 5 3 1

b. 2 1 4 5

c. 4 1 3 5

d. 2 5 4 1

9. Which of the following amounts shall be credited to Investor Education and Protection Fund, if they remain unpaid/unclaimed for seven years from the date they become due?

- a. Matured debentures of a company
- b. Tax arrears
- c. Proceeds of sale of property
- d. Provision for doubtful debts

10. Match List I with List II and select the correct answer using the codes given below

List-I

- a. Uncertain liability
- b. Expiry of tangible asset
- c. Basis for all valuations in the Balance Sheet
- d. Accounting Standard-AS-8

List-II

- a. Amortization
- b. Long term liability
- c. Research and development
- d. Estimated obligation
- e. Conservatism convention

**A B C D**

a. 5 1 2 3

b. 4 3 5 1

c. 5 3 2 1

d. 4 1 5 3

11. Any causal vacancy in the office of a statutory auditor caused by the resignation of the auditor shall be filled by the company

- a. At the Board Meeting
- b. At the Annual General Meeting
- c. By means of a circular resolution
- d. At the Statutory Meeting

12. In verification of assets, the duty of the auditor is

- a. to ensure that assets have actually been acquired
- b. to ensure that they are clearly stated in the balance sheet
- c. to satisfy himself that they are properly valued
- d. to satisfy himself with regard to the existence, ownership and value of the assets

13. Consistency with reference to application of accounting principles refer to the fact that
- Companies in the same industry use identical accounting procedures and methods
  - Income and assets have not been overstated
  - Accounting methods and procedures used have been consistently applied from year to year
  - All the methods and procedures have been utilized
14. Making the provision for bad and doubtful debts in anticipation of actual bad debts is on the basis of
- Convention of disclosure
  - Convention of consistency
  - Convention of conservatism
  - Conventions of disclosure and consistency

15. Following data appear in the books of XY & Co. As on 31.03. 03

Capital account: Rs. 13, 00, 000

Drawing account: Rs. 12, 000

Land & Building account: Rs. 10, 00, 000

Goodwill account: Rs. 3, 50, 000

Suspense account (Dr): Rs. 50, 000

Loss by theft account: Rs. 20, 000

Business loss: Rs. 50, 000

Loan given to AB & Co. Rs. 60, 000

What will be the amount of sundry creditors?

- Rs. 2, 30, 000
- Rs. 1, 72, 000
- Rs. 3, 42, 000
- Rs. 2, 42, 000