

Competitive Exams: Commerce MCQs (Practice-Test 8 of 99)

1. • **Assertion (A):** A claim lodges with Railways in March 1998 for loss of goods of Rs. 2, 00, 000 had been passed for payment in March 2001 for Rs. 1, 50, 000. No entry was passed in 1998.
 - **Reason (R):** The collect ability of the claim was not certain in 1998.
 - a. Both A and Rare true and R is the correct explanation of A
 - b. Both A and R are 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
2. • **Assertion (A):** Life-membership fees are to be capitalized.
 - **Reason (R):** Often these are non-recurring receipts and the members take advantage of the services provided during the tenure of membership.
 - a. Both A and Rare true and R is the correct explanation of A
 - b. Both A and R are 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
3. • **Assertion (A):** The Company is said to be trading on equity.
 - **Reason (R):** The capital structure of the company is highly geared.
 - a. Both A and Rare true and R is the correct explanation of A
 - b. Both A and R are 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):** R. O. I. Measures the final outcome of all recorded business activities. It is the ratio that measures the performance of the firm that generates returns.

- **Reason (R):** However, interpretation regarding the amount of capital invested and size of returns generated by a firm differ from one interpreter to another and one organization to another. In other words, practices are not uniform and as such the acceptability of the concept is being questioned.
 - a. Both A and Rare true and R is the correct explanation of A
 - b. Both A and R are 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):** An auditor of a company gives a critical review of accounts.
 - **Reason (R):** He gives collaborative evidence that accounts are properly drawn up:
 - a. Both A and Rare true and R is the correct explanation of A
 - b. Both A and R are 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):** Internal Audit does not comprise a means by which the management of a business concern maintains Internal Control.
 - **Reason (R):** Internal Audit is a continuous critical examination of accounts of a business concern by its employees.
 - a. Both A and Rare true and R is the correct explanation of A
 - b. Both A and R are 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):** The Auditors Report is very significant; it should be read very carefully, particularly any qualificatory notes that it may contain. The Manufacturing and other Companies (Auditors Report) Orders, 1975, as amended in September 1998, required the auditors to include a statement of certain matters in their report on the accounts of the company.
 - **Reason (R):** A the auditor should make a specific observation and in case the report is qualified, then reason for such qualification should also be mentioned. In case the

auditor is not able to give any answer against any particular point, he should also explain the reasons thereof.

- a. Both A and R are true and R is the correct explanation of A
- b. Both A and R are 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):** Section 227 (1) of the Companies Act, 1956 has empowered an auditor of a limited company with certain rights.

• **Reason (R):** Section 227 (2) of the Companies Act, 1956 has given an auditor of a limited company certain duties to be performed in connection with his audit work.

- a. Both A and R are true and R is the correct explanation of A
- b. Both A and R are 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):** Audit requires application of professional judgment in a tremendously wide variety of situation and circumstances. An auditor broadly expresses his judgment of the fairness with which these statements present the state of affairs of a particular organization. Thus even the audited accounts may be incorrect, sometimes.

• **Reason (R):** The very object of auditing is to find out the truth and fairness of the financial position of the concern and also to prevent and detect errors and frauds. Auditor will be liable for any incorrect information in the audited accounts.

- a. Both A and R are true and R is the correct explanation of A
- b. Both A and R are 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):** The dissolution of partnership may or may not include the dissolution of the firm, but the dissolution of the firm includes dissolution of partnership.

• **Reason (R):** When the dissolution of partnership takes place, all businesses come to a close, but on the dissolution of the firm, the business may be carried on by a reconstituted firm.

- a. Both A and R are true and R is the correct explanation of A
 - b. Both A and R are 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):** The provisions of double insurance are not applicable to life insurance.
- **Reason (R):** Life insurance is not a contract of indemnity.
- a. Both A and R are true and R is the correct explanation of A
 - b. Both A and R are 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):** To-day managers with leadership qualities and skills are preferred to managers with expertise alone.
- **Reason (R):** The major organizational changes now emphasize managing people and processes.
- a. Both A and R are true and R is the correct explanation of A
 - b. Both A and R are 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):** Larger number of people report to one manager.
- **Reason (R):** Organization has a tall structure.
- a. Both A and R are true and R is the correct explanation of A
 - b. Both A and R are 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):** MBO is an effective way of planning and organizing.
- **Reason (R):** Employees participate in setting objectives.

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- a. Both A and R are true and R is the correct explanation of A
- b. Both A and R are 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):** Among efficiency conscious enterprises, integrated office is becoming popular.

• **Reason (R):** Greater flexibility, better work flow and lower operating cost are benefits of open office.

- a. Both A and R are true and R is the correct explanation of A
- b. Both A and R are 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