

## Competitive Exams: Commerce MCQs (Practice-Test 88 of 99)

1. Writing off the expired cost of an intangible asset is called
  - a. amortization
  - b. capitalization
  - c. depletion
  - d. depreciation
  
2. The debt: Equity ratio of a. Company is 8: 1. It was decided to issue bonus shares in the ratio of 1: 2. The debt: Equity ratio after the issue of bonus shares would be
  - a. 8: 1
  - b. 4: 1
  - c. 1: 8
  - d. 1: 4
  
3. In the case of a particular depreciation method, the periodic depreciation is smaller than the asset's actual depreciation cost. The annual net incidence on profit and loss account remains constant due to incorporation of only fixed depreciation. The periodic depreciation is not recorded through the asset account. The depreciation method used in this case is:
  - a. Sinking fund method
  - b. Diminishing balance method
  - c. Annuity method
  - d. Sum-of-years digits method
  
4. X Ltd. Forfeited 30 shares of Rs. 10 each fully called-up, for non-payment of allotment money of Rs. 3 per share and call money of Rs. 4 per share. These share and call money of Rs. 4 per share. These shares are re-issued for Rs. 8 per share fully paid What is the amount to be transferred to Capital Reserve Account?
  - a. Rs. 300
  - b. Rs. 60

c. Rs. 30

d. Rs. 90

5. Right's shares are the shares that are offered to the

a. directors of the company

b. debenture holders

c. existing shareholders

d. creditors of the company

6. Unpaid calls are shown in the balance sheet of a Company.

a. . By adding it to the share capital

b. by deducting it from the called-up share capital

c. under the head 'Current assets'

d. under the head, 'Current liabilities'

7. Pro-rata allotment of shares means allotment of share

a. equally amongst the applicants

b. at the discretion of the Directors

c. to all the applicants in proportion to the shares applied for

d. to only a few selected applicants

8. Profit prior to incorporation is an example of

a. revenue reserve

b. secret reserve

c. Capital reserve

d. general reserve

9. Interest on calls in arrears is charged according to Table A of Schedule I to the Companies Act 1956 at the rate of

a. 5% pa

b. 6% pa

c. 12% pa

d. 10% pa

10. The ratios which measure the relative contribution of financing by owners and financing provided by outsiders are called

- a. Liquidity ratios
- b. leverage ratios
- c. activity ratios
- d. profitability ratios

11. Match List I with List II and select the correct answer:

List-I

List-II

- |                               |                             |
|-------------------------------|-----------------------------|
| a. acid tests ratio           | a. Liquidity ratio          |
| b. Gearing ratio              | b. Profitability ratio      |
| c. Working capital turnover   | c. Leverage ratio ratio     |
| d. Return on capital employed | d. Long-term solvency ratio |
|                               | e. Activity ratio           |

**A B C D**

- a. 1 3 5 2
- b. 2 5 1 3
- c. 1 5 4 2
- d. 5 3 4 1

12. Which of the following transaction (s) will improve the Current Ratio?

- a. Bills receivable dishonored.
- b. Cash collected from customers.

- c. Issue of new shares
- d. Payment of preliminary expenses by way of equity shares.

Select the correct answer using the codes given below:

- a. 1, 2 and 3
- b. 4 alone
- c. 3 alone
- d. 2 and 4

13. Credit sales of a company during the year are Rs. 1, 20, 000; Debtors, Rs. 20, 000 and Bills receivable Rs. 10, 000. The average collection period is

- a. 3 months
- b. 4 months
- c. 5 months
- d. 6 Months

14. Collection of sundry debtors would

- a. increase current ratio
- b. decrease current ratio
- c. have no effect on current ratio
- d. increase debtors turnover

15. Which one of the following statements is NOT correct? A high gross profit margin ratio is the result of

- a. Higher sales prices, cost of goods sold remaining constant
- b. Lower cost of good sold, sales price remaining constant
- c. an increase in the proportionate volume of higher margin items
- d. Increase in the sales return, cost of goods sold remaining the same