

**Examrace**

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## Competitive Exams: Commerce MCQs (Practice-Test 92 of 99)

1. A second hand machinery was purchased for Rs. 1, 00, 000 five years ago and was overhauled by carrying out some current repairs at a cost of Rs. 10, 000. It has also accumulated depreciation of Rs. 50, 000. It has been disposed of in the beginning of the sixth year for Rs. 60, 000. Profit/loss on such disposal shall be

- a. Profit of Rs. 10, 000
- b. Loss of Rs. 50, 000
- c. Loss of Rs. 40, 000
- d. No profit, no loss

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

List-I

List-II

- |                             |   |
|-----------------------------|---|
| a. Income measurement       | a. Accrues to owner's equity                |
| b. Expense recognition      | b. Revenue recognition                      |
| c. Basis for realisation in | c. Matching revenue and expenses accounting |
| d. Recognized revenue       | d. Accounting period                        |

**A B C D**

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

3. It is given that the cost of the stock is Rs. 100, However, its current market price is Rs. 95 (buying) and Rs. 90 (selling). If the market price is interpreted in the sense of replacement cost, the stock should be valued at
- Rs. 95
  - Rs. 100
  - Rs. 90
  - Rs. 93
4. In the last-in-first-out (LIFO) method, the closing stock is valued at
- a price which is paid for the last consignment
  - a price which is paid for the earlier consignment
  - an average price of all the consignments
  - none of the above
5. Charging a period for the proportionate cost of an intangible asset is termed as
- depreciation
  - diminution
  - amortization
  - expiration
6. Obsolescence means decline in the value due to
- fall in the market price
  - physical wear and tear
  - innovations and inventions
  - efflux of time
7. Concept of conservation refers to taking into account
- all profit
  - only cash profit
  - only profit realised
  - profit realised and all possible losses

8. Which one of the following accounting standards is NOT mandatory in India?
- Fixed assets accounting and revenue recognition
  - Inventory and depreciation accounting
  - Non-Monetary assets and fixed assets
  - Monetary assets and depreciation accounting
9. If the total charge of depreciation and maintenance is considered, the method which would provide a uniform charge is
- Annuity method
  - Straight-line method
  - Diminishing balance method
  - Insurance policy method
10. Which of the following expenditures are to be treated as revenue expenditure?
- Interest paid on money borrowed during construction period.
  - Cost of Patent Rights.
  - Loss of uninsured stock due to fire.
  - Retirement gratuity paid to an employee
- 1, 2 and 3
  - 2, 3 and 4
  - 3 and 4
  - 1 and 2
11. Payment of compensation to a worker, who has been discharged from service, is a
- Capital expenditure
  - revenue expenditure
  - deferred-revenue expenditure
  - non-business expenditure
12. Expenditure incurred on research is an example of
- Capital expenditure

- b. revenue expenditure
  - c. deferred-revenue expenditure
  - d. party capital expenditure and partly revenue expenditure
13. Rs. 19, 500 debited to building repairs on 31st Dec. 1993 included Rs. 9, 500 as the cost of building a small room for the watch-man bill of Rs. 800 for color wash of the whole building during the year was not received till Dec. The amount to be debited to profit & loss account would be
- a. Rs. 20, 300
  - b. Rs. 19, 500
  - c. Rs. 10, 800
  - d. Rs. 9, 500
14. The term loan of Rs. 5, 00, 000 was received from IFCI. It was used as under:
- a. Rs. 2, 00, 000 was advanced to suppliers for capital work in progress
  - b. Rs. 3, 00, 000 was used for financing the working capital.

Which is correct?

- a. The interest payable would be treated on both 1 & 2 as capital expenditure
  - b. on 1 as capital expenditure and on 2 as revenue expenditure
  - c. on 1 as deferred expenditure and on 2 as revenue expenditure
  - d. on 1 as deferred revenue expenditure and on 2 as capital expenditure
15. The basic flow of activities of a business firm follows a certain cyclical sequence. A business would like to have as many such cycles as possible during a given time period, say a year. What will be the sequential flow of some of these activities in the cycle?
- a. Financing decision.
  - b. Investment decision.
  - c. Disposal of output.
  - d. Acquisition of resources.
- i. 2, 1, 4, 3
  - ii. 4, 1, 2, 3

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iii. 1, 3, 4, 2

iv. 2, 3, 1, 4