

**MGT401 – Financial Accounting II**  
**Midterm Examination (Spring 2010)**  
**Solved and Composed**  
**By ADNAN AWAN**  
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Question No: 1 )Marks: 1 -Please choose one

**Which of the following type of the business is governed under the Partnership Act 1932 in Pakistan?**

- Sole-Proprietorship
- **Partnership** page 3
- Limited Companies
- Unlimited Companies

**Partnership**

Is the type of business that is owned by more than one person. These persons form a “Partnership Firm” through an agreement called “Partnership Agreement”. Partnership firms and agreements are governed by the Partnership Act 1932.

Question No: 2 )Marks: 1 -Please choose one

**Which of the following is/are not example of current liability?**

- Sundry Debtors
- Debentures
- Loan given to Mr. A for shorter period
- **All of the given options** page 110

**Current Liabilities:**

- ❖ Trade and other payables,
- ❖ Interest, profit, return or mark-up accrued on loans and other payables
- ❖ Short term borrowings
- ❖ Current portion of long term borrowings
- ❖ Current portion of long term murabaha
- ❖ Provision for taxation

Question No: 3 )Marks: 1 -Please choose one

**Which of the following are the resources controlled by the entity as a result of a past event from which future economic benefits are expected to flow to the entity?**

- **Assets**
- Gains
- Liabilities
- Expenses

### Assets

Resources Controlled by the entity As a result of a past event from which future economic benefits are expected to flow to the entity

Question No: 4 )Marks: 1 -Please choose one

**All of the following are the assets of the firm except**

- A building owned by the firm
- Goods in transit
- Money owed to the firm by it's debtors
- **Money which the firm has borrowed and has not yet been repaid.**

Question No: 5 )Marks: 1 -Please choose one

**Which of the following is related to the qualitative characteristics that make financial information useful?**

- Reliability only
- Relevancy only
- **Both Reliability and Relevancy**
- Comparability

Financial information must be complete within the restrictions of materiality and cost, to be reliable. Omission may cause information to be misleading.

Question No: 6 )Marks: 1 -Please choose one

**Which of the following statement is true regarding Going Concern Concept?**

- The Business is profitable
- The assets of the Business are valued at Market Value
- The business will continue until the Directors decide to close it
- **The Business will continue its working**

### Going Concern

The concept implies that the business will continue to operate for the foreseeable future

Question No: 7 )Marks: 1 -Please choose one

**Under which of the following assumptions, the Financial Statements are to be prepared?**

- Future Assumptions
- Past Assumptions
- **Accrual Basis and Going Concern Basis** page 98
- Accrual Basis Assumption only

**Financial statements are prepared on the following assumptions.**

- ❖ Accruals basis
- ❖ Going concern

**Q. 08: Which one of the following is not a physical asset?**

- Term Finance Certificates
- Loan Agreements
- Trade Receivables
- **Goodwill** page 86

**Other examples: Physical Assets:**

- ❖ TFC,
- ❖ Loan Agreements,
- ❖ Trade Receivables / Payables.

Question No: 9 )Marks: 1 -Please choose one

**Which one of the following is not the example of Financial Instruments?**

- Share Capital
- Loans Payable
- Debentures
- **Inventories** page 127

Question No: 10 )Marks: 1 -Please choose one

**The firm uses diminishing balance method for calculating Depreciation. The vehicle costing 20,000 was sold after two years. The sale resulted neither in loss or profit. What was the sale price of the Vehicle?**

- 7,200
- 12,000
- **12,800**
- 16,000

Question No: 11 )Marks: 1 -Please choose one

**Which of the following is/are not included in the disclosure requirement of Trade Debts with respect to the Companies Ordinance 1984?**

- Amount due in respect of goods sold
- Amount due in respect of services rendered
- **Amount due in respect of other contractual obligation**
- Amount due which are in nature of loans or advances.

Question No: 12 )Marks: 1 -Please choose one

**A firm has two categories of stock. The cost and Net Realizable Value (NRV) of each is as follows:**

Cost

NRV

Category 1  
Category 2

Rs. 35,000  
Rs. 22,000

Rs. 22,000  
Rs. 25,000

What amount will be disclosed.

- 44,000
- **47,000**
- 57,000
- 60,000

Question No: 13 )Marks: 1 -Please choose one

**Which of the following method is suitable for calculating the cost of inventory when actual costs of individual units of merchandise can be determined from the accounting records?**

- FIFO Method
- LIFO Method
- Weighted Average Method
- **Specific Identification Method** page 58

**The specific identification methods is needed in order to achieve a proper matching of sales revenue with the cost of goods sold.**

Question No: 14 )Marks: 1 -Please choose one

**Which of the following authority regulates/governs the functioning of Companies?**

- **Securities & Exchange Commission of Pakistan** page 207
- Federal Government
- Ministry of Finance
- All of the Given Options

**Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives take precedence.**

Question No: 15 )Marks: 1 -Please choose one

**Which of the following is true about the meeting of Directors?**

- **The quorum for a meeting of Directors of a listed company should not less than 1/3 of their members or four which is greater.**
- The quorum for a meeting of Directors of a listed company should not less than 1/3 of their members or four which is lesser.
- The quorum for a meeting of Directors of a listed company should not less than 1/2 of their members or four which is greater.
- The quorum for a meeting of Directors of a listed company should not less than 1/2 of their members or four which is lesser.

Question No: 16 )Marks: 1 -Please choose one

**Which of the following is true about the Companies Limited by shares?**

- Company has limited shares to offer
- Shareholders of the Company are limited
- **Liability of Shareholders is limited** page 4
- Liability of Shareholders is unlimited

### **Companies Limited**

"company limited by shares" means a company having the liability of its members limited by the memorandum to the amount, if any, unpaid on the shares respectively held by them.

Question No: 17 )Marks: 1 -Please choose one

**Proper Books of Accounts are kept by every company under which of the following section of Companies Ordinance 1984?**

- **230**
- 233
- 184
- 110

Question No: 18 )Marks: 1 -Please choose one

**Which of the following is not attributable to the Property Plant & Equipment?**

- Costs of site preparation
- **Administration and other general overhead costs** page 22
- Initial delivery and handling charges
- Installation and Assembly cost

The following costs **will not be part of the cost** of property, plant and equipment unless they can be attributed directly to the asset's acquisition, or bringing it into its working condition.

Administration and other general overhead costs  Start-up and similar pre-production costs  
Initial operating losses before the asset reaches planned performance

Question No: 19 )Marks: 1 -Please choose one

**Which of the following expenditure can not be capitalized?**

- Initial Composition Cost
- Cost of adding Air conditioner to the Computer Room
- Cost of Adding extra RAM to Computer
- **New tyres placed on a motor car**

### **Revenue Expenditure**

General maintenance repairs redecoration

Question No: 20 )Marks: 1 -Please choose one

**ABC (Pvt) Limited is engaged in production of an asset. The production started on July 31, 2007. The Production completed on July 31, 2008. The works manager checked the asset and required some minor modifications. These modifications were completed on August 30, 2008. The Asset was delivered to Works Manager on September 10, 2008. The production started from such asset on October 01, 2008. When should capitalization cease?**

- July 31, 2007
- July 31, 2008
- **August 30, 2008**
- October 01, 2008

Question No: 21 )Marks: 1 -Please choose one

**Which of the following is an identifiable non-monetary asset without physical substance?**

- Tangible Asset
- **Intangible Asset** page 36
- Floating Asset
- Circulating Asset

**Definition of an Intangible asset:**

An intangible asset is an identifiable Non-Monetary Asset without physical substance held for use in production or supply of goods or services, for rentals to others, or for administrative purposes.

Question No: 22 )Marks: 1 -Please choose one

**Which of the following is the application of research findings or other knowledge to a plan design for the production of new or substantially improved material, devices products, processes, systems or services before the start of commercial production or use?**

- Applied Research
- Business Research
- **Development** page 40
- Accounting

In contrast with research costs development costs are incurred at a later stage in a project, and the probability of success should be more apparent. Examples of development costs include:

- a) The design, construction and testing of pre-production or pre-use prototypes and models.
- b) The design of tools, jigs, moulds, and dies involving new technology.
- c) The design, construction and operation of a pilot plant that is not of a scale economically feasible for commercial production.

d) The design, construction and testing of a chosen alternative for new or improved materials, devices, products, processes, systems or services.

Question No: 23 )Marks: 1 -Please choose one

**Which of the following is an example of Intangible Asset?**

- Preliminary Expenses
- **Copy rights**
- Investments
- Discounts on issue of shares

Question No: 24 )Marks: 1 -Please choose one

**Which of the following statement is true under the Cost method for recognition of investments in associated companies?**

- **Any distribution of profits by the investee company is recorded as an income**
- Any distribution of profits by the investee company is recorded as an expense
- Any distribution of profits by the investor company is recorded as an income
- Any distribution of profits by the investor company is recorded as an expense

Question No: 25 )Marks: 1 -Please choose one

**Which of the following IAS is related to Financial Instruments Disclosure and Presentation?**

- IAS 27
- IAS 28
- IAS 31
- **IAS 32** page 74

Measurement, Presentation and Disclosure of Long Term Investments is governed by following standards:

- IAS 27, Consolidated and Separate Financial Statements
- IAS 28, Investments in Associates
- IAS 31, Interests in Joint Ventures
- IAS 32, Financial Instruments Disclosure and Presentation**
- IAS 39, Financial Instruments Recognition and Measurement

Question No: 26 )Marks: 1 -Please choose one

**Which of the following is related to IAS 31?**

- Consolidated and Separate Financial Statements
- **Interest in Joint Venture** page 74
- Financial Instruments Disclosure and Presentation
- Financial Instruments Recognition and Measurement

**IAS 31, Interests in Joint Ventures**

Question No: 27 )Marks: 1 -Please choose one

**Which of the following is true with respect to the disclosure requirement of Investment in Associate?**

- **Explanations when investments are less than 20% are accounted for by the equity method or when investments of more than 20% are not accounted for by the equity method.**
- Explanations when investments are less than 10% are accounted for by the equity method or when investments of more than 10% are not accounted for by the equity method.
- Explanations when investments are less than 10% are accounted for by the equity method or when investments of more than 20% are not accounted for by the equity method.
- Explanations when investments are less than 20% are accounted for by the equity method or when investments of more than 10% are not accounted for by the equity method.

Question No: 28 )Marks: 1 -Please choose one

**Which of the following is true with respect to the Disclosure requirement in Consolidated Financial Statements?**

- **The nature of relationship between the parent and subsidiary when the parent does not own, directly or indirectly through subsidiaries, more than 1/2 of the voting power** page 74
- The nature of relationship between the parent and subsidiary when the parent does not own, directly or indirectly through subsidiaries, more than 1/3 of the voting power
- The nature of relationship between the parent and subsidiary when the parent does not own, directly or indirectly through subsidiaries, more than 1/4 of the voting power
- The nature of relationship between the parent and subsidiary when the parent does not own, directly or indirectly through subsidiaries, more than 1/5 of the voting power

**Disclosures required in Consolidated Financial Statements:**

The nature of the relationship between the parent and a subsidiary when the parent does not own, directly or indirectly through subsidiaries, more than half of the voting power; The reasons why the ownership, directly or indirectly through subsidiaries, of more than half of the voting or potential voting power of an investee does not constitute control;

**PAPER NO 2**

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Question No: 1 )Marks: 1 -( Please choose one

In case of a single member company \_\_\_\_\_ person(s) is (are) required to be nominated to takeover the company in case of a death of the member.

▶ One

▶ **Two** page 4

▶ Three

▶ Four

### **Single Member Companies**

In case of a single member company two persons are required to be nominated to takeover the company in case of the death of the member.

Question No: 2 )Marks: 1 -( Please choose one

Company should be termed as a \_\_\_\_\_ of another company if other company holds more than 50% of its shares or has the power to appoint more than 50% of its directors.

▶ Associated

▶ **Subsidiary** page 12

▶ Joint Venture

▶ None of the given options

### **Subsidiary Companies**

As per the Companies Ordinance 1984, a company should be termed as a subsidiary of another company if the other company holds more than 50% of its shares or has the power to appoint more than 50% of its directors

Question No: 3 )Marks: 1 - Please choose one

Goodwill is most appropriately classified as:

➤ A fixed asset

➤ **An intangible asset**

➤ A fictitious liability

➤ A semi-fixed asset

### **Intangible asset**

❖ Goodwill;

❖ Patents, Copyright, Trade Marks and Designs; and

❖ Others (to be specified).

Question No: 4 )Marks: 1 -Please choose one

The capital maintenance concept implies that:

➤ The capital of a business should be kept intact by not paying out dividends.

➤ **A business should invest its profits in the purchase of capital assets.** Page 106

➤ Fixed assets should be properly maintained.

➤ Profit is earned only if the value of an organization's net assets or its operating capability has increased during the accounting period.

**Capital Maintenance:**

Financial concept of capital should be adopted if the users of financial statements are primarily concerned with the maintenance of nominal invested capital or the purchasing power of invested capital.

Question No: 5 )Marks: 1 -Please choose one

Which one of the following is an example of Conversion Cost?

- ▶ **Labour and factory overheads** page 56
- ▶ Labour and work in process
- ▶ Work in process and finished goods
- ▶ Factory overhead and work in progress

**(Conversion costs include labour and factory overheads).**

Question No: 6 )Marks: 1 -Please choose one

Which of the followings are among the non-current assets ?

- ▶ Tangible and intangible assets
- ▶ Operating assets
- ▶ Financial assets of a long term nature

▶ **All of the given options** page 17

Question No: 7 )Marks: 1 -Please choose one

Which one of the following is the concept of the capital maintenance?

- ▶ Financial capital maintenance
- ▶ Physical capital maintenance

▶ **Both Physical and Financial capital maintenance** page 106

▶ None of the given options

**There are two concepts of capital maintenance**

: a) Financial Capital Maintenance

b) Physical Capital Maintenance

Question No: 8 )Marks: 1 - Please choose one

Movement of capital issued and reserves are presented through which of the following statement?

- ▶ Cash flow statement
- ▶ Statement of changes in equity
- ▶ Income statement

▶ **Balance sheet**

Question No: 9 )Marks: 1 -Please choose one

A maximum limit of the amount of the capital that a company can issue is mentioned in the Memorandum of Association and Article of Association of the company is called:

▶ **Authorized capital**

- ▶ Issued capital
- ▶ Subscribed capital
- ▶ Paid up capital

**Authorized Capital:**

A maximum limit of the amount of capital that a company can issue is mentioned in the Memorandum and Articles of Association of the company.

Question No: 10 )Marks: 1 -Please choose one

Cost of inventories will consist of which of the following costs?

- ▶ Purchase cost
- ▶ Costs of conversion
- ▶ Installation costs

▶ All of the given options page 49

**Cost of Inventories:**

• The cost of inventories will consists of all costs of:

- a) Purchase
- b) Costs of Conversion
- c) Other costs incurred in bringing the inventories to their location and condition.

Question No: 11 )Marks: 1 -Please choose one

Cash discounts are received on early payment of the outstanding amount. These discounts are conditional and are not reduced from the value of the inventory.

▶ True page 57

▶ False

**Cash discounts**

Are received on early payment of the outstanding amount. These discounts are conditional and are not reduced from the value of the inventory

Question No: 12 )Marks: 1 - Please choose one

In the rare cases of conflict between an IAS and the Framework, the Framework will prevail.

▶ True page97

▶ False

**“The Framework is not an IAS and so does not overrule any individual IAS. In the (rare) cases of conflict between an IAS and the Framework, the IAS will prevail.”**

Question No: 13 )Marks: 1 - Please choose one

Current assets will also include marketable securities if they are expected to be realized within twelve months of the Balance Sheet date.

▶ True page 92

▶ False

**Current assets will also include marketable securities if they are expected to be realized within twelve months of the balance sheet date. If expected to be realized later, they should be included in non-current assets.**

Question No: 14 )Marks: 1 -Please choose one

Significant influence is the ability to participate and to control the financial and management affairs of the enterprise.

▶ True

▶ False page 12

**Significant influence is the ability to participate but not to control the financial and management affairs of the enterprise.**

Question No.15 )Marks: 1 -Please choose one

There is no concept of capital in:

- Sole proprietorship
- **NGO's / NPO's page 116**
- Partnership
- Public Limited Company

**NGO's / NPO's •**

In case of NGO's and NPO's there is no concept of capital.

• Funds introduced by the sponsors and any accumulated surplus are shown as a General Fund

Question No. 16 )Marks: 1 -Please choose one

The surplus arising from revaluation of fixed assets of an entity is shown:

- Separately in the balance sheet.
- As indirect income in income statement
- **Added in the fixed asset page 27**
- None of the given options

**Revaluation [Section 235]**

Where a company revalues its fixed assets, the increase in, or sums added by writing up of, the value of such assets as appearing in the books of accounts of the company shall be transferred to an account to be called "Surplus on Revaluation of Fixed Assets Accounts"

Question No. 17 )Marks: 1 -Please choose one

Marks : 1

A Company uses FIFO method to evaluate its stock. The information for the stock is as follows:

- Opening stock was 10 units at 2 each.
- Purchases were 30 units at Rs. 3 each, and
- Then issues of 12 units were made, followed by issues of 8 units.

Closing stock is valued at:

- Rs. 50
- Rs. 58
- **Rs. 60**
- Rs. 70

**Receipts Units**

Opening units = $10 \times 2 = 20$

New purchase = $30 \times 3 = 90$

**Issued Units Under FIFO Method**

$10 \times 2 = 20$

$2 \times 3 = 6$

$8 \times 3 = 24$

### Units Left

40-20=20

20\*3=60

Question No. 18 )Marks: 1 -Please choose one

The cost of inventories of a service provider does not consist of:

- Costs of personnel directly engaged in providing the service
- Supervisory personnel
- Attributable overheads.
- **Labour and other costs relating to sales** page 55

### Cost of Inventories of a Service Provider:

• The cost of inventories of a service provider consists primarily of the labour and other costs of personnel directly engaged in providing the service, supervisory personnel, attributable overheads.

**Labour and other costs relating to sales and general administrative personnel are not included but are recognized as expenses in the period in which they are incurred.**

Question No. 19 )Marks: 1 -Please choose one

Which of the following authority regulates/governs the functioning of Companies?

- **Securities & Exchange Commission of Pakistan** page 207
- Federal Government
- Ministry of Finance
- All of the Given Options

Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives take precedence.

Question No. 20

**According to the Benchmark Treatment, Which of the following method is used for stock valuation?**

**Select correct option:**

- FIFO Method or LIFO Method
- LIFO Method
- **FIFO or Weighted Average Method** page 51
- Specific Identification Method

### Methods of Stock Valuation

**two treatments are used for stock valuation methods:**

• **Benchmark Treatment**

Cost of inventories should be assigned using FIFO or Weighted Average Method.

• **Allowed Alternative – The cost of inventories may be measured using LIFO method.**

Question No. 21 )Marks: 1 -Please choose one

Which of the following sections of the Companies Ordinance 1984 is related to the Statutory Meeting?

Select correct option:

- **Section 157** page 9
- Section 158
- Section 159
- Section 160

### **Statutory Meeting**

Only public limited companies are required to hold statutory meetings. Requirements for statutory meeting are listed in Section 157 of the Companies Ordinance 1984.

Question No. 22 )Marks: 1 -Please choose one

Which of the following is original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding?

Select correct option:

- **Research**
- Development
- Audit
- Accounting

Question No. 23 )Marks: 1 -Please choose one

Which of the following is true about the Companies Limited by shares?

- Company has limited shares to offer
- Shareholders of the Company are limited
- **Liability of Shareholders is limited** page 4
- Liability of Shareholders is unlimited

### **Companies Limited**

"company limited by shares" means a company having the liability of its members limited by the memorandum to the amount, if any, unpaid on the shares respectively held by them.

Question No. 24 )Marks: 1 -Please choose one

Statutory Meeting is required to be held within:

- **3 to 6 months** page 9
- 1 to 3 months
- 6 to 9 months
- 9 to 12 months

### **Statutory Meeting**

It is required to be held within 3 to 6 months of the incorporation of the company

Question No. 25 )Marks: 1 -Please choose one

Which of the following may result from an inability to sell a financial asset quickly at close to its fair value?

- Price Risk
- **Liquidity Risk** page 87

- Interest Rate Risk
- Currency Risk

**Liquidity Risk:**

The risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result for an inability to sell a financial asset quickly at close to its fair value.

Question No.26 )Marks: 1 -Please choose one

A complete set of financial statements include:

- A balance sheet
- A statement of changes in financial position & Notes, other statements and explanatory material.
- An income statement
- **All of the given options.** **Page 97**

**A complete set of financial statements include;**

- a) A balance sheet
- b) An income statement
- c) A statement of changes in financial position.
- d) Notes, other statements and explanatory material.

Question No. 27 )Marks: 1 -Please choose one

Which of the following is NOT shown under the heading of Stores and Spares in Balance Sheet?

- Oil and Lubrication
- Civil Stores
- Loose Tools
- **Doubtful Debts** **page 93**

**STORES AND SPARES**

Stores

Spares

Loose Tools

Oil and Lubricants

Civil Stores

Question No. 28 )Marks: 1 -Please choose one

Which one of the following is an example of Intangible Assets?

Preliminary expenses

**Copy rights** **page 36**

Investments

Discount on issue of shares

**Intangible assets:**

- ❖ Goodwill
- ❖ Patent, Copyrights, Trademarks and Designs
- ❖ Others (to be specified)

# PAPER NO 3

## MGT401- Financial Accounting II MIDTERM EXAMINATION 2009 Solved and Composed By ADNAN AWAN adnanawan6@gmail.com

**Question No: 1** )Marks: 1 -Please choose one

**( Marks: 1 ) - Please choose one**

According to fourth schedule of companies ordinance which of the stock-in-trade is **not** part of the current asset

- Stock of raw material
- Work in process
- Stock of finished goods
- **None of the given options**

### Classification Fourth Schedule

Goodwill

Patent, Copyrights, Trademarks and Designs

Others (to be specified)

**Question No: 2** )Marks: 1 -Please choose one

Which of the following refers to the relation between persons who have agreed to share the profits of a business carried on by all or any of them acting for all?

- Sole - proprietorship
- **Partnership page 3**
- Company
- Trust

### Partnership –

Is the type of business that is owned by more than one person.

**Question No: 3** )Marks: 1 -Please choose one

How many days before notice is served to the members for holding statutory meeting?

- 60days
- 30days
- 40days
- **21days page 9**

### Statutory Meeting

A 21 days notice is given to members for holding the meeting.

**Question No: 4( Marks: 1 ) - Please choose one**

**: Which of the following statement is true regarding Going Concern Concept?**

- The Business is profitable
- The assets of the Business are valued at Market Value
- The business will continue until the Directors decide to close it
- **The Business will continue its working**

**Going Concern**

The concept implies that the business will continue to operate for the foreseeable future

**Question No: 5( Marks: 1 ) - Please choose one**

Which of the following IAS deals with the term Significant Influence in associate companies?

- IAS 27
- **IAS 28**
- IAS 01
- IAS 07

**Associated Companies – IAS 28**

• IAS 28 defines An Associate through identification of influence.

**Question No: 6( Marks: 1 ) - Please choose one**

If the holding company owns more than 50% but less than 100% shares of the subsidiary company then the subsidiary type will be termed as:

- **Partially Owned Subsidiary**
- Wholly Owned Subsidiary
- Direct Subsidiary
- Indirect Subsidiary

**Partially Owned Subsidiaries: •**

If the holding company owns more than 50% but less than 100% shares of the subsidiary then the subsidiary is termed as Partially Owned Subsidiary.

**Question No: 7( Marks: 1 ) - Please choose one**

If the holding company owns 100% shares of the subsidiary company then the subsidiary type will be termed as:

- Partially Owned Subsidiary
- **Wholly Owned Subsidiary** page 13
- Direct Subsidiary
- Indirect Subsidiary

Whereas if the holding company owns 100% shares of the subsidiary company then the subsidiary is called a Wholly Owned Subsidiary.

**Question No: 8( Marks: 1 ) - Please choose one**

Whom of the following are responsible to prepare the annual accounts of the company under Companies Ordinance 1984?

- **Directors of the company** page 14

- Shareholders of the company
- Internal Auditors of the company
- Managers of the company

**It is the responsibility of the directors of every company to prepare annual accounts of the company.**

**Question No: 9( Marks: 1 ) - Please choose one**

Which one of the following cost is directly attributable to the Property, Plant and Equipment?

- Costs of site preparation
- Administration and other general overhead cost
- Costs of conducting business in a new location or with a new class of customer ( including costs of staff training)
- **All of the given options**

**Question No: 10( Marks: 1 ) - Please choose one**

Which of the following is(are) related with the IAS 23?

- Qualifying Assets
- Amount to be capitalized
- Capitalization period
- **All of the given options**

**IAS 23 generally requires that the borrowing costs should be charged as an expense. However it allows capitalization of these costs as an alternate treatment, if certain conditions are met. Borrowing costs are interest and other costs incurred in connection of borrowing of funds.**

**Question No: 11( Marks: 1 ) - Please choose one**

Which of the following is the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems or services before the start of commercial production or use?

- **Applied research**
- Development
- Business research
- Accounting

**Question No: 12**

**( Marks: 1 ) - Please choose one**

Which one of the following is an example of Intangible Assets?

- Preliminary expenses
- **Copy rights** **page 36**
- Investments
- Discount on issue of shares

**intangible assets:**

- Goodwill
- Patent, Copyrights, Trademarks and Designs
- Others (to be specified)

**Question No: 13( Marks: 1 ) - Please choose one**

Goodwill must be shown in the financial statement of company limited by liability under the heading of:

- Current Assets
- **Intangible Fixed Assets page 36**
- Tangible Fixed Assets
- None of the given options

**Question No: 14( Marks: 1 ) - Please choose one**

Which of the following information must be disclosed in case of loan and advances to subsidiary companies?

- The name of each borrower
- Amount of loans and advances
- The terms of loan and the particulars of collateral security held
- **All of the given options page 45**

**Question No: 15( Marks: 1 ) - Please choose one**

If:

Then:

Direct Material Cost is Rs. 15,000

Factory overhead is Rs. 5,000

Prime Cost is Rs. 30,000

What is the amount of Manufacturing Cost?

- Rs. 10,000
- Rs. 20,000
- **Rs. 35,000 prime cost = direct material + direct labor**
- Rs. 45,000 **cost of manufacturing = prime cost+ FOH**

**Question No: 16( Marks: 1 ) - Please choose one**

Which of the following is **NOT** represent the Cost of goods sold?

- Sales – Gross Profit
- Opening Stock + Purchases – Return Outwards – Closing Stock
- Cost of goods Manufactured + Opening Finished Goods Inventory – Closing Finished Goods Inventory
- **Opening Stock + Purchases – Return Inwards – Closing Stock**

**Question No: 17( Marks: 1 ) - Please choose one**

Which of the following is **NOT** represent the Prime Cost?

- **Total Factory Cost – Direct Labour Cost page 56**
- Direct Material Cost + Direct Labour Cost
- Total Factory Cost – Factory Overheads
- Conversion Cost – Factory Overheads + Direct Material Costs

**Question No: 18( Marks: 1 ) - Please choose one**

**Which of the following are the resources controlled by the entity as a result of a past event from which future economic benefits are expected to flow to the entity?**

- **Assets**
- Gains

- Liabilities
- Expenses

### Assets

Resources Controlled by the entity As a result of a past event from which future economic benefits are expected to flow to the entity

#### Question No: 19

( Marks: 1 ) - Please choose one

Which one of the following IAS is related to Financial Instruments Recognition and Measurement?

- IAS 31
- IAS 32
- **IAS 39** page 165
- IAS 27

### Investment in Associates

Investments in associates are also subject to IAS 36 "Impairment of Asset" and IAS 39 "Financial Instruments Recognition and Measurement",

#### Question No: 20 ( Marks: 1 ) - Please choose one

Which one of the following is TRUE with respect to the Financial Instrument?

- **It is an agreement that gives rise to both a Financial Asset of one entity and Financial Liability of another entity. Page 85**
- It is an agreement that gives rise to both a Financial Expense of one entity and Financial Asset of another entity.
- It is an agreement that gives rise to both a Financial Income of one entity and Financial Asset of another entity.
- It is an agreement that gives rise to both a Financial Expense of one entity and Financial Income of another entity.

**The objective of IAS 32 is To enhance financial statement users' understanding of the**

**Financial Instrument is an agreement that gives rise to both a Financial Asset of one entity and Financial Liability of another entity.**

#### Question No: 21( Marks: 1 ) - Please choose one

Which one the following risk arises when financial instruments fluctuate due to change in market prices?

- **Price Risk** page 86
- Currency Risk
- Interest Risk
- Liquidity Risk

### Price risk

Is the risk that the value of the financial instrument will fluctuate due to changes in market prices whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all securities traded in the market

**Question No: 22( Marks: 1 ) - Please choose one**

Which of the following may result from an inability to sell a financial asset quickly at close to its fair value?

- Price Risk
- **Liquidity Risk** page 87
- Interest Rate Risk
- Currency Risk

**Liquidity Risk:**

The risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result for an inability to sell a financial asset quickly at close to its fair value.

**Question No: 23 ( Marks: 1 ) - Please choose one**

Which of the following is/are shown under the heading of Stock-in-Trade in Balance Sheet?

- Raw Materials
- Work in Process
- Finished Goods
- **All of the given options** page 93

**Question No: 24 ( Marks: 1 ) - Please choose one**

Which of the following is NOT shown under the heading of Stock-in-Trade in Balance Sheet?

- Raw Materials
- Packing Materials
- Finished Goods
- **Spares**

**Question No: 25 ( Marks: 1 ) - Please choose one**

Which of the following represents the objective of the financial statements?

- To provide the information about the business objectives
- To provide the information about the business liabilities
- To provide the information about the business assets
- **To provide the information about the Financial position, Financial performance and Changes in financial position**

**Question No: 26 ( Marks: 1 ) - Please choose one**

Which of the following represents the Financial Information presented in the financial statements relating to the assets and incomes should not be overstated.

- Consistency
- Profit
- Materiality
- **Prudence** page 100

**Prudence:**

Uncertainties in preparation and presentation of financial statements are recognized through disclosures and application of prudence. Prudence does not, however, allow the creation of

hidden reserves or excessive provisions, understatement of assets or income or overstatement of liabilities or expenses.

**Question No: 27 ( Marks: 1 ) - Please choose one**

Which one of the following statement is **TRUE** regarding Going concern concept?

- The business is profitable
- The assets of the business are valued at market value
- A business will continue until the directors decide to close it
- **The business will continue its working**

**Question No: 28 ( Marks: 1 ) - Please choose one**

Which of the following is/are represent(s) the “Losses” with respect to the IASB’s Framework?

- Disposal of assets at a value lesser than its carrying amount
- Discharge of liabilities at a value higher than its carrying amount
- Disposal of assets at a value lesser than its book amount
- **All of the given options**

**Question No: 29 ( Marks: 1 ) - Please choose one**

Which of the following is a component of current liabilities?

- Assets subject to finance lease
- Debentures
- **Provision for Taxation** page 109
- Loans taken for more than five years

**Current Liabilities**

- Short Term Finances
- Current Maturity of Obligation
- Creditors, Accrued and Other liabilities
- Provision for Taxation

**Question No: 30( Marks: 1 ) - Please choose one**

The amount of the issued share capital of a company is:

- Always equal to the amount of its authorized share capital
- **Equal to the amount of its issued preference share capital**
- Equal to the reserves of the company
- None of the given options

**PAPER NO 4**

**MGT401 – Financial Accounting II  
Midterm Examination (Spring 2010)**

**Solved and Composed**  
**By ADNAN AWAN**  
**[adnanawan6@gmail.com](mailto:adnanawan6@gmail.com)**

**Question No: 1( Marks: 1 ) - Please choose one**

**Which of the following type of the business is governed under the Partnership Act 1932 in Pakistan?**

- Sole-Proprietorship
- **Partnership**
- Limited Companies
- Unlimited Companies

Question No: 2 )Marks: 1 -( Please choose one

**Which of the following is/are not example of current liability?**

- Sundry Debtors
- Debentures
- Loan given to Mr. A for shorter period
- **All of the given options**

Question No: 3 )Marks: 1 -( Please choose one

**Which of the following are the resources controlled by the entity as a result of a past event from which future economic benefits are expected to flow to the entity?**

- **Assets**
- Gains
- Liabilities
- Expenses

Question No: 4 )Marks: 1 -( Please choose one

**All of the following are the assets of the firm except**

- A building owned by the firm
- Goods in transit
- Money owed to the firm by it's debtors
- **Money which the firm has borrowed and has not yet been repaid.**

Question No: 5 )Marks: 1 -( Please choose one

**Which of the following is related to the qualitative characteristics that make financial information useful?**

- Reliability only
- Relevancy only
- **Both Reliability and Relevancy**
- Comparability

Question No: 6 )Marks: 1 -( Please choose one

**Under which of the following assumptions, the Financial Statements are to be prepared?**

- Future Assumptions
- Past Assumptions
- **Accrual Basis and Going Concern Basis**
- Accrual Basis Assumption only

Question No: 7 )Marks: 1 -( Please choose one

**Which one of the following is not a physical asset?**

- Term Finance Certificates
- Loan Agreements
- Trade Receivables
- **Goodwill**

Question No: 8 )Marks: 1 -( Please choose one

**Which one of the following is not the example of Financial Instruments?**

- Share Capital
- Loans Payable
- Debentures
- **Inventories**

Question No: 9 Marks: 1 -( Please choose one

**The firm uses diminishing balance method for calculating Depreciation. The vehicle costing 20,000 was sold after two years. The sale resulted neither in loss or profit. What was the sale price of the Vehicle?**

- 7,200
- 12,000
- **12,800**
- 16,000

Question No: 10 )Marks: 1 -( Please choose one

**Which of the following is/are not included in the disclosure requirement of Trade Debts with respect to the Companies Ordinance 1984?**

- Amount due in respect of goods sold
- Amount due in respect of services rendered
- **Amount due in respect of other contractual obligation**
- **Amount due which are in nature of loans or advances. Page 61**

Question No: 11 )Marks: 1 -( Please choose one

**A firm has two categories of stock. The cost and Net Realizable Value (NRV) of each is as follows:**

	Cost	NRV
Category 1	Rs. 35,000	Rs. 22,000
Category 2	Rs. 22,000	Rs. 25,000

**What amount will be disclosed.**

- **44,000**

- 47,000
- 57,000
- 60,000

Question No: 12 )Marks: 1 -( Please choose one

**Which of the following method is suitable for calculating the cost of inventory when actual costs of individual units of merchandise can be determined from the accounting records?**

- FIFO Method
- LIFO Method
- Weighted Average Method
- **Specific Identification Method**

Question No: 13 )Marks: 1 -( Please choose one

**Which of the following authority regulates/governs the functioning of Companies?**

- **Securities & Exchange Commission of Pakistan**
- Federal Government
- Ministry of Finance
- All of the Given Options.

Question No: 14 )Marks: 1 -( Please choose one

**All of the followings are intangible non-current assets Except:  
Select correct option:**

- Goodwill
- **Investment**
- Trademark
- Patent

Question No: 15 )Marks: 1 -( Please choose one

**Which of the following is true about the Companies Limited by shares?**

- Company has limited shares to offer
- Shareholders of the Company are limited
- **Liability of Shareholders is limited**
- Liability of Shareholders is unlimited

Question No: 16 )Marks: 1 -( Please choose one

**Proper Books of Accounts are kept by every company under which of the following section of Companies Ordinance 1984?**

- **230**
- 233
- 184
- 110

Question No: 17 )Marks: 1 -( Please choose one

**Which of the following is not attributable to the Property Plant & Equipment?**

- Costs of site preparation
- **Administration and other general overhead costs**
- Initial delivery and handling charges
- Installation and Assembly cost

Question No: 18 )Marks: 1 -( Please choose one

**Which of the following expenditure can not be capitalized?**

- Initial Composition Cost
- Cost of adding Air conditioner to the Computer Room
- Cost of Adding extra RAM to Computer
- **New tyres placed on a motor car**

Question No: 19 )Marks: 1 -( Please choose one

**ABC (Pvt) Limited is engaged in production of an asset. The production started on July 31, 2007. The Production completed on July 31, 2008. The works manager checked the asset and required some minor modifications. These modifications were completed on August 30, 2008. The Asset was delivered to Works Manager on September 10, 2008. The production started from such asset on October 01, 2008.**

**When should capitalization cease?**

- July 31, 2007
- July 31, 2008
- **August 30, 2008**
- October 01, 2008

Question No: 20 )Marks: 1 -( Please choose one

**Which of the following is an identifiable non-monetary asset without physical substance?**

- Tangible Asset
- **Intangible Asset**
- Floating Asset
- Circulating Asset

Question No: 21 )Marks: 1 -( Please choose one

Which one of the following is the concept of the capital maintenance?

- ▶ Financial capital maintenance
- ▶ Physical capital maintenance
- ▶ **Both Physical and Financial capital maintenance** page 106
- ▶ None of the given options

**There are two concepts of capital maintenance**

- : a) Financial Capital Maintenance
- b) Physical Capital Maintenance

Question No: 22 )Marks: 1 -( Please choose one

**Preparation and presentation of Financial Statements are governed by:**

**Select correct option:**

- Companies Ordinance 1984
- International Accounting Standards
- International Financial Reporting Standards
- **All of the given options**

Question No: 23 )Marks: 1 -( Please choose one

**Allowances for trade debtors are an example of which accounting concept?**

**Select correct option:**

- Accruals
- Consistency
- Prudence
- **Matching**

Question No: 24 )Marks: 1 -( Please choose one

**Which of the following statement is true under the Cost method for recognition of investments in associated companies?**

- **Any distribution of profits by the investee company is recorded as an income**
- Any distribution of profits by the investee company is recorded as an expense
- Any distribution of profits by the investor company is recorded as an income
- Any distribution of profits by the investor company is recorded as an expense

Question No: 25 )Marks: 1 -( Please choose one

**Which of the following IAS is related to Financial Instruments Disclosure and Presentation?**

- IAS 27
- IAS 28
- IAS 31
- **IAS 32**

Question No: 26 )Marks: 1 -( Please choose one

**Which of the following is related to IAS 31?**

- Consolidated and Separate Financial Statements
- **Interest in Joint Venture**
- Financial Instruments Disclosure and Presentation
- Financial Instruments Recognition and Measurement

Question No: 27 )Marks: 1 -( Please choose one

**Which of the following costs can be capitalized?**

**Select correct option:**

Purchases of assets financed through issue of debentures

Assets that are not currently in use because of excess capacity

**Assets not currently undergoing activities necessary to prepare for intended use**

Assets intended for sale or use that are produced as discrete projects

Question No: 28 )Marks: 1 -( Please choose one

**All of the following are Fixed assets EXCEPT:**

**Select correct option:**

- Machinery
- Freehold land
- Leasehold land
- **Marketable securities**

## **PAPER NO 5**

**MGT401 – Financial Accounting II**  
**Midterm Examination 2009**  
**Solved and Composed**  
**By ADNAN AWAN**  
**[adnanawan6@gmail.com](mailto:adnanawan6@gmail.com)**

**Question No: 1 ( Marks: 1 ) - Please choose one**

Which of the following may consist of more than 20 persons in case of partnership?

- Firms of Lawyers
- Firms of Doctors
- Firms of Associates
- **All of the given options**

**Question No: 2**

**( Marks: 1 ) - Please choose one**

Which of the following entities is profit oriented entity?

- NGOs
- Trust
- Societies
- **Sole - proprietorship**      **PAGE 3**

**Question No: 3( Marks: 1 ) - Please choose one**

Which of the following types of business can maintain the secrecy in all business matters?

- **Sole-proprietorship** page 3
- Partnership
- Public Limited Company
- Private Limited Company

**Sole Proprietorship –**

Is the type of business is owned by a single individual. There may a number of employees of the business but ownership and risks and returns rest with a single owner. All assets and liabilities of the business are the assets and liabilities of the owner

**Question No: 4( Marks: 1 ) - Please choose one**

What maximum number of shareholders is allowed to form a Private Limited Company?

- 20
- **50** page 4
- 10
- 07

**The maximum numbers of shareholders allowed in a private limited company is 50.**

**Question No: 5( Marks: 1 ) - Please choose one**

Which of the following is **TRUE** about the meeting of directors?

- The quorum for a meeting of directors of listed company shall not be less than 1/3 of their member or four which ever is greater.
- **The quorum for a meeting of directors of listed company shall not be less than 1/3 of their member or four which ever is lower.**
- The quorum for a meeting of directors of listed company shall not be less than 1/2 of their member or four which ever is lower.
- The quorum for a meeting of directors of listed company shall not be less than 1/2 of their member or four which ever is greater.

**Question No: 7( Marks: 1 ) - Please choose one**

If “A” is subsidiary of “B” and “B” is a subsidiary of “C” then which of the following statement is **TRUE**?

- **“A” is subsidiary of “C”** page 12 indirect subsidiary
- “A” is not a subsidiary of “C”
- “C” is holding company of “B” only
- “C” is not holding company of “B”

A is a direct subsidiary of B

B is a direct subsidiary of C

Whereas there is one indirect relationship exist between C and A. Although C does not hold any shares in A, but still A would be its **Indirect Subsidiary** as A is a subsidiary of B which in turn is a subsidiary of C.

**Question No: 8( Marks: 1 ) - Please choose one**

What is the treatment of Depreciation in accounting?

- Treated as a reserve
- **Treated as an expense page 23**
- Treated as a surplus
- Treated as a Liability

**Depreciation**

Depreciation is usually treated as an expense, but not where it is absorbed by the entity in the process of producing other assets. For example, depreciation of plant and machinery is incurred in the production of goods for sale (inventory items).

**Question No: 9( Marks: 1 ) - Please choose one**

Which of the following is a component of current liabilities?

- Assets subject to finance lease
- Debentures
- **Provision for Taxation page 109**
- Loans taken for more than five years

**Current Liabilities**

- Short Term Finances
- Current Maturity of Obligation
- Creditors, Accrued and Other liabilities
- Provision for Taxation

**Question No: 10( Marks: 1 ) - Please choose one**

Why do businesses charge depreciation on their fixed assets?

- To ensure that sufficient cash is available to replace the assets
- To show the realizable value of the assets in the Balance Sheet
- **To spread the cost of the assets over their estimated useful life**
- To show when the assets must be replaced

**Question No: 11( Marks: 1 ) - Please choose one**

Which of the following is NOT Qualifying Asset?

- Power plant being in the process of manufacture
- Inventories requiring a substantial period for manufacturing
- Special order for a special inventory that will be manufactured in 5 months
- **Inventory routinely manufactured**

**Question No: 12( Marks: 1 ) - Please choose one**

Which of the following is(are) the Qualifying Asset?

- Manufacturing plants
- Power generation facilities
- Inventories requiring a substantial period of time to bring them to a saleable condition
- **All of the given options page 33**

**Examples of qualifying assets:**

- Inventories that require a substantial period of time to bring them to a saleable condition.
- Manufacturing plants
- Power generation facilities.
- Investment properties.

**Question No: 13( Marks: 1 ) - Please choose one**

Which of the following should not be recognized as an asset?

- Patent rights
- **Internally Generated Goodwill**
- Copy rights
- Prepaid expenses

**Question No: 14( Marks: 1 ) - Please choose one**

Which of the following is TRUE with respect to the Periodic Inventory System?

- Receipt of inventory is debited to Stock Account
- Receipt of inventory is Credited to Stock Account
- **Receipt of inventory is debited to Purchase Account**
- Receipt of inventory is Credited to Purchase Account

**Periodic Inventory System**

- Receipt of inventory is Debited to purchases account.
- No recording is made for individual issue in the General Ledger
- Available balance of stock in trade at the end of the period is valued according to selected policy and closing stock is recorded by Debiting the Stock Account and Crediting Trading Account

**Question No: 15( Marks: 1 ) - Please choose one**

If:

Then:

Direct Material Cost is Rs. 15,000

Factory overhead is Rs. 5,000

Manufacturing Cost is Rs. 30,000

What is the amount of Prime Cost?

- **Rs. 25,000**
- Rs. 20,000
- Rs. 35,000
- Rs. 45,000

**Question No: 16( Marks: 1 ) - Please choose one**

According to fourth schedule of Companies Ordinance 1984, a manufacturing company made the treatment of loose tools and spare would be valued at:

- **Lower of cost or NRV** page 63
- Actual price
- Market price
- Cost price

**Question No: 17( Marks: 1 ) - Please choose one**

Which one of the following IAS is related to Financial Instruments Disclosure and Presentation?

- IAS 28
- **IAS 32 page 74**
- IAS 27
- IAS 31

Measurement, Presentation and Disclosure of Long Term Investments is governed by following standards:

- ☐ IAS 27, Consolidated and Separate Financial Statements
- ☐ IAS 28, Investments in Associates
- ☐ IAS 31, Interests in Joint Ventures
- ☐ **IAS 32, Financial Instruments Disclosure and Presentation**
- ☐ IAS 39, Financial Instruments Recognition and Measurement

**Question No: 18( Marks: 1 ) - Please choose one**

Which one of the following is related to the IAS 27?

- **Consolidated and Separate Financial Statements page 74**
- Interest in Joint Venture
- Financial Instruments Disclosure and Presentation
- Financial Instruments Recognition and Measurement

**Question No: 19( Marks: 1 ) - Please choose one**

Which of the following may result from an inability to sell a financial asset quickly at close to its fair value?

- Price Risk
- **Liquidity Risk page 87**
- Interest Rate Risk
- Currency Risk

**Liquidity Risk:**

The risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result for an inability to sell a financial asset quickly at close to its fair value.

**Question No: 20( Marks: 1 ) - Please choose one**

Cash in transit is shown in the balance sheet under the head of:

- Fixed Assets
- **Current Assets page 64**
- Intangible Assets
- Foot Notes

**Question No: 21( Marks: 1 ) - Please choose one**

Which of the following is shown under the heading of Stores and Spares in Balance Sheet?

- Raw Materials
- Work in Process
- Finished Goods

- **Oil and Lubrication** page 93

#### **STORES AND SPARES**

Stores  
Spares  
Loose Tools  
Oil and Lubricants  
Civil Stores

#### **Question No: 22( Marks: 1 ) - Please choose one**

Which of the following is **NOT** shown under the heading of Stores and Spares in Balance Sheet?

- Oil and Lubrication
- Civil Stores
- Loose Tools
- **Doubtful Debts** page 93

#### **STORES AND SPARES**

Stores  
Spares  
Loose Tools  
Oil and Lubricants  
Civil Stores

#### **Question No: 23( Marks: 1 ) - Please choose one**

The cost of a file is charged off as an expense, for the year in which cost is incurred even though it would still be used for more than one accounting period. This is an example of which of the following concept?

- Consistency
- **Matching**
- Going concern
- Materiality

Matching should be take place, i.e. the revenue and expenses relating to the same transaction should be recognized at the same time. It is usually easy to estimate expenses at the date of sale (e.g. warranty costs, shipment costs, etc).

#### **Question No: 24( Marks: 1 ) - Please choose one**

The purpose of the framework under IAS-Board is to:

- Make sure that every organization is following its goal
- Make sure that every organization is following IAS
- **Assist the Board of the IASB in the development of future IASs and in its review of existing IASs.**
- Assist the directors of the companies about the financial goal of the company

#### **Question No: 25( Marks: 1 ) - Please choose one**

All of the following are assets of a firm **EXCEPT**:

- A building owned by the firm
- Goods in transit
- Money owed to the firm by its debtors
- **Money which the firm has borrowed and has not yet repaid**

**Question No: 26( Marks: 1 ) - Please choose one**

Which of the following consist of money owing for goods supplied to the firm and for expenses & loans?

- Assets
- Capital
- Liabilities
- **Income**

**Question No: 27( Marks: 1 ) - Please choose one**

Which of the following is an example of current liability?

- **Bank Overdraft**
- Stock
- Goodwill
- A loan repayable in two years

**Yes, a bank overdraft are classified as a current liability.**

**What happens here is withdrawals from the bank exceed deposits. The lending institution, usually the bank, would allow an extension of credit in such a case. The company is usually expected to pay within short-term and it results in negative balance in company's bank account. That is the reason for the overdraft being classified as a current liability.**

Read more: [http://wiki.answers.com/Q/Is\\_a\\_bank\\_overdraft\\_an\\_liability#ixzz1aAeUgn8G](http://wiki.answers.com/Q/Is_a_bank_overdraft_an_liability#ixzz1aAeUgn8G)

**Question No: 28( Marks: 1 ) - Please choose one**

Which one of the following is **TRUE** with respect to the capital of a business?

- Capital = Total Assets – Net Loans
- **Capital = Total Assets – Total Liabilities**
- Capital = Total Assets – Long Term Liabilities
- Capital = Total Assets - Current Assets

**Capital of a business**

**Current assets minus current liabilities. Working capital measures how much in liquid assets a company has available to build its business. The number can be positive or negative, depending on how much debt the company is carrying. In general, companies that have a lot of working capital will be more successful since they can expand and improve their operations.**

**Question No: 29( Marks: 1 ) - Please choose one**

Which of the following is **TRUE** for equity of a Public Limited Company?

- Equity = Total Assets – Total Liabilities
- Equity = Share Capital + General Reserves – Revenue Reserves
- **Equity = Share Capital – General Reserves + Revenue Reserves**
- Equity = Authorized Capital + Reserves

#### Total Shareholder Equity

Share capital + Reserves + Unappropriated profit

#### Question No: 30( Marks: 1 ) - Please choose one

Which of the following is TRUE with respect to the Capital section of the balance sheet for a sole-proprietorship?

- **Opening Capital + New Capital + Profit for the year = Closing Capital** page 116
- Closing Capital + New Capital + Profit for the year = Opening Capital
- Opening Capital + Loss for the year = Closing Capital
- Opening Capital + Profit for the year + Drawings = Closing Capital

#### Capital section of the balance sheet

Add: Capital Introduced

Add: Profit for the Period

Less: Drawings

Closing Balance

**REMEMBER ME IN YOUR PRAYRS**

**ADNANAWAN**

**adnanawan6@gmail.com**



**Midterm Examination MGT401 – Financial Accounting II**

**Q. 01: Which of the following type of the business is governed under the Partnership Act 1932 in Pakistan?**

- Sole-Proprietorship
- **Partnership**
- Limited Companies
- Unlimited Companies

**Q. 02: Which of the following is/are not example of current liability?**

- Sundry Debtors
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- Loan given to Mr. A for shorter period
- **All of the given options**

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- Gains
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- A building owned by the firm
- Goods in transit
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- **Money which the firm has borrowed and has not yet been repaid.**

**Q. 05: Which of the following is related to the qualitative characteristics that make financial information useful?**

- Reliability only
- Relevancy only
- **Both Reliability and Relevancy**
- Comparability

**Q. 06: Which of the following statement is true regarding Going Concern Concept?**

- The Business is profitable
- **The assets of the Business are valued at Market Value**
- The business will continue until the Directors decide to close it
- The Business will continue its working

**Q. 07: Under which of the following assumptions, the Financial Statements are to be prepared?**

- Future Assumptions
- Past Assumptions
- **Accrual Basis and Going Concern Basis**
- Accrual Basis Assumption only

**Q. 08: Which one of the following is not a physical asset?**

- Term Finance Certificates
- Loan Agreements
- Trade Receivables
- **Goodwill**

**Q. 09: Which one of the following is not the example of Financial Instruments?**

- Share Capital
- Loans Payable
- **Debentures**
- Inventories

**Q. 10: The firm uses diminishing balance method for calculating Depreciation. The vehicle costing 20,000 was sold after two years. The sale resulted neither in loss or profit. What was the sale price of the Vehicle?**

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**Q. 12: A firm has two categories of stock. The cost and Net Realizable Value (NRV) of each is as follows:**

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Category 1	Rs. 35,000	Rs. 22,000
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- **Securities & Exchange Commission of Pakistan**
- Federal Government
- Ministry of Finance
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**Q. 15: Which of the following is true about the meeting of Directors?**

- **The quorum for a meeting of Directors of a listed company should not less than 1/3 of their members or four which is greater.**
- The quorum for a meeting of Directors of a listed company should not less than 1/3 of their members or four which is lesser.
- The quorum for a meeting of Directors of a listed company should not less than 1/2 of their members or four which is greater.
- The quorum for a meeting of Directors of a listed company should not less than 1/2 of their members or four which is lesser.

**Q. 16: Which of the following is true about the Companies Limited by shares?**

- Company has limited shares to offer
- Shareholders of the Company are limited
- **Liability of Shareholders is limited**
- Liability of Shareholders is unlimited

**Q. 17: Proper Books of Accounts are kept by every company under which of the following section of Companies Ordinance 1984?**

- **230**
- 233
- 184
- 110

**Q. 18: Which of the following is not attributable to the Property Plant & Equipment?**

- Costs of site preparation
- **Administration and other general overhead costs**
- Initial delivery and handling charges
- Installation and Assembly cost

**Q. 19: Which of the following expenditure can not be capitalized?**

- Initial Composition Cost
- Cost of adding Air conditioner to the Computer Room
- Cost of Adding extra RAM to Computer
- New tyres placed on a motor car

**Q. 20: ABC (Pvt) Limited is engaged in production of an asset. The production started on July 31, 2007. The Production completed on July 31, 2008. The works manager checked the asset and required some minor modifications. These modifications were completed on August 30, 2008. The Asset was delivered to Works Manager on September 10, 2008. The production started from such asset on October 01, 2008. When should capitalization cease?**

- July 31, 2007
- July 31, 2008
- **August 30, 2008**
- October 01, 2008

**Q. 21: Which of the following is an identifiable non-monetary asset without physical substance?**

- Tangible Asset

- **Intangible Asset**
- Floating Asset
- Circulating Asset

**Q. 22: Which of the following is the application of research findings or other knowledge to a plan design for the production of new or substantially improved material, devices products, processes, systems or services before the start of commercial production or use?**

- Applied Research
- Business Research
- Development
- Accounting

**Q. 23: Which of the following is an example of Intangible Asset?**

- Preliminary Expenses
- **Copy rights**
- Investments
- Discounts on issue of shares

**Q. 24: Which of the following statement is true under the Cost method for recognition of investments in associated companies?**

- **Any distribution of profits by the investee company is recorded as an income**
- Any distribution of profits by the investee company is recorded as an expense
- Any distribution of profits by the investor company is recorded as an income
- Any distribution of profits by the investor company is recorded as an expense

**Q. 25: Which of the following IAS is related to Financial Instruments Disclosure and Presentation?**

- IAS 27
- IAS 28
- IAS 31
- **IAS 32**

**Q. 26: Which of the following is related to IAS 31?**

- Consolidated and Separate Financial Statements
- Interest in Joint Venture
- Financial Instruments Disclosure and Presentation
- Financial Instruments Recognition and Measurement

**Q. 27: Which of the following is true with respect to the disclosure requirement of Investment in Associate?**

- **Explanations when investments are less than 20% are accounted for by the equity method or when investments of more than 20% are not accounted for by the equity method.**
- Explanations when investments are less than 10% are accounted for by the equity method or when investments of more than 10% are not accounted for by the equity method.
- Explanations when investments are less than 10% are accounted for by the equity method or when investments of more than 20% are not accounted for by the equity method.
- Explanations when investments are less than 20% are accounted for by the equity method or when investments of more than 10% are not accounted for by the equity method.

**Q. 28: Which of the following is true with respect to the Disclosure requirement in Consolidated Financial Statements?**

- **The nature of relationship between the parent and subsidiary when the parent does not own, directly or indirectly through subsidiaries, more than 1/2 of the voting power**
- The nature of relationship between the parent and subsidiary when the parent does not own, directly or indirectly through subsidiaries, more than 1/3 of the voting power
- The nature of relationship between the parent and subsidiary when the parent does not own, directly or indirectly through subsidiaries, more than 1/4 of the voting power
- The nature of relationship between the parent and subsidiary when the parent does not own, directly or indirectly through subsidiaries, more than 1/5 of the voting power

**Q. 29: (Marks 3)**

**If:**

- **Cost of investment** **Rs. 17,401,095**
- **Company's share in loss of subsidiary** **Rs. 3,129,441**

**Then:**

**How would you disclose this matter in notes to the accounts for the year 2008?**

**Answer:**

We will disclose this matter in notes to the accounts for the year 2008 as follows:

**Investment in Subsidiary:**

Cost of Investment	Rs. 17,401,095
Company's share in loss of subsidiary	Rs. 3,129,441
<b>Net Investment</b>	<b>Rs. 14,271,654</b>

**Q. 30: (marks 3)**

**What items are included in Notes to the accounts of Stock In Trade?**

**Answer:**

The following items may be included in Notes to the Accounts of Stock in Trade:

- The Accounting Policy adopted
- Method of Stock Valuation

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- Net Realizable Value Concept method
- Cost Method

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**Q. 31: (Marks 5)**

**What do you know about the Bad Debts and Doubtful debts? What factors determine the debts are bad?**

**Answer:**

**Doubtful Debts:**

Such debts which have been doubted that those debts are not recoverable are recorded in the head of Doubtful Debts.

**Bad Debts:**

Such debts which are not receivables conformingly, are recorded as Bad debts and are written off in the current period as an expense.

**Factors that determine bad debts are:**

- The debtor has been shifted to foreign forever
- The debtor has been bankrupted
- The debtor has been escaped without any intimation

**Q. 32: (Marks 5)**

**Define Current Liabilities. What heads should be included in Current Liabilities?**

**Answer:**

**Current Liabilities:**

The current liabilities are all of such liabilities which are expected to be paid within an accounting period or within 12 months period.

**Heads of Current Liabilities:**

Mainly the current liabilities are classified into following categories:

- Trade Payables
- Interest Payables
- Accrued Expenses
- Short term Borrowings
- Current portion of long term liabilities
- Others (to be specified)

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1. Which of the following is NOT the Classification of Current Assets with respect to the Companies Ordinance 1984?

Cash Balance

Bank Balance

**Premises**

Marketable Securities

2. Written down value of an asset = \_\_\_\_\_

**Original cost – Accumulated depreciation**

Original cost – Appreciation

Book value – Accumulated depreciation

Original cost – Salvage value

3. Which of the following entities is not profit oriented entity?

Sole - proprietorship

Partnership

Companies

**Foundations**

4. All of the following are Fixed assets EXCEPT:

Machinery

Freehold land

Leasehold land

**Marketable securities**

5. A Partnership firm has a maximum \_\_\_\_ numbers of partners.

**20 mgt211 page 23**

15  
10  
02

6. Which of the following is NOT the Classification of Current Assets with respect to the Companies Ordinance 1984?

Stock  
General Stores  
Spare parts

**Bank over draft**

7. Which of the following IAS deals with Inventories?

IAS 38  
IAS 23  
**IAS 02**  
IAS 16

8. Which one of the following is related to IAS 32 & 39?

Property, Plant & Equipment  
Inventory  
Financial Statements

**Financial Instruments**

9. IAS-16 deals with:

**Property, Plant and Equipment**

Cash Flow Statement  
Presentation of Financial Statements  
Earning per share

10. Which of the following meeting is held once in the life of a company? vuzs

**Statutory Meeting**

Annual General Meeting  
Extraordinary Meeting  
Board Meeting

11. Which of the following is NOT a Qualifying Asset?

Power plan being in the process of manufacture  
Inventories requiring a substantial period for manufacturing  
Special order for a special inventory that will be manufactured in 5 months  
**Asset ready for use**

12. Which of the following is original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding?

**Research**  
Development  
Audit  
Accounting

13. Which of the following IAS deals with the Intangible Assets?

**IAS 38**  
IAS 23  
IAS 01  
IAS 16

14. Which of the following is/are the type(s) of stock for manufacturing concerns?

Raw Material  
Work in Process  
Finished Goods  
**All of the given options**

15. Which one of the following is a method of stock valuation?

Diminishing Balance Method  
Written Down Value Method  
**Specific Identification Method**  
Sum of Year Digit Method

16. All of the following are Fixed assets EXCEPT:

Machinery  
Freehold land  
Leasehold land

**Marketable securities**

17. Which of the following schedule provides disclosure requirements for Listed Companies under Companies Ordinance 1984?

**4th schedule**

5th schedule  
6th schedule  
2nd schedule

18. Which of the following investment are recorded using Cost Method?

Investments made for longer period

**Investments made for shorter period page 43**

Investments made for shorter and longer period  
None of the given options

19. An enterprise would be the subsidiary of another enterprise if that investor enterprise can control the subsidiary represents:

Subsidiary Companies

**Holding Companies**

Public Limited Companies  
Private Limited Companies

20. Which of the following is NOT the method of stock valuation?

FIFO Method

Weighted Average Method

Specific Identification Method

**Straight Line Method**

21. Which of the following IAS is related to the Consolidated and Separate Financial Statements?

**IAS 27**

IAS 28

IAS 31

IAS 32

22. Which one of the following is a method of stock valuation?

Diminishing Balance Method

Written Down Value Method

**Specific Identification Method**

Sum of Year Digit Method

23. Which of the following is the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems or services before the start of commercial production or use?

Applied research

**Development**

Business research

Accounting

24. What is the treatment of Depreciation in accounting?

Treated as a reserve

**Treated as an expense**

Treated as a surplus

Treated as a Liability

25. Which of the following is/are example(s) of development activities?

The design of tools, jigs, moulds and dies involving new technology

The design, construction and testing of pre-production or pre-use prototypes and models

The design, construction and operation of a pilot plant

**All of the given options**

26. Which of the following is/are the method(s) for calculating the cost of inventory?  
vuzs

FIFO Method  
Weighted Average Method  
Specific Identification Method  
**All of the given options**

27. Which of the following is (are) related with the IAS 23?

Qualifying Assets  
Amount to be capitalized related to the Borrowing cost  
Capitalization period related to the Borrowing cost  
**All of the given options page 30**

28. Partnership firm has a maximum \_\_\_\_ numbers of partners.

**20**  
15  
10  
02

29. Which of the following sections of the Companies Ordinance 1984 is related to the Annual General Meeting?

Section 157  
**Section 158**  
Section 159  
Section 160

30. Which of the following may consist of more than 20 persons in case of partnership?

Firms of Lawyers  
Firms of Doctors  
Firms of Associates  
**All of the given options**

31. Which one of the following is related to the Allowed Alternative Treatment for an investment in jointly controlled entities?

Proportionate Consolidation Method  
**Equity Method**

Weighted Average Method  
Sum of Year Digit Method

32. **IAS-16 deals with:**

**Property, Plant and Equipment**

Cash Flow Statement  
Presentation of Financial Statements  
Earning per share

33. **Companies are registered under:**

Partnership Act 1932

**Companies Ordinance 1984**

Partnership Agreement  
Income Tax Ordinance 1979

34. **To the Allowed Alternative Treatment, Which of the following method is used for stock valuation?**

FIFO Method

**LIFO Method page 48**

Weighted Average Method  
Specific Identification Method

35. **Which of the following IAS deals with the Borrowing Costs?**

**IAS 23**

IAS 07

IAS 01

IAS 16

36. **Which one of the following is the type of stock for trading concerns?**

Raw Material

Work in Process

Finished Goods

**Stock in Trade**

37. **What is the meeting requirement for the directors of a Public Limited Company?**

**At least once in each quarter**

At least once in each month

At least once in each year

At least once in each week

38. **Which of the following represent(s) the Prime Cost?**

Direct Material Cost + Direct Labour Cost

Total Factory Cost – Factory Overheads

Conversion Cost – Factory Overheads + Direct Material Costs

**All of the given options**

39. **Which of the following is/are example(s) of development activities?**

The design of tools, jigs, moulds and dies involving new technology

The design, construction and testing of pre-production or pre-use prototypes and models

**All of the given options**

40. **Which of the following IAS deals with the Intangible Assets?**

**IAS 38**

IAS 23

IAS 01

IAS 16

41. **Which of the following is the Classification of Current Assets with respect to the Companies Ordinance 1984?**

Building

Land

Premises

**Marketable Securities**

42. Which of the following is/are example(s) of research activities?

Select correct option:

Activities aimed at obtaining new knowledge

The search, evaluation, final selection and application of research findings

The search for alternatives

All of the given options

43. Which one of the following type(s) of information is(are) available in 4th and 5th schedule of the Companies Ordinance 1984?

Definitions and general requirements for preparation and presentation of financial statements

Requirements for Balance Sheet

Requirements for Profit and Loss Account

All of the given options

44. Which one of the following IAS is related to the Interest in Joint Venture?

IAS 27

IAS 28

IAS 31

IAS 32

45. Which of the following investments are recorded using Equity Method?

Investments made for longer period

Investments made for shorter period

Investments made for shorter and longer period

None of the given options

46. Which one of the following is(are) recorded under the Equity section of the Balance Sheet?

Share Premium

Reserves

Accumulated Profit

**All of the given options**

47. Concept of Related Parties is defined in:

Companies Ordinance 1984

IAS

**Both Companies Ordinance 1984 and IAS**

Neither in Companies Ordinance 1984 nor in IAS

48. Which one of the following is NOT recorded under Equity section of the Balance Sheet?

Share Premium

Share Capital

Accumulated Profit

**Dividend Payable**

49. Which of the following represent(s) the Prime Cost?

Direct Material Cost + Direct Labour Cost

Total Factory Cost – Factory Overheads

Conversion Cost – Factory Overheads + Direct Material Costs

**All of the given options**

50. Which one of the following is(are) NOT recorded under Current Liabilities section of the Balance Sheet?

Debentures

Deferred Taxation

Obligation Under Finance Lease

**All of the given options**

51. Which of the following is the Classification of Current Assets with respect to the Companies Ordinance 1984?

Building

Land

Premises

**Marketable Securities**

52. Which of the following is NOT the method of stock valuation?

FIFO Method

Weighted Average Method

Specific Identification Method

**Straight Line Method**

53. Which of the following section of the Companies Ordinance 1984 deals with Revaluation of Fixed Assets?

**Section 235**

Section 236

Section 237

Section 238

54. Preparation and presentation of Financial Statements are governed by:

Companies Ordinance 1984

International Accounting Standards

International Financial Reporting Standards

**All of the given options**

55. Partnership firms are registered under which of the following?

**Partnership Act 1932**

Companies Ordinance 1984

Partnership Agreement

Income Tax Ordinance 1979

56. Written down value of an asset = -----

**Original cost – Accumulated depreciation**

Original cost – Appreciation

Book value – Accumulated depreciation

Original cost – Salvage value

57. Which of the following IAS affect(s) the recognition, presentation and disclosure of fixed assets in financial statements?

IAS 01

**IAS 16**

IAS 23

All of the given options

58. Which of the following methodology is adopted for the valuation of investments in associated companies?

**Equity Method**

At cost or Under IAS 39

At amortized cost

At fair value

59. Which of the following is a rebate or allowance from the scheduled price granted by the seller to the buyer?

**Trade Discount**

Cash Discount

Purchases return

Sales return

60. Which of the following is the ability to govern the financial and operating policies of an enterprise so as to obtain from its activities?

**Control**

Significant Influence

Direct Subsidiary

Indirect Subsidiary

61. Which of the following is INCORRECT with respect to Perpetual Inventory System?

Receipt of inventory is debited to Stock Account

Issuance of inventory is Credited to Stock Account and Debited to Material Consumption Account

**Receipt of inventory is debited to Purchase Account**

Material Consumption Account becomes the part of Trading Account

62. Which of the following IAS deals with the Associated Companies?

IAS 27

**IAS 28**

IAS 01

IAS 07

63. Which of the following is the deduction or allowance allowed by a creditor to a debtor?

Trade Discount

**Cash Discount**

Purchases return

Sales return

64. Which of the following costs can be capitalized?

**Purchases of assets financed through issue of debentures**

Assets that are not currently in use because of excess capacity

Assets not currently undergoing activities necessary to prepare for intended use

Assets intended for sale or use that are produced as discrete projects

65. Which of the following is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale?

**Qualifying Asset**

Outstanding Asset

Tangible Asset

Intangible Asset

66. Which of the following investments are recorded using Equity Method?

**Investments made for longer period**

Investments made for shorter period

Investments made for shorter and longer period

None of the given options

67. If Original cost is Rs. 100,000; Depreciation rate is 20% p.a. using straight line method; what will be the value of accumulated depreciation at the end of 2nd year?

Rs. 20,000

**Rs. 40,000**

Rs. 80,000

Rs. 60,000

68. Concept of Related Parties is defined in:

Companies Ordinance 1984

IAS

**Both Companies Ordinance 1984 and IAS**

Neither in Companies Ordinance 1984 nor in IAS

69. Which one of the following is related to the IAS 39?

Consolidated and Separate Financial Statements

Interest in Joint Venture

Financial Instruments Disclosure and Presentation

**Financial Instruments Recognition and Measurement**

70. Which of the following IAS affect(s) the recognition, presentation and disclosure of fixed assets in financial statements?

IAS 01

**IAS 16**

IAS 23

All of the given options

71. Which of the following is an example of Capital Expenditure?

Wages paid on the purchases of goods

Carriage paid on the purchases of goods

**Transportation paid on machinery purchased**

Octroi duty paid on goods

72. Which of the following methodology is adopted for the valuation of investments in associated companies?

**Equity Method**

At cost or Under IAS 39

At amortized cost

At fair value

73. In case an item of property, plant and equipment is exchanged for similar asset of the enterprise, the cost of the new asset is measured at the \_\_\_\_\_ of the old asset.

**Carrying value**

Fair value

Future value

Salvage Value

74. Which of the following represent(s) the Prime Cost?

Direct Material Cost + Direct Labour Cost

Total Factory Cost – Factory Overheads

Conversion Cost – Factory Overheads + Direct Material Costs

**All of the given options**

75. Which of the following costs can be capitalized?

**Purchases of assets financed through issue of debentures**

Assets that are not currently in use because of excess capacity

Assets not currently undergoing activities necessary to prepare for intended use

Assets intended for sale or use that are produced as discrete projects

76. Which one of the following is(are) NOT recorded under Current Liabilities section of the Balance Sheet?

Debentures

Deferred Taxation

Obligation Under Finance Lease

**All of the given options**

77. Which of the following is the deduction or allowance allowed by a creditor to a debtor?

Trade Discount

**Cash Discount**

Purchases return

Sales return

78. The term “Significant Influence” refers to the:

**Ability to participate but not to control financial and management affairs of the enterprise**

Ability to participate and control financial and management affairs of the enterprise

Neither to control nor to participate in financial affairs of the enterprise

None of the given options

79. Which of the following asset is not an example of Intangible Fixed Assets?

**Vehicles**

Good Will

Copyrights

Trade Marks and Designs

80. Which of the following is a rebate or allowance from the scheduled price granted by the seller to the buyer?

**Trade Discount**

Cash Discount

Purchases return

Sales return

81. Which of the following entities is profit oriented entity?

NGOs

Trust

Societies

**Sole - proprietorship**

82. Which of the following is/are the Classification of Current Assets with respect to the Companies Ordinance 1984?

Cash Balance

Loans and Advances

Bank Balance

**All of the given**

83. Which of the following is INCORRECT with respect to Perpetual Inventory System?

Receipt of inventory is debited to Stock Account

Issuance of inventory is Credited to Stock Account and Debited to Material Consumption Account

**Receipt of inventory is debited to Purchase Account**

Material Consumption Account becomes the part of Trading Account

84. Which of the following statement is/are INCORRECT under the Cost Method for recognition of investment in associated companies?

Any distribution of profits by the investee company is recorded as an expense

Any distribution of profits by the investor company is recorded as an income

The carrying amount of the investment is increased or decreased to reorganize the investor's share of profits or losses of the investee after the date of acquisition

**All of the given options**

85. Which of the following is NOT the Classification of Current Assets with respect to the Companies Ordinance 1984?

Cash Balance

Bank Balance

**Premises**

Marketable Securities

86. What is the treatment of Accumulated Depreciation in accounting?

Treated as a reserve

Treated as a contra asset

Treated as a surplus

**Treated as an expense**

87. According to the Prudence concept, Stock should be included in Balance Sheet at:

Cost

Its net Realizable value

**Lower of its total cost Or its total net realizable value**

Higher of its total

88. Which of the following IAS deals with Inventories?

Select correct option:

IAS 38

IAS 23

**IAS 02**

IAS 16

89. Which one of the following is NOT the component of cost?

Select correct option:

Import duties

Installation costs

Cost of site preparation

**Transportation outwards**

90. What is the treatment of Depreciation in accounting?

Select correct option:

Treated as a reserve

**Treated as an expense**

Treated as a surplus

Treated as a Liability

91. Which one of the following is related to the Benchmark Treatment for an investment in jointly controlled entities?

Select correct option:

**Proportionate Consolidation Method**

Equity Method

LIFO Method

Specific Identification Method

92. Which of the following is/are NOT the example(s) of Financial Asset?

Select correct option:

- Minority interest  
Sale of goods  
Purchases of goods  
**All of the given options**
93. Which one of the following is a fixed asset?  
Select correct option:  
Cash in hand  
Advanced payment  
Closing stock  
**Leasehold vehicle**
94. Which of the following is an example of Capital Expenditure?  
Select correct option:  
Wages paid on the purchases of goods  
Carriage paid on the purchases of goods  
**Transportation paid on machinery purchased**  
Octori duty paid on goods
95. All of the following are Fixed assets EXCEPT:  
Select correct option:  
Machinery  
Freehold land  
Leasehold land  
**Marketable securities**
96. Which of the following IAS deals with the Borrowing Costs?  
Select correct option:  
**IAS 23**  
IAS 07  
IAS 01  
IAS 16
97. Which of the following is INCORRECT with respect to Perpetual Inventory System?  
Select correct option:  
Receipt of inventory is debited to Stock Account  
Issuance of inventory is Credited to Stock Account and Debited to Material Consumption Account  
**Receipt of inventory is debited to Purchase Account**  
Material Consumption Account becomes the part of Trading Account
98. Which of the following is/are the Classification of Current Assets with respect to the Companies Ordinance 1984?  
Select correct option:

Stock  
Cash Balance  
Finished Goods

**All of the given options**

99. Which of the following is an identifiable non-monetary asset without physical substance?

Select correct option:

Tangible Asset

**Intangible Asset**

Floating Asset

Circulating Asset

100. Which of the following represent(s) the Cost of goods sold?

Select correct option:

Sales – Gross Profit

Opening Stock + Purchases – Closing Stock

Cost of goods Manufactured + Opening Finished Goods Inventory – Closing

Finished Goods Inventory

**All of the given options**

101. Which of the following is(are) example(s) of Borrowing costs?

Select correct option:

Interest on bank overdrafts

Interest on short-term borrowings

Interest on long-term borrowings

**All of the given options**

102. If the holding company owns more than 50% but less than 100% shares of the subsidiary company then the subsidiary type will be termed as:

Select correct option:

**Partially owned subsidiary**

Wholly owned subsidiary

Direct subsidiary

Indirect subsidiary

103. Which of the following represent(s) the Prime Cost?

Direct Material Cost + Direct Labor

Cost Total Factory Cost – Factory Overheads

Conversion Cost – Factory Overheads + Direct Material Costs

**All of the given options**

104. If stock valuation method is changed every year by the firm, which concept the firm has violated?

The materiality concept

**The consistency concept**

The prudence concept  
The going concern concept

105. Which one of the following is TRUE with respect to “FIFO” in inventory valuation?

**First-In-First-Out**

First-In-Freight-Out

Freight-In-First-Out

Freight-In-Freight-Out

106. Concept of Related Parties is defined in  
Companies Ordinance 1984  
IAS

**Both Companies Ordinance 1984 and IAS**

Neither in Companies Ordinance 1984 nor in IAS

107. What is the meeting requirement for the directors of a Public Limited Company?

**At least once in each quarter**

At least once in each month

At least once in each year

At least once in each week

108. Companies are registered under:  
Partnership Act 1932

**Companies Ordinance 1984**

Partnership Agreement

Income Tax Ordinance 1979

109. Which of the following methodology is adopted for the valuation of investments in associated companies?

Equity Method

At cost or Under IAS 39

At amortized cost

**At fair value**

110. Which of the following is/are the physical asset(s)?

Term Finance Certificates

Loan Agreements

Trade Receivables

**All of the given options**

111. Which of the following is the ability to govern the financial and operating policies of an enterprise so as to obtain from its activities?

**Control**

Significant Influence

Direct Subsidiary

Indirect Subsidiary

112. If stock valuation method is changed every year by the firm, which concept the firm has violated?

The materiality concept

**The consistency concept**

The prudence concept

The going concern concept

113. Preparation and presentation of Financial Statements are governed by:

Companies Ordinance 1984

International Accounting Standards

International Financial Reporting Standards

**All of the given options**

114. Which one of the following is NOT recorded under of Equity section the Balance Sheet?

Share Premium

Share Capital

Accumulated Profit

**Dividend Payable**

115. Which of the following is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction?

Depreciable Amount

**Fair Value**

Cost

Carrying Amount

116. Which of the following IAS deals with Inventories?

IAS 38

IAS 23

**IAS 02**

IAS 16

117. Which of the following is original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding?

**Research**

Development

Audit

Accounting

118. Under which of the following methods for inventory valuation, costs of earliest purchases assumed still to be in inventory?

FIFO Method

LIFO Method

**Weighted Average Method**

Specific Identification Method

119. Which of the following is/are the Classification of Current Assets with respect to the Companies Ordinance 1984?

Cash Balance

Loans and Advances

Bank Balance

**All of the given options**

120. Which of the following is the type of business owned by one person?

**Sole-Proprietorship**

Partnership

Public Limited Company

Unlimited Company

121. Which one of the following is the example of non-profit oriented organization:

NGO's

Trusts

Societies

**All of the given options**

122. Annual General Meeting (AGM) is required to be held within \_\_\_\_\_ of incorporation.

06 months

12 months

15 months

**18 months**

123. The amount by which the carrying amount of an asset exceeds its recoverable amount is called as:

**Impairment loss**

Residual value

Depreciation

Fair value

124. Which of the following are the examples of development activities?

Design, construction and testing of pre-production models

Design of tools, jigs moulds dies, involving new technology

Design, construction and operation of pilot plan

**All of the given options**

125. Investments made for long term in associated companies, is recorded using \_\_\_\_\_ method of recognition and shown separately in the balance sheet as long-term assets.

**Equity**

Cost

Both Cost and Equity

None of the given options

126. Costs of purchase of Inventories comprising which of the following:

Purchase price

Import duties and other taxes

Transport less trade discount, rebate and other similar amounts

**All of the given options**

127. Under Benchmark Treatment IAS-2, does not recommend the following method of stock valuation for incorporating its value in financial statement.

FIFO method

The weighted average cost method

**LIFO method**

None of the given options

128. A contractual arrangement whereby, two or more parties undertake, an economic activity which is subject to joint control is called \_\_\_\_\_.

**Joint Venture**

Subsidiary Companies

Associated Companies

None of the given options

129. A complete set of financial statement includes which of the followings:

A Balance sheet and Income statement

A statement of changes in financial position

Notes, other statements and explanatory material

**All of the given options**

130. In the first step of formation of a Company the availability of name is checked from SECP, that is at least two companies with same name can be registered.

True

**False**

131. An increase in economic benefits during the accounting period in the form of increase of assets and decrease in liabilities is termed as Expenses.

True

**False**

132. In IAS 23 Qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use.

**True**

False

133. Cash discounts are usually received on bulk purchase and are agreed at the time of negotiation of cost. The cost of inventory is recorded net of these discounts.

True

**False**

134. Generally there are two types of discounts; Trade and Cash

135. There is no concept of capital in:

Sole proprietorship

**NGO's / NPO's**

Partnership

Public Limited Company

136. A contractual arrangement whereby, two or more parties undertake, an economic activity which is subject to joint control is called Joint Venture

137. The surplus arising from revaluation of fixed assets of an entity is shown:

**Separately in the balance sheet.**

As indirect income in income statement

Added in the fixed asset  
None of the given options

138. A Company uses FIFO method to evaluate its stock. The information for the stock is as follows:

Opening stock was 10 units at 2 each.

Purchases were 30 units at Rs. 3 each, and

Then issues of 12 units were made, followed by issues of 8 units. Closing stock is valued at:

Rs. 50

Rs. 58

**Rs. 60**

Rs. 70

139. share holders' equity is the net balance of the total assets of the business less third party's liabilities.

140. qualifying is an asset that necessarily takes a substantial period of time to get ready for its intended use.

141. Statutory Meeting is required to be held within:

**3 to 6 months**

1 to 3 months

6 to 9 months

9 to 12 months

142. Goodwill is most appropriately classified as:

A fixed asset

**An intangible asset**

A fictitious liability

A semi-fixed asset

143. If a Company purchased an Asset for Rs.20, 000. The estimated useful life of asset is ten years. After five years the Book Value of the Asset will be: (using straight line method of depreciation and no residual value)

16,000

**10,000**

8,000

5,000

144. The main aim of accounting is to:

Maintain ledger accounts for every transaction.

**Provide financial information to users of such information.**

Produce a Trial balance.

Record every financial transaction individually.

145. In case of a single member company \_\_\_\_\_ person(s) is (are) required to be nominated to takeover the company in case of a death of the member.

One

**Two**

Three

Four

146. Company should be termed as a \_\_\_\_\_ of another company if other company holds more than 50% of its shares or has the power to appoint more than 50% of its directors.

Associated

**Subsidiary**

Joint Venture

None of the given options

147. Directors or shareholders having \_\_\_\_\_ voting power can call for Extraordinary General Meetings (EOGM).

10%

15%

**20%**

25%

148. Quality control during commercial production cost Rs. 10,000/- will be charged to: v uzs

Research expenses

**Development cost**

Profit and Loss account

None of the given options

149. Which one of the following is an example of Conversion Cost?

**Labour and factory overheads**

Labour and work in process

Work in process and finished goods

Factory overhead and work in progress

150. Which of the followings are among the non-current assets?

Tangible and intangible assets

Operating assets

Financial assets of a along term nature

**All of the given options**

151. Movement of capital issued and reserves are presented through which of the following statement?

Cash flow statement

**Statement of changes in equity**

Income statement

Balance sheet

152. A maximum limit of the amount of the capital that a company can issue is mentioned in the Memorandum of Association and Article of Association of the company is called:

**Authorized capital**

Issued capital

Subscribed capital

Paid up capital

153. Cost of inventories will consist of which of the following costs?

Purchase cost

Costs of conversion

Installation costs

**All of the given options**

154. Cash discounts are received on early payment of the outstanding amount. These discounts are conditional and are not reduced from the value of the inventory.

**True**

False

155. In the rare cases of conflict between an IAS and the Framework, the Framework will prevail.

**True**

False

156. Current assets will also include marketable securities if they are expected to be realized within twelve months of the Balance Sheet date.

**True**

False

157. Significant influence is the ability to participate and to control the financial and management affairs of the enterprise.

True

**False**

158. International Accounting Standards (IAS) are issued by International Accounting Standard Board (IASB).

**True**

False

159. Contingent assets are:  
Recognized as asset in the balance sheet  
Disclosed in the financial statements  
None of the given options

**Any of the given options depending upon certain condition**

160. A reduction of share capital can be effected through an ordinary resolution.

True

**False**

161. According to IAS 2 Inventories are assets that are not held for sale in the ordinary course of business.

True

**False**

162. Which assets are specifically excluded from Financial Assets:

- a: Investments
- b: Prepaid Expenses
- c: Physical Assets

**d: Both (b) and (c)**

163. A supplier sends you a statement showing a balance outstanding of Rs. 14,350.  
Your own records show a balance outstanding of Rs. 14,500/-

The supplier sent an invoice for Rs. 150 which you have not yet received.

**The supplier has allowed you Rs. 150 cash discount which you had omitted to enter in your ledgers**

You have paid the supplier Rs. 150 which he has not yet accounted for

You have returned goods worth Rs. 150 which the supplier has not yet accounted for

164. Contingent liabilities are:

**a: possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity**

b: liabilities to pay for goods or services that have been received or supplied and have been invoiced or formally agreed with the supplier

Both (a) and (b)

None of the given options

165. Accounting policy once selected can never be changed.

**True**

False

166. Minimum Lease Payments are:

The lease rentals payable by the lessee to the lessor

The contingent rent payable by lessee

**All the payments that the lessee can be required to pay to the lessor**

None of the given options.

167. IAS 23, "Borrowing Cost" requires capitalization of borrowing cost as a benchmark treatment.

**False**

True

168. Liquidity is:

Excess of income over expenditure

Income generating capability of the business

**Ability of a business to pay its debts in time**

Excess of expenditure over income

169. A revaluation loss is charged to profit and loss account in the period in which the revaluation is carried out.

**o True**

o False

170. In case of tangible non-current assets, if a policy of revaluation is adopted for the first time, then this is treated as:

1. No change in Accounting Policy under IAS 8

2. A change in Accounting Policy

**3. A revaluation under IAS 16 Property, Plant and Equipment**

4. None of the given options

171. Right shares are issued when accumulated profit is being capitalized by the issuance of shares.

**1. True**

2. False

172. \_\_\_\_\_ **Net Realized Value** \_\_\_\_\_ is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

173. Liquidity is defined as:

1. Excess of income over expenditures

2. Income generating capability of the business

**3. Ability of a business to pay its debts in time**

4. Excess of expenditures over income

174. If an entity declares dividends to the holders of equity instruments after the balance sheet date, the entity shall not recognize those dividends as a :

1. Equity

2. Deferred Liability

**3. Liability**

4. Asset

Ref:

<http://docs.google.com/viewer?a=v&q=cache:XMUI3epcawQJ:app1.hkicpa.org.hk/ebook>

[/HKSA\\_Members\\_Handbook\\_Master/volumeII/hkas10.pdf+&hl=en&pid=bl&srcid=ADGEESivnfEpwDZ6thyO4V4jSJWzF4SpcI2cOREL6fTfVxGfKACoLRowJpAmZgmjtxrZOkW6Ca6Cq9p\\_FxDu1OcV-t0BgDtFUys6YKTV3pgug3xOqqiJXEgOxdfmx5DRXrsUy-XIDWeD&sig=AHIEtbRW-7EEkfm6qngBAftJgYMwQIfBtg](#)

175. The information as to profitability is provided by the balance sheet of the entity.  
1. True

**2. False**

176. Under IAS 33 \_\_\_\_\_ **Earning Per Share** \_\_\_\_\_ is widely used by investors as a measure of a company's performance.

Which of the following asset is specifically excluded from Financial Assets:

1. Investments
2. Prepaid Expenses
3. Physical Assets

**4. Both Prepaid Expenses & Physical Assets**

177. Lease accounting is regulated by \_\_\_\_\_ which was introduced because of abuses in the use of lease accounting by companies.

**1. IAS 17**

2. IAS 12
3. IAS 39
4. IAS 32

178. A contractual arrangement whereby, two or more parties undertake, an economic activity which is subject to joint control, is called Subsidiary Companies.

1. True

**2. False**

179. Which of the following is a present obligation of the entity arising from a past event the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits?

Asset

Income

Expense

**Liability**

180. Which of the following types of business enjoys greater freedom and flexibility in making business decisions according to the economic conditions?

Private Limited Company

**Sole-proprietorship**

Partnership

Public Limited Company

181. Proper Books of Accounts are kept by every company under which of the following sections of the Companies Ordinance 1984?

**Section 230**

Section 233

Section 184

Section 110

182. Which of the following information must be disclosed in case of loan and advances to subsidiary companies?

The name of each borrower

Amount of loans and advances

The terms of loan and the particulars of collateral security held

**All of the given options**

183. Which one of the following is an example of Financial Asset?

Inventories

Patent rights

Goodwill

**Accounts receivable**

184. Mr. Jason invested Rs. 100,000 in bank as bonds for nine months. At the end of the year, this invested amount will be shown in Balance Sheet under the head of:

Fixed Assets

**Current Asset**

Current Liabilities

Long Term Liabilities

185. Which of the following represents the Financial Information presented in the financial statements relating to the assets and incomes should not be overstated.

Consistency

Profit

Materiality

**Prudence**

186. Which of the following statement shows the movement of cash inflows and outflows?

Income Statement

Balance Sheet

Statement of Owner's equity

**Cash Flows Statement**

187. Which of the following is an example of current liability?

**Bank Overdraft**

Stock

Goodwill

A loan repayable in two years

188. Which of the following is a component of current liabilities?

Assets subject to finance lease

Debentures

**Provision for Taxation**

Loans taken for more than five years

189. A damage claim of Rs.15 million for breach of contract has been served on the Company. The Company legal counsel is of the view that it is possible that the damages will be awarded to the plaintiff. However, the amount of damages can not be reasonable estimated. What accounting treatment would be made in this regards?

A provision will be made for damages

**Damages will be disclosed as contingent liabilities**

Damages will be treated as accrued income

No treatment will be taken

190. Which of the following term represents the amount of share capital collected from the shareholders on application of shares?

Registered Capital

Subscribed Capital

Nominal Capital

**Paid up capital**

191. Where shares are purchased at a price above the face value, the difference shall be charged to:

**Share Premium Account**

Share Discount Account

Distributable Profit Account

Un-distributable Profit Account

192. In case of operating lease, an asset is recorded in the books of lessee at which of the following value?

Faire value

Present value

Market value

**Not recorded at any value**

193. Which of the following IAS covers the Debentures?

IAS 32 only

IAS 39 only

**Both IAS 32 and IAS 39**

IAS 17

194. Which of the following events are indicative of conditions that arose after Balance Sheet date?

Adjusting events after balance sheet date

Adjusting events before balance sheet date

**Non - adjusting events after balance sheet date**

Non - adjusting events before balance sheet date

195. Which of the following is/are the event/s after the balance sheet date with respect to IAS 10?

Adjusting events only

Non-adjusting events only

**Both Adjusting and Non-adjusting events**

None of the given options

196. Which of the following is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the control of the entity?

**Contingent asset**

Fixed asset

Current asset

Floating asset

197. Which of the following is/are related to the IAS-37?

Contingent Assets

Contingent Liabilities

**Both Contingent Assets and Contingent Liabilities**

Inventory

198. Which of the following is the example of Certain Liabilities?

**Creditors against supplies**

Accruals against expenses

Provision against expected losses

Provision against expected profits

199. An equity instrument that is subordinate to all other classes of equity instruments is:

**Ordinary share**

Potential ordinary share

Warrants

Options

200. Which of the following is/are Financial Instruments that give the holder, the right to purchase ordinary shares?

Equity shares

Potential ordinary shares

**Warrants or Options (IAS 33)**

Preference shares

201. Which of the following is widely used by investors as a measure of Company performance in comparing the results of a Company over a period of time?

**Earning Per Share**

Balance Sheet

Cash Flow Statement

Notes to the accounts

202. Which of the following represents the Equity?

**Share capital + Accumulated profit + General reserves**

Share capital + Accumulated profit - General reserves

Share capital - Accumulated profit - General reserves

Accumulated profit - General reserves

203. Which of the following is included in the Equity Section of the Balance Sheet?

Share capital

**Long term financing**

Deferred cost

Liability against assets subject to finance lease

204. Which of the following is **NOT** considered as expense by their function with respect to IAS 01?

**Cost of goods sold**

Distribution costs

Administrative expenses

Transportation costs

205. Which of the following is **TRUE**?

**Gross profit - Operating expenses = Operating profit**

Cost of sales + Operating expenses = Operating profit

Cost of sales - Operating expenses = Net profit

Cost of sales - Operating expenses = Gross profit

206. An electricity accrual of Rs. 375 was treated as prepayment in preparing a trader's profit and loss account. As a result his profit was:

Understated by Rs. 750

Overstated by Rs. 750

**Understated by Rs. 375**

Overstated by Rs. 375

207. Which of the following is the correct formula to find the Present Value? Where FV = Future Value, r = Interest rate and n = Time period

$FV(1 + r)^{-n}$

**$FV(1 + r)^n$**

$FV(1 - r)^{-n}$

$FV(1 \times r)^{-n}$

208. If you plan to save Rs. 5,000 with a bank at an interest rate of 8%, what will be the worth of your amount after 4 years if bank offers simple interest?

Rs. 5,400

Rs. 5,900

**Rs. 6,600**

Rs. 6,802

209. What will be the purchase source at the time of re-purchase of shares?

**The purchase shall be in cash and out of the distributable profits.**

The purchase shall be in cash and out of the un-distributable profits.

The purchase shall be in credit and out of the distributable profits.

The purchase shall be in cash and out of the Revaluation surplus profits.

210. Which of the followings item(s) must be disclosed on the face of income statement according to IAS-1?

Revenue

Results of operating activities

**All of the given options**

Finance costs

211. Which of the following is the combined account for showing both result of business, i.e., gross and net profits?

Trading and profit and loss account

Profit and loss appropriation account

**Income statement**

None of the given options

212. The goods are written off when:

These are completely damaged

These are stolen

These are destroyed by fire

**All of the given options**

213. Which of the following bases, stock should be valued according to IAS-2?

Cost

Higher of cost or net realizable value

Lower of cost or net realizable value

**Net realizable value**

214. Which of the following business is formed by the approval of Stock Exchange?

Money Exchange Company

**Non Banking Finance Corporation**

Trade organization u/s 42 of the Companies ordinance 1984

Corporate Brockage House

215. Which of the following fixed asset is shown at cost rather at book value?

Machinery

Furniture

Vehicles

**Land**

216. Which of the following is NOT related to the qualitative characteristics that make financial information useful?

Reliability only

Relevancy only

Both Reliability and Relevancy

**Understandability**

217. An intangible asset with indefinite useful life shall:

Be amortized using straight line method

**Not to be amortized**

Be amortized using reducing balance method

Either be amortized using straight line method OR be amortized using reducing balance method

218. The capital maintenance concept implies that:

The capital of a business should be kept intact by not paying out dividends.

A business should invest its profits in the purchase of capital assets.

Fixed assets should be properly maintained.

**Profit is earned only if the value of an organization's net assets or its operating capability has increased during the accounting period.**

219. The cost of inventories of a service provider does not consist of:

Costs of personnel directly engaged in providing the service  
Supervisory personnel  
Attributable overheads.

**Labour and other costs relating to sales**

220. Which one of the following is the concept of the capital maintenance?

Financial capital maintenance  
Physical capital maintenance

**Both Physical and Financial capital maintenance**

None of the given options

221. If the closing balance is lower than the difference of the opening balance and depreciation for the Year, it shows:

**An addition of fixed assets has been taken place**

A disposal of fixed assets  
Fixed assets are installed under finance lease  
None of the given options

222. Which of the following item may be included in a Balance Sheet at more than its historical cost?

Good will

**Land**

Research expenditures

Work in progress

223. The valuation of stock at lower of its cost or net realizable value is an application of:

The consistency concept

The going concern concept

**The prudence concept**

The accrual concept

224. Contribution to Research foundation amounting to Rs. 100,000/- Whether it is:
- a) Development cost
  - b) Development cost & capitalized
  - c) Research expenses**
  - d) None of the given options
225. Which of the following are the examples of research activities?
- a) Activities aimed at obtaining new knowledge
  - b) Search, evaluation, final selection and application of research findings
  - c) Search for alternatives
  - d) All of the given options**
226. There are \_\_\_\_\_ methods for recognition of investment in associated companies:
- e) One
  - f) Two**
  - g) Three
  - h) Four
227. \_\_\_\_\_ is the estimated selling price in the ordinary course of business less the estimated cost necessary to make the sale.
- a) Net realizable value**
  - b) Carrying value
  - c) Market value
  - d) All of the given options
228. Cost of inventories will consist, which of the following costs:
- a) Purchase
  - b) Costs of Conversion
  - c) Other costs incurred in bringing the inventories to their location and condition
  - d) All of the given options**
229. Cost of the inventory is calculated with which of the following method:
- a) First in First Out (FIFO) & Last in First Out (LIFO)

- b) Specific identification of cost
- c) Weighted Average
- d) All of the given options**

230. The table shows information relating to end of year stock:

Particulars	Rs.
Cost	100,000/-
Realizable value	90,000/-
Cost of selling	10,000/-
Replacement cost	70,000/-

According to IAS 2, what is the value of stock at the balance sheet date?

- i) Rs. 90,000/-
- j) Rs. 80,000/-**
- k) Rs. 100,000/-
- l) Rs. 70,000/-

231. Conversion cost includes:

- a) Labour and factory overheads**
- b) Labour and work in process
- c) Work in process and finished goods
- d) Factory overhead and work in progress

232. The cost of inventories of a service provider consists of which of the following:

- a) Labour
- b) Other costs of personnel directly engaged in providing the service
- c) Labour and other costs relating to sales
- d) All of the given options**

233. Which of the following is the disadvantage of modified schedules and alternative workplace?

- Freedom in professional and personal life
- Adds more Job satisfaction
- Complicated coordination**
- Suitable for self starter who require little direct supervision

234. Revenue expenditure is likely to benefit:
- Future period
  - Current + future period
  - **Current period**
  - Past period
235. Net investment in the lease is:
- Residual value
  - MLP + URV
  - **P.V of G.I**
  - None
236. Which item may be included in Balance Sheet at more than historical cost?
- **Land and Building**
  - Work in progress
  - Goodwill
  - Research expenditure
237. What is material?
- Item that could influence economic decision of users
  - It depends on size and nature of them
  - **Both economic decision of users & size and nature of them**
  - None of the given options
238. As a result of a product break through, it has been determined that manufacturing equipment previously depreciated over 15 years should be depreciated over 20 years whether it is:
- Changes in accounting policy
  - Prior period error
  - **Changes in accounting estimate**
  - None of the given options
239. Example of change in accounting estimates are the followings:
- Bad Debts
  - Inventory obsolescence
  - Warranty obligations
  - **All of the given options**
240. Imran & Co made a profit for the year of Rs. 56,250 after accounting for depreciation Rs. 3,750. During the year, fixed assets were purchased for 24,000 debtors increased by Rs. 3,000, stock decreased by Rs. 5,400 and creditors increased by Rs. 1,050.  
The increase in cash and bank during the year was:
- **Rs. 39,450**
  - Rs. 15,950
  - Rs. 14,650
  - Rs. 17,150
241. Khan & Co. reported a profit of Rs. 30,000 for the year, after charging the following:  
Depreciation Rs. 5,000

Loss on sale of assts Rs. 2,000

During the year there was a decrease in working capital of Rs. 1,000. What was the net cash flow generated from operations?

- Rs. 12,000
- **Rs. 38,000**
- Rs. 20,000
- Rs. 25,000

242. Which of the following is not a cash flow in a cash flow statement?

- A right issue
- **A depreciation charge**
- Proceeds on the sale of a fixed asset
- Corporation tax paid

243. A cash flow statement provides information that enables user to evaluate:

- Changes in net assets
- Financial structure
- Amounts and timing of cash flows
- **All of the given options**

244. The accounting entity or separate entity concept means.

- That each branch of the business should be treated as a separate accounting entity.
- That each line of business should be treated as a separate accounting entity.
- **That business should be treated as an entity separate from its owners.**
- None of the above.

**Ans: That business should be treated as an entity separate from its owners.**

This concept implies that the activities of a business are to be treated as separate from the non-business activities of its owners.

The items recorded in the books of business are therefore restricted to the transactions of the business. The only time that the personal resources of the owners will affect the books of business when introduce new capital into the business or take out profits from it.

245. You are running a small business. You have obtained a personal loan from the bank that you intend to use for renovation of your own house. The loan would be classified as:

- Long term liability of the business.

- Short term liability of the business.
- Any one of the above depending upon the term of the loan.
- None of the above.

**Ans: None of the above.**

Following the separate entity concept only those transactions will be recorded in the books of the business that relate to the business. A personal loan of the owner will not be recorded in the books of the business at all.

**246. Assets and liabilities are classified into current and non-current on the basis of:**

- Their expected life or repayment term.
- The amount spent or payable i.e. on the basis of materiality.
- Judgement of the individual.
- All of the above.

**Ans. Their expected life or repayment term.**

In case of assets the major classification of the assets include Non-current assets and Current Assets, whereas in case of liabilities the major classifications are:

- Equity,
- Non-Current Liabilities
- and Current Liabilities.

All these classifications are based on the expected life of the asset or the repayment term, there value of the judgement of the individual do not affect their classification

**247. Which of the following statements best defines the term “Useful life of an asset”?**

- It is the time period after which the asset becomes useless.
- It is the time period after which the organization sells the asset.
- It is the time period after which maintaining the asset is not viable economically.

- None of the above.

**Ans: It is the time period after which maintaining the asset is not viable economically.**

Useful life of an asset is defined as the number of years over which an enterprise expects to use an asset. OR The number of production or similar units expected to be obtained from an asset. This means that the enterprise would like to use the asset as long as it is economically feasible for the enterpriser to operate the asset. Economic feasibility means that the asset is giving more output than the cost incurred to operate it.

**248. What is depreciation?**

- Market value of an asset reduces with the passage of time. This reduction is called depreciation.
- **Systematic allocation of depreciable amount of an asset over its useful life.**
- It is the cost of maintaining an asset.
- All of the above.

**Ans: Systematic allocation of depreciable amount of an asset over its useful life.**

Depreciation is a charge for using the asset or spreading its cost of purchase over the life of the asset and is calculated by distributing the cost of the asset over its useful life.

249. The consideration that would have to be paid if same or an equivalent asset is acquired. Such kind of consideration is called:

- **Current cost**
- Periodic cost
- Fixed Cost
- Semi-annual cost

250. \_\_\_\_\_ is the undiscounted amounts of cash or cash equivalents expected to be paid to satisfy the liabilities in the normal course of business.

- **Settlement value**

- Realizable value
- Residual value
- None of the given options

251. Which of the following is a tool of measuring financial position of an entity?

- **Balance sheet**

- Income statement
- Cash flow statement
- All of above

252. \_\_\_\_\_ are included in the cost on inventories only to the extent that they are incurred in bringing the inventories to their present location and condition.

- **Other costs**

- Installation cost
- Transportation cost
- Carrying cost

253. In perpetual Inventory systems inventory is recorded as:

- Receipt of inventory is debited to purchases account.
- No recording is made for individual issue in the General Ledger.
- Receipt of inventory is credited to Stock Account.
- **Issues are Credited to Stock Account and Debited to Material Consumption Account.**

254. Which of the following is not a component of financial statement?

- Balance sheet and Income statement
- Statement of changes in equity
- Cash flow statement

- **None of the above**

255. Cash discounts are received on early payment of the outstanding amount. These discounts are:

- Non conditional and reduce from the value of the inventory.
- Conditional and reduce from the value of the inventory.
- Non conditional and are not reduced from the value of the inventory.
- **Conditional and are not reduced from the value of the inventory.**

256. Stores and spares are valued at:

- Cost value
- Market value
- **Cost or market whichever is less**
- Cost or market whichever is greater

257. Stores and spares include items which may result in \_\_\_\_\_ but are not distinguishable.

- Revenue expenditure
- **Fixed capital expenditure**
- Both capital and revenue expenditure
- None of the above

258. The cost of inventories may not be recoverable if:

- Those inventories are damaged
- They have become wholly or partially obsolete
- Their selling price has declined
- **All of above**

259. IAS 1 suggests certain order for notes to the financial statements. This will assist users when comparing the statements of different entities. By applying above statement, which of the following does not include in IAS

- Statement of compliance with IAS's
- Statement of the measurement basis and accounting policies applied
- Other disclosures
- **None of the given options**

260. Revenue shall be measured at \_\_\_\_\_ of the consideration received or receivable.

- **Fair value**
- Cost value
- Discount value
- None of the given options

261. Depreciation, maintenance, rent, utilities and management costs of administrative offices are charged to:

- **Administrative cost**
- Distribution Costs
- Finance Costs
- Cost of Goods Sold

262. Under IAS 28 investment in associates is recorded using which of the following method?

- **Equity method**
- Cost & Equity method
- Cost method
- None of the given options

263. IAS 36 "Impairment of Assets" defines that recognition of gains / losses is always due to \_\_\_\_\_ of the assets:

- **Change in Fair value**
- Addition of assets
- Deletion of assets
- Depreciation

264. Distribution costs are expenses that are directly related to:

- **Selling the products of the entity**
- Mark up paid on loans and leases
- Administration and management of the business.
- All of the given options

265. An entity shall present a statement of changes in equity, showing which of the following on the face of the statement:

- Profit or loss for the period
- Total income and expense for the period
- Total amounts attributable to equity holders of the parent and to minority interest
- **All of the given options**

266. Other operating income, includes which of the following:

- Income from financial assets
- Income from investments in debts, loans, advances and receivables to each related party
- Income from assets other than financial assets
- **All of the given options**

267. Under which of the following circumstances provision might not be recognized?

- The board agreed a detailed closure plan on 20 December 20X9 and details were given to customers and employees.
- A company is obliged to incur clean up costs for environmental damage (that has already been caused)
- **A company intends to carry out future expenditure to operate in a particular way in the future.**
- None of the given options

268. Cost of goods sold includes which of the following:

- Sales and distribution costs
- Depreciation, maintenance, rent and utilities
- **Direct labour cost**
- Advertisement costs

269. Management shall use its judgment in developing and applying an accounting policy that results in information that is:

- a) Relevant to the economic decision making needs of the user
- b) Reliable, in that the financial statements & Neutral
- c) Complete in all material respects & Prudent

**d) All of the given options**

270. Accounting policies should be applied consistently for \_\_\_\_\_ transactions.

**a) Similar**

- b) Divergent
- c) Contradictory
- d) Conflicting

271. Cash Flow Statement means:

- a) A statement shows the movement in cash resources of the business
- b) The statement shows the sources from which business generated cash and its application.
- c) A statement analyses operating, investing and financing activities of the business

**d) All of the given options**

272. Ahmed & Co. issued shares how would a bonus issue of shares affect a cash flow statement:

- a) It would reduce cash flow from operations
- b) It would have no effect on cash flow**
- c) It would increase cash flow from investing activities
- d) It would increase cash flow from financing activities

273. Cash flow from operating activities are generally derived from the principal of \_\_\_\_\_ of the business:

**a) Revenue producing activities**

- b) Capital producing activities
- c) Cash receipts & payment activities
- d) Cash receipts & payment from owner activities

274. At the time of inception of lease, in cash flow statement, Asset and Liability is recorded in Balance Sheet. However in case of cash flows:

**a) Only payment of Lease Rentals is shown as outflow**

- b) Both payment of finance lease & Lease Rentals is shown as outflow
- c) Only payment of Lease Rentals is shown as inflow
- d) Only payment of finance charge is shown as outflow

275. Which of the following statement would be considered as out flow, in the outflow statement?

- a) The difference between the old and new valuations in the case of the revaluation of fixed assets
- b) Proceeds as a result of selling fixed assets
- c) The depreciation charge for the current year
- d) The repayment of a bank loan**

276. Imran & Co. changed LIFO method to FIFO method to valuate for its finished goods inventory. Whether it is:

- a) Change in accounting estimates
- b) Prior period errors
- c) Change in accounting policy**
- d) None of the given options

277. Which of the following is an example of change in accounting estimates:

- a) Bad debts
- b) Inventory obsolescence
- c) Warranty obligations
- d) All of the above**

278. A prior period shall be corrected by:

- a) Retrospective restatement**
- b) Prospective application
- c) Shall not be corrected
- d) None of the above

279. Reporting Inventory at the lower of cost or market value is a departure from the accounting principle of:

- a) Full disclosure
- b) Historical cost**
- c) Consistency
- d) Conservatism

280. Which of the following is the ability to govern the financial and operating policies of an enterprise so as to obtain from its activities?

**Control**

Significant Influence

Direct Subsidiary

Indirect Subsidiary

281. If stock valuation method is changed every year by the firm, which concept the firm has violated?

The materiality concept

**The consistency concept**

The prudence concept

The going concern concept

282. Preparation and presentation of Financial Statements are governed by:

Companies Ordinance 1984

International Accounting Standards

International Financial Reporting Standards

**All of the given options**

283. Which one of the following is NOT recorded under of Equity section the Balance Sheet?

Share Premium

Share Capital

Accumulated Profit

**Dividend Payable**

284. Which of the following is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction?

Depreciable Amount

**Fair Value**

Cost

Carrying Amount

285. Which of the following IAS deals with Inventories?

IAS 38

IAS 23

**IAS 02**

IAS 16

286. Which of the following is original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding?

**Research**

Development

Audit

Accounting

287. Under which of the following methods for inventory valuation, costs of earliest purchases assumed still to be in inventory?

FIFO Method

**LIFO Method**

Weighted Average Method

Specific Identification Method

288. Which of the following is/are the Classification of Current Assets with respect to the Companies Ordinance 1984?

Cash Balance

Loans and Advances

Bank Balance

**All of the given options**

289. Which of the following is the type of business owned by one person?

**Sole-Proprietorship**

Partnership  
Public Limited Company  
Unlimited Company

290. Issuance of shares at discount is the inverse of:

Issuance of Bonus  
**Issuance at Premium**  
Right Shares Issue  
Further Issue

291. A private company is not required to issue a \_\_\_\_\_ as it is prohibited by its articles from inviting general public to subscribe for its shares.

Cash flow statement  
**Prospectus**  
Income statement  
Balance sheet

292. Risks and rewards associated with the ownership related to:

**Finance Lease**  
Operating Lease  
Hire Purchase Agreement  
Installments

293. Minimum lease payment(MLP) includes from lessor point of view:

Total payment  
**Residual value guaranteed by lessee**  
Party related to him or third party  
All of the given options

294. In operating lease, rental expenses should be charged to:

- Balance sheet
- Profit and loss account**
- Income of lessee
- None of the given options

295. Fair presentation means:

- Application of Companies Ordinance, 1984
- Income Tax Ordinance, 2001
- IAS with additional disclosure**
- None of the given options

296. Rendering of services, revenue associated with the transaction can be estimated reliably when, which of the following conditions are satisfied:

The amount of revenue cannot be measured reliably

It is doubtful that economic benefits associated with the transaction will flow to the entity

**The stage of completion of the transaction at the balance sheet date can be measured reliably**

The cost incurred for the transaction and the cost to complete the transaction cannot be measured reliably

297. Which transaction will cause an increase in capital employed:

- Receipt of payment from account receivables in cash**
- Increasing the provision for bad debts
- Receipt of a loan
- Disposal of a fixed asset for more than its book value

298. Income statement formats based on classification of:

- Expenses
- Incomes
- Revenues

**All of the given options**

299. Preliminary expenses are an example of:

Revenue expenditure

**Deferred revenue expenditure**

Capital expenditure

None of the given options

300. The stock sheet for the previous year was incorrectly undercasted by Rs. 200,000, whether it is:

Changes in accounting policy

Change in accounting estimate

**Prior period error**

None of the given options

301. An example of cash flows from operating activities is:

**Cash receipt from sale of goods and rendering of services**

Cash payment to acquire property plant and equipment

Proceed from short term financing

Cash payment and receipt from acquisition and disposal other long term assets

302. Inventories are carried in the books of accounts according to the methods of valuation given in:

IAS 28

**IAS 2**

IAS 4

IAS 29

303. A public company is required to file a \_\_\_\_\_ with SECP before allotment of shares.

Prospectus

**Statement in lieu of prospectus**

Articles of Association

None of the given options

304. According to the International Accounting Standards any decrease in the value of goodwill is made with the help of:

Amortization

**Impairment**

Depreciation

None of the given options

305. Contingent assets are:

Recognized as asset in the balance sheet

**Any of the given options depending upon certain condition**

Disclosed in the financial statements

None of the given options

306. Which assets are specifically excluded from Financial Assets:

a: Investments

b: Prepaid Expenses

c: Physical Assets

**d: Both (b) and (c)**

307. A supplier sends you a statement showing a balance outstanding of Rs. 14,350.

Your own records show a balance outstanding of Rs. 14,500/-

o The supplier sent an invoice for Rs. 150 which you have not yet received.

**o The supplier has allowed you Rs. 150 cash discount which you had omitted to enter in your ledgers**

o You have paid the supplier Rs. 150 which he has not yet accounted for

o You have returned goods worth Rs. 150 which the supplier has not yet accounted for

308. Contingent liabilities are:

**o a: possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity**

o b: liabilities to pay for goods or services that have been received or supplied and have been invoiced or formally agreed with the supplier

o Both (a) and (b)

o None of the given options

309. The capital maintenance concept implies that:

o The capital of a business should be kept intact by not paying out dividends.

o A business should invest its profits in the purchase of capital assets.

o Fixed assets should be properly maintained.

**o Profit is earned only if the value of an organization's net assets or its operating capability has increased during the accounting period.**

310. Minimum Lease Payments are:

- o The lease rentals payable by the lessee to the lessor
- o The contingent rent payable by lessee

**o All the payments that the lessee can be required to pay to the lessor**

- o None of the given options.

311. Stock is valued using FIFO. Opening stock was 10 units at 2 each. Purchases were 30 units at Rs. 3 each, then issues of 12 units were made, followed by issues of 8 units. Closing stock is valued at:

58

50

70

**60**

312. Discount allowed on issue of shares is:

- o a: Shown as reduction in share capital.

- o b: Written off as expense

**o c: Charged to share premium account**

Both (a) and (b)

Both (b) and (c)

313. The historical cost convention:

- o Fails to take account of changing price levels over time.

- o Records only past transactions.

- o Values all assets at their cost to the business, without any adjustment for depreciation.

**o Has been replaced in accounting records by a system of current cost accounting.**

314. Liquidity is:

- o Excess of income over expenditure

- o Income generating capability of the business

**o Ability of a business to pay its debts in time**

- o Excess of expenditure over income

315. The issue of the shares at discount must be authorized by resolution passed in \_\_\_\_\_ of the company and must be sanctioned by the Commission.

**1. General Meeting**

2. Extra Ordinary Meeting

3. Statutory Meeting

4. None of the given options

316. Property, plant and equipment are carried in the books of accounts in accordance with the requirements of :

1. IAS 2
2. IAS 4
- 3. IAS 16**
4. IAS 28

317. If the closing balance is lower than the difference of the opening balance and depreciation for the Year, it shows:

- 1. An addition of fixed assets has been taken place**
2. A disposal of fixed assets
3. Fixed assets are installed under finance lease
4. None of the given options

318. In case of tangible non-current assets, if a policy of revaluation is adopted for the first time, then this is treated as:

1. No change in Accounting Policy under IAS 8
2. A change in Accounting Policy
- 3. A revaluation under IAS 16 Property, Plant and Equipment**
4. None of the given options

319. Liquidity is defined as:

1. Excess of income over expenditures
2. Income generating capability of the business
- 3. Ability of a business to pay its debts in time**
4. Excess of expenditures over income

320. If an entity declares dividends to the holders of equity instruments after the balance sheet date, the entity shall not recognize those dividends as a :

1. Equity
2. Deferred Liability
- 3. Liability**
4. Asset

321. Which of the following asset is specifically excluded from Financial Assets:

1. Investments
2. Prepaid Expenses
3. Physical Assets
- 4. Both Prepaid Expenses & Physical Assets**

322. Lease accounting is regulated by \_\_\_\_\_ which was introduced because of abuses in the use of lease accounting by companies.

- 1. IAS 17**

2. IAS 12
3. IAS 39
4. IAS 32

323. The issue of the shares at discount must be authorized by resolution passed in \_\_\_\_\_ of the company and must be sanctioned by the Commission.

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2. Extra Ordinary Meeting
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- Issuance at Premium**
- Right Shares Issue
- Further Issue

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- Cash flow statement
- Prospectus**
- Income statement
- Balance sheet

327. Risks and rewards associated with the ownership related to:

- Finance Lease**
- Operating Lease
- Hire Purchase Agreement
- Installments

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Total payment

**Residual value guaranteed by lessee**

Party related to him or third party

All of the given options

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Balance sheet

**Profit and loss account**

Income of lessee

None of the given options

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Application of Companies Ordinance, 1984

Income Tax Ordinance, 2001

**IAS with additional disclosure**

None of the given options

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- Receipt of a loan
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- Expenses
- Incomes
- Revenues

**All of the given options**

334. Preliminary expenses are an example of:

- Revenue expenditure
- Deferred revenue expenditure**
- Capital expenditure
- None of the given options

335. The stock sheet for the previous year was incorrectly undercasted by Rs. 200,000, whether it is:

- Changes in accounting policy
- Change in accounting estimate
- Prior period error**
- None of the given options

336. An example of cash flows from operating activities is:

**Cash receipt from sale of goods and rendering of services**

- Cash payment to acquire property plant and equipment
- Proceed from short term financing
- Cash payment and receipt from acquisition and disposal other long term assets

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**IAS 2**

IAS 4

IAS 29

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Prospectus

**Statement in lieu of prospectus**

Articles of Association

None of the given options

339. According to the International Accounting Standards any decrease in the value of goodwill is made with the help of:

Amortization

**Impairment**

Depreciation

None of the given options

340. Which one of the following is the example of non-profit oriented organization:

NGO's

Trusts

Societies

**All of the given options**

341. Annual General Meeting (AGM) is required to be held within \_\_\_\_\_ of incorporation.

06 months

12 months

15 months

**18 months**

342. The amount by which the carrying amount of an asset exceeds its recoverable amount is called as:

**Impairment loss**

Residual value

Depreciation

Fair value

343. Which of the following are the examples of development activities?

Design, construction and testing of pre-production models

Design of tools, jigs moulds dies, involving new technology

Design, construction and operation of pilot plant

**All of the given options**

344. Investments made for long term in associated companies, is recorded using \_\_\_\_\_ method of recognition and shown separately in the balance sheet as long-term assets. vu Z s

**Equity**

Cost

Both Cost and Equity

None of the given options

345. Costs of purchase of Inventories comprising which of the following:

Purchase price

Import duties and other taxes

Transport less trade discount, rebate and other similar amounts

**All of the given options**

346. Under Benchmark Treatment IAS-2, does not recommend the following method of stock valuation for incorporating its value in financial statement.

FIFO method

The weighted average cost method

**LIFO method**

None of the given options

347. A contractual arrangement whereby, two or more parties undertake, an economic activity which is subject to joint control is called \_\_\_\_\_.

**Joint Venture**

Subsidiary Companies

Associated Companies

None of the given options

348. An intangible asset with indefinite useful life shall:

Be amortized using straight line method

**Not to be amortized**

Be amortized using reducing balance method

Either be amortized using straight line method OR be amortized using reducing balance method

349. A complete set of financial statement includes which of the followings:

A Balance sheet and Income statement

A statement of changes in financial position

Notes, other statements and explanatory material

**All of the given options**

350. There is no concept of capital in:  
Sole proprietorship

**NGO's / NPO's**

Partnership

Public Limited Company

351. The surplus arising from revaluation of fixed assets of an entity is shown:

**Separately in the balance sheet.**

As indirect income in income statement

Added in the fixed asset

None of the given options

352. A Company uses FIFO method to evaluate its stock. The information for the stock is

as follows:

- Opening stock was 10 units at 2 each.
- Purchases were 30 units at Rs. 3 each, and
- Then issues of 12 units were made, followed by issues of 8 units.

Closing stock is valued at:

Rs. 50

Rs. 58

**Rs. 60**

Rs. 70

353. The capital maintenance concept implies that:

The capital of a business should be kept intact by not paying out dividends.

A business should invest its profits in the purchase of capital assets.

Fixed assets should be properly maintained.

**Profit is earned only if the value of an organization's net assets or its operating capability has increased during the accounting period.**

354. The cost of inventories of a service provider does not consist of:

Costs of personnel directly engaged in providing the service

Supervisory personnel

Attributable overheads.

**Labour and other costs relating to sales**

355. Statutory Meeting is required to be held within:

**3 to 6 months**

1 to 3 months

6 to 9 months

9 to 12 months

356. Goodwill is most appropriately classified as:

A fixed asset

**An intangible asset**

A fictitious liability

A semi-fixed asset

357. If a Company purchased an Asset for Rs.20, 000. The estimated useful life of asset is ten years. After five years the Book Value of the Asset will be: (using straight line method of depreciation and no residual value)

16,000

**10,000**

8,000

5,000

$$20000 - \{(20000/10)*5\} = 10000$$

358. A complete set of financial statements include:

A balance sheet

A statement of changes in financial position & Notes, other statements and explanatory material.

An income statement

**All of the given options.**

359. The main aim of accounting is to:

Maintain ledger accounts for every transaction.

**Provide financial information to users of such information.**

Produce a Trial balance.

Record every financial transaction individually.

360. In case of a single member company \_\_\_\_\_ person(s) is (are) required to be nominated to takeover the company in case of a death of the member.

One

**Two**

Three

Four

361. Company should be termed as a \_\_\_\_\_ of another company if other company holds more than 50% of its shares or has the power to appoint more than 50% of its directors.

Associated

**Subsidiary**

Joint Venture

None of the given options

362. Directors or shareholders having \_\_\_\_\_ voting power can call for Extraordinary General Meetings (EOGM).

**10%**

15%

20%

25%

363. Quality control during commercial production cost Rs. 10,000/- will be charged to:

Research expenses

**Development cost**

Profit and Loss account

None of the given options

364. Which one of the following is an example of Conversion Cost?

**Labour and factory overheads**

Labour and work in process

Work in process and finished goods

Factory overhead and work in progress

365. Which of the followings are among the non-current assets?

Tangible and intangible assets

Operating assets

Financial assets of a long term nature

**All of the given options**

366. Which one of the following is the concept of the capital maintenance?

Financial capital maintenance

Physical capital maintenance

**Both Physical and Financial capital maintenance**

None of the given options

367. Movement of capital issued and reserves are presented through which of the following statement?

Cash flow statement

**Statement of changes in equity**

Income statement

Balance sheet

368. A maximum limit of the amount of the capital that a company can issue is mentioned in the Memorandum of Association and Article of Association of the company is called:

**Authorized capital**

Issued capital

Subscribed capital

Paid up capital

369. Cost of inventories will consist of which of the following costs?

Purchase cost

Costs of conversion

Installation costs

**All of the given options**

370. A person who acquires shares in a Company is known as a:

Director

**Shareholder**

Partner

Manager

371. The amount of the issued share capital of a company is:

.. Always equal to the amount of its authorized share capital

**.. Equal to the amount of its issued preference share capital**

.. Equal to the reserves of the company

.. None of the given options

372. Contingent liabilities are written in Balance Sheet as:

.. Long Term Deposits

.. Current Liabilities

.. Long Term Loans

**.. Foot Notes**

373. Which of the following is NOT an example of current liability?

.. Bank overdraft

**.. Loan given to Mr. A for shorter period**

.. Accounts Payable

.. Loan received from Mr. B for shorter period

374. Which one of the following is the present obligation of the entity as a result of past even from which future economic benefits are expected to flow to the entity?

**Asset**

- .. Gain
- .. Liability
- .. Expense

375. Which of the following is an increase in the future economic benefits related to an increase in an asset or a decrease of a liability that can be measured reliably?

- .. Equity
- Income**
- .. Liability
- .. Expense

376. Which of the following is TRUE with respect to the Prudence concept?

- .. Financial Information presented in the financial statements relating to the assets and incomes should not be overstated and relating to liabilities and expenses should not be understated.
- .. Financial Information presented in the financial statements relating to the assets liabilities, expenses and incomes should not be overstated.
- .. Financial Information presented in the financial statements relating to the assets liabilities, expenses and incomes should not be understated.

**Financial Information presented in the financial statements relating to the assets and incomes should not be understated and relating to liabilities and expenses should not be overstated.**

377. The accruals concept:

- .. Applies to revenue and expenses only
- .. Applies to assets and liabilities only
- Applies to revenue, expenses, assets and liabilities**
- .. Is not a fundamental accounting concept

378. Which of the following is TRUE with respect to the disclosure requirements of Trade Debts?

**Provision for doubtful debts is deducted from the doubtful debts**

- .. Doubtful debts is deducted from the Provision for doubtful debts
- .. Doubtful debts and its Provision is shown separately as asset
- .. Provision for doubtful debts is not taken into consideration

379. Trade debts secured are to be shown in the balance sheet under the head of:

- .. Non Current Assets

.. Current Liabilities

**Current Assets**

.. Capital

380. Which of the following is NOT the type of Market Risk?

.. Price Risk

**Liquidity Risk**

.. Interest Rate Risk

.. Currency Risk

381. Which one of the following is NOT an example of Financial Instruments?

**Inventories**

.. Loans payable

.. Share capital

.. Debentures

382. Which of the following IAS mainly covers Financial Instruments of other long term investments?

.. IAS 27 & 32

.. IAS 28 & 39

**IAS 32 & 39**

.. IAS 31 & 32

383. Which one of the following is related to the IAS 27?

**Consolidated and Separate Financial Statements**

.. Interest in Joint Venture

.. Financial Instruments Disclosure and Presentation

.. Financial Instruments Recognition and Measurement

384. A fixed asset cost Rs. 8,000; it is sold for Rs. 4,800. At the date of its disposal, its net book value is Rs. 3,000. What is the profit or loss on disposal?

.. Profit Rs. 3,200

.. Loss Rs. 3,200

.. Loss Rs. 1,800

**Profit Rs. 1,800**

385. A firm depreciated its fixed assets purchased on January 01, 1993 at the rate of 25% per annum using the reducing balance method. If the total depreciation charged on these assets up to 31<sup>st</sup> December, 1995 was Rs. 23,125, their net book value at that date was:

- .. Rs. 16,875
- .. Rs. 17,500
- .. **Rs. 7,708**
- .. Rs. 10,000

$$(23125/0.75) - 23125 = 7708$$

386. Which of the following is NOT the Classification of Current Assets with respect to the Companies Ordinance 1984?

- .. Stock
- .. General Stores
- .. Spare parts
- .. **Fixture**

387. Which one of the following methods for inventory valuation is most conservative method during periods of rising prices?

- .. FIFO Method
- .. Weighted Average Method
- .. Specific Identification Method
- .. **LIFO Method**

388. According to the Allowed Alternative Treatment, Which of the following method is used for stock valuation?

- .. FIFO Method
- .. **LIFO Method**
- .. Weighted Average Method
- .. Specific Identification Method

389. Which of the following information must be disclosed in case of loan and advances to subsidiary companies?

- .. The name of each borrower
- .. Amount of loans and advances
- .. The terms of loan and the particulars of collateral security held
- .. **All of the given options**

390. Which of the following is(are) related with the IAS 23?

- .. Qualifying Assets
- .. Amount to be capitalized
- .. Capitalization period
- .. All of the given options**

391. Revaluation of asset is conducted by:

- .. Directors
- .. Shareholders
- .. Managers
- .. Professional Qualified Valuers**

392. Which one of the following subsequent expenditure can be capitalized?

- .. Modification of an item of Plant to extend its useful life or capacity**
- .. Expenditure on repairs and maintenance of Property Plant and Equipment that is made to restore or maintain the economic benefit from it
- .. New tires placed on a motor car
- .. None of the given options

393. Which of the following asset is recorded in Balance Sheet under the heading of Current Assets?

- .. Furniture
- .. Deferred Cost
- .. Land
- .. Prepayments**

394. If the holding company owns 100% shares of the subsidiary company then the subsidiary type will be termed as:

- .. Partially Owned Subsidiary
- .. Wholly Owned Subsidiary**
- .. Direct Subsidiary
- .. Indirect Subsidiary

395. Which of the following IAS deals with the term Significant Influence in associate companies?

- .. IAS 07
- .. IAS 27
- .. **IAS 28**
- .. IAS 01

396. Which of the following sections of the Companies Ordinance 1984 is related to the Annual General Meeting?

- .. Section 160
- .. **Section 158**
- .. Section 159
- .. Section 157

397. Which of the following types of business can maintain the secrecy in all business matters?

- .. **Sole-proprietorship**
- .. Partnership
- .. Public Limited Company
- .. Private Limited Company

398. Which of the following types of business has the burden of unlimited liability?

- .. Private Limited Company
- .. **Sole-proprietorship**
- .. Single Member Company
- .. Public Limited Company

399. Which of the following refers to the relation between persons who have agreed to share the profits of a business carried on by all or any of them acting for all?

- .. Sole - proprietorship
- .. **Partnership**
- .. Company
- .. Trust

**\*~END~\***

**MGT401 Mega Quiz File For Final Term By  
Innocent Prince  
Innocentprince47@gmail.com**

**Question # 1: Which of the following type of the business is governed under the Partnership Act 1932 in Pakistan?**

Sole-Proprietorship

**Partnership**

Limited Companies

Unlimited Companies

**Question # 2: Which of the following is/are not example of current liability?**

Sundry Debtors

Debentures

Loan given to Mr. A for shorter period

**All of the given options**

**Question # 3: All of the following are the assets of the firm except**

A building owned by the firm

Goods in transit

Money owed to the firm by its debtors

**Money which the firm has borrowed and has not yet been repaid**

**Question # 4: Which of the following is related to the qualitative characteristics that make financial information useful?**

Reliability only

Relevancy only

**Both Reliability and Relevancy**

Comparability

**Question # 5: Which of the following statement is true regarding Going Concern Concept?**

The Business is profitable

**The assets of the Business are valued at Market Value**

The business will continue until the Directors decide to close it

The Business will continue its working

**Question # 6: Under which of the following assumptions, the Financial Statements are to be prepared?**

Future Assumptions

Past Assumptions

**Accrual Basis and Going Concern Basis**

Accrual Basis Assumption only

**Question # 7: Which one of the following is not a physical asset?**

Term Finance Certificates

Loan Agreements

Trade Receivables

**Goodwill**

**Question # 8: Which one of the following is not the example of Financial Instruments?**

Share Capital

Loans Payable

**Debentures**

Inventories

**Question # 9: The firm uses diminishing balance method for calculating Depreciation. The vehicle costing 20,000 was sold after two years. The sale resulted neither in loss or profit. What was the sale price of the Vehicle?**

7,200

12,000

**12,800**

16,000

**Question # 10: Which of the following is/are not included in the disclosure requirement of Trade Debts with respect to the Companies Ordinance 1984?**

Amount due in respect of goods sold

Amount due in respect of services rendered

**Amount due in respect of other contractual obligation**

Amount due which are in nature of loans or advances

**Question # 11: A firm has two categories of stock. The cost and Net Realizable Value (NRV) of each is as follows:**

Cost NRV

Category 1 Rs. 35,000 Rs. 22,000

Category 2 Rs. 22,000 Rs. 25,000

**What amount will be disclosed?**

44,000

**47,000**

57,000

60,000

**Question # 12: Which of the following method is suitable for calculating the cost of inventory?**

**When actual costs of individual units of merchandise can be determined from the accounting records?**

FIFO Method

LIFO Method

Weighted Average Method

### **Specific Identification Method**

**Question # 13: Which of the following authority regulates/governs the functioning of Companies?**

**Securities & Exchange Commission of Pakistan**

Federal Government

Ministry of Finance

All of the Given Options

**Question # 14: Which of the following is true about the meeting of Directors?**

**The quorum for a meeting of Directors of a listed company should not less than 1/3 of their members or four which is greater.**

The quorum for a meeting of Directors of a listed company should not less than 1/3 of their members or four which is lesser.

The quorum for a meeting of Directors of a listed company should not less than 1/2 of their members or four which is greater.

The quorum for a meeting of Directors of a listed company should not less than 1/2 of their members or four which is lesser.

**Question # 15: Which of the following is true about the Companies Limited by shares?**

Company has limited shares to offer

Shareholders of the Company are limited

**Liability of Shareholders is limited**

Liability of Shareholders is unlimited

**Question # 16: Proper Books of Accounts are kept by every company under which of the following section of Companies Ordinance 1984?**

**230**

233

184

110

**Question # 17: Which of the following is not attributable to the Property Plant & Equipment?**

Costs of site preparation

**Administration and other general overhead costs**

Initial delivery and handling charges

Installation and Assembly cost

**Question # 18: ABC (Pvt) Limited is engaged in production of an asset. The production started on July 31, 2007. The Production completed on July 31, 2008. The works manager checked the asset and required some minor modifications. These modifications were completed on August 30, 2008. The Asset was delivered to Works Manager on September 10, 2008. The production started from such asset on October 01, 2008. When should capitalization cease?**

July 31, 2007

July 31, 2008

**August 30, 2008**

October 01, 2008

**Question # 19: Which of the following is an identifiable non-monetary asset without physical substance?**

Tangible Asset

**Intangible Asset**

Floating Asset

Circulating Asset

**Question # 20: Which of the following is an example of Intangible Asset?**

Preliminary Expenses

**Copy rights**

Investments

Discounts on issue of shares

**Question # 21: Which of the following statement is true under the Cost method for recognition of investments in associated companies?**

**Any distribution of profits by the investee company is recorded as an income**

Any distribution of profits by the investee company is recorded as an expense

Any distribution of profits by the investor company is recorded as an income

Any distribution of profits by the investor company is recorded as an expense

**Question # 22: Which of the following IAS is related to Financial Instruments Disclosure and Presentation?**

IAS 27

IAS 28

IAS 31

**IAS 32**

**Question # 23: Which of the following is true with respect to the disclosure requirement of Investment in Associate?**

**Explanations when investments are less than 20% are accounted for by the equity method or when investments of more than 20% are not accounted for by the equity method.**

Explanations when investments are less than 10% are accounted for by the equity method or when investments of more than 10% are not accounted for by the equity method.

Explanations when investments are less than 10% are accounted for by the equity method or when investments of more than 20% are not accounted for by the equity method.

Explanations when investments are less than 20% are accounted for by the equity method or when investments of more than 10% are not accounted for by the equity method.

**Question # 24: Which of the following is true with respect to the Disclosure requirement in Consolidated Financial Statements?**

**The nature of relationship between the parent and subsidiary when the parent does not own, directly or indirectly through subsidiaries, more than 1/2 of the voting power**

The nature of relationship between the parent and subsidiary when the parent does not own, directly or indirectly through subsidiaries, more than 1/3 of the voting power

The nature of relationship between the parent and subsidiary when the parent does not own, directly or indirectly through subsidiaries, more than 1/4 of the voting power

The nature of relationship between the parent and subsidiary when the parent does not own, directly or indirectly through subsidiaries, more than 1/5 of the voting power

**Question # 25: Which of the following option is/are TRUE with respect to the Disclosure requirement for intangible assets acquired by the way of Government grants?**

Select correct option:

The fair value initially recognized

Disclosure for carrying amount

Disclosure for the amount of commitments for acquisition of intangible assets

**All of the given options**

**Question # 26: Which of the following is the ability to govern the financial and operating policies of an enterprise so as to obtain from its activities?**

Select correct option:

**Control**

Significant Influence

Direct Subsidiary

Indirect Subsidiary

**Question # 27: Which one of the following methods for inventory valuation is NOT suitable for homogeneous units?**

Select correct option:

FIFO Method

LIFO Method

Weighted Average Method

**Specific Identification Method**

**Question # 28: Which of the following meeting is held once in the life of a company?**

Select correct option:

Statutory Meeting

**Annual General Meeting**

Extraordinary Meeting

Board Meeting

**Question # 29: Which of the following business is formed by the approval of Ministry of Interior?**

Select correct option:

Money Exchange Company  
Non Banking Finance Corporation  
Security Services Providing Company  
Corporate Brokerage House

**Question # 30: The closing balance of inventory will be if: Opening inventory will Rs.1, 000, purchases will Rs.10, 000 and cost of sales will Rs.10,500.**

Select correct option:

Rs. 1,000

**Rs. 500**

Rs. 1,500

Rs. 950

**Question # 31: Which of the following IAS deals with the Borrowing Costs?**

Select correct option:

**IAS 23**

IAS 07

IAS 01

IAS 16

**Question # 32: On which certificate, the birth date of a company is mentioned?**

Select correct option:

Certificate of Corporation

**Certificate of Incorporation**

Certificate of Quality

Certificate of Excellence

**Question # 33: Who sign the Articles of Association (AOA) of a company?**

Select correct option:

Managers of the company

Employees of the company

**Sponsors of the company**

All of the given options

**Question # 34: Which of the following is NOT the method of stock valuation?**

Select correct option:

FIFO Method

Weighted Average Method

Specific Identification Method

**Straight Line Method**

**Question # 35: Which one of the following is a method of stock valuation?**

Select correct option:

Diminishing Balance Method

Written Down Value Method

**Specific Identification Method**

Sum of Year Digit Method

**Question # 36: In case of calling Extraordinary General Meeting (EOGM), at least how much voting right is required by any director or share holder of a company according to Companies Ordinance 1984?**

Select correct option:

5% voting rights

**10% voting rights**

15% voting rights

20% voting rights

**Question # 37: LIFO means?**

Select correct option:

**Last-In-First-Out**

Large Integrated Financial Organization

The Last-In-First-Out method of approximating the cost of stock

None of the given options

**Question # 38: In relation to the valuation of inventory, net realizable value means:**

Select correct option:

**The expected selling price less disposal costs less the cost of completion**

The expected selling price of the inventory

The replacement cost of the inventory

The market price of the inventory

**Ref: [http://en.wikipedia.org/wiki/Net\\_realizable\\_value](http://en.wikipedia.org/wiki/Net_realizable_value)**

**Question # 39: Which of the following is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction?**

Select correct option:

Depreciable Amount

**Fair Value (page 78)**

Cost

Carrying Amount

**Question # 40: When we see the capital with Production capacity or operating capability of the enterprise then it called:**

Select correct option:

**The financial concept of capital maintenance (page 104)**

The physical concept of capital maintenance

Both physical and financial concept of capital maintenance

Neither physical nor financial concept of capital maintenance

**Question # 41: Which of the following IAS deals with the Intangible Assets?**

Select correct option:

**IAS 38 page 162**

IAS 23

IAS 01  
IAS 16

**Question # 42: Which of the following is original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding?**

Select correct option:

**Research**

Development

Audit

Accounting

**Reference:** <http://www.vuzs.net/mcqs/354-mcqs-mgt401-financial-accounting-ii/4738-mgt401-quiz-chapter-1-22-shared-and-solved-by-tahira-yasmeen.html#v=onepage&q=is%20original%20and%20planned%20investigation%20undertaken%20with%20the%20prospect%20of%20gaining%20new%20scientific%20or%20technical%20knowledge%20and%20understanding&f=false>

**Question # 43: Which of the following is NOT an accounting concept?**

Select correct option:

**Prudence**

Going concern

Depreciation

Matching

**Question # 44: Which of the following is/are example(s) of research activities?**

Select correct option:

Activities aimed at obtaining new knowledge

The search, evaluation, final selection and application of research findings

The search for alternatives

**All of the given options page 37**

**Question # 45: Which of the following is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale?**

Select correct option:

**Qualifying Asset page 31**

Outstanding Asset

Tangible Asset

Intangible Asset

**Question # 46: Which of the following asset is NOT an example of Tangible Fixed Assets?**

Select correct option:

**Patent rights**

Furniture

Vehicles

Machinery

**Question # 47: Which of the following is/are the physical asset(s)?**

Select correct option:

- Term Finance Certificates
- Loan Agreements
- Trade Receivables

**All of the given options page 84**

**Question # 48: Which of the following statement shows the movement of cash inflows and outflows?**

- ▶ Income statement
- ▶ Balance Sheet
- ▶ Statement of Owner's equity

**▶ Cash Flows Statement**

**Question # 49: Which of the following is an example of current liability?**

- ▶ Bank Overdraft**
- ▶ Stock
- ▶ Goodwill
- ▶ A loan repayable in two years

**Question # 50: Which of the following is a component of current liabilities?**

- ▶ Assets subject to finance lease
- ▶ Debentures
- ▶ Provision for Taxation**
- ▶ Loans taken for more than five years

**Question # 50: A damage claim of Rs.15 million for breach of contract has been served on the Company. The Company legal counsel is of the view that it is possible that the damages will be awarded to the plaintiff. However, the amount of damages can not be reasonable estimated. What accounting treatment would be made in this regards?**

- ▶ A provision will be made for damages
- ▶ Damages will be disclosed as contingent liabilities**
- ▶ Damages will be treated as accrued income
- ▶ No treatment will be taken

**not sure**

**Question # 52: Where shares are purchased at a price above the face value, the difference shall be charged to:**

- ▶ Share Premium Account**
- ▶ Share Discount Account
- ▶ Distributable Profit Account
- ▶ Un-distributable Profit Account

**Question # 53: In case of operating lease, an asset is recorded in the books of lessee at which of the following value?**

- ▶ Fair value
- ▶ Present value
- ▶ Market value
- ▶ **Not recorded at any value**

**Question # 54: Which of the following IAS covers the Debentures?**

- ▶ IAS 32 only
- ▶ IAS 39 only
- ▶ **Both IAS 32 and IAS 39**
- ▶ IAS 17

**Question # 55: Which of the following events are indicative of conditions that arose after Balance Sheet date?**

- ▶ Adjusting events after balance sheet date
- ▶ Adjusting events before balance sheet date
- ▶ **Non - adjusting events after balance sheet date**
- ▶ Non - adjusting events before balance sheet date

**Question # 56: Which of the following is/are the event/s after the balance sheet date with respect to IAS 10?**

- ▶ Adjusting events only
- ▶ Non-adjusting events only
- ▶ **Both Adjusting and Non-adjusting events**
- ▶ None of the given options

**Question # 57: With respect to IAS 10, major purchases of assets, classification of assets as held for sale, other disposal of assets, or expropriation of major assets by Govt. are considered as which of the following?**

- ▶ Adjusting Events
- ▶ **Non-Adjusting Events**
- ▶ Bogus Events
- ▶ Contingent Events

**Question # 58: With respect to IAS 10, sale of inventory after the balance sheet date below its cost and also below its net realizable value (inventory was measured at net realizable value on the balance sheet date) is considered as which of the following?**

- ▶ **Adjusting Event** not sure
- ▶ Non-Adjusting Event
- ▶ Bogus Event
- ▶ Contingent Event

**Question # 59: Which of the following is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the control of the entity?**

- ▶ **Contingent asset**
- ▶ Fixed asset

- ▶ Current asset
- ▶ Floating asset

**Question # 60: Which of the following is/are related to the IAS-37?**

- ▶ Contingent Assets
- ▶ Contingent Liabilities
- ▶ **Both Contingent Assets and Contingent Liabilities**
- ▶ Inventory

**Question # 62: An equity instrument that is subordinate to all other classes of equity instruments is:**

- ▶ **Ordinary share**
- ▶ Potential ordinary share
- ▶ Warrants
- ▶ Options

**Question # 63: Which of the following is/are Financial Instruments that give the holder, the right to purchase ordinary shares?**

- ▶ Equity shares
- ▶ Potential ordinary shares
- ▶ **Warrants or Options**
- ▶ Preference shares

**Question #64: Which of the following is widely used by investors as a measure of Company performance in comparing the results of A Company over a period of time?**

- ▶ **Earning Per Share**
- ▶ Balance Sheet
- ▶ Cash Flow Statement
- ▶ Notes to the accounts

**Question # 66: Which of the following is included in the Equity Section of the Balance Sheet?**

- ▶ **Share capital**
- ▶ Long term financing
- ▶ Deferred cost
- ▶ Liability against assets subject to finance lease

**Question # 67: Which of the following is NOT considered as expense by their function with respect to IAS 01?**

- ▶ **Cost of goods sold**
- ▶ Distribution costs
- ▶ Administrative expenses
- ▶ Transportation costs

**Question # 69: An electricity accrual of Rs. 375 was treated as prepayment in preparing a trader's profit and loss account. As a result his profit was:**

- ▶ Understated by Rs. 750
- ▶ Overstated by Rs. 750
- ▶ **Understated by Rs. 375** not sure
- ▶ Overstated by Rs. 375

**Question # 70: If A Limited Company entered into a contract with Pakistan Leasing Company to acquire an asset with down payment of Rs.30, 000, semi-annual payment of Rs. 50,000 and the lease term is 2 years. The lessee guaranteed the lessor to purchase the asset at the end of lease term at Rs. 10,000 which is estimated residual value. Then what is the amount of Minimum Lease Payment with respect to the lessee?**

- ▶ Rs. 130,000
- ▶ **Rs. 220,000** not sure
- ▶ Rs. 230,000
- ▶ Rs. 240,000

**Question # 72: What will be the purchase source at the time of re-purchase of shares?**

- ▶ **The purchase shall be in cash and out of the distributable profits.**
- ▶ The purchase shall be in cash and out of the un-distributable profits.
- ▶ The purchase shall be in credit and out of the distributable profits.
- ▶ The purchase shall be in cash and out of the Revaluation surplus profits.

**Question # 73: Which of the followings item(s) must be disclosed on the face of income statement according to IAS-1?**

- ▶ **Revenue**
- ▶ Results of operating activities
- ▶ All of the given options
- ▶ Finance costs

**Question # 74: Which of the following is the combined account for showing both result of business, i.e., gross and net profits?**

- ▶ Trading and profit and loss account
- ▶ Profit and loss appropriation account
- ▶ **Income statement**
- ▶ None of the given options

**Question # 75: The goods are written off when:**

- ▶ These are completely damaged
- ▶ These are stolen
- ▶ These are destroyed by fire
- ▶ **All of the given options**

**Question # 76: Which of the following bases, stock should be valued according to IAS-2?**

- ▶ Cost
- ▶ Higher of cost or net realizable value
- ▶ **Lower of cost or net realizable value**
- ▶ Net realizable value

**Question # 77: Proper Books of Accounts are kept by every company under which of the following sections of the Companies Ordinance 1984?**

- ▶ **Section 230**
- ▶ Section 233
- ▶ Section 184
- ▶ Section 110

Ref: <http://finosys.com/company/sections/Sec230.htm>

**Question # 78: Which of the following item may be included in a Balance Sheet at more than its historical cost?**

- ▶ **Good will**
- ▶ Land
- ▶ Research expenditures
- ▶ Work in progress

Ref: [http://en.wikipedia.org/wiki/Historical\\_cost](http://en.wikipedia.org/wiki/Historical_cost)

**Question # 79: Written down value of an asset = -----**

**Original cost – Accumulated depreciation**

Original cost – Appreciation

Book value – Accumulated depreciation

Original cost – Salvage value

**Question # 80: Which of the following entities is not profit oriented entity?**

Sole - proprietorship

Partnership

Companies

**Foundations**

**Question # 81: All of the following are Fixed assets EXCEPT:**

Machinery

Freehold land

Leasehold land

**Marketable securities**

**Question # 82: A Partnership firm has a maximum \_\_\_\_ numbers of partners.**

**20**

15

10

02

**Question # 83: Which of the following is NOT the Classification of Current Assets with respect to the Companies Ordinance 1984?**

Stock

General Stores

Spare parts

**Bank over draft**

**Question # 84: Which one of the following is related to IAS 32 & 39?**

Property, Plant & Equipment

Inventory

Financial Statements

**Financial Instruments**

**Question # 85: IAS-16 deals with:**

**Property, Plant and Equipment**

Cash Flow Statement

Presentation of Financial Statements

Earning per share

**Question # 86: Which of the following meeting is held once in the life of a company?**

**Statutory Meeting**

Annual General Meeting

Extraordinary Meeting

Board Meeting

**Question # 87: Which of the following is NOT a Qualifying Asset?**

Power plant being in the process of manufacture

Inventories requiring a substantial period for manufacturing

Special order for a special inventory that will be manufactured in 5 months

**Asset ready for use**

**Question # 88: Which of the following is original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding?**

**Research**

Development

Audit

Accounting

**Question # 89: Which of the following IAS deals with the Intangible Assets?**

**IAS 38**

IAS 23

IAS 01

IAS 16

**Question # 90: Which of the following is/are the type(s) of stock for manufacturing concerns?**

Raw Material  
Work in Process  
Finished Goods

**All of the given options**

**Question # 91: Which one of the following is a method of stock valuation?**

Diminishing Balance Method  
Written Down Value Method

**Specific Identification Method**

Sum of Year Digit Method

**Question # 92: All of the following are Fixed assets EXCEPT:**

Machinery  
Freehold land  
Leasehold land

**Marketable securities**

**Question # 93: Which of the following schedule provides disclosure requirements for Listed Companies under Companies Ordinance 1984?**

**4th schedule**

5th schedule  
6th schedule  
2nd schedule

**Question # 94: Which of the following investment are recorded using Cost Method?**

Investments made for longer period

**Investments made for shorter period page 43**

Investments made for shorter and longer period  
None of the given options

**Question # 95: An enterprise would be the subsidiary of another enterprise if that investor enterprise can control the subsidiary represents:**

Subsidiary Companies

**Holding Companies**

Public Limited Companies  
Private Limited Companies

**Question # 96: Which of the following is NOT the method of stock valuation?**

FIFO Method  
Weighted Average Method  
Specific Identification Method

**Straight Line Method**

**Question # 97: Which of the following IAS is related to the Consolidated and Separate Financial Statements?**

**IAS 27**

IAS 28

IAS 31

IAS 32

**Question # 98: Which one of the following is a method of stock valuation?**

Diminishing Balance Method

Written Down Value Method

**Specific Identification Method**

Sum of Year Digit Method

**Question # 99: Which of the following is the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems or services before the start of commercial production or use?**

Applied research

**Development**

Business research

Accounting

**Question # 100: What is the treatment of Depreciation in accounting?**

Treated as a reserve

**Treated as an expense**

Treated as a surplus

Treated as a Liability

**Question # 101: Which of the following is/are example(s) of development activities?**

The design of tools, jigs, moulds and dies involving new technology

The design, construction and testing of pre-production or pre-use prototypes and

Models the design, construction and operation of a pilot plant

**All of the given options**

**Question # 102: Which of the following is/are the method(s) for calculating the cost of inventory?**

FIFO Method

Weighted Average Method

Specific Identification Method

**All of the given options**

**Question # 103: Partnership firm has a maximum \_\_\_\_ numbers of partners.**

**20**

15

10  
02

**Question # 104: Which of the following may consist of more than 20 persons in case of partnership?**

Firms of Lawyers  
Firms of Doctors  
Firms of Associates

**All of the given options**

**Question # 105: Which one of the following is related to the Allowed Alternative Treatment for an investment in jointly controlled entities?**

Proportionate Consolidation Method

**Equity Method**

Weighted Average Method  
Sum of Year Digit Method

**Question # 106: IAS-16 deals with:**

**Property, Plant and Equipment**

Cash Flow Statement  
Presentation of Financial Statements  
Earning per share

**Question # 107: Companies are registered under:**

Partnership Act 1932

**Companies Ordinance 1984**

Partnership Agreement  
Income Tax Ordinance 1979

**Question # 108: To the Allowed Alternative Treatment, Which of the following method is used for stock valuation?**

FIFO Method

**LIFO Method page 48**

Weighted Average Method  
Specific Identification Method

**Question # 109: Which of the following IAS deals with the Borrowing Costs?**

**IAS 23**

IAS 07  
IAS 01  
IAS 16

**Question # 110: Which one of the following is the type of stock for trading concerns?**

Raw Material  
Work in Process

Finished Goods

**Stock in Trade**

**Question # 111: What is the meeting requirement for the directors of a Public Limited Company?**

**At least once in each quarter**

At least once in each month

At least once in each year

At least once in each week

**Question # 112: Which of the following represent(s) the Prime Cost?**

Direct Material Cost + Direct Labor Cost

Total Factory Cost – Factory Overheads

Conversion Cost – Factory Overheads + Direct Material Costs

**All of the given options**

**Question # 113: Which of the following is/are example(s) of development activities?**

The design of tools, jigs, moulds and dies involving new technology

The design, construction and testing of pre-production or pre-use prototypes and models

**All of the given options**

**Question # 114: Which of the following IAS deals with the Intangible Assets?**

**IAS 38**

IAS 23

IAS 01

IAS 16

**Question # 115: Which of the following is the Classification of Current Assets with respect to the Companies Ordinance 1984?**

Building

Land

Premises

**Marketable Securities**

**Question # 116: Which of the following is/are example(s) of research activities?**

**Select correct option:**

Activities aimed at obtaining new knowledge

The search, evaluation, final selection and application of research findings

The search for alternatives

**All of the given options**

**Question # 117: Which one of the following type(s) of information is(are) available in 4th and 5th schedule of the Companies Ordinance 1984?**

Definitions and general requirements for preparation and presentation of financial statements

Requirements for Balance Sheet

Requirements for Profit and Loss Account

**All of the given options**

**Question # 118: Which one of the following IAS is related to the Interest in Joint Venture?**

IAS 27

IAS 28

**IAS 31**

IAS 32

**Question # 119: Which of the following investments are recorded using Equity Method?**

**Investments made for longer period**

Investments made for shorter period

Investments made for shorter and longer period

None of the given options

**Question # 120: Which one of the following is(are) recorded under the Equity section of the Balance Sheet?**

Share Premium

Reserves

Accumulated Profit

**All of the given options**

**Question # 121: Concept of Related Parties is defined in:**

Companies Ordinance 1984

IAS

**Both Companies Ordinance 1984 and IAS**

Neither in Companies Ordinance 1984 nor in IAS

**Question # 122: Which one of the following is NOT recorded under Equity section of the Balance Sheet?**

Share Premium

Share Capital

Accumulated Profit

**Dividend Payable**

**Question # 123: Which of the following represent(s) the Prime Cost?**

Direct Material Cost + Direct Labor Cost

Total Factory Cost – Factory Overheads

Conversion Cost – Factory Overheads + Direct Material Costs

**All of the given options**

**Question # 124: Which of the following is the Classification of Current Assets with respect to the Companies Ordinance 1984?**

Building  
Land  
Premises

**Marketable Securities**

**Question # 125: Which of the following is NOT the method of stock valuation?**

FIFO Method  
Weighted Average Method  
Specific Identification Method

**Straight Line Method**

**Question # 126: Which of the following section of the Companies Ordinance 1984 deals with Revaluation of Fixed Assets?**

**Section 235**

Section 236  
Section 237  
Section 238

**Question # 127: Preparation and presentation of Financial Statements are governed by:**

Companies Ordinance 1984  
International Accounting Standards  
International Financial Reporting Standards

**All of the given options**

**Question # 128: Partnership firms are registered under which of the following?**

**Partnership Act 1932**

Companies Ordinance 1984  
Partnership Agreement  
Income Tax Ordinance 1979

**Question # 129: Written down value of an asset = -----**

**Original cost – Accumulated depreciation**

Original cost – Appreciation  
Book value – Accumulated depreciation  
Original cost – Salvage value

**Question # 130: Which of the following IAS affect(s) the recognition, presentation and disclosure of fixed assets in financial statements?**

IAS 01

**IAS 16**

IAS 23

All of the given options

**Question # 131: Which of the following methodology is adopted for the valuation of investments in associated companies?**

**Equity Method**

At cost or Under IAS 39

At amortized cost

At fair value

**Question # 132: Which of the following is the ability to govern the financial and operating policies of an enterprise so as to obtain from its activities?**

**Control**

Significant Influence

Direct Subsidiary

Indirect Subsidiary

**Question # 133: Which of the following IAS deals with the Associated Companies?**

IAS 27

**IAS 28**

IAS 01

IAS 07

**Question # 134: Which of the following IAS deals with the Associated Companies?**

**Purchases of assets financed through issue of debentures**

Assets that are not currently in use because of excess capacity

Assets not currently undergoing activities necessary to prepare for intended use

Assets intended for sale or use that are produced as discrete projects

**Question # 135: Which of the following is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale?**

**Qualifying Asset**

Outstanding Asset

Tangible Asset

Intangible Asset

**Question # 136: Which of the following investments are recorded using Equity Method?**

**Investments made for longer period**

Investments made for shorter period

Investments made for shorter and longer period

None of the given options

**Question # 137: If Original cost is Rs. 100,000; Depreciation rate is 20% p.a. using straight line method; what will be the value of accumulated depreciation at the end of 2<sup>nd</sup> year?**

Rs. 20,000

**Rs. 40,000**

Rs. 80,000

Rs. 60,000

**Question # 138: Concept of Related Parties is defined in:**

Companies Ordinance 1984

IAS

**Both Companies Ordinance 1984 and IAS**

Neither in Companies Ordinance 1984 nor in IAS

**Question # 139: Which one of the following is related to the IAS 39?**

Consolidated and Separate Financial Statements

Interest in Joint Venture

Financial Instruments Disclosure and Presentation

**Financial Instruments Recognition and Measurement**

**Question # 140: Which of the following IAS affect(s) the recognition, presentation and disclosure of fixed assets in financial statements?**

IAS 01

**IAS 16**

IAS 23

All of the given options

**Question # 141: Which of the following is an example of Capital Expenditure?**

Wages paid on the purchases of goods

Carriage paid on the purchases of goods

**Transportation paid on machinery purchased**

Octroi duty paid on goods

**Question # 142: Which of the following methodology is adopted for the valuation of investments in associated companies?**

**Equity Method**

At cost or Under IAS 39

At amortized cost

At fair value

**Question # 143: In case an item of property, plant and equipment is exchanged for similar asset of the enterprise, the cost of the new asset is measured at the -----of the old asset.**

**Carrying value**

Fair value

Future value

Salvage Value

**Question # 144: Which of the following represent(s) the Prime Cost?**

Direct Material Cost + Direct Labor Cost

Total Factory Cost – Factory Overheads

Conversion Cost – Factory Overheads + Direct Material Costs

**All of the given options**

**Question # 145: Which of the following costs can be capitalized?**

**Purchases of assets financed through issue of debentures**

Assets that are not currently in use because of excess capacity

Assets not currently undergoing activities necessary to prepare for intended use

Assets intended for sale or use that are produced as discrete projects

**Question # 146: Which one of the following is(are) NOT recorded under Current Liabilities section of the Balance Sheet?**

Debentures

Deferred Taxation

Obligation under Finance Lease

**All of the given options**

**Question # 147: Which of the following is the deduction or allowance allowed by a creditor to a debtor?**

Trade Discount

**Cash Discount**

Purchases return

Sales return

**Question # 148: The term “Significant Influence” refers to the:**

**Ability to participate but not to control financial and management affairs of the enterprise**

Ability to participate and control financial and management affairs of the enterprise

Neither to control nor to participate in financial affairs of the enterprise

None of the given options

**Question # 149: Which of the following asset is not an example of Intangible Fixed Assets?**

**Vehicles**

Good Will

Copyrights

Trade Marks and Designs

**Question # 150: Which of the following is a rebate or allowance from the scheduled price granted by the seller to the buyer?**

**Trade Discount**

Cash Discount  
Purchases return  
Sales return

**Question # 151: Which of the following entities is profit oriented entity?**

NGOs  
Trust  
Societies

**Sole - proprietorship**

**Question # 152: Which of the following is/are the Classification of Current Assets with respect to the Companies Ordinance 1984?**

Cash Balance  
Loans and Advances  
Bank Balance

**All of the given**

**Question # 153: Which of the following is INCORRECT with respect to Perpetual Inventory System?**

Receipt of inventory is debited to Stock Account  
Issuance of inventory is credited to Stock Account and Debited to Material Consumption Account

**Receipt of inventory is debited to Purchase Account**

Material Consumption Account becomes the part of Trading Account

**Question # 154: Which of the following statement is/are INCORRECT under the Cost Method for recognition of investment in associated companies?**

Any distribution of profits by the investee company is recorded as an expense  
Any distribution of profits by the investor company is recorded as an income  
The carrying amount of the investment is increased or decreased to reorganize the investor's share of profits or losses of the investee after the date of acquisition

**All of the given options**

**Question # 155: Which of the following is NOT the Classification of Current Assets with respect to the Companies Ordinance 1984?**

Cash Balance  
Bank Balance

**Premises**

Marketable Securities

**Question # 156: What is the treatment of Accumulated Depreciation in accounting?**

Treated as a reserve  
Treated as a contra asset

Treated as a surplus

**Treated as an expense**

**Question # 157: According to the Prudence concept, Stock should be included in Balance Sheet at:**

Cost

Its net Realizable value

**Lower of its total cost or its total net realizable value**

Higher of its total

**Question # 158: Which one of the following is NOT the component of cost?**

Select correct option:

Import duties

Installation costs

Cost of site preparation

**Transportation outwards**

**Question # 159: What is the treatment of Depreciation in accounting?**

Select correct option:

Treated as a reserve

**Treated as an expense**

Treated as a surplus

Treated as a Liability

**Question # 160: Which one of the following is related to the Benchmark Treatment for an investment in jointly controlled entities?**

Select correct option:

**Proportionate Consolidation Method**

Equity Method

LIFO Method

Specific Identification Method

**Question # 161: Which of the following is/are NOT the example(s) of Financial Asset?**

Select correct option:

Minority interest

Sale of goods

Purchases of goods

**All of the given options**

**Question # 162: Which one of the following is a fixed asset?**

Select correct option:

Cash in hand

Advanced payment

Closing stock

**Leasehold vehicle**

**Question # 163: Which of the following is an example of Capital Expenditure?**

Select correct option:

Wages paid on the purchases of goods

Carriage paid on the purchases of goods

**Transportation paid on machinery purchased**

Octroi duty paid on goods

**Question # 164: All of the following are Fixed assets EXCEPT:**

Select correct option:

Machinery

Freehold land

Leasehold land

**Marketable securities**

**Question # 165: Which of the following IAS deals with the Borrowing Costs?**

Select correct option:

**IAS 23**

IAS 07

IAS 01

IAS 16

**Question # 166: Which of the following is INCORRECT with respect to Perpetual Inventory System?**

Select correct option:

Receipt of inventory is debited to Stock Account

Issuance of inventory is credited to Stock Account and Debited to Material

Consumption Account

**Receipt of inventory is debited to Purchase Account**

Material Consumption Account becomes the part of Trading Account

**Question # 167: Which of the following is/are the Classification of Current Assets with respect to the Companies Ordinance 1984?**

Select correct option:

Stock

Cash Balance

Finished Goods

**All of the given options**

**Question # 168: Which of the following is an identifiable non-monetary asset without physical substance?**

Select correct option:

Tangible Asset

**Intangible Asset**

Floating Asset

Circulating Asset

**Question # 169: Which of the following represent(s) the Cost of goods sold?**

Select correct option:

Sales – Gross Profit

Opening Stock + Purchases – Closing Stock

Cost of goods Manufactured + Opening Finished Goods Inventory – Closing

Finished Goods Inventory

**All of the given options**

**Question # 170: Which of the following is(are) example(s) of Borrowing costs?**

Select correct option:

Interest on bank overdrafts

Interest on short-term borrowings

Interest on long-term borrowings

**All of the given options**

**Question # 171: If the holding company owns more than 50% but less than 100% shares of the subsidiary company then the subsidiary type will be termed as:**

Select correct option:

**Partially owned subsidiary**

Wholly owned subsidiary

Direct subsidiary

Indirect subsidiary

**Question # 172: Which of the following represent(s) the Prime Cost?**

Direct Material Cost + Direct Labor

Cost Total Factory Cost – Factory Overheads

Conversion Cost – Factory Overheads + Direct Material Costs

**All of the given options**

**Question # 173: If stock valuation method is changed every year by the firm, which concept the firm has violated?**

The materiality concept

**The consistency concept**

The prudence concept

The going concern concept

**Question # 174: Which one of the following is TRUE with respect to “FIFO” in inventory valuation?**

**First-In-First-Out**

First-In-Freight-Out

Freight-In-First-Out

Freight-In-Freight-Out

**Question # 175: Concept of Related Parties is defined in**  
Companies Ordinance 1984  
IAS

**Both Companies Ordinance 1984 and IAS**

Neither in Companies Ordinance 1984 nor in IAS

**Question # 176: What is the meeting requirement for the directors of a Public Limited Company?**

**At least once in each quarter**

At least once in each month

At least once in each year

At least once in each week

**Question # 177: Companies are registered under:**

Partnership Act 1932

**Companies Ordinance 1984**

Partnership Agreement

Income Tax Ordinance 1979

**Question # 178: Which of the following methodology is adopted for the valuation of investments in associated companies?**

Equity Method

At cost or Under IAS 39

At amortized cost

**At fair value**

**Question # 179: Which of the following is/are the physical asset(s)?**

Term Finance Certificates

Loan Agreements

Trade Receivables

**All of the given options**

**Question # 180: Which of the following is the ability to govern the financial and operating policies of an enterprise so as to obtain from its activities?**

**Control**

Significant Influence

Direct Subsidiary

Indirect Subsidiary

**Question # 181: If stock valuation method is changed every year by the firm, which concept the firm has violated?**

The materiality concept

**The consistency concept**

The prudence concept

The going concern concept

**Question # 182: Preparation and presentation of Financial Statements are governed by:**

Companies Ordinance 1984  
International Accounting Standards  
International Financial Reporting Standards

**All of the given options**

**Question # 183: Which one of the following is NOT recorded under of Equity section the Balance Sheet?**

Share Premium  
Share Capital  
Accumulated Profit

**Dividend Payable**

**Question # 184: Which of the following is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction?**

Depreciable Amount

**Fair Value**

Cost  
Carrying Amount

**Question # 185: Which of the following is original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding?**

**Research**

Development  
Audit  
Accounting

**Question # 186: Under which of the following methods for inventory valuation, costs of earliest purchases assumed still to be in inventory?**

FIFO Method  
LIFO Method

**Weighted Average Method**

Specific Identification Method

**Question # 187: Which of the following is/are the Classification of Current Assets with respect to the Companies Ordinance 1984?**

Cash Balance  
Loans and Advances  
Bank Balance

**All of the given options**

**Question # 188: Which of the following is the type of business owned by one person?**

**Sole-Proprietorship**

Partnership

Public Limited Company

Unlimited Company

**Question # 189: Which one of the following is the example of non-profit oriented organization?**

NGO's

Trusts

Societies

**All of the given options**

**Question # 190: Annual General Meeting (AGM) is required to be held within \_\_\_\_\_ of incorporation.**

06 months

12 months

15 months

**18 months**

**Question #191: In the first step of formation of A Company the availability of name is checked from SECP, that is at least two companies with same name can registered.**

True

**False**

**Question # 192: An increase in economic benefits during the accounting period in the form of increase of assets and decrease in liabilities is termed as Expenses.**

True

**False**

**Question # 193: In IAS 23 Qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use.**

**True**

False

**Question # 194: Cash discounts are usually received on bulk purchase and are agreed at the time of negotiation of cost. The cost of inventory is recorded net of these discounts.**

True

**False**

**Question # 195: Generally there are two types of discounts; \_\_\_\_\_ **Trade** \_\_\_\_\_ and \_\_\_\_\_ **Cash** \_\_\_\_\_**

**Question # 196:** A contractual arrangement whereby, two or more parties undertake, an economic activity which is subject to joint control is called Joint Venture

**Question # 197:** share holders' equity is the net balance of the total assets of the business less third party's liabilities.

**Question # 198:** qualifying is an asset that necessarily takes a substantial period of time to get ready for its intended use.

**Question # 199:** In case of a single member company \_\_\_\_\_ person(s) is (are) required to be nominated to takeover the company in case of a death of the member.

One

**Two**

Three

Four

**Question #200:** Company should be termed as a \_\_\_\_\_ of another company if other company holds more than 50% of its shares or has the power to appoint more than 50% of its directors.

Associated

**Subsidiary**

Joint Venture

None of the given options

**Question # 201:** Directors or shareholders having \_\_\_\_\_ voting power can call for Extraordinary

General Meetings (EOGM).

10%

15%

**20%**

25%

**Question # 202:** Quality control during commercial production cost Rs. 10,000/- will be charged to:

Research expenses

**Development cost**

Profit and Loss account

None of the given options

**Question # 203:** Which one of the following is an example of Conversion Cost?

**Labor and factory overheads**

Labor and work in process

Work in process and finished goods

Factory overhead and work in progress

**Question # 204: Which of the followings are among the non-current assets?**

Tangible and intangible assets

Operating assets

Financial assets of a long term nature

**All of the given options**

**Question # 205: Movement of capital issued and reserves are presented through which of the following statement?**

Cash flow statement

**Statement of changes in equity**

Income statement

Balance sheet

**Question # 206: A maximum limit of the amount of the capital that a company can issue is mentioned in the Memorandum of Association and Article of Association of the company is called:**

**Authorized capital**

Issued capital

Subscribed capital

Paid up capital

**Question # 207: Cost of inventories will consist of which of the following costs?**

Purchase cost

Costs of conversion

Installation costs

**All of the given options**

**Question # 208: Cash discounts are received on early payment of the outstanding amount. These discounts are conditional and are not reduced from the value of the inventory.**

**True**

False

**Question # 209: In the rare cases of conflict between an IAS and the Framework, the Framework will prevail.**

**True**

False

**Question # 210: Current assets will also include marketable securities if they are expected to be realized within twelve months of the Balance Sheet date.**

**True**

False

**Question # 211: Significant influence is the ability to participate and to control the financial and management affairs of the enterprise.**

True

**False**

**Question # 212: International Accounting Standards (IAS) are issued by International Accounting Standard Board (IASB).**

**True**

False

**Question # 213: Contingent assets are:**

Recognized as asset in the balance sheet

Disclosed in the financial statements

None of the given options

**Any of the given options depending upon certain condition**

**Question # 214: A reduction of share capital can be effected through an ordinary resolution.**

True

**False**

**Question # 215: According to IAS 2 Inventories are assets that are not held for sale in the ordinary course of business.**

True

**False**

**Question # 216: Which assets are specifically excluded from Financial Assets?**

Investments

Prepaid Expenses

Physical Assets

**Both (b) and (c)**

**Question # 217: A supplier sends you a statement showing a balance outstanding of Rs. 14,350.**

Your own records show a balance outstanding of Rs. 14,500/-

The supplier sent an invoice for Rs. 150 which you have not yet received.

**The supplier has allowed you Rs. 150 cash discount which you had omitted to enter in your ledgers**

You have paid the supplier Rs. 150 which he has not yet accounted for

You have returned goods worth Rs. 150 which the supplier has not yet

accounted for

**Question # 218: Contingent liabilities are:**

**Possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity**

Liabilities to pay for goods or services that have been received or supplied and have been invoiced or formally agreed with the supplier

Both (a) and (b)

None of the given options

**Question # 219: Accounting policy once selected can never be changed.**

**True**

False

**Question # 220: Minimum Lease Payments are:**

The lease rentals payable by the lessee to the lesser

The contingent rent payable by lessee

**All the payments that the lessee can be required to pay to the lesser**

None of the given options

**Question # 221: IAS 23, "Borrowing Cost" requires capitalization of borrowing cost as a benchmark treatment.**

**False**

True

**Question # 222: Liquidity is:**

Excess of income over expenditure

Income generating capability of the business

**Ability of a business to pay its debts in time**

Excess of expenditure over income

**Question # 223: A revaluation loss is charged to profit and loss account in the period in which the revaluation is carried out.**

**True**

False

**Question # 224: In case of tangible non-current assets, if a policy of revaluation is adopted for the first time, then this is treated as:**

No change in Accounting Policy under IAS 8

A change in Accounting Policy

**A revaluation under IAS 16 Property, Plant and Equipment**

None of the given options

**Question # 225: Right shares are issued when accumulated profit is being capitalized by the issuance of shares.**

**1. True**

2. False

**Question # 226:** \_\_\_\_\_ **Net Realized Value** \_\_\_\_\_ is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

**Question # 227: Liquidity is defined as:**

1. Excess of income over expenditures
2. Income generating capability of the business
- 3. Ability of a business to pay its debts in time**
4. Excess of expenditures over income

**Question # 228: If an entity declares dividends to the holders of equity instruments after the balance sheet date, the entity shall not recognize those dividends as a :**

1. Equity
2. Deferred Liability
- 3. Liability**
4. Asset

Ref:

[http://docs.google.com/viewer?a=v&q=cache:XMUI3epcawQJ:app1.hkicpa.org.hk/ebook/HKSA\\_Members\\_Handbook\\_Master/volumell/hkas10.pdf+&hl=en&pid=bl&srcid=ADGEEsivnfEpdWZ6thyO4V4jSJWzF4Spcl2cOREL6ftfVxGfKACoLRoWJpAmZgmjtxrZOkW6Ca6Cq9p\\_FxDu1OcVt0BgDtFUys6YKTV3pgug3xOqqiJXEgOxdfmx5DRXrsUy-XIDWeD&sig=AHIEtbRW-7EEkfm6qngBAftJgYMwQlfBtg](http://docs.google.com/viewer?a=v&q=cache:XMUI3epcawQJ:app1.hkicpa.org.hk/ebook/HKSA_Members_Handbook_Master/volumell/hkas10.pdf+&hl=en&pid=bl&srcid=ADGEEsivnfEpdWZ6thyO4V4jSJWzF4Spcl2cOREL6ftfVxGfKACoLRoWJpAmZgmjtxrZOkW6Ca6Cq9p_FxDu1OcVt0BgDtFUys6YKTV3pgug3xOqqiJXEgOxdfmx5DRXrsUy-XIDWeD&sig=AHIEtbRW-7EEkfm6qngBAftJgYMwQlfBtg)

**Question # 229: The information as to profitability is provided by the balance sheet of the entity.**

1. True
- 2. False**

**Question # 230:** Under IAS 33 \_\_\_\_\_ **Earning Per Share** \_\_\_\_\_ is widely used by investors as a measure of a company's performance.

**Question # 231: Which of the following asset is specifically excluded from Financial Assets?**

1. Investments
2. Prepaid Expenses
3. Physical Assets
- 4. Both Prepaid Expenses & Physical Assets**

**Question # 232: Lease accounting is regulated by \_\_\_ which was introduced because of abuses in the use of lease accounting by companies.**

- 1. IAS 17**
2. IAS 12
3. IAS 39
4. IAS 32

**Question # 233: A contractual arrangement whereby, two or more parties undertake, an economic activity which is subject to joint control, is called Subsidiary Companies.**

1. True

**2. False**

**Question # 234: Which of the following is a present obligation of the entity arising from a past event the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits?**

Asset

Income

Expense

**Liability**

**Question # 235: Which of the following types of business enjoys greater freedom and flexibility in making business decisions according to the economic conditions?**

Private Limited Company

**Sole-proprietorship**

Partnership

Public Limited Company

**Question # 236: Proper Books of Accounts are kept by every company under which of the following sections of the Companies Ordinance 1984?**

**Section 230**

Section 233

Section 184

Section 110

**Question # 237: Which of the following information must be disclosed in case of loan and advances to subsidiary companies?**

The name of each borrower

Amount of loans and advances

The terms of loan and the particulars of collateral security held

**All of the given options**

**Question # 238: Which one of the following is an example of Financial Asset?**

Inventories

Patent rights

Goodwill

**Accounts receivable**

**Question # 239: Mr. Jason invested Rs. 100,000 in bank as bonds for nine months. At the end of the year, this invested amount will be shown in Balance Sheet under the head of:**

Fixed Assets

**Current Asset**

Current Liabilities

Long Term Liabilities

**Question # 240: Which of the following represents the Financial Information presented in the financial statements relating to the assets and incomes should not be overstated.**

Consistency

Profit

Materiality

**Prudence**

**Question # 241: Which of the following statement shows the movement of cash inflows and outflows?**

Income Statement

Balance Sheet

Statement of Owner's equity

**Cash Flows Statement**

**Question # 242: Which of the following is an example of current liability?**

**Bank Overdraft**

Stock

Goodwill

A loan repayable in two years

**Question # 243: Which of the following is a component of current liabilities?**

Assets subject to finance lease

Debentures

**Provision for Taxation**

Loans taken for more than five years

**Question # 244: A damage claim of Rs.15 million for breach of contract has been served on the Company. The Company legal counsel is of the view that it is possible that the damages will be awarded to the plaintiff. However, the amount of damages can not be reasonable estimated. What accounting treatment would be made in this regards?**

A provision will be made for damages

**Damages will be disclosed as contingent liabilities**

Damages will be treated as accrued income

No treatment will be taken

**Question # 245: Which of the following term represents the amount of share capital collected from the shareholders on application of shares?**

Registered Capital

Subscribed Capital

Nominal Capital

## **Paid up capital**

**Question # 246: Where shares are purchased at a price above the face value, the difference shall be charged to:**

**Share Premium Account**

Share Discount Account

Distributable Profit Account

Un-distributable Profit Account

**Question # 247: In case of operating lease, an asset is recorded in the books of lessee at which of the following value?**

Faire value

Present value

Market value

**Not recorded at any value**

**Question # 248: Which of the following IAS covers the Debentures?**

IAS 32 only

IAS 39 only

**Both IAS 32 and IAS 39**

IAS 17

**Question # 249: Which of the following events are indicative of conditions that arose after Balance Sheet date?**

Adjusting events after balance sheet date

Adjusting events before balance sheet date

**Non - adjusting events after balance sheet date**

Non - adjusting events before balance sheet date

**Question # 250: Which of the following is/are the event/s after the balance sheet date with respect to IAS 10?**

Adjusting events only

Non-adjusting events only

**Both Adjusting and Non-adjusting events**

None of the given options

**Question # 251: Which of the following is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the control of the entity?**

**Contingent asset**

Fixed asset

Current asset

Floating asset

**Question # 252: Which of the following is/are related to the IAS-37?**

Contingent Assets  
Contingent Liabilities

**Both Contingent Assets and Contingent Liabilities**

Inventory

**Question # 253: Which of the following is the example of Certain Liabilities?**

**Creditors against supplies**

Accruals against expenses

Provision against expected losses

Provision against expected profits

**Question # 254: An equity instrument that is subordinate to all other classes of equity instruments is:**

**Ordinary share**

Potential ordinary share

Warrants

Options

**Question # 255: Which of the following is/are Financial Instruments that give the holder, the right to purchase ordinary shares?**

Equity shares

Potential ordinary shares

**Warrants or Options (IAS 33)**

Preference shares

**Question #256: Which of the following is widely used by investors as a measure of Company performance in comparing the results of A Company over a period of time?**

**Earning Per Share**

Balance Sheet

Cash Flow Statement

Notes to the accounts

**Question # 257: Which of the following represents the Equity?**

**Share capital + accumulated profit + General Reserves**

Share capital + Accumulated profit - General reserves

Share capital - Accumulated profit - General reserves

Accumulated profit - General reserves

**Question # 258: Which of the following is included in the Equity Section of the Balance Sheet?**

Share capital

**Long term financing**

Deferred cost

Liability against assets subject to finance lease

**Question # 259: Which of the following is NOT considered as expense by their function with respect to IAS 01?**

**Cost of goods sold**

Distribution costs

Administrative expenses

Transportation costs

**Question # 260: Which of the following is TRUE?**

**Gross profit - Operating expenses = Operating profit**

Cost of sales + Operating expenses = Operating profit

Cost of sales - Operating expenses = Net profit

Cost of sales - Operating expenses = Gross profit

**Question # 261: An electricity accrual of Rs. 375 was treated as prepayment in preparing a trader's profit and loss account. As a result his profit was:**

Understated by Rs. 750

Overstated by Rs. 750

**Understated by Rs. 375**

Overstated by Rs. 375

**Question # 262: Which of the following is the correct formula to find the Present Value? Where**

FV = Future Value, r = Interest rate and n = Time period

$FV (1 + r)^{-n}$

**$FV (1 + r)^n$**

$FV (1 - r)^{-n}$

$FV (1 \times r)^{-n}$

**Question # 263: If you plan to save Rs. 5,000 with a bank at an interest rate of 8%, what will be the worth of your amount after 4 years if bank offers simple interest?**

Rs. 5,400

Rs. 5,900

**Rs. 6,600**

Rs. 6,802

**Question # 264: What will be the purchase source at the time of re-purchase of shares?**

**The purchase shall be in cash and out of the distributable profits.**

The purchase shall be in cash and out of the un-distributable profits.

The purchase shall be in credit and out of the distributable profits.

The purchase shall be in cash and out of the Revaluation surplus profits.

**Question # 265: Which of the followings item(s) must be disclosed on the face of income statement according to IAS-1?**

Revenue

Results of operating activities

**All of the given options**

Finance costs

**Question # 266: Which of the following is the combined account for showing both result of business, i.e., gross and net profits?**

Trading and profit and loss account

Profit and loss appropriation account

**Income statement**

None of the given options

**Question # 267: The goods are written off when:**

These are completely damaged

These are stolen

These are destroyed by fire

**All of the given options**

**Question # 268: Which of the following bases, stock should be valued according to IAS-2?**

Cost

Higher of cost or net realizable value

Lower of cost or net realizable value

**Net realizable value**

**Question # 269: Which of the following business is formed by the approval of Stock Exchange?**

Money Exchange Company

**Non Banking Finance Corporation**

Trade organization u/s 42 of the Companies ordinance 1984

Corporate Brockage House

**Question # 270: Which of the following fixed asset is shown at cost rather at book value?**

Machinery

Furniture

Vehicles

**Land**

**Question # 271: Which of the following is NOT related to the qualitative characteristics that make financial information useful?**

Reliability only

Relevancy only

Both Reliability and Relevancy

**Understandability**

**Question # 272: Which one of the following is the concept of the capital maintenance?**

Financial capital maintenance

Physical capital maintenance

**Both Physical and Financial capital maintenance**

None of the given options

**Question # 273: If the closing balance is lower than the difference of the opening balance and depreciation for the Year, it shows:**

**An addition of fixed assets has been taken place**

A disposal of fixed assets

Fixed assets are installed under finance lease

None of the given options

**Question # 274: Which of the following item may be included in a Balance Sheet at more than its historical cost?**

Good will

**Land**

Research expenditures

Work in progress

**Question # 275: The valuation of stock at lower of its cost or net realizable value is an application of:**

The consistency concept

The going concern concept

**The prudence concept**

The accrual concept

**Question # 276: Contribution to Research foundation amounting to Rs. 100,000/- Whether it is:**

Development cost

Development cost & capitalized

**Research expenses**

None of the given options

**Question # 277: Which of the following are the examples of research activities?**

Activities aimed at obtaining new knowledge

Search, evaluation, final selection and application of research findings

Search for alternatives

**All of the given options**

**Question # 278: There are \_\_\_\_\_ methods for recognition of investment in associated companies:**

One

**Two**

Three  
Four

**Question # 279:** \_\_\_\_\_ is the estimated selling price in the ordinary course of business less the estimated cost necessary to make the sale.

**Net realizable value**

Carrying value

Market value

All of the given options

**Question # 280: Cost of inventories will consist, which of the following costs:**

Purchase

Costs of Conversion

Other costs incurred in bringing the inventories to their location and condition

**All of the given options**

**Question # 281: Cost of the inventory is calculated with which of the following method:**

First in First Out (FIFO) & Last in First Out (LIFO)

Specific identification of cost

Weighted Average

**All of the given options**

**Question # 282: The table shows information relating to end of year stock According to IAS 2, what is the value of stock at the balance sheet date?**

Rs. 90,000/-

**Rs. 80,000/-**

Rs. 100,000/-

Rs. 70,000/-

**Question # 283: Conversion cost includes:**

**Labor and factory overheads**

Labor and work in process

Work in process and finished goods

Factory overhead and work in progress

**Question # 284: The cost of inventories of a service provider consists of which of the following:**

Labor

Other costs of personnel directly engaged in providing the service

Labor and other costs relating to sales

**All of the given options**

**Question # 285: Which of the following is the disadvantage of modified schedules and alternative workplace?**

- Freedom in professional and personal life

- Adds more Job satisfaction
- **Complicated coordination**
- Suitable for self starter who require little direct supervision

**Question # 286:** Revenue expenditure is likely to benefit:

- Future period
- Current + future period
- **Current period**
- Past period

**Question # 287:** Net investment in the lease is:

- Residual value
- MLP + URV
- **P.V of G.I**
- None

**Question # 288:** Which item may be included in Balance Sheet at more than historical cost?

- **Land and Building**
- Work in progress
- Goodwill
- Research expenditure

**Question # 289:** What is material?

- Item that could influence economic decision of users
- It depends on size and nature of them
- **Both economic decision of users & size and nature of them**
- None of the given options

**Question # 290:** As a result of a product break through, it has been determined that manufacturing equipment previously depreciated over 15 years should be depreciated over 20 years whether it is:

- Changes in accounting policy
- Prior period error
- **Changes in accounting estimate**
- None of the given options

**Question # 291:** Example of change in accounting estimates is the followings:

- Bad Debts
- Inventory obsolescence
- Warranty obligations
- **All of the given options**

**Question # 292:** Imran & Co made a profit for the year of Rs. 56,250 after accounting for depreciation Rs. 3,750. During the year, fixed assets were purchased for 24,000 debtors increased by Rs. 3,000, stock decreased by Rs. 5,400 and creditors increased by Rs. 1,050. The increase in cash and bank during the year was:

• **Rs. 39,450**

- Rs. 15,950
- Rs. 14,650
- Rs. 17,150

**Question # 293:** Khan & Co. reported a profit of Rs. 30,000 for the year, after charging the following:

Depreciation Rs. 5,000

Loss on sale of assts Rs. 2,000

During the year there was a decrease in working capital of Rs. 1,000. What was the net cash flow generated from operations?

• Rs. 12,000

• **Rs. 38,000**

- Rs. 20,000
- Rs. 25,000

**Question # 294:** Which of the following is not a cash flow in a cash flow statement?

• A right issue

• **A depreciation charge**

- Proceeds on the sale of a fixed asset
- Corporation tax paid

**Question # 295:** A cash flow statement provides information that enables user to evaluate:

- Changes in net assets
- Financial structure
- Amounts and timing of cash flows

• **All of the given options**

**Question # 296:** The accounting entity or separate entity concept means.

• That each branch of the business should be treated as a separate accounting entity.

• That each line of business should be treated as a separate accounting entity.

• **That business should be treated as an entity separate from its owners.**

• None of the above

**Ans: That business should be treated as an entity separate from its owners.**

This concept implies that the activities of a business are to be treated as separate from the non-business activities of its owners.

The items recorded in the books of business are therefore restricted to the transactions of the business. The only time that the personal resources of the

owners will affect the books of business when introduce new capital into the business or take out profits from it.

**Question # 297: You are running a small business. You have obtained a personal loan from the bank that you intend to use for renovation of your own house.**

**The loan would be classified as:**

- Long term liability of the business
- Short term liability of the business
- Any one of the above depending upon the term of the loan

• **None of the above**

**Ans: None of the above.**

Following the separate entity concept only those transactions will be recorded in the books of the business that relate to the business. A personal loan of the owner will not be recorded in the books of the business at all.

**Question # 298: Assets and liabilities are classified into current and non-current on the basis of:**

• **Their expected life or repayment term.**

- The amount spent or payable i.e. on the basis of materiality.
- Judgment of the individual
- All of the above

**Ans. Their expected life or repayment term.**

In case of assets the major classification of the assets includes Non-current assets and Current Assets, whereas in case of liabilities the major classifications are:

- Equity,
- Non-Current Liabilities
- and Current Liabilities

All these classifications are based on the expected life of the asset or the repayment term, there value of the judgment of the individual do not affect their classification

**Question # 299: Which of the following statements best defines the term “Useful life of an asset”?**

- It is the time period after which the asset becomes useless.
- It is the time period after which the organization sells the asset.
- **It is the time period after which maintaining the asset is not viable economically.**
- None of the above

**Ans: It is the time period after which maintaining the asset is not viable economically.**

Useful life of an asset is defined as the number of years over which an enterprise expects to use an asset. OR The number of production or similar units expected to be obtained from an asset. This means that the enterprise would like to use the asset as long as it is economically feasible for the enterpriser to operate the

asset. Economic feasibility means that the asset is giving more output than the cost incurred to operate it.

**Question # 300: What is depreciation?**

• Market value of an asset reduces with the passage of time. This reduction is called depreciation.

• **Systematic allocation of depreciable amount of an asset over its useful life**

• It is the cost of maintaining an asset.

• All of the above

**Ans: Systematic allocation of depreciable amount of an asset over its useful life.**

Depreciation is a charge for using the asset or spreading its cost of purchase over the life of the asset and is calculated by distributing the cost of the asset over its useful life.

**Question # 301: The consideration that would have to be paid if same or an equivalent asset is acquired. Such kind of consideration is called:**

• **Current cost**

• Periodic cost

• Fixed Cost

• Semi-annual cost

**Question # 302: \_\_\_\_\_ is the undiscounted amounts of cash or cash equivalents expected to be paid to satisfy the liabilities in the normal course of business.**

• **Settlement value**

• Realizable value

• Residual value

• None of the given options

**Question # 303: Which of the following is a tool of measuring financial position of an entity?**

• **Balance sheet**

• Income statement

• Cash flow statement

• All of above

**Question # 304: \_\_\_\_\_ are included in the cost on inventories only to the extent that they are incurred in bringing the inventories to their present location and condition.**

• **Other costs**

• Installation cost

• Transportation cost

• Carrying cost

**Question # 305: In perpetual Inventory systems inventory is recorded as:**

Receipt of inventory is debited to purchases account.

No recording is made for individual issue in the General Ledger.

Receipt of inventory is credited to Stock Account.

**Issues are Credited to Stock Account and Debited to Material Consumption Account.**

**Question # 306: Which of the following is not a component of financial statement?**

- Balance sheet and Income statement
- Statement of changes in equity
- Cash flow statement
- **None of the above**

**Question # 307: Cash discounts are received on early payment of the outstanding amount.**

These discounts are:

- Non conditional and reduce from the value of the inventory.
- Conditional and reduce from the value of the inventory.
- Non conditional and are not reduced from the value of the inventory.
- **Conditional and are not reduced from the value of the inventory.**

**Question # 308: Stores and spares are valued at:**

- Cost value
- Market value
- **Cost or market whichever is less**
- Cost or market whichever is greater

**Question # 309: Stores and spares include items which may result in \_\_\_\_\_ but are not distinguishable.**

- Revenue expenditure
- **Fixed capital expenditure**
- Both capital and revenue expenditure
- None of the above

**Question # 310: The cost of inventories may not be recoverable if:**

- Those inventories are damaged
- They have become wholly or partially obsolete
- Their selling price has declined
- **All of above**

**Question # 311: IAS 1 suggests certain order for notes to the financial statements. This will assist users when comparing the statements of different entities. By applying above statement, which of the following does not include in IAS**

Statement of compliance with IAS's  
Statement of the measurement basis and accounting policies applied  
Other disclosures

**None of the given options**

**Question # 312: Revenue shall be measured at \_\_\_\_\_ of the consideration received or receivable.**

**• Fair value**

- Cost value
- Discount value
- None of the given options

**Question # 313: Depreciation, maintenance, rent, utilities and management costs of administrative offices are charged to:**

**• Administrative cost**

- Distribution Costs
- Finance Costs
- Cost of Goods Sold

**Question # 314: Under IAS 28 investment in associates is recorded using which of the following method?**

**Equity method**

- Cost & Equity method
- Cost method
- None of the given options

**Question # 315: IAS 36 "Impairment of Assets" defines that recognition of gains / losses is always due to \_\_\_\_\_ of the assets:**

**• Change in Fair value**

- Addition of assets
- Deletion of assets
- Depreciation

**Question # 316: Distribution costs are expenses that are directly related to:**

**• Selling the products of the entity**

- Mark up paid on loans and leases
- Administration and management of the business
- All of the given options

**Question # 317: An entity shall present a statement of changes in equity, showing which of the following on the face of the statement:**

- Profit or loss for the period
- Total income and expense for the period
- Total amounts attributable to equity holders of the parent and to minority interest

• All of the given options

**Question # 318: Other operating income includes which of the following:**

- Income from financial assets
- Income from investments in debts, loans, advances and receivables to each related party
- Income from assets other than financial assets

• All of the given options

**Question # 319: Under which of the following circumstances provision might not be recognized?**

- The board agreed a detailed closure plan on 20 December 20X9 and details were given to customers and employees.
- A Company is obliged to incur clean up costs for environmental damage (That has already been caused)

• A Company intends to carry out future expenditure to operate in a particular way in the future.

- None of the given options

**Question # 320: Cost of goods sold includes which of the following:**

- Sales and distribution costs
- Depreciation, maintenance, rent and utilities

• Direct labor cost

- Advertisement costs

**Question # 321: Management shall use its judgment in developing and applying an accounting policy that results in information that is:**

- a) Relevant to the economic decision making needs of the user
- b) Reliable, in that the financial statements & Neutral
- c) Complete in all material respects & Prudent

d) All of the given options

**Question # 322: Accounting policies should be applied consistently for \_\_\_\_\_ transactions.**

a) Similar

- b) Divergent
- c) Contradictory
- d) Conflicting

**Question # 323: Cash Flow Statement means:**

- a) A statement shows the movement in cash resources of the business
- b) The statement shows the sources from which business generated cash and its application.
- c) A statement analyses operating, investing and financing activities of the business

d) All of the given options

**Question # 324: Ahmed & Co. issued shares how would a bonus issue of shares affect a cash flow statement:**

- a) It would reduce cash flow from operations
- b) It would have no effect on cash flow**
- c) It would increase cash flow from investing activities
- d) It would increase cash flow from financing activities

**Question # 325: Cash flow from operating activities are generally derived from the principal of \_\_\_\_\_ of the business:**

- a) Revenue producing activities**
- b) Capital producing activities
- c) Cash receipts & payment activities
- d) Cash receipts & payment from owner activities

**Question # 326: At the time of inception of lease, in cash flow statement, Asset and**

Liability is recorded in Balance Sheet. However in case of cash flows:

- a) Only payment of Lease Rentals is shown as outflow**
- b) Both payment of finance lease & Lease Rentals is shown as outflow
- c) Only payment of Lease Rentals is shown as inflow
- d) Only payment of finance charge is shown as outflow

**Question # 327: Which of the following statement would be considered as out flow, in the outflow statement?**

- a) The difference between the old and new valuations in the case of the revaluation of fixed assets
- b) Proceeds as a result of selling fixed assets
- c) The depreciation charge for the current year
- d) The repayment of a bank loan**

**Question # 328: Imran & Co. changed LIFO method to FIFO method to value for its finished goods inventory. Whether it is:**

- a) Change in accounting estimates
- b) Prior period errors
- c) Change in accounting policy**
- d) None of the given options

**Question # 329: Which of the following is an example of change in accounting estimates:**

- a) Bad debts
- b) Inventory obsolescence
- c) Warranty obligations
- d) All of the above**

**Question # 330: A prior period shall be corrected by:**

**a) Retrospective restatement**

b) Prospective application

c) Shall not be corrected

d) None of the above

**Question # 331: Reporting Inventory at the lower of cost or market value is a departure from the accounting principle of:**

a) Full disclosure

**b) Historical cost**

c) Consistency

d) Conservatism

**Question # 332: Which of the following is the ability to govern the financial and operating policies of an enterprise so as to obtain from its activities?**

**Control**

Significant Influence

Direct Subsidiary

Indirect Subsidiary

**Question # 333: If stock valuation method is changed every year by the firm, which concept the firm has violated?**

The materiality concept

**The consistency concept**

The prudence concept

The going concern concept

**Question # 334: Preparation and presentation of Financial Statements are governed by:**

Companies Ordinance 1984

International Accounting Standards

International Financial Reporting Standards

**All of the given options**

**Question # 335: Which one of the following is NOT recorded under of Equity section the Balance Sheet?**

Share Premium

Share Capital

Accumulated Profit

**Dividend Payable**

**Question # 336: Which of the following is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction?**

Depreciable Amount

**Fair Value**

Cost

Carrying Amount

**Question # 337: Which of the following IAS deals with Inventories?**

IAS 38

IAS 23

**IAS 02**

IAS 16

**Question # 338: Under which of the following methods for inventory valuation, costs of earliest purchases assumed still to be in inventory?**

FIFO Method

**LIFO Method**

Weighted Average Method

Specific Identification Method

**Question # 339: Which of the following is/are the Classification of Current Assets with respect to the Companies Ordinance 1984?**

Cash Balance

Loans and Advances

Bank Balance

**All of the given options**

**Question # 340: Which of the following is the type of business owned by one person?**

**Sole-Proprietorship**

Partnership

Public Limited Company

Unlimited Company

**Question # 341: Fair presentation means:**

Application of Companies Ordinance, 1984

Income Tax Ordinance, 2001

**IAS with additional disclosure**

None of the given options

**Question # 342: Rendering of services, revenue associated with the transaction can be estimated reliably when, which of the following conditions are satisfied:**

The amount of revenue cannot be measured reliably

It is doubtful that economic benefits associated with the transaction will flow to the entity

**The stage of completion of the transaction at the balance sheet date can be measured reliably**

The cost incurred for the transaction and the cost to complete the transaction cannot be measured reliably

**Question # 343: The stock sheet for the previous year was incorrectly undercasted by Rs. 200,000, whether it is:**

Changes in accounting policy  
Change in accounting estimate

**Prior period error**

None of the given options

**Question # 344: Inventories are carried in the books of accounts according to the methods of valuation given in:**

IAS 28

**IAS 2**

IAS 4

IAS 29

**Question # 345: A public company is required to file a \_\_\_\_\_ with SECP before allotment of shares.**

Prospectus

**Statement in lieu of prospectus**

Articles of Association

None of the given options

**Question # 346: According to the International Accounting Standards any decrease in the value of goodwill is made with the help of:**

Amortization

**Impairment**

Depreciation

None of the given options

**Question # 347: Contingent assets are:**

Recognized as asset in the balance sheet

**Any of the given options depending upon certain condition**

Disclosed in the financial statements

None of the given options

**Question # 348: Which assets are specifically excluded from Financial Assets?**

Investments

Prepaid Expenses

Physical Assets

**Both (b) and (c)**

**Question # 349: A supplier sends you a statement showing a balance outstanding of Rs. 14,350.**

Your own records show a balance outstanding of Rs. 14,500/-

The supplier sent an invoice for Rs. 150 which you have not yet received.

**The supplier has allowed you Rs. 150 cash discount which you had omitted to enter in your ledgers**

You have paid the supplier Rs. 150 which he has not yet accounted for  
You have returned goods worth Rs. 150 which the supplier has not yet accounted for

**Question # 350: Contingent liabilities are:**

**Possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity**

Liabilities to pay for goods or services that have been received or supplied and have been invoiced or formally agreed with the supplier

Both (a) and (b)

None of the given options

**Question # 351: Minimum Lease Payments are:**

The lease rentals payable by the lessee to the lesser

The contingent rent payable by lessee

**All the payments that the lessee can be required to pay to the lesser**

None of the given options

**Question # 352: Discount allowed on issue of shares is:**

Shown as reduction in share capital

Written off as expense

**Charged to share premium account**

Both (a) and (b)

Both (b) and (c)

**Question # 353: The historical cost convention:**

Fails to take account of changing price levels over time

Records only past transactions

Values all assets at their cost to the business, without any adjustment for depreciation

**Has been replaced in accounting records by a system of current cost accounting**

**Question # 354: Liquidity is:**

Excess of income over expenditure

Income generating capability of the business

**Ability of a business to pay its debts in time**

Excess of expenditure over income

**Question # 355: The issue of the shares at discount must be authorized by resolution passed in \_\_\_\_\_ of the company and must be sanctioned by the Commission.**

**1. General Meeting**

2. Extra Ordinary Meeting
3. Statutory Meeting
4. None of the given options

**Question # 356: Property, plant and equipment are carried in the books of accounts in accordance with the requirements of :**

1. IAS 2
2. IAS 4
- 3. IAS 16**
4. IAS 28

**Question # 357: If the closing balance is lower than the difference of the opening balance and depreciation for the Year, it shows:**

- 1. An addition of fixed assets has been taken place**
2. A disposal of fixed assets
3. Fixed assets are installed under finance lease
4. None of the given options

**Question # 358: In case of tangible non-current assets, if a policy of revaluation is adopted for the first time, then this is treated as:**

1. No change in Accounting Policy under IAS 8
2. A change in Accounting Policy
- 3. A revaluation under IAS 16 Property, Plant and Equipment**
4. None of the given options

**Question # 359: Liquidity is defined as:**

1. Excess of income over expenditures
2. Income generating capability of the business
- 3. Ability of a business to pay its debts in time**
4. Excess of expenditures over income

**Question # 360: If an entity declares dividends to the holders of equity instruments after the balance sheet date, the entity shall not recognize those dividends as a :**

1. Equity
2. Deferred Liability
- 3. Liability**
4. Asset

**Question # 361: Which of the following asset is specifically excluded from Financial Assets?**

1. Investments
2. Prepaid Expenses
3. Physical Assets
- 4. Both Prepaid Expenses & Physical Assets**

**Question # 362: Lease accounting is regulated by \_\_\_\_\_ which was introduced because of abuses in the use of lease accounting by companies.**

- 1. IAS 17**
2. IAS 12
3. IAS 39
4. IAS 32

**Question # 363: The issue of the shares at discount must be authorized by resolution passed in \_\_\_\_\_ of the company and must be sanctioned by the Commission.**

- 1. General Meeting**
2. Extra Ordinary Meeting
3. Statutory Meeting
4. None of the given options

**Question # 364: Property, plant and equipment are carried in the books of accounts in accordance with the requirements of:**

1. IAS 2
2. IAS 4
- 3. IAS 16**
4. IAS 28

**Question # 365: Issuance of shares at discount is the inverse of:**

- Issuance of Bonus
- Issuance at Premium**
- Right Shares Issue
- Further Issue

**Question # 366: A private company is not required to issue a \_\_\_\_\_ as it is prohibited by its articles from inviting general public to subscribe for its shares.**

- Cash flow statement
- Prospectus**
- Income statement
- Balance sheet

**Question # 367: Risks and rewards associated with the ownership related to:**

- Finance Lease**
- Operating Lease
- Hire Purchase Agreement
- Installments

**Question # 368: Minimum lease payment (MLP) includes from lesser point of view:**

- Total payment

**Residual value guaranteed by lessee**

Party related to him or third party  
All of the given options

**Question # 369: In operating lease, rental expenses should be charged to:**

Balance sheet

**Profit and loss account**

Income of lessee  
None of the given options

**Question # 370: Fair presentation means:**

Application of Companies Ordinance, 1984  
Income Tax Ordinance, 2001

**IAS with additional disclosure**

None of the given options

**Question # 371: Rendering of services, revenue associated with the transaction can be estimated reliably when, which of the following conditions are satisfied:**

The amount of revenue cannot be measured reliably  
It is doubtful that economic benefits associated with the transaction will flow to the entity

**The stage of completion of the transaction at the balance sheet date can be measured reliably**

The cost incurred for the transaction and the cost to complete the transaction cannot be measured reliably

**Question # 372: Which transaction will cause an increase in capital employed:**

**Receipt of payment from account receivables in cash**

Increasing the provision for bad debts  
Receipt of a loan  
Disposal of a fixed asset for more than its book value

**Question # 373: Income statement formats based on classification of:**

Expenses  
Incomes  
Revenues

**All of the given options**

**Question # 374: Preliminary expenses are an example of:**

Revenue expenditure

**Deferred revenue expenditure**

Capital expenditure  
None of the given options

**Question # 375: The stock sheet for the previous year was incorrectly undercasted by Rs. 200,000, whether it is:**

Changes in accounting policy  
Change in accounting estimate

**Prior period error**

None of the given options

**Question # 376: An example of cash flows from operating activities is:**

**Cash receipt from sale of goods and rendering of services**

Cash payment to acquire property plant and equipment

Proceed from short term financing

Cash payment and receipt from acquisition and disposal other long term assets

**Question # 377: Inventories are carried in the books of accounts according to the methods of valuation given in:**

IAS 28

**IAS 2**

IAS 4

IAS 29

**Question # 378: A public company is required to file a \_\_\_\_\_ with SECP before allotment of shares.**

Prospectus

**Statement in lieu of prospectus**

Articles of Association

None of the given options

**Question # 379: According to the International Accounting Standards any decrease in the value of goodwill is made with the help of:**

Amortization

**Impairment**

Depreciation

None of the given options

**Question # 380: Which one of the following is the example of non-profit oriented organization?**

NGO's

Trusts

Societies

**All of the given options**

**Question # 381: Annual General Meeting (AGM) is required to be held within \_\_\_\_\_ of incorporation.**

06 months

12 months

15 months

**18 months**

**Question # 382: The amount by which the carrying amount of an asset exceeds its recoverable amount is called as:**

**Impairment loss**

Residual value

Depreciation

Fair value

**Question # 383: Which of the following are the examples of development activities?**

Design, construction and testing of pre-production models

Design of tools, jigs moulds dies, involving new technology

Design, construction and operation of pilot plant

**All of the given options**

**Question # 384: Investments made for long term in associated companies, is recorded using \_\_\_\_\_ method of recognition and shown separately in the balance sheet as long-term**

Assets

**Equity**

Cost

Both Cost and Equity

None of the given options

**Question # 385: Costs of purchase of Inventories comprising which of the following:**

Purchase price

Import duties and other taxes

Transport less trade discount, rebate and other similar amounts

**All of the given options**

**Question # 386: under Benchmark Treatment IAS-2, does not recommend the following method of stock valuation for incorporating its value in financial statement.**

FIFO method

The weighted average cost method

**LIFO method**

None of the given options

**Question # 387: A contractual arrangement whereby, two or more parties undertake, an economic activity which is subject to joint control is called \_\_\_\_\_.**

**Joint Venture**

Subsidiary Companies

Associated Companies

None of the given options

**Question # 388: An intangible asset with indefinite useful life shall:**

Be amortized using straight line method

**Not to be amortized**

Be amortized using reducing balance method

Either be amortized using straight line method OR be amortized using reducing balance method

**Question # 389: A complete set of financial statement includes which of the followings:**

A Balance sheet and Income statement

A statement of changes in financial position

Notes, other statements and explanatory material

**All of the given options**

**Question # 390: There is no concept of capital in:**

Sole proprietorship

**NGO's / NPO's**

Partnership

Public Limited Company

**Question # 391: The surplus arising from revaluation of fixed assets of an entity is shown:**

**Separately in the balance sheet**

As indirect income in income statement

Added in the fixed asset

None of the given options

**Question # 392: A Company uses FIFO method to evaluate its stock. The information for the stock is as follows:**

• Opening stock was 10 units at 2 each.

• Purchases were 30 units at Rs. 3 each, and

• Then issues of 12 units were made, followed by issues of 8 units.

Closing stock is valued at:

Rs. 50

Rs. 58

**Rs. 60**

Rs. 70

**Question # 393: The capital maintenance concept implies that:**

The capital of a business should be kept intact by not paying out dividends.

A business should invest its profits in the purchase of capital assets.

Fixed assets should be properly maintained.

**Profit is earned only if the value of an organization's net assets or its Operating capability has increased during the accounting period.**

**Question # 394: The cost of inventories of a service provider does not consist of:**

Costs of personnel directly engaged in providing the service

Supervisory personnel

Attributable overheads

**Labor and other costs relating to sales**

**Question # 395: Statutory Meeting is required to be held within:**

**3 to 6 months**

1 to 3 months

6 to 9 months

9 to 12 months

**Question # 396: Goodwill is most appropriately classified as:**

A fixed asset

**An intangible asset**

A fictitious liability

A semi-fixed asset

**Question # 397: If a Company purchased an Asset for Rs.20, 000. The estimated useful life of asset is ten years. After five years the Book Value of the Asset will be: (using straight line method of depreciation and no residual value)**

16,000

**10,000**

8,000

5,000

**$20000 - \{(20000/10)*5\} = 10000$**

**Question # 398: A complete set of financial statements include:**

A balance sheet

A statement of changes in financial position & Notes, other statements and explanatory material

An income statement

**All of the given options**

**Question # 399: The main aim of accounting is to:**

Maintain ledger accounts for every transaction.

**Provide financial information to users of such information.**

Produce a Trial balance.

Record every financial transaction individually.

**Question # 400: In case of a single member company \_\_\_\_\_ person(s) is (are) required to be nominated to takeover the company in case of a death of the member.**

One

**Two**

Three

Four

**Question #401: Company should be termed as a \_\_\_\_\_ of another company if other company holds more than 50% of its shares or has the power to appoint more than 50% of its directors.**

Associated

**Subsidiary**

Joint Venture

None of the given options

**Question # 402: Directors or shareholders having \_\_\_\_\_ voting power can call for Extraordinary General Meetings (EOGM).**

**10%**

15%

20%

25%

**Question # 403: Quality control during commercial production cost Rs. 10,000/- will be charged to:**

Research expenses

**Development cost**

Profit and Loss account

None of the given options

**Question # 404: Which one of the following is an example of Conversion Cost?**

**Labor and factory overheads**

Labor and work in process

Work in process and finished goods

Factory overhead and work in progress

**Question # 405: Which of the followings are among the non-current assets?**

Tangible and intangible assets

Operating assets

Financial assets of a long term nature

**All of the given options**

**Question # 406: Which one of the following is the concept of the capital maintenance?**

Financial capital maintenance

Physical capital maintenance

**Both Physical and Financial capital maintenance**

None of the given options

**Question # 407: Movement of capital issued and reserves are presented through which of the following statement?**

Cash flow statement

**Statement of changes in equity**

Income statement

Balance sheet

**Question # 408: A maximum limit of the amount of the capital that a company can issue is mentioned in the Memorandum of Association and Article of Association of the company is called:**

**Authorized capital**

Issued capital

Subscribed capital

Paid up capital

**Question # 409: Cost of inventories will consist of which of the following costs?**

Purchase cost

Costs of conversion

Installation costs

**All of the given options**

**Question # 410: A person who acquires shares in a Company is known as a:**

Director

**Shareholder**

Partner

Manager

**Question # 411: The amount of the issued share capital of a company is:**

.. Always equal to the amount of its authorized share capital

.. **Equal to the amount of its issued preference share capital**

.. Equal to the reserves of the company

.. None of the given options

**Question # 412: Contingent liabilities are written in Balance Sheet as:**

.. Long Term Deposits

.. Current Liabilities

.. Long Term Loans

.. **Foot Notes**

**Question # 413: Which of the following is NOT an example of current liability?**

.. Bank overdraft

.. **Loan given to Mr. A for shorter period**

.. Accounts Payable

.. Loan received from Mr. B for shorter period

**Question # 414: Which one of the following is the present obligation of the entity as a result of past event from which future economic benefits are expected to flow to the entity?**

- .. **Asset**
- .. Gain
- .. Liability
- .. Expense

**Question # 415: Which of the following is an increase in the future economic benefits related to an increase in an asset or a decrease of a liability that can be measured reliably?**

- .. Equity
- .. **Income**
- .. Liability
- .. Expense

**Question # 416: Which of the following is TRUE with respect to the Prudence concept?**

- .. Financial Information presented in the financial statements relating to the assets and incomes should not be overstated and relating to liabilities and expenses should not be understated.
- .. Financial Information presented in the financial statements relating to the assets liabilities, expenses and incomes should not be overstated.
- .. Financial Information presented in the financial statements relating to the assets liabilities, expenses and incomes should not be understated.
- .. **Financial Information presented in the financial statements relating to the assets and incomes should not be understated and relating to liabilities and expenses should not be overstated.**

**Question # 417: The accruals concept:**

- .. Applies to revenue and expenses only
- .. Applies to assets and liabilities only
- .. **Applies to revenue, expenses, assets and liabilities**
- .. Is not a fundamental accounting concept

**Question # 418: Which of the following is TRUE with respect to the disclosure requirements of Trade Debts?**

- .. **Provision for doubtful debts is deducted from the doubtful debts**
- .. Doubtful debts is deducted from the Provision for doubtful debts
- .. Doubtful debts and its Provision is shown separately as asset
- .. Provision for doubtful debts is not taken into consideration

**Question # 419: Trade debts secured are to be shown in the balance sheet under the head of:**

- .. Non Current Assets
- .. Current Liabilities
- .. **Current Assets**
- .. Capital

**Question # 420: Which of the following is NOT the type of Market Risk?**

- .. Price Risk
- .. **Liquidity Risk**
- .. Interest Rate Risk
- .. Currency Risk

**Question # 421: Which one of the following is NOT an example of Financial Instruments?**

- .. **Inventories**
- .. Loans payable
- .. Share capital
- .. Debentures

**Question # 422: Which of the following IAS mainly covers Financial Instruments of other long term investments?**

- .. IAS 27 & 32
- .. IAS 28 & 39
- .. **IAS 32 & 39**
- .. IAS 31 & 32

**Question # 423: Which one of the following is related to the IAS 27?**

- .. **Consolidated and Separate Financial Statements**
- .. Interest in Joint Venture
- .. Financial Instruments Disclosure and Presentation
- .. Financial Instruments Recognition and Measurement

**Question # 424: A fixed asset cost Rs. 8,000; it is sold for Rs. 4,800. At the date of its disposal, its net book value is Rs. 3,000. What is the profit or loss on disposal?**

- .. Profit Rs. 3,200
- .. Loss Rs. 3,200
- .. Loss Rs. 1,800
- .. **Profit Rs. 1,800**

**Question # 425: A firm depreciated its fixed assets purchased on January 01, 1993 at the rate of 25% per annum using the reducing balance method. If the total depreciation charged on these assets up to 31<sup>st</sup> December, 1995 was Rs. 23,125, their net book value at that date was:**

- .. Rs. 16,875
- .. Rs. 17,500
- .. **Rs. 7,708**

.. Rs. 10,000  
..  $(23125/0.75) - 23125 = 7708$

**Question # 426: Which of the following is NOT the Classification of Current Assets with respect to the Companies Ordinance 1984?**

- .. Stock
- .. General Stores
- .. Spare parts
- .. **Fixture**

**Question # 427: Which one of the following methods for inventory valuation is most conservative method during periods of rising prices?**

- .. FIFO Method
- .. Weighted Average Method
- .. Specific Identification Method
- .. **LIFO Method**

**Question # 428: According to the Allowed Alternative Treatment, Which of the following method is used for stock valuation?**

- .. FIFO Method
- .. **LIFO Method**
- .. Weighted Average Method
- .. Specific Identification Method

**Question # 429: Which of the following information must be disclosed in case of loan and advances to subsidiary companies?**

- .. The name of each borrower
- .. Amount of loans and advances
- .. The terms of loan and the particulars of collateral security held
- .. **All of the given options**

**Question # 430: Which of the following is (are) related with the IAS 23?**

- .. Qualifying Assets
- .. Amount to be capitalized
- .. Capitalization period
- .. **All of the given options Page 30**

**Question # 431: Revaluation of asset is conducted by:**

- .. Directors
- .. Shareholders
- .. Managers
- .. **Professional Qualified Value's**

**Question # 432: Which one of the following subsequent expenditure can be capitalized?**

- .. **Modification of an item of Plant to extend its useful life or capacity**

- .. Expenditure on repairs and maintenance of Property Plant and Equipment that is made to restore or maintain the economic benefit from it
- .. New tires placed on a motor car
- .. None of the given options

**Question # 433: Which of the following asset is recorded in Balance Sheet under the heading of Current Assets?**

- .. Furniture
- .. Deferred Cost
- .. Land
- .. **Prepayments**

**Question # 434: If the holding company owns 100% shares of the subsidiary company then the subsidiary type will be termed as:**

- .. Partially Owned Subsidiary
- .. **Wholly Owned Subsidiary**
- .. Direct Subsidiary
- .. Indirect Subsidiary

**Question # 435: Which of the following IAS deals with the term Significant Influence in associate companies?**

- .. IAS 07
- .. IAS 27
- .. **IAS 28**
- .. IAS 01

**Question # 436: Which of the following sections of the Companies Ordinance 1984 is related to the Annual General Meeting?**

- .. Section 160
- .. **Section 158**
- .. Section 159
- .. Section 157

**Question # 437: Which of the following types of business can maintain the secrecy in all business matters?**

- .. **Sole-proprietorship**
- .. Partnership
- .. Public Limited Company
- .. Private Limited Company

**Question # 438: Which of the following types of business has the burden of unlimited liability?**

- .. Private Limited Company
- .. **Sole-proprietorship**
- .. Single Member Company
- .. Public Limited Company

**Question # 439: Which of the following refers to the relation between persons who have agreed to share the profits of a business carried on by all or any of them acting for all?**

.. Sole – proprietorship

. **Partnership**

. Company

Trust