

FINAL ANSWER KEY

Question 119/2025/OL

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Department Kerala State Electricity Board Ltd.

Question1:-Mr. A started a business with Rs. 10,00,000 of his personal savings. He also paid his son's school fees of Rs. 50,000 from the business account. As per accounting principles, how should this transaction be treated in the business books?

A:-Recorded as business expense since it is paid from the business account

B:-Ignored, as it is personal in nature

C:-Recorded as drawings, reducing owner's capital

D:-Added to salaries expense of the firm

Correct Answer:- Option-C

Question2:-A company prepares its financial statements every year from 1st April to 31st March, even though the business is expected to continue indefinitely. Which accounting assumption justifies dividing the life of the business into such reporting intervals?

A:-Going Concern

B:-Matching Concept

C:-Periodicity Concept

D:-Conservatism convention

Correct Answer:- Option-C

Question3:-A company consistently follows FIFO method of stock valuation. In the current year, it decides to shift to Weighted Average method for better presentation. Which principle should it comply with while making this change?

A:-Consistency

B:-Full Disclosure

C:-Materiality

D:-Dual Aspect

Correct Answer:- Option-B

Question4:-A machine costing Rs. 5,00,000 has a resale market value of Rs. 6,00,000, but the company continues to record it at purchase price minus depreciation. Which concept is being followed?

A:-Conservatism

B:-Cost Concept

C:-Going Concern

D:-Matching

Correct Answer:- Option-B

Question5:-A firm has a pending court case. If it loses, it may have to pay Rs. 50,00,000. The outcome is uncertain and will be decided next year. As per accounting conventions and standards, how should this be treated in the current year's financial statements?

A:-Show Rs. 50,00,000 as an expense in the Profit and Loss Account, reducing current year's profit

B:-Recognise Rs. 50,00,000 as a liability in the Balance Sheet, even though the payment is uncertain

C:-Disclose the possible liability in the Notes to Accounts, without adjusting the Profit and Loss Account

D:-Ignore it completely since no cash outflow has occurred yet and recognition may mislead users

Correct Answer:- Option-C

Question6:-A business has invested in shares worth Rs. 2,00,000. By year-end their market value fall to Rs. 1,50,000. The accountant wants to show them at cost in the Balance Sheet, but the auditor insists on showing at lower of cost or market price. Which principle is the auditor applying?

A:-Matching

B:-Realisation

C:-Conservatism

D:-Accrual

Correct Answer:- Option-C

Question7:-Company X decides not to disclose a small loss of Rs. 5,000 in its notes to accounts, arguing that it is insignificant compared to turnover of Rs. 50 crore. Which principle justifies this action, and does it violate any other principle?

A:-Justified by Materiality, not a violation

B:-Justified by Conservatism, but violates Full Disclosure

C:-Justified by consistency, but violates Prudence

D:-Justified by Entity Concept, no violation

Correct Answer:- Option-A

Question8:-A company spends Rs. 2,00,000 on repainting and repairing its old machinery. The expenditure does not improve the efficiency or life of the machinery, but it helps to keep the asset in usable condition. How should this expenditure be treated in the books of accounts?

A:-Add it to the cost of machinery

B:-Charge it to the profit and loss account

C:-Spread over multiple years

D:-Record it as capital expenditure considering the high value involved

Correct Answer:- Option-B

Question9:-A company spends Rs. 15,00,000 on an aggressive advertisement campaign to launch a new product, and management expects the benefit to last for three years. As per current accounting standards (Ind AS/IAS), how should this expenditure be treated?

A:-Recognised as an intangible asset and amortised over three years

B:-Recognised as deferred revenue expenditure and written off over three years

C:-Charged entirely to the Statement of Profit and Loss in the year of incurrence

D:-Capitalised under miscellaneous expenditure until fully written off

Correct Answer:- Option-C

Question10:-Assertion (A) : A company replaces the roof of its factory at a cost of Rs. 4,00,000 and the replacement increases the building's remaining useful life by 10 years; the cost should be capitalised.

Reason (R) : Subsequent expenditure on property, plant and equipment is capitalised when it is probable that future economic benefits will flow to the entity and the cost can be measured reliably.

Choose the correct option based on A and R:

A:-Both A and R are true, and R is the correct explanation of A

B:-Both A and R are true, but R is not the correct explanation of A

C:-A is true but R is false

D:-A is false but R is true

Correct Answer:- Option-A

Question11:-Which of the following is the capital receipt but not capital profit?

A:-Sale of machinery above book value

B:-Issue of shares at a premium

C:-Capital subsidy from government

D:-Loan taken from bank

Correct Answer:- Option-D

Question12:-A company sells an old machine for Rs. 12,00,000; its original cost was Rs. 10,00,000 and accumulated depreciation till the date of sale was Rs. 7,00,000.

Assertion (A) : The profit on sale of the machine can be transferred to General Reserve and treated as a free reserve.

Reason (R) : Any gain realised in cash from disposal of fixed assets is a capital profit, and all capital profits are automatically eligible to be distributed as dividends or transferred to free reserves.

Choose the correct option based on A and R:

A:-Both A and R are true, and R is correct explanation of A

B:-Both A and R are true, but R is not the correct explanation of A

C:-A is true but R is false

D:-A is false but R is true

Correct Answer:- Option-C

Question13:-A company incurs the following expenses in a year:

1. Rs. 5,00,000 spent on extensive repairs of machinery, increasing its life by 5 years
2. Rs. 3,00,000 spent on legal fees for acquiring a new building.
3. Rs. 4,00,000 paid as damages for breach of contract

Which of the following is the correct classification?

A:-1. Capital Expenditure 2. Capital Expenditure 3. Capital loss

B:-1. Revenue Expenditure 2. Capital Expenditure 3. Revenue Expenditure

C:-1. Capital Expenditure 2. Revenue Expenditure 3. Capital Loss

D:-1. Revenue Expenditure 2. Revenue Expenditure 3. Capital Loss

Correct Answer:- Option-A

Question14:-A warehouse (book value Rs. 40,00,000) is destroyed by fire; insurance claim admitted is Rs. 55,00,000, payable next year. How should this be treated?

A:-Record Rs. 55,00,000 as capital receipt and Rs. 15,00,000 as realised profit

B:-Record only Rs. 40,00,000 as capital receipt; treat Rs. 15,00,000 as contingent

C:-Pass no entry until insurance money is received

D:-Write off asset at Rs. 40,00,000 record claim receivable Rs. 55,00,000, and recognise Rs. 15,00,000 profit as capital profit on realisation

Correct Answer:- Option-D

Question15:-Debit means:

A:-An increase in the equity of proprietor

B:-An increase in liability

C:-A decrease in asset

D:-An increase in asset

Correct Answer:- Option-D

Question16:-On purchase of a machine, the company paid Rs. 2000 as erection charges of machine. For recording this

A:-Wages account is debited

B:-Machinery account is debited

C:-Installation charges account is debited

D:-Wages account is credited

Correct Answer:- Option-B

Question17:-Patent account is an example for:

A:-Personal account

B:-Real account

C:-Expense account

D:-Nominal account

Correct Answer:- Option-B

Question18:-Vimal has to pay Rs. 50,000 to Venu's enterprise. He got a discount of Rs. 1000 for immediate payment of the amount within ten days. This is an example of

A:-Cash discount

B:-Trade discount

C:-Discount for bulk payment

D:-Discount on trade

Correct Answer:- Option-A

Question19:-Among the following accounts which has a credit balance?

A:-Carriage Inward

B:-Carriage Outward

C:-Return Inward

D:-Return Outward

Correct Answer:- Option-D

Question20:-_____ is also known as Invoice book.

A:-Sales day book

B:-Sales return book

C:-Purchase day book

D:-Purchase return book

Correct Answer:- Option-C

Question21:-A purchased goods worth Rs. 2500 from B and later identified that some items are of low quality and returned goods worth Rs. 800 to B. The document prepared and send by A along with the goods returned is called:

A:-Debit Note

B:-Credit Note

C:-Proforma Invoice

D:-Return Statement

Correct Answer:- Option-A

Question22:-While preparing trial balance Akhil noticed a difference of Rs. 2000. The difference shall be transferred to

A:-Journal Proper

B:-Cash book

C:-Suspense Account

D:-None of these

Correct Answer:- Option-C

Question23:-Opening entries are recorded in

A:-Balance Sheet

B:-Ledger

C:-Cash book

D:-Journal Proper

Correct Answer:- Option-D

Question24:-Total drawings from drawings account is transferred to Capital Account. The entry passed for this transfer is called:

A:-Closing entry

B:-Adjusting entry

C:-Transfer entry

D:-Rectifying entry

Correct Answer:- Option-C

Question25:-Identify a contra entry:

A:-Withdrew Rs. 1000 from the bank

B:-Withdrew from bank for private use Rs. 8000

C:-Paid salary by cheque Rs. 9000

D:-Placed Rs. 75,000 for fixed deposit in bank

Correct Answer:- Option-A

Question26:-A credit purchase of the amount of Rs. 8,000 made from Soorya has been wrongly recorded by debiting Soorya's account. This is an example of

A:-Error of commission

B:-Error of Omission

C:-Error of wrong entry

D:-Compensating Error

Correct Answer:- Option-A

Question27:-The purchase of a new furniture of Rs. 30,000 is wrongly recorded as office expense. This can be rectified by

A:-Debiting cash account

B:-Crediting office expense

C:-Debiting office expense

D:-Crediting cash account

Correct Answer:- Option-B

Question28:-Imprest system is used for maintaining

A:-Double Column cash book

B:-Three column cash book

C:-Petty cash book

D:-Single column cash book

Correct Answer:- Option-C

Question29:-Which Indian Accounting Standard formerly dealt exclusively with Depreciation Accounting before convergence with Ind AS?

A:-AS 7

B:-AS 6

C:-AS 10

D:-AS 16

Correct Answer:- Option-B

Question30:-Under the Written Down Value (Diminishing Balance) method, depreciation is calculated on:

A:-Original cost

B:-Book value at beginning of year

C:-Scrap value

D:-Market value

Correct Answer:- Option-B

Question31:-As per Ind AS 16, change in method of depreciation should be treated as:

A:-Prior period item

B:-Change in accounting estimate

C:-Fundamental error

D:-Accounting policy change

Correct Answer:- Option-B

Question32:-Depreciation is a

A:-Capital Expenditure

B:-Revenue Expenditure

C:-Deferred Revenue Expenditure

D:-Loss

Correct Answer:- Option-B

Question33:-The method of depreciation most suited for assets whose loss of value is based on their actual production is:

A:-Sum of the years digit

B:-Units of Production

C:-Diminishing Balance

D:-Annuity

Correct Answer:- Option-B

Question34:-As per Income Tax Act, which methods are allowed for computing depreciation?

- A:-Straight Line and Depletion
- B:-Written Down Value and Straight Line
- C:-Sinking Fund and WDV
- D:-Units of Production and SLM

Correct Answer:- Option-B

Question35:-The main purpose of providing for depreciation in accounts is to:

- A:-To ensure that assets are replaced which they are worn out
- B:-To spread the cost of asset over their useful life
- C:-To make sure that cash is available to replace assets which they are worn out
- D:-To show what assets are worth in the balance sheet

Correct Answer:- Option-B

Question36:-Which of these causes the cash book to show a higher balance than the passbook?

- A:-Bank charges not entered in the cash book
- B:-Cheques issued but not presented
- C:-Interest credited by the bank not in the cash book
- D:-Direct deposits by customers not recorded

Correct Answer:- Option-A

Question37:-When reconciling starting with an overdraft as per passbook, which item is subtracted to compute the cash book overdraft?

- A:-Cheques deposited but not yet credited
- B:-Cheques issued but not presented
- C:-Interest debited by the bank not in cash book
- D:-Overcasting of debit side of cash book

Correct Answer:-**Question Cancelled**

Question38:-Which item is always added to the passbook balance, while preparing bank reconciliation statement?

- A:-Dividend directly collected by bank
- B:-Direct deposit by a customer into our bank a/c
- C:-Cheques issued but not presented
- D:-Cheque deposited but not recorded in cash book

Correct Answer:-**Question Cancelled**

Question39:-NSF (not sufficient funds) cheques returned by the bank lead to:

- A:-Increase in passbook balance
- B:-Decrease in cash book balance
- C:-No impact
- D:-Increase in cash book balance

Correct Answer:- Option-B

Question40:-Which error will not cause a difference between cash book and passbook balance?

- A:-Bank charges omitted in cash book
- B:-Cheque deposited but not yet credited
- C:-Error of posting in the sales day book
- D:-Direct payment by bank not in cash book

Correct Answer:- Option-C

Question41:-When starting reconciliation with credit balance as per cash book, which item must be added?

- A:-Cheques deposited but not yet credited
- B:-Payments by standing instruction only in passbook
- C:-Interest on OD by bank but not in cash book
- D:-Cheques issued but not yet presented

Correct Answer:- Option-D

Question42:-The customer always prepares her bank reconciliation statement with her cash book balance. If the bank debits customer account for charges not yet recorded in the cash book, this should be:

- A:-Added to passbook balance
- B:-Deducted from cash book balance
- C:-Added to cash book balance
- D:-Deducted from passbook balance

Correct Answer:- Option-B

Question43:-Which of the following schedules of Companies Act, 2013 specifies the form and contents of financial statements of a company?

- A:-Schedule I
- B:-Schedule II
- C:-Schedule III
- D:-Schedule IV

Correct Answer:- Option-C

Question44:-Which of the following statement is/are correct with regard to proposed dividend?

- i. Proposed dividend is treated as a contingent liability.
- ii. proposed dividend of the previous year will be accounted in the current year after it is approved by the shareholders in their Annual General Meeting.

iii. The approved proposed dividend is shown as deduction from Reserves and Surplus in the current year's balance sheet.

A:-only i and ii

B:-Only ii and iii

C:-Only i and iii

D:-All of the above i, ii and iii

Correct Answer:- Option-D

Question45:-Share application money pending allotment (not refundable) is shown in Balance Sheet as _____.

A:-Shareholders' fund

B:-Non-Current Liabilities

C:-A separate line item under Equities and Liabilities

D:-Current Liabilities

Correct Answer:- Option-C

Question46:-Interest paid on security deposits in the case of a non-financial enterprise is a cash flow from which of the following categories?

A:-Cash flow from operating activities

B:-Cash flow from investing activities

C:-Cash flow from financing activities

D:-None of the above

Correct Answer:- Option-C

Question47:-Calls paid in advance are shown under which of the following head?

A:-Current Liabilities

B:-Non-Current Liabilities

C:-Current Assets

D:-Non-Current Assets

Correct Answer:- Option-A

Question48:-Advance given for the procurement of fixed asset is a _____.

A:-Long term advance

B:-Capital work in progress

C:-Short term advance

D:-None of the above

Correct Answer:- Option-A

Question49:-Which of the following statement is/are correct?

i. Share Options Outstanding Account is coming under Reserve and Surplus.

ii. Deferred tax liability is a current liability

iii. Appropriation of profit is reflected in the statement of Profit and Loss

A:-Only i

B:-Only ii and iii

C:-Only i and ii

D:-All of the above i, ii and iii

Correct Answer:- Option-A

Question50:-Which of the following sections of the Companies Act, 2013 specifies that a company with one or more subsidiaries or associate companies shall prepare a consolidated financial statement of the company and of all subsidiaries and associate companies in the prescribed form?

A:-Section 129(1)

B:-Section 129(2)

C:-Section 129(3)

D:-Section 129(4)

Correct Answer:- Option-C

Question51:-State True or False based on Accounting Standard I (Disclosure of Accounting Policies)

Statement A : Any change in the accounting policies which has a material effect in the current period or in later periods should be disclosed.

Statement B : If such amount is not ascertainable wholly or in part, the fact need not to be disclosed.

A:-Both statements are True

B:-Both statements are False

C:-Only A is correct

D:-Only B is correct

Correct Answer:- Option-C

Question52:-As per Accounting Standard 20 (Earnings Per Share) basic earnings per share is obtained by dividing net profit attributable to equity shareholders with:

A:-Number of shares issued

B:-Authorised Share Capital

C:-Number of shares as on 31st March

D:-Weighted average number of equity shares outstanding during the period

Correct Answer:- Option-D

Question53:-Cash flow statement is helpful for the used in which the following area:

A:-To determine the future requirement of cash and cash equivalents

B:-To study the insolvency and liquidity position of an enterprise

C:-To check the accuracy of past assessments of future cash flows

D:-All the above

Correct Answer:- Option-D

Question54:-As per accounting standards 2 (Valuation of Inventory) Work in Progress is valued at:

- A:-Lower of cost or net realizable value
- B:-Lower of cost
- C:-Net realisable value
- D:-Realisable value less selling expense

Correct Answer:- Option-A

Question55:-The treatment of cost of right shares while valuing investments

- A:-Added to the cost of investments
- B:-Subtracted from the cost of investments
- C:-No adjustments required
- D:-Only number of shares added

Correct Answer:- Option-A

Question56:-Identify the correct statement to sale and lease back of operating lease where selling price at fair market value:

- A:-Recognise loss immediately
- B:-Profit or loss should recognise immediately
- C:-Defer and amortise loss
- D:-Difference between carrying amount and fair value to be immediately recognised

Correct Answer:- Option-B

Question57:-As per accounting standards 38 (Intangible Asset) identify intangible asset:

- A:-Patent
- B:-Motion picture film
- C:-All of these
- D:-Franchises

Correct Answer:- Option-C

Question58:-Identify the model used to value the investment property:

- A:-GAAP Model
- B:-Cost Model
- C:-Market value model
- D:-Ascertainable value model

Correct Answer:- Option-B

Question59:-"A liability which can be measured only by using substantial degree of execution" - The statement defines:

- A:-Contingent liability

B:-Provision

C:-Liability

D:-Obligating event

Correct Answer:- Option-B

Question60:-State True or False:

Statement A : Exchange differences on forward exchange contract should be recognised in the statement of profit and loss in the reporting period in which the exchange rates change.

Statement B : Any profit or loss arising on cancellation or renewal of such a forward exchange contract should not be recognised as income or as expense for the period.

A:-Both statements are True

B:-Both statements are False

C:-Only A is correct

D:-Only B is correct

Correct Answer:- Option-C

Question61:-Which of the following method is used for the recognition of revenue from service transactions?

A:-Proportionate completion method

B:-Completed service contract method

C:-Both 1 and 2

D:-None of these

Correct Answer:- Option-C

Question62:-A group of contracts should be treated as a single construction contract when

A:-Separate proposals are submitted for each asset

B:-Contracts are so closely interrelated that they form a single project with overall profit margin

C:-All of these

D:-Costs and revenues of each asset can be identified separately

Correct Answer:- Option-B

Question63:-While calculating borrowing cost exchange differences on foreign currency borrowings are treated as borrowing costs up to:

A:-The difference between interest on local and foreign borrowings

B:-The entire exchange difference

C:-50% of the exchange loss

D:-None of the above

Correct Answer:- Option-A

Question64:-On sale of an asset which was revalued upwards, how will you treat the Revaluation Reserve?

- A:-Revaluation Reserve Credited to P/L as realised profit
- B:-Revaluation Reserve Credited to Retained Earnings
- C:-No change, as profit already impacts P/L
- D:-Revaluation Reserve deduct from the asset value directly

Correct Answer:- Option-B

Question65:-Which of the following is not considered as Consolidated Financial Statements?

- A:-Consolidated Balance Sheet
- B:-Consolidated Profit and Loss Account
- C:-All of these
- D:-Notes to Accounts, other statement and explanatory material

Correct Answer:- Option-C

Question66:-As per AS 4 (Contingencies and Events occurring after the Balance Sheet Date), Select the correct statement related to contingent gains.

- A:-Recognised immediately in financial statements
- B:-Adjusted in Balance Sheet
- C:-Not recognised until virtually certain
- D:-Recognise immediately with a notes to accounts

Correct Answer:- Option-C

Question67:-Change in useful life of an asset resulting in revised depreciation is an example of:

- A:-Prior period item
- B:-Change in accounting estimate
- C:-Extraordinary item
- D:-Error of omission

Correct Answer:- Option-B

Question68:-While preparing Balance Sheet, deferred tax assets and liabilities are shown:

- A:-Along with current tax assets and liabilities
- B:-Can be netted off without conditions
- C:-Need not be shown separately
- D:-Separately from current assets and liabilities

Correct Answer:- Option-D

Question69:-Comparative Balance Sheet for interim reports are prepared by taking:

- A:-End of current interim period and immediately preceding financial year

B:-End of current interim period and previous interim period balance sheet

C:-Last two years' balance sheet

D:-None of these

Correct Answer:- Option-A

Question70:-As per Accounting Standard 2 (Valuation of Inventories) Abnormal wastage of materials and labour should be

A:-Included in cost of inventories

B:-Transferred to Profit and Loss A/c

C:-Capitalised as part of fixed assets

D:-Shown as deferred cost

Correct Answer:- Option-B

Question71:-Which of the following is true?

i. Financial accounting draws information from cost accounting.

ii. Financial accounting and cost accounting reveals financial position of the firm as on a particular date.

iii. Principle for valuing stock is based on the Net Realizable Value in cost accounting.

A:-Only i

B:-Only ii

C:-Only iii

D:-All the above i, ii and iii

Correct Answer:- Option-C

Question72:-The purpose of job analysis is to:

i. Determine tasks which comprises the job.

ii. Determine duties and responsibilities of a job.

iii. Determine the relative worth of a job within an organization

A:-i Only

B:-ii Only

C:-ii and iii

D:-i and ii

Correct Answer:- Option-D

Question73:-System of wage payment where workers do not get any reward for time saved

i. Time wage

ii. Piece rate

iii. Time wage and Piece rate

A:-i Only

B:-ii Only

C:-iii Only

D:-All the above

Correct Answer:- Option-A

Question74:-Which of the following belongs to variable overhead?

- i. Spoilage
- ii. Lubricants
- iii. Idle time

A:-i Only

B:-i and ii only

C:-ii and iii only

D:-i, ii and iii

Correct Answer:- Option-D

Question75:-Which of the following is not an inventory carrying cost?

- i. Cost of obsolescence
- ii. Insurance
- iii. Storage cost

A:-i and ii

B:-ii and iii

C:-i and iii

D:-None of the above

Correct Answer:- Option-D

Question76:-Basis of apportionment of crèche expenses is:

A:-Number of casual workers

B:-Number of male workers

C:-Number of female workers

D:-Number of skilled workers

Correct Answer:- Option-C

Question77:- Which of the following is true regarding ABC analysis?

- i. Used for selective material control
- ii. Used for control of spare parts
- iii. Measures the cost significance of materials

A:-i and ii

B:-i and iii

C:-ii and iii

D:-all are true

Correct Answer:- Option-B

Question78:-The main objective of motion study is

- i. To determine the proper time to complete the job
- ii. To determine the best way of performing an operation
- iii. To fix the standard time to do each operation

A:-i only

B:-ii only

C:-iii only

D:-All the above i, ii and iii

Correct Answer:- Option-B

Question79:-The incidence of selling and distribution overhead depends on

- i. Distance of market
- ii. Extent of competition
- iii. Terms of sales

A:-Only i

B:-i and ii

C:-ii and iii

D:-All the above i, ii and iii

Correct Answer:- Option-D

Question80:-Overhead cost is the aggregate of

- i. Direct material, direct labour and indirect expenses
- ii. Indirect material, indirect labour and direct expenses
- iii. Indirect material, indirect labour and indirect expenses

A:-i only

B:-ii only

C:-iii only

D:-None of the above

Correct Answer:- Option-C

Question81:-Under absorption happens when

- i. A pre-determined rate is used based on budgeted overhead
- ii. The amount absorbed is less than the amount incurred
- iii. Actual expenses exceed the estimates

A:-i and ii

B:-i and iii

C:-ii and iii

D:-All the above i, ii and iii

Correct Answer:- Option-D

Question82:-Which of the following is an example for normal idle time?

A:-Tea break

B:-Machine setups

C:-Job transition

D:-All of the above

Correct Answer:- Option-D

Question83:-Statement : Prime cost consists of all direct costs incurred in production:

Assertion : Factory overhead is a direct cost and should be included in prime cost.

- A:-Both statement and assertion are true
B:-Statement is true but assertion is false
C:-Statement is false but assertion is true
D:-Both statement and assertion are false
Correct Answer:- Option-B

Question84:-In preparing cost sheet, Administrative expenses are added to:

- A:-Prime cost
B:-Works cost
C:-Production cost
D:-Total cost

Correct Answer:- Option-B

Question85:-Which of the following statements about carriage inward on raw materials are True?

- I. It is treated as direct material cost
II. It increases the cost of raw materials
III. It is included in prime cost calculation
IV. It is classified as factory overhead

- A:-I, II and III only
B:-I, II and IV only
C:-II, III and IV only
D:-All statements are true

Correct Answer:- Option-A

Question86:-Depreciation on Plant and Machinery used in production should be included in:

- A:-Direct Expenses
B:-Administrative expenses
C:-Factory overheads
D:-Prime costs

Correct Answer:- Option-C

Question87:-Assertion A : Depreciation on factory machinery should be classified as fixed factory overhead in cost sheet preparation.

Reason R : Depreciation does not vary with the level of production and remains constant over the accounting period.

Which evaluation is correct regarding overhead classification?

- A:-Both A and R are correct. R properly explains A
B:-A is correct, R is incorrect - depreciation can vary with production
C:-A is incorrect, R is correct depreciation should be direct cost
D:-Both A and R are incorrect

Correct Answer:- Option-B

Question88:-While preparing a cash budget, which of the following items should be excluded?

- I. Depreciation on fixed assets
- II. Provision for bad debts
- III. Proposed dividend payment
- IV. Amortization of Intangible assets
- V. Unrealized gains on investments

A:-I, II and IV only

B:-I, II, IV and V only

C:-I, IV and V only

D:-All items should be excluded

Correct Answer:- Option-B

Question89:-The primary objective of budgetary control is to:

A:-Maximise profits

B:-Minimize costs

C:-Plan and control business operations

D:-Calculate depreciation

Correct Answer:- Option-C

Question90:-Rolling budgets are most suitable for:

A:-Stable business environments

B:-Volatile and uncertain business environments

C:-Government organizations only

D:-Non-Profit organizations only

Correct Answer:- Option-B

Question91:-Choose the correct option based on the given statements:

Statement I: Flexible budgets adjust automatically with changes in activity levels.

Statement II : Flexible budgets are prepared after the budget period ends.

A:-Both statements are true

B:-Statement I is false, Statement II is true

C:-Statement I is true, Statement II is false

D:-Both Statements are false

Correct Answer:- Option-C

Question92:-Choose the correct option based on the given statements:

Statement I: Master budget includes both operating and financial budgets

Statement II: Master budget is prepared before financial budgets

A:-Both statements are true

B:-Statement I is true, Statement II is false

C:-Statement I is false, Statement II is true

D:-Both statements are false

Correct Answer:- Option-B

Question93:-Choose the correct option based on assertion and reason analysis:

Assertion A: Programme budgeting is most suitable for profit-oriented organizations.

Reason R: Programme budgeting focuses on achieving specific objectives and outcomes.

A:-Both A and R are true, and R is the correct explanation of A

B:-Both A and R are true, and R is not the correct explanation of A

C:-A is true, but R is false

D:-A false, but R is true

Correct Answer:- Option-D

Question94:-Activity-Based Budgeting (ABB) is an extension of:

A:-Standard costing

B:-Activity-Based Costing (ABC)

C:-Marginal costing

D:-Absorption costing

Correct Answer:- Option-B

Question95:-Choose the correct option based on assertion and reason analysis:

Assertion A: Master budget should be prepared before functional budgets.

Reason R: Master budget provides the framework for all other budgets

A:-Both A and R are true, and R is the correct explanation of A

B:-Both A and R are true, but R is not the correct explanation of A

C:-A is true, but R is false

D:-A is false, but R is true

Correct Answer:- Option-D

Question96:-Rule 3 of Cost Records and Audit Rules, 2014 specifies maintenance of cost records. Which of the following scenarios would require Mandatory compliance?

I. A pharmaceutical company with turnover of Rs. 40 crores manufacturing bulk drugs

II. A steel company with turnover of Rs. 80 crores engaged in manufacturing of iron and steel

III. A cement company with turnover Rs. 45 crores, producing ordinary Portland cement

IV. An electricity distribution company with turnover of Rs. 200 crores.

- A:-I, II and III only
- B:-I, II and IV only
- C:-I, III and IV only
- D:-All of the above

Correct Answer:- Option-A

Question97:-Cost audit report shall be signed by:

- A:-Cost auditor only
- B:-Company Secretary only
- C:-Both cost auditor and company secretary
- D:-Managing Director only

Correct Answer:- Option-A

Question98:-Choose the correct option based on the given statements :

Statement I : Cost auditor independence requires no business relationship with the company.

Statement II: Cost auditor can hold securities in the company subject to certain limits.

- A:-Both statements are true
- B:-Statement I is true, Statement II is false
- C:-Statement I is false, Statement II is true
- D:-Both statements are false

Correct Answer:- Option-B

Question99:-Assertion A: Cost audit is not applicable to government companies.

Reason R : Government companies have different regulatory frameworks and oversight mechanism.

- A:-Both A and R are true, and R is the correct explanation of A
- B:-Both A and R are true, but R is not the correct explanation of A
- C:-A is true, but R is false
- D:-A is false, but R is true

Correct Answer:- Option-D

Question100:-Statement I: Cost audit is applicable to all manufacturing activities of a covered company.

Statement II: Service activities are excluded from cost audit scope.

- A:-Both Statements are true
- B:-Statement I is true, Statement II is false
- C:-Statement I is false, Statement II is true
- D:-Both Statements are false

Correct Answer:- Option-D