

**National Accounting Talent Search February 2020 (SENIOR LEVEL)**



**Indian Accounting Association**

**National Accounting Talent Search 2020**

**SENIOR LEVEL**

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1. The objective of financial management to increase the wealth of the shareholders means to –
  - A. Increase the physical assets of the firm
  - B. Increase the market value of shares of the firm
  - C. Increase the net profit of the firm
  - D. Increase the cash balance of the company
2. The return on investment of a firm is 14% and cost of equity capital is 12%. In order to maximize the value of a firm according to Walter Model, the firm should –
  - A. Pay entire earnings as dividend
  - B. Not pay any dividend
  - C. Should pay half of the earnings as dividend
  - D. Be indifferent about the dividend policy
3. If the degree of financial leverage of a firm is zero, then which of the following statements is true?
  - A. The interest expenses of the firm is zero
  - B. No preference dividend is payable
  - C. The EBIT of the firm is zero
  - D. No tax is payable by the firm
4. Which of the following represents the variability of returns due to fluctuations in the level of interest rates in the market?
  - A. Interest rate risk
  - B. Market risk
  - C. Business risk
  - D. Inflation risk
5. Which of the following is not a feature of an optimal capital structure?
  - A. Profitability
  - B. Control
  - C. Flexibility
  - D. Liquidity
6. Identify the most appropriate method for evaluating capital investment proposal during capital rationing –
  - A. Net present value method
  - B. Internal rate of return method
  - C. Profitability index
  - D. Payback period Method
7. The degree of operating leverage equal to 1 implies that –
  - A. There is no fixed financial obligation
  - B. The firm is using same amount of equity capital and debt capital
  - C. The amount of fixed cost is zero
  - D. The amount of contribution is zero
8. The management of working capital is a trade-off between –
  - A. Working capital and fixed capital
  - B. Liquidity and profitability
  - C. Current assets and current liabilities
  - D. All of the above

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9. Which of the following is true about NPV?
- A. It considers all the cash flows
  - B. It gives more weights to distance flows than the near flows
  - C. It considers time value of money
  - D. Both (a) & (c)
10. If net present value for a project is negative, then –
- A.  $IRR = \text{cost of capital}$
  - B.  $IRR > \text{cost of capital}$
  - C.  $IRR < \text{cost of capital}$
  - D. Profitability index = 1
11. Which of the following statements is true regarding capital budgeting and strategic planning?
- A. Capital budgeting and strategic planning are bottom-up processes
  - B. Capital budgeting and strategic planning are top down processes
  - C. Capital budgeting is a top-down process, while strategic planning is a bottom-up process
  - D. Capital budgeting is a bottom-up process, while strategic planning is a top-down process

12. Financial Indicators of four companies are as follows:

Company Ratio	Current Ratio	Debt-Equity	ROI	Fixed Assets Turnover
A	2.0:1	2.5:1	10%	5
B	2.5:1	3.0:1	25%	4
C	1.5:1	4.0:1	20%	3
D	1.0:1	3.5:1	15%	2

In general, which two companies in the above fall in the highest risk class?

- A. A and B
  - B. B and C
  - C. C and D
  - D. A and D
13. A, B and C are partners in a firm in the ratio 4 : 3 : 2. C retires from the firm and the remaining partner distributed his share between themselves equally. Then D were entered into partnership for  $\frac{1}{4}$  share which he received equally from A and B. What will be new profit-sharing ratio?
- A. 5 : 4 : 1
  - B. 31 : 23 : 18
  - C. 23 : 18 : 31
  - D. 10 : 8 : 9
14. The capital structure of a firm –
- A. Influences the risk of the firm
  - B. Influences the return of the firm
  - C. Does not influence risk but influence return
  - D. Both (a) and (b)

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15. Which theory says that capital structure affects the cost of capital?
- A. Net operating income theory
  - B. Traditional theory
  - C. M-M Theory
  - D. Both a and c
16. Where investments are reclassified from current to long-term, transfers are made at:
- A. Cost
  - B. The lower of cost and fair value
  - C. Fair value
  - D. None of these
17. Higher the financial leverage, higher the market valuation of the shares of a Company as:
- 1. Cost of funds is minimised
  - 2. Risk in investment is reduced
  - 3. Return on Equity is maximised
  - 4. Return on Investment is maximised
- Select the correct answer from code given below:
- A. 1 and 2
  - B. 1 and 3
  - C. 1 and 4
  - D. 2 and 4
18. Which of the following group of institutions have been recently listed in Indian Stock Exchanges?
- A. Private Universities
  - B. Insurance Companies
  - C. Municipal Corporations
  - D. None of these
19. The "beta" is a measure of –
- A. Unique risk
  - B. Market risk
  - C. Total risk
  - D. None of the above
20. When a firm increases debt in the capital structure:
- A. Expected return on firm's assets increases
  - B. Expected return on the firm's common stocks increases
  - C. Expected return on the new projects increase
  - D. All of the above
21. A number of steps could be taken to shorten operating cycle. One of them is not true. Choose it.
- A. The amount of debtors could be cut by a quicker collection of accounts.
  - B. Finished goods could be turned over more rapidly.
  - C. The level of raw material inventory could be reduced or
  - D. The production period could be lengthened

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22. The cost of capital of a firm is –
- A. The dividend paid on the equity capital
  - B. The weighted average of the dividends paid on the equity capital and preference capital
  - C. The weighted average cost of various sources of finance
  - D. The average rate of return on investment
23. The down side risk in Option contract trading is –
- A. Unlimited
  - B. Limited to premium of option only
  - C. Limited to Rs. 1 lakh
  - D. Limited to Rs. 1 crore
24. VaR means –
- A. Volume of business at Risk
  - B. Value at Risk
  - C. Volume on Risk
  - D. Value as Risk
25. Commercial Bill market is a part of –
- A. Organised Money market
  - B. Unorganised money market
  - C. Stock Market
  - D. None of the above
26. MUDRA is the acronym for –
- A. Medium and Small Units Development and Refinance Agency
  - B. Micro Units Development and Refinance Agency
  - C. Monetary Undertakings Development and Regulatory Agency
  - D. Micro Unit Development and Rehabilitation Agency
27. If the goodwill of firm is calculated Rs. 40,000 by capitalization of super profit, actual profit is Rs. 60,000 and normal rate of return is 25%, then what will be the average capital of the firm?
- A. Rs. 2,00,000
  - B. Rs. 3,20,000
  - C. Rs. 1,60,000
  - D. Rs. 80,000
28. What does a credit balance in a Direct Labour Efficiency Variance Account indicate?
- A. The average wage rate paid to direct labour employees was less than the standard rate.
  - B. The standard hours allowed for the units produced were greater than the actual direct labour hours used.
  - C. Actual total direct labour costs incurred were less than standard direct labour costs allowed for the units produced.

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- D. The number of units produced was less than the number of units budgeted for the period.
29. 'Opportunity cost' of capital invested in inventory is considered in:
- A. Ordering cost
  - B. Carrying cost
  - C. Stock out cost
  - D. Overheads
30. The Normal curve is:
- A. Positively skewed
  - B. Negatively skewed
  - C. Symmetrical
  - D. All of the above
31. A plan when expressed in quantitative terms is known as –
- A. Policy
  - B. Procedure
  - C. Objective
  - D. Budget
32. Break-even point is the point at which –
- A. Total profits equals total costs
  - B. Total contribution equals total fixed costs
  - C. Total contribution equals total overheads
  - D. Total variable costs equals total revenue
33. Time standards, Production standards, Cost standards, Behavioural standards are necessary for –
- A. Decision-making
  - B. Planning
  - C. Controlling
  - D. Staffing
34. Step costs are classified as:
- A. Conversion cost
  - B. Prime cost
  - C. Fixed cost
  - D. Mixed cost
35. An assessee hide his Paytm business transaction in income tax return, it is:
- A. Tax planning
  - B. Tax management
  - C. Tax evasion
  - D. All of the above

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36. It is said that a budget is a vital tool for carrying out effective:
- A. Short-term planning
  - B. Medium-term planning
  - C. Long-term planning
  - D. All of the above
37. Cash inflow in cash budgeting comes mainly from:
- A. Collection on accounts receivable
  - B. Short-term debt
  - C. Issue of securities
  - D. None of the above
38. When a segment of a business has been discontinued during the year, the loss on disposal should:
- A. Exclude operating losses of the current period up to the measurement date.
  - B. Exclude operating losses during the phase out period.
  - C. Be an extraordinary item.
  - D. Be an operating item.
39. Revenue recognition is done under mercantile system of accounting upon –
- A. Delivery of goods to purchaser
  - B. Receipt of payment in full
  - C. Signing the contract to deliver
  - D. Handing over the title of goods
40. Pension received by the family member after the death of an employee is :
- A. Fully taxable under the head “Income from Salary”
  - B. Fully taxable under the head “Income from Other sources”
  - C. Fully exempt under the head “Income from Salary”
  - D. Exempt up to Rs. 15000 and balance is taxable under the head “Income from other sources”
41. Ind AS issued by
- A. Central Government of India
  - B. Accounting Standard Board
  - C. National Advisory Committee of Accounting Standard
  - D. National Financial Reporting Authority
42. Resources controlled by an entity as a result of past events are:
- A. Equity
  - B. Assets
  - C. Liabilities
  - D. Assets as well as liabilities
43. The concept of Operating Profit is equal to:
- A. Profit before interest but after tax
  - B. Net Profit + Non-operating Expenses – Non-operating Income

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- C. Earning after interest and tax
  - D. None of the above
44. Revenue from sale of goods should be recognised at:
- A. Gross of all indirect taxes
  - B. Gross of all direct taxes
  - C. Gross of Goods and Service Tax (GST)
  - D. Net of Goods and Service Tax (GST)
45. If closing stock appears in the trial balance, it implies that:
- A. Sale figure has been adjusted
  - B. Purchase figure has been adjusted
  - C. Both of the above
  - D. None of the above
46. If the average collection period of a company is higher than the credit period extended by it, the firm is supposed to have a –
- A. Satisfactory liquidity position
  - B. Liquidity crunch
  - C. High liquidity
  - D. None of the above
47. A company cannot buy back its share in case of:
- A. Directly and indirectly through subsidiary company
  - B. Directly and indirectly through investing company
  - C. Both (a) and (b)
  - D. None of the above
48. The depreciation method that does not result in decreasing charge is:
- A. Double-declining balance method
  - B. Fixed percentage-on-book-value method
  - C. Sinking fund method
  - D. Sum-of-the-years-digits method
49. The obligation of an organization to behave in ethical ways is known as:
- A. Social responsibility
  - B. Organizational morality
  - C. Ethical imperative
  - D. Social environmentalism
50. Business policies of an organization are influenced by –
- A. Social and Political Factors
  - B. Technological Factors
  - C. Government Policies
  - D. Environmental Factors



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51. A firm is engaged in extensive exploration for water in Thar Desert in Rajasthan. If upon discovery of water, the company does not recognise any revenue from sale of water until the sales exceeds the cost of exploration, the basis of revenue recognition being employed is:
- A. Production basis
  - B. Cash collection basis
  - C. Sales basis
  - D. Sunk cost basis
52. When a company pays its rent in advance, its balance sheet will reflect a reduction in:
- A. Assets and liabilities
  - B. Assets and shareholders' equity
  - C. One category of assets and an increase in another
  - D. None of the above
53. When valuing raw materials inventory at lower of cost or market, what is the meaning of the term 'market'?
- A. Net realisable value under exit approach
  - B. Current replacement cost under entry approach
  - C. Discounted present value of future use
  - D. Sale price less a normal profit margin
54. Recognising revenues prior to the sale of merchandise is practiced, when the –
- A. Concept of internal consistency is complied with.
  - B. Revenue is to be reported as an instalment sale.
  - C. Ultimate sale of the goods is at an assured sale price.
  - D. Management has a long-established policy to do so.
55. Prospective financial information is defined as –
- A. Any financial information about the past, present or future.
  - B. Any financial information about the present or future.
  - C. Any financial information about the future.
  - D. None of the above
56. To achieve a reasonable objective basis, financial forecasts and projections should be made –
- A. in accordance with GAAP
  - B. in accordance with the plans of an entity
  - C. with due professional care
  - D. All of the above
57. Which of the following is a non-monetary item?
- A. Advances to unconsolidated subsidiaries
  - B. Allowance for uncollectible accounts
  - C. Unamortised premium on bonds payable
  - D. Accumulated depreciation of equipment

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58. The method used to determine what information to report for business segments is referred to as the –
- A. Segment approach
  - B. Operating approach
  - C. Enterprise approach
  - D. Management approach
59. Which of the following items is included on a statement of changes in financial position only because of the total financial resources concept?
- A. Depreciation
  - B. Issuance of equity capital
  - C. Purchase of government securities
  - D. Retirement of long-term debt by issue of preferred capital
60. Unrealized gains & losses arising from changes in foreign exchange rates are:
- A. Treated as cash flows from operating activities
  - B. Not treated as cash flows
  - C. Treated as cash flows from financing activities
  - D. None of the above
61. Which of the following is not a component of the cost of an internally generated intangible asset?
- A. The salaries and wages of the security staff
  - B. Any expenditure that is directly attributable to generate the asset
  - C. Overheads that are necessary to generate the asset
  - D. All of the above
62. What is defined by the following statement?  
“A present obligation arising from past events, the settlement of which is expected to result in an outflow of resources”
- A. An expense
  - B. A liability
  - C. An income
  - D. An asset
63. Post-buy back debt-equity ratio should not exceed:
- a) 1: 1
  - b) 1: 2
  - c) 4: 2
  - d) 3: 2

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64. From 1 April 2016 Ind AS 103 Business Combination is applicable to:
- A. Companies having net worth of Rs. 500 crore and more
  - B. Companies having turnover of Rs. 500 crore and more
  - C. Companies having net worth of Rs 250 crore and more
  - D. Companies having turnover of Rs. 250 crore and more
65. Usefulness of providing information in financial statements is subject to the constraint of:
- A. Consistency
  - B. Reliability
  - C. Representational faithfulness
  - D. Cost-benefit
66. Conceptually, interim financial statements can be described as emphasizing:
- A. Timeliness over reliability
  - B. Reliability over relevance
  - C. Relevance over comparability
  - D. Comparability over neutrality
67. Which among the following is the term used to describe a large company that consists of seemingly unrelated business sections?
- A. Conglomerate
  - B. Holding Company
  - C. Corporation
  - D. None of the above
68. Reporting inventory at the lower of cost or market value is a departure from the accounting principle of:
- A. Historical cost
  - B. Consistency
  - C. Conservatism
  - D. Full disclosure
69. If an assessee is having only salary income of Rs. 6 lac per month. Which Income tax return he has to file?
- A. ITR 2
  - B. ITR 3
  - C. ITR 1
  - D. ITR 4
70. Under which section of Income Tax Act 1961 TDS on professional fees is to be deducted?
- A. 194J
  - B. 194C
  - C. 192
  - D. Any of the above
71. Identify the incorrect statement from the following:
- A. Both the regression coefficients can be less than one.
  - B. One of the regression coefficients can be more than one.
  - C. Correlation coefficient is of the same sign as that of the regression coefficients.
  - D. None of the above.

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72. In case of absorption of a company, there is a profit of Rs. 2000 included in stock and balance of capital reserve on absorption is Rs. 1200 than which account will be debited for balance Rs. 800:
- A. Preliminary Expenses
  - B. Any Other reserve
  - C. Goodwill
  - D. Any of the above
73. Who are included in the List A Contributories in case of liquidation of a company?
- A. Shareholder within one year before the liquidation
  - B. Shareholders at the time of liquidation
  - C. Debenture holders at the time of liquidation
  - D. Both (a) and (b)
74. Finance bill becomes Finance Act after the approval of:
- A. Lok Sabha and Rajya Sabha
  - B. Lok Sabha, Rajya Sabha and President of India
  - C. Only Loksabha
  - D. Only Rajyasabha
75. In which list preferential creditors are taken in case of liquidation of a company?
- A. List B
  - B. List E
  - C. List F
  - D. List C
76. Which of the following should not be eliminated while preparing consolidated Balance sheet?
- A. Amount due by holding company to subsidiary company
  - B. Bills accepted by subsidiary company to holding company
  - C. Profit included in stock purchased by subsidiary company from holding company
  - D. Amount due by subsidiary company to creditors
77. Correlation coefficient is independent of –
- A. Change of scale.
  - B. Units of measurement.
  - C. Change in origin.
  - D. All of the above
78. Ind AS 110 is applicable to:
- A. Income taxes
  - B. Consolidated financial statements for companies having net worth Rs. 500 crore and above
  - C. Consolidated financial statements for companies having net worth Rs. 50 crore and below
  - D. All of the above
79. In case of a normal curve, the inflection takes place at –
- A. 0.67 Standard Deviation
  - B. 1.96 Standard Deviation
  - C. 3 Standard Deviation
  - D. None of the above

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80. There will be only one regression line, if –
- A. Two variables are perfectly positively correlated
  - B. Two variables are perfectly negatively correlated
  - C. Both of the above
  - D. None of the above
81. A normal distribution has 95% of the observations within:
- A. Mean  $\pm$  1.28 standard deviation
  - B. Mean  $\pm$  1.96 standard deviation
  - C. Mean  $\pm$  1.30 standard deviation
  - D. Mean  $\pm$  1.82 standard deviation
82. Which of the following is not a random number table for selection of a sample?
- A. Fisher and Yates table
  - B. Tippet's Random table
  - C. Spearman's Random table
  - D. Kendall and Babington Smith table
83. If true null hypothesis has been rejected it is a:
- A. Type I error
  - B. Type II error
  - C. Both (a) and (b)
  - D. None of the above
84. "Larger the size of a sample, the greater is the accuracy" is due to –
- A. Law of statistical regularity
  - B. Law of inertia of large number
  - C. Additive theory of probability
  - D. Multiplicative theory of probability
85. The equations  $Y = 6X + 16$  and  $X = -0.9y + 25$
- A. Can be of two regression equations
  - B. Cannot be of two regression equations
  - C. Can be of two regression equations when correlation coefficient is zero
  - D. None of the above
86. Inappropriate statistical unit causes –
- A. Sampling error
  - B. Non-sampling error
  - C. None of the above
  - D. Both of the above
87. If the items concentrate too much in the center, the distribution curve becomes –
- A. Leptokurtic
  - B. Mesokurtic

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- C. Platikurtic
  - D. Skewed
88. The level of rejecting the null hypothesis that is true is known as the:
- A. Confidence level
  - B. Significance level
  - C. p value
  - D. Power of the test
89. Identify the correct statement from the following –
- A. Non-sampling errors occur only in complete enumeration.
  - B. Sampling errors are non-existent in complete enumeration.
  - C. Both of the above.
  - D. None of the above.
90. What is the relationship between sample size and the standard error of the mean?
- A. The standard error decreases as the sample size decreases
  - B. The standard error is unaffected by the sample size
  - C. The standard error increase as the sample size increase
  - D. The standard error decreases as the sample size increases
91. Which is the highest level of measurement?
- A. Nominal
  - B. Ordinal
  - C. Interval
  - D. Ratio
92. Identify the correct statement from the following –
- A. Normal distribution is symmetrical
  - B. t- distribution is symmetrical
  - C. Both of the above
  - D. None of the above
93. Mr. Amit, who is a citizen of India went to London for the first time on 20<sup>th</sup> October 2018 and did not return to India up to 31<sup>st</sup> March, 2019. Explain his residential status for the assessment year 2019-20 –
- A. Not ordinary resident
  - B. Ordinary resident
  - C. Non resident
  - D. None of the above
94. Which of the following allowances is exempted on the basis of actual expenditure by the employee?
- A. Hill Area Allowance
  - B. Research Allowance
  - C. Scheduled area allowance
  - D. Transport allowance

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95. Which one of the following is not deductible u/s 37(1) of Income Tax Act, 1961?
- A. Expenditure on valuation of shares
  - B. Premia paid on loss of profit policies
  - C. Premia paid by a firm on life insurance policies of its partners
  - D. Cash shortage found in business at the end of the day.
96. What is not included in transfer?
- A. Transfer of capital asset in a scheme of amalgamation.
  - B. Transfer of capital asset under gift or will or irrevocable trust.
  - C. Distribution of capital asset on total or partial partition of Hindu Undivided Family.
  - D. All of the above.
97. Which one of the following is not a case of determining full value of consideration on notional basis?
- A. Conversion of capital asset into stock in trade
  - B. Assets received by shareholders at the time of liquidation of a company
  - C. Transfer of capital asset by a member of an association of persons (AOPs) as his capital contribution
  - D. Shares allotted by an employer to an employee NOT under Employees Stock Option Plan (ESOP) and such shares are gifted by the concerned employee to any person
98. Which one of the following is not a purpose of deductions u/s. 80C to 80GGC –
- A. to encourage taxpayers to Save for future
  - B. to encourage taxpayers for Industrialisation
  - C. to assist taxpayers in meeting their essential expenditures
  - D. None of the above
99. Deduction u/s. 80U is available to an assessee, if he is suffering from –
- A. 40% Disability
  - B. Specified disability 40% or above
  - C. Disability below 40% duly certified by medical authority
  - D. Blindness only
100. An assessing officer is empowered to reject the books of account so maintained by an assessee, when –
- A. Abnormally low rate of profit is reported
  - B. Inherent lacuna in accounting system is found
  - C. Notified accounting standards have not been followed consistently
  - D. All of the above

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### Answer key

1	B	21	D	41	A	61	A	81	B
2	B	22	C	42	B	62	B	82	C
3	C	23	B	43	B	63	C	83	A
4	A	24	B	44	D	64	A	84	B
5	B	25	A	45	B	65	D	85	B
6	C	26	B	46	B	66	A	86	B
7	C	27	A	47	C	67	A	87	A
8	B	28	B	48	C	68	A	88	B
9	D	29	C	49	A	69	A	89	B
10	C	30	C	50	D	70	A	90	D
11	D	31	D	51	D	71	D	91	D
12	C	32	B	52	C	72	C	92	C
13	B	33	C	53	B	73	B	93	B
14	D	34	D	54	C	74	B	94	B
15	B	35	C	55	C	75	D	95	C
16	B	36	A	56	D	76	D	96	D
17	B	37	A	57	D	77	D	97	D
18	B	38	A	58	D	78	B	98	B
19	B	39	D	59	D	79	D	99	B
20	D	40	D	60	B	80	C	100	D