

National Accounting Talent Search February 2021 (Senior Level)



Indian Accounting Association

National Accounting Talent Search 2021

SENIOR LEVEL

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1. Conventionally accountants measure income following –
 - A. Value added approach
 - B. Transaction approach
 - C. Change in value of owners' equity
 - D. Change in purchasing power of owners' equity

2. A company incurred the following infrequent losses during 2019-20 –
 - i. Loss of Rs. 300000 incurred on disposal of one of its four dissimilar factories.
 - ii. Exchange loss of Rs. 120000 towards major currency devaluation
 - iii. Inventory worth Rs. 200000 turned into worthless owing to unexpected product innovation by its competitor.
What should be the amount of extraordinary loss that can be shown in the income statement for the year 2019-20?
 - A. Rs. 620000
 - B. Rs. 500000
 - C. Rs. 420000
 - D. Rs. 320000

3. Which of the following items would cause earnings to differ from comprehensive income for an enterprise in an industry not having specialised accounting principles?
 - A. Unrealised loss on investments classified as securities available for sale
 - B. Unrealised loss on investments classified as trading securities
 - C. Loss on exchange of similar assets
 - D. Loss on exchange of dissimilar assets

4. 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 upto the measurement date.
 - B. Exclude operating losses during the phaseout period.
 - C. Be an extraordinary item
 - D. Be an operating item.

5. How should the effect of a change in accounting estimate be accounted for?
 - A. By restating amounts reported in financial statements of prior periods.
 - B. By reporting proforma amounts for prior periods.
 - C. As a prior period adjustment to beginning retained earnings
 - D. In the period of change and future periods, if the change affects both.

6. Assume cost of goods sold on an accrual basis is Rs. 30 lakhs, accounts payable increased by Rs. 2 lakhs, and inventory increased by Rs. 5 lakhs. Cash paid for merchandise is:
 - A. Rs. 37 lakhs
 - B. Rs. 23 lakhs
 - C. Rs. 27 lakhs
 - D. Rs. 33 lakhs

7. Which one of the following is the limitation of cash flow statement?

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- A. Not useful in analysing changes in financial position of an enterprise
 - B. useful for long-term planning
 - C. not useful for short-term planning
 - D. none of the above
8. In a statement of changes in financial position, depreciation is treated as an adjustment because it –
- A. is a direct source of funds
 - B. Reduces reported net earnings but does not involve an outflow of funds
 - C. Reduces reported net earnings and involves an inflow of funds
 - D. is an inflow of funds to a reserve account for replacement of assets
9. Benefits of social responsibility reporting includes –
- a. Increased transparency
 - b. Accurate decision making
 - c. Enhanced brand value
 - d. All of the above
10. Which one of the following is not an example of social costs?
- A. Environmental damage
 - B. Work related injuries and illness
 - C. Environmental improvements
 - D. Discrimination
11. Ogan’s Model of Human Resource Accounting is applicable to:
- A. Manufacturing organisations
 - B. Trading firms
 - C. Professional service organisations
 - D. All of the above
12. ‘Expected realisable value’ as a form of economic valuation of human resources is proposed by:
- A. Lev and Schwartz
 - B. Flamholtz
 - C. Ogan
 - D. Giles and Robinson
13. Owing to decline in market price in the second quarter, A Ltd incurred an inventory loss. The market price is expected to return to previous levels by the end of the year. But, at the end of the year, the decline had not reversed. When should the loss be reported in interim income statement of A Ltd?
- A. In the second quarter only
 - B. In the fourth quarter only
 - C. Rateably over the II, III, and IV quarters
 - D. Rateably over the III, and IV quarters
14. For segment reporting, an enterprise needs to disclose all of the following except –
- A. Types of products and services from which each reportable segment derives its revenues.
 - B. The title of the chief operating officer of each reportable segment.
 - C. Factors used in identifying the reportable segments.
 - D. Measurement basis of segment profit/loss and segment assets

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15. From tax planning point of view, for deciding location of a new business, which of the following is not the consideration?
 - A. Profits for units in North Eastern States
 - B. Profits for units in Special Category States
 - C. Tax holiday for units in FTZ
 - D. Tax holiday for Units in SEZ

16. From tax planning point of view, which of the following exemption is not related to the Nature of the Business?
 - A. Income of 100% EOU
 - B. Income of Retail Business
 - C. Profits from operation of Industrial Park
 - D. Profits from developing SEZ

17. Neutrality in an ingredient of –
 - A. Reliability and relevance
 - B. Reliability but not relevance
 - C. Not reliability but relevance
 - D. Neither reliability nor relevance

18. The usefulness of providing information in financial statements is subject to the constraint of –
 - A. Reliability
 - B. Cost-benefit
 - C. Consistency
 - D. Representational faithfulness

19. Which one of the following is not a barrier to single coherent framework?
 - A. Valuation
 - B. Comprehensiveness
 - C. Measurement
 - D. All of the above

20. When was framework for preparation & presentation of financial statements issued by ICAI in India?
 - A. July 1989
 - B. July 2000
 - C. September 2010
 - D. None of the above

21. Significant accounting policies may not be –
 - A. Selected on the basis of judgement
 - B. Unusual or innovative in application
 - C. Selected from existing acceptable alternatives
 - D. Omitted from disclosure of financial statement on the basis of judgment

22. Essential characteristic of an asset is –
 - A. having future benefit
 - B. cost is incurred
 - C. Tangibility
 - D. Title is legally enforceable

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23. An investor worried about an entity's solvency would most likely examine its –
- A. Current ratio
 - B. Return on assets
 - C. Debt-to-equity ratio
 - D. Inventory turnover ratio
24. If revenue is Rs. 45 lakh, expenses are Rs.37.5 lakh and dividends paid is Rs. 10 lakh, the amount of net income or loss is –
- A. Rs. 2.5 lakh net loss
 - B. Rs. 7.5 lakh net income
 - C. Rs. 45 lakh net income
 - D. Rs. 37.5 lakh net loss
25. Reporting of an item in the financial statements of an entity follows –
- A. Realisation concept
 - B. Matching principle
 - C. Recognition principle
 - D. Allocation principle
26. The P/V ratio of a firm producing a standard product is 50% and the margin of safety is 40%. Compute the breakeven point and the net profit if the sales are Rs. 50,00,000
- A. BEP Rs. 30,00,000, Net Profit Rs. 10,00,000
 - B. BEP Rs. 30,00,000, Net Profit Rs. 25,00,000
 - C. BEP Rs. 25,00,000, Net Profit Rs. 10,00,000
 - D. BEP Rs. 20,00,000, Net Profit Rs. 10,00,000
27. Profitability index is also known as –
- A. Desirability factor
 - B. Benefit-cost ratio
 - C. Both (a) & (b)
 - D. None of the above
28. The concept of net working capital is a –
- A. Qualitative concept
 - B. Quantitative concept
 - C. Misleading concept
 - D. None of the above
29. Service and financial firms may have –
- A. Longest operating cycle
 - B. Shortest operating cycle
 - C. Average operating cycle
 - D. Manufacturing phase
30. Profit made by an entity results in an equal increase of –
- A. Net worth
 - B. Net working capital
 - C. Gross working capital
 - D. Cash balance

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31. If gross profits are Rs. 5 lakh and expense not resulting in the application of funds is Rs. 1 lakh, the funds from operations is –
- A. Rs. 6 lakhs
 - B. Rs. 4 lakhs
 - C. Rs. 3 lakhs
 - D. Rs. 5 lakhs
32. The 'safe level' for proprietary ratio is –
- A. 0.50
 - B. 2.00
 - C. 1.00
 - D. 3.00
33. Low inventory turnover indicates –
- A. Monopolistic situation
 - B. Competitive situation
 - C. Over investment
 - D. Better solvency
34. Which one is not correct with respect to relationship between average cost (AC) and marginal cost (MC)?
- A. When AC falls MC is lower than AC
 - B. When AC rises MC is larger than AC
 - C. MC cuts AC from its lowest point
 - D. AC and MC cannot be calculated from total cost
35. Which one of the following is not correct with regard to Relationship between total cost (TC) and marginal cost (MC)?
- A. When TC increases at increasing rate MC is increasing
 - B. When TC increases at a constant rate then MC is decreasing
 - C. When TC increases at decreasing rate then MC is decreasing
 - D. MC cuts both Average Cost and average variable cost at its lowest point
36. Choice of inventory method doesn't depend on –
- A. Method that is most likely to maximise the net income
 - B. Method that is most likely to minimise the income tax
 - C. Method that is least subjected to abuse
 - D. Actual Physical quantity in store
37. Which type of standard that is best suited cost control –
- A. Basic standard
 - B. Normal standard
 - C. Expected standard
 - D. Theoretical standard
38. Margin of safety emphasises –
- A. Over production
 - B. Over capitalisation
 - C. Strength of an entity
 - D. Profitable product

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39. Which one of the following is not the assumption of Conventional Break-even analysis?
- A. Unit selling price remains fixed
 - B. Total fixed costs remain fixed
 - C. Unit variable cost remains fixed
 - D. Employees' productivity vary
40. Fixed cost is controlled by –
- A. Management in long-run
 - B. External factors
 - C. Production department
 - D. Management in short-run
41. Contract costing is a basic method of –
- A. Financial costing
 - B. Job costing
 - C. Specific order costing
 - D. Batch costing
42. Canteens apply –
- A. Contract costing
 - B. Job costing
 - C. Operating costing
 - D. Operation costing
43. Composite unit a distinctive feature of –
- A. Single costing
 - B. Multiple costing
 - C. Service costing
 - D. Process costing
44. The method of accounting for joint product cost that produces the same gross profit margin for all the products is known as –
- A. Reverse cost method
 - B. Sales value method
 - C. Opportunity cost method
 - D. Other income method
45. Standard costing is more widely applied in –
- A. Process industries
 - B. Engineering industries
 - C. Both (a) & (b)
 - D. Manufacturing industries
46. An activity that causes cost over a given period of time is known as –
- A. Cost centre
 - B. Cost driver
 - C. Cost behaviour
 - D. None of the above
47. Which one of the following is an example of dividend distribution to the extent of accumulated profits?

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- A. Unusual loan by closely-held company to a shareholder holding substantial interest
 - B. Distribution on liquidation of a company
 - C. Both (a) & (b)
 - D. None of the above
48. Which standard is applicable for Disclosure of Financial Instruments?
- A. Ind AS 32
 - B. Ind AS 107
 - C. Ind AS 109
 - D. All of the above
49. In order to control credit in the country, the RBI may –
- A. Buy securities in the open market
 - B. Sell securities in the open market
 - C. Reduce CRR
 - D. Reduce bank rate
50. Under income tax law, which one of the following is not true?
- A. Dividend on shares is not deductible
 - B. Interest on borrowed capital is deductible
 - C. Cost of issue of shares is not allowed as deduction
 - D. Cost of raising finance through borrowing is deductible in the year it is incurred
51. In order to encourage investment in the country, the RBI may –
- A. Reduce CRR
 - B. Increase CRR
 - C. Sell securities in the open market
 - D. Increase bank rate
52. Which one of the following is not an assumption of EOQ?
- A. Constant demand
 - B. Known usage
 - C. Unknown ordering cost
 - D. Stable carrying cost
53. Relative Strength Index (RSI), a technical indicator is used for analysis of -
- A. Global economy
 - B. National economy
 - C. Financial markets
 - D. Financial statements
54. A broker's demand on an investor using margin to deposit additional money or securities so that the margin account is brought up to
- A. The maximum maintenance margin
 - B. The minimum maintenance margin
 - C. The normal maintenance margin
 - D. None of the above
55. In Real Time Gross Settlement (RTGS) system moneys are transferred between –
- A. Two banks
 - B. Two customers

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- C. One bank and one customer
D. All of the above
56. Match the below mentioned committees with their respective task and tick the correct option –
- | Committee (A) | Task (B) |
|----------------------------|----------------------------|
| 1. N Narsimhan committee | (i) Tax reforms |
| 2. Raja Chelliah committee | (ii) Financial derivatives |
| 3. LC Gupta committee | (iii) Corporate governance |
| 4. Birla committee | (iv) RRBs |
- A. 1(iv), 2(i), 3(ii), & 4(iii)
B. 1(i), 2(ii), 3(iii), & 4 (iv)
C. 1(iv), 2(ii), 3(i), & 4 (iii)
D. 1(iii), 2(i), 3(ii), & 4 (iv)
57. Match the below mentioned committees with their respective task and tick the correct option –
- | Committee (A) | Task (B) |
|--|--------------------------|
| (i) Financial sectors reforms | 1. Tarapore committee |
| (ii) Frauds and malpractices in banks | 2. Goswami committee- |
| (iii) Capital account convertibility | 3. M Narsimhan committee |
| (iv) Industrial sickness and exit policy | 4. Ghosh committee |
- A. (i)1, (ii)2, (iii)3, & (iv)4
B. (i)1, (ii)3, (iii)2, & (iv)4
C. (i)3, (ii)4, (iii)1, & (iv)2
D. (i)4, (ii)2, (iii)3, & (iv)1
58. Contribution given by any person to political parties is deductible –
- A. u/s. 80GGB
B. u/s. 80GGC
C. u/s. 80GGA
D. None of the above
59. In respect of deduction for medical treatment, identify the odd one from the following –
- A. Dystonia Musculorum Deformans
B. Motor Neuron Disease
C. Hemiballismus
D. Haematological Disorder
60. How a secret reserve is created?
- A. Ignoring pre-paid expenses
B. Crediting revenue to an asset account
C. Debiting capital expenditure to revenue
D. All of the above
61. Identify an example of interest rate swap –
- A. Currency swap
B. Debt-equity swap
C. A basis swap
D. None of the above
62. Identify credit derivatives from the following –

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- A. A bond swap
 - B. A coupon swap
 - C. Credit-linked notes
 - D. None of the above
63. Which one of the following documents are necessary to file return of income for an employed person in India?
- A. PAN Card, ADHAR Card, Form No.16
 - B. PAN Card, and ADHAR Card
 - C. PAN Card only
 - D. PAN Card, and Form No.16
64. Which one of the following is exempt business income?
- A. Share of profit from a firm
 - B. Share of profit from joint venture
 - C. Rental income
 - D. Income from resale of lottery tickets
65. Which one of the following is a business income?
- A. Interest on securities
 - B. Income from dealing in plots
 - C. Rental income from plots
 - D. Bank interest on businessman's saving account
66. Which condition applies to deduction u/s. 35AD?
- A. No weightage deduction
 - B. Non cash payment in excess of Rs. 10000
 - C. Business is not set up by splitting up or reconstruction of already existing business
 - D. All of the above
67. Which one of the following is business expense?
- A. Expenditure on civil defence
 - B. Expenditure on feature film
 - C. Commitment charges
 - D. All of the above
68. Which one of the following statements is correct as regards casual income under Income Tax Act 1961?
- A. Both deduction of expenses and set off & carry forward are allowed
 - B. Set off & carry forward is not allowed
 - C. Set off is not allowed but carry forward is allowed
 - D. Set off is allowed but carry forward is not allowed
69. Unabsorbed depreciation can be carried forwarded –
- A. Next 8 years only
 - B. Next 4 years only
 - C. Indefinitely
 - D. None of the above
70. Which one of the following is not correct?

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- A. FERA is replaced by FEMA in the year 1995
 - B. 364 day Treasury Bills (TB) replaced 182 day TB in 1992-93
 - C. NBFCs' registration is required under the RBI (Amendment) Act 1997
 - D. None of the above
71. Identify the correct one from the following –
- A. Auction of Government securities is not permitted
 - B. Quoting of PAN is mandatory from 01.01.2007 for Cash Market
 - C. Quoting of PAN is mandatory from 01.01.2007 for all Demat Accounts
 - D. Primary dealers cannot operate as market makers for government securities market
72. CAPM Assumes that –
- A. There are no taxes or transaction costs
 - B. Assets returns are not normally distributed
 - C. Variance of returns is not an adequate measurement of risk
 - D. All investors do not have access to same information
73. Which one of the following is not a basis for technical analysis?
- A. Price discounts everything
 - B. Price movements are not totally random
 - C. World events and foreign trade
 - D. Spot the trend and go with it
74. When a population is heterogeneous, it is divided into groups so that there is homogeneity within the group and heterogeneity between the groups, and some items are drawn at random from each of the groups is case of –
- A. Random sampling
 - B. Systematic sampling
 - C. Stratified random sampling
 - D. Cluster sampling
75. In a factory, there are 1000 workers consisting of 400 Grade A workers and 600 Grade B workers. Male workers in Grade A and Grade B are 300 and 200 respectively. One worker is drawn randomly. What is the probability that the selected worker is a female?
- A. 0.3
 - B. 0.4
 - C. 0.5
 - D. 0.6
76. Probability of accepting the null hypothesis when it is wrong, is called –
- A. Type – II error
 - B. Type – I error
 - C. Standard error
 - D. Error of estimate
77. Interpretation broadly includes –
- A. Drawing conclusions
 - B. Making comparison & trend analysis
 - C. Critical examination
 - D. All of the above

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78. If Mean =90, Median=80 & Karl Pearson's Coefficient of Skews is 0.5 Coefficient of variation will be:
- A. 15.5%
 - B. 45.6%
 - C. 66.67%
 - D. None of the above
79. What is the percentage of margin of safety if sales is Rs. 5,00,000, variable cost Rs. 75% of sales and fixed expenses Rs. 1,0,000
- A. 20% of sales
 - B. 20% of variable cost
 - C. 20% of total cost
 - D. None of the above
80. The equations of two lines of regression are $2x + y=9$ and $8y + 4x=5$. What will be the correlation coefficient?
- A. $\frac{1}{2}$
 - B. $\frac{1}{2}$
 - C. Between $\frac{1}{2}$ and $\frac{2}{3}$
 - D. Cannot be determined
81. A bag contains 20 balls of 3 different colours; white, red and black in the ratio 3:2:5. Two balls are drawn at random. The probability that they both are black is.
- A. 0.45
 - B. 0.237
 - C. 0.5
 - D. 0.25
82. Which of the following would indicate that a dataset is not bell-shaped?
- A. The range is equal to 5 standard deviations.
 - B. The range is larger than the inter-quartile range.
 - C. The mean is much smaller than the median.
 - D. There are no outliers.
83. 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.
84. Identify the incorrect statement;
- A. Coefficient of standard deviation is expressed in percentage.
 - B. Coefficient of variation is expressed in fraction.
 - C. Standard deviation is a relative measure.
 - D. Quartile deviation is a relative measure.
85. Identify the correct statement.

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- A. A priori probability is inductive in nature
 - B. A posteriori probability is deductive in nature
 - C. Posteriori probability can't be used in preparation of insurance mortality table
 - D. None of the above.
86. Identify the incorrect statement from the following;
- A. There can be a non-sense correlation.
 - B. Co-efficient of Determination indicates explaining power of the regression
 - C. In regression analysis the two regression coefficients are symmetric.
 - D. None of the above.
87. Identify the correct statement
- A. High degree of correlation necessarily means the existence of cause-and-effect relationship between the variables
 - B. The existence of causation always implies correlation
 - C. Both the correlated variables cannot be influenced by more than one variable
 - D. None of the above
88. If the DE ratio of a company is 2.5: 1.5, the general reserve is Rs 2 crore and debt is Rs 5 crore, then what is the amount of equity share capital?
- A. Rs 2 crore
 - B. Rs. 1.2 Crore
 - C. Rs 1 crore
 - D. Rs. 10 crore
89. Financial manager is supposed to be more concerned with
- A. Past financial data.
 - B. Future prospect of the company.
 - C. Shareholder's interest.
 - D. None of these
90. If operating leverage is 2.5 and combined leverage is 5, then what is financial leverage?
- A. 2
 - B. 2.5
 - C. 5
 - D. 12.5
91. NPV method and IRR method conflict when
- A. The project cash flows are uneven.
 - B. The project cash flows are very small.
 - C. The project cash flows are very large.
 - D. None of these.
92. Aggressive approach to working capital management, believes in
- A. Financing current assets with long term source of funding.
 - B. Financing fixed assets with long term source of funding.
 - C. Financing current assets with short term sources of funding
 - D. Financing fixed assets with short term sources of funding.

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93. Miller-Orr Model is applied to
- A. Credit management
 - B. Cash management
 - C. Capital Management
 - D. Debt Management
94. Which of the following best represent the liquidity position of a company?
- A. Cash Rs 50000, Creditor Rs. 150000 and Stock Rs. 200000
 - B. Cash Rs 10000, Creditor Rs. 50000 and Debtor Rs. 50000
 - C. Inventory Rs 50000, Creditor Rs. 200000 and Debtor Rs. 200000
 - D. Inventory Rs 50000, Creditor Rs. 100000 and Debtor Rs. 200000
95. Which of the following is not an essential input for the Capital Assets Pricing Model?
- A. Beta
 - B. Risk Free Rate
 - C. Market Return
 - D. Standard Deviation

Give answer for Q 96 to 98 from the following details:

The following figures relate to X Ltd. from which analyse material variances:

	Actual	Budgeted
Units of output	87500	100000
Raw material 2 Kg for one unit of output		
Total raw material cost	Rs. 39,424	Rs.40,000

96. Material Cost variance is :
- A. 200(A)
 - B. 4224(A)
 - C. 4424(A)
 - D. 4424(F)
97. Material price variance is:
- A. 200(A)
 - B. 4224(F)
 - C. 4424(A)
 - D. 4224(A)
98. Material usage variance is:
- A. 200(F)
 - B. 4224(A)
 - C. 200(A)
 - D. 4424(F)
99. The incidental residue from the materials used in manufacturing operations which is recoverable and measurable without further processing is known as –
- A. Spoilage
 - B. Scrap

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- C. Waste
- D. Defectives

100. Opportunity cost of funds tied up with inventory results from –
- A. Material cost
 - B. Ordering cost
 - C. Carrying cost
 - D. Loss of profit as a result of forgoing the opportunities of investment

Answer key

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