

National Accounting Talent Search February 2022 (Senior Level)



Indian Accounting Association

National Accounting Talent Search 2022

SENIOR LEVEL

FEBRUARY 2022

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1. Revaluation of assets and liabilities at the time of admission is made for the:
 - A. Benefits of old partners
 - B. Benefits of new admitted partner
 - C. Mutual benefits of old and new partners
 - D. Benefit of old partners who sacrifice their share of profit

2. X, Y, Z are sharing profits in the ratio of 6:5:3. A is admitted into partnership for $\frac{1}{8}$ th share. The sacrificing ratio of X, Y and Z is:
 - A. Equal
 - B. 6:5:3
 - C. 5:4:5
 - D. 4:5:5

3. In the absence of partnership deed:
 - A. Active partners shall be paid salary
 - B. Salary should be paid to the partners
 - C. Salary should not be paid to the partners
 - D. None of these

4. At the time of retirement, new ratio minus old ratio will provide:
 - A. Sacrificing Ratio
 - B. Gaining Ratio
 - C. Capital Ratio
 - D. None of these

5. Under which circumstances, a firm is said to be dissolved?
 - A. On death of all the partners, except one
 - B. When a partner became insane
 - C. When business becomes illegal
 - D. All of these

6. When partner is entitled to interest on capital then such interest will be payable?
 - A. Only out of profits
 - B. Only out of capital
 - C. Out of profit or capital
 - D. None of these

7. The only viable goal of financial management is:
 - A. Sales maximization
 - B. Profit maximization

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- C. Wealth maximization
 - D. Asset maximization
8. The term current assets do not include:
- A. Debtors
 - B. Prepaid Expenses
 - C. Furniture
 - D. Stock
9. The claims of outsiders on business is known as:
- A. Bills Payable
 - B. Sundry Creditors
 - C. Outsider's Equity or liabilities
 - D. Both a & b
10. The fundamental accounting equation 'Assets= Liabilities' is the formal expression of:
- A. Matching Concept
 - B. Dual Aspect Concept
 - C. Going Concern Concept
 - D. Money Measurement Concept
11. Capital Expenditure:
- A. Increases quantity of fixed assets
 - B. Increases quality of fixed assets
 - C. Results in the replacement of fixed assets
 - D. All of the above
12. Contingent liability is shown due to:
- A. Convention of conservatism
 - B. Convention of full disclosure
 - C. Convention of materiality
 - D. Dual aspect concept
13. Which of the following cannot be treated as revenue expenditure?
- A. Obsolescence cost
 - B. Cost of goods purchased for resale
 - C. Expenses incurred by way of repairs of existing assets
 - D. Wages paid for the erection of plant and machinery.
14. Cash flows means:
- A. Inflow and Outflow of cash
 - B. Inflow of cash
 - C. Outflow of cash
 - D. Inflow Outflow of cash and cash equivalents

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15. Cash from operation is equal to:
- A. Net Profit+ Increase in stock
 - B. Net Profit+ Increase in outstanding expenses
 - C. Net Profit+ Increase in debtors
 - D. None of the above
16. Activity ratio help the management in:
- A. Planning the finance
 - B. Managing the resources
 - C. Evaluating the performance
 - D. All of these
17. Long term solvency is indicated by:
- A. Liquidity ratio
 - B. Rate of return
 - C. Capital gearing ratio
 - D. None of the above
18. Margin of safety is calculated by using:
- A. Fixed cost/Contribution
 - B. Profit/Profit volume Ratio
 - C. B.E. Sales/Sales
 - D. Profit/Sales
19. Break-even is not effected with the change in:
- A. Variable cost per unit
 - B. Total fixed costs
 - C. Sales price per unit
 - D. Number of units sold
20. Contribution per unit is Rs.100. Fixed cost is Rs. 600000. Production and sales are 8000 units. Profit is:
- A. Rs. 600000
 - B. Rs. 400000
 - C. Rs. 200000
 - D. None of the above
21. The breakeven point is 10000 units, Sales are 12000 units. The margin of safety expressed in percentage is:
- A. 16.67%
 - B. 20%
 - C. 80%
 - D. 120%

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22. Master Budget is a:
- A. Operating budget
 - B. Functional budget
 - C. Financial budget
 - D. Summary budget
23. Which one is not a feature of budgetary control?
- A. An instrument of delegation and authority
 - B. A tool for management control
 - C. A statement of budget and forecasts
 - D. An instrument for evaluating the overall performance
24. Material Price variance is a part of:
- A. Material cost variance
 - B. Material volume variance
 - C. Material Mix variance
 - D. Material Yield variance
25. In a reconstruction scheme, the reduction of capital may take the form of:
- A. Paying off any paid-up share capital which is in excess of its requirements.
 - B. Reducing the liability of the shareholders in respect of any unpaid amount on the shares held by them.
 - C. Cancelling any paid-up share capital which is lost or unrepresented by available assets.
 - D. All of the above
26. Reconstruction of a company takes place when:
- i. The company is undercapitalized
 - ii. Company has incurred heavy losses which must be written-off
 - iii. The company is overcapitalized
- A. i and ii only
 - B. i and iii only
 - C. ii and iii only
 - D. All of the above
27. Deficiency/Surplus Account in liquidation of a company is called:
- A. List- A
 - B. List- C
 - C. List- G
 - D. List-H

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28. Responsibility accounting aims at collecting and reporting costing information:
- A. Cost centre-wise
 - B. Function-wise
 - C. Department-wise
 - D. Product-wise
29. Out of these, which is not a responsibility centre?
- A. Cost centre
 - B. Revenue centre
 - C. Profit centre
 - D. Marketing centre
30. Responsibility accounting aims to:
- A. Ensure that a manager is punished if things go wrong
 - B. Ensure that costs become the responsibility of a specific manager
 - C. Allocate costs to all areas of a business
 - D. Reduce the costs that a department incurs
31. Capital Budgeting is the process of evaluating and selecting long term investment that are consistent with the goal of:
- A. Value Maximisation
 - B. Profit Maximisation
 - C. Net Profit Maximisation
 - D. Both (a) & (b)
32. The rate of discount at which NPV of a project becomes zero is also known as:
- A. Internal rate of return
 - B. Average rate of return
 - C. Alternate rate of return
 - D. None of the above
33. Dividend Capitalization model was developed by:
- A. Ezra Soloman
 - B. James E. Walter
 - C. Myron J. Gordon
 - D. Modigliani

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34. In case of conflict in ranking which method provides better result:
- A. ARR
 - B. PI
 - C. NPV
 - D. IRR
35. Present value tables can be used only when cash flows are uniform to determine NPV:
- A. Annuity
 - B. Compounding value
 - C. Present value Interest factor
 - D. None of these
36. The optimal payout ratio for growth firm is nil and declining firm is 100% is established by:
- A. Walter Model
 - B. Gordon Model
 - C. None of the above
 - D. Both a & b
37. Financial Break-Even Level of EBIT is one at which:
- A. EPS is infinite
 - B. EPS is one
 - C. EPS is negative
 - D. EPS is zero
38. Under the Walter Model, if the rate of return is greater than the cost of capital:
- A. Price per share increases as the dividend payout ratio increases.
 - B. Price per share does not vary with the increase or decrease in dividend payout ratio.
 - C. Price per share increases as the dividend payout ratio decreases.
 - D. None of the above.
39. Conservative Policy of working capital refers to:
- i) Situation with high investment in current assets.
 - ii) Situation which stimulates sales.
 - iii) Situation with frequent production stoppages.
- Codes:
- A. (iii) is correct
 - B. (ii) is correct

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- C. (i) is correct
 - D. (i) and (ii) are correct
40. Dividend is paid out of:
- A. Current or Accumulated Profit
 - B. Capital Profit
 - C. Reserves
 - D. Cash
41. Net operating income approach is very close to:
- A. Net Income Approach
 - B. M.M. Approach
 - C. Optimum Capital Structure
 - D. None of these.
42. Point out which one doesn't affect the working capital of a firm:
- A. Corporate Tax
 - B. Cash
 - C. Current liabilities
 - D. Current Assets
43. Financial leverage in a firm is positively affected by:
- A. Operating Leverage
 - B. Profitability
 - C. Intensity of tangible assets
 - D. Tax Rate
44. Dividend irrelevance hypothesis is implied in the:
- A. M.M Model
 - B. Walter Model
 - C. Gordon Model
 - D. Traditional Model
45. Permanent Working Capital is generally financed through:
- A. Government assistance
 - B. Internal financing
 - C. Long term capital funds
 - D. Short term loans from banks

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46. In case the projects are divisible under capital rationing an appropriate project appraisal method is:
- A. Profitability Index Method
 - B. Net Present Value Method
 - C. Internal Rate of Return Method
 - D. Payback Period Method
47. Which formula is used to measure the degree of operating leverage?
- A. C / EBIT
 - B. $\text{EBIT} / \text{Sales}$
 - C. EBIT / C
 - D. EBIT / EBT
48. Which one is more appropriate for cost of retained earnings?
- A. Opportunity cost to the firm
 - B. Weighted Average cost of capital
 - C. Expected rate of return by the investor
 - D. None of the above
49. In the hypothesis testing procedure, a researcher may commit type II error in which of the following condition?
- A. When the true null hypothesis is rejected.
 - B. When the alternate hypothesis is accepted
 - C. When the false null hypothesis is accepted.
 - D. When the true null hypothesis is accepted.
50. If a chi-square test is to be performed on a contingency table with 3 rows and 4 columns, how many degrees of freedom should be used?
- A. 4
 - B. 6
 - C. 7
 - D. 12
51. Which statistical test should be applied to test the effectiveness of “special coaching” on the marks scored by the students?
- A. F Test
 - B. Chi-Square Test

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- C. Z test
 - D. Paired t test
52. Which of the following is not a restricted random sampling technique?
- A. Simple Random Sampling
 - B. Systematic Sampling
 - C. Stratified Sampling
 - D. Multistage Sampling
53. Classification of respondents only on the basis of gender is an application of:
- A. Ordinal Scale
 - B. Nominal Scale
 - C. Interval Scale
 - D. Ratio Scale
54. Which of the following term is used to represent the proportionate relationship between debt and equity?
- A. Capital Budgeting
 - B. Cost of Capital
 - C. Capital Structure
 - D. Asset Structure
55. Which of the following tests is used to test the significance of the co-efficient of association?
- A. X^2 Test
 - B. Z-Test
 - C. t – Test
 - D. F-Test
56. The total area of a normal distribution between average value ± 1.96 of standard deviation is:
- A. 95%
 - B. 94.45%
 - C. 99%
 - D. 69.34%

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57. The term “errors’ in statistics refers to:
- A. Mistakes
 - B. Bias
 - C. Both Mistakes and Bias
 - D. Difference between the value of a statistic and that of the corresponding parameter.
58. Primary Data are:
- A. always more reliable compared to secondary data.
 - B. less reliable compared to secondary data
 - C. depends on the agency collecting the data
 - D. depends on the care with which data have been collected
59. Coefficient of determination is defined as:
- A. r^3
 - B. $1-R^2$
 - C. $1+r^2$
 - D. r^2
60. Student’s ‘t’ Distribution was discovered by:
- A. Karl Pearson
 - B. Laplace
 - C. Gosset
 - D. Fisher
61. When observed and expected frequencies completely coincide, χ^2 will be:
- A. + 1
 - B. -1
 - C. Less than 1
 - D. Zero
62. In hypothesis testing, which hypothesis is generally considered to be true?
- A. Alternative Hypothesis
 - B. Null Hypothesis
 - C. One tailed Hypothesis
 - D. Two tailed Hypothesis

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63. If the sample size increases, the sampling error:
- A. Increases
 - B. Decreases
 - C. Remains Constant
 - D. None of the above
64. ADR s' and GDR s' are an excellent means of investment to invest in India for:
- A. NRIs'
 - B. Foreign Nationals
 - C. Both A and B
 - D. None of the above
65. Which of the following is true?
- A. Systematic risk is non-diversifiable but unsystematic risk is diversifiable.
 - B. Systematic risk is diversifiable but unsystematic risk is non-diversifiable.
 - C. Both systematic and unsystematic risks are non-diversifiable.
 - D. Both systematic and unsystematic risks are diversifiable.
66. Performance evaluation of a responsibility centre can be done by:
- A. EVA
 - B. ROI
 - C. Return on Sales
 - D. All of the Above
67. Social Balance Sheet shows:
- A. Social Revenues
 - B. Social Costs
 - C. Value of the employees of the organization
 - D. All of the above
68. Venture Capital financing at starting stage is generally not done through:
- A. Equity Shares
 - B. Debt Instruments
 - C. Deep Discount Bonds
 - D. Conditional Loans

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69. The Benefits of debt financing over equity financing are likely to be highest in which of the following situations:
- A. Low marginal tax rates and low non-interest tax benefits
 - B. High marginal tax rates and low non-interest tax benefits
 - C. Low marginal tax rates and high non-interest tax benefits
 - D. High marginal tax rates and high non-interest tax benefits
70. Direct supervision over depositories and mutual funds is undertaken by:
- A. RBI
 - B. SEBI
 - C. NBFCs
 - D. All of the above
71. In the call/notice money market, which of the following participants is allowed to trade?
- A. All corporates
 - B. Only Commercial Banks
 - C. All Banks, Primary Dealers and Mutual Funds
 - D. All of the Above
72. If the spot price is higher than the strike price in a call option, it is referred to as:
- A. In - the - money
 - B. At - the - money
 - C. Premium
 - D. Out - the - money
73. The transfer by a company of one or more of its business divisions to another newly set up company is called:
- A. Merger
 - B. Demerger
 - C. Disinvestment
 - D. Equity carve-out
74. The powers of controller of capital issues of India are now shifted to:
- A. SEBI
 - B. Ministry of Finance

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- C. AMFI
 - D. Ministry of Corporate Affairs
75. The main objective of Accounting Standard is:
- A. To comply with the legal formalities.
 - B. To prepare the accounting reports which is easily understood by a common man.
 - C. To Harmonize the diversified accounting practices.
 - D. To comply with the requirements of the International Accounting Standard.
76. Which one of the following is not a money market instrument?
- A. Warrants
 - B. Participatory Certificates
 - C. Commercial Paper
 - D. Treasury Bills
77. Which one is not non-Marketable securities?
- A. Bank Deposits
 - B. Corporate Securities
 - C. Post office certificates and deposits
 - D. Deposits with companies
78. The Securities and Exchange Board of India was not entrusted with the function of:
- A. Ensuring fair practices by companies
 - B. Investor Protection
 - C. Improving the earnings of equity holders.
 - D. Promotion of efficient services by brokers.
79. Factoring and Forfeiting have not taken off in the Indian economy due to lack of expertise and experience one is not included in the factoring services rendered:
- A. Giving Advice
 - B. Purchase of Book debts and receivables
 - C. Prepayment of debts partially or fully
 - D. Covering the credit risk of the supplies

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80. Accounting Standards Board of India was established in the year:
- A. 1970
 - B. 1972
 - C. 1973
 - D. 1977
81. An investment centre can be evaluated by:
- A. ROI
 - B. Profit
 - C. Return on sales
 - D. None of the above
82. A Derivative is a:
- A. Derived asset
 - B. Derived financial asset
 - C. Derived from net assets
 - D. None of the above
83. Financial risk means:
- A. Magnify the fluctuation in EBT
 - B. Risk of technical insolvency
 - C. Both A and B
 - D. None of the above
84. Which of the following factors have enhanced the quality of SEBI regulations?
- A. Tax reforms
 - B. Financial sector reforms
 - C. Capital market scams
 - D. Increasing foreign exchange reserves
85. Financial risk is connected with:
- A. Nature of investment
 - B. Debt Capital
 - C. Type of employees
 - D. Location of factory

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86. Which of the following are true in tax planning?
- It is futuristic in its approach.
 - It has limited scope compared to tax management.
 - The benefits arising from it are limited particularly in the short run.
 - Its main objective is to reduce the tax liability.

Codes:

- (i), (ii) and (iii)
 - (i) and (ii)
 - (i) and (iv)
 - (ii), (iii) and (iv)
87. Any amount of money received in excess of Rs.50000 without consideration is fullytaxable in the hands of:
- Individuals
 - Individuals and HUF
 - Individual, HUF and Company
 - All assesses
88. Under Section 80E of the Income Tax Act, 1961 deduction in respect of payment of interest on loan taken for higher education shall be allowed upto:
- Rs.10000
 - Rs.20000
 - Rs.25000
 - Without any limit
89. Which of the following is not an example of the tax evasion?
- Suppression of facts
 - Submitting misleading documents
 - Not maintain proper accounts of income earned
 - Interpreting the tax law in one's own way to minimize the tax liability.
90. Under Section 271C of the Income Tax Act, 1961 the amount of penalty for failure to deduct tax at source is:
- 100% of tax which is otherwise deductible under section 194B
 - 10% of tax which is otherwise deductible under section 194B

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- C. 200% of tax which is otherwise deductible under section 194B
 - D. 300% of tax which is otherwise deductible under section 194B
91. In which of the following cases, income of previous year is assessable in the previous year itself?
- A. A person in employment
 - B. A person engaged in illegal business
 - C. A person who is running charitable business
 - D. A person leaving India permanently
92. Long term capital loss can be set off from which of the following?
- A. Short term capital gain only
 - B. Long term capital gain only
 - C. Income from business and profession
 - D. Capital gain head of income
93. In which of the following long term assets cost indexation benefit is allowed?
- A. Debentures issued by a company
 - B. Self-generated goodwill of a business
 - C. Bonus shares allotted on 1-4-2000
 - D. Jewellery
94. The value of free accommodation in Delhi provided by employer in the private sector is:
- A. 10% of salary
 - B. 15% of salary
 - C. 20% of salary
 - D. 25% of salary
95. Under the Income Tax Act, 1961 unabsorbed depreciation can be carried forward for set-off purpose:
- A. For 4 years
 - B. For 5 years
 - C. For 8 years
 - D. For unspecified period

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96. Match these items of List I with List II
- | | |
|-----------------------|---|
| A. Tax Planning | i. Making suitable arrangement of TDS |
| B. Tax Avoidance | ii Understatement of Income |
| C. Tax Evasion | iii Availing deduction under IT Act |
| D. Tax Administration | iv Misinterpreting the provisions of the IT Act |

Codes:

	(a)	(b)	(c)	(d)
A.	(ii)	(i)	(iv)	(iii)
B.	(i)	(iv)	(iii)	(ii)
C.	(iii)	(iv)	(ii)	(i)
D.	(iv)	(i)	(iii)	(ii)

97. As per Sec 2 (31) of Income Tax Act, from the given who is included in 'Person'?
- A. Individual
 - B. HUF
 - C. Company
 - D. All of the above
98. Out of these, which is included in Agricultural Income as per Income Tax Act, 1961?
- A. Rent received from agriculture land
 - B. Income from dairy farm
 - C. Income from royalty of mines
 - D. Income from fair and exhibition on land
99. As per Income Tax Act, Agriculture income is exempted for:
- A. Individual
 - B. HUF
 - C. Firm
 - D. All of the above
100. Out of these, which is exempted for income of salaried persons?
- A. Gratuity received from employer
 - B. House Rent allowance received from employer
 - C. Travelling allowance
 - D. All of the above

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Answer Key

1	C	42	A	83	B
2	B	43	B	84	C
3	C	44	A	85	B
4	B	45	C	86	C
5	D	46	A	87	B
6	A	47	A	88	D
7	C	48	A	89	D
8	C	49	C	90	A
9	C	50	B	91	D
10	B	51	D	92	B
11	D	52	A	93	D
12	B	53	B	94	B
13	D	54	C	95	D
14	D	55	A	96	C
15	B	56	A	97	D
16	C	57	D	98	A
17	C	58	D	99	D
18	B	59	D	100	D
19	D	60	C		
20	C	61	D		
21	A	62	B		
22	D	63	B		
23	A	64	C		
24	A	65	A		
25	D	66	D		
26	C	67	C		
27	D	68	C		