



# MCCQ BOOK BANK GROUP - I

For CA Inter New Syllabus 2023

Applicable for May 2024 Examination and onwards

### Highlights of this Book

- Single Handy Volume for Group-I Subjects
- Full Coverage of CA Inter New Syllabus 2023
- Lucid MCQs for Quick understanding and revision of Concepts
- Chapter-wise Presentation of MCQs with Answers
- Knowledge-Based and Application-Based MCQs
- Complete Guide to Practice before Exam

Covering Topic wise MCQ's with Answers



Covering:  
**Advanced Accounting  
Corporate & Other Laws  
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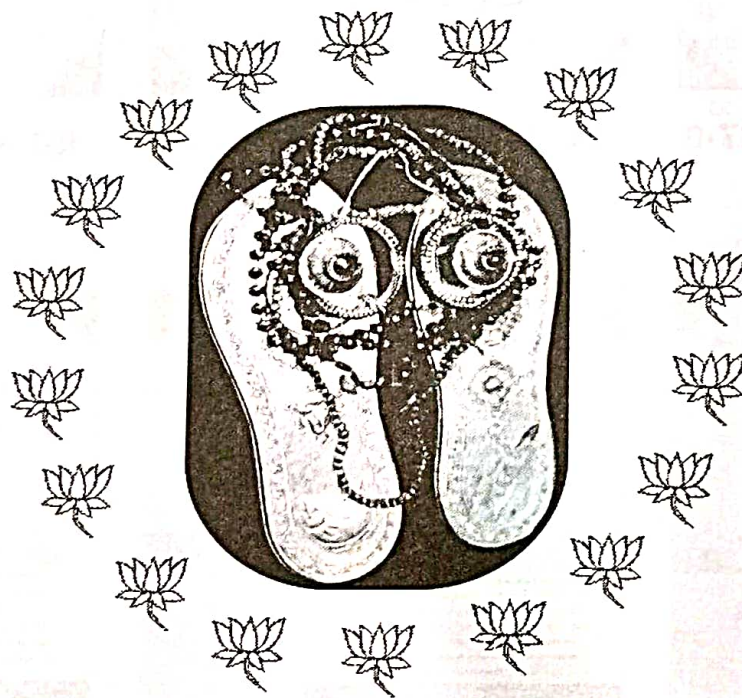
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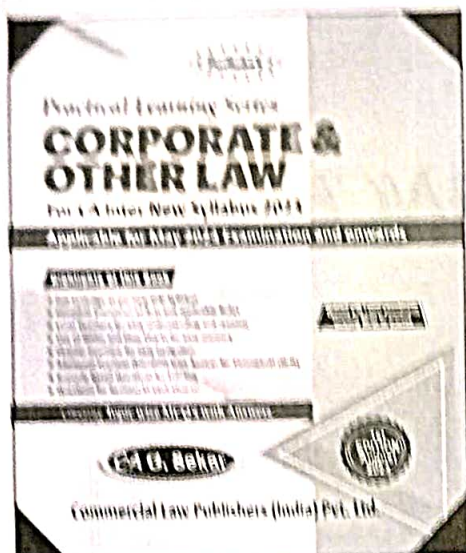




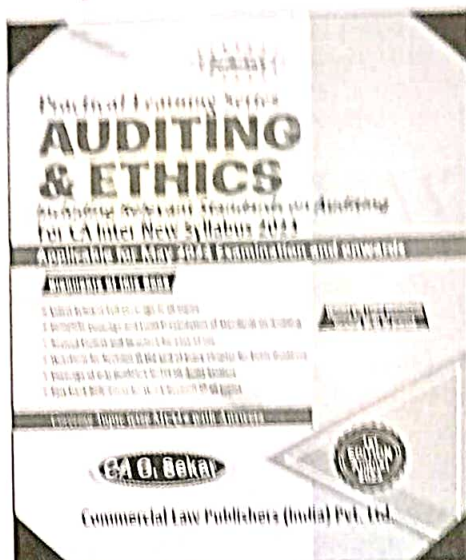
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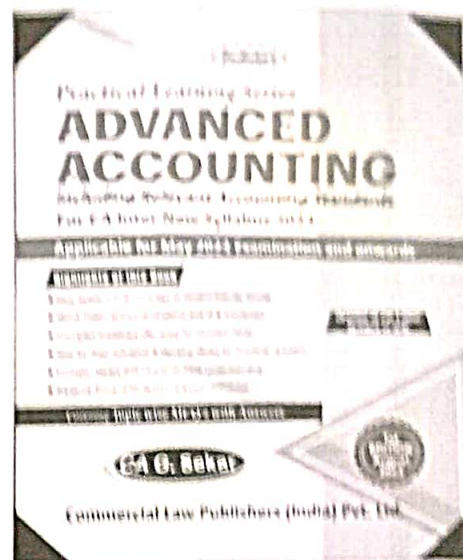
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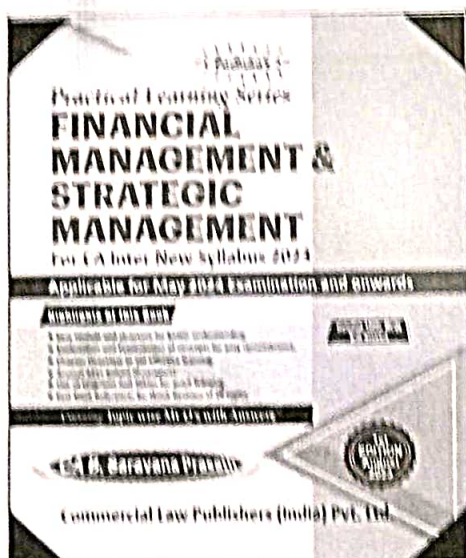
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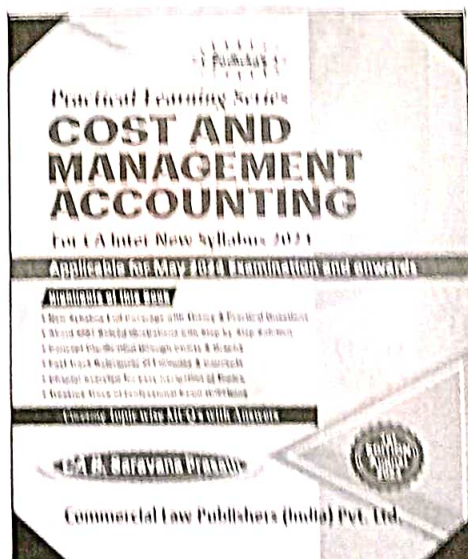
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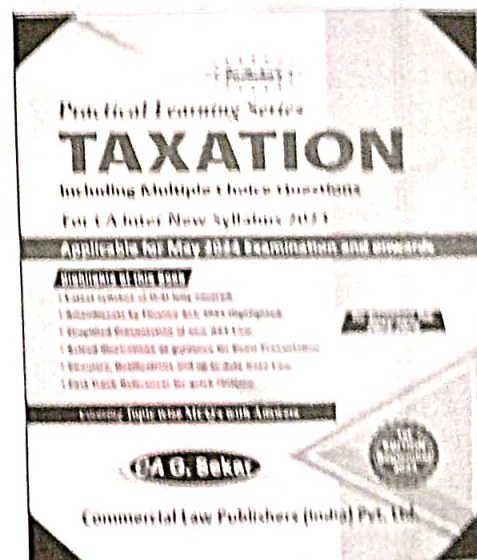
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## PREFACE

This First Edition of – "Padhuka's Practical Learning Series – MCQ Bank for CA Intermediate (New Syllabus) Group I" covers more than 2000 Multiple Choice Questions, relevant for the examination on the subjects, from Group-I Paper-1 Advanced Accounting, Paper-2 Corporate and Other Laws & Paper-3 Taxation, As announced by ICAI, for CA Intermediate Level in the main examination 30% of the marks shall be based on MCQ with effect from May, 2024 Examination.

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We thank the efforts and co-operation of the various service providers in bringing out this **New Title**—the support of **M/s Shree Guru Kripa's Institute of Management** in compiling the material, the support of the Publisher, in quickly getting this book in the current form.

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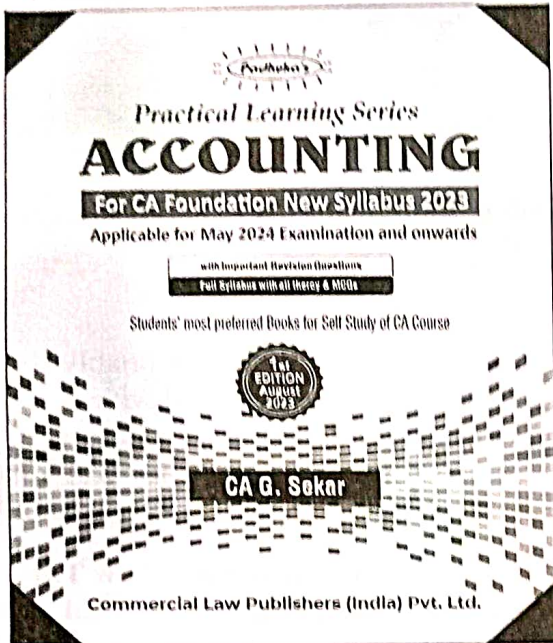
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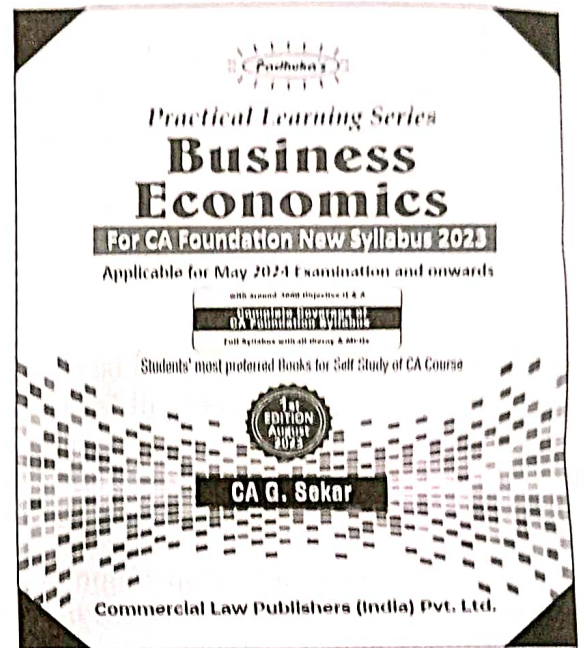


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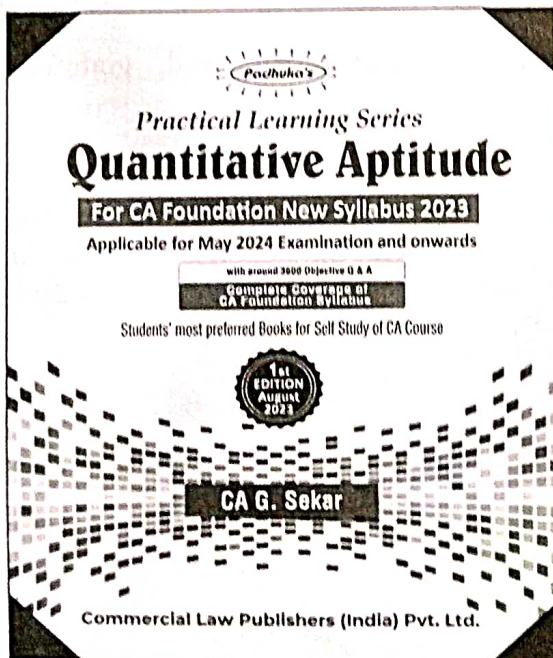
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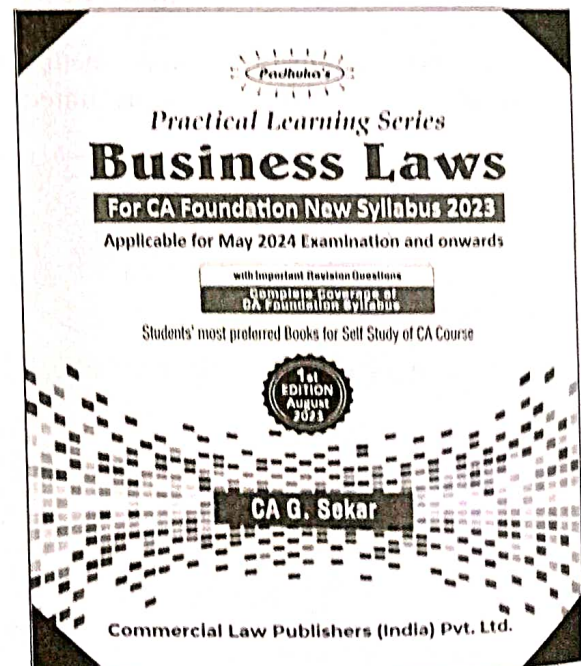
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**MCQs**  
**on**  
**Paper 1 – Advanced**  
**Accounting**

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## Chapter – 1

# FORMULATION & APPLICABILITY OF AS

1. For Level II Entities –
  - (A) Some AS are not applicable
  - (B) Some Paras of some AS are not applicable
  - (C) Both of the above
  - (D) None of the above
2. For Level III Entities –
  - (A) Some AS are not applicable
  - (B) Some Paras of some AS are not applicable
  - (C) Both of the above
  - (D) None of the above
3. Ind AS shall be adopted by specific classes of companies based on their :
  - (A) Net worth
  - (B) Listing Status
  - (C) Net worth or Listing Status
  - (D) Net worth and Listing Status
4. For the accounting period beginning on or after 1st April, 2019, all unlisted NBFCs whose net worth is more than or equal to ..... but less than ..... shall mandatorily follow the Ind ASs.
  - (A) ₹100 crore; ₹500 crore
  - (B) ₹250 crore; ₹500 crore
  - (C) ₹300 crore; ₹600 crore
  - (D) ₹400 crore; ₹800 crore
5. AS 3 & AS 17 are not applicable in their entirety to :
  - (A) Level II Entities
  - (B) Level III Entities
  - (C) SMCs
  - (D) All of the above
6. AS for Non Corporate Entities in India are issued by
  - (A) Central Govt
  - (B) State Govt
  - (C) Institute of Chartered Accountants of India
  - (D) NFRA
7. Accounting Standards for Corporate Entities in India are issued by
  - (A) Central Govt
  - (B) State Govt
  - (C) Institute of Chartered Accountants of India
  - (D) NFRA
8. Which committee is responsible for approval of accounting standards and their modification for the purpose of applicability to companies?
  - (A) NFRA
  - (B) MCA
  - (C) Central Government Advisory Committee
  - (D) NACAS
9. Additional guidance given in Ind AS over and above what is given in IFRS are called –
  - (A) Carve-outs.
  - (B) Carve-ins
  - (C) Carve clarifications.
  - (D) EAC
10. IASB stands for
  - (A) International Accounting Standards Bureau
  - (B) International Advisory Standards Board
  - (C) International Accounting Standard Board.
  - (D) Indian Accounting Standard Board.
11. Non Corporate Entities which are not Level I entities whose turnover (excluding other income) exceeds rupees \_\_\_\_\_ but does not exceed \_\_\_\_\_ in the immediately preceding accounting year are classified as Level II entities.
  - (A) 5 Crores, 250 Crores
  - (B) 10 Crores, 5 Crores
  - (C) 5 Crores, 25 Crores
  - (D) 2 Crores, 10 Crores
12. The following Accounting Standard is not applicable to Non-corporate Entities falling in Level II in its entirety –
  - (A) AS 10
  - (B) AS 1
  - (C) AS 2
  - (D) AS 17
13. All Non Corporate Entities, whose turnover (excluding other income) exceeds \_\_\_\_\_ in the immediately preceding accounting year, are classified as Level I entities.
  - (A) 250 Crores
  - (B) 10 Crores
  - (C) 50 Crores
  - (D) 25 Crores
14. Non Corporate Entities are classified into \_\_\_\_\_ Level entities –
  - (A) 1
  - (B) 2
  - (C) 3
  - (D) 4
15. For Applicability of AS, Corporate Entities are classified into \_\_\_\_\_ classes.
  - (A) 1
  - (B) 2
  - (C) 3
  - (D) 4

16. Ind AS is applicable from the accounting Period starting on 01.04.2016 for the Companies –  
 (A) having Net Worth  $\geq$  ₹ 500 Crores  
 (B) having Turnover  $\geq$  ₹ 500 Crores  
 (C) having Borrowings  $\geq$  ₹ 500 Crores  
 (D) having Paid up Capital  $\geq$  ₹ 500 Crores
17. Conditions for Non-SMCs and \_\_\_ Corporate Entities are same.  
 (A) Level 1  
 (B) Level 2  
 (C) Level 3  
 (D) Level 4
18. For Applicability of AS, borrowings (including public deposits) \_\_\_\_\_ is relevant.  
 (A) at the end of immediately preceding accounting year  
 (B) at the beginning of immediately preceding accounting year  
 (C) at any time during the immediately preceding accounting year  
 (D) at any time during the any preceding accounting year
19. All Non Corporate Entities engaged in commercial, industrial or business activities having borrowings (including public deposits) in excess of ₹ 2 Crores but does not exceed ₹ 10 Crores at any time during the immediately preceding accounting year are –  
 (A) Level II entities  
 (B) Level IV entities  
 (C) Level III entities  
 (D) Level I entities
20. "Small and Medium Sized Company" (SMC) means, a company-  
 (A) which may be a Bank, Financial Institution  
 (B) which may be a Insurance Company  
 (C) whose turnover does not exceed ₹ 250 Crores in the immediately preceding accounting year  
 (D) whose turnover does not exceed ₹ 50 Crores in the immediately preceding accounting year
21. AS is not applicable to –  
 (A) Fully Commercial Activities  
 (B) Fully Non-Commercial Activities  
 (C) Partly Commercial and Partly Non-Commercial Activities  
 (D) All of the above
22. Carve In / Outs arise from difference between –  
 (A) AS & Ind AS  
 (B) Ind AS & IFRS  
 (C) AS & IFRS  
 (D) AS & US GAAP
23. In which of the following cases Carve In arise?  
 (a) Various terminology related changes have been made to make it consistent with the terminology used in law  
 (b) Removal of options in accounting principles and practices in Ind AS vis-a-vis IFRS, have been made to maintain consistency and comparability of the financial statements to be prepared by following Ind AS.  
 (c) Differences which are in deviation to the accounting principles & practices stated in IFRS  
 (d) Additional guidance given in Ind AS over and above what is given in IFRS
24. In which of the following cases Carve In / Out does not arise?  
 (A) Various terminology related changes have been made to make it consistent with the terminology used in law  
 (B) Differences which are in deviation to the accounting principles and practices stated in IFRS  
 (C) Additional guidance given in Ind AS over and above what is given in IFRS  
 (D) All of the above
25. The differences which are in deviation to the accounting principles and practices stated in IFRS, are commonly known as –  
 (A) Carve-outs  
 (B) Carve-Ins  
 (C) Changes that will not result into Carve In / Outs  
 (D) Deviations
26. Voluntary Compliance of Ind AS is applicable from –  
 (A) 1.4.2016  
 (B) 1.4.2015  
 (C) 1.4.2018  
 (D) 1.4.2019
27. Mandatary Compliance of Ind AS is applicable from –  
 (A) 1.4.2016  
 (B) 1.4.2015  
 (C) 1.4.2018  
 (D) 1.4.2019
28. Compliance of Ind AS is deferred for –  
 (A) Banking Companies  
 (B) NBFCs  
 (C) Insurance Companies  
 (D) Banking and Insurance Companies
29. For Applicability of AS, Turnover –  
 (A) does not include Other Income  
 (B) include Other Income  
 (C) include GST  
 (D) include Other Income & GST
30. For Applicability of AS, Net Worth does not include –  
 (A) Reserves created out of revaluation of assets  
 (B) Statutory Reserves  
 (C) Securities Premium Account  
 (D) All of the above



31. "Financial Statement" in relation to a Company, need not include –  
 (A) Balance Sheet as at the end of the financial year,  
 (B) Profit and Loss Account, or in the case of a Company carrying on any activity not for profit, an Income and Expenditure Account for the financial year,  
 (C) Cash Flow Statement for the financial year,  
 (D) Statement of Changes in Equity
32. Non-Banking Financial Company does not include –  
 (A) Housing Finance Companies  
 (B) Merchant Banking Companies  
 (C) Micro Finance Companies  
 (D) Mutual Fund Companies
33. "Net Worth" means the aggregate value of the –  
 (A) Paid-Up Share Capital and all Reserves created out of the profits and Securities Premium Account, after deducting the aggregate value of the Accumulated Losses, Deferred Expenditure and Miscellaneous Expenditure not written off, as per the audited Balance Sheet.  
 (B) Paid-Up Share Capital and all Reserves created out of the profits and excluding Securities Premium Account, after deducting the aggregate value of the Accumulated Losses, Deferred Expenditure and Miscellaneous Expenditure not written off, as per the audited Balance Sheet.  
 (C) Paid-Up Share Capital and all Reserves created out of the profits and Securities Premium Account, before deducting the aggregate value of the Accumulated Losses, Deferred Expenditure and Miscellaneous Expenditure not written off, as per the audited Balance Sheet.  
 (D) Paid-Up Share Capital and all Reserves created out of the profits and Securities Premium Account, after deducting the aggregate value of the Accumulated Losses, Deferred Expenditure and Miscellaneous Expenditure not written off, as per the provisional Balance Sheet.
34. Applicability of Accounting Standards to Corporate Entities are given under –  
 (A) Companies (Accounting Standards) Rules  
 (B) Companies (NAFRA) Rules  
 (C) ICAI Regulations  
 (D) Companies (Ind AS) Rules
35. Mandatory Compliance of Ind AS to NBFC is applicable from –  
 (A) 1.4.2016  
 (B) 1.4.2015  
 (C) 1.4.2018  
 (D) 1.4.2019
36. Which of the following Companies can be classified as SMC?  
 (A) A Pvt Ltd, a Subsidiary of a Multinational Company listed on London Stock Exchange.  
 (B) B Pvt Ltd, which has a Turnover of ₹ 450 Crores, Other Income of ₹ 7 Crores, and Borrowings of ₹ 9 Crores  
 (C) C Ltd, which has appointed Merchant Bankers to prepare a Red Herring Prospectus for the purpose of filing the same with the Securities Exchange Board of India  
 (D) None of the above
37. An existing Company, which was previously not a SMC and subsequently becomes an SMC, shall not be qualified for exemption or relaxation in respect of Accounting Standards available to an SMC –  
 (A) until the Company remains an SMC for 3 consecutive accounting periods.  
 (B) until the Company remains an SMC for 2 consecutive accounting periods.  
 (C) until the Company remains an SMC for any 2 accounting periods  
 (D) even if the Company remains an SMC for 2 consecutive accounting periods.
38. International Financial Reporting Standards (IFRS) comprise the following –  
 (A) International Financial Reporting Standards (IFRS) issued by the IASB  
 (B) International Accounting Standards (IAS) issued by the IASC  
 (C) Interpretations issued by the Standards Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) of the IASB.  
 (D) All of the above
39. Level II Entities include –  
 (A) Entities whose Equity Securities are listed, or in the process of listing on any Stock Exchange in India  
 (B) Entities whose Debt Securities are listed, or in the process of listing on any Stock Exchange outside India.  
 (C) Banks (including Co-operative Banks), Financial Institutions, or Entities carrying on Insurance business.  
 (D) None of the above
40. A Company which satisfies the prescribed conditions on 31.03.2018 shall apply Ind AS for –  
 (A) Financial Year 2017–2018 onwards.  
 (B) Financial Year 2018–2019 onwards.  
 (C) Any Financial Year from 2017–2018 onwards.  
 (D) Any Financial Year from 2018–2019 onwards.
41. Once a Company starts following Ind AS \_\_\_\_\_, it shall be required to follow Ind AS for all the subsequent Financial Statements, even if does not satisfy any of the prescribed conditions subsequently.  
 (A) voluntarily  
 (B) mandatorily  
 (C) voluntarily or mandatorily  
 (D) None of the above



42. When a change in accounting policy is justified?  
 (A) To comply with accounting standard  
 (B) To ensure more appropriate presentation of the financial statement of the enterprise  
 (C) To comply with law  
 (D) All of the above
43. It is essential to standardize the accounting principles and policies in order to ensure –  
 (A) Transparency  
 (B) Profitability  
 (C) Reputation  
 (D) All of the above
44. A specific accounting policy refers to –  
 (A) Accounting Principles  
 (B) Methods of applying those principals  
 (C) Both (A) & (B)  
 (D) None of the above
45. Assets should be valued at the price paid to acquire them is based on –  
 (A) Realization concept  
 (B) Cost concept  
 (C) Matching concept  
 (D) Periodicity concept
46. The Central Government may, by notification, constitute a National Financial Reporting Authority (NFRA) under of the Companies Act, 2013.  
 (A) Section 131  
 (B) Section 132  
 (C) Section 133  
 (D) Section 134
47. Consistency with reference to application of accounting principles refer to the:  
 (A) All the companies in the same industries should use identical procedures and methods.  
 (B) Income and assets have not been overstated.  
 (C) Accounting methods and procedures used have to be consistently applied from year to year.  
 (D) Any accounting method or procedure can be utilized.
48. AS-8 on Accounting for Research and Development:  
 (A) Is replaced by AS-26  
 (B) Is applicable only to listed companies  
 (C) Is mandatory for Research Institutions  
 (D) Is still in use.
49. Accounting Standards ..... the statue:  
 (A) Can override  
 (B) Cannot override  
 (C) May override  
 (D) None of the above
50. In case of charitable trusts & co-operative societies –  
 (A) If their activities are purely charitable or non-commercial then accounting standards are not applicable.  
 (B) Even if a very small proportion of the activities of trusts/co-operative societies are considered to be commercial, industrial or business in nature, then accounting standards are applicable.  
 (C) Both (A) and (B)  
 (D) None of the above
51. Which of the following are fundamental accounting assumptions  
 (A) Going Concern  
 (B) Matching  
 (C) Consistency  
 (D) Dual Aspect  
 (E) Materiality  
 (F) Accrual
- Select the correct answer from the options given below:  
 (A) A, C & E  
 (B) B, D & F  
 (C) A, C & F  
 (D) A, D & F
52. If rights and beneficial interest in a property is transferred but documentation and legal formalities are pending then seller & purchaser should record in their accounts as sale & purchase. This the example of –  
 (A) Prudence  
 (B) Substance over from  
 (C) Materiality  
 (D) Realization

## Solutions

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17				
a	c	c	b	d	c	a	a	b	c	a	d	a	d	b	a	a				
18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38
c	c	c	b	b	d	a	a	b	a	d	a	a	d	d	a	a	c	d	b	c
39	40	41	42	43	44	45	46	47	48	49	50	51	52							
d	b	c	d	a	c	b	b	c	a	a	c	c	b							



## Chapter – 2

## CONCEPTUAL FRAMEWORK

1. Who has the primary responsibility for the preparation and presentation of the Financial Statements of the Entity?
  - (a) Management of an Entity
  - (b) Statutory Auditors of an Entity
  - (c) Internal Auditors of an Entity
  - (d) All of the above
2. Framework is not concerned with –
  - (a) General Purpose Financial Statements
  - (b) Consolidated Financial Statements (CFS)
  - (c) Special Purpose Financial Reports
  - (d) All of the above
3. Examples of Special Purpose Financial Reports –
  - (a) Prospectuses
  - (b) Computations prepared for taxation purposes
  - (c) Both of the above
  - (d) None of the above
4. Financial Statements do not include items like –
  - (a) Board Reports
  - (b) Chairman's Speech
  - (c) Management Discussion and Analysis and similar items that may be included in a Financial or Annual Report.
  - (d) All of the above
5. Financial Statements cannot provide all the information that Users may need to make economic decisions, since –
  - (a) they portray past events
  - (b) do not necessarily provide non-financial information.
  - (c) they portray past events and do not necessarily provide non-financial information.
  - (d) No. Financial Statements shall provide all the information that Users may need to make economic decisions.
6. The component parts of the Financial Statements –
  - (a) inter-relate, because they reflect different aspects of the same transactions or other events.
  - (b) independent, because they reflect different aspects.
  - (c) Both of the above
  - (d) None of the above
7. As per Ind AS Framework, Underlying Assumptions in Financial Statements are –
  - (a) Accrual Basis and Going Concern
  - (b) Consistency, Accrual Basis and Going Concern
  - (c) Accrual Basis
  - (d) Going Concern
8. Which of the following statement is correct?
  - (a) Financial Statements must have Predictive Role (for future events).
  - (b) Financial Statements must have and Confirmatory Role (for past events).
  - (c) Both of the above
  - (d) None of the above
9. Examples of recording the transaction using "substance over form"?
  - (a) An Asset has been sold from A Ltd to Mr. Y and immediately after this, Mr. Y has leased out the same to A Ltd.
  - (b) Vakrathunda Ltd sold its Building to another Company for ₹60 Lakhs on 18<sup>th</sup> January and gave possession of the property to the Buyer Company. However, documentation and legal formalities are pending.
  - (c) Both of the above
  - (d) None of the above
10. Vakrathunda Ltd sold its Building to another Company for ₹60 Lakhs on 18<sup>th</sup> January and gave possession of the property to the Buyer Company. However, documentation and legal formalities are pending. In this case –
  - (a) Vakrathunda Ltd has to record the sale
  - (b) Vakrathunda Ltd has to record the amount received, as an Advance
  - (c) Both of the above
  - (d) None of the above
11. Which of the following statement is not correct?
  - (a) The Relevance of information is affected by its Nature, and/or Materiality.
  - (b) Information is material if its omission or misstatement could influence the economic decision of Users taken on the basis of the Financial Statements.
  - (c) In some cases, the nature of the information alone is sufficient to determine its relevance.
  - (d) None of the above
12. A Ltd is having Inventory amounting ₹1,00,000 in total with the details as below – Spare Parts – ₹30,000, Finished Goods – ₹25,000, Work in Progress – ₹40,000, Tools – ₹5,000. Materiality limit has been assessed ₹30,000 based on the Management estimation pertaining to annual profit basis. What should be the presentation requirement?



- (a) Spare Parts = ₹ 30,000, Finished Goods = ₹ 25,000, Work in Progress = ₹ 10,000, Tools = ₹ 5,000  
 (b) Spare Parts = ₹ 30,000, Finished Goods & Tools = ₹ 25,000, Work in Progress = ₹ 10,000  
 (c) Inventory = ₹ 1,00,000  
 (d) Any of the above
13. Which of the following statement is correct?  
 (a) The Framework does not directly address the True and Fair View or Fair Presentation.  
 (b) If the Qualitative Characteristics are applied along with the appropriate Accounting Standards this normally results in Financial Statements that convey what is generally understood as a True and Fair View of such information.  
 (c) Ind AS-1 states that presentation of a True and Fair View is achieved by compliance with applicable Ind ASs.  
 (d) All of the above.
14. Elements of Financial Position are =  
 (a) Assets, Liability and Equity  
 (b) Income & Expenses  
 (c) Both of the above  
 (d) None of the above
15. Elements of Financial Performance are =  
 (a) Assets, Liability and Equity  
 (b) Income & Expenses  
 (c) Both of the above  
 (d) None of the above
16. As per Ind AS Framework, Equity is =  
 (a) Sum of Share Capital and Reserves & Surplus  
 (b) Residual interest in the Assets of the Entity after deducting its Liabilities.  
 (c) Amount contributed by the Equity Participants  
 (d) Any of the above
17. Equity may sub-classified suitably, e.g. =  
 (a) Funds contributed by Shareholders  
 (b) Retained Earnings  
 (c) Reserves representing Appropriations of Retained Earnings & representing Capital Maintenance Adjustments  
 (d) All of the above
18. As per Ind AS Framework, Equity is -  
 (a) Residual interest in the Assets of the Entity after deducting its Liabilities.  
 (b) Aggregate Market Value of the Shares of the Entity  
 (c) Sum that could be raised by disposing of either the Net Assets on a piecemeal basis or the Entity as a whole on a going concern basis.  
 (d) Any of the above.
19. Reserves can represent -  
 (a) Appropriations of Retained Earnings  
 (b) Capital Maintenance Adjustments  
 (c) Either of the above  
 (d) Neither of the above
20. As per Ind AS Framework, Expense is -  
 (a) Increases in economic benefits during the accounting period, in the form of Inflow, or Enhancement of Liabilities, or Decreases in Assets that result in decreases in Equity, other than those relating to Contributions from Equity Participants.  
 (b) Increases in economic benefits during the accounting period, in the form of Inflow, or Enhancement of Assets, or Decreases in Liabilities that result in decreases in Equity, other than those relating to Contributions from Equity Participants.  
 (c) Increases in economic benefits during the accounting period, in the form of Inflow, or Enhancement of Assets, or Decreases in Liabilities that result in increases in Equity, other than those relating to Contributions from Equity Participants.  
 (d) Increases in economic benefits during the accounting period, in the form of Inflow, or Enhancement of Assets, or Decreases in Liabilities that result in increases in Equity including those relating to Contributions from Equity Participants.
21. Examples of Unrealised Gains =  
 (a) Revaluation of Marketable Securities  
 (b) Increases in Carrying Amount of Long Term Assets  
 (c) Both of the above  
 (d) None of the above
22. As per Ind AS Framework, Expenses are -  
 (a) Decreases in economic benefits during the accounting period, in the form of Outflows, or Depletions in the Value of Assets, or Incurrences of Liabilities that result in decreases in Equity, other than those relating to Distributions to Equity Participants.  
 (b) Decreases in economic benefits during the accounting period, in the form of Outflows, or Depletions in the Value of Assets, or Liabilities that result in decreases in Equity, other than those relating to Distributions to Equity Participants.  
 (c) Decreases in economic benefits during the accounting period, in the form of Outflows, or Depletions in the Value of Assets, or Incurrences of Liabilities that result in decreases in Equity, including those relating to Distributions to Equity Participants.  
 (d) Decreases in economic benefits during the accounting period, in the form of Outflows, or Depletions in the Value of Assets, or Incurrences of Liabilities that result in decreases in Equity, other than those relating to Distributions to Equity Participants.



23. Settlement of Liability may occur by –
- payment of Cash or Cash Equivalents as is the case with most payables,
  - transfer of other assets, e.g. in a barter transaction or in some business combination,
  - provision of services to the other party, e.g. Liability for Warranty Repairs, or
  - Any of the above
24. Settlement of Liability may occur by –
- replacement of the obligation with another obligation
  - conversion of the Obligation to Equity
  - other means, e.g. Creditor waiving or forfeiting his rights
  - Any of the above
25. Historical Cost of Liability is –
- Undiscounted Amount of cash or cash equivalents that would be required, to settle the obligation currently.
  - Proceeds received in exchange for the obligation (e.g. Loans) or Amount of Cash or Cash Equivalents expected to be paid to satisfy the liability in the normal course of business (e.g. Income Taxes)
  - Undiscounted Amount of Cash or Cash Equivalents expected to be paid to satisfy the Liabilities in the normal course of business.
  - Present Discounted Value of Future Net Cash Outflows expected to be required to settle the Liability, in the normal course of business.
26. Current Cost of Liability is –
- Undiscounted Amount of cash or cash equivalents that would be required, to settle the obligation currently.
  - Proceeds received in exchange for the obligation (e.g. Loans) or Amount of Cash or Cash Equivalents expected to be paid to satisfy the liability in the normal course of business (e.g. Income Taxes)
  - Undiscounted Amount of Cash or Cash Equivalents expected to be paid to satisfy the Liabilities in the normal course of business.
  - Present Discounted Value of Future Net Cash Outflows expected to be required to settle the Liability, in the normal course of business.
27. Realisable (Settlement) Value of Liability is –
- Undiscounted Amount of cash or cash equivalents that would be required, to settle the obligation currently.
  - Proceeds received in exchange for the obligation (e.g. Loans) or Amount of Cash or Cash Equivalents expected to be paid to satisfy the liability in the normal course of business (e.g. Income Taxes)
  - Undiscounted Amount of Cash or Cash Equivalents expected to be paid to satisfy the Liabilities in the normal course of business.
  - Present Discounted Value of Future Net Cash Outflows expected to be required to settle the Liability, in the normal course of business.
28. Which of the following statement is correct?
- Generally, Historical Cost is commonly adopted as the Measurement Basis.
  - Historical Cost is usually combined with other Measurement Bases, e.g. Inventories carried at the lower of Cost and NRV, Marketable Securities carried at Market Value, Pension Liabilities carried at their Present Value, etc.
  - Some Entities use the **Current Cost** basis as a response to the inability of the Historical Cost Accounting Model to deal with the effects of changing prices of Non-Monetary Assets.
  - All of the above.
29. Historical Cost is usually combined with other Measurement Bases, e.g. in case of –
- Inventories
  - Marketable Securities
  - Pension Liabilities carried at their Present Value
  - All of the above
30. If the Users of Financial Statements are primarily concerned with the maintenance of Nominal Invested Capital or the Purchasing Power of Invested Capital, –
- Financial Capital Maintenance can be used
  - Physical Capital Maintenance can be used
  - Either of the above
  - None of the above
31. Under Physical Capital Maintenance, i.e. Profit is earned only if –
- Financial (or Money) Amount of the Net Assets at the end of the period exceeds the Financial (or Money) Amount of Net Assets at the beginning of the period, after excluding any Distributions to, and Contributions from, Owners during the period.
  - Physical Productive Capacity (or Operating Capability) of the Entity (or the resources or funds needed to achieve that capacity) at the end of the period exceeds the Physical Productive Capacity at the beginning of the period, after excluding any Distributions to, and Contributions from, Owners during the period.
  - Either of the above
  - None of the above
32. Under Physical Capital Maintenance, i.e. Profit is computed in terms of –
- Nominal Monetary Units or Units of Constant Purchasing Power
  - Output, Productive Capacity, etc.
  - Either of the above
  - None of the above
33. Under Financial Capital Maintenance, i.e. Profit is computed in terms of –
- Nominal Monetary Units or Units of Constant Purchasing Power
  - Output, Productive Capacity, etc.
  - Either of the above
  - None of the above



34. Measurement Basis under Physical Capital Maintenance –  
 (a) Historical Cost  
 (b) Current Cost  
 (c) Either of the above dependent on the type of Financial Capital that the Entity is seeking to maintain.  
 (d) Neither of the above
35. Ram commenced trading business on 1<sup>st</sup> January with ₹ 10,00,000. He purchased 20,000 units of a product at ₹ 50 per unit, and sold them at ₹ 60 per unit. Drawings during the year were ₹ 1,00,000. Average Price Indices at the beginning and end of the year are 100 and 120 respectively. Net Closing Capital –  
 (a) 11,00,000  
 (b) 12,00,000  
 (c) 10,00,000  
 (d) 1,00,000
36. Ram commenced trading business with ₹ 10,00,000. He purchased 20,000 units of a product at ₹ 50 per unit, and sold them at ₹ 60 per unit. Average Price Indices at the beginning and end of the year are 100 and 120 respectively. Maximum Drawings permissible under Financial Capital Maintenance at Historical cost –  
 (a) 11,00,000  
 (b) 2,00,000  
 (c) 10,00,000  
 (d) Nil
37. Ram commenced trading business with ₹ 10,00,000. He purchased 20,000 units of a product at ₹ 50 per unit, and sold them at ₹ 60 per unit. Average Price Indices at the beginning and end of the year are 100 and 120 respectively. Maximum Drawings permissible under Financial Capital Maintenance at Current cost –  
 (a) 11,00,000  
 (b) 2,00,000  
 (c) 10,00,000  
 (d) Nil
38. Ram commenced trading business on 1<sup>st</sup> January with ₹ 10,00,000. He purchased 20,000 units of a product at ₹ 50 per unit, and sold them at ₹ 60 per unit. Drawings during the year were ₹ 1,00,000. Average Price Indices at the beginning and end of the year are 100 and 120 respectively. Closing Capital at Current Purchasing Power –  
 (a) 11,00,000  
 (b) 12,00,000  
 (c) 10,00,000  
 (d) 1,00,000
39. Ram commenced trading business on 1<sup>st</sup> January with ₹ 10,00,000. He purchased 20,000 units of a product at ₹ 50 per unit, and sold them at ₹ 60 per unit. Drawings during the year were ₹ 1,00,000. Average Price Indices at the beginning and end of the year are 100 and 120 respectively. Retained Profit –  
 (a) 11,00,000  
 (b) 12,00,000  
 (c) (1,00,000)  
 (d) 1,00,000
40. Ram commenced trading business on 1<sup>st</sup> January with ₹ 10,00,000. He purchased 20,000 units of a product at ₹ 50 per unit, and sold them at ₹ 60 per unit. Drawings during the year were Nil. Average Price Indices at the beginning and end of the year are 100 and 120 respectively. In this case –  
 (a) Ram has maintained his Capital since closing capital is more than opening Capital  
 (b) Ram has maintained his Capital since closing capital is equal to opening Capital  
 (c) Ram has maintained his Capital since closing capital is less than opening Capital  
 (d) Ram has not maintained his Capital since closing capital is less than opening Capital
41. Ram commenced trading business on 1<sup>st</sup> January with ₹ 10,00,000. He purchased 20,000 units of a product at ₹ 50 per unit, and sold them at ₹ 60 per unit. Drawings during the year were ₹ 1,00,000. Specific Price Index for the product at the end of the year is 125%. Opening Capital at Current Purchasing Power –  
 (a) 11,00,000  
 (b) 12,50,000  
 (c) 10,00,000  
 (d) 12,00,000
42. Ram commenced trading business on 1<sup>st</sup> January with ₹ 10,00,000. He purchased 20,000 units of a product at ₹ 50 per unit, and sold them at ₹ 60 per unit. Drawings during the year were ₹ 1,00,000. Specific Price Index for the product at the end of the year is 125%. Closing Capital –  
 (a) 11,00,000  
 (b) 12,00,000  
 (c) 10,00,000  
 (d) 1,00,000
43. Ram commenced trading business on 1<sup>st</sup> January with ₹ 10,00,000. He purchased 20,000 units of a product at ₹ 50 per unit, and sold them at ₹ 60 per unit. Drawings during the year were ₹ 1,00,000. Specific Price Index for the product at the end of the year is 125%. Retained Profit –  
 (a) 11,00,000  
 (b) 12,00,000  
 (c) (1,50,000)  
 (d) (1,00,000)
44. Ram commenced trading business on 1<sup>st</sup> January with ₹ 10,00,000. He purchased 20,000 units of a product at ₹ 50 per unit, and sold them at ₹ 60 per unit. Drawings during the year were ₹ 1,00,000. Specific Price Index for the product at the end of the year is 125%. In this case –