

Specialized Accounting

Multiple Choice Questions

1. Which one of the following is not true about a dependent branch?
 - a) These branch sell only those goods which are received from the head office.
 - b) All expenses of the branch are paid by the head office.
 - c) Petty expenses are paid by the branch and petty cash account is prepared at the branch either as simple petty cash or on imprest system.
 - d) Such departments maintain their own books of account.**
2. Which one of these is true about branch account under debtors system?
 - a) It is real in nature.
 - b) Assets and liabilities in the beginning or at the end are not shown in such account.
 - c) It is prepared to find branch profit or loss for a particular period.**
 - d) All expenses paid by branch and head office is shown in branch account.
3. Which of the following is not true about independent branch?
 - a) These branches can purchase goods from open market.
 - b) They maintain complete set of double entry system.
 - c) They also maintain head office account.
 - d) They do not charge depreciation on fixed assets.**
4. In final account system branch Trading & Profit & Loss A/c is prepared at _____.
 - a) Invoice price
 - b) Cost price
 - c) Cost & Invoice price**
 - d) Market price
5. The system of keeping accounts generally adopted by small size branches are:
 - a) Debtors system**
 - b) Stock & Debtors system
 - c) Wholesale branch system
 - d) Final account system
6. Goods are supplied by the head office to dependent branches are at:
 - a) Cost price
 - b) Invoice price
 - c) Market price
 - d) Cost or invoice price**
7. Under debtors system which account is prepared by head office to calculate profit or loss of each branch:
 - a) Capital account
 - b) Debtors account
 - c) Branch account**
 - d) Branch adjustment account
8. Under Final A/c system, the profit or loss made by the branch is determined by preparing.
 - a) Branch stock A/c
 - b) Branch Debtors A/c
 - c) Branch Adjustment A/c
 - d) Branch Trading & Profit & Loss A/c**
9. The Branch Account prepared under Final Account System is the nature of:
 - a) Nominal Account**
 - b) Real Account
 - c) Personal Account
 - d) General Account
10. Branch which does not maintain its own set of books is _____.
 - a) Dependent branch**
 - b) Independent branch
 - c) Foreign branch
 - d) Local branch
11. Dependent branch makes:
 - a) Cash sales only
 - b) Credit sales only
 - c) Cash & Credit sales**
 - d) Instalment sales
12. The difference between goods sent by H.O and received by branch is known as _____.
 - a) Goods in transit**
 - b) Goods in warehouse
 - c) Goods in production
 - d) Goods in go down

13. Which account is used for recording transactions relating to H.O supplying resources to the branch?
 a) Capital account
b) Branch account
 c) Current account
 d) Joint venture account
14. Which of the following is a method of departmental accounting?
 a) Debtors system
 b) Stock and debtors system
c) Independent method
 d) Single entry system
15. Selling expenses are apportioned on the basis of
a) Sales
 b) Purchases
 c) No of customers
 d) No of employees
16. When an asset is acquired on hire purchase system, the asset account is debited with _____ of the assets in the books of the hire purchaser.
 a) Hire purchase price
b) Cash price
 c) Instalment price
 d) None of these
17. If the firm stops making repayments and the goods or assets are taken away from them as a result, this is known as
 a) Cancellation
 b) Forfeiture
c) Repossession
 d) Annulment
18. Which of the following would not make a distinction between a hire purchase and a 'normal' purchase?
a) Trade discounts cannot be offered on hire purchase
 b) Purchaser pays for item by instalments over a period of time
 c) Cost to buyer is likely to be higher than it would be for a normal purchase
 d) Asset does not belong to purchaser when delivery is received from supplier.
19. The depreciation on an asset purchased through hire purchase should be:
 a) Should be straight line only
b) Based on the cost price of the asset only
 c) Based on the total cost including interest
 d) No depreciation should be provide until the final payment is made
20. Ownership of goods under hire purchase agreement is transferred at the time of:
 a) Payment of down payment
 b) Payment of first instalment
c) Payment of last instalment
 d) None of the above
21. Which of the following does not give a difference between a hire purchase and a normal purchase?
 a) Timing of payment for asset.
 b) Legal ownership of asset.
c) Quality of Asset purchased.
 d) Total cost of asset.
22. The act of buying an asset without having to make full payment in the immediate future is known as:
a) Hire purchase
 b) Finance lease
 c) Operating lease
 d) Sale and leaseback
23. The depreciation in the books of buyer is charged on.....
 a) Hire Purchase Price
 b) Market price
 c) Total Instalment amount
d) Cash Price
24. Hirer charges depreciation on:
 a) Hire purchase price
b) Cash price.
 c) Lower of the two
 d) None of these
25. What is transferred to Hirer under hire purchase system:
 a) Ownership of assets
b) Possession of asset
 c) Ownership and possession of asset
 d) None of these
26. Hire Purchase Act is passed in the year
 a) 1932
 b) 1956
c) 1972
 d) 1872

27. Cash price plus interest is _____.
- a) Instalment Price. c) Maximum Retail Price.
b) Hire Purchase Price d) Retail Price.
28. The advance amount under hire purchase system is called _____.
- a) Cash Price. c) Interest
b) Retail Price. **d) Down Payment**
29. Under hire purchase system, interest is calculated on _____.
- a) Cash Price. c) MRP.
b) Hire Purchase Price **d) Outstanding Balance.**
30. If the hire purchaser fails to make payment of any instalment, it is called _____.
- a) Default.** c) Sale.
b) Repossession. d) Purchase.
31. _____ means the price at which the goods can be purchased by the hirer for ready cash.
- a) HP price **c) Cash price**
b) Instalment price d) Down payment
32. _____ is the initial payment made at the time of signing the hire purchase agreement
- a) HP price c) Cash price
b) Instalment price **d) Down payment**
33. The difference between hire purchase price and the cash price is called _____
- a) Hire charges** c) Instalment price
b) Cost of the asset d) Cash price
34. Royalty is a _____ to lessee
- a) Income c) Both income and expenses
b) Expenses d) None of the above
35. Royalty account is in the nature of
- a) Real account c) Personal account
b) Nominal account d) Revenue account
36. What is the minimum partner requirement to start a partnership firm?
- a) 10 **c) 2**
b) 5 d) 20
37. Agreement in which form is required in a partnership firm?
- a) Written **c) A or B**
b) Oral d) None of the above.
38. What is the liability of partners in a partnership firm?
- a) Limited c) Limited to the capital of business
b) Unlimited d) No Liability
39. When is the Debit to partner's capital a/c entry passed in accounts?
- a) Drawings are made **c) Interest on Drawings is charged**
b) Investment is done d) Capital is withdrawn
40. Partnership Firm Agreement is known as?
- a) Partnership Contract c) Partnership Act
b) Partnership Deed d) Agreement
41. How will the profits be divided among partners in the absence of a partnership deed?
- a) Depending on the capital invested. c) Unequal
b) Depending on the work experience. **d) Equal**
42. Which among the following is not a characteristic of a partnership firm?
- a) Easy Formation **c) Limited Liability**
b) Equal Profits d) Mutual Consent

43. In which sort of partnership does one accomplice has limitless risk and another accomplice have a restricted obligation?
- a) Partnership At will
b) Particular Partnership
c) General Partnership
d) Limited Liability Partnership
44. The agreement for the duration of partnership is absent in what kind of partnership?
- a) Partnership At will**
b) Particular Partnership
c) General Partnership
d) Limited Liability Partnership
45. Which among the following are the features of a partnership firm?
- a) Two or more persons are carrying common business under an agreement.
b) They are sharing profits and losses in the fixed ratio.
c) Business is carried by all or any of them acting tor all as an agent.
d) All of the above.
46. What is an Active Partner?
- a) An invested person who is involved in the daily operations of the partnership.**
b) A person who provides some of the capital for a business but who does not take an active part in managing the business.
c) A person who holds himself out as a partner or permits a partner to hold him out.
d) A person who gives an impression to others that he/she is a partner of the firm.
47. What is a Sleeping Partner?
- a) An invested person who is involved in the daily operations of the partnership.
b) A person who provides some of the capital for a business but who does not take an active part in managing the business.
c) A person who holds himself out as a partner or permits a partner to hold him out.
d) A person who gives an impression to others that he/she is a partner of the firm.
48. What is a Nominal Partner?
- a) An invested person who is involved in the daily operations of the partnership.
b) A person who provides some of the capital for a business but who does not take an active part in managing the business.
c) A person who holds himself out as a partner or permits a partner to hold him out.
d) A person who gives an impression to others that he/she is a partner of the firm.
49. What is partner by estoppel?
- a) An invested person who is involved in the daily operations of the partnership.
b) A person who provides some of the capital for a business but who does not take an active part in managing the business.
c) A person who holds himself out as a partner or permits a partner to hold him out.
d) A person who gives an impression to others that he/she is a partner of the firm.
50. What is a partner in profits only?
- a) An invested person who is involved in the daily operations of the partnership.
b) A person who provides some of the capital for a business but who does not take an active part in managing the business.
c) A partner who gets into an agreement to share only the profits of the partnership firm and not the losses.
d) A Partner who is under the age of 18.
51. What is a minor partner?
- a) An invested person who is involved in the daily operations of the partnership.
b) A person who provides some of the capital for a business but who does not take an active part in managing the business.
c) A partner who gets into an agreement to share only the profits of the partnership firm and not the losses.

d) A Partner who is under the age of 18.

52. What is a minor partner?
- a) An invested person who is involved in the daily operations of the partnership.
 - b) A person who provides some of the capital for a business but who does not take an active part in managing the business.
 - c) A partner who gets into an agreement to share only the profits of the partnership firm and not the losses.
- d) A Partner who is under the age of 18.**
53. In a partnership firm, every partner is bound to fulfil his/her ___ in the business?
- a) Meetings
 - b) Partnership Deed
 - c) **Duties**
 - d) Rights
54. In a Partnership Firm forming a partnership deed is _____?
- a) Verbal
 - b) **Not Necessary**
 - c) Necessary
 - d) Necessary in Writing
55. What is the other name for Partnership Deed?
- a) Articles of Association
 - b) Prospectus
 - c) Principles of Partnership
 - d) **Articles of Partnership**
56. Partnership Act 1932 does not comprise of which of the following?
- a) No interest is allowed on capital invested
 - b) All loans provided are to be allowed on a fixed interest rate
 - c) Profit and Losses are to be shared equally
 - d) **Interest has to be charged on all drawings**
57. Partnership Act 1932 does not comprise of which of the following?
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 - b) All loans provided are to be allowed on a fixed interest rate
 - c) Profit and Losses are to be shared equally
 - d) **Interest has to be charged on all drawings**
58. When does the Partnership Act come into action in a firm?
- a) When there is a conflict of interest and opinions in a firm.
 - b) When the capital invested is unequal
 - c) **In the absence of Partnership Deed**
 - d) When interest is charged on drawings
59. At what per cent the interest is levied on partners' capital in the absence of partnership deed?
- a) 14 % Per annum
 - b) 12 % Per annum
 - c) **No interest is levied**
 - d) 6 % Per annum
60. What is the accepted rate of interest on a partner's loan account in the absence of a partnership deed in a partnership firm?
- a) 10 % Compound Interest Per annum
 - b) **6 % Simple Interest Per annum**
 - c) 11 % Compound Interest Per annum
 - d) 12 % Simple Interest Per annum
61. Partners in a firm will get Interest on Capital if provided in the partnership deed but only out of which account?
- a) Reserves
 - b) Goodwill
 - c) Assets
 - d) **Profits**
62. A new partner may be admitted into a partnership :
- a) With the consent of any one partner
 - b) With the consent of majority of partners
 - c) **With the consent of all old partners**
 - d) With the consent of 2/3rd of old partners
63. On the admission of a new partner:

- a) Old firm is dissolved
b) Old partnership is dissolved
 c) Both old partnership and firm are dissolved
 d) Neither partnership nor firm is dissolved
64. If at the time of admission, some profit and loss account balance appears in the books, it will be transferred to:
 a) Profit & Loss Adjustment Account
 b) All partners' Capital Accounts
c) Old partners' Capital Accounts
 d) Revaluation Account
65. If at the time of admission, there is some unrecorded liability, it will be :
a) Debited to Revaluation Account
 b) Credited to Revaluation Account
 c) Debited to Goodwill Account
 d) Credited to partners' Capital Accounts
66. If the new partner brings his share of goodwill in cash, it will be shared by old partners in :
a) Ratio of sacrifice
 b) Old profit sharing ratio
 c) New profit sharing ratio
 d) In Capital ratio
67. When a new partner brings goodwill in Cash, it is credited to :
 a) His Capital A/c
b) Sacrificing Partner's Capital A/cs
 c) Old Partner's Capital A/cs
 d) All Partner's Capital A/cs
68. If the incoming partner brings the amount of goodwill in Cash and also a balance exists in goodwill account, then this goodwill account is written off among the old partners in
 a) The new profit sharing ratio
b) The old profit sharing ratio
 c) The sacrificing ratio
 d) The gaining ratio
69. If, at the time of admission, the revaluation A/c shows a profit, it should be credited to :
a) Old partners capital accounts in the old profit sharing ratio.
 b) All partners capital accounts in the new profit sharing ratio.
 c) Old partners capital accounts in the new profit sharing ratio.
 d) Old partners capital accounts in the sacrificing ratio.
70. Revaluation Account or Profit and Loss Adjustment A/c is a
 a) Real Account
 b) Personal Account
c) Nominal Account
 d) Asset Account
71. When the balance sheet is prepared after the new partnership agreement, the assets and liabilities are recorded at:
 a) Historical cost
 b) Current cost
 c) Realisable value
d) Revalued figures
72. Sacrificing ratio is ascertained at the time of
a) Admission of a new partner
 b) Death of partner
 c) Retirement of partner
 d) None of the options
73. Share of goodwill brought in by new partner in cash is shared by old partners in
a) Sacrificing ration
 b) Old ratio
 c) New ratio
 d) All of the options
74. Excess of the credit side over the debit side of revaluation account
a) Profit
 b) Loss
 c) Gain
 d) Expense
75. Share of goodwill brought in by new partner in cash is called
a) Premium
 b) Profit
 c) Assets
 d) Liabilities
76. Profit or loss on revaluation is borne by
a) Old Partners
 b) New partners
 c) All partners
 d) All of the options
77. Any change in agreement of partnership is called

- a) Reconstitution of partnership firm
b) Dissolution of partnership firm
78. Which circumstances a partnership firm may be reconstituted
a) **All of the options**
b) Admission of a partner
c) **Reconstitution of partners**
d) None of the options
79. In guarantee of profit, given to a partner
a) **Minimum Guarantee profit**
b) Equal Profit
c) Retirement/Death of a partner
d) Change in Profit Sharing Ratio
80. In the partnership, every partner has the right to
a) Consulted about the business
b) Participate in management
c) 0.25
d) None of the options
81. Which clause should be mentioned in partnership deed
a) **All of the options**
b) Description of Firms
c) **Both**
d) None of the options
82. A partner may retire from firm
a) **Both**
b) With an Express agreement among the partners
c) With the consent of all the partners
d) None of the options
83. What happens to the partnership firm when a partner retires?
a) The firm automatically dissolves.
b) **The firm continues if the remaining partners agree.**
c) The firm must change its business focus.
d) The firm is sold to a third party.
84. Which document needs to be revised upon the retirement of a partner?
a) **The Partnership Deed**
b) The Business License
c) The Tax Registration
d) The Employee Contracts
85. What must be determined upon a partner's retirement?
a) **The amount of goodwill**
b) The amount of annual profit
c) The number of employees
d) The firm's new name
86. How is a retiring partner's account settled?
a) **Through cash payments**
b) By transferring business ownership
c) By increasing the stock
d) By hiring new partners
87. What adjustment is made to goodwill when a partner retires?
a) Goodwill is ignored.
b) **Goodwill is revalued and adjusted in the remaining partners' capital accounts.**
c) Goodwill is transferred to an expense account.
d) Goodwill is distributed to external stakeholders.
88. How is the retiring partner's profit share calculated if retirement occurs in the middle of the accounting year?
a) Based on last year's profit
b) Based on this year's estimated profit
c) **Pro rata based on the time the partner was active during the year**
d) The partner does not receive any share for the year
89. Which of the following is NOT typically a right of a retiring partner?
a) To be paid for his share of the partnership
b) **To participate in the management after retirement**
c) To have his capital account settled
d) To have access to the books and records up to the date of retirement

90. What liability does a retiring partner hold for firm debts after retirement?
- No liability
 - Liability for all past debts only**
 - Liability for debts incurred after retirement
 - Continuous liability for all debts until the firm dissolves
91. Who can claim the share of profits after a partner retires?
- Only the retiring partner
 - Only the remaining partners
 - Both retiring and remaining partners**
 - External investors
92. What typically triggers the revaluation of assets and reassessment of liabilities in a partnership firm?
- Appointment of a new partner
 - Change in market conditions
 - Retirement of a partner**
 - All of the above
93. When a partner retires, what must be prepared to adjust accounts?
- Balance sheet
 - Revaluation account**
 - Income statement
 - Cash flow statement
94. What does the 'gaining ratio' determine when a partner retires?
- How losses are shared among the remaining partners
 - How the retiring partner's share of profit is distributed among remaining partners
 - The new profit sharing ratio among existing partners
 - Both B and C**
95. Which account is credited when recording the retiring partner's share of goodwill?
- Goodwill account
 - Retiring partner's capital account
 - Remaining partners' capital accounts proportionately**
 - Revaluation account
96. What happens to the retiring partner's loan to the firm?
- It must be repaid immediately upon retirement.
 - It is converted into a capital contribution.
 - It remains as a loan to be repaid according to the original terms.**
 - It is forgiven as part of the retirement settlement.
97. In the absence of an agreement, how is the amount due to the retiring partner determined?
- Through arbitration
 - By the remaining partners' decision
 - Based on the partner's capital account at the time of retirement**
 - It is equally divided among all partners, including the retiring one
98. What is the dissolution of a partnership firm?
- Change in the profit-sharing ratio among partners
 - The termination of the partnership agreement**
 - Introduction of a new partner
 - Temporary suspension of business activities
99. Which event does NOT necessarily lead to the dissolution of the firm?
- The death of a partner
 - Expiry of the term of the partnership
 - Bankruptcy of one partner
 - Change of business location**
100. Who can initiate the dissolution of a partnership?
- Any partner unilaterally**
 - Only the majority of partners

- c) Only an external auditor
 - d) Only through a court order
101. What happens to the assets of a dissolved partnership?
- a) Distributed among partners according to their capital contributions
 - b) Sold to pay off the firm's debts**
 - c) Donated to charity
 - d) Returned to their original suppliers
102. Upon dissolution, which debts are paid first?
- a) Debts to external creditors**
 - b) Loans from partners
 - c) Distribution of remaining assets to partners
 - d) Partners' capital accounts
103. What is the role of a realization account in the dissolution process?
- a) To calculate the amount to be paid to each partner
 - b) To realize the value of assets and discharge liabilities**
 - c) To record daily business transactions
 - d) To maintain the inventory records
104. Under what condition can a partnership be compulsorily dissolved?
- a) When all partners agree to sell the business
 - b) When the business has achieved its objective
 - c) When a partner withdraws from the partnership
 - d) When a partner is adjudged insane**
105. What legal document is often examined to determine the terms of dissolution?
- a) The partnership deed**
 - b) The national constitution
 - c) The business license
 - d) The external audit report
106. If a partner has a negative balance in their capital account upon dissolution, what happens?
- a) The balance is forgiven
 - b) The partner must settle the balance**
 - c) The balance is carried forward indefinitely
 - d) The balance is converted into a loan
107. What does it mean when a partnership is 'wound up'?
- a) The partnership is temporarily suspended
 - b) The partnership is continuing with a new partner
 - c) The partnership's affairs are being closed permanently**
 - d) The partnership is restructuring its debts
108. Who manages the dissolution process of a partnership?
- a) An appointed government official
 - b) The senior-most partner
 - c) All partners collectively
 - d) A designated liquidator or all partners collectively**
109. What determines the distribution of assets during dissolution?
- a) Each partner's age
 - b) Each partner's contribution to the firm's liabilities
 - c) Each partner's capital and profit sharing ratio**
 - d) Each partner's personal preference
110. Can a dissolved partnership be revived?
- a) Yes, if all creditors agree

- b) Yes, but only through court order
 - c) Yes, if all partners agree to continue the business**
 - d) No, dissolution is final
111. What is a 'deficiency' in the context of partnership dissolution?
- a) Surplus assets after paying all debts
 - b) A shortfall when assets are insufficient to cover debts**
 - c) Excessive capital contributions by partners
 - d) Overvaluation of partnership assets
112. Which statement is true about partnership dissolution?
- a) It automatically occurs when a new partner is admitted
 - b) It can only happen voluntarily
 - c) It may involve liquidating the firm's assets**
 - d) It only occurs if the firm is profitable
113. What must partners do if the partnership's assets are insufficient to cover its debts?
- a) Seek additional funding from new investors
 - b) Apply for government subsidies
 - c) Contribute additional capital to cover liabilities**
 - d) Dissolve the partnership without paying debts
114. What is NOT a common reason for the involuntary dissolution of a partnership?
- a) Loss of license to operate
 - b) Achievement of the partnership's objective
 - c) Mutual agreement among partners**
 - d) Bankruptcy of the partnership
115. Upon dissolution, how are partnership liabilities and assets typically handled?
- a) Liabilities are settled before any distribution of assets**
 - b) Assets are distributed before settling liabilities
 - c) Liabilities and assets are handled simultaneously
 - d) Partners take assets equivalent to their liabilities
116. What is required for a partner to initiate dissolution without the agreement of other partners?
- a) A significant breach of the partnership agreement by other partners**
 - b) Notification to local business authorities
 - c) An audit of the firm's financial statements
 - d) Permission from the majority of creditors
117. How are disputes during dissolution typically resolved?
- a) Through arbitration or court intervention**
 - b) By the senior-most partner's decision
 - c) Automatically by statute
 - d) Through a public vote among stakeholders