

Commerce Objective Questions with Answers
(Next GK Commerce Questions)

1. Current Ratio is 3•75, Acid Test Ratio is 1•25 Stock Rs. 3,75,000, calculate working capital.

- (A) Rs. 3,00,000 (B) Rs. 4,00,000
(C) Rs. 4,12,500 (D) Rs. 4,25,000

See Answer:

2. From the information given below, calculate Debt service coverage Ratio—

Net profit after interest and Tax Rs. 40,000, Depreciation Rs. 5,000, Rate of Income Tax 50%, 10% Mortgage Debentures Rs. 60,000. Fixed Interest Charges Rs. 6,000, Debenture Redemption Fund Appropriation of Outstanding Debentures 10%.

- (A) 4•06 times (B) 5•06 times
(C) 6•06 times (D) 7•06 times

See Answer:

3. Share premium account can be used for—

- (A) Paying tax liability
(B) Meeting the cost of issue of shares or debentures
(C) Paying Dividend on shares
(D) Meeting the loss on sale of old asset

See Answer:

4. Ploughing-back of profits means—

- (A) Dividend declared but not claimed by shareholders
(B) Non-declaration of dividend in any year
(C) Profits earned from illegal sources and employed in business
(D) Retaining the earnings of business for future expansion programme

See Answer:

5. As per Schedule VI of the Companies' Act, 1956, Forfeited Share Account will be—

- (A) Added to paid up capital
- (B) Deducted from called up capital
- (C) Added to capital reserve
- (D) Shown as a revenue reserve

See Answer:

6. 'Profit objective' is of least priority in case of—

- (A) Private enterprise
- (B) Public enterprise
- (C) Department undertaking
- (D) Cooperative society

See Answer:

7. Partnership may come into existence by—

- (A) The operation of law
- (B) An express agreement only
- (C) An express or implied agreement only
- (D) Inheritance of property

See Answer:

8. A public company can start business—

- (A) After incorporation
- (B) After promotion
- (C) After registration
- (D) After getting certificate of commencement of business

See Answer:

9. Consumers cooperative store is set up by the—

- (A) Central Government
- (B) State Government
- (C) Registrar of Cooperative Societies
- (D) Members

See Answer:

10. 'Object Clause' of a Memorandum of Association can be altered by—

- (A) Ordinary resolution
- (B) Special resolution

(C) Special resolution and confirmation by Registrar of Companies
(D) Special resolution and confirmation by Company Law Board
See Answer:

11. Letter of Credit is presented by—
(A) Exporter (B) Importer
(C) Custom Officer (D) Shipping Company
See Answer:

2.

12. The Agreement of Partnership—
(A) Must be oral (B) Must be in writing
(C) Can be either oral or in writing (D) Must be in writing on a stamp paper
See Answer:

13. Export procedure begins with—
(A) Indent (B) Shipping order
(C) Marine insurance (D) None of these
See Answer:

14. 'Self-help by mutual help' is a feature of—
(A) Public enterprise (B) Public corporation
(C) Co-operative society (D) All of the above
See Answer:

15. In India private sector entered into the Life Insurance business in the year—
(A) 1995 (B) 1998
(C) 2000 (D) 2001
See Answer:

16. A company has issued a 20-year bond at Rs. 1000 par value with a coupon rate of 10 per cent. The required rate of return on

similar bonds is 12 per cent. What is the current value of the bond ?

(A) Rs. 905•33 (B) Rs. 850•45

(C) Rs. 833•33 (D) Rs. 820•20

See Answer:

17. Consider the following statements—

Current ratio is increased by

1. issue of redeemable preference shares.

2. selling of old furniture for cash.

3. cash realized from debtors.

Which of the statements given above are correct ?

(A) 1 and 2 only (B) 2 and 3 only

(C) 1 and 3 only (D) 1, 2 and 3

See Answer:

18. Which one of the following statements is correct ?

When creditors' velocity or creditors' turnover is higher as compared to debtors' velocity, it would

(A) improve liquidity (B) reduce liquidity

(C) have no effect on liquidity (D) improve financial position

See Answer:

19.

Sundry Debtors – Rs.15,000

Bills Receivable (B/R) – Rs.12,500

Cash at Bank – Rs.17,500

Stock – Rs.15,000

Profit – Rs.20,000

Creditors – Rs.25,000

Bills Payable (B/P) – Rs.15,000

Sales – Rs.1,00,000

What is the Acid Test Ratio ?

(A) 1•5 : 1 (B) 1•125 : 1

(C) 16 2/3% (D) 50%

See Answer:

20. Which one of the following transactions changes the current ratio ?

- (A) Purchase of goods for cash
- (B) Plant acquired on account
- (C) Sold goods on credit
- (D) Debentures converted into equity capital

See Answer:

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Commerce Objective Questions
(Next GK Commerce Questions)

1. Total sales is Rs. 7,60,000, cash sales Rs. 30,000 collection period is 25 days, debtors at Balance Sheet date will be—

- (A) Rs. 80,000 (B) Rs. 70,000
- (C) Rs. 60,000 (D) Rs. 50,000

See Answer:

2. Price earning ratio is 83•33% and E.P.S. is Rs. 30. The market price of equity share will be—

- (A) Rs. 33•33 (B) Rs. 66•67
- (C) Rs. 20 (D) Rs. 25

See Answer:

3. If the current ratio is 2, current assets are worth Rs. 1,600, if current ratio is not allowed to fall below 1•5, how much additional can be borrowed by the company on the short term basis ?

- (A) Rs. 400 (B) Rs. 600
- (C) Rs. 2,733 (D) Rs. 800

See Answer:

4. Rate of Gross Profit on cost is 25%. Total sales is Rs. 1,00,000 and Average Stock is Rs. 1,60,000. Stock Turnover Ratio will be—

- (A) 0•5 times (B) 0•8 times
(C) 0•10 times (D) 0•4 times

See Answer:

5. Average stock of firm is Rs. 80,000, the opening stock is Rs. 10,000 less than closing stock. Find opening stock.

- (A) Rs. 95,000 (B) Rs. 85,000
(C) Rs. 90,000 (D) Rs. 75,000

See Answer:

6. Auditing of accounts is compulsory for—

- (A) Sole proprietary business (B) Partnership firms
(C) Joint Stock Companies (D) None of the above

See Answer:

7. Under vouching, checking is done of—

- (A) Journal and Ledger (B) Profit and Loss Account
(C) Balance Sheet (D) All of the above

See Answer:

8. The goods taken by the proprietor from the shop is debited to—

- (A) Shop account (B) Goods account
(C) Capital account (D) Drawings accounts

See Answer:

9. Which of the following types of business organisation has a separate legal entity ?

- (A) Joint Hindu family business (B) Partnership
(C) Joint Stock Company (D) None of the above

See Answer:

10. The organisation in which power of authority runs in straight line is

called–

- (A) Line organization (B) Functional organisation
- (C) Committee organization (D) None of the above

See Answer:

11. Indian Partnership Act was passed in the year–

- (A) 1956 (B) 1936
- (C) 1932 (D) 1930

See Answer:

12. According to the Partnership Act, the maximum number of partners in a banking firm may be–

- (A) 10 (B) 12
- (C) 4 (D) 20

See Answer:

13. Dissolution of Partnership takes place when–

- (A) A partner misbehaves (B) A partner becomes of unsound mind
- (C) Business is running at a loss (D) A partner dies

See Answer:

14. The existence of a Partnership Firm is–

- (A) Separate from partners (B) Not separate from partners
- (C) Both (A) and (B) (D) None of the above

See Answer:

15. In which State the Mitakshara form of H.U.F. business does not apply ?

- (A) Rajasthan (B) Gujarat
- (C) West Bengal (D) Kerala

See Answer:

16. What is outsourcing of production and concentrating on marketing operations in international business, known as ?

(A) Licensing (B) Franchising
(C) Contract manufacturing (D) Joint venture
See Answer:

17. Which of the following is not a feature of bonds ?
(A) Par value (B) Yield to maturity
(C) Coupon rate (D) Maturity
See Answer:

18. On 1st April, 2013, Y Ltd. Issued 1000, 12% debentures of Rs. 100 each at a discount of 6%. These debentures are redeemable in five equal annual instalments at the end of each year. What is the amount of discount to be written off in the first year i.e. on 31st March, 2007, through P & L A/c ?
(A) Rs. 2000 (B) Rs. 1800
(C) Rs. 1200 (D) Rs. 600
See Answer:

19. XYZ Ltd. issued 10,000 shares of Rs. 100 each at Rs. 120 per share with Rs. 25 on application, Rs. 45 on allotment including premium, Rs. 20 on first call and Rs. 30 on final call. Govind who held 200 shares did not pay any call money and his shares were forfeited. What is the amount to be credited to Share Forfeiture Account on forfeiture ?
(A) Rs. 14,000 (B) Rs. 10,000
(C) Rs. 9,000 (D) Rs. 4,000
See Answer:

20. X Ltd. purchased a car from Maruti Udyog Ltd. for Rs. 5,00,000. As per agreement Rs. 80,000 was to be paid in cash and the balance by issue of shares of Rs. 10 each at a premium of Rs. 5 per share. How many shares should X Ltd. issue to Maruti Udyog Ltd. for the car ?
(A) 30,000 shares (B) 29,000 shares
(C) 28,500 shares (D) 28,000 shares
See Answer:

(Next GK Commerce Questions Set 13)

Objective Type Commerce Questions

(Next GK Commerce Questions)

1. According to Balance Sheet equation concept, the capital will be–

(A) Capital = Liabilities – Assets

(B) Capital = Fixed Assets –

Current Assets

(C) Capital = Assets – Liabilities

(D) Capital = Assets + Liabilities

See Answer:

2. In common size Balance Sheet analysis we evaluate–

(A) Increase or decrease over two years is analysed

(B) Only increase over two years is analysed

(C) Only decrease over two years is analysed

(D) All assets and liabilities are expressed in terms of percentage of total

See Answer:

3. Increase in fixed asset due to purchase is–

(A) Source of fund (B) Fund from operation

(C) Use of fund (D) None of the above

See Answer:

4. For the purpose of preparation of fund flow statement, fund means–

(A) Total resources (B) Cash/bank balances

(C) Current Assets (D) Working capital

See Answer:

5. The following data, relates to manufacturing company for the year 2006-07–

Net Profit as per P & L A/c–Rs. 2,40,000; Depreciation–Rs.

80,000; Goodwill written-off–Rs. 40,000, Profit on Sale of Fixed

Assets–Rs. 16,000, Proposed Dividend–Rs. 96,000. The fund

from operation would be–

(A) Rs. 4,40,000 (B) Rs. 4,00,000

(C) Rs. 6,40,000 (D) None of the above

See Answer:

6. A vacancy caused by the resignation of the auditor is filled only by the–

(A) Board of Directors of the Company

(B) Central Government

(C) General Meeting of the shareholders

(D) Managing Director of the company

See Answer:

7. The first auditor of a company appointed, holds office–

(A) For a period of one year

(B) For that period till new auditor is appointed

(C) Till the conclusion of first Annual General Meeting

(D) Till the holding of statutory meeting of the company

See Answer:

8. Internal Auditor is appointed by the–

(A) Management (B) Shareholders

(C) Government (D) Statutory Auditor

See Answer:

9. “Auditor is a watchdog and not a blood hound” was a remark made in the case of–

(A) The London Oil Storage Co. Ltd. 1904

(B) Kingston Cotton Mills Ltd. 1896

(C) London and General Bank 1895

(D) Delightful Cigarette Co. Ltd. 1943

See Answer:

10. The auditor is generally expected to carryout the following in a

particular sequence–

1. Verification of Assets and Liabilities.
2. Vouching of transactions.
3. Checking of valuation of Assets and Liabilities.

Select the correct sequence of the above from the following–

- (A) 1, 3 and 2 (B) 3, 2 and 1
(C) 2, 1 and 3 (D) 3, 1 and 2

See Answer:

11. What is the quorum of General Meetings in the case of a Private Company ?

- (A) 2 members (B) 3 members
(C) 4 members (D) 5 members

See Answer:

12. Which of these must hold a Statutory Meeting ?

- (A) Public Limited Company (B) Private Company
(C) Unlimited Company (D) All of these

See Answer:

13. When three sugar mills combine, it is an example of–

- (A) Vertical combination (B) Horizontal combination
(C) Diagonal combination (D) None of the above

See Answer:

14. The first electronic computer system was developed in–

- (A) 1920 (B) 1940

(C) 1930 (D) 1950

See Answer:

15. An Index is–

(A) A filing system (B) A photostat procedure

(C) The procedure to collect data (D) An important help in filing

See Answer:

16. Consider the following statements in respect of PERT–

1. PERT is a variation of milestone budgeting.

2. PERT employs probabilistic estimate of time required for completion of an activity.

3. PERT also includes the transfer of resources for reduction of duration of completion of a project.

Which of the statements given above are correct ?

(A) 1, 2 and 3 (B) 1 and 2 only

(C) 2 and 3 only (D) 1 and 3 only

See Answer:

17. Some organizations have escalator clause in their labour agreements.

What does this clause provide for ?

(A) Automatic increase in wage/salary depending on seniority

(B) Wage increase depending on output per day by the worker

(C) Automatic increase in wage/salary depending upon increase in price index

(D) Automatic increase in wage/salary depending on increase in

profits of the firm

See Answer:

18. What is an organization structure in which each employee reports to both a functional (or division) manager and to a project (or group) manager, known as ?

- (A) Strategic business unit (B) Departmentation by customer
(C) Matrix structure (D) Departmentation by territory

See Answer:

19. According to force-field theory, every behaviour is the result of equilibrium between which of the following ?

- (A) Push and pull effect (B) Strong and weak forces
(C) Positive and negative forces (D) Driving and restraining forces

See Answer:

20. Life insurance is a contract of which one of the following ?

- (A) Indemnity (B) Guarantee
(C) Contribution (D) Subrogation

See Answer:

(Next GK Commerce Questions Set 14)

Commerce Question Bank

(Next GK Commerce Questions)

1. In order to reduce the risk of heavy insurance the insurer passes on some business to the other company, it is called–

- (A) Reinsurance (B) Double Insurance
(C) Joint Insurance Policy (D) Separate Insurance

See Answer:

2. Contents of Marine Insurance include–

- (A) Insurance of Cargo only (B) Insurance of Freight only
(C) Insurance of Hull only (D) Insurance of Cargo, Freight & Hull

See Answer:

3. The object of 'Agenda' is to inform–

- (A) About the profitability and activity
(B) About the progress of company
(C) About the matter in sequence to be discussed in the meeting
(D) About the routine matters

See Answer:

4. The Branch of Accounting which is concerned with the processing and presenting data for decision making is known as–

- (A) Common Dollar Accounting (B) Social Accounting
(C) Cost Accounting (D) Management Accounting

See Answer:

5. Final accounts prepared in narrative style are in–

- (A) Horizontal form (B) Accounts form
(C) Vertical form (D) None of the above

See Answer:

6. If super profit is Rs. 4,000 and normal rate of return is 8 per cent, the amount of goodwill will be–

- (A) Rs. 40,000 (B) Rs. 50,000
(C) Rs. 4,00,000 (D) Rs. 5,000

See Answer:

7. Goodwill, Copyright and Trademarks should be classified as–

- (A) Tangible assets (B) Intangible assets
(C) Current assets (D) Fictitious assets

See Answer:

8. The portion of share capital which can be called up only on the winding up of a company is known as–

- (A) Called up capital (B) Paid up capital
(C) Authorised capital (D) Reserve capital

See Answer:

9. Which one of the following is called backbone of auditing ?

- (A) Routine checking (B) Vouching
(C) Internal check (D) Internal control

See Answer:

10. Internal Audit is provided for in the–
(A) Companies Act (B) Partnership Act
(C) Both (A) and (B) (D) Neither (A) or (B)

See Answer:

11. What is the maximum limit of remuneration for a whole time manager in a company ?
(A) 3% of net annual profit (B) 5% of net annual profit
(C) 7% of net annual profit (D) None of the above

See Answer:

12. Which among the following documents defines the relationship between a company and outsiders ?
(A) Memorandum of Association (B) Articles of Association
(C) Prospectus (D) None of the above

See Answer:

13. Registration is not essential in case of a–
(A) Company (B) Co-operative organisation
(C) Co-operative Societies (D) Business of Joint Hindu Family

See Answer:

14. The Meeting of Board of Directors must be called at least once–
(A) In four months (B) In three months
(C) In two months (D) In one month

See Answer:

15. The Secretary of a Company should file copies of Special Resolution passed at Extraordinary General Meeting to the Registrar of Companies within–
(A) 7 days (B) 14 days
(C) 21 days (D) 30 days

See Answer:

16. To which one of the following aspects does an established pattern of relationships among the components of an organization refer ?
(A) Organization strategy (B) Organization structure
(C) Organization process (D) Organization policy

See Answer:

17. Consider the following statements–

1. Authority in an organization is the formal or institutional right to command stemming from official delegation of position.
2. Legitimate power is the right to manage derived from delegation based on ownership or property rights.

Which of the statements given above is/are correct ?

- (A) 1 only (B) 2 only
(C) Both 1 and 2 (D) Neither 1 nor 2

See Answer:

18. Which one of the following is not correct in respect of the Theory X?

- (A) It emphasizes that most average human beings avoid to be led, want to lead
(B) According to the theory X, the Managers tend to be autocratic
(C) The theory X assumes that most human beings must be directly controlled in order to achieve organizational goals
(D) The theory X assumes that most individuals have little ambition and want security

See Answer:

19. When Maslow's need hierarchy is compared with Herzberg's two-factor theory of motivation, which of the following statements are correct ?

1. Maslow's psychological needs; security, safety and affiliation or acceptance represent almost the same meanings as Herzberg's maintenance factor.
2. Esteem or status is also a part of maintenance factor.
3. Self-actualization can be compared as a component of motivators as in Herzberg's theory.

Select the correct answer using the code given below–

- (A) 1, 2 and 3 (B) 1 and 2 only
(C) 2 and 3 only (D) 1 and 3 only

See Answer:

20. Which one of the following is not an element of direction ?

- (A) Planning and organizing various resources for doing work
(B) Continuous training activity in which subordinates are instructed to carry out a particular assignment
(C) Motivation of subordinates to try to meet the expectations of

manager

(D) Maintaining discipline and rewarding those who perform properly

See Answer:

(Next GK Commerce Questions Set 15)

Online Commerce Questions

(Next GK Commerce Questions)

1. The present World Economic Depression first of all, started from which country ?

(A) U.S.A. (B) U.K.

(C) France (D) India

See Answer:

2. Which, institution is known as the 'Soft Loan Window' of World Bank ?

(A) I.F.C. (International Financial Corporation)

(B) I.D.A. (International Development Association)

(C) I.M.F. (International Monetary Fund)

(D) Indian Development Forum

See Answer:

3. Which is not a insurable risk ?

(A) Accident Risk (B) Loss of Crops Risk

(C) The Risk of Trading in New Market (D) The Risk of Sinking of a Ship

See Answer:

4. The Life Insurance in India was nationalised in the year—

(A) 1870 (B) 1956

(C) 1960 (D) 1966

See Answer:

5. Fire Insurance is based on the principle of—

(A) Utmost Good faith (B) Insurable Interest

(C) Indemnity (D) Cooperation

See Answer:

6. X Limited forfeited Ram's 20 shares of Rs. 10 each on which Rs. 7 is called up. Ram had paid application and allotment money of Rs. 5 per share. Of these forfeited shares 15 shares were reissued to Hari as fully paid up for Rs. 6 per share. What amount should be transferred to Capital Reserve account ?

- (A) Rs. 15 (B) Rs. 20
(C) Rs. 75 (D) Rs. 100

See Answer:

7. In case of a company, "Buy Back" is related to—

- (A) Prospectus (B) Shares
(C) Debentures (D) Cheques

See Answer:

8. The profit of a company (whose capital is divided into 25,000 shares of Rs. 10 each) for the last three years are : Rs. 50,000; Rs. 60,000 and Rs. 40,000. The fair return on investment is taken at 10% p.a. The value of company's share will be—

- (A) Rs. 10 (B) Rs. 20
(C) Rs. 30 (D) Rs. 40

See Answer:

9. The amount deposited in Securities Premium Account can be used for—

- (A) Distributing profits (B) Issue of Bonus Shares
(C) Paying the amount to director (D) None of the above

See Answer:

10. Profit prior to incorporation is transferred to—

- (A) Capital reserve (B) General reserve
(C) Profit and Loss Account (D) Trading Account

See Answer:

11. Dividend paid between two Annual General Meetings is known as—

- (A) Final dividend (B) Interim dividend

(C) Special dividend (D) None of the above

See Answer:

12. In a Private Company there are restrictions regarding–

(A) Transfer of shares (B) Issue of prospectus

(C) Number of members (D) All of the above

See Answer:

13. The gap between two General Meetings of the Company should not be more than–

(A) 12 months (B) 18 months

(C) 15 months (D) 20 months

See Answer:

14. Statement containing details of items to be considered in a meeting is called–

(A) Agenda (B) Minutes

(C) Resolution (D) Notice

See Answer:

15. The minimum and maximum number of members in a Private Company is–

(A) 2 and 50 (B) 2 and 20

(C) 2 and 10 (D) None of the above

See Answer:

16. What is/are the consequence(s) of non-registration of partnership firm ?

1. It cannot sue any of its partners.

2. Partners of an unregistered firm can file suits against each other.

3. Partners can sue the firm to enforce their claims.

Select the correct answer using the code given below–

(A) 1 (B) 2

(C) 3 (D) None of the above

See Answer:

17. Which of the following apex body and regulators has asked banks to swap customer related information so that the frauds and defaults may be prevented in future?

- (A) Bombay Stock Exchange (BSE) (B) Indian Banks Association (IBA)
(C) Securities Exchange Board of India (SEBI) (D) Reserve Bank of India (RBI)

See Answer:

18. Which of the following committees is associated with reforms in small industries?

- (A) K. L. Rekhi Committee (B) R. Chelliah Committee
(C) Abid Hussain Committee (D) None of the above

See Answer:

19. Consider the following statements in respect of the “Duty Free Import Authorization Scheme”.

1. The scheme offers the facility to import the required inputs before exports.
2. The scheme allows the transfer of scrip once the export obligation is complete.

Which of the statements given above is/are correct ?

- (A) 1 only (B) 2 only
(C) Both 1 and 2 (D) Neither 1 nor 2

See Answer:

20. Under which one of the following is the term ‘Dominant Undertaking’ defined ?

- (A) MRTP Act (B) FEMA
(C) Companies Act (D) SEBI

See Answer:

(Next GK Commerce Questions Set 16)

Top Commerce Questions
(Next GK Commerce Questions)

1. A meeting of the shareholders held only once during the life time of the company is known as–

- (A) Meeting of the Directors
- (B) Meeting of the Creditors
- (C) Extraordinary General Meeting
- (D) Statutory Meeting

See Answer:

2. For calling the Extraordinary General Meeting a clear notice of days must be given to all the members.

- (A) 7
- (B) 15
- (C) 21
- (D) 30

See Answer:

3. Appointment of a person who is a Director, as a Secretary in the Company would require approval of the company by–

- (A) Special Resolution
- (B) Ordinary Resolution
- (C) Resolution by circulation
- (D) None of the above

See Answer:

4. The first Stock Exchange in India was established in–

- (A) Kolkata
- (B) Delhi
- (C) Mumbai
- (D) Chennai

See Answer:

5. Blue Chips Shares mean–

- (A) Those shares which are listed in Stock Exchange
- (B) Those shares whose guarantee is given by Government
- (C) Those shares on whom dividend is paid at higher rate regularly
- (D) Those shares which are issued at first time

See Answer:

6. The profit ratio of A, B and C, who are partners in a firm, is 4 : 3 : 2.

After D is admitted, their sacrificing ratio will be—

- (A) 4 : 3 : 2 (B) 1 : 3 : 2
- (C) Equal (D) 5 : 3 : 2

See Answer:

7. X and Y are sharing profits in the ratio of 4 : 3. Z joins and new profit sharing ratio of X, Y and Z is 7 : 4 : 3. The sacrificing ratio of X and Y will be—

- (A) Equal (B) 4 : 3
- (C) 2 : 1 (D) 1 : 2

See Answer:

8. A and B were partners in a business and were sharing profit and loss in the ratio of 3 : 2. They admitted C as a partner for 1/5th share. The new profit sharing ratio shall be—

- (A) 3 : 2 : 1 (B) 6 : 4 : 1
- (C) 12 : 8 : 5 (D) 12 : 6 : 2

See Answer:

9. At the time of admission of a new partner, general reserve is transferred to—

- (A) Old partner's Capital Account
- (B) Profit and Loss Adjustment Account
- (C) Balance Sheet
- (D) None of these

See Answer:

10. A, B and C are partners sharing profits and losses in the ratio of 5 : 3 : 2. D is admitted in the first as a partner for 1/5th share. The sacrificing ratio of A, B and C will be—

- (A) 3 : 2 : 5 (B) 5 : 3 : 2
- (C) 5 : 2 : 3 (D) 2 : 3 : 5

See Answer:

11. Grapevine communication is a type of–
(A) Formal communication (B) Informal communication
(C) Horizontal communication (D) Vertical communication

See Answer:

12. The 'Principle of Exception' states that management should–
(A) Check everything without exception
(B) Invariably take corrective action without exception
(C) Accept exceptions in emergencies
(D) Concentrate their attention on exceptions

See Answer:

13. Which of the following is not a component of 'SWOT Analysis' ?
(A) Threats (B) Strengths
(C) Weaknesses (D) Options

See Answer:

14. Organisational change is necessitated by–
(A) External environmental pressure (B) Internal strengths and weaknesses
(C) Sequential changes (D) All the above

See Answer:

15. Which management functions are closely related to ?
(A) Planning and Organising (B) Organising and Staffing
(C) Staffing and Control (D) Planning and Control

See Answer:

16. Which one of the following statements is not correct ?
(A) Business firms combine to avoid wasteful competition
(B) Business combination is possible only among joint stock companies
(C) Business firms may combine to take advantage of patent rights of individual firms
(D) During economic depression, small firms are absorbed by financially

sound large firms

See Answer:

17. What is the theory of social responsibility that focuses on how companies respond to issues, rather than trying to determine their ultimate social responsibility, called ?

- (A) Corporate social performance
- (B) Corporate social responsiveness
- (C) Stewardship principle
- (D) Enlightened self-interest

See Answer:

18. What is a systematic evaluation of a company's activities in a given area of social interest such as environmental protection, workplace safety or community involvement, called ?

- (A) Social responsibility
- (B) Social accounting
- (C) Social audit
- (D) Social forecasting

See Answer:

19. What is cross rate ?

- (A) A rate of exchange derived from central bank
- (B) A rate of exchange between two currencies, other than those that form a market's principal rates
- (C) A rate of exchange derived from the quotations for buying currencies
- (D) A rate of exchange quoted by a dealer in foreign exchange for selling currencies

See Answer:

20. Which one of the following statements is not correct ?

- (A) Working capital is made available by the banks to the export sector at subsidized rates of interest
- (B) Market Development Fund provides the necessary financial assistance for market promotion
- (C) Export Houses/Star Trading houses are granted additional license against exports made during the preceding year

(D) Export profits enjoy a variety of tax concessions in India

See Answer:

(Next GK Commerce Questions Set 17)



Commerce Questions and Answers

(Next GK Commerce Questions)

1. The Essence of Control is–

(A) To take decision (B) To take corrective action

(C) To make enquiry (D) To motivate

Answer: To take corrective action

2. An annual general meeting may be called after giving shorter notice instead of 21 clear days, if consent is accorded by–

(A) All the directors of company (B) All the members entitled to vote there at

(C) Majority of members entitled to vote there all (D) None of the above

Answer: All the members entitled to vote there at

3. “The position of a Company Secretary is like that of a hub in a bicycle wheel.” This statement shows the–

(A) Importance of Company Secretary (B) Rights of Company Secretary

(C) Duties of Company Secretary (D) Liabilities of Company Secretary

Answer: Importance of Company Secretary

4. The first Secretary of the company is appointed by–

(A) Shareholders (B) Promoters

(C) Government (D) Directors

Answer: Promoters

5. Appointment of full time Company Secretary is compulsory in all those companies, whose paidup share capital is–

- (A) Rs. 50 lakhs or more (B) Rs. 1 crore or more
(C) Rs. 2 crores or more (D) Rs. 3 crores or more

Answer: Rs. 2 crores or more

6. Stock should include—

- (A) Goods held as security
(B) Goods held as consignee
(C) Goods with customers for approval on sale or return basis
(D) Goods sold but not delivered

Answer: Goods held as consignee

7. Receipts and Payments Account is an abbreviated form of—

- (A) Cash Book (B) Pass Book
(C) Both Cash Book and Pass Book (D) None of the above

Answer: Cash Book

8. At what price the stock is valued under conventional method ?

- (A) At cost price
(B) At market price
(C) At cost price or market price whichever is lower
(D) At cost price or market price whichever is higher

Answer: At cost price or market price whichever is lower

9. Which of the following is a personal account ?

- (A) Outstanding Expense (B) Investment
(C) Share premium (D) Salary

Answer: Outstanding Expense

10. On the admission of a partner, fictitious assets are—

- (A) Transferred to Revaluation Account (B) Transferred to Capital Account
(C) Transferred to Reserves (D) Shown in the new Balance Sheet

Answer: Transferred to Revaluation Account

11. Strategy is used in—

- (A) Military (B) Business

(C) Industry (D) All of the above

Answer: All of the above

12. '3-D' Model of leadership is propounded by–

(A) Likert Reinsis (B) Kurt Levis

(C) William Ridin (D) Henry Fayol

Answer: William Ridin

13. Personal selling includes–

(A) Selling (B) Services to the customers

(C) Developing goodwill of the firm (D) All of the above

Answer: All of the above

14. The process of evaluating employees is called–

(A) Performance appraisal (B) Recruitment

(C) Induction (D) Job evaluation

Answer: Performance appraisal

15. Franking machine is used for–

(A) Specimen signature (B) Postage stamps

(C) Arrival and departure timings (D) None of the above

Answer: Postage stamps

16. Which one of the following statements about preparation of financial statements of a limited liability company is correct ?

(A) Financial statements should

be prepared according to the cash basis of accounting only

(B) Financial statements should be prepared according to the accrual basis of accounting only

(C) Financial statements should be prepared according to either the cash basis or accrual basis of accounting

(D) Financial statements should be prepared according to both the accrual and cash basis of accounting

Answer: Financial statements should be prepared according to the accrual basis of accounting only

17. Expenses need to be recorded in the period in which the associated revenues are recognised. This is to be ensured as per which one of the following accounting principles ?

- (A) Revenue recognition (B) Cost benefit
- (C) Matching (D) Periodicity

Answer: Revenue recognition

18. How is profit prior to incorporation treated as ?

- (A) Revenue reserve (B) Secret reserve
- (C) Capital reserve (D) General reserve

Answer: Capital reserve

19. Which one of the following has replaced the Budla system in India ?

- (A) Rolling settlement (B) Trading in equity derivatives
- (C) Depository system (D) Online trading

Answer: Rolling settlement

20. Which one of the following is not correct ?

- (A) Mutual Fund ensures its participants a professional management of portfolio selection
- (B) Mutual Fund schemes can be open-ended and/or closeended
- (C) Balanced Mutual Fund aims at earning current income and capital appreciation
- (D) Mutual Fund is an investment company and a merchant banker

Answer: Mutual Fund is an investment company and a merchant banker

(Next GK Commerce Questions Set 18)

Commerce Questions for Interview

(Next GK Commerce Questions)

1. "Organisation is a Management Process by which people, functions and physical factors are brought together to form a controllable unit."

This definition is given by–

- (A) Haney (B) Kelling B. Lewis
- (C) Oliver Sheldon (D) Cornell

Answer: Oliver Sheldon

2. Out of the following forms, which form of organisation is the oldest one ?

- (A) Line and staff organisation (B) Functional organisation
- (C) Committee organisation (D) Line organisation

Answer: Line organisation

3. "A body of persons elected or appointed to meet on an organised basis for the discussion and dealing of matters brought before it." It is called–

- (A) Functional organisation (B) Formal organisation
- (C) Committee organisation (D) Informal organisation

Answer: Committee organisation

4. Due to coordination–

- (A) There is a unity of order (B) There is a unity of direction
- (C) There is a leadership (D) Employees are motivated

Answer: There is a unity of order

5. In 'Direction' who is given importance ?

- (A) To machines (B) To paper work
- (C) To man (D) To production

Answer: To man

6. Closing stock appearing in the Trial Balance is shown in–

- (A) Balance Sheet only (B) Trading Account only
- (C) Trading Account and Balance Sheet both (D) None of the above

See Answer:

7. The rate of gross profit is 20% on sales and the cost of goods sold is Rs. 1,00,000, the amount of gross profit will be—

- (A) Rs. 30,000 (B) Rs. 25,000
- (C) Rs. 20,000 (D) Rs. 16,667

Answer: Rs. 25,000

8. The policy “anticipate no profit and provide for all possible losses” arises due to—

- (A) Convention of consistency (B) Convention of conservatism
- (C) Convention of Disclosure (D) None of the above

See Answer:

9. Donations received for the special purpose will be taken to the—

- (A) Income and Expenditure Account (B) Assets side of the Balance Sheet
- (C) Liabilities side of the Balance Sheet (D) Receipts and Payments Account

Answer: Liabilities side of the Balance Sheet

10. A sports club receives admission fees. It is a—

- (A) Revenue receipt (B) Capital receipt
- (C) Deferred receipt (D) None of these

Answer: Revenue receipt

11. Which of the following is not an element of marketing mix ?

- (A) Product (B) Price
- (C) Promotion (D) Product life cycle

Answer: Product life cycle

12. Market segmentation means—

- (A) Grouping of buyers (B) Grouping of sellers
- (C) Grouping of middle men (D) Grouping of producers

Answer: Grouping of buyers

13. Standard costing is a technique of–

- (A) Planning (B) Organising
- (C) Coordination (D) Control

Answer: Control

14. The principle of ‘Unity of Command’ was introduced by–

- (A) Elton Mayo (B) Henry Fayol
- (C) F. W. Taylor (D) Urwick

Answer: Henry Fayol

15. The last step of communication process is–

- (A) Controlling (B) Implementation
- (C) Correction (D) Reaction

Answer: Reaction

16. Match List-I with List-II and select the correct answer using the code given below the Lists–

List-I (Nature of Expenditures/Receipts)

- (a) Capital receipts (b) Capital expenditure
- (c) Revenue expenditure (d) Revenue receipt

List II (Example)

- 1. Sale of fixed assets 2. Improvement of fixed assets
- 3. Income received as interest 4. Interest on loan for business

Codes :

(a) (b) (c) (d)

(A) 1 2 4 3

(B) 3 4 2 1

(C) 1 4 2 3

(D) 3 2 4 1

Answer: 1 2 4 3

17. Which of the following is affected by treatment of an accrued item in accounting ?

- (A) Profit and Loss A/c only
- (B) Profit and Loss Appropriation A/c
- (C) Balance Sheet only
- (D) Profit and Loss A/c and Balance Sheet

Answer: Profit and Loss A/c and Balance Sheet

18. Income and expenses for the year 2012 are–

Fee Received in Cash – Rs.24,000

Accrued Fee – Rs.6,000

Rent for Chamber Paid – Rs.6,000

Outstanding Rent – Rs.2,000

Salary Paid to Staff – Rs.6,000

Miscellaneous Expenses Paid – Rs.200

Salary paid in advance to staff included in the above : Rs. 1,000.

What is the income under accrual basis ?

(A) Rs. 11,800 (B) Rs. 13,200

(C) Rs. 16,800 (D) Rs. 30,000

Answer: Rs. 13,200

19.

If Opening Stock – Rs.15,000

Purchases – Rs.37,500

Direct Expenses – Rs.1,500

Closing Stock – Rs.7,500

Operating Expenses – Rs.3,000

Sales are Rs. 60,000 during the year, what is the net profit ?

(A) Rs. 12,000 (B) Rs. 10,500

(C) Rs. 7,500 (D) Rs. 3,000

Answer: Rs. 10,500

20. On 1.4.2007, a firm's capital was Rs. 2,00,000, Assets Rs. 2,40,000 and Liabilities Rs. 40,000. It sold goods costing Rs. 10,000 for Rs. 12,000.

What will be the position of accounting equation after this transaction has been recorded in accounts ?

Assets = Capital + Liabilities

(A) 2,42,000 = 2,02,000 + 40,000

(B) 2,52,000 = 2,12,000 + 40,000

(C) 2,30,000 = 2,00,000 + 30,000

(D) 2,22,000 = 1,82,000 + 40,000

Answer: 2,52,000 = 2,12,000 + 40,000

(Next GK Commerce Questions Set 19)

Commerce Questions Quiz

(Next GK Commerce Questions)

1. "Organisation is the foundation of management." This statement is given by—

(A) Henry Ford (B) Haney

(C) Keeling (D) Lansberry Fish

Answer: Henry Ford

2. The number of subordinates a superior can effectively handle is called—

(A) Cooperation (B) Coordination

(C) Supervision (D) Span of control

Answer: Span of control

3. In Need Hierarchy Theory of Abraham H. Maslow, Self Actualisation needs are at level—

(A) Lower level needs (B) Middle level needs

(C) Higher level needs (D) Highest level needs

Answer: Lower level needs

4. Motivation - Hygiene Theory was propounded by—

(A) Abraham H. Maslow (B) Fredrick Herzberg

(C) Peter F. Druker (D) Argyris Chris

Answer: Fredrick Herzberg

5. 'Carrot and Stick' principle is given in Theory–
(A) McGregor Theory X (B) McGregor Theory Y
(C) William Ouchi Theory Z (D) None of the above

Answer: William Ouchi Theory Z

6. Match the following–

List-I

(a) Principle of subrogation (b) Principle of ultra vires
(c) Holding company (d) SEBI

List-II

1. Business combination 2. Insurance
3. Company Law 4. Stock Exchange

Codes :

(a) (b) (c) (d)

(A) 2 3 1 4

(B) 1 3 2 4

(C) 4 2 1 3

(D) 1 2 3 4

Answer: 2 3 1 4

7. Reserve Bank of India is a–

(A) Government Company (B) Departmental Organisation
(C) Statutory Corporation (D) None of the above

Answer: Government Company

8. Application of Theory 'X' implies practising of–

(A) Free leadership (B) Democratic leadership
(C) Autocratic leadership (D) None of the above

Answer: Autocratic leadership

9. Which of the following is the Accounting equation ?

(A) Capital = Assets – Liabilities

(B) Capital = Assets + Liabilities

(C) Assets = Liabilities – Capital

(D) Liabilities = Assets – Capital

Answer: Capital = Assets – Liabilities

10. Expenditure on installation of a plant should be debited to–

(A) Installation Expenses account (B) Sundry expenses account

(C) Plant account (D) Maintenance of Assets A/c

See Answer:

11 Which is the oldest form of organisation ?

(A) Line (B) Line and staff

(C) Functional (D) Matrix

Answer: Line

12. Decentralisation–

(A) Reduces burden of chief executives (B) Increases burden of chief executives

(C) Does not effect burden (D) None of the above

Answer: Reduces burden of chief executives

13. Planning is a–

(A) Primary function (B) Secondary function

(C) Supplementary function (D) None of the above

Answer: Primary function

14. Planning function of management is performed by–

(A) Top management (B) Middle management

(C) Lower management (D) All of the above

Answer: All of the above

15. MBO approach in management was introduced by–

(A) M. P. Follet (B) Keith Davis

(C) Peter Drucker (D) Oliver Sheldon

Answer: Peter Drucker

16. What is Capital Redemption Reserve Account available for ?

- (A) Redemption of redeemable preference shares
- (B) Redemption of redeemable debentures
- (C) Reorganization of share capital
- (D) Issue of fully paid bonus shares

See Answer:

17. Match List-I with List-II and select the correct answer using the code given below the Lists–

List I (Item)

- (a) Earnings per share (b) Cash flow statement
- (c) Inventory valuation (d) Disclosure of accounting policies

List-II (Accounting Standard)

- 1. AS-3 2. AS-20
- 3. AS-1 4. AS-2

Codes :

- (a) (b) (c) (d)
- (A) 3 1 4 2
- (B) 2 4 1 3
- (C) 3 4 1 2
- (D) 2 1 4 3

Answer: 2 1 4 3

18. Government grants related to income as per the Accounting Standard (AS)-12 should be–

- (A) Presented as a credit in the statement of Profit and Loss
- (B) Presented as a deferred income on the asset side of the balance sheet
- (C) Presented as a capital grant on the liability side of balance sheet
- (D) Presented both in the Profit and Loss statement and in the balance sheet

See Answer:

19. What is the renewal fees paid for a patent right ?

- (A) Capital expenditure (B) Revenue expenditure
(C) Deferred revenue expenditure (D) Development expenditure
Answer: Revenue expenditure

20. According to the Accounting Standard (AS)-2, the inventory is to be valued at which one of the following ?

- (A) Actual cost or sales value, whichever is lower
(B) Historical cost
(C) Net realizable value
(D) Historical cost or net realizable value, whichever is lower

Answer: Historical cost or net realizable value, whichever is lower
(Next GK Commerce Questions Set 20)

Commerce Questions with Answers (Next GK Commerce Questions)

1. Bombay Stock Exchange Sensex consists of script as on 31st March, 2005.

- (A) 10 (B) 20
(C) 30 (D) 40

Answer: 30

2. The basic aim of Securities and Exchange Board of India (SEBI) is to—

- (A) Develop an effective and efficient monitoring and control system for the Indian Capital Market
(B) To help Bombay Stock Exchange only
(C) To help National Stock Exchange of India Ltd. only
(D) To help OTC Exchange of India only

Answer: Develop an effective and efficient monitoring and control system for the Indian Capital Market

3. A public company can start its business operations after getting—
(A) Certificate of Incorporation (B) Minimum Subscription
(C) Certificate of Commencement of Business (D) Permission of the
Controller of Capital Issue

Answer: Certificate of Commencement of Business

4. Principle of 'Unity of Command' means—
(A) Unity of directions (B) To receive orders from one officer only
(C) A fixed place for every person (D) Proper delegation to subordinates

Answer: To receive orders from one officer only

5. Managerial Planning is a—
(A) Middle Level Function (B) Lower Level Function
(C) Top Level Function (D) All Level Function

Answer: All Level Function

6. Paperless office calls for—
(A) Minimum record keeping (B) Maximum use of telephone
(C) Maximum use of computers (D) Elimination of reporting

Answer: Maximum use of computers

7. Delegation of authority signifies the delegation of—
(A) Authority (B) Responsibility
(C) Both of the above (D) None of the above

Answer: Both of the above

8. Management by exception implies focussing attention on—
(A) All variations (B) Normal variations
(C) Abnormal variations (D) Randomly selected variations

Answer: Abnormal variations

9. The most recent form of retail distribution is—
(A) Mail order business (B) Chain stores

(C) Departmental stores (D) Sky shopping

Answer: Sky shopping

10. Decentralisation–

(A) Increases the importance of supervisors

(B) Decreases the importance of supervisors

(C) Increases the importance of subordinates

(D) Decreases the importance of subordinates

Answer: Increases the importance of subordinates

11. Hawthorne Experiments were conducted by–

(A) Elton Mayo (B) Henry Fayol

(C) F. W. Taylor (D) Peter F. Drucker

Answer: Elton Mayo

12. Who is called ‘The Father of Scientific Management’ ?

(A) Elton Mayo (B) Henry Fayol

(C) E. F. L. Breach (D) F. W. Taylor

Answer: F. W. Taylor

13. A plan when expressed in quantitative terms is called–

(A) Policy (B) Procedure

(C) Objective (D) Budget

Answer: Budget

14. Theory ‘X’ and Theory ‘Y’ of Motivation was propounded by–

(A) Herzberg (B) Maslow

(C) Elton Mayo (D) McGregor

Answer: McGregor

15. Direction involves–

(A) Physical factors (B) Financial factors

(C) Human factors (D) None of the above

Answer: Human factors

16. Consider the following categories of documentary evidence from the point of view of the degree of their reliability.

1. Documentary evidence originating from and held by the entity.
2. Documentary evidence originating from third parties and held by the entity.
3. Documentary evidence originating from and held by the third party.
4. Documentary evidence originating from entity and held by the third party.

Which one of the following is the correct order (high to low) of their degree of reliability ?

- (A) 4 - 1 - 3 - 2 (B) 3 - 2 - 4 - 1
(C) 4 - 2 - 3 - 1 (D) 3 - 1 - 4 - 2

Answer: 3 - 2 - 4 - 1

17. Which one of the following is not included in the internal check as regards purchases ?

- (A) Assessment of requirements (B) Placing orders
(C) Despatch of goods (D) Recording and making payments

Answer: Despatch of goods

18. Consider the following statements—

1. It is mandatory for all business enterprises to conduct audit of accounts.
2. Audit Note Book is a tool in the conduct of audit.
3. Internal check system is an inbuilt mechanism within an organization to check frauds and errors.

Which of the statements given above is/are correct ?

- (A) 1 only (B) 2 and 3 only
(C) 3 only (D) 1, 2 and 3

Answer: 3 only

19. Match List-I with List-II and select the correct answer using the code given below the Lists—

List-I (Type of Books)

- (a) Minutes Book (b) Subsidiary Ledger
(c) Stores Ledger (d) Log Book

List-II (Content)

1. Records of issue of packing materials
2. Records of running hours of machine
3. Records of decisions at a meeting
4. Records entry of receipt from debtors

Codes :

- (a) (b) (c) (d)
(A) 3 2 1 4
(B) 1 4 3 2
(C) 3 4 1 2
(D) 1 2 3 4

Answer: 3 4 1 2

20. What is the method in which an amount equal to the amount written off as depreciation is invested in outside securities in order to facilitate replacement of an asset at the expiry of its life period, called ?
(A) Annuity Method (B) Sinking Fund Method
(C) Replacement Method (D) Depletion Method

Answer: Sinking Fund Method

(Next GK Commerce Questions Set 21)

General Knowledge Commerce Questions

(Next GK Commerce Questions)

1. In case of Board Meetings the Quorum must be present—
(A) At the commencement of the meeting
(B) At the termination of the meeting
(C) Throughout the meeting
(D) At the commencement and termination both

Answer: At the commencement of the meeting

2. In a public company the minimum number for having a Quorum in a meeting is–

- (A) 2 (B) 3
- (C) 5 (D) 7

Answer: 5

3. The capital issues of public limited companies are subject to guidelines issued by–

- (A) Reserve Bank of India (B) Central Government
- (C) Central Bank of India (D) Securities & Exchange Board of India (SEBI)

Answer: Securities amp; Exchange Board of India (SEBI)

4. Disinvestment of shares means–

- (A) To sale the shares of private company to public
- (B) To sale the shares of public company to the public
- (C) To sale the shares of Government company to the public
- (D) To sale of shares by holding company to its subsidiary company

Answer: To sale the shares of public company to the public

5. When the existing companies raise additional funds by issue of shares to the existing shareholders in proportion to their existing shareholdings, it is called–

- (A) Buyback of shares (B) Issue of shares at premium
- (C) Issue of shares at discount (D) Right shares issue

Answer: Right shares issue

6. Liability of a Company Secretary is–

- (A) Contractual only (B) Statutory only
- (C) Civil only (D) Both contractual and statutory

Answer: Both contractual and statutory

7. The primary function of an office is–

- (A) Making, using and preserving records (B) Remunerating personnel

(C) Carrying out management policies (D) Safeguarding organization's assets

Answer: Making, using and preserving records

8. In an office, Franking machine is used for—

(A) Punching card (B) Accounting work

(C) Duplicating (D) Postal stamp fixing

Answer: Postal stamp fixing

9. Fax is used for—

(A) Sending telephonic message (B) Sending copies of documents

(C) Exercising control (D) Decision making

Answer: Sending copies of documents

10. Keyboard of a computer is—

(A) An input device (B) An output device

(C) A processing device (D) A storage device

Answer: An input device

11. Share Premium received by a Company may be used for—

(A) Payment of dividend (B) Payment of remuneration to management

(C) Issue of Bonus shares (D) None of these

Answer: Issue of Bonus shares

12. Garner Vs. Murray rule applies in case of—

(A) Admission of a partner (B) Dissolution of a firm

(C) Retirement of a partner (D) Death of a partner

Answer: Dissolution of a firm

13. When sale is Rs. 4,80,000, gross loss is 25% on cost, purchase is Rs. 3,50,000 and closing stock is Rs. 60,000, the stock in the beginning would be—

(A) Rs. 70,000 (B) Rs. 94,000

(C) Rs. 1,34,000 (D) Rs. 3,50,000

Answer: Rs. 3,50,000

14. Balance of Debenture Redemption Fund Account is transferred to—

- (A) Capital Reserve A/c (B) Profit and Loss A/c
(C) General Reserve A/c (D) None of these

Answer: General Reserve A/c

15. Planning includes—

- (A) Objectives (B) Policy
(C) Strategy (D) All of the above

Answer: All of the above

16. Sometimes an auditor is called upon to review the operations of an enterprise for evaluating their cost-effectiveness. What is this kind of audit generally known as ?

- (A) Cost Audit (B) Operations Audit
(C) Tax Audit (D) Independent Financial Audit

Answer: Cost Audit

17. Match List-I with List-II and select the correct answer using the code given below the Lists—

List-I (Assets and Liabilities)

- (a) Current assets (b) Fixed assets
(c) Deferred revenue expenditure (d) Current liabilities

List II (Accepted Principles of Valuation)

1. To be valued at cost less depreciation
2. To be valued at cost or market price whichever is lower
3. To be valued at the maximum figure which might be incurred
4. To be written off within a reasonable period of time

Codes :

- (a) (b) (c) (d)
(A) 2 1 4 3
(B) 3 4 1 2
(C) 2 4 1 3
(D) 3 1 4 2

See Answer:

18. Match List-I with List-II and select the correct answer using the code given below the Lists—

List I (Type of Audit)

- (a) Statutory Audit (b) Management Audit
(c) Cost Audit (d) Financial Audit

List II (Explanation)

1. Judge the correctness of the financial statements and establish their reliability
2. Appraisal of performance of executives
3. Examination of past records
4. Verification of cost records

Codes :

- (a) (b) (c) (d)
(A) 3 4 2 1
(B) 1 2 4 3
(C) 3 2 4 1
(D) 1 4 2 3

Answer: 3 2 4 1

19. Match List-I with List-II and select the correct answer using the code given below the Lists—

List-I (Technique of Auditing)

- (a) Vouching (b) Verification
(c) Investigation (d) Valuation

List-II (Explanation)

1. It is an enquiry into the value, ownership and title of assets
2. It is testing of the exact value of an asset on the basis of its utility
3. It is the verification of authority and authenticity of transactions as recorded in the books of accounts
4. It is an examination of accounts and records of a business concern with some special purpose

Codes :

- (a) (b) (c) (d)

- (A) 3 2 4 1
- (B) 4 1 3 2
- (C) 3 1 4 2
- (D) 4 2 3 1

Answer: 3 1 4 2

20. Consider the following statements—

Internal check relates to

1. arrangement of duties of employees.
2. distribution of work in such a way that work of one employee is checked by other employee.
3. review of operations.

Which of the statements given above is/are correct ?

- (A) 1 and 2 only
- (B) 2 and 3 only
- (C) 3 only
- (D) 1, 2 and 3

Answer: 1 and 2 only

(Next GK Commerce Questions Set 22)

Commerce Quiz Questions

(Next GK Commerce Questions)

1. The minimum paid-up share capital for a public company shall be—

- (A) Rs. 1 lakh
- (B) Rs. 2 lakhs
- (C) Rs. 3 lakhs
- (D) Rs. 5 lakhs

Answer: Rs. 5 lakhs

2. Internal activity of a company is going to be performed according to established regulations. This assumption is provided as a right by—

- (A) Doctrine of Indoor Management
- (B) Doctrine of Constructive Notice
- (C) Doctrine of Ultravires
- (D) Doctrine of Intravires

Answer: Doctrine of Indoor Management

3. Who is Father of Scientific Management ?

- (A) Henry Fayol
- (B) Elton Mayo
- (C) Chester Bernard
- (D) F. W. Taylor

Answer: F. W. Taylor

4. Under Section 275 of the Companies' Act, 1956 a person can become director in public company of not more than–

- (A) 5 companies (B) 10 companies
- (C) 15 companies (D) 20 companies

Answer: 15 companies

5. Articles of Association can be altered by passing–

- (A) An ordinary resolution in Annual General Meeting
- (B) A special resolution in Annual General Meeting
- (C) A resolution with special notice
- (D) Without any resolution

Answer: A special resolution in Annual General Meeting

6. Who can be appointed as a Company Secretary under the Companies Act, 1956 ?

- (A) An individual (B) A partnership firm
- (C) A company (D) None of the above

Answer: An individual

7. Appointment of a Company Secretary is made by–

- (A) Promoters (B) Board of Directors
- (C) Debenture holders (D) Government

Answer: Board of Directors

8. Convening meetings of a company is the responsibility of the–

- (A) Chairman, Board of Directors (B) Managing Director
- (C) Company Secretary (D) General Manager

Answer: Company Secretary

9. What is the quorum of general meetings in the case of private limited company and public limited company ?

- (A) 2 members and 5 members respectively

- (B) 3 members and 5 members respectively
- (C) 5 members in each type of company
- (D) 5 members and 7 members respectively

Answer: 2 members and 5 members respectively

10. Minutes of the annual general meeting must be prepared and signed by the chairman within—

- (A) 14 days of the meeting
- (B) 21 days of the meeting
- (C) 30 days of the meeting
- (D) 45 days of the meeting

Answer: 30 days of the meeting

11. Goods worth Rs. 2,000 were distributed to employees free of charge. The account to be debited is—

- (A) Profit and Loss A/c
- (B) Advertisement A/c
- (C) Labour Welfare A/c
- (D) Goods A/c

Answer: Profit and Loss A/c

12. The maximum rate of underwriting commission on debentures is—

- (A) 10%
- (B) 2•5%
- (C) 12•5%
- (D) 5%

Answer: 2•5%

13. X Ltd. forfeited 20 shares of Rs. 10 each on which Rs. 6 per share were paid. If out of these shares, 8 shares were reissued to Ram as fully paid up on payment of Rs. 5•50 per share, the amount that will remain standing to the credit of Share Forfeited A/c will be—

- (A) Rs. 48
- (B) Rs. 72
- (C) Rs. 84
- (D) Rs. 120

Answer: Rs. 120

14. Bonus Shares are issued to—

- (A) Equity Shareholders
- (B) Preference Shareholders
- (C) Debenture Holders
- (D) Secured Creditors

Answer: Equity Shareholders

15. On an equity share of Rs. 100, the minimum amount payable on application under the law should be—

- (A) Rs. 20 (B) Rs. 15
- (C) Rs. 10 (D) Rs. 5

Answer: Rs. 5

16. Consider the following statements—

1. Managerial grid is an organizational concept that brings together teams of individuals from specialized jobs and departments for achieving specific results in defined periods of time.
2. The matrix management model is based on a matrix of values between 0 and 9 for two primary variables.

Which of the statements given above is/are correct ?

- (A) 1 only (B) 2 only
- (C) Both 1 and 2 (D) Neither 1 nor 2

Answer: Both 1 and 2

17. A limited company makes a net profit of Rs. 2,00,000 after writing off preliminary expenses amounting to Rs. 20,000 and providing for depreciation on assets amounting to Rs. 40,000 and gain of Rs. 10,000 on sale of a piece of machinery. What are the funds from operation ?

- (A) Rs. 2,00,000 (B) Rs. 2,40,000
- (C) Rs. 2,50,000 (D) Rs. 2,60,000

Answer: Rs. 2,50,000

18. Consider the following items that are disclosed in a statement of cash flows—

1. Cash flow from operating activities.
 2. Cash flow from financing activities.
 3. Closing cash and cash equivalents.
 4. Cash from investing activities
- What is the correct chronological order of their disclosure of the above cash flows ?

- (A) 2 - 3 - 1 - 4 (B) 1 - 4 - 2 - 3

(C) 2 - 4 - 1 – 3 (D) 1 - 3 - 2 - 4

Answer: 2 - 4 - 1 – 3

19. Consider the following statements—

A cash flow statement is generally prepared for

1. Ascertaining the net cash flows between two accounting periods.
2. Understanding the trends of cash flows between two accounting periods.
3. Short term cash planning of the business.

Which of the statements given above are correct ?

- (A) 1 and 2 only (B) 2 and 3 only
(C) 1 and 3 only (D) 1, 2 and 3

Answer: 1 and 3 only

20. Which of the following represents corporate sustainable reporting ?

- (A) Publishing annual financial statement only
(B) Publishing annual financial statements and social accounts
(C) Publishing social and environmental accounts annually
(D) Publishing annual financial statements incorporating economic, social and environmental performances

Answer: Publishing annual financial statements incorporating economic, social and environmental performances

(Next GK Commerce Questions Set 23)

Free Online Commerce Quiz

(Next GK Commerce Questions)

1. The most suitable method of filing for a transactional corporation is—

- (A) Numerical (B) Alphabetical—Numerical
(C) Numerical—Territorial (D) Territorial

Answer: Alphabetical—Numerical

2. Which one of the following correctly signifies the purpose of an Organization Chart ?

- (A) Office Décor (B) Indication of available Office services
(C) Flow of Authority (D) High Morale

Answer: Flow of Authority

3. The most important advantage of centralization of office services is–

- (A) specialization (B) higher departmental loyalty
(C) no delay in providing services (D) less burden of work

Answer: less burden of work

4. Which one of the following aims is achieved most through Office Record keeping ?

- (A) Efficiency of operations on shop floor (B) Business reputation
(C) Storage of documents (D) Helping decision making

Answer: Storage of documents

5. Increase in the installation of Personal Computer is mainly due to–

- (A) monotony of work (B) reduction of fatigue
(C) improvement of efficiency (D) lowering work load

Answer: improvement of efficiency

6. The return on capital employed shows the combined effect of–

- (A) net profit ratio and inventory turnover ratio
(B) operating ratio and net profit ratio
(C) net profit ratio and capital turnover ratio
(D) gross profit ratio and capital turnover ratio

Answer: operating ratio and net profit ratio

7. With regard to the rate of return on investment (ROI), which one of the following statements is not valid ?

- (A) It is an overall indicator of the profitability of an enterprise
(B) It is a triangular relationship in the sense that $ROI = \text{Profit margin} \times \text{Asset turnover}$
(C) It is a superior measure compared to the cash flow generated per share

(D) It was first developed by Dupont, USA

Answer: It is a superior measure compared to the cash flow generated per share

8. Alfa Company Limited acquired the business of M/s Bharat Traders. The valuation of the items acquired was-building Rs. 1,20,000; machinery Rs. 80,000 and stock-in-trade Rs. 30,000. The company issued in lieu of the above items 800, 10% debentures of Rs. 100 each at par and 15,000 equity shares of Rs. 10 each.

How much was the flow of funds in the above transaction ?

(A) Rs. 2,30,000 (B) Rs. 1,00,000

(C) Rs. 50,000 (D) Rs. 30,000

Answer: Rs. 30,000

9. Which among the following is the societal obligation of accounting ?

(A) To ascertain profit correctly

(B) To maintain the records of the assets and liabilities of organisation

(C) To establish effective organizational control

(D) To be helpful in correct tax assessment

Answer: To be helpful in correct tax assessment

10. Which audit is carried out during the accounting period with some interval, it is called—

(A) periodic audit (B) partial audit

(C) continuous audit (D) interim audit

Answer: continuous audit

11. Which one of the following is the most appropriate management control technique for timely completion of a project ?

(A) Organisation chart (B) Management by Objectives

(C) PERT (D) Span of control

Answer: PERT

12. Hawthorne studies have underlined the significance of which of the

following ?

- (A) System approach to management
- (B) Contingency approach to management
- (C) Modern approach to management
- (D) Human relations approach to management.

Answer: Human relations approach to management.

13. Which of the following is called Backbone of auditing ?

- (A) Routine checking (B) Vouching
- (C) Internal checks (D) Internal control

Answer: Vouching

14. Burns and Stalker model for categorising organisations by structural design uses the terms–

- (A) Functional and geographic (B) Functional and organic
- (C) Geographic and mechanistic (D) Mechanistic and organic.

Answer: Functional and organic

15. While auditing the financial statements of non-corporate enterprises, the auditor's duties and scope of work would be governed by–

- (A) the statute passed by the Parliament
- (B) the Companies Act, 1956, and the client concerned jointly
- (C) the agreement with his client.
- (D) the provisions of the Income Tax Act, 1961

Answer: the agreement with his client.

16. Retain trading in government securities at select stock exchanges commercial in–

- (A) Jan. 2001 (B) Jan. 2002
- (C) Jan. 2003 (D) Jan. 2004

Answer: Jan. 2003

17. Which one of the following statements is false ?

- (A) A 'Demat Share' is held by the depository on behalf of the investor whereas a 'Physical Share' is held by the investor himself
(B) There is no stamp duty on the transfer of 'Demat Shares' from one account to another
(C) The 'Demat Share' does not have a folio number, distinctive number or certificate number like a 'Physical Share'
(D) The 'Demat Share' cannot be converted into a 'Physical Share'
- Answer:** The 'Demat Share' cannot be converted into a 'Physical Share'

18. The 'Buy Back of Shares' was prohibited in India until—

- (A) October 31, 1998 (B) October 31, 2000
(C) October 31, 2001 (D) October 31, 2002

Answer: October 31, 1998

19. Which term is used in the field of Banking?

- (A) Current Account (B) Plasma
(C) Follow on (D) Cold chain

Answer: Current Account

20. Who propounded the Innovation theory of profits?

- (A) P. A. Samuelson (B) Alfred Marshall
(C) J. A. Schumpeter (D) David Ricardo

Answer: J. A. Schumpeter

(Next GK Commerce Questions Set 24)

Free Commerce Quiz with Answers

(Next GK Commerce Questions)

1. Management by Exception is to improve—

- (A) control over personnel (B) strategic management
(C) steady flow of information (D) high morale

Answer: strategic management

2. Job Evaluation is carried on mainly for—

- (A) identifying geographical locational factors of business enterprise
 - (B) promoting job satisfaction
 - (C) simplifying wage administration
 - (D) meeting competition effectively
- Answer:** simplifying wage administration

3. In which one of the following, Crisis Management is reflected ?

- (A) Future expansion plans of business
- (B) Organization Development Programme
- (C) Short-term Manpower Planning
- (D) Prudent managerial leadership

Answer: Prudent managerial leadership

4. Which one of the following is the most appropriate task of office management ?

- (A) Creation of profit centre
- (B) Creation of control centre
- (C) Making office supplies available
- (D) Supervision of production Quality Control

Answer: Creation of control centre

5. Which one of the following functions is served most by information technology ?

- (A) Replacement of human labour
- (B) Provision for a handle to the management to improve industrial relations
- (C) Substitution of human information processing
- (D) Rationalisation of office work

Answer: Rationalisation of office work

6. Dividend can be paid generally out of—

- (A) share premium account
- (B) capital redemption reserve account
- (C) current year's profits
- (D) All of these

Answer: current year's profits

7. A company can forfeit shares if the—
- (A) shareholder fails to pay the amount of the call during the stipulated time
 - (B) shareholder pays calls in advance
 - (C) shareholder does not pay the application money
 - (D) shares have been issued at par

Answer: shareholder fails to pay the amount of the call during the stipulated time

8. A company forfeited 30 equity shares of Rs. 10 each fully called-up, for non-payment of allotment money of Rs. 3 and call-money of Rs. 4 per share. If these shares are reissued at Rs. 8 per share fully paid, the amount transferable to capital reserve will be—

- (A) Rs. 300 (B) Rs. 60
- (C) Rs. 90 (D) Rs. 30

Answer: Rs. 30

9. The current ratio is 3 : 2 and the amount of current liabilities is Rs. 40,000. What is the amount of current assets ?

- (A) Rs. 60,000 (B) Rs. 70,000
- (C) Rs. 80,000 (D) Rs. 1,00,000

Answer: Rs. 60,000

10. Which one of the following ratios is likely to be affected the most on account of price level changes ?

- (A) Current Ratio (B) Inventory Turnover Ratio
- (C) Debtors' Turnover Ratio (D) Fixed Assets Turnover Ratio

Answer: Debtors' Turnover Ratio

11. Any person aggrieved by any decision or order of the National Company Law Appellate Tribunal can appeal to which one of the following and within how much period ?

- (A) High Court, within 30 days (B) Supreme Court within 60 days
- (C) SEBI within 90 days (D) Department of Companies Affairs within 60

days

Answer: Supreme Court within 60 days

12. When an incoming partner purchases his share from any one of the existing partners, then—

- (A) total assets of the firm do not change
- (B) total assets of the firm will be augmented to the extent of payment received from the new partner
- (C) total assets of the firm will be reduced to the extent of payment received from the new partner
- (D) change in total assets of the firm will depend upon the new profit sharing ratio of the partners

Answer: total assets of the firm do not change

13. If the goodwill raised at the time of retirement of a partner is to be written-off, then the capital accounts of the remaining partners are debited in—

- (A) New profit sharing ratio (B) Capital ratio
- (C) Old profit sharing ratio (D) Sacrificing ratio

Answer: Old profit sharing ratio

14. Which one of the following securities cannot be issued by a Public Limited Company in India ?

- (A) Participating preference shares (B) Redeemable preference shares
- (C) Deferred shares (D) Debentures.

Answer: Deferred shares

15. The tool used by auditor to monitor and control the progress of audit work is—

- (A) Engagement diary (B) Audit programme
- (C) Audit working papers (D) Audit notes.

Answer: Audit programme

16. Which one of the following is not an objective of the introduction of

Primary Dealer System ?

(A) To encourage a voluntary holding of govt. securities amongst a wider investor base

(B) To make Primary Dealer System an effective conduct of open market operations

(C) To strengthen the private equity infrastructure

(D) To strengthen the govt. securities infrastructure

Answer: To strengthen the private equity infrastructure

17. The Open Market Operations [OMOs] is an important tool of–

(A) Forex management (B) Liquidity management

(C) Inventory management (D) Marketing management

Answer: Liquidity management

18. Which one of the following statements is false ?

(A) The Open Market Operations involve the sale or purchase of govt. securities by the Central Bank

(B) The RBI manages longterm liquidity through repos

(C) The RBI manages longterm liquidity through Open Market Operations

(D) Open Market Operations do not alter the total stock of govt. securities but change the proportion of govt. securities held by the RBI, Commercial Banks and Co-operative Banks

Answer: The RBI manages longterm liquidity through repos

19. Which Stock Exchange was the first to introduce a transparent, screen-based trading system in the wholesale debt market including govt. securities in 1994 ?

(A) Bombay Stock Exchange (B) Delhi Stock Exchange

(C) National Stock Exchange (D) Jaipur Stock Exchange

Answer: National Stock Exchange

20. The Government Securities are not issued through–

(A) Auction (B) Contract

(C) Sale (D) Private placement with the RBI

Answer: Contract

(Next GK Commerce Questions Set 25)

Commerce Quiz Questions and Answers

(Next GK Commerce Questions)

1. Mechanistic Structures are designed to–

- (A) promote flexibility and quick responses to fast changing situations
- (B) induce people to behave in predictable and accountable manner
- (C) make people happy by assigning specific tasks to them
- (D) perform assigned tasks within the scheduled time

Answer: perform assigned tasks within the scheduled time

2. The degree of decentralization in an organization depends most on–

- (A) technology
- (B) size of workforce
- (C) volume of transactions
- (D) competence of subordinates

Answer: competence of subordinates

3. One of the major disadvantages of the Matrix form of organization structure is that–

- (A) it does not pinpoint product profit responsibility
- (B) it is not oriented towards results
- (C) there is possibility of disunity of command
- (D) it generates rivalry between line and staff members

Answer: there is possibility of disunity of command

4. Wider span of control is effective in organization where–

- (A) authority delegation is inadequate
- (B) tasks are complex
- (C) thorough subordinate training scheme exists
- (D) the leadership style is authoritarian

Answer: thorough subordinate training scheme exists

5. Maintenance of intended delegation requires that decisions lying

within the individual managers' authority should be made by them and not referred upwards in the organizational hierarchy. This is known as—
(A) principle of unity of command (B) scalar principle
(C) authority level principle (D) principle of absoluteness of responsibility

Answer: authority level principle

6. The loss on the sale of old furniture is debited to—
(A) profit & loss account (B) furniture account
(C) trading account (D) depreciation account

Answer: profit & loss account

7. If the purchases made during the year were Rs. 60,000, the balance of stock in trade at the beginning and at the end of the year were Rs. 12,000 and Rs. 9,000 respectively and the gross profit on sales was $\frac{1}{5}$ th, when which one of the following represents the figure of gross profit for the year ?

(A) Rs. 15,750 (B) Rs. 14,000
(C) Rs. 12,500 (D) Rs. 17,250

Answer: Rs. 12,500

8. A and B are sharing profits in the ratio of 2– 1. They admit C into the firm $\frac{1}{4}$ th share in profits for which he brings Rs. 12,000 as his share of capital. Therefore, the adjusts capital of B will be—

(A) Rs. 48,000 (B) Rs. 12,000
(C) Rs. 16,000 (D) Rs. 24,000

Answer: Rs. 12,000

9. While making an adjusting entry in respect of interest on capital, we credit—

(A) capital account (B) profit & loss account
(C) interest on capital account (D) drawing account

Answer: capital account

10. A and B are partners sharing profits and losses in proportion 2– 1. They admit new partner C whom they give 1/5th share in profits. The new profit-sharing ratio will be–

- (A) 8– 4– 3 (B) 3– 2– 1
(C) 2– 1– 1 (D) 4– 2– 1

Answer: 8– 4– 3

11. The process of determining how to pursue long-term goals with the expected resources available to the organisation is called–

- (A) Operational planning (B) Strategic planning
(C) Intermediate planning (D) Tactical planning

Answer: Operational planning

12. The dividend per share in a company is Rs. 2, earning per share is Rs. 5, and the market value is Rs. 25. What will be its yield ?

- (A) 20 per cent (B) 12•5 per cent
(C) 8 per cent (D) 25 per cent

Answer: 20 per cent

13. Which one of the following statements related to auditing is not correct ?

- (A) Chances of frauds are maximum in the case of cash sales.
(B) While routine checking is carried out vouching may be considered unnecessary.
(C) While vouching the cash receipts the auditor should study the system of internal check in operation.
(D) Vouching is the essence of auditing.

Answer: While routine checking is carried out vouching may be considered unnecessary.

14. When can an Annual General Meeting be called after giving shorter notice than that specified ?

- (A) If consent is accorded to by all the members entitled to vote
(B) If consent is accorded to by 30% of the members entitled to vote

(C) If Board of Directors takes a majority decision in this regard

(D) If the company secretary so wishes

Answer: If consent is accorded to by all the members entitled to vote

15. Under which one of the following circumstances the Central Government is empowered to direct special audit of the companies ?

(A) Where any director has misappropriated the company's fund

(B) Where a shareholder has complained to the Government about the non-payment of dividend

(C) Where the company has continuously defaulted in the payment of interest to the debentureholders

(D) Where the conduct of management is in the manner which is injurious to trade industry or business to which it pertains.

Answer: Where the conduct of management is in the manner which is injurious to trade industry or business to which it pertains.

16. Disinvestment Commission was set-up in–

(A) 1995 (B) 1996

(C) 1997 (D) 1998

Answer: 1996

17. Auction Rated Debentures (ARDs) are a hybrid of–

(A) Shares and Debentures

(B) Shares and Commercial Papers

(C) Commercial Papers and Debentures

(D) Zero Interest Bonds and Deep Discount Bonds

Answer: Commercial Papers and Debentures

18. In India, which Bank was the first to introduce Bonds with Floating Rates for retail investors ?

(A) Bank of Baroda (B) United Commercial Bank

(C) Punjab National Bank (D) State Bank of India

Answer: State Bank of India

19. Which one of the following statements is false ?

(A) Floating Rate Bonds help the issuer to hedge the loss arising due to interest rate fluctuations

(B) The capital market is an important source of meeting the growing long-term financial requirements of corporates

(C) The Clearing Corporation of India Limited [CCIL] was registered on April 30, 2001

(D) The IDBI is the Chief promoter of CCIL

Answer: The IDBI is the Chief promoter of CCIL

20. Which one of the following is not eligible to be Satellite Dealers (SDs) ?

(A) Subsidiaries of Scheduled Commercial Banks

(B) All-India Financial Institutions (AIFIs)

(C) Partnersip Firms with minimum net owned funds of Rs. 5 crore

(D) Companies incorporated under Companies Act, 1956 with minimum net owned funds of Rs. 5 crore.

Answer: Partnersip Firms with minimum net owned funds of Rs. 5 crore

(Next GK Commerce Questions Set 26)

Commerce Quiz Questions with Answers

(Next GK Commerce Questions)

1. In marine insurance, warranty means a guarantee—

(A) against the loss of the ship in the voyage

(B) for the safety of the captain of the ship

(C) for payment of shipping freight

(D) to comply with conditions mentioned in the policy

See Answer:

2. In a consequential loss policy which one of the following losses is indemnified ?

- (A) Loss of corporate image
- (B) Loss of net profits due to fire
- (C) Loss due to theft during fire
- (D) Loss due to damage around the venue of fire

See Answer:

3. Which one of the following indicates the correct chronological order of management approaches in the History of Management Thoughts ?

- (A) Classical, Human Relations, Behavioural, Systems, Contingency
- (B) Contingency, Systems, Behavioural, Human Relations, Classical
- (C) Classical, Behavioural, Human Relations, Systems, Contingency
- (D) Classical, Human Relations, Behavioural, Contingency, Systems

See Answer:

4. David C. Maclland's motivating needs are—

- (A) Needs for power affiliation and growth
- (B) Needs for affiliation, achievement and security
- (C) Needs for power, achievement and relatedness
- (D) Needs for power, affiliation and achievement

See Answer:

5. Which one of the following gives the correct sequence with respect to communication process ?

- (A) Sender, Message, Encoding, Receiver, Channel, Decoding and Feedback
- (B) Message, Sender, Encoding, Receiver, Channel, Decoding and Feedback
- (C) Encoding, Message, Sender, Decoding, Feedback, Receiver and Channel
- (D) Sender, Message, Encoding, Channel, Receiver, Decoding and Feedback

See Answer:

6. Financial year of a company shall not exceed—

- (A) calendar year
- (B) 15 months
- (C) 18 months with special permission of Registrar of companies
- (D) 15 months with special permission of Registrar of Companies

See Answer:

7. Secretarial Compliance Report is—

- (A) optional for a company
- (B) required when a company does not have a whole-time secretary
- (C) required if a company is not required to employ a whole-time secretary and has a paid-up share capital of Rs. 10 lakh or more
- (D) required for companies as are notified by the Central Government

See Answer:

8. Which one of the following types of information, a creditor would be interested to gather while reading Annual Reports of an enterprises ?

- (A) Profitability (B) Liquidity
- (C) Continuity (D) Solvency

See Answer:

9. Which one of the following pairs is not correctly matched ?

- (A) Accounting equation— Assets-Liabilities-Capital
- (B) Accounting year— 1st April to 31st March
- (C) Accrual concept— Recognising revenue on receipt of cash
- (D) Cost concept— Recognising transactions at historical cost

See Answer:

10. Included in production overhead of hardware division of Rs. 3,00,000 is Rs. 50,000, being the cost of prototype computers manufactured by the company itself. These are not to be sold but to be kept for demonstrating alive the medical imaging software programme.

The cost of prototype computers of Rs. 50,000 should be treated as—

(A) fixed assets (B) deferred revenue expenditure
(C) production overhead cost of hardware division (D) advertising cost
See Answer:

11. Rules concerning meetings and reports of a joint stock company are contained in its:

(A) Prospectus (B) Memorandum of Association
(C) Articles of Association (D) Bye-laws.

See Answer:

12. A change in the exchange rate will change the amount of local currency receivable on a bill denominated in a foreign currency.

The risk involved is called–

(A) Foreign exchange risk (B) Import risk
(C) Transaction risk (D) Monetary risk

See Answer:

13. Export promotion is indispensable for overcoming disequilibrium in–

(A) Balance of payments (B) Balance of trade
(C) Terms of trade (D) All of these.

See Answer:

14. The marine policy which insures incidental inland risks along with the marine perils is called–

(A) Block policy (B) Currency policy
(C) Blanket policy (D) Voyage policy

See Answer:

15. Which of the following does not mean the Qualified Institutional Buyer (QIB) under the SEBI (Disclosure and Investor Protection) guidelines as amended by the recent DIP Circular ?

(A) Mutual Funds
(B) Pension Funds with a corpus below Rs. 20 crore

- (C) Pension Funds with minimum corpus of Rs. 25 crore
(D) Provident Funds with minimum corpus of Rs. 25 crore.

See Answer:

16. Which Sections of the Companies Act, 1956 shall apply to all foreign companies ?

- (A) Sections 660 to 670 (B) Sections 592 to 602
(C) Sections 442 to 408 (D) None of the above

See Answer:

17. The General Insurance Corporation (GIC) of India was incorporated in—

- (A) Jan. 1972 (B) July 1972
(C) Nov. 1972 (D) Jan. 1973

See Answer:

18. The Life Insurance Corporation (LIC) of India came into existence on—

- (A) Sept. 1, 1956 (B) July 1, 1956
(C) March 1, 1956 (D) Jan. 1, 1956

See Answer:

19. The LIC Mutual Fund was set up in—

- (A) Jan. 1985 (B) March 1987
(C) June 1989 (D) Nov. 1991

See Answer:

20. On which date the Govt. lifted the three-decade old prohibition on forward trading in securities by rescinding the 1969 notification ?

- (A) Jan. 10, 2000 (B) March 1, 2000
(C) April 20, 2000 (D) July 25, 2000

See Answer:

(Next GK Commerce Questions Set 27)

Commerce Related Questions
(Next GK Commerce Questions)

1. Merchant Banker does not offer services in regard to—
(A) project appraisal (B) capital issue
(C) project preparation (D) subscription to Equity shares

Answer: project appraisal

2. Combination of Printing and Dyeing in a textile company is called—
(A) circular combination (B) vertical combination
(C) allied combination (D) horizontal combination

Answer: vertical combination

3. A voluntary association of traders, industrialists, bankers and professionals formed for the purpose of promotion of common business interests in a particular locality is called—

(A) Association of Industrialists (B) Chamber of Commerce
(C) Entrepreneurs' Association (D) Bankers' Union

Answer: Chamber of Commerce

4. Dumping is an example of —

(A) monopolistic practice in international trade (B) monopoly in international trade

(C) oligopoly in international trade (D) perfect competition in international trade

Answer: monopoly in international trade

5. Who among the following does not have insurable interest in fire insurance ?

- (A) A shop owner in the property of his customers
- (B) A creditor in the property mortgaged with him
- (C) A trustee in the property of the trust
- (D) An insurance company in the property insured

Answer: An insurance company in the property insured

6. Which one of the following styles of leadership is the most effective for a Job Order Firm ?

- (A) Participative leadership
- (B) Authoritarian leadership
- (C) Transformational leadership
- (D) Free-rein leadership

Answer: Participative leadership

7. Every auditor appointed under Section 224(1) of the Companies Act, 1956 shall inform in writing as to whether he has accepted or refused to accept the appointment. Such an intimation shall be given by him to the—

- (A) Company within 30 days of receipt from the company of the intimation of his appointment
- (B) Company Law Board within 30 days of receipt from the company of the intimation of his appointment
- (C) Company within 7 days of receipt from the company of the intimation of his appointment
- (D) Registrar within 30 days of receipt from the company of the intimation of his appointment

Answer: Registrar within 30 days of receipt from the company of the intimation of his appointment

8. Audit Committee shall act in accordance with the terms of reference to be specified by—

- (A) Statutory Auditors
- (B) SEBI
- (C) Board of Directors
- (D) Central Government

Answer: Board of Directors

9. X is proposed to be appointed as the auditor of ABC Co. Ltd. At the ensuing AGM in place of the retiring auditor Y. This requires—

- (A) a special resolution and approval of the Company Law Board
- (B) a special notice
- (C) an ordinary resolution and approval of the Company Law Board
- (D) a special resolution and approval of Central Government

Answer: an ordinary resolution and approval of the Company Law Board

10. In the case of an auditor appointed under Section 619 of the Companies Act, 1956 by the Comptroller and Auditor-General of India, the remuneration shall be fixed by the—

- (A) Company in general meeting
- (B) Comptroller and Auditor-General of India
- (C) Comptroller and Auditor- General of India in consultation with the Central Government
- (D) Company Law Board

Answer: Company Law Board

11. A company can pay dividend out of—

- (A) Profits of the company for the year for which dividends are to be paid
- (B) Undistributed profits of the previous financial years
- (C) Money provided by the Central and State Governments for the payment of dividends in pursuance of their guarantees
- (D) All of these.

Answer: All of these

12. A limited company has to redeem redeemable preference shares of the value of Rs. 1,00,000 for the which the company has issued 3000 equity shares of Rs. 10 each at a premium of 10%. The amount to be transferred to capital redemption reserve account will be—

- (A) Rs. 1,00,000 (B) Rs. 97,000
(C) Rs. 70,000 (D) Rs. 67,000

Answer: Rs. 70,000

13. In management principle, grid refers to—
(A) Diverse managerial styles (B) Co-ordination
(C) Communication (D) Motivation.

Answer: Communication

14. Who among the following is a bear operator ?
(A) A stock broker who sells shares now and buys the same shares later
(B) An investor who expects the price of a security or that of the whole securities market to rise
(C) An investor who sells securities in anticipation of being able to repurchase them later at a lower price
(D) A broker who indulges in rigging of share prices.

Answer: An investor who sells securities in anticipation of being able to repurchase them later at a lower price

15. In a partnership business if there is no specific agreement among partners, profit is distributed in the—
(A) ratio of capital contributions (B) ratio of time spent in the business
(C) ratio to be decided by the Court (D) equal ratio

Answer: equal ratio

16. Which of the following is known as 'Smart Money' ?
(A) Amount deposited into post office Saving Bank account
(B) Amount deposited into Saving Bank account
(C) Credit card
(D) Cash in hand

Answer: Credit card

17. The biggest Labour Union of India is—
(A) BMS (B) AITUC

(C) INTUC (D) CITU

Answer: BMS

18. What is the maximum limit of F.D.I. in insurance sector of India ?

(A) 26% (B) 49%

(C) 51% (D) 74%

Answer: 26%

19. Maximum limit of FDI in Stock Exchanges of India is–

(A) 49% (B) 26%

(C) 23% (D) 10%

Answer: 26%

20. 'India Investment Corporation' is related with–

(A) Forex (B) Post office

(C) Marketing (D) Agriculture

Answer: Forex

(Next GK Commerce Questions Set 28)

Interview Questions and Answers for Commerce

(Next GK Commerce Questions)

1. Which one of the following is not a feature of sole-proprietorship business ?

(A) Undivided risk (B) No government regulation

(C) Separate entity of the firm (D) Unlimited liability

Answer: Separate entity of the firm

2. A partner under his 'Implied Authority' can–

(A) enter into partnership with others on behalf of the firm

(B) submit a dispute relating to the business of the form for arbitration

(C) defend any suit filed against the firm

(D) withdraw any suit or proceedings filed on behalf of the firm

Answer: defend any suit filed against the firm

3. Which one of the following firm is considered to be illegal to do trading business ?

- (A) A firm with 11 partners (B) A firm with 18 partners
- (C) A firm with 20 partners (D) A firm with 22 partners

Answer: A firm with 22 partners

4. The fund available with a company after paying all claims including tax and dividend is called—

- (A) net profit (B) net operating profit
- (C) capital profit (D) retained earnings

Answer: retained earnings

5. The capital of a public limited company can be reduced with the confirmation of the—

- (A) Registrar of Companies (B) Company Law Board
- (C) Securities and Exchange Board of India (D) High Court

Answer: Company Law Board

6. Contingency School of Management—

- (A) practice-oriented (B) principle-oriented
- (C) result-oriented (D) profit and loss-oriented

Answer: result-oriented

7. Which among the following is the oldest and simplest device for achieving co ordination ?

- (A) Hierarchy (B) Planning
- (C) Incentives (D) Rules

Answer: Planning

8. Which one among the following is an instance of Participative Management ?

- (A) Board of Directors (B) Trade Unions
- (C) Work Committees (D) Task Force

Answer: Trade Unions

9. Which one of the following is the correct sequence in terms of the four management functions, first identified by Henry Fayol ?

- (A) Planning, Organising, Leading and Controlling
- (B) Planning, Organising, Staffing and Co-ordinating
- (C) Planning, Motivating, Directing and Reporting
- (D) Planning, Staffing, Communicating and Leading

Answer: Planning, Organising, Leading and Controlling

10. According to behavioural scientists, organisation means the structure of–

- (A) physical facilities
- (B) tasks and relationship
- (C) behaviour of the management with the working force
- (D) attitude of workers with the management

Answer: physical facilities

11. Which one of the following statutory committees needs to be constituted in a listed company ?

- (A) Tender Committee (B) Audit Committee
- (C) Management Committee (D) Recruitment Committee

Answer: Audit Committee

12. A statutory corporation is one, which comes into being by–

- (A) registration under Companies Act, 1956
- (B) virtue of enactment of a special Act
- (C) registration under any enforceable Act operating in India
- (D) the entrepreneurial effort of the government

Answer: virtue of enactment of a special Act

13. In vouching, an auditor verifies–

- (A) the authority of transactions only
- (B) the authenticity of transactions only

- (C) both the authority and authenticity of transactions
- (D) the arithmetical accuracy of the transactions only.

Answer: both the authority and authenticity of transactions

14. When shares are forfeited the share capital account is debited by–

- (A) Paid-up amount (B) Called-up amount
- (C) Nominal value of the shares (D) Market value of the shares

Answer: Called-up amount

15. Which one of the following reflects the overall efficiency with which capital is used ?

- (A) Return on shareholder's funds (B) Investment turnover ratio
- (C) Operating ratio (D) Earning per ratio

Answer: Return on shareholder's funds

16. Which one of the following is a conclusive proof of the existence of a company ?

- (A) Certificate of incorporation
- (B) Certificate of commencement of business
- (C) Filing of registration papers duly stamped with the Registrar of the Companies
- (D) Share certificate

See Answer:

17. Secret reserves are created by means of–

- (A) Transfer to general reserve (B) Providing excessive depreciation
- (C) Overvaluation of inventories (D) Undervaluation of liabilities.

Answer: Providing excessive depreciation

18. Which of the following is not audit technique ?

- (A) Audit Note Book (B) Vouching
- (C) Verification (D) Test Checking

Answer: Audit Note Book

19. The registering authority of L.L.P. will be—
(A) Registrar of firms (B) Registrar of Companies
(C) Registrar of Universities (D) None of the above

Answer: Registrar of Companies

20. Which of the following statement is true ?
(A) Every partner of LLP is the agent of LLP, but not of other partners
(B) LLP is not required to file an annual return with the registrar
(C) LLP is bound by anything done by a partner in dealing with a person
(D) Every partner of LLP has fiduciary relationship with LLP

Answer: Every partner of LLP is the agent of LLP, but not of other partners

(Next GK Commerce Questions Set 27)

Interview Questions and Answers for Commerce Freshers

(Next GK Commerce Questions)

1. The Companies Act 1956 require the annual accounts to show a 'true and fair view' of the financial position of the company instead of 'true and correct view' because—

- (A) too much of dependence on arithmetical accuracy may lead to window dressing
(B) annual accounts should not only be made correctly but should also convey an overall fair view without any misleading impression
(C) all financial transactions cannot be correctly expressed in terms of money
(D) most of the stake holders do not have reasonable idea about accounting rules and regulations

Answer: annual accounts should not only be made correctly but should also convey an overall fair view without any misleading impression

2. Which one of the following pairs is not correctly matched ?

- (A) Internal check— Staff of the concern
(B) Internal Audit— Chartered Accountant

- (C) Cost Audit– Cost Account or Chartered Accountant
- (D) Propriety Audit– Comptroller and Auditor General of India

Answer: Internal Audit– Chartered Accountant

3. The accounts of a company shall be audited by the company auditor, or by a person qualified to be appointed as auditor, if the company has to–

- (A) wind up (B) amalgamate
- (C) finalise branch office accounts (D) declare interim dividend

Answer: finalise branch office accounts

4. Which one of the following is NOT included under the rights and powers of an Auditor in the Companies Act 1956 ?

- (A) Right of access to books of Accounts
- (B) Right to call for a General Meeting
- (C) Right to receive notice of and attend the General Meeting
- (D) Right to make statement at the General Meeting

Answer: Right to call for a General Meeting

5. The most suitable form of business organisation for the people of weaker section is–

- (A) partnership firm (B) co-operative society
- (C) sole-trading business (D) joint stock company

Answer: co-operative society

6. The national re-insurer in India is–

- (A) General Insurance Corporation of India
- (B) United India Insurance Company Ltd.
- (C) Insurance Regulatory and Development Authority
- (D) Oriental Fire and General Insurance Company Ltd.

Answer: General Insurance Corporation of India

7. In life insurance, the risk insured is–

- (A) certain to occur and also the timing of its occurrence is known

- (B) certain to occur, but its timing of occurrence is not known
- (C) not certain to occur and also the timing of its occurrence is not known
- (D) not likely to occur

Answer: not certain to occur and also the timing of its occurrence is not known

8. Which one of the following risks is not insured by the Export Credit and Guarantee Corporation ?

- (A) The risk of non-payment by the foreign buyer
- (B) The risk that the importer may return the goods on the ground of lower quality
- (C) The political risk that the import licence may be revoked
- (D) The risk of war, revolution, etc., in the buyer's country

Answer: The risk that the importer may return the goods on the ground of lower quality

9. Social responsibility of business assumes considerable importance towards—

- (A) owners and workers
- (B) consumers and community
- (C) government and nation
- (D) All the above

Answer: owners and workers

10. Which one of the following is not a useful tool in decision-making ?

- (A) Annual return
- (B) Linear programming
- (C) Sales forecasts
- (D) Operation research

Answer: Linear programming

11. Power to use official seal of a company outside India is to be authorised by—

- (A) Articles of Association
- (B) Memorandum of Association
- (C) Both Memorandum and Articles of Association
- (D) Central Government

Answer: Both Memorandum and Articles of Association

12. The approval of which one of the following authorities is required to shift registered office of the company from the jurisdiction of one Registrar of Companies to another Registrar of Companies within a State ?

- (A) Company Law Board (B) Central Government
- (C) Regional Director (D) Registrar of Companies

Answer: Registrar of Companies

13. 'Body corporate' under the Companies Act, 1956 includes—

- (A) co-operative society
- (B) company incorporated outside India
- (C) corporation sole
- (D) any other body corporate, not being a company, which the Central Government may specify

Answer: any other body corporate, not being a company, which the Central Government may specify

14. Which one of the following is the correct statement ?

- (A) One can be a shareholder without voting right
- (B) A preference shareholder can exercise voting right from the date of allotment
- (C) An equity shareholder has no voting right
- (D) A debentureholder can vote at annual general meeting

Answer: One can be a shareholder without voting right

15. A person shall not be appointed as Director if he is found to be of unsound mind by—

- (A) the company
- (B) the company court
- (C) a court of competent jurisdiction and the finding is in force
- (D) the shareholders

Answer: a court of competent jurisdiction and the finding is in force

16. Preliminary expenses are an example of–
(A) Revenue expenditure (B) Capital expenditure
(C) Deferred revenue expenditure (D) All of these.

Answer: Deferred revenue expenditure

17. Accounting Statement AS-2 provides that inventories should be valued at–

- (A) lower of historical cost and net realisable value
(B) lower of historical cost and market value
(C) only estimated selling price
(D) All of these

Answer: lower of historical cost and net realisable value

18. While making an adjustment entry respect of interest on capital, credit is made to–

- (A) Capital Account (B) Interest on Capital Account
(C) Profit & Loss Account (D) Interest Account

Answer: Capital Account

19. In which of the following ways Secretary of a company can be removed from his office ?

- (A) By a resolution passed in the meeting of the Board of Directors
(B) By an order of the Registrar of Company
(C) By a resolution passed in the Annual General Meeting
(D) None of these.

Answer: By a resolution passed in the meeting of the Board of Directors

20. Continuous audit is used–

- (A) Where volume of the transactions is not very large
(B) Where it is desired to present the accounts just after the close of the financial year and where the statement of accounts is to be presented to the management after every month or quarter
(C) Where satisfactory system of internal check is not in operation

(D) Where interim audit is not in operation

Answer: (B)

(Next GK Commerce Questions Set 30)

MCQ Questions on Commerce

(Next GK Commerce Questions)

1. If earnings per share of a company is Rs. 5 and the price earning ratio of other similar companies is 4, then the market value of the share of the company would be—

(A) Re. 0•80 (B) Rs. 1•25

(C) Rs. 9 (D) Rs. 20

Answer: Rs. 20

2. If the cost of goods sold is Rs. 1,00,000, the value of opening stock is Rs. 20,000 and the value of closing stock is Rs. 80,000, then the stock turnover ratio would be—

(A) 5 Times (B) 4 Times

(C) 2 Times (D) 1 Time

Answer: 2 Times

3. EPS is calculated as—

(A) EBIT / Equity shares (B) EBIT – Preference Dividend / Equity shares

(C) EAT / Equity shares (D) EAT – Preference Dividend / Equity shares

Answer: EAT – Preference Dividend / Equity shares

4. If profit made during the year is Rs. 10,000; increase and decrease in the current assets is Rs. 5,000 and Rs. 4,000 respectively, then the cash from operation equals—

(A) Rs. 9,000 (B) Rs. 10,000

(C) Rs. 11,000 (D) Rs. 19,000

Answer: Rs. 9,000

5. Which of the following is NOT correct about the management auditor

?

(A) He appraises and reviews the past performance and future plans of the company

(B) He evaluates the performance of management and finds out whether they are efficient or not

(C) He works simultaneously with the statutory auditor verifying the financial state of affairs of the company

(D) He examines both financial and non-financial records of the organisation

Answer: He works simultaneously with the statutory auditor verifying the financial state of affairs of the company

6. Commercial paper is a—

(A) long-term corporate security meant for small investors

(B) medium-term corporate security meant for institutional investors

(C) treasury paper meant for corporate investors

(D) short-term corporate security meant for large-scale investors

Answer: short-term corporate security meant for large-scale investors

7. A cartel is a combination of firms—

(A) which are functioning in a particular industry

(B) whose combined assets are worth more than 90% of total assets of the industry

(C) who control major chunk of the market

(D) whose combined profits are enormous

Answer: which are functioning in a particular industry

8. The takeover of a company in which most of the purchase price is paid with borrowed money is referred to as—

(A) hostile takeover (B) illegal takeover

(C) leveraged buy-out (D) management buy-out

Answer: leveraged buy-out

9. One of the major difficulties improving the industrial efficiency in

enterprises is–

- (A) low investment (B) low productivity
- (C) ineffective marketing (D) poor inventory control

Answer: low investment

10. Exam Bank of India provides financial assistance to exporters and importers in India:

- (A) in foreign currency only (B) both in Indian currency and foreign currencies.
- (C) as zero-interest loans (D) as subsidies

Answer: both in Indian currency and foreign currencies.

11. Impact of O & M is that–

- (A) promotion possibility becomes restricted
- (B) it leads to less scope for high salary and wages
- (C) entire organization is streamlined
- (D) work measurement is costly

Answer: entire organization is streamlined

12. The term ‘Organisational climate’ best represents–

- (A) human environment prevailing in an organisation
- (B) union-management relations within an organisation
- (C) problems introduced by faulty organisational structure
- (D) socio-cultural environment in an organisation

Answer: human environment prevailing in an organisation

13. The Memorandum of Association shall be signed by each–

- (A) director (B) shareholder
- (C) subscriber (D) promoter and director

Answer: subscriber

14. Changing the name of a company requires–

- (A) special resolution and approval of Company Law Board
- (B) special resolution and approval of Securities and Exchange Board of

India

(C) special resolution and approval of Central Government

(D) ordinary resolution and approval of Company Law Board

Answer: special resolution and approval of Central Government

15. Registration of Articles of Association is optional in the case of–

(A) unlimited company (B) private company limited by shares

(C) company limited by guarantee (D) public company limited by shares

Answer: public company limited by shares

16. Under the accrual concept which one of the following will not be shown as an asset/liability in the balance sheet of an entity ?

(A) Interest due but not paid (B) Interest due but not received

(C) Interest due and paid (D) Interest paid but not due.

Answer: Interest due and paid

17. A company purchased 8% bonds at a cost of Rs. 12,00,000 (Face value Rs. 10,00,000) on January 1, 2013. Half yearly interest is payable on this investment on June 30 and December 31st each year. The Company closes its accounts on 31.3.2013. The amount of accrued interest shown in profit and loss account for the year ended is–

(A) Rs. 40,000 (B) Rs. 60,000

(C) Rs. 20,000 (D) Rs. 80,000

Answer: Rs. 20,000

18. Goods worth Rs. 24,000 were returned by X. The accountant however credited the sales returns account by Rs. 42,000. In order to rectify this error, what should be done ?

(A) Debit the sale return by Rs.42,000

(B) Credit the sales return account by Rs. 24,000

(C) Debit the sales return account by Rs. 66,000

(D) Debit the sales return account by Rs. 18,000

Answer: Debit the sales return account by Rs. 66,000

19. A machine with a written down value of Rs. 10,000 has been sold for Rs. 13,000. The amount realized is a–
- (A) Capital receipt and profit involved should be transferred to Capital Reserve
 - (B) Revenue receipt
 - (C) Capital receipt and profit involved should be transferred to General Reserve
 - (D) Capital receipt and profit involved should be transferred to Profit and Loss A/c

Answer: Capital receipt and profit involved should be transferred to Capital Reserve

20. Rs. 10,000 spent on the replacement of worn out parts of an electronic machinery is treated as–
- (A) Capital expenditure (B) Revenue expenditure
 - (C) Deferred revenue expenditure (D) Capital loss

Answer: Revenue expenditure

(Next GK Commerce Questions Set 31)

Objective Commerce Questions

(Next GK Commerce Questions)

1. Provisions are amounts set aside out of profits and other surpluses for–
- (A) meeting a liability, the amount of which can be determined with exact figure
 - (B) any known liability of which the amount cannot be determined with substantial accuracy
 - (C) meeting an eventuality arising out of revaluation of assets in ordinary course of business
 - (D) meeting a liability arising out of arbitration

Answer: meeting an eventuality arising out of revaluation of assets in ordinary course of business

2. A trader does not keep a complete set of books and gives the following information—

He started business with Rs. 10,000 on 1st June, 2012. He drew at the rate of Rs. 500 per month for the last six months. He also introduced further capital of Rs. 2,000 in the business during the year.

His total assets on 31st December, 2012 were Rs. 23,700 and his creditors were Rs. 3,000 on the same date. Outstanding expenses on 31st December 2012 were Rs. 500. His net profit during the year would be—

(A) Rs. 11,200 (B) Rs. 11,500

(C) Rs. 13,000 (D) Rs. 14,200

Answer: Rs. 11,200

3. X, who holds 100 shares of Rs. 10 each, fails to pay a final call of Rs.

2. The directors forfeited all the shares and subsequently reissued 50 shares of Rs. 6 each as fully paid. The amount to be transferred to

‘Capital Reserve A/c’ would be—

(A) Rs. 200 (B) Rs. 300

(C) Rs. 400 (D) Rs. 800

Answer: Rs. 200

4. A Ltd. Company issues 3,000, 15% debentures of Rs. 100 each at a discount of 7•5% repayable at a premium of 5% at the end of 5 years.

The loss on issue of debentures will be—

(A) Rs. 22,500 (B) Rs. 30,000

(C) Rs. 37,500 (D) Rs. 45,000

Answer: Rs. 37,500

5. X Ltd. has current ratio of 2– 1 and quick ratio of 1•5– 1. If its current liabilities are Rs. 80,000, then the value of stock would be—

(A) Rs. 1,60,000 (B) Rs. 1,20,000

(C) Rs. 40,000 (D) Rs. 80,000

Answer: Rs. 40,000

6. Test checking of entries in the audit work refers to—
- (A) the internal checks
 - (B) the internal controls
 - (C) checking some sample items from a large number of similar items
 - (D) checking the cash flow of business

Answer: checking some sample items from a large number of similar items

7. Test checking reduces—
- (A) the work of an auditor
 - (B) the liability of an auditor
 - (C) both work and liability of an auditor
 - (D) the remuneration of an auditor

Answer: the work of an auditor

8. While establishing the statistical sampling plan, the degree of precision required is determined by—

- (A) keenness of the management
- (B) suitability of accounting systems and procedures
- (C) allowable margin of error the auditors are willing to accept
- (D) random number table used for the purpose

Answer: random number table used for the purpose

9. The distinctive characteristic of 'perpetual succession' of a joint stock company refers to—

- (A) uninterrupted business in spite of continuous losses
- (B) immunity from government direction for the closure of the company
- (C) immunity from resolution passed in the annual general body meeting for closure of the company
- (D) uninterrupted existence not affected by the death or insolvency of members of the company

Answer: uninterrupted existence not affected by the death or insolvency of members of the company

10. Who is a 'bull' ?

- (A) A stock broker who deals or specializes in a few shares
- (B) An investor who sells securities in anticipation of being able to rebuy them later at a lower price
- (C) An investor who buys securities in anticipation of being able to sell them later at a higher price
- (D) An investor who expects the price of a security or of the market as a whole to fall

Answer: A stock broker who deals or specializes in a few shares

11. Among the following 'change management' methods, which one is the most appropriate when the employees are unwilling to accept change ?

- (A) Participative method (B) Directive method
- (C) Leading by example (D) Negative reinforcement

Answer: Participative method

12. In a group process, there are some forces favouring and some other forces opposing changes. As a result, an equilibrium is maintained. This is described by Kurt Lewin as—

- (A) field of force (B) field of disputes
- (C) field of conflicts (D) cognitive dissonance

Answer: cognitive dissonance

13. People resist change in organization because of—

- (A) fear of unemployment (B) increase in responsibility
- (C) need for new social adjustments (D) All the above

Answer: All the above

14. Centralising the office work is desirable mostly because it—

- (A) fixes responsibility (B) avoids duplication
- (C) permits better supervision (D) permits better delegation

Answer: permits better delegation

15. Which one of the following indicates the correct chronological order of the 'system' designed for purchasing 'office supplies' ?

(A) Select sources of supply, initiate requisition, order supplies, receive supplies and pay vendor

(B) Initiate requisition, order supplies, select sources of supply, receive supplies and pay vendor

(C) Select sources of supply, initiate requisition order supplies, pay vendor and receive supplies

(D) Initiate requisition, select sources of supply, order supplies, receive supplies and pay vendor

Answer: Select sources of supply, initiate requisition order supplies, pay vendor and receive supplies

16. The first step of the control process actually gets initiated in the managerial function of–

(A) Staffing (B) Planning

(C) Communication (D) Co-ordination

Answer: Planning

17. Which one of the following statements is correct ?

(A) Business policy is another name for long-range planning

(B) Strategic planning is the function of middle management

(C) Operational planning is the function of top management

(D) Strategic planning is largely influenced by external environment.

Answer: Strategic planning is largely influenced by external environment.

18. What is indent in foreign trade ?

(A) Shipping documents in duplicate

(B) A certificate indicating that the goods have been loaded on board the ship

(C) A firm and binding order from the importer

(D) A letter of intent from the overseas supplier.

Answer: A firm and binding order from the importer

19. Making the provision for bad and doubtful debts in anticipation of actual bad debts is on the basis of–

- (A) Convention of disclosure
- (B) Convention of consistency
- (C) Convention of conservation
- (D) Convention of disclosure and consistency

Answer: Convention of conservation

20. Who among the following is the 'Officer who is in default' within the definition given under Section 5 of the Companies Act, 1956.

- (A) All employees
- (B) Secretary
- (C) Contractor
- (D) Supplier of raw material

Answer: Supplier of raw material

(Next GK Commerce Questions Set 32)

Quiz on Commerce with Answers

(Next GK Commerce Questions)

1. Preparation of Trial Balance helps, mainly, in–

- (A) summarising business transactions
- (B) verifying that 'generally accepted accounting principles' have been observed
- (C) finalising the 'sources and uses of funds' statement
- (D) locating errors, if any, in books of accounts.

Answer: locating errors, if any, in books of accounts.

2. If opening stock = Rs. 2,45,000; purchases = Rs. 15,00,000; sales = Rs. 17,40,000 and rate of gross profit = 20% on cost of goods sold, then the closing stock would be at–

- (A) Rs. 3,53,000
- (B) Rs. 2,95,000
- (C) Rs. 2,45,000
- (D) Rs. 1,95,000

Answer: Rs. 2,95,000

3. The basis adopted for piecemeal distribution of cash among the partners should be such that amounts finally left unpaid are in the ratio in which—

- (A) capital stands on the date of dissolution
- (B) profits and losses are shared
- (C) capital balances stood at the beginning of partnership
- (D) private assets appear on the date of dissolution

Answer: profits and losses are shared

4. The capital of a firm is Rs. 80,000. The reasonable return in the industry is 7•5 per cent. If the profit earned by the firm during past five years was Rs. 8,000; Rs. 9,000; Rs. 7,000; Rs. 8,500 and Rs. 10,000; then the super profit of the firm will be—

- (A) Rs. 2,000 (B) Rs. 2,500
- (C) Rs. 3,000 (D) Rs. 3,500

Answer: Rs. 2,500

5. 'A' and 'B' are partners in a firm sharing profits and losses in the ratio of 2– 3. 'C', a new partner is admitted for 1/4th share. 'A' and 'B', old partners share C's profit into their profit sharing ratio. The new profit sharing ratio of 'A', 'B' and 'C' would be—

- (A) 1– 1– 1 (B) 2– 3– 4
- (C) 1– 2– 2 (D) 6– 9– 5

Answer: 6– 9– 5

6. The scope of audit in a partnership firm is governed by—

- (A) partnership act (B) partnership deed
- (C) agreement between partnership firm and auditor (D) number of partners of the firm

Answer: agreement between partnership firm and auditor

7. If an auditor does something wrongfully in the performance of his duties resulting in financial loss to the company, he will be held guilty of—

- (A) civil negligence (B) misfeasance
- (C) criminal negligence (D) financial irregularity

Answer: civil negligence

8. The First Standard Auditing Practice (SAP-1) is related to–

- (A) objectives and scope of the audit of financial statements
- (B) basic principles governing an audit
- (C) documentation
- (D) detecting fraud and error

Answer: documentation

9. Which of the following relating to Audit Programme is not correct ?

- (A) The auditor cannot defend himself on the basis of audit programme if there is a charge of negligence against him
- (B) It is useful basis for planning the programme for the subsequent year
- (C) It helps in the final review before the report is signed
- (D) It simplifies the allocation of work amongst the audit staff

Answer: The auditor cannot defend himself on the basis of audit programme if there is a charge of negligence against him

10. The scope of 'management audit' is determined by the–

- (A) Shareholders
- (B) Board of Directors
- (C) Comptroller and Auditor-General (C & AG)
- (D) Comptroller and Auditor-General in consultation with the Central Government

Answer: Shareholders

11. Which one of the following traits describes properly organic or behavioural structure of an organisation ?

- (A) Wider spans of control (B) More centralisation
- (C) Higher degree of specialization (D) Taller hierarchy

Answer: Higher degree of specialization

12. Which among the following is the most popular approach for accomplishing the results ?

- (A) Management by exception
- (B) Reward system
- (C) Management by objectives
- (D) Mentor system

Answer: Management by objectives

13. A systematic and orderly process of determining the worth of a job in relation to other jobs is known as—

- (A) job analysis
- (B) job evaluation
- (C) job specification
- (D) job description

Answer: job specification

14. Which one of the following factors does not influence wage and salary structure ?

- (A) Demand and supply
- (B) Cost of living
- (C) Job rotation
- (D) Job requirements

Answer: Job rotation

15. Which among the following is a direct advantage of incentive compensation ?

- (A) Mutual co-operation among the workers
- (B) Decrease in absenteeism
- (C) Increase in productivity
- (D) Better industrial relations

Answer: Increase in productivity

16. Consistency with reference to application of accounting principles refers to the fact that—

- (A) companies in the same industry use identical accounting procedures and methods
- (B) income and assets have not been overstated
- (C) accounting methods and procedures used have been consistently applied from year to year.
- (D) all the methods and procedures have been utilised.

Answer: accounting methods and procedures used have been consistently applied from year to year.

17. Call option is—

(A) A contract to buy a certain number of shares at a stated price within a specified period of time

(B) A contract to sell a certain number of shares at a stated price within a specified period of time

(C) the option of the issuing company to demand the shareholders to pay for the partly paid shares

(D) the option available to the convertible debenture holders to demand equity shares in conversion of debentures

Answer: A contract to buy a certain number of shares at a stated price within a specified period of time

18. An audit in which the auditor examines the financial statements of an enterprise to express an opinion as to whether or not they reflect a true and fair view of its state of affairs and working results is known as—

(A) Management audit (B) Cost audit

(C) Financial audit (D) Periodical audit

Answer: Financial audit

19. Is management by exception, one of the important principles of control ?

(A) Yes; because only the unusual deviations from standards should be brought to the notice of the management

(B) No; because less significant deviations and the actual performance according to the standards are not brought to the notice of the management

(C) Yes; because exception principle saves time of the subordinate staff

(D) No; because the manager can attend to operative decisions, and the strategic problems can be left to the technocrats

Answer: Yes; because only the unusual deviations from standards should be brought to the notice of the management

20. Job evaluation is used for–

- (A) study of progress of production
- (B) study of job composition
- (C) determining wage rate differentials
- (D) rating the merit of an employee

Answer: determining wage rate differentials

(Next GK Commerce Questions Set 33)

Quiz Questions with Answers Related to Commerce

(Next GK Commerce Questions)

1. Consider the following– The investment portfolio of a business as on 31-12-2012 stood as follows–

- (1) 8% Debentures of X Co. Ltd. (Rs. 6,000). Interest payable on 31st March and 30th September.
- (2) 7% Debentures of Y Co. Ltd. (Rs. 4,000). Interest payable on 30th June and 31st December.
- (3) 10% Debentures of Z Co. Ltd. (Rs. 9,000). Interest payable on 1st June and 1st December. Amount of interest accrued on the closing date will be–

- (A) Rs. 335
- (B) Rs. 1,025
- (C) Rs. 195
- (D) Rs. 830

Answer: Rs. 1,025

2. Which one of the following is correct with respect to going concern convention ?

- (A) The enterprise is not going to terminate its operations in the period ahead
- (B) The enterprise may go out of business in the next accounting period
- (C) The enterprise may not divest or diversify its operational spheres
- (D) The enterprise may not revalue its assets during the current accounting period

Answer: The enterprise is not going to terminate its operations in the period ahead

3. Which one of the following will lead to understatement of net profit ?

- (A) Amortization of Fictitious Assets
- (B) Treating capital expenditures revenue expenditure
- (C) Treating revenue expenditure as capital expenditure
- (D) Creation of general reserve

Answer: Amortization of Fictitious Assets

4. Which one of the following items is considered revenue expenditure ?

- (A) Expenditure by way of maintenance that has increased productivity
- (B) Repair of a gearbox in a car that has enhanced its operational life
- (C) Complete overhaul of a machine, spending around 20% of its value
- (D) Changing a small component of a machine to maintain its operating efficiency

Answer: Changing a small component of a machine to maintain its operating efficiency

5. After the construction of their new factory building M/s XYZ Co. shifted to it. During this process Rs. 20,000 were spent on pulling down the old structure and Rs. 2,000 were spent on shifting the stocks to new building. These expenditures are to be classified as—

- (A) Capital expenditure
- (B) Revenue expenditure
- (C) Capital and revenue expenditure respectively
- (D) Deferred Revenue expenditure

Answer: Capital and revenue expenditure respectively

6. Which one of the following reports should have 'responsibility statement' under the Companies Act, 1956 ?

- (A) Auditor's report
- (B) Board of Director's report
- (C) Company Secretary's report
- (D) Audit Committee's report

Answer: Board of Director's report

7. Which one of the following reports deals with 'Corporate governance' ?

- (A) Sabhanayagam Report
- (B) Kumaramangalam Birla Report
- (C) Narasimhan Report
- (D) L.C. Gupta Report

Answer: Kumaramangalam Birla Report

8. Minimum paid-up capital required to incorporate a public limited company is—

- (A) Rs. 20,000
- (B) Rs. 1,00,000
- (C) Rs. 5,00,000
- (D) Rs. 10,00,000

Answer: Rs. 10,00,000

9. As per the Companies Act, 1956, who among the following must be included in the Audit Committee constituted in a company ?

- (A) Managing Director and whole-time Director
- (B) Auditor and Internal Auditor
- (C) Company Secretary
- (D) Directors who are not whole-time and Managing Director

Answer: Auditor and Internal Auditor

10. Internal audit report is submitted to—

- (A) Government
- (B) Shareholders
- (C) Creditors
- (D) Board of Directors

Answer: Board of Directors

11. The managerial function of organizing involves—

- (A) reviewing and adjusting plan in the light of changing conditions
- (B) establishing programme for the accomplishment of objectives
- (C) creating a structure of functions and duties to be performed by a group
- (D) getting things done through others

Answer: creating a structure of functions and duties to be performed by a group

12. Which one of the following is the most important function of a manager ?

- (A) Communication (B) Directing
- (C) Supervising (D) Decision-making

Answer: Directing

13. When there are large number of smaller projects and the activities of those projects are to be accomplished by setting up some temporary departments, the appropriate organisation structure should be—

- (A) project organization (B) functional organisation
- (C) matrix organization (D) divisional organisation

Answer: project organization

14. Which one of the following is the major consideration for decentralization ?

- (A) Organization's environment (B) Nature of management function
- (C) Size of the organization (D) Ability of higher-level managers

Answer: Nature of management function

15. Organisations require narrow span of control if there are—

- (A) mature subordinates within (B) competent and trained managers
- (C) unclear plans for non-repetitive operations (D) well-defined plans for repetitive operations

Answer: mature subordinates within

16. Section 210A concerning the Constitution of National Advisory Committee in Government for advice on the formulation and laying down of accounting policy and accounting standards for adoption by the companies or class of companies under the Act, has been inserted by—

- (A) the Companies (Amendment) Act, 1999 with retrospective effect of 31.10.1998
- (B) the Companies (Amendment) Act, 1988

(C) the Companies (Central Government) General Rules and Forms, 1956

(D) None of these.

Answer: the Companies (Amendment) Act, 1999 with retrospective effect of 31.10.1998

17. Which of the following is not disqualified for appointment as auditor of a company ?

(A) A firm having chartered accountants as its partners

(B) An officer or employee of the company

(C) A person who is a partner or who is in the employment of an officer or employee of the company

(D) A person who is indebted to the company for an amount exceeding Rs. 1,000 or a guarantor for more than Rs. 1,000

Answer: A firm having chartered accountants as its partners

18. Which of the following amounts shall be credited to Investor Education and protection Fund, if they remain unpaid/unclaimed for seven years from the date they become due ?

(A) Matured debentures of a company (B) Tax arrears

(C) Proceeds of sale of property (D) Provision for doubtful debts.

Answer: Matured debentures of a company

19. Any casual vacancy in the office of a statutory auditor caused by the resignation of the auditor shall be filled by the company—

(A) at the Board Meeting (B) at the Annual General Meeting

(C) by means of a circular resolution (D) at the Statutory Meeting.

Answer: at the Annual General Meeting

20. In verification of assets the duty of the auditor is—

(A) to ensure that assets have actually been acquired

(B) to ensure that they are clearly stated in the balance sheet

(C) to satisfy himself that they are properly valued

(D) to satisfy himself with regard to the existence, ownership and value

of the assets.

Answer: to satisfy himself with regard to the existence, ownership and value of the assets.

(Next GK Commerce Questions Set 34)

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