



গুৱাহাটী বিশ্ববিদ্যালয়  
**Gauhati University**

**Gopinath Bordoloi Nagar, Guwahati-781014, Assam, India**

**M.Com Entrance Exam Question Paper with Answers Key**

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**1. Finance functions are**

- (A) planning for funds
- (B) raising of funds
- (C) allocation of resources
- (D) All of the above

**Ans: (D) All of the above**

**2. Which is direct cost?**

- (A) Raw material consumed
- (B) Salaries to Administrative Staff
- (C) Tax
- (D) All of the above

**Ans: (A) Raw material consumed**

**3. The assets held by a business which can be converted in the form of cash, without disturbing the normal operations of a business are known as**

- (A) tangible assets
- (B) intangible assets
- (C) fixed assets
- (D) current assets

**Ans: (D) current assets**

**4. Which of the following is the type of capital budgeting decision?**

- (A) Diversification
- (B) Replacement
- (C) Expansion
- (D) All of the above

**Ans: (D) All of the above**

**5. Which of the following is the external source of cash?**

- (A) Long-term loans
- (B) Short-term borrowings
- (C) Issue of new shares
- (D) All of the above

**Ans: (D) All of the above**

**6. The amount of total cost increased due to increase in additional single unit is called**

- (A) Average cost
- (B) Marginal cost
- (C) Fixed cost
- (D) unit cost

**Ans: (B) marginal cost**

**7. Current assets are also referred to as**

- (A) net working capital
- (B) investments
- (C) inventory
- (D) livestock

**Ans: (A) net working capital**

**8. Carriage Inward is normally debited to**

- (A) Profit and Loss Account
- (B) Manufacturing/Trading Account
- (C) Marketing Account
- (D) None of the above

**Ans: (B) Manufacturing/Trading Account**

**9. The standard liquid ratio is**

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

**Ans: (C) 1:1**

**10. If the present value of cash inflows is greater than the present value of cash outflows, the project would be**

- (A) accepted
- (B) rejected with condition
- (C) rejected with approval
- (D) rejected

**Ans: (A) accepted**

**11. The Consumption at large inventory accumulation is indicated by**

- (A) Asset turnover ratio
- (B) Working capital turnover ratio
- (C) Inventory turnover ratio
- (D) All of the above

**Ans: (C) inventory turnover ratio**

**12. The only feasible purpose of Financial Management is**

- (A) Wealth maximization
- (B) Sales maximization
- (C) Profit maximization
- (D) Asset maximization

**Ans: (A) Wealth maximization**

**13. Which one of the following accounting conventions stipulates that contingent assets appear as a footnote of the Balance Sheet?**

- (A) Materiality
- (B) Consistency
- (C) Disclosure
- (D) Prudence

**Ans: (C) Disclosure**

**14. Which one of the following Balance Sheet equations is correct?**

- (A)  $\text{Assets} = \text{Owner's equity}$
- (B)  $\text{Assets} - \text{Liabilities} = \text{Owner's equity}$
- (C)  $\text{Assets} + \text{Liabilities} = \text{Owner's equity}$
- (D)  $\text{Assets} = \text{Liabilities} - \text{Owner's equity}$

**Ans: (B) Assets - Liabilities = Owner's equity**

**15. The overall rate of interest payable on various deposits is determined by the basis of directors of the**

- (A) Head Office of each bank
- (B) Central Government
- (C) RBI
- (D) Indian Banks Association

**Ans: (C) RBI (Reserve Bank of India)**

**16. Preparation of Trial Balance helps mainly in**

- (A) Summarizing business transactions
- (B) Verifying that GAAP has been observed
- (C) Finalizing the sources and uses of funds statement
- (D) Knowing the arithmetic accuracy of the transactions recorded

**Ans: (D) Knowing the arithmetic accuracy of the transactions recorded**

**17. A and B are partners in a firm sharing profits and losses in the ratio 2:3. C a new partner is admitted for  $\frac{1}{4}$ <sup>th</sup> share. A and B old partners share Cs profit into their profit sharing ratio The new 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

**Ans: (D) 6:9:5**

**18. Which one of the following is not a feature in the eye of law in sole proprietorship business?**

- (A) Undivided risk
- (B) No government regulation
- (C) Separate entity of the firm
- (D) Unlimited liability

**Ans: (C) Separate entity of the firm**

**19. Dividend can be paid generally out of**

- (A) Share premium account
- (B) Capital redemption reserve account
- (C) Current year's profit

(D) All of the above

**Ans: (C) Current year's profit**

**20. Merchant Banker does not offer services in regard to**

(A) Project appraisal

(B) Capital issue

(C) Project preparation

(D) Subscription in equity shares

**Ans: (A) Project appraisal**

**21. Which of the following four assets is an intangible asset?**

(A) Advance salary

(B) Copyright

(C) Preliminary expenses

(D) Loose tools

**Ans: (B) Copyright**

**22. 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

**Ans: (A) Rs. 60,000**

**23. When 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

**Ans: (C) Continuous audit**

**24. Given the following data extracted from the books of accounts of AB Ltd**

Opening Stock – Rs. 30,000

Closing Stock – Rs. 40,000

Purchases – Rs. 1, 25,000

Carriage Inward – Rs. 2,000

Carriage Outward – Rs. 3,000

Return Outward – Rs. 5,000

Sales – Rs. 1, 50,000

**The cost of goods sold will be**

(A) Rs. 1, 30,000

(B) Rs. 1, 12,000

(C) Rs. 1, 20,000

(D) Rs. 1, 15,000

**Ans: (B) Rs. 1, 12,000**

**[Hint: Cost of goods sold = opening stock + Net purchases + Direct Expenses – Closing Stock]**

**25. The Life Insurance Corporation of India (LICI) came into existence on**

(A) September 1, 1956

(B) July 1, 1956

(C) March 1, 1956

(D) January 1, 1956

**Ans: (A) September 1, 1956**

**26. The open market operation in money market is an important tool of:**

(A) Forex management

(B) Liquidity management

(C) Inventory management

(D) Marketing management

**Ans: (B) Liquidity management**

**27. Preliminary expenses may be written off against**

(A) Capital loss

(B) Capital profit

(C) Capital receipts

(D) None of the above

**Ans: (D) None of the above (Debited to profit and loss account)**

**28. Cost of products/services is pre-determined under**

(A) Standard costing

- (B) Historical costing
- (C) Marginal costing
- (D) None of the above

**Ans: (A) Standard costing**

**2. Receipt and Payment Account is a summary of**

- (A) Debit and credit balances of ledger accounts
- (B) Cash receipt and payment
- (C) Incomes and expenses
- (D) Balances of assets and liabilities

**Ans: (B) cash receipt and payment**

**30. Preparation of Balance Sheet is an example of**

- (A) Analyzing
- (B) Interpreting
- (C) Recording
- (D) Summarizing

**Ans: (D) Summarizing**

**31. External users of financial accounting information are basically interested in the**

- (A) Profitability of an enterprise
- (B) Solvency of an enterprise
- (C) Both (A) and (B)
- (D) Financial sustainability and (A) and (B)

**Ans: (C) Both (A) and (B)**

**32. Which of the following statements is incorrect?**

- (A) Prudence is a concept to recognize revenue
- (B) Accounting principles are general rules followed in preparation of financial statements
- (C) Reliability of the financial statements is dependent on its faithful presentation.
- (D) Use of raw material for production should not be created as an event

**Ans: (A) Prudence is a concept to recognize revenue**

**33. Which of the following assets cannot be treated as fixed assets?**

- (A) Capital work in progress

- (B) Patents
- (C) Copyright
- (D) Inventories

**Ans: (D) Inventories**

**34. Matching concept of accounting is a pre-requisite for determination of**

- (A) social responsibility
- (B) tax liability
- (C) net profit
- (D) manufacturing cost

**Ans: (C) net profit**

**35. Which of the following accounts is treated as personal account?**

- (A) Prepaid Rent
- (B) Capital Account
- (C) Outstanding Salary Account
- (D) All of the above

**Ans: (D) All of the above**

**36. Which of the following expenditures cannot be treated as deferred revenue expenditure?**

- (A) Huge advertisement expenses paid for next 5 year
- (B) Laboratory equipments acquired for research and development
- (C) Brokerage paid on the issue of shares and debentures
- (D) Purchase of a patent right

**Ans: (D) Purchase of a patent right**

**37. Goods sold to Chandrika of Rs. 1, 00,000 is not recorded in any book. It is treated as an**

- (A) error of principle
- (B) error of omission
- (C) error of commission
- (D) compensatory error

**Ans: (B) error of omission**

**38. Which of the following is not a correct statement?**

- (A) Foreign Portfolio Investment (FPI) is usually unsustainable investment



- (B) Foreign Direct Investment (FDI) is usually a short-term investment
- (C) If an American company establishes a plant in Assam. It is known as FDI
- (D) If an American buys shares of an Indian company. It is called FPI

**Ans: (B) Foreign Direct Investment (FDI) is usually a short-term investment**

**39. Which is the most important branch of Commercial Law?**

- (A) Law and Practice
- (B) Law and Tradition
- (C) Law of Business
- (D) Law of Contract

**Ans: (D) Law of Contract**

**40. A partnership deed usually contains the particulars relating to**

- (A) names of the firm and partners
- (B) nature of business
- (C) capital contribution, profit-sharing ratio and other agreed upon terms and conditions
- (D) All of the above

**Ans: (D) All of the above**

**41. If an initial investment is Rs. 10, 00,000 and annual cash inflows are Rs. 1, 00,000 p.a. for a period of 15 years what will be the payback period?**

- (A) 15 years
- (B) 10 years
- (C) 7.5 years
- (D) 5 years

**Ans: (B) 10 years**

**42. Which of the following is not capitalized along with the purchase price of a fixed asset acquired in 2019?**

- (A) Excise duty on the asset
- (B) Delivery and handling cost
- (C) GST
- (D) Cost of installation

**Ans: (C) GST**

**43. 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

**Ans: (A) The enterprise is not going to terminate its operations in the period ahead**

**44. Match List-I with List-II and select the correct answer using the codes given below the Lists**

	<b>List -I</b>		<b>List - II</b>
(a)	Goodwill	1.	Current liability
(b)	Overdraft	2.	Fixed asset
(c)	Preliminary expenses	3.	Reserves and surpluses
(d)	Premium on issue of shares	4.	Fictitious asset

Code:

(A) a b c d

2 1 4 3

(B) a b c d

1 2 4 3

(C) a b c d

1 2 3 4

(D) a b c d

2 1 3 4

**Ans: (A) a b c d**

**2 1 4 3**

**45. 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

**Ans: (D) retained earnings**

**46. Commercial paper is**

(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

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

**47. Social responsibility of business assumes considerable importance towards**

(A) owners and workers

(B) consumers and community

(C) government and nation

(D) All of the above

**Ans: (D) All of the above**

**48. Which one of the following types of information a creditor would be interested to gather while reading annual reports of an enterprise?**

(A) Profitability

(B) Liquidity

(C) Continuity

(D) Solvency

**Ans: (B) Liquidity**

**49. Consider the following statements:**

1. Closing Stock is valued on the basis of cost price or net realizable value whichever is lower

2. The manufactured goods in a year are transferred from the manufacturing Account to Trading Account at cost price.

3. The going concern concept assumes that a business will continue its operation indefinitely.

4. Revenue is not increased by taking loans although assets and liabilities are increased

**Which of the above statements are correct?**

(A) 1,3 and 4

(B) 1 and 2

(C) 2 and 3

(D) 1, 2 and 3

**Ans: (C) 2 and 3**

**50. Given the following data**

Opening Stock – Rs. 5,000

Closing Stock – Rs. 7,000

Purchases – Rs. 10,000

Manufacturing expenses – Rs. 20,000

Loss of materials due to fire – Rs. 1,000

**The cost of production would be**

(A) Rs. 28,000

(B) Rs. 29,000

(C) Rs. 27,000

(D) Rs. 30,000

**Ans: (C) Rs. 27,000**

**51. While making an adjusting entry in respect of interest on capital we credit**

(A) Capital Account/Current Account of the owner

(B) Profit and Loss Account

(C) Interest on Capital Account

(D) Drawings Account

**Ans: (A) Capital Account/Current Account of the owner**

**52. The loss on sale of old furniture is debited to**

(A) Profit and Loss Account

(B) Furniture Account

(C) Trading Account

(D) Depreciation Account

**Ans: (A) Profit and Loss Account**

**53. A company can forfeit shares if the**

(A) shareholder fails to pay the amount of the call within the stipulated time

(B) shareholder pays calls in advance

(C) shareholder does not pay the application money

(D) shares have been issued at par

**Ans: (A) shareholder fails to pay the amount of the call within the stipulate time**

**54. Consider the following statements:** The current ratio would be reduced by

1. collection of book debts
2. payment of trade creditors
3. purchase of machinery for cash
4. cash deposited into bank

**Which of the above statements are correct?**

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

**Ans: (B) 2 and 3**

**55. The Memorandum of Association of a company shall be signed by**

- (A) Director
- (B) Shareholder
- (C) Subscribers
- (D) Promoter and Director

**Ans: (C) Subscriber**

**56. A company purchased the following assets and paid through 1, 00,000 fully paid equity shares of Rs. 10 at a premium of Rs. 2:**

- Building – Rs. 5, 00,000
- Machinery – Rs. 4, 00,000
- Stock in Trade – Rs. 1, 00,000

**In Funds Flow Statement, this transaction will result in**

- (A) Funds inflow of Rs. 10,00,000
- (B) Funds outflow of Rs. 10,00,000
- (C) Funds inflow of Rs. 1,00,000
- (D) Funds inflow of Rs. 9,00,000

**Ans: (C) Funds inflow of Rs. 1,00,000**

**57. Under the actual 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

**Ans: (A) Interest due but not paid**

**58. A company purchased 8% bonds at a cost of Rs. 12,00,000 face value Rs. 10,00,000 on January 1, 2018 Half yearly interest is payable on this investment on June 30<sup>th</sup> and December 31<sup>st</sup> every year. The company closes its accounts on 31.3.2018. The amount of accrued interest shown in the Profit and Loss Account for the year ended is**

- (A) Rs. 10,000
- (B) Rs. 60,000
- (C) Rs. 20,000
- (D) Rs. 80,000

**Ans: (C) Rs. 20,000**

**59. A machine with a WDV of Rs. 10,000 has been sold for Rs. 13,000. The amount of profit 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 Account

**Ans: (D) capital receipt and profit involved should be transferred to Profit and Loss Account**

**60. Rs. 10,000 spent on the replacement worn-out parts of an electrical machinery is treated as**

- (A) capital expenditure
- (B) revenue expenditure
- (C) deferred revenue expenditure
- (D) capital loss

**Ans: (B) revenue expenditure**

**[Hint: The expenditure given in the question is revenue expenditure because Rs. 10,000 spent on the replacement of worn out parts of an electronic machinery does not increase its earning capacity rather it is a repairs and maintenance cost.]**

**61. Consider the following statements**

A credit purchase during the accounting year which was not recorded in the book of accounts but included in the Closing Stock is to be

1. added to the Credit Purchases account
2. added to the Creditors Account
3. subtracted from the Closing Stock
4. added to the Opening Stock

**Which of the statements given above is/are correct?**

- (A) 3 only
- (B) 1 and 2
- (C) 2 and 3
- (D) 2,3, and 4

**Ans: (B) 1 and 2**

**62. Secret reserves are created by means of**

- (A) transfer to general reserve
- (B) providing excessive depreciation
- (C) overvaluation of inventories
- (D) undervaluation of liabilities

**Ans: (B) providing excessive depreciation**

**63. Which of the following is known as “Smart Money”?**

- (A) Amount deposited into post office savings bank account
- (B) Amount deposited into savings bank account
- (C) Credit card
- (D) Cash in hand

**Ans: (C) Credit card**

**64. The Government securities are not issued through**

- (A) auction
- (B) contract
- (C) sale
- (D) private placement with the RBI

**Ans: (D) private placement with the RBI**

**65. Profit prior to incorporation is transferred to**

- (A) general reserve

- (B) capital reserve
- (C) Profit and Loss Account
- (D) None of the above

**Ans: (B) capital reserve**

**66. Dividends are usually paid on**

- (A) paid-up capital
- (B) authorized capital
- (C) called -up capital
- (D) subscribed capital

**Ans: (A) paid-up capital**

**67. Sinking fund for the redemption at debenture is an instance of**

- (A) reserve
- (B) provision
- (C) reserve fund
- (D) reserve and surplus

**Ans: (D) reserve and surplus**

**[Hint: A sinking fund for the replacement of a fixed asset is a provision. But a sinking fund for redemption of debentures or repayment of loan is an appropriation of profits.]**

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

- (A) Statutory Auditors
- (B) SEBI
- (C) Non-Executive Directors in Audit Committee
- (D) Central Government

**Ans: (C) Non-Executive Directors in Audit Committee**

**69. When the sale increases from Rs. 40,000 to Rs. 60,000 and profit increases by Rs. 5,000; the P/V ratio is**

- (A) 20%
- (B) 30%
- (C) 25%
- (D) 40%

**Ans: 25% [Hint: Change in profit/change in sales \*100]**



**70. A company which has a margin of safety of Rs. 4,00,000 makes a profit of Rs. 80,000. Its fixed cost is Rs. 5,00,000 and its breakeven sales will be**

- (A) Rs. 20 lakh
- (B) Rs. 30 lakh
- (C) Rs. 25 lakh
- (D) Rs. 40 lakh

**Ans: (C) Rs. 25 lakh**

**[Pv ratio = profit/mos\*100 = 20%; BEP = Fixed cost / pv ratio = 25 lacs]**

**71. Spent Rs. 20,000 as legal expenses for abuse of trademark. It is an example of**

- (A) capital expenditure
- (B) revenue expenditure
- (C) deferred revenue expenditure
- (D) direct expenditure

**Ans: (B) revenue expenditure**

**72. Which of the following statements is correct?**

- (A) The corporate governance is about ethical conduct only
- (B) The corporate governance is beyond the realm of law
- (C) The corporate governance stems from culture and mind set of management and cannot be regulated by legislation alone
- (D) All of the above

**Ans: (D) All of the above**

**73. Which of the following is a correct statement?**

- (A) GST is subsuming many indirect taxes already level in India earlier
- (B) In India excise duty and service tax are level in the Central Government/ State Government
- (C) VAT is level by the State Government
- (D) All of the above

**Ans: (D) All of the above**

**74. In India FDI is prohibited in**

- (A) lottery business
- (B) gambling and betting
- (C) business of chit fund

(D) All of the above

**Ans: (D) All of the above**

**75. Balance of payments can be favorable if**

(A) exports are increased

(B) imports are increased

(C) imports remain the same

(D) foreign portfolio investment increases

**Ans: (A) exports are increased**

**76. Macro economics deals with**

(A) growth of an economy

(B) total consumption

(C) national income

(D) All of the above

**Ans: (D) All of the above**

**77. Breakeven point is that point where**

(A) Total revenue = Total cost

(B) Total revenue = Fixed cost + variable cost

(C) Marginal cost = Total cost

(D) None of the above

**Ans: (A) Total revenue = Total cost**

**78. Life insurance is a**

(A) social security measure

(B) safety measure

(C) self-esteem measure

(D) self-actualisation measure

**Ans: (A) social security measure**

79. Questions Missing

80.

81.

82.

83.

84.

85.

86.

**87. 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 the closure of the company

(D) Uninterrupted existence not affected by the death or insolvency of members of the company

**Ans: (D) Uninterrupted existence not affected by the death or insolvency of members of the company**

**88. Which of the following method does not consider time value of money?**

(A) Net present value

(B) Internal rate of return

(C) Average rate of return

(D) Sum of the present values

**Ans: (C) Average rate of return**

**89. Which of the following can be crossed?**

(A) Bill of exchange

(B) Promissory note

(C) Cheque

(D) All of the above

**Ans: (C) Cheque**

**90. Subscription received in advance during the current year is**

(A) an income

(B) an asset

(C) a liability

(D) None of the above

**Ans: (C) a liability**

**91. Share Allotment Account is**

(A) Expenses Account

(B) Liability Account

(C) Asset Account

(D) Income Account

**Ans: (B) Liability Account**

**92. Premium on issue of shares can be used for**

(A) issue of fully paid bonus shares

(B) distribution of profit

(C) transferring to general reserve

(D) None of the above

**Ans: (A) issue of fully paid bonus shares**

**93. A company has issued 10,000 equity shares of Rs. 10 each on which full call has been made. All the money was duly received with the exception of Final call @ Rs. 1 on 500 equity shares. These 500 equity shares will be shown as:**

(A) Subscribed and fully paid up

(B) Subscribe but not fully paid up

(C) Issued share capital

(D) None of the above

**Ans: (B) Subscribe but not fully paid up**

**94. Debenture holders are**

(A) owners of the company

(B) lenders of the company

(C) vendors of the company

(D) customers of the company

**Ans: (B) lenders of the company**

**95. Discount or loss on issue of Debentures to be written off after 12 months from the date of Balance Sheet, after the period of operating cycle, is shown as**

- (A) other current assets
- (B) other non-current assets
- (C) other long term liabilities
- (D) other current liabilities

**Ans: (B) other non-current assets**

**96. Cash Flow Statement is based upon**

- (A) accrual basis accounting
- (B) cash basis accounting
- (C) accounting equation
- (D) None of the above

**Ans: (B) cash basis accounting**

**97. Interest received by other than financial enterprise is shown in Cash Flow statement under**

- (A) operating activities
- (B) investing activities
- (C) financing activities
- (D) extraordinary activities

**Ans: (A) operating activities**

**98. An example of an activity which is classified as financing activity in case of all enterprises is:**

- (A) payment of salaries
- (B) payment of dividend on shares
- (C) purchase of goodwill
- (D) payment of interest on borrowings

**Ans: (B) payment of dividend on shares**

**99. Assuming a period of inflation which method of inventory valuation would be matching to the cost of goods sold?**

- (A) LIFO
- (B) FIFO
- (C) Simple average
- (D) Weighted average

**Ans: (A) LIFO**

**100. Which of the following statements is true about a Balance Sheet?**

- (A) It is called a statement of condition
- (B) It shows the financial position for a period of time
- (C) It shows the financial position at a point in time
- (D) It determines the profit/loss at a point in time

**Ans: (C) It shows the financial position at a point in time**

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