

Depreciation Methods



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1. Who among the following is considered as the 'father of accounting'?

A Henry Dunant

B Robert Stephenson

C Luca Pacioli

D Elton Mayo

Solution

- Luca Pacioli is widely considered the 'father of accounting' due to his pivotal role in formalizing the system of double-entry bookkeeping.
- In 1494, he published a mathematics book, *Summa de Arithmetica, Geometria, Proportioni et Proportionalita*, which included a detailed section on bookkeeping methods used by merchants in Venice.
- Although he did not invent the system, his work was the first to be published, and it helped spread the use of double-entry bookkeeping, which is the foundation of modern accounting practices.

2. The principles of double entry system were propounded first time by _____.

A Huge Old Kessel

B Lucas Pacioli

C Batliboi

D William Pickles

Solution

- Luca Pacioli, an Italian mathematician and Franciscan friar, is credited with first publishing a detailed description of the double-entry system of bookkeeping.
- In his 1494 book, *Summa de Arithmetica, Geometria, Proportioni et Proportionalita*, he dedicated a section to explaining the methods used by Venetian merchants, including the concepts of debits and credits.
- His work, though not the invention of the system, was the first to formalize and popularize it, laying the groundwork for modern accounting principles and earning him the title of "father of accounting."

3. Accounting process does not include _____.

A Recording

B Classifying

C Simplifying

D Summarising

Solution

- The accounting process, also known as the accounting cycle, is a series of steps used to record and process financial transactions, starting with their identification and ending with the creation of financial statements.
- The key steps include recording transactions in a journal, classifying them by posting to a ledger, and summarizing them to create financial reports like the income statement and balance sheet.
- While the process aims to make complex financial data understandable, "simplifying" is not a formal step within the accounting cycle itself; it is the overall goal of the process, which is achieved through the other steps.

4. Which of the following is not the characteristic of accounting information?

A Understandability

B Relevance

C Proficiency

D Reliability

Solution

- Understandability, Relevance, and Reliability are all fundamental qualitative characteristics of useful accounting information.
- Proficiency is a skill of the individual accountant, not an inherent quality of the financial information itself.
- Therefore, it is not a characteristic used to evaluate the quality of accounting reports.

5. Which one of the following statements is not true?

A The job of book-keeping is analytical in nature.

B

Book-keeping is an art as well as a science of recording business transactions.

C

Transactions are recorded in a certain set of books.

D

Book-keeping is the method of recording in account books.

Solution

- Bookkeeping is the process of recording financial transactions in a systematic and chronological manner. Its nature is primarily clerical and routine.
- Accounting, on the other hand, is the broader field that uses the recorded information from bookkeeping to analyze, interpret, and summarize financial data. This is where the analytical work occurs.
- Therefore, the statement that bookkeeping is analytical is not true. Bookkeeping is the foundation upon which accounting's analytical work is built.

6. Which one is not the objective of bookkeeping?

A To know the number of workers.

B To ascertain profit and loss.

C To ascertain financial position.

D To ascertain cash position.

Solution

- Bookkeeping is the process of recording financial transactions. Its main objectives are to maintain a systematic record of all financial activities.
- The key objectives of bookkeeping are to ascertain profit and loss by keeping track of revenues and expenses, to determine the financial position (assets, liabilities, and capital) of a business, and to know the cash position at any point in time.
- Knowing the number of workers is a human resources or personnel management function, not a direct objective of financial bookkeeping.

7. **GAAP** is the acronym for **(\textit{_____})**.

A Grossly Accepted Accounted Principles.

B General Annual Accounting Principles.

C Globally Accepted Accounted Principles.

D **Generally Accepted Accounting Principles.**

Solution

- GAAP stands for Generally Accepted Accounting Principles, which is a set of rules, standards, and procedures for companies to follow when preparing their financial statements.
- The purpose of GAAP is to ensure that financial reports are consistent, comparable, and transparent, making them more useful for investors, creditors, and other stakeholders.
- In the United States, the Financial Accounting Standards Board (FASB) is the primary organization responsible for establishing and maintaining GAAP.

8. **Management Accounting deals with $\textit{\hspace{1cm}}$.**

A Quantitative information

B Qualitative information

C Both a and b

D None of the above

Solution

- Management accounting is a process that provides information to managers to help them make short-term and long-term decisions.
- This field of accounting uses both quantitative information, such as costs, revenues, and budgets, and qualitative information, which cannot be measured in monetary terms, like employee morale and market trends.
- By using both types of information, management accounting gives managers a complete picture to assist in planning, controlling, and decision-making.

9. An asset shall be classified as Current when it satisfies any of the following $\text{\textit{______}}$.

A

It is expected to be realised in, or is intended for sale or consumption in the Company's normal Operating cycle

B

It is held primarily for the purpose of being traded

C

It is due to be realised within 12 months after the Reporting Date

D

All of the above

Solution

- According to accounting standards, an asset is classified as a current asset if it is expected to be realized, sold, or consumed in the company's normal operating cycle.
- Assets held primarily for trading purposes are also considered current.
- Additionally, an asset that is expected to be realized within 12 months of the reporting date is classified as current.

10. As regards the accounting treatment, Legacy should be \

(\textit{_____}\).

A treated as loss

B capitalized

C treated Revenue Expenses

D treated Deferred Revenue

Solution

- A legacy is an amount of money or property received by an organization, typically a non-profit, through the will of a deceased person.
- Because a legacy is a large, non-recurring, and non-routine source of funds, it is treated as a capital receipt.
- As a result, it should be capitalized and credited to the Capital Fund, which is then shown on the liabilities side of the Balance Sheet.

11. Endowment fund receipt is treated as $\text{\textit{______}}$.

A Capital Receipt

B Revenue Receipt

C Loss

D Expenses

Solution

- An endowment fund is a pool of assets, typically from donations, where the principal amount is maintained in perpetuity to generate investment income. This income is then used to support the organization's mission, such as funding scholarships or programs.
- The initial receipt of an endowment is a capital receipt because it is a non-recurring donation that increases the organization's net assets. It is a form of restricted fund, meaning it must be used according to the donor's stipulations and is not available for day-to-day operational expenses.
- Capital receipts are directly recorded in the balance sheet, not as revenue or income. They are often segregated from other funds and shown as a separate fund or liability, such as a "permanently restricted revenue account," to reflect the restriction on their use.

12. The cash discount is allowed by $(\textit{_____})$ to the $(\textit{_____})$.

A Debtor, Creditor

B Creditor, Debtor

C Buyer, Seller

D Customer, Supplier

Solution

- A cash discount is given by the creditor (seller) to the debtor (buyer) as an incentive for early payment of dues.
- Its purpose is to encourage the debtor to settle the account promptly, thus improving the creditor's cash flow.
- Example: If goods worth ₹10,000 are sold on credit with “2% discount for payment within 10 days,” the seller (creditor) allows the discount to the buyer (debtor) if payment is made early.

13. The $\text{\textit{_____}}$ discount is never entered in the books of accounts.

A Cash discount

B Trade discount

C Quantity discount

D Seasonal discount

Solution

- Trade discount is a reduction in the list price of goods given by the seller to the buyer, usually to encourage bulk buying or to reward loyal customers.
- It is not recorded in the books of accounts; transactions are entered at the net amount (after trade discount).
- In contrast, cash discount is recorded because it is allowed/received at the time of payment, affecting actual cash flows.

14. Vehicles represent $\text{\textit{_____}}$ expenditure while repairs to vehicle would mean $\text{\textit{_____}}$ expenditure.

A Capital, Revenue

B Revenue, Capital

C Deferred, Revenue

D Capital, Deferred

Solution

- Buying a vehicle creates a long-term asset that provides benefits for several years, so it is treated as capital expenditure.
- Repairs to vehicle are recurring in nature and maintain the asset in working condition, so they are treated as revenue expenditure.
- Capital expenditure increases earning capacity, while revenue expenditure is for day-to-day maintenance without creating new assets.

15. Net worth is excess of $(\textit{\hspace{1cm}})$ over $(\textit{\hspace{1cm}})$.

A Capital, Drawings

B Income, Expenses

C Total assets, total liabilities

D Total liabilities, Total assets

Solution

- Net worth (also called owner's equity) is calculated as Assets – Liabilities, showing what the owner actually owns after paying off obligations.
- It represents the residual interest of owners/shareholders in the business.
- A positive net worth indicates financial strength, while a negative net worth means liabilities exceed assets.

16. An amount spent for replacement of worn out part of machine is \(\textit{_____}\).

A Capital Expenditure

B Revenue Expenditure

C Deferred revenue

D Capital Loss

Solution

- Replacement of a worn-out part is done to keep the machine in working condition, not to increase its efficiency or life significantly.
- Such expenses are recurring in nature and are charged to the Profit and Loss Account as revenue expenditure.
- Capital expenditure would apply only if the machine itself is purchased or if major improvements extend its useful life.

17. The cost of a Fixed Assets of a business has to be written off over its $\textit{\text{_____}}$.

A Natural Life

B Accounting Life

C Physical Life

D Estimated Economic Life

Solution

- Fixed assets are depreciated over their useful or economic life, i.e., the period during which they are expected to generate revenue for the business.
- This may differ from the asset's physical life, because an asset might still exist physically but no longer be economically useful.
- Writing off the cost over its economic life ensures matching of expenses with revenues in the correct accounting periods.

18. Which of the following is an example of Personal Account?

A Machinery

B Rent

C Cash

D Creditor

Solution

- Personal accounts relate to persons, firms, or organizations. A creditor is a person/entity to whom money is payable, so it falls under this category.
- Machinery and Cash are Real accounts (assets), while Rent is a Nominal account (expense).
- Rule: Debit the receiver, Credit the giver applies to personal accounts.

19. Entrance fee of ₹20,000 received by a club is a $\text{\textit{_____}}$.

A capital receipts

B revenue receipt

C capital expenditure

D revenue expenditure

Solution

- Entrance fee is a one-time payment made by a new member to join the club, so it is treated as a capital receipt.
- It is not earned regularly like subscriptions, hence not considered a revenue receipt.
- Since it does not represent expenditure, it cannot be classified as capital or revenue expenditure.

20. ₹3,500 spent on painting new factory is $\text{\textit{_____}}$.

A Capital Expenditure

B Revenue expenditure

C Deferred revenue expenditure

D None of these

Solution

- Painting done on a new factory is part of the cost of bringing the asset (factory building) into usable condition.
- Such expenses are added to the cost of the asset and treated as capital expenditure, not as a routine maintenance cost.
- Revenue expenditure would apply if the painting was for periodic maintenance of an existing building.

21. Extension to building occupied on lease for 5 years \(\textit{_____}\).

A Capital expenditure

B Revenue expenditure

C Deferred revenue expenditure

D None of these

Solution

- Extension to a leasehold building gives benefit for the lease term (5 years) but not permanently, so it is not a full capital expenditure.
- It cannot be treated as normal revenue expenditure, because the benefit extends beyond one accounting year.
- Hence, it is considered deferred revenue expenditure, written off over the lease period (5 years).

22. Subsidy of ₹40,000 received from the government per working capital :

A Revenue receipt

B Capital receipt

C Deferred revenue expenditure

D None of these

Solution

- A subsidy received for working capital supports day-to-day operations, so it is treated as a revenue receipt.
- Capital receipt applies when subsidy is given for acquiring fixed assets (e.g., machinery, building).
- It is not an expenditure (deferred or otherwise), since it represents income/assistance, not a cost.

23. Planning and control are done by $\text{\textit{_____}}$.

A top management

B lowest level of management

C all levels of management

D none of the above

Solution

- Top management formulates the overall plans and objectives of the organization, deciding what needs to be done.
- They set policies and frameworks to guide the operations and control mechanisms for the entire organization.
- Top management has the ultimate authority to approve plans, allocate resources, and ensure goals are achieved.

24. Decision-making concerns the $\textit{\hspace{1cm}}$.

A Past

B Future

C Past and future both

D None of the above

Solution

- Decision-making involves choosing the best course of action to achieve desired objectives, which is always oriented towards the future.
- It requires analyzing current information and predicting possible outcomes to make informed choices.
- Past events are used as reference or data, but decisions themselves are meant to influence future results.

25. **Management Accounting function works like a policeman to ensure the performance of the employees:**

A Controlling

B Planning

C Organizing

D None of these

Solution

- Controlling ensures that activities are carried out as per the plans and standards set by management.
- Management accounting provides financial and operational information to monitor performance and detect deviations.
- Like a policeman, it checks, measures, and guides employee performance to achieve organizational goals.

26. The use of management accounting is $\text{\textit{_____}}$.

A Compulsory

B Optional

C Mandatory as per the law

D None of the above

Solution

- Management accounting is not legally required; it is used voluntarily by organizations to aid decision-making.
- It provides information for planning, controlling, and decision-making, but companies can operate without it.
- Unlike financial accounting, which is mandatory for statutory reporting, management accounting is optional and internal.

27. **Management Accounting relates to \(\textit{_____}\).**

A Collection of data from different sources

B Modification of data to meet the specific needs

C Presentation of data

D All of the above

Solution

- Management accounting involves collecting data from various sources such as financial statements, operations, and market information.
- It also modifies and analyzes data to suit the specific requirements of management for decision-making.
- Finally, it focuses on presenting the data in a useful format, such as reports, budgets, and performance summaries.

28. Accounting is divided into $\text{\textit{_____}}$.

A 2

B 3

C 4

D None of the above

Solution

- Financial Accounting: Recording and reporting past financial transactions for external users.
- Management Accounting: Providing information for internal planning, decision-making, and control.
- Cost Accounting: Determining the cost of products or services to assist in pricing, budgeting, and efficiency.

29. Management accounting can be viewed as $\textit{\text{_____}}$.

A Marketing-oriented Accounting

B Management-oriented Accounting

C Accounting-oriented Management

D Manager-oriented Accounting

Solution

- Management accounting focuses on providing relevant information to management for planning, controlling, and decision-making.
- It is primarily designed to assist managers rather than external parties.
- The emphasis is on internal reporting and analysis, not marketing or general accounting for external use.

30. **The purpose of management accounting is to help make decisions :**

A Managers

B Investors

C Marketers

D Banks

Solution

- Management accounting provides information and analysis to assist managers in planning, controlling, and decision-making.
- It focuses on internal decision-making, not external users like investors, banks, or marketers.
- The goal is to improve efficiency, profitability, and operational performance within the organization.

31. It is generally assumed that the business will not liquidate in the near forcible future because of $(\textit{_____})$.

A Business entity concept

B Consistency Concept

C Accounting Period Concept

D Going concern concept

Solution

- The going concern concept assumes that a business will continue operating in the foreseeable future and not liquidate.
- This allows assets to be recorded at cost less depreciation, not at liquidation value.
- It forms the basis for preparing financial statements under normal operating conditions.

32. \(\textit{_____}\) concept assumes that the infinite life of an organisation can be split into smaller periods of equal duration.

A Accounting period

B Entity

C Going concern

D None of the above

Solution

- The accounting period concept assumes that the continuous life of a business is divided into smaller, equal periods (like a year, half-year, or quarter).
- This helps in preparing financial statements periodically to measure performance and financial position.
- It allows comparison across different time periods and ensures timely reporting.

33. Which of the following is not a Fundamental Accounting Assumption?

A Going Concern

B Consistency

C Accrual

D Materiality

Solution

- The three fundamental accounting assumptions are Going Concern, Consistency, and Accrual.
- Materiality is an important accounting concept, but it is not classified as a fundamental assumption under accounting standards.
- Materiality is applied to decide whether an item is significant enough to influence decisions, but it is not a base assumption.

34. The basic principles of concept is that business is assumed to exist for an indefinite period $\textit{\text{_____}}$.

A Business Entity

B Going Concern

C Consistency

D None of the above

Solution

- The going concern concept assumes that a business will continue to operate indefinitely and not be liquidated in the near future.
- This allows assets and liabilities to be recorded on the basis of normal operations, not liquidation values.
- It ensures financial statements are prepared with the assumption of business continuity.

35. Which financial statement represents the accounting equation $\text{Assets} = \text{Liabilities} + \text{Owner's equity}$:

A Income Statement

B Statement of Cash flows

C Balance Sheet

D Trial balance

Solution

- The balance sheet shows the financial position of a business at a particular date, following the equation $\text{Assets} = \text{Liabilities} + \text{Owner's Equity}$.
- It lists assets on one side and liabilities plus equity on the other, ensuring both sides always balance.
- Other statements like income statement and cash flow focus on performance and cash movement, not the accounting equation.

36. **Based on which of the following concepts, is share capital account shown on the liabilities side of a balance sheet?**

A Business entity concept

B Money measurement concept

C Going concern concept

D Matching concept

Solution

- Under the business entity concept, the business and the owner (shareholders) are treated as separate entities.
- Hence, the capital contributed by owners is considered a liability of the business towards them.
- That is why share capital is shown on the liabilities side of the balance sheet.

37. As per AS – 1, which of the following is not a Fundamental Accounting Assumptions?

A Conservatism

B Going Concern

C Consistency

D Accrual

Solution

- As per AS-1 (Disclosure of Accounting Policies), the three fundamental accounting assumptions are Going Concern, Consistency, and Accrual.
- Conservatism (prudence) is an important accounting concept, but it is not listed as a fundamental assumption.
- Conservatism guides cautious recognition of profits and full recognition of losses, but it is separate from the fundamental assumptions.

38. Name the principle involved in the classification of Assets as Fixed and Current \(\textit{_____}\).

A Cost Principle

B Going Concern Principle

C Matching Principle

D Prudence Principle

Solution

- Assets are classified as fixed or current based on the assumption that the business will continue to operate in the foreseeable future.
- Because of the going concern principle, fixed assets are shown at cost (less depreciation) and not at liquidation value.
- This classification reflects their long-term use (fixed) or short-term conversion to cash (current) within normal operations.

39. Any change in the accounting policy relating to inventories which has a material effect in the current or later periods should be disclosed. This is in accordance with the accounting principle of $\{ \textit{ } \}$ _____ $\}$).

A Going Concern

B Conservatism

C Consistency

D Disclosure

Solution

- The consistency principle states that accounting policies and methods should be applied uniformly from one period to another for comparability.
- If there is any change in method (like inventory valuation from FIFO to Weighted Average), it must be disclosed along with its effect on financial statements.
- This ensures users can understand the impact of the change and still compare results across periods.

40. The business is treated as distinct and separate from its owners on the basis of the $\textit{\text{_____}}$.

A Going concern concept

B Conservatism concept

C Matching concept

D Business entity concept

Solution

- The business entity concept states that the business and the owner are two separate entities.
- Because of this, the owner's capital is treated as a liability of the business.
- It ensures that business transactions are recorded separately from personal transactions of the proprietor.

41. Assets are classified as non-current asset and current assets as per \(\textit{_____}\) Principle.

A Business Entity

B Money Measurement

C Full Disclosure

D Going Concern

Solution

- The going concern principle assumes that the business will continue its operations in the foreseeable future.
- Because of this, assets are divided into non-current (long-term use) and current (convertible into cash within a year).
- If the business were not a going concern, all assets would be shown at liquidation value instead of this classification.

42. Which of the following is a basic assumption?

A Conservatism concept

B Matching concept

C Historical cost concept

D None of the above

Solution

- The basic (fundamental) assumptions in accounting, as per AS-1, are Going Concern, Consistency, and Accrual.
- Conservatism, Matching, and Historical Cost are important concepts/principles, but they are not classified as basic assumptions.
- Hence, the right choice is none of the above.

43. **Transactions are always recorded at the actual cost at which they are actually undertaken:**

A Matching Concept

B Full Disclosure Concept

C **Historical Cost Concept**

D Business Entity Concept

Solution

- Under the historical cost concept, all transactions are recorded in the books at the actual cost incurred, not at market or resale value.
- This ensures objectivity and reliability, since the recorded cost is verifiable with evidence like invoices or receipts.
- Even if market values change later, assets remain recorded at their original purchase price (cost) in the accounts.

44. A given event which has two effects – one on revenue and the other on expense, both must be recognized in the same accounting period :

A Going Concern Concept

B Business Entity Concept

C Money Measurement Concept

D Matching Concept

Solution

- The matching concept requires that revenues and the expenses incurred to earn those revenues must be recorded in the same accounting period.
- This ensures that profit is calculated accurately without overstating income or expenses.
- For example, depreciation on machinery is matched against the revenue earned using that machinery in the same period.

45. $(\textit{_____})$ are basic guidelines that provide standards for scientific accounting practices and procedures.

A Accounting Standards

B Accounting Records

C Accounting Principles

D Accounting Cycle

Solution

- Accounting principles are the basic guidelines that provide a framework for scientific and uniform accounting practices.
- They ensure consistency, comparability, and reliability in financial reporting.
- Accounting standards are developed later, based on these principles, to give more detailed rules.

46. **Accounting treatment once decided should not be changed from one period to another:**

A Matching concept

B Going Concern concept

C Historical cost concept

D **Concept of Consistency**

Solution

- The consistency concept states that once an accounting method or policy is adopted, it should be applied uniformly from one period to another.
- This ensures comparability of financial statements across different years.
- Any change in method (e.g., depreciation method) must be disclosed along with its effect.

47. **Unsold stock is deducted from the cost of goods available for sale to arrive at Cost of Goods Sold:**

A Historical cost concept

B Money Measurement Concept

C Conservatism Concept

D Matching concept

Solution

- The matching concept requires that expenses incurred to earn revenue be recorded in the same accounting period as the revenue.
- Unsold stock (closing inventory) is not yet consumed, so its cost is deducted from the total cost of goods available for sale to determine the cost of goods sold.
- This ensures that only the cost of goods sold during the period is matched against revenue.

48. **(_____) approach is the traditional approach for deciding when to write on the debit side of an account and when to write on the credit side of an account.**

A American

B British

C European

D None of the above

Solution

- The British approach is the traditional method used in double-entry bookkeeping to determine debits and credits.
- It follows rules such as debit what comes in, credit what goes out, particularly for personal, real, and nominal accounts.
- The American approach, in contrast, uses a different rule-based system for recording transactions.

49. Which of the following accounting concept is related to capital and revenue transactions?

A Entity concept

B Matching concept

C Periodicity concept

D Consistency concept

Solution

- The matching concept helps distinguish between capital and revenue expenditures by ensuring that expenses are recorded in the same period as the revenue they help generate.
- Capital expenditures provide benefits over multiple periods, while revenue expenditures relate to the current period.
- Applying this concept ensures accurate measurement of profit and proper classification in financial statements.

50. Which of the following is not an accounting concept?

A Entity

B Periodicity

C Accrual

D Understability

Solution

- Entity, Periodicity, and Accrual are well-established accounting concepts.
- Understandability (not “understability”) is a qualitative characteristic of financial information, not an accounting concept.
- Hence, it does not fall under the category of accounting concepts.

51. Which of the following statements is applicable in the case of an accommodation bill?

A The drawee or the acceptor of the bill is the principal debtor.

B The payee is the principal debtor and the drawer and acceptor are merely sureties.

C The drawee is liable to the payee on the instrument.

D The bill is drawn and accepted for a genuine trade transaction.

Solution

- An accommodation bill is drawn and accepted to help another party, not for a genuine trade transaction.
- In such cases, the payee is the one who ultimately benefits, making them the principal debtor.
- The drawer and acceptor act as sureties, guaranteeing payment if the principal debtor fails to pay.

52. In which of the following situations is an endorsement of a cheque Not regular or valid?

A It is signed by any person duly authorised to sign on behalf of endorser.

B

The cheque is payable to Major L.N. Chopra and is endorsed as 'L. N. Chopra, Major'.

C

The endorsement is for a part of the amount on the cheque.

D

It is signed by the endorser of the cheque or any person duly authorised to sign on behalf of endorser.

Solution

- A valid endorsement must transfer the entire amount of the cheque, not just a part of it.
- Endorsing only a portion of the cheque amount is considered irregular and may not be honored by the bank.
- Other forms of endorsement, including authorized signatories or slight variations in name, are still valid.

53. In which of the following cases is the endorsement of a bill invalid?

A

Shaila has supplied goods to Sheela and received a bill endorsed in her favour by Sheela who has forged the endorsement.

B

A bill is payable to “Shaila or order” and she endorses it by writing on its back “Shaila”.

C

A bill is payable to “Shaila or order” and she endorses it by signing on its back and writes “pay to the order of Rupa.”

D

A bill is payable to “Shaila or order” and she endorses it by writing “ pay Rupa only.”

Solution

- A forged endorsement is legally invalid, so the transfer of the bill is not effective.
- Only a genuine endorser or their authorized representative can validly endorse a bill.
- Endorsements that properly direct payment, even with specific instructions, are valid if executed by the rightful endorser.

54. Which of the following negotiable instruments can be made payable to the bearer on demand under the law?

A Cheque

B Hundi

C Bill of exchange

D Promissory note

Solution

- A cheque is always payable on demand and can be made payable to the bearer.
- Bills of exchange and promissory notes are generally payable at a future date and may be payable to order or bearer.
- Hundi is a traditional instrument, but under modern negotiable instrument law, only a cheque is explicitly payable on demand to the bearer.

55. Which of the following is a point of difference between a promissory note and a bill of exchange?

A

A promissory note cannot be made payable to the maker himself while the drawer and payee of a bill may be the same person.

B

A promissory note may be oral while a bill of exchange must be in writing.

C

The sum payable in a promissory note must be certain while the sum payable in a bill of exchange may be subject to additions or deductions.

D

A promissory note may be conditional while a bill of exchange must be unconditional.

Solution

- A promissory note involves a promise by one party (maker) to pay another (payee) and cannot name the maker as payee.
- In a bill of exchange, the drawer can also be the payee, allowing self-payment arrangements.
- This distinction highlights a fundamental structural difference between the two negotiable instruments.

56. A negotiable instrument is termed a 'bearer instrument' when \(\textit{_____}\).

A

The only or last endorsement on the instrument is an endorsement in blank.

B

When it is drawn upon a person resident in India.

C

When no time for payment is specified in the instrument.

D

It is expressed to be payable to a particular person.

Solution

- A bearer instrument can be transferred by simple delivery without a written endorsement.
- An endorsement in blank converts an order instrument into a bearer instrument.
- Instruments payable to a specific person or with a specified time for payment do not qualify as bearer instruments.

57. Which of the following is **NOT** an essential characteristic of a negotiable instrument?

A

The holder of the instrument, who has acquired it in good faith and for consideration, gets the title free from all defects.

B

The instrument must be recognised as negotiable under the provisions of the Negotiable Instruments Act, 1881.

C

The instrument should be freely transferable.

D

The transfer should be by simple delivery or endorsement and delivery.

Solution

- Essential characteristics focus on transferability, title, and delivery of the instrument.
- Recognition under the law is important legally but is not a defining feature of what makes an instrument negotiable.
- True negotiable instruments are freely transferable, and the holder in due course gets a clean title regardless of prior defects.

58. Which of the following persons can be termed as ‘holder in due course’?

A

Ram is holding a cheque endorsed in his favour by Shyam for services rendered. Shyam had forged the signature on the cheque and Ram was aware of the forgery.

B

Rajan is holding a cheque endorsed in his favour by Sajan in return for goods sold by Rajan to Sajan. Sajan had originally stolen the cheque from his boss but Rajan is unaware of this.

C

Shaila is holding a cheque endorsed in her favour by Radha as a gift.

D

Anil is holding a cheque that he has stolen from Basant.

Solution

- A holder in due course acquires the instrument for consideration, in good faith, and without notice of defects.
- Rajan received the cheque for goods sold, had no knowledge of the prior theft, and thus qualifies as a holder in due course.
- Others either knew of the defect, received it as a gift, or acquired it by theft, so they do not qualify.

59. Which of the following statement is not true for the difference between cheque and bill of exchange?

A A cheque may be crossed but not a bill of exchange.

B

A cheque is always drawn on a banker, while a bill of exchange may be drawn on any one including a banker.

C

A grace of three days is allowed in the case of payment of a time bill of exchange, while no grace is given in case of a cheque.

D

A cheque is a negotiable instrument and covered under the provisions of Negotiable Instrument Act, 1881 but the bill of exchange is not negotiable instrument.

Solution

- Both cheques and bills of exchange are negotiable instruments under the Negotiable Instruments Act, 1881.
- Cheques are specifically drawn on a banker and payable on demand, while bills of exchange can be drawn on anyone and may be payable at a future date.
- Other statements regarding crossing, drawing on a banker, and grace period are correct.

60. Ankit draws a bill on Bhawana for Rs. 60,000. Ankit endorses it to Charu in settlement of Rs. 70,000 at a discount of 2% and the balance in cash. If the bill is dishonoured on the due date, by what amount will Charu debit Ankit?

A Rs. 61,400

B Rs. 60,000

C Rs. 70,000

D Rs. 68,600

Solution

- The bill amount is Rs. 60,000. Charu purchased it at a 2% discount on Rs. 70,000, meaning Charu paid Rs. 68,600 (Rs. 70,000 – 2% of 70,000) in total, of which Rs. 8,600 was cash and Rs. 60,000 via the bill.
- On dishonour, Charu can claim the full bill amount (Rs. 60,000) plus the cash balance he paid to Ankit (Rs. 1,400) to cover the total settlement.
- Therefore, Charu debits Ankit with Rs. 61,400 (Rs. 60,000 + Rs. 1,400).

61. Whose account is debited in the books of Ram when a bill is endorsed to Krishna by Ram which is accepted by Sita?

A Sita's Account

B Krishna's Account

C Bills Receivable Account

D . Bank Account

Solution

- When Ram endorses a bill to Krishna, he is transferring his claim against Sita to Krishna.
- Ram no longer directly holds the bill; Krishna becomes the creditor.
- In Ram's books, Krishna's account is debited to show that the liability (payment obligation) is now towards Krishna.

62. The holder of bill can receive payment from $(\textit{_____})$ in the case of dishonour of bill.

A Only drawer

B Only drawee

C Only endorser

D Any endorser or drawer

Solution

- If a bill is dishonoured, the holder has the right to claim payment from all parties liable on the bill.
- This includes the drawer (who originally drew the bill) and any endorsers who have transferred it.
- The drawee (acceptor) is primarily liable, but after dishonour, liability extends to endorsers and the drawer.

63. Hari informed Mohan that acceptance by Ram for Rs. 3,000, which was endorsed in favour of Hari by Mohan, has been dishonored. Entry of this transaction in the books of Mohan will be:

A

Hari Dr. 3,000
To Ram 3,000

B

Ram Dr. 3,000
To Hari 3,000

C

Mohan Dr. 3,000
To Hari 3,000

D

Hari Dr. 3,000
To Mohan 3,000

Solution

- Mohan had endorsed the bill to Hari, making Hari the holder of the bill.
- On dishonour, Hari can claim the amount from Mohan, who in turn can claim it from Ram (the acceptor).
- In Mohan's books, he acknowledges liability to Hari by debiting Hari's account and crediting Ram's account for the dishonoured amount.

64. When an accommodation bill is discounted, the amount of discount is borne $\textit{\text{_____}}$.

A Wholly by the acceptor

B Wholly by the drawer

C By the drawer and acceptor equally

D By the drawer and acceptor in the ratio of funds used by them

Solution

- In an accommodation bill, both the drawer and acceptor may have a financial interest in the bill.
- When the bill is discounted, the discount represents a cost of obtaining funds before maturity.
- This discount is shared between the drawer and acceptor proportionally to the funds each has contributed or guaranteed.

65. Consider the following statements regarding subscriptions in Not-for-Profit Organisations:

(1) Subscriptions received in advance are shown as liabilities in the Balance Sheet.

(2) Subscriptions outstanding at the end of the year are treated as assets.

Select the correct answer from the code given below:

A Only 1 is correct.

B Only 2 is correct.

C Both 1 and 2 are correct.

D Both 1 and 2 are incorrect.

Solution

- Subscriptions received in advance relate to future periods, so they are treated as liabilities until earned.
- Subscriptions outstanding represent amounts due from members for the current period, so they are treated as assets.
- This treatment follows the accrual concept in accounting for not-for-profit organizations.

66. Which of the following is NOT a characteristic of Not-for-Profit Organisations?

A Formed to provide services without a profit motive.

B Maintains a Trading and Profit & Loss Account.

C Surplus is added to the capital fund.

D Managed by a governing body or trustees.

Solution

- Not-for-profit organizations are formed to provide services rather than earn profits.
- Any surplus generated is added to the capital or general fund, not distributed as profit.
- They are typically managed by a governing body or trustees, and do not maintain a traditional Trading and P&L Account like profit-oriented businesses.

67. Consider the following two statements:

(1) The main financial statements of a Not-for-Profit Organisation include the Receipt and Payment Account and the Income and Expenditure Account.

(2) The Balance Sheet of a Not-for-Profit Organisation does not include specific funds like Prize Fund or Building Fund.

Select the correct answer from the code given below:

A Only 1 is correct.

B Only 2 is correct.

C Both 1 and 2 are correct.

D Both 1 and 2 are incorrect.

Solution

- The main financial statements of a not-for-profit organization are indeed the Receipt and Payment Account and the Income and Expenditure Account.
- The Balance Sheet of a not-for-profit organization **does include specific funds** such as Prize Fund, Building Fund, or other designated funds.
- Therefore, statement 1 is correct, while statement 2 is incorrect.

68. Given below are two statements:

Assertion (A): Receipt and Payment Account includes both capital and revenue items.

Reason (R): It summarises all cash and bank transactions during a specific period.

Select the correct answer using the code given below:

A Both (A) and (R) are true, and (R) is the correct explanation of (A).

B Both (A) and (R) are true, but (R) is not the correct explanation of (A).

C (A) is true, but (R) is false.

D (A) is false, but (R) is true.

Solution

- The Receipt and Payment Account records **all cash and bank transactions**, including both capital and revenue items.
- This means it does not distinguish between revenue receipts/expenditures and capital receipts/expenditures.
- Therefore, the reason (R) correctly explains why the assertion (A) is true.

69. In a Not-for-Profit Organisation, the Receipt and Payment Account shows $\textit{\text{_____}}$.

A Non-cash items like depreciation.

B Revenue and capital receipts and payments.

C Only revenue receipts and payments.

D Transactions related to previous periods only.

Solution

- The Receipt and Payment Account records **all cash and bank transactions** during a period.
- It includes both **revenue items** (like subscriptions, donations for expenses) and **capital items** (like building fund contributions).
- Non-cash items like depreciation are **not recorded** in this account.

70. Consider the following statements regarding Life Membership Fees:

(1) It is treated as a revenue receipt.

(2) It is credited directly to the Capital or General Fund.

Select the correct answer from the code given below:

A Only 1 is correct.

B Only 2 is correct.

C Both 1 and 2 are correct.

D Both 1 and 2 are incorrect.

Solution

- Life Membership Fees are **capital in nature** because they provide a long-term benefit to the organization.
- Hence, they are credited directly to the **Capital or General Fund**.
- They are **not treated as revenue receipts**, so statement 1 is incorrect.

71. How is the surplus in the Income and Expenditure Account treated?

A Distributed among members.

B Added to the Capital or General Fund in the Balance Sheet.

C Carried forward as revenue income for the next year.

D Credited to the Receipts and Payments Account.

Solution

- Surplus in the Income and Expenditure Account represents excess of income over expenditure.
- In not-for-profit organizations, this surplus is **not distributed** to members.
- It is added to the **Capital or General Fund**, increasing the organization's reserves.

72. Which of the following items will appear on the liabilities side of the Balance Sheet of a Not-for-Profit Organisation?

A Subscription Outstanding

B Life Membership Fees

C Stock of Stationery

D Investment in Government Bonds

Solution

- Life Membership Fees are **capital receipts** received for long-term benefit and appear on the **liabilities side** under funds or reserves.
- Subscription Outstanding is an **asset**, as it represents amounts due from members.
- Stock of Stationery and Investments in Government Bonds are **assets**, appearing on the assets side of the Balance Sheet.

73. Which of the following items should not be entered in Receipts and Payments Account of a club formulated for social gatherings?

A Loss on sale of old furniture

B Various payments made towards expenses incurred

C Sale of old newspapers

D Subscription received in advance

Solution

- The Receipt and Payment Account records **all cash and bank transactions**, including receipts and payments.
- Loss on sale of old furniture is a **non-cash item** (accounting loss) and is **not recorded** in the Receipts and Payments Account.
- Payments for expenses, sale of newspapers, and subscriptions received in advance are all **cash transactions**, so they are included.

74. Which of the following statements is TRUE?

A

Receipts and Payments A/c is a summary of all revenue receipts and capital payments.

B

Income & Expenditure A/c is a summary of all revenue income & expenditure relating to current year.

C

Receipts and Payments A/c is a summary of all capital receipts and payments.

D

Receipts and Payments A/c is a summary of all revenue receipts and payments.

Solution

- The Income & Expenditure Account follows the **accrual basis**, recording only revenue income and expenditure for the current accounting period.
- Receipts and Payments Account records **all cash and bank transactions**, including both capital and revenue items.
- Therefore, the statement about Income & Expenditure A/c is true, while the others incorrectly describe the Receipts and Payments Account.

75. At the beginning of an accounting year, a club has Rs. 19,000 assets; Rs. 5,000 liabilities; Rs. 1,800 debit balance of the Income and Expenditure A/c. The opening capital fund is Rs $\text{\textit{______}}$.

A 24,800

B 15,800

C 18,000

D 15,000

Solution

1. Basic calculation:

Assets (₹19,000) – Liabilities (₹5,000) = ₹14,000.

2. Adjust for past deficit:

Income & Expenditure A/c debit balance (₹1,800) means a past loss; adding it back gives:

₹14,000 + ₹1,800 = ₹15,800.

3. Final match:

₹15,800 is the opening capital fund, matching the given options.

76. **Del Credere Commission is given to $\textit{\text{_____}}$.**

A Increase the volume of Sales

B Cover the risk of Bad Debts

C Reduce the Tax Liability

D None of the above

Solution

- Del Credere Commission is an extra commission given to the consignee by the consignor for guaranteeing payment from credit sales.
- It acts as compensation for taking the responsibility of any bad debts that may arise from customers who fail to pay.
- Thus, the consignee bears the risk of bad debts, and the consignor remains protected.

77. When Del-credere commission is not paid by consignor to consignee then credit sales made by consignee will be recorded in the consignment Account will be \(\textit{_____}\).

A Debit Consignee's Account Credit Consignment Account

B Debit Debtor's Account Credit Sales Account

C Debit Consignment Debtor's Account Credit Consignment Account

D None of the above

Solution

- When del-credere commission is **not paid**, the consignee is not responsible for bad debts, so credit sales are treated as belonging to the consignor.
- The consignee records the transaction by debiting **Consignment Debtor's A/c** (showing the amount due from customers) and crediting **Consignment A/c** (showing sales proceeds).
- This ensures that both sales and the risk of bad debts remain with the consignor, not the consignee.

78. Consignment stock will be shown in $\text{\textit{_____}}$.

A Manufacturing Account

B Profit & Loss account

C Balance sheet

D Trading Account

Solution

- Consignment stock represents **unsold goods lying with the consignee**, which still legally belong to the consignor.
- Since it is an asset of the consignor, it is shown as **Closing Stock (Asset side)** in the Balance Sheet.
- It is not transferred to Trading or P&L because it does not belong to normal purchases/sales of the consignor's business.

79. Which of the following is not a feature of a bill of exchange?

A It must be dated.

B It is signed by the Payee.

C It is an instrument in writing.

D It contains an unconditional order.

Solution

- A bill of exchange is always drawn and signed by the **Drawer** (the person who orders payment), not by the payee.
- Essential features include being in writing, containing an unconditional order to pay, being dated, and signed by the drawer.
- The payee is simply the person entitled to receive payment, so their signature is not a requirement.

80. **The person of a negotiable instrument is called holder if he/she satisfies the following conditions:**

A He/she has obtained the instrument for valuable consideration.

B He/she became the holder of the instrument before the maturity of the instrument.

C He/she must acquire the instrument bonafide and having no cause to believe that, any defect existed in the title of the person from whom he derived his title.

D All of the Above.

Solution

- A holder of a negotiable instrument must obtain it for **valuable consideration**, not as a mere gift.
- He/she should acquire it **before the date of maturity**, otherwise rights are restricted.
- The holder must act **in good faith**, without knowledge of any defect in the previous holder's title.

81. Which of the following is not true about the promissory notes?

A It should not be made payable to the bearer.

B The maker and payer must be a certain person.

C The sum payable must not be uncertain.

D The promise to pay must be conditional.

Solution

- A promissory note must contain an **unconditional promise** to pay; if conditional, it is invalid.
- It cannot be made payable to bearer on demand (prohibited by RBI Act).
- The maker/payer must be certain and the amount payable must be definite, not uncertain.

82. On 30th March 2013 Mr. Y sold goods to Mr. Z of Rs. 15,000 and draws a bill of the same amount for 1 Month. Mr Z accepts it and return it to Mr. Y. Mr. Y endorses the same to Mr, X, one of his creditors in part payment of his total dues amounting to Rs. 21,000. How much amount would you reflect in the Balance sheet of Mr. Y as on 31st March 2013?

A Creditors(Liability) = Nil, Bill Receivable(Assets) = Rs. 6,000

B Creditors(Liability) = Nil, Bill Receivable(Assets) = Nil

C Creditors(Liability) = Rs. 6,000 , Bill Receivable(Assets) = Rs.15,000

D Creditors(Liability) = Rs. 6,000 , Bill Receivable(Assets) = Nil

Solution

- Mr. Y had total dues of Rs. 21,000 to his creditor Mr. X and he endorsed a bill of Rs. 15,000 to settle part of the liability.
- This reduces his creditor balance from Rs. 21,000 to **Rs. 6,000**, since Rs. 15,000 is adjusted.
- The bill receivable no longer belongs to Mr. Y (it has been endorsed), so **Bills Receivable = Nil**.

83. The Bill sent for collection means \(\textit{_____}\).

A Bill discounted by Bank and amount credited to client Account.

B Bill Retained by Bank till maturity and returned back to client on that date.

C Bill Retained by Bank till maturity and realised on that date.

D Bill retained by Bank and amount credited to Client Account immediately.

Solution

- When a bill is **sent for collection**, the bank acts as an agent of the client to collect payment from the drawee.
- The bill is **retained by the bank** until its maturity date.
- On the maturity date, the bank **realises the payment** from the drawee and credits the amount to the client's account.

84. If a bill of Rs 20,000 due for payment on 29.11.2013 is discounted on 5.11.2013 @14.6 % p.a., the holder of the bill gets:

A Rs 17,080

B Rs 19,760

C Rs 19,952

D Rs 19,808

Solution

- Discount = Principal \times Rate \times Time \div 100. Here, Principal = Rs 20,000, Rate = 14.6% p.a., Time = 24 days (from 5.11 to 29.11).
- Calculate: $(20,000 \times 14.6\% \times \frac{24}{365}) = 20,000 \times 0.146 \times 0.065753 = 191.92 \approx 192$).
- Amount received by holder = Rs 20,000 – Rs 192 = **Rs 19,808**.

85. Who cannot draw a negotiable instrument?

A An agent

B An insolvent

C A company

D All of these

Solution

- An **insolvent person** cannot draw a negotiable instrument because they lack the legal capacity to contract.
- An **agent** can draw on behalf of their principal, and a **company** can draw through its authorized representatives.
- Therefore, only the insolvent is legally restricted from drawing such instruments.

86. Which of the following is not objective of providing depreciation?

A Determination of the true operating result

B For maintenance of capital

C Repayment of external liabilities

D For disclosure of the true value of the asset

Solution

- Depreciation is charged to allocate the cost of an asset over its useful life, ensuring true operating results are shown.
- It helps maintain capital by preventing overstatement of profit and by showing the true value of assets in the balance sheet.
- Repayment of external liabilities is unrelated to depreciation, as liabilities are settled through cash flow management, not through depreciation.

87. Which of the following is/ are factor(s) that is considered for measurement of depreciation?

A Cost of asset

B Life of asset

C Scrap value

D All of the above

Solution

- Depreciation is based on the **cost of the asset**, which is the total capital expenditure incurred to acquire and install it.
- The **useful life of the asset** determines how many years the cost should be apportioned.
- The **scrap value** (residual value) is deducted from the cost to find the depreciable amount, making all three factors essential.

88. Which of the following is/ are feature(s) of depreciation?

A It gradual and continuous decline in the value of fixed asset.

B It is a charge against profit.

C It is a permanent decline.

D All of the above

Solution

- Depreciation reflects a **gradual and continuous decline** in the value of fixed assets due to use, wear and tear, or obsolescence.
- It is treated as a **charge against profit**, reducing the net profit shown in the income statement.
- The decline in value from depreciation is **permanent and not reversible**, distinguishing it from temporary market fluctuations.

89. Which of the following is an internal factor that causes the depreciation?

A Passage of time

B Expiry of legal life of asset

C Depletion

D All of the above

Solution

- Internal factors are those arising from the asset itself, like **wear and tear or depletion**.
- **Passage of time** and **expiry of legal life** are considered external factors since they depend on legal or contractual conditions, not the asset's own usage.
- Hence, among the options given, **depletion** is the true internal factor causing depreciation.

90. Which method of ascertaining depreciation results in constant charge over the useful life of the asset.

A Sinking Fund

B Annuity

C Reducing Balance

D Straight Line

Solution

- Under the **Straight Line Method**, depreciation is charged equally every year by dividing the depreciable amount by the useful life.
- This ensures a **constant annual charge**, making it simple and predictable.
- Other methods like sinking fund, annuity, or reducing balance lead to varying annual depreciation amounts.

91. In consignment business, the person who sends goods to its agents is referred to as $\textit{\text{_____}}$.

A Borrower

B Consignee

C Consignor

D Drawer

Solution

- In consignment, the **consignor** is the owner of goods who sends them to another party for sale.
- The **consignee** acts as an agent, selling goods on behalf of the consignor.
- Terms like **borrower** and **drawer** are unrelated here, as they belong to loan and bill of exchange contexts.

92. Which of the following is/ are feature(s) of consignment form of business?

A It is a sales enhancement technique.

B The ownership of the goods that are lies with the consignor till they are sold.

C Revenue from consignment business is recognised by the consignor on sale of the goods sent by the consignee.

D All of the above.

Solution

- Consignment is used as a **sales promotion/enhancement technique**, allowing wider distribution without immediate transfer of ownership.
- The **ownership of goods remains with the consignor** until the consignee successfully sells them.
- **Revenue is recognised only on sale** by the consignee, ensuring proper matching of income with actual transactions.

93. Which of the following is true in respect of the proforma invoice?

- A** It is a document sent by the consignor to the consignee.
- B** Only the details of the goods returned are recorded in this document.
- C** It acts as an evidence of the remittance of money on consignment basis.
- D** None of the above

Solution

- A **proforma invoice** is prepared by the consignor and sent to the consignee, showing details like quantity, price, and expenses.
- It does not record only returned goods; that would be a **debit note** or return statement.
- It is not proof of money remittance but merely a statement of goods sent, hence option A is correct.

94. **Del-credere commission is allowed by the consignor to the consignee for $\textit{\text{_____}}$.**

A making cash sales

B making credit sales

C bearing the risk attached to credit sale of the goods

D none of the above

Solution

- **Del-credere commission** is an additional commission paid to the consignee for guaranteeing payment from credit customers.
- It compensates the consignee for **bearing the risk of bad debts** in credit sales.
- It is not related to cash sales or normal credit sales without risk assumption.

95. Commission is due to the consignee from the consignor because of rendering of the regular activities of the consignment business is referred to as $(\textit{ _____ })$ commission.

A Del credere

B Special

C Ordinary

D Over riding

Solution

- **Ordinary commission** is paid to the consignee for performing routine consignment activities, like selling goods and reporting sales.
- It does not involve any extra risk, unlike **del-credere commission**, which covers credit risk.
- **Special and overriding commissions** are specific or additional payments, not the regular commission.

96. Which of the following commission is allowed by the consignor to the consignee to encourage the consignee for putting-up hard work in introducing new product in the market?

A Del-credere Commission

B Over-riding Commission

C Hard work Commission

D Ordinary Commission

Solution

- **Over-riding commission** is an extra incentive given to the consignee to motivate extra effort, such as promoting new products.
- It is over and above the ordinary commission and not linked to credit risk like del-credere commission.
- Ordinary commission is only for routine consignment activities and does not reward additional effort.

97. Which class of account is Consignment Account?

A Personal Account

B Real Account

C Representative Personal Account

D Nominal Account

Solution

- **Consignment Account** records the **income and expenses** related to consignment transactions, making it a **nominal account**.
- Nominal accounts track **revenues, expenses, gains, and losses**, not assets or liabilities.
- It is not a personal, real, or representative personal account, as it does not represent a person or an asset.

98. On dishonor of a bill of exchange that has been discounted, noting charges are initially paid by $\textit{\text{_____}}$.

A Bank

B Drawer

C Drawee

D Acceptor

Solution

- When a **discounted bill** is dishonored, the **bank initially pays the noting charges** incurred for noting and protesting the dishonor.
- The bank then **recovers these charges from the drawer**, along with the bill amount.
- The **drawer, drawee, or acceptor** does not pay the noting charges directly at the time of dishonor; the bank bears it first.

99. Any account sale is the periodical summary statement sent by the \(\textit{_____}\) to the \(\textit{_____}\).

A Consignor, Consignee

B Consignee, Consignor

C Buyer, Seller

D Seller, Buyer

Solution

- An **account sale** is a statement prepared by the **consignee** showing sales made, expenses incurred, and amount due to the consignor.
- It is sent **periodically** to the consignor to keep them informed of the consignment transactions.
- Buyers and sellers are not involved in preparing or sending the account sale; it is strictly between consignee and consignor.

100. **Account sales** \(\ \textit{ } \).

A Have a very particular format

B Does not have a specific format

C Must be prepared by law

D Given by consignor to consignee

Solution

- **Account sales** can be prepared in any format as long as it shows sales, expenses, and amount due to the consignor.
- There is **no legal requirement** mandating a particular format for account sales.
- It is prepared by the **consignee**, not the consignor, summarizing the consignment transactions.



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