Assignment 7

The due date for submitting the assignment has passed. As per our policy, you have not submitted the assignment.

1. A company had purchased a catering unit in a local theater. Only after being in the business for 5 years has realized that they should have invested it more prudently. This will enable them to sell it off more easily. The company expects to earn around INR 12,50,000. How should management account for the transaction?

- They should recognize the entire amount of investment in the statement of profit and loss.
- They should recognize the under-performance of INR 12,50,000 in the balance sheet.
- They should recognize the under-performance of INR 12,50,000 in the balance sheet and profit and loss account.
- The above option is not correct.

2. A local firm is dealing in manufacturing a firm. It manufactures an item that can be used be used by both local and overseas clients. The company has obtained a firm order from a local company for 1,000 units at a price of INR 50 per unit. However, the local company reserves the right to cancel the contract after 7 days. The company has already started production and has already incurred a cost of INR 30,000 in raw materials. How should the company account for this transaction?

- The company should recognize the entire amount in the statement of profit and loss account.
- The company should recognize the entire amount in the statement of profit and loss account and also in the balance sheet.
- The company should recognize the amount in the statement of profit and loss account and debit the raw materials.
- The above option is not correct.

3. Based on the above data, how much sales would have happened during the financial year 2016-17?

- INR 1,15,000
- INR 1,05,000
- INR 1,25,000
- The above option is not correct.

4. Based on the above data, how much purchases were recorded in statement of profit and loss?

- INR 1,00,000
- INR 70,000
- INR 90,000
- INR 95,000

5. XYZ Masonry and Co had made sales worth INR 1,50,000 to a dealer on 15th January 2016. The terms of sale were 3% off net of 30. The dealer paid the sum on 20th January 2016. How much should cash account be debited with?

- INR 15,000
- INR 14,350
- INR 13,500
- INR 10,500

6. Mr. Jain, who is a partner at Aro and Co withdraws a sum of INR 15,000 for his personal use. What accounts will be affected by this transaction?

- Cash and Bank
- Capital
- Bank and Cash
- The above option is not correct.

7. Rentmax and Co is in the business of subleasing industrial properties to all sorts of customer, e.g., corporates, household etc. It has a lease that will extend for a number of years.

- The lease will cease during the activity.
- The lease will cease during the activity.
- The lease will cease during the activity.
- The lease will cease during the activity.

8. An investor owns 30% of the short-term liquidity of a company. He wants your consultation with regards to it. As an investor, among the following ratios, which ratio are you going to look at?

- Sales turnover ratio
- Debt ratio
- Equity ratio
- The above option is not correct.

9. Provisions made are reflected in__________

- Fixed assets
- Capital
- Current liabilities
- The above option is not correct.

10. The above option is not correct.