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- Assertion (A): Existence of secret reserve contradicts the disclosed network of a business.
 - **Reason (R)**: Secret reserve helps promote managerial efficiency.
 - a. Both A and R are true and R is the correct explanation A
 - b. Both A and H are true but R is NOT the correct explanation of A
 - c. A is true but R is false
 - d. A is false hut R is true
- 2. Assertion (A): Entrance fees in case of non-profit concerns can be treated as revenue receipt or capital receipt.
 - **Reason (R)**: Some accountants consider entrance fees to be recurring in nature, whereas others consider it to be nonrecurring.
 - a. Both A and R are true and R is the correct explanation A
 - b. Both A and H are true but R is NOT the correct explanation of A
 - c. A is true but R is false
 - d. A is false hut R is true
 - **Assertion (A)**: Performance ratios show where we are goin.
 - **Reason (R)**: Balance Sheet ratios show how we stand.
 - a. Both A and R are true and R is the correct explanation A
 - b. Both A and H are true but R is NOT the correct explanation of A
 - c. A is true but R is false
 - d. A is false hut R is true
- **Assertion (A)**: One single primary ratio that measures the final outcome of all recorded business activities is ROI.
 - **Reason (R)**: In practice, however variations are also found in the ratio because capital and return are subject to different interpretations by firms.
 - a. Both A and R are true and R is the correct explanation 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
- Assertion (A): According to Accounting Standard 3 (revised) of the Institute of Chartered Accountants of India, a Cash Flow Statement should be divided into three heads cash flows from operating activities, cash flows from investing activities and cash flows from financing activities.
- Reason (R): Operating activities involve income determining items and relate to changes in current assets and liabilities; investing activities concern changes in noncurrent assets and financial activities concern changes in non-current liabilities and shareholder & equity.
 - a. Both A and R are true and R is the correct explanation A
 - b. Both A and H are true but R is NOT the correct explanation of A
 - c. A is true but R is false
 - d. A is false hut R is true
- 4. **Assertion (A)**: It is the duty of the auditor to see that costing records as required under Section 209 (1) (d) of the Companies Act, 1956, have been maintained by certain class of companies.
 - **Reason (R)**: Mere-maintenance of cost records does not make manufacturing companies cost-effective.
 - a. Both A and R are true and R is the correct explanation A
 - b. Both A and H are true but R is NOT the correct explanation of A
 - c. A is true but R is false
 - d. A is false hut R is true
 - **Assertion (A)**: Analytical Review is not the part of Company Statutory Audit.
 - **Reason (R)**: Analytical Review goes beyond true and fair presentation of the financial position.
 - a. Both A and R are true and R is the correct explanation A
 - b. Both A and H are true but R is NOT the correct explanation of A
 - c. A is true but R is false
 - d. A is false hut R is true
- 5. **Assertion (A)**: Management audit is a statutory audit.
 - **Reason (R)**: Management audit is performed through innovative ideas.
 - a. Both A and R are true and R is the correct explanation A
 - b. Both A and H are true but R is NOT the correct explanation of A
 - c. A is true but R is false
 - d. A is false hut R is true

- **Assertion (A)**: The Companies Act. 1956 requires that internal audit must be carried out by a Chartered Accountant.
- **Reason (R)**: It is to help the management to protect the interests of the shareholders and the society.
 - a. Both A and R are true and R is the correct explanation A
 - b. Both A and H are true but R is NOT the correct explanation of A
 - c. A is true but R is false
 - d. A is false hut R is true
- 6. **Assertion (A)**: Certificate of Origin is an export-related document and it is issued by the Chamber of Commerce.
 - **Reason (R)**: Certificate of Origin is used by importer to take delivery of goods.
 - **Assertion (A)**: A company registered under the Companies Act, 1956 is a judicial person distinct from its members.
 - **Reason (R)**: Corporate veil cannot be lifted.
 - a. Both A and R are true and R is the correct explanation A
 - b. Both A and H are true but R is NOT the correct explanation of A
 - c. A is true but R is false
 - d. A is false hut R is true
- 7. **Assertion (A)**: The doctrine of indoor management does not give absolute protection to outsiders who deal with a company.
 - **Reason (R)**: Lithe majority of members have their way, the minority has its say.
 - a. Both A and R are true and R is the correct explanation A
 - b. Both A and H are true but R is NOT the correct explanation of A
 - c. A is true but R is false
 - d. A is false hut R is true
 - **Assertion (A)**: The powers of Board of Directors that are to be exercised by Board only at its meeting cannot go beyond those prescribed under Section 292 of the Companies Act, 1956.
 - **Reason (R)**: The members in general meeting cannot impose restriction on the exercise of powers by the Board of Directors.
 - a. Both A and R are true and R is the correct explanation A
 - b. Both A and H are true but R is NOT the correct explanation of A
 - c. A is true but R is false
 - d. A is false hut R is true
- 8. Accounting is generally understood as
 - a. summarization of business transactions

- b. language of the business
- c. source of business information
- d. means of communication
- Select the correct answer using the codes given below:
 - a. 1 only
 - **b.** 1 and 2
 - c. 2 and 3
 - d. 1.2,3 and 4
- 9. 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