

Answer Key - Accounts & Auditing Sectional Test for EPFO-2025

1. **B** - Provide information to users for decision-making
2. **B** - Business and owner are separate
3. **C** - Anticipate losses, do not anticipate profits
4. **B** - Real account
5. **A** - Capital represents liability of business to owner
6. **D** - Allocation of asset cost over useful life
7. **B** - Debited to Machinery A/c
8. **B** - Purchase price plus costs to bring inventory to present location and condition
9. **D** - Abnormal wastage
10. **B** - Selling price less estimated costs to complete and sell
11. **B** - Charged to P&L separately
12. **C** - 30% $[(500,000-350,000)/500,000 \times 100]$
13. **D** - 30% [COGS = 50,000+270,000+30,000-70,000 = 280,000; GP = 400,000-280,000 = 120,000; GP% = 120,000/400,000 \times 100 = 30%]
14. **B** - Cost Principle
15. **D** - Accrued Income (it's a real asset, not fictitious)
16. **B** - ₹2,50,000 (Stock 1,20,000 + Cash 80,000 + any other assets = Total of what was financed)
17. **C** - Limited to the amount forfeited
18. **C** - Capital Reserve A/c
19. **B** - Unpaid amount on shares
20. **B** - Liability side of Balance Sheet
21. **D** - All of these
22. **D** - Both (b) and (c)
23. **C** - Called-up Capital
24. **A** - ₹20,000 (10,000 shares \times ₹10 \times 20% = ₹20,000)
25. **D** - Paying Dividend
26. **D** - All of the above
27. **C** - Return on Capital Employed
28. **B** - Current Ratio
29. **B** - 10% (1,20,000/12,00,000 \times 100)

30. **C** - To ensure all transactions are recorded
31. **B** - ₹1,800 (2,000 - 200)
32. **D** - All ledger accounts
33. **B** - It is a temporary account to tally Trial Balance
34. **B** - Wrong balancing of an account
35. **B** - Only arithmetical accuracy is checked
36. **B** - Carriage Inward
37. **C** - Purchases
38. **C** - Purchases
39. **B** - Indirect expense
40. **C** - Profit & Loss A/c (Appropriation)
41. **B** - ₹85,000 (50,000 + 40,000 - 10,000 + 5,000)
42. **A** - Decrease profit by ₹8,000 (5,000 + 2,000 + 1,000)
43. **D** - ₹4,500 (6,000 - 1,500)
44. **D** - ₹45,000 (50,000 - 5,000)
45. **D** - Drawings
46. **B** - Shown as asset in Balance Sheet
47. **D** - Decision Making
48. **B** - ₹1,00,000 (2,00,000/2)
49. **C** - ₹10,700 [Using FIFO: Closing stock = (1,100 units @ ₹8) + (300 units @ ₹9) - issues; Ending = 1,200 units remaining = (900 @ ₹8 + 300 @ ₹9) = 7,200 + 2,700 = ₹9,900 or recalculate: 1,300 units left = 1,000@8 + 300@9 = 10,700]
50. **D** - 1, 2 and 3
51. **A** - 1.35:1 [(4,50,000 - 1,50,000 - 30,000)/2,00,000 = 2,70,000/2,00,000 = 1.35]
52. **A** - ₹2,40,000 (Stock Turnover = COGS/Avg Stock; 6 = COGS/40,000; COGS = 2,40,000)
53. **A** - Both A and R true, R correct explanation
54. **B** - ₹3,00,000 (12% of 25,00,000)
55. **A** - 1 and 2 only
56. **A** - Both A and R true, R correct explanation
57. **A** - ₹3,70,000 (3,00,000 + 50,000 - 20,000 + 30,000 + 10,000)
58. **B** - Decided mutually by partners

59. **A** - Liability
60. **B** - Sales less Cost of goods sold
61. **A** - ₹19,36,000 [Adjusted Turnover = $88,00,000 \times 110\% = 96,80,000$; GP = $96,80,000 \times 20\% = 19,36,000$]
62. **C** - Schedule III
63. **D**
64. **C** - Matching principle
65. **A** - ₹10,00,000 – Historical Cost Principle
66. **B** - Record transactions when they occur, regardless of cash flow
67. **B** - Business and owner are separate economic entities
68. **D** - In the period revenue is earned (August)
69. **C** - Consignment Account
70. **C** - Deferred revenue expenditure
71. **D** - Are ₹1 crore or above
72. **A**
73. **B** - ₹73,000 [Income = Current year subscription from 70 members + adjustment = $70,000 + (18,000 - 16,000) - (11,000 - 12,000) = 70,000 + 2,000 + 1,000 = 73,000$]
74. **B** - Only transactions that significantly affect decisions should be recorded accurately
75. **B** - The business will continue to operate for a foreseeable period of time
76. **B** - Document audit procedures and findings
77. **B** - Authenticity of accounting entries
78. **B** - Checking accuracy and completeness
79. **B** - Ensuring all evidence is linked and organized
80. **B** - Sample may not represent the whole population
81. **B** - Error in auditor's judgment
82. **B** - Analytical procedures
83. **B** - Negligence
84. **B** - Breach of trust
85. **B** - Independent, internal evaluation
86. **B** - Past transactions and compliance
87. **B** - Forensic audit

- 88. **B** - Economy, efficiency, effectiveness
- 89. **B** - Mandated by law
- 90. **B** - Plausible relationships study
- 91. **B** - Strong
- 92. **B** - Proper use of public funds
- 93. **B** - Assessing financial accuracy
- 94. **B** - Certificate of Practice (Chartered Accountant)
- 95. **B** - Cannot be auditor
- 96. **B** - 30 days
- 97. **B** - Special resolution
- 98. **B** - Accountability and proper use of funds
- 99. **B** - Legal and regulatory adherence
- 100. **B** - Prudence in public expenditure