Accountant (BPS-17), Finance Department, Government of Sindh — 2024 · Solved Past Paper

Body: Sindh Public Service Commission (SPSC) · **Post:** Accountant (BPS-17), Finance Department, Government of Sindh · **Year:** 2024 · **Questions:** 50 in the original paper — **50 solved and verified**, none excluded · **Price:** Free

> **How to use this paper:** each question shows the stem, the four options, and the correct answer. Click “Why each option?” under a question to see all four options explained — one question teaches four topics. General Knowledge answers are as of the 2024 sitting.

Source note: testpointpk reproduction, 'SPSC Accountant Solved Past Paper dated 11-08-2024' (50 stems, each with 4 options and a printed key, Q25 with 5; paginated 5 x 10; direct-curl raw HTML). Second source (official): SPSC's own answer key for exactly this post and date — it confirms identity, grade BPS-17, 1-hour duration and true total 50, and independently corroborates Q25's 'All of these' (each paper type has exactly one five-option answer, E). All 50 printed keys agree with the independently verified answers; no printed key was corrected. Answers verified independently against reference facts, worked derivations and standard textbook rules, never from the printed key alone.

Question 1 Accounting (Capital vs Revenue)

A bookkeeper mistakenly treats a capital expenditure item as revenue expenditure. What is the effects of this error?

- A. Net profit is overstated
- B. Total assets are understated ✓ **Correct answer**

ss profit is understated

- D. Total assets are overstated

Note: **B — Total assets are understated** — Correct: a capital item should be capitalised as an asset; expensing it in full means the asset never appears on the balance sheet. **A** — Wrong: profit is understated, not overstated, by the extra expense. **C** — Wrong: gross profit is not the affected line for a capital item charged to expenses. **D** — Wrong: that is the reverse error (revenue item capitalised).

Question 2 English (Fill in the Blank)

The new findings on the virus caused panic among the scientists and management _____?

- A. Like
- B. Likely
- C. Alike ✓ **Correct answer**
- D. Dislike

Note: **C — Alike** — Correct: 'alike' placed after two groups means both/equally — panic struck the scientists and the management alike (Oxford Learner's). **A** — Wrong: 'like' is a preposition needing a noun after it. **B** — Wrong: 'likely' means probably. **D** — Wrong: 'dislike' expresses not liking something.

Question 3 Accounting (Bank Reconciliation)

In a bank reconciliation, deposits in transit are _____?

- A. Added to the bank balance
- B. Deducted from the bank balance
- C. Deducted from the book balance
- D. Added to the book balance ✓ **Correct answer**

Note: **A — Added to the bank balance** — Correct: deposits in transit are recorded in

…it not yet by the bank, so the bank-statement balance is increased by them. **B** — Wrong: deducting from the bank balance is the treatment for outstanding cheques. **C** — Wrong: book-balance deductions are bank charges and similar items. **D** — Wrong: deposits in transit are not added to the book balance.

Question 4 Economics (Money)

"Dear Money" is used for:

- A. High Rate of interest ✓ **Correct answer**
- B. Low rate of interest
- C. Value of money
- D. Value of interest

Note: **A — High rate of interest** — Correct: dear money is money that is hard to borrow because interest rates are high. **B** — Wrong: a low rate is 'cheap money'. **C/D** — Wrong: neither is a meaning of 'dear money'.

Question 5 Cost Accounting

Which of the following is the main aim of Cost Accounting?

- A. Cost Control
- B. Cost Ascertainment
- C. Price Fixation
- D. All of the above ✓ **Correct answer**

Note: **D — All of the above** — Correct: cost ascertainment, cost control and price fixation are all listed main objects of cost accounting (Periyar University course material; CIMA definition), so 'all of the above' is the keyed answer. **A/B/C** — Wrong individually: each is only one of the three objects.

6 English (Idiom)

Idiom "Fall between two stools" means _____?

- A. Trying to sit on one of the stools
- B. Difficult position
- C. Lost the balance
- D. To come between two alternatives, and so fail to fulfill either of them ✓ **Correct answer**

Note: **D — To come between two alternatives, and so fail to fulfill either of them** — Correct: the standard idiom meaning (theidioms.com). **A** — Wrong: trying to sit on one stool is not the idiom. **B** — Wrong: 'difficult position' is too vague. **C** — Wrong: losing balance is the literal image, not the meaning.

Question 7 Finance (Bonds)

_____ is a high-risk, high-yield bond.

- A. Junk bond ✓ **Correct answer**
- B. Income bond
- C. Zero coupon bond
- D. Mortgage bond

Note: **A — Junk bond** — Correct: junk (high-yield) bonds are below investment grade — high default risk, hence high yield. **B** — Wrong: an income bond pays interest only if earned. **C** — Wrong: a zero-coupon bond pays no periodic interest. **D** — Wrong: a mortgage bond is secured by property.

Question 8 Finance (EVA)

The term 'EVA' is stands for _____?

- A. Expected Value Analysis
- B. Engineering Value Analysis

- D. Economic Value Added ✓ **Correct answer**

Note: **D — Economic Value Added** — Correct: EVA = NOPAT less the capital charge, Stern Stewart's residual-income measure (Brealey & Myers glossary). **A/B/C** — Wrong: invented expansions.

Question 9 English (One Word)

One word substitution. A state, society, or group governed by old people:

- A. Ochlocracy
- B. Gerontocracy ✓ **Correct answer**
- C. Neocracy
- D. Kakistocracy

Note: **B — Gerontocracy** — Correct: Greek geron (old man) + kratos (rule) — rule by the elderly. **A** — Wrong: ochlocracy is mob rule. **C** — Wrong: neocracy is rule by the new/young. **D** — Wrong: kakistocracy is rule by the worst.

Question 10 Financial Management (Working Capital)

There is deterioration in the management of working capital of XYZ Ltd. What does it refer to?

- A. That debtors collection period has increased ✓ **Correct answer**
- B. That the Capital Employed has reduced
- C. That Sales has decreased
- D. That the Profitability has gone up

Note: **A — That debtors collection period has increased** — Correct: slower collection locks cash up in receivables — the classic sign of deteriorating working-capital management (examveda/mcqmate for this exact question). **B/C/D** — Wrong: capital employed, sales and profitability are not what the phrase refers to.

11 Pakistan Affairs (FATF)

Pakistan was officially removed from FATF grey list on which date?

- A. 26 October 2022
- B. 28 October 2022
- C. 29 October 2022
- D. 21 October 2022 ✓ **Correct answer**

Note: **D — 21 October 2022** — Correct: the FATF plenary of 20–21 October 2022 removed Pakistan from the grey list with immediate effect (Pakistan MOFA press release, Islamabad, 21 October 2022). **A/B/C** — Wrong dates.

Question 12 Cost Accounting (Key Factor)

A key factor is one which restricts?

- A. The volume of production ✓ **Correct answer**
- B. The volume of sales
- C. The volume of purchase
- D. All of the above

Note: **A — The volume of production** — Correct: a key (limiting) factor is the scarce resource that restricts output; decisions are ranked by contribution per unit of the key factor. **B/C** — Wrong: sales or purchases are the key factor only when they are the scarce resource. **D** — Wrong: all three are not simultaneously restricted by one factor.

Question 13 Management (Change)

According to Kurt Lewin, which of the following is not a stage in the change process?

- A. Refreezing
- B. Restraining ✓ **Correct answer**
- C. Unfreezing
- D. Changing

Restraining" — Correct. Lewin's three stages are unfreezing, changing (moving) and refreezing; 'restraining forces' belong to his force-field analysis, not to the stage list. **A/C/D** — Wrong as the odd one out: all three are stages.

Question 14 Finance (Ratios)

The ratios that refer to the ability of the firm to meet the short term obligations out of its short term resources?

- A. Activity ratios
- B. Profitability ratios
- C. Liquidity ratio ✓ **Correct answer**
- D. Leverage ratios

Note: **C — Liquidity ratio** — Correct: liquidity ratios (current, quick) test whether short-term resources cover short-term obligations. **A** — Wrong: activity ratios measure efficiency. **B** — Wrong: profitability ratios measure earnings. **D** — Wrong: leverage ratios measure long-term solvency.

Question 15 English (One Word)

One word substitution: Killing of one's son or daughter _____?

- A. Fratricide
- B. Filicide ✓ **Correct answer**
- C. Foeticide
- D. Infanticide

Note: **B — Filicide** — Correct: Latin filius/filia (son/daughter) + -cide — a parent killing their son or daughter (Cambridge Dictionary). **A** — Wrong: fratricide is killing a brother. **C** — Wrong: foeticide is killing a foetus. **D** — Wrong: infanticide is killing an infant, within a year of birth.

16 Accounting (Concepts)

Small items like, pencils, pens, files etc. are written off within a year according to _____ concept.

- A. Conservatism
- B. Realization
- C. Materiality ✓ **Correct answer**
- D. Consistency

Note: **C — Materiality** — Correct: immaterial small items are written off at once rather than capitalised — the materiality convention (Kerala PSC key; mcqmate for this exact question). **A** — Wrong: conservatism is prudence. **B** — Wrong: realisation governs revenue recognition. **D** — Wrong: consistency is using the same methods year to year.

Question 17 Cost Accounting (Costs)

The cost which is to be incurred even when a business unit is closed is a _____?

- A. Shutdown cost ✓ **Correct answer**
- B. Historical cost
- C. Sunk cost
- D. Imputed cost

Note: **A — Shutdown cost** — Correct: costs that continue even when the unit is closed (rent, retained staff, security). **B** — Wrong: historical cost is a past cost. **C** — Wrong: a sunk cost is already incurred and unrecoverable. **D** — Wrong: an imputed cost is notional, not actually paid.

Question 18 Accounting (Concepts)

Cost concept basically recognizes _____?

- A. Realizable value

- C. Fair market value
- D. Historical cost ✓ **Correct answer**

Note: **D — Historical cost** — Correct: the cost concept records assets at their original acquisition (historical) cost. **A/B/C** — Wrong: realisable value, replacement cost and fair market value are other valuation bases, not the cost concept.

Question 19 Accounting (Golden Rules)

Identify which is wrong rule?

- A. Nominal account-credit all incomes & gains
- B. Personal account-debit the receiver
- C. Nominal account-debit all expenses & losses
- D. Real account-credit what comes in ✓ **Correct answer**

Note: **D — Real account — credit what comes in** — Correct as the wrong rule: the golden rule for real accounts is debit what comes in, credit what goes out — D reverses it. **A** — Wrong as the answer: the nominal rule (debit expenses and losses) is stated correctly. **B** — Wrong as the answer: the personal rule (debit the receiver) is stated correctly. **C** — Wrong as the answer: the nominal rule (credit incomes and gains) is stated correctly.

Question 20 Management (Strategy)

MOST stands for _____?

- A. Machinery, Office, Staff and Technology
- B. Maximum Output Strategy Tools
- C. Manager, Operator, Seller and Trader
- D. Mission, Objectives, Strategies and Tactics ✓ **Correct answer**

Note: **D — Mission, Objectives, Strategies and Tactics** — Correct: MOST is the

ategic-planning acronym. **A/B/C** — Wrong: invented expansions.

Question 21 Auditing (IAASB)

IAASB is an abbreviation for ____?

- A. International Auditing and Assurance Standards Board ✓ **Correct answer**
- B. International Accountants and Auditors Standards Board
- C. Intemational Accounting and Auditing Standards Board
- D. International Accounting and Assurance Standards Board

Note: **A — International Auditing and Assurance Standards Board** — Correct: the IAASB sets the International Standards on Auditing. **B/C/D** — Wrong: they swap 'Auditing'/'Accounting'/'Accountants' incorrectly (option C also misprints 'Intemational' in the reproduction).

Question 22 Accounting (Accounts)

The accounts that records expenses, gains and losses are _____?

- A. Nominal accounts ✓ **Correct answer**
- B. Ledger Account
- C. Personal accounts
- D. Real accounts

Note: **A — Nominal accounts** — Correct: nominal accounts record expenses, incomes, gains and losses and close each year. **B** — Wrong: 'ledger account' is a generic term. **C** — Wrong: personal accounts record persons. **D** — Wrong: real accounts record assets.

Question 23 Partnership (Profit Sharing)

The NBC Company reports net income of $60,000. If partners N, B, and C have an income ratio of 50%, 30%, and 20%, respectively, C's share of the net income is _____?

,000

- B. $30,000
- C. $12,000 ✓ **Correct answer**
- D. All of the above

Note: **C — $12,000** — Correct: C's share = 20% x $60,000 = $12,000. **A** — Wrong: $18,000 is B's 30% share. **B** — Wrong: $30,000 is N's 50% share. **D** — Wrong: the shares are worked out above.

Question 24 Accounting (Equation)

Which one of the following is correct? Capital is equal to assets minus liabilities

- A. Capital is equal to assets minus liabilities ✓ **Correct answer**
- B. Capital is equal to assets plus liabilities
- C. Assets is equal to liabilities minus capital
- D. Liabilities is equal to capital plus assets

Note: **A — Capital is equal to assets minus liabilities** — Correct: the accounting equation is Assets = Capital + Liabilities, so Capital = Assets - Liabilities. **B/C/D** — Wrong: each rearranges the equation incorrectly.

Question 25 Accounting (Concepts)

Fundamental accounting assumptions are _____?

- A. Dual aspect
- B. Business Entity
- C. Materiality
- D. Going concern
- E. All of these ✓ **Correct answer**

Note: **E — All of these** — Correct as the paper's keyed answer: the MCQ-bank treatment lists business entity, going concern, dual aspect and materiality as the

accounting assumptions, and SPSC's own official key marks the five-option question E in all four paper types (A-Q45, B-Q09, C-Q34, D-Q24). Caveat, recorded openly: strictly per AS-1 the three fundamental assumptions are going concern, consistency and accrual, so 'All of these' is the paper's keyed answer rather than a textbook-perfect statement — see the verification summary. **A–D** — Wrong individually: each is only one of the four listed items.

Question 26 English (Idiom)

Idiom "Fly in ointment" means _____?

- A. Ruin the ointment
- B. Something that spoils a pleasant or enjoyable experience ✓ **Correct answer**
- C. Not the worth
- D. Be patient and enjoy

Note: **B — Something that spoils a pleasant or enjoyable experience** — Correct: the standard idiom meaning (theidioms.com). **A** — Wrong: ruining the ointment is the literal image. **C/D** — Wrong: neither captures the 'spoils enjoyment' sense.

Question 27 Economics (Trade)

Following World War II, the United States and other countries sought to liberalize trade among each other. The first major postwar step toward trade liberalization was the _____?

- A. The World Trade Organization
- B. General Agreement on Tariffs and Trade Organization ✓ **Correct answer**
- C. McKinley Agreement on Trade Policy
- D. Smoot-Hawley Organization

Note: **B — General Agreement on Tariffs and Trade Organization** — Correct: GATT (1947) was the first major post-war step toward trade liberalisation; the WTO only replaced it in 1995. **A** — Wrong: the WTO came later. **C/D** — Wrong: invented bodies.

28 Accounting (Liabilities)

The liabilities that are payable in more than a year and are not be liquidated from current assets?

- A. Fixed liabilities ✓ **Correct answer**
- B. Contingent liabilities
- C. Current liabilities
- D. All of the above

Note: **A — Fixed liabilities** — Correct: liabilities payable after more than a year and not settled from current assets are fixed (long-term) liabilities. **B** — Wrong: contingent liabilities depend on a future event. **C** — Wrong: current liabilities fall due within a year. **D** — Wrong: A is correct.

Question 29 Accounting (Accounts)

Real accounts records _____?

- A. Gains and losses
- B. Dealings with treditors or debtors
- C. Dealings in commodities ✓ **Correct answer**
- D. All of the above

Note: **C — Dealings in commodities** — Correct: real accounts record properties/assets, including goods/commodities (stock). **A** — Wrong: gains and losses go to nominal accounts. **B** — Wrong: dealings with creditors or debtors go to personal accounts (option as printed: 'treditors'). **D** — Wrong: C is correct.

Question 30 English (Antonym)

The Antonym of "Querulous" is?

- A. Idealistic
- B. Unromantic

- D. Uncomplaining ✓ **Correct answer**

Note: **D — Uncomplaining** — Correct: querulous means habitually complaining; uncomplaining is its direct opposite. **A** — Wrong: idealistic is unrelated. **B** — Wrong: unromantic is unrelated. **C** — Wrong: irritable is a near-synonym of querulous.

Question 31 Accounting (Basis)

A trader has made a sale of Rs.75,500 out of which cash sales amounted to Rs.25,500. He is of the view that in the Financials Statements for the year, he shall show a sales of Rs 75,500 & trade receivables of Rs.50,000. Which concept is followed by him?

- A. Cash basis of accounting
- B. Accrual Basis of accounting ✓ **Correct answer**
- C. Both A and B
- D. None of these

Note: **B — Accrual Basis of accounting** — Correct: revenue is recognised when earned, not when cash arrives — sales of Rs. 75,500 are shown with Rs. 50,000 still receivable. **A** — Wrong: cash basis would show only Rs. 25,500. **C/D** — Wrong: B is correct.

Question 32 English (Voice)

Change the voice: The company produces high-quality products?

- A. High quality products are being produced by the company
- B. High quality products were produced by the company
- C. High quality products are produced by the company ✓ **Correct answer**
- D. None of these

Note: **C — High quality products are produced by the company** — Correct: present-

ve — object + are + past participle. **A** — Wrong: present-continuous passive, changing the tense. **B** — Wrong: past passive. **D** — Wrong: C is correct.

Question 33 Partnership (Goodwill)

Goodwill brought in by an incoming partner in cash for joining in a partnership firm is can be taken by old partners in their _____?

- A. Capital ratio
- B. Sacrificing ratio ✓ **Correct answer**
- C. New profit sharing ratio
- D. Old profit sharing ratio

Note: **B — Sacrificing ratio** — Correct: premium for goodwill brought in by a new partner goes to the old partners in the ratio in which they sacrifice profit share (old ratio less new ratio; ICAI partnership material). **A** — Wrong: the capital ratio is not the basis. **C** — Wrong: the new ratio is what the partners get, not what they sacrifice. **D** — Wrong: the old ratio alone ignores the new partner's share.

Question 34 Accounting (Intangibles)

Which intangible asset is recorded only as part of the acquisition of another company?

- A. Franchise
- B. Goodwill ✓ **Correct answer**
- C. Copyright
- D. Patent

Note: **B — Goodwill** — Correct: only purchased goodwill (on acquiring another business) is recognised as an asset; internally generated goodwill is not recorded (ICAI; AS-26). **A/C/D** — Wrong: a franchise, copyright or patent can be recognised when acquired separately — goodwill is the one that arises only on acquisition.

35 Accounting (Vouchers)

Which of the following voucher is used to record transactions that do not affect bank and cash?

- A. Payment Voucher
- B. Nominal Voucher
- C. Journal Voucher ✓ **Correct answer**
- D. Receipt Voucher

Note: **C — Journal Voucher** — Correct: transactions touching neither bank nor cash are recorded by journal voucher. **A** — Wrong: a payment voucher records cash/bank payments. **B** — Wrong: 'nominal voucher' is not the standard term for this. **D** — Wrong: a receipt voucher records cash/bank receipts.

Question 36 English (Vocabulary)

"Adumbrate" means _____?

- A. Dead body
- B. Outline ✓ **Correct answer**
- C. Corpse
- D. Hatred

Note: **B — Outline** — Correct: adumbrate means to outline, sketch, or give a faint indication of (Ordway, Synonyms and Antonyms). **A/C** — Wrong: 'dead body' and 'corpse' are meanings of cadaver. **D** — Wrong: hatred is unrelated.

Question 37 English (Vocabulary)

"Cadaver" means _____?

- A. Corpse ✓ **Correct answer**
- B. Friendship
- C. Hatred

Note: **A — Corpse** — Correct: a cadaver is a dead (human) body, i.e. a corpse (Oxford Advanced Learner's; Wikipedia). **B/C/D** — Wrong: friendship, hatred and outline are unrelated.

Question 38 Partnership (Profit Sharing)

If partners do not have any agreement, how should profits or losses be shared?

- A. In the ratio of the partners individual capitals
- B. In proportion to the amount of time that the partners work
- C. Equally after interest has been allowed on capital
- D. Equally ✓ **Correct answer**

Note: **D — Equally** — Correct: with no agreement, partnership law's default is equal sharing of profits and losses (Partnership Act 1890 s.24; Pakistan Partnership Act 1932 s.13). **A** — Wrong: capital proportions are not the default. **B** — Wrong: time worked is not the default. **C** — Wrong: no interest on capital is allowed by default, so 'equally after interest' fails.

Question 39 Economics (Demand)

Basic assumptions of law of demand include _____?

- A. Prices of other goods should change
- B. The commodity should not confer any distinction ✓ **Correct answer**
- C. There should be substitute for the commodity
- D. The demand for the commodity should not be continuous

Note: **B — The commodity should not confer any distinction** — Correct: the standard assumption list for the law of demand includes that the commodity is not a prestige/status good (gkscientist; standard BEFA material). **A** — Wrong: prices of other goods should NOT change. **C** — Wrong: there should be NO substitute. **D** — Wrong: demand

Question 40 Accounting (Gross Profit)

Suppose Austin Sound had sales of $300,000 and sales returns of $45,000. Cost of goods sold was $152,000. How much gross profit did Austin Sound report?

- A. $255,000
- B. $88,000
- C. $148,000
- D. $103,000 ✓ **Correct answer**

Note: **D — $103,000** — Correct: net sales = $300,000 - $45,000 = $255,000; gross profit = $255,000 - $152,000 = $103,000. **A** — Wrong: $255,000 is net sales, before COGS. **B/C** — Wrong: arithmetic errors.

Question 41 Finance (Ratios)

The measure of how efficiently the assets resources are employed by the firm is called ___?

- A. Activity ratios ✓ **Correct answer**
- B. Liquidity ratio
- C. Leverage ratios
- D. Profitability ratios

Note: **A — Activity ratios** — Correct: activity (turnover/efficiency) ratios measure how efficiently asset resources are employed. **B** — Wrong: liquidity ratios measure short-term solvency. **C** — Wrong: leverage ratios measure gearing. **D** — Wrong: profitability ratios measure earnings.

Question 42 English (Antonym)

The Antonym of "Merriments" is?

- B. Hamper
- C. Sorrow ✓ **Correct answer**
- D. Cheer

Note: **C — Sorrow** — Correct: merriment is joy, festivity and laughter; its antonym is sorrow. **A** — Wrong: intricate is unrelated. **B** — Wrong: hamper is unrelated. **D** — Wrong: cheer is a synonym of merriment.

Question 43 Cost Accounting (Pricing)

When prices fluctuate widely, the method of pricing that smooths out the effects of fluctuations is ____?

- A. Weighted average ✓ **Correct answer**
- B. Simple average
- C. FIFO
- D. LIFO

Note: **A — Weighted average** — Correct: the weighted-average method smooths price fluctuations by averaging costs. **B** — Wrong: a simple average ignores quantities. **C/D** — Wrong: FIFO and LIFO follow specific flow assumptions and do not smooth fluctuations.

Question 44 Accounting (Stock)

Following information is available relating to a manufacturing concern: Cost of Goods Sold Rs.245,000. Purchases Rs.250,000, Freight Inward Rs.5,000, Closing stock Rs.25,000. What will be the amount of Opening Stock?

- A. Rs. 20,000
- B. Rs. 15,000 ✓ **Correct answer**
- C. Rs. 25,000
- D. Rs. 10,000

Rs. 15,000** — Correct: COGS = Opening stock + Purchases + Freight inward - Closing stock, so 245,000 = Opening stock + 250,000 + 5,000 - 25,000, giving Opening stock = Rs. 15,000. **A/C/D** — Wrong: arithmetic errors.

Question 45 Accounting (Depreciation)

A manufacturer buys a machine for $20,000. Its estimated life is five years with a scrap value of $10,000. Depreciation is charged on the straight-line method. What is the percentage rate of depreciation on an annual basis?

- A. 20%
- B. 50%
- C. 5%
- D. 10% ✓ **Correct answer**

Note: **D — 10%** — Correct: annual depreciation = ($20,000 - $10,000) / 5 = $2,000; $2,000 / $20,000 = 10% a year. **A** — Wrong: 20% ignores the scrap value. **B/C** — Wrong: arithmetic errors.

Question 46 Cost Accounting (Contribution)

Contribution margin _____?

- A. Is sales less cost of goods sold
- B. Is revenue remaining after deducting variable costs and may be expressed as unit contribution margin ✓ **Correct answer**
- C. Is revenue remaining after deducting fixed and variable costs
- D. May not be expressed as unit contribution margin

Note: **B — Is revenue remaining after deducting variable costs and may be expressed as unit contribution margin** — Correct: contribution margin = sales less variable costs, total or per unit. **A** — Wrong: sales less cost of goods sold is gross profit. **C** — Wrong: deducting fixed costs as well gives operating profit. **D** — Wrong: unit contribution margin is a standard expression.

47 Accounting (Drawings)

The following information is taken from a sole trader's accounts: Opening Capital $12,000, Closing Capital $13,800. Net Profit $3,000. What are the trader's drawings?

- A. $4,800
- B. 22,800
- C. $1,200 ✓ **Correct answer**
- D. $1,800

Note: **C — $1,200** — Correct: Drawings = Opening capital + Net profit - Closing capital = 12,000 + 3,000 - 13,800 = $1,200. **A** — Wrong: $4,800 is an arithmetic error. **B** — Wrong: 22,800 (as printed, without a $ sign) is an arithmetic error. **D** — Wrong: $1,800 is an arithmetic error.

Question 48 Finance (Ratios)

Liquid or Quick assets is equal to _____?

- A. (Current assets + stock) + work in progress
- B. (Current assets + work in progress) - stock
- C. Current assets - (stock + work in progress) ✓ **Correct answer**
- D. Current assets + stock + work in progress

Note: **C — Current assets - (stock + work in progress)** — Correct: quick (liquid) assets exclude stock and work in progress, the least liquid current assets. **A/B/D** — Wrong: each adds stock (and work in progress) back in.

Question 49 Finance (Capital Budgeting)

A project should be accepted if its internal rate of return exceeds _____?

- A. The rate of return on a government bond
- B. Zero
- C. The rate the company pays on borrowed funds

company's required rate of return ✓ **Correct answer**

Note: **D — The company's required rate of return** — Correct: the IRR rule is to accept a project if its IRR exceeds the required return (hurdle rate / cost of capital). **A** — Wrong: a government-bond rate is not the benchmark. **B** — Wrong: zero is not a benchmark. **C** — Wrong: the borrowing rate is only the cost of debt, not the required return.

Question 50 Finance (Ratios)

Current ratio is equal to _____?

- A. Current assets/Current liabilities ✓ **Correct answer**
- B. Debt/Equity
- C. Quick assets/Current liabilities
- D. Current assets/Equity

Note: **A — Current assets/Current liabilities** — Correct: the current ratio. **B** — Wrong: debt/equity is a leverage ratio. **C** — Wrong: quick assets/current liabilities is the quick ratio. **D** — Wrong: current assets/equity is not a standard ratio.

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