

Top 100 Questions For SSC CGL AAO Exam 2020

1. While balancing three column cash book, the discount columns are:

- A. Totaled but not adjusted
- B. Totaled and also adjusted
- C. Totaled but not balanced
- D. Balanced but not totaled

Ans. C

Sol. Discount columns are not balanced but are totaled. Amount in the discount column on the receipts (debit) side is the amount of cash discount allowed on the payments received, it is an expense for the business. Amount in the discount column on the payments (credit) side is the amount of cash discount received on the payments made, it is an income for the business.

RULE for Nominal Account is : Debit all expenses and losses and credit all income and gains.

2. Statement I: Fees received for life membership is a capital receipt, and it is directly added to capital fund or general fund.

Statement II: Specific donation should be capitalized and shown on the credit side of Income and Expenditure account.

Choose the correct option from the following:

- A. Statement I is correct, Statement II is incorrect.
- B. Statement I is incorrect, Statement II is correct.
- C. Both Statement I and Statement II are correct.
- D. Both Statement I and Statement II are incorrect.

Ans. A

Sol.

Specific donation is received for specific purposes, and it should be capitalized and shown on the liabilities side of the balance sheet. General donation, on the other hand, is shown on the credit side of Income and Expenditure account.

Thus, Option A is correct.

3. The law of _____ states that other things remaining the same, the quantity supplied

of a commodity is directly or positively related to its price.

- A. Demand
- B. Diminishing utility
- C. Supply
- D. Diminishing returns

Ans. C

Sol.

• The law of Supply states that, other things remaining the same, the quantity supplied of a commodity is directly or positively related to its price.

• The Price Elasticity of Supply (E_s) = Percentage change in quantity supplied / Percentage change in price

• $E_s < 1$ (Less Elastic Supply Curve), when positively sloped supply curve starts from x-axis.

• $E_s = 0$ (a perfectly inelastic supply curve), it is a vertical straight line parallel to the y-axis.

• $E_s > 1$ (Highly Elastic Supply Curve), when positively sloped supply curve starts from y-axis.

• $E_s = \text{Infinite}$ (a perfectly elastic supply curve), it is a horizontal straight line parallel to the x-axis.

4. Parliament's Fiscal Responsibility and Budget Management (FRBM) Act, 2003 focuses on:

- A. Fiscal deficit only
- B. Both fiscal and revenue deficit
- C. Neither fiscal nor revenue deficit
- D. Revenue deficit only
- E. None of the above

Ans. B

Sol.

The Fiscal Responsibility and Budget Management Act, 2003 (FRBM) is an Act of the Parliament of India to institutionalize financial discipline, reduce India's fiscal deficit, improve macroeconomic management and the overall management of the public funds by moving towards a balanced budget and strengthen fiscal prudence. The main purpose was to eliminate the revenue deficit of the country



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and bring down the fiscal deficit to a manageable 3% of the GDP.

5. In single entry mostly:

- A. Personal aspects of transactions are recorded
- B. Nominal aspects of transactions are recorded
- C. Real aspects of transactions are recorded
- D. Both Nominal and Real aspects of transactions are recorded

Ans. A

Sol. Instead of maintaining all the accounts in a single entry system, only Personal accounts and cash book are maintained.

In this system, only debtor's ledger and creditor's ledger are kept.

6. Which of the following types of accounts does the Balance Sheet include?

- A. Nominal
- B. Real and Nominal
- C. Nominal and Personal
- D. Real and Personal

Ans. D

Sol. Balance sheet includes only two types of accounts namely, Real and Personal Accounts.

Thus, Option D is correct.

7. Bank Reconciliation Statement compares a bank statement with:

- A. Cash receipt journal
- B. Cashbook
- C. Cash payment journal
- D. Financial statements

Ans. B

Sol.

Bank reconciliation statement is a report which **compares** the **bank** balance as per company's accounting records with the balance stated in the **bank statement**. As per accounting records, it is normal for a company's bank balance to differ from the balance as per **bank statement** due to timing differences.

8. The Accounting Concept of Matching means:

- A. Profit for the period to be matched with investment
- B. Expenses of one period to be matched against the expenses of another period
- C. Profit for the period to be matched with sales revenue
- D. Expenses of one period to be matched against the revenue of the same period

Ans. D

Sol.

• The Accounting Concept of Matching means expenses of one period to be matched against the revenue of the same period.

• The revenue and expenses incurred to earn these revenues must belong to the same accounting period. Hence, option D is correct.

9. Which curve graphically represent all the possible options of output for two products?

- A. Production possibility frontier
- B. Phillips Curve
- C. Economic Possibility Curve
- D. Demand Supply frontier

Ans. A

Sol.

• **Production possibility frontier** is a graphical representation showing all the possible options of output for two products that can be produced using all factors of production.

• This curve illustrates the production possibilities available during a given period of time.

10. Which one of the following institutions helps in averting the Balance of Payment crisis?

- A. International Monetary Fund
- B. International Development Association
- C. World Bank
- D. Asian Development Bank
- E. None of the above/More than one of the above

Ans. A

Sol.



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The International Monetary Fund helps in correcting the Balance of Payment of the member countries. The IMF assists countries in restoring economic stability by helping to devise programs of corrective policies and providing loans to support them.

11. Tooth paste is a product sold under:
- A. Monopolistic competition
 - B. Perfect competition
 - C. Monopoly
 - D. Duopoly

Ans. A

Sol.

Tooth paste is a product sold under Monopolistic competition. Under this form of market, there is close competition among the sellers to sell their commodity by incurring heavy expenditure on advertisement. Products in this form of market is heterogeneous, it means similar usage but different taste, quality, shape, size etc., due to differentiated products, each firm has an incentive to sell more units by improving the quality, shape, size etc., and they charge different price also.

12. The Imperial Bank of India was renamed as _____ in 1955.
- A. Central Bank of India
 - B. The State Bank of India
 - C. Allahabad Bank
 - D. Punjab National Bank

Ans. B

Sol.

- **The Imperial Bank of India** was renamed as **State Bank of India** in **1955**.
- The Imperial Bank of India came into existence on **27 January 1921**.
- State Bank of India is headquartered in **Mumbai, Maharashtra**.

13. Which of the following is not a part of new economy reforms?
- A. Centralisation
 - B. Liberalization
 - C. Privatisation
 - D. Globalization

Ans. A

Sol. The **economy of India** had undergone significant policy shifts in the beginning of the **1990s**. This new model of economic reforms is commonly known as the **LPG** or **Liberalization, Privatization** and **Globalization** model.

14. The trial balance is prepared from information obtained from which of the following book?

- A. Ledger
- B. Journal
- C. Cash Book
- D. Purchase Book

Ans. B

Sol.

- **Journal:** It is a detailed account that records all the financial transactions of a business along with the date that is to be used for future reconciling of and transfer to other accounting records such as the general ledger.
- Journal is also known as the book of original entry as it's the first place where all transactions are recorded.
- A trial balance is prepared to verify that the debits equal the credits on the chart of accounts.

15. Number of sellers in the monopoly market structure is _____.

- A. Few
- B. Large
- C. One
- D. Two

Ans. C

Sol.

- A **monopoly** exists when a specific person or enterprise is the only supplier of a particular commodity (this contrasts with a monopsony which relates to a single entity's control of a market to purchase a good or service, and with oligopoly which consists of a few entities dominating an industry).
- Monopolies are thus characterized by a lack of economic competition to produce the good or service, a lack of viable



substitute goods, and the existence of a Difficult monopoly price well above the firm's marginal cost that leads to a Difficult monopoly profit.

- The verb "monopolise" refers to the *process* by which a company gains the ability to raise prices or exclude competitors. In economics, a monopoly is a single seller. In law, a monopoly is a business entity that has significant market power, that is, the power to charge overly Difficult prices. Although monopolies may be big businesses, size is not a characteristic of a monopoly. A small business may still have the power to raise prices in a small industry (or market).

16. Single Entry System is also known as:

- A. Accounts from Incomplete Records
- B. Accounts from Complete Records
- C. Scientific System
- D. None of these

Ans. A

Sol. The accounts maintained under this system are incomplete and unsystematic and, therefore, not reliable. Thus, the Single Entry System is also known as Accounts from Incomplete Records.

17. The term _____ signifies that an amount has been incurred as expense or earned as income and the due date of payment of which falls in the next financial period.

- A. Compound
- B. Accrued
- C. Deferred
- D. Retained

Ans. B

Sol.

The term 'accrued' signifies that an amount has been incurred as expense or earned as income and the due date of payment of which falls in the next financial period. Deferred represents the advance payment of the future expenses not yet been incurred.

Thus, Option B is correct.

18. Which of the following is considered as an event?

- A. Sale of goods for Rs.50,000
- B. Closing stock of worth Rs.40,000
- C. Purchase of goods for Rs.80,000
- D. Rent paid Rs.20,000

Ans. B

Sol.

* An event is known as a happening of consequence to a business organization which consists of transactions and which are measurable in monetary terms.

* All other option except option B is a transaction. Hence, option B is correct.

19. Which of the following comes under the scope of Macro Economics :

- i) National Income of the country
- ii) Savings and Investments
- iii) Consumer Behavior
- iv) Study of Firms

A. i , ii

B. i , ii , iii

C. iv

D. i , iv

Ans. A

Sol. National income and Savings & Investment study about the overall economic phenomena or the economics as a whole rather than an individual. Consumer behavior and Study of firms study the economic behavior of an individual, firm or industry they come under the scope of Micro Economics.

20. Which amongst the following is NOT one of the four main factors of production?

- A. Land
- B. Labour
- C. Expenditure
- D. Entrepreneurship

Ans. C

Sol.

- Production factors in economics are referred as inputs that are used for production of services and goods to make profit.

- There are four major Factors of Production which are-



- a) Land
- b) Labour
- c) Capital
- d) Enterprise

• Land covers natural resources while labor is associated with human resources, capital includes manmade resources, and enterprise combines all the three factor, to carry out the production process.

21. The sum of a nation's gross domestic product and the net income it receives from overseas is known as _____.

- A. Gross National Product (GNP)
- B. Net Domestic Product (NDP)
- C. Net National Product at Market Price (NNPmp)
- D. Net National Product at Factor Cost (NNPfc)
- E. None of the above

Ans. A

Sol. It is the GDP of a country added with its **income from abroad**.

$GNP = GDP + \text{Income from Abroad}$

Or,

$GDP = GNP - \text{Income from abroad}$

Income from abroad = trade balance + interest on External Loans + Private Remittance

Private remittance = inflows and outflows on account of private transfer e.g. NRI

Trade balance = net outcome at the year end of the total import and export.

Interest on external loans = balance of the inflow of interest payment (on money lend out of economy) – outflow of interest payment (on the money borrowed by the economy)

In case of India, GNP is negative. This is because of heavy outflows on account of Trade Deficit and interest payment on foreign loans.

22. Among the following, who are eligible to benefit from the "Mahatma Gandhi National Rural Employment Guarantee Act"?

- A. Adult members of only the scheduled caste and scheduled tribe households only

B. Adult members of below poverty line (BPL) households only

C. Adult members of households of all backward communities only

D. Adult members of any rural household

Ans. D
Sol. It is an employment scheme that was launched in **2005** to provide social security by guaranteeing a minimum of **100 days** paid work per year to **all the families** whose adult members opt for **unskilled labour-intensive work**.

23. An increase in the price of electricity will cause the demand for electric appliances to:

- A. rise
- B. fall
- C. remains the same
- D. None of these

Ans. B

Sol.

There is an inverse relationship between price of a commodity and demand for its **complimentary goods**.

If price of electricity will increase, then demand for electric appliances will decrease and vice-versa because these are complimentary goods which are used together.

24. The price elasticity of supply of a good is 2. By what percentage should its price rise so that its supply rises by 40 percent?

- A. 20
- B. 10
- C. 50
- D. 80

Ans. A

Sol.

• **Price elasticity of supply = % change in quantity supplied / % change in price**

• **So, % change in price = % change in quantity supplied / price elasticity of supply**

• Here, Price elasticity of supply of a good = 2, % change in quantity supplied = 40%.

• So, % change in price = $40\% / 2 = 20\%$



25. What is the percentage of ownership of Central government, state government and sponsor bank respectively in a Regional Rural Bank?

- A. 50, 25, 25
- B. 33.33, 33.33, 33.33
- C. 75, 15, 10
- D. 50, 15, 35

Ans. D
Sol.

* The percentage of ownership of Central government, state government and sponsor bank in a Regional Rural Bank is **50, 15 and 35** respectively.

* Regional Rural Banks are established under the **Regional Rural Banks Act, 1976**.

* Every Regional Rural Bank is sponsored by a Public Sector Bank.

* They provide banking facilities to rural and semi-urban areas, they carry out government operations like disbursement of wages of MGNREGA workers, distribution of pensions etc.

26. _____ has defined Economics as the science of wealth.

- A. Lionel Robbins
- B. Alfred Marshall
- C. Paul Samuelson
- D. Adam Smith

Ans. D
Sol.

• Adam Smith is called **the Father of Economics**.

• He has also developed **the concept of gross domestic product (GDP)**.

• He wrote famous book **"The Wealth of Nations"**.

• He believed that **more wealth to common people would benefit the national economy as a whole**.

27. For an inferior good, demand falls when _____.

- A. price rises
- B. income rise
- C. price falls

D. income falls

Ans. B
Sol.

• Inferior goods are the opposite of normal goods, whose demand increases even when incomes increase.

• An inferior good is a type of good that decreases in demand when income rises. Conversely, **demand for these goods will increase when income falls**.

28. The good of prestige value whose demand increases with increase in their price are known as _____ goods.

- A. Normal goods
- B. Veblen goods
- C. Inferior goods
- D. Giffen goods

Ans. B
Sol.

• **The good of prestige value whose demand increases with increase in their price are known as Veblen goods**.

• It is a type of luxury good for which demand increases as the price increases which results in an upward-sloping demand curve.

• Some common examples are expensive Swiss watches, certain wines, jewelry, luxury cars etc.

29. Which of the following is prepared from ledger accounts to test the arithmetical accuracy of the books?

- A. Journals
- B. Trial balance
- C. Cashbook
- D. Profit & Loss accounts

Ans. B
Sol.

• A **trial balance** is a statement of all the general ledger accounts contained in the ledger of a business.

• The general purpose of producing a trial balance is to ensure the entries in a company's ledger are mathematically correct.

• The total of debit amounts shall be equal to the credit amounts in the trial balance.



30. A Suspense Account will give the:
- A. Debit balance
 - B. Credit balance
 - C. Debit or Credit balance, as the case may be.
 - D. None of these

Ans. C

Sol.

Suspense Account is the account to which the amount being the difference in trial balance is placed. If the total of debit side is short, Suspense Account will show debit balance. And if, the total of credit side is short, Suspense account will show credit balance. The difference is placed in the Suspense account so that final accounts are prepared. As a result of this, Trial Balance will appear to agree. Hence, option C is correct.

31. Which type of institution is the Finance Commission?

- A. Statutory institution
- B. Constitutional institution
- C. Non-constitutional institution
- D. No option is correct.

Ans. B

Sol.

- The Finance Commission is a Constitutional institution.
- It was established by the President of India in 1951 under Article 280 of the Indian Constitution.
- It was formed to define the financial relations between the central government of India and the individual state governments.

32. Disinvestment in Public Sector is called

- A. Liberalisation
- B. Globalisation
- C. Industrialisation
- D. Privatization

Ans. D

Sol.

- Disinvestment in Public Sector is called **Privatisation**.
- Disinvestment is the process in which certain Percentages of share of public

sector units is Disinvested to private sector. It is also known as privatization .

- Hence, option D is correct.

33. The objective/objectives of the Statutory Liquidity Ratio is/are

- A. To ensure that banks maintain sufficient cash with themselves
- B. To induce banks to sell Government Securities
- C. To ensure the percentage of deposits of a bank which it has to keep with RBI
- D. All of the above

Ans. A

Sol.

The objectives of the Statutory Liquidity Ratio are:

1. To ensure that banks should maintain sufficient cash with themselves
2. To induce Banks to buy Government Securities

34. In _____ economies, all productive resources are owned and controlled by the government.

- A. Capitalist
- B. Mixed
- C. Socialist
- D. Dual

Ans. C

Sol.

- In the socialist economies all the means of production are owned and controlled by the government in the overall interest of the society.
- A central planning authority takes the decisions.
- Main emphasis is on equality and economic security.
- The goal is to reduce class distinctions.

35. In which market form, a market or industry is dominated by a few firms?

- A. Perfect Competition
- B. Monopoly
- C. Oligopoly
- D. Monopolistic

Ans. C



Sol. Oligopoly is a market form in which market is dominated by a few firms through collusion thus reducing competition for sellers through entry barriers and increasing price for the buyers taking advantage of consumer loyalty.

36. Transactions are posted in Ledger account from which of the following?

- A. Journal
- B. Cash book
- C. Voucher Bills
- D. Bank Statements

Ans. A

Sol.

- **Journal:** It is a detailed account that records all the financial transactions of a business along with the date that is to be used for future reconciling of and transfer to other accounting records such as the general ledger.

- Journal is also known as the book of original entry as it's the first place where all transactions are recorded.

- The ledger accounts begin after journal entry. The transactions are posted in Ledger account from Journal.

37. Which of the following types of accounts normally have a credit balance?

- A. Assets, Liability, Capital
- B. Revenues, Liability, Capital
- C. Revenues, Liability, Expenses
- D. Revenues, Liability, Losses

Ans. B

Sol. The rules may be summarised as follows:

- 1) Increase in assets are debits;
Decrease in assets are credits.
- 2) Increase in capitals are credit;
Decrease in capitals are debit
- 3) Increase in liabilities are credit;
Decrease in liabilities are debit
- 4) Increase in incomes and gain are credit;
Decrease in incomes and gain are debits.
- 5) Increase in expenses and losses are debited;
Decrease in expenses and losses are credits.

38. Gross National Product – Depreciation Allowance =?

- A. Net National Product
- B. Gross Domestic Product
- C. Per Capital Income
- D. Personal Income

Ans. A

Sol. Net national product (NNP) refers to the gross national product (GNP), i.e. the total market value of all final goods and services produced by the factors of production of a country during a given time period, minus depreciation.

39. When the Reserve Bank of India announces an increase of the Cash Reserve Ratio, what does it mean ?

- A. The commercial banks will have less money to lend
- B. The Reserve Bank of India will have less money to lend
- C. The Union Government will have less money to lend
- D. The commercial banks will have more money to lend
- E. None of these

Ans. A

Sol. Cash Reserve Ratio is a tool which is used by Reserve Bank of India to control liquidity in banking systems. When the CRR is increased, it means that the banks will have less funds available to lend and the money gets sucked in circulation.

40. Increase in demand occurs due to:

- A. decrease in price of the complementary goods
- B. increase in income of the consumer
- C. increase in price of the substitutes
- D. All of these

Ans. D

Sol.

Decrease in price of the complementary goods leads to an increase in demand for the product. For example, if price of a **Toy** increases, the demand of **Battery** decreases and if price of **Toy** decreases, the demand of **Battery**



increases. Hence, there is an **inverse relationship**.

Increase in income of a consumer leads to increase in demand of the goods because a consumer can buy more goods just because his income has increased.

Increase in price of the substitutes leads to increase in demand for the product. For example, if price of **Stick Pen** increases, the demand of **Reynolds Pen** increases and when the price of **Stick Pen** decreases, the demand of **Reynolds Pen** decreases. Hence, there is a **direct positive relationship**.

41. Which of the following is a Real account:

- A. Building a/c
- B. Capital a/c
- C. Rent a/c
- D. All of these

Ans. A

Sol. Real accounts are the accounts which relate to tangible or intangible assets of the firm (Excluding Debtors).

42. The entry which involves more than two accounts is known as _____.

- A. Contra Entry
- B. Compound Entry
- C. Double Entry
- D. Mixed Entry

Ans. B

Sol.

- Compound Entry: A compound journal entry is the accounting entry which involves more than one debit, more than one credit, or more than one of both debits and credits accounts.
- It is generally a combination of many simple journal entries.

43. Which of the following program was launched by merging National Rural Employment Program and Rural Landless Employment Guarantee Program?

- A. Antyodaya Yojana
- B. Integrated Rural Development Program
- C. Indira Awas Yojana

D. Jawahar Rozgar Yojana

E. Rajiv Awas Yojana

Ans. D

Sol. **Jawahar Rozgar Yojana** was launched in **1989** by merging **National Rural Employment Program** and **Rural Landless Employment Guarantee Program**.

This was the largest National Employment Program of India at that time with the main objective of providing 90-100 days of employment per person, particularly in backward districts.

44. The process of finding out the balance of a ledger account is known as:

- A. Posting
- B. Calculating
- C. Investigating
- D. Balancing

Ans. D

Sol. Balance of an account is the difference between the total of debit and credit sides of an account.

45. The law of.....states that as the quantity of one factor is increased, keeping the other factors fixed, the marginal product of that factor will eventually decline?

- A. Law of Diminishing Returns
- B. Law of Variable Proportions
- C. Law of Dynamic Proportions
- D. Law of Break-even Output

Ans. A

Sol.

* **The law of Diminishing Returns** states that as the quantity of one factor are increased, keeping the other factors fixed, the marginal product of that factor will eventually decline.

* This law states that up to a certain stage the marginal product of the factor increases and after one particular point it starts diminishing.

* When the variable factor becomes relatively abundant, the marginal product may become negative.



* The law which brings out relationship between varying factor properties and output is known as **Law of Variable Proportions**.

46. The recording of capital contributed by the owner as liability ensures adherence of concept of:

- A. Double entry
- B. Separate entity of a business
- C. Going concern
- D. Matching

Ans. B

Sol.

- The concept of business entity assumes that the business has a distinct and a separate entity from its owners.
- It means that for the purposes of accounting, the business and its owners are to be treated as two separate entities.
- According to this concept, the capital contributed by the owner is treated as a liability for the business. Hence, option B is correct.

47. _____ of American Institute of Certified Public Accountants (AICPA) enumerated the functions of Accounting.

- A. Accounting Principles Board
- B. Accounting Concepts Board
- C. Accounting Standards Board
- D. None of the above

Ans. A

Sol.

* **Accounting Principles Board** of American Institute of Certified Public Accountants (AICPA) enumerated the functions of Accounting. In 1941, The American Institute of Certified Public Accountants (AICPA) had defined accounting as the art of recording, classifying, and summarizing in a significant manner and in terms of money, transactions and events.

* In 1970, the Accounting Principles Board of AICPA also emphasized that the function of accounting is to provide quantitative information, primarily financial in nature, about economic entities, that is intended to

be useful in making economic decisions. Hence, option A is correct.

48. Which of the statement is true about giffen goods?

- A. Rise in price causes an increase in demand
- B. Rise in price causes a decrease in demand
- C. Lowering in price causes a increase in demand
- D. Lowering in price causes a decrease in demand

Ans. A

Sol.

Giffen goods are those goods, where a higher price causes an increase in demand (reversing the usual law of demand).

- The Giffen Goods are an **exception** to the law of demand.
- The concept was given by **Sir Robert Giffen**.
- Alfred Marshall first publicized this idea in the 1895 edition of his Principles of Economics.

49. Which of the following acts as a foundation to create financial statements for the business?

- A. Journal
- B. Ledger
- C. Trial Balance
- D. Subsidiary Books

Ans. C

Sol.

- * **Trial balance** acts as a foundation to create financial statements for the business.
- * It is a statement of debit and credit balances of all ledger accounts.
- * Trial Balance ensure the arithmetic accuracy of all books.

50. Suspense account is used for rectifying -----

- A. One-Sided Errors
- B. Two-Sided Errors
- C. Three-Sided Errors



D. None of these

Ans. A

Sol.

Suspense account is used for rectifying the errors, which affect the Trial Balance by passing their double entry in the debit side or credit side of the Suspense Account. Thereafter, one-sided error will be rectified by passing a Journal Entry either debiting or crediting the Suspense Account. Hence, option A is correct.

51. State Finance Commission is mentioned under which article of the Indian constitution?

- A. 243 (I)
- B. 243 (A)
- C. 243 (D)
- D. 243 (O)

Ans. A

Sol. The **State Finance Commissions** has been established in the various states of India according to the guidelines that have been laid down in the Constitution of India, **Article 243 (I)**, so that they can help in improving the **financial condition** of the various local bodies such as **Panchayati raj** institutions and municipal bodies that are there in the states.

52. GAAP's are:

- A. Generally Accepted Accounting Provisions
- B. Generally Accepted Accounting Policies
- C. Generally Accepted Accounting Principles
- D. None of the above

Ans. C

Sol.

- GAAP's stands for Generally Accepted Accounting Principles.
- It refers to the rules or guidelines adopted for recording and reporting of business transactions, in order to bring uniformity in the preparation and the presentation of financial statements. Hence, option C is correct.

53. The opportunity cost of a factor of production is_____.

- A. what has to be paid to retain it in its present use.
- B. what it is earning its present uses.
- C. What it can earn in total other uses.
- D. In the long run what can earned

Ans. A

Sol.

- The opportunity cost of a factor of production is what has to be paid to retain in its present use.
- The opportunity cost in general refers to the value of what you have to give up in order to choose a particular option.
- It refers to value forgone.

54. Gross domestic product is a measure of:

- A. A country's international economic activities
- B. A country's domestic economic activities
- C. A country's financial position
- D. A country's industrial output.
- E. None of these

Ans. B

Sol. Gross domestic product (GDP) is the monetary value of all the finished goods and services produced within a country's borders in a specific time period. In calculating GDP, we consider the total value of all goods and services, produced by both resident citizens and foreign nationals who reside within the boundary of that country.

55. The law of demand indicates_____.

- A. The relationship between the increase of a consumer and the quantity demanded
- B. The relationship between the price of a commodity and the quantity demanded
- C. The relationship between price of one commodity and the price of substitute
- D. The relationship between prices of two commodities

Ans. B

Sol.

- The law of demand indicates the relationship between the price of a



commodity and the quantity demanded.

- It states that the price and quantity demanded of any good are inversely related to each other when other factors remain Constant.
- When the price of a product increases, the demand for the same product will decrease & vice-versa.

56. The father of Economics is _____.

- A. Marshall
- B. Adam Smith
- C. J.M. Keynes
- D. Karl Marx

Ans. B

Sol. The father of Economics is Adam Smith. Adam Smith is called the father of economics because he was one of the first people during his time to theorize economic theory

Hence, option is B correct.

57. In the initial stages of production, generally the increasing returns to scale operate because_____

- A. Input is increased
- B. Capital equipment is new
- C. Economies of scale operate
- D. Absence of bottlenecks in production

Ans. C

Sol.

- In the initial stages of production, generally the increasing returns to scale operate because economies of scale operate.

- Economies of scale occur when large quantity of goods is produced on a large scale which reduces cost of production.

- It helps in increasing the return in initial stage.

58. Local vegetable market is an example of which type of competition?

- A. Perfect competition
- B. Monopolistic competition
- C. Monopoly competition
- D. Oligopoly competition

Ans. A

Sol.

Local vegetable market is an example of Perfect competition. It refers to a type of market where large numbers of buyers and sellers are selling homogenous product at a particular price which is decided by the industry.

59. The headquarters of SIDBI is located at_____.

- A. Mumbai
- B. Delhi
- C. Lucknow
- D. Indore

Ans. C

Sol.

* The headquarters of SIDBI is located at **Lucknow**.

* It was established on April 2, 1990 through an Act of Parliament, hence it is statutory body.

* **SIDBI** aims to facilitate and strengthen credit flow to MSMEs and address both financial and developmental gaps in MSMEs.

* SIDBI operates under the **Department of Financial Services**, Government of India.

* SIDBI is **one of the four All India Financial Institutions** regulated and supervised by the Reserve Bank.

60. Rent due for the month of March will appear ----- of the cash book.

- A. On the receipt side
- B. On the payment side
- C. As a contra entry
- D. Nowhere

Ans. D

Sol. Cash Book is a subsidiary book in which cash receipts and cash payments are recorded.

Rent due will not be recorded anywhere because no cash transactions took place.

61. Which of the following statements is correct?

- A. There is difference between supply and stock



- B. Supply does not depend on government's tax policy
- C. Stock refers to the quantity which comes to market for sale
- D. Stock and supply are always equal

Ans. A

Sol.

Supply refers to a part of stock or a particular quantity of a commodity which is available for sale at a given price and at a given period of time.

Stock of a commodity refers to total quantity of that commodity which is available with the producer (or a firm) at a point of time. This stock is meant both for the present as well as future sale. Hence, there is a difference between supply and stock.

62. _____ refers to disposal of public sector unit's equity in the market.

- A. Liberalisation
- B. Globalisation
- C. Disinvestment
- D. Privatisation

Ans. C

Sol.

- Liberalisation- it is the process of reduction (or elimination) of government restrictions/control on business, trade & market.
- Globalisation-it is the process of integration of the economy of a nation with the world economy.
- Disinvestment- - it is the process of sale of assets of a government enterprises by the government.
- Privatisation- it is the process of transfer of ownership, management, and control of a public sector enterprises into private hands.

63. Discount Account will always have:

- A. Only Debit Balance
- B. Nil Balance
- C. Only Credit Balance
- D. Debit or Credit Balance

Ans. D

Sol. Discount allowed have a debit balance because it is an expense.
Discount received have a credit balance because it is an income.

64. Which of the following is not a function of the Reserve Bank of India?

- A. It is the Government's Bank
- B. It is the lender of the last resort
- C. It is the Banker to Banks
- D. It is the nodal authority for Foreign Direct Investment

Ans. D

Sol.

Functions of the Reserve Bank of India are:
* Currency Management, viz., the issue of banknotes and management of currency is one of the core functions of the RBI.

* It is the Government's Bank.

* All financial transactions of the government are undertaken through the RBI.

* It is a Banker to Banks – Commercial banks have to keep reserves in RBI and RBI lends money to banks.

* It is known as the lender of the Last Resort.

Department for Promotion of Industry and Internal Trade (DPIIT) is the nodal Department for the formulation of the policy of the Government on Foreign Direct Investment (FDI).

65. Which of the following is the main objective of preparing Profit and Loss Account?

- A. To achieve the operating results of a company at the end of accounting period.
- B. To provide information about incomes and profits.
- C. To provide information about financial expenses of a company.
- D. To provide information about selling and distribution expenses.

Ans. A

Sol.

The main objective of preparing Profit and Loss Account is to achieve the operating



results of a company at the end of accounting period.

Thus, Option A is correct.

66. Which of the following is not a disadvantage of Single Entry System?

A. The accounts maintained under this system are incomplete and cannot be relied upon.

B. In the single entry system, there is difficulty in obtaining a loan, difficulty to locate frauds, difficult to determine the price of the business.

C. Profit and loss ascertained through this method are just the methods and cannot be considered accurate.

D. Comparison with previous years performance is possible

Ans. D

Sol.

Disadvantages of Single Entry System -

➤ Profit and loss ascertained through this method are just the methods and cannot be considered accurate.

➤ The accounts maintained under this system are incomplete and cannot be relied upon.

➤ Comparison with previous years performance is not possible.

➤ In the single entry system, there is difficulty in obtaining a loan, difficulty to locate frauds, difficult to determine the price of the business.

Hence, option D is correct.

67. Who appoints RBI governor?

A. Prime Minister

B. President

C. Central Government

D. RBI Board

Ans. C

Sol.

• **RBI Governor and Deputy Governors are appointed by the Central Government.** Cabinet Committee on appointments approves their name.

• Section 8(1)(a) of the Reserve Bank of India Act, 1934, provides that there shall be one Governor and not more than four

Deputy Governors to be appointed by the central government

68. An increase in the quantity supplied suggests _____.

A. A leftward shift of the supply curve

B. A movement up along the supply curve

C. A movement down along the supply curve

D. A rightward shift of the supply curve

Ans. B

Sol.

• An increase in the quantity supplied suggests a movement up along the supply curve.

69. Scheduled Banks in India are classified under which of the following acts?

A. Reserve Bank of India Act, 1934

B. Banking Regulation Act, 1949

C. The Subsidiary Banks General Regulation, 1959

D. The Regional Rural Banks Act, 1976

Ans. A

Sol.

• Scheduled Banks in India refer to those banks which have been included in the Second Schedule of Reserve Bank of India Act, 1934.

• RBI in turn includes only those banks in this Schedule which satisfy the criteria laid down vide section 42(6)(a) of the said Act. Banks not under this Schedule are called Non-Scheduled Banks.

70. Micro-economics is also called:

A. Income Theory

B. Investment Theory

C. Price Theory

D. Expenditure Theory

Ans. C

Sol. **Microeconomics** (from Greek prefix mikro- meaning "small") is a branch of economics that studies the behavior of individuals and firms in making decisions regarding the allocation of limited resources. Typically, it applies to markets where goods or services are bought and sold.



71. The campaign "Start-up India, Stand up India" is associated with which field?

- A. Food Industry
- B. Swacch Bharat Mission
- C. Entrepreneurship
- D. None of these

Ans. C

Sol. "Start-up India, Stand up India" was launched in 2016 to encourage entrepreneurship among the youth of India. The campaign has also promoted **bank financing** for start-ups and offer incentives to **boost entrepreneurship** and **job creation**.

72. The problems which are related to the price-rise, are handled under the:

- A. Cost Accounting
- B. Inflation Accounting
- C. Financial Accounting
- D. Management Accounting

Ans. B

Sol.

* The problems which are related to the price-rise, are handled under the Inflation Accounting. Hence, option B is correct.

73. The 15th Finance Commission was constituted in 2017. The recommendations of the 15th Finance Commission would be operational during:

- A. 2017-2022
- B. 2018-2023
- C. 2019-2024
- D. 2020-2025
- E. None of these

Ans. D

Sol. The 15th Finance Commission was constituted in 2017 and is chaired by N. K. Singh. The recommendations of the 15th Finance Commission would be operational during 2020-2025.

74. Amount spend on increasing the seating capacity in a cinema hall is:

- A. Capital expenditure
- B. Revenue expenditure
- C. Deferred Revenue expenditure
- D. None of these

Ans. A

Sol.

Any amount spent to enhance the capacity of the business and gives the benefit for a long duration are considered as capital expenditure.

75. Trial Balance will agree in case of which of the following accounting error?

- A. Error of Principle
- B. Error of Omission
- C. Error of Commission
- D. All of the above

Ans. B

Sol.

- **Error of Omission:** This type of error occurs when a transaction is completely omitted from the books of the company. These transactions are very difficult to detect. The most common reason for Error of Omission is that the documentation such as a vendor's invoice gets lost.

- **Error of Principle:** This is a technical error which occurs when a bookkeeper wrongly applies an accounting principle.

- **Error of Commission:** This type of error occurs When bookkeeper enters a transaction to the correct class but the wrong subsidiary ledger.

76. Disinvestment in Public Sector is called

- A. Liberalisation
- B. Globalisation
- C. Industrialisation
- D. Privatization

Ans. D

Sol.

- Disinvestment in Public Sector is called **Privatisation**.

- Disinvestment is the process in which certain Percentages of share of public sector units is Disinvested to private sector. It is also known as privatization .
- Hence, option D is correct.

77. Which of the following was the first RRB setup in India?

- A. Andhra Pragati Grameena Bank
- B. Prathama Bank



- C. Dena Gujarat Gramin Bank
D. Kaveri Grameena Bank

Ans. B

Sol.

* The first RRB established was **Prathama Bank**. It was established on 2 OCT 1975 in Moradabad, UP.

* It was sponsored by Syndicate Bank.

78. Favourable balance as per Cash Book means:

- A. Debit balance in the bank column of the cash book
B. Credit balance in the bank column of the cash book
C. Debit balance in the pass book
D. None of these

Ans. A

Sol.

In cash book, Debit balance is favourable and credit balance is unfavourable. The cash book is debited when cash comes in and credited when cash goes out. So, when the cash book balance increases, it is shown as debit or favourable balance.

79. Which of the following rates/ratios is **not** covered under the RBI monetary and credit policy?

- A. Bank Rate
B. Exchange rate of foreign currencies
C. Repo rate
D. Reverse repo rate
E. Cash reserve ratio

Ans. B

Sol. Exchange rate of foreign currency is not covered under the RBI monetary and credit policy. This is determined by the forces of demand and supply for that currency in the market. RBI doesn't act as a regulator but as a facilitator only.

80. Which bank is called custodian of monetary reserves in India?

- A. Exim Bank
B. State Bank of India
C. Central Bank of India
D. Reserve Bank of India

Ans. D

Sol.

• **The Reserve Bank is called custodian of monetary reserves in India.**

• RBI plays an important part in the Development Strategy of the Government of India.

• Current governor of RBI is Shaktikanta Das and Headquarters is in Mumbai, Maharashtra.

81. The non-financial transactions of a business are not recorded in the Accounting, because of:

- A. Cost Concept
B. Continuity Concept
C. Accrual Concept
D. Money Measurement Concept

Ans. D

Sol.

• Money Measurement Concept states that only those transactions and happenings in an organisation which can be expressed in terms of money such as the sale of goods or payment of expenses or receipt of income, etc., are to be recorded in the book of accounts.

• All such transactions or happenings which cannot be expressed in monetary terms, does not find a place in the accounting records of a firm. Hence, option D is correct.

82. Which of the following accounts is the summary of the cash and bank transactions?

- A. Income and Expenditure A/c
B. Profit and Loss A/c
C. Receipts and Payments A/c
D. Capital A/c

Ans. C

Sol.

Receipts and Payments A/c is the summary of the cash and bank transactions. It includes all cash and bank receipts and payments relating to all the periods (current, past or future).

Thus, Option C is correct.

83. On 1st April, 2015, Ram Ltd. purchased an asset from Shyam Ltd. for Rs. 50,000. This is:

- A. A transaction
- B. An event
- C. Both event as well as transaction
- D. None of the above

Ans. C

Sol.

* **An event** is known as a happening of consequence to a business organization which consists of transactions and which are measurable in monetary terms.

* **A financial transaction** is an agreement, or communication, carried out between a **buyer** and a **seller** to exchange an asset for payment.

Hence, option C is correct.

84. One of the essential characteristics of Monopolistic competition is:

- A. Price discrimination
- B. Many buyers but one seller
- C. Product differentiation
- D. Homogeneous product

Ans. C

Sol.

Monopolistic competition is a type of imperfect competition such that many producers sell products that are differentiated from one another as goods but not perfect substitutes (such as from branding, quality or location). Products in this form of market is heterogeneous, it means similar usage but different taste, quality, shape, size etc., due to differentiated products, each firm has an incentive to sell more units by improving the quality, shape, size etc., and they charge different price also.

85. Preliminary Expenses are an example of:

- A. Revenue Expenditure
- B. Capital Expenditure
- C. Deferred Revenue Expenditure
- D. All of these

Ans. C

Sol.

Preliminary expenses are those expenses which are incurred before the incorporation and commencement of the business. These are treated as deferred revenue expenditure. Examples are company incorporation expenses, logo expenses etc.

86. The quantity of demand by virtue of which it changes (increases or decreases) when _____ changes (decreases or increases) is called Elasticity of Demand

- A. Marginal utility
- B. Output
- C. Desire
- D. Price

Ans. D

Sol.

• The elasticity of demand is defined as **the percentage change in the quantity demanded as a result of a percentage change in the price of a product.**

• It is calculated by dividing the percentage change in quantity by the percentage change in price.

• **Elasticity of demand** = % change in quantity / % change in price

• In other words it can be said as the quantity of demand by virtue of which it changes (increases or decreases) when price changes (decreases or increases) is called Elasticity of Demand

87. Which of the following does not form part of Current Account of Balance of Payments?

- A. Export and import of goods
- B. Export and import of services
- C. Income receipts and payments
- D. FDI inflows

Ans. D

Sol.

The Balance of Payments (BOP) is a statement of all transactions made between entities in one country and the rest of the world over a defined period of time.

The balance of payments divides transactions into two accounts: the Current Account and the Capital Account.



The Current Account consists of the net primary income or factor income (earnings on foreign investments minus payments made to foreign investors) and net cash transfers, that have taken place over a given period of time.

Capital Account includes FDI, FPI and other capital receipts and payments.

88. If wages are paid for construction of business premises, ----- a/c is credited, and ----- a/c is debited.

- A. Wages, Cash
- B. Premises, Cash
- C. Cash, Wages
- D. Cash, Premises

Ans. D

Sol.

An increase in expense is debited, and decrease in assets is credited.

89. Which of the following is not a primary objective of accounting?

- A. Solving tax disputes with the tax authorities
- B. Ascertainment of the financial position of the business
- C. Ascertainment of the profitability of the business
- D. Systematic recording of the transactions

Ans. A

Sol.

Objectives of Accounting, includes:

- 1. Recording of Financial Transactions and Events
- 2. Determine Profit or Loss
- 3. Determine Financial Position
- 4. Assisting the Management
- 5. Communicating Accounting Information to Users
- 6. Protecting Business Assets

Solving tax disputes with the tax authorities, is not a primary objective of accounting. Hence, option A is correct.

90. The book in which very small payments are recorded is called _____.

- A. Cash Book
- B. Sales Book

C. Petty Cash Book

D. Ledger

Ans. C

Sol.

• Petty Cash Book: Businesses maintain a small cash book known as petty cash book for small day to day expenditures of the businesses.

• It is a type of cash book that is used to record minor regular expenditures such as office tea, coffee, bus fares, tissue papers, newspapers, cleaning, markers, and casual labour etc.

91. Rs. 10,000 received from Mr X on 01.01.09 for the furniture sold to him on 01.06.08. Which of the following entry should be passed for recording the transaction in the books of accounts?

- A.

Cash a/c	dr...	10,000	
	To furniture a/c		10,000
- B.

Cash a/c	dr...	10,000	
	To Suspense a/c		10,000
- C.

Cash a/c	dr...	10,000	
	To Bad debts recovered a/c		10,000
- D.

Cash a/c	dr...	10,000	
	To Mr X a/c		10,000

Ans. D

Sol.

Cash a/c is debited because an increase in asset is debited.

Mr X a/c is credited because sale happened on 01.06.08 and amount is received on 01.01.09. Therefore, it is clear that the sale on 01.06.08 is credit sales, and Mr X was the debtor for the firm and decrease in asset is credited. So, Mr X is credited.

92. Expenses whose benefits has not been received but payment has been made are called:

- A. Prepaid Expense
- B. Accrued Expenses
- C. Outstanding Expense
- D. Payable Expense

Ans. A

Sol. Prepaid Expenses are paid in advance, benefit of which may expire in the next



accounting year. These are the assets to the firm.

93. According to which concept of accounting, Contingent liabilities are shown in the footnote of Balance Sheet?

- A. Materiality concept
- B. Disclosure concept
- C. Dual Aspect concept
- D. Realization concept

Ans. B

Sol.

- Disclosure concept states that all the material and relevant facts concerning the financial performance of an enterprise must be fully and completely disclosed in the financial statements and their accompanying footnotes. Hence, option B is correct.

94. Which curve shows the different rate of production of two goods that an individual can efficiently produce with limited productive resources?

- A. Phillips curve
- B. Indifference curve
- C. Income-Consumption curve
- D. Production Possibility Curve

Ans. D

Sol.

- **Production Possibility Curve** shows the different rate of production of two goods that an individual can efficiently produce with limited productive resources.
- A production possibility curve measures the maximum output of two goods using a fixed amount of input.

95. Which of the following systems of inventory record ascertains inventory by taking an actual physical count (or measure or weight) of all the inventory items on hand?

- A. Periodic Inventory System
- B. Perpetual Inventory System
- C. Specific Inventory System
- D. LIFO

Ans. A

Sol.

Periodic Inventory System is a method of ascertaining inventory by taking an actual physical count (or measure or weight) of all the inventory items on hand at a particular date on which inventory is valued.

Thus, Option A is correct.

96. Credit balance of ledger is:

- A. A revenue or an asset
- B. A revenue or a liability
- C. An expense or an asset
- D. An expense or a liability

Ans. B

Sol.

Rules -

Increases in Liabilities are Credits;
Decreases are Debits.

Increases in Revenues are Credits;
Decreases are Debits.

97. What is Nominal Gross Domestic Product (GDP)?

- A. The Gross Domestic Product (GDP) that is calculated in terms of crypto currency.
- B. The Gross Domestic Product (GDP) that is calculated by taking a base year as a determinant.

C. The Gross Domestic Product (GDP) that is calculated at the current market price.

D. The Gross Domestic Product (GDP) that excludes all exports and imports in the calculation.

Ans. C

Sol.

- **The Nominal Gross Domestic Product is The Gross Domestic Product (GDP) that is calculated at the current market price.**

- **Nominal** differs from **real GDP** in that it **includes changes in prices due to inflation**, which reflects the rate of price increases in an economy.

- **Gross domestic product** is the total monetary or market value of all the finished goods and services produced.

98. According to which concept of accounting, the owner of an enterprise pays the 'interest on drawings'?



- A. Accrual concept
- B. Conservatism concept
- C. Business entity concept
- D. Dual Aspect concept

Ans. C

Sol.

- The concept of business entity assumes that the business has a distinct and a separate entity from its owners.
- It means that for the purposes of accounting, the business and its owners are to be treated as two separate entities. Hence, option C is correct.

99. There is no advertisement expenditure in which type of competition?

- A. Perfect competition
- B. Monopolistic competition
- C. Monopoly competition
- D. Oligopoly competition

Ans. A

Sol.

In Perfect competition, there is no expenditure on advertisement because all the sellers are selling homogeneous products at a uniform price.

100. Building, Property, Machinery are treated as which of the following types of assets?

- A. Long Term Assets
- B. Current Assets
- C. Short Term Assets
- D. Both A and B

Ans. A

Sol. Building, Property, Machinery are long term assets. Long term assets are not expected to be converted into cash or consumed by the company over a long period.

Thus, Option A is correct.

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