Previous Year Paper

5th June 2023 (Shift 1)

Q1. A firm's balance sheet shows the following:
Workmen Compensation Reserve ₹70,000
Workmen Compensation claim ₹90,000
State the journal entry to be passed at the time of Reconstitution of firm
(a) Debit Workmen Compensation Reserve A/c ₹70,000 and Revaluation A/c ₹20,000;
Credit Workmen Compensation claim ₹90,000
(b) Debit Workmen Compensation Reserve A/c ₹90,000
Credit Workmen Compensation A/c ₹90,000;
(c) Debit Workmen Compensation Reserve A/c ₹70,000
Credit Workmen Compensation A/c ₹70,000;
(d) Debit Workmen Compensation claim A/c ₹70,000 and Realisation A/c ₹20,000;
Credit Workmen Compensation Reserve ₹90,000

Q2. Match **List – I** with **List – II.**

List – I		List - II	
(A)	Debenture Suspense Account	(I)	Statement of Profit & Loss
(B)	Current maturities of Debts	(II)	Section 53 of Companies Act 2013
(C)	Discount on Issue of Debentures	(III)	Collateral Security
(D)	Interest on Debentures written off	(IV)	Other Current liabilities

Choose the **correct** answer from the options given below:
(a) (A)-(III), (B)-(IV), (C)-(II), (D)-(I)
(b) (A)-(II), (B)-(IV), (C)-(III), (D)-(I)
(c) (A)-(II), (B)-(IV), (C)-(I), (D)-(III)
(d) (A)-(IV), (B)-(III), (C)-(II), (D)-(I)

Q3. Current account of each partner is debited by the amount of:
(a) Drawings out of capital
(b) Interest on drawings
(c) Fresh capital introduced
(d) Interest allowed on capital

Q4. The ideal ratio for Current Ratio and Quick Ratio respectively are:
A. 1 : 1
B. 2 : 1
C. no ideal ratio
D. 1 : 2
E. 1 : 3
Choose the **correct** answer from the options given below:
(a) (A) and (B) only
(b) (A) and (C) only
(c) (B) and (A) only
(d) (D) and (E) only

Q5. The two basic measures of liquidity are:
(a) Inventory turnover ratio and Current Ratio
(b) Current Ratio and Liquid Ratio
(c) Gross Profit Margin and Operating Ratio
(d) Current Ratio and Average Collection Period

Q6. Which of the following is **not** a limitation of Ratio Analysis?
A. Comparative Analysis is possible.
B. Price-level changes are ignored.
C. Problem areas may be identified.
D. Variations in Accounting Practices.
E. Enables SWOT Analysis.
Choose the **correct** answer from the options given below:
(a) (A), (B), (C) and (C) only
(b) (A), (B), (C) and (E) only
(c) (A), (C) and (E) only
(d) (A), (B) and (D) only

Q7. State the order in which final accounts of a partnership firm are prepared:
A. Profit and Loss A/c
B. Balance Sheet
C. Trading A/c
D. Profit & Loss Appropriation A/c
E. Partners' Capital Accounts
Choose the **correct** answer from the options given below:
(a) (C), (A), (B), (D), (E)
(b) (A), (D), (C), (B), (E)
(c) (A), (C), (D), (E), (B)
(d) (C), (A), (D), (E), (B)

Q8. Ravi and Kishan are partners sharing profits and losses in the ratio of 3 : 2. They admitted Mohan as a new partner. Ravi surrendered $\frac{2}{5}$th of his share and Kishan surrendered $\frac{1}{5}$th of his share in favour of Mohan. The new profit sharing ratio will be:
(a) 2 : 1 : 2
(b) 3 : 2 : 1
(c) 9 : 8 : 8
(d) 5 : 3 : 2

Q9. In the absence of partnership deed which of the following rule is followed:
(a) Interest on Capital is allowed @ 6% p.a.
(b) Interest on drawing are charged @ 6% p.a.
(c) Profits and Losses are shared equally
(d) Profits and Losses are shared according to capital contribution

Q10. At the time of change in profit sharing ratio, existing goodwill is written off among the partners in:
(a) Sacrificing Ratio

(b) Equal Ratio
(c) Old Ratio
(d) Gaining Ratio

Q11. Identify what is displayed by clicking anywhere in the chart?
(a) Key Tip
(b) Screen Tip
(c) Chart Tools
(d) Chart Layout

Q12. Jaron, a partner in IT Travels withdrew same amount of money at the end of each quarter, for his personal use. The firm charged ₹465 as interest on his drawings. Interest on drawings is to be charged at 8% per annum. What amount was withdrawn by him at the end of each quarter?
(a) ₹15,500
(b) ₹3,875
(c) ₹2,235
(d) ₹9,300

Q13. Arrange the following in correct order in the process of Issue and Forfeiture of shares:
A. Issue of prospectus
B. Allotment of shares
C. Calls in arrears
D. Receipt of applications
E. Forfeiture of shares
Choose the **correct** answer from the options given below:
(a) (D), (B), (A), (C), (E)
(b) (A), (B), (C), (D), (E)
(c) (C), (B), (D), (A), (E)
(d) (A), (D), (B), (C), (E)

Q14. ________ cell is the rate for PMT function where = PMT ($C_8, C_9, C_{10}, C_{11}, C_{12}$)
(a) C_8
(b) C_9
(c) C_{10}
(d) C_{12}

Q15. Match **List – I** with **List – II.**

List – I		List – II	
(A)	Receipt and Payment account	(I)	Accrual Basis
(B)	Income and Expenditure account	(II)	Capital Item
(C)	Subscription	(III)	Cash Basis
(D)	Machinery	(IV)	Revenue Item

Choose the **correct** answer from the options given below:
(a) (A)-(I), (B)-(II), (C)-(III), (D)-(IV)
(b) (A)-(II), (B)-(I), (C)-(III), (D)-(IV)
(c) (A)-(III), (B)-(I), (C)-(IV), (D)-(II)
(d) (A)-(IV), (B)-(I), (C)-(II), (D)-(III)

Q16. Arrange the following items in correct order as per statement of Profit and Loss of a company:
A. Changes in inventories of finished goods
B. Finance Cost
C. Cost of materials consumed
D. Depreciation and Amortisation
E. Employees Benefit Expenses
Choose the **correct** answer from the options given below:
(a) (C), (E), (B), (D), (A)
(b) (A), (C), (B), (E), (D)
(c) (A), (B), (C), (D), (E)
(d) (C), (A), (E), (B), (D)

Q17. State the accounting treatment of grant received by a Charitable Hospital:
(a) Credited to Income & Expenditure Account
(b) Debited to Income & Expenditure Account
(c) Shown as Asset in Balance Sheet
(d) Shown as Liability in Balance Sheet

Q18. In case the net profits made during the year by a company are ₹50,000 and bills payable have increased by ₹10,000 during the year then the cash flow from operating activities for the company will be:
(a) ₹60,000
(b) ₹40,000
(c) ₹50,000
(d) ₹70,000

Q19. Identify from the following, which excludes capital nature items?
(a) Receipt and Payment Account
(b) Income and Expenditure Account
(c) Balance Sheet
(d) Fund Flow Statement

Q20. Match **List – I** with **List – II.**

List – I		List - II	
(A)	Operating Activities	(I)	Dividend Received
(B)	Investing Activities	(II)	Current Investment
(C)	Financing Activities	(III)	Payment to Suppliers
(D)	Cash and Cash Equivalents	(IV)	Interest on Debentures

Choose the **correct** answer from the options given below:
(a) (A)-(III), (B)-(I), (C)-(IV), (D)-(II)
(b) (A)-(IV), (B)-(II), (C)-(I), (D)-(III)
(c) (A)-(IV), (B)-(I), (C)-(II), (D)-(III)
(d) (A)-(III), (B)-(II), (C)-(I), (D)-(IV)

Q21. Application money should be at least ________ of the face value of share.
(a) 10 %
(b) 15 %
(c) 5%
(d) 20 %

Q22. Identify the option which is not appropriate related to goodwill of a partnership firm, its features and also its treatment.
(a) Goodwill is a fictitious asset not an intangible asset.
(b) There are only two types of Goodwill. One is purchased goodwill and another self generated goodwill.

(c) Goodwill of the firm can be affected due to favourable location and good contracts.
(d) Accounting standard-26 is applicable for the treatment of Goodwill.

Q23. Which of the following are facts about Debentures?
(A) Specified rate of interest on debentures is also called the specific coupon rate debenture
(B) Convertible debentures can be converted into equity shares
(C) Debentureholders are the owners of a company
(D) Debenture includes debenture inventory and bonds
(E) Irredeemble debentures are also known as perpetual debentures
Choose the **correct** answer from the options given below:
(a) (A), (B), (C) and (D) only
(b) (A), (B), (C) and (E) only
(c) (A), (B), (D) and (E) only
(d) (A), (C), (D) and (E) only

Q24. Firm's capital in a business is ₹2,00,000. The normal rate of return on firm capital is 15%. During the year the firm earned a profit of ₹48,000. Calculate goodwill on the basis of 3 years purchase of super profit
(a) ₹54,000
(b) ₹1,44,000
(c) ₹90,000
(d) ₹18,000

Q25. Identify the correct sequence for the categories of share capital:
(A) Called up Capital
(B) Authorised Capital
(C) Issued Capital
(D) Paid up Capital
(E) Subscribed Capital
Choose the **correct** answer from the options given below:
(a) (C), (B), (E), (A), (D)
(b) (B), (C), (D), (A), (E)
(c) (B), (C), (E), (A), (D)
(d) (E), (A), (B), (C), (D)

Q26. Identify out of the following that means the term 'Record' as applied to a database table:
(a) Vertical Column of the table
(b) Size of the Table
(c) Horizontal row of the table
(d) Name of the table

Q27. A company maintains average inventory of ₹1,20,000. Its inventory turnover ratio is 6 times. If company sells goods at a gross profit of 25% on revenue from operations. Find out revenue from operations:
(a) ₹7,20,000
(b) ₹9,60,000
(c) ₹2,40,000
(d) ₹8,40,000

Q28. Identify the amount of net cash flow from financing activities on the basis of following Information:

Particulars	1st April 2022 (₹)	31st March 2023 (₹)
Equity Share Capital	28,00,000	35,00,000
Bank Loan	12,50,000	5,50,000

Bank loan raised during the year ₹2,00,000
(a) ₹2,00,000 inflow
(b) ₹4,00,000 inflow
(c) ₹2,00,000 outflow
(d) ₹4,00,000 outflow

Q29. The liquidity and solvency of a company are measured by
(A) Current ratio
(B) Profitability ratio
(C) Inventory Turnover ratio
(D) Debt Equity ratio
(E) Gross Profit ratio
Choose the **correct** answer from the options given below:
(a) (C) and (D) only
(b) (A) and (B) only
(c) (A) and (D) only
(d) (A) and (E) only

Q30. Which of the following is not included in non current liabilities?
(a) Trade Payables
(b) Deferred tax Liabilities
(c) Long term Provision
(d) Other long term Liabilities

Q31. Match **List – I** with **List – II.**

List – I		**List - II**	
(A)	Retirement	(I)	Sacrifice made by old partners
(B)	Admission	(II)	Equal Profit Sharing
(C)	Absence of Partnership Deed	(III)	Gaining Ratio to continued partner
(D)	Dissolution of Partnership firm	(IV)	Settlement of Accounts

Choose the **correct** answer from the options given below:
(a) (A)-(I), (B)-(III), (C)-(II), (D)-(IV)
(b) (A)-(III), (B)-(II), (C)-(I), (D)-(IV)
(c) (A)-(IV), (B)-(III), (C)-(I), (D)-(II)
(d) (A)-(III), (B)-(I), (C)-(II), (D)-(IV)

Q32. Match **List – I** with **List – II.**

List – I		**List - II**	
(A)	Stock options outstanding account	(I)	Current Liabilities
(B)	Bank term loan	(II)	Current Assets
(C)	Provision for Tax	(III)	Non Current Liabilities
(D)	Loose tools	(IV)	Shareholders Fund

Choose the **correct** answer from the options given below:
(a) (A)-(IV), (B)-(III), (C)-(I), (D)-(II)
(b) (A)-(II), (B)-(III), (C)-(I), (D)-(IV)
(c) (A)-(III), (B)-(II), (C)-(I), (D)-(IV)
(d) (A)-(I), (B)-(III), (C)-(II), (D)-(IV)

Q33. Identify the group that represents grouping of accounts based on classification of data point of view:
(a) Asset, Liabilities and Capital
(b) Asset, Owners Equity, Revenue and Expenses
(c) Asset, Liabilities, Capital, Revenue and Expenses
(d) Asset, Liabilities, Revenue and Expenses

Q34. A business has earned average profits of ₹2,50,000 during the last few years. The firm has assets of ₹25,00,000 and external liabilities of ₹4,50,000. The similar business has rate of return of 10%. Calculate value of Goodwill by Capitalisation method:
(a) ₹4,50,000
(b) ₹5,00,000
(c) ₹2,50,000
(d) ₹3,50,000

Q35. Lal, Bal and Pal were partners sharing profit & loss in ratio 5 : 3 : 2. Bal retired, Lal and Pal decided to share future profit & loss in the ratio 2 : 1. Determine the Gaining ratio between Lal and Pal:
(a) 5 : 2
(b) 5 : 4
(c) 1 : 1
(d) 2 : 1

Q36. The directors of Y limited forfeited 200 preference shares of ₹100 each for non-payment of call money of ₹30 per share. Out of this 150 were reissued at ₹60 per share as fully paid up. Find the amount transferred to capital reserve.
(a) ₹6,000
(b) ₹4,500
(c) ₹10,500
(d) ₹3,500

Q37. Which account is to be debited to transfer the share of deceased partner for the intervening period:
(a) Profit and Loan account
(b) Profit and Loan Suspense account
(c) Deceased Partner's Capital account
(d) Surviving Partner Current account

Q38. Write the correct sequential order of various sub heads under Current Assets:
(A) Inventories
(B) Trade Receivables
(C) Cash and Cash equivalents
(D) Other Current Assets
(E) Current Investments
Choose the **correct** answer from the options given below:
(a) (A), (B), (C), (D), (E)
(b) (B), (C), (A), (D), (E)
(c) (D), (B), (A), (C), (E)
(d) (E), (A), (B), (C), (D)

Q39. Comparative Statements are also known as:
(a) Horizontal Analysis
(b) Ratio Analysis
(c) Cash Flow Analysis
(d) Vertical Analysis

Q40. Himanshi and Nisha are partners in a firm sharing profit in the ratio of 3 : 2. There capital were ₹80,000 and ₹50,000 Respectively. They admitted Shikha on Jan 1, 2023 as a new partner for $\frac{1}{5}$ share in future profit. If Shikha brought ₹60,000 as capital, the value of goodwill of the firm will be:
(a) ₹60,000
(b) ₹1,10,000
(c) ₹1,90,000
(d) ₹3,00,000

Based on following Balance Sheet of Tarnav and Manav as at 31st March 2022, answer question: (Q41-Q42)

Balance Sheet as at 31st March 2022

Liabilities	₹	Assets	₹
Sundry Creditors	30,000	Cash at Bank	13,000
Sanjay's Loan	5,000	Stock in Trade	5,000
General Reserve	11,000	Debtors	20,000
Workman Compensation Reserve	12,000	Plant	30,000
Provision For Doubtful Debts	2,000	Goodwill	12,000
Capital: Tarnav 10,000; Manav 10,000	20,000		
	80,000		80,000

On that date the firm was dissolved on the following term:
(i) Tarnav promised to pay Sanjay's loan and took over stock in trade at ₹4,000.
(ii) Creditors payable after one month, were paid immediately at 6% discount.
(iii) Debtors of ₹1,000 proved bad, plant realised 130%.
(iv) Expenses on Realisation were ₹1,500 borne and paid by Manav.
(v) Manav took over an old computer completely written off from the book at ₹500.

Q41. Calculate amount realised from plant:
(a) ₹34,500
(b) ₹36,000
(c) ₹39,000
(d) ₹1,30,000

Q42. Record journal entry relating to realisation expenses:

		Dr.	Cr.
(a)	Realisation A/c Dr.	₹1,500	
	To Bank A/c		₹1,500
(b)	Realisation A/c Dr.	₹1,500	
	To Manav's capital A/c		₹1,500
(c)	Manav's Capital A/c Dr.	₹1,500	
	To Bank A/c		₹1,500

(d) No need to record the journal entry

Q43. Calculate amount paid to creditors:
(a) ₹29,850
(b) ₹30,000
(c) ₹28,200
(d) ₹29,400

Q44. Calculate amount realised from Debtors:
(a) ₹12,000
(b) ₹19,000
(c) ₹6,000
(d) ₹10,000

Q45. Workman Compensation Reserve will be transferred to:
(a) Credit side of Partners' Capital A/c

(b) Credit side of Realisation A/c
(c) Debit side of Realisation A/c
(d) Debit side of Partner's Capital A/c

Based on following information answer question: (Q46-Q50)

Apex Ltd. issued to public ₹10,00,000, 10% Debentures of ₹100 each at par, redeemable at a premium of 20%. It also issued 10,000, 11% Debentures of ₹100 each as collateral security against bank loan of ₹8,00,000.

The company bought building worth ₹50,00,000 from Beta Ltd. against a cheque of ₹20,00,000 and balance by issue of 12% Debentures of ₹100 each at a premium of 20%.

Q46. Which of the following correctly explains the meaning of collateral security?
(a) Primary security mortgaged against a loan
(b) Additional security mortgaged against a loan
(c) Additional security mortgaged against loan, which is put to use only when primary security remains insufficient to cover up default on repayment of loan
(d) Any security mortgaged against a loan

Q47. Which of the following cannot be considered as issue of debentures for consideration other than cash?
(a) Issue of Debentures to vendor of fixed assets bought on credit
(b) Issue of Debentures to Underwriters
(c) Issue of Debentures to Promoters.
(d) Issue of Debentures to Public

Q48. By what amount debentures interest account be debited, if debenture interest is payable annually?
(a) ₹5,10,000
(b) ₹4,00,000
(c) ₹4,60,000
(d) ₹5,70,000

Q49. Number of debentures issued to Beta Ltd. is _______.
(a) 25,000
(b) 30,000
(c) 41,000
(d) 26,000

Q50. "Loss on issue of Debentures" will be:
(a) ₹1,00,000
(b) ₹2,00,000
(c) ₹5,00,000
(d) ₹4,00,000

SOLUTIONS

S1. Ans. (a)

Sol. When the claim for Workmen Compensation is more than that of reserve, the difference is transferred to Revaluation account.

Journal Entry in this case would be:

Workmen Compensation Reserve A/c	Dr.	₹70,000	
Revaluation A/c	Dr.	₹20,000	
To Workmen Compensation claim			₹90,000

S2. Ans. (a)

The correct match is given below:

List – I		List - II	
(A)	Debenture Suspense Account	(III)	Collateral Security
(B)	Current maturities of Debts	(IV)	Other Current liabilities
(C)	Discount on Issue of Debentures	(II)	Section 53 of Companies Act 2013
(D)	Interest on Debentures written off	(I)	Statement of Profit & Loss

S3. Ans. (b)

Sol. The current account of each partner is debited by the amount of interest on drawings. This is because when a partner withdraws money from the partnership as a drawing, the firm may charge interest on those drawings. This interest is debited to the partner's current account to account for the cost of using the firm's funds for personal purposes.

S4. Ans. (c)

Sol. The ideal ratios for Current Ratio and Quick Ratio are generally considered to be:

- Current Ratio: 2 : 1
- Quick Ratio: 1 : 1

S5. Ans. (b)

Sol. The two basic measures of liquidity are the Current Ratio and the Liquid Ratio (also known as the Quick Ratio). These ratios assess a company's ability to meet its short-term obligations by evaluating its current assets and their liquidity.

S6. Ans. (c)

Sol. Limitations of Ratio Analysis include:
B. Price-level changes are ignored
D. Variations in Accounting Practices
(A), (C), and (E) are not the limitations of Ratio analysis.

S7. Ans. (d)

Sol. The order in which final accounts of a partnership firm are prepared is:

(C) Trading A/c: This account is prepared first to calculate the gross profit or loss.

(A) Profit and Loss A/c: The result from the Trading A/c is transferred here to compute the net profit or loss.

(D) Profit & Loss Appropriation A/c: This account is prepared to distribute the net profit among the partners according to the provisions of partnership.

(E) Partners' Capital Accounts: The balances in the Partners' Capital Accounts are updated based on the profit-sharing or loss-sharing ratio.

(B) Balance Sheet: Finally, the Balance Sheet is prepared to show the financial position of the partnership firm.

S8. Ans. (c)

Sol. Sacrifice by each partner:

Ravi $= \frac{3}{5} \times \frac{2}{5} = \frac{6}{25}$; Kishan $= \frac{2}{5} \times \frac{1}{5} = \frac{2}{25}$

New Ratio:

Ravi $= \frac{3}{5} - \frac{6}{25} = \frac{9}{25}$

Kishan $= \frac{2}{5} - \frac{2}{25} = \frac{9}{25}$

Mohan $= \frac{6}{25} + \frac{2}{25} = \frac{8}{25}$

New Ratio = Ravi : Kishan : Mohan= 9 : 8 : 8.

S9. Ans. (c)

Sol. In the absence of a partnership deed:

1. Profits and losses are shared equally among the partners.
2. Interest on Capital is not allowed.
3. Interest on drawing is not charged.

S10. Ans. (c)

Sol. When there is a change in the profit-sharing ratio among partners, and the existing goodwill is written off, it is written off among the partners in the Old Ratio.

S11. Ans. (c)

Sol. Clicking anywhere in a chart displays "Chart Tools which is a contextual tab that appears in the ribbon of many spreadsheet and presentation software programs. This tab provides options and tools for working with the chart, such as changing chart types, formatting, and data source settings.

S12. Ans. (b)

Sol. Interest on Drawings = Quarterly Drawings × 4 × Rate% × Average Period

$465 = \text{Quarterly Drawings} \times 4 \times \frac{8}{100} \times \frac{4.5}{12}$

Quarterly Drawings=₹3,875

S13. Ans. (d)

Sol. The order in the process of Issue and Forfeiture of shares is as follows:

(A) Issue of prospectus: The company issues a prospectus to invite applications from the public for the purchase of shares.

(D) Receipt of applications: The company receives applications from interested investors.

(B) Allotment of shares: After the application period closes, the company allots shares to the applicants.

(C) Calls in arrears: If shareholders fail to pay the calls (installments), they are considered to be in arrears.

(E) **Forfeiture of shares**: If shareholders do not pay the calls even after being in arrears, their shares may be forfeited by the company.

S14. Ans. (a)

Sol. The formula for PMT is "= PMT(rate, nper, pv, [fv], [type])"

In function "=PMT(C_8, C_9, C_{10}, C_{11}, C_{12})" cell C_8 contains rate.

S15. Ans. (c)

Sol. The correct match is given below:

List – I		List – II	
(A)	Receipt and Payment account	(III)	Cash Basis
(B)	Income and Expenditure account	(I)	Accrual Basis
(C)	Subscription	(IV)	Revenue Item
(D)	Machinery	(II)	Capital Item

S16. Ans. (d)

Sol. The order for the items in the statement of Profit and Loss of a company is as follows:

(C) Cost of materials consumed: This represents the cost incurred for the raw materials used in the production process.

(A) Changes in inventories of finished goods: This accounts for the changes in the value of finished goods that are held in inventory.

(E) Employees Benefit Expenses: This category includes expenses related to employee benefits such as salaries, pensions, and bonuses.

(B) Finance Cost: Finance cost includes interest expenses and other borrowing costs incurred by the company.

(D) Depreciation and Amortization: This category represents the expenses associated with the depreciation of tangible assets and the amortization of intangible assets.

S17. Ans. (a)

Sol. Grants received are considered as income and are credited to the Income & Expenditure Account of the charitable hospital. This reflects the financial support received to cover expenses and provide services.

S18. Ans. (a)

Sol. Increase in current liability is added back to net profit to ascertain net cash flows from Operating Activities.

Cash flows from Operating Activities

Particulars	₹
Net profit	50,000
Add: Increase in Bills Payable	10,000
Net cash flows from Operating Activities	**60,000**

S19. Ans. (d)

Sol. The Income and Expenditure Account is used for recording revenue and expense transactions of a not-for-profit organization. It focuses on revenue and expenses related to the organization's operations and does not include capital nature items. Capital items are usually recorded in the Balance Sheet.

S20. Ans. (a)

The correct match is given below:

List – I		List - II	
(A)	Operating Activities	(III)	Payment to Suppliers
(B)	Investing Activities	(I)	Dividend Received
(C)	Financing Activities	(IV)	Interest on Debentures
(D)	Cash and Cash Equivalents	(II)	Current Investment

S21. Ans. (c)

Sol. As per Companies Act, 2013, application money should be at least 5% of the face value of the share when applying for shares during the share issuance process.

S22. Ans. (a)

Sol. **Goodwill is a fictitious asset not an intangible asset:** This statement is not accurate. Goodwill is indeed considered an intangible asset in accounting, not a fictitious asset. Goodwill represents the value of a firm's reputation, customer relationships, and other intangible factors that contribute to its overall worth.

S23. Ans. (c)

Sol. The correct facts about debentures are:

(A) Specified rate of interest on debentures is also called the specific coupon rate debenture.

(B) Convertible debentures can be converted into equity shares.

(D) Debentures include debenture inventory and bonds.

(E) Irredeemable debentures are also known as perpetual debentures.

S24. Ans. (a)

Sol. Normal Profit=Capital Employed $\times \frac{\text{Normal Rate of return}}{100}$

Normal Profit=₹2,00,000 $\times \frac{15}{100}$ = ₹30,000

Super Profit = Actual profit – Normal Profit = ₹48,000-₹30,000=₹18,000

Goodwill=Super profit × No. of Years purchase

Goodwill=18,000 × 4=₹54,000

S25. Ans. (c)

Sol. The sequence for the categories of share capital is:

(B) Authorised Capital: The maximum amount of capital a company can legally issue.

(c) Issued Capital: Shares that have been allotted to shareholders.

(c) Subscribed Capital: Shares committed to by shareholders.

(A) Called up Capital: The amount shareholders are required to pay.

(D) Paid up Capital: The actual amount shareholders have paid to the company.

S26. Ans.(c)

Sol. In the context of a database table, a "record" refers to a single row of data that contains specific information about an entity or item being stored in the database.

S27. Ans. (b)

Sol. Cost of goods Sold = Average Inventory × Inventory Turnover Ratio

Cost of goods Sold = 1,20,000 × 6 = ₹7,20,000

Gross Profit=25% of Revenue from Operations
Revenue from operations= Cost of goods Sold + Gross Profit
Let Revenue from operations= x
$x = 7,20,000 + 25\%$ of x
$x =$ ₹9,60,000
Hence, Revenue from operations = ₹9,60,000

S28. Ans. (-)

Cash Flows from financing Activities

Particulars	₹
Proceeds from Issue of Share capital	7,00,000
Proceeds from Bank Loan	2,00,000
Repayment of Bank Loan	(9,00,000)
Net cash Flow from Financing Activities	0

Working Note:

Bank loan A/c

Particulars	₹	Particulars	₹
To bank(Bal. Fig)	9,00,000	By Bal. b/d	12,50,000
To Bal c/d	5,50,000	By Bank	2,00,000
Total	**14,50,000**	**Total**	**14,50,000**

S29. Ans. (c)
Sol. The liquidity of a company is measured by the current ratio, while the solvency is measured by the debt equity ratio.

S30. Ans. (a)
Sol. Trade payables fall under current liabilities, as they represent the amounts the company owes to its creditors in the short term. The other options, deferred tax liabilities, long-term provisions, and other long-term liabilities, are considered non-current liabilities as they represent obligations that extend beyond the current fiscal year.

S31. Ans. (d)
Sol. The correct match is given below:

List I	List II
(A) Retirement	(III) Gaining Ratio to continued partner
(B) Admission	(I) Sacrifice made by old partners
(C) Absence of Partnership Deed	(II) Equal Profit Sharing
(D) Dissolution of Partnership firm	(IV) Settlement of Accounts

S32. Ans. (a)
Sol. The correct match is given below:

List – I		List – II	
(A)	Stock options outstanding account	(IV)	Shareholders Fund
(B)	Bank term loan	(III)	Non-Current Liabilities
(C)	Provision for Tax	(I)	Current Liabilities
(D)	Loose tools	(II)	Current Assets

S33. Ans. (c)
Sol. Accounts are grouped based on their classification of data in financial statements:

- Assets are items of value owned by the company, such as cash, inventory, and property.
- Liabilities are obligations or debts the company owes to others, like loans or unpaid bills.
- Capital represents the owner's equity or the residual interest in the assets after deducting liabilities.
- Revenue includes income generated from the company's primary operations.
- Expenses are costs incurred in generating revenue or running the business.

S34. Ans. (a)
Sol. Capitalised Value of average profits
=Average profits $\times \frac{100}{\text{Normal Rate of return}} =$ ₹2,50,000 $\times \frac{100}{10} =$ ₹25,00,000
Capital Employed = Assets − External Liabilities
Capital Employed = ₹25,00,000 − ₹4,50,000
= ₹20,50,000
Goodwill=Capitalised Value of average profits – Capital Employed
Goodwill=₹25,00,000-₹20,50,000=₹4,50,000

S35. Ans. (b)
Sol. Gaining Ratio = New ratio – Old Ratio
Lal: $\frac{2}{3} - \frac{5}{10} = \frac{5}{30}$
Pal: $\frac{1}{3} - \frac{2}{10} = \frac{4}{30}$
Gaining Ratio = Lal : Pal = 5 : 4

S36. Ans. (b)
Sol.

Particulars	₹
Amount collected on 150 forfeited shares	150 × 70 = ₹10500
Less: Discount on Reissue	150 × 40 = (₹6000)
Amount transferred to capital Reserve	**₹4,500**

S37. Ans. (b)
Sol. To transfer the share of a deceased partner for the intervening period, the Profit and Loss Suspense account is debited. This account is used to temporarily hold the deceased partner's share of profit or loss until it is properly distributed among the surviving partners or the legal representatives of the deceased partner.

S38. Ans. (d)
Sol. The sequential order of various subheads under Current Assets is as follows:
(E) Current Investments
(A) Inventories
(B) Trade Receivables
(C) Cash and Cash Equivalents
(D) Other Current Assets

S39. Ans. (a)
Sol. Comparative Statements, also known as Horizontal Analysis, are financial statements that allow for the comparison of financial data from different periods, usually two or more years. This analysis helps in assessing the performance and changes in a company's financial position over time.

S40. Ans. (b)

Sol. Total capital of the firm on the basis of Shikha's Capital $= 60{,}000 \times \frac{5}{1} =$ ₹3,00,000

Goodwill of the firm = ₹3,00,000 – ₹80,000 – ₹50,000 – ₹60,000 = ₹1,10,000

S41. Ans. (c)

Sol. Amount realised from Plant=130% of 30,000 = ₹39,000

S42. Ans. (d)

Sol. Since realisation expenses are borne and paid by Manav, hence no entry will be passed for the same in the books of accounts.

S43. Ans. (c)

Sol. Amount paid to creditors =₹30,000 × (100 – 6)% = ₹30,000 × 94% = ₹28,200

S44. Ans. (b)

Sol. Amount realised from Debtors = Book Value - Bad debts

Amount realised from Debtors = ₹20,000 - ₹1,000=₹19,000

S45. Ans. (a)

Sol. When a partnership firm has a Workman Compensation Reserve, and the firm undergoes dissolution or any other event that requires the distribution of assets and liabilities, the Workman Compensation Reserve is transferred to the credit side of the Partners' Capital Accounts. This means that each partner's capital account is credited with their respective share of the reserve distributed in old ratio.

S46. Ans. (c)

Sol. Collateral security is an additional form of security that lenders may require to minimize their risk when extending a loan. It comes into play if the primary security provided by the borrower is not sufficient to cover the loan amount in case of default. In such cases, the lender can use the collateral security to recover the outstanding amount.

S47. Ans. (d)

Sol. Debentures issued to the public are not considered "for consideration other than cash." In this case, cash is received from the public in exchange for debentures, which is a common practice for raising funds through public offerings.

S48. Ans. (b)

Sol. Interest on debentures issued to Apex Ltd. = ₹10,00,000 × 10% = ₹1,00,000.

Amount due after cash payment =₹50,00,000 - ₹20,00,000 = ₹30,00,000

Number of shares issued = $\frac{\text{Amount due after cash payment}}{\text{Issue price}} = \frac{₹30{,}00{,}000}{120} = 25{,}000$

Interest on debentures issued to Beta Ltd.= 25,000 × 100 × 12% = ₹3,00,000

Amount by which debentures interest account be debited=₹1,00,000 + ₹3,00,000 = ₹4,00,000

S49. Ans. (a)

Sol. Amount due after cash payment =₹50,00,000 - ₹20,00,000 = ₹30,00,000

Number of shares issued = $\frac{\text{Amount due after cash payment}}{\text{Issue price}} = \frac{₹30{,}00{,}000}{120} = 25{,}000$

S50. Ans. (b)

Sol. Loss on issue of Debentures will be the premium on issue of debentures.

Hence,

Loss on issue of Debentures = ₹10,00,000 × 20% = ₹2,00,000