

Time allowed: 45 minutes

Maximum marks: 200

General Instructions: Same as Practice Paper-1.

Choose the correct option:

1. When a new partner brings his share of goodwill in cash, the amount is debited to:
(a) Premium A/c (b) Cash A/c
(c) Capital A/cs of old partners (d) Capital A/c of new partner
2. In case of Workmen Compensation Reserve, if the amount claimed is less than the amount lying in WCR, then the surplus will be transferred to:
(a) Revaluation Account (b) Partners' Capital Accounts
(c) Balance Sheet (d) None of these
3. S, B and J were partners in a firm. T was admitted as a partner in the partnership firm for 1/5th share of profits. Calculate the sacrificing ratio of S, B and J.
(a) 3 : 2 : 1 (b) 1 : 1 : 1 (c) 2 : 2 : 1 (d) 5 : 4 : 1
4. Share forfeiture account is shown in Balance Sheet:
(a) With current liability (b) With reserves and surplus
(c) With non-current liability (d) With share capital
5. When premium amount is received on shares, then it is credited to:
(a) Share capital account (b) Securities premium reserve account
(c) Capital reserve account (d) None of these
6. A company has issued 5,00,000 shares of ₹10 each. On these shares, ₹7 per share has been called. What is the called up capital of the company?
(a) ₹15,00,000 (b) ₹50,00,000 (c) ₹35,00,000 (d) None of these
7. Which of the following is true regarding Salary to a partner when the firm maintains fluctuating capital accounts?
(a) Debit Partner's Loan A/c and Credit Profit and Loss Appropriation A/c
(b) Debit Profit and Loss A/c and Credit Partner's Capital A/c
(c) Debit Profit and Loss Appropriation A/c and Credit Partner's Current A/c
(d) Debit Profit and Loss Appropriation A/c and Credit Partner's Capital A/c
8. In case of fixed capitals, interest on drawings
(a) is credited to Partner's Capital Account
(b) is debited to Partner's Current Account

(c) may be credited to Partner's Capital or Current Account

(d) is debited to Partner's Capital Account

9. B drew ₹8,000 at the end of every month for 9 months ending 31st March, 2019. Calculate interest on drawings if rate of interest is @ 10% p.a.:

(a) ₹3,000 (b) ₹3,500 (c) ₹2,400 (d) ₹2,700

10. A, B and C share profits in the ratio of 1/2, 3/10 and 1/5. C dies. The gaining ratio of A and B will be:

(a) 1 : 1 (b) 1 : 3 (c) 5 : 3 (d) 3 : 1

11. Given below are two statements—Statement (A) and Statement (B):

Statement (A) : Profit on reissue of shares is transferred to Capital Redemption Reserve.

Statement (B) : Employees Stock Option Plan means option granted by the company to its employees and directors to subscribe to the shares of the company at a price that is lower than the market price.

Choose the correct alternative from the following:

(a) Both statement (A) and statement (B) are correct. (b) Statement (A) is correct and statement (B) is incorrect. (c) Statement (A) is incorrect and statement (B) is correct. (d) Both statement (A) and statement (B) are incorrect.

12. Subscription received by an institution is:

(a) Capital Receipts (b) Revenue Receipt (c) Both (a) and (b) (d) None of these

13. Unless otherwise stated, entrance fees are considered as:

(a) Revenue Receipt (b) Capital Receipt (c) Both (a) and (b) (d) None of the above

14. Sundry Debtors are appearing at ₹2,16,000 and Provision for Doubtful Debts at ₹12,000 in the Balance Sheet before dissolution. The Sundry Debtors will be transferred at which figure in Realisation Account?

(a) ₹2,04,000 (b) ₹2,16,000 (c) ₹2,28,000 (d) Either (a) or (c)

15. Which of the following liabilities are transferrable to Realisation Account but payment of these is not made on dissolution of firm?

(a) Partner's Loan A/c (b) Provision for Depreciation A/c
(c) General Reserve (d) All of the above

16. Given below are two statements—Statement (A) and Statement (B):

Statement (A): According to Accounting Standard 16, Borrowing costs, the loss on issue of debentures is to be written off in the year in which it is incurred, i.e., in the year in which debentures are issued and allotted.

Statement (B): 'Loss on Issue of Debentures A/c' is an expenditure account, whereas 'Premium on Redemption of Debentures A/c' is a liability account.

Choose the correct alternative from the following:

(a) Both statement (A) and statement (B) are correct.
(b) Statement (A) is correct and statement (B) is incorrect.
(c) Statement (A) is incorrect and statement (B) is correct.
(d) Both statement (A) and statement (B) are incorrect.

17. Those debentures in which the holders are given option to partially or fully convert debentures into equity shares after a specified period are known as:

(a) Registered Debentures (b) Mortgage Debentures (c) Naked Debentures (d) Convertible Debentures

18. Which of the following items given in Receipts and Payments Account are not considered in Income and Expenditure Account?

(a) Opening cash and bank balances (b) Specific Donations
(c) Closing cash and bank balances (d) All of the above

19. The difference of assets and liabilities side of balance sheet of a not-for-profit organisation is known as:
 (a) Reserve fund (b) Capital (c) Capital fund (d) General Reserve
20. X, Y and Z are partners sharing profits in the ratio of $\frac{1}{2}, \frac{2}{5}, \frac{1}{10}$. Find the new ratio of remaining partners if Z retires.
 (a) 4:5 (b) 5:4 (c) 4:1 (d) 5:1
21. M, N and P are partners in a firm, sharing profit in the ratio of 2:2:1. Their capital accounts stand as ₹2,00,000, ₹2,00,000 and ₹1,00,000 respectively. N retired from the firm and balance in the reserve on that date was ₹60,000. If goodwill of the firm is ₹1,20,000 and profit on revaluation is ₹28,200, what amount will be transferred to N's loan account?
 (a) ₹2,83,280 (b) ₹35,280 (c) ₹2,03,280 (d) None of these
22. Given below are two statements—Statement (A) and Statement (B):
Statement (A) : Only revenue nature items are shown in the Receipts and Payments Account.
Statement (B) : Payment of honorarium is a capital expenditure.
Choose the correct alternative from the following:
 (a) Both statement (A) and statement (B) are correct.
 (b) Statement (A) is correct and statement (B) is incorrect.
 (c) Statement (A) is incorrect and statement (B) is correct.
 (d) Both statement (A) and statement (B) are incorrect.
23. 600 shares of ₹100 each were forfeited for non-payment of ₹20 per share on first call and ₹50 per share on final call. Share Forfeited Account will be credited with:
 (a) ₹70,000 (b) ₹42,000 (c) ₹18,000 (d) ₹30,000
24. Which of the following statement is/are true?
 (i) In case of over subscriptions of shares, excess applications may be rejected and shares may be allotted to the remaining applicants as full.
 (ii) In case of over subscriptions of shares, shares may be allotted to all the applicants on pro-rata basis.
 (iii) In case of over subscriptions of shares, some of the applications may be rejected and shares may be allotted to the remaining applicants on pro-rata basis.
 (a) Only (i) and (ii) (b) Only (ii) (c) Only (ii) and (iii) (d) All (i), (ii) and (iii)
25. Rose Ltd. issued 25,000 shares of ₹10 each credited as fully paid to the promoters for their services. It also issued 15,000 shares of ₹10 each credited as fully paid to the underwriters for their commission.
Incorporation Expenses will be:
 (a) debited by ₹2,50,000 (b) credited by ₹2,50,000 (c) debited by ₹1,50,000 (d) credited by ₹1,50,000
26. Diwakar, Nandita and Veena were partners sharing profits and losses in the ratio of 3 : 2 : 1. Nandita died on 30th June, 2020. Her share of profit for the intervening period was based on the sales during that period, which were ₹9,00,000. The rate of profit during the past four years had been 10% on sales. The firm closes its books on 31st March every year. Nandita's share of profit will be:
 (a) ₹30,000 (b) ₹90,000 (c) ₹45,000 (d) None of these
27. Read the following statements — Assertion (A) and Reason (R). Choose one of the correct alternatives given below:
Assertion (A): 'The market situation' factor affects the value of goodwill of a partnership firm.
Reason (R) : The competence, proficiency, ability and resourcefulness of management add the value to a firm's goodwill.
Alternatives:
 (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
 (b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A)
 (c) Assertion (A) is true but Reason (R) is false
 (d) Assertion (A) is false but Reason (R) is true

The journal entry for the treatment of Goodwill on change in profit-sharing ratio will be:

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(a)	Kavya's Capital A/c Dr. To Avya's Capital A/c		10,000	10,000
(b)	Divya's Capital A/c Dr. To Avya's Capital A/c		10,000	10,000
(c)	Avya's Capital A/c Dr. To Kavya's Capital A/c		90,000	90,000
(d)	Avya's Capital A/c Dr. To Kavya's Capital A/c		10,000	10,000

29. Given below are two statements—Statement (A) and Statement (B):

Statement (A) : In the absence of partnership deed, the old partners will sacrifice in their old ratio, i.e., equally.

Statement (B) : Sacrificing ratio is calculated because the premium for goodwill brought in by the new partner is divided among the old partners in their sacrificing ratio.

Choose the correct alternative from the following:

- (a) Both statement (A) and statement (B) are correct.
- (b) Statement (A) is correct and statement (B) is incorrect.
- (c) Statement (A) is incorrect and statement (B) is correct.
- (d) Both statement (A) and statement (B) are incorrect.

30. Nirman Ltd. issued 50,000 equity shares of ₹10 each. The amount was payable as follows:

On application — ₹3 per share

On allotment — ₹2 per share

On first and final call — The balance

Applications for 45,000 shares were received and shares were allotted to all the applicants. Pooja, to whom 500 shares were allotted, paid her entire share money at the time of allotment, whereas Kundan did not pay the first and final call on his 300 shares. The amount received at the time of making first and final call was:

- (a) ₹2,25,000
- (b) ₹2,20,000
- (c) ₹2,21,000
- (d) ₹2,19,000

31. On 1st April, 2022, R.J. Ltd. issued ₹10,00,000, 9% debentures of ₹100 each at a discount of 10%. These debentures were redeemable at a premium of 5% after four years.

At the time of allotment, Loss on Issue of Debentures A/c' will be:

- (a) credited by ₹9,00,000
- (b) credited by ₹1,50,000
- (c) debited by ₹1,50,000
- (d) debited by ₹9,00,000

32. Priya Ltd. decided to redeem its 10,000, 6% debentures of ₹100 each, issued at a discount of 10% redeemable at a premium of 10%. The minimum amount that is to be transferred to Debenture Redemption Reserve will be

- (a) ₹2,75,000
- (b) ₹1,00,000
- (c) ₹11,00,000
- (d) ₹10,00,000

33. Which of the following statements is correct in regard to Debentures?

- (i) Shares are not borrowings of a company whereas Debentures are borrowings of the company.
 - (ii) When debentures are issued at par, they cannot be redeemed at premium.
 - (iii) Debentures are normally shown as short-term borrowings under Current Liabilities.
 - (iv) Loss on issue of Debentures may be written off over the tenure of the debentures from Capital Reserve or Statement of Profit and Loss.
- (a) Only (i)
 - (b) Only (iv)
 - (c) Both (i) and (iv)
 - (d) All (i), (ii) (iii) and (iv)

34. What will be the amount of subscription to be credited in the Income and Expenditure Account of Bharat Sports Club for the year ending 31st March, 2022:

Particulars	For the year ended 31st March, 2021 (₹)	For the year ended 31st March, 2022 (₹)
Advance Subscriptions	8,000	9,500
Outstanding Subscriptions	7,000	12,500

During the year, the club received ₹ 1,20,000 as subscription.

- (a) ₹ 1,40,500 (b) ₹ 1,26,000 (c) ₹ 1,24,500 (d) ₹ 1,40,800
35. E, F and G are partners sharing profits in the ratio of 3:3:2. As per the partnership agreement, G is to get a minimum amount of ₹ 80,000 as his share of profits every year and any deficiency on this account is to be personally borne by E. The net profit for the year ended 31st March, 2020 amounted to ₹ 3,12,000. Calculate the amount of deficiency to be borne by E?
- (a) ₹ 1,000 (b) ₹ 4,000 (c) ₹ 8,000 (d) ₹ 2,000
36. X, Y and Z were partners sharing profits in the ratio of 4:3:2. X dies on 31st August, 2022. The sales and profits for the year on 31st March, 2022 were ₹ 2,40,000 and ₹ 30,000 respectively. The sales up to 31st August, 2018 amounted to ₹ 1,44,000.
- What will be given to X's executors as his share of profits till the date of death?
- (a) ₹ 8,000 (b) ₹ 6,000 (c) ₹ 6,500 (d) ₹ 8,500
37. At the time of dissolution, what will be the journal entry when the firm paid ₹ 60,000 by cheque as compensation to employees?
- (a) Realisation A/c Dr. ₹ 60,000
To Employees Compensation A/c ₹ 60,000
- (b) Realisation A/c Dr. ₹ 60,000
To Bank A/c ₹ 60,000
- (c) Employees Compensation A/c Dr. ₹ 60,000
To Realisation A/c ₹ 60,000
- (d) None of these
38. Swati and Aman were partners in a firm. Their fixed capitals were ₹ 9,00,000 and ₹ 3,00,000, respectively. They shared profits in the ratio of their capitals. Divya was admitted as a new partner for 1/6th share in the profits of the firm. Divya brought ₹ 60,000 as her share of goodwill premium and ₹ 6,00,000 as her capital. The amount of goodwill premium credited to Swati's account will be:
- (a) ₹ 60,000 (b) ₹ 30,000 (c) ₹ 45,000 (d) ₹ 15,000
39. 'Factory Building under Construction' will be classified under the sub-head:
- (a) Capital Advances (b) Capital Work-in-progress
(c) Intangible Assets (d) None of these
40. Which of the following financial statements is used for financial analysis?
- (a) Fund Flow Statement (b) Balance Sheet (c) Income Statement (d) Both (b) and (c)
41. $100 - \text{Operating Profit ratio}$ is equal to _____.
- (a) Operating Ratio (b) Operating Net Profit Ratio
(c) Gross Profit Ratio (d) Current Ratio
42. Read the following statements — Assertion (A) and Reason (R). Choose one of the correct alternatives given below:
- Assertion (A) :** Current Ratio will increase when both current assets and current liabilities are decreased by the same amount.
- Reason (R) :** Loose tools and stores and spares are excluded to calculate current assets while calculating Current Ratio.

Alternatives:

- (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
- (b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A)
- (c) Assertion (A) is true but Reason (R) is false
- (d) Assertion (A) is false but Reason (R) is true

43. Net Profit as per Statement of Profit and Loss – ₹1,00,000

Profit on sale of machinery – ₹10,000

Loss on sale of furniture – ₹26,000

Net cash flow from operating activities is:

- (a) ₹84,000
- (b) ₹1,16,000
- (c) ₹1,00,000
- (d) ₹36,000

44. Interest paid on Bank Overdraft is classified under _____ in the financial statements.

- (a) Finance cost
- (b) Service cost
- (c) Amortisation Expense
- (d) None of the above

45. Given below are two statements—Statement (A) and Statement (B):

Statement (A) : 'Sale of marketable securities at par' would result in inflow, of cash.

Statement (B) : Declaration of Final dividend would result in outflow of cash.

Choose the correct alternative from the following:

- (a) Both statement (A) and statement (B) are correct.
- (b) Statement (A) is correct and statement (B) is incorrect.
- (c) Statement (A) is incorrect and statement (B) is correct.
- (d) Both statement (A) and statement (B) are incorrect.

46. Which one of the following is correct?

(i) Working Capital Turnover Ratio establishes a relationship between net Revenue from Operations and working capital of a company.

(ii) Inventory Turnover Ratio = $\frac{\text{Revenue from Operations}}{\text{Working Capital}}$

(iii) The higher the Inventory Turnover Ratio, the better it is.

(iv) A Higher Inventory Turnover Ratio always means higher profits.

Choose the correct option:

- (a) Only (i) and (ii)
- (b) Only (i) and (iii)
- (c) Only (ii), (iii) and (iv)
- (d) All (i), (ii), (iii) and (iv)

47. Match the following:

Column I	Column II
(i) Acid Test Ratio	(A) Activity Ratio
(ii) Inventory Turnover Ratio	(B) Profitability Ratio
(iii) Operating Ratio	(C) Liquidity Ratio
(iv) Proprietary Ratio	(D) Solvency Ratio

Choose the correct option:

- (a) (i) (C), (ii) (A), (iii) (B), (iv) (D)
- (b) (i) (A), (ii) (B), (iii) (C), (iv) (D)
- (c) (i) (D), (ii) (C), (iii) (B), (iv) (D)
- (d) (i) (B), (ii) (C), (iii) (A), (iv) (D)

48. Dolphin Ltd. purchased machinery of ₹2,00,000 issuing a cheque of ₹50,000 and 8% Debentures of ₹1,50,000. In the cash flow statement, the transaction will be shown as:

- (a) Outflow under investing activity ₹2,00,000 inflow under financing activity as Receipt for Debentures of ₹1,50,000.

- (a) Outflow under investing activity ₹2,00,000 inflow under financing activity as Receipt for Debentures of ₹1,50,000.
 (b) Outflow under investing activity ₹50,000
 (c) Inflow of ₹1,50,000 as financing activity.
 (d) None of the above

49. Purchase and sale of securities by a _____ company is an operating activity.

- (a) Manufacturing (b) Financing
 (c) Service providing (d) Both (a) and (b)

50. What will be the Cash Flows from Investing Activities from the following information:

Particulars	Note No.	31st March 2022 (₹)	31st March 2021 (₹)
Investing in Shares of Delko Ltd.		26,00,000	16,00,000
11% Long-term Investments		3,00,000	10,00,000
Plant and Machinery		12,00,000	9,00,000
Goodwill		4,00,000	1,40,000

Additional Information:

- (i) 10% dividend was received from Delko Ltd.
 (ii) A machine costing ₹70,000 (Depreciation provided thereon ₹10,000) was sold for 60,000. Depreciation charged during the year was ₹50,000.
 (a) Cash used in Investing Activities ₹6,40,000 (b) Cash from Investing Activities ₹6,40,000
 (c) Cash from Investing Activities ₹6,20,000 (d) Cash from Investing Activities ₹6,20,000

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1. (b) 2. (b) 3. (b) 4. (d) 5. (b) 6. (c) 7. (d)
8. (b) 9. (c) 10. (c) 11. (c) 12. (b) 13. (a) 14. (b)
15. (b) 16. (a) 17. (d) 18. (d) 19. (c) 20. (b) 21. (a)
22. (d) 23. (c) 24. (d) 25. (a) 26. (a) 27. (b) 28. (d)
29. (a) 30. (c) 31. (c) 32. (b) 33. (a) 34. (b) 35. (d)
36. (a) 37. (b) 38. (c) 39. (b) 40. (d) 41. (a) 42. (b)
43. (b) 44. (a) 45. (d) 46. (b) 47. (a) 48. (b) 49. (b)
50. (a)