

Time allowed: 45 minutes

Maximum marks: 200

General Instructions: Same as Practice Paper-1.

Choose the correct option:

1. A and B are partners in a firm sharing profits in the ratio of 3 : 2. They decided to share future profits equally. Calculate A's gain or sacrifice.
(a) $\frac{2}{10}$ (sacrifice) (b) $\frac{5}{10}$ (gain)
(c) $\frac{1}{10}$ (gain) (d) $\frac{1}{10}$ (sacrifice)
2. The firm earns ₹55,000. The normal rate of return is 10%, assets of the firm were ₹5,50,000 and liabilities were ₹50,000. Value of goodwill by capitalisation of average profit will be:
(a) ₹1,00,000 (b) ₹5,000
(c) ₹2,500 (d) ₹50,000
3. Which of the following items is related to credit side of Partners' Current Accounts?
(a) Interest on Partners' Capital (b) Share in Profit to Partners
(c) Salaries to Partners (d) All of the above
4. On the admission of a partner in case of Workmen Compensation Reserve, if the amount claimed is more than the amount lying in WCR, then the shortfall will be recorded in
(a) Revaluation Account (b) Realisation A/c
(c) Balance Sheet (d) Cash A/c
5. Given below are two statements—Statement (A) and Statement (B):
Statement (A) : If there is a debit balance of Profit and Loss Account and deferred revenue expenditure in the Balance Sheet on the date of retirement of a partner, it must be written off by all the partners in old profit-sharing ratio.
Statement (B) : For the above purpose, Capital Accounts of all the partners are credited.
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.
6. If a share of ₹10 on which ₹6 has been paid up, is forfeited, it can be reissued at the minimum price of _____.
(a) ₹10 per share (b) ₹8 per share
(c) ₹5 per share (d) ₹4 per share

7. If ₹7 was called up on share of ₹10 and one shareholder paid ₹5, then at the time of share forfeiture, share capital account will be debited by:
- (a) ₹3 (b) ₹7
(c) ₹5 (d) ₹10
8. Chirag Ltd. took over the assets of ₹30,00,000 and liabilities of ₹10,00,000 of K Ltd. for a purchase consideration of ₹27,37,000. ₹51,000 were paid by issuing a promissory note in favour of K Ltd. payable after two months and the balance was paid by issue of equity shares of ₹100 each at a premium of 25%.
- In the books of Chirag Ltd., Securities Premium Reserve will be credited with an amount of:
- (a) ₹2,50,000 (b) ₹5,37,200
(c) ₹5,00,000 (d) ₹3,68,500
9. Which of the following statements are incorrect?
- (i) Shares can be forfeited on non-payment of allotment or calls money, called upon by the company.
(ii) The amount which has not been received by the company from the shareholders till the last fixed date of payment, is known as Calls-in-Arrears.
(iii) The amount received as premium on issue of shares/debentures is debited to an account, known as Securities Premium Reserve.
(iv) According to Section 52(2) of the Companies Act, 2013, the amount of securities premium reserve cannot be used to issue fully paid-up bonus shares to the shareholders.
- (a) Only (i) and (ii) (b) Only (ii) and (iii)
(c) Only (iii) and (iv) (d) All (i), (ii), (iii) and (iv)
10. Which of the following is not classified as 'Non-current Assets'?
- (a) Vehicles (b) Trade Receivables
(c) Investments in Property (d) Patents
11. Which of the following is not a part of Finance Cost (in statement of profit and loss)?
- (a) Bank Charges (b) Interest Paid on Debentures
(c) Interest Paid on Public Deposits (d) Loss on Issue of Debentures
12. Given below are two statements—Statement (A) and Statement (B):
- Statement (A) :** The undistributed profits or losses are transferred to Realisation Account at the time of dissolution of partnership firm.
- Statement (B) :** For transferring the General Reserve at the time of dissolution, partners' capital accounts are credited.
- 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.
13. Which of the following accounts is not transferred to credit side of Realisation A/c?
- (a) Creditors' A/c (b) Bills payable A/c
(c) Furniture and fixtures A/c (d) Provision for doubtful debts A/c
14. If the firm is dissolved, the partner's personal assets are first used for payment of:
- (a) Firm's liability (b) Personal liabilities
(c) Any of (a) or (b) (d) None of these
15. Feluda Ltd. has been successfully running its business in the field of manufacturing solar heaters for eight years.

The ratio of Current Assets (₹9,00,000) to Current Liabilities (₹6,00,000) is 1.5 : 1.

The management of the firm is interested in maintaining a Current Ratio of 2:1, by paying off a part of the current liabilities.

What is the amount of 'Current Liabilities' to be paid to maintain Current Ratio of 2:1?

- (a) ₹ 1,00,000 (b) ₹ 1,50,000
(c) ₹ 2,50,000 (d) ₹ 3,00,000

16. Trade Receivables Turnover Ratio:

- (i) measures the efficiency of collection staff
(ii) high ratio means, high risk of bad debts
(iii) a lower ratio means inefficient credit sales policy

Choose the correct option:

- (a) Only (i) is correct (b) Only (i) and (iii) are correct
(c) Only (ii) is correct (d) Only (ii) and (iii) are correct

17. Cost of goods sold = _____ .

- (a) Revenue from operations – Gross profit (b) Revenue from operations – Net profit
(c) Revenue from operations proceeds (d) None of the above

18. A debenture of face value of ₹100, issued at ₹95 and repayable at ₹105, then _____ is ₹10.

- (a) Discount on Issue of Debentures (b) Premium on Issue of Debentures
(c) Loss on Issue of Debentures (d) Gain on Issue of Debentures

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

Statement (A) : Debentureholders are entitled to interest on debentures irrespective of the fact whether the company has earned profit or not during the year.

Statement (B) : Interest on debentures is paid at a predetermined rate.

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.

20. Garima Ltd. purchased machinery of ₹9,90,000 from another firm. Payment was made by issuing 5% Debentures of ₹100 each at a premium of 10%. The 5% Debentures Account will be credited with:

- (a) ₹9,90,000 (b) ₹9,00,000
(c) ₹99,900 (d) None of the above

21. Vinod and Mehra are partners in a firm. Goodwill is appearing in the books at ₹60,000. Khanna is admitted for 1/4th share and goodwill of the firm is valued at ₹1,50,000. The amount of goodwill brought in by Khanna will be:

- (a) ₹15,000 (b) ₹1,50,000
(c) ₹60,000 (d) ₹37,500

22. Manoj, Prince and Asha are partners in a firm sharing profits and losses in the ratio of 2:2:1. They admitted Kajal for 1/4th share with effect from 1st April 2022. An extract of their Balance Sheet as at 31st March, 2022 is as follows:

Liabilities	(₹)	Assets	(₹)
Workmen Compensation Reserve	2,40,000		

If the claim for workmen compensation is estimated at ₹3,00,000, which of the following accounts will be debited and by what amount?

- (a) Workmen Compensation Reserve by ₹60,000
(b) Provision for Workmen Compensation Reserve by ₹60,000
(c) Revaluation A/c by ₹2,40,000
(d) Revaluation A/c by ₹60,000.

23. Under what circumstances, assets are revalued?

- (a) At the time of admission of new partner
- (b) At the time of Capital Adjustment
- (c) At the time of dissolution of firm
- (d) All of the above situations

24. Charging of Depreciation on machinery would result in:

- (a) decrease in cash and cash equivalents
- (b) cash outflow from operating activities
- (c) cash outflow from investing activities
- (d) no flow of cash

25.

Balance Sheet (an Extract)

Equity and Liabilities	31st March, 2021	31st March, 2022
10% Debentures	4,00,000	3,20,000

Additional Information:

Interest on debentures is paid on half yearly basis on 30th September and 31st March each year.

Debentures were redeemed on 30th September, 2021.

How much amount (related to above information) will be shown in Financing Activity for Cash Flow Statement prepared on 31st March, 2022?

- (a) Outflow ₹ 1,16,000
- (b) Inflow ₹ 80,000
- (c) Outflow ₹ 1,20,000
- (d) Outflow ₹ 3,20,000

26. Which one of the following is correct?

- (i) Total Assets to Debt Ratio shows relationship between total assets and total long-term debts of the business.
- (ii) $\text{Total Assets to Debt Ratio} = \frac{\text{Total Assets}}{\text{Long term Debts}}$
- (iii) Long-term debts refer to debts that will mature after one year from the date of Balance Sheet or after the period of operating cycle.
- (iv) Total assets to debt ratio of 3:1 is considered safe for the investors.

Choose the correct option:

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

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

Statement (A) : Financial Statements analysis ignores price level changes as a change in price level makes analysis of financial statements of different accounting years invalid.

Statement (B) : Financial Statements analysis cannot lead to window dressing, i.e., showing a better financial position than what actually is by manipulating the books of accounts.

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.

28. On the retirement of Gaurav from the firm of 'Gaurav, Maheep and Danish' the Balance Sheet showed a General Reserve of ₹35,000. For calculating the amount payable to Gaurav, the balance will be transferred:

- (a) to the credit of the capital accounts of Gaurav, Maheep and Danish equally
 (b) to the debit of the capital accounts of Gaurav, Maheep and Danish equally
 (c) to the debit of the capital accounts of Maheep and Danish equally
 (d) to the credit of the capital accounts of Maheep and Danish equally

29. Which of the following will be credited to the deceased partners' capital account?

- (i) Share in General Reserve (ii) Drawings made by the partner
 (iii) Interest on his drawings (iv) Interest on his capital
 (v) Share in Goodwill
- (a) (i), (ii) and (iii) (b) (ii), (iii) and (iv)
 (c) (i), (iv) and (v) (d) (iii), (iv), and (v)

30. X, Y and Z were partners sharing profits and losses in the ratio of 2:2:1. On 31st March, 2022, their Balance Sheet stood as under:

Liabilities	(₹)	Assets	(₹)
Sundry Creditors	19,000	Building	25,000
Bank Loan	30,000	Sundry Debtors	25,000
Partners' Capital A/cs:		Machinery	18,000
X 20,000		Cash in Hand	10,000
Y 15,000		Cash at Bank	6,000
Z 10,000	45,000	Stock	10,000
	<u>94,000</u>		<u>94,000</u>

On 1st April, 2022, Y decides to retire from the firm. On that day, the assets and liabilities of the firm are revalued as follows:

- (i) Building is valued at ₹28,000.
 (ii) Value of Stock has been increased by ₹5,000.
 (iii) Provision @5% is to be created for doubtful debts on debtors.
 (iv) Machinery is valued at ₹15,000.
 (v) Amount due to sundry creditors has been decreased by ₹5,000.

There will be:

- (a) Profit on Revaluation ₹13,750 (b) Profit on Revaluation ₹8,750
 (c) Loss on Revaluation ₹8,750 (d) Loss on Revaluation ₹13,750

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

Statement (A) : Any amount paid for the unrecorded liabilities is credited to Realisation Account.

Statement (B) : At the time of dissolution of firm, balance of partners' current accounts are transferred to realisation 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.

32. In case of admission of a partner, match the following:

(i) Increase in value of Building	(A) debited to Revaluation A/c
(ii) Existing Goodwill	(B) credited to Revaluation A/c
(iii) Accumulated profits	(C) credited to Old Partners' A/c
(iv) Decrease in value of furniture	(D) debited to Old Partners' A/c

Choose the correct option:

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

33. From the following information, calculate the amount to be charged to Income and Expenditure Account for 'Sports material consumed' for the year 2019-20:

Particulars	(₹)
Stock of Sports material 1st April, 2019	60000
Amount paid to creditors (during 2019-20)	3,00,000
Creditors for Sports Materials 1st April, 2019	1,00,000
Creditors for Sports Materials 31st March, 2020	80,000
Sports Material sold During the year (Book Value ₹35,000)	15,000
Cash Purchases of Sports Material (During the Year 2019-20)	1,30,000

There was zero stock at the end of financial year 2019-20.

- (a) ₹4,35,000 (b) 4,00,000 (c) ₹3,05,000 (d) Nil
34. Which of the following is not shown on 'Receipts' side in Receipts and Payments Account?
- (a) Legacies (b) Life Membership Fees
(c) Subscriptions Received in Advance (d) Purchase of Sports Equipments
35. Identity the non-capital Receipts in case of NPOs:
- (a) Sale of Fixed Assets (b) Life Membership Fees
(c) Proceeds from Charity shows (d) Bank Loan Raised
36. While preparing Cash Flow Statement, Adjustment for Proposed Dividend is:
- (a) Add previous year's proposed dividend under net profit before tax and extra-ordinary items and deduct it under Financing Activity.
(b) Add current year's proposed dividend under net profit before tax and extraordinary items and deduct previous year's proposed dividend under Financing Activity.
(c) Add current year's proposed dividend under net profit before tax and extraordinary items and deduct current year's proposed dividend under Financing Activity.
(d) None of the above
37. ₹42,000 was loss incurred on sale of old machinery, it will result in:
- (a) Cash outflow from Operating Activities (b) Cash outflow from Investing Activities
(c) Cash outflow from Financing Activities (d) No Flow of Cash
38. From the following information for the year ended 31st March, 2022, calculate Net Profit before Tax and Extraordinary Activities:

Particulars	(₹)
Surplus, i.e., Balance in Statement of Profit and Loss (Opening)	3,00,000
Surplus, i.e., Balance in Statement of Profit and Loss (Closing)	5,00,000
Proposed Dividend for the year ended 31st March, 2022	3,00,000
Proposed Dividend for the year ended 31st March, 2021	2,00,000
Transfer to General Reserve	1,00,000
Provision for Tax made during the Current Year	1,00,000

- (a) ₹5,00,000 (b) ₹5,00,000 (c) ₹6,00,000 (d) ₹4,00,000
39. When debentures of ₹1,00,000 are issued at par but redeemable at a premium of 5%, the premium payable is credited to:
- (a) Debentures Suspense Account (b) Premium on Redemption of Debentures Account
(c) Debentures Account (d) Discount on Issue of Debentures A/c
40. Given below are two statements—Statement (A) and Statement (B):
- Statement (A) :** After the redemption of debentures, the Debenture Redemption Reserve Account is closed by transferring it to General Reserve.
- Statement (B) :** A banking company is not required to create DRR.

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.

41. Bank overdraft as shown in the Receipts and Payments A/c will be shown on:

- (a) Assets side of Balance Sheet (b) Liabilities side of Balance Sheet
(c) Debit side of Income and Expenditure A/c (d) Credit side of Income and Expenditure A/c

42. In the Income and Expenditure Account, subscriptions are treated on _____ of accounting.

- (a) cash basis (b) accrual basis (c) hybrid basis (d) None of the above

43. Lively Literary Club sold some old books (Book value ₹4,500) for ₹3,200. It would be shown in Receipts and Payments Account:

- (a) on debit side ₹4,500 (b) on debit side ₹3,200 (c) on credit side ₹4,500 (d) on credit side ₹3,200

44. Interest on Partners' Capital is credited to:

- (a) Interest A/c (b) Profit and Loss A/c
(c) Partners' Capital A/cs (d) Profit and Loss Appropriation A/c

45. In a partnership firm, partners having fixed capitals, when partners' salaries are transferred to capital accounts, journal entry would be:

- (a) Partners' salaries A/c Dr.
To Partners' Current A/cs
(b) Partners' salaries A/c Dr.
To Partners' Capital A/cs
(c) Partners' Current A/cs Dr.
To Partners' salaries A/c
(d) None of these

46. This account is debited with interest on capitals, partners' salary and commission, transfer to reserves, share of profits of the partners and credited with net profit before appropriations and interest on partners' drawings.

Identify the amount:

- (a) Partners' Capital Accounts (b) Revaluation Account
(c) Profit and Loss Account (d) Profit and Loss Appropriation Account

47. Construct and Flourish Ltd. forfeited 16,000 equity shares of ₹100 each issued at a premium of 10% for non-payment of the first and final call of ₹30 per share. The maximum amount of discount at which these shares can be reissued will be:

- (a) ₹1,60,000 (b) ₹6,40,000 (c) ₹11,20,000 (d) ₹4,80,000

48. Which of the following documents describes specifically about the terms and conditions of the issue of shares?

- (a) Prospectus (b) Article of Association
(c) Memorandum of Association (d) All of the above

49. Kavish Ltd. had allotted 30,000 shares to the applicants of 42,000 shares on pro-rata basis. The amount payable on application was ₹2. Bohra applied for 1,260 shares. The number of shares allotted and the amount carried forward for adjustment against allotment money due from Bohra will be:

- (a) 180 shares; ₹360 (b) 1,020 shares; ₹480 (c) 960 shares; ₹600 (d) 900 shares; ₹720

50. A company bought a building worth ₹20,00,000, which was paid in equity shares of ₹100 each. Issue of shares was made at 25% premium. How many shares were issued to the seller?

- (a) 10,000 Shares (b) 16,000 Shares (c) 12,000 Shares (d) 20,000 Shares

PRACTICE PAPER — 18

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