CUET (UG)

Accountancy Sample Paper - 6

Solved

Time Allowed: 45 minutes **Maximum Marks: 200**

General Instructions:

1. The test is of 45 Minutes duration.
2. The test contains 50 questions out of which 40 questions need to be attempted.
3. Marking Scheme of the test:

a. Correct answer or the most appropriate answer: Five marks (+5).
b. Any incorrectly marked option will be given minus one mark (-1).
c. Unanswered/Marked for Review will be given zero mark (0).

Attempt any 40 questions

1. A, B and C are partners in the ratio of 5 : 3 : 2. Before B's salary of ₹ 1,700 firm's profit is ₹ 9,700. How much in total B will receive from the firm? **[5]**

a) ₹ 4,000 b) ₹ 2,400
c) ₹ 4,100 d) ₹ 1,700

2. If dates of the withdrawal of drawings are not given then interest on drawings should be charged: **[5]**

a) For 0 months b) For 6 months
c) For 12 months d) For 8 months

3. Calculate interest on drawings of Mr. Dravid @ 10% p.a. for the year ended 31.03.2021, if he withdrew an equal amount in the middle of every month and his total drawings are ₹ 14,400. **[5]**

a) 720 b) 780
c) 660 d) 1,440

4. X, Y and Z are partners sharing profits in the ratio of 3 : 2 : 1. X has given guarantee to Z for a minimum share of profit for the year. After meeting Z's deficiency of ₹ 40,000, X gets his share of final net profit ₹ 1,10,000.
What was the guaranteed amount of Z? **[5]**

a) 1,00,000 b) 90,000
c) 50,000 d) 1,50,000

5. What is gaining ratio: **[5]**

a) In which profit sharing ratio of gaining partners increase

b) In which profit sharing ratio of gaining partners decrease

c) In which profit sharing ratio of sacrificing partners increase

d) In which profit sharing ratio of sacrificing partners decrease

6. How sacrificing ratio is calculated **[5]**

a) Sacrificing ratio = Old ratio - Gaining ratio

b) Sacrificing ratio = New ratio - Old ratio

c) Sacrificing ratio = Old ratio - New ratio

d) Sacrificing ratio = Old ratio + New ratio

7. Match the followings: **[5]**
A, B and C are partners in a firm sharing Profits and loss in the ratio of 5 : 3 : 2, they decided to share profits and losses in the ratio of 1 : 1 : 1 w.e.f. 01.04.2021. Investment fluctuation reserve as on that date was ₹ 30,000 and the current investment is ₹ 2,00,000

(a) No other information is given (Cost and market value are same)	(i) A = 5,000 (Cr.); B = 3,000 (Cr.); C = 2,000 (Cr.)
(b) Investment revalued at ₹ 1,80,000	(ii) A = 10,000 (Dr.); B = 6,000 (Dr.); C = 4,000 (Dr.)
(c) Investment revalued at ₹ 1,60,000	(iii) A = 5,000 (Dr.); B = 3,000 (Dr.); C = 2,000 (Dr.)
(d) Investment revalued at ₹ 1,50,000	(iv) A = 15,000 (Cr.); B = 9,000 (Cr.); C = 6,000 (Cr.)

a) (a) - (ii); (b) - (iii); (c) - (iv); (d) - (i)

b) (a) - (iv); (b) - (i); (c) - (iii); (d) - (ii)

c) (a) - (iii); (b) - (i); (c) - (ii); (d) - (iv)

d) (a) - (iii); (b) - (i); (c) - (iv); (d) - (ii)

8. Identify the situation where Sacrifice/Gain Ratio is not applicable: **[5]**

a) At the time of retirement/death of a partner

b) When a new partner is admitted

c) When Purchased goodwill is written off from the books

d) When there is change in profit sharing ratio

9. State the ratio in which the partners share all the accumulated profits, reserves, losses & fictitious assets in case of change in profit sharing ratio. **[5]**

a) New Ratio
b) Only Gain Ratio
c) Old Profit Sharing Ratio
d) Sacrificing Ratio

10. A and B are partners sharing profits in the ratio of 2 : 3, they admit C as a partner for $\frac{1}{4}$ th share, the sacrificing ratio of A and B will be: **[5]**

a) 1 : 1
b) 3 : 2
c) 2 : 1
d) 2 : 3

11. Out of the following, which is the main right of a partner? **[5]**

a) Right to stop other partners for drawings
b) Right to share the old profits of the firm
c) Right to share the profits of the firm
d) Right to say no for goodwill

12. X and Y are sharing profits and losses in the ratio of 3 : 2. They admit Z as a partner and give him $\frac{2}{10}$ th share in the profits. The new profit-sharing ratio will be **[5]**

a) 12 : 8 : 5
b) 3 : 2 : 5
c) 3 : 2 : 2
d) 2 : 1 : 2

13. A and B are partners sharing profits in the ratio of 7 : 3. They decided to admit Rishi as a new partner and new profit sharing ratio is 4 : 3 : 3. Rishi Paid ₹ 12,000 as his share of goodwill. Amount of goodwill transfer to the capital account of B: **[5]**

a) 4800
b) 3600
c) 1200
d) Nil

14. What treatment is made of accumulated profits on the retirement of a partner? **[5]**

a) Credited to all partner's capital accounts in old ratio.
b) Debited to all partner's capital accounts in old ratio.
c) Credited to remaining partner's capital accounts in new ratio.
d) Credited to remaining partner's capital accounts in gaining ratio.

15. When the old ratio is deducted from the new Ratio we get: **[5]**

a) Sacrificing ratio
b) New Ratio
c) Old Ratio
d) Gaining Ratio

16. New Profit sharing Ratio after the retirement of a partner, can be calculated as: **[5]**

a) New Ratio - Acquired share
b) New Ratio - Sacrificing Ratio
c) Old Ratio + Acquired share
d) Old Ratio - Acquiring Ratio

17. On dissolution of a firm, a partner's capital account has a credit balance of ₹ 42,000. His share of profit in realisation account is ₹ 9,000. He has paid firm's realisation expenses ₹ 3,000. He will finally get a payment of: **[5]**

a) ₹ 39,000
b) ₹ 42,000
c) ₹ 54,000
d) ₹ 48,000

18. On dissolution of a firm, a partner paid ₹ 700 for firm's realisation expenses. Which account will be debited? **[5]**

a) Realisation Account
b) Cash Account
c) Profit & Loss A/c
d) Capital Account of the Partner

19. On dissolution of a firm, firm's Balance Sheet total is ₹ 77,000. On the assets side of the Balance Sheet items were shown preliminary expenses ₹ 2,000; Profit & Loss Account (Debit) Balance ₹ 4,000 and Cash Balance ₹ 1,800. Loss on realisation was ₹ 6,300. Total assets (including cash balance) realised will be: **[5]**

a) ₹ 71,000
b) ₹ 69,200
c) ₹ 64,700
d) ₹ 67,400

20. Total assets of a partnership firm, which was dissolved were ₹ 30,00,000 and its total liabilities were ₹ 6,00,000. Assets were realised at 80% and liabilities were settled at 5% less. If dissolution expenses were ₹ 30,000, the profit or loss on dissolution was: **[5]**

a) Profit ₹ 18,00,000
b) Loss ₹ 6,00,000
c) Loss ₹ 18,00,000
d) Profit ₹ 6,00,000

21. Company offers 15,000 shares of ₹ 10 each to the public. The amount is payable as follows: **[5]**

- On Application ₹ 3 per share
- On Allotment ₹ 3 per share
- On 1st call ₹ 2 per share
- On 2nd call ₹ 2 per share

Applications are received for 20,000 shares. The directors made the allotment as follows:

- No allotment to applicants for 3,000 shares
- Rest of the shares were allotted on pro-rata basis.

Allotment money to be adjusted on application will be:

a) 45,000

b) 6,000

c) 15,000

d) 9,000

22. The Journal Entry to acquire an asset from vendor will be: **[5]**

Options	**Particulars**		**L.F.**	**Amount Dr. (₹)**	**Amount Cr. (₹)**
(A)	Sundry Assets A/c	Dr.			
	To Vendor's A/c				
(B)	Vendor's A/c	Dr.			
	To Sundry Assets A/c				
(C)	Sundry Assets A/c	Dr.			
	To Cash A/c				
(D)	Cash A/c	Dr.			
	To Vendor's A/c				

a) Option (B)

b) Option (D)

c) Option (C)

d) Option (A)

23. Rajat Ltd. has issued 10,000 Equity Shares of ₹ 10 each and it has called the total nominal (face) value. It has received the total amount, except the final call of ₹ 3 on 500 Equity Shares. These 500 Equity Shares will be shown as **[5]**

a) Subscribed and fully paid-up.

b) Issued share capital.

c) Subscribed but not fully paid-up.

d) Paid up share capital

24. A Ltd. issued 1,000, 10% debentures of ₹ 100 each at a premium of 5%. What will be the total amount of interest for one year? **[5]**

a) ₹ 5,250

b) ₹ 10,500

c) ₹ 5,000

d) ₹ 10,000

25. On 1st April, 2020, Elpis Ltd. issued 4,000, 8% Debentures of ₹ 100 each, to be redeemed in four equal annual instalments beginning from 31st March, 2022. The interest on these debentures was payable half yearly, on 30th September and 31st March **[5]**

every year. What is the journal entry to close the Interest on Debentures A/c on 31st March, 2023?

a) Debit Statement of P/L ₹ 32,000; Credit Interest on Debentures A/c ₹ 32,000.

b) Debit Statement of P/L ₹ 16,000; Credit Interest on Debentures A/c ₹ 16,000.

c) Debit Statement of P/L ₹ 8,000; Credit Interest on Debentures A/c ₹ 8,000.

d) Debit Statement of P/L ₹ 24,000; Credit Interest on Debentures A/c ₹ 24,000.

26. Vinod Limited has 5,000, 11% Debentures which are to be redeemed within the 8 months from the date of previous balance sheet. How will you show these debentures in the balance sheet? **[5]**

a) Under Other Current Liabilities

b) Long Term Borrowings

c) Short Term Borrowings

d) Trade payables

27. Insurance Premium of ₹ 60,000 paid by company in advance. It will be shown under: **[5]**

a) Other current assets

b) Short-term loans and advances

c) Other Non-current Assets

d) Long term loans and advances

28. Unclaimed dividend appears in a company’s balance sheet under the sub-head: **[5]**

a) Short-term Provisions

b) Trade payables

c) Short-term Borrowings

d) Other Current Liabilities

29. Which of the following is not a part of Long Term Borrowings? **[5]**

a) Debentures

b) Mortgage Loan

c) Bank Overdraft

d) Public Deposits

30. Balance sheet and statement of profit and loss are together commonly referred to as: **[5]**

a) All of these

b) Receipts and Payments Account

c) Common Size Statements

d) Financial Statements

31. When Figures of two or more periods are placed and converted to % is known as. **[5]**

a) Comparative Financial Statements

b) Ratio analysis

c) Common size financial statements

d) Trend Percentage

32. Which of the following is not a form of presenting financial analysis: **[5]**

a) Annual Report
b) Ratio Method
c) Absolute figure Comparison
d) Cumulative figures and averages

33. Loss on sale of investment is: **[5]**

a) Other expenses
b) Depreciation
c) Amortisation Expense
d) Cost of material consumed

34. A Ltd engaged in the business retailing of Air-Conditioners, invested Rs. 25, 00,000 in the shares of a manufacturing company. Dividend received on this investment will be: **[5]**

a) Cash flow from Investing activities
b) Cash flow from operating activities
c) Cash Equivalent
d) Cash flow from Financing activities

35. An example of cash flow from operating activity is: **[5]**

a) purchase of own debenture
b) Issue of equity share capital
c) sale of fixed assets
d) interest paid on term-deposits by a bank

36. Which of the following is not an investing activity under cash flow statement? **[5]**

a) Sale of 2,500 shares (held as investment) for ₹ 15 each.
b) Purchase of equipment for ₹ 500 for cash.
c) Sale of land for ₹ 28,000 for cash.
d) Purchase of marketable securities for ₹ 25,000 for cash.

37. Interest of ₹ 3,000 received in cash on loans and advances will result in: **[5]**

a) No change in cash or cash equivalents.
b) cash inflow from financing activities.
c) cash inflow from investing activities.
d) cash inflow from operating activities.

38. Which of the following does not result into reconstitution of a firm? **[5]**

a) Change in profit-sharing-ratio of existing partners.
b) Dissolution of partnership.

c) Dissolution of partnership firm.

d) Death of partner.

39. Surplus, as shown by the Income and expenditure account, is **[5]**

a) Subtracted from the capital fund

b) Divided by the capital fund

c) Added to the capital fund

d) Multiply by the capital fund

40. Donation received for a special purpose: **[5]**

a) Should be shown on the assets side

b) Should be credited to Income and Expenditure Account

c) Should be credited to separate account and shown in the Balance Sheet

d) Should not be recorded at all

41. Not-for-Profit Organisations prepare: **[5]**

a) Income and Expenditure Account

b) Only the Trading Account

c) Only Profit and Loss Account

d) Trading and Profit and Loss Account

42. ________ is the excess of actual profit over normal profit. **[5]**

a) Normal profit

b) Super Profit

c) Super Loss

d) Average Profit

43. Raj and Kunal were partners sharing profits and losses in the ratio of 2 : 1. They admitted Shanker as a partner for $\frac{1}{5}$th share in the profits. For this purpose the Goodwill of the firm was to be valued on the basis of three times of last five years average profits. The profits for the last five years were: **[5]**

Year	**2018-19**	**2019-20**	**2020-21**	**2021-22**	**2022-23**
Profit (₹)	50,000	40,000	75,000	(25,000)	50,000

Profit for 2019-20 was calculated after charging ₹ 10,000 for abnormal loss of goods by fire. The value of Goodwill of the firm is:

a) ₹ 1,28,000

b) ₹ 2,00,000

c) ₹ 1,20,000

d) ₹ 1,90,000

44. There are many methods of redemption of debentures. Among the following which is not a regular method of redemption of debentures? **[5]**

a) Redemption by purchasing own debentures from the open market

b) Redemption by paying Lump Sum amount on maturity

c) Redemption by selling business

d) Redemption by converting debentures into shares

45. Arpit Ltd. is to redeem its debentures of nominal (face) value ₹ 2,50,000 each on 30th June 2018, 30th September,2018,31 st December 2018 and 31 st March 2019. The amount to be invested in Debenture Redemption Investment on or before 30th April 2019 should be **[5]**

a) ₹ 37,500

b) ₹ 10,00,000

c) ₹ 1,50,000

d) ₹ 2,50,000

46. Net working capital is defined as **[5]**

a) total assets less current assets

b) the excess of current assets over current liabilities

c) marketable securities and cash

d) current liabilities less current assets

47. A firm's current assets are ₹ 1,60,000, current ratio is 2 : 1, cost of revenue from operations is 2,40,000, its working capital turnover ratio will be: **[5]**

a) 3 times

b) 4 times

c) 2 times

d) 8 times

48. Current Assets of a company are ₹ 5,00,000 and its current ratio is 2.5. Thereafter, it received ₹ 2,00,000 from its debtors and made payment of ₹ 1,00,000 to its creditors. Current ratio will be: **[5]**

a) 4 : 1

b) 5 : 1

c) 2 : 1

d) 6 : 1

49. Current Assets ₹ 40,000; Inventory ₹ 12,000; Prepaid Expenses ₹ 2,000 and Working Capital ₹ 30,000. Liquid ratio will be: **[5]**

a) 1.4 : 1

b) 2.6 : 1

c) 4 : 1

d) 2.8 : 1

50. Which of the following is not a limitation of financial statement analysis? **[5]**

a) Qualitative aspect is ignored

b) To assess the financial position and profitability

c) Historical analysis

d) Ignores price level changes

Solutions

1.
(c) ₹ 4,100
Explanation:

B will receive	(₹)
Salary	= 1,700
Share in profit $\left[(9.700 - 1,700) \times \frac{3}{10}\right]$	= 2,400
	4,100

2.
(b) For 6 months
Explanation:
When partnership deed provides for the interest on drawings but dates of withdrawal of drawings are not given, in such a case average time period should be taken as six months.
Interest on Drawings = Total Drawings $\times \frac{Rate}{100} \times \frac{6}{12}$
In the absence of a period of drawing, we will take 6 months as average period.
3. **(a)** 720
Explanation: 14400 x 10% x 6/12 = 720
4.
(b) 90,000
Explanation: X's profit = 40,000 + 1,10,000 = 1,50,000; Divisible profit = 1,50,000 $\times \frac{6}{3}$ = 3,00,000 Z's share = 3,00,000 $\times \frac{1}{6}$ = 50,000 (C gets 50,000 + 40,000 from A = 90,000)
5. **(a)** In which profit sharing ratio of gaining partners increase
Explanation: Gaining Ratio is calculated at the time of admission or retirement or death of a partner. It is the excess of the new ratio over the old ratio of old partners except for a retired or deceased partner. The formula for gaining ratio:
Gaining Ratio = New Ratio - Old ratio
6.
(c) Sacrificing ratio = Old ratio - New ratio
Explanation:
i. Mainly sacrificing ratio is calculated at the time of change in existing profit sharing ratio and admission of a new partner.
ii. Total of each old partner's sacrifice will be equal to the new ratio of a newly admitted partner or a gainer partner or both in case of a change in existing profit sharing ratio.
iii. Goodwill will be adjusted at the time of admission of a partner in sacrifice ratio.
iv. Formula: Old share - New share

Journal entry:
Gaining partner's capital/ current A/c ... Dr
To Sacrificing partner's capital/current A/c

7.

(b) (a) - (iv); (b) - (i); (c) - (iii); (d) - (ii)

Explanation: investment fluctuation reserve is applied first for investment then rest will distributed in partners in old ratio. if amount of investment fluctuation is less than the amount of decrease in investment then partners capital amount will be debited.

8.

(c) When Purchased goodwill is written off from the books

Explanation: When Purchased goodwill is written off from the books as it will be written off in old ratio

9.

(c) Old Profit Sharing Ratio

Explanation: as they are related to old period

10.

(d) 2 : 3

Explanation: Old ratio is the sacrificing ratio in this case.

11.

(c) Right to share the profits of the firm

Explanation: When a new partner is admitted into a partnership business. He gets following rights:.Right to share future profits of the firm , Right to take part in the conduct of Business etc.

New partner is not entitled to the profits and other incomes earned by a partnership business before his admission

12. **(a)** 12 : 8 : 5

Explanation: 12 : 8 : 5

New profit sharing ratio 24 : 16 : 10 or 12 : 8 : 5

X :-$\frac{3}{5}-\frac{2}{10}\times\frac{3}{5}=\frac{3}{5}-\frac{6}{50}=\frac{30-6}{50}=\frac{24}{50}$

Y :-$\frac{2}{5}-\frac{2}{10}\times\frac{2}{5}=\frac{2}{5}-\frac{4}{50}=\frac{20-4}{50}=\frac{16}{50}$

Z :- $\frac{2}{10}\times\frac{5}{5}=\frac{10}{50}$

13.

(d) Nil

Explanation: B is not sacrificing nor gaining on Rishu’s admission.

14. **(a)** Credited to all partner’s capital accounts in old ratio.

Explanation: Credited to all partner’s capital accounts in old ratio.

15.

(d) Gaining Ratio

Explanation: Gaining ratio is calculated by deducting the old ratio from the new ratio of remaining partners. The following formula is used to calculate the gaining ratio.

Gaining ratio = New ratio - old ratio

16.

(c) Old Ratio + Acquired share

Explanation: To calculate the new profit sharing ratio at the time of retirement, the following formula should be used: New Share = Old Share + Acquired Share.

Sometimes these acquired share is in negative. it means that there is some sacrifice by the partner and some other partner is gaining more share in the future profit and thus no such share is added only gainer partner ratio is added.

17. **(c)** ₹ 54,000
Explanation: He will get payment of ₹ 42,000 + ₹ 9,000 + ₹ 3,000 = ₹ 54,000.

18. **(a)** Realisation Account
Explanation: Realisation Account

19. **(a)** ₹ 71,000
Explanation: ₹ 71,000

20. **(b)** Loss ₹ 6,00,000
Explanation: Loss ₹ 6,00,000

21. **(b)** 6,000
Explanation: 2000 share adjusted to allotment

22. **(d)** Option (A)
Explanation: When the asset is acquired from the vendor, the sundry asset account is debited and vendor's account is credited with that amount.

23. **(c)** Subscribed but not fully paid-up.
Explanation: Subscribed but not fully paid-up.

24. **(d)** ₹ 10,000
Explanation: Interest on debenture = $(1,000 \times 100) \times 10\%$ = ₹ 10,000

25. **(d)** Debit Statement of P/L ₹ 24,000; Credit Interest on Debentures A/c ₹ 24,000.
Explanation: Debit Statement of P/L ₹ 24,000; Credit Interest on Debentures A/c ₹ 24,000.
Remaining debenture after redemption = 4,000 - 1,000 = 3,000
Interest on debenture = $(3,000\times 100) \times 8\% = 24,000$

26. **(a)** Under Other Current Liabilities
Explanation: When debentures become due for the redemption they are shown under the heading of Current Liabilities and subheading Other Current Liabilities. Debentures are Liability of company.

27. **(a)** Other current assets
Explanation: Other current assets as it is assumed to due with in one year

28. **(d)** Other Current Liabilities
Explanation: Other Current Liabilities

29. **(c)** Bank Overdraft
Explanation: Borrowings for more than one year validity can be termed as long term

borrowings. Bank overdraft is meant for a short period and therefore will be treated as current liability.

30.
(d) Financial Statements
Explanation: financial statements as it tells about financial performance and position

31. **(a)** Comparative Financial Statements
Explanation: Comparative Financial Statements

32. **(a)** Annual Report
Explanation: The Annual Report is not a form of presenting financial analysis.

33. **(a)** Other expenses
Explanation: The loss on sale of investment do not from part of operating cost. So will be taken in other expenses

34. **(a)** Cash flow from Investing activities
Explanation: Cash flow from Investing activities

35.
(d) interest paid on term-deposits by a bank
Explanation: operating activities are principal revenue generating activities & having recurring nature

36.
(d) Purchase of marketable securities for ₹ 25,000 for cash.
Explanation: Purchase of marketable securities for ₹ 25,000 for cash.

37.
(c) cash inflow from investing activities.
Explanation: cash inflow from investing activities.

38.
(c) Dissolution of partnership firm.
Explanation: Dissolution of partnership firm does not result into reconstitution of a firm as the firm winds up and closes its operations permanently.
Hence, the correct answer is Dissolution of partnership firm.

39.
(c) Added to the capital fund
Explanation: Income and expenditure account shows surplus or deficit. If there is Surplus then it is added to the capital fund and if the deficit is deducted from capital fund.

40.
(c) Should be credited to separate account and shown in the Balance Sheet
Explanation: Donation received for a specific purpose are capital receipts and recorded separately. It should be kept in a separate account and expenses to be reduced from this account only. Balance of this account to be shown as liability in the balance sheet.

41. **(a)** Income and Expenditure Account
Explanation: NPO Prepares Income and Expenditure Account not Trading A/c and P& L A/c

42.
(b) Super Profit
Explanation: Super profit is the excess of actual profit over normal profit i.e. Super Profit

= Actual/Average profit – Normal Profit. Super profit is multiplied by the number of years purchase to find out the goodwill.
Note : When Super Profit shows negative figure, it should be assumed that there is no goodwill.

43.
(c) ₹ 1,20,000
Explanation: Average profit = $\frac{50,000+50,000(40,000+10,000)+75,000-25,000+50,000}{5}$
Average profit = $\frac{2,00,000}{5}$ = ₹ 40,000
Goodwill = ₹ 40,000 $\times$ 3 = ₹ 1,20,000

44.
(c) Redemption by selling business
Explanation: Normal Methods of Redemption are following:

i. Redemption by paying Lump Sum amount
ii. Redemption in installments by Draw of Lots
iii. Redemption by purchasing own debentures from the open market
iv. Redemption by converting debentures into shares

Redemption by selling a business is not the method of redemption.

45. **(a)** ₹ 37,500
Explanation: ₹ 37,500

46.
(b) the excess of current assets over current liabilities
Explanation: Net working capital defines the capacity of the company to meet its short term obligations in terms of current liabilities

47. **(a)** 3 times
Explanation: Working Capital Turnover Ratio
$= \frac{\text{Cost of Revenue from Operations}}{\text{Working Capital}}$
Current Ratio = $\frac{\text{Current Assets}}{\text{Current Liabilities}}$
$\Rightarrow \frac{2}{1} = \frac{1,60,000}{\text{Current Liabilities}}$
Current Liabilities = ₹ 80,000
Working Capital = Current Assets - Current Liabilities
1,60,000 - 80,000 = ₹ 80,000
Working capital turnover ratio = $\frac{2,40,000}{80,000}$ = 3 times

48. **(a)** 4 : 1
Explanation: Current Ratio $= \frac{\text{Current Assets}}{\text{Current Liabilities}}$
2.5 (Given) $= \frac{5,00,000 \text{ (Given)}}{\text{Current Liabilities}}$
Current Liabilities $= \frac{5,00,000}{2.5}$ = ₹ 2,00,000
Receipt of ₹ 2,00,000 will not affect the Current Ratio. But payment to Creditors will decrease the Current Assets as well as Current Liabilities.
Hence, Current Ratio = $\frac{5,00,000-1,00,000}{2,00,000-1,00,000} = \frac{4,00,000}{1,00,000}$ = 4 : 1

49.

(b) 2.6 : 1

Explanation: Liquid Assets = Current Assets – Inventory – Prepaid Expenses = 40,000 – 12,000 – 2,000 = 26,000

Current Liabilities = Current Assets – Working Capital = 40,000 – 30,000 = 10,000

Liquid Ratio = Liquid Assets / Current Liabilities = 26,000/10,000 = 2.6:1

50.

(b) To assess the financial position and profitability

Explanation: Statement of profit and loss shows whether the enterprise is earning adequate profits and whether the profits have increased or decreased as compared to previous years whereas balance sheet shows the position of the business as regards to the payment of its short term as well as long term liabilities. Different ratios are also calculated. Hence, to assess the profitability and solvency is one of the objective of the financial statement analysis.

Other options i.e. historical analysis, ignores price level changes, ignores qualitative aspect are the limitations of financial statement analysis.