

Time allowed: 45 minutes

Maximum marks: 200

General Instructions: Same as Practice Paper-1.

Choose the correct option:

1. On a share of ₹10 issued at a premium of ₹1, the whole amount has been called-up. But in case of a shareholder only ₹6 has been received from him. Forfeited shares account would be credited by:
(a) ₹7 (b) ₹4 (c) ₹5 (d) ₹6
2. Max Ltd. purchased new machinery for ₹43,00,000 out of which ₹10,00,000 were paid in cash. Balance amount was paid by issue of equity shares of ₹100 each at 10% premium. How many shares will be issued by the company?
(a) 43,000 shares (b) 33,000 shares (c) 30,000 shares (d) 40,000 shares
3. Vedika Ltd. forfeited 21,000 equity shares of ₹100 each issued at a premium of 10%, for non-payment of second and final call of ₹ 40 per share. The maximum amount of discount at which these shares can be reissued will be:
(a) ₹ 12,60,000 (b) ₹ 14,70,000 (c) ₹ 8,40,000 (d) ₹ 3,50,000
4. Dividends are usually paid on:
(a) Authorised Capital (b) Issued Capital
(c) Called up Capital (d) Paid-up Capital
5. In case of fluctuating capital account, which accounts are opened for partners?
(a) Only Partners' Capital A/cs (b) Both Capital and Current A/cs
(c) Only Partners' Current A/cs (d) Capital A/cs or Current A/cs
6. Interest on Partners' drawings is credited to:
(a) Interest A/c (b) Profit and Loss Appropriation A/c
(c) Profit and Loss A/c (d) Partners' Capital A/cs
7. Which of the following statements is incorrect about partnership?
(a) Every partner including sleeping partner will get equal share of profit in the absence of a deed.
(b) Debit balance of a partner's current account would indicate that the partner has withdrawn in excess of what was due to him.
(c) Capital account of the partner who has been guaranteed is credited with guaranteed minimum profit plus the amount of loss.
(d) In the absence of any provision in partnership deed, only working partners are entitled to receive any remuneration.

8. Calculate the amount of medicines consumed during the year ended 31st March, 2019.

Particulars	Amount (₹)
Opening Stock of Medicines	50,000
Closing stock of Medicines	45,000 more than opening stock
Amount paid for medicines during the year	2,00,000
Opening Creditors	20,000
Closing Creditors	50% of opening creditors

- (a) ₹ 1,55,000 (b) ₹ 1,35,000 (c) ₹ 1,45,000 (d) ₹ 1,65,000

9. In case of NPOs, _____ is like Profit and Loss Account, hence is a nominal account.

- (a) Receipts and Payment Account (b) Income and Expenditure Account
(c) Subscriptions Account (d) Cash/Bank Account

10. Pick the 'Odd one Out':

- (a) Sundry Receipts (b) Life Membership Fees
(c) Repayment of Bank Loan (d) Sale of Old Newspapers

11. Utsav Ltd. decided to redeem its 4,000, 9% Debentures of ₹ 100 each which were issued at a discount of 8%, and were redeemable at a premium of 10%. The amount transferred to Debenture Redemption Reserve will be:

- (a) ₹ 4,00,000 (b) ₹ 2,00,000 (c) ₹ 40,000 (d) ₹ 1,00,000

12. Amount is not set aside to Debentures Redemption Reserve (DRR) if

- (a) the debentures are not convertible. (b) the debentures are partly convertible.
(c) the debentures are fully convertible. (d) the debentures are redeemable in cash.

13. Cash from operating activities consists of:

- (a) Operational net profit (b) Decrease in current assets
(c) Increase in current liabilities (d) All of the above

14. Interest received by a non-financial enterprise will be shown under:

- (a) Operating activities (b) Financing Activities
(c) Investing Activities (d) None of the above

15. An example of cash flow from investing activities is:

- (a) Issue of debentures (b) Repayment of long-term borrowings
(c) Purchase of raw materials for cash (d) Sale of investment by non-financial enterprise

16. Credit purchase of sports materials is ₹ 2,40,000, which is 80% of total purchase, the cash purchase of sports materials is _____.

- (a) ₹ 60,000 (b) ₹ 1,92,000 (c) ₹ 66,000 (d) ₹ 2,60,000

17. A club purchased a power generator for ₹ 24,000 and spent ₹ 500 on stabilizer and ₹ 400 on its electric fittings. The power generator should be capitalised for:

- (a) ₹ 24,000 (b) ₹ 24,400 (c) ₹ 24,900 (d) ₹ 24,500

18. The expenditure of ₹ 10,000 incurred on construction of pavilion will be shown as _____ in the _____.

- (a) Liability, Balance Sheet (b) Asset, Balance Sheet
(c) Income, Income and Expenditure Account (d) Expenditure, Income and Expenditure Account

19. A, B and C are partners in a firm. If D is admitted as a new partner:

- (a) Old firm dissolved (b) Old Firm and Old partnership are dissolved
(c) Old partnership reconstituted (d) None of these

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

Statement (A) : Realisation Account is a real account.

Statement (B) : General Reserve is transferred to Realisation Account at the time of dissolution of firm.

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.

21. Sunaina, Rohan and Rina were partners in a firm sharing profits and losses in the ratio of 4 : 3 : 1. Sunaina retired, selling her share of profit to Rohan and Rina in the ratio of 3 : 1. The new profit-sharing ratio between Rohan and Rina will be:

- (a) 4 : 3
- (b) 4 : 1
- (c) 2 : 1
- (d) 3 : 1

22. Vikas, Vishal and Vaibhav were partners in a firm sharing profits in the ratio of 2 : 2 : 1. The firm closes its books on 31st March every year. On 31st December, 2022 Vaibhav died. On that date his capital account showed a credit balance of ₹3,80,000 and goodwill of the firm was valued at ₹1,20,000. There was a debit balance of ₹50,000 in the Profit and Loss Account. Vaibhav's share of profit in the year of his death was to be calculated on the basis of the average profit of last five years. The average profit of last five years was ₹75,000.

The amount transferred to Vaibhav's Executors will be:

- (a) ₹3,94,000
- (b) ₹4,05,250
- (c) ₹3,81,250
- (d) ₹4,16,500

23. Alia, Karan and Shilpa were partners in a firm sharing profits in the ratio of 5:3:2. Karan decided to retire from the firm. On the date of his retirement, goodwill of the firm was valued at ₹2,40,000. The new profit-sharing ratio decided among Alia and Shilpa was 2:3.

For the adjustment of goodwill:

- (a) Shilpa's Capital A/c and Karan's Capital A/c be credited by ₹24,000 and ₹72,000 respectively
- (b) Shilpa's Capital A/c and Karan's Capital A/c be credited by ₹72,000 and ₹24,000 respectively
- (c) Alia's Capital A/c and Karan's Capital A/c be credited by ₹24,000 and ₹72,000 respectively
- (d) Alia's Capital A/c and Karan's Capital A/c be credited by ₹72,000 and ₹24,000 respectively

24. Which of the following statements are false?

- (i) The financial statements analysis suffers from such limitations as financial statements suffer.
- (ii) The analysis of financial statements does not disclose the current worth of the business.
- (iii) Different firms may follow different accounting policies. However, it does not create difficulty in comparing the results of two companies.

Options:

- (a) Only (i)
- (b) Only (ii)
- (c) Only (iii)
- (d) Both (ii) and (iii)

25. Which of the following is correct?

- (i) Accounting Ratios are those that are based on financial statements and express an arithmetical relation between various accounting variables.
- (ii) Quick Ratio establishes the relationship between Non-current assets and Non-current liabilities.
- (iii) Solvency Ratio is calculated to measure the enterprise's ability to pay interest on long-term liabilities at maturity.
- (iv) Loose tools and stores and spares are excluded to calculate working capital while calculating Working Capital Turnover Ratio.

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

26. Paid ₹ 10,00,000 to acquire shares in MKH Ltd. and received a dividend of ₹ 50,000 after acquisition. These transactions will result in

- (a) Cash used in investing activities ₹10,00,000
- (b) Cash generated from financing activities ₹10,50,000
- (c) Cash used in investing activities ₹9,50,000
- (d) Cash generated from financing activities ₹9,50,000

- 27. Calculate the cash flow from the given information:**
- Investments in the beginning of the period ₹40,000.
 - Investments at the end of the period ₹30,000.
 - During the year, the company had sold 30% of its investments held in the beginning of the period at a profit of ₹6,000.
- (a) Cash Inflow from Operating Activities ₹18,000 (b) Cash Inflow from Investing Activities ₹16,000
(c) Cash Outflow from Operating Activities ₹16,000 (d) Cash Outflow from Operating Activities ₹18,000
- 28. Asha and Nisha are partners sharing profits in the ratio of 2:1. Asha's son Ashish was admitted for 1/4th share of which 1/8th was gifted by Asha to her son. The remaining was contributed by Nisha. Goodwill of the firm is valued at ₹80,000. How much of the share of premium of goodwill will be credited to the old partners' capital account if Ashish brings his share of premium for goodwill in cash?**
- (a) ₹5,000 each (b) ₹10,000 each (c) ₹40,000 each (d) None of these
- 29. Khushi and Vimala were partners in a firm sharing profits in the ratio of 3 : 2. Asin was admitted with 1/8th share in the profits of the firm. At the time of admission, Workmen's Compensation Reserve appeared in the Balance Sheet of the firm at ₹ 40,000. The claim on account of workmen's compensation was determined at ₹36,000. Excess of reserve over the claim will be :**
- (a) Credited to Revaluation Account (b) Debited to Revaluation Account
(c) Credited to old partners' Capital Accounts (d) Debited to old partners' Capital Accounts
- 30. The new partner's share of goodwill is taken by old partners in their:**
- (a) New profit-sharing ratio (b) Old profit-sharing ratio
(c) Gaining ratio (d) Sacrificing ratio
- 31. X Ltd. obtained a loan of ₹4,00,000 from IDBI Bank. The company issued 5,000, 9% Debentures of ₹100 each as a collateral security for the same. In the Balance Sheet of the company, Long-term Borrowings will be shown at:**
- (a) ₹4,00,000 (b) ₹5,00,000 (c) ₹9,00,000 (d) ₹8,00,000
- 32. VKR Ltd. issued 975; 9% Debentures of ₹500 each on 4th March, 2022.**
- When debentures were issued at par, redeemable at 9% premium, Loss on issue of debentures Account:**
- (a) will be debited by ₹48,750 (b) will be debited by ₹43,875
(c) will be credited by ₹43,875 (d) will be credited by ₹48,750
- 33. Which of the following types of debentures provide liquidity, safety, capital appreciation and assured return to the investors?**
- (a) Bearer Debentures (b) First Debentures
(c) Convertible Debentures (d) Zero coupon Rate Debentures
- 34. From the following information, calculate inventory turnover ratio; Revenue from operations ₹16,00,000; Average Inventory ₹2,20,000; Gross Loss Ratio 5%.**
- (a) 7.64 times (b) 8.64 times (c) 5.64 times (d) None of the above
- 35. Current Liabilities ₹1,50,000, Current Assets ₹2,80,000, Inventories ₹ 40,000, Advance Tax ₹30,000 and Prepaid Rent ₹10,000.**
- Calculate Quick Ratio.**
- (a) 1.33:1 (b) 1.66:1 (c) 1.88:1 (d) 1.6:1
- 36. Given below are two statements, one labelled as Assertion (A) and the other labelled as Reason (R):**
- Assertion (A) :** The Debt to Equity ratio of a company 8:1 does not change because of issue of bonus shares.
- Reason (R) :** Debt to Equity ratio does not change because issue of bonus shares means capitalisation of profit. So it will not affect shareholders' funds.
- In the context of the above two statements, which of the following is correct?**
- Codes:**
- (a) (A) and (R) both are correct and (R) correctly explains (A).
(b) Both (A) and (R) are correct but (R) does not explain (A).

- (c) Both (A) and (R) are incorrect.
(d) (A) is correct but (R) is incorrect.

37. At the time of dissolution of the partnership firm, Sarthak paid the realisation expenses of ₹ 16,000 out of his private funds, who was to get a remuneration of ₹ 15,000 for completing dissolution process and was responsible to bear all the realisation expenses.

Realisation A/c will be:

- (a) debited by ₹ 16,000 (b) credited by ₹ 16,000 (c) debited by ₹ 15,000 (d) credited by ₹ 15,000

38. Provision for doubtful debts appearing in the books at the time of dissolution of firm is transferred to:

- (a) Debtors Account (b) Bad Debts Account
(c) Realisation Account (d) Partners' Capital Accounts

39. Identify the correct sequence of order of payment of the following, in case of dissolution of partnership firm.

- (i) to each partner proportionately what is due to him/her from the firm for advances as distinguished from capital (i.e., partner's loan);
(ii) to each partner proportionately what is due to him on account of capital; and
(iii) for the debts of the firm to the third parties.

- (a) (i), (ii), (iii) (b) (ii), (i), (iii) (c) (iii), (ii), (i) (d) (iii), (i), (ii)

40. Calculate Cost of Material Consumed from the following information:

	₹
Opening Inventory : Material	2,75,000
Finished Goods	1,25,000
Material purchased	11,25,000
Closing Inventory : Material	2,25,000
Finished Goods	75,000

- (a) ₹ 11,75,000 (b) ₹ 12,25,000 (c) ₹ 4,75,000 (d) None of the above

41. Match the following as per Schedule III of the Companies Act, 2013:

Column I	Column II
(i) Capital Reserve	(A) Reserves and Surplus
(ii) Bonds	(B) Long-term Borrowings
(iii) Loans Repayable on demand	(C) Short-term Borrowings
(iv) Vehicles	(D) Fixed Assets - Tangible Assets
(v) Loose Tools	(E) Inventories

Choose the correct options:

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

42. In which of the following conditions all applications for shares are always accepted?

- (a) Oversubscription of shares (b) Undersubscription of shares
(c) Both (a) and (b) (d) None of the above

43. ₹ 1,00,000 authorised capital of a company divided into 10,000 shares of ₹ 10 each. 8,000 shares were issued to the public. Public applied for 6,000 shares. What will be the amount of subscribed capital?

- (a) ₹ 1,00,000 (b) ₹ 60,000 (c) ₹ 90,000 (d) ₹ 10,000

44. On 1st April, 2020, Vishwas Ltd. was formed with an authorised capital of ₹ 10,00,000 divided into 1,00,000 equity shares of ₹ 10 each. The company issued prospectus inviting applications for 90,000 equity shares. The company received applications for 85,000 equity shares. During the first year, ₹ 8 per share were called. Ram holding 1,000 shares and Shyam holding 2,000 shares did not pay the first call of ₹ 2 per share. Shyam's shares were forfeited after the first call and later on 1,500 of the forfeited shares were re-issued at ₹ 6 per share, ₹ 8 called up.

Subscribed Share Capital in the Balance Sheet of the company as per Schedule III Part I of the Companies Act, 2013 will be:

- (a) ₹6,79,000 (b) ₹6,77,000 (c) ₹6,76,000 (d) None of the above

45. JCV Ltd. forfeited 200 shares of ₹10 each issued at a premium of ₹2 per share for the non-payment of allotment of ₹3 per share (including premium). The first and final call of ₹4 per share has not been made yet. 50% of forfeited shares were reissued at ₹8 per share fully paid-up.

Capital Reserve will be credited by:

- (a) ₹200 (b) ₹250 (c) ₹300 (d) ₹350

46. Parth, Queen and Rayan are partners sharing profits in the ratio of 2 : 3 : 5. Parth retires and on the day of Parth's retirement goodwill is valued at ₹90,000. Queen and Rayan decided to share future profits equally.

The following journal entry will be passed:

- (a) Dr. Queen's Capital A/c and Cr. Rayan's Capital A/c by ₹18,000
(b) Dr. Queen's Capital A/c and Cr. Parth's Capital A/c by ₹18,000
(c) Dr. Queen's Capital A/c and Rayan's Capital A/c by ₹18,000 each and Cr. Parth's Capital A/c by ₹18,000
(d) None of the above

47. The goodwill of a firm was to be valued at two years' purchase of the average profits of the last three years. The profits were as under :

2014 – 15 : ₹ 20,000 (including an abnormal gain of ₹5,000)

2015 – 16 : ₹ 40,000 (after charging an abnormal loss of ₹10,000)

2016 – 17 : ₹ 40,000

Calculate the amount of goodwill.

- (a) ₹1,05,000 (b) ₹45,000 (c) ₹35,000 (d) ₹70,000

48. Kumar, Gupta and Kavita were partners in a firm sharing profits and losses equally. The firm was engaged in the storage and distribution of canned juice and its godowns were located at three different places in the city. Each godown was being managed individually by Kumar, Gupta and Kavita. Because of increase in business activities at the godown managed by Gupta, he had to devote more time. Gupta demanded that his share in the profits of the firm be increased, to which Kumar and Kavita agreed. The new profit-sharing ratio was agreed to be 1 : 2 : 1. For this purpose, the goodwill of the firm was valued at ₹7,20,000.

For the treatment of goodwill, which of the following is correct?

- (a) Dr. Gupta's Capital A/c ₹1,20,000, Cr. Kumar's Capital A/c ₹60,000, Kavita's Capital A/c ₹60,000
(b) Dr. Gupta's Capital A/c ₹60,000, Cr. Kumar's Capital A/c ₹30,000, Kavita's Capital A/c ₹30,000
(c) Dr. Kumar's Capital A/c ₹60,000, Cr. Gupta's Capital A/c ₹30,000, Kavita's Capital A/c ₹30,000
(d) Dr. Kumar's Capital A/c ₹1,20,000, Cr. Gupta's Capital A/c ₹60,000, Kavita's Capital A/c ₹60,000.

49. Angad, Baloo and Chitra were partners in a firm sharing profits and losses in the ratio of 6 : 5 : 3.

They agreed to admit Dinesh into partnership and give him 1/8th share in the profits on the terms that:

Dinesh will bring ₹1,47,000 as his capital and ₹1,40,700 as his share of goodwill premium.

After making adjustments, the Capital Accounts of the old partners will be in proportion of Dinesh's capital to his share in the business.

What will be the proportionate capital of partners?

- (a) Angad ₹3,92,000, Baloo ₹1,47,000, Chitra ₹1,47,000 (b) Angad ₹4,41,000, Baloo ₹3,67,500, Chitra ₹2,20,500
(c) Angad ₹3,67,500, Baloo ₹2,20,500, Chitra ₹4,41,000 (d) Angad ₹1,47,000, Baloo ₹3,92,000, Chitra ₹3,92,000

50. A and B are partners. The net divisible profit as per Profit and Loss Appropriation Account is ₹ 2,50,000. The total interest on partners' drawing is ₹ 4,000. A's salary is ₹4,000 per quarter and B's salary is ₹40,000 per annum. Calculate the net profit/loss earned during the year.

- (a) Profit ₹3,06,000 (b) Loss ₹3,06,000
(c) Profit ₹3,02,000 (d) Loss ₹3,02,000

PRACTICE PAPER – 20

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