

PRACTICE PAPER

4

Time allowed: 45 minutes

Maximum marks: 200

General Instructions: Same as Practice Paper-1.

Choose the correct option:

1. Which of the following items is not dealt through Profit and Loss Appropriation Account?
(a) Interest on partner's loan (b) Partner's salary
(c) Interest on partner's capital (d) Partner's commission
2. When equal amounts are withdrawn at the end of each month throughout the year, the interest on drawings will be calculated as:
(a) $\text{Total Drawings} \times \text{Rate}/100 \times 1/12$ (b) $\text{Total Drawings} \times \text{Rate}/100 \times 6.5/12$
(c) $\text{Total Drawings} \times \text{Rate}/100 \times 6/12$ (d) $\text{Total Drawings} \times \text{Rate}/100 \times 5.5/12$
3. Anil and Vijay are partners in a firm. Anil is entitled to get a commission of 25% of net profit after charging such commission. Net profit before charging such commission is ₹60,000. Calculate Anil's commission.
(a) ₹12,500 (b) ₹15,000
(c) ₹12,000 (d) ₹20,000
4. S, T and U were partners in a firm. They admitted V as a new partner. S and T sacrificed $1/3$ rd and $1/4$ th of their shares respectively in favour of V. Calculate the new profit sharing ratio of S, T, U and V.
(a) 9 : 8 : 12 : 7 (b) 8 : 9 : 12 : 7 (c) 12 : 9 : 8 : 7 (d) 7 : 8 : 9 : 12
5. Under what circumstances, will the premium of goodwill paid by incoming partner not be recorded in the books of accounts?
(a) When premium for goodwill is paid in kind
(b) When new partner is unable to bring premium for goodwill in cash
(c) When premium for goodwill is paid privately
(d) All of these
6. Which of the following is the reason to prepare 'Revaluation Account' on the admission of a partner?
(a) To record the revised value of assets
(b) To divide the profit or loss on revaluation among the old partners.
(c) To record the reassessed value of liabilities
(d) All of the above
7. Mr. X, a shareholder does not pay his dues on allotment, for the amount due, there will be a
(a) Credit balance in the Share Allotment Account.
(b) Debit balance in the Share Forfeiture Account.

(c) Credit balance in the Share Forfeiture Account.

(d) Debit balance in the Share Allotment Account.

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

Statement A : If profits till the date of death are to be calculated on the basis of time, on such arrangement last year's profit and sales are given together with the sale of the current year upto the date of death of the partner. The profit is ascertained proportionately and the share of profit of deceased partner is calculated.

Statement B : Deceased partner's share of profit can be calculated on the basis of time or on the basis of turnover.

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.

9. What will be the correct sequence of events?

(i) Forfeiture of shares

(ii) Default on Calls

(iii) Reissue of shares

(iv) Amount transferred to capital reserve.

(a) (i), (iv), (ii), (iii)

(b) (ii), (iv), (i), (iii)

(c) (ii), (i), (iii), (iv)

(d) (iii), (iv), (i), (ii)

10. Anish Ltd. issued a prospectus inviting applications for 2,000 shares. Applications were received for 3,000 shares and pro-rata allotment was made to the applicants of 2,400 shares. If Dhruv has been allotted 40 shares, how many shares he must have applied for?

(a) 40

(b) 44

(c) 48

(d) 52

11. Mr. Arpit Sharma holding 500 shares did not pay the amount of ₹3 due on first call of his shares. Under which head will the unpaid amount be shown as a deduction in the Balance Sheet?

(a) Subscribed Capital

(b) Issued Capital

(c) Called-up Capital

(d) None of these

12. If there is match fund, then incomes and expenditures related to matches are transferred to:

(a) Debit side of Income and Expenditure A/c

(b) Credit side of Income and Expenditure A/c

(c) Assets side of Balance Sheet

(d) Liabilities side of Balance Sheet

13. To know the cash position of a Literary Club, a not-for-profit organisation _____ is prepared.

(a) Cash and Bank Statement

(b) Income and Expenditure Account

(c) Receipt and Payments Account

(d) Cash Book

14. On dissolution of a partnership firm, Patents realised at ₹210,000. Which of the following accounts will be credited?

(a) Realisation A/c

(b) Cash A/c

(c) Patents A/c

(d) Profit and Loss A/c

15. The firm paid realisation expenses ₹20,000 on behalf of Raunak, a partner with whom it was agreed at ₹50,000. Realisation Expenses came to ₹70,000. Realisation Account will be debited by

(a) ₹ 20,000

(b) ₹ 70,000

(c) ₹ 50,000

(d) Either (a) or (b)

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

Statement (A) : Premium Payable on Redemption of Debentures is shown as 'other non-current liability' under Non-current Liabilities in Equity and Liabilities part of Balance Sheet.

Statement (B) : Discount or Loss on Issue of debentures written off is a part of Finance Cost to be shown in Statement of Profit and Loss.

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. Where will you debit the premium payable on redemption on debentures?**
- (a) Debentures A/c
 - (b) Debentureholders' A/c
 - (c) Debenture Redemption Reserve A/c
 - (d) Loss on Issue of Debentures A/c
- 18. Which of the following is capital receipt?**
- (a) Subscription
 - (b) Donation
 - (c) Life Membership Fees
 - (d) Interest on Investments
- 19. Medicines consumed during the year in a charitable hospital are:**
- (a) debited to Receipts and Payments Account
 - (b) debited to Income and Expenditure Account
 - (c) credited to Income and Expenditure Account
 - (d) None of these
- 20. 'General Reserve' is ₹40,000 at the time of retirement of X. 25% of General Reserve is to be transferred to Investment Fluctuation Reserve. The firm has two partners X and Y. X's A/c will be credited by:**
- (a) ₹10,000
 - (b) ₹15,000
 - (c) ₹20,000
 - (d) ₹40,000
- 21. Aman, Bipul and Chander were partners sharing profits and losses in the ratio of 2:2:1. Accounts are closed on 31st March every year. Chander dies on 5th November 2018. As per partnership deed, the executors of the deceased partner are entitled to his share of profit till the date of death which is calculated on the basis of last year's profit, i.e., ₹3,60,000. Chander's share of profit will be:**
- (a) ₹41,000
 - (b) ₹45,000
 - (c) ₹43,200
 - (d) ₹51,000
- 22. Given below are two statements—Statement (A) and Statement (B):**
- Statement (A) :** Life Membership Fees is not credited to Income and Expenditure Account but capitalised and shown in the Balance Sheet of a not-for-profit organisation.
- Statement (B) :** Capital fund can be calculated by preparing opening Balance sheet of a not-for-profit organisation.
- 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. Subscribed capital is:**
- (a) That part of authorised capital which is issued to the public for subscription.
 - (b) That part of issued capital which has been actually subscribed by the public.
 - (c) That part of subscribed capital which has been called up on the shares.

(d) That part of subscribed capital which has not yet been called up on the shares.

24. A machinery for ₹1,25,000 was purchased from I.K. Machines Ltd. The payment was made by issuing equity shares of ₹10 each at a premium of 25%. Which of the following journal entries is correct?

(a) I.K. Machines Ltd.	Dr.	₹1,25,000	
	To Equity Share Capital A/c		₹1,25,000
(b) I.K. Machines Ltd.	Dr.	₹1,25,000	
	To Equity Share Capital A/c		₹1,00,000
	To Securities Premium Reserve A/c		₹25,000
(c) I.K. Machines Ltd.	Dr.	₹1,25,000	
	To Equity Share Capital A/c		₹1,00,000
	To Bank A/c		₹25,000

(d) None of the above

25. Joy Ltd. issued 1,00,000 equity shares of ₹10 each. The amount was payable as follows:

On application – ₹3 per share.

On allotment – ₹4 per share.

On first and final call – balance

Applications for 95,000 shares were received and shares were allotted to all the applicants. Sonam to whom 500 shares were allotted failed to pay allotment money and Gautam paid his entire amount due including the amount due on first and final call on the 750 shares allotted to him along with allotment. The amount received on allotment was

- (a) ₹3,80,000 (b) ₹3,78,000 (c) ₹3,80,250 (d) ₹4,00,250

26. When payment is made immediately in lumpsum to the executors of the deceased partner, _____ is debited.

- (a) Deceased partner's Executor's A/c (b) Bank A/c
(c) Revaluation A/c (d) Both (a) and (c)

27. Decrease in the value of Sundry Creditors on reconstitution of the partnership firm results into:

- (a) Gain to the existing partners
(b) Loss to the existing partners
(c) Neither gain nor loss to the existing partners
(d) None of these

28. If average capital employed in a firm is ₹8,00,000, average of actual profits is ₹1,80,000 and normal rate of return is 10%, then value of goodwill as per capitalisation of average profits is:

- (a) ₹10,00,000 (b) ₹18,00,000
(c) ₹80,00,000 (d) ₹78,20,000

29. Read the following statements — Assertion (A) and Reason (R). Choose one of the correct alternatives:

Assertion (A): For the purpose of revaluation of assets and reassessment of liabilities, a Revaluation A/c is opened at the time of admission of a partner.

Reason (R): When Goodwill is paid privately by the incoming partner, Cash Account is not debited.

Alternatives:

- (a) Both Assertion (A) and Reason (R) are correct and Reason (R) is the correct explanation of Assertion (A)
(b) Both Assertion (A) and Reason (R) are correct and Reason (R) is not the correct explanation of Assertion (A)

(c) Assertion (A) is correct but Reason (R) is incorrect

(d) Assertion (A) is incorrect but Reason (R) is correct

30. Given below are two statements, one labelled as Assertion (A) and the other labelled as Reason (R):

Assertion (A): The amount of Securities Premium Reserve can be utilised to write off preliminary expenses and buy-back of equity shares.

Reason (R): According to Section 52 (2) of the Companies Act, 2013, the amount of Securities Premium Reserve can be used only for the prescribed purposes.

In the context of the above two statements, which of the following is correct?

Alternatives:

(a) Both Assertion (A) and Reason (R) are correct and Reason (R) is the correct explanation of Assertion (A).

(b) Both Assertion (A) and Reason (R) are correct and Reason (R) is not the correct explanation of Assertion (A).

(c) Assertion (A) is correct but Reason (R) is incorrect.

(d) Assertion (A) is incorrect but Reason (R) is correct.

31. TXN Ltd. issued 15,000, 8% Debentures of ₹100 each at ₹95. It will credit 8% Debentures Account by

(a) ₹15,00,000

(b) ₹14,25,000

(c) Either (a) or (b) as it decides

(d) ₹15,75,000

32. Debentures which do not carry any specific rate of interest are known as:

(a) Registered Debentures

(b) Zero Coupon Rate Debentures

(c) Bearer Debentures

(d) First Debentures

33. Nano Ltd. purchased assets of Dow Ltd. for ₹3,00,000. It also agreed to take over the liabilities of Dow Ltd. amounting to ₹50,000 for a purchase consideration of ₹2,75,000. The payment to Dow Ltd. was made by issue of 8% Debentures of ₹50 each at a premium of 10%.

In the books of Nano Ltd., Dow Ltd.'s A/c will be:

(a) debited by ₹2,75,000

(b) debited by ₹3,00,000

(c) credited by ₹3,00,000

(d) credited by ₹2,75,000

34. Following information is related to Gyaan Sports Club for 2021-22:

Particulars	1st April, 2021	31st March, 2022
	₹	₹
Stock of Sports Material	2,600	4,600
Creditors for Sports Material	2,400	2,660

Amount paid for Sports Material during 2021-22 is ₹5,780.

The amount to be debited to Income and Expenditure Account for 2021-22 will be:

(a) ₹11,040

(b) ₹4,040

(c) ₹15,040

(d) ₹8,040

35. Which of the following statements is true in context of a partnership firm in the absence of a partnership deed?

(i) If there is a provision for the interest on capital in the partnership deed, it will be allowed only when there is a sufficient profit.

- (ii) Profits and losses will be shared in equal ratio, irrespective of the capital contribution and/or work performed by the partners.
- (iii) Partner is entitled to a salary or commission for taking active part in business activities.
- (iv) Interest at the rate of 6% per annum will be allowed on a partner's loan by the firm even if there are losses to the firm.

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

36. What will be the correct sequence of events?

- (i) Preparation of Revaluation A/c
- (ii) Admission of a Partner
- (iii) Transfer of Premium for Goodwill to Partners
- (iv) Preparation of Capital accounts of partners

Options:

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

37. At the time of dissolution of a firm, when a partner agrees to pay some liability, the journal entry will be:

- (a) Partner's Capital A/c Dr.
To Realisation A/c
- (b) Realisation A/c Dr.
To Partner's Capital A/c
- (c) Partner's Capital A/c Dr.
To Cash /Bank A/c
- (d) None of these

38. Sheetal and Raman share profits equally. They admit Chinki into partnership. Chinki pays only ₹1,000 for premium out of his share of premium of ₹1,800 for 1/4th share of profit. Goodwill Account appears in the books at ₹6,000. All partners have decided that goodwill should not appear in the books of the new firm. Chinki's Current A/c:

- (a) will be debited by ₹800
- (b) will be debited by ₹1,800
- (c) will be credited by ₹800
- (d) will be credited by ₹1,800

39. Which of the following is not an item under 'Current Assets'?

- (a) Cash and Cash Equivalents
- (b) Capital Advances
- (c) Short-term Loans and Advances
- (d) Inventories

40. Which of the following are the tools of Horizontal Analysis?

- (i) Comparative Statements
- (ii) Common-size Statements
- (iii) Balance Sheet

Choose the correct option:

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

41. Solvency Ratios are:

- (i) Total Assets to Debt-Ratio
- (ii) Current Ratio
- (iii) Interest Coverage Ratio

Choose the correct option:

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

42. Read the following statements — Assertion (A) and Reason (R). Choose one of the correct alternatives given below:

Assertion (A): Ratio Analysis ignores non-monetary aspects of transactions of an enterprise.

Reason (R): Ratio Analysis is a technique of quantitative analysis.

Alternatives:

- (a) Both Assertion (A) and Reason (R) are correct and Reason (R) is the correct explanation of Assertion (A)
 (b) Both Assertion (A) and Reason (R) are correct and Reason (R) is not the correct explanation of Assertion (A)
 (c) Assertion (A) is correct but Reason (R) is incorrect
 (d) Assertion (A) is incorrect but Reason (R) is correct
43. Cash flow from operating activities are derived from the _____ activities of the enterprise.
 (a) Marketing Activities (b) Transactions within Cash and Bank
 (c) Investing Activities (d) Principal Revenue Producing Activities
44. As per Schedule III, Part I of the Companies Act, 2013 'Calls-in-Arrears' will be presented under which of the following head/sub-head in the Balance Sheet of a company?
 (a) Reserves and Surplus (b) Current Liabilities
 (c) Contingent Liabilities (d) Shareholders' Funds
45. Given below are two statements—Statement (A) and Statement (B):

Statement (A) : Interest paid on debentures is added to Net profit before tax and extraordinary items, being non-operating expenses.

Statement (B) : Investing activities are the principal revenue producing activities of an enterprise.

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. When proprietary ratio 0.7, Shareholders' Fund ₹1,75,000. The total assets of the firm will be:
 (a) ₹1,75,000 (b) ₹2,50,000
 (c) ₹1,22,500 (d) None of these

47. Match the following:

Column I	Column II
(i) Current Ratio	(A) Shows the overall efficiency of the business
(ii) Net Profit Ratio	(B) Measures the safety margin available to long term lenders
(iii) Total Assets to Debt Ratio	(C) Shows the short-term soundness of the business
(iv) Operating Ratio	(D) Profitability Ratio

Choose the correct option:

- (a) (i) (A), (ii) (B), (iii) (D), (iv) (C) (b) (i) (A), (ii) (C), (iii) (B), (iv) (D)
 (c) (i) (C), (ii) (A), (iii) (B), (iv) (D) (d) (i) (C), (ii) (B), (iii) (A), (iv) (D)
48. 'Loans and advances' granted by a company will be considered an _____ while preparing Cash Flow Statement.
 (a) Operating Activity (b) Investing Activity
 (c) Financing Activity (d) Either (b) or (c)
49. X Ltd. made a profit of ₹6,00,000 before considering depreciation on machinery ₹50,000 and loss on sale of computer ₹10,000. State the amount to be shown in operating activities in Cash Flow Statement:
 (a) Cash Inflow ₹6,00,000 (b) Cash Outflow ₹6,00,000
 (c) Cash Inflow ₹5,40,000 (d) Cash Outflow ₹5,40,000

50. M/s Mevo and Sons, a bamboo pens producing company, purchased a machinery for ₹ 9,00,000. It received dividend of ₹ 70,000 on investment in shares. The company also sold an old machine of the book value of ₹ 79,000 at a loss of ₹ 10,000. How much amount will be shown as Cash Flow from Investing Activities?

(a) Cash Inflow ₹9,00,000

(b) Cash Outflow ₹9,00,000

(c) Cash Inflow ₹7,61,000

(d) Cash Outflow ₹7,61,000

PRACTICE PAPER – 4

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