

Time allowed: 45 minutes

Maximum marks: 200

General Instructions: Same as Practice Paper-I.

Choose the correct option:

1. Which of the following statements is not true about shares?

- (a) This is the amount stated in the capital clause of the memorandum of association with which the company is registered. It is the maximum amount which a company can raise during its lifetime.
- (b) Pro-rata allotment is that allotment of shares when applicants may be allotted more number of shares than they have applied for.
- (c) If the forfeited shares are issued at a discount, the amount of discount must not exceed the amount received on them on their original issue.
- (d) Preference shares are those shares which are entitled to a priority in the payment of dividend at fixed rate and return of capital.

2. According to Section 52(2), the amount of _____ can be utilised for writing off preliminary expenses.

- (a) Securities Premium Reserve
- (b) Allotment money
- (c) Share Forfeited money
- (d) All of these

3. The directors of Krish Limited resolved that 200 equity shares of ₹100 each be forfeited for non-payment of the first call of ₹30 and second and final call of ₹20 per share. The total amount of maximum discount which can be allowed in case of reissue of these shares is:

- (a) ₹10,000
- (b) ₹30,000
- (c) ₹14,000
- (d) Nil

4. Nidhi Ltd. issued 2,000 shares of ₹100 each. All the money was received except on 200 shares on which only ₹90 per share were received. These shares were forfeited and out of the forfeited shares, 100 shares were reissued at ₹80 each as fully paid up.

The balance of Share Forfeited A/c will be:

- (a) ₹ 18,000
- (b) ₹ 7,000
- (c) ₹ 9,000
- (d) ₹ 9,500

5. On 1st January 2021, a partner lends a short-term loan of ₹50,000 to the firm. In the absence of agreement, he will get interest on his loan on 31st March, 2021:

- (a) ₹750
- (b) ₹1,500
- (c) ₹2,500
- (d) No interest

6. In the absence of partnership deed, partners are entitled to receive interest on additional capital introduced at the rate of:

- (a) No interest
- (b) 4% p.a. on additional capital introduced
- (c) 6% p.a. on additional capital introduced
- (d) 10% p.a. on the total capital

7. 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
8. During the year, if any part of the asset or an asset has been sold, the Sale price would have shown in the _____. Profit or Loss on sale of asset would be shown in _____.
- (a) Income and Expenditure Account, Receipts and Payments Account
 (b) Income and Expenditure Account, Balance Sheet
 (c) Receipts and Payments Account, Balance Sheet
 (d) Receipts and Payments Account, Income and Expenditure Account
9. Which of the following items is never shown on the payments side of Receipts and Payments Account, but is shown on the debit side of the Income and Expenditure Account?
- (i) Depreciation
 (ii) Loss on sale of fixed assets
 (iii) Outstanding subscriptions at the end
- (a) Only (i) (b) Only (iii)
 (c) Both (i) and (ii) (d) All (i), (ii) and (iii)
10. In the beginning of the accounting year, a club has ₹72,000 assets; ₹ 20,000 liabilities; ₹7,200 debit balance of the Income and Expenditure Account. The opening Capital Fund is:
- (a) ₹ 59,200 (b) ₹ 44,800
 (c) ₹ 72,000 (d) ₹ 99,200
11. Development and Commercial Bank Ltd. has to redeem 60,000; 10% Debentures of ₹100 each on 31st December, 2019. The bank is required to invest in specified securities:
- (a) ₹9,00,000 (b) ₹15,00,000 (c) ₹7,50,000 (d) Nil
12. Torex Ltd. has to redeem 1,00,000, 8% Debentures of ₹100 each on 30th September, 2019. It should have a balance of ₹10,00,000 in Debenture Redemption Reserve. On 31st March, 2019 the company has following reserves:
- | | ₹ |
|--|----------|
| Surplus, i.e., Balance in Statement of Profit and Loss | 2,40,000 |
| Debenture Redemption Reserve | 2,00,000 |
| General Reserve | 80,000 |
| Capital Reserve | 2,00,000 |
- Determine the amount it needs to transfer to Debenture Redemption Reserve and also determine the amount, the company can set aside out of the above reserves and surplus.
- (a) ₹8,00,000 and ₹8,00,000 (b) ₹28,00,000 and ₹5,00,000
 (c) ₹28,00,000 and ₹3,20,000 (d) ₹28,00,000 and ₹8,00,000
13. Which of the following is not classified as 'Investing Activity'?
- (a) Purchase of Non-current Investments (b) Purchase of Current Investments
 (c) Sale of machinery (d) Proceeds from Non-current Investments
14. Under which type of activity, will you classify 'Interest paid on long term borrowings' while preparing Cash Flow Statement?
- (a) Operating Activities (b) Investing Activities
 (c) Financing Activities (d) None of the above
15. Patent purchased and completely amortised in the year of purchase is added under _____ and shown as Outflow under _____.
- (a) Operating activities, Investing activities
 (b) Operating activities, financing activities

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. When at the time of retirement, a part of amount due to retiring partner is paid and the balance amount is transferred to his Loan Account, which of the pair of accounts will be credited?

- (a) Retiring partners' Capital A/c, Retiring Partner's Loan A/c
- (b) Retiring partners' Current A/c, Retiring Partner's Loan A/c
- (c) Cash /Bank A/c, Retiring Partner's Loan A/c
- (d) Revaluation A/c, Retiring Partner's Loan A/c

22. P, R and S are in partnership, sharing profits in the ratio of 4:3:1. It is provided in the partnership deed that on the death of a partner his share of goodwill will be equal to one half of the net profits credited to his account during the last three years. (Accounting books are closed on 31st March every year.) R died on 1st July, 2022. The firm's profits for the last 3 years were 2019-20 ₹1,00,000; 2020-2021 ₹60,000; 2021-22 ₹80,000.

For the adjustment of R's share of Goodwill, which of the following is correct?

- (a) Dr. R's Capital A/c ₹45,000, Cr. P's Capital A/c ₹9,000, S's Capital A/c ₹36,000
- (b) Dr. P's Capital A/c ₹9,000, S's Capital A/c ₹36,000, Cr. R's Capital A/c ₹45,000
- (c) Dr. P's Capital A/c ₹36,000, S's Capital A/c ₹9,000, Cr. R's Capital A/c ₹45,000
- (d) Dr. P's Capital A/c ₹45,000, S's Capital A/c ₹45,000, Cr. R's Capital A/c ₹90,000

23. Some of the items that need to be deducted from the grand total of sums due to the deceased partner's legal heirs include:

- (i) drawings made by the deceased partner,
- (ii) interest on drawings, if provided in the partnership deed,
- (iii) share of losses upon revaluation of assets and liabilities,
- (iv) share in the balance of Profit and Loss Account appearing on the liabilities side of Balance Sheet.
- (v) Advance or loan granted by him to the firm, if any.

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

24. In a firm, share capital is ₹3,00,000 and ₹3,60,000 at the end of two consecutive years. The percentage change is _____ .

- (a) 20% (b) 25% (c) 0.20% (d) 0.25%

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

Statement (A) : Selling price may have increased without the same increase in the price of materials and wages.

Statement (B) : Gross profit may be higher due to over-valuation of closing inventory.

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.

26. Kartik Mutuals, a mutual fund company provides you the following information:

Particulars	31st March 2021 (₹)	31st March 2022 (₹)
Proposed Dividend	₹20,000	₹15,000
Additional Information:		
Equity Share Capital raised during the year ₹3,00,000		
10% bank loan repaid was ₹1,00,000		

Find out the cash flow from financing activities.

- (a) ₹ 1,80,000 (b) ₹ 1,60,000
(c) ₹ 1,90,000 (d) ₹ 2,00,000

27. Dr.

Provision for Income Tax Account

Cr.

Particulars	(₹)	Particulars	(₹)
To Bank A/c (payment of tax)	1,24,000	By Balance b/d	99,000
To Balance c/d	1,75,000	By Statement of P & L (provision made)	2,00,000
	<u>2,99,000</u>		<u>2,99,000</u>

While preparing Cash Flow Statement:

- (a) ₹ 1,75,000 will be deducted from cash generated from operations
(b) ₹ 1,24,000 will be deducted from cash generated from operations
(c) ₹ 99,000 will be deducted from cash generated from operations
(d) ₹ 2,00,000 will be deducted from cash generated from operations

28. Which of the following is not considered a 'financing activity'?

- (a) Dividend paid on Preference shares (b) Interest paid on debentures
(c) Sale of non-current Investments (d) Underwriting Commission

29. If at the time of admission of new partner, Advertisement Suspense Account appears in the Balance sheet, will be transferred to:

- (a) Profit and Loss appropriation A/c (b) All Partners' Capital A/cs
(c) Old Partners' Capital A/cs (d) Revaluation A/c

30. Kundra and Patel are partners in a firm sharing profits in the ratio of 3:1. They admitted Anoop as a new partner. The new profit-sharing ratio of Kundra and Patel will be 2:1:1. Anoop brought ₹3,60,000 for his capital but could not bring his share of goodwill (premium) ₹60,000 in cash. In the books of the firm, for the treatment of goodwill:

- (a) Anoop's Current Account will be credited by ₹60,000
(b) Anoop's Capital Account will be debited by ₹60,000
(c) Anoop's Current Account will be debited by ₹60,000
(d) None of these

31. MNC Ltd. issued 12,500, 10% Debentures of ₹100 each. The debentures were issued at a premium of 20%.

10% Debentures will be shown in the Balance Sheet as:

- (a) Long-term Borrowings ₹15,00,000 (b) Long-term Borrowings ₹12,50,000
(c) Long-term Borrowings ₹17,50,000 (d) None of the above

32. "UZ Ltd." purchased Plant and Machinery from Elk Machine Ltd. for ₹ 6,90,000. Elk Ltd. was paid by accepting a draft of ₹ 90,000 payable after three months and the balance by issue of 6% debentures of ₹ 100 each at a discount of 20%.

What would be the number of debentures that had been issued by UZ Ltd.?

- (a) 6,000 (b) 7,500 (c) 6,900 (d) 7,900

33. Prakash Ltd. had ₹10,00,000, 12% debentures outstanding as on 1st April, 2022. During the year company took a loan of ₹2,00,000 for 5 years from the State Bank of Patiala for which the Company placed with the bank debentures for ₹2,50,000 as Collateral Security.

The company decided that No entry will be passed for the issue of debentures as collateral security.

In the Balance Sheet of the company, Long-term Borrowings will be shown at an amount of:

- (a) ₹10,00,000 (b) ₹12,00,000 (c) ₹14,50,000 (d) ₹12,50,000

34. Asin and Shreyas are partners in a firm. They admit Ajay as a new partner with 1/5th share in the profits of the firm. Ajay brings ₹5,00,000 as his share of capital. The value of the total assets of the firm was

₹15,00,000 and outside liabilities were valued at ₹5,00,000 on that date.

The value of firm's goodwill at the time of Ajay is:

- (a) ₹10,00,000 (b) ₹15,00,000 (c) ₹12,00,000 (d) ₹25,00,000

35. A, B, C and D were partners in a firm sharing profits and losses equally. E was admitted as a new partner for 1/3 rd share in the profits of the firm which he acquires equally from C and D. On E's admission the goodwill of the firm was valued at ₹ 3,00,000.

Calculate the new profit sharing ratio on E's admission.

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

36. Prabhat and Anand are partners sharing profits in the ratio of 2:1. They admit Sandhya into the partnership for 1/4th share in profits for which he brings in ₹40,000 as her share of capital. The adjusted capital of Prabhat and Anand will be:

- (a) ₹ 1,20,000 and ₹60,000 respectively (b) ₹64,000 and ₹32,000 respectively
(c) ₹80,000 and ₹80,000 respectively (d) ₹80,000 and ₹40,000 respectively

37. In case of dissolution, match the following:

(i) Patents	(A) credited to Partners' Capital A/cs
(ii) Bills payable	(B) transferred on the debit of Realisation
(iii) Cash Account	(C) transferred on the credit of Realisation
(iv) General Reserve	(D) debited to Bank A/c

Choose the correct option:

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

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

Statement (A) : At the time of dissolution, Losses shall be paid first out of capital, next out of profits and lastly, if necessary, by the partners individually in their profit-sharing ratio.

Statement (B) : Assets of the firm are first to be applied in paying the debts of the firm to the third parties; next in paying to each partner rateably what is due to him from the firm for advances as distinguished from capital.

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.

39. Siyaram, a partner was to receive 3% of the value of assets realised and 15% of the amount finally paid to partners. He has to bear realisation expenses of ₹10,000. The assets realised ₹4,20,000 (including cash at Bank ₹20,000). Cash payment made to Sundry creditors ₹1,00,000.

Total amount paid to Siyaram will be:

- (a) ₹58,200 (b) ₹46,200 (c) ₹70,200 (d) None of these

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

Assertion (A) : Short-term Provisions are the provisions for which the related claim is expected to be settled within 12 months of the date of Balance Sheet or within the period of operating cycle.

Reason (R) : Provision for doubtful debts, provision for Depreciation and provision for tax, all can be classified as short-term provisions.

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

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.

- 41. Unimax Ltd., a trading company has been established by the persons who were earlier working as partners. The management decided to follow the same balance sheet format as the partners used in their partnership firm.**

During the year, to fulfill its capital requirements, it has issued 2,500, 12% debentures of ₹100 each on 1st November, 2021 to be redeemed on 30th September, 2022.

Can the management of the company follow the same format of Balance Sheet that was used in their 'Partnership Firm'?

- (a) Yes, the company can follow the same format.
 (b) Yes, but after five years of incorporation of the company.
 (c) Yes, if the paid-up capital of the company is less than ₹1 lakh.
 (d) No, the company cannot follow the same format.

- 42. Rainbow Ltd. has offered 50,000 equity shares of ₹100 each. The shares have been offered at a premium of ₹20, payable as follows:**

Application ₹50

Allotment ₹40 (including premium)

and balance on first and final call.

The bank account of the company has received ₹35,00,000 on account of share application money.

Rainbow Ltd. decided to allot shares to all the applicants on Pro Rata basis. The balance in Calls in Arrears Account at the time of allotment and first and final call amounted to ₹1,00,000 and ₹1,50,000 respectively.

At the time of receipt of allotment money, the Bank A/c will be debited by:

- (a) ₹10,00,000 (b) ₹1,00,000 (c) ₹9,00,000 (d) ₹35,00,000

- 43. In Balance Sheet, amount of Calls-in-Advance is:**

- (a) Added to share capital (b) Shown in assets side
 (c) Deducted from share capital (d) Shown as other Current liabilities

- 44. Disha Ltd. purchased machinery from Nisha Ltd. and paid to Nisha Ltd. as follows:**

- (i) By issuing 10,000, equity shares of ₹10 each at a premium of 10%.
 (ii) By issuing 200, preference shares of ₹100 each at a discount of 10%.
 (iii) Balance by accepting a bill of exchange of ₹50,000 payable after one month.

The machinery was purchased for a total consideration of _____ from Nisha Ltd.

- (a) ₹1,10,000 (b) ₹1,78,000 (c) ₹1,90,000 (d) ₹1,30,000

- 45. A share of ₹100 was forfeited for non-payment of final call amount of ₹90. It can be re-issued with maximum discount of:**

- (a) ₹30 (b) ₹10 (c) ₹100 (d) ₹90

- 46. X, Y and Z are partners sharing profits in the ratio 1:2:3. Z retires on 1st April, 2022 and his capital after making all adjustments for reserves and profit on revaluation stands at ₹2,40,000. X and Y here agreed to pay him ₹3,00,000 in full settlement of his claim.**

For the treatment of goodwill if the new profit-sharing ratio is decided as 1:3, following journal entry is passed.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2022	X's Capital A/c Dr.		(i)	
Apr. 1	Y's Capital A/c Dr.		(ii)	
	To Z's Capital A/c			(iii)
	(Being Z's share of goodwill adjusted in gaining ratio, i.e., 1:5)			

Here (i), (ii) and (iii) are:

(a) 50,000, 2,50,000, 3,00,000

(b) 2,50,000, 50,000, 3,00,000

(c) 10,000, 50,000, 60,000,

(d) 50,000, 10,000, 60,000

47. A and B sharing profits in the ratio of 2:1, admit C for 1/4th share in profits. C pays 20,000 for capital and 3,000 out of his share of 4,200 for goodwill. The new profit-sharing ratio among A, B and C will be 5:3:2.

At the time of admission of C, for the treatment of goodwill, which of the following accounts will be debited in case of fixed capitals?

(a) Bank A/c, Premium for Goodwill A/c

(b) C's Current A/c, Premium for Goodwill A/c

(c) C's Current A/c, Bank A/c

(d) A's Current A/c, B's Current A/c

48. Net profit for the year ended 31st March, 2021 is ₹4,04,000 after charging partner's salary of ₹25,000 and rent paid to one of the partner X ₹15,000. Manager's commission @10% p.a. would be:

(a) ₹4,04,000

(b) ₹42,900

(c) ₹36,700

(d) None of these

49. There is a profit of ₹62,500 on revaluation of assets and liabilities of the partnership firm of Vishal, Samar and Javed. As a result of change in profit-sharing ratio, Vishal sacrifices his 3/10th share in favour of Javed. The partners decided to record the effect of revaluation without affecting the book values of the assets and liabilities by passing a single Journal entry.

Which of the following is correct?

(a) Dr. Javed's Capital A/c ₹18,750

(b) Dr. Vishal's Capital A/c ₹18,750

(c) Dr. Javed's Capital A/c ₹62,500

(d) Cr. Vishal's Capital A/c ₹62,500

50. Which of the following factors does not affect the value of a firm's goodwill favourably?

(a) Efficient management

(b) Exclusive Patents right

(c) Shorter life-span of business

(d) Monopoly

PRACTICE PAPER — 19

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

