

Time allowed: 45 minutes

Maximum marks: 200

General Instructions: Same as Practice Paper-1.

Choose the correct option:

1. At the time of dissolution, Hardik, a partner agreed to pay Bills payable ₹8,000 and _____ Account will be credited by ₹8,000.
(a) Hardik Capital (b) Realisation A/c (c) Hardik's Current (d) Both (a) and (b)
2. A and B are partners in a firm with capitals of ₹90,000 and ₹1,00,000 respectively. C was admitted for 1/3rd share in profit and brings ₹1,70,000 as capital. The amount of goodwill is:
(a) ₹1,20,000 (b) ₹50,000 (c) ₹75,000 (d) ₹1,50,000
3. Rahul, Saloni and Kundra were partners in a firm sharing profits and losses in the ratio of 5 : 3 : 2 . Kundra died on 31st October, 2022. According to the partnership agreement, his share of profits from the closure of last accounting year till the date of his death was to be calculated on the basis of aggregate profits of two completed years before death. Profits of the firm for the years ending 31st March, 2021 and 31st March, 2022 were ₹85,500 and ₹94,500 respectively. The firm closes its books on 31st March every year. Kundra's share of profits till the date of his death will be:
(a) ₹ 36,000 (b) ₹ 9,000 (c) ₹ 21,000 (d) ₹ 15,000
4. The maximum number of persons in case of a partnership firm as specified by the Companies Act, 2013 is:
(a) 20 (b) 30 (c) 100 (d) 50
5. Identify the item which is not shown in the Receipts and Payments A/c of an NPO:
(a) Salaries (b) Subscriptions (c) Honorarium (d) Depreciation
6. Which of the following statements is correct about debentures?
(i) If the company is not able to obtain the necessary funds by issue of shares, it obtains the required amount by issue of debentures.
(ii) Debentureholders generally have voting rights, and hence can participate in the management of the company.
(iii) Interest is paid at a prescribed fixed rate to the debentureholders.
(iv) Debentures serve as a safe investment option because they are secured.
(a) Both (i) and (ii) (b) Both (iii) and (iv)
(c) All (i), (iii), and (iv) (d) All (i), (ii), (iii) and (iv)
7. If debentures are redeemable within 12 months from the date of Balance Sheet or within the period of Operating Cycle, they will be shown as _____ in the Balance Sheet.
(a) Long-term Borrowings under Non-Current Liabilities
(b) Short-term Borrowings under Current Liabilities
(c) Trade Payables under Current Liabilities
(d) None of the above

8. X Ltd. purchased sundry assets of the value of ₹1,90,000 from another company and agreed to make the payment by issuing 2,000, 10% Debentures of X Ltd. company purchased sundry assets of the value of ₹1,90,000 from another company and agreed to make the payment by issuing 2,000, 10% Debentures of ₹100 each at a discount of 5%.

At the time of allotment of debentures, which of the following accounts will be debited by ₹10,000?

- (a) Vendor's A/c (b) 10% Debentures A/c
(c) Goodwill A/c (d) Discount on Issue of Debentures
9. Equity share of ₹10 against which ₹8 was called up by the company and received ₹6 on it, was forfeited, then what amount will be debited to share capital account?
- (a) ₹2 (b) ₹8 (c) ₹6 (d) ₹10

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

Statement (A) : A person can be admitted as a new partner only with the consent of all the existing partners.

Statement (B) : At the time of admission of a partner, a partnership as well as the partnership firm are dissolved as there is change in the existing agreement and a new agreement comes into existence.

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.
11. Given below are two statements—Statement (A) and Statement (B):
- Statement (A) :** Quality of product results in increase in turnover and profit which affects goodwill of the firm.
- Statement (B) :** The monopoly condition or limited competition enable the concern to earn high profits which leads to higher value of goodwill.

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.
12. X and Y change their profit sharing from 2 : 3 ratio to equal ratio. Which partner will bear loss and in which ratio?
- (a) 1/10 sacrifice by X (b) 1/10 sacrifice by Y
(c) 1/5 sacrifice by X (d) 1/5 sacrifice by Y

13. Karan, Kashif and Arun were partners sharing profits equally. Karan died on 31st July, 2022. Journal entry passed for Karan share of loss for the intervening period will be:

- (a) Karan Capital A/c Dr.
To Profit and Loss Suspense A/c
(b) Karan Capital A/c Dr.
To Kashif Capital A/c
(c) Karan Capital A/c Dr.
To Profit and Loss A/c
(d) Profit and Loss Suspense A/c Dr.
To Karan Capital A/c

14. The authorised capital of a company is divided into 8,000 shares of ₹100 each. The company has issued 4,000 shares to the public and received applications for 4,800 shares. The amount of issued capital will be:
- (a) ₹4,00,000 (b) ₹8,00,000 (c) ₹2,40,000 (d) ₹4,80,000

15. Sahil Ltd. had allotted 20,000 shares to the applicants of 28,000 shares on pro-rata basis. The amount payable on application was ₹2. Aman applied for 840 shares. The number of shares allotted and the amount carried forward for adjustment against allotment money due from Aman will be:
- (a) 350 shares; ₹120 (b) 500 shares; ₹160
(c) 320 shares; ₹200 (d) 600 shares; ₹480
16. X Ltd. purchased machinery for ₹5,00,000 from Y Ltd. Half of the amount was paid by accepting a Bill of Exchange drawn by Y Ltd. payable after three months. The balance was paid by issue of Equity Shares of ₹10 each at a premium of 25%.

No. of equity shares to be issued was:

- (a) ₹10,000 (b) ₹15,000 (c) ₹20,000 (d) ₹17,000
17. Given below are two statements—Statement (A) and Statement (B):

Statement (A) : Receipts and Payments Account is based on accrual basis of accounting.

Statement (B) : Debit balance of receipts and payments account is an asset for the club.

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.
18. Tina, Anjali and Himani were partners in a firm sharing profits and losses in the ratio of 2:1:1. Tina decided to retire from the firm. At the time of her retirement, there were unrecorded Investments of ₹30,000, unrecorded creditors of ₹5,000 and bills payable of ₹7,500. Total gain on revaluation transferred to partners' capital accounts is:
- (a) ₹8,500 (b) ₹17,500 (c) ₹42,500 (d) None of these
19. Choose the 'Odd One Out' in case of retirement of a partner:
- (a) Revaluation A/c (b) Gaining Ratio
(c) Realisation of Assets (d) Treatment of Accumulated profits
20. In a not-for-profit organisation, Sale of old newspapers is:
- (a) Capital Receipt (b) Revenue Receipt (c) Income (d) Profit
21. Calculate the amount of stationery to be posted to Income and Expenditure Account of Indian literary Society for the year ending 31st March, 2022 from the following information:

Particulars	1st April, 2021 (₹)	31st March, 2022 (₹)
Stock of stationery	42,000	36,000
Creditors for stationery	22,000	46,000

Stationery purchased during the year ended 31st March, 2022 was ₹ 1,50,000.

- (a) ₹1,56,000 (b) ₹1,92,000
(c) ₹1,50,000 (d) None of these
22. Archie Ltd. decides to redeem 2,000; 9% Debentures of ₹100 each on 30th June, 2019. The company is required to invest in specified securities on or before
- (a) 30th April, 2018 (b) 30th April, 2017 (c) 30th June, 2018 (d) 30th April, 2019
23. People's Bank decides to redeem 2,000; 8% Debentures of ₹100 each on 30th September, 2020. How much amount should be transferred to DRR by it?
- (a) ₹50,000 (b) ₹20,000 (c) ₹1,00,000 (d) Nil
24. C, a creditor (already transferred to Realisation Account) for ₹30,000 agreed to take Machinery (already transferred to Realisation Account) at ₹48,000 (book value ₹50,000) in settlement of his claim.

Realisation Account will be:

- (a) debited by ₹18,000 (b) credited by ₹18,000
(c) credited by ₹30,000 (d) debited by ₹30,000

25. Which of the following account is not transferred to debit side of Realisation A/c?

- (a) Debtors' A/c (b) Creditors' A/c (c) Office Premises A/c (d) Bills Receivable A/c

26. Not-for-Profit organisations are established for the purpose of:

- (a) Performing social welfare deeds (b) Encouraging art and culture
(c) Spreading awareness for education and religion (d) All of the above.

27. Which of the following are main source of income for a 'Not-for-profit-Organisation'?

- (i) Subscriptions (ii) Donations
(iii) Sale of used materials (iv) Sundry Receipts
(v) Profit on sale of fixed assets
(a) Both (i) and (ii) (b) Both (iii) and (iv) (c) All (i), (iii), and (iv) (d) All (i), (ii) and (v)

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

Assertion (A) : After the reissue of forfeited shares, the credit balance left in the Share Forfeited Account must be transferred to Capital Reserve Account.

Reason (R) : Credit Balance in Share Forfeited Account is a Capital loss for the company.

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.

29. On the retirement of Sujal from the firm of 'Sujal, Raman and Daas' the Balance Sheet showed a credit balance of ₹36,000 in the Profit and Loss Account. For calculating the amount payable to Sujal, the balance will be transferred:

- (a) to the credit of the capital accounts of Raman and Daas equally
(b) to the debit of the capital accounts of Raman and Daas equally
(c) to the debit of the capital accounts of Raman and Daas equally
(d) to the credit of the capital accounts of Raman and Daas equally

30. Calculate manager's commission if profit is ₹66,000 and commission is allowed at 10% after charging such commission.

- (a) ₹6,600 (b) ₹5,500 (c) ₹6,000 (d) ₹5,000

31. 'Current Accounts of Partners' follow the rule of:

- (a) Personal A/c (b) Real A/c (c) Nominal A/c (d) None of these

32. Which of the following items is not shown in Profit and Loss Appropriation Account?

- (a) Transfer to General Reserve (b) Salaries to Partners
(c) Interest on Drawings (d) Interest on Partner's Loan

33. Sunil and Tulip were partners in a firm sharing profits in the ratio of 5 : 3. During the year ended 31st March, 2019 Sunil had withdrawn ₹55,000. Interest on his drawings amounted to ₹7,000. Amount debited to Sunil's Capital Account for interest on drawings is:

- (a) ₹38,000 (b) ₹7,000 (c) ₹55,000 (d) None of the above.

34. Premium received on issue of shares is shown at:

- (a) Assets side (b) Equity and Liabilities side
(c) Debit side of Statement of Profit and Loss (d) Credit side of Statement of Profit and Loss

35. Which of the following statements is incorrect?

- (a) 'Called-up capital' is that part of subscribed capital which has been called up by the company.

- (b) Capital reserve is that reserve which is created out of capital profits such as profit on sale of fixed assets, profit on revaluation of assets, premium on issue of shares and debentures, etc.
- (c) Making an offer, inviting the public in general to subscribe for the shares is known as Initial Public Offer.
- (d) Securities Premium Reserve can be used as working capital.

36. At what rate interest on Calls-in-Advance may be paid by a company according to Table F of Schedule I of the Companies Act, 2013?

- (a) 6% p.a. (b) 9% p.a. (c) 10% p.a. (d) 12% p.a.

37. Which of the following adjustments have to be made in the books of the firm at the time of admission of a partner?

- (i) New Profit-Sharing Ratio of all the Partners.
 (ii) Sacrificing Ratio of the Old Partners.
 (iii) Goodwill and its Treatment.
 (iv) Treatment of Undistributed or Accumulated Profits/Losses and Reserves.

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

38. Angle and Circle were partners in a firm. Their Balance Sheet showed Furniture at ₹2,00,000; Stock at ₹1,40,000; Debtors at ₹1,62,000 and Creditors at ₹60,000. Square was admitted and new profit-sharing ratio was agreed at 2:3:5. Stock was revalued at ₹1,00,000, Creditors of ₹15,000 are not likely to be claimed, Debtors for ₹2,000 have become irrecoverable and Provision for doubtful debts to be provided @ 10%.

Angle's share in loss on revaluation amounted to ₹30,000. Revalued value of Furniture will be:

- (a) 2,17,000 (b) 1,03,000 (c) 3,03,000 (d) 1,83,000

39. Net profit ratio exhibits the relationship between the items of:

- (a) Total revenue from operations and credit revenue from operations
 (b) Selling expenses and net revenue from operations
 (c) Net profit and net revenue from operations
 (d) Gross profit and net profit

40. Operating expenses are mainly considered while calculating:

- (a) Operating Ratio (b) Current Ratio
 (c) Debt to Equity Ratio (d) None of the above

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

Assertion (A): The focus of calculation of working capital revolves around managing the operating cycle of the business.

Reason (R): It is because the concept of operating cycle is required to ascertain the liquidity of assets and urgency of payments to liabilities.

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

Codes:

- (a) Both (A) and (R) are true, but (R) is not the explanation of working capital management.
 (b) Both (A) and (R) are true and (R) is a correct explanation of (A).
 (c) Both (A) and (R) are false.
 (d) (A) is false, but (R) is true.

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

Statement (A) : Redemption of debentures will result in inflow of cash.

Statement (B) : Purchase of fixed assets on credit will result in outflow of cash

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.

43. Which of the following will be classified under 'Investing Activities' while preparing Cash Flow Statement?

- (i) Sale of Intangible Assets (ii) Dividend Received
(iii) Issue of Debentures (iv) Receipts of Royalty
(v) Sale of non-current Investments
(a) (i), (ii), (iii) (b) (ii), (iii), (v) (c) (i), (ii), and (v) (d) (i), (ii), (iii), (iv), (v)

44. Sundry Assets was purchased for ₹30,00,000, paying 40% by issue of equity shares of ₹ 10 each and the balance by a cheque. This transaction will result in:

- (a) Cash used in investing activities ₹ 18,00,000
(b) Cash generated from financing activities ₹ 12,00,000.
(c) Decrease in cash and cash equivalents ₹ 30,00,000.
(d) Cash used in investing activities ₹ 30,00,000.

45. Fixed Deposits come under the subhead:

- (a) Reserves and Surplus (b) Share Capital
(c) Long-term Provisions (d) Non-current investments

46. 'Trade Payables' include:

- (a) Creditors (b) Bills Payable (c) Both of the above (d) None of the above

47. Out of the following, which parties are interested in financial statements?

- (i) Managers (ii) Financial Institutions (iii) Creditors
(a) Only (i) (b) Only (ii) (c) Both (i) and (iii) (d) All (i), (ii) and (iii)

48. If a Company has Fixed Assets worth ₹390 crores and Current Assets ₹260 crores, then find out the percentage of Current Assets to Total Assets.

- (a) 40% (b) 60% (c) 50% (d) 45%

49. Match the following:

Column I		Column II	
(i)	Quick Ratio	(A)	Proprietor's Funds/Total Assets
(ii)	Proprietary Ratio	(B)	PBIT/Capital Employed × 100
(iii)	Return on Investment	(C)	Liquid Assets/Current Liabilities
(iv)	Debt to Equity Ratio	(D)	Debt/Equity

Choose the correct option:

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

50. Calculate Cash Flow from Investing Activities from the following information:

Particulars	31st March, 2021 (₹)	31st March, 2020 (₹)
Investments in Land	16,00,000	6,00,000
10% Long term Investment	2,50,000	4,00,000
Plant and Machinery	3,00,000	2,00,000
Goodwill	80,000	15,000

Additional Information:

A machine costing ₹40,000 (depreciation provided thereon ₹12,000) was sold for ₹35,000. Depreciation charged during the year was ₹60,000.

- (a) Cash Inflow ₹9,63,000 (b) Cash Outflow ₹9,63,000
(c) Cash Inflow ₹10,28,000 (d) Cash Outflow ₹10,28,000

PRACTICE PAPER – 14

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