

Time allowed: 45 minutes

Maximum marks: 200

General Instructions: Same as Practice Paper-1.

Choose the correct option:

1. If shares are issued for consideration other than cash, i.e., for purchase of assets, then which account will be debited?
(a) Share application account (b) Assets account
(c) Share allotment account (d) Vendor account
2. A share of ₹10 was forfeited for non-payment of final call amount of ₹3. It can be re-issued with maximum discount of:
(a) ₹3 (b) ₹10 (c) ₹7 (d) ₹13
3. Purchase consideration can be calculated by deducting Capital Reserve from the:
(a) Goodwill (b) Net assets
(c) Net Liabilities (d) Net Fixed assets
4. What share of profits would a "Sleeping Partner" who has contributed 80% of the total capitals get in the absence of a deed?
(a) 80% of the total profit (b) 1/8th of the total profit
(c) equal share (d) as per his demand
5. Pari and Kuhu are partners in a firm. Pari is entitled to get a commission of 25% of net profit after charging such commission. Net profit before charging such commission is ₹90,000. Pari will get as commission:
(a) ₹18,750 (b) ₹22,500 (c) ₹18,000 (d) ₹30,000
6. Arun and Arora were partners in a firm sharing profits in the ratio of 5:3. Their fixed capitals on 1-4-2021 were: Arun ₹60,000 and Arora ₹80,000. They agreed to allow interest on capital @ 12% p.a. and to charge on drawings @ 15% p.a. The profit of the firm for the year ended 31-3-2022 before all above adjustments was ₹12,600. The drawings made by Arun were ₹2,000 and by Arora ₹4,000 during the year. The interest on capital will be allowed even if the firm incurs loss.
At the end of the period,
(a) Profit will be transferred to Arun ₹2,343 Arora ₹1,407
(b) Loss will be transferred to Arun ₹2,343 Arora ₹1,407
(c) Profit will be transferred to Arun ₹7,200 Arora ₹9,600
(d) Loss will be transferred to Arun ₹7,200 Arora ₹9,600

- 7. When at the time of admission, a partner brings goodwill in cash, the amount is credited to which of the following accounts?**
- (a) Premium for Goodwill Account (b) Old partners' Capital Account
(c) Incoming Partner's Capital Account (d) Cash Account
- 8. A new partner may be included in the partnership:**
- (a) By the consent of all old partners (b) Not by the consent of old partners
(c) By the majority of old partners (d) By the consent of any one partner
- 9. Harpreet, Trihaan and Roy are partners in a firm sharing profits in ratio of 3:2:1. They admit Gupta for 1/5th share in profit. Gupta brought Capital of ₹50,000 but he is unable to bring his share of goodwill in cash. The goodwill of the firm has been valued at ₹60,000. Where will you debit new partner's share of goodwill?**
- (a) Gupta's Capital A/c by ₹12,000 (b) Gupta's Current A/c by ₹12,000
(c) Cash A/c by ₹12,000 (d) Roy's Current A/c by ₹12,000
- 10. On retirement of a partner, unrecorded Plant and Machinery are**
- (a) debited to Revaluation Account (b) credited to Revaluation Account
(c) credited to Partner's Capital Account (d) debited to Profit and Loss Appropriation
- 11. Read the following statements—Assertion (A) and Reason (R). Choose one of the correct alternatives given below:**
- Assertion (A):** Before the reissue of forfeited shares, the balance of the Forfeited Shares Account is added to the Share Capital under Subscribed Capital in Notes to Accounts of 'Share Capital' as a part of Shareholders' funds.
- Reason (R) :** Forfeited Share Account is always shown as a part of Capital Reserve.
- 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.
- 12. Difference between the two sides of the Receipts and Payments Account reveals:**
- (a) Net Profit/Loss (b) Net Cash and Bank Balance
(c) Surplus/Deficit (d) None of these
- 13. Pick the odd one out:**
- (a) Donation for Building Fund (b) Donation for Prize Fund
(c) Entrance Fees (d) Sale of Furniture
- 14. On dissolution of a firm, balance left in Capital Accounts is transferred to:**
- (a) Cash Account (b) Realisation Account
(c) Profit and Loss Account (d) Balance Sheet
- 15. At the time of dissolution, Raman, a creditor of ₹4,00,000 accepted land valued at ₹7,00,000 and paid ₹3,00,000 to the firm.**
- Realisation A/c will be:**
- (a) debited by ₹3,00,000 (b) debited by ₹11,00,000
(c) credited by ₹3,00,000 (d) credited by ₹11,00,000
- 16. The amount set aside out of surplus for redeeming the debentures is known as:**
- (a) General Reserve (b) Securities Premium Reserve
(c) Debenture Redemption Reserve (d) None of the above

17. When debentures are issued at discount, then _____ and Debenture Application and Allotment account are debited.
- (a) Discount on issue of Debentures (b) Loss on issue of Debentures
(c) Debentures (d) Both (a) and (c)
18. Given below are two statements—Statement (A) and Statement (B):
- Statement (A) :** Not-for-profit organisations do not prepare profit and loss Account.
Statement (B) : They prepare Income and Expenditure Account to evaluate financial results, i.e., the surplus or deficit.
- 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.
19. Which of the following statements are incorrect about NPOS?
- (i) The main aim of a Not-for-Profit organisation is to provide service to a specific group or to the public at large.
(ii) Receipts and payments account does not include depreciation as it is a non-cash expense whereas income and expenditure account includes depreciation as an expenditure.
(iii) Income and Expenditure Account is a summarised form of Cash Book.
(iv) Specific donations are shown as assets in the Balance Sheet.
- (a) Both (ii) and (iii) (b) Both (iii) and (iv)
(c) Both (i) and (iv) (d) All (i), (ii) and (iv)
20. Retirement or death of a partner will create a situation for the continuing partners, which is known as:
- (a) Dissolution of Partnership (b) Dissolution of Partnership firm
(c) Winding up of business (d) None of the above
21. At what rate is interest payable on the amount remaining unpaid to the executor of deceased partner, in absence of any agreement among partners, when (s)he opts for interest and not share of profit.
- (a) 12% (b) 8% (c) 6% (d) 7.5% p.a.
22. The main source of income for Not-for-Profit Organisations is:
- (a) Subscription (b) Donation
(c) Entrance Fees (d) All of these
23. Preference shareholders get priority over equity shareholders :
- (a) In payment of dividend only (b) In refund of capital only
(c) In both payment of dividend and refund of capital (d) In payment of interest
24. VF Ltd. forfeited 8000 equity shares of ₹100 each, issued at a premium of 10% for non payment of First and Final call of ₹30 per share. The maximum amount of discount at which these shares can be reissued will be:
- (a) ₹5,60,000 (b) ₹8,00,000 (c) ₹3,20,000 (d) ₹2,40,000
25. NK Ltd., a truck manufacturing company, is registered with an authorised capital of ₹1,00,000 divided into equity shares of ₹100 each. The subscribed and paid up capital of the company is ₹50,00,000. The company decided to open technical schools in the Jhalawar district of Rajasthan to train the specially abled children of the area. It is planning to provide them employment in its various production units and industries in the neighbourhood area.

To meet the capital expenditure requirements of the project, the company offered 20,000 shares to the public for subscription. The shares were fully subscribed and paid.

The Share Capital in the Balance Sheet will be shown at an amount of:

- (a) ₹70,00,000 (b) ₹65,00,000 (c) ₹72,00,000 (d) ₹62,00,000

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

Assertion (A) : 'Self-generated Goodwill' should be adjusted through partners' Capital Accounts at the time of reconstitution of a partnership firm.

Reason (R) : As per AS-26, goodwill should be recorded in the books of accounts only when consideration in money or money's worth is paid for it.

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

27. A, B and C change their profit sharing ratio from 7 : 3 : 2 to 8 : 4 : 3. B's sacrifice or gain will be:

- (a) 1/60 gain (b) 1/30 gain
 (c) 1/60 sacrifice (d) 1/30 sacrifice

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

Assertion (A) : At the time of admission of a partner, existing goodwill is transferred to all partners' capital accounts.

Reason (R) : Goodwill prior to admission belongs to all the partners as they now have a relation with the firm.

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

Codes:

- (a) Both (A) and (R) are correct and (R) is the correct reason of (A).
 (b) Both (A) and (R) are correct but (R) is not the correct reason of (A).
 (c) Only (R) is correct.
 (d) Both (A) and (R) are wrong.

29. On the death of a partner, his share in the profits of the firm till the date of his death is transferred to the:

- (a) Debit of Profit and Loss Account (b) Credit of Profit and Loss Account
 (c) Debit of Profit and Loss Suspense Account (d) Credit of Profit and Loss Suspense Account

30. First call amount received in advance from the shareholders before it is actually called up by the directors is:

- (a) Debited to calls-in-advance account (b) Credited to share allotment account
 (c) Debited to first call account (d) Credited to calls-in-advance account

31. On 1st Oct., 2021 PK Ltd. issued 500, 9% Debentures of ₹500 each at a discount of 4%. Debentures' interest for the year ended 31st March, 2022 will be:

- (a) ₹11,250 (b) ₹10,800 (c) ₹22,500 (d) None of these

32. A company has issued 8,000, 8% Debentures of ₹100 each at a price of ₹96. It will credit 8% Debentures Account by _____.

- (a) ₹7,68,000 (b) ₹8,64,000 (c) ₹8,00,000 (d) ₹32,000

33. Which of the following statements is incorrect about debentures?

- (a) Interest on debentures is an appropriation of profit.
 (b) Debentureholders are the creditors of a company and shareholders are the owners of a company.
 (c) 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.
 (d) Issue of Debentures as collateral security means issuing debentures as an additional security that may be offered against the loan in addition to principal security.

34. Subscription received during the year 2021-22: 3,00,000. Outstanding Subscription as on 31st March, 2021: ₹2,00,000. The amount shown as subscription in the income and expenditure account will be:
- (a) ₹1,00,000 (b) ₹3,00,000
(c) ₹2,00,000 (d) ₹2,50,000
35. Sarvesh, Sriniketan and Srinivas are partners in the ratio of 5:3: 2. If Sriniketan's share of profit at the end of the year amounted to ₹1,50,000, what will be Sarvesh's share of profits?
- (a) ₹5,00,000 (b) ₹1,50,000
(c) ₹3,00,000 (d) ₹2,50,000
36. Ankit, Shashi and Daniel were partners sharing profits in the ratio of 3:2:1. Shashi died on 30th June, 2022. Journal entry passed for Shashi's share of profit from the beginning of the year up to the date of death will be:
- (a) Profit and Loss A/c ... Dr.
To Shashi's Capital A/c
- (b) Shashi Capital A/c ... Dr.
To Profit and Loss A/c
- (c) Shashi Capital A/c ... Dr.
To Profit and Loss Suspense A/c
- (d) Profit and Loss Suspense A/c ... Dr.
To Shashi's Capital A/c
37. At the time of dissolution of firm, Match the following columns:
- | | |
|---|---|
| (i) Land and Building as shown in Balance Sheet | (A) transferred to Partners' Capital A/cs |
| (ii) Sundry Creditors as shown in Balance Sheet | (B) transferred to Cash A/c |
| (iii) Cash shown in balance sheet | (C) transferred to Debit side of Realisation A/c |
| (iv) General Reserve | (D) transferred to Credit side of Realisation A/c |
- (a) (i)-(A), (ii)-(B), (iii)-(C), (iv)-(D)
(b) (i)-(D), (ii)-(C), (iii)-(B), (iv)-(A)
(c) (i)-(C), (ii)-(D), (iii)-(B), (iv)-(A)
(d) (i)-(B), (ii)-(C), (iii)-(A), (iv)-(B)
38. Rohit, the incoming partner, is to bring ₹6,000 as goodwill for 1/5th share in the firm's profit. Total goodwill of the firm will be _____.
- (a) ₹6,000 (b) ₹30,000 (c) ₹1,200 (d) None of the above
39. Which of the following is not included in Non-current liabilities?
- (a) Bonds (b) Debentures (c) Bank Overdraft (d) Public Deposits
40. If in a company, Share Capital is ₹3,00,000 in 2014-15, and ₹2,00,000 in 2015-16, what will be the percentage change?
- (a) 45% (b) (33.33%) (c) 17.5% (d) 55%
41. Tools for the use of financial analysis includes
- (i) Balance sheet
(ii) Comparative Statement of Profit and Loss
(iii) Common size Statement of Profit and Loss
- Choose the correct option:
- (a) all (i), (ii) and (iii) (b) only (i) (c) both (i) and (ii) (d) both (ii) and (iii)
42. Given below are two statements, one labelled as Assertion (A) and the other labelled as Reason (R):
- Assertion (A):** In case a bill receivable is dishonoured, this will have no change on current ratio, if the existing current ratio is 2:1.

Reason (R): In case a bills receivable is dishonoured, current ratio will not change because bills receivable decrease and debtors increase by the same amount.

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.

43. Which of the following is not an example of 'Financing Activities'?

- (a) Issue of Shares
- (b) Depreciation on Assets
- (c) Issue of Debentures
- (d) Interest paid on Long-term borrowings

44. Interest received on investments by a financing company will be classified in Statement of Profit and Loss as:

- (a) Revenue from operations
- (b) Other Income
- (c) All of the above
- (d) None of the above

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

Statement (A) : Increase and decrease in Inventories during the year are not considered while preparing cash flow statement.

Statement (B) : Amount transferred to General Reserve is shown under financing activities in the Cash Flow Statement.

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. If there are credit revenue from operations ₹9,00,000, bill receivables ₹60,000 in a year, then Trade Receivables turnover ratio will be:

- (a) 3 times
- (b) 9 times
- (c) 15 times
- (d) 12 times

47. When debentures are redeemed, what will be its impact on debt-equity ratio?

- (a) Debt-equity ratio increases
- (b) Debt-equity ratio decreases
- (c) There will be no change on debt-equity ratio
- (d) Nothing can be said

48. Balance Sheet (an Extract)

| Equity and Liabilities | 31st March, 2019 | 31st March, 2020 |
|------------------------|---------------------|---------------------|
| 12% Debentures | 2,00,000 | 1,60,000 |

Additional Information:

Interest on debentures is paid on half yearly basis on 30th September and 31st March each year.

Debentures were redeemed on 30th September, 2019.

How much amount (related to above information) will be shown in Financing Activity for Cash Flow Statement prepared on 31st March, 2020?

- (a) Outflow ₹40,000
- (b) Inflow ₹42,600
- (c) Outflow ₹61,600
- (d) Outflow ₹64,000

49. An investment normally qualifies as cash equivalent only when from the date of acquisition it has a short maturity period of :
- (a) One month or less (b) Three months or less
(c) Three months or more (d) One year or less
50. Net Profit during the year – ₹2,50,000
Decrease in inventories – ₹25,000
Increase in Trade Receivables – ₹40,000
Net cash from operating activities will be:
- (a) ₹2,65,000 (b) ₹2,35,000 (c) ₹2,95,000 (d) None of the above

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