

Time allowed: 45 minutes

Maximum marks: 200

General Instructions: Same as Practice Paper-1.

Choose the correct option:

1. **General Reserve is transferred to which account at the time of admission of new partners?**
(a) Capital A/c of new partner (b) Capital A/cs of old partners
(c) Capital A/cs of all partners (d) None of these
2. **Current account of a partner**
(a) will always have a credit balance (b) will always have a debit balance
(c) can never have a debit balance (d) may have a debit or credit balance
3. **Any change in the relationship of existing partners which results in an end of the existing agreement and enforces making of new agreement is called:**
(a) Revaluation of partnership (b) Reconstitution of partnership
(c) Realisation of partnership (d) None of the above
4. **Under _____ method, goodwill is the excess of capitalised value of business over net assets.**
(a) Average profit (b) Super profit
(c) Capitalisation of average profit (d) Multiplier
5. **In case of death of a partner, when the amount due is transferred to his executor's account, the journal entry will be:**
(a) Partner's Executor's A/c Dr.
To Deceased Partner's A/c
(b) Deceased Partner's Capital A/c Dr.
To Deceased Partner's Executor's A/c
(c) Deceased Partner's Capital A/c Dr.
To Bank/Cash A/c
(d) None of these
6. **Nominal share capital is:**
(a) that part of authorised capital which is issued by the company.
(b) the amount of capital which is actually applied by prospective shareholders.
(c) the amount of capital which is paid by the shareholders.
(d) the maximum amount of share capital that a company is authorised to issue.

7. A company purchased new machinery for ₹25,00,000 out of which ₹10,00,000 were paid in cash. Balance amount was paid by issue of equity shares of ₹10 each at 25% premium. How many shares will be issued by the company?
 (a) 1,20,000 shares (b) 2,00,000 shares (c) 1,50,000 shares (d) 10,00,000 shares
8. The Directors of Unim Ltd. forfeited 30,000 shares of ₹10 each, for non-payment of final call of ₹3 per share. Half of the forfeited shares were reissued as fully paid-up for ₹12 per share. The amount to be transferred to the Capital Reserve Account will be:
 (a) ₹2,70,000 (b) ₹2,10,000 (c) ₹1,05,000 (d) ₹1,80,000
9. On 1st Jan., 2022 the first call of ₹3 per share became due on 1,00,000 equity shares issued by Kamini Ltd. Karan, a holder of 500 shares did not pay the first call money. Arjun, a shareholder holding 1,000 shares paid the second and final call of ₹5 per share along with the first call.
 Calls-in-Advance Account will be:
 (a) debited by ₹5,000 (b) credited by ₹5,000 (c) debited by ₹1,500 (d) credited by ₹1,500
10. Interest accrued on investments is shown under the subhead:
 (a) Fixed assets (b) Non-current investments
 (c) Other Current assets (d) Short-term loans and advances
11. Given below are two statements—Statement (A) and Statement (B):
Statement (A) : 'Provision for Employees Benefits' is a Short-term Provision.
Statement (B) : 'Short-term Loans and Advances' refer to loans and advances given to business associates and others which must be settled within 12 months from the date of Balance Sheet or within the operating cycle.
 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. Profit and Loss Account shows a debit balance of ₹7,500. At the time of dissolution of a partnership firm if Kamal and Niki were two partners in a firm sharing profits and losses in the ratio 3 : 1. Kamal's Capital Account will be:
 (a) debited by ₹5,625 (b) credited by ₹5,625 (c) debited by ₹1,875 (d) credited by ₹1,875
13. Which of the following is not debited to Realisation Account?
 (a) Liabilities paid (b) Unrecorded liabilities when paid
 (c) Realisation Expenses (d) Assets when realised
14. When a machine having a book value of ₹1,50,000 is given to Mohan, a firm's creditor of ₹2,20,000 towards full and final settlement of his dues, the Realisation Account will be debited by:
 (a) ₹2,20,000 (b) ₹1,50,000 (c) ₹1,20,000 (d) None of these
15. If there are current assets ₹52,000, current liabilities ₹22,000 and inventory ₹12,000, then liquid ratio will be:
 (a) 1.2:1 (b) 1.6:1 (c) 1.4:1 (d) 1.8:1
16. Which of the following elements are considered while calculating working capital turnover ratio?
 (a) Current Assets (b) Current Liabilities
 (c) Revenue from Operations (d) All of the above

17. Which one of the following is correct?

- (i) Current Ratio is calculated to ascertain the short-term solvency of the firm.
- (ii) A current ratio of 2:1 is considered an ideal ratio.
- (iii) Working capital is the excess of current assets over current liabilities.
- (iv) A very high current ratio may not be favourable.

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

18. In case of Debentures, pick the odd one out:

- (a) Loan Capital
- (b) Secured Instruments
- (c) Internal Equity
- (d) Charge on Assets

19. Moon Ltd. issues ₹70,00,000, 8% Debentures of ₹100 each at a premium of 5% redeemable at 119% at the end of the 10 years.

Debenture Application and Allotment A/c	Dr.	₹73,50,000	
Loss on Issue of Debentures A/c	Dr.	₹ 7,00,000	
To 8% Debentures A/c			X
To Securities Premium Reserve A/c			Y
To Premium on Redemption of Debentures A/c			Z

Here, X, Y and Z are:

- (a) ₹70,00,000, ₹3,50,000, ₹7,00,000
- (b) ₹3,50,000, ₹7,00,000, ₹70,00,000
- (c) ₹3,50,000, ₹5,00,000, ₹2,00,000
- (d) ₹7,00,000, ₹3,50,000, ₹70,00,000

20. Creations Ltd. purchased building of JK Ltd. for ₹8,00,000. The consideration was paid by issue of 6% Debentures of ₹100 each at a discount of ₹20. 6% Debentures Account is credited with

- (a) ₹10,40,000
- (b) ₹10,00,000
- (c) ₹9,60,000
- (d) ₹6,40,000

21. Aditya and Shiv were partners in a firm with capitals of ₹3,00,000 and ₹2,00,000, respectively. Naina was admitted as a new partner for 1/4th share in the profits of the firm. Naina brought ₹1,20,000 for her share of goodwill premium and ₹2,40,000 for her capital. The amount of goodwill premium credited to Aditya will be:

- (a) ₹40,000
- (b) ₹30,000
- (c) ₹72,000
- (d) ₹60,000

22. X and Y share profit equally. Z is admitted for 1/7th share. New profit sharing ratio will be:

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

23. Sandeep and Anjali are partners sharing profits in the ratio of 3:2. On April 1, 2022. Kiran was admitted for 1/4th share who paid ₹3,00,000 as capital and ₹1,50,000 for premium in cash. At the time of admission, Profit and Loss Account amounting to ₹90,000 appeared on the assets side of the balance sheet.

For the distribution of accumulated losses, Sandeep and Anjali's Capital accounts will be _____ respectively.

24. From the following information, calculate Cash Flow from Investing Activities:

Particulars	31st March, 2018 (₹)	31st March, 2019 (₹)
Plant and Machinery	8,50,000	10,00,000
Non-current Investments	40,000	1,00,000
Land (At Cost)	2,00,000	1,00,000

Additional Information:

- (i) Depreciation charged on Plant and Machinery was ₹ 50,000.
- (ii) Plant and Machinery with a book value of ₹ 60,000 was sold for ₹ 40,000.
- (iii) Land was sold at a gain of ₹ 60,000.

- (a) Cash flow from Investing Activities ₹1,80,000
- (b) Cash flow from Investing Activities ₹1,20,000
- (c) Cash used in Investing Activities ₹1,80,000
- (d) Cash used in Investing Activities ₹1,20,000

25. If the net profit earned during the year is ₹50,000 and the amount of trade receivables in the beginning and the end of the year is ₹10,000 and ₹20,000 respectively then the cash from operating activities will be equal to _____.

(a) ₹60,000 (b) ₹40,000 (c) ₹80,000 (d) None of these

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

Statement (A) : Debt Equity Ratio of 1:2 of a company will not change on obtaining a short-term loan from the bank.

Statement (B) : Both equity and Debt remain unaffected in case a long-term loan is not obtained by a company.

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.

27. Which of the following statements are false?

- (i) Financial statement are influenced by personal judgements.
 (ii) Financial statements analysis studies both qualitative and quantitative aspects.
 (iii) Cash Flow statement is the weakest tool of financial analysis.

Choose the correct option:

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

28. Anjali, Palak and Falguni are equal partners in a firm whose books are closed on 31st March every year. There was a General Reserve of ₹40,000 at the time of retirement of Palak. It was decided that 25% of the balance of General Reserve is to be transferred to Investment Fluctuation Reserve.

Which of the following is correct in the context?

- (a) General Reserve will be credited by ₹40,000
 (b) Palak's Capital A/c will be credited by ₹40,000
 (c) Remaining partners' Capital A/c will be credited by ₹30,000
 (d) Investment Fluctuation Reserve A/c will be credited by ₹10,000

29. Arjun, Bhim and Nakul are partners sharing profits and losses in the ratio of 14:5:6 respectively. Bhim retires and surrenders his 5/25th share in favour of Arjun. Goodwill already appears in the books of the firm at ₹75,000. The profit for the first year after Bhim's retirement was ₹1,00,000.

For writing off the existing goodwill at retirement of the partner.

- (i) Arjun's Capital A/c will be debited by ₹42,000 (ii) Bhim's Capital A/c will be debited by ₹15,000
 (iii) Nakul's Capital A/c will be debited by ₹18,000 (iv) Goodwill A/c will be credited by ₹75,000

Choose the correct option:

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

30. In the absence of any provision in the partnership deed, interest on amount remaining unpaid to the executor of deceased partner who had contributed more than 50% of the total capital:

- (a) will not be allowed (b) will be allowed @ 6% p.a.
 (c) will be allowed @8% p.a. (d) will be allowed more than @ 6% p.a.

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

Statement (A) : 'Dissolution of Partnership' and 'Dissolution of Partnership Firm' are not one and the same thing.

Statement (B) : At the time of 'Dissolution of Partnership Firm', all the assets (except cash) are realised and all the liabilities are paid off.

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.

32. In case of admission of a partner, match the following items with their respective treatment:

- | | |
|------------------------------|--|
| (i) General Reserve | (A) Credited to old partners' Capital A/cs |
| (ii) Increase in Assets | (B) Debited to old partners' Capital A/cs |
| (iii) Loss on Revaluation | (C) Credited to Revaluation A/c |
| (iv) Increase in Liabilities | (D) Debited to Revaluation A/c |
- (a) (i) (A), (ii) (B), (iii) (D), (iv) (C) (b) (i) (D), (ii) (B), (iii) (C), (iv) (A)
 (c) (i) (A), (ii) (C), (iii) (B), (iv) (D) (d) (i) (A), (ii) (C), (iii) (D), (iv) (B)

33. Which of the following will not be recorded in Income and Expenditure A/c?

- (a) Opening and Closing Cash Balances (b) Depreciation on Sports item
 (c) Entrance Fees (d) Honorarium paid

34. The Subscriptions received during the entire accounting period is recorded on actual receipt basis in the _____.

- (a) Opening Balance Sheet (b) Closing Balance Sheet
 (c) Receipts and Payments A/c (d) Income and Expenditure A/c

35. From the following extracts of Receipts and Payments Account and additional information, you are required to calculate the income from subscriptions for the year ending 31st March, 2022.

Receipts and Payments Account

Dr. Cr.
for the year ending 31st March, 2022

Receipts	(₹)	Payments	(₹)
To Subscriptions	41,000		

Additional information:

- (i) Subscriptions outstanding on 31st March, 2021 ₹6,000;
 (ii) Subscriptions outstanding on 31st March, 2022 ₹5,000;
 (iii) Subscriptions received in advance on 31st March, 2021 ₹6,000.
 (a) ₹46,000 (b) ₹40,000 (c) ₹41,000 (d) ₹35,000

36. Which of the following activities remains financing activity for every enterprise?

- (a) Receipts of dividend on shares (b) Payment of dividend on shares
 (c) Payment for purchase of securities (d) Rent received

37. Short-term deposits are shown as _____ while preparing Cash Flow Statement.

- (a) Operating activities (b) Investing activities
 (c) Financing activities (d) Cash and Cash Equivalents

38. Following information is related to Macho Ltd.:

Dr. Cr.
Plant and Machinery Account

Particulars	(₹)	Particulars	(₹)
To Balance b/d (i)	8,50,000	By Depreciation A/c (iii)	50,000
To Cash A/c (Purchase) (ii)	2,60,000	By Cash A/c (Sale) (iv)	40,000
		By Loss on Sale of Machinery (v)	20,000
		By Balance c/d (vi)	10,00,000
	<u>11,10,000</u>		<u>11,10,000</u>

Which of the items will be added back to Net profit before tax and extraordinary items while preparing Cash Flow Statement?

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

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

Statement (A) : Debenture Redemption Reserve can also be used for providing premium on redemption of Debentures.

Statement (B) : Journal entries for DRR and DRI are not required to pass in case of Banking Companies.

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.

40. Nice Communications Ltd. an unlisted Non-NBFC/HFC decided to redeem its outstanding 5,000, 6% Debentures of ₹100. The company should at least transfer to Debenture Redemption Reserve:

- (a) ₹2,50,000 (b) ₹50,000 (c) ₹1,25,000 (d) ₹5,00,000

41. Which of the following statements is incorrect?

- (a) A public library is a Not-for-profit organisation.
(b) Items of revenue nature relating to current accounting period are shown in Income and Expenditure Account.
(c) Income and Expenditure Account is prepared on Accrual Basis of Accounting.
(d) General donations will be debited to Income and Expenditure Account.

42. Which of the following items will be shown on the credit side of Income and Expenditure Account?

- (a) Deficit (b) Surplus (c) General Expenses (d) Stationery Consumed

43. In the year 2021-22 miscellaneous expenses ₹24,000 were paid. On 31st March, 2021 prepaid expenses were ₹3,000 and outstanding expenses were ₹2,700. On 31st March, 2022 outstanding expenses were ₹6,000 and prepaid expenses were ₹3,000. The amount of miscellaneous expenses transferred to Income and Expenditure Account is:

- (a) ₹24,000 (b) ₹30,900 (c) ₹27,300 (d) None of these

44. Profit and Loss Appropriation Account is prepared:

- (a) for reserve fund (b) for net profit (c) for divisible profit (d) None of these

45. X, Y and Z are partners sharing profit in 6 : 4 : 1 ratio. X guaranteed Z of minimum profit of ₹15,000. Firm had profit of ₹99,000. X's share in profit:

- (a) ₹15,000 (b) ₹30,000 (c) ₹45,000 (d) ₹48,000

46. A partner advances ₹ 50,000 loan to his firm on 1st October, then interest on his loan in the absence of deed for 31st December will be:

- (a) ₹300 (b) ₹750 (c) ₹600 (d) ₹900

47. A company is registered with which share capital?

- (a) Authorised capital (b) Subscribed capital (c) Issued capital (d) Reserve capital

48. A company purchased new machinery for ₹15,00,000 out of which ₹7,00,000 were paid in cash. Balance amount was paid by issue of equity shares of ₹10 each at 25% premium. How many shares will be issued by the company?

- (a) 64,000 shares (b) 80,000 shares (c) 1,50,000 shares (d) 70,000 shares

49. 'Tractors India Ltd.' is registered with an authorized capital of ₹10,00,000 divided into 1,00,000 equity shares of ₹10 each. The company issued 50,000 equity shares at a premium of ₹5 per share. ₹2 per share were payable with application, ₹8 per share including premium on allotment and the balance amount on the first and final call. The issue was fully subscribed and all the amount due was received except the first and final call money on 500 shares allotted to Balaram.

As per Schedule III Part I of the Companies Act, 2013, in the Balance Sheet of company, subscribed but not fully paid up shares will be shown at:

- (a) ₹2,500 (b) ₹7,500 (c) ₹5,000 (d) None of these
50. ₹8 was called up on share of ₹10 and ₹3 was received. If it was forfeited, then what amount will be debited to share capital account at the time of share forfeiture?
- (a) ₹2 (b) ₹8 (c) ₹3 (d) ₹10

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