

Time allowed: 45 minutes

Maximum marks: 200

*General Instructions: Same as Practice Paper-1.**Choose the correct option:***1. Amount of Calls in Advance is:**

- (a) Added to Share Capital (b) Added to Reserve  
(c) Shown on the Assets side (d) Shown on the Equity and Liabilities side

**2. The amount of discount on re-issue of shares cannot exceed:**

- (a) 10% of the capital re-issued (b) 5% of paid up capital  
(c) The amount received on forfeited shares (d) None of these

**3. K Ltd. took over the assets of ₹15,00,000 and liabilities of ₹5,00,000 of P Ltd. for a purchase consideration of ₹13,68,500. ₹25,500 were paid by issuing a promissory note in favour of P Ltd. payable after two months and the balance was paid by issue of equity shares of ₹100 each at a premium of 25%.****The total agreed purchase consideration payable to P Ltd. will be:**

- (a) ₹13,68,500 (b) ₹15,00,000 (c) ₹15,68,500 (d) ₹5,00,000

**4. Each partner has a right:**

- (a) to participate in firm's management (b) to share profit in firm's profit  
(c) to inspect the books of accounts of the firm (d) all of the above

**5. Which of the following statements is incorrect in context of partnership?**

- (a) Interest on partner's drawings is to be given @10% p.a. if the partnership deed is silent about the rate of interest.  
(b) Fixed capital accounts always show a credit balance while fluctuating capital accounts may show a credit or debit balance.  
(c) Every partner including sleeping partner will get equal share of profit in the absence of a deed.  
(d) Debit balance of a partner's current account would indicate that the partner has withdrawn in excess of what was due to him. So, it will be shown on the assets side of balance sheet.

**6. In a partnership firm, partners having fixed capitals, when partners' drawings are transferred to capital accounts, journal entry would be:**

- (a) Partners' Drawings A/c Dr.  
To Partners' Current A/cs  
(b) Partners' Drawings A/c Dr.  
To Partners' Capital A/cs  
(c) Partners' Current A/cs Dr.  
To Partners' Drawings A/c  
(d) None of these

- 7. Revaluation Account is a**  
 (a) Personal Account (b) Real Account (c) Nominal Account (d) None of the above
- 8. X and Y are partners in a firm sharing profits in the ratio of 3 : 2 respectively. Z joins the firm with 1/5th share in the profit. He acquires his share in profit from X and Y in the ratio of 1 : 1. The new profit-sharing ratio of partners is:**  
 (a) 4 : 1 : 1 (b) 2 : 3 : 5 (c) 5 : 3 : 2 (d) 2 : 5 : 3
- 9. Shyam and Ram are partners sharing profits in the ratio of 2:1. They admit Mohan into the partnership for 1/4th share in profits for which he brings in ₹ 10,000 as his share of capital. The adjusted capital of Shyam and Ram will be:**  
 (a) ₹ 30,000 and ₹ 15,000 respectively (b) ₹ 16,000 and ₹ 8,000 respectively  
 (c) ₹ 20,000 and ₹ 20,000 respectively (d) ₹ 20,000 and ₹ 10,000 respectively
- 10. Receipts and Payments Account reveals:**  
 (a) Cash at the end of the period (b) Gross Profit  
 (c) Net Profit (d) Financial Position
- 11. Match the following:**
- |  |  |
|--|--|
| (i) Life Membership Fees                   | (A) Revenue Receipts                       |
| (ii) General Donations                     | (B) Revenue Expenditure                    |
| (iii) Honorarium Paid                      | (C) Capital Receipts                       |
| (iv) Purchase of Building                  | (D) Capital Expenditure                    |
| (a) (i) (A), (ii) (B), (iii) (C), (iv) (D) | (b) (i) (C), (ii) (A), (iii) (B), (iv) (D) |
| (c) (i) (D), (ii) (C), (iii) (B), (iv) (A) | (d) (i) (D), (ii) (B), (iii) (A), (iv) (C) |
- 12. Given below are two statements, one labelled as Assertion (A) and the other labelled as Reason (R):**  
**Assertion (A):** Subscribed and fully paid up Capital refers such capital as is authorised by the Memorandum of a company to be the maximum amount of share capital of the company.  
**Reason (R):** Authorised Capital is the amount stated in the capital clause of the Memorandum of Association of a Company with which the company is registered and is entitled to issue shares of that much amount and number.
- 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.
- 13. Anju, Manju and Sanju are partners sharing profits and losses in the ratio of 2:2:1. Manju retires from the firm, at that time goodwill of the firm is valued at ₹90,000. What contribution has to be made by Anju and Sanju in order to pay Manju?**  
 (a) ₹24,000 and ₹12,000 (b) ₹40,000 and ₹20,000 (c) ₹45,000 and ₹45,000 (d) ₹18,000 and ₹24,000
- 14. Profit and Loss Account shows a debit balance of ₹15,000. The following journal entry was passed for transferring it in Partners' Capital Accounts at the time of dissolution of a partnership firm when Anuj and Bulbul were two partners in a firm sharing profits and losses in 3:2.**
- |                      |        |    |
|----------------------|--------|----|
| Anuj's Capital A/c   | Dr. ₹X |    |
| Bulbul's Capital A/c | Dr. ₹Y |    |
| To Profit & Loss A/c |        | ₹Z |
- Here, X, Y and Z are:**  
 (a) 15,000, 6,000, 9,000 (b) 6,000, 9,000, 15,000 (c) 9,000, 6,000, 15,000 (d) 15,000, 9,000, 6,000
- 15. Realised value of assets are recorded on:**  
 (a) Debit side of Realisation A/c (b) Credit side of Realisation A/c  
 (c) Liabilities side of Balance Sheet (d) Assets side of Balance Sheet

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

**Statement A :** Redemption of debentures means discharge of an obligation arising out of the contractual obligations created through the Debenture Trust Deed.

**Statement B :** Debentures cannot be redeemed at premium.

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. Debentureholders are:

- (a) the owners of the company (b) the vendors of the company  
(c) the creditors of the company (d) the debtors of the company

18. Not-for-Profit organisations prepare:

- (a) Manufacturing Account (b) Trading Account  
(c) Profit and Loss Account (d) Income and Expenditure Account

19. The following information has been extracted from the financial statements of a not-for-profit organisation for the year ended 31st March, 2022:

Particulars	(₹)
Opening balance of Match Fund	2,50,000
Sale of Match tickets	1,87,500
Donation for Match Fund received during the year	62,000
Match expenses	5,00,000

Which of the following statements is correct for the presentation of the above items in the financial statements of the not-for-profit organisation ?

- (i) Negative Balance of Match Fund ₹2,000 will be shown on the liabilities side of the Balance Sheet as at 31st March, 2022.  
(ii) Opening Balance of Match Fund ₹2,50,000 will be shown on the liabilities side of Balance Sheet as at 1st April, 2021.  
(iii) Negative balance of Match Fund, ₹500 will be shown on the expenditure side of the Income and Expenditure Account for the year ended 31st March, 2022.

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

20. Subscriptions received in advance during an accounting year is:

- (a) An Income (b) An Expense (c) An Asset (d) A Liability

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

**Statement A :** On the retirement or death of a partner, the retiring partner or the representative of deceased partner must be given his share of profit/loss arising out of change due to the revaluation of assets and reassessment of liabilities.

**Statement B :** Gaining ratio is calculated at the time of retirement or death of a partner and change in profit-sharing ratio.

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.

22. A, B, and C have been sharing profit in the ratio of 8 : 5 : 3. A retires, B takes 3/16th share from A and C takes 5/16th share from A. Calculate gaining ratio.

- (a) 5 : 3 (b) 3 : 5 (c) 1 : 1 (d) 8 : 5

23. Kumar, Verma and Naresh were partners in a firm sharing profit and loss in the ratio of 3 : 2 : 2. On 23rd January, 2022 Verma died. Verma's share of profit till the date of his death was calculated at ₹2,350.

In the books of the firm:



- (a) Profit and Loss A/c will be debited and Verma's Capital A/c will be credited by ₹2,350  
 (b) Verma's Capital A/c will be debited and Profit and Loss A/c will be credited by ₹2,350  
 (c) Verma's Capital A/c will be debited and Profit and Loss Suspense A/c will be credited by ₹2,350  
 (d) Profit and Loss Suspense A/c will be debited and Verma's Capital A/c will be credited by ₹2,350

**24. Which of the following is true about Subscribed capital:**

- (i) That part of authorised capital which is issued to the public for subscription.  
 (ii) That part of issued capital which has been actually subscribed by the public.  
 (iii) That part of subscribed capital which has been called up on the shares.  
 (iv) That part of subscribed capital which has not yet been called up on the shares.

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

**25. A company bought a building worth ₹30,00,000, which was paid in equity shares of ₹100 each. Issue of shares was made at 25% premium. How many shares were issued to the seller?**

- (a) 10,000 Shares (b) 24,000 Shares (c) 12,000 Shares (d) 20,000 Shares

**26. At the time of forfeiture of shares issued at a premium, securities premium reserve will not be debited when:**

- (a) Securities premium reserve amount has already been received  
 (b) Securities premium reserve amount has not been received  
 (c) Both (a) and (b)  
 (d) None of the above

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

**Assertion (A):** Reconstitution of Partnership takes place at the time of admission and retirement of a partner.

**Reason (R):** Reconstitution of Partnership refers to any change in the relations of partners without affecting the existence of partnership firm.

**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.

**28. Super Profit is:**

- (a) Total Profit ÷ No. of years (b) Average Profit – Normal Profit  
 (c) Weighted Profit ÷ No. of years' Purchase (d) None of these

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

**Statement A :** At the time of admission of a partner, capital of partners cannot be adjusted on the basis of old partners' capitals.

**Statement B :** Hidden goodwill is the excess of desired total capital of the firm over the actual combined capital of all partners. The difference between total capital required and actual capital invested is called hidden 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.

**30. Mohan holding 900 shares of ₹10 each failed to pay allotment money of ₹2 per share and call money of ₹4 per share. His shares were forfeited and out of these 600 shares were reissued at ₹7 per share fully paid up. The amount of Capital Reserve will be:**

- (a) ₹1,200 (b) ₹600 (c) ₹800 (d) ₹900

- 31. Nature of Debentures Application Account is:**  
 (a) Personal account (b) Real account (c) Nominal account (d) None of these
- 32. When debentures are redeemed purely out of profits, an equivalent amount (equal to face value of debentures to be redeemed) is transferred to:**  
 (a) General Reserve (b) Debenture Redemption Reserve  
 (c) Statement of Profit and Loss (d) Sinking Fund
- 33. Brilliant Paperworks Ltd. had issued 16,000 debentures of ₹100 each fully convertible into equity shares. How much amount should be transferred to Debenture Redemption Reserve by the Company?**  
 (a) ₹1,60,000 (b) ₹4,00,000 (c) Nil (d) ₹8,00,000
- 34. From the following information, calculate the amount of subscription to be credited in the Income and Expenditure Account of Good Luck Sports Club for the year ending 31st March, 2018:**

Particulars	For the year ended 31st March, 2017 (₹)	For the year ended 31st March, 2018 (₹)
Advance Subscriptions	24,500	26,400
Outstanding Subscriptions	14,600	23,700

During the year, the club received ₹ 2,45,000 as subscription which included ₹ 14,000 for the year ended 31st March, 2017.

- (a) ₹2,45,400 (b) ₹2,18,600 (c) ₹2,81,100 (d) ₹2,52,200
- 35. Falak and Bhoomi were partners. They shared profits and losses equally. On 1st April, 2020 their Capital Accounts showed balances of ₹6,00,000 and ₹4,00,000 respectively. If the Partnership Deed provided for Interest on Capital @ 10% p.a. and the firm earned a profit of ₹1,00,000 for the year ended 31st March, 2021 then the amount of profit to be distributed between the partners is:**  
 (a) ₹1,00,000 (b) ₹60,000 (c) ₹40,000 (d) Nil
- 36. Choose the odd one out from the following, in case of death of a partner:**  
 (a) Gaining Ratio (b) Revaluation Account (c) Realisation Account (d) Adjustment of Goodwill
- 37. Realisation expenses of ₹15,000 were paid by firm on behalf of Vikas, a partner. Which of the following journal entry will be passed?**
- |                         |     |          |          |
|-------------------------|-----|----------|----------|
| (a) Realisation A/c     | Dr. | ₹ 15,000 |          |
| To Cash/Bank A/c        |     |          | ₹ 15,000 |
| (b) Realisation A/c     | Dr. | ₹ 15,000 |          |
| To Vikas's Capital A/c  |     |          | ₹ 15,000 |
| (c) Vikas's Capital A/c | Dr. | ₹ 15,000 |          |
| To Cash/Bank A/c        |     |          | ₹ 15,000 |
| (d) None of these       |     |          |          |
- 38. The balance amount of Workmen Compensation Reserve, after meeting actual liability, at the time of admission of a new partner, will be transferred to:**  
 (a) Old Partners' Capital Accounts (b) New Partner's Capital Account  
 (c) Revaluation Account (d) General Reserve
- 39. Stores and Spares are classified in Balance Sheet under:**  
 (a) Intangible Assets (b) Current Investments  
 (c) Inventories (d) Cash and cash equivalents

**40. The main purpose of analysis of financial statements for short-term creditors is:**

- (a) To determine whether their dues will be paid on time.
- (b) To determine whether they should supply more materials to the firm.
- (c) To determine whether they should buy the shares in the firm.
- (d) None of these.

**41. Which of the following is correct?**

(i) Proprietary ratio establishes the relationship between shareholders' funds to total assets of the firm.

(ii)  $\text{Proprietary Ratio} = \frac{\text{Proprietors' Funds}}{\text{Total Assets}}$  or  $\frac{\text{Shareholders' Funds}}{\text{Total Assets}}$

(iii)  $\text{Trade Payables Turnover Ratio} = \frac{\text{Net Cash Purchases}}{\text{Average Trade Payables}}$

(iv) The objective of computing this ratio is to determine the efficiency with which the trade payables are managed and paid.

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

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

**Assertion (A):** Debt to Equity Ratio of X Ltd. is 1 : 2. Conversion of debentures into preference shares will decrease this ratio.

**Reason (R):** Debt to Equity Ratio will decrease as conversion of debentures into preference shares will reduce the long-term debts but increase the equity.

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

**Codes:**

- (a) (A) and (R) both are correct and (R) correctly explains (A).
- (b) Both (A) and (R) are correct but (R) does not explain (A).
- (c) Both (A) and (R) are incorrect.
- (d) (A) is correct but (R) is incorrect.

**43. Which of the following is not an inflow of cash?**

- (a) Purchase of a tangible asset
- (b) Issue of Equity shares
- (c) Issue of Long-term Borrowings (Debentures)
- (d) Sale of plant

**44. Revenue earned from the sale of 'Stock-in-trade' is shown in the Statement of Profit and Loss under the head:**

- (a) Revenue from operations
- (b) Other income
- (c) Both (a) and (b)
- (d) None of these

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

**Statement A :** Payment of interest and Dividend is classified as Financing Activity while preparing Cash Flow statement.

**Statement B :** Receipt of Interest and Dividend is classified as Investing Activity while preparing 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. Saksham Ltd. purchased technological advanced machinery for ₹24,00,000. It received dividend of ₹1,80,000 on investments. The company also sold old equipments for ₹4,80,000 at a loss of ₹40,000. The cash flow from investing activities for Cash Flow Statement will be:**

- (a) Cash Inflow ₹17,40,000
- (b) Cash Outflow ₹17,40,000
- (c) Cash Inflow ₹24,00,000
- (d) Cash Outflow ₹24,00,000

**47. Which of the following are considered as Cash and Cash Equivalents while preparing Cash Flow statement?**

- (i) Short-term Deposit
- (ii) Marketable Securities
- (iii) Cheques
- (iv) Draft in Hand



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

**48. The payment of cash to creditors will result in**

- (a) Inflow of Cash      (b) Outflow of Cash      (c) No flow of Cash      (d) None of the above

**49. There are current assets ₹5,00,000 and current liabilities ₹3,00,000 of a firm. Managers wish to make current ratio 2 : 1. State the current liabilities to be paid:**

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

**50. Operating ratio is:**

- (a) Profitability ratio      (b) Activity ratio      (c) Solvency capacity ratio      (d) None of these

## PRACTICE PAPER – 10

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