

Time allowed: 45 minutes

Maximum marks: 200

*General Instructions: Same as Practice Paper-1.**Choose the correct option:*

- If the incoming partner brings the amount of goodwill in cash and also a balance exists in goodwill account then the existing Goodwill is written off among the old partners:
 - In new profit sharing ratio
 - In old profit sharing ratio
 - In sacrificing ratio
 - In gaining ratio
- Atul and Neera were partners in a firm sharing profits in the ratio of 3 : 2. They admitted Mitali as a new partner. Goodwill of the firm was valued at ₹ 2,00,000. Mitali brings her share of goodwill premium of ₹20,000 in cash, which is entirely credited to Atul's Capital Account. The new profit sharing ratio will be:
 - 5 : 4 : 1
 - 3 : 2 : 1
 - 1 : 2 : 1
 - None of these
- Benu and Sunil are partners sharing profits in the ratio of 3:2. On April 1, 2021 Ina was admitted for 1/4th share who paid ₹2,00,000 as capital and ₹1,00,000 for premium in cash. At the time of admission, Profit and Loss Account amounting to ₹60,000 appeared on the assets side of the balance sheet.
For the distribution of accumulated losses, Benu and Sunil's Capital accounts will be _____ respectively.
 - credited by ₹24,000 and ₹36,000
 - debited by ₹24,000 and ₹36,000
 - debited by ₹36,000 and ₹24,000
 - debited by ₹30,000 and ₹30,000
- Which of the following accounts is debited on becoming 'first call due'?
 - Share Allotment A/c
 - Share Capital A/c
 - Share First Call A/c
 - Bank A/c
- The amount forfeited on forfeiture of shares cannot exceed:
 - 10% of the reissued capital
 - 5% of paid up capital
 - The amount received on forfeited shares
 - None of these
- Rainbow foreited 4,000 shares of ₹10 each (which were issued at par) held by Namita for non-payment of allotment money of ₹4 per share. The called-up value per share was ₹9. On forefeiture, the amount debited to Share Capital Account will be
 - ₹20,000
 - ₹16,000
 - ₹4,000
 - ₹36,000
- In the absence of Partnership deed, interest on loan of a partner is allowed:
 - at 8% p.a.
 - at 6% p.a.
 - no interest is allowed
 - None of these
- Annual interest on drawings @5% p.a., when a partner withdraws ₹6,000 at the end of each month, will be:
 - ₹1,750
 - ₹1,650
 - ₹1,250
 - ₹3,000
- A and B are partners sharing profits in 7 : 3 ratio, having fixed capitals ₹2,00,000 and ₹1,00,000 respectively. After closing books for the year 2022, the accountant realised that interest on capital is provided @12% p.a. instead of @10%. The amount of adjustment entry will be:

- (a) ₹200 (b) ₹600 (c) ₹400 (d) None of these

10. Unless agreed otherwise, it is presumed that the continuing partners gain in their _____ and hence their _____ is same as their old profit-sharing ratio.
 (a) new profit-sharing ratio, gaining ratio (b) old profit-sharing ratio, gaining ratio
 (c) new profit-sharing ratio, sacrificing ratio (d) gaining ratio, new profit sharing ratio

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

Statement (A) : A company can maximise the return to shareholders by utilising the amount of securities premium reserve through buy back of its shares.

Statement (B) : The balance of Share Forfeited Account is added to the capital under 'Authorised Share Capital' in the Notes to Accounts of Share Capital, being part of shareholders' funds shown under Equity and Liabilities part of the Balance Sheet.

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. State Sports Club sold some sports equipments (Book value ₹7,000) for ₹8,500. It would be shown in Receipts and Payments Account:

- (a) on debit side ₹7,000 (b) on debit side ₹8,500 (c) on credit side ₹7,000 (d) on credit side ₹8,500

13. Specific donations received by Not-for-profit organisations are shown on the _____ side of _____.

- (a) Assets, Balance Sheet (b) Liabilities, Balance Sheet
 (c) Debit, Income and Expenditure A/c (d) Credit, Income and Expenditure A/c

14. On dissolution of the firm, general reserve is transferred to:

- (i) Realisation Account
 (ii) Partners' capital A/cs in profit sharing ratio
 (iii) Partners' capital A/cs in capital ratio
 (iv) Cash Account

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

15. When a partner is agreed to take over the office furniture and fixtures, it is shown on:

- (a) Credit side of partner's capital A/c (b) Debit side of partner's capital A/c
 (c) Debit side of Bank A/c (d) Credit side of Bank A/c

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

Statement (A) : A debentureholder gets interest at the stated rate whether the company earns profit or not.

Statement (B) : No immediate liability is created by issuing debentures as collateral security.

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. Excess of issue price of a debenture over its face value is called _____.

- (a) Discount (b) Premium (c) Par value (d) Collateral value

18. Pick the odd one out:

- (a) Subscriptions (b) Life Membership Fees (c) Capital Fund (d) Tournament Fund

19. From the following information calculate the amount of medicines to be posted to Income and Expenditure Account of Sargam Hospital for the year ending 31st March, 2021:

Particulars	1st April, 2020 (₹)	31st March, 2021 (₹)
Stock of medicines	25,000	20,000
Creditors for medicines	15,000	28,000

Medicines purchased during the year ended 31st March, 2021 was ₹1,00,000.

- (a) ₹ 1,05,000 (b) ₹ 92,000 (c) ₹ 1,18,000 (d) None of the above

20. If the existing profit sharing ratio among P, Q and R of 3 : 2 : 1 is changed to 1 : 2 : 3, then the partners whose share will not be affected, is:

- (a) P (b) Q (c) R (d) P and R

21. U, V and W are partners sharing profits in the ratio of 2:3:5. They decide to share future profits in the ratio of 5:3:2. They also decide to record the effect of the following revaluations and reassessments without affecting the book values of assets and liabilities by passing a single adjustment entry:

	Book Value (₹)	Revised Value (₹)
Land and Building	3,00,000	3,50,000
Furniture	1,50,000	1,00,000
Sundry Creditors	60,000	20,000
Outstanding Salaries	10,000	15,000

The single adjustment entry will be:

- (a) Dr. W and Cr. U by ₹10,500 (b) Dr. U and Cr. W by ₹10,500
(c) Dr. V and Cr. U by ₹10,500 (d) Dr. W and Cr. V by ₹10,500

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

Statement (A) : When donations are capitalised, they are shown on the assets side of the Balance Sheet.

Statement (B) : Subscriptions due to be received are added to subscriptions received on the credit side of Income and Expenditure Account and is shown on the assets side of Balance Sheet.

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.

23. Which of the following statement is/are true?

- (i) Capital reserve is created out of Capital profits such as profit on sale of fixed assets, premium on issue of shares and debentures, profit on redemption of debentures, etc.
(ii) No special resolution is required for Capital reserve creation.
(iii) Capital reserve can be used to write off capital losses or to declare bonus shares at any time during the life of the company.
(iv) Capital reserve is that portion of uncalled share capital which shall not be called up except in the event of winding up.

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

24. A Ltd. issued 10,000 equity shares of ₹100 each at 10% premium. The net amount payable as follows:

On application ₹20

On allotment ₹50 (₹40 + premium ₹10)

On first call ₹30

On final call ₹10

A shareholder holding 200 shares did not pay final call. His shares were forfeited. Out of these 150 shares were reissued to Mr. B at ₹75 per share.

In the Balance Sheet of the Company, the share capital will be presented as:

- (a) ₹9,95,000 (b) ₹9,50,000 (c) ₹8,65,000 (d) ₹8,99,500

- 25. Fixed assets for ₹50,00,000 were purchased from Heavy Tools Ltd. The payment was made by issuing equity shares of ₹10 each at a premium of 25%. Which of the following journal entries is correct?**

(a) Heavy Tools Ltd.	Dr.	₹50,00,000	
To Equity Share Capital A/c			₹50,00,000
(b) Heavy Tools Ltd.	Dr.	₹50,00,000	
To Equity Share Capital A/c			₹40,00,000
To Securities Premium Reserve A/c			₹10,00,000
(c) Heavy Tools Ltd.	Dr.	₹50,00,000	
To Equity Share Capital A/c			₹40,00,000
To Bank A/c			₹10,00,000
(d) None of the above			

- 26. Neetu, Meetu and Teetu were partners in a firm. On 1st January, 2022, Meetu retired. On Meetu's retirement the goodwill of the firm was valued at ₹4,20,000.**

For the treatment of goodwill on Meetu's retirement,

- (a) Neetu's Capital A/c will be credited by ₹70,000 (b) Neetu's Capital A/c will be debited by ₹70,000
(c) Neetu's Capital A/c will be credited by ₹1,40,000 (d) Neetu's Capital A/c will be debited by ₹1,40,000

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

Statement (A) : Since the retiring partner will not be sharing profit in future, goodwill is given to compensate him for the same.

Statement (B) : Profit and Loss Appropriation Account is prepared to show the distribution of net profit (calculated after making adjustments regarding partners' remuneration, interest on Capital, interest on drawings etc.) among the partners while Profit and Loss Suspense Account is prepared to adjust the deceased partner's share of profit upto the date of his death.

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.

- 28. A, B and C are partners in a firm whose books are closed on March 31st each year. A died on 30th June, 2020 and according to the agreement, the share of profits of a deceased partner upto the date of the death is to be calculated on the basis of the average profits for the last five years. The net profits for the last 5 years have been: 2016 – ₹14,000; 2017 – ₹18,000; 2018 – ₹16,000; 2019 – ₹10,000 (loss) and 2020 – ₹16,000. Calculate A's share of the profits upto the date of death.**

- (a) ₹800 (b) ₹850 (c) ₹950 (d) ₹900

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

Statement (A) : Contingent liability becoming a certain liability is credited to Revaluation Account at the time of admission of a partner.

Statement (B) : On revaluation of assets and reassessment of liabilities, Capital Accounts of old partners remain unchanged.

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. Pragma Ltd. forfeited 8,000 equity shares of ₹ 100 each issued at a premium of 10% for non-payment of the first and final call of ₹ 30 per share. The maximum amount of discount at which these shares can be reissued will be:
- (a) ₹ 80,000 (b) ₹ 3,20,000 (c) ₹ 5,60,000 (d) ₹ 2,40,000
31. When debentures are redeemable at premium, which of the following accounts will be debited?
- (a) Loss on Issue of Debentures A/c (b) Premium on Redemption of Debentures A/c
(c) Debentures A/c (d) Both (a) and (c)
32. Durables Ltd. issued ₹20,000, 7% Debentures of ₹ 100 each at a discount of ₹6 on 1st October, 2021. Interest for the year ended 31st March, 2022 will be
- (a) ₹ 1,31,600 (b) ₹ 65,800 (c) ₹ 1,40,000 (d) ₹ 70,000
33. Premium received on Debentures can be used:
- (i) For writing off discount on issue of debentures
(ii) To write off premium on redemption of preference shares
(iii) To write off capital loss
- (a) Only (i) (b) Only (i) and (ii) (c) Only (ii) and (iii) (d) All (i), (ii) and (iii)
34. In the beginning of the accounting year, a club has 54,000 assets; ₹15,000 liabilities; ₹5,400 outstanding subscription of previous year. The opening Capital Fund is:
- (a) ₹ 33,600 (b) ₹ 44,400 (c) ₹ 54,000 (d) ₹ 74,000
35. Lalan and Balan were partners in a firm sharing profits in the ratio of 3:2. Their fixed capitals on 1.4.2020 were: Lalan ₹1,00,000 and Balan ₹2,00,000. They agreed to allow interest on capital @12% per annum and to charge on drawings @15% per annum. The firm earned a profit, before all the above adjustments, of ₹30,000 for the year ended 31.3.2021. The drawings of Lalan and Balan during the year were ₹3,000 and ₹5,000 respectively. The interest on capital will be allowed even if the firm incurs a loss. The divisible profit or loss made by the partners will be:
- (a) Net loss transferred to Lalan's Current A/c ₹1,800, Balan's Current A/c ₹3,600
(b) Net profit transferred to Lalan's Current A/c ₹1,800, Balan's Current A/c ₹3,600
(c) Net loss transferred to Lalan's Current A/c ₹2,880, Balan's Current A/c ₹1,920
(d) None of these
36. Srishti, Nitya and Anand were partners in a firm sharing profits and losses in the ratio of 3 : 2 : 1. Srishti retired from the firm selling her share of profits to Nitya and Anand in the ratio of 2:1. The new profit sharing ratio between Nitya and Anand will be:
- (a) 3 : 2 (b) 17 : 11 (c) 2 : 1 (d) 19 : 11
37. Which of the following is correct profit or loss on realisation in case the amount received from the sale of assets is ₹40,000, total assets ₹50,000, total liabilities ₹15,000 and realisation expenses ₹2,000?
- (a) ₹10,000 Loss (b) ₹7,000 Loss (c) ₹20,000 Profit (d) ₹12,000 Loss
38. M, N and P are partners in a firm, sharing profit in the ratio of 2:2:1. Their capital accounts stand as ₹1,00,000, ₹1,00,000 and ₹50,000 respectively. N retired from the firm and balance in the general reserve on that date was ₹30,000. If goodwill of the firm is ₹60,000 and profit on revaluation is ₹14,100, what amount will be transferred to N's loan account?
- (a) ₹1,41,640 (b) ₹17,640 (c) ₹1,01,640 (d) None of these
39. The maximum amount of capital mentioned in the Memorandum of Association is known as:
- (a) Subscribed Capital (b) Authorised Capital
(c) Called-up Capital (d) Paid-up Capital
40. Which of the following is not a limitation of 'Financial Statements Analysis'?
- (a) It is affected by personal bias. (b) Inter-firm comparative study possible.
(c) Lack of qualitative analysis. (d) Ignores price level changes.
41. Which of the following formula is used to calculate the Current Ratio?
- (a) Quick Assets/Current Liabilities (b) Current Liabilities/ Current Assets
(c) Current Assets/ Current Liabilities (d) Current Assets/ Quick Assets

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

Statement (A) : Gross profit ratio indicates the relationship between gross profit and revenue from operations.

Statement (B) : Lower the gross profit ratio, lower the cost of goods sold.

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. Amongst the following, 'Payment of bonus to the employees' by an insurance company is which type of activity?

- (a) Operating activity (b) Investing activity
(c) Financing activity (d) Both operating and financing activity.

44. A company has an operating cycle of eight months. It has accounts receivables amounting to ₹1,00,000 out of which ₹60,000 have a maturity period of 11 months. How would this information be presented in the Balance Sheet?

- (a) ₹40,000 as current assets and ₹60,000 as non-current assets.
(b) ₹60,000 as current assets and ₹40,000 as non-current assets.
(c) ₹1,00,000 as non-current assets.
(d) ₹1,00,000 as Current assets.

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

Assertion (A) : Cash Flow Statement does not help in short-term financial planning although it provides information about sources and application of cash and cash equivalents for a specific period.

Reason (R) : However, a Cash Flow Statement helps in efficient cash management as it gives information relating to surplus and deficit of cash.

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.

46. Current ratio of Adaar Ltd. is 2.5:1. Accountant wants to maintain it at 2:1. Following options are available.

(i) He can repay Bills Payable (ii) He can purchase goods on credit (iii) He can take short term loan
Choose the correct option.

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

47. Debt to Equity Ratio of X Ltd. is 1 : 2. What is the effect of conversion of debentures into preference shares on this ratio?

- (a) Increase (b) Decrease
(c) Not change (d) May decrease or not change

48. While preparing cash flow statement, match the following activities:

- | | |
|---|---|
| (i) Purchase of Non-current Investments | (A) Financing activity |
| (ii) Rent received by a real-estate company | (B) Operating activity |
| (iii) Interest paid on Bank-overdraft | (C) Investing activity |
| (iv) Sale of current investment | (D) No flow |
| (a) (i) (D) (ii) (B) (iii) (A) (iv) (C) | (b) (i) (C) (ii) (B) (iii) (A) (iv) (D) |
| (c) (i) (A) (ii) (D) (iii) (C) (iv) (B) | (d) (i) (D) (ii) (C) (iii) (B) (iv) (A) |

- 49. Cash proceeds from issue of preference shares will be shown in cash flow statement under:**
(a) Operating Activities (b) Investing Activities (c) Financing Activities (d) None of the above
- 50. Which of the following transactions will result into flow of cash?**
(a) Cash withdrawn from bank ₹ 20,000.
(b) Issued ₹ 20,000, 9% debentures for the vendors of machinery.
(c) Received ₹ 19,000 from debtors.
(d) Deposited cheques of ₹ 10,000 into bank.

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