

Time allowed: 45 minutes

Maximum marks: 200

**General Instructions:** Same as Practice Paper-1.

**Choose the correct option:**

1. Kanti and Kush are partners in a firm sharing profits in the ratio of 3:1. They admitted Luv as a new partner. The new profit-sharing ratio of Kanti, Kush and Luv will be 2:1:1. Luv brought ₹2,50,000 for his capital but could not bring his share of goodwill (premium) ₹10,000 in cash. In the books of the firm, for the treatment of goodwill:  
(a) Luv's Current Account will be credited by ₹10,000  
(b) Luv's Capital Account will be debited by ₹10,000  
(c) Luv's Current Account will be debited by ₹10,000  
(d) None of these
2. On the basis of the following data, how much final payment will be made to Vinay, a partner on firm's dissolution? Credit balance of capital account of the partner was ₹25,000. Share of loss on realization amounted to ₹5,000. Firm's liability taken over by him was for ₹4,000.  
(a) ₹16,000  
(b) ₹24,000  
(c) ₹20,000  
(d) ₹26,000
3. Saloni, Jane, and Hina were partners in a firm sharing profits and losses in the ratio of 5 : 4 : 1. On 10th December 2022, Hina died. Hina's share of profits till the date of her death was calculated at ₹12,500. \_\_\_\_\_ Account will be credited by ₹12,500.  
(a) Profit and Loss A/c  
(b) Profit and Loss Suspense A/c  
(c) Hina's Current  
(d) Hina's Capital
4. Pick the odd one out:  
(a) Interest on Partner's capital  
(b) Share of profit of the partner  
(c) Drawings made by the partner  
(d) Salary of the partner
5. Subscriptions received by a school for organising annual function is treated as:  
(a) Asset  
(b) Revenue Receipt  
(c) Capital Receipt  
(d) Expenditure
6. Which of the following is incorrect about debentures?  
(i) Discount or Loss on Issue of Debentures, both are capital loss for the company  
(ii) Loss on Issue of Debentures can be written off from:  
● Securities Premium Reserve [Sec. 52 (2)]  
● Statement of Profit and Loss

(iii) In case balance in Statement of Profit and Loss is not sufficient to write off the total amount of discount or loss, on issue of debentures, it is written off from Statement of Profit and Loss, to the extent of balance available in Securities Premium Reserve and then the remaining balance is written off from Securities Premium Reserve.

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

7. Interest is not paid on Debentures issued as \_\_\_\_\_.

- (a) Bearer Debentures (b) Convertible Debentures  
(c) Non-Convertible Debentures (d) Collateral Security

8. Debentures cannot be redeemed:

- (a) at par (b) at premium  
(c) at discount (d) all of the above

9. The amount of securities premium reserve cannot be used for:

- (a) Writing off preliminary expenses  
(b) Writing off the amount of discount on issue of debentures  
(c) Issuing bonus shares to shareholders  
(d) Transferring to general reserve

10. Given below are two statements:

**Statement (A):** For decrease in the value of assets, Revaluation Account is debited at the time of admission of a partner.

**Statement (B):** It is considered important to calculate sacrificing ratio of old partners at the time of admission of a partner.

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

Codes:

- (a) Only (A) is correct. (b) Both (A) and (B) are correct.  
(c) Only (B) is correct. (d) Both (A) and (B) are wrong.

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

**Assertion (A):** 'Reserves and Surplus' are distributed among the old partners at the time of reconstitution of partnership.

**Reason (R):** 'Reserves and Surplus' belong to existing/old partners as they are created out of past profits.

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. Kajal and Sajal are partners in a firm sharing profits and losses in the ratio of 5:1.

Balance Sheet (an Extract)

Liabilities	(₹)	Assets	(₹)
		Machinery	1,20,000

If value of Machinery in the Balance Sheet is undervalued by 20%, then at what value will Machinery be shown in the new balance sheet:

- (a) ₹ 1,32,000 (b) ₹ 1,40,000  
(c) ₹ 96,000 (d) ₹ 1,50,000

- 13. Debit balance of Profit and Loss Account appearing in the Balance Sheet on the death of a partner, is debited to:**
- Deceased partner's capital account
  - All partners' capital accounts (including deceased partner's capital account)
  - Remaining partners' capital accounts
  - None of the above.
- 14. If a share of ₹10 on which ₹6 has been paid up, is forfeited, it can be reissued at the minimum price of \_\_\_\_\_.**
- ₹10 per share
  - ₹8 per share
  - ₹5 per share
  - ₹4 per share
- 15. When a company issued fully paid shares to promoters for their services, the journal entry will be:**
- Bank A/c ...  
To Share Capital A/c
  - Underwriters A/c ...  
To Share Capital A/c
  - Incorporation costs A/c  
To Share Capital A/c
  - Promotion Expenses A/c  
To Share Capital A/c
- 16. In case of over subscription of shares, if provides so in the articles of association, excess application money can be adjusted to:**
- Share Allotment A/c
  - Calls-in-Advance A/c
  - Share First Call A/c
  - All of the above
- 17. Given below are two statements—Statement (A) and Statement (B):**
- Statement A :** Debit side of Receipts and Payment A/c records 'Receipts' and credit side of this account records 'Payments'.
- Statement B :** Debit side of Income and Expenditure A/c records 'Expenditure' and credit side of this account records 'Income'.
- Choose the correct alternative from the following:**
- Both statement (A) and statement (B) are correct.
  - Statement (A) is correct and statement (B) is incorrect.
  - Statement (A) is incorrect and statement (B) is correct.
  - Both statement (A) and statement (B) are incorrect.
- 18. Amount due to the executors of the deceased partner is shown in the new balance sheet of firm as:**
- Asset
  - Liability
  - Capital
  - None of the above
- 19. Gaining ratio is calculated as:**
- New Ratio – Old Ratio
  - Old Ratio – Sacrificing Ratio
  - New Ratio – Sacrificing Ratio
  - Old Ratio – New Ratio
- 20. On 1st April, 2018 Maitreyi Club had a prize fund of ₹8,00,000. It incurred expenses on prizes amounting to ₹8,70,000 during the year. The balance of prize fund in the Balance Sheet as at 31st March, 2019 will be:**
- ₹70,000
  - ₹8,00,000
  - ₹(70,000)
  - Zero
- 21. Payment of Honorarium to secretary is treated as:**
- Capital Expense
  - Revenue Expense
  - Cash Expense
  - None of the above

22. Which of the following type of companies are required to create DRR as per Companies Act, 2013 along with Companies Rule, 2014?
- (a) All India Financial Institutions (AIFIs) (b) Listed Companies  
(c) Banking Companies (d) Unlisted Companies other than NBFCs and HFCs
23. The balance of Debenture Redemption Reserve Account is finally transferred to:
- (a) Capital Reserve Account (b) Specific Reserve Account  
(c) General Reserve Account (d) None of these
24. Adiraj and Karan were partners in a firm sharing profits and losses in the ratio 3 : 2. On 31st March, 2022 the firm was dissolved. After the transfer of assets (other than cash in hand and at bank) and third party liabilities to the Realisation Account:
- Furniture of ₹70,000 was sold for ₹68,000 by auction and auctioneer's commission amounted to ₹2,000. Realisation Account will be:
- (a) debited by ₹66,000 (b) credited by ₹66,000  
(c) debited by ₹68,000 (d) credited by ₹68,000
25. Rohan, Mohan and Sohan were partners sharing profits equally. At the time of dissolution of the partnership firm, Rohan's loan to the firm will be:
- (a) Credited to Rohan's Capital Account (b) Debited to Realisation Account  
(c) Credited to Realisation Account (d) Credited to Bank Account
26. Salaries paid amounted to ₹25,500 at the end of the current year. Outstanding salaries at the end amounted to ₹900. Salaries paid in advance last year related to the current year amounted to ₹1,500. Prepaid salaries for the next year amount to ₹750. Total amount due for salaries during the current year will be:
- (a) ₹19,650 (b) ₹22,500 (c) ₹22,650 (d) ₹25,350
27. In a Sports Club, entrance fee is treated as \_\_\_\_\_.
- (a) Revenue Receipt (b) Capital Receipt (c) Assets (d) Liability
28. Given below are two statements—Statement (A) and Statement (B):
- Statement A** : When a company purchases certain assets from vendor/supplier on credit, or when it purchases a business instead of making payment to vendor in cash, the company issues fully paid shares to the vendor.
- Statement B** : At the time of issue of shares for consideration other than cash, Share Capital Account is debited with the amount of fully paid up shares.
- 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.
29. 'Investment Fluctuation Reserve' of ₹4,000 at the time of retirement of Z, when investments (market value ₹19,000) appears at ₹20,000. The firm has three partners X, Y, and Z. Z's Capital Account will be:
- (a) debited by ₹2,000 (b) credited by ₹2,000  
(c) credited by ₹1,000 (d) debited by ₹1,000
30. Which of the following will not be credited to Partner's Current A/c?
- (a) Interest on Partner's capital (b) Share of profit of the partner  
(c) Drawings made by the partner (d) Salary of the partner
31. A and B are partners having capitals ₹2,00,000 and ₹50,000 respectively. Firm has profit of ₹50,000. Share in profit for A and B will be:
- (a) A ₹25,000; B ₹25,000 (b) A ₹30,000; B ₹40,000  
(c) A ₹40,000; B ₹10,000 (d) A ₹10,000; B ₹40,000
32. When time of withdrawals is not mentioned, interest on drawings is charged for the period of:
- (a) 6 ½ months (b) 6 months (c) 5 ½ months (d) 12 months

33. Which of the following shareholders usually have a right to participate in the management?  
 (a) Equity shareholders (b) Preference shareholders  
 (c) Both (a) and (b) (d) None of these
34. A company forfeited 200 shares of ₹10 each on which ₹7 per share was called up and ₹5 per share was received. These shares were re-issued at ₹8 per share fully paid up. What amount will be debited to share forfeiture account in the re-issue entry?  
 (a) ₹400 (b) ₹800 (c) ₹600 (d) ₹1,000
35. 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%.  
 In the books of K Ltd., Securities Premium Reserve will be credited with an amount of:  
 (a) ₹2,50,000 (b) ₹2,68,600 (c) ₹5,00,000 (d) ₹3,68,500
36. On Admission of Partner, profit or loss on revaluation is transferred to:  
 (a) Capital A/cs of old partners (b) Capital A/cs of all partners  
 (c) Capital A/c of new partner (d) Profit and Loss A/c
37. Gopal, Sunil and Arun were partners in a firm sharing profits in the ratio of 5 : 3 : 2. On 1st Jan., 2022 they admitted Yogita as a new partner for 1/10th share in the profits. On Yogita's admission, the Profit and Loss Account of the firm was showing a debit balance of ₹45,500 which :  
 (a) will be credited to the capital accounts of Gopal, Sunil and Arun  
 (b) will be credited to the capital accounts of Gopal, Sunil, Arun and Yogita  
 (c) will be debited to the capital accounts of Gopal, Sunil and Arun  
 (d) will be debited to the capital accounts of all the partners
38. L and M share profit in 3:4 ratio. Z is admitted for 1/5th share. New profit sharing ratio will be:  
 (a) 12:16:7 (b) 3:4:5 (c) 5:4:3 (d) 16:12:7
39. The \_\_\_\_\_ of a business firm is measured by its ability to satisfy its short-term obligations as they become due.  
 (a) Activity (b) Current Ratio (c) Debt (d) Profitability
40. Higher the ratio, lower is the profitability, is applicable to:  
 (a) Gross Profit Ratio (b) Operating Ratio  
 (c) Net Profit Ratio (d) Earning per Share
41. Given below are two statements, Statement (A) and Statement (B):  
**Statement (A):** The inventory turnover ratio of a Company is 3 times. The ratio will decline with increase in closing stock by ₹5,000.  
**Statement (R):** Inventory turnover ratio will decline because increase in the value of closing inventory by ₹5,000 will decrease the cost of Revenue from Operations (Opening Inventory + Purchases – Closing Inventory) and will increase the value of average inventory  

$$\left( \frac{\text{Opening Inventory} + \text{Closing Inventory}}{2} \right)$$
- In the context of the above two statements, which of the following is correct?  
**Codes:**  
 (a) (A) is correct but (B) is correct. (b) Both (A) and (B) are correct.  
 (c) Both (A) and (B) are incorrect. (d) (A) is correct but (B) is incorrect.
42. Given below are two statements—Statement (A) and Statement (B):  
**Statement A :** The primary objective of preparing Cash Flow Statement is to find out Operating Profit.  
**Statement B :** Investing Activities are those activities that result in the changes in size and composition of the owners' capital and borrowings.

**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 is not an investing cash flow?**

- (a) Purchase of marketable securities for ₹25,000 cash.
- (b) Sale of land for ₹28,000 cash.
- (c) Sale of 2,500 shares (held as investment) for ₹15 each.
- (d) Purchase of equipment for ₹500 cash.

**44. Under which of the following head/sub-head 'Term Loans from Banks' are presented in the Balance Sheet of a company?**

- (a) Reserves and Surplus
- (b) Share Capital
- (c) Long-term Liabilities
- (d) Other Current Liabilities

**45. Interest earned on bank deposits by a company engaged in manufacturing electronic appliances is shown in the Statement of Profit and Loss as:**

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

**46. Financial analysis is insignificant because it:**

- (i) ignores qualitative aspect
- (ii) suffers from the weaknesses of financial statements
- (iii) judges operational efficiency
- (iv) spots only symptoms but does not arrive at diagnosis

**Choose from the following options:**

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

**47. In a company, revenue from operations is ₹12,00,000, and cost of materials consumed is ₹6,60,000. What will be its percentage to revenue from operations?**

- (a) 55%
- (b) 80%
- (c) 60%
- (d) 33%

**48. While preparing Cash Flow Statement, match the following activities:**

- |  |  |
|--|--|
| (i) Decrease in Bank overdraft             | (a) Operating Activity                     |
| (ii) Commission Received                   | (b) Financing Activity                     |
| (iii) Purchase of Patents                  | (c) Investing Activity                     |
| (iv) Purchase of Marketable Securities     | (d) Cash and Cash Equivalents              |
| (a) (i) (B), (ii) (A), (iii) (C), (iv) (D) | (b) (i) (B), (ii) (A), (iii) (D), (iv) (C) |
| (c) (i) (B), (ii) (D), (iii) (A), (iv) (B) | (d) (i) (D), (ii) (B), (iii) (C), (iv) (A) |

**49. Which of the following is a source of cash?**

- (i) Purchase of a tangible asset
- (ii) Cash from operations
- (iii) Issue of Long-term Borrowings (Debentures)
- (iv) Sale of plant

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

**50. X Ltd. made a profit of ₹6,00,000 before considering depreciation on machinery ₹50,000 and loss on sale of computer ₹10,000. State the amount to be shown in operating activities in Cash Flow Statement:**

- (a) Cash Inflow ₹6,00,000
- (b) Cash Outflow ₹6,00,000
- (c) Cash Inflow ₹5,40,000
- (d) Cash Outflow ₹5,40,000

## PRACTICE PAPER – 11

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