

Question1

In the case of _____ the difference between the nominal value and the issue price is treated as the amount of interest related to the duration of the debentures.

1. Zero Coupon Debenture
2. Secured Debentures
3. Redeemable Debentures
4. Non-convertible Debentures

Options:

- A. 1
- B. 2
- C. 3
- D. 4

Answer: A

Solution:

zero coupon debentures

Zero Coupon Debentures (ZCDs) are a type of debenture issued at a price lower than their face value and redeemed at par on maturity. Unlike regular debentures, they do not carry a periodic interest or coupon payment. Instead, the difference between the issue price and the redemption value represents the investor's return, which is treated as interest income.

Question2

Arrange the following in order with respect to the issue of shares

(A) Application received

(B) Issue of prospectus

(C) Forfeiture of shares

(D) Allotment of Shares

(E) Reissue of forfeited shares

Choose the correct answer from the options given below:

1. (A), (B), (C), (D), (E)
2. (A), (C), (B), (E), (D)
3. (B), (A), (D), (C), (E)
4. (C), (E), (B), (D), (A)

Options:

- A. 1
- B. 2
- C. 3
- D. 4

Answer: C

Solution:

The correct order of steps with respect to the typical **issue of shares** is:

- 3. (B), (A), (D), (C), (E)**

This sequence reflects the chronological process from initial public offer to the final steps involving default and re-issuance.

Detailed Sequence of Share Issue

Here is the breakdown of the events in the correct order:

1. **(B) Issue of prospectus:** A **prospectus** is the initial invitation to the public to subscribe for the shares. This is the very first step in the public issue process.
 2. **(A) Application received:** After the prospectus is issued, interested investors **apply for shares** and submit their application money.
 3. **(D) Allotment of Shares:** Once the application period is over, the company decides how many shares to give (allot) to each applicant, and successful applicants officially **become shareholders**.
 4. **(C) Forfeiture of shares:** This step occurs much later and only if a shareholder **fails to pay** one or more subsequent installment (call) money on the shares. Their shares are taken back (forfeited) by the company.
 5. **(E) Reissue of forfeited shares:** The shares that were forfeited (taken back) by the company can then be **reissued** to new shareholders.
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Question3

Arrange the following in correct order in which assets of the firm can be used in the settlement.

(A) Residue shall be divided between the partners in their profit sharing ratio.

(B) In paying the partners proportionately what is due to him/her on account of capital.

(C) In paying the partners proportionately what is due to him/her from the firm for advances/loans.

(D) In paying the debts of the firm to the third parties.

Choose the correct answer from the options given below:

1. (A), (B), (C), (D)
2. (A), (C), (B), (D)

3. (B), (A), (D), (C)

4. (D), (C), (B), (A)

Options:

A. 1

B. 2

C. 3

D. 4

Answer: D

Solution:

The correct order for the use of a firm's assets during settlement, as per the legal provisions for the dissolution of a partnership, is as follows:

D. In paying the debts of the firm to the third parties: First, all external debts of the firm must be paid off.

C. In paying the partners proportionately what is due to him/her from the firm for advances/loans: Next, any loans or advances made by the partners to the firm are repaid.

B. In paying the partners proportionately what is due to him/her on account of capital: After the loans are settled, the capital contributed by the partners is returned.

A. Residue shall be divided between the partners in their profit sharing ratio: Finally, any remaining residue or surplus is distributed among the partners according to their profit-sharing ratio.

Question4

At the time of dissolution, if an asset is taken over by a partner, what journal will be recorded in the books of the firm :-

1. Partner Capital A/c Dr.

To Realisation A/c

2. Partner Capital A/c Dr.

To Assets A/c

3. Bank A/c Dr.

To Realisation A/c

4. Bank A/c Dr. To Assets A/c

Options:

- A. 1
- B. 2
- C. 3
- D. 4

Answer: A

Solution:

Correct Answer: (1) Partner's Capital A/c Dr. To Realisation A/c

When a partner takes over an asset at dissolution, the asset's value is **debited to that partner's capital account** because it is treated as his drawing. The credit goes to the **Realisation Account**, since all assets are transferred to Realisation A/c at dissolution, not to the individual asset account.

Key steps & keywords:

- At dissolution → **All assets transferred to Realisation A/c.**
- Partner takes over asset → **Partner's Capital A/c Dr.**
- Realisation A/c credited (asset value reduced).
- No entry is made in the asset account itself.

Why other options are incorrect:

- **(2) Wrong** — Assets A/c is not used; assets already closed into Realisation A/c.
 - **(3) Wrong** — Bank is not involved; no cash is received.
 - **(4) Wrong** — Again wrongly uses Assets A/c and bank, neither is part of this transaction.
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Question5

What will be the journal entries when a call is due and the amount of the same is received?

1.

1. For Call Amount Due

Share Call A/c

Dr.

To Share Capital A/c

(Call money due on ____ Shares @ Rs. ____ per share)

2. For Receipt of Call Amount

Bank A/c	Dr.
To Share Call A/c	

(Call money received)

2.

1. For Call Amount Due

Share Call A/c	Dr.
To Share Capital A/c	

(Call money due on ____ Shares @ Rs. ____ per share)

2. For Receipt of Call Amount

Bank A/c	Dr.
To Share Call A/c	

(Call money received)

3.

1. For Call Amount Due

Bank A/c	Dr.
To Share Capital A/c	

(Call money due on ____ Shares @ Rs. ____ per share)

2. For Receipt of Call Amount

Share Call A/c	Dr.
To Share Call A/c	

(Call money received)

4.

1. For Call Amount Due

Share Capital A/c	Dr.
To Share Call A/c	

(Call money received)

2. For Receipt of Call Amount

Bank A/c	Dr.
To Share Call A/c	

(Call money due on ____ Shares @ Rs. ____ per share)

Options:

- A. 1
- B. 2
- C. 3
- D. 4

Answer: B

Solution:

When a call amount is due, the company debits the Share Call Account to show that the money is to be received and credits the Share Capital Account to increase the share capital.

When the call amount is received, the company debits the Bank Account to record the increase in cash and credits the Share Call Account to close the call amount due.

Question6

The profit on the reissue of forfeited shares is transferred to

- 1. General Reserve**
- 2. Capital redemption reserve**
- 3. Capital reserve**
- 4. Preference shares**

Options:

- A. 1
- B. 2
- C. 3
- D. 4

Answer: C

Solution:

The profit on the reissue of forfeited shares is a capital profit. According to accounting principles, capital profits cannot be distributed as dividends to shareholders and must be transferred to a capital

Question7

There must be an interval of how many months between the making of two calls unless otherwise provided by the articles of association of the company.

- 1. 15 days**
- 2. Atleast three months**
- 3. Atleast two months**
- 4. Atleast one month**

Options:

- A. 1
- B. 2
- C. 3
- D. 4

Answer: D

Solution:

According to Table A of the Companies Act, 2013 (or earlier, Companies Act, 1956), unless the Articles of Association provide otherwise, the company must maintain a minimum interval of one month between two successive calls on shares.

Question8

According to Section..... of the partnership Act 1932, the dissolution of partnership between all the partners of a firm is called the dissolution of the firm

2. 37

3. 38

4. 39

Options:

A. 1

B. 2

C. 3

D. 4

Answer: D

Solution:

According to Section 39 of the Indian Partnership Act, 1932, the dissolution of partnership between all the partners of a firm is known as the dissolution of the firm. This means that the firm's business is brought to an end, and all its assets and liabilities are settled. The partnership ceases to exist completely once the firm is dissolved.

As for the other options:

Section 36 deals with the rights of an outgoing partner to carry on a competing business after leaving the firm. It allows a former partner to compete unless there's an agreement restricting it.

Section 37 provides for the rights of an outgoing partner in case the firm continues business without settling his dues. The outgoing partner is entitled to a share of profits or interest on his capital.

Section 38 explains liability for acts of partners done after dissolution, stating that partners continue to be liable for acts done before the firm was dissolved, unless public notice of the dissolution has been given. Hence, Section 39 specifically defines the complete dissolution of the firm, making it the correct answer.

Question9

Which among the following item does not appear on the balance sheet of a company?

1. Reserve and Surplus

2. Share capital

3. Contingent Liabilities

4. Fixed assets

Options:

- A. 1
- B. 2
- C. 3
- D. 4

Answer: C

Solution:

Contingent liabilities do not appear on the balance sheet of a company because they are potential obligations that depend on the outcome of a future event. Instead, they are disclosed in the notes to the financial statements if the possibility of a future outflow of resources is not remote. The other items, Reserve and Surplus, Share capital, and Fixed assets, are all typically found on a company's balance sheet.

Question10

Dissolution of a partnership firm may be ordered by the court on the following grounds:

(A) when a partner becomes insane.

(B) when a partner becomes permanently incapable of performing his duties as partner.

(C) when a partner acts in good faith

(D) when it is regarded just and equitable by the court.

Choose the *correct* answer from the options given below:

1. (A) and (D) only
2. (A), (B) and (D) only
3. (D) only
4. (A), (B), (C) and (D)

Options:

- A. 1
- B. 2
- C. 3
- D. 4

Answer: B

Solution:

Correct Answer: (2) (A), (B) and (D) only

The court can order dissolution when a partner becomes **insane, permanently incapable**, or when it is **just and equitable** to dissolve the firm. Acting “in good faith” is *not* a ground for court dissolution; misconduct or unfair behavior would be.

Key steps & keywords:

- Court dissolution grounds → **insanity, permanent incapacity, just & equitable**.
- Partnership Act provides **specific legal grounds**.
- “Good faith” is **not** a reason for dissolution.
- Focus on partner’s inability or justice considerations.

Why other options are incorrect:

- (1) Incomplete — leaves out permanent incapacity, a valid ground.
- (3) Too narrow — many other grounds besides “just and equitable.”
- (4) Wrong — includes (C), which is not a ground for dissolution.

Question11

Which market conditions enable firms to earn higher profits ?

1. Imperfect competition
2. Oligopoly

3. Perfect competition

4. Monopoly

Options:

A. 1

B. 2

C. 3

D. 4

Answer: D

Solution:

A monopoly is a market condition where a single firm controls the entire market for a particular product or service. This lack of competition allows the firm to set prices and earn higher profits than in other market structures. In contrast, perfect competition has many firms, all selling identical products, which drives profits down to a normal level. Oligopoly and imperfect competition have some level of competition, which limits the ability of firms to earn higher profits compared to a pure monopoly.

Question12

At the time of admission of a new partner, under the fixed capital method, if the sacrificing partners withdraw their share of goodwill (fully or partly), the following journal entry will be passed:

**1. Sacrificing Partners' Capital A/c Dr.
 To Bank A/c**

**2. Sacrificing Partners' Current A/c Dr.
 To Bank A/c**

**3. Gaining Partners' Current A/c Dr.
 To Bank A/c**

**4. Gaining Partners' Capital A/c Dr.
 To Bank A/c**

Options:

A. 1

B. 2

C. 3

D. 4

Answer: B

Solution:

When a sacrificing partner withdraws the amount of goodwill, the correct journal entry under the fixed capital method is to debit the Sacrificing Partner's Current Account and credit the Bank Account. This is because the fixed capital method uses a separate current account to record all transactions other than the capital introduced or withdrawn permanently. The withdrawal of cash reduces the bank balance, hence the credit to the Bank Account.

Question13

Rohan, Bharti and Leela are partners. On the retirement of Rohan, the goodwill already appears in the balance sheet at Rs. 24,000. The goodwill will be written-off:

- 1. By debiting all partners' capital accounts in their old profit-sharing ratio.**
- 2. By debiting remaining partners' capital accounts in their new profit sharing ratio.**
- 3. By debiting retiring partners' capital accounts from his share of goodwill.**
- 4. By debiting the retiring partners' current account from his share of goodwill.**

Options:

A. 1

B. 2

C. 3

D. 4

Answer: A

Solution:

When goodwill already appears in the balance sheet, it needs to be written off by debiting all partners' capital accounts in their old profit-sharing ratio and crediting the goodwill account. This is a standard accounting procedure to eliminate the existing goodwill from the books before the retirement of a partner.

Question14

Which statement is not false, in respect of the dissolution of a partnership firm :-

- 1. A partner took an un-recorded asset, it will be shown the credit side of realization account.**
- 2. A partner takes an un-recorded asset, it will be shown the credit side of partners capital account**
- 3. A partner took a recorded liability, it will be shown the credit side of realization account**
- 4. A partner took an un-recorded liability, it will be shown the credit side of realization account.**

Options:

- A. 1
- B. 2
- C. 3
- D. 4

Answer: A

Solution:

Correct Answer: (1) A partner took an un-recorded asset, it will be shown on the credit side of Realisation Account.

This is the **only correct (not false)** statement.

Unrecorded assets, when taken over by a partner, are **credited to the Realisation Account** and **debited to the partner's Capital Account**.

Key steps & keywords:

- Unrecorded asset taken → **Realisation A/c Cr.**
- Partner's Capital A/c **Dr.**
- Realisation handles **all assets & liabilities**, including unrecorded ones.
- Unrecorded liability taken → **Realisation A/c Dr.**

Why other options are incorrect:

- (2) Wrong — partner's capital is **debited**, not credited.
 - (3) Wrong — recorded liability taken over should be **debited to Realisation**, not credited.
 - (4) Wrong — unrecorded liability taken by a partner is **debited** to Realisation A/c, not credited.
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Question15

Ranjan and Anjan were Partners in a firm sharing profits and losses in 3:2. they admitted Sanjan for 1/4 share of profit on 1 Jan 2024.

Goodwill of the firm will be valued at 3 years purchase of average profit of last 4 years which were

2024: Rs. 80,000

2023: Rs. 1,40,000,

2022: Rs. 2,00,000

2021: Rs. 1,60,000

The goodwill of the reconstituted firm will be

- 1. Rs. 1,45,000**
- 2. Rs. 4,33,000**
- 3. Rs. 4,35,000**
- 4. Rs. 1,35,000**

Options:

- A. 1
- B. 2
- C. 3
- D. 4

Answer: C

Solution:

$\text{Average profit} = 80000 + 140000 + 200000 + 160000 / 4$

$\text{Average profit} = 145000$

$\text{Goodwill} = \text{Average profit} \times \text{Number of years}$

$\text{Goodwill} = 145000 \times 3 = 435000$

Question 16

Which statement among the following is NOT true about Goodwill?

- 1. Goodwill is the value of the reputation of a firm in respect of the profits expected in future, over and above the normal profits.**
- 2. Goodwill is the capitalized value attached to the differential profit capacity of a business.**
- 3. Goodwill can exist when the firm does not earn super profits, means any firm that earns normal profits or is incurring losses has goodwill**
- 4. Goodwill is an intangible asset.**

Options:

- A. 1
- B. 2
- C. 3
- D. 4

Answer: C

Solution:

Goodwill is the value of a firm's reputation and is associated with the firm's ability to earn "super profits," which are profits above the normal rate of return.

Option 1 is a correct statement. Goodwill is indeed the value of a firm's reputation based on its capacity to earn profits in the future that are above the normal profits.

Option 2 is also a correct statement. Goodwill is often calculated by capitalizing the super profits, which is the differential profit capacity of a business.

Option 4 is a correct statement. Goodwill is an intangible asset, meaning it does not have a physical form.

Option 3 is the incorrect statement. Goodwill is directly linked to the ability to earn super profits. If a firm is earning only normal profits or incurring losses, it does not have goodwill.

Question17

The clauses of a partnership deed can be altered with the consent of

- 1. Government Authority**
- 2. Registrar of Firms**
- 3. All the partners**
- 4. State Government**

Options:

- A. 1
- B. 2
- C. 3
- D. 4

Answer: C

Solution:

A partnership deed is a written agreement among the partners of a firm that outlines the terms and conditions of the partnership. It is a legal document that governs the rights, duties, and liabilities of the partners. Any changes or alterations to the clauses of the partnership deed require the unanimous consent of all the partners. This is because the deed is a contract, and any modification to a contract requires the agreement of all parties involved.

Question18

The balance of the share forfeiture account is shown in the balance sheet under the item :

- 1. Current liabilities and provisions**
- 2. Reserves and surpluses**
- 3. Share capital**
- 4. Unsecured loan**

Options:

- A. 1
- B. 2
- C. 3
- D. 4

Answer: C

Solution:

The balance of the share forfeiture account is shown on the balance sheet under the head of "Reserves and Surpluses" and is added to the Share Capital account until the forfeited shares are reissued.

Question19

The dissolution of partnership may take place in any of the following ways except:

- 1. Change in existing profit sharing ratio**
- 2. Admission of a new partner**
- 3. Death of a partner**
- 4. Expansion of the business**

Options:

- A. 1
- B. 2
- C. 3
- D. 4

Answer: D

Solution:

The dissolution of a partnership means the termination of the partnership firm. This can happen due to various reasons, such as a change in the profit-sharing ratio, the admission of a new partner, or the death of a partner. These events lead to the reconstitution of the partnership, but not necessarily its complete dissolution. However, the expansion of a business is a growth strategy and does not lead to the dissolution of the partnership.

Question20

On the death of a partner, the deceased partner's capital account will not be credited with :-

- 1. His/her share of goodwill**
- 2. His/her salary/commission/bonus.**
- 3. His/her Interest on Capital**
- 4. His/her interest on drawing.**

Options:

A. 1

B. 2

C. 3

D. 4

Answer: D

Solution:

Correct Answer: (4) His/her interest on drawing.

On the death of a partner, the capital account is credited with all **amounts due to the deceased partner**, such as share of goodwill, salary/commission, and interest on capital. **Interest on drawings is a charge *against* the partner**, so it is **debited**, not credited.

Key steps & keywords:

- Death → credit **amounts owed** to partner.
- Goodwill share → **credited**.
- Salary/commission → **credited**.
- Interest on capital → **credited**.
- Interest on drawings → **debit** (a reduction).

Why other options are incorrect:

- (1) Credited — goodwill increases deceased partner's share.
 - (2) Credited — salary/commission due till death.
 - (3) Credited — interest on capital belongs to the partner.
 - (4) Correct answer because interest on drawings is **not credited**, it is **debited**.
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Question21

On retirement/death of a partner, the retiring/deceased partner's capital account will be credited with:

- 1. His/her share of goodwill.**
- 2. Goodwill of the firm.**
- 3. Shares of goodwill of remaining partners.**
- 4. Goodwill of the another firm.**

Options:

A. 1

B. 2

C. 3

D. 4

Answer: A

Solution:

Correct Answer: (1) His/her share of goodwill

When a partner retires or dies, they must receive their **personal share of the firm's goodwill**, because it is a reward for the reputation they helped build. The goodwill belonging to them is credited to their **capital account**, usually through the gaining partners' capital accounts (goodwill adjustment). This ensures the retiring/deceased partner gets compensated for the value they created.

Key steps & keywords:

- Retirement/death → Retiring partner must get **share of goodwill**
- Entry: **Gaining partners' capital A/c Dr. → Retiring partner's capital A/c Cr.**
- Goodwill belongs to the firm; share belongs to retiring partner
- Only the retiring partner's **share** is credited, not full goodwill

Why other options are incorrect:

- **(2) Goodwill of the firm:** Entire firm's goodwill is never credited to one partner; only their **individual share** is.
- **(3) Shares of goodwill of remaining partners:** Remaining partners do not give their own goodwill; they **compensate** by debiting their capital accounts in gaining ratio.
- **(4) Goodwill of another firm:** Completely irrelevant — goodwill of other firms has no connection with partnership adjustments.

Question22

Which of the following is the feature of Fixed Capital Method in Partnership Accounts-

- 1. Each partner has one account.**
- 2. The capital accounts always show a credit balance.**
- 3. The balance of the capital account fluctuates from year to year.**
- 4. In the absence of any instruction, the capital account should be prepared by this method.**

Options:

A. 1

B. 2

C. 3

D. 4

Answer: B

Solution:

Under the Fixed Capital Method, the partners' capital accounts remain constant unless additional capital is introduced or a portion of the capital is permanently withdrawn. All transactions related to the partners' share of profit, salary, interest on capital, and drawings are recorded in a separate account called the Current Account. As a result, the capital account balance typically remains a credit balance.

Question23

Match List-I with List-II

List-I	List-II
(A) Bank (fresh capital introduced)	(I) Debit side of Partner's Current Account
(B) Interest on drawings	(II) Debit side of Partner's Capital Account
(C) Bank (permanent withdrawal of capital)	(III) Credit side of Partner's Current Account
(D) Commission	(IV) Credit side of Partner's Capital Account

Choose the correct answer from the options given below:

1. (A) – (IV), (B) – (I), (C) – (II), (D) – (III)
2. (A) – (I), (B) – (II), (C) – (III), (D) – (IV)
3. (A) – (IV), (B) – (II), (C) – (I), (D) – (III)
4. (A) – (III), (B) – (IV), (C) – (I), (D) – (II)

Options:

A.

1

B.

2

C.

3

D.

4

Answer: A

Solution:

A. Bank (fresh capital introduced): When fresh capital is introduced, it increases the partner's capital. This is recorded on the credit side of the Partner's Capital Account.

B. Interest on drawings: Interest on drawings is an expense for the partner, which reduces their capital. It is recorded on the debit side of the Partner's Current Account (or Capital Account, depending on the method, but in this context, it's matched with the current account).

C. Bank (permanent withdrawal of capital): A permanent withdrawal of capital reduces the partner's capital. This is recorded on the debit side of the Partner's Capital Account.

D. Commission: Commission is an income for the partner, which increases their capital. This is recorded on the credit side of the Partner's Current Account (or Capital Account).

Question24

At the time of retirement of a partner, the difference between the Old Profit Sharing Ratio and the New Profit Sharing Ratio is a negative outcome for a remaining partner. It indicates that :-

- 1. remaining partner is gaining.**
- 2. remaining partner is sacrificing.**
- 3. outgoing partner is sacrificing.**
- 4. outgoing partner is gaining.**

Options:

A. 1

B. 2

C. 3

D. 4

Answer: A

Solution:

At the time of retirement of a partner, if the difference between the old profit-sharing ratio and the new profit-sharing ratio is negative for a remaining partner, it indicates that the remaining partner has sacrificed a part of his/her share of profit in favor of another partner.

Question25

P, Q and R share profits equally. At the time of P's retirement, goodwill appears in the books at Rs. 3000. P will be credited with amount for Goodwill share

.

- 1. Rs. 2000**
- 2. Rs. 1000**
- 3. Rs 3000**
- 4. Rs 6000**

Options:

- A. 1
- B. 2
- C. 3
- D. 4

Answer: B

Solution:

P's share of goodwill = $3000 \times \frac{1}{3} = 1000$

Hence , the option 2 is the correct answer.

Question26

Match List-I with List-II

List-I	List-II
(A) Calls in Arrears	(I) This is the case when applications for more shares of a company are received than the number offered to the public for subscription.
(B) Calls in Advance	(II) This is a situation where the number of shares applied for is less than the number for which applications have been invited for subscription.
(C) Over Subscription	(III) The amount due that shareholders fail to pay on allotment or on any of the calls.
(D) Under Subscription	(IV) The amount sometimes received from the shareholders as a part or the whole of the amount of the calls not yet made.

Choose the correct answer from the options given below:

1. (A) – (I), (B) – (II), (C) – (III), (D) – (IV)
2. (A) – (I), (B) – (III), (C) – (II), (D) – (IV)
3. (A) – (II), (B) – (I), (C) – (IV), (D) – (III)
4. (A) – (III), (B) – (IV), (C) – (I), (D) – (II)

Options:

A.

1

B.

2

C.

3

D.

4

Answer: D

Solution:

The correct matching of the terms in List-I with their definitions in List-II is:

(A) Calls in Arrears matches with (III) The amount due that shareholders fail to pay on allotment or on any of the calls.

(B) Calls in Advance matches with (IV) The amount sometimes received from the shareholders as a part or the whole of the amount of the calls not yet made.

(C) Over Subscription matches with (I) This is the case when applications for more shares of a company are received than the number offered to the public for subscription.

(D) Under Subscription matches with (II) This is a situation where the number of shares applied for is less than the number for which applications have been invited for subscription.

Question27

At the time of dissolution of a firm, the Bank Loan was Rs. 60,000 which was paid by Bhuvan (a partner) along with one-year interest at 6%, which journal entry will be passed in the books of the firm :-

1.

Particulars	Dr. (₹)	Cr. (₹)
Realisation A/c Dr.	63,600	---
To Bhuvan's Capital A/c	---	63,600

2.

Particulars	Dr. (₹)	Cr. (₹)
Bank Loan A/c Dr.	63,600	---
To Bank A/c	---	63,600

3.

Particulars	Dr. (₹)	Cr. (₹)
Realisation A/c Dr.	60,000	---
To Bhuvan's Capital A/c	---	60,000

4.

Particulars	Dr. (₹)	Cr. (₹)
Realisation A/c Dr.	60,000	---
Interest on Bank Loan A/c Dr.	3,600	
To Bhuvan's Capital A/c	---	63,600

Options:

A.

1

B.

2

C.

3

D.

4

Answer: A

Solution:

Total amount = Principal + (Principal*Interest Rate)

Total amount = 60000 + (60000*0.06) = 63600

When a partner pays a firm's liability, the Realisation Account is debited and the partner's capital account is credited with the amount paid.

Question28

Which of the following is not the feature of partnership -

- 1. There should be at least two persons coming together for a common goal.**
- 2. Partnership is the result of an agreement between two or more persons to do business and share its profits only.**
- 3. The business of a partnership concern may be carried on by all the partners or any of them acting for all.**
- 4. The business profits and losses are shared by all the partners as per profit sharing ratio**

Options:

A. 1

B. 2

C. 3

D. 4

Answer: B

Solution:

Correct Answer: (2) Partnership is the result of an agreement between two or more persons to do business and share its profits only.

This statement is **not a feature** because partnership involves **sharing profits *and losses*** unless there is an agreement stating otherwise. Saying “profits only” makes the statement incomplete and therefore incorrect.

Key steps & keywords:

- Partnership → **agreement**, business + **share profits & losses**.
- Profits only = **incomplete / wrong**.
- Minimum **two persons** required.
- Business run by **all or any one acting for all**.

Why other options are incorrect:

- (1) True — partnership needs at least two people.
 - (3) True — partners have mutual agency; any partner can act for all.
 - (4) True — profits/losses are shared as per agreed ratio.
-

Question29

At the time of admission of a new partner, in case there is no workmen's compensation claim, the total amount of workmen's compensation fund will be :-

- 1. Credited to old partners' capital account in their old profit sharing ratio.**
- 2. Debited to old partners' capital account in their old profit sharing ratio.**
- 3. Credited to old partners' capital account in their new profit sharing ratio.**
- 4. Debited to old partners' capital account in their new profit sharing ratio.**

Options:

A. 1

B. 2

C. 3

D. 4

Answer: A

Solution:

Correct Answer: (1) Credited to old partners' capital account in their old profit-sharing ratio.

If there is **no actual claim**, the entire Workmen's Compensation Fund becomes a **profit (surplus)** for the partners. Any accumulated profit always belongs to the **old partners** and must be distributed in their **old ratio** before the new partner is admitted.

Key steps & keywords:

- No claim → **entire fund = surplus**.
- Surplus → **credited** to partners.
- Belongs to **old partners only**.
- Distributed in **old ratio** (before admission).

Why other options are incorrect:

- **(2)** Debiting partners is wrong; fund surplus increases partners' capital, not decreases it.
- **(3)** New ratio is not used because the surplus belongs to old partners only.
- **(4)** Wrong twice — neither debited nor in new ratio.

Question30

Das and Sinha are partners in a firm sharing profits in 4:1 ratio. They admitted Pal as a new partner for 1/4 share in the profits, which he acquired wholly from Das. Determine the new profit sharing ratio among Das, Sinha and Pal.

1. 11:5:4

2. 11:4:5

3. 5:4:11

4. 4:11:5

Options:

A. 1

B. 2

C. 3

D. 4

Answer: B

Solution:

New share of Das = $4/5 - 1/4 = 11/20$

Sinha's new share = $1/5$

Pal 's share is given as $1/4$

New ratio = $11/20:1/5:1/4$

New ratio = $11:4:5$

Question31

Match List-I with List-II

List-I	List-II
(A) Companies Limited by Shares	(I) When the company's property is not sufficient to pay off its debts, the private property of its members can be used for the purpose.
(B) Companies Limited by Guarantee	(II) Restricts the right to transfer its shares
(C) Unlimited Companies	(III) If a member has paid the full amount of the shares, there is no liability on his part whatsoever for the debts of the company.
(D) Private Company	(IV) The liability of its members is limited to the amount they undertake to contribute in the event of the company being wound up.

Choose the correct answer from the options given below:

- 1. (A) – (I), (B) – (II), (C) – (III), (D) – (IV)**
- 2. (A) – (II), (B) – (I), (C) – (III), (D) – (IV)**
- 3. (A) – (II), (B) – (III), (C) – (IV), (D) – (III)**
- 4. (A) – (III), (B) – (IV), (C) – (I), (D) – (II)**

Options:

A.

1

B.

2

C.

3

D.

4

Answer: D

Solution:

A) Companies Limited by Shares: This type of company has a liability limit for its members. The liability of a member is limited to the amount of shares they hold. If they have paid the full amount of their shares, they have no further liability for the company's debts. This matches with statement (III).

B) Companies Limited by Guarantee: In this type of company, the liability of the members is limited to the amount they agree to contribute in the event the company is wound up. This matches with statement (IV).

C) Unlimited Companies: As the name suggests, in this type of company, the liability of the members is unlimited. If the company's assets are not enough to pay its debts, the private property of the members can be used for this purpose. This matches with statement (I).

D) Private Company: This type of company restricts the right to transfer its shares. This matches with statement (II).

Question32

Discount on issue of 8% debentures is shown in the balance sheet as

- 1. Other current assets**
- 2. Short term loans and advances.**
- 3. Long term loans and advances**
- 4. Other current liabilities.**

Options:

A. 1

B. 2

C. 3

D. 4

Answer: A

Solution:

The discount on the issue of debentures is a capital loss that is written off over the life of the debentures. It is considered a fictitious asset and is shown under the heading "Other current assets" on the asset side of the balance sheet

Question33

Calculate interest on drawing if Ram withdrew Rs. 3,000 per month at the beginning of each month for the whole year, if interest on drawing is charged @ 9% per annum.

1. Rs. 1455

2. Rs. 1745

3. Rs. 1485

4. Rs. 1755

Options:

A. 1

B. 2

C. 3

D. 4

Answer: D

Solution:

The correct option is 4

Interest on drawings = $3000 \times 12 \times 9 / 100 \times 6.5 / 12 = 1755$

6.5 is the average period.

Question34

Which of the following account / statement is prepared to distribute the profit or loss among partners

- 1. Profit and Loss Appropriation A/c**
- 2. Profit and Loss Adjustment A/c**
- 3. Profit and Loss A/c**
- 4. Balance Sheet**

Options:

- A. 1
- B. 2
- C. 3
- D. 4

Answer: A

Solution:

Correct Answer: (1) Profit and Loss Appropriation A/c

This account is prepared **after** the Profit & Loss Account to distribute **net profit or loss** among partners. It records items like interest on capital, interest on drawings, partner's salary/commission, and finally the share of profit or loss.

Key steps & keywords:

- Profit distribution → **P&L Appropriation A/c**.
- Shows **interest, salary, commission, final share**.
- Comes **after** P&L A/c.
- Used only in **partnership**.

Why other options are incorrect:

- **(2) P&L Adjustment A/c:** Used for **revaluation-type adjustments**, not for distributing profit.
 - **(3) P&L A/c:** Calculates **net profit**, but does *not* distribute it among partners.
 - **(4) Balance Sheet:** Shows financial position; no distribution of profit happens here.
-

Question35

Hem and Nem are partners in a firm sharing profits in the ratio of 3:2. Their capitals were Rs. 80,000 and Rs. 50,000 respectively. They admitted Sam on Jan. 1, 2017 as a new partner for $\frac{1}{5}$ share in the future profits. Sam brought Rs. 60,000 as his capital. Calculate the value of the goodwill of the firm if Sam brings his share of goodwill in Cash:

1. Rs. 82,000
2. Rs. 62,000
3. Rs. 22,000
4. Rs 32,000

Options:

- A. 1
- B. 2
- C. 3
- D. 4

Answer: C

Solution:

Total capital of firm based on sam's capital = $60000 \times \frac{5}{1} = 300000$

Actual capital of firm = $80000 + 50000 + 60000 = 190000$

Goodwill of the firm = $300000 - 190000 = 110000$

Sam 's share of goodwill = $110000 \times \frac{1}{5} = 22000$

Question36

The Profit and Loss Appropriation Account is merely an extension of the Profit and Loss Account of the firm, which, among the

following, is not shown in the Profit and Loss Appropriation Account?

- 1. All adjustments in respect of partner's salary.**
- 2. All adjustments in respect of payment to Vendor.**
- 3. All adjustments in respect of interest on capital**
- 4. All adjustments in respect of interest on drawings**

Options:

- A. 1
- B. 2
- C. 3
- D. 4

Answer: B

Solution:

Correct Answer: (2) All adjustments in respect of payment to Vendor.

Payments to vendors are **business expenses** and are recorded in the **Profit & Loss Account**, not in the **Profit & Loss Appropriation Account**. The Appropriation A/c is only for distributing profits among partners through items like salary, interest on capital, and interest on drawings.

Key steps & keywords:

- P&L Appropriation → **partners-related adjustments only**.
- Includes: salary, commission, interest on capital, interest on drawings.
- Vendor payments → **business expense**, not appropriation.
- Appropriation A/c = **distribution of profit**, not operating expenses.

Why other options are incorrect:

- (1) Partner's salary → shown in P&L Appropriation A/c.
- (3) Interest on capital → appropriated to partners, so included.
- (4) Interest on drawings → charged to partners, shown in Appropriation A/c.

Question37

The following are the features of the Dissolution of Partnership:

(A) Assets and liabilities are revalued, and a new balance sheet is drawn.

(B) Economic relationships between partners continue, though in a changed form.

(C) The business is not terminated.

(D) The books of account are closed.

Choose the *correct* answer from the options given below:

- 1. (A), (B) and (D) only**
- 2. (A), (B) and (C) only**
- 3. (A), (B), (C) and (D)**
- 4. (B), (C) and (D) only**

Options:

A. 1

B. 2

C. 3

D. 4

Answer: B

Solution:

Correct Answer: (2) (A), (B) and (C) only

These are the features of **Dissolution of Partnership**, where only the *relationship between partners changes*, but the **firm continues**. Assets and liabilities are revalued, a new balance sheet is prepared, and the business does **not** close.

Key steps & keywords:

- Dissolution of partnership → **partnership changes**, business continues.
- Revaluation of **assets & liabilities**.
- New **profit-sharing ratio**.
- Books are **NOT closed** (firm continues).

Why other options are incorrect:

- (1) Wrong because (D) is false — books are *not* closed when only partnership is dissolved.
- (3) Wrong — includes (D), which is not a feature.
- (4) Wrong — excludes revaluation (A), which is essential, and wrongly includes (D).

Question38

The following are the features of Debenture:

(A) Debentures can be converted into shares if the terms of issue are so provided, and in that case these are known as convertible debentures.

(B) Debentures are generally secured and carry a fixed or floating charge over the assets of the company.

(C) The rate of interest on debentures may vary from year to year depending upon the profits of the company.

(D) The debentures are issued for a specified period and repayable on the expiry of that period.

Choose the *correct* answer from the options given below:

1. (A), (B) and (C) only
2. (A), (B) and (D) only
3. (A), (B), (C) and (D)
4. (B), (C) and (D) only

Options:

- A. 1
- B. 2
- C. 3
- D. 4

Answer: B

Solution:

(A) Debentures can be converted into shares if the terms of issue are so provided, and in that case these are known as convertible debentures. This statement is correct. Convertible debentures give the holder the option to convert them into equity shares of the company at a specified time and ratio.

(B) Debentures are generally secured and carry a fixed or floating charge over the assets of the company. This statement is correct. Debentures are typically secured by a charge on the company's assets, which provides a level of security to the debenture holders.

(C) The rate of interest on debentures may vary from year to year depending upon the profits of the company. This statement is incorrect. The interest rate on debentures is usually fixed and does not depend on the company's profits. Interest on debentures is a charge against profits and must be paid regardless of whether the company makes a profit or not.

(D) The debentures are issued for a specified period and repayable on the expiry of that period. This statement is correct. Debentures have a fixed maturity period, after which the company is obligated to repay the principal amount to the debenture holders.

Question39

Neha contributed Rs. 30,000 and Solani Rs. 90,000 as capital. What will be Saloni's share in profits if the partnership agreement is silent?

1. One third of total profit.
2. One fourth of total profit.
3. Half of total profit.
4. Two third of total profit.

Options:

- A. 1

B. 2

C. 3

D. 4

Answer: C

Solution:

If the partnership deed is silent on profit sharing, profits are shared equally among all partners, regardless of their capital contributions.

Question40

Which among the following is NOT true?

- 1. Valid partnership can be formulated even without a written agreement between the partners.**
- 2. Each partner carrying on the business is the principal as well as the agent for all the other partners.**
- 3. The agreement may carry or not on any business. Mere co-ownership of a property can amount to partnership.**
- 4. Persons who have entered into partnership with one another are individually called 'partners' and collectively called 'firm'.**

Options:

A. 1

B. 2

C. 3

D. 4

Answer: C

Solution:

A partnership is a business relationship between two or more people who agree to share the profits or losses of a business. The existence of a business is a fundamental requirement for a partnership. Mere

co-ownership of a property does not automatically constitute a partnership. For example, two people might jointly own a house, but they are not partners unless they are running a business together with that property.

Question41

Identify the type of Share Capital, which is clearly shown in Notes to Accounts, but not included in the total of Notes to Account under SHARE CAPITAL head

- 1. Subscribed and fully paid up Share Capital**
- 2. Subscribed but not fully paid up Share Capital**
- 3. Issued Share Capital and Un-issued Share Capital**
- 4. Registered Share Capital and Issued Share Capital**

Options:

- A. 1
- B. 2
- C. 3
- D. 4

Answer: D

Solution:

Correct Answer: (4) Registered Share Capital and Issued Share Capital

In Notes to Accounts (Share Capital), **Registered/Authorised Capital** and **Issued Capital** are shown for disclosure, but **they are NOT added in the total**.

The **total shown under the Share Capital head** includes only **Subscribed and Paid-up Share Capital**.

Key steps & keywords:

- Notes show: **Authorised → Issued → Subscribed → Paid-up**.
- **Only Subscribed & Paid-up** is totalled.
- **Authorised (Registered)** is a disclosure figure — not part of total.
- **Issued Capital** also appears but is **not included** in the total.

Why other options are incorrect:

- **(1)** Subscribed fully paid-up — *is* included in the total.
- **(2)** Subscribed but not fully paid-up — included after adjusting Calls-in-Arrears.

- (3) Issued & Unissued — unissued is not shown as a separate heading; issued is disclosed but not paired with “unissued” in notes.
-

Question42

Vijay and Manohar share profits and losses in the ratio of 2:1. They admit Prakash as a partner with 1/4 share in profits with a guarantee that his share of profit will be at least Rs. 50,000. The net profit of the firm for the year ending March 31, 2015, was Rs. 1,60,000. Calculate the amount of profit Vijay will get:

1. Rs. 60,333
2. Rs. 73,333
3. Rs.50,300
4. Rs. 80,333

Options:

- A. 1
- B. 2
- C. 3
- D. 4

Answer: B

Solution:

Remaining profit = Total profit – Prakash ‘s share = 160000 – 50000 = 110000

Vijay’s share = $110000 \times \frac{2}{3} = 73,333.33 = 73,333$

Question43

Which among the following is NOT true for New Profit Sharing Ratio:

- 1. How much of the share of profit for the new partner and how he will acquire it from the existing partners is decided mutually between the old partners and the new partner.**
- 2. If nothing is specified as to how the new partner acquires his share from the old partners, it may be assumed that he gets it from them in their profit sharing ratio.**
- 3. The new partner acquires his share from the old partners only according to their respective contribution, no any other way can be possible for profit sharing at any condition.**
- 4. On admission of a new partner, the profit sharing ratio among the old partners will change, keeping in view their respective contribution to the profit sharing ratio of the incoming partner.**

Options:

- A. 1
- B. 2
- C. 3
- D. 4

Answer: C

Solution:

Correct Answer: (3) The new partner acquires his share from the old partners only according to their respective contribution, no any other way can be possible for profit sharing at any condition.
This statement is **NOT true** because a new partner's share can be decided **in any mutually agreed manner**. It is *not compulsory* that he must acquire it strictly in the old partners' ratio. Old partners may sacrifice **equally, unequally, or in any agreed proportion**.

Key steps & keywords:

- New ratio = **old ratio – sacrifice + new partner's share**.
- Sacrifice may be **equal / unequal / agreed**.
- If nothing specified → assume **old ratio sacrifice**.
- Flexibility is allowed by mutual agreement.

Why other options are incorrect:

- **(1) True** — sharing arrangement is mutually decided.
 - **(2) True** — if not specified, sacrifice is assumed in old ratio.
 - **(4) True** — admission changes the old partners' ratio based on the sacrifice they make.
-

Question44

At the time of the Dissolution of a Partnership Firm, which statement is not false :-

- 1. The amount of Provision for Debtors is transferred to the Credit Side of the Realisation Account.**
- 2. The amount of Provision for Debtors is transferred to the Debit Side of the Realisation Account.**
- 3. The amount of Provision for Debtors is transferred to the Credit Side of the Bank Account.**
- 4. The amount of Provision for Debtors is transferred to the Credit Side of the Capital Account.**

Options:

- A. 1
- B. 2
- C. 3
- D. 4

Answer: A

Solution:

When a partnership firm is dissolved, all assets and liabilities are transferred to a Realisation Account to determine the profit or loss on the realization of assets and payment of liabilities. The Provision for Doubtful Debts, which is a contra-asset account, is transferred to the credit side of the Realisation Account, similar to how other liabilities are transferred. The debtors are transferred to the debit side of the Realisation Account. This is done to close the books of the firm and prepare for the final settlement of accounts.

Question45

When the directors opt to make a proportionate allotment to all applicants, the excess application money received is normally adjusted towards the amount due on allotment. In case, the excess

application money received is more than the amount due on allotment of shares, such excess amount may either be:

- 1. Adjusted towards the amount due on the allotment of shares allotted**
- 2. Refunded or credited to calls in advance.**
- 3. Refunded money in full**
- 4. Refunded or credited to Calls in Arrears**

Options:

- A. 1
- B. 2
- C. 3
- D. 4

Answer: B

Solution:

When the directors opt to make a proportionate allotment to all applicants, the excess application money received is normally adjusted towards the amount due on allotment. In case, the excess application money received is more than the amount due on allotment of shares, such excess amount may either be.

Answer: (2) Refunded or credited to calls in advance.

Question46

Compute Earning per share from following information

Net profit after tax but before dividend: 1,75,000

Equity shares of Rs. 10 each: Rs. 7,00,000

Dividend declared @15%

Market price of a share: Rs. 13

- 1. Rs. 4.3**
- 2. Rs. 5.2**
- 3. Rs. 3**
- 4. Rs. 2.50**

Options:

A.

1

B.

2

C.

3

D.

4

Answer: D

Solution:

Number of shares = Total value of equity shares/Face value per share

= 700000/10

= 70000

EPS = Net profit after tax/Number of equity shares

EPS = 175000/70000 = 2.5

Question47

Calculate Gross profit ratio from following info

Revenue from operations: 3,40,000

Cost of revenue from operations: 1,20,000

- 1. 27.5%**
- 2. 64.71%**
- 3. 18.3%**
- 4. 15.55%**

Options:

A.

1

B.

2

C.

3

D.

4

Answer: B

Solution:

Gross profit = Revenue from operations – Cost of revenue from operations

= 340000 – 120000

= 220000

Gross profit ratio = Gross profit /Revenue from operations*100

= 220000/340000 *100 = 64.71 %

Question48

To assess the long term solvency of the business, which of the following ratios are needed?

(A) Interest coverage ratio

(B) Proprietary ratio

(C) Acid test ratio

(D) Debt to capital employed ratio

Choose the *correct* answer from the options given below:

- 1. (A), (B) and (D) only**
- 2. (A), (B) and (C) only**
- 3. (A), (B), (C) and (D)**
- 4. (B), (C) and (D) only**

Options:

A.

1

B.

2

C.

3

D.

4

Answer: A

Solution:

Correct Answer: (1) (A), (B) and (D) only

Long-term solvency is about the **ability to meet long-term obligations**. Ratios used for this are Interest

Coverage Ratio, Proprietary Ratio, and Debt to Capital Employed Ratio. Acid Test Ratio is a **short-term liquidity** ratio, so it doesn't assess long-term solvency.

Key steps & keywords:

- Long-term solvency → **capital structure + ability to pay interest**.
- Includes **Interest Coverage, Proprietary Ratio, Debt to Capital Employed**.
- Acid Test = **short-term liquidity**, not solvency.
- Focus on **long-term financial stability**.

Why other options are incorrect:

- (2) Includes Acid Test Ratio → short-term liquidity → incorrect.
 - (3) Includes all ratios, but Acid Test makes it wrong.
 - (4) Excludes Interest Coverage Ratio, which *is* a long-term solvency ratio.
-

Question49

The current ratio is 2:1

The impact of goods purchased on credit will

- 1. Increase the ratio**
- 2. Decrease the ratio**
- 3. No change in ratio**
- 4. Incomplete information**

Options:

A.

1

B.

2

C.

3

D.

4

Answer: B

Solution:

Purchasing goods on credit increases both current assets (inventory) and current liabilities (creditors/accounts payable) by the same amount. The current ratio is calculated as Current Assets / Current Liabilities. When the current ratio is greater than 1, as it is here (2:1), adding the same amount to both the numerator and the denominator will decrease the ratio.

Question50

Match List-I with List-II

List-I (Movement of Ratios)	List-II (Type of Ratio)
A. Measure of liquidity	IV. Current ratio
B. Measure of earning capacity	III. Profitability ratio
C. Measure of activity of firm's inventory	II. Inventory turnover ratio
D. Measure of productive efficiency of funds	I. Return on capital employed

Choose the correct answer from the options given below:

- 1. (A) - (IV), (B) - (II), (C) - (III), (D) - (1)**
- 2. (A) - (IV), (B) - (III), (C) - (II), (D) - (I)**
- 3. (A) - (IV), (B) - (II), (C) - (I), (D) - (III)**
- 4. (A) - (I), (B) - (II), (C) - (III), (D) - (IV)**

Options:

A.

1

B.

2

C.

3

D.

4

Answer: B

Solution:

(A) Measure of liquidity: Liquidity refers to a company's ability to meet its short-term obligations. The Current ratio is a key measure of this, calculated as current assets divided by current liabilities.

(B) Measure of earning capacity: This refers to a company's ability to generate profits. The Profitability ratio measures a company's financial performance and is a key indicator of its earning capacity.

(C) Measure of activity of firm's inventory: This measures how efficiently a company is managing its inventory. The Inventory turnover ratio is used to determine how many times a company has sold and replaced its inventory during a given period.

(D) Measure of productive efficiency of funds: This assesses how effectively a company is using its capital to generate returns. The Return on capital employed (ROCE) is a profitability ratio that measures this efficiency.
