

Previous Year Paper

1st June 2023 (Shift 1)

- Q1.** On dissolution of a firm of A and B, Mrs. A's loan will be transferred to:
 (a) Cash A/c
 (b) Bank A/c
 (c) Realisation A/c
 (d) A's Capital A/c

- Q2.** Rearrange the following items of "Equity and Liabilities" head of Balance Sheet in an order as prescribed in Companies Act 2013, Schedule III.

- (A) Current Liabilities
 (B) Shareholders' funds
 (C) Share application money pending allotment
 (D) Non-Current Liabilities

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

- (a) (B), (C), (D), (A)
 (b) (C), (B), (A), (D)
 (c) (A), (B), (C), (D)
 (d) (D), (C), (A), (B)

- Q3.** Match **List - I** with **List - II**.

List - I	List - II
(a) MS Access	(I) Horizontal row of the table
(b) DBMS	(II) Vertical column of the table
(c) Field	(III) Data Base management software
(d) Record	(IV) Data Base management system

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

- (a) (A)-(II), (B)-(IV), (C)-(III), (D)-(I)
 (b) (A)-(IV), (B)-(III), (C)-(II), (D)-(I)
 (c) (A)-(III), (B)-(IV), (C)-(II), (D)-(I)
 (d) (A)-(IV), (B)-(III), (C)-(I), (D)-(II)

- Q4.** A, B and C are partners sharing profits and losses in the ratio of 4 : 3 : 2. B retires and the goodwill is valued at ₹1,08,000. A and C decided to share future profits and losses in the ratio of 5 : 3.

Record necessary journal entry.

- (a) A's capital A/c Dr ₹18,000
 C's capital A/c Dr ₹18,000
 To B's capital A/c ₹36,000
 (b) A's capital A/c Dr ₹67,500
 B's capital A/c Dr ₹40,500
 To C's capital A/c ₹1,08,000
 (c) B's capital A/c Dr ₹36,000
 To A's capital A/c ₹19,500
 To C's capital A/c ₹16,500
 (d) A's capital A/c Dr ₹19,500
 C's capital A/c Dr ₹16,500
 To B's capital A/c ₹36,000
 To C's capital A/c ₹16,500

- Q5.** Identify the option, of which cash and cash equivalent comprises as per AS-3, in addition to cash in hand, from the following?

- (a) Short term loans and advances
 (b) Trade Receivables
 (c) Demand Deposits
 (d) Non-Trade Investment

- Q6.** Avtar Ltd. invited application for 80,000 shares of ₹10 each payable ₹5/- on Application, ₹3/- on allotment and ₹2/- on call. Public had applied for 2,50,000 shares out of which application for 30,000 shares were rejected and remaining were allotted on pro-rata basis. Excess application money was adjusted against allotment only. Determine the amount to be refunded at the time of allotment of shares.

- (a) ₹1,50,000
 (b) ₹6,10,000
 (c) ₹4,60,000
 (d) ₹4,50,000

- Q7.** Which one of the following is not the component of Computerized Accounting System?

- (a) Procedure
 (b) Report
 (c) People
 (d) Software

- Q8.** A company issued 2,500, 9% Debentures of ₹100 each to public, on 1st April 2021; 3,500 8% debentures of ₹100 each to vendor on 1st July, 2021 and on the same date 5,000 7%, Debentures of ₹100 each as a Collateral Security. Calculate the Interest on Debentures for the year ending 31st March, 2022.

- (a) ₹50,500
 (b) ₹85,500
 (c) ₹43,500
 (d) ₹69,750

- Q9.** Which of the following is/are fact(s) about dissolution of the partnership firm?

- (A) The business of the firm is closed.
 (B) Assets are sold and liabilities are paid off.
 (C) A firm can be dissolved by the court's order.
 (D) The books of accounts are closed.
 (E) Economic relationship between the partners continues though in a changed form.

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

- (a) (A), (B), (C) and (D) only
 (b) (A), (B), (C) and (E) only
 (c) (A), (B), (D) and (E) only
 (d) (A), (B), (D) and (C) only

- Q10.** Identify the sub-head under which Debenture Redemption Reserve is shown in Balance Sheet of a Company as per Companies Act 2013.

- (a) Reserve and Surplus
- (b) Other Long-Term Liabilities
- (c) Other Current
- (d) Share Capital

Q11. Securities Premium Reserve can be used for the following purposes:

- (A) To issue fully paid bonus shares
- (B) To write-off preliminary expenses of the company
- (C) To pay premium on the redemption of preference shares and debentures of the company
- (D) To distribute as a dividend to share holders
- (E) To write-off company losses

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

- (a) (A), (B) and (E) only
- (b) (A), (B) and (D) only
- (c) (A), (B) and (C) only
- (d) (C), (D) and (E) only

Q12. Calls in advance is shown as _____ in the Company's Balance Sheet.

- (a) Non-Current Liability
- (b) Current Liability
- (c) Part of Share Capital
- (d) Current Assets

Q13. Identify the tool of financial statement analysis that represent relationship between two accounting figures.

- (a) Comparative statement
- (b) Common size statement
- (c) Ratio Analysis
- (d) Cash flow statement

Q14. The current ratio of a firm is 3 : 1. Identify how the payment of current liability will affect it.

- (a) Improve current ratio
- (b) Reduce current ratio
- (c) No change in current ratio
- (d) Will affect the solvency ratio

Q15. Select the command that allows to reserve an undo command.

- (a) Redo
- (b) Reverse
- (c) Reset
- (d) Revert

Q16. In the absence of partnership deed:

- (A) Partners are allowed interest on capital @6% p.a.
- (B) Partners are allowed interest on loan advanced by them @ 6% p.a.
- (C) Partners are allowed salary, if they are working partners.
- (D) Profits are shared according to capital ratio.
- (E) Profits are shared in equal ratio.

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

- (a) (A) and (C) only
- (b) (B) and (C) only
- (c) (B) and (E) only
- (d) (C) and (D) only

Q17. From the following statements, select the ones which relate to Income and Expenditure A/c:

- (A) Provides opening and closing cash balances
- (B) Prepared on accrual basis of accounting

- (C) Records expenditures of revenue nature only.
- (D) Records expenditures of revenue as well as capital nature
- (E) Records non cash transactions such as depreciation

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

- (a) (A), (D) and (E) only
- (b) (B), (C), (D) and (E) only
- (c) (B), (C) and (E) only
- (d) (C), (D) and (E) only

Q18. Which of the following is/are fact(s) related to cash flows from Operating Activities and Investing Activities?

- (A) Receipt from interest and dividends will lead to cash inflow under Operating Activities
- (B) Receipt from royalties, fees etc. are cash inflows under Operating Activities
- (C) Payment of employee benefit expenses are cash outflow under Operating Activities
- (D) Payment for purchase of plant leads to cash outflow under Investing Activities
- (E) Payment of taxes are considered as cash outflow under Financing Activities

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

- (a) (A), (B) and (C) only
- (b) (B), (C) and (D) only
- (c) (C), (D) and (E) only
- (d) (A), (B) and (E) only

Q19. Identify the expense that is considered finance cost for a firm.

- (a) Selling expenses
- (b) Administrative expenses
- (c) Dividend
- (d) Interest

Q20. Codification of accounts is required for the purpose of:

- (a) Hierarchical relationship between groups and components
- (b) Faster data processing and preparing of final accounts
- (c) Keeping data and information recorded
- (d) Simplicity

Q21. With the help of following information of a company, calculate Cash Flow from Financing Activities

	April 1, 2016	March 31, 2017
	(₹)	(₹)
Long term loans	2,00,000	2,50,000
During the year the company repaid a loan of ₹1,00,000.		
(a) Outflow ₹50,000		
(b) Inflow ₹1,50,000		
(c) Outflow ₹1,50,000		
(d) Inflow ₹50,000		

Q22. Match List – I with List – II.

List – I		List – II	
(A)	Interest on partner's loan	(I)	Profit and Loss Appropriation A/c
(B)	Personal account	(II)	Balance Sheet
(C)	Position statement	(III)	Capital Account
(D)	Commission to a partner	(IV)	Profit and Loss Account

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

- (a) (A)-(III), (B)-(I), (C)-(IV), (D)-(II)
 (b) (A)-(III), (B)-(IV), (C)-(II), (D)-(I)
 (c) (A)-(IV), (B)-(III), (C)-(II), (D)-(I)
 (d) (A)-(IV), (B)-(I), (C)-(III), (D)-(II)

Q23. Match List – I with List – II.

	List – I		List – II
(A)	In accordance with a contract between the partners	(I)	Compulsory dissolution
(B)	When business becomes illegal	(II)	Dissolution by court
(C)	Death of partner	(III)	Dissolution by agreement
(D)	Partner became insane	(IV)	Happening of certain contingencies

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

- (a) (A)-(III), (B)-(I), (C)-(IV), (D)-(II)
 (b) (A)-(I), (B)-(III), (C)-(IV), (D)-(II)
 (c) (A)-(III), (B)-(I), (C)-(II), (D)-(IV)
 (d) (A)-(I), (B)-(III), (C)-(II), (D)-(IV)

Q24. A firm's profit for the last three years are ₹100,000, ₹2,00,000 and ₹3,00,000. What is the value of Goodwill, if it is calculated on the basis of four year's purchase of the average profits of the last 3 years?

- (a) ₹10,00,000
 (b) ₹8,00,000
 (c) ₹4,00,000
 (d) ₹3,00,000

Q25. While preparing Comparative Statements. What will be the percentage increase or decrease in revenue from operations if the amount in the year 2021-22 was ₹40,00,000 and the year 2020-21 was ₹50,00,000?

- (a) 20% Increase
 (b) 20% Decrease
 (c) 10% Increase
 (d) 10% Decrease

Q26. Radhika, Sadhika and Kanika are partners sharing profits in the ratio of 4:3:2. Radhika retires; Sadhika and Kanika decided to share profits in future in the ratio of 5:3. Calculate gaining ratio.

- (a) 3:2
 (b) 5:3
 (c) 21:11
 (d) 1:1

Q27. On dissolution of partnership firm, an investment of ₹30,000 was found to be unrecorded in the books. The same was accepted by a creditor in full settlement of his dues of ₹32,000. The accounting treatment of the transaction will be:

- (a) Credit Realisation A/c by ₹2,000
 (b) No entry is to be recorded for this
 (c) Debit Realisation A/c by ₹30,000
 (d) Credit Realisation A/c by ₹30,000

Q28. One of the following is not an Item of appropriation.

- (a) Interest on capital
 (b) Commission to partner
 (c) Interest on Loan from partner
 (d) Salary to partner

Q29. Identify that account from which loss on issue of debentures can be written off when securities Premium Reserve fall short.

- (a) Debenture Redemption Reserve
 (b) Statement of Profit and Loss
 (c) Premium on redemption of Debentures A/c
 (d) Reserves and Surplus

Q30. If goodwill already exists in the books of the firm at the time of admission of a partner then it will be dealt in the following manner.

- (a) Old Partner's Capital A/c – Dr; Goodwill A/c – Cr
 (b) New Partner's Capital A/c – Dr; Goodwill A/c – Cr
 (c) Gaining Partner's Capital A/c – Dr; Sacrificing Partner's Capital A/c – Cr
 (d) Sacrificing Partner's Capital A/c – Dr
 Gaining Partner's Capital A/c – Cr

Q31. Arrange following with regard to determination of Goodwill share of new partner based on hidden Goodwill determination.

- (A) Existing partners decided to admit new partner.
 (B) Determine new partner share in firm goodwill.
 (C) Determine existing capital of all partners, including new partner.
 (D) Determine total capital of new firm based on new partner's capital.
 (E) Determine goodwill of the partnership firm.

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

- (a) (A), (D), (C), (B), (E)
 (b) (A), (B), (D), (C), (E)
 (c) (A), (D), (C), (E), (B)
 (d) (A), (B), (E), (D), (C)

Q32. State the accounting treatment of Endowment Fund in financial statement of a public hospital.

- (a) Debited to Income and Expenditure A/c
 (b) Credited to Income and Expenditure A/c
 (c) Shown on Liabilities side of Balance sheet
 (d) Shown on Assets side of Balance sheet

Q33. A, B and C were partners sharing profits and losses in the ratio of 5:3:2. They admitted D into partnership for 1/6th share in profits, half (1/2) of which was given by A and the remaining half was given by B and C in the ratio 3:2. The new profit-sharing ratio will be:

- (a) 5 : 3 : 2 : 2
 (b) 5 : 3 : 3 : 2
 (c) 5 : 2 : 2 : 3
 (d) 5 : 2 : 2 : 2

Q34. Match List – I with List – II.

List – I	List – II
(A) Dividend	(I) Debentures
(B) Surplus	(II) Loss on issue of debenture
(C) Interest	(III) Not for profit organisation

(D) Premium on redemption of debenture	(IV) Equity shares
--	--------------------

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

- (a) (A)-(IV), (B)-(III), (C)-(I), (D)-(II)
 (b) (A)-(I), (B)-(III), (C)-(IV), (D)-(II)
 (c) (A)-(IV), (B)-(II), (C)-(I), (D)-(III)
 (d) (A)-(I), (B)-(II), (C)-(IV), (D)-(III)

Q35. The order of payment/receipt of cash on dissolution of partnership firm is:

- (A) Paying each partner his due on account of capital
 (B) Paying debt of firm to third parties.
 (C) Paying each partner what is due to him as advance.
 (D) Paying the partner the residue in profit sharing ratio

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

- (a) (B), (C), (A), (D)
 (b) (A), (C), (B), (D)
 (c) (C), (D), (A), (B)
 (d) (A), (B), (C), (D)

Q36. Match List - I with List - II.

List - I	List - II
(A) Purchase of Building	(I) Financing activity
(B) Change in inventory	(II) Cash and cash equivalents
(C) Cash credit	(III) Investing activity
(D) Dividend paid	(IV) Operating activity

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

- (a) (A)-(III), (B)-(IV), (C)-(II), (D)-(I)
 (b) (A)-(III), (B)-(I), (C)-(II), (D)-(IV)
 (c) (A)-(III), (B)-(II), (C)-(I), (D)-(IV)
 (d) (A)-(III), (B)-(IV), (C)-(I), (D)-(II)

Q37. From the following information, calculate opening inventory:

Revenue from Operations	=	₹4,00,000
Gross Profit Ratio	=	10%
Carriage outwards	=	₹2,000
Closing Inventory	=	₹75,000
Purchases of stock in trade	=	₹3,50,000

- (a) ₹85,000
 (b) ₹83,000
 (c) ₹1,23,000
 (d) ₹1,25,000

Q38. Identify a non-cash item out of the following, shown in Cash Flow Statement.

- (a) Gift items
 (b) Depreciation
 (c) Debentures
 (d) Finance cost

Q39. Steps in the preparation of Income and Expenditure account are:

- (A) Take revenue receipts to the credit side and revenue expenses to the debit side of Income and Expenditure A/c

- (B) Pursue Receipt and Payment Account thoroughly
 (C) Exclude the capital receipts and capital payments
 (D) Close the account to find surplus or deficit

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

- (a) (D), (C), (B), (A)
 (b) (B), (C), (A), (D)
 (c) (C), (B), (A), (D)
 (d) (A), (B), (C), (D)

Q40. A and B share profits and losses in the ratio of 2 : 1.

They admit C as partner with $\frac{1}{4}$ th share in profits with a guarantee that his share of profit shall be at least ₹50,000. The net profit of the firm for the year ending March 31st, 2022 was ₹2,40,000, Determine C's share in profits.

- (a) ₹50,000
 (b) ₹60,000
 (c) ₹40,000
 (d) ₹30,000

Read the passage given below and answer the question:

Direction Q41. To Q45.

Teesha and Ritik are partners in a firm without any agreement. Due to lack agreement they realised that there was contradiction between then on one issue or the other so they decided to enter into a written agreement with regard to different terms and conditions.

As per the agreement they will be sharing profits in the ratio of 3 : 2. At the beginning of 2022-2023 i.e., 1st April 2022 their capital were ₹60,000 and ₹40,000 respectively. They earn a profit of ₹30,000 for the year ending 31st March 2023. According to agreement, both Teesha and Ritik are entitled to ₹1,000 per month as salary and 5% p.a. interest on their capital. They are also to be charged an interest of 5% p.a. on their drawings, which was ₹12,000 for Teesha and ₹8,000 for Ritik for the year 2022-2023.

Determine the amount of interest on drawing to be charged from Ritik.

Q41. Determine the amount of interest on drawing to be charged from Ritik.

- (a) ₹200
 (b) ₹300
 (c) ₹400
 (d) ₹600

Q42. Identify the written agreement entered by Teesha and Ritik, containing terms of the agreement.

- (a) Past adjustment
 (b) Partnership agreement
 (c) Partnership Deed
 (d) Contract between partners

Q43. Identify the account in which salary of Teesha will be transferred, when capitals are fixed.

- (a) Profit and loss account
 (b) Realisation account
 (c) Capital account
 (d) Current account

Q44. Determine the share of Ritik in divisible profits.

- (a) ₹1,200
 (b) ₹600
 (c) ₹800
 (d) ₹400

- Q45.** Select the amount that will be provided to Teesha as interest on her capital.
- (a) ₹3,000
 - (b) ₹2,000
 - (c) ₹1,000
 - (d) ₹500

Read the passage given below and answer the questions: Q46 to Q50.

K Ltd. invited applications on 3,000 Equity Shares of ₹100 each at a premium of ₹20. For application ₹50, on allotment ₹50 and on final call ₹20. Application also includes premium amount. Total application received 4,000 and allotted on pro-rata basis and excess amount adjusted towards allotment. One shareholder holding 600 shares did not paid allotment money but paid it with final call that was made after 2 months of allotment. Final call amount received in full.

- Q46.** Calculate the amount adjusted in share allotment account.
- (a) ₹40,000
 - (b) ₹1,10,000
 - (c) ₹50,000
 - (d) ₹30,000

- Q47.** Calculate the amount received at the time of allotment:
- (a) ₹40,000
 - (b) ₹1,00,000
 - (c) ₹80,000
 - (d) ₹70,000

- Q48.** Calculate the amount of arrear at allotment.
- (a) ₹40,000
 - (b) ₹20,000
 - (c) ₹30,000
 - (d) ₹60,000

- Q49.** Calculate the amount received in final call that includes arrear also.
- (a) ₹80,000
 - (b) ₹6,00,000
 - (c) ₹5,80,000
 - (d) ₹6,15,000

- Q50.** What will be the rate of interest on calls in arrears if Articles of Association is silent?
- (a) @ 5% p.a.
 - (b) @ 6% p.a.
 - (c) @ 10% p.a.
 - (d) @ 12% p.a.

SOLUTIONS

S1. Ans. (c)

Sol. Mrs. A's Loan will be treated as an external liability since it is contributed by Partner's wife not by the partner himself. Hence, it will be transferred to Realisation Account.

S2. Ans. (a)

Sol. The correct order for rearranging the items of "Equity and Liabilities" on the Balance Sheet as prescribed in the Companies Act 2013, Schedule III is as follows:

(B) **Shareholders' funds:** Shareholders' funds typically include equity share capital, preference share capital, reserves, and surplus.

(C) **Share application money pending allotment:** Share application money pending allotment refers to the funds received from shareholders who have applied for shares but have not yet been allocated shares.

(D) **Non-Current Liabilities:** Non-Current Liabilities are long-term obligations of the company, such as long-term loans, debentures, and other long-term borrowings which are settled after one year.

(A) **Current Liabilities:** Current Liabilities are short-term obligations that the company needs to pay within a year, including trade payables, short-term loans, and accrued expenses.

S3. Ans. (c)

Sol. (A) **MS Access - (III) Data Base management software:** MS Access is a type of database management software used for creating and managing databases.

(B) **DBMS - (IV) Data Base management system:** DBMS stands for Database Management System, which is a software system for managing databases.

(C) **Field - (II) Vertical column of the table:** A field is an individual data element within a database, often represented as columns in database tables.

(D) **Record - (I) Horizontal row of the table:** A record is a collection of related data elements, typically represented as rows in a database table.

S4. Ans. (d)

Sol. Calculation of Gaining Ratio:

$$A: \frac{5}{8} - \frac{4}{9} = \frac{45-32}{72} = \frac{13}{72}$$

$$B: \frac{3}{8} - \frac{2}{9} = \frac{27-16}{72} = \frac{11}{72}$$

Gaining ratio = 13 : 11

$$B's \text{ share of goodwill} = ₹1,08,000 \times \frac{3}{9} = ₹36,000$$

$$A's \text{ Gain} = \frac{13}{24} \times ₹36,000 = ₹19,500$$

$$C's \text{ Gain} = \frac{11}{24} \times ₹36,000 = ₹16,500$$

Journal Entry

A's Capital A/c Dr. ₹19,500

C's Capital A/c Dr ₹16,500

To B's Capital A/c ₹36,000

S5. Ans. (c)

Sol. Cash and cash equivalents, as per AS-3, include cash in hand and demand deposits. Demand deposits are highly liquid and are considered as part of cash and cash equivalents because they can be withdrawn on demand without any significant restrictions.

S6. Ans. (c)

Particulars	₹
Excess Amount adjusted towards allotment	$(2,20,000 - 80,000) \times 5 = ₹7,00,000$
Less: Amount due on allotment	$80,000 \times 3 = ₹2,40,000$
Amount refunded on allotment	₹4,60,000

S7. Ans. (b)

Sol. A Computerized Accounting System typically consists of:

1. **Software:** The accounting software used to record, store, and process financial transactions.
2. **Procedure:** The set of rules and guidelines for how accounting transactions are entered, processed, and managed within the system.
3. **People:** The individuals who operate and use the computerized accounting system.

S8. Ans. (c)

Sol. Interest on 9% debentures to public = $2500 \times 100 \times 9\% = ₹22,500$

$$\text{Interest on 8\% debentures to vendor} = 3500 \times 100 \times 8\% \times \frac{9}{12} = ₹21,000$$

$$\text{Total Interest on debentures} = ₹22,500 + ₹21,000 = ₹43,500$$

S9. Ans. (a)

Sol. (A) **The business of the firm is closed:**

Dissolution means the firm's operations are stopped.

(B) **Assets are sold, and liabilities are paid off:** Assets are liquidated to settle debts and obligations.

(C) **A firm can be dissolved by the court's order:** Courts can order dissolution in disputes or for protection.

(D) **The books of account are closed:** Financial records are finalized and transactions settled.

S10. Ans. (a)

Sol. The sub-head under which Debenture Redemption Reserve is shown in the Balance Sheet of a Company as per the Companies Act 2013 is "Reserve and Surplus."

S11. Ans. (c)

Sol. Securities Premium Reserve can be used only for the following five purposes:

- (a) to issue fully paid bonus shares to the extent not exceeding unissued share capital of the company;
- (b) to write-off preliminary expenses of the company;
- (c) to write-off the expenses of, or commission paid, or discount allowed on any securities of the company; and
- (d) to pay premium on the redemption of preference shares or debentures of the company.
- (e) Purchase of its own shares (i.e., buy back of shares).

S12. Ans. (b)

Sol. Calls in advance represent payments made by shareholders for shares that they have not yet been called to pay for. Since these payments are expected to be utilized in the near future to meet the company's obligations, they are classified as a current liability.

S13. Ans. (c)

Sol. Ratio analysis involves calculating various financial ratios that express the relationship between different financial statement items. These ratios help in assessing the financial performance, liquidity, profitability, and other aspects of a company by comparing different accounting figures.

S14. Ans. (a)

Sol. If the current ratio is 3:1, any payment of current liability will improve the ratio. This can be evident from the imaginary example given below:

Example:

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}} = \frac{3}{1} = \frac{3,00,000}{1,00,000} \text{ (Let)}$$

Payment of Current liability = ₹50,000 (Let)

$$\text{New Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}} = \frac{3,00,000 - 50,000}{1,00,000 - 50,000} = \frac{2,50,000}{50,000} = \frac{5}{1}$$

The ratio improved from 3 : 1 to 5 : 1.

S15. Ans. (a)

Sol. When you undo an action and then decide that you want to bring back the action you just undid, you can use the "Redo" command to reverse the undo and restore the previous action.

S16. Ans. (c)

Sol. Provisions of Partnership Act Relevant for Accounting
The important provisions affecting partnership accounts are as follows:

(a) Profit Sharing Ratio: If the partnership deed is silent about the profit-sharing ratio, the profits and losses of the firm are to be shared equally by partners, irrespective of their capital contribution in the firm.

(b) Interest on Capital: No partner is entitled to claim any interest on the amount of capital contributed by him in the firm as a matter of right. However, interest can be allowed when it is expressly agreed to by the partners. Thus, no

interest on capital is payable if the partnership deed is silent on the issue.

(c) Interest on Drawings: No interest is to be charged on the drawings made by the partners, if there is no mention in the Deed.

(d) Interest on Loan: If any partner has advanced loan to the firm for the purpose of business, he/she shall be entitled to get an interest on the loan amount at the rate of 6 per cent per annum.

(e) Remuneration for Firm's Work: No partner is entitled to get salary or other remuneration for taking part in the conduct of the business of the firm unless there is a provision for the same in the Partnership Deed.

S17. Ans. (c)

Sol. The statements that relate to the Income and Expenditure Account (A/c) are:

(B) Prepared on accrual basis of accounting: Income and Expenditure Accounts are typically prepared on the accrual basis of accounting, where income is recognized when earned, and expenses are recognized when incurred, regardless of when cash is received or paid.

(C) Records incomes of revenue nature only: Income and Expenditure Accounts primarily record incomes of revenue nature. These are the regular operational incomes of an organization, such as membership fees, subscription fees, donations, etc.

(E) Records non-cash transactions such as depreciation: Income and Expenditure Account may include non-cash transactions like depreciation. It doesn't involve actual cash expenditure.

S18. Ans. (b)

Sol. The facts related to cash flows from Operating Activities and Investing Activities are:

(B) Receipt from royalties, fees, etc., are cash inflows under Operating Activities: Cash received from royalties, fees, or similar sources related to the core operations of a business is considered a cash inflow from operating activities.

(C) Payment of employee benefit expenses is a cash outflow under Operating Activities: Payments made for employee benefit expenses, such as salaries and wages, are considered cash outflows from operating activities.

(D) Payment for the purchase of plant leads to cash outflow under Investing Activities: Payments made for the acquisition of assets like plants and equipment are categorized as cash outflows from investing activities.

S19. Ans. (d)

Sol. Finance costs primarily include the interest expenses incurred by a firm on its borrowings, loans, or other

forms of debt. These costs are related to the financing and capital structure of the company.

S20. Ans. (a)

Sol. Codification helps in organizing and categorizing accounts in a hierarchical manner, which makes it easier to group similar accounts, prepare financial statements, and analyze financial data. It provides a structured framework for accounting and financial reporting.

S21. Ans. (d)

Cash Flows from Investing Activities

Particulars	₹
Loan Acquired	1,50,000
Loan repaid	(1,00,000)
Cash generated from Investing activities	50,000

Working Note:

Dr. Long term Loans Account		Cr.	
Particulars	₹	Particulars	₹
To Bank	1,00,000	By Balance b/d	2,00,000
To Balance c/d	2,50,000	By Bank (Bal. fig - Loan acquired)	1,50,000
Total	3,50,000	Total	3,50,000

S22. Ans. (c)

Sol. (A) Interest on partner's loan:

This is an expense item that is typically recorded in the Profit and Loss Account as it represents an outgoing payment.

(B) Personal account: Personal accounts represent the accounts of individuals or entities and are recorded in the Capital Account, reflecting their financial position in the business.

(C) Position statement: A Position Statement is another term for the Balance Sheet, which provides a snapshot of a company's financial position, including assets and liabilities.

(D) Commission to a partner: Commission to a partner is typically recorded in the Profit and Loss Appropriation Account as it's part of the distribution of profits among the partners.

S23. Ans. (a)

Sol. (A) In accordance with a contract between the partners:

This refers to the voluntary dissolution of a partnership based on an agreement among the partners.

(B) When the business becomes illegal: This refers to compulsory dissolution, which occurs when the partnership's business activities become illegal.

(C) Death of a partner: This is a situation where the partnership may dissolve due to the happening of certain contingencies, such as the death of a partner.

(D) Partner insane: This is another condition where the partnership may dissolve, and it can lead to dissolution by a court's order.

S24. Ans. (b)

Sol. Average Profits = $\frac{1,00,000+2,00,000+3,00,000}{3} = ₹2,00,000$

Goodwill = Average profits × no. of years purchase

Goodwill = $2,00,000 \times 4 = ₹8,00,000$

S25. Ans. (b)

Sol. Decrease = $₹50,00,000 - ₹40,00,000 = ₹10,00,000$

Percentage Change = $\frac{(-10,00,000)}{50,00,000} \times 100 = -20\%$

S26. Ans. (c)

Sol. Gaining Ratio = New Share - Old Share

For Sadhika = $\frac{5}{8} - \frac{3}{9} = \frac{45-24}{72} = \frac{21}{72}$

For Kanika = $\frac{3}{8} - \frac{2}{9} = \frac{27-16}{72} = \frac{11}{72}$

Gaining Ratio = 21 : 11

S27. Ans. (b)

Sol. When an unrecorded asset is transferred to a creditor in full settlement, no entry is made.

S28. Ans. (c)

Sol. Interest on Loan from partner: is not typically considered an item of appropriation in a partnership as it is a charge against profit and is recorded in Profit and Loss account.

S29. Ans. (b)

Sol. When the Securities Premium Reserve is not sufficient to cover the loss on the issue of debentures, the remaining amount of the loss is charged to the Statement of Profit and Loss (also known as the Income Statement or P&L Statement).

S30. Ans. (a)

Sol. If goodwill already exists in the books of the firm at the time of admission of a partner then it will be dealt in the following manner:

Old Partner's Capital A/c	Dr.	xxxxx
To Goodwill A/c		xxxxx

S31. Ans. (b)

Sol. Step in the determination of Goodwill share of a new partner based on hidden Goodwill determination:

(A) Determine goodwill of the partnership firm: Calculate the total goodwill of the existing partnership firm.

(D) Determine total capital of the new firm based on the new partner's capital: Calculate the total capital of the new partnership firm by including the new partner's initial capital.

(C) Determine existing capital of all partners, including the new partner: Calculate the individual capital contributions of all existing partners, as well as the new partner.

(E) Determine the new partner's share in the firm's goodwill: Allocate the total goodwill to the partners based on their capital ratios, including the new partner.

- (B) **Determine the new partner's share in the firm:** Calculate the new partner's share in the partnership firm's total capital, considering their capital contribution and share of goodwill.

S32. Ans. (c)

Sol. Endowment Fund: "It is a fund arising from a bequest or gift, the income of which is devoted for a specific purpose. Thus, Endowment Fund is a capital receipt and is shown on the liabilities side of the Balance Sheet.

S33. Ans. (a)

Sol. A's Sacrifice = $\frac{1}{6} \times \frac{1}{2} = \frac{1}{12}$
 B's Sacrifice = $\frac{1}{6} \times \frac{1}{2} \times \frac{3}{5} = \frac{3}{60}$
 B's Sacrifice = $\frac{1}{6} \times \frac{1}{2} \times \frac{2}{5} = \frac{2}{60}$
 New Ratio:
 $A = \frac{5}{10} - \frac{1}{12} = \frac{25}{60}$
 $B = \frac{3}{3} - \frac{3}{60} = \frac{15}{60}$
 $C = \frac{2}{10} - \frac{2}{60} = \frac{10}{60}$
 A:B:C:D = $\frac{25}{60} : \frac{15}{60} : \frac{10}{60} : \frac{10}{60} = 5:3:2:2$

S34. Ans. (a)

Sol. (A) **Dividend:** Dividends are typically associated with equity shares, as they represent the distribution of profits to shareholders.
 (B) **Surplus:** Surplus often relates to not-for-profit organizations where it signifies excess of income over expenditure.
 (C) **Interest:** Interest is commonly associated with debentures, which are debt instruments that pay interest to debenture holders.
 (D) **Premium on redemption of debenture:** The premium on redemption of debentures is an expense, and it may be matched with a loss on the issue of debentures, as both involve financial aspects related to debentures.

S35. Ans. (b)

Sol. The correct order of payment/receipt of cash on the dissolution of a partnership firm is as follows:
 (B) **Paying the debt of the firm to third parties:** The firm's external obligations, including debts to creditors, should be settled first.
 (C) **Paying each partner what is due to him as advance:** Partners' advances, if any, should be reimbursed next.
 (A) **Paying each partner his due on account of capital:** Partners should receive their capital contributions back.
 (D) **Paying the partners the residue in profit-sharing ratio:** Any remaining assets, after settling debts, advances, and capital, should be distributed among the partners in their agreed profit-sharing ratio.

S36. Ans. (a)

(A) **Purchase of Building:** This is an investing activity because it involves acquiring a long-term asset (building) that is expected to generate future benefits.

(B) **Change in inventory:** Changes in inventory are part of operating activities, as they relate to the day-to-day operations of the business.

(C) **Cash credit:** Cash credit, which involves borrowing funds, is considered a component of cash and cash equivalents in the cash flow statement.

(D) **Dividend paid:** Paying dividends to shareholders is a financing activity because it involves distributing profits to the owners of the company.

S37. Ans. (a)

Sol. Gross Profit = $10\% \times 4,00,000 = ₹40,000$
 Opening Inventory = Revenue from Operations + Closing inventory – Carriage outwards – Gross Profit – purchase of stock in trade
 Opening Inventory = $4,00,000 + 75,000 - 2,000 - 40,000 - 3,50,000 = ₹83,000$

S38. Ans. (b)

Sol. Depreciation is a non-cash expense that represents the allocation of the cost of tangible assets over their useful lives. It does not involve an actual outflow of cash, which is why it is added back to net income when preparing the cash flow statement to arrive at cash from operating activities.

S39. Ans. (b)

Sol. The correct steps in the preparation of an Income and Expenditure Account are indeed as follows:

- (B) **Peruse Receipt and Payment Account thoroughly:** Review the Receipt and Payment Account to identify all cash transactions, including both revenue and capital items.
 (C) **Exclude the capital receipts and capital payments:** Separate the capital transactions from the revenue transactions to focus on the income and expenses relevant to the accounting period.
 (A) **Take revenue receipts to the credit side and revenue expenses to the debit side of Income and Expenditure A/c:** Record revenue receipts as credits and revenue expenses as debits in the Income and Expenditure Account.
 (D) **Close the account to find surplus or deficit:** After recording all relevant items, calculate the surplus or deficit by balancing the Income and Expenditure Account.

S40. Ans. (d)

Sol. C's share in profits = $2,40,000 \times \frac{1}{4} = ₹60,000$
 Since, amount of share in profits is more than the minimum guarantee, no deficiency arises.

S41. Ans. (a)

Sol. Interest on drawings for Ritik = $8,000 \times 5\% \times \frac{6}{12} = ₹200$

S42. Ans. (c)

Sol. A Partnership Deed is a legal document that outlines the terms, conditions, and rights of the partners in a partnership. It contains details about profit sharing, capital contributions, management responsibilities, and other important aspects of the partnership. It serves as the formal agreement between partners and

is essential for the smooth operation of the partnership.

S43. Ans. (d)

Sol. When salaries are paid to partners in a partnership with fixed capitals, they are typically transferred to their respective Current Accounts. The current account keeps track of various transactions between partners, including salary payments, drawings, and other current financial activities.

S44. Ans. (b)

Sol. Divisible Profit = Net profit + interest on drawings – Interest on capital – Salary to partners
 Divisible Profit = 30,000 + 200 + 300 – 3,000 – 2,000 – 24,000 = ₹1,500
 Ritik's share = $1,500 \times \frac{2}{5} = ₹600$

S45. Ans. (a)

Sol. Interest on Capital for Teesha = $60,000 \times 5\% = ₹3,000$

S46. Ans. (c)

Sol.

Application amount received (including Premium)	$4,000 \times 50 = ₹2,00,000$
Less: Application amount due (including Premium)	$3,000 \times 50 = ₹1,50,000$
Amount adjusted towards Allotment	₹50,000

S47. Ans. (c)

Sol. Share applied by defaulter = $600 \times \frac{4,000}{3,000} = 800$

Calls in arrears = $600 \times 50 - (200 \times 50) = 20,000$

Allotment amount due	$3,000 \times 50 = ₹1,50,000$
Less: Amount already adjusted	₹50,000
Amount to be Received on allotment	₹1,00,000
Less: Calls in arrears	₹20,000
Amount actually received on allotment	₹80,000

S48. Ans. (b)

Sol. Share applied by defaulter = $600 \times \frac{4,000}{3,000} = 800$

Calls in arrears = $600 \times 50 - (200 \times 50) = ₹20,000$

S49. Ans. (a)

Sol. Amount received on first call = Amount due on first call + calls in arrears received
 Amount received on first call = $(3,000 \times 20) + 20,000 = ₹80,000$

S50. Ans. (c)

Sol. The Articles of Association of a company may empower the directors to charge interest at a stipulated rate on calls in arrears. If the articles are silent in this regard, the rule contained in Table F shall be applicable which states that the interest at a rate not exceeding 10% p.a. shall have to be paid on all unpaid amounts on shares for the period intervening between the day fixed for payment and the time of actual payment thereof.