

Previous Year Paper

7th June 2023 (Shift 1)

- Q1.** Identify the term that represent configuration of rows and columns.
 (a) Keyboard
 (b) Spreadsheet
 (c) Ribbon
 (d) Headers and Footers
- Q2.** Calculate interest on drawings if an amount of ₹7,500 is withdrawn at the end of bimonthly for the year. Rate of interest on drawing is 8% p.a.
 (a) ₹1,500
 (b) ₹3,000
 (c) ₹2,500
 (d) ₹2,256
- Q3.** Following Journal entry is passed in case of:
 Debiture Application and Allotment A/c Dr
 Loss on Issue of Debiture A/c Dr
 To Premium on Redemption of Debitures A/c
 To Debitures A/c
 (a) When debenture are issued at discount
 (b) When debentures are issued at discount and redeemed at Premium.
 (c) When more amount is spent on advertisement of issue of debentures
 (d) When debentures are redeemed at discount
- Q4.** Identify the section of the Indian Partnership Act, 1932, that states that the outgoing partner has an option to receive either interest @ 6% p.a till the date of payment or such share of profits which has been earned with his/her money.
 (a) Section 2
 (b) Section 32
 (c) Section 7
 (d) Section 37
- Q5.** According to AS-26 on Intangible Assets.
 (A) Internally generated goodwill should not be recognised as an asset
 (B) Self-generated goodwill is accounted for in the books and shown as asset
 (C) Intangible assets should be written off as early as possible but not exceeding its estimated life.
 (D) Purchased goodwill is not recognised as asset
 (E) Can be written off even beyond 10 years depending upon the nature of asset
 Choose the **correct** answer from the options given below:
 (a) (A) and (B) only
 (b) (C) and (B) only
 (c) (D) and (E) only
 (d) (A) and (C) only
- Q6.** Which of the following statements is incorrect in case of 'Not for Profit Organisation'
 (a) Debit side of Income and Expenditure Account records expenses and losses
 (b) Balance at the end of Receipt and Payment Account represents cash in hand at the end and Bank Balance
 (c) Income and Expenditure Account does not include Depreciation
 (d) Income and Expenditure Account is like as Profit and Loss Account
- Q7.** Identify the item that is treated as non-cash, while preparing Cash Flow Statement as per AS-3, under indirect method.
 (a) Goodwill purchased
 (b) Deferred taxes
 (c) Debiture interest
 (d) Dividend paid
- Q8.** Select the full form of DBMS:
 (a) Database Managerial System
 (b) Databasic Management Systems
 (c) Database Management Systems
 (d) Database Management Security
- Q9.** The following is an extract of a Balance Sheet:
- | | 31 March 23
(₹) | 31 March 22
(₹) |
|-------------------|--------------------|--------------------|
| Goodwill | 6,00,000 | 4,00,000 |
| Land and building | 15,00,000 | 10,00,000 |
- Additional Information:
 Goodwill amortised, during the year ₹1,50,000
 Determine the outflow of Cash from Investing Activities:
 (a) ₹5,00,000
 (b) ₹7,00,000
 (c) ₹8,50,000
 (d) ₹5,50,000
- Q10.** Identify the correct sequence for the following at the time of Issue of Shares.
 (A) Allotment of shares
 (B) Calls in arrears
 (C) Application money received
 (D) Forfeiture of shares
 (E) Reissue of shares
 Choose the **correct** answer from the options given below:
 (a) (A), (B), (C), (D), (E)
 (b) (C), (B), (A), (D), (E)
 (c) (C), (A), (B), (E), (D)
 (d) (C), (A), (B), (D), (E)
- Q11.** The journal entry for realisation of an unrecorded asset of 5,500 is:
- | | | | |
|---------------------|--------------------|-------|-------|
| (a) Cash A/c | Dr | 5,500 | |
| | To Realisation A/c | | 5,500 |
| (b) Realisation A/c | Dr | 5000 | |
| | To Cash | | 5,000 |
| (c) Cash A/c | Dr | 5,500 | |

To Unrecorded assets	5,500
(d) Unrecorded asset A/c Dr	5,500
To Realisation A/c	5,500

- Q12.** Identify the ratios that are calculated to measure the short-term solvency of the business.
 (a) Solvency ratios
 (b) Activity ratios
 (c) Profitability ratios
 (d) Liquidity ratios
- Q13.** Where are the amounts owed by customers for credit purchases found?
 (a) Accounts Receivable Journal
 (b) Accounts Receivable Subsidiary Ledger
 (c) Sales Journal
 (d) General Ledger
- Q14.** Identify the accounts related to a Not-for-Profit Organisation.
 (A) Profit and Loss Appropriation Account
 (B) Receipt and Payment Account
 (C) Subscription Account
 (D) Income and Expenditure Account
 (E) Trading and Profit and Loss Account
 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) (B), (C), (D) and (E) only
- Q15.** A sports club sold used sports material like balls, net, bats etc. It is usually shown in:
 (a) Credit side of Receipt and Payment Account
 (b) Debit side of Income and Expenditure Account
 (c) It is not taken into consideration as it is scrap
 (d) Credit side of Income and Expenditure Account
- Q16.** Identify the essential features of partnership.
 (A) Agreement between persons
 (B) Partners should carry some Business
 (C) No restriction on the number of partners
 (D) Sharing of profits/losses in agreed ratio between partners
 (E) No. of partners is restricted by partnership Act-1932
 Choose the **correct** answer from the options given below:
 (a) (A), (C) and (E) only
 (b) (A), (B) and (D) only
 (c) (A), (C) and (D) only
 (d) (A), (B) and (C) only
- Q17.** D and M Ltd. forfeited 5,000 shares of ₹10 each for non-payment of final call of ₹3/- per shares. Out of these 2,000 shares were reissued @ ₹12/- per share as fully paid up. What is the maximum discount that can be allowed for re-issue of remaining 3,000 shares?
 (a) ₹30,000
 (b) ₹9,000
 (c) ₹21,000
 (d) ₹27,000
- Q18.** What is the correct sequence at the time of death of a partner?

- (A) Amount paid to Executor
 (B) Preparation of Revaluation account
 (C) Calculation of Amount Payable to executor of Deceased partner
 (D) Calculation of Revaluation Gain/Loss
 (E) Balance of Executor's loan A/c
 Choose the **correct** answer from the options given below:
 (a) (B), (D), (C), (A), (E)
 (b) (B), (D), (A), (C), (E)
 (c) (D), (B), (C), (A), (E)
 (d) (D), (B), (A), (C), (E)

- Q19.** Identify the correct sequence for preparation of realisation account.
 (A) Determination of Realisation Gain / Loss
 (B) Transfer of outsider's Liabilities to Realisation A/c
 (C) Realisation of Assets
 (D) Transfer of Assets to Realisation A/c
 (E) Payment of Liabilities and Realisation Expenses
 Choose the **correct** answer from the options given below:
 (a) (D), (B), (C), (E), (A)
 (b) (E), (B), (D), (C), (A)
 (c) (D), (C), (B), (E), (A)
 (d) (D), (B), (C), (A), (E)

Q20. Match List - I with List - II.

List - I		List - II	
(A)	Payable on the expiry of the specific period	(I)	Unsecured Debentures
(B)	Do not carry a specific rate of interest	(II)	Redeemable Debentures
(C)	Do not have a specific charge on the assets	(III)	Bearer Debentures
(D)	Transferred by way of delivery and the company does not keep any record	(IV)	Zero coupon rate Debentures

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

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

- Q21.** Consider the facts from the following related to compulsory dissolution of a partnership firm.
 (A) When all the partners or all but one partner, become insolvent, rendering them incompetent to sign a contract
 (B) When the business of the firm becomes illegal
 (C) When a partner becomes permanently incapable of performing his duties as a partner
 (D) When a partner persistently commits breach of partnership agreement
 (E) When some event has taken place which makes it unlawful for the partners to carry on the business of the partnership firm

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

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

Q22. Arrange the following activities in correct sequence.

- (A) Cash generated from operations
- (B) Dividend tax paid
- (C) Net profit before tax and Extra Ordinary Items
- (D) Operating profit before Working Capital changes
- (E) Proceeds from sale of Investment

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

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

Q23. Match **List - I** with **List - II**.

List - I		List - II	
(A)	Normal Rate of Return	(I)	Total Assets - Outside Liabilities
(B)	Number of years purchase	(II)	Usual return on capital employed
(C)	Capital Employed	(III)	Return over and above usual return in similar business
(D)	Super Profit	(IV)	Expected period for which returns are anticipated to accrue

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

Q24. Match **List - I** with **List - II**.

List - I		List - II	
(A)	Ctrl + P	(I)	Cut
(B)	Ctrl + X	(II)	Paste
(C)	Ctrl + V	(III)	Copy
(D)	Ctrl + C	(IV)	Print

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

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

Q25. Select the amount of net Cash Flow from Investing activities on the basis of following information, for the year ending on March 31st, 2023.

Machinery as on April 1st, 2022 ₹50,000

Machinery as on March 31st, 2023 ₹60,000

During the year, machine costing ₹25,000 with accumulated depreciation of ₹15,000 was sold for ₹10,000.

- (a) ₹10,000 inflow
- (b) ₹15,000 outflow
- (c) ₹20,000 inflow
- (d) ₹25,000 outflow

Q26. A and B are partners in a partnership firm, sharing profits in 3 : 2 ratio. They agreed to admit new partner C. A sacrifices $\frac{1}{6}$ from his share and B sacrifices $\frac{1}{4}$ from his share. Calculate new profit-sharing ratio between A, B and C.

- (a) 26 : 9 : 25
- (b) 5 : 3 : 2
- (c) 1 : 1 : 1
- (d) 25 : 20 : 15

Q27. Identify the account in case of a Not-for-Profit Organisation that exclude the Capital receipts and Capital payments.

- (a) Receipt and Payment Account
- (b) Income and Expenditure Account
- (c) Cash Account
- (d) Bank Account

Q28. At the time of Revaluation of Assets and Liabilities during admission of partner.

- (a) Profit or Gain transferred to sacrificing partners
- (b) Reduction of liability should be credited to partners' capital account
- (c) Unrecorded assets and liabilities should be written off immediately
- (d) Unrecorded Assets should be debited and unrecorded liabilities should be credited to Revaluation A/c

Q29. Calculate current ratio when:

Total asset	₹	3,00,000
Fixed asset	₹	1,60,000
Investment	₹	1,00,000
Non-current Liabilities	₹	80,000
Shareholders fund	₹	2,00,000

- (a) 3 : 1
- (b) 1.5 : 1
- (c) 2.5 : 1
- (d) 2 : 1

Q30. Which of the following user is interested in knowing borrowing capacity of the organisation at the time of analysis?

- (a) Employees and Trade Union
- (b) Bankers and lenders
- (c) Researchers
- (d) Competitors

Q31. Identify the admission fee that is paid only once by a person to become member of a Not-for-Profit Organisation.

- (a) Life Membership Fees
- (b) Entrance Fee
- (c) Subscription
- (d) Legacies

Q32. Which of the following statement is **False**?

- (a) Statement of profit and loss shows the operating performance of an enterprise for a period of time.
- (b) Financial statement of an enterprise includes statement of profit and loss, statement of balances of liabilities and assets, and Cash Flow Statement.
- (c) Financial statement helps an analyst to drive decision.

(d) Financial statements do not include Cash Flow Statement.

Q33. At the time of dissolution of partnership firm following accounts are prepared:

- (A) Revaluation A/c
- (B) Partner's capital A/c
- (C) Balance sheet
- (D) Realisation A/c
- (E) Cash/Bank A/c

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

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

Q34. In case of a financial enterprise, interest paid is classified under which activity while preparing Cash flow Statement.

- (a) Operating activity
- (b) Financing activity
- (c) Investing activity
- (d) Inflow activity

Q35. From the following information calculate Price Earning ratio:

70,000 Equity Shares of ₹10 each - ₹7,00,000
Net profit after tax before dividend - ₹1,75,000
Market price of share ₹13
Dividend declared @ 15%

- (a) 0.6
- (b) 2.5
- (c) 5.2
- (d) 1.5

Q36. Arrange following categories of Share Capital in a sequence.

- (A) Authorised capital
- (B) Subscribed but not fully paid up
- (C) Subscribed and fully paid up
- (D) Called up capital
- (E) Issued capital

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

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

Q37. Match List-I with List - II.

List - I		List - II	
(A)	Asset taken over by partner	(I)	Partner's capital A/c Dr To cash A/c
(B)	Realisation expenses	(II)	Partner's capital A/c Dr To Realisation A/c
(C)	Liabilities met by partner	(III)	Realisation A/c Dr To partners capital A/c
(D)	Realisation Expenses paid on behalf of partner by firm	(IV)	Realisation A/c Dr To cash A/c

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

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

Q38. Accumulated losses are transferred to _____ in _____ at the time of dissolution of firm.

- (a) Realisation A/c, Equal Ratio
- (b) Partner's Capital A/c, Old Ratio
- (c) Revaluation A/c, Equal Ratio
- (d) Partner's Capital A/c, Equal Ratio

Q39. Match List - I with List - II.

List - I		List - II	
(A)	Inventory	(I)	Reserve and Surplus
(B)	Current maturity of Debentures	(II)	Long term borrowings
(C)	Securities Premium	(III)	Current Assets
(D)	Debentures	(IV)	Short term borrowings

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

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

Q40. Under capitalisation method of calculating goodwill, the term capital refers to:

- (a) Amount standing to the credit of capital account of partners
- (b) Total assets minus liabilities
- (c) Total assets excluding goodwill and fictitious assets minus outsiders' liabilities
- (d) Capital calculated on the basis of new partner's capital and his share of profit

Answer based on following passage. (Q41 to Q45)

Earn Limited, with an authorised capital of ₹10,00,000 is divided into equity shares of ₹10 each, issued 50,000 Equity shares at a premium of ₹3 per share payable as follows.

On application - ₹3 per share

On allotment - ₹5 per share (including Premium)

On first and final call- Balance amount.

Applications were received for 60,000 shares. The Directors allotted the shares to all applicants on pro-rata basis.

All money received except call on 1,000 shares issued to Ravi.

Q41. Identify the subscription related to Earn Limited in above case.

- (a) Over Subscription
- (b) Under Subscription
- (c) Minimum Subscription
- (d) Equal Subscription

Q42. Select the alternatives that were available to the directors to deal with the type of subscription which arise in above case of Earn Limited in addition to the one used by them.

- (a) To change/alter the prospectus to accept all application
- (b) To totally reject all application
- (c) To accept some application in full and accept some in Pro-Rata and reject some
- (d) To accept all share application outright

Q43. Identify the amount received as Subscribed Capital.

- (a) ₹5,00,000

- (b) ₹10,00,000
(c) ₹4,90,000
(d) ₹4,95,000

Q44. Identify the term that represent authorised capital which is not offered for public subscription.

- (a) Uncalled Capital
(b) Reserve Capital
(c) Unissued Capital
(d) Calls not made

Q45. Identify the number of shares applied by Ravi.

- (a) 1,200 shares
(b) 1,000 shares
(c) 60,000 shares
(d) 50,000 shares

Answer based on following information: (Q46 – Q50)

Azad and Babli are partners in a firm sharing profits and losses in the ratio of 2 : 1 Chintan is admitted into the firm with $\frac{1}{4}$ th share in profits. Chintan will bring in ₹30,000 as his capital and the capitals of Azad and Babli are to be adjusted in the profit-sharing ratio. The Balance sheet of Azad and Babli as on December 31, 2016 (before Chintan's admission) was as follows:

Liabilities	Amount (₹)	Assets	Amount (₹)
Creditors	8,000	Cash in hand	2,000
Bills payable	4,000	Cash at bank	10,000
General reserve	6,000	Sundry debtors	8,000
		Stock	
Capital accounts:			10,000
Azad 50,000		Furniture	5,000
Babli 32,000	82,000	Machinery	25,000
		Buildings	40,000
	1,00,000		1,00,000

It was agreed that:

- (i) Chintan will bring in ₹12,000 as his share of goodwill premium.
(ii) Buildings were valued at ₹45,000 and Machinery at ₹23,000.

(iii) A provision for doubtful debts is to be created @ 6% on debtors.

(iv) The capital accounts of Azad and Babli are to be adjusted by opening current accounts.

Q46. Current accounts of partners are reflected in books of accounts as per _____ method.

- (a) Fluctuating
(b) Fixed:
(c) Volatile
(d) Dynamic

Q47. Which of the following is not a factor affecting value of goodwill?

- (a) Efficiency of management
(b) Location of business
(c) Number of partners
(d) Nature of business

Q48. State the amount of Azad's share in Revaluation gain.

- (a) ₹1,680
(b) ₹2,520
(c) ₹640
(d) ₹1,260

Q49. State journal entry to be passed of treatment of general reserve.

- (a) Debit Azad's capital A/c ₹4,000 Babli's capital A/c ₹2,000
Credit Chintan's Capital A/c ₹6,000
(b) Debit General Reserve A/c ₹6,000
Credit Azad's Capital A/c 4,000; Babli's Capital A/c ₹2,000
(c) Debit General Reserve A/c ₹6,000
Credit Azad's Capital A/c ₹3,000; Babli's Capital A/c ₹1,500; Chintan's Capital A/c ₹1,500
(d) Debit Chintan's Capital A/c ₹6,000
Credit Azad's Capital A/c ₹4,000; Babli's Capital A/c ₹2,000

Q50. Compute new capital of Babli:

- (a) ₹30,000
(b) ₹60,000
(c) ₹45,000
(d) ₹54,000

SOLUTIONS

S1. Ans. (b)

Sol. A spreadsheet is a configuration of rows and columns. Rows are horizontal vectors while columns are vertical vectors. A spreadsheet is also known as a worksheet.

S2. Ans. (a)

Sol. Since, drawings are made at the end of every two months, Average Period = $\frac{10+0}{2} = 5$ months
Interest on drawings = $7500 \times \frac{8}{100} \times 6 \times \frac{5}{12} = ₹1,500$.

S3. Ans. (b)

Sol. When debentures are issued at discount and redeemed at Premium, Loss on issue of Debenture A/c is debited with the amount of discount on issue plus premium on redemption. The Premium of Redemption of Debenture is credited with amount of premium on redemption and Debentures A/c with nominal value of debenture.

S4. Ans. (d)

Sol. In the absence of any agreement, Section 37 of the Indian Partnership Act, 1932 is applicable, which states that the outgoing partner has an option to receive either interest @ 6% p.a. till the date of payment or such share of profits which has been earned with his/her money (i.e., based on capital ratio).

S5. Ans. (d)

Sol. Accounting Standard 26- Intangible Assets:
(i) Intangible asset should be recognised by fulfilling the criteria as recognised under AS 26.
(ii) If an asset does not satisfy recognition criteria, it should be expensed.
(iii) Internally generated goodwill should not be recognised as an asset.
(iv) Internally generated brands, mastheads, and publishing titles and other similar in substance should not be recognised as intangible assets.
(v) Internally generated assets other than the goodwill, brands, mastheads, and publishing titles may be recognised provided they satisfy recognition criteria as prescribed by AS 26.
(vi) Intangible assets should be written off as early as possible but not exceeding its estimated life, which normally should not be beyond 10 years

S6. Ans. (c)

Sol. In case of non-for-profit organizations depreciation being a non-cash expense is shown in the income and expenditure account.

S7. Ans. (b)

Sol. Deferred taxes are taxes that are payable in the future. Hence, presently they are treated as non-cash expense.

S8. Ans. (c)

Sol. DBMS stands for Database Management Systems. A Database Management System (DBMS) is software that provides an efficient way to store, retrieve, and manage data in a structured and organized manner.

S9. Ans. (c)

Sol. Goodwill Purchased = Closing Balance + Goodwill Amortised – Opening Balance
Goodwill Purchased = 6,00,000 + 1,50,000 – 4,00,000 = ₹3,50,000.

Cash Flow from Investing Activities

Particulars	Amount (₹)
Goodwill Purchased	(3,50,000)
Land & Machinery purchased	(5,00,000)
Cash Outflow from Investing Activities	(8,50,000)

S10. Ans. (d)

Sol. The correct sequence for the mentioned events at the time of issuing shares is as follows:

- (C) Application money received:** This is the first step in the issuance process, where the company receives applications from potential shareholders and collects the initial payment (application money) from them.
- (A) Allotment of shares:** After receiving applications, the company evaluates them and decides how many shares to allocate to each applicant. Allotment is the process of assigning shares to applicants.
- (B) Calls in arrears:** Once shares are allotted, the company may require shareholders to make further payments (calls) on their shares. Calls in arrears refer to situations where shareholders fail to make these subsequent payments.
- (D) Forfeiture of shares:** If shareholders do not pay the required calls on their shares, the company has the right to forfeit (cancel) their shares. Forfeiture occurs when the shares are taken back by the company due to non-payment.
- (E) Reissue of shares:** After shares are forfeited, the company may choose to reissue these shares to new shareholders, completing the cycle of the issuance process.

S11. Ans. (a)

Sol. Journal Entry for Unrecorded Asset:

Cash A/c	Dr.	5,500
To Realisation		5,500

S12. Ans. (d)

Sol. The ratios that are calculated to measure the short-term solvency of a business are referred to as "Liquidity ratios." These ratios assess a company's ability to meet its short-term obligations and manage its immediate financial needs. Liquidity ratios include metrics like the current ratio and the quick ratio (acid-test ratio).

S13. Ans. (b)

Sol. The amounts owed by customers for credit purchases are typically found in the "Accounts Receivable Subsidiary Ledger." This ledger is a detailed record that provides information about individual customer accounts and the outstanding balances owed to the company.

S14. Ans. (b)

Sol. Accounts related to a Not-for-Profit Organization (NPO) typically include:

- B. **Receipt and Payment Account:** This account records all actual cash receipts and payments made by the organization during a specific period. It provides a summary of cash transactions, including subscriptions received, expenses paid, and any cash surplus or deficit.
- C. **Subscription Account:** Subscription accounts are used to track membership fees or contributions received from members or donors. They are a key source of revenue for many NPOs and are essential for their financial sustainability.
- D. **Income and Expenditure Account:** This account summarizes the income and expenses of the NPO for a specific accounting period. It helps determine whether the organization had a surplus (excess of income over expenditure) or a deficit (excess of expenditure over income) during that period.

S15. Ans. (d)

Sol. Sale of sports materials is receipt of recurring nature. It is an income item and shown in the credit side of the Income and Expenditure Account.

S16. Ans. (b)

Sol. The essential features of a partnership are:

- A. **Agreement between persons:** Partnership is formed through a mutual agreement or contract between two or more individuals who agree to carry on a business together.
- B. **Partners should carry some Business:** Partnerships are formed with the intention of carrying on a business activity. Each partner is actively involved in the business operations.
- D. **Sharing of profits/losses in agreed ratio between partners:** In a partnership, the partners agree on how the profits and losses of the business will be shared among them. This agreed-upon ratio is a fundamental aspect of the partnership agreement.

S17. Ans. (c)

Sol. Maximum discount on re-issue must not exceed amount actually received on forfeited share.
Hence, Maximum discount = $3000 \times 7 = ₹21000$

S18. Ans. (a)

Sol. The correct sequence at the time of the death of a partner is as follows:

- (B) **Preparation of Revaluation account:** This step involves revaluing the assets and liabilities of the

partnership to determine any gains or losses resulting from the change in partnership due to the death of a partner.

- (D) **Calculation of Revaluation Gain/Loss:** After preparing the Revaluation account, the gains or losses are calculated, reflecting the changes in the value of assets and liabilities.

- (C) **Calculation of Amount Payable to the Executor of the Deceased Partner:** Once the revaluation is complete, the amount payable to the executor of the deceased partner is determined. This includes the deceased partner's share of the partnership assets.

- (A) **Amount Paid to Executor:** After calculating the amount payable, it is paid to the executor of the deceased partner's estate.

- (E) **Balance of Executor's Loan Account:** Finally, any remaining balances in the executor's loan account, if applicable, are settled or adjusted.

S19. Ans. (a)

Sol. The correct sequence for the preparation of a realization account is as follows:

- (D) **Transfer of Assets to Realization A/C:** Assets are transferred to the Realization Account to record their values at the time of liquidation.

- (B) **Transfer of Outsider's Liabilities to Realization A/C:** Outsider's liabilities (liabilities to parties other than the partners) are transferred to the Realization Account.

- (C) **Realization of Assets:** Actual realization or sale of assets takes place during this step.

- (E) **Payment of Liabilities and Realization Expenses:** Liabilities and realization expenses are paid using the funds generated from asset realization.

- (A) **Determination of Realization Gain/Loss:** After all assets are realized, and liabilities and expenses are paid, the Realization Account is settled to determine if there is any realization gain or loss.

S20. Ans. (d)

- Sol.** (A) **Payable on the expiry of the specific period - (II) Redeemable Debentures:** Redeemable debentures are those that are payable to the debenture holders upon the expiry of a specific period, often with a predetermined interest rate.

- (B) **Do not carry a specific rate of interest - (IV) Zero coupon rate Debentures:** Zero coupon rate debentures do not carry a specific rate of interest; instead, they are issued at a discount to their face value and redeemed at face value at maturity.

- (C) **Do not have a specific charge on the assets - (I) Unsecured:** Unsecured debentures do not have a specific charge on the company's assets. They are not backed by collateral.

- (D) Transferred by way of delivery, and the company does not keep any record - (III) **Bearer:** Bearer debentures are transferable by physical delivery, and the company does not maintain a record of the debenture holders. The person who physically holds the debenture is considered the owner.

S21. Ans. (b)

Sol. Compulsory Dissolution: A firm is dissolved compulsorily in the following cases:

- (A) when all the partners or all but one partner, become insolvent, rendering them incompetent to sign a contract;
 (B) when the business of the firm becomes illegal; or
 (E) when some event has taken place which makes it unlawful for the partners to carry on the business of the firm in partnership,

S22. Ans. (b)

Sol. The correct sequence for the activities is as follows:

- (C) Net profit before tax and Extra Ordinary Items
 (D) Operating profit before Working Capital changes
 (A) Cash generated from operations
 (E) Proceeds from sale of Investment
 (B) Dividend tax paid

S23. Ans. (c)

Sol. The correct match for List - I with List - II is as follows:

- (A) **Normal Rate of Return - (II) Usual return on capital employed:** Normal rate of return represents the typical or expected rate of return on the capital invested in a business.
 (B) **Number of years purchase - (IV) Expected period for which returns are anticipated to accrue:** Number of years purchase is a factor used to determine the value of an asset based on its expected future returns.
 (C) **Capital Employed - (I) Total Assets - Outside Liabilities:** Capital employed is calculated as the total assets of a business minus its outside liabilities, representing the capital invested in the business.
 (D) **Super Profit - (III) Return over and above usual return in similar business:** Super profit refers to the extra or additional profit earned by a business over and above the normal or expected return in a similar industry or business.

S24. Ans. (c)

Sol. The correct match for List - I with List - II is as follows:

- (A) **Ctrl + P - (IV) Print:** The Ctrl + P keyboard shortcut is used to print documents.
 (B) **Ctrl + X - (I) Cut:** Ctrl + X is used to cut selected text or objects.
 (C) **Ctrl + V - (II) Paste:** Ctrl + V is used to paste the content that was previously cut or copied.
 (D) **Ctrl + C - (III) Copy:** Ctrl + C is used to copy selected text or objects.

S25. Ans. (d)

Machinery A/c

Particulars	Amount (₹)	Particulars	Amount (₹)
To Bal b/d	50,000	By Bank A/c (Sale)	10,000
		By Depreciation A/c	15,000
To Bank (Purchase-Bal. Fig)	35,000	By Bal c/d	60,000
Total	85,000	Total	85,000

Cash Flows from Investing Activities

Particulars	₹
Sale of Machinery	10,000
Purchase of Machinery	(35,000)
Net cash used (outflow) in Investing Activities	(25,000)

S26. Ans. (a)

Sol. A : B = 3 : 2

A's sacrifice = $\frac{1}{6}$ from his share

A's new share = $\frac{3}{5} - \frac{1}{6} = \frac{13}{30}$

B's sacrifice = $\frac{1}{4}$ from his share

B's new share = $\frac{2}{5} - \frac{1}{4} = \frac{3}{20}$

C's share = $\frac{1}{6} + \frac{1}{4} = \frac{5}{12}$

New ratio = $\frac{13}{30} : \frac{3}{20} : \frac{5}{12} = 26 : 9 : 25$

S27. Ans. (b)

Sol. The Income and Expenditure Account is used to record revenue (income) and expenses (expenditure) related to the organization's regular activities and operations. It does not include capital transactions like the acquisition of assets or capital contributions. Instead, it focuses on the day-to-day financial activities and the determination of the surplus or deficit from the organization's operations during a specific accounting period.

S28. Ans. (d)

Sol. During the revaluation of assets and liabilities upon the admission of a new partner, unrecorded assets (assets not previously accounted for) should be debited to the Revaluation Account to recognize their value. Simultaneously, unrecorded liabilities (liabilities not previously accounted for) should be credited to the Revaluation Account to account for their existence.

S29. Ans. (d)

Sol. Current Assets = Total Assets - (Fixed Assets + Investment) = 3,00,000 - 2,60,000 = 40,000.

Current Liabilities = Total Assets - (Non-current Liabilities + Shareholders' Fund) = 3,00,000 - 2,80,000 = 20,000

Current Ratio = $\frac{\text{Current Assets}}{\text{Current Liabilities}} = \frac{40,000}{20,000} = 2:1$

S30. Ans. (b)

Sol. Bankers and lenders are the ones who are primarily interested in knowing the borrowing capacity of an organization during the analysis. They need this information to assess the organization's creditworthiness and determine whether they can provide loans or credit facilities to the organization.

S31. Ans. (b)

Sol. An entrance fee is a one-time payment made by an individual to become a member of a not-for-profit organization. This fee is typically paid at the time of joining and is separate from any ongoing subscriptions or contributions.

S32. Ans. (d)

Sol. Financial statements typically include three main components:

1. The Statement of Profit and Loss (also known as the Income Statement), which shows the operating performance of an enterprise for a period of time.
2. The Balance Sheet, which provides a snapshot of an organization's financial position at a specific point in time.
3. The Cash Flow Statement, which details the cash inflows and outflows over a specific period, helping to understand the cash flows of the organization.

S33. Ans. (b)

Sol. The correct accounts prepared at the time of the dissolution of a partnership firm are:

- (B)** Partner's capital A/C: These accounts are prepared to determine the final capital position of each partner after taking into account their share of assets and liabilities in the partnership. It reflects the distribution of the partnership's assets and liabilities among the partners.
- (D)** Realisation A/c: At the time of dissolution of a firm all the books of account are closed, all assets are sold and all liabilities are paid off. In order to record the sale of assets and discharge of liabilities a nominal account is opened known as realisation account
- (E)** Cash/Bank A/C: It records all the cash received and paid out during the winding up of the partnership, ensuring that the final cash position is accurately accounted for.

S34. Ans. (a)

Sol. Interest paid by a financial enterprise is classified under the operating activity while preparing the Cash Flow Statement. Operating activities include cash flows that result from the primary revenue-generating activities of the business. For a financial enterprise, interest paid is a normal part of its day-to-day operations, and therefore, it falls under operating activities.

S35. Ans. (c)

Sol. Earnings per share = $\frac{\text{Net profit after tax but before dividend}}{\text{No. of shares}}$
 Earnings per share = $\frac{1,75,000}{70,000} = ₹2.5$
 Price-Earning Ratio = $\frac{\text{Market Price per share}}{\text{EPS}} = \frac{13}{2.5} = 5.2$

S36. Ans. (d)

Sol. The correct sequence for the categories of Share Capital is as follows:

- (A) Authorised capital:** This is the maximum amount of capital that a company is legally allowed to issue. It represents the total number of shares the company is authorized to offer to shareholders.
- (E) Issued capital:** Issued capital is the portion of authorized capital that the company has actually issued to shareholders. It represents the shares that have been allocated to investors.
- (C) Subscribed and fully paid up:** This category includes shares that have been both subscribed (requested by shareholders) and fully paid up (the shareholders have paid the full amount for these shares).
- (B) Subscribed but not fully paid up:** These are shares that have been subscribed by shareholders, but they have not yet paid the full amount for these shares. Payment is pending.
- (D) Called up capital:** Called up capital represents the portion of subscribed capital that the company has "called up" or requested payment for. It is the amount the company has asked shareholders to pay on their subscribed shares.

S37. Ans. (d)

Sol. The correct match is given below:

List - I		List - II	
(A)	Asset taken over by partner	(II)	Partner's capital A/c Dr To realisation A/c
(B)	Realisation expenses	(IV)	Realisation A/c Dr To cash A/c
(C)	Liabilities met by partner	(III)	Realisation A/c Dr To partners capital A/c
(D)	Realisation Expenses paid on behalf of partner by firm	(I)	Partner's capital A/c Dr To cash A/c

S38. Ans. (b)

Sol. Accumulated losses in a partnership firm are typically transferred to the Partner's Capital Accounts in accordance with the old profit-sharing ratio.

S39. Ans. (a)

Sol. The correct matching is as follows:

- (A) Inventory (III) Current Assets:** Inventory is a component of current assets, as it represents the value of goods or products that a company holds for sale in the near term.
- (B) Current maturity of Debentures (IV) Short term borrowings:** The current maturity of debentures represents the portion of long-term

debentures that is due for repayment in the short term, making it a form of short-term borrowing.

(C) Securities Premium (I) Reserve and Surplus: Securities premium is typically added to the reserve and surplus section of the balance sheet, as it represents the excess amount received over the face value of securities issued.

(D) Debentures (II) Long-term borrowings: Debentures are a form of long-term borrowing, as they represent funds borrowed by a company with a long-term repayment horizon.

S40. Ans. (c)

Sol. In the context of calculating goodwill using the capitalization method, the term "capital" refers to the total capital employed in the business, which is calculated as the total assets (excluding goodwill and fictitious assets) minus the liabilities owed to outsiders (i.e., external parties or creditors)

S41. Ans. (a)

Sol. Earn Limited issued 50,000 equity shares but received applications for 60,000 shares. This is a case of Oversubscription of shares.

S42. Ans. (c)

Sol. Directors, to deal with the case of oversubscription, have to accept some application in full and accept some in Pro-Rata and reject some of the applications.

S43. Ans. (d)

Sol. Subscribed capital = Subscribed and fully paid up + Subscribed and partly paid up

Sol. Subscribed capital = $(49,000 \times 10) + (1,000 \times 5) = ₹4,95,000$

S48. Ans. (a)

Revaluation account

Particulars	Amount(₹)	Particulars	Amount (₹)
To Machinery A/c	3,000	By Building A/c	5,000
To Provision on Doubtful debts	480		
To profit transferred to:			
Azad's capital: ₹1,680			
Babli's Capital: ₹840	2,520		
Total	5,000	Total	5,000

S49. Ans. (b)

Sol. Journal Entry for transfer of General Reserve:

General Reserve A/c	Dr.	6,000
To Azad's Capital		4,000
To Babli's Capital		2,000

S50. Ans. (a)

Sol. Calculation of new Ratio:

Chintan's share = $\frac{1}{4}$; Remaining share = $1 - \frac{1}{4} = \frac{3}{4}$

S44. Ans. (c)

Sol. Unissued capital refers to the portion of authorized capital that has not yet been allocated or issued to shareholders or the public. It's a part of the authorized capital that the company has the authority to issue in the future but has not done so at the present time.

S45. Ans. (a)

Sol. Shares applied by Ravi = $1000 \times \frac{60,000}{50,000} = 1,200$.

S46. Ans. (b)

Sol. In a fixed method of maintaining partner's current accounts, each partner's capital account reflects a fixed capital balance that represents their initial capital contribution. Transactions, such as profits, losses, drawings, and additional capital contributions, are recorded separately in their respective current accounts.

S47. Ans. (c)

Sol. Goodwill is primarily influenced by factors such as the efficiency of management, the location of the business, and the nature of the business. These factors impact the reputation, customer base, and profitability of the business, which in turn affects the value of goodwill. The number of partners in a business structure is generally not a direct factor in assessing goodwill, as it is more related to the internal ownership and management structure of the firm rather than its external reputation and value in the market.

Azad's New share = $\frac{3}{4} \times \frac{2}{3} = \frac{6}{12}$

Babli's New share = $\frac{3}{4} \times \frac{1}{3} = \frac{3}{12}$

Chintan's capital = 30,000

Total capital of firm on the basis of Chintan's capital = $30,000 \times \frac{4}{1} = 1,20,000$

Babli's new capital = $1,20,000 \times \frac{1}{4} = 30,000$