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Note : Free Mock Tests will be available only after 1st Nov, 2023



CUET

Preparation Tips 2024

Before preparing for Common Universities Entrance Test (CUET), a strong road map must be prepared, which includes what subject to cover, when, how many hours you should allocate for each subject, etc.

Most of you may not have clarity on your goals while in school, while a few plan it early!

If you have set your goal to get admission to one of the top central universities, you must start preparing early!

1 **Understand the Exam Pattern**

Though the number of questions is the same, the paper pattern differs for each college. Therefore, knowing the paper pattern for the particular college plays a vital role in qualifying for the entrance exam.

As per the CUET Exam Pattern, the entrance exam will include four sections:

- Section 1 A : 13 Languages
- Section 1 B : 20 Languages
- Section 2 : Domain-specific test
- Section 3 : General test

Knowing the specific exam pattern for the college you have applied to is also important. Visit the official website of the CUET to know the exam pattern for the respective colleges you have applied to. Only then start with your preparations.

2 **Know your Syllabus**

Once you understand your exam pattern, the second step is to list down the syllabus, so you know what to study. Visit the official website of CUET; it has the respective syllabus for the course and the college.

Note that the syllabus may differ for every college. Therefore, it is important to carefully review and double-check your syllabus before you start your preparations.

3 **Schedule a TimeTable**

Scheduling is something that will give fantastic results if you plan it properly. However, preparing a study plan is one of the most challenging tasks for most.

- Your everyday schedule should have time for CUET exam preparation.
- Initially, you can give 1-2 hours for the entrance exam and the rest for the board exams.
- Once the board exams get over, you can utilize the maximum of your time for the NTA CUET exam prep.

4 **Make a List of Colleges You wish to Target**

- Before starting your preparation, you must make a CUET Colleges and course list.
- Then, understand the previous year's cut-off and position of the counselling for the particular college.
- Doing this will help you understand the marks you must score in the CUET exam to get admission to a particular course in your desired college, thus helping you enhance your preparation levels for the upcoming exam.

5

Newspaper Should Be Your New Friend

- Reading the newspaper will help improve your vocabulary, grammar, and reading comprehension skills.
- To improve your English language, you can refer to the Hindu or the Time of India newspapers.
- You can prefer to read the Dainik Bharat newspaper to improve your Hindi language.
- You must spend at least 30 minutes analyzing and reading the newspaper's editorial page.

6

Practice Mock Tests

- Working on the concepts and writing mock tests based on the exam pattern is essential, as it will help you

understand your strengths and weak areas, which can be improved.

- Take up at least one CUET Mock Test every week and try to analyze your performance after completing the mock test.
- Also, try to attempt as many MCQs as possible from your board exam topics. Gradually increase the number of mocks you take.

7

Revision

You should not pick a fresh topic to study at the last minute of preparations. The last days are meant for only revision, so you can revise and remember the topics you have already learned.

Revision is extremely important to have a good score. Studying without revision is "working hard, but without a plan"!

CUET Preparation Tips for the CUET Domain-Specific Test?

The domain specific-test of the CUET entrance exam will have 27 subjects, out of which you have to choose six domains that you wish to pursue in your UG course.

The standard of questions in this section is of class 12 level. Therefore, knowing the fundamental concepts of your chosen

subject will help you score well in this section.

Also, you must choose the subjects you feel are very interesting and enjoy studying in the morning. Try to attempt easy, moderate, and challenging level MCQ questions from the NCERT textbooks.

CUET Preparation Tips for NTA CUET 2024 along with Board Exams?

You can succeed in both CUET and board exams if you are good at time management. Also, you can score better if you are consistent throughout your preparation.

A proper study plan and preparation strategies will help you Manage boards and CUET preparation together.

When preparing the timetable, focus on keeping separate time for board

preparation, CUET domain-specific preparation, and lastly, allot separate time to solve the aptitude section.

Board exams must be your priority, and you should work on enhancing your domain subject knowledge during your board exam preparation. And do this till the board exams are over.

After completing your board exams, you will have roughly 30-40 days to prepare for the Common Universities Entrance Test. So, utilize this entire month to enhance your preparation levels for CUET.

CUET Preparation Tips 2024:

Best Books

Opting for the right book is very important to understand the concepts in-depth and score good marks in the upcoming exam.

The following are some of the best CUET Preparation Books you can include during your preparation.

- Arihant's English Grammar & Composition by S.C. Gupta
- Arihant's Test of Arithmetic & General Knowledge by Manohar Pandey
- Arihant's CUET (UG) Self Study Guides

Is It Useful To Solve Mock Tests for CUET Exam 2024?

According to the CUET preparation tips 2024, attempting mock tests is one of the best methods to improve your speed and accuracy in the final exam.

- With the help of mock tests, you can know the difficulty level of the paper and the type of questions asked in the exam.
- You can test your preparation levels for the upcoming exam.
- Most importantly, it can help improve your confidence levels.

Conclusion

"Kya CUET bohot tough hai?"; nahi bilkul bhi nahi. If you know and follow the right preparation strategy, there is nothing called as tough. In fact, CUET is in a nurturing phase, so it's not a very tough exam to crack. If you are willing and determined, you can easily crack the CUET 2024 exam. These CUET Preparation Tips are specially curated for CUET 2024 aspirants to help you use the right strategies for the exam.

Syllabus

ACCOUNTING FOR NOT-FOR-PROFIT ORGANIZATIONS AND PARTNERSHIP FIRMS

Unit I: Accounting Not-for-Profit Organisation

- Not-for-profit organization: Meaning and Examples.
- Receipts and Payments: Meaning and Concept of fund-based and non-fund-based accounting.
- Preparation of Income and Expenditure Account and Balance sheet from receipt and payment account with additional information.

Unit II: Accounting for Partnership

- Nature of Partnership Firm: Partnership deed (meaning, importance).
- Final Accounts of Partnership: Fixed v/s Fluctuating capital, Division of profit among partners, Profit and Loss Appropriation account.

Unit III: Reconstitution of Partnership

- Changes in profit sharing ratio among the existing partners – Sacrificing ratio and Gaining ratio.
- Accounting for Revaluation of Assets and Liabilities and Distribution of reserves and accumulated profits.
- Goodwill: Nature, Factors affecting and Methods of valuation: Average profit, Super profit, Multiplier, and Capitalization methods.
- Admission of a Partner: Effect of admission of a partner, Change in profit sharing ratio, the Accounting treatment for goodwill, Revaluation of assets and liabilities, Reserves (accumulated profits), and Adjustment of capitals.
- Retirement/Death of a Partner: Change in profit sharing ratio, Accounting treatment of goodwill, Revaluation of assets and liabilities, Adjustment of accumulated profits (Reserves).

Unit IV: Dissolution of Partnership Firm

- Meaning, Settlement of accounts: Preparation of realization account and related accounts (excluding piecemeal distribution, sale to a company and insolvency of a Partner)

COMPANY ACCOUNTS AND FINANCIAL STATEMENT ANALYSIS

Unit V: Accounting for Share and Debenture Capital

- Share Capital: Meaning, Nature and Types.
- Accounting for Share Capital: Issue and Allotment of Equity and Preference Shares; Over subscription and Under subscription; Issue at par, premium and at discount; Calls in advance, Calls in arrears, Issue of shares for consideration other than cash.
- Forfeiture of Shares: Accounting treatment, Re-issue of forfeited shares.
- Presentation of shares and Debentures Capital in the company's balance sheet.
- Issue of Debenture – At par, premium, and discount; Issue of debentures for consideration other than cash.
- Redemption of the debenture.
- Out of proceeds of fresh issue, accumulated profits, and sinking fund.

Unit VI: Analysis of Financial Statements

- Financial Statements of a Company: Preparation of simple financial statements of a company in the prescribed form with major headings only.
- Financial Analysis: Meaning, Significance, Purpose, Limitations.
- Tools for Financial Analysis: Comparative statements, Common size statements.
- Accounting Ratios: Meaning and Objectives, Types of ratios:

Liquidity Ratios: Current ratio, Liquidity ratio.

Solvency Ratio: Debt to equity, Total assets to debt, Proprietary ratio.

Activity Ratio: Inventory turnover, Debtors turnover, Payables turnover, Working capital turnover, Fixed assets turnover, Current assets turnover.

Profitability Ratio: Gross profit, Operating ratio, Net profit ratio, Return on Investment, Earning per Share, Dividend per Share, Profit Earning ratio.

Unit VII: Statement of Changes in Financial Position

- Cash Flow Statement: Meaning and Objectives, Preparation, Adjustments related to depreciation, dividend and tax, sale and purchase of non-current assets (as per revised standard issued by ICAI).

COMPUTERIZED ACCOUNTING SYSTEM

Unit I: Overview of Computerized Accounting System

- Concept and Types of Computerized Accounting System (CAS).
- Features of a Computerized Accounting System.
- Structure of a Computerized Accounting System.

Unit II: Using Computerized Accounting System

- Steps in the installation of CAS, Preparation of chart of accounts, Codification, and Hierarchy of account heads.
- Data entry, Data validation, and Data verification.
- Adjusting entries, Preparation of financial statements, Closing entries, and Opening entries.

- Security of CAS and Security features are generally available in CAS (Students are expected to understand and practice the entire accounting process using an accounting package.)

Unit III: Accounting Using Database Management System (DBMS)

- Concepts of DBMS. Objects in DBMS: Tables, Queries, Forms, Reports.
- Creating data tables for accounting.
- Using queries, forms, and reports for generating accounting information. Applications of DBMS in generating accounting information such as shareholders' records, sales reports, customers' profiles, suppliers' profiles payroll, employees' profiles, and petty cash registers.

Unit IV: Accounting Applications of Electronic Spreadsheet

- Concept of an Electronic Spreadsheet (ES).
- Features offered by Electronic Spreadsheet.
- Applications of Electronic Spreadsheet in generating accounting information, preparing depreciation schedules, loan repayment schedules, payroll accounting, and other such company

CUET (UG) Section II ■ **DOMAIN COMMERCE**

SOLVED PAPER (2023-22)

SOLVED PAPER 2023*

NTA CUET (UG)
ACCOUNTANCY

Instructions

- Attempt any 40 out of the given 50 questions. No mark will be given to unanswered for review questions.
- Each question carries 5 marks. Negative marking of 1 mark for a wrong answer.

Time : 45 Min
MM : 200

- From the following account, calculate the amount to be shown in receipts and payments account as on 31st March, 2023
Salary payable for the year – ₹ 1,64,000
Salary outstanding as on 31st March, 2022 – ₹ 44,000
Salary outstanding as on 31st March, 2023 – ₹ 20,000
Salary paid in advance as on 31st March, 2022 – ₹ 10,000
(a) ₹ 1,42,000 (b) ₹ 1,46,000
(c) ₹ 1,50,000 (d) ₹ 1,64,000
- When the incoming partner brings his share of premium for goodwill in cash, it is adjusted by crediting to
(a) his capital account
(b) sacrificing partners' capital account
(c) premium for goodwill account
(d) None of the above
- Which is the correct order of treatment of goodwill at the time of change in profit sharing ratio?
A. Calculate compensation payable by gaining partner(s) to sacrificing partner(s).
B. Pass the adjustment entry.
C. Calculate the share gained and share sacrificed.
Choose the correct answer from the options given below
(a) A, B and C (b) C, B and A
(c) A, C and B (d) C, A and B
- At the time of retirement of partner, some adjustments are to be made which are
A. New profit sharing ratio of continuing partners.
B. Accounting treatment of goodwill.
C. Sacrificing ratio of continuing partners.
D. Accounting treatment of accumulated profits.
Choose the correct answer from the options given below
(a) A, B and C (b) A, C and D
(c) A, B and D (d) B, C and D
- The written mutual agreement between the partners that defines the terms and conditions of the partnership business, is known as
(a) partnership (b) partnership deed
(c) partnership contract (d) partnership act
- Which of the following receipts are shown in income and expenditure account?
A. Interest on general fund investments
B. Legacy C. Life membership fees
D. Entrance fees
Choose the correct answer from the options given below
(a) A, B and D (b) B, C and D
(c) A, C and D (d) A, B and C
- Which is the correct sequence for determining Price Earning (PE) ratio?
A. Determine dividend on preference shares.
B. Find net profit.
C. Determine earning per share.
D. Determine profit available for equity shareholders.
E. Divide the market price of a share by earning per share.
Choose the correct answer from the options given below
(a) B, A, D, E and C (b) D, A, B, C and E
(c) B, A, E, D and C (d) B, A, D, C and E

*Memory Based Paper

8. External users of financial statement do not include

- (a) banks (b) management
(c) creditors (d) investors

9. With the help of given information, compute total assets turnover ratio.

Current Assets = ₹ 2,00,000

Non-current Assets = ₹ 3,00,000

Revenue from Operations = ₹ 15,00,000

- (a) 1 time (b) 2 times
(c) 3 times (d) 5 times

10. Which of the following are not the sources of cash?

- A. Issue of debentures as collateral security.
B. Proceed from sale of fixed assets.
C. Purchase of building on deferred payment basis.
D. Increase in bank overdraft.
E. Increase in goodwill.

Choose the correct answer from the options given below

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

11. If net profit made during the year is ₹ 5,00,000 and the debtors have decreased by ₹ 50,000 during the year, then the cash flow from operating activities will be

- (a) ₹ 50,000 (b) ₹ 4,50,000
(c) ₹ 5,00,000 (d) ₹ 5,50,000

12. shall be considered as an outflow of cash in the cash flow statement.

- (a) Decrease in public deposits
(b) Increase in accounts payable
(c) Issue of share capital
(d) Decrease in accounts receivable

13. Match List-I with List-II.

List-I	List-II
A. General reserve	(i) among continued partners in gaining ratio.
B. Profit of reconstituted firm	(ii) among old partners in sacrificing ratio.
C. Premium for goodwill	(iii) among old partners in old ratio.
D. Share of retiring partner	(iv) among all partners in new ratio.

Choose the correct answer from the options given below

- A B C D A B C D
(a) (i) (ii) (iv) (iii) (b) (ii) (iv) (iii) (i)
(c) (iii) (iv) (ii) (i) (d) (iii) (i) (ii) (iv)

14. Rahul and Prem are partners in a firm. They admit Teena as a partner for 1/4th share in the profits of the firm. Teena brings ₹ 2,00,000 as her share of capital. The value of total assets of the firm is ₹ 5,40,000 and outside liabilities are valued at ₹ 1,00,000 on that date. Teena's premium share for goodwill is

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

15. Match List-I with List-II.

List-I	List-II
A. Redemption of preference shares	(i) Cash and cash equivalents
B. Proceed from sale of goodwill	(ii) Operating activities
C. Decrease in prepaid expenses	(iii) Investing activities
D. Cash at bank	(iv) Financing activities

Choose the correct answer from the options given below

- A B C D A B C D
(a) (i) (ii) (iii) (iv) (b) (iv) (iii) (ii) (i)
(c) (iii) (i) (iv) (ii) (d) (iv) (iii) (i) (ii)

16. While computing cash flow from operating activities, which of the following are not deducted if starting point is surplus?

- A. Refund of tax.
B. Transfer to provision for doubtful debts.
C. Sale proceeds of machinery.
D. Interest received on investment.

Choose the correct answer from the options given below

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

17. Arrange the following events in order of happening when shares are forfeited.

- A. Forfeiture of share
B. Allotment of share
C. Application of share
D. Non-payment of call

Choose the correct answer from the options given below

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

18. A private company must have atleast members to form a valid company.

- (a) 1 (b) 2
(c) 3 (d) 7

19. Debentures that do not carry and charge or security on assets of the company are known as
 (a) secured debentures (b) unsecured debentures
 (c) registered debentures (d) bearer debentures
20. When a company has called-up but not received the total nominal value of the share, it is known as
 (a) issued capital
 (b) subscribed and fully paid-up
 (c) authorised capital
 (d) subscribed but not fully paid-up
21. A company invited application for 2,00,000 shares. It received applications for 3,00,000 shares. Applications for 60,000 shares were rejected and remaining shares were allotted on pro-rata basis. Ram is an applicant of 6,000 shares. How many shares will be allotted to him?
 (a) 5,000 (b) 7,200
 (c) 9,000 (d) 4,000

22. Match the following as per Schedule III (Revised).

List-I	List-II
A. Reserves and surplus	(i) Long-term borrowings
B. Non-current liabilities	(ii) Trade payable
C. Current liabilities	(iii) Shareholder's fund
D. Non-current assets	(iv) Plant and machinery

Choose the correct answer from the options given below

- | | | | | | | | |
|---------|------|-------|-------|-----------|------|------|------|
| A | B | C | D | A | B | C | D |
| (a) (i) | (ii) | (iii) | (iv) | (b) (iii) | (i) | (ii) | (iv) |
| (c) (i) | (iv) | (ii) | (iii) | (d) (iii) | (ii) | (iv) | (i) |

23. When a partner undertakes to pay creditors of the firm on dissolution, journal entry will be
 (a) Creditors A/c Dr
 To Bank A/c
 (b) Realisation A/c Dr
 To Partner's Capital A/c
 (c) Bank A/c Dr
 To Partner's Capital A/c
 (d) Creditors A/c Dr
 To Partner's Capital A/c
24. A partnership firm is compulsorily dissolved, when
 (a) the business of the firm is declared illegal
 (b) a partner becomes insolvent
 (c) a partner of firm dies
 (d) on completion of the venture

25. Which of the following items will be credited to partner's capital account at the time of dissolution of firm?
 A. Workmen compensation reserve, if there is no claim.

- B. General reserve.
 C. Depreciation reserve.
 D. Provision for doubtful debts.

Choose the correct answer from the options given below

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

26. When an unrecorded liability is paid on the dissolution of a firm, it is debited to
 (a) liabilities account (b) partner's capital account
 (c) realisation account (d) revaluation account
27. On dissolution, loss calculated in realisation account is to account.
 (a) credited, cash
 (b) credited, partner's capital
 (c) debited, cash
 (d) debited, partner's capital
28. When a firm is dissolved, following accounts are opened in the books.

- A. Realisation account B. Partner's loan account
 C. Partners' capital account D. Cash/Bank account

Choose the correct answer from the options given below

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

29. When shares are forfeited, the share capital account is debited with
 (a) nominal value of shares
 (b) market value of shares
 (c) called-up value of shares
 (d) paid-up value of shares
30. When a company wants to reduce its capital, it purchases its own shares. This process is known as
 (a) sale of shares (b) issue of shares
 (c) buy back of shares (d) purchase of shares
31. According to 'Table F', interest on calls-in-arrears is charged @
 (a) 5% p.a. (b) 6% p.a.
 (c) 10% p.a. (d) 12% p.a.

32. Match List-I with List-II.

List-I	List-II
A. Profit on sale of sports equipment	(i) Debit side of receipts and payments account.
B. Purchase of sports equipment	(ii) Credit side of income and expenditure account.
C. Sale of sports equipment	(iii) Credit side of receipts and payments account.
D. Depreciation on sports equipment	(iv) Debit side of income and expenditure account.

Choose the correct answer from the options given below

- A B C D
 (a) (i) (iii) (ii) (iv)
 (b) (ii) (iii) (i) (iv)
 (c) (i) (iii) (iv) (ii)
 (d) (iv) (iii) (i) (ii)

33. Current accounts of the partners will be debited for

- A. Goodwill written-off.
 B. Interest on drawings.
 C. Share of profit for the year.
 D. Withdrawal of capital.

Choose the correct answer from the options given below

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

34. Match List-I with List-II.

List-I	List-II
A. Interest on capital	(i) Credited to profit and loss appropriation account.
B. Interest on drawings	(ii) Debited to profit and loss account.
C. Interest on partner's loan	(iii) Debited to profit and loss appropriation account.
D. Rent earned	(iv) Credited to profit and loss account.

Choose the correct answer from the options given below

- A B C D
 (a) (i) (iv) (ii) (iii)
 (b) (ii) (iii) (i) (iv)
 (c) (i) (ii) (iv) (iii)
 (d) (iii) (i) (ii) (iv)

35. A, B and C are partners, sharing profits in the ratio of 5 : 2 : 1. If the new ratio on the retirement of A is 3 : 2, what will be the gaining ratio?

- (a) 14 : 11 (b) 11 : 14
 (c) 3 : 2 (d) 2 : 1

36. During the settlement of deceased partner's executor's account, when payment is made in one instalment, which account is credited?

- (a) Partner's capital account
 (b) Deceased partner's executor's account
 (c) Cash account
 (d) Realisation account

37. Which of the following commands is used to save any transaction permanently in the database?

- (a) Rollback (b) Save point
 (c) Promise (d) commit

38. The term 'data' refers to

- (a) basic information (b) raw facts and figures
 (c) advance information (d) electronic information

39. The files created by spreadsheet software are called

- (a) programme (b) spreadsheet
 (c) worksheet (d) blanksheet

40. Which tab gives the option to consolidate data in open office writer?

- (a) File tab (b) View tab
 (c) Data tab (d) Edit tab

Direction Read the passage carefully and answer the following questions 41 to 45

Ryan International Ltd. issued 5,000, 9% shares of ₹ 100 each at a premium of ₹ 20 payable as follows

₹ 40 on application.

₹ 40 (including premium of ₹ 20) on allotment.

Balance as first and final call.

Applications were received for 7,500 shares and allotment was made on pro-rata basis. All the calls were made and amounts received except Mudit who has applied for 3,000 shares. His shares are forfeited after allotment as he didn't pay allotment money.

41. The amount of money received during application is

- (a) ₹ 1,50,000 (b) ₹ 3,00,000
 (c) ₹ 1,00,000 (d) ₹ 2,00,000

42. What is the balance amount per share to be received at first and final call?

- (a) ₹ 10 (b) ₹ 20
 (c) ₹ 30 (d) ₹ 40

43. What amount will be transferred to the securities premium reserve account?

- (a) ₹ 1,00,000 (b) ₹ 1,50,000
 (c) ₹ 40,000 (d) ₹ 60,000

44. The above case shows which of the following cases of subscription?

- (a) Undersubscription
 (b) Oversubscription
 (c) Subscription at par
 (d) Subscription at discount

45. Shareholders are the of the company.

- (a) creditors (b) debtors
 (c) owners (d) employees

Direction Analyse the hypothetical extract of Maria Lifestyles Ltd. and answer the following questions 46 to 50

Current Ratio	1.38 : 1
Shareholders Fund (Equity)	₹ 15,00,000
Debt-equity Ratio	0.33 : 1
Proprietary Ratio	0.75 : 1
Share Capital	₹ 12,00,000
Total Assets to Debt Ratio	9.33 : 1

- 46.** Which of the following options are correct for ratio analysis?
- A. It becomes less effective as it ignores price level changes.
 - B. It becomes more effective as it ignores price level changes.
 - C. It provides deeper analysis of liquidity, solvency, activity and profitability of bussiness.
 - D. It becomes less effective as it considers price level changes.
- Choose the correct answer from the options given below
- (a) A and C
 - (b) B and C
 - (c) C and D
 - (d) B and D

- 47.** Current ratio is calculated as
- (a) $\frac{\text{Total Assets}}{\text{Total Liabilities}}$
 - (b) $\frac{\text{Current Assets}}{\text{Current Liabilities}}$
 - (c) $\frac{\text{Fixed Assets}}{\text{Current Assets}}$
 - (d) Current Assets – Current Liabilities
- 48.** Debt-equity ratio is calculated using which of the following formula?
- (a) $\frac{\text{Long-term Debts}}{\text{Shareholder's Funds}}$
 - (b) $\frac{\text{Shareholder's Funds}}{\text{Long-term Debts}}$
 - (c) $\frac{\text{Short-term Debts}}{\text{Equity}}$
 - (d) $\frac{\text{Total Debts}}{\text{Total Equity}}$
- 49.** Proprietary ratio is a/an ratio.
- (a) liquid
 - (b) solvency
 - (c) activity
 - (d) turnover
- 50.** Total assets to debt ratio is measured as total assets divided by
- (a) total liabilities
 - (b) total debts
 - (c) long-term debt
 - (d) short-term debt

Right Options

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

HINTS & ANSWERS

1. (c)

Particulars	Amt (₹)
Salary payable for the year	1,64,000
(-) Salary outstanding as on 31st March, 2022	(44,000)
(+) Salary outstanding as on 31st March, 2023	20,000
(+) Salary paid in advance as on 31st March, 2022	10,000
Amount to be shown in receipt and payment account	1,50,000

2. (b) When the incoming partner brings his share of premium for goodwill in cash, it is adjusted by crediting to sacrificing partner's capital account.

Premium for goodwill is the extra amount brought in by the incoming partner to compensate the old partners for their loss in the share of profits of the firm.

Accounting entry for this will be as

Premium for Goodwill A/c	Dr
To Sacrificing Partners' Capital A/c	

3. (d) At the time of change in profit sharing ratio, goodwill is treated as follows

- First, calculate the share gained and share sacrificed.
- Then, calculate compensation payable by gaining partners to sacrificing partners.
- Pass the adjustment entry in books.

4. (c) At the time of retirement of a partner, following adjustments are to be made

- Calculation of new profit sharing ratio of continuing partners.
- Revaluation of assets and liabilities.
- Calculation of gaining ratio of continuing partners.
- Accounting treatment of goodwill.
- Distribution of accumulated profits/losses and reserves.
- Disposal of the amount due to the retiring partner.
- Adjustment of capital accounts of the remaining partners in their new profit sharing ratio (if applicable).

5. (b) The purpose of a partnership deed is to provide clear understanding of the roles of each partner, which ensures smooth running of the operations of the firm.

6. (a) Income and expenditure account is the detailed summary of every income and expense incurred by an organisation in a specific financial year.

Receipts shown in this account include grants, subscriptions, entrance fees, general donations, legacy, interest or dividends on investments, etc.

7. (d) Price earning ratio or P/E ratio is the ratio of the current price of a company's share in relation to its earnings per share. It is determined as follows
- Find net profit.
 - Determine dividend on preference shares.
 - Determine profit available for equity shareholders.
 - Determine earning per share.
 - Divide market price of a share by earning per share.

8. (b) External users are the people outside the business organisation, who use accounting information for decision-making. They are not involved in the operations of the company but hold some financial interest. Examples of external users are suppliers, banks, customers, creditors, investors, tax authorities etc.

9. (c) Total Assets Turnover Ratio

$$\begin{aligned}
 &= \frac{\text{Revenue from Operations}}{\text{Total Assets}} \\
 &= \frac{15,00,000}{(2,00,000 + 3,00,000)} \\
 &= 3 \text{ times}
 \end{aligned}$$

10. (c)

- When a company issues debentures as a subsidiary or secondary security in addition to principal security, at the time of taking a loan from a bank or other party, it is called issue of debentures as collateral security thus, there is no inflow of cash here.
- Purchase of building on deferred payment basis means delayed payment of building, thus there is no inflow of cash here as building is purchased that means we have to pay. Purchase of fixed assets is utilisation/application of cash.
- If the value of goodwill increases, it will be considered as purchase of goodwill and will be treated as utilisation of cash under investing activities.

11. (d) Net Profit during the Year	5,00,000
(+) Decrease in Debtors	50,000
Cash Flow from Operating Activities	₹ 5,50,000

12. (a) Decrease in public deposit means amount of funds is going out or leaving the business. Thus it indicates an outflow of cash while increase in liabilities, decrease in assets and issue of share capital are inflow of cash.

13. (c) (iii) (iv) (ii) (i)

14. (b) Net worth of new firm on the basis of capital brought in by Teena = $\left(2,00,000 \times \frac{4}{1}\right) = ₹ 8,00,000 \dots(i)$

Net worth of new firm (except goodwill)
 Net Assets (5,40,000 – 1,00,000) = ₹ 4,40,000
 (+) Capital of new partner = ₹ 2,00,000
 = ₹ 6,40,000 ... (ii)

Value of goodwill = (i) – (ii)
 = 8,00,000 – 6,40,000 = ₹ 1,60,000

Thus, Teena's share of goodwill
 = $\frac{1}{4} \times 1,60,000 = ₹ 40,000$

15. (b) (iv) (iii) (ii) (i)

16. (b) While computing cash flow from operating activities, if starting point is surplus/net profit, then following items are deducted.

Interest income, dividend income, rental income, profit on sale of fixed assets and decrease in provision for doubtful debts.

And, following items are added Depreciation, goodwill/patent/trademark amortised, interest on bank overdraft/cash credit, loss on sale of fixed assets, increase in provision for doubtful debts etc.

17. (c) The events occur in following order

- Shareholders have to apply for shares.
- Company allot shares to shareholders.
- Shareholders may default in payment of call money.
- Due to default, shares are forfeited.

18. (b) Minimum number of members required to form a private company is 2, whereas a public company requires atleast 7 members.

19. (b) Unsecured debentures are the debentures that do not carry any charge or security on assets of the company. These debentures are not backed by any assets and the only credibility here is the company's reputation.

20. (d) They are shown under the head 'subscribed and not fully paid-up' as these shares are subscribed by the shareholders but the full money on the same isn't yet received.

21. (a) Applications received for Shares	3,00,000
(–) Rejected Application for Shares	(60,000)
Remaining Share Allotted	<u>2,40,000</u>
Number of Shares Allotted to Ram = $6,000 \times \frac{2,00,000}{2,40,000}$	
	= 5,000 shares

22. (b) (iii) (i) (ii) (iv)

23. (b) On the dissolution of firm, when a partner undertakes to pay creditors of the firm, then realisation account is debited and partner's capital account is credited.

24. (a) A partnership firm is compulsorily dissolved when

- All partners or all partners except one partner are declared insolvent.
- The business of the firm is declared illegal.

25. (a) At the time of dissolution of firm, following items are credited to partner's capital account

- Workmen compensation reserve, if there is no claim.
- General reserve.
- Realisation account when liabilities are taken over.
- Profit and loss account (credit balance).
- Realisation account, if profit on realisation.

26. (c) Unrecorded liabilities are those liabilities that are not shown in the balance sheet but they still exist in the business. Thus, they need to be discharged off at the time of dissolution and debited to realisation account.

27. (d) On dissolution, if there is any loss on realisation, it is debited to partner's capital account. Realisation account is prepared to ascertain the net effect of realisation of assets and payment of liabilities which may be transferred to partner's capital account in their profit sharing ratio.

28. (d) When a firm is dissolved, following accounts are opened in the books

- Realisation account.
- Partners' capital account.
- Partner's loan account.
- Cash/Bank account.

29. (c) Share capital account represents the liability of the company because it is an amount borrowed from the public. Therefore, at the time of forfeiture of shares, it is debited with a called-up amount up to the date of forfeiture of shares.

30. (c) Buy back of shares or stock buy back refers to the corporate action where a company repurchases its own shares from the existing shareholders to reduce its capital or for some other reasons.

31. (c) According to Table 'F', interest on calls-in-arrears is charged @ 10% p.a. If some amount called in respect of a share, is not paid till the date, fixed for payment, such unpaid amount is called calls-in-arrears.

32. (b) (ii) (iii) (i) (iv)

33. (a) When a firm maintains fixed capital accounts, then a separate account called the current account is also maintained. This account of partners will be debited for goodwill written-off, interest on drawings, etc.

34. (d) (iii) (i) (ii) (iv)

35. (a) Old profit sharing ratio of A : B : C = 5 : 2 : 1

New profit sharing ratio of B : C = 3 : 2

$$B's \text{ gain} = \frac{3}{5} - \frac{2}{8} = \frac{24 - 10}{40} = \frac{14}{40}$$

$$C's \text{ gain} = \frac{2}{5} - \frac{1}{8} = \frac{16 - 5}{40} = \frac{11}{40}$$

∴ Gaining ratio = 14 : 11

36. (c) During the settlement of deceased partner's executor's account, when payment is made in one instalment, then deceased partner's executor's account is debited and cash account is credited.
37. (d) When we use any DML command like INSERT, UPDATE or DELETE, the changes made by these commands are not permanent, until the current session is closed. The changes made by these commands can be rolled back. To avoid that, we use the COMMIT command to mark the changes as permanent.
38. (b) The term 'data' refers to raw facts and figures. The word raw means that the facts have not yet been processed to get their exact meaning.
39. (c) The files created by spreadsheet software are called worksheets. It is used to record, calculate and compare numerical or financial data.
40. (c) Data tab gives the option to consolidate data in open office writer. For this, click on 'data' tab and select consolidate option.
41. (b) Applications received for 7,500 shares @ ₹ 40
Amount received = $7,500 \times 40 = ₹ 3,00,000$
42. (d) Balance amount per share at first and final call
Application money = ₹ 40/share
Allotment money $(40 - 20) = ₹ 20$ /share
So, first and final call money
 $= [100 - (20 + 40)] = ₹ 40$ /share
43. (d) Amount is to be transferred to securities premium reserve account
Total shares = 5,000
Mudit's shares = $\left(\frac{5,000}{7,500} \times 3,000 \right) = 2,000$
So, shares on which allotment money and premium amount received = $5,000 - 2,000 = 3,000$
Premium amount received = $3,000 \times 20 = ₹ 60,000$
44. (b) This case shows that there is an oversubscription of shares. Oversubscription of shares is a situation that occurs when a company receives more applications to purchase shares compared to number of shares available.
45. (c) Equity shares represent the ownership of a company, therefore the capital raised by issue to such shares is referred to as ownership capital and shareholders are called owners of the company.
46. (a) Ratio analysis is the process of computing and presenting the relationship between the items in the financial statements. It provides deeper analysis of liquidity, solvency, activity and profitability of business. However, it becomes less effective as it ignores price level changes.
47. (b) Current ratio compares all of a company's current assets to its current liabilities. It is calculated as
$$= \frac{\text{Current Assets}}{\text{Current Liabilities}}$$
48. (a) The debt-equity ratio shows how much debt a company has compared to its assets. It is calculated as
$$= \frac{\text{Long-term Debts}}{\text{Shareholder's Funds}}$$
49. (b) Proprietary Ratio = Proprietors Funds/Total Assets, where proprietors funds refer to the funds provided by equity shareholders and total assets refer to the combined funds of both debt and equity. It is a solvency ratio.
Solvency ratios are the ratios calculated to judge the organisation's financial position from a long-term solvency point of view.
50. (c) Total assets to debt ratio is measured as total assets divided by long-term debt. Total assets to debt ratio is the ratio, through which the total assets of a company are expressed in relation to its long-term debts.

List-I	List-II
C. Operating activities	(iii) Marketable securities.
D. Investing activities	(iv) Dividend received on shares held as investment.

Choose the correct answer from the options given below

A	B	C	D	A	B	C	D
(a) (iv)	(i)	(ii)	(iii)	(b) (iii)	(i)	(ii)	(iv)
(c) (iii)	(iv)	(ii)	(i)	(d) (iii)	(iv)	(i)	(ii)

8. At the time of retirement of a partner the remaining gaining partners should compensate the

- (a) remaining partners only
 (b) retiring partners only
 (c) retiring partners as well as remaining partners who have sacrificed
 (d) sacrificing partners only

9. If a partner retires in the middle of the year his/her share of profit from the data of last balance sheet till the date of retirement will be transferred to

- (a) profit and loss account credit side
 (b) profit and loss suspense account debit side
 (c) retiring partners capital account debit side
 (d) profit and loss suspense account credit side

10. If debentures are converted into equity shares, it is a/an

- (a) inflow of cash
 (b) no flow of cash
 (c) outflow of cash
 (d) cash and cash equivalents

11. Match List-I with List-II in context of not having partnership deed.

List-I	List-II
A. Interest on loan	(i) Equal
B. Interest on drawings	(ii) Will not be charged
C. Salary	(iii) @ 6% p.a.
D. Profit sharing ratio	(iv) Will not be allowed/ provided

Choose the correct answer from the options given below

A	B	C	D	A	B	C	D
(a) (iv)	(i)	(iii)	(ii)	(b) (iii)	(iv)	(ii)	(i)
(c) (iv)	(iii)	(ii)	(i)	(d) (iii)	(ii)	(iv)	(i)

12. What is the correct sequence of allotment of shares?

- A. Allotment money received.
 B. Inviting applications from investors.
 C. Allotment due.
 D. Application money received.
 E. Share call money due.

Choose the correct answer from the options given below

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

13. What is the correct sequence of types of capital in company's balance sheet while preparing notes to accounts?

- A. Issued capital
 B. Subscribed and fully paid-up capital
 C. Share forfeited balance
 D. Authorised capital
 E. Subscribed but not fully paid-up capital

Choose the correct answer from the options given below

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

14. Identify the correct sequence to find out profit after tax while preparing comparative income statement.

- A. Deduct expenses.
 B. Find out total revenue by adding other incomes to revenue from operations.
 C. Find out profit after tax.
 D. Deduct tax.
 E. Calculate profit before tax.

Choose the correct answer from the options given below

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

15. If net profit made during the year are ₹ 50,000 and the bills receivables have decreased by ₹ 10,000 during the year then the cash flow from operating activities will be

- (a) ₹ 40,000
 (b) ₹ 60,000
 (c) ₹ 30,000
 (d) ₹ 20,000

16. The capital accounts of partners will always show a balance under fixed capital account method.

- (a) debit
 (b) credit
 (c) zero
 (d) negative

17. Aman and Mohan are partners of a firm decided to dissolve the business on 31st March, 2022. The firm decided to pay realisation expenses of ₹ 1,000 on behalf of Mohan. ₹ 1,000 will be debited to

- (a) realisation account
 (b) Mohan's capital account
 (c) bank account
 (d) Aman's capital account

18. Common size analysis is also known as

- (a) horizontal analysis
 (b) vertical analysis
 (c) cash flow analysis
 (d) ratio analysis

19. Calculate the amount of yearly interest payable on 9% debentures (10,000 debentures of ₹ 100) issued as collateral security.

- (a) No interest payable
 (b) ₹ 90,000
 (c) ₹ 9,000
 (d) ₹ 99,000

20. If the net profit earned during the year is ₹ 1,00,000 and the amount of bills receivables in the beginning and the end of the year is ₹ 20,000 and ₹ 40,000 respectively, then cash flow from operating activities will be

- (a) ₹ 60,000 (b) ₹ 1,00,000
(c) ₹ 80,000 (d) ₹ 1,20,000

21. Sale of copyrights are considered as a part of

- (a) investing activities (b) financing activities
(c) operating activities
(d) financing and operating activities

22. Romi Ltd. purchased building worth ₹ 1,50,000 machinery worth ₹ 1,40,000 and furniture worth ₹ 10,000 from XYZ Co. and took over its liabilities of ₹ 20,000 for a purchase consideration of ₹ 3,15,000.

They paid the purchase consideration by issuing 12% debentures of ₹ 100 each at a premium of 5%. What will be the number of debentures issued by Romi Ltd?

- (a) 4,000 (b) 3,500 (c) 3,000 (d) 2,000

23. Securities premium reserve can be utilised

- A. To return excess money received on application.
B. To write-off preliminary expenses.
C. To issue partly paid bonus shares.
D. for premium paid on redemption of debentures or preference shares.
E. For buy back of shares.

Choose the correct answer from the options given below

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

24. What are different types of debentures from the view point of registration?

- A. Convertible B. Bearer
C. Redeemable D. Secured
E. Registered

Choose the correct answer from the options given below

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

25. Identify the steps in preparation of final accounts of Not for Profit Organisation (NPO).

- A. Prepare balance sheet of NPO.
B. Prepare income and expenditure account from receipts and payments account.
C. Prepare receipts and payments account.
D. Adjust outstanding/prepaid expenditure/income and determines surplus/deficit.
E. Prepare cash book.

Choose the correct answer from the options given below

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

26. Match List-I with List-II in context of cashflow statement.

List-I	List-II
A. Sale of fixed asset	(i) Outflow in operating activities
B. Purchase of goodwill	(ii) Inflow in investing activities
C. Tax paid	(iii) Outflow in investing activities
D. Dividend paid	(iv) Outflow in financing activities

Choose the correct answer from the options given below

- | | | | | | | | |
|----------|-----|-------|-------|-----------|-------|------|------|
| A | B | C | D | A | B | C | D |
| (a) (ii) | (i) | (iv) | (iii) | (b) (ii) | (iii) | (i) | (iv) |
| (c) (ii) | (i) | (iii) | (iv) | (d) (iii) | (ii) | (iv) | (i) |

27. Identify the limitations of financial statements.

- A. Can be biased
B. Report on stewardship function
C. Aggregate information
D. Only interim reports
E. Basis of fiscal policies

Choose the correct answer from the options given below

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

28. What are the different types of liquidity ratios?

- A. Interest coverage ratio
B. Current ratio
C. Inventory turnover ratio
D. Gross profit ratio
E. Acid test ratio

Choose the correct answer from the options given below

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

29. Identify the components of equity.

- A. Money received against share warrants
B. Working capital
C. Share capital
D. Reserves and surplus
E. Cash revenue from operations

Choose the correct answer from the options given below

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

30. Identify the correct sequence of current assets in company's balance sheet.

- A. Bills receivables
B. Cash and cash equivalents
C. Short-term loans and advances
D. Inventories
E. Current investments

Choose the correct answer from the options given below

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

31. When debentures are issued at premium with the term of redeeming them at par. The amount of premium received at the time of issue will be

- (a) debited to premium on redemption of debenture account
(b) credited to premium on redemption of debentures account
(c) debited to securities premium reserve account
(d) credited to securities premium reserve account

32. While preparing common size balance sheet, each item of balance sheet is expressed as % of

- (a) non-current assets
(b) current assets
(c) non-current liabilities
(d) total assets or total liability

33. It is the amount paid to the person who is not the regular employee of the institution.

- (a) Wages (b) Honorarium
(c) Salary (d) Donation

34. When the total amount withdrawn is given but the date of withdrawal is not given then interest on drawings is charged for a period of

- (a) 3 months (b) 6 months
(c) 9 months (d) 12 months

35. At the time of admission of partner if goodwill exist in the books of account it will be written-off among

- (a) old partners in sacrificing ratio
(b) all the partners in new ratio
(c) new partners in gaining ratio
(d) old partners in old profit sharing ratio

36. Rani, Sandhya and Kangana are partners sharing profits in the ratio of 4:3:2. Rani retires, Sandhya and Kangana decided to share profits in future in the ratio of 5 : 3.

Gaining ratio of Sandhya and Kangana will be

- (a) 11 : 21 (b) 21 : 11
(c) 31 : 12 (d) 23 : 13

37. What are the internal controls designed to do?

- (a) Only ensure accurate accounting records
(b) Safeguard assets and optimise use of resources
(c) Only safeguard assets
(d) Only achieve maximum revenue

38. How many blank worksheets are shown when a new workbook is created?

- (a) Four (b) Three
(c) Two (d) One

39. Which of the following arguments in a financial function represents the total number of payments?

- (a) FV (b) PV
(c) NPer (d) Rate

40. The term 'field' as applied to database table means.

- (a) Name of the table
(b) Horizontal row of the table
(c) Size of the table
(d) Vertical column of the table

Direction Analyse the following hypothetical extract carefully and answer the following questions 41 to 45

A and B were partners in a partnership firm. Due to the ill health of B they decided to dissolve the firm. The position of assets and liabilities on the date of dissolution was

Balance Sheet

Liabilities		Amt (₹)	Assets		Amt (₹)
Loan by B		20,000	Goodwill		30,000
Capital A/cs			Furniture		40,000
A	1,00,000		Building		90,000
B	1,40,000	2,40,000	Debtors		50,000
			Cash		50,000
		2,60,000			2,60,000

It was agreed that following transactions will take place

- (i) A wanted to start the business in sole proprietorship so he took building and furniture at 10% less than book value.
(ii) All the debtors proved good except a person C who did not pay ₹ 10,000.

41. Due to the ill health of B, they decided to dissolve the firm. It comes under form of dissolution.

- (a) dissolution by notice
(b) on the happening of certain contingencies
(c) dissolution by court
(d) dissolution by agreement

42. The amount recovered from the debtors is
 (a) ₹ 1,00,000 (b) ₹ 40,000
 (c) ₹ 50,000 (d) ₹ 60,000
43. Following items appear on the debit side of realisation account except
 A. Transfer of assets B. Payment of liabilities
 C. Provisions D. Realisation expenses
 E. Asset taken over by partner
 Choose the correct answer from the options given below
 (a) A, C and E (b) C, D and E
 (c) D and E (d) C and E
44. The treatment of goodwill appearing in the balance sheet will be
 (a) transferred to debit of realisation account
 (b) written-off among partners in old ratio
 (c) transferred to credit of realisation account
 (d) raised and written-off
45. The accumulated profits and reserve are transferred to
 (a) revaluation account
 (b) realisation account
 (c) partners' capital account
 (d) cash/bank account

Direction Read the passage carefully and answer the following questions 46 to 50

XYZ Ltd. is registered with an authorised capital of ₹ 20 lakh divided into 2 lakh equity shares of ₹ 10 each. The company is in manufacturing of pickles and spices. Due to the increase in demand of packed food in the market they decided to diversify its operation. For this purpose they decided to issue 1 lakh equity shares of ₹ 10 each.

The company issued 20,000 equity shares to a vendor to supply the machinery required to manufacture the packed food. Rest of the equity shares were issued to general public for subscription. The applications were received for 46,000 equity shares. Due to undersubscription of equity shares the shares were not issued to public.

46. The company issued 20,000 equity shares of ₹ 10 each to vendor. After issuing them the shares the vendor will be considered as
 (a) creditors (b) owners
 (c) customer (d) lender
47. In order to raise money by issuing the shares in the market the company must get applications for at least
 (a) 1,00,000 shares (b) 80,000 shares
 (c) 72,000 shares (d) 20,000 shares
48. The process of issuing shares to a vendor in exchange of any asset is known as
 (a) issue of share for cash
 (b) issue of share at discount
 (c) issue of share at premium
 (d) issue of share for consideration other than cash
49. If the company is unable to get minimum subscription, the shares cannot be issued and the amount must be refunded within 15 days from the date of closure. If not, company shall be liable to pay interest p.a.
 (a) 10% (b) 15% (c) 6% (d) 5%
50. The following refer to the maximum amount of share capitals issued by a company in its life time except
 (a) subscribed capital (b) authorised capital
 (c) nominal capital (d) registered capital

Right Options

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

HINTS & ANSWERS

1. (d) Statement showing Subscription Income

Particulars	Amt (₹)
Amount received for Subscription during the Year (2019-2020)	2,50,000
(-) Subscription Outstanding on 1st April, 2019	(50,000)
(-) Subscription received in Advance	(30,000)
Subscription for the Year 2019-20	1,70,000

2. (c) At the time of admission of a new partner, general reserve appearing in the old balance sheet is transferred to old partner's capital account in their profit sharing ratio because new partner is not entitled to share in this reserve.
3. (c) (ii) (i) (iv) (iii)
4. (a) On retirement of a partner, the retiring partner's capital account will be credited with his/her share of goodwill. Goodwill is distributed between partners in their old profit sharing ratio at the time to retirement of a partner.
5. (b) For preparing revaluation account at the time of retirement of partner, any unrecorded assets are credited to revaluation account. The entry will be passed as follows

Unrecorded Asset A/c	Dr	
		To Revaluation A/c

6. (b) (iii) (iv) (i) (ii)
7. (b) (iii) (i) (ii) (iv)
8. (d) On retirement of a partner, the remaining partners who have gained due to change in profit sharing ratio should compensate the sacrificing partners.
9. (b) If a partner retires in the middle of the year, his/her share of profit from the date of last balance sheet till the date of retirement will be debited to profit and loss suspense account and credited to his capital account.
10. (b) Conversion of debentures into equity shares does not result in cash flow, thus, it will not be shown in cash flow statement.
11. (d) (iii) (ii) (iv) (i)
12. (c) The correct sequence of allotment of shares is as follows

First, applications are invited from investors.
 Application money is received.
 Allotment is due.
 Allotment money is received.
 Share call money is due.

13. (b) The correct sequence of capital in company's balance sheet while preparing notes to accounts is as follows

Authorised capital
 Issued capital
 Subscribed capital
 – Subscribed and fully paid-up
 – Subscribed but not fully paid-up
 Called-up capital
 Paid-up capital
 Share forfeited balance

14. (b) While preparing comparative income statement, profit after tax is calculated as follows

	Amt (₹)
Revenue from Operations	–
(+) Other Income	–
Total Revenue	–
(-) Expenses	(–)
Profit before Tax	–
(-) Tax	(–)
Profit after Tax	–

15. (b) **Cash Flow from Operating Activities** Amt (₹)
- | | |
|----------------------------------|--------|
| Net Profit | 50,000 |
| (+) Decrease in Bills Receivable | 10,000 |
| | 60,000 |

16. (b) The capital accounts of partners will always show a credit balance under fixed capital account method. As under fixed capital method, all transactions other than introduction of fresh capital or withdrawal of capital are recorded in partner's current account. This is done so that the balance of partner's capital accounts remains intact and shows credit balance always.
17. (b) When realisation expenses are paid by the firm on behalf of partner, then such partner's capital account is debited and cash account is credited. Thus, ₹ 1,000 will be debited to Mohan's capital account.
18. (b) Common size analysis is also known as vertical analysis. It is a popular method of financial statement analysis that shows each item on a statement as a percentage of a base figure within the statement.
19. (a) When debentures are issued as collateral security, no interest is paid on such debentures as the lender does not own them. Instead, the borrower has to pay interest on the loan taken against the debentures.

20. (c) **Cash Flow from Operating Activities** Amt (₹)
- | | |
|----------------------------------|----------|
| Net Profit | 1,00,000 |
| (-) Increase in Bills Receivable | (20,000) |
| (40,000 – 20,000) | 80,000 |

21. (a) Sale of copyrights are considered as a part of investing activities, as copyright is an intangible asset. Cash flow from investing activities includes all cash transactions affecting non-current assets (fixed assets and intangible assets).
22. (c) Amount of Purchase – Consideration = ₹ 3,15,000
Here, issued debentures of ₹ 100 at premium of 5%
Thus, rate of a debenture with premium = $100 + 5 = ₹ 105$
Number of debentures issued = $\frac{3,15,000}{105} = 3,000$
23. (d) Securities premium reserve can be utilised for
Issuing fully paid bonus shares to existing shareholders.
Writing-off expenses of issue of shares or debentures.
Writing-off preliminary expenses.
Buy back of shares.
Premium paid on redemption of debentures or preference shares.
24. (c) From the view point of registration, debentures are classified as registered debentures and bearer debentures. In case of registered debentures, the name and address of the debentureholder and information pertinent to holding are registered with the issuing organisation. Bearer debentures can be transferred easily to a new holder as details of the previous holder are not registered with the issuing company.
25. (a) The steps in preparation of final accounts of NPO are
Prepare cash book.
Prepare receipts and payments account.
Prepare income and expenditure account from receipts and payments account.
Adjust outstanding/prepaid expenditure/income and determine surplus/deficit.
Prepare balance sheet of NPO.
26. (b) (ii) (iii) (i) (iv)
27. (b) The limitations of financial statement are as follows
It can be biased.
It is derived from historical cost.
Aggregate information is given here.
It is not adjusted for inflation.
Only provides interim reports.
Only covers a specific period of time.
28. (b) Liquidity ratios are a measure of the ability of a company to pay-off its short-term liabilities. The types of liquidity ratios are
Current ratio
Acid test/Quick ratio
29. (d) The components of shareholders' fund (equity) are
Share capital.
Reserves and surplus.
- Money received against share warrants.
Share application money pending allotment.
30. (c) The correct sequence of current assets in company's balance sheet is as follows
Cash and cash equivalents
Inventories
Current investments
Short-term loan and advances
Bills receivable
- Remember, in a balance sheet, the correct order of assets is from highest liquidity to lowest.
31. (d) When debentures are issued at premium, this implies that the company will get more than the face value and at the time of redemption, company will return back only the face value.
Thus the amount of premium received at the time of issue will be credited to securities premium reserve account which is a gain to the company.
32. (d) Common size balance sheet shows the percentage of each asset to the total assets and that of each liability to the total liabilities.
33. (b) Honorarium is a kind of remuneration paid to a person who is not the regular employee of a non-profit organisation. This payment is shown on the expense side of income and expenditure account.
34. (b) When the total amount withdrawn is given but the date of withdrawal is not given, then interest on drawings is calculated for an average period of 6 months. It is based on the assumption that drawings are made evenly throughout the year.
35. (d) When at the time of admission of partner, goodwill already appears in the books, it is written-off among the old partners in the old profit sharing ratio. The journal entry is made for this as follows
- | | |
|---------------------------|----|
| Old Partners' Capital A/c | Dr |
| To Goodwill A/c | |
36. (b) Old Ratio = Rani : Sandhya : Kangana
4 : 3 : 2
New Ratio = Sandhya : Kangana
5 : 3
Gaining Ratio = New Ratio – Old Ratio
Sandhya's Gain = $\frac{5}{8} - \frac{3}{9} = \frac{45 - 24}{72} = \frac{21}{72}$
Kangana's Gain = $\frac{3}{8} - \frac{2}{9} = \frac{27 - 16}{72} = \frac{11}{72}$
∴ Gaining ratio = 21 : 11
37. (c) Internal controls and company policies are important to protect and safeguard assets and to protect all company's data and are designed to protect the company from fraud.

38. (b) By default, three blank worksheets are shown when a new workbook is created as worksheet 1, worksheet 2 and worksheet 3 but we can change the number of worksheets to that we want a new workbook to contain.
39. (c) NPer is the total number of payment periods. It represents the total number of periods for the loan or investment.
40. (d) A database field refers to a set of values arranged in a table and has the same data type. Fields are used to maintain relationships between tables in databases.
41. (d) Due to ill health of B, they decided to dissolve the firm. It comes under dissolution by agreement. When all the partners agree to dissolve the firm, it is known as dissolution by agreement.
42. (b) Amount Recovered from the Debtors

$$= \text{Total Debtors} - \text{Bad Debts}$$

$$= 50,000 - 10,000 = ₹ 40,000$$
43. (a) Items appear on the debit side of realisation account are assets, payment of liabilities, payment of unrecorded liabilities, realisation expenses, profit (if any), etc. Items appear on the credit side of realisation account are liabilities, transfer of assets, assets taken over by partner, any provisions, loss (if any), etc.
44. (a) If goodwill already appears in books, it will be transferred, like other assets, to the debit side of realisation account.
45. (c) The accumulated profits and reserve are transferred to partners' capital account in their profit sharing ratio.
46. (b) The vendor will be considered as owners of the company as they own the shares in the company or they are now the shareholders of the company.
47. (c) When shares are issued to the general public, the minimum amount that must be subscribed by the public, so that the company can allot shares to the applicants is termed as minimum subscription. The company should collect at least 90% of the capital offered to the public. Thus, 90% of 80,000 (1,00,000 – 20,000) shares = 72,000 shares
48. (d) When an asset is acquired by a company, the payment of asset price can be made by the issue of shares or in cash to the vendor. When shares are given against the purchase price, it is known as 'issue of shares for consideration other than cash'.
49. (b) If the company is unable to get minimum subscription, the shares can't be issued and the amount must be refunded within 15 days from the date of closure. If not, company shall be liable to pay interest at 15% p.a.
50. (a) Authorised capital is the maximum amount of share capital that a company is allowed to issue to its shareholders in its lifetime. Authorised capital is also known as nominal capital and registered capital.

CUET (UG) Section II ■ **DOMAIN COMMERCE**

Mock Test (1-15)

MOCK TEST 01

ACCOUNTANCY

Time : 45 Min
MM : 200

Attempt any 40 out of the given 50 questions. No mark will be given to unanswered for review questions.
Each question carries 5 marks. Negative marking of 1 mark for a wrong answer.

- How is interest paid on debentures considered in a cash flow statement?
(a) As an operating activity
(b) As a financing activity
(c) As an investing activity (d) No entry
- What are the modes of reconstitution of a partnership firm?
A. Admission of a new partner.
B. Retirement of an existing partner.
C. Dissolution of partnership.
D. Death of spouse of a partner.
E. Amalgamation of two partnership firm.
Choose the correct answer from the options given below
(a) A, B and C (b) A, B and E
(c) B, C and D (d) A, B and D
- The average profit of a business over the last 5 years amounted to ₹ 60,000. The normal commercial yield on capital invested in such a business is deemed to be 10% p.a. The net capital invested in the business is ₹ 5,00,000. Amount of goodwill, if it is based on 3 years' purchase of last 5 years super profit, will be
(a) ₹ 1,00,000 (b) ₹ 1,80,000
(c) ₹ 30,000 (d) ₹ 1,50,000
- Retro Club has a bar that maintains a separate trading account for its trading activities. Which of the following is the treatment of profit or loss on bar trading activities?
(a) Profit and loss is credited in income statement
(b) Profit and loss to be presented in income and expenditure account
(c) Profit and loss is added to accumulated fund
(d) No entry
- In the context of debit side of profit and loss appropriation account, pick odd one out.
(a) Interest on capital
(b) Partner's salaries
(c) Interest on drawings (d) Partner's commission
- Manager's commission of Surya Enterprises (Partnership firm) was ₹ 33,000. What amount of net profit in manager's commission was to be charged @ 10% before charging such commission?
(a) ₹ 3,30,000 (b) ₹ 3,00,000
(c) ₹ 3,000 (d) ₹ 3,300
- is not the type of financial statement analysis.
(a) Security analysis (b) External analysis
(c) Internal analysis (d) Vertical analysis
- Which of the following is not limitation of financial statement analysis?
(a) It is affected by personal bias
(b) Inter-firm comparative study possible
(c) Lack of qualitative analysis
(d) Ignores price level changes
- Choose the correct order of priority in settlement of liabilities and capital upon dissolution from items given here.
A. Expenses incurred on realisation of assets such as commission, cartage, brokerage, etc.
B. All outside creditors.
C. Balances in capital accounts of partners.
D. Partners' loan account.
Choose the correct answer from the options given below
(a) D, C, B and A (b) A, B, C and D
(c) B, A, C and D (d) A, B, D and C

10. Match List-I with List-II.

List-I	List-II
A. Debentures	(i) Safe and secure
B. Debenture certificate	(ii) Borrowed capital
C. Investment in debentures	(iii) Interest warrant
D. Interest on debentures	(iv) Evidence of loan

Choose the correct answer from the options given below

- | | | | | | | | | | |
|-----|------|------|-------|-------|-----|------|-------|-----|-------|
| A | B | C | D | A | B | C | D | | |
| (a) | (ii) | (i) | (iv) | (iii) | (b) | (ii) | (iv) | (i) | (iii) |
| (c) | (i) | (ii) | (iii) | (iv) | (d) | (iv) | (iii) | (i) | (ii) |

11. A company issued 10,000 shares of ₹ 10 each at par, ₹ 3 on application, ₹ 3 on allotment, ₹ 4 on first and final call. One shareholder holding 1,000 shares paid the entire amount on his shares with application. Calculate the amount received on application.

- (a) ₹ 1,00,000 (b) ₹ 1,17,000
(c) ₹ 10,000 (d) ₹ 37,000

12. Entrance fees received by a club is treated as

- (a) revenue receipt
(b) capital receipt
(c) Both (a) and (b) (d) None of these

13. is a amount received by a non-profit organisation as per the will of a deceased person.

- (a) Legacy (b) Price
(c) Annuity (d) Endowment

14. Which of the following are solvency ratios?

- A. Debt to equity ratio B. Quick ratio
C. Proprietary ratio
D. Inventory turnover ratio
E. Interest coverage ratio

Choose the correct answer from the options given below

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

15. A, B and C are partners in profit sharing ratio of 1 : 1 : 2 and with effect from 1st April, 2022, they decided to share profits in 2 : 1 : 1. What will be the net effect in their capital accounts if the machinery appearing in books ₹ 5,00,000 is revalued at ₹ 4,60,000 and it is supposed to appear in new balance sheet at revalued amount?

- (a) Dr A ₹ 10,000 ; Cr C ₹ 10,000
(b) Dr C ₹ 10,000 ; Cr A ₹ 10,000
(c) Dr A ₹ 10,000 ; Dr B ₹ 10,000 ; Dr C ₹ 20,000
(d) Dr A ₹ 20,000 ; Dr B ₹ 10,000 ; Dr C ₹ 10,000

16. When incoming partner acquires his share from existing partners in their profit sharing ratio, the steps for calculation of new profit sharing ratio are given as

- A. Calculate old partners' new share as part of combined share.
B. Convert the new shares of all partners and find out the new profit sharing ratio.
C. Calculate combined share of old partners in the new firm by deducting new partner's share from 1.

Choose the correct answer from the options given below

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

17. Match List-I with List-II.

List-I	List-II
A. Ratio in which partners share profit and loss before reconstitution of firm.	(i) New profit sharing ratio
B. Ratio in which partners surrender their share of profit in favour of other partners.	(ii) Gaining ratio
C. Ratio in which all the partners share the future profit and loss.	(iii) Sacrificing ratio
D. Ratio in which partners acquire the share from other.	(iv) Old ratio

Choose the correct answer from the options given below

- | | | | | | | | | | |
|-----|------|-------|-------|------|-----|------|-------|------|-------|
| A | B | C | D | A | B | C | D | | |
| (a) | (i) | (ii) | (iii) | (iv) | (b) | (iv) | (iii) | (ii) | (i) |
| (c) | (iv) | (iii) | (i) | (ii) | (d) | (ii) | (i) | (iv) | (iii) |

18. Identify the correct sequence of steps involved in the distribution of profit under minimum guarantee to partner.

- A. Calculate the amount of deficiency.
B. Calculate the distributable profit among the partners.
C. Distribute the amount of deficiency among partners who have given the guarantee.
D. Calculate the actual share of profit of each partners.

Choose the correct answer from the options given below

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

19. The partner whose share in profit has been increased as a result of change is known as partner.

- (a) sacrificing (b) old
- (c) gaining (d) new

20. For which of the following situations, the old profit sharing ratio of partners is used at the time of admission of a new partner?

- (a) When new partner brings only a part of his share of goodwill
- (b) When new partner is not able to bring his share of goodwill
- (c) When at the time of admission, goodwill already appears in balance sheet
- (d) When new partner brings his share of goodwill in cash

21. Which is the nature of goodwill?

- A. Intangible asset
- B. Non-fixed asset
- C. Fictitious asset
- D. Capital asset

Choose the correct answer from the options given below

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

22. Rajesh and Suresh want to work together in a spreadsheet. They can do so by

- (a) sharing workbook
- (b) linking workbook
- (c) downloading workbook
- (d) printing workbook

23. A cell reference that keeps either row or column constant when the formula is copied to another location is

- (a) absolute reference (b) relative reference
- (c) mixed reference (d) fixed reference

24. Match List-I with List-II.

List-I	List-II
A. Amount called up but not paid by the shareholders	(i) Calls-in-advance
B. Amount not called up but paid by the shareholders	(ii) Calls-in-arrears
C. Amount called up and paid by the shareholders	(iii) Reserve capital
D. Amount not called up and not paid by the shareholders	(iv) Paid-up capital

Choose the correct answer from the options given below

- | | | | | | | | |
|----------|-------|------|-------|----------|------|-------|------|
| A | B | C | D | A | B | C | D |
| (a) (ii) | (i) | (iv) | (iii) | (b) (i) | (ii) | (iii) | (iv) |
| (c) (iv) | (iii) | (i) | (ii) | (d) (ii) | (iv) | (iii) | (i) |

25. What is the correct sequence with respect to entries when shares are payable in installments?

- A. Receipt of allotment money.
- B. Receipt of application money.
- C. Application money transferred to share capital.
- D. Making the allotment money due.
- E. Making the call due.

Choose the correct answer from the options given below

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

26. A portion of share capital that is reserved by the company and will be utilised only on the happening of winding up of the company is called

- (a) reserve capital (b) capital reserve
- (c) issued capital (d) subscribed capital

27. A company allotted 20,000 shares to applicants of 50,000 shares after rejecting 10,000 applications. The ratio in which company allotted the shares will be

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

28. At the time of issue of debentures, the debentures account is

- (a) credited by the amount received
- (b) credited by the issue price of debentures
- (c) credited by the nominal value of the debentures
- (d) debited by the amount received

29. Which of the following can be used by a company to write-off any loss on issue of debentures?

- (a) Investment fluctuation fund
- (b) Machinery replacement fund
- (c) Workmen compensation reserve
- (d) General reserve

30. Investors analyse financial statements for which of the following purpose?

- A. To assess the firm's present and future profitability.
- B. To understand the firm's capital structure.
- C. To evaluate the efficiency of the management.

Choose the correct answer from the options given below

- (a) Only A (b) A and C
- (c) B and C (d) A, B and C

31. Common size statement analysis is also known as

- (a) horizontal analysis
- (b) vertical analysis
- (c) linear analysis
- (d) dynamic analysis

32. Which of the following are commonly used techniques of financial statement analysis?
- A. Comparative statement
 - B. Common size statement
 - C. Ratio analysis
 - D. Cash flow statement

Choose the correct answer from the options given below

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

33. For valuation of goodwill, normal profit is calculated by abnormal gains and abnormal losses.

- (a) adding, deducting
- (b) deducting, adding
- (c) deducting, not treating
- (d) not treating, adding

34. External analysis is concerned with

- (a) creditors (b) financial institutions
- (c) government (d) All of these

35. What is an accounting ratio?

- (a) It is tool used by individuals to conduct a quantitative analysis of information
- (b) It is an arithmetical relationship between two accounting variables
- (c) It is based on credit transactions only
- (d) It is based on cash transactions only

36. During the year 2022-23, ABC Ltd. issued 10,000, 10% debentures of ₹ 100 each at a discount of 10% to be redeemed after 3 years. The company had a balance of ₹ 60,000 in its securities premium. What amount will be added under operating activities as a discount on issue of debentures written-off in cash flow statement of ABC Ltd. for the year 2022-23?

- (a) ₹ 10,00,000 (b) ₹ 60,000
- (c) ₹ 1,00,000 (d) ₹ 40,000

37. Under which head the provision for doubtful debt will appear?

- (a) Long-term provisions
- (b) Short-term provisions
- (c) Reserve and surplus (d) Other current assets

38. Match List-I with List-II.

List-I	List-II
A. Database	(i) Raw facts
B. Data	(ii) Creating and managing databases
C. Information	(iii) Collection of interrelated data
D. DBMS	(iv) Processed data

Choose the correct answer from the options given below

- | | | | | | | | |
|-----------|------|-------|------|-----------|------|-------|------|
| A | B | C | D | A | B | C | D |
| (a) (i) | (ii) | (iii) | (iv) | (b) (ii) | (iv) | (iii) | (i) |
| (c) (iii) | (i) | (iv) | (ii) | (d) (iii) | (iv) | (i) | (ii) |

39. Match List-I with List-II.

List-I	List-II
A. Sale of marketable securities	(i) Operating activity
B. Buy back of equity shares	(ii) Investing activity
C. Commission received	(iii) Financing activity
D. Increase in cash credit	(iv) Cash and cash equivalents

Choose the correct answer from the options given below

- | | | | | | | | |
|----------|-------|------|-------|-----------|------|-------|------|
| A | B | C | D | A | B | C | D |
| (a) (iv) | (iii) | (i) | (ii) | (b) (i) | (ii) | (iii) | (iv) |
| (c) (ii) | (i) | (iv) | (iii) | (d) (iii) | (ii) | (i) | (iv) |

40. Which of the following are components of MS Access?

- A. Tables
- B. Queries
- C. Forms
- D. CAS

Choose the correct answer from the options given below

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

Direction Read the passage carefully and answer the following questions 41 to 45

Rita and Sita were partners in a firm sharing profits and losses equally. They dissolved their firm on 31st March, 2023.

On this date, the balance sheet of the firm, apart from realisable assets and outside liabilities showed the following

Rita's capital ₹ 40,000 (Cr)

Sita's capital ₹ 20,000 (Dr)

Profit and loss account ₹ 10,000 (Dr)

Reeta's loan to the firm ₹ 15,000

Contingency reserve ₹ 7,000

On the date of dissolution of the firm

- (i) Rita's loan was repaid by the firm alongwith interest of ₹ 500.
- (ii) The dissolution expenses of ₹ 1,000 were paid by the firm on behalf of Reeta who had to bear the expenses.
- (iii) An unrecorded asset of ₹ 2,000 was taken over by Sita while Rita discharged an unrecorded liability of ₹ 3,000.
- (iv) The dissolution resulted in a loss of ₹ 60,000 from the realisation of assets and settlement of liabilities.

- 41. How much loan amount will be paid to Rita?
 (a) ₹ 15,000 (b) ₹ 500
 (c) ₹ 15,500 (d) None of these
- 42. The contingency fund will be debited or credited to which account?
 (a) Credited to partner’s capital account
 (b) Debited to realisation account
 (c) Debited to profit and loss account
 (d) None of the above
- 43. The amount of profit and loss account to be transferred to the partner’s capital account is
 (a) ₹ 5,000 each
 (b) ₹ 10,000 to Rita
 (c) ₹ 6,000 Rita; ₹ 4,000 Sita
 (d) ₹ 4,000 Rita; ₹ 6,000 Sita
- 44. The unrecorded asset taken by Sita will be
 (a) debited to Sita’s capital account
 (b) credited to realisation account
 (c) in the balance sheet
 (d) Both (a) and (b)
- 45. In which circumstances, partners can dissolve the firm without the interference of the court?
 (a) When a partner has become of unsound mind
 (b) When business of the firm cannot be carried on except a loss
 (c) When a partner is found guilty of breach of contract frequently
 (d) Mutual agreement

Direction Read the passage carefully and answer the following questions 46 to 50

Batra Ltd. issued 20,000 shares of ₹ 100 each at a premium of ₹ 25 per share, payable as follows
 ₹ 20 per share on application
 ₹ 45 per share on allotment (including premium on ₹ 15)
 ₹ 60 per share on first and final call (including premium of ₹ 10)

The issue was over subscribed by 10,000 shares. Applicants of 8,000 shares were allotted only 1,000 shares and applicants of 1,000 shares were sent letters of regret. Excess amount received at the time of application was to be adjusted only against allotment and overpayments exceeding the amount due on allotment were to be refunded. All the money at the time of allotment and call was duly received.

- 46. is a situation where the company either refunds excess shares amount or adjust it for future, due to the oversubscription of shares.
 (a) Allotment of shares
 (b) Pro-rata allotment
 (c) Undersubscription
 (d) Allotment on premium
- 47. Amount refunded to shareholders’
 (a) ₹ 1,00,000
 (b) ₹ 1,15,000
 (c) ₹ 1,25,000
 (d) ₹ 1,30,000
- 48. What is the excess amount received along with application money adjusted with allotment?
 (a) ₹ 85,000
 (b) ₹ 58,000
 (c) ₹ 95,000
 (d) ₹ 59,000
- 49. What is the amount received on allotment?
 (a) ₹ 8,00,000
 (b) ₹ 9,00,000
 (c) ₹ 8,15,000
 (d) ₹ 9,15,000
- 50. Amount of securities premium transferred to balance sheet will be
 (a) ₹ 3,00,000
 (b) ₹ 5,00,000
 (c) ₹ 2,00,000
 (d) ₹ 7,00,000

Right Options

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

24. (a) (ii) (i) (iv) (iii)
25. (d) When companies issue shares which are payable in installments, then journal entries are done in the sequence of application money received and transferred, allotment money due and received, and then call money due and received.
26. (a) Reserve capital is an unspecified amount set aside by a company to be used only when the company is on the verge of liquidation.
27. (c) Applicants of 40,000 shares allotted 20,000 shares
Thus, ratio = 40,000 : 20,000 = 2 : 1
28. (c) Journal entry on the issue of debentures
- | | | |
|-------------------|----|--------------------------|
| Bank A/c | Dr | (₹) |
| To Debentures A/c | | (₹) (nominal face value) |
- (Being debentures issued)
29. (d) Discount on issue of debentures is capital loss of the company. Such loss may be written-off either out of security premium or any revenue profits (profit and loss account or general reserve).
30. (d) Financial statement analysis refers to the process of reviewing and analysing a company's financial statements. It is primarily done to make better financial decisions and devise plans for the company to earn more income in the future.
31. (b) Common size statement is a form of analysis and interpretation of the financial statement. It is also known as vertical analysis as this method analyses financial statements by taking into consideration each of the line items as a percentage of the base amount for a particular accounting period.
32. (d) Financial statement analysis can be done by comparative statement (horizontal analysis), common size statement (vertical analysis), ratio analysis, cash flow statement and cost volume profit analysis.
33. (b) For calculating value of goodwill based on the profits of the organisation, one has to consider only the normal profits. Therefore, any type of abnormal loss is added back and any type of abnormal gain is reduced from the given profits to compute normal profits for the given period.
34. (d) External analysis means examining the industry environment of a company, including factors such as competitive structure, competitive position and dynamics. It is concerned with creditors, government and financial institutions.
35. (b) An accounting ratio is an arithmetical relationship between two accounting variables. For example, net profit ratio is the ratio of net profit to the net sales made.
36. (d) Discount on issue of debentures
 $10,00,000 \times \frac{10}{100} = ₹ 1,00,000$
 ₹ 60,000 will be written-off using securities premium reserve, remaining ₹ 40,000 will be shown under operating activity.
37. (b) While preparing company's balance sheet, trade receivables are shown without deducting the provision for doubtful debts and it is shown in the liabilities side under short-term provisions.
 However, there is another way of showing provision for doubtful debts. It is deducted from the debtors on the assets side of the balance sheet. Thus, there are two ways to present provision for doubtful debts in the balance sheet.
38. (c) (iii) (i) (iv) (ii)
39. (a) (iv) (iii) (i) (ii)
40. (c) Microsoft access is a Database Management System (DBMS) that combines the relational microsoft set database engine with a graphical user interface and software development tools. The major components of MS Access are tables, queries, macros, forms, reports, module and relationship.
41. (c) Loan amount paid = 15,000 + 500 = ₹ 15,500
42. (a) Contingency fund will be credited to partner's capital account in the profit sharing ratio.
 This means that the old partners will receive their share of the reserve based on their respective profit sharing ratios prior to the admission of the new partner.
43. (a) As they share profit and losses equally, so the undistributed loss will be debited to their capital account equally.
44. (d) Unrecorded assets are those assets which had forgotten to be recorded in the books. It arises at the time of balancing of balance sheet.
45. (d) Partners may dissolve firm with mutual agreement. Rest circumstances belong to dissolution by court.
46. (b) Pro-rata allotment refers to the allotment of shares in proportion of the shares applied for.
 When a company makes pro-rata allotment, it adjusts the excess money received at the time of application firstly towards the allotment and then towards calls.
47. (b) Excess money received on application not adjusted in any call will be refunded.
 Excess money received (7,000 × 20) = ₹ 1,40,000
 Adjusted on allotment (1,000 × 45) = ₹ 45,000
 Rejected shares (1,000 × 20) = ₹ 20,000
 Therefore, total amount refunded is
 = (1,40,000 - 45,000 + 20,000) = ₹ 1,15,000
48. (a) Excess money = 1,000 × 45 + 2,000 × 20 = ₹ 85,000
49. (c) Allotment money due (20,000 × 45) = 9,00,000
 (-) Excess money adjusted = (85,000)
 8,15,000
50. (b) At the time of allotment (20,000 × 15) = 3,00,000
 (+) At the time of call (20,000 × 10) = 2,00,000
5,00,000

MOCK TEST 02

ACCOUNTANCY

Time : 45 Min
MM : 200

Attempt any 40 out of the given 50 questions. No mark will be given to unanswered for review questions.
Each question carries 5 marks. Negative marking of 1 mark for a wrong answer.

- Excess of expenditure over income of a non-profit organisation is termed as
(a) surplus (b) deficit
(c) profit (d) loss
- Final accounts of not for profit organisation consists of
A. Receipt and payment account
B. Profit and loss account
C. Income and expenditure account
D. Balance sheet
E. Cash flow statement
Choose the correct answer from the options given below
(a) A, B and D (b) B, C and D
(c) A, C and D (d) A, B and C
- Income earned on fund/donations/investments is credited to
(a) receipts and payment account
(b) surplus fund
(c) income and expenditure account
(d) respective fund
- the quick ratio, the short-term financial position.
(a) Higher, better (b) Lower, better
(c) Higher, poorer (d) Lower, poorer
- The working capital of ABC Ltd. is ₹ 2,00,000 and its current assets are ₹ 6,00,000. What is its current ratio?
(a) 1 (b) 2 (c) 1.5 (d) 3
- A primary key, when appearing in another table is known as
(a) secondary key (b) substitute key
(c) foreign key (d) control key

- Which of the following is not an advantage of 'server-database'?
(a) Oriented towards multi user applications
(b) Ensure reliability of data
(c) Cheaper than desktop database
(d) Ensure consistency of data

- Match List-I with List-II.

List-I	List-II
A. Return on capital employed	(i) Pure ratio
B. Receivables turnover ratio	(ii) %
C. Proprietary ratio	(iii) Times
D. Quick ratio	(iv) Pure ratio or %

Choose the correct answer from the options given below

A	B	C	D	A	B	C	D
(a) (iv)	(iii)	(i)	(ii)	(b) (iii)	(ii)	(iv)	(i)
(c) (ii)	(iii)	(iv)	(i)	(d) (i)	(iii)	(iv)	(ii)

- Which of the following points out the significance of ratio analysis?
(a) It helps the business in identifying the problem areas
(b) It ignores price level changes
(c) It ignores qualitative aspects
(d) All of the above
- Statement of cash flow includes
A. Operating activities B. Investing activities
C. Financing activities
D. Trading activities
Choose the correct answer from the options given below
(a) A, B and C (b) A, C and D
(c) A, B and D (d) B, C and D

11. An example of cash flow from investing activity is
 (a) issue of debentures
 (b) repayment of long-term loan
 (c) purchase of raw material for cash
 (d) sale of investment by non-financial enterprise
12. Teena withdraws ₹ 1,00,000 every month for 6 months ending 31st March, 2023. If interest on drawings is charged @ 20% p.a., the amount of interest on drawings will be
 (a) ₹ 50,000 (b) ₹ 25,000 (c) ₹ 30,000 (d) ₹ 35,000
13. The balance of workmen compensation reserve is ₹ 40,000 in liabilities. At the time of change in profit sharing ratio, claim on workmen compensation was ₹ 30,000. A and B are partners in this firm who gained and sacrifice 1/4th share respectively. What will be the treatment with respect to revaluation account on account on this particular transaction?
 (a) Credited ₹ 40,000 (b) Credited ₹ 10,000
 (c) Credited ₹ 30,000 (d) No entry
14. Preference shares, in case the holders of these have a right to convert preference shares into equity shares at their option according to the issue, are called
 (a) cumulative preference shares
 (b) non-cumulative preference shares
 (c) convertible preference shares
 (d) non-convertible preference shares
15. Match List-I with List-II.

List-I	List-II
A. Actual number of shares offered to the public.	(i) Authorised capital
B. Maximum number of shares above which company cannot issue shares to the public.	(ii) Issued capital
C. Number of shares applied by the public.	(iii) Uncalled capital
D. The amount which is called at the time of liquidation of company.	(iv) Subscribed capital

Choose the correct answer from the options given below

- | | |
|-------------------------|-------------------------|
| A B C D | A B C D |
| (a) (ii) (i) (iv) (iii) | (b) (i) (ii) (iii) (iv) |
| (c) (iv) (iii) (ii) (i) | (d) (iii) (iv) (i) (ii) |
16. Which of the following are the classification of share capital?
 A. Authorised share capital
 B. Unreserved share capital
 C. Issued share capital
 D. General share capital
 E. Subscribed share capital

Choose the correct answer from the options given below

- | | |
|----------------|----------------|
| (a) A, B and E | (b) B, C and E |
| (c) A, C and E | (d) A, B and D |
17. If net profit made during the year is ₹ 10,00,000 and prepaid expenses have increased by ₹ 50,000 during the year, the cash flow from operating activities will be
 (a) ₹ 10,00,000 (b) ₹ 10,50,000
 (c) ₹ 9,50,000 (d) ₹ 50,000
18. Which of the following parties are interested in financial statement analysis?
 A. Top management B. Labour union
 C. Lender D. Investors
- Choose the correct answer from the options given below
 (a) Only A (b) A and C
 (c) A, B and C (d) All of these
19. Worksheet data can be viewed in which form?
 (a) Data (b) Chart
 (c) Graphs (d) Either chart or graphs
20. What is the extension of microsoft excel file?
 (a) XXLL (b) XLSX
 (c) XLXL (d) XXLS
21. Court can make an order to dissolve the firm when
 (a) some partner has become fully of unsound mind
 (b) partnership deed is completely followed
 (c) continued future profits are expected
 (d) firm is running legal business
22. On the dissolution of the firm, partner Dev agreed to take over the responsibility of completing the dissolution work at an agreed remuneration of ₹ 1,000 and to bear all realisation expenses. The actual realisation expenses amounted to ₹ 1,300 which were paid by the firm on Dev's behalf. What amount will be debited by the firm to the realisation account?
 (a) ₹ 1,000 (b) ₹ 2,300
 (c) ₹ 1,300 (d) ₹ 300
23. Which of the following are the characteristics of bearer debentures?
 A. They are treated as negotiable instruments.
 B. Their transfer requires a deed of transfer.
 C. They are transferable by mere delivery.
 D. The interest on it, is paid to the holder irrespective of identity.
- Choose the correct answer from the options given below
 (a) A, C and D (b) A, B and C
 (c) B, C and D (d) A, B and D

24. Debentures issued as collateral security will be debited to

- (a) bank account
(b) debentures suspense account
(c) debentures account (d) bank loan account

25. The type of code that consists of a range of numbers is known as

- (a) mnemonic codes (b) alphabet codes
(c) sequential codes (d) block codes

26. Which of the following will be transferred to realisation account at the time of dissolution of firm?

- A. Goodwill appearing in the books
B. Investments fluctuation reserve
C. Provision for doubtful debts
D. General reserve

Choose the correct answer from the options given below

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

27. Match List-I with List-II.

List-I	List-II
A. Cash flow statement	(i) Inflow of funds
B. Inflow of cash	(ii) Short-term financial planning
C. Investment (maturity period 3 months)	(iii) Financing activity
D. Payment of dividend	(iv) Cash equivalent

Choose the correct answer from the options given below

- | A | B | C | D | A | B | C | D |
|----------|-------|------|-------|-----------|------|-----|-------|
| (a) (ii) | (i) | (iv) | (iii) | (b) (ii) | (iv) | (i) | (iii) |
| (c) (iv) | (iii) | (i) | (ii) | (d) (iii) | (iv) | (i) | (ii) |

28. Smita International Ltd. issued 2,25,000 shares of ₹ 10 each at a premium of ₹ 2 payable as

Application – ₹ 3

Allotment – ₹ 4 (including premium)

First call – ₹ 3

Final call – ₹ 2

Mr. Kishan who holds 1,000 shares failed to pay the first call money. The company has forfeited 1,000 shares after the first call.

Entry of forfeiture will be

- (a) Share First Call A/c Dr 5,000
Calls-in-arrears A/c Dr 3,000
To Share Capital A/c 8,000
- (b) Share capital A/c Dr 8,000
To Share First Call A/c 3,000
To Share Forfeiture A/c 5,000

- (c) Share Forfeiture A/c Dr 5,000
Securities Premium A/c Dr 3,000
To Share Capital A/c 8,000
- (d) Share Capital A/c Dr 8,000
Securities Premium A/c Dr 2,000
To Share First call A/c 8,000
To Share Forfeiture A/c 2,000

29. A debentureholder is entitled to

- (a) fixed dividend (b) interest at the fixed rate
(c) share in profits
(d) voting rights in the company

30. Which of the following are the contents of partnership deed?

- A. Name and address of all partners
B. Interest on capital and drawings
C. Partners personal bank details
D. Profit sharing ratio

Choose the correct answer from the options given below

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

31. Sacrificing ratio is calculated as

- (a) New share – Old share
(b) Old share – New share
(c) Gaining share – Old share
(d) New Share – Gaining share

32. Which of the following are the modes of dissolution of partnership firm?

- A. Dissolution by agreement
B. Compulsory dissolution
C. Dissolution by one partner
D. Dissolution by the court

Choose the correct answer from the options given below

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

33. When a partnership firm dissolves, its losses including deficiencies of capital are to be paid first out of

- (a) the profits of the firm
(b) the capitals of the partners
(c) from the partners individually in their profit sharing ratio
(d) from the proceeds from sale of assets

34. Arrange the following categories of cash inflows and cash outflows in the correct order of cash flow statement.

- A. Cash flow from investing activities.
B. Cash flow from financing activities.
C. Cash flow from operating activities.

Choose the correct answer from the options given below

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

35. Match List-I with List-II.

List-I	List-II
A. Interest on drawings	(i) Credit side, profit and loss account
B. Commission to partner	(ii) Credit side, profit and loss appropriation account
C. Interest on partners' loan	(iii) Debit side, profit and loss appropriation account
D. Sale of goods	(iv) Debit side, profit and loss account

Choose the correct answer from the options given below

- | | | | | | | | |
|----------|-------|-------|------|----------|-------|------|-------|
| A | B | C | D | A | B | C | D |
| (a) (i) | (ii) | (iii) | (iv) | (b) (i) | (iv) | (ii) | (iii) |
| (c) (ii) | (iii) | (iv) | (i) | (d) (iv) | (iii) | (ii) | (i) |

36. Make the correct order of the application of assets on the dissolution of partnership firm.

- A. Payment of capital of partners.
 B. Remaining amount divided among the partner.
 C. Payment of outsiders/creditors.
 D. Payment of loans and advances of partners.

Choose the correct answer from the options given below

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

37. Which of the following is not a significance of financial statement analysis?

- (a) To judge the financial stability of an enterprise
 (b) To measure the operating efficiency and profitability of enterprise
 (c) To present the complex financial data in simplified and understandable form
 (d) It does not consider price level changes

38. Debt-equity ratio of a company is 1 : 2. Purchase of a fixed asset for ₹ 5,00,000 on long-term deferred payment basis will

- (a) increase the ratio (b) decrease the ratio
 (c) not change the ratio (d) Either (a) or (b)

39. Match List-I with List-II.

List-I (Purpose)	List-II (Type of Financial Statement Analysis)
A. Users	(i) Intra-firm analysis and inter-firm analysis
B. Objectivity	(ii) External analysis and internal analysis

List-I (Purpose)	List-II (Type of Financial Statement Analysis)
C. Time	(iii) Short-term analysis and long-term analysis
D. Firm	(iv) Horizontal analysis and vertical analysis

Choose the correct answer from the options given below

- | | | | | |
|-----|-------|-------|-------|-------|
| | A | B | C | D |
| (a) | (ii) | (iii) | (iv) | (i) |
| (b) | (i) | (ii) | (iii) | (iv) |
| (c) | (iii) | (ii) | (i) | (iv) |
| (d) | (iv) | (ii) | (i) | (iii) |

40. Which of the following are characteristics of public company?

- A. It is not a private company.
 B. Its name ends with the word 'Private Ltd'.
 C. It is a private company, being a subsidiary of a company which is not a private company.
 D. Restricts the right to transfer its shares, if any.

Choose the correct answer from the options given below

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

Direction Read the passage carefully and answer the following questions 41 to 45

R and S are partners in a firm sharing profits in the ratio of 3 : 2. They admit T as a new partner. The new profit sharing ratio of R, S and T will be 5 : 5 : 3. T contributed the following assets towards his capital and for his share of goodwill.

Stock ₹ 1,67,000, debtors ₹ 1,40,000 (less provision for doubtful debts of 5%) and land ₹ 1,00,000, plant and machinery ₹ 1,80,000. On the date of admission of T, the goodwill of the firm was valued at ₹ 13,00,000.

41. What could be the purpose of admitting T in the firm?

- (a) Acquiring additional managerial skills
 (b) Procuring additional capital
 (c) Enhancing efficiency of operations
 (d) None of the above

42. Which of these would be the effect of T's admission?

- (a) New partnership comes into existence
 (b) Combined share of old partners is reduced
 (c) Assets and liabilities are reassessed
 (d) All of the above

43. What was the amount of capital brought in by T?

- (a) ₹ 5,80,000 (b) ₹ 3,00,000
 (c) ₹ 2,85,000 (d) ₹ 2,80,000

44. What is the sacrificing ratio of R and S?

- (a) 2 : 3 (b) 3 : 2
(c) 1 : 1 (d) None of these

45. What share of goodwill did R got?

- (a) ₹ 6,50,000 (b) ₹ 1,50,000
(c) ₹ 2,80,000 (d) None of these

Direction Read the passage carefully and answer the following questions 46 to 50

On 1st April, 2019, Ranjana Ltd. made an issue of 3,00,000 equity shares of ₹ 10 each at a premium of ₹ 4 per share, payable as follows

₹ 6 on application (including ₹ 1 premium)

₹ 2 on allotment (including ₹ 1 premium)

₹ 3 on first call (including ₹ 1 premium)

₹ 3 on second and final call (including ₹ 1 premium)

Applications were received for 4,50,000 shares, of which applications for 90,000 shares were rejected and their money was refunded. Rest of the applicants were issued shares on pro-rata basis and their excess money was adjusted towards allotment.

Jatin, to whom 6,000 shares were allotted, failed to pay the allotment money and his shares were forfeited after allotment. Ruchi, who applied for 10,800 shares failed to pay the two calls and on her such failure, her shares were forfeited.

12,000 forfeited shares were re-issued as fully paid on receipt of ₹ 9 per share, the whole of Ruchi's shares being included.

46. What is the amount refunded to shareholders?

- (a) ₹ 4,50,000 (b) ₹ 5,40,000
(c) ₹ 4,00,000 (d) ₹ 5,00,000

47. What is the excess amount received along with application money adjusted with allotment?

- (a) ₹ 3,00,000 (b) ₹ 5,40,000
(c) ₹ 6,30,000 (d) ₹ 3,60,000

48. What is the amount received on allotment?

- (a) ₹ 2,35,200 (b) ₹ 2,22,500
(c) ₹ 2,25,200 (d) ₹ 2,45,200

49. When forfeited shares are re-issued, the credit balance left in the share forfeiture account must be transferred to

- (a) capital reserve account
(b) share capital account
(c) shareholders account
(d) profit and loss account

50. Amount of forfeiture transferred to balance sheet is

- (a) ₹ 54,000 (b) ₹ 60,000
(c) ₹ 18,000 (d) ₹ 12,000

Right Options

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

HINTS & ANSWERS

- (b) Deficit arises when, expenditure is more than income. If income and expenditure account has credit balance, that indicates surplus, i.e., excess of income over expenditure. While it has debit balance, that indicates deficit, i.e. excess of expenditure over income.
- (c) Final accounts of not for profit organisation consists of Receipts and payment account which is the summary of cash and bank transactions.
Income and expenditure account which is concerned with only revenue items expenses and income.
Balance sheet that consist of all liabilities and assets.
- (d) The purpose of these funds or investments is to meet the expenses related to the purpose for which it is created.

Therefore, the incomes derived from the amount which is invested from these items accrue to them alone and not the income and expenditure account.

- (a) The quick ratio is an accounting ratio that measures a company's liquidity. A ratio of one or more shows that the company has enough liquid assets to meet its short-term obligations.
- (c) Working Capital = Current Assets – Current Liabilities

$$2,00,000 = 6,00,000 - \text{Current Liabilities}$$

$$\text{Thus, current liabilities} = 6,00,000 - 2,00,000$$

$$= ₹ 4,00,000$$

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}} = \frac{6,00,000}{4,00,000} = 1.5$$

6. (c) A foreign key is a column or columns of data in one table that refers to the unique data values, often the primary key data in another table. Foreign keys link together two or more tables in a relational database.
7. (c) Server database are expensive than desktop database. They are high powered computers that store and manage data stored on a server for a network of users and devices. It ensures consistency and reliability of data. It is oriented towards multi user applications.
8. (c) (ii) (iii) (iv) (i)
9. (a) Ratio analysis is used to evaluate various aspect of a company's operating and financial performance such as its efficiency, liquidity, profitability and solvency. Thus, it helps business in identifying the problem areas.
10. (a) Cash flow statement reports the cash generated and spent during a specified period of time. It includes operating, investing and financing activities.
11. (d) Cash flow from investing activity shows how much money has been used in or generated from making investments during a specific time period. Sale of investment is an example of cash flow from investing activity.
12. (b) Total drawings = $6 \times 1,00,000 = ₹ 6,00,000$
 Rate of interest = 20% p.a.
 Time Left after First Drawings
 Time = $\frac{\text{Time Left after First Drawings} + \text{Time Left after Last Drawings}}{2}$
 $= \frac{5 + 0}{2} = 2.5$ months
 Interest on Drawings
 $= \text{Total Drawings} \times \frac{\text{Rate}}{100} \times \frac{\text{Time}}{12}$
 $= 6,00,000 \times \frac{20}{100} \times \frac{2.5}{12} = ₹ 25,000$
13. (d) No entry is required as ₹ 30,000 will be used to meet the claim and ₹ 10,000 will be divided among partners.
14. (c) They are the hybrid instruments with bond and equity like features, equivalent to bonds with fixed dividend payment plus the option to acquire common stock.
15. (a) (ii) (i) (iv) (iii)
16. (c) There are different types of share capital which can be classified as
 Authorised or registered capital
 Issued capital Subscribed capital
 Called-up capital Uncalled-up capital
 Reserve capital
17. (c)

Particulars	Amt (₹)
Net Profit During the Year	10,00,000
(-) Increase in Prepaid Expenses	(50,000)
Cash Flow from Operating Activities	9,50,000

While calculating cash flow from operating activities, any increase in current assets and decrease in current liabilities are deducted from net profit while any decrease in current assets and increase in current liabilities are added to net profit.

18. (d) Financial statement analysis can be undertaken by management of the firm or by parties outside the firm, viz. trade creditors, lenders, investors, labour union, government, etc.
19. (d) Worksheet is a table into which we enter data and data label. It is a collection of cells organised in rows and columns. Worksheet data can be viewed in the form of either chart or graphs.
20. (b) The extension of MS excel file is XLSX. It is a commonly used extension of excel file format which is used for storing a simple type of data for Excel 2007 and later.
21. (a) A court can order the firm to be dissolved for a variety of reasons, including one or more partners become unsound mind or insane, on the death of partner, misconduct by partner, breaching of agreement or any other just cause.
22. (a) The amount that is debited by the firm to the realisation account is calculated at agreed value.
23. (a) Bearer debentures are negotiable instruments that can be transferred by mere delivery. The interest on these debentures is paid to the holder irrespective of their identity. No records are maintained for these debentures.
24. (b) Debentures issued as collateral security are secondary or parallel security for the original loan taken by the company. For this, debenture suspense account is debited and debentures account is credited.
25. (d) Block codes consists of a range of numbers which is used to convert software code or an algorithm into any particular form so that errors, if any, in the code can be minimised.
26. (c) At the time of dissolution, following items are transferred to realisation account
 All the assets of the firm including goodwill.
 All the liabilities of the firm.
 Sale proceeds of assets realised.
 Payment of liabilities.
 Assets taken by partner.
 Liability assumed by partner.
 Provision for bad and doubtful debts.
 Investment fluctuation reserve, workmen compensation reserve etc.
27. (a) (ii) (i) (iv) (iii)
28. (b) Mr. Kishan holds 1,000 shares whose amount is
 Total share capital $(10 - 2) = 8 \times 1,000 = ₹ 8,000$
 Application money = $1,000 \times 3 = ₹ 3,000$
 Allotment money = $1,000 \times 4 = ₹ 4,000$
 Securities premium $(4 - 2) = 1,000 \times 2 = ₹ 2,000$
 First call money = $1,000 \times 3 = ₹ 3,000$

- Total amount, he deposited (except security premium)
 $= 3,000 + (4,000 - 2,000) = ₹ 5,000$
 So, share forfeiture account will be credited by ₹ 5,000.
29. (b) The debentureholders receive a fixed rate of interest payment periodically. They do not get any voting rights and share in profit.
30. (c) Partnership deed is a written legal document that contains an agreement made among partners. It generally contains details related to partnership firm, i.e., name and address of firm and partners, rules and regulations, salaries, commission, profit sharing ratio, etc.
31. (b) Sacrificing ratio is the ratio in which the partner(s) has/have agreed to sacrifice their share of profit in favour of other partner(s). It is calculated as
 Sacrificing Ratio = Old Share – New Share
32. (b) A partnership firm may be dissolved through various modes, i.e., dissolution by mutual consent, compulsory dissolution, dissolution by agreement, dissolution by the court, etc.
33. (a) In case of dissolution of firm, the firm ceases to conduct business and has to settle its accounts, losses including deficiencies of capital, which shall be paid first out of profits, next out of capital of partners and lastly, if necessary, by the partners individually in their profit sharing ratio.
34. (a) The cash flow statement should report cash inflow and cash outflow during the period in order of operating, investing and financing activities.
35. (c) (ii) (iii) (iv) (i)
36. (a) On the dissolution of partnership firm, the firm shall apply its assets including any contribution to make up the deficiency firstly, for paying the third party (creditors/outside) debts, secondly for paying any loan or advance by any partner and lastly for paying back their capitals. Any surplus left after all the above payments is shared by partners in profit sharing ratio.
37. (d) Financial statement analysis is not affected by changes in price levels because all of the elements in statements are stated at historical prices.
38. (a) Purchase of fixed assets for ₹ 5,00,000 on long-term deferred payment basis will increase the debt component but not the equity component and hence ratio will increase.
39. (a) (ii) (iii) (iv) (i)
40. (b) As per Section 2(71) of Companies Act, 2013 public company is a company
 which is not a private company.
 which is a private company, being a subsidiary of a company which is not a private company.
 whose name ends with the word 'limited'.
41. (b) The main purpose for admission of a new partner can be the need for funding and guidance or mentorship. Thus, the purpose of admitting T in the firm could be procuring additional capital.
42. (d) The effects of admission of new partners are
 New partnership comes into existence.
 Combined shares of old partners is reduced.
 Assets and liabilities are reassessed.
43. (d) **JOURNAL**
- | Particulars | LF | Amt (Dr) | Amt (Cr) |
|---|----|----------|----------|
| Stock A/c | Dr | 1,67,000 | |
| Debtors A/c | Dr | 1,40,000 | |
| Land A/c | Dr | 1,00,000 | |
| Plant and Machinery A/c | Dr | 1,80,000 | |
| To Provision for Doubtful Debts A/c | | | 7,000 |
| To Premium for Goodwill A/c
(13,00,000 × 3/13) | | | 3,00,000 |
| To T's Capital A/c (Bal. fig.) | | | 2,80,000 |
| (Being stock, debtors, land and plant and machinery contributed by T on his admission as his capital and his share of goodwill) | | | |
44. (d) **Calculation of Sacrificing Ratio**
 Sacrificing Ratio = Old Share – New Share

$$R = \frac{3}{5} - \frac{5}{13} = \frac{39 - 25}{65} = \frac{14}{65}$$

$$S = \frac{2}{5} - \frac{5}{13} = \frac{26 - 25}{65} = \frac{1}{65}$$
 Sacrificing ratio = $\frac{14}{65} : \frac{1}{65} = 14 : 1$
45. (c) Premium for goodwill of T = ₹ 3,00,000
 Sacrificing ratio = 14 : 1
 Therefore, R's share = $14/15 \times 3,00,000 = ₹ 2,80,000$
46. (b) Refund = $90,000 \times 6 = ₹ 5,40,000$
47. (d) Excess money = $60,000 \times 6 = ₹ 3,60,000$
48. (a)
- | Particulars | Amt (₹) |
|---|------------|
| Total Amount due on Allotment
(3,00,000 × 2) | 6,00,000 |
| (–) Excess Application Money Adjusted
(60,000 × 6) | (3,60,000) |
| | 2,40,000 |
| (–) Money not Paid by Jatin | (4,800) |
| Net Amount Received on Allotment | 2,35,200 |
49. (a) Once the forfeited shares are re-issued, then the balance, if any, left in share forfeited account, in respect of shares re-issued, should be treated as capital profit because this amount is a capital gain for the company. Hence, it must be transferred to capital reserve account.
50. (c) **Balance Forfeited Share Account**
 Profit on 6,000 shares of Jatin ₹ 36,000
 Therefore, the balance of forfeited shares account on 3,000 on issued shares $\left(\frac{36,000}{6,000} \times 3,000 \right)$ is ₹ 18,000.

MOCK TEST 03

ACCOUNTANCY

Time : 45 Min
MM : 200

Attempt any 40 out of the given 50 questions. No mark will be given to unanswered for review questions.
Each question carries 5 marks. Negative marking of 1 mark for a wrong answer.

- Cash flow statement is also known as
 - Statement of changes in financial position.
 - Financial statement analysis.
 - Statement of trading and profit and loss.
 - Statement accounting for variation in cash.

Choose the correct answer from the options given below

(a) A and B	(b) A and D
(c) B and C	(d) B and D
- The objectives of cash flow statement are
 - Analysis of cash position.
 - Short-term cash planning.
 - Compare the intra-firm position.
 - Evaluation of liquidity.
 - Ascertain the profit for the year.

Choose the correct answer from the options given below

(a) A, B and E
(b) B, C and D
(c) B, D and E
(d) A, B and D
- For which of the following situations, the old profit sharing ratio of partners is used at the time of admission of a new partner?
 - When new partner brings only a part of his share of goodwill
 - When new partner is not able to bring his share of goodwill
 - When at the time of admission, goodwill already appears in the balance sheet
 - When new partners brings his share of goodwill in cash
- The goodwill, which is the excess of desired total capital of the firm over the actual combined capital of all partners, is known as

(a) hidden goodwill	(b) old goodwill
(c) premium	(d) share
- Which of the following is the first step in accounting cycle?
 - Recording in cash book
 - Recording in journal
 - Analysing transactions
 - Posting to ledger
- All payments are entered under accounting voucher in tally through

(a) F3	(b) F4
(c) F5	(d) F6
- The top management is interested in financial statement analysis
 - To see that the resources of the firm are used most efficiently.
 - To see that the firm's financial condition is sound.
 - To measures that operating activities are efficient and profitable.
 - To see that firm has adequate manpower.

Choose the correct answer from the options given below

(a) A, B and C	(b) B, C and D
(c) A, C and D	(d) A, B and D
- The working capital of RIL Ltd. is ₹ 4,00,000 and its current assets are ₹ 12,00,000. What is its current ratio?

(a) 0	(b) 1
(c) 1.5	(d) 2

9. Match the following related to financial statement analysis.

List-I	List-II
A. Significance	(i) Comparative statements and common size statements
B. Type of analysis	(ii) Does not consider price level changes
C. Tools of analysis	(iii) To present the complex financial data in simplified and understandable form
D. Limitation	(iv) Horizontal analysis and vertical analysis

Choose the correct answer from the options given below

A	B	C	D	A	B	C	D
(a) (iii)	(iv)	(i)	(ii)	(b) (iv)	(ii)	(i)	(iii)
(c) (ii)	(i)	(iv)	(iii)	(d) (ii)	(iii)	(iv)	(i)

10. The steps of treatment of goodwill at the time of change in profit sharing are

- A. Calculate compensation payable by gaining partner(s) to sacrificing partner(s).
- B. Pass the adjustment entry.
- C. Calculate the share gained and share sacrificed.

Choose the correct answer from the options given below

(a) A, C and B	(b) A, B and C
(c) C, A and B	(d) C, B and A

11. In case of depreciation provided on plant and machinery (at the time of change in profit sharing ratio), which account is debited?

- (a) Plant and machinery
- (b) Revaluation account
- (c) Partners' capital account
- (d) Profit and loss account

12. Not for profit organisation refers to organisation that work for

- A. Welfare of society
- B. Earning profit
- C. Welfare for their own
- D. Welfare of community
- E. Charity

Choose the correct answer from the options given below

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

13. Managerial accounting information is generally prepared for

- (a) shareholders
- (b) creditors
- (c) managers
- (d) regulatory agencies

14. In the balance sheet, loose tools are shown under

- (a) inventories
- (b) trade receivables
- (c) current liabilities
- (d) cash and cash equivalents

15. The main source of income for non-profit organisations include

- A. Donations
- B. Grants-in-aids
- C. Credit transactions
- D. Subscription from members
- E. Issue of shares

Choose the correct answer from the options given below

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

16. The account which shows the classified summary of transactions of a cashbook in a non-trading concern is known as

- (a) trading account
- (b) profit and loss account
- (c) receipt and payment account
- (d) balance sheet

17. Which of the following cases belong to guarantee of profits?

- A. Guarantee by the firm to a partner.
- B. Guarantee by one partner to another partner.
- C. Guarantee by creditors to a partner.
- D. Guarantee by the partner to the firm.
- E. Guarantee by firm to the court.

Choose the correct answer from the options given below

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

18. A, B and C are partners, sharing profits in the ratio of 5 : 3 : 2. As per partnership deed, C is to get a minimum amount of ₹ 10,000 as profit. Net profit for the year is ₹ 40,000. Calculate deficiency (if any) to C.

- (a) ₹ 750
- (b) ₹ 2,000
- (c) ₹ 1,500
- (d) ₹ 8,000

19. In absence of agreement, interest is provided on partner's loan.

- (a) 2% p.a.
- (b) 6% p.a.
- (c) 10% p.a.
- (d) 12% p.a.

20. Match List-I with List-II.

List-I	List-II
A. Operating activities	(i) Cash received from disposal of fixed assets
B. Investing activities	(ii) Cash payment to supplier of services

32. Match List-I with List-II.

List-I	List-II
A. When shares are issued at more than face value.	(i) At par
B. Application received from public is less than issued shares	(ii) At premium
C. When shares are issued at face value	(iii) Undersubscription
D. Application received from public is more than issued shares	(iv) Oversubscription

Choose the correct answer from the options given below

- | | | | | | | | |
|----------|-------|------|-------|-----------|-------|-----|------|
| A | B | C | D | A | B | C | D |
| (a) (ii) | (i) | (iv) | (iii) | (b) (ii) | (iii) | (i) | (iv) |
| (c) (iv) | (iii) | (ii) | (i) | (d) (iii) | (iv) | (i) | (ii) |

33. Nominal share capital is

- (a) that part of authorised capital which is issued by the company
- (b) the amount of capital which is actually applied by prospective shareholders
- (c) the amount of capital which is paid by the shareholders
- (d) the maximum amount of share capital that a company is authorised to issue

34. ABC Ltd. issued 15,000, 15% debentures of ₹ 100 each at a premium of 10% which are redeemable after 10 years at a premium of 20%. The amount of loss on redemption of debentures to be written-off will be

- (a) ₹ 1,50,000
- (b) ₹ 2,25,000
- (c) ₹ 3,00,000
- (d) ₹ 4,50,000

35. Loss on issue of debentures is treated as

- (a) intangible asset
- (b) current asset
- (c) current liability
- (d) miscellaneous expenditure

36. When debentures are issued as collateral security for a loan, then such debentures are entitled for

- A. Interest on amount of loan.
- B. Dividend on amount of issue price.
- C. Interest on amount of debentures.
- D. No interest amount.

Choose the correct answer from the options given below

- (a) Either A or C
- (b) Only A
- (c) Only C
- (d) Only D

37. When debentures are issued at a discount and are redeemable at a premium, which of the following account is debited at the time of issue of debentures?

- (a) Debentures account
- (b) Premium on redemption of debentures account
- (c) Discount on issue of debentures account
- (d) Capital reserve account

38. Which of the following are examples of server database?

- A. Word
- B. Oracle
- C. Excel
- D. IBM-DB2
- E. Access

Choose the correct answer from the options given below

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

39. Which of the following is not a type of database?

- (a) Hierarchical
- (b) Network
- (c) Distributed
- (d) Decentralised

40. Match List-I with List-II.

List-I	List-II
A. SLM	(i) Function for computing monthly installments of loan repayment
B. Nper	(ii) Function to compute depreciation by written down value method
C. DB	(iii) Function to calculate depreciation through straight line method
D. PMT	(iv) Total number of payments for loan

Choose the correct answer from the options given below

- | | | | | | | | |
|----------|-------|-------|------|----------|-------|-------|------|
| A | B | C | D | A | B | C | D |
| (a) (ii) | (i) | (iii) | (iv) | (b) (iv) | (i) | (iii) | (ii) |
| (c) (iv) | (iii) | (i) | (ii) | (d) (ii) | (iii) | (i) | (iv) |

Direction Read the passage carefully and answer the following questions 41 to 45

Denspar Ltd. invited applications for issuing 2,00,000 equity share of ₹ 10 each at a premium of ₹ 20 per share.

The amount was payable as follows

- On Application – ₹ 2 per share
- On Allotment – ₹ 13 per share (including ₹10 premium)
- On First Call – ₹ 7 per share (including ₹5 premium)
- On Final Call – ₹ 8 (including ₹5 premium)

Applications for 1,80,000 shares were received. Shares were allotted to all the applicants. Yogesh, a shareholder holding 5,000 shares paid his entire share money along with the allotment money. Vishesh, a holder of 7,000 shares, failed to pay the allotment money. Afterwards the first call was made.

Vishesh paid the allotment money along with the first call money. Samyesh, holding 2,000 shares did not pay the final call. Samyesh's shares were forfeited immediately after the final call. Out of the forfeited shares, 1,500 shares were reissued at ₹ 8 per share fully paid up.

41. What is the amount of calls-in-advance?
 (a) ₹ 40,000 (b) ₹ 35,000
 (c) ₹ 70,000 (d) ₹ 75,000
42. Identify the amount of allotment money received.
 (a) ₹ 23,00,000 (b) ₹ 23,24,000
 (c) ₹ 24,23,000 (d) ₹ 24,00,000
43. Amount of first call money received is
 (a) ₹ 13,00,000 (b) ₹ 16,13,000
 (c) ₹ 13,16,000 (d) ₹ 16,00,000
44. What is the amount of final call money received?
 (a) ₹ 13,84,000 (b) ₹ 13,48,000
 (c) ₹ 13,40,000 (d) ₹ 13,80,000
45. What is the amount of forfeiture transferred to capital reserve?
 (a) ₹ 1,500 (b) ₹ 6,000 (c) ₹ 7,500 (d) ₹ 9,000

Direction Analyse the following hypothetical extract of EVA Ltd. for the year ending 2022-23 and answer the following questions 46 to 50

Particulars	Amt (₹)
Paid-up Share Capital	8,00,000
Current Assets	5,00,000
Credit Revenue from Operations	3,00,000
Cash Revenue from Operations	75% of Credit Revenue from Operations
9% Debentures	3,40,000
Current Liabilities	2,90,000
Cost of Revenue from Operations	1,80,000

46. What is the current ratio of Eva Ltd.?
 (a) 1 : 1
 (b) 1.72 : 1
 (c) 2 : 1
 (d) 2.24 : 1
47. Which of the following efforts might help in improving the gross profit ratio of the company?
 A. Increasing the selling price.
 B. Reducing the direct expenses.
 C. Charging greater depreciation.
 D. Decreasing the selling price.
 Choose the correct answer from the options given below
 (a) Only A (b) A, C and D
 (c) A and B (d) A, B and C
48. The working capital turnover ratio of Eva Ltd. will be
 (a) 2 times (b) 3 times
 (c) 2.5 times (d) 3.2 times
49. What is the proprietary ratio of Eva Ltd.?
 (a) 0.66:1 (b) 0.59:1
 (c) 0.54:1 (d) 0.56:1
50. What does the low proprietary ratio of the company signify?
 (a) It indicates a higher safety margin for lenders
 (b) It indicates that long-term lenders are less secured
 (c) It indicates higher financial risk of the company
 (d) None of the above

Right Options

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

HINTS & ANSWERS

1. (b) Cash flow statement is a financial statement that shows how changes in balance sheet accounts and income affect cash and cash equivalents. It is also known as 'statement of change in financial position' and 'statement accounting for variation in cash'.
2. (d) Cash flow statement is prepared to provide a more detailed picture of what happened to a business's cash during an accounting period. The objectives of cash flow statement includes
 - Analysis of cash position.
 - Short-term cash planning.
 - Evaluation of liquidity.
 - Measure the cash inflow and outflow.
 - Analyse the need of working capital.
3. (c) At the time of admission of new partner, goodwill already appearing in the balance sheet is written-off in old profit sharing ratio.
4. (a) Hidden goodwill refers to that goodwill which is not specified at the time of admission of a partner. It is the excess of desired total capital of the firm over the actual combined capital of all partners.
5. (c) The accounting cycle is a multistep process used by businesses to create an accurate record of their financial position, as summarised on their financial statements. The first step in accounting cycle is to identify and analyse transactions.
6. (c) Payment voucher is used to account all the payments made by the company by way of cash/bank. The process is as follows
Gateway of Tally ERP 9 > Accounting Vouchers > F5 : Payment
7. (a) The advantage of financial statement analysis from the view point of top management include the following
 - They can see that the resources of the firm are used most efficiently.
 - They can see that the firm's financial condition is sound.
 - They can measure that the operating activities are efficient and profitable.
8. (c) Working Capital = Current Assets – Current Liabilities

$$4,00,000 = 12,00,000 - \text{Current Liabilities}$$
 So, Current Liabilities = $12,00,000 - 4,00,000 = ₹ 8,00,000$

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}} = \frac{12,00,000}{8,00,000} = 1.5$$
9. (a) (iii) (iv) (i) (ii)
10. (c) Following is the sequence of steps of treatment of goodwill at the time of change in profit sharing
 - Calculate the share gained and share sacrificed.
 - Calculate compensation payable by gaining partner(s) to sacrificing partner(s).
 - Pass the adjustment entry.
11. (b) When there is a change in the profit sharing ratio of the partners of a firm, it is necessary to revalue the assets and liabilities of the firm. This is done to ensure that the new profit sharing ratio reflects the true value of the assets and liabilities of the firm.
To account for depreciation provided on plant and machinery, the revaluation account is debited.
12. (c) Not for profit organisations are those organisations which are set up with the prime objective of social welfare of society, community and others. Profit earning is not the objective of such organisations. These are set up as charitable associations which do their operations without any motive for profit.
13. (c) Management accounting information is useful for the management or manager who are responsible to take managerial decisions.
14. (a) In the balance sheet, loose tools are shown on the assets side under the head 'current assets' and sub-head 'inventories'. Loose tools are shown as a part of the inventory of the business as they aid the production process.
15. (a) The major sources of income of not for profit organisations usually are subscriptions from their members, donations, grants-in-aid, income from investments, crowdfunding, fundraising campaigns, etc.
16. (c) Receipt and payment account acts as a summary of cash payments and receipts of an organisation during an accounting period. It provides a picture of the cash position of a not for profit organisation.
17. (b) Guarantee means the surety of a particular amount of profits by one or more partners and in some cases by the firm to a partner, where the burden of guarantee is borne by the partners of the firm providing such a guarantee.
18. (b) Guaranteed share of C is ₹ 10,000
 Share in given profit $\left(40,000 \times \frac{2}{10} \right) = ₹ 8,000$
 Deficiency is C's share of profit = $10,000 - 8,000 = ₹ 2,000$
19. (b) In the absence of any agreement, interest on loan/advances by a partner is provided @ 6% p.a and is allowed whether there is profit or not. Interest on loan is a charge and will be provided regardless of profits earned.

20. (a) (ii) (i) (iv) (iii)
21. (d) (iii) (i) (iv) (ii)
22. (c) At the time of dissolution of firm, the balances of partners' capital accounts are paid after payment of outsiders liabilities and partners' loan.
23. (c) When realisation expenses are paid by the firm on behalf of partner who has to bear the expenses than partners' capital account is debited and cash or bank account is credited with the agreed amount.
24. (c) Goodwill = $2.5 \times \text{Average Profits}$
 $10,00,000 = 2.5 \times \text{Average Profits}$
 Average Profits = ₹ 4,00,000 ... (i)
 Also, as per question,

$$\text{Average Profit} = \frac{7,00,000 + x + 3,00,000}{3} \quad \dots(ii)$$
 Now comparing (i) and (ii)

$$\frac{7,00,000 + x + 3,00,000}{3} = 4,00,000$$

$$10,00,000 + x = 12,00,000$$

$$x = 12,00,000 - 10,00,000 = ₹ 2,00,000$$
25. (c) When a consumer's or buyer's advantage lies in the excess of the normal return on capital employed, the excess of actual/average profit over normal/average profit is called super profit. It is a method under which goodwill is estimated on the basis of super profits.
26. (a) At the time of dissolution, the assets of the partnership firm, including any sums contributed by the partner to make up deficiencies of capital, shall be applied in following manner
- Debt of the firm are paid to third parties.
 - Each partner's dues/advances (except capital) are paid.
 - Each partner's dues as capital are paid.
 - Remaining amount is distributed to partners in their profit sharing ratio.
27. (b) Page layout refers to the process of placing and arranging text, images and graphics on a software page to produce documents such as newsletters, brochures and books or to attract readership to a website. It shows margins and the rulers.
28. (a) In the event of dissolution, all assets are transferred at book value because the main purpose of open realisation account is to ascertain the profit or loss due to realisation of assets and liabilities. If assets are not recorded at book value, actual profit/loss can not be ascertained.
29. (c) In the absence of any agreement, at the time of dissolution of a partnership firm, the capital profit is shared among partners in profit sharing ratio.
30. (b) At the time of dissolution, amount realised from an unrecorded asset is transferred to realisation account. Realisation account is an account opened during the dissolution of a partnership firm to determine the profit or loss on the realisation of assets and payment of liabilities.
31. (b) Calls-in-arrears $(1,00,000 - 97,500) = 2,500$ shares
 Per share final call amount = $\frac{87,500}{2,500} = ₹ 35$
32. (b) (ii) (iii) (i) (iv)
33. (d) Nominal or authorised share capital is the maximum amount of share capital that a company is allowed to issue to its shareholders as per its constitutional documents. This amount is mentioned in the MoU of the company.
34. (a) Calculation of loss on redemption of debentures
 Nominal value of debentures $(15,000 \times 100)$

$$= ₹ 15,00,000$$
 Premium @ 10% = 1,50,000
 Total amount received on issue of debentures

$$= 15,00,000 + 1,50,000$$

$$= ₹ 16,50,000$$
 On redemption of debentures after 10 years
 Nominal value of debentures ₹ 15,00,000
 Premium amount @ 20% ₹ 3,00,000
 Total amount to be paid on redemption

$$= 15,00,000 + 3,00,000 = ₹ 18,00,000$$
 Therefore, loss on redemption of debentures

$$= 18,00,000 - 16,50,000 = ₹ 1,50,000$$
35. (d) Loss on issue of debentures means the difference between the redeemable value and the face value. It is treated as a miscellaneous expenditure and is debited to "loss on issue of debentures account".
36. (d) When debentures are issued as collateral security, no interest is paid on them as the lender does not own them. The lender can realise the collateral security in case borrower fails to make the payment of the original loan.
37. (c) When debentures are issued at a discount and are redeemable at a premium, discount on issue of debenture account is debited at the time of issue of debentures. Journal entry will be as follows
- | | |
|---|----|
| Bank A/c | Dr |
| Discount on Issue of Debenture A/c | Dr |
| Loss on Issue of Debenture A/c | Dr |
| To Debentures A/c | |
| To Premium on Redemption of Debenture A/c | |
38. (a) Database server refers to combination of hardware and software where they are used to run the database, as per the context. Examples of database server are SAP HANA, Oracle, IBM DB2, Altibase, MS SQL server, Teradata, ADABAS, Filemaker, etc.
39. (d) Database is a collection of data that is organised and stored in a structured format, allowing for easy access, manipulation and analysis of data. There are many different types of database, including relational, object oriented, hierarchical, network, distributed, etc.
40. (c) (iv) (iii) (i) (ii)
41. (d) Calls-in-advance = $5,000 \times 7 + 5,000 \times 8 = ₹ 75,000$

42. (b) Allotment due $(1,80,000 \times 13)$ = 23,40,000
 (+) Calls-in-advance = 75,000
 (-) Calls-in-arrear $(13,000 \times 7)$ = (91,000)
 = ₹ 23,24,000
43. (c) First call due $(1,80,000 \times 7)$ = 12,60,000
 (+) Calls-in-arrear received = 91,000
 (-) Calls-in-advance $(7,000 \times 5)$ = (35,000)
 = ₹ 13,16,000
44. (a) Final Call due $(1,80,000 \times 8)$ = 14,40,000
 (-) Calls-in-arrear $(2,000 \times 8)$ = (16,000)
 (-) Calls-in-advance $(5,000 \times 8)$ = (40,000)
 = ₹ 13,84,000
45. (c) Amount of forfeiture on 1,500 shares = 10,500
 $\left(\frac{14,000}{2,000} \times 1,500 \right)$
 (-) Discount on reissue = (3,000)
 Amount transferred to capital reserve account = ₹ 7,500
46. (b) Current Ratio = $\frac{\text{Current Assets}}{\text{Current Liabilities}}$
 = $\frac{5,00,000}{2,90,000} = 1.72 : 1$

47. (c) Increasing the selling price and reducing the direct expenses might help in improving the gross profit ratio of the company.

48. (c) Working Capital Turnover Ratio
 = $\frac{\text{Revenue from Operations}}{\text{Working Capital}}$
 = $\frac{5,25,000}{2,10,000} = 2.5$ times

Working Capital = Current Assets – Current Liabilities
 = 5,00,000 – 2,90,000 = ₹ 2,10,000

49. (d) Proprietary Ratio = $\frac{\text{Shareholders' Funds}}{\text{Total Assets}}$
 = $\frac{8,00,000}{14,30,000} = 0.56 : 1$

Total Assets = Paid-up Capital + 9% Debentures
 + Current Liabilities
 = 8,00,000 + 3,40,000 + 2,90,000
 = ₹ 14,30,000

50. (b) Low proprietary ratio of the company indicates that long-term lenders are less secured. This ratio shows the dependence of the company on the debt financing in order to run its business.

MOCK TEST 04

ACCOUNTANCY

Time : 45 Min
MM : 200

Attempt any 40 out of the given 50 questions. No mark will be given to unanswered for review questions.
Each question carries 5 marks. Negative marking of 1 mark for a wrong answer.

- At the time of admission of a new partner in the firm, the new partner compensates the old partners for their loss of share in the profits of the firm for which he brings in an additional amount, which is known as
 - capital share
 - premium for goodwill
 - assets
 - liabilities
- What adjustments are required to be made at the time of admission of a partner?
 - Computation of new ratio and sacrificing ratio.
 - Treatment of goodwill.
 - Adjustment of capital.
 - Distribution of profit or loss of new partner.
 - Realisation of assets and liabilities.

Choose the correct answer from the options given below

 - A, B and C
 - B, D and E
 - B, C and E
 - A, D and E
- Which of the following are reconstitution of partnership?
 - Admission of a partner.
 - Dissolution of partnership.
 - Change in profit sharing ratio.
 - Retirement of a partner.
 - Death of a partner.

Choose the correct answer from the options given below

 - A, B, C and D
 - B, C, D and E
 - A, C, D and E
 - A, B, D and E
- Any profit from revaluation account is in partners' capital account in the ratio.
 - debited, new
 - debited, old
 - credited, new
 - credited, old
- Which of the following are the characteristics of partnership?
 - Written agreement
 - Mutual agency
 - Limited liability
 - Two or more persons
 - Compulsory registration

Choose the correct answer from the options given below

 - A, B and D
 - A, D and E
 - B, C and D
 - A, B and C
- Match List-I with List-II.

List-I	List-II
A. Employees provident fund	(i) Accumulated losses
B. Advertisement expenditure	(ii) Statutory liability
C. Machinery replacement fund	(iii) Accumulated profit
D. General reserve	(iv) Accumulated depreciation

Choose the correct answer from the options given below

A	B	C	D	A	B	C	D
(a) (iii)	(ii)	(i)	(iv)	(b) (iii)	(ii)	(iv)	(i)
(c) (ii)	(i)	(iv)	(iii)	(d) (i)	(ii)	(iv)	(iii)

7. Match List-I with List-II.

List-I	List-II
A. Intangible asset	(i) Method of valuation of goodwill.
B. Nature of business	(ii) Features of goodwill.
C. Super profit	(iii) Factor affecting goodwill.
D. Self-generated	(iv) Type of goodwill.

Choose the correct answer from the options given below

A	B	C	D	A	B	C	D
(a) (iii)	(ii)	(iv)	(i)	(b) (ii)	(iii)	(iv)	(i)
(c) (iii)	(ii)	(i)	(iv)	(d) (ii)	(iii)	(i)	(iv)

8. Which method is based on the assumption that a new business will not be able to earn profits during the initial years as compared to an established business?

- (a) Average profit method
 (b) Weighted profit method
 (c) Super profit method
 (d) All of the above

9. Command that arrange data in ascending or descending order is

- (a) sort (b) filter
 (c) alter (d) arrange

10. Arrange the following data in correct sequence for starting up the microsoft access application.

- A. 'Start' button on windows taskbar
 B. Microsoft office
 C. Getting started with microsoft access screen
 D. All programs
 E. Microsoft access

Choose the correct answer from the options given below

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

11. What is the average period in case the partner withdraws fixed amount consistently at the end of each quarter for a year?

- (a) 4.5 months (b) 5.5 months
 (c) 6.5 months (d) 7.5 months

12. Match List-I with List-II.

List-I (In Absence of Partnership Deed)	List-II (Provision)
A. Interest on capital	(i) Allowed
B. Interest on partner's loan	(ii) 1 : 1
C. Profit/Losses	(iii) 6% p.a.
D. Partners' allowed to withdraw	(iv) Not allowed

Choose the correct answer from the options given below

A	B	C	D	A	B	C	D
(a) (i)	(ii)	(iii)	(iv)	(b) (i)	(iv)	(ii)	(iii)
(c) (ii)	(iii)	(iv)	(i)	(d) (iv)	(iii)	(ii)	(i)

13. Match List-I with List-II.

List-I	List-II
A. Capital to be called-up only on liquidation of the company	(i) Capital reserve
B. Profit on forfeiture of shares is transferred to	(ii) Reserve capital
C. Intellectual property right	(iii) Debentureholders
D. Creditors of the company	(iv) Sweat equity shares

Choose the correct answer from the options given below

A	B	C	D
(a) (ii)	(i)	(iv)	(iii)
(b) (i)	(ii)	(iii)	(iv)
(c) (iv)	(iii)	(ii)	(i)
(d) (iii)	(iv)	(i)	(ii)

14. Equity shares can not be used for the purpose of

- (a) cash receipts
 (b) purchase of assets
 (c) redemption of debentures
 (d) distribution of dividend

15. When interest on debentures is due, then which account is debited?

- (a) Bank/Cash account
 (b) Interest on debentures account
 (c) Debentures account
 (d) Debentureholder's account

16. Vanya Ltd. forfeited 20,000 equity share of ₹ 100 each for non-payment of first and final call of ₹ 40 per share. The maximum amount of discount at which these shares can be re-issued will be

- (a) ₹ 20,000 (b) ₹ 8,00,000
 (c) ₹ 12,00,000 (d) ₹ 20,00,000

17. When shares are issued for consideration other than cash, which account will be credited?

- (a) Securities premium account
 (b) Capital reserve account
 (c) Vendor's account (d) Share capital account

18. A private company with one person as its member is called

- (a) private company (b) public company
 (c) one person company (d) dormant company

19. A company issued ₹ 4,000 shares of ₹ 50 each payable at par as under
 On application 20%, on allotment 40% on first call 10%, on final call – balance. Applications were received for 10,000 shares. Allotment was made pro-rata. How much amount will be received in cash on allotment?
 (a) ₹ 6,000 (b) ₹ 15,000 (c) ₹ 16,000 (d) ₹ 20,000

20. Receipt and payment account generally shows
 (a) a debit balance (b) a credit balance
 (c) surplus or deficit (d) capital fund

21. Second hand furniture worth ₹ 6,000 was purchased. It was repaired for ₹ 600 and installed by workmen to whom ₹ 200 was paid as wages. The furniture should be capitalised for
 (a) ₹ 6,200 (b) ₹ 6,800 (c) ₹ 6,600 (d) ₹ 6,000

22. Subscription received but not yet earned is considered as
 (a) asset (b) liability
 (c) income (d) expenditure

23. Which of the following functions automatically totals a column or row of values?
 (a) TOTAL (b) SUM (c) ADD (d) AVG

24. Match the following items based on the given modes of dissolution of firm.

List-I	List-II
A. Business of the firm	(i) Happening of an event
B. Business of the firm becomes unlawful	(ii) Compulsory dissolution
C. Completion of the venture	(iii) Dissolution by court
D. Partnership is at will	(iv) Notice

Choose the correct answer from the options given below

	A	B	C	D		A	B	C	D
(a)	(i)	(ii)	(iii)	(iv)	(b)	(iii)	(ii)	(i)	(iv)
(c)	(ii)	(iv)	(i)	(iii)	(d)	(iv)	(iii)	(ii)	(i)

25. Which of the following are the methods of debt redemption?
 A. Sinking fund (b) Refunding
 C. Repudiation (d) Terminable annuities
 Choose the correct answer from the options given below
 (a) A, B and C (b) A, B and D
 (c) B, C and D (d) A, C and D

26. Profit on cancellation of own debentures is transferred to
 (a) general reserve account (b) profit and loss account

(c) capital reserve account
 (d) profit and loss appropriation account

27. What do debentures indicate?
 (a) Director's share in the company
 (b) Investment of equity shareholders
 (c) Long-term borrowings of the company
 (d) Short-term borrowings of the company

28. Premium on issue of shares is shown on which side of balance sheet?
 (a) Assets (b) Liabilities
 (c) Both assets and liabilities
 (d) No entry

29. Shyam Ltd. issues 20,000, 9% debentures of ₹ 100 each at a discount of 5% redeemable at the end of 5 years at a premium of 6%. For what amount 'loss on issue of debentures account' will be debited?
 (a) ₹ 1,00,000 (b) ₹ 1,20,000
 (c) ₹ 2,20,000 (d) ₹ 2,80,000

30. + Operating Profit Ratio (%) = 100
 (a) Operating Ratio (%)
 (b) Gross Profit Ratio
 (c) Net Profit Ratio (d) None of these

31. The current assets of Global Ltd. are ₹ 6,00,000
 Current liabilities are ₹ 2,00,000
 Inventories are ₹ 1,50,000
 Prepaid expenses are ₹ 50,000
 Cash and cash equivalents are ₹ 1,00,000
 What is its quick ratio?
 (a) 1 (b) 2 (c) 1.5 (d) 3

32. Current ratio of ABC Ltd. is 3 : 2. Accountant wants to maintain it at 2 : 1. Following options he can avail.
 A. He can repay bills payable.
 B. He can take short-term loan.
 C. He can purchase goods on credit.

Choose the correct answer from the options given below
 (a) Only A (b) Only B
 (c) A and C (d) A and B

33. blank worksheets are shown when a new workbook is created.
 (a) One (b) Two
 (c) Three (d) Four

34. On dissolution of firm, realisation account is debited with
 (a) all assets to be realised
 (b) all outside liabilities of the firm
 (c) cash received on sale of assets
 (d) any asset to be taken over by one of the partners

35. Which section of Partnership Act, 1932 deals with settlement of accounts in case of dissolution of partnership firm?
 (a) Section 46 (b) Section 47
 (c) Section 48 (d) Section 49
36. Which of the following are accumulated profits?
 A. Investment fluctuation reserve.
 B. Debit balance of profit and loss account
 C. General reserve.
 D. Workmen compensation reserve when there is no claim.
 Choose the correct answer from the options given below
 (a) A and B (b) B and C
 (c) A and D (d) C and D
37. Arrange the following transactions in correct order in terms of dissolution of a partnership firm.
 A. Distribute general reserve among partners in their profit sharing ratio.
 B. Transfer investment fluctuation reserve to realisation account.
 C. Transfer balances in partners' current accounts to partners' capital accounts.
 D. Transfer profit or loss on realisation to partners' capital accounts in their profit sharing ratio.
 Choose the correct answer from the options given below
 (a) B, A, D and C (b) B, A, C and D
 (c) A, B, C and D (d) A, B, D and C
38. Total creditors of the firm were ₹ 1,00,000. Creditors of ₹ 25,000 were given a part of furniture costing ₹ 30,000 in settlement.
 Remaining creditors allowed discount of 10%. The amount credited to bank account will be
 (a) ₹ 90,000 (b) ₹ 67,500
 (c) ₹ 63,000 (d) ₹ 1,00,000
39. Enumerate the correct order of the details required by the schedule given in the note to accounts on share capital.
 A. Issued capital
 B. Subscribed capital : Subscribed and fully paid-up
 C. Nominal capital
 D. Subscribed capital: Subscribed but not fully paid-up
 Choose the correct answer from the options given below
 (a) A, B, C and D (b) B, D, C and A
 (c) C, A, B and D (d) C, B, D and A
40. Which of the following statements are false?
 A. Debenture interest is a charge against profit.
 B. A company can not issue unsecured debentures.
 C. A company can not issue debentures with voting rights.
 D. The issue price and redeemable price of a debenture can not differ.
 Choose the correct answer from the options given below
 (a) A and C (b) B and D
 (c) B and C (d) A and D

Direction Analyse the following hypothetical extract of PMN Ltd. and answer the following questions 41 to 45

Particulars	Amt (₹)
I. EQUITY AND LIABILITIES	
1. Shareholders' Funds	
(i) Equity Share Capital	30,00,000
(ii) Reserves and Surplus	12,00,000
2. Non-current Liabilities	
Long-term Borrowings (12% Debentures)	10,00,000
3. Current Liabilities	
(i) Short-term Borrowings	4,00,000
(ii) Trade Payables	24,00,000
Total	80,00,000
II. ASSETS	
1. Non-current Assets	
(i) Fixed Assets	33,00,000
(ii) Long-term Investments	3,20,000
2. Current Assets	
(i) Inventories	18,20,000
(ii) Trade Receivables	24,80,000
(iii) Cash and Cash Equivalents	80,000
Total	80,00,000

41. Debt-equity ratio for the year 2022 will be
 (a) 0.238 : 1 (b) 1.8 : 1 (c) 2.32 : 1 (d) 2.4 : 1
42. Proprietary ratio for the year 2022 will be
 (a) 1.75 : 1 (b) 1.8 : 1 (c) 0.525 : 1 (d) 1.25 : 1
43. Total assets to debt ratio for the year 2022 will be
 (a) 6:1 (b) 8:1 (c) 4:1 (d) 3:1
44. If PMN Ltd. decides to issue bonus shares what would be the impact on debt-equity ratio?
 (a) It will increase (b) It will decrease
 (c) No effect (d) Either (a) or (b)
45. Solvency ratio measures the ability of a firm to pay its
 (a) short-term debt (b) long-term debt
 (c) equity capital (d) Both (a) and (b)

Direction Analyse the following hypothetical extract and answer the following questions 46 to 50

Following are the opening and closing balances of Sangam Ltd.

Particulars	Opening Balance (₹)	Closing Balance (₹)
Plant and Machinery (At cost)	3,00,000	3,20,000
Accumulated Depreciation	90,000	1,00,000
Patent	2,60,000	1,40,000
Goodwill	80,000	1,00,000

Additional Information

During the year

- (i) Depreciation charged on plant and machinery was ₹ 36,000.
 (ii) A machine having a book value of ₹ 20,000 was sold for ₹ 16,000.
 (iii) Patents having a book value of ₹ 80,000 were sold for ₹ 1,10,000.
46. What amount of machinery was purchased?
 (a) ₹ 70,000 (b) ₹ 76,000 (c) ₹ 20,000 (d) ₹ 3,20,000
47. What amount of patents will be added/subtracted to get the cash flow from investment?
 (a) ₹ 1,50,000 added
 (b) ₹ 1,50,000 subtracted
 (c) ₹ 1,20,000 added (d) ₹ 1,20,000 subtracted
48. Sale proceed of plant and machinery is cash flow from
 (a) operating activity (b) investing activity
 (c) financing activity
 (d) cash and cash equivalents
49. What amount of goodwill will be added/subtracted to get the cash flow from investment?
 (a) ₹ 20,000 added (b) ₹ 20,000 subtracted
 (c) ₹ 80,000 added (d) ₹ 1,00,000 subtracted
50. What is the cash flow from investing activities?
 (a) ₹ 70,000 (b) ₹ 72,000
 (c) ₹ 73,000 (d) ₹ 80,000

Right Options

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

HINTS & ANSWERS

1. (b) The premium for goodwill is an additional amount paid by the new partner to compensate to the old partners for their loss of share in the profits of the firm.
2. (a) At the time of a partner, following adjustments are required to made
 - Distribution of accumulated profits, reserves and losses.
 - Revaluation of assets and liabilities.
 - Adjustment for goodwill.
 - Computation of new ratio and sacrificing ratio.
 - Adjustment of capital.
3. (c) Any change in the existing agreement is known as reconstitution of partnership firm. Thus, the existing agreement ends and a new agreement is formed with the changed relationship among the members of the partnership firm and its composition.
It takes place whenever there is a change in the profit sharing ratio, admission, retirement, death or insolvency of a partner.
4. (d) A revaluation account is prepared when either there is a change in the old profit sharing ratio or there is admission/retirement of a partner. If there is a profit because of revaluation then the revaluation account is credited and if there is a loss because of revaluation then it is debited to the partners' capital accounts in their old profit sharing ratio.
5. (a) Partnership is a written agreement between two or more persons who agree to distribute responsibilities for running an organisation and share the income or losses that the business generates.
6. (c) (ii) (i) (iv) (iii)
7. (d) (ii) (iii) (i) (iv)
8. (a) Average profit method is one of the simplest methods of valuation of goodwill. It is based on the assumption that a new business will not be able to earn profits during the initial years as compared to an established business.
9. (a) Sorting is the process of arranging data in ascending or descending order on the basis of one or more columns. We can access sorting feature by clicking on data tab > sort and filter group > sort.
10. (c) The correct steps for starting up the MS access application are as follows
 - 'Start' button on windows taskbar
 - 'All programs'
 - Microsoft office
 - Microsoft access
 - Getting started with microsoft access screen
11. (a) If a fixed amount is withdrawn on last day of every quarter of the calendar year, the interest on total amount of drawings will be calculated for 4.5 months.
Thus average profit will be calculated as follows

$$\begin{aligned} &= \frac{\text{Months Left after First Drawing} + \text{Months Left after Last Drawing}}{2} \\ &= \frac{9 + 0}{2} \\ &= 4.5 \text{ months} \end{aligned}$$
12. (d) (iv) (iii) (ii) (i)
13. (a) (ii) (i) (iv) (iii)
14. (d) Equity shares can be issued for the purpose of cash receipts, purchase of assets and redemption of debentures but they can not be issued for distribution of dividend because dividend can be paid only out of the profits earned by the company. If the company does not have profits, it cannot pay dividends.
15. (b) When company issue debentures, immediately it goes under the obligation of paying fixed interest until debentures are repaid.
When interest on debentures is due, then interest on debentures account is debited and debentureholder's account and TDS payable account are credited.
16. (c) The maximum amount of discount at which forfeited shares can be re-issued will be the sum of amount forfeited and amount of discount allowed at the time of first issue.
Total forfeited amount = $20,000 \times (100 - 40)$
= ₹ 12,00,000
17. (d) Shares issued for consideration other than cash means that shares of the company are issued to someone for something which is not cash. For this, share capital account is credited and disclosed in notes to accounts under 'share capital' in the company's balance sheet.
18. (c) One person company is a private company which is established and managed by a single person. The minimum and maximum number of members are one in this company.
19. (d) Excess money received on application = $6,000 \times 10$
= ₹ 60,000
Allotment money due = $4,000 \times 20$ = ₹ 80,000
(-) Excess money adjusted = ₹ (60,000)
₹ 20,000

20. (a) A receipt and payment account is just like a cash account hence it begins with opening balance and ends with closing balance of cash. Thus, the debit balance of receipts and payments account, just like cash account, reflects closing balance of cash at the end of the year after taking into account all the payments and receipts.
21. (b) The amount of furniture to be capitalised
 $= 6,000 + 600 + 200 = ₹ 6,800$
 The cost of the assets includes the purchase price and its installation cost. The expenses borne till the installation are the part of respective assets cost.
22. (b) When an income is received in advance, it is treated as liability. Thus, subscription received but not yet earned is considered as liability.
23. (b) In Ms excel, when you click AUTOSUM, then excel automatically enters a formula to sum the numbers.
24. (b) (iii) (ii) (i) (iv)
25. (b) The process of repaying the debt is called 'redemption'. The following methods are used for debt redemption
- Sinking fund
 - Conversion
 - Refunding
 - Budgetary surplus
 - Terminal annuity
 - Capital levy, etc.
26. (c) Profit on cancellation of own debentures is a capital profit and should be transferred to capital reserve account.
27. (c) Debentures are the long-term debt instruments issued by a company at a fixed rate of interest. Government or companies use them for raising capital by borrowing money from the public.
28. (b) The issue of shares of premium refers to the issue of shares at a price higher than the face value of the share. The company needs to credit the amount of premium in a separate account, i.e., securities premium account and shows the credit balance of the securities premium account under the heading 'reserves and surplus' on the liabilities side of the balance sheet.
29. (c) Discount on issue of debentures $= 20,000 \times 5$
 $= ₹ 1,00,000$
 Premium on redemption of debentures $= 20,00,000 \times 6\%$
 $= ₹ 1,20,000$
 Thus, loss on issue of debentures $= 1,00,000 + 1,20,000$
 $= ₹ 2,20,000$
30. (a) Operating Ratio (%) + Operating Profit Ratio (%)
 $= 100$
31. (b) Quick Assets = Current Assets – Inventories
 – Prepaid Expenses
 $= 6,00,000 - 1,50,000 - 50,000 = ₹ 4,00,000$
 Quick Ratio $= \frac{\text{Quick Assets}}{\text{Current Liabilities}} = \frac{4,00,000}{2,00,000} = 2$
32. (a) Repayment of bills payable will reduce current assets and liabilities by the same amount. This will improve the current ratio. Other two option will deteriorate it.
33. (c) A new workbook contains only three worksheets, namely Sheet 1, Sheet 2, Sheet 3 by default. We can rename worksheet at any point according to our requirements.
34. (a) On dissolution of partnership, the realisation account is debited with all assets to be realised and credited with all outside liabilities of a company.
35. (c) Section 48 of Partnership Act, 1932 deals with mode of settlement of accounts between partners. It states that the residue, if any, shall be divided among the partners in the proportion in which they were entitled to share profits.
36. (d) Examples of accumulated profits and reserves are general reserve, workmen compensation reserve, investment fluctuation reserve, joint life policy reserve, etc. Examples of accumulated losses are deferred revenue expenditure, preliminary expenditure, etc.
37. (b) At the time of dissolution of a partnership firm, first all assets and liabilities are transferred to realisation account, then reserves, if any, are transferred to realisation account. After that, general reserve is distributed among partners in their profit sharing ratio, then, partners' current accounts balance are transferred to their capital accounts and at last, profit/loss on realisation is transferred to partners' capital account in their profit sharing ratio.
38. (b) Remaining creditor after settlement of a creditors
 $(1,00,000 - 25,000) = ₹ 75,000$
 (-) Discount allowed @ 10% $= ₹ (7,500)$
 Amount credited to bank account $= ₹ 67,500$
39. (c) The correct order of details in the note to accounts on share capital is as follows
- Nominal capital
 - Issued capital
 - Subscribed capital : Subscribed and fully paid-up
 - Subscribed capital : Subscribed but not fully paid-up
40. (b) A company can issue unsecured debentures. The issue price and redeemable price of a debenture can differ or vary.
41. (a) Debt-equity Ratio $= \frac{\text{Debt}^*}{\text{Equity}^{**}} = \frac{10,00,000}{42,00,000} = 0.238:1$
 $^* \text{Debt} = \text{Long-term Borrowings (Debentures)} = ₹ 10,00,000$
 $^{**} \text{Equity} = \text{Equity Share Capital} + \text{Reserves}$
 $= 30,00,000 + 12,00,000 = ₹ 42,00,000$
42. (c) Proprietary Ratio $= \frac{\text{Shareholders' Funds}^*}{\text{Total Assets}^{**}}$
 $= \frac{42,00,000}{80,00,000} = 0.525:1$
 $^* \text{Shareholders' Funds} = \text{Share Capital} + \text{Reserves}$
 $= 30,00,000 + 12,00,000 = ₹ 42,00,000$
 $^{**} \text{Total Assets} = \text{Non-current Assets} + \text{Current Assets}$
 $= ₹ 80,00,000$

$$43. (b) \text{ Total Assets to Debt Ratio} = \frac{\text{Total Assets}}{\text{Debt}}$$

$$= \frac{80,00,000}{10,00,000}$$

$$= 8:1$$

44. (c) This is because neither the total long-term debts nor the total shareholder's funds change as there is only a conversion of accumulated profits into share capital.

45. (b) Solvency ratio measures the ability of a firm to pay its long-term debt. The ratio in this category are debt to equity ratio, total assets to debt ratio, proprietary ratio and interest coverage ratio.

46. (b)

Dr		Plant and Machinery Account		Cr	
Particulars	Amt (₹)	Particulars	Amt (₹)		
To Balance b/d	3,00,000	By Bank A/c (Sale)	16,000		
To Bank A/c (B. F.) (Assets purchased)	76,000	By Depreciation A/c	36,000		
		By Loss on Sale of Machinery A/c	4,000		
		By Balance c/d	3,20,000		
	<u>3,76,000</u>		<u>3,76,000</u>		

47. (a)

Dr		Patent Account		Cr	
Particulars	Amt (₹)	Particulars	Amt (₹)		
To Balance b/d	2,60,000	By Bank A/c (Sales)	1,10,000		
To Profit on Sale (Profit and loss)	30,000	By Bank A/c (B. F.)	40,000		
		By Balance c/d	1,40,000		
	<u>2,90,000</u>		<u>2,90,000</u>		

Total amount will be added (1,10,000 + 40,000)

= ₹ 1,50,000

48. (b) Cash flow from investing activities involves long-term uses of cash. The purchase or sale of a fixed asset like plant, machinery, equipment, building, etc. would be an investing activity.

49. (b) Goodwill was purchased for ₹ 20,000 (1,00,000 – 80,000). It is the cash outflow, hence will be subtracted.

50. (a)

Particulars	Amt (₹)
Proceeds from Sale of Plant and Machinery	16,000
Payment for Purchase of Plant and Machinery	(76,000)
Proceeds from Sale of Patent	1,50,000
Purchase of Goodwill (1,00,000 – 80,000)	(20,000)
Net Cash Flow from Investing Activities	<u>70,000</u>

MOCK TEST 05

ACCOUNTANCY

Time : 45 Min
MM : 200

Attempt any 40 out of the given 50 questions. No mark will be given to unanswered for review questions.
Each question carries 5 marks. Negative marking of 1 mark for a wrong answer.

- Reena and Teena are partners in a firm sharing profits in the ratio of 3 : 2. According to profit and loss account, net profit for the year is ₹ 4,20,000. Salary to Reena is ₹ 5,000 p.m. and the commission of Teena is ₹ 10,000. Interest charged on drawings of Reena and Teena are ₹ 5,400 and ₹ 4,600 respectively. Divisible profit as per profit and loss appropriation account is
 - ₹ 3,60,000
 - ₹ 3,50,000
 - ₹ 4,80,000
 - ₹ 3,70,000
- Minimum number of persons necessary to form a partnership are
 - 1
 - 2
 - 7
 - 10
- The nature of 'profit and loss adjustment account' is
 - real
 - personal
 - nominal
 - profitable
- Which of the following are the features of income and expenditure account?
 - It is prepared on accrual basis.
 - Records only revenue item.
 - Records net profit for the year.
 - No opening or closing balance.
 Choose the correct answer from the options given below
 - A, B and C
 - A, B and D
 - B, C and D
 - A, C and D
- Amount received from sale of grass by a club should be treated as
 - capital receipt
 - revenue receipt
 - asset
 - earned income
- On dissolution of the firm, will be debited to the realisation account.
 - realisation expenses paid by the partner
 - amount of unrecorded asset
 - balance of profit and loss account
 - balance of reserves
- Income and expenditure account generally indicates
 - cash balance
 - capital fund
 - net profit/loss
 - surplus/deficit
- Realisation account is opened when
 - All the assets of the firm are realised.
 - All the liabilities are paid.
 - All partners are agree to open the account.
 - Assets are more than firm's liabilities.
 Choose the correct answer from the options given below
 - A and B
 - C and D
 - A and C
 - B and C
- On dissolution of a firm, out of the proceeds received from the sale of assets, who will be paid first of all?
 - Partner's capital
 - Outside debtors
 - Outside creditors
 - Partner's loan to firm
- On dissolution of firm, goodwill account is transferred to
 - debit side of realisation account
 - credit side of realisation account
 - debit side of partners' capital account
 - credit side of profit and loss account

11. A partnership firm may be dissolved.

- A. On death of a partner.
 B. On completion of the venture.
 C. Sale of partnership asset.
 D. When the court is satisfied to dissolve the firm.
 Choose the correct answer from the options given below

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

12. Match List-I with List-II.

List-I	List-II
A. Preliminary expenses	(i) No flow of cash
B. Receipt of dividend	(ii) Operating activity
C. Buy back of own shares	(iii) Investing activity
D. Sale of marketable investment	(iv) Financing activity

Choose the correct answer from the options given below

- A B C D
 (a) (i) (iii) (iv) (ii)
 (b) (ii) (iii) (iv) (i)
 (c) (ii) (iv) (i) (iii)
 (d) (iv) (i) (iii) (ii)

13. A company has surplus i.e., balance in statement of profit and loss. Which of the following items are not deducted while computing cash flow from operating activities?

- A. Refund of tax.
 B. Transfer of provision for doubtful debts.
 C. Sale proceeds of machinery.
 D. Interest received on investment.

Choose the correct answer from the options given below

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

14. As per AS-3 (revised), cash comprises of

- (a) cash in hand and demand deposits with banks
 (b) cash in hand and short-term deposits with banks
 (c) cash in hand and cheque and drafts in hand
 (d) cash in hand and short-term investments

15. Which of the following will not result into inflow of cash?

- (a) Proceeds from sale of fixed assets
 (b) Underwriting commission paid
 (c) Cash receipt of brokerage
 (d) Increase in bank overdraft

16. While preparing cash flow statement, cash deposit with the bank with a maturity data after 2 months will be

- (a) operating activity
 (b) financing activity
 (c) investing activity
 (d) cash and cash equivalents

17. An accounting information system processes financial transactions on the basis of

- (a) governing principle
 (b) accepted theory
 (c) generally accepted accounting principles
 (d) management theory

18. Arrange the following in the correct sequence with regard to setting up of computerised accounting system.

- A. Grouping of accounts
 B. Plan
 C. Chart of accounts
 D. Procurement of hardware and software
 E. Report generation

Choose the correct answer from the options given below

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

19. Which of the following provides the ability to query information from a database and to insert tuples, delete tuples and modify tuples in the database?

- (a) DML (Data Manipulation Language)
 (b) Curocity
 (c) DDL (Data Definition Language)
 (d) Relational schema

20. The punctuation character that can be used in a field name is

- (a) exclamation mark (b) brackets
 (c) period (d) underscore

21. 'What if' scenarios are also called

- (a) labels
 (b) data entry
 (c) references
 (d) nested conditional operations

22. Match List-I with List-II.

List-I	List-II
A. Zip codes	(i) Text formatting
B. Percentages	(ii) Special format category
C. Alignment of cells	(iii) Number formatting
D. Analysis of data	(iv) Conditional formatting

Choose the correct answer from the options given below

- | | | | | |
|-----|-------|-------|------|-------|
| | A | B | C | D |
| (a) | (iv) | (ii) | (i) | (iii) |
| (b) | (ii) | (iii) | (i) | (iv) |
| (c) | (iii) | (ii) | (i) | (iv) |
| (d) | (i) | (iii) | (iv) | (ii) |

23. Match List-I with List-II.

List-I	List-II
A. Public company should have minimum	(i) one member
B. Private company should have minimum	(ii) no limit
C. One person company should have minimum	(iii) two members
D. Public company should have maximum	(iv) seven members

Choose the correct answer from the options given below

- | | | | | | | | | | |
|-----|------|-------|-------|------|-----|------|------|-------|-------|
| | A | B | C | D | | A | B | C | D |
| (a) | (i) | (ii) | (iii) | (iv) | (b) | (ii) | (iv) | (i) | (iii) |
| (c) | (iv) | (iii) | (i) | (ii) | (d) | (iv) | (i) | (iii) | (ii) |

24. Match List-I with List-II.

List-I (Basis)	List-II (Types of Share)
A. On the basis of conversion	(i) Participating and non-participating
B. On the basis of redemption	(ii) Redeemable and irredeemable
C. On the basis of participation	(iii) Cumulative and non-cumulative
D. On the basis of dividend	(iv) Convertible and non-convertible

Choose the correct answer from the options given below

- | | | | | |
|-----|------|-------|-------|-------|
| | A | B | C | D |
| (a) | (i) | (ii) | (iii) | (iv) |
| (b) | (iv) | (ii) | (i) | (iii) |
| (c) | (iv) | (iii) | (ii) | (i) |
| (d) | (ii) | (iv) | (iii) | (i) |

25. Enumerate the correct sequence of following data to compute the amount due but not received on allotment, when shares are issued on pro-rata basis.

- Calculate amount due on allotment by multiplying shares allotted to allotment money due per share.
- Amount due on allotment over and above the excess application money adjusted on allotment.
- Compute number of share applied/shares allotted to defaulting shareholders.

D. Calculate excess application money adjusted on allotment by multiplying application money received to shares applied but not allotted.

Choose the correct answer from the options given below

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

26. means any offer of securities of select group of persons by a company other than by way of public offer.

- | | |
|-----------------------|-------------------------|
| (a) Private placement | (b) Sweat equity shares |
| (c) ESOP | (d) None of these |

27. During the year 2022-23, Network Ltd. issued shares of ₹ 100 each as per details given. A machine was purchased for ₹ 2,18,500. The vendor was paid by the issue of 1,900 shares at a premium of 15%. The entry for the payment will be

- | | | | |
|---------------------------|----|----------|----------|
| (a) Machinery A/c | Dr | 2,18,500 | |
| To Vendor A/c | | | 2,18,500 |
| (b) Vendor A/c | Dr | 2,18,500 | |
| To Share Capital A/c | | | 1,90,000 |
| To Securities Premium A/c | | | 28,500 |
| (c) Vendor A/c | Dr | 2,18,500 | |
| To Machinery A/c | | | 2,18,500 |
| (d) Machinery A/c | Dr | 1,90,000 | |
| Securities Premium A/c | Dr | 28,500 | |
| To Vendor A/c | | | 2,18,500 |

28. The directors of Axim Ltd. forfeited 20,000 equity shares of ₹ 10 each, ₹ 8 per share called-up-for non-payment of first call of ₹ 2 per share. Final call of ₹ 2 per share has not been yet called. Half of the forfeited shares were reissued as fully paid up for ₹ 15 per share. The amount transferred to capital reserve will be

- | | |
|----------------|----------------|
| (a) ₹ 2,00,000 | (b) ₹ 1,20,000 |
| (c) ₹ 60,000 | (d) ₹ 40,000 |

29. Which of the following situations are possible as per terms and conditions of issue and redemption of debentures?

- Issued at par and redeemable at discount
- Issued at discount and redeemable at discount
- Issued at premium and redeemable at par
- Issued at par and redeemable at premium

Choose the correct answer from the options given below

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

Direction Analyse the following hypothetical extract and answer the following questions 41 to 45

Anil and Sunil are partners in a firm sharing profits in the ratio of 3 : 2. They decided that w.e.f. 1st April, 2023, they will share the profits equally. The balance sheet of Anil and Sunil as at 31st March, 2023 is given below

Balance Sheet
as at 31st March, 2023

Liabilities	Amt (₹)	Assets	Amt (₹)
Creditors	48,000	Cash in Hand	32,000
Outstanding Expenses	12,000	Debtors	28,800
Capital A/cs		Stock	67,200
Anil	2,40,000	Furniture	49,600
Sunil	2,40,000	Machinery	3,62,400
	4,80,000		5,40,000
	5,40,000		5,40,000

Goodwill of the firm is to be valued on the basis of two years' purchase of average net profit. The average net profit expected in future by the firm is ₹ 16,000 p.a.

41. What is the goodwill of the firm?
(a) ₹ 8,000 (b) ₹ 16,000
(c) ₹ 32,000 (d) ₹ 64,000
42. What was Anil's gain or sacrifice?
(a) Gain – 1/10 (b) Sacrifice – 1/10
(c) Sacrifice – 1/5 (d) Gain – 1/5
43. What was the treatment in Sunil's account for goodwill adjustment?
(a) Debit ₹ 6,400 (b) Credit ₹ 6,400
(c) Debit ₹ 3,200 (d) Credit ₹ 3,200
44. What was the partners' capital balances after the change?
(a) Anil ₹ 2,40,000, Sunil ₹ 2,40,000
(b) Anil ₹ 2,43,200, Sunil ₹ 2,40,000
(c) Anil ₹ 2,43,200, Sunil ₹ 2,36,800
(d) Anil ₹ 2,40,000, Sunil ₹ 2,36,800
45. What was the balance sheet total after the change?
(a) ₹ 5,43,200 (b) ₹ 5,40,000
(c) ₹ 5,36,800 (d) None of these

Direction Read the passage carefully and answer the following questions 46 to 50

Nidiya Limited was incorporated on 1st April, 2017 with registered office in Mumbai. The capital clause of memorandum of association reflected a registered capital of 8,00,000 equity shares of ₹ 10 each and 1,00,000 preference shares of ₹ 50 each.

Since some large investments were required for building and machinery the company in consultation with vendors, Ms.VPS Enterprises, issued 1,00,000 equity shares and 20,000 preference shares at par to them in full consideration of assets acquired.

Besides this the company issued 2,00,000 equity shares for cash at par payable as ₹ 3 on application, ₹ 2 on allotment, ₹ 3 on first call and ₹ 2 on second call.

Till date second call has not yet been made and all the shareholders have paid except Mr. Ajay who did not pay allotment and calls on his 300 shares and Mr. Vipul who did not pay first call on his 200 shares. Shares of Mr. Ajay were then forfeited and out of them 100 shares were reissued at ₹ 12 per share.

46. Shares issue to vendors of building and machinery, M/s VPS Enterprises, would be classified as
(a) preferential allotment
(b) employee stock option plan
(c) issue for consideration other than cash
(d) right issue of shares
47. How many equity shares of the company have been subscribed?
(a) 3,00,000
(b) 2,99,500
(c) 2,99,800 (d) None of the above
48. What is the amount of security premium reflected in the balance sheet at the end of the year?
(a) ₹ 200 (b) ₹ 600
(c) ₹ 400 (d) ₹ 1,000
49. What is the amount transferred to capital reserve?
(a) ₹ 200 (b) ₹ 600
(c) ₹ 300 (d) ₹ 900
50. What amount of share forfeiture would be reflected in the balance sheet?
(a) ₹ 600 (b) ₹ 900
(c) ₹ 200 (d) ₹ 300

Right Options

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

HINTS & ANSWERS

1. (a)

Dr		Profit and Loss Appropriation Account		Cr	
Particulars	Amt (₹)	Particulars		Amt (₹)	
To Salary to Reena (5,000 × 12)	60,000	By Net Profit		4,20,000	
To Commission to Teena	10,000	By Interest on Drawings			
		Reena	5,400		
		Teena	4,600		10,000
To Profit Transferred to Capital A/cs					
Reena	2,16,000				
Teena	1,44,000				
	3,60,000				
	4,30,000				4,30,000

- (b) A partnership firm is where two or more persons come together to establish a business and divide its profits or losses amongst themselves in the agreed ratio.
- (c) Revaluation or profit and loss adjustment account is a nominal account. Therefore, all the expenses and losses are shown on its debits side and all the income and gains are shown on the credit side of this account.
- (b) An income and expenditure account is the detailed summary of every income and expense incurred by an organisation in a specific financial year. It is prepared on accrual basis and has no opening or closing balance. It records only revenue items.
- (b) The amount received from sale of grass by a club should be treated as revenue receipt as it occurs more frequently.
- (a) On dissolution of the firm, realisation expenses paid by the partner will be debited to the realisation account. If these expenses are to be borne by a partner, then it is credited to partners' capital account.
- (d) Income and expenditure account generally indicates surplus/deficit. This account is prepared by a non-trading organisation to reveal the surplus or deficit arising out of the operating activities during the accounting period.

- (a) Realisation account is opened when all the assets of the firm are realised and all the liabilities are paid-off. It is a nominal account which records the sale of assets and discharge of liabilities at the time of dissolution of firm.
- (c) On dissolution of a firm, outside creditors will be paid first of all out of the proceeds received from the sale of assets.
- (a) All the assets of the firm which can be converted into cash are transferred to realisation account. If goodwill is already appearing in the balance sheet, it is treated like any other asset and is debited to realisation account.
- (c) A partnership firm may be dissolved on retirement/death of a partner, or on completion of venture or insolvency of any partner or by the court, etc. Sale of partnership asset cannot be reason of dissolution of firm.
- (b) (ii) (iii) (iv) (i)
- (c) Sale proceeds of machinery and interest received on investment are part of investing activities, thus will not be treated while computing cash flow from operating activities.
- (a) As per AS-3, 'cash' comprises cash in hand and demand deposits with banks and 'cash equivalents' means short-term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.
- (b) Proceed from sale of fixed assets, cash receipt of brokerage and increase in bank overdraft are inflow of cash while underwriting commission paid is outflow of cash.
- (d) Cash and cash equivalents refers to those short-term investments that have its maturity data within 3 months from the date of acquisition.
- (c) A computerised accounting system is an accounting information system that processes the financial transactions and events as per Generally Accepted Accounting Principles (GAAP) to produce reports as per user requirements.

18. (c) Computerised accounting system is set up in following order
- Procurement of hardware and software
 - Plan
 - Grouping of accounts
 - Chart of accounts
 - Report generation
19. (a) It is a language used for selecting, inserting, deleting and updating data in a database. It is used to retrieve and manipulate data in a relational database.
20. (d) Field names must include only permitted characters : A-Z, a-z, 0-9 and _ (underscore)
21. (d) A 'what-if' scenario is informal speculation about how a given situation might be handled. It is also called nested conditional operations.
22. (b) (ii) (iii) (i) (iv)
23. (c) (iv) (iii) (i) (ii)
24. (b) (iv) (ii) (i) (iii)
25. (a) When shares are issued on pro-rata basis, then computation of amount due but not received on allotment are done as follows
- First, compute number of share applied/allotted to defaulting shareholders.
 - Calculate amount due on allotment
(Shares allotted \times Allotment money due per share)
 - Calculate excess application money adjusted on allotment
(Application money received \times Shares applied but not allotted)
 - Amount due on allotment over and above the excess application money adjusted on allotment.
26. (a) Private placement of shares refers to the sale of company's shares to the investors and institutions selected by the company other than by way of public offer.
27. (b) Payment is done as follows
Share capital $(1,900 \times 100) = ₹ 1,90,000$
Security premium $\left(1,90,000 \times \frac{15}{100}\right) = ₹ 28,500$
28. (c) Forfeiture amount $= (20,000 \times 6) = ₹ 1,20,000$
Half share re-issued, so capital reserve
 $= \frac{1,20,000 \times 10,000}{20,000} = ₹ 60,000$
29. (d) In case of issue and redemption of debentures, following circumstances are possible
- Issued at premium and redeemable at par.
 - Issued at par and redeemable at premium.
- A company shall not redeem any of its debentures at discount.
30. (c) As per Schedule III of the Companies Act, 2013 Current liabilities include
- Short-term borrowings
 - Trade payables
 - Total outstanding dues of micro enterprises and small enterprises.
 - Total outstanding dues of creditors other than micro enterprises and small enterprises.
 - Other current liabilities
 - Short-term provisions
31. (b) Comparative balance sheet presents increase or decrease in various items of balance sheet. It displays a company's financial position at two or more distinct points, typically from one accounting period to another.
32. (c) Current Assets = Total Assets – Non Current Assets
 $= 13,20,000 - 6,00,000 = ₹ 7,20,000$
Current Liabilities = Total Assets – Capital Employed
 $= 13,20,000 - 12,00,000 = ₹ 1,20,000$
Current Ratio $= \frac{\text{Current Assets}}{\text{Current Liabilities}} = \frac{7,20,000}{1,20,000} = 6 : 1$
33. (a) Horizontal analysis is done to review and analyse the financial statements for a number of years. It is usually depicted as percentage.
34. (a) Solvency means firm's ability to meet its long-term liabilities. Investor can use ratios to analyse a company's solvency.
35. (a) Debt to Equity Ratio $= \frac{\text{Debt}}{\text{Equity}}$
Debt = Total Debt – Current Liabilities
 $= 25,00,000 - 8,00,000 = ₹ 17,00,000$
Equity = Total Assets – Total Debts
 $= 35,00,000 - 25,00,000 = ₹ 10,00,000$
Now, Debt to Equity Ratio $= \frac{17,00,000}{10,00,000} = 1.7 : 1$
36. (c) Dishonour of discounted bills receivable results in an increase in assets (debtor) and the decrease in asset (bank) with the same amount. Hence current ratio will remain same.
37. (b) Ratios that are expressed in times are price earning ratio, interest coverage ratio and current assets turnover ratio. Operating ratio is expressed in percentage terms.
38. (a) Usually due to the admission, retirement or death of a partner or sometimes due to the general agreement among the partners, they may decide to change the profit sharing ratio.
Various adjustments that should be considered during the change in the profit sharing ratio are goodwill, reserves and accumulated profits, profit/loss on revaluation of assets and liabilities and adjustment of capital, etc.

39. (d) As profit sharing ratio is not given, so the amount of goodwill premium will be credited in equal ratio

$$= \frac{1,20,000}{2} = ₹ 60,000 \text{ each.}$$

40. (b) In the absence of partnership deed, the following rules will apply

- The partners will share profits and losses equally.
- Interest on capital will not be payable.
- Partners will not get salary.
- Drawings will not be chargeable with interest.
- Interest @ 6% p.a. will be given on partner's loan.

41. (c) Average Profit = ₹ 16,000

$$\text{Goodwill} = 16,000 \times 2 = ₹ 32,000$$

42. (b) Calculation of sacrificing and gaining ratio

$$\text{Anil} = \frac{3}{5} - \frac{1}{2} = \frac{6-5}{10} = \frac{1}{10} \text{ Sacrifice ;} \quad \text{Sunil} = \frac{2}{5} - \frac{1}{2} = \frac{4-5}{10} = \left(\frac{1}{10}\right) \text{ Gain}$$

43. (c) Sunil's sacrifice/(gain) = Old Share – New Share = $\frac{2}{5} - \frac{1}{2} = \left(\frac{1}{10}\right)$ i.e., gain so his account will be debited for goodwill adjustment

$$\text{Amount of goodwill adjustment} = \text{Gaining Share} \times \text{Value of Firm's Goodwill} = \frac{1}{10} \times 32,000 = ₹ 3,200$$

44. (c) Dr

Partners' Capital Account

Cr

Particulars	Anil (₹)	Sunil (₹)	Particulars	Anil (₹)	Sunil (₹)
To Anil's Capital A/c	—	3,200	By Balance b/d	2,40,000	2,40,000
To Balance c/d	2,43,200	2,36,800	By Sunil's Capital A/c	3,200	—
	2,43,200	2,40,000		2,43,200	2,40,000

45. (b)

Balance Sheet
as at 1st April, 2023

Liabilities	Amt (₹)	Assets	Amt (₹)
Creditors	48,000	Cash in Hand	32,000
Outstanding Expenses	12,000	Debtors	28,800
Capital A/cs		Stock	67,200
Anil	2,43,200	Furniture	49,600
Sunil	2,36,800	Machinery	3,62,400
	4,80,000		5,40,000
	5,40,000		5,40,000

46. (c) Shares are issued to vendors of building and machinery in full consideration of assets acquired. Thus, they would be classified as issue of shares for consideration other than cash.

47. (c) Subscribed shares = 3,00,000 – 200 = 2,99,800

48. (c) Premium = 100 × 4 = ₹ 400

49. (c) Capital Reserve = $\frac{900 \times 100}{300} = ₹ 300$

50. (a) Amount of forfeiture credited = 300 × 3 = ₹ 900

$$\text{Amount transferred to capital reserve} = \frac{900 \times 100}{300} = ₹ 300$$

$$\text{Amount transferred to balance sheet} = 900 - 300 = ₹ 600$$

MOCK TEST 06

ACCOUNTANCY

Time : 45 Min
MM : 200

Attempt any 40 out of the given 50 questions. No mark will be given to unanswered for review questions.
Each question carries 5 marks. Negative marking of 1 mark for a wrong answer.

- On dissolution, the final balance of partners' capital accounts is transferred to
 - realisation account
 - cash account
 - profit and loss account
 - loan account of partners
- Unrecorded liability paid on the dissolution of a firm is debited to
 - realisation account
 - partners' capital account
 - revaluation account
 - profit and loss account
- Which of the following is debited to realisation account at the time of dissolution?
 - Intangible assets
 - Bills payable
 - Outstanding expenses
 - Provision for doubtful debts
- Interest on debentures is calculated on
 - its face value
 - its issue price
 - its market price
 - its redemption price
- Excess value of purchase consideration over net assets at the time of purchase of business is debited to account.
 - general reserve
 - goodwill
 - capital reserve
 - vendors
- Which of the following statements is false?
 - Equity is owners' stake and the debenture is a debt
 - Rate of interest on debentures is fixed
 - Premium on redemption of debentures account is an expense
 - Debentureholders get preferential treatment over the equityholders at the time of liquidation
- The following are the modes of dissolution by court, except
 - A partner found guilty of misconduct
 - On death of a partner
 - On completion of the venture
 - Partnership agreement is breached persistently by any partner

Choose the correct answer from the options given below

 - A and B
 - B and C
 - C and D
 - A and D
- Liquid assets include all current assets except
 - Inventory
 - Prepaid expenses
 - Advance tax
 - Cash and bank balance
 - Trade receivables

Choose the correct answer from the options given below

 - A, B and C
 - A, B and E
 - B, C and E
 - B, D and E
- In case of dissolution of firm, liabilities towards outside parties do not involve
 - reserves
 - loan by a partner
 - any act done by any partner
 - credit balance of profit and loss

Choose the correct answer from the options given below

 - A, B and C
 - A, B and D
 - B, C and D
 - A, C and D
- Which of the following accounts is not prepared at the time of dissolution?
 - Revaluation account
 - Realisation account
 - Cash account
 - Partners' capital account

11. Interest payable on debentures is
- an appropriation of profit of the company
 - a charge against profit of the company
 - transferred to sinking fund account
 - treated as miscellaneous expenditure to be shown in balance sheet

12. Shri Shyam Apparels earned profit of ₹ 25,70,000, interest on capital is to be allowed to partners is ₹ 1,20,000, interest on loan given to partner is ₹ 80,000 and profit sharing ratio of partners is equal.

Arrange the following in correct order.

- Charge interest on loan to profit and loss account.
- Calculate the net profit and transfer to profit and loss appropriation account.
- Allow interest on capital.
- Distribute profits between partners in profit sharing ratio.

Choose the correct answer from the options given below

- A, C, D and B
- A, B, C and D
- B, D, C and A
- B, C, D and A

13. R and S are partners in a firm. S has given guarantee to firm that firm will earn a minimum profit of ₹ 10,000. He brought business of profit worth ₹ 4,000. Total profit of the firm was ₹ 10,000. Assuming equal partners, what is R's share of profit?

- ₹ 5,000
- ₹ 6,000
- ₹ 7,000
- ₹ 8,000

14. Match List-I with List-II.

List-I	List-II
A. Minimum subscription	(i) 25% of issue price
B. Minimum application money	(ii) 12% p.a
C. Interest on calls-in-advance	(iii) 10% p.a
D. Interest on calls-in-arrear	(iv) 90%

Choose the correct answer from the options given below

- | | | | | | | | |
|----------|------|-------|-------|-----------|------|------|-------|
| A | B | C | D | A | B | C | D |
| (a) (ii) | (i) | (iv) | (iii) | (b) (iv) | (i) | (ii) | (iii) |
| (c) (i) | (ii) | (iii) | (iv) | (d) (iii) | (iv) | (i) | (ii) |

15. Income and expenditure account is prepared on basis of accounting.

- accrual
- hybrid
- mixed
- cash

16. Payment of honorarium of secretary is a

- non-cash expenditure
- revenue expenditure
- capital expenditure
- None of these

17. Valuation of goodwill for a partnership firm is done when

- Existing partners change their profit sharing ratio.
- New partner comes into partnership.
- An existing partner retires from partnership.
- There is a loss in the firm.

Choose the correct answer from the options given below

- A, B and C
- B, C and D
- A, B and D
- A, C and D

18. Match List-I with List-II.

List-I	List-II
A. Capital fund	(i) Excess of expenditure over income
B. Deficit	(ii) Excess of liabilities over assets
C. Surplus	(iii) Excess of assets over liabilities
D. Deficiency	(iv) Excess of income over expenditure

Choose the correct answer from the options given below

- | | | | | | | | |
|-----------|------|------|-------|-----------|------|-------|------|
| A | B | C | D | A | B | C | D |
| (a) (iii) | (i) | (iv) | (ii) | (b) (i) | (ii) | (iii) | (iv) |
| (c) (iv) | (ii) | (i) | (iii) | (d) (iii) | (iv) | (ii) | (i) |

19. Match List-I with List-II.

List-I	List-II
A. Unrecorded liability recorded	(i) Credit revaluation account
B. Increase in value of land	(ii) Debit revaluation account
C. Profit on revaluation	(iii) Credit partners' capital account
D. Loss on revaluation	(iv) Debit partners' capital account

Choose the correct answer from the options given below

- | | | | |
|----------|------|-------|-------|
| A | B | C | D |
| (a) (i) | (ii) | (iii) | (iv) |
| (b) (i) | (ii) | (iv) | (iii) |
| (c) (ii) | (i) | (iii) | (iv) |
| (d) (ii) | (i) | (iv) | (iii) |

20. Extract of Balance Sheet

Liabilities	Amt (₹)	Assets	Amt (₹)
		Goodwill	20,000

At the time of change in profit sharing ratio, Manoj and Anuj (Equal partners in old ratio) decided to write-off goodwill. The new ratio will be 3 : 1 i.e., Anuj will sacrifice $\frac{1}{4}$ in share to Manoj. Journalise

(a)	Manoj's Capital A/c	Dr	5,000	
	Anuj's Capital A/c	Dr	5,000	
	To Goodwill A/c			10,000
(b)	Manoj's Capital A/c	Dr	15,000	
	Anuj's Capital A/c	Dr	5,000	
	To Goodwill A/c			20,000
(c)	Manoj's Capital A/c	Dr	5,000	
	To Anuj's Capital A/c			5,000
(d)	Manoj's Capital A/c	Dr	10,000	
	Anuj's Capital A/c	Dr	10,000	
	To Goodwill A/c			20,000

21. Match List-I with List-II.

List-I	List-II
A. Total assets to debt ratio	(i) Profitability ratio
B. Inventory turnover ratio	(ii) Solvency ratio
C. Liquid ratio	(iii) Activity ratio
D. Return on investment	(iv) Liquidity ratio

Choose the correct answer from the options given below

	A	B	C	D		A	B	C	D
(a)	(iii)	(iv)	(i)	(ii)	(b)	(i)	(iii)	(ii)	(iv)
(c)	(iv)	(ii)	(i)	(iii)	(d)	(ii)	(iii)	(iv)	(i)

22. If the debtors turnover ratio of MON Ltd. is 6 times, creditors turnover ratio is 4 times then what is its average collection period in months?

- (a) 3 (b) 2
(c) 4 (d) 6

23. For a certain year, following financial information was obtained.

- (i) Profit were ₹ 30,000
- (ii) A major plant repair was undertaken of ₹ 10,000 which was charged to revenue.
- (iii) Closing stock of pervious year was overvalued ₹ 14,000.

Calculate profit for the purpose of goodwill valuation.

- (a) ₹ 10,000
(b) ₹ 20,000
(c) ₹ 30,000 (d) ₹ 50,000

24. Match the Lists for situations at the time of admission of new partners.

List-I (Items)	List-II (Distribution)
A. Future profits	(i) Old ratio
B. General reserve	(ii) New ratio
C. Employee provident fund	(iii) Sacrificing ratio
D. Goodwill of incoming partner	(iv) Not disturbed

Choose the correct answer from the options given below

	A	B	C	D		A	B	C	D
(a)	(i)	(ii)	(iii)	(iv)	(b)	(i)	(ii)	(iv)	(iii)
(c)	(ii)	(i)	(iv)	(iii)	(d)	(ii)	(i)	(iii)	(iv)

25. Reserve capital is not a part of

- (a) authorised capital (b) subscribed capital
(c) unsubscribed capital (d) issued share capital

26. To whom dividend is given at a fixed rate in a company?

- (a) To equity shareholders
(b) To preference shareholders
(c) To debentureholders (d) To promoters

27. A and B are partners in a firm. They admit C as a partner with 1/5 the share in the profits of the firm. C brings ₹ 4,00,000 as his share of capital. Calculate the value of C's share of goodwill on the basis of his capital, given that the combined capital of A and B after all adjustments is ₹ 10,00,000 .

- (a) ₹ 1,20,000 (b) ₹ 6,00,000
(c) ₹ 19,00,000 (d) ₹ 20,00,000

28. A company issued 10,000 shares of ₹ 10 each. Amount is payable as ₹ 2 on application, ₹ 5 on allotment and ₹ 3 on first and final call. A shareholder who had 1,000 shares, failed to pay allotment and first call amount on due date. What will be the amount received by company against issue of shares?

- (a) ₹ 20,000 (b) ₹ 92,000
(c) ₹ 1,00,000 (d) ₹ 80,000

29. First call amount received in advance from the shareholders before it is actually called-up by the directors is

- (a) debited to calls-in-advance account
(b) credited to share allotment account
(c) debited to first call account
(d) credited to calls-in-advance account

30. The shares on which there is no pre-fixed rate of dividend decided, but is fluctuating every year according to the variability profits, are called

- (a) equity shares
(b) non-cumulative preference shares
(c) non-convertible preference shares
(d) non-guaranteed preference shares

31. Preference shareholders have

- (a) preferential right as to dividend only
(b) preferential right in the management
(c) preferential right as to repayment of capital at the time of liquidation of the company
(d) preferential right as to dividend and repayment of capital at the time of liquidation of the company

32. Which of the following are advantages of an 'off-the shelf' software?

- A. Economical
- B. Ready to use
- C. Developed by experienced professionals
- D. Analysis of transactions

Choose the correct answer from the options given below

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

33. Which of the following tools help a user while using access?

- A. Form wizard
- B. Design wizard
- C. Access wizard
- D. Report wizard
- E. Details wizard

Choose the correct answer from the options given below

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

34. The common fields used in a relationship between tables are called

- (a) key fields
- (b) primary key
- (c) attribute
- (d) record

35. Where is the address of the active cell displayed?

- (a) Name box
- (b) Formula bar
- (c) Status bar
- (d) Row heading

36. Which of the following are the methods of data entry in excel?

- A. By highlighting the cells to be filled
- B. By using 'fill handle'
- C. Copy data from another file
- D. Import data from other sources
- E. Filtering and sorting of data

Choose the correct answer from the options given below

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

37. DBMS stands for

- (a) Database Marketing Structure
- (b) Database Management Structure
- (c) Database Management System
- (d) Database Marketing System

38. Which of the following are the functions of DBMS?

- A. Management of stored data
- B. Data integrity
- C. Analysis code
- D. Providing multi-user access control

Choose the correct answer from the options given below

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

39. Which of the following are debited to old partners' capital account at the time of admission of a partner?

- A. Profit and loss account (Dr)
- B. Goodwill account
- C. Loss on revaluation account
- D. Premium for goodwill account
- E. Advertisement suspense account

Choose the correct answer from the options given below

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

40. In case of partnership, the act of any partner is

- (a) binding on all partners
- (b) binding on that partner only
- (c) binding on all partners except that particular partner
- (d) not binding anyone

Direction Analyse the following hypothetical extract and answer the following questions 41 to 45

Saran has recently joined as a manager at FUR Ltd. He wants to analyse the performance of firms using the technique of ratio analysis. He has the following information available with him

Balance Sheet
as at 31st March, 2023 and 2022

Particulars	Note No.	31st March, 2023 (₹)	31st March, 2022 (₹)
I. EQUITY AND LIABILITIES			
1. Shareholders' Funds			
Share Capital		35,00,000	30,00,000
Reserves and Surplus	1	23,00,000	15,00,000
2. Non-current Liabilities			
Long-term Borrowings: 15% Debentures		10,00,000	15,00,000

Particulars	Note No.	31st March, 2023 (₹)	31st March, 2022 (₹)
3. Current Liabilities			
Trade Payables		12,50,000	8,00,000
Short-term Provisions	2	5,50,000	5,00,000
Other Current Liabilities	3	60,000	50,000
Total		86,60,000	73,50,000
II. ASSETS			
1. Non-current Assets			
Fixed Assets	4	47,50,000	40,00,000
Long-term Investment (At cost)		9,00,000	9,00,000
2. Current Assets			
Inventories		13,50,000	10,00,000
Trade Receivables		12,25,000	11,25,000
Cash and Cash Equivalents		4,35,000	3,25,000
Total		86,60,000	73,50,000

Notes to Accounts

Particulars	31st March, 2023 (₹)	31st March, 2022 (₹)
1. Reserves and Surplus		
Balance in Statement of Profit and Loss	22,50,000	15,00,000
Capital Reserve (Profit on sale of investments)	50,000	—
	23,00,000	15,00,000
2. Short-term Provisions		
Proposed Dividend	1,70,000	1,50,000
Provision for Tax	3,80,000	3,50,000
	5,50,000	5,00,000
3. Other Current Liabilities		
Outstanding Expenses	60,000	50,000
	60,000	50,000
4. Fixed Assets		
Fixed Assets (At cost)	60,00,000	50,00,000
(-) Accumulated Depreciation	(12,50,000)	(10,00,000)
	47,50,000	40,00,000

41. If Saran wants to assess the ability of the firm to meet its short-term financial obligations, then which of the following ratios should he calculate?

- A. Current ratio B. Debt-equity ratio C. Interest coverage ratio D. Acid-test

Choose the correct answer from the options given below

- (a) Only A (b) A, C and D (c) A and D (d) All of these

42. If Saran wants to understand the ability of the firm to meet its long-term financial obligations, then which of the following ratios should he calculate?
 (a) Liquidity ratios (b) Solvency ratios
 (c) Activity ratios (d) Turnover ratio
43. If Saran wants to understand the capital structure of the company, which of the following ratio should he calculate?
 (a) Debt-equity ratio
 (b) Return on capital employed ratio
 (c) Interest coverage ratio
 (d) Working capital turnover ratio
44. Which of the following ratio should Saran assess if he wants to calculate the portion of shareholders' funds in total assets of the company?
 (a) Debt-equity ratio (b) Total assets to debt ratio
 (c) Return on investment ratio
 (d) Proprietary ratio
45. What does the high total asset to debt ratio of the company signify?
 (a) It indicates a lower safety margin for lenders
 (b) It indicates a longer safety margin for lenders
 (c) It indicates given financial risk of the company
 (d) None of the above

Direction Read the passage carefully and answer the following questions 46 to 50

ABC Ltd. made a profit of ₹ 5,00,000 after consideration of the following items

- (i) Goodwill written off ₹ 5,000.
 (ii) Depreciation of fixed tangible assets ₹ 50,000.
 (iii) Loss on sale of fixed tangible assets (Machinery) ₹ 20,000.
 (iv) Provision for doubtful debts ₹ 10,000.
 (v) Gain on sale of fixed tangible assets (Land) ₹ 7,500.

Additional Information

Particulars	31st March, 2023 (₹)	31st March, 2022 (₹)
Trade Receivables	78,800	52,000
Prepaid Expenses	3,000	2,000
Trade Payable	51,000	30,000
Expenses Payable	20,000	34,000

46. Which of the following items will adjust to net profit before tax?
 (a) Trade receivable (b) Prepaid expenses
 (c) Loss on sale of fixed assets
 (d) Expenses payable
47. What will be the amount of trade payables required to be added to get the cash flow from operations?
 (a) ₹ 21,000 (b) ₹ 41,000
 (c) ₹ 31,000 (d) ₹ 51,000
48. How will goodwill written-off be adjusted in the cash flow statement?
 (a) Added to the net profit before tax
 (b) Subtracted the net profit before tax
 (c) Not recorded in the cash flow
 (d) None of the above
49. What amount of trade receivable will be subtracted from the cash flow statement to get cash flow from operations?
 (a) ₹ 78,800 (b) ₹ 52,000
 (c) ₹ 3,000 (d) ₹ 26,800
50. Provision for doubtful debts will be added to activities while preparing cash flow statement.
 (a) operating (b) investing
 (c) financing
 (d) cash and cash equivalent

Right Options

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

HINTS & ANSWERS

1. (b) Dissolution of the firm is the discontinuation of all the business activities of the firm. When a partnership firm dissolves, the ultimate balance of the partners' capital accounts is transferred to the cash account.
2. (a) Unrecorded liabilities are those liabilities which are not shown in the balance sheet but they still exist in the business and need to be discharged-off at the time of dissolution. Hence, they are debited to the realisation account.
3. (a) At the time of dissolution of a partnership firm, all the assets whether it is tangible or intangible, will be transferred to the realisation account. All the assets will be debited while all the liabilities will be credited to realisation account.
4. (a) The interest on debentures is calculated on the face value of the debentures. The interest is a charge against the profit of the company. It is paid periodically, generally yearly or half-yearly.
5. (b) If purchase consideration is more than the net assets acquired, then the excess value or difference is debited to goodwill account.
6. (c) Premium on redemption of debentures account is a liability because it is to be paid at the maturity of debentures.
7. (b) A firm may be dissolved by court, when
 - a partner becomes a person of unsound mind.
 - a partner is found guilty of misconduct.
 - a partner becomes permanently incapable of performing his duties.
 - partnership agreement is breached persistently by any partner.
 - court finds the dissolution of the firm justified, etc.
8. (a) Liquid assets are the business assets that can be converted into cash in a short amount of time. It includes the assets such as cash, bank, marketable securities and money market instruments.
9. (b) In case of dissolution of firm, liabilities towards outside parties do not involve reserves, loan by a partner and credit balance of profit and loss. The partners are jointly and severally responsible to third parties for all acts done by any of partner.
10. (a) At a time of dissolution, realisation account, cash account and partners' capital account are prepared. Revaluation account is prepared at the time of reconstitution of partnership.
11. (b) Interest payable on debentures is a charge against profit of the company and has to be paid whether the company earns profit or not.
12. (b) Firstly, interest on loan will be charged to profit and loss account and net profit will be calculated which will be transferred to profit and loss appropriation account. Interest on capital will be allowed and then, profit will be distributed among partners in profit sharing ratio.
13. (d) Profit = ₹ 10,000
Addition from S (10,000 – 4,000) = ₹ 6,000
Total Profit = 10,000 + 6,000 = ₹ 16,000
R's Share = $\frac{1}{2} \times 16,000 = ₹ 8,000$
14. (b) (iv) (i) (ii) (iii)
15. (a) Income and expenditure account is prepared on accrual basis. While preparing the account, only items of revenue nature are recorded and all items of capital nature are ignored. Accrual basis of accounting is wherein all the expenses that are actually incurred and incomes actually earned are recorded.
16. (b) Honorarium refers to a small amount of money that is paid to a person in return for his service for which usually no money is to be paid.
17. (a) The valuation of goodwill is done for following reasons
 - **A Change in Profit Sharing Ratio** When existing partners change their profit sharing ratio, then sacrificing partners have to surrender some of their shares in favour of gaining partners. Therefore, to maintain equity among the partners, goodwill is required to be valued to calculate the amount of compensation.
 - **Admission of a New Partner** When new partner comes into partnership, generally the existing partners have to surrender some of their share in favour of new partner. Thus, it becomes necessary to value the goodwill to find the amount that the new partner shall bring as compensation for enjoying the shares of the sacrificing partners.
 - **Retirement of an Old Partner** When a partner retires from a firm, his/her share of the goodwill will be enjoyed by the continuing partner who will pay the compensation to retiring partner in the proportion of the value of the goodwill of the firm. Hence, valuation of goodwill become necessary.
18. (a) (iii) (i) (iv) (ii)
19. (c) (ii) (i) (iii) (iv)
20. (d) Goodwill will be written-off between partners in their old profit sharing ratio. Thus, goodwill amount = $\frac{20,000}{2} = ₹ 10,000$ each
21. (d) (ii) (iii) (iv) (i)

22. (b) Average Collection Period (in months)

$$= \frac{12}{\text{Debtors Turnover Ratio}} = \frac{12}{6} = 2$$
23. (d) Profit = ₹ 30,000
 (+) Capital Expenditure = ₹ 10,000
 (+) Opening Stock Overvalued = ₹ 10,000
 = ₹ 50,000
24. (c) (ii) (i) (iv) (iii)
25. (c) Reserve capital is a part of share capital and authorised capital, issued capital and subscribed capital are also part of share capital.
26. (b) Preference shareholders are given a fixed rate of dividend in a company which is paid out before the other types of shares.
27. (a) Total capital as per C's share

$$\left[4,00,000 \times \left(\frac{5}{1} \right) \right] = ₹ 20,00,000$$

 (–) Actual capital of A, B, C

$$(10,00,000 + 4,00,000) = ₹ (14,00,000)$$

 Value of firm's goodwill = ₹ 6,00,000
 C's share of goodwill = $6,00,000 \times \left(\frac{1}{5} \right) = ₹ 1,20,000$
28. (b) Amount due on total shares (10,000 × 10)

$$= ₹ 1,00,000$$

 Shareholder didn't pay (1,000 × 8) = ₹ 8,000
 So, total amount received on shares is

$$= (1,00,000 - 8,000) = ₹ 92,000$$
29. (d) Excess money received by the company which has not been called-up is known as calls-in-advance. First call money received in advance from the shareholders before it is actually called-up by the directors is treated as calls-in-advance and will be credited to calls-in-advance account.
30. (a) The shares on which there is no pre-fixed rate of dividend decided, but is fluctuating every year according to the availability profits, are called equity shares. They are long-term financing sources for any company.
31. (d) Preference shareholders have preferential right as to dividend and repayment of capital at the time of liquidation of the company.
32. (a) Off-the-shelf software is readymade software that is ready to go out of the box. It is economical, thus available to everybody and developed by experienced professionals.
33. (b) The form wizard helps to control over the result that one-click forms perform. The access wizard helps to define how the data is grouped and sorted. Report wizard provides the option that help to choose to view and organise the data.
34. (a) A key field is either a column or a combination of columns in a database that uniquely identifies the specific entry in question. Key fields are common fields used in a relationship between tables.
35. (a) The address of the current active cell is displayed in the cell name box. Data or formula of active cell can be viewed inside the cell contents box of the excel formula bar.
36. (c) The methods of data entry in excel are
 • By using 'fill handle'.
 • Copy data from another file.
 • Import data from other sources.
37. (c) Database Management System (DBMS) is a software system used to store, retrieve and run queries on data.
38. (c) The functions of database management system are
 • Management of stored data.
 • Data integrity.
 • Providing multi-user access control.
39. (b) At the time of admission of a new partner, any debit balance remaining in profit and loss account, balance of goodwill account, loss on revaluation account and advertisement suspense account are debited to old partners' capital account.
40. (a) Mutual agency is the feature of partnership and due to this feature, act of one partner binds all partners.
41. (c) Liquidity ratios show the ability of the enterprise to meet its short-term financial obligations. These are
 • Current ratio • Liquid/Quick/Acid-test ratio
42. (b) Solvency ratios are calculated to judge the long-term financial position of the business.
43. (a) Debt-equity ratio is calculated to understand the capital structure of the company.
44. (d) Proprietary ratio is calculated to assess the portion of shareholders' funds in total assets of the company.
45. (b) The high total asset to debt ratio of the company indicates a higher safety margin for lenders.
46. (c) It is a non-operating item. Non-operating transaction is the portion of an organisation's transaction that is derived from activities not related to its core business operations.
47. (a) Trade payable = 51,000 – 30,000 = ₹ 21,000
48. (a) Goodwill is a non-cash item and should not form a part of cash flow statement. Thus, it is added to the net profit before tax.
49. (d) The amount of trade receivable that will be subtracted from the cash flow statement to get cash flow from operations = 78,800 – 52,000 = ₹ 26,800
50. (a) Provision for doubtful debts means the expense reported on the income statement or profit and loss account. It will appear as an operating expenses usually as part of expenses.

MOCK TEST 07

ACCOUNTANCY

Time : 45 Min
MM : 200

Attempt any 40 out of the given 50 questions. No mark will be given to unanswered for review questions.
Each question carries 5 marks. Negative marking of 1 mark for a wrong answer.

- Amount received from the sale of old furniture by Ozone Club will be treated as
(a) revenue receipt (b) capital receipt
(c) asset (d) liability
- Endowment fund is an example of
(a) restricted fund (b) unrestricted fund
(c) specific fund (d) capital fund
- What is the correct sequence for preparation of financial statements of a not-for-profit organisation?
A. Determine entries of income and expenses from receipt and payment accounts.
B. Determine surplus/deficit in income and expenditure account.
C. Adjust expenses and incomes for outstanding expenses, prepaid expenses and accrued income.
D. Prepare balance sheet at the end of the year.
Choose the correct answer from the options given below
(a) A, B, D and C (b) A, C, B and D
(c) C, B, A and D (d) B, D, C and A
- When the value of goodwill is determined by capitalising super profit, then the method is termed as
(a) adjustable profit method
(b) average profit method
(c) net profit method
(d) super profit method
- Current ratio is calculated using the formula
(a) current assets / long-term liabilities
(b) long-term assets / current liabilities
(c) current assets / current liabilities
(d) current liabilities / current assets
- A debt-equity ratio of is considered satisfactory.
(a) 1 : 1 (b) 2 : 1 (c) 3 : 1 (d) 4 : 1
- Low may be due to bad buying behaviour, obsolete stock and is a danger signal.
(a) average payment period
(b) inventory turnover ratio
(c) average collection period
(d) quick ratio
- Identify the importance of financial analysis for labour unions from the following.
A. To assess whether an enterprise can increase their pay.
B. To check whether an enterprise can increase productivity or raise the prices of products/ services to absorb a wage increase.
C. To determine tax liabilities.
D. To present the complex financial data in simplified form.
Choose the correct answer from the options given below
(a) A and B
(b) C and D
(c) B and C
(d) A and C
- What is the inventory turnover ratio, when the following is given?
CoGS = ₹ 1,50,000 ; Closing inventory = ₹ 60,000
Excess of closing inventory over opening inventory = ₹ 20,000
(a) 3 times (b) 2.14 times
(c) 1.5 times (d) 4 times

10. Capital employed in a business is ₹ 1,00,000. The NRR on capital employed is 15%. During 2022, the firm earned a profit of ₹ 24, 000. The company calculates goodwill on basis of 3 years' purchase of super profit. On the basis of information, match List-I with List-II.

List-I	List-II
A. Normal profits	(i) ₹ 27,000
B. Actual profits	(ii) ₹ 9,000
C. Super profits	(iii) ₹ 24,000
D. Goodwill	(iv) ₹ 15,000

Choose the correct answer from the options given below

- | | | | | | | | |
|----------|-------|-------|-----|----------|-------|-------|------|
| A | B | C | D | A | B | C | D |
| (a) (iv) | (ii) | (iii) | (i) | (b) (i) | (iii) | (iv) | (ii) |
| (c) (iv) | (iii) | (ii) | (i) | (d) (iv) | (i) | (iii) | (ii) |

11. Techniques which are used to identify financial statements trends include

- A. Common size analysis
- B. Cash flow statement
- C. Statement of profit and loss
- D. Comparative statement

Choose the correct answer from the options given below

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

12. Match List-I with List-II.

List-I	List-II
A. Dividend per share	(i) Liquidity
B. Working capital turnover ratio	(ii) Solvency
C. Interest coverage ratio	(iii) Profitability
D. Acid test ratio	(iv) Activity

Choose the correct answer from the options given below

- | | | | |
|-----------|-------|-------|------|
| A | B | C | D |
| (a) (iii) | (iv) | (i) | (ii) |
| (b) (iii) | (iv) | (ii) | (i) |
| (c) (i) | (ii) | (iii) | (iv) |
| (d) (iv) | (iii) | (ii) | (i) |

13. What can creditors assess from financial statement analysis of a company?

- (a) Creditworthiness
- (b) Profitability
- (c) Efficiency of operations
- (d) Accounting policies

14. Match List-I with List-II.

List-I	List-II
A. Payment of cash to acquire debentures by an investing company	(i) Not shown is cash flow statement
B. Purchase of goodwill	(ii) Financing activity
C. Dividend paid by manufacturing company	(iii) Investing activity
D. Acquisition of land by issue of debentures	(iv) Operating activity

Choose the correct answer from the options given below

- | | | | | | | | |
|-----------|------|-------|------|----------|-------|------|-----|
| A | B | C | D | A | B | C | D |
| (a) (iii) | (ii) | (i) | (iv) | (b) (iv) | (iii) | (ii) | (i) |
| (c) (i) | (iv) | (iii) | (ii) | (d) (ii) | (iii) | (iv) | (i) |

15. Cash flow from operating activities is derived from the of the enterprises.

- A. sale of goods and services activities
- B. principal revenue producing activities
- C. issue of shares and debentures activities
- D. marketing activities

Choose the correct answer from the options given below

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

16. From the following information, find out the cash flow from financing activities.

Particulars	31st March, 2022 (₹)	31st March, 2023 (₹)
Proposed Dividend	20,000	15,000

Additional Information for the year

Equity share capital raised	=	3,00,000
10% debentures redeemed	=	1,00,000
Preference share capital redeemed	=	50,000
Interim dividend paid	=	20,000
(a) ₹ 1,00,000	(b) ₹ 1,15,000	
(c) ₹ 1,30,000	(d) ₹ 1,80,000	

17. Which of the following are the advantages of 'pivot table'?

- A. Querying of data
- B. Filtering and sorting of data
- C. Import data from other sources
- D. Data validation by creating drop down list

Choose the correct answer from the options given below

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

18. Arrange the following transactions in correct order at the time of firms' dissolution.
- Transfer assets and outside liabilities to realisation account.
 - Realise the assets and pay outside liabilities.
 - Distribute realisation profit or loss among partners.
 - Transfer loan by partner to partners' capital account, if partners' capital account has debit balance.
 - Repay capitals.

Choose the correct answer from the options given below

- (a) A, B, C, D and E (b) B, A, C, D and E
 (c) A, B, C, E and D (d) A, B, D, C and E
19. Which of the following transactions would result in neither cash inflow nor outflow of cash and cash equivalents?
- Issue of share capital
 - Issue of bonus share
 - Redemption of debentures
 - Trade receivable realised
20. Arrange the following in correct order while creating database tables in 'access'.
- Click on 'create' button
 - Microsoft access
 - Click on 'blank database'
 - Save the file
 - Enter 'file name'

Choose the correct answer from the options given below

- (a) B, C, E, A and D (b) B, C, A, E and D
 (c) A, B, C, E and D (d) C, B, A, D and E
21. Which of the following accounts is prepared at last on firm's dissolution?
- Realisation account
 - Partners' capital account
 - Loan account
 - Cash account

22. Following information is provided at the time of dissolution of a firm
- Total assets = ₹ 3,00,000
 External liabilities = ₹ 1,20,000
 Assets realised @ 120%
 Realisation expenses paid = ₹ 4,000
- Calculate the profit/loss on realisation.

- (a) Profit ₹ 60,000 (b) Loss ₹ 60,000
 (c) Profit ₹ 56,000 (d) Loss ₹ 56,000

23. Gain on sale of tangible asset is an activity.
- operating
 - investing
 - financing
 - cash and cash equivalent
24. The term "SQL" stands for
- Standard Query Language
 - Structured Query Language
 - Sequencial Query Language
 - Service Query Language
25. Which function is used to create a date with year, month and day?
- Date ()
 - Dated ()
 - Date value ()
 - Switch date ()
26. On dissolution of the firm, will be debited to realisation account.
- realisation expenses paid by the partner
 - balance of reserve fund
 - amount of unrecorded assets
 - creditors' balance shown in the balance sheet
27. Match List-I with List-II with respect to realisation expenses.

List-I		List-II	
A. Borne and paid by same partner	(i)	Realisation A/c To Concerned Partner's Capital A/c	Dr
B. Borne by a partner and paid by the firm	(ii)	Realisation A/c To Bank/Cash A/c	Dr
C. Borne and paid by the firm	(iii)	No entry	
D. Borne by the firm and paid by a partner	(iv)	Concerned Partners' Capital A/c To cash	Dr

Choose the correct answer from the options given below

- | | | | | | | | | | |
|-----|-------|------|------|------|-----|------|------|-------|------|
| | A | B | C | D | | A | B | C | D |
| (a) | (iii) | (ii) | (i) | (iv) | (b) | (ii) | (i) | (iii) | (iv) |
| (c) | (iii) | (iv) | (ii) | (i) | (d) | (ii) | (iv) | (iii) | (i) |

28. Which of the following are debited to partners' capital accounts at the time of dissolution of firm?
- Existing goodwill
 - Advertisement suspense
 - Credit balance in profit and loss account
 - Realisation loss

Choose the correct answer from the options given below

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

29. RICO Ltd. is a company who took over assets worth ₹ 10,00,000 and liabilities worth ₹ 3,00,000 for purchase consideration of ₹ 12,00,000. How much amount will be debited to goodwill account?

- (a) ₹ 10,00,000 (b) ₹ 5,00,000
(c) ₹ 12,00,000 (d) ₹ 2,00,000

30. If the premium on shares to be forfeited has already been received, then at the time of forfeiture of shares securities premium account should be

- (a) credited (b) debited
(c) no treatment required (d) Both credited and debited

31. A company allotted 20,000 shares to applicants of 50,000 shares after rejecting 10,000 applications. The ratio in which company allotted the share will be

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

32. A preference share which does not carry the right of sharing in surplus profits is called preference share.

- (a) non-cumulative (b) non-participating
(c) irredeemable (d) non-convertible

33. Which of the following account will have credit balance?

- A. Forfeited share account
B. Calls-in-advance account
C. Calls-in-arrears account
D. Shares allotment amount, due and unpaid

Choose the correct answer from the options given below

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

34. Which of the following are kinds of a company?

- A. One person company
B. Limited liability partnership company
C. Company limited by shares
D. Unlimited liability company

Choose the correct answer from the options given below

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

35. XYZ Ltd. issued 50,000 equity shares of ₹ 10 each at par payable

On application – ₹ 2/ share ; on allotment ₹ 3/share

On first call – ₹ 3/share ; on final call ₹ 2/share

Maya was allotted 300 shares while applied for 500 shares. Based on the given case, match the following situations with the amount forfeited.

List-I	List-II
A. If Maya didn't pay allotment money and her shares were forfeited	(i) ₹ 1,500
B. If Maya didn't pay first call money and her shares were forfeited	(ii) ₹ 2,400
C. If Maya didn't pay final call money and her shares were forfeited	(iii) ₹ 1,000

Choose the correct answer from the options given below

- | | A | B | C | | A | B | C |
|-----|-----|-------|-------|-----|-------|-------|------|
| (a) | (i) | (ii) | (iii) | (b) | (iii) | (i) | (ii) |
| (c) | (i) | (iii) | (ii) | (d) | (ii) | (iii) | (i) |

36. Issue of debentures at a price that is less than its face value is termed as

- (a) issue of debentures at par
(b) issue of debentures at loss
(c) issue of debentures at discount
(d) issue of debentures at premium

37. A private company should have minimum number of members

- (a) 1 (b) 2 (c) 3 (d) 7

38. As per Companies Act, 2013, a company cannot issue

- (a) unsecured debentures
(b) fully convertible debentures
(c) bearer debentures
(d) irredeemable debentures

39. The part of the subscribed capital which has not yet been is known as

- (a) called-up capital
(b) paid-up capital
(c) uncalled capital
(d) authorised capital

40. If a company wants to calculate amount forfeited on re-issued shares, then which amongst the given formulae will be used?

- (a) $\frac{\text{Total Amount Forfeited}}{\text{Number of Shares Forfeited}}$
(b) $\frac{\text{Total Amount Forfeited}}{\text{Number of Shares}}$
(c) $\frac{\text{Number of Shares Forfeited}}{\text{Total Amount Forfeited}} \times \text{Share Re-issued}$
(d) $\frac{\text{Total Amount Forfeited}}{\text{Number of Shares Forfeited}} \times \text{Number of Shares Re-issued}$

Direction Read the passage carefully and answer the following questions 41 to 45

X and Y are partners in a firm sharing profits and losses equally. On 1st April, 2022, the capitals of the partners were ₹ 2,00,000 and ₹ 1,50,000 respectively. The profit and loss appropriation account of the firm showed a net profit of ₹ 3,75,000 for the year ended 31st March, 2023. The terms of partnership deed provided the following

- (i) Transfer 10% of distributable profits to reserve fund.
- (ii) Interest on capitals @ 6% p.a.
- (iii) Interest on drawings @ 6% p.a. Drawings being X ₹ 40,000 and Y ₹ 30,000. The partners decided to provide clean drinking water and build toilets in a nearby school.

41. What is the average period for which interest on drawings will be calculated?

- (a) 3 (b) 6
- (c) 9 (d) 12

42. What will be the journal entry for interest on drawings charged to partners?

- (a) Partner's Capital A/c Dr
 To Interest on Drawings A/c
- (b) Interest on Drawings A/c Dr
 To Partner's Capital A/c
- (c) Profit and Loss A/c Dr
 To Drawings A/c
- (d) Profit and Loss A/c Dr
 To Partner's Capital A/c

43. The total interest on capital provided is

- (a) ₹ 9,000 (b) ₹ 12,000
- (c) ₹ 21,000 (d) None of these

44. The amount transferred to reserve fund is

- (a) ₹ 37,500 (b) ₹ 35,610
- (c) ₹ 37,710 (d) None of these

45. The total amount transferred to capital accounts of partners is

- (a) ₹ 1,60,245
- (b) ₹ 3,77,100
- (c) ₹ 3,20,490
- (d) None of the above

Direction Analyse the following hypothetical extract and answer the following questions 46 to 50

Ram and Laxman are partners in a firm with equal ratio.

Balance Sheet
as at 31st March, 2023

Liabilities	Amt (₹)	Assets	Amt (₹)
Creditors	2,00,000	Bank	80,000
Bills Payable	1,20,000	Debtors	1,20,000
General Reserve	80,000	Building	4,00,000

Liabilities	Amt (₹)	Assets	Amt (₹)
Capital A/cs		Machinery	2,00,000
Ram	4,00,000	Investment	80,000
Laxman	2,00,000	Patents	40,000
		Furniture	40,000
		Goodwill	40,000
			10,00,000

Adjustments

- (i) Bharat comes for 1/5th share and brings capital ₹ 2,00,000 and premium ₹ 40,000 out of ₹ 60,000.
- (ii) New ratio 2 : 2 : 1.
- (iii) 20,000 included in creditors are not likely to be paid.
- (iv) Patents are valueless.
- (v) 10% provision for doubtful debts on debtors out of general reserve.

46. What is the profit/loss of revaluation account?

- (a) Profit ₹ 60,000
- (b) Loss ₹ 60,000
- (c) Profit ₹ 20,000
- (d) Loss ₹ 20,000

47. If the old ratio is equal and new ratio (between old partners) is also equal, then what would be the sacrificing ratio?

- (a) 1 : 2
- (b) 2 : 1
- (c) 1 : 1
- (d) Can't be determined

48. Bharat brings his share of premium for goodwill in cash, it is adjusted by crediting to

- (a) his capital account
- (b) sacrificing partners' capital account
- (c) premium for goodwill account
- (d) None of the above

49. Ram's capital account was by for adjusting the part of goodwill not brought in by Bharat.

- (a) debited, ₹ 30,000
- (b) credited, ₹ 30,000
- (c) debited, ₹ 10,000
- (d) credited, ₹ 10,000

50. By how much amount was Laxman's capital credited on account of general reserve?

- (a) ₹ 80,000
- (b) ₹ 68,000
- (c) ₹ 40,000
- (d) ₹ 34,000

Right Options

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

HINTS & ANSWERS

- (b) Amount received from the sale of old furniture involves the inflow of money from the sale of an assets, thus it will be treated as capital receipt.
- (a) An endowment fund is an investment fund held by a non-profit organisation, often taken to support general and specialised requirements. These are the restricted fund and have policies of investments, withdrawals and usage.
- (b) A non-profit organisation prepares its financial statements in following order
Determination of income and expenses from receipt and payment account.
Adjust them for outstanding/prepaid expenses and accrued incomes.
Determination of surplus/deficit in income and expenditure account.
Prepare balance sheet at the end of the year.
- (d) In super profit method, the goodwill valuation is determined by capitalising the super profit on the basis of normal rate of return.
- (c) The current ratio is an indication of a firm's liquidity. It is calculated as
$$\frac{\text{Current Assets}}{\text{Current Liabilities}}$$
- (a) Financial experts generally consider a debt to equity ratio of one or lower to be satisfactory. However, the ideal debt to equity ratio will vary depending on the industry.
- (b) A low inventory turnover ratio shows that a company may be overstocking or deficiencies in the product line or marketing effort.
It may be due to bad buying behaviour, obsolete stock and is a danger signal.
- (a) With the help of financial analysis, labour unions can assess whether an enterprise can increase their pay or productivity or raise the prices of products/services to absorb a wage increase.
- (a) Inventory Turnover Ratio =
$$\frac{\text{CoGS}}{\text{Average Inventory}}$$

Opening inventory = Closing Inventory – 20,000
= 60,000 – 20,000 = ₹ 40,000

$$\begin{aligned} \text{Average Inventory} &= \frac{(\text{Opening Inventory} + \text{Closing Inventory})}{2} \\ &= \frac{40,000 + 60,000}{2} = ₹ 50,000 \end{aligned}$$

$$\text{Thus, inventory turnover ratio} = \frac{1,50,000}{50,000} = 3 \text{ times}$$

$$10. (c) \text{ Normal Profits} = 1,00,000 \times \frac{15}{100} = ₹ 15,000$$

$$\text{Actual Profits} = ₹ 24,000$$

$$\begin{aligned} \text{Super Profits} &= \text{Actual Profits} - \text{Normal Profits} \\ &= 24,000 - 15,000 = ₹ 9,000 \end{aligned}$$

$$\begin{aligned} \text{Goodwill} &= \text{Super Profits} \times \text{Number of Years' Purchase} \\ &= 9,000 \times 3 = ₹ 27,000 \end{aligned}$$

- (b) Following techniques are used to identify financial statements trends are
Cash flow statement Common size analysis
Comparative statements Ratio analysis
- (b) (iii) (iv) (ii) (i)
- (a) Creditors can assess creditworthiness from financial statement analysis of a company. The analysis of financial statement helps creditors in assessing the short-term liquidity position of a company/business.
- (b) (iv) (iii) (ii) (i)
- (c) Cash flow from operating activities is the amount of money that a company earns and spends as part of its regular business activities, i.e. sale of goods and services, principal revenue producing activities, etc.
- (a) Computation of Net Cash Flow from Financing Activities

Particulars	Amt (₹)
Equity Share Capital received	3,00,000
10% Debentures Redeemed	(1,00,000)
Preference Share Capital Redeemed	(50,000)
Interim Dividend paid	(20,000)
Proposed Dividend paid	(20,000)
Interest paid on Debentures	(10,000)
Cash Flow from Financing Activities	1,00,000

- 17. (a) A pivot table is a powerful tool to calculate, summarise, filter, sort and analyse data that make us see comparisons, patterns and trends in data. A pivot query helps in summarising and re-visualising data in a table.
- 18. (a) At the time of dissolution of a partnership firm, the correct sequence of transactions is as follows
 - Transfer assets and liabilities to realisation account
 - Realise assets and pay liabilities.
 - Calculate realisation profit/loss and distribute among partners.
 - Transfer loan by partner to their capital account, if it has debit balance.
 - At last, partners' capital is paid.
- 19. (b) Issue of bonus shares is just a capitalisation of profit, hence it does not result into any cash inflow or outflow of cash and cash equivalents .
- 20. (a) The steps to create database table in 'access' are as follows
Microsoft Access < Click Blank Database < Enter File Name < Click 'Create' Button < Save File.
- 21. (d) Cash or bank account is prepared at last on firm's dissolution. On debit side, opening balance, the amount received from the sale of assets and amount brought by partners are shown. While on credit side, payment of liabilities, expenses and amount paid to partners are shown.
- 22. (c)

Dr	Realisation Account		Cr
Particulars	Amt (₹)	Particulars	Amt (₹)
To Assets A/c	3,00,000	By External Liabilities A/c	1,20,000
To Bank A/c (Realisation expenses)	4,000	By Bank A/c (Assets realised)	3,60,000
To Bank A/c (Liabilities paid)	1,20,000		
To Profit on Realisation A/c (Balancing figure)	56,000		
	4,80,000		4,80,000

- 23. (a) Tangible assets are used in the daily operations of the business, thus gain on the sale of a tangible asset is included in operating activities when preparing the cash flow statement.
- 24. (b) Structured Query Language (SQL) is a standard database language which is used to create, maintain and retrieve the relational database.
- 25. (a) 'Date ()' is used to create a date with year, month and day. When called as a function, it returns a string representing the current time.

- 26. (a) When realisation expenses are paid by a partner on behalf of the firm, realisation account is debited and partners' capital account is credited .
- 27. (c) (iii) (iv) (ii) (i)
- 28. (c) At the time of dissolution of firm, advertisement suspense and realisation loss are debited to partners' capital account. Existing goodwill amount and credit balance of profit and loss account are credited to partners' capital account.
- 29. (b) Purchase consideration = ₹ 12,00,000
Assets = ₹ 10,00,000 ; Liabilities = ₹ 3,00,000
Goodwill = Purchase Consideration – (Assets – Liabilities)
$$= 12,00,000 - (10,00,000 - 3,00,000) = ₹ 5,00,000$$
- 30. (c) In case, security premium has been duly received on the shares to be forfeited, then the entries remain the same as in normal case of issuing shares at par. There will be no treatment of security premium account.
- 31. (d) Application accepted (50,000 – 10,000)
$$= \text{For } 40,000 \text{ shares}$$

Allotted shares – 20,000
Ratio = 40,000 : 20,000 = 2 : 1
- 32. (b) Non-participating preference shareholders do not have a share in the extra earnings or surplus assets during the liquidation of a company. This type of share entitles its shareholders to receive only the pre-fixed dividends.
- 33. (a) Forfeited share account is the part of the share capital and calls-in-advance is a liability for the company. Both has credit balance and shown in the liabilities side of balance sheet.
- 34. (b) Following are the kinds of company
 - Public company
 - Private company
 - Company limited by shares
 - Company limited by guarantee
 - Limited liability company
 - Unlimited liability company
- 35. (b) Case A Application money received (500 × 2)
$$= ₹ 1,000$$

Case B Application and allotment money received
$$(300 \times 5) = ₹ 1,500$$

Case C Application, allotment and first call money received (300 × 8) = ₹ 2,400
- 36. (c) Issue of debentures at a price less than its face value is termed as issue of debentures at discount. The excess of the face value over the issue price is regarded as the discount.
- 37. (b) A private company can have a minimum of 2 members and a maximum of upto 200 members.
- 38. (d) As per Companies Act, 2013, no company can issue irredeemable debentures.

39. (c) Uncalled capital is that part of subscribed capital which is not called-up till now but can be called-up in future as per the need of the company.
40. (d) Forfeiture of shares refers to the cancellation of shares. Calculation of the amount forfeited on re-issued shares is done as $\frac{\text{Total Amount Forfeited}}{\text{No. of Shares Forfeited}} \times \text{Number of Shares Re-issued}$
41. (b) In the absence of date of drawings, interest on drawings will be calculated on an average basis for 6 months.
42. (a) Interest on drawings is an income for the firm and is payable by the partners to the firm. Hence, partner's capital account is debited and interest on drawings account is credited.

Solution for 43-45

Profit and Loss Appropriation Account for the year ending 31st March, 2019			
Dr	Particulars	Amt (₹)	Cr
To Interest on Capital A/c [43]			By Net Profit as per Profit and Loss A/c
X (2,00,000 × 6/100)	12,000		By Interest on Drawing A/c
Y (1,50,000 × 6/100)	9,000	21,000	X (40,000 × 6/100 × 6/12)
To Reserve Fund A/c [44]			Y (30,000 × 6/100 × 6/12)
To Profit Transferred to Partners' Capital A/c [45]			900
X	1,60,245		
Y	1,60,245	3,20,490	
		3,77,100	3,77,100

Thus option (c) of Q 43 is correct, option (b) of Q 44 is correct and option (c) of Q 45 is correct.

Dr	Particulars	Amt (₹)	Particulars	Cr
To Patents A/c		40,000	By Creditors A/c	20,000
			By Loss Transferred to	
			Ram's Capital A/c	10,000
			Laxman's Capital A/c	10,000
		40,000		20,000
				40,000

47. (c) Sacrificing Ratio = Old Share – New Share

$$\text{Ram} = \frac{1}{2} - \frac{2}{5} = \frac{5-4}{10} = \frac{1}{10}; \quad \text{Laxman} = \frac{1}{2} - \frac{2}{5} = \frac{5-4}{10} = \frac{1}{10}; \quad \text{Sacrificing ratio} = 1 : 1$$

48. (b) Premium for goodwill is the extra amount brought in by the incoming partner to compensate the old partners for their loss in the share of super profits of the firm. This extra amount is distributed among the old partners in their sacrificing ratios by crediting their capital accounts.
49. (d) Amount of goodwill not brought in by Bharat = 60,000 – 40,000 = ₹ 20,000
Sacrificing ratio of Ram and Laxman = 1 : 1
Therefore, Ram will get = $\frac{1}{2} \times \text{Goodwill}$ (as adjustment), i.e. $1/2 \times 20,000$
(Only share not brought is asked in question) = ₹ 10,000 (To be credited)
50. (d) General reserve existing = ₹ 80,000
General reserve required for provision for doubtful debts = ₹ 12,000 (10% × 1,20,000)
General reserve remaining for distribution among old partners in old ratio = ₹ 68,000
Laxman's share of remaining general reserve = $\frac{1}{2} \times 68,000 = ₹ 34,000$

MOCK TEST 08

ACCOUNTANCY

Time : 45 Min
MM : 200

Attempt any 40 out of the given 50 questions. No mark will be given to unanswered for review questions.
Each question carries 5 marks. Negative marking of 1 mark for a wrong answer.

1. Which of the following are operating activities?
A. Royalties B. Treasury bills
C. Sale of scrap D. Commission received
E. Bank overdraft

Choose the correct answer from the options given below

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

2. Cash flow arises when the net effect of a transaction the amount of cash and cash equivalents.

- (a) either increases or decreases
(b) only increases
(c) only decreases
(d) not changes

3. The fundamental building blocks of a database are

- (a) forms (b) queries
(c) cells (d) tables

4. Every formula must start with

- (a) An '=' sign (b) A '*' sign
(c) A label (d) A '+' sign

5. With context to debit side of partners' current account, pick the odd one out.

- (a) Drawings
(b) Interest on drawings
(c) Salary
(d) All of the above

6. On 1st October, 2022, Mr. A extended loan to his partnership firm (without any agreement) of ₹ 10,000. His interest for year ending 31st December, 2022 is

- (a) ₹ 100 (b) ₹ 150
(c) ₹ 300 (d) ₹ 600

7. In which of the following situations, no interest is to be charged on drawings from the partner?

- A. No interest clause in deed.
B. Absence of deed.
C. An oral agreement between partners including interest clause.
D. One of partner is senior citizen.

Choose the correct answer from the options given below

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

8. Match List-I with List-II.

List-I	List-II
A. Marketable securities	(i) Operating activity
B. Rent received	(ii) Financing activity
C. Depreciation	(iii) Investing activity
D. Payment of interim dividend	(iv) Cash and cash equivalents

Choose the correct answer from the options given below

- | | | | | | | | | | |
|-----|-------|-------|-----|------|-----|------|------|-------|-------|
| | A | B | C | D | | A | B | C | D |
| (a) | (iv) | (iii) | (i) | (ii) | (b) | (ii) | (iv) | (iii) | (i) |
| (c) | (iii) | (ii) | (i) | (iv) | (d) | (i) | (iv) | (ii) | (iii) |

9. Pie charts do not have more than categories.

- (a) 3 (b) 7 (c) 10 (d) 25

10. Match List-I with List-II.

List-I	List-II
A. Foreign key	(i) Column
B. Primary key	(ii) Unique
C. Field	(iii) Row
D. Record	(iv) May be a duplicate object

Choose the correct answer from the options given below

- | | | | | |
|-----|------|-------|-------|-------|
| | A | B | C | D |
| (a) | (ii) | (i) | (iii) | (iv) |
| (b) | (iv) | (ii) | (i) | (iii) |
| (c) | (i) | (iv) | (ii) | (iii) |
| (d) | (ii) | (iii) | (iv) | (i) |

11. On dissolution of firm, the balance of 'profit and loss account' appearing on the assets side of a balance sheet is transferred to

- (a) debit side of realisation account
 (b) credit side of realisation account
 (c) debit side of partners' capital account
 (d) credit side of partners' capital account

12. Shares, for which, amount is paid by the public are called

- (a) authorised shares (b) paid-up shares
 (c) called-up shares (d) issued shares

13. Debentures can be redeemed

- A. Out of profit
 B. Out of fixed assets
 C. Out of capital
 D. By converting them into shares
 E. By converting them into new debentures

Choose the correct answer from the options given below

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

14. Nexa club has a fund which can only be used for the distribution of prizes. Identify the type of fund here.

- (a) Endowment fund (b) Prize fund
 (c) Honorarium (d) Legacy

15. Calculate the amount that will be credited to income and expenditure account from the information given below.

Subscription received in cash during the year ₹ 40,000

Subscription outstanding at the end of previous year
 ₹ 1,500

Subscription outstanding at the end of current year
 ₹ 2,000

Subscription received in advance for next year ₹ 800

- (a) ₹ 38,700 (b) ₹ 38,900
 (c) ₹ 39,700 (d) ₹ 39,900

16. The receipts and payments account is the summary of

- (a) debit and credit balance of ledger accounts
 (b) cash receipts and payments
 (c) expenses and income
 (d) assets and liabilities

17. At the time of admission, the new partner may acquire his share from old partners in

- A. Old profit sharing ratio
 B. Some agreed ratio
 C. Particular fraction from some of partners
 D. One-fourth ratio

Choose the correct answer from the options given below

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

18. A, B, C and D are in a partnership sharing profits and losses in ratio of 1 : 2 : 3 : 4. E joins for 25% share. The new profit sharing ratio among A, B, C and D will be 4 : 3 : 2 : 1. What is the new profit sharing ratio among A, B, C, D and E?

- (a) 4 : 3 : 2 : 1 : 4 (b) 8 : 6 : 4 : 2 : 8
 (c) 12 : 9 : 6 : 3 : 10 (d) 8 : 3 : 2 : 1 : 5

19. Purchased goodwill is acquired by business after paying consideration in

- (a) cash (b) kind
 (c) cash or kind (d) None of these

20. In a company's balance sheet, goodwill is shown under the sub-head

- (a) intangible assets (b) tangible assets
 (c) fictitious assets (d) current assets

21. Raj Ltd. forfeited 100 shares of ₹ 100 each issued at a premium of 15% to be paid at the time of allotment on which first call of ₹ 30 per equity share was not received and final call of ₹ 20 is yet to be made. These shares were re-issued at ₹ 70 per share at ₹ 80 paid-up. Calculate gain on re-issue of shares.

- (a) ₹ 2,000 (b) ₹ 3,000 (c) ₹ 4,000 (d) ₹ 1,500

22. What is the journal entry for the debentures issued as collateral security?

- (a) Debentures A/c Dr
 To Debentures Suspense A/c
- (b) Debentures Suspense A/c Dr
 To Debentures A/c
- (c) Debentures A/c Dr
 To Bank A/c
- (d) Bank A/c Dr
 To Debentures A/c

23. XYZ Ltd. took over the assets of ₹ 6,60,000 and liabilities of ₹ 80,000 of ABC Ltd. for an agreed purchase consideration of ₹ 6,00,000 payable 10% in cash and the balance by issue of 15% debentures of ₹ 100 each @ 10% discount. The number of debentures to be issued is

- (a) 6,000 (b) 5,400
 (c) 4,500 (d) 3,500

24. Capitalised value of business is ascertained by capitalising earned at normal rate of return.
 (a) revenue (b) losses
 (c) profits (d) turnover
25. Weighted profit method is effective in calculating goodwill when the trend of profit shows that profits are
 A. Constant B. Rising
 C. Falling
- Choose the correct answer from the options given below
 (a) A and B (b) A and C
 (c) B and C (d) A, B and C

26. What is the formula for gaining ratio?
 (a) Old Ratio – New Ratio
 (b) Old Ratio – Sacrificing Ratio
 (c) New Ratio – Old Ratio
 (d) New Ratio – Sacrificing Ratio

27. Match List-I with List-II.

List-I	List-II
A. General reserve	(i) Deferred revenue expenditure
B. Employees provident fund	(ii) Provision
C. Depreciation	(iii) Accumulated profit
D. Advertisement suspense	(iv) Liability

Choose the correct answer from the option given below

- | A | B | C | D | A | B | C | D |
|-----------|------|-------|------|----------|-------|------|------|
| (a) (iii) | (iv) | (ii) | (i) | (b) (ii) | (iii) | (i) | (iv) |
| (c) (i) | (ii) | (iii) | (iv) | (d) (iv) | (iii) | (ii) | (i) |

28. Voluntary return of shares for cancellation by the shareholders is called
 (a) cancellation of shares (b) surrender of shares
 (c) forfeiture of shares (d) return of shares
29. The security premium reserve can be used for following purposes
 A. Writing-off preliminary expenses
 B. Issuing bonus shares C. Buy back of shares
 D. Writing-off loss on cancellation of own debentures
- Choose the correct answer from the options given below
 (a) A, B and C (b) B, C and D
 (c) A, B and D (d) A, C and D
30. A company may have following types of shares capital.
 A. Bonus shares B. Equity shares
 C. Preference shares D. Premium shares

Choose the correct answer from the options given below

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

31. Match List-I with List-II.

List-I (Type)	List-II (Explanation)
A. Non-participating preference shares	(i) Do not carry right to receive arrears in dividend
B. Redeemable preference shares	(ii) Cannot be converted into equity shares
C. Non-cumulative preference shares	(iii) Do not participate in profits remaining after paying dividend to equity shareholders
D. Non-convertible preference shares	(iv) Are redeemed by the company at the time specified for their repayment or earlier

Choose the correct answer from the options given below

- | A | B | C | D | A | B | C | D |
|-----------|------|------|------|-----------|------|------|------|
| (a) (iii) | (iv) | (ii) | (i) | (b) (iii) | (i) | (iv) | (ii) |
| (c) (iii) | (ii) | (i) | (iv) | (d) (iii) | (iv) | (i) | (ii) |

32. Hardware, software and data are some of the components of CAS. Identify the missing components.
 (a) Network, raw facts
 (b) Timely access, speed
 (c) Procedure, people
 (d) Network, speed
33. The correct order in which discount/loss on issue of debentures is written-off at the end of the year is
 A. Statement of profit and loss
 B. Capital reserve
 C. Security premium reserve
 D. General reserve
- Choose the correct answer from the options given below
 (a) A, B and D (b) B, A and D
 (c) C and A (d) C, B and A
34. Which of the following are the activity/performance ratios?
 A. Inventory turnover ratio
 B. Liquid ratio
 C. Working capital turnover ratio
 D. Gross profit margin ratio
- Choose the correct answer from the options given below
 (a) A and B (b) A and C
 (c) B and C (d) C and D

35. Which of the following is/are not the component(s) of quick assets?

- (a) Inventories (b) Prepaid expenses
(c) Cash and cash equivalents
(d) Both (a) and (b)

36. Match List-I with List-II.

List-I	List-II
A. Current ratio	(i) $\frac{\text{Current Assets} - \text{Current Liabilities}}{\text{Current Liabilities}}$
B. Quick ratio	(ii) $\frac{\text{Current Assets} \div \text{Current Liabilities}}{\text{Current Liabilities}}$
C. Debt collection period	(iii) $\frac{\text{Liquid or Quick Assets} \div \text{Current Liabilities}}{\text{Current Liabilities}}$
D. Working capital	(iv) $\frac{365}{\text{Trade Receivables}}$

Choose the correct answer from the options given below

- | | | | | | | | | | |
|-----|------|------|-------|------|-----|------|-------|------|------|
| | A | B | C | D | | A | B | C | D |
| (a) | (i) | (ii) | (iii) | (iv) | (b) | (ii) | (iii) | (iv) | (i) |
| (c) | (ii) | (iv) | (iii) | (i) | (d) | (i) | (iii) | (iv) | (ii) |

37. The width of a column in a database table can be set to accommodate the longest entry by using

- (a) view (b) create tab
(c) query (d) best fit

38. Which of the following are the examples of DBMS?

- A. My SQL
B. Google
C. Microsoft Access
D. DeSQI

Choose the correct answer from the options given below

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

39. Net profit before tax ₹ 11,33,700

Trade receivables ₹ 2,31,000 (as on 31st March, 2022)
₹ 2,62,500 (as on 31st March, 2023)

Calculate the cash flow from operating activities.

- (a) ₹ 10,40,200 (b) ₹ 9,02,700
(c) ₹ 11,02,200 (d) ₹ 11,65,200

40. Which of the following is not a non-cash item?

- (a) Depreciation
(b) Issue of shares
(c) Goodwill written-off (d) None of the above

Direction Analyse the following hypothetical extract and answer the following questions 41 to 45

Raha and Alia were partners in a firm sharing profits and losses in the ratio of 7 : 3. They decided to dissolve firm on 31st March, 2023.

On that date, their books showed the following ledger account balances

Particulars	Amt (₹)
Sundry Creditors	27,000
Profit and Loss A/c (Dr)	8,000
Cash in Hand	6,000
Bank Loan	20,000
Bills Payable	5,000
Sundry Assets	1,98,000
Capital A/cs	
Raha	1,12,000
Alia	48,000

Additional Information

- (i) Bills payable falling due on 31st May, 2023 retired on the date of dissolution of the firm at a rebate of 6% per annum.
(ii) The bankers accepted the furniture (included in sundry assets) having a book value of ₹ 18,000 in full settlement of the loan given by them.
(iii) Remaining assets were sold for ₹ 1,50,000.
(iv) Liability on account of outstanding salary not recorded in the books, amounting to ₹ 15,000 was met.
(v) Alia agreed to take over the responsibility of completing the dissolution work to bear all expenses of realisation at an agreed remuneration of ₹ 2,000. The actual expenses were ₹ 1,500 which were paid of the firm on behalf of Alia.

41. At the time of dissolution of partnership firm, the amount of 'bills payable' is transferred to

- (a) realisation account
(b) revaluation account
(c) partners' capital account
(d) cash account

42. Which account will be affected by the realisation expenses paid by Alia?

- A. Raha's capital account B. Alia's capital account
C. Realisation account D. Profit and loss account

Choose the correct answer from the options given below

- (a) Only A (b) A and C
(c) B and C (d) A, B and C

43. What will be the amount of past loss transferred to Raha's account?

- (a) ₹ 5,600 (b) ₹ 2,400
(c) ₹ 2,500 (d) ₹ 5,000

44. What will be the amount of past loss transferred to Alia's account?

- (a) ₹ 5,600 (b) ₹ 4,200
(c) ₹ 2,400 (d) ₹ 2,200

45. The loss on the realisation transferred to Alia’s capital account is
 (a) ₹ 31,465 (b) ₹ 13,485
 (c) ₹ 44,950 (d) ₹ 15,000

Direction Analyse the following hypothetical extract of MORE Ltd. and answer the following questions 46 to 50

Particulars	2022 (in ₹)	2021 (in ₹)	2020 (in ₹)
Outstanding Expenses	1,00,000	80,000	50,000
Prepaid Expenses	6,00,000	5,00,000	7,00,000
Trade Payables	36,00,000	32,00,000	28,00,000
Inventory	24,00,000	20,00,000	22,00,000
Trade Receivables	22,00,000	16,00,000	20,00,000
Cash in Hand	34,00,000	24,00,000	30,00,000
Revenue from Operations	48,00,000	36,00,000	40,00,000
Gross Profit Ratio	12%	15%	18%

46. Current ratio for the year 2022 will be
 (a) 2:1 (b) 1.6:1
 (c) 2.32:1 (d) 2.4:1

47. Quick ratio for the year 2021 will be
 (a) 1.22:1 (b) 1.8:1 (c) 0.94:1 (d) 1.25:1
48. Inventory turnover ratio for the year 2022 will be
 (a) 1.62 times (b) 1.82 times
 (c) 1.55 times (d) 1.92 times
49. Which ratio shows the relationship between gross profit and revenue from operations?
 (a) Operating ratio (b) Operating profit ratio
 (c) Gross profit ratio (d) Revenue from operations ratio
50. Which of the following about inventory turnover ratio is true?
 (a) It studies the frequency of conversion of inventory of finished goods into revenue from operations
 (b) Higher the ratio, the better it is
 (c) Low turnover of inventory may be due to bad buying, obsolete inventory, etc., and is a danger signal
 (d) All of the above

Right Options

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

HINTS & ANSWERS

- (b) Operating activities represent the function of a business directly related to providing its goods/services to the market. It includes generating revenue, paying expenses and funding working capital.
- (a) Cash flow implies inflow and outflow of cash and cash equivalents. It arises when the net effect of a transaction either increases or decreases the amount of cash and cash equivalents.
- (d) Tables are the core primary building blocks of a database. They consist of rows and columns of data.
- (a) A formula always starts with an equal to sign (=), which can be followed by numbers, math operators (plus or minus sign) and functions, which can really expand the power of a formula.
- (c) In partners’ current account, all entries such as drawings, interest on drawings, salary, interest on capital, share of profit/loss etc. are recorded. Any income or profit of partner is credited such as salary while any expense or loss is debited such as drawings, interest on drawings, etc. to current account of partner.
- (b) Interest on loan = $10,000 \times \frac{6}{100} \times \frac{3}{12} = ₹ 150$
- (a) When in partnership deed, there is no interest clause given or in the absence of partnership deed, no interest is to be charged on drawings from the partner.
- (a) (iv) (iii) (i) (ii)
- (b) The appropriate number of categories to display in a pie chart is from 5 to 7. Thus pie charts don’t have more than 7 categories.
- (b) (iv) (ii) (i) (iii)
- (c) When a partnership dissolve, the balance of the ‘profit and loss account’, on the assets side of a balance sheet is transferred to the debit side of the partners’ capital account in their profit sharing ratio.
- (b) Paid-up capital is the amount of money a company has received from shareholders in exchange for shares.

It is created when a company sells its shares in the primary market directly to investors, usually through an Initial Public Offering (IPO).

13. (c) Redemption of debentures is the repayment of debentures to the debentureholders. Debentures can be redeemed out of profit or capital or converting them into shares and new debentures.
14. (b) Prize fund can only be used for the distribution of prizes. Prize fund is a specific fund which need to be shown as liability.
15. (c)

Particulars	Amt (₹)
Subscription received During the Year (in cash)	40,000
(-) Outstanding at the end of Previous Year	(1,500)
	38,500
(+) Outstanding at the end of Current Year	2,000
	40,500
(-) Received in Advance for Next Year	(800)
Amount to be Credited to Income and Expenditure Account	39,700

16. (b) The receipts and payments account is the summary of cash and bank transactions which helps in the preparation of income and expenditure account.
17. (a) At the time of admission, the new partner may acquire his share from old partners in either old profit sharing ratio or some agreed ratio on particular fraction from some of partners.
18. (c) Share of E @ 25% = $\frac{1}{4}$
 Remain share for A, B, C and D = $1 - \frac{1}{4} = \frac{3}{4}$
 Share of A = $\frac{4}{10} \times \frac{3}{4} = \frac{12}{40}$; Share of B = $\frac{3}{10} \times \frac{3}{4} = \frac{9}{40}$
 Share of C = $\frac{2}{10} \times \frac{3}{4} = \frac{6}{40}$; Share of D = $\frac{1}{10} \times \frac{3}{4} = \frac{3}{40}$
 Share of E = $\frac{1}{4} \times \frac{10}{10} = \frac{10}{40}$
19. (c) The amount of goodwill is the cost to purchase the business minus the fair market value of the tangible assets, the intangible assets that can be identified and the liabilities obtained in the purchase. It can be paid either in cash or kind or both.
20. (a) Goodwill is an intangible fixed asset as it cannot be seen or touched. Therefore, it is shown in balance sheet under the sub-head 'intangible assets'.
21. (c) **Gain on Issue of Shares**
- | | Amt (₹) |
|---|----------------|
| Profit on 100 shares (100 × 50) | = 5,000 |
| (-) Loss on re-issue of shares (100 × 10) | = (1,000) |
| | = <u>4,000</u> |
22. (b) When debentures are issued as collateral security, then debentures suspense account is debited as no cash is

received on such issue and debentures account is credited.

23. (a) Purchase consideration = ₹ 6,00,000
 Amount paid in cash = 10% of ₹ 6,00,000 = ₹ 60,000
 Amount of debentures issued = 6,00,000 – 60,000
 = ₹ 5,40,000
 Issue price of debenture = 100 – (10% of 100) = ₹ 90
 No. of debentures issued = $\frac{5,40,000}{90} = 6,000$ debentures
24. (c) Capitalisation refers to the capital that is required to earn a given amount of profit at a normal rate of return. In this method, the capitalised value of the average profit is calculated on the basis of normal rate of return.
25. (c) In the weighted average profit method, weights are assigned to the profits of each year with more weightage for the recent years. This method is effective in calculating goodwill when the trend of profit shows that profits are either rising or falling.
26. (c) A gaining ratio is a financial tool that helps to measure the proportion in which a firm's remaining partner's acquire the retiring partner or deceased partner's shares.
 Gaining Ratio = New Ratio – Old Ratio
27. (a) (iii) (iv) (ii) (i)
28. (b) Surrender of shares is a process in which a shareholder voluntarily returns his/her shares to the company, usually because he/she cannot pay for future calls on the shares.
29. (a) Security premium reserve refers to the amount of money that a company raises by issuing securities at a premium. Companies can utilise this amount for Capitalisation of profits.
 Writing-off capital loss and preliminary expenses.
 Repayment of debentures.
 Reduction of share capital.
 Issuing bonus shares. Buy back of shares.
30. (b) A company may have two types of share capital viz. equity share capital and preference share capital.
31. (d) (iii) (iv) (i) (ii)
32. (c) Computerised Accounting System (CAS) has following components are hardware, software, people, procedure, data and connectivity.
33. (c) The discount/loss on issue of debentures is a capital loss and can be written-off either by debiting to profit and loss or to securities premium account.
34. (b) Activity/Performance/Turnover ratios show how efficiently a company is using its assets to generate sales. The ratios in this category are
 Inventory turnover ratio
 Trade receivables turnover ratio
 Trade payables turnover ratio
 Working capital turnover ratio
35. (d) Quick Assets = Current Assets – Inventories – Prepaid Expenses

MOCK TEST 09

ACCOUNTANCY

Time : 45 Min
MM : 200

Attempt any 40 out of the given 50 questions. No mark will be given to unanswered for review questions.
Each question carries 5 marks. Negative marking of 1 mark for a wrong answer.

1. Shri Shyam Ltd. has a term loan of ₹ 10,00,000. Interest on loan for the year is ₹ 1,25,000 and its PBIT is ₹ 5,00,000. Its interest coverage ratio is

- (a) 2 times (b) 2.5 times
(c) 3 times (d) 4 times

2. A finance manager is interested in financial statement analysis because

- A. It helps finance manger to assess the financial potential of the business.
B. It assists him in predicting future financial requirements and enables the finance manager to take appropriate action.
C. It helps to see that the resources of firm are used most efficiently.

Choose the correct answer from the options given below

- (a) A and B (b) A and C
(c) B and C (d) All of these

3. Which of the following is not the user of financial statement analysis?

- (a) Shareholder (b) Investor
(c) Debentureholder (d) Stock exchange

4. Match List-I with List-II.

List-I	List-II
A. Opening balance of bank overdraft	(i) Debit side of receipt and payment account
B. Closing balance of cash	(ii) Credit side of income and expenditure account
C. Closing balance of bank overdraft	(iii) Credit side of receipt and payment account
D. Opening balance of bank	(iv) Debit side of income and expenditure account

Choose the correct answer from the options given below

- A B C D
(a) (ii) (iv) (i) (iii)
(b) (iii) (i) (ii) (iv)
(c) (iv) (iii) (i) (ii)
(d) (i) (iii) (ii) (iv)

5. Which of these can be a special advantages for firm that would help in generating goodwill?

- A. Import licence
B. Long-term contracts for supply
C. Patents
D. Outside liabilities

Choose the correct answer from the options given below

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

6. Which of the following are the utilities of DBMS?

- A. Backup B. Loading
C. Process organisation D. File organisation

Choose the correct answer from the options given below

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

7. operations do not preserve non-matching tuples.

- (a) Left outer join (b) Right outer join
(c) Inner join (d) Natural Join

8. How many users can open an excel file at the same time?

- (a) 64 (b) 128
(c) 256 (d) 512

9. is shown in the liabilities side of the balance sheet.
 (a) Subscription due
 (b) Subscription due but not received
 (c) Subscription received
 (d) Subscription received in advance
10. Equity shareholders are of the company.
 (a) creditors (b) debtors
 (c) owners (d) lenders
11. Arrange the following in proper sequence with reference to 'share capital'.
 A. Paid-up capital
 B. Issued capital
 C. Subscribed capital
 D. Called-up capital
 Choose the correct answer from the options given below
 (a) B, C, D and A (b) A, B, C and D
 (c) C, A, B and D (d) B, D, A and C
12. When a company issues shares through IPO, it means shares are issued to
 (a) promoters (b) creditors
 (c) vendors (d) general public
13. is considered as an ideal current ratio.
 (a) 1 : 1 (b) 2 : 1
 (c) 1 : 2 (d) 4 : 1
14. Which of the following ratios measure the short-term solvency of an organisation?
 A. Current ratio
 B. Debt-equity ratio
 C. Liquidity ratio
 D. Inventory turnover ratio
 Choose the correct answer from the options given below
 (a) A and B (b) A and C
 (c) B and D (d) C and D
15. The following are quick assets, except
 A. Cheque in hand B. Trade receivable
 C. Loose tools D. Bank overdraft
 Choose the correct answer from the options given below
 (a) A and B (b) C and D
 (c) A and C (d) B and D
16. New profit sharing ratio is calculated as
 (a) Old Share – Sacrificing Share
 (b) Sacrificing Share – Old Share
 (c) Gaining Share – Old Share
 (d) Old Share – Gaining Share

17. Name the account which is prepared for finding the profit or loss on getting amount from selling of all assets and paying amount of liabilities.
 (a) Capital account
 (b) Revaluation account
 (c) Bank account
 (d) Realisation account
18. At the time of dissolution of a firm, its balance sheet revealed total creditors ₹ 50,000, total capital ₹ 48,000, cash balance ₹ 3,000 and its assets were realised at 12% less value. Loss on realisation will be
 (a) ₹ 6,000 (b) ₹ 3,600
 (c) ₹ 11,400 (d) ₹ 11,760
19. Match List-I with List-II.

List-I	List-II
A. COUNT	(i) To examine cause and effect relationship
B. What-If Scenario	(ii) To add the series of cells
C. AutoSum	(iii) To add cells as per criteria
D. SUMIF	(iv) To get the number of entries in a number field

Choose the correct answer from the options given below

- | | | | | | | | | | |
|-----|------|------|-------|-------|-----|-------|------|-------|------|
| | A | B | C | D | | A | B | C | D |
| (a) | (iv) | (i) | (ii) | (iii) | (b) | (i) | (ii) | (iii) | (iv) |
| (c) | (ii) | (iv) | (iii) | (i) | (d) | (iii) | (iv) | (ii) | (i) |
20. What is the journal entry for the receipt of life membership fee?
 (a) Life Membership Fee A/c Dr
 To Cash/Bank A/c
 (b) Cash/Bank A/c Dr
 To Life Membership Fee A/c
 (c) Cash/Bank A/c Dr
 To Capital Fund A/c
 (d) Capital Fund A/c Dr
 To Cash/Bank A/c
21. Which document is prepared by the company as an invitation to the public to subscribe for company's shares?
 (a) Memorandum of Association
 (b) Article of Association
 (c) Prospectus (d) Minutes
22. Match List-I with List-II.

List-I (On the basis)	List-II (Types of debentures)
A. Registration	(i) Redeemable and irredeemable debentures
B. Security	(ii) Convertible and non-convertible debentures

35. Match the following as per Schedule III of Companies Act, 2013.

List-I		List-II	
A. Bank overdraft	(i)	Other current liabilities	
B. Capital advances	(ii)	Long-term loans and advances	
C. Dividend payable	(iii)	Short-term borrowings	
D. Dividend receivable	(iv)	Other current assets	

Choose the correct answer from the options given below

- | | | | | | | | | | |
|-----|------|------|-------|-------|-----|-------|------|------|-------|
| | A | B | C | D | | A | B | C | D |
| (a) | (i) | (iv) | (ii) | (iii) | (b) | (iii) | (ii) | (i) | (iv) |
| (c) | (ii) | (iv) | (iii) | (i) | (d) | (ii) | (i) | (iv) | (iii) |

36. Arrange the following adjustments in correct order as per their occurrence while computing cash flow from operating activities.

- Add appropriations towards reserves, dividend and tax.
- Deduct tax paid (net of refund).
- Adjustment for non-operating and non-cash items.
- Adjustment for change in current assets and current liabilities.

Choose the correct answer from the options given below

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

37. Which of the following is shown as investing activity for manufacturing company?

- Purchase of plant and equipment on deferred payment basis
- Decrease in amount of goodwill
- Payment towards purchase of licence
- Purchase of machinery for consideration other than cash

38. Match List-I with List-II.

List-I		List-II	
A. Operating activity	(i)	Sale of intangible asset	
B. Financing activity	(ii)	Interest on bank overdraft	
C. Investing activity	(iii)	Short-term deposits	
D. Cash and cash equivalents	(iv)	Repayment of loans	

Choose the correct answer from the options given below

- | | | | | | | | | | |
|-----|------|-------|------|-------|-----|-------|-------|------|------|
| | A | B | C | D | | A | B | C | D |
| (a) | (i) | (iii) | (ii) | (iv) | (b) | (iii) | (iv) | (ii) | (i) |
| (c) | (ii) | (iv) | (i) | (iii) | (d) | (i) | (iii) | (iv) | (ii) |

39. If 10% preference share capital of ₹ 20,00,000 were redeemed at a premium of 5%, while preparing cash flow statement, cash flow will be shown as

- Cash used in financing activities = ₹ 22,40,000
- Cash used in financing activities = ₹ 20,00,000
- Cash used in financing activities = ₹ 23,40,000
- Cash used in financing activities = ₹ 21,00,000

40. Which of the following are the limitations of cash flow statement?

- It is historical in nature.
- It shows only inflows and outflows of cash.
- It facilitates in dividend decision.
- It is not a substitute for an income statement.

Choose the correct answer from the options given below

- A, B and D
- A, B and C
- B, C and D
- A, C and D

Direction Read the passage carefully and answer the following questions 41 to 45

Arjun and Dev are partners. Their capitals as on 1st April, 2022 are ₹ 1,00,000 and ₹ 2,00,000. Profits for year 2022-2023 were ₹ 90,000. As per the agreement, interest on capitals were ₹ 10,000 and ₹ 20,000 respectively and interest on drawings was ₹ 6,000 and ₹ 10,000 respectively. Arjun's salary was ₹ 2,000 per month and Dev's salary was ₹ 5,000.

Accountant, however, committed the mistake and credited the profit in the capital ratio without interest on capitals/drawings and salary.

41. With what amount was Dev's account credited with initially?

- | | |
|--------------|---------------|
| (a) ₹ 30,000 | (b) ₹ 45,000 |
| (c) ₹ 60,000 | (d) Can't say |

42. What was the total salary required to be credited?

- | | |
|--------------|---------------|
| (a) ₹ 7,000 | (b) ₹ 84,000 |
| (c) ₹ 29,000 | (d) Can't say |

43. What was the amount of past adjustment entry?

- | | |
|--------------|---------------|
| (a) ₹ 20,500 | (b) ₹ 21,500 |
| (c) ₹ 23,500 | (d) Can't say |

44. What should have been Dev's original share of profit?

- | | |
|--------------|--------------|
| (a) ₹ 15,666 | (b) ₹ 23,500 |
| (c) ₹ 21,500 | (d) ₹ 31,333 |

45. When there is no agreement between partners about profit or loss, it will be shared in

- | | |
|-----------|-----------|
| (a) 1 : 2 | (b) 2 : 1 |
| (c) 1 : 1 | (d) 3 : 1 |

Direction Analyse the following hypothetical extract and answer the following questions 46 to 50

U and V were partners sharing profits and losses in the proportion of 2 : 3. The following is the balance sheet of U and V on 31st March, 2023.

Balance Sheet
as at 31st March, 2023

Liabilities	Amt (₹)	Assets	Amt (₹)
Bills Payable	10,000	Cash	10,000
Workmen's Compensation Reserve	15,000	Debtors	15,000
General Reserve	30,000	Bills Receivable	15,000
Capital A/cs		Stock	10,000
U	20,000	Fixtures	20,000
V	25,000	Premises	30,000
	45,000		
	1,00,000		1,00,000

They admit Z for $\frac{1}{5}$ th share into partnership on 1st April,

2023, on the following terms

- (i) Z brings ₹ 30,000 as capital.
- (ii) Goodwill of the firm is valued on the basis of Z's share in profits and capital contributed by him.
- (iii) The provision on debtors is to be created @ 5%.
- (iv) Fixtures and stock are to be decreased by 10%.
- (v) The value of premises be appreciated by 10%.

46. From which item did partners benefitted at the time of reassessment of assets and liabilities?

- (a) Fixtures (b) Stock
(c) Premises (d) Debtors

47. What was loss/profit on revaluation and by how much amount?

- (a) Loss ₹ 1,500 (b) Loss ₹ 750
(c) Profit ₹ 1,500 (d) Profit ₹ 750

48. What was the amount of total capital of firm according to Z's share?

- (a) ₹ 30,000 (b) ₹ 90,750
(c) ₹ 1,50,000 (d) ₹ 750

49. What is the new profit sharing ratio of U, V and Z?

- (a) 2 : 3 : 5 (b) 2 : 3 : 1
(c) 1 : 1 : 1 (d) 8 : 12 : 5

50. General reserve given in the balance sheet will be distributed among partners in ratio.

- (a) new, new (b) old, old
(c) old, sacrificing (d) old, new

Right Options

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

HINTS & ANSWERS

1. (d) Interest Coverage Ratio

$$= \frac{\text{PBIT}}{\text{Interest on Long-term Debt}}$$

$$= \frac{5,00,000}{1,25,000} = 4 \text{ times}$$

2. (a) The benefits of financial statement analysis for a finance manager is that it helps him to assess the financial potential of the firm as well as helps in predicting future financial requirement to take appropriate action.

3. (d) The users of the financial statement analysis are the ones' who have an interest in the financial statement of the company i.e., shareholders, debentureholders, investors, etc.

4. (c) (iv) (iii) (i) (ii)

5. (b) Goodwill is an intangible assets. It is the ability of a company to generate super profits in the future. Import licence and long-term contract will keep the business

going for the firm. Patents will show the unique capabilities of the company and help in generating the goodwill of the company.

6. (b) A Database Management System (DBMS) is a software tool that enables users to manage a database easily. It backs up data regularly and organise the process and file or records.
7. (c) The join operations that do not retain mismatched tuples are called as inner join operations. The inner join operations do not preserve any tuples that are otherwise preserved in the outer join operation.
8. (c) A total number of 256 users can open the excel file at the same time. For this, the 'allow changes' by more than one user' setting should be enabled.
9. (d) Subscription income which is not related to the current year but received during the year is known as 'income received in advance'. It is an unearned income and shown in the liabilities side of balance sheet.

10. (c) Equity shareholders are owners of the company. The capital raised by the issue of such shares is known as ownership capital or owner's fund.
11. (a) The disclosure of share capital in the balance sheet is done in following order
- Issued capital
 - Called-up capital
 - Subscribed capital
 - Paid-up capital
12. (d) An IPO (Initial Public Offering) is when a private company or corporation raises investment capital by offering its stock to the public for the first time. When a company issues shares through IPO, it means shares are issued to general public.
13. (b) A current ratio of 2 : 1 is considered ideal in many cases. This means that the current assets can cover the current liabilities two times over.
14. (b) The liquidity ratio (current ratio and liquid ratio) measures the company's ability to pay short-term obligations or those due within one year.
15. (b) Quick assets are a company's most liquid assets that can be easily converted into cash within a short period, typically including cash, marketable securities, bank balances, cheques, trade receivables, etc.
16. (a) New profit sharing ratio is the ratio in which all the partners distribute the profits and losses among themselves after admission of a new partner or retirement of existing partner.
17. (d) Realisation account is prepared for finding the profit or loss on getting amount from selling of all assets and paying amount of liabilities at the time of dissolution of firm.
18. (c) Value of Assets = Total Creditors + Total Capital – Cash Balance
 $= 50,000 + 48,000 - 3,000 = ₹ 95,000$
 Assets realised @ 12% less value, thus loss on realisation
 $= \frac{12}{100} \times 95,000 = ₹ 11,400$
19. (a) (iv) (i) (ii) (iii)
20. (b) Life membership fees is not recurring in nature and received once for a whole life from a member. For this journal entry will be
- | | |
|----------------------------|----|
| Cash/Bank A/c | Dr |
| To Life Membership Fee A/c | |
21. (c) A prospectus is a legal document which is prepared by the company as an invitation to the public to subscribe for company's shares.
22. (a) (iii) (iv) (i) (ii)
23. (b) Share application account is a personal account as it represents money received from the shareholders and when money is due, it is to be debited as the rule says, "Debit the receiver".
24. (d) Dividend refers to a reward, cash or otherwise, that a company gives to its shareholders as a benefit against their investment. It can be issued in various forms, i.e. in cash, stock or any other form.
25. (d) Debentures issued as collateral security is secondary or parallel security for the original loan taken by the company. The lender can realise the collateral security in case, borrower fails to make the payment of the original loan.
26. (a) Premium received on issue of debentures may be utilised to write-off premium allowed on redemption of debentures, preliminary expenses, discount allowed on issue of shares/debentures, etc.
27. (c) If workmen compensation reserve does not exist in the balance sheet and a claim for workmen compensation arises then realisation account is debited and bank/cash account is credited.
28. (d) On dissolution of a firm, the realisation account is debited with all assets to be realised and credited with all outside liabilities of a company.
29. (c) New profit sharing ratio is the ratio in which all partners distribute the profits and losses among themselves after admission of a new partner or retirement or death of existing partner.
30. (b) Loan account is a representative personal account, as it represents the person from whom the loan is obtained or to whom the loan is given.
31. (c) Amount of subscribed capital
- | | |
|--------------------------------------|---------------|
| To vendor = $9,000 \times 100$ | = ₹ 9,00,000 |
| To shareholders = $30,000 \times 70$ | = ₹ 21,00,000 |
| | ₹ 30,00,000 |
32. (d) Premium amount on 2,00,000 shares @ ₹ 11 each
 $= 2,00,000 \times 11 = ₹ 22,00,000$
 Out of total premium, no premium was received on 10,000 shares
 so, $22,00,000 - (10,000 \times 11) = ₹ 20,90,000$
 Premium on 7,000 forfeited shares @ ₹ 3 per share
 $= (7,000 \times 3) = ₹ 21,000$
 Total amount to be shown under the head 'Reserves and surplus'
- | |
|------------------------------------|
| $20,90,000 + 21,000 = ₹ 21,11,000$ |
|------------------------------------|
33. (d) Application money received = $10,000 \times 3 = ₹ 30,000$
 (+) Advance received from one shareholder = ₹ 7,000
 (1,000 × 7)
- | |
|------------|
| = ₹ 37,000 |
|------------|
34. (c) Proprietary ratio is used to express a relationship between the amount invested by proprietors in the business and the total assets owned by the business. It is one of the four main solvency ratios. It is calculated as $\frac{\text{Proprietor's Fund}}{\text{Total Assets}}$

35. (b) (iii) (ii) (i) (iv)
36. (a) Following procedure is adopted while computing cash flow from operating activities
- Add appropriations towards reserves, dividend and tax.
 - Adjustment for non-operating and non-cash items.
 - Adjustment for change in current assets and current liabilities.
 - Deduct tax paid (Net of refund).
37. (c) Cash flow from investing activities shows the cash generated or spent relating to investment activities. For a manufacturing company, payment towards purchase of licence is an investing activity.
38. (c) (ii) (iv) (i) (iii)
39. (d) Issue and redemption of shares is a financing activity.
Cash used in financing activity = 10% Preference Share Capital + Premium on Redemption of Debentures
= 20,00,000 + (5% of 20,00,000) = ₹ 21,00,000
40. (a) Limitations of cash flow statement are as follows
- It is based on historical cost principle.
 - It is based on secondary data.
 - It shows only inflow and outflow of cash.
 - It is not a substitute for the profit and loss statement or income statement.

Solution for 41 to 44

Adjustment Table

Particulars	Arjun (₹)	Dev (₹)
I. Amounts already recorded (Dr)	30,000	60,000
(90,000 in 1 : 2) [41(c)]	30,000	60,000
II. Amount which should have recorded (Cr)		
Interest on Capital	10,000	20,000
Interest on Drawings	(6,000)	(10,000)
Salary [42 (c)]	24,000	5,000
Share of Profit (in 1 : 1) [44 (b)]	23,500	23,500
(90,000 – 30,000 + 16,000 – 29,000)		
Adjustment Entry [43 (b)]	21,500 (Cr)	21,500 (Dr)

45. (c) According to Partnership Act, 1932, in the absence of any agreement between partners, profit or loss must be shared equally, regardless of the ratio of the partners' investments.

46. (c) The value of premises is appreciated by 10% or ₹ 3,000. Thus partners benefitted from this item at the time of reassessment of assets and liabilities.

47. (b)

Revaluation Account			
Dr		Cr	
Particulars	Amt (₹)	Particulars	Amt (₹)
To Provision for Debtors A/c	750	By Premises A/c	3,000
To Fixtures A/c	2,000	By Loss transferred to	
To Stock A/c	1,000	U's Capital A/c	300
		V's Capital A/c	450
	3,750		750
			3,750

48. (c) Z brings ₹ 30,000 as capital for 1/5th share
Thus, total capital = 3,000 × 5/1 = ₹ 1,50,000

49. (d) New profit sharing ratio

U V

Old ratio = 2 : 3

Z is admitted for $\frac{1}{5}$ share of profitLet combined share of all partners after admission of Z
be = 1

Combined share of U and V after Z's admission

= 1 – Z's share

$$= 1 - \frac{1}{5}$$

$$= \frac{4}{5}$$

New Ratio = Old Ratio × Combined Share of U and V

$$U's = \frac{2}{5} \times \frac{4}{5} = \frac{8}{25}$$

$$V's = \frac{3}{5} \times \frac{4}{5} = \frac{12}{25}$$

$$Z's = \frac{1}{5} \text{ or } \frac{5}{25}$$

New profit sharing ratio = 8 : 12 : 5

50. (b) General reserve given in the balance sheet is distributed among old partners in the old profit sharing ratio because the new partner is not entitled to share in this reserve as it belongs to old partners.

MOCK TEST 10

ACCOUNTANCY

Time : 45 Min
MM : 200

Attempt any 40 out of the given 50 questions. No mark will be given to unanswered for review questions.
Each question carries 5 marks. Negative marking of 1 mark for a wrong answer.

- A and B are partners sharing profits and losses equally. At the time of admission of C, revaluation of assets and liabilities was done. Investments were raised by ₹ 20,000 and there was a provision created on debtors @ 5% (debtors being ₹ 1,00,000), stock was also revalued, loss on revaluation for A was ₹ 5,000. New profit sharing of A : B : C would be 1 : 1 : 2.

Find the revalued amount of stock, if initially stock was ₹ 60,000.

(a) ₹ 35,000 (b) ₹ 85,000
(c) ₹ 55,000 (d) ₹ 65,000
- Which of the following are the rights of newly admitted partner?

A. Right to share profits of the firm.
B. Right to inspect the books of account.
C. Right to participate in affairs of business.
D. Right to write-off goodwill.

Choose the correct answer from the options given below

(a) A, C and D (b) A, B and C
(c) A, B and D (d) B, C and D
- Which of the following forms may be created in 'Access 2007'?

A. Quick form
B. Result form
C. Record form
D. Split form
E. Simple form

Choose the correct answer from the options given below

(a) A and C (b) B and D
(c) D and E (d) C and E
- 'Record' in a database table is a

(a) size of the table
(b) horizontal row of table
(c) vertical column of table
(d) name of the table
- Which of the following can not be done by using the 'shape fill' feature?

(a) Change shape outline
(b) Change or remove colour
(c) Fill the shape with a picture
(d) Fill the shape with texture
- At the time of admission of a new partner, general reserve is

(a) debited to capital accounts' of old partners
(b) credited to capital accounts' of old partners
(c) allowed to remain in balance sheet
(d) debited to current account
- On retirement/death of a partner, the retiring/deceased partner's capital account will be credited with

(a) his/her share of goodwill
(b) shares of goodwill of remaining partner
(c) goodwill of the firm (d) None of the above
- Partners' equity is effected due to

A. Retirement of a partner
B. Death of a partner
C. Admission of a partner
D. Death of spouse of a partner

Choose the correct answer from the options given below

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

9. Match List-I with List-II.

List-I (Particulars)	List-II (Average Period)
A. Drawings in the beginning of each quarter.	(i) 6.5 months
B. Drawings in the beginning of each month.	(ii) 6 months
C. Drawings in the middle of each quarter.	(iii) 7.5 months
D. Drawings at the end of each quarter.	(iv) 4.5 months

Choose the correct answer from the options given below

A	B	C	D	A	B	C	D
(a) (iii)	(i)	(ii)	(iv)	(b) (iv)	(ii)	(iii)	(i)
(c) (ii)	(i)	(iii)	(iv)	(d) (iii)	(iv)	(i)	(ii)

10. Arrange the following steps to change the text format in charts in excel, in correct sequence

- A. Click on 'font' group on home tab.
- B. Click the chart element to be formatted.
- C. Click the format you want to choose.
- D. Right click the text to be formatted.

Choose the correct answer from the options given below

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

11. A school purchased a furniture worth ₹ 55,000 and spent ₹ 2,000 for carriage. The furniture should be capitalised for

- (a) ₹ 2,000
- (b) ₹ 55,000
- (c) ₹ 57,000
- (d) ₹ 53,000

12. Sports material consumed during the year is shown in the

- (a) debit side of receipts and payment account
- (b) credit side of income and expenditure account
- (c) assets side of balance sheet
- (d) debit side of income and expenditure account

13. Match List-I with List-II.

List-I (Items)	List-II (Shown In)
A. Investment in securities	(i) Debit side of receipt and payment account and credit side of income and expenditure account.
B. Life membership fees	(ii) Balance sheet.
C. Loss on sale of fixed assets	(iii) Receipt and payment account and balance sheet.
D. Receipt from sale of old newspaper	(iv) Debit side of income and expenditure account.

Choose the correct answer from the options given below

A	B	C	D	A	B	C	D
(a) (ii)	(iii)	(i)	(iv)	(b) (iv)	(ii)	(iii)	(i)
(c) (ii)	(i)	(iii)	(iv)	(d) (ii)	(iii)	(iv)	(i)

14. The steps for treatment of goodwill at the time of change in profit sharing ratio are

- A. Calculate compensation payable by gaining partner(s) to sacrificing partner(s).
- B. Pass the adjustment entry.
- C. Calculate the share gained and share sacrificed.

Choose the correct answer from the options given below

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

15. should be debited when capital is introduced by a partner.

- (a) Current account
- (b) Cash account
- (c) Capital account
- (d) Owner's account

16. Match List-I with List-II.

List-I (Items)	List-II (Treatment)
A. Bad debts recovered.	(i) Debit revaluation account
B. Claim of workmen compensation is more than the workmen compensation reserve.	(ii) Credit revaluation account
C. General reserve appearing in the books of account.	(iii) Credit partner's capital account
D. Investment fluctuation reserve, when fall in value of investment is same as investment fluctuation reserve.	(iv) Investment account

Choose the correct answer from the options given below

A	B	C	D	A	B	C	D
(a) (iii)	(iv)	(i)	(ii)	(b) (ii)	(i)	(iii)	(iv)
(c) (ii)	(i)	(iv)	(iii)	(d) (iv)	(iii)	(ii)	(i)

17. At the time of retirement of a partner, change in the value of assets is called of assets.

- (a) revaluation
- (b) reassessment
- (c) devaluation
- (d) valuation

18. What will be the journal entry for goodwill realised on dissolution?

- (a) Realisation A/c Dr
To Goodwill A/c
- (b) Bank/Cash A/c Dr
To Goodwill A/c

- (c) Bank/Cash A/c Dr
 To Realisation A/c
- (d) Goodwill A/c Dr
 To Bank/Cash A/c

19. Arrange the stages of incorporating a public company in a correct sequence.

- A. Registration of a company
- B. Capital subscription
- C. Commencement of business
- D. Issue of prospectus
- E. Promotion

Choose the correct answer from the options given below

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

20. In case of winding up of the company, payment of is made after repayment of

- (a) debentures, share capital
- (b) share capital, debentures
- (c) secured loan, debentures
- (d) debentures, secured loan

21. Discount or loss on issue of debentures is written-off from and/or

- (a) capital reserve, securities premium
- (b) securities premium, statement of profit and loss
- (c) statement of profit and loss, capital reserve
- (d) securities premium, capital reserve

22. If discount on reissue of shares is less than the amount forfeited on the reissued shares, the surplus is transferred to

- (a) capital reserve (b) general reserve
- (c) securities premium (d) statement of profit and loss

23. Cancellation of shares on non-payment of calls due is termed as

- (a) forfeiture (b) calls-in-arrear
- (c) reduction (d) reserve capital

24. A company forfeited 1,000 shares of ₹ 10 each, ₹ 7 called-up for the non-payment of ₹ 2 on first call. All these shares were reissued at ₹ 5 per share. What will be the amount credited to share capital account at reissue?

- (a) ₹ 7,000 (b) ₹ 10,000
- (c) ₹ 5,000 (d) ₹ 2,000

25. Pragya Ltd. forfeited 8,000 equity shares of ₹ 100 each issued at a premium of 10% for non-payment of first and final call of ₹ 30 per share. The maximum amount of discount at which these shares can be reissued will be

- (a) ₹ 80,000 (b) ₹ 3,20,000
- (c) ₹ 5,60,000 (d) ₹ 2,40,000

26. Beta Ltd. issued 10,000 shares of ₹ 10 each at 20% premium which was over-subscribed to the extent of 5,000 shares. All money to be paid on application only and shares were allotted on pro-rata basis. The company will refund

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

27. The excess price received over the 'par' value of shares should be credited to

- (a) calls-in-advance account
- (b) share capital account
- (c) reserve capital account
- (d) securities premium account

28. Bank overdraft and cash credit are to be treated as

- (a) cash equivalents (b) short-term borrowings
- (c) non-current assets (d) non-current liabilities

29. Which of the following is not concerned with financing activity?

- (a) Repayment of loans (b) Issue of debentures
- (c) Sale of fixed assets (d) Increase in bank overdraft

30. Match List-I with List-II.

List-I	List-II
A. Operating activity	(i) Payment of cash for purchase of debentures for trading by a financial company.
B. Financing activity	(ii) Purchase of goodwill.
C. Investing activity	(iii) Dividend paid by manufacturing company.
D. Cash and cash equivalents	(iv) Marketable securities.

Choose the correct answer from the options given below

- | | | | | | | | |
|-----------|------|------|-------|----------|-------|------|-------|
| A | B | C | D | A | B | C | D |
| (a) (ii) | (i) | (iv) | (iii) | (b) (i) | (iii) | (ii) | (iv) |
| (c) (iii) | (ii) | (i) | (iv) | (d) (iv) | (i) | (ii) | (iii) |

31. While computing cash flow from operating activities, which of the following are not deducted, if starting point is surplus, i.e., balance in statement of profit and loss?

- A. Refund of tax
- B. Sale proceeds of machinery
- C. Transfer to provision for doubtful debts
- D. Interest received on investment

Choose the correct answer from the options given below

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

32. Which of the following are sources of cash?

- A. Proceeds from sale of fixed assets.
- B. Underwriting commission paid.
- C. Cash receipt of brokerage.
- D. Increase in bank overdraft.
- E. Increase in goodwill.

Choose the correct answer from the options given below

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

33. What will be the effect on current ratio if a bills payable is discharged on maturity?

- (a) It will increase (b) It will decrease
- (c) Either (a) or (b) (d) No effect

34. A very high working capital turnover ratio may be a sign of

- (a) undertrading (b) overtrading
- (c) optimal trading (d) no trading

35. Match List-I with List-II.

List-I (Category)	List-II (Ratio)
A. Liquidity ratio	(i) Total assets to debt ratio
B. Solvency ratio	(ii) Operating ratio
C. Activity ratio	(iii) Quick ratio
D. Profitability ratio	(iv) Inventory turnover ratio

Choose the correct answer from the options given below

- | A | B | C | D | A | B | C | D |
|-----------|-----|-------|------|-----------|------|-------|------|
| (a) (iii) | (i) | (iv) | (ii) | (b) (iii) | (iv) | (i) | (ii) |
| (c) (ii) | (i) | (iii) | (iv) | (d) (ii) | (iv) | (iii) | (i) |

36. A company's current liabilities decreased from ₹ 12,00,000 to ₹ 9,00,000. What is the percentage of change in current liabilities?

- (a) 20% (b) 30% (c) 25% (d) 40%

37. In the common size balance sheet, figure of is assumed to be 100.

- (a) fixed assets (b) total assets
- (c) share capital (d) current liabilities

38. The ratios provide the information critical to the long-run operation of the firm.

- (a) liquidity (b) activity
- (c) solvency (d) profitability

39. Which of the following ratios are expressed in time?

- A. Price earning ratio
- B. Interest coverage ratio
- C. Operating ratio
- D. Current assets turnover ratio

Choose the correct answer from the options given below

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

40. Correct order or sequence for determining earning per share is

- A. Determine dividend on preference shares.
- B. Find net profit.
- C. Divide the profit available for equity shareholders by number of equity shares.
- D. Determine profit available for equity shareholders.

Choose the correct answer from the options given below

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

Direction Read the passage carefully and answer the following questions 41 to 45

A, B and C were partners in a partnership firm sharing profits and losses in their capital ratio, i.e., 1 : 2 : 3. On 31st March, 2023, they decided to dissolve the partnership firm. The following information is given to you on the dissolution of firm

- (i) The firm had total assets of ₹ 12,00,000 that realised ₹10,80,000.
- (ii) The creditors were settled @ 90% by paying them ₹ 54,000.
- (iii) There was an unrecorded asset in the books of the firm which was taken by A for ₹ 12,000.
- (iv) Realisation expenses amounted to ₹ 2,000 and paid by B on behalf of the firm.
- (v) There was a general reserve in the books of the company of ₹ 21,000.
- (vi) The capitals of the partners were in the proportion of their profit sharing ratio.
- (vii) Their balance sheet also showed a cash balance of ₹ 81,000.

41. What was the loss on realisation?

- (a) ₹ 2,00,000 (b) ₹ 1,37,000
- (c) ₹ 1,47,000 (d) ₹ 1,16,000

42. What was the capital of B before dissolution of firm?

- (a) ₹ 2,00,000 (b) ₹ 4,00,000
- (c) ₹ 6,00,000 (d) ₹ 8,00,000

43. What will be the final amount to be paid to C?

- (a) ₹ 6,05,000
- (b) ₹ 6,08,500
- (c) ₹ 5,52,500
- (d) ₹ 52,000

44. account will be debited for treatment of unrecorded assets as per question.
- (a) A's capital
 - (b) B's capital
 - (c) C's capital
 - (d) None of the above
45. Pass the journal entry for realisation expenses as per question.
- (a) Realisation A/c Dr
 To B's Capital A/c
 - (b) Expenses A/c Dr
 To Cash/Bank A/c
 - (c) Realisation A/c Dr
 To Cash/Bank A/c
 - (d) B's Capital A/c Dr
 To Cash/Bank A/c

Direction Analyse the following hypothetical extract and answer the following questions 46 to 50

Karan and Pragya are partners in a firm sharing profits in the ratio of 2 : 3. The balance sheet of the firm as on 31st March, 2023 is given below

Balance Sheet
as at 31st March, 2023

Liabilities	Amt (₹)	Assets	Amt (₹)
Creditors	6,20,000	Bills Receivable	3,60,000
Bills Payable	1,80,000	Stock	16,00,000
Capital A/cs		Machinery	18,40,000
Karan 16,00,000		Land and Building	10,00,000
Pragya 24,00,000	40,00,000		
	48,00,000		48,00,000

The partners decided to share profits in equal ratio with effect from 1st April, 2023. The following adjustments were agreed upon

- (i) Land and building was valued at ₹ 16,00,000 and machinery at ₹ 16,40,000 and were to appear at revalued amounts in the balance sheet.
 - (ii) The goodwill of the firm was valued at ₹ 80,000 but it was not to appear in books.
46. What was the entry passed in revaluation account with respect to machinery?
- (a) Debit Machinery A/c ₹ 2,00,000; Credit Revaluation A/c ₹ 2,00,000
 - (b) Debit Revaluation A/c ₹ 2,00,000; Credit Machinery A/c ₹ 2,00,000
 - (c) Debit Machinery A/c ₹ 16,40,000; Credit Revaluation A/c ₹ 16,40,000
 - (d) Debit Revaluation A/c ₹ 16,40,000; Credit Machinery A/c ₹ 16,40,000
47. What was the final profit/loss of revaluation account?
- (a) Loss ₹ 8,00,000 (b) Profit ₹ 8,00,000
 - (c) Profit ₹ 4,00,000 (d) Loss ₹ 4,00,000
48. What was the gain/sacrifice of share for Karan?
- (a) Gain-1/10 (b) Sacrifice-1/10
 - (c) Sacrifice-1/5 (d) Gain-1/5
49. Gaining ratio is calculated as
- (a) New Ratio – Old Ratio
 - (b) Old Ratio – New Ratio
 - (c) New Ratio – Sacrificing Ratio
 - (d) Net Ratio + Old Ratio
50. What was the Pragya's capital account balance?
- (a) ₹ 17,52,000 (b) ₹ 17,60,000
 - (c) ₹ 26,40,000 (d) ₹ 26,48,000

Right Options

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

HINTS & ANSWERS

1. (a) Total loss on revaluation = $2/1 \times 5,000$
= ₹ 10,000

Dr		Revaluation Account		Cr
Particulars	Amt (₹)	Particulars	Amt (₹)	
To Provision on Doubtful Debts (5% × 1,00,000)	5,000	By Investments	20,000	
To Stock (Balance)	25,000	By Loss	10,000	
	30,000		30,000	

i.e. stock has reduced by ₹ 25,000

Revalued value of stock = 60,000 – 25,000
= ₹ 35,000

2. (b) The new partner on admission acquires the following rights
- Right to share future profits of the firm.
 - Right to inspect the books of account.
 - Right to participate in affairs of business.
 - Right to share the assets of partnership firm.
3. (c) Access creates a form and displays it in layout view. Split form and simple form may be created in 'Access 2007'.
4. (b) Rows are referred to as records and columns are referred to as fields. Rows are horizontal and go across the spreadsheet from left to right.
5. (a) With the help of 'shape fill', we can change or remove colour, fill the shape with a picture or texture. We can create a solid shape by choosing the shape we intend to use from the shapes box and then drag it wherever we want on the picture.
6. (b) The new partner is not entitled to share in general reserve. Hence, at the time of admission, these reserves are transferred to the old partner's capital account in their old profit sharing ratio.
7. (a) On retirement/death of a partner, the retiring/deceased partners' capital account is credited with his/her share of goodwill and the remaining partner's capital account is debited in the gaining ratio.
8. (a) Partners' equity is the partner's ownership interest in the business.
In the partnership asset, the percentage of asset which the partners are having is known as partners' equity. It is effected due to retirement/death/admission of a partner.
9. (a) (iii) (i) (ii) (iv)
10. (c) The steps to change the text format in charts in excel are as follows
- Click the chart element to be formatted.
 - Right click the text to be formatted.
 - Click the 'font' group on home tab.
 - Click the format you want to choose.
11. (c) Cost of furniture = ₹ 55,000
Carriage = ₹ 2,000
Total value to be capitalised = 55,000 + 2,000
= ₹ 57,000
12. (d) Purchase/Consumption of sports material is treated as revenue expenditure and recorded as an expense on the debit side of the income and expenditure account. If however, depreciation is charged on sports material, it is treated as an asset.
13. (d) (ii) (iii) (iv) (i)
14. (b) At the time of change in profit sharing ratio, the goodwill is treated as
- Calculate the share gained and sacrificed.
 - Calculate compensation payable by gaining partner(s) to sacrificing partner(s).
 - Pass the adjustment entry.
15. (b) When cash is brought into the business by a partner as capital, it will increase. Since, cash is an asset, hence, the cash account is debited.
16. (b) (ii) (i) (iii) (iv)
17. (a) At the time of retirement, the assets and liabilities are revalued so that the outgoing partner's share in profit/loss due to revaluation can be ascertained. For this, change in the value of assets is called revaluation of assets.
18. (c) On dissolution of partnership firm, goodwill is treated like other assets and hence will be realised in the same manner. Thus, cash/bank account is debited and realisation account is credited.
19. (c) Incorporation is the legal process by which a business entity is formed. The stages of incorporation are as follows
- Promotion
 - Registration of a company
 - Issue of prospectus
 - Capital subscription
 - Commencement of business
20. (b) When a company winds up, then firstly debentures are redeemed and then payment of share capital is done.

21. (b) Discount or loss on issue of debentures is a capital loss and it is written-off, in the year in which debentures are issued, from securities premium reserve account or statement of profit and loss.
22. (a) Generally, the forfeited shares are reissued as fully paid and at a discount. The amount of discount allowed cannot exceed the amount that had been received on forfeited shares on their original issue and should be debited to forfeited account and if any balance left, should be treated as capital profit and transferred to capital reserve account.
23. (a) The forfeited shares refer to company's shares that have been surrendered or given up by a shareholder due to non-payment of the required amount. When a shareholder fails to make the necessary payments for the subscribed shares, the company has the right to forfeit or cancel them.
24. (a) Share capital account will be credited by $(1,000 \times 7) = ₹ 7,000$
25. (c) Amount of discount = $8,000 \times 70 = ₹ 5,60,000$
26. (a) Refund amount = $5,000 \times 12 = ₹ 60,000$
27. (d) When shares are issued at a price above their par value, it is known as issue of shares at premium. This premium amount is credited to securities premium account this account is shown on the liability side of balance sheet under the head 'shareholders' funds'.
28. (b) Cash credit and overdraft are two types of short-term loan facilities offered by the lenders to the businesses. Short-term borrowings are financed for temporary business requirements.
29. (c) In cash flow statement, financing activities are the activities that result in a change in the size and composition of the owner's capital (including preference share capital in case of a company) and borrowings of the company. These activities have a long-term impact on the organisation's finances and balance sheet.
30. (b) (i) (iii) (ii) (iv)
31. (c) While computing cash flow from operating activity, if surplus is there, income tax refund and interest received on investment are deducted from profits in operating activities.
32. (b) Sources of cash refers to inflow of cash. For example, proceeds from sale of fixed assets, cash receipt of brokerage, increase in bank overdraft, accounts receivable, etc.
33. (a) When a company discharges its bills payable on maturity, it reduces its current liabilities. This means that the denominator of the current ratio decreases. However, the numerator of the current ratio remains the same as the current assets are not affected. As a result, the current ratio increases.
34. (b) A higher working capital turnover ratio indicates that a company is able to generate a larger amount of sales but if working capital turnover rises too high, it may be a sign of overtrading.

35. (a) (iii) (i) (iv) (ii)
36. (c) Percentage of change in current liabilities

$$= \frac{12,00,000 - 9,00,000}{12,00,000} \times 100$$

$$= \frac{3,00,000}{12,00,000} \times 100$$

$$= 25\%$$
37. (b) In common size balance sheet, the total of assets or liabilities is assumed to be 100 and figures are expressed as a percentage of the total.
38. (c) A solvency ratio is a key metric used to measure an enterprise's ability to meet its long-term debt obligations and is used often by prospective business lenders.
39. (c) Price earning ratio, interest coverage ratio, inventory turnover ratio and current assets turnover ratio, etc. are expressed in times.
40. (d) Earning Per Share (EPS) is calculated by dividing the company's net income with its total number of outstanding shares.

$$\text{EPS} = \frac{\text{Net Income} - \text{Preferred Dividends}}{\text{Weighted Average Number of Shares Outstanding}}$$

41. (d)

Dr		Realisation Account		Cr
Particulars	Amt (₹)	Particulars	Amt (₹)	
To Sundry Assets A/c	12,00,000	By Creditors A/c	60,000	
To Cash A/c (Payment to creditors)	54,000	By Cash A/c (Assets sold)	10,80,000	
To B's Capital A/c (Realisation Expenses)	2,000	By Loss Transferred to Partner's Capital A/c		
		A	19,333	
		B	38,667	
		C	58,000	1,16,000
	12,56,000			12,56,000

42. (b) In a balance sheet,
 Total of Assets Side = Total of Liabilities Side
 Total of Assets Side = $12,00,000 + 81,000 = ₹ 12,81,000$
 Total of Liabilities Side = Creditors + General Reserve + Capitals of Partners
 $12,81,000 = 60,000 + 21,000 + \text{Capitals of Partners}$
 $= ₹ 12,00,000$
 Thus, Capital of B = $12,00,000 \times \frac{2}{6}$
 $= ₹ 4,00,000$
43. (c) Amount paid to C = Capital + Share in General Reserve - Loss on Realisation
 $= 6,00,000 (2,00,000 \times 3) + 10,500 - 58,000$
 $= ₹ 5,52,500$

MOCK TEST 11

ACCOUNTANCY

Time : 45 Min
MM : 200

Attempt any 40 out of the given 50 questions. No mark will be given to unanswered for review questions.
Each question carries 5 marks. Negative marking of 1 mark for a wrong answer.

- Sita and Radha are partners with the capital of ₹ 25,000 and ₹ 15,000 respectively. Interest payable on capital is 10% p.a. Find the interest on capital for both the partners when the profits earned by the firm are ₹ 2,400.
 - ₹ 2,500 and ₹ 1,500
 - ₹ 1,500 and ₹ 900
 - ₹ 1,200 and ₹ 1,200
 - ₹ 250 and ₹ 150
- Interest on drawings is
 - debited to profit and loss account
 - credited to profit and loss account
 - debited to capital account
 - credited to capital account
- As per Section 4 of Partnership Act, 1932, what are the essentials to form a partnership?
 - Agreement
 - Minimum four persons
 - Sharing of profits and losses
 - Carried on by all or any of them

Choose the correct answer from the options given below

 - A, B and C
 - A, C and D
 - A, B and D
 - B, C and D
- Which of the following generally considered as a non-profit oriented organisation?
 - Audit firm
 - Corporation
 - Charitable organisation
 - Insurance companies
- Which of the following accounts are prepared by non-profit organisations?
 - Balance sheet
 - Income and expenditure account
 - Income statement
 - Receipt and payment account
- Choose the correct answer from the options given below
 - A, B and C
 - A, B and D
 - A, C and D
 - B, C and D
- Sports expenses are ₹ 27,000 (excluding ₹ 7,000 unpaid expenses). The amount to be credited to receipts and payment account is
 - ₹ 20,000
 - ₹ 27,000
 - ₹ 7,000
 - ₹ 34,000
- Which of the following can be used to set the width of column to accommodate the longest entry?
 - Click bestfit.
 - Manually enter a value of column width.
 - Using the mouse while in datasheet view.
 - Clicking on blank database.
 - Running a query.

Choose the correct answer from the options given below

 - A, B and C
 - B, C and D
 - B, C and E
 - A, D and E
- Arrange the following in the correct sequence to freeze a formula in excel.
 - Click on 'copy'
 - Select the cells that contain the formula
 - Paste special
 - Select 'values'

Choose the correct answer from the options given below

 - B>D>A>C
 - D>B>A>C
 - D>A>C>B
 - B>A>C>D

9. Match List-I with List-II.

List-I	List-II
A. Issue of debentures at discount and redeemable at par.	(i) Unlisted (other than NBFC and HFC) companies.
B. Issue of debentures at discount and redeemable at premium.	(ii) On or before 30th April of the current year.
C. Transfer of profit to DRR.	(iii) Discount on issue of debentures account.
D. Investment in DRI.	(iv) Loss on issue of debentures account.

Choose the correct answer from the options given below

A	B	C	D	A	B	C	D
(a) (iv)	(iii)	(ii)	(i)	(b) (iii)	(iv)	(i)	(ii)
(c) (iii)	(iv)	(ii)	(i)	(d) (iii)	(i)	(ii)	(iv)

10. Match List-I with List-II.

List-I	List-II
A. Record of inflow and outflow of resources	(i) Accounting equation
B. Equality of assets and liabilities	(ii) Encryption
C. Codification	(iii) Hierarchy
D. Difficult interpretation of information	(iv) Transaction

Choose the correct answer from the options given below

A	B	C	D	A	B	C	D
(a) (iii)	(i)	(iv)	(ii)	(b) (iv)	(i)	(ii)	(iii)
(c) (i)	(iv)	(iii)	(ii)	(d) (iv)	(i)	(iii)	(ii)

11. The tool that guides the user through creation of database and queries and forms is called

- (a) spreadsheet (b) DBMS
(c) SQL (d) access wizard

12. Behind every computed number in an excel sheet, excel is hiding

- (a) labels (b) worksheet names
(c) rows and columns (d) cell reference

13. A and B are partners in a firm sharing profits in the ratio of 2 : 1. They admit C as a new partner for 1/5 share. New ratio of A and B will be 1:2. Compute the sacrificing ratio.

- (a) A's sacrifice $\frac{2}{3}$; B's sacrifice $\frac{1}{3}$
(b) A's sacrifice $\frac{1}{3}$; B's sacrifice $\frac{2}{3}$
(c) Only A's sacrifice $\frac{6}{15}$
(d) Only B's sacrifice $\frac{2}{5}$

14. A new partner is admitted in the firm

- (a) to increase the number of partners
(b) to increase the capital of the firm
(c) to increase the profit sharing ratio
(d) to increase the goodwill of the firm

15. In a case of change in profit sharing ratio, U gained 1/10th share from V. Goodwill of the firm is ₹ 10,000. Journalise.

(a) V's Capital A/c	Dr	1,000	
To U's Capital A/c			1,000
(b) V's Capital A/c	Dr	10,000	
To U's Capital A/c			10,000
(c) U's Capital A/c	Dr	1,000	
To V's Capital A/c			1,000
(d) U's Capital A/c	Dr	10,000	
To V's Capital A/c			10,000

16. A, B and C are partners in a firm in ratio of 1 : 2 : 3. Debit balance of profit and loss account was ₹ 20,000 and general reserve was ₹ 50,000 when partners decided to share profits equally. If these balances are not to be shown in balance sheet, what will be the journal entry?

- (a) Dr A ₹ 5,000; Cr C ₹ 5,000
(b) Dr C ₹ 5,000; Cr A ₹ 5,000
(c) Cr A ₹ 5,000; Cr B ₹ 10,000; Cr C ₹ 15,000
(d) Cr A ₹ 10,000; Cr B ₹ 10,000; Cr C ₹ 10,000

17. Depending upon the terms and conditions of issue and redemption of debentures, which of the following situations are not possible?

- A. Issued at par and redeemable at discount.
B. Issued at discount and redeemable at par.
C. Issued at a premium and redeemable at premium.
D. Issued at par and redeemable at a premium.

Choose the correct answer from the options given below

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

18. Arrange the following journal entries in correct order if debenture amount is received in two instalments.

A. Bank A/c	Dr
To Debenture Allotment A/c	
B. Debenture Allotment A/c	Dr
To Debentures A/c	
C. Debenture Application A/c	Dr
To Debentures A/c	
D. Bank A/c	Dr
To Debenture Application A/c	

Choose the correct answer from the options given below

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

19. Which of the following statements are incorrect?
 A. Debenture interest is a charge against profits.
 B. Debenture can be forfeited for non-payment of call money.
 C. It is customary to prefix 'debentures' with the agreed rate of interest
 D. The issue price and redeemable price of a debenture cannot differ.

Choose the correct answer from the options given below

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

20. Match List-I with List-II.

List-I	List-II
A. A public company can have minimum	(i) 15 directors
B. A private company can have minimum	(ii) 3 directors
C. A one person company can have minimum	(iii) 2 directors
D. A company can have maximum	(iv) 1 director

Choose the correct answer from the options given below

- A B C D
- (a) (i) (ii) (iii) (iv)
 - (b) (ii) (iii) (iv) (i)
 - (c) (i) (iv) (ii) (iii)
 - (d) (iv) (iii) (ii) (i)

21. Unrecorded liability will be shown on

- (a) credit side of realisation account
- (b) debit side of partner's capital account
- (c) debit side of realisation account
- (d) debit side of cash account

22. Money realised from the sale of unrecorded assets is debited to the

- (a) balance sheet
- (b) revaluation account
- (c) partners' capital account
- (d) cash account

23. All the assets of the firm are and all outsiders' liabilities and partner's loan and partners' capitals are at the time of dissolution of firm.

- (a) paid, disposed-off
- (b) realised, paid
- (c) disposed-off, acquired
- (d) acquired, paid

24. Which of the following reserve or fund is not transferred to the realisation account?

- (a) Contingency reserve
- (b) Investment fluctuation reserve
- (c) Reserve for doubtful debts
- (d) Employee provident fund

25. The criteria to be fulfilled by an effective accounting report includes

- A. Relevance
- B. Accuracy
- C. Ease
- D. Timeliness
- E. Quality

Choose the correct answer from the options given below

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

26. COBOL, C, C++, JAVA are examples of

- (a) high level programming languages
- (b) low level machine language
- (c) assembly language
- (d) high level application software

27. Which of the following items are debited to partners' capital accounts at the time of dissolution of firm?

- A. Existing goodwill
- B. Advertisement suspense
- C. Credit balance in profit and loss account
- D. Realisation loss

Choose the correct answer from the options given below

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

28. Match List-I with List-II.

List-I (Particulars)	List-II (Journal Entry)
A. When assets are sold for cash	(i) Bank A/c To Realisation A/c
B. When the assets are given to any of the creditors towards the payment of his dues	(ii) Partner's Capital A/c To Realisation A/c
C. When an asset is taken over by a partner	(iii) Realisation A/c To Bank A/c
D. For transfer of assets	(iv) Realisation A/c To Assets (Individually) A/c

Choose the correct answer from the options given below

- A B C D
- (a) (i) (iii) (ii) (iv)
 - (b) (ii) (i) (iii) (iv)
 - (c) (iii) (ii) (i) (iv)
 - (d) (iii) (i) (ii) (iv)

29. Purchase of shares or debentures is concerned with
 (a) investing activities
 (b) financing activities
 (c) operating activities
 (d) cash and cash equivalents
30. are highly liquid assets that can be converted into cash shortly.
 (a) Non-current investments
 (b) Inventories
 (c) Loose tools (d) Cash equivalents
31. Which of the following is not a cash inflow?
 (a) Goods purchased in cash
 (b) Goods sold for cash
 (c) Interest received on investment
 (d) Sale of asset at loss
32. Which of the following are not shown as investing activities by a manufacturing company?
 A. Purchase of plant and equipment on deferred payment basis.
 B. Increase in amount of goodwill.
 C. Payment towards purchase of licence.
 D. Purchase of machinery for consideration other than cash.
 E. Purchased shares of ABC Ltd.
 Choose the correct answer from the options given below
 (a) A and C (b) A and D
 (c) B, C and E (d) A, C and D
33. Match the following
- | List-I
(Particulars) | List-II
(Journal Entry) |
|---|--------------------------------|
| A. Receipt of dividend | (i) Financing activity |
| B. Purchase and sale of securities for trading by a financial company | (ii) Investing activity |
| C. Buy back of own shares | (iii) Operating activity |
| D. Cash in hand | (iv) Cash and cash equivalents |
- Choose the correct answer from the options given below
- | A | B | C | D | A | B | C | D | | |
|-----|------|-------|-------|------|-----|------|-------|-------|------|
| (a) | (ii) | (i) | (iii) | (iv) | (b) | (ii) | (iii) | (i) | (iv) |
| (c) | (i) | (iii) | (ii) | (iv) | (d) | (i) | (ii) | (iii) | (iv) |
34. In case of depreciation provided on plant and machinery (at the time of change in profit sharing ratio), which account is debited?
 (a) Plant and machinery (b) Revaluation account
 (c) Partners' capital account
 (d) None of the above
35. Partner whose share in profit has been as a result of change, is known as sacrificing partner.
 (a) increased
 (b) decreased
 (c) Both (a) and (b)
 (d) None of the above
36. Investment fluctuation reserve is a reserve created out of profits to meet the in value of investment.
 (a) rise, book (b) fall, book
 (c) rise, market (d) fall, market
37. Any profit from revaluation account is in partners' capital account in the ratio.
 (a) debited, new (b) debited, old
 (c) credited, new
 (d) credited, old
38. If the claim on account of workmen's compensation is more than the workmen compensation reserve, which account(s) is/are debited initially?
 (a) Workmen compensation reserve
 (b) Revaluation account
 (c) Both (a) and (b)
 (d) None of the above
39. Which ratio shows the relationship between current assets with current liabilities?
 (a) Gross profit ratio
 (b) Current ratio
 (c) Debt ratio
 (d) Quick ratio
40. Compute total assets turnover ratio from the information given below
 Fixed assets (Net of depreciation) = ₹ 4,00,000
 Current assets = ₹ 3,00,000
 Revenue from operations = ₹ 14,00,000
 (a) 1 time
 (b) 2 times
 (c) 3 times
 (d) 4 times
- Direction** Read the passage carefully and answer the following questions 41 to 45
- Q and R are partners, who share profits in the ratio of 3 : 2. From 1st April, 2023, they decide to share profits equally. For the purpose of reconstitution, the partnership deed provides for valuation of goodwill at 2 year's purchase of super profits.
 The normal profits and estimated at ₹ 1,00,000 while actual average profits were ₹ 1,25,000. On 31st March, 2023, the general reserve appears in the books at ₹ 80,000.
 The partners also decide to revalue buildings by appreciating its value by ₹ 20,000.

41. At the time of reconstitution due to change in profit sharing ratio, gain by partner(s) is equal to the sacrifice by other partner(s).
 (a) True
 (b) False
 (c) Partially true
 (d) Can't say
42. What was the gaining share of R?
 (a) 1/2 (b) 1/5
 (c) 1/10 (d) None of these
43. What is the value of firm's goodwill?
 (a) ₹ 25,000 (b) ₹ 2,00,000
 (c) ₹ 2,50,000 (d) None of these
44. What is the net amount to be adjusted?
 (a) ₹ 70,000 (b) ₹ 1,00,000
 (c) ₹ 1,30,000 (d) ₹ 1,50,000
45. In the adjustment entry, Q's entry will be by
 (a) debited, ₹ 1,50,000
 (b) credited, ₹ 1,50,000
 (c) debited, ₹ 15,000
 (d) credited, ₹ 15,000
- Direction** Read the passage carefully and answer the following questions 46 to 50
- INA Ltd. is a company that deals in manufacturing of pharmaceutical products. Raman has recently been hired as an assistant to the accountant of INA Ltd. The accountant of the firm Mr. Rajat asks Raman to go for financial statement analysis of the firm to assess the financial position of the firm.
- To judge the knowledge and capabilities of Raman. Mr. Rajat asked him to analyse the financial statements from the viewpoint of various parties interested in the firm e.g., the management, the lenders, the investors, labour unions, government etc.
46. Which of the following statements will primarily be utilised by Raman for the purpose of financial statement analysis?
 (a) Balance sheet and cash flow statement
 (b) Statement of profit and loss and cash flow statement
 (c) Balance sheet and statement of profit and loss
 (d) Cash flow statement and fund flow statement
47. If Raman is to analyse the financial statements for the top management, what should he consider?
 (a) Short-term liquidity of the firm
 (b) Ability to pay its long-term lenders
 (c) To see that the resources of the firm are used most efficiently and that the firm's financial condition is sound
 (d) None of the above
48. If Raman is to analyse the financial statements for the short-term lenders, what should he consider?
 (a) Short-term liquidity of the firm
 (b) Long-term solvency of the firm
 (c) To see that the resources of the firm are used most efficiently and that the firm's financial condition is sound
 (d) None of the above
49. If Raman is to analyse the financial statements for the investors, what should he consider?
 (a) Firm's present and future profitability
 (b) Ability to pay its long-term lenders
 (c) Firm's capital structure
 (d) Both (a) and (c)
50. While analysing the financial statements, Raman should be conscious of which of the following?
 (a) Window dressing of financial statements
 (b) Changes in accounting policies of a firm
 (c) Personal judgements
 (d) All of the above

Right Options

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

HINTS & ANSWERS

1. (b) As per the question, interest on capital should be for
 Sita = 10% of 25,000 = ₹ 2,500
 Radha = 10% of 15,000 = ₹ 1,500
 But profits are insufficient to meet the interest on capital thus, Sita and Radha will get in their capital ratio which is 5 : 3

$$\text{Sita} = \frac{5}{8} \times 2,400 = ₹ 1,500$$

$$\text{Radha} = \frac{3}{8} \times 2,400 = ₹ 900$$
2. (c) Interest on drawings is an income to the firm, and hence it is credited to the profit and loss appropriation account. On the other hand, interest on drawings is an expense for the partners and hence it is debited to their capital accounts.
3. (b) As per Section 4 of Partnership Act, 1932, the essentials to form a partnership are
 - There should be an agreement.
 - Atleast two persons are required to form a partnership.
 - Sharing of profits and losses as per decided.
 - Mutual agency, i.e. carried on by all or any of them.
4. (c) A non-profit oriented organisation is a group organised for purposes other than generating profit and in which no part of the organisation's income is distributed to its members, directors or officers.
5. (b) Following accounts are prepared by non-profit organisations
 - **Receipt and Payment Account** It is a real account just like cash account.
 - **Income and Expenditure Account** It is a nominal account just like profit and loss account.
 - Balance sheet.
6. (b) The amount which has actually incurred or paid in cash during the year is shown in receipts and payments account. Thus, only ₹ 27,000 will be credited to the account.
7. (a) To set the width of column to accommodate the longest entry, follow the following steps
 - Click bestfit.
 - Manually enter a value of column width.
 - Using the mouse while in datasheet view.
8. (d) To freeze a formula in excel, following steps should be done
 - First, select the cells that contain the formula
 - Click on 'copy'
 - Paste special
 - Select 'values'
9. (b) (iii) (iv) (i) (ii)
10. (d) (iv) (i) (iii) (ii)
11. (d) We can build a database without writing code or being a database expert as well designed templates help us quickly build database.
12. (d) A cell reference refers to a cell or a range of cells on a worksheet and can be used in a formula so that MS office excel can find the values or data that you want that formula to calculate.
13. (c) Calculation of sacrificing ratio of partners
 Old ratio = 2 : 1
 New ratio of A and B = 1 : 2
 New ratio of A, B and C will be $1 - \frac{1}{5} = \frac{4}{5}$

$$\text{A} : \text{B} : \text{C}$$

$$\frac{1}{3} \times \frac{4}{5} : \frac{2}{3} \times \frac{4}{5} : \frac{1}{5}$$

$$4 : 8 : 3$$
 Sacrificing ratio

$$\text{A} = \frac{2}{3} - \frac{4}{15} = \frac{6}{15} \text{ (sacrifice)}$$

$$\text{B} = \frac{1}{3} - \frac{8}{15} = \left(\frac{3}{15}\right) \text{ (gain)}$$
14. (b) When a new partner is admitted to the firm, he brings his share of capital and goodwill, in cash or in kind, to enjoy the right sharing the future profit and hence there will be an increase in the capital of the firm.
15. (c) Goodwill share = $\frac{1}{10} \times 10,000 = ₹ 1,000$
16. (c) General reserve = ₹ 50,000
 P and L (Dr) = (₹ 20,000)
 Net amount to be credited = ₹ 30,000
 (divided in old ratio)
17. (a) Debentures are redeemed either at par or at premium according to the terms of the issue. A company shall not redeem any of its debentures at discount.
18. (a) When debenture amount is received in two instalments, then sequence of entries are as follows
 - **On Receipt of Application**

Bank A/c	Dr
To Debenture Application A/c	
 - **Transfer to Debentures A/c**

Debenture Application A/c	Dr
To Debentures A/c	
 - **On Allotment Money Due**

Debenture Allotment A/c	Dr
To Debentures A/c	

• **On Receipt of Allotment Money**

Bank A/c Dr
 To Debenture Allotment A/c

19. (d) Debenture is a loan to company and its face value will be higher moreover it carries fixed interest which is charge against profits. So there is no chance of non-payment of call.
 Debentures can be issued at par, discount/premium and redeemed at par or premium, so the issue price and redemption value of debentures can differ.
20. (b) (ii) (iii) (iv) (i)
21. (c) Unrecorded liabilities are those liabilities that are not shown in the balance sheet but they still exist in the business. Although these liabilities are not shown in the books, they still need to be discharged at the time of dissolution and hence are debited to realisation account.
22. (d) Unrecorded asset realised at the time of dissolution is debited to cash account and credited to realisation account.
23. (b) At the time of dissolution, all the assets of the firm are realised and all outsiders' liabilities and partners' loan/capitals are paid.
24. (a) Contingency reserve is an appropriation of surplus or retained earnings that may or may not be funded, indicating a reservation against a specific or general contingency. It is a free reserve which is not transferred to the realisation account at the time of dissolution of partnership firm.
25. (b) An accounting report is essential report which must have following features in it
- Relevance
 - Timeliness
 - Accuracy
 - Completeness
 - Conciseness
26. (a) A high level programming language enables development of a program in a much more user friendly programming context and is generally independent of the computer's hardware architecture. COBOL, C, C++, JAVA, etc. are the examples of high level programming language.
27. (c) At the time of dissolution of firm, following items are debited to partner's capital account
- Debit balance of partner's current account
 - Realisation loss
 - Accumulated loss
 - Unrecorded asset taken over by partner
 - Advertisement suspense, etc.
28. (a) (i) (iii) (ii) (iv)
29. (a) Investing activities refer to the purchase and sale of long-term assets and other business investments, within a specified reporting period. Purchase of shares or debentures forms part of investing activities.
30. (d) Cash equivalents are securities that are meant for short-term investing. They are highly liquid assets that can be converted into cash shortly.
31. (a) Goods sold for cash, interest received on investment and sale of asset at loss are cash inflow while goods purchased in cash is outflow of cash.
32. (b) Increase in amount of goodwill, payment towards purchase of licence and shares purchased, etc are investing activities while purchase of plant and equipment on deferred payment basis and purchase of machinery for consideration other than cash are not the cash flow activities.
33. (b) (ii) (iii) (i) (iv)
34. (b) The revaluation account is credited with increase in asset value and decrease in liability value. Since depreciation decreases the value of the asset, the revaluation account will be debited and the concerned asset account will be credited with the amount of depreciation.
35. (b) The partner whose share decreases by the change in profit sharing ratio is known as sacrificing partner.
36. (d) An investment fluctuation reserve is a reserve created out of profits to meet the change (fall) in market value of investments.
37. (d) Profit or loss on revaluation of assets and liabilities is transferred to old partner's capital account in old profit sharing ratio.
38. (c) If the claim on account of workmen's compensation is more than the workmen compensation reserve, the excess amount will be debited to the revaluation account.
39. (b) Current ratio shows the relationship between current assets and current liabilities. It is calculated as
- $$\text{Current Ratio} = \frac{\text{Current Asset}}{\text{Current Liabilities}}$$
40. (b) Total Assets Turnover Ratio
- $$= \frac{\text{Revenue from Operations}}{\text{Total Assets}} = \frac{14,00,000}{(4,00,000 + 3,00,000)}$$
- $$= \frac{14,00,000}{7,00,000} = 2 \text{ times}$$
41. (a) At the time of reconstitution, due to change in profit sharing ratio, partner's gain = other partner's sacrifice
42. (c) Gaining Ratio of R = New Share – Old Share
- $$= \frac{1}{2} - \frac{2}{5} = \frac{1}{10}$$
43. (d) Value of firm's goodwill = (1,25,000 – 1,00,000) × 2
- $$= ₹ 50,000$$

44. (d) Net amount to be adjusted
- | | |
|---|-------------------|
| Goodwill | = 50,000 |
| (+) General reserve | = 80,000 |
| (+) Appreciation in the value of building | = 20,000 |
| | <u>₹ 1,50,000</u> |
45. (d) Share to be compensated by gaining partner, R to sacrificing partner, Q = $1,50,000 \times \frac{1}{10} = ₹ 15,000$
46. (c) Balance sheet and statement of profit and loss will primarily be utilised by Raman for the purpose of financial statement analysis.
47. (c) The benefit of financial statement analysis for top management are as follows
- To see that the resources of the firm are used most efficiently.
 - To see that the firm's financial condition is sound.
48. (a) The financial statement analysis is done to check the short-term liquidity of the firm from the viewpoint of short-term lenders.
49. (d) The benefits of financial statement analysis for the investors are as follows
- To see the firm's present and future profitability.
 - To check the firm's capital structure.
50. (d) At the time of financial statement analysis, Raman should be conscious of following points
- Window dressing of financial statements.
 - Changes in accounting policies of a firm.
 - Personal judgements.

MOCK TEST 12

ACCOUNTANCY

Time : 45 Min
MM : 200

Attempt any 40 out of the given 50 questions. No mark will be given to unanswered for review questions.
Each question carries 5 marks. Negative marking of 1 mark for a wrong answer.

1. Which of the following are advantages of a server based database?

- A. Single user application oriented.
- B. Scalable in terms of number of users.
- C. Scalable in terms of amount of data.
- D. Residing on desktop personal computers.

Choose the correct answer from the options given below

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

2. Duplication of information in a database is avoided by the process of

- (a) joining (b) saving
- (c) normalisation (d) brackets

3. Which command reverses the last action performed in the worksheet?

- (a) Cut (b) Undo (c) Redo (d) Paste

4. Which of the following are included in cash and cash equivalents while preparing cash flow statement?

- A. Balances with bank B. Commercial papers
- C. Treasury bills D. Commission

Choose the correct answer from the options given below

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

5. Match List-I with List-II.

List-I	List-II
A. Cash and cash equivalents	(i) Rent received
B. Operating activity	(ii) Drafts in hand
C. Investing activity	(iii) Interest paid on bank overdraft
D. Financing activity	(iv) Salary to staff

Choose the correct answer from the options given below

- | | | | | | | | |
|----------|-------|------|-------|-----------|-------|------|------|
| A | B | C | D | A | B | C | D |
| (a) (ii) | (iii) | (iv) | (i) | (b) (iii) | (iv) | (i) | (ii) |
| (c) (ii) | (iv) | (i) | (iii) | (d) (i) | (iii) | (ii) | (iv) |

6. Arrange the following in correct order to define the sequence of mathematical expression in excel

- A. Addition B. Division
- C. Brackets D. Exponents

Choose the correct answer from the options given below

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

7. Which of the following points out the significance of ratio analysis?

- A. It helps the business in identifying the problem areas.
- B. It is the quantitative interpretation of the company's financial performance.
- C. It helps in determining how efficiently an organisation is operating.

Choose the correct answer from the options given below

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

8. In a statement of cash flow (indirect method), a decrease in inventory should be reported as

- (a) a deduction (b) an addition
- (c) an investing activity (d) not reported

9. Which of the following are not shown as financing activities by non-financing companies?

- A. Conversion of debentures into shares.
- B. Decrease in amount of cash credit.

- C. Payment of underwriting commission.
 D. Redemption of preference shares.
 E. Receipt of dividend.

Choose the correct answer from the options given below

- (a) A, B and C (b) A, D and E
 (c) C and D (d) A and E
- 10.** A company acquired a plant for ₹ 5,00,000, paying 20% down payment and executing a bond for the balance. Compute cash used in investing activities.
 (a) ₹ 1,00,000 (b) ₹ 4,00,000
 (c) ₹ 5,00,000 (d) ₹ 6,00,000
- 11.** Which of the following statements are true with respect to debentures?
 A. At maturity, debentureholders get back their money as per the terms and conditions of redemption.
 B. Debentures cannot be forfeited for non-payment of call money.
 C. In company's balance sheet, debentures are shown under secured loans.
- Choose the correct answer from the options given below
 (a) Only A (b) Only B
 (c) A and C (d) A, B and C
- 12.** Which type of capital will take place after the authorised capital?
 (a) Issued capital
 (b) Subscribed capital
 (c) Called-up capital
 (d) Paid-up capital
- 13.** is shown by way of deduction from subscribed capital while preparing notes to account.
 (a) Dividend
 (b) Calls-in-advance
 (c) Calls-in-arrears
 (d) Share forfeiture
- 14.** Which of the following is true relating to income and expenditure account?
 (a) Give fair idea of earned position
 (b) Records all transactions without distinguishing among current, previous and succeeding accounting periods
 (c) An assets account
 (d) Adjustments relating to prepaid and outstanding expenses etc. are made
- 15.** is a fixed annual payment and usually continue only during the lifetime of the named beneficiary.
 (a) Legacy (b) Annuity
 (c) Loan (d) Endowment

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

List-I	List-II
A. General legacy	(i) Credited to income and expenditure account
B. Life membership fee	(ii) Debited to income and expenditure account
C. Deficit	(iii) Added to capital fund
D. Interest on loan	(iv) Subtracted from capital fund

Choose the correct answer from the options given below

- | A | B | C | D | A | B | C | D |
|----------|-------|------|-------|----------|-------|-------|------|
| (a) (i) | (iii) | (ii) | (iv) | (b) (i) | (iii) | (iv) | (ii) |
| (c) (ii) | (iv) | (i) | (iii) | (d) (iv) | (ii) | (iii) | (i) |

- 17.** At the time of change in profit sharing ratio, A and B are required to revalue the assets and liabilities. The stock appeared in balance sheet at ₹ 7,00,000 on their revaluation, they found that stock was overvalued by ₹ 80,000. Their capital accounts will be by to adjust this revaluation.
 (a) debited, ₹ 6,20,000
 (b) debited, ₹ 80,000
 (c) credited, ₹ 6,20,000
 (d) credited, ₹ 80,000
- 18.** Premium on redemption of debentures account is
 (a) a real account
 (b) a nominal account
 (c) a personal account
 (d) a capital account
- 19.** Ram is a new partner in 'RIICO', a partnership firm. His capital is to be determined on the basis of capitals of 'Shyam' and 'Krishna', the old partners of the firm. Arrange the following points in correct order in which capital of Ram is to be determined.
 A. Determine total capital of new firm by multiplying total adjusted capital of Shyam and Krishna with reciprocal of combined new share of Shyam and Krishna.
 B. Determine capital of Ram in proportion to capital of new firm.
 C. Determine sum of adjusted capital of Shyam and Krishna.
 D. Ascertain capital (after all adjustments) of Shyam and Krishna.
- Choose the correct answer from the options given below
 (a) A, B, C and D
 (b) B, D, A and C
 (c) D, C, A and B
 (d) C, D, A and B

20. Match List-I with List-II.

List-I	List-II
A. Partners' current account	(i) Dissolution of partnership
B. Goodwill account	(ii) Admission of a partner
C. Partners' drawing account	(iii) Fixed capital of partners
D. Realisation account	(iv) Goods taken by a partner for self-consumption

Choose the correct answer from the options given below

A	B	C	D	A	B	C	D
(a) (ii)	(iii)	(i)	(iv)	(b) (i)	(ii)	(iii)	(iv)
(c) (iii)	(ii)	(iv)	(i)	(d) (iv)	(ii)	(i)	(iii)

21. Shares on which the company has called the entire nominal (face) value and has also received it, is shown in the balance sheet in 'notes to accounts' under share capital as

- (a) subscribed and fully paid-up
- (b) subscribed but not fully paid-up
- (c) subscribed and called-up
- (d) subscribed and not called-up

22. Following amounts were payable on issue of shares by a company ₹ 3 on application, ₹ 3 on allotment, ₹ 2 on first call and ₹ 2 on final call. X holding 500 shares paid only application and allotment money whereas Y holding 400 shares did not pay final call. Amount of calls-in-arrears will be

- (a) ₹ 3,800
- (b) ₹ 2,800
- (c) ₹ 1,800
- (d) ₹ 6,200

23. A company issued 1,000, 12% debentures of ₹ 100 each at 10% premium. Here, 12% stands for

- (a) rate of dividend
- (b) rate of interest
- (c) rate of tax
- (d) None of these

24. ABC Ltd. took loan from HDFC Bank worth ₹ 20 lakh which is to be paid in 15 years. Where will you show this loan amount in balance sheet?

- (a) Short-term borrowings
- (b) Long-term borrowings
- (c) Reserved and surplus
- (d) Current liability

25. Liquid ratio is also known as

- (a) current ratio
- (b) acid test ratio
- (c) debt-equity ratio
- (d) gross profit ratio

26. Low working capital turnover ratio indicates

- (a) there is no working capital
- (b) over utilisation of working capital
- (c) under utilisation of working capital
- (d) no use of working capital

27. Deferred tax asset is treated as asset.

- (a) fixed
- (b) liquid
- (c) current
- (d) fictitious

28. Which of the following are solvency ratio?

- A. Quick ratio
- B. Debt-equity ratio
- C. Proprietary ratio
- D. Total assets to debt ratio

Choose the correct answer from the options given below

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

29. Calculate operating ratio.

Cost of revenue from operations is ₹ 50,000

Revenue from operations is ₹ 1,50,000

Operating expense is ₹ 20,000

- (a) 45%
- (b) 48%
- (c) 46.7%
- (d) 42.2%

30. Match the following ratios with their formulas.

List-I (Debentures)	List-II (Explanation)
A. Liquid ratio	(i) Net Profit before Interest and Tax/Interest
B. Interest coverage ratio	(ii) Liquid or Quick Assets/ Current Liabilities
C. Net profit ratio	(iii) Revenue from Operations (Net sales)/ Working Capital
D. Working capital turnover ratio	(iv) [Net Profit/Revenue from Operations (Net Sales)] × 100

Choose the correct answer from the options given below

A	B	C	D	A	B	C	D
(a) (ii)	(iv)	(i)	(iii)	(b) (ii)	(i)	(iv)	(iii)
(c) (iii)	(iv)	(i)	(ii)	(d) (iv)	(iii)	(ii)	(i)

31. Which of the following reserves or funds are transferred to the realisation account?

- A. Contingency reserve
- B. Investment fluctuation reserve
- C. Reserve for doubtful debts
- D. Employee provident fund

Choose the correct answer from the options given below

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

32. Pass the journal entry for “a liability taken over by the partner” at the time of dissolution of a firm.

- (a) Partner's Capital A/c Dr
 To Realisation A/c
 (b) Realisation A/c Dr
 To Partner's Capital A/c
 (c) Partner's Capital A/c Dr
 To Liability A/c
 (d) Liability A/c Dr
 To Realisation A/c

33. Debentures can be

- A. Redeemable and irredeemable debentures.
 B. Registered and bearer debentures.
 C. Participating and non-participating debentures.
 D. Convertible and non-convertible debentures.

Choose the correct answer from the options given below

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

34. shareholders have voting rights in all circumstances.

- (a) Equity (b) Preference
 (c) Bonus (d) Redeemable

35. When debentures are issued to underwriters to pay their commission, then underwriting commission is

- (a) debited
 (b) credited
 (c) no entry
 (d) first credited, then debited

36. 600 shares of ₹ 10 each were forfeited for non-payment of ₹ 2 per share on first call and ₹ 5 per share on final call share forfeited account will be credited with

- (a) ₹ 1,200 (b) ₹ 1,800
 (c) ₹ 3,000 (d) ₹ 4,200

37. When an asset is taken over by a creditor at the time of dissolution, it will be shown as

- (a) debit side of realisation account
 (b) only in cash account
 (c) credit side of realisation account
 (d) No entry required

38. At the time of dissolution of the firm

- A. Creditors given in the balance sheet are ₹ 30,000.
 B. Stock costing ₹ 10,000 taken over by creditors at market price of ₹ 8,000.
 C. Balance amount paid in cash after deducting a discount of 10%.

How much amount is paid in cash?

- (a) ₹ 18,000 (b) ₹ 19,800
 (c) ₹ 22,000 (d) ₹ 30,000

39. Realisation account is different from revaluation account as

- (a) it is prepared number of times during the life of a firm
 (b) it is prepared three times during the life of a firm
 (c) it is prepared only twice during the life of a firm
 (d) it is prepared only once during the life of a firm

40. Match List-I with List-II.

List-I (Debentures)	List-II (Explanation)
A. Registered debentures	(i) are almost risk free
B. Redeemable debentures	(ii) are not repayable during the life of the company
C. Secured debentures	(iii) are repayable by the company on maturity
D. Perpetual debentures	(iv) requires the execution of a transfer deed

Choose the correct answer from the options given below

- | | | | | | | | | |
|----------|-----------|-----------|----------|--|----------|-----------|----------|-----------|
| A | B | C | D | | A | B | C | D |
| (a) (iv) | (b) (iii) | (c) (i) | (d) (ii) | | (a) (ii) | (b) (iv) | (c) (i) | (d) (iii) |
| (e) (i) | (f) (iv) | (g) (iii) | (h) (ii) | | (e) (iv) | (f) (iii) | (g) (ii) | (h) (i) |

Direction Read the passage carefully and answer the following questions 41 to 45

Harsha and Kushal are partners in a firm. On 1st April, 2022, their capitals were ₹ 4,00,000 and ₹ 6,00,000. The profit for 2022-23 was ₹ 5,24,000. Partnership deed provided that interest on drawings/capital to be calculated @ 10%, Kushal had drawings of ₹ 1,00,000. He had withdrawn this amount on 31st December, 2022.

In addition to this, rent (in case of any partner providing his premises for business) for premises decided to be ₹ 8,000 per month. Due to pandemic, the partners decided to shut down factory and shifted to Harsha's farmhouse on 1st August, 2023.

41. What amount is transferred to profit and loss appropriation account?

- (a) ₹ 5,24,000 (b) ₹ 5,00,000
 (c) ₹ 4,88,000 (d) Can't say

42. What is interest on drawings of Kushal?

- (a) ₹ 10,000 (b) ₹ 7,500 (c) ₹ 2,500 (d) Can't say

43. If the partnership deed is silent, interest on drawings will be charged

- (a) @ 6% p.a. (b) @ 8% p.a.
 (c) @ 10% p.a. (d) will not be charged

44. What is net distributable profit?

- (a) ₹ 5,00,000 (b) ₹ 4,00,000
 (c) ₹ 5,02,500 (d) ₹ 4,02,500

45. What is the assumed profit sharing ratio?

- (a) 3 : 1 (b) 3 : 2 (c) 1 : 1 (d) Can't say

Direction Analyse the following hypothetical extract and answer the following questions 46 to 50

Rucha, Megha and Samiksha are partners sharing profits and losses equally. From 1st April, 2023, they decide to share profits in the ratio of 2 : 1 : 1. Richa's share has been increased because she introduced additional capital of ₹ 1,50,000. At the time of reconstitution, the following assets and liabilities are revalued and reassessed.

Items	Book Figure (₹)	Revised Figure (₹)
Freehold Premises	7,50,000	8,00,000
Stock	2,25,000	2,00,000
Debtors	75,000	72,500
Furniture	1,00,000	90,000
Creditors	30,000	25,000

46. When the profit/loss on revaluation of assets and reassessment of liabilities is adjusted through capital accounts only, the assets and liabilities appear in the balance sheet of the new firm at their old figures.

- (a) True
- (b) False
- (c) Partially true
- (d) Can't say

47. What is the net effect of revaluation?
 (a) Profit ₹ 37,500
 (b) Loss ₹ 37,500
 (c) Profit ₹ 17,500
 (d) Loss ₹ 17,500

48. Which of the partner(s) made the gain?
 (a) Richa
 (b) Megha
 (c) Samiksha
 (d) Both (a) and (b)

49. What was the sacrificing ratio?
 (a) 2 : 1
 (b) 1 : 1
 (c) 1 : 2
 (d) None of these

50. Richa's account will be by in the adjustment entry.
 (a) debited, ₹ 1,458
 (b) credited, ₹ 1,458
 (c) debited, ₹ 2,916
 (d) credited, ₹ 2,916

Right Options

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

HINTS & ANSWERS

1. (c) A server based database is a type of hardware that runs database software. This is scalable in terms of number of users as well as amount of data. Only one server can provide services to multiple clients.
2. (c) Normalisation is the process of organising data in a database, it includes creating tables and establishing relationships between those tables to protect the data and avoid duplication of information.
3. (b) Undo command reverses the last action performed in the worksheet. To undo an action, press Ctrl+Z.
4. (b) Cash and cash equivalents are company's assets that are either cash or can be converted into cash immediately. Cash, balance with bank, cheque or drafts in hand, commercial paper, treasury bills, etc. are examples of cash and cash equivalents.
5. (c) (ii) (iv) (i) (iii)
6. (a) The rule of mathematical expression in excel is commonly known as PEMDAS, namely Parentheses (Bracket), Exponents, Multiplication, Division, Addition and Subtraction.

7. (d) Ratio analysis is the quantitative interpretation of the company's financial performance. It provides valuable information about the organisation's profitability, solvency, operational efficiency and liquidity positions as represented by the financial statements.
8. (b) A decrease in inventory indicates that the inventory has been sold in cash, therefore it would be added to calculate the net cash flow provided or used by operating activities.
9. (d) Financing activities are transactions involving long-term liabilities, owner's equity and changes to short-term borrowings. Conversion of debentures into shares and receipt of dividend are not shown as financing activities by non-financing companies.
10. (a) Cost of plant = ₹ 5,00,000
 Amount of down payment = $20 / 100 \times 5,00,000$
 $= ₹ 1,00,000$
 Cash used in investing activities = ₹ 1,00,000

11. (d) All statements are correct
At maturity, debentures are redeemed as per terms and conditions.
Debenture is a loan to company and its face value will be higher moreover it carries fixed interest which is charge against profits. So, there is no chance of non-payment of calls.
Debentures are shown under the head 'secured loans' in balance sheet of a company.
12. (a) The issued capital represents the shares that have been issued to the shareholders and which still remains unpaid. It is shown after the authorised capital.
13. (c) Calls-in-arrears means that the company has demanded money but the shareholders have not yet paid the money. It is shown by way of deduction from subscribed capital while preparing notes to account.
14. (d) An income and expenditure account is the detailed summary of every income and expense incurred by an organisation in a specific financial year. Prepaid on an accrual basis, this account records every income and expense in a particular year, irrespective of whether they are clear or not.
15. (b) An annuity is a financial contract in which an individual or entity receives a fixed sum of money at regular intervals over a specified period of time. An annuity can be purchased from an insurance company and the payments usually continue only during the lifetime of named beneficiary.
16. (b) (i) (iii) (iv) (ii)
17. (b)
- | | | | |
|----------------------------|----|--------|--------|
| Revaluation A/c | Dr | 80,000 | |
| To Stock A/c | | | 80,000 |
| Partners' Capital A/c | Dr | 80,000 | |
| To Loss on Revaluation A/c | | | 80,000 |
18. (c) Premium on redemption of debentures is shown under liabilities side of the balance sheet, so, it is a personal account.
19. (c) When new partners' capital is determined on the basis of old partner's capital, then following steps are followed
First, ascertain capital (after all adjustments) of old partners.
Then, determine sum of adjusted capital of old partners.
Then, determine Total Capital of New Firm =
Total Adjusted Capital of Old Partners ×
Reciprocal of Combined New Share of Old Partners
At last, determine capital of new partner in proportion to capital of new firm.
20. (c) (iii) (ii) (iv) (i)
21. (a) Subscribed capital is that part of issued capital that the public has agreed to purchase by paying the application money on the same. Subscribed and fully paid-up means receiving all the call money on the subscribed share capital.
22. (b) Calls-in-arrears for X
First call = $500 \times 2 = 1,000$
Final call = $500 \times 2 = 1,000$
Calls-in-arrears for Y
Final call = $400 \times 2 = 800$
Total calls-in-arrears = $1,000 + 1,000 + 800 = ₹ 2,800$
23. (b) A debentureholder receives interest according to the coupon rate specified in the debenture certificate. The rate of interest on a particular debenture is specified before the name of such debenture like 12% debentures, etc. and is always provided at the face value of the said debentures.
24. (b) Long-term borrowings includes the type of loan that will be repayable after 12 months. Loan took from HDFC Bank is payable in 15 years, thus, it will be shown as long-term borrowings.
25. (b) The acid test ratio or liquid ratio compares a company's quick assets (cash and account receivable) to its current liabilities.
26. (c) Working capital turnover ratio helps to determine how efficiently the company is using its working capital in the business.
A low working capital ratio may indicate that a business is investing in too many accounts receivable and inventory to support its sales, which could lead to an excessive amount of bad debts or obsolete inventory that means under utilisation of working capital.
27. (d) Deferred tax assets arise when the tax amount has been paid or has been carried forward but has still not been recognised in the income statement. It is treated as fictitious asset because it does not play any role in the firm.
28. (a) A solvency ratio is a vital metric used to see a business's ability to fulfil long-term debt requirements and is used by prospective business lenders. It includes debt-equity ratio, proprietary ratio, total assets to debt ratio and interest coverage ratio
29. (c) Operating Ratio =

$$\frac{\text{Cost of Revenue from Operations} + \text{Operating Expenses}}{\text{Revenue from Operations}} \times 100$$

$$= \frac{50,000 + 20,000}{1,50,000} \times 100 = 46.7\%$$
30. (b) (ii) (i) (iv) (iii)
31. (d) An investment fluctuation reserve is a provision created corresponding to an investment (assets). Therefore, whenever the investment is transferred to the realisation account, this reserve is also transferred to realisation account.
Reserve for doubtful debts is not deducted from debtors, it is transferred to realisation account.
EPF is a outside liability, it is to be paid either through bank or partner's capital account after transferring it to realisation account.

32. (b) The realisation account is prepared to record the transactions relating to sale and realisation of assets and settlement of creditors. Realisation account is debited while partner's capital account is credited for a liability which a partner takes responsibility to discharge.
33. (b) Debentures are unsecured long-term debt instrument released by companies or government agencies to finance its long-term, capital intensive projects. It can be secured and non-secured, convertible and non-convertible, registered and bearer, redeemable and irredeemable, etc.
34. (a) Equity shareholders are owners of the company and have a right to vote on every resolution placed before the company.
35. (a) A company may allot debentures to the underwriters to pay their underwriting commission. For this, underwriting commission account is debited and debentures account is credited.
36. (b) Amount of share forfeiture account
 $= 600 [10 - (5 + 2)] = 600 \times 3 = ₹ 1,800$
37. (d) Any asset taken over by the creditor at the time of dissolution of partnership firm, will not be shown separately or no separate entry will be recorded for the same.
38. (b) Amount due to creditors = $(30,000 - 8,000) = ₹ 22,000$
 Final payment to creditors = $(22,000 - 10\% \text{ of } 2,200) = ₹ 19,800$
39. (d) Realisation account is prepared only once in the lifetime of the firm i.e., at the time of dissolution.
40. (a) (iv) (iii) (i) (ii)
41. (b)

Particulars	Amt (₹)
Net Profits	5,24,000
(-) Rent for 8 Months (8 × 3,000)	(24,000)
Profit in Profit and Loss Appropriation	5,00,000

42. (c) Interest on Drawings
 $= \left(1,00,000 \times \frac{10}{100} \times \frac{3}{12} \right) = ₹ 2,500$
43. (d) According to Partnership Act, 1932, if the partnership deed is silent on interest on partner's drawings, no interest on drawings should be charged from the partners of the firm for the amount of capital withdrawn in the form of drawings.

44. (d) Net Distributable Profits
 $= 5,00,000 + 2,500 + (1,00,000) = ₹ 4,02,500$
45. (c) In the absence of partnership deed or if deed remains silent, profit/loss is shared by partners' equally. Thus, assumed profit sharing ratio is 1 : 1.
46. (a) When the profit or loss on revaluation of assets and reassessment of liabilities is adjusted through capital accounts only or when revised value of assets and liabilities are not to be recorded, the assets and liabilities will appear in balance sheet at old value.
47. (c)

Net Effect of Revaluation	Amt (₹)
Profit due to increase in the value of freehold premises	50,000
(+) Profit due to decrease in the value of creditors	5,000
(-) Loss due to fall in the value of stock debtors and furniture	(37,500)
Profit on revaluation	17,500

48. (a) Calculation of Sacrificing (Gaining) Share
 Old ratio = 1 : 1 : 1; New ratio = 2 : 1 : 1
 Gain made by Richa = New Share - Old Share
 $= \frac{2}{4} - \frac{1}{3} = \frac{6-4}{12}$
 $= \frac{2}{12} \text{ or } \frac{1}{6}$
 Sacrifice made by Megha = Old share - New Share
 $= \frac{1}{3} - \frac{1}{4} = \frac{4-3}{12} = \frac{1}{12}$
 Sacrifice made by Samiksha = Old Share - New Share
 $= \frac{1}{3} - \frac{1}{4}$
 $= \frac{4-3}{12} = \frac{1}{12}$
 Sacrificing ratio = 1 : 1
49. (b) 1 : 1
50. (c) Proportionate amount gained by Richa
 $= 17,500 \times \frac{1}{6}$
 $= ₹ 2,916 \text{ (to be debited)}$

MOCK TEST 13

ACCOUNTANCY

Time : 45 Min
MM : 200

Attempt any 40 out of the given 50 questions. No mark will be given to unanswered for review questions.
Each question carries 5 marks. Negative marking of 1 mark for a wrong answer.

1. All assets and liabilities of non-profit organisation are reported in its statement of

- (a) cash flow statement (b) financial position
(c) income position (d) fund flow statement

2. Which of the following are restricted funds?

- A. Annuity fund B. General fund
C. Assets fund D. Prize fund

Choose the correct answer from the options given below

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

3. Ramesh and Suresh are partners sharing profits and losses in the ratio of 4 : 1. Nitesh, a manager received salary of ₹ 2,000 p.m. in additional to a commission of 5% on net profits after charging such commission. Profits for the year is ₹ 3,39,000 before charging salary. Find total remuneration of Nitesh.

- (a) ₹ 39,000 (b) ₹ 44,000
(c) ₹ 43,500 (d) ₹ 38,000

4. In the absence of any agreement, partners are liable to receive interest on their loan at what percent?

- (a) 12% p.a. (b) 10% p.a.
(c) 6% p.a. (d) 1% p.a.

5. Match List-I with List-II.

List-I	List-II
A. Partnership deed is the mutual agreement	(i) jointly and severally unlimited
B. The liability of all partners is	(ii) to show the distribution of profits among partners
C. In the absence of an agreement, partners shares profit	(iii) between partners

List-I	List-II
D. Profit and loss appropriation account is prepared	(iv) in equal ratio

Choose the correct answer from the options given below

- | | | | | | | | | | |
|-----|-------|-------|------|------|-----|-------|-----|-------|------|
| | A | B | C | D | | A | B | C | D |
| (a) | (ii) | (iii) | (i) | (iv) | (b) | (iii) | (i) | (iv) | (ii) |
| (c) | (iii) | (iv) | (ii) | (i) | (d) | (iv) | (i) | (iii) | (ii) |

6. Which of the following receipts are shown in income and expenditure account?

- A. Interest on general fund investments
B. Legacy
C. Entrance fees D. Life membership fees

Choose the correct answer from the options given below

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

7. Premium brought by new partner will be shared by the existing partners in

- (a) new ratio (b) gaining ratio
(c) sacrificing ratio (d) old ratio

8. A, B and C are partners sharing profit in the ratio of 1/2 : 3/10 : 1/5. Calculate the new profit sharing ratio between A and C, if B retires.

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

9. All the assets of the firm are realised and all liabilities are paid-off/discharged on

- (a) admission of a partner (b) death of a partner
(c) retirement of a partner
(d) dissolution of partnership firm

10. How would you treat investment fluctuation reserve given in the balance sheet at the time of dissolution?
 (a) Debited to realisation account
 (b) Debited to partner's capital account
 (c) Credited to realisation account
 (d) Credited to cash account

11. If a liability is assumed to be paid by a partner, then such partner's capital account is
 (a) debited (b) credited
 (c) no effect (d) Both (a) and (b)

12. Arrange the following adjustments in correct sequence as per their occurrence while computing cash flow from operating activities.
 A. Add appropriations towards reserves, dividend and tax.
 B. Deduct tax paid (Net of refund).
 C. Adjustment for non-operating and non-cash items.
 D. Adjustment for change in current assets and current liabilities.

Choose the correct answer from the options given below

- (a) A, C, D and B (b) A, B, D and C
 (c) A, D, C and B (d) A, B, C and D
13. Which type of software package is suitable for an organisation where the volume of accounting transactions is very low and adaptability is very high?
 (a) Specific (b) Generic
 (c) Tailored (d) Average

14. The fundamental building blocks of a database are
 (a) forms (b) queries (c) cells (d) tables

15. A firm was dissolved in which A and B were partners. No goodwill appeared in the books. What will be the journal entry if goodwill realised worth ₹ 80,000?

(a) Cash A/c	Dr	80,000	
To Realisation A/c			80,000
(b) Realisation A/c	Dr	80,000	
To Cash A/c			80,000
(c) Goodwill A/c	Dr	80,000	
To Realisation A/c			80,000
(d) Cash A/c	Dr	80,000	
To Goodwill A/c			80,000

16. Identify the correct order for application of assets at the time of dissolution of a firm.
 A. Partner's loans or advances.
 B. Partner's capital.
 C. Profit among the partners in their profit sharing ratio.
 D. Third parties such as creditors and bank loan.

Choose the correct answer from the options given below

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

17. Which of the following will be recorded in realisation account?
 A. Sale of unrecorded asset.
 B. Payment of outsiders loan.
 C. Payment of partner's loan.
 D. Payment of dissolution expenses by a partner on behalf of firm.

Choose the correct answer from the options given below

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

18. A company invited application for subscription of 5,000 shares. The applications were received for 6,000 shares. The shares were allotted on pro-rata basis. If Hari applied for 180 shares, how many shares would be allotted to him?

- (a) 180 (b) 200
 (c) 150 (d) 175

19. When shares are issued to promoters, which account should be debited?

- (a) Share capital account
 (b) Assets account
 (c) Promoters account
 (d) Goodwill account

20. Balance amount in the share forfeiture would be shown in the balance sheet under the head of

- (a) share capital
 (b) reserves and surplus
 (c) current liabilities
 (d) secured loans

21. Equity shareholders have a right to

- (a) vote (b) 20% dividend
 (c) have preference on redemption
 (d) All of the above

22. Debentures premium can be used to

- A. Write-off the discount on issue of shares/debentures.
 B. Write-off the premium on issue of shares/debentures.
 C. Write-off capital loss.
 D. Pay dividend.

Choose the correct answer from the options given below

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

23. Pass the journal entry for "Debentures issued at premium and are redeemable at par".

- (a) Bank A/c Dr
 To Debentures A/c
 To Securities Premium Reserve A/c
- (b) Debentures A/c Dr
 To Securities Premium Reserve A/c
 To Loss on Issue of Debentures A/c
- (c) Loss on Issue of Debentures A/c Dr
 To Debentures A/c
 To Securities Premium A/c
- (d) Bank A/c Dr
 Loss on Issue of Debentures A/c Dr
 To Debentures A/c

24. Which of the following are characteristics of company?

- A. Artificial person B. Legal existence
 C. Limited liability
 D. Limited period of existence

Choose the correct answer from the options given below

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

25. Which of the following are the characteristics of issued capital?

- A. It is stated in Articles of Associations.
 B. It is that part of registered capital that is issued for subscription.
 C. It is stated separately for each class or kind of shares.
 D. It can be equal to or more than subscribed capital of the company.

Choose the correct answer from the options given below

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

26. Computer software is classified under

- (a) fixed tangible asset (b) fixed intangible asset
 (c) current liabilities (d) current assets

27. Arrange the following entries in correct order with respect to interest on debentures

- A. Income Tax Payable A/c Dr
 To Bank A/c
- B. Debentures Interest A/c Dr
 To Income Tax Payable A/c
 To Debentureholders A/c
- C. Debentureholders A/c Dr
 To Bank A/c
- D. Statement of Profit and Loss Dr
 To Debentures Interest A/c

Choose the correct answer from the options given below

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

28. Match List-I with List-II.

List-I	List-II
A. Purchase consideration is less than net worth	(i) Goodwill
B. Purchase consideration is more than net worth	(ii) Capital reserve
C. Shares are issued at value more than face value	(iii) Discount
D. Shares are issued at value less than face value	(iv) Premium

Choose the correct answer from the options given below

- | | | | | | | | | | |
|-----|-----|------|-------|-------|-----|------|-------|------|-------|
| | A | B | C | D | | A | B | C | D |
| (a) | (i) | (ii) | (iv) | (iii) | (b) | (ii) | (i) | (iv) | (iii) |
| (c) | (i) | (iv) | (iii) | (ii) | (d) | (iv) | (iii) | (ii) | (i) |

29. Loss on sale of investment is included in

- (a) depreciation (b) amortisation expense
 (c) other expenses (d) cost of material consumed

30. M/S Shri Balaji Fashions has credit sale of ₹ 21,00,000. Its debtors and bills receivables at the end of the accounting period amounted to ₹ 2,00,000 and ₹ 1,50,000 respectively. What will be the trade receivable turnover ratio?

- (a) 4 times (b) 5 times
 (c) 6 times (d) 7 times

31. Match List-I with List-II.

List-I	List-II
A. Fixed assets turnover ratio	(i) Pure ratio
B. Proprietary ratio	(ii) Times
C. Return on investment	(iii) Rupees
D. Earning per share	(iv) Percentage

Choose the correct answer from the options given below

- | | | | | |
|-----|------|-------|------|-------|
| | A | B | C | D |
| (a) | (i) | (iv) | (ii) | (iii) |
| (b) | (ii) | (iii) | (i) | (iv) |
| (c) | (ii) | (i) | (iv) | (iii) |
| (d) | (iv) | (i) | (ii) | (iii) |

32. Purchase of marketable securities will result in

- (a) decrease in cash and cash equivalents
 (b) increase in cash and cash equivalents
 (c) increase in investing activities
 (d) no effect on cash and cash equivalents

33. How much amount will be added while computing net profit before tax?

Details

Provision for tax (On 1st April, 2022) = ₹ 54,000
(On 31st March, 2023) = ₹ 72,900

Tax paid during the year ended 31st March, 2023 is ₹ 64,800.

- (a) ₹ 64,800 (b) ₹ 45,900
- (c) ₹ 83,700 (d) ₹ 1,26,900

34. While preparing cash flow statement, match the following as per their treatment.

List-I	List-II
A. Gain on sale of machinery	(i) Adjusted as non-cash item
B. Proceeds from sale of machinery	(ii) Not shown
C. Depreciation on machinery	(iii) Adjusted as non-operating item
D. Purchase of machinery on deferred payment basis	(iv) Shown as cash inflow under investing activities

Choose the correct answer from the options given below

- | | | | |
|-----------|------|-------|-------|
| A | B | C | D |
| (a) (ii) | (i) | (iv) | (iii) |
| (b) (iii) | (iv) | (i) | (ii) |
| (c) (iv) | (ii) | (i) | (iii) |
| (d) (ii) | (iv) | (iii) | (i) |

35. is the interactive program of a database application.

- (a) Front end (b) Back end
- (c) Report (d) Server

36. Which of the following are disadvantages of computerised accounting system?

- A. Data may be hacked B. Obsolescence
- C. No control over system
- D. Ineffective method of record keeping

Choose the correct answer from the options given below

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

37. Computer, its connected peripherals and their network are collectively called

- (a) software (b) hardware
- (c) process (d) disk

38. A report generator is used to

- (a) data files (b) delete files
- (c) print files on paper
- (d) update files

39. Which shortcut icon is used to select and insert functions?

- (a) Functional auto pilot (b) Function wizard
- (c) File chain (d) Category

40. Match List-I with List-II.

List-I	List-II
A. ACCRINT	(i) Accrued interest calculating function.
B. RATE	(ii) Periodic payment calculating function.
C. PMT	(iii) Interest cumulatively paid between two periods calculated through.
D. CUMIPMT	(iv) Function computing interest rate per period.

Choose the correct answer from the options given below

- | | | | | | | | | |
|-----------|-------|------|------|--|----------|------|-------|-------|
| A | B | C | D | | A | B | C | D |
| (a) (i) | (iii) | (iv) | (ii) | | (b) (ii) | (iv) | (iii) | (i) |
| (c) (iii) | (i) | (ii) | (iv) | | (d) (ii) | (i) | (iv) | (iii) |

Direction Read the passage carefully and answer the following questions 41 to 45

Rahul and Modi are two partners in a firm sharing profits equally. On 1st January, 2020, they decided to admit Vikas as a new partner into the firm for 1/5th share. Vikas brings ₹ 10,00,000 for his share of capital and premium of goodwill in cash.

Half goodwill is withdrawn by the old partners. Goodwill of the firm is valued on the basis of one year purchase of profits or losses of preceding last 3 years. Profits of last four years are ₹ 6,00,000 in 2016, ₹ 7,00,000 in 2017, ₹ 8,00,000 in 2018 and ₹ 15,00,000 in 2019.

41. Which of the following is a right of Vikas?

- (a) Share profits of firm (b) Share assets in the firm
- (c) Inspect books of accounts
- (d) All of the above

42. What was the value of goodwill of the firm?

- (a) ₹ 7,00,000 (b) ₹ 8,00,000
- (c) ₹ 9,00,000 (d) ₹ 10,00,000

43. What was the amount of capital brought in by Vikas?

- (a) ₹ 2,00,000 (b) ₹ 8,00,000
- (c) ₹ 10,00,000 (d) Can't be determined

44. What was the goodwill share given to Modi?

- (a) ₹ 1,00,000 (b) ₹ 2,00,000
- (c) ₹ 4,00,000 (d) Can't be determined

45. Which account is debited when the goodwill is withdrawn by partners?

- (a) Goodwill account
- (b) Premium for goodwill account
- (c) Partners' capital account (d) Cash/Bank account

Direction Analyse the following hypothetical extract of XYZ Ltd. and answer the following questions 46 to 50

Trade receivable turnover ratio = 4 times

Current liabilities = ₹ 5,000

Average debtors = ₹ 1,80,000

Working capital turnover ratio = 8 times

Cash revenue from operations = 25% of revenue from operations

Gross profit ratio = $33\frac{1}{3}\%$

46. What is the revenue from operations?

- (a) ₹ 6,40,000
(b) ₹ 6,80,000
(c) ₹ 7,20,000
(d) ₹ 9,60,000

47. What is the working capital?

- (a) ₹ 1,20,000 (b) ₹ 1,80,000
(c) ₹ 2,40,000 (d) ₹ 3,20,000

48. What will be the value of current assets?

- (a) ₹ 5,000 (b) ₹ 55,000
(c) ₹ 1,20,000 (d) ₹ 1,25,000

49. Current ratio is calculated as

- (a) Current Assets + Current Liabilities
(b) Current Assets – Current Liabilities
(c) Current Assets ÷ Current Liabilities
(d) Total Assets ÷ Total Liabilities

50. What is the gross profit?

- (a) ₹ 7,20,000 (b) ₹ 3,20,000
(c) ₹ 9,60,000 (d) ₹ 1,80,000

Right Options

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

HINTS & ANSWERS

- (b) A non-profit organisation's statement of financial position is the balance sheet for business. It reports an entity's non-profit assets, liabilities and net assets in a single document.
- (c) In non-profit organisation, restricted funds refer to a reserve of money that can only be used for specific projects or purposes. For example, annuity fund, assets fund, prize fund, sports fund, etc.
- (a) Nitesh's salary = $2,000 \times 12 = ₹ 24,000$
Profit after adjustment of salary = $3,39,000 - 24,000 = ₹ 3,15,000$
Commission = $3,15,000 \times \frac{5}{105} = ₹ 15,000$
Total remuneration of Nitesh = $24,000 + 15,000 = ₹ 39,000$
- (c) In the absence of any agreement, interest on loan/advances by a partner is allowed @ 6% p.a. and is allowed whether there is profit or not. Interest on loan is a charge and will be provided regardless of profits earned.
- (b) (iii) (i) (iv) (ii)
- (a) An income and expenditure account is a summary of every income and expense incurred by an organisation in a specific financial year.

It is prepared on accrual basis and records every income and expense in a particular year, whether they are clear or not. Life membership fees is a capital receipt and is added to capital fund.

- (c) When a new partner is admitted into the partnership firm, then he brings some amount of premium for goodwill which is shared by the existing partners in their sacrificing ratio. It is calculated as
Sacrificing Ratio = Old Ratio – New Ratio
- (d) Old A : B : C
 $\frac{1}{2} : \frac{3}{10} : \frac{1}{5}$ or 5 : 3 : 2
Share of B = $\frac{3}{10}$
Remaining partners A's and C's share = 5 : 2
- (d) At the time of dissolution of firm, all the assets of the firm are realised and all outsiders liabilities and partner's loan and capitals are paid.
- (c) An investment fluctuation reserve is created out of profit to meet the change in the market value of the investment.
If investment fluctuation reserve is given in the balance sheet at the time of dissolution, it should be transferred to credit side of realisation account.

11. (b) If a partner is agreed to pay-off any liability at the time of dissolution of a partnership firm, in such a case, partner's capital account is credited. Following journal entry should be recorded in the books
- | | |
|--------------------------|----|
| Realisation A/c | Dr |
| To Partner's Capital A/c | |
12. (a) While computing cash flow from operating activities
 First add appropriations towards reserves, dividend and tax.
 Adjust non-operating and non-cash items.
 Adjust changes in current assets and current liabilities.
 Then deduct tax paid (Net of refund).
13. (c) Tailored software refers to software that has been developed specifically for a single person, company or organisation. It is suitable for organisations where the volume of accounting transactions is very low and adaptability is very high.
14. (d) Tables are the core primary building blocks of a database. It is very much like a data, table or spreadsheet containing rows arranged in different columns.
15. (a) On dissolution, every asset and liability of the firm is transferred to realisation account and if any amount is realised for goodwill, then cash account is debited and the realisation account is credited.
16. (d) At the time of dissolution of a firm, application of assets are done in following manner
- Third parties or outsiders
 - Partner's loans/advance
 - Partner's capital
 - Remaining balance is shared by partners in their profit sharing ratio
17. (b) A loan from a partner will be paid after the payment of liabilities of third parties to the firm. It is not transferred to realisation account. Partner's loan account is separately opened and paid accordingly.
18. (c) Shares applied for = 6,000 shares
 Shares allotted for = 5,000 shares
 Ratio = 5 : 6
 Hari applied for 180 shares, so shares allotted to Hari
- $$= 180 \times \frac{5}{6} = 150 \text{ shares}$$
19. (d) Promoters bring the company into existence for that, they are remunerated in the form of shares. They are not the shareholders of the company, thus the goodwill account is debited for such shares.
20. (a) The balance in share forfeiture account is shown under the head share capital on the liabilities side of the balance sheet. This account will remain till the said shares are reissued by the company.
21. (a) Each member of a company that is limited by shares, has right to vote on every resolution related to the company.
22. (a) Debentures premium is a capital reserve and can be used to write-off the premium/discount on issue of shares or debentures, capital losses, preliminary expenses, commission paid, etc.
23. (a) When debentures are issued at a price higher than the nominal value, it is called the 'issue of debentures at premium'. For this, bank account is debited and debentures account is credited with nominal value and securities premium reserve account is credited with premium amount.
24. (b) A company is an artificial person created by law, having separate legal entity, with a perpetual succession and common seal.
25. (d) Issued capital is that part of registered capital that is issued for subscription. It can be equal to or more than subscribed capital of the company and stated separately for each class of shares.
26. (b) Computer software is classified under fixed intangible asset because it is non-physical in nature. It can not be touched.
27. (d) The sequence of journal of interest on debentures
- When interest is due and tax is deducted at source
- | | |
|---|----|
| Debentures Interest A/c | Dr |
| To Income Tax Payable A/c | |
| To Debentureholders A/c | |
| On payment of interest | |
| Debentureholders A/c | Dr |
| To Bank A/c | |
| On deposit of TDS in government account | |
| Income Tax Payable A/c | Dr |
| To Bank A/c | |
| On transfer of interest | |
| Statement of Profit and Loss | Dr |
| To Debentures Interest A/c | |
28. (b) (ii) (i) (iv) (iii)
29. (c) Other expenses are those expenses which are not related to a company's main business. Examples of other expenses are interest expenses and losses from sale of fixed assets, etc.
30. (c) Trade Receivable Turnover Ratio
- $$= \frac{\text{Net Credit Sales}}{\text{Average Accounts Receivable}}$$
- $$= \frac{21,00,000}{(2,00,000 + 1,50,000)}$$
- $$= 6 \text{ times}$$
31. (c) (ii) (i) (iv) (iii)
32. (d) When a company purchases marketable securities, it does not directly impact cash and cash equivalents. This is because marketable securities are bought using cash, which means there is no change in overall cash balance of the company.

33. (c)

Provision for Tax Account			
Dr		Cr	
Particulars	Amt (₹)	Particulars	Amt (₹)
To Bank A/c (Tax paid)	64,800	By Balance b/d	54,000
To Balance c/d	72,900	By Statement of Profit and Loss (Provision for tax) (B. F.)	83,700
	1,37,700		1,37,700

34. (b) (iii) (iv) (i) (ii)

35. (a) Front end is the interactive program of a database application. It is a web interface that lets users access, modify, delete or add data to a database table.

36. (a) This is the most common threat to a computerised accounting system that data may be hacked. Besides due to continuously growing technology industry, obsolescence has become the major problem of computerised accounting system.

37. (b) Computer, its connected peripherals and their network are collectively called hardware. A computer's hardware consists of its physical parts, including its internal pieces and connected external devices.

38. (c) A report generator is a program whose purpose is to take data from a source such as database, XML stream or a spreadsheet and use it to produce a document which is in a readable format and satisfies a particular human readership.

39. (b) The function wizard opens all of the functions in excel through sub-menus and categories.

40. (a) (i) (iii) (iv) (ii)

41. (d) A partner has the following rights in a partnership firm

- Share profits of firm
- Share assets in the firm
- Inspect books of accounts

42. (d) Goodwill of the Firm = Average Profit × Number of Years' Purchase
= 10,00,000 × 1 = ₹ 10,00,00043. (b) Total amount brought in by Vikas = ₹ 10,00,000
Amount of goodwill = ₹ 2,00,000
[1/5 × 10,00,000 (Firm's goodwill)]

Amount of capital brought in
= Total amount brought in – Share of goodwill
= 10,00,000 – 2,00,000 = ₹ 8,00,000

44. (a) Since, Rahul and Modi are equal partners

$$\text{Modi's old share} = \frac{1}{2}$$

Since, no other information is given, sacrificing ratio is assumed to be equal to old ratio

So, sacrificing ratio of Modi = 1/2

Share of goodwill = 1/2 × 2,00,000 = ₹ 1,00,000
(Goodwill brought in by Vikas)

45. (c) When the goodwill is withdrawn by partners, journal entry is

Partners' Capital A/c	Dr
To Cash/Bank A/c	

The partners' capital is debited because partners' claim on the capital of the firm is reduced as they have already withdrawn certain amount.

46. (d) Trade Receivables Turnover Ratio

$$= \frac{\text{Credit Revenue from Operations}}{\text{Average Trade Receivables}}$$

$$4 = \frac{\text{Credit Revenue from Operations}}{1,80,000} = ₹ 7,20,000$$

Also, credit revenue from operations = 75 % of total revenue from operations.

Thus, total revenue from operations = ₹ 9,60,000

47. (a) Working Capital Turnover Ratio

$$= \frac{\text{Revenue from Operations}}{\text{Working Capital}}$$

$$8 = \frac{9,60,000}{\text{Working Capital}}$$

Working Capital = ₹ 1,20,000

48. (d) Working Capital = Current Assets – Current Liabilities

$$1,20,000 = x - 5,000 \Rightarrow x = ₹ 1,25,000$$

49. (c) The current ratio is a liquidity ratio that indicates a company's capacity to repay short-term loans due within the next year. It is calculated as

$$= \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

50. (b) Gross Profit = Gross Profit Ratio × Revenue from Operations

$$= 33\frac{1}{3}\% \times 9,60,000 = ₹ 3,20,000$$

MOCK TEST 14

ACCOUNTANCY

Time : 45 Min
MM : 200

Attempt any 40 out of the given 50 questions. No mark will be given to unanswered for review questions.
Each question carries 5 marks. Negative marking of 1 mark for a wrong answer.

- MS access is a
 - word processing software
 - design grid software
 - database management software
 - spreadsheet software
- The term 'Data independence' refers to
 - Data which are not included in the program.
 - Programs do not depend on the logical characteristics of the data.
 - Programs do not depend on the physical characteristics of the data.
 - Programs do not depend on any of the data.

Choose the correct answer from the options given below

 - A and B
 - B and C
 - C and D
 - A and D
- The collection and integration of data from multiple worksheets or workbooks into a single worksheet is called
 - data sorting
 - consolidating the data
 - data merge
 - subtotal
- The correct order of steps to prepare a chart in excel are
 - Create a basic chart.
 - Change layout, style of chart and add titles.
 - Save the chart .
 - Enter data in worksheet.
 - Resize the chart.

Choose the correct answer from the options given below

 - D, A, B, E and C
 - A, D, B, C and E
 - A, D, C, B and E
 - D, A, C, B and E
- Subscription due but not received in the year is a/an and shown as a/an
 - income, liability
 - asset, liability
 - liability, income
 - income, asset
- Which of the following represents capital receipt?
 - Life membership subscription
 - Subscription
 - Donation
 - Interest on investments
- Operating expenses include
 - Factory expenses
 - Selling and distribution expenses
 - Provision for doubtful debts
 - Office and administrative expenses

Choose the correct answer from the options given below

 - A, B and C
 - A, B and D
 - A, C and D
 - B, C and D
- A company's current assets decreased from ₹ 50,00,000 to ₹ 40,00,000. What is the percentage of change in current assets?
 - 10%
 - 20%
 - 25%
 - 50%
- A company's quick ratio is 1.2 : 1. After sale of goods at profit, liquid/quick ratio will
 - increase
 - decrease
 - no change
 - None of these
- Opening inventory = ₹ 80,000
Cost of revenue from operations = ₹ 6,00,000
Inventory turnover ratio = 5 times
Compute the closing inventory.
 - ₹ 80,000
 - ₹ 1,20,000
 - ₹ 1,60,000
 - ₹ 1,80,000

11. Match List-I with List-II.

List-I	List-II
A. Stores and spares	(i) Current asset
B. Computer software	(ii) Long-term borrowings
C. Cash	(iii) Inventories
D. Bonds	(iv) Intangible asset

Choose the correct answer from the options given below

A	B	C	D	A	B	C	D
(a) (iii)	(iv)	(i)	(ii)	(b) (iv)	(iii)	(i)	(ii)
(c) (i)	(ii)	(iv)	(iii)	(d) (iii)	(i)	(ii)	(iv)

12. While preparing cash flow statement, interest received and paid by a financing company is treated under

- (a) operating activity (b) financing activity
(c) investing activity (d) cash and cash equivalents

13. Which of the following accounts are prepared by not-for-profit organisation?

- A. Profit and loss appropriation account.
B. Profit and loss account.
C. Receipt and payment account.
D. Income and expenditure account.

Choose the correct answer from the options given below

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

14. When the new partner brings cash for goodwill, the amount is credited to

- (a) realisation account
(b) premium for goodwill account
(c) cash account
(d) revaluation account

15. Identify the factors that affect the valuation of goodwill.

- A. Favourable location of business
B. Quality of products
C. Number of partners
D. Favourable contracts

Choose the correct answer from the options given below

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

16. Section 41 of Partnership Act, 1932 deals with which kind of dissolution of a firm?

- (a) Dissolution by mutual agreement
(b) Dissolution by order of court
(c) Dissolution by notice
(d) Compulsory dissolution

17. Which of the the following is accumulated loss?

- (a) General reserve
(b) Deferred revenue expenditure
(c) Debit balance in profit and loss account
(d) All of the above

18. Which of the following items will be transferred to realisation account?

- A. Investment fluctuation reserve
B. General reserve
C. Provision for doubtful debts
D. Capital reserve

Choose the correct answer from the options given below

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

19. Which of the following items come under financial activities while preparing cash flow statement?

- A. Redemption of preference share
B. Issue of preference share
C. Interest paid
D. Sale of investments

Choose the correct answer from the options given below

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

20. While calculating operating profit, which of the following will be added to net profit?

- A. Preliminary expenses written-off
B. Depreciation
C. Profit on sale of asset D. Refund of tax

Choose the correct answer from the options given below

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

21. If net profit is ₹ 35,000 after writing-off goodwill of ₹ 6,000 and loss on sale of furniture ₹ 1,000, what will be the cash flow from operating activities?

- (a) ₹ 28,000 (b) ₹ 29,000
(c) ₹ 35,000 (d) ₹ 42,000

22. Find out the inflow of cash from following information.

Office equipment = ₹ 2,00,000 (as on 31st March, 2023)
= ₹ 3,00,000 (as on 31st March, 2022)

Additional Information

- (i) Depreciation for the year 2022-23 was ₹ 40,000.
(ii) Purchase of office equipment during the year ₹ 30,000.

34. Which of the following is not true about preference shares?

- (a) Right to dividend (b) Right to interest
- (c) Can be converted (d) Can be redeemed

35. ABC Ltd. acquired assets worth ₹ 15,00,000 from XYZ Ltd. by issue of shares of ₹ 100 @ premium of 25%. The number of shares issued to settle the purchase consideration will be

- (a) 11,250 shares (b) 12,000 shares
- (c) 15,000 shares (d) 18,750 shares

36. Premium received on issue of shares is shown under the head in balance sheet.

- (a) reserve and surplus (b) share capital
- (c) current liabilities (d) contingent liabilities

37. The rate of interest paid on calls-in-advance as per table F is

- (a) 5% p.a. (b) 10% p.a.
- (c) 12% p.a. (d) 15% p.a.

38. Arrange the following events in order of happening

- A. Incorporation of a company
- B. Transfer amount to DRR
- C. Investment in specified securities
- D. Issue of debentures
- E. Payment for redemption of debentures

Choose the correct answer from the options given below

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

39. Match List-I with List-II.

List-I	List-II
A. Registered and bearer..	(i) Equity shares
B. Participating and non-participating	(ii) Debentures
C. Owners of the company	(iii) Preference shares
D. Issued to directors for non-cash consideration	(iv) Sweat equity shares

Choose the correct answer from the options given below

- | | | | | | | | |
|----------|-------|-------|------|----------|------|-------|-------|
| A | B | C | D | A | B | C | D |
| (a) (i) | (ii) | (iii) | (iv) | (b) (iv) | (ii) | (i) | (iii) |
| (c) (ii) | (iii) | (i) | (iv) | (d) (ii) | (iv) | (iii) | (i) |

40. Match List-I with List-II.

List-I	List-II
A. Authorised capital	(i) Capital that is not called-up yet.
B. Issued capital	(ii) Capital that has been subscribed by public.

List-I	List-II
C. Subscribed capital	(iii) Capital that is offered to investors.
D. Reserve capital	(iv) Capital that can be raised by the company by issuing shares during its lifetime

Choose the correct answer from the options given below

- | | | | | | | | |
|----------|------|-------|-------|-----------|-------|------|------|
| A | B | C | D | A | B | C | D |
| (a) (i) | (ii) | (iii) | (iv) | (b) (iv) | (iii) | (ii) | (i) |
| (c) (ii) | (iv) | (i) | (iii) | (d) (iii) | (i) | (ii) | (iv) |

Direction Read the passage carefully and answer the following questions 41 to 45

A, B and C are partners sharing profits and losses in the ratio of 5 : 3 : 2. They decide to share future profits and losses equally with effect from 1st April, 2023. The goodwill of the firm has been valued at ₹ 90,000 while goodwill is already appearing in the books at ₹ 15,000. Show the necessary accounting treatment.

41. The above case does not lead to reconstitution of partnership firm.

- (a) True (b) False
- (c) Partially false (d) Can't say

42. Who is/are the sacrificing partner(s) among the three partners?

- (a) A (b) B
- (c) C (d) Both (b) and (c)

43. What is the gain of C?

- (a) 1/10 (b) 4/10
- (c) 1/30 (d) 4/30

44. By how much amount is B's capital account debited to write-off old goodwill?

- (a) ₹ 500 (b) ₹ 4,500
- (c) ₹ 5,000 (d) None of these

45. The treatment of goodwill in C's capital account will be reflected as

- (a) debit ₹ 30,000 (b) credit ₹ 30,000
- (c) debit ₹ 12,000 (d) credit ₹ 12,000

Direction Read the passage carefully and answer the following questions 46 to 50

Luv and Kush are partners of a firm. Their capitals at the end of the year 2022-23 were ₹ 3,00,000 and ₹ 1,50,000. During the year, Luv drawings were ₹ 40,000 and Kush drawings were ₹ 10,000. Profit from profit and loss account was ₹ 32,000. Out of this, ₹ 24,000 was credited in Luv's account and the balance was credited in Kush's capital account.

Kush also brought an additional capital of ₹ 32,000 on 1st October, 2022. The partnership deed provided for Interest on drawings @ 10% p.a. Interest on any capital introduced during the year @ 10%.

46. What was the profit sharing ratio of Luv and Kush?
 (a) 2 : 1 (b) 1 : 1
 (c) 3 : 1 (d) Can't say
47. What is the interest on drawings of Kush?
 (a) ₹ 250 (b) ₹ 500
 (c) ₹ 750 (d) ₹ 1,000
48. What is interest on capital of Luv?
 (a) ₹ 3,200 (b) ₹ 1,600
 (c) ₹ 800 (d) Can't say
49. Following are the essential elements of a partnership firm, except
 (a) atleast 2 persons
 (b) equal share of profit and loss
 (c) agreement between all partners
 (d) partnership agreement to carry a business
50. If no rate of interest on drawings would be given in the passage, then interest on drawings will be charged
 (a) @ 10% p.a. (b) @ 12% p.a.
 (c) @ 6% p.a. (d) will not be charged

Right Options

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

HINTS & ANSWERS

1. (c) Microsoft access is a database management system from Microsoft that combines the relational Microsoft Jet Database Engine with a graphical user.
2. (b) Data independence refers to the programs that do not depend on the logical and physical characteristics of the data. It is the type of data transparency that matters for a centralised DBMS.
3. (b) Consolidation of data is a process that involves combining data from different sources, cleaning and verifying it and storing it in one place, such as a data warehouse. It becomes easy to unify multiple formats of data by consolidating them.
4. (a) In excel, a chart is prepared in following manner
 Enter data in worksheet < Create < Alter < Resize < Save.
5. (d) Subscription due but not received is known as subscription in arrears which means that services are provided but against which amount is not received. It will be shown as income of that particular period and shown as an asset in the balance sheet.
6. (a) Capital receipt refers to the inflow of fund into entity through the sale of non-current assets, investments, borrowings and grants used to finance capital. Life membership fees is a one time payment and members avails services all through their life.
 Thus, it is capital receipt and added to the capital fund.
7. (d) An operating expense is an ongoing cost for running a product, business or system. It includes supplies, advertising expenses, administration fees, wages, rent and utility costs.
8. (b) Percentage of change in current assets

$$= \frac{50,00,000 - 40,00,000}{50,00,000} \times 100 = 20\%$$
9. (a) Sale of goods at profit will increase the quick assets in the form of either in cash or debtor, but no effect on the current liabilities. Therefore, quick/liquid ratio will increase.
10. (c) Inventory Turnover Ratio

$$= \frac{\text{Cost of Revenue from Operations}}{\text{Average Inventory}}$$

$$5 = \frac{6,00,000}{\text{Average Inventory}} = ₹ 1,20,000$$

$$\text{Average Inventory} = \frac{\text{Opening Inventory} + \text{Closing Inventory}}{2}$$

$$1,20,000 = \frac{80,000 + \text{Closing Inventory}}{2}$$

$$\text{Closing Inventory} = 2,40,000 - 80,000 = ₹ 1,60,000$$
11. (a) (iii) (iv) (i) (ii)
12. (a) While preparing cash flow statement, interest received and paid by a financing company is treated under operating activity. Interest received is cash inflow whereas interest paid is cash outflow.
13. (c) The not-for-profit organisations usually prepare the income and expenditure account and a balance sheet with the help of receipt and payment account.
14. (b) When a new partner brings cash for goodwill into the firm at the time of his admission, it is termed as a premium for goodwill and credited to premium for goodwill account.

15. (c) Factors affecting goodwill are as follows
- Location of business.
 - Quality of goods and services.
 - Efficiency of management.
 - Business risk.
 - Nature of business.
 - Favourable contracts, etc.
16. (d) Section 41 of Partnership Act, 1932 deals with compulsory dissolution. It states that a firm is dissolved
- by the adjudication of all the partners or of all the partners but one as insolvent, or
 - by the happening of an event which makes it unlawful for the business of the firm to be carried on or for the partners to carry it on in partnership.
17. (b) Losses that have been carried over from prior years and the sum is reflected in the company's audited balance sheet are referred to as 'accumulated losses'.
18. (a) An investment fluctuation reserve is a provision created corresponding to an investment (asset). Therefore, whenever the investment is transferred to the realisation account, this reserve is also transferred to realisation account.
Like this, provision for doubtful debts is not deducted from debtors, it is transferred to realisation account.
19. (a) The financial activities in the cash flow statement focuses on how a firm raises capital and pays it back to investors through capital markets. It includes issue and redemption of shares and debentures, paying cash dividend, interest, etc.
20. (a) Goodwill, patent, trademarks amortised, interest on bank overdraft, depreciation, preliminary expenses written-off, etc. are added to net profit while calculating cash flow from operating activities.
21. (d) **Cash Flow from Operating Activities**
- | | Amt (₹) |
|-------------------------------|---------|
| Net Profit | 35,000 |
| (+) Writing-off Goodwill | 6,000 |
| (+) Loss on Sale of Furniture | 1,000 |
| | 42,000 |
22. (c)
- | | Office Equipment Account | | | |
|----|---------------------------|----------|--|----------|
| Dr | | | Cr | |
| | Particulars | Amt (₹) | Particulars | Amt (₹) |
| | To Balance b/d | 3,00,000 | To Depreciation A/c | 40,000 |
| | To Profit on Sale | 12,000 | By Bank A/c (Sale)
(Balance figure) | 1,02,000 |
| | To Bank A/c
(Purchase) | 30,000 | By Balance c/d | 2,00,000 |
| | | 3,42,000 | | 3,42,000 |
23. (b) (iv) (iii) (i) (ii)
24. (b) Loans offered for short tenure (usually less than one year) are known as short-term loans or small loans. However, the definition may vary across lenders.
25. (b) As per the provisions of the Companies Act, 2013, to start a public company, a minimum of 3 directors are required and there is no restriction on the maximum number of directors.
26. (d) At the time of dissolution, a partner may take asset, liability or unrecorded assets/liability at the agreed price but cannot take capital of any other partner.
27. (a) Amount received from debtors
Total amount due = 17,000 – 2000 = ₹ 15,000
Discount = 10%
Amount received from debtors
= 15,000 – 10% of 15,000 = ₹ 13,500
28. (b) (iii) (i) (iv) (ii)
29. (a) Financial analysis is the process of critically evaluation of data. It is used to analyse whether an entity is stable, solvent, liquid or profitable enough.
30. (d) Top management, lenders, investors, labour union, all are interested in financial statement analysis to evaluate a company's performance.
31. (b) Debentures are the long-term debt instruments that can be issued for cash or for consideration other than cash or as collateral security.
32. (a) Interest accrued and due on debentures appear under the head 'secured loans' or 'debentures'.
Interest on debentures is a charge opposite to the profit of the enterprise and has to be paid whether the enterprise has acquired any profit or not.
33. (a) When a company issue shares to vendors for purchase of assets, then it is considered as "issue of shares for consideration other than cash". For this, following entries are passed
- Sundry Assets A/c Dr
 To Vendor's A/c
 (Being assets purchased from the vendor)
 - Vendor's A/c Dr
 To Share Capital A/c
 (Being shares issued to vendor)
34. (b) Preference shareholders have priority on payment of dividend over equity shareholders. Preference shares can be converted and redeemed but they do not receive any interest.
35. (b) Share value = 100 + 25% of 100 = ₹ 125
Number of shares to be issued = $\frac{15,00,000}{125}$
= 12,000 shares
36. (a) In case, shares are issued at a premium, i.e. at an amount more than the nominal or par value of shares, the amount of premium is credited to a separate account called 'securities premium account' which is shown under the head 'reserves and surplus' in the balance sheet.

37. (c) Table 'F' provides the rate of interest payable by the company on calls-in-advance. The rate of interest paid on calls-in-advance is 12% p.a. for upto one year.

38. (d)

- Firstly a company is incorporated, then
- debentures are issued, then
- Investment is done in specified securities, then
- The amount is transferred to debentures redemption reserve, then
- Payment for redemption of debentures is done.

39. (c) (ii) (iii) (i) (iv)

40. (b) (iv) (iii) (ii) (i)

41. (b) Change in profit sharing ratio leads to reconstitution of partnership firm as the existing agreement between the partners comes to an end and a new agreement comes into force and the firm continues.

42. (a) Calculation of Sacrificing/(Gaining) Share

Sacrificing/(Gaining) Share = Old share – New Share

$$A = \frac{5}{10} - \frac{1}{3} = \frac{15 - 10}{30} = \frac{5}{30} \text{ Sacrifice}$$

$$B = \frac{3}{10} - \frac{1}{3} = \frac{9 - 10}{30} = \left(-\frac{1}{30}\right) \text{ Gain}$$

$$C = \frac{2}{10} - \frac{1}{3} = \frac{6 - 10}{30} = \left(-\frac{4}{30}\right) \text{ Gain}$$

43. (d) 4/30

44. (b) B's capital account will be debited by

$$= \text{His old share} \times \text{Goodwill existing in books}$$

$$= \frac{3}{10} \times 15,000 = ₹ 4,500$$

45. (c) Compensation payable by C

(Gaining partner) to A (Sacrificing partner)

$$= 90,000 \times \frac{4}{30} = ₹ 12,000 \text{ (to be debited)}$$

46. (c) Profit divided is ₹ 24,000 and ₹ 8,000 (32,000 – 24,000) i.e. 3 : 1

47. (b) Kush's Interest on Drawings = $10,000 \times \frac{6}{12} \times \frac{10}{100} = ₹ 500$

[No date given so 6 months]

48. (a) Luv's Interest on Capital = $32,000 \times \frac{10}{100} = ₹ 3,200$

(∵ Because question asks for only on additional capital, that too on flat rate)

49. (b) It is not mandatory for partners to share profits and losses equally. They can share the profit/loss in any ratio as decided between them. However if there is no written or oral agreement among partners, the law prescribes that partners should share profits and losses equally.

50. (d) Interest on drawings is the interest charged by the firm on the money withdrawn by the partners for their personal purpose. If there is no provision in the partnership deed or nothing mentioned in the question, interest on drawings will not be charged.

MOCK TEST 15

ACCOUNTANCY

Time : 45 Min
MM : 200

Attempt any 40 out of the given 50 questions. No mark will be given to unanswered for review questions.
Each question carries 5 marks. Negative marking of 1 mark for a wrong answer.

1. What are the factors to be considered for open source accounting software?

- A. Flexibility
- B. Adaptability
- C. Management interest
- D. Customisation

Choose the correct answer from the options given below

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

2. Which menu appears after starting Tally for the first time?

- (a) Gateway of Tally
- (b) Display
- (c) Company information
- (d) None of the above

3. Which of the following is not a readymade accounting software?

- (a) MS point
- (b) Tally
- (c) Busy
- (d) Eg

4. Fund earmarked for investment in fixed assets is known as

- (a) loan fund
- (b) annuity fund
- (c) assets fund
- (d) prize fund

5. Which of the following are classified as temporarily restrictions on contributions?

- A. Time
- B. Moment
- C. Purpose
- D. Period

Choose the correct answer from the options given below

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

6. Match List-I with List-II.

List-I (Transaction)	List-II (Treatment)
A. Profit on sale of gym equipment	(i) Debit side of receipt and payment account
B. Purchase of gym equipment	(ii) Credit side of income and expenditure account
C. Sale of gym equipment	(iii) Credit side of receipt and payment account
D. Depreciation on gym equipment	(iv) Debit side of income and expenditure account

Choose the correct answer from the options given below

- | | | | | | | | | | |
|-----|-------|------|------|-------|-----|------|-------|-------|------|
| | A | B | C | D | | A | B | C | D |
| (a) | (iv) | (i) | (ii) | (iii) | (b) | (ii) | (iii) | (i) | (iv) |
| (c) | (iii) | (ii) | (iv) | (i) | (d) | (iv) | (i) | (iii) | (ii) |

7. A company which is formed by special act is called

- (a) chartered company
- (b) statutory company
- (c) registered company
- (d) any company

8. If debentures purchased in the open market are not immediately cancelled, it would be treated as

- (a) current asset
- (b) current liability
- (c) capital
- (d) investment

9. Which of the following statements are true?

- A. Debenture is written instrument acknowledging a debt under the common seal of the company.
- B. Debenture is a part of owned capital.
- C. The payment of interest on debentures is a charge on the profits of the company.
- D. Redeemable debentures are those debentures which are payable on the expiry of the specific period.

Choose the correct answer from the options given below

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

10. Match List-I with List-II.

List-I	List-II
A. Workmen compensation reserve appears in the balance sheet at ₹ 40,000 and liability estimated at ₹ 45,000.	(i) Workmen Compensation Reserve A/c Dr 40,000 To Partner's Capital A/c 40,000
B. Workmen compensation reserve appears in the balance sheet at ₹ 40,000.	(ii) Workmen Compensation Reserve A/c Dr 40,000 To Realisation A/c 40,000 Realisation A/c Dr 45,000 To Bank A/c 45,000
C. Workmen compensation reserve does not appear in the balance sheet but claim paid ₹ 35,000.	(iii) Workmen Compensation Reserve A/c Dr 40,000 To Realisation A/c 35,000 To Partner's Capital A/c 5,000
D. Workmen compensation reserve appears in the balance sheet at ₹ 40,000, liability paid ₹ 35,000.	(iv) Realisation A/c Dr 35,000 To Bank A/c 35,000

Choose the correct answer from the options given below

- | | | | | | | | |
|-----------|------|-------|------|----------|------|------|-------|
| A | B | C | D | A | B | C | D |
| (a) (iii) | (ii) | (i) | (iv) | (b) (ii) | (i) | (iv) | (iii) |
| (c) (ii) | (iv) | (iii) | (i) | (d) (i) | (iv) | (ii) | (iii) |

- 11.** X and Y are partners in a firm and share profit/loss in the ratio of 2 : 3. Salary to X worth ₹ 30,000 and to Y worth ₹ 5,000 were omitted and profits are distributed thereafter. To rectify this mistake, now X will be
 (a) credited by ₹ 8,000 (b) debited by ₹ 8,000
 (c) credited by ₹ 16,000 (d) debited by ₹ 16,000
- 12.** Mr. Pratik and Mr. Vedik are partners in a firm. Mrs. Pratik has given loan to the firm @ 10% p.a. of ₹ 1,00,000. Compute the amount of interest on loan given to Mr. Partik.
 (a) ₹ 6,000 (b) ₹ 10,000 (c) ₹ 5,000 (d) Nil
- 13.** Capital accounts of the partners under fluctuating capital accounts will be debited for
 A. Writing-off goodwill.
 B. Distribution of credit balance of profit and loss account.
 C. Loss on revaluation of assets and reassessment of liabilities.
 D. Drawings.

Choose the correct answer from the options given below

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

14. Which of the following transactions will be shown in revaluation account at the time of change in profit sharing ratio?

- A. Goodwill appearing in the books.
 B. Bad debts recovered.
 C. Increase in provision for doubtful debts.
 D. Unrecorded creditors.

Choose the correct answer from the options given below

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

15. A, B and C are partners sharing profits in the ratio of 3 : 2 : 1. They agree to admit D into the firm and to give 1/3rd, 1/6th and 1/9th share of their profit respectively. What will be the share of profit of D?

- (a) 11/54 (b) 13/54
 (c) 1/10 (d) 12/54

16. Mr. A is issued fully paid shares of ₹ 1,00,000 in consideration of net assets of ₹ 1,20,000, the balance of ₹ 20,000 will be to

- (a) debited, goodwill account
 (b) debited, capital reserve
 (c) credited, general reserve
 (d) credited, capital reserve

17. Arrange the following in correct order with respect to dissolution of firm.

- A. Distribute general reserve among partners in their profit sharing ratio.
 B. Transfer investment fluctuation reserve to realisation account.
 C. Transfer balances in partners' current account to partners' capital account.
 D. Transfer profit or loss on realisation to partner's capital account in their profit sharing ratio.

Choose the correct answer from the options given below

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

18. Which of the following transactions will not be recorded in realisation account?

- (a) Sale of unrecorded asset
 (b) Payment of outsiders loan
 (c) Payment of partner's loan
 (d) Payment of realisation expenses by a partner on behalf of firm

19. At the time dissolution of partnership, an unrecorded asset worth ₹ 75,000 was taken by X, a partner. It is debited to

- (a) X's capital account (b) cash account
(c) realisation account (d) assets account

20. The balance of forfeiture account can be used to

- (a) provide discount at the time of re-issue
(b) write-off preliminary expenses
(c) write-off bad debts
(d) write-off share capital account

21. Own shares purchased by a company with a view to reduce its capital is called

- (a) sale (b) purchase
(c) buyback (d) private placement

22. The class of preference shares do not carry right to receive arrears in dividend is known as preference shares.

- (a) non-convertible
(b) non-participating
(c) irredeemable (d) non-cumulative

23. Match List-I with List-II.

List-I	List-II
A. Profit before interest and tax – Interest on long-term borrowings	(i) Profit before tax and interest
B. Profit after tax – Preference dividend	(ii) Profit after tax
C. Profit before tax – Tax	(iii) Earnings available to equity shareholders
D. Profit before tax + Interest on long-term borrowings	(iv) Profit after interest but before tax

Choose the correct answer from the options given below

- | | | | | | | | |
|----------|-------|-------|------|-----------|------|------|-------|
| A | B | C | D | A | B | C | D |
| (a) (i) | (ii) | (iii) | (iv) | (b) (iii) | (iv) | (ii) | (i) |
| (c) (iv) | (iii) | (ii) | (i) | (d) (i) | (iv) | (ii) | (iii) |

24. In which condition, a partnership firm is deemed to be dissolved?

- (a) On partner's admission
(b) On partner's retirement
(c) On the expiry of period of partnership
(d) On loss in partnership

25. On dissolution of the firm, loss calculated in realisation account is account.

- (a) credited to cash
(b) credited to partner's capital
(c) debited to partner's capital
(d) credited to realisation

26. Akshay, a shareholder was allotted 200 equity shares of ₹ 20 each by a company, failed to pay ₹ 8 each on final call. Shares were re-issued to Nishant at ₹ 20 each. What will be the journal entry on re-issue?

- (a) Bank A/c Dr 4,000
 To Equity Share Capital A/c 4,000
(b) Equity Share Capital A/c Dr 4,000
 To Bank A/c 4,000
(c) Bank A/c Dr 4,000
 To Share Forfeiture A/c 4,000
(d) Share Forfeiture A/c Dr 4,000
 To Bank A/c 4,000

27. In case of issue of debentures as collateral security for a loan from the bank, which account will be debited?

- (a) Bank account (b) Debentures account
(c) Bank loan account
(d) Debentures suspense account

28. Preference shares can be classified with reference to

- A. Security B. Dividend
C. Redemption D. Convertibility

Choose the correct answer from the options given below

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

29. Which of the following statements are correct?

- A. Quick ratio can be more than current ratio.
B. High inventory turnover ratio is good for the organisation, except when goods bought in small lots or sold quickly are at low margins to realise cash.
C. Sum of operating ratio and operating profit ratio is always 100%.

Choose the correct answer from the options given below

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

30. Comparative statements are also known as

- (a) dynamic analysis (b) vertical analysis
(c) horizontal analysis (d) external analysis

31. An annual report is issued by a company to its

- (a) shareholders (b) directors
(c) auditors (d) creditors

32. Which of the following statements are correct?

- A. The economists, researchers, etc analyse the financial statements to study the present business and economic conditions.
B. The government agencies need financial statements analysis for price regulations, taxation and other similar purposes.

43. How will goodwill written-off be adjusted in the cash flow statement?
 (a) Added to the net profit before tax
 (b) Subtracted the net profit before tax
 (c) Not recorded in the cash flow
 (d) None of the above
44. What amount of trade receivables will be subtracted from the cash flow statement to get cash flow from operations?
 (a) ₹ 3,000 (b) ₹ 26,800 (c) ₹ 52,000 (d) ₹ 78,800
45. Which of the following items will be deducted from net profit before tax?
 (a) Depreciation on fixed tangible assets
 (b) Goodwill written-off
 (c) Loss on sale of fixed tangible asset
 (d) Gain on sale of fixed tangible asset

Direction Read the passage carefully and answer the following questions 46 to 50

Tony and Rony started a partnership firm, TR CDs to manufacture music CDs way back in 1990. Now since the music CDs are out of business, they plan to sell the business to one of the major content production houses in Mumbai.

For the purpose of selling business, they reached to their accountant to compute the goodwill and for other financial advice. He suggested that since the CDs are very less in demand, their goodwill value will be hampered. Nonetheless, the framework for calculation of goodwill was decided as follows

‘The goodwill be valued at 4 years’ purchase of super profits.’ The following financial information was obtained at the end of this transaction

- Assets ₹ 8,000
 - Creditors ₹ 1,000
 - Normal rate of return 10%
 - Goodwill of the firm ₹ 1,000
46. What type of goodwill is discussed in the passage from TR CDs perspective?
 (a) Purchased (b) Self-generated
 (c) Both (a) and (b) (d) None of these
47. Which factor affecting the goodwill was highlighted by accountant?
 (a) Efficiency of management
 (b) Market situation
 (c) Nature of business
 (d) Special advantages
48. What is the super profit of business?
 (a) ₹ 250 (b) ₹ 1,000
 (c) ₹ 500 (d) ₹ 1,250
49. What is the normal profit of business?
 (a) ₹ 850 (b) ₹ 800
 (c) ₹ 750 (d) ₹ 700
50. What is the average profit of business?
 (a) ₹ 450 (b) ₹ 700
 (c) ₹ 750 (d) ₹ 950

Right Options

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

HINTS & ANSWERS

1. (b) Flexibility and management interest are the most important factors to be considered for open source accounting software. Accounting software should be adaptable in terms of data entry, data retrieval and report generation.
2. (c) After starting Tally for the first time, company information is displayed. The application opens to the screen showing company information.
3. (a) Readymade accounting software is suited to organisations running small/conventional business where the frequency or volume of accounting transactions is very low. For example Tally, Busy, Eg, etc are readymade accounting software.
4. (c) The fund earmarked for investment in fixed assets is known as fixed asset fund. These funds are raised by corporations to invest in fixed assets like land, buildings, machinery and equipment.
5. (d) Temporarily restricted contributions are those donations that have restrictions placed upon them, but those restrictions are only temporary.

There are two types of restrictions that are classified as temporarily restricted and they are purpose and time.

6. (b) (ii) (iii) (i) (iv)
 7. (b) A statutory company is the one that is created by a special act of the Parliament and it provides services of value to the public.
 8. (d) Debentures purchased in the open market are recognised as investments if they are not immediately cancelled. It is usually done when the company has surplus funds.
 9. (c) Statement B is false as debentures are part of borrowed fund capital, not the owned capital. Thus debentureholders are considered as the creditors of the company.
 10. (b) (ii) (i) (iv) (iii)
 11. (c)
- | Particulars | X (₹) | Y (₹) | Total (₹) |
|--|----------------|----------------|-----------|
| Excess Profit Distributed in
2 : 3 (Dr) | 14,000 | 21,000 | 35,000 |
| Salary Provided (Cr) | 30,000 | 5,000 | 35,000 |
| Balance | 16,000
(Cr) | 16,000
(Dr) | Nil |
12. (d) The amount is nil as the loan is given by Mrs. Pratik, thus there will be no interest on loan payable to Mr. Pratik.
 13. (b) Capital account of partners are debited for writing-off goodwill, loss on revaluation account, drawings, interest on drawings and other expenses while these accounts are credited for profit on revaluation, salary, commission, remuneration and other incomes.
 14. (b) The revaluation of assets and liabilities are recorded in a separate account named as 'revaluation account' or 'profit and loss adjustment account'. Bad debts recovered, increase in provision for doubtful debts and unrecorded creditors, etc. are shown in revaluation account.
 15. (b) D's share = Share of A + B + C

$$= \left(\frac{3}{6} \times \frac{1}{3}\right) + \left(\frac{2}{6} \times \frac{1}{6}\right) + \left(\frac{1}{6} \times \frac{1}{9}\right) = \frac{3}{18} + \frac{2}{36} + \frac{1}{54}$$

$$= \frac{26}{108} \text{ or } \frac{13}{54}$$
 16. (d) When value of net assets is more than the value of shares, then the excess of net assets acquired over purchase consideration should be credited to capital reserve account.
 17. (b) At the time of dissolution of the firm, the correct order of the transactions given in question, are as follows
 - Transfer investment fluctuation reserve to realisation account.
 - Distribute general reserve among partners' in their profit sharing ratio.

- Transfer balances in partners' current account to partners' capital account.
 - Transfer profit/loss on realisation to partners' capital account in their profit sharing ratio.
18. (c) Partner's loan account is not a part of outside liabilities. It will be paid after the payment of liabilities of third parties to the firm. Therefore, it is not transferred to realisation account. A separate partner's loan account is opened and paid only if surplus remains after payment of outside liabilities.
 19. (a) When an unrecorded asset is taken by a partner at the time of dissolution, then it is debited to that partners' capital account and credited to realisation account. The journal entry will be as

X's Capital A/c	Dr
To Realisation A/c	
 20. (a) When the forfeited shares are re-issued as fully paid or at a discount, the amount of discount allowed cannot exceed the amount that had been received on forfeited shares on their original issue and this balance of forfeiture account can be used to provide discount at the time of re-issue.
 21. (c) When a company decide to purchase their own shares from their existing shareholders either through a tender offer or through an open market, with a view to reduce its capital, it is called the buyback of shares.
 22. (d) The non-cummulative preference shares are those whose dividend can be curtailed or cancelled when the company has insufficient profit to declare dividend. Holders of these shares do not enjoy the right to receive arrears of dividends.
 23. (c) (iv) (iii) (ii) (i)
 24. (b) When the period of partnership expires, then partnership firm is deemed to be dissolved. As per the law, unless some contract between the partners to the contrary is proved, the firm, if constituted for a fixed term would be dissolved by the expiry of that term.
 25. (c) At the time dissolution of firm, the loss calculated as in realisation account is debited to partners' capital account in their profit/loss sharing ratio.
 26. (a) When forfeited shares are reissued then bank account is debited and equity share capital account is credited. Amount is calculated here as
 Amount = (200 × 20) = ₹ 4,000
 27. (d) When debentures are issued as collateral security for a loan from the bank, then debentures suspense account is debited as no cash is received for such issue.
 28. (b) Preference shares can be classified on the basis of
 - Convertibility
 - Participation
 - Cummulative
 - Redemption
 - Dividend, etc.

29. (b) Statement A is incorrect as a company's current ratio will often be higher than its quick ratio, as companies often use capital to invest in inventory or prepaid assets.
30. (c) Comparative statements are the form of horizontal analysis.
Comparative statement shows the profitability and financial position of a firm for different periods of time in a comparative form to give an idea about position of two or more periods.
31. (a) An annual report contains the balance sheet, profit and loss account and cash flow statement. Besides, it contains management reports on the company's overall performance. It is issued to shareholders by a company.
32. (c) The financial statements are analysed by the economist and researchers to study the economic conditions of the business. Financial statement analysis is useful for the government agencies to check price regulations, taxation, etc.
33. (a) Current Assets = Total Assets – Fixed Assets
= 8,20,000 – 5,90,400 = ₹ 2,29,600
Percentage of current assets on total assets
= $\frac{\text{Current Assets}}{\text{Total Assets}} \times 100 = \frac{2,29,600}{8,20,000} \times 100 = 28\%$
34. (b) A computerised accounting system is set up as follows
Plan < Procurement < Chart of Accounts < Grouping < Report Generation.
35. (d) A Data Flow Diagram (DFD) maps out the flow of information for any process or system. It uses defined symbols like rectangles, circles and arrows to show data inputs, outputs, storage points and the routes between each destination.
36. (b) SUM formula shortcut in Excel is (ALT + =). It is very simple and easy keyboard shortcut to enter SUM formula in MS Excel.
37. (a) Operating Income = Net Revenue from Operations – Cost of Revenue from Operations – Operating Expenses
= 4,80,000 – 2,64,000 – 86,400 = ₹ 1,29,600
Percentage of Operating Income on Net Revenue from Operations
= $\frac{\text{Operating Income}}{\text{Net Revenue from Operations}} \times 100$
= $\frac{1,29,600}{4,80,000} \times 100 = 27\%$
38. (c) The quick ratio measures the company's ability to convert liquid assets into cash to pay for short-term expenses and emergencies. It is calculated as
= $\frac{\text{Liquid/Quick Assets}}{\text{Current Liabilities}}$
39. (c) (iv) (ii) (i) (iii)
40. (a) (iii) (i) (iv) (ii)
41. (c) It is a non-operating item. Non-operating item refers to that item which is derived from activities not related to its core business operations. Thus, it will be adjusted to net profit before tax.
42. (a) Amount of Trade Payable = 51,000 – 30,000
= ₹ 21,000
43. (a) It is a non-cash item and should not form a part of cash flow, thus added back to net profit before tax.
44. (b) Amount of Trade Receivable = 78,800 – 52,000
= ₹ 26,800
45. (d) While computing cash flow from operations, few non-cash and non-operating items are adjusted to net profit before tax, gain on sale of fixed assets is deducted while rest options given in the question, are added to net profit before tax.
46. (b) Goodwill discussed in the passage from TR CDs perspective is self-generated goodwill. This goodwill is the value of business in excess of the fair value of its net tangible assets. It is never recorded in the books of accounts and arises over a period of time due to the good reputation of the firm.
47. (c) The factor affected goodwill is 'nature of business'. As per accountant, the nature of business (music CD) is such that it hampered the value of goodwill as the firm was manufacturing CDs which are very less in demand.
48. (a) Goodwill = Super Profit × Number of Years' Purchase
1,000 = Super Profit × 4
Super Profit = ₹ 250
49. (d) Normal Profit = Capital Employed
× $\frac{\text{Normal Rate of Return}}{100}$
= (8,000 – 1,000) × $\frac{10}{100}$ = ₹ 700
50. (d) Super Profit = Average Profit – Normal Profit
250 = Average Profit – 700
∴ Average Profit = ₹ 950