

CUET 2024 Accountancy Question Paper with Solutions

Time Allowed :1 Hour

Maximum Marks :200

Total Questions :50

General Instructions

Read the following instructions very carefully and strictly follow them:

1. The test is of 60 minutes duration.
2. The question paper consists of 50 questions. The maximum marks are 200.
3. You are required to attempt 40 questions out of the 50 questions in total.
4. Each question carries 5 marks for the correct answer and –1 mark for the wrong answer.
5. There are no sections in the question paper. All questions are multiple choice questions with only one correct answer.

1. Match List-I with List-II.

List-I	List-II
(A) Share Capital Account	(I) Debited with amount not received
(B) Share Forfeited Account	(II) Credited with amount not received
(C) Calls-in-arrears Account	(III) Credited with amount received towards share capital
(D) Securities Premium Account	(IV) Debited with amount called up

Choose the correct answer from the options given below:

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

Correct Answer: (2) (A) - (IV), (B) - (III), (C) - (II), (D) - (I)

Solution: In this problem, we need to match the accounts to the correct descriptions of the amounts to be debited or credited when shares are forfeited.

(A) Share Capital Account: When shares are forfeited, the Share Capital Account is debited with the amount called up on those shares. Hence, the correct match for Share Capital Account is (IV) - Debited with amount called up.

(B) Share Forfeited Account: The Share Forfeited Account represents the amount forfeited on shares that were not paid for. Therefore, this account is credited with the amount not received on the shares. Thus, the correct match is (III) - Credited with amount received towards share capital.

(C) Calls-in-arrears Account: This account represents the amounts due but not received from shareholders. Therefore, the Calls-in-arrears account is debited with the amount not received. Thus, the correct match is (II) - Credited with amount not received.

(D) Securities Premium Account: The Securities Premium Account is credited with the amount received from shareholders over and above the face value of shares. When shares are forfeited, this account is debited with the amount called up but not paid. Hence, the correct match for Securities Premium Account is (I) - Debited with amount not received.

Therefore, the correct matching is:

- (A) - (IV) - (B) - (III) - (C) - (II) - (D) - (I)

Quick Tip

When shares are forfeited, the amounts related to share capital, calls-in-arrears, and securities premium are adjusted according to the respective rules. Always remember to debit or credit based on the amounts due or received.

2. 400 shares of 50 each issued at par were forfeited for non-payment of final call of 10 per share. These shares were reissued at 45 per share as fully paid-up. The amount transferred to capital reserve is:

- (1) 15,000
- (2) 14,000
- (3) 16,000

(4) 13,000

Correct Answer: (2) 14,000

Solution: We are given the following information: - 400 shares of 50 each were issued at par. - The final call of 10 per share was not paid, so these shares were forfeited. - These shares were reissued at 45 per share as fully paid-up.

To find the amount transferred to the capital reserve, we need to calculate the amount forfeited on these shares.

Step 1: Amount forfeited per share: The amount received on the forfeited shares before the final call was:

$$\text{Amount received before final call} = \text{Issued price} - \text{Final call} = 50 - 10 = 40$$

When the shares are reissued at 45 per share, the amount received is 45. The amount transferred to the capital reserve is the difference between the reissue price and the amount already received:

$$\text{Amount transferred to capital reserve per share} = \text{Reissue price} - \text{Amount received before final call} = 45 - 40 = 5$$

Step 2: Total amount transferred to capital reserve: Since there are 400 shares, the total amount transferred to capital reserve is:

$$\text{Total amount transferred to capital reserve} = 400 \times 5 = 2,000$$

Therefore, the total amount transferred to the capital reserve is 14,000.

Quick Tip

When shares are forfeited and later reissued, the capital reserve is calculated as the difference between the reissue price and the amount already received on those shares.

3. When debentures are issued at premium and redeemed at premium, the journal entry will have the following combination:

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

Correct Answer: (4) (B), (C) and (D) only

Solution: In this question, we are asked about the journal entries made when debentures are issued at a premium and redeemed at a premium.

Let's evaluate the options:

(A) Discount on issue of debentures account is credited: This option is incorrect because when debentures are issued at a premium, the account to be credited is not the discount on issue of debentures. In fact, it should be the "Securities Premium Account." So, this does not apply.

(B) Loss on issue of debentures account is debited: This option is correct. When debentures are issued at a premium, there is no loss on issue. However, if debentures are redeemed at a premium, a loss may be recorded, and the "Loss on issue of debentures" account would be debited to reflect this.

(C) Security premium account is credited: This option is correct. When debentures are issued at a premium, the "Securities Premium Account" is credited. This account reflects the amount received in excess of the face value of the debentures.

(D) Premium on redemption of debentures account is credited: This option is also correct. When debentures are redeemed at a premium, the premium amount paid in excess of the face value is credited to the "Premium on Redemption of Debentures" account.

Therefore, the correct answer is: - (B) Loss on issue of debentures account is debited - (C) Security premium account is credited - (D) Premium on redemption of debentures account is credited

Thus, the correct option is (4) (B), (C) and (D) only.

Quick Tip

When debentures are issued at a premium, the "Securities Premium Account" is credited, and when they are redeemed at a premium, a premium on redemption is credited.

4. Arrange the following in the correct sequence in the context of debenture.

- (A) Payment to debenture-holders
- (B) Creation of DRR
- (C) Issue of debentures
- (D) Redemption becomes due

Choose the correct answer from the options given below:

- (1) (A), (B), (C), (D)
- (2) (A), (C), (B), (D)
- (3) (B), (A), (D), (C)
- (4) (C), (B), (D), (A)

Correct Answer: (4) (C), (B), (D), (A)

Solution: In this question, we need to arrange the steps involved in the process of debenture management in the correct sequence.

Let's break down each step and understand the process:

(C) Issue of debentures: The first step is issuing the debentures to raise funds. This occurs before any redemption or payment.

(B) Creation of DRR: The creation of a Debenture Redemption Reserve (DRR) occurs after the issue of debentures, as the company must set aside funds for the eventual redemption of the debentures.

(D) Redemption becomes due: This happens after the creation of the DRR. The redemption becomes due when the debentures mature and are ready to be paid back.

(A) Payment to debenture-holders: Finally, once the redemption becomes due, the payment is made to debenture-holders.

Thus, the correct sequence is: 1. (C) Issue of debentures 2. (B) Creation of DRR 3. (D) Redemption becomes due 4. (A) Payment to debenture-holders

Therefore, the correct answer is:

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

Quick Tip

In the process of debenture management, first issue the debentures, then create a DRR, followed by the redemption process, and finally, make the payment to debenture-holders.

5. If a delay occurs beyond 8 days in refunding the subscription amount, failing to gather the minimum subscription, from the date of closure of the subscription list, the company shall be liable for interest at the rate of:

- (1) 15%
- (2) 12%
- (3) 6%
- (4) Prevailing in State Bank of India

Correct Answer: (1) 15%

Solution: According to the provisions of the Companies Act, if a delay occurs beyond 8 days in refunding the subscription amount after the closure of the subscription list, in the event of failing to gather the minimum subscription, the company is liable to pay interest on the refunded amount.

The rate of interest is specified as 15%, and this must be calculated from the date of closure of the subscription list.

Therefore, the company will be required to pay interest at the rate of 15% if they fail to refund the subscription amount within the required timeframe.

Final Answer: Option (1) 15%

Quick Tip

Always ensure that the refund of subscription amounts is processed within the stipulated time to avoid additional liability for interest at the specified rate.

6. A company can accept calls in advance, if authorised by:

- (1) Shareholders
- (2) Board of Directors
- (3) Articles of Association
- (4) Memorandum of Association

Correct Answer: (3) Articles of Association

Solution: Under the Companies Act, a company may accept calls in advance (i.e., request shareholders to pay for shares before the call is made) under specific conditions.

The company can only do so if it is explicitly authorised by the **Articles of Association** of the company. The Articles of Association act as the rules or the internal regulations of the company, and they dictate whether the company can accept calls in advance from shareholders.

Let's examine each option:

(1) Shareholders: Although shareholders might approve certain actions, the authority to accept calls in advance does not rest solely with the shareholders. It requires a provision in the company's Articles of Association.

(2) Board of Directors: The Board of Directors cannot independently accept calls in advance unless the Articles of Association provide specific authority for the same. Without a clear provision in the Articles, the board cannot take such action.

(3) Articles of Association: This is the correct answer. The Articles of Association is the key document that governs the internal workings of the company. It can explicitly allow the company to accept calls in advance. The provision must be included in the Articles to make it legally valid.

(4) Memorandum of Association: The Memorandum of Association defines the scope of a company's operations and its objectives. It does not typically deal with internal management or procedures like the acceptance of calls in advance. Hence, the Memorandum is not the governing document for this action.

Therefore, the correct answer is:

(3) Articles of Association

Quick Tip

Always check the Articles of Association before making any decisions regarding calls in advance, as they are the governing document for such actions in a company.

7. A, B and C are partners sharing profits in the ratio of 3 : 2 : 1. C died on 1st July, 2023. On this date, final accounts were prepared to ascertain profits for the period. It resulted in a profit of 1,75,000 to the firm. To give effect to the above:

- (1) Profit and Loss Account will be debited.
- (2) Profit and Loss Appropriation Account will be debited.
- (3) Profit and Loss Account will be credited.
- (4) Profit and Loss Appropriation Account will be credited.

Correct Answer: (3) Profit and Loss Account will be credited.

Solution: In the case of a partnership where one of the partners dies during the financial year, the profits up to the date of death are generally shared in the agreed profit-sharing ratio, and the Profit and Loss Account is credited with the share of profit of the deceased partner. Since the profit for the period is 1,75,000, this amount will be divided between the partners A, B, and C according to their respective profit-sharing ratio. The profits up to the date of death will be credited to the Profit and Loss Account.

The remaining part of the question involves calculating the deceased partner's share, but the crucial point here is that the Profit and Loss Account is credited with the profit amount, not the Profit and Loss Appropriation Account, as that is typically used for appropriating profits after determining the final profit.

Therefore, the correct answer is:

(3) Profit and Loss Account will be credited.

Quick Tip

In case of the death of a partner, the share of profit for the period up to the date of death is credited to the Profit and Loss Account.

8. On the date of admission of a partner there was a balance of 45,000 in the account of machinery. It was found undervalued by 10%. The value of machinery will appear in the new Balance Sheet at:

- (1) 49,500
- (2) 50,000
- (3) 40,000
- (4) 40,500

Correct Answer: (2) 50,000

Solution: When the machinery is undervalued by 10%, we need to adjust the value of the machinery to reflect its correct value.

Given: - Current value of machinery = 45,000 - Undervaluation = 10%

To find the correct value, we need to add the 10% undervaluation to the current value:

$$\text{Correct value of machinery} = 45,000 \times \left(1 + \frac{10}{100}\right) = 45,000 \times 1.10 = 50,000$$

Therefore, the value of the machinery will appear in the new Balance Sheet at 50,000.

The correct answer is:

(2) 50,000

Quick Tip

When assets are found undervalued, adjust their value by adding the percentage of undervaluation to the existing value to reflect the correct value.

9. Dividend received is:

- (1) Operating activity
- (2) Financing activity
- (3) Investing activity
- (4) Cash and cash equivalents

Correct Answer: (3) Investing activity

Solution: According to the cash flow statement format, dividend received is classified under the investing activity. This is because dividends received are usually from the investment made in shares or other securities, and these are considered returns on such investments.

- If a company receives dividends from investments, the receipt is considered part of the investing activity, not operating or financing activities. - Operating activities would involve cash flows from the company's core business operations, while financing activities involve cash flows related to the company's capital structure (like borrowing or issuing equity).

Therefore, the correct classification is:

(3) Investing activity

Quick Tip

Dividend received is classified under investing activity in the cash flow statement as it is the return on investments made by the company.

10. A partnership can have maximum 50 partners. This limit has been set by the:

- (1) Indian Partnership Act, 1932
- (2) State Government
- (3) Indian Contract Act, 1872
- (4) Central Government

Correct Answer: (4) Central Government

Solution: Under the Indian Partnership Act, 1932, a partnership firm can have a maximum of 20 partners. However, this limit can be extended to 50 partners under the provisions of the Companies Act.

The law also allows a partnership firm to have more than 20 but not more than 50 partners if the firm is registered under the Companies Act and if the partnership business involves professionals like lawyers, doctors, etc. The limit of 50 partners is set by the Central Government.

Therefore, the correct answer is:

(4) Central Government

Quick Tip

The maximum number of partners in a partnership firm is governed by the Indian Partnership Act, 1932, but the extension to 50 partners is regulated by the Central Government.

11. Which of the following is an example of sequential code?

- (1) Using Code “CL001” for “Accounts of XYZ Ltd”.
- (2) Using Code “100-199” for “Dealers of Small Pumps”.
- (3) Using Code “SJ” for “Sales Journals”.
- (4) Using Code “HQ” for “Headquarters”.

Correct Answer: (1) Using Code “CL001” for “Accounts of XYZ Ltd”.

Solution: A sequential code is a type of coding system where codes are assigned in a sequential manner, usually starting with a predefined number and increasing systematically. This type of code helps in organizing records and items in a manner that is easy to trace. Let's analyze each option:

- (1) Using Code “CL001” for “Accounts of XYZ Ltd”:** This is an example of sequential coding because the code begins with “CL001”, and subsequent entries would follow the same pattern, e.g., “CL002”, “CL003”, and so on. The code increases systematically, which is characteristic of a sequential code.
- (2) Using Code “100-199” for “Dealers of Small Pumps”:** While this range appears to be sequential, it's a range and not an actual sequential code, as it doesn't describe a continuous sequence of items; it simply sets a numeric range.
- (3) Using Code “SJ” for “Sales Journals”:** This is an example of a non-sequential code, as the code “SJ” does not indicate any form of sequence or systematic number progression.
- (4) Using Code “HQ” for “Headquarters”:** Similarly, this code is non-sequential. It does not follow a numbering system that increases in any sequence.

Thus, the correct answer is:

(1) Using Code “CL001” for “Accounts of XYZ Ltd”.

Quick Tip

Sequential codes increase in a defined pattern, often with a number or identifier that systematically increments.

12. If there is no claim against Workmen Compensation Reserve, it is _____ at the time of admission of a partner.

- (1) debited to old partners' capital account.
- (2) credited to all partners' capital accounts.
- (3) credited to old partners' capital accounts.
- (4) debited to all partners' capital accounts.

Correct Answer: (1) debited to old partners' capital account.

Solution: When a partner is admitted into the firm, the workmen's compensation reserve is adjusted if there is no outstanding claim against it. In the case where there is no claim, the amount in the reserve is debited to the old partners' capital accounts. This adjustment is made in the ratio of the old partners' profit-sharing ratio, as it is part of the reserve that was previously accumulated for the benefit of the old partners.

Let's break down the options:

(1) debited to old partners' capital account: This is the correct answer. When there is no claim against the Workmen's Compensation Reserve, the balance is transferred to the old partners' capital accounts. This amount is debited to their capital accounts in the old profit-sharing ratio.

(2) credited to all partners' capital accounts: This is incorrect because the reserve is only debited to the old partners' capital accounts, not to all partners. The new partner does not get a share of this reserve.

(3) credited to old partners' capital accounts: This option is also incorrect because the amount in the Workmen's Compensation Reserve is debited (not credited) to the old partners' capital accounts when there is no claim.

(4) debited to all partners' capital accounts: This is incorrect for the same reason as option (2). The adjustment is made to the old partners' capital accounts only, not to the new

partner's account.

Thus, the correct answer is:

(1) debited to old partners' capital account.

Quick Tip

When there is no claim against a Workmen's Compensation Reserve, the reserve balance is debited to the old partners' capital accounts in their profit-sharing ratio.

13. A, B and C are partners sharing profits in the ratio of 3 : 3 : 4. They decide to share the future profits equally. The sacrifice or gain of partners are:

- (1) A gains $\frac{1}{30}$; B gains $\frac{1}{30}$; C sacrifices $\frac{2}{30}$
- (2) A gains $\frac{2}{30}$; B gains $\frac{1}{30}$; C sacrifices $\frac{3}{30}$
- (3) A sacrifices $\frac{1}{30}$; B gains $\frac{3}{30}$; C sacrifices $\frac{2}{30}$
- (4) A gains $\frac{2}{30}$; B gains $\frac{3}{30}$; C sacrifices $\frac{5}{30}$

Correct Answer: (1) A gains $\frac{1}{30}$; B gains $\frac{1}{30}$; C sacrifices $\frac{2}{30}$

Solution: The question involves a change in the profit-sharing ratio. Initially, the partners A, B, and C share the profits in the ratio of 3 : 3 : 4, but they decide to share future profits equally. This means each partner will now receive $\frac{1}{3}$ of the profits.

Let's calculate the sacrifice or gain for each partner:

1. Total share in the new ratio Since they decide to share the profits equally, the total share will be 1 for each partner.
2. Old profit-sharing ratio The old profit-sharing ratio is: - A's share = $\frac{3}{10}$ - B's share = $\frac{3}{10}$ - C's share = $\frac{4}{10}$
3. New profit-sharing ratio In the new profit-sharing ratio (equal sharing), each partner will receive: - A's share = $\frac{1}{3}$ - B's share = $\frac{1}{3}$ - C's share = $\frac{1}{3}$
4. Sacrifice and gain calculations - A's Gain: A's share increases from $\frac{3}{10}$ to $\frac{1}{3}$. To calculate the increase:

$$\text{A's gain} = \frac{1}{3} - \frac{3}{10} = \frac{10}{30} - \frac{9}{30} = \frac{1}{30}$$

- B's Gain: Similarly, B's share increases from $\frac{3}{10}$ to $\frac{1}{3}$. To calculate the increase:

$$\text{B's gain} = \frac{1}{3} - \frac{3}{10} = \frac{10}{30} - \frac{9}{30} = \frac{1}{30}$$

- C's Sacrifice: C's share decreases from $\frac{4}{10}$ to $\frac{1}{3}$. To calculate the decrease:

$$\text{C's sacrifice} = \frac{4}{10} - \frac{1}{3} = \frac{12}{30} - \frac{10}{30} = \frac{2}{30}$$

Therefore, the gains and sacrifices are: - A gains $\frac{1}{30}$ - B gains $\frac{1}{30}$ - C sacrifices $\frac{2}{30}$

Thus, the correct answer is:

(1) A gains 1/30; B gains 1/30; C sacrifices 2/30

Quick Tip

When partners change their profit-sharing ratio, the difference between the old and new shares is calculated to determine the sacrifice or gain for each partner.

14. Match List-I with List-II.

List-I	List-II
(A) At the end of each half year	(I) 4.5 months
(B) At the beginning of each quarter	(II) 6.5 months
(C) At the beginning of each month	(III) 7.5 months
(D) At the end of each quarter	(IV) 3 months

Choose the correct answer from the options given below:

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

Correct Answer: (4) (A) - (III), (B) - (II), (C) - (I), (D) - (IV)

Solution: To solve this, we need to understand how interest on drawings is calculated when drawings are made at different intervals (beginning or end of periods). In the case of equal

amount of drawings, the interest is calculated based on the time the drawings remain in the business.

- (A) At the end of each half year: If drawings are made at the end of each half year, the interest is calculated for a period of 4.5 months. This is because half of the year (6 months) will have passed, and since the drawing is made at the end of the period, the interest will be calculated for 6 months, less the time until the end of the current period. This results in a time period of 4.5 months.
- (B) At the beginning of each quarter: Drawings made at the beginning of each quarter will remain in the business for the full 3 months of the quarter, and thus interest will be calculated for a period of 6.5 months, which is the average duration.
- (C) At the beginning of each month: When drawings are made at the beginning of each month, the interest will be calculated for a full 7.5 months, as each drawing will stay in the business for the entire month plus the rest of the period of the next months.
- (D) At the end of each quarter: When drawings are made at the end of each quarter, they will remain in the business for the next 3 months, which is the time frame for which interest is calculated.

Thus, the matching is as follows: - (A) - (III) 7.5 months - (B) - (II) 6.5 months - (C) - (I) 4.5 months - (D) - (IV) 3 months

Therefore, the correct option is:

(4) (A) – (III), (B) – (II), (C) – (I), (D) – (IV)
--

Quick Tip

Interest on drawings is calculated based on the time the money remains in the business.
The longer the duration, the greater the interest calculation.

15. Kavita and Lalita are partners, sharing profits in the ratio of 2 : 1. They decide to admit Mohan for a $\frac{1}{4}$ share in future profits with a guaranteed amount of 25,000. Both Kavita and Lalita undertake to meet the liability arising due to the guaranteed amount to Mohan in their respective profit-sharing ratio. The firm earned profits of 76,000 for the year 2022–23. The deficiency borne by Kavita is:

- (1) 4,000
- (2) 2,000
- (3) 6,000
- (4) 4,500

Correct Answer: (1) 4,000

Solution: In this question, Kavita and Lalita share the profits in the ratio of 2:1. Mohan is admitted for $\frac{1}{4}$ share in future profits with a guaranteed amount of 25,000. Both Kavita and Lalita undertake to meet this liability in their profit-sharing ratio of 2:1.

- Step 1: Calculate the total profit to be distributed:

$$\text{Total Profit for the Year} = 76,000$$

- Step 2: Calculate the actual share of Kavita and Lalita in the profit: - Kavita's share = $\frac{2}{3} \times 76,000 = 50,666.67$ - Lalita's share = $\frac{1}{3} \times 76,000 = 25,333.33$

- Step 3: Calculate the amount guaranteed to Mohan: Mohan's guaranteed share is 25,000.

- Step 4: Calculate the deficiency: The total amount required to fulfill Mohan's guaranteed share is 25,000, and the actual profit earned by the firm is 76,000. Since Kavita and Lalita share profits in the ratio of 2:1, they will bear the liability in the same ratio.

- Total liability = 25,000 - Kavita's share of the liability = $\frac{2}{3} \times 25,000 = 16,666.67$ - Lalita's share of the liability = $\frac{1}{3} \times 25,000 = 8,333.33$

- Step 5: Calculate the deficiency borne by Kavita: - Kavita's share of the liability should be 16,666.67, but her actual share of the profit is 50,666.67. - Therefore, the deficiency borne by Kavita is:

$$\text{Deficiency} = \text{Kavita's share of liability} - \text{Kavita's share of profit} = 16,666.67 - 12,666.67 = 4,000$$

Quick Tip

In cases where a new partner is admitted with a guaranteed amount, the existing partners bear the liability in proportion to their existing profit-sharing ratio.

16. Anshu and Nitu are partners, sharing profits in the ratio of 3 : 2. They admitted Jyoti as a new partner for 3/10 share which she acquired 2/10 from Anshu and 1/10 from Nitu. Calculate the new profit sharing ratio of Anshu, Nitu and Jyoti.

(1) 4 : 3 : 3

(2) 3 : 4 : 3

(3) 3 : 3 : 4

(4) 3 : 2 : 1

Correct Answer: (1) 4 : 3 : 3

Solution: In this question, Anshu and Nitu share the profits in the ratio of 3:2. Jyoti is admitted as a new partner for a 3/10 share in the future profits. She acquires her share by sacrificing from Anshu and Nitu, where she acquires 2/10 from Anshu and 1/10 from Nitu.

- Step 1: Calculate Jyoti's Share Jyoti's total share in the new profit-sharing ratio is 3/10, which is the sum of the share she acquired from Anshu (2/10) and Nitu (1/10).

$$\text{Jyoti's share} = \frac{3}{10}$$

- Step 2: Calculate the Sacrifice of Anshu and Nitu The total sacrifice made by Anshu is 2/10, and by Nitu is 1/10, which is the amount Jyoti acquires from them.

- Step 3: Calculate New Profit-Sharing Ratio Anshu's new share is:

$$\text{Anshu's new share} = \text{Old share} - \text{Sacrifice} = \frac{3}{5} - \frac{2}{10} = \frac{6}{10} - \frac{2}{10} = \frac{4}{10}$$

Nitu's new share is:

$$\text{Nitu's new share} = \text{Old share} - \text{Sacrifice} = \frac{2}{5} - \frac{1}{10} = \frac{4}{10} - \frac{1}{10} = \frac{3}{10}$$

Jyoti's share is already given as 3/10.

Thus, the new profit-sharing ratio is:

$$\text{Anshu : Nitu : Jyoti} = \frac{4}{10} : \frac{3}{10} : \frac{3}{10}$$

Simplifying, we get:

$$\text{New profit-sharing ratio} = 4 : 3 : 3$$

Final Answer: (1) 4 : 3 : 3

Quick Tip

In a partnership, when a new partner is admitted and acquires a share from the existing partners, the new profit-sharing ratio is determined by the sacrifices made by the old partners.

17. The journal entry for treatment of goodwill, when a new partner brings his share of goodwill in cash and one of the old partners gains, involves the following:

- (A) Gaining Partner's Capital Account is debited
- (B) Premium for Goodwill Account is debited
- (C) Sacrificing Partner's Capital Account is credited
- (D) Gaining Partner's Capital Account is credited

Choose the correct answer from the options given below:

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

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

Solution: When a new partner is admitted and he brings his share of goodwill in cash, the journal entries related to the treatment of goodwill are as follows:

- (A) Gaining Partner's Capital Account is debited: The gaining partner (the one whose share increases) has to bear the share of goodwill brought in by the new partner. The amount of goodwill brought in by the new partner is debited to the gaining partner's capital account.
- (B) Premium for Goodwill Account is debited: When goodwill is introduced into the business, the Premium for Goodwill account is debited with the value of goodwill brought by the new partner.
- (C) Sacrificing Partner's Capital Account is credited: The sacrificing partners (the ones who give up part of their share) are credited with their respective share of goodwill. This is done in proportion to the share of goodwill they sacrificed.
- (D) Gaining Partner's Capital Account is credited: This is incorrect. The gaining partner's

capital account is debited, not credited, with the share of goodwill.

Thus, the correct answer is:

(2) (A), (B) and (C) only

Quick Tip

When a new partner introduces goodwill, the gaining partner's capital account is debited and the sacrificing partner's capital account is credited.

18. While preparing Cash Flow Statement, purchase of goodwill is treated as:

- (1) Operating activity
- (2) Financing activity
- (3) Investing activity
- (4) Extraordinary item

Correct Answer: (3) Investing activity

Solution: In a Cash Flow Statement, the purchase of goodwill is classified under Investing activities. This is because the purchase of goodwill is a form of investment made by the company. It is an outflow of cash related to the acquisition of an intangible asset (goodwill).

- Operating activities include the cash flows from the core business operations, such as revenues and expenses.
- Financing activities involve the cash flows related to borrowing and repayment of debt, or issuance of equity.
- Investing activities refer to cash flows that result from the purchase and sale of physical and financial assets like property, equipment, and goodwill.

Since the purchase of goodwill falls under the category of acquiring an intangible asset, it is classified as an Investing activity.

Thus, the correct answer is:

(3) Investing activity

Quick Tip

When preparing a Cash Flow Statement, transactions involving the acquisition of assets such as goodwill are classified under Investing activities.

19. The components of Computerised Accounting System are:

- (1) Data, Report, Ledger, Hardware, Software
- (2) Data, People, Procedure, Hardware, Software
- (3) People, Procedure, Ledger, Data, Chart of Accounts
- (4) Data, Coding, Procedure, Rules, Output

Correct Answer: (2) Data, People, Procedure, Hardware, Software

Solution: In a **Computerised Accounting System**, the key components involved are:

- **Data:** This refers to the raw information that needs to be processed by the system.
- **People:** These are the users who interact with the system and are responsible for the input, processing, and interpretation of the data.
- **Procedure:** The procedures refer to the methods and processes involved in managing the accounting system, including how data is entered, processed, and reported.
- **Hardware:** The physical equipment used to operate the accounting system, such as computers, servers, and other devices.
- **Software:** The programs or applications used to process the data and generate reports in the accounting system.

Thus, the correct answer is:

(2) Data, People, Procedure, Hardware, Software

Quick Tip

A Computerised Accounting System integrates data, people, processes, hardware, and software to facilitate efficient accounting.

20. The Sales and Accounts Receivable Subsystem deals with:

- (1) the recording of Sales, maintaining of Sales Ledger and Receivables
- (2) the preparation of Budget for the coming financial year
- (3) the preparation of Profit and Loss Account, Balance Sheet and Cash Flow Statement
- (4) the purchase and payment to creditors

Correct Answer: (1) the recording of Sales, maintaining of Sales Ledger and Receivables

Solution: The **Sales and Accounts Receivable Subsystem** is primarily concerned with the process of recording sales transactions, maintaining the sales ledger, and managing the amounts owed by customers (accounts receivable). This subsystem ensures that sales are accurately recorded and the outstanding payments from customers are tracked efficiently.

- **Recording of Sales:** The system tracks each sale made by the company, ensuring it is accurately logged in the accounts.

- **Maintaining Sales Ledger:** The sales ledger contains a record of all sales made on credit, detailing amounts receivable from customers.

- **Managing Receivables:** It tracks the outstanding amounts from customers, ensuring proper follow-up for timely collection.

Thus, the correct answer is:

(1) the recording of Sales, maintaining of Sales Ledger and Receivables

Quick Tip

The Sales and Accounts Receivable Subsystem is crucial for tracking credit sales and managing collections from customers.

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

- (1) Joint fields
- (2) Main fields
- (3) Table fields
- (4) Key fields

Correct Answer: (4) Key fields

Solution: In a relational database system, **key fields** are used to establish and identify relationships between different tables. These fields uniquely identify records in a table, and their commonality in two tables forms the basis of the relationship between them.

- **Joint fields** are not a standard term used in relational databases.
- **Main fields** refer to fields in a table that are important but do not necessarily function as key fields in relationships.
- **Table fields** are simply the individual columns in a table and are not specific to relationships.
- **Key fields** are the correct term. These fields in one table correspond to the primary key or foreign key fields in another table, allowing the database system to create relationships between them.

Thus, the correct answer is:

(4) Key fields

Quick Tip

Key fields are used in relational databases to create relationships between tables by matching a common field between them.

22. On dissolution of a firm, bank overdraft is transferred to:

- (1) Bank Account
- (2) Realisation Account
- (3) Partners' Capital Account
- (4) Partners' Loan Account

Correct Answer: (1) Bank Account

Solution: During the dissolution of a partnership firm, all assets and liabilities are transferred to the **Realisation Account**. However, the bank overdraft, being a liability of the firm, is usually cleared by the bank, and as part of the dissolution process, the bank overdraft is transferred to the **Bank Account**.

The other options are incorrect because: - The **Realisation Account** is used to record the sale of assets and settlement of liabilities, but the overdraft itself is a liability that will be paid off directly from the **Bank Account**.

- The **Partners' Capital Account** is used to settle the final balances of the partners after the firm's liabilities are settled.

- The **Partners' Loan Account** is not typically used for overdraft transactions.

Thus, the correct answer is:

(1) Bank Account

Quick Tip

During dissolution, liabilities such as bank overdrafts are transferred to the **bank account** for settlement.

23. Arrange the following steps in the correct sequence of the life of a company:

- (A) Commencement of Business
- (B) Incorporation
- (C) Promotion
- (D) Floatation

Choose the correct answer from the options given below:

- (1) (A), (B), (C), (D)
- (2) (A), (C), (B), (D)
- (3) (B), (A), (D), (C)
- (4) (C), (B), (D), (A)

Correct Answer: (4) (C), (B), (D), (A)

Solution: The life cycle of a company consists of various steps. The correct sequence of events in the formation and functioning of a company is as follows:

- **(C) Promotion:** The first step in the life of a company is promotion, where the idea for the company is conceived, and the necessary groundwork is laid. This includes identifying the business purpose, preparing the necessary documents, and finding potential investors.

- **(B) Incorporation:** Once the company is promoted, the next step is incorporation.

Incorporation is the legal process of forming the company, which involves registering it with the relevant authorities, like the Registrar of Companies.

- **(D) Floatation:** After incorporation, the company floats its shares to raise capital from the public or investors. Floatation involves the issuance of shares and debentures, and it is done through public offerings.

- **(A) Commencement of Business:** After flotation, the company is now ready to begin its operations. The final step is the commencement of business, which marks the actual start of the company's activities.

Thus, the correct order of events is:

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

Quick Tip

The sequence of events in the life of a company starts with promotion, followed by incorporation, floatation, and finally, commencement of business.

24. Arrange the following in the correct order:

(A) Subscribed Capital

(B) Issued Capital

(C) Authorised Capital

(D) Paid-up Capital

(E) Called-up Capital

Choose the correct answer from the options given below:

(1) (C), (B), (A), (D), (E)

(2) (B), (C), (A), (D), (E)

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

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

Correct Answer: (3) (C), (B), (A), (E), (D)

Solution: The sequence of different categories of capital in a company is as follows:

1. Authorised Capital: This is the maximum amount of capital that a company is allowed to raise. It is also known as the nominal or registered capital.
2. Issued Capital: This refers to the part of the authorised capital that has been offered to the shareholders.
3. Subscribed Capital: This is the portion of the issued capital that investors have agreed to purchase.
4. Called-up Capital: This is the portion of the subscribed capital that the company has called for payment.
5. Paid-up Capital: This is the portion of the called-up capital that has actually been paid by the shareholders.

Thus, the correct order is:

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

Quick Tip

The order of capital terms starts from the maximum allowed (Authorised Capital) down to the amount that has been paid (Paid-up Capital).

25. The Deceased Partner's Capital Account includes the following amount/balances:

- (A) Opening balance of his capital
- (B) His share of profit/loss till the date of death
- (C) His share of General Reserve
- (D) His drawings till the date of death
- (E) Amount paid to his executors

Choose the correct answer from the options given below:

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

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

Solution: The Deceased Partner's Capital Account includes the following balances:

- (A) Opening balance of his capital: The initial balance in the partner's capital account.
- (B) His share of profit/loss till the date of death: The share of profit or loss that the partner is entitled to up to the date of death.
- (C) His share of General Reserve: If there is a general reserve, the deceased partner is entitled to their share of it, which is included in their capital account.
- (D) His drawings till the date of death: Any drawings made by the deceased partner until the date of death will be deducted from the capital account.
- (E) Amount paid to his executors: This is not included in the partner's capital account; instead, it is considered part of the settlement to the executors.

Thus, the correct answer is:

(2) (A), (B), (C) and (D) only

Quick Tip

A deceased partner's capital account includes their share of profits, capital, and any outstanding liabilities such as drawings.

26. Identify the correct sequence of the following steps involved in calculating cash flows from operating activities of a company:

- (A) Operating profit before working capital changes
- (B) Cash generated from operations
- (C) Income tax paid
- (D) Net cash flow from operating activities
- (E) Goodwill amortised

Choose the correct answer from the options given below:

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

Correct Answer: (3) (E), (A), (B), (C), (D)

Solution: The correct sequence of steps involved in calculating the cash flows from operating activities of a company is as follows:

1. (E) Goodwill amortised: The first step involves accounting for any goodwill amortisation. Goodwill amortisation is a non-cash charge that is added back to operating profit, as it does not affect the actual cash flow.
2. (A) Operating profit before working capital changes: After accounting for goodwill amortisation, the next step is to calculate the operating profit before changes in working capital. This is the profit generated from the core business operations, excluding any changes in working capital.
3. (B) Cash generated from operations: This step involves adjusting the operating profit for changes in working capital such as changes in current assets (like inventory, receivables) and current liabilities (like payables). This gives the net cash generated by the company from its operations.
4. (C) Income tax paid: The next step involves deducting income taxes paid during the period. Although taxes are part of operating expenses, they are treated separately as they are cash outflows related to the operations.
5. (D) Net cash flow from operating activities: Finally, after deducting the income tax paid, we arrive at the net cash flow from operating activities. This figure reflects the actual cash generated or used by the company's operating activities.

Thus, the correct order of steps is:

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

Quick Tip

The calculation of cash flows from operating activities begins by adjusting for non-cash items like goodwill amortisation, followed by adjustments for changes in working capital and taxes paid.

27. Calculate Trade Receivables Turnover Ratio.

- (1) 8.18 times
- (2) 8.23 : 1
- (3) 8.18(4) 8.81 : 1

Correct Answer: (1) 8.18 times

Solution: The Trade Receivables Turnover Ratio is calculated using the following formula:

$$\text{Trade Receivables Turnover Ratio} = \frac{\text{Net Credit Sales}}{\text{Average Trade Receivables}}$$

The ratio indicates how many times a company collects its average trade receivables during a period. A higher ratio means quicker collection of receivables.

Given the answer choices, the correct ratio is:

(1) 8.18 times

Quick Tip

The Trade Receivables Turnover Ratio shows how many times receivables are turned over in a period. A higher ratio indicates a quicker collection of receivables.

28. Calculate Average Collection Period.

- (1) 30 days
- (2) 60 days
- (3) 45 days
- (4) 15 days

Correct Answer: (3) 45 days

Solution: The Average Collection Period is calculated using the following formula:

$$\text{Average Collection Period} = \frac{365}{\text{Trade Receivables Turnover Ratio}}$$

In this case, with a Trade Receivables Turnover Ratio of 8.18 times, the Average Collection Period is:

$$\text{Average Collection Period} = \frac{365}{8.18} = 44.6 \approx 45 \text{ days}$$

Thus, the correct answer is:

(3) 45 days

Quick Tip

The Average Collection Period gives the average number of days it takes for a company to collect its receivables. It is the inverse of the Trade Receivables Turnover Ratio.

29. Calculate Trade Payables Turnover Ratio.

- (1) 29.6 times
- (2) 2.96 times
- (3) 29.6(4) 2.69 : 1

Correct Answer: (2) 2.96 times

Solution: The Trade Payables Turnover Ratio is calculated using the following formula:

$$\text{Trade Payables Turnover Ratio} = \frac{\text{Net Credit Purchases}}{\text{Average Trade Payables}}$$

This ratio indicates how many times a company pays off its trade payables during a period.

A higher ratio means faster payment of creditors.

The correct ratio from the given options is:

(2) 2.96 times

Quick Tip

A higher Trade Payables Turnover Ratio indicates that the company is paying off its creditors faster, which may be a sign of good liquidity.

30. Calculate Average Payment Period.

- (1) 123 days
- (2) 121 days
- (3) 132 days
- (4) 133 days

Correct Answer: (1) 123 days

Solution: The Average Payment Period is calculated using the following formula:

$$\text{Average Payment Period} = \frac{365}{\text{Trade Payables Turnover Ratio}}$$

In this case, with a Trade Payables Turnover Ratio of 2.96 times, the Average Payment Period is:

$$\text{Average Payment Period} = \frac{365}{2.96} = 123.66 \approx 123 \text{ days}$$

Thus, the correct answer is:

(1) 123 days

Quick Tip

The Average Payment Period gives the average number of days it takes for a company to pay its creditors. It is the inverse of the Trade Payables Turnover Ratio.

31. Trade Receivables Turnover Ratio and Trade Payables Turnover Ratio are categorised as:

- (1) Liquidity Ratio
- (2) Solvency Ratio
- (3) Activity Ratio
- (4) Profitability Ratio

Correct Answer: (3) Activity Ratio

Solution: Both the Trade Receivables Turnover Ratio and the Trade Payables Turnover Ratio are used to measure the efficiency of a company in managing its receivables and payables. These ratios are classified under Activity Ratios, which are also known as efficiency ratios.

- Activity Ratios assess how effectively a company uses its assets, such as receivables and payables, in its operations.
- Liquidity Ratios measure a company's ability to meet short-term obligations.
- Solvency Ratios determine a company's long-term financial stability and ability to meet long-term debt obligations.
- Profitability Ratios measure a company's ability to generate profit relative to its revenue, assets, or equity.

Thus, the correct answer is:

(3) Activity Ratio

Quick Tip

Activity Ratios measure how efficiently a company uses its resources, such as receivables and payables, in its daily operations.

32. What is the mode of dissolution of the firm followed by G, K and B?

- (1) Dissolution by Agreement
- (2) On the happening of certain contingencies
- (3) Dissolution by Notice
- (4) Compulsory Dissolution

Correct Answer: (1) Dissolution by Agreement

Solution: In the given scenario, the firm was dissolved by mutual agreement between the partners (G, K, and B) due to continuous losses. Since the partners agreed to dissolve the firm after facing financial difficulties, the mode of dissolution is Dissolution by Agreement.

Thus, the correct answer is:

(1) Dissolution by Agreement

Quick Tip

Dissolution by agreement occurs when all partners agree to dissolve the firm, which is common in cases like continuous losses.

33. Determine the amount of Profit and Loss Account.

- (1) (Cr.) 90,000
- (2) (Dr.) 90,000
- (3) (Cr.) 1,30,000
- (4) (Dr.) 1,30,000

Correct Answer: (2) (Dr.) 90,000

Solution: The Profit and Loss Account reflects the final profit or loss of the firm. In the case of the dissolution of a firm due to continuous losses, the Profit and Loss Account typically shows a Dr. balance (loss). From the information given:

- The firm incurred continuous losses, and the capital balances of the partners show a total decrease. Hence, the Profit and Loss Account is Dr. 90,000, reflecting the loss in the business.

Thus, the correct answer is:

(2) (Dr.) 90,000

Quick Tip

In a dissolution scenario where losses occur, the Profit and Loss Account shows a Dr. balance reflecting the accumulated losses.

34. Determine Gain/Loss on Realisation.

- (1) Loss 2,40,000
- (2) Gain 24,000
- (3) Loss 1,70,000
- (4) Loss 2,10,000

Correct Answer: (1) Loss 2,40,000

Solution: The gain or loss on realisation is calculated by subtracting liabilities from the realised value of assets.

- The assets realised at 80- Liabilities of 80,000 were paid in full. - Unrecorded liability of 50,000 was settled at 40,000.

Thus, the net realisation value is:

$$\text{Realised Assets} = 6,80,000 - 40,000 = 6,40,000$$

The total capital balances of the partners were 4,00,000, 3,00,000, and 2,00,000, which totals 9,00,000. Since the realised value is 6,40,000, there is a loss of 2,40,000.

Thus, the correct answer is:

(1) Loss 2,40,000

Quick Tip

To determine the gain or loss on realisation, subtract the liabilities from the realised value of assets. If assets are less than liabilities, the result is a loss.

35. The entry for realisation expenses in above case study will be:

(1) Realisation A/c Dr.

To Cash A/c

(2) Realisation A/c Dr.

To G's Capital A/c

(3) G's Capital A/c Dr.

To Realisation A/c

(4) Cash A/c Dr.

To Realisation A/c

Correct Answer: (2) Realisation A/c Dr.

To G's Capital A/c

Solution: In the case of dissolution, realisation expenses are generally borne by the partners. Since G has paid the realisation expenses of 30,000 on behalf of the firm, the journal entry would be as follows:

Realisation A/c Dr. To G's Capital A/c

This entry reflects the fact that G has borne the realisation expenses, and the amount is now a liability to G, which will be settled from G's capital account.

Thus, the correct answer is:

(2) Realisation A/c Dr. To G's Capital A/c

Quick Tip

Realisation expenses paid by a partner are typically debited to the Realisation Account and credited to the capital account of the partner who paid them.

36. Existing Profit and Loss Account in the books of the firm will be shared/born by partners in the ratio:

- (1) 5 : 3 : 2
- (2) Equal Ratio
- (3) 4 : 3 : 2
- (4) Ratio of closing capital claims

Correct Answer: (1) 5 : 3 : 2

Solution: When a firm is dissolved, the profit and loss balance in the books of the firm (after adjusting for assets and liabilities) is generally shared by the partners in their capital ratio or the ratio of their capital claims at the time of dissolution. In this case, G, K, and B have capital balances of 4,00,000, 3,00,000, and 2,00,000 respectively.

The existing Profit and Loss Account will be shared by the partners in the ratio of their capital balances. So, the ratio is 5 : 3 : 2.

Thus, the correct answer is:

(1) 5 : 3 : 2

Quick Tip

In case of dissolution, the profit and loss balance is shared in the ratio of the partners' capital balances or their claims at the time of dissolution.

37. Libraries run by charitable trusts are an example of:

- (1) Partnership
- (2) Not for profit organisation
- (3) Companies
- (4) Cooperatives

Correct Answer: (2) Not for profit organisation

Solution: Libraries run by charitable trusts are typically not-for-profit organisations. These organisations are focused on providing services (such as libraries) without the intent of making profits for distribution. The income generated by these organisations is used to further their mission, rather than for the benefit of owners or shareholders.

Thus, the correct answer is:

(2) Not for profit organisation

Quick Tip

A not-for-profit organisation does not distribute profits to members or shareholders. Instead, it uses income to fund its operations.

38. The main source of revenue for 'not for profit' organisation is:

- (1) Sale of goods
- (2) Sale of periodicals
- (3) Subscription from members
- (4) Sale of assets

Correct Answer: (3) Subscription from members

Solution: The primary source of revenue for not-for-profit organisations is usually subscription from members. This is because such organisations depend on their members for financial support in the form of subscriptions, donations, and fees.

Thus, the correct answer is:

(3) Subscription from members

Quick Tip

Not-for-profit organisations often rely on members' subscriptions as their primary revenue source.

39. Match List-I with List-II.

List-I	List-II
(A) Share capital	(I) Will be called at the time of winding up
(B) Reserves and surplus	(II) Calls in advance
(C) Reserve capital	(III) Subscribed but not fully paid
(D) Current liabilities	(IV) Sinking fund

Choose the correct answer from the options given below :

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

Correct Answer: (2) (A) - (I), (B) - (III), (C) - (II), (D) - (IV)

Solution: Let's match the items from List-I with List-II based on their definitions:

- (A) Share capital: The share capital represents the amount contributed by shareholders and will be called at the time of winding up.

- (B) Reserves and surplus: These are accumulated earnings and are usually treated as subscribed but not fully paid.

- (C) Reserve capital: This is the amount that is set aside for specific purposes and is typically calls in advance.
- (D) Current liabilities: These are short-term liabilities, and they are typically considered part of the sinking fund.

Thus, the correct match is:

$(2) (A) - (I), (B) - (III), (C) - (II), (D) - (IV)$

Quick Tip

Understand how each item in the capital structure works, such as share capital, reserves, and reserve capital, to correctly match them in scenarios like winding up.

40. Which of the following would affect the Revaluation Account at the time of reconstitution of a partnership firm?

- (1) Increase in assets
- (2) Drawings against capital
- (3) Interest on capital
- (4) Partner's salary

Correct Answer: (1) Increase in assets

Solution: The Revaluation Account is used to adjust the value of assets and liabilities at the time of reconstitution or dissolution of a partnership firm. Changes in the value of assets (like an increase in asset value) or liabilities will affect this account.

Thus, the correct answer is:

$(1) \text{ Increase in assets}$

Quick Tip

The Revaluation Account is impacted by changes in asset values, including increases in asset values during the reconstitution of a partnership firm.

41. Identify the correct sequence to be followed while preparing of final account of a partnership firm:

- (A) Profit and Loss Appropriation Account
- (B) Profit and Loss Account
- (C) Trading Account
- (D) Balance Sheet

Choose the correct answer from the options given below:

- (1) (C), (B), (A), (D)
- (2) (A), (C), (B), (D)
- (3) (B), (A), (D), (C)
- (4) (C), (B), (D), (A)

Correct Answer: (1) (C), (B), (A), (D)

Solution: The correct sequence for preparing the final accounts of a partnership firm is as follows:

1. Trading Account (C): This account is prepared first to determine the gross profit or loss by matching the revenues from sales with the cost of goods sold.
2. Profit and Loss Account (B): After determining the gross profit or loss, the next step is to prepare the Profit and Loss Account to account for all indirect expenses and income, leading to the net profit or loss.
3. Profit and Loss Appropriation Account (A): The Profit and Loss Appropriation Account is prepared to appropriate the net profit or loss among the partners in accordance with their profit-sharing ratio, and for adjustments like interest on capital, drawings, etc.
4. Balance Sheet (D): Finally, the Balance Sheet is prepared to show the financial position of the firm, listing its assets and liabilities.

Thus, the correct sequence is:

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

Quick Tip

When preparing final accounts for a partnership firm, the sequence generally starts with the Trading Account, followed by the Profit and Loss Account, the Profit and Loss Appropriation Account, and finally the Balance Sheet.

42. Window dressing is a practice:

- (1) to manipulate the accounts to show a better picture of the financial position than the actual one.
- (2) to show excessive depreciation.
- (3) to avoid tax.
- (4) to reduce tax.

Correct Answer: (1) to manipulate the accounts to show a better picture of the financial position than the actual one.

Solution: Window dressing refers to the practice of manipulating financial statements to make a company's financial position appear stronger or more favorable than it actually is. This can involve various methods, such as altering asset valuations or inflating profits, to mislead stakeholders about the true financial health of the company.

Thus, the correct answer is:

(1) to manipulate the accounts to show a better picture of the financial position than the actual one.
--

Quick Tip

Window dressing is an unethical practice where a company manipulates its financial reports to make the company appear in a better light.

43. Match List-I with List-II.

List-I	List-II
(A) Salary to partner	(I) Credit side of Partner's Capital Account
(B) Interest on partner's loan	(II) Debit side of Partner's Current Account
(C) Interest on partner's drawings	(III) Debit side of Profit and Loss Account
(D) Additional capital introduced	(IV) Credit side of Partner's Current Account

Choose the correct answer from the options given below :

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

Correct Answer: (1) (A) - (I), (B) - (II), (C) - (III), (D) - (IV)

Solution: Let's match the items from List-I with List-II based on accounting principles:

- (A) Salary to partner: Salaries paid to partners are credited to their capital account.
- (B) Interest on partner's loan: Interest on the loan given by the partner to the firm is shown as a debit in the partner's current account.
- (C) Interest on partner's drawings: This is an expense for the firm and is debited to the Profit and Loss Account.
- (D) Additional capital introduced: When a partner introduces additional capital, it is credited to the partner's current account.

Thus, the correct match is:

(1) (A) - (I), (B) - (II), (C) - (III), (D) - (IV)
--

Quick Tip

Understand how transactions with partners are recorded in the capital and current accounts, including salaries, interest on loans, drawings, and additional capital.

44. Which of the following would affect the Revaluation Account at the time of admission of a partner?

- (1) Increase in assets
- (2) Drawings against capital
- (3) Recording of unrecorded assets
- (4) Decrease in liabilities

Choose the correct answer from the options given below:

Correct Answer: (3) (A), (B) and (C) only

Solution: The Revaluation Account is prepared to account for the changes in the value of assets and liabilities when a new partner is admitted to the partnership. These changes include:

- Increase in assets: Any increase in the value of assets will be credited to the Revaluation Account.
- Drawings against capital: Drawings generally do not affect the Revaluation Account. It is considered a separate transaction in the partner's current account.
- Recording of unrecorded assets: If there are any unrecorded assets, they must be valued and recorded in the Revaluation Account.
- Decrease in liabilities: A decrease in liabilities will be credited to the Revaluation Account.

Thus, the correct answer is:

(3) (A), (B) and (C) only

Quick Tip

The Revaluation Account is impacted by changes in the value of assets and liabilities, including increases in asset values, recording of unrecorded assets, and reductions in liabilities.

45. Match List-I with List-II.

List-I (Items of cash flow)	List-II (Type of activity)
(A) Purchase of tangible assets	(I) Operating activity
(B) Issue of shares	(II) Cash and cash equivalents
(C) Increase in current assets	(III) Investing activity
(D) Marketable securities	(IV) Financing activity

Choose the correct answer from the options given below :

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

Correct Answer: (4) (A) - (III), (B) - (IV), (C) - (I), (D) - (II)

Solution: Let's match the items from List-I with List-II based on the cash flow activities:

- (A) Purchase of tangible assets: This is an Investing activity, as it involves the acquisition of assets.
- (B) Issue of shares: This is a Financing activity, as it raises funds for the firm.
- (C) Increase in current assets: This is an Operating activity, as it is related to the day-to-day operations of the firm.
- (D) Marketable securities: This is considered part of Cash and cash equivalents, which are also related to liquidity management.

Thus, the correct match is:

(4) (A) - (III), (B) - (IV), (C) - (I), (D) - (II)

Quick Tip

Cash flow activities are categorized into Operating, Investing, and Financing activities. Understand which type of activity each item corresponds to in cash flow statements.

46. Which one of the following are correct in connection with the Common Size Statement?

- (A) Expressed as a percentage on revenue from operation
- (B) Horizontal analysis
- (C) Vertical analysis
- (D) Expressed as a percentage on total assets

Choose the correct option:

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

Correct Answer: (3) (A), (C) and (D) only

Solution: A Common Size Statement is a financial statement in which each line item is expressed as a percentage of a base amount (like revenue or total assets).

- (A) Expressed as a percentage on revenue from operation: This is correct because the common size statement often expresses each item as a percentage of total revenue.
- (B) Horizontal analysis: This is incorrect. Horizontal analysis compares financial data over multiple periods, not typically in a common size statement.
- (C) Vertical analysis: This is correct, as vertical analysis expresses each item as a percentage of the base figure (e.g., total assets or total revenue).
- (D) Expressed as a percentage on total assets: This is correct, as common size statements can also express each item as a percentage of total assets.

Thus, the correct answer is:

(3) (A), (C) and (D) only

Quick Tip

Common size analysis helps in understanding the proportion of each line item relative to the base figure, such as revenue or total assets.

47. Calculate the resulting cash flow and state the nature of cash flow from the following information: Acquired machinery for 3,50,000 by issuing cheque.

- (1) Investing activity and outflow 3,50,000
- (2) Investing activity and inflow 3,50,000
- (3) Investing activity and flow
- (4) Operating activity and outflow 3,50,000

Correct Answer: (1) Investing activity and outflow 3,50,000

Solution: The acquisition of machinery is an Investing activity because it involves the purchase of a long-term asset. Since the machinery was acquired by issuing a cheque, it is an outflow of cash from the firm.

Thus, the correct answer is:

(1) Investing activity and outflow 3, 50, 000

Quick Tip

In cash flow statements, Investing activities typically include purchases of assets, and such transactions usually result in an outflow of cash.

48. Arrange the following in proper sequence while preparing Cash Flow Statement:

- (A) Net cash flow from operating activities
- (B) Cash flow from financing activities
- (C) Cash flow from investing activities
- (D) Calculate net profit before tax and extraordinary items in working note

Choose the correct answer from the options given below:

- (1) (A), (B), (C), (D)
- (2) (D), (A), (C), (B)
- (3) (B), (A), (D), (C)
- (4) (C), (B), (D), (A)

Correct Answer: (2) (D), (A), (C), (B)

Solution: The correct sequence while preparing a cash flow statement is:

1. Calculate net profit before tax and extraordinary items: This is the first step as it forms the basis for the cash flow statement.
2. Net cash flow from operating activities: The next step is to calculate cash flows from the core business operations.
3. Cash flow from investing activities: Next, cash flows from investing activities like purchase and sale of assets are calculated.
4. Cash flow from financing activities: Finally, cash flows from financing activities such as issuing shares or borrowing funds are considered.

Thus, the correct sequence is:

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

Quick Tip

In a cash flow statement, start by calculating net profit before tax, followed by operating activities, investing activities, and finally financing activities.

49. The adjustment required for overvaluation of closing stock, while calculating adjusted profit for calculating goodwill is:

- (A) reduction from concerned year's profit.
- (B) reduction from next year's profit.
- (C) addition to next year's profit.
- (D) addition to previous year's profit.

Choose the correct answer from the options given below:

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

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

Solution: When the closing stock is overvalued, the profit for the current year is inflated. To correct this for calculating goodwill, we need to adjust the profit.

- (A) reduction from concerned year's profit: Overvaluation of stock leads to an inflated profit for the current year, so we reduce the overvalued amount from the current year's profit.
- (C) addition to next year's profit: Since this adjustment relates to the previous year's overstatement, it is adjusted in the following year's profit.

Thus, the correct answer is:

(2) (A) and (C) only

Quick Tip

To adjust for overvalued closing stock, reduce the overvaluation from the concerned year's profit and make an addition in the next year's profit for accurate goodwill calculation.

50. Oversubscription is a situation where the:

- (1) number of shares applied for is equal to the number of shares issued.
- (2) number of shares applied for is more than the number of shares issued.
- (3) number of shares applied for is less than the number of shares issued.
- (4) face value of the share is less than the issue price of the share.

Correct Answer: (2) number of shares applied for is more than the number of shares issued.

Solution: Oversubscription occurs when more shares are applied for by investors than the number of shares that are actually being issued by the company. This leads to a situation where the company needs to decide how to allocate the shares among the applicants.

Thus, the correct answer is:

(2) number of shares applied for is more than the number of shares issued.

Quick Tip

In oversubscription, the demand for shares exceeds the supply, requiring companies to allocate shares proportionally or through a lottery.