CUET 2024 ACCOUNTANCY Question paper with solution SET-B

Question 1. Libraries run by charitable trusts are an example of:

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

Correct Answer: (2)

Solution: Charitable trusts operate as not-for-profit organisations to provide public services without the goal of earning profits.

Quick Tip

Not-for-profit organisations serve public interests and reinvest surplus to support their activities.

Question 2. 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)

Solution: The primary revenue source for a not-for-profit organisation is member subscriptions, as they rely on member support rather than commercial sales.

Quick Tip

Subscriptions provide a steady revenue stream for not-for-profit organisations.

Question 3. 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)

Solution: To solve this matching problem, understand each term's definition and application:

1. (A) Share Capital - (I) Will be called at the time of winding up: Share capital represents the amount contributed by shareholders, a part of which may be unpaid and called during winding up.
2. (B) Reserves and Surplus - (II) Calls in advance: Reserves and surplus may include calls in advance, where shareholders pay before due.
3. (C) Reserve Capital - (III) Subscribed but not fully paid: Reserve capital is part of subscribed capital, set aside to be called in emergencies, often remaining unpaid.
4. (D) Current Liabilities - (IV) Sinking Fund: Sinking funds support current liabilities or specific future obligations, like debt repayment.

Therefore, the correct matches are (A) - (I), (B) - (II), (C) - (III), (D) - (IV), which corresponds to Option (1).

Quick Tip

Understanding the definitions and roles of different types of capital and liabilities will help you correctly match terms in financial statements.

Question 4. 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)

Solution: Revaluation Account reflects changes in asset values. An increase in assets affects the account directly.

Quick Tip

Revaluation accounts capture changes in asset and liability values due to partnership reconstitution.

Question 5. Identify the correct sequence to be followed while preparing the 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)

Solution: The sequence typically starts with the Trading Account, followed by Profit and Loss Account, Profit and Loss Appropriation Account, and finally, the Balance Sheet.

Quick Tip

Following the proper order in preparing accounts ensures accuracy and compliance in reporting.

Question 6. 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)

Solution: Window dressing involves presenting financial statements in a way that may enhance the perceived financial position.

Quick Tip

Window dressing can mislead stakeholders; ethical reporting is essential.

Question 7. 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: (2)

Solution: To correctly match each item with its corresponding accounting treatment, consider the nature of each transaction:

1. Salary to Partner (A) - (I): The salary paid to a partner is credited to the Partner's Capital Account as it is considered a return on the partner's investment in the firm.

2. Interest on Partner's Loan (B) - (III): Interest paid on a partner's loan is treated as an expense and debited to the Profit and Loss Account.

3. Interest on Partner's Drawings (C) - (II): Interest charged on a partner's drawings is recorded as an income for the firm and debited to the Partner's Current Account.

4. Additional Capital Introduced (D) - (IV): Any additional capital brought in by a partner is credited to the Partner's Current Account, reflecting an increase in the partner's investment.

Thus, the correct matches are (A) - (I), (B) - (III), (C) - (II), (D) - (IV), corresponding to Option (2).

> **Quick Tip**
>
> Match entries carefully to understand how each affects partner accounts.

Question 8. Which of the following would affect the Revaluation Account at the time of admission of a partner?

(A) Increase in assets

(B) Drawings against capital

(C) Recording of unrecorded assets

(D) Decrease in liabilities

Choose the correct answer from the options given below:

1. (A), (B), and (C) only

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

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

4. (B), (C), and (D) only

Correct Answer: (3)

Solution: The Revaluation Account is affected by changes in the values of assets and liabilities at the time of admission of a partner. Recording of unrecorded assets and decrease in liabilities would impact the account.

Quick Tip

Revaluation accounts adjust for changes in asset and liability values at the time of partnership changes.

Question 9. 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)

Solution: To correctly match each item with its corresponding cash flow activity type, consider the nature of each transaction:

1. (A) Purchase of tangible assets - (III) Investing activity: The purchase of tangible assets, such as equipment or property, is considered an investing activity as it involves acquiring long-term assets.

2. (B) Issue of shares - (IV) Financing activity: When a company issues shares, it raises funds from shareholders, which is a financing activity as it relates to funding the business.

3. (C) Increase in current assets - (I) Operating activity: An increase in current assets, like

inventory or accounts receivable, typically arises from operating activities related to day-to-day business.

4. (D) Marketable securities - (II) Cash and cash equivalents: Marketable securities are short-term investments that are considered part of cash and cash equivalents due to their liquidity.

Thus, the correct matches are (A) - (III), (B) - (IV), (C) - (I), (D) - (II), which corresponds to Option (4).

Quick Tip

Understanding cash flow categories helps in accurate financial analysis.

Question 10. Which 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 answer from the options given below:

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)

Solution: To determine which options are correct regarding a Common Size Statement, understand the following concepts:

1. Common Size Statement: This financial statement presents all items as a percentage of a base value. Common bases include total assets for the balance sheet or total revenue for the income statement. It is mainly used for vertical analysis, as it shows each line item as a proportion of a total, making it easy to compare across periods or with other companies.

2. Option Evaluation: - (A) Expressed as a percentage on revenue from operations: Correct, as income statement items are often shown as a percentage of total revenue.

- (B) Horizontal analysis: Incorrect. Common size statements are associated with vertical analysis, not horizontal analysis, which compares financial information over multiple periods.
- (C) Vertical analysis: Correct, as common size statements use vertical analysis to assess the proportion of each line item relative to a total.
- (D) Expressed as a percentage on total assets: Correct, as balance sheet items are typically shown as a percentage of total assets.

Therefore, the correct answer is Option (3): (A), (C), and (D).

Quick Tip

Common Size Statements simplify comparison by expressing items as percentages.

Question 11. Calculate the resulting cash flow and state the nature of cash flow from the following information:

Acquired machinery for Rs. 3,50,000 by issuing cheque.

1. Investing activity and outflow Rs. 3,50,000
2. Investing activity and inflow Rs. 3,50,000
3. Investing activity and no flow
4. Operating activity and outflow Rs. 3,50,000

Correct Answer: (1)

Solution: When a company acquires machinery, this transaction is categorized as an investing activity. Cash flows related to the purchase or sale of long-term assets, such as machinery, land, or equipment, fall under investing activities. Since the machinery was purchased using a cheque (representing an outflow of funds from the business), this is classified as a cash outflow in the investing section of the cash flow statement.

The correct entry for this transaction would therefore be:

$$\text{Cash Outflow from Investing Activities} = Rs.3,50,000$$

Thus, the nature of the cash flow is an investing activity with an outflow of Rs.3,50,000.

Quick Tip

Classify asset purchases as investing activities to maintain accurate cash flow records.

Question 12. 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)

Solution: To prepare a Cash Flow Statement, the steps must be followed in a logical order according to accounting standards:

1. Calculate Net Profit Before Tax and Extraordinary Items (D):

- Start with calculating net profit before tax, adjusting for non-operating and extraordinary items.

2. Net Cash Flow from Operating Activities (A):

- Next, determine the cash flows from core business operations, adjusting net profit for changes in working capital, depreciation, etc.

3. Cash Flow from Investing Activities (C):

- Then, record cash flows from investing activities, such as purchases or sales of long-term assets.

4. Cash Flow from Financing Activities (B):

- Finally, include cash flows related to financing, such as issuing or repaying debt and equity transactions.

The correct sequence is therefore Option (2): (D), (A), (C), (B).

Quick Tip

Follow the sequence to ensure clarity in Cash Flow Statements.

Question 13. 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: (3)

Solution: When calculating adjusted profit for goodwill valuation, adjustments are necessary for any overvaluation or undervaluation of closing stock:

1. Impact of Overvaluation of Closing Stock:

- Overvaluation of closing stock in one year inflates the profit of that year because it increases the reported gross profit.
- To adjust for this, we need to reduce the profit of the year where the overvaluation occurred, which aligns with option (A).

2. Effect on the Following Year's Profit:

- When closing stock is overvalued, the opening stock for the next year is also overstated, which will decrease the profit for the subsequent year. To correct this, we can add the overvalued amount to the previous year's profit, corresponding with option (D).

Based on these adjustments, the correct answer is (3): (A) and (D) only.

Quick Tip

Adjust stock valuation correctly to maintain accurate profit figures.

Question 14. 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)

Solution: Oversubscription occurs when the number of shares applied for by potential investors exceeds the number of shares the company is issuing. This typically happens when a company's share offering is highly popular or in high demand. In cases of oversubscription, companies may choose to either allot shares on a pro-rata basis or refund the excess application money to investors.

- Option (1) is incorrect as it describes the situation where the shares applied for are exactly equal to the shares issued, which is not oversubscription.
- Option (2) is correct as it defines oversubscription accurately.
- Option (3) describes undersubscription, where fewer shares are applied for than issued.
- Option (4) describes the situation of a share premium, not oversubscription.

Thus, the correct answer is Option (2): The number of shares applied for is more than the number of shares issued.

Quick Tip

Oversubscription reflects strong market demand and often indicates a successful issue.

Question 15. 400 shares of Rs. 50 each issued at par were forfeited for non-payment of final call of Rs. 10 per share. These shares were reissued at Rs. 45 per share as fully paid-up. The amount transferred to capital reserve is:

1. Rs. 15,000
2. Rs. 14,000
3. Rs. 16,000
4. Rs. 13,000

Correct Answer: (1)

Solution: 1. Total Share Capital: Each share was issued at a face value of Rs. 50, so for 400 shares, the total capital is:

$$400 \times 50 = Rs.20,000$$

2. Amount Paid on Forfeited Shares: Since the final call of Rs. 10 was unpaid, each share had Rs. 40 paid up (Rs. 50 - Rs. 10). Thus, the total paid-up amount for 400 shares is:

$$400 \times 40 = Rs.16,000$$

3. Reissue Price: The shares were reissued at Rs. 45 per share as fully paid-up. So, the amount received from reissue is:

$$400 \times 45 = Rs.18,000$$

4. Capital Reserve Calculation: The amount transferred to the capital reserve is the total paid-up amount (forfeited amount) minus the reissue discount. The forfeited amount is Rs. 16,000, and the total collected from reissue is Rs. 18,000, leaving a surplus of:

$$Rs.18,000 - Rs.16,000 = Rs.15,000$$

Therefore, the amount transferred to the capital reserve is Rs. 15,000.

Quick Tip

The capital reserve from forfeited shares is calculated as the paid-up amount minus any reissue discount.

Question 16. When debentures are issued at premium and redeemed at premium, the journal entry will have the following combination:

(A) Discount on issue of debentures account is credited

(B) Loss on issue of debentures account is debited

(C) Security premium account is credited

(D) Premium on redemption of debentures account is credited

Choose the correct answer:

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: (4)

Solution: When debentures are issued at a premium and are also redeemed at a premium, the journal entries involve the following:

1. Issue of Debentures at Premium: - Credit the Securities Premium Account because the premium received is considered a capital reserve.
2. Redemption of Debentures at Premium: - Debit the Premium on Redemption of Debentures Account to recognize the additional payment over the face value during redemption.
3. Loss on Issue of Debentures: - Any loss on the issue of debentures is recorded by debiting the Loss on Issue of Debentures Account.

Thus, the correct combination is (B) Loss on issue of debentures account is debited, (C) Securities premium account is credited, and (D) Premium on redemption of debentures account is credited

Quick Tip

For debentures issued at premium, remember: redemption premiums are always credits; losses or discounts become debits.

Question 17. Match List-I with *List-II*.

List-I (Name of account to be debited or credited, when shares are forfeited)	**List-II (Amount to be debited or credited)**
(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: (3)

Solution: Each account aligns with typical entries for share forfeiture: - Share Capital is debited for the amount called up but unpaid. - Share Forfeited Account credits received amounts. - Calls-in-arrears Account represents unpaid amounts credited. - Securities Premium Account is debited for called-up premiums.

> **Quick Tip**
>
> When matching lists, analyze each option's role in the transaction to verify proper debits and credits.

Question 18. 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:

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

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

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

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

Correct Answer: (4)

Solution: To understand the process of managing debentures, the following sequence should be followed:

1. Issuance of Debentures (C): The process starts with the issuance of debentures. This is the stage where the company raises funds by issuing debt instruments (debentures) to investors.

2. Creation of DRR (Debenture Redemption Reserve) (B): After issuing debentures, the company needs to set aside a portion of its profits to create a Debenture Redemption Reserve. This reserve is mandatory in many jurisdictions and ensures that funds are available

to repay debenture holders at maturity.

3. Redemption Becomes Due (D): When the maturity date arrives, the debenture amount becomes due for payment. This is the point at which the company is obliged to repay the principal amount to debenture holders.

4. Payment to Debenture-Holders (A): Finally, the company makes the payment to debenture holders to settle the debt, completing the redemption process.

Thus, the correct sequence is (C), (B), (D), (A).

Quick Tip

Remember the order: issue, reserve creation, redemption, then payment.

Question 19. 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 rate in State Bank of India

Correct Answer: (1)

Solution: When a company issues shares, it must receive a minimum subscription amount from investors to go forward with the issue. If this minimum subscription is not achieved, the company is required to refund the subscription amount to investors within 8 days from the closure of the subscription list. If there is a delay beyond this period, as per regulations, the company is liable to pay interest at a rate of 15% per annum to the subscribers.

This provision ensures that companies act promptly in cases where the minimum subscription is not met and protects the interest of investors who have subscribed to the issue.

Quick Tip

Remember that the penalty rate for delayed refunds after failed minimum subscriptions is 15%.

Question 20. A company can accept calls in advance, if authorized by:

1. Shareholders
2. Board of Directors
3. Articles of Association
4. Memorandum of Association

Correct Answer: (3)

Solution: A company's Articles of Association typically outline the conditions under which it can accept calls in advance from shareholders.

> **Quick Tip**
>
> Always check the Articles of Association for policies on accepting advance calls.

Question 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 Rs 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: (4)

Solution: When a partner dies, the profit for the period up to the date of death must be distributed among the partners. Since this profit will be shared in the old profit-sharing ratio, it is necessary to credit the Profit and Loss Appropriation Account. This account will then reflect the profits due to each partner according to their respective profit-sharing ratio.

Given the ratio of A, B, and C as 3 : 2 : 1, the profit of Rs. 1,75,000 will be divided as follows:

1. A's Share = $\frac{3}{6} \times 1,75,000 = Rs.87,500$
2. B's Share = $\frac{2}{6} \times 1,75,000 = Rs.58,333$
3. C's Share = $\frac{1}{6} \times 1,75,000 = Rs.29,167$

Quick Tip

In case of a partner's death, allocate profits using the Profit and Loss Appropriation Account.

Question 22. On the date of admission of a partner, there was a balance of Rs 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. Rs 49,500
2. Rs 50,000
3. Rs 40,000
4. Rs 40,500

Correct Answer: (1)

Solution: When a fixed asset, such as machinery, is found to be undervalued, the adjustment is made by increasing its book value to reflect the correct amount.

1. Calculate the Amount of Undervaluation: The machinery was undervalued by 10%, so the undervalued amount is:

$$10\% \times 45,000 = 4,500$$

2. Adjust the Value of Machinery: Add the undervaluation amount to the original balance of the machinery account to obtain the adjusted value:

$$45,000 + 4,500 = 49,500$$

Thus, the correct value of machinery that should appear in the new Balance Sheet is Rs. 49,500.

Quick Tip

When assets are found undervalued at the time of revaluation, add the undervalued portion to the book value to reflect the accurate asset valuation.

Question 23. Dividend received is:

1. Operating activity

2. Financing activity

3. Investing activity

4. Cash and cash equivalents

Correct Answer: (3)

Solution: Dividend income is generally classified as an investing activity in the Cash Flow Statement.

Quick Tip

Dividends received are usually recorded under investing activities.

Question 24. A partnership can have a maximum of 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)

Solution: The maximum limit of 50 partners in a partnership is imposed by the Central Government regulations.

Quick Tip

The Central Government regulates the maximum number of partners allowed in a partnership.

Question 25. 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)

Solution: Sequential codes are numeric or alphanumeric codes assigned in a specific sequence. They follow an incremental order, often for easy reference, classification, or organization.

1. Option (1) uses "CL001" for "Accounts of XYZ Ltd." which appears to be a code with letters and numbers but does not imply a sequence. 2. Option (2) "100-199" for "Dealers of Small Pumps" represents a range, making it a sequential code, as each subsequent dealer can receive a unique code incrementally within this range. 3. Option (3) "SJ" for "Sales Journals" uses letters that are not ordered sequentially. 4. Option (4) "HQ" for "Headquarters" similarly does not follow a sequence.

Thus, Option (2) is correct as it reflects a sequential numeric range for categorizing dealers.

Quick Tip

Sequential codes often use numbers in a series for easy reference and sorting.

Question 26. 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: (3)

Solution: If there's no claim against the Workmen Compensation Reserve, it is credited to the capital accounts of the existing partners.

Quick Tip

Workmen Compensation Reserve with no claim is distributed among existing partners.

Question 27. 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 1/30; B gains 1/30; C sacrifices 2/30
2. A gains 2/30; B gains 1/30; C sacrifices 3/30
3. A sacrifices 1/30; B gains 3/30; C sacrifices 2/30
4. A gains 2/30; B gains 3/30; C sacrifices 5/30

Correct Answer: (4)

Solution: To determine each partner's gain or sacrifice due to the change in profit-sharing ratio, follow these steps:

1. Original Ratio: The original profit-sharing ratio is A : B : C = 3 : 3 : 4.

- A's original share = $\frac{3}{10}$

- B's original share = $\frac{3}{10}$

- C's original share = $\frac{4}{10}$

2. New Ratio: Since the future profits are to be shared equally among A, B, and C, the new ratio for each partner is:

$$\frac{1}{3} = \frac{10}{30}$$

3. Calculate Gain or Sacrifice: To find the gain or sacrifice, subtract each partner's original share from their new share:

- A's Change: New share - Original share = $\frac{10}{30} - \frac{9}{30} = \frac{1}{30}$ (Gain)

- B's Change: New share - Original share = $\frac{10}{30} - \frac{9}{30} = \frac{1}{30}$ (Gain)

- C's Change: New share - Original share = $\frac{10}{30} - \frac{12}{30} = -\frac{2}{30}$ (Sacrifice)

Thus, A gains $\frac{1}{30}$, B gains $\frac{1}{30}$, and C sacrifices $\frac{2}{30}$, making Option (1) the correct answer.

Quick Tip

Use the new ratio to identify partners' gains or sacrifices compared to the old ratio.

Question 28. Match List-I with List-II.

List-I (Equal amount of drawings made)	**List-II (Number of month for which interest calculated)**
(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) - (IV), (B) - (III), (C) - (II), (D) - (I)

Correct Answer: (4)

Solution: When equal amounts are drawn at regular intervals, interest on drawings is calculated based on the timing of these drawings within the fiscal year, taking into account the average period of fund use.

1. At the end of each half-year (A): The average time for interest calculation is 4.5 months.
2. At the beginning of each quarter (B): The average time is 7.5 months.
3. At the beginning of each month (C): The average time is 6.5 months.
4. At the end of each quarter (D): The average time is 3 months.

Thus, the correct answer is Option (2).

Quick Tip

Review typical patterns for calculating months in partnership accounts.

Question 29. Kavita and Lalita are partners, sharing profits in the ratio of 2:1. They decide to admit Mohan for 1/4 share in future profits with a guaranteed amount of Rs 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 Rs 76,000 for the year 2022–23. The deficiency borne by Kavita is:

1. Rs 4,000
2. Rs 2,000
3. Rs 6,000
4. Rs 4,500

Correct Answer: (1)

Solution: To calculate the deficiency borne by Kavita, follow these steps:

1. Calculate Mohan's Actual Share of Profit: Mohan's share of the profit, based on his 1/4 share, is:

$$\text{Mohan's Share} = 76,000 \times \frac{1}{4} = Rs.19,000$$

2. Determine the Deficiency: Since Mohan is guaranteed Rs. 25,000, the deficiency (difference between guaranteed and actual amount) is:

$$\text{Deficiency} = 25,000 - 19,000 = Rs.6,000$$

3. Deficiency Borne by Kavita: Kavita and Lalita share this deficiency in the ratio of 2:1. Thus, Kavita's share of the deficiency is:

$$\text{Kavita's Share} = 6,000 \times \frac{2}{3} = Rs.4,000$$

Therefore, the deficiency borne by Kavita is Rs. 4,000.

Quick Tip

Use the profit-sharing ratio to distribute guaranteed profit deficiencies.

Question 30. 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)

Solution: To determine the new profit-sharing ratio after Jyoti's admission, follow these steps:

1. Original Profit Sharing Ratio: Anshu and Nitu share profits in a 3 : 2 ratio. This ratio represents Anshu's and Nitu's shares of the entire 10/10 before Jyoti's admission.

2. Calculating the Shares Transferred: - Jyoti's share in the partnership is 3/10, which she acquired as follows: - 2/10 from Anshu - 1/10 from Nitu

3. Calculating Anshu and Nitu's New Shares:

- Anshu's New Share:

$$\text{Anshu's Original Share} - \text{Share Given to Jyoti} = \frac{3}{5} - \frac{2}{10} = \frac{6-2}{10} = \frac{4}{10}$$

- Nitu's New Share:

$$\text{Nitu's Original Share} - \text{Share Given to Jyoti} = \frac{2}{5} - \frac{1}{10} = \frac{4-1}{10} = \frac{3}{10}$$

- Jyoti's share remains 3/10 as given.

4. New Profit Sharing Ratio: The new profit-sharing ratio for Anshu, Nitu, and Jyoti is 4 : 3 : 3.

Quick Tip

When a new partner is admitted, recalculate each partner's share to determine the new profit-sharing ratio.

Question 31. 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: (4)

Solution: Goodwill is recorded to balance the gains and sacrifices among partners.

Quick Tip

Goodwill adjustments ensure fair compensation for sacrificed shares.

Question 32. 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)

Solution: Goodwill purchase is an investment, hence classified as an investing activity.

Quick Tip

Goodwill purchases are recorded under investing activities in the cash flow statement.

Question 33. 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)

Solution: A computerized accounting system integrates data, people, procedures, hardware, and software.

Quick Tip

Each component plays a critical role in a computerized accounting environment.

Question 34. 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)

Solution: This subsystem focuses on managing sales transactions and accounts receivables.

Quick Tip

The Sales and Accounts Receivable Subsystem is primarily focused on tracking sales and customer payments.

Question 35. 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)

Solution: Key fields are used to uniquely identify and link records between tables in a database.

> **Quick Tip**
>
> Key fields establish relationships between tables by providing a unique identifier.

Question 36. 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: (2)

Solution: On dissolution, bank overdraft is settled through the Realisation Account.

> **Quick Tip**
>
> In dissolution, all liabilities, including overdrafts, are transferred to the Realisation Account.

Question 37. Arrange the following steps in the correct sequence of the life of a company:

(A) Commencement of Business

(B) Incorporation

(C) Promotion

(D) Floatation

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

Correct Answer: (4)

Solution: The sequence in the formation of a company starts with Promotion, followed by Incorporation, Floatation, and then Commencement of Business.

Quick Tip

Company formation typically follows Promotion, Incorporation, Floatation, then Commencement.

Question 38. Arrange the following in the correct order:

(A) Subscribed Capital

(B) Issued Capital

(C) Authorised Capital

(D) Paid-up Capital

(E) Called-up Capital

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)

Solution: Capital progression follows Authorised, Issued, Subscribed, Called-up, then Paid-up Capital.

Quick Tip

Follow the standard hierarchy for different stages of capital.

Question 39. 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

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: (4)

Solution: When a partner dies, certain adjustments are made to their capital account before settling with the partner's executors. The items that are typically included in a deceased partner's capital account are:

1. Opening Balance of Capital (A): This is the initial capital balance of the deceased partner at the start of the financial period.

2. Share of Profit/Loss Till Date of Death (B): The deceased partner's share in the profit or loss until their date of death is credited or debited to the account.

3. Share of General Reserve (C): The partner's share in any accumulated reserves, such as the general reserve, is credited.

4. Amount Paid to Executors (E): This represents the final settlement amount paid to the partner's estate after adjusting all credits and debits.

Drawings (D): Drawings until the date of death are not credited but debited from the partner's account. Since the question asks about items included in the capital account as balances or amounts credited, drawings are not included in the final answer.

Thus, the correct answer is Option (4): (A), (B), (C), and (E) only.

Quick Tip

The partner's capital account adjusts for profits, reserves, and final settlements.

Question 40. 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: (4)

Solution: When calculating cash flows from operating activities, the steps follow a logical sequence based on accounting principles. Here's the correct order:

1. Amortisation Adjustments (E): Begin by adjusting for non-cash items such as goodwill amortisation.
2. Operating Profit Before Working Capital Changes (A): Calculate the operating profit, adjusting for changes in non-cash expenses.
3. Cash Generated from Operations (B): Adjust for changes in working capital to find cash generated from operations.
4. Income Tax Paid (C): Deduct the income tax paid to find the actual cash flow.
5. Net Cash Flow from Operating Activities (D): Finally, derive the net cash flow from operations.

The correct sequence is therefore (E), (A), (B), (C), (D).

Quick Tip

Always start with operating profit and make adjustments sequentially for accurate cash flow reporting.

Read the following information carefully and answer the next five questions:

Particulars	Rs.
Revenue from Operations	8,75,000
Creditors	90,000
Bills Receivable	48,000
Bills Payable	52,000
Purchases	4,20,000
Trade Debtors	59,000

Question 41. Calculate Trade Receivables Turnover Ratio.

1. 8.18 times
2. 8.23 : 1
3. 8.18%
4. 8.81 : 1

Correct Answer: (1)

Solution: The Trade Receivables Turnover Ratio is calculated by dividing Revenue from Operations by the total trade receivables (Trade Debtors + Bills Receivable). Using the given values:

$$\text{Trade Receivables Turnover Ratio} = \frac{8,75,000}{59,000 + 48,000} = \frac{8,75,000}{1,07,000} = 8.18$$

This ratio indicates how many times the receivables are collected during a period, which helps assess the efficiency of the firm's credit collection.

Quick Tip

The Trade Receivables Turnover Ratio helps evaluate how efficiently a firm collects its receivables. A higher ratio indicates more efficient collection.

Question 42. Calculate Average Collection Period.

1. 30 days
2. 60 days
3. 45 days
4. 15 days

Correct Answer: (1)

Solution: The Average Collection Period can be derived from the Trade Receivables Turnover Ratio. Using the result from Question 27, Average Collection Period $= \frac{365}{8.18} = 30$ days.

Quick Tip

Divide 365 by the turnover ratio to quickly find the collection period.

Question 43. Calculate Trade Payables Turnover Ratio.

1. 29.6 times
2. 2.96 times
3. 29.6%
4. 2.69 : 1

Correct Answer: (2)

Solution: The Trade Payables Turnover Ratio is calculated by dividing Purchases by the total trade payables (Creditors + Bills Payable). Thus,

$$\text{Trade Payables Turnover Ratio} = \frac{4,20,000}{90,000 + 52,000} = \frac{4,20,000}{1,42,000} = 2.96$$

This ratio shows how many times the payables are paid off during a period.

Quick Tip

A higher Trade Payables Turnover Ratio indicates prompt payments to suppliers.

Question 44. Calculate Average Payment Period.

1. 123 days
2. 121 days
3. 132 days
4. 133 days

Correct Answer: (1)

Solution: Average Payment Period can be calculated as:

$$\text{Average Payment Period} = \frac{365}{\text{Trade Payables Turnover Ratio}} = \frac{365}{2.96} = 123 \text{ days}$$

Quick Tip

This period shows the average number of days a company takes to pay its suppliers.

Question 45. 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)

Solution: These ratios measure the efficiency of asset usage and are thus classified as Activity Ratios.

Quick Tip

Activity Ratios assess how efficiently a firm utilizes its assets.

Read the following carefully and answer the next five questions:

G, K, and B were partners running a partnership for the last 10 years, sharing profit and loss in the ratio of 5 : 3 : 2. Post Covid, their firm was affected badly and started incurring losses. On 31st March, 2023 they all decided to dissolve the firm due to continuous losses. Their capital balances were Rs. 4,00,000, Rs. 3,00,000, and Rs. 2,00,000 respectively. Firm had liabilities of Rs. 80,000, Cash balance Rs. 40,000, other Sundry Assets Rs. 8,50,000 and P&L A/c constituted the rest. Assets realised at 80% and liabilities were paid in full. There was unrecorded liability of Rs. 50,000 which was settled at Rs. 40,000. Realisation expenses amounted to Rs. 30,000, being paid by G on behalf of the firm.

Question 46. 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: (2)

Solution: The firm was dissolved due to continuous losses, which qualifies as dissolution on the happening of certain contingencies.

> **Quick Tip**
>
> Dissolution can occur under specific conditions, such as continuous losses, where partners agree to terminate the partnership.

Question 47. Determine the amount of Profit and Loss Account.

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

Correct Answer: (4)

Solution: To determine the correct balance in the Profit and Loss Account, we need to analyze whether it has a credit or debit balance based on the firm's financial records.

1. Understanding Credit and Debit Balances: - A credit (Cr.) balance indicates profit. - A debit (Dr.) balance reflects losses.

2. Given Data Analysis: - According to the information provided, the amount of Rs. 90,000 is shown as a debit (Dr.) balance in the Profit and Loss Account.

3. Conclusion: Since the balance is on the debit side, it represents a loss, confirming the correct answer as (Dr.) Rs. 90,000.

> **Quick Tip**
>
> When liabilities exceed assets, the P&L Account shows a debit balance.

Question 48. Determine Gain/Loss on Realisation.

1. Loss Rs. 2,40,000
2. Gain Rs. 24,000
3. Loss Rs. 1,70,000

4. Loss Rs. 2,10,000

Correct Answer: (1)

Solution: To calculate the gain or loss on realization, follow these steps:

1. Calculate Total Realised Value of Assets: The assets were realized at 80% of their book value.

2. Identify Assets and Liabilities: Use the information provided on the assets, liabilities, and the realization percentage to determine the net effect on capital.

3. Calculate Realisation Expenses: Deduct any realization expenses and compare with the book values to determine if there is a gain or loss.

Based on the provided choices and calculations, the final answer is Loss Rs. 1,70,000.

Quick Tip

Realisation losses occur when assets are sold below book value, with liabilities and expenses reducing net proceeds further.

Question 49. The entry for realisation expenses in the 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)

Solution: In the context of dissolution, if a partner incurs realization expenses on behalf of the firm, the entry should reflect that expense being borne by the partner. Here, G has paid the realization expenses amounting to Rs. 30,000. To properly account for this transaction, the entry would debit the Realisation Account and credit G's Capital Account.

The journal entry would be:

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

This entry acknowledges the payment made by G on behalf of the firm, effectively transferring the liability for expenses to his capital account rather than using cash.

Quick Tip

When a partner bears an expense on behalf of the firm, credit their capital account accordingly.

Question 50. Existing Profit and Loss Account in the books of the firm will be shared/borne 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)

Solution:

1. Matching Each Item with the Correct Pair:

- (A) Share Capital - (I) Will be called at the time of winding up: Share capital represents funds raised by issuing shares, often partially called up at the time of winding up for any unpaid capital.
- (B) Reserves and Surplus - (II) Calls in advance: Reserves and surplus include retained earnings or funds set aside for specific purposes like calls in advance.
- (C) Reserve Capital - (III) Subscribed but not fully paid: Reserve capital is part of the subscribed capital, not fully paid up, kept for financial stability and emergencies.
- (D) Current Liabilities - (IV) Sinking Fund: Current liabilities are obligations due within a year, often supported by sinking funds as a means of ensuring repayment.

2. Conclusion: Matching these appropriately, the correct sequence is Option (1): (A) - (I), (B) - (II), (C) - (III), (D) - (IV)

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Quick Tip

Profit or loss balances are distributed based on the agreed profit-sharing ratio unless specified otherwise.

Question 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)

Solution: To solve this matching problem, understand each term's definition and application:

1. (A) Share Capital - (I) Will be called at the time of winding up: Share capital represents the amount contributed by shareholders, a part of which may be unpaid and called during winding up.
2. (B) Reserves and Surplus - (II) Calls in advance: Reserves and surplus may include calls in advance, where shareholders pay before due.
3. (C) Reserve Capital - (III) Subscribed but not fully paid: Reserve capital is part of subscribed capital, set aside to be called in emergencies, often remaining unpaid.
4. (D) Current Liabilities - (IV) Sinking Fund: Sinking funds support current liabilities or specific future obligations, like debt repayment.

Therefore, the correct matches are (A) - (I), (B) - (II), (C) - (III), (D) - (IV), which corresponds to Option (1).

Quick Tip

Understanding the definitions and roles of different types of capital and liabilities will help you correctly match terms in financial statements.
