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PRACTICE PAPER

[Time Allowed: 90 minutes]

[Maximum Marks: 40]

General Instructions:

- (i) All questions are compulsory.
- (ii) Each question carries 1 mark.

Part-A: Accounting for Not-for-profit Organisations, Partnership Firms and Companies

1. Normal profit of a firm for the year ended 31st March, 2020 is ₹ 72,000. Assets of the firm are ₹ 7,00,000 and liabilities are ₹ 3,50,000. Normal rate of return is 12%. Value of goodwill by capitalization of average profit will be:

- (a) ₹ 3,50,000 (b) ₹ 6,00,000 (c) ₹ 2,50,000 (d) ₹ 30,000

Ans. (c)

2. Romi and Jony are partners in a firm with profit sharing ratio of 3:2. Romi has given a guarantee to Jony that his share of profit would not less than ₹ 25,000 in any year. On 1-10-2019, Jony gave a loan of ₹ 40,000 to the firm. At the end of the year, 31st March, 2020, the firm earned a profit of ₹ 60,000. The amount of deficiency to be borne by Romi is:

- (a) ₹ 3,480 (b) ₹ 1,480 (c) ₹ 1,960 (d) Nil amount

Ans. (b)

3. R and S are partners in a firm sharing profit in the ratio of 3:2. They admit M as a new partner for 1/5th share, which he takes from R and S in 1:2 ratio. The new profit sharing ratio will be:

- (a) 3:2:1 (b) 8:4:3 (c) 8:4:1 (d) 1:2:1

Ans. (b)

4. P and Q are partners sharing profits in the ratio of 3 : 2. Q withdrew a regular amount at the end of every month. At the end of the year, interest on his drawings @ 6% p.a. was calculated as ₹ 2,310. His monthly drawings were:

- (a) ₹ 8,000 (b) ₹ 9,000 (c) ₹ 7,000 (d) None of these

Ans. (c)

5. X and Y were partners in a firm with profit sharing ratio of 2:1. The following journal entry was made for treatment of goodwill at the time of admission of Z whose share of profit was decided as 1/3.

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
	Premium for Goodwill A/c Dr.		40,000	
	To X's Capital A/c			20,000
	To Y's Capital A/c			20,000

The new profit sharing ratio between X, Y and Z will be:

- (a) 2:1:1 (b) 4:2:1 (c) 3:1:2 (d) 1:1:1

Ans. (c)

6. Tify Ltd. forfeited 60 shares of ₹ 10 each issued at a premium of ₹ 2 each issued to Mohan, who had applied for 80 shares, due to non-payment of allotment money of ₹ 5 (including ₹ 2 premium) and final call of ₹ 1. The amount to be credited to Forfeited Shares Account is:

- (a) ₹ 240 (b) ₹ 360 (c) ₹ 488 (d) ₹ 480

Ans. (d)

7. Sara and Kayra are partners in a firm sharing profits in the ratio of 2:1. On March 31, 2020, they decided to share profits in the ratio of 1:2. On that date, the book of the firm shows a debit balance of profit and loss account with ₹ 15,000. Partners decided not to carry the above balance in the new books. Journal entry will be:

(a)	Profit and Loss A/c	Dr.	15,000	
	To Sara's Capital A/c			10,000
	To Kayra's Capital A/c			5,000
(b)	Sara's Capital A/c	Dr.	10,000	
	Kayra's Capital A/c	Dr.	5,000	
	To Profit and Loss A/c			15,000
(c)	Sara's Capital A/c	Dr.	5,000	
	To Kayra's Capital A/c			5,000
(d)	Kayra's Capital A/c	Dr.	5,000	
	To Sara's Capital A/c			5,000

Ans. (b)

8. The maximum amount that a company can raise as share capital is:

- (a) Authorised capital (b) Issued capital
(c) Paid up capital (d) Reserve capital

Ans. (a)

9. A partnership deed provides for the payment of interest on capital @ 6% p.a. but there was a loss instead of profit during the year 2020-21. At what rate will the interest on capital be allowed?

- (a) 6% p.a. (b) 4% p.a.
(c) 12% p.a. (d) No interest is to be allowed

Ans. (d)

10. A, B and C are partners in a firm. During the year C withdrew ₹ 20,000 at the end of the each quarter. Interest on drawing is to be charged @ 6% p.a. Interest on C's drawing will be:

- (a) ₹ 1,800 (b) ₹ 1,600 (c) ₹ 2,400 (d) ₹ 3,000

Ans. (a)

11. A, B and C were partners in a firm sharing profits and losses in the ratio of 4 : 3 : 2. The partners decide to share future profits and losses in the ratio of 2:2: 1. Each partner's gain or sacrifice due to change in the ratio will be:

- (a) Sacrifice A $\frac{2}{45}$, Sacrifice B $\frac{1}{45}$, Gain C $\frac{3}{45}$
(b) Sacrifice A $\frac{2}{45}$, Sacrifice B $\frac{3}{45}$, Gain C $\frac{1}{45}$
(c) Sacrifice A $\frac{2}{45}$, Gain B $\frac{3}{45}$, Sacrifice C $\frac{1}{45}$
(d) Sacrifice A $\frac{2}{45}$, Gain B $\frac{1}{45}$, Sacrifice C $\frac{3}{45}$

Ans. (c)

12. P, Q and R are running a partnership firm. P is entitled to a commission of 5% of net profit. The amount credited to P's Capital account for commission in the book if profit for the year amounted to ₹ 5,00,000 will be:

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

Ans. (b)

13. P and R were partners in a firm sharing profit in the ratio of 2:1. They admitted K as a new partner for $\frac{1}{4}$ th share of profit. He brought ₹ 5,20,000 for his share of capital and goodwill. The value of goodwill on that date was ₹ 4,80,000. K's capital was:

- (a) ₹ 2,40,000 (b) ₹ 2,80,000 (c) ₹ 4,20,000 (d) ₹ 4,00,000

Ans. (d)

14. At the time of admission of new partner, workmen compensation reserve appears at ₹ 80,000 in the balance sheet and workmen compensation claim is estimated at ₹ 95,000. ₹ 80,000 will be charge from workmen compensation reserve and balance of ₹ 15,000 will be charge from:

- (a) Old Partners' Capital (b) New Partner's Capital
(c) Revaluation Account (d) None of the above

Ans. (c)

15. A Ltd. forfeited 100 equity shares of ₹ 10 each issued at a premium of 20% for non-payment of ₹ 5 on final call including premium. The maximum amount of discount at which these shares can be reissued is:

- (a) ₹ 600 (b) ₹ 700 (c) ₹ 800 (d) ₹ 900

Ans. (b)

On the basis of the given information, answer the following questions (Q.16 to Q.19):

Ram and Mohan were partners in a firm sharing profits in the ratio of 4 : 1. On 01.03.2020 they admitted Sohan as a new partner for 1/3rd share in the profits of the firm. They fixed the new profit sharing ratio as 4 : 2 : 3. On the date of Sohan's admission, the firm had a Contingency Reserve balance of ₹ 20,000 and Profit and Loss account balance of ₹ 32,000 (Dr.). The firm also had a reserve of ₹ 1,00,000. Sohan is to bring ₹ 60,000 as premium for his share of goodwill.

16. While adjusting contingency reserve among the partners:

- (a) Ram's and Mohan's capital accounts will be credited with ₹ 4,000 and ₹ 16,000 respectively.
- (b) Ram's and Mohan's capital will be debited with ₹ 16,000 and ₹ 4,000 respectively.
- (c) Ram's Capital Account will be debited with ₹ 4,000 and Mohan's Capital Account will be credited with ₹ 16,000.
- (d) Ram's and Mohan's Capital Accounts will be credited with ₹ 16,000 and ₹ 4,000 respectively.

Ans. (d)

17. What entry will be passed to adjust the Profit and Loss A/c (Dr.) Balance?

- (a) Dr. Ram's Capital A/c ₹ 6,400 and Mohan's Capital A/c ₹ 25,600; Cr. Profit and Loss A/c ₹ 32,000
- (b) Dr. Profit and Loss A/c ₹ 32,000; Cr. Ram's Capital A/c ₹ 6,400 and Mohan's Capital A/c ₹ 25,600
- (c) Dr. Ram's Capital A/c ₹ 25,600 and Mohan's Capital A/c ₹ 6,400; Cr. Profit and Loss A/c ₹ 32,000
- (d) Dr. Profit and Loss A/c ₹ 32,000; Cr. Ram's Capital A/c ₹ 25,600 and Mohan's Capital A/c ₹ 6,400

Ans. (c)

18. The Journal entry for treatment of goodwill is:

- (a) Dr. Mohan's Capital A/c ₹ 4,000; Dr. Premium for goodwill A/c ₹ 60,000; Cr. Ram's Capital A/c ₹ 64,000.
- (b) Dr. Sohan's Capital A/c ₹ 60,000; Cr. Ram's Capital A/c ₹ 48,000; Cr. Mohan's Capital A/c ₹ 12,000.
- (c) Dr. Premium for goodwill ₹ 60,000; Cr. Ram's Capital A/c ₹ 48,000; Cr. Mohan's Capital A/c ₹ 12,000.
- (d) None of these

Ans. (a)

19. What journal entry will be passed to distribute Reserve?

- (a) Dr. Ram's Capital A/c ₹ 80,000; Dr. Mohan's Capital A/c ₹ 20,000 and Cr. General Reserve A/c ₹ 1,00,000
- (b) Dr. Ram's Capital A/c ₹ 20,000; Dr. Mohan's Capital A/c ₹ 80,000 and Cr. General Reserve A/c ₹ 1,00,000
- (c) Dr. General Reserve A/c ₹ 1,00,000; Cr. Ram's Capital A/c ₹ 80,000 and Cr. Mohan's Capital A/c ₹ 20,000
- (d) Dr. General Reserve A/c ₹ 1,00,000; Cr. Ram's Capital A/c ₹ 20,000 and Cr. Mohan's Capital A/c ₹ 80,000

Ans. (c)

On the basis of the given information, answer the following questions (Q.20 to Q.27):

Parul Ltd. issued 40,000 Equity Shares of ₹ 10 each at a premium of ₹ 2.50 per share. The amount was payable as follows:

On application — ₹ 2 per share

On allotment — ₹ 4.50 per share (including premium)

On call — ₹ 6 per share

Owing to heavy subscription the allotment was made on pro-rata basis as follows:

(A) Applicants for 20,000 shares were allotted 10,000 shares.

(B) Applicants for 56,000 shares were allotted 14,000 shares.

(C) Applicants for 48,000 shares were allotted 16,000 shares.

It was decided that excess amount received on applications would be utilized on allotment and the surplus would be refunded. Ram, to whom 1,000 shares were allotted, who belonged to category (A), failed to pay allotment money. His shares were forfeited after the call.

20. What is the amount that will be transferred from Share Application A/c to Share Allotment A/c?

- (a) ₹ 84,000 (b) ₹ 1,47,000 (c) ₹ 1,27,000 (d) ₹ 1,56,000

Ans. (b)

21. Total number of subscribed shares by the end were:

- (a) 40,000 Equity shares (b) 1,000 Equity shares
(c) 39,000 Equity shares (d) 1,24,000 equity shares

Ans. (c)

22. How much excess amount of application is refunded?

- (a) ₹ 1,80,000 (b) ₹ 25,000 (c) ₹ 8,000 (d) ₹ 33,000

Ans. (d)

23. What amount is received at the time of share allotment?

- (a) ₹ 30,500 (b) ₹ 25,000 (c) ₹ 26,000 (d) ₹ 32,000

Ans. (a)

24. The amount of calls-in-arrear will be:

- (a) ₹ 6,000 (b) ₹ 5,000 (c) ₹ 3,000 (d) ₹ 8,500

Ans. (d)

25. Find out the amount of share forfeiture account that will appear in the Balance Sheet.

- (a) ₹ 7,000 (b) ₹ 5,000 (c) ₹ 4,000 (d) ₹ 3,500

Ans. (c)

26. At the time of reissue of forfeited shares, Security premium account will be:

- (a) Debited with ₹ 2500 (b) Credited with ₹ 2500
(c) Neither credited nor debited (d) Credited with ₹ 4000

Ans. (a)

27. Amount of SPR can not be used for:

- (a) Issue of fully paid up bonus share (b) To write off the preliminary expenses
(c) Buy back of own share (d) Purchasing of new land

Ans. (d)

In the given questions (Q.28 to Q.30), a statement of assertion followed by a statement of reason is given. Choose the correct answer out of the following choices.

- (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
(b) Both Assertion (A) and Reason (R) are true but Reason (R) is not the correct explanation of Assertion (A)
(c) Assertion (A) is true but Reason (R) is false
(d) Assertion (A) is false but Reason (R) is true

28. Assertion (A): Goodwill requires adjustment at the time of reconstitution of a firm.

Reason (R): The nature and location of business do not affect the valuation of goodwill.

Ans. (c)

29. Assertion (A) : The Capital Account of partner, in case of fixed capital method, always show a credit balance in spite of consistent losses.

Reason (R): All losses are debited to Current Account of the partners, so Capital Account do not show debit balance.

Ans. (a)

30. Assertion (A): The company has to get minimum subscription within 120 days from the date of the issue of the prospectus.

Reason (R) : If the company fails to receive the minimum subscription, the company can proceed for the allotment of shares and application money only after 130 days of the date of issue of prospectus.

Ans. (c)

Part–B: Financial Statement Analysis

31. While computing Quick Ratio, Quick assets does not include:

- (a) Prepaid Expenses (b) Bank
(c) Inventory (d) Both (a) and (c)

Ans. (d)

32. Current ratio of Accounts Guru Ltd. is 3 : 2. The accountant wants to maintain it at 2 : 1. Which of the following alternative is suitable?

- (a) Borrowing short term loan (b) Purchasing goods on credit
(c) Repaying bills payable (d) Purchase of furniture for cash

Ans. (c)

33. In Statement of Profit and Loss of a company, 'Change in inventory' is positive when:

- (a) Closing Inventory > Opening Inventory (b) Closing Inventory < Opening Inventory
(c) Closing Inventory = Opening Inventory (d) None of these

Ans. (b)

34. Which of the following is not a Non-current Liability?

- (a) Debentures (b) Trade Payables
(c) Long-term Loans and Advances (d) Both (b) and (c)

Ans. (d)

35. Which of the following is not a component of other income?

- (a) Dividend income (b) Interest income
(c) Proceeds from sale of scrap (d) Gain on sale of investment

Ans. (c)

On the basis of the given information, answer the following questions (Q.36 to Q.39):

Inventory turnover ratio 8 times, Revenue from Operations ₹ 50,00,000, Gross Profit Ratio 40%, Closing inventory is twice the opening inventory. Net profit is ₹ 7,50,000.

36. Cost of revenue from operation will be:

- (a) ₹ 20,00,000 (b) ₹ 30,00,000 (c) ₹ 50,00,000 (d) ₹ 10,00,000

Ans. (b)

37. Value of opening Inventory will be:

- (a) ₹ 5,00,000 (b) ₹ 3,75,000 (c) ₹ 2,00,000 (d) ₹ 2,50,000

Ans. (d)

38. Value of Closing Inventory will be:

- (a) ₹ 2,50,000 (b) ₹ 3,25,000 (c) ₹ 5,00,000 (d) ₹ 1,50,000

Ans. (c)

39. Net Profit Ratio will be:

- (a) 20% (b) 15% (c) 10% (d) 6.75%

Ans. (b)

40. Read the given statements – Assertion (A) and Reason (R). Choose one of the correct alternatives given below:

Assertion (A): Current ratio should not be very high.

Reason (R) : A very high current ratio implies heavy investment in current assets which is not a good sign as it reflects under utilisation or improper utilisation of resources.

- (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
(b) Both Assertion (A) and Reason (R) are true but Reason (R) is not the correct explanation of Assertion (A)
(c) Assertion (A) is true but Reason (R) is false
(d) Assertion (A) is false but Reason (R) is true

Ans. (a)

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PRACTICE PAPER

[Time Allowed: 90 minutes]

[Maximum Marks: 40]

General Instructions:

- (i) All questions are compulsory.
- (ii) Each question carries 1 mark.

Part–A: Accounting for Not-for-profit Organisations, Partnership Firms and Companies

1. C and D equal partners. The profit for the year is distributed among them equally without charging interest on drawings on them. The interest on drawings of C and D amounted to ₹ 600 and ₹ 800. The adjustment entry would be:
 - (a) Dr. C's Capital A/c and Cr. D's Capital A/c by ₹ 200
 - (b) Dr. D's Capital A/c and Cr. C's Capital A/c by ₹ 100
 - (c) Dr. C's Capital A/c and Cr. D's Capital A/c by ₹ 100
 - (d) Dr. D's Capital A/c and Cr. C's Capital A/c by ₹ 200
2. At the time of admission of Sunder, a new partner, Land appearing in the book at ₹ 2,70,000 which was found undervalued by 10%. Entry will be:
 - (a) Dr. Land A/c and Cr. Revaluation A/c by ₹ 27,000
 - (b) Dr. Revaluation A/c and Cr. Land A/c by ₹ 27,000
 - (c) Dr. Land A/c and Cr. Revaluation A/c by ₹ 30,000
 - (d) Dr. Revaluation A/c and Cr. Land A/c by ₹ 30,000
3. Romi, Tomi and Dolly were equal partners in a firm. Profit for the year 2020-21 before interest on loan was ₹ 12,000. On 30-9-20 Dolly had given a loan of ₹ 6,00,000 to the firm and she demand for interest thereon @ 10%. There was no partnership deed.

The amount of profit or loss distributed between partners for the year will be:

 - (a) Profit of ₹ 4,000 to each partner
 - (b) Loss of ₹ 6,000 to each partner
 - (c) Profit of ₹ 3,240 to each partner
 - (d) Loss of ₹ 2,000 to each partner
4. Pick the odd one out:
 - (a) Plant appreciated by ₹ 5,500
 - (b) Creditors to be written off by ₹ 5,500
 - (c) A claim of ₹ 5,500 is to be recorded
 - (d) An old typewriter is sold for ₹ 5,500 which was completely written off

5. A and B are equal partners with capital of ₹ 80,000 each. They admitted C as a new partner for 1/3rd share in profit. C bring ₹ 1,00,000 as his capital. The value of hidden goodwill is:
 (a) ₹ 20,000 (b) ₹ 40,000 (c) ₹ 60,000 (d) ₹ 1,00,000
6. Profit of a firm for the last four years was as follows:

Year	2019–20	2018–19	2017–18	2016–17
Profit (₹)	45,000	(30,000)	65,000	25,000

Information:

On 1-04-2018, a major repair cost of ₹ 50,000 was incurred at the time of purchasing a second hand machine was debited to Profit and Loss Account. Depreciation is charged @ 10% p.a. on written-down value method.

The average profit of the last four years is:

- (a) ₹ 36,375 (b) ₹ 16,125
 (c) ₹ 46,375 (d) ₹ 26,125
7. Total capital of the firm is ₹ 8,00,000 and normal rate of return is 15%. Profit for the year is ₹ 1,50,000. Goodwill of the firm through capitalization method is:
 (a) ₹ 1,00,000 (b) ₹ 2,00,000
 (c) ₹ 3,00,000 (d) ₹ 4,00,000
8. X, Y and Z are partners sharing profit in the ratio of 3 : 2 : 1. They agree to admit M into the firm. X, Y and Z agreed to give 1/3rd, 1/6th, 1/9th share of their profit. The share of profit of M will be:
 (a) 11/54 (b) 12/54 (c) 13/54 (d) 14/54

On the basis of the given information, answer the following questions (Q.9 to Q.12)

Kushal, Raunak and Anuj are partners in a firm. Due to rapid increase in COVID cases, Anuj decided to retire from the firm on 31st March 2020 and to shift to a non-COVID country as his parents were very old and there was a threat to catch this virus in Delhi. The other two partners agreed to it. On the day of retirement, ₹ 6,00,000 was due to him. The other partners agree to pay three yearly installments of ₹ 2,00,000 including interest @ 12% on the outstanding balance during the first three years starting from 31st March 2021 and the balance including interest in the fourth year.

9. What journal entry is passed to transfer Anuj's Loan A/c?
 (a) Dr. Anuj's Capital; Cr. Bank A/c ₹ 6,00,000
 (b) Dr. Bank; Cr. Anuj's Capital A/c ₹ 6,00,000
 (c) Dr. Anuj's Capital A/c; Cr. Anuj's Loan Account ₹ 6,00,000
 (d) Dr. Anuj's Loan A/c; Cr. Bank Overdraft A/c ₹ 6,00,000
10. At what rate interest on loan is to be paid if there is no written agreement for it?
 (a) 10% p.a. (b) 12% p.a. (c) 7% p.a. (d) 6% p.a.
11. State the amount of interest to be paid along with second instalment.
 (a) ₹ 72,000 (b) ₹ 56,640 (c) ₹ 39,440 (d) ₹ 20,170

12. What will be the final amount payable at the end of fourth year including interest?
 (a) ₹ 2,24,000 (b) ₹ 2,00,000 (c) ₹ 1,80,000 (d) ₹ 1,88,246

On the basis of the given information, answer the following questions (Q.13 to Q.16):

Pankaj and Dinesh were in partnership sharing profits and losses in the ratio 2:1. They admitted Vaanya as a new partner. Vaanya brought ₹ 1,20,000 as her share of goodwill premium, which was entirely credited to Pankaj's Capital Account. On the date of admission, goodwill of the firm was valued at ₹ 3,60,000 and there was a debit balance of ₹ 30,000 in the Profit and Loss A/c.

13. What is the new ratio between Pankaj, Dinesh and Vaanya?
 (a) 1 : 1 : 1 (b) 2 : 1 : 1 (c) 3 : 1 : 1 (d) 1 : 1 : 2
14. The entry for distribution of premium is:
 (a) Dr. Premium of Goodwill ₹ 1,20,000; Cr. Pankaj's Capital A/c ₹ 80,000, Cr. Dinesh's Capital A/c ₹ 40,000
 (b) Dr. Premium for Goodwill ₹ 1,20,000, Cr. Pankaj's Capital A/c ₹ 1,20,000
 (c) Dr. Pankaj's Capital A/c ₹ 1,20,000, Cr. Premium for Goodwill A/c ₹ 1,20,000
 (d) Dr. Premium for Goodwill ₹ 1,20,000; Cr. Dinesh's Capital A/c ₹ 1,20,000
15. The new partner brings premium for goodwill to acquire her share in _____.
 (a) assets of the firm (b) liabilities of the firm
 (c) profits of the firm (d) expenses of the firm
16. The adjustment entry for Profit and Loss (Dr.) Balance is:
 (a) Dr. Profit and Loss A/c; Cr. Pankaj's Capital A/c ₹ 30,000
 (b) Dr. Pankaj's Capital A/c; Cr. Profit and Loss A/c ₹ 30,000
 (c) Dr. Pankaj's Capital A/c ₹ 20,000; Dr. Dinesh's Capital A/c ₹ 10,000; Cr. Profit and Loss A/c ₹ 30,000
 (d) Dr. Dinesh's Capital A/c; Cr. Profit and Loss A/c ₹ 30,000
17. Calls-in-Arrears is disclosed in the Balance Sheet of a company as:
 (a) Current Assets – Trade Receivables
 (b) Current Liabilities – Trade Payables
 (c) Current Liabilities – Other Current Liabilities
 (d) Share Capital – Deduction under subscribed but not fully paid
18. 100 shares of ₹ 10 each ₹ 8 called up were forfeited due to non-payment of ₹ 3 per share. Later, 75 of these shares were reissued @ ₹ 13 per share as fully paid up. At the time of reissue, share capital account was credited by:
 (a) ₹ 600 (b) ₹ 975 (c) ₹ 800 (d) ₹ 750
19. Sun Ltd. had allotted 20,000 shares to the applicants of 35,000 shares on pro-rata basis. The amount payable on application is ₹ 4 per share. Surbhi applied for 1,400 shares. The number of shares allotted and the amount carried forward for adjustment against allotment money due from Surbhi are:
 (a) 800 shares, ₹ 1,600 (b) 1,000 shares, ₹ 2,400
 (c) 1,000 shares, ₹ 1,600 (d) 800 shares, ₹ 2,400

20. Share Application A/c is a:
- (a) Real A/c (b) Nominal A/c
(c) Personal A/c (d) None of these
21. A machine costing ₹ 6,00,000 is purchased and 20% payment was made by cheque and rest by issue of shares of ₹ 10 each at a premium of 20%. The Securities Premium Reserve A/c will be _____.
- (a) Credited by ₹ 60,000 (b) Credited by ₹ 80,000
(c) Debited by ₹ 45,000 (d) Debited by ₹ 60,000
22. Amount collected as premium on securities can be utilized for:
- (a) Issuing fully paid bonus shares to the members
(b) Purchase of New Land
(c) Writing off Bad debts
(d) Writing off loss on sale of fixed assets
23. Jeet Ltd. invited applications for 40,000 shares. Applications for 50,000 shares are received. The company rejected 4,000 shares and gave full allotment to applicants of 6,000 shares, and prorata allotment was given to rest of the applicants in the ratio:
- (a) 20:15 (b) 20:17
(c) 40:35 (d) 40:24

On the basis of the given information, answer the following questions (Q.24 to Q.27):

X Ltd. was registered with an Authorized capital of ₹ 40,00,000 divided into equity shares of ₹ 10 each. The company invited applications for the issue of 2,00,000 shares. Applications for 1,90,000 shares were received. All calls were made and were duly received except the final call of ₹ 2 per share on 6,000 shares. These shares were forfeited after the final call and later, half of these shares were reissued at ₹ 15,000 as fully paid.

24. The total number of subscribed share of the company is:
- (a) 2,00,000 shares (b) 1,90,000 shares
(c) 4,00,000 shares (d) 1,87,000 shares
25. Amount to be shown in share forfeiture account under balance sheet:
- (a) ₹ 48,000 (b) ₹ 24,000 (c) ₹ 52,000 (d) ₹ 36,000
26. Total amount of share capital in the balance sheet:
- (a) ₹ 20,00,000 (b) ₹ 19,00,000 (c) ₹ 18,94,000 (d) ₹ 18,88,000
27. Issued capital of company is:
- (a) 2,00,000 shares (b) 1,90,000 shares
(c) 1,84,000 shares (d) 1,87,000 shares

In the given questions (Q.28 to Q.30), a statement of assertion followed by a statement of reason is given. Choose the correct answer out of the following choices.

- (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
(b) Both Assertion (A) and Reason (R) are true but Reason (R) is not the correct explanation of Assertion (A)
(c) Assertion (A) is true but Reason (R) is false
(d) Assertion (A) is false but Reason (R) is true

28. Assertion (A): Over a period of time, a well-established business develops an advantage of good name, reputation and wide business connections.

Reason (R): Self-generated goodwill is shown as an asset in the books.

29. Assertion (A): Each partner carrying on the business is the principal as well as the agent for all the other partners.

Reason (R): Only active partner is entitled to participate in the conduct of the affairs of its business.

30. Assertion (A): The Securities Premium Account is not to be debited at the time of forfeiture if the premium has been received in respect of the forfeited shares.

Reason (R): Section 52(2) of the Companies Act 2013 restricts the use of Securities Premium received and credited to Securities Premium Reserve Account.

Part-B: Financial Statement Analysis

31. Net Profit can be greater than Operating Profit when:

- (a) Cost of Revenue from Operations is more than Operating Expenses
- (b) Operating Expenses are more than Non-operating Expenses
- (c) Non-operating Expenses are more than Non-operating Income
- (d) Non-operating Expenses are less than Non-operating Income

32. If average inventory of a company was ₹ 50,000 and closing inventory was 3 times more than that in the beginning. The value of closing inventory was:

- (a) ₹ 75,000
- (b) ₹ 80,000
- (c) ₹ 33,000
- (d) ₹ 50,000

33. The current ratio of a company is 1 : 1. The ratio will improve when:

- (a) Cash is received from trade receivables
- (b) Goods are purchased on credit
- (c) Sale of goods at a loss of 10%
- (d) Sale of goods at a profit of 10%

34. Unclaimed dividend is shown in equity and liabilities items of the balance sheet under sub-heading:

- (a) Reserves and Surplus
- (b) Short-term Provisions
- (c) Current Liabilities
- (d) None of these

35. Which of the following will not covered under finance cost?

- (a) Discount on issue of debentures written off
- (b) Interest paid on bank overdraft
- (c) Bank charges
- (d) Premium payable on redemption of debentures written off

On the basis of the given information, answer the following questions (Q.36 to Q.39):

Revenue from Operations = ₹ 6,00,000

Gross Profit = 20% on cost

Excess of Closing Inventory over Opening Inventory = ₹ 4,000

Other Current Assets other than inventories = ₹ 1,70,000

Inventory Turnover Ratio = 10 times

36. Cost of revenue from operations will be:

- (a) ₹ 4,80,000 (b) ₹ 1,20,000
(c) ₹ 1,00,000 (d) ₹ 5,00,000

37. Value of Opening inventory will be:

- (a) ₹ 50,000 (b) ₹ 52,000
(c) ₹ 48,000 (d) None of these

38. Value of Current assets will be:

- (a) ₹ 1,70,000 (b) ₹ 2,18,000
(c) ₹ 2,00,000 (d) ₹ 2,22,000

39. Value of closing inventory will be:

- (a) ₹ 48,000 (b) ₹ 52,000
(c) ₹ 4,000 (d) ₹ 66,000

40. Read the given statements – Assertion (A) and Reason (R). Choose one of the correct alternatives given below:

Assertion (A) : The Debt to Equity ratio 2 : 1 indicates reasonable funding by debt and adequate security of debt.

Reason (R) : The Debt to Equity ratio is profitability ratio.

- (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
(b) Both Assertion (A) and Reason (R) are true but Reason (R) is not the correct explanation of Assertion (A)
(c) Assertion (A) is true but Reason (R) is false
(d) Assertion (A) is false but Reason (R) is true

ANSWERS

- | | | | | | |
|---------|---------|---------|---------|---------|---------|
| 1. (b) | 2. (c) | 3. (d) | 4. (c) | 5. (b) | 6. (a) |
| 7. (b) | 8. (c) | 9. (c) | 10. (d) | 11. (b) | 12. (d) |
| 13. (a) | 14. (b) | 15. (c) | 16. (c) | 17. (d) | 18. (d) |
| 19. (d) | 20. (c) | 21. (b) | 22. (a) | 23. (b) | 24. (d) |
| 25. (b) | 26. (c) | 27. (a) | 28. (c) | 29. (c) | 30. (a) |
| 31. (d) | 32. (b) | 33. (d) | 34. (c) | 35. (c) | 36. (d) |
| 37. (c) | 38. (d) | 39. (b) | 40. (c) | | |

3

PRACTICE PAPER

[Time Allowed: 90 minutes]

[Maximum Marks: 40]

General Instructions:

- (i) All questions are compulsory.
- (ii) Each question carries 1 mark.

Part–A: Accounting for Not-for-profit Organisations, Partnership Firms and Companies

1. The profits for the previous three years are given below:

2018-2019	₹ 23,000 (including an abnormal gain of ₹ 8,000)
2019-2020	₹ 40,000 (after charging an abnormal loss of ₹ 12,000)
2020-2021	₹ 38,000 (after writing off bad debts amounting to ₹ 6,000)

The amount of goodwill at two years purchase of the average profits of the last three years will be _____.

- (a) ₹ 65,000 (b) ₹ 70,000 (c) ₹ 68,000 (d) ₹ 35,000

2. A and B are partners sharing profits in the ratio of 2 : 3. Their Balance Sheet shows machinery at ₹ 4,00,000; stock at ₹ 80,000 and Debtors at ₹ 3,20,000.

C is admitted and new profit sharing ratio is agreed at 6 : 9 : 5. Machinery is revalued at ₹ 3,40,000 and a provision is made for doubtful debts @ 2.5%.

A's share in loss on revaluation amounted to ₹ 20,000.

Revalued value of stock will be:

- (a) ₹ 98,000 (b) ₹ 1,00,000
(c) ₹ 60,000 (d) ₹ 62,000

3. Gagandeep, a partner advanced a loan of ₹ 60,000 to the firm on 30th November 2020. The firm incurred a loss of ₹ 15,000 during the year ending 31st March, 2021. In the absence of partnership deed interest a loan allowed to Gagandeep will be

- (a) ₹ 3,600 (b) ₹ 900
(c) ₹ 1,200 (d) ₹ 1,800

4. Vikas and Yogesh were in partnership sharing profits and losses in the ratio of 2 : 1. They admitted Kunal as a new partner. Kunal brought ₹ 1,00,000 as his share of goodwill premium, which was entirely credited to Vikas's capital account. On the date of admission, goodwill of the firm was valued at ₹ 5,00,000. The new profit sharing ratio of Vikas, Yogesh and Kunal will be:
- (a) 7 : 5 : 3 (b) 7 : 3 : 5
(c) 5 : 7 : 3 (d) 3 : 5 : 7
5. P, Q and R are partners in a firm. Net profit before appropriations is ₹ 7,87,000. Total interest on capital and salary to the partners amounted to ₹ 40,000 and ₹ 75,000 respectively. P and Q are entitled to receive a commission @ 6% each on net profit after taking into consideration interest on capital salaries and all commission. Calculate commission payable to P and Q.
- (a) ₹ 18,000 each (b) ₹ 40,320 each
(c) ₹ 36,000 each (d) ₹ 24,000 each
6. Charvi and Vaanya were partner sharing Profit and Losses in 3 : 2 with affect from 1st April 2021, they decided to share future profits equally. On that date, following journal entry was passed by the firm:

Date	Particulars	L.F.	Dr. Amount (₹)	Cr. Amount (₹)
	Charvi's Current A/c To Vaanya's Current A/c	Dr.	30,000	30,000

Which of the following balance was existing in the books of the firm on the date of reconstitution?

- (a) Contingency Reserve ₹ 3,00,000
(b) Profit and Loss (Dr.) Balance ₹ 3,00,000
(c) Profit and Loss (Cr.) Balance ₹ 3,00,000
(d) Advertisement Suspense Account ₹ 2,00,000
7. The assets of the firm including Profit and Loss (Dr) balance of ₹ 10,000 are ₹ 90,000. The Liabilities of the firm amounted to ₹ 40,000. The normal rate of return is 10% and the average profits of the firm are ₹ 12,000. The value of goodwill as per capitalization of super profits is _____.
- (a) ₹ 70,000 (b) ₹ 80,000
(c) ₹ 40,000 (d) ₹ 50,000
8. Sanyam, Charvi and Yuvraj are partners in a firm. Yuvraj has been given a guarantee of minimum profit of ₹ 14,000 by the firm. Firm incurred a loss of ₹ 6,000 during the year. Capital accounts of Sanyam and Charvi will be debited by:
- (a) ₹ 20,000 each (b) ₹ 7,000 each
(c) ₹ 3,000 each (d) ₹ 10,000 each

On the basis of the given information, answer the following questions (Q.9 to Q.16):

A and B share profits in the ratio of 3 : 1. Their Balance Sheet as on 31st March, 2021 was as under:

Liabilities		Amount (₹)	Assets		Amount (₹)
Capitals: A	60,000		Machinery		50,000
B	<u>29,000</u>	89,000	Goodwill		16,000
Workmen Compensation Fund		9,000	Patent		6,000
Creditors		24,000	Furniture		10,000
Outstanding Expenses		1,500	Sundry Debtors	30,000	
Bills Payable		15,000	(-) Provision for bad debts	<u>(4,000)</u>	26,000
			Stock		25,000
			Cash		5,500
		<u>1,38,500</u>			<u>1,38,500</u>

They admitted C as partner on this date. New profit sharing ratio agreed to be 2 : 1 : 1. All partners agreed that:

- C will bring ₹ 33,000 as Capital.
- C will also bring ₹ 14,000 as his share of goodwill.
- There was a claim of ₹ 1,000 for workmen compensation.
- 5% of the creditors are untraceable and hence to be written back.
- Outstanding expenses shown in Balance Sheet are to be reduced to ₹ 1,200.
- Accrued income of ₹ 1,000 is to be brought in books.
- Provision for bad debts was found in excess by ₹ 1,500.

9. Creditors of ₹ 1,200 will be:

- Debited to Revaluation A/c
- Credited to Revaluation A/c
- Shown on Liability side of the Balance Sheet
- Shown on Asset side of the Balance Sheet

10. Accrued income of ₹ 1,000 to be:

- Debited to Revaluation A/c
- Credited to Revaluation A/c
- Shown on Liability side of the Balance Sheet
- Not recorded anywhere

11. Excess of Provision for Doubtful Debts of ₹ 1,500 will be:

- Credited to Revaluation A/c
- Debited to Revaluation A/c
- Shown on Liability side of the Balance Sheet
- Not recorded anywhere

12. What journal entry will be passed for Workmen's Compensation Fund?
- Dr. Workmen's Compensation Fund ₹ 9,000, Cr. Claim for Workmen's Compensation ₹ 1,000; Cr. A's Capital A/c ₹ 6,000; Cr. B's Capital A/c ₹ 2,000
 - Dr. Workmen's Compensation Fund ₹ 9,000; Cr. A's Capital A/c ₹ 6,000; Cr. B's Capital A/c ₹ 3,000
 - Dr. A's Capital A/c ₹ 6,000; Dr. B's Capital A/c ₹ 2,000; Dr. Claim for Workmen's Compensation ₹ 1,000; Cr. Workmen's Compensation Reserve A/c ₹ 9,000
 - Dr. Revaluation ₹ 1,000; Cr. Claim for Workmen's Compensation ₹ 1,000
13. What journal entry is passed for premium for goodwill?
- Dr. Premium for Goodwill A/c ₹ 14,000; Cr. A's Capital A/c ₹ 10,500; Cr. B's Capital A/c ₹ 3,500
 - Dr. Premium for Goodwill A/c ₹ 14,000; Cr. B's Capital A/c ₹ 14,000
 - Dr. Premium for Goodwill A/c ₹ 14,000; Cr. A's Capital A/c ₹ 14,000
 - Dr. Premium for Goodwill A/c ₹ 14,000; Cr. Revaluation A/c ₹ 14,000
14. Profit (gain) on Revaluation of Assets and Reassessment of Liabilities is:
- ₹ 2,500
 - ₹ 3,000
 - ₹ 3,700
 - ₹ 4,000
15. The new Capital Balances of all the partners will be:
- A – ₹ 71,000, B – ₹ 28,000, C – ₹ 33,000
 - A – ₹ 83,000, B – ₹ 32,000, C – ₹ 33,000
 - A – ₹ 69,000, B – ₹ 28,000, C – ₹ 33,000
 - A – ₹ 69,000, B – ₹ 32,000, C – ₹ 33,000
16. Cash balance would appear in the new balance sheet at:
- ₹ 19,500
 - ₹ 38,500
 - ₹ 52,500
 - ₹ 47,000
17. The minimum share application money is:
- ₹ 5 per share
 - 5% of nominal value of shares
 - 10% of the nominal value of shares
 - 10% of the nominal value of shares
18. H Ltd. had allotted 20,000 shares to the applicants of 28,000 shares on pro-rata basis. The amount payable on application was ₹ 2 per share. S applied for 840 shares. The number of shares allotted and the amount carried forward for adjustment against allotment money due from S will be:
- 120 shares; ₹ 240
 - 680 shares; ₹ 320
 - 640 shares; ₹ 400
 - 600 shares; ₹ 480
19. 250 shares of ₹ 20 each on which first and final call of ₹ 6 per share is not paid is forfeited. Out of these, 200 shares are reissued for ₹ 14 per share fully paid up. The amount transferred to capital reserve will be:
- ₹ 1,800
 - ₹ 1,200
 - ₹ 2,800
 - ₹ 1,600

On the basis of the given information, answer the following questions (Q.20 to Q.27):

Ranvijay Ltd. invited applications for issuing 1,00,000 shares of ₹ 10 each at a premium of ₹ 2 per share. Amount per share was payable as follows :

On Application	—	₹ 4 (including premium ₹ 1)
On Allotment	—	₹ 4 (including premium ₹ 1)
On First and Final Call	—	Balance

Applications were received for 1,50,000 shares and allotment was made to the applicants as follows:

- (i) Applicants of 80,000 shares were allotted 60,000 shares.
- (ii) Applicants of 50,000 shares were allotted 40,000 shares.
- (iii) No shares were allotted to the remaining applicants and their application money was returned.

Yuvraj, who belonged to category (ii) and who had applied for 5,000 shares failed to pay the allotment and call money. His shares were forfeited. Later, half of Yuvraj's forfeited shares were reissued @ ₹ 18 per share as fully paid up.

20. State the amount of excess application money refunded to the applicants.

- (a) ₹ 2,00,000 (b) ₹ 80,000 (c) ₹ 40,000 (d) ₹ 1,00,000

21. State the excess application money being adjusted to share allotment account to whom pro-rata allotment has been made.

- (a) ₹ 2,00,000 (b) ₹ 80,000 (c) ₹ 40,000 (d) ₹ 1,20,000

22. State the amount of calls-in-arrears at the time of receipt of allotment money.

- (a) ₹ 12,000 (b) ₹ 16,000 (c) ₹ 18,000 (d) ₹ 24,000

23. The amount of calls-in-arrear at the time of receipt of first call is:

- (a) ₹ 12,000 (b) ₹ 16,000 (c) ₹ 18,000 (d) ₹ 24,000

24. The amount forfeited on 4,000 shares is:

- (a) ₹ 12,000 (b) ₹ 14,000 (c) ₹ 16,000 (d) ₹ 18,000

25. At the time of forfeiture of shares, Securities Premium Reserve Account will be debited with:

- (a) ₹ 4,000 (b) ₹ 6,000 (c) ₹ 8,000 (d) ₹ 10,000

26. State the amount received at the time of reissue of forfeited shares.

- (a) ₹ 20,000 (b) ₹ 16,000 (c) ₹ 36,000 (d) ₹ 30,000

27. State the amount to be transferred to Capital Reserve Account.

- (a) ₹ 6,000 (b) ₹ 8,000 (c) ₹ 3,000 (d) ₹ 4,000

In the given questions (Q.28 to Q.30), a statement of assertion followed by a statement of reason is given. Choose the correct answer out of the following choices.

- (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
- (b) Both Assertion (A) and Reason (R) are true but Reason (R) is not the correct explanation of Assertion (A)
- (c) Assertion (A) is true but Reason (R) is false
- (d) Assertion (A) is false but Reason (R) is true

28. Assertion (A): In order to compensate a partner for contributing capital to the firm in excess of the profit sharing ratio, firm pays such interest on partner's capital.

Reason (R): Interest on capital is treated a charge against profit.

29. Assertion (A): It is necessary to show the true position of the firm at the time of admission of a new partner.

Reason (R): The gain or loss on revaluation which is transferred to all the partner's capital account in new profit sharing ratio.

30. Assertion (A): Forfeiture of share refers to the cancellation or termination of membership of a share holder by taking away the shares and rights of membership.

Reason (R): Forfeited shares can be reissued at a discount.

Part-B: Financial Statement Analysis

31. Debit Balance of Profit and Loss account is shown under the sub head _____ of the Balance Sheet as per Revised Schedule III of Companies Act, 2013.

- (a) Other Current Assests (b) Reserves and Surplus
(c) Other Current Liabilities (d) Long-term Provisions

32. Sale of scrap is a part of _____ .

- (a) Other income (b) Other expenses
(c) Finance of cost (d) Revenue from operations

33. Which of the following is not a limitation of analysis of financial statements?

- (a) Window Dressing (b) Price level changes ignored
(c) Subjectivity (d) Intra-firm comparison possible

34. Under which of the following headings / sub-headings, calls-in-advance will be presented in the Balance Sheet of a company as per Schedule III, Part I of the Companies Act, 2013?

- (a) Current Liabilities
(b) Share Capital
(c) Share Application Money Pending Allotment
(d) Reserves and Surplus

35. Which of the following transactions will increase the Debt of Equity ratio, which is 1 : 2?

- (a) Issue of shares for cash (b) Redemption of Preference shares
(c) Redemption of Debentures (d) Conversion of Debentures into Shares

On the basis of the given information, answer the following questions (Q.36 to Q.39):

Accounts Guru Ltd. want to analyse its liquidity position along with assessment of Inventory position from the given information:

Inventory Turnover Ratio : 4 times,

Inventory in the beginning was ₹ 20,000 less than Inventory at the end,

Revenue from Operations ₹ 6,00,000, Current Liabilities ₹ 60,000.

Gross Profit Ratio 25%, Quick Ratio 0.75 : 1

36. State the amount of Cost of Revenue from Operations.
 (a) ₹ 4,50,000 (b) ₹ 4,90,000 (c) ₹ 4,80,000 (d) ₹ 3,50,000
37. State the amount of average inventory.
 (a) ₹ 1,25,000 (b) ₹ 1,12,500 (c) ₹ 2,50,000 (d) ₹ 1,52,000
38. State the amount of closing inventory.
 (a) ₹ 1,12,000 (b) ₹ 1,12,500 (c) ₹ 1,67,500 (d) ₹ 1,22,500
39. State the current ratio of Accounts Guru Ltd.
 (a) 2.4:1 (b) 2.5:1 (c) 2.79:1 (d) 2.6:1
40. Read the given statements – Assertion (A) and Reason (R). Choose one of the correct alternatives given below:
- Assertion (A):** The limitations of financial statements also form the limitations of the ratio analysis.
- Reason (R):** Since the ratios are derived from the financial statements, any weakness in the original financial statements will also creep in the derived analysis in the form of Accounting Ratios.
- (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
- (b) Both Assertion (A) and Reason (R) are true but Reason (R) is not the correct explanation of Assertion (A)
- (c) Assertion (A) is true but Reason (R) is false
- (d) Assertion (A) is false but Reason (R) is true

ANSWERS

- | | | | | | |
|---------|---------|---------|---------|---------|---------|
| 1. (b) | 2. (a) | 3. (c) | 4. (a) | 5. (c) | 6. (b) |
| 7. (b) | 8. (d) | 9. (b) | 10. (b) | 11. (a) | 12. (a) |
| 13. (c) | 14. (d) | 15. (a) | 16. (c) | 17. (b) | 18. (d) |
| 19. (d) | 20. (b) | 21. (d) | 22. (a) | 23. (b) | 24. (c) |
| 25. (a) | 26. (c) | 27. (b) | 28. (c) | 29. (c) | 30. (b) |
| 31. (b) | 32. (d) | 33. (d) | 34. (a) | 35. (b) | 36. (a) |
| 37. (b) | 38. (d) | 39. (c) | 40. (a) | | |