

Time allowed: 45 minutes

Maximum marks: 200

*General Instructions: Same as Practice Paper-1.**Choose the correct option:*

- When a new partner brings his share of goodwill in cash, the amount is debited to:
  - Premium A/c
  - Cash A/c
  - Capital A/cs of old partners
  - Capital A/c of new partner
- Mona and Tina were partners in a firm sharing profits in the ratio of 3 : 2. Naina was admitted with 1/6th share in the profits of the firm. At the time of admission, Workmen's Compensation Reserve appeared in the Balance Sheet of the firm at ₹ 32,000. The claim on account of workmen's compensation was determined at ₹ 40,000. Excess of claim over the reserve will be :
  - Credited to Revaluation Account
  - Debited to Revaluation Account
  - Credited to old partners' Capital Accounts
  - Debited to old partners' Capital Accounts
- If Vishal pays ₹ 1,50,000 as his share of goodwill to Yug (Privately), an existing partner, the treatment will be:
  - Goodwill Account will be debited by ₹ 1,50,000
  - Goodwill Account will be debited by ₹ 6,00,000
  - Goodwill Account will be credited by ₹ 1,50,000
  - No entry will be passed
- The discount given on re-issue of forfeited shares is debited to:
  - Share capital account
  - General reserve account
  - Share forfeiture account
  - None of these
- Due to non-payment of final call amount of ₹ 2, a company has forfeited 1,000 shares of ₹ 10 each. Afterward, these shares had been re-issued at ₹ 6 per share fully paid-up. The amount of capital reserve will be:
  - ₹ 2,000
  - ₹ 4,000
  - ₹ 8,000
  - ₹ 6,000
- What will be the correct sequence of events?
  - Receipt of allotment money
  - Amount transferred to share forfeited A/c
  - Non-payment of share second call
  - Pro-rata allotment of shares

Options:

  - (iv), (iii), (ii), (i)
  - (iv), (i), (iii), (ii)
  - (i), (ii), (iii), (iv)
  - (iv), (i), (ii), (iii)
- Which of the following items is included on debit side of Profit and Loss Appropriation Account?
  - Interest on partners' Capital
  - Share in profit to partners
  - Salaries to partners
  - All of the above
- Simran and Tina were partners in a firm sharing profits in the ratio of 3:2. During the year ended 31st March, 2021 Simran had withdrawn ₹ 45,000. Interest on her drawings amounted to ₹ 900. Which of the following accounts would be credited?
  - Interest on Drawings Account
  - Simran's Capital Account
  - Simran's Current account
  - Profit and Loss Account

9. E, F and G are partners sharing profits in the ratio of 3:3:2. According to the partnership agreement, G is to get a minimum amount of ₹80,000 as his share of profits every year and any deficiency on this account is to be personally borne by E. The net profit for the year ended 31st March, 2021 amounted to ₹3,12,000. Calculate the amount of deficiency to be borne by E.  
 (a) ₹1,000 (b) ₹4,000 (c) ₹8,000 (d) ₹2,000
10. On the retirement of a partner increase in the value of assets is recorded in:  
 (a) Revaluation A/c (b) Cash A/c  
 (c) Old Partners' Capital A/cs (d) None of the above
11. Given below are two statements—Statement (A) and Statement (B):  
**Statement (A) :** The amount of Securities Premium Reserve can be utilised to issue fully paid-up bonus shares to the shareholders.  
**Statement (B) :** According to Section 52 (2) of the Companies Act, 2013, the amount of Securities Premium Reserve can be used only for the prescribed purposes.  
**Choose the correct alternative from the following:**  
 (a) Both statement (A) and statement (B) are correct.  
 (b) Statement (A) is correct and statement (B) is incorrect.  
 (c) Statement (A) is incorrect and statement (B) is correct.  
 (d) Both statement (A) and statement (B) are incorrect.
12. Donations received for a special purpose will be taken to:  
 (a) Income and Expenditure A/c (b) Assets side of the Balance Sheet  
 (c) Liabilities side of the Balance Sheet (d) None of these
13. Choose NPO from the following:  
 (a) Tata Motors Ltd. (b) Wipro Ltd.  
 (c) Indian Hockey Federation (d) Legal Firm
14. Which of the following is not a mode of dissolution of the firm?  
 (a) Mutual agreement  
 (b) On completion of the venture, if provided in partnership deed  
 (c) Dissolution by court  
 (d) Retirement of a partner
15. Mohit, a partner is to bear realisation expenses for which he is to be paid ₹5,000. Mohit had to pay realisation expenses of ₹5,500. How much amount will be debited to Realisation Account?  
 (a) ₹500 (b) ₹5,500 (c) ₹5,000 (d) ₹10,500
16. Given below are two statements—Statement (A) and Statement (B):  
**Statement (A) :** A company can issue debentures as collateral security against loans taken from banks or other agencies  
**Statement (B) :** Collateral security is to be realised only when the principal security fails to meet the amount of loan.  
**Choose the correct alternative from the following:**  
 (a) Both statement (A) and statement (B) are correct. (b) Statement (A) is correct and statement (B) is incorrect.  
 (c) Statement (A) is incorrect and statement (B) is correct. (d) Both statement (A) and statement (B) are incorrect.
17. Premium on Redemption of Debenture Account is in the nature of:  
 (a) Asset (b) Revenue (c) Expense (d) Liability

18. Given below are two statements—Statement (A) and Statement (B):

**Statement (A) :** A not-for-profit organisation does not prepare Balance Sheet as financial statement.

**Statement (B) :** The surplus from Income and Expenditure Account is added to the closing Capital Fund while the deficit is deducted from it.

Choose the correct alternative from the following:

- (a) Both statement (A) and statement (B) are correct. (b) Statement (A) is correct and statement (B) is incorrect.  
(c) Statement (A) is incorrect and statement (B) is correct. (d) Both statement (A) and statement (B) are incorrect.

19. Calculate the amount of Subscription to be credited to Income and Expenditure Account for the year 2019-20:

| Particulars  | (₹)      |
|--|----------|
| Amount received during the year (including ₹20,000 for 2018-19, ₹30,000 for 2020-21 and ₹10,000 for 2021-22) | 7,80,000 |
| Subscriptions received in advance as on 1st April, 2019 (including ₹15,000 for 2020-21)                      | 35,000   |
| Subscriptions in arrears as on 1st April, 2019   | 40,000   |
| Subscriptions in arrears as on 31st March, 2020  | 50,000   |

Out of subscriptions in arrears on 1st April, 2019, ₹15,000 are no longer recoverable.

- (a) ₹7,80,000 (b) ₹7,85,000 (c) ₹7,90,000 (d) ₹7,65,000

20. Nidhi, Kunal and Kabir were partners in a firm, sharing profits and losses in the ratio of 2 : 3 : 5. Nidhi retired, selling her share of profit to Kunal for ₹ 30,000 and to Kabir for ₹ 50,000. The new profit-sharing ratio between Kunal and Kabir will be:

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

21. Debit balance of Profit and Loss Account appearing in the Balance Sheet on the death of a partner, is debited to:

- (a) Deceased partner's capital account  
(b) All partners' capital accounts (including deceased partner's capital account)  
(c) Remaining partners' capital accounts  
(d) None of the above.

22. Which of the following statements is correct?

- (i) Receipts and Payments Account is basically a summary of transactions related to Cash and Bank.  
(ii) Income and Expenditure is a nominal account.  
(iii) Income and Expenditure Account records only Capital transactions  
(iv) Receipts and payments Account is prepared to ascertain the 'surplus' or 'deficit'.  
(a) Only (i) and (ii) (b) Only (ii) and (iii) (c) Only (iii) and (iv) (d) All (i), (ii), (iii) and (iv)

23. On a share of ₹10 issued at a premium of ₹1, the whole amount has been called-up. But in case of a shareholder only ₹8 has been received from him. Forfeited shares account would be credited by:

- (a) ₹8 (b) ₹2 (c) ₹3 (d) ₹7

24. E Ltd. had allotted 10,000 shares to the applicants of 14,000 shares on pro-rata basis. The amount payable on application was ₹2. F applied for 420 shares. The number of shares allotted and the amount carried forward for adjustment against allotment money due from F will be:

- (a) 60 shares; ₹120 (b) 340 shares; ₹160 (c) 320 shares; ₹200 (d) 300 shares; ₹240

25. SuperMax Ltd. issued 1,00,000 equity shares of ₹10 each. The amount was payable as follows:

On application — ₹3 per share

On allotment — ₹2 per share

On first and final call — The balance

Applications for 90,000 shares were received and shares were allotted to all the applicants. Kavya, to whom 1,000 shares were allotted, paid her entire share money at the time of allotment, whereas Kundan did not pay the first and final call on his 600 shares. The amount received at the time of making first and final call was:

- (a) ₹4,50,000 (b) ₹2,20,000 (c) ₹4,42,000 (d) ₹2,19,000

26. Jamuna, Ganga and Krishna are partners in a firm. Krishna retired from the firm. After making adjustments for Reserves and Revaluation of Assets and Liabilities, the balance in Krishna's capital account was ₹1,20,000. Jamuna and Ganga paid ₹1,80,000 in full settlement to Krishna. Identify the item for which Jamuna and Ganga paid ₹60,000 more to Krishna.

- (a) Share of profit till the date of retirement (b) Share of accumulated profits  
(c) Share of Goodwill (d) Share of Surplus Workmen Compensation Reserve

27. Arun and Vijay are partners in a firm sharing profits and losses in the ratio of 5:1.

Balance Sheet (an Extract)

| Liabilities | (₹) | Assets    | (₹)    |
|-------------|-----|-----------|--------|
|             |     | Machinery | 40,000 |

If value of Machinery in the Balance Sheet is undervalued by 20%, then at what value will Machinery be shown in the new balance sheet:

- (a) ₹44,000 (b) ₹48,000 (c) ₹32,000 (d) ₹50,000

28. Read the following statements — Assertion (A) and Reason (R). Choose one of the correct alternatives given below:

**Assertion (A):** Due to reconstitution of a firm, the profit-sharing ratio among the partners changes.

**Reason (R):** In the absence of a partnership deed, the partners are entitled to share profit or losses in equal ratio.

**Alternatives:**

- (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 and 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

29. Given below are two statements—Statement (A) and Statement (B):

**Statement (A) :** For acquiring right to share in profit the new partner brings some amount which is known as a premium (or share of goodwill).

**Statement (B) :** Excess of the capital of the new firm over the combined capital of old and new partners is assumed to be goodwill in the absence of any information about goodwill.

**Choose the correct alternative from the following:**

- (a) Both statement (A) and statement (B) are correct. (b) Statement (A) is correct and statement (B) is incorrect.  
(c) Statement (A) is incorrect and statement (B) is correct. (d) Both statement (A) and statement (B) are incorrect.

30. As per Section 42 of the Companies Act, 2013 \_\_\_\_\_ means any offer of securities or invitation to subscribe securities to a select group of investors through issue of a private placement offer letter by a company (other than public subscription).

- (a) Sweat Equity Shares (b) Private Placement of shares  
(c) Employees stock option plan (d) Both (b) and (c)

31. Premium on Redemption of Debentures Account is:

- (a) Asset (b) Liability (c) Expenses (d) Revenue

- 32. Interest on debentures is always paid on:**
- (a) Nominal value of debentures (b) Amount received on issue  
(c) Amount received on allotment (d) None of the above
- 33. A company has Loss on Issue of Debentures Account of ₹40,000. It has a balance in Securities Premium Reserve of ₹25,000. It will debit \_\_\_\_\_ by ₹25,000 and \_\_\_\_\_ by ₹15,000 in the year of issue.**
- (a) Securities Premium Reserve, Statement of Profit and Loss  
(b) Statement of Profit and Loss, Securities Premium Reserve  
(c) Statement of Profit and Loss, Capital Redemption Reserve  
(d) Statement of Profit and Loss, General Reserve
- 34. Credit purchase of sports materials is ₹96,000, which is 80% of total purchase, the cash purchase of sports materials is \_\_\_\_\_.**
- (a) ₹28,000 (b) ₹24,000 (c) ₹22,000 (d) ₹26,000
- 35. Arun, Ajay and Dinesh are partners in a firm. At the time of division of profit for the year there was dispute between the partners (due to absence of deed); profits before interest on partner's capital was ₹60,000 and Ajay demanded interest @24% p.a. on his loan of ₹8,00,000. Amount payable to Arun, Ajay, Dinesh respectively will be:**
- (a) ₹20,000 to each partner.  
(b) Loss of ₹44,000 for Arun and Dinesh and Ajay will take home ₹1,48,000.  
(c) ₹4,000 for Arun, ₹52,000 for Ajay and ₹4,000 for Dinesh.  
(d) ₹24,000 to each partner.
- 36. Dinkar, Navita and Vani were partners sharing profits and losses in the ratio of 3 : 2 : 1. Navita died on 30th June, 2022. Her share of profit for the intervening period was based on the sales during that period, which were ₹6,00,000. The rate of profit during the past four years had been 10% on sales. The firm closes its books on 31st March every year.**
- Calculate Navita's share of profit.**
- (a) ₹60,000 (b) ₹26,000 (c) ₹45,000 (d) ₹20,000
- 37. B, C and D were partners in a firm sharing profits and losses in the ratio of 1 : 4 : 5. On 31st March, 2018 the firm was dissolved and on that date the Balance Sheet of the firm showed a loan of ₹10,000 given by C's brother F. C agreed to pay his brother's loan.**
- Which of the following is correct treatment on the dissolution of firm?**
- (a) Dr. Realisation A/c and Cr. C's Capital A/c by ₹10,000 (b) Dr. Realisation A/c and Cr. F's Capital A/c  
(c) Dr. C's Capital A/c and Cr. Realisation A/c (d) Dr. F's Capital A/c and Cr. Realisation A/c
- 38. A and B are partners in a firm sharing profits in the ratio of 3:1. They admitted C as a new partner. The new profit-sharing ratio of A, B and C will be 2:1:1. C brought ₹2,50,000 for his capital but could not bring his share of goodwill (premium) ₹10,000 in cash. Which of the following journal entries will be passed for the treatment of goodwill?**
- (a) C's Current A/c Dr. ₹10,000  
To A's Capital A/c ₹10,000  
(b) C's Capital A/c Dr. ₹10,000  
To A's Capital A/c ₹10,000  
(c) A's Capital A/c Dr. ₹10,000  
To C's Capital A/c ₹10,000  
(d) None of these
- 39. 'Drafts-in-Hands' are classified under 'Sub-Head':**
- (a) Inventories (b) Tangible Assets  
(c) Intangible Assets (d) Cash and Cash Equivalents

40. Which of the following statements are false?

- (i) Horizontal analysis requires financial statements of two or more accounting periods.
  - (ii) Vertical analysis needs financial statement of single period.
  - (iii) Horizontal analysis provides information both in absolute and percentage terms, while vertical analysis provides information in percentage terms only.
  - (iv) Horizontal analysis is treated as cross-sectional analysis and work with different items of same period.
- (a) Both (i) and (iv)      (b) Both (ii) and (iv)      (c) Only (iii)      (d) Only (iv)

41. When current ratio is 3:1 and the amount of current liabilities is ₹1,10,000, what is the amount of current assets?

- (a) ₹3,30,000      (b) ₹2,20,000      (c) ₹2,00,000      (d) None of the above

42. Given below are two statements, one labelled as Assertion (A) and the other labelled as Reason (R):

**Assertion (A) :** The gross profit ratio of a company is 50%. Decrease in rent received by ₹15,000 will not change the ratio.

**Reason (R) :** Rent received being indirect expense, does not affect gross profit.

In the context of the above two statements, which of the following is correct?

**Codes:**

- (a) (A) and (R) both are correct and (R) correctly explains (A).
- (b) Both (A) and (R) are correct but (R) does not explain (A).
- (c) Both (A) and (R) are incorrect.
- (d) (A) is correct but (R) is incorrect.

43. While calculating operating net profit, which will be added to net profit?

- (a) Refund of tax      (b) Dividend received
- (c) Creation of general reserve      (d) Gain on sale of assets

44. Which of the following items is shown as Contingent Liabilities in Notes to Accounts under the Balance Sheet?

- (a) Proposed dividend of current year      (b) Money for which the company is contingently liable
- (c) Claims against company not acknowledged as debts      (d) All of the above

45. Given below are two statements—Statement (A) and Statement (B):

**Statement (A) :** Payment of dividend on shares remains investing activity for every enterprise.

**Statement (B) :** Acquisition of machinery by issue of equity shares' will be considered while preparing 'Cash Flow Statement'.

Choose the correct alternative from the following:

- (a) Both statement (A) and statement (B) are correct.      (b) Statement (A) is correct and statement (B) is incorrect.
- (c) Statement (A) is incorrect and statement (B) is correct.      (d) Both statement (A) and statement (B) are incorrect.

46. Which of the following are included in traditional classification of ratios?

- (i) Liquidity Ratios      (ii) Statement of Profit and loss Ratios
  - (iii) Balance Sheet Ratios      (iv) Profitability Ratios
  - (v) Composite Ratios      (vi) Solvency Ratios
- (a) (ii), (iii) and (v)      (b) (i), (iv) and (vi)
- (c) (i), (ii) and (vi)      (d) All (i), (ii), (iii), (iv), (v), (vi)

47. If there are credit revenue from operations ₹12,00,000, Trade Receivables turnover ratio 6 times and opening Trade Receivables ₹1,60,000, then the amount of closing Trade Receivables will be:

- (a) ₹1,60,000      (b) ₹2,40,000      (c) ₹2,00,000      (d) ₹3,00,000

48. While preparing Cash Flow Statement, match the following activities:

- (i) Payment of cash to acquire Debentures by an Investing Company      (A) Financing activity
- (ii) Purchase of Goodwill      (B) Investing Activity
- (iii) Dividend paid by manufacturing company      (C) Operating activity
- (iv) Issue of shares in consideration of purchase of assets      (D) No Flow of Cash

(a) (i) (A) (ii) (C) (iii) (B) (iv) (D)

(b) (i) (C) (ii) (A) (iii) (B) (iv) (D)

(c) (i) (C) (ii) (B) (iii) (D) (iv) (A)

(d) (i) (C) (ii) (B) (iii) (A) (iv) (D)

**49. Which of the following is not an inflow of cash?**

(a) Purchase of a tangible asset

(b) Issue of Equity shares

(c) Issue of Long-term Borrowings (Debentures)

(d) Sale of plant

**50. Nano Ltd. purchased a plant and machinery for ₹12,00,000. It received dividend of ₹90,000 on investments. The company also sold old equipments for ₹2,40,000 at a loss of ₹20,000. The cash flow from investing activities for Cash Flow Statement will be:**

(a) Cash Inflow ₹8,70,000

(b) Cash Outflow ₹8,70,000

(c) Cash Inflow ₹12,00,000

(d) Cash Outflow ₹12,00,000

## PRACTICE PAPER – 8

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