CUET (UG)

Accountancy Sample Paper - 9

Solved

Time Allowed: 45 minutes **Maximum Marks: 200**

General Instructions:

1. The test is of 45 Minutes duration.
2. The test contains 50 questions out of which 40 questions need to be attempted.
3. Marking Scheme of the test:

a. Correct answer or the most appropriate answer: Five marks (+5).
b. Any incorrectly marked option will be given minus one mark (-1).
c. Unanswered/Marked for Review will be given zero mark (0).

Attempt any 40 questions

1. A and B are partners entered into the partnership on 01.10.2020 with a capital of ₹ 2,00,000 and ₹ 1,00,000 respectively. Interest on capital is to be provided @ 10% p.a. as per the Partnership deed, but it is silent about profit sharing Ratio. Profit for the year ended 31.03.2021 is ₹ 16,000 before providing the above. **[5]**
B 's Share of profit/loss will be:

a) Profit = 500
b) Loss = 7,000
c) Profit = 1,000
d) Loss = 14,000

2. Yogesh is a partner in a firm. He withdrew ₹ 2,000 per month on the last day of every month during the year ended 31^{st} March, 2023. If interest on drawings is charged @ 9% p.a. the interest charged will be: **[5]**

a) ₹ 2,160
b) ₹ 1,080
c) ₹ 990
d) ₹ 1,170

3. The credit balance of Current Account is shown in which side of the Balance sheet: **[5]**

a) Both the side
b) Liabilities side
c) None of these side
d) Assets side

4. X and Y are partners in the ratio of 3 : 2. Their capitals are ₹ 2,00,000 and ₹ 1,00,000 respectively. Interest on capitals is allowed @ 8% p.a. Firm earned a profit of ₹ 15,000 for the year ended 31^{st} March 2023. As per partnership agreement, interest on capital is treated a charge on profits. Interest on Capital will be: **[5]**

a) X ₹ 10,000; Y ₹ 5,000
b) X ₹ 9,000; Y ₹ 6,000

c) X ₹ 16,000; Y ₹ 8,000 | d) No Interest will be allowed

5. X, Y and Z are partners in a firm sharing profits and losses in the ratio of 5 : 3 : 2. They decide to share future profits and losses in the ratio of 3 : 2 : 1. Each partner's gain or sacrifice due to the change in the ratio will be: **[5]**

a) X Nil; Y Gain $\frac{1}{30}$; Z Sacrifice $\frac{1}{30}$

b) X Nil; Y Sacrifice $\frac{1}{30}$; Z Gain $\frac{1}{30}$

c) X Sacrifice $\frac{1}{30}$; Y Gain $\frac{1}{30}$; Z Nil

d) X Gain $\frac{1}{30}$; Y Nil ; Z Sacrifice $\frac{1}{30}$

6. Which of the following item is not debited to the partners' capital account? **[5]**

a) General Reserve

b) Loss on revaluation

c) Drawings

d) Advertisement suspense

7. X and Y are partners sharing profits and losses in the ratio of 3 : 2. With effect from 1st January 2020 they agreed to share future profits equally. The goodwill of the firm was valued at ₹ 30,000. How much amount is debited or credited to X? **[5]**

a) Credit X's Capital Account by ₹ 2,000

b) Credit X's Capital Account by ₹ 3,000

c) Debit X 's Capital Account by ₹ 3,000

d) Debit X's Capital Account by ₹ 2,000

8. X, Y and Z are partners in firm sharing profits in 1 : 2 : 3 ratio. Their Balance Sheet as at 31.3.2003 showed a balance of Rs. 1,20,000 in General Reserve. From 1.4.2003, they will share profits equally. Give adjustment entry. **[5]**

a) Dr. X and Cr. Z by Rs 40,000 each

b) Dr. X and Cr. Z by Rs 20,000 each

c) Dr. X and Cr. Z by Rs 2,000 each

d) Dr. X and Cr. Z by Rs 60,000 each

9. X, Y and Z are sharing profits and losses in the ratio of 5:3:2. Who will be debited and who will be credited, when they have decided to share profits equally in future? **[5]**

a) Y and Z Dr. and X Cr.

b) Y and X Dr. and Z Cr.

c) Y Debit and X & Z Cr.

d) X and Z Dr. and Y Cr.

10. Girish and Balwant share profits in the ratio of 2 : 1. Vinod is admitted with 1/5 share in profits. Vinod acquires 2/3 of his share from Girish and 1/3 of his share from Balwant. The new ratio will be: **[5]**

a) 8 : 4 : 3

b) 2 : 1 : 1

c) 13 : 23 : 12 | d) 23 : 13 : 12

11. A firm has an unrecorded investment of ₹ 10,000. Journal entry to record the unrecorded investment on admission of a partner will be: **[5]**

a)

Partner's Capital A	Dr.	₹ 10,000	
To Unrecorded Investment A/c			₹ 10,000

b)

Revaluation A/c	Dr.	₹ 10,000	
To Unrecorded Investment A/c			₹ 10,000

c)

Partner's Capital A	Dr.	₹ 10,0000	
To Unrecorded Investment A/c			₹ 10,0000

d)

Unrecorded Investment A/c	Dr.	₹ 10,000	
To Revaluation A/c			₹ 10,000

12. A and B are partners sharing profits in the ratio of 3 : 2. C is admitted and new profit sharing ratio is agreed at 2 : 2 : 1. At the time of revaluation, it was found that, Stock was overvalued at ₹ 20,000 and salary outstanding was ₹ 5000. **[5]**
Revaluation Profit/ loss distributed to the partner:

a) Revaluation Gain A =10000; B = 10000; C = 5000

b) Revaluation Gain A = 15000; B = 10000

c) Revaluation loss A = 15000; B = 10000

d) Revaluation Loss A =10000; B = 10000; C = 5000

13. A and B are sharing profits in the ratio of 3 : 2. They admit C into partnership for $\frac{1}{5}$th share. New profit sharing among the partners decided 5 : 3 : 2. **[5]**
B's Capital Account was credited with ₹ 5,000 for premium for goodwill.
Premium for goodwill brought in by C:

a) 40,000

b) 30,000

c) 20,000

d) 10,000

14. Which items are not shown in the credit side of the deceased partner’s capital account during the death of a partner? **[5]**

a) Share of accumulated reserves

b) Share of profit

c) Goodwill share of a deceased partner

d) Share of loss of firm

15. A B and C are partners sharing profit in the ratio of $\frac{1}{2} : \frac{3}{10} : \frac{1}{5}$. Calculate the new profit sharing ratio between A and B if C retires. **[5]**

a) 3:5 | b) 1:1
c) 5:3 | d) Capital ratio

16. Pankaj, Suraj and Jay are partners sharing profits and losses in the ratio of 4 : 3 : 1. Suraj retires from the firm, selling his share of profit to Pankaj and Jay for ₹ 1,50,000; ₹ 80,000 being paid by Pankaj and ₹ 70,000 by Jay. What is the new profit-sharing ratio between the remaining partners? **[5]**

a) 7 : 3 | b) 8 : 7
c) 1 : 1 | d) 4 : 1

17. On firm's Dissolution, Patents realised at ₹ 40,000. State which account will be credited. **[5]**

a) Cash A/c | b) Patents A/c
c) Realisation A/c | d) Profit & Loss A/c

18. Unrecorded liability when paid on dissolution of a firm is transferred to: **[5]**

a) Asset A/c | b) Realisation Account
c) Liabilities A/c | d) Partners' Capital Accounts

19. When Asset is taken over by a creditor: **[5]**

a) No Entry in this case | b) Only in Cash A/c
c) Debit side of Realisation A/c | d) Credit side of Realisation A/c

20. After which account it is assumed that dissolution of the firm stands closed? **[5]**

a) Memorandum Balance Sheet | b) Cash A/c
c) Partners Capital A/c | d) Realisation A/c

21. On forfeiture of 100 shares of ₹ 50 each, ₹ 2,500 were credited to share forfeited account. These shares were re-issued at ₹ 25 per share fully paid up. The amount credited to **Capital Reserve Account** will be: **[5]**

a) No amount | b) ₹ 5,000
c) ₹ 3,000 | d) ₹ 2,500

22. X Ltd. purchased Machinery of ₹ 10,00,000 from Y Ltd. and paid 20% of the amount by accepting a bill of exchange in favour of Y Ltd. The remaining amount was paid by issuing Equity Shares of ₹ 100 each at a premium of 25% to Y Ltd. Number of Shares to be issued: **[5]**

a) 6,400 b) 6,300

c) 6,200 d) 6,500

23. Neema Ltd. has an **Authorized Capital**, of ₹ 10,00,000 divided into equity shares of ₹ 10 each. Subscribed and fully paid up share capital of the company was ₹ 4,00,000. To meet its new financial requirement, the company issued 20,000 equity shares of ₹ 10 each. Amount per share was payable as ₹ 3 on application, ₹ 3 on allotment; ₹ 2 on first call and ₹ 2 on second and final call. The issue was fully subscribed. The allotment money was payable on or before May 1, 2022; first call money was due on August 1, 2022 and final call money was due on October 1, 2022. X whom 1,000 shares were allotted did not pay the allotment and both calls; Y an allottee of 600 shares; did not pay the two calls; and Z whom 300 shares were allotted did not pay the final call. Subscribed capital presented in the Balance sheet of the Company as per schedule III Part I of the Companies Act, 2013 will be: **[5]**

a) ₹ 5,90,000 b) ₹ 10,00,000

c) ₹ 6,00,000 d) ₹ 9,800

24. Shine Ltd. issued 10,000, 6% Debentures of ₹ 100 each at a premium of ₹ 10. It will credit 6% Debentures Account by **[5]**

a) ₹ 11,00,000 b) ₹ 9,00,000

c) ₹ 10,00,000 d) ₹ 8,00,000

25. X Ltd. purchased a building for ₹ 60,00,000 payable as 20% in Cash and balance by allotment of 8% debentures of ₹ 500 each at a premium of 20%. Number of debentures issued will be: **[5]**

a) 8,000 b) 12,000

c) 10,000 d) 9,600

26. MP Ltd. issued 5,000, 8% Debentures of ₹ 100 each at ₹ 95. It will credit 8% Debentures Account by **[5]**

a) ₹ 5,00,000 or ₹ 4,75,000 as it decides b) ₹ 4,75,000

c) ₹ 5,00,000 d) ₹ 5,25,000

27. Which of the following will not covered under finance cost? **[5]**

i. Discount on issue of debentures written off
ii. Interest paid on bank overdraft
iii. Bank charges
iv. Premium payable on redemption of debentures written off

a) Only ii
b) Only iv
c) Only iii
d) Only i

28. Statement of profit and loss shows: **[5]**

a) financial position
b) financial performance
c) assets and liabilities
d) Income statement

29. Rent received, Profit on sale of fixed assets, Compensation for acquisition of land are an example of **[5]**

a) Non-operating expenses
b) Non-operating Incomes
c) operating Incomes
d) operating expenses

30. Share forfeiture account appears in a company's balance sheet under the sub-head: **[5]**

a) Commitments
b) Share Capital
c) Contingent Liability
d) Reserve & Surplus

31. Comparison of actual values of one firm with those of another firm belonging to the same industry is **[5]**

a) Time comparison
b) Intra-firm Comparison
c) Inter-firm Comparison
d) Pattern Comparison

32. A Company's current liabilities decreased from ₹4,00,000 to ₹3,00,000. What is the percentage of change? **[5]**

a) 20%
b) 40%
c) 25%
d) 33.3%

33. Which of the following is not a limitation of analysis of financial statements? **[5]**

a) Price level changes ignored
b) Intra firm comparison possible

c) Window dressing

d) Subjectivity

34. WXZ Ltd. has Machinery written down value of which on 1st April, 2022 was ₹ 8,60,000 and on 31st March, 2023 was ₹ 9,50,000. Depreciation for the year was ₹ 40,000. In the beginning of the year, a part of machinery was sold for ₹ 25,000, which had a written down value of ₹ 20,000. Calculate Gain (profit) on sale of Machinery. **[5]**

a) ₹ 10,000

b) ₹ 6,000

c) ₹ 12,000

d) ₹ 5,000

35. Discount/Loss on Issue of Debentures debited to Statement of Profit and Loss (Finance Cost) is: **[5]**

i. added under Operating Activities and Debentures are shown under Financing Activities at net amount received.

ii. added under Operating Activities and Debenture are shown under Investing Activities at net amount received.

iii. deducted under Operating Activities and shown as inflow under Financing Activities.

iv. added under Investing Activities and shown as Operating Activities at net amount received.

a) only i

b) ii and iii

c) iii and iv

d) iv and i

36. Which of the following is not an investing cash flow? **[5]**

a) Sales of land for ₹ 28,000 cash

b) Purchase of marketable securities for ₹ 25,000 cash

c) Purchase of equipment for ₹ 500 cash

d) Sale of 2,500 shares (held as investment) for ₹ 15 each

37. Dividend paid by a finance company is classified under which kind of activity while preparing cash flow statement? **[5]**

a) Cash Flow from Investing Activities

b) No Cash Flow

c) Cash Flow from Financing Activities

d) Cash Flow from Operating Activities

38. Income and Expenditure A/c is of the nature of: **[5]**

a) Trial balance

b) Deficit A/c

c) P & L A/c

d) Balance Sheet

39. Which one of the following is treated as revenue expenditure? **[5]**

a) Interest paid on loan during the construction of works.

b) Cost of pulling down an old building

c) Cost incurred for a new exit as required under the local bodies by laws

d) A dealer in purchasing sewing machines and spent some money on the repairs.

40. Capital receipts are shown in _____ **[5]**

a) Trading account

b) Balance Sheet

c) None of these

d) Profit and Loss account

41. There are 60 members of a Not-for-profit Organization and each member is required to pay a sum of 300 per annum to continue his/her membership. Hence this amount is known as **[5]**

a) Donation

b) Grants

c) Partnership

d) Subscription

42. On April 1, 2018, a firm had assets of ₹ 1,00,000 excluding stock of ₹ 20,000. The current liabilities were ₹ 10,000 and the balance constituted Partners' Capital Accounts. If the normal rate of return is 8%, the Goodwill of the firm is valued at ₹ 60,000 at four years purchase of super profit. Find the actual Average profits of the firm: **[5]**

a) Actual Average Profit ₹ 21,800

b) Actual Average Profit ₹ 20,800

c) Actual Average Profit ₹ 22,800

d) Actual Average Profit ₹ 23,800

43. It's better to use the **Weighted Average Profit** method of calculation of Goodwill when: **[5]**

a) The profits show a rising trend only

b) The profits show a diminishing trend only

c) The profits don't show any rising or diminishing trend

d) The profits may show either rising or diminishing trend

44. Once the debentures are redeemed, amount of DRR is transferred to **[5]**

a) Profit and capital

b) Debenture Redemption Reserve (DRR)

c) Debenture Redemption Investment (DRI)

d) General Reserve

45. Creation of DRR is compulsory in case of ……. **[5]**

a) Banking Companies

b) Non-Convertible Debentures

c) Convertible Debentures

d) All India Financial Institutions

46. Ratios which are used to measure the profitability are called ---------- **[5]**

a) Activity ratio

b) Profitability ratio

c) Liquidity ratio

d) Solvency ratio

47. Ideal Liquid ratio is **[5]**

a) 2 : 1

b) 1 : 1

c) 1 : 2

d) 3 : 1

48. Which Ratio shows the relationship between current assets with current liabilities **[5]**

a) Gross profit ratio

b) Quick ratio

c) Current ratio

d) Debt ratio

49. **[5]**

Total Assets	7,00,000
Total Debt	2,50,000
Current Liabilities	50,000

Debt Equity Ratio will be:

a) 0.56:1

b) 0.36 : 1

c) 0.67 : 1

d) 0.44 : 1

50. Which of the following is **not** a limitation of Financial Statements Analysis? **[5]**

a) Ignores price level changes

b) Affected by personal bias

c) Inter-firm comparative study possible

d) Lack of qualitative analysis

Solutions

1. **(a)** Profit = 500
   Explanation: Profit = 16,000 - 15,000 Interest On Capital
   Profit = 1,000
   B's share = 500
2.
   (c) ₹ 990
   Explanation: 24000 x 9% x 5.5/12 = ₹ 990
3.
   (b) Liabilities side
   Explanation: Liabilities side is also known as credit side, all credit balances are shown in the balance sheet (personal accounts). This is the only reason that the credit balance of capital accounts and current accounts of the partners are shown in the liabilities side of the balance sheet. and if there is debit balance it will be shown on the Assets side.
4.
   (c) X ₹ 16,000; Y ₹ 8,000
   Explanation: 200000x8%=16000
   100000x8%=8000
5. **(a)** X Nil; Y Gain $\frac{1}{30}$; Z Sacrifice $\frac{1}{30}$
   Explanation: X Nil; Y Gain $\frac{1}{30}$; Z Sacrifice $\frac{1}{30}$
6. **(a)** General Reserve
   Explanation: From the given items in the questions, General reserve is the only item which should not be debited to the partners' capital account. General reserve will be credited to the partners in their old profit sharing ratio. Loss on Revaluation or Advertisement suspense or Drawing is debited to partners capital A/c.
7.
   (b) Credit X's Capital Account by ₹ 3,000
   Explanation: X' sacrifice = 3/5 -1/2 = 1/10 sacrifice
   30,000 x 1/10 =3,000 so credited by 3,000
8.
   (b) Dr. X and Cr. Z by Rs 20,000 each
   Explanation: Adjustment of General Reserve at the time of change in profit sharing ratio:
   Old Ratio = 1:2:3 and New Ratio 1:1:1
   X = $\frac{1}{6}$ - $\frac{1}{3}$ = $\frac{1}{6}$ Gain
   Y = $\frac{2}{6}$ - $\frac{1}{3}$ = No Sacrifice/No Gain
   Z = $\frac{3}{6}$ - $\frac{1}{3}$ = $\frac{1}{6}$ Sacrifice
   Share of General reserve = 120000 $\times$ $\frac{1}{6}$ = 20000
9. **(a)** Y and Z Dr. and X Cr.
   Explanation: Sacrificing ratio = Old ratio - New ratio

i. X will be credited because his share has been reduced from $\frac{5}{10}$ to $\frac{1}{3}$,

X's sacrifice = $\frac{5}{10}$ - $\frac{1}{3}$

= $\frac{15}{30}$ - $\frac{10}{30}$ = $\frac{5}{30}$ (Sacrificed)

ii. Y will be debited because his share has been increased from $\frac{3}{10}$ to $\frac{1}{3}$,

Y's gain = $\frac{3}{10}$ - $\frac{1}{3}$

= $\frac{9}{30}$ - $\frac{10}{30}$ = $\frac{-1}{30}$ (Gained)

iii. Z will be debited because his share also increased from $\frac{2}{10}$ to $\frac{1}{3}$,

Z's gain = $\frac{2}{10}$ - $\frac{1}{3}$

= $\frac{6}{30}$ - $\frac{10}{30}$ = $\frac{-4}{30}$ (Gained)

Now, Y and Z will be debited and X will be credited.

10. **(a)** 8 : 4 : 3

Explanation: Girish's New Share $= \frac{2}{3} \times \frac{4}{5} = \frac{8}{15}$

Balwant's Share $= \frac{1}{3} \times \frac{4}{5} = \frac{4}{15}$

Vinod's Share $= \frac{1}{5} = \frac{3}{15}$

∴ Girish : Balwant : Vinod = 8 : 4 : 3

11.

(d)

Unrecorded Investment A/c	Dr.	₹ 10,000	
To Revaluation A/c			₹ 10,000

Explanation:

Unrecorded Investment A/c	Dr.	₹ 10,000	
To Revaluation A/c			₹ 10,000

12.

(c) Revaluation loss A = 15000; B = 10000

Explanation: Rs. 25,000 revaluation loss distributed in old ratio 3:2

Revaluation loss A = 15000; B = 10000

13.

(d) 10,000

Explanation: Amount of goodwill brought by C = 5000 x 2/1 = 10,000

14.

(d) Share of loss of firm

Explanation: Share of loss is not shown in the credit side it is shown in the debit side of the deceased partner's capital account. Following items are shown in the credit side of his account:

- Share of profit and goodwill
- Revaluation profit
- Share of reserve and profits

15.

(c) 5:3

Explanation: New Ratio of A and B will be 5:3
Old Ratio = $\frac{1}{2}$, $\frac{3}{10}$ and $\frac{1}{5}$ i.e. 5:3:2
Share of C = $\frac{2}{10}$
Remaining = 5:3

16. **(a)** 7 : 3
Explanation: New profit sharing ratio = 84 : 36 or 7 : 3
Pankaj :- $\frac{4}{8} + \frac{3}{8} \times \frac{8}{15} = \frac{4}{8} + \frac{24}{120} = \frac{60+24}{120} = \frac{84}{120}$
Jay :- $\frac{1}{8} + \frac{3}{8} \times \frac{7}{15} = \frac{1}{8} + \frac{21}{120} = \frac{15+21}{120} = \frac{36}{120}$

17.
(c) Realisation A/c
Explanation: Realisation A/c

18.
(b) Realisation Account
Explanation: The unrecorded liabilities are not shown in the book, yet they still need to be discharged off at the time of dissolution and hence are debited to the Realisation A/c.

19. **(a)** No Entry in this case
Explanation: Any asset is taken over by a creditor at the time of dissolution of partnership firm, no separate entry will be recorded for the same.

20.
(b) Cash A/c
Explanation: At the time of dissolution of partnership firm, all accounts will be closed and at the end, cash or bank account is prepared. Both sides of the cash/ banks account will be equal automatically without adding any balancing figure at the end. There should be no balance in cash A/c.

21. **(a)** No amount
Explanation: No amount, as the amount of forfeiture ₹ 2,500 has been utilised at the time of re-issue.

22. **(a)** 6,400
Explanation: No of shares
800000 $\div$ 125
= 6400

23. **(a)** ₹ 5,90,000
Explanation: Subscribed capital
= ₹ 4,00,000 + {(20,000 - 1,000 - 600 - 300) $\times$ 10} + (1,000 $\times$ 3) + (600 $\times$ 6) + (300 $\times$ 8)
= ₹ 4,00,000 + ₹ 1,81,000 + ₹ 3,000 + ₹ 3,600 + ₹ 2,400
= ₹ 5,90,000

24.
(c) ₹ 10,00,000
Explanation: ₹ 10,00,000

25. **(a)** 8,000
Explanation: Number of debentures issued = $\frac{48,00,000}{600}$ = 8,000

26.
(c) ₹ 5,00,000

Explanation: 5000x100= ₹ 5,00,000

27.

(c) Only iii

Explanation: Bank charges will not be covered under the finance costs.

28.

(b) financial performance

Explanation: financial performance of the business for a particular year

29.

(b) Non-operating Incomes

Explanation: Rent received, Profit on sale of fixed assets, Compensation for acquisition of land are an example of Non-operating incomes. Non-operating income is the portion of an organization's income that is derived from activities not related to its core operations i.e. normal operating activity.

30.

(b) Share Capital

Explanation: Share Capital

31.

(c) Inter-firm Comparison

Explanation: Inter-firm Comparison means comparison of one firm to another

32.

(c) 25%

Explanation: Change in current liabilities = 4,00,000 - 3,00,000 = 1,00,000

Percentage change in current liabilities = $\frac{1,00,000}{4,00,000} \times 100 = 25\%$

33.

(b) Intra firm comparison possible

Explanation: Intra firm comparison is a strength of the financial statement as it allows to compare the financial position of the company not only with its past years but also with that of the competitors.

34.

(d) ₹ 5,000

Explanation: profit = sale value (-) Written down value

35. **(a)** only i

Explanation: Finance cost is deducted from net profit hence added back in operating activities and net proceeds from debenture is net value after deduction of discount

36.

(b) Purchase of marketable securities for ₹ 25,000 cash

Explanation: Purchase of marketable securities is considered as cash and cash equivalents and so does not form the part of investing cash flow.

37.

(c) Cash Flow from Financing Activities

Explanation: Cash Flow from Financing Activities

38.

(c) P & L A/c

Explanation: Nature of Income and Expenditure A/c is Profit and Loss A/c.

39.

(c) Cost incurred for a new exit as required under the local bodies by laws

Explanation: it does not increase the asset so it is revenue expenditure.

40.

(b) Balance Sheet

Explanation: capital receipts are generally generated by sale of fixed assets so it is directly shown in balance sheet.

41.

(d) Subscription

Explanation: Subscription is the amount paid by the members to keep their membership alive.hence the amount received by non-profit organisation will be Subscription.

42.

(d) Actual Average Profit ₹ 23,800

Explanation: capital employed = total assets - outside liabilities

1,20,000- 10,000 = 1,10,000

normal profit = capital employed x normal rate of return

1,10,000 x 8 /100 =8,800

goodwill = super profit x no. of year purchase

60,000 = super profit x 4

super profit = 15,000

super profit = average profit - normal profit

15,000 = average profit - 8,800

average profit = 23,800

43.

(d) The profits may show either rising or diminishing trend

Explanation: The profits may show either rising or diminishing trend

44.

(d) General Reserve

Explanation: General Reserve

45.

(b) Non-Convertible Debentures

Explanation: Creation of DRR is compulsory in case of Non-convertible Debentures. An amount equal to at least 25% of the face value should be transferred to Debenture Redemption Reserve.

46.

(b) Profitability ratio

Explanation: Profitability ratios are a class of financial metrics that are used to assess a business's ability to generate earnings compared to its expenses and other relevant costs incurred during a specific period of time.

47.

(b) 1 : 1

Explanation: Ideal liquid ratio is 1:1 i.e. Liquid assets should be equal to the current liabilities. In other words it represents a more stringent test for the liquidity of a company in comparison to the current ratio

48.

(c) Current ratio

Explanation: Current Ratio shows relationship between current assets and current liabilities.

49.

(d) 0.44 : 1

Explanation: Shareholders' Fund = Total Assets - Total Debt = 7,00,000 - 2,50,000 = 4,50,000

Long Term Debt = Total Debt - Current Liabilities = 2,50,000 - 50,000 = 2,00,000

Debt Equity Ratio = Long Term Debt / Shareholders' Fund

= 2,00,000 / 4,50,000 = 4:9 = 0.44 : 1

50.

(c) Inter-firm comparative study possible

Explanation: Inter-firm comparative study possible is not a limitation.