

Time allowed: 45 minutes

Maximum marks: 200

General Instructions: Same as Practice Paper-1.

Choose the correct option:

- Which of the following is incorrect about retirement of a partner?
  - A partner is entitled to his own share of goodwill at the time of his retirement.
  - There is no need to compute the gaining ratio when the continuing partners decide to share profits in the same ratio that existed among them prior to retirement.
  - Existing goodwill will be written off by debiting 'All Partners' Capital Accounts' in their old ratio and crediting the Goodwill Account.
  - New share = Gaining ratio – Old ratio
- Which of the following will be credited to Profit and Loss Appropriation A/c?
  - Interest on Partners' Capital
  - Interest on Partners' Drawings
  - Net profit from Profit and Loss A/c
  - Partners' salaries
  - Both (i) and (iii)
  - Both (ii) and (iii)
  - Both (iii) and (iv)
  - All (i), (ii), (iii) and (iv)
- Anurag and Tani are partners in a firm sharing profits and losses in equal ratio.

## Balance Sheet (an Extract)

Liabilities	(₹)	Assets	(₹)
		Business premises	6,00,000

If value of Business premises in the Balance Sheet is undervalued by 40%, then at what value will Business premises be shown in the new balance sheet:

- ₹ 4,00,000
  - ₹ 12,00,000
  - ₹ 8,00,000
  - ₹ 10,00,000
- T and R change their profit sharing from equal ratio to 4 : 3 ratio, so sacrifice or gain made by T will be:
    - 1/6 gain
    - 1/7 sacrifice
    - 1/14 gain
    - 1/14 sacrifice
  - Manav and Sam were partners in a firm with capitals of ₹4,50,000 and ₹3,00,000, respectively. Naina was admitted as a new partner for 1/4th share in the profits of the firm. Naina brought ₹1,80,000 for her share of goodwill premium and ₹3,60,000 for her capital. The amount of goodwill premium credited to Manav will be:
    - ₹ 60,000
    - ₹ 45,000
    - ₹ 1,08,000
    - ₹ 90,000
  - P.S. Ltd. forfeited 500 shares of ₹100 each for the non-payment of first call of ₹30 per share. The final call of ₹10 per share was not yet made. The journal entry for the forfeiture of shares in the books of the company will be:
    - Share Capital A/c
    - Dr. ₹ 45,000

To Share Allotment A/c		₹15,000
To Forfeited Shares A/c		₹30,000
(b) Share Capital A/c	Dr. ₹45,000	
To Share Forfeited A/c		₹30,000
To Share First Call A/c		₹15,000
(c) Share Forfeited A/c	Dr. ₹35,000	
Share Allotment A/c	Dr. ₹15,000	
To Share Capital A/c		₹50,000
(d) None of the above		

7. L Ltd. forfeited 470 Equity Shares of ₹10 each issued at premium of ₹5 per share for non-payment of allotment money of ₹8 per share (including share premium ₹5 per share) and the first and final call of ₹5 per share. Out of these 60 Equity Shares were subsequently reissued at ₹14 per share.

Amount transferred to Capital Reserve will be:

- (a) ₹120                      (b) ₹180                      (c) ₹150                      (d) ₹250

8. An issue of shares which is not a public issue but an offer to a selected group of persons, is called:

- (a) Public Offer                      (b) Private Placement of Shares  
(c) Initial Public Offer                      (d) None of the above

9. Premium on issue of share is a:

- (a) Capital gain                      (b) Capital loss                      (c) General profit                      (d) General loss

10. Venky Ltd. strictly follows the provisions of the Companies Act, 2013. The following balances are supplied:

Particulars	(₹)
Plant and Machinery	5,60,000
Building	10,00,000
Equity Share Capital (Authorised)	20,00,000
Equity Shares of 100 each, 70 called and paid up	14,00,000
8% Debentures	55,000
Stock-in-Trade	5,000
Furniture and Fixtures	15,000
Long-term Bank Loan	1,25,000

How Non-Current Liabilities and Non-Current Assets would be presented in the Balance Sheet of the Company?

- (a) Non-Current Liabilities ₹1,80,000 Non-Current Assets ₹15,00,000  
(b) Non-Current Liabilities ₹1,80,000 Non-Current Assets ₹15,75,000  
(c) Non-Current Liabilities ₹1,40,000 Non-Current Assets ₹15,85,000  
(d) Non-Current Liabilities ₹2,50,000 Non-Current Assets ₹15,50,000

11. Salaries and wages are shown in the Statement of Profit and Loss under the head:

- (a) Other expenses                      (b) Finance costs                      (c) Employee benefit expenses                      (d) Other income

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

**Statement (A) :** Realisation account is prepared to find out the profit or loss on realisation of assets and payment of liabilities.

**Statement (B) :** Usually dissolution expenses are not shown in Realisation account.

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.

13. Generally, which of the following accounts are merged at the time of dissolution?

- (a) Cash and Bank Accounts                      (b) Partners' Capital Accounts and Goodwill Account  
(c) Bank and Expenses Accounts                      (d) Unrecorded assets and Unrecorded liabilities accounts

14. After transferring assets (other than cash) and outside liabilities, at the time of dissolution, Sohan, a creditor for ₹7,00,000 accepted land of the book value of ₹10,00,000 at ₹15,00,000 and paid the balance to the firm by cheque.

Realisation A/c will be:

(a) debited by ₹8,00,000 (b) debited by ₹7,00,000 (c) credited by ₹7,00,000 (d) credited by ₹8,00,000

15. From the following information, compute 'Debt to Equity Ratio'.

Particulars	(₹)
Long-term Borrowings	2,00,000
Long-term Provisions	1,00,000
Current Liabilities	50,000
Non-current Assets	3,60,000
Current Assets	90,000

(a) 3:1 (b) 2:1 (c) 3.5:1 (d) 2.5:1

16. 'Higher the Ratio, good for the business'. This statement holds true in case of the

(i) Gross Profit Ratio

(ii) Net Profit Ratio

(iii) Operating Ratio

(iv) Operating Profit Ratio

(v) Working Capital Turnover Ratio

(a) (i), (ii) and (iii) (b) (i), (ii), (iv) and (v) (c) (i), (ii), (iii) and (iv) (d) (ii), (iii), (iv) and (v)

17. Which of the following ratios indicates that the current assets are turned over in the form of sales or turnover more number of times?

(a) Fixed Assets Turnover Ratio

(b) Current Assets Turnover Ratio

(c) Working Capital Turnover Ratio

(d) Inventory Turnover Ratio

18. R Ltd. took over assets of ₹3,00,000 and liabilities of ₹10,000 of A Ltd. at an agreed purchase consideration of ₹2,75,000 to be satisfied by the issue of 15% Debentures of ₹100 each at a premium of 10%.

The number of debentures to be issued are:

(a) 2,500

(b) 3,000

(c) 2,750

(d) 3,500

19. Debentures issued as Collateral Security

(a) are recorded in the books

(b) are not recorded in the books

(c) may or may not be recorded in the books

(d) None of these

20. Premium on Redemption of Debenture is a \_\_\_\_\_ account is nature.

(a) Personal

(b) Real

(c) Nominal

(d) None of the above

21. When at the time of admission of a partner, for the adjustment of capitals, by which of the following, you will calculate 'Total Capital of the Firm'?

(a)  $\frac{\text{Capital of the incoming partner}}{\text{Share of profit of incoming partner}}$

(b)  $\frac{\text{Total adjusted capitals of old partner}}{\text{share of profit of the old partners}}$

(c) Both (a) or (b)

(d) Neither (a) nor (b)

22. P and Q were partners. On 31st March, 2022, their Balance Sheet was as follows:

#### Balance Sheet

as at 31st March, 2022





29. There is a 'Workmen Compensation Reserve' of ₹2,10,000 at the time of retirement of Neeti, when there is a claim of ₹75,000 against it. The firm has three partners Raveena, Neeti and Rajat.

**The Workmen Compensation Reserve**

- (a) will be debited by ₹75,000 (b) will be credited by ₹75,000  
(c) will be credited by ₹1,35,000 (d) will be credited by ₹1,35,000
30. If at the time of retirement, there are some unrecorded debtors and bills receivables, they will be:  
(a) Debited to Revaluation A/c (b) Credited to Revaluation A/c  
(c) Transferred to Old Partners' Capital A/cs (d) Transferred to All Partners' Capital A/cs
31. Which of the following is incorrect about dissolution of a partnership firm?  
(a) In case of dissolution of a firm, firm's debts to third parties are to be paid first.  
(b) When a liability is to be discharged by a partner, his capital account is credited because the amount of liability discharged will increase the claim of the partner against the firm.  
(c) Realisation Account is a real account  
(d) Private Debt means the debt owed by the partner from other person personally.
32. A, B and C are three partners sharing profit and loss in 4 : 3 : 2 ratio. D is admitted for 1/10th share, the new profit sharing will be:  
(a) 10 : 7 : 7 : 4 (b) 5 : 3 : 2 : 1 (c) 4 : 3 : 2 : 1 (d) None of these
33. Jaipur Club has a prize fund of ₹6,00,000. It incurs expenses on prizes amounting to ₹ 5,20,000. The expenses should be  
(a) debited to income and expenditure account.  
(b) presented on the assets side of the balance sheet.  
(c) debited to income and expenditure account and presented on the assets side of the balance sheet.  
(d) deducted from the prize fund on the liabilities side of the balance sheet.
34. Which of the following is deducted from the Capital Fund?  
(a) Surplus (b) Deficiency (c) Outstanding subscriptions (d) Loss on sale of assets
35. What amount to be debited to Income and Expenditure Account from the following information for 2021-22:

Particulars	1st April, 2021 (₹)	31st March, 2022 (₹)
Stock of Sports Material	2,600	4,600
Creditors for Sports Material	2,400	2,660

**Amount paid for Sports Material during 2021-22 is ₹5,780**

- (a) ₹4,040 (b) ₹11,040 (c) ₹6,700 (d) Nil
36. Cash received from trade receivables are classified as \_\_\_\_\_.  
(a) Operating Activities (b) Investing Activities  
(c) Financing Activities (d) Cash and Cash Equivalents
37. Net Profit during the year — ₹1,50,000  
Depreciation — ₹20,000  
Gain on sale of land — ₹30,000  
Net cash from operating activities will be:  
(a) ₹1,40,000 (b) ₹2,00,000 (c) ₹1,60,000 (d) None of the above

38. From the following information, calculate cash flow from Investing activities:

Particulars	31st March, 2021 (₹)	31st March, 2020 (₹)
Machinery (At cost)	4,10,000	2,50,000
Accumulated Depreciation	90,000	60,000

**Additional information:**

During the year, a machine costing ₹80,000 with its accumulated depreciation of ₹50,000 was sold at a profit of 20%.

- (a) Cash flow from Investing Activities ₹2,04,000      (b) Cash flow from Investing Activities ₹2,06,000  
(c) Cash used in Investing Activities ₹2,06,000      (d) Cash used in Investing Activities ₹2,04,000

39. Credibility Ltd. has decided to redeem 5,000; 10% Debentures of ₹10 each on 31st December, 2019. The company should invest in specified securities on or before

- (a) 30th April, 2019      (b) 30th April, 2020      (c) 31st December, 2019      (d) 31st December, 2018

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

**Statement (A) :** Redemption of debentures means repayment of principal amount to the debentureholders.

**Statement (B) :** Debenture Redemption Reserve is the reserve which is created out of profits available for dividend and set aside for redeeming the debentures.

**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.

41. Which of the following will not be credited to Income and Expenditure Account?

- (a) Subscriptions      (b) General Donations  
(c) Sale of Old newspapers      (d) Loss on sale of Furniture

42. Which of the following will not be considered an asset for an NPO?

- (a) Outstanding subscriptions      (b) Accrued Interest on Fixed Deposit  
(c) Life Membership Fees      (d) Sports Equipments

43. \_\_\_\_\_ and \_\_\_\_\_ are main sources of income of a 'Not-for-Profit' organisation.

- (a) Subscriptions, Donations      (b) Subscriptions, Interest on Fixed Deposits  
(c) Subscriptions, Sundry Receipts      (d) Donations, Honorarium

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

**Assertion (A) :** Profit and Loss Appropriation Account is prepared to show the distribution of net profit among the partners.

**Reason (R) :** Profit and Loss Appropriation Account and Revaluation Account can be used interchangeably.

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

**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.

45. A, B and C are in a partnership firm. A, a partner is entitled to a commission of 8% on net profit. For recording his commission in the books if the profit for the year amounted to ₹5,00,000, A's capital Account will be credited by:

- (a) ₹50,000      (b) ₹40,000      (c) ₹20,000      (d) None of these

46. Kanti and Gulab were partners in a firm sharing profits in the ratio of 4 : 1. During the year ended 31st March, 2022 Kanti had withdrawn ₹76,000. Interest on his drawings amounted to ₹8,000. Amount debited to Kanti's Capital Account for interest on drawings is:

(a) ₹22,000

(b) ₹4,100

(c) ₹76,000

(d) None of the above

47. Share Application Account is in the nature of:

(a) Personal account

(b) Nominal account

(c) Real account

(d) Assets account

48. If ₹9 have been called-up on shares of nominal value of ₹12, it will be shown as:

(a) Subscribed and fully paid-up

(b) Issued share capital

(c) Subscribed but not fully paid-up

(d) None of the above

49. The Directors of Neon Ltd. forfeited 15,000 shares of ₹10 each, for non-payment of final call of ₹3 per share. Half of the forfeited shares were reissued as fully paid-up for ₹12 per share. The amount to be transferred to the Capital Reserve Account will be:

(a) ₹1,35,000

(b) ₹52,500

(c) ₹1,05,000

(d) ₹90,000

50. Which of the following journal entries is passed when gain on reissue of shares is transferred to Capital Reserve?

(a) Capital Reserve A/c

Dr.

To Share Forfeited A/c

(b) Share Forfeited A/c

Dr.

To Capital Reserve A/c

(c) Bank A/c

Dr.

To Capital Reserve A/c

(d) Share Capital A/c

Dr.

To Capital Reserve A/c

## PRACTICE PAPER – 17

1. (d)      2. (b)      3. (d)      4. (c)      5. (d)      6. (b)      7. (a)

8. (b)      9. (a)      10. (b)      11. (c)      12. (b)      13. (a)      14. (d)

15. (a)      16. (b)      17. (b)      18. (a)      19. (c)      20. (a)      21. (c)

22. (b)      23. (a)      24. (b)      25. (d)      26. (d)      27. (a)      28. (c)

29. (b)      30. (b)      31. (c)      32. (c)      33. (d)      34. (b)      35. (a)

36. (a)      37. (a)      38. (d)      39. (b)      40. (a)      41. (d)      42. (c)

43. (a)      44. (c)      45. (b)      46. (a)      47. (a)      48. (c)      49. (b)

50. (b)