

Maximum Marks : 200

Time : 45 Minutes

- Income and Expenditure Account records :
  - Receipts and Payments of Revenue and Capital nature both
  - Income and Expenditure of Revenue nature only
  - Expenditure of Capital nature only
  - Receipts of Revenue nature only
- Jaipur Club has a prize fund of ` 6,00,000. It incurs expenses on prizes amounting to ` 5,20,000. The expenses should be :
  - debited to income and expenditure account.
  - presented on the assets side of the balance sheet.
  - debited to income and expenditure account and presented on the assets side of the balance sheet.
  - deducted from the prize fund on the liabilities side of the balance sheet.
- The following information has been extracted from the financial statements of a not-for-profit organization for the year ended 31<sup>st</sup> March, 2019 :
 

Particulars	Amount ( ` )
Opening Balance of Match Fund	5,00,000
Sale of Match tickets	3,75,000
Donation for Match Fund received during the year	1,24,000
Match expenses	10,00,000

Which of the following statements is correct for the presentation of the above items in the financial statements of the not-for-profit organization ?

  - Negative Balance of Match fund ` 1,000 will be shown on the liabilities side of the Balance Sheet as at 31<sup>st</sup> March, 2019.

- Opening Balance of Match Fund ` 5,00,000 will be shown on the liabilities side of Balance Sheet as at 1.4.2018.
  - Negative balance of match fund ` 1,000 will be shown on the expenditure side of the Income and Expenditure Account for the year ended 31.3.2019.
  - Both (2) and (3).
- Subscription received in advance during the current year is :
    - An income
    - An asset
    - A liability
    - None of the above
  - The following information below is related to an NPO :

Dr. Receipts and Payments A/c [An Extract]		Cr.	
Receipts	Amount ( ` )	Payments	Amount ( ` )
To Interest on Investments	Nil	By 8% Investments [01-10-18]	60,000

- If the firm closes its accounts on 31<sup>st</sup> March every year, what amount of accrued interest on investments will be shown in the Balance Sheet of the firm on 31-03-19 ?
- ` 2,400
  - ` 4,800
  - ` 6,000
  - None of these
- Pick the odd one out :
    - Entrance fees
    - Subscription
    - Government grant
    - Life membership fees

7. The persons who have entered into partnership are individually known as :
- (1) Partners (2) Firm  
(3) Associations (4) None of these
8. Following are essential elements of a partnership firm except:
- (1) At least two persons  
(2) There is an agreement between all partners  
(3) Equal share of profits and losses  
(4) Partnership agreement is for some business
9. Pick the odd one out :
- (1) Interest on capital  
(2) Interest on drawings  
(3) Interest on partner's loan  
(4) Salary to partner
10. Identify the journal entry for transferring interest on drawings to the Profit and Loss Appropriation A/c.
- (1) Partners' Capital/Current A/cs Dr.  
To Interest on drawings A/c  
(Being interest on drawings transferred to Profit & Loss Appropriation A/c)
- (2) Interest on Drawings A/c Dr.  
To Partners' Capital/Current A/cs  
(Being interest on drawings transferred to Profit & Loss Appropriation A/c)
- (3) Interest on Drawings A/c Dr.  
To Profit and Loss Appropriation A/c  
(Being interest on drawings transferred to Profit & Loss Appropriation A/c)
- (3) Profit & Loss Appropriation A/c Dr.  
To Interest on Drawings A/c  
(Being interest on drawings transferred to Profit & Loss Appropriation A/c)
11. Which of the following items is not dealt through Profit and Loss Appropriation Account ?
- (1) Interest on partner's loan  
(2) Partner's salary  
(3) Interest on partner's drawings  
(4) Partner's commission
12. Which of the following does not result in the change in the profit sharing ratio?
- (1) When one or more partners acquire an interest in the business from another partner or partners  
(2) When a partner is admitted in the firm.  
(3) When a partner goes on a vacation.  
(4) When a partner dies.
13. At the time of change in profit sharing ratio, it is important to determine the \_\_\_\_\_ and \_\_\_\_\_ of partners.
- (1) Sacrificing ratio, gaining ratio  
(2) Profit, loss  
(3) Goodwill, profit  
(4) Capital, Profit
14. Bishan and Sudha were partners in a firm sharing profits and losses in the ratio of 5 : 3. Alena was admitted as a new partner. It was decided that the new profit sharing ratio of Bishan, Sudha and Alena will be 10 : 6 : 5. The sacrificing ratio of Bishan and Sudha will be :
- (1) 5 : 3 (b) 25 : 78  
(c) 6 : 5 (4) 2 : 1
15. **Assertion (A):** A new partner can be admitted into a partnership firm with the consent of all the existing partners.
- Reason (R):** According to Section 31 of the Indian Partnership Act, 1932, a new partner shall not be introduced into a firm without the consent of all the existing partners, unless it is agreed otherwise by the partners in the partnership deed.
- (1) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).  
(2) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).  
(3) Assertion (A) is true, but Reason (R) is false.  
(4) Assertion (A) is false, but Reason (R) is true.
16. **Assertion (A):** New Profit Sharing Ratio is the ratio in which old partners including the new partner, share the profits or losses of the firm.
- Reason (R):** When a new partner is admitted to the firm it is necessary to calculate the new profit sharing ratio with the help of the share agreed to forgo by the old partners.
- (1) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).  
(2) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).  
(3) Assertion (A) is true, but Reason (R) is false.  
(4) Assertion (A) is false, but Reason (R) is true.
17. Analyse the case given below and answer the questions that follow :
- Alia, Karan and Shilpa were partners in a firm sharing profits in the ratio of 5 : 3 : 2. Goodwill appeared in their books at the value of ` 60,000. Karan decided to retire from the firm. On the date of his retirement, goodwill of the firm was valued at ` 2,40,000. The new profit sharing ratio decided among Alia and Shilpa was 2 : 3. Give the answers to the questions given below:
17. How much will be transferred to Karan's Capital Account of the existing goodwill?
- (1) ` 18,000 (2) ` 30,000  
(3) ` 12,000 (4) ` 72,000
18. What is Alia's gaining or sacrificing ratio:
- (1)  $\frac{1}{10}$  Gain (2)  $\frac{1}{10}$  Sacrifice  
(3)  $\frac{4}{10}$  Gain (4)  $\frac{4}{10}$  Sacrifice

19. What is Shilpa's gaining or sacrificing ratio:

- (1)  $\frac{1}{10}$  Gain (2)  $\frac{1}{10}$  Sacrifice  
 (3)  $\frac{4}{10}$  Gain (4)  $\frac{4}{10}$  Sacrifice

20. What amount of goodwill will be transferred to Karan's Capital account?

- (1) ` 96,000 (2) ` 72,000  
 (3) ` 24,000 (4) ` 18,000

21. ]Saurabh, Shirin and Somesh are partners in a firm sharing profits and losses in the ratio of 3 : 2 : 1. Somesh retires and the new profit sharing ratio between Saurabh and Shirin in 3 : 2. The gaining ratio between Saurabh and Shirin will be :

- (1) 3 : 2 (2) 3 : 1  
 (3) 1 : 1 (4) 2 : 1

22. On the basis of the following data, how much final payment will be made to a partner on firm's dissolution?

Credit balance of capital account of the partner was ` 50,000. Share of loss on realisation amounted to ` 10,000. Firm's liability taken over by him was for ` 8,000.

- (1) ` 32,000 (2) ` 48,000  
 (3) ` 40,000 (4) ` 52,000

23. The account which is prepared on dissolution of a partnership firm :

- (1) Revaluation Account  
 (2) Realisation Account  
 (3) P & L Appropriation Account  
 (4) None of the above

24. On dissolution of a firm, a liability taken over by a partner is credited to :

- (1) Realisation Account  
 (2) Profit and Loss Account  
 (3) Partner's Capital Account  
 (4) None of the above

25. The first stage of incorporating a company is :

- (1) Registration  
 (2) Promotion  
 (3) Commencement of business  
 (4) None of the above

26. Those preference shares which do not carry the right to receive arrears of dividend :

- (1) Non-participating Preference Shares  
 (2) Irredeemable Preference Shares  
 (3) Non-convertible Preference Shares  
 (4) Non-cumulative Preference Shares

27. Subscription of shares should not be less than \_\_\_\_\_% of the issued shares.

- (1) 85% (2) 90%  
 (3) 95% (4) 100%

28. Balance in Share Forfeiture Account is shown in the balance sheet under the head of :

- (1) Reserves and Surplus

- (2) Long-term Borrowings  
 (3) Share Capital  
 (4) Other Current Liabilities

29. The Journal Entry to acquire an asset from vendor will be :

	Particulars	L.F.	Amount Dr. ( ` )	Amount Cr. ( ` )
(1)	Sundry Assets A/c Dr. To Vendor's A/c			
(2)	Vendor's A/c Dr. To Sundry Assets A/c			
(3)	Sundry Assets A/c Dr. To Cash A/c			
(4)	Cash A/c Dr. To Vendor's A/c			

30. HR Limited issued 10,000 equity shares @ ` 10 each at 10% premium. All shares were subscribed and amount was received. Identity the amount to be transferred to Securities Premium Reserve A/c.

- (1) ` 10,000 (2) ` 1,000  
 (3) ` 1,00,000 (4) ` 9,000

31. Which of the following is not a purpose for which the Securities Premium amount can be used ?

- (1) Issuing fully paid bonus shares to shareholders  
 (2) Issuing partly paid up bonus shares to shareholders  
 (3) Writing off preliminary expenses of the company  
 (4) In purchasing its own shares (buy back)

32. Debenture interest is paid as :

- (1) based on the net profit of company  
 (2) at a predetermined rate  
 (3) at variable rate  
 (4) none of the above

33. At the time of issue of debentures, Debentures Account is :

- (1) Credited by the amount received  
 (2) Credited by issues price of debentures  
 (3) Credited by the nominal (face) value of the debentures  
 (4) None of the above

34. Premium on Redemption of Debentures Account is a \_\_\_\_\_Account.

- (1) Real Account (2) Nominal Account  
 (3) Personal Account (4) None of these

35. The loss on issue of Debentures is written-off from:

- (1) Capital Reserve  
 (2) Secret Reserve  
 (3) Reserve Capital  
 (4) Share Premium Reserve Account

36. Pick the odd one out:

- (1) Issue of debentures to vendor  
 (2) Issue of debentures to public

- (3) Issue of debentures as collateral security  
 (4) Issue of debentures to promoters
37. What journal entry will be passed when purchase consideration is equal to net assets while purchasing business from vendor :
- (1) Sundry Assets A/c Dr.  
 Goodwill A/c Dr.  
     To Vendor's A/c
- (2) Sundry Assets A/c Dr.  
     To Capital Reserve A/c  
     To Vendor's A/c
- (3) Sundry Assets A/c Dr.  
     To Sundry Liabilities A/c  
     To Vendor's A/c
- (4) Capital Reserve A/c Dr.  
     To Vendor's A/c
38. Which of the following is not a part of Finance Cost (in Statement of Profit and Loss) ?
- (1) Bank Charges  
 (2) Interest Paid on Debentures  
 (3) Interest Paid on Public Deposits  
 (4) Loss on Issue of Debentures
39. As per Schedule III, Part I of the Companies Act, 2013 'calls-in-arrears' will be presented under which of the following head/sub-head, in the Balance Sheet of a company ?
- (1) Reserves and Surplus  
 (2) Current Liabilities  
 (3) Contingent Liabilities  
 (4) Shareholders' Funds
40. Which of the following is a limitation of financial analysis ?
- (1) It is just a study of reports of the company.  
 (2) It judges the ability of the firm to repay its debts.  
 (3) It identifies the reasons for change in financial position.  
 (4) It ascertains the relative importance of different components of the financial position of the firm.
41. Pick the odd one out :
- (1) Horizontal Analysis  
 (2) Comparative Statement of Profit and Loss  
 (3) Comparative Balance Sheet  
 (4) Common-Size Balance Sheet
42. The\_\_\_\_\_may indicate that the firm is experiencing stock outs and lost sales.
- (1) Average payment period  
 (2) Inventory turnover ratio  
 (3) Average collection period  
 (4) Quick ratio
43. Current ratio of Vidur Pvt. Ltd. is 3 : 2. Accountant wants to maintain it at 2 : 1. Following options are available :
- (i) He can repay bills payable  
 (ii) He can purchase goods on credit

(iii) He can take short-term loan  
 Choose the correct option :

- (1) Only (i) is correct.  
 (2) Only (ii) is correct.  
 (3) Only (i) and (iii) are correct.  
 (4) Only (ii) and (iii) are correct.
44. Which of the following is not an activity ratio ?
- (1) Inventory turnover ratio  
 (2) Interest coverage ratio  
 (3) Working capital turnover ratio  
 (4) Trade receivables turnover ratio
45. The\_\_\_\_\_measures the activity of a firm's inventory.
- (1) average collection period  
 (2) inventory turnover  
 (3) liquid ratio  
 (4) current ratio
46. Pick the odd one out :
- (1) Cash in hand  
 (2) Cash at bank  
 (3) Marketable Securities  
 (4) Non-current Investments
47. **Balance Sheet (Extract)**
- | Liabilities  | 31-03-2018<br>(`) | 31-03-2017<br>(`) |
|--------------|-------------------|-------------------|
| Fixed Assets | 23,80,000         | 17,50,000         |
- Additional Information :
- Depreciation on fixed assets was ` 2,00,000 for the year. How much amount for 'Purchase of fixed assets' will be shown in investing activity for cash flow statement prepared on 31<sup>st</sup> March, 2018 ?
- (1) Outflow ` 8,30,000  
 (2) Inflow ` 42,600  
 (3) Outflow ` 6,30,000  
 (4) None of these
48. Payment of income tax is classified under :
- (1) Operating activity  
 (2) Financing activity  
 (3) Investing activity  
 (4) None of the above
49. Which of the following transactions will not result into flow of cash?
- (1) Issue of equity shares of ` 1,00,000  
 (2) Purchase of machinery of ` 1,75,000  
 (3) Redemption of 9% debentures ` 3,50,000  
 (4) Cash deposited into bank ` 15,000
50. Cash Flow Statement is based upon :
- (1) Accrual basis of accounting  
 (2) Cash basis of accounting  
 (3) Accounting equation  
 (4) None of the above

1. Option (2) is correct.

**Explanation:** Income and Expenditure account records the income and expenditure of only revenue nature. Capital income and expenditure are recorded in the balance sheet.

2. Option (4) is correct.

**Explanation:** The expenses incurred over the raised fund is deducted from the that fund.

3. Option (4) is correct.

4. Option (3) is correct.

**Explanation:** Any income received in advance is a liability for the firm during the current year. Subscription received in advance is considered as liability because services are yet to be rendered.

5. Option (1) is correct.

**Explanation:** Accrued Interest =  $\frac{60,000 \times 6 \times 8}{100 \times 12}$   
= ₹ 2,400

6. Option (4) is correct.

**Explanation:** Life Membership fees is the odd one as it is the only capital receipt.

7. Option (1) is correct.

**Explanation:** Partners are the persons who enter into partnership.

8. Option (3) is correct.

**Explanation:** A partnership firm is an agreement between the two or more persons to carry on a business, but they not necessarily share equal profit or losses unless otherwise provided by the partnership deed or in the absence of one.

9. Option (3) is correct.

**Explanation:** Interest on partner's loan is the only one allowed in the absence of the partnership deed.

10. Option (3) is correct.

**Explanation:** When the interest on drawings is transferred to Profit and loss appropriation account, interest on drawings is debited and profit and loss appropriation account is credited.

11. Option (1) is correct.

**Explanation:** Interest on partner's loan directly comes in the Profit and Loss Account. The partner's salary, interest on partner's drawings and partner's commission are dealt through the Profit and Loss Appropriation Account.

12. Option (3) is correct.

**Explanation:** When a partner goes on a vacation, he is not retiring from the firm, so the profit sharing ratio will not change.

13. Option (1) is correct.

**Explanation:** This may result in the gain to a few partners and loss to others. The partners who are in profit due to this change should compensate the sacrificing partner/partners in the profit sharing ratio.

14. Option (1) is correct.

**Explanation:** Bishan's Sacrificing ratio  
 $= \frac{5}{8} - \frac{10}{21} = \frac{105}{168} - \frac{80}{168} = \frac{25}{168}$   
Sudha's Sacrificing Ratio  
 $= \frac{3}{8} - \frac{6}{21} = \frac{63}{168} - \frac{48}{168} = \frac{15}{168}$   
Sacrificing Ratio = 25:15 = 5:3

15. Option (1) is correct.

16. Option (2) is correct.

**Explanation:** New Profit Sharing Ratio is the ratio in which old partners including the new partner, share the profits or losses of the firm, calculated as agreed by the partners, as the future profit and loss need to be shared differently as a new partner is added to the firm.

17. Option (1) is correct.

**Explanation:** The existing goodwill will be transferred in the old profit sharing ratio.

18. Option (2) is correct.

**Explanation:** Alia =  $\frac{5}{10} - \frac{2}{5} = -\frac{1}{10}$  (Sacrifice)

19. Option (3) is correct.

**Explanation:** Shilpa =  $\frac{3}{5} - \frac{2}{10} = \frac{4}{10}$  (gain)

20. Option (2) is correct.

**Explanation:** The new goodwill is shared in the new profit sharing ratio.

21. Option (1) is correct.

**Explanation:**

Gaining ratio = New ratio - Old ratio  
 Saurabh's gain =  $3/5 - 3/6 = 3/30$   
 Shirin's gain =  $2/5 - 2/6 = 2/30$   
 Gaining ratio = 3 : 2

22. Option (2) is correct.

**Explanation:** Final Payment made to Partner

= ₹ 50,000 (Capital) + ₹ 8,000 (Liabilities of firm taken over) - ₹ 10,000 (Share of loss on realisation)  
 = ₹ 48,000

23. Option (2) is correct.

**Explanation:** When the firm is being dissolved, realisation account is prepared to know the profit made or loss incurred at the time of dissolution of a firm.

24. Option (3) is correct.

**Explanation:** The liability taken over by a partner in case of dissolution is credited in his capital account.

Realisation Account debits the transaction. Profit and loss account is not prepared during the dissolution of the firm.

25. Option (2) is correct.

**Explanation:** The incorporation of a company as per the Companies Act, 2013 begins with its promotion.

26. Option (4) is correct.

**Explanation:** The **non-cumulative preference shares** are the shares which do not carry the right to receive arrears of dividend.

**Non-participating Preference Shares** are the shares which do not have a share in surplus profits and on which only a fixed rate of dividend is paid.

**Non-convertible Preference Shares** are the preference shares which don't have the right to be converted into equity shares.

Preference shares which don't have any maturity date are called **irredeemable preference shares**.

27. Option (2) is correct.

28. Option (3) is correct.

**Explanation:** As the share forfeiture form the share capital it is shown in the share capital head of the Balance Sheet.

29. Option (1) is correct.

**Explanation:** When the asset is acquired from the vendor, the sundry asset account is debited and vendor's account is credited with that amount.

30. Option (1) is correct.

**Explanation:** Total value of shares =  $10,000 \times ₹ 10 = ₹ 1,00,000$

Premium = 10% of ₹ 1,00,000 = ₹ 10,000

Thus, ₹ 10,000 will be transferred to the securities premium account.

31. Option (2) is correct.

**Explanation:** The securities premium amount cannot be used to issue partly paid up bonus shares to shareholders, as the shares are partly paid up.

**It can only be used for:**

- To issue fully paid-up bonus shares to the shareholders.
- To write off preliminary expenses of the companies.
- To write off the commission paid or expenses on issue of shares/debentures.
- To pay premium on the redemption of preference shares or debentures of the company.
- Buy-back of equity shares and other securities as per Section 68.

32. Option (2) is correct.

**Explanation:** The interest rate of debentures is predetermined as it is mentioned in the debenture bond itself.

33. Option (3) is correct.

34. Option (3) is correct.

35. Option (1) is correct.

36. Option (2) is correct.

**Explanation:** Issue of debenture to public is the only debenture issued for cash consideration.

37. Option (3) is correct.

**Explanation:** When the purchase consideration is equal to net assets while purchasing business from vendor the Asset Account is debited and vendor account are credited.

38. Option (1) is correct.

**Explanation:** Bank charges is a part of other expenses in the statement of profit and loss statement.

39. Option (4) is correct.

**Explanation:** The amount which is not paid by defaulter shareholders is called 'Calls-in-arrears'. This shows a debit balance. It is shown under Shareholders' Fund as deduction from called up capital.

40. Option (1) is correct.

**Explanation:** Financial analysis is just a study of reports of a company, ignores qualitative information, does not disclose current worth, etc.

41. Option (4) is correct.

**Explanation:** Except common size balance sheet, all are part of comparative statements.

42. Option (2) is correct.

**Explanation:** The inventory turnover ratio may indicate that the firm is experiencing stock outs and lost sales.

Average Payment Period is the average number of days a business takes to pay its creditors  
Average Collection Period is the average number of days a firm takes to get its payment from the debtors.

Quick Ratio is the ratio between the liquid assets and current liabilities.

43. Option (1) is correct.

**Explanation:** In order to increase the Current ratio, the current liabilities needs to be decreased, thus, he can only replay Bills Payable. If he purchases goods on credit or takes short term loans it will increase the current liabilities.

44. Option (2) is correct.

**Explanation:** Interest coverage ratio is a solvency ratio.

45. Option (2) is correct.

**Explanation:** The inventory turnover ratio measures the activity of a firm's inventory.  
Average collection period measures the time taken by the debtors to pay back.  
Liquid Ratio measures the amount of liquid assets the firm has for every current liability.  
Current Ratio is the ratio between current assets and liabilities.

46. Option (4) is correct.

**Explanation:** Non-current investments is odd as it is the only one which is not a cash and a cash equivalent.

47. Option (1) is correct.

**Explanation:** 
$$\text{Cash Outflow} = \text{Value of Fixed Assets on 31/3/2018} - \text{Value of Fixed asset on 31/03/2017} + \text{Depreciation}$$
$$= ₹ 23,80,000 - ₹ 17,50,000 + ₹ 2,00,000$$
$$= ₹ 8,30,000$$

48. Option (1) is correct.

**Explanation:** Income tax is paid as a matter of operation of business, so it is classified under Operating Activity.

49. Option (4) is correct.

**Explanation:** Cash deposited into bank is simply the movement between items of cash and cash equivalents.

50. Option (2) is correct.

**Explanation:** Cash flow statement is based on the cash basis of accounting as it only shows the movement of cash.

