केंद्रीय विद्यालय संगठन क्षेत्रीय कार्यालय रायपुर

Kendriya Vidyalaya Sangathan Regional Office Raipur

तत् त्वं पूषन् अपावृणु
केन्द्रीय विद्यालय संगठन

Class - XII

Multiple Choice Question Bank

[MCQ] Term – I

ACCOUNTANCY [055]

Based on Latest CBSE Exam Pattern

for the Session 2021-22

केंद्रीय विद्यालय संगठन क्षेत्रीय कार्यालय रायपुर

Kendriya Vidyalaya Sangathan Regional Office Raipur

MESSAGE FROM DUPUTY COMMISSIONER

It is a matter of great pleasure for me to publish study material for different subjects of classes X and XII for Raipur Region. Getting acquainted and familiarized with the recent changes in curriculum and assessment process made by CBSE vide Circular No. 51 and 53 issued in the month of July 2021 will help students to prepare themselves better for the examination. Sound and deeper knowledge of the Units and Chapters is must for grasping the concepts, understanding the questions. Study materials help in making suitable and effective notes for quick revision just before the examination.

Due to the unprecedented circumstances of COVID-19 pandemic the students and the teachers are getting very limited opportunity to interact face to face in the classes. In such a situation the supervised and especially prepared value points will help the students to develop their understanding and analytical skills together. The students will be benefitted immensely after going through the question bank and practice papers. The study materials will build a special bond and act as connecting link between the teachers and the students as both can undertake a guided and experiential learning simultaneously. It will help the students develop the habit of exploring and analyzing the ***Creative & Critical Thinking Skills***. The new concepts introduced in the question pattern related to case study, reasoning and ascertain will empower the students to take independent decision on different situational problems. The different study materials are designed in such a manner to help the students in their self-learning pace. It emphasizes the great pedagogical dictum that *‘everything can be learnt but nothing can be taught’*. The self-motivated learning as well as supervised classes will together help them achieve the new academic heights.

I would like to extend my sincere gratitude to all the principals and the teachers who have relentlessly striven for completion of the project of preparing study materials for all the subjects. Their enormous contribution in making this project successful is praiseworthy.

Happy learning and best of luck!

Vinod Kumar
(Deputy Commissioner)

केंद्रीय विद्यालय संगठन क्षेत्रीय कार्यालय रायपुर

Kendriya Vidyalaya Sangathan Regional Office Raipur

Our Patorn

Vinod Kumar

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- **MR. C. B. PANDEY**
- **MR. ALOK KUMAR SINGH**
- **MR. PRADEEP SARDANA**
- **MR. AVINASH PANDEY**
- **MR. MANOJ BHARDWAJ**

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Accountancy (Code No. 055)
(2021-22)
CLASS XII - CURRICULUM (TERM-WISE)

	TERM: 1 **(MCQ based Question Paper)** Theory: 40 Marks Time: 90 Minutes (In the month of November-December)			**TERM: 2** **(Descriptive based Question Paper)** Theory: 40 Marks Time: 02 Hours (In the month of March-April)	
Part: A			**Part: A**		
  1 2 3	**Accounting for Partnership Firms:** Fundamentals Change in Profit-sharing ratio Admission of a partner	18 Marks	1 2 3	**Accounting for Not-for-Profit Organisations:** **Accounting for Partnership Firms:** Retirement and Death of a partner Dissolution of Partnership Firms	10 Marks 12 Marks
4	**Company Accounts:** Accounting for Shares	12 Marks	4	**Company Accounts:** Accounting for Debentures	08 Marks
Part: B			**Part: B**		
5 6	**Analysis of Financial Statements:** Financial Statements of a Company (i) Statement of Profit & Loss and Balance Sheet in the prescribed form with major headings and sub-headings (as per Schedule III to the Companies Act, 2013) (ii) Tools of Analysis – Ratio Analysis Accounting Ratios	10 Marks	5 6	**Analysis of Financial Statements:** Financial Statements of a Company – Comparative and Common Size Statements Cash Flow Statement	10 Marks
7	**Project Work (Part: 1)**	**10 Marks**	7	**Project Work (Part: 2)**	**10 Marks**
	TOTAL MARKS	**40 MARKS**		**TOTAL MARKS**	**40 MARKS**

Fundamentals of Partnership Accounting

Q1. In the absence of partnership deed, interest on capital is allowed at the rate of:

a) 6% p.a. simple interest
b) 6% p.a. compound interest
c) 12% simple interest
d) None of the above.

Q2. Rent to a partner is shown in:

a) Dr. side of Profit And Loss Appropriation A/c
b) Cr. side of Profit And Loss Appropriation A/c
c) Dr. side of Profit And Loss A/c
d) Cr. side of Profit And Loss A/c.

Q3. Which of the following items will be shown in Partner's Capital A/c under Fixed Capital method?

a) Drawings from profits
b) Drawings from capital
c) Interest on drawings
d) All of the above.

Q4. Interest on Partner's Loan will be credited to:

a) Partner's Loan A/c
b) Partner's Capital A/c
c) Profit and Loss A/c
d) None of the above.

Q5. Which one of the following items is not an appropriation out of profits?

a) Interest on capital
b) Salary to a partner
c) Commission to a partner
d) Interest on partner's loan.

Q6. Following are essential elements of a partnership firm except:

a) Atleast two persons
b) There is an agreement between all partners
c) Equal share of profits and losses
d) Partnership agreement is for some lawful business activity.

Q7. Which one of the following is not a right of a partner?

a) Right to inspect the books of the firm
b) Right to take part in the affairs of the company
c) Right to share the profits/losses of the firm
d) Right to receive salary at the end of each month.

Q8. The relation of partner with the firm is that of:

a) An owner
b) An agent
c) An owner and agent both
d) A manager.

Q9 Pick the odd one out:

a) Rent to a partner
b) Manager's commission
c) Interest on partner's loan
d) Interest on partner's capital.

Q10. Can a partner be exempted to share the losses of the firm?

a) Yes
b) No
c) Yes, if partnership deed provides so

d) Never.

Q11. In case of partnership, the act of any partner is:

a) Binding on all partners
b) Binding on that partner only.
c) Binding on all partners except that particular partner
d) None of the above.

Q12. Interest on capital will be paid to the partners if provided for in the partnership deed but only out of:

a) Profits
b) Reserves
c) Accumulated profits
d) Goodwill.

Q13. What is the minimum number of partners in a partnership firm?

a) 50
b) 100
c) 2
d) None of the above.

Q14. Current accounts of partners are maintained under which method?

a) Fluctuating Capital method
b) Fixed Capital method
c) Both of the above
d) None of the above.

Q15. Limited Liability Partnerships came into existence in India after the enactment of:

a) Indian Partnership Act, 1932
b) Limited Liability Partnership Act, 1932
c) Limited Liability partnership Act, 2008
d) Indian companies Act, 2013.

<u>CCT Based MCQs</u>

Q16. A and B are partners sharing profits and losses equally. They admitted C as a partner with an equal share giving him a guarantee of minimum ₹50,000 profit p.a. The profit for the year after C's admission was ₹1,20,000. What will be the net amount that will be credited to A's Capital A/c?

a) ₹50,000
b) ₹40,000
c) ₹35,000
d) ₹80,000.

Q17 If a partner withdraws an equal amount in the beginning of each month for a period of 10 months, what will be the average period for calculation of Interest on Drawings?

a) 6.5 months
b) 7.5 months
c) 6 months
d) 5.5 months.

Q18. X and Y are partners sharing profits and losses in the ratio of 3:2 with capitals ₹5,00,000 each. According to partnership deed, interest on capital is allowed @ 10% p.a. The profit for the year is ₹ 50,000. What amount will be credited to X and Y in such condition?

a) ₹50,000 to A and B each
b) ₹25,000 to A and B each
c) ₹30,000 to A and ₹20,000 to B
d) None of the above.

Q19. Manager is entitled to a commission of 10% of the net profits after charging such commission. The net profit for the year is ₹1,32,000. What will be the amount of manager's commission?

a) ₹13,200

b) ₹12,000
c) ₹10,000
d) None of the above.

Q20. P and Q are partners sharing profits and losses in the ratio of 2:1 with capitals ₹1,00,000 and ₹80,000 respectively. The interest on capital has been provided to them @ 8% instead of 10%. In the rectifying adjustment entry, Q will be:

a) Debited by ₹400
b) Credited by ₹400
c) Debited by ₹1600
d) Credited by ₹1600.

Q21. Akhil and Ravi are partners sharing profits and losses in the ratio of 7:3 with capitals of ₹8,00,000 and ₹6,00,000 respectively. According to partnership deed interest on capital is to be provided @ 8% p.a. and is to be treated as a charge. Profit for the year is ₹80,000. Choose the correct option:

a) A will be credited by ₹ 64,000 and B will be credited by ₹ 48,000.
b) A will be credited by ₹ 56,000 and B will be credited by ₹ 24,000.
c) A will be credited by ₹ 22,400 and B will be credited by ₹ 9,600.
d) A will be credited by ₹ 41,600 and B will be credited by ₹ 38,400.

Q22. X, Y and Z are partners sharing profits and losses equally. Their capitals on March 31, 2021 are ₹80,000; ₹60,000; ₹40,000 respectively. Their personal assets are worth as follows: X- ₹20,000; Y - ₹15,000 and Z- ₹10,000. The extent of their liability in the firm would be:

a) X- ₹80,000; Y- 60,000; Z- ₹40,000
b) X- ₹20,000; Y- 15,000; Z- ₹10,000
c) X- ₹1,00,000; Y- 75,000; Z- ₹50,000
d) Equal.

Q23. A and B are partners. B draws a fixed amount at the end of every month. Interest on drawings is charged @15% p.a. At the end of the year interest on B's drawings amounted to ₹8,250. Drawings of B were:

a) ₹12,000 p.m.
b) ₹10,000 p.m.
c) ₹9,000 p.m.
d) ₹8,000 p.m.

Q24. Mohit and Rohit were partners in a firm with capitals of ₹80,000 and ₹40,000 respectively. The firm earned a profit of ₹30,000 during the year. Mohit's share in the profit will be:

a) Rupees 20000
b) Rupees 15000
c) Rupees 10000
d) Rupees 18000.

Q25. R and S are partners sharing profits in the ratio of 2:1. S has advanced a loan of ₹1,00,000 to the firm on 1st October, 2020. The net profit earned by the firm for the year ending 31st March, 2021 is ₹ 90,000. What amount will be credited to S's capital account?

a) ₹60,000
b) ₹30,000
c) ₹29,000
d) ₹32,000.

Match the following based MCQs

Q26.

I	Interest on Capital	A	Cr. Side of Profit and Loss Appropriation A/c
II	Interest on Drawings	B	Dr. side of Profit and Loss Appropriation A/c
III	Interest on Partner's Loan	C	Dr. side of Profit and Loss A/c

a) I-A; II-B; III-C
b) I-B; II-A; III-C

c) I-C; II-B; III-A
d) I-B; II-C; III-A

Q27.

I	Rent paid to a partner	A	Charge against profits
II	Salary paid to a partner	B	Appropriations out of profits.
III	Partner's Commission		

a) I-A; II-B; III-B
b) I-A; II-A; III-B
c) I-A; II-B; III-A
d) I-B; II-A; III-B

Q28.

I	Maximum number of partners	A	6% p.a.
II	Partnership Deed	B	50
III	Interest on partner's loan	C	Written agreement

a) I-A; II-B; III-C
b) I-B; II-A; III-C
c) I-C; II-B; III-A
d) I-B; II-C; III-A

Q29.

I	Drawings in the beginning of each quarter	A	4.5
II	Drawings in the beginning of each month	B	6.5
III	Drawings in the end of each quarter	C	7.5

a) I-A; II-B; III-C
b) I-B; II-A; III-C
c) I-C; II-B; III-A
d) I-B; II-C; III-A

Q30.

I	One who takes part in business activities	A	Dormant partner
II	One who does not take part in business activities	B	Nominal partner
III	One who lends his name to a partnership firm but actually is not a partner of the firm.	C	Active partner

a) I-A; II-B; III-C
b) I-B; II-A; III-C
c) I-C; II-B; III-A
d) I-C; II-A; III-B.

Case Study Based Questions

Read the following information carefully and answer the questions that follow:

X and Y are partners in 3:2. Their capital balances as on 1st April 2020 amounting to ₹2,00,000 each. On 1st February, 2021, X contributed an additional capital of ₹1,00,000. Following are the terms of deed:

a) Interest on capital @ 6% per annum
b) Interest on drawings @ 8% per annum
c) Salary to X ₹1500 per month

d) Commission to Y @10% on net profit after charging interest on capital, salary and his commission.

Drawings of the partners were ₹20,000 and ₹30,000 respectively during the year. Net profit earned by the firm was ₹2,08,000.

Choose the correct option based on the above information:

Q31. What is the amount of Interest on capitals of X and Y:

a) ₹12,000 each
b) ₹12,000 to X and ₹ ₹13,000 to Y
c) ₹13,000 to X and ₹12,000 to Y
d) None of the above.

Q32. What is the amount of interest on drawings of X and Y:

a) ₹ 1200 and ₹ 1800 respectively
b) ₹ 800 and ₹ 1200 respectively
c) ₹ 1200 and ₹ 800 respectively
d) ₹ 1600 ₹ 2400 respectively

Q33. What is the amount of commission payable to Y?

a) ₹ 15000
b) ₹ 16500
c) ₹ 20800
d) None of these

Q34. What is X's share in the net divisible profit?

a) ₹ 124400
b) ₹ 83600
c) ₹ 91200
d) ₹ 60800

Q35. What will be the closing capital of X after all adjustments?

a) ₹ 422200
b) ₹ 401400
c) ₹ 300000
d) ₹ 423000

Read the following information carefully and answer the questions that follow:

A, B and C were partners sharing profits in the ratio of 1:2:3. Their fixed capitals on 1st April, 2020 were: A ₹3,00,000; B ₹4,50,000 and C ₹10,00,000. Their partnership deed provided the following:

i. A provides his personal office to the firm for business use charging yearly rent of ₹1,50,000.
ii. Interest on capitals @8% p.a. and interest on drawings @ 10% p.a.
iii. A was allowed a salary @ 10,000 per month.
iv. B was allowed a commission of 10% of net profit as shown by Profit and Loss account, after charging such commission.
v. C was guaranteed a profit of ₹3,00,000 after making all adjustments.

The net profit for the year ended 31st march, 2021 was ₹10,30,000 before making above adjustments.

You are informed that A has withdrawn ₹5,000 in the beginning of each month, B has withdrawn ₹5,000 at the end of each month and C has withdrawn ₹ 24,000 in the beginning of each quarter.

Choose the correct option based on the above information:

Q36. A’s rent will be shown in:

a) Profit and loss account
b) Profit and Loss Appropriation account
c) A’s Capital account
d) None of the above.

Q37. Net profit for the year is:

a) ₹10,30,000
b) ₹11,80,000
c) ₹7,30,000
d) ₹8,80,000

Q38. What will be the divisible profit?
a) ₹5,56,000
b) ₹5,50,000
c) ₹5,52,000
d) ₹5,53,000.

Q39. What will be the total interest on drawings?
a) ₹24,000
b) ₹12,000
c) ₹36,000
d) 48,000.

Q40. What will be the commission of B?
a) ₹8,00,000
b) ₹96,000
c) ₹80,000
d) ₹72,000.

Assertion-Reasoning Based questions

Q41. **Assertion (A):** In the absence of Partnership deed profits and losses are divided equally among the partners.
Reason(R): This rule is applicable according to Indian partnership Act, 1932.
a) Both (A) and (R) are true and (R) is the correct explanation of (A)
b) Both (A) and (R) are true and (R) is not the correct explanation of (A)
c) (A) is true, bur (R) is false
d) (A) is false, but (R) is true.

Q42. **Assertion (A):** Personal properties of a partner may also be used to pay off the firm's debts.
Reason(R): All partners have limited liability in the firm.
a) Both (A) and (R) are true and (R) is the correct explanation of (A)
b) Both (A) and (R) are true and (R) is not the correct explanation of (A)
c) (A) is true, but (R) is fals
d) (A) is false, but (R) is true.

Q43. **Assertion (A):** Partnership firm is a form of organisation where two or more persons carry on business activity on the basis of agreement among them.
Reason(R): The profit or loss arising from the partnership business is shared by the partners in the agreed ratio.
a) Both (A) and (R) are true and (R) is the correct explanation of (A)
b) Both (A) and (R) are true and (R) is not the correct explanation of (A)
c) (A) is true, but (R) is false
d) (A) is false, but (R) is true.

Q44. **Assertion (A):** Maximum number of partners in a partnership firm is 50.
Reason(R): Maximum number of partners in a partnership firm is prescribed in Companies Act, 2013.
a) Both (A) and (R) are true and (R) is the correct explanation of (A)
b) Both (A) and (R) are true and (R) is not the correct explanation of (A)
c) (A) is true, but (R) is false
d) (A) is false, but (R) is true.

Q45. **Assertion (A):** A partnership deed covers all matters relating to mutual relationship among the partners.
Reason(R): But in the absence of partnership deed, provisions of the Indian partnership Act, 1932 shall apply for accounting purposes.
a) Both (A) and (R) are true and (R) is the correct explanation of (A)
b) Both (A) and (R) are true and (R) is not the correct explanation of (A)

c) (A) is true, but (R) is false
d) (A) is false, but (R) is true.

Q46. **Assertion (A):** Rent to partner is not shown in Profit and Loss Appropriation Account.
Reason(R): Rent to a partner is a charge against profit..
a) Both (A) and (R) are true and (R) is the correct explanation of (A)
b) Both (A) and (R) are true and (R) is not the correct explanation of (A)
c) (A) is true, but (R) is false
d) (A) is false, but (R) is true.

Q47. **Assertion (A):** Interest on Partner's capital may be shown in Profit and Loss Account.
Reason(R): If Partners treat interest on capital as a charge.
a) Both (A) and (R) are true and (R) is the correct explanation of (A)
b) Both (A) and (R) are true and (R) is not the correct explanation of (A)
c) (A) is true, but (R) is false
d) (A) is false, but (R) is true.

Q48. **Assertion (A):** Rent payable to partner is credited to Partner's Capital account.
Reason(R): Rent is payable to partner for letting the firm use his personal property for business.
a) Both (A) and (R) are true and (R) is the correct explanation of (A)
b) Both (A) and (R) are true and (R) is not the correct explanation of (A)
c) (A) is true, but (R) is false
d) (A) is false, but (R) is true.

Q49. **Assertion (A):** For calculating Interest on Drawings, product method is used.
Reason(R): Partners withdraw different amounts of money at different intervals of time.
a) Both (A) and (R) are true and (R) is the correct explanation of (A)
b) Both (A) and (R) are true and (R) is not the correct explanation of (A)
c) (A) is true, but (R) is false
d) (A) is false, but (R) is true.

Q50. **Assertion (A):** Guarantee of minimum profit may be given to a partner**.**
Reason(R): It is compulsory as per Indian Partnership Act, 1932.
a) Both (A) and (R) are true and (R) is the correct explanation of (A)
b) Both (A) and (R) are true and (R) is not the correct explanation of (A)
c) (A) is true, but (R) is false
d) (A) is false, but (R) is true.

Reconstitution of Partnership: Change in profit-sharing ratio

Understanding

[1] In the case of downward revaluation of an asset, Revaluation Account is ____________. (Debited)

[2] In case of upward revaluation of a liability, Revaluation Account is ____________. (Debited) `

[3] At the time of admission of a partner new profit-sharing ratio is used for sharing future ____________' (Profits)

[4] At the time of admission, if claim of Workmen Compensation is more than the Workmen Compensation Reserve, the amount of Workmen Compensation Reserve and the claim is transferred to ________________________ account.(Provision for workmen compensation liability)

[5] At the time of admission, if the book value and the market value of investment is same Investment Fluctuation Reserve is transferred to ___________ account of the old partners in their _______________ ratio.(capitals , old)

[6] For the distribution of revaluation profit in case firm is following Fixed Capital Accounts method is transferred to ________ accounts (current)
[7] An amount previously written off as bad debt is promised to be paid by the debtor. The promised amount will not be credited to _________________ Account. (debtors)
[8] The newly admitted partner brings his / her share of capital for which he will get _______ in firm. (Profit share)
Application
[9] Balance sheet prepared after the new Partnership Deed, the assets and liabilities are shown at __________ if Revaluation Account is prepared.(Revised values)
[10] In valuation of Goodwill, the Weighted Average Profit Method is preferred over average method when profits are _____________. (Trends)

Multiple Choice Questions

1. Any change in the relationship of existing partners which results in an end of the existing agreement and enforces making of new agreement is called:
(a) Revaluation of partnership (b) Reconstitution of partnership
(c) Realisation of partnership (d) None of the above
2. The ratio in which a partner surrenders his share in favour of a partner is known as:
(a) New profit-sharing ratio (b) Sacrificing Ratio
(c) Gaining Ratio (d) Capital Ratio
3. The ratio in which a partner receives a rise in his share of profits is known as:
(a) New Ratio (b) Sacrificing Ratio (c) Capital Ratio (d) Gaining Ratio
4. Reserves and accumulated profits are transferred to partners ' capital accounts at the time of reconstitution in:
(a) Old profit-sharing ratio (b) Sacrificing Ratio
(c) Gaining ratio (d) New profit-sharing ratio
5. Increase and decrease in the value of assets and liabilities are recorded through:
(a) Partners' Capital Account (b) Revaluation Account
(c) Profit and Loss Appropriation a/c (d) Balance Sheet
6. In which of the following case, revaluation account is debited?
(a) Increase in value of asset (b) Decrease in value of asset
(c) Decrease in value of liability (d) No change in value of assets
7. In which of the following cases, revaluation account is credited?
(a) Decrease in value of liability (b) Increase in value of liability
(c) Decrease in value of asset (d) No change in value of liability
8. Partner's capital account is credited when there is
(a) Profit on revaluation (b) transfer of general reserve
(c) transfer of accumulated profits (d) All of the above

9. Sacrificing ratio is the difference between :
(a) New ratio and old ratio (b) Old ratio and new ratio
(c) New ratio and gaining ratio (d) Old ratio and gaining ratio
10. A and B are partners in a firm sharing profits in the ratio of 3 : 2. They decided to share future profits equally. Calculate A’s gain or sacrifice
(a) 2/10 (sacrifice) (b) 5/10 (gain) (c) 1/10 (Gain) (d) 1/10 (sacrifice)
11. In case of change in profit-sharing ratio, the gaining partner must compensate the sacrificing partners by paying the proportional amount of
(a) capital (b) cash (c) goodwill (d) none of the above
12. In case of change in profit-sharing ratio, the accumulated profits are distributed to the partners in
(a) new ratio (b) old ratio (c) sacrificing ratio (d) equal ratio
13 X, Y and Z are partners sharing profits and losses in the ratio of 5:3:2.They decide to share the future profits in the ratio of 3:2:1. Workmen compensation reserve appearing in the balance sheet on the date if no information is available for the same will be:
(a) Distributed among the partners in old profit sharing ratio

(b) Distributed among the partners in new profit sharing ratio
(c) Distributed among the partners in capital ratio
(d)Carried forward to new balance sheet without any adjustment

14. A, B and C were are partners in a firm sharing profits in the ratio of 3:4:1. They decided to share profits equally w.e.f from 1 .4.2019. On that date the profit and loss account showed the credit balance of 96,000. instead of closing the profit and loss account, it was decided to record an adjustment entry reflecting the change in profit sharing ratio. In the journal entry:
(a) Dr. A by 4,000; Dr. B by 16,000; Cr C by 20,000
(b) Cr. A by 4,000; Cr. B by 16,000; Dr C by 20,000
(c) Cr. A by 16,000; Cr. B by 4,000; Dr C by 20,000
(d) Dr. A by 16,000; Dr. B by 4,000; Cr C by 20,000

15. U V and W are partners sharing profits in the ration of 2:3:5. They also decide to record the effect of the following revaluations and reassessments without affecting the book values of assets and liabilities by passing a single adjustment entry:

	Book Value (Rs)	Revised Value (Rs)
Land and Building	3,00,000	3,50,000
Furniture	1,50,000	1,00,000
Sundry Creditors	60,000	20,000
Outstanding Salaries	10,000	15,000

The single adjustment entry will
(a) Dr. W and Cr. U by 10,500
(b) Dr. U and Cr. W by Rs. 10,500
(c) Dr. V and Cr. U by Rs. 10,500
(d) Dr. W and Cr. V by Rs. 10,500

16 X and Y shared profits and losses in the ratio of 3:2. With effect from 1st April 2019 they agreed to share profit equally. The Goodwill of the firm was valued at Rs. 60,000. The adjustment entry will be

(a) Debit Y and credit X with Rs. 6,000
(b) Debit X and credit Y with Rs. 6000
(c) Debit X and credit Y with Rs. 600
(d) Debit bi and credit X with Rs. 600

17 Sacrificing Ratio :
(a) New Ratio – Old Ratio
(b) Old Ratio – Gaining Ratio
(c) Old Ratio – New Ratio
(d) Gaining Ratio – Old Ratio

18. X Y and Z are partners sharing profit and losses in the ratio of 5: 3 :2. From 1st April 2018 they decided to share profit and losses equally .The partnership Deed provide that in the event of any change in the profit sharing ratio the Goodwill should be valued at 2 years purchase of the average profit of the the preceding five years the profit and loss of the preceding years and 31st March, are

Year	2013-14	2014-15	2015-16	2016-17	2017-18
Profit	70,000	85,000	45,000	35,000	10,000(loss)

Adjustment entry will be
(a) Dr. Y’s Capital a/c Rs.3000, Z’s Capital a/c 12,000, Cr. X’s Capital a/c Rs 15,000.
(b) Dr. Y’s Capital a/c Rs.12,000, Z’s Capital a/c 3,000, Cr. X’s Capital a/c Rs 15,000.
(c) Dr. Z’s Capital a/c Rs.3000, X’s Capital a/c 12,000, Cr. Y’s Capital a/c Rs 15,000.
(d) Dr. Y’s Capital a/c Rs.15,000, Cr. Z’s Capital a/c 12,000, and X’s Capital a/c Rs 3,000.

19. A, B and C are sharing profits and losses in the ratio of 4: 3: 2, decided to share future profits and losses in the ratio of 2 :3: 4 with effect from 1st April, 2018. An extract of their Balance Sheet as at 31st March, 2020 is :

Liabilities	Amount	Assets	Amount
Investments Fluctuation Reserve	18,000	Investments (At cost)	2,00,000

Case -1 If there is no additional information.
Case 2. If the market value of investments is Rs. 2,00,000.
Case 3. If the market value of investments is Rs. 1,91,000.
Case 4. If the market value of investments is Rs.2,18,000.
Case 5. If the market value of investments is Rs.1,73,000.

What will the amount credited to partner's Capital a/c

Ans. Case-1 (A) A 8,000 B, 6000 C,4000
(B) A 6,000 B, 6000 C,6000
(C) A 10,000 B, 4000 C,4000
(D) A 8,000 B, 4000 C,6000

Case -2 (A) A 10,000 B, 6000 C,4000
(B) A 6,000 B, 6000 C,6000
(C) A 8,000 B, 6,000 C,4000
(D) A 8,000 B, 4000 C,6000

Case-3 (A) A 4,000 B, 2000 C,3000
(B) A 4,000 B, 3,000 C,2,000
(C) A 3,000 B, 2000 C,4000
(D) A 2,000 B, 3000 C,4000

Case-4 (A) A 6,000 B, 6000 C,6000
(B) A 4,000 B, 6000 C,8000
(C) A 4,000 B, 2000 C,3000
(D) A 8,000 B, 6000 C,4000

Case-5 (A) A 4,000 B, 2000 C,3000
(B) A 4,000 B, 3000 C,2000
(C) A 4,000 B, 2000 C,3000
(D) A 4,000 B, 3000 C,5000

20. Match the following items

(i)	Goodwill which is acquired by making a payment	(a)	Inherent goodwill
(ii)	Goodwill location which arises from favourable	(b)	Purchased goodwill
(iii)	Goodwill which arises due to efficiency of management		

21. Match the following items

(i)	If goodwill is valued at Rs. 1,20,000 at 4 years purchase of super profit; normal is 10% and average profits are Rs. 50,000, capital employed will be	(a)	Rs. 8,00,000
(ii)		(b)	Rs. 2,00,000
		(c)	Rs. 5,00,000

22. Match the following items

(i)	General reserve will be distributed in	(a)	Sacrificing/Gaining Ratio
(ii)	Advertisement Suspense will be debited to partner's a/cs in	(b)	Old ratio

(iii)	Goodwill value will be adjusted in	(c)	New ratio

23. Match the following items

(i)	Ratio in which Partners share profit and loss before reconstitution of firm	(a)	New profit sharing ratio
(ii)	Ratio in which Partners surrender their share of profit in favour of other partner's	(b)	Gaining ratio
(iii)	Ratio in which all the Partners share the future profit and losses	(c)	Sacrificing ratio
(iv)	Ratio in which Partners acquire the share from other	(d)	Old ratio

24. Match the following items

(i)	Old ratio – New ratio	(a)	Gaining ratio
(ii)	Goodwill	(b)	Fixed Assets
(iii)	General reserve	(c)	Credit Balance
(iv)	New ratio- Old ratio	(d)	Sacrificing Ratio

25. Match the following items

(i)	Revaluation A/C is opened	(a)	At the time of retirement
(ii)	Sacrificing ratio	(b)	At the time of death
(iii)	Valuation of goodwill	(c)	At the time of Admission
		(d)	At the time of reconstitution of partnership firm

26. Which of the following is NOT true in relation to goodwill ?
(A) It is an intangible asset (B) It is fictitious assets
(C) It has a realisable value (D) None of the above

27. When Goodwill is not purchased goodwill account can:
(A) Never be raised in the book (B) Be raised in the book
(C) Be partially raised in the books (D) Be raised as per the agreement of the partners.

28. The goodwill of the firm is NOT affected by;
(A) Location of the firm (B) Reputation of firm
(C) Better customer service (D) None of the above

29. The profit earned by a business over the last 5 years are as follows:
Rs. 12000 Rs. 13000 Rs. 14000 Rs.18000 and 2000 (loss) based on 2 years purchase of the last 5 years profits, value of goodwill will be .
(A) Rs. 23,600 (B) 22,000 (C) Rs. 1,10,000 (D) Rs.1,18,000.

30. The average profit of a business over the last 5 years amounted to Rs. 60,000. The normal commercial yield on capital invested in such a business is deemed to be 10% p.a. The net capital invested in the business is Rs.5,00,000. Amount of goodwill, if it is based on 3 years purchase of last 5 years super profit will be:
(A) 1,00,000 (B) 1,80,000 (C) 30,000 (D) 1,50,000

31.The following question consist of two statements, one labelled as the ‘Assertion (A)’ and the other as ‘Reason (R)’. You are to examine these two statements carefully and select the answers using the code given below:

(a) Both A and R are individually true and R is the correct explanation of A

(b) Both A and R are individually true but R is not the correct explanation of A

(c) A is true but R is false

(d) A is false but R is true

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.

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

2018-2019 Rs.23,000 (including an abnormal gain of Rs.8,000)

2019-2020 Rs.40,000 (after charging an abnormal loss of Rs.12,000)

2020-2021 Rs.38,000 (after writing off bad debts amounting to Rs.6,000)

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

(a) Rs.65,000 (b) Rs.70,000 (c) Rs. 68,000 (d) Rs.35,000

33. A and B are partners sharing profits in the ratio of 2 : 3. Their Balance Sheet shows machinery at Rs. 4,00,000; stock at Rs.80,000 and Debtors at Rs.3,20,000. C is admitted and new profit sharing ratio is agreed at 6 : 9 : 5. Machinery is revalued at Rs.3,40,000 and a provision is made for doubtful debts @ 2.5%. A’s share in loss on revaluation amounted to Rs.20,000. Revalued value of stock will be:

(a) Rs.98,000 (b) Rs. 1,00,000 (c) Rs. 60,000 (d) Rs.62,000

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

(a) Rs.3,600 (b) Rs.900 (c) Rs. 1,200 (d) Rs. 1,800

35.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 Rs.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 Rs.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

36. P, Q and R are partners in a firm. Net profit before appropriations is Rs. 7,87,000. Total interest on capital and salary to the partners amounted to Rs.40,000 and Rs. 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) Rs.18,000 each (b) Rs. 40,320 each (c) Rs.36,000 each (d) Rs.24,000 each

37. 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	Particular	Lf	Debit Amt.	Debit Amt.
	Charvi’s Current A/c Dr. To Vaanya’s Current A/c		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 Rs. 3,00,000

(b) Profit and Loss (Dr.) Balance Rs. 3,00,000

(c) Profit and Loss (Cr.) Balance Rs. 3,00,000

(d) Advertisement Suspense Account Rs.2,00,000.

38. The following question consist of two statements, one labelled as the 'Assertion (A) 'and the other as 'Reason (R)'. You are to examine these two statements carefully and select the answers using the code given below:

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

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.

CASE STUDY QUESTIONS

Read the following paragraph and answer the following Question from 1 to 5.

39.Any changes in the relations of partnership will result in the reconstitution of the partnership firm. All the reserves and surplus will be distributed among the partners into existing profit-sharing ratio. when it is decided by the partners to make changes in the existing ratio, a separate account is opened, which is known as profit and loss adjustment or revolution account to make the revaluation of assets and reassessment of liabilities

With a motive to calculate actual economic benefits.

Q.1 The Need of revaluation of assets and liabilities:

(A) Assets and Liabilities should appear at revised values
(B)Any profit and loss an account of change in values belong to old partners
(C) All unrecorded assets and liabilities get recorded
(D) None of Above

Q.2 Revaluation Account is a:

(A) Real Account (B) Nominal Account
(C) Personal Account (D) None of the Above

Q.3Any change in the relationship of existing partners which results in an end of the existing agreement and enforces making of new agreement is called:

(a) Revaluation of partnership
(b) Reconstitution of partnership
(c) Realization of partnership
(d) None of the above

Q.4 In case of change in profit-sharing ratio, the accumulated profits are distributed to the partners in

(a) new ratio
(b) old ratio
(c) sacrificing ratio
(d) equal ratio

Q.5 Increase and decrease in the value of assets and liabilities are recorded through:

(a) Partners' Capital Account
(b) Revaluation Account
(c) Profit and Loss Appropriation
(d) Balance Sheet

Read the following paragraph and answer the following Question from 1 to 3.

40 .Bhavya and Naman were partner in a firm carrying on a tiffin service in Hyderabad. Bhavya noticed that a lot of food is left at the end of the day. To avoid wastage, she suggested that it can be distributed to the needy. Naman wanted that It should be mixed with the food being served the next day. Naman then give a personal that if his share in the profit increased, he will not mind free distribution of leftover food. Bhavya happily agreed. So they decided to change their profit sharing ratio 1:2 with immediate effect. On that date revaluation of assets and reassessment of liability was carried out that resulted into a gain of Rs. 18,000. On that day at the Goodwill of the firm was valued at Rs. 1,20,000.

Based on the above information you are required to answer the following questions.

Q.1 sacrificing ratio equal to:
(A) Old ratio minus new ratio
(B)New share minus old share
(C) Old share plus new share
(D) Old share

Q.2 sacrificing /gain of Bhavya and Naman will be
(A) Bhavya sacrifice 1/6 , Naman gains 1/6
(B) Bhavya gains 1/6 , Naman sacrifice 1/6
(C) Only Bhavya gains 1/6
(D) Only Naman sacrifice 1/6

Q.3 at the time of change in profit sharing ratio gaining partner capital account is............. ….and sacrificing partner is........................ For the adjustment of goodwill
(A) Credited debited
(B) Debited credited
(C) Increased or decreased
(D) Decreased or increased

Q.4 Pass the journal entry for adjustment of Goodwill.
(A) Naman's Capital a/c Dr. 1,20,000
To Bhavya's Capital a/c 1,20,000
(B) Bhavya's Capital a/c Dr. 60,000
To Naman's Capital a/c 60,000
(C) Naman's Capital a/c Dr. 20,000
To Bhavya's Capital a/c 20,000
(D) Naman's Capital a/c Dr. 1,00,000
To Bhavya's Capital a/c 1,00,000

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Reconstitution of Partnership: Admission of a Partner

(01)For which of the following situations, the old profit-sharing ratio of partners is used at the time of admission of a new partner?
a. When new partner brings only a part of his share of goodwill.
b. When new partner is not able to bring his share of goodwill.
c. When, at the time of admission, goodwill already appears in the balance sheet.
d. When new partner brings his share of goodwill in cash.

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

Balance Sheet (Extract)

liabilities	Rs.	Assets	Rs.
		Machinery	40,000

If value of machinery in the balance sheet is undervalued by 20%, then at what value will machinery be shown in new balance sheet:
(a) 44,000 (b) 48,000 (c) 32,000 (d) 50,000

(03) A and B are partners in a firm having a capital of ₹ 54,000 and ₹ 36,000 respectively. They admitted C for 1/3rd share in the profits C brought proportionate amount of capital. The Capital brought in by C would be:
a) ₹ 90,000 b) ₹ 45,000 c) ₹ 5,400 d) ₹ 36,00

(04) Sun and Star were partners in a firm sharing profit in the ratio of 2 : 1. Moon as admitted as a new partner in the firm. New profit sharing ratio was 3 : 3 : 2. Moon brought the following assets towards his share of Goodwill and Capital:

Machinery : 2,00,000
Furniture : 1,20,000
Stock : 80,000
Cash : 50,000

If his capital is considered as Rs. 3,80,000 the Goodwill of the firm will be:

a. 70,0000 b. 2,80,000 c. 4,50,000 d. 1,40,000

(05) Sacrificing ratio is used to distribute…………in case admission of partner.

a. Reserves b. Goodwill c. revaluation profit d. Balance in profit and loss account

(06) A and B are in partnership sharing profits and losses in the ratio of 3:2. They admit C into partnership with 1/5th share which he acquires equally from A and B. Accountant has calculated new profit sharing ratio as 5:3:2. Is accountant correct?

(07) Can employee provident fund be distributed among old partner in their old ratio at the time of admission of partner.

a. It can be distributed
b. It can't be distributed
c. Can be distributed if tax is paid
d. None of the above

(08)Analyses the transaction and identify the effect on the revaluation account.

Two month's salaries @ Rs. 6000 per month was outstanding.

a. Revaluation account is debited by Rs. 12000
b. Revaluation account is credited by Rs. 12000
c. Revaluation account is debited by Rs.6000
d. Revaluation account is credited by Rs. 6000

(09) Assertion (A): At the time of admission, if profit sharing ratio among old partner does not change then sacrificing ration will be old profit-sharing ratio.

Reason (R) : Old profit ratio plus new profit sharing ratio is sacrificing 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 false, but Reason (R) is true
(d) Assertion (A) is true, but Reason (R) is false

(10) X and Y share profits in the ratio of 3:2. Z was admitted as a partner who sets 1/5 share. New profit-sharing ratio, if Z acquires 3/20 from X and 1/20 from Y would be

(a) 9 : 7 : 4 (b) 8 : 8 : 4 (c) 6 : 10 : 4 (d) 10 : 6 : 4

(11) A and B share profits and losses in the ratio of 3 : 1, C is admitted into partnership for 1/4 share. The sacrificing ratio of A and B is:

(a) equal (b) 3 : 1 (c) 2 : 1 (d) 3 : 2.

(12) At the time of admission of a new partner, general reserve appearing in the old balance sheet is transferred to:

(a) all partner's capital account
(b) new partner's capital account
(c) old partner's capital account
(d) none of the above

(13) Asha and Nisha are partner's sharing profit in the ratio of 2:1. Asha's son Ashish was admitted for 1/4 share of which 1/8 was gifted by Asha to her son. The remaining was contributed by Nisha.

Goodwill of the firm in valued at Rs. 40,000. How much of the goodwill will be credited to the old partner's capital account.

(a) Rs. 2,500 each
(b) Rs. 5,000 each
(c) Rs. 20,000 each
(d) None of the above

(14) A, B and C are partner's in a firm. If D is admitted as a new partner:

(a) old firm is dissolved
(b) old firm and old partnership is dissolved
(c) old partnership is reconstituted
(d) None of the above.

(15) On the admission of a new partner increase in the value of assets is debited to

(a) Profit and Loss Adjustment account
(b) Assets account
(c) Old partner's capital account
(d) None of the above

(16) At the time of admission of a partner, undistributed profits appearing in the balance sheet of the old firm is transferred to the capital account of:

(a) old partners in old profit sharing ratio
(b) old partners in new profit sharing ratio
(c) all the partner in the new profit sharing ratio.

(17) A, B and C are partners sharing profits in the ratio of 3:2:1. They agree to admit D into the firm. A, B and C agreed to give1/3rd,1/6th,1/9th share of their profit. The share of Profit of D will be:

(a)1/10 (b)11/54
(c)12/54 (d)13/54

(18) A and B are in partnership sharing profits in the ratio of 3:2. they take C as a new Partner. Goodwill of the firm is valued at Rs3,00,000 and C brings Rs30,000 as his Share of goodwill In cash which is entirely credited to the Capital Account of A. New Profit sharing ratio will be:

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

(19) A and B are partners sharing profit in the ratio of 3 : 2. They admit C as a partner by giving him 1/3 share in future profits. The new ratio will be

(A) 12 : 8 : 5 (B) 8: 12 : 5
(C) 5 : 5 : 12 (D) None of the Above

(20) A and B are partners sharing profits and losses in the ratio of 7 : 5. They agree to admit C, their manager, into partnership who is to get 1/6th share in the profits. He acquires this share as 1/24th from A and 1/8th from B, The new profit sharing ratio will be :

(A) 13 : 7 : 4 (B) 7 : 13 : 4
(C) 7 : 5 : 6 (D) 5 : 7 : 6

(21) A and B are partners in a business sharing profits and losses in the ratio of 7 : 3 respectively. They admit C as a new partner. A sacrificed 1/7th share of his profit and B sacrificed 1/3rd of his share in favour of C. The new profit sharing ratio of A, B and C will be

(A) 3 : 1 : 1 (B) 2 : 1 : 1

(C) 2 : 2 : 1 (D) None of the above

(22) X and Y are partners sharing profits and losses in the ratio of 3 : 2. They admit Z into partnership with 1/5th share in profits which he acquires equally from A and Y. Z brings in ₹40,000 as goodwill in cash. Goodwill amount will be credited to :

(A) X ₹20,000; Y ₹20,000 (B) X ₹25,000; Y ₹15,000

(C) X ₹24,000; T ₹16,000 (D) X ₹4,000; Y ₹4,000

(23) When a new partner does not bring his share of goodwill in cash, the amount is debited to :

(A) Cash A/c (B) Premium A/c

(C) Current A/c of the new partner (D) Capital A/cs of the old partners

(24) If at the time of admission, some profit and loss account balance appears in the books, it will be transferred to:

(A) Profit & Loss Adjustment Account

(B) All partners' Capital Accounts

(C) Old partners' Capital Accounts

(D) Revaluation Account

(25)In the absence of an express agreement as to who will contribute to new partners' share of profit, it is implied that the old partners will contribute:
(A) Equally
(B) In the ratio of their capitals
(C) In their old profit-sharing ratio
(D) In the gaining ratio

(26) A, B, C and D are partners. A and B share 2/3rd of profits equally and C and D share remaining profits in the ratio of 3 : 2. Find the profit sharing ratio of A, B, C and D.
(A) 5 : 5 : 3 : 2
(B) 7 : 7 : 6 : 4
(C) 2.5 : 2.5 : 8 : 6
(D) 3 : 9 : 8 : 3

(27) Sacrificing ratio is used to distribute in case of admission of a partner :
(A) Reserves
(B) Goodwill
(C) Revaluation Profit
(D) Balance in Profit and Loss Account

(28) X and Y are partners in a firm with capital of ₹1,80,000 and ₹2,00,000. Z was admitted for 1/3rd share in profits and brings ₹3,40,000 as capital, calculate the amount of goodwill:
(A) ₹2,40,000
(B) ₹1,00,000
(C) ₹1,50,000
(D) ₹3,00,000

(29) Assertion (A): Profit or loss on revaluation account is not transferred to incoming partners' capital Account

Reason (R) : Profit or loss on revaluation at the time of admission of a Partner belongs to Pre-

Admission period hence belong to old partners: Give Answer

(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 false, but Reason (R) is true

(d) Assertion (A) is true, but Reason (R) is false

(30) Assertion (A): Increase in the value of assets is debited to Revaluation Account
Reason (R) : Revaluation account is credited on increase in the value of Plant and Machinery:

(31) At the time of admission of a partner, who decides the share of profit of the new partner out of the firm's profit ?

a. Old partner
b. New Partner
c. Sacrificing partner
d. None of the above

(32) Amit and Beena were partners in a firm sharing profits and losses in the ratio of 3 : 1. Chaman was admitted as a new partner for 1/6 th share in the profits. Chaman acquired 2/5 th of his share from Amit. How much share did Chaman acquire from Beena ?

a. 1/10
b. 2/10
c. 3/5
d. None of the above

(33) Vinay and Naman are partners sharing profit in the ratio of 4:1. Their capitals were Rs 90,000 and Rs. 70,000 respectively. They admitted Prateek for 1/3 share in the profits. Prateek brought ` 1,00,000 as his capital. The value of firm's goodwill will be:

a. 40,000
b. 60,000
c. 1,00,000
d. 2,60,000

(34) The ratio in which the partners share the gain or loss on revaluation of assets and liabilities is

a. Sacrificing Ration
b. Old Profit Sharing Ratio
c. New Profit Sharing Ratio
d. Gaining Ratio

Read the following hypothetical text and answer the given questions: Amit and Mahesh were partners in a fast-food corner sharing profits and losses in ratio 3:2. They sold fast food items across the counter and did home delivery too. Their initial fixed capital contribution was ₹1,20,000 and ₹80,000 respectively. At the end of first year their profit was ₹ 1,20,000 before allowing the remuneration of ₹.3,000 per quarter to Amit and ₹.2,000 per half year to Mahesh. Such a promising performance for first year was encouraging, therefore, they decided to expand the area of operations. For this purpose, they needed a delivery van, a few Scotties and an additional person to support. Six months into the accounting year they decided to admit Sundaram as a new partner and offered him 20% as a share of profits along with monthly remuneration of ₹ 2,500. Sundaram was asked to introduce ₹1,30,000 for capital and ₹.70,000 for premium for goodwill. Besides this Sundaram was required to provide Rs.1,00,000 as loan for two years. Sundaram readily accepted the offer. The terms of the offer were duly executed and he was admitted as a partner

(35) Remuneration will be transferred to _______________ of Amit and Mahesh at the end of the accounting period.

a. Capital account. b. Loan account.

c. Current account. d. None of the above.

(36) Upon the admission of Sundaram the sacrifice for providing his share of profits would be done:

(a) by Amit only.

(b) by Mahesh only.

(c) by Amit and Mahesh equally.

(d) by Amit and Mahesh in the ratio of 3:2

(37) Sundaram will be entitled to a remuneration of _____________at the end of the year.

Sterling enterprises is a partnership business with Ryan, Williams and Sania as partners engaged in production and sales of electrical items and equipment. Their capital contributions were Rs.50,00,000, Rs.50,00,000 and Rs.80,00,000 respectively with the profit the sharing ratio of 5:5:8. As they are now looking forward to expanding their business, it was decided that they would bring in sufficient cash to double their respective capitals. This was duly followed by Ryan and Williams but due to unavoidable reasons Sania could not do so and ultimately it was agreed that to bridge the shortfall in the required capital a new partner should be admitted who would bring in the amount that Sania could not bring and that the new partner would get share of profits equal to half of Sania's share which would be sacrificed by Sania only. Consequent to this agreement Ejaz was admitted and he brought in the required capital and Rs.30,00,000 as premium for goodwill. Based on the above information you are required to answer the following questions.

(38) What will be the new profit-sharing ratio of Ryan, Williams, Sania and Ejaz?

(a) 1:1:1:1 (b) 5:5:8:8

(c) 5:5:4:4 (d) None of the above

(39) What is the amount of capital brought in by the new partner Ejaz?

(a) Rs.50,00,000

(b) Rs.80,00,000

(c) Rs.40,00,000

(d) Rs.30,00,000

(40) What is the value of the goodwill of the firm?

(a) Rs.1,35,00,000

(b) Rs.30,00,000

(c) Rs.1,50,00,000

(d) Cannot be determined from the given data.

(41) When the balance sheet is prepared after the new partnership agreement, the assets and liabilities are recorded at:

(A) Historical cost (B) Current cost

(C) Realisable value (D) Revalued figures

(42) X and Y are partners sharing profits in the ratio 5:3. They admitted Z for 1/5th profits, for which he paid ₹60,000 against capital and ₹30,000 against goodwill. Find the capital balance for each partner taking Z's capital as base capital.

(A) ₹1,50,000; ₹60,000 and ₹60,000

(B) ₹1,50,000; ₹60,000 and ₹90,000

(C) ₹1,50,000; ₹90,000 and ₹60,000

(D) ₹1,50,000; ₹90,000 and ₹90,000

(43) A and B are partners sharing profits in the ratio of 2 : 3. Their Balance Sheet shows Machinery at ₹2,00,000; Stock at ₹80,000 and Debtors at ₹1,60,000. C is admitted and new profit sharing ratio is agreed at 6 : 9 : 5. Machinery is revalued at ₹1,40,000 and a provision is made for doubtful debts @5%. A's share in loss on revaluation amount to ₹20,000. Revalued value of Stock will be:

(A) ₹62,000

(B) ₹1,00,000

(C) ₹60,000

(D) ₹98,000

(44) A and B are in partnership sharing profits in the ratio of 3 : 2. They take C as a new partner. Goodwill of the firm is valued at ₹3,00,000 and C brings ₹30,000 as his share of goodwill in cash which is entirely credited to the Capital Account of A. New profit sharing ratio will be :

(A) 3 : 2 : 1
(B) 6 : 3 : 1
(C) 5 : 4 : 1
(D) 4 : 5 : 1

Accounting for Share Capital

(01) Name the head of Capital Clouse of Memorundum of Association of a company in which maximum amount of share capital mentioned is called _____.

(a) Reserve Capital (b) Subscribed Capital
(c) Authorised Capital (d) Issued Capital

(02) The part of un-called capital, to be called only in the liquidation of a company is called:

(a) Un-reserved Capital (b) Reserve Capital
(c) Capital Reserve (d) Calls-in Arrears

(03) A shareholder allotted to whom 9,000 shares of ₹ 10 per share failed to pay first & final of ₹ 2 per share. ₹ 18,000 to be recorded in the books of company with _____

(a) Dr. to Calls-in Arrears A/c (b) Dr. to Share Forfeiture A/c
(c) Cr. to Calls-in Arrears A/c (d) Cr. to Share Forfeiture A/c

Read the following statement carefully and give the answer for the questions 04 and 05:
Golden Firework Ltd is authorised to issue shares 5,00,000 of ₹ 100 each. Company raised the capital by issue of 2,00,000 shares through e-IPO. As per the decision of Managing Board of Directors of

company, company issued 75,000 shares to their parent company and 40,000 shares issued to existing employees of company as per their choice and option at the below price than the market price.

(04) "Company issued 75,000 shares to their parent company" is an example of ______.

(a) Public Issue | (b) Private Placement
(c) ESOP | (d) Issue other than cash

(05) "40,000 shares issued to existing employees of company as per their choice and option at the below price than the market price." Is an example of _______

(a) Public Issue | (b) Private Placement
(c) ESOP | (d) Issue other than cash

Read the following statement carefully and give the answer for the questions 06 and 09:

X Ltd issued 2,00,000 shares of ₹ 100 each. Amount to be paid on Application ₹ 30 per share; on allotment ₹ 40 per share and on first & final call ₹ 30 per share.

All money was duly subscribed and paid towards the nominal value of shares except on 9,000 shares who failed to pay allotment and calls money. These shares were forfeited. 5,000 shares were re-issued at ₹ 80 per share fully paid.

(06) Which amount of the following will be shown into the Balance Sheet of the company under the sub-head "Share Capital"?

(a) ₹ 1,96,00,000 | (b) ₹ 1,97,20,000
(c) ₹ 2,00,00,000 | (d) ₹ 1,97,70,000

(07) Which amount the following will be called paid up share capital?

(a) ₹ 1,96,00,000 | (b) ₹ 1,97,20,000
(c) ₹ 2,00,00,000 | (d) ₹ 1,97,70,000

(08) Which amount of the following, balance in Share Forfeiture Account?

(a) ₹ 4,00,000 | (b) ₹ 1,50,000
(c) ₹ 1,20,000 | (d) ₹ 50,000

(09) Which amount of the following will be transferred to Capital Reserve?

(a) ₹ 4,00,000 | (b) ₹ 1,50,000
(c) ₹ 1,20,000 | (d) ₹ 50,000

(10) Which one of the following is a permanent representative personal account of share-holders?

(a) Share Application A/c | (b) Share Allotment A/c
(c) Share Application & Allotment A/c | (d) Share Capital A/c

(11) Which of the following is a temporary representative personal account of shareholders?

(a) Share Application A/c | (b) Share Allotment A/c
(c) Share Application & Allotment A/c | (d) All of these

(12) A shareholder failed to pay share allotment money on 12,000 shares @ ₹ 30 per share. Which one of the following account will be taken into account?

(a) Debited to Share Capital A/c | (b) Debited to Calls-in Arrears A/c
(c) Credited to Calls-in Arrears A/c | (d) Credited to Share Capital A/c

(13) Received share application money towards application & allotment of shares will be credited to which of the following account?

(a) Share Application & Allotment A/c | (b) Share Application A/c
(c) Share Capital A/c | (d) None of these

(14) Ashok a shareholder of a company allotted shares to whom 12,000 of ₹ 100 each, failed to pay allotment ₹ 30 per share and first & final call ₹ 30 per share. Ashok had paid only application money. Pro-rata allotment proportion is 5:6. What will be the amount of calls-in arrears on allotment, from the following:

(a) ₹ 3,60,000 | (b) ₹ 2,64,000
(c) ₹ 96,000 | (d) None of these

Read the information given below and give the answer for the questions 15 to 18:

X Ltd issued 50,000 shares of ₹ 100 per share for public subscriptions at 20% premium. Amount payable as under:

On Application : ₹ 40 per share (including 10% premium)
On Allotment : ₹ 40 per share (excluding 10% premium)

On First & Final Call : ₹ Balance

Application received for 75,000 shares. Allotment was made to 60,000 share applicants. All due money was duly received except from a shareholder (Ashok) allotted to whom 12,000 shares, failed to pay allotment and calls. These shares were forfeited.

(15) Which of the following Excess application money adjusted on allotment?

(a) 10,00,000 (b) 6,00,000 (c) 4,00,000 (d) None of these

(16) What the amount received on allotment?

(a) ₹ 15,96,000 (b) ₹ 21,00,000 (c) ₹ 5,04,000 (d) ₹ 4,00,000

(17) Which of the following amount did not receive on allotment?

(a) ₹ 15,96,000 (b) ₹ 21,00,000 (c) ₹ 5,04,000 (d) ₹ 4,00,000

(18) What the amount forfeited on 12,000 shares?

(a) ₹ 5,76,000 (b) ₹ 4,56,000 (c) ₹ 5,04,000 (d) ₹ 4,00,000

(19) The allowed amount of discount on re-issue of shares will be ______

(a) @ 10% of issue price (b) Up to the amount of forfeited money

(c) Could not issue at discount (d) None of these

(20) Once, forfeited shares reissued, balance of share forfeiture money will be transferred to ___

(a) General Reserve (b) Capital Reserve

(c) Reserve Capital (d) Securities Premium Reserve

(21) 12,000 shares of ₹ 100 each forfeited due to nonpayment of ₹ 40 per share. First & final call of ₹ 30 per share not yet made. These shares were reissued at ₹ 80 per share for ₹ 70 per share. Which of the following journal entry is correct for the forfeiture of shares?

(a)	Share Capital A/c	Dr.	12,00,000	
	To Calls-in Arrears A/c			8,40,000
	To Share Forfeiture A/c			3,60,000
(b)	Share Capital A/c	Dr.	12,00,000	
	To Calls-in Arrears A/c			3,60,000
	To Share Forfeiture A/c			8,40,000
(c)	Share Capital A/c	Dr.	8,40,000	
	To Calls-in Arrears A/c			3,60,000
	To Share Forfeiture A/c			4,80,000
(d)	Share Capital A/c	Dr.	8,40,000	
	To Calls-in Arrears A/c			4,80,000
	To Share Forfeiture A/c			3,60,000

(22) 12,000 shares of ₹ 100 each forfeited due to nonpayment of ₹ 40 per share. First & final call of ₹ 30 per share not yet made. These shares were reissued at ₹ 80 per share for ₹ 70 per share. Which of the following journal entry is correct for the re-issue of forfeiture of shares?

(a)	Bank A/c	Dr.	9,60,000	
	To Share Capital A/c			9,60,000
(b)	Bank A/c	Dr.	8,40,000	
	To Share Capital A/c			8,40,000
(c)	Bank A/c	Dr.	9,60,000	
	To Share Capital A/c			8,40,000
	To Securities Premium Reserve A/c			1,20,000
(d)	Bank A/c	Dr.	9,60,000	
	Share Foreiture A/c	Dr.	2,40,000	
	To Share Capital A/c			12,00,000

(23) 12,000 shares of ₹ 100 each forfeited due to nonpayment of ₹ 40 per share. First & final call of ₹ 30 per share not yet made. These shares were reissued at ₹ 80 per share for ₹ 70 per share. Which of the following forfeited amount will be transferred to Capital Reserve A/c?

(a) 4,80,000 (b) 3,60,000
(c) 1,20,000 (d) None of these

(24) 12,000 shares of ₹ 100 each forfeited due to nonpayment of allotment of ₹ 40 per share and first & final call of ₹ 30 per share. Out of the forfeited shares, 9,000 shares were reissued at ₹ 80 per share fully paid.
Which of the following amount of share forfeiture account will be transferred to Capital Reservee Account? 1,80,000
(a) 90,000 (b) 1,80,000
(c) 3,60,000 (d) 2,70,000

(25) If the premium on forfeited shares has already been received, then securities premium reserve account should be:
(a) Credited (b) Debited
(c) No treatment (d) Transferred to Capital Reserve A/c

(26) A company issued 40,000 preference shares of ₹ 100 per share at par payable as under:
On Application : 20%
On Allotment : 40%
On First & Final Call : balance
Applications were received for 50,000 shares. Allotment was made on pro-rata basis. How much amount will be received in cash on allotment?
(a) 14,00,000 (b) 16,00,000
(c) 18,00,000 (d) 20,00,000

Read the following information carefully and give the answer for the questions from 27 to 31.
AB Ltd issued 3,00,000 shares of ₹ 100 each at 20% premium through e-IPO, payable as under:
On Application : ₹ 40 (including 10% premium) per share
On Allotment : ₹ 40 (excluding 10% premium) per share
On First & Final Call : Balance
Share was subscribed for 5,00,000 shares. 50,000 share applications were rejected with letter of regret and pro-rata allotment was made to remaining share applicants. All money was duly received except from Raghav, allotted to whom 15,000 shares failed to pay allotment and calls.
These shares were forfeited and out of which 9,000 shares reissued at ₹ 75 per share fully paid.

(27) What the amount was called in first & final call per share?
(a) ₹ 20 per share (b) ₹ 40 per share
(c) ₹ 30 per share (d) None of these

(28) Which of the following amount received on allotment of shares?
(a) ₹ 1,50,00,000 (b) ₹ 90,00,000
(c) ₹ 45,00,000 (d) ₹ 85,50,000

(29) Which of the following amount will be debited to calls-in arrears account on allotment?
(a) ₹ 6,00,000 (b) ₹ 4,50,000
(c) ₹ 3,00,000 (d) ₹ 7,50,000

(30) Which of the following Journal entry is correct for the forfeiture of shares?

(a)	Share Capital A/c	Dr.	15,00,000		
	Securities Premium Reserve A/c	Dr.	1,50,000		
	To Calls-in Arrears A/c			9,00,000	
	To Share Forfeiture A/c			7,50,000	
(b)	Share Capital A/c	Dr.	15,00,000		
	Securities Premium Reserve A/c	Dr.	3,00,000		
	To Calls-in Arrears A/c				9,00,000

	To Share Forfeiture A/c			9,00,000
(c)	Share Capital A/c	Dr.	15,00,000	
	To Calls-in Arrears A/c			7,50,000
	To Share Forfeiture A/c			7,50,000
(d)	Share Capital A/c	Dr.	15,00,000	
	To Calls-in Arrears A/c			9,00,000
	To Share Forfeiture A/c			6,00,000

(31) Which of the following amount will be transferred to Capital Reserve Account?

(a) ₹ 7,50,000 (b) ₹ 6,00,000
(c) ₹ 4,50,000 (d) ₹ 2,25,000

(32) Match the columns with reference to share capital of a company:

Column I	Column II
(A) Capital Reserve	(i) Memorandum of Association
(B) Minimum Subscription	(ii) Allotment / Calls due but did not receive
(C) Calls-in Arrears	(iii) Reserves & Surplus
(D) Authorised Capital	(iv) SEBI Guidelines

	A	B	C	D		A	B	C	D
(a)	(iii)	(iv)	(ii)	(i)	**(b)**	(ii)	(iv)	(i)	(iii)
(c)	(ii)	(i)	(iii)	(iv)	**(d)**	(i)	(ii)	(iii)	(iv)

(33) Golden Fire Works Ltd took over assets worth ₹ 10,00,000 and liabilities of ₹ 3,00,000 of a company. Out of the purchase consideration of ₹ 12,00,000; ₹ 2,00,000 of bill payable accepted and the balance paid by issue of shares of ₹ 100 each at 25% premium.
How much amount will be credited to Securities Premium Reserve A/c?

(a) ₹ 1,75,000 (b) ₹ 2,50,000
(c) ₹ 3,00,000 (d) ₹ 2,00,000

(34) A, B and C are partners sharing profits in the ratio of 3:2:1. They are agreed to admit D into the partnership for 1/4th share. An extract of their balance sheet on 1st April, 2021 is as follows:

Liabilities	Amt. in ₹	Assets	Amt. in ₹
Investment Fluctuation Fund	20,000	Investments (Cost)	4,00,000

If the market value of Investments is ₹ 4,20,000 then the Investment Fluctuation Fund will be shown in the Balance Sheet of reconstituted firm at ₹ _____.

(a) 40,000 (b) 20,000
(c) Zero (d) None of these

(35) AB Ltd purchased a Machinery from XY Ltd for ₹ 4,50,000. AB Ltd immediately paid ₹ 90,000 by Bank Draft and the balance by issue of preference share of ₹ 100 each at 20% premium for the purchase consideration of Machinery to XY Ltd. Shares issued by AB Ltd?

(a) 3,000 preference shares (b) 30,000 preference shares
(c) 3,600 preference shares (d) 36,000 preference shares

(36) X Ltd takeover the business of Y Ltd with the following assets and liabilities:

Sundry Assets : ₹ 6,50,000
Other Liabilities : ₹ 50,000

X Ltd immediately paid ₹ 1,50,000 by promissory note for two months and the balance by issue of 5,000 equity shares of ₹ 100 each for purchase consideration of running business to Y Ltd.
Which of the following journal entry is correct for the purchase of running business of Y Ltd?

(a)	Sundry Assets A/c	Dr.	6,50,000	
	To Other Liabilities A/c			50,000
	To Promissory Note A/c			1,50,000
	To Y Ltd A/c			4,50,000
(b)	Sundry Assets A/c	Dr.	6,50,000	
	To Other Liabilities A/c			50,000
	To Promissory Note A/c			1,50,000

	To Capital Reserve A/c			1,50,000
	To Y Ltd A/c			3,00,000
(c)	Sundry Assets A/c	Dr.	6,50,000	
	Goodwill A/c	Dr.	50,000	
	To Other Liabilities A/c			50,000
	To Promissory Note A/c			1,50,000
	To Y Ltd A/c			5,00,000
(d)	None of these			

There are two statements marked as Assertion (A) and Reason (R). Read the statements and choose the appropriate option from the options given below for the question 37 to 39:

(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 false, but Reason (R) is true
(d) Assertion (A) is true, but Reason (R) is false

(37) **Assertion: (A)** Received amount of securities premium will not debited to securities premium reserve account, on forfeiture of shares.
Reason (R) Received amount of securities premium will be debited while writing off of certain type of capital loss or expenditure.

(38) **Assertion (A)** Equity shares does not carry fixed rate of dividend and they are the ultimate risk bearer.
Reason (R) Equity shareholders are getting dividend from residule part of profits and in the case of windup of the company, invested money will be refunded at the last.

(39) **Assertion (A)** Cumulative preference share capital is the share capital in which unpaid amount of dividend to be paid in the next year along with unpaid amount of dividend of previous year.
Reason (R) Participative preference share capital holders have right to participate in the decision making activities relating to their interest.

(40) **Assertion (A):** A company must receive minimum subscription on public issue of shares.
Reason (R): In default to receive minimum subscription, company could not allot its shares.

(41) 6,000 shares of ₹ 100 each (applied for 7,500 shares) forfeited due to non-payment of allotment ₹ 40 per share. First & final call was not yet made. Company received only application money at ₹ 50 per share including premium of ₹ 20 per share.
Which of the following amount will be forfeited by the company?
(a) ₹ 3,75,000 (b) ₹ 3,00,000
(c) ₹ 2,55,000 (d) 1,80,000

Financial Statements of a company

Statement of Profit & Loss and Balance Sheet in prescribed form with major headings & sub headings. (As per Schedule III to the Companies Act, 2013)

1. Which of the following is not the limitation of financial statement analysis?
(a) Ignores price level changes (b) window dressing
(c) Qualitative aspect ignored (d) Inter firm comparisons
2. Current maturities of long-term debt are shown under:
(a) Long term Provisions (b) Long term Borrowings
(c) Short term Borrowings (d) Other Current liabilities
3. Indicate the item which appears as short-term provisions:
(a) Provision for doubtful debts (b) Provision for gratuity
(c) Employee’s Provident fund (d) Securities premium reserve
4. Which of the following are the sub headings of Current Liabilities?

i. Short term borrowings
ii. Trade payables
iii. Short term provisions
iv. Short term Investment
v. Other current liabilities
vi. Short term loans and advances

Select the correct code:

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

5. Which of the following is not included in sub heading 'Inventory'?
(a) Stock of finished goods (b) Work in progress
(c) Stores and spares (d) Cheques in hand
6. Which of the following is not included in sub heading 'Cash and cash equivalents?
(a) Cash in hand (b) marketable securities
(c) Cash at Bank (d) Cheques in hand
7. Main objective of Common size statement:
(a) To present composition of various items
(b) To provide common base for comparison
(c) To establish relationship between various items
(d) All of the above
8. Match the following:

1. Short term loan	(i) Other current liabilities
2. Short term loans and advances	(ii) Short term borrowing
3. Debentures	(iii) Long term borrowings
4. Debentures redeemable during current year	(iv) Current investments

Select the correct code:
(a) 1 – iii, 2 – ii, 3 – iv, 4 – i (b) 1 – iii, 2 – iv, 3 – ii, 4 - i
(c) 1 – ii, 2 – iv, 3 – iii, 4 – i (d) 1 – i, 2 – ii, 3 – iii, 4 - iv

9. Fixed assets of a company increased from Rs.3,00,000 to Rs.4,00,000. The percentage change is:
(a) 25% (b) 20%
(c) 33.33% (d) 40%
10. Balance Sheet of company is required to be prepared in the format given in:
(a) Schedule II Part II (b) Schedule III Part III
(c) Schedule III Part I (d) Table A
11. As per Companies Act, the Balance Sheet of a company is required to be in:
(a) Horizontal Form (b) Vertical Form
(c) Either Horizontal or Vertical (d) Neither of the above
12. According to prescribed order of assets in a Company's Balance Sheet which asset should be shown first of all:
(a) Non-Current Assets (b) Current Assets
(c) Current Investments (d) Loans and Advances
13. Calls in Arrears appear in a Company's Balance Sheet under:
(a) Reserve & Surplus (b) Shareholders Funds
(c) Contingent Liabilities (d) Short-term Borrowings
14. Goodwill appears in a Company's Balance Sheet under:
(a) Current Assets (b) Non-Current Assets

(c) Long-term Provisions (d) Long-term Borrowing

15. Securities Premium Reserve appears in a Company's Balance Sheets:
    (a) Share Capital (b) Long-term Provision
    (c) Reserve & Surplus (d) Contingent Liability

16. Provision for Tax appears in a Company's Balance Sheet under Sub-head:
    (a) Short-term Provisions (b) Reserves and Surplus
    (c) Long-term Provisions (d) Other Current Liabilities

17. Which of the following items is shown under the head 'Non-Current Assets' while preparing the Balance Sheet of a company:
    (a) Underwriting Commission (b) Current Investment
    (c) Inventory (d) Patents

18. **Assertion (A)** 'Interest accrued but not due on borrowings' is shown under 'Other current liabilities'.
    Reason (R) All liabilities, of which payment is expected to be made within 12 months from the date of Balance Sheet, shall be treated as Current.
    (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 false, but Reason (R) is true
    (d) Assertion (A) is true, but Reason (R) is false

19. Revenue from Operations 4,00,000; Cost of Revenue from Operations 60% of Revenue from Operations; Operating expenses 30,000 and rate of income tax is 40%. What will be amount of profit after tax:
    (a) 64,000 (b) 78,000
    (c) 52,000 (d) 96,000

20. Which of the following items are included in 'Revenue from operations' for a financial company:
    i. Dividend received
    ii. Sales
    iii. Sale of scrap
    iv. Interest earned
    v. Profit on sale of fixed asset
    vi. Profit on sale of investments
    vii. Refund of income tax

    Select the correct code:
    (a) i, iv, v, vi (b) i, v, vi, vii
    (c) iii, iv, v, vii (d) ii, iv, v, vi

21. Which of the following profits of capital nature may be transferred to capital reserve:
    viii. Profit on redemption of debentures
    ix. Securities Premium Reserve
    x. Debenture redemption reserve
    xi. Surplus in statement of profit and loss
    xii. Profit on sale of fixed assets
    xiii. Profit on purchase of running business
    xiv. Profit on reissue of forfeited shares

    Select the correct code:
    (a) i, ii, iv, v (b) i, v, vi, vii
    (c) iii, iv, v, vii (d) ii, iv, v, vi

(From the following case study choose the correct alternatives of question no. 22 to 26)

Lenovo ltd. has authorized share capital of Rs 1,00,00,000 divided into 10,00,000 equity shares of Rs 10 each. It has existing issues and paid-up capital of Rs 25,00,000. It further issued to public 2,50,000 equity shares at a premium of 20% for subscription payable as under:

On applications: Rs 3

On allotment: Rs 6; and

On call: Balance Amount

The issue was fully subscribed and allotment was made to all the applicants. The company did not make the call during the year.

22. Which of the following amount will be shown into the balance sheet of the company under the sub-head 'Share Capital'?

(a) ₹ 50,00,000 (b) ₹ 42,50,000

(c) ₹ 1,00,00,000 (d) ₹ 10,00,000

23. Which of the following amount will be shown as 'paid-up capital'?

(a) ₹ 50,00,000 (b) ₹ 42,50,000

(c) ₹ 1,00,00,000 (d) ₹ 10,00,000

24. The amount of securities premium reserve will be:

(a) ₹ 5,00,000 (b) ₹ 42,50,000

(c) ₹ 1,50,000 (d) ₹ 10,00,000

25. Which of the following amount will be called as 'subscribed but not fully paid capital'?

(a) ₹ 50,00,000 (b) ₹ 42,50,000

(c) ₹ 17,50,000 (d) ₹ 25,00,000

26. Securities premium reserve will be shown under which sub-heading of the balance sheet?

(a) Reserve & Surplus (b) Securities premium reserve

(c) Shareholders' funds (d) Capital reserve

(From the following case study choose the correct alternatives of question no. 27 to 31)

Mona Ltd. Invited applications for 2,000 equity shares of Rs. 100 each, payable as follows:

Rs. 25 on application, Rs. 40 on allotment, Rs. 35 on first and final call.

Applications were received for 2,500 shares. It was decided to allot the shares as under:

W, who applied for 500 shares, was allotted 300 shares.

X, who applied for 1,200 shares, was allotted 1,000 shares.

Y, who applied for 800 shares, was allotted 700 shares.

All money was received except from X who did not pay anything after application. His shares were forfeited after making all calls. Forfeited shares were re-issued at Rs 95 per share fully paid.

27. Profit on reissue of forfeited shares is transferred to?

(a) General reserve (b) Securities premium reserve

(c) Capital reserve (d) Call in Arrears

28. Which of the following amount will be transferred to capital reserve?

(a) ₹ 95,000 (b) ₹ 25,000

(c) ₹ 30,000 (d) ₹ 5,000

29. The amount of excess application money on pro-rata allotment will be treated as:

(a) Adjusted at the time of allotment (b) Adjusted at the time of first and final call

(c) Returned to W, X & Y (d) Shown as application money pending allotment

30. Maximum discount that could be given by Mona ltd. for re-issue of forfeited shares of X is:

(a) ₹ 30,000 (b) ₹ 70,000

(c) ₹ 95,000 (d) ₹ 5,000

31. Which of the following amount will be shown as 'paid-up capital'?

(a) ₹ 2,00,000 (b) ₹ 2,25,000

(c) ₹ 2,50,000 (d) ₹ 1,00,000

(From the following case study choose the correct alternatives of question no. 32 to 35)

On1st April, 2013 Ajanta Ltd. was formed with an authorized capital of Rs. 30,00,000 divided into 30,000 shares of Rs.100 each. The company issued 10,000 shares at par. The issue price was payable as follows:

On application – Rs. 30 per share

On allotment – Rs. 50 per share

On final call – Rs. 20 per share

The issue was fully subscribed and the company allotted shares to all the applicants. All money was received except the final call money on 1,000 shares.

32. Which of the following amount will be shown into the balance sheet of the company under the sub-head 'Share Capital'?

(a) ₹ 10,00,000 (b) ₹ 9,80,000

(c) ₹ 30,00,000 (d) ₹ 20,000

33. Which of the following amount will be shown as 'subscribed and fully paid capital'?

(a) ₹ 9,80,000 (b) ₹ 9,00,000

(c) ₹ 10,00,000 (d) ₹ 30,00,000

34. Which of the following amount will be shown as 'subscribed but not and fully paid capital'?

(a) ₹ 80,000 (b) ₹ 20,000

(c) ₹ 1,00,000 (d) ₹ 9,00,000

35. Calls in arrears are deducted from which of the following:

(a) Authorized capital (b) Subscribed but not fully paid capital

(c) Subscribed and fully paid capital (d) Issued capital

36. The part of un-called capital, to be called only in the liquidation of a company is called:

(a) Un-reserved Capital (b) Reserve Capital

(c) Capital Reserve (d) Calls-in Arrears

37. Match the following:

(1) Capital Reserve	(i) Cash & Cash equivalents
(2) Calls in Advance	(ii) Intangible fixed assets
(3) Licenses & franchise	(iii) Reserves & Surplus
(4) Marketable Securities	(iv) Other current liabilities

(a) 1 – iii, 2 – ii, 3 – iv, 4 – i (b) 1 – iii, 2 – iv, 3 – ii, 4 - i

(c) 1 – ii, 2 – iv, 3 – iii, 4 – i (d) 1 – i, 2 – ii, 3 – iii, 4 - iv

38. Match the following:

(1) Mortgage loan	(i) Other income
(2) Premium on redemption of debentures	(ii) Capital work in progress
(3) Building under construction	(iii) Long term borrowings
(4) Interest received	(iv) Other long term liabilities

(a) 1 – iii, 2 – ii, 3 – iv, 4 – i (b) 1 – iii, 2 – iv, 3 – ii, 4 - i

(c) 1 – ii, 2 – iv, 3 – iii, 4 – i (d) 1 – i, 2 – ii, 3 – iii, 4 - iv

39. **Assertion (A)** The objective of financial statement analysis is to measure the earning capacity and financial strength of a business and to facilitate comparative study.

Reason (R) Financial statements of a company are to be prepared as per format prescribed in Schedule III of the Indian Companies Act, 2013.

(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 false, but Reason (R) is true
(d) Assertion (A) is true, but Reason (R) is false

40. **Assertion (A)** In vertical analysis financial statements for a single year or on a particular date are reviewed and analyzed with the help of proper devices like ratios.
Reason (R) Such type of analysis is based on data of a single year. As such it is also called static analysis.
(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 false, but Reason (R) is true
(d) Assertion (A) is true, but Reason (R) is false

Accounting Ratios

1 The mathematical expression that provides a measure of the relationship between two figures is called
(a) Conclusion
(b) Ratio
(c) Model
(d) Decision

2 The __________ is a measure of liquidity which excludes ________, generally the least liquid asset:
A. current ratio, trade receivable
B. liquid ratio, trade receivable
C. current ratio, inventory
D. liquid ratio, inventory

3 Proportion of shareholder's funds to total assets is called
(a) Proprietary ratio
(b) Capital gearing ratio
(c) Debt equity ratio
(d) Current ratio

4 Current liabilities Rs. 40,000; Current assets Rs. 1,00,000 ; Inventory Rs. 20,000. Quick ratio is
(a) 1:1 (b) 2.5:1
(c) 2:1 (d) 1:2

5 **Assertion (A):** Higher proportion of shareholders’ funds in financing the assets is a positive feature as it provides security to creditors
Reason (R): Proprietary ratio expresses relationship of proprietor’s (shareholders) funds to net assets
(a) Both (A) and (R) are true and (R) is the correct explanation of (A)
(b) Both (A) and (R) are true and (R) is not the correct explanation of (A)
(c) (A) is true, but (R) is false
(d) (A) is false, but (R) is true

6 **Assertion (A):** Total long term debt includes Debentures, long term loans from banks and financial institutions.
Reason (R): Shareholders funds includes Equity share capital, Preference share capital, Reserves and surplus.

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

7 **(A)Assertion**
Ratio analysis is one of the tools employed to know the financial health of a concern.
(R)Reason
Ratio analysis is not the only technique available to take investment decision.
(a) Both (A) and (R) are true and (R) is the correct explanation of (A)
(b) Both (A) and (R) are true and (R) is not the correct explanation of A
(c) (A) is true, but (R) is false
(d) (A) is false, but (R) is true

8 **Assertion**
Capital employed means the long-term funds employed in the business and includes shareholders' funds, debentures and long-term loans
Reason
Capital employed may be taken as the total of non-current assets and working capital
(a) Both (A) and (R) are true and (R) is the correct explanation of (A)
(b) Both (A) and (R) are true and (R) is not the correct explanation of A
(c) (A) is true, but (R) is false
(d) (A) is false, but (R) is true

9 **Assertion**: Activity Ratio are known as efficiency ratios.
Reason: Higher turnover ratio means better utilisation of assets and signifies improved efficiency and profitability.
(a) Both (A) and (R) are true and (R) is the correct explanation of (A)
(b) Both (A) and (R) are true and (R) is not the correct explanation of A
(c) (A) is true, but (R) is false
(d) (A) is false, but (R) is true

10 **(A)Assertion**
Profitability ratios are calculated to analyse the earning capacity of the business which is the outcome of utilisation of resources employed in the business.
(R)Reason
Ratio analysis is helpful to take investment decision.
(a) Both (A) and (R) are true and (R) is the correct explanation of (A)
(b) Both (A) and (R) are true and (R) is not the correct explanation of A
(c) (A) is true, but (R) is false
(d) (A) is false, but (R) is true

11 **(A)Assertion**
A corollary of Operating Ratio is 'Operating Profit Ratio'
(R)Reason
Operating Profit Ratio = 100 – Operating Ratio
(a) Both (A) and (R) are true and (R) is the correct explanation of (A)
(b) Both (A) and (R) are true and (R) is not the correct explanation of A
(c) (A) is true, but (R) is false
(d) (A) is false, but (R) is true

12 **(A)Assertion**
A low current ratio endangers the business and puts it at risk of facing a situation where it will not be able to pay its short-term debt on time
(R)Reason
Current Ratio = Current Assets(Excluding Inventory and Prepaid Expenses)/Current Liabilities
(a) Both (A) and (R) are true and (R) is the correct explanation of (A)
(b) Both (A) and (R) are true and (R) is not the correct explanation of A

(c) (A) is true, but (R) is false
(d) (A) is false, but (R) is true

13 **(A)Assertion**
Due to cash sale of a computer(a fixed asset), the current ratio will increase without any change in the current liabilities.
(R)Reason
Current Ratio = Current Assets/Current Liabilities
(a) Both (A) and (R) are true and (R) is the correct explanation of (A)
(b) Both (A) and (R) are true and (R) is not the correct explanation of A
(c) (A) is true, but (R) is false
(d) (A) is false, but (R) is true

14 **(A)Assertion**
A high operating ratio indicates a favourable position.
(R)Reason
A high operating ratio leaves a high margin to meet non-operating expenses.
(a) Both (A) and (R) are true and (R) is the correct explanation of (A)
(b) Both (A) and (R) are incorrect.
(c) (A) is true, but (R) is false
(d) (A) is false, but (R) is true

15 **(A)Assertion**
If debt component of the total long-term funds employed is small, outsiders feel more secure.
(R)Reason
A high Debt-Equity Ratio is considered risky as it may put the firm into difficulty in meeting its obligations to outsiders
(a) Both (A) and (R) are true and (R) is the correct explanation of (A)
(b) Both (A) and (R) are true and (R) is not the correct explanation of A
(c) (A) is true, but (R) is false
(d) (A) is false, but (R) is true

Read the following information and answer the given questions (Q15 to Q19)

Year	**2020**	**2019**	**2018**
Amount	**In (Rs.)**	**In (Rs.)**	**In (Rs.)**
Outstanding expenses	**50,000**	**40,000**	**25,000**
Prepaid Expenses	**3,00,000**	**2,50,000**	**3,50,000**
Trade Payables	**18,00,000**	**16,00,000**	**14,00,000**
Inventory	**12,00,000**	**10,00,000**	**11,00,000**
Trade Receivables	**11,00,000**	**8,00,000**	**10,00,000**
Cash in Hand	**17,00,000**	**12,00,000**	**15,00,000**
Revenue from operations	**24,00,000**	**18,00,000**	**20,00,000**
Gross Profit Ratio	**12%**	**15%**	**18%**

16 Current Ratio for the year 2020 will be --------------
(a) 2 : 1 (b) 1.8 : 1
(c) 2.32 : 1 (d) 2.4 : 1

17 Quick Ratio for the year 2018 will be --------------
(a) 1.75 : 1 (b) 1.8 : 1
(c) 0.94: 1 (d) 1.25 : 1

18 Inventory Turnover Ratio for the year 2018 will be --------------
(a) 1.62 : 1
(b) 1.8 2: 1

(c) 1.55: 1
(d) 1.92 : 1

19 Cost of Revenue from Operations for the year 2020 would be --------------
(a) Rs.21,12,000
(b) Rs.21,13,000
(c) Rs.21,15,000
(d) Rs.21,17,000

Consider the following data and answer the following:(Q20 to Q23)

Particulars	**Rs.**
Revenue From Operations	**12,00.000**
Cost of Revenue from Operations	**9,00,000**
Operating Expenses	**15,000**
Inventory	**20,000**
Other Current Assets	**2,00,000**
Current Liabilities	**75,000**
Paid up Share Capital	**4,00,000**
Statement of Profit & Loss(Dr.)	**47,500**
Total Long Term Debt	**2,50,000**

20 The Operating ratio is….?
(a) 75.62% (b) 75%
(c) 76.25% (d) 76%

21 The Liquid ratio is…….?
(a) 2.67 : 1 (b2.17: 1
(c) 2 : 1 (d) 3 : 1

22 Debt-Equity ratio is --------------
(a) 0.75 : 1 (b) 1: 1
(c) 2: 1 (d) 0.63 : 1

23 Working Capital Turnover Ratio is --------------
(a) 8 times (b) 8.28 times
(c) 7.28 times (d) 8.78 times

24 Match List I with List II and select the correct answer using the options given blow

SN.	List I	SN.	List II
a	Current ratio	1	Liquidity
b	Net profit ratio	2	Efficiency
c	Debt-Equity ratio	3	Long term solvency
d	Inventory turnover ratio	4	profitability

(a) a-1; b-4; c-3; d-2. (b) a-1; b-3; c-4; d-2.
(c) a-2; b-4; c-3; d-1. (d) a-4; b-3; c-1; d-2.

25 Match List I with List II and select the correct answer using the options given blow

SN.	List I	SN.	List II
a	Inability to pay interest	1	Current ratio
b	Liquidity crisis	2	Debtor turnover ratio

c	Inefficient collection of receivable	3	Interest Coverage Ratio
d	This ratio measures the degree of indebtedness of an enterprise and gives an idea to the long-term lender regarding extent of security of the debt	4	Debt-Equity ratio

(a) a-3; b-1; c-2; d-4. (b) a-3; b-1; c-4; d-2.
(c) a-1; b-4; c-3; d-2. (d) a-4; b-3; c-1; d-2.

26 Match List I with List II and select the correct answer using the options given blow

SN.	List I	SN.	List II
a	Test of activity	1	Acid test ratio
b	Test of liquidity	2	Debt-equity ratio
c	Test of Profitablility	3	Debtor's Turnover Ratio
d	Test of Solvency	4	ROI

(a) a-3; b-1; c-2; d-4. (b) a-3; b-4; c-1; d-2.
(c) a-1; b-4; c-3; d-2. (d) a-3; b-1; c-4; d-2.

27 To test the liquidity of a concern, which of the following ratios are useful?

i. Quick Ratio
ii. Net Profit Ratio
iii. Debt-Equity Ratio
iv. Current Ratio

Select the correct answer from the following options:
(a) (i) and (ii) (b) (i) and (iv)
(c) (ii) and (iii) (d) (ii) and (iv)

28 Which of the following is not correctly matched?
(a) Liquid Ratio - Proportion
(b) Inventory Turnover Ratio - Proportion
(c) Debt-Equity Ratio - Proportion
(d) Liquid Ratio - Proportion

29 When current ratio is 2:1 then equal increase in current assets and current liabilities would result in
(a) no change in current ratio
(b) increase in current ratio
(c) decrease in current ratio
(d) current ratio will be double

30 A firm has inventory turnover of 3 and cost of goods sold is Rs.2,70,000. With better inventory management, the inventory turnover is increased to 5. This would result in-
(a) Increase in inventory by Rs.54,000
(b) decrease in inventory by Rs.36,000
(c) Increase in cost of goods sold by Rs.20,000
(d) Decrease in inventory by Rs.90,000

31 Which one of the following statements is not true?
(a) Conversation of debentures into preference shares will decrease debt-equity ratio
(b) Long-term liabilities due for payment within a year should be treated as current liabilities
(c) Higher operating ratio indicates higher profits
(d) Cost of sales is a better numerator than sales while calculating stock turnover.

32 Higher the ratio, the more favourable it is, doesn't stand true for
(a) Operating ratio (b) Liquidity Ratio
(c) Net Profit Ratio (d) Stock turnover Ratio

33 If selling price is fixed 25% above the cost, the Gross Profit Ratio will be

(a) 13% (b) 28%
(c) 26% (d) 20%

34 The ideal level of liquid ratio is
(a) 1:1 (b) 2:2
(c) 3:3 (d) All of the above

35 Collection of debtors
(a) Decreases current ratio (b) Increases current ratio
(c) Has no effect on current ratio (d) None of the above

36 **Which of the following are limitations of ratio analysis?**
A) Ratio analysis may result in false results if variations in price levels are not considered.
B) Ratio analysis ignores qualitative factors
C) Ratio Analysis ignores quantitative factors
D) Ratio Analysis is historical analysis.
Chose the correct option from following
a) A, B and D b) A, C and D
c) A, B and C d) A, B , C, D

37 Determine stock turnover ratio if, Opening stock is Rs 31,000, Closing stock is Rs 29,000, Sales is Rs 3,20,000 and Gross profit ratio is 25% on sales.
(a) 31 times (b) 11 times
(c) 8 times (d) 32 times

38 Liquid ratio is also known as
A) Quick ratio B) Acid test ratio
C) Working capital ratio D) Stock turnover ratio
Chose the correct option from following
(a) A and B (b) A and C
(c) C and B (d) C and D

39 Total Assets ₹ 7,70,000
Total Liabilities ₹ 2,60,000
Current Liabilities ₹ 40,000
Total Assets to Debt Ratio is:
(a) 3.5 : 1 (b) 2.56 : 1
(c) 2.8 : 1 (d) 3 : 1

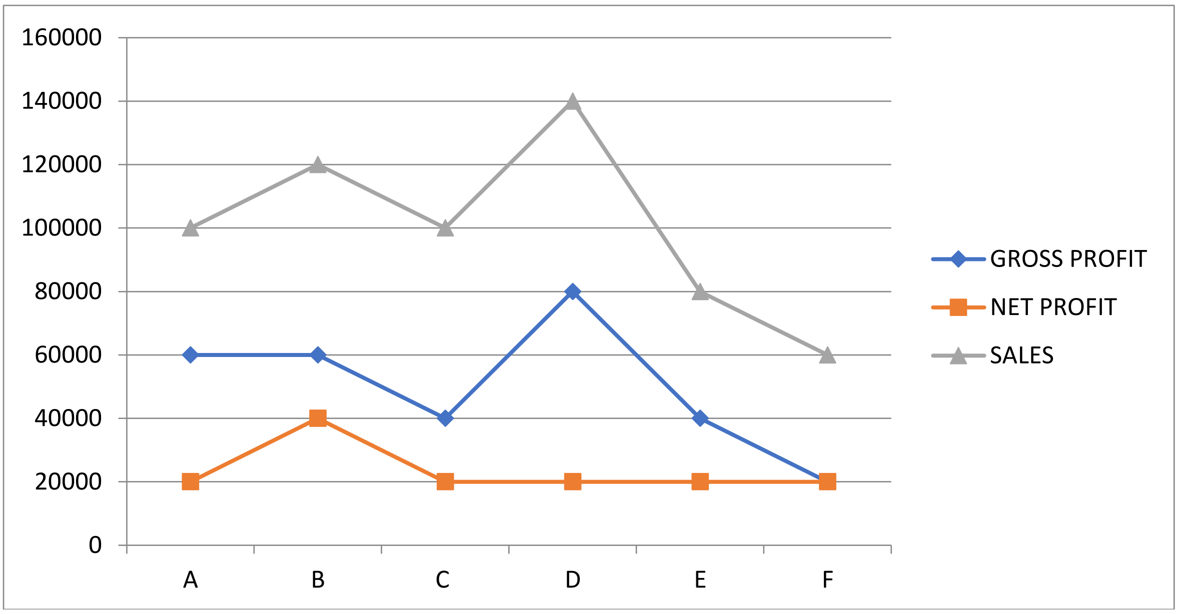
40 To know the return on investment, by capital employed we mean:
(a) Net Fixed Assets
(b) Current Asset-Current Liabilities
(c) Gross Block
(d) Fixed Assets + Current Assets-Current Liabilities

41 If sales is 7 4,20,000 sales returns is 7 20,000 and cost of goods sold 7 3,20,000 gross profit ratio will be :
(a) 20% (b) 25%
(c) 15% (d) 10%

42 Equity share capital ₹ 15,00,000
Reserve and Surplus ₹ 7,50,000
Total Assets ₹ 45,00,000
Proprietary Ratio ?
(a) 50% (b) 33.3%
(c) 200% (d) 60%

43 The following groups of ratios primarily measure risk
(a) Liquidity, activity and profitability
(b) Liquidity, activity and common stock
(c) Liquidity, activity and debt
(d) Activity, debt and profitability

On the basis of the following graph of the five companies'(A,B,C,D,E,F) performance for the year ending on 31st March 2020 answer the following :(Y-axis represents amount in Rupee and X-axis represents companies) questions from Q46 to Q48



44 Which of the following companies has maximum Gross Profit Ratio during the year?
(a) A (b) B
(c) D (d) E

45 Which of the following companies has minimum Net Profit Ratio during the year?
(a) A (b) F
(c) D (d) E

46 Which two companies have earned maximum Net Profit Ratio during the year?
(a) A and F (b) F and D
(c) B and F (d) C and A

47 Which company has same Gross Profit Ratio and Net Profit Ratio during the year?
(a) A (b) F
(c) B (d) C

48 To know the return on investment, by capital employed we mean:
(a) Net Fixed Assets (b) Current Asset-Current Liabilities
(c) Gross Block (d) Fixed Assets + Current Assets-Current Liabilities

49 Which of the following is an operating' income?
(a) Sale of Merchandise (b) Interest Income
(c) Dividend Income (d) Profit on the sale of old car

50 Current Ratio is 3.5 : 1. Working Capital is Rs. 90,000. Calculate the amount of Current Assets and Current Liabilities
(a) Current Asset=Rs.1,26,000; Current Liability=Rs.26,000
(b) Current Asset=Rs.1,16,000; Current Liability=Rs.36,000
(c) Current Asset=Rs.1,26,000; Current Liability=Rs.36,000
(d) Current Asset=Rs.1,36,000; Current Liability=Rs.16,000

Kendriya Vidyalaya Sangathan, Raipur Region
Sample Question Paper for Term I Exam 2021-22
Class: XII
Subject: Accountancy (055)
Time: 90 Minutes **Max. Marks: 40**

Instructions:
1. This paper has 40 questions, carrying 1 mark each.
2. All questions are compulsory.
3. Answer the questions as per the given instructions.

01 A business has earned average profits of ₹ 4,50,000 during the last few years and the normal rate of return in a similar line of business is 15%. The value of net assets of the business is ₹ 25,00,000. What will be the value of goodwill of the business if it is to be valued by capitalization of average profits method.

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

02 X and Y are partners sharing profits and losses in the ratio of 3:2. The balance of their capital as on 01st April, 2020 – X: ₹ 5,00,000 and Y: ₹ 3,00,000. They are allowed interest on capital @ 20% p.a. The profits for the year ending 31st March, 2021 ₹ 80,000 (before charging interest on capital). The profits of the partners to be allocated to X and Y as:

(a) X: ₹ 40,000 & Y: ₹ 40,000 (b) X: ₹ 50,000 & Y: ₹ 30,000
(c) X: ₹ 48,000 & Y: ₹ 32,000 (d) None of these

03 A partner of the firm drew ₹ 10,000 in the middle of each quarter for personal purpose against the profits. As per the Partnership Deed, interest on drawings to be charged @ 10% p.a. Interest on drawings will be:

(a) ₹ 500 (b) ₹ 1,000
(c) ₹ 3,000 (d) ₹ 2,000

04 Pick the odd one out:

(a) Interest on partner's capital (b) Interest on partner's loan
(c) Salary to partner (d) Interest on partner's drawings

There are two statements marked as Assertion (A) and Reason (R). Read the statements and choose the appropriate option from the options given below for the question 05 to 07:

(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 false, but Reason (R) is true
(d) Assertion (A) is true, but Reason (R) is false

05 **Assertion (A):** In the case of change in profit-sharing ratio, there was a balance in Workmen Compensation Reserve ₹ 30,000 and till the date of reconstitution, the claim for workmen compensation is ₹ 12,000. Partners of the firm decided to distribute between them ₹ 30,000 in their profit-sharing ratio.
Reason: Workmen Compensation Reserve is the part of profits. Therefore, it should be distributed between the partners in their profit-sharing ratio.

06 **Assertion (A):** At the time of change in profit-sharing ratio, assets are revalued and liabilities are reassessed.
Reason (R): The change in the value of assets and liabilities belongs to the period prior to reconstitution and gain or loss on revaluation is shared in the sacrificing ratio by the partners.

07 **Assertion (A):** In the case of change in profit-sharing ratio between partners, goodwill to be valued and adjustment to be made in capital / current accounts of partners with sacrificing and gaining share of valued goodwill.
Reason (R): Valued goodwill to be debited/credited in capital / current account of partners with gaining / sacrificing share of valued goodwill.

Read the following information and give the answer for the question No. 08 and 09:
Deepak and Vijay are partners sharing profits & losses in the ratio of 2:3. The Balance Sheet of a firm as on 31st March, 2021 is given below:

Liabilities	Amt. in ₹	Assets	Amt. in ₹
Creditors	60,000	Debtors	40,000
Bills Payable	20,000	Stock	1,00,000

<u>Capital A/cs</u>: Deepak 1,60,000 Vijay 2,40,000	4,00,000	Machinery Land & Building	1,50,000 1,90,000
	4,80,000		4,80,000

The partners decided to share future profits in the equal ratio with effect from 1st April, 2021. The following adjustments were agreed upon:
(1) Land & Building valued at ₹ 2,40,000 and Machinery depreciated by ₹ 15,000.
(2) ₹ 5,000 of creditor is not likely to claim but ₹ 10,000 of provision to be made for legal charges.

08 Which Journal entry is correct from the following for sharing gain/loss on revaluation?

(a)	Deepak's Capital A/c	Dr.	12,000	
	Vijay's Capital A/c	Dr.	18,000	
	To Revaluation A/c			30,000
(b)	Revaluation A/c	Dr.	50,000	
	To Deepak's Capital A/c			20,000
	To Vijay's Capital A/c			30,000
(c)	Revaluation A/c	Dr.	30,000	
	To Deepak's Capital A/c			12,000
	To Vijay's Capital A/c			18,000
(d)	Deepak's Capital A/c	Dr.	20,000	
	Vijay's Capital A/c	Dr.	30,000	
	To Revaluation A/c			50,000

09 What will be the balance of Deepak's capital after reconstitution of partnership?

(a) ₹ 1,72,000 (b) ₹ 1,60,000
(c) ₹ 1,48,000 (d) ₹ 1,40,000

10 ------------ goodwill is the excess of desired total capital of the firm over the actual combined capital of all partners.

(a) Existing (b) Premium
(c) Valued (d) Hidden

11 Amrita and Babita are partners in the ratio of 3:2. Chetna was admitted for 1/4th share and he could not bring her share of goodwill. Goodwill of the firm is valued at ₹ 1,00,000. Journlise.

(a)	Premium for goodwill A/c	Dr.	1,00,000	
	To Amrita's Capital A/c			60,000
	To Babita's Capital A/c			40,000
(b)	Premium for goodwill A/c	Dr.	25,000	
	To Amrita's Capital A/c			15,000
	To Babita's Capital A/c			10,000
(c)	Chetna's Capital A/c	Dr.	1,00,000	
	To Amrita's Capital A/c			60,000
	To Babita's Capital A/c			40,000
(d)	Chetna's Capital A/c	Dr.	25,000	
	To Amrita's Capital A/c			15,000
	To Babita's Capital A/c			10,000

12 Match the columns for the situations at the time of admission of new partner:

Column I	Column II
A. Goodwill brought in by new partner	(i) Old Ratio
B. Employee Provident Fund	(ii) Sacrificing Ratio
C. Profit & Loss Suspense A/c	(iii) New Ratio
D. Profit & Loss (Cr.) A/c	(iv) Not to be distributed

		A	**B**	**C**	**D**		**A**	**B**	**C**	**D**
	(a)	(i)	(iv)	(ii)	(i)	**(b)**	(ii)	(iv)	(i)	(i)
	(c)	(ii)	(i)	(iii)	(iv)	**(d)**	(i)	(ii)	(iii)	(iv)

Analysis the following statement and answer the questions from 13 to 15:

Ram, Shyam and Gopal are partners in a Tourist Lodging & Hotel at Raipur (C.G.). Their capital contributions were ₹ 15,00,000; ₹ 20,00,000 and ₹ 25,00,000 respectively with the profit-sharing ratio of 3:3:4. As the scope to established one more Tourist Hotel at the Bilaspur (C.G.), they need ₹ 75,00,000 to be invested.

It is decided by all partners that they have to further contribute equal proportion as additional capital ₹ 25,00,000 each one but Ram does not have sufficient money. Therefore, they are agreed to admit Krishna as a new partner. He will contribute ₹ 25,00,000 as a capital along with ₹ 15,00,000 as share of goodwill premium (₹ 10,00,000 paid by Krishna privately) for 1/4th share in profit.

Half of the premium for goodwill withdrawn in cash by Ram, Shaym and Gopal.

After the six months, Gopal provided loan to the firm ₹ 15,00,000 for the meeting to purchase a Tourist Van.

13 What will be the new profit-sharing ratio between Ram, Shyam, Gopal and Krishna?

(a) 9:9:12:10 (b) 4:4:7:5
(c) 3:3:6:4 (d) 2:2:8:4

14 Which of the following premium for goodwill amount withdrawn by Ram?

(a) ₹ 4,50,000 (b) ₹ 5,00,000
(c) ₹ 2,50,000 (d) ₹ 2,25,000

15 Gopal is allowed interest on loan for the ₹ ________

(a) 1,50,000 (b) 90,000
(c) 45,000 (d) 75,000

There are two statements marked as Assertion (A) and Reason (R). Read the statements and choose the appropriate option from the options given below for the question 16 to 18:

(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 false, but Reason (R) is true
(d) Assertion (A) is true, but Reason (R) is false

16 **Assertion (A):** If the amount of any asset was undervalued, then revaluation account will be credited to restore the asset's amount to its actual asset value.
Reason (R): Increase in the amount of asset is a gain for the firm.

17 **Assertion (A):** on admission of a new partner, received amount from a debtor which was written off in earlier, credited to revaluation account.
Reason (R): It is a loss on reconstitution of partnership.

18 A, B and C are partners sharing profits in the ratio of 3:2:1. They are agreed to admit D into the partnership for 1/4th share. An extract of their balance sheet on 1st April, 2021 is as follows:

Liabilities	Amt. in ₹	Assets	Amt. in ₹
Investment Fluctuation Fund	20,000	Investments (Cost)	4,00,000

If the market value of Investments is ₹ 4,20,000 then the Investment Fluctuation Fund will be shown in the Balance Sheet of reconstituted firm at ₹ _____.

(a) 40,000 (b) 20,000
(c) Zero (d) None of these

19 The part of un-called capital, to be called only in the liquidation of a company is called:

(a) Un-reserved Capital (b) Reserve Capital
(c) Capital Reserve (d) Calls-in Arrears

20 Match the columns with reference to share capital of a company:

Column I	Column II

(E) Capital Reserve	(v) Memorandum of Association
(F) Minimum Subscription	(vi) Allotment / Calls due but did not receive
(G) Calls-in Arrears	(vii) Reserves & Surplus
(H) Authorised Capital	(viii) SEBI Guidelines

	A	B	C	D		A	B	C	D
(a)	(iii)	(iv)	(ii)	(i)	**(b)**	(ii)	(iv)	(i)	(iii)
(c)	(ii)	(i)	(iii)	(iv)	**(d)**	(i)	(ii)	(iii)	(iv)

Analysis the following statement and answer the questions from 21 to 23:

X Ltd issued 2,00,000 shares of ₹ 100 each. Amount to be paid as under:
On Application ₹ 30 per share;
On allotment ₹ 40 per share and
On first & final call ₹ 30 per share.
All money was duly subscribed and paid towards the nominal value of shares except on 9,000 shares who failed to pay allotment and calls money. These shares were forfeited. 5,000 shares were re-issued at ₹ 80 per share fully paid.

21 Which of the following amount will be shown into the Balance Sheet of the company under the sub-head "Share Capital"?

(a) ₹ 1,96,00,000 (b) ₹ 1,97,20,000
(c) ₹ 2,00,00,000 (d) ₹ 1,97,70,000

22 Which of the following amount will be called 'Paid up Share Capital'?

(a) ₹ 1,96,00,000 (b) ₹ 1,97,20,000
(c) ₹ 2,00,00,000 (d) ₹ 1,97,70,000

23 Which of the following amount will be transferred to Capital Reserve?

(a) ₹ 4,00,000 (b) ₹ 1,50,000
(c) ₹ 1,20,000 (d) ₹ 50,000

There are two statements marked as Assertion (A) and Reason (R). Read the statements and choose the appropriate option from the options given below for the question 24 to 26:

(e) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
(f) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A)
(g) Assertion (A) is false, but Reason (R) is true
(h) Assertion (A) is true, but Reason (R) is false

24 **Assertion (A)** Equity shares does not carry fixed rate of dividend and they are the ultimate risk bearer.
Reason (R) Equity shareholders are getting dividend from residule part of profits and in the case of windup of the company, invested money will be refunded at the last.

25 **Assertion (A)** Cumulative preference share capital is the share capital in which unpaid amount of dividend to be paid in the next year along with unpaid amount of dividend of previous year.
Reason (R) Participative preference share capital holders have right to participate in the decision making activities relating to their interest.

26 **Assertion (A):** A company must receive minimum subscription on public issue of shares.
Reason (R): In default to receive minimum subscription, company could not allot its shares.

Read the information given below and give the answer for the questions from 27 and 28:
X Ltd issued 50,000 shares of ₹ 100 per share for public subscriptions at 20% premium. Amount payable as under:

On Application	: ₹ 40 per share (including 10% premium)
On Allotment	: ₹ 40 per share (excluding 10% premium)
On First & Final Call	: ₹ Balance

Application received for 75,000 shares. Allotment was made to 60,000 share applicants. All due money was duly received except from a shareholder (Ashok) allotted to whom 12,000 shares, failed to pay allotment and calls. These shares were forfeited.

	Out of the forfeited shares, 9,000 shares re-issued at ₹ 80 fully paid.
27	Which of following amount received on allotment? (a) ₹ 15,96,000 (b) ₹ 21,00,000 (c) ₹ 5,04,000 (d) ₹ 4,00,000
28	Which of the following amount to be transferred to Capital Reserve A/c? (a) ₹ 4,80,000 (b) ₹ 3,96,000 (c) ₹ 2,76,000 (d) ₹ 1,62,000
29	6,000 shares of ₹ 100 each were issued at 10% premium called on allotment, forfeited due to non-payment of allotment of ₹ 50 per share (including premium). First & final call of ₹ 30 not yet made. These shares were re-issued at ₹ 40 per share for ₹ 70 per share. Which of the following journal entry is correct for the re-issue of forfeited shares?

(a)	Bank A/c	Dr.	4,20,000	
	To Share Capital			2,40,000
	To Securities Premium Reserve A/c			1,80,000
(b)	Bank A/c	Dr.	2,40,000	
	Share Forfeiture A/c	Dr.	1,80,000	
	To Share Capital A/c			4,20,000
(c)	Bank A/c	Dr.	4,20,000	
	Share Forfeiture A/c	Dr.	1,80,000	
	To Share Capital A/c			6,00,000
(d)	None of these			

30	Golden Fire Works Ltd took over assets worth ₹ 10,00,000 and liabilities of ₹ 3,00,000 of a company. Out of the purchase consideration of ₹ 12,00,000; ₹ 2,00,000 of bill payable accepted and the balance paid by issue of shares of ₹ 100 each at 25% premium. How much amount will be credited to Securities Premium Reserve A/c? (a) ₹ 1,75,000 (b) ₹ 2,50,000 (c) ₹ 3,00,000 (d) ₹ 2,00,000
31	Match the columns with reference to the financial statements of a company:

Column I	Column II
(A) Proposed Dividend	(i) Financial Cost
(B) Staff Welfare Expenses	(ii) Long-Term Borrowings
(C) Interest paid on Debentures	(iii) Contingent Liability
(D) Public Deposits	(iv) Employee benefit expenses

	A	B	C	D		A	B	C	D
(a)	(iii)	(iv)	(i)	(ii)	**(b)**	(ii)	(iv)	(i)	(iii)
(c)	(ii)	(i)	(iii)	(iv)	**(d)**	(i)	(ii)	(iii)	(iv)

There are two statements marked as Assertion (A) and Reason (R). Read the statements and choose the appropriate option from the options given below for the question 32 to 33:

(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 false, but Reason (R) is true
(d) Assertion (A) is true, but Reason (R) is false

32	**Assertion (A):** Bills payable are shown as trade payables in the balance sheet of the company **Reason (R):** Creditors and Bills payable forms the part of Trade Payables.
33	**Assertion (A):** Bank charges charged by the bank are included in finance cost. **Reason (R):** Bank charges are an expense not incurred in connection with raising finance but for availing the services of the bank.

34	Outstanding Salary will be shown under which of the following sub-head of the head Current Liabilities on the Equity & Liability side of the Balance Sheet. (a) Short-term borrowings (b) Trade payables (c) Short-term provision (d) Other current liabilities
35	Match the columns with reference to the analysis of financial statements of a company: **Column I** / **Column II** (A) Firm — (i) Does not consider price level changes (B) Types of Analysis — (ii) Intra-firm and Inter-firm Analysis (C) Tools of Analysis — (iii) Horizontal and Vertical Analysis (D) Limitation — (iv) Comparative and Common Size Statements **A B C D** **(a)** (iii) (iv) (i) (ii) **(b)** (ii) (iii) (iv) (i) **(c)** (ii) (i) (iii) (iv) **(d)** (i) (ii) (iii) (iv)
36	The technique of studying the operational results and financial position over a series of years is known as: (a) Ratio Analysis (b) Common Size Analysis (c) Trend Analysis (d) Cash Flow Analysis
	There are two statements marked as Assertion (A) and Reason (R). Read the statements and choose the appropriate option from the options given below for the question 37 to 38: (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 false, but Reason (R) is true (d) Assertion (A) is true, but Reason (R) is false
37	**Assertion (A):** Issue of Bonus Shares will not be affected to Debt-Equity Ratio. **Reason (R):** Issue of Bonus Shares increase the amount of Equity.
38	**Assertion (A):** Current Ratio is computed to assess the short-term financial position of the business firm. **Reason (R):** Current Ratio express the competency of a business firm to meet the short-term payment obligation.
39	Cost of Goods Sold ₹ 1,50,000; Closing Stock ₹ 60,000; Excess of Closing Stock over Opening Stock ₹ 20,000. What is the Inventory Turnover Ratio? (a) 4 times (b) 3 times (c) 2.14 times (d) 1.5 times
40	What will be the Current Ratio of a company whose net working capital is zero? (a) Can't say (b) 0 (c) 1:1 (d) 1:5

Answer Key and Explanation of the answer

Fundamentals of Partnership Accounting

Q.NO.	Answer	Reason/Hint/Explanation
1	D	Interest on Capital is not allowed if there is no partnership deed.
2	C	Rent to a partner is a charge against profit.
3	B	Under Fixed Capital method only Withdrawal from capital and Introduction of Capital are shown in Capital account, all other items are shown in Current account.

4	A	Interest on Partner's Loan is not shown in Partner's Capital account, it is credited in Partner's Loan A/c.
5	D	It is a Charge against profit.
6	C	Profits are divided in the ratio decided by partners in partnership deed.
7	D	Salary is payable only if it is mentioned in partnership deed.
8	C	All the partners are mutual agents of each other and of the firm also and they are also the owners of the firm.
9	D	Interest on Capital is an appropriation out of profits whereas all other items are charges against profit.
10	C	Unless mentioned in the partnership deed, all partners are liable to share the losses and profits of the firm.
11	A	Since all partners are mutual agents of each other and of the company also.
12	A	Since Interest on capital is an appropriation out of profits, so it is paid only out of profits.
13	C	As per Indian Partnership Act, 1932, minimum 2 partners are necessary to start a partnership firm.
14	B	Under Fixed Capital method Capital accounts and Current accounts both are maintained whereas under Fluctuating capital method only capital accounts are maintained.
15	C	Limited Liability Partnership Act was passed in India in the year 2008.
16	C	Share of A in profit= 40,000 less Deficiency paid to C=5,000. So net amount received by A=35,000.
17	D	Time left after first drawing=10 months; Time left after last drawing=1 month; (10+1)/2=5.5
18	B	Interest payable to A and B=50,000 each. So the profit will be divided in an equal ratio between A and B. When appropriations are more than profits then the available profit is distributed between the partners in the ratio of net amount payable to them.
19	B	1,32,000*10/110=12,000.
20	B	Q will be credited by ₹1,600 (interest@2% to be given to Q) and Q will be debited by ₹1,200(share of Q in loss to the firm). So, finally Q will be credited by ₹400.
21	D	IOC to Akhil= ₹64,000 less share of loss= ₹22,400 (32,000*7/10). Net amount paid to Akhil= ₹41,600. IOC to Ravi= ₹48,000 less share of loss= ₹9,600 (32000*3/10). Net amount paid to Ravi= ₹38,400.
22	B	A partner has unlimited liability in the partnership firm. So he has to pay the amount of capital plus his personal property to pay off the debts of the firm.

		Since partners have already paid the amount of capital so now they will have to pay only their personal assets to the firm in case of loss.
23	B	8,250*(100/15)*(12/5.5) =1,20,000/12= 10,000.
24	B	In the absence of partnership Deed, profits are shared equally among the partners.
25	C	Net profit of the firm=90,000-3,000(interest on loan) = 87,000. S's share in profit=87,000*1/3= 29,000. Only share of profit is credited to Partner's Capital a/c, interest on loan is credited to Partner's Loan A/c.
26	B	IOC is transferred to Dr. side of P& L Appropriation A/c; IOD to Cr. Side of P & L Appropriation A/c and Interest on Partner's Loan to the Dr. side of P & L A/c.
27	A	Rent paid to a partner is a charge against profit; Salary and commission paid to a partner are both appropriations out of profits.
28	D	Maximum no. of partners is 50 as per Indian Partnership Act, 1932. Partnership Deed may be an oral or written agreement among partners. Interest on partner's loan is allowed @ 6% p.a. in the absence of partnership deed.
29	C	Average period for drawings in beginning of each quarter is 7.5; for beginning of each month is 6.5 and for end of each quarter is 4.5. Formula for calculating average period = (Time left after first drawing +Time left after last drawing)/2
30	D	Check the definitions.
31	C	IOC to X= (2,00,000*6/100)+(1,00,000*6/100*2/12)= 13,000 IOC to Y= 2,00,000*6/100= 12,000
32	B	IOD will be calculated for an average period of six months since time of drawings is not given.
33	A	2,08,000-13,000-12,000(IOC)-18,000(salary)= 1,65,000*10/110= 15,000.
34	C	Divisible profit= 2,08,000(N.P.)+800+1,200(IOD)-13,000-12,000(IOC)-18,000(salary)-15,000(commission)= 1,52,000. Share of X in divisible profit= 1,52,000* 3/5= 91,200
35	B	Closing capital of X= 2,00,000(opening capital)+1,00,000(addl. capital)+13,000(IOC)+18,000(salary)+91,200(profit share)-20,000(drawings)-800(IOD)= 4,01,400.
36	A	Charge against profit is shown in P & L A/c.
37	D	10,30,000-1,50,000(rent to the partner)= 8,80,000
38	B	IOD for A= 60,000*10/100*6.5/12=3,250 IOD for B=60,000*10/100*5.5/12=2,750 IOD for C=16,000*10,100*7.5/12=6,000. Total IOD= 3,250+2,750+6,000= 12,000.
39	C	8,80,000*10/110= 80,000.

40	C	8,80,000(N.P.)+12,000(IOD)-24,000-36,000-80,000(IOC)-80,000(commission)-1,20,000(salary)= 5,52,000.
41	A	In the absence of partnership Deed, profits are shared equally among the partners, as per the provisions of Indian partnership act, 1932.
42	C	All partners have unlimited liability.
43	B	Both the statements are two different facts.
44	C	Maximum number of partners is 50 according to Indian partnership Act, 1932 and 100 as per Indian Companies Act, 2013.
45	B	Both the statements are two different facts.
46	A	Charge against profit is shown in P & L account.
47	A	Charge against profit is shown in P & L account.
48	D	Rent payable to partner is not shown in Capital account; it is shown in Rent payable account.
49	A	Both the statements are true and R is the correct explanation of A.
50	C	Guarantee of minimum profit to a partner depends on mutual consent of partners, it is not compulsory.

Reconstitution of Partnership: Change in Profit-sharing Ratio

Ans. I.(b), 2. (b) 3. (d), 4. (a) 5. (b) 6. (b), 7. (a), 8. (d), 9.. (b), 10. (d), 11.(c), 12. (b) 13,(a)

14(b)15 (b) 16 (a)17(c) 18(a)

19. Case -1(A) Case-2 (C) Case-3(B) Case-4(D) Case-5 (B)

20.(i) b (ii) a (iii) a

21.(i) b .

22.(i) b (ii) b (iii) a .

23(i) d(ii) C (iii) a (iv) b

24.(i) d (ii) b (iii) c (iv) a ,

25 (i) d (ii) c (iii) d

26.(B) 27 A 28.D 29.B 30.C

31. (c) A is true but R is false

32. (b) Rs.70,000

33. (a) Rs.98,000 34. (c) Rs. 1,200 35. (a) 7 : 5 : 3

36. (c) Rs.36,000 each 37. (b) Profit and Loss (Dr.) Balance Rs. 3,00,000

38. (c) A is true but R is false

CASE STUDY QUESTIONS

39. (1)(B)Any profit and loss an account of change in values belong to old partners

(2)(B) Nominal Account
(3) (b) Reconstitution of partnership

(4) (c) sacrificing ratio

(5) (b) Revaluation Account

40.(1) (A) Old ratio minus new ratio

(2)(A) Bhavya sacrifice 1/6 , Naman gains 1/6.

(3)(B) Debited credited

(4)(C) Naman's Capital a/c Dr. 20,000

To Bhavya's Capital a/c 20,000

Reconstitution of Partnership: Admission of a Partner

1	Ans. C. **Hint. As per AS-26 Existing Goodwill has to be written off and will not be shown in the books. Only purchased goodwill can be shown.**
2	A**ns. D. 40,000 x 100/80, Value of Machinery is shown at 80% thus now brought to 100%**
3	**Ans. B , C brought Capital for 1/3rd Profit , Existing Capital of A and B would be considered as 2/3. Actual Capial = 54000+36000= 90,000 which is 2/3, So Total Cap- 90,000*3/2 135000, So C share in Cap = 45,000**
4	**Ans a.70,000 As Value of all Assets is 4,50,000 out of which 3,80,000 is Capital**
5	**Ans. B. Goodwill. is always adjusted in gaining and sacrificing share**
6	**Ans. C. Both the above, because existing partner earned reputation.**
7	**Ans. B. It can't be shared as it belong to employees.**
8	**Ans. A. Revaluation account will be debited as there is increase in the liability**

9	**Ans. D. Asser5tiion is correct whereas reason is wrong as sacrificing ratio= Old Share- New Share**
10	**Ans. A. X & Y old share= 3/5 , 2/5** **New share X= 3/5 – 3/20= 12/20 -3 /20 = 9/20** **Y= 2/5 – 1/20= 8/20 – 1/20= 7/20** **Z = 1/5 = 4/20, Hence New Share= 9 : 7 : 4**
11	**Ans. B Sacrficing ratio is always equal to old share if new ratio is not given**
12	**Ans. C , It is undistributred profit and thus belong to old partner.**
13	**Ans. C Rs. 20,000 each as both Asha and Nisha surrenders equal share in favor of Ashish.**
14	**Ans. C. Firm get reconstituted during admission, retirement and death of partner. It dissolved only when partner discontinue their business.**
15	**Ans. B. Assets A/c, As increase in assets is always debited as per rules of Dr/Cr**
16	**Ans. A. it belongs to old partners in old profit sharing ratio**
17	**Ans. D. Share suurendered byA= 3/6 *1/3= 3/18, B= 2/6 *1/6= 2/36 or 1/18, C =1/6 * 1/9 =1/54** **D's Share= 3/18 + 1/18+ 1/54 = 9+ 3+ 1 /54** **= 13/54**
18	**Ans.C. C brings 30,000share as Goodwill which is 1/10 of Goodwill, So he get $1/10^{th}$ share in the profit. Entire share is credited to A's Capital it means only A is having sacrifice.** **So, A's New Share = 3/5 – 1/ 10 =6/10 – 1/10 = 5/10 , B = 2/5 =4/10 , C = 1/10,** **New Share = 5 : 4: 1**
19	**Ans. D. : Let the profit be Rs. 1 , $1/3^{rd}$ will be given to C, Remaining Share = 2/3 taken by A and B in their old ratio** **A's new share= 2/3 * 3/5 = 6/15,** **B's new share = 2/3 * 2 /5 =4/15** **C'sshare =1/3 = 5/15**
20	**Ans. A C share = 1/6 of which $1/24^{th}$ share given by A and $1/8^{th}$ by B** **1/24 + 1/8 = 1/24 +3/24 = 4/24 = 1/6 Check** **New Share = Old Share- Surrendered Share A, = 7/12 – 1/24 = 14/24- 1/24 =13 /24** **B = 5/12 – 1/8 = 10/24 – 3/24 = 7/24** **New Ratio : A, B and C = 13 : 7 : 4**
21	**Ans : Share of C = Share Surrendered by A + Share Surrendered by B** **Share Suurendered by A = 7/10 * 1/7= 7 /70 and B = 3/10 * 1/ 3 = 3/30** **C Share = 7/70 +3/30= 21 +21/210 = 42/210 = 2/10 ,** **New Share A= 7/10 – 7/70 = 49-7/70= 42/70** **B = 3/10-3/30= 9-3 /30= 6/30** **A : B : C = 42/70 , 6/30 , 2/10 = 6/10, 3/15 , 1/5 = 18: 6 : 6/30= 3: 1: 1**
22	
23	**Ans . C. Current Account is debited keep capital balance intact**.
24	**Ans. C.**

25	**Ans. C. Basic Assumption**
26	**Ans. A. Let the profit be Rs. 1 Here A and B share 2/3rd profits equally i.e A =1/3 and B= 1/3** **Remaining 1/3rd shared by C and D in 3/5 and 2/5th share** **C = 1/3 * 3/ 5 =3/15 , D= 1/3 * 2 / 5 = 2/15** **Share of A B C and D = 1/3 , 1/3, 3/15 , 2/15 = 5/15, 5/15 , 3/15, 2/15 = 5 : 5 : 3 : 2**
27	**Ans. C**
28	**Ans. : C Amount to brought over capital known as Goodwill** **For 1/3rd share Z is required to bring 1/3rd share of total capital** **Existing Capital of X and Y = 1,80,000+ 2,00,000 =3,80,000 is equal to = 2/3** **So total Capital = 3,80,000 * 3/2 = 5,70,000** **Capital of Z = 5,70,000 -3,80,000 = 1,90,000 Whereas Z brings total = 3,40,000** **So 1,90,000 for capital Remaining 1,50,000 for Goodwill**
29	**Ans.: A. Reason as above**
30	**Ans. :D . As Increase in the value of assets is credited to Revaluation A/c**
31	**Ans. A. It decided by old partner mutually**
32	**Ans. : C. Remaining 3/5**
33	**Ans.: a. Total Capital as per Prateek Capital = 1,00,000 *3/1 = 3,00,000** **Actual Capital = 90,000+70,000+1,00,000 =2,60,000** **Goodwill = 3,00,000 -2,60,000 = 40,000**
34	**Ans. B**
35	1. **Ans. C.** 2. **Ans. D.** 3..(**Rs. 15,000)**
36	1. What will be the new profit-sharing ratio of Ryan, Williams, Sania and Ejaz? **Ans. C.** 2. What is the amount of capital brought in by the new partner Ejaz? **Ans. (b) Rs.80,00,000** 3. What is the value of the goodwill of the firm? **Ans. (a) Rs.1,35,00,000**
37	**Ans. D. Revalued Figures**
38	**Ans. : C** **Z brings 60,000 as Capital for 1/5th share in profit, total capital on the basis of Z capital will be = 60,000 * 5/1 = 3,00,000** **Capital of X and Y = 3,00,000 – Z Capital 60,000= 2,40,000 in the ratio of X and Y = 5 : 3** **X new Capital = 2,40,000 * 5/ 8 = 1,50,000 and Y Capital = 2,40,000 * 3/8 = 90,000**
39	**Ans.: Answer: D** **Total Loss on Revaluation is 68,000 whereas A share in Loss =20,000 – 2/5** **Total Loss= 20,000 * 5/2 = 50,000** **Revaluation Effect – Loss on Machinery 60,000 + Provision 8,000 =68,000 Gain must be Rs. 18000 in stock to bring loss upto 50,000** **Stock will have revised value 80,000 +18,000 = 98,000**

40	**Ans .A** **3.Dr Investment fluctuation reserve 18000** **Cr. Investment a/c9000,A's capital a/c 4000, B's capital 3000, C's capital 2000**

Accounting for Share Capital

Q. N.	Answer and Explanation
	Accounting for Share Capital
01	(c) Authorised Capital
02	(b) Reserve Capital
03	(a) Calls-in Arrears A/c Debited
04	(b) Private Placement – Issue of shares to an individual institution other than offer to public in general is called private placement of shares.
05	(c) ESOP (Employees Stock Option Plan)
06	(b) ₹ 1,97,20,000. Share Capital = Subscribed Capital – Forfeited shares + Share Forfeiture Amount = 2,00,00,000 – (4,000 x 100) + 1,20,000
07	(a) ₹ 1,96,00,000 Paid Up Capital = Subscribed Capital – Forfeited Shares = 2,00,00,000 – (4,000 x 100)
08	(c) ₹ 1,20,000 Total Share Forfeiture Amount on 9,000 shares ₹ 2,70,000. 5,000 shares re-issued. On 4,000 shares forfeited amount = (2,70,000 x 4,000) / 9,000 = ₹ 1,20,000
09	(d) ₹ 50,000 On 9,000 forfeited shares amount is ₹ 2,70,000. Therefore, on 5,000 shares = 1,50,000 Less: Used to adjust loss on reissue of shares (5,000 x 20) = 1,00,000. Answer is ₹ 50,000
10	(d) Share Capital A/c It will be closed at the end of shareholder ship.
11	(d) All of the above. All account will be closed after stipulated period of time.
12	(b) Debited to Calls-in Arrears A/c
13	(a) Share Application & Allotment A/c Whenever, company called all the face value along with share application, then this account will be opened.
14	(b) ₹ 2,64,000 Calls-in Arrears on Allotment: Allotment Due (12,000 x 30) = 3,60,000 Less: Excess application money {(14,400 – 12,000) x 40} = (96,000) = ₹ 2,64,000
15	(c) ₹ 4,00,000 50,000 shares allotted to 60,000 share applicants. 10,000 shares applications money @ 40 per share received an excess i.e. 10,000 x 40 = ₹ 4,00,000
16	(a) ₹ 15,96,000 Allotment due (50,000 x 50) – Excess Application money (10,000 x 40) – Calls-in Arrears (6,00,000 – 96,000) = 25,00,000 – 4,00,000 – 5,04,000.
17	(c) ₹ 5,04,000 Allotment due (12,000 x 50) – Excess Application money on 12,000 shares (2,400 x 40) = 6,00,000 – 96,000 = ₹ 5,04,000
18	(b) ₹ 4,56,000 On 12,000 allotted shares, only application money received on 14,400 shares @ 40 per share including premium of ₹ 10 per share = 14,400 x 40 = 5,76,000 Less: Transferred to Securities premium Reserve (12,000 x 10) (1,20,000) = ₹ 4,56,000
19	(b) Up to the amount of forfeited money
20	(b) Capital Reserve
21	(d) Share Capital A/c Dr. 8,40,000 To Calls-in Arrears A/c 4,80,000

	To Share Forfeiture A/c 3,60,000
22	(c) Bank A/c Dr. 9,60,000 To Share Capital A/c 8,40,000 To Securities Premium Reserve A/c 1,20,000
23	(b) ₹ 3,60,000 Reissue of shares at a premium of (80 – 70) ₹ 10 per share. Therefore, all forfeited amount i.e. 12,000 x 30 = ₹ 3,60,000 will be transferred to Capital Reserve
24	(a) ₹ 90,000 Forfeited amount on 12,000 shares (12,000 x 30) ₹ 3,60,000 and only 9,000 shares reissued. Therefore, on 9,000 shares forfeited money = (3,60,000 x 9,000) / 12,000 = 2,70,000 Less: Adjusted loss on reissue of shares (9,000 x 20) (1,80,000) = ₹ 90,000
25	(c) No treatment.
26	(a) ₹ 14,00,000. Allotment due (40,000 x 40) = 16,00,000 Less: Excess application money (10,000 x 20) (2,00,000)
27	(c) ₹ 30 per share On Application ₹ 40 per share including premium i.e. towards face value ₹ 30 per share On Allotment ₹ 40 per share excluding premium i.e towards face value ₹ 40 per share Therefore, out of ₹ 100 towards face value on application and on allotment ₹ 70 per share. Hence, on first 7 final call ₹ 30 per share to be called.
28	(d) ₹ 85,50,000
29	(b) 4,50,000
30	(a) Share Capital A/c Dr. 15,00,000 Securities Premium Reserve A/c Dr. 1,50,000 To Calls-in Arrears A/c 9,00,000 To Share Forfeiture A/c 7,50,000
31	(d) ₹ 2,25,000
32	(a) **A** (iii) **B** (iv) **C** (ii) **D** (i)
33	(b) ₹ 2,50,000
34	(c) ZERO
35	(a) 3,000 preference shares
36	(c) Sundry Assets A/c Dr. 6,50,000 Goodwill A/c Dr. 50,000 To Other Liabilities A/c 50,000 To Promissory Note A/c 1,50,000 To Y Ltd A/c 5,00,000
37	(a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
38	(a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
39	(b) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A)
40	(b) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A)
41	(c) ₹ 2,55,000

Analysis of Financial Statements

Q.N.	Answer	Q.N.	Answer	Q.N.	Answer	Q.N.	Answer

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

Ratio Analysis

1	Ans: (b)	Ratio: A ratio is a mathematical number calculated as a reference to relationship of two or more numbers and can be expressed as a fraction, proportion, percentage and a number of times.
2	Ans: D	Liquid ratio = Quick Assets /Current Liabilities While calculating quick assets we exclude the inventories at the end and other current assets such as prepaid expenses, advance tax, etc., from the current assets. Because of exclusion of non-liquid current assets it is considered better than current ratio as a measure of liquidity position of the business
3	Ans:(a)	Proprietary ratio expresses relationship of proprietor's (shareholders) funds to net assets and is calculated as follows : Proprietary Ratio = Shareholders', Funds/Capital employed (or net assets)
4	Ans: (c)	Quick ratio = Quick Assets /Current Liabilities Quick Assets= Current Assets-Inventory-Prepaid Expenses
5	Ans: (a)	Proprietary ratio expresses relationship of proprietor's (shareholders) funds to net assets and is calculated as follows : Proprietary Ratio = Shareholders', Funds/Capital employed (or net assets) If the Net Asset or Total Assets are more funded by owner's funds then it decreases the risk for creditors.
6	Ans. (b)	Both statements are correct but R is not the explanation for A.

7	Ans: (b)	On the basis of Ratio Analysis we can check the financial health of any concern but there are other tools to check the financial health of business/concern.
8	Ans: (b)	Both Statements are correct but R is not Correct Explanation for A. Capital Employed can be calculated from two approaches: Liabilities Side and Assets Side. Statement A is following Liabilities side approach whereas statement R is following Asset side approach.
9	Ans: (a)	Activity ratios indicate the speed at which, activities of the business are being performed. The activity ratios express the number of times assets employed, or, for that matter, any constituent of assets, is turned into sales during an accounting period. Higher turnover ratio means better utilisation of assets and signifies improved efficiency and profitability, and as such are known as efficiency ratios
10	Ans: (a)	Investments are done to earn more return on it. Hence while taking the investment decision an investor has to check the earning capacity of the concern/company. Profitability Ratio indicate the earning capacity of a concern/company. Hence option (a) is correct.
11	Ans: (b)	Operating Ration is the relation between (Cost of Revenue from Operations + Operating Expenses)/ To Net Revenue from operation. Where as Operating Profit ratio is the relation between Operating Profit and Net Revenue from operation. (Cost of Revenue from Operations + Operating Expenses) + Operating Profit=Net Revenue from Operation, hence both statements are correct and R is explanation of A.
12	Ans: (c)	Statement A is correct but Statement R is wrong formulae for current ratio. Current Ratio is the relation between Current Assets(Including Inventory and Prepaid Expenses)
13	Ans: (a)	Due to this sale Cash will come inside the business which increase the current asset without any change in current liability. This results to increase in current ratio.
14	Ans: (b)	Operating Ration is the relation between 100x(Cost of Revenue from Operations + Operating Expenses)/ To Net Revenue from operation. Hence, increase in Operating Ratio means increase in COGS and Operating Expenses, which will lead to low margin of profit and this will not be a favourable position.
15	Ans: (b)	Both statement are saying the same concept. Both are correct but R is not correct explanation to A.
16	Ans: (c)	CR=CA/CL
17	Ans: (a)	QR=QA/CL QA=CA-Inventory-Prepaid Expenses.
18	Ans:(d)	ITR=COGS/Average Inventory
19	Ans:(a)	COGS or CORO=Net Revenue form Operation-Gross Profit.
20	Ans.(c)	Operating Ratio=100*(COGS+Operating Expenses)/Net Revenue from Operation

21	Ans(a)	LR or QR=QA/CL
22	Ans:(d)	Debt-Equity Ratio=Debt/Equity Debt=Total Long Term Debt
23	Ans: (b)	WCTR=Net Revenue from operations/Woriking Capital WC=CA-CL
24	Ans: (a)	
25	Ans: (a)	
26	Ans: (d)	
27	Ans: (b)	Liquidity ratios are calculated to measure the short-term solvency of the business, i.e. the firm's ability to meet its current obligations. These are analysed by looking at the amounts of current assets and current liabilities in the balance sheet
28	Ans: (b)	Inventory Turnover Ratio is calculated in number of times because it is an activity ratio.
29	Ans: (c)	CR=CA/CL =2/1 Now, (increase CA and CL by 1) =2+1/1+1=3/2 =1.5:1 Hence, the CR will decrease.
30	Ans: (b)	
31	Ans: (c)	
32	Ans: (a)	
33	Ans: (d)	COGS=100 SP=125 GP=SP-COGS =125-100 =25 GP Ratio=(GP/SP)*100 =(25/125)*100 =(1/5)*100 =20%
34	Ans: (d)	
35	Ans: (a)	
36	Ans: (a)	
37	Ans: (c)	STR=COGS/Avg. Stock Avg. Stock=(Opening stock + Closing Stock)/2 COGS=NET SALE - GROSS PROFIT
38	Ans: (a)	Total Asset to Debt Ratio=Total Asset/Long Term Debts
39	Ans: (a)	Total Asset to Debt Ratio=Total Asset/Long Term Debts
40	Ans: (d)	
41	Ans: (a)	GP Ratio=(GP/Net Rev. from Operations)x100 GP=Net Sales-COGS Net Sales=Total Sales-Sales Returns
42	Ans(a)	Proprietary Ratio=Shareholders Fund/Total Assets

43	Ans: (d)	
44	Ans: (b)	GP Ratio=(GP/Net Rev. from Operations)x100
45	Ans: (c)	NP Ratio=(NP/Net Rev. from Operations)x100
46	Ans: (c)	
47	Ans: (b)	
48	Ans: (d)	
49	Ans:(a)	
50	Ans: (c)	Current Asset=Rs.1,26,000; Current Liability=Rs.36,000

ANSWER KEY FOR SAMPLE QUESTION PAPER (TERM: I EXAM 2021-22)

Q.N.	ANSWER	Q.N.	ANSWER	Q.N.	ANSWER	Q.N.	ANSWER
01	C	11	D	21	B	31	A
02	B	12	B	22	A	32	A
03	D	13	A	23	D	33	C
04	B	14	D	24	A	34	D
05	C	15	C	25	B	35	B
06	D	16	A	26	B	36	C
07	B	17	D	27	A	37	D
08	C	18	C	28	D	38	A
09	A	19	B	29	B	39	B
10	D	20	A	30	B	40	C