

Passage-Based Questions (Q1 – 5)

**Passage:**

A, B, and C were partners in a firm sharing profits in the ratio of 4:3:3. On 1st April 2023, they decided to admit D for  $\frac{1}{5}$ th share in profits. D brought ₹2,00,000 as capital and ₹50,000 for goodwill in cash. The partners decided not to raise goodwill in books. A liability for bills payable of ₹10,000 was found unrecorded and an asset (furniture) was overvalued by ₹5,000. Revaluation account was prepared. General Reserve of ₹30,000 existed in books.

**Q1.** What was the total amount brought by D into the firm?

- (A) ₹2,00,000
- (B) ₹2,50,000
- (C) ₹50,000
- (D) ₹1,50,000

**Q2.** The goodwill amount is to be:

- (A) Debited to D's capital account
- (B) Shared by old partners in sacrificing ratio
- (C) Credited to Revaluation A/c
- (D) Not considered since goodwill not raised

**Q3.** The Revaluation Account will show:

- (A) Net Loss ₹15,000
- (B) Net Profit ₹5,000
- (C) Net Loss ₹5,000
- (D) Net Profit ₹15,000

**Q4.** The General Reserve is transferred to:

- (A) All partners in new ratio
- (B) Only A and B
- (C) Only C
- (D) A, B, C in old ratio

**Q5.** After admission, D's profit share will be:

- (A)  $\frac{1}{5}$
- (B)  $\frac{3}{10}$
- (C)  $\frac{1}{4}$
- (D)  $\frac{1}{10}$

**Q6.** Match the following terms with their correct descriptions:

- A. Reserve Capital — 1. Capital not yet called up, used at winding up  
B. Authorized Capital — 2. Capital approved in MoA  
C. Subscribed Capital — 3. Capital taken by public  
D. Issued Capital — 4. Capital offered for subscription

- (A) A-1, B-2, C-3, D-4  
(B) A-4, B-1, C-2, D-3  
(C) A-1, B-3, C-4, D-2  
(D) A-2, B-3, C-1, D-4
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**Q7.** Which of the following statements are true?

1. Goodwill is an intangible asset
2. Interest on capital is charged only when there is profit
3. Sacrificing ratio = Old ratio - New ratio
4. Revaluation Account is prepared only at dissolution

- (A) 1, 2, and 3  
(B) 1 and 3 only  
(C) 2 and 4 only  
(D) All are correct
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**Q8.** Assertion (A): Goodwill is adjusted among existing partners at time of retirement.

Reason (R): Retiring partner is compensated for his share by continuing partners.

- (A) Both A and R are true, and R explains A  
(B) Both A and R are true, but R does not explain A  
(C) A is true, R is false  
(D) A is false, R is true
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**Q9.** Match the financial ratios to their interpretations:

- A. Current Ratio — 1. Short-term liquidity  
B. Debt-Equity Ratio — 2. Long-term solvency  
C. Return on Capital Employed — 3. Efficiency of business  
D. Inventory Turnover — 4. Inventory management

- (A) A-1, B-2, C-3, D-4
  - (B) A-2, B-1, C-4, D-3
  - (C) A-4, B-3, C-1, D-2
  - (D) A-3, B-1, C-2, D-4
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**Q10.** Which statements are correct regarding Issue of Shares?

- 5. Shares can be issued at premium
- 6. Securities Premium can be used for bonus shares
- 7. Calls-in-Arrears appears under current liabilities
- 8. Capital Reserve arises from revenue profits

1.

- (A) 1 and 2 only
  - (B) 1, 2 and 3
  - (C) 2 and 4 only
  - (D) All are correct
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**Q11.** A and B are partners. A's capital ₹1,00,000; B's ₹80,000. Profits shared equally. Interest on capital 10%. Profit for the year ₹10,000. Interest on capital will be:

- (A) A = ₹10,000; B = ₹8,000
  - (B) A = ₹5,000; B = ₹5,000
  - (C) A = ₹6,000; B = ₹4,000
  - (D) Ignored due to insufficient profits
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**Q12.** A Bill Receivable of ₹10,000 was dishonoured. Which entry is correct?

- (A) Debit B/R and Credit Debtor
  - (B) Debit Debtor and Credit B/R
  - (C) Debit B/R and Credit Creditor
  - (D) Debit Cash and Credit B/R
-

**Q13.** Profit & Loss Appropriation A/c shows:

- (A) Net profit/loss
  - (B) Division of profits among partners
  - (C) Assets & liabilities
  - (D) Revaluation profit
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**Q14.** On reissue of forfeited shares at discount, which A/c is credited with gain?

- (A) Capital Reserve
  - (B) Share Capital
  - (C) Bank A/c
  - (D) Goodwill
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**Q15.** Non-cash item in Cash Flow Statement:

- (A) Depreciation
  - (B) Interest paid
  - (C) Tax paid
  - (D) Bonus shares issued
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**Q16.** Prepaid Rent appears under:

- (A) Current Assets
  - (B) Current Liabilities
  - (C) Non-current Liabilities
  - (D) Other Income
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**Q17.** If current ratio is 2:1 and working capital is ₹40,000, current assets = ?

- (A) ₹60,000
  - (B) ₹40,000
  - (C) ₹80,000
  - (D) ₹20,000
- 

**Q18.** A firm had old ratio 5:3. After admitting C, the new ratio becomes 5:3:2. What is the sacrificing ratio?

- (A) 1:1
  - (B) 2:1
  - (C) 0
  - (D) 5:3
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**Q19.** Which is not an objective of Financial Statement Analysis?

- (A) Measure profitability
  - (B) Measure liquidity
  - (C) Increase profits
  - (D) Assess solvency
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**Q20.** Return on Equity =

- (A)  $\text{Net Profit} / \text{Shareholder's Equity} \times 100$
  - (B)  $\text{Net Profit} / \text{Total Assets}$
  - (C)  $\text{EBIT} / \text{Capital Employed}$
  - (D)  $\text{Gross Profit} / \text{Sales} \times 100$
- 

**Q21.** When accumulated profits exist at time of admission, they are shared among:

- (A) All partners in new ratio
  - (B) All partners equally
  - (C) Old partners in old ratio
  - (D) Only the new partner
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**Q22.** A company issues ₹1,00,000 shares at ₹10 each. ₹2 per share is unpaid. Subscribed capital = ?

- (A) ₹10,00,000
  - (B) ₹8,00,000
  - (C) ₹9,80,000
  - (D) ₹9,00,000
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**Q23.** Interest on drawings is:

- (A) Income for business
  - (B) Expense for business
  - (C) Asset
  - (D) Liability
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**Q24.** In the balance sheet, "Share Forfeiture A/c" is shown:

- (A) Under Reserves and Surplus
  - (B) Under Share Capital (add)
  - (C) Under Current Liabilities
  - (D) Under Miscellaneous Expenses
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**Q25.** Which of the following can't be used from Securities Premium?

- (A) Issue of bonus shares
  - (B) Buyback of shares
  - (C) Writing off discount on issue
  - (D) Paying dividend
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**Q26.** Donation for specific purpose in NPO is shown as:

- (A) Revenue Income
  - (B) Capital Receipt
  - (C) Revenue Receipt
  - (D) Liability
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**Q27.** Subscription due but not received appears in:

- (A) Liability side
  - (B) Capital Fund
  - (C) Income & Expenditure Account
  - (D) Assets side
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**Q28.** Life Membership Fees are usually:

- (A) Treated as income
  - (B) Credited to capital fund
  - (C) Transferred to general fund
  - (D) Deferred
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**Q29.** Which statement about depreciation is correct?

- (A) It's a cash expense
  - (B) Reduces value of fixed assets
  - (C) Increases asset value
  - (D) Treated as liability
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**Q30.** Which ratio assesses long-term financial position?

- (A) Quick Ratio
  - (B) Debt-Equity Ratio
  - (C) Current Ratio
  - (D) Stock Turnover Ratio
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**Q31.** Company issued shares of ₹10 at ₹12. ₹2 is premium. Premium is credited to:

- (A) Profit & Loss A/c
  - (B) General Reserve
  - (C) Securities Premium A/c
  - (D) Capital Reserve
- 

**Q32.** Share Application money not refunded is:

- (A) Income
  - (B) Liability
  - (C) Capital
  - (D) Unclaimed money
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**Q33.** On forfeiture, Share Capital A/c is:

- (A) Debited
  - (B) Credited
  - (C) Not touched
  - (D) Transferred to Reserve
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**Q34.** Contingent liabilities are shown:

- (A) As liabilities
  - (B) As footnote
  - (C) Not at all
  - (D) As provision
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**Q35.** Cash Flow from Operating Activities includes:

- (A) Sale of investments
  - (B) Issue of shares
  - (C) Payment to suppliers
  - (D) Dividend paid
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**Q36.** The rate of Return on Investment is:

- (A)  $\text{Net Profit} / \text{Capital Employed}$
  - (B)  $\text{EBIT} / \text{Total Assets}$
  - (C)  $\text{Capital} / \text{Revenue}$
  - (D)  $\text{Net Sales} / \text{Net Profit}$
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**Q37.** A partnership is formed by:

- (A) Written agreement only
- (B) Oral or written agreement

- (C) Statute
  - (D) Public company resolution
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**Q38.** Bonus shares can be issued from:

- (A) Capital Redemption Reserve
  - (B) Securities Premium
  - (C) Profit & Loss A/c
  - (D) All of the above
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**Q39.** What happens when a bill is renewed with interest?

- (A) Interest debited to Debtor
  - (B) Interest credited to Debtor
  - (C) No interest recorded
  - (D) Interest debited to Bank
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**Q40.** Preliminary Expenses are:

- (A) Revenue Expenditure
- (B) Operating Loss
- (C) Deferred Revenue Expenditure
- (D) Asset

**Q41.** At the time of dissolution, realization account shows gain. This gain is:

- (A) Credited to revaluation account
  - (B) Credited to partner's capital account in profit-sharing ratio
  - (C) Credited to goodwill account
  - (D) Ignored
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**Q42.** Which item is excluded while calculating cash from operations?

- (A) Depreciation
  - (B) Loss on sale of assets
  - (C) Interest received
  - (D) Closing stock
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**Q43.** Accrued income appears on:

- (A) Credit side of P&L A/c only
  - (B) Liabilities side
  - (C) Debit side of P&L and asset side of B/S
  - (D) None
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**Q44.** If Bills Receivable dishonoured is endorsed to creditor, then the correct entry is:

- (A) Creditor A/c Dr. To Debtor A/c
  - (B) Debtor A/c Dr. To Creditor A/c
  - (C) B/R A/c Dr. To Debtor A/c
  - (D) Debtor A/c Dr. To B/R A/c
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**Q45.** Net Profit after adjustments = ₹2,00,000, non-cash expenses = ₹50,000, increase in current assets = ₹30,000. Cash from operations = ?

- (A) ₹2,20,000
  - (B) ₹2,50,000
  - (C) ₹1,80,000
  - (D) ₹1,60,000
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**Q46.** Proposed dividend is shown in Balance Sheet under:

- (A) Reserves & Surplus
  - (B) Current Liabilities
  - (C) Non-Current Liabilities
  - (D) Provisions
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**Q47.** When revaluation profit is made during retirement, it is:

- (A) Credited to all partners in new ratio
  - (B) Credited to old partners in old ratio
  - (C) Credited to continuing partners
  - (D) Not credited
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**Q48.** Which of the following does NOT appear in company's Balance Sheet?

- (A) Workmen Compensation Reserve
  - (B) Discount on Issue of Debentures
  - (C) Share Premium
  - (D) Interest on Capital
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**Q49.** In NPO, sale of old newspapers is classified as:

- (A) Revenue Receipt
  - (B) Capital Receipt
  - (C) Other Income
  - (D) Donation
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**Q50.** Which item does not belong in a Cash Flow Statement?

- (A) Depreciation
- (B) Interest on Loan
- (C) Sale of Machinery
- (D) Outstanding Rent