Q1. A and B are partners their respective capitals are ₹50,000 and ₹30,000. Interest on capital is agreed @ 6% p.a. B is allowed an annual salary ₹2,500. Profit during the year prior to calculation of Interest on capital but after charging B's salary is ₹12,500. 5% of net profit is paid to manager as commission. The amount of commission paid to manager is

(a) ₹1,500 (b) ₹1,250
(c) ₹1,000 (d) ₹750

Q2. Salary of a partner is shown in

(a) Profit and Loss A/c
(b) Profit and Loss Appropriation A/c
(c) Trading A/c
(d) Manufacturing A/c

Q3. A and B are partners sharing profit in the ratio of 3: 2. On 31st March, 2023, the Capital Account balance stood as A - ₹1,29,000 and B - ₹86,000. The divisible profit of ₹50,000 has been distributed between A and B accordingly and Interest on capital @ 10% p.a. has also been credited. A has also obtained salary @ ₹10,000 annually. Calculate Interest on B's capital.

(a) ₹9,900 (b) ₹9,000
(c) ₹6,600 (d) ₹6,000

Q4. Match List I with List II.

LIST – I		LIST – II	
(A)	Interest on Advances by partner	(I)	Not charged
(B)	Interest on Drawings	(II)	6% p.a.
(C)	Interest on capital	(III)	Equal
(D)	Profit sharing ratio	(IV)	Not allowed

Choose the correct answer from the options given below:

(a) A-IV, B-II, C-I, D-III (b) A-II, B-I, C-IV, D-III
(c) A-IV, B-II, C-III, D-I (d) A-IV, B-I, C-II, D-III

Q5. Anita and Bindu are partner in firm sharing profits in the ratio of 3:2. They admitted Meria as a new partner for 1/4 share. The new profit-sharing ratio between Anita and Bindu will be 2:1. What will be their sacrificing ratio?

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

Q6. A, B and C are partners sharing profits in the ratio of 3:2:1. D is admitted into firm for $\frac{1}{4}th$ share of profit, which he gets $\frac{1}{8}$ from A and $\frac{1}{8}$ from B. Calculated new sharing ratio of all the partners

(a) 1:1:1:1 (b) 9:5:4:6
(c) 9:4:5:6 (d) 9:5:6:4

Q7. Arrange following with regard to determination of Goodwill share of new partner based on hidden Goodwill determination.

(A) Existing partners decided to admit new partner.
(B) Determine new partner share in firm goodwill.
(C) Determine existing capital of all partners, including new partner.
(D) Determine total capital of new firm based on new partner's capital.
(E) Determine goodwill of the partnership firm.

Choose the **correct** answer from the options given below:

(a) (A), (D), (C), (B), (E) (b) (A), (B), (D), (C), (E)
(c) (A), (D), (C), (E), (B) (d) (A), (B), (E), (D), (C)

Q8. Match List I with List II

LIST - I		LIST - II	
A.	Capital called only in the event of winding up of the company	I.	Nominal Capital
B.	Other name of Registered Capital	II.	Issued Capital
C.	Subscribed Capital is a part of which capital	III.	Capital Reserve
D.	A type of capital profit	IV.	Reserve Capital

Choose the correct answer from the options given below:

(a) A-III, B-I, C-II, D-IV (b) A-IV, B-I, C-II, D-III
(c) A-III, B-II, C-I, D-IV (d) A-IV, B-II, C-I, D-III

Read the passage given below and answer the questions: Q9 to Q13.

K Ltd. invited applications on 3,000 Equity Shares of ₹100 each at a premium of ₹20. For application ₹50, on allotment ₹50 and on final call ₹20. Application also includes premium amount. Total application received were 4,000 and they were allotted on pro-rata basis and excess amount adjusted towards allotment. One shareholder holding 600 shares did not paid allotment money but paid it with final call that was made after 2 months of allotment. Final call amount received in full.

Q9. Calculate the amount adjusted in share allotment account.

(a) ₹40,000 (b) ₹1,10,000
(c) ₹50,000 (d) ₹30,000

Q10. Calculate the amount received at the time of allotment:

(a) ₹40,000 (b) ₹1,00,000
(c) ₹80,000 (d) ₹70,000

Q11. Calculate the amount of arrear at allotment.

(a) ₹40,000 (b) ₹20,000
(c) ₹30,000 (d) ₹60,000

Q12. Calculate the amount received in final call that includes arrear also.

(a) ₹80,000 (b) ₹6,00,000
(c) ₹5,80,000 (d) ₹6,15,000

Q13. What will be the rate of interest on calls in arrears if Articles of Association is silent?

(a) @ 5% p.a.
(b) @ 6% p.a.
(c) @ 10% p.a.
(d) @ 12% p.a.

Q14. The Profit for the five years of a firm are as follows ₹4,00,000, ₹3,98,000, ₹4,50,000, ₹4,45,000 and ₹5,00,000. Calculate goodwill of the firm on the basis of 4 years purchase of average profit of last 5 years.

(a) ₹16,98,000 (b) ₹14,45,800
(c) ₹17,54,400 (d) ₹19,36,600

Q15. If Average Capital Employed in a firm is ₹9,00,000; Average Profits ₹2,80,000 and Normal rate of return is 20%, then value of goodwill as per capitalization of super profits is:

(a) ₹1,24,000 (b) ₹5,00,000
(c) ₹45,00,000 (d) ₹3,36,000

Q16. Which of the following facts are related to modes of reconstitution of a partnership firm.

(A) Admission of a new partner
(B) Dissolution of a partnership firm
(C) Death of a partner
(D) Change in the profit-sharing ratio among the existing partners

(E) Retirement of a partner
Choose the **correct** answer from the options given below:
(a) (A), (B), (C) and (D) Only
(b) (A), (C), (D) and (E) Only
(c) (A), (B), (D) and (E) Only
(d) (B), (C), (D) and (E) Only

Q17. Which of the following will not be shown in Realisation Account?
(a) Unrecorded Asset realised
(b) Unrecorded Liabilities paid off
(c) Partner's Loan to the firm
(d) Realisation Expenses

Q18. Ram and Mohan were in partnership sharing profits and losses in ratio of 3:2. Investments stood in Balance Sheet at ₹1,40,000 on dissolution of firm. Ram took over some of Investments at ₹8,100 (book value less 10%) while remaining investment were taken over by Mohan at 90% of book value less ₹900 discount. At what value, did Mohan take over investment?
(a) ₹1,17,810 (b) ₹1,17,081
(c) ₹1,17,000 (d) ₹1,17,180

Q19. If a creditor accepts an asset whose value is more than the amount due to him.
A. He will pay excess amount
B. He will not pay anything
C. The excess amount will be credited to Realisation Account
D. The excess amount is debited to Realisation account
E. The excess amount is debited to Bank account
Choose the correct answer from the options given below:
(a) A, C and E only (b) A, B and C only
(c) B, C and D only (d) C, D and E only

Q20. State the sequence of payments in case of dissolution of a partnership firm:
A. To pay outside liabilities of the business
B. To pay partner's loan (if any)
C. To utilise the amount in settlement of capital A/c
D. To distribute the amount among the partners in their profit-sharing ratio
E. To pay Realisation expenses
Choose the correct answer from the options given below:
(a) E, A, B, C, D (b) D, C, B, A, E
(c) A, B, D, C, E (d) A, D, B, C, E

Q21. A, B, C were partners in a partnership firm their profit-sharing ratio was 5:3:2. B retires and the new profit-sharing ratio between A and C was 3:2. Calculate gaining ratio.
(a) 3:8 (b) 1:3
(c) 7:2 (d) 1:2

Q22. On retirement/death of a partner, the remaining partners who have gained due to change in profit sharing ratio should compensate the:
(a) No partner
(b) Retiring partner only
(c) Remaining partners only (who have sacrificed)
(d) Remaining partners (who have sacrificed) as well as retiring partner

Q23. Riya, Tiya, Priya were partners in a firm sharing profit in ratio of 4: 3: 2. The profit of the firm for the year ending March 31, 2020 was ₹3,60,000. Tiya died on June 30, 2020. Which account will be debited and by how much on account of share of profit upto the date of death?
(a) Tiya's Capital Account, ₹30,000
(b) Tiya's Current Account, ₹30,000
(c) Profit and Loss Suspense Account, ₹30,000

(d) Profit and Loss Appropriation Account, ₹30,000

Q24. What is the correct sequence at the time of death of a partner?
(A) Amount paid to Executor
(B) Preparation of Revaluation account
(C) Calculation of Amount Payable to executor of Deceased partner
(D) Calculation of Revaluation Gain/Loss
(E) Balance of Executor's loan A/c
Choose the **correct** answer from the options given below:
(a) (B), (D), (C), (A), (E) (b) (B), (D), (A), (C), (E)
(c) (D), (B), (C), (A), (E) (d) (D), (B), (A), (C), (E)

Q25. A company issued 2,500, 9% Debentures of ₹100 each to public, on 1st April 2021; 3,500 8% debentures of ₹100 each to vendor on 1st July, 2021 and on the same date 5,000 7%, Debentures of ₹100 each as a Collateral Security. Calculate the Interest on Debentures for the year ending 31st March, 2022.
(a) ₹50,500 (b) ₹85,500
(c) ₹43,500 (d) ₹69,750

Q26. A Company issued ₹1,00,000, 9% Debentures of ₹100 each at a discount of 5% but redeemable at premium of 5%. The total amount received on such debenture is
(a) ₹1,00,000 (b) ₹95,000
(c) ₹1,05,000 (d) ₹1,10,000

Q27. Which of the following option regarding issue and redemption of debenture is not possible in general?
(a) Issue at premium, Redemption at a premium
(b) Issued at discount, Redemption at discount
(c) Issued at par, Redemption at a premium
(d) Issued at discount, Redemption at par

Q28. Match **List I** with **List II**

LIST – I		LIST - II	
(A)	Secured debenture	(I)	do not carry specific rate of interest
(B)	Registered debenture	(II)	convertible into equity share
(C)	Convertible debenture	(III)	charge is created on the assets of company
(D)	Zero coupon debenture	(IV)	Details of debenture holder are entered in register

Choose the correct answer from the options given below:
(a) A-I, B-II, C-III, D-IV
(b) A-IV, B-I, C-II, D-III
(c) A-III, B-IV, C-II, D-I
(d) A-II, B-I, C-III, D-IV

Q29. The current ratio of a firm is 3 : 1. Identify how the payment of current liability will affect it.
(a) Improve current ratio
(b) Reduce current ratio
(c) No change in current ratio
(d) Will affect the solvency ratio

Q30. XYZ Ltd. Extends credit terms of 40 days to its customers. Its credit collection would be considered poor if its average collection period is
(a) 30 days
(b) less than 40 days

(c) more than 40 days
(d) 35 days

Q31. From the following details calculate interest coverage ratio:
Net profit after tax ₹1,20,000
10% long term Debt ₹20,00,000
And tax rate is 40%
(a) 1.84 times
(b) 1.5 times
(c) 2 times
(d) 1.8 times

Q32. From the following information. Calculate operating ratio,
i. Revenue from operations ₹3,40,000
ii. Cost of revenue from operations ₹1,20,000
iii. Selling expenses ₹80,000
iv. Administrative Expenses ₹ 40,000
(a) 64.71%
(b) 70.59%
(c) 73.95%
(d) 46.17%

Q33. Identify the major head under which 'Share Options Outstanding Account' are disclosed.
(a) Shareholder's Fund
(b) Reserve and Surplus
(c) Non Current Liabilities
(d) Current Liabilities

Q34. Calls in advance is shown as _________ in the Company's Balance Sheet.
(a) Non-Current Liability
(b) Current Liability
(c) Part of Share Capital
(d) Current Assets

Q35. Match List I with List II.

LIST - I		LIST - II	
A.	Prepaid insurance	I.	Share Capital
B.	Unclaimed Divided	II.	Intangible Assets
C.	Patent	III.	Other Current Assets
D.	Calls in Arrears	IV.	Other Current Liabilities

Choose the correct answer from the options given below:
(a) A-II, B-III, C-IV, D-I (b) A-III, B-II, C-IV, D-I
(c) A-IV, B-III, C-I, D-II (d) A-III, B-IV, C-II, D-I

Q36. Arrange the following in correct sequence according to the form and content of statement of Profit and Loss.
(A) Employee Benefit Expenses
(B) Tax provided
(C) Revenue from operations
(D) Purchase of stock in Trade
(E) Dividend Income
Choose the correct answer from the options given below:
(a) (C), (E), (D), (A), (B)
(b) (C), (D), (E), (B), (A)
(c) (C), (D), (E), (A), (B)
(d) (C), (A), (B), (D), (E)

Q37. Which of the following user is interested in knowing borrowing capacity of the organisation at the time of analysis?
(a) Employees and Trade Union
(b) Bankers and lenders
(c) Researchers
(d) Competitors

Q38. Window dressing is a practice
(a) to manipulate the accounts to show a better picture of the financial position than the actual one.
(b) to show excessive depreciation.
(c) to avoid tax.
(d) to reduce tax.

Q39. An annual report is furnished by a company to its:
(a) Directors
(b) Auditors
(c) Shareholders
(d) Management

Q40. Separate disclosure of cash flow arising from Financial Activities is important because:
(a) It helps in identifying the invest activities.
(b) It helps in gaining in investing activities.
(c) It helps in making investing decision.
(d) It is useful in predicting claims on future cash flow by providers of funds to the enterprise.

Q41. A part of fixed asset costing ₹2,00,000 (Book value ₹1,50,000) was sold at a gain of ₹10,000. How it will affect the cash flow statement?
(a) Inflow ₹1,60,000 in Investing Activities and Add ₹10,000 in Operating Activities
(b) Inflow ₹1,60,000 in Investing Activities and Less ₹10,000 in Operating Activities
(c) Inflow ₹2,10,000 in Investing Activities and Add ₹10,000 in Operating Activities
(d) Inflow ₹2,10,000 in Investing Activities and Less ₹10,000 in Operating Activities

Q42. From the following information, calculate cash flow from financing activities.

Particulars	31 March 2021	31 March 2022
Proposed dividend	₹2,40,000	₹3,00,000

If dividend payable was ₹30,000 on 31 March 2021 and ₹40,000 on March 31, 2022. Determine outflow of cash from financing activities:
(a) ₹2,90,000
(b) ₹2,50,000
(c) ₹3,10,000
(d) ₹2,30,000

Q43. Calculate the Cash Flow from investing activities from the following particulars:

	1.4.2016 (₹)	31.03.2017 (₹)
Machine at cost	5,00,000	9,00,000
Accumulated depreciation	3,00,000	4,50,000

During this year machine costing ₹2,00,000 were sold at a profit of ₹1,50,000 and depreciation charged ₹2,50,000.
(a) ₹3,50,000 outflow
(b) ₹3,50,000 outflow
(c) ₹2,00,000 outflow
(d) ₹3,00,000 inflow

Direction (Q44-Q48):

Azad and Babli are partners in a firm sharing profits and losses in the ratio of 2 : 1 Chintan is admitted into the firm with $\frac{1}{4}th$ share in profits. Chintan will bring in ₹30,000 as his capital and the capitals of Azad and Babli are to be adjusted in the profit-sharing ratio. The Balance sheet of Azad and Babli as on December 31, 2016 (before Chintan's admission) was as follows:

Liabilities	Amount (₹)	Assets	Amount (₹)
Creditors	8,000	Cash in hand	2,000
Bills payable	4,000	Cash at bank	10,000
General reserve	6,000	Sundry debtors	8,000
Capital accounts:		Stock	10,000
Azad 50,000		Furniture	5,000
Babli 32,000	82,000	Machinery	25,000
		Buildings	40,000
	1,00,000		**1,00,000**

It was agreed that:
(i) Chintan will bring in ₹12,000 as his share of goodwill premium.
(ii) Buildings were valued at ₹45,000 and Machinery at ₹23,000.
(iii) A provision for doubtful debts is to be created @ 6% on debtors.
(iv) The capital accounts of Azad and Babli are to be adjusted by opening current accounts.

Q44. Current accounts of partners are reflected in books of accounts as per ______ method.
(a) Fluctuating (b) Fixed
(c) Volatile (d) Dynamic

Q45. Which of the following is not a factor affecting value of goodwill?
(a) Efficiency of management
(b) Location of business
(c) Number of partners
(d) Nature of business

C

Q46. State the amount of Azad's share in Revaluation gain.
(a) ₹1,680 (b) ₹2,520
(c) ₹640 (d) ₹1,260

Q47. State journal entry to be passed of treatment of general reserve.
(a) Debit Azad's capital A/c ₹4,000 Babli's capital A/c ₹2,000
Credit Chintan's Capital A/c ₹6,000
(b) Debit General Reserve A/c ₹6,000
Credit Azad's Capital A/c 4,000; Babli's Capital A/c ₹2,000
(c) Debit General Reserve A/c ₹6,000
Credit Azad's Capital A/c ₹3,000; Babli's Capital A/c ₹1,500; Chinta's Capital A/c ₹1,500
(d) Debit Chintan's Capital A/c ₹6,000
Credit Azad's Capital A/c ₹4,000; Babli's Capital A/c ₹2,000

b

Q48. Compute new capital of Babli:
(a) ₹30,000 (b) ₹60,000
(c) ₹45,000 (d) ₹54,000

a

Q49. The capital accounts of partners will always show a _____ balance under fixed capital account method
(a) Debit (b) Credit
(c) Zero (d) Negative

b

Q50. Which among the following are shown in Realisation A/c?
A. Investment Fluctuation Reserve

b

B. Provision for Doubtful Debts
C. General reserve appearing in Balance Sheet
D. Asset taken over by partner for settlement of dues.
E. Dissolution expenses paid by one partner on behalf of other partner.

Choose the correct answer from the options given below:

(a) C, E only (b) A, B, D only
(c) A, C only (d) A, B, C only

S1. Ans. (d)

Sol. Net profit = $12,500 + 2500 = ₹15,000$

Commission paid to manager = $₹15,000 \times \frac{5}{100} = ₹750$

S2. Ans. (b)

Sol. The salary of a partner in a partnership firm is an appropriation out of profit and is shown in the Profit and Loss Appropriation Account.

S3. Ans. (d)

Sol.

Particulars	(₹)
B's Capital	86,000
Less: Share in profit	20,000
Balance (inclusive of interest on capital)	66,000

Interest on B's Capital = $₹66,000 \times \frac{10}{110} = ₹6,000$

S4. Ans. (b)

Sol.

LIST – I		LIST - II	
(A)	Interest on Advances by partner	(II)	6% p.a.
(B)	Interest on Drawings	(I)	Not charged
(C)	Interest on capital	(IV)	Not allowed
(D)	Profit sharing ratio	(III)	Equal

S5. Ans. (c)

Sol. New Ratio = Anita : Bindu = 2 : 1

Meria's share = $\frac{1}{4} = \frac{3}{12}$

New Ratio = Anita : Bindu : Meria = 6 : 3 : 3

Sacrificing Ratio = $Old\ Ratio - New\ Ratio$

Anita = $\frac{3}{5} - \frac{2}{4} = \frac{2}{20}$

Bindu= $\frac{2}{5} - \frac{1}{4} = \frac{3}{20}$

Sacrificing Ratio = Anita: Bindu = 2 : 3

S6. Ans. (b)

Sol. New Ratio:

A = $\frac{3}{6} - \frac{1}{8} = \frac{9}{24}$

B = $\frac{2}{6} - \frac{1}{8} = \frac{5}{24}$

C = $\frac{1}{6} = \frac{4}{24}$

D = $\frac{1}{4} = \frac{6}{24}$

New Ratio = A : B : C : D= 9 : 5 : 4 : 6.

S7. Ans. (b)

Sol. Step in the determination of Goodwill share of a new partner based on hidden Goodwill determination:

(A) Existing partners decided to admit new partner.

(B) Determine new partner share in firm goodwill.

(D) Determine total capital of new firm based on new partner's capital.

(C) Determine existing capital of all partners, including new partner.

(E) Determine goodwill of the partnership firm.

S8. Ans. (b)
Sol.

LIST - I		LIST - II	
A.	Capital called only in the event of winding up of the company	IV.	Reserve Capital
B.	Other name of Registered Capital	I.	Nominal Capital
C.	Subscribed Capital is a part of which capital	II.	Issued Capital
D.	A type of capital profit	III.	Capital Reserve

S9. Ans. (c)
Sol.

Application amount received (including Premium)	$4,000 \times 50 = ₹2,$
Less: Application amount due (including Premium)	$3,000 \times 50 = ₹1,$
Amount adjusted towards Allotment	**₹50,000**

S10. Ans. (c)
Sol. Share applied by defaulter=$600 \times \frac{4,000}{3,000} = 800$
Calls in arrears= $600 \times 50 - (200 \times 50) = 20,000$

Allotment amount due	$3,000 \times 50 = ₹1$
Less: Amount already adjusted	₹50,000
Amount to be Received on allotment	₹1,00,000
Less: Calls in arrears	₹20,000
Amount actually received on allotment	₹80,000

S11. Ans. (b)
Sol. Share applied by defaulter=$600 \times \frac{4,000}{3,000} = 800$
Calls in arrears= $600 \times 50 - (200 \times 50) = ₹20,000$

S12. Ans. (a)
Sol. Amount received on first call=Amount due on first call + calls in arrears received
Amount received on first call=$(3,000 \times 20) + 20,000 = ₹80,000$

S13. Ans. (c)
Sol. The Articles of Association of a company may empower the directors to charge interest at a stipulated rate on calls in arrears. If the articles are silent in this regard, the rule contained in Table F shall be applicable which states that the interest at a rate not exceeding 10% p.a. shall have to be paid on all unpaid amounts on shares for the period intervening between the day fixed for payment and the time of actual payment thereof.

S14. Ans. (c)
Sol. Average profit = $\frac{₹4,00,000+₹3,98,000+₹4,50,000+₹4,45,000+₹5,00,000}{5} = ₹4,38,600$
Goodwill = $₹4,38,600 \times 4 = ₹17,54,400$

S15. Ans. (b)

Sol. Average Profit = ₹2,80,000.
Average Capital Employed = 9,00,000
Normal Profit = 20% of 9,00,000 = ₹1,80,000
Super Profit = Average Profit – Normal Profit
Super Profit = 2,80,000 – 1,80,000 = ₹1,00,000
Goodwill= $Super\ Profit \times \frac{100}{Norma\ Rate\ of\ Return}$
Goodwill= $1,00,000 \times \frac{100}{20}$ =₹5,00,000
Hence, Goodwill as per capitalisation of super profits is ₹5,00,000

S16. Ans. (b)
Sol. The modes of reconstitution of a partnership firm are:
(A) Admission of a new partner
(C) Death of a partner
(D) Change in the profit-sharing ratio among the existing partners
(E) Retirement of a partner

S17. Ans. (c)
Sol. Partner's Loan to the firm is not included in the Realisation Account, as it represents a claim of the partner against the firm and is settled separately between the partner and the firm through Partner's Loan Account, not through the Realisation Account.

S18. Ans. (c)
Sol. Book value of Investments taken over by Ram = $₹8,100 \times \frac{100}{90} = ₹9,000$
Remaining Investments = ₹1,40,000 – 9000 = ₹1,31,000
Value of Investment taken over by Mohan = $(₹1,31,000 \times 90\%) - 900$= ₹1,17,000.

S19. Ans. (a)
Sol.
A. **He will pay excess amount**: The creditor will pay the excess amount because the asset provided is worth more than the debt owed to them.
C. **The excess amount will be credited to Realisation Account**: The excess amount is added to the Realisation Account to record it as an asset realized during the dissolution of a partnership.
E. **The excess amount is debited to Bank account**: Simultaneously, the excess amount is debited to the Bank account because it represents an inflow of cash or a valuable asset into the firm's bank account.

S20. Ans. (a)
Sol. Sequence of payments in the dissolution of a partnership firm:
E. **To pay Realization expenses**: Start by settling expenses related to the dissolution process.
A. **To pay outside liabilities of the business**: Clear any outstanding debts and obligations to external parties.
B. **To pay partner's loans (if any)**: Repay any loans taken from partners during the business operations.
C. **To utilize the amount in settlement of capital accounts**: Use the remaining funds to return the initial capital contributions of the partners.
D. **To distribute the amount among the partners in their profit-sharing ratio**: If any funds are left after settling the above obligations, distribute them among the partners based on their agreed profit-sharing ratios.

S21. Ans. (d)
Sol. Gaining Ratio = New Ratio – Old Ratio
A's Gain=$\frac{3}{5} - \frac{5}{10} = \frac{1}{10}$
C's Gain = $\frac{2}{5} - \frac{2}{10} = \frac{2}{10}$
Gaining ratio = A : C = 1 : 2

S22. Ans. (d)

Sol. On retirement/death of a partner, the remaining partners who have gained due to change in profit sharing ratio should compensate the remaining partners (who have sacrificed) as well as retiring partner.

S23. Ans. (c)

Sol. Profit of Tiya till her death = $3,60,000 \times \frac{3}{9} \times \frac{3}{12} =$ ₹$30,000$. This amount will be transferred to Profit and Loss Suspense Account.

S24. Ans. (a)

Sol. The correct sequence at the time of the death of a partner is as follows:

(B) **Preparation of Revaluation account:** This step involves revaluing the assets and liabilities of the partnership to determine any gains or losses resulting from the change in partnership due to the death of a partner.

(D) **Calculation of Revaluation Gain/Loss:** After preparing the Revaluation account, the gains or losses are calculated, reflecting the changes in the value of assets and liabilities.

(C) **Calculation of Amount Payable to the Executor of the Deceased Partner:** Once the revaluation is complete, the amount payable to the executor of the deceased partner is determined. This includes the deceased partner's share of the partnership assets.

(A) **Amount Paid to Executor:** After calculating the amount payable, it is paid to the executor of the deceased partner's estate.

(E) **Balance of Executor's Loan Account:** Finally, any remaining balances in the executor's loan account, if applicable, are settled or adjusted.

S25. Ans. (c)

Sol. Interest on 9% debentures to public = $2500 \times 100 \times 9\% =$ ₹$22,500$

Interest on 8% debentures to vendor = $3500 \times 100 \times 8\% \times \frac{9}{12} =$ ₹$21,000$

Total Interest on debentures=$22,500 + 21,000 =$ ₹$43,500$

S26. Ans. (b)

Sol. Amount received on issue of debentures=$1,00,000 \times \frac{95}{100} =$ ₹$95,000$.

S27. Ans. (b)

Sol. It's not usual for debentures to be issued at a discount and also redeemed at a discount. Generally, debentures are issued at a premium or discount and redeemed at par or premium.

S28. Ans. (c)

Sol.

LIST – I		**LIST – II**	
(A)	Secured debenture	(III)	charge is created on the assets of company
(B)	Registered debenture	(IV)	Details of debenture holder are entered in register
(C)	Convertible debenture	(II)	convertible into equity share
(D)	Zero coupon debenture	(I)	do not carry specific rate of interest

S29. Ans. (a)

Sol. If the current ratio is 3:1, any payment of current liability will improve the ratio. This can be evident from the imaginary example given below:

Example:

Current Ratio = $\frac{Current\ Assets}{Current\ Liabilities} = \frac{3}{1} = \frac{3,00,000}{1,00,000}(Let)$

Payment of Current liability = ₹50,000 (Let)

New Current Ratio = $\frac{Current\ Assets}{Current\ Liabilities} = \frac{3{,}00{,}000-50{,}000}{1{,}00{,}000-50{,}000} = \frac{2{,}50{,}000}{50{,}000} = \frac{5}{1}$

The ratio improved from 3 : 1 to 5 : 1.

S30. Ans. (c)

Sol. If XYZ Ltd. extends credit terms of 40 days to its customers and the average collection period is more than 40 days, it would be considered poor because it means that, on average, customers are taking longer than the allowed credit period to make their payments.

S31. Ans. (c)

Sol. Profit before interest and taxes = $profit\ after\ tax + Interest\ Expenses$

Profit before taxes = $₹1,20,000 \times \frac{100}{(100-40)} = ₹2,00,000.$

Profit before interest and taxes=

$2,00,000 + 10\%\ of\ ₹10,00,000 = 2,00,000 + 2,00,000 = ₹4,00,000$

Interest Coverage ratio =$\frac{Profit\ before\ Interest\ and\ taxes}{Interest\ Payments} = \frac{₹4{,}00{,}000}{2{,}00{,}000} = 2\ times.$

S32. Ans. (b)

Sol. Total Operating Expenses = Cost of Revenue from Operations + Selling Expenses + Administrative Expenses = ₹1,20,000+₹80,000+₹40,000 = ₹2,40,000

Operating Ratio = $\left(\frac{Cost\ of\ revenue\ from\ operations + Operating\ Expenses}{Revenue\ from\ Operations}\right) \times 100$

$= \left(\frac{₹2{,}40{,}000}{₹3{,}40{,}000}\right) \times 100 \approx 70.59\%.$

S33. Ans. (a)

Sol. 'Share Options Outstanding Account' is disclosed under the major head 'Shareholder's Fund'. This account represents the equity component of share options that are yet to be exercised.

S34. Ans. (b)

Sol. Calls in advance represent payments made by shareholders for shares that they have not yet been called to pay for. Since these payments are expected to be utilized in the near future to meet the company's obligations, they are classified as a current liability.

S35. Ans. (d)

Sol.

LIST - I		LIST - II	
A.	Prepaid insurance	III.	Other Current Assets
B.	Unclaimed Dividend	IV.	Other Current Liabilities
C.	Patent	II.	Intangible Assets
D.	Calls in Arrears	I.	Share Capital

S36. Ans. (a)

Sol. The correct sequence for the form and content of the statement of Profit and Loss is:

(C) Revenue from operations,

(E) Dividend Income,

(D) Purchase of stock in Trade,

(A) Employee Benefit Expenses,

(B) Tax provided.

S37. Ans. (b)

Sol. Bankers and lenders are the ones who are primarily interested in knowing the borrowing capacity of an organization during the analysis. They need this information to assess the organization's creditworthiness and determine whether they can provide loans or credit facilities to the organization.

S38. Ans. (a)

Sol. Window dressing is the practice of manipulating accounts to present a more favourable financial position than the actual one, often to attract investors or secure loans.

S39. Ans. (c)

Sol. An annual report is a comprehensive document furnished by a company to its shareholders, typically at the end of each fiscal year. It is a vital communication tool that provides detailed information about the company's financial performance, operations, achievements, challenges, and future prospects.

S40. Ans.(d)

Sol. Financing activities relate to long-term funds or capital of an enterprise, e.g., cash proceeds from issue of equity shares, debentures, raising long-term bank loans, repayment of bank loan, etc. As per AS-3, financing activities are activities that result in changes in the size and composition of the owners' capital (including preference share capital in case of a company) and borrowings of the enterprise. Separate disclosure of cash flows arising from financing activities is important because it is useful in predicting claims on future cash flows by providers of funds (both capital and borrowings) to the enterprise.

S41. Ans. (b)

Sol. Inflow ₹1,60,000 in Investing Activities and
Less ₹10,000 in Operating Activities
Fixed Assets costing ₹2,00,000 (Book value ₹1,50,000) was sold at a gain of ₹10,000. This means the inflow of cash from sale is ₹1,60,000. This is cash flows from Investing Activities. Since profit on sale is ₹10,000 already added in the profit, it is subtracted in Operating activities.

S42. Ans. (d)

Sol. The proposed dividend for the last year will become payable this year.

Dividend Payable A/c

Particulars	₹	Particulars	₹
		By Bal. b/d	30,000
To dividend paid	2,30,000	By Proposed Dividend (31st March 2021)	2,40,000
To Bal. c/d	40,000		
Total	**2,70,000**	**Total**	**2,70,000**

Hence, Cash outflow from Financing activities = ₹2,30,000

S43. Ans. (a)

Sol.

Dr. **Machinery Account** **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	5,00,000	By Accumulated Depreciation A/c	1,00,000
To Statement of Profit and Loss	1,50,000	By Bank A/c (Sale)	3,50,000
To Bank A/c (Bal. Fig) (Purchase)	7,00,000	By Balance c/d	9,00,000
Total	13,50,000	Total	13,50,000

Dr. **Accumulated Depreciation A/c** **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Machinery A/c (Bal. Fig)	1,00,000	By Balance b/d	3,00,000
		By Depreciation A/c	2,50,000
To Balance c/d	4,50,000		
Total	5,50,000	Total	5,50,000

Cash Flows from Investing Activities

Particulars	(₹)
Inflow from sale of Machinery	3,50,000
Outflow from purchase of machinery	(7,00,000)
Net cash outflows from Investing Activities	(3,50,000)

S44. Ans. (b)

Sol. In a fixed method of maintaining partner's current accounts, each partner's capital account reflects a fixed capital balance that represents their initial capital contribution. Transactions, such as profits, losses, drawings, and additional capital contributions, are recorded separately in their respective current accounts.

S45. Ans. (c)

Sol. Goodwill is primarily influenced by factors such as the efficiency of management, the location of the business, and the nature of the business. These factors impact the reputation, customer base, and profitability of the business, which in turn affects the value of goodwill. The number of partners in a business structure is generally not a direct factor in assessing goodwill, as it is more related to the internal ownership and management structure of the firm rather than its external reputation and value in the market.

S46. Ans. (a)

Sol.

Revaluation account

Particulars	Amount(₹)	Particulars	Amount (₹)
To Machinery A/c	2,000	By Building A/c	5,000
To Provision on Doubtful debts	480		
To profit transferred to: Azad's capital: ₹1,680 Babli's Capital: ₹840	2,520		
Total	**5,000**	**Total**	**5,000**

S47. Ans. (b)

Sol. Journal Entry for transfer of General Reserve:

General Reserve A/c Dr. 6,000

To Azad's Capital 4,000

To Babli's Capital 2,000

S48. Ans. (a)

Sol. Calculation of new Ratio:

Chintan's share = $\frac{1}{4}$; Remaining share = $1 - \frac{1}{4} = \frac{3}{4}$

Azad's New share = $\frac{3}{4} \times \frac{2}{3} = \frac{6}{12}$

Babli's New share = $\frac{3}{4} \times \frac{1}{3} = \frac{3}{12}$

Chintan's capital = 30,000

Total capital of firm on the basis of Chintan's capital=$30,000 \times \frac{4}{1} = 1,20,000$

Babli's new capital = $1,20,000 \times \frac{1}{4} = 30,000$

S49. Ans. (b)

Sol. Under fixed capital method, capital accounts of partners will always show a Credit Balance.

S50. Ans. (b)

Sol.

- Investment Fluctuation Reserve appears on the credit side of Realisation account.
- Provision for Doubtful Debts appears on the credit side of Realisation account.
- Asset taken over by partner for settlement of dues appears on the credit side of Realisation account.