Subject : Accountancy (Set-A)

Total Time Allowed : 45 minutes	**Maximum Marks :** 200	**Total Questions :** 50	**Questions to be answered :** 40

Question 1. Match List-I with List-II.

List-I (Name of account to be debited or credited, when shares are forfeited)	List-II (Amount to be debited or credited)
(A) Share Capital Account	(I) Debited with amount not received
(B) Share Forfeited Account	(II) Credited with amount not received
(C) Calls-in-arrears Account	(III) Credited with amount received towards share capital
(D) Securities Premium Account	(IV) Debited with amount called up

Choose the correct answer:
1. (A) - (I), (B) - (II), (C) - (III), (D) - (IV)
2. (A) - (IV), (B) - (III), (C) - (II), (D) - (I)
3. (A) - (I), (B) - (II), (C) - (IV), (D) - (III)
4. (A) - (III), (B) - (IV), (C) - (I), (D) - (II)

Correct Answer: (3)

Solution: When shares are forfeited, different accounts are adjusted based on whether the amounts were received or remain unpaid. Matching entries ensures accurate reflection of each account's status.

> Quick Tip
>
> Understanding how forfeiture entries affect each account is key to mastering journal entries.

Question 2. 400 shares of Rs. 50 each issued at par were forfeited for non-payment of final call of Rs. 10 per share. These shares were reissued at Rs. 45 per share as fully paid-up. The amount transferred to capital reserve is:
1. Rs. 15,000
2. Rs. 14,000

3. Rs. 16,000
4. Rs. 13,000

Correct Answer: (1)

Solution: Calculate total forfeiture by multiplying the unpaid portion with the number of shares, then determine reissue gain for capital reserve.

Quick Tip
To find capital reserve, subtract the reissue discount from forfeited amounts.

Question 3. When debentures are issued at premium and redeemed at premium, the journal entry will have the following combination:
(A) Discount on issue of debentures account is credited
(B) Loss on issue of debentures account is debited
(C) Security premium account is credited
(D) Premium on redemption of debentures account is credited

Choose the correct answer:
1. (A), (B), and (D) only
2. (A), (B), and (C) only
3. (A), (B), (C), and (D)
4. (B), (C), and (D) only

Correct Answer: (4)

Solution: Identify the premium and loss adjustments required at both issuance and redemption stages, noting which accounts receive debits or credits.

Quick Tip
Focus on premium accounts and ensure any losses are properly debited.

Question 4. Arrange the following in the correct sequence in the context of debenture.
(A) Payment to debenture-holders
(B) Creation of DRR
(C) Issue of debentures
(D) Redemption becomes due

Choose the correct answer:
1. (A), (B), (C), (D)
2. (A), (C), (B), (D)
3. (B), (A), (D), (C)
4. (C), (B), (D), (A)

Correct Answer: (4)

Solution: Start from issuance, move to reserve creation, proceed to due redemption, and finally make payments to holders.

Quick Tip

Think of the logical flow from issuing to final payment to determine sequence.

Question 5. If a delay occurs beyond 8 days in refunding the subscription amount, failing to gather the minimum subscription, from the date of closure of the subscription list, the company shall be liable for interest at the rate of:
1. 15%
2. 12%
3. 6%
4. Prevailing rate in State Bank of India

Correct Answer: (1)

Solution: The regulatory rate for delayed refunds protects investors when minimum subscription isn't met.

Quick Tip

15% is a standard interest rate for such delays, ensuring prompt refunds.

Question 6. A company can accept calls in advance, if authorized by:
1. Shareholders
2. Board of Directors
3. Articles of Association
4. Memorandum of Association

Correct Answer: (3)

Solution: Refer to Articles of Association to verify rules on calls in advance; this document often outlines prepayment provisions.

Quick Tip

Articles of Association set terms for calls in advance acceptance.

Question 7. A, B, and C are partners sharing profits in the ratio of 3:2:1. C died on 1st July, 2023. On this date, final accounts were prepared to ascertain profits for the period. It resulted in a profit of Rs 1,75,000 to the firm. To give effect to the above:
1. Profit and Loss Account will be debited.
2. Profit and Loss Appropriation Account will be debited.
3. Profit and Loss Account will be credited.
4. Profit and Loss Appropriation Account will be credited.

Correct Answer: (4)

Solution: Finalize profits by crediting the Profit and Loss Appropriation Account, as profits must be distributed per the original ratio.

Quick Tip

For deceased partners, use the Appropriation Account to allocate interim profits.

Question 8. On the date of admission of a partner, there was a balance of Rs 45,000 in the account of machinery. It was found undervalued by 10%. The value of machinery will appear in the new Balance Sheet at:
1. Rs 49,500
2. Rs 50,000
3. Rs 40,000
4. Rs 40,500

Correct Answer: (1)

Solution: Calculate the 10% increase, then add it to the machinery account's balance to show the corrected value.

> Quick Tip
>
> For asset undervaluation, add the deficit amount to the recorded balance.

Question 9. Dividend received is:
1. Operating activity
2. Financing activity
3. Investing activity
4. Cash and cash equivalents

Correct Answer: (3)

Solution: Treat dividends received as an investing activity, reflecting returns on investment.

> Quick Tip
>
> Dividends earned from investments are part of cash inflows from investing activities.

Question 10. A partnership can have a maximum of 50 partners. This limit has been set by the:
1. Indian Partnership Act, 1932
2. State Government
3. Indian Contract Act, 1872
4. Central Government

Correct Answer: (4)

Solution: Government regulations establish the 50-partner limit, ensuring manageable partnership structures.

> Quick Tip
>
> Central Government regulations set partner limits in partnerships for organizational clarity.

Question 11. Which of the following is an example of sequential code?

1. Using Code “CL001” for “Accounts of XYZ Ltd”.
2. Using Code “100-199” for “Dealers of Small Pumps”.
3. Using Code “SJ” for “Sales Journals”.
4. Using Code “HQ” for “Headquarters”.

Correct Answer: (2)

Solution: Sequential codes typically use a range or order for easy tracking. Option (2) uses a numeric range (100-199), fitting this criterion.

Quick Tip

Recognize sequential codes by their incremental numeric or alphanumeric range.

Question 12. If there is no claim against Workmen Compensation Reserve, it is at the time of admission of a partner.
1. debited to old partners’ capital account.
2. credited to all partners’ capital accounts.
3. credited to old partners’ capital accounts.
4. debited to all partners’ capital accounts.

Correct Answer: (3)

Solution: In the absence of a claim, the reserve is credited to the capital accounts of existing partners in the original ratio.

Quick Tip

Workmen Compensation Reserve with no claim is credited among old partners only.

Question 13. A, B, and C are partners sharing profits in the ratio of 3:3:4. They decide to share the future profits equally. The sacrifice or gain of partners are:
1. A gains 1/30; B gains 1/30; C sacrifices 2/30
2. A gains 2/30; B gains 1/30; C sacrifices 3/30
3. A sacrifices 1/30; B gains 3/30; C sacrifices 2/30
4. A gains 2/30; B gains 3/30; C sacrifices 5/30

Correct Answer: (4)

Solution: To calculate changes in share, find each partner's gain or sacrifice based on the difference between the old and new ratios.

Quick Tip
Calculate gain or sacrifice by subtracting each partner's old share from the new.

Question 14. Match List-I with List-II.

List-I (Equal amount of drawings made)	List-II (Number of months for which interest is calculated)
(A) At the end of each half-year	(I) 4.5 months
(B) At the beginning of each quarter	(II) 6.5 months
(C) At the beginning of each month	(III) 7.5 months
(D) At the end of each quarter	(IV) 3 months

Choose the correct answer:
1. (A) - (I), (B) - (II), (C) - (III), (D) - (IV)
2. (A) - (I), (B) - (III), (C) - (II), (D) - (IV)
3. (A) - (IV), (B) - (II), (C) - (I), (D) - (III)
4. (A) - (IV), (B) - (III), (C) - (II), (D) - (I)

Correct Answer: (4)

Solution: To match each entry, align the timing of drawings with the average time period for interest calculation based on the specific intervals.

Quick Tip
Use typical timing intervals when calculating interest on regular drawings.

Question 15. Kavita and Lalita are partners, sharing profits in the ratio of 2:1. They decide to admit Mohan for 1/4 share in future profits with a guaranteed amount of Rs. 25,000.
Both Kavita and Lalita undertake to meet the liability arising due to the

guaranteed amount to Mohan in their respective profit-sharing ratio. The firm earned profits of Rs 76,000 for the year 2022–23. The deficiency borne by Kavita is:
1. Rs 4,000
2. Rs 2,000
3. Rs 6,000
4. Rs 4,500

Correct Answer: (1)

Solution: Calculate Mohan's actual profit share, find the deficiency, and then distribute the deficiency between Kavita and Lalita as per their original ratio.

Quick Tip

Distribute any deficiency based on the old profit-sharing ratio to meet guarantees.

Question 16. Anshu and Nitu are partners, sharing profits in the ratio of 3 : 2. They admitted Jyoti as a new partner for 3/10 share, which she acquired 2/10 from Anshu and 1/10 from Nitu. Calculate the new profit-sharing ratio of Anshu, Nitu, and Jyoti.
1. 4 : 3 : 3
2. 3 : 4 : 3
3. 3 : 3 : 4
4. 3 : 2 : 1

Correct Answer: (1)

Solution: Deduct the shares given to Jyoti from Anshu and Nitu's shares, then represent the new ratios for all partners.

Quick Tip

For partner admission, adjust each share and verify ratios for consistency.

Question 17. The journal entry for treatment of goodwill, when a new partner brings his share of goodwill in cash and one of the old partners gains, involves the following:
(A) Gaining Partner's Capital Account is debited
(B) Premium for Goodwill Account is debited
(C) Sacrificing Partner's Capital Account is credited

(D) Gaining Partner's Capital Account is credited

Choose the correct answer from the options given below:
1. (A), (B), and (D) only
2. (A), (B), and (C) only
3. (A), (B), (C), and (D)
4. (B), (C), and (D) only

Correct Answer: (4)

Solution: Recognize that goodwill adjustments balance the gain and sacrifice between partners, crediting the sacrificing partner.

Quick Tip
Ensure goodwill compensations align with partners' sacrifices and gains.

Question 18. While preparing a Cash Flow Statement, purchase of goodwill is treated as:
1. Operating activity
2. Financing activity
3. Investing activity
4. Extraordinary item

Correct Answer: (3)

Solution: Goodwill purchase, as an investment in intangible assets, is considered an investing activity.

Quick Tip
Record intangible purchases under investing activities for proper cash flow categorization.

Question 19. The components of a Computerised Accounting System are:
1. Data, Report, Ledger, Hardware, Software
2. Data, People, Procedure, Hardware, Software
3. People, Procedure, Ledger, Data, Chart of Accounts
4. Data, Coding, Procedure, Rules, Output

Correct Answer: (2)

Solution: Identify the system's core elements, which involve data handling, human interaction, procedural rules, hardware, and software integration.

> Quick Tip
>
> A computerized system integrates data, people, procedures, hardware, and software to manage accounts.

Question 20. The Sales and Accounts Receivable Subsystem deals with:
1. the recording of Sales, maintaining of Sales Ledger and Receivables
2. the preparation of Budget for the coming financial year
3. the preparation of Profit and Loss Account, Balance Sheet, and Cash Flow Statement
4. the purchase and payment to creditors

Correct Answer: (1)

Solution: The subsystem's focus is on managing sales and receivables for efficient tracking and collection.

> Quick Tip
>
> The Sales and Accounts Receivable Subsystem supports sales and customer payment tracking.

Question 21. The common fields used in a relationship between tables are called:
1. Joint fields
2. Main fields
3. Table fields
4. Key fields

Correct Answer: (4)

Solution: Key fields uniquely identify records and link tables within relational databases, allowing for accurate data relationships.

💡 Quick Tip

Key fields serve as unique identifiers to establish relationships between database tables.

Question 22. On dissolution of a firm, bank overdraft is transferred to:
1. Bank Account
2. Realisation Account
3. Partners' Capital Account
4. Partners' Loan Account

Correct Answer: (2)

Solution: Upon dissolution, all liabilities, including overdrafts, are settled through the Realisation Account to clear outstanding obligations.

💡 Quick Tip

Bank overdrafts and other liabilities are cleared through the Realisation Account in dissolution.

Question 23. Arrange the following steps in the correct sequence of the life of a company:
(A) Commencement of Business
(B) Incorporation
(C) Promotion
(D) Floatation

Choose the correct answer:
1. (A), (B), (C), (D)
2. (A), (C), (B), (D)
3. (B), (A), (D), (C)
4. (C), (B), (D), (A)

Correct Answer: (4)

Solution: The life of a company begins with promotion, followed by incorporation, floatation, and finally the commencement of business activities.

Quick Tip

Follow the logical progression: promotion, incorporation, floatation, then commencement.

Question 24. Arrange the following in the correct order:
(A) Subscribed Capital
(B) Issued Capital
(C) Authorised Capital
(D) Paid-up Capital
(E) Called-up Capital

Choose the correct answer:
1. (C), (B), (A), (D), (E)
2. (B), (C), (A), (D), (E)
3. (C), (B), (A), (E), (D)
4. (B), (C), (A), (E), (D)

Correct Answer: (3)

Solution: Capital hierarchy starts with Authorised, followed by Issued, Subscribed, Called-up, and finally Paid-up. This reflects the capital journey from authorization to full payment.

Quick Tip

Arrange capital accounts from authorized to fully paid for accurate progression.

Question 25. The Deceased Partner's Capital Account includes the following amounts/balances:
(A) Opening balance of his capital
(B) His share of profit/loss till the date of death
(C) His share of General Reserve
(D) His drawings till the date of death
(E) Amount paid to his executors

1. (A), (B), (D), and (E) only
2. (A), (B), (C), and (D) only
3. (A), (B), and (C) only
4. (A), (B), (C), and (E) only

Correct Answer: (4)

Solution: Deceased partners' capital accounts include opening balance, profits up to death, share in reserves, and settlement amount paid to executors, excluding drawings.

Quick Tip

In final settlements, include reserves, opening balance, profit share, and amount to executors.

Question 26. Identify the correct sequence of the following steps involved in calculating cash flows from operating activities of a company:
(A) Operating profit before working capital changes
(B) Cash generated from operations
(C) Income tax paid
(D) Net cash flow from operating activities
(E) Goodwill amortised

Choose the correct answer:
1. (E), (C), (D), (A), (B)
2. (E), (A), (D), (B), (C)
3. (E), (A), (B), (C), (D)
4. (A), (B), (C), (D), (E)

Correct Answer: (3)

Solution: Start with adjustments for non-cash expenses, then calculate operating profit, adjust for working capital, deduct tax, and derive net cash flow.

Quick Tip

Begin with non-cash adjustments, followed by operating profit, working capital, and tax deductions.

Read the following information carefully and answer the next five questions:

Particulars	Rs.
Revenue from Operations	8,75,000
Creditors	90,000
Bills Receivable	48,000
Bills Payable	52,000
Purchases	4,20,000
Trade Debtors	59,000

Question 27. Calculate Trade Receivables Turnover Ratio.

1. 8.18 times
2. 8.23 : 1
3. 8.18%
4. 8.81 : 1

Correct Answer: (1)

Solution: Use the formula Turnover Ratio = $\frac{\text{Revenue from Operations}}{\text{Trade Debtors+Bills Receivable}}$ and substitute values to solve.

Quick Tip
Divide revenue by total receivables for turnover ratio calculation.

Question 28. Calculate Average Collection Period.

1. 30 days
2. 60 days
3. 45 days
4. 15 days

Correct Answer: (1)

Solution: Derive the average collection period by dividing 365 days by the Trade Receivables Turnover Ratio from Question 27.

Quick Tip
Divide 365 by turnover ratio to find the average collection period.

Question 29. Calculate Trade Payables Turnover Ratio.
Purchases: Rs. 4,20,000
Creditors: Rs. 90,000
Bills Payable: Rs. 52,000

1. 29.6 times
2. 2.96 times
3. 29.6%
4. 2.69 : 1

Correct Answer: (2)

Solution: Use Turnover Ratio = $\frac{\text{Purchases}}{\text{Creditors}+\text{Bills Payable}}$ and substitute values to calculate.

Quick Tip
Divide purchases by total payables to find the turnover ratio.

Question 30. Calculate Average Payment Period.

1. 123 days
2. 121 days
3. 132 days
4. 133 days

Correct Answer: (1)

Solution: Find the average payment period by dividing 365 by the Trade Payables Turnover Ratio from Question 29.

Quick Tip
Divide 365 by turnover ratio to get the average payment period.

Question 31. Trade Receivables Turnover Ratio and Trade Payables Turnover Ratio are categorised as:
1. Liquidity Ratio
2. Solvency Ratio
3. Activity Ratio

4. Profitability Ratio

Correct Answer: (3)

Solution: These ratios measure the efficiency of asset use and, therefore, are classified under Activity Ratios.

Quick Tip

Activity Ratios assess the efficiency of asset management and turnover.

Question 32. G, K, and B were partners running a partnership for 10 years. Due to continuous losses post-Covid, they decided to dissolve the firm on 31st March, 2023. What is the mode of dissolution followed by G, K, and B?
1. Dissolution by Agreement
2. On the happening of certain contingencies
3. Dissolution by Notice
4. Compulsory Dissolution

Correct Answer: (2)

Solution: The firm was dissolved due to continuous losses, which qualifies as dissolution on the happening of specific contingencies.

Quick Tip

In cases of continuous losses, dissolution may occur as a result of certain contingencies.

Question 33. Determine the amount of Profit and Loss Account:
1. (Cr.) Rs. 90,000
2. (Dr.) Rs. 90,000
3. (Cr.) Rs. 1,30,000
4. (Dr.) Rs. 1,30,000

Correct Answer: (4)

Solution: Analyze the debit and credit balances of the Profit and Loss Account; here, excess liabilities over assets suggest a debit balance.

Quick Tip

A debit balance in Profit and Loss indicates the firm has incurred a loss.

Question 34. Determine Gain/Loss on Realisation:
1. Loss Rs. 2,40,000
2. Gain Rs. 24,000
3. Loss Rs. 1,70,000
4. Loss Rs. 2,10,000

Correct Answer: (1)

Solution: Calculate loss on realisation by comparing the realised asset values with book values after accounting for liabilities and expenses.

Quick Tip

When assets are sold below book value, the Realisation Account typically reflects a loss.

Question 35. The entry for realisation expenses in the above case study will be:
1. Realisation A/c Dr. To Cash A/c
2. Realisation A/c Dr. To G's Capital A/c
3. G's Capital A/c Dr. To Realisation A/c
4. Cash A/c Dr. To Realisation A/c

Correct Answer: (2)

Solution: If a partner pays realisation expenses, debit the Realisation Account and credit the partner's Capital Account.

Quick Tip

When a partner bears an expense on behalf of the firm, credit their Capital Account.

Question 36. Existing Profit and Loss Account in the books of the firm will be shared/borne by partners in the ratio:
1. 5 : 3 : 2
2. Equal Ratio
3. 4 : 3 : 2
4. Ratio of closing capital claims

Correct Answer: (1)

Solution: The existing Profit and Loss Account balance is usually shared according to the agreed profit-sharing ratio, which is $5 : 3 : 2$.

Quick Tip

Profit or loss balances are allocated based on the original profit-sharing agreement.

Question 37. Libraries run by charitable trusts are an example of:
1. Partnership
2. Not-for-profit organisation
3. Companies
4. Cooperatives

Correct Answer: (2)

Solution: Charitable trusts operate as not-for-profit organizations to provide public services, rather than earning profits.

Quick Tip

Not-for-profit organizations reinvest any surplus back into their services rather than distributing profits.

Question 38. The main source of revenue for a 'not for profit' organisation is:
1. Sale of goods
2. Sale of periodicals
3. Subscription from members
4. Sale of assets

Correct Answer: (3)

Solution: Membership subscriptions are the primary revenue for not-for-profit organizations, as they rely on support rather than sales.

Quick Tip

Member subscriptions are a stable revenue source for non-profits, unlike goods sales.

Question 39. Match List-I with List-II.
List-I
(A) Share capital
(B) Reserves and surplus
(C) Reserve capital
(D) Current liabilities
List-II
(I) Will be called at the time of winding up
(II) Calls in advance
(III) Subscribed but not fully paid
(IV) Sinking fund

Choose the correct answer from the options given below:
1. (A) - (I), (B) - (II), (C) - (III), (D) - (IV)
2. (A) - (I), (B) - (III), (C) - (II), (D) - (IV)
3. (A) - (I), (B) - (II), (C) - (IV), (D) - (III)
4. (A) - (III), (B) - (IV), (C) - (I), (D) - (II)

Correct Answer: (1)

Solution: Identify each type's purpose: Share Capital is callable at winding up, Reserves as Calls in Advance, Reserve Capital remains unpaid, and Current Liabilities are linked to Sinking Funds.

Quick Tip

Matching capital accounts with their correct financial terms helps clarify balance sheet categories.

Question 40. Which of the following would affect the Revaluation Account at the time of reconstitution of a partnership firm?
1. Increase in assets
2. Drawings against capital
3. Interest on capital
4. Partner's salary

Correct Answer: (1)

Solution: The Revaluation Account records changes in asset values and liabilities; increases in assets directly affect it.

Quick Tip

Revaluation accounts reflect value changes in assets and liabilities, not routine partner transactions.

Question 41. Identify the correct sequence to be followed while preparing the final account of a partnership firm:
(A) Profit and Loss Appropriation Account
(B) Profit and Loss Account
(C) Trading Account
(D) Balance Sheet

Choose the correct answer from the options given below:
1. (C), (B), (A), (D)
2. (A), (C), (B), (D)
3. (B), (A), (D), (C)
4. (C), (B), (D), (A)

Correct Answer: (1)

Solution: Final accounts are prepared starting from Trading, followed by Profit and Loss, Profit and Loss Appropriation, and Balance Sheet.

Quick Tip

Follow the standard order of accounts preparation: Trading, P&L, Appropriation, then Balance Sheet.

Question 42. Window dressing is a practice:
1. to manipulate the accounts to show a better picture of the financial position than the actual one.
2. to show excessive depreciation.
3. to avoid tax.
4. to reduce tax.

Correct Answer: (1)

Solution: Window dressing involves making financial statements look more favorable by adjusting figures.

Quick Tip
Window dressing can mislead stakeholders; ethical reporting is essential.

Question 43. Match List-I with List-II.

List-I	List-II
(A) Salary to partner	(I) Credit side of Partner's Capital Account
(B) Interest on partner's loan	(II) Debit side of Partner's Current Account
(C) Interest on partner's drawings	(III) Debit side of Profit and Loss Account
(D) Additional capital introduced	(IV) Credit side of Partner's Current Account

Choose the correct answer from the options given below:
1. (A) - (I), (B) - (II), (C) - (III), (D) - (IV)
2. (A) - (I), (B) - (III), (C) - (II), (D) - (IV)
3. (A) - (IV), (B) - (III), (C) - (II), (D) - (I)
4. (A) - (III), (B) - (IV), (C) - (I), (D) - (II)

Correct Answer: (2)

Solution: Assign each item based on typical accounting treatments: partner salaries and loans affect P&L, while capital and drawings adjustments go to partner accounts.

Quick Tip
Match transactions to correct entries by understanding their impact on capital and expense accounts.

Question 44. Which of the following would affect the Revaluation Account at the time of admission of a partner?
(A) Increase in assets
(B) Drawings against capital
(C) Recording of unrecorded assets
(D) Decrease in liabilities

Choose the correct answer from the options given below:
1. (A), (B), and (C) only
2. (A), (B), and (D) only
3. (A), (C), and (D) only
4. (B), (C), and (D) only

Correct Answer: (3)

Solution: Revaluation accounts reflect changes in asset or liability values; thus, recording unrecorded assets and liability decreases are relevant.

Quick Tip
Adjust revaluation for changes in asset or liability values to reflect accurate financial positions.

Question 45. Match List-I with List-II.

List-I (Items of cash flow)	List-II (Type of activity)
(A) Purchase of tangible assets	(I) Operating activity
(B) Issue of shares	(II) Cash and cash equivalents
(C) Increase in current assets	(III) Investing activity
(D) Marketable securities	(IV) Financing activity

Choose the correct answer from the options given below:
1. (A) - (I), (B) - (II), (C) - (III), (D) - (IV)
2. (A) - (I), (B) - (III), (C) - (II), (D) - (IV)
3. (A) - (I), (B) - (II), (C) - (IV), (D) - (III)

4. (A) - (III), (B) - (IV), (C) - (I), (D) - (II)

Correct Answer: (4)

Solution: Categorize each transaction: asset purchases as investing, share issuance as financing, current asset increase as operating, and marketable securities as cash equivalents.

Quick Tip
Use cash flow categories to sort each financial transaction correctly.

Question 46. Which of the following are correct in connection with the Common Size Statement?
(A) Expressed as a percentage on revenue from operation
(B) Horizontal analysis
(C) Vertical analysis
(D) Expressed as a percentage on total assets

Choose the correct answer from the options given below:
1. (A), (B), and (D) only
2. (A), (B), and (C) only
3. (A), (C), and (D) only
4. (B), (C), and (D) only

Correct Answer: (3)

Solution: Common size statements use vertical analysis, showing each item as a percentage of a base value (revenue or total assets).

Quick Tip
Common Size Statements rely on vertical analysis, displaying items relative to a base.

Question 47. Calculate the resulting cash flow and state the nature of cash flow from the following information:
Acquired machinery for Rs. 3,50,000 by issuing cheque.
1. Investing activity and outflow Rs. 3,50,000

2. Investing activity and inflow Rs. 3,50,000
3. Investing activity and no flow
4. Operating activity and outflow Rs. 3,50,000

Correct Answer: (1)

Solution: Acquiring machinery involves an investment, and issuing a cheque creates an outflow in the investing activity section.

Quick Tip
Record asset purchases under investing activities with an outflow.

Question 48. Arrange the following in proper sequence while preparing Cash Flow Statement:
(A) Net cash flow from operating activities
(B) Cash flow from financing activities
(C) Cash flow from investing activities
(D) Calculate net profit before tax and extraordinary items in working note

Choose the correct answer from the options given below:
1. (A), (B), (C), (D)
2. (D), (A), (C), (B)
3. (B), (A), (D), (C)
4. (C), (B), (D), (A)

Correct Answer: (2)

Solution: Start with net profit calculations, then proceed to operating, investing, and finally financing activities.

Quick Tip
Use the sequence: net profit, operating, investing, and financing.

Question 49. The adjustment required for overvaluation of closing stock, while calculating adjusted profit for calculating goodwill is:
(A) reduction from concerned year's profit.
(B) reduction from next year's profit.

(C) addition to next year's profit.
(D) addition to previous year's profit.

Choose the correct answer from the options given below:
1. (A), (B), and (D) only
2. (A) and (C) only
3. (A) and (D) only
4. (B), (C), and (D) only

Correct Answer: (3)

Solution: Adjust for overvaluation by reducing the year's profit where overvaluation occurred, and add it to the previous year's profit if necessary.

Quick Tip
Overvaluation corrections involve adjusting both current and prior year profits.

Question 50. Oversubscription is a situation where the:
1. number of shares applied for is equal to the number of shares issued.
2. number of shares applied for is more than the number of shares issued.
3. number of shares applied for is less than the number of shares issued.
4. face value of the share is less than the issue price of the share.

Correct Answer: (2)

Solution: Oversubscription occurs when demand for shares exceeds the number available, leading to allocation adjustments.

Quick Tip
Oversubscription indicates high demand and often requires pro-rata allotment adjustments.
