CUET 2024 Accountancy Question Paper Set C with Solutions

Total Time Allowed : 60 minutes	Maximum Marks : 200	Total Questions : 50	Questions to Attempt : 400

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

Correct Answer: 1. 4 : 3 : 3
Solution: - Anshu's new share: $\frac{3}{5} - \frac{2}{10} = \frac{6}{10} - \frac{2}{10} = \frac{4}{10}$. - Nitu's new share: $\frac{2}{5} - \frac{1}{10} = \frac{4}{10} - \frac{1}{10} = \frac{3}{10}$. - Jyoti's share: $\frac{3}{10}$.
New Profit Sharing Ratio: 4 : 3 : 3.

> Quick Tip
>
> New ratios are calculated by subtracting the transferred share from the old ratios.

Question 2: 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:
Options: 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. (B), (C), and (D) only
Solution: - Debit Premium for Goodwill Account to recognize the goodwill brought in cash. - Credit Sacrificing Partner's Capital Account as compensation. - Credit Gaining Partner's Capital Account to balance goodwill adjustment.

> Quick Tip
>
> Always credit the sacrificing partners and adjust goodwill through appropriate accounts.

Question 3. Match List-I with List-II:

List-I (Equal amount of drawings made)	List-II (Number of months for which interest 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 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) - (I), (D) - (II)
(4) (A) - (IV), (B) - (II), (C) - (III), (D) - (I)

Question 4: Kavita and Lalita are partners, sharing profits in the ratio of 2 : 1. They decide to admit Mohan for $\frac{1}{4}$ share with a guaranteed amount of 25,000. The firm earned profits of 76,000. Kavita's share of deficiency is:
Options: 1. 4,000
2. 2,000
3. 6,000
4. 4,500

Correct Answer: 1. 4,000
Solution: - Mohan's share: $\frac{1}{4} \times 76,000 = 19,000$. - Deficiency: $25,000 - 19,000 = 6,000$. - Kavita's share of deficiency: $\frac{2}{3} \times 6,000 = 4,000$.

Quick Tip

Distribute deficiencies in the old profit-sharing ratio when partners agree to share liability.

Question 5: While preparing Cash Flow Statement, purchase of goodwill is treated as:
Options:
1. Operating activity
2. Financing activity
3. Investing activity
4. Extraordinary item

Correct Answer: 3. Investing activity
Solution: The purchase of goodwill is categorized as an investment in intangible assets and is thus treated under investing activities in the Cash Flow Statement.

Quick Tip

All purchases of long-term assets, including goodwill, fall under investing activities.

Question 6: The components of 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. Data, People, Procedure, Hardware, Software
Explanation: A computerized accounting system typically consists of data, people who use the system, procedures to process the data, hardware infrastructure, and software to carry out the accounting processes.

Quick Tip

A computerized accounting system is made up of people, data, procedures, hardware, and software.

Question 7: 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. The recording of Sales, maintaining of Sales Ledger and Receivables
Explanation: The Sales and Accounts Receivable subsystem is responsible for tracking sales transactions, maintaining a sales ledger, and managing outstanding receivables.

Quick Tip

Sales and Accounts Receivable subsystems focus on sales transactions and receivables management.

Question 8: 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. Key fields

Explanation: In database management, key fields are used to establish relationships between different tables. These are unique identifiers in a table.

Quick Tip

Key fields are used to link tables in a relational database.

Question 9: 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. Realisation Account
Explanation: On dissolution of a firm, all liabilities including bank overdrafts are transferred to the Realisation Account to close the books of the firm.

Quick Tip

The Realisation Account is used to transfer assets and liabilities during the dissolution of a partnership.

Question 10:

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 from the options given below:
1. (A), (B), (C), (D) 2. (A), (C), (B), (D) 3. (B), (A), (D), (C) 4. (C), (B), (D), (A)
Correct Answer: 2. (A), (C), (B), (D)
Solution: The correct sequence in the life of a company is as follows: 1. Promotion (C): This is the stage where the idea of a company is developed and efforts are made to form the company. 2. Incorporation (B): Once the company is promoted, it gets incorporated as a legal entity. 3. Floatation (D): After incorporation, the company raises funds by issuing shares to the public. 4. Commencement of Business (A): After the above steps, the company officially starts its operations and business activities.

Quick Tip

The order is: Promotion $\rightarrow$ Incorporation $\rightarrow$ Floatation $\rightarrow$ Commencement.

Question 11: 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 from the options given below: 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: 1. (C), (B), (A), (D), (E)
Solution: The correct order of capital is: 1. Authorised Capital (C): The maximum amount of capital a company can raise. 2. Issued Capital (B): The amount of capital issued to shareholders. 3. Subscribed Capital (A): The part of issued capital that has been subscribed by shareholders. 4. Paid-up Capital (D): The portion of subscribed capital that shareholders have actually paid. 5. Called-up Capital (E): The portion of paid-up capital that is called by the company for payment.

Quick Tip

The order is: Authorised → Issued → Subscribed → Paid-up → Called-up.

Question 12: The Deceased Partner's Capital Account includes the following amount/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
Choose the correct answer from the options given below: 1. (A), (B), (C) and (E) only 2. (A), (B), (C) and (D) only 3. (A), (B), (C) and (D) only 4. (A), (B), (C), (E) and (D) only
Correct Answer: 1. (A), (B), (C) and (E) only
Solution: The Deceased Partner's Capital Account typically includes: - Opening balance of his capital (A):The initial capital of the deceased partner. - Share of profit/loss till the date of death (B): The portion of profit/loss earned till the date of death. - Share of General Reserve (C): The partner's share in the general reserve of the firm. - Amount paid to his executors (E): The amount paid to the legal representatives (executors).
Drawings (D) are not included in the capital account as they are settled separately.

Quick Tip

The Deceased Partner's Capital Account includes capital balance, share of profits/loss, share of reserves, and amount paid to executors.

Question 13:

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 from the options given below:
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. (E), (A), (B), (C), (D)
Solution: The correct sequence for calculating cash flows from operating activities is as follows: 1. Goodwill amortised (E): This step adjusts the profit for non-cash items. 2. Operating profit before working capital changes (A): This gives the initial profit before accounting for changes in working capital. 3. Cash generated from operations (B): This is derived by adjusting the operating profit for non-cash items and working capital changes. 4. Income tax paid (C): Subtracting the income tax paid from cash generated gives the net cash flow from operating activities. 5. **Net cash flow from operating activities (D):** This is the final step showing the cash flow resulting from the company's core operations.

Quick Tip

For calculating operating cash flows, the steps are: Amortise goodwill, calculate operating profit, adjust for working capital, subtract income tax, and determine the net cash flow.

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

Particulars	
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 14. Calculate Trade Receivables Turnover Ratio.
(1) 8.18 times
(2) 8.23 : 1
(3) 8.18%
(4) 8.81 : 1

Correct Answer: (2) 8.23 : 1
Solution:

The trade receivables turnover ratio is calculated by dividing net credit sales by average accounts receivable.

Quick Tip

The higher the trade receivables turnover ratio, the better the efficiency in collecting receivables.

Question 15. Calculate Average Collection Period.
(1) 30 days
(2) 60 days
(3) 45 days
(4) 15 days

Correct Answer: (4) 15 days
Solution:
The average collection period is calculated as: Average Collection Period $= \frac{365}{\text{Receivables Turnover Ratio}}$.

Quick Tip

A lower average collection period indicates quicker collection of receivables.

Question 16. Calculate Trade Payables Turnover Ratio.
(1) 29.6 times
(2) 2.96 times
(3) 29.6%
(4) 2.69 : 1

Correct Answer: (2) 2.96 times
Solution:
The trade payables turnover ratio is calculated as: Net Credit Purchases$\div$Average Trade Payables.

Quick Tip

A higher trade payables turnover ratio suggests quicker payment to creditors.

Question 17. Calculate Average Payment Period.
(1) 123 days
(2) 121 days
(3) 132 days
(4) 133 days

Correct Answer: (2) 121 days
Solution:
The average payment period is calculated as: Average Payment Period $= \frac{365}{\text{Payables Turnover Ratio}}$.

Quick Tip

A lower payment period indicates efficient payment to creditors.

Question 18. Trade Receivables Turnover Ratio and Trade Payables Turnover Ratio are categorized as:
(1) Liquidity Ratio
(2) Solvency Ratio
(3) Activity Ratio
(4) Profitability Ratio

Correct Answer: (3) Activity Ratio
Solution:
These ratios fall under the category of activity ratios, which measure the efficiency of managing receivables and payables.

Quick Tip

Activity ratios are critical in evaluating the operational efficiency of a business.

Read the following carefully and answer the next five questions:
G, K, and B were partners running a partnership for the last 10 years, sharing profit and loss in the ratio of 5:3:2. Post-Covid, their firm was affected badly and started incurring losses. On 31$^{\text{st}}$ March, 2023, they all decided to dissolve the firm due to continuous losses. Their capital balances were 4,00,000, 3,00,000, and 2,00,000, respectively. The firm had liabilities 80,000, cash balance 40,000, other sundry assets 8,50,000, and P&L A/c constituted the rest. Assets realised at 80% and liabilities were paid in full. There was unrecorded liability of 50,000, which was settled at 40,000. Realisation expenses amounted to 30,000, being paid by G on behalf of the firm.

Question 19. What is the mode of dissolution of the firm 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: (4) Compulsory Dissolution
Solution:
The mode of dissolution mentioned in the case study indicates that the partners decided to dissolve the firm due to continuous losses. This qualifies as "compulsory dissolution" as it was necessitated by business conditions beyond voluntary agreement or specific contingencies.

> **Quick Tip**
>
> Compulsory dissolution occurs when a business is no longer viable, often due to insolvency or recurring losses.

Question 20. Determine the amount of the Profit and Loss Account.
(1) (Cr.) 90,000
(2) (Dr.) 90,000
(3) (Cr.) 1,30,000
(4) (Dr.) 1,30,000

Correct Answer: (4) (Dr.) 1,30,000
Solution:
The Profit and Loss Account reflects the cumulative losses due to continuous operational difficulties. This is debited in the books of the firm as 1,30,000.

> **Quick Tip**
>
> Losses in a Profit and Loss Account are debited and distributed among partners as per their profit-sharing ratio.

Question 21. Determine Gain/Loss on Realisation.
(1) Loss 2,40,000
(2) Gain 24,000
(3) Loss 1,70,000
(4) Loss 2,10,000

Correct Answer: (4) Loss 2,10,000
Solution:

$$\begin{aligned}
\text{Assets Realised} &= 80\% \times 8,50,000 = 6,80,000 \\
\text{Liabilities Paid} &= 80,000 + 40,000 = 1,20,000 \\
\text{Realisation Expenses} &= 30,000 \\
\text{Total Deductions} &= 1,20,000 + 30,000 = 1,50,000 \\
\text{Net Realisation Value} &= 6,80,000 - 1,50,000 = 5,30,000 \\
\text{Loss on Realisation} &= 8,50,000 - 5,30,000 = 2,10,000
\end{aligned}$$

Quick Tip

Loss on realization represents the difference between actual realizations and book values of assets.

Question 22. The entry for realization 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: (3) G's Capital A/c Dr. To Realisation A/c

Solution:

The realization expenses of 30,000 were paid by G on behalf of the firm. Hence, G's Capital Account is debited, and the Realisation Account is credited.

Quick Tip

Expenses paid by a partner on behalf of the firm should be adjusted in their capital account.

Question 23. 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) 5:3:2
Solution:
The Profit and Loss Account balances in the firm are shared/borne by partners according to their agreed profit-sharing ratio. In this case, it is clearly stated as 5:3:2 in the case study.

> Quick Tip
>
> Profit and Loss balances are distributed among partners according to their profit-sharing ratio unless specified otherwise in the agreement.

Question 24. Libraries run by charitable trusts are an example of:
(1) Partnership
(2) Not for profit organisation
(3) Companies
(4) Cooperatives

Correct Answer: (2) Not for profit organisation
Solution:
Libraries run by charitable trusts are a form of "Not for profit organisation" as they are established to provide public service without the primary goal of earning profit.

> Quick Tip
>
> Not for profit organisations aim to serve a societal purpose and are funded through donations, subscriptions, and grants.

Question 25. The main source of revenue for 'not for profit' organisation is:
(1) Sale of goods
(2) Sale of periodicals
(3) Subscription from members
(4) Sale of assets

Correct Answer: (3) Subscription from members
Solution:
The primary source of revenue for not-for-profit organisations, such as libraries or clubs, is the subscription fee collected from their members.

💡 Quick Tip

Membership subscriptions ensure operational sustainability for not-for-profit organisations.

Question 26. Match List-I with List-II:

List-I (Capital and Liabilities)	**List-II** (Descriptions)
(A) Share capital	(I) Will be called at the time of winding up
(B) Reserves and surplus	(II) Calls in advance
(C) Reserve capital	(III) Subscribed but not fully paid
(D) Current liabilities	(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) (A) - (I), (B) - (II), (C) - (III), (D) - (IV)
Solution:
The correct matches are as follows:

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

💡 Quick Tip

Understanding the classification of capital and liabilities is essential for financial statement analysis.

Question 27. 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) Increase in assets
Solution:
Revaluation Account is affected by changes in the values of assets and liabilities at the time of reconstitution of a partnership firm.

Quick Tip

Revaluation Account ensures that all adjustments related to asset and liability valuation are accounted for before reconstitution.

Question 28. 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) (C), (B), (A), (D)
Solution:
The correct sequence involves first preparing the Trading Account, followed by the Profit and Loss Account, the Profit and Loss Appropriation Account, and finally, the Balance Sheet.

Quick Tip

The final accounts of a partnership firm are prepared systematically to ensure accuracy and completeness.

Question 29. 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) to manipulate the accounts to show a better picture of the financial position than the actual one.
Solution:
Window dressing involves altering financial statements to present an improved picture of the financial health of an organization, which might mislead stakeholders.

Quick Tip

Window dressing is often practiced to attract investors but is considered unethical and can lead to legal consequences.

Question 30. 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) (A) - (I), (B) - (III), (C) - (II), (D) - (IV)
Solution:
The correct matches are as follows:

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

Quick Tip

In partnership accounts, entries related to partners' transactions are recorded based on their nature—capital or current accounts.

Question 31. 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) (A), (C) and (D) only
Solution:
Revaluation Account is prepared to record the increase or decrease in the value of assets and liabilities and to account for unrecorded assets or liabilities at the time of reconstitution of a partnership. Drawings against capital do not affect the Revaluation Account.

Quick Tip

The Revaluation Account helps adjust the assets and liabilities to their fair value during partnership reconstitution.

Question 32. 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) - (III), (B) - (IV), (C) - (I), (D) - (II)
(4) (A) - (III), (B) - (IV), (C) - (II), (D) - (I)

Correct Answer: (3) (A) - (III), (B) - (IV), (C) - (I), (D) - (II)
Solution:
The correct matches are:

- (A) Purchase of tangible assets - (III) Investing activity

- (B) Issue of shares - (IV) Financing activity
- (C) Increase in current assets - (I) Operating activity
- (D) Marketable securities - (II) Cash and cash equivalents

Quick Tip

Classifying cash flow activities correctly is crucial for preparing accurate cash flow statements.

Question 33. Which one 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) (A), (C) and (D) only
Solution:
Common Size Statements represent financial data as percentages of a common base (e.g., total revenue or total assets). They are used for:

- Vertical analysis of financial statements.
- Expressing percentages on revenue from operations or total assets.
- They are not directly linked to horizontal analysis.

Quick Tip

Common Size Statements simplify comparisons by eliminating the effect of size differences between companies.

Question 34. Calculate the resulting cash flow and state the nature of cash flow from the following information:

Acquired machinery for 3,50,000 by issuing cheque.

Choose the correct answer from the options given below:
(1) Investing activity and outflow 3,50,000
(2) Investing activity and inflow 3,50,000
(3) Investing activity and no flow
(4) Operating activity and outflow 3,50,000

Correct Answer: (1) Investing activity and outflow 3,50,000
Solution:
Acquiring machinery is considered an investing activity under cash flow classification. The payment made by cheque results in a cash outflow of 3,50,000.

Quick Tip

Investing activities include cash inflows and outflows from buying or selling long-term assets like property, plant, and equipment.

35. 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) (D), (A), (C), (B)

Solution:

The correct sequence involves:

1. Calculate net profit before tax and extraordinary items in working note.
2. Compute net cash flow from operating activities.
3. Determine cash flow from investing activities.
4. Conclude with cash flow from financing activities.

Quick Tip

Cash Flow Statements categorize cash flows into three sections: operating, investing, and financing activities.

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36. The adjustment required for overvaluation of closing stock, while calculating adjusted profit for 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) (A) and (D) only

Solution:

Overvaluation of closing stock increases profit for that year. The adjustments needed are:

- Reduction from the concerned year's profit (to correct overvaluation).
- Addition to the previous year's profit (to reflect actual profit).

Quick Tip

Goodwill adjustments account for any anomalies in profits over the evaluation period.

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37. Oversubscription is a situation where:

1. The number of shares applied for is equal to the number of shares issued.
2. The number of shares applied for is more than the number of shares issued.

3. The number of shares applied for is less than the number of shares issued.
4. The face value of the share is less than the issue price of the share.

Correct Answer: (2) The number of shares applied for is more than the number of shares issued.

Solution:

Oversubscription occurs when the demand for shares exceeds the supply, i.e., the applications received are more than the shares issued.

Quick Tip
Oversubscription is managed through pro-rata allotment or refunds.

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38. 400 shares of 50 each issued at par were forfeited for non-payment of final call of 10 per share. These shares were reissued at 45 per share as fully paid-up. The amount transferred to capital reserve is:

1. 15,000
2. 14,000
3. 16,000
4. 13,000

Correct Answer: (1) 15,000

Solution:

$$\text{Amount forfeited (400 shares} \times 40) = 16,000$$
$$\text{Loss on reissue (400 shares} \times 5) = 2,000$$
$$\text{Capital Reserve} = 16,000 - 2,000 = 15,000$$

Quick Tip
Capital reserve is the difference between the forfeited amount and the loss incurred on reissue.

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39. 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 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) (B), (C) and (D) only

Solution:

The journal entry for issue and redemption of debentures at premium includes:

- Debiting the loss on issue of debentures.
- Crediting the security premium account for the premium on issue.
- Crediting the premium on redemption account for redemption premium.

Quick Tip

Premium on redemption is an obligation to be paid by the issuing company at maturity.

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40. 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 from the options given below:

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

Correct Answer: (1) (A) - (I), (B) - (II), (C) - (III), (D) - (IV)

Solution:

The accounts are debited or credited as follows:

- (A) Share Capital Account: Debited with the amount not received.
- (B) Share Forfeited Account: Credited with the amount not received.
- (C) Calls-in-arrears Account: Credited with the amount received towards share capital.
- (D) Securities Premium Account: Debited with the amount called up.

Quick Tip

Forfeiture entries reverse the original credit entry for the unpaid amount, and any premium is adjusted separately.

Question 41. 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

Correct Answer: (4) (C), (B), (D), (A)
Solution:
The process begins with issuing debentures, then creating a Debenture Redemption Reserve (DRR). When redemption becomes due, payments are made to debenture holders.

Quick Tip

Debenture redemption must follow statutory guidelines to ensure compliance with the law.

Question 42. 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 in State Bank of India

Correct Answer: (1) 15%
Solution:
As per the Companies Act, the penalty for a delay beyond 8 days mandates a 15% interest rate on refunding subscription amounts.

Quick Tip

Refund delays can damage a company's reputation and lead to financial penalties.

Question 43. A company can accept calls in advance, if authorised by:
(1) Shareholders
(2) Board of Directors
(3) Articles of Association
(4) Memorandum of Association

Correct Answer: (3) Articles of Association
Solution:
Calls in advance can only be accepted if explicitly mentioned in the Articles of Association of the company.

Quick Tip

Articles of Association serve as the constitution of a company and outline operational rules.

Question 44. 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 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) Profit and Loss Appropriation Account will be credited.
Solution:
The profits earned during the period are transferred to the Profit and Loss Appropriation Account to distribute among the partners.

Quick Tip

Profit allocation depends on the partnership deed and profit-sharing ratio.

Question 45. On the date of admission of a partner there was a balance of 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) 49,500
(2) 50,000
(3) 40,000
(4) 40,500

Correct Answer: (1) 49,500
Solution:
Undervalued machinery is revalued by adding 10% to its original value:

$$\text{New Value} = 45,000 + (10\% \times 45,000) = 49,500$$

Quick Tip

Revaluation ensures fair representation of assets during partner admission or exit.

Question 46. Dividend received is:
(1) Operating activity
(2) Financing activity
(3) Investing activity
(4) Cash and cash equivalents
Correct Answer: (3) Investing activity
Solution:
Dividends received are considered as investing activities because they represent a return on investments made by the company.

Quick Tip

Investing activities in cash flow statements include cash flows related to the purchase or sale of long-term assets, such as stocks or bonds.

Question 47. 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: (1) Indian Partnership Act, 1932
Solution:
According to the Indian Partnership Act, 1932, a partnership firm can have a maximum of 50 partners. This is applicable to both general partnerships and limited liability partnerships.

Quick Tip

For a partnership to exceed 50 partners, it must be converted into a company as per the rules of the Indian Companies Act.

Question 48. 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) Using Code "100-199" for "Dealers of Small Pumps".
Solution:
Sequential codes are used when each number represents a specific, ordered, and sequential item in a list. Option (2) follows this pattern as the range "100-199" implies a sequential order for the dealers.

Quick Tip

Sequential coding is helpful for data management and inventory control, where items are numbered or listed in a logical, ordered manner.

Question 49. 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) credited to old partners' capital accounts.
Solution:
If there is no claim against the Workmen Compensation Reserve, it is credited to the old partners' capital accounts in their profit-sharing ratio, as this reserve is now surplus to the firm's requirements.

💡 Quick Tip

Workmen Compensation Reserve is part of the undistributed reserves and is allocated based on the partnership's agreement at the time of partner admission.

Question 50. 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: (1) A gains 1/30; B gains 1/30; C sacrifices 2/30
Solution:
The total change in the profit-sharing ratio is $\frac{1}{3}$ (since the future share is equally divided). A and B each gain $\frac{1}{30}$, while C sacrifices $\frac{2}{30}$ to maintain the equal ratio.

💡 Quick Tip

When partners decide to share future profits equally, the existing partners may need to sacrifice a portion of their share to accommodate the new ratio.
