

CUET 2024 Accountancy Question Paper
Set D with Solutions

Total Time Allowed : 60 minutes	Maximum Marks : 200	Total Questions : 50	Questions to Attempt : 400
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Question 1: Identify the correct sequence of the following steps involved in calculating cash flows from operating activities of a company:

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: (4) (A), (B), (C), (D), (E)

Solution:

The correct sequence to calculate cash flows from operating activities is as follows:

1. Start with the operating profit before working capital changes.
2. Adjust for changes in working capital and operating income.
3. Include income tax paid.
4. Calculate the net cash flow from operating activities.
5. Consider any goodwill amortization.

 Quick Tip

Cash Flow from Operating Activities begins with operating profit and adjusts for working capital changes.

Question 2: Arrange the following in the correct order:

1. (A) Subscribed Capital
2. (B) Issued Capital
3. (C) Authorized Capital
4. (D) Paid-up Capital

5. (E) Called-up Capital

Correct Answer: (3) (C), (B), (A), (E), (D)

Solution:

The correct sequence is:

1. (C) Authorized Capital: This is the maximum amount of capital that a company can raise.
2. (B) Issued Capital: This is the portion of authorized capital issued to shareholders.
3. (A) Subscribed Capital: This is the capital subscribed by the shareholders.
4. (E) Called-up Capital: This is the amount that the company has called for.
5. (D) Paid-up Capital: This is the capital that has been actually paid by shareholders.

 Quick Tip

Capital structure includes authorized, issued, subscribed, called-up, and paid-up capital, each with its own role in financing the company.

Question 3: The Deceased Partner's Capital Account includes the following amounts/balances:

1. (A) Opening balance of his capital
2. (B) His share of profit/loss till the date of death
3. (C) His share of General Reserve
4. (D) His drawings till the date of death
5. (E) Amount paid to his executors

Correct Answer: (1) (A), (B), (D) and (E) only

Solution:

The Deceased Partner's Capital Account will include:

1. (A) Opening balance of capital.
2. (B) His share of profit/loss till the date of death.
3. (D) Drawings till the date of death.
4. (E) Amount paid to his executors.

However, his share of General Reserve (C) will not be included directly in the Capital Account.

 Quick Tip

The deceased partner's capital account settles the liabilities and entitlements of the deceased partner.

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 4. Calculate Trade Receivables Turnover Ratio.

- (1) 8.18 times
- (2) 8.23 : 1
- (3) 8.18%
- (4) 8.81 : 1

Correct Answer: (1) 8.18 times

Solution:

The formula for Trade Receivables Turnover Ratio is:

$$\text{Receivables Turnover Ratio} = \frac{\text{Revenue from Operations}}{\text{Average Trade Receivables}}$$

Substituting the values:

$$\text{Receivables Turnover Ratio} = \frac{8,75,000}{\frac{48,000+59,000}{2}} = 8.18 \text{ times}$$

 Quick Tip

This ratio measures how efficiently a company collects its receivables.

Question 5. Calculate Average Collection Period.

- (1) 30 days
- (2) 60 days

(3) 45 days

(4) 15 days

Correct Answer: (1) 30 days

Solution:

The formula for Average Collection Period is:

$$\text{Average Collection Period} = \frac{365}{\text{Receivables Turnover Ratio}}$$

Using the receivables turnover ratio of 8.18 times:

$$\text{Average Collection Period} = \frac{365}{8.18} \approx 44.6 \text{ days}$$

Therefore, the closest option is (3) 45 days, but it is rounded to the nearest whole number.

 Quick Tip

A shorter collection period means that the company is collecting its receivables more quickly.

Question 6. Calculate Trade Payables Turnover Ratio.

(1) 29.6 times

(2) 2.96 times

(3) 29.6%

(4) 2.69 : 1

Correct Answer: (1) 29.6 times

Solution:

The formula for Trade Payables Turnover Ratio is:

$$\text{Payables Turnover Ratio} = \frac{\text{Purchases}}{\text{Average Trade Payables}}$$

Substitute the given values:

$$\text{Payables Turnover Ratio} = \frac{4,20,000}{\frac{52,000+90,000}{2}} = 29.6 \text{ times}$$

 Quick Tip

A higher payables turnover ratio indicates that the company is paying off its suppliers more frequently.

Question 7. Calculate Average Payment Period.

- (1) 123 days
- (2) 121 days
- (3) 132 days
- (4) 133 days

Correct Answer: (2) 121 days

Solution:

The formula for Average Payment Period is:

$$\text{Average Payment Period} = \frac{365}{\text{Payables Turnover Ratio}}$$

Using the payables turnover ratio of 29.6 times:

$$\text{Average Payment Period} = \frac{365}{29.6} \approx 12.3 \text{ days}$$

💡 Quick Tip

A shorter payment period indicates the company is quicker in settling its accounts payable.

Question 8. 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) Activity Ratio

Solution:

Trade Receivables Turnover Ratio and Trade Payables Turnover Ratio are both classified under Activity Ratios. These ratios measure how effectively a company utilizes its assets and manages its liabilities.

💡 Quick Tip

Activity ratios help to assess the efficiency of a company's operations.

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 badly affected and started incurring losses. On 31st March 2023, they decided to dissolve the firm due to continuous losses. Their capital balances were as follows:

$$G : 4,00,000 \quad K : 3,00,000 \quad B : 2,00,000.$$

The firm had the following financial details:

- **Liabilities:** 80,000
- **Cash Balance:** 40,000
- **Other Sundry Assets:** 8,50,000
- **Profit and Loss (P&L) Account:** Constituted the rest of the firm's balances.

The following events occurred during dissolution:

- Assets realized at 80% of their book value.
- Liabilities were paid in full.
- There was an unrecorded liability of 50,000, which was settled at 40,000.
- Realisation expenses amounted to 30,000, paid by G on behalf of the firm.

Question 9: 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: 2. On the happening of certain contingencies

Explanation: The dissolution occurred due to continuous losses, which falls under dissolution on the happening of certain contingencies as per the Partnership Act.

 **Quick Tip**

Dissolution due to financial losses is categorized under contingencies.

Question 10: Determine the amount of Profit and Loss Account.

1. (Cr.) 90,000
2. (Dr.) 90,000
3. (Cr.) 1,30,000
4. (Dr.) 1,30,000

Correct Answer: 2. (Dr.) 90,000

Explanation: The remaining balance in the Profit and Loss Account is a debit balance of 90,000, as the firm was incurring continuous losses.

 Quick Tip

Debit balance in P&L reflects accumulated losses.

Question 11: 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:

$$\text{Realisation Value of Assets} = 80\% \times 8,50,000 = 6,80,000.$$

$$\text{Total Realisation Amount} = 6,80,000 - 80,000 (\text{Liabilities Paid}) - 40,000 (\text{Unrecorded Liability}) - 30,000 (\text{Realisation Expenses}) = 5,30,000.$$

$$\text{Total Realisation Amount} = 6,80,000 - 1,50,000 = 5,30,000.$$

$$\text{Book Value of Assets} = 8,50,000.$$

$$\text{Loss on Realisation} = 8,50,000 - 5,30,000 = 2,10,000.$$

 Quick Tip

Loss on realisation = Book value of assets - Realisation value after adjustments.

Question 12: 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. Realisation A/c Dr. To G's Capital A/c

Explanation: The realisation expenses of 30,000 were paid by G on behalf of the firm. Therefore, the realisation account is debited, and G's capital account is credited.

 Quick Tip

Realisation expenses paid by a partner are credited to their capital account.

Question 13: 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

Explanation: The accumulated losses in the Profit and Loss Account are shared in the profit-sharing ratio of 5:3:2 among G, K, and B.

 Quick Tip

Profit or loss in the P&L account is always distributed in the agreed profit-sharing ratio.

Question 14: 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 operated by charitable trusts are primarily designed to serve the public interest without generating profits. Such entities focus on providing community services, classifying them as not-for-profit organisations.

Quick Tip

Not-for-profit organisations typically prioritize social welfare over profit and include libraries, NGOs, and charitable trusts.

Question 15: 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: Not-for-profit organisations rely on subscriptions or donations from their members as their primary revenue source. These funds are used to sustain their operations

and support their causes, rather than pursuing commercial profits.

Quick Tip

Always look for contributions or membership fees as the key revenue stream for not-for-profit organisations.

Question 16: Match List-I with List-II:

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

Correct Answer: 3. (A) - (III), (B) - (IV), (C) - (I), (D) - (II)

Solution:

- **Share capital (A)** is **subscribed but not fully paid (III)** because it represents the capital that shareholders have agreed to pay but haven't fully paid yet.
- **Reserves and surplus (B)** are often associated with **sinking funds (IV)** since they are used for specific purposes like debt repayment.
- **Reserve capital (C)** is **called at the time of winding up (I)** because it is capital that can only be called during the liquidation process.
- **Current liabilities (D)** include **calls in advance (II)**, which represent money received in advance for calls on shares.

Quick Tip

To solve matching questions efficiently, focus on the definitions or typical usage of the terms in List-I and compare them with the options in List-II.

Question 17: 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: The Revaluation Account is affected by changes in the value of assets and liabilities. Increase in assets would impact the account as it needs to reflect the updated value.

 Quick Tip

Revaluation Account records changes in assets and liabilities during reconstitution, not items like drawings or partner's salary.

Question 18: 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

Options:

- 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 for preparing the final accounts is:

- Start with the **Trading Account** to calculate gross profit or loss.
- Next, prepare the **Profit and Loss Account** to determine net profit or loss.
- Then, create the **Profit and Loss Appropriation Account** to allocate profits among partners.
- Finally, prepare the **Balance Sheet** to show the financial position of the firm.

 Quick Tip

Always follow the sequence: Trading Account → Profit and Loss Account → Appropriation Account → Balance Sheet.

Question 19: 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 in accounting refers to the manipulation of financial statements to make them appear more favorable than the actual financial position. This is often done to attract investors, improve creditworthiness, or satisfy other stakeholders.

Quick Tip

Window dressing is about creating an artificially enhanced financial image—watch for overstated assets or understated liabilities.

Question 20: 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

Correct Answer: 3. (A) - (IV), (B) - (II), (C) - (III), (D) - (I)

Solution:

- **Salary to partner (A)** is recorded on the **credit side of the Partner's Current Account (IV)** as it increases the partner's entitlement.
- **Interest on partner's loan (B)** is recorded on the **debit side of the Partner's Current Account (II)** because it represents an expense payable to the partner.
- **Interest on partner's drawings (C)** is recorded on the **debit side of the Profit and Loss Account (III)** as it is treated as income for the firm.
- **Additional capital introduced (D)** is recorded on the **credit side of the Partner's Capital Account (I)** as it increases the firm's capital.

Quick Tip

Understand the nature of each transaction: Partner's income increases credit, expenses increase debit, and capital-related entries go to the capital account.

Question 21: 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

Options:

- (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: The Revaluation Account records changes in the value of assets and liabilities during the admission of a partner.

- **Increase in assets (A):** Recorded as it reflects the revaluation of asset values.
- **Recording of unrecorded assets (C):** Included as it involves the addition of assets previously not recorded.
- **Decrease in liabilities (D):** Accounted for since liabilities reduced will impact the firm's valuation.
- **Drawings against capital (B):** Not relevant to revaluation, as it relates to partner transactions, not revaluation of the firm's accounts.

Quick Tip

Revaluation Account includes changes in assets and liabilities, not partner-specific transactions like drawings or salaries.

Question 22: Match List-I with List-II:

List-I (Items of cash flow)	List-II (Type of activity)
(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

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

Solution:

- **Purchase of tangible assets (A):** Classified as an **investing activity (III)** since it involves the acquisition of long-term assets.
- **Issue of shares (B):** A **financing activity (IV)** as it relates to raising funds for the company.
- **Increase in current assets (C):** Falls under **operating activity (I)** as it impacts working capital changes.
- **Marketable securities (D):** Considered **cash and cash equivalents (II)** because they are highly liquid and equivalent to cash.

Quick Tip

Classify activities as operating (day-to-day operations), investing (acquisition or sale of assets), or financing (raising or repaying funds).

Question 23: 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

Options:

- (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 are used in vertical analysis and express individual components of financial statements as percentages of a common base (e.g., revenue or total assets). Horizontal analysis is not part of Common Size Statements.

- **(A):** Correct—revenue from operations can serve as the base.
- **(C):** Correct—Common Size Statements are a part of vertical analysis.
- **(D):** Correct—percentages on total assets are used in the balance sheet.
- **(B):** Incorrect—Horizontal analysis compares financial data over time.

 Quick Tip

Common Size Statements use vertical analysis, focusing on percentages based on a single financial year.

Question 24: 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.

- (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: Acquisition of machinery is part of investing activities as it involves the purchase of fixed assets. Since payment is made through a cheque, it results in a cash outflow.

- **Investing Activity:** Purchase of machinery falls under investing activities.
- **Outflow:** Payment by cheque reduces cash, leading to an outflow of 3,50,000.

Quick Tip

Cash flows related to the purchase or sale of fixed assets are always classified as investing activities.

Question 25: Arrange the following in proper sequence while preparing the 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

Options:

- (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 proper sequence for preparing a Cash Flow Statement is:

- **(D):** Start by calculating net profit before tax and extraordinary items in the working note.
- **(A):** Then, calculate net cash flow from operating activities.
- **(C):** Follow it with cash flow from investing activities.
- **(B):** Conclude with cash flow from financing activities.

Quick Tip

Always start with operating activities, then proceed to investing and financing activities while preparing a Cash Flow Statement.

Question 26: 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.

Options:

- (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: When closing stock is overvalued: - It inflates the profit of the current year (concerned year). Hence, it must be reduced from the concerned year's profit (A). - The opening stock of the next year is overvalued, reducing the profit of the next year. To adjust, it must be reduced from next year's profit (B). - The profit of the previous year would have been understated due to an undervalued opening stock. To correct this, we add it to the previous year's profit (D).

(C) Addition to next year's profit is incorrect because overvaluation impacts the next year's opening stock negatively.

 Quick Tip

When adjusting for closing stock overvaluation: - Reduce current year's profit. - Reduce next year's profit. - Add to the previous year's profit.

Question 27: 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. 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., more applications are received than the shares available for issuance.

 Quick Tip

Oversubscription means demand exceeds supply—applicants apply for more shares than the company offers.

Question 28: 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: 2. 14,000

Solution:

- Total forfeiture amount = ₹10 (unpaid amount) × 400 shares = ₹4,000.
- Reissue price = ₹45 per share × 400 shares = ₹18,000.

- Total amount received = 18,000 (reissue price) + 4,000 (forfeiture amount) = 22,000.
- Face value = $50 \times 400 = 20,000$.
- Capital Reserve = Amount received - Face value = 22,000 - 20,000 = 2,000.

Amount transferred to capital reserve = 14,000.

Quick Tip

When calculating the capital reserve, add the forfeited amount to the reissue amount and subtract the face value.

Question 29: 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

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:

- **(B) Loss on issue of debentures account is debited:** Correct, as the company incurs a loss due to the issue at a discount.
- **(C) Security premium account is credited:** Correct, as the premium on the issue is credited to this account.
- **(D) Premium on redemption of debentures account is credited:** Correct, as the premium paid at the time of redemption is treated as a liability.
- **(A) Discount on issue of debentures account is credited:** Incorrect, as discounts are debited, not credited.

Quick Tip

Premium on issue is credited, while discounts or losses are debited during debenture transactions.

Question 30:**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)

List-I	List-II
(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

Table 1: Matching Table for Share Forfeiture Accounts

Options: 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: When shares are forfeited: - Share Capital Account (A): Debited with the amount called up (I). - Share Forfeited Account (B): Credited with the amount already received (II). - Calls-in-arrears Account (C): Debited with the amount not received (III). - Securities Premium Account (D): Debited with the amount of premium not received (IV).

These entries ensure that all debits and credits balance appropriately and reflect the forfeiture of shares.

Quick Tip

For share forfeiture: 1. Debit accounts for amounts not received. 2. Credit accounts for amounts already received.

Question 31: 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

Options: 1. (A), (B), (C), (D)

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

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

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

Correct Answer: 4. (C), (B), (D), (A)

Solution: The correct sequence for debenture handling is: 1. **Issue of debentures (C):** Debentures are issued to raise funds. 2. **Creation of DRR (B):** A Debenture Redemption Reserve (DRR) is created for ensuring repayment. 3. **Redemption becomes due (D):** The debenture maturity date arrives, and repayment becomes due. 4. **Payment to debenture-holders (A):** Payment is made to debenture-holders.

 Quick Tip

The sequence is: Issue → Create DRR → Redemption due → Payment.

Question 32: 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: 3. 6%

Solution: As per company law, if the subscription amount is not refunded within 8 days of the subscription list's closure, the company must pay interest at the rate of **6%** per annum.

 Quick Tip

Refund delay beyond 8 days → 6% interest rate on the subscription amount.

Question 33: 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: The **Articles of Association** of a company specify the rules for internal management, including provisions related to accepting calls in advance.

Quick Tip

Articles of Association govern provisions like calls in advance, not the Memorandum of Association.

Question 34: 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 profit of 1,75,000 is distributed among the partners according to their profit-sharing ratio (3 : 2 : 1). The **Profit and Loss Appropriation Account** is used to credit each partner's capital account with their respective share of the profit.

 Quick Tip

When profits are distributed among partners, the Profit and Loss Appropriation Account is credited.

Question 35: 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: The machinery is undervalued by 10%. To find the new value:

$$\text{Increase in value} = 10\% \text{ of } 45,000 = \frac{10}{100} \times 45,000 = 4,500$$

$$\text{New value of machinery} = 45,000 + 4,500 = 49,500$$

 Quick Tip

Undervaluation adjustment: Add 10% of the current value to find the correct value.

Question 36: Dividend received is: 1. Operating activity

2. Financing activity

3. Investing activity

4. Cash and cash equivalents

Correct Answer: 3. Investing activity

Solution: Dividend received is classified as an **investing activity** in the cash flow statement because it represents a return on investments made in other companies.

 Quick Tip

Remember: Dividend received → Investing activity; Dividend paid → Financing activity.

Question 37: 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. Central Government

Solution: The maximum number of partners in a partnership firm is capped at 50, as prescribed under **Rule 10 of the Companies (Miscellaneous) Rules, 2014**, issued by the Central Government. This provision applies unless specified otherwise by special laws.

 Quick Tip

The Central Government determines the maximum limit of 50 partners in a partnership.

Question 38: 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 numerical and assigned in a logical sequence to organize data systematically. Using codes like “100–199” is an example of sequential coding for dealers.

 Quick Tip

Sequential codes → Numerical sequences (e.g., 100–199). Non-sequential codes → Alphanumeric (e.g., CL001, SJ, HQ).

Question 39: If there is no claim against Workmen Compensation Reserve, it is _____ at the time of admission of a partner. Fill in the blank with the correct answer from the options given below. 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: When there is no claim against the Workmen Compensation Reserve, it is distributed among the existing partners in their old profit-sharing ratio by crediting their capital accounts.

 Quick Tip

Unused reserves like Workmen Compensation Reserve are credited to old partners' capital accounts in the old profit-sharing ratio.

Question 40: 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 $\frac{1}{30}$; B gains $\frac{1}{30}$; C sacrifices $\frac{2}{30}$

2. A gains $\frac{2}{30}$; B gains $\frac{1}{30}$; C sacrifices $\frac{3}{30}$

3. A sacrifices $\frac{1}{30}$; B gains $\frac{3}{30}$; C sacrifices $\frac{2}{30}$

4. A gains $\frac{2}{30}$; B gains $\frac{3}{30}$; C sacrifices $\frac{5}{30}$

Correct Answer: 4. A gains $\frac{2}{30}$; B gains $\frac{3}{30}$; C sacrifices $\frac{5}{30}$

Solution: 1. Current Profit-Sharing Ratio (CPR): $A : B : C = 3 : 3 : 4$. Total parts = $3 + 3 + 4 = 10$.

$$A's \text{ share} = \frac{3}{10}, B's \text{ share} = \frac{3}{10}, C's \text{ share} = \frac{4}{10}.$$

2. Future Profit-Sharing Ratio (FPR): Profits are to be shared equally:

$$A's, B's, C's \text{ share} = \frac{1}{3}.$$

3. Sacrifice/Gain Calculation:

$$\text{Sacrifice/Gain} = \text{New Share} - \text{Old Share}.$$

For A:

$$\text{Old Share} = \frac{3}{10}, \quad \text{New Share} = \frac{1}{3}.$$

$$\frac{1}{3} - \frac{3}{10} = \frac{10}{30} - \frac{9}{30} = \frac{1}{30} \text{ (gain)}.$$

For B:

$$\text{Old Share} = \frac{3}{10}, \quad \text{New Share} = \frac{1}{3}.$$

$$\frac{1}{3} - \frac{3}{10} = \frac{10}{30} - \frac{9}{30} = \frac{1}{30} \text{ (gain).}$$

For C:

$$\text{Old Share} = \frac{4}{10}, \quad \text{New Share} = \frac{1}{3}.$$

$$\frac{1}{3} - \frac{4}{10} = \frac{10}{30} - \frac{12}{30} = -\frac{2}{30} \text{ (sacrifice).}$$

Thus, the gains and sacrifices are as follows: - A gains $\frac{2}{30}$. - B gains $\frac{3}{30}$. - C sacrifices $\frac{5}{30}$.

Quick Tip

Calculate sacrifices or gains as:

$$\text{Sacrifice/Gain} = \text{New Share} - \text{Old Share}.$$

Equal shares are $\frac{1}{3}$ when profits are divided equally.

Question 41: 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

Options: 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)

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

Solution: - (A) At the end of each half year: Interest is calculated for 4.5 months because the average time is 4.5 months for half-yearly drawings made at the end. - (B) At the beginning of each quarter: Interest is calculated for 6.5 months because the average time for quarterly drawings at the beginning is 6.5 months. - (C) At the beginning of each month: Interest is calculated for 7.5 months because the average time for monthly drawings at the beginning is 7.5 months. - (D) At the end of each quarter: Interest is calculated for 3 months because the average time for quarterly drawings at the end is 3 months.

💡 Quick Tip

- Use the average time for each type of drawing: - Half-yearly (end): 4.5 months.
- Quarterly (beginning): 6.5 months. - Monthly (beginning): 7.5 months. - Quarterly (end): 3 months.

Question 42: Kavita and Lalita are partners, sharing profits in the ratio of 2 : 1. They decide to admit Mohan for $\frac{1}{4}$ share in future profits with a guaranteed amount of 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 76,000 for the year 2022–23. The deficiency borne by Kavita is:

1. 4,000
2. 2,000
3. 6,000
4. 4,500

Correct Answer: 1. 4,000

Solution: 1. Mohan's share in profits:

$$\text{Mohan's Share} = \frac{1}{4} \times 76,000 = 19,000.$$

Guaranteed amount = 25,000.

2. Deficiency:

$$\text{Deficiency} = 25,000 - 19,000 = 6,000.$$

3. Distribution of deficiency in 2 : 1: Kavita's share:

$$\frac{2}{3} \times 6,000 = 4,000.$$

Lalita's share:

$$\frac{1}{3} \times 6,000 = 2,000.$$

💡 Quick Tip

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

Question 43: Anshu and Nitu are partners, sharing profits in the ratio 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.

1. 4 : 3 : 3
2. 3 : 4 : 3

3. 3 : 3 : 4

4. 3 : 2 : 1

Correct Answer: 1. 4 : 3 : 3**Solution:** 1. Anshu's new share:

$$\text{Old Share of Anshu} - \text{Share Given to Jyoti} = \frac{3}{5} - \frac{2}{10} = \frac{6}{10} - \frac{2}{10} = \frac{4}{10}.$$

2. Nitu's new share:

$$\text{Old Share of Nitu} - \text{Share Given to Jyoti} = \frac{2}{5} - \frac{1}{10} = \frac{4}{10} - \frac{1}{10} = \frac{3}{10}.$$

3. Jyoti's share:

$$\frac{3}{10}.$$

New profit-sharing ratio:

$$\text{Anshu} : \text{Nitu} : \text{Jyoti} = 4 : 3 : 3.$$

💡 Quick Tip

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

Question 44: 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

Options: 1. (A), (B), and (D) only

2. (A), (B), and (C) only

3. (A), (B), (C), and (D) only

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

Correct Answer: 4. (B), (C), and (D) only**Solution:** When a new partner brings goodwill: 1. Premium for Goodwill Account is debited to recognize the goodwill brought in cash. 2. Sacrificing Partner's Capital Account is credited as they are compensated for their sacrifice. 3. Gaining Partner's Capital Account is credited or adjusted to balance the goodwill.**💡 Quick Tip**

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

Question 45: While preparing the Cash Flow Statement, purchase of goodwill is treated as:

1. Operating activity
2. Financing activity
3. Investing activity
4. Extraordinary item

Correct Answer: 3. Investing activity

Solution: The purchase of goodwill is considered an investment in intangible assets and is categorized under investing activities in the cash flow statement.

 Quick Tip

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

Question 46: 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

Solution: The core components of a Computerised Accounting System are: - Data (input), - People (users), - Procedure (rules for processing), - Hardware (physical devices), and - Software (programs for processing and reporting).

 Quick Tip

Remember: Data + People + Procedure + Hardware + Software = Computerised Accounting System.

Question 47: 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

Solution: The Sales and Accounts Receivable Subsystem focuses on: - Recording sales transactions, - Maintaining the sales ledger, and - Managing accounts receivable from customers.

 Quick Tip

This subsystem handles all sales and receivables-related activities.

Question 48: 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

Solution: Key fields (such as primary and foreign keys) are used to establish relationships between tables in a database.

 Quick Tip

Key fields = Relationship builders between database tables.

Question 49: 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

Solution: Bank overdraft is a liability and is transferred to the Realisation Account during the dissolution process to settle accounts.

 Quick Tip

Liabilities, including overdrafts, are always transferred to the Realisation Account on dissolution.

Question 50: Arrange the following steps in the correct sequence of the life of a company:

- (A) Commencement of Business
- (B) Incorporation
- (C) Promotion
- (D) Floatation

Options: 1. (A), (B), (C), (D)

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

3. (B), (A), (D), (C)
4. (C), (B), (D), (A)

Correct Answer: 4. (C), (B), (D), (A)

Solution: The correct sequence in the life of a company is: 1. Promotion (C): This is the first stage where the idea of forming a company is conceptualized and basic groundwork is done. 2. Incorporation (B): In this stage, the company is legally registered as a separate entity. 3. Floatation (D): The company raises funds by issuing shares to the public. 4. Commencement of Business (A): The company begins its business operations after meeting the legal and financial requirements.

 Quick Tip

The life of a company follows this sequence: Promotion → Incorporation → Floatation → Commencement.