

KENDRIYA VIDYALAYA SANGHATHAN
HYDERABAD REGION



तत् त्वं पूषन् अपावृणु
केन्द्रीय विद्यालय संगठन

STUDENT SUPPORT
MATERIAL
ACCOUNTANCY XII
2023-2024

CHIEF PATRON

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KENDRIYA VIDYALAYA SANGATHAN: HYDERABAD REGION
STUDENT SUPPORT STUDY MATERIAL-2023-24

CLASS XII

SUBJECT: ACCOUNTANCY

COMPETENCY BASED QUESTIONS-MCQs

CHAPTER 1. ACCOUNTING FOR PARTNERSHIP FIRMS-FUNDAMENTALS

- Q1. What happens when interest on drawings is charged to partner?
A) Credited to partner's current a/c B) Not shown in current account
C) Debited to partner's capital a/c D) none of the above
- Q2. Salary to employees is shown in:
a) Dr. side of Profit And Loss Appropriation A/c
b) Cr. side of Profit And Loss Appropriation A/c
c) Dr. side of Profit And Loss A/c
d) Cr. side of Profit And Loss A/c.
- Q3. Written agreement among the partner is called
A) Partnership deed
B) Partnership bye laws
C) Partnership Constitution
D) a contract
- Q4. As per AS – 26, _____ goodwill is recorded in the books of accounts.
a) Purchased
b) Self-generated
c) Both a& b
d) None of these
- Q5. Which one of the following items is not an appropriation out of profits?
a) Interest on capital
b) Salary to a partner
c) Commission to a partner
d) Interest on partner's loan.
- Q6. Following are essential elements of a partnership firm except:
a) At least two persons
b) There is an agreement between all partners
c) Equal share of profits and losses
d) Partnership agreement is for some lawful business activity.
- Q7. Which one of the following is not a right of a partner?
a) Right to inspect the books of the firm
b) Right to take part in the affairs of the company
c) Right to share the profits/losses of the firm
d) Right to receive salary at the end of each month.

Q8. The relation of partner with the firm is that of:

- a) An owner
- b) An agent
- c) An owner and agent both
- d) A manager.

Q9 Pick the odd one out:

- a) Rent
- b) Wages
- c) Salary to employees
- d) Interest on partner's capital.

Q10. In which kind of partnership one partner has unlimited liability and other partner have limited liability?

- A) Partnership-at-will
- B) Limited liability partnership
- C) General partnership
- D) Particular partnership

Q11. In case of partnership, the act of any partner is:

- a) Binding on all partners
- b) Binding on that partner only.
- c) Binding on all partners except that particular partner
- d) None of the above.

Q12. Interest on capital is allowed on:

- a) The opening capital
- b) The capital at the year end
- c) Average capital of the year
- d) The capital in the middle of the year

Q13. What is the maximum number of partners in a partnership firm?

- a) 2
- b) 100
- c) 50
- d) None of the above.

Q14. Current accounts of partners are maintained under which method?

- a) Fluctuating Capital method
- b) Fixed Capital method
- c) Both of the above
- d) None of the above.

Q15. Limited Liability Partnerships came into existence in India after the enactment of:

- a) Indian Partnership Act, 1932
- b) Limited Liability Partnership Act, 1932
- c) Limited Liability partnership Act, 2008
- d) Indian Companies Act, 2013.

Q16. Assertion (A): In the absence of Partnership deed profits and losses are divided equally among the partners.

Reason(R): This rule is applicable according to Indian partnership Act, 1932.

- a) Both (A) and (R) are true and (R) is the correct explanation of (A)
- b) Both (A) and (R) are true and (R) is not the correct explanation of (A)
- c) (A) is true, but (R) is false
- d) (A) is false, but (R) is true.

Q17. Assertion (A): Personal properties of a partner may also be used to pay off the firm's debts.

Reason(R): All partners have limited liability in the firm.

- a) Both (A) and (R) are true and (R) is the correct explanation of (A)
- b) Both (A) and (R) are true and (R) is not the correct explanation of (A)
- c) (A) is true, but (R) is false
- d) (A) is false, but (R) is true.

Q18. Assertion (A): Partnership firm is a form of organisation where two or more persons carry on business activity on the basis of agreement among them.

Reason(R): The profit or loss arising from the partnership business is shared by the partners in the agreed ratio.

- a) Both (A) and (R) are true and (R) is the correct explanation of (A)
- b) Both (A) and (R) are true and (R) is not the correct explanation of (A)
- c) (A) is true, but (R) is false
- d) (A) is false, but (R) is true.

Q19. Assertion (A): Maximum number of partners in a partnership firm is 50.

Reason(R): Maximum number of partners in a partnership firm is prescribed in Companies Act, 2013.

- a) Both (A) and (R) are true and (R) is the correct explanation of (A)
- b) Both (A) and (R) are true and (R) is not the correct explanation of (A)
- c) (A) is true, but (R) is false
- d) (A) is false, but (R) is true.

Q20. Assertion (A): A partnership deed covers all matters relating to mutual relationship among the partners.

Reason(R): But in the absence of partnership deed, provisions of the Indian partnership Act, 1932 shall apply for accounting purposes.

- a) Both (A) and (R) are true and (R) is the correct explanation of (A)
- b) Both (A) and (R) are true and (R) is not the correct explanation of (A)
- c) (A) is true, but (R) is false
- d) (A) is false, but (R) is true.

Q21. Assertion (A): Rent to partner is not shown in Profit and Loss Appropriation Account.

Reason(R): Rent to a partner is a charge against profit..

- a) Both (A) and (R) are true and (R) is the correct explanation of (A)
- b) Both (A) and (R) are true and (R) is not the correct explanation of (A)
- c) (A) is true, but (R) is false
- d) (A) is false, but (R) is true.

Q22. Assertion (A): Interest on Partner's capital may be shown in Profit and Loss Account.

Reason(R): If Partners treat interest on capital as a charge.

- a) Both (A) and (R) are true and (R) is the correct explanation of (A)
- b) Both (A) and (R) are true and (R) is not the correct explanation of (A)
- c) (A) is true, but (R) is false

- d) (A) is false, but (R) is true.
- Q23. Assertion (A): Rent payable to partner is credited to Partner's Capital account.
Reason(R): Rent is payable to partner for letting the firm use his personal property for business.
- a) Both (A) and (R) are true and (R) is the correct explanation of (A)
b) Both (A) and (R) are true and (R) is not the correct explanation of (A)
c) (A) is true, but (R) is false
d) (A) is false, but (R) is true.
- Q24. Assertion (A): For calculating Interest on Drawings, product method is used.
Reason(R): Partners withdraw different amounts of money at different intervals of time.
- a) Both (A) and (R) are true and (R) is the correct explanation of (A)
b) Both (A) and (R) are true and (R) is not the correct explanation of (A)
c) (A) is true, but (R) is false
d) (A) is false, but (R) is true.
- Q25. Assertion (A): Guarantee of minimum profit may be given to a partner.
Reason(R): It is compulsory as per Indian Partnership Act, 1932.
- a) Both (A) and (R) are true and (R) is the correct explanation of (A)
b) Both (A) and (R) are true and (R) is not the correct explanation of (A)
c) (A) is true, but (R) is false
d) (A) is false, but (R) is true.

CASE BASED QUESTIONS

Amar and Sohan are partners in 3:2. Their capital balances as on 1st April 2022 amounting to Rs.2,00,000 each. On 1st February, 2022, Amar contributed an additional capital of Rs.1,00,000. Following are the terms of deed:

- a) Interest on capital @ 6% per annum
b) Interest on drawings @ 8% per annum
c) Salary to Amar Rs.1500 per month
d) Commission to Sohan @10% on net profit after charging interest on capital, salary and his commission.

Drawings of the partners were Rs.20,000 and Rs.30,000 respectively during the year. Net profit earned by the firm was Rs.2,08,000.

Choose the correct option based on the above information:

Q26. What is the amount of Interest on capitals of Amar and Sohan:

- a) Rs.12,000 each
b) Rs.12,000 to Amar and Rs. Rs.13,000 to Sohan
c) Rs.13,000 to Amar and Rs.12,000 to Sohan
d) None of the above.

Q27. What is the amount of interest on drawings of Amar and Sohan:

- a) Rs. 1200 and Rs. 1800 respectively
b) Rs. 800 and Rs. 1200 respectively
c) Rs. 1200 and Rs. 800 respectively
d) Rs. 1600 Rs. 2400 respectively

Q28. What is the amount of commission payable to Sohan?

- a) Rs. 15000
 - b) Rs. 16500
 - c) Rs. 20800
 - d) None of these
- Q29. What is Amar's share in the net divisible profit?
- a) Rs. 124400
 - b) Rs. 83600
 - c) Rs. 91200
 - d) Rs. 60800
- Q30. What will be the closing capital of Amar after all adjustments?
- a) Rs. 422200
 - b) Rs. 401400
 - c) Rs. 300000
 - d) Rs. 423000

Read the following information carefully and answer the questions that follow:

- X, Y and Z were partners sharing profits in the ratio of 1:2:3. Their fixed capitals on 1st April, 2022 were: A Rs.3,00,000; B Rs.4,50,000 and C Rs.10,00,000. Their partnership deed provided the following:
- i. X provides his personal office to the firm for business use charging yearly rent of Rs.1,50,000.
 - ii. Interest on capitals @8% p.a. and interest on drawings @ 10% p.a.
 - iii. X was allowed a salary @ 10,000 per month.
 - iv. Y was allowed a commission of 10% of net profit as shown by Profit and Loss account, after charging such commission.
 - v. Z was guaranteed a profit of Rs.3,00,000 after making all adjustments.

The net profit for the year ended 31st March, 2023 was Rs.10,30,000 before making above adjustments. You are informed that X has withdrawn Rs.5,000 in the beginning of each month, Y has withdrawn Rs.5,000 at the end of each month and Z has withdrawn Rs. 24,000 in the beginning of each quarter.

Choose the correct option based on the above information:

- Q31. X's rent will be shown in:
- a) Profit and loss account
 - b) Profit and Loss Appropriation account
 - c) X's Capital account
 - d) None of the above.
- Q32. Net profit for the year is:
- a) Rs.10,30,000
 - b) Rs.11,80,000
 - c) Rs.7,30,000
 - d) Rs.8,80,000
- Q33. What will be the divisible profit? a)
- a) Rs.5,56,000
 - b) Rs.5,50,000
 - c) Rs.5,52,000

d) Rs.5,53,000.

Q34. What will be the total interest in drawings?

a) Rs.24,000

b) Rs.12,000

c) Rs.36,000

d) 48,000.

Q35. What will be the commission of Y?

a) Rs.8,00,000

b) Rs.96,000

c) Rs.80,000

d) Rs.72,000.

CHAPTER 1 FUNDAMENTALS OF PARTNERSHIP ACCOUNTING

ANSWERS

Q.NO.	Answer	Reason/Hint/Explanation
1	C	Debited to partner's capital a/c
2	C	Salary to employees is a charge against profit.
3	A	Partnership deed
4	A	Purchased goodwill
5	D	It is a Charge against profit.
6	C	Profits are divided in the ratio decided by partners in partnership deed.
7	D	Salary is payable only if it is mentioned in partnership deed.
8	C	All the partners are mutual agents of each other and of the firm also and they are also the owners of the firm.
9	D	Interest on Capital is an appropriation out of profits whereas all other items are charges against profit.
10	B	limited liability partnership
11	A	Since all partners are mutual agents of each other and of the company also.
12	A	Opening capital
13	C	Maximum 50 partners

14	B	Under Fixed Capital method Capital accounts and Current accounts both are maintained whereas under Fluctuating capital method only capital accounts are maintained.
15	C	The Limited Liability Partnership Act was passed in India in the year 2008.
16	A	In the absence of partnership Deed, profits are shared equally among the partners, as per the provisions of Indian partnership act, 1932.
17	C	All partners have unlimited liability
18	B	Both the statements are two different facts
19	C	Maximum number of partners is 50 according to Indian partnership Act, 1932 and 100 as per Indian Companies Act, 2013.
20	B	Both the statements are two different facts.
21	A	Charge against profit is shown in the P & L account
22	A	Charge against profit is shown in the P & L account
23	D	Rent payable to a partner is not shown in the Capital account; it is shown in the Rent payable account
24	A	Both the statements are true and R is the correct explanation of A
25	C	Guarantee of minimum profit to a partner depends on mutual consent of partners, it is not compulsory
26	C	IOC to Amar = $(2,00,000 \times 6/100) + (1,00,000 \times 6/100 \times 2/12) = 13,000$ IOC to Sohan = $2,00,000 \times 6/100 = 12,000$
27	B	IOD will be calculated for an average period of six months since time of drawings are not given
28	A	$2,08,000 - 13,000 - 12,000(\text{IOC}) - 18,000(\text{salary}) = 1,65,000 \times 10/110 = 15,000$
29	C	Divisible profit = $2,08,000(\text{N.P.}) + 800 + 1,200(\text{IOD}) - 13,000 - 12,000(\text{IOC}) - 18,000(\text{salary}) - 15,000(\text{commission}) = 1,52,000$. Share of X in divisible profit = $1,52,000 \times 3/5 = 91,200$
30	B	Closing capital of Amar = $2,00,000(\text{opening capital}) + 1,00,000(\text{addl. capital}) + 13,000(\text{IOC}) + 18,000(\text{salary}) + 91,200(\text{profit share}) - 20,000(\text{drawings}) - 800(\text{IOD}) = 4,01,400$
31	A	Charge against profit is shown in P & L A/c.
32	D	$10,30,000 - 1,50,000(\text{rent to the partner}) = 8,80,000$
33	B	IOD for X = $60,000 \times 10/100 \times 6.5/12 = 3,250$ IOD for Y = $60,000 \times 10/100 \times 5.5/12 =$

		2,750 IODfor Z=16,000*10,100*7.5/12= 6,000. Total IOD= 3,250+2,750+6,000= 12,000
34	C	8,80,000*10/110= 80,000
35	C	8,80,000(N.P.)+12,000(IOD)-24,000-36,000-80,000(IOC)- 80,000(commission)-1,20,000(salary)= 5,52,000

CHAPTER 2. CHANGE IN PROFIT SHARING RATIO AMONG EXISTING PARTNERS AND ADMISSION OF PARTNER

(A)CHANGE IN PROFIT SHARING RATIO AMONG EXISTING PARTNERS

- Q.1** The adjustment required at the time of reconstitution of a partnership firm is/are
 (a) Adjustment of goodwill (b) Distribution of acc. Profits and reserves
 (c) Revaluation of assets and liabilities (d) All of the above
- Q.2** If at the time of Change in profit sharing ratio, there is some unrecorded liability, it will be _to___ Account.
 (a) Debited, Revaluation (b) Credited, Revaluation
 (c) Debited, Goodwill (d) Credited, Partners' Capital
- Q.3** Gaining partner will pay for his gained share in the firm's future profits in favour of sacrificing partners. The Sacrificing partners gets to such compensation amount in:
 (a) Gaining Ratio (b) Sacrificing Ratio
 (c) Capital Ratio (d) Profit Sharing Ratio
- Q.4** Sacrificing Ratio:
 (a) New Ratio – Old Ratio (b) Old Ratio – Gaining Ratio
 (c) Old Ratio – New Ratio (d) Gaining Ratio – Old Ratio
- Q.5** Partner's capital account is credited when there is_____.
 (a) Profit on revaluation (b) transfer of general reserve
 (c) transfer of accumulated profits (d) All of the above
- Q.6** As per Accounting Standard_____ Goodwill is treated as an intangible asset.(a)
 25 (b) 26
 (c) 27 (d) 27
- Q.7** If goodwill is already appearing in the books of accounts at the time of change in profit sharing ratio, then it should be written off in_____.
 (a) New Ratio (b) Gaining Ratio
 (c) Sacrificing Ratio (d) Old Ratio
- Q.8** When Goodwill treatment is made at the time of change in profit sharing ratio. goodwill account is_____.
 (a) Never be raised in the book (B) Be raised in the book
 (C) Be partially raised in the books (D) Be raised as per the agreement of the partners.
- Q.9** At the time of change in profit sharing ratio, amount remaining in Investment Fluctuation Reserve after meeting the fall in value of Investment is:
 (a) Credited in Sacrificing Ratio (b)Credited in New Profit Sh. Ratio
 (c) Credited in Old Profit Sharing Ratio (d) Credited in Gaining Ratio
- Q. 10** P, Q and R were partners in a firm in the ratio of 5:4:3. It is agreed that Q would retain his original share. If P & R future share will be the same than who will be sacrificedfor whom.
 (a) P to R (b) R to P
 (c) No Sacrifice (d) None of the above

Q.11 Any change in the relationship of existing partners which results in an end of the existing agreement and enforces making of new agreement is called:

- (a) Revaluation of partnership
- (b) Reconstitution of partnership
- (c) Realisation of partnership
- (d) None of the above

Q.12 Accumulated Losses or deferred Revenue expenditure (Advertisement suspense) are transferred to partners' capital accounts at the time of reconstitution in:

- (a) Old profit-sharing ratio
- (b) Sacrificing Ratio
- (c) Gaining ratio
- (d) New profit-sharing ratio

Q.13 Revaluation Account is a:

- (a) Real Account
- (b) Nominal Account
- (c) Personal Account
- (d) None of the Above

Q.14 The Need of revaluation of assets and liabilities:

- (a) Assets and Liabilities should appear at revised values
- (b) Any profit and loss an account of change in values belong to old partners
- (c) All unrecorded assets and liabilities get recorded
- (d) All of the Above

Q.15 Revaluation account is debited, when _____.

- (a) Value of liability is Increases
- (b) Value of assets is Decreasing.
- (c) Both (A) & (B)
- (d) Either (A) or (B)

Q.16 Revaluation account is credited, when _____.

- (a) Value of liability is increases
- (b) Value of liability is not affected.
- (c) Value of asset is increases
- (d) None of the above

Q.17 X and Y shared profits and losses in the ratio of 3:2. With effect from 1st April 2020 they agreed to share profit equally. The Goodwill of the firm was valued at Rs. 60,000.

The adjustment entry will be

- (a) Debit Y and credit X with Rs. 6,000
- (b) Debit X and credit Y with Rs. 6000
- (c) Debit X and credit Y with Rs. 600
- (d) Debit bi and credit X with Rs. 600

Q.18 Amit and Bimal are partners in a firm sharing profits in the ratio of 3: 2. They decided to share future profits $\frac{2}{3}$ and $\frac{1}{3}$. Calculate Amit's gain or sacrifice

- (a) $\frac{1}{15}$ (gain)
- (b) $\frac{5}{10}$ (gain)
- (c) $\frac{1}{10}$ (Gain)
- (d) $\frac{1}{15}$ (sacrifice)

Q.19 Avni and Bhawana were partners in a firm sharing profit or loss equally. With effect from 1st April 2020 they agreed to share profits in the ratio of 4 : 3. Due to change in profit sharing ratio, Avni's gain or sacrifice will be :

- (A) Gain $\frac{1}{14}$
- (B) Sacrifice $\frac{1}{14}$
- (C) Gain $\frac{4}{7}$
- (D) Sacrifice $\frac{3}{7}$

Q.20 A and B were partners in a firm sharing profit or loss in the ratio of 3 : 1. With effect from Jan. 1, 2021 they agreed to share profit or loss in the ratio of 2 : 1. Due to change in profit-loss sharing ratio, B's gain or sacrifice will be :

- (A) Gain $\frac{1}{12}$
- (B) Sacrifice $\frac{1}{12}$
- (C) Gain $\frac{1}{3}$
- (D) Sacrifice $\frac{1}{3}$

Q21. A, B and C were partners in a firm sharing profits in the ratio of 3:4:1. They decided to share profits equally w.e.f from 1 .4.2019. On that date the profit and loss account showed a credit balance of 96,000. Instead of closing the profit and loss account, it was decided to record an adjustment entry reflecting the change in profit sharing ratio. In the journal entry:

- (a) Dr. A by 4,000; Dr. B by 16,000; Cr C by 20,000
- (b) Cr. A by 4,000; Cr. B by 16,000; Dr C by 20,000
- (c) Cr. A by 16,000; Cr. B by 4,000; Dr C by 20,000
- (d) Dr. A

by 16,000; Dr. B by 4,000; Cr C by 20,000

Q22. P, Q and R were partners in a firm sharing profits in 5 : 3 : 2 ratio. They decided to share the future profits in 2 : 3 : 5. For this purpose the goodwill of the firm was valued at ₹1,20,000. In adjustment entry for the treatment of goodwill due to change in the profit sharing ratio :

- (a) Cr. P by ₹24,000; Dr. R by ₹24,000
- (b) Cr. P by ₹60,000; Dr. R by ₹60,000
- (c) Cr. P by ₹36,000; Dr. R by ₹36,000
- (D) Dr. P by ₹36,000; Cr. R by ₹36,000

Q23. X, Y and Z are partners sharing profits and losses in the ratio 5 : 3 : 2. They decided to share the future profits in the ratio 3 : 2 : 1. Workmen compensation reserve appearing in the balance sheet on the date if no information is available for the same will be :

- (a) Distributed to the partners in old profit sharing ratio
- (b) Distributed to the partners in new profit sharing ratio
- (c) Distributed to the partners in capital ratio
- (d) Carried forward to new balance sheet without any adjustment

Directions (Q.No 24-26): Each of the following questions consists of two statements, one is Assertion (A) and the other is Reason (R). Give answer:

- (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
- (b) Both Assertion (A) and Reason (R) are true but Reason (R) is not the correct explanation of Assertion (A)
- (c) Assertion (A) is true but Reason (R) is false
- (d) Assertion (A) is false but Reason (R) is true

Q24. Assertion (A): Change in profit sharing ratio of the existing partner results in the reconstitution of the Partnership firm.

Reason (R): Change in profit sharing ratio does not change the relationship among existing partners.

Q25. Assertion (A): Change in profit sharing ratio among partners increase the combined shares of Partners.

Reason (R): Partners whose profit shares have decreased as a result of change in profit sharing ratio are known as sacrificing partners.

Q26. Assertion (A): Partners whose profit shares have increased as a result of change in profit sharing ratio are known as gaining partners.

Reason (R): Old profit share of a partner if deducted from his new profit share is gained profit share.

Directions (Q.No 27-30) Case Study Based Questions:

X, Y and Z were partners in a firm sharing profits in the ratio of 1:2:3. on 31.03.2021 their Balance Sheet was as follows :

Balance Sheet as at 31.03.2021

Liabilities	Amount(Rs.)	Assets	Amount (Rs.)
Creditors	50,000	Land	50,000
Bills Payable	20,000	Building	50,000
General Reserve	30,000	Plant	1,00,000
Capital :		Stock	40,000
X 1,00,000		Debtor	30,000
Y 50,000		Bank	5,000
Z 25,000			
	1,75,000		
	<hr/>		<hr/>
	2,75,000		2,75,000

X, Y, and Z decided to share the profits equally with effect from 1.04.2021. For this it was agreed that:

- Goodwill of the firm is valued at Rs.1,50,000.
- Land was revalued at Rs.80,000 and buildings depreciated by 6%.
- Creditors of Rs.6,000 were not likely to be claimed and hence to be written off.

Q27. What amount will be recorded in the revaluation account of revaluation of Land?

- (a) (A) 80000 (b) 50000
(c) 30000 (d) None of the above

Q28. What amount is transferred to the Y Capital account on behalf of the Revaluation account?

- (e) Rs.11,000 Credit (b) Rs.11000 Debit
(c) Either (a) or (b) (d) Neither (a) nor (b)

Q29. What is the journal entry of Goodwill accounting treatment of the above problem?

(f) Goodwill ac. Dr.150000/ To X Cap 25000; To Y Cap50000 & To Z Cap75000

(g) X a/c Dr. & Y a/c Cr by Rs.25,000

(h) Premium for Goodwill Dr. 150000/ To X Cap 25000; To Y Cap50000 & To Z Cap75000

(i) None of the above

Q30. What is the Z's Capital account Balance after all adjustments:

- (a) Rs.55,000 (b) Rs.81500
(c) Neither (a) or (b) (d) Rs.85500

(A)CHANGE IN PROFIT SHARING RATIO AMONG EXISTING PARTNERS

ANSWERS

Question No	Suggested answers
1	(d) All of the above
2	(a) Credited, Revaluation
3	(b) Sacrificing Ratio
4	(c) Old Ratio – New Ratio
5	(d) All of the above
6	(b) 26
7	(d) Old Ratio
8	(a) Never be raised in the book
9	(c) Credited in Old Profit Sharing Ratio
10	(b) R to P
11	(b) Reconstitution of partnership
12	(a) Old profit-sharing ratio
13	(b) Nominal Account
14	(d) All of the Above
15	(c) Both (A) & (B)
16	(c) Value of asset is increases
17	(a) Debit Y and credit X with Rs. 6,000
18	(a) 1/15 (gain)
19	(A) Gain 1/14
20	(B) Sacrifice 1/12
21	(b) Cr. A by 4,000; Cr. B by 16,000; Dr C by 20,000
22	(c) Cr. P by ₹36,000; Dr. R by ₹36,000
23	(a) Distributed to the partners in old profit sharing ratio
24	(C)
25	(d)
26	(b)
27	(c) 30000
28	(a) Rs.11,000 Credit
29	X a/c Dr. & Y a/c Cr by Rs.25,000
30	(b) Rs.81500

(B)ADMISSION OF A PARTNER

Q. 1 Which of the following is not the reconstitution of partnership?

- a) Admission of a partner
- b) Dissolution of Partnership
- c) Change in Profit Sharing Ratio
- d) Retirement of a partner

Q. 2 On the admission of a new partner:

- a) Old partnership is dissolved

- b) Both old partnership and firm are dissolved
- c) Old firm is dissolved
- d) None of the above

Q. 3 Sacrificing ratio is used to distribute----- in case of admission of a partner.

- a) Premium of Goodwill
- b) Revaluation Profit or Loss
- c) Profit and Loss Account (Credit Balance)
- d) Both b and c

Q. 4 . Increase and decrease in the value of assets and liabilities are recorded through

- (A) Profit and loss Account
- (B) Profit and Loss Appropriation account
- (C) Partner's capital Accounts.
- (D) Revaluation Account.

Q. 5 Himanshu and Naman share profits & losses equally. Their capitals were Rs.1,20,000 and Rs. 80,000 respectively. There was also a balance of Rs. 60,000 in General reserve and revaluation gain amounted to Rs. 15,000. They admit friend Ashish with 1/5 share. Ashish brings Rs.90,000 as capital. Calculate the amount of goodwill of the firm.

- a. Rs.1,00,000
- b. Rs. 85,000
- c. Rs.20,000
- d. None of the above

Q. 6 A and B are partners sharing profits in the ratio of 2:1. They admit C in partnership for 25% share of profit. He acquired the share from old partners in the ratio of 3:2. The new profit sharing ratio will be:

- a) 14:31:15
- b) 3:2:1
- c) 31:14:15
- d) 2:3:1

Q. 7. X and Y are partners as per provisions of Indian Partnership Act 1932. On admission of a new partner X for 20% share, a revaluation account is prepared. X claims to have equal share in revaluation profits. Choose the correct accounting treatment.

- a) X's share of revaluation profit is equal
- b) Y's share of revaluation profit is 20%.
- c) X's share of revaluation profit is nil
- d) none of the above.

Q. 8 Heena and Sudha share Profit & Loss equally. Their capitals were Rs.1,20,000 and Rs. 80,000 respectively. There was also a balance of Rs. 60,000 in General reserve and revaluation gain amounted to Rs. 15,000. They admit friend Teena with 1/5 share. Teena brings Rs.90,000 as capital. Calculate the amount of goodwill of the firm.

- a) Rs.85,000
- b) Rs.1,00,000

- c) Rs.20,000
- d) None of the above

Q. 9 At the time of admission of a partner, what will be the effect of the following information? Balance in Workmen compensation reserve ₹40,000. Claim for workmen compensation ₹45,000.

- (A) ₹45,000 Debited to the Partner's capital Accounts.
- (B) ₹40,000 Debited to Revaluation Account.
- (C) ₹5,000 Debited to Revaluation Account.
- (D) ₹5,000 Credited to Revaluation Account.

Q. 10 Which of the following is not true with respect to Admission of a partner?

- a) A new partner can be admitted if it is agreed in the partnership deed.
- b) If all the partners agree, a new partner can be admitted.
- c) A new partner has to bring relatively higher capital as compared to the existing partners
- d) A new partner gets right in the assets of the firm

Q. 11 As per----- , only purchased goodwill can be shown in the Balance Sheet.

- a) AS 37
- b) AS 26
- c) Section 37
- d) AS 37

Q. 12 Revaluation of liabilities at the time of admission of a partner shows a gain in its revaluation process. It indicates that their present value is(i)..... from their(ii).....

- (A) (i) Less (ii) Book Value.
- (B) (i) More (ii) Book Value.
- (C) (i) Less (ii) Fixed Asset
- (D) (i) More (ii) Current Asset.

Q. 13 Daisy and Jasmine were partners in a firm in the ratio 3:1. Their Balance Sheet showed Land & Building at ₹ 3,00,000; Stock at ₹ 1,10,000; Patents ₹ 1,12,000 Debtors at ₹1,02,000 and Creditors at ₹ 80,000. Lily was admitted and new profit-sharing ratio was agreed at 5:4:1. Stock was revalued at ₹ 6,70,000, Patents of ₹ 12,000 becomes useless, Creditors of ₹ 25,000 are not likely to be claimed, Debtors requires a Provision for doubtful debts @ 5%. Daisy's share in profit on revaluation amounted to ₹ 30,000. Revalued value of Land & Building will be:

- (A) ₹ 2,25,000
- (B) ₹ 2,15,000
- (C) ₹ 3,15,000
- (D) ₹ 3,75,000

Q. 14. Meena and Rakesh were partners sharing profits and losses in the ratio of 2:1. On 1st April, 2021 they admitted Zena as a new partner and new ratio was decided as 2:1:1. Goodwill of the firm was valued as ₹4,80,000. Zena couldn't bring any amount for goodwill. Amount of goodwill share to be credited to Meena and Rakesh Account will be: -

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

- Q. 15** At the time of admission of a partner, Employees Provident Fund is:
- Distributed to partners in the old profit sharing ratio
 - Distributed to partners in the new profit sharing ratio
 - Adjusted through gaining ratio
 - None of the above
- Q. 16** If at the time of admission if there is some unrecorded liability, it will be ----- to-----Account.
- Debited, Revaluation
 - Credited, Revaluation
 - Debited, Goodwill
 - Credited, Partners' Capital
- Q. 17** At the time of admission of a new partner, the balance of Workmen Compensation Reserve will be transferred to:
- Old partners in the old profit sharing ratio
 - Sacrificing partners in the sacrificing ratio
 - Revaluation Account
 - All partners in the new profit sharing ratio
- Q. 18** The firm of P, Q and R with profit sharing ratio of 6:3:1, had the balance in General Reserve Account amounting Rs. 1,80,000. S joined as a new partner and the new profit sharing ratio was decided to be 3:3:3:1. Partners decide to keep the General Reserve unchanged in the books of accounts. The effect will be:
- P will be credited by Rs. 54,000
 - P will be debited by Rs. 54,000
 - P will be credited by Rs. 36,000
 - P will be debited by Rs. 36,000
- Q. 19** Which statement is true with respect to AS-26?
- Purchased goodwill can be shown in the Balance Sheet assets side.
 - Revalued goodwill can be shown in the Balance Sheet
 - Both purchased goodwill and revalued can be shown in the Balance Sheet
 - None of the above
- Q. 20** Premium brought by newly admitted partner should be:
- Credited to sacrificing partners
 - Credited to all partners in the new profit sharing ratio
 - Credited to old partners in the old profit sharing ratio
 - Credited to only gaining partners
- Q. 21** Sacrificing ratio is calculated because:
- Profit shown by Revaluation Account can be credited to sacrificing partners
 - Goodwill brought in by the incoming partner can be credited to the new partner
 - Goodwill brought in by the incoming partner can be credited to the sacrificing partners
 - Both a and c
- Q.22** At the time of admission of a partner, what will be the effect of the following information? Balance in Workmen compensation reserve ₹ 2,80,000. Claim for workmen compensation ₹2,20,000.

- (A) ₹ 2,80,000 Debited to the Partner's capital Accounts.
 (B) ₹ 2,20,000 Debited to Revaluation Account.
 (C) ₹ 60,000 Credited to the Partner's capital Accounts.
 (D) ₹ 60,000 Debited to Revaluation Account.

Q. 23 Revaluation Account is a----- Account.

- a) Real
 b) Nominal
 c) Personal
 d) Liability

Q. 24 Match the following:

i.	Sacrificing Ratio	A	Nominal Account
ii.	Gaining Ratio	B	Reconstitution of Partnership
iii.	Revaluation Account	C	New Ratio – Old Ratio
iv.	Admission of a Partner	D	Old Ratio – New Ratio

- a) i- B, ii-C, iii-A, iv-D
 b) i- D, ii-B, iii-A, iv-C
 c) i- D, ii-C, iii-A, iv-B
 d) i- D, ii-C, iii-B, iv-A

Q. 25 Match the following with respect to journal entries for treatment of goodwill.

i.	Incoming partner brings his share of goodwill	A	No Entry
ii.	Incoming partner does not bring his share of goodwill	B	Premium for Goodwill A/c Dr. Incoming Partner's Capital A/c Dr. To Sacrificing Partners Capital A/c
iii.	Incoming partner pays his share of goodwill privately	C	Premium for Goodwill A/c Dr. To Sacrificing Partners Capital A/c
iv.	Incoming partner brings only a part of his share of goodwill	D	Incoming Partner's Capital A/c Dr. To Sacrificing Partners Capital A/c

- a) i- B, ii-C, iii-A, iv-D
 b) i- C, ii-D, iii-A, iv-B
 c) i- D, ii-C, iii-A, iv-B
 d) i- D, ii-C, iii-B, iv-A

26. Distribution of 'General Reserve' at the time of change in profit sharing ratio of existing partners is shared by__(i)_____ whereas in case of admission of a partner it is shared by_(ii)_____.

- (A) (i) Remaining Partners, (ii) All Partners.
 (B) (i) All Partners, (ii) Old partners.
 (C) (i) New Partner, (ii) All partner.
 (D) (i) Sacrificing Partner, (ii) Incoming partner.

27. Amar and Prem are partners in a firm sharing profits and losses in the ratio of 3:1. Balance Sheet (Extract)

Liabilities ₹	Assets ₹
	Land & Building 30,00,000

If the value of Land & Building reflected in the balance sheet is undervalued by $16\frac{4}{6}\%$, find out the value of Land & Building to be shown in the new Balance

Sheet: (A) ₹ 25,00,000

(B) ₹ 36,00,000

(C) ₹ 24,00,000

(D) ₹ 35,00,000

28. Gain / loss on revaluation at the time of change in profit sharing ratio of existing partners is shared by ____ (i) whereas in case of admission of a partner it is shared by (ii) _____.

(A) (i) Remaining Partners, (ii) All Partners.

(B) (i) All Partners, (ii) Old partners.

(C) (i) New Partner, (ii) All partner.

(D) (i) Sacrificing Partner, (ii) Incoming partner.

29. Arun and Vijay are partners in a firm sharing profits and losses in the ratio of 5:1. Balance Sheet (Extract)

Liabilities ₹	Assets ₹
	Machinery 40,000

If the value of machinery reflected in the balance sheet is overvalued by 33 %, find out the value of Machinery to be shown in the new Balance Sheet:

(A) ₹ 44,000 (B) ₹ 48,000 (C) ₹ 32,000 (D) ₹ 30,000

30. At the time of reconstitution of a partnership firm, recording of an unrecorded liability will lead to:

(A) Gain to the existing partners

(B) Loss to the existing partners

(C) Neither gain nor loss to the existing partners

(D) None of the above

31. At the time of reconstitution of a partnership firm, recording of an unrecorded prepaid insurance of Rs. 3,300 will lead to:

(A) Loss to the existing partners

(B) Gain to the existing partners

(C) Neither gain nor loss to the existing partners

(D) None of the above

32. Assertion (A): Revaluation A/c is prepared at the time of Admission of a partner.**Reason (R):** The profit or loss on the revaluation of assets and liabilities, on reconstitution of firm, is related to old partners in their old ratio.

In the context of the above two statements, which of the following is correct?

Codes:

- (A) Both (A) and (R) are correct and (R) is the correct reason of (A).
- (B) Both (A) and (R) are correct but (R) is not the correct reason of (A).
- (C) Only (R) is correct.
- (D) Both (A) and (R) are wrong.

33. Assertion (A): On reconstitution of a firm, 'Interest on Drawings' is shown in P & L Appropriation A/c.

Reason (R): On admission of a partner, 'Interest on Drawings' are charge against the profits.

In the context of the above statements, which one of the following is correct?

Codes:

- (A) (A) is correct, but (R) is wrong.
- (B) Both (A) and (R) are correct.
- (C) (A) is wrong, but (R) is correct.
- (D) Both (A) and (R) are wrong.

34. Assertion: (A) At the time of admission of partners if there is any general reserve, reserve fund or the balance of profit & loss account appearing in the balance sheet, it should be transferred to old partners' capital/current accounts in their old profit sharing ratio.

Reason (R): The general reserve, reserve fund or the balance of profit & loss account are the result of the past profits before the admission of a new partner.

- (A) Both Assertion (A) and Reason (R) are true, and reason (R) is the correct explanation of Assertion (A).
- (B) Both Assertion (A) and the reason (R) are true, but the reason (R) is not the correct explanation Of Assertion
- (C) Assertion (A) is true, but Reason (R) is false.
- (D) Assertion (A) is false, but Reason (R) is True.

35. Assertion (A): At the time of admission of a partner the goodwill already existing in the book of accounts, the goodwill is written off by all partners including new partner.

Reason(R): When goodwill already exists in books at the time of admission, the existing goodwill must be written off by debiting the old partners in their old profit sharing ratio.

- (A) Both Assertion (A) and Reason (R) are true.
- (B) Both Assertion (A) and Reason (R) are false.
- (C) Assertion (A) is true and Reason (R) is false.
- (D) Assertion (A) is false and Reason (R) is true.

36. Assertion: (A) Revaluation A/c is prepared at the time of Admission of a partner.

Reason: (R) : It is required to adjust the values of assets and liabilities at the time of admission of a partner, so that the true financial position of the firm is reflected. In the context of the above two statements, which of the following is correct?

- (A) Both (A) and (R) are correct and (R) is the correct reason of (A).
- (B) Both (A) and (R) are correct but (R) is not the correct reason of (A).
- (C) Only (R) is correct.
- (D) Both (A) and (R) are wrong

(B)ADMISSION OF A PARTNER

Answers:

1. B	2. A	3. A	4. D	5. B	6. C	7.C	8. A
9.C	10. C	11. B	12.A	13.D	14.D	15. D	16.A
17.A	18.A	19.A	20.A	21 C	22 C	23. B	24. C
25. B	26. B	27.D	28.B	29.D	30.B	31.B	32. A
33.A	34.A	35.D	36.A				

CHAPTER NO 3. RETIREMENT / DEATH OF A PARTNER

1. A, B and C are partners in a firm with capital balances of ₹ 50,000 , ₹ 70,000 and ₹ 80,000 respectively on 31st March 2022. A decides to retire from the firm on 31st March 2022. There existed a General Reserve of ₹ 7,500 in the balance sheet on that date. The Goodwill of the firm was valued at ₹ 30,000. Gain on revaluation was ₹ 24,000.

With the help of the information provided, the amount to be paid to A on his retirement will be-

- ₹ 88,500
- ₹ 90,500
- ₹ 63,375
- ₹ 70,500

2. Neetu, Ritu and Priyanka were partners in a firm sharing profit and loss in ratio of 3:2:1. Neetu retired from the firm selling her share of profits to Ritu and Priyanka in the ratio 2:1. The new profit sharing ratio between Ritu and Priyanka will be -

- 3:2
- 17 : 11
- 2: 1
- 19:11

3. In case of retirement, if full or part of the payment amount payable to retiring partner remains to be paid, and there is no agreement among the partners then retiring partner will get :

- Interest @ 6% per annum on the balance amount.
- Share of profit earned proportionate to his amount outstanding to total capital of the firm.
- Interest @ 9% p.a. on the balance amount.

Which of the above statement is correct?

- (i)
- (ii)
- (iii)
- Have a choice to get either (i) or (ii)

4. S, R and M are partners in a firm in the ratio of 5:3:2. As per their partnership agreement the share of deceased partner is to be calculated on the basis of profits and turnover of previous accounting year. R expired on 31st December 2022. Turnover till date of death was ₹18,00,000. Their profits and turnover for the year 2022 -23 amounted to ₹4,00,000 and ₹20,00,000 respectively. An amount of ₹_____ will be given to his executors as his share of profits till the date of death.

- ₹1,28,000
- ₹1,08,000
- ₹1,20,000
- ₹2,20,000

5. Rohit, Virat and Sachin are partners in a firm. Rohit retired from the firm. On his retirement the balance sheet showed a Debit balance of ₹12,000 in the Profit and Loss account. The balance of profit and loss account will be transferred to-

- To the credit of capital accounts of Rohit , Virat and Sachin equally.
- To the debit of the capital accounts of Rohit, Virat and Sachin equally.
- To the debit of capital accounts of Virat and Sachin equally .

- d. To the credit of capital accounts of Virat and Sachin equally .
6. Credit balance of profit and loss account appearing in the balance sheet on date of death of a partner is credited to
- Deceased partner's capital account
 - All partners' capital accounts (including deceased partner's capital account)
 - Remaining partners' capital account
 - None of the above
7. Which of the following is incorrect about retirement of a partner?
- A partner is entitled to his own share of goodwill at the time of his retirement.
 - There is no need to compute the gaining ratio when the continuing partners decide to share profits in the same ratio that existed among them prior to retirement.
 - Existing goodwill will be written off by debiting 'All partners' capital account' in their old ratio and crediting the Goodwill account.
 - New share = Gaining ratio - Old ratio.
8. Some of the items that need to be deducted from the grand total of sums due to the deceased partner's legal heirs include:
- drawings made by the deceased partner.
 - interest on drawing, if provided in the partnership deed.
 - share of losses upon revaluation of Assets and liabilities
 - share in the balance of profit and loss account appearing on the liabilities side of balance sheet
 - advance or loan granted by him to the firm, if any.
- (i), (ii), (iii), (iv)
 - (i), (iii), (iv), (v)
 - (i), (ii), (iii)
 - (i), (ii), (iv)
9. Mona, Reema and Asha are partners in a firm with capital balances of ₹1,00,000, ₹1,40,000 and ₹1,60,000 respectively on 31st March 2022. Mona decides to retire from the firm on 31st March 2022. With the help of the information provided, calculate the amount to be paid to Mona on her retirement. There existed a General Reserve of ₹15,000 in the balance sheet. On that date the Goodwill of the firm was valued at ₹60,000. Gain on revaluation was ₹48,000.
- ₹1,77,000
 - ₹1,81,000
 - ₹1,30,750
 - ₹1,41,000
10. On the death of a partner, Sheila, her share in the profits of the firm ₹42,000 till the date of her death is transferred to the:
- Debit of profit and loss account
 - Credit of profit and loss account
 - Debit of profit and loss suspense account
 - Credit of profit and loss suspense account
11. R, F and T were partners in a firm in the ratio of 5:3:2. As per their partnership agreement, the share of deceased partner is to be calculated on the basis of profit and turnover of previous accounting year. T expired on 31st December 2020. Turnover till date of death was ₹20,00,000. Their profits and turnover for the year 2019-2020 amounted to ₹5,00,000 and ₹25,00,000 respectively. An amount of ₹_____ will be given to his executors as his share of profits till the date of death.
- 1,00,000
 - 80,000
 - 125,000
 - 1,50,000
12. Assertion: New profit sharing ratio of remaining partner is not given
Reason: It will assume that the remaining partner continue to share profit and losses in the new ratio.
- (A) Both Assertion and reason are true and reason is correct explanation of assertion.
(B) Assertion and reason both are true but reason is not the correct explanation of assertion.

- (C) Assertion is true, reason is false.
- (D) Assertion is false, reason is true.

13. Assertion: Gaining Ratio is calculated when a partner Retires or dies.

Reason: Gaining ratio is calculated only by one method.

- (A) Both Assertion and reason are true and reason is correct explanation of assertion.
- (B) Assertion and reason both are true but reason is not the correct explanation of assertion.
- (C) Assertion is true, reason is false.
- (D) Assertion is false, reason is true.

14. Assertion: Retiring partner is entitled to his share of goodwill at the time of retirement.

Reason: Goodwill earned by the firm is result of efforts of all existing partners in the past.

- (A) Both Assertion and reason are true and reason is correct explanation of assertion.
- (B) Assertion and reason both are true but reason is not the correct explanation of assertion.
- (C) Assertion is true, reason is false.
- (D) Assertion is false, reason is true.

15. Assertion: At the time of retirement Revaluation account is prepared.

Reason: Revaluation and Reassessment is made by the method other than Admission of partner.

- (A) Both Assertion and reason are true and reason is correct explanation of assertion.
- (B) Assertion and reason both are true but reason is not the correct explanation of assertion.
- (C) Assertion is true, reason is false.
- (D) Assertion is false, reason is true.

16. Assertion: Retiring partner is entitled to Interest @10 %p.a. till the loan is paid off.

Reason: Instead of Interest he may take that share of profit which has been earned by the firm by the amount due to him.

- (A) Both Assertion and reason are true and reason is correct explanation of assertion.
- (B) Assertion and reason both are true but reason is not the correct explanation of assertion.
- (C) Assertion is true, reason is false.
- (D) Assertion is false, reason is true.

17. Assertion (A): On retirement, the old partnership agreement comes to an end and a new partnership agreement comes into existence between the remaining partners.

Reason (R): Retirement of the partnership leads to the reconstitution of the firm.

- (A) Both Assertion and reason are true and reason is correct explanation of assertion.
- (B) Assertion and reason both are true but reason is not the correct explanation of assertion.
- (C) Assertion is true, reason is false.
- (D) Assertion is false, reason is true.

18. Assertion (A): When goodwill is not appearing in the books, retiring or deceased partner's capital account is to be credited with his share of goodwill and gaining partners' capital accounts are to be debited in gaining ratio.

Reason (R): Goodwill needs to be compensated by the gaining partners in the gaining ratio.

- (A) Both Assertion and reason are true and reason is correct explanation of assertion.
- (B) Assertion and reason both are true but reason is not the correct explanation of assertion.
- (C) Assertion is true, reason is false.
- (D) Assertion is false, reason is true.

19. Assertion (A): Ram, Rahim and Ron share profits in the ratio 2:3:5. Ram decides to retire. The new profit-sharing ratio is 3:5. If the profit earned was Rs1,50,000 before retirement. Rahim's share is Rs 45,000.

Reason (R): The profits are shared in the new profit-sharing ratio.

- (A) Both Assertion and reason are true and reason is correct explanation of assertion.

To B's Capital A/C 30,000

(D) A's Capital A/c Dr. 12000
 C's Capital A/c Dr. 8000
 To B's Capital A/C 20,000

27. Retiring or outgoing partner
- (A) Is liable for firm liabilities
 - (B) Not liable for any liabilities of the firm
 - (C) Is liable for obligation incurred before his retirement
 - (D) Is liable for obligation incurred before and after his retirement.

28. X, Y and Z are partners sharing profit in the ratio of 1:3:2. X retires. On X's retirement goodwill of the firm was valued at ₹1,20,000, the journal entry for treatment of goodwill is

Z's capital a/c.....Dr40,000

To Y's capital a/c	20,000
To X's capital a/c	20,000

Find the new ratio of Y and Z.

- a. 2:3
- b. 1:1
- c. 1:2
- d. 3:2

29. Mayank, Harshit and Rohit are partners in a firm sharing profit and loss in ratio of 5:3:2. Harshit retired And Goodwill of the firm is valued at ₹60,000 . The journal entry for treatment of goodwill is -

Rohit's capital a/c.....Dr24,,000

To Mayank's capital a/c	6,000
To Harshit's capital a/c	18,000

Future share of profit and losses ratio of Mayank and Rohit would be-

- a. 2:3
- b. 1:1
- c. 5:2
- d. 3:2

30. P, Q and R were partners in a firm sharing profit and loss in ratio of 4:5:6. Q retired and the new ratio between P and R is 17 :28. Find the ratio in which P and R took over the share of Q.

- a. 1:3
- b. 1:2
- c. 2:3
- d. 5:3

31. X, Y and Z are partners in a firm sharing profits and losses in the ratio of 2:1:1, Y retires on 31st march, 2011. On that date, there was a balance Rs. 24,000 in general reserve and Rs. 6,000 in profit and loss A/c of the firm. Give Journal entry if general reserve and profit and loss a/c will appear in balance sheet of reconstituted firm.

- a. Y's capital a/c.....Dr 7,500

To X's capital a/c	5,000
To Z's capital a/c	2,500
- b. Y's capital a/c.....Dr 30,000

To X's capital a/c	10,000
To Z's capital a/c	20,000
- c. Z's capital a/c.....Dr 7,500

To X's capital a/c	5,000
To Y's capital a/c	2,500
- d. Z's capital a/c.....Dr 30,000

To X's capital a/c	10,000
To Y's capital a/c	20,000

32. Suman, Ankita, and Sarita are partners in the firm sharing profit and loss in the ratio of 5:3:2. Ankita retires, and her capital stood at ₹3,64,500, after adjustments related to reserves, undistributed profits, and profit on

revaluation. Suman and Sarita decided and agrees to pay Ankita ₹3,80,000 in full settlement of Ankita's claim. Suman and Sarita decided to share their future profit sharing ratio to be 6:4. Ankita's share of Goodwill would be-

- a. ₹15,500
- b. ₹1,550
- c. ₹2,550
- d. ₹25,550

33. A, B and C are partners in a firm. B wants to retire from the firm. The profit on revaluation on that date was ₹36,000 distributed among A, B and C as :A ₹12,000; B ₹16,000; C ₹8,000. The new ratio between A and C is 5:3. Find the old ratio among A, B and C.

- a. 2:3:4
- b. 1:2:3
- c. 4:3:2
- d. 3:4:2

34. A, B and C are partners with profit sharing ratio 4 : 3 : 2. B retires and goodwill was valued ₹1,08,000. If A & C share profits in 5 : 3, find out the goodwill shared by A and C in favour of B.

- (A) ₹22,500 and ₹13,500
- (B) ₹16,500 and ₹19,500
- (C) ₹67,500 and ₹40,500
- (D) ₹19,500 and ₹16,500

35. What treatment is made of accumulated profit and losses in case of Retirement of a partner ?

- a. Credited to all partners' capital account in old ratio.
- b. Debited to all partners' capital account in old ratio.
- c. Credited to all partners' capital account in new ratio.
- d. Credited to all partners' capital account in gaining ratio.

36. According to Partnership Act 1932, interest payable to deceased partner on the amount left by him will be -

- a. 6% p.a.
- b. 10% p.a.
- c. 12% p.a.
- d. 16% p.a.

37. Retiring partner is entitled to goodwill as per ——. .

- (a) his/her share of capital contribution
- (b) Share of premium for goodwill brought at admission to the firm.
- (c) His/her share of profit in firm
- (d) Both (a) and (b)

38. In absence of any information regarding profit sharing ratio in which the remaining partners acquire the share of deceased partner is ——. .

- (a) New profit sharing ratio
- (b) Gaining ratio
- (c) Old profit sharing ratio
- (d) Sacrificing ratio

39. If the firm agrees to settle the retiring/deceased partners account by paying him/her in excess of the amount due to him/her in capital A/c after taking into consideration all adjustment, then it is the case of _____.

- (a) Hidden Goodwill/Goodwill
- (b) Share of accumulated profits
- (c) Share of commission
- (d) Share of interested on capital

40. On retirement/death of a partner, the retiring/deceased partner's capital account will be credited with (a)

- a. Shares of goodwill of remaining partners.
- b. Goodwill of the firm.
- c. His/her share of goodwill.
- d. Profit From Writing Off Goodwill

41. If the firm has agreed to settle the retiring or deceased partner's account by paying him a lump sum amount, then the amount paid to him in excess of what is due to him, based on the balance in his capital account after making necessary adjustments in respect of accumulated profits and losses and revaluation of assets and liabilities, etc., shall be treated as his share of goodwill. This Goodwill can be referred to
- Hidden Goodwill
 - Inherent Goodwill
 - Combined Goodwill
 - Investment
42. After the death of an existing partner, shares of remaining partner will
- Remains Same
 - Increase
 - Decrease
 - All of these.
43. Which of the following is Incorrect?
- For increase in the amount of liabilities, Revaluation A/c Is Debited
 - For an unrecorded liability, Revaluation A/c Is Debited
 - For transfer of accumulated losses, Profit and loss A/c's Is Debited
 - For increase in the value of assets, Assets A/c Is Debited
44. Section 37 of the Indian Partnership Act, 1932 is applicable, which states that the outgoing partner has an option to receive either interest @ _____ till the date of payment or such share of profits which has been earned with his/her money
- 6 % p.a.
 - 18 % p.a.
 - 12.5 % p.a.
 - 12 % p.a.
45. The problem of calculating gaining ratio arises primarily when the _____ of the continuing partners is specified
- Gain ratio
 - Sacrifice Ratio
 - Old Profit-sharing ratio
 - New profit-sharing ratio
46. The following deductions, if any, may have to be made from Retiring Partners
- His Share his share of accumulated losses
 - His share of loss on revaluation of assets and liabilities
 - His share of loss up to the date of retirement/death
 - All of the above

Read the hypothetical situation as under and answer the question no.47 and 48-

Mohit, Neeraj and Sohan are partners in a firm sharing profits in the ratio of 2 : 1 : 1. Neeraj retires and Mohit and Sohan decided that the capital of the new firm will be fixed at Rs. 1,20,000. The capital accounts of Mohit and Sohan show a credit balance of Rs. 82,000 and Rs. 41,000 respectively after making all the adjustments.

47. The actual cash to be paid off or to be brought in by the continuing partners will be-
- Mohan Sohan will be paid off Rs. 1,000 and Rs. 2,000 respectively
 - Mohan Sohan will bring in off Rs. 1,000 and Rs. 2,000 respectively
 - Mohan Sohan will be paid off Rs. 2,000 and Rs. 1,000 respectively
 - Mohan Sohan will bring in off Rs. 2,000 and Rs. 1,000 respectively

48. Journal entry for the above situation would be-

- a. Mohit's Capital A/c Dr. 1,000
Sohan's Capital A/c Dr. 2,000
 To Cash A/c 3,000
- b. Cash A/c.....Dr 3,000
 To Mohit's Capital A/c 1,000
 To Sohan's Capital A/c 2,000
- c. Cash A/c.....Dr 3,000
 To Mohit's Capital A/c 2,000
 To Sohan's Capital A/c 1,000
- d. Mohit's Capital A/c Dr. 2,000
Sohan's Capital A/c Dr. 1,000
 To Cash A/c 3,000

Read the hypothetical situation as under and answer the question no.49 to 50-

Asha, Deepa and Lata are partners in a firm sharing profits in the ratio of 3 : 2 : 1. Deepa retires. After making all adjustments relating to revaluation, goodwill and accumulated profit etc., the capital accounts of Asha and Lata showed a credit balance of Rs. 1,60,000 and Rs. 80,000 respectively. It was decided to adjust the capitals of Asha and Lata in their new profit sharing ratio.

49. The new capitals of the partners will be-

- a. Asha's new capital= 1,80,000 and Lata's new capital= 60,000
b. Asha's new capital= 1,20,000 and Lata's new capital= 1,20,000
c. Asha's new capital= 60,000 and Lata's new capital= 1,80,000
d. Asha's new capital= 1,60,000 and Lata's new capital= 20,000

50. In order to maintain new capital partners will bring in or withdraw the amount would be-

- a. Asha will bring in 20,000 and Lata will withdraw 20,000
b. Asha will withdraw in 20,000 and Lata will bring in 20,000
c. Asha will bring in 10,000 and Lata will withdraw 10,000
d. Asha will withdraw 10,000 and Lata will bring 10,000

51. Amla Bimla and Kavita are partners in a firm for sharing profit and loss in ratio of 4:3:1. Bimla retires and gives her share of profit to Amla for Rs.3600 and to Kavita for Rs.3000. The gaining ratio of Amla and Kavita will be-

- a. 4:5
b. 2:1
c. 6:5
d. 2:3

CHAPTER NO 3. RETIREMENT / DEATH OF A PARTNER

ANSWERS

QNo	Ans	QNo	Ans
1	D	26	B
2	C	27	C
3	A	28	C
4	B	29	A
5	B	30	B
6	B	31	A
7	D	32	A
8	C	33	D
9	D	34	D
10	C	35	A
11	B	36	A
12	A	37	C
13	C	38	C
14	A	39	A
15	C	40	C
16	D	41	A
17	A	42	B
18	A	43	C
19	C	44	A
20	B	45	D
21	C	46	D
22	A	47	C
23	A	48	D
24	C	49	A
25	A	50	A
		51	C

CHAPTER NO 4. DISSOLUTION OF PARTNERSHIP FIRM

- Assertion (A): At the time of Dissolution of Partnership Firm, The amount received from realisation of all the assets of the firm is used first of all to pay the external liabilities of the firm
Reason (R): As per the Partnership Act, outside liability should be paid first of all at the time of dissolution of partnership firm.
(A) Both Assertion and reason are true and reason is correct explanation of assertion.
(B) Assertion and reason both are true but reason is not the correct explanation of assertion.
(C) Assertion is true, reason is false.
(D) Assertion is false, reason is true.
- Assertion (A): On the dissolution of a firm the cash-in-hand is not transferred to Realisation Account
Reason (R): Realisation Account is Real Account.
(A) Both Assertion and reason are true and reason is correct explanation of assertion.
(B) Assertion and reason both are true but reason is not the correct explanation of assertion.
(C) Assertion is true, reason is false.
(D) Assertion is false, reason is true.

3. Assertion (A): A partnership firm is deemed to be dissolved at the time of retirement of a Partnership firm.
Reason (R): Partnership firm lacks stability.
- Both Assertion and reason are true and reason is correct explanation of assertion.
 - Assertion and reason both are true but reason is not the correct explanation of assertion.
 - Assertion is true, reason is false.
 - Assertion is false, reason is true.
4. Assertion (A) : Dissolution expenses paid by the firm on behalf of a partner is recorded on the debit side of realisation account.
Reason (R) : Such expenses are a Non-business expense.
- Both Assertion and reason are true and reason is correct explanation of assertion.
 - Assertion and reason both are true but reason is not the correct explanation of assertion.
 - Assertion is true, reason is false.
 - Assertion is false, reason is true.
5. Assertion (A) : A firm is dissolved compulsorily when all the partners or all but one partner, become insolvent.
Reason (R) : Dissolution of partnership and dissolution of firm both are the same.
- Both Assertion and reason are true and reason is correct explanation of assertion.
 - Assertion and reason both are true but reason is not the correct explanation of assertion.
 - Assertion is true, reason is false.
 - Assertion is false, reason is true.
6. Assertion (A) : On dissolution of firm, partners loan is transferred to realization account.
Reason (R) : Partners loan is an internal liability.
- Both Assertion and reason are true and reason is correct explanation of assertion.
 - Assertion and reason both are true but reason is not the correct explanation of assertion.
 - Assertion is true, reason is false.
 - Assertion is false, reason is true.
7. Assertion (A) : Realisation account is prepared at the time of dissolution of partnership.
Reason (R) : Realisation account records the cash release from sale of assets and amount paid to external liabilities.
- Both Assertion and reason are true and reason is correct explanation of assertion.
 - Assertion and reason both are true but reason is not the correct explanation of assertion.
 - Assertion is true, reason is false.
 - Assertion is false, reason is true.
8. The court may not order a partnership firm to be dissolved on any of the following grounds:
- when a partner becomes insane;
 - when a partner becomes permanently incapable of performing his duties as a partner;
 - by the death of a partner;
 - when a partner persistently commits breach of partnership agreement.
9. If a partner who is a citizen of a country becomes an alien enemy because of the declaration of war with his country and India. Under this situation dissolution of a firm takes place in following ways-
- Dissolution by Agreement
 - Compulsory Dissolution
 - Dissolution by Notice:
 - Dissolution by Court

10. A, B, C and D are partners in a firm. They decided to dissolve the firm. On dissolution C has Dr balance in his capital a/c. it should be paid first
- out of profits,
 - out of capital of partners, and
 - by the partners individually in their profit sharing ratio.
 - Out of drawings
11. There was an Unrecorded asset of Rs.3,000 which was taken over by a partner by at 2,500. Partner's Capital Account will be debited by.....
- Rs.2,000
 - Rs.2,500
 - Rs.500
 - Rs.3,500
12. In the Balance Sheet Total Debtors appear at Rs.50,000 and Provision for Doubtful Debts appear at Rs.1,500. How much amount will be realised from Debtors, if bad debts amount to Rs.10,000 and remaining debtors are realised at a discount of 5%.
- Rs.38,000
 - Rs.36,500
 - Rs.36,575
 - Rs.39,500
13. Nayana and Arushi were partners sharing profits equally. The book value of stock on date of dissolution was Rs. 35,000. Nayana took over 50% of the stock at 10% less on its book value, and the remaining stock was sold at a gain of 15%. Journal entry for taking over of assets will be-
- Nayana's Current A/c Dr. 15,750
 To Realisation A/c 15,750
 - Realisation A/c Dr. 15,750
 To Nayana's Current A/c 15,750
 - Nayana's Current A/c Dr. 17,550
 To Realisation A/c 17,550
 - Realisation A/c Dr. 17,550
 To Nayana's Current A/c 17,550
14. An old typewriter not recorded in the books was taken over by Bharat for Rs. 600. Journal entry for the transaction will be-
- Typewriter a/c....dr 600
 To realization a/c 600
 - Realisation a/c...dr 600
 To Cash a/c 600
 - Bharat's capital a/c ...dr 600
 To Realisation a/c 600
 - Realization a/c.. dr 600
 To Bharat's capital a/c 600
15. In case of dissolution of a firm, total creditors of the firm were Rs. 40,000 ; creditors worth Rs. 10,000 were given a piece of furniture costing Rs. 8,000 in full and final settlement . remaining creditors allowed a discount of 10%. What will be the amount with which cash account will be credited in the realization account for payment to creditors:
- 28,000
 - 27,000
 - 25,000

- d. 20,000
16. On dissolution of the firm all assets are transferred to realisation account at
- Book value
 - Market value
 - Cost value
 - Book value or market value whichever is less
17. In case of dissolution of a firm one of the partner A was paid only ₹5000 for his loan to the firm which amounted to ₹5500. ₹ 500 will be recorded in which account and on which side
- Realisation account credit side
 - Realisation account debit side
 - Loan account debit sided.
 - A's capital account credit side
18. On dissolution of a firm fictitious assets are transferred to
- Credit side of partners capital account
 - Debit side of realisation account
 - Debit side of partners capital account
 - Credit side of realisation account
19. On dissolution of a firm partners' capital accounts balance was ₹63,000 ;creditors balance was ₹12000 and profit and loss account debit balance was ₹6000. Profit on realisation of assets was ₹7800. Total amount realised from assets was:
- ₹81,000
 - ₹76,800
 - ₹70,800
 - ₹72,000
20. On a firm's dissolution Debtors as shown in balance sheet were ₹17,000 out of these ₹2000 became bad. One debtor of ₹6000 became insolvent and 40% could be recovered from him. Full recovery was made from the balance debtors. The amount received from debtors and the journal entry would be-
- Cash a/c....Dr11,400
To Realisation a/c 11,400
 - Realisation a/c...Dr 11,400
To Cash a/c 11,400
 - Debtor A/c...Dr 12,400
To Realisation a/c 12,400
 - Realization a/c...Dr 12,400
To Debtor a/c 12,400
21. All partners in a firm wish to dissolve the firm. Yasmin a partner wants that her loan of ₹2,00,000 must be paid off before the payment to capitals to the partners but Amrita another partner wants that the capital must be paid before the payment of yasmin's loan. Which of the following reason is correct to settle the conflict among the partners?
- Yasmin claim is not valid, as according to section 48 amount of partners capital account should be paid before partners loan account.
 - Yasmin claim is valid as according to section 48 of partnership act partners loan are to be paid before any amount is paid to partners on account of their capital.
 - As per Section 49 Property of the firm shall be applied first in payment of debts of the firm and then the surplus is to be divided among partners as per their claim.

- d. As per section 49 loan and capital can be paid proportionately.
22. On dissolution of a firm Kamal's capital account shows a debit balance. His share of profit on realisation is ₹11,000. He has taken over firms creditors at ₹9000. Final payment to Kamal was ₹4000. The balance in Kamal's capital account on dissolution of the firm would be-
- ₹13000
 - ₹14000
 - ₹15000
 - ₹16000
23. At the time of dissolution of a firm, Creditors are 70000 rupees; firm's capital is 120000; rupees Cash balance is 10000. rupees Other assets realised 150000 rupees. Gain or loss in the realisation account will be-
- 30000 rupees (gain)
 - 40000 rupees (gain)
 - 40000 rupees (loss)
 - 30000 rupees (loss)
24. Nirmala, Devi and Sonia are partners in a firm sharing profit and losses in the 3:4:3. Books were closed on 31st March every year. Sonia died on 1st February, 2022. As per the partnership deed Sonia's executors are entitled to her share of profit till the date of death on the basis of sales turnover. Sales for the year ended 31st March 2021 was 10,00,000 and profit for the same year was 1,20,000 rupees. Sales show a positive trend of 20% and percentage of profit earning is reduced by 2%. Sonia's share of profit till the date of her death would be-
- 20,000
 - 25,000
 - 30,000
 - 35,000
25. On the basis of the following data, how much final payment will be made to a partner on firm's dissolution? Credit balance of capital account of the partner was 50,000 . Share of loss on realisation amounted to 10,000 . Firm's liability taken over by him was for 8,000 .
- 32000
 - 48000
 - 40000
 - 52000
26. Investments of 2,00,000 were not shown in the books. At the time of dissolution, one of the creditors took these investments in full settlement of his debt of 2,20,000. How much amount will be payable to that creditor
- 20,000
 - 2,20000
 - 4,20,000
 - Nil
27. The balance sheet at the time of dissolution of firm depicts debtors of 80,000 and provision for doubtful debts of 10,000. If debtors became bad of 5,000 and rest of debtors realised at a discount of 6%, then the amount realised from debtors will be:
- 73,900
 - 74,500
 - 75,200
 - 70,500
28. What final payment to a partner on firm's dissolution will be made on the basis of following information. Debit balance of his capital account 7,000, Share of profit on realisation 21,500, Firm's assets taken by him for 8,500.

- a. 15,500
- b. 14,500
- c. 6,000
- d. 30,000

29. The firm paid realisation expenses of 20,000 on behalf of Rahul, a partner with whom it was agreed at 50,000. Realisation expenses came to 70,000. Realisation account will be debited by -

- a. 20,000
- b. 70,000
- c. 50,000
- d. 1,40,000

30. Realisation expenses of 15,000 were paid by firm on behalf of Vikas, a partner. Which of the following journal entry will be passed?

- a. Realisation accountDr 15,000
To cash account 15,000
- b. Realisation accountDr 15,000
To Vikas's capital account 15,000
- c. Vikas's capital account.....Dr15,000
To cash account 15000
- d. Vikas's capital account.....Dr15,000
To Realisation account 15000

31. Identify the correct sequence of order of payment of the following in case of dissolution of firm.

- i) to each partner proportionately what is due to him/her from the firm for advances as distinguished from capital
- ii) to each partner proportionately what is due to him on account of capital;
- iii) and for the debts of the firm to the third parties.

- a. i), ii), iii)
- b. ii), i), iii)
- c. iii), ii), i)
- d. iii), i), ii)

32. On dissolution of the firm Goodwill is transferred to-

- a. Realisation account
- b. Partners' capital accounts in profit sharing ratio
- c. Partners' capital account in capital ratio
- d. Cash account

33. Raj, Shekhar and Ratan were partners sharing profits equally. At the time of dissolution of the firm Raj's loan to the firm will be-

- a. Credited to Raj's capital account
- b. Debited to realisation account
- c. Credited to realisation account
- d. Credited to bank account

34. A, B and C were partners in a firm sharing profit and losses in the ratio of 1:4:5. On 31st March 2022 the firm was dissolved and on that date the balance sheet of the firm showed a loan of 1,00,000 given by B's brother G. B agreed to pay his brother's loan. Which of the following is correct treatment on the dissolution of the firm?

- a. Debit realisation account and credit B's capital account
- b. Debit Realisation account and credit G's capital account
- c. Debit B's capital account and credit realisation account
- d. Debit G's capital account and credit realisation account

35. At time of dissolution furniture worth 80,000 was taken by a partner, Shiva at 40,000. Which of the following journal entry is correct?

- a. Shiva's capital account.....Dr 80,000
To Realisation account 80,000
- b. Realisation account.....Dr 80,000
To Shiva's capital account 80,000

- c. Shiva's capital account.....Dr 40,000
 To Realisation account 40,000
- d. Shiva's capital account.....Dr 40,000
 To Bank account 40,000

36. Which of the following is incorrect about dissolution of partnership firm?

- a. In case of dissolution of a firm, firm's debts to third parties are to be paid first.
 b. When a liability is to be discharged by a partner, his capital account is credited because the amount of liability discharged will increase the claim of the partner against the firm.
 c. Realisation account is a real account.
 d. Private debts means the debt owed by the partner from other person personally.

37. On the day of dissolution of the firm 'Singh & Sons had partner's capital amounting to ₹1,50,000 , external liabilities ₹35,000, Cash balance ₹8,000 and P & L A/c(Dr.) ₹7,000. If Realisation expense and loss on Realisation amounted to ₹5,000 and ₹25,000 respectively, the amount realised by sale of assets is:

- a) ₹1,64,000
 b) ₹1,45,000
 c) ₹1,57,000
 d) ₹1,50,000

38. At the time of dissolution of a firm, Creditors are ₹ 70,000; Firm's Capital is ₹ 1,20,000; Cash Balance is ₹ 10,000. Other assets realised ₹ 1,50,000. Gain/Loss in the realisation account will be:

- a) ₹ 30,000 (Gain)
 b) ₹ 40,000 (Gain)
 c) ₹ 40,000 (Loss)
 d) ₹ 30,000 (Loss)

39. Hariharan, Heema and Harita were partners with fixed capitals of ₹3,00,000, ₹ 2,00,000 & ₹ 1,00,000 respectively. They shared profits in the ratio of their fixed capitals. Harita died on 31st May, 2020, whereas the firm closes its books of accounts on 31st March every year. According to their partnership deed, Harita's representatives would be entitled to get share in the interim profits of the firm on the basis of sales. Sales and profit for the year 2019-20 amounted to ₹8,00,000 and ₹2,40,000 respectively and sales from 1st April, 2020 to 31st May 2020 amounted to ₹ 1,50,000. The rate of profit to sales remained constant during these two years. Harita's share in profit at time of her death would be-

- a. 7,500
 b. 6,000
 c. 6,500
 d. 8,000

40. Karan, a partner, was appointed to look after the process of dissolution at a remuneration of Rs. 12,000 and he had to bear the dissolution expenses. Dissolution expenses Rs. 11,000 were paid by Karan. Journal entry for this transaction would be-

- a. Realisation A/C..... Dr. 12,000
 To Karan's Capital A/C 12,000
- b. Realisation A/C..... Dr. 11,000
 To Karan's Capital A/C 11,000
- c. Karan's Capital A/C.....Dr 12,000
 To Realisation a/c 12,000
- d. no entry

41. On the day of dissolution of the firm 'Anuvi sons' had partner's capital amounting to ₹1,50,000 , external liabilities ₹30,000, the amount realised by sale of assets is 1,40,000 and P&LA/c(Dr.) ₹5,000. If Realisation expense and loss on Realisation amounted to ₹3,000 and ₹20,000 respectively, Cash balance is:

- a. ₹28,000
 b. ₹32,000
 c. ₹18,000

d. ₹35,000

42. Assertion (A): A loan from a partner is transferred to realisation account.

Reason (R): A loan from a partner is not an internal liability but is discharged before repayment of capital.

Options:

a. Assertion (A) and Reason (R) are correct but the Reason (R) is not the correct explanation of Assertion (A).

b. Both Assertion (A) and Reason (R) are correct and Reason (R) is the correct explanation of Assertion (A).

c. Only Assertion (A) is correct.

d. Both Assertion (A) and Reason (R) are not correct.

43. Assertion (A): Balance at banks is transferred to realisation account

Reason (R): Balance at bank is not to be realised but instead distributed in its present form.

Options:

a. Assertion (A) and Reason (R) are correct but the Reason (R) is not the correct explanation of Assertion (A).

b. Both Assertion (A) and Reason (R) are correct and Reason (R) is the correct explanation of Assertion (A).

c. Only Assertion (A) is correct.

d. Both Assertion (A) and Reason (R) are not correct.

44. Assertion (A): The partner's private property can be applied to pay the firm's Debt.

Reason (R): In a partnership firm partners have unlimited liability.

Options:

a. Assertion (A) and Reason (R) are correct but the Reason (R) is not the correct explanation of Assertion (A).

b. Both Assertion (A) and Reason (R) are correct and Reason (R) is the correct explanation of Assertion (A).

c. Only Assertion (A) is correct.

d. Both Assertion (A) and Reason (R) are not correct.

45. When creditor accepts an asset whose value is more than the amount due to him, he will pay the excess amount which will be - _____ to the realisation account.

a. Credited to Realisation a/c

b. Debited to Realisation a/c

c. No entry is passed

d. Either debited or credited to Realisation a/c

46. Realisation expenses Rs.2,300 borne by a partner, Tarun, personally.

Journal entry would be-

a. Tarun's capital a/c.....Dr.2,300
To Realisation a/c 2,300

b. Realisation a/c.....Dr. 2,300
To Tarun's capital a/c 2,300

c. No entry

d. Realisation a/c.....Dr. 2,300
To Cash a/c 2,300

47. Amit, a partner was appointed to realise the assets, at a cost of Rs.4,000. The actual amount of realisation expenses amounted to Rs.3,000. Journal entry for this would be-

a. Realisation a/c.....Dr3,000
To Amit's capital A/c 3,000

b. Realisation a/c.....Dr4,000
To Amit's capital A/c 4,000

c. Amit's capital A/c.....Dr3,000
To Realisation A/c 3,000

d. Amit's capital A/c.....Dr4,000
To Realisation A/c 4,000

Read the following hypothetical situation, answer question no. 48 to 50.

The firm of Manjeet, Sujeet and Jagjeet was dissolved on 31st March, 2018. It was agreed that Sujeet will take care of the dissolution related activities and will get 10% of the value of assets realised, Sujeet agreed to bear the realisation expenses. Assets realised ₹ 10,00,750 and realisation expenses were ₹ 90,000, which were paid from the firm's cash. ₹ 4,50,000 were paid to the creditors in full settlement of their claim.

Journal entries for the above transactions in the books of the firm.

(i) _____ 1 _____ a/c...Dr 1,00,025
 To _____ 2 _____ a/c 1,00,025
 (Being 10% of asset realised is given to Sujit for dissolution activities)

(ii) _____ 1 _____ a/c...Dr 10,00,750
 To _____ 2 _____ a/c 10,00,750
 (Being asset realised)

(iii) _____ 1 _____ a/c...Dr 90,000
 To _____ 2 _____ a/c 90,000
 (Being realisation expenses Paid)

48. For journal entry (i) Account be reflected in 1 and 2 respectively will be-

- a. Sujeet's capital a/c and Realisation a/c
- b. Realisation a/c and Sujeet's capital a/c
- c. Assets a/c and Sujit's capital a/c
- d. Sujeet's capital a/c and Cash a/c

49. For journal entry (ii) Account be reflected in 1 and 2 respectively will be-

- a. Cash a/c and Asset a/c
- b. Asset a/c and Cash a/c
- c. Realisation a/c and Cash a/c
- d. Cash a/c and Realisation a/c

50. For journal entry (iii) Account be reflected in 1 and 2 respectively will be-

- a. Realisation a/c and Cash a/c
- b. Realisation a/c and Sujit's capital a/c
- c. Sujit's capital a/c and Realisation a/c
- d. Sujit's capital a/c and Cash a/c

CHAPTER 4 DISSOLUTION OF PARTNERSHIP FIRM

ANSWERS

QNo	Ans	QNo	Ans
1	A	26	D
2	C	27	D
3	D	28	C
4	D	29	C
5	C	30	C
6	D	31	D
7	D	32	A
8	C	33	D
9	B	34	A
10	A	35	C
11	B	36	C
12	A	37	D
13	A	38	D
14	C	39	A
15	B	40	D
16	A	41	C

17	A		42	B
18	C		43	D
19	B		44	B
20	A		45	A
21	B		46	C
22	D		47	B
23	D		48	B
24	C		49	D
25	B		50	D

CHAPTER 5 . ACCOUNTING FOR SHARE CAPITAL

1. Assertion (A): Reserve Capital and Capital Reserve are synonymous terms, i.e., they mean the same.

Reason (R): Reserve Capital is the capital which the company resolves to call on its winding up. Capital Reserve is a reserve to which capital profits are transferred.

In the context of above two statements, which of the following is correct?

(a) Assertion (A) and Reason (R) are correct but the Reason (R) is not the correct explanation of Assertion (A).

(b) Both Assertion (A) and Reason (R) are correct and Reason (R) is the correct explanation of Assertion (A).

(c) Both Assertion (A) and Reason (R) are not correct.

(d) Assertion (A) is not correct but the Reason (R) is correct.

2. Assertion (A): Shares cannot be allotted unless minimum subscription is received.

Reason (R): SEBI has prescribed that a company issuing shares to public cannot allot shares unless it receives subscription of 90% of the shares issued.

In the context of above two statements, which of the following is correct?

(a) Assertion (A) and Reason (R) are correct but the Reason (R) is not the correct explanation of Assertion (A).

(b) Both Assertion (A) and Reason (R) are correct and Reason (R) is the correct explanation of Assertion (A).

(c) Only Assertion (A) is correct.

(d) Both Assertion (A) and Reason (R) are not correct.

3. Assertion (A): Premium received on issue of shares is credited to Securities Premium.

Reason (R): Securities Premium Account is a reserve hence, may be credited to General Reserve.

In the context of above two statements, which of the following is correct?

(a) Assertion (A) and Reason (R) are correct but the Reason (R) is not the correct explanation of Assertion (A).

(b) Both Assertion (A) and Reason (R) are correct and Reason (R) is the correct explanation of Assertion (A).

(c) Only Assertion (A) is correct.

(d) Assertion (A) is not correct but the Reason (R) is correct.

4. Assertion (A): Securities Premium can be used for issue of Partly Paid Bonus Shares.

Reason (R): The Companies Act, 2013 prescribes that Securities Premium Account can be used for issue of Fully paid-up or partly paid-up Bonus Shares.

In the context of above two statements, which of the following is correct?

(a) Assertion (A) and Reason (R) are correct but the Reason (R) is not the correct explanation of Assertion (A).

(b) Both Assertion (A) and Reason (R) are correct and Reason (R) is the correct explanation of Assertion (A).

(c) Only Assertion (A) is correct.

(d) Both Assertion (A) and Reason (R) are not correct.

5. Assertion (A): Shares may be forfeited, i.e., cancelled if the shareholder or shareholders do not pay the allotment money and/or calls money by the due date.

Reason (R): By subscribing the shares, the applicant agrees to pay the amount on the shares as per the terms of issue. If the amount is not paid, it is a breach of agreement and the company may forfeit the shares following the process of law.

in the context of above two statements, which of the following is correct?

- (a) Assertion (A) and Reason (R) are correct but the Reason (R) is not the correct explanation of Assertion (A).
- (b) Both Assertion (A) and Reason (R) are correct and Reason (R) is the correct explanation of Assertion (A).
- (c) Only Assertion (A) is correct.
- (d) Assertion (A) is not correct but the Reason (R) is correct.

6. Assertion (A): In case of shares issued on Pro-rata basis, excess money received at the time of application can be utilized till allotment only.

Reason (R): Company has to pay interest on calls in advance for amount adjusted towards call (if any).

Codes:

- (a) Both (A) & (R) are true, but (R) is not the correct explanation of (A),
- (b) Both (A) & (R) are true, but (R) is the correct explanation of (A).
- (c) Both (A) & (R) are false.
- (d) (A) is false, but (R) is true.

7. Assertion (A): X Ltd. issued 50,000 Equity shares of 100 each. It received the full amount on shares except first & final of 25 on 200 shares. These 200 shares will be shown as 'Subscribed but not fully paid Capital'.

Reason (R): The shares on which calls are in arrears are not fully paid. Hence, they will be shown as Subscribed but not fully paid Capital'

Codes:

- (a) Both (A) & (R) are correct and (R) is the correct reason of (A).
- (b) Both (A) & (R) are correct but (R) is not the correct reason of (A).
- (c) Only (R) is correct.
- (d) Both (A) and (R) are wrong.

8. Forfeited amount is credited to

- (a) Share premium
- (b) Share capital
- (c) Forfeited shares
- (d) None of these

9. The maximum amount with which the company is registered is called.

- (a) Authorized Share Capital
- (c) Paid up capital
- (b) Issued Share Capital
- (d) Called up capital

10. When shares are issued at premium amount of premium will be credited to

- (a) Securities premium account
- (c) Share allotment account
- (b) Share first call account

(d) Share forfeited account

11. Minimum number of members in case of public company is

- (a) 4
- (c) 6
- (b) 5
- (d) 7

12. Maximum number of members in public limited company is

- (a) 10
- (b) 20
- (c) 50
- (d) unlimited

13. Premium on issue of shares can be used for

- (a) distribution of dividend
- (b) writing of capital losses
- (c) transferring to general reserve
- (d) paying fees to directors

14. Share allotment account is a

- a) personal account
- b) Nominal account
- c) Real account
- d) Impersonal account

15. A company forfeited 3,000 shares of 10 each (which were issued at par) held by Kishore for non-payment of allotment money of ₹5 per share. The called up value per share was 8 on forfeiture, the amount debited to share capital -

- (a) 30,000
- (b) 24,000
- (c) 15,000
- (d) ₹6,000

16. Z limited issued shares of Rs.100 each at a premium of 10%. Premium is to be adjusted with allotment. Mr. Q holding 500 shares paid Rs.20 on application but did not pay the allotment money of Rs.40. If the company forfeited his 30% shares immediately after allotment, the share forfeiture account will be credited by-

- (a) 4,500
- (b) 13,500
- (c) 1650
- (d) 3,000

17. Mithas Limited was formed with share capital of 50,00,000 divided into 50,000 shares of 100 each. 9,000 shares were issued to the vendor as fully paid for purchase consideration of a furniture acquired. 30,000 shares were allotted in payment of cash on which 70 per share was called and paid. State the amount of subscribed capital.

- (a) 50,00,000
- (b) 30,50,000
- (c) 30,00,000
- (d) 1,20,00,000

18. Assertion (A): Calls in arrears are deducted from Subscribed but not fully paid Capital.

Reason (R): Calls in advance are added to Subscribed but not fully paid Capital.

Codes:

- (a) Both (A) & (R) are correct and (R) is the correct reason of (A).
- (b) Both (A) & (R) are correct but (R) is not the correct reason of (A).
- (c) Only (A) is correct.
- (d) Both (A) and (R) are wrong.

19. Assertion (A): Forfeited shares may be reissued by the company at a discount also.

Reason (R): Amount of discount on reissue of forfeited shares cannot exceed the amount forfeited on reissued shares.

Codes:

- (a) Both (A) & (R) are correct and (R) is the correct reason of (A).
- (b) Both (A) & (R) are correct but (R) is not the correct reason of (A).
- (c) Only (R) is correct.
- (d) Both (A) and (R) are wrong

20. Assertion (A): Issued Share Capital & Subscribed, Share Capital are always different.

Reason (R): Subscribed Share Capital is a part of Issued Share Capital. Thus, it will always be different from Issued Share Capital.

Codes:

- (a) Both (A) & (R) are correct and (R) is the correct reason of (A)
- (b) Both (A) & (R) are correct but (R) is not the correct reason of (A)
- (c) Both (A) & (R) are incorrect.
- (d) (A) is correct but (R) is incorrect.

21. What will be the journal entry for the money received on application for shares?

- (a) Bank A/c Dr. To Share Application A/c
- (b) Share application A/c Dr. To Bank A/c
- (c) Both (1) and (2)
- (d) None of the above

22. If the no. of application received are equals to the no. of shares to be issued, than this situation is called

- (a) Under subscription
- (b) Over subscription
- (c) Full subscription
- (d) None of above

23. The money received on rejected applications should be fully returned to the applicant within how many days of the date or issue of prospectus?

- (a) 120 Days
- (c) 130 Days
- (b) 140 Days
- (d) 100 Days

24. The amount on any call should not exceed Upto how much % of the face value of shares?

- (a) 25% (b) 15%
- (c) 20% (d) 45%

25. What will be the time interval between the making of two calls from the shareholders of the company?

- (a) Two months
- (b) Three month
- (c) One month
- (d) None of the above

26. While issuing the share capital for public subscription the minimum amount of application money should be at least upto how much % the face value of the share?

- (a) 10%
- (b) 25%
- (c) 5%
- (d) 7%

27. When any shareholder fails to pay the amount due on allotment or on any of the calls, such amount is known as.....?

- (a) Calls-in-Arrears
- (b) Unpaid Calls.
- (c) Both A and B
- (d) None of the above

28. Calls in-Arrears represents which kind of balance of all the calls account and are shown as deduction from the paid-up capital on the Side of the balance sheet.

- (a) Debit balance. Asset side
- (b) Credit balance, liability side
- (c) Debit balance, liability side

(d) Credit balance, Asset side

29. Some shareholders pay a part or the whole of the amount of the calls not yet made. The amount so received from the shareholders is known as.....?

(a) Calls in advance

(b) Calls in arrears

(c) Both (a) and (b)

(d) None of the above

30. Under which of the following heading at liabilities side of the company's balance sheet. the balance in 'Calls-in-Advance' account is shown?

(a) Share capital

(b) Reserve and surplus

(c) Money received against share warrants

(d) None of the above

31. What is the rate of interest on calls in advance if article of association of the company is silent?

(a) 6%

(b) 20%

(c) 12%

(d) 15%

32. When applications for more shares of a company are received than the number of shares offered to the public for subscription it is called.....?

(a) Under subscription

(b) Over subscription

(c) Both (1) and (2)

(d) None of the above

33. In case of "over subscription" the director of the company has the power to deal the situation in which of the following manner?

(a) Acceptance in full and totally reject the others

(b) Pro-rata allotment

(c) Combination of both (1) and (2)

(d) All of the above

34. What the director can do in the case of pro- rata allotment for the excess amount received is more than the amount due on allotment of shares?

(a) Refunded

(b) Credited to Calls in advance

(c) Both (1) and (2)

(d) None of the above

35. Where number of shares applied for Subscription is less than the number for which applications have been invited for subscription this situation is called?

- (a) Under subscription
- (b) Over subscription
- (c) Both (1) and (2)
- (d) None of the above

36. When Company issues its shares at an amount more than the nominal or par value of shares. This situation is known as.....?

- (a) Shares issued at par
- (b) Shares issued at discount
- (c) Shares issued at premium.
- (d) None of the above

37. For which of the following purposes the amount of securities premium can be utilized?

- (a) to issue fully paid bonus shares to an extent not exceeding unissued share capital of the company:
- (b) to write-off preliminary expenses of the company
- (c) to write-off the expenses of, or commission paid, or discount allowed on any of the shares or debentures of the company:
- (d) All of the above

38. Shares can be forfeited for?

- (a) For non-payment of call money
- (b) For failure to attend meetings
- (c) For failure to repay the loan to the bank
- (d) For which shares are pledged as a security

39. The balance of share forfeited account after the reissue of forfeited shares is transferred to....?

- (a) General reserve
- (b) Capital redemption reserve
- (c) Capital reserve
- (d) Revenue reserve

40. ESOP offered by company will create / retain:

- (a) A sense of belongingness in employees
- (b) High caliber
- (c) High Productivity
- (d) All of the above

41. Pick the odd one out:

- (a) Irredeemable preference share
- (b) Participating preference share
- (c) Cumulative preference share
- (d) Open Ended preference share

42. The companies and can buy its own shares from either of the following?

- (a) Existing equity shareholders on a proportionate basis
- (b) Open Market and Odd lot shareholders
- (c) Employees of the company
- (d) All of the above

43. When Company issues the shares for consideration other than cash to the vendor from whom it has purchased assets. These shares can be issued at.....?

- (a) Par (c) Both (a) and (b)
- (b) Premium (d) None of the above

44. How will you calculate the no. of shares issued for consideration other than cash?

- (a) Amount Payable/ Issue Price
- (b) Issue Price/ Amount payable
- (c) Both (1) and (2)
- (d) None of the above

45. Subscription of shares should not be less than % of the issued shares.

- (a) 85%
- (b) 90%
- (c) 95%
- (d) 100%

46. Bapeo company forfeited 4,000 shares of Rs. 10 each on which application money of Rs. 3 has been paid. Out of these 2,000 shares were reissued as fully paid up and Rs. 4,000 has been transferred to capital reserve. Calculate the rate at which these shares were reissued:

- (a) 10 per share
- (b) 9 per share
- (c) 11 per share
- (d) 8 per share

47. Anglo Ltd. forfeited 20,000 equity shares of 100 each for non-payment of first and final call of 40 per share. The maximum amount of discount at which these share can be re-issued will be:

- (a) 8,00,000
- (b) 20,00,000
- (c) 12,00,000
- (d) 20,000

48. A forfeited share can:

- (a) not be re-issued at discount
- (b) re-issued at a maximum discount of 10%
- (c) be re-issued at a maximum discount equal to the amount forfeited
- (d) None of the above

49. Share Allotment Account is a/an:

- (a) Personal Account
- (b) Real Account
- (c) Nominal Account
- (d) None of these

50. Balance in Share Forfeiture Account is shown in the balance sheet under the head of:

- (a) Reserves and Surplus
- (b) Long-term Borrowings
- (c) Share Capital
- (d) Other Current Liabilities

51. Pick the odd one out:

- (a) Issue of shares to vendors
- (b) Issue of shares to general public
- (c) Issue of shares to underwriters
- (d) Issue of shares to promoters

52. Kicx Ltd. invited applications for 10,000 shares of Rs.10 each. Applications were received for 9,000 shares. Identify the kind of subscription.

- (a) Under Subscription
- (b) Over Subscription
- (c) Full Subscription
- (d) None of the above

53. Edulurn Limited issued 10,000 equity shares Rs.10 each at 10% premium. All shares were subscribed and amount was received. Identity the amount to be transferred to Securities Premium Reserve A/C.

- (a) Rs. 10,000
- (b) Rs. 1,00,000
- (c) Rs. 1,000
- (d) Rs. 9,000

54. Which kind of preference share entitles its holders to receive arrear of dividends of previous years?

- (a) Cumulative preference share
- (b) Non-cumulative preference share
- (c) Convertible preference share
- (d) Non-convertible dividend share

55. Which document is an Invitation offer to public to subscribe for company's share?

- (a) Red herring prospectus
- (b) Prospectus
- (c) In lieu of prospectus

(d) None of the above

56. The balance of share forfeiture account can be used to

(a) Provide for discount given at the time of reissue

(b) Write-off preliminary expenses

(c) Write-off bad debts

(d) None of the above

57. Aysha Ltd. forfeited 1,10,000 shares of 10 each issued at 20%

premium for the non-payment of first call of 2 per share and final call of 3 per share. Share Forfeited Account will be credited with:

(A) 5,50,000

(B) 7,70,000

(C) 2,20,000

(D) 5,00,000

58. Which of the following statements is true?

(A) The shares of a public limited company are not freely transferable.

(B) Paid up capital is that part of the subscribed capital which has been called up.

(C) The company cannot raise more capital than the amount of capital as specified in the Memorandum of Association.

(D) The part of the uncalled capital which is called only in the event of winding up of the company is called Capital Reserve.

ACCOUNTING FOR SHARE CAPITAL

ANSWERS

1. d		31. a
2. b		32. b
3. c		33. d
4. d		34. c
5. b		35. a
6. d		36. c
7. a		37. d
8. b		38. a
9. a		39. c
10. a		40. d
11. d		41. d
12. d		42. d
13. b		43. c
14. a		44. a
15. b		45. b
16. d		46. b

17. c		47. b
18. c		48. c
19. a		49. a
20. c		50. c
21. a		51. b
22. c		52. a
23. d		53. a
24. a		54. a
25. c		55. b
26. d		56. a
27. c		57. d
28. d		58. b
29. d		
30. d		

CHAPTER 6. ACCOUNTING FOR DEBENTURES

1. Which of the methods can be adopted to write off discount/loss on issue of debentures against the revenue profits?

- (a) Fixed Installment Method
- (b) Fluctuating Method
- (c) Both (a) and (b)
- (d) None of these

2. Which of the following column Indicated in the statement given below is to be debited? "Issue of debentures to a vendor in consideration of the business purchase"

- (a) Vendors account
- (b) Cash account
- (c) Debentures account
- (d) None of the above

3. Which of the following given statement is correct Statement 1: "Debenture is written instrument acknowledging a debt under the common seal of the company"

Statement 2: Debenture is oral instrument acknowledging a debt under the common seal of the company"

- (a) Only Statement 1 is correct
- (b) Only Statement 2 is correct
- (c) Both the statements are correct
- (d) None of these

4. Which of the following column indicated in the statement given below is to be debited? "Purchase of own debentures by the company for cancellation"

- (a) Own debentures Account
- (b) Debenture account
- (c) Assets Account
- (d) None of these

5. Which of the following given statement is correct Statement 1: "Shares cannot be converted into debentures whereas debentures can be converted into shares"

Statement 2: "Shares can be converted into debentures whereas debentures cannot be converted into shares"

- (a) Only Statement 1 is correct
- (b) Only Statement 2 is correct
- (c) Both the statements are correct
- (d) None of these

6. The debentures are issued with a specified rate of interest, which is called the coupon rate are known as which types of debentures?

- (a) Specific Coupon Rate Debentures
- (b) Zero Coupon Rate Debentures
- (c) Registered Debentures
- (d) Bearer Debentures

7. Which of the following methods are there for redemption of debentures?

- (a) Payment in lump sum
- (b) Payment in instalments
- (c) Purchase in the open market & By conversion into shares or new debentures.
- (d) All of the above

8. Which of the following column indicated in the statement given below is to be credited? "Writing off the loss on issue of debentures"

- (a) Loss on issue of debentures account
- (b) Debentures account
- (c) Own debentures
- (d) None of these

9. Which of the following given statement is correct.

Statement 1: "Bond and debentures are same in terms of contents and texture."

Statement 2: "Bond and debentures are not same in terms of contents and texture."

- (a) Only Statement 1 is correct
- (b) Only Statement 2 is correct
- (c) Both the statements are incorrect
- (d) None of these

10. At the time of issue of debentures, debentures account is:

- A) Credited by the amount Received
- B) Credited by the issue price of the debentures
- C) Credited by nominal value of the debenture
- D) none of the above

11. Return on debenture is called:

- A) Interest

- B) Dividend
- C) A & B both
- D) None of the above

12. Perpetual Debenture is the other name of:

- A) Convertible debentures
- B) Irredeemable debenture
- C) Naked debenture
- D) None of the above

13. In case of debenture of 10000 are issued at par but redeemable at a premium of 10%, the premium payable is debited to:

- A) Debenture suspense account
- B) Premium on redemption of debentures
- C) Loss on issue of debentures
- D) A & B both

14. Debenture holder account are:

- (A) Personal
- C) Nominal
- B) Real
- D) None of the above

15. X Ltd has purchased the building and debentures are issued at discount which account will be debited for discount:

- A) Discount on issue of Debentures
- B) Loss on issue of debenture
- C) Both of A & B
- D) None of the above

16. Debentures which are transferable by mere delivery are:

- (a) Registered debentures
- (b) First debentures
- (c) Bearer debentures
- (d) None of the above

17. X Co. Ltd. purchased assets worth Rs. 28,80,000. It issued debentures of Rs. 100 each at a discount of 4 % in full satisfaction of the purchase consideration. The number of debentures issued to vendor is:

- (a) 30,000
- (b) 28,800

- (c) 32,000
- (d) None of the above

18. Convertible debentures cannot be issued at a discount if:

- (a) They are to be immediately converted
- (b) They are not to be immediately converted
- (c) Both (1) and (2)
- (d) None of the above

19. Discount on issue of debentures is shown under the following head in the Balance Sheet

- (a) Profit & Loss Account
- (b) Miscellaneous Expenditure
- (c) Debentures Account.
- (d) None of the above

20. When debentures are issued at par and are redeemable at a premium, the loss on such an issue is debited to:

- (a) Profit & Loss Account
- (b) Debentures Applications & Allotment Account
- (c) Loss on issue of debentures account
- (d) None of the above

21. Excess value of net assets over purchase consideration at the time of purchase of business is credited to:

- (a) General reserve
- (b) Capital reserve
- (c) Vendors' account
- (d) None of the above

22. When all the debentures are redeemed, balance in the debentures redemption fund account is transferred to which reserve?

- (a) Capital reserve
- (b) General reserve
- (c) Profits and loss appropriation account.
- (d) None of the above

23. Own debentures are those debentures of the company which:

- (a) The company allots to its own promoters
- (b) The company allots to Its Director
- (c) The company purchases from the market and keeps them as investments
- (d) None of the above

24. Profit on cancellation of own debentures is transferred to

- (a) Profit and loss appropriation a/c
- (b) Debenture redemption reserve
- (c) Capital reserve
- (d) None of the above

25. Profit on sale of debenture redemption fund investments in the first instance is credited to

- (a) Debenture redemption fund account
- (b) Profit and loss appropriation account
- (c) General reserve account
- (d) None of the above

26. When debentures are issued at a discount and are redeemable at a premium, which of the following accounts is debited at the time of issue.

- (a) Debentures account
- (b) Premium on redemption of debentures account
- (c) Loss on issue of debentures account.
- (d) None of the above

27. The word 'debenture' has been derived from which Latin word (which means to borrow)?

- (a) Debere
- (b) Debe
- (c) Debbie
- (d) None of the above

28. Which of the following situations are commonly found in practice during the issue and redemption of debentures?

- (a) Issued at par and redeemable at par
- (b) Issued at discount and redeemable at par
- (c) Issued at a premium and redeemable at a premium
- (d) All of the above

29. Premium on redemption is shown under which head until debentures are redeemed?

- (a) Secured loans
- (b) Unsecured loans
- (c) Long terms bond
- (d) None of the above

30. Debenture holders are:

- (a) Owners of the Company

- (b) Lenders of the Company
- (c) Vendors of the Company
- (d) Customers of the Company

31. Debentures are shown in the Balance sheet of a company under the head of:

- (a) Non-current Liabilities
- (b) Current Liabilities
- (c) Share Capital
- (d) None of the above

32. Debentures are considered as..... equity.

- (a) External
- (b) Internal
- (c) Both (a) and (b)
- (d) Neither (a) nor (b)

33. Interest on Debentures is a charge against

- (a) Profit
- (b) Dividend
- (c) Share Capital
- (d) General Reserve

34. Pick the odd one out:

- (a) Preference Debentures
- (b) Ordinary Debentures
- (c) Convertible Debentures
- (d) Redeemable Debentures

35. Debenture interest is paid as:

- (a) Based on the net profit of company.
- (b) At a predetermined rate
- (c) At variable rate
- (d) None of the above

36. At the time of Issue of Debentures, Debentures Account is:

- (a) Credited by the amount received
- (b) Credited by issues price of debentures
- (c) Credited by the nominal (face) value of the debentures
- (d) None of the above

37. Premium on Redemption of Debentures Account is a

- (a) Real Account
- (b) Nominal Account

- (c) Personal Account
- (d) None of these

38. The loss on issue of Debentures is written-off from:

- (a) Capital Reserve
- (b) Secret Reserve
- (c) Reserve Capital
- (d) Share Premium Reserve Account

39. Pick the odd one out:

- (a) Issue of debentures to vendor
- (b) Issue of debentures of public
- (c) Issue of debentures as collateral
- (d) Issue of debentures to promoters security

40. When the debenture of face value 100 is issued at 100 is called, issue of debenture at:

- (a) Par
- (b) Premium
- (c) Discount
- (d) None of the above

41. Assertion (A): Discount or Loss on Issue of Debentures is written off in the year debentures are allotted.
Reason (R): Discount or Loss on Issue of Debentures is written off in the year debentures are allotted from Securities Premium (if it exists) and/or from Statement of Profit & Loss as finance cost

In the context of above statements, which of the following is correct?

- (a) Assertion (A) and Reason (R) are correct, but Reason (R) is not the correct explanation of Assertion (A)
- (b) Both Assertion (A) and Reason (R) are correct, and Reason (R) is the correct explanation of Assertion (A)
- (c) Only Assertion (A) is correct.
- (d) Both Assertion (A) and Reason (R) are incorrect.

42. Assertion (A): Debentures Account is credited by the nominal (face) value of debentures called to be paid by the company.

Reason (R): Debentures Account is credited by the amount called to be paid by the debenture holders. As a result, Debentures Account is credited.

In the context of above statements, which of the following is correct?

- (a) Assertion (A) and Reason (R) are correct, but Reason (R) is not the correct explanation of Assertion (A)
- (b) Both Assertion (A) and Reason (R) are correct, and Reason (R) is the correct explanation of Assertion (A)
- (c) Only Assertion (A) is correct.
- (d) Both Assertion (A) and Reason (R) are incorrect.

43. Assertion (A): Interest on Debentures is payable to Debentureholder by the company whether the company earns profit or incurs loss.

Reason (R): Interest on Debentures is an expense, i.e., charge against profit to be paid irrespective of the fact that the company has incurred loss.

In the context of above statements, which of the following is correct?

- (a) Assertion (A) and Reason (R) are correct, but Reason (R) is not the correct explanation of Assertion (A).
- (b) Both Assertion (A) and Reason (R) are correct, and Reason (R) is the correct explanation of Assertion (A)
- (c) Only Assertion (A) is correct.
- (d) Both Assertion (A) and Reason (R) are incorrect.

44. Debenture holders are:

- (a) Owners of the Company
- (b) Lenders of the Company
- (c) Vendors of the Company
- (d) Customers of the Company

45. Debentures are shown in the Balance sheet of a company under the head of:

- (a) Non-current Liabilities
- (b) Current Liabilities
- (c) Share Capital
- (d) None of the above

46. Debentures are considered as..... equity.

- (a) External
- (b) Internal
- (c) Both (a) and (b)
- (d) Neither (a) nor (b)

47. Assertion (A): Pilot Pens Ltd. issued 10,000, 7% Debentures of 100 each at par redeemable at a premium of 6 after 5 years. It has balance in Securities Premium of 20,000 and 10,000 in Capital Reserve Account. It will write off balance Loss on Issue of Debentures of 40,000 from Surplus, i.e., Balance in Statement of Profit & Loss.

Reason (R): Balance Loss on Issue of Debentures, i.e., Profit & Loss. 40,000 will be written off from Statement of profit and loss. In the context of above statements, which of the following is correct?

- (a) Assertion (A) and Reason (R) are correct, but Reason (R) is not the correct explanation of Assertion (A).
- (b) Both Assertion (A) and Reason (R) are correct, and Reason (R) is the correct explanation of Assertion (A).
- (c) Only Assertion (A) is correct.
- (d) Assertion (A) is not correct, but Reason (R) is correct.

48. Assertion (A): Parul Industries Ltd. purchased running business for a consideration of * 5,00,000 which had assets of 55,00,000 and liabilities of 45,00,000. It paid purchase consideration by issuing 7% Debentures of 100 at a discount of 10%. It will credit Capital Reserve by 4,60,000 and 7% Debentures Account by 6,00,000.

Reason (R): Value of Assets taken over is 55,00,000 and liabilities taken over are 45,00,000, payment being made is 5,40,000. Hence, amount credited to Capital Reserve is 4,60,000 (55,00,000 -45,00,000-5,40,000). Purchase Consideration payable is 5,40,000 issuing debentures @90 per debenture. Hence, 7% Debentures Account will be credited with 6,00,000.

In the context of above statements, which of the following is correct?

- (a) Assertion (A) and Reason (R) are correct, but Reason (R) is not the correct explanation of Assertion (A).
- (b) Both Assertion (A) and Reason (R) are correct, and Reason (R) is the correct explanation of Assertion (A).
- (c) Only Assertion (A) is correct.
- (d) Both Assertion (A) and Reason (R) are incorrect.

49. Assertion (A): JSS Ltd. has outstanding 15,000, 8% Debentures of 100 each which were issued at 10% Discount. Interest payable will be 1,08,000 being 8% of 13,50,000.

Reason (R): JSS Ltd. will pay interest on debentures of 1,20,000 being 8% of 15,00,000 because interest is paid on the nominal (face) value of debentures.

In the context of above statements, which of the following is correct?

- (a) Assertion (A) and Reason (R) are correct, but Reason (R) is not the correct explanation of Assertion (A).
- (b) Both Assertion (A) and Reason (R) are correct, and Reason (R) is the correct explanation of Assertion (A).
- (c) Assertion (A) is incorrect, but Reason (R) is correct.
- (d) Both Assertion (A) and Reason (R) are incorrect.

50. Assertion (A): Alok Ltd. issued 1,000, 9% Debentures of 1,000 each at a premium of 25%. 9% Debentures Account will be credited by 10,00,000.

Reason (R): Debentures Account is credited by the amount received for the debentures issued. Hence, Debentures Account will be credited by 12,50,000.

In the context of above statements, which of the following is correct?

- (a) Assertion (A) and Reason (R) are correct, but Reason (R) is not the correct explanation of Assertion (A)
- (b) Both Assertion (A) and Reason (R) are correct, and Reason (R) is the correct explanation of Assertion (A)
- (c) Only Assertion (A) correct.
- (d) Both Assertion (A) and Reason (R) are incorrect.

51. Assertion (A): Interest is paid by the company on Debentures issued as Collateral Security.

Reason (R): Interest is paid by the company on Debentures, including debentures issued as collateral security. In the context of above statements, which of the following is correct?

- (a) Assertion (A) and Reason (R) are correct, but Reason (R) is not the correct explanation of Assertion (A).
- (b) Both Assertion (A) and Reason (R) are correct, and Reason (R) is the correct explanation of Assertion (A)
- (c) Only Assertion (A) is correct.
- (d) Both Assertion (A) and Reason (R) are incorrect.

Analyse the case given below and answer the questions that follow:

GIS Consortium Ltd. issued 5,000; 9% Debentures of 100 each at a premium of 20 payable as follows:

(1) 40 including premium of 10 on application

(2) 40 including premium of 10 on allotment

(3) Balance as first and final call.

Applications were received for 5,000 debenture and allotment was made to all the applicants. All the calls were made, and amounts received

52. The amount of money received during application is:

- (a) 1,00,000
- (b) 2,00,000
- (c) 2,50,000
- (d) 50,000

53. What amount of the money received application is transferred to the security premium reserve account:

- (a) 5,00,000
- (b) 1.00.00
- (c) 50.000
- (d) 2.00.000

54. The is the balance amount per debenture to received at the first and final call is:

- (a) 20
- (b) 40
- (c) 30
- (d) 10

55. What is the total interest payable on the debentures issued?

- (a) 1,20,000
- (b) 45,000
- (c) 18.000
- (d) 54,000

ACCOUNTING FOR DEBENTURES

ANSWERS

1. C	29. A
2. A	30. B
3. A	31. A
4. A	32. A
5. A	33. A
6. A	34. A
7. D	35. B
8. A	36. C
9. A	37. C
10. C	38. A
11. A	39. B
12. B	40. A
13. B	41. B
14. B	42. B
15. A	43. C
16. C	44. B
17. A	45. A
18. A	46. A
19. B	47. D
20. C	48. B
21. B	49. C
22. B	50. C
23. C	51. D
24. C	52. C
25. D	53. B
26. C	54. B
27. A	55. B
28. D	

CHAPTER NO 7. ANALYSIS OF FINANCIAL STATEMENTS

QNo	MCQ
1	<p>Financial analysis can be undertaken by management of the firm, or by parties outside the firm, viz., owners, trade creditors, lenders, investors, labour unions, analysts and others. The nature of analysis will differ depending on the purpose of the analyst. A technique frequently used by an analyst need not necessarily serve the purpose of other analysts because of the difference in the interests of the analysts. Which of the following is the main purpose the trade creditors interested to analyse the financial statements?</p> <p>(A) Profitability of the firm (B) Long term solvency of the firm (C) Short term solvency of the firm (D) Performance of the firm</p>
2	<p>The term 'financial analysis' includes both 'analysis and interpretation'. These two are complimentary to each other. Analysis is useless without interpretation, and interpretation without analysis is difficult or even impossible. The term 'analysis' means -</p> <p>(A) Explaining the meaning and significance of the data. (B) Simplification of financial data (C) Recording financial data (D) Communicating financial data</p>
3	<p>Assertion (A): The limitations of financial statements also form the limitations of the ratio analysis. Reason (R): Since the ratios are derived from the financial statements, any weakness in the original financial statements will also creep in the derived analysis in the form of Accounting Ratios.</p> <p>A. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of assertion (A). B. Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of assertion (A). C. Assertion (A) is true Reason (R) is False D. Assertion (A) is False Reason (R) is True</p>
4	<p>Though financial analysis is quite helpful in determining financial strengths and weaknesses of a firm, it is based on the information available in financial statements. As such, the financial analysis also suffers from various limitations of financial statements. Hence, the analyst must be conscious of the impact of price level changes, window dressing of financial statements, changes in accounting policies of a firm, accounting concepts and conventions, personal judgement, etc. Which of the following is not the limitation of financial analysis :</p> <p>(A) Financial analysis does not consider price level changes (B) It does not help to identify the reasons for change in the profitability/financial position of the firm. (C) Monetary information alone is considered in financial analysis while non-monetary aspects are ignored. (D) Financial analysis may be misleading without the knowledge of the changes in accounting procedure followed by a firm.</p>
	<p>Read the following passage and answer the Q No.5 to 7</p> <p>The managing director of XL Ltd. Company wants to measure the performance of its own and to judge the company performance has decreased or increased in respect to previous year. The company hires an expert for the same. He asked the company to give two years information of statement of profit and loss.</p> <p>The company is provided the same which are as follows-</p>

	Particulars	2018-19 Amount (₹)	2017-18 Amount (₹)
	Revenue from Operation	25,00,000	20,00,000
	Other income	1,00,000	5,00,000
	Expenses :-		
	a) Employee Benefit Expenses:	60% of total revenue	50% of total revenue
	b) Other Expenses	10% of Employee Benefit expenses	20% of Employee Benefit expenses
	Tax Rate	40%	40%
5	What is the percentage change of Total Revenue? (A) 5 % (B) 4% (C) 6% (D) 7%		
6	Is Net profit after tax increased or decreased? (A) Increased (B) Decreased (C) No change (D) Non of these		
7	What is the percentage change of Revenue from operation? (A) 20% (B) 25% (C) 28% (D) 30%		
8	A company has an operating cycle of eight months. It has accounts receivables amounting to Rs. 1,00,000 out of which Rs. 60,000 have a maturity period of 11 months. How would this information be presented in the balance sheet? (A) Rs. 40000 as current assets and Rs. 60,000 as non-current assets. (B) Rs.60,000 as current assets and Rs.40,000 as non-current assets. (C) Rs. 1,00,000 as non-current assets. (D) Rs. 1,00,000 as Current assets.		
9	L Ltd. has authorized share capital of Rs 1,00,00,000 divided into 10,00,000 equity shares of Rs 10 each. It has existing issues and paid-up capital of Rs 25,00,000. It further issued to public 2,50,000 equity shares at a premium of 20% for subscription payable as under: On applications: Rs 3 On allotment: Rs 6(including premium) On call: Balance Amount The issue was fully subscribed and allotment was made to all the applicants. The company did not make the call during the year. Which of the following amount will be shown into the balance sheet of the company under the subhead 'Share Capital'? (A) Rs. 50,00,000 (B) Rs. 42,50,000 (C) Rs. 1,00,00,000 (D) Rs. 10,00,000		
10	On 1st April, 2019 A Ltd. was formed with an authorized capital of Rs. 30,00,000 divided into 30,000 shares of Rs. 100 each. The company issued 10,000 shares at par. The issue price was payable as follows: On application – Rs. 30 per share On allotment – Rs. 50 per share On final call – Rs. 20 per share The issue was fully subscribed and the company allotted shares to all the applicants. All money was received except the final call money on 1,000 shares. Which of the following amount will be shown as 'subscribed and fully paid capital'? (A) Rs. 9,80,000 (B) Rs. 9,00,000 (C) Rs. 10,00,000 (D) Rs. 30,00,000		
11	Fixed Assets of a company increased from Rs. 3,00,000 to Rs. 4,00,000. What is the percentage of change? (A) 25% (B) 20% (C) 33.3% (D) 40%		
12	A company's Revenue from Operations is Rs. 8,00,000; Gross Profit Ratio 32%; Indirect Exp. 10% of Gross Profit and income tax 40%. What will be the amount of profit after tax? (A) Rs. 1,38,240 (B) Rs. 1,02,400 (C) Rs. 92,160 (D) Rs. 1,53,600		

13	<p>A company's Revenue from Operations is Rs. 4,00,000; Cost of Revenue from Operations 60% of Revenue from Operations, indirect expenses 15% of Gross Profit; Income Tax 40%. Calculate net profit after tax</p> <p>(A) Rs. 64,000 (B) Rs. 54,400 (C) Rs. 81,600 (D) Rs. 96,000</p>
14	<p>Shareholders' funds are used to assess the company's worth and long-term sustainability. It tells the investors if it is profitable for them to invest in the company and is also an important source of valuation. It is important to decide if it is safe to invest in a company. Which of the following is not the component of Shareholders' fund</p> <p>(A) Equity share capital (B) Preference share capital (C) Debentures (D) Reserves & Surplus</p>
15	<p>Read the following information :</p> <p>X Ltd has the following liabilities:</p> <p>Share Capital Rs. 20,00,000 9% Debenture Rs. 10,00,000 General Reserve Rs. 10,00,000 Loan Rs. 8,00,000 Capital Redemption Reserve Rs. 5,00,000 Trade payable Rs. 4,00,000 Securities premium Reserve Rs. 5,00,000 Loans repayable on demand Rs. 2,00,000</p> <p>What is the total amount of shareholder's fund?</p> <p>(A) Rs. 30,00,000 (B) Rs. 35,00,000 (C) Rs. 20,00,000 (D) Rs. 40,00,000</p>
16	<p>What will be the amount shown under the head current liabilities when the following data is given?</p> <p>Short—term borrowings Rs. 3,00,000 Trade Payables Rs. 2,00,000 Other Current Liabilities Rs. 1,00,000 Short—term Provisions Rs. 1,00,000</p> <p>(A) Rs. 500,000 (B) Rs. 6,00,000 (C) Rs. 4,00,000 (D) Rs. 7,00,000</p>
17	<p>XYZ Ltd. is a financial company. For the year 2020-21 interest on loans given amounted to Rs. 4,00,000 and fees received for arranging loans amounted to Rs. 1,00,000. Its miscellaneous income amounted to Rs. 50,000. Further, a building was sold during the year on Which XYZ Ltd. earned a profit of Rs. 70,000. Moreover, it earned a profit of Rs. 75,000 on the sale of investments during the year.</p> <p>The total value of Revenue from Operations that will be shown in the statement of Profit and Loss is _____</p> <p>(A) Rs. 50,000 (B) Rs. 11,00,000 (C) Rs. 1,50,000 (D) Rs. 5,75,000</p>
18	<p>Following is the information extracted from the books of Zeal Ltd.</p> <p>Balances with Banks Rs. 7,00,000 Investment in Debentures Rs. 1,00,000 Outstanding Salary Rs. 40,000 Authorised Capital Rs. 50,00,000 Acceptances (B/P) Rs. 50,000 Trade Payables Rs. 70,000 Preliminary Expenses Rs. 40,000</p> <p>Balances with Banks will be shown under which sub-heading of the Current Assets head of the Balance Sheet?</p> <p>(A) Cash and Cash Equivalents (B) Trade Receivables (C) Short-term Loans and Advances (D) Inventories</p>
19	<p>Following is the information extracted from the books of P Ltd.</p>

	<p>Public deposits Rs. 4,00,000 Outstanding expenses Rs. 10,000 Calls-in-advance Rs. 25,000 Provision for tax Rs. 1,00,000 Provision for employee benefits (maturing within 12 months) Rs. 70,000</p> <p>In the above case, Provision for Employee benefits will be shown under which sub-head of the Current Liabilities head of the Balance Sheet?</p> <p>(A) Short-term borrowings (B) Trade payables (C) Other current liabilities (D) Short-term provision</p>
20	<p>INA Ltd is a company that deals in manufacturing of pharmaceutical products. Raman has recently been hired as an assistant to the accountant of INA Ltd. The accountant of the firm Mr. Rajat asks Raman to go for financial statement analysis of the firm to assess the financial position of the firm. To judge the knowledge and capabilities of Raman, Mr. Rajat asked him to analyse the financial statements from the viewpoint of various parties interested in the firm e.g. the management, the lenders, the investors, labour unions, government etc. If Raman is to analyse the financial statements for the short-term lenders, what should he consider?</p> <p>(A) Short-term liquidity of the firm (B) Long-term solvency of the firm (C) To see that the resources of the firm are used most efficiently and that the firm's financial condition is sound (D) None of the above</p>
21	<p>If K Ltd. has provided the following data:</p> <p>Sales Rs. 20,00,000 Sales Return Rs. 1,00,000 Sale of Scrap Rs. 40,000</p> <p>What will be the revenue from operations?</p> <p>(A) Rs. 20,00,000 (B) Rs. 19,00,000 (C) Rs. 19,40,000 (D) None of these</p>
22	<p>Following information is extracted from the books of ABC Ltd.</p> <p>10% Debentures Of 3 100 each 200,000 11% Bank Loan from SBI repayable after 5 years 1,00,000 Stock-in-trade (Inventories) 40,000 Goodwill 50,000 Computer Software under development 50,000 Provision for Tax 70,000</p> <p>The total value of intangible assets that will be shown under sub-head fixed assets on the Assets side of the Balance Sheet is _____</p> <p>(A) Rs. 50,000 (B) Rs. 1,00,000 (C) Rs. 50,000 (D) Rs. 2,20,000</p>
23	<p>What will be the amount of revenue from operations for a non - finance company from the following information:</p> <p>Revenue from operations = Rs. 10,00,000 Sales return = Rs. 2,00,000 Sale of scrap = Rs. 25,000 Interest on fixed deposit = Rs. 30,000 Dividend earned = Rs. 10,000.</p> <p>(A) Rs. 8,25,000 (B) Rs. 10,25,000 (C) Rs. 10,65,000 (D) Rs. 10,55,000</p>
24	<p>A company has an operating cycle of 20 months. It has Trade Receivables amounting to Rs. 4,00,000 out of which Rs. 2,50,000 have a maturity period of 15 months. How would this information be presented in the Balance Sheet?</p>

	<p>(A) Rs. 4,00,000 as Non-current Assets (B) Rs. 1,50,000 as Non-current Assets and Rs. 2,50,000 as Current Asset (C) Only Rs. 150,000 will be shown in Balance Sheet as Non-current Asset (D) Rs. 4,00,000 as Current Asset</p>
25	<p>INA Ltd is a company that deals in manufacturing of pharmaceutical products. Raman has recently been hired as an assistant to the accountant of INA Ltd. The accountant of the firm Mr. Rajat asks Raman to go for financial statement analysis of the firm to assess the financial position of the firm. To judge the knowledge and capabilities of Raman, Mr. Rajat asked him to analyse the financial statements from the viewpoint of various parties interested in the firm e.g. the management, the lenders, the investors, labour unions, government etc. While analysing the financial statements, Raman should be conscious of which of the following?</p> <p>(A) Window dressing of financial statements (B) Changes in accounting policies of a firm (C) Personal judgements (D) All of the above</p>
26	<p>If R Ltd. has Total Debts of Rs. 3,70,000, Long-term Debts of Rs. 2,00,000 and working capital of Rs. 1,80,000 then its Current Ratio will be _____</p> <p>(A) 2.6 : 1 (B) 3.2 : 1 (C) 2.06 : 1 (D) 1.03 : 1</p>
27	<p>A firm's current ratio is 1.75: 1. If current liabilities are Rs. 80,000, then its working capital will be:</p> <p>(A) Rs. 1,20,000 (B) Rs. 1,60,000 (C) Rs. 60,000 (D) Rs. 2,80,000</p>
28	<p>A firm's current assets are Rs. 3,60,000, current ratio is 3 : 1. Cost of revenue from operations is Rs. 12,00,000. Its working capital turnover ratio will be:</p> <p>(A) 3 times (B) 5 times (C) 8 times (D) 4 times</p>
29	<p>If Revenue from Operations are Rs. 9,00,000, Gross Profit is 25% on cost and Operating Expenses are Rs. 90,000, the Operating Ratio will be :</p> <p>(A) 100% (B) 50% (C) 90% (D) 110%</p>
30	<p>Inventory in the beginning of the year is Rs. 60,000 and at the end of the year is RS. 1,00,000. Inventory turnover ratio is 8 times. The Revenue from Operations is 25% above cost. The Gross Profit will be:</p> <p>(A) Rs. 12,00,000 (B) Rs. 1,60,000 (C) Rs. 2,00,000 (D) Rs. 1,80,000</p>
31	<p>ABC Ltd. has a Debt Equity ratio 3:1. According to management, it should be maintained at 1:1. What are the choices in front of management to do so?</p> <p>(A) Increase equity (B) Reduce debt (C) Both (A) and (B) (D) None of the above</p>
32	<p>Current ratio of ABC Ltd. is 2.5:1. Accountant wants to maintain it at 2:1. Following options are available.</p> <p>(i) He can repay Bills Payable (ii) He can purchase goods on credit (iii) He can take short term loan</p> <p>Choose the correct option.</p> <p>(A) Only (i) is correct (B) Only (ii) is correct (C) Only (i) and (iii) are correct (D) Only (ii) and (iii) are correct</p>
33	<p>From the following information, the quick ratio will be:</p> <p>Bank Overdraft 40000, Trade Payable 10,000, Current Assets: 70,000, Inventories 10,000 Prepaid Expenses 5,000, Advance Tax 5,000.</p> <p>(A) 1:1.2 (B) 1:1 (C) 5:7 (D) 1.25:1</p>

34	Revenue from Operations Rs. 2,00,000; Inventory Turnover ratio 5; Gross Profit 25%. Find out the value of Closing Inventory, if Closing Inventory is Rs. 8,000 more than the Opening Inventory. (A) Rs. 38,000 (B) Rs. 22,000 (C) Rs. 34,000 (D) Rs. 26,000
35	A company's liquid assets are 6,00,000, inventory is 1,50,000 and its current liabilities are 4,00,000. Subsequently, it purchased goods for Rs. 1,00,000 on credit. Quick ratio will be: (A) 1.5:1 (B) 1.2:1 (C) 1.4:1 (D) 1.7:1
36	On the basis of following data, the proprietary ratio of the company will be: Equity share capital Rs. 10,00,000 ; Debentures Rs. 5,00,000; Statement of profit & loss(Debit Balance) Rs. 1,00,000; Current Liabilities Rs. 6,00,000, Current Assets 8,00,000. (A) 70% (B) 50% (C) 45% (D) 75%
37	XYZ Ltd provided the following data: 10% Debentures Rs. 8,00,000 Rate of Tax 40% Interest Coverage Ratio is 13.5 Times Profit after Interest and Tax was: (A) 10,80,000 (B) 10,00,000 (C) 6,50,000 (D) 6,00,000
38	Current Ratio of Vinod Ltd. is 3:1. Accountant wants to maintain it at 2:1. Following options are available: (i) Purchase of Loose Tools of Rs. 1,00,000 (ii) Sale of Current Investments at par Rs. 1,00,000 (iii) Purchase of goods of Rs. 1,00,000 on credit (iv) To avail Cash Credit of Rs. 1,00,000 Choose the Correct Option: (A) Only (i) is correct (B) Only (i) and (ii) is correct (C) Only (ii) and (iii) is correct (D) Only (i) (iii) and (iv) are correct
39	A firm has inventory turnover of 3 and cost of goods sold is Rs. 2,70,000. With better inventory management, the inventory turnover is increased to 5. This would result in- (A) Increase in inventory by Rs. 54,000 (B) decrease in inventory by Rs. 36,000 (C) Increase in cost of goods sold by Rs. 20,000 (D) Decrease in inventory by Rs. 90,000
40	Match the following: 1. Short term loan (i) Other current liabilities 2. Short term loans and advances (ii) Short term borrowing 3. Debentures (iii) Long term borrowings 4. Debentures redeemable during current year (iv) Current investments Select the correct code: (A) 1 – iii, 2 – ii, 3 – iv, 4 – i (B) 1 – iii, 2 – iv, 3 – ii, 4 - i (C) 1 – ii, 2 – iv, 3 – iii, 4 – i (D) 1 – i, 2 – ii, 3 – iii, 4 - iv
41	Debt-Equity Ratio of Dhamaka Ltd is 3 : 1. Which of the following will result in decrease in this ratio? (A) Issue of Debentures for Cash of ₹2,00,000. (B) Issue of Debentures of ₹3,00,000 to Vendors from whom Machinery was purchased. (C) Goods purchased on Credit of ₹1,00,000. (D) Issue of Equity Shares of ₹2,00,000.
42	If net revenue from operations of a firm are Rs. 1,20,000; cost of revenue from operations is Rs. 66,000 and operating expenses are Rs. 21,600, what will be the percentage of operating

	income on net revenue from operations? (A) 55% (B) 45% (C) 73% (D) 27%
	Read the following passage and answer the Q No. 43 to 45 Dispur Paints Ltd. is interested to analysis the profitability in their company. The company is also interested to know what portion of the total assets have been financed through Long-term Debts. Net profit after interest and tax 1,00,000; Current assets 4,00,000; Current liabilities 2,00,000; Tax rate 20%; Fixed assets 6,00,000; 10% Long term debt ₹ 4,00,000. Revenue from operation was Rs. 5,00,000. On the basis of the above information, answer the following questions:
43	State the amount of Capital Employed (A) Rs.10,00,000 (B) Rs.6,00,000 (C) Rs.8,00,000 (D) Rs.12,00,000
44	State the amount of Net Profit before Interest and Tax (A) Rs.1,25,000 (B) Rs.1,60,000 (C) Rs.1,65,000 (D) Rs.1,90,000
45	3. The Return on Investments is _____. (A) 20.62% (B) 21% (C) 21.62% (D) 19.62%
46	Assertion (A): If debt equity ratio is 1:2, it is considered to be safe. Reason (R): From security point of view, capital structure with less debt & more equity is considered favourable as it reduces the chances of bankruptcy A. Both A & R are individually true & R is the correct explanation of A B. Both A & R are individually true but R is not the correct explanation of A C. A is true but R is false D. A is false but R is true
47	A Company's Current Ratio is 3: 1 and Liquid Ratio is 1.2: 1. If its Current Liabilities are Rs. 2,00,000, what will be the value of Inventory? (A) Rs. 2,40,000 (B) Rs. 3,60,000 (C) Rs. 4,00,000 (D) Rs. 40,000
48	Assertion: Financial statements ignore the price level changes or present value of assets. Reason: Assets in the financial statements are shown at historical cost. (A) Both Assertion and reason are true and reason is correct explanation of assertion. (B) Assertion and reason both are true but reason is not the correct explanation of assertion. (C) Assertion is true, reason is false. (D) Assertion is false, reason is true.
49	Assertion: Comparative statements express all items of financial statements as a percentage of some common bases. Reason: Comparative statements are also known as horizontal analysis. (A) Both assertion and reason are true and reason is correct explanation of assertion (B) Assertion and reason both are true but reason is not the correct explanation of assertion (C) Assertion is true, reason is false (D) Assertion is false, reason is true
50	A Company's Total revenue from operations is Rs. 27,00,000; Credit revenue from operations Rs. 18,00,000; Opening Debtors Rs. 3,20,000; Closing Debtors Rs. 4,00,000; Provision for Doubtful Debts Rs. 60,000. Trade Receivables Turnover Ratio will be : (A) 7.5 times (B) 9 times (C) 6 times (D) 5 times

ANSWERS

CHAPTER NO 7. ANALYSIS OF FINANCIAL STATEMENTS

QNo	Ans		QNo	Ans
1	C		26	C
2	B		27	C
3	A		28	B
4	B		29	C
5	B		30	B
6	B		31	C
7	B		32	D
8	A		33	B
9	B		34	D
10	B		35	B
11	C		36	C
12	A		37	D
13	C		38	D
14	C		39	B
15	D		40	C
16	D		41	D
17	D		42	D
18	A		43	C
19	D		44	C
20	A		45	A
21	C		46	A
22	B		47	B
23	A		48	A
24	D		49	D
25	D		50	D

CHAPTER NO 8. CASH FLOW STATEMENT

QNo	MCQ
1	<p>If a machine whose original cost is ₹40,000 having accumulated depreciation ₹12,000, were sold for ₹34,000 then while preparing Cash Flow Statement its effect on cash flow will be :</p> <p>(A) Cash flow from financing activities ₹34,000 (B) Cash flow from financing activities ₹6,000 (C) Cash flow from investing activities ₹34,000 (D) Cash flow from investing activities ₹6,000</p>
2	<p>If 6% Pref. share capital ₹2,00,000 were redeemed at a premium of 5%, while preparing Cash Flow Statement its effect on cash flow will be :</p> <p>(A) Cash used from financing activities ₹2,12,000 (B) Cash received from financing activities ₹2,12,000 (C) Cash used (Payment) from financial activities ₹2,10,000 (D) Cash used (Payment) from financial activities ₹2,00,000</p>
3	<p>If the amount of goodwill is ₹40,000 at the beginning of a year and ₹48,000 at the end of that year then while preparing cash flow statement its effect on cash flow will be :</p> <p>(A) Cash used (Payment) in Investing Activities ₹8,000 (B) Cash received from operating activities ₹8,000 (C) Cash used (Payment) from Operating Activities ₹8,000 (D) Cash used (Payment) from Financial Activities ₹8,000</p>
4	<p>X Ltd company received a dividend of ₹2 Lakhs on its investment in other company's shares. In case of a Finance Company, it will be classified under which kind of activity?</p> <p>(A) Cash Flow from Operating Activities (B) Cash Flow from Investing Activities (C) Cash Flow from Financing Activities (D) No Cash Flow</p>
5	<p>Fine Garments Ltd. is engaged in the export of readymade garments. The company purchased a machinery of ₹10,00,000 for the use in packaging of such garments. Cash flow due to the purchase of machinery will be cash flow from:</p> <p>(A) Cash Flow from Operating Activities (B) Cash Flow from Investing Activities (C) Cash Flow from Financing Activities (D) Cash Equivalent</p>
6	<p>A Ltd., engaged in the business of retailing of two wheelers, invested ₹50,00,000 in the shares of a manufacturing company. Dividend received on this investment will be:</p> <p>(A) Cash Flow from Operating Activities (B) Cash Flow from Investing Activities (C) Cash Flow from Financing Activities (D) Cash Equivalent</p>
7	<p>ABC Ltd. has Machinery written down value of which on 1st April 2019 was ₹ 8,60,000 and on 31st March, 2020 was ₹ 9,50,000. Depreciation for the year was ₹ 40,000. At the beginning of the year, a part of the machinery was sold for ₹ 25,000, which had a written down value of ₹ 20,000. Calculate Cash Flow from Investing Activities.</p> <p>(A) ₹ 1,25,000 (B) ₹ (1,25,000) (C) ₹ 2,50,000 (D) ₹ (2,50,000)</p>
8	<p>Exe Ltd. has a balance in Provision for Tax Account of ₹ 50,000 and ₹ 75,000 as of 31st March, 2019 and 2020 respectively. It made a provision for tax during the year of ₹ 65,000. The amount of tax paid during the year was</p> <p>(A) ₹ 50,000 (B) ₹ 60,000 (C) ₹ 40,000 (D) ₹ 75,000</p>
9	<p>GSC Ltd. purchased machinery of ₹ 10,00,000 issuing a cheque of ₹ 2,50,000 and 10% Debentures of ₹ 7,50,000. In the Cash Flow Statement, the transaction will be shown as _</p> <p>(A) Outflow under Investing Activity ₹ 10,00,000, inflow under Financing Activity as Receipt for debentures ₹ 7,50,000. (B) Outflow under Investing Activity ₹ 2,50,000 (C) Inflow of ₹ 7,50,000 as Financing Activity</p>

	(D) None of the above														
10	<p>X Ltd. purchased furniture for ₹ 20,00,000 paying 60% by the issue of equity shares of ₹ 10 each and the balance by a cheque. This transaction will result in ____</p> <p>(A) Cash Used in Investing Activities ₹ 20,00,000. (B) Cash Generated from Financing Activities ₹ 12,00,000. (C) Increase in Cash and Cash Equivalents ₹ 8,00,000 (D) Cash used in Investing Activities ₹ 8,00,000</p>														
11	<p>Paid ₹ 7,00,000 to purchase shares in K.L Ltd. and received a dividend of ₹ 20,000 after acquisition. These transactions will result in</p> <p>(A) Cash used in investing activities ₹ 7,00,000 (B) Cash Generated from Financing Activities ₹ 7,20,000 (C) Cash generated from Financing Activities ₹ 6,80,000 (D) Cash used in Investing Activities ₹ 6,80,000</p>														
12	<table border="1"> <thead> <tr> <th>Particulars</th> <th>31st March 2019 ₹</th> <th>31st March 2020 ₹</th> </tr> </thead> <tbody> <tr> <td>EQUITY AND LIABILITIES</td> <td></td> <td></td> </tr> <tr> <td>12% Debentures</td> <td>2,00,000</td> <td>1,60,000</td> </tr> </tbody> </table>	Particulars	31st March 2019 ₹	31st March 2020 ₹	EQUITY AND LIABILITIES			12% Debentures	2,00,000	1,60,000	<p>Additional Information: Interest on Debentures is paid on a half-yearly basis on 30th September and 31st March each year. Debentures were redeemed on 30th September 2019. How much amount (related to the above information) will be shown in the Financing Activity for Cash Flow Statement prepared on 31st March 2020? (A) Outflow ₹ 40,000 (B) Inflow ₹ 42,600 (C) Outflow ₹ 61,600 (D) Outflow ₹ 64,000</p>				
Particulars	31st March 2019 ₹	31st March 2020 ₹													
EQUITY AND LIABILITIES															
12% Debentures	2,00,000	1,60,000													
13	<table border="1"> <thead> <tr> <th>Particulars</th> <th>31st March, 2020 (₹)</th> <th>31st March, 2021 (₹)</th> </tr> </thead> <tbody> <tr> <td>Equity Share Capital</td> <td>4,00,000</td> <td>5,00,000</td> </tr> <tr> <td>12% Debentures</td> <td>1,50,000</td> <td>1,00,000</td> </tr> <tr> <td>Securities Premium</td> <td>40,000</td> <td>50,000</td> </tr> </tbody> </table>	Particulars	31st March, 2020 (₹)	31st March, 2021 (₹)	Equity Share Capital	4,00,000	5,00,000	12% Debentures	1,50,000	1,00,000	Securities Premium	40,000	50,000	<p>Additional Information: Interest paid on debentures ₹ 18,000 (A) ₹ 40,000 (B) ₹ 42,000 (C) ₹ 48,000 (D) ₹ 50,000</p>	
Particulars	31st March, 2020 (₹)	31st March, 2021 (₹)													
Equity Share Capital	4,00,000	5,00,000													
12% Debentures	1,50,000	1,00,000													
Securities Premium	40,000	50,000													
14	<p>ABC Ltd had investment of Rs 68,000 as on 31.3.2018 and investment of Rs 56,000 as on 31.3.2019. During the year ABC Ltd sold 40% of its investments being held in the beginning of period at a profit of Rs 16,800. Determine cash flow from investing activities. (A) Rs. 28,800 (B) Rs. 59,200 (C) Rs. 72,800 (D) Rs. 27,200</p>														
15	<p>Following is the information available from M Ltd</p> <table border="1"> <thead> <tr> <th>Particulars</th> <th>2017</th> <th>2016</th> </tr> </thead> <tbody> <tr> <td>Investments @16%</td> <td>250000</td> <td>125000</td> </tr> <tr> <td>Fixed Assets</td> <td>595000</td> <td>437500</td> </tr> </tbody> </table> <p>Fixed Assets 5,95,000 4,37,500 Additional information: 1. Half of the investment held in the beginning of the year was sold at a profit of 10 %. 2. Depreciation on fixed Assets was Rs 90,000 for the year 3. Interest received on investment was Rs 15,000 4. Dividend received on investment Rs 9000 What is the Cash Flow from Investing activities? (A) 435,000 (B) -3,42,250 (C) -3,27,250 (D) -125000</p>			Particulars	2017	2016	Investments @16%	250000	125000	Fixed Assets	595000	437500			
Particulars	2017	2016													
Investments @16%	250000	125000													
Fixed Assets	595000	437500													

16	From the following information what will be the amount of assets purchased during the year?												
	<table border="1"> <thead> <tr> <th>Particulars</th> <th>31-03-2021</th> <th>31-03-2020</th> </tr> </thead> <tbody> <tr> <td>Machinery (at cost)</td> <td>690000</td> <td>600000</td> </tr> <tr> <td>Accumulated Depreciation</td> <td>90000</td> <td>60000</td> </tr> </tbody> </table>	Particulars	31-03-2021	31-03-2020	Machinery (at cost)	690000	600000	Accumulated Depreciation	90000	60000			
Particulars	31-03-2021	31-03-2020											
Machinery (at cost)	690000	600000											
Accumulated Depreciation	90000	60000											
	<p>Additional information: During the year a machine costing Rs 50,000, accumulated depreciation thereon Rs 32,000, was sold for Rs 20,000.</p> <p>(A) 1,40,000 (B) 1,20,000 (C) 1,55,000 (D) None of the above</p>												
17	Following is the information relating to N Ltd.												
	<table border="1"> <thead> <tr> <th>Particulars</th> <th>31-03-2021</th> <th>31-03-2020</th> </tr> </thead> <tbody> <tr> <td>Provision for Tax</td> <td>Rs. 26,000</td> <td>Rs. 18,000</td> </tr> </tbody> </table>	Particulars	31-03-2021	31-03-2020	Provision for Tax	Rs. 26,000	Rs. 18,000						
Particulars	31-03-2021	31-03-2020											
Provision for Tax	Rs. 26,000	Rs. 18,000											
	<p>If tax paid during the year is Rs. 14,400, what is the provision for tax during the year?</p> <p>(A) Rs. 21,500 (B) Rs. 21,400 (C) Rs. 22,400 (D) None of the above</p>												
18	Following is the information relating to X Ltd												
	<table border="1"> <thead> <tr> <th>Particulars</th> <th>31-03-2022</th> <th>31-03-2021</th> </tr> </thead> <tbody> <tr> <td>Provision for Tax</td> <td>Rs. 31,500</td> <td>Rs. 35,000</td> </tr> </tbody> </table>	Particulars	31-03-2022	31-03-2021	Provision for Tax	Rs. 31,500	Rs. 35,000						
Particulars	31-03-2022	31-03-2021											
Provision for Tax	Rs. 31,500	Rs. 35,000											
	<p>If provision for tax made during the year is 15,750, calculate tax paid during the year.</p> <p>(A) Rs. 16,850 (B) Rs. 18,450 (C) Rs. 37,700 (D) Rs. 19,250</p>												
19	Following is the information relating to Anju Ltd												
	<table> <thead> <tr> <th>Particulars</th> <th>2021</th> <th>2022</th> </tr> </thead> <tbody> <tr> <td>Accumulated Depreciation on Machinery</td> <td>Rs. 240000</td> <td>Rs. 432000</td> </tr> </tbody> </table>	Particulars	2021	2022	Accumulated Depreciation on Machinery	Rs. 240000	Rs. 432000						
Particulars	2021	2022											
Accumulated Depreciation on Machinery	Rs. 240000	Rs. 432000											
	<p>During the year a Machine sold for Rs 75,000, on which Accumulated depreciation was Rs. 1,12,500. Depreciation charged on machinery during the year is:</p> <p>(A) Rs. 3,02,100 (B) Rs. 3,03,700 (C) Rs. 3,04,500 (D) None of the above</p>												
20	B Ltd provides the following information. Calculate Cash flow from financing activities.												
	<table border="1"> <thead> <tr> <th>Particulars</th> <th>31-03-2022 Rs.</th> <th>31-03-2021 Rs.</th> </tr> </thead> <tbody> <tr> <td>Equity share capital</td> <td>6,37,500</td> <td>4,25,000</td> </tr> <tr> <td>17 % Debentures</td> <td>-</td> <td>3,75,000</td> </tr> <tr> <td>19 % Debentures</td> <td>4,75,000</td> <td>-</td> </tr> </tbody> </table>	Particulars	31-03-2022 Rs.	31-03-2021 Rs.	Equity share capital	6,37,500	4,25,000	17 % Debentures	-	3,75,000	19 % Debentures	4,75,000	-
Particulars	31-03-2022 Rs.	31-03-2021 Rs.											
Equity share capital	6,37,500	4,25,000											
17 % Debentures	-	3,75,000											
19 % Debentures	4,75,000	-											
	<p>Additional information: 1) Interest paid on debentures Rs 40,000. 2) Dividend paid Rs 75,000.</p> <p>(A) Rs. 1,97,000 (B) Rs. 1,97,500 (C) Rs. 1,96,000 (D) None of the above</p>												
21	If net profit of X Ltd is Rs. 35,000 after writing off good will Rs. 6,000 and loss on sale of furniture Rs. 1,000, cash flow from operating activities will be:												
	<p>(A) Rs. 35,000 (B) Rs. 42,000 (C) Rs. 29,000 (D) Rs. 28,000</p>												
22	When a fixed asset is bought as hire purchase, interest element is classified under _____ and loan element is classified under _____.												
	<p>(A) operating activities, financing activities (B) financing activities, investing activities (C) investing activities, operating activities (D) none of the above</p>												
23	How will you deal increase in the balance of 'Securities Premium Reserve' while preparing a Cash Flow Statement?												

	<p>(A) cash flow from operating activities (B) cash flow from investing activities (C) cash flow from financing activities (D) cash equivalent</p>
24	<p>Plant and Machinery of Book Value of Rs. 5,00,000 at a loss of 5%. Inflow under Investing Activities will be: (A)Rs. 4,75,000 (B) Rs. 5,00,000 (C) Rs. 3,80,000 (D) Rs. 3,60,000</p>
25	<p>A Mutual Fund Company receives a dividend of ₹20 Lakhs on its investments in another company's shares. Where will it appear in a cash flow statement? (A) Cash Flow from Investing Activities. (B) Cash Flow from Financing Activities. (C) No Cash Flow. (D) Cash Flow from Operating Activities.</p>
26	<p>Given salary expenses Rs 40,000, Outstanding in the beginning of the year: Rs. 5,000 and outstanding at the end of the year Rs 10,000. Cash outflow on salary will be (A) Rs. 55000 (B) Rs. 45,000 (C) Rs. 35,000 (D) Rs. 15000</p>
27	<p>Find out cash flows from from investing activities: A mutual fund company invested Rs. 30,00,000 in shares, and Rs. 15,00,000 in Debentures. It received Rs. 3,00,000 as dividend and interest. (A)Rs. 4800000 inflow (B) Rs. 4200000 outflows (C) Rs. 300000 inflow (D)Rs. NIL</p>
28	<p>A business may incur an operating loss in a given financial year yet has more cash in the bank at the end. A reason for this could be that (A) Some fixed assets were sold for cash (B) Dividends paid were higher than last year (C) Payments to creditors were made more promptly (D) Debtors were allowed a longer period of credit</p>
29	<p>A company has a negative cash flow from operating activities. What could explain this negative cash flow? (A) The repayment of a loan (B)A sudden increase in credit sales (C) High levels of dividend payments (D) A substantial investment in now fixed asset</p>
30	<p>Assertion: Issue of bonus share are not shown in cash Flow Statement. Reason: It do not involve cash inflow or outflow. (A) Both Assertion and reason are true and reason is correct explanation of assertion. (B) Assertion and reason both are true but reason is not the correct explanation of assertion. (C) Assertion is true, reason is false. (D) Assertion is false, reason is true.</p>
31	<p>If a company changes from offering 30 days credit to customers to offering 50 days credit , which Of the following statement is correct? (A) Cash generated from operations will increase (B) Cash generated from financing activities will decrease (C) Cash generated from operations will decrease (D)There will be no effect on the statement of cash flow</p>
32	<p>Income statement of X Ltd for the year ended was as follows:-</p>

	<p>Net Sales 42,50,000</p> <p>Cost of sales (33,25,000)</p> <p>Depreciation (85,000)</p> <p>Salaries & wages (3,95,000)</p> <p>Operating expenses (1,30,000)</p> <p>Provision for taxation (1,45,000)</p> <p>= NET OPERATING PROFITS 1,70,000</p> <p>What is net profit before working capital changes ?</p> <p>(A) 1,70,000 (B) 9,25,000 (C) 4,45,000 (D)4,00,000</p>																								
33	<p>Net profit before working capital changes of X Ltd is Rs. 5,52,000.</p> <p>Changes in working capital during the year is as follows: -</p> <p>Decrease in stock Rs. 2,70,500</p> <p>Decrease in creditors Rs. 10,800</p> <p>Increase in debtors Rs. 30,500</p> <p>Increase in advances Rs. 2,950</p> <p>Increase in outstanding expenses Rs. 35,400</p> <p>What is cash generated from operations?</p> <p>(A) Rs. 7,42,850 (B) Rs. 8,13,650 (C) Rs. 3,61,150 (D) Rs. 8,41,150</p>																								
34	<p>Accounts of X Ltd. shows that the balance of cash and cash equivalents has been increased by 19,200 as compared to last year. If cash flow statement reveals net cash inflow from financing activities is Rs 19,200 and cash outflow from investing activities is Rs 4,80,000, what will be cash flow from operating activities?</p> <p>(A) Rs. 5,18,400 (B) Rs. 4,99,200 (C) Rs. 4,60,800 (D) Rs. 4,80,000</p>																								
35	<p>From the following details calculate the cash flow from operating activities:-</p> <table border="1" style="margin-left: 40px;"> <thead> <tr> <th></th> <th>31-03-2019</th> <th>31-03-2020</th> </tr> </thead> <tbody> <tr> <td>Creditors</td> <td>1,15,000</td> <td>1,30,000</td> </tr> <tr> <td>Bills Payable</td> <td>90,000</td> <td>70,000</td> </tr> <tr> <td>Outstanding Expenses</td> <td>1,00,000</td> <td>1,25,000</td> </tr> <tr> <td>Provision for tax</td> <td>1,80,000</td> <td>1,40,000</td> </tr> <tr> <td>Bills receivable</td> <td>1,02,000</td> <td>1,10,000</td> </tr> <tr> <td>Sundry debtors</td> <td>3,75,000</td> <td>3,55,000</td> </tr> <tr> <td>Stock</td> <td>1,30,000</td> <td>1,60,000</td> </tr> </tbody> </table> <p>Net profit before working capital changes is Rs 5,39,000.</p> <p>(A) Rs 5,41,000 (B) Rs 3,61,000 (C) Rs 3,41,000 (D)Rs 3,99,000</p>		31-03-2019	31-03-2020	Creditors	1,15,000	1,30,000	Bills Payable	90,000	70,000	Outstanding Expenses	1,00,000	1,25,000	Provision for tax	1,80,000	1,40,000	Bills receivable	1,02,000	1,10,000	Sundry debtors	3,75,000	3,55,000	Stock	1,30,000	1,60,000
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	<p>Read the passage given below and answer the question No 36 to 38:</p> <p>X Ltd incorporated in January 2015. It started business in April 2015.</p> <p>It has the following information for the year 2020-21.</p> <table border="1" style="margin-left: 40px;"> <thead> <tr> <th>Particulars</th> <th>31st March-2020 Rs.</th> <th>31st March-2021 Rs.</th> </tr> </thead> <tbody> <tr> <td>Surplus (i.e. balance in the statement of Profit and Loss)</td> <td>71,000</td> <td>89,000</td> </tr> <tr> <td>Inventory</td> <td>12,000</td> <td>4,000</td> </tr> <tr> <td>Trade receivables</td> <td>58,000</td> <td>45,000</td> </tr> <tr> <td>Outstanding expenses</td> <td>14,600</td> <td>10,000</td> </tr> <tr> <td>Goodwill</td> <td>57,000</td> <td>27,000</td> </tr> <tr> <td>Cash in hand</td> <td>9,000</td> <td>12,000</td> </tr> <tr> <td>Machinery</td> <td>82,000</td> <td>56,000</td> </tr> </tbody> </table>	Particulars	31st March-2020 Rs.	31st March-2021 Rs.	Surplus (i.e. balance in the statement of Profit and Loss)	71,000	89,000	Inventory	12,000	4,000	Trade receivables	58,000	45,000	Outstanding expenses	14,600	10,000	Goodwill	57,000	27,000	Cash in hand	9,000	12,000	Machinery	82,000	56,000
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	(i) A piece of machinery costing .50,000 on which depreciation of Rs. 20,000 had been charged was sold for .10,000. Depreciation charged during the year was .18,000. (ii) Income tax Rs. 23,000 was paid during the year. (iii) Dividend paid during the year was 36,000.									
36	What is the value of Operating profit before working capital changes in the year 2020-21? (A) 18,000 (B) 66,000 (C) 86,000 (D) 145,000									
37	Loss/profit on sale of machinery is : (A) 10,000 Loss (B) 20,000 Loss (C) 30,000 Profit (D) 40,000 Loss									
38	What is the amount of cash flow from operation activity? (A) 161,400 (B) 138,400 (C) 153,000 (D) 166,000									
39	From the following data find out the value of building sold during the year <table border="1" data-bbox="450 622 1147 745"> <thead> <tr> <th>Particulars</th> <th>31-03-2018</th> <th>31-03-2019</th> </tr> </thead> <tbody> <tr> <td>Land& Building</td> <td>20,00,000</td> <td>17,00,000</td> </tr> <tr> <td>Capital Reserve</td> <td>Nil</td> <td>2,00,000</td> </tr> </tbody> </table> <p>A piece of land has been sold during the year and profit on sale has been credited to capital reserve. Depreciation charged on building during the year is Rs 50,000; no additions have been made under this head during the year. (A) Rs 3,00,000 (B) Rs 5,00,000 (C) Rs 4,00,000 (D) Rs 4,50,000</p>	Particulars	31-03-2018	31-03-2019	Land& Building	20,00,000	17,00,000	Capital Reserve	Nil	2,00,000
Particulars	31-03-2018	31-03-2019								
Land& Building	20,00,000	17,00,000								
Capital Reserve	Nil	2,00,000								
40	What should be the common maturity period for a marketable security to be qualified as cash equivalents from the date of its acquisition? (A) One month or less (B) Three months or less (C) 30 days or less (D) None of the above									
41	Assertion: If a machine whose original cost is ₹40,000 having accumulated depreciation 12,000, were sold for ₹34,000 then while preparing Cash Flow Statement it will result in Cash flow from investing activities ₹34,000 Reason: Machinery being part of non-current asset is investing activity and sale proceed is ₹34,000 (A) Both Assertion and reason are true and reason is correct explanation of assertion. (B) Assertion and reason both are true but reason is not the correct explanation of assertion. (C) Assertion is true, reason is false. (D) Assertion is false, reason is true									
42	Which of the following is not included in cash and cash equivalents? (A) Balances With banks (B) Bank deposits with 100 days of maturity (C) Cheques and drafts on hand (D) Cash on hand									
43	Which of the following is not an operating activity for a company manufacturing garments? (A) Procurement of raw material (B) Sale of garments (C) Payment of interest on loans (D) Manufacturing expenses incurred									
44	A plant having book value Rs. 80,000, accumulated depreciation being Rs. 20,000, is sold at a profit of Rs. 8,000. Amount that will be shown as cash inflow under investing activities will be _____ (A) Rs.80000 (B) Rs.68000 (C) Rs.88000 (D) Rs.8000									

45	<p>A company has issued 8% Debentures of Rs. 10,00,000 at a discount of 5% redeemable at a premium of 10% after 5 years. Cash inflow from financing activities will be ____.</p> <p>(A)Rs. 11,00,000 (B) Rs. 10,00,000 (C) Rs. 9,00,000 (D) Rs. 9,50,000</p>									
46	<p>B Ltd. provides the information:</p> <table border="0"> <tr> <td>Particulars</td> <td>1.4.2019 (Rs.)</td> <td>31.3.2020 (Rs.)</td> </tr> <tr> <td>Long-term loans</td> <td>2,00,000</td> <td>2,50,000</td> </tr> </table> <p>During the year 2019-20, the company repaid a loan of Rs. 1,00,000. Cash flows from financing activities will be:</p> <p>(A) Net cash used in financing activities Rs. 50,000 (B) Net cash used in financing activities Rs. 1,00,000 (C) Net cash from financing activities Rs. 50,000 (D) Net cash from financing activities Rs. 1,50,000</p>	Particulars	1.4.2019 (Rs.)	31.3.2020 (Rs.)	Long-term loans	2,00,000	2,50,000			
Particulars	1.4.2019 (Rs.)	31.3.2020 (Rs.)								
Long-term loans	2,00,000	2,50,000								
47	<p>A Ltd. provides the following information:</p> <table border="0"> <tr> <td>Particulars</td> <td>1.4.2019 Rs.</td> <td>31.3.2020 Rs.</td> </tr> <tr> <td>Machinery</td> <td>50,000</td> <td>60,000</td> </tr> <tr> <td>Accumulated depreciation</td> <td>25,000</td> <td>15,000</td> </tr> </table> <p>A machine of book value Rs. 10,000 with accumulated depreciation Rs. 8,000 was sold for Rs. 13,000. Cash flows from investing activities will be:</p> <p>(A) Net cash used in investing activities Rs. 28,000 (B) Net cash used in investing activities Rs. 15,000 (C) Net cash from investing activities Rs. 13,000 (D) Net cash from investing activities Rs. 15,000</p>	Particulars	1.4.2019 Rs.	31.3.2020 Rs.	Machinery	50,000	60,000	Accumulated depreciation	25,000	15,000
Particulars	1.4.2019 Rs.	31.3.2020 Rs.								
Machinery	50,000	60,000								
Accumulated depreciation	25,000	15,000								
48	<p>If the net profits earned during the year is Rs. 50,000 and the amount of debtors in the beginning and the end of the year is Rs. 10,000 and Rs. 20,000 respectively, then the cash from operating activities will be equal to .</p> <p>(A)Rs. 60,000 (B) Rs. 70,000 (C)Rs. 40,000 (D)Rs. 30,000</p>									
49	<p>An enterprise may hold securities and loans for dealing or trading purpose in Which case they are similar to inventory acquired specifically for resale. Cash Flows from such activities will be Classified under _____ activity while preparing Cash Flow Statement.</p> <p>(A) Operating Activity (B)Investing Activity (C) Financing Activity (D)Cash Equivalent</p>									
50	<p>'Interest received and paid' by a finance company is ____ activity while preparing a Cash Flow Statement.</p> <p>(A) Operating Activity (B)Investing Activity (C) Financing Activity (D)Cash Equivalent</p>									

ANSWERS

CHAPTER NO 8. CASH FLOW STATEMENT

QNo	Ans	QNo	Ans
1	C	26	C
2	C	27	D
3	A	28	A
4	A	29	B
5	B	30	A
6	B	31	C
7	B	32	D
8	C	33	B
9	B	34	D
10	D	35	B
11	D	36	D
12	C	37	B
13	B	38	B
14	A	39	D
15	B	40	B
16	A	41	A
17	C	42	B
18	D	43	C
19	C	44	C
20	B	45	D
21	B	46	C
22	B	47	B
23	C	48	C
24	A	49	A
25	D	50	A