MODEL TEST PAPER

Time Allowed: 90 Minutes **Maximum Marks: 40**

General Instructions:

Read the following instructions very carefully and strictly follow them:

1. This question paper comprises three **PARTS—I, II and III**. There are 69 questions in the question paper.
2. **Part I** is compulsory for all candidates.
3. **Part II** Analysis of Financial Statement and **Part III** Computerised Accounting. You have to attempt only one of the given OPTIONS.
4. There is an internal choice provided in each Section.
   I. **Part I**, contains three Sections—A, B and C. **Section A** has questions from 1 to 18 and **Section B** has questions from 19 to 36, you have to attempt any 15 questions each in both the sections.
   II. **Part I, Section C** has questions from 37 to 41. You have to attempt any four questions.
   III. **Part II**, contains two Sections—A and B. **Section A** has questions from 42 to 48, you have to attempt any five questions and **Section B** has questions from 49 to 55, you have to attempt any six questions.
   IV. **Part III**, contains two Sections—A and B. **Section A** has questions from 49 to 62, you have to attempt any five questions and **Section B** has questions from 63 to 69, you have to attempt any six questions.
5. All questions carry **equal marks**. There is **no negative marking**.
6. Specific Instructions related to each Part and subdivisions (Section) is mentioned clearly before the questions. Candidates should read them thoroughly and attempt accordingly.

Part I

Section A

Instructions:

➢ ***From question number 1 to 18, attempt any 15 questions.***

1. Accumulated Profits/Losses existing in the books of firm at the time of change in profit-sharing ratio of existing partners are shared by ___(i)___ whereas in case of admission of a partner they are shared by the ___(ii)___.

   (a) (i) the remaining Partners, (ii) All Partners.
   (b) (i) All the Partners, (ii) Old partners.
   (c) (i) New Partner, (ii) All the partners.
   (d) (i) Sacrificing Partner, (ii) Incoming partner.

2. Zee Ltd. issued equity shares of ₹ 100 each. It has called-up ₹ 80 per share but received only ₹ 60 per share, ₹ 20 per share not being due yet. The Share Capital Account will be credited with

   (a) ₹ 60 per share.
   (b) ₹ 80 per share.
   (c) ₹ 100 per share.
   (d) None of these.

3. If 100 shares of ₹ 10 each, ₹ 9 called (including premium of ₹ 2) is forfeited due to non-payment of First Call of ₹ 2 per share, then Share Capital Account will be debited by

   (a) ₹ 500
   (b) ₹ 700
   (c) ₹ 1,000
   (d) ₹ 900

4. Srijan Ltd. issued prospectus inviting applications for 40,000 shares. Applications were received for 60,000 shares and allotment was made *pro rata* to 80% of the applicants. If Mohan has been allotted 1,600 shares, how many shares he must have applied for?

(a) 1,800. (b) 1,650.

(c) 1,920. (d) 1,280.

5. The subscribed capital of Moon Ltd. is ₹ 80,00,000 and the nominal value of the share is ₹ 100 each. There were no Calls-in-Arrear till the final call was made. The final call made was paid on 77,500 shares. The Calls-in-Arrear amounted to ₹ 62,500. The final call per share is

(a) ₹ 25. (b) ₹ 15.

(c) ₹ 20. (d) ₹ 10.

6. Shiv and Vijay are partners with capital of ₹ 50,000 each. They admit Mohan as a partner for 1/4th share in the profit of the firm. Mohan brings ₹ 80,000 as his share of capital. Profit & Loss Account had a credit balance of ₹ 40,000 as on the date of admission of Mohan. The amount of goodwill is

(a) ₹ 1,20,000. (b) ₹ 1,00,000.

(c) ₹ 1,30,000. (d) ₹ 1,50,000.

7. Aruna, Karuna and Varuna are partners sharing profits in the ratio of 5 : 3 : 2. They decided to share future profits in the ratio of 2 : 3 : 5. What will be the accounting treatment of Workmen Compensation Reserve of ₹ 60,000 as existing in the Balance Sheet on that date in the absence of any other information?

(a) Distributed among partners in their capital ratio.

(b) Distributed among partners in their new profit-sharing ratio.

(c) Distributed among partners in their old profit-sharing ratio.

(d) Carried forward to new Balance Sheet.

8. Which of these is not a reconstitution of partnership firm?

(a) Admission of a partner. (b) Retirement of a partner.

(c) Death of a partner. (d) Dissolution of the firm.

9. At the time of admission of a partner, unless agreed otherwise, New Profit-sharing Ratio of old partners will be the same as their

(a) Capital Ratio. (b) Old Profit-sharing Ratio.

(c) Sacrificing Ratio. (d) None of these.

10. A firm has an unrecorded investment of ₹ 10,000. Journal entry to record the unrecorded investment on admission of a partner will be:

(a) Revaluation A/c	...Dr.	₹ 10,000	
To Investment A/c			₹ 10,000
(b) Investment A/c	...Dr.	₹ 10,000	
To Revaluation A/c			₹ 10,000
(c) Partner's Capital A/c	...Dr.	₹ 10,000	
To Investment A/c			₹ 10,000

(d) None of the above.

11. Ram and Rahim are partners sharing profits in the ratio of 3 : 2. They admit Laxman, a new partner who gets 1/5th of his share from Ram and 4/25th share from Rahim. Laxman's share in the new firm will be

(a) 1/10. (b) 1/2.
(c) 1/5. (d) Nil.

12. Nominal or Registered capital is ____________

(a) that part of authorised capital which is issued by the company.
(b) the amount of capital which is applied to by the prospective shareholders.
(c) the amount of capital which is paid by the shareholders.
(d) the maximum amount of share capital which a company is authorised to issue.

13. What will be the correct sequence of event at the time of admission of a new Partner?

(i) Preparation of Balance Sheet of the Reconstituted firm.
(ii) Revaluation of Assets and Reassessment of Liabilities.
(iii) Determination of New Profit-sharing Ratio and Sacrificing Ratio.
(iv) Preparation of Partners' Capital Accounts.

(a) (iii), (iv), (ii), (i). (b) (i), (iii), (iv), (ii).
(c) (iii), (ii), (iv), (i). (d) (ii), (iii), (i), (iv).

14. Ram and Shyam are partners in a firm sharing profits and losses in the ratio of 3 : 2. They change their profit-sharing ratio to equal.

BALANCE SHEET (EXTRACT)

Liabilities	₹	Assets	₹
		Machinery	4,00,000

If the value of Machinery in the balance sheet is undervalued by 20%, then at what value will the Machinery be shown in the new Balance Sheet?

(a) ₹ 4,80,000. (b) ₹ 5,00,000.
(c) ₹ 5,30,000. (d) ₹ 6,50,000.

15. Bhavya and Sakshi are partners having capital of ₹ 60,000 and ₹ 80,000 respectively. They agreed to allow interest on capital @ 12% p.a. Profit of the firm for the year ended 31st March, 2021 before allowing interest on capital was ₹ 12,600, find the interest on capital allowed to the partners.

(a) ₹ 8,000; ₹ 4,600. (b) ₹ 7,500; ₹ 5,100.
(c) ₹ 5,400; ₹ 7,200. (d) ₹ 6,300; ₹ 6,300.

16. Match the entries in Column I with those in Column II and choose the correct option:

	Column I		Column II
A.	When shares are issued at a price higher than the face value.	(i)	At Par
B.	When the number of shares applied is *more* than the number of shares offered.	(ii)	Undersubscription
C.	When the number of shares applied is *less* than the number of shares offered.	(iii)	At Premium
D.	When shares are issued at a price equal to the face value.	(iv)	Oversubscription

Codes:

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

17. Om, Ram and Shanti are partners sharing profits in the ratio of 3 : 3 : 2. According to the partnership deed, Shanti is to get a minimum amount of ₹ 2,00,000 as his share of profit every year and any deficiency is to be borne by Om. Net profit for the year ended 31st March, 2021 was ₹ 7,80,000. Calculate the amount of deficiency to be borne by Om.

(a) ₹ 2,500. (b) ₹ 10,000.
(c) ₹ 20,000. (d) ₹ 5,000.

18. ABC Ltd. forfeited 4,000 shares of ₹ 10 each, fully called-up, on which application money of ₹ 3 had been paid. Out of these 2,000 shares were re-issued as fully paid up. Upon their reissue, the company transferred ₹ 4,000 to capital reserve.

The rate at which these shares were reissued was

(a) ₹ 10 per share. (b) ₹ 4 per share.
(c) ₹ 5 per share. (d) ₹ 9 per share.

Part I
Section B

Instructions:

➢ ***From question number 19 to 36, attempt any 15 questions.***

19. Average Profit is ₹ 5,50,000, Capital Employed is ₹ 10,00,000, Normal Rate of Return is 15%. Remuneration of all the partners (Management Cost) during this period is estimated to be ₹ 2,50,000 per annum.

Value of Firm's Goodwill on the basis of Capitalisation of Super Profit will be

(a) ₹ 8,00,000. (b) ₹ 9,00,000.
(c) ₹ 10,00,000. (d) ₹ 12,00,000.

20. Madan and Krishna were partners in a firm. Their Balance Sheet showed Furniture at ₹ 5,00,000; Stock at ₹ 3,50,000; Debtors at ₹ 4,05,000 and Creditors at ₹ 1,50,000. Ram was admitted and new profit-sharing ratio was agreed at 2 : 3 : 5. Stock was revalued at ₹ 2,50,000 and, Creditors of ₹ 37,500 are not payable. Debtors of ₹ 5,000 have become irrecoverable and Provision for doubtful debts to be provided @ 10%.

Madan's share in loss on revaluation was ₹ 75,000. Revalued value of Furniture will be

(a) ₹ 5,42,500. (b) ₹ 2,57,500.
(c) ₹ 7,57,500. (d) ₹ 4,57,500.

21. Tushar and Kapil are partners sharing profits in the ratio of 5 : 3. They admit Ajay for 3/10th share of profits half of which was gifted by Tushar and the remaining share was taken by Ajay from Kapil. Goodwill of the firm is valued at ₹ 80,000. How much amount for goodwill will be credited to Tushar's Capital Account?

(a) ₹ 12,000. (b) ₹ 8,000.
(c) ₹ 10,000. (d) Nil.

22. Meera and Sarthak are partners in a firm sharing profits in the ratio of 3 : 2. They admitted Kartik as a new partner for 1/4th share in profits. At the time of admission of Kartik, Debtors and Provision for Doubtful Debts were ₹ 3,80,000 and ₹ 40,000 respectively. As per terms of admission, assets were revalued, and it was found that debtors of ₹ 30,000 had become bad and hence are to be written off. Which Journal entry reflects the correct accounting treatment of the above?

(a)	Bad Debts A/c	...Dr.	₹ 30,000	
	To Sundry Debtors			₹ 30,000
	Provision for Doubtful Debts A/c	...Dr.	₹ 30,000	
	To Bad Debts A/c			₹ 30,000
(b)	Bad Debts A/c	...Dr.	₹ 30,000	
	To Sundry Debtors			₹ 30,000
	Revaluation A/c	...Dr.	₹ 30,000	
	To Provision for Doubtful Debts A/c			₹ 30,000
(c)	Revaluation A/c	...Dr.	₹ 30,000	
	To Sundry Debtors A/c			₹ 30,000
	Provision for Doubtful Debts A/c	...Dr.	₹ 30,000	
	To Revaluation A/c			₹ 30,000
(d)	Bad Debts A/c	...Dr.	₹ 30,000	
	To Revaluation A/c			₹ 30,000
	Provision for Doubtful Debts A/c	...Dr.	₹ 30,000	
	To Revaluation A/c			₹ 30,000

23. Given below are two statements, one labelled as Assertion (A) and the other labelled as Reason (R):

Assertion (A): When a new partner brings goodwill in cash, the amount is credited to Premium for Goodwill Account.

Reason (R): Goodwill brought by the new partner is distributed among the sacrificing partners in their sacrificing ratio.

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

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

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

(c) Assertion (A) is correct but Reason (R) is wrong.

(d) Both Assertion (A) and Reason (R) are wrong.

24. *X*, *Y* and *Z* are partners sharing profits in the ratio of 7 : 3 : 2. From 1st April, 2021, they decided to share profits in the ratio of 8 : 4 : 3. What will be the gain or sacrifice of partners?

(a) *X*'s gain 5/60, *Y*'s sacrifice 3/60, *Z*'s sacrifice 2/60.

(b) *X*'s gain 4/60, *Y*'s sacrifice 1/60, *Z*'s sacrifice 3/60.

(c) *X*'s sacrifice 3/60, *Y*'s gain 1/60, *Z*'s gain 2/60.

(d) *X*'s sacrifice 3/60, *Y*'s gain 2/60, *Z*'s gain 1/60.

25. Rajat and Sajjan are partners in a firm and they do not have a Partnership Deed. Which of their claim is valid?

(a) Rajat manages the business and demands salary of ₹ 5,00,000 per annum.

(b) Sajjan had advanced loan to the firm and claims interest @ 10% per annum.

(c) Sajjan demands interest on capital @ 6% per annum.

(d) Capitals contributed by Rajat and Sajjan are ₹ 25,00,000 and ₹ 50,00,000 respectively. Rajat demands that profits be shared equally.

26. Given below are two statements, one labelled as Assertion (A) and the other labelled as Reason (R):

Assertion (A): If Partnership Deed is silent, no interest is charged on drawings by the partner.

Reason (R): Interest on Partner's loan is to be allowed @ 6% p.a. if the deed is silent about the rate of interest.

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

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

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

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

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

27. Harsh and Honey are partners. Their partnership deed provides for interest on drawings to be charged @ 10% p.a. Harsh withdrew a fixed amount at the end of each quarter and his interest on drawings amount to ₹ 9,000 at the end of the year. What was the amount of his quarterly drawings?

(a) ₹ 40,000 (b) ₹ 50,000

(c) ₹ 60,000 (d) ₹ 30,000

28. Discount allowed on reissue of shares is debited to ________________

(a) Discount on Issue of Shares Account.

(b) Surplus, *i.e.*, Balance in Statement of Profit and Loss Account.

(c) Share Capital Account.

(d) Shares Forfeited Account.

29. Raja Ltd. had allotted 20,000 shares to the applicants of 24,000 shares on *pro rata* basis. The amount payable on application is ₹ 2 per share. Suresh applied for 450 shares. The number of shares allotted and the amount carried forward for adjustment against allotment money due from him is

(a) 150 shares, ₹ 375. (b) 375 shares, ₹ 150.

(c) 400 shares, ₹ 100. (d) 300 shares, ₹ 300.

30. Sony Ltd. forfeited 60 shares of ₹ 10 each issued at a premium of 20% to Mohan who had applied for 72 shares, for non-payment of allotment money of ₹ 5 per share (including premium) and the first and final call of ₹ 5 per share. The following entry will be passed for forfeiture of shares:

Share Capital	...Dr.	₹ 600	
Securities Premium Reserve A/c	...Dr.	₹ 120	
To Forfeited Shares A/c			₹ X
To Share Allotment A/c			₹ Y
To Share First and Final Call A/c			₹ Z

Here X, Y and Z are

(a) ₹ 300, ₹ 276, ₹ 144 respectively. (b) ₹ 144, ₹ 276, ₹ 300 respectively.

(c) ₹ 300, ₹ 200, ₹ 240 respectively. (d) ₹ 400, ₹ 200, ₹ 120 respectively.

31. Piyush and Depika are partners sharing profits in the ratio of 3 : 2. With effect from 1st April, 2021, they agreed to share profits equally.

Following is the Extract of Balance Sheet:

Liabilities	₹	Assets	₹
Investment Fluctuation Reserve	80,000	Investment (at Cost)	8,00,000

At the time of change in profit sharing ratio, the market value of Investment is ₹ 7,20,000. Journalise.

(a)	Investment Fluctuation Reserve A/c	...Dr.	₹ 80,000	
	To Revaluation A/c			₹ 80,000
(b)	Investment Fluctuation Reserve A/c	...Dr.	₹ 80,000	
	To Investment A/c			₹ 80,000
(c)	Investment Fluctuation Reserve A/c	...Dr.	₹ 80,000	
	To Piyush's Capital A/c			₹ 32,000
	To Deepika's Capital A/c			₹ 48,000
(d)	No entry required.			

32. Given below are two statements, one labelled as Assertion (A) and other labelled as Reason (R):

Assertion (A): *Pro rata* allotment may be made in case of oversubscription of shares.

Reason (R): In the case of over-subscription, it is not possible for the company to allot shares to every applicant equal to the number that he applied.

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

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

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

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

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

33. *A*, *B*, and *C* were partners in a firm sharing profits and losses in the ratio of 4 : 3 : 3. Their capitals were ₹ 1,00,000, ₹ 2,00,000, and ₹ 3,00,000 while Current Accounts had balances of ₹ 10,000, ₹ 8,000 and ₹ 6,000 (Dr.) respectively. For the year 2020–21, interest on capital was credited to them @ 10% p.a. instead of 9% p.a. Which of the following entry is necessary to rectify the error?

(a)	*B*'s Capital A/c	...Dr.	₹ 1,400	
	To *A*'s Capital A/c			₹ 200
	To *C*'s Capital A/c			₹ 1,200
(b)	*A*'s Capital A/c	...Dr.	₹ 1,400	
	To *B*'s Capital A/c			₹ 200
	To *C*'s Capital A/c			₹ 1,200
(c)	*B*'s Capital A/c	...Dr.	₹ 200	
	C's Capital A/c	...Dr.	₹ 1,200	
	To *A*'s Capital A/c			₹ 1,400
(d)	*B*'s Current A/c	...Dr.	₹ 200	
	C's Current A/c	...Dr.	₹ 1,200	
	To *A*'s Current A/c			₹ 1,400

34. Which one of the following statements is correct?

(i) Reserve capital is that part of uncalled capital which cannot be called-up except when the company is wound-up.

(ii) Forfeited shares can be re-issued at par, premium or discount.

(iii) Gain on re-issue of forfeited shares is transferred to Capital Reserve Account.

(iv) Securities premium once received cannot be utilised for purpose other than those mentioned under Section 52 of Companies Act, 2013.

(a) All (i), (ii), (iii) and (iv) are correct.
(b) Only (i), (ii) and (iv) are correct.
(c) Only (ii), (iii) and (iv) are correct.
(d) Only (ii) and (iv) are correct.

35. King Ltd. purchased assets of ₹ 9,00,000 from Adani Traders. It issued shares of ₹ 100 each fully paid at a premium of 20% in settlement of purchase consideration. Calculate number of shares to be issued to Adani Traders and also calculate the amount which will be credited to Securities Premium Reserve Account.

	Number of Shares	Securities Premium Reserve Account
		₹
(a)	5,000	40,000
(b)	8,000	1,00,000
(c)	6,000	1,50,000
(d)	7,500	1,50,000

36. Papaya Tree Ltd. had forfeited 3,000 Equity Shares of ₹ 10 each that were issued at premium of ₹ 2 per share for non-payment of Allotment Money of ₹ 5 (including premium) per share and First and Final Call of ₹ 3 per share. 1,500 Equity shares out of the forfeited shares were reissued for ₹ 8 per share as fully paid-up. The amount that will be transferred to Capital Reserve and debited to Securities Premium Reserve will be

(a) ₹ 3,000 and ₹ 3,000.
(b) ₹ 3,000 and Nil.
(c) ₹ 3,000 and ₹ 6,000.
(d) Nil and Nil.

Part I
Section C

Instructions:

➢ ***From question number 37 to 41, attempt any 4 questions.***

Question no.s 37 and 38 are based on the hypothetical situation given below:

Nidiya Limited was incorporated on 1st April, 2017 with registered office in Mumbai. The capital clause of Memorandum of Association had registered capital of 8,00,000 equity shares of ₹ 10 each and 1,00,000 preference shares of ₹ 50 each.

Since some large investments were required for building and machinery, the company in consultation with vendors, M/s. VPS Enterprises, issued 1,00,000 equity shares and 20,000 preference shares at par to them in full consideration of assets acquired. Besides this the comany issued for subscripion 2,00,000 equity shares for cash at par payable as ₹ 3 on application, ₹ 2 on allotment, ₹ 3 on first call and ₹ 2 on second call.

Till date second call has not yet been made and all the shareholders have paid except Ajay who did not pay allotment and call on his 300 shares and Vipul who did not pay first call on his 200 shares. Shares of Ajay were then forfeited and out of them 100 shares were reissued at ₹ 12 per share.

Based on above information you are required to answer the following questions:

37. (i) Shares issued to vendors of building and machinery, M/s VPS Enterprises, would be classified as

(a) Preferential Allotment. (b) Employee Stock Option Plan.

(c) Issue for consideration other than cash. (d) Right Issue of Shares.

(ii) How many equity shares of the company have been subscribed?

(a) 3,00,000 (b) 2,99,500

(c) 2,99,800 (d) None of these

38. (i) What is the amount of security premium reflected in the balance sheet at the end of the year?

(a) ₹ 200 (b) ₹ 600

(c) ₹ 400 (d) ₹ 1,000

(ii) What amount of share forfeiture would be reflected in the Balance Sheet?

(a) ₹ 600 (b) ₹ 900

(c) ₹ 200 (d) ₹ 200

Question nos. 39, 40 and 41 are based on the hypothetical situation given below:

Sterling Enterprises is a partnership business with Ryan, Williams and Sania as partners engaged in production and sales of electrical items and equipment.

Their capital contributions were ₹ 50,00,000, ₹ 50,00,000 and ₹ 80,00,000 respectively with the profit-sharing ratio of 5 : 5 : 8. As they are now looking forward to expanding their business, it was decided that they would bring in sufficient cash to double their respective capitals.

This was duly followed by Ryan and Williams but due to unavoidable reasons Sania could not do so and ultimately it was agreed that to bridge the shortfall in the required capital a new partner should be admitted who would bring in the amount that Sania could not bring and that the new partner would get share of profits equal to half of Sania's share which would be sacrificed by Sania only.

Consequent to this agreement Ejaz was admitted and he brought in the required capital and ₹ 30,00,000 as premium for goodwill.

Based on the above information you are required to answer the following questions.

39. What will be the new profit-sharing ratio of Ryan, Williams, Sania and Ejaz?

(a) 1 : 1 : 1 : 1 (b) 5 : 5 : 8 : 8.

(c) 5 : 5 : 4 : 4 (d) None of the above

40. What is the amount of capital brought in by the new partner Ejaz?

(a) ₹ 50,00,000 (b) ₹ 80,00,000

(c) ₹ 40,00,000 (d) ₹ 30,00,000

41. (i) What is the value of the goodwill of the firm?

(a) ₹ 1,35,00,000 (b) ₹ 30,00,000

(c) ₹ 1,50,00,000 (d) Cannot be determined from the given data.

(ii) What will be correct Journal entry for distribution of Premium for Goodwill brought in by Ejaz?

(a) Ejaz's Capital A/c	...Dr.	₹ 30,00,000	
To Sania's Capital A/c			₹ 30,00,000
(Being ...)			
(b) Premium for Goodwill A/c	...Dr.	₹ 30,00,000	
To Sania's Capital A/c			₹ 30,00,000
(Being ...)			

(c)	Premium for Goodwill A/c	...Dr.	₹ 30,00,000	
	To Ryan's Capital A/c			₹ 8,33,333
	To William's Capital A/c			₹ 8,33,333
	To Ejaz's Capital A/c			₹ 13,33,333
	(Being ...)			
(d)	Premium for Goodwill A/c	...Dr.	₹ 30,00,000	
	To Ryan's Capital A/c			₹ 10,00,000
	To William's Capital A/c			₹ 10,00,000
	To Ejaz's Capital A/c			₹ 10,00,000
	(Being ...)			

Part II
Section A

Instructions:

➢ ***From question number 42 to 48, attempt any 5 questions.***

42. Given below are two statements, one labelled as Assertion (A) and the other labelled as Reason (R):

Assertion (A): The objective of Financial Statement analysis is to assess the earning capacity and financial strength of a business and to facilitate comparative study.

Reason (R): Financial Statements of a company are prepared as per format prescribed in Schedule III of the Indian Companies Act, 2013.

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

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

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

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

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

43. Collection from debtors

(a) improves Current Ratio.
(b) declines Current Ratio.
(c) has no effect on Current Ratio.
(d) None of these.

44. Securities Premium Reserve is shown in a Company's Balance Sheet under

(a) Share Capital.
(b) Long-term Provisions.
(c) Reserves and Surplus.
(d) Contingent Liability.

45. To test the liquidity of a business, which of the following ratios are useful?

(i) Operating Ratio.
(ii) Current Ratio.
(iii) Proprietary Ratio.
(iv) Quick Ratio.

Select the correct answer from the following options:

(a) (ii) and (iv)
(b) (i) and (iv)
(c) (i) and (iii)
(d) (iii) and (iv)

46. Which of the following is not a Non-current Liability?

(a) Long-term Borrowings
(b) Long-term Provisions
(c) Trade Payables
(d) Provision for Employee Benefits

47. Match the following:

Column I	Column II
1. Bank Overdraft	(i) *Current Assets:* Inventories
2. Loose Tools	(ii) *Current Liabilities:* Other Current Liabilities
3. Unclaimed Dividend	(iii) *Current Assets:* Other Current Assets
4. Prepaid Expenses	(iv) *Current Liabilities:* Short-term Borrowings

Select the Correct Code:

	1	2	3	4		1	2	3	4
(a)	(iv)	(ii)	(iii)	(i)	(b)	(iv)	(i)	(iii)	(ii)
(c)	(iv)	(i)	(ii)	(iii)	(d)	(iv)	(ii)	(i)	(iii)

48. Revenue from Operations was ₹ 10,00,000; Cost of Revenue from Operations was 60% of Revenue from Operations; Operating Expenses were ₹ 75,000 and Rate of Income Tax is 40%. What will be the amount of profit after tax?

(a) ₹ 1,60,000
(b) ₹ 1,95,000
(c) ₹ 1,30,000
(d) ₹ 2,40,000

Part II
Section B

Instructions:

➢ ***From question number 49 to 55, attempt any 6 questions.***

49. Operating Profit = ________?________.

(a) Revenue from Operations – Operating Cost.
(b) Net Profit + Non-operating Expenses – Non-operating Income.
(c) Gross Profit – Other Operating Expenses + Other Operating Income.
(d) All of these.

50. What will be the value of inventory of a firm if its Liquid Ratio is 1.5, Current Ratio is 2 and Current Assets are ₹ 8,00,000?

(a) ₹ 3,00,000.
(b) ₹ 4,00,000.
(c) ₹ 1,00,000.
(d) ₹ 2,00,000.

51. Which of the following are limitations of Financial Statement Analysis?

(A) Financial Analysis ignores qualitative elements like quality of management, quality of labour force.
(B) Financial Analysis cannot be said to be free from personal bias.
(C) Financial Analysis ignores quantitative factors.
(D) The Analysis of Financial Statements prepared on historical cost ignores price-level changes.

Choose the correct option from the following:

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

52. Given below are two statements, one labelled as Assertion (A) and the other labelled as Reason (R):

Assertion (A): Activity Ratios measure the effectiveness with which a firm uses its available resources.

Reason (R): These ratios are also called '*Turnover Ratios*' since they indicate the number of times with which the resources are turned (or Converted) into Revenue from Operations.

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

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

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

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

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

53. Given below are two statements, one labelled as Assertion (A) and the other labelled as Reason (R):

Assertion (A): Return on Investment (ROI) Ratio indicates the firm's ability of generating profit per rupee of Capital Employed.

Reason (R): Higher the Ratio, the more efficient the management and utilisation of Capital Employed.

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

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

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

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

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

54. Which of the following transaction will decrease the Debt-Equity Ratio but increase the Current Ratio?

(a) Issue of Debentures against purchase of fixed asset.

(b) Redemption of Preference Shares for Cash.

(c) Issue of Shares for Cash.

(d) Redemption of Debentures by conversion into new debentures.

55. Revenue from Operations of Gama Ltd. is ₹ 14,00,000.

Its Gross profit is ₹ 9,00,000;

Operating expenses are ₹ 75,000;

Commission received is ₹ 5,000;

Profit from sale of fixed asset is ₹ 10,000.

The Operating Profit Ratio of Gama Ltd. will be

(a) 58%. (b) 59.29%.

(c) 60%. (d) 58.93%.

ANSWERS

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

Working Notes:

4. Shares applied by Mohan = $\frac{48,000^*}{40,000} \times 1,600 = 1,920$ shares

*80% of 60,000 = 48,000.

5. $\frac{₹\,62,500}{2,500} = ₹\,25.$

6. *Value of Goodwill (Hidden Goodwill)*:

		₹
(a)	Net worth (or total capital) of new firm on the basis of Mohan's Capital (80,000 × ₹ 4/1)	3,20,000
(b)	Total Existing Capital of Partners: [₹ 50,000 (Shiv) + ₹ 50,000 (Vijay) + ₹ 40,000 (Profit & Loss) + ₹ 80,000 (Mohan)]	2,20,000
(c)	Firm's Goodwill (a) – (b) = ₹ 3,20,000 – ₹ 2,20,000 = ₹ 1,00,000)	

11. Since Laxman gets $\frac{1}{5}$ of his share firm Ram, it means he gets $\frac{4}{5}$th $\left(i.e., 1-\frac{1}{5}\right)$ of his share from Rahim.

if $\frac{4}{5}$th share = $\frac{4}{25}$ (Received from Rahim)

$\therefore$ Laxman's Profit Share = $\frac{4}{25} \times \frac{5}{4} = \frac{1}{5}$.

14. Value of Machinery in New Balance Sheet = ₹ 4,00,000 × $\frac{100}{80}$ = ₹ 5,00,000.

15. Total Interest Due to Bhavya and Sakshi = ₹ 7,200 (*i.e.*, 12% of ₹ 60,000) + ₹ 9,600 (*i.e.*, 12% of ₹ 80,000) = ₹ 16,800. However, total distributable profit is ₹ 12,600. Therefore, total profit of ₹ 12,600 will be distributed between them in the ratio of their interest on capital, *i.e.*, in the ratio of ₹ 7,200 and ₹ 9,600, *i.e.*, in the ratio of 3 : 4.

Interest on Capital: Bhavya = $₹12,600 \times \frac{3}{7} = ₹5,400$

Sakshi = $₹12,600 \times \frac{4}{7} = ₹7,200$.

17. Shanti's Share of Profit = ₹ 7,80,000 × $\frac{2}{8}$ = ₹ 1,95,000.

Deficiency to be borne by Om = Guranteed Amount – Actual Share of Profit

= ₹ 2,00,000 – ₹ 1,95,000 = ₹ 5,000.

18. Gain on reissue = $\frac{₹4,000}{2,000}$ = ₹ 2 per share.

Amount forfeited = ₹ 3 per share

Discount on re-issue = ₹ 3 – ₹ 2 = ₹ 1 per share

Rate at which these shares were reissued = ₹ 10 – ₹ 1 = ₹ 9 per share.

19. Average Profit for Goodwill = ₹ 5,50,000 – ₹ 2,50,000 (Partners' Remuneration or Management Cost)

= ₹ 3,00,000.

Normal Profit = ₹ 10,00,000 × $\frac{15}{100}$ = ₹ 1,50,000

Super Profit = Average Profit – Normal Profit

= ₹ 3,00,000 – ₹ 1,50,000 = ₹ 1,50,000.

Goodwill = Super Profit × $\frac{100}{\text{Normal Rate Return}}$

= ₹ 1,50,000 × $\frac{100}{15}$ = ₹ 10,00,000.

20. Since there were two partners sharing profits and losses equally,

Total loss on Revaluation = ₹ 75,000 × 2 = ₹ 1,50,000

Dr. REVALUATION ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Stock A/c	1,00,000	By Creditors A/c	37,500
To Bad Debts A/c	5,000	By Loss on Revaluation A/c	1,50,000
To Provision for Doubtful Debts A/c	40,000		
[10/100 (₹ 4,05,000 – ₹ 5,000)]			
To Furniture A/c (Balancing Figure)	42,500		
	1,87,500		1,87,500

Revalued value of Furniture will be = ₹ 5,00,000 – ₹ 42,500 = ₹ 4,57,500.

21. Gift is voluntary and consideration free. Since, Tushar has gifted, half of Ajay's share, goodwill will not be paid to him.

24. Calculation of Sacrifice and Gain

	X	*Y*	*Z*
Old Share	7/12	3/12	2/12
New Share	8/15	4/15	3/15

Difference (Old Share – New Share)

$$X = \frac{7}{12} - \frac{8}{15} = \frac{35-32}{60} = \frac{3}{60} \text{ (Sacrifice)}$$

$$Y = \frac{3}{12} - \frac{4}{15} = \frac{15-16}{60} = \frac{-1}{60} \text{ (Gain)}$$

$$Z = \frac{2}{12} - \frac{3}{15} = \frac{10-12}{60} = \frac{-2}{60} \text{ (Gain).}$$

27. $$\text{Interest on Drawings} = \text{Total Drawings} \times \frac{10}{100} \times \frac{4.5}{12}$$

$$₹\ 9{,}000 = \text{Total Drawings} \times \frac{4.5}{120}$$

$$4.5 \times \text{Total Drawings} = ₹\ 10{,}80{,}000$$

$$\text{Total Drawings} = \frac{₹10{,}80{,}000}{4.5} = ₹\ 2{,}40{,}000$$

$$\text{Quarterly Drawings} = \frac{₹2{,}40{,}000}{4} = ₹\ 60{,}000.$$

30.

		₹	₹
Share Capital A/c (60 × ₹ 10)	...Dr.	600	
Securities Premium Reserve (60 × ₹ 2)	...Dr.	120	
To Forfeited Share A/c (72 × ₹ 2)			144
To Share Allotment A/c (60 × ₹ 5) – ₹ 24			276*
To Share First and Final Call A/c			300

**Calculation of the amount due but not paid on allotment*

A.	Application Money received on shares applied (72 × ₹ 2)	₹ 144
B.	*Less:* Application Money due on shares allotted (60 × ₹ 2)	₹ 120
C.	Excess Application Money [₹ 144 – (60 × ₹ 2)]	₹ 24
D.	Allotment money due on shares allotted (60 × ₹ 5)	₹ 300
E.	Allotment money due but not received (₹ 300 – ₹ 24)	₹ 276

31. Fall in investment is equal to Investment Fluctuation Reserve amount. So, the full amount will be debited.

33. Adjustment Table

Particulars	A ₹	B ₹	C ₹	Total ₹
I. Interest on capital already credited @ 10%	10,000	20,000	30,000	60,000
II. *Amount that should have been credited by way of:*				
Interest on capital @ 9%	9,000	18,000	27,000	54,000
Share of Profit (₹ 60,000 – ₹ 54,000) in ratio of 4 : 3 : 3	2,400	1,800	1,800	6,000
	11,400	19,800	28,800	60,000
III. **Difference (I – II)**	1,400	(200)	(1,200)	

35. Number of Shares to be issued = $\frac{₹\,9,00,000}{₹\,120}$ = 7,500

Securities Premium Reserve = 7,500 × ₹ 20 = ₹ 1,50,000.

36.

Balance in Forfeited Shares Account after forfeiture of 1,500 Shares (1,500 × ₹ 4)	₹ 6,000
Discount Allowed on Reissued Shares (1,500 × ₹ 2)	₹ 3,000
Amount transferred to Capital Reserve	₹ 3,000
Amount to be debited to Securities Premium Reserve will be (3,000 × ₹ 2)	₹ 6,000

Note: Securities Premium Reserve is reversed on forfeiture, if the premium is not received,

37. (ii) Subscribed shares = 3,00,000 – 300 + 100 = 2,99,800.

38. (ii) Amount of forfeiture credited = 300 × ₹ 3 = ₹ 900

Amount transferred to Capital Reserve = $\frac{₹\,900 \times 100}{300} = ₹\,300$

Amount of Share forfeiture reflected in Balance Sheet = ₹ 900 – ₹ 300 = ₹ 600

39. Since only Sania sacrifices a part of her share in favour of Ejaz, Ryan and Williams will retain their original share as new share, *i.e.*, $\frac{5}{18}$ and $\frac{5}{18}$ each.

Share acquired by Ejaz from Sania = $\frac{8}{18} \times \frac{1}{2} = \frac{4}{18}$

Sania's New Share = $\frac{8}{18} - \frac{4}{18} = \frac{4}{18}$

So, new share of Ryan, Williams, Sania and Ejaz = $\frac{5}{18} : \frac{5}{18} : \frac{4}{18} : \frac{4}{18}$

Hence, their new profit-sharing ratio will be 5 : 5 : 4 : 4.

40. Capital brought in Ejaz is equal to the capital of Sania, *i.e.*, ₹ 80,00,000.

41. (i) Value of Firm's Goodwill = $\frac{\text{Goodwill of Ejaz}}{\text{Ejaz's Share of Profit}}$

$= ₹\,30,00,000 \times \frac{18}{4} = ₹\,1,35,00,000$

(ii) Share of premium will be given only to sacrificing partner, Sania.

48.

	₹
Revenue from Operations	10,00,000
Less: Cost of Revenue from Operations (60% of ₹ 10,00,000)	6,00,000
	4,00,000
Less: Operating Expenses	75,000
	3,25,000
Less: Tax (40% of ₹ 3,25,000)	1,30,000
Profit after Tax	1,95,000

50. Current Liabilities $= \dfrac{\text{Current Assets}}{\text{Current Ratio}} = \dfrac{₹\,8{,}00{,}000}{2} = ₹\,4{,}00{,}000$

Liquid Assets = 1.5 × Current Liabilities

= 1.5 × ₹ 4,00,000 = ₹ 6,00,000

Inventory = Current Assets – Liquid Assets

= ₹ 8,00,000 – ₹ 6,00,000 = ₹ 2,00,000.

55. Operating Profit Ratio $= \dfrac{\text{Operating Profit}}{\text{Revenue from Operations}} \times 100$

$= \dfrac{₹\,8{,}30{,}000}{₹\,14{,}00{,}000} \times 100 = 59.29\%$

Note: Operating Profit = Gross Profit – Operating Expense + Operating Income

= ₹ 9,00,000 – ₹ 75,000 + ₹ 5,000 = ₹ 8,30,000.