(SET-I)

MOCK EXAMINATION PAPER
Accountancy

General Instructions for attempting the Question Paper:

(*i*) The Question Paper has **50 Questions** out of which **40 Questions** are to be attempted.

(*ii*) Case Study Based Questions have 4 Questions each. These questions shall be considered as 4 Questions.

(*iii*) Time allowed to attempt the Question Paper is **45 Minutes**. Separate reading time is not allowed.

(*iv*) Each Question carries 1 (One) mark.

(*v*) For each incorrect answer 1 (One) mark will be deducted.

Disclaimer: This is a Mock Examination Paper. Actual Examination paper may differ.

1. Receipts & Payments Account is prepared on _______ basis whereas, Income & Expenditure Account is prepared on _________ basis.

1. Accrual, Cash.
2. Cash, Cash.
3. Cash, Accrual.
4. Accrual, Accrual.

2. At the end of the year, balance in Debentures' Interest Account is shown in the ______________ as ____________________.

1. Statement of Profit & Loss; Finance Cost.
2. Statement of Profit & Loss Other Expenses.
3. Surplus, *i.e.*, Balance in Statement of Profit & Loss; Finance Cost.
4. Surplus, *i.e.*, Balance in Statement of Profit & Loss; Other Expenses.

3. Reserve capital is not a part of

1. Issued Capital.
2. Authorised Capital.
3. Called-up Capital.
4. Paid-up Capital.

4. For valuation of Goodwill of the firm, Capital Employed excludes

1. Goodwill.
2. Non-trade Investments.
3. Fictitious Assets.
4. All of the above.

5. Which of the following are not shown as Financing Activities in Cash Flow Statement for non-financing companies?

A. Conversion of Debentures into Shares.
B. Decrease in amount of Cash Credit.
C. Payment of Underwriting Commission.
D. Redemption of Preference Shares.
E. Receipt of Dividend.

Choose the correct option:

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

6. Which of the following is/are Cash Flow from Operating Activities?

1. Cash receipts and cash payments of an insurance enterprise for premiums and claims, annuities and other policy benefits.
2. Cash receipts and payments by an enterprise whose business is that of securities trading for futures contracts, forward contracts, option contracts and swap contracts when the contracts are held for dealing or trading purposes.
3. Cash payments or refunds of GST.
4. All of the above.

7. Opening balances of Library Fund and 9% Library Fund Investment were ₹ 12,80,000 and ₹ 10,00,000 respectively. Interest received on Library Fund investment was ₹ 68,000. Closing Balance of Library Fund will be

1. ₹ 13,48,000.
2. ₹ 23,48,000.
3. ₹ 13,70,000.
4. ₹ 23,70,000.

8. What is the correct sequence for finding average collection period?

A. Find Average Trade Receivables.

B. Determine Trade Receivables Turnover Ratio.

C. Find Net Credit Revenue from Operations.

D. Divide the days or months in a year by trade receivables Turnover ratio.

Choose the correct option:

1. A, B, D and C
2. C, A, B and D
3. C, B, A and D
4. B, C, A and D

9. Bharat Care Ltd., a listed company, has outstanding 20,000 Debentures of ₹ 100 each on 1st April, 2021 redeemable at a premium of 25%. These are to be redeemed at the end of 31st March, 2022. Amount transferred to DRR will be

1. ₹ 20,00,000.
2. ₹ 25,00,000.
3. ₹ 2,00,000.
4. NIL.

10. Neha, Nisha and Yamini are partners in a firm sharing profits and losses in the ratio of 5 : 3 : 2. The partners decide to share future profits and losses in the ratio of 3 : 2 : 1. Each partner's gain or sacrifice due to change in the ratio will be

1. Neha's Sacrifice 1/30; Nisha's Gain 1/30; Yamini Nil.
2. Neha's Gain 1/30; Nisha Nil; Yamini's Sacrifice 1/30.
3. Neha Nil; Nisha's Sacrifice1/30; Yamini's Gain 1/30.
4. Neha Nil; Nisha's Gain 1/30; Yamini's Sacrifice1/30.

Case Study

Kamal, Kabir and Manav are in a partnership with profit-sharing ratio of 3 : 2 : 1. Their capitals are fixed at ₹ 12,00,000; ₹ 10,00,000; ₹ 8,00,000 respectively. On 1st December, 2021, Kamal gave a loan of ₹ 3,00,000 to the firm. It has been agreed that interest on loan and capital will be allowed @ 10% p.a. Partners' salaries shall be: Kamal ₹ 5,000 per month and Kabir ₹ 3,000 per quarter. Manav has allowed the firm to use his premises for which he will be paid rent of ₹ 2,000 per month. Interest on capital is to be paid whether the firm earns profit or incurs loss. Profit of the firm for the year ended 31st March, 2022 was ₹ 5,23,200. 10% of Net Profit is to be provided for Manager's commission and 10% of Divisible Profit is to be transferred to General Reserve.

Based on the above case, answer questions from 11 to 14.

11. Rent Paid to Manav will be

1. Debited to Profit & Loss Appropriation Account.
2. Debited to Profit & Loss Account.
3. Debited to *Z*'s Capital Accounts.
4. Debited to Profit & Loss Adjustment Account.

12. Interest on capital will be transferred to the

1. debit of Profit & Loss Account.
2. debit of Profit & Loss Appropriation Account.
3. debit of Partners' Capital Accounts.
4. debit of Profit & Loss Adjustment Account.

13. Amount of Manager's commission will be

1. ₹ 46,600 Debited to Profit & Loss Account.
2. ₹ 17,200 Debited to Profit & Loss Account.
3. ₹ 46,600 Debited to Profit & Loss Appropriation Account.
4. ₹ 16,600 Debited to Profit & Loss Appropriation Account.

14. Amount of profit transferred to General Reserve is

1. ₹ 50,000.
2. ₹ 14,940.
3. ₹ 10,000.
4. ₹ 41,940.

15. Monroe Ltd. paid income tax on Capital Gains ₹ 12,28,600 resulting from sale of Building. In Cash Flow Statement, it will be shown:

1. by way of adjustment in Cash and Cash Equivalents at the end.
2. as addition to Net Profit Before Tax Extraordinary Items under Operating Activities and as outflow as Tax paid under Operating Activities.
3. as addition to Net Profit Before Tax Extraordinary Items under Operating Activities and as outflow as Tax paid under Investing Activities.
4. as addition to Net Profit Before Tax Extraordinary Items under Operating Activities and as outflow as Tax paid under Financing Activities.

16. Match the entries (items) in LIST I with entries (items) in LIST II.

List I	List II
A. General Reserve	(I) Credit to Revaluation Account
B. Increase in the value of asset	(II) Old Profit Share – New Profit Share
C. Sacrificing Ratio	(III) Debit to Revaluation Account
D. Increase in the value of liability	(IV) Accumulated Profit

Choose the correct option:

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

17. Furniture as on 1st April, 2021 was ₹ 3,40,000. Furniture (having Book value as on 1st April, 2021 of ₹ 60,000) was sold at a profit of 20% on 1st October, 2021. Furniture is depreciated @ 10% p.a. Furniture for ₹ 3,00,000 was purchased on 1st October, 2021. Profit on sale of furniture for the year ended 31st March, 2021 is

1. ₹ 10,400.
2. ₹ 11,400.
3. ₹ 9,400.
4. ₹ 7,400.

18. In the Balance Sheet of Om Ji Om Caterers (a partnership between Dharam and Param), Debtors were ₹ 5,00,000 and Provision for Doubtful Debts ₹ 20,000. On dissolution of the firm, if Bad Debts are ₹ 1,00,000 and remaining Debtors were realised at a discount of 8%, Cash Account will be debited by

1. ₹ 3,40,000.
2. ₹ 3,49,600.
3. ₹ 3,68,000.
4. ₹ 3,60,000.

19. Match the following items:

List I	List II
A. When shares are forfeited, account debited is	(I) Securities Premium Reserve.
B. Shares reissued at value less than its nominal (face) value as fully paid-up is	(II) Share Capital Account.
C. Amount received on forfeited shares is credited to	(III) Discount on Issue of Shares.
D. Shares reissued at value more than its nominal (face) value is credited to	(IV) Share Forfeiture Account.

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

20. Property, Plant and Equipment of Maxo Ltd. has changed from ₹ 20,00,000 to ₹ 25,00,000 in the current year as compared to previous year. While preparing Comparative Balance Sheet, the increase in Property, Plant and Equipment in absolute and percentage terms is

1. Increase by ₹ 5,00,000; 20%.
2. Decrease by ₹ 5,00,000; 20%.
3. Increase by ₹ 5,00,000; 25%.
4. Decrease by ₹ 5,00,000; 25%.

21. A club has 1,500 members. Each member pays ₹ 1,200 per annum as subscription, Outstanding Subscription for the years ended 31st March, 2021 and 2020 were ₹ 1,08,000 and ₹ 84,000 respectively. Members who have not paid their subscription for the year 2020–21 are

1. 120.
2. 20.
3. 80.
4. 480.

22. CRIC GYAN Ltd. Issued 25,000, 10% Debentures of ₹ 100 each at a premium of 5%, redeemable at premium of 5% after 10 years. The issue price was payable in instalments ₹ 30 on application and balance on allotment. The entry passed on allotment of Debentures would be

1. Dr. Bank A/c and Cr. Debentures Allotment A/c by ₹ 18,75,000.
2. Dr. Debentures Allotment A/c by ₹ 18,75,000 and Loss on Issue of Debentures A/c by ₹ 1,25,000;
   Cr. 10% Debentures A/c by ₹ 17,50,000, Securities Premium Reserve A/c by ₹ 1,25,000 and Premium on Redemption of Debentures A/c by ₹ 1,25,000.
3. Dr. Debentures Allotment A/c by ₹ 18,75,000; Cr. 10% Debentures A/c by ₹ 17,50,000, Securities Premium Reserve A/c by ₹ 1,25,000.
4. Dr. Debentures Allotment A/c by ₹ 18,75,000 and Discount on Issue of Debentures A/c by ₹ 1,25,000;
   Cr. 10% Debentures A/c by ₹ 17,50,000, Securities Premium Reserve A/c by ₹ 1,25,000 and Premium on Redemption of Debentures A/c by ₹ 1,25,000.

23. Ravi and Bhuvi are partners in the ratio of 5 : 3. Their capitals are ₹ 2,00,000 and ₹ 1,00,000 respectively. As per the Partnership Deed, they are allowed interest on capitals @ 8% p.a. Interest charged on drawings of Ravi and Bhuvi were ₹ 2,500 and ₹ 1,500 respectively. Firm incurred a loss of ₹ 20,000 for the year ended 31st March, 2020. Loss transferred to the Capital Accounts of Ravi and Bhuvi would be

1. ₹ 25,000; ₹ 15,000.
2. ₹ 15,000; ₹ 25,000.
3. ₹ 10,000; ₹ 6,000.
4. ₹ 6,000; ₹ 10,000.

24. Based on the following information, Fixed Assets Turnover Ratio will be:

Shareholders' Funds ₹ 14,50,000; Total Outside Liabilities are ₹ 16,83,000, Long-term Loans ₹ 6,30,000; 8% Debentures ₹ 7,20,000; Long-term Provisions ₹ 2,16,000; Current Assets ₹ 11,33,000; Current Liabilities ₹ 1,17,000. Gross Profit ₹ 9,00,000; Rate of Gross Profit on Cost 25%.

1. 3 times.
2. 2.5 times.
3. 2.25 times.
4. 3.75 times.

Case Study

Juley Sports Club (JSC) is engaged in the activity of identifying and promoting sports talent in the UT of Ladakh, India. During 2021–2022, Identifying with this noble cause Mr. Tshering Dorboo a businessman donated ₹ 25,00,000, for the construction of a playground in Leh. Till date ₹ 18,00,000 had been spent on construction of playground. JSC have 250 members paying an annual subscription of ₹ 2,500 per annum. They approached the MP of the city with their proposal and received a grant of ₹ 20,00,000 for Construction of Gymnasium and purchase of equipment. 10 tourists from Jammu and Kashmir contributed ₹ 25,000 each as lifetime subscription. Entrance Fees received during the year amounted to ₹ 45,000. The Capital Fund as on 31st March, 2021 was ₹ 12,58,000. Amount spent on construction of Gymnasium and purchase of equipment till date is ₹ 11,95,000. Income & Expenditure account showed a surplus of ₹ 72,000. Taking reference from the above, answer questions 25 to 28.

25. Lifetime subscription will be posted to

1. Debit side of Income & Expenditure Account.
2. Liability side of Balance Sheet as a separate item.
3. Assets side of Balance Sheet.
4. Added to capital fund on the Liability side of Balance Sheet.

26. Donation received for the construction of a playground will be posted to

1. Credit side of Income & Expenditure Account.
2. Assets side of Balance Sheet.
3. Added to capital fund on the Liability side of Balance Sheet.
4. Liability side of Balance Sheet as a separate item.

27. Entrance Fees received will be posted to

1. Debit side of Income & Expenditure Account.
2. Added to capital fund on the Liability side of Balance Sheet.
3. Liability side of Balance Sheet as a separate item.
4. Credit side of Income & Expenditure account.

28. Balance of Capital fund as on 31st March, 2022 is

1. ₹ 46,20,000.
2. ₹ 46,75,000.
3. ₹ 45,75,000.
4. ₹ 45,25,000.

29. The amount or property received by a Not-for-Profit Organisation from the will of a deceased person is called

1. Grant.
2. Donation.
3. Legacy Donation.
4. Fund.

30. *V*, *I*, and *P* are partners in a company sharing profits and losses in the ratio of 7 : 5 : 8. On 31st August, 2021, *P* died. Books of account of the firm are closed on 31st March every year. Sales and profit for the year ended 31st March, 2021 were ₹ 8,00,000 and ₹ 1,12,000 respectively. Sales for the period from 1st April, 2021 to 31st August, 2021, were ₹ 4,50,000. The share of the deceased partner in the current year's profits based on the sales is

1. ₹ 25,200.
2. ₹ 14,700.
3. ₹ 63,000.
4. ₹ 44,800.

31. Which of the following is/are deducted to arrive at normal business profit/future maintainable profit?

A. Loss on sale of Motor Vehicle owned by the Business.

B. Income from Non-Trade Investment.

C. Managing Cost.

D. Under valuation of closing stock.

Choose the correct option:

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

32. Cuvee Ltd. had forfeited 5,000 Equity Shares of ₹ 10 each that were issued at a premium of ₹ 5 per share for non-payment of First and Final Call of ₹ 4 per share. The forfeited shares were reissued for ₹ 8 per share as fully paid-up. The amount that will be transferred to Capital Reserve will be

1. ₹ 10,000.
2. ₹ 20,000.
3. ₹ 30,000.
4. NIL.

33. Following information is of Gold Case Ltd.:

Net Profit before Tax ₹ 16,00,000; Equity Share Capital (₹ 10 per share) ₹ 20,00,000, 8% Preference Share Capital ₹ 10,00,000; Tax rate 25%; Market Price per share ₹ 448, then Price Earning (P/E) Ratio is

1. 85 times.
2. 70 times.
3. 65 times.
4. 80 times.

34. Identify the sequence for application of assets at the time of Dissolution of a firm:

A. Partner's loans or advances.

B. Partner's capital.

C. Profit among the partners in their profit-sharing ratio.

D. Third parties such as Creditors and Bank Loan.

Choose the correct option:

1. D, C, B and A
2. A, B, C and D
3. D, B, C and A
4. D, A, B and C

35. Match the entries (items) in LIST I with entries in LIST II.

List I	List II
A. Cost of Materials Consumed + Purchases of Stock-in-Trade + Changes in Inventories of Finished Goods, WIP and Stock-in-Trade + Direct Expenses	(I) Cost of Revenue from Operations
B. Cost of Revenue from Operations + Operating Expenses	(II) Net Profit
C. Revenue from Operations – Cost of Revenue from Operations – Operating Expenses	(III) Operating Cost
D. Revenue from Operations – Gross Profit	(IV) Operating Profit

Choose the correct option:

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

36. A Not-for-Profit Organisation has made an investment earning interest @ 12% per annum. Interest in the Receipts & Payments Account is ₹ 40,000 and Interest on Investment is accrued for 4 months. The value of Investment is

1. ₹ 5,00,000.
2. ₹ 4,00,000.
3. ₹ 4,80,000.
4. ₹ 6,00,000.

37. Alps Ltd issued 50,000 Equity Shares of ₹ 10 each at par for subscription payable ₹ 3 on Application, ₹ 4 on Allotment and ₹ 3 as First and Final call. It received applications for 1,45,000 Equity Shares. Applicants for 20,000 Equity Shares were refused allotment and remaining applicants were allotted shares on *pro rata* basis. Excess Application Money was not to be refunded. Amount credited to Calls-in-Advance Account will be

1. ₹ 2,25,000.
2. ₹ 25,000.
3. ₹ 1,75,000.
4. Nil.

38. 9% Preference Share Capital of ₹ 7,50,000 was redeemed at a premium of 10%, partly out of proceeds of issue of 30,000 equity shares of ₹ 10 each issued at 15% premium and partly out of profits otherwise available for dividends. Choose the correct effect on different activities of cash flow statement from the options given below:

1. In financing activities, cash outflow ₹ 8,25,000 and cash inflow ₹ 3,45,000.
2. In financing activities, cash outflow ₹ 8,25,000 and in investing activities, cash inflow ₹ 3,45,000.
3. Net ₹ 4,80,000 will be outflow in operating activities.
4. In investing activities cash outflow of ₹ 8,25,000 and in financing activities cash inflow of ₹ 3,45,000.

39. *V*, *I*, and *P* are partners in a company sharing profits and losses in the ratio of 7 : 5 : 8. *P* died on 28th August, 2021. In terms of the Partnership Deed, financial statements were prepared for the period ended 28th August, 2021 and profit share of *P* was determined to be ₹ 75,000. It will be credited to *P*'s Capital Account by debiting

1. Profit & Loss Suspense Account.
2. Profit & Loss Account.
3. Profit & Loss Appropriation Account.
4. Profit & Loss Adjustment.

40. Aries Motors Ltd. offered 2,00,000, 7% Debentures of ₹ 100 each at a discount of 5% redeemable at a premium of 5%. The issue price was payable on application. Subscription was received for the debentures issued and were allotted. On issue of debentures, Loss on Issue of Debentures will be __________ and Premium on Redemption of Debentures Account will be ________

1. Credited by ₹ 10,00,000, Debited by ₹ 10,00,000.
2. Debited by ₹ 10,00,000, Credited by ₹ 10,00,000.
3. Debited by ₹ 20,00,000, Credited by ₹ 10,00,000.
4. None of the above.

41. Which of the following is/are assumed to be 100 for preparing Common Size Statement of Profit & Loss?

A. Revenue from Operations.

B. Balance Sheet total.

C. Cost of Revenue from Operations.

D. Total Revenue.

Choose the correct option

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

42. Subscription received in advance in the year ended 31st March, 2021 for the year ended 31st March, 2023 is shown in the __________ in the Balance Sheet as at 31st March, 2021 and is __________ for the year ended 31st March, 2023

1. Income, Liability.
2. Asset, Liability.
3. Liability, Income.
4. Liability, Liability.

43. Securities Premium can be used by the company for

1. adjusting business loss.
2. paying dividend.
3. adjusting loss on revaluation of assets.
4. issuing fully paid bonus shares.

44. Amount credited to a retiring partner in his Capital Account is ₹ 10,05,000. He took over investment at ₹ 2,90,000. He also took over 20% of stock. The amount transferred to his loan account is ₹ 6,15,000. The value of stock before retirement is

1. ₹ 5,00,000.
2. ₹ 4,50,000.
3. ₹ 4,00,000.
4. ₹ 5,50,000.

45. Match the following items:

List I	List II
A. Hire Cars Ltd. issued 13% Debentures of ₹ 50 at a premium of 20% for purchase of Motor Vehicles of ₹ 24,00,000. No. of debentures issued to vendors is?	(I) 60,000 debentures
B. Cecil Car Rental Ltd. issued 13% Debentures of ₹ 50 at a Discount of 20% for purchase of Motor Vehicles of ₹ 24,00,000. No. of debentures issued to vendors is?	(II) 25,000 debentures
C. Ambey Ltd. received application money of ₹ 55,00,000 against issue of 8% Debentures of ₹ 100 each issued at a premium of ₹ 10 per Debenture. Number of Debentures applied were	(III) 50,000 debentures
D. Aura Ltd. received application money of ₹ 23,75,000 against issue of 8% Debentures of ₹ 100 each issued at a discount of 5%. Number of Debentures applied were	(IV) 40,000 debentures

Choose the correct option:

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

46. Sehajvir and Vansh are partners sharing profits and losses in the ratio of 5 : 4. On 1st April, 2021, they admit Yugank as a partner for 1/5th share. Their Balance Sheet as at 31st March, 2021 shows Building at ₹ 2,00,000; Stock at ₹ 60,000 and Debtors at ₹ 80,000. Stock is revalued at ₹ 80,000 and Provision for Doubtful Debts @5%. Vansh's share in gain (profit) on revaluation amounts to ₹ 16,000. Revised value of Building would be

1. ₹ 20,000.
2. ₹ 2,20,000.
3. ₹ 1,80,000.
4. ₹ 2,40,000.

47. Match List I with List II.

List I	List II
A. Rows in Spreadsheet	I. Vertical Vectors
B. Columns in Spreadsheet	II. A file in Excel
C. Ribbon in Spreadsheet	III. Horizontal Vectors
D. Workbook	IV. Series of Horizontal Tabs

Choose the correct option:

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

48. Arrange the following in the correct sequence to define the order of mathematical expression in Excel:

A. Addition

B. Division

C. Brackets

D. Exponents

Choose the correct option:

1. C, D, B and A
2. C, B, A and D
3. D, C, A and B
4. A, B, C and D

49. 'Record' in a database table is a

1. Size of the table.
2. Horizontal row of table.
3. Vertical column of table.
4. Name of the table.

50. What is the end product of accounting process?

1. Grouping of Accounts
2. Implementation of CAS
3. Producing financial statements
4. Analysing transactions to record them

❑❑❑❑❑

MOCK EXAMINATION PAPER
Answers

1. $\boxed{3}$ **Explanation:** Receipts & Payments Account is a summary of Cash (including Bank) receipts and payments during an accounting period, thus, it is prepared on cash basis. Income & Expenditure Account is prepared on an Accrual Basis of Accounting as revenue incomes and expenses for the accounting period, whether paid or not, are shown therein.

2. $\boxed{1}$ **Explanation:** Balance in Debentures' Interest or Interest on Debentures Account is shown in the Statement of Profit & Loss as Finance Cost, it being a revenue expense.

3. $\boxed{3}$ **Explanation:** Reserve Capital is the capital that a company decides to call from the shareholder at the time of its winding up. It means that the shareholder will pay the amount of Unpaid Capital when the company calls it to be paid. Therefore, it is not a part of Called-up Capital.

4. $\boxed{4}$ **Explanation:** Goodwill, Non-trade Investments and Fictitious Assets are excluded while calculating Capital Employed of the firm for the valuation of Goodwill.

5. $\boxed{4}$ **Explanation:** Conversion of Debentures into Shares and Receipt of Dividend Receivable are not shown as Financing Activities as conversion of debentures do not result in flow of cash while receipt of Dividend is shown as inflow under Cash Flow from Investing Activities.

6. $\boxed{4}$ **Explanation:** Cash flows from operating activities are primarily derived from the principal revenue-producing activities of the enterprise. Therefore, they generally result from the transactions and other events that enter into the determination of net profit or loss.

7. $\boxed{3}$

BALANCE SHEET (EXTRACT) *as at 31st March...*

Liabilities		₹	Assets	₹
Library Fund	12,80,000		9% Library Fund Investment	10,00,000
Add: Interest Received	68,000		Accrued Interest on Library Fund Investment	22,000
Accrued Interest	22,000	13,70,000		

Working Note:

Interest on Library Fund Investment: ₹ 10,00,000 × 9% = ₹ 90,000

Accrued Interest: ₹ 90,000 – ₹ 68,000 = ₹ 22,000.

8. $\boxed{2}$ **Explanation:**

   A. Credit Revenue from Operations = Total Revenue from Operations – Cash Revenue from Operations.

   B. (Opening Debtors and Bills Receivable + Closing Debtors and Bills Receivable)/2.

   C. Net Credit Revenue from Operations/Average Trade Receivable.

   D. Number of days or Months/Trade Receivables Turnover Ratio.

9. $\boxed{4}$ **Explanation:** Bharat Care Ltd. is a public limited company and hence, need not transfer amount to DRR. Only unlisted companies other than NBFC's and HFC's are required to create DRR.

10. $\boxed{4}$ **Explanation:**

Sacrifice/Gain = New Profit Share – Old Profit Share

Neha = 3/6 – 5/10 = Nil

Nisha = 2/6 – 3/10 = 1/30

Yamini = 1/6 – 2/10 = –1/30

Thus, Neha neither sacrifices nor gains, Nisha gains 1/30th share and Yamini sacrifices 1/30th share.

11. $\boxed{2}$ **Explanation:** Rent Paid to Manav is debited to Profit & Loss Account as it is a charge against Profit. It means it is considered as an expense and is payable irrespective of the fact whether the firm earns profit or incurs loss.

12. $\boxed{1}$ **Explanation:** Interest on Capital is transferred to the debit of Profit & Loss Account if it is a charge against Profits. It means it is accounted as an expense irrespective of the fact whether the firm earns profit or incurs loss.

13. $\boxed{2}$ **Explanation:**

(*i*) Interest paid on Kamal's loan = ₹ 3,00,000 × 10/100 × 4/12 = ₹ 10,000.

(*ii*) Rent paid to Manav = ₹ 2,000 × 12 months = ₹ 24,000.

(*iii*) *Interest on Capital:*

Kamal: ₹ 12,00,000 × 10/100 = ₹ 1,20,000;

Kabir: ₹ 10,00,000 × 10/100 = ₹ 1,00,000; Manav: ₹ 8,00,000 × 10/100 = ₹ 80,000;

Total Interest on Capital = ₹ 3,00,000.

(*iv*) Net Profit = Profit – Interest paid on Kamal's loan – Rent to Manav – Interest on Capitals (as it is a charge) = ₹ 5,23,200 – ₹ 10,000 – ₹ 24,000 – ₹ 3,00,000 = ₹ 1,89,200.

(*v*) Manager's Commission = Net Profit × 10/110 = ₹ 1,89,200 × 10/110 = ₹ 17,200.

14. $\boxed{3}$ **Explanation:** 10% of Divisible Profit is transferred to General Reserve.

Partner's salaries:

Kamal = ₹ 5,000 × 12 months = ₹ 60,000

Kabir = ₹ 3,000 × 4 months = ₹ 12,000

Total Partners' salaries = ₹ 72,000

Divisible Profits = Net Profit – Partner's Salaries – Manager's Commission

= ₹ 1,89,200 – ₹ 72,000 – ₹ 17,200 = ₹ 1,00,000

Transfer to General Reserve = ₹ 1,00,000 × 10/100 = ₹ 10,000.

15. $\boxed{3}$ **Explanation:** Tax paid is transferred as expense in Statement of Profit & Loss. Tax provision will be added to Net Profit before Tax and Extraordinary Items and tax paid on sale of fixed asset (Building) will be shown as outflow under Investing Activity.

16. $\boxed{3}$ **Explanation:**

A. General Reserve is in the nature of undistributed or accumulated profit since it is the amount set aside out of profits which otherwise would have been distributed among partners. **(List II, Option IV)**

B. Increase in the value of asset is credited to Revaluation Account, it being a gain (profit) for the firm. **(List II, Option I)**

C. Sacrificing Ratio is calculated by deducting new profit share from the old profit share of the partner, *i.e.*, Old Profit Share – New Profit Share. **(List II, Option II)**

D. Increase in the value of liability is a loss for the firm and therefore, is debited to Revaluation Account. **(List II, Option III)**

17. 2 **Explanation:** Book Value of furniture is ₹ 60,000. Depreciation charged till 1st October, 2021 is ₹ 3,000 (*i.e.*, ₹ 60,000 × 10/100 × 6/12). Depreciated value of Furniture sold at the time of Sale is ₹ 57,000 (₹ 60,000 – ₹ 3,000).

Profit on Sale of Furniture = ₹ 57,000 × 20/100.

Therefore, Gain on Sale of Furniture = ₹ 11,400.

18. 3 **Explanation:**

Debtors recoverable = Debtors – Bad Debts (*i.e.*, Debts irrecoverable)

= ₹ 5,00,000 – ₹ 1,00,000 = ₹ 4,00,000

Recoverable Debtors are realised at a Discount of 8% is ₹ 3,68,000 (*i.e.*, ₹ 4,00,000 – ₹ 32,000*)

*Discount on Debtors = ₹ 4,00,000 x 8% = ₹ 32,000.

19. 2 **Explanation:**

A. On shares being forfeited, Share Capital Account is debited by the amount called-up till the date of forfeiture. **(List II, Option II)**

B. Forfeited shares reissued as fully paid-up at *less* than its nominal (face) value means shares have been reissued as a discount. **(List II, Option III)**

C. Amount received on forfeited shares is not refundable and may be used for allowing discount on reissue of shares. It is credited to Shares Forfeited Account or Forfeited Shares Account. **(List II, Option IV)**

D. Forfeited shares reissued at more than its nominal (face) value means shares have been reissued at a premium. The amount received in excess of the nominal (face) value is credited to Securities Premium/Securities Premium Reserve Account. **(List II, Option I)**

20. 3 **Explanation:**

Increase in Property, Plant and Equipment (in absolute terms)

= ₹ 25,00,000 – ₹ 20,00,000 = ₹ 5,00,000

Increase in Property, Plant and Equipment (in % terms)

= ₹ 5,00,000 × 100/₹ 20,00,000 = 25%.

21. 2 **Explanation:**

Dr. SUBSCRIPTION ACCOUNT *Cr.*

Particulars	₹	Particulars	₹
To Balance b/d (Opening Balance)	84,000	By Receipts & Payments A/c	17,76,000
To Income & Expenditure A/c*	18,00,000	(Total subscription received during the year)	
(Subscription for the current year)		By Balance *c/d* (Closing Balance)	1,08,000
	18,84,000		18,84,000

*Subscription Due = 1,500 × ₹ 1,200 = ₹ 18,00,000.

No. of Members who paid subscription = ₹ 17,76,000/₹ 1,200 = 1,480 members;

No. of Members who did not pay subscription = 1,500 – No. of Members who paid subscription

= 1,500 – 1,480 = 20 members.

22. $\boxed{2}$ **Explanation:**

Debentures Allotment A/c	...Dr.	₹ 18,75,000	
Loss on Issue of Debentures A/c	...Dr.	₹ 1,25,000	
To 10% Debentures A/c			₹ 17,50,000
To Securities Premium Reserve A/c			₹ 1,25,000
To Premium on Redemption of Debentures A/c			₹ 1,25,000
(25,000, 10% Debentures of ₹ 100 each issued at 5% premium and redeemable at 5% premium)			

Note:

Loss on Issue of Debentures = ₹ 1,25,000 (Premium Payable on Redemption of Debentures)

Premium on Redemption of Debentures = 5% of ₹ 25,00,000 = ₹ 1,25,000.

23. $\boxed{3}$ **Explanation:** Amount of Loss transferred to Profit & Loss Appropriation Account = ₹ 20,000

Interest on Drawings charged from Partners = ₹ 4,000 (*i.e.*, ₹ 2,500 + ₹ 1,500)

Net Loss transferred to Capital Accounts of:

Ravi = ₹ 16,000 × 5/8 = ₹ 10,000;

Bhuvi = ₹ 16,000 × 3/8 = ₹ 6,000.

Note: After transfer of net loss and credit of interest charged on drawings to Profit & Loss Appropriation Account, the balance is loss, thus, appropriation is not made rather loss is distributed between/among partners.

24. $\boxed{3}$ **Explanation:**

Gross Profit 25% on Cost = ₹ 9,00,000 (Let Cost be ₹ 100; Gross Profit ₹ 25; Sales ₹ 125)

Sales (Revenue from Operations) = ₹ 9,00,000 × ₹ 125/₹ 25 = ₹ 45,00,000

Total Liabilities = Shareholders' Funds + Total Outside Liabilities

= ₹ 14,50,000 + ₹ 16,83,000 = ₹ 31,33,000

Total Liabilities = Total Assets

Total Assets = Fixed Assets + Current Assets

Fixed Assets = ₹ 31,33,000 – ₹ 11,33,000 = ₹ 20,00,000

$$\text{Fixed Assets Turnover Ratio} = \frac{\text{Revenue from Operations}}{\text{Fixed Assets}} = \frac{₹\,45{,}00{,}000}{₹\,20{,}00{,}000} = 2.25 \text{ Times.}$$

25. $\boxed{4}$ **Explanation:** Life membership fee is accounted as a capital receipt and is added to the Capital/ General Fund on the liability side of Balance Sheet.

26. $\boxed{4}$ **Explanation:** If donation received is for a specific purpose, it is shown on the liabilities side of the Balance Sheet as a fund irrespective of the fact whether the amount is big or small.

27. $\boxed{4}$ **Explanation:** Entrance fee also known as admission fee is paid by the member at the time of becoming a member. It is accounted as a revenue income and credited to Income & Expenditure Account.

28. $\boxed{3}$ **Explanation:**

	₹
Capital fund as on 31st March, 2021	12,58,000
Add: Surplus	72,000
Life Membership Fees (₹ 25,000 × 10)	2,50,000
Transfer from Playground Fund	18,00,000
Transfer from Gymnasium Fund	11,95,000
Capital fund as on 31st March, 2022	45,75,000

29. $\boxed{3}$ **Explanation:** The amount or property received by a Not-for-Profit Organisation as stated by the will of a deceased person is termed Legacy Donation.

30. $\boxed{1}$ **Explanation:** *Profit from 1st April, 2021 to 31st August, 2021 based on sales:*

If sales are ₹ 8,00,000, Profit is ₹ 1,12,000

Profit % of 2020 – 21 = ₹ 1,12,000/8,00,000 × 100 = 14%

Profit is assumed to be earned uniformly at the same rate.

If the sales from 1st April, 2021 to 31st August, 2021 is ₹ 4,50,000

Then Profit of the firm would be = ₹ 4,50,000 × 14/100 = ₹ 63,000

and *P*'s Share of Profit = ₹ 63,000 × 8/20 = ₹ 25,200.

31. $\boxed{3}$ **Explanation:**

A. Loss on sale of Motor Vehicle owned by the Business is added as it is an abnormal income.

B. Income from Non-trade Investment is deducted as it is not related to normal business activities.

C. Managing Cost is deducted as it is an expense that will be incurred to manage the business.

D. Undervaluation of Closing stock is added as it would have reduced the profits.

32. $\boxed{2}$ **Explanation:**

	₹
Balance in Forfeited Shares Account after forfeiture (5,000 × ₹ 6)	30,000
Discount Allowed on Reissued Shares (5,000 × ₹ 2)	10,000
Amount transferred to Capital Reserve	20,000

33. $\boxed{4}$ **Explanation:**

Profit Earning (P/E) Ratio = Market Price Per Share/Earning Per Share (EPS)

= ₹ 448/₹ 5.60 = 80 Times.

Earning Per Share (EPS) = (Net Profit after Tax* – Preference Dividend)/No. of Equity Shares

= (₹ 12,00,000 – ₹ 80,000)/2,00,000 = ₹ 5.60.

*Net Profit after Tax = Net Profit before Tax – Tax

= ₹ 16,00,000 – ₹ 4,00,000 (*i.e.*, 25% of ₹ 16,00,000)

= ₹ 12,00,000.

Note: Preference Dividend = 8% of ₹ 10,00,000 = ₹ 80,000.

34. $\boxed{4}$ **Explanation:** *Section 48 of the Indian Partnership Act, 1932 states that Application of assets at the time of dissolution of partnership firm shall be in the following sequence:*

(*i*) In paying firm's debts to the third parties;

(*ii*) In paying to each partner what is due to him on account of loans or advances;

(*iii*) In paying to each partner what is due to him on account of capital; and

(*iv*) The balance, if any, is distributed among the partners in their profit-sharing ratio.

35. $\boxed{1}$ **Explanation:**

A. Cost of Materials Consumed + Purchases of Stock-in-Trade + Changes in Inventories of Finished Goods, WIP and Stock-in-Trade + Direct Expenses = Cost of Revenue from Operations. **(List II, Option I)**

B. Cost of Revenue from Operations + Operating Expenses = Operating Cost. **(List II, Option III)**

C. Revenue from Operations – Cost of Revenue from Operations – Operating Expenses = Operating Profit. **(List II, Option IV)**

D. Revenue from Operations – Gross Profit = Cost of Revenue from Operations. **(List II, Option I)**

36. $\boxed{1}$ **Explanation:**

Interest received on investment = Value of Investment × Rate/100 × 8/12

₹ 40,000 = Value of Investment × 12/100 × 8/12

Value of Investment = ₹ 40,000 × 100/12 × 12/8 = ₹ 5,00,000.

Interest on Investment is accrued for 4 months which means it has been received for 8 months. Interest received is shown in Receipts & Payments Account.

37. $\boxed{2}$ **Explanation:**

	₹
Amount received as Application Money (1,45,000 × ₹ 3)	4,35,000
Less: Application Money refunded (20,000 × ₹ 3)	60,000
Balance	3,75,000
Less: Application Money transferred to Share Capital (50,000 × ₹ 3)	1,50,000
Excess Application money	2,25,000
Less: Amount Due as Allotment Money (50,000 × ₹ 4)	2,00,000
Amount credited to Calls-in-Advance	25,000

38. $\boxed{1}$ **Explanation:**

Cash Outflow	₹
Redemption of Preference Shares	7,50,000
Premium paid on Redemption of Preference Shares	75,000
Total	8,25,000
Cash Inflow	₹
Proceeds from Issue of Equity Shares	3,00,000
Premium received on issue of shares	45,000
Total	3,45,000

39. $\boxed{3}$ **Explanation:** Books have been closed as on the date of death and financial statements, *i.e.*, Profit & Loss Account, Profit & Loss Appropriation Account and Balance Sheet have been prepared. Profit or loss is distributed through Profit & Loss Appropriation Account if financial statements are prepared. Profit share of *P* for the intervening period will be debited to Profit & Loss Appropriation Account and credited to *P*'s Capital Account.

40. $\boxed{3}$ **Explanation:** Since Debentures have been issued at a discount of 5% which are redeemable at premium of 5%, Loss on Issue of Debentures Account will be debited by ₹ 20,00,000 (₹ 10,00,000 + ₹ 10,00,000) and Premium on Redemption Account will be credited by ₹ 10,00,000.

41. $\boxed{4}$ **Explanation:** In Common-size Statement of Profit & Loss, Revenue from Operations is taken as a base, *i.e.*, (100).

42. $\boxed{3}$ **Explanation:** Subscription received in advance in the year ended 31st March, 2021 for the year ended 31st March, 2023 is to be accounted as income in the year ended 31st March, 2023. Hence, it will be shown in the liabilities side of the Balance Sheet, it having credit balance and as an income in the year ended 31st March, 2023, it being subscription for the year.

43. $\boxed{4}$ **Explanation:** According to Section 52(2) of the Companies Act, 2013 the securities premium may be used for issue of fully paid bonus shares to the members.

44. $\boxed{1}$ **Explanation:**

Working Note:	₹	₹
Balance of Capital Account		10,05,000
Less: Investment taken over	2,90,000	
Transferred to Loan	6,15,000	9,05,000
Stock taken over		1,00,000

Total value of stock before retirement = ₹ 1,00,000 × 100/20 = ₹ 5,00,000.

45. $\boxed{4}$ **Explanation:**

A. Issue Price of Debentures = ₹ 50 + ₹ 10 = ₹ 60 (₹ 50 × ₹ 20/100 = ₹ 10)
Number of Debentures = Amount due to Vendor/Issue Price of Debenture
= ₹ 24,00,000/₹ 60 = 40,000 Debentures.

B. Issue Price of Debentures = ₹ 50 – ₹ 10 = ₹ 40 (₹ 50 × 20/100 = ₹ 10)
Number of Debentures = Amount due to Vendor/Issue Price of Debenture
= ₹ 24,00,000/₹ 40 = 60,000 Debentures.

C. Issue Price of Debenture is ₹ 110 (₹ 100 + ₹ 10)
Amount received as Application Money is ₹ 55,00,000
Number of Debentures applied are ₹ 55,00,000/₹ 110 = 50,000 Debentures.

D. Issue Price of Debenture is ₹ 95 (₹ 100 – ₹ 5)
Amount received as Application Money is ₹ 23,75,000
Number of Debentures applied are ₹ 23,75,000/₹ 95 = 25,000 Debentures.

46. $\boxed{2}$ **Explanation:**

Increase in Value of Stock = ₹ 20,000
Increase in Provision for Doubtful Debts = (₹ 4,000)
Increase in Value of Building (Balancing Figure) = ₹ 20,000
Gain (Profit) on Revaluation* = ₹ 36,000

Working Note:

*Vansh's share of Gain on Revaluation for 4/9 share = ₹ 16,000;
Thus, total Gain (Profit) on Revaluation = ₹ 16,000 × 9/4 = ₹ 36,000.

From the above calculation, increase in value of building has been arrived at ₹ 20,000, and original book value of Building as given in question is ₹ 2,00,000. Hence, revalued amount of Building is ₹ 2,00,000 + ₹ 20,000 = ₹ 2,20,000.

47. $\boxed{1}$

48. $\boxed{1}$

49. $\boxed{2}$

50. $\boxed{3}$

❑❑❑❑❑

(SET-II)

MOCK EXAMINATION PAPER
Accountancy

General Instructions for attempting the Question Paper:

(*i*) The Question Paper has **50 Questions** out of which **40 Questions** are to be attempted.

(*ii*) Case Study Based Questions have 4 Questions each. These questions shall be considered as 4 Questions.

(*iii*) Time allowed to attempt the Question Paper is **45 Minutes**. Separate reading time is not allowed.

(*iv*) Each Question carries 1 (One) mark.

(*v*) For each incorrect answer 1 (One) mark will be deducted.

Disclaimer: This is a Mock Examination Paper. Actual Examination paper may differ.

1. Fab Stays Ltd. issued 15,000, 13% Debentures of ₹ 200 each at a discount of 10% redeemable at a premium of 5%. It has balances as follows:

Capital Reserve ₹ 1,20,000 and Securities Premium Reserve ₹ 1,00,000.

Loss on issue of debentures is written off as:

1. ₹ 3,00,000 from Statement of Profit & Loss. ☐
2. ₹ 1,50,000 each from Capital Reserve, Securities Premium Reserve and Statement of Profit & Loss. ☐
3. ₹ 1,20,000 from Capital Reserve, ₹ 1,00,000 from Securities Premium Reserve and ₹ 80,000 from Statement of Profit & Loss. ☐
4. ₹ 1,00,000 from Securities Premium Reserve and ₹ 3,50,000 from Statement of Profit & Loss. ☐

2. In relation to dissolution of a partnership firm, Section 48 of the Indian Partnership Act, 1932 deals with

1. Payment of firm's debts and private debts. ☐
2. Settlement of accounts when the firm is dissolved. ☐
3. Retirement of a partner from the firm. ☐
4. Change in Profit-sharing ratio. ☐

3. Which of the following Company is required to Invest in DRI?

1. Banking Companies. ☐
2. All India Financial Institutions. ☐
3. Unlisted HFC's Registered with National Housing Bank. ☐
4. Listed Non-banking Finance Companies. ☐

4. Which of the following receipts is/are not shown in Income & Expenditure Account of a NPO?

A. Interest on General Fund Investments.

B. Proceeds from Sale of Match Tickets, if Match Fund exists.

C. Entrance Fees.

D. Match Fund.

Choose the correct option:

1. B and C only
2. B, C and D only
3. B and D only
4. D only

5. *X*, *Y* and *Z* share profits and losses in the ratio of 6 : 4 : 5. *Z* retires and surrenders 1/5th of his share in favour of *Y* and remaining in favour of *X*. New profit-sharing ratio between *X* and *Y* is

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

6. The correct sequence of events is:

A. Forfeiture of shares.

B. Default on Calls.

C. Amount transferred to Capital Reserve.

D. Reissue of shares.

Choose the correct option:

1. A, D, B and C
2. B, D, A and C
3. B, A, D and C
4. C, D, A and B

7. Shashi, Shakti and Mona are partners sharing profits in the ratio of 1 : 2 : 3. They agreed to share future profits in the ratio of 3 : 2 : 1 from 1st April, 2022. They also agreed to adjust accumulated profits, losses and reserves without affecting the book values, by passing an adjustment entry. Their Balance Sheet has the following balances as on that date:

Profit & Loss A/c (Dr.)	₹ 15,000
General Reserve	₹ 60,000
Advertisement Suspense A/c	₹ 75,000

The necessary adjustment entry will be:

1. Dr. Mona's Capital A/c and Cr. Shashi's Capital A/c by ₹ 10,000.
2. Dr. Mona's Capital A/c and Cr. Shakti's Capital A/c by ₹ 10,000.
3. Dr. Shakti's Capital A/c and Cr. Shashi's Capital A/c by ₹ 10,000.
4. Dr. Shakti's Capital A/c and Cr. Mona's Capital A/c by ₹ 10,000.

8. Difference of Assets and liabilities of Opening Balance Sheet of a Not-for-Profit Organisation is

1. Surplus or Deficit.
2. Profit or Loss.
3. Capital Fund.
4. Closing balance of Cash and Bank Account.

9. Furniture as on 1st April, 2021, was ₹ 3,40,000. Furniture (having Book Value as on 1st April, 2021 of ₹ 60,000) was sold at a gain (profit) of 20% on 1st October, 2021. Furniture is depreciated @ 10% p.a. Furniture for ₹ 3,00,000 was purchased on 1st October, 2021. Depreciation for the year ended 31st March, 2022 will be

1. ₹ 64,000.
2. ₹ 61,000.
3. ₹ 46,000.
4. ₹ 70,000.

10. Match the transactions in List I with their result in Cash Flow Statement in List II:

List I	List II
A. Paid ₹ 6,00,000 to purchase shares in Reliance Ltd. and received ₹ 50,000 as dividend.	(I) Cash Used in Financing Activities ₹ 5,50,000.
B. Issue of Preference Shares of ₹ 5,00,000 at 10% premium.	(II) Cash Used in Investing Activities ₹ 5,50,000.
C. Purchase of Machinery for ₹ 6,00,000 and Sale of Old Machinery for ₹ 5,50,000.	(III) Cash inflow from Financing Activities ₹ 5,50,000.
D. Redemption of ₹ 5,00,000, 8% Debentures at 10% premium.	(IV) Cash outflow from Investing Activities ₹ 50,000.

Choose the correct option:

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

11. Operating Cost is the sum total of

1. Non-operating expenses and Operating expenses.
2. Non-cash expenses and Cash expenses.
3. Cost of Revenue from Operations and Operating expenses.
4. Selling expenses and Administrative expenses.

12. Securities Premium Reserve cannot be applied

1. For providing premium payable on redemption of Preference Shares.
2. For issuing partly paid bonus shares to members.
3. For writing off preliminary expenses of company.
4. For writing off discount on issue of debentures.

Case Study

NEWFURN Ltd. is engaged in manufacturing of plastic furniture. The management of the company is interested to assess the overall performance of the company and desires to know how efficiently the resources of the business are used. Thus, the accountant was asked to furnish the details about the preceding three financial years. The accountant of the company was to prepare a detailed report about the business on the basis of previous years' financial data:

Based on the above case, answer the questions from 13 to 16:

Year Ended	*Return on Investment(%)*	*Capital Employed* (₹)
31st March, 2019	15	40,00,000
31st March, 2020	18	42,00,000
31st March, 2021	13	45,00,000

13. What can be the reason for increase in ROI in the year ended 31st March, 2020 as compared to year ended 31st March, 2019?

1. Increase in operating cost.
2. Increase in operating income.
3. Increase in non-operating incomes.
4. Increase in non-operating expenses.

14. For the year ended 31st March, 2020, company's capital structure was: ₹ 20,00,000 Equity Shares of ₹ 10 each; ₹ 12,00,000 8% Preference Shares of ₹ 10 each; ₹ 10,00,000, 9.6% Debentures. If tax rate is 40%, Earning per share is

1. ₹ 2 per Share.
2. ₹ 2.50 per Share.
3. ₹ 3 per Share.
4. ₹ 1.50 per Share.

15. For the year ended 31st March, 2021, the company's capital structure was: ₹ 20,00,000 Equity Shares of ₹ 10 each; ₹ 10,00,000 8% Preference Shares of ₹ 10 each; ₹ 15,00,000, 9.6% Debentures. If Dividend proposed for the year ended 31st March, 2020 is 20%. Dividend per share is

1. ₹ 2 per Share.
2. ₹ 2.50 per Share.
3. ₹ 3 per Share.
4. ₹ 1.50 per Share.

16. Capital Employed in a firm to estimate value of Goodwill is calculated from Assets Side Approach as follows:

1. All Assets – Goodwill – Non-Trade Investments – Fictitious Assets – Long-term Outside Liabilities.
2. All Assets – Goodwill – Non-Trade Investments – Fictitious Assets – Credit Balance in Current Accounts – All Outside Liabilities.
3. Partners' Capital – Credit Balance in Current Accounts + Free Reserves + Credit Balance of Profit & Loss Account (if any) Shareholders' Funds – Goodwill – Non-Trade Investments – Fictitious Assets – All Outside Liabilities.
4. All Assets – Goodwill – Non-Trade Investments – Fictitious Assets (Debit Balance in Profit & Loss Account + Debit Balance in Current Account) – All Outside Current Liabilities.

17. EAGLETON Ltd. issued 30,000, 10% Debentures of ₹ 200 each on 1st August, 2020 at a discount of 20% redeemable at a premium of 10% after 10 years. Applications were received and debentures were allotted. As per the terms of issue, interest is payable half-yearly on 30th September and 31st March every year. The amount of Finance Cost for the year ended 31st March, 2021 will be

1. ₹ 18,00,000.
2. ₹ 22,00,000.
3. ₹ 6,00,000.
4. ₹ 10,00,000.

18. Gautam, Yashika and Asma were partners sharing profits equally. Gautam died on 15th January, 2022. The amount due to Gautam was determined as ₹ 1,50,000 without considering

(*a*) An unrecorded asset taken by Gautam earlier valued at ₹ 50,000.

(*b*) Share of an unrecorded liability assumed by Gautam's Executor of ₹ 5,000.

The amount due to Gautam's Executors is

1. ₹ 1,20,000.
2. ₹ 1,10.000.
3. ₹ 1,95,000.
4. ₹ 1,80,000.

19. Salary to a partner under Fixed Capital Accounts Method is

1. Debited to Partner's Capital A/c.
2. Credited to Partner's Current A/c.
3. Credited to Partner's Capital A/c.
4. Debited to Partner's Current A/c.

20. Based on the following information, Stock Consumed of Sports Materials to be shown in the Income & Expenditure Account of a Not-for-Profit Organisation for the year ended on 31st March, 2022 will be:

Stock of Sports Material: ₹ 2,00,000 (1.4.2021), ₹ 2,50,000 (31.3.2022).

Amount due to Suppliers ₹ 2,10,000 (1.4.2021), ₹ 3,20,000 (31.3.2022).

Purchases during the year were ₹ 7,50,000.

1. ₹ 7,50,000.
2. ₹ 5,90,000.
3. ₹ 6,40,000.
4. ₹ 7,00,000.

21. The correct sequence for preparing Comparative Balance Sheet is

A. The amount of Previous and Current Year are written.

B. The Components of balance Sheet are written.

C. Percentage Change is Calculated

D. Absolute Change is calculated.

Choose the correct option:

1. A, B, D and C
2. C, A, B and D
3. C, B, A and D
4. B, A, D and C

22. Muskaan Trading Ltd. took over assets worth ₹ 40,00,000 at ₹ 32,00,000 from Sharma Traders Ltd. and Liabilities of ₹ 7,00,000 for a purchase consideration of ₹ 30,00,000. Payment was made by bank draft for ₹ 6,00,000 and remaining amount by issue of equity shares of ₹ 100 each fully paid at a premium of 20%. Number of Equity Shares issued will be

1. 30,000.
2. 25,000.
3. 20,000.
4. 32,000.

23. Self-generated Goodwill is not recognised in the books of account as per

1. AS-3.
2. AS-6.
3. AS-26.
4. AS-17.

24. *A*, *M* and *G* were partners in a firm sharing profits and losses in the ratio of 2 : 1 : 3 respectively. *A* died on 30th November, 2021. *M* and *G* decided to share future ratio equally. Capital Accounts of *M* and *G* will not be affected by

1. Share of Goodwill of *A*.
2. Profit till date of death of *A*.
3. Interest on *A*'s Capital.
4. *A*'s Drawings.

25. Shares can be issued at discount by a company under the Companies Act, 2013 when shares are

1. Issued to Vendors.
2. Issued to Promoters.
3. Issued as Sweat Equity.
4. Issued to Underwriters.

26. Spring Ltd. issued 12,000, 7% Debentures of ₹ 500 each at a premium of 10% redeemable at a premium of 20% after 15 years. According to the terms of issue, 40% was payable on application and balance on allotment. The issue was fully subscribed and the amount was duly received. Amounts received on "Application" and "Allotment" are

1. ₹ 30,00,000; ₹ 20,00,000 respectively.
2. ₹ 35,00,000; ₹ 25,00,000 respectively.
3. ₹ 24,00,000; ₹ 42,00,000 respectively.
4. ₹ 36,00,000; ₹ 54,00,000 respectively.

27. Match the following items:

List I	List II
A. Sports Fund ₹ 57,90,000 and Expenses on Sports events 52,90,000	(I) ₹ 5,00,000 will be credited to Income & Expenditure A/c
B. Sports Fund ₹ 68,70,000 and Expenses on Sports events ₹ 73,70,000	(II) ₹ 6,00,000 will be debited to Income & Expenditure A/c
C. Sports Event Receipts ₹ 23,60,000 and Sports Events Expenses ₹ 18,60,000	(III) ₹ 5,00,000 will be shown in Balance Sheet as Liabilities
D. Sports Event Receipts ₹ 34,56,000 and Sports Event Expenses ₹ 40,56,000	(IV) ₹ 5,00,000 will be debited to Income & Expenditure A/c

Choose the correct option:

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

28. On 1st May, 2020, Hind Kart Ltd. issued 20,000, 9% Convertible Debentures of ₹ 50 each at a premium of 20%. As per the terms of issue, Interest is payable on 30th September and 31st March every year. TDS deductible @ 10% by the company for the year ended 31st March, 2021 would be

1. ₹ 11,250.
2. ₹ 8,250.
3. ₹ 13,500.
4. ₹ 11,375.

29. Which capital of a company is stated in the Memorandum of Association?

1. Authorised capital.
2. Issued capital.
3. Subscribed capital.
4. Reserve Capital.

30. In which of the following cases both Revaluation Account and Partners' Capital Accounts are credited?

A. Investment (at cost) ₹ 2,20,000; Investment Fluctuation Reserve is ₹ 20,000 and market value of Investment is ₹ 3,00,000.

B. Investment (at cost) ₹ 1,80,000; Investment Fluctuation Reserve is ₹ 30,000 and market value of Investment is ₹ 1,40,000.

C. Investment (at cost) ₹ 1,20,000; Investment Fluctuation Reserve is ₹ 9,000 and market value of Investment is ₹ 1,15,000.

D. Investment (at cost) ₹ 4,80,000; Investment Fluctuation Reserve is ₹ 35,000 and market value of Investment is ₹ 4,80,000.

Choose the correct option:

1. C only
2. A only
3. B only
4. D only

31. Which of the following is not included in sub-heading "Cash and Cash Equivalents" in the Balance Sheet of a company prepared as per Schedule III?

1. Cash-in-Hand.
2. Current Investments.
3. Cash at Bank.
4. Cheques in hand.

32. On forfeiture of shares, Share Forfeiture Account is credited with

1. The amount not received on forfeited shares including premium.
2. The amount not received on forfeited shares excluding premium.
3. The amount received on forfeited shares including premium.
4. The amount received on forfeited shares excluding premium.

Case Study

Rose, Tulip, Daisy are partners in a firm sharing profits and losses equally. Balance Sheet of the firm as on 31st March, 2021 was as follows:

Liabilities		₹	Assets		₹
Creditors		83,000	Goodwill		72,000
Mr. Daisy's Loan		37,000	Building		80,000
Tulip's Loan		40,000	Machinery		1,10,000
Investment Fluctuation Reserve		23,000	Prepaid Insurance		25,000
Capital A/cs:			Investment		45,000
Rose	2,42,000		Debtors	1,20,000	
Tulip	1,97,000	4,39,000	*Less:* Provision	18,000	1,02,000
			Stock		40,000
			Bank		15,000
			Profit & Loss A/c		72,000
			Capital A/c:		
			Daisy		61,000
		6,22,000			6,22,000

On 1st April, 2021 the firm is ordered to be dissolved as Tulip was found guilty of misconduct. Terms and conditions of dissolution were agreed among the partners and following transactions took place:

(*i*) Daisy was to pay her husband's loan.

(*ii*) Half of the Debtors realised ₹ 42,000 and remaining debtors were used to pay half the creditors.

(*iii*) Investment was to be sold to Lily for ₹ 57,000.

(*iv*) Building and Machinery realised at ₹ 1,52,000.

(*v*) Remaining creditors were to be paid after two months, they were paid immediately at 6% p.a. discount.

(*vi*) Stock taken by Rose at 30% of the value.

(*vii*) Realisation expenses amounted to ₹ 3,915 and were paid by Tulip.

Based on the above case, answer the questions from 33 to 36:

33. How is Investment Fluctuation Reserve treated in this situation?

1. Distributed(credited) among the partners in their profit-sharing ratio.
2. Transferred (credited) to Realisation Account.
3. Transferred (debited) to Realisation Account.
4. Distributed(debited) among the partners in their profit-sharing ratio.

34. Cash paid to creditors is

1. ₹ 41,085.
2. ₹ 43,500.
3. ₹ 62,700.
4. ₹ 82,720.

35. How is Profit & Loss Account in Balance Sheet treated in this situation?

1. Distributed(credited) among the partners in their profit-sharing ratio.
2. Transferred (credited) to Realisation Account.
3. Transferred (debited) to Realisation Account.
4. Written off (debited) among the partners in their profit-sharing ratio.

36. Which mode of dissolution has taken place here?

1. Dissolution by Court.
2. Mutual Agreement.
3. Notice.
4. Compulsory Dissolution.

37. If Life Membership Fee of ₹ 50,000 is wrongly treated as revenue receipt, the effect of this error on surplus and closing balance of Capital Fund will be:

1. Surplus will be increased by ₹ 50,000 and Capital Fund will remain same.
2. Surplus will be decreased by ₹ 50,000 and Capital Fund will remain same.
3. Surplus will be increased by ₹ 50,000 and Capital Fund will also increase by ₹ 50,000.
4. Surplus will be decreased by ₹ 50,000 and Capital Fund will increase by ₹ 50,000.

38. Match the following items.

List I	List II
A. *I*, *N* and *R* are partners, *N* retires from the firm. Workmen Compensation Reserve of ₹ 60,000 exists in the Balance Sheet. Calculate the amount credited to *N* for Workmen Compensation Reserve when Workmen Compensation Claim is ₹ 1,20,000.	(I) ₹ 20,000
B. *B*, *T* and *S* are partners, *B* retires from the firm. Investment Fluctuation Reserve of ₹ 60,000 and Investment of ₹ 3,00,000 appears in the Balance Sheet. Market Value of Investment is ₹ 3,15,000. Amount credited to *B* for Investment Fluctuation Reserve is	(II) ₹ 30,000
C. *A*, *B* & *C* are partners, *C* retires from the firm. Workmen Compensation Reserve exists in the Balance Sheet of ₹ 90,000. Claim on account of Workmen Compensation Claim doesn't exist. Amount credited to *C* for Workmen Compensation Reserve will be	(III) Nil
D. *A*, *N* and *Z* are partners, *Z* retires from the firm. Investment Fluctuation Reserve of ₹ 90,000 and Investment of ₹ 3,00,000 appear in the Balance Sheet. Market Value of Investment is ₹ 2,40,000. Amount credited to *Z* for Investment Fluctuation Reserve is	(IV) ₹ 10,000

Choose the correct option:

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

39. Vyapaar Ltd. forfeited 6,000 shares of ₹ 20 each, fully called-up, on which Application Money of ₹ 6 was received. Out of these 4,000 shares were reissued and ₹ 4,000 has been transferred to Capital Reserve. The reissue price of the share was

1. ₹ 20 Per share.
2. ₹ 18 Per share.
3. ₹ 15 Per share.
4. ₹ 2 Per share.

40. A partnership firm earned profit of ₹ 5,00,000, interest on capital allowable to partners is ₹ 1,20,000, interest on loan taken by the firm from partner is ₹ 50,000 and profit-sharing ratio of partners is 2 : 3. Sequence the following in correct order:

A. Distribute profits between partners.

B. Charge interest on loan.

C. Calculate the net profit.

D. Provide interest on capital.

Choose the correct option:

1. D, A, B and C.
2. C, B, A and D.
3. A, B, C and D.
4. B, C, D and A.

41. Hira Ltd. purchased furniture of ₹ 2,25,000 from Furniture Wala. The payment was made partly in cash and partly by issuing equity shares of Hira Ltd. Hira Ltd. paid ₹ 10,000 in cash and issued shares of ₹ 20 at ₹ 21.50 for the balance. The amount credited to Securities Premium Reserve Account is

1. ₹ 15,000.
2. ₹ 10,000.
3. ₹ 32,250.
4. ₹ 12,500.

42. A company invited applications for 50,000 shares and received applications for 1,10,000 shares. The Company rejected applications for 30,000 shares and allotted remaining shares on *pro rata* basis. Shobha who was allotted 12,500 shares did not pay Allotment Money. Number of shares applied by Shobha were

1. 20,000 shares.
2. 27,500 shares.
3. 20,833 shares.
4. 12,500 shares.

43. Average profit earned by a firm is ₹ 65,000 which includes undervaluation of stock by ₹ 35,000 on average basis. Capital invested in the business is ₹ 8,00,000 and the normal rate of return is 10%. Value of Goodwill on the basis of 4 times the Super Profit is

1. ₹ 2,00,000.
2. ₹ 8,00,000.
3. ₹ 80,000.
4. ₹ 90,000.

44. Which of the following are methods of Redemption of Debentures?

A. By Purchase from Open Market.

B. In lump sum.

C. By Out of Profits.

D. By Draw of Lots.

Choose the correct option:

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

45. Credit Revenue from Operations ₹ 36,00,000; Cash Revenue from Operations ₹ 30,00,000; Sundry Debtors ₹ 8,50,000; Bills Receivables ₹ 3,50,000, then Average Collection Period is

1. 4 Months.
2. 3.5 Months.
3. 4.5 Months.
4. 3 Months.

46. On dissolution of the partnership firm, Manoj, one of the partners, was paid ₹ 62,000 for his loan to the firm amounting to ₹ 65,000. ₹ 3,000 will be.

1. transferred to the credit side of Realisation Account.
2. transferred to debit side of Realisation Account.
3. transferred to credit side of Manoj's Current Account.
4. transferred to debit side of Manoj's Capital Account.

47. MS Access is a:

1. Word Processing Software.
2. Presentation Software.
3. Database Management Software.
4. Spreadsheet Software.

48. A Cell reference that keeps either row or column constant when formula is copied to another location is

1. Absolute Reference.
2. Relative Reference.
3. Mixed Reference.
4. Fixed Reference.

49. Arrange the following in sequence, steps to change the text format in charts in Excel:

A. Click on 'Font' Group on Home Tab.

B. Click on Chart Element to be formatted.

C. Click on format you want to choose.

D. Right Click the text to be formatted.

Choose the correct option:

1. D, A, C and B.
2. B, D, C and A.
3. B, D, A and C.
4. D, B, A and C.

50. Match List I with List II.

List I	List II
A. Function for computing monthly instalments of loan repayment	I. SLM
B. Function to compute depreciation by Written Down Value method	II. Nper
C. Function to calculate depreciation through Straight Line Method	III. DB
D. Total number of payments for Loan	IV. PMT

Choose the correct option:

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

❑❑❑❑❑

(SET-II)

MOCK EXAMINATION PAPER
Answers

1. $\boxed{4}$ **Explanation:** *Calculation of Loss to be written off:*

Loss on Issue of Debentures A/c = Discount on issue of debentures (10%) + Premium on redemption of debentures (5%)

= (₹ 30,00,000 × 10/100) + (₹ 30,00,000 × 5/100) = ₹ 4,50,000.

Writing off Loss on Issue of Debentures:

First ₹ 1,00,000 will be set–off from Securities Premium Reserve,

Remaining ₹ 3,50,000 (*i.e.*, ₹ 4,50,000 – ₹ 1,00,000) will be written off from Statement of Profit & Loss as Finance Cost.

2. $\boxed{2}$ **Explanation:** Section 48 of the Indian Partnership Act, 1932 deals with the settlement of accounts when the firm is dissolved.

3. $\boxed{4}$ **Explanation:** Listed companies other than Banking Companies and All India Financial Institutions are required to Invest in DRI. Thus, Listed Non-banking Finance Companies are required to invest in DRI.

4. $\boxed{3}$ **Explanation:** Income & Expenditure Account shows incomes and expenditure of revenue nature relating to the current accounting period.

A. Interest on General Fund Investments is a Revenue Receipt.

B. Proceeds from Sale of Match Tickets is a Capital Receipt as Match Fund exists.

C. Entrance Fees is accounted as a Revenue Receipt.

D. Match Fund is a Capital Receipt.

5. $\boxed{1}$ **Explanation:**

X's Gain = 4/5 × 5/15 = 4/15

Y's Gain = 1/5 × 5/15 = 1/15

X's New Profit Share = 6/15 + 4/15 = 10/15

Y's New Profit Share = 4/15 + 1/15 = 5/15

New Profit-sharing Ratio of *X* and *Y* = 10/15 : 5/15 or 2 : 1.

6. $\boxed{3}$ **Explanation:**

B. Default on Calls.

A. Forfeiture of shares.

D. Re-issue of shares.

C. Amount transferred to Capital Reserve.

7. $\boxed{1}$ **Explanation:**

Working Notes:

1. Calculation of Sacrifice/(Gain) of each Partner:

Particulars	Shashi	Shakti	Mona
I. Old Profit Share	1/6	2/6	3/6
II. New Profit Share	3/6	2/6	1/6
III. Sacrifice/(Gain)	(2/6)	...	2/6

2. *Calculation of Net effect of Reserves, Accumulated Profits and Losses:*

Profit and Loss A/c (Dr.)	(15,000)
General Reserve	60,000
Advertisement Suspense A/c	(75,000)
Net Effect	(30,000)

The net result being a loss will be debited to Sacrificing Partner's (Mona) Capital Account and credited to Gaining Partner's (Shashi) Account.

Thus, the Journal entry will be:

Mona's Capital A/c	...Dr.	₹ 10,000	
To Shashi's Capital A/c			₹ 10,000
(Adjustment of Reserves, Profits and Losses because of change in profit-sharing ratio)			

8. $\boxed{3}$ **Explanation:** Opening Balance Sheet of a Not-for-Profit Organisation is prepared to determine Capital Fund, which is equal to the difference of Assets and Liabilities as on that date.

9. $\boxed{3}$ **Explanation:**

Book Value of furniture sold is ₹ 60,000.

Depreciation charged till 1st October, 2020 (₹ 60,000 × 10/100 × 6/12) = ₹ 3,000

Depreciation on old unsold Furniture (₹ 3,40,000 – ₹ 60,000) × 10/100 = ₹ 28,000.

Depreciation on new Furniture = ₹ 3,00,000 × 10/100 × 6/12 = ₹ 15,000

Depreciation shown in Income and Expenditure Account for the year ended 31st March, 2022

= ₹ 3,000 + ₹ 28,000 + ₹ 15,000 = ₹ 46,000.

10. $\boxed{2}$ **Explanation:**

A. Paid ₹ 6,00,000 to acquire shares in Reliance Ltd. and received ₹ 50,000. It is an outflow for investment and hence, it is Cash Used of ₹ 6,00,000 in Investing Activities. Dividend of ₹ 50,000 is received. Hence, net outflow in Investing Activity is ₹ 5,50,000. **(Option II)**

B. Issue of Preference Shares of ₹ 5,00,000 at 10% premium is Cash Inflow from Financing Activities ₹ 5,50,000 (₹ 5,00,000 + ₹ 50,000). **(Option III)**

C. Sale of old Machinery for ₹ 5,50,000 is Cash Inflow from Investing Activities being sale proceeds of an asset. Purchase of new machinery for ₹ 6,00,000. Hence, Net Outflow in Investing Activities is ₹ 50,000. **(Option IV)**

D. Redemption of 8% Debentures of nominal (face) value ₹ 5,00,000 at 10% premium is Cash Used in Financing Activities ₹ 5,50,000. **(Option I)**

11. $\boxed{3}$ **Explanation:** Operating Cost includes the Cost of Revenue from Operations or Cost of Goods Sold (COGS) and Operating Expenses. They also include depreciation and amortisation. Operating Cost does not include Finance Cost.

12. $\boxed{2}$ **Explanation:**

Securities premium can be used for these activities:

1. Issuing fully paid-up bonus shares to existing shareholders.
2. Writing off expense of issue of shares and debentures, such as discount given on issue of shares debentures.
3. Writing off preliminary expenses
4. Buying back shares
5. For providing premium payable on redemption of debentures.

Thus, it cannot be used for issuing Partly Paid Bonus Shares.

13. $\boxed{2}$ **Explanation:** Increase in Operating Income can result in increase in Net Profit before Interest, Tax and Dividend although Capital employed increased. Thus, in effect, R0I increased from 15% to 18%.

14. $\boxed{4}$ **Explanation:**

Return on Investment = Net Profit before Interest, Tax and Dividend/Capital Employed × 100

18/100 = Net Profit before Interest, Tax and Dividend/₹ 42,00,000

Net Profit before Interest, Tax and Dividend = ₹ 7,56,000

Net Profit Before Tax = Profit before Interest, Tax and Dividend – Interest on Long-term Debts*

= ₹ 7,56,000 – ₹ 96,000 = ₹ 6,60,000

Net Profit after Tax = Net Profit before Tax – Tax

= ₹ 6,60,000 – ₹ 2,64,000 = ₹ 3,96,000

Net Profit available for Equity Shareholders = Net Profit after Tax – Dividend on Preference Shares**

= ₹ 3,96,000 – ₹ 96,000 = ₹ 3,00,000

Number of Equity Shares = ₹ 20,00,000/₹ 10 = 2,00,000

EPS = Profit available for equity shareholders/Number of Equity Shares

= ₹ 3,00,000/2,00,000 = ₹ 1.50 per share.

*Interest on Long-term Debts = ₹ 10,00,000 × 9.6% = ₹ 96,000.

**Dividend on Preference Shares = ₹ 12,00,000 x 8% = ₹ 96,000.

15. $\boxed{1}$ **Explanation:**

Dividend per Share = Dividend paid to Equity shareholders/Number of Equity Shares

= ₹ 4,00,000/2,00,000 = ₹ 2 per share

Dividend paid to Equity shareholders = ₹ 20,00,000 × 20% = ₹ 4,00,000.

16. $\boxed{4}$ **Explanation:**

All Assets – Goodwill – Non-Trade Investments – Fictitious Assets – Current Liabilities is the formula to determine Capital Employed for the purpose of valuation of Goodwill.

17. $\boxed{2}$ **Explanation:**

Interest on Debentures due on 30th September, 2020 = ₹ 60,00,000 × 10/100 × 2/12= ₹ 1,00,000

Interest on Debentures due on 31st March, 2021 = ₹ 60,00,000 × 10/100 × 6/12 = ₹ 3,00,000

Total Interest = ₹ 4,00,000

Loss on Issue of Debentures A/c = Discount on issue of Debentures + Premium on redemption of Debentures

Discount on Issue of Debentures = ₹ 60,00,000 × 20/100 = ₹ 12,00,000

Premium on Redemption of Debentures = ₹ 60,00,000 × 10/100 = ₹ 6,00,000

Loss on Issue of Debentures = ₹ 12,00,000 + ₹ 6,00,000 = ₹ 18,00,000.

Finance Cost = Interest on Debentures + Loss on Issue of Debentures

= ₹ 4,00,000 + ₹ 18,00,000 = ₹ 22,00,000.

18. $\boxed{1}$ **Explanation:**

	₹
Unrecorded Asset taken by Gautam	50,000
Less: Unrecorded Liabilities assumed	5,000
Balance	45,000
Less: Gautam's Share of Unrecorded Asset and Liabilities (1/3rd of ₹ 45,000)	15,000
Amount for unrecorded assets and liabilities (Gautam's Share)	30,000

Therefore, amount due to Gautam ₹ 1,20,000 (₹ 1,50,000 – ₹ 30,000).

19. $\boxed{2}$ **Explanation:** Under Fixed Capital Accounts Method, Remuneration (*i.e.*, Salary or Commission) given to partners is Credited to Partner's Current Account.

20. $\boxed{4}$ **Explanation:**

Stock of Sports Materials Consumed = Opening Stock + Purchases – Closing stock

= ₹ 2,00,000 + ₹ 7,50,000 – ₹ 2,50,000 = ₹ 7,00,000.

21. $\boxed{4}$ **Explanation:**

B. The Components of Balance Sheet are written.

A. The amounts of Previous and Current Year are written.

D. Absolute Change is calculated by finding the difference between previous year values with the current year values.

C. Percentage Change is calculated by, Absolute Increase or Decrease × 100/Previous year absolute figure.

22. $\boxed{3}$ **Explanation:** Equity shares issued = (₹ 30,00,000 – ₹ 6,00,000)/₹ 120 = 20,000.

23. $\boxed{3}$ **Explanation:** AS 26, Intangible Assets, prescribes that Goodwill is not to be recognised in the books of account unless consideration is paid for it.

24. $\boxed{4}$ **Explanation:** *A*'s Drawings is debited to *A*'s Capital Account, which will be transferred to his Capital Account. All other options affect Capital Accounts of other partners.

25. $\boxed{3}$ **Explanation:** Sweat Equity shares means such equity shares as are issued by a company to its directors or employees. Section 54 of the Companies Act, 2013 allows companies to issue sweat equity at a discount.

26. $\boxed{3}$ **Explanation:**

Debentures Application (12,000 × ₹ 200) = ₹ 24,00,000

Debentures Allotment A/c (12,000 × ₹ 350) = ₹ 42,00,000

27. $\boxed{4}$ **Explanation:**

A. Sports Fund ₹ 57,90,000 and Expenses on Sports events ₹ 52,90,000, thus ₹ 5,00,000 will be shown in Balance Sheet as Liabilities. **(Option III)**

B. Sports Fund ₹ 68,70,000 and Expenses on Sports events ₹ 73,70,000. Thus ₹ 5,00,000 will be debited to Income & Expenditure Account. **(Option IV)**

C. Sports Event Receipts ₹ 23,60,000 and Sports Events Expenses ₹ 18,60,000, thus ₹ 5,00,000 will be credited to Income & Expenditure Account. **(Option I)**

D. Sports Event Receipts ₹ 34,56,000 and Sports Event Expenses ₹ 40,56,000, thus ₹ 6,00,000 will be debited to Income & Expenditure Account. **(Option II)**

28. $\boxed{2}$ **Explanation:** *Calculation of interest on Debentures:*

Interest as on 30th September, 2020 (from 1.5.2020 to 30.9.2020):

₹ 10,00,000 × 9/100 × 5/12 = ₹ 37,500

Interest as on 31st March, 2021 (from 1.10.2020 to 31.3.2021):

₹ 10,00,000 × 9/100 × 6/12 = ₹ 45,000.

Total Interest for the year = ₹ 82,500 (₹ 37,500 + ₹ 45,000); TDS = 10% of ₹ 82,500 = ₹ 8,250.

29. $\boxed{1}$ **Explanation:** The Authorised Capital of a company is the maximum amount of share capital for which shares can be issued by a company. The Authorised Capital is stated in the Memorandum of Association of the Company.

30. $\boxed{2}$ **Explanation:** When market value of Investment is more than book value, the increase in value is transferred to the credit of Revaluation Account. Since Investment Fluctuation Reserve is unutilised it becomes a free reserve and transferred to the credit of Partners' Capital Accounts.

31. $\boxed{2}$ **Explanation:** Current Investments will be shown as Current Investments in the Balance Sheet.

32. $\boxed{4}$ **Explanation:** The amount already received on forfeited share excluding premium.

33. $\boxed{2}$ **Explanation:** When an asset is transferred to Realisation Account, related provision and reserve is also transferred to Realisation Account. Since Investment is transferred to Realisation Account, Investment Fluctuation Reserve will also be transferred to Realisation Account.

34. $\boxed{1}$ **Explanation:** Half of the creditors are adjusted by Debtors (No entry is passed When an asset is given to settle a liability, towards payment of the dues). Remaining Half is ₹ 41,085, *i.e.*, ₹ 41,500 – Discount of ₹ 415 (₹ 41,500 × 6% for 2/12 months).

35. $\boxed{4}$ **Explanation:** It is accumulated loss being debit balance in Profit & Loss Account or balance in fictitious asset accounts like Deferred Revenue Expenditure, etc., these are transferred to the debit of Partners' Capital Accounts in their profit-sharing ratio.

36. $\boxed{1}$ **Explanation:** Court may pass order for the dissolution of the firm when:

1. a partner becomes a person of unsound mind;
2. a partner becomes permanently incapable of performing his duties as a partner;
3. a partner is found guilty of misconduct, which is likely to adversely affect the business of the firm;
4. partnership agreement is breached persistently by a partner or partners;
5. court finds dissolution of the firm justified;
6. the business of the firm cannot be carried on except at a loss.

The partnership firm is ordered to be dissolved and it can be by the process of law, *i.e.*, court.

37. $\boxed{1}$ **Explanation:** Life membership Fee is a Capital Receipt and added to Capital Fund. Life Membership Fee of ₹ 50,000 wrongly treated as revenue receipt will increase the income and as a result surplus will be increased by the same amount. However, Capital Fund will not change as Life Membership Fees will get added to Capital Fund as it is included in surplus.

38. $\boxed{3}$ **Explanation:**

A. Workmen Compensation Reserve is fully set off to pay Workmen Compensation Claim. Hence, no amount will be transferred to Partners' Capital Accounts. **(Option III)**

B. Since the Market value of the Investment is more than book value, total Investment Fluctuation Reserve is in the nature of free reserve and thus, distributed among partners (including retiring partner) in their profit-sharing ratio. Therefore, *B*'s share is 1/3rd of ₹ 60,000, *i.e.*, ₹ 20,000. **(Option I)**

C. Since there is no claim, total Workmen Compensation Reserve is in the nature of free reserve and thus, will be distributed among partners. Therefore, *B*'s share is 1/3rd of ₹ 90,000 = ₹ 30,000. **(Option II)**

D. Investment Fluctuation Reserve to the extent of ₹ 60,000 is set off against fall in value of Investment amounting to ₹ 60,000. Balance amount (₹ 30,000) will be distributed among partners (including retiring partner). Hence, *Z*'s Capital Account will be credited by ₹ 10,000 (1/3rd of ₹ 30,000). **(Option IV)**

39. $\boxed{3}$ **Explanation:**

Amount Forfeited on 6,000 Shares (6,000 × ₹ 6)	₹ 36,000
Amount Forfeited on 4,000 Shares(₹ 36,000 × 4,000/6,000)	₹ 24,000
Less: Discount on Reissue (Balancing Figure)	₹ 20,000
Gain on reissued shares (transferred to Capital Reserve)	₹ 4,000
Discount allowed on Reissued shares (₹ 20,000/4,000 shares)	₹ 5 per share

As Shares were fully Called-up (₹ 20),

Shares were reissued at ₹ 15 (₹ 20 – ₹ 5) per share.

40. $\boxed{4}$ **Explanation:**

B. Charge interest on loan.

C. Calculate net profit.

D. Provide interest on capital.

A. Distribute profits between/among partners.

41. $\boxed{1}$ **Explanation:** *Calculation of Securities Premium Reserve:*

Number of shares to be issued = (₹ 2,25,000 – ₹ 10,000)/₹ 21.50 = 10,000 shares

Therefore, Securities Premium Reserve = 10,000 shares × ₹ 1.50 = ₹ 15,000.

42. $\boxed{1}$ **Explanation:** Number of shares applied by Shobha: (80,000/50,000) × 12,500 = 20,000 Shares

Note: 30,000 applications out of 1,10,000 shares were rejected and the remaining applicants of 80,000 shares were allotted 50,000 shares on *pro rata* basis.

43. $\boxed{3}$ **Explanation:**

Average Profit = ₹ 65,000 + ₹ 35,000 (Undervalued Stock) = ₹ 1,00,000

Normal Profit = Capital Employed × NRR/100 = ₹ 8,00,000 × 10/100 = ₹ 80,000

Super Profit = Actual Average Profit – Normal Profit

= ₹ 1,00,000 – ₹ 80,000 = ₹ 20,000

Goodwill = ₹ 20,000 X 4 = ₹ 80,000.

44. $\boxed{4}$ **Explanation:** Redemption of Debentures out of profits is a source and remaining are methods of Redemption.

45. $\boxed{1}$ **Explanation:**

Trade Receivables Turnover Ratio = Credit Revenue from Operations/Average Trade Receivables

= ₹ 36,00,000/₹ 12,00,000* = 3 Times.

Average Collection Period = 12/Trade Receivables Turnover Ratio = 12/3 = 4 months.

*In the absence of clear instructions Debtors and Bills Receivables are taken as average Trade Receivables.

46. $\boxed{1}$ **Explanation:** ₹ 3,000 is the amount that the firm will not pay to Manoj. Therefore, it is a gain (profit) for the firm and hence is recorded in the credit side of the Realisation account.

47. $\boxed{3}$

48. $\boxed{3}$

49. $\boxed{3}$

50. $\boxed{3}$

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