

# CUET (UG) Exam Paper 2023

National Testing Agency

Held on 29<sup>th</sup> May 2023

**ACCOUNTANCY**

**Solved**

**(This includes Questions pertaining to Domain Specific Subject only)**

Max. Marks : 200

Time allowed : 45 Minutes

### General Instructions:

- This paper consists of 50 MCQs, attempt any 40 out of 50 .
- Correct answer or the most appropriate answer: Five marks (+5) .
- Any incorrect option marked will be given minus one mark (- 1) .
- Unanswered/Marked for Review will be given no mark (0) .
- If more than one option is found to be correct then Five marks (+5) will be awarded to only those who have marked any of the correct options .
- If all options are found to be correct then Five marks (+5) will be awarded to all those who have attempted the question .
- If none of the options is found correct or a Question is found to be wrong or a Question is dropped then all candidates who have appeared will be given five marks (+5).
- Calculator / any electronic gadgets are not permitted .

1. On R's retirement, the amount payable to him after all adjustments, work out to be ₹ 60,000 but the remaining partners P and Q agreed to pay him ₹ 75,000 in full settlement of his claim. Identify the term which represent ₹ 15,000 extra, that is paid to R.

- Share in Profits
- Hidden Goodwill
- Interest on his Capital
- Compensation for Past work

Ans. Option (2) is correct.

**Explanation:** Hidden Goodwill is an intangible asset that is not recorded on the books of the partnership but is recognized when there is an agreement among the remaining partners to pay more than the calculated amount in full settlement of a retiring partner's claim. In this case, the extra ₹ 15,000 paid to R is over and above his calculated claim of ₹ 60,000, which indicates the presence of hidden goodwill in the partnership.

2. Identify the term that is used to show the amount received as per the will of a deceased person.

- Specific Donations
- Life membership fees
- Subscription
- Legacies

Ans. Option (4) is correct.

**Explanation:** Specific Donation is the donation received for a particular purpose like building, swimming pool, rest room etc.

Life Membership Fees is the fees paid by the members in lump sum pertaining to their life-time membership.

Subscription is the amount paid by the members periodically so that their membership continues.

Legacies is the amount received from the family of a deceased member as per the will.

3. Identify that account to which share of profit of a deceased partner is debited from the date of the last Balance Sheet to the date of his/her death.

- His capital account
- Profit and loss account

- Profit and Loss Suspense account
- Trading account

Ans. Option (3) is correct.

**Explanation:** The share of profit of a deceased partner until the date of his/her death is debited to the Profit and Loss Suspense Account. This adjustment is made to keep the partner's share of profit separate until it is distributed among the legal heirs or beneficiaries according to the terms of the partnership agreement or the deceased partner's will.

4. Find out cash flow form financing Activities from the following information.

|                                 |          |
|---------------------------------|----------|
| Issue of Equity Shares          | ₹ 80,000 |
| Redemption of Preference Shares | ₹ 30,000 |
| Interim Dividend Paid           | ₹ 25,000 |
| Interest on Debentures          | ₹ 15,000 |
| Issue of Debentures             | ₹ 30,000 |

- Inflow ₹ 80,000
- Outflow ₹ 80,000
- Inflow ₹ 40,000
- Outflow ₹ 40,000

Ans. Option (3) is correct.

**Explanation:**

### Cash Flow Statement (Extract)

| Particulars                                  | Amount (₹) | Amount (₹)    |
|--|------------|---------------|
| III. Cash flow from Financing Activities:    |            |               |
| Proceeds from the Issue of Shares            | 80,000     |               |
| Proceeds from the Issue of Debentures        | 30,000     |               |
| Redemption of Preference Shares              | (30,000)   |               |
| Interim Dividend paid                        | (25,000)   |               |
| Interest on Debentures                       | (15,000)   |               |
| <b>Cash Inflow from Financing Activities</b> |            | <b>40,000</b> |



12. From the following, identify the items which are payable to retiring partner, if mentioned in deed:

- Credit balance of his/her Capital/Current Account
- Share of goodwill
- Goodwill of the firm
- Share in revaluation gain/loss
- Share in accumulated profits (Reserves)

Choose the correct answer from the options given below:

- A, B only
- A, B, D, E only
- B, C, D, E only
- A, C, D, E only

Ans. Option (2) is correct.

**Explanation:** The Goodwill of the firm is not payable to the retiring partner, only the share of the retiring partner as per his/her profit-sharing ratio is given to the partner.

13. W Ltd. has given you following information:

|  |          |
|--|----------|
| Machinery (opening balance)                | ₹ 50,000 |
| Machinery (closing balance)                | ₹ 60,000 |
| Accumulated Depreciation (opening balance) | ₹ 25,000 |
| Accumulated Depreciation (closing balance) | ₹ 15,000 |

During the year, a machine costing ₹ 25,000 with accumulated depreciation of ₹ 15,000 was sold for ₹ 13,000. Calculate Cash Flow from Investing Activity:

- 22,000
- (22,000)
- (35,000)
- 13,000

Ans. Option (2) is correct.

**Explanation:**

| In the books of W Ltd. |                                    |       |            |      |                                 |       |            |
|------------------------|------------------------------------|-------|------------|------|---------------------------------|-------|------------|
| Dr. Machinery Account  |                                    |       |            | Cr.  |                                 |       |            |
| Date                   | Particulars                        | J. E. | Amount (₹) | Date | Particulars                     | J. E. | Amount (₹) |
|                        | To Balance b/d                     |       | 50,000     |      | By Bank A/c                     |       | 13,000     |
|                        | To Profit on sale of Machinery A/c |       | 3,000      |      | By Accumulated Depreciation A/c |       | 15,000     |
|                        | To Bank A/c (Balancing Figure)     |       | 35,000     |      | By Balance c/d                  |       | 60,000     |
|                        |                                    |       | 88,000     |      |                                 |       | 88,000     |

Cash Flow from Investing Activities  
= ₹ 13,000 – ₹ 35,000 = – ₹ 22,000

14. Match List I with List II:

| List - I  | List - II   |
|---|---|
| (A) Loss on Revaluation   | (I) Credited to old partners in old ratio           |
| (B) Profit on Revaluation   | (II) Debited to Profit and Loss Suspense A/c        |
| (C) Premium brought by new partner                                      | (III) Credited to old partners in sacrificing ratio |
| (D) On the death of a partner, profit till the date of death is ₹ 2,000 | (IV) Debited to old partners in the old ratio       |

Choose the correct answer from the options given below:

- (A)-(I), (B)-(IV), (C)-(III), (D)-(II)
- (A)-(IV), (B)-(I), (C)-(III), (D)-(II)
- (A)-(II), (B)-(II), (C)-(IV), (D)-(III)
- (A)-(III), (B)-(II), (C)-(IV), (D)-(I)

Ans. Option (2) is correct.

**Explanation:** Loss of revaluation is debited to old partner's capital account in the old profit-sharing ratio. Profit on revaluation is credited to the old partner's capital account in their old profit-sharing ratio. Premium for goodwill brought by the new partner is shared by the old partner in the sacrificing ratio and so is transferred to the old partner's capital accounts by crediting it. On the death of a partner profit till the date of death is to be debited to the profit and loss suspense account.

15. Identify those debentures on which no interest will be paid/provided.

- Debentures issued to underwriters
- Debentures issued for cash
- Debentures issued to vendor
- Debentures issued as collateral security

Ans. Option (4) is correct.

**Explanation:** The term 'collateral security' implies additional security given for a loan. Where a company obtains a loan from a bank or insurance company and the security offered to the company is not sufficient, the company may issue its own debentures to the lender as collateral security against the loan. In such a case, the lender has the absolute right over the debentures until and unless the loan is repaid. On repayment of the loan, however, the lender is legally bound to release the debentures forthwith. But in case, the loan is not repaid by the company on the due date or in the event of any other breach of agreement, the lender has the right to retain these debentures and to realize them. The lender is entitled to interest only on the amount of loan, but not on the debentures issued as collateral security.

16. Complete the sequence where interest on capital has to be provided as per partnership deed, but available profits are not sufficient to provide full amount of interest on capital.

- If it is appropriation, calculate interest on capital for all partners at given rate
- Divide the available amount in the capital ratio among the partners
- Calculate ratio between capital of partners
- Consider the partnership deed and decide whether interest on capital is a charge or an appropriation
- Consider the available profit

Choose the correct answer from the options given below:

- A, B, C, D, E
- B, C, D, E, A
- D, A, E, C, B
- C, D, A, B, E

Ans. Option (3) is correct.

**Explanation:** The sequence where interest on capital has to be provided as per the partnership deed, but available profits are not sufficient to provide the full amount of interest on capital, is as follows:

- D. Consider the partnership deed and decide whether interest on capital is a charge or an appropriation.
- A. If it is an appropriation, calculate interest on capital for all partners at the given rate.
- E. Consider the available profit.
- C. Calculate the ratio between the capital of partners.
- B. Divide the available amount in the capital ratio among the partners.

17. Identify the key that allows the access to the system.
- |              |                |
|--------------|----------------|
| (1) Security | (2) Encryption |
| (3) Software | (4) Password   |

Ans. Option (4) is correct.

**Explanation:** Security protects the financial data from the access through an unauthorized source. Encryption helps to protect the data by coding the data and scrambling it. Software is the programme that is used for making computerized accounting. Password is the key that allows the access to the system to prevent it from being used by an unauthorized user.

18. Identify the correct sequence where new partner is to bring proportionate capital.
- A. Calculation of Capital Balance of old partners
  - B. Preparation of Revaluation A/c
  - C. Determination of Revaluation gain/loss
  - D. Presentation of Treatment of Goodwill
  - E. Calculation of Capital to be brought in by the new partner

Choose the correct answer from the options given below:

- |                   |                   |
|-------------------|-------------------|
| (1) C, B, D, A, E | (2) D, B, C, E, A |
| (3) D, C, B, A, E | (4) B, C, D, A, E |

Ans. Option (4) is correct.

**Explanation:** In the case of admission of a new partner, the first step is to check for any change in the valuation of assets and liabilities, or unrecorded assets or liabilities. That is the revaluation account needs to be prepared first. This helps in determining the loss or gain in revaluation, which is transferred to the old partners in the old profit-sharing ratio. Thereafter, the goodwill of the firm is treated or calculated. Finally, the capital of the old partners are ascertained and then the share of capital of the new partner is to be calculated.

19. Which of the following will be shown on the credit side of Deceased Partner A/c?
- A. Revaluation Gain Share
  - B. Goodwill written off
  - C. Share of profit till date of death
  - D. Drawings till date of death
  - E. Interest on capital till date of death

Choose the correct answer from the options given below:

- (1) A and C only
- (2) B, D and E only
- (3) A, B and D only
- (4) A, C and E only

Ans. Option (4) is correct.

**Explanation:** The following items are shown in the credit side of the deceased partner's account:

- (1) Credit balance of capital and current account.
- (2) Salary, commission, interest, etc. up to the date of death.
- (3) Proportionate share in profit of firm till the date of death.
- (4) Proportionate share in goodwill of the firm.
- (5) Proportionate share in undistributed profits and reserves of the firm as shown in the balance sheet.
- (6) Proportionate share in the profit on revaluation of assets and liabilities.

The following items will be shown on the debit side of the deceased partner's account:

- (1) Debit capital balance of deceased partner.
- (2) Drawings of deceased partner and interest on drawings.
- (3) Share of Goodwill written off.
- (4) Share in the loss on revaluation of assets and liabilities.
- (5) Share in undistributed loss.

20. In a partnership firm, partners share profit and loss in the ratio of 3 : 2. If the firm incurred a loss of ₹ 10,000 during the year then calculate the amount of loss to be shared by partners.

- (1) Equally
- (2) According to profit sharing ratio.
- (3) According to gaining ratio.
- (4) According to sacrificing ratio.

Ans. Option (2) is correct.

**Explanation:** Whether it is profit or loss, it is shared as per the profit sharing ratio. Only in the absence of the partnership deed, it is shared equally.

21. Which of the following will be added to operating profit before working capital changes, while preparing Cash Flow statement from indirect method?

- (1) Increase in Trade Receivable by ₹ 80,000
- (2) Decrease in Inventory by ₹ 50,000
- (3) Increase in Prepaid Expenses by ₹ 30,000
- (4) Decrease in Trade Payable by ₹ 20,000

Ans. Option (2) is correct.

**Explanation:** Increase in trade receivables, increase in prepaid expenses and decrease in trade payables will be subtracted as all involves outflow of cash.



## 22. Match List I with List II:

| List - I                                  | List - II  |
|---|--|
| (A) Interest on capital                   | (I) Admission of partner                               |
| (B) Gaining Ratio                         | (II) Profit and Loss in the old profit sharing ratio   |
| (C) Sacrificing ratio                     | (III) Continuing partners                              |
| (D) Revaluation of Assets and Liabilities | (IV) When partnership deed specifically provide for it |

Choose the correct answer from the options given below:

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

Ans. Option (4) is correct.

**Explanation:** Only when the partnership deed provides for the interest on capital, it can be charged in the partnership firm. In case of retirement/death of a partner, the continuing or remaining partners share the goodwill share of the retiring or deceased partner in the gaining ratio. Sacrificing ratio is calculated during the admission of a partner as the old partners sacrifice a part of their share to the new partner. The profit or loss on the revaluation of assets and liabilities is shared by the old or remaining partners in the old profit-sharing ratio.

23. Identify the term that indicate excess of Expenditure over Income, in case of a Not-for-profit Organisation.

- (1) Payment (2) Expenditure  
 (3) Deficit (4) Loss

Ans. Option (3) is correct.

**Explanation:** The excess of expenditure over income is called deficit and the excess of income over expenditure is called surplus in the case of Not-for-profit organization.

24. Identify the salient features of Income and Expenditure account from the following:

- A. It is prepared on accrual basis.  
 B. It includes both revenue as well as capital items.  
 C. It is prepared after taking into account the additional information regarding outstanding prepaid expenses and depreciation etc.  
 D. Its result is surplus or deficit.  
 E. It is prepared with the help of Receipts and Payments Account.

Choose the correct answer from the options given below:

- (1) A, B, C and D only (2) A, B, C and E only  
 (3) B, C, D and E only (4) A, C, D and E only

Ans. Option (4) is correct.

**Explanation:** The income and expenditure account only records the revenue item; the capital items are recorded in the balance sheet. Thus, statement B is incorrect.

25. C Ltd. made a profit of ₹ 10,000 after charging depreciation of ₹ 2,000 on Assets, transfer to General Reserve ₹ 3,000. Written off Goodwill ₹ 700, Profit on sale of Asset ₹ 300, increase in Debtors ₹ 300, increase in creditors ₹ 600, increase in prepaid expenses ₹ 20 and decrease in outstanding expenses ₹ 200. What will be the cash from operating activities?

- (1) ₹ 15,500 (2) ₹ 15,480  
 (3) ₹ 5,000 (4) ₹ 16,000

Ans. Option (2) is correct.

**Explanation:** Cash from operating activity = ₹ 10,000 + ₹ 3,000 + ₹ 2,000 + ₹ 700 - ₹ 300 - ₹ 300 + ₹ 600 - ₹ 20 - ₹ 200 = ₹ 15,480

26. On 1st July' 22, Centaur Ltd. issued ₹ 25,00,000 8% debentures of ₹ 100 each as collateral security to First Level Bank against loan dues of ₹ 20,00,000, How much amount will be shown in the Balance sheet?

- (1) ₹ 25,00,000 (2) ₹ 45,00,000  
 (3) ₹ 20,00,000 (4) ₹ 70,00,000

Ans. Option (3) is correct.

**Explanation:** As the debentures are issued as collateral security for the bank loans, the amount to be shown will be ₹ 20,00,000 as the debentures will be retained by the bank unless and until the loans are repaid back.

27. Arrange following in a sequence in which amount realised from assets will be utilised to pay.

- A. Partner's Loan  
 B. Partner's Capital  
 C. Secured debts of the firm  
 D. Unsecured debts of the firm  
 E. Residue to partners

Choose the correct answer from the options given below:

- (1) C, D, E, A, B (2) C, D, E, A, B  
 (3) C, D, A, B, E (4) C, D, A, E, B

Ans. Option (3) is correct.

**Explanation:** In the case of dissolution, firstly all the secured debts are paid and then the unsecured debts. When it comes to partners, the loan is paid first, then from the remaining amount capital due is paid and if anything is left after that, the residue to the partners is paid.

28. A part of fixed assets costing ₹ 2,00,000 (Book value 1,50,000) was sold at a gain of ₹ 10,000. How it will affect the cash flow statement?

- (1) Inflow ₹ 1,60,000 in Investing Activities and Add ₹ 10,000 in Operating Activities
- (2) Inflow ₹ 1,60,000 in Investing Activities and less ₹ 10,000 in Operating Activities
- (3) Inflow ₹ 2,10,000 in Investing Activities Add ₹ 10,000 in Operating Activities
- (4) Inflow ₹ 2,10,000 in Investing Activities and Less ₹ 10,000 in Operating Activities

Ans. Option (2) is correct.

**Explanation:** The asset is sold at a profit of ₹ 10,000, so the sale of fixed asset is ₹ 1,60,000 (₹ 1,50,000 + ₹ 10,000). This amount will be an inflow of cash in the investing activities. Thereafter, ₹ 10,000 being a profit on sale of fixed asset is to be subtracted while finding the cash flow from operating activities.

29. Match List I with List II:

| List - I |                                      | List - II |                               |
|----------|--------------------------------------|-----------|-------------------------------|
| (A)      | Current Maturities of long term Debt | (I)       | Other Non-Current Liabilities |
| (B)      | Securities Premium                   | (II)      | Short term Borrowing          |
| (C)      | Outstanding salaries                 | (III)     | Other Current Liability       |
| (D)      | Premium on Redemption of Debentures  | (IV)      | Reserves and Surplus          |

Choose the correct answer from the options given below:

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

Ans. Option (3) is correct.

**Explanation:** Current Maturities of long term debt will be shown as a short term borrowings; Securities Premium will be shown in the Reserves and Surplus; Outstanding Salaries is shown in Other Current Liability and Premium on redemption of debentures will be shown under the Other Non-Current Liabilities.

30. What is the correct sequence to prepare company's Balance Sheet as per the standard format given according to Schedule III of Companies Act 2013?

- A. Non Current Liability
- B. Non Current Assets
- C. Shareholder's Funds
- D. Current Assets
- E. Current Liability

Choose the correct answer from the options given below:

- (1) C, A, B, E, D
- (2) A, B, C, D, E
- (3) C, A, E, B, D
- (4) A, C, E, B, D

Ans. Option (3) is correct.

**Explanation:** This order ensures that the Balance Sheet presents a systematic and organized view of the company's financial position, with the owner's equity and long-term liabilities first, followed by short-term liabilities and the company's long-term and short-term assets.

31. When a company issues shares in open market and the amount is payable in instalments. What is the sequence of amount demanded by the company?

- A. Money received on calls
- B. Money due on calls
- C. Allotment money received
- D. Application money transferred to Share Capital A/c
- E. Allotment money due

Choose the correct answer from the options given below:

- (1) D, C, B, A, E
- (2) D, E, C, B, A
- (3) D, C, A, B, E
- (4) D, E, C, A, B

Ans. Option (2) is correct.

**Explanation:** The sequence of amount demanded by the company is:

1. Application money received
2. Application money transferred to share capital
3. Allotment money due
4. Allotment money received
5. Money due on calls
6. Money received on calls

32. Trade payables to be settled beyond 12 months from the date of Balance sheet or beyond the operating cycle are classified under:

- (1) Long term provisions
- (2) Other long term liabilities
- (3) Deferred tax liabilities
- (4) Long term Borrowing

Ans. Option (2) is correct.

**Explanation:** Trade payables that are to be settled beyond 12 months from the date of the balance sheet or beyond the operating cycle are classified as other long-term liabilities in the financial statements of a company. These liabilities represent obligations that are not due for settlement in the short term and are typically considered as part of the long-term financing of the company.

33. Match List I with List II:

| List - I |                                 | List - II |                     |
|----------|---------------------------------|-----------|---------------------|
| (A)      | Transfer of accumulated profits | (I)       | Realisation Account |

|     |  |       |                                       |
|-----|--|-------|---------------------------------------|
| (B) | Unrecorded asset sold on dissolution of firm | (II)  | Profit and Loss Account               |
| (C) | Manager's commission                         | (III) | Profit and Loss Appropriation Account |
| (D) | Partner's commission                         | (IV)  | Partner's Capital Account             |

Choose the correct answer from the options given below:

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

Ans. Option (2) is correct.

**Explanation:** When accumulated profits are distributed among the partners, it increases their respective capital accounts. The unrecorded asset's sale during the dissolution of the firm is accounted for in the Realisation account, helping to determine the total gain or loss. The manager's commission is treated as an expense and debited to the Profit and Loss Account, reducing the firm's profit. Partner's commission is an appropriation of profit and is credited to the Profit and Loss Appropriation Account, showing its allocation among the partners.

34. Every company analyse its earning capacity of the business which is outcome of utilisation of resources employed in the business. To analyse profitability company can use:

- A. Dividend Payout Ratio
- B. Return on Net Worth
- C. Gross Profit Ratio
- D. Quick Ratio
- E. Inventory Turnover Ratio

Choose the choose answer from the option given below:

- (1) C and E only
- (2) C, D and E only
- (3) A, B and C only
- (4) A, C and E only

Ans. Option (3) is correct.

**Explanation:** The profitability of the company is analyzed with the help of the profitability ratios. In the list, only Dividend payout ratio, Return on Net Worth and Gross Profit Ratio are the profitability Ratio. Quick Ratio is a liquidity ratio and Inventory Turnover Ratio is a performance ratio.

35. Separate disclosure of cash flow arising from Financial Activities is important because

- (1) It helps in identifying the investment activities.
- (2) It helps in gaining in investing activities.
- (3) It helps in making investing decision.

- (4) It is useful in predicting claims on future cash flow by providers of funds to the enterprise.

Ans. Option (4) is correct.

**Explanation:** Financing activity will be helpful for the investors to see how the company uses the finances of the company, so that they can predict the future cash flows.

36. How many blank worksheet(s) are shown, by default when a new workbook is created?

- (1) One
- (2) Two
- (3) Three
- (4) Four

Ans. Option (3) is correct.

**Explanation:** When a new worksheet is opened or created three blank worksheets are shown on the bottom right corner, that is the sheets tab.

37. Capital gain tax paid on sale of fixed assets should be classified as .....

- (1) Cash inflow from Operating Activities
- (2) Cash outflow from Operating Activities
- (3) Cash inflow from Investing Activities
- (4) Cash outflow from Investing Activities

Ans. Option (4) is correct.

**Explanation:** As the sale of fixed assets forms a part of Investing activities, so the capital gains tax paid on the sale of fixed assets should be classified as the cash outflow from Investing Activities.

38. Match List I with List II:

| List -I |                  | List - II |                            |
|---------|------------------|-----------|----------------------------|
| (A)     | Interest charges | (I)       | Employees Benefit Expenses |
| (B)     | Sale of services | (II)      | Other incomes              |
| (C)     | Salary           | (III)     | Revenue from Operations    |
| (D)     | Dividend Income  | (IV)      | Finance cost               |

Choose the correct answer from the options given below:

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

Ans. Option (1) is correct.

**Explanation:** Interest charged is a finance cost and so is shown as an expense in the statement of profit and loss. Sale of services is a type of revenue from operations as it is done as a normal day to day functioning of the business. Salary is a part of Employee benefit scheme as it is the remuneration paid to employees for the services that they have rendered. Dividend Income forms the part of other incomes, as it is not the actual way for a company to earn income.

39. Select out of the following that leads to the need of codification.
- (1) The Encryption of data
  - (2) To secure various accounts
  - (3) To keep proper records
  - (4) All of the above

Ans. Option (2) is correct.

**Explanation:** Codification is essential to create a standardized and organized system for easy identification and reference of data, accounts, and records. It involves the use of codes or unique identifiers to manage and secure information. Encrypting data ensures data security, securing various accounts prevents unauthorized access, and maintaining proper records helps in efficient data management. All these aspects are interconnected and contribute to the need for codification in various organizational processes.

40. Select the sub-head under which loose tools will be shown in the Balance Sheet of a company -
- (1) Current Assets
  - (2) Trade Receivables
  - (3) Inventories
  - (4) Other current Assets

Ans. Option (3) is correct.

**Explanation:** Loose tools are considered part of the inventories category in the Balance Sheet of a company. Inventories include various items that a company holds for production, trading, or provision of services. Loose tools fall under this category as they are essential for day-to-day operations and are not intended for resale.

41. Based on following passage answer questions from 41-45.
- A Ltd. with an Authorised Capital of ₹ 10,00,000 is divided into shares of ₹ 10 each, issued 50,000 shares at a premium of ₹ 2 per share payable as follows:
- |                         |                     |
|-------------------------|---------------------|
| on Application          | ₹ 3 per share       |
| on Allotment            | ₹ 5 per share       |
|                         | (including premium) |
| on First and Final call | Balance amount      |
- Application were received for 60,000 shares and the directors allotted shares to all on proportionate basis. All money received except first and final call from Hari who had applied for 1200 shares. His shares were forfeited and later half of his forfeited shares were reissued at ₹ 8 per share as fully paid up.
- Identify the number of shares with which A Ltd. is registered.
- (1) 1,00,000 Shares
  - (2) 50,000 Shares
  - (3) 60,000 Shares
  - (4) 10,00,000 Shares

Ans. Option (1) is correct.

**Explanation:** The Authorised Capital = ₹ 10,00,000  
 Value of each share = ₹ 10  
 Number of shares = (₹ 10,00,000)/10 = 1,00,000

42. Based on following passage answer questions from 41-45.

A Ltd. with an Authorised Capital of ₹ 10,00,000 is divided into shares of ₹ 10 each, issued 50,000 shares at a premium of ₹ 2 per share payable as follows:

|                |                     |
|----------------|---------------------|
| on Application | ₹ 3 per share       |
| on Allotment   | ₹ 5 per share       |
|                | (including premium) |

|                         |                |
|-------------------------|----------------|
| on First and Final call | Balance amount |
|-------------------------|----------------|

Application were received for 60,000 shares and the directors allotted shares to all on proportionate basis. All money received except first and final call from Hari who had applied for 1200 shares. His shares were forfeited and later half of his forfeited shares were reissued at ₹ 8 per share as fully paid up.

Select the amount received on Share Allotment Account:

- |                |                |
|----------------|----------------|
| (1) ₹ 2,50,000 | (2) ₹ 5,00,000 |
| (3) ₹ 2,20,000 | (4) ₹ 3,00,000 |

Ans. Option (3) is correct.

**Explanation:** Money to be received on Share Allotment =  $50,000 \times ₹ 5 = ₹ 2,50,000$   
 Money already received on application =  $10,000 \times ₹ 3 = ₹ 30,000$   
 Money to be received = ₹ 2,50,000 - ₹ 30,000 = ₹ 2,20,000

43. Based on following passage answer questions from 41-45.

A Ltd. with an Authorised Capital of ₹ 10,00,000 is divided into shares of ₹ 10 each, issued 50,000 shares at a premium of ₹ 2 per share payable as follows:

|                |                     |
|----------------|---------------------|
| on Application | ₹ 3 per share       |
| on Allotment   | ₹ 5 per share       |
|                | (including premium) |

|                         |                |
|-------------------------|----------------|
| on First and Final call | Balance amount |
|-------------------------|----------------|

Application were received for 60,000 shares and the directors allotted shares to all on proportionate basis. All money received except first and final call from Hari who had applied for 1200 shares. His shares were forfeited and later half of his forfeited shares were reissued at ₹ 8 per share as fully paid up.

Select the amount that is received from Hari's reissued shares:

- |             |             |
|-------------|-------------|
| (1) ₹ 4,800 | (2) ₹ 4,000 |
| (3) ₹ 8,000 | (4) ₹ 9,600 |

Ans. Option (2) is correct.



**Explanation:** Shares allotted to Hari =  $1,200 \times 50,000/60,000 = 1,000$   
 Number of shares reissued = 500  
 Amount received on the reissued shares =  $500 \times ₹ 8 = ₹ 4,000$

44. Based on following passage answer questions from 41-45.

A Ltd. with an Authorised Capital of ₹ 10,00,000 is divided into shares of ₹ 10 each, issued 50,000 shares at a premium of ₹ 2 per share payable as follows:

on Application ₹ 3 per share  
 on Allotment ₹ 5 per share  
 (including premium)  
 on First and Final call Balance amount

Application were received for 60,000 shares and the directors allotted shares to all on proportionate basis. All money received except first and final call from Hari who had applied for 1200 shares. His shares were forfeited and later half of his forfeited shares were reissued at ₹ 8 per share as fully paid up.

Identify the account to which the discount allowed on reissue of forfeited shares should be debited.

- (1) Bank Account
- (2) Forfeited Share Account
- (3) Capital Reserve Account
- (4) Securities Premium Reserve Account

Ans. Option (2) is correct.

**Explanation:** The discount allowed on the reissue of forfeited shares should be debited to the "Forfeited Share Account." This account is used to record the reissue of forfeited shares at a price lower than the original subscription price. The discount allowed is a reduction in the reissue price and is accounted for in the Forfeited Share Account.

45. Based on following passage answer questions from 41-45.

A Ltd. with an Authorised Capital of ₹ 10,00,000 is divided into shares of ₹ 10 each, issued 50,000 shares at a premium of ₹ 2 per share payable as follows:

on Application ₹ 3 per share  
 on Allotment ₹ 5 per share  
 (including premium)  
 on First and Final call Balance amount

Application were received for 60,000 shares and the directors allotted shares to all on proportionate basis. All money received except first and final call from Hari who had applied for 1200 shares. His shares were forfeited and later half of his forfeited shares were reissued at ₹ 8 per share as fully paid up.

The balance, if any, left in the share forfeited account relating to reissued shares, should be transferred to:

- (1) Forfeited Share Account
- (2) Share Capital Account
- (3) Reserve Capital Account
- (4) Capital Reserve Account

Ans. Option (4) is correct.

**Explanation:** The balance amount of the forfeited shares is transferred to capital reserve account as it is a charge against capital.

46. Meena and Tina are partners in a firm and sharing profit as 3 : 2. They decided to dissolve their firm on March 31, 2017 when their Balance Sheet was as follows:

**Balance Sheet Meena and Tina as on March 31, 2017**

| Liabilities      | Amount (₹) | Assets         | Amount (₹) |
|------------------|------------|----------------|------------|
| Capital:         |            | Machinery      | 70,000     |
| Meena 90,000     |            | Investments    | 50,000     |
| Tina 80,000      | 1,70,000   | Stock          | 22,000     |
| Sundry creditors | 60,000     | Sundry Debtors | 1,03,000   |
| Bills payable    | 20,000     | Cash at bank   | 5,000      |
|                  | 2,50,000   |                | 2,50,000   |

The assets and liabilities were disposed off as follows:

- a. Machinery were given to creditors in full settlement of their account and stock were given bills payable in full settlement.
- b. Investment were taken over by Tina at book value. Sundry debtors of book value ₹ 50,000 taken over by Meena at 10% less and remaining debtors realised ₹ 51,000.
- c. Realisation expenses amount to ₹ 2,000.

When a creditor accepts an asset whose value is more than the amount due to him, he will ..... the excess amount which will be credited to ..... Account.

- (1) Pay, Bank
- (2) Not pay, Creditors
- (3) Pay, Realisation
- (4) Not pay, Realisation

Ans. Option (3) is correct.

**Explanation:** The excess amount of the creditors is transferred to the Realisation account and is paid by the creditor himself.

47. Meena and Tina are partners in a firm and sharing profit as 3 : 2. They decided to dissolve their firm on March 31, 2017 when their Balance Sheet was as follows:

**Balance Sheet Meena and Tina as on March 31, 2017**

| Liabilities  | Amount (₹) | Assets      | Amount (₹) |
|--------------|------------|-------------|------------|
| Capital:     |            | Machinery   | 70,000     |
| Meena 90,000 |            | Investments | 50,000     |

|                  |        |                 |                |                 |
|------------------|--------|-----------------|----------------|-----------------|
| Tina             | 80,000 | 1,70,000        | Stock          | 22,000          |
| Sundry creditors |        | 60,000          | Sundry Debtors | 1,03,000        |
| Bills payable    |        | 20,000          | Cash at bank   | 5,000           |
|                  |        | <b>2,50,000</b> |                | <b>2,50,000</b> |

The assets and liabilities were disposed off as follows:

- Machinery were given to creditors in full settlement of their account and stock were given bills payable in full settlement.
- Investment were taken over by Tina at book value. Sundry debtors of book value ₹ 50,000 taken over by Meena at 10% less and remaining debtors realised ₹ 51,000.
- Realisation expenses amount to ₹ 2,000.

Which mode of dissolution is highlighted in the above case?

- Compulsory dissolution
- Dissolution by agreement
- Dissolution by court
- Dissolution on happening of contingencies

Ans. Option (2) is correct.

**Explanation:** As it is clearly mentioned in the case study that Meena and Tina decided to dissolve the firm, it is a case of Dissolution by agreement.

48. Meena and Tina are partners in a firm and sharing profit as 3 : 2. They decided to dissolve their firm on March 31, 2017 when their Balance Sheet was as follows:

**Balance Sheet Meena and Tina as on March 31, 2017**

| Liabilities      | Amount (₹)      | Assets         | Amount (₹)      |
|------------------|-----------------|----------------|-----------------|
| Capital:         |                 | Machinery      | 70,000          |
| Meena            | 90,000          | Investments    | 50,000          |
| Tina             | 80,000          | Stock          | 22,000          |
| Sundry creditors | 60,000          | Sundry Debtors | 1,03,000        |
| Bills payable    | 20,000          | Cash at bank   | 5,000           |
|                  | <b>2,50,000</b> |                | <b>2,50,000</b> |

The assets and liabilities were disposed off as follows:

- Machinery were given to creditors in full settlement of their account and stock were given bills payable in full settlement.
- Investment were taken over by Tina at book value. Sundry debtors of book value ₹ 50,000 taken over by Meena at 10% less and remaining debtors realised ₹ 51,000.
- Realisation expenses amount to ₹ 2,000.

Identify the amount realised in cash from Sundry Debtors.

- ₹ 96,000
- ₹ 1,03,000
- ₹ 1,00,000
- ₹ 51,000

Ans. Option (4) is correct.

**Explanation:** As Meena did not give cash for the debtors taken over by her, only ₹ 51,000 is realised in cash from Sundry Debtors.

49. Meena and Tina are partners in a firm and sharing profit as 3 : 2. They decided to dissolve their firm on March 31, 2017 when their Balance Sheet was as follows:

**Balance Sheet Meena and Tina as on March 31, 2017**

| Liabilities      | Amount (₹)      | Assets         | Amount (₹)      |
|------------------|-----------------|----------------|-----------------|
| Capital:         |                 | Machinery      | 70,000          |
| Meena            | 90,000          | Investments    | 50,000          |
| Tina             | 80,000          | Stock          | 22,000          |
| Sundry creditors | 60,000          | Sundry Debtors | 1,03,000        |
| Bills payable    | 20,000          | Cash at bank   | 5,000           |
|                  | <b>2,50,000</b> |                | <b>2,50,000</b> |

The assets and liabilities were disposed off as follows:

- Machinery were given to creditors in full settlement of their account and stock were given bills payable in full settlement.
- Investment were taken over by Tina at book value. Sundry debtors of book value ₹ 50,000 taken over by Meena at 10% less and remaining debtors realised ₹ 51,000.
- Realisation expenses amount to ₹ 2,000.

**State Journal entry for payment of realisation expenses.**

- Realisation Expenses A/c Dr. ₹ 2,000  
To Realisation A/c ₹ 2,000
- Realisation A/c Dr. ₹ 2,000  
To Realisation Expenses A/c ₹ 2,000
- Realisation A/c Dr. ₹ 2,000  
To Bank A/c ₹ 2,000
- Bank A/c Dr. ₹ 2,000  
To Realisation A/c ₹ 2,000

Ans. Option (3) is correct.

**Explanation:** As realization expenses is paid, so Bank Account will be credited by debiting the Realisation Account.

50. Meena and Tina are partners in a firm and sharing profit as 3 : 2. They decided to dissolve their firm on March 31, 2017 when their Balance Sheet was as follows:

**Balance Sheet Meena and Tina as on March 31, 2017**

| Liabilities | Amount (₹) | Assets      | Amount (₹) |
|-------------|------------|-------------|------------|
| Capital:    |            | Machinery   | 70,000     |
| Meena       | 90,000     | Investments | 50,000     |

|                  |               |                 |                |                 |
|------------------|---------------|-----------------|----------------|-----------------|
| Tina             | <u>80,000</u> | 1,70,000        | Stock          | 22,000          |
| Sundry creditors |               | 60,000          | Sundry Debtors | 1,03,000        |
| Bills payable    |               | 20,000          | Cash at bank   | 5,000           |
|                  |               | <b>2,50,000</b> |                | <b>2,50,000</b> |

The assets and liabilities were disposed off as follows:

- Machinery were given to creditors in full settlement of their account and stock were given bills payable in full settlement.
- Investment were took over by Tina at book value. Sundry debtors of book value ₹ 50,000 took over by Meena at 10% less and remaining debtors realised ₹ 51,000.
- Realisation expenses amount to ₹ 2,000.

State Journal entry for realisation of investment.

- |                    |     |          |
|--------------------|-----|----------|
| Tina's Capital A/c | Dr. | ₹ 50,000 |
| To Realisation A/c |     | ₹ 50,000 |
- |                     |     |          |
|---------------------|-----|----------|
| Tina's Capital A/c  | Dr. | ₹ 30,000 |
| Meena's Capital A/c | Dr. | ₹ 20,000 |
| To Realisation A/c  |     | ₹ 50,000 |
- |                       |     |          |
|-----------------------|-----|----------|
| Realisation A/c       | Dr. | ₹ 50,000 |
| To Tina's Capital A/c |     | ₹ 50,000 |
- |                        |     |          |
|------------------------|-----|----------|
| Realisation A/c        | Dr. | ₹ 50,000 |
| To Tina's Capital A/c  |     | ₹ 30,000 |
| To Meena's Capital A/c |     | ₹ 20,000 |

Ans. Option (1) is correct.

**Explanation:** As Tina took over the Investment, her capital account will be debited and realisation account will be credited with the amount of investment.



# WRITING YOUR NOTES

**Just in case you have forgotten today, takedown your notes!**

**But why is it so important?**

Tools for the hands are tools for the brain writes Hetty Roessingh.

Handwritten notes are a powerful tool for encrypting embodied cognition and in turn supporting the brain's capacity for recuperation of information. If that sounds so scientific then in simple words:

Writing notes by hand help you in:

- ◆ Increasing your comprehension    ◆ Strengthening your memory    ◆ Igniting your creativity
- ◆ Engaging your mind    ◆ Increasing your attention span

Are these reasons enough to get you started?

1. ....
2. ....
3. ....
4. ....
5. ....
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