Q1. In the absence of partnership deed, which of the following statement is correct?

(a) Interest on partners' Capital will be allowed @ 6% p.a.
(b) Interest on partners' Loan is to be given @ 6% p.a.
(c) Profits are shared in the ratio of Capital
(d) Interest on Drawing is to be charged @ 6% p.a.

Q2. Match List I with List II.

LIST – I		LIST – II	
A.	Sacrificing Ratio	I.	New Ratio – Old Ratio
B.	New Ratio	II.	Old Ratio – New Ratio
C.	Gaining Ratio	III.	Old ratio + Gaining Ratio
D.	Value of goodwill	IV.	Average profit × No. of years purchase

Choose the correct answer from the options given below:

(a) A-II, B-III, C-I, D-IV
(b) A-III, B-I, C-II, D-IV
(c) A-II, B-I, C-III, D-IV
(d) A-I, B-III, C-II, D-IV

Q3. A, B, C and D are Partners in a firm sharing profits in the ratio of 3:2:1:4. A retired and his share is acquired by B and C in the ratio 3:2. Calculate new profit sharing ratio of partners.

(a) 19 : 11 : 20
(b) 3 : 2 : 4
(c) 18 : 12 : 20
(d) 16 : 18 : 12

Q4. Match List – I with List – II.

	LIST – I		LIST - II
(A)	Purchase of Building	(I)	Financing activity
(B)	Change in inventory	(II)	Cash and cash equivalents
(C)	Cash credit	(III)	Investing activity
(D)	Dividend paid	(IV)	Operating activity

Choose the correct answer from the options given below:

(a) (A)-(III), (B)-(IV), (C)-(II), (D)-(I)
(b) (A)-(III), (B)-(I), (C)-(II), (D)-(IV)
(c) (A)-(III), (B)-(II), (C)-(I), (D)-(IV)
(d) (A)-(III), (B)-(IV), (C)-(I), (D)-(II)

Q5. Balance of Share Forfeited Account on the forfeited share not yet re-issued is:
(a) Shown in the Shareholder's Fund
(b) Transferred to Capital Reserve
(c) Transferred to Capital Redemption Reserve
(d) Transferred to General reserve

Q6. What is the correct sequence at the time of death of a partner?
(A) Amount paid to Executor
(B) Preparation of Revaluation account
(C) Calculation of Amount Payable to executor of Deceased partner
(D) Calculation of Revaluation Gain/Loss
(E) Balance of Executor's loan A/c
Choose the correct answer from the options given below:
(a) (B), (D), (C), (A), (E)
(b) (B), (D), (A), (C), (E)
(c) (D), (B), (C), (A), (E)
(d) (D), (B), (A), (C), (E)

Q7. Match List I with List II.

LIST I		LIST II	
A.	Horizontal Analysis	I.	Common size statement
B.	Vertical Analysis	II.	Comparative statement
C.	External Analysis	III.	Access to all published and unpublished information
D.	Internal analysis	IV.	Access only to published information

Choose the correct answer from the options given below:
(a) A-I, B-II, C-III, D-IV
(b) A-II, B-I, C-III, D-IV
(c) A-II, B-I, C-IV, D-III
(d) A-III, B-IV, C-I, D-II

Q8. When realisation expenses are paid by a partner on behalf of the firm, what is the journal entry made?

(a)

Particulars	Debit (₹)	Credit (₹)
Realisation A/c Dr.	xxxxx	
To Partner's Capital A/c		xxxxx

(b)

Particulars	Debit (₹)	Credit (₹)
Partner's Capital A/c Dr.	xxxxx	
To Realisation A/c		xxxxx

(c)

Particulars	Debit (₹)	Credit (₹)
Partner's Capital A/c Dr.	xxxxx	
To Bank A/c		xxxxx

(d)

Particulars	Debit (₹)	Credit (₹)
Bank A/c Dr.	xxxxx	
To Realisation A/c		xxxxx

Q9. Which item is shown under "Long-term Borrowings" in the Balance Sheet?
(a) Trade payables
(b) Public deposits
(c) Short-term loans
(d) Unpaid dividends

Q10. If debentures are issued to a vendor for assets purchased and the vendor's account is credited by ₹1,10,000, what is the journal entry if the debentures are issued at a premium of 10%?

(a) Vendor's A/c Dr. ₹1,00,000;
To Debentures A/c ₹90,000;
To Securities Premium Reserve A/c ₹10,000

(b) Vendor's A/c Dr. ₹1,10,000;
To Debentures A/c ₹1,00,000;
To Securities Premium Reserve A/c ₹10,000

(c) Vendor's A/c Dr. ₹1,10,000;
To Debentures A/c ₹1,10,000

(d) Vendor's A/c Dr. ₹1,20,000;
To Debentures A/c ₹1,10,000;

To Securities Premium Reserve A/c ₹10,000

Direction (Q11 to Q15): Based on following information of a company as at 31 March, 2017, answer question.

Items	₹
Inventory	1,00,000
Total Current Assets	1,60,000
Shareholders Fund	4,00,000
13% Debentures	3,00,000
Current liabilities	1,00,000
Net Profit before Tax	3,51,000
Cost of Revenue from operations	5,00,000

Q11. What will be the Current Ratio of Company?
(a) 16 times
(b) 2.6 : 1
(c) 2:1
(d) 1.6 : 1

Q12. Calculate Liquid Assets and Quick Ratio of the Company.
(a) ₹60,000 ; 0.6 : 1
(b) ₹1,00,000 ; 1 : 1
(c) ₹1,60,000 ; 1.6 : 1
(d) ₹2,60,000 ; 2.6 : 1

Q13. Calculate Debt Equity Ratio
(a) 2:1
(b) 1:1
(c) 0.75 : 1
(d) 0.50 : 1

Q14. The Interest Coverage Ratio of the company will be:
(a) 12 times
(b) 10 times
(c) 30 times
(d) 8 times

Q15. The Inventory Turnover Ratio will be :
(a) 4.5 times
(b) 7 times
(c) 6 times
(d) 5 times

Q16. Which of the following is correct regarding difference between sacrificing and gaining ratio.

A. Gaining Ratio is a more suitable parameter to measure new profit sharing ratio than Sacrificing Ratio.

B. Sacrificing Ratio is calculated at the time of the admission of the partner while Gaining Ratio is calculated at the time of retirement or death of the partner

C. New partner's share of goodwill is divided between the old partners in gaining ratio while Goodwill paid to retiring partner is paid by the remaining partners in their Sacrificing ratio.

D. Sacrificing Ratio = Old Ratio – New Ratio and Gaining Ratio = New Ratio – Old Ratio

Choose the correct answer from the following options:

(a) B and D only

(b) A and C only

(c) A, B and D only

(d) Only B

Q17. Arrange the following in the context of Cash Flow Statement

(A) Calculation of cash flow from Operating Activities

(B) Calculation of cash flow from Financing Activities

(C) Calculations of net increase/decrease in cash and cash equivalent during the year

(D) Calculation of cash flow from Investing Activities

(E) Calculation of net profit before tax and extraordinary item

Choose the correct answer from the options given below:

(a) D, A, B, E, C

(b) C, D, B, A, E

(c) A, E, B, D, C

(d) E, A, D, B, C

Q18. Match List I with List II.

LIST - I		LIST - II	
A.	Prepaid insurance	I.	Share Capital
B.	Unclaimed Dividend	II.	Intangible Assets
C.	Patent	III.	Other Current Assets
D.	Calls in Arrears	IV.	Other Current Liabilities

Choose the correct answer from the options given below:

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

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

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

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

Q19. At the time of admission of partner if goodwill exists in the books of accounts it will be written off among:

(a) Old partners in sacrificing ratio
(b) All the partners in new ratio
(c) New partners in gaining ratio
(d) Old partners in old profit-sharing ratio

Q20. If the capital employed in a business is ₹5,00,000, the average profit is ₹60,000, and the normal rate of return is 6%, the goodwill by the Capitalisation of Average Profit Method will be:

(a) ₹2,00,000
(b) ₹1,00,000
(c) ₹2,50,000
(d) ₹5,00,000

Solutions

S1. Ans. (b)
Sol. In the absence of a partnership deed, Interest on partners' Loan is to be given @ 6% p.a.

S2. Ans. (a)
Sol.

	LIST – I	LIST – II	
A.	Sacrificing Ratio	II.	Old Ratio – New Ratio
B.	New Ratio	III.	Old ratio + Gaining Ratio
C.	Gaining Ratio	I.	New Ratio – Old Ratio
D.	Value of goodwill	IV.	Average profit × No. of years purchase

S3. Ans. (a)
Sol. A's share acquired by B=$\frac{3}{5} \times \frac{3}{10} = \frac{9}{50}$
A's share acquired by C=$\frac{2}{5} \times \frac{3}{10} = \frac{6}{50}$
B's new share = $\frac{2}{10} + \frac{9}{50} = \frac{19}{50}$
C's new share = $\frac{1}{10} + \frac{6}{50} = \frac{11}{50}$
New profit sharing ratio = B : C : D =19 : 11 : 20

S4. Ans. (a)
Sol.
(A) Purchase of Building: This is an investing activity because it involves acquiring a long-term asset (building) that is expected to generate future benefits.
(B) Change in inventory: Changes in inventory are part of operating activities, as they relate to the day-to-day operations of the business.
(C) Cash credit: Cash credit, which involves borrowing funds, is considered a component of cash and cash equivalents in the cash flow statement.
(D) Dividend paid: Paying dividends to shareholders is a financing activity because it involves distributing profits to the owners of the company.

S5. Ans. (a)
Sol. The balance of the Share Forfeited Account, for shares that have been forfeited but not yet re-issued, is shown in the Shareholder's Fund. This account represents the amount

received from shareholders whose shares have been forfeited and holds until the shares are re-issued.

S6. Ans. (a)

Sol. The correct sequence at the time of the death of a partner is as follows:

(B) Preparation of Revaluation account: This step involves revaluing the assets and liabilities of the partnership to determine any gains or losses resulting from the change in partnership due to the death of a partner.

(D) Calculation of Revaluation Gain/Loss: After preparing the Revaluation account, the gains or losses are calculated, reflecting the changes in the value of assets and liabilities.

(C) Calculation of Amount Payable to the Executor of the Deceased Partner: Once the revaluation is complete, the amount payable to the executor of the deceased partner is determined. This includes the deceased partner's share of the partnership assets.

(A) Amount Paid to Executor: After calculating the amount payable, it is paid to the executor of the deceased partner's estate.

(E) Balance of Executor's Loan Account: Finally, any remaining balances in the executor's loan account, if applicable, are settled or adjusted.

S7. Ans. (c)

Sol.

LIST I		LIST II	
A.	Horizontal Analysis	II	Comparative statement
B.	Vertical Analysis	I	Common size statement
C.	External Analysis	IV	Access only to published information
D.	Internal analysis	III	Access to all published and unpublished information

S8. Ans. (a)

Sol. Journal Entry when realisation expenses are paid by a partner on behalf of the firm

Particulars	Debit (₹)	Credit (₹)
Realisation A/c Dr.	xxxxx	
To Partner's Capital A/c		xxxxx

S9. Ans. (b)

Sol. Public deposits, when due for repayment after 12 months, are classified under long-term borrowings in the Balance Sheet.

S10. Ans. (b)

Sol. When debentures are issued at a premium, the Vendor's account is debited with the total amount including the premium. In this case, the total is ₹1,10,000 (face value of ₹1,00,000 + 10% premium of ₹10,000). The Debentures account is credited with the face value of ₹1,00,000, and the Securities Premium Reserve account is credited with the premium amount of ₹10,000.

S11. Ans. (d)
Sol. Current Ratio = $\frac{\text{Total Current Assets}}{\text{Current Liabilities}} = \frac{1,60,000}{1,00,000} = 1.6:1$

S12. Ans. (a)
Sol. Liquid Assets = Current Assets − Inventory = ₹1,60,000 − ₹1,00,000 = ₹60,000
Quick Ratio = $\frac{\text{Liquid Assets}}{\text{Current Liabilities}} = \frac{60,000}{1,00,000} = 0.6:1$
S13. Ans. (c)
Sol. Debt Equity Ratio = $\frac{\text{Debt}}{\text{Shareholder's fund}} = \frac{3,00,000}{4,00,000} = 0.75:1$

S14. Ans. (b)
Sol. Net Profit before Interest and Tax =3,51,000 + (13% of 3,00,000) = ₹3,90,000
Interest coverage Ratio = $\frac{\text{Net Profit before Interest and Tax}}{\text{Interest Payment}} = \frac{3,90,000}{39,000} = 10 \text{ times}$

S15. Ans. (d)
Sol. Inventory Turnover Ratio = $\frac{\text{Cost of Revenue from Operations}}{\text{Average Inventory}} = \frac{5,00,000}{1,00,000} = 5 \text{ times}$

S16. Ans. (a)
Sol. The correct statements regarding the difference between sacrificing and gaining ratio are:
B. Sacrificing Ratio is calculated at the time of the admission of the partner, while Gaining Ratio is calculated at the time of retirement or death of the partner.
D. Sacrificing Ratio = Old Ratio – New Ratio, and Gaining Ratio = New Ratio – Old Ratio.

S17. Ans. (d)
Sol. The correct order of items in Cash Flow Statement is:
(E) Calculation of net profit before tax and extraordinary item.
(A) Calculation of cash flow from Operating Activities
(D) Calculation of cash flow from Investing Activities
(B) Calculation of cash flow from Financing Activities
(C) Calculations of net increase/decrease in cash and cash equivalent during the year.

S18. Ans. (d)
Sol.

LIST - I		LIST - II	
A.	Prepaid insurance	III.	Other Current Assets
B.	Unclaimed Dividend	IV.	Other Current Liabilities
C.	Patent	II.	Intangible Assets
D.	Calls in Arrears	I.	Share Capital

S19. Ans. (d)
Sol. At admission, goodwill appearing in the Balance Sheet is written off among old partners in old profit- sharing ratio.

S20. Ans. (d)
Sol.
Capitalised Value of Firm = (60,000 × 100) / 6 = ₹10,00,000
Goodwill = Capitalised Value - Capital Employed = ₹10,00,000 - ₹5,00,000 = ₹5,00,000