

MOCK EXAMINATION PAPER 2

General Instructions for attempting the Question Paper:

- (i) The Question Paper has 50 Questions and student will have to attempt 40 Questions.
- (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. A Not-for-Profit Organisation purchased 12% Investment on 1st April, 2021. Interest as per the Receipts & Payments Account for the year ended 31st March, 2022 is ₹ 63,000 while Interest on Investment is accrued for 3 months. The value of Investment is
 1. ₹ 5,25,000.
 2. ₹ 6,00,000.
 3. ₹ 6,30,000.
 4. ₹ 7,00,000.
2. _____ is a partnership for which no period or duration is fixed under the Partnership Act, 1932.
 1. General Partnership
 2. Mutual Partnership
 3. Partnership at Will
 4. Specific Partnership

Mama Earth Ltd. is engaged in the manufacturing of cosmetics items. It has distinguished itself in the cosmetics industry of India as an online platform that offers natural and toxin-free skin care products. It offers products that are safe by international standards and loaded with goodness of nature. More than just a commercial brand, it takes pride in making products out of love and care.

After acquiring large online market, it decided to open some of its outlets initially in north India. It decided to acquire the business of Wow Ltd., who already has some outlets in Delhi and NCR.

Business of Wow Ltd. had following assets and liabilities on 1st April, 2021 with book value stated against each entry (item). The assets and liabilities were accepted by Mama Earth Ltd. at the value given against each entry (item):

Particulars	Book Value (₹)	Agreed Value (₹)
Shops & Showrooms	15,00,000	18,00,000
Showcases	2,00,000	1,50,000
Furniture, Fixtures and Fittings	4,00,000	5,00,000
Inventories	1,20,000	1,40,000
Trade Receivables	1,00,000	80,000
Trade Payables	80,000	60,000

It was agreed between the two parties that purchase price will be paid by ₹ 3,50,000 two months post-dated cheque and balance by issue of 25,000; 9% Debentures of ₹ 100 each at 10% discount, to be redeemed at 10% premium at the end of five years.

Shops and showrooms had to be renovated, for which ₹ 10,00,000 had to be invested. It took a term loan from State Bank of India of ₹ 10,00,000 @ 9% p.a. 12,000, 10% Debentures of ₹ 100 each were issued to the Bank as collateral security on 1st May, 2021. Rate of TDS is 10%.

Based on the above information, answer the following questions from 3 to 6:

3. The company has issued 12,000, 10% Debentures as a Collateral Security for a Bank Loan but entry has not been passed in the books of accounts. Will it be disclosed in the financial statements?
 1. Yes, in the Notes to Accounts.
 2. No, disclosure is not required since entry has not been passed in the books.
 3. Management of the company decides on its disclosure.
 4. Debentures issued as Collateral Security will be disclosed as a separate line item under Long-term Borrowings.
4. The purchase consideration is
 1. ₹ 28,50,000.
 2. ₹ 25,00,000.
 3. ₹ 26,00,000.
 4. ₹ 26,10,000.
5. On purchase of business of Wow Ltd., there will be a balance of
 1. ₹ 10,000 in Goodwill Account.
 2. ₹ 10,000 in Capital Reserve Account.
 3. ₹ 3,60,000 in Goodwill Account.
 4. ₹ 3,60,000 in Capital Reserve Account.

6. Finance Costs as per Statement of Profit & Loss of the company for the year ended 31st March, 2022 will be
1. ₹ 5,26,750.
 2. ₹ 5,33,500.
 3. ₹ 5,65,000.
 4. ₹ 5,57,500.
7. Puma Ltd. invited 8,00,000 equity shares of ₹ 20 each at a premium of 20%, payable ₹ 14 with application and balance on allotment. Applications were received for 7,50,000 shares and allotment was made. If a shareholder, who applied for 4,000 shares did not pay after application, amount received on allotment is
1. ₹ 79,60,000.
 2. ₹ 74,60,000.
 3. ₹ 44,76,000.
 4. ₹ 47,76,000.
8. A club has 500 members each paying annual subscription of ₹ 1,200. Total subscription received during the year ending 31st March, 2022 was ₹ 6,03,600 including ₹ 19,200 for the year ending 31st March, 2021 and ₹ 22,800 for the year ended 31st March, 2023. Subscription outstanding as on 31st March, 2021 was ₹ 25,200. 18 members paid their subscription for the year ended 31st March, 2022 during the year 2020–21. Outstanding Subscription for the year ended 31st March, 2022 is
1. ₹ 22,800.
 2. ₹ 6,000.
 3. ₹ 16,800.
 4. ₹ 21,600.
9. Kewal and Kishan are partners sharing profits equally. Kewal withdrew ₹ 2,000 in the beginning of each month for 6 months ended 30th September, 2021. Calculate interest on Kewal's drawings @ 6% p.a. for the year ended 31st March, 2022.
1. ₹ 570
 2. ₹ 540
 3. ₹ 510
 4. ₹ 210
10. The correct order for issue of shares to promoters and public issue is:
- A. Incorporation Cost incurred by the promoters.
 - B. Issue of Shares to promoters as reimbursement of Incorporation Cost.
 - C. Issue of Prospectus inviting public to subscribe the shares.
 - D. Receipt of Application Money and allotment of shares.

Choose the correct option:

1. A, B, D and C
 2. A, D, B and C
 3. A, B, C and D
 4. C, D, A and B
11. In Vertical Analysis, information is given in
1. Absolute amounts under different sections (Say, Total Assets).
 2. Percentage of total of amount of the section.
 3. Both 1 and 2.
 4. None of the above.
12. Correct sequence of the following when an asset comes into existence from specific fund is:
- A. Expenses incurred during the year is transferred to Capital Fund.
 - B. Asset created out of Specific Fund is shown in the Assets Side of the Balance Sheet.
 - C. Carry the Balances of Specific Fund and Investment thereon from previous year's Balance Sheet to current year's Balance Sheet.
 - D. Donations for the purpose, interest or income received on Specific Fund Investment along with accrued interest or income, if any, are added to the fund.
 - E. Accrued Interest or Accrued Income is also shown as an asset in the Assets Side of the Balance Sheet.
1. C, D, A, E and B
 2. C, D, E, A and B
 3. C, D, B, A and E
 4. C, D, B, E and A
13. Match the items given in Column I with their treatments while preparing financial statements of Kala Mandir:

List I		List II	
A.	Legacy	I.	is shown in the debit side of Income & Expenditure A/c
B.	Life Membership Fees	II.	is shown in the assets side of Balance Sheet
C.	Donation for Auditorium	III.	is shown in the credit side of Income & Expenditure A/c
D.	Subscription Written off	IV.	is shown in the liabilities side of Balance Sheet and Fund Based Accounting is applied.
E.	Cultural Activity Expenses Paid, which is to be held next year (against which contribution has been received)	V.	is added to Capital Fund in the Balance Sheet

Choose the correct option:

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

14. As per Comparative Statement of Profit & Loss of Tiago Ltd., there is a decrease of 25% in Net Profit before Tax. If Current Year's balance of Net Profit before Tax is ₹ 3,75,000, then Previous Year's balance of Net Profit before Tax is

1. ₹ 5,00,000.
2. ₹ 5,60,000.
3. ₹ 5,40,000.
4. ₹ 4,50,000.

15. Which of the following is a valid partnership?

1. Som and Shani are friends and work in the same office. They contributed equal amounts and purchased a plot for ₹ 25,00,000 for constructing their houses. After a year they sold it for ₹ 40,00,000 and shared the profits equally.
2. Dr. Mangal and Guru opened a charitable Clinic.
3. Sun, Moon and Star entered into partnership to develop a Mega City near Crossings Republic, Ghaziabad.
4. Nexon and Punch formed a group of persons for construction of Temple in their locality.

16. D-Mart Ltd., an Unlisted Retail Trade Company, has outstanding 20,000, 9% Debentures of ₹ 100 each. It is to redeem 20,000, 9% Debentures of ₹ 100 each in four equal annual instalments starting from 31st March, 2022.

The company has following Reserves & Surplus as at 31st March 2021:

	₹
Capital Reserve	2,40,000
Securities Premium Reserve	1,80,000
Revaluation Reserve	3,20,000
General Reserve	1,60,000
Surplus, i.e., Balance in Statement of Profit & Loss	1,40,000

The entry for creation of DRR is:

	₹	₹
1. Securities Premium Reserve A/c	...Dr.	1,80,000
Surplus, i.e., Balance in Statement of Profit & Loss A/c	...Dr.	20,000
To Debentures Redemption Reserve A/c		2,00,000
2. Capital Reserve A/c	...Dr.	2,00,000
To Debentures Redemption Reserve A/c		2,00,000
3. General Reserve A/c	...Dr.	1,60,000
Surplus, i.e., Balance in Statement of Profit & Loss A/c	...Dr.	40,000
To Debentures Redemption Reserve A/c		2,00,000
4. Surplus, i.e., Balance in Statement of Profit & Loss A/c	...Dr.	1,40,000
Revaluation Reserve A/c	...Dr.	60,000
To Debentures Redemption Reserve A/c		2,00,000

17. Goodwill plus Net Assets equals to

1. Total Assets.
2. Purchase consideration.
3. Capital Reserve.
4. Total Assets *plus* Total Liabilities.

18. Which of the following are related to Reserve Capital?

- A. It is that part of the uncalled capital which is called in the event of winding up.
- B. It is mandatory to have it.
- C. Special resolution is required for it.
- D. It is an uncalled capital.
- E. It can be used to write off capital losses.

Choose the correct option:

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

19. Match the entries (items) given in LIST I with entries (items) being the headings/sub-headings (Balance Sheet) as defined in Schedule III of Companies Act 2013.

List I		List II	
A.	Forfeited Shares Account	I.	is a contingent liability and is shown in Notes to Accounts
B.	Bills Receivable discounted from bank not yet due for payment	II.	is shown as Other Current Liabilities under Current Liabilities
C.	Unpaid Dividends	III.	is a capital commitment and is shown in Notes to Accounts as Capital Commitment.
D.	Calls-in-Arrears	IV.	is shown after Subscribed Capital in Note to Accounts on Share Capital
E.	Uncalled Liability on Shares	V.	is shown as deduction from Subscribed but not Fully Paid Share Capital in Note to Accounts on Share Capital.

Choose the correct option:

1. A-IV, B-I, C-II, D-V and E-III
 2. A-IV, B-I, C-II, D-III and E-V
 3. A-IV, B-I, C-III, D-V and E-II
 4. A-IV, B-I, C-V, D-II and E-III
20. What is the correct order in which, Capital Accounts of old partners are adjusted on the basis of new Partner's Capital?
- A. Find Surplus or Deficit Capital by comparing Present Capital and Proportionate Capital.
 - B. Ascertain Present Capital (after all adjustments) of old partners.
 - C. Pass necessary Journal entries for adjusting Surplus or Deficit Capital.
 - D. Compute Total Capital of the firm on the basis of Capital of New Partner.
 - E. Determine Capital (*i.e.*, Proportionate) of each partner in reconstituted firm.

Choose the correct option:

1. D, E, B, C and A
 2. D, E, C, B and A
 3. D, E, C, A and B
 4. D, E, B, A and C
21. Duster Ltd. issued 45,000, 9% Debentures of ₹ 100 each at a Discount of 3% and redeemable at 5% Premium. The company has balance in Securities Premium Reserve and Capital Reserve of ₹ 1,50,000 and ₹ 1,20,000 respectively. Loss on Issue of Debentures of ₹ 3,60,000 will be written off by passing the entry as:
1. Dr. Securities Premium Reserve A/c by ₹ 1,50,000; Capital Reserve A/c by ₹ 1,20,000 and Statement of Profit & Loss by ₹ 90,000;
Cr. Loss on Issue of Debentures A/c by ₹ 3,60,000.
 2. Dr. Statement of Profit & Loss and
Cr. Loss on Issue of Debentures A/c by ₹ 3,60,000.
 3. Dr. Capital Reserve A/c by ₹ 1,20,000 and Securities Premium Reserve A/c by ₹ 1,50,000;
Cr. Loss on Issue of Debentures A/c by ₹ 2,70,000.
 4. Dr. Securities Premium Reserve A/c by ₹ 1,50,000 and Statement of Profit & Loss by ₹ 2,10,000;
Cr. Loss on Issue of Debentures A/c by ₹ 3,60,000.
22. Which of the following are not added to determine Net Profit before Tax and Extraordinary Items, if starting from profit as difference between Surplus, *i.e.*, Balance in Statement of Profit & Loss?
- A. Preliminary Expense
 - B. Underwriting Commission
 - C. Share Issue Expenses
 - D. Loss on Issue of Debentures
 - E. Goodwill Amortised

Choose the correct option:

1. A, B, C and E
 2. B, C, D and E
 3. A, C, D and E
 4. B, C and D
23. Which of the following are related to Income & Expenditure Account?
- A. It is like a Profit & Loss Account prepared by an enterprise.
 - B. It is an Asset Account as per Modern Approach and Real Account as per Traditional Approach.
 - C. It shows both cash as well as non-cash expenses.
 - D. It is prepared following Matching Principle.
 - E. Incomes, expenses and losses which relate to the accounting period, whether paid or not are shown in the account.

Choose the correct option:

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

24. Rudra and Mahesh are partners sharing profits and losses in the ratio of 2 : 1. They admit Shiva on 1st April, 2022 for 1/5th share in profits. Shiva brings ₹ 18,000 as his share of goodwill. He agrees to contribute capital in new profit-sharing ratio. Their Capital Accounts have balances of ₹ 1,02,000 and ₹ 73,000 respectively after all adjustments except for Goodwill. Amount brought by Shiva as capital will be
1. ₹ 43,750.
 2. ₹ 48,250.
 3. ₹ 29,750.
 4. ₹ 37,800.
25. Nature Fresh Ltd. issued 1,00,000 equity shares of ₹ 100 each at a premium of 20% payable ₹ 20 with application, ₹ 50 including premium on allotment and balance in two equal instalments. Final call is not yet called. Five shareholders holding 6,000 shares in total failed to pay the amount due on allotment and first call money. Six shareholders holding 10,000 shares in total failed to pay the amount due on first call. 6,000 shares on which allotment money and first call money was overdue, were forfeited. Amount appearing as 'Subscribed but not fully paid-up capital' in the Balance Sheet of the company?
1. ₹ 68,00,000
 2. ₹ 70,50,000
 3. ₹ 86,80,000
 4. ₹ 70,00,000
26. Credit Revenue from Operations ₹ 36,00,000; Cash Revenue from Operations ₹ 30,00,000; Closing Sundry Debtors are ₹ 13,00,000 and Opening Sundry Debtors are ₹ 11,00,000, Average Collection Period is
1. 3 Months.
 2. 4 Months.
 3. 3.5 Months.
 4. 4.5 Months.
27. Maruti, Honda and Tata are partners sharing profits and losses in the ratio of 5 : 3 : 2. Honda retired on 1st April, 2022. An extract of their Balance Sheet as at 31st March, 2022 is as follows:

Liabilities	₹	Assets	₹
Investment Fluctuation Reserve	60,000	Investments (at cost)	1,20,000

Based on the above, match the entries (items) in LIST I with entries (items) in LIST II:

List I		List II	
A.	If Market Value of Investment is ₹ 1,20,000	I.	The amount of reserve (₹ 60,000) is credited to Maruti, Honda and Tata as ₹ 30,000, ₹ 18,000 and ₹ 12,000 respectively. And also increase in the value of Investment (₹ 20,000) is credited to Revaluation Account, which is distributed among Maruti, Honda and Tata as ₹ 10,000, ₹ 6,000 and ₹ 4,000 respectively.
B.	If Market Value of Investment is ₹ 1,40,000	II.	The amount of reserve (₹ 60,000) is adjusted against the fall in value of investments (₹ 80,000) and excess of fall in value of investments (₹ 20,000) is debited to Revaluation Account, which is distributed among Maruti, Honda and Tata as ₹ 10,000, ₹ 6,000 and ₹ 4,000 respectively.
C.	If Market Value of Investment is ₹ 60,000	III.	Amount of reserve (₹ 60,000) is credited to Maruti, Honda and Tata as ₹ 30,000, ₹ 18,000 and ₹ 12,000 respectively.
D.	If Market Value of Investment is ₹ 80,000	IV.	The amount of reserve (₹ 60,000) is adjusted against the fall in value of investment (₹ 60,000).
E.	If Market Value of Investment is ₹ 40,000	V.	The amount of reserve (₹ 60,000) to the extent of fall in value of investment (₹ 40,000) is adjusted and balance reserve (₹ 20,000) is appropriated among Maruti, Honda and Tata as ₹ 10,000, ₹ 6,000 and ₹ 4,000 respectively.

Choose the correct option:

1. A-III, B-I, C-IV, D-V and E-II
 2. A-III, B-I, C-IV, D-II and E-II
 3. A-III, B-I, C-V, D-IV and E-II
 4. A-III, B-I, C-V, D-II and E-IV
28. Out of Sundry Debtors of ₹ 4,57,000, ₹ 7,000 due from Kavi became bad; and Avi, who owed us ₹ 40,000 became insolvent. 30% of the amount due from Avi is recoverable. Provision for Doubtful Debts is to be created @ 5% on Sundry Debtors. At the time of admission of a new partner, the Gain (Profit)/Loss on revaluation due to above will be
1. ₹ 55,500 (Gain).
 2. ₹ 55,500 (Loss).
 3. ₹ 20,500 (Loss).
 4. ₹ 20,500 (Gain).

29. At the time of change in profit-sharing ratio, if Investment Fluctuation Reserve is to be created, it is debited to
1. Profit & Loss Account.
 2. Profit & Loss Appropriation Account.
 3. Profit & Loss Adjustment Account.
 4. Profit & Loss Suspense Account.
30. Cello Ltd. is engaged in a business of manufacturing plastic containers. During the year 2021–22, it purchased an automated machine for ₹ 8,50,000. It paid salaries and wages of ₹ 60,000 for installation of machinery. As it was in the need of funds for expansion, it issued Equity Shares of ₹ 12,00,000 and Preference Shares of ₹ 6,00,000. It earned a profit of ₹ 12,72,000 for the year ended 31st March, 2022. Cash Flow from Investing Activities is
1. Outflow ₹ 9,10,000.
 2. Inflow ₹ 12,72,000.
 3. Inflow ₹ 8,50,000.
 4. Outflow ₹ 15,10,000.
31. At the time of dissolution of a partnership firm, if Dinesh, one of the partners, has taken 40% of Investment at ₹ 76,800 (being 20% less than its book value. Rest of Investment were sold at 20% above its book value. The Cash/Bank Account is debited with
1. ₹ 1,76,800.
 2. ₹ 1,72,800.
 3. ₹ 2,49,000.
 4. ₹ 76,800.
32. Pick the odd one out from the following:
1. Issue of Debentures as Collateral Security
 2. Issue of Debentures to Underwriters
 3. Issue of Debentures to Promoters
 4. Issue of Debentures for Cash
33. *D, E and V* were partners in a firm sharing profits and losses in the ratio of 3 : 4 : 3. *E* met with an accident and died on 31st August, 2020. As per their Partnership Deed, executors of *E* would get his share of profit up to the date of his death on the basis of sales till the date of death applying net profit ratio of last year. Sales for the year ended 31st March, 2020 was ₹ 3,00,000 and profit for the same year was 12.5% on sales. Sales shows a growth trend of 25% and percentage of profit earning is reduced by 1.5%. Calculate *E*'s share of profit.
1. ₹ 6,975
 2. ₹ 6,875
 3. ₹ 6,775
 4. ₹ 7,075

Roshesh, a prospect investor approaches to AML Solutions Pvt. Ltd. and seeks their advice whether he should invest in Safal Ltd. or not. He makes available the following extract of the company as per the published accounts:

	₹
Net Profit before Tax	16,00,000
Equity Share Capital (₹ 10 per share)	20,00,000
10% Preference Share Capital	20,00,000
9% Debentures	20,00,000
Revenue from Operations	48,00,000
Market Price per share	243
Tax rate 20%.	

Based on the above, answer the following questions from 34 to 37:

34. Operating Profit of the company means
1. Operating Profit after Interest and Tax.
 2. Operating Profit before Interest and Tax.
 3. Net Operating Profit after Interest.
 4. Net Operating Profit before Interest after Tax.
35. Higher the Ratio, lower the profitability is applicable to which of the following ratio?
1. Gross Profit Ratio
 2. Net Profit Ratio
 3. Operating Ratio
 4. Return on Capital Employed
36. Earning Per Share (EPS) of the company is
1. ₹ 6.40.
 2. ₹ 6.00.
 3. ₹ 5.40.
 4. ₹ 5.60.
37. Price Earning (P/E) Ratio of the company is
1. 40 Times.
 2. 42 Times.
 3. 45 Times.
 4. 48 Times.

38. Rahu, Ketu and Shani are partners sharing profits in the ratio of 2 : 3 : 5. Goodwill appears in the books at ₹ 6,00,000. Rahu retired on 1st April, 2022. Ketu and Shani decided to share future profits equally. Ketu gave ₹ 1,50,000 as his share of Goodwill to Rahu.

Goodwill of the firm is

- | | |
|----------------|-----------------|
| 1. ₹ 5,00,000. | 2. ₹ 7,50,000. |
| 3. ₹ 3,00,000. | 4. ₹ 15,00,000. |

39. Realisation expenses of ₹ 11,000 were to be borne and paid by the Ramesh. The firm will be paying him an amount of ₹ 14,500 for the purposes of dissolution of the firm. The Ramesh's Capital Account will be credited with

- | | |
|--------------|--------------|
| 1. ₹ 11,000. | 2. ₹ 25,500. |
| 3. ₹ 3,500. | 4. ₹ 14,500. |

40. On 1st April, 2021, Intel Ltd. took 9% Bank Loan of ₹ 10,00,000 from Yes Bank and issued 12,000; 10% Debentures of ₹ 100 each as collateral security.

Calculate the amount of Finance Cost to be shown by the company for the year ended 31st March, 2022, if there is no other liability.

- | | |
|---------------|---------------|
| 1. ₹ 1,08,000 | 2. ₹ 1,20,000 |
| 3. ₹ 90,000 | 4. ₹ 1,00,000 |

41. J, C and B were partners sharing profits in the ratio 7 : 5 : 3. J died on 30th September, 2021. It was decided to value the goodwill on the basis of three years' purchase of last five years average profits and profit till the date of death on the basis of previous year's profit. Profits for the years ended 31st March, 2017, 31st March, 2018, 31st March, 2019, 31st March, 2020 and 31st March, 2021 were ₹ 39,000, ₹ 48,000, ₹ 18,000, ₹ 24,000 and ₹ 36,000 respectively.

The Journal entry that will be recorded for deceased Partner's share in profit from the closure of last balance sheet till date of his death is:

1. J's Capital A/c	...Dr.	₹ 7,700	
To Profit & Loss Suspense A/c			₹ 7,700
2. C's Capital A/c	...Dr.	₹ 3,000	
B's Capital A/c	...Dr.	₹ 5,400	
To J's Capital A/c			₹ 8,400
3. J's Capital A/c	...Dr.	₹ 7,700	
To C's Capital A/c			₹ 3,850
To B's Capital A/c			₹ 3,850
4. Profit & Loss Suspense A/c	...Dr.	₹ 8,400	
To J's Capital A/c			₹ 8,400

42. Jabsons Ltd. has balance in Provision for Tax Account of ₹ 4,50,000 and ₹ 4,75,000 as on 31st March, 2021 and 2022 respectively. It made a provision for tax during the year of ₹ 4,65,000. The amount of tax paid during the year was

- | | |
|----------------|----------------|
| 1. ₹ 4,90,000. | 2. ₹ 4,50,000. |
| 3. ₹ 4,65,000. | 4. ₹ 4,40,000. |

43. Mani, Komal and Gopal are partners sharing profits and losses in the ratio of 5 : 4 : 3. Komal retired on 1st April, 2022. Mani and Gopal purchased her share of profit by giving her ₹ 1,20,000. ₹ 67,500 being paid by Mani and ₹ 52,500 by Gopal. Their new profit-sharing ratio is

- | | |
|-------------|-------------|
| 1. 5 : 3. | 2. 4 : 3. |
| 3. 29 : 21. | 4. 29 : 19. |

44. Ajanta Ltd. has balance in Provision for Tax Account of ₹ 1,50,000 and ₹ 1,75,000 as on 31st March, 2021 and 2022 respectively. It made a provision for tax during the year of ₹ 1,65,000. The amount of tax paid during the year was

- | | |
|----------------|----------------|
| 1. ₹ 1,50,000. | 2. ₹ 1,60,000. |
| 3. ₹ 1,40,000. | 4. ₹ 1,75,000 |

45. Amar, Alok and Arth were partners sharing profits and losses in the ratio of 4 : 3 : 3. Alok retired on 1st April, 2021. On that date, balances in the Capital Accounts of Amar, Alok and Arth after all adjustments were ₹ 4,87,750, ₹ 4,92,000 and ₹ 4,20,250 respectively. Cash and Bank Balance amounted to ₹ 52,000. Alok was to be paid through cash brought in by Amar and Arth in a manner so that their capitals are proportionate to their new profit-sharing ratio 3 : 2. Calculate the amount to be paid or to be brought in by the continuing partners, if a minimum cash and bank balance of ₹ 10,000 was to be maintained by the reconstituted firm.
1. Amount brought by: Amar ₹ 3,27,050 and Arth ₹ 3,27,050.
 2. Amount brought by: Amar ₹ 3,27,050 and Arth ₹ 1,22,950.
 3. Amount brought by: Amar ₹ 1,22,950 and Arth ₹ 1,22,950.
 4. Amount brought by: Amar ₹ 1,22,950 and Arth ₹ 3,27,050.
46. Parle Ltd. purchased an automated machine for ₹ 6,86,000. As per the agreement, the payment is to be made by issuing 8% Debentures of ₹ 100 each along with the bank draft of ₹ 35,000. If the debentures are issued at a discount of 7%, the entry passed for allotment of 8% Debentures would be:
1. Dr. Machinery A/c by ₹ 6,86,000 and Loss on Issue of Debentures A/c by ₹ 49,000;
Cr. 8% Debentures A/c by ₹ 7,00,000 and Bank A/c by ₹ 35,000.
 2. Dr. Vendor's A/c by ₹ 7,35,000;
Cr. 8% Debentures A/c by ₹ 7,00,000 and Bank A/c by ₹ 35,000.
 3. Dr. Vendor's A/c by ₹ 6,86,000 and Discount on Issue of Debentures A/c by ₹ 49,000;
Cr. 8% Debentures A/c by ₹ 7,00,000 and Bank A/c by ₹ 35,000.
 4. Dr. Vendor's A/c by ₹ 6,86,000 and Loss on Issue of Debentures A/c by ₹ 49,000;
Cr. 8% Debentures A/c by ₹ 7,00,000 and Bank A/c by ₹ 35,000.
47. The end of accounting process in the process of computerised accounting is
1. Implementation of CAS.
 2. Producing Financial Statements.
 3. Grouping of Accounts.
 4. Analysing transactions to record them.
48. The tool that helps the user to create the most suitable report is
- A. Print Preview.
 - B. Form Wizard.
 - C. Report Wizard.
 - D. Access Wizard.
49. The purpose which do not relate to chart is
1. Making Comparisons.
 2. Selecting Values.
 3. Recognising Patterns.
 4. Identify Trends.
50. Match entries (Items) in List I with that in List II:
- | List I | List II |
|---------------------------|-------------------------------|
| A. Rows in Spreadsheet | I. Vertical Vectors |
| B. Columns in Spreadsheet | II. A file to Excel |
| C. Ribbon in Spreadsheet | III. Horizontal Vectors |
| D. Work book | IV. Series of Horizontal Tabs |

Choose the correct option:

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

MOCK EXAMINATION PAPER 1 (ANSWERS)

1. 2.

BALANCE SHEET as at 31st March, 2021

Liabilities	₹	Assets	₹
External Liabilities	12,75,000	Total Assets	25,00,000
Capital Fund (Balancing Figure) 13,75,000			
Less: Deficit 1,50,000	12,25,000		
	25,00,000		25,00,000

2. 2. Total amount withdrawn = ₹ 52,000

Rate of interest is 6% p.a.

$$\text{Therefore, Interest on Drawings} = ₹ 52,000 \times \frac{6}{100} \times \frac{6}{12} = ₹ 1,560.$$

Note: Interest on Drawings is calculated for average period of 6 months [*i.e.*, (10.5 + 1.5)/2].

3. 3. A company may issue shares for consideration other than cash such as against purchase of Assets or purchase of running business. Shares issued to Teddy Bear Ltd. are against purchase consideration of purchase of assets. Hence, it is issue of shares for consideration other than cash.

4. 3. Issue for Consideration other than cash + Issue of Shares to public for cash – Forfeited shares + Reissued shares = 1,20,000 + 3,00,000 – 500 + 300 = 4,19,800 equity shares

5. 2. Number of shares reissued × Securities premium per share

$$300 \times ₹ 20 = ₹ 6,000$$

6. 4. Gain on reissue of shares is capital profit and hence transferred to Capital Reserve.

7. 2. Debentures are classified or shown in the Equity and Liabilities part of Balance Sheet under the main head Current Liabilities and sub-head Short-term Borrowings, if they are due for redemption within 12 months or within the period of Operating Cycle from the date of Balance Sheet. In the given case, these 11% Debentures are issued to be redeemed within 12 months from the date of Balance Sheet, *i.e.*, 31st March, 2022.

8. 4.

Dr.	CREDITORS FOR FOOD ITEMS ACCOUNT		Cr.
Particulars	₹	Particulars	₹
To Cash/Bank A/c	4,50,000	By Balance b/d	49,000
To Balance c/d	65,500	By Purchases of Food Items (Credit purchases)	4,66,500
		—Balancing Figure	
	5,15,500		5,15,500

Total Food Items Purchased = Cash Purchases + Credit Purchases

$$= ₹ 1,25,000 + ₹ 4,66,500 = ₹ 5,91,500.$$

9. 3. Interest on Pawan's Capital and Shekhar's Capital are ₹ 30,000 and ₹ 20,000 respectively. Net Profit, *i.e.*, profit as per Profit & Loss Account transferred to Profit & Loss Appropriation Account for appropriation to partners is ₹ 30,000. Since, profit available for appropriation is less than the total amount of interest on capital, available profit will be distributed in the ratio of interest on capital, *i.e.*, 3 : 2.

Thus, amount appropriated to each partner will be:

$$\text{Pawan} = ₹ 30,000 \times \frac{3}{5} = ₹ 18,000;$$

$$\text{Shekhar} = ₹ 30,000 \times \frac{2}{5} = ₹ 12,000.$$

10. 2. The steps in the procedure of share issue are:
- C. **Issue of Prospectus:** The company first issues the prospectus to the public. Prospectus is an invitation to the public that a new company has come into existence and it needs funds for doing business. It contains complete information about the company and the manner in which the money is to be collected from the prospective investors.
 - A. **Receipt of Applications:** When prospectus is issued to public, prospective investors subscribe the shares of the company make an application along with the application money and deposit the same with a scheduled bank as specified in the prospectus.
 - D. **Minimum Subscription:** Minimum subscription, *i.e.*, 90% of the Issued share capital should be received before shares are allotted. Thus, a company will verify whether it has received subscription for 90% of the issue.
 - B. **Allotment of Shares:** If minimum subscription has been received, the company will proceed to allot the shares after fulfilling certain other legal formalities.
11. 2. Horizontal analysis is an analytical method where entires (items) in financial statements are compared to show financial performance over a specific period of time. It requires financial statements of two or more accounting periods.
12. 3. Balance Sheet as at 31st March, ...
- | | ₹ | ₹ |
|--------------------------------------|-------------------|-----------|
| Liabilities | | |
| <i>Research Fund:</i> | | |
| Opening Balance | 12,80,000 | |
| Add: Donations Received | 2,54,000 | |
| Interest on Research Fund Investment | 25,000 | |
| Less: Expenses on Research | <u>(1,75,300)</u> | 13,83,700 |
13. 3. A. Interest on Capital as a charge against profit. It is debited to Profit & Loss Account. **[List II, Option (II)]**
- B. Interest on Drawings is an income for the firm. It is credited to Profit & Loss Appropriation Account. **[List II, Option (I)]**
- C. Rent paid to the partner is a charge against profit. Hence, it is debited to Profit & Loss Account. **[List II, Option (II)]**
- D. Interest charged on Loan to Partner is an income for the firm. Hence, it is credited to Profit & Loss Account. **[List II, Option (IV)]**
14. 1. A company, if its Article of Association permits, may receive amount against calls not yet made. It is the amount received by the company against share capital but is not called by the company to be paid. It is termed as Calls-in-Advance. Since, it is not called to be paid, it cannot be shown as part of the Share capital. It is therefore, shown as Other Current Liabilities under the main head Current Liabilities in the Equity and Liabilities part of the Balance Sheet.
15. 2. A. Determine Items of Incomes and Expenses from Receipts & Payments Account. Only revenue receipts/ expenses of current accounting period are taken to prepare Income & Expenditure Account which are adjusted for prepaid and outstanding.
- B. Determine Surplus or Deficit in Income & Expenditure Account, by comparing total of debit side and total of credit side of Income & Expenditure Account. If total of credit side is more than the total of debit side, it is surplus (*i.e.*, excess of income over expenditure). And if, total of debit side is more than the total of credit side, it is deficit (*i.e.*, excess of expenditure over income). Surplus or deficit is transferred to the Capital Fund and shown in the Balance Sheet.
- C. *Opening Capital Fund:* By preparing Balance Sheet in the beginning of the year.
- D. *Closing Balance Sheet:* Prepare Balance Sheet as at the end of the year.
16. 4. Debentures are not normally redeemed at discount. Thus, situations (A) and (B) are not normally found in practice.
17. 2. Goodwill = Capitalised Value of Average Profit – Net Assets
= ₹ 18,00,000 – ₹ 15,00,000* = ₹ 3,00,000.
*Net Assets = ₹ 20,00,000 – ₹ 5,00,000 = ₹ 15,00,000.
18. 1. Amount of Share Forfeiture on 300 Shares = ₹ 2,100 (300 × ₹ 7)
Less: Amount adjusted on reissue of forfeited shares = ₹ 600 (300 × ₹ 2)
Amount to be transferred to Capital Reserve (₹ 2,100 – ₹ 600) = ₹ 1,500.

19. 3. As per Schedule III of the Companies Act, 2013, the correct order or sequence for showing Property, Plant and Equipment and Intangible Assets is as follows:

- B. Property, Plant and Equipment
- D. Intangible Assets
- C. Capital Work-in-Progress
- A. Intangible Assets under Development

20. 1. A.	Subscription Due for the year ended 31st March, 2021 (500 × ₹ 600)	₹ 3,00,000
	Less: Subscription outstanding for current year (As on 31st March, 2021)	(₹ 27,000)
	Add: Advance Subscription received (As on 31st March, 2021)	₹ 13,000
	Subscription as per Receipts & Payments Account	₹ 2,86,000
B.	Rent paid by club	2,80,000
	Add: Outstanding for current year	15,000
	Rent paid in advance for the current year in previous year	11,000
	Rent debited to Income & Expenditure A/c	₹ 3,06,000

C.

Dr.	CREDITORS FOR FOOD MATERIALS ACCOUNT		Cr.
Particulars	₹	Particulars	₹
To Cash/Bank A/c	3,20,000	By Balance b/d	25,000
To Balance c/d	24,000	By Purchases of Food Materials (Credit purchases)	3,19,000
		—Balancing Figure	
	3,44,000		3,44,000

Total Food Material Consumed = Stock of Food Material in the Beginning + Purchases – Stock of Food Material at the end
= ₹ 23,300 + ₹ 3,19,000 – ₹ 26,300 = ₹ 3,16,000.

D. Total Interest on investment = Interest received which is shown in Receipts & Payments Account + Accrued Interest which is shown in the assets side of balance sheet.
₹ 24,000 = ₹ 18,000 + ₹ 6,000

Total Interest on Investment = Value of Investment × Rate/100
₹ 24,000 = Value of Investment × 8/100
Value of Investment = ₹ 3,00,000.

21. 2.	Securities Premium Reserve A/c	...Dr.	₹ 2,40,000
	Statement of Profit & Loss (Finance Cost)	...Dr.	₹ 1,20,000
	To Discount on Issue of Debentures A/c		₹ 3,60,000

(Discount on Issue of Debentures written off from Securities Premium Reserve Account and balance from Statement of Profit & Loss)

Note: Loss on Issue of Debentures is a capital loss for a company, which is written off from
(i) Securities Premium Reserve and/or,
(ii) Statement of Profit & Loss, in the year it is incurred, i.e., in the year debentures are allotted.

22. 3. Fixed Assets Turnover Ratio = Revenue from Operations/Fixed Assets
= ₹ 45,00,000/₹ 20,00,000 = 2.25 times

Working Note:

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
Non-current Liabilities = Long-term Loans + 8% Debentures + Long-term Provisions
₹ 15,66,000 = ₹ 6,30,000 + ₹ 7,20,000 + ₹ 2,16,000
Total Liabilities = Shareholders' Funds + Non-current Liabilities + Current Liabilities
₹ 31,33,000 = ₹ 14,50,000 + ₹ 15,66,000 + ₹ 1,17,000
Total Liabilities = Total Assets
Total Assets = Fixed Assets + Current Assets
₹ 31,33,000 = Fixed Assets + ₹ 11,33,000
Fixed Assets = ₹ 20,00,000

23. 2. General Fund is an Unrestricted Fund which means the fund use of which is not restricted. Management can use the amount in the fund as is considered appropriate, but for the purpose for which the organisation exists. All the remaining Funds are for a particular purpose. Hence, they are restricted funds.

24. 1. (i) Calculation of Sacrificed/(Gained) Share of each Partner:

Particulars	Good	Better	Best
I. Old Profit Share	5/10	3/10	2/10
II. New Profit Share	2/10	3/10	5/10
III. Sacrifice/(Gain)	3/10	...	(3/10)

(ii) Calculation of Sacrificed/Gained share of each Partner in General Reserve, Accumulated Profits and Fictitious Asset:

$$\text{Net Effect} = \text{Profit \& Loss A/c} + \text{General Reserve} - \text{Fictitious Asset (Advertisement Suspense)}$$

$$= ₹ 15,000 + ₹ 60,000 - ₹ 30,000 = ₹ 45,000.$$

$$\text{Good's Sacrificed Share} = ₹ 45,000 \times 3/10 = ₹ 13,500;$$

$$\text{Best's Gained Share} = ₹ 45,000 \times 3/10 = ₹ 13,500.$$

Note: If the question is silent about the balance of Profit & Loss A/c, it is assumed to be credit balance.

25. 1. Interest Accrued and Due or Outstanding Interest is the amount of interest that has become due for payment but is not paid. Thus, as on 31st March, 2021, interest accrued and due on debentures would be ₹ 1,35,000 (i.e., ₹ 30,00,000 × 9/100 × 6/12).

26. 1. Current Assets Turnover Ratio = Revenue from Operations/Current Assets
= ₹ 20,00,000/₹ 5,00,000 = 4 times

Working Note:

$$\text{Fixed Assets Turnover Ratio} = \text{Revenue from Operations/Fixed Assets}$$

$$2 = \text{Revenue from Operations/₹ 10,00,000}$$

$$\text{Revenue from Operations} = ₹ 20,00,000$$

$$\text{Current Liabilities} = ₹ 3,60,000$$

$$\text{Liquid Ratio} = \text{Liquid Assets/Current Liabilities}$$

$$\text{i.e., } 0.8 = \text{Liquid Assets/₹ 3,60,000}$$

$$\text{Therefore, Liquid Assets} = ₹ 2,88,000$$

$$\text{Liquid Assets} = \text{Current Assets} - \text{Inventories} - \text{Prepaid Expenses}$$

$$₹ 2,88,000 = \text{Current Assets} - ₹ 1,40,000 - ₹ 72,000$$

$$\text{Current Assets} = ₹ 5,00,000.$$

27. 2. Difference between market value of investment and book value is an increase in Asset hence credited to revaluation account and Investment Fluctuation Reserve becomes free reserve and will be credited to capital accounts of all partners in old ratio.

28. 3. A. Option granted to subscribe for, the shares of the company at a future date at a predetermined price are termed as Employees Stock Option Plan. **[List II, Option (IV)]**

B. When the shares are issued to promoters for incorporating the company, it is debited to Incorporation Cost Account. **[List II, Option (III)]**

C. Shares issued by a company for intellectual property rights or providing know-hows or any providing any value additions in any form are categorised as Sweat Equity. **[List II, Option (II)]**

D. Shares issue and allotment of shares to a selected group of persons means the shares are privately placed i.e., it is Private Placement of Shares. **[List II, Option (I)]**

29. 3. Total Debtors = ₹ 2,10,000

$$\text{Debtors taken over by Partner} = 2/3 \times ₹ 2,10,000 = ₹ 1,40,000$$

$$\text{Value at which Debtors are taken by partner} = ₹ 1,40,000 - 20\% \text{ of } ₹ 1,40,000$$

$$= ₹ 1,12,000$$

$$\text{Value of Debtors sold to Debt Collection Agency} = 1/3 \times 2,10,000 = ₹ 70,000$$

$$\text{Value at which balance Debtors are sold} = ₹ 70,000 - 10\% \text{ of } ₹ 70,000$$

$$= ₹ 73,000$$

$$\text{Debtors realised} = ₹ 1,12,000 + ₹ 73,000 = ₹ 1,85,000$$

30. 1. Dividend Per Share (EPS) = Dividend Payable to Equity Shareholders/No. of Equity Shares

$$= ₹ 4,80,000/2,40,000 = ₹ 2.$$

$$\text{Note: Dividend} = 20\% \text{ of } ₹ 24,00,000 = ₹ 4,80,000$$

$$\text{No. of Equity Shares} = ₹ 24,00,000/₹ 10 = 2,40,000 \text{ Equity Shares.}$$

31. 2.

REALISATION ACCOUNT			
Dr.			Cr.
Particulars	₹	Particulars	₹
To Sundry Assets	30,00,000	By Liabilities	6,00,000
To Bank A/c (Liabilities paid)	5,70,000	By Bank A/c (Assets realised)	24,00,000
To Bank A/c (Realisation Expenses)	30,000	By Loss (Balancing Figure)*	6,00,000
	36,00,000		36,00,000

- 32. 1.** Premium payable on redemption of debentures is a liability since it is payable to the Debentureholder on the redemption of debentures.
- 33. 2.** *Since U died on 5th November, 2021, total number of days has to be calculated from 1st April to 5th November which is as follows:*
 April 30; May 31; June 30; July 31; August 31; September 30; October 31; November 5 = 219 days
 U's share of profit = ₹ 2,64,000 × 2/5 × 219/365 = ₹ 63,360.
- 34. 3.** Old Profit-sharing Ratio = 5 : 5 : 8
 Praveen's Profit Share = $8/18 \times 1/4 = 8/72$
 Apoorva's New Profit Share = $8/18 - 8/72 = 24/72$
New Profit-sharing Ratio 5 : 5 : 6 : 2, calculated as follows:
 Meena's Profit Share = $5/18 \times 4/4 = 20/72$
 Aparna's Profit Share = $5/18 \times 4/4 = 20/72$
 Apoorva's Profit Share = $24/72$
 Praveen's Profit Share = $8/72$
 New Profit-sharing Ratio = 20 : 20 : 24 : 8 or 5 : 5 : 6 : 2.
- 35. 2.** Praveen's Capital = Apoorva's required capital – Capital brought by her
 = ₹ 80,00,000 – ₹ 40,00,000 = ₹ 40,00,000
 And Premium of ₹ 20,00,000, Total = ₹ 60,00,000.
- 36. 2.** Only Apoorva has sacrificed profit share. Hence, premium for goodwill brought by Praveen will be credited to Apoorva's Capital Account.
- 37. 2.** Maximum number of partners in a firm can be 50 as is specified in the Companies Act, 2013 in Section 464 read along with Rule 10 of the Companies (Miscellaneous) Rules, 2014. It can therefore, induct 46 more partners.
- 38. 3.** When Debentures are fully convertible amount is not transferred to DRR.
- 39. 1.** After Redemption is over in lumpsum, balance from DRR is transferred to General Reserve.
- 40. 2.** A. Goodwill appearing in the books is transferred to Realisation Account
 B. Investment Fluctuation Reserve is transferred to Realisation Account, if the firm has investments since investments are transferred to Realisation Account.
 C. Provisions or Reserve on any asset is transferred to Realisation Account
 D. General Reserve is credited to Partners' Capital Accounts.
- 41. 3.** Gaining Ratio = New profit share – Old profit share
 K's Gain = $1/3 - 4/10 = (2/30)$ sacrifice
 P's Gain = $1/3 - 3/10 = 1/30$
 G's Gain = $1/3 - 1/10 = 7/30$
 Thus, K is sacrificing to the extent of 2/30, whereas P and G are gaining in the ratio of 1 : 7.
 M's Share of goodwill on retirement = ₹ 9,00,000 × 2/10 = ₹ 1,80,000
 Since K is sacrificing, he will be compensated by P and G
 K's share of compensation = Goodwill of the firm × Share sacrificed
 = ₹ 9,00,000 × 2/30 = ₹ 60,000
 Total amount paid by P and G = M's share of Goodwill + K's share of compensation
 ₹ 1,80,000 + ₹ 60,000 = ₹ 2,40,000 in the Gaining ratio of 1 : 7
 P will give = $2,40,000 \times 1/8 = ₹ 30,000$
 G will give = $2,40,000 \times 7/8 = ₹ 2,10,000$.

42. 2. Cash Flow from Investing Activities:	₹
Sale Proceeds of Equipment	25,000
Purchase of Equipment*	<u>(1,50,000)</u>
Cash Used in Investing Activities	<u>(1,25,000)</u>

*Purchase of Equipment = ₹ 9,50,000 (Closing Equipment) + ₹ 20,000 (Value of Equipment Sold) + ₹ 40,000 (Depreciation) – ₹ 8,60,000 (Opening Equipment) = ₹ 1,50,000.

43. 1. A. Total Capital of the New Firm based on Rahul's Capital* = ₹ 9,00,000
 B. Less: Net worth of the Reconstituted Firm** = ₹ 8,00,000
 C. Value of Firm's Goodwill (A – B) = ₹ 1,00,000

*Total Capital of New Firm = Share brought by new partner × Reciprocal of his share
 = ₹ 3,00,000 × 3 = ₹ 9,00,000

**Net worth of reconstituted firm = ₹ 2,50,000 + ₹ 2,50,000 + ₹ 3,00,000 = ₹ 8,00,000.

44. 3. Tax Paid = ₹ 1,50,000 (Opening Balance) + ₹ 1,65,000 (Provision Made) – ₹ 1,75,000 (Closing Balance)
 = ₹ 1,40,000.

45. 3. As, Profit share of Swati is 1/5, remaining share 4/5 (i.e., 1 – 1/5), belongs to Ritika and Mahima.
 Thus, combined capital of Ritika and Mahima for 4/5th share
 = ₹ 1,02,000 + ₹ 73,000 + ₹ 25,000 (Premium for Goodwill) = ₹ 2,00,000;
 Total Capital of New Firm = ₹ 2,00,000 × 5/4 = ₹ 2,50,000;
 Swati's Capital = ₹ 2,50,000 × 1/5 = ₹ 50,000.

46. 3. Accounting Standard (AS) 16, Borrowing Cost prescribes that the Loss on Issue of Debentures Account is written off in the year in which it is incurred, i.e., in the year in which debentures are allotted.

47. 1.

48. 1.

49. 3.

50. 1.

MOCK EXAMINATION PAPER 2 (ANSWERS)

1. 4. Interest as per the Receipts & Payments Account = ₹ 63,000, which is for 9 months
 As 3 months Interest is accrued but not received = ₹ 63,000 × 3/9 = ₹ 21,000
 Total Interest Earned on Investments = ₹ 63,000 + ₹ 21,000 = ₹ 84,000
 Amount of Investment = Total Interest × Reciprocal of Interest Rate
 = ₹ 84,000 × 100/12
 = ₹ 7,00,000.
2. 3. Partnership at Will is a partnership for which no period or duration is fixed under the Partnership Act, 1932. A partner may retire by giving notice of retirement as is stated in the Partnership Deed.
3. 1. In this case, Note to Accounts on Borrowings (Long-term or Short-term), in the particulars column below the borrowings, it will be disclosed that the loan is collaterally secured by issue of 12,000, 10% Debentures of ₹ 100 each.
4. 3. Purchase Consideration = ₹ 3,50,000 (Post Dated Cheque) + [25,000 Debentures × ₹ 90 Issue Price]
 = ₹ 26,00,000.
5. 2. Capital Reserve = Net Assets – Purchase Consideration
 = ₹ 26,10,000 – ₹ 26,00,000 = ₹ 10,000.
 Net Assets = Agreed Value of Assets – Agreed Value of Liabilities
 = [₹ 18,00,000 + ₹ 1,50,000 + ₹ 5,00,000 + ₹ 1,40,000 + ₹ 80,000] – ₹ 60,000
 = ₹ 26,10,000.
6. 4. Interest on 9% Debentures (9% of ₹ 25,00,000) ₹ 2,25,000
 Interest on 9% Loan (9% of ₹ 10,00,000 for 11 months) ₹ 82,500
 Discount on Issue of Debentures (10% of ₹ 25,00,000) ₹ 2,50,000
 Finance Cost ₹ 5,57,500
7. 2. Allotment Money Received = ₹ 74,60,000 (*i.e.*, 7,46,000 shares × ₹ 10)

	Dr.	SUBSCRIPTION ACCOUNT	Cr.
Particulars	₹	Particulars	₹
To Outstanding Subscription in the Beginning	25,200	By Advance Subscription in the beginning (18 × ₹ 1,200)	21,600
To Income & Expenditure A/c (500 × ₹ 1,200)	6,00,000	(Advance in the beginning)	
(Subscription due for the current year)		By Bank A/c (Subscription received during the year)	6,03,600
To Advance Subscription in the end (19 × ₹ 1,200)	22,800	By Outstanding Subscription at the end:	
		Arrears for 2020–21*	6,000
		Arrears for 2021–22	16,800
		(Balancing Figure)	22,800
	6,48,000		6,48,000

*Outstanding Subscription for 2020–21 (on 31st March, 2022) = ₹ 25,200 (Outstanding on 31st March, 2021) – ₹ 19,200 (Received during 2021–22) = ₹ 6,000.

9. 1. Total amount withdrawn will be ₹ 12,000
 Rate of interest is 6% p.a.
 Therefore, interest on Kewal's Drawings = ₹ 12,000 × 6/100 × 9.5/12 = ₹ 570.
Note: Interest on Drawings has been calculated for average period of 9.5 [*i.e.*, (12 + 7)/2] months.
10. 3. A. Incorporation Cost incurred by the promoters is the first step as first the company is incorporated for which expenses (Incorporation Cost) are incurred by the promoters.
 B. Promoters may be reimbursed Incorporation Cost by payment or by issue of shares to promoters as reimbursement of Incorporation Cost.
 C. Thereafter, the company can issue Prospectus inviting public to subscribe the shares.
 D. The company receives Application Money and allot shares against the applications received.
11. 3. Vertical information gives information in absolute amounts and in percentage of total of the section.

12. 4. C. Carry the Balances of Specific Fund and Investment thereon from previous year's Balance Sheet to current year's Balance Sheet, it being the Opening Balance of the Fund.
 D. The donations for the purpose, interest or income received on Specific Fund Investment along with accrued interest or income, if any, are added to the Fund, it being a specific donation.
 B. Asset created out of Specific Fund is shown in the Assets side of the Balance Sheet.
 E. Accrued Interest or Accrued Income is also shown as an asset in the Assets Side of the Balance Sheet.
 A. Expenses incurred during the year is transferred to Capital Fund.
13. 2. A. Legacy, the use of which is not specified is General Legacy and is transferred in the credit side of Income & Expenditure A/c. **(Option III)**
 B. Life Membership Fee is accounted as a capital receipt and therefore is added to Capital Fund in the Balance Sheet. **(Option V)**
 C. Donation for Auditorium is a specific donation, *i.e.*, to be used for development of auditorium. Therefore, it is shown in the Liabilities Side of Balance Sheet and Fund Based Accounting is applied. **(Option IV)**
 D. Subscription Written Off is a loss and therefore, is transferred in the debit of Income & Expenditure A/c. **(Option I)**
 E. Cultural Activity Expenses Paid, which is to be held next year (against which contribution has been received) has a debit balance and will be considered as an expense in the year the event is held. Therefore, it will be shown in the Assets Side of Balance Sheet. **(Option II)**
14. 1. Previous Year's Balance of Net Profit before Tax = ₹ 3,75,000 × ₹ 100/₹ 75 = ₹ 5,00,000.
 (Let Value of Net Profit before Tax in previous year = ₹ 100;
 Decrease in Net Profit before Tax ₹ 25; then Net Profit before Tax in Current Year = ₹ 75)
15. 3. Sun, Moon and Star formed a partnership firm to develop a Mega City near Crossings Republic, Ghaziabad is a valid partnership, it being for the purposes of earning profit.
16. 3. General Reserve A/c ...Dr. ₹ 1,60,000
 Surplus, *i.e.*, Balance in Statement of Profit & Loss A/c ...Dr. ₹ 40,000
 To Debentures Redemption Reserve A/c ₹ 2,00,000
 (Entry for creation of DRR passed)
- Working Note:**
 Total Outstanding Debentures = ₹ 20,00,000 (*i.e.*, 20,000 × ₹ 100)
 Amount transferred to DRR = 10% of ₹ 20,00,000 = ₹ 2,00,000.
 The company can pay dividend out of General Reserve and Surplus, *i.e.*, Balance in Statement of Profit & Loss. Therefore, amount can be set aside for Debentures Redemption Reserve out of these balances.
17. 2. Goodwill = Purchase Consideration – Net Assets
Alternatively, Purchase Consideration = Goodwill + Net Assets
18. 3. Reserve Capital is that part of the Uncalled Capital which is called in the event of winding up. Special resolution is passed by the shareholders to have Reserve Capital. Since, it is not called except when the company is wound-up, it is an Uncalled Capital.
19. 1. A. Forfeited Shares Account is shown as a last item in the Note to Account on Share Capital after Subscribed Capital. **(Option IV)**
 B. Bills Receivable discounted from bank not yet due for payment is a Contingent Liability and is shown in Notes to Accounts. **(Option I)**
 C. Unpaid Dividends is a liability payable on demand and therefore, is shown as Other Current Liabilities under Current Liabilities. **(Option II)**
 D. Calls-in-Arrears is shown as deduction from Subscribed but Not Fully Paid-up Share Capital in Note to Accounts on Share Capital. **(Option V)**
 E. Uncalled Liability on Shares is payable when called by the company to be paid. Thus, it is Capital Commitment and is shown in Notes to Accounts as Capital Commitment. **(Option III)**
20. 4. D. Compute Total Capital of the firm based on Capital of the New Partner
 E. Determine Capital (*i.e.*, Proportionate) of each partner in reconstituted firm
 B. Ascertain Present Capital (after all adjustments) of old partners
 A. Find Surplus or Deficit Capital by comparing Present Capital and Proportionate Capital
 C. Pass necessary Journal entries for adjusting Surplus or Deficit Capital

21. 4.	Securities Premium Reserve A/c	...Dr.	₹ 1,50,000	
	Statement of Profit & Loss (Finance Cost)	...Dr.	₹ 2,10,000	
	To Loss on Issue of Debentures A/c			₹ 3,60,000

(Loss on Issue of Debentures written off from Securities Premium Reserve Account and balance from Statement of Profit & Loss)

Note: Loss on Issue of Debentures is a capital loss for a company, which is written off from

- (i) Securities Premium Reserve and/or,
- (ii) Statement of Profit & Loss, in the year it is incurred, *i.e.*, in the year debentures are allotted.

22. 2. None of the items except preliminary expenses are added to Profit (*i.e.*, difference between Surplus, *i.e.*, Balance in Statement of Profit & Loss) while computing Net Profit before Tax and Extraordinary Items. Preliminary expense is added to it, if it is written off from Statement of Profit & Loss. But, towards the end it is deducted to compute Cash Flow from Operating Activities before Extraordinary Items to compute Cash Flow from Operating Activities.

Note: Preliminary Expense is written off from Securities Premium, if it exists, and/or from Statement of Profit & Loss in the year it is incurred.

23. 4. Income & Expenditure Account is like a Profit & Loss Account prepared by an enterprise. It is a nominal account which is prepared by a Not-for-Profit Organisation to determine surplus or deficit for the year following Matching Principle. It is prepared on accrual basis hence, Incomes, expenses and losses which relate to the accounting period, whether paid or not are shown in the account.

24. 2. As, Profit share of Shiva is 1/5, remaining share 4/5 (*i.e.*, $1 - 1/5$), belongs to Rudra and Mahesh.

Thus, combined capital of Rudra and Mahesh for 4/5th share = ₹ 1,02,000 + ₹ 73,000 + ₹ 18,000

(Premium for Goodwill) = ₹ 1,93,000;

Total Capital of New Firm = ₹ 1,93,000 × 5/4 = ₹ 2,41,250;

Shiva's Capital = ₹ 2,41,250 × 1/5 = ₹ 48,250.

25. 1. **Subscribed Capital**

Subscribed but not fully paid-up:

94,000 equity shares of ₹ 100 each; called-up ₹ 75	₹ 70,50,000
Less: Calls-in-Arrears (10,000 × ₹ 25)	₹ 2,50,000
	<u>₹ 68,00,000</u>

26. 2. 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.

*Average Debtors is ₹ 13,00,000 + ₹ 11,00,000/2 = ₹ 12,00,000.

27. 1. A. When Market Value of Investment is equal to its Book Value, reserve is in the nature of free reserve and is distributed among all partners in their old profit-sharing ratio. **(Option III)**
- B. When Market Value of Investment is higher than its Book Value, of reserve is distributed among all partners in their old profit-sharing ratio. Also increase in the value of Investment is credited to Revaluation Account, net amount (profit or loss on Revaluation) of Revaluation Account is distributed among all partners in their old profit-sharing ratio. **(Option I)**
- C. When Fall in Value of Investments is equal to Investment Fluctuation Reserve, the loss is met out of reserve. Thus, amount of reserve is adjusted against the fall in value of investment. **(Option IV)**
- D. When Fall in Value of Investment is less than Investment Fluctuation Reserve, the amount of reserve to the extent of fall in value is adjusted against Investment and balance is distributed among all partners in their old profit-sharing ratio. **(Option V)**
- E. When Fall in Value of Investments is more than Investment Fluctuation Reserve, the amount of reserve is adjusted against the fall in value of investments and excess fall in value of investments is debited to Revaluation Account. Balance of Revaluation Account is either profit or loss, which is distributed among all partners in their old profit-sharing ratio. **(Option II)**

28.	2.	Bad Debts A/c	...Dr.	₹ 35,000	
		To Sundry Debtors A/c			₹ 35,000
		(Amount due to Kavi and 70% of amount due to Avi written off)			
		Revaluation* A/c	...Dr.	₹ 55,500	
		To Bad Debts A/c**			₹ 35,000
		To Provision for Doubtful Debts*** A/c			₹ 20,500
		(Bad Debts and Provision for Doubtful Debts met through Revaluation Account)			

*Loss on Revaluation is ₹ 55,500.

**Total Bad Debts = ₹ 7,000 (Due from Kavi) + ₹ 28,000 (i.e., 70% of ₹ 40,000; Due from Avi) = ₹ 35,000;

***Provision for Doubtful Debts = (Total Debtors ₹ 4,57,000 – Bad Debts ₹ 35,000 – Good debts on which no provision of doubtful debts is required ₹ 12,000, Balance Debt of Avi) × 5/100 = ₹ 20,500.

29. 3. At the time of change in profit-sharing ratio, if Investment Fluctuation Reserve is to be created, it is debited to Profit & Loss Adjustment Account.

30. 1. Investing Activities involve purchase of automated machine (₹ 8,50,000) and payment of wages for its installation (₹ 60,000), totaling to outflow of ₹ 9,10,000.

31. 2. 40% of Investment at 80% of its Value taken by Dinesh = ₹ 76,800

Book Value of 40% Investment taken by Dinesh = ₹ 76,800 × ₹ 100/₹ 80 = ₹ 96,000

As 40% of Investment = ₹ 96,000 (Book Value)

Remaining Investment were 60%, it means

Book Value of Total Investment = ₹ 96,000 × 100/40 = ₹ 2,40,000; and

Remaining Investment = ₹ 2,40,000 × 60/100 = ₹ 1,44,000, which is realised at 120%.

Amount Realised from Remaining Investment = ₹ 1,44,000 × 120/100 = ₹ 1,72,800

Thus, Cash/Bank Account is debited with ₹ 1,72,800.

32. 1. Except issue of debentures as collateral security, liability on account of Debentures is created at the time of Issue of Debentures.

33. 2. Sales for the year ended 31st March, 2020 = ₹ 3,00,000

Expected Sales for year ended 31st March, 2021 = ₹ 3,00,000 + 25% of ₹ 3,00,000 = ₹ 3,75,000

Expected Profit for year ended 31st March, 2021 = 12.5% – 1.5% = 11%

Expected Profit till the date of E's death = ₹ 3,75,000 × 11/100 × 5/12 = ₹ 17,187.50

E's Share of Estimated Profit = ₹ 17,187.50 × 4/10 = ₹ 6,875.

34. 2. Operating Profit of the company means it is the profit earned by the business during its normal business operations. Thus, it is Operating Profit before Interest and Tax.

35. 3. High Operating Ratio means higher Operating Cost which will reduce the Operating Profit hence lower profitability.

36. 3. Earning Per Share (EPS) = (Net Profit after Tax* – Preference Dividend)/No. of Equity Shares
= (₹ 12,80,000 – ₹ 2,00,000)/2,00,000 = ₹ 5.40.

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

= ₹ 16,00,000 – ₹ 3,20,000 (i.e., 20% of ₹ 16,00,000)

= ₹ 12,80,000.

Note: Preference Dividend = 10% of ₹ 20,00,000 = ₹ 2,00,000.

37. 3. Price Earning (P/E) Ratio = Market Price Per Share/Earning Per Share (EPS)
= ₹ 243/₹ 5.40 = 45 Times.

Earning Per Share (EPS) = ₹ 5.40.

38. 2. Ketu paid for his gained 2/10 share = ₹ 1,50,000

Firm's Goodwill = ₹ 1,50,000 × 10/2 = ₹ 7,50,000.

Working Note:

Ketu's Gain = $1/2 - 3/10 = 2/10$;

Shani's Gain = $1/2 - 5/10 = \text{Nil}$

Ketu alone gains on retirement of Rahu, hence he alone will compensate to Rahu.

39. 4. Ramesh's Capital Account will be credited with ₹ 14,500 because it is the agreed amount payable by the firm to the partner.

40. 3. Finance Cost for the year ended 31st March, 2022 = Interest on Bank Loan
= 9% of ₹ 10,00,000 = ₹ 90,000.
41. 4. Profit-sharing ratio between the continuing partners has not changed. Hence, Deceased Partner's share of profit will be debited to Profit & Loss Suspense Account. The Journal entry will be:
- | | | |
|----------------------------|--------|---------|
| Profit & Loss Suspense A/c | ...Dr. | ₹ 8,400 |
| To J's Capital A/c | | ₹ 8,400 |
- (J's share of estimated profit credited to his Capital Account)

Working Note:

Estimated Profit till 30th September, 2021 = ₹ 36,000 × 6/12 = ₹ 18,000

J's Share of Profit = ₹ 18,000 × 7/15 = ₹ 8,400

42. 4. Tax Paid = ₹ 4,50,000 (Opening Balance) + ₹ 4,65,000 (Provision Made) – ₹ 4,75,000 (Closing Balance)
= ₹ 4,40,000.

43. 4. Komal's share = 4/12

New Profit Share = Old Profit Share + Gain

Profit Share of Komal taken by Mani = 4/12 × (₹ 67,500/₹ 1,20,000) = 3/16

Mani's New Share = 5/12 + 3/16 = 29/48

Profit Share of Komal taken by Gopal = 4/12 × ₹ 52,500/₹ 1,20,000 = 7/48

Gopal's New Share = 3/12 + 7/48 = 19/48

Thus, New Profit Sharing Ratio of Mani and Gopal = 29/48 : 19/48 or 29 : 19.

44. 3. Tax Paid = ₹ 1,50,000 (Opening Balance) + ₹ 1,65,000 (Provision Made) – ₹ 1,75,000 (Closing Balance)
= ₹ 1,40,000.

45. 2. *Total Capital of the Reconstituted Firm:* ₹

Capital A/cs of Continuing Partners:

Amar	4,87,750
------	----------

Arth	4,20,250
------	----------

Shortage of Cash [₹ 4,92,000 (Paid to Alok) – ₹ 52,000 (Cash and Bank Balance Available)]

+ ₹ 10,000 (Amount of Cash and Bank to be maintained)]	4,50,000
--	----------

Total Capital of the Reconstituted Firm	<u>13,58,000</u>
---	------------------

Particulars	Amar (₹)	Arth (₹)
I. New Capital (₹ 13,58,000 in the ratio 3 : 2)	8,14,800	5,43,200
II. Existing Capital after all adjustments	4,87,750	4,20,250
III. Amount to be brought (I – II)	<u>3,27,050</u>	<u>1,22,950</u>

46. 3. Vendor's A/c ...Dr. ₹ 6,86,000
- | | | |
|-------------------------------------|--------|------------|
| Discount on Issue of Debentures A/c | ...Dr. | ₹ 49,000 |
| To 8% Debentures A/c | | ₹ 7,00,000 |
| To Bank A/c | | ₹ 35,000 |

(Payment made to Vendor by issue of 7,000 [i.e., ₹ (6,86,000 – 35,000)/₹ 93] 8% Debentures of ₹ 100 each at a discount of 7%)

47. 2.

48. 3.

49. 2.

50. 1.