

# CUET (UG) Examination Paper 2024

National Testing Agency

ACCOUNTANCY

Section II

**SOLVED**

Time Allowed: 45 Minutes

Maximum Marks: 200

## General Instructions:

- (i) This paper consists of 50 MCQs, attempt any 40 out of 50.
- (ii) Correct answer or the most appropriate answer: Five marks (+5).
- (iii) Any incorrect option marked will be given minus one mark (-1).
- (iv) Unanswered/Marked for Review will be given no mark (0).
- (v) 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.
- (vi) If all options are found to be correct then Five marks (+5) will be awarded to all those who have attempted the question.
- (vii) 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).
- (viii) Calculator / any electronic gadgets are not permitted.

1. Libraries run by charitable trusts are an example of

- (1) Partnership
- (2) Not for profit organisation
- (3) Companies
- (4) Cooperatives

Ans. Option (2) is correct.

**Explanation:** Libraries run by charitable trusts are operated without profit motive. Their main aim is to serve society rather than earn a profit which is the main feature of a not-for-profit organisation.

2. The main source of revenue for 'not for profit' organisation is

- (1) Sale of goods
- (2) Sale of periodicals
- (3) Subscription from members
- (4) Sale of assets

Ans. Option (3) is correct.

**Explanation:** The main source of income of an NDO is subscription received from its members.

3. Match List-I with List-II

List-I	List-II
(A) Share Capital	(I) Will be called at the time of a winding up
(B) Reserves and surplus	(II) Calls in advance
(C) Reserve capital	(III) Subscribed but not fully paid
(D) Current liabilities	(IV) Sinking fund

Choose the correct answer from the options given below:

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

Ans. Option (4) is correct.

**Explanation:** The heading 'Subscribed but not fully paid' is a part of share capital of a company. All types of funds are shown under the head 'Reserves and Surplus'. The part of the authorised capital which is not called during the life time of the company is called Reserve Capital. Calls in advance is shown under the head 'Current Liabilities'.

4. Which of the following would affect the Revaluation Account at the time of reconstitution of a partner firm?

- (1) Increase in assets
- (2) Drawing against capital
- (3) Interest on capital
- (4) Partner's salary

Ans. Option (1) is correct.

**Explanation:** On reconstitution of a partnership firm, Revaluation A/c is prepared to show the increase or decrease in the value of assets or liabilities.

5. Identify the correct sequence to be followed while preparing of final account of a partnership firm:

- (A) Profit and Loss Appropriation Account
- (B) Profit and Loss Account
- (C) Trading Account
- (D) Balance Sheet

Choose the correct answer from the options given below:

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

**Ans. Option (1) is correct.**

**Explanation:** Final accounts of a partnership firm are prepared like the final accounts prepared under sole proprietorship. The additional account which is prepared by partnership firm to divide the Profit/Loss is Profit and Loss Appropriation A/c. Hence, the correct sequence is:



6. Window dressing is a practice

- (1) to manipulate the accounts to show a better picture of the financial position than the actual one.  
(2) to show excessive depreciation.  
(3) to avoid tax.  
(4) to reduce tax.

**Ans. Option (1) is correct.**

**Explanation:** Window dressing is a practice made by a company's management to improve the appearance of its financial statements before these are released publicly.

7. Match List-I with List-II

List-I	List-II
(A) Salary to partner	(I) Credit side of Partner's Capital Account
(B) Interest on partner's loan	(II) Debit side of Partner's Current Account
(C) Interest on partner's drawing	(III) Debit side of Profit and Loss Account
(D) Additional capital introduced	(IV) Credit side of partner's Current Account

Choose the correct answer from the options given below:

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

**Ans. Option (3) is correct.**

**Explanation:** Interest on a partner's loan is a charge against profit, and should be debited to Profit and Loss A/c. Salary to a partner is credited to the partner's Current Account while interest on the partner's drawings is debited to the partner's Current A/c. Permanent withdrawal or introduction of capital is passed through the partner's Capital A/c.

8. Which of the following would affect the Revaluation Account at the time of admission of a partner?

- (A) Increase in assets  
(B) Drawing against capital  
(C) Recording of unrecorded assets  
(D) Decrease in liabilities

Choose the correct answer from the options given below :

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

**Ans. Option (3) is correct.**

**Explanation:** On reconstitution of a partnership firm, revaluation A/c is prepared to adjust the change in the value of assets or liabilities. Hence, items under (A), (C) and (D) would affect the Revaluation A/c.

9. Match List-I with List-II

List-I (Items of cash flow)	List-II (Type of activity)
(A) Purchase of tangible assets	(I) Operating activity
(B) Issue of shares	(II) Cash and cash equivalents
(C) Increase in current assets	(III) Investing activity
(D) Marketable securities	(IV) Financing activity

Choose the correct answer from the options given below:

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

**Ans. Option (4) is correct.**

**Explanation:** Purchase of tangible assets refers to investing activities involving the acquisition of physical assets like machinery, equipment, or real estate, which are intended to enhance or expand a company's operations. Issue of shares is a financing activity where a company raises capital by selling ownership stakes to investors, thereby increasing its equity and funding operations or growth initiatives. Increase in current assets is an operating activity that reflects the allocation of resources to assets like inventory or receivables, which can affect cash flow and operational efficiency. Cash equivalents include bank accounts and some types of marketable securities, such as debt securities with maturities of less than 90 days.

10. Which one of the following are correct in connection with the Common Size Statement?

(A) Expressed as a percentage on revenue from operation  
(B) Horizontal analysis  
(C) Vertical analysis  
(D) Expressed as a percentage on total assets

Choose the correct answer from the options given below :

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

Ans. Option (3) is correct.

**Explanation:** Common Size Statement which is also called vertical analysis contains two statements as: common size income statement and common size balance sheet. In common size income statement, each item is expressed as a percentage of revenue from operations. In common size balance sheet, each item is expressed as a total of balance sheet, i.e., total assets or total liabilities.

11. Calculate the resulting cash flow and state the nature of cash flow from the following information  
Acquired machinery for ₹3,50,000 by issuing cheque.

(1) Investing activity and outflow ₹3,50,000  
(2) Investing activity and inflow ₹3,50,000  
(3) Investing activity and no flow  
(4) Operating activity and outflow ₹3,50,000

Ans. Option (1) is correct.

**Explanation:** A machine is a fixed tangible asset for the business, and investment in fixed assets is classified under investing activity. This transaction also results in an outflow of cash (in the form of deduction in bank balance) amounting to ₹ 3,50,000.

12. Arrange the following in proper sequence while preparing Cash Flow Statement:

(A) Net cash flow from operating activities  
(B) Cash flow from financing activities  
(C) Cash flow from investing activities  
(D) Calculate net profit before tax and extraordinary items in working note

Choose the correct answer from the options given below :

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

Ans. Option (2) is correct.

**Explanation:** Begin by calculating net profit before tax and extraordinary items to establish a starting point. Next, determine the net cash flow from operating activities by adjusting this profit for changes in working capital and non-cash items. Then, proceed to calculate cash flows from investing activities, which involve transactions related to long-term assets. Finally, determine cash flows from financing activities, covering transactions with debt and equity. This sequence ensures all components are accurately reflected in the Cash Flow Statement.

13. The adjustment required for overvaluation of closing stock, while calculating adjusted profit for calculating goodwill is

(A) reduction from concerned year's profit.  
(B) reduction from next year's profit.  
(C) addition to next year's profit.  
(D) addition to previous year's profit.

Choose the correct answer from the options given below:

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

Ans. Option (2) is correct.

**Explanation:** Overvaluation of closing stock should be deducted from the current year's profit and should be added to the next year's profit.

14. Oversubscription is a situation where the:

(1) number of shares applied for is equal to the number of shares issued.  
(2) number of shares applied for is more than the number of shares issued.  
(3) number of shares applied for is less than the number of shares issued.  
(4) face value of the share is less than issue price of the share.

Ans. Option (2) is correct.

**Explanation:** Oversubscription of shares happens when the demand for a company's shares exceeds the number of shares available in a public offering. This results in the company having to allocate shares proportionally or use another method to manage the excess demand.

15. 400 shares of ₹ 50 each issued at par were forfeited for non-payment of final call of ₹ 10 per share. These shares were reissued at ₹ 45 per share fully paid-up. The amount transferred to capital reserve

(1) ₹ 15,000 (2) ₹ 14,000  
(3) ₹ 16,000 (4) ₹ 13,000

Ans. Option (2) is correct.

**Explanation:** Credit balance of share forfeiture = amount received on forfeited shares =  $400 \times 40 = 16,000$   
Debit balance of share forfeiture on reissue of shares = discount allowed on reissued shares =  $400 \times 5 = 2,000$   
Amount to be transferred to capital reserve =  $16,000 - 2,000 = ₹ 14,000$

16. When debentures are issued at premium and redeemed at premium, the journal entry with following combination?

(A) Discount on issue of debentures account is credited  
(B) Loss on issue of debentures account is debited  
(C) Security premium account is credited  
(D) Premium on redemption of debentures account is credited

Choose the correct answers from the options given below:

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

Ans. Option (4) is correct.

**Explanation:** Following journal entry is passed when debentures are issued at premium and to be redeemed at premium:  
Debenture application and allotment A/c Dr.  
Loss on issue of debentures A/c Dr.  
To debentures A/c  
To securities premium reserve A/c  
To premium on redemption of debentures A/c

17. Match List-I with List-II

List-I (Name of account to be debited or credited, when shares are forfeited)	List-II (Amount to be debited or credited)
(A) Share Capital Account	(I) Debited with amount not received
(B) Share Forfeited Account	(II) Credited with amount not received
(C) Calls-in-arrears Account	(III) Credited with amount received towards share
(D) Securities Premium Account	(IV) Debited with amount called up

Choose the correct answer from the options given below:

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

Ans. Option (2) is correct.

**Explanation:** When the shares are forfeited, all accounting entries which were passed at the time of issue must be reversed. Hence while forfeited, share capital account and securities premium account should be debited by the amount called up on shares and amount of premium not received respectively. Same Calls-in-arrears and share forfeited account should be credited with amount not received and amount received respectively.

18. Arrange the following in the correct sequence in the context of debenture?

- (A) Payment to debenture holders  
(B) Creation of DRR  
(C) Issue of debentures  
(D) Redemption becomes due.

Choose the correct answer from the options given below :

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

Ans. Option (4) is correct.

**Explanation:** The process begins with the issue of debentures to raise funds. Following this, a Debenture Redemption Reserve (DRR) is created to ensure that funds are available for future redemption. When the debentures reach their maturity date, redemption becomes due. Finally, payment is made to debenture holders to settle the redeemed debentures.

19. If a delay occurs beyond 8 days in refunding the subscription amount, failing to gather the minimum subscription, from the date of closure of the subscription list, the company shall be liable for interest at the rate of:

- (1) 15%  
(2) 12%  
(3) 6%  
(4) Prevailing in State Bank of India

Ans. Option (1) is correct.

**Explanation:** If the minimum subscription is not received by the company and a delay occurs beyond 8 days from the date of closure of the subscription list, the company will be liable to pay the full amount on subscription with interest at the rate of 15%.

20. A company can accept calls in advance, if authorised by:

- (1) Shareholders  
(2) Board of Directors  
(3) Articles of Association  
(4) Memorandum of Association

Ans. Option (3) is correct.

**Explanation:** Section 50 of the Companies Act 2013 states that a company can accept the calls in advance only when it is authorised by its Articles of Association.

21. A, B and C are partners sharing profits in the ratio of 3 : 2 : 1. C died on 1<sup>st</sup> July 2023. On this date, final accounts were prepared to ascertain profits for the period. It resulted in a profit of ₹ 1,75,000 to the firm. To give effect to the above:

- (1) Profit and Loss Account will be debited.  
(2) Profit and Loss Appropriation Account will be debited.  
(3) Profit and Loss Account will be credited.  
(4) Profit and Loss Appropriation Account will be credited.

Ans. Option (1) is correct.

**Explanation:** On reconstitution of a partnership firm, accumulated profits are credited to the capital accounts of all existing partners in their profit sharing ratio. Here, the profit of ₹ 1,75,000 is an accumulated profit which will be debited and all partners' capital account will be credited.



22. On the date of admission of a partner there was a balance of ₹ 45,000 in the account of machinery. It was found undervalued by 10%. The value machinery will appear in the new Balance Sheet at:

- (1) ₹ 49,500 (2) ₹ 50,000  
(3) ₹ 40,000 (4) ₹ 40,500

Ans. Option (2) is correct.

**Explanation:** The machinery is undervalued by 10% which means it has been shown as 90% of its value.

90% of machinery = 45,000

100% value of machinery =  $45,000 \times \frac{100}{90}$   
= 50,000

Hence, the value of machinery will be appeared in the new balance sheet at ₹ 50,000

23. Dividend received is

- (1) Operating activity  
(2) Financing activity  
(3) Investing activity  
(4) Cash and cash equivalents

Ans. Option (3) is correct.

**Explanation:** Dividend received is not a regular core income of the business. It has been received on the investment made by the company in any other business. So, it is an investing activity.

24. A partnership can have maximum 50 partners. This limit has been set by the:

- (1) Indian Partnership Act, 1932  
(2) State Government  
(3) Indian Contract Act, 1872  
(4) Central Government

Ans. Option (1) is correct.

**Explanation:** The Indian Partnership Act, 1932, regulates partnerships in India by defining their formation, rights, duties and liabilities. It outlines the procedures for creating a partnership deed, managing operations and dissolving the partnership.

25. Which of the following is an example of sequential code?

- (1) Using code "CL001" for "Accounts of XYZ Ltd".  
(2) Using code '100-199' for 'Dealers of Small Pumps'.  
(3) Using code 'SJ' for "Sales journals".  
(4) Using code 'HQ' for "Headquarters".

Ans. Option (1) is correct.

**Explanation:** Sequential codes are the codes in which code numbers and/or letters are assigned in a consecutive order.

26. If there is no claim against Workmen Compensation Reserve, it is \_\_\_\_\_ admission of partner.

Fill in the blanks with the correct answer from the options given below.

- (1) debited to old partners' capital account.  
(2) credited to all partners' capital account  
(3) credited to old partners' capital account  
(4) debited to all partners' capital account

Ans. Option (2) is correct.

**Explanation:** If there is not claim against Workmen Compensation Reserve (WCR), it is credited to all partners' capital account in their profit sharing ratio.

27. A, B and C are partners sharing profits in the ratio of 3 : 3 : 4. They decide to share the fund equally. The sacrifice or gain of partners are:

- (1) A gains 1/30; B gains 1/30; C sacrifices 2/30  
(2) A gains 2/30; B gains 1/30; C sacrifices 3/30  
(3) A gains 1/30; B gains 3/30; C sacrifices 2/30  
(4) A gains 2/30; B gains 3/30; C sacrifices 5/30

Ans. Option (1) is correct.

**Explanation:** A's old share =  $\frac{3}{10}$

A's new share =  $\frac{1}{3}$

Gain/sacrifice =  $\frac{3}{10} - \frac{1}{3}$

=  $-\frac{1}{30}$  (gain)

B's old share =  $\frac{3}{10}$

B's new share =  $\frac{1}{3}$

Gain/sacrifice =  $\frac{3}{10} - \frac{1}{3}$

=  $-\frac{1}{30}$  (gain)

C's old share =  $\frac{4}{10}$

C's new share =  $\frac{1}{3}$

Gain/sacrifice =  $\frac{4}{10} - \frac{1}{3}$

=  $\frac{2}{30}$  (sacrifice)

28. Match List-I with List-II

List-I (Equal amount of drawings made)	List-II (Number of month for which interest calculated)
(A) At the end of each half year	(I) 4.5 months
(B) At the beginning of each quarter	(II) 6.5 months
(C) At the beginning of each month	(III) 7.5 months
(D) At the end of each quarter	(IV) 3 months

Choose the correct answer from the options given below:

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

Ans. Option (4) is correct.

**Explanation:** Average period =

$$\frac{\left[ \begin{array}{l} \text{Number of} \\ \text{months from} \\ \text{the date of first} \\ \text{withdrawal} \\ \text{to the end} \\ \text{of the year} \end{array} \right] + \left[ \begin{array}{l} \text{Number of} \\ \text{months from} \\ \text{the date of} \\ \text{last withdrawal} \\ \text{to the end of} \\ \text{the year} \end{array} \right]}{2}$$

- (a) At the end of each half year =  $\frac{(6 + 0)}{2} = 3$  months
- (b) At the beginning of each quarter =  $\frac{(12 + 3)}{2} = 7.5$  months
- (c) At the beginning of each month =  $\frac{(12 + 1)}{2} = 6.5$  months
- (d) At the end of each quarter =  $\frac{(9 + 0)}{2} = 4.5$  months

29. Kavita and Lalita are partners, sharing profits in the ratio of 2 : 1. They decide to admit Mohan for  $\frac{1}{4}$ th share in future profits with a guaranteed amount of ₹ 25,000. Both Kavita and Lalita undertake to meet the liability arising due to the guaranteed amount to Mohan in their respective profit sharing ratio. The firm earned profits of ₹ 76,000 for the year 2022–23. The deficiency borne by Kavita is:

- (1) ₹ 4,000                      (2) ₹ 2,000  
(3) ₹ 6,000                      (4) ₹ 4,500

**Ans. Option (1) is the correct.**

**Explanation:** Guaranteed amount of profit to Mohan = ₹ 25,000  
His share in firm's actual profit =  $\frac{76,000}{4} = ₹ 19,000$   
Deficiency =  $25,000 - 19,000 = ₹ 6,000$  to be borne by Kavita and Lalita in ratio of 2 : 1  
Deficiency borne by Kavita =  $6,000 \times \frac{2}{3} = ₹ 4,000$

30. Anshu and Nitu are partners, sharing profits in the ratio of 3 : 2. They admitted Jyoti as a new partner for  $\frac{3}{10}$  share which she acquired  $\frac{2}{10}$  from Anshu and  $\frac{1}{10}$  from Nitu. Calculate the new profit sharing ratio of Anshu, Nitu and Jyoti.

- (1) 4 : 3 : 3                      (2) 3 : 4 : 3  
(3) 3 : 3 : 4                      (4) 3 : 2 : 1

**Ans. Option (1) is correct.**

**Explanation:** Anshu's old share =  $\frac{3}{5}$   
Sacrifice =  $\frac{2}{10}$   
New share =  $\frac{3}{5} - \frac{2}{10} = \frac{4}{10}$   
Nitu's old share =  $\frac{2}{5}$   
Sacrifice =  $\frac{1}{10}$   
New share =  $\frac{2}{5} - \frac{1}{10} = \frac{3}{10}$   
New profit sharing ratio of Anshu, Nitu and Jyoti =  $4/10 : 3/10 : 3/10 = 4 : 3 : 3$

31. The journal entry for treatment of goodwill, when a new partner brings his share of goodwill in cash and one of the old partners gains, involves the following:

- (A) Gaining Partner's Capital Account is debited  
(B) Premium for Goodwill Account is debited  
(C) Sacrificing Partner's Capital Account is credited  
(D) Gaining partner's Capital Account is credited

Choose the correct answer from the options given below :

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

**Ans. Option (2) is correct.**

**Explanation:** Following journal entry is passed in such situation:

Premium for goodwill A/c	Dr.
Gaining partner's capital A/c	Dr.
To Sacrificing partner's capital A/c	

32. While preparing Cash Flow Statement, purchase of goodwill is treated as?

- (1) Operating activity  
(2) Financing activity  
(3) Investing activity  
(4) Extraordinary activity

**Ans. Option (3) is correct.**

**Explanation:** Goodwill is a fixed asset (intangible) of a company. Hence, purchasing of goodwill is classified under investing activity while preparing cash flow statement.

33. The components of Computerised Accounting System are:

- (1) Data, Report, Ledger, Hardware, Software  
(2) Data, People, Procedure, Hardware, Software  
(3) People, Procedure, Ledger, Data, Chart of Accounts  
(4) Data, Coding, Procedure, Rules, Output

**Ans. Option (2) is correct.**

**Explanation: Data:** The financial information that needs to be processed and stored.

**People:** Users of the system, such as accountants, auditors and financial managers.

**Procedure:** The methods and processes used for recording, managing and reporting financial information.

**Hardware:** The physical devices needed to run the system, such as computers, servers and peripherals.

**Software:** The programs and applications used to process and manage accounting data.

34. The Sales and Accounts Receivable Subsystem deals with:

- (1) the recording of Sales, maintaining Sales Ledger and Receivables  
(2) the preparation of Budget for the coming financial year

- (3) the preparation of Profit and Loss Account, Balance Sheet and Cash Flow Statement  
 (4) the purchase and payment to creditors

Ans. Option (1) is correct.

**Explanation:** The Sales and Accounts Receivable Subsystem manages the recording of sales transactions and maintains the sales ledger and receivables. It tracks amounts owed by customers and ensures accurate accounts management.

35. The common fields used in a relation between tables are called:

- (1) Joint fields (2) Main fields  
 (3) Table fields (4) Key fields

Ans. Option (4) is correct.

**Explanation:** In relational databases, key fields are used to establish relationships between tables, often through primary keys and foreign keys.

36. On dissolution of a firm, bank overdraft is transferred to:

- (1) Bank Account.  
 (2) Realisation Account  
 (3) Partner's Capital Account  
 (4) Partner's Loan Account

Ans. Option (1) is correct.

**Explanation:** Bank overdraft is not transferred to realisation account on dissolution of a partnership firm. It is a negative bank balance, hence to be shown on the credit side of bank account.

37. Arrange the following steps in the correct sequence to the life of a company:

- (A) Commencement of Business  
 (B) Incorporation  
 (C) Promotion  
 (D) Flotation

Choose the correct answer from the options given below :

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

Ans. Option (4) is correct.

**Explanation:** The correct sequence of steps in the life of a company is:

(C) **Promotion:** This is the initial stage where the idea for the company is conceived and the groundwork for its formation is laid.

(B) **Incorporation:** This step involves legally registering the company, giving it a formal existence as a legal entity.

(D) **Flotation:** This refers to the process of offering the company's shares to the public, typically through an Initial Public Offering (IPO).

(A) **Commencement of Business:** This is the stage where the company starts its commercial activities and operations.

38. Arrange the following in the correct order

- (A) Subscribed Capital  
 (B) Issued Capital  
 (C) Authorised Capital  
 (D) Paid-up Capital  
 (E) Called-up Capital

Choose the correct answer from the options given below :

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

Ans. Option (3) is the correct.

**Explanation: (C) Authorised Capital:** The maximum amount of capital that a company is allowed to issue according to its memorandum of association.

(B) **Issued Capital:** The portion of authorised capital that has been issued to shareholders.

(A) **Subscribed Capital:** The portion of issued capital that has been subscribed to by shareholders.

(E) **Called-up Capital:** The amount of subscribed capital that the company has called upon shareholders to pay.

(D) **Paid-up Capital:** The amount of called-up capital that has been actually paid by the shareholders.

39. The Deceased Partner's Capital Account includes the following amount/balances:

- (A) Opening balance of his capital  
 (B) His share of profit/loss till the date of death  
 (C) His share of General Reserve  
 (D) His drawing till the date of death  
 (E) Amount paid to his executors

Choose the correct answer from the options given below:

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

Ans. Option (2) is correct.

**Explanation:** The deceased partner's capital account can include all the given items.

40. Identify the correct sequence of the following steps involved in calculating cash flows from activities of a company:

- (A) Operating profit before working capital changes  
 (B) Cash generated from operations  
 (C) Income tax paid  
 (D) Net cash flow from operating activities  
 (E) Goodwill amortised

Choose the correct answer from the options given below :

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

Read the following information carefully and answer the next five questions:

Particulars	₹
Revenue from Operations	8,75,000
Creditors	90,000
Bills Receivable	48,000
Bills Payable	52,000
Purchases	4,20,000
Trade Debtors	59,000

Ans. Option (3) is correct.

**Explanation:** For calculating cash flow from operating activities, the first thing we have to do is to adjust the non-cash and non-operating items. After adjusting these items, we find the operating profit before working capital changes. After that we have to adjust the change in the current assets and current liabilities of the company. After adjusting them, we find cash generated from operations. After that we have to subtract the income tax paid from the cash generated from operations and we find net cash flow from operating activities.

41. Calculate Trade Receivables Turnover Ratio.

- (1) 8.18 times                      (2) 8.23 : 1  
(3) 8.18%                          (4) 8.81 : 1

Ans. Option (1) is correct.

**Explanation:** Trade receivables turnover ratio = Credit revenue from operations / Average trade receivables  
**Note:** If the figure of credit revenue from operations is not given, figure of revenue from operations can also be used.  
Here, Revenue from operations = ₹ 8,75,000  
Average trade receivables = B/R + Debtors  
= 48,000 + 59,000 = ₹ 1,07,000  
Trade receivables turnover ratio  
= 8,75,000 / 1,07,000 times  
= 8.18 times

42. Calculate Average Collection Period.

- (1) 30 days                          (2) 60 days  
(3) 45 days                          (4) 15 days

Ans. Option (3) is correct.

**Explanation:** Average collection period = 365 / trade receivables turnover ratio  
= 365 / 8.18  
= 44.6 = 45 days

43. Calculate Trade Payables Turnover Ratio.

- (1) 29.6 times                      (2) 2.96 times  
(3) 29.6%                          (4) 2.69 : 1

Ans. Option (2) is correct.

**Explanation:** Trade payables turnover ratio = Cost of revenue from operations or purchase / Average trade payables  
Here, purchase = 4,20,000  
Average trade payables = B/P + Creditors  
= 52,000 + 90,000  
= ₹ 1,42,000  
Trade payables turnover ratio = 4,20,000 / 1,42,000  
= 2.96 times

44. Calculate Average Payment Period.

- (1) 123 days                          (2) 121 days  
(3) 132 days                          (4) 133 days

Ans. Option (1) is correct.

**Explanation:** Average payment period = 365 / trade payables turnover ratio  
= 365 / 2.96  
= 123 days

45. Trade Receivables Turnover Ratio and Trade Payables Turnover Ratio are categorised as:

- (1) Liquidity Ratio                      (2) Solvency Ratio  
(3) Activity Ratio                          (4) Profitability Ratio

Ans. Option (3) is correct.

**Explanation:** Activity ratios, also known as efficiency ratios or turnover ratios, measure how efficiently a company utilises its assets.

Read the following carefully and answer the next five questions:

G, K and B were partners running a partnership for last 10 years, sharing profit and loss in the ratio of 5 : 3 : 2. Post Covid, their firm was affected badly and started incurring losses. On 31<sup>st</sup> March 2023, they all decided to dissolve the firm due to continuous losses. Their capital balance was ₹ 4,00,000, ₹ 3,00,000 and ₹ 2,00,000, respectively. The firm had liabilities ₹ 80,000, Cash balance ₹ 40,000, other sundry assets ₹ 8,50,000, and P&L. Constituted the rest. Assets realised at 80% and liabilities were paid in full. There were unrecorded liability of ₹ 50,000 which was settled at ₹ 40,000. Realisation expenses amounted to ₹ 30,000 being paid by G on behalf of the firm.

46. What is the mode of dissolution of the firm followed by G, K and B?

- (1) Dissolution by Agreement  
(2) On the happening of certain contingencies  
(3) Dissolution by Notice  
(4) Compulsory Dissolution

Ans. Option (2) is correct.

**Explanation:** The mode of dissolution followed by G, K and B is (2). On the happening of certain contingencies, as the firm was dissolved due to continuous losses post-Covid, which represented a specific adverse contingency affecting its operation.



47. Determine the amount of Profit and Loss Account.

- (1) (Cr.) ₹ 90,000      (2) (Dr.) ₹ 90,000      (3) (Cr.) ₹ 1,30,000      (4) (Dr.) ₹ 1,30,000

Ans. Option (2) is correct.

*Explanation:*

Dr. Profit and Loss A/c Cr.			
Liabilities	Amount	Assets	Amount
Partners' Capital A/c		Sundry Assets	8,50,000
G 4,00,000		Cash Account	40,000
K 3,00,000		Profit & Loss A/c (bal. Fig.)	90,000
B 2,00,000	9,00,000		
Sundry Liabilities	80,000		
	9,80,000		9,80,000

Balance of profit and loss account is on the assets side (Dr. balance) of ₹ 90,000

48. Determine Gain/Loss on Realisation.

- (1) Loss ₹ 2,40,000      (2) Gain ₹ 24,000      (3) Loss ₹ 1,70,000      (4) Loss ₹ 1,30,000

Ans. Option (1) is correct.

*Explanation:*

Dr. Realisation A/c Cr.			
Liabilities	Amount	Assets	Amount
To Sundry assets	8,50,000	By Sundry liabilities	80,000
To Cash A/c (liabilities paid)	80,000	By Cash A/c (Assets realised)	6,80,000
To Cash A/c (unrecorded liability paid)	40,000	By Partners' capital A/c (Loss on realisation)	2,40,000
To G's capital A/c	30,000		
	10,00,000		10,00,000

Balance of profit and loss account is on the assets side (Dr. balance) of ₹ 90,000

49. To entry the realisation expenses in above case study will be:

- (1) Realisation A/c      Dr.  
    To Cash A/c  
(2) Realisation A/c      Dr.  
    To G's Capital A/c  
(3) G's Capital A/c      Dr.  
    To Realisation A/c  
(4) Cash A/c      Dr.  
    To Realisation A/c

Ans. Option (2) is correct.

*Explanation:* Realisation expenses are costs incurred during the dissolution process and need to be recorded in the Realisation Account. Since G paid the realisation expenses on behalf of the firm, the expense is recorded as a debit to the Realisation Account and a credit to G's Capital Account to reflect that G is bearing the cost.

50. Existing Profit and Loss Account in the books of the firm will be shared/borne by partners in the ratio:

- (1) 5 : 3 : 2  
(2) Equal Ratio  
(3) 4 : 3 : 2  
(4) Ratio of closing capital claims

Ans. Option (1) is correct.

*Explanation:* Existing balances of accumulated profits and losses are transferred to partners' capital account in their profit sharing ratio.