CUET (UG) Exam Paper 2025
National Testing Agency
ACCOUNTANCY
(Solved)

[This includes Questions pertaining to Domain Specific Subject only]

Time Allowed: 60 Mins. **Maximum Marks: 250**

General Instructions :

(i) *This Test contains 50 questions.*
(ii) *Five (5) marks will be given for each correct answer.*
(iii) *One (1) mark will be deducted for each incorrect answer.*
(iv) *If more than one option is chosen, then it will be considered as an incorrect answer.*
(v) *Unanswered questions will be given no mark.*

1. According to section ______ of the Companies Act, 2013 'Debenture' includes debenture inventory, bonds and any other securities of a company whether constituting a charge on the assets of the company or not.

(1) 2(3) **(2)** 3(2)
(3) 30(2) **(4)** 2(30)

Ans. Option (4) is correct.

Explanation: Section 2(30) of the Companies Act, 2013 clearly defines debenture as including debenture stock, bonds, or any other securities, whether they create a charge on the assets or not.

2. The balance in the securities premium account can not be used __________?

(1) To write-off the preliminary expenses of the company
(2) To issue fully paid bonus shares
(3) To pay off the purchase consideration.
(4) To write off discount on issue of debentures.

Ans. Option (3) is correct.

Explanation: **Section 52(2) of the Companies Act 2013, states that premium on the issue of shares can be used for:**

(i) Issuing fully paid-up bonus shares
(ii) It can be used while writing the preliminary expenses of the company
(iii) Writing off the expenses of, or the commission paid or discount allowed on any issue of securities or debentures of the company
(iv) Providing for the premium payable on the redemption of any redeemable preference shares or on any debentures of the company
(v) In purchasing its own shares, that is the buyback of shares

Option 3 is not mentioned in the above points; therefore, securities premium cannot be used to pay off the purchase consideration.

3. Gobind, Hari and Pratap are partners. On retirement of Gobind, the goodwill already appears in the Balance Sheet at ₹ 24,000. The goodwill will be written-off--

(1) by debiting all partners' capital accounts in their old profit sharing ratio.
(2) by debiting remaining partners' capital accounts in their new profit sharing ratio.
(3) by debiting retiring partners' capital accounts from his share of goodwill
(4) by debiting retiring partners' capital accounts in gaining ratio

Ans. Option (1) is correct.

Explanation: When goodwill is already appearing in the books, on retirement, it has to be written off among all partners in their old profit-sharing ratio because that asset no longer represents any real value for the firm after retirement.

4. Lalit, Pankaj and Rahul are partners sharing profits in the ratio of 4 : 3 : 3. After all adjustments, on Lalit's retirement with respect to general reserve, goodwill and revaluation etc., the balances in their capital accounts stood at ₹ 70,000, ₹ 60,000 and ₹ 50,000 respectively. It was decided that the amount payable to Lalit will be brought by Pankaj and Rahul in such a way as to make their capitals proportionate to their profit sharing ratio. After Lalit's retirement, the new profit sharing ratio between Pankaj and Rahul is 1:1. New Capital of the firm will be-

(1) ₹ 1,80,000 (2) ₹ 1,10,000
(3) ₹ 90,000 (4) ₹ 1,70,000

Ans. Option (1) is correct.

> ***Explanation:*** **Calculation of Total Capital of the new firm:**
> Balance in Pankaj's Capital account (after adjustment) = ₹ 60,000
> Balance in Rahul's Capital account (after adjustment) = ₹ 50,000
> Amount payable to Lalit (Retiring partner) = ₹ 70,000
> Total capital of new firm (i) + (ii) + (iii) = ₹ 1,80,000

5. Choose the wrong statements about company-

(A) A company is an artificial person.
(B) The company's shares are generally transferable.
(C) Shareholders of a company are liable for the acts of the company
(D) Every member of a company is entitled to take part in its management.

Choose the **correct** answer from the options given below:

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

Ans. Option (4) is correct.

> ***Explanation:*** **(A)** correct
> **(B)** correct
> **(C)** wrong — shareholders are not personally liable
> **(D)** wrong — only directors manage
> so the wrong statements are C and D → option 4

6. Match **List-I** with **List-II**

List-I		List-II	
A.	Separate Legal Entity	**I.**	It can hold and deal with any type of property. It can enter into contracts and even open a bank account in its own name.
B.	Perpetual Succession	**II.**	The company being an artificial person created by law continues to exist irrespective of the changes in its membership.
C.	Common Seal	**III.**	The company being an artificial person, cannot sign its name by itself.
D.	May Sue or be Sued:	**IV.**	A company being a legal person can enter into contracts and can enforce the contractual rights against others.

Choose the **correct** answer from the options given below:

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

Ans. Option (1) is correct.

> ***Explanation:*** A → II
> B → III
> C → IV
> D → I
> Matches the correct features of a company under the Companies Act 2013.

7. Arrange the following in correct sequence in case of dissolution of a partnership firm.

(A) Preparing a Bank account
(B) Realizing assets and payments of liabilities.
(C) Transferring of assets and liabilities in realization account.
(D) Preparation of capital account of partners.

Choose the **correct** answer from the options given below:

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

Ans. Option (4) is correct.

> ***Explanation:*** • Transferring of assets and liabilities in realisation account → C
> • Realising assets and payments of liabilities → B
> • Preparation of capital account of partners → D
> • Preparing a Bank account → A
> order is (C), (B), (D), (A)

8. Arrange the steps involved under the super profit method of calculating goodwill-

(A) Calculate the normal profit on the firm's capital on the basis of the normal rate of return
(B) Calculate the average profit
(C) Calculate goodwill by multiplying the super profits by the given number of years' purchase
(D) Calculate the super profits by deducting normal profit from the average profits

Choose the **correct** answer from the options given below:

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

Ans. Option (3) is correct.

> ***Explanation:*** • B: Average profit
> • A: Normal profit
> • D: Super profit = average − normal
> • C: Goodwill = super profit × years
> so sequence: (B), (A), (D), (C)

9. Which of the following is not the feature of fluctuating capital in partnership-

(1) Under the fluctuating capital method, only one account, i.e. capital account is maintained for each partner
(2) The partners' capital accounts will always show a credit balance, which shall remain the same (fixed) year after year unless there is any addition or withdrawal of capital.
(3) All the adjustments such as share of profit and loss, interest on capital, drawings, interest on

drawings, salary or commission to partners, etc are recorded directly in the capital accounts of the partners.

(4) In the absence of any instruction, the capital account should be prepared by this method.

Ans. Option (2) is correct.

Explanation: • Fluctuating capital changes year to year; it might show a debit or credit balance. • Option 2 states it remains the same/fixed, which is wrong; that is why option 2 is the correct answer.

10. When a new partner brings his share of goodwill in cash, the amount is credited to-

(1) Premium for goodwill account
(2) New partners capital account
(3) Old partners capital account
(4) Bank account

Ans. Option (1) is correct.

Explanation: When a new partner brings his share of goodwill in cash, the following journal entry is passed.

Bank A/c	Dr.	XXX	
To Premium for Goodwill A/c			XXX

Therefore, the amount is credited to the premium for the goodwill account.

11. Arrange in correct sequence at a time of admission of a partner-

(A) Adjustments of capital accounts.
(B) Valuation of goodwill
(C) Calculation of new profit sharing ratio and sacrificing ratio.

Choose the **correct** answer from the options given below:

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

Ans. Option (4) is correct.

Explanation: **When a new partner is admitted into a partnership firm, the correct steps are as follows:**

1. (C) Calculation of New Profit Sharing Ratio and Sacrificing Ratio
   o First, the existing and new partners agree on the new profit-sharing ratio.
   o Based on this, the sacrificing ratio (old partners giving up shares) is calculated.
   o This step is foundational for goodwill and revaluation adjustments.
2. (B) Valuation of Goodwill
   o Once the sacrificing ratio is known, goodwill can be valued.
   o The new partner compensates the sacrificing partners based on their sacrifice and the value of goodwill.
3. (A) Adjustment of Capital Accounts
   o Finally, the partners' capital accounts are adjusted:
   - To reflect the goodwill brought in
   - To bring in capital as per the agreed ratio (if required)

12. In the case of dissolution of a firm, accumulated losses are transferred to:

(1) Realisation Account in Equal Ratio
(2) Realisation Account in Profit Sharing Ratio
(3) Capital Accounts in Equal Ratio
(4) Capital Accounts in Profit Sharing Ratio

Ans. Option (4) is correct.

Explanation: Upon dissolution, accumulated losses (like P&L debit balances) are transferred to partners' capital accounts in their profit-sharing ratio. This ensures fair allocation of losses.

13. Das and Sinha are partners in a firm sharing profits in 4:1 ratio. They admitted Pal as a new partner for 1/4th share in the profits, which he acquired wholly from Das. The new profit sharing ratio of the partners is-

(1) 11:4:5 (2) 11:5:4
(3) 9:4:5 (4) 7:3:5

Ans. Option (1) is correct.

Explanation: • Original ratio: Das:Sinha = 4:1
• Pal gets 1/4 from Das: Das now has 4/5 − 1/4 = 11/20
• Sinha: 1/5 = 4/20
• Pal: 1/4 = 5/20
• Final ratio = Das:Sinha:Pal = 11:4:5

14. Cronic Limited issued 10,000 equity shares of ₹ 10 each payable as ₹ 2.50 on application, ₹ 3 on allotment, ₹ 2 on first call, and the balance of ₹ 2.50 on second and final call. All the shares were fully subscribed and paid except by a shareholder having 100 shares who could not pay for second and final call. Call in Arrears A/c will be debited with-

(1) ₹ 300 (2) ₹ 150
(3) ₹ 200 (4) ₹ 250

Ans. Option (4) is correct.

Explanation: Final call unpaid
= 100 shares × ₹ 2.50 = ₹ 250
Call in Arrears Account will be debited with this amount.

15. Which of the following is NOT a method of valuation of goodwill?

(1) Average profit method
(2) Super profits method
(3) Capitalisation method
(4) Average super profit capitalization method

Ans. Option (4) is correct.

Explanation: • Methods of goodwill valuation include:
✓ Average profit method
✓ Super profit method
✓ Capitalisation method
• "Average super profit capitalisation method" is not a recognised standard method.

16. Excess value of net assets over purchase consideration at the time of purchase of business is credited to :

(1) General reserve
(2) Capital reserve
(3) Vendors' account
(4) Debenture redemption reserve

Ans. Option (2) is correct.

Explanation: When a business is purchased, two important values are compared:
• Net Assets = Total Assets - Liabilities
• Purchase Consideration = The amount paid to acquire the business
What if Net Assets > Purchase Consideration
That means the buyer is getting more value than they paid for. This gain is not operational; it's a capital profit.
This excess amount is transferred to the Capital Reserve.

17. Arrange the various accounting aspects involved on retirement or death of a partner-
(A) Ascertainment of share of profit or loss up to the date of retirement/death
(B) Ascertainment of new profit sharing ratio and gaining ratio
(C) Distribution of accumulated profits and losses
(D) Settlement of the amounts due to retired/deceased partner

Choose the **correct** answer from the options given below:
(1) (B), (C), (D), (A) (2) (B), (C), (A), (D)
(3) (B), (A), (D), (C) (4) (C), (B), (D), (A)

Ans. Option (2) is correct.

Explanation: **Logical order:**
1. Find new ratios (B)
2. Distribute accumulated reserves/losses (C)
3. Calculate profits/losses till exit (A)
4. Settle dues (D)

18. Which combination of statements are false about partnership-
(A) Interest on partner's loan is to be given @ 12% p.a., if the deed is silent about the rate.
(B) If the deed is silent, interest at the rate of 6% p.a. would be charged on the drawings made by the partner.
(C) Methods of settlement of dispute among the partners can't be part of the partnership deed.
(D) Each partner carrying on the business is the principal as well as the agent for all the other partners

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: • (A) False: Interest on loan = 6% (not 12%) if deed silent → ✗
• (B) False: No interest on drawings to be charged unless deed mentions → ✗
• (C) False: Dispute settlement can be in deed → ✗
• (D) True → ✓
Only (A), (B), (C) are false

19. Sameer and Yasmin are partners with capitals of ₹ 15,00,000 and ₹ 10,00,000 respectively. They agreed to share profits in the ratio of 3:2. The books are closed on March 31, every year. They admit Ravi on October 1, 2019 in the partnership, who brings ₹ 12,00,000 as capital and Sameer also introduced additional capital ₹ 3,00,000 on that date. Interest on partner's capital is provided @5% p.a. The amount of interest on capital of Sameer for the year 2019-20 is-
(1) 55,000 (2) 82,500
(3) 75,000 (4) 50,000

Ans. Option (2) is correct.

Explanation: **Interest on Sameer's capital:**
• Capital: ₹ 15,00,000
• Additional: ₹ 3,00,000 (from 1 Oct)
• Interest @ 5% p.a.
• Year ending: 31 March
Explanation:
• On 15,00,000 for full year
= 15,00,000 × 5% = 75,000
• On 3,00,000 for 6 months
= 3,00,000 × 5% × 6/12 = 7,500
• Total = 75,000 + 7,500 = ₹ 82,500 ✓

20. On dissolution of a partnership firm, bank overdraft is transferred to:
(1) Cash Account
(2) Bank Account
(3) Realisation Account
(4) Partner's Capital Account

Ans. Option (3) is correct.

Explanation: All liabilities, including overdraft, are transferred to the Realisation Account during dissolution to compute gain/loss on realisation.

21. Which of the following statements results in the reconstitution of a partnership firm :-
(A) Change in profit sharing ratio among partners.
(B) Admission of a new partner.
(C) Dissolution of a partnership firm.
(D) Dissolution of a partnership.

Choose the **correct** answer from the options given below:
(1) (A), (B) and (C) only (2) (A), (B) and (D) only
(3) (A), (B), (C) and (D) (4) (B), (C) and (D) only

Ans. Option (2) is correct.

Explanation: • The reconstitution of a firm occurs when the structure of the firm changes without ending its existence.
• **This happens due to:**
  o Change in profit-sharing ratio among existing partners (e.g., from 3:2 to 2:1)

- o Admission of a new partner, altering the ownership structure
- o Dissolution of a partnership (not the entire firm) — A change in the relationship between partners due to events like a partner's death, retirement, insolvency, or a new partner joining, but the business itself may continue under new terms or a new agreement.

However, dissolution of the firm (C) means complete closure of business and settlement of all accounts, so it is not reconstitution.

22. Gaining share of Continuing Partner =

(1) Old share - New share
(2) New share + old share
(3) New share - Old share
(4) Old Share + Sacrifice share

Ans. Option (3) is correct.

Explanation: • Gaining share is relevant when a partner retires or dies.
• The remaining partners acquire (gain) the outgoing partner's share.
• Formula:
Gaining Share = New Share – Old Share
• This shows how much more share a partner now holds in the profits.
Example:
If Partner A had 2/5 originally, and after B retires, A's share becomes 3/5:
Gaining share of A = 3/5 – 2/5 = 1/5

23. Which of the following statement is incorrect -

A private company is one which by its articles of association:

(1) Restricts the right to transfer its shares
(2) A private company must have at least 2 persons, except in case of one person company
(3) Its paid up share capital is not more than ₹ 50 Lakhs
(4) Limits the number of its members to 200 (excluding its employees)

Ans. Option (3) is correct.

Explanation: • Earlier, the Companies Act prescribed limits on paid-up capital, but this clause has been removed after amendments.
• **A private company today must:**
- o Have a minimum of 2 members, maximum of 200
- o Restrict transfer of shares
- o Prohibit invitation to the public for securities

• There is no upper cap on paid-up capital for private companies anymore.

24. Under which Section & Act, the Central Government is empowered to prescribe a maximum number of partners in a firm, but the number of partners can not be more than 100?

(1) Section 464 of the Companies Act 1932
(2) Section 464 of the Companies Act 2013
(3) Section 4 of the Companies Act 2013
(4) Section 4 of the Companies Act 1932

Ans. Option (2) is correct.

Explanation: • Section 464 empowers the Central Government to prescribe the maximum number of partners in a firm.
• Presently, this number is 100; exceeding which requires registration under the Companies Act as a company.

25. Match **List-I** with **List-II**

List-I		List-II	
A.	Interest on calls in arrears	**I.**	Preference Shares
B.	Interest on calls in advance	**II.**	OPC
C.	Sec.2(62) of The Companies Act, 2013 defines	**III.**	12%
D.	Sec.43 of The Companies Act, 2013 defines	**IV.**	10%

Choose the **correct** answer from the options given below:

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

Ans. Option (2) is correct.

Explanation: • Interest on calls in arrears = 10% p.a. (amount not paid by shareholder)
• Interest on calls in advance = 12% p.a. (advance paid by shareholder)
• Section 2(62) defines OPC (One Person Company) – a company with only one member
• Section 43 defines equity and preference shares and their rights

26. Partner's current accounts are transferred to their respective __________ accounts of partners.

(1) Loan **(2)** Capital
(3) Current **(4)** Realisation

Ans. Option (2) is correct.

Explanation: • When the firm wants to maintain only one account per partner, balances from current accounts are transferred to the capital account.
• This is common when a firm shifts from a fixed capital method to a fluctuating capital method.

27. In which of the following situation, compulsory dissolution of partnership can be done?

(1) On the death of a partner
(2) When a partner becomes insane.
(3) When business of the firm becomes illegal.
(4) When the business of the firm cannot be carried on except at a loss,

Ans. Option (3) is correct.

Explanation: • As per Section 39 of the Indian Partnership Act, compulsory dissolution occurs:
- o If all partners (or all except one) are declared insolvent
- o If the business becomes unlawful (e.g., government bans that activity)

• **Example:** A firm dealing in wildlife products must dissolve if such trade is declared illegal.

28. At the time of admission of a partner, undistributed profits appearing in the balance sheet of the old firm is transferred to the capital account of:

(1) Old partners in old profit sharing ratio
(2) Old partners in new profit sharing ratio
(3) All the partner in the new profit sharing ratio
(4) New partner in old profit sharing ratio

Ans. Option (1) is correct.

Explanation: When a new partner is admitted to a firm, the undistributed profits or reserves (like general reserve or P&L balance) already existing in the old firm's balance sheet belong to the old partners only because these were earned before the new partner joined. Hence, these are transferred to the old partners' capital accounts in their old profit-sharing ratio.

29. Balance of share forfeiture account is shown in the balance sheet under the item:

(1) Current liabilities and provisions
(2) Reserves and surplus
(3) Share capital
(4) Unsecured Loan

Ans. Option (3) is correct.

Explanation: • Share Forfeiture Account reflects the amount received on shares that were later forfeited.
• Until the forfeited shares are reissued, the balance is shown under "Share Capital" as a deduction from the called-up capital.
• Upon reissue, the amount from forfeiture is either adjusted against the discount or transferred to the Capital Reserve.

30. X Limited Issued 10,000, 12% debentures of ₹ 100 each payable ₹ 40 on application and ₹ 60 on allotment. The public applied for 14,000 debentures. Applications for 9,000 debentures were accepted in full; applications for 2,000 debentures were allotted 1,000 debentures and the remaining applications, were rejected. All money was duly received. 12% Debenture Application A/c will be credited with -

(1) ₹ 4,00,000 **(2)** ₹ 5,60,000
(3) ₹ 4,40,000 **(4)** ₹ 6,00,000

Ans. Option (2) is correct.

Explanation: **We need to find:**
Amount credited to 12% Debenture Application A/c
That means:
Application money received = No. of debentures applied × ₹ 40

Application Category	Debentures Applied	Debentures Allotted	Application Money (Applied × ₹ 40)
Fully Accepted	9,000	9,000	9,000 × 40 = ₹ 3,60,000
Pro-rata Allotment	2,000	1,000	2,000 × 40 = ₹ 80,000
Rejected	3,000	0	3,000 × 40 = ₹ 1,20,000
Total	14,000	10,000	₹ 5,60,000

31. Choose combination of statements that are true about dissolution-

(A) Dissolution of partnership can not take place without intervention of the court.
(B) Court can order a firm to be dissolved when a partner becomes insane.
(C) A firm is compulsorily dissolved when a partner decides to retire.
(D) A partnership is dissolved when there is a death of a partner.

Choose the **correct** answer from the options given below:

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

Ans. Option (1) is correct.

Explanation: • **(A)** ✕ Incorrect: Partnership can be dissolved without court intervention by mutual agreement or expiry of the term.
• **(B)** ✓ Correct: Insolvency or insanity of a partner is a ground for court-ordered dissolution.
• **(C)** ✕ Incorrect: Retirement does not compulsorily dissolve the firm unless there's only one partner left.
• **(D)** ✓ Correct: Partnership is dissolved on a partner's death unless otherwise agreed.

32. On the admission of a new partner, increase in the value of assets is debited to:

(1) Profit and Loss Adjustment account
(2) Assets account
(3) Revaluation Account
(4) Old partner's capital account

Ans. Option (2) is correct.

Explanation: A Revaluation Account is prepared to record the increase/decrease in the value of assets and liabilities when a new partner is admitted.

An increase in asset value is debited to the assets account and credited to the Revaluation account.

33. If the partnership deed is silent on interest on capital, then:

(1) No interest on capital is payable

(2) Interest on capital is only paid to partner contributing more capital

(3) Interest on capital paid equally to all partners

(4) Interest on capital is paid @6% p.a.

Ans. Option (1) is correct.

Explanation: As per the Indian Partnership Act, 1932, if the partnership deed is silent, no interest on capital is payable to partners. This default rule can be overridden only if it is specifically mentioned in the deed.

34. Select the pair which is true about debentures-

(A) Debenture is a part of owned capital.

(B) The payment of interest on debentures is a charge on the profits of the company.

(C) The debentures cannot be issued at a discount of more than 10% of the face value.

(D) Redeemable debentures are those debentures, which are payable on the expiry of the specific period.

Choose the **correct** answer from the options given below:

(1) (B) and (D) only **(2)** (A) and (D) only

(3) (C) and (D) only **(4)** (A) and (B) only

Ans. Option (1) is correct.

Explanation: • **(A)** ✕ Incorrect: Debentures are borrowed capital, not owned capital.
• **(B)** ✓ Correct: Interest on debentures is a charge on profit.
• **(C)** ✕ Incorrect: There is no such legal limit of 10% for issuing at a discount.
• **(D)** ✓ Correct: Redeemable debentures are repaid after a specific period.

35. Calculate interest on drawing if Ram withdrew ₹ 3,000 per month at the beginning of each month for the whole year, if interest on drawing is charged @ 9 % per annum.

(1) ₹ 1455 **(2)** ₹ 1745

(3) ₹ 1485 **(4)** ₹ 1755

Ans. Option (4) is correct.

Explanation: **Interest on drawings (when withdrawn at the beginning of every month):**
Formula:
Interest = Total Drawings × Rate/100 × Average period /12
Where:
• Average period =(Time left after First Drawings +Time left after last Drawings)/2
• = 12 + 1/ 2 = 6.5 months
• Total drawings = ₹ 3,000 × 12 = ₹ 36,000
• Rate = 9% = 9/100
• n = 12 (months)

Interest = ₹ 36,000 × 9/100 × 6.5/12
= ₹ 36,000 × 0.09 × 6.5/12
= ₹ 1755

36. Match **List-I** with **List-II**

	List-I		List-II
A.	Compulsory Dissolution	**I.**	A partner persistently commits breach of partnership agreement.
B.	Happening of contingencies	**II.**	Death of a partner
C.	Dissolution by Court	**III.**	According to contract between the partners.
D.	Dissolution by agreement	**IV.**	Business becomes illegal

Choose the **correct** answer from the options given below:

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

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

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

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

Ans. Option (3) is correct.

Explanation: • **(A)** Compulsory Dissolution → (IV) Business becomes illegal
• **(B)** Happening of contingencies → (II) Death of a partner
• **(C)** Dissolution by Court → (I) Persistent breach of partnership agreement
• **(D)** Dissolution by agreement → (III) According to contract between the partners

37. Correct Journal entry for transferring interest on capital to Profit and Loss Appropriation Account is-

(1) Profit and Loss Appropriation A/c Dr. To Interest on Capital A/c

(2) Interest on Capital A/c Dr. To Partner's Capital/ Current A/cs

(3) Interest on Capital A/c Dr. To Profit and Loss Appropriation A/c

(4) Partners Capital/Current A/c's Dr. To Interest on Capital A/c

Ans. Option (1) is correct.

Explanation: Interest on Capital is considered an appropriation of profit and therefore is debited to the Profit and Loss Appropriation Account and credited to the respective partner's Capital or Current Account.

38. Unrecorded Liabilities when paid are shown in:

(1) Debit of Realisation Account

(2) Debit of Bank Account

(3) Credit of realisation Account

(4) Credit of Bank Account

Ans. Option (1) and (4) Both are correct.

Explanation: When paying unrecorded liabilities during dissolution:
• It is a loss, so it is debited to the Realisation Account and it decreases our cash or bank balance. Hence to be credited to Cash/Bank A/c.

39. Arrange the following in correct order for issue of shares-

(A) Share forfeiture **(B)** Share Application

(C) Share Allotment **(D)** Unpaid Call

Choose the **correct** answer from the options given below:

1. (B), (A), (C), (D) **2.** (B), (C), (D), (A)

3. (B), (A), (D), (C) **4.** (C), (B), (D), (A)

Ans. Option (2) is correct.

> ***Explanation:*** **Correct sequence:**
> **1.** Application →
> **2.** Allotment →
> **3.** Call (unpaid amount may arise) →
> **4.** Forfeiture (for non-payment of call)

40. Unrecorded assets when taken over by a partner are shown on:

(1) Debit of Realisation Account

(2) Debit of Bank Account

(3) Credit of Realisation Account

(4) Credit of Bank Account

Ans. Option (3) is correct.

> ***Explanation:*** When a partner takes over an unrecorded asset, the partner's capital account is debited, and the realisation account is credited, hence credited to the Realisation Account

41. Which of the following is not included in the Contents of the Partnership Deed-

(1) Names and Addresses of all partners

(2) Profit and loss sharing ratio

(3) Rate of interest on capital, loan, drawings, etc

(4) The rights, duties and liabilities of each partner's spouse

Ans. Option (4) is correct.

> ***Explanation:*** The partnership deed includes details like capital contributions, profit-sharing ratio, interest, duties, etc. It does not include anything related to the spouse of the partner's, as they are not part of the business agreement.

42. Dissolution by Court happens:

(1) Death of a partner

(2) With the consent of all partners

(3) When a partner becomes insane

(4) When the adjudication of a partner as an insolvent

Ans. Option (3) is correct.

> ***Explanation:*** A court can order the dissolution of a firm under certain conditions, such as when a partner becomes insane, commits misconduct or is permanently incapable of performing duties.

43. Which of the following is not a way of issuing debentures-

(1) Issue of Debenture at Par

(2) Issue of Debenture at capital

(3) Issue of Debentures at premium

(4) Issue of Debentures at discount

Ans. Option (2) is correct.

> ***Explanation:*** **There are three standard ways of issuing debentures:**
> **1.** At Par – Issued at their face value (e.g., ₹100 debenture issued for ₹100).
> **2.** At Premium – Issued at a price higher than face value (e.g., ₹100 debenture issued for ₹110).
> **3.** At Discount – Issued at a price lower than face value (e.g., ₹100 debenture issued for ₹90).
> "Issue of Debenture at Capital" is not a recognised method of issuing debentures.
> Debentures are financial instruments representing loans, not capital contributions (like equity shares). The term "at capital" is not used in debenture issuance contexts.

44. Murli, Naveen and Omprakash are partners sharing profits in the ratio of 3/8, 1/2 and 1/8 . Murli retires and surrenders 2/3rd of his share in favour of Naveen and the remaining share in favour of Omprakash. The gaining ratio of the remaining partners is-

(1) 3:1 **(2)** 2:1

(3) 2:3 **(4)** 3:4

Ans. Option (2) is correct.

> ***Explanation:*** **1. Old Ratio:**
> • Murli = 3/8
> • Naveen = 1/2 = 4/8
> • Omprakash = 1/8
> **2. Murli's Share to be Distributed:**
> Murli is retiring. His share = 3/8
> • 2/3 of 3/8 goes to Naveen → 2/3×3/8 = 6/24
> • 1/3 of 3/8 goes to Omprakash → 1/3×3/8 = 3/24
> **3. Gaining Ratio:**
> **Gaining ratio = How much each partner gains from Murli:**
> • Naveen gains = 1/4
> • Omprakash gains = 1/8
> • Naveen gains 1/4 = 2 parts
> • Omprakash gains 1/8 = 1 part
> Gaining Ratio=2:1

45. The director of Poly Plastic Limited resolved that 200 equity shares of ₹ 100 each be forfeited for non-payment of the second and final call of ₹ 30 per share. Out of these, 150 shares were re-issued at ₹ 60 per share to Mohit. Profit on reissue of forfeited shares transferred to capital reserve. Amount credited to capital reserve account is-

(1) ₹ 5400 **(2)** ₹ 6000

(3) ₹ 4500 **(4)** ₹ 9000

Ans. Option (3) is correct.

> ***Explanation:*** • Forfeited Amount per share = ₹70
> • For 150 shares = ₹70 × 150 = ₹10,500
> • Reissued at ₹60, so discount = ₹40 per share
> • Discount on 150 shares = ₹6,000
> • Capital Reserve = ₹10,500 – ₹6,000 = ₹4,500

46. Arrange the following in correct sequence in preparation of the Balance sheet of a company.

(A) Non-current Liabilities

(B) Shareholder's Funds

(C) Current Liabilities
(D) Contingent liabilities
Choose the **correct** answer from the options given below:

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

Ans. Option (2) is correct.

> *Explanation:* **According to the Revised Schedule III of the Companies Act, 2013, the order of presentation on the liability side of the Balance Sheet is as follows:**
> **1.** Shareholder's Funds – Equity Share Capital, Reserves & Surplus, etc.
> 2. Non-current Liabilities – Long-term borrowings, deferred tax liabilities, etc.
> 3. Current Liabilities – Trade payables, short-term borrowings, etc.
> 4. Contingent Liabilities – Shown as a footnote to the balance sheet (not part of totals but must be disclosed).

47. Which of the following is not true about Comparative Statements:

(1) These are the statements showing the profitability and financial position of a firm for different periods of time.
(2) This analysis is also known as 'vertical analysis'.
(3) Comparative figures indicate the trend and direction of financial position and operating results.
(4) The financial data will be comparative only when same accounting principles are used in preparing these statements.

Ans. Option (2) is correct.

> *Explanation:* **• Statement 1 – True:**
> Comparative statements compare profitability and financial position over different periods, helping in time-series analysis.
> **• Statement 2 – ✕ Not True:**
> Comparative statements involve horizontal analysis (comparing figures across multiple years), not vertical analysis.
> → Vertical analysis is a single-period analysis of financial statements by expressing each item as a percentage of a base figure (like sales or total assets).
> **• Statement 3 – True:**
> Comparative figures indeed help in spotting trends and evaluating performance over time.
> **• Statement 4 – True:**
> For data to be comparable, the same accounting principles must be used consistently across periods.

48. The two basic measures of liquidity are:

(1) Inventory turnover and current ratio
(2) Liquid ratio, trade receivable
(3) Current ratio and liquid ratio
(4) Current ratio and average collection period

Ans. Option (3) is correct.

> *Explanation:* (These are the primary ratios used to assess a firm's short-term liquidity position.)

49. Match **List-I** with **List-II**

	List-I		**List-II**
A.	Comparative statements	**I.**	Operating Activities
B.	Common Size Statement	**II.**	Horizontal Analysis
C.	Cash flow Analysis	**III.**	Debt Equity Ratio
D.	Ratio Analysis	**IV.**	Vertical Analysis

Choose the **correct** answer from the options given below:

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

Ans. Option (1) is correct.

> *Explanation:* **1. (A)** Comparative Statements → (II) Horizontal Analysis
> o Reason: Comparative statements involve comparing financial data across different periods. This comparison over time is known as horizontal analysis, where changes are evaluated in terms of percentage or amount from one period to another.
> **2. (B)** Common Size Statement → (IV) Vertical Analysis
> o Reason: A common-size statement presents all items as a percentage of a base figure (e.g., total sales or total assets). This is a vertical analysis, which analyses financial statements within a single period.
> **3. (C)** Cash Flow Analysis → (I) Operating Activities
> o Reason: Cash flow analysis evaluates cash inflows and outflows, which are categorised into three activities: operating, investing, and financing. One key focus area is operating activities, which reflect the company's core business operations.
> **4. (D)** Ratio Analysis → (III) Debt Equity Ratio
> o Reason: Ratio analysis involves calculating financial ratios to evaluate performance. The Debt Equity Ratio is a classic example of this, assessing a company's financial leverage.

50. Which of following is not Cash Inflows from Investing Activities

(1) Cash receipt from disposal of fixed assets including intangibles
(2) Interest received in cash from loans and advances
(3) Dividend received from investments in other enterprises.
(4) Cash proceeds from the sale of goods

Ans. Option (4) is correct.

> *Explanation:* (This is classified under operating activities, not investing activities.)

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