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#### an International CBSE Finger Print School

**Coimbatore**

#### CHAPTER 2 –ACCOUNTING FOR PARTNERSHIP: FUNDAMENTALS

**I.MULTIPLE CHOICE QUESTIONS**

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| Sr.No | Question: |
| 1. | For which one of the following, the balance in the Securities premium Reserve Account cannot be used?   1. To write off the preliminary expenses of the company 2. To pay a premium on the redemption of preference shares of the company. 3. To pay interest on the debentures of the company 4. To pay for buyback of its own shares. |
| 2. | Capital employed in a business is Rs. 2,00,000. Normal Rate of Return on capital employed is 15%. During the year, the firm earned a profit of Rs. 48,000. Calculate goodwill on the basis of 3 years’ purchase of Supper Profit.  (A) Rs. 54,000  (B) Rs. 60,000  (C) Rs. 50,000  (D) None of these |
| 3. | Galib&Jakib are partners in a firm. Galib is to get commission of 10% of net profit before charging any commission. Jakib is to get a commission of 10% on net profit after charging all commissions. Net Profit for the year ended 31st March, 2021 was Rs 55,000. What will be amount of Profit to be distributed to each?   1. Rs. 5,500 to Galib& Rs. 4,500 to Jakib. 2. Rs. 27,500 each. 3. Rs. 22,500 each. 4. None of the above |
| 4. | If the guarantee is given to the partner by some partners, deficiency on such will be borne by  (A) Partnership firm.  (D) All of the other partners. |

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|  | 1. Partners who had given the guarantee. 2. None of the above |
| 5. | If the Partners are maintaining the capital account on Fixed basis, partner’s capital account will have:   1. Credit balance. 2. Debit balance. 3. Credit or Debit balance. 4. May have Nil balance |
| 6. | If the partnership deed is silent interest on drawings will be charged @   1. 6% P.a 2. 6% P.m 3. Any other Rate. 4. Will not be charged |
| 7. | Which is not the clause of the Partnership Deed?   1. Business can be carried on by all or any of the partner’s acting for all. 2. Commencement of business. 3. Rights & Duties of Partner. 4. None of the above |
| 8. | The Net profits of Kamini were Rs. 20,000. Gulafsa the manager was to be given the commission of Rs 6,000; the distribution of profits will be done as:   1. Rs. 10,000 to each. 2. Rs. 7,000 to each. 3. Rs. 13,000 to each. 4. None of the above |
| 9. | Shalu, Shan& Julie are partners sharing profits in the ratio of 6 : 4 : 1. Julie is guaranteed a minimum profit of Rs. 20,000. The firm incurred a loss of Rs.  2,20,000 for the year ended 31st March, 2021. What amount of deficiency will be borne by Shaluand Shan.  (A) Rs. 10,000 each. |

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|  | 1. Rs. 20,000 each. 2. Rs. 24,000 by Shalu& Rs. 16,000 by Shan. 3. Rs. 12,000 by Shalu& Rs. 8,000 by Shan. |
| 10. | Om& Prakash were partner’s without any deed where Prakash invested the total capital and Om had the complete hold on the business as Prakash was the sleeping partner, but as Prakash invested complete capital demanded to share the profits in the Ratio of 5 : 1 and Om object’s to this.   1. Om’s objection is correct. 2. Prakash’s demand is correct. 3. Both are wrong. 4. As investment is of Prakash he should be given interest on capital. |
| 11. | Following are essential elements of a partnership firm except:   1. At least two persons. 2. There is an agreement between all partners. 3. Equal share of profits and losses. 4. Partnership agreement is for some business. |
| 12. | Which of the following items is not dealt through Profit and Loss Appropriation Account?   1. Interest on Partner’s Loan 2. Partner’s Salary 3. Interest on Partner’s Capital 4. Partner’s Commission |
| 13. | A partner withdrew Rs. 4,000 per month from 1st July, 2016, on beginning of every month. Accounts are closed at 31st March, 2017. Calculate interest on drawings while rate of interest is 10% per annum.  (A) Rs. 1,600  (B) Rs. 1,800  (C) Rs. 1,500 |

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|  | | (D) Rs. 2,200 | |  |
| 14. | | A, B and C sharing profits in the ratio of 2: 2: 1 have fixed capitals of Rs. 3,00,000, Rs. 2,00,000 and Rs. 1,00,000 respectively. After closing the accounts for the year ending 31st March 2019 it was discovered that interest on capitals was provided @ 12% instead of 10% p.a. In the adjusting entry:   1. Cr. A Rs. 1,200; Dr. B Rs. 800 and Dr. C Rs. 400 2. Dr. A Rs. 1,200; Cr. B Rs. 800 and Cr. C Rs. 400 3. Cr. A Rs. 800; Cr. B Rs. 400 and Dr. C Rs. 1,200 4. Dr. A Rs. 800; Dr. B Rs. 400 and Cr. C Rs. 1,200 | |
| 15. | | A partner withdraws Rs.8,000 each on 1st April and 1st Oct. Interest on his drawings @ 6% p.a. on 31st March will be:   1. Rs. 480 2. Rs.720 3. Rs. 240 4. Rs. 960 | |
|  | 16 | | [ A&E] If Goodwill is Rs. 1,20,000, Average Profit is Rs. 60,000 Normal. Rate of Return is10% on Capital Employed Rs. 4,80,000. Calculate capitalized value of the firm:-  a. Rs. 6,00,000  b. Rs. 5,00,000  c. Rs. 4,00,000  d. Rs. 7,00,000 | |
| 17 | | [ A ] A business has earned Super profit of Rs. 1,00,000during the last few years and Normal rate of returns in 10% Calculate goodwill  a. Rs. 10,00,000  b. Rs. 54,000  C. 20,000  d. 36,000 | |
| 18 | | (U)Rani and Shyam is partner in a firm. They are entitled to interest on their capital but the net profit was not sufficient for paying his interest, then the net profit will be disturbed among partner in | |

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|  | a. 1:2   1. profit sharing ratio 2. capital ratio 3. equally |
| 19 | [ U ] Which one of the following items is recorded in the Profit and Loss appropriation account   1. Interest on loan 2. Partner Salary 3. Rent paid to Partner 4. Managers commission |
| 20 | [ R ] Salary to a partner under fixed capital account is credited to   1. Partner’s Capital A/c 2. Partner’s current A/c 3. Profit & Loss A/c 4. Partner’s Loan A/c |
| 21 | In the absence of partnership deed partner share profit and loss in   1. Ratio of Capital Employed 2. Equal ratio   c. 2:1  d. 1:2 |
| 22 | (A&E) A, B, and C are partner’s sharing profits in the ratio of 5:3:2According to the partnership agreement C is to get a minimum amount of Rs. 10,000 as his share of profits every year. The net profit for the year ended 31st March, 2019 amounted to Rs. 40,000. How much amount contributed by A?  a. Rs. 1.350  b. Rs . 1,250  c. Rs. 750  d. Rs. 1,225 |
| 23 | [ R ] The relation of the partner with the firm is that of   1. An owner 2. An agent and A Principal 3. An agent 4. Manager |
| 24 | [ R ] If the partner carries on the business that is similar to firm competition with the firm and profit earned from it, the profit   1. Shall be retained by the partner 2. Shall be paid to firm 3. Can be retained or gained to the firm 4. Both (A) and (B). |

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| 25 | [U ] Closing entry for interest on loan allowed to partners   1. Interest on partner’s loan …Dr.   To Profit and Loss A/c   1. Interest on loan …Dr.   To Profit and Loss Appropriation A/c   1. Profit and Loss Appropriation A/c …Dr.   To interest on partner’s loan A/c   1. Profit and Loss Appropriation A/c …Dr. To interest on loan A/c |
| 26 | Features of a partnership firm are :   1. Two or more persons are carrying common business under an agreement. 2. They are sharing profits and losses in the fixed ratio. 3. Business is carried by all or any of them acting tor all as an agent. 4. All of the above. |
| 27 | Which of the following statement is true?   1. a minor cannot be admitted as a partner 2. a minor can be admitted as a partner, only into the benefits of the partnership 3. a minor can be admitted as a partner but his rights and liabilities are same of adult partner 4. none of the above |
| 28 | The relation of partner with the firm is that of:   1. An Owner 2. An Agent 3. An Owner and an Agent 4. Manager |
| 29 | What should be the minimum number of persons to form a Partnership :   1. 2 2. 7 3. 10 4. 20 |
| 30 | Number of partners in a partnership firm may be :   1. Maximum Two 2. Maximum Ten 3. Maximum One Hundred 4. Maximum Fifty |

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| 31 | Liability of partner is :   1. Limited 2. Unlimited 3. Determined by Court 4. Determined by Partnership Act |
| 32 | In the absence of Partnership Deed, the interest is allowed on partner’s capital:  (A) @ 5% p.a.  (B) @ 6% p.a. (C) @ 12% p.a.  (D) No interest is allowed |
| 33 | In the absence of a partnership deed, the allowable rate of interest on partner’s loan account will be :   1. 6% Simple Interest 2. 6% p.a. Simple Interest 3. 12% Simple Interest 4. 12% Compounded Annually |
| 34 | A and B are partners in partnership firm without any agreement. A has given a loan of ₹50,000 to the firm. At the end of year loss was incurred in the business. Following interest may be paid to A by the firm :   1. @5% Per Annum 2. @ 6% Per Annum 3. @ 6% Per Month 4. As there is a loss in the business, interest can’t be paid |
| 35 | A and B are partners in a partnership firm without any agreement. A has withdrawn Rs.50,000 out of his Capital as drawings. Interest on drawings may be charged from A by the firm :   1. @ 5% Per Annum 2. @ 6% Per Annum 3. @ 6% Per Month 4. No interest can be charged |
| 36 | Capital employed by a partnership firm is Rs10,00,000. Its average profit is Rs 1,20,000. The normal rate of return in similar type of business is 10%. What is the amount of super profits?  (a) Rs 12,000  (b) Rs 20,000  (c) Rs 1,00,000  (d) Rs 1,12,000  Ans:- Rs 20,000 |
| 37 | Naman Enterprises earn a profit of Rs. 90,000 with a capital of Rs. 4,00,000. The  normal rate of return in the business is 15%. Use Capitalization of super profit |

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|  | method to value the goodwill.  (a) Rs.1,50,000  (b) Rs. 2,00,000  (c) Rs.2,25,000  (d) Rs.2,50,000  Ans:- (b) Rs. 2,00,000 |
| 38 | Super Profit means   1. Excess of average profit over normal profit 2. Average profit 3. None of these 4. Normal profit   Ans:- (a) Excess of average profit over normal profit |
| 39 | X and Y shared profits and losses in the ratio of 3:2 with effect from 1st April, 2019; they decided to share profits equally. Goodwill of the firm was valued at Rs.60,000. The adjustment entry for Goodwill will be:   1. Dr. Y’s Capital A/c and Cr. X’s Capital A/c with Rs.6,000. 2. Dr. X’s Capital A/c and Cr. Y’s Capital A/c with Rs.6,000. 3. Dr. X’s Capital A/c and Cr. Y’s Capital A/c with Rs.600. 4. Dr. Y’s Capital A/c and Cr. X’s Capital A/c with Rs.600.   Ans:- a) Dr. Y’s Capital A/c and Cr. X’s Capital A/c with Rs.6,000 |
| 40 | What are super profits   1. Actual profit – Normal Profit 2. Normal Profit - Actual profit 3. Actual profit + Normal Profit 4. )None of the above 5. Ans:- (a) Actual profit – Normal Profit |
| 41 | Capital employed in the firm is Rs. 15,00,000 and normal rate of return in similar businesses is 10%. What is the amount of Actual Average Profit?  (a) Rs. 2,50,000  (b) Rs. 1,20,000  (c) Rs. 2,17,000  (d) None of the above Ans:- (c) Rs. 2,17,000 |
| 42 | Following are the factors affecting goodwill except:  (a) Efficiency of Management |

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|  | 1. Location of the Customers 2. Technical Knowledge 3. Nature of business   Ans:- (c) Technical Knowledge. |
| 43 | X,Y and Z are partners in a firm. At the time of division of profit for the year there was dispute between the partners. Profit before interest on partner’s capital was Rs. 6,00,000 and Z demanded minimum profit of Rs. 5,00,000 as his financial position was not good. However, there was no written agreement on this point. How will the profit be distributed?   1. Other partners will pay Z the minimum profit and will share the loss equally 2. Other partners will pay Z the minimum profit and will share the loss in capital ratio. 3. X and Y will take Rs. 50,000 each and Z will take Rs. 5,00,000. 4. Rs. 2,00,000 to each of the partners. Ans:- (d) Rs. 2,00,000 to each of the partners. |
| 44 | Which of the following is not a method of valuing goodwill?   1. Discounted Cash Flow Method 2. Average Profit Method 3. Super Profit Method 4. Capitalisation Method   Ans:- (a) Discounted Cash Flow Method |
| 45 | A, B and C are partners sharing profits in the ratio of capitals (old 5:3:2 and new 2:3:5). Their capital after adjustment in the new capital ratio is Rs 20,000, Rs 30000, Rs 50000. Who will bring the amount of actual cash for adjustment?   1. None of these 2. C 3. B 4. A   Ans:- (b) C |
| 46 | In absence of partnership deed, partners are entitled to:  a) Salary b) Commission c) Interest on capital d) None of the above |
| 47 | If drawings are made at the beginning of each month , then interest is calculated for:  a) 6 months b) 5.5 months c) 6.5 months d) 12 months |

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| 48 | In the absence of partnership deed, interest on loan of a partner is allowed:  a) At 8% p.a b) At 6% p.a c) No interest is allowed  d) At 12% p.a |
| 49 | Which of the following is not an appropriation of profits?  a) Interest on capital b) Interest on loan c) Commission of partner d) None of the above |
| 50 | Interest on partners loan is treated as:  a) Charge against profit b) Appropriation out of profits  c) Either (a) or (b) d) None of the above |
| 51 | Which of the following can be claimed by a partner even in case of no partnership deed?  a) Profit in equal ratio b) Commission c) Salary d)Interest on loan |
| 52 | In case of fixed capital, interest on drawings:  a) Debited to partners capital account b)Debited to partners current account c)Either (a) or (b) d) None of the above |
| 53 | A firm has earned average profit of Rs 60,000. Rate of return on capital employed is 12.5% p.a. Total capital employed in the firm is Rs 4, 00,000. Goodwill on the basis of two years purchase of super profits is:  a) 20,000 b) 15,000 c) 10,000 d) 25,000 |
| 54 | In order to calculate normal profit for valuation of goodwill: a)Abnormal losses are added b) Abnormal gain are deducted  c) Both (a) or (b) d) None of the above |
| 55 | Interest on capital is allowed on the:  a) Capital at the end of the year b) Opening capital c) Average capital d) Capital employed |

**ANSWER KEY**

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| Q.NO. | ANSWER |
| 1. | C |
| 2. | A |
| 3. | C |
| 4. | C |
| 5. | A |
| 6. | D |
| 7. | A |
| 8. | B |
| 9. | C |
| 10. | A |
| 11. | C |
| 12. | A |
| 13. | C |
| 14. | B |
| 15. | B |
| 16 | A |
| 17 | A |
| 18 | C |
| 19 | A |
| 20 | B |
| 21 | B |
| 22 | A |

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| 23 | B |
| 24 | B |
| 25 | C |
| 26 | D |
| 27 | B |
| 28 | C |
| 29 | A |
| 30 | D |
| 31 | B |
| 32 | D |
| 33 | B |
| 34 | B |
| 35 | D |
| 36 | B |
| 37 | B |
| 38 | A |
| 39 | A |
| 40 | A |
| 41 | C |
| 42 | C |
| 43 | D |
| 44 | A |
| 45 | B |
| 46 | d)None of the above |

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| 47 | c)6.5 months |
| 48 | b) At 6% p.a |
| 49 | b) Interest on loan |
| 50 | a)Charge against profit |
| 51 | a)Profit in equal ratio |
| 52 | b)Debited to partners current account |
| 53 | a) 20,000 |
| 54 | c) Both (a) or (b) |
| 55 | b) Opening capital |

**PREPARED BY THE PGTs ( COMMERCE ) OF BHUBANESWAR, GUWAHATI, KOLKATA, RANCHI, SILCHAR AND TINSUKIA REGIONS.**

### CHAPTER 3:- CHANGE IN PROFIT SHARING RATIO AMONG EXISTING PARTNERS

**MULTIPLE CHOICE QUESTIONS:-**

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| **Q.NO.** | **QUESTIONS** |
| 1 | The ratio in which a partner receives a rise in his share of profits is known as:   1. New Ratio 2. Sacrificing Ratio 3. Capital Ratio 4. Gaining Ratio |
| 2 | Sacrificing ratio is the difference between :   1. New ratio and old ratio 2. Old ratio and new ratio 3. New ratio and gaining ratio 4. Old ratio and gaining ratio |
| 3 | In case of change in profit-sharing ratio, the accumulated profits are distributed to the partners in   1. new ratio 2. old ratio 3. sacrificing ratio 4. equal ratio |
| 4 | Ajay,Bijay and Sujay are partners sharing profits and losses in the ratio of 5:3:2.They decide to share the future profits in the ratio of 3:2:1. Workmen compensation reserve appearing in the balance sheet on the date if no information is available for the same will be:  A. Distributed among the partners in old profit sharing ratio B Distributed among the partners in new profit sharing ratio  C. Distributed among the partners in capital ratio  D.Carried forward to new balance sheet without any adjustment |
| 5 | Alok and Bhupesh are partners in a firm sharing profits in the ratio of 3 : 2. They decided to share future profits equally. Calculate Alok’s gain or sacrifice   1. 2/10 (sacrifice) 2. 5/10 (gain) 3. 1/10 (Gain) 4. 1/10 (sacrifice) |
| 6 | A, B and Care partner sharing profits in the ratio of 2 : 4 : 6. On 1-4-2022 theydecided to share the profits equally. On the date there was a credit balance of Rs.1,20,000 in their Profit and Loss Account and a balance of Rs.1,80,000 in GeneralReserve Account. Instead of closing the General Reserve Account and Profit andLoss Account, it is decided to record an adjustment entry for the same. In  thenecessary adjustment entry to give effect to the above arrangement: |

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|  | A. Dr. A by Rs. 50,000; Cr. B by Rs. 50,000  B. Cr. A by Rs. 50,000; Dr. B by Rs. 50,000  C. Dr. A by Rs. 50,000; Cr. C by Rs. 50,000  D.Cr. A by Rs. 50,000; Dr. C by Rs. 50,000 |
| 7 | Which section of Indian Partnership Act, 1932 defines partnership as "Partnership is the relation between persons who have agreed to share the profits of a business carried by all or any of them acting for all."   1. Section 4 2. Section 2 3. Section 40 4. Section 42 |
| 8 | Feature of a partnership firm:   1. Two or more persons are carrying common business under an agreement. 2. They are sharing profits and losses in the fixed ratio. 3. Business is carried by all or any of them acting for all as an agent. 4. All of these |
| 9 | Which one from the below is not a right of a partner?   1. Right to inspect the books of accounts 2. Right to take part in the management of the firm 3. Right to share the profit/losses with other partners in agreed ratio 4. Right to receive salary at the end of every year |
| 10 | P, Q, and R are partners in 6 : 4 : 2. R is guaranteed that his share of profit will not be less than rs.70,000. Any deficiency will be borne by P and Q in the ratio of 4 : 2. Firm’s profit was rs.2,40,000. Share of P will be :  A. Rs.1,00,000  B. Rs.1,10,000  C. Rs.1,20,000  D. Rs.1,02,000 |

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| 11 | Any change in the relationship of existing partners, resulting in the end of existing agreement and formation of new agreement is termed as  (A) Revaluation of partnership (B)Realisation of partnership   1. Reconstitution of partnership firm 2. Reconstitution of partnership |
| 12 | Which of the following is not transferred to partners’ capital accoumt? |

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|  | 1. Retained earnings 2. General Reserve 3. Employees Provident Fund 4. Contingency Reserve |
| 13 | State the ratio in which the partners share all the accumulated profits, reserves, losses at the time of change in profit sharing ratio.   1. Old profit sharing ratio 2. New profit sharing ratio (C)Sacricing ratio   (D) Gaining ratio |
| 14 | Which of the following statement is correct for Revaluation account?   1. Increase in the value of an asset is credited to Revaluation account 2. Increase in the amount of a liability is debited to Revaluation account 3. Decrease in the value of an asset is credited to Revaluation account 4. Decrease in the amount of a liability is credited to Revaluation account |
| 15 | Sacrificing ratio is calculated as   1. New ratio – Old ratio 2. Old ratio – Gaining ratio 3. Gaining ratio – Old ratio 4. Old ratio – New ratio |
| 16 | Ankita and Neha are sharing profits in the ratio of 2:1. Now they have decided that new profit sharing ratio will be equal. What will be the Gain/Sacrifice ratio?   1. Ankita gain 1/6 and Neha sacrifice 1/6 2. Ankita sacrifice 1/6and Neha gain 1/6 3. Ankita gain 4/5 and Neha sacrifice 4/5 (D)Ankita sacrifice 2/3 and Neha gain 1/6 |
| 17 | Sanjeev and Shalu were partners sharing profits in the ratio of 3:2. From 1stApril 2020, they decided to change it to 3:1. For this purpose the goodwill was valued at  ₹ 1,20,000. Journal entry for the above transaction will be |

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|  | (A) Sanjeev capital A/c debit ₹20,000 and Shalu capital A/c credit ₹20,000 (B)Shalu capital A/c debit ₹20,000 and Sanjeev capital A/c credit ₹20,000   1. Sanjeev capital A/c debit ₹18,000 and Shalu capital A/c credit ₹18,000 2. Shalu capital A/c debit ₹18,000 and Sanjeev capital A/c credit ₹18,000 |
| 18 | Sun, Moon and Star are partners sharing profits in the ratio of 5:3:2. With effect from 1st July 2020, they agreed to share future profits 2:3:5. They decided to record the following with affecting the values.  Profit & Loss A/c (Cr.) - ₹24,000 Advertisement Suspense A/c - ₹12,000  What is the impact of the above adjustments on Moon?   1. No effect on Moon 2. Moon debit by ₹ 3,600 3. Moon credit by ₹ 3,600 4. Moon debit by ₹ 12,000 |
| 19 | Amar, Akbar and Anthony are partners in the ratio of 2:2:1. On 31stMarch, 2021 they decided to share equally in future.  Market value of Investments is ₹93,000. What amount will be debited/credited to partner’s capital account?   1. Investment Fluctuation Reserve credited as ₹2,000: ₹2,000:₹1,000 2. Investment Fluctuation Reserve debited as ₹2,000: ₹2,000:₹1,000 3. It will not be debited to capitals 4. It will not be credited to capitals |
| 20 | P, Q and R were partners in the ratio of 3:2:1. As on 1st July 2020, they decided to  alter their ratio. For this purpose P decided to give ¼ of his share to Q, and Q |

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| Balance Sheet (Extract)  As on 31st March, 2021 | | | |
| Liabilities | ₹ | Assets | ₹ |
| Investment Fluctuation  Reserve | 12,000 | Investments | 1,00,000 |

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|  | decided to give ½ of his share to P and R equally. What will be the Sacrifice/Gain of P?   1. 3/24 Sacrifice 2. 1/24 Sacrifice 3. 2/24 Gain 4. 1/24 Gain |
| 21 | Which of the following does not result into reconstitution of a firm?   1. Dissolution of partnership firm 2. Dissolution of partnership 3. Change in profit sharing ratio of existing partners 4. Death of a partner |
| 22 | Any change in the relationship of existing partners which results in an end of the existing agreement and enforces making of new· agreement is called: (A)Revaluation of partnership   1. Reconstitution of partnership 2. Realisation of partnership (D)Dissolution of firm |
| 23 | A and B are partners in a firm sharing profits in the ratio of 3 : 2. They decided to share future profits equally. Calculate A’s gain or sacrifice   1. 2/10 (sacrifice) 2. 5/10 (gain) 3. 1/10 (Gain) 4. 1/10 (sacrifice) |
| 24 | Increase and decrease in the value of assets and liabilities are recorded through:   1. Partners' Capital Accounts 2. Revaluation Account 3. Profit and Loss Appropriation Ne 4. Profit and loss account |
| 25 | Pawan and Gouravwere partners in a firm sharing profits in the ratio of 2 : 1. With effect from 1st January, 2021, they decided to share profits and losses equally.  Individual partner’s gain or sacrifice due to change in the ratio will be:   1. Gain by Pawan 1/6, sacrifice by Gaurav 1/6 2. Sacrifice by Pawan 1/6, gain by Gaurav 1/6 3. Gain by Pawan 1/2, sacrifice by Gaurav 1/2 4. Sacrifice by Pawan 1/2, gain by Gaurav 1/2 |
| 26 | In case of change in profit-sharing ratio, the gaining partner must compensate the sacrificing partners by paying the proportional amount of  (a)capital (b)cash (c)goodwill  (d) profits |

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| 27 | R, S and T sharing profits and losses in the ratio of 1:2:3, decided to share future profit and losses equally. They also decided to adjust the following accumulated profits, losses and reserves without affecting their book figures, by passing a single adjustment entry:  General Reserve http://www.techvorm.com/wp-content/uploads/2010/07/Indian-Currency-Symbol.png 40000 Profit and Loss A/c http://www.techvorm.com/wp-content/uploads/2010/07/Indian-Currency-Symbol.png 30000  Deferred revenue expenditure http://www.techvorm.com/wp-content/uploads/2010/07/Indian-Currency-Symbol.png 10000 The necessary .adjustment entry will be:   1. Dr. R and Cr. T by http://www.techvorm.com/wp-content/uploads/2010/07/Indian-Currency-Symbol.png 10,000 2. Dr. T and Cr. R by http://www.techvorm.com/wp-content/uploads/2010/07/Indian-Currency-Symbol.png10,000 3. Dr. S and Cr. R by http://www.techvorm.com/wp-content/uploads/2010/07/Indian-Currency-Symbol.png10,000 4. Dr.R and Cr. S by http://www.techvorm.com/wp-content/uploads/2010/07/Indian-Currency-Symbol.png 10,000 |
| 28 | P , Q and R are partners in a firm sharing profits in the ratio of 5:4:1. They decided to share future profits equally. The goodwill was valued at Rs. 60,000. The adjusting journal entry will be:   1. R's Capital A/c Dr. 14,000   To P's Capital A/c 10,000  To Q's Capital A/e 4,000   1. R's Capital A/c Dr. 20,000   To P's Capital A/c 10,000 To Q's Capital A/C 10,000   1. P's Capital A/e Dr. 10,000 Q's Capital A/c D r. 4,000   To R's Capital A/c 14,000   1. Goodwill A/C Dr. 60,000   To P's Capital A/c 20,000  To Q's Capital A/c 20,000 To R's Capital A/c 20.000 |
| 29 | X,Y and Z are partners sharing profits and losses in the ratio of 5:3:2.They decide to share the future profits in the ratio of 3:2:1. Workmen compensation reserve appearing in the balance sheet on the date if no information is available for the same will be:   1. Distributed among the partners in capital ratio 2. Distributed among the partners in new profit sharing ratio 3. Distributed among the partners in old profit sharing ratio 4. Carried forward to new balance sheet without any adjustment |
| 30 | A,B and C were partners in a firm sharing profits in the ratio of 3:4:1 .They decided to share profits equally w.e.f from 1 .4.2019. On that date the profit and loss account showed the credit balance of 96,000.instead of closing the profit and loss  account ,it was decided to record an adjustment entry reflecting the change in |

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|  | profit sharing ratio .In the journal entry:  a) Dr. A by 4,000; Dr. B by 16,000; Cr C by 20,000  b) Cr. A by 4,000; Cr. B by 16,000; Dr C by 20,000  c) Cr. A by 16,000; Cr. B by 4,000; Dr C by 20,000  d) Dr. A by 16,000; Dr. B by 4,000; Cr C by 20,000 |
| 31 | X, Y and Z are in a partnership firm sharing profits in the ratio 4 : 3 : 1. The partners agreed to share future profits in the ratio 5 : 4 : 3. Each partners’s gain or sacrifice due to change in ratio will be:   1. X’s Sacrifice 2/24; Y’s Sacrifice 1/24; Z’s Gain 3/24 2. X’s Gain 2/24; Y’s Gain 1/24; Z’s Sacrifice 3/24 3. X’s Sacrifice 1/24; Y’s Sacrifice 2/24; Z’s Gain 3/24 4. X’s Sacrifice 2/24; Y’s Gain 3/24; Z’s Sacrifice 1/24 |
| 32 | Komal and Sunita are partners with capitals of Rs.3,00,000 and Rs.2,00,000 respectively. Normal rate of return is 15% and goodwill calculated at 2 years purchase of Super profits is valued at Rs.1,00,000. What were the average profits of the firm?  (a) Rs.80,000  (b) Rs.1,25,000  (c) Rs.2,75,000  (d) Rs.95,000 |

#### ANSWER KEY

|  |  |
| --- | --- |
| **Q.NO.** | **ANSWERS** |
| 1 | D |
| 2 | B |
| 3 | D |
| 4 | A |
| 5 | D |
| 6 | C |
| 7 | A |
| 8 | B |

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| --- | --- |
| 9 | D |
| 10 | A |
| 11 | (D) Reconstitution of partnership |
| 12 | (C) Employees Provident Fund |
| 13 | (A) Old profit sharing ratio |
| 14 | (C) Decrease in the value of an asset is credited to Revaluation account |
| 15 | (D) Old ratio – New ratio |
| 16 | (B) Ankita sacrifice 1/6and Neha gain 1/6 |
| 17 | (D) Shalu capital A/c debit ₹18,000 and Sanjeev capital A/c credit ₹18,000 |
| 18 | (A) No effect on Moon |
| 19 | (A) Investment Fluctuation Reserve credited as ₹2,000: ₹2,000:₹1,000 |
| 20 | (B) 1/24 Sacrifice |
| 21 | A |
| 22 | B |
| 23 | D |
| 24 | B |
| 25 | B |
| 26 | C |
| 27 | A |
| 28 | A |
| 29 | C |
| 30 | B |
| 31 | A |
| 32 | B |

##### PREPARED BY THE PGTs ( COMMERCE ) OF BHUBANESWAR, GUWAHATI, KOLKATA, RANCHI, SILCHAR AND TINSUKIA REGIONS.

Accountancy

Chapter 4: Admission of a Partner

MULTIPLE CHOICE QUESTIONS

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| Sl. No | Question: |
| 01 | A and B share profits and losses equally. They have ₹ 20,000each as capital. They |
|  | admit C as equal partner and goodwill was valued at ₹ 30,000. Cis to bring in |
|  | ₹ 30,000as his capital and necessary cash towards his share of goodwill. Goodwill |
|  | Account will not remain open in books. If profit on revaluation is ₹ 13,000,find the |
|  | closing balance of the capital accounts. |
|  | (A) ₹ 31,500;₹ 31,500; ₹ 30,000 |
|  | (B) ₹ 31,500; ₹ 31,500; ₹ 20,000 |
|  | (C) ₹ 26,500; ₹ 26,500; ₹ 30,000 |
|  | (D) ₹ 20,000;₹ 20,000; ₹ 30,000 |
| 02 | If, at the time of admission, the revaluation A/c shows a profit, it should be |
|  | credited to : |
|  | (A) Old partners capital accounts in the old profit sharing ratio. |
|  | (B) All partners capital accounts in the new profit sharing ratio. |
|  | (C) Old partners capital accounts in the new profit sharing ratio. |
|  | (D) Old partners capital accounts in the sacrificing ratio. |
| 03 | In case of admission of a partner, the entry for unrecorded investments will be: |
|  | (A) Debit Partners Capital A/cs and Credit Investments A/c |
|  | (B) Debit Revaluation A/c and Credit Investment A/c |
|  | (C) Debit Investment A/c and Credit Revaluation A/c |
|  | (D) None of the above |
| 04 | A and B are partners of a partnership firm sharing profits in the ratio of 3 : 2 |
|  | respectively. C was admitted for 1/5th share of profit. Machinery would be |
|  | appreciated by 10% (book value ₹ 80,000) and building wouldbe depreciated by |
|  | 20% (₹ 2,00,000). Unrecorded debtorsof ₹ 1,250would be brought into books now |
|  | and a creditor amounting to ₹ 2,750 died and need not pay anything on this |
|  | account. What will be profit/loss on revaluation? |
|  | (A) Loss ₹ 28.000 |
|  | (B) Loss ₹ 40,000 |
|  | (C) Profits ₹ 28,000 |
|  | (D) Profits ₹ 40,000 |
| 05 | If at the time of admission if there is some unrecorded liability, it will be |
|  | to Account |
|  | A. Debited, Revaluation |
|  | B. Credited, Revaluation |
|  | C. Debited, Goodwill |
|  | D. Credited, Partners’ Capital |

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| 06 | Revaluation Account or Profit and Loss Adjustment A/c is a |
|  | (A) Real Account |
|  | (B) Personal Account |
|  | (C) Nominal Account |
|  | (D) Asset Account |
| 07 | A and B are partners sharing profits in the ratio of 2 : 3. Their Balance Sheet shows Machinery at ₹ 2,00,000;Stock at ₹ 80,000and Debtors at ₹ 1,60,000.C is |
|  | admitted and new profit sharing ratio is agreed at 6 : 9 : 5. Machinery is revalued |
|  | at ₹ 1,40,000 and a provision is madefor doubtful debts @5%. A’s share in loss on |
|  | revaluation amount to ₹ 20,000. Revalued valueof Stock will be : |
|  | (A) ₹ 62,000 |
|  | (B) ₹ 1,00,000 |
|  | (C) ₹ 60,000 |
|  | (D) ₹ 98,000 |
| 08 | If at the time of admission, some profit and loss account balance appears in the |
|  | books, it |
|  | will be transferred to: |
|  | (A) Profit & Loss Adjustment Account |
|  | (B) All partners‘ Capital Accounts |
|  | (C) Old partners‘ Capital Accounts |
|  | (D) Revaluation Account |
| 09 | At the time of admission of a partner, what will be the effect of the following |
|  | information? Balance in Workmen compensation reserve ₹ 40,000. Claim for |
|  | workmen compensation ₹ 45,000. |
|  | (A) ₹ 45,000 Debited to the Partner’s capital Accounts. |
|  | (B) ₹ 40,000Debited to Revaluation Account. |
|  | (C) ₹ 5,000Debited to Revaluation Account. |
|  | (D) ₹ 5,000 Creditedto Revaluation Account. |
| 10 | Angle and Circle ware partners in a firm. Their Balance Sheet showed Furniture at |
|  | ₹ 2,00,000; Stockat ₹ 1,40,000; Debtors at ₹ 1,62,000 andCreditors at ₹ 60,000. |
|  | Square was admitted and new profit-sharing ratio was agreed at 2:3:5. Stock was |
|  | revalued at ₹ 1,00,000, Creditors of₹ 15,000are not likely to be claimed, Debtors |
|  | for ₹ 2,000have become irrecoverable and Provision for doubtful debts to be |
|  | provided @ 10%. Angle’s share in loss on revaluation amounted to ₹ 30,000. |
|  | Revalued value of Furniture will be: |
|  | (A) ₹ 2,17,000 |
|  | (B) ₹ 1,03,000 |
|  | (C) ₹ 3,03,000 |
|  | (D) ₹ 1,83,000 |

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| 11.  12.  13.  14.  15. | Why does incoming partner brings goodwill on his admission   1. To acquire right to share future profits. 2. To compensate old partners for their sacrifice. 3. To compensate old partners for their past efforts. 4. All of the above   On admission of a new partner, Work men compensation fund appearing in the balance sheet is 15,000 and workmen claims a compensation of Rs 20,000. Pass the journal entry for the treatment of workmen compensation fund.   1. Debit workmen compensation account Rs 5,000 and credit old partner’s   capital account Rs 5,000(old profit sharing ratio)   1. Debit workmen compensation account Rs 5,000 and credit Revaluation account Rs 5,000 2. Debit Revaluation account Rs 5,000 and credit Workmen compensation account Rs 5,000 3. None of these   The balance in the investment fluctuation fund after meeting the fall in the book value of investment at the time of admission will be transferred to :   1. Capital accounts of old partners 2. Revaluation account 3. General reserve 4. Capital accounts of all partners   Anand and Bobby are partners sharing profit in the ratio of 1:1. They admit Chiku for 1/5th share who contributed Rs 25,000 for his share of goodwill. The total value of the goodwill of the firm will be:  a. 25,000  b. 50,000  c. 1,00,000  d. 1,25,000  Revaluation account is a :   1. Nominal account 2. Personal account 3. Real account 4. None of above. |

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| 16.  17.  18.  19. | A and B are partners sharing profits in the ratio 4:3. They admitted C as a new partner who get 1/7th share of profit, entirely from A. The new profit sharing ratio will be :  a. 3:3:1  b. 4:3:1  c. 3:3:2  d. 4:3:2  A and B are partners sharing profit or loss in the ratio 4:1. A surrendered 1/5th from his share and B surrendered 1/5th of his share in favour of new partner C. What will be the C’s share?  a. 2/5  b. 6/25  c. 3/25  d. None of these  At the time of admission of partner profit or loss on revaluation of assets and liabilities is share by the partners in   1. New profit sharing ratio 2. Old profit sharing ratio 3. Sacrificing ratio 4. None of these   According to AS 26, which goodwill is recorded in the books:   1. Purchased goodwill 2. Self generated goodwill 3. Both (a) and (b) 4. None of the above. |

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| 20. | Section of the Indian Partnership Act provides that a new partner shall not be inducted into a firm without the consent of all existing partners.   1. 31 2. 32 3. 33 4. 30 |
| 21 | Sacrificing ratio is calculated because   1. Profit shown in Revaluation A/c can be credited to sacrificing partner. 2. Goodwill brought in by the incoming partner can be credited to the new partner 3. Goodwill brought in by the incoming partner can be credited to the sacrificing partner (s) 4. Both A and C |
| 22 | At the time of admission of partner, new profit sharing ratio is concerned with  partner(s),while sacrificing ratio is concerned with partner(s).   1. New,old 2. New ,all 3. Old, new 4. All, old |
| 23 | Mohan and Sohan are partners sharing profits in the ratio 3:2. They admit Tarun as a new partner. After his admission the profit sharing ratio becomes 5:5:3. On the date of Tarun’s admission the goodwill of the firm is valued at ₹ 13,00,000. The amount of goodwill to be brought in by Tarun will be  (A) ₹ 5,00,000  (B) ₹ 10,00,000  (C) ₹ 3,00,000  (D) ₹ 13,00,000 |

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| 24 | When the incoming partner acquires his share from existing partners in their profit sharing ratio, the steps for calculation of new profit sharing ratio are given as   1. Calculate old partners’ new share as part of combined share 2. Convert the new shares of all partners and find out the new profit sharing ratio. 3. Calculate combined share of old partners in the new firm by deducting new partners share from (i)   Arrange the steps in the correct order (A)(i),(ii),(iii)   1. (iii),(i),(ii) 2. (ii),(iii),(i) (D)(iii),(ii),(i) |
| 25 | Zakir and Yasin are partners with profit sharing ratio as 2:3.They admitted Qasim who brought ₹ 80,000 as goodwill which was credited to Zakir and Yasin’s capitalaccount as ₹ 60,000 and ₹ 20,000 respectively.Goodwill of the firm is ₹ 4,00,000, calculate new profit sharing ratio  (A) 2:3:5  (B) 5:11:4  (C) 5:12:3  (D) Can’t be determined |
| 26 | When goodwill is paid privately by a new partner (at the time of admission),new  partners’ account is credited   1. True 2. Partially true 3. False 4. Can’t say |
| 27 | P and Q are in partnership sharing profits and losses in the ratio 3:2. They admit R into partnership with 1/5th share which he acquires equally from P and Q.Accountant has calculated the new profit sharing ratio as5:3:2. Is accountant correct?   1. True 2. Partially true 3. False 4. Can’t say |

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| 28 | A and B are partners in a firm . They admit C as a partner with 1/5 th share in the profits of the firm. C brings ₹ 4,00,000 as his shareof capital. Calculate the value of C’s share of goodwill on the basis of his capital, given that the combined capital of A and B after all adjustments is ₹ 10,00,000  (A) ₹ 1,20,000  (B) ₹ 6,00,000  (C) ₹ 14,00,000  (D) ₹ 20,00,000 | | | | | |
| 29 | A and B are partners in the ratio of 3:1.C was admitted for 1/5 th share and he could not bring his share of goodwill. Goodwill of the firm is valued at ₹ 1,00,000.Journalise   1. Premium for Goodwill A/c Dr 1,00,000   To A’s Capital A/c 75,000  To B’s Capital A/c 25,000   1. C’s Capital A/c Dr 1,00,000   To A’s Capital A/c 75,000  To B’s Capital A/c 25,000   1. C’s Capital A/c Dr 20,000   To A’s Capital A/c 10,000  To B’s Capital A/c 10,000   1. C’s Capital A/c Dr 20,000   To A’s Capital A/c 15,000  To B’s Capital A/c 5,000 | | | | | |
| 30 | Match the columns for the situations at the time of admissions of new partner(s): | | | | | |
|  |  | Column I |  | Column II |  |
| i. | Incoming partner brings his share of goodwill | a | No Entry |

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|  |  | ii. | Incoming partner  does not bring his share of goodwill | b | Premium for Goodwill A/c Dr. Incoming Partner’s Capital A/c Dr. To Sacrificing Partners Capital A/c |  |
| iii. | Incoming partner pays his share of  goodwill privately | c | Premium for Goodwill A/c Dr.  To Sacrificing Partners Capital A/c |
| iv. | Incoming partner brings only a part of  his share of goodwill | d | Incoming Partner’s Capital A/c Dr. To Sacrificing Partners Capital A/c |
| 1. i- b, ii-c, iii-a, iv-d 2. i- c, ii-d, iii-a, iv-b 3. i- d, ii-c, iii-a, iv-b 4. i- d, ii-c, iii-b, iv-a | | | | | |
| 31 | Revaluation Account is a   1. Real Account 2. Nominal Account 3. Personal Account 4. Both A and B | | | | | |
| 32 | In case of admission of a partner, the entry for unrecorded investments will be   1. Debit Revaluation Account and Credit Investment Account 2. Debit Partner’s Capital Account and Credit Investment Account 3. Debit Investment Account and Credit Revaluation Account 4. Debit Revaluation Account and Credit Partner/s Capital Account | | | | | |
| 33 | How are Accumulated losses treated at the time of Admission of a partner?   1. Debited to Partners Capital Account 2. Credited to Partner’s Capital Account 3. Credited to Revaluation Account 4. Debited to Revaluation Account | | | | | |
| 34 | Profit or loss on Revaluation of Assets and Liabilities is shared among:   1. Old Partners In sacrificing Ratio 2. Old partners in gaining Ratio 3. Old Partners In old Ratio 4. All partners In new Ratio | | | | | |
| 35 | At the time of Admission of a partner, decrease in the value of a liability is   1. Credited to Revaluation Account 2. Debited to Revaluation Account   ( C) Credited to Partner’s Capital Account   1. Debited to Partner’s Capital Account | | | | | |

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| 36 | Why are assets and Liabilities revalued at the time of admission of a partner?   1. To bring the value of assets and liabilities to their current value. 2. So that the incoming partner is not put to an advantage or disadvantage because of the change in values of assets and liabilities . 3. Both A and B 4. None of the above |
| 37 | Anamika and Sagarika were partner’s in a firm sharing profits and losses in the ratio of 3:2. Bagmita was admitted with 1/6th share in the profits of the firm. At the time of admission, workmen compensation Reserve appeared in the Balance Sheet of the firm at Rs.32000. The claim on account of workmen compensation was determined at Rs.40000. Excess of claim over the reserve will be   1. Credited to Revaluation Account 2. Debited to Revaluation Account 3. Credited to Old Partner’s Capital Account 4. Debited to All Partner’s Capital Account |
| 38 | A and B are partners sharing profits and losses in the ratio of 1:1. Their balance sheet shows a machinery at Rs. 200000; stock at Rs. 80000 and Debtors at Rs. 100000. C is admitted and a new profit sharing Ratio is agreed at 5:3:2. Machinery is revalued at Rs. 120000 and a provision is made for doubtful debts @10%. A’s share in loss on revaluation amount to Rs.25000. Revalued value of stock will be:  (A) Rs.100000 (B) Rs.120000 (C) Rs.130000 (D) Rs.140000 |
| 39 | L and M are partners sharing profits in ratio of 3 : 2 respectively. N was admitted for 1/5th share of profit. Machinery would be appreciated by 10% (Book value Rs.80,000) and Building would be depreciated by 20% (Rs.2,00,000). Unrecorded debtors of Rs.1250 would be brought into books new and a creditor amounting to Rs. 2750 died and need not pay anything on this account. What will be profit/loss on revaluation?   1. Loss Rs.28,000 2. Profit Rs.28,000 3. Loss Rs.40,000 4. Profit Rs.40,000 |
| 40 | Kushal and Kaushik are sharing profit and loss in the ratio of 2:1. Their balance in the capital accounts is Rs.200000 and Rs.100000 respectively. They admit Khonjon into the partnership for 1/4th share in the profit for which he brings Rs.30000 as his share of Goodwill. The adjusted capital of Kushal and Khonjon will be:  (A) Rs.20000 and Rs.10000 respectively. |

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|  | 1. Rs.220000 and Rs.110000 respectively. 2. Rs.210000 and Rs.120000 respectively. 3. Rs.10000 and Rs.20000 respectively. |

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| 41. | Sun and Star were partners in a firm sharing profits in the ratio of 2:1. Moon was admitted as a new partner in the firm. New profit-sharing ratio was 3:3:2. Moon brought the following assets towards his share of goodwill and his capital:  Machinery Rs.2,00,000  Furniture 1,20,000  Stock 80,000  Cash 50,000  If his capital is considered as Rs.3,80,0000, the goodwill of the firm will be: (A) Rs.70,000  (B) Rs.2,80,000  (C) Rs.4,50,000  (D) Rs.1,40,000 |
| 42. | Goodwill existing in the books is written off at the time of admission of a partner, it is transferred to partners’ capital accounts in their:   1. Old profit-sharing ratio 2. New profit-sharing ratio 3. Sacrificing ratio 4. Gaining Ratio |
| 43. | When the new partner brings cash for goodwill, the amount is credited to:   1. Revaluation A/c 2. Cash A/c 3. Premium for goodwill A/c 4. Realisation A/c |
| 44. | When a new partner does not bring his share of goodwill in cash, the amount is debited to:   1. Cash A/c 2. Premium A/c 3. Current A/c of the new partner 4. Capital A/c of the old partner |

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| 45. | Sacrificing ratio is used to distribute in case of admission of a partner.   1. Reserves 2. Goodwill 3. Revaluation profit   (D Balance in profit and loss A/c |
| 46. | X and Y are partners in a firm with capital of Rs.1,80,000 and Rs.2,00,000. Z was admitted for 1/3rd share in profit and brings Rs.3,40,000 as capital. Calculate the amount of goodwill.  (A) Rs.2,40,000  (B) Rs.1,00,000  (C)Rs.1,50,000  (D)Rs.3,00,000 |
| 47. | A and B are partners sharing profits and losses in the ratio of 5:3.On admission, C brings Rs.70,000 as cash and Rs.43,000 against goodwill. New profit ratio between A,B and C is 7:5:4.The sacrificing ratio of A and C is :  (A) 3:1  (B) 1:3  (C) 4:5  (D) 5:9 |
| 48. | A and B are sharing profits and losses in the ratio of 3:2. They admit C as a partner and give him 2/10th share in the profits. The new profit sharing ratio will be:  (A) 12:8:5  (B) 3:2:2  (C) 3:2:5  (D) 2:1:2 |
| 49. | X and Y are partners sharing profits in the ratio of 3:1.They admit Z as a partner who pays Rs.4,000 as goodwill, the new profit sharing ratio being 2:1:1 among X,Y and Z.The amount of goodwill will be credited to:  (A) X and Y as Rs.3,000 and Rs.1,000 (B) Rs. 2,000   1. Only Y 2. Only X |

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| 50. | A and B are partners sharing profits in the ratio of 2:3,they admit C as a partner for |
|  | 1/4th share, the sacrificing ratio of A and B will be: |
|  | (A) 2:3 |
|  | (B) 1:1 |
|  | (C) 3:2 |
|  | (D) 2:1 |

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| 51 | Unrecorded assets will be in Revaluation A/c?  (a). Credited (b). debited (c). Not shown (d). Shown |
| 52 | Unrecorded liabilities will be in Revaluation A/c?  (a). Credited (b). debited (c). Not shown (d). Shown |
| 53 | An increase in the value of assets will be recorded in Side of  Revaluation a/c? (a). Debit   1. credit 2. either debit or credit (d). both debit and credit |
| 54 | A decrease in the value of assets will be recorded in Side of  Revaluation a/c?  (a). Debit (b). credit  (c). either debit or credit (d). both debit and credit |
| 55 | A decrease in the value of liabilities will be recorded in Side of  Revaluation a/c? (a). Debit   1. credit 2. either debit or credit (d). both debit and credit |

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| 56 | An increase in the value of liabilities will be recorded in Side of  Revaluation a/c? (a). Debit (b). credit   1. either debit or credit 2. both debit and credit |
| 57 | Revaluation Account or Profit & Loss Adjustment Account is a:   1. Personal Account 2. Real Account 3. Nominal Account 4. None of these |
| 58 | A and B are partners of a partnership firm sharing profits in the ratio of 3 : 2 respectively. C was admitted for 1/5th share of profit. Machinery would be appreciated by 10% (book value ₹ 80,000) and building would be depreciated by 20% (₹ 2,00,000). Unrecorded debtors of ₹ 1,250 would be brought into books now and a creditor amounting to ₹ 2,750 died and need not pay anything on this account.What will be profit/loss on revaluation?  (A) Loss ₹ 28,000  (B) Loss ₹ 40,000   1. Profits ₹ 28,000 2. Profits ₹ 40,000 |
| 59 | A and B are partners sharing profits in the ratio of 2 : 3. Their Balance Sheet shows Machinery at ₹ 2,00,000; Stock at ₹ 80,000 and Debtors at ₹ 1,60,000. C is admitted and new profit sharing ratio is agreed at 6 : 9 : 5. Machinery is revalued at  ₹ 1,40,000and a provision is made for doubtful debts @5%. A’s share in loss on  revaluation amount to ₹ 20,000. Revalued value of Stock will be :  (A) ₹ 62,000  (B)  ₹ 1,00,000(C)  ₹ 60,000  (D) ₹ 98,000 |

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| 60 | At the time of admission of a partner, what will be the effect of the following information? Balance in Workmen compensation reserve ₹ 40,000. Claim forworkmen compensation ₹ 45,000.   1. ₹ 45,000 Debited to the Partner’s capitalAccounts. 2. ₹ 40,000Debited to Revaluation Account. 3. ₹ 5,000Debited to Revaluation Account. 4. ₹ 5,000 Creditedto Revaluation Account.   (C) ₹ 5,000Debited to Revaluation Account. |
| 61. | The balance in the investment fluctuation reserve, after meeting the loss on revaluation of investments, at the tine of admission of a partner will be transferred to:   1. Old partner’s capital A/c 2. Revaluation A/c 3. General reserve 4. Capital reserve |
| 62. | When the balance sheet is prepared after the new partnership agreement, the assets and liabilities are recorded at:   1. Current cost 2. Realising value 3. Historical cost 4. Revalued figures |
| 63. | If at the time of admission, there is some unrecorded liability, it will be:   1. Credited to Partner’s Capital A/c 2. Debited to Profit and Loss A/c 3. Debited to revaluation A/c 4. Credited to revaluation A/c |
| 64. | When the incoming partner brings in his share of premium for goodwill in cash, it is adjusted by crediting to:   1. Incoming partner’s capital A/c 2. Premium for goodwill A/c 3. Sacrificing partner’s capital A/c 4. None of these |

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| 65. | A and S are partners sharing profits in the ratio of 3:2. They admit B for 1/4th share who contributed Rs.30,000 for his share of goodwill. The total value of goodwill of the firm will be:  (a) Rs.1,50,000  (b) Rs.1,20,000  (c) Rs.1,00,000  (d) Rs.1,60,000 |
| 66. | R and S share profits in the ratio of 2:1. P is admitted with 1/4th share in profits. P acquires 3/4th of his shares from R and 1/4th of his share from S. The new profit sharing ratio will be:  (a) 2:1:1  (b) 3:1:1  (c) 23:13:12  (d) 13:23:12 |
| 67. | Arun and Bhaskar are patners sharing profits and losses in the ratio of 3:2. Arun’s capital is Rs.1,20,000 and Bhaskar’s capital is Rs.60,000. They admit Chandan for 1/5th share of profits. Chandan should bring as his capital:  (a) Rs.36,000  (b) Rs.48,000  (c) Rs.58,000  (d) Rs.45,000 |
| 68. | W, X and Y are partners sharing profits in 3:2:1. They agreed to admit Z into the firm. W, X and Y agreed to give 1/3rd, 1/6th, 1/9th share of their profit. The share of profit of Z will be:  (a) 1/11 (b) 13/48 (c) 11/35 (d) 13/54 |

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| 69. | Ajay, Bhanu and Charu are partners sharing profits in the ratio of 4:3:2. Diya is admitted for 2/9th share of profit. He brings Rs.30,000 as capital. New profit sharing ratio is 3:2:2:2. Goodwill amount will be credited in the capital account of:   1. Ajay only 2. Ajay, Bhanu and Charu (equally) 3. Ajay and Bhanu (equally) 4. Ajay and Charu (equally) |
| 70. | A and B are partners sharing profits in the ratio of 3:2. On admission of C for 1/5th share, Land is appreciated by 10% (Book value Rs.80,000), Building is decreased by 20% (Rs.2,00,000), Unrecorded debtors of Rs.1,250 are bought in the books and creditors of Rs.2,750 need not be paid. The profit/loss on revaluation will be:   1. Loss Rs.28,000 2. Loss Rs.40,000 3. Profit Rs.28,000 4. Profit Rs.40,000 |
| **71** | A and B are partners sharing profit ratio of 3 : 2. They admit C as a partner by giving him 1/3 share in future profits. The new ratio will be:  a) 12 : 8 : 5  b) 8 : 12 : 5  c) 5 : 5 : 12  d) 6 : 4 : 5 |
| **72** | A and B are partners in a firm having capital balances of ₹ 54,000 and ₹ 36,000respectively. They admit C in partnership for 1/3rd share and C is to bring  proportionate amount of capital. The capital amount of C would be :  a) ₹ 90,000  b) ₹ 45,000  c) ₹ 5,400  d) ₹ 36,000 |

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| **73** | A and B are in partnership sharing profits in the ratio of 3 : 2. They take C as a new partner. Goodwill of the firm is valued at  ₹ 3,00,000 and C brings ₹ 30,000 as his share of goodwill in cash which is entirelycredited to the Capital Account of A. New profit sharing ratio will be: a) 3 : 2 : 1  b) 6 : 3 : 1  c) 5 : 4 : 1  d) 4 : 5 : 1 |
| **74** | X and Y are partners sharing profit in the ratio of 3 : 2. Z was admitted with ¼ share in profits which he acquires equally from X and Y. The new ratio will be: a) 9 : 6 : 5  b) 19 : 11 : 10  c) 3 : 3 : 2  d) 3 : 2 : 4 |
| **75** | X and y are partners in a firm with capital of ₹ 1,80,000and   * 2,00,000. Z wasadmitted for 1/3rd share in profits and brings * 3,40,000 as capital, calculate the amount ofgoodwill   :a) ₹ 2,40,000  b) ₹ 1,00,000  c) ₹ 1,50,000  d) ₹ 3,00,000 |
| **76** | When new partner does not bring his share of goodwill in cash, goodwill is treated by :   1. Credited the old partners in the sacrificing ratio and debiting the new partner for his share of goodwill. 2. Crediting the old partners in old profit sharing ratio and debiting the new partner for his share of goodwill. 3. Debiting the old partners in sacrificing ratio and crediting the new partner for his share of goodwill 4. None of the above. |

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| **77** | A and B share profits in the ratio of 3 : 2. They agreed to admit C on the condition that A will sacrifice 3/25th of his share of profit in favour of C and B will sacrifice 1/25th of his profits in favour of C . The new profit sharing ratio will be:  a) 12 : 9 : 4  b) 3 : 2 : 4  c) 66 : 48 : 11  d) 48 : 66 : 11 |
| **78** | Vinay and Naman are partners sharing profit in the ratio of 4 : 1. Their capitals were   * 90,000 and ₹ 70,000 respectively. They admitted Prateek for 1/3 share in the   profits. Prateek brought   * 1,00,000 as his capital. What will be the value offirm’s goodwill?   a) ₹ 4000  b) ₹ 50000  c) ₹ 40000  d) ₹ 30000 |
| **79** | Xero and Yasi were partners sharing profits in the ratio 3 : 2. They admitted Zero as new partner for 1/5th share in the future profits of the firm which he got equally from Xero and Yasi. What will be the new profit sharing ratio among Xero, Yasi and Zero?  a) 3:5:1  b) 1:1:1  c) 3:5:2  d) 5:3:2 |
| **80** | Hari and Leela are partners in a firm sharing profits and losses in the ratio of 2 : 3 Yash was admitted as a new partner for 1/5th share in the profit of the firm. Yash acquires his share from Leela. The new profit sharing ratio of Hari, Leela and Yash will be:  a) 2 : 3 : 5  b) 2 : 2 : 1  c) 5 : 3 : 2  d) 3 : 5 : 1 |

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| **81** | Ashok and Sudha were partners in a firm sharing profits and losses in the ratio of 3  : 1. They admitted Bani as a new partner. Ashok sacrificed 1/4th of his share and Sudha sacrificed 1/4th of her share in favour of Bani. Bani’s share in the profits of the firm will be :  a) 5 / 8  b) 1 / 8  c) 1 / 4  d) 7 / 16 |
| **82** | Swati and Aman were partners in a firm. Their fixed capitals were  ₹ 9,00,000 and ₹ 3,00,000 respectively. They shared profits in the ratio of their capitals. Divya was admitted as a new partner for 1/4th share in the profits of the firm. Divya brought ₹ 60,000 as her share of goodwill premium and ₹ 6,00,000 asher capital. The amount of goodwill premium credited to Swati’s account will be:a) ₹ 60,000  b) ₹ 30,000  c) ₹ 45,000  d) ₹ 15,000 |
| **83** | If at the time of admission there is some unrecorded liability, it will be:   1. Debited to revaluation account 2. Credited to revaluation account 3. Debited to goodwill account 4. Credited to partner’s Capital accounts |
| **84** | When a new partner does not bring his share of goodwill in cash, the amount isdebited to:   1. Cash A/c 2. Premium A/c 3. Current A/c of the new partner 4. Capital A/c of the old partner |
| **85** | If the incoming partner brings the amount of goodwill in cash and also a balance exists in goodwill account, then this goodwill account is written off among the old partners in :   1. The new profit sharing ratio 2. The old profit sharing ratio s c) The sacrificing ratio   d) The gaining ratio |

**KEY/ANSWER SHEET**

|  |  |  |  |
| --- | --- | --- | --- |
| **Multiple Choice question** | | | |
| 01 | A | | |
| 0 2 | B | | |
| 03 | C | | |
| 04 | A | | |
| 05 | A | | |
| 06 | C | | |
| 07 | D | | |
| 08 | C | | |
| 09 | C | | |
| 10 | D | | |
| 11 | D | | |
| 12 | C | | |
| 13 | A | | |
| 14 | D | | |
| 15 | A | | |
| 16 | A | | |
| 17 | B | | |
| 18 | B | | |
| 19 | A | | |
| 20 | A | | |
| 21. | (C) Goodwill brought in by the incoming partner can be credited to the  sacrificing partner (s) | |  |
| 22. | (D) All, old | |  |
| 23. | (C) ₹ 3,00,000 | |  |
| 24. | (B) (iii),(i),(ii) | |  |
| 25. | (B) 5:11:4 | |  |
| 26. | (C) False | |  |
| 27. | (A) True | |  |
| 28. | (C) ₹ 14,00,000 | |  |
| 29. | (D)C’s Capital A/c Dr 20,000  To A’s Capital A/c  To B’s Capital A/c | 15,000  5,000 |  |
| 30. | (B)i- c, ii-d, iii-a, iv-b | |  |
| 31. | A | |  |
| 32 | C | |

A C B C C B A

B

33

34

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| --- | --- |
| 41 | (B) |
| 42 | (A) |
| 43 | (C) |
| 44 | (C) |
| 45 | (B) |
| 46 | (D) |
| 47 | (A) |
| 48 | (A) |
| 49 | (D) |
| 50 | (D) |
| 51 | (a). Credited |
| 52 | (b). debited |
| 53 | (b). credit |
| 54 | (a). Debit |
| 55 | (b). credit |
| 56 | (a). Debit |
| 57 | (c) Nominal Account |
| 58 | (A) Loss ₹ 28,000 |
| 59 | (D) ₹ 98,000 |
| 60 | (C) ₹ 5,000Debited to Revaluation Account. |
| 61 | (a) Old partner’s capital A/c |
| 62 | (d) Revalued figures |
| 63 | (c) Debited to revaluation A/c |
| 64 | (c) Sacrificing partner’s capital A/c |

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| --- | --- |
| 65 | (b) Rs.1,20,000 |
| 66 | (c) 23:13:12 |
| 67 | (d) Rs.45,000 |
| 68 | (d) 13/54 |
| 69 | (b) Ajay, Bhanu and Charu (equally) |
| 70 | (a) Loss Rs.28,000 |
| 71 | D |
| 72 | B |
| 73 | C |
| 74 | B |
| 75 | D |
| 76 | C |
| 77 | A |
| 78 | C |
| 79 | D |
| 80 | B |
| 81 | C |
| 82 | C |
| 83 | A |
| 84 | C |
| 85 | B |

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## Accountancy

Chapter 5 - Retirement & Death of a Partner

**MULTIPLE CHOICE QUESTIONS**

|  |  |
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| Sl.No | Question: |
| Q1. | If Goodwill is appearing in the balance sheet it will be Credited to :   1. Gaining partner 2. Retiring partners 3. All partners 4. Remaining Partners’ |
| Q.2 | In which ratio Retiring partner is compensated by the continuing partner for his share of goodwill, in which ratio?   1. Gaining ratio 2. Sacrificing ratio 3. Old ratio 4. New ratio |
| Q.3 | If three partners A, B, C are sharing profit as 5:3:2, then on the death of a partner A, how much B and C will pay to A executor on account of goodwill. Goodwill is to be calculated on the basic of 2 years purchase of last 3 years average profit, profits for the last 3 years are Rs. 3,28,000 Rs. 3,46,000 and Rs. 4,00,000.  (A) Rs. 3,16,000 and Rs. 1,42,000  (B) Rs. 2,44,000 and Rs. 2,16,000  (C) Rs. 4,29,600 and Rs. 2,86,400 (D) Rs. 2,16,000and Rs. 1,44,000 |
| Q.4 | A, B and C are partners in a firm sharing profit and losses in 3:4:2 B retire from the firm. The profit on revaluation on that date was Rs. 72,000, New ratio between A and C is 5:3 Profit on revaluation will be distributed as:  (A) A Rs. 32,000 B Rs. 24,000 C Rs. 16,000 (B) ARs. 24,000 B Rs. 32,000 C Rs. 16,000 (C) A Rs. 45,000 C Rs. 27,000  (D)47,250 C Rs. 24,750 |
| Q.5 | Retiring or outgoing partner   1. Is liable for firm liabilities 2. Not liable for any liabilities of the firm 3. Is liable for obligation incurred before his retirement 4. Is liable for obligation incurred before and after his retirement |
| Q.6 | P, Q and R sharing profit and losses in the ratio of 8:5:3. Q retire from the firm  takes 3/16 from P and R takes 5/16 from P. New profit sharing ratio between Q and |
|  | R will be |
|  | (A)1:1 |
|  | (B)10:6 |
|  | (C)9:7 |
|  | (D)5:3 |

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| Q.7 | Retiring or outgoing partner   1. Is liable for firm liabilities 2. Not liable for any liabilities of the firm 3. Is liable for obligation incurred before his retirement 4. Is liable for obligation incurred before and after his retirement |
| Q.8 | A ,B and C sharing profits in the ratio 4:3:2. A retires B and C decided to share profit in the future in the ratio of 5:3.what will be the gaining ratio:  (A)21:11  (B)11:21  (C)11:13  (D)13:11 |
| Q.9 | A,B and C are sharing profits in the ratio of 3:2:1. B retires and on the day of B’s retirement Goodwill s valued at Rs 60,000.A and C decided to share future profit in the ratio of 3:2.Journal Entry will be   1. A’s Capital A/c Dr. 18000   C’s Capital A/c Dr. 42000  To B’s Capital A/C 60,000   1. A’s Capital A/c Dr. 6000   C’s Capital A/c Dr. 14000  To B’s Capital A/C 20,000   1. A’s Capital A/c Dr. 36000   C’s Capital A/c Dr. 24000  To B’s Capital A/C 60,000   1. A’s Capital A/c Dr. 12000   C’s Capital A/c Dr. 8000  To B’s Capital A/C 20,000 |
| Q.10 | At what rate is interest payable on the amount remaining unpaid to the executer of deceased partner, In the absence of any agreement among partners, when he opts for interest and not share of profit:  (A) 6%  (B) 12% (C) 7.5%  (D) 8% |
| 11. | What treatment is made of accumulated profits and losses on the retirement of a partner?   1. Credited to all partner’s capital account in old ratio. 2. Debited to all partner’s capital account in old ratio. 3. Credited to remaining partner’s capital account in new ratio. 4. Credited to remaining partner’s capital account in gaining ratio. |

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| 12. | What journal entry will be recorded for writing off the goodwill already existing in Balance sheet at the time of retirement of a partner?   1. Retiring Partner’s Capital, A/c Dr. To Goodwill A/c 2. All Partner’s Capital A/c’s Dr. (in old ratio) To Goodwill A/c 3. Remaining Partner’s Capital A/c’s Dr. (in gaining ratio) To Goodwill A/c 4. Remaining Partner’s Capital A/c’s Dr. (in new ratio) To Goodwill A/c |
| 13. | What journal entry will be recorded for deceased Partner’s share in profit from the  closure of last balance sheet till date of his death?   1. Profit and Loss A/c Dr.   To Deceased Partner’s Capital A/c   1. Deceased Partner’s Capital A/c Dr. To Profit and Loss A/c 2. Deceased Partner’s Capital A/c Dr. To Profit and Loss Suspense A/c 3. Profit and Loss Suspense A/c Dr.   To Deceased Partner’s Capital A/c |
| 14. | On the death of a partner, the amount due to him will be credited to:   1. All partner’s capital accounts. 2. Remaining partner’s capital accounts. 3. His executor’s account. 4. Government’s revenue account. |
| 15. | P, Q and R have been sharing profits and losses in the ratio of 5:3:2. Q retires. Share of Q is taken by P and R in the ratio of 2:1. New profit-sharing ratio will be:  A) 6:4  B) 7:3  C) 7:2  D) 6:3 |

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| 16 | A, B and C were partners in a firm sharing profit and losses in the ratio of 2:2:1. The capital balance are Rs. 50,000 for A, Rs. 70,000 for B, Rs. 35,000 for C. B decided to retire from the firm and balance in reserve on the date was Rs. 25000. If goodwill of the firm was valued at Rs. 30,000 and profit on revaluation was Rs. 7,500, then, what amount will be payable to B?  a) Rs. 70,820  b) Rs. 76,000  c) Rs. 75,000  d) Rs. 95,000 |
| 17 | A, B and C are partners with profit sharing ratio 4:3:2. B retires and goodwill was valued Rs. 1,08,000. If A and C share profits in 5:3, find out the goodwill shared by A and C in favour of B.  a) Rs. 22,500 and Rs. 13,500  b) Rs. 16,500 and Rs. 19,500  c) Rs. 67,500 and Rs. 40,500  d) Rs. 19,500 and Rs. 16,500 |
| 18 | X, Y and Z are partners in the ratio of 2:3:5. Goodwill is already appearing in their books at a value of Rs. 60,000. X retires and Y and Z decided to share future profits equally. Journal entry will be:   1. Y’s capital A/c Dr. 12,000 and X’s capital A/c Cr. 12,000 2. Y’s capital A/c Dr. 60,000 and X’s capital A/c Cr. 60,000 3. X’s capital A/c Dr. 2,400, Y’s capital A/c Dr. 3,600, Z’s capital A/c Dr. 6,000   and Goodwill A/c Cr. 12,000   1. X’s capital A/c Dr. 12,000, Y’s capital A/c Dr. 18,000, Z’s capital A/c 30,000   and Goodwill A/c Cr. 60,000 |
| 19 | A, B and C were partners sharing profit and losses in the ratio of 2:2:1. Books are closed on 31st March every year. C dies on 5th November,2018. Under the partnership deed, the executors of the deceased partner are entitled to his share of profit to the date of death, calculate on the basis of last year’s profit. Profit for the year ended 31st March ,2018 was Rs. 2,40,000. C’s share of profit will be:  a) Rs. 28,000  b) Rs. 32,000  c) Rs. 28,800  d) Rs. 48,000 |
| 20 | At what rate is interest payable on the amount remaining unpaid to the executor of deceased partner, in absence of any agreement among partners, when he opts for interest and not share of profit:  12% p.a.  8% p.a.  6% p.a.  7.5% p.a. |

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| 21 | Gaining Ratio’ mean:   1. Old Ratio – New Ratio 2. New Ratio – Old Ratio 3. Old Ratio – Sacrifice Ratio 4. New Ratio – Sacrifice Ratio |
| 22 | On retirement of a partner, goodwill will be credited to the capital account  of:   1. Retiring partner 2. Remaining Partners 3. All partners 4. None of the above |
| 23 | P, Q and R have been sharing profits in the ratio of 8:3:5. P Retires. Q takes 3/16th share from P and R takes 5/16th share from P. New profit- sharing ratio will be:  A) 1:1 B) 10:6  C) 9:7 D) 5:3 |
| 24 | P, Q and R share profits in the ratio of 5:4:3. R retires and the new ratio is 5:3. If R is given Rs 6,000 as goodwill, Journal entry will be:   1. P’s capital A/C Dr 1,000   Q’s capital A/C Dr 5,000  To R’s capital A/c 6,000   1. P’s capital A/C Dr 5,000   Q’s capital A/C Dr 1,000  To R’s capital A/c 6,000   1. P’s capital A/C Dr 3,750   Q’s capital A/C Dr 2,250  To R’s capital A/c 6,000   1. P’s capital A/C Dr 3,333   Q’s capital A/C Dr 2,667  To R’s capital A/c 6,000 |
| 25 | A, B & C were partners in a firm sharing profits and losses in the ratio of 5:3:2. C retired & his capital balance after adjustments regarding reserves, accumulated profits/losses & his share of gain on revaluation was 2,50,000. C was paid 3,22,000 including his share of goodwill. The amount credited to C’s Capital A/C, on his retirement, for goodwill will be:  A) Rs 72,000 B) Rs 7,200  C) Rs 14,000 C) Rs 3,22,000 |

**KEY/ANSWER SHEET**

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| --- | --- | --- | --- | --- |
|  | **MultpleChice question** | | |  |
| Q**.**1 | | (C) All partners |  |
| Q**.**2 | | a) Gaining ratio |  |
| Q**.**3 | | Rs. 4,29,600 and Rs. 2,86,400 |  |
| Q**.**4 | | Rs. 24,000 B Rs. 32,000 C Rs. 16,000 |  |
| Q**.**5 | | Is liable for obligation incurred before his retirement |  |
| Q**.**6 | | 1:1 |  |
| Q**.**7 | | Is liable for obligation incurred before his retirement |  |
| Q**.**8 | | (A)21:11 |  |
| Q**.**9 | | **(**B**)** A’s Capital A/c Dr. 6000  C’s Capital A/c Dr. 14000  To B’s Capital A/C 20,000 |  |
| Q**.**10 | | (A) 6% |  |
| Q**.**11 | | A |  |
| Q**.**12 | | B |  |
| Q**.**13 | | D |  |
| Q**.**14 | | C |  |
| Q**.**15 | | B |  |
| Q**.**16 | | D |  |
| Q**.**17 | | D |  |
| Q**.**18 | | D |  |
| Q**.**19 | | C |  |
| Q.20 | | C |  |
| Q.21 | | B |  |
| Q.22 | | A | | |
| Q.23 | | A | | |
| Q.24 | | B | | |
| Q.25 | | A | | |

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### CHAPTER-6 DISSOLUTION OF PARTNERSHIP FIRM

##### MULTIPLE CHOICE QUESTIONS

|  |  |
| --- | --- |
| **S.N**  **o.** | **Question** |
| **1** | On dissolution of a firm, out of the proceeds received from the sale of assets  .................will be paid first of all   1. Partner's Capital 2. Partner's Loan to Firm 3. Partner's additional capital 4. Outside Creditors |
| **2** | Court can make an order to dissolve the firm when:   1. Some partner has become fully mad 2. Partnership deed is fully followed 3. Continued future profits are expected 4. Firm is running legal business |
| **3** | On taking responsibility of payment of a liability of Rs.30,000 by a partner, the account Credited will be:   1. Realisation Account 2. Cash Account 3. Capital Account of the Partner 4. Liability Account |
| **4** | There was an Unrecorded asset of Rs.3,000 which was taken over by a partner by at 2,500. Partner's Capital Account will be debited by………………..  (A) Rs.2,000  (B) Rs.2,500  (C) Rs.500 (D) Rs.3,500 |
| **5** | If total assets are Rs.2,00,000; total liabilities are Rs.40,000; amount realised on sale of assets is Rs.1,75,000 and realisation expenses are Rs.2,000, the profit or loss on realisation will be:  (A) Profit Rs.12,000 |

|  |  |
| --- | --- |
|  | 1. Loss Rs.68,000 2. Loss Rs.27,000 3. Loss Rs.25,000 |
| **6** | In the Balance Sheet Total Debtors appear at Rs.50,000 and Provision for Doubtful Debts appear at Rs.1,500. How much amount will be realised from Debtors, if bad debts amount to Rs.10,000 and remaining debtors are realised at a discount of 5%. (A) Rs.38,000  (B) Rs.36,500  (C) Rs.36,575  (D) Rs.39,500 |
| **7** | P, a partner, is to bear all expenses of realisation for which he is to be paid Rs.3,000. P had to pay realisation expenses of Rs.3,500. How much amount will be debited to Realisation Account?  (A) Rs.500 (B) Rs.3,500 (C) Rs. 4,500  (D) Rs.3,000 |
| **8** | Investments valued Rs. 5,00,000 were not shown in the books. One of the creditors took over these investments in full satisfaction of his debt of Rs. 5,20,000. How much amount will be deducted from creditors?  (A) Rs. 20,000  (B) Rs. 5,20,000  (C) Rs. 4,20,000  (D) Rs. 5,00,000 |
| **9** | On dissolution of a firm, a partner took-over the investments of Rs. 15,000 at Rs. 20,000. By how much amount the Realisation Account will be credited?  (A) Rs. 24,000  (B) Rs. 20,000  (C) Nil  (D) Rs. 15,000 |
| **10** | If creditors are Rs. 25,000, capital is Rs. 1,50,000 and cash balance is Rs. 40,000, what will be the amount of sundry assets?  (A) Rs. 1,75,000 |

|  |  |
| --- | --- |
|  | (B) Rs. 1,65,000  (C) Rs. 1,35,000  (D) Rs. 1,40,000 |
| 11 | In case of dissolution A one of the partner was paid only RS5000 for his loan to the firm which amounted to Rs5500. Rs 500 will be recorded in which account and on which side:   1. Realisation account credit side correct 2. Realisation account debit side 3. loan account debit side 4. All the above |
| 12 | Settlement of accounts in case of dissolution of partnership is dealt with which section of partnership act 1932?   1. Section 45 2. section 46 3. section 47 4. section 48 |
| 13 | New ratio is not to be calculated on:   1. Admission of a partner 2. retirement of a partner 3. death of a partner 4. dissolution of a partnership |
| 14 | At the time of dissolution of partnership an unrecorded asset taken by X a partner is debited to:   1. X capital account 2. realisation account 3. cash account 4. none of the above |
| 15 | When realisation expenses are to be borne by a partner, actual realisation expense is credited to:   1. Partners capital a/c 2. Cash a/c 3. Realisation a/c 4. None of the above |
| 16 | Partners are liable to settle the account of accounts payable even from their  sources, if they are solvent.   1. Personal 2. Capital only 3. Bank loan 4. None of the above |

|  |  |
| --- | --- |
| 17 | On firm’s dissolution, which one of the following account should be prepared at the last?   1. Realisation Account 2. Partner’s Capital Accounts 3. Cash/Bank Account 4. Partner’s Loan Account |
| 18 | At the time of dissolution total assets are worth Rs3,00,000 and external liabilities are worth Rs1,20,000. If assets realised 120% and realisation expenses paid were Rs4,000, then profit/loss on realisation will be:   1. Profit Rs60,000 2. Loss Rs60,000 3. Loss Rs56,000 4. Profit Rs56,000 |
| 19 | On dissolution of a firm, a partner’s capital account has a credit balance of ₹42,000. His share of profit in realisation account is ?9,000. He has paid firm’s realisation expenses ₹3,000. He will finally get a payment of:  (A) ₹39,000 (B) ₹42,000 (C) ₹54,000 (D) ₹48,000: |
| 20 | On dissolution, goodwill account is transferred to):   1. In the Capital Accounts of Partners 2. On the credit of Cash Account 3. On the Debit of Realisation Account 4. On the Credit of Realisation Account |
| 21 | As per section 44, under what circumstances a partnership firm may be dissolved?   1. When a partner has become of unsound mind. 2. When the court is satisfied that the firm cannot be carried on except at a loss. 3. Only 1 4. Only 2 5. Neither 1 nor 2 6. Both 1 and 2 |
| 22 | Out of the following which will be settled at first, at the time of dissolution of firm?   1. Loans advanced by partners 2. Outside debts of the firm 3. Balance of partners’ capital account 4. None of the above |
| 23 | One of the creditors of ₹ 25,000 took away some part of the stock worth ₹12,000 and cash ₹10,000 in full settlement of his claim. What will be the journal entry for the above?   1. Debit creditor’s account and credit realisation account by ₹ 10,000. 2. Debit realisation account and credit bank account by ₹ 10,000. 3. No entry is required 4. Debit realisation account and credit creditors account by ₹10,000. |

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| 24 | At the time of dissolution of firm, debtors appear on the asset side amounted to  `60,000. One of the debtors of ₹ 25,000 become bad and could realise only 40%. Balance of the debtors realised at 80%.  State the amount credited to realisation account on account of amount realised from debtors.  (A) ₹43,000 (B) ₹17,000 (C) ₹22,000 (D) ₹38,000 |
| 25 | If dissolution expenses paid by a partner and he had to bear the expenses, how it will be recorded?   1. Debit realisation account and credit bank account 2. Debit realisation account and credit partners’ capital account 3. Debit partners’ capital account and credit bank account 4. Not recorded |
| 26 | Which of the following will not be recorded in realisation account?   1. Sale of unrecorded asset 2. Payment of outsider’s loan 3. Payment of partners’ loan 4. Payment of dissolution expenses by a partner on behalf of firm |
| 27 | At the time of dissolution of a firm, debtors of ₹30,000 realised at 70% and others assets worth ₹1,20,000 realised at a loss of 20%.  Creditors having book value of `40,000 were paid in full. What is the amount of gain or loss on realisation?  (A) Gain ₹33,000  (B) Loss ₹33,000  (C) Gain ₹21,000  (D) Loss ₹21,000 |
| 28 | On dissolution, Goodwill account is transferred to....   1. In the capital accounts of the partner 2. On the credit of cash account 3. On the debit of realisation account 4. On the credit of realisation account |
| 29 | On dissolution of a firm, realisation account is debited with.....   1. Any asset taken over by one of the partners 2. All outside liabilities of the firm 3. Cash received on sale of assets 4. All assets to be realised |
| 30 | At the time of dissolution of a firm, at which stage the balance of partners’ capital is paid?   1. After making payment to third party loan 2. Before making payment of partners in respect of their loans |

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| --- | --- |
|  | 1. After making the payment to third party for their loans as well as partners loan 2. None of the above |

**ANSWER KEY**

|  |  |
| --- | --- |
| **Multple Choice question** | |
| Q.No.1 | (D) Outside Creditors |
| Q.No.2 | (A) Some partner has become fully mad |
| Q.No.3 | (C) Capital Account of the Partner |
| Q.No.4 | (B) Rs.2,500 |
| Q.No.5 | (C) Loss Rs.27,000 |
| Q.No.6 | (A) Rs.38,000 |
| Q.No.7 | D) Rs.3,000 |
| Q.No.8 | B) Rs. 5,20,000 |
| Q.No.9 | (B) Rs. 20,000 |
| Q.No.10 | (C) Rs. 1,35,000 |
| Q.No.11 | A |
| Q.No.12 | D |
| Q.No.13 | D |
| Q.No.14 | A |
| Q.No.15 | D |
| Q.No.16 | A |
| Q.No.17 | C |
| Q.No.18 | D |
| Q.No.19 | C |
| Q.No.20 | C |
| Q.No.21 | (D) Both 1 and 2 |
| Q.No.22 | (B) Outside debts of the firm |
| Q.No.23 | (B) Debit realisation account and credit bank account by ₹10,000. |
| Q.No.24 | (D) `38,000 |
| Q.No.25 | (D) Not recorded |
| Q.No.26 | (C) Payment of partners’ loan |
| Q.No.27 | (B) Loss `33,000 |
| Q.No.28 | (C) On the debit of realisation account |
| Q.No.29 | (D) On the debit of realisation account |
| Q.No.30 | (C) After making the payment to third party for their loans as well as partners  loan |

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**Chapter 7 : ACCOUNTING FOR SHARE CAPITAL**

|  |  |
| --- | --- |
|  | **MULTIPLE CHOICE QUESTIONS** |
| 1. | Shares issued by company to its employees or directors at a discount are called (i)  . When such shares are issued, the amount of discount on issue or shares is in the nature of (ii) for the company.   1. (i) Sweat equity shares (ii) Capital loss 2. (i) Private placement of shares (ii) Revenue loss 3. (i) Issue of shares at discount (ii) Capital loss 4. (i) None of the above |
| 2. | Which of the following capital is not shown in the company’s Balance Sheet?   1. Authorised Capital 2. Issued Capital 3. Subscribed Capital 4. Reserve Capital |
| 3. | The fact of is not recorded in the books.   1. Over subscription 2. Under subscription 3. Forfeiture of shares 4. Reissue of forfeited shares |
| 4. | Share Application and Share Allotment A/c is:   1. Personal A/c 2. Real A/c 3. Nominal A/c 4. None of the above |
| 5. | As per the provisions of Companies Act, 2013 the amount received as premium on securities cannot be utilized for:   1. Issuing fully paid bonus shares to the members 2. Purchase of fixed assets 3. Writing off preliminary expenses 4. Buy back of its own shares |
| 6. | When the shares offered for public subscriptions are subscribed fully by the public, which of the following would be the same?   1. Authorised capital and issued capital 2. Issued capital and subscribed capital 3. Subscribed capital and called up capital 4. Called up capital and reserve capital |
| 7. | Money received in advance from shareholders before it is actually called-up by the directors is:   1. Debited to calls in arrear account 2. Credited to calls in advance account 3. Debited to calls in advance account 4. Credited to calls in arrear account |
| 8. | Uncalled capital is that portion of the which has not yet been called up; and  the portion of such uncalled capital to be called only in the event of winding up of the company is called . |

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|  | 1. Subscribed capital; Reserve capital 2. Issued capital; Reserve capital 3. Authorised capital; Capital Reserve 4. None of the above | | |
| 9. | X ltd. Purchased business from Y Ltd. by paying ₹15 lakh for the assets worth ₹18 lakh and liabilities of ₹4 lakh. Then will be debited by ₹1 lakh.   1. Capital Reserve A/c 2. Asset A/c 3. Goodwill A/c 4. Vendor’s A/c | | |
| 10. | Bansal Heavy Machine Ltd. purchased assets worth ₹4,00,000 at ₹3,20,000 from Handa Traders Ltd. and took creditor’s of ₹70,000 for a purchase consideration of ₹3,00,000.  Payment was by NEFT for ₹50,000 and remaining amount by issue of equity shares of  ₹100 each fully paid at an issue price of ₹125. How many equity shares will be issued to Handa Traders Ltd.?  A. 3000  B. 2500  C. 2000  D. 3200 | | |
|  |  | 11.Shares can be forfeited:   1. For nonpayment of call money 2. For failure to attend meetings 3. For failure to repay the loan to the bank 4. For which shares are pledged as a security |  |
| 12.When shares are forfeited, the account which is debited is:   1. General Reserve A/c 2. Share Capital A/c 3. Share forfeiture A/c 4. Capital Reserve A/c |  |
| 13. A forfeited share can:   1. Not be re-issued at discount 2. Re-issued at a maximum discount of 10% 3. Be re-issued at a maximum discount equal to the amount forfeited 4. Re-issued at a maximum discount of 25% |  |
| 14. 2,000 shares of Rs 10 on which Rs 7 have been called-up and Rs 5 has been paid  for forfeited .Out of these 1,500 share are re-issued for Rs 9 fully paid. What is the amount to be debited to share forfeiture A/c at the time of reissue of forfeited share? a. Rs 13,550  b. Rs 1,500  c. Rs 15,000  d. Rs 14,000 |  |
| 15. A company forfeited 1,000 share of Rs 10 each, Rs 7 being called up for the  nonpayment of Rs 2 on first call. All these shares were reissued at Rs 5 per share. What will be the amount transferred to Capital Reserve A/c? |  |

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|  |  | a. Rs 2,000  b. Rs 3,000  c. Rs 4,000  d. Rs 5,000 |  |
| 16.A company forfeited 100 share of Rs 10 each issued at par for the nonpayment of first and final call of Rs 2.50 each. The share forfeiture account will be  .…………by………………...   1. Credited; Rs 500 2. Debited; Rs 500 3. Credited; Rs 750 4. Debited; Rs 750 |  |
| 17.On forfeiture of shares, share forfeiture account is credited with……………………   1. The amount not received on forfeited share including premium 2. The amount not received on forfeited share excluding premium 3. The amount already received on forfeited share including premium 4. The amount already received on forfeited share excluding premium |  |
| 18.Beta Ltd. Issued 10,000 shares of Rs10 each at 20% premium which was over subscribed to the extent of 5,000 share. All money to be paid on application only and  shares were allotted on pro-rata basis. The company will refund……………….  Rs 60,000  Rs 50,000  Rs 40,000  Rs 30,000 |  |
| 19.L Ltd. forfeited Mr. M’s share who has applied for 600 shares and was allotted 400 shares failed to pay allotment money of Rs 4 per share including premium of Rs 2 on which he had paid application money of Rs 2 only. The journal entry for forfeitures of shares by opening calls in arrears account will be:   1. Share Capital A/c Dr. 1,600   To Calls in Arrears A/c 800  To share forfeiture A/c 800   1. Share Capital A/c Dr. 1,600 Securities premium A/c Dr. 800   To Calls in Arrears A/c 1,200  To share forfeiture A/c 1,200   1. Share Capital A/c Dr. 1,600 Securities premium A/c Dr. 800   To Calls in Arrears A/c 1,800  To share forfeiture A/c 800   1. Share Capital A/c Dr. 2,000   To Calls in Arrears A/c 1,200 |  |

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| --- | --- | --- | --- |
|  |  | To share forfeiture A/c 800  Answer: b) Share Capital A/c Dr. 1,600 Securities premium A/c Dr. 800  To Calls in Arrears A/c 1,200  To share forfeiture A/c 1,200 |  |
| 20. The directors of Poly Plastic Ltd. resolved that 200 shares of Rs 100 each be forfeited for non payment of the second and final call of Rs 30 per share. Out of these  150 shares were reissued at Rs 60 per share to Mohit.  How much amount will be transferred to Capital Reserve A/c? a. Rs 3,500  b. Rs 4,500  c. Rs 6,000  d. Rs 14,000 |  |
|  |  | | |
|  | 21. As per SEBI guidelines, minimum subscription shall be fixed at- |  |
| A. 50% of the subscribed capital |
| B. 90% of the issued amount |
| C. 90% of Authorized capital |
| D. 80% of the issued amount |
| 22.Which capital of company is mentioned in the Memorandum of Association? |  |
| A. Authorized capital |
| B. Issued capital |
| C. Subscribed capital |
| D. None of the above |
| 23, Y Ltd. invited applications for 20,000 shares of Rs. 10 each payable at Rs. 3 on |  |
| application, Rs. 5 on allotment and balance on first and final call. Applications were |
| received for 11,000 shares. Amount to be transferred to capital account is- |
| A. Rs. 1,10,000 |
| B. Rs. 2,00,000 |
| C. Rs.90,000 |
| D. Nil |
| 24. P Ltd. purchased the business of Q Ltd. for Rs. 5,50,000 payable in fully paid up |  |
| shares of Rs. 10 each at a premium of 10%. Number of shares to be issued by P Ltd. |
| will be- |
| A. 55,000 |
| B. 5,50,000 |
| C. 50,000 |
| D. 27,500 |
| 25. A company issued 10,000 equity shares of Rs. 10 each payable as Rs. 3 on |  |
| application, Rs. 3 on allotment ,Rs. 2 on first call and the balance on second and final |
| call.All calls were made and received except the final call on 500 shares. Subscribed |
| but not fully paid up capital will be- |

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|  |  | A.  B.  C.  D. | Rs. 20,000  Rs. 4,000  Rs. 5,000  Rs. 80,000 |  |
| 26. A company is registered with 80,000 equity shares of Rs. 10 each. Out of which it  has offered to the general public 70,000 shares @ Rs. 10 each. Shares which are not issued by the company are called-   1. Reserve Capital 2. Issued capital 3. Unissued Capital 4. Called up Capital | |  |
| 27. When a company gives an option to its employees to subscribe the shares at a price  that islower than the market price, it is called-   1. Right issue 2. Private placement of shares 3. Bonus shares 4. Employees Stock Option Plan (ESOP) | |  |
| 28. Premium on the issue of shares should be shown-   1. On the Equity and Liabilities side of the Balance Sheet 2. On the Assets side of the Balance Sheet 3. In the Statement of Profit and Loss 4. None of the above | |  |
| 29. Which of the following is not a part of subscribrd capital?   1. Preference shares of convertible nature 2. Equity shares issued to vendor 3. Bonus shares 4. Forfeited shares | |  |
| 30. If vendors are issued fully paid up shares of Rs. 1,00,000 in consideration of net  assets of Rs. 1,20,000, the balance of Rs. 20,000 will be credited to-   1. Goodwill Account 2. Statement of profit and Loss 3. Security Premium Reserve Account 4. Capital reserve Account | |  |
|  |  | | | |
|  | **31.The profit on reissue of forfeited shares is transferred to :** | |  |
| (a) General Reserve | |
| (b) Capital Redemption Reserve | |
| (c) Capital Reserve | |
| (d) Revenue Reserve | |
| **31. If a share of Rs.100 on which Rs.60 has been paid, is forfeited, it can be re-** | |  |
| **issued at the minimum price of:** | |
| (a) Rs.60 | |
| (b) Rs.100 | |
| (c) Rs.40 | |

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|  |  | (d) Rs.140 |  |
| **33,.Maximum limit of premium on reissue of forfeited shares is :**  (a) 32%  (b) 20%  (c) No limit (d) 100% |  |
| **34. Shares can be forfeited for :**   1. For non – payment of call money 2. For failure to attend meetings 3. For failure to repay the loan to the bank 4. For which shares are pledged as a security to |  |
| **35. X Ltd. had allotted 10,000 shares to the applicants of 14,000 shares on pro- rata basis, application money on another 6000 shares was refunded. The amount payable on the application was Rs.2. Sita applied for 420 shares. The number of shares allotted to him will be:**   1. 60 shares 2. 340 shares 3. 320 shares 4. 300 shares |  |
| **36. A company issued 4,000 equity shares of rupees 10 each at par payable as under:**  **On application Rs.3 , on allotment Rs.2; on first call Rs.4 and on final call Rs. 1 per share. Applicants were received for 16,000 shares. Application for 6,000 shares were rejected and pro-rata allotment was made to the applicants for 10,000 shares. How much amount will be received in cash on first call, when**  **excess application money is adjusted towards amount due on allotments and calls**  **:**  (a) Rs.6.000  (b) nil  (c) Rs.16,000  (d) Rs.10,000 |  |
| **37. A Forfeited Share can :**   1. not be re-issued at discount 2. re-issued at a maximum discount of 10% 3. be re-issued at a maximum discount equal to the amount forfeited 4. None of the above. |  |
| **38. Balance in Forfeited Shares Account is shown in the balance sheet under the head of :**   1. Reserves and Surplus 2. Long-term Borrowings 3. Share Capital 4. Other Current Liabilities |  |
| **39. A company forfeited 3,000 shares of Rs.10 each (which were issued at par) held by Kishore for non-payment of allotment money of Rs.5 per share. The called up value per share was Rs.8.On forfeiture, the amount debited to share capital:**  (a) Rs.30,000 |  |

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|  |  | (b) Rs.24,000  (c) Rs.15,000  (d) Rs.6,000 |  |
| **40. Z limited issued shares of Rs.100 each at a premium of 10%. Mr. Q purchased 500 shares and paid Rs.20 on application but did not pay the allotment money of Rs.30. If the company forfeited his 30% shares, the forfeiture account will be credited by :**  (a) Rs.4500  (b) Rs.3500  (c) Rs.1650  (d) Rs.3000 |  |
|  |  | | |
|  |  | 41. The difference between subscribed capital and called up capital is called :   1. Calls-in-arear 2. Calls-in-advance 3. Uncalled capital 4. None of these |  |
| 42. Company can utilise securities premium for :   1. Writing off loss incurred on revaluation of asset 2. Issuing fully paid bonus shares 3. Paying divided 4. Writing off trading loss |  |
| 43. When a company issues shares at a premium, amount of premium may be received  by the company :   1. Along with application money 2. Along with application money 3. Along with calls 4. Along with any of the above |  |
| 44. Securities Premium can not be applied :   1. For paying dividend to members 2. For issuing bonus shares to members 3. For writing off preliminary expenses of company 4. For writing off discount on issue of debentures |  |
| 45. If a share of ₹ 10 on which ₹ 8 has been called and ₹ 6 is paid is forfeited, the  Share Capital Account should be debited with :  (a) ₹ 8  (b) ₹ 10   1. ₹ 6 2. ₹ 2 |  |
| 46. If the loss on reissue of shares is less than the amount forfeited, the ‘surplus’ or profit is transferred to :   1. Capital Reserve 2. Revenue Reserve |  |

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| --- | --- | --- | --- |
|  |  | 1. Profit & Loss A/c 2. None of these |  |
| 47. Amount of calls in Arrear is :   1. Added to capital 2. Deducted from share capital 3. Shown on the assets side 4. Shown an the equity and liability side |  |
| 48. Balance of Forfeited Shares Account after reissue of forfeited shares is transferred  to :   1. Profit & Loss A/c 2. Capital Reserve Account 3. General Reserve Account 4. None of these |  |
| 49. Premium on issue of shares is shown on which side of the Balance sheet.   1. Assets 2. Liabilities 3. Both 4. None of these |  |
| 50. The portion of the authorized capital which can be called-up only on the liquidation  of the company is called:   1. Issued Capital 2. Called-up Capital 3. Uncalled Capital 4. Reserve Capital |  |
|  |  | 51. A company issued 10,000 shares of Rs.10 each at par for which Application were received for 50,000 shares. Amount called up:-  On application Rs.4 each, on allotment Rs.3 and final call remaining Amount Shares were allotted on pro-rata basis Excess money will be refunded. After utilization for allotment and final call. The Bank A/c will be credited with Rs. .  A. Rs. 4,00,000  B. Rs. 1,00,000  C. Rs. 3,00,000  D. Rs. 5,00,000 |  |

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|  |  | 52. When the shares are reissued at a price more that face value it is known as .   1. Forfeiture 2. Discount 3. Premium 4. Reserve Capital |  |
| 53. Excess balance amount at Share forfeiture account will be transferred to account.   1. Forfeiture 2. Capital Reserve 3. Premium 4. General Reserve |  |
| 54. Amount of discount given at the time of reissue of shares should not be more than..   1. Shares Capital 2. Face value of share 3. Share Forfeiture Amount 4. Calls-In-Areas Amount |  |
| 55. A company Forfeited 2,000 shares of Rs 10 each issued at 20 % Premium to be paid at the time of allotment on which Rs 8 is called up. Company not received Rs 4 on Allotment including premium and Rs 2 in First call. What will be the amount Debited to share capital account:  A. Rs. 20,000  B. Rs. 16,000 |  |

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | C. Rs. 24,000  D. Rs. 18,000 |  |
| 56.A forfeited share can:   1. Not be reissued at a discount. 2. Reissued at a maximum discount 10% 3. Be reissued at a maximum discount equal to the amount forfeited. 4. None of the above |  |
| 57. Shelly Ltd. forfeited 6,000 equity shares of ` 10 each, ` 10 called-up, for the non-payment of final call of ` 1 per share. Half of the forfeited shares were reissued at ` 12 per share as fully  paid up. On reissue of the forfeited shares, the following amount will be transferred to Capital Reserve A/c:  (a) ` 54,000  (b) ` 27,000  (c) ` 15,000  (d) ` 36,000 |  |

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|  |  | 58. What will be the correct sequence of events?  Forfeiture of shares.  .Default on Calls.  .Re-issue of shares.  (iv) Amount transferred to capital reserve.  Options:  (A) (i), (iv), (ii), (iii)  (B) (ii), (iv), (i), (iii)  (C) (ii), (i), (iii), (iv)  (D) (iii), (iv), (i) (ii) |  |
| 59. Apaar Ltd forfeited 4,000 shares of ₹20 each, fully called up, on which only application money of ₹6 has been paid. Out of these 2,000 shares were reissued and ₹8,000 has been transferred to capital reserve. Calculate the rate at which these shares were reissued.   1. ₹20 Per share 2. ₹18 Per share 3. ₹22 Per share 4. ₹8 Per share |  |
| 60. 52. Star ltd. Issued 10,000 equity shares of Rs. 100 each at a premium of 20%. Mamta who had been allotted 2,000 shares did not pay the first and final call of Rs.5 per share. On forfeiture of Mamta’s shares, amount debited to Securities Premium Reserve Account will be:  a) Rs.5,000 b)Rs.10,000 c)Rs.15,000  d) Nil |  |
|  |  | 61. (A) Part of authorised capital to be called at the beginning  (B) Portion of uncalled capital to be called only at liquidation  (c) Over subscribed capital  (D) Under subscribed capital |  |

|  |  |  |  |
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|  |  | 62.When full amount is due on any call but it is not received, then the short fall is debited to : |  |
| 1. Calls-in-advance 2. Calls-in-arrear 3. Share Capital 4. Suspense Account |  |
| 63. The difference between subscribed capital and called up capital is called : |  |
| 1. Calls-in-arear 2. Calls-in-advance 3. Uncalled capital 4. None of these |  |
| 64. Which statement is issued before the issue of shares ? |  |
| 1. Prospectus 2. Articles of Association 3. Memorandum of Association 4. All of these |  |
| 65. Company can utilise securities premium for : |  |
| 1. Writing off loss incurred on revaluation of asset 2. Issuing fully paid bonus shares 3. Paying dividend 4. Writing off trading loss |  |
|  |  |

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| --- | --- | --- | --- |
|  |  | ANSWER KEY |  |
|  |  | | |

# ANSWER KEY

i. MULTIPLE CHOICE QUESTIONS

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 1. | A | |  |
| 2. | D | |
| 3. | A | |
| 4. | A | |
| 5. | B | |
| 6. | B | |
| 7. | B | |
| 8. | A | |
| 9. | C | |
| 10. | C | |
|  | | | | |
| .11 | | | (B) 90% of the issued amount | |
| 12 | | | (A) Authorized capital | |
| 13. | | | (D) Nil | |
| 14. | | | (C) 50,000 | |
| 15 | | | (B) Rs. 4,000 | |
| 16 | | | (C) Unissued Capital | |
| 17 | | | (D) Employees Stock Option plan (ESOP) | |
| 18 | | | (A) On the Equity and Liabilities side of the Balance Sheet | |
| 19 | | | (D) Forfeited shares | |
| 20 | | | (C) Security premium Reserve Account | |
| 21 | | | C | |
| 22 | | | C | |
| 23 | | | C | |
| 24 | | | A | |
| 25 | | | D | |
| 26 | | | A | |
| 27 | | | C | |
| 28 | | | C | |
| 29 | | | B | |
| 30 | | | D | |

|  |  |
| --- | --- |
| 31 | C |
| 32 | B |
| 33 | D |
| 34 | A |
| 35 | A |
| 36 | A |

|  |  |  |
| --- | --- | --- |
| 37 | B |  |
| 38 | B |
| 39 | B |
| 40 | D |
| 41 | | B |
| 42 | | B |
| 43 | | C |
| 44 | | D |
| 45 | | B |
| 46 | | B |
| 47 | | D |
| 48 | | A |
| **49**  **50** | | **A A** |
| **51** | | **B** |
| **52** | | **C** |
| **53** | | **B** |
| **54** | | **B** |
| **55** | | **B** |
| 56 | | C |
| 57 | | B |
| 58 | | C |
| 59 | | B |
| 60 | | D |
| 61 | | B |
| 62 | | D |
| 63 | | C |
| 64 | | B |
| 65 | | B |

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Chapter 8 - Issue of Debenture

##### MULTIPLE CHOICE QUESTIONS

|  |  |
| --- | --- |
| Sl.No | Question: |
| 1 | Debentures that do not carry any charge or security on assets of the company are known as:   1. secured debentures 2. unsecured debentures 3. convertible debentures 4. registered debentures |
| 2 | A company can issue debentures  a. for cash  b.as a collateral security  c. for consideration other than cash d.All of these. |
| 3 | Which of the following is not a feature of debenture?   1. Rate of interest on the debenture is specified 2. Mode and period of repayment of principal and interest is fixed 3. Interest on debenture is an appropriation of profit 4. Debenture is generally secured by way of charge on the assets of the company |
| 4 | 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. Vendor's account 4. Goodwill account |
| 5 | Aim ltd wants to issue 10,000, 8% debentures of Rs 100 each at a discount. The Companies Act 2013, has specified the maximum amount of discount that can be allowed on issue of debenture is ---------  a. 80,000 b.10,000 c.25000 d. maximum discount not specified |
| 6 | Securities Premium Reserve 4,00,000  Preliminary expenses ----------- 50,000 Debenture issue expenses--------- 40,000 Loss due to fire 30,000 Bad debt 10,000  If Securities Premium Reserve is utilized as per Section 52(2) of the Companies Act 2013. Balance of Securities Premium Reserve will be------  a. 3,10,000 b. 3,00,000 c.2,70,000 d.3,50,000 |
| 7 | If M ltd purchased machinery worth Rs 6,00,000 from N and agreed to issue 6,500, 10% debentures of Rs 100 each to vendor. The difference in the amount will be adjusted in which account  a. Vendor b. Goodwill c. Capital Reserve d sundry assets |
| 8 | Z ltd issued 10,000, 9% Debentures of Rs 100 each at a premium of 10% payable along with application. Subscription was received for 9,000 debentures and all the applicants were allotted the debentures. Pass the journal entry to record the application money received   1. Bank a/c Dr 10,00,000 and debenture application Cr 10,00,000 2. Bank a/c Dr 10,00,000 and debenture application and allotment Cr 10,00,000 |

|  |  |
| --- | --- |
|  | 1. Bank a/c Dr 9,90,000 and debenture application and allotment Cr 9,90,000 2. Bank a/c Dr 9,90,000 and debenture application Cr 9,90,000 |
| 9 | Raj ltd purchased assets of Rs 9,90,000 from Y ltd. Payment was made by issuing 8% debentures of Rs 100 at a discount of 10%. Discount on issue of debenture A/c will be debited with—  a. Rs1,10,000 b. Rs 90,000 c. Rs 99,000 d. Rs10,000 |
| 10 | X ltd issued 20,000, 8%Debentures of Rs 100 each at a discount of 10%. It has balance in Securities Premium Reserve of Rs 1,40,000 and Capital Reserve of Rs90,000. While passing journal entry to write off Discount on Issue of Debentures, Capital Reserve will be debited with how much amount.  a. 90,000 b 60,000 c.70,000 d.80,000 |
| 11 | For writing off discount on issue of debentures, ………… is debited and ……… account is credited, if security premium reserve doesn’t exist.   1. Statement of P/L a/c and Discount on issue of debentures 2. Discount on issue of debentures and Statement of P/L a/c 3. Statement of P/L a/c and Debenture suspense account 4. None |
| 12 | Interest payable on debentures is calculated at the:   1. Issue price of debentures 2. Nominal value of debentures 3. Redemption value of debentures 4. None |
| 13 | ABC Ltd has Rs 100,000, 8% debentures outstanding. Interest is paid semi-annually on 30th September and 31st march every year. Tax deducted at source is 10%. The amount of interest paid to the debenture-holders on 31st march, 2020 will be………………..  (A) 3400  (B) 3500  (C) 3600  (D) None |
| 14 | On 1.4.2019, a company issues Rs 15,00,000, 9% debentures at a discount of 10% redeemable by annual drawings of Rs 300,000 at the end of each year. On 31st march, 2020, security premium reserve exists at Rs 60,000.The amount by which statement of p/l a/c will be debited is…………  (A) 80000  (B) 85000  (C) 88000  (D) 90000 |
| 15 | A company issued 5000, 12% debentures of Rs 100 each at 10% discount, redeemable at 10% premium. Interest on debentures are payable half-yearly on which TDS is 10%. What will be the amount of tax deduction of a year?  (A) 3000  (B) 4000  (C) 5000  (D) 6000 |
| 16 | X Ltd purchased assets worth Rs 28,80,000. It issued debentures of Rs 100 each at a discount of 4% in full satisfaction of the purchase consideration. The number of debentures issued to vendor is:  (A) 30000 |

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| --- | --- |
|  | (B) 28800  (C) 32000  (D) 3000 |
| 17 | Excess value of net assets over purchase consideration at the time of purchase of business is credited to:   1. General reserve account 2. Capital reserve account 3. Vendors’ account 4. Goodwill account |
| 18 | Omega Ltd purchased a business. The purchase price was paid by 20,000, 6% debentures of Rs 100 each issued at a premium of 10%. The purchase consideration was  (A) 20,00,000  (B) 22,00,000  (C) 24,00,000  (D) None |
| 19 | When debentures issued as collateral security is recorded in the books of accounts,  ………….account is debited.   1. Goodwill 2. Capital reserve 3. Debenture redemption 4. Debenture suspense |
| 20 | When 10,000 debentures of Rs 100 each are issued as collateral security against a bank loan of Rs 8,00,000, the debenture suspense is debited by an amount of……. (A) 10,00,000  (B) 800,000  (C) 200,000  (D) None |

1. Debenture holders are:

a. Owners of the company b. Debtors of the company

c. Creditors of the company d. promotors of the company

1. Debenture represents the:
2. Long term borrowing of the company
3. The investment of equity- shareholders
4. Directors’ shares in a company
5. Shorts-term borrowing of a company
6. Zero coupon bonds are issued:
7. At zero interest rate
8. With specified rate of interest
9. Without specified rate of interest
10. None of these
11. A debenture holder is entitled to;

a.fixed dividend b. share in profit

c.voting rights in the company d. interest at the fixed rate

1. Interest on debentures issued as a collateral security is paid on:

a. nominal value of debentures b.no interest is paid

c.face value f debentures d. paid up value of debentures

1. When debentures of rs.1,00,000, are issued as collateral security against a loan of rs.1,50,000, the entry for issue of debentures will be:
2. Credit debentures rs.1,50,000 and debit bank a/c rs1,50,000
3. Debit debenture suspense a/c rs1,00,000 and credit bank a/c rs.1,00,000
4. Debit debenture suspense a/c rs.100,000 and credit debenture a/c rs1,00,000
5. Debit cash a/c rs1,50,000 and credit bank a/c r1,50,000
6. ‘A’ ltd. Purchased the assets from ‘B’ ltd. Fr rs.8,10,000. ‘A’ ltd. Issued 10% debentures of rs 100 each at 20% discount against the payment. The number of debenturereceived by ‘B’ ltd. Will be:

a.4,500 b.9,000

c.45,000 d.none of these

28.. If vendors are issued debenture of rs 4,40,000 in consideration of assets rs5,00,000 and liabilities of rs1,00,000, the balance of rs 40,000 will be debitedto:

a.general reserve b. capital reserve account

c .goodwill account d.statement of profit & loss

1. .Issued 4,000, 12% debentures of rs100 each at a discount of 4%, redeemable at a premium of 10%. In such a case:
2. Loss on issue will be debited by rs24,000
3. Loss on issue will be debited by rs56,000
4. Loss on issue will be debited by rs40,000
5. Premium on redemption will be credited by rs24,000
6. A ltd. Issued 1,000,10% debentures of rs 100 each at a premium of rs 5%. What will be the total amount of interest for one year:

a. Rs10,500 b.Rs10,000

c. Rs5,250 d. Rs.5,000

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| Sl.No | Question |
| 31 | Where is ‘Premium on Redemption of debenture’ shown in the balance sheet   1. Under the sub head ‘Long term Borrowing’. 2. Under the sub head 'Long term provision’. 3. Under the sub head ‘Other Long-term liabilities. 4. None of the above |

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| 32 | Taza Ltd. Issued 20,000,8% Debentures of ₹100 each issued at 5% discount, redeemable at par. The 8% Debenture account is:   1. Debited with ₹20,00,000 2. Credited With ₹20,00,000 3. Debited with ₹19,00,000 4. Credited with ₹1,00,000 |
| 33 | Alfa Ltd. Obtained loan of ₹1,00,000 from HDFC bank and issued 1200,10% Debentures of  ₹100 each as collateral security. The amount shown in balance sheet under long term borrowings:  A. 1,00,000  B. 1,20,000  C. 20,000  D. 1,32,000 |
| 34 | X Ltd. Issued ₹10,00,000 debentures at a discount of 6% on 1st April 2017 repayable at par the end of five years. The entry for writing off discount on issue of debenture:   1. Discount on issue of debenture A/c Dr. To Debenture A/c 2. Debenture A/c Dr.   To Discount on issue of debenture A/c   1. Statement of profit and loss A/c Dr.   To on Discount issue of debenture A/c   1. Discount issue of debenture A/c Dr. To Statement of profit and loss A/c |
| 35 | Loss on issue of debentures can be written off from:   1. Securities Premium Reserve 2. Statement of profit and loss 3. Both (A) and (B) 4. None of the above |
| 36 | Panna Ltd. Issued 2,000, 10% debentures of ₹ 100 each at a premium of 20%. What will be the total amount of interest for one year?  A. ₹20,000  B. ₹10,000  C. ₹15,000  D. 10,500 |
| 37 | Z Ltd. Issued 10,000 9% debentures of ₹100 each at a discount of 5%redeemable at the end of three year at premium of 5%. For what amount ‘Loss on issue of Debenture account’ will be debited.  A. 50,000  B. 90,000  C. 1,00,000  D. 1,50,000 |
| 38 | Mhajan Ltd. Issued 3,000, 15% debentures of ₹100 each at a discount of 5%, redeemable at a premium of 10% after 5 years. Which of following statement is correct:   1. Loss on issue of debentures will be deibited by ₹45,000 2. Loss on issue of debentures will be credited by ₹40,000 3. Premium on redemption of debenture will be debited by ₹45,000 4. Premium on redemption of debenture will be credited by ₹40,000 |
| 39 | ChamanVerma adopts the policy of Risk aversion while purchasing securities from the |

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|  | market. Which option ChamanVerma will select from the following: i.1,500, 10% debentures of ₹100each.   1. 2,000 equity shares expected to yield dividend of ₹50,000 per year    1. Option (i) as by purchasing 1,500, 10% debentures of ₹ 100 each    2. Option (ii) as by purchasing equity shares    3. Either (i) or (ii)    4. None of the above |
| 40 | Daman Ltd. Made the following issues of debentures:  i.For cash at 95%, 500 debentures of ₹100 each   1. To a creditor who supplied machinery costing 16,000, 170 debentures of ₹100 each i.To a bank for loan of for ₹ 80,000 as a collateral security   In which of the above issues Debenture suspense account will be opened   * 1. In Option (i)   2. In Option (ii)   3. In option (iii)   4. All |
| 41. | Debenture holders are the:   1. Customers of the Company 2. Owners of the Company 3. Creditors of the Company 4. None of these |
| 42. | In case of issue of debentures as a collateral security for loan from the bank which account will be debited:   1. Bank Account 2. Bank Loan Account 3. Debentures Account 4. Debentures Suspense Account |
| 43. | In the Balance Sheet of a Company, Debentures are shown under the head :   1. Unsecured Loans 2. Long-term Loans 3. Current Liabilities 4. Reserve and Surplus |
| 44. | Discount on issue of Debentures is in the nature of:   1. Revenue Loss 2. Capital Loss 3. Deferred Revenue Expenditure 4. None of there |

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| 45. | If debentures of ₹ 4,50,000 are issued for the consideration of net assets of ₹ 5,00,000 balance ₹ 50,000 will be credited to:   1. Profit & Loss A/c 2. Goodwill A/c 3. General Reserve A/c 4. Capital Reserve A/c |
| 46. | F Ltd. purchased machinery for a book value of ₹ 4,00,000. The consideration was paid by issue of 10% Debentures of ₹ 100 each at a discount of 20%. The Debenture Account will be credited by :  (a) ₹ 4,00,000  (b) ₹ 5,00,000  (c) ₹ 3,20,000  (d) ₹ 4,80,000 |
| 47. | Debenture premium can be used to   1. Write off the discount on issue of shares or debentures 2. Write off the premium on redemption of shares or debentures 3. Write off capital loss 4. All of the above |
| 48. | A company issued ₹ 1,00,000 12% debentures of ₹ 100 each. The amount of interest on debentures will be:  a) ₹ 12,000  (b) ₹ 1,20,000  (c) ₹ 12,00,000  (d) None of these |
| 49. | When debentures are issued at a discount and are redeemable at a premium, which of the following accounts is debited at the time of issue ?   1. Debentures A/c 2. Premium on Redemption of Debentures A/c 3. Loss on Issue of Debentures A/c 4. Profit & Loss A/c |
| 50 | Deep Ltd. issue 10,00,000, 7 % debentures of 100 Rs. each at a discount of 4%, redeemable after 5 years at a premium of 6%. Loss issue of debentures is :  (a) ₹ 10,00,000  (b) ₹ 6,00,000  (c) ₹ 16,00,000  (d) ₹ 4,00,000 |

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| 51 | Debenture holders are :   1. Owners of the company 2. Customers of the company 3. Creditors of the company 4. None of the above |
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| 52 | Debentures issued as collateral security will be debited to:   1. Bank account 2. Debenture suspense account 3. Debentures account 4. Debenture holder account |
| 53 | Profit on cancellation of own debentures is transferred to:   1. Profit and loss account 2. Profit and loss appropriation account 3. General reserve account 4. Capital reserve account |
| 5 4 | If debenture of ₹100000 were issued for discount of ₹ 10000, which are redeemable after 4 years. Then amount of discount to be written off from P&L Account each year is:  A. ₹ 3000  B. ₹ 4000  C. ₹ 2500  D. ₹ 5000 |
| 5 5 | Debentures can be redeemed out of:   1. Profit 2. Capital 3. Provision 4. All of these |
| 56 | Premium on redemption of debentures is a .......   1. Personal account 2. Real account 3. Nominal account 4. Suspense account |
| 57 | If debentures purchased in open market are not immediately cancelled , they are treated as ................   1. Current asset 2. Current liability 3. Investment 4. Capital |
| **5**8 | Debentures cannot be redeemed at:   1. Par 2. Premium 3. Discount 4. More than 10% premium |
| 59 | Loss on issue of debenture account is shown:   1. On asset side of balance sheet 2. On liability side of balance sheet 3. On credit side of P &L account 4. None of these |
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| 60 | Debentures represent the:   1. Long term loan of a company 2. The investment of equity shareholders 3. Directors shares in a company |
| 61. | Debentures represent the :   1. Long-term Borrowings of a Company 2. The Investment of Equity-Shareholders 3. Directors’ shares in a company 4. Short-term Borrowings of a Company |
| 62. | Zero Coupon Bonds are issued :   1. At Zero Interest Rate 2. With Specified Rate of Interest 3. Without Specified Rate of Interest 4. None of These |
| 63. | When a company is liquidated, the debenture holders have a prior right for :   1. principal amount 2. interest 3. both (a)and (b) 4. none of these |
| 64. | ‘A’ Limited purchased the assets from ‘B’ Limited for Rs.5,40,000. ‘A’ Limited issued 10% debentures of Rs.100 each at 20% premium against the payment. The number of debentures received by ‘B’ Limited will be : (A) 4,500  (B) 5,400  (C) 45,000  (D) 6,000 |
| 65. | Which of the following is not a characteristic of Bearer Debentures?   1. They are treated as negotiable instruments. 2. Their transfer requires a deed of transfer. 3. They are transferable by mere delivery. 4. The interest on it is paid to the holder irrespective of identity |
| **66.** | When 100 debentures are issued at 5% discount@ 100 each redeemable at a premium of 8%.How much amount will be credited as premium on redemption of debentures account  (A)Rs.5,000  (B)Rs.4,000  (C) RS.8,000  (D) Rs.6,000 |
| **67.** | When debentures of Rs.1,00,000 are issued as Collateral Security against a loan of Rs.1,50,000, the entry for issue of debentures will be :   1. Credit Debentures Rs.1,50,000 and debit bank A/c Rs.1,50,000 2. Debit Debenture Suspense A/c Rs.1,00,000 and Credit Bank A/c Rs.1,00,000 3. Debit Debenture Suspense A/c Rs.1,00,000 and Credit Debentures A/c Rs.1,00,000. 4. Debit Cash A/c Rs.1,50,000 and Credit Bank A/c Rs.1,50,000 |
| 68. | X Ltd. purchased a building for Rs.60,00,000 payable as 20% in Cash  and balance by allotment of 8% debentures of Rs.500 each at a premium |

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|  | of 20%. Number of debentures issued will be : (A) 9,600  (B) 8,000  (C) 12,000  (D) 10,000 |
| 69. | Issued 4,000, 12% debentures of Rs.100 each at a premium of 4%, redeemable at a premium of 10%. In such case :   1. Loss on Issue will be debited by Rs.24,000 2. Loss on Issue will be debited by Rs.56,000 3. Loss on Issue will be debited by Rs.40,000 4. Premium on Redemption will be credited by Rs.24,000 |
| 70. | Interest payable on debentures is :   1. an appropriation of profits of the company 2. a charge against profits of the company 3. transferred to sinking fund investment account 4. transferred to general reserve |
| 71 | 10% debenture issued at Rs105 is repayable at Rs115, the face value of debenture being Rs100. Calculate the amount of loss on redemption of debentures:  (b) 5 (c) 15 (d) 25 |
| 72 | Collateral security means security: imary (b) secondary  itional (d) both b & c |
| 73 | 10% debenture issued at Rs. 95 is repayable at Rs. 115, the face value of debenture being Rs100. In this case, debentures are issued at and redeemable at  count, discount (b) premium, premium  count, premium (d) its cost price |
| 74 | When the number of debentures applied is less than number of debentures offered to public the issue is said to be:  ersubscribed (b) under subscribe  ly subscribed (d) none of the above |
| 75 | A company can issue debentures  cash (b) as a collateral security  consideration other than cash (d) any of the above |
| 76 | Manoj Ltd took over the assets of Rs7,60,000 and liabilities of Rs80,000 of Saroj Ltd. for purchase consideration of Rs6,30,000 payable by the issue of 12% debentures of Rs100 each at a discount of 10%. The number of debentures to be issued is:  00 (b) 6500  00 (d) 7500 |
| 77 | Which of the following is not a method of redemption of debentures: mp-sum Method (b) Installment Method  nversion method (d) Collateral Method |
| 78 | Debenture redemption reserve is created ore redemption starts  he closure of previous accounting year ore 30th April of the current year  the above |
| 79 | H Limited has outstanding 10,000, 8% debentures of Rs 100 each that are |

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|  | redeemable at a premium of Rs 10 each. Out of these 6000 debentures are to be redeemed on 31st December 2018. Denture redemption investment should be 000 (b) 85,000  (c) 90,000 (d) 95,000 |
| 80 | Nav Lakshmi Ltd invited applications for issuing 3,000, 12% Debentures of Rs. 100 each at a premium of Rs. 50 per Debenture. The full amount was payable on application.  Applications were received for 4000 debentures. How much amount will be transferred to 12% Debentures account.  (a)Rs. 3,00,000/= (b) Rs. 4,00,000 4,50,000= (d)Rs. 6,00,000 |

1. When debentures are issued at par and redeemable and premium the loss on such an issue is debited to:
2. profit and loss account
3. debenture application and allotment account
4. loss on issue of debentures account
5. discount on issue of debentures account.
6. Excess value of net assets over purchase consideration at the time of purchase of business is credited to:
7. General reserve
8. Capital reserve
9. Vendor's account
10. Goodwill account.
11. ABC took over the assets of Rs7,60,000 and liabilities of Rs 80,000 of Y limited for purchase consideration of Rs5,85,000 payable by the issue of 12% debentures of Rs100 each at a discount of 10%. The number of debentures to be issued is:

a. 6600

b. 6500

c. 4500

d. 5400

1. XYZ limited issued 4000,12% debentures of Rs100 each at a premium of 5%

.the total amount of interest for one year will be:

a. 48,000

b. 58,000

c. 50,000

d. 50,400.

1. ABC limited issues 10,000 9% debentures of 100 each at a premium of 5% payable at a premium of 10%, the loss on issue of debentures account will be debited to by:

a. Rs10,00,000

b. Rs1,00,000

c. Rs10,50,000

d. Rs1,05,000

1. Debentures that do not carry any charge or security on assets of the company are known as:
2. secured debentures
3. unsecured debentures
4. convertible debentures
5. registered debentures.
6. Debenture is:
7. written instrument acknowledging a debt written by its holder.
8. An oral acknowledgement of debt by a company
9. A written instrument acknowledging a debt written by its company
10. None of these.
11. Debentures issued as collateral security will be to debenture suspense account:
12. debited
13. credited
14. sometimes debited and sometimes credited
15. none of these.
16. Debenture interest:
17. is payable only in case of profits
18. accumulates in case of losses are inadequate profits
19. is payable irrespective of profit or loss
20. none of the above.
21. Collateral security means security:
22. primary
23. secondary
24. government
25. valuable.
26. Debenture holders are the :
27. Customers of the Company
28. Owners of the Company
29. Creditors of the Company
30. None of these
31. Debentures which are transferred by mere delivery are called:
32. Registered Debentures
33. First Debentures
34. Bearer Debentures
35. None of these
36. In the Balance Sheet of a Company, Debentures are shown under the head :
37. Unsecured Loans
38. Long-term Borrowings
39. Current Liabilities
40. Reserve and Surplus
41. Discount on issue of Debentures is in the nature of:
42. Revenue Loss
43. Capital Loss
44. Deferred Revenue Expenditure
45. None of there
46. Debentures carries interest at: .

(a) 12% p.a.

(b) Fixed Rate

(c) 20% p.a.

(d) 6% p.a.

# ANSWER KEY

##### Compiled (MCQ) KEY/ANSWER SHEET

|  |  |
| --- | --- |
| **Multiple Choice question** | |
| 1 | b |
| 2 | d |
| 3 | c |
| 4 | b |
| 5 | d |
| 6 | a |
| 7 | b |
| 8 | c |
| 9 | a |
| 10. | b |
| 11 | (A) Statement of P/L a/c and Discount on issue of debentures |
| 12 | (B) Nominal value of debentures |
| 13 | (C) 3600 |
| 14 | (D) 90000 |
| 15 | (D) 6000 |
| 16 | (A) 30000 |
| 17 | (B) Capital reserve account |
| 18 | (B) 22,00,000 |
| 19 | (D) Debenture suspense |
| 20 | (A) 10,00,000 |
| 21 | c |
| 22 | a |
| 23 | c |
| 24 | d |
| 25 | b |
| 26 | c |
| 27 | b |
| 28 | c |
| 29 | c |
| 30 | b |
| 31 | Under the sub head ‘Other Long-term liabilities |
| 32 | Credited With ₹20,00,000 |
| 33 | 1,00,000 |
| 34 | Discount on issue of debenture A/c Dr.  To Debenture A/c |
| 35 | Both (A) and (B) |
| 36 | A. ₹20,000 |

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| --- | --- |
| 37 | 1,00,000 |
| 38 | Loss on issue of debentures will be debited by ₹45,000 |
| 39 | Option (i) as by purchasing 1,500, 10% debentures of ₹ 100 each |
| 40 | In option (iii) |
| 41 | A |
| 42 | D |
| 43 | B |
| 44 | B |
| 45 | D |
| 46 | B |
| 47 | D |
| 48 | A |
| 49 | C |
| 50 A | |
| 51 | C |
| 52 | B |
| 53 | D |
| 54 | C |
| 55 | D |
| 56 | C |
| 57 | C |
| 58 | C |
| 59 | A |
| 60 | A |
| 61. | (A) Long-term Borrowings of a Company |
| 62. | (c) Without Specified Rate of Interest |
| **63** | (C) both (a)and (b) |
| 64. | (A) 4,500 |
| **65.** | (B) Their transfer requires a deed of transfer. |
| 66. | ( C) Rs.8,000 |
| **67.** | (C) Debit Debenture Suspense A/c ₹1,00,000 and Credit  Debentures A/c ₹1,00,000. |
| 68. | (B) 8,000 |
| 69. | (C) Loss on Issue will be debited by ₹40,000 |
| 70. | (B) a charge against profits of the company |
| 71 | (c) 15 |
| 72 | (d) both b & c |
| 73 | (c) discount, premium |
| 74 | (b) under subscribe |
| 75 | (d) any of the above |
| 76 | (c) 7000 |
| 77 | (d) Collateral Method |
| 78 | (c) before 30th April of the current year |
| 79 | (c) 90,000 |
| 80 | (a)Rs. 3,00,000/= |

|  |  |
| --- | --- |
| 81 | C |
| 82 | B |
| 83 | B |
| 84 | A |
| 85 | B |
| 86 | B |
| 87 | C |
| 88 | A |
| 89 | C |
| 90 | B |
| 91 | C |
| 92 | C |

**PREPARED BY THE PGTs ( COMMERCE ) OF BHUBANESWAR, GUWAHATI, KOLKATA, RANCHI, SILCHAR AND TINSUKIA REGIONS.**

**PART – B (FINANCIAL STATEMENT ANALYSIS)**

**NAME OF THE CHAPTER: - ANALYSIS OF FINANCIAL STATEMENT MULTIPLE CHOICE QUESTIONS**

|  |  |
| --- | --- |
| Q1 | Identify, which amongst the following statements is wrongly stated in respect of objectives of comparative balance sheet:  A、To measure the short term and long-term solvency of the firm.  B、To analyze changes in various items in absolute and percentage terms C、To gauge the financial position and soundness of business.  D、To measure the performance of the business during the current year. |
| Q2 | Comparative balance sheet shows the effect of business operations on which of the following: A、Only on assets  B、Only on liabilities  C、Both on assets and liabilities  D、Not only on assets and liabilities but also on capital. |
| Q3 | Find out which of the following is right formula for finding out percentage change at the time of preparation of comparative financial statements.  A、Absolute change/Current year figure  B、Absolute change/Current year figure x100 C、Absolute change/Previous year figure  D、Absolute change/Previous year figureX100 |
| Q4 | If share capital is ₹-30,000 during the previous year and Absolute change is ₹-6000, then, percentage change in share capital is equal to:  A) 20%.  B) 25%  C) 30%.  D) 35% |
| Q5 | If profit after tax is ₹-2,70,000 and Tax rate is -25%, then profit before tax is equal to:  A、₹-3,60,000 B、₹-3,00,000 C、₹-3,37,500  D、₹-4,00,000 |
| Q6 | In a common Size statement of profit and loss, which figure is assumed to be equal to 100% A、Revenue from operations  B、Total revenue from operations C、Total expenses |

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|  | D、Net profit after tax |
| Q7 | In the preparation of common size balance sheet, which figure assumed to be equal to 100% A、Shareholders’ funds  B、Total of Non-current assets  C、Total of equity and liabilities or Total of assets D、Capital employed |
| Q8 | Which of the following cannot be identified from the comparative statement of profit and loss?  A、Rate of decrease or increase in revenue from operations B、Rate of decrease or increase in trade receivables  C、Rate of decrease or increase in incomes and expenses  D、Rate of decrease or increase in net profit |
| Q9 | If amount of shareholder funds ₹-3,00,000, Non-current liabilities ₹-1,20,000 and current  liabilities ₹ 80,000, what will be its percentage of shareholders’ funds to Total of Equity and  liabilities. A) 50%.  B) 60%.  C) 40%.  D) 70% |
| Q10 | If purchase of stock-in-trade ₹-2,00,000: Change in inventories of stock-in- trade₹-50,000 and  other expenses-20% of cost of revenue from operations What will be the total expenses:  A) ₹-50,000.  B) ₹-40,000.  C) ₹-80,000.  D) 35,000 |
| Q11 | While preparing the balance sheet of a company, securities premium reserve is shown under:   1. Non-Current liabilities 2. Share capital 3. Long term borrowings 4. Reserves and surplus |
| Q12 | Call in advance appears in a Company’s Balance sheet under:   1. Current liabilities 2. Share Capital 3. Long term Borrowings 4. Reserves and Surplus |
| Q13 | Analysis of financial statement is significant for:  (a) Creditors (b)Management   1. Employees 2. all of the above |
| Q14 | Schedule III has prescribed format for presentation of balance sheet.   1. Horizontal 2. Vertical 3. Either (a) or (b) 4. Neither (a) nor (b |

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| Q15 | Interest accrued on investments is shown in company’s Balance Sheet under the main head.   1. Non-current investments 2. Current assets 3. Other current assets 4. Other Non-Current assets |
| Q16 | This of the following items is shown under the head ‘current assets’ while preparing company’s  Balance Sheet??   1. Investment in property 2. Patents 3. Inventories 4. Vehicles |
| Q17 | Under the sub head of short – term provision which one is shown from the following :   1. Interest accrued and due on borrowing 2. Proposed dividend ( c ) unpaid dividend ( d ) calls in advance |
| Q18 | 11%Debentures redeemable within 12 months of the date of balance sheet will be shown under:   1. Short term borrowings 2. Short terms provisions 3. Other current liability 4. Trade payables |
| Q19 | Share Capital of a company consists of 90,000 shares of RS. 10 each, RS. 7 called up. All the shareholders have duly paid the called up amount. Share capital will be shown as: (a)Subscribed and fully paid   1. Subscribed but not yet fully paid 2. Either (a) or (b) 3. Neither(a) nor (b) |
| Q20 | Which of the following is a not limitation of analysis of financial statement? (a)Window dressing   1. Subjectivity 2. Intra-firm comparison 3. Only quantitative analysis |
| Q21 | Under this tool of financial statement analysis ,100% is taken as a base and all other related items are expressed as a percentage of base. The tool is-   1. Comparative statement 2. Common Size Statement 3. Cash flow statement 4. Ratio analysis |
| Q22 | Which of the following is an objective of comparative statements?   1. Data presentation becomes simple and comparable 2. Indicates trend 3. Indicates strength and weaknesses 4. All of the above |
| Q23 | Which item is assumed to be 100 on the asset side in case of Common size Balance Sheet?  (A)Fixed Assets |

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|  | (B)Non current investments (C)Inventories  (D) Total of assets |
| Q24 | Which item is assumed to be 100 in case of Common size Statement of Profit and Loss? (A)Revenue from operations   1. Total Revenue 2. Total Expenses (D)None of the above |
| Q25 | Which technique of financial analysis shows a comparative study of items or components of financial statements for two or more years?   1. Common size statement 2. Ratio analysis 3. Comparative statement 4. Trend analysis |
| Q26 | Which of the following is a tool of financial statement analysis? (A)Comparative statements   1. Common-size statements 2. Cash flow statements (D)All of these |
| Q27 | In a company, cost of materials consumed is Rs 1,00,000 and revenue from operations is Rs 2,00,000. What will be its percentage to revenue from operations?  (A) 57%  (B) 50%  (C) 65%  \(D) 44% |
| Q28 | Comparison of a firm’s financial statements of two or more years is known as------------  (A)Inter-firm comparison (B)Intra-firm comparison (C)Standard comparison  (D)Pattern comparison |
| Q29 | The name Vertical analysis is given to – (A)Common size statement (B)Comparative statement  (C)Ratio analysis |

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|  | (D)None of the above |
| Q30 | Horizontal analysis stands for- (A)Comparative statements  (B) Common size statement (C)Ratio analysis  (D)Cash flow statement |
| Q31 | Analysis of Financial Statement is significant (A)For creditors   1. For Managers 2. For employees (D)All the above |
| Q32 | Which of the following is shown as Current Liabilities?  (A) Inventories (B)Trade receivable (C)Unclaimed Dividend  (D)Prepaid Insurance |
| Q33 | Mining right is a example of (A)Tangible fixed assets (B)Intangible fixed assets (C)Asset under development  (D)Capital work in progress |
| Q34 | In Asha Ltd., There is a Claim for Workmen compensation Rs.45,000 and will be settled within 12 months. In companies balance sheet Claim for Workmen compensation will be shown under (A)Non-current liabilities  (B)Current liabilities (C)Non-current Assets  (D) Current Assets |
| Q35 | When bad position of the business is tried to be depicted as good it is known as (A)Personal bias  (B)Window dressing (C)Pricelevel changes  (D) None of these |
| Q36 | Which Analysis is based on one year’s data?  (A)Horizontal Analysis |

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|  | (B)Vertical Analysis (C)Cash Flow Statement  (D)Dividend Analysis |
| Q37 | Which of these is not the limitation of financial statements of a company? (A)Ignore qualitative aspects  (B) Providing information about the profitability of the business (C)Personal bias  (D) Ignores price level change |
| Q38 | Financial Analysis becomes useless because it (A)Measures the profitability   1. Measures the solvency 2. Lacks qualitative analysis (D)Makes a comparative study |
| Q39 | Under which of the following is head/sub-head is ‘Calls in Arrears’ presented in the Balance  Sheet of a Company? (A)Reserves and Surplus (B)Other Long-term Liabilities (C)Share Capital  (D) Other Current Liabilities |
| Q40 | Out of the following items, identify which is shown as part of Revenue from operations in a factory:  (A)Interest income (B)Rent from subletting (C)Sale of scrap  (D) Sale of old newspaper |
| Q41 | All of them are long term borrowings except :-  A.) Cash credits. B.) Public deposits C.) Debentures  D.) Both A & C |
| Q42 | Which of the following is not a long-term borrowing of a company?  A.) 10% Debentures. B.) Term loans.  C.) Loans repayable on demand from banks |

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|  | D.) Long-term finance lease obligations. |
| Q43 | How the following liabilities are to be shown on the liability side of the balance sheet in the order of permanence?   1. Current liabilities and provisions 2. Secured loans 3. Share capital 4. Unsecured loans 5. Reserves and surplus   A.) 3, 5, 2 , 4 , 1  B.) 3 , 2 , 1 , 4 , 5  C.) 1 , 4 , 2 , 5 , 3  D.) 5, 4, 3, 2, 1 |
| Q44 | Which of the following item to be included in Reserve & Surplus?  A.) Capital Redemption Reserves B.) General Reserve  C.) Securities Premium  D.) All of the above |
| Q45 | Fictitious assets are shown on the asset side of the balance sheet of a company under the heading:-  A.) Fixed Assets  B.) Current Assets  C.) Miscellaneous Expenditure  D.) None of these. |
| Q46 | Which of the following Sub-head does not come under the “Non-Current Assets” as per the  Company Act, 2013? A.) Fixed Assets B.) Current Assets  C.) Non-Current Investment  D.) Long-terms Loans & Advances |
| Q47 | Which of the following head come under the ‘Expenses’ in the Statement of Profit & Loss?   1. Cost of Materials Consumed 2. Purchases of Stock-in-Trade 3. Finance Cost 4. All of these |

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| Q48 | Calculate ‘Revenue from Operation’ for a non-financial company from the following information:- Sales ₹ 1,30,000/-, Sales Return ₹ 30,000/-, Sale of Scrap ₹ 50,000/-, Dividend Earned ₹ 65,000/-.  A.) ₹ 2,15,000/-  B.) ₹ 1,50,000/-  C.) ₹ 1,65,000/-  D.) None of these |
| Q49 | If the Accounting income is more than the Taxable income, then it result is……………..  A.) Deferred Tax Liability B.) Deferred Tax Assets C.) Both (A) and (B)  D.) None of these |
| Q50 | The provisions against which liability will arise within 12 months of the date of Balance Sheet, then that provision is classified as:  a.) Long-term Provision b.) Short-term Provision c.) Both (A) and (B)  d.) None of these |
| Q51 | While preparing Common Size Income statement each item is expressed as a % of (a)  Revenue from operations  (b) Total revenue (c)Other income  (d) Profit before tax |
| Q52 | The main objective of common size statement is:   1. to present changes in various items 2. to provide common ways for comparison 3. to establish relationship between various items 4. all of these |
| Q53 | which tool of financial analysis shows a comparative study of items of financial statements for two or more years?   1. common size statement 2. comparative statement |

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|  | 1. ratio analysis 2. trend analysis |
| Q54 | In the common size statement of profit and loss:   1. figure of net revenue from operations is assumed to be equal to 100 2. figure of gross profit is assumed to be equal to hundred 3. figure of net profit is assumed to be equal to hundred 4. figure of total income it is assumed to be equal to hundred |
| Q55 | Which of the following is not a tool of financial analysis?   1. comparative income statement 2. comparative position statement 3. statement of profit and loss 4. cash flow statement |
| Q56 | Common size statement are prepared:   1. in the form of ratios 2. in the form of percentages 3. in the form of (a) and (b) both 4. none of the above |
| Q57 | A company’s working capitalis Rs.10 Lakh (Negative balance) in the year 2018. It became Rs.15 Lakh (positive balance) in the year 2019. What is the percentage of change?  (A)150% (B)100% (C)250%  (D)50% |
| Q58 | Total Assets of a firm are rupees 20 lakh and its fixed assets are rupees 8 lakh. what will be the percentage of fixed assets on total assets?  (a) 60%  (b) 40%  (c) 29%  (d) 71% |
| Q59 | comparative statement of profit and loss provides information about:  (a) rate of increase or decrease in the revenue from operations |

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|  | 1. rate of increase or decrease in the cost of revenue from operations 2. rate of increase or decrease in the net profit 3. all of the above |
| Q60 | if net revenue from operations of a firm are rupees 120000 cost of revenue from operations is rupees 66000 and operating expenses are rupees 21600 what will be the percentage of operating income on net revenue from operations?  (a) 55%  (b) 45%  (c) 73%  (d) 27% |
| Q61 | The most commonly used tools for financial analysis are:   1. Comparative Statements 2. Common Size Statements 3. Accounting Ratios 4. All of the above |
| Q62 | Which one of the following is not a method/tool of analysis of financial statements?   1. Accounting Ratios 2. Break Even Point 3. Statements of Receipts and Payments 4. Fund Flow Statement |
| Q63 | Which of the following is the objective of comparative statements?   1. To make the data simpler and understandable 2. To indicate the trend 3. To help in forecasting 4. All of the above |
| Q64 | Comparative Balance Sheet :   1. Provides a summarized view of the operations of the firm 2. Presents the financial position of the firm 3. Presents the change in various items of balance sheet 4. None of the above |
| Q65 | Comparative Statement of Profit and Loss provides information about:   1. Rate of increase or decrease in revenue from operations 2. Rate of increase or decrease in cost of revenue from operations 3. Rate of increase or decrease in net profit 4. All of the above |
| Q.66 | 1. Which analysis depicts the relationship between two figures:  (A) Ratio Analysis |

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|  | 1. Trend Analysis 2. Cumulative figures and averages 3. Dividend Analysis |
| Q67 | Fixed Assets of a company increased from Rs.3,00,000 to Rs.4,00,000. What is the percentage of change?  (A) 25% (B) 33.3%  (C) 20%  (D) 40% |
| Q68 | If net revenue from operations of a firm are Rs.1,20,000; cost of revenue from operations is Rs.66,000 and operating expenses are Rs.21,600, what will be the percentage of operating income on net revenue from operations ?  (A) 55%  (B) 45%  (C) 73%  (D) 27% |
| Q69 | If total assets of a firm are Rs.8,20,000 and its fixed assets are Rs5,90,400, what will be the percentage of current assets on total assets?  (A) 42%  (B) 58%  (C) 28%  (D) 72% |
| Q70 | In the Balance Sheet of a Common size Statement:   1. Figure of current liabilities is assumed to be 100 2. Figure of fixed assets is assumed to be 100 3. Figure of total assets is assumed to be 100 4. Figure of share capital is assumed to be 100 |

**MULTIPLE CHOICE QUESTIONS**

**ANSWER KEYS**

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| Q.NO | ANSWER  KEYS | Q.NO | ANSWER  KEYS | Q.NO | ANSWER  KEYS | Q.NO | ANSWER  KEYS |
| 1 | D | 11 | D | 21 | B | 31 | D |
| 2 | D | 12 | C | 22 | D | 32 | C |
| 3 | D | 13 | D | 23 | D | 33 | B |
| 4 | A | 14 | B | 24 | A | 34 | B |
| 5 | A | 15 | B | 25 | C | 35 | B |
| 6 | A | 16 | C | 26 | D | 36 | B |
| 7 | C | 17 | B | 27 | B | 37 | B |
| 8 | B | 18 | C | 28 | B | 38 | C |
| 9 | B | 19 | B | 29 | A | 39 | C |
| 10 | A | 20 | C | 30 | A | 40 | C |

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| Q.NO | ANSWER  KEYS | Q.NO | ANSWER  KEYS | Q.NO | ANSWER KEYS |
| 41 | A | 51 | A | 61 | D |
| 42 | C | 52 | D | 62 | C |
| 43 | A | 53 | B | 63 | D |
| 44 | D | 54 | A | 64 | C |
| 45 | C | 55 | C | 65 | D |
| 46 | B | 56 | B | 66 | A |
| 47 | D | 57 | C | 67 | B |
| 48 | B | 58 | B | 68 | D |
| 49 | A | 59 | D | 69 | C |
| 50 | B | 60 | D | 70 | D |

**NAME OF THE CHAPTER :- RATIO ANALYSIS**

MULTIPLE CHOICE QUESTIONS

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| Q1 | Working Capital is the:  (A) Cash and Bank Balance (B) Capital borrowed from the Banks   1. Difference between Current Assets and Current Liabilities 2. Difference between Current Assets and Fixed Assets |
| Q2 | Current assets include only those assets which are expected to be realised within  ………………………  (A) 3 months (B) 6 months  (C) 1 year (D) 2 years |
| Q3 | **.** On the basis of following data, the proprietary ratio of the company will be:  Equity share capital Rs.10,00,000 ; Debentures Rs. 5,00,000; Statement of profit & loss Debit Balance Rs. 1,00,000; Current Liabilities Rs. 6,00,000, Current Assets 8,00,000.  (A) 70% (B) 50% (C) 45% (D) 75% |
| Q4 | **.** The two basic measures of liquidity are:   1. inventory turnover and current ratio 2. current ratio and liquid ratio 3. gross profit margin and operating ratio 4. current ratio and average collection period |
| Q5 | A company’s liquid assets are 6,00,000, inventory is 1,50,000 and its current liabilities are 4,00,000. Subsequently, it purchased goods for Rs. 1,00,000 on credit. Quick ratio will be (a) 1.5:1 (b) 1.2:1 (c) 1.4:1 (d) 1.7:1 |
| Q6 | Revenue from Operations Rs.2,00,000; Inventory Turnover ratio 5; Gross Profit 25%. Find out the value of Closing Inventory, if Closing Inventory is Rs.8,000 more than the Opening Inventory.  (A) Rs.38,000 (B) Rs.22,000 (C) Rs.34,000 (D) Rs.26,000 Ans-(C) Rs.34,000 |
| Q7 | Current Ratio is 1.5:1. Working Capital is 30,000. What will be the amount of current liabilities?  (a) 20,000 (b) 60.000 (c ) 1,65,000 (d) 1,20,000 |
| Q8 | From the following information, the quick ratio will be:  Bank Overdraft 40000, Trade Payable 10,000, Current Assets: 70,000, Inventories 10,000  Prepaid Expenses 5,000, Advance Tax 5,000.  (a) 1:1.2 (b) 1:1 (c) 5:7 (d) 1.25:1 |
| Q9 | The Debt Equity ratio of a company is 1: 2. Purchase of a fixed asset for Rs. 5,00,000 on long term deferred payment basis. Debt Equity Ratio will:  (a) Increase (b) Decrease  (c ) Remain constant (d) Not change |
| Q10 | Quick Assets = ?   1. Current Assets – Prepaid Expenses 2. Current Assets – Inventory – Prepaid Expenses 3. Current Assets + Inventory – Prepaid Expenses 4. Current Assets – Inventory + Prepaid Expenses |

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| Q11 | Capital Employed can be calculated by:   1. Debt + Equity 2. Non current assets + Working capital 3. Total Assets – Current Liabilities 4. Any of the above |
| Q12 | Which of the following will reduce Debt-Equity ratio?   1. Payment of Bills payable on maturity 2. Conversion of debentures into equity shares 3. Declaration of final dividend 4. Issue of bonus shares |
| Q13 | Net Profit can be greater than Operating Profit when:   1. Cost of Revenue from Operations is more than Operating Expenses 2. Operating Expenses are more than Non-operating Expenses 3. Non-operating Expenses are more than Non-operating Income (D)Non-operating Expenses are less than Non-operating Income |
| Q14 | If Share Capital Rs.8,00,000, Reserves and Surplus Rs.3,00,000, Non-current Assets Rs.40,00,000,  Current Assets Rs.4,00,000, then proprietary ratio will be:  (a) 12%  (b) 25% (c) 8.33%  (d) None of the above |
| Q15 | Higher the ratio, the more favorable it is, does not stand true for:   1. Gross profit ratio 2. Net profit ratio 3. Operating ratio 4. Operating profit ratio |
| Q16 | A company's revenue from operations is Rs.10,00,000, cost of revenue from operations is Rs  7,00,000, closing inventories Rs 50,000 and indirect expenses are Rs 1,00,000. Its gross profit ratio is:  (a) 40%  (B) 15% |

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|  | (C) 20%  (D) 30% |
| Q17 | From the following information, Calculate Return on Investment:  Net Profit after Interest and Tax Rs. 4,50,000, 10% Debentures 15,00,000  Tax @ 10% Capital employed Rs.26,00,000 (A) 17.31%  (B) 25% (C) 15.85% (D) 10.98% |
| Q18 | Interest coverage ratio is given by:   1. Net Profit/Interest on long-term borrowing 2. Long-term borrowings/Interest on long term borrowings 3. Profit before interest and tax/Interest on long-term borrowings 4. Profit before Tax/Interest on long-term borrowings |
| Q19 | Which ratios are complimentary to each other:   1. Gross profit ratio and Net profit ratio 2. Operating profit ratio and Net profit ratio 3. Operating ratio and Net profit ratio 4. Operating ratio and Operating profit ratio |
| Q20 | If revenue from operation is Rs. 6,00,000 and Gross profit is 25% of cost of revenue from  operation. Gross profit will be: (A) Rs. 1,50,000  (B) Rs. 1,20,000  (C) Rs. 4,50,000  (D)None of the above |
| Q21 | The ideal Current ratio is:  (A) 1:2  (B) 2:1  (C) 1:1  (D) 40% |
| Q22 | If the total assets are Rs. 13,20,000, Non- Current assets Rs. 6,00,000 and capital employed is Rs.  12,00,000, which of the following correctly represents the current ratio for the venture? |

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|  | (A) 2:1  (B) 4:1  (C) 6:1  (D) 7:1 |
| Q23 | Which of the following is not a type of Activity Ratio:   1. Inventory Turnover Ratio 2. Trade Receivable Turnover Ratio 3. Working Capital Turnover Ratio 4. Debt to Equity Ratio |
| Q24 | ………………. Ratios are a measure of the speed with which various accounts are converted into  sales or cash.   1. Activity Ratio 2. Liquidity Ratio 3. Profitability Ratio 4. Solvency Ratio |
| Q25 | Opening Inventory of a firm is Rs. 80,000. Cost of revenue from operation is Rs. 6,00,000.  Inventory Turnover Ratio is 5 times. Its closing inventory will be: (A) Rs. 1,60,000  (B) Rs. 1,20,000  (C) Rs. 80,000  (D) Rs. 2,00,000 |
| Q26 | A transaction involving a decrease in both Current Ratio and Quick Ratio is:   1. Sale of Non-Current Assets for Cash 2. Sale of Stock-in-Trade at Loss 3. Cash payment of a current liability 4. Purchase of stock-in-trade on credit |
| Q27 | Total purchase Rs. 1,70,000, cash purchase Rs. 16,000, Purchase return Rs. 8,000, creditors at the  end of the year Rs. 32,000, creditors in the beginning Rs. 24,000. What will be the creditors turnover ratio?   1. 5.12 times 2. 5.16 times 3. 5.21 times 4. 5.25 times |
| Q28 | Assuming that the current ratio is 2:1, purchase of goods on credit would: |

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|  | 1. Increase Current Ratio 2. Decrease Current Ratio 3. No effect on Current Ratio 4. Either increase or decrease Current Ratio |
| Q29 | A company has Liquid Assets Rs. 75,000; Inventories Rs. 15,000; Prepaid Expenses Rs. 10,000  and Working Capital of Rs. 60,000. Its Liquid Ratio will be: (A) 2.5:1  (B) 1.87:1  (C)2:1  (D) 1:1 |
| Q30 | Liquid Ratio is also known as:   1. Quick Ratio 2. Acid Test Ratio 3. Working Capital Ratio 4. Both (A) and (B) |
| Q31 | Current Ratio=   1. Current Assets / Current Liabilities 2. Quick Assets / Current liabilities 3. Fixed Assets / Current liabilities 4. None of the above |
| Q32 | 100 - Operating Profit Ratio is equal to   1. Operating Ratio 2. Operating Net profit Ratio 3. Gross Profit Ratio 4. Current ratio |
| Q33 | Debt to Equity ratio=   1. Debt / Equity 2. Debt / Shareholders Fund 3. Both (a) and (b) 4. None of these |
| Q34 | Which of the following statements are true about ratio analysis?  (a) Ratio Analysis is useful in financial analysis. |

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|  | 1. Ratio Analysis is helpful in communication and coordination. 2. Ratio Analysis is not helpful in identifying weak spots of the business. 3. Ratio Analysis is helpful in financial planning and forecasting.    1. A,B and D    2. A,C and D    3. A,B and C    4. A,B,C,D |
| Q35 | Operating ratio is:   1. Cost of revenue from operations + Selling Expenses/Net revenue from operations 2. Cost of production + Operating Expenses/Net revenue from operations 3. Cost of revenue from operations + Operating Expenses/Net Revenue from Operations 4. Cost of Production/Net revenue from operations. |
| Q36 | Revenue from operations, i.e. sales ` 6,00,000, Gross Profit 25% on cost. Gross profit ratio will be:  (A) 25%  (B) 20%  (C) 22%  (D) 18% |
| Q37 | Which of the following transactions will increase the Debt of Equity ratio, which is 1 : 2?   1. Issue of shares for cash 2. Redemption of Preference shares 3. Redemption of Debentures 4. Conversion of Debentures into Shares |
| Q38 | Profit for the objective of calculating a ratio may be taken as   1. Profit before tax but after interest 2. Profit before interest and tax 3. Profit after interest and tax 4. All of the above |
| Q39 | Which of the following are limitations of ratio analysis?   1. Ratio Analysis is historical analysis 2. Ratio analysis ignores qualitative factors. 3. Ratio Analysis ignores quantitative analysis. 4. Ratio Analysis may result in false results if variations in price levels are not considered. |

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|  | 1. A,C and D 2. A,B and D 3. A,B and C 4. A,B,C,D |
| Q40 | The indicates the percentage of each sales rupee remaining after the  firm has paid for its goods.   1. Net profit margin 2. Operating profit margin 3. Gross profit margin 4. Earnings available to equity shareholders |
| Q41 | Debt Equity Ratio express the relationship between Long Term debt and   1. Short term debt 2. Total assets 3. Equity Shareholders’ Fund 4. Shareholders’ Fund |
| Q42 | This ratio measures the extent to which long-term borrowings are covered by assets which  indicates the margin of safety available to providers of long-term borrowings.  (A) Current ratio (B)Debt-Equity ratio   1. Total assets to Debt ratio 2. Proprietary ratio |
| Q43 | This ratio is generally treated an indicator of sound financial position where the assets are largely  backed by Shareholders’ fund. Name the ratio.   1. Debt Equity ratio. 2. Current Ratio 3. Acid test ratio 4. Proprietary ratio |
| Q44 | It is usually an accepted fact that the lower this ratio the better will be margin of operating profit on  Revenue from operation.   1. Operating profit ratio 2. Gross profit Ratio. 3. Net Profit ratio 4. Operating Ratio |

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| Q45 | Employees benefits Expenses, Depreciation on Fixed assets, Office & administrative expenses,  Selling & distribution Expenses, Discount, bad debt, interest on short term loans etc are termed as expenses   1. Operating expenses. 2. Non-operating expenses 3. Capital Expenses 4. Other Expenses |
| Q46 | If the Debt-Equity ratio of Kanak Ltd is 1:2.Now the company is decided to purchase Machinery on long term deferred payment basis. How the ratio will be affected?  (A)Increase (B)Decrease   1. Not Changed 2. Any of the above depending on amount |
| Q47 | Proprietary ratio of Diganta Ltd is 0.6:1 .Now the company wants to increase it by the following  measures-   1. Issue of New Equity Shares in cash 2. Sale of Fixed assets at profit 3. Redemption of Debenture and paid immediately. 4. Issue of debenture against purchase of Machinery.   Which are the correct measures?   1. i+ii+ii+iv 2. i+ii+iii (C)ii+iii+iv   (D) i+iii+iv |
| Q48 | The gross Profit ratio of Gizma Ltd is 20%.Now the company wants to decrease it by the following  measures:   1. Purchase of goods in cash. 2. Goods given as free samples. 3. Goods sold at a profit(CP- ₹3,40,000 ; SP-₹ 4,00,000) |

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|  | iv) Goods stolen by the staff   1. i+ii+ii+iv 2. i+ii+iii 3. iii only 4. i+iii+iv |
| Q49 | Revenue from Operations ₹6, 00,000; Gross Profit 20%; Office Expenses ₹30,000; Selling  Expenses ?₹48,000. Calculate operating ratio (A) 80%  (B) 85% (C) 96.33%  (D) 93% |
| Q50 | Cash Revenue from Operations ₹4, 00,000 Credit Revenue, from Operations ₹21,00,000; Revenue  from Operations Return ₹1,00,000; Cost of revenue from operations ₹19,20,000. G.P. ratio will be  (A) 4% (B) 23.2%  (C) 80%  (D) 20% |
| Q51 | Operating Ratio is:   1. Profitability Ratio 2. Activity Ratio 3. Solvency Ratio 4. None of these |
| Q52 | Proprietary Ratio indicates the relationship between proprietor’s funds and….   1. Reserve 2. Share Capital 3. Total Assets 4. Debentures |
| Q53 | Which one of the following ratios is most important in determining the long-term solvency of a  company?   1. Profitability Ratio 2. Debt-Equity Ratio 3. Stock Turnover Ratio |

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|  | (d) Current Ratio |
| Q54 | Total Assets ₹ 8,10,000  Total Liabilities ₹ 2,60,000 Current Liabilities ₹ 40,000 Debt-equity ratio is:  (a) 0.05 : 1  (b) 0.4 : 1  (c) 2.5 : 1  (d) 4 : 1 |
| Q55 | Equity share capital ₹ 15,00,000  Reserve and Surplus ₹ 7,50,000 Total Assets ₹ 45,00,000 Proprietary Ratio ?  (a) 50% (b) 33.3% (c) 200%  (d) 60% |
| Q56 | The ideal liquid ratio is :  (a) 2 : 1  (b) 1 : 1  (c) 5 : 1  (d) 4 : 1 |
| Q57 | Debtors Turnover Ratio :   1. Average Trade Receivable Net Credit Sales 2. Average Stock Net Sales 3. Net Credit Sales Average Trade Receivable (d)Cash Sales   Net Debtors |
| Q58 | When Cash is 7 10,000 Stock is 7 25,000, B/R is 7 5,000 and Debtors 90000 Creditors is 8,00,000  and Bank Overdraft is 4,00,000 then current ratio is :  (a) 2 : 1  (b) 4 : 3 |

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|  | (c) 3 : 4  (d) 1 : 2 |
| Q59 | The term ‘Current Liabilities’ does not include: .   1. Sundry Creditors 2. Debentures 3. Bills Payable 4. Outstanding Expenses |
| Q60 | When opening stock is ₹ 50,000 and closing stock ₹ 60,000. Net Sales is ₹ 3,00,000 and Gross  Profit ₹ 80,000 then stock turnover ratio is:   1. 2 times 2. 3 times 3. 4 times 4. 5 times |
| Q61 | Which of the following accounting ratios is shown in pure form?   1. Current Ratio 2. Net Profit Ratio 3. Debtors Turnover Ratio 4. Inventory Turnover Ratio |
| Q62 | 1. Which of the following accounting ratios is expressed in terms of percentage?    1. Debt Equity Ratio    2. Liquidity Ratio    3. Operating Ratio    4. Debtor Turnover Ratio |
| Q63 | While calculating Debt Equity Ratio which of the following item will not be included in debt?   1. Debentures to be redeemed within 24 months 2. Debentures to be redeemed within 28 months 3. Debentures to be redeemed within 12 months 4. Both a and b |
| Q64 | Which of the following accounting ratios is used for knowing the long-term financial position of  a business?   1. Debtor turnover ratio 2. Proprietary Ratio 3. Fixed Assets Turnover Ratio 4. Return on Investment |
| Q65 | Which of the following item is taken as numerator in calculation of Operating Raito?   1. Net Profit 2. Operating Profit 3. Operating Cost 4. Either b or c |

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| Q66 | In which of the following accounting ratios, Cost of Goods Sold/Cost of Revenue from  Operation is taken as numerator?   1. Return on Investment 2. Gross Profit Ratio 3. Trade Receivable Turnover Ratio 4. Inventory Turnover Ratio |
| Q67 | Which of the following is correct about liquid assets?   1. Liquid assets include inventory and prepaid expenses 2. Liquid assets are those assets which can be converted into cash with significant change in value 3. Liquid assets are those assets which can be converted into cash with insignificant change in value 4. Liquid assets are those assets which can be converted into other assets |
| Q68 | Which of the following accounting ratios comes under Solvency Ratio?   1. Fixed Assets Turnover Ratio 2. Acid Test Ratio 3. Working Capital Turnover Ratio 4. Total Assets to Debt Ratio |
| Q69 | Which of the following accounting ratio comes under Activity Ratio?   1. Return on Investment 2. Net Profit Ratio 3. Operating Profit Ratio 4. Trade Receivable Turnover Ratio |
| Q70 | Debt collection period is 2 months, Trade Receivable Turnover Ratio will be   1. 2 Times 2. 6 Times 3. 4 Times 4. 3 Times |

**ANSWER KEYS**

MCQ BASED QUESTIONS

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| --- | --- | --- | --- | --- | --- | --- | --- |
| Q.NO | ANSWER | Q.NO | ANSWER | Q NO | ANSWER | Q NO | ANSWER |
| 1 | C | 21 | B | 41 | C | 61 | A |
| 2 | C | 22 | C | 42 | C | 62 | B |
| 3 | C | 23 | C | 43 | D | 63 | C |
| 4 | B | 24 | A | 44 | D | 64 | B |
| 5 | B | 25 | A | 45 | A | 65 | C |
| 6 | C | 26 | D | 46 | A | 66 | D |
| 7 | B | 27 | C | 47 | B | 67 | C |
| 8 | B | 28 | A | 48 | C | 68 | D |
| 9 | A | 29 | B | 49 | D | 69 | D |
| 10 | B | 30 | D | 50 | D | 70 | B |
| 11 | D | 31 | A | 51 | A |  | |
| 12 | B | 32 | A | 52 | C |
| 13 | D | 33 | C | 53 | B |
| 14 | B | 34 | B | 54 | C |
| 15 | C | 35 | C | 55 | A |
| 16 | D | 36 | B | 56 | B |
| 17 | B | 37 | B | 57 | C |
| 18 | C | 38 | D | 58 | B |
| 19 | D | 39 | B | 59 | D |
| 20 | B | 40 | C | 60 | A |

**Chapter Name :- CASH FLOW STATEMENT**

MULTIPLE CHOICE QUESTIONS

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| Q1 | Cash from operation is equal to :   1. Net Profit + Increase in Current Assets 2. Net Profit + Decrease in Current Liabilities 3. Operating Profit + Adjustment of Current Assets and Current Liabilities 4. All of the above |
| Q2 | Cash Flow Statement is related to:   1. AS-3 2. AS-6 3. AS-9 4. AS-12 |
| Q3 | Net Profit during the year ₹ 1,00,000  Debtors in the beginning the year of ₹ 30,000  Debtors at the end of the year ₹ 36,000  What is the amount of cash from operating activities ? (a) ₹ 30,000  (b) ₹ 94,000  (c) ₹ 1,06,000  (d) ₹ 1,66,000 |
| Q4 | If a machine whose original cost is ₹ 40,000 having accumulated depreciation ₹ 12,000, were sold for  ₹34,000 then while preparing Cash Flow Statement its effect on cash flow will be :   1. Cash flow from financing activities ₹ 34,000 2. Cash flow from financing activities ₹ 6,000 3. Cash flow from investing activities ₹ 34,000 4. Cash flow from investing activities ₹ 6,000 |
| Q5 | If 6% Pref. share capital ₹2,00,000 were redeemed at a premium of 5%, while preparing Cash Flow Statement its effect on cash flow will be :   1. Cash used from financing activities ₹ 2,12,000 2. Cash received from financing activities ₹ 2,12,000 3. Cash used (Payment) from financial activities ₹ 2,10,000 4. Cash used (Payment) from financial activities ₹ 2,00,000 |
| Q6 | If the amount of goodwill is ₹ 40,000 at the beginning of a year and ₹ 48,000 at the end of that year  then while preparing cash flow statement its effect on cash flow will be :   1. Cash used (Payment) in Investing Activities ₹ 8,000 2. Cash received from operating activities ₹ 8,000 3. Cash used (Payment) from Operating Activities ₹ 8,000 4. Cash used (Payment) from Financial Activities ₹ 8,000 |
| Q7 | Cash deposit with the bank with a maturity date after two months belongs to which of the following while preparing Cash Flow Statement?   1. Investing Activities 2. Financing Activities 3. Cash and Cash Equivalents 4. Operating Activities |
| Q8 | If net profit is ₹ 35,000 after writing off good will ₹ 6,000 and loss on sale of furniture ₹ 1,000, cash  flow from operating activities will be : (a) ₹ 35,000  (b) ₹ 42,000  (c) ₹ 29,000  (d) ₹ 28,000 |

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| Q9 | Which activity comes under ‘Operating Activities’?   1. Purchase of Land 2. Issue of Debentures 3. Proceeds from Issuance of Equity Shares 4. Cash Sales |
| Q10 | Net Profit during the year ₹ 50,000  Debtors in the beginning the year of ₹ 15,000 Debtors at the end of the year ₹ 18,000  What is the amount of cash from operating activities ? (a) ₹ 15,000  (b) ₹ 47,000  (c) ₹ 53,000  (d) ₹ 83,000 |
| Q11 | Welspun India Ltd. has given you the following information: Machinery as on April 01, 2016 50,000 ; Machinery as on March 31, 2017 60,000 ;  Accumulated Depreciation on April 01, 2016 25,000 ;  Accumulated Depreciation on March 31, 2017 15,000 ;  During the year, a Machine costing Rs. 25,000 with Accumulated Depreciation of Rs. 15,000 was sold for Rs. 13,000.  Calculate cash flow from Investing Activities on the basis of the above information. (a) 48000  (b) (48,000)  (c) 22,000  (d) (22,000) |
| Q12 | Long-term Loans on 1st April, 2016 Rs. 2,00,000 ; Long-term Loans on 31st March, 2017 Rs.2,50,000 ;  During the year, the company repaid a loan of Rs. 1,10,000. Loan obtained during the year......................  (a) 50,000  (b) 1,60,000  (c) (1,60,000)  (d) None of the above |
| Q13 | An example of cash flow from operating activity is :   1. Purchase of own debenture 2. Sale of fixed assets. 3. Interest paid on term-deposits by a bank (d)Issue of equity share capital |

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| Q14 | If a machine whose original cost is ₹ 40,000 having accumulated depreciation ₹ 12,000, were sold for  ₹ 34,000 then while preparing Cash Flow Statement its effect on cash flow will be :   1. Cash flow from financing activities ₹ 34,000 2. Cash flow from financing activities ₹ 6,000 3. Cash flow from investing activities ₹ 34,000 4. Cash flow from investing activities ₹ 6,000 |
| Q15 | If the amount of goodwill is ₹ 40,000 at the beginning of a year and ₹ 48,000 at the end of that year  then while preparing cash flow statement its effect on cash flow will be :   1. Cash used (Payment) in Investing Activities ₹ 8,000 2. Cash received from operating activities ₹ 8,000 3. Cash used (Payment) from Operating Activities ₹ 8,000 4. Cash used (Payment) from Financial Activities ₹ 8,000 |
| Q16 | How will you deal increase in the balance of ‘Securities Premium Reserve’ while preparing a Cash  Flow Statement?   1. Cash Flow from Operating Activities 2. Cash Flow from Investing Activities 3. Cash Flow from Financing Activities 4. Cash Equivalent |
| Q17 | How will you treat Bank Overdraft in a Cash Flow Statement?   1. Cash Flow from Operating Activities ’ 2. Cash Flow from Investing Activities 3. Cash Flow from Financing Activities 4. Cash Equivalent |
| Q18 | In case of other enterprises cash flow arising from interest paid should be classified as cash flow from  while dividends and interest received should be stated as cash flow from .   1. Operating activities, financing activities 2. Financing activities, investing activities 3. Investing activities, operating activities 4. None of the above |
| Q19 | 6. Which of the following statements are false?   1. Old Furniture written off doesn’t affect cash flow. 2. Cash flow statement is a substitute for cash account. 3. Appropriation of retained earnings is not shown in Cash flow statement. 4. Net cash flow during a period can never be negative. |

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|  | 1. A, B, C 2. B, C, D (c)C, D, A   (d) All are true |
| Q20 | As per Accounting Standard-3, Cash Flow is classified into   1. Operating activities and investing activities 2. Investing activities and financing activities 3. Operating activities and financing activities 4. Operating activities, financing activities and investing activities |
| Q21 | Cash deposit with the bank with a maturity date after two months belongs to which of the following while preparing cash flow statement?   1. Investing activities 2. Financing activities 3. Cash and cash equivalents 4. Operating activities |
| Q22 | Computer software comes under:   1. Fixed tangible assets 2. Fixed intangible assets 3. Current liabilities 4. Long term borrowings |
| Q23 | Rent received is classified under:   1. Operating activities 2. Investing activities 3. Financing activities 4. Cash and cash equivalents |
| Q24 | Dividend paid by a finance company is classified under which of the following, while preparing cash flow statement?   1. Operating Activities 2. Investing activities 3. Financing activities 4. Cash and cash equivalents |
| Q25 | Find out cash flows from from investing activities:  A mutual fund company invested Rs. 3000000in share, and Rs. 1500000 in Debentures. It received Rs. 300000 as dividend and interest.   1. Rs. 4800000 inflow 2. Rs. 4200000 outflow 3. Rs. 300000 inflow 4. Rs. NIL |
| Q26 | 9% Debenture issued to vendor for the purchase of a Machinery of Rs. 50000, will result in:   1. Inflow 2. Outflow 3. Both A and B 4. No flow |
| Q27 | Issue of Debenture Rs. 500000 will be shown under:  (A) Investing activity |

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|  | 1. Operating activity 2. Financing activity 3. Cash and cash equivalent |
| Q28 | Which of the following item is not considered under cash and cash equivalent?   1. Current investments 2. Marketable securities 3. Drafts on hand 4. Loose tools |
| Q29 | Calculate change in working capital, from the following information:  Increase in Bills payable Rs. 20000, decrease in Creditors Rs. 5000   1. Rs. 15000 negative 2. Rs. 15000 positive 3. Rs. 25000 positive 4. Rs. 25000 negative |
| Q30 | Where will you show goodwill written off?   1. Operating activity 2. Investing activity 3. Financing activity 4. Cash and cash equivalent |
| Q31 | Statement of cash flows includes   1. Financing Activities 2. Operating Activities 3. Investing Activities 4. All of the Above |
| Q32 | The statement of cash flow clarifies cash flows according to   1. Operating and Non-operating Flows 2. Inflow and Outflow 3. Investing and Non-operating Flows 4. Operating, Investing, and Financing Activities |
| Q33 | Cash flow example from a financing activity is   1. Payment of Dividends 2. Receipt of Dividend on Investment 3. Cash Received from Customers 4. Purchase of Fixed Asset |
| Q34 | Cash flow example from an investing activity is  A) Issue of Debenture |

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|  | 1. Repayment of Long-term Loan 2. Purchase of Raw Materials for Cash 3. Sale of Investment by Non-Financial Enterprise |
| Q35 | Cash flow example from an operating activity is   1. Purchase of Own Debenture 2. Sale of Fixed Assets 3. Interest Paid on Term-deposits by a Bank 4. Issue of Equity Share Capital |
| Q36 | A company that issues stocks and bonds to raise funds results in   1. Decrease in Cash 2. Increase in Cash 3. Increase in Equity 4. Increase in Liabilities |
| Q37 | Which item comes under financial activities in cash flow?   1. Redemption of Preference Share 2. Issue of Preference Share 3. Interest Paid 4. All the above |
| Q38 | Which of the following is source of cash?   1. Cash deposited into Bank 2. Cash withdrawn from Bank 3. Sale of Goods costing ₹ 10,000 for ₹ 8,000 4. Sale of marketable securities for cash |
| Q39 | . Cash from operating activities consists of:   1. Operating Profit 2. Decrease/Increase in Current Assets 3. Decrease/Increase in Current Assets 4. All of the Above |

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| Q40 | While calculating operating profit before working capital changes, which will be added to net profit:   1. Preliminary Expenses Written off 2. Depreciation 3. Loss on Sale of Asset 4. All of the Above |
| Q41 | Which of the following is not considered as cash equivalents?   1. Bank Overdraft 2. Commercial Paper 3. Treasury Bills 4. All of these |
| Q42 | Cash Flow Statement is also known as:   1. Statement of Changes in Financial Position on Cash basis 2. Statement accounting for variation in cash 3. Both a and b 4. None of the above |
| Q43 | The objectives of Cash Flow Statement are   1. Analysis of cash position 2. Short-term cash planning 3. Evaluation of liquidity 4. Comparison of operating Performance |
| Q44 | Cash Flow Statement is based upon   1. Cash basis of accounting 2. Accrual basis of accounting 3. Credit basis of accounting 4. None of the above |
| Q45 | Operating profit of the year is Rs.2,00,000. During the year, there was increase in inventory by Rs. 9,00,000 and decrease in trade receivable of Rs.50,000. What is the amount of cash flow from operations?  A) Rs. 60,000/-  B) Rs. 1,60,000/-  C) Rs. 2,40,000/-  D) Rs. 3,40,000/- |
| Q46 | Which of the following transitions will result into flow of cash:? |

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|  | 1. Cash withdrawn form bank Rs. 20,000 2. Issued Rs, 20,000, 9% debentures for the vendors of machinery. 3. Received 19,000 from debtors 4. Deposited cheques of Rs. 10,000 into bank |
| Q47 | ABC Ltd had investment of Rs 68,000 as on 31.3.2013 and investment of Rs 56,000 as on 31.3.2019. During the year ABC Ltd sold 40% of its investments being held in the beginning of period at a profit of Rs 16,800. Determine cash flow from investing activities.  A) Rs 59,200  B) Rs 28,800  C) Rs 72,800  D) None of the above |
| Q48 | In a statement of cash flows, a company investing in short-term financial investments and in fixed assets results in:   1. increased cash 2. decreased cash 3. increased liabilities 4. increased equity |
| Q49 | Which of the following is considered to be as cash equivalent?   1. Marketable securities 2. Debtors 3. Investment 4. Bill of exchange |
| Q50 | A company who issues bonds or stocks in result raised funds which finally:   1. increases liabilities 2. increases equity C increases cash   D . decreases cash |
| Q51 | Interest received by other than financial enterprise is shown in Cash Flow Statement under   1. Operating Activities. 2. Investing Activities. 3. Financing Activities. 4. General Activities |
| Q52 | Interest received by financial enterprise is shown in Cash Flow Statement under   1. Operating Activities. 2. Investing Activities. 3. Financing Activities. |

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|  | D. General Activities |
| Q53 | Payment of Income Tax is shown as   1. Operating Activities. 2. Investing Activities. 3. Financing Activities. 4. General Activities |
| Q54 | Dividend paid by a financial company is shown as cash outflow under ( APPLICATION)   1. Operating Activities. 2. Investing Activities. 3. Financing Activities. 4. General Activities |
| Q55 | Dividend paid by a non-financial company is shown as   1. Operating Activities. 2. Investing Activities. 3. Financing Activities. 4. General Activities. |
| Q56 | Which of the following is shown under Financing Activity?   1. Interest paid. 2. Commission Received. 3. Cash received against sale of goods. 4. Cash paid for purchase of goods |
| Q57 | Which of the following is not included in Cash and Cash Equivalents?   1. Balance with Banks. 2. Debentures purchased maturing after 100 days of purchase. 3. Cheques and Drafts on hand. 4. Cash on Hand. |
| Q58 | Which of the following is not a part of Cash and Cash Equivalents?   1. Inventories. 2. Current Investments. 3. Short-term Deposits. 4. Marketable Securities |
| Q59 | Which of the following is not added as Non-Cash Expense?   1. Goodwill amortized. 2. Depreciation. 3. Interest on debentures paid. 4. All of these |
| Q60 | XY Ltd. Has balance in Provision for Tax Account of Rs 1,00,000 and Rs 1,50,000 as on 31st March, 2019 and 2020 respectively. It made a provision for tax during the year of Rs 1,30,000. The amount of tax paid during the year was  A. Rs 1,00,000  B. Rs 1,20,000  C. Rs 80,000  D. Rs 1,50,000 |

ANSWER KEYS

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| MCQ ANSWER KEYS | | | | | |
| Q.NO | ANSWER | Q.NO | ANSWER | Q  NO | ANSWER |
| 1 | B | 21 | C | 41 | A |
| 2 | B | 22 | B | 42 | C |
| 3 | B | 23 | B | 43 | D |
| 4 | C | 24 | C | 44 | A |
| 5 | C | 25 | D | 45 | B |
| 6 | A | 26 | D | 46 | C |
| 7 | C | 27 | C | 47 | B |
| 8 | B | 28 | D | 48 | B |
| 9 | D | 29 | B | 49 | A |
| 10 | B | 30 | A | 50 | C |
| 11 | D | 31 | D | 51 | B |
| 12 | B | 32 | B | 52 | A |
| 13 | C | 33 | A | 53 | A |
| 14 | C | 34 | D | 54 | C |
| 15 | A | 35 | C | 55 | C |
| 16 | C | 36 | B | 56 | A |
| 17 | C | 37 | D | 57 | B |
| 18 | B | 38 | C | 58 | A |
| 19 | B | 39 | D | 59 | C |
| 20 | D | 40 | D | 60 | C |