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ACCOUNTANCY OFFICIAL PAPER - 2025

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ACCOUNTANCY PAPER – CUET 2025

1. *A* and *B* are partners in a firm sharing profits in the ratio of 3: 2. They admitted *M* as a new partner for $\frac{1}{4}$ share. The new profit sharing ratio between *A* and *B* will be 2: 1. Calculate their sacrificing ratio.
 - (a) 2: 3
 - (b) 3: 2
 - (c) 1: 2
 - (d) 2: 1

 2. Rohan, Bharti and Leela are partners. On the retirement of Rohan, the goodwill already appears in the balance sheet at Rs. 24,000 . The goodwill will be written-off:
 - (a) By debiting all partners' capital accounts in their old profit-sharing ratio.
 - (b) By debiting remaining partners' capital accounts in their new profit sharing ratio.
 - (c) By debiting retiring partners' capital accounts from his share of goodwill.
 - (d) By debiting the retiring partners' current account from his share of goodwill.

 3. A correct journal entry for Transfer of the balance of Profit and Loss Account (a credit balance) to Profit and Loss Appropriation Account: is-
 - (a) Profit and Loss Appropriation A/c Dr. To Profit and Loss A/c
 - (b) Profit and Loss A/c Dr. To Profit and Loss Appropriation A/c
 - (c) Profit and Loss Appropriation A/c Dr. To Partner's Capital/Current A/c's
 - (d) Partner's Capital/Current A/c Dr. To Profit and Loss Appropriation A/C

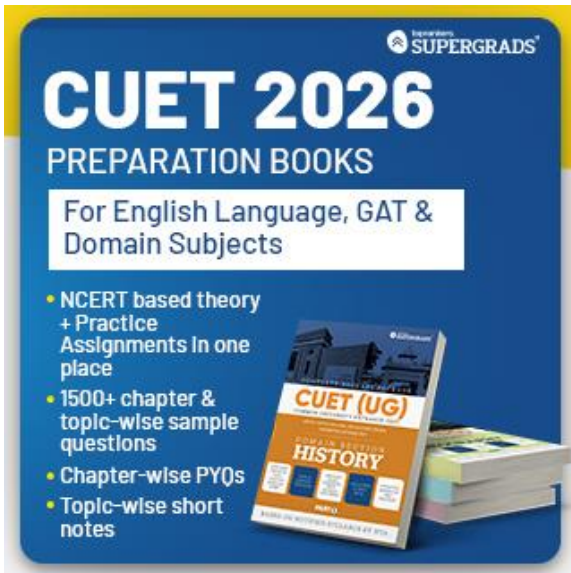
 4. Which of the following is not a method of valuation of goodwill?
 - (a) Average profit method
 - (b) Super profits method
 - (c) Capitalisation method
 - (d) Average super profit capitalization method

 5. Which of the following statements results in the reconstitution of a partnership firm :-
 - (A) Change in profit sharing ratio among partners.
 - (B) Admission of a new partner.
 - (C) Dissolution of a partnership firm.
 - (D) Dissolution of a partnership.
- Choose the correct answer from the options given below:

 - (a) (A), (B) and (C) only
 - (b) (A), (B) and (D) only
 - (c) (A), (B), (C) and (D)
 - (d) (B), (C) and (D) only
6. Sindhu, Neha and Priya are partners, sharing profits in the ratio of 5:3:2. Calculate the new profit sharing ratio and gaining ratio if Neha retires:
 - (a) New profit sharing Ratio of Sindhu and Priya = 1: 2
Gaining Ratio of Sindhu and Priya = 3: 2
 - (b) New profit sharing Ratio of Sindhu and Priya = 3: 2
Gaining Ratio of Sindhu and Priya = 5: 2
 - (c) New profit sharing Ratio of Sindhu and Priya = 5: 2
Gaining Ratio of Sindhu and Priya = 5: 2
 - (d) New profit sharing Ratio of Sindhu and Priya = 7: 2
Gaining Ratio of Sindhu and Priya = 4: 3

 7. Balance of share forfeiture account is shown in the balance sheet under the sub-head-
 - (a) Current liabilities and provisions
 - (b) Reserves and surpluses
 - (c) Share capital
 - (d) Unsecured loans

 8. Under the fixed capital method, the capital of the partners shall remain fixed unless additional capital is introduced or a part of the capital is withdrawn as per the agreement between the partners. Which among the following is NOT the feature of the fixed capital method?
 - (a) The partners' capital accounts will always show a credit balance.
 - (b) All adjustments for drawings, salary, interest on capital, etc., are posted in the current accounts.
 - (c) Under this method, two capital accounts are maintained for each partner.
 - (d) The partners' current account may show a debit or a credit balance.



9. Match List-I with List-II

List-I	List-II
(A) Unregistered Debentures	(I) Perpetual Debentures
(B) Unsecured Debentures	(II) Naked Debentures
(C) Secured Debentures	(III) Bearer Debentures
(D) Irredeemable Debentures	(IV) Mortgage Debentures

Choose the correct answer from the options given below:

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

10. As per Section 48 of the Partnership Act 1932, which of the following will be utilized for payment of losses, including deficiencies of capital:

- (A) Out of Profits
 (B) Out of capital of Partners
 (C) By partners individually in their profit sharing ratio
 (D) Creditors Assets

Choose the correct answer from the options given below:

- (a) (A), (B) and (D) only (b) (A), (B) and (C) only
 (c) (B) and (D) only (d) (A) and (C) only

11. The Profit on reissue of forfeited shares is transferred to-

(a) general reserve
 (b) capital redemption reserve
 (c) capital reserve
 (d) reserve capital

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

(a) Profit and Loss Adjustment account
 (b) Assets account
 (c) Revaluation Account
 (d) Old partner's capital account

13. Which of the following statements are correct about partnership-

- (A) Each partner carrying on the business is the principal as well as the agent for all the other partners
 (B) If the deed is silent, interest at the rate of 6% p.a. would be charged on the drawings made by the partner
 (C) If the partnership deed is silent about the profit sharing ratio, the profits and losses of the firm are to be shared equally by partners
 (D) Interest on partner's loan is to be given @ 12% p.a., if the deed is silent about the rate

Choose the correct answer from the options given below:

- (a) (B) and (D) only
 (b) (A), (B) and (D) only
 (c) (C) and (D) only
 (d) (A) and (C) only

14. Arrange the following in correct sequence for application of assets in the Settlement of Accounts in Case Of Dissolution of a Partnership firm -

- (A) The balance should be applied to repay loans made by the partners to the firm.
 (B) The assets of the firm should be used in paying the debts of the firm to third parties.
 (C) The balance assets may be used for paying partners proportionately on account of capital.
 (D) The asset's residue, if any, shall be divided among the partners in their profit sharing ratio.

Choose the correct answer from the options given below:

- (a) (C), (B), (A), (D)
 (b) (B), (A), (D), (C)
 (c) (B), (A), (C), (D)

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

15. The Profit and Loss Appropriation Account is merely an extension of the Profit and Loss Account of the firm, which, among the following, is not shown in the Profit and Loss Appropriation Account?
 - (a) All adjustments in respect of partner's salary.
 - (b) All adjustments in respect of payment to Vendor.
 - (c) All adjustments in respect of interest on capital
 - (d) All adjustments in respect of interest on drawings
16. Blue Prints Ltd., purchased building worth Rs.1,50,000, machinery worth Rs.1,40,000 and furniture worth Rs.10,000 from XYZ Co., and took over its liabilities of Rs. 20,000 for a purchase consideration of Rs. 3,15,000. Blue Prints Ltd., paid the purchase consideration by issuing 12% debentures of Rs. 100 each at a premium of 5%. Number of debentures issued are-
 - (a) 1,000
 - (b) 3,000
 - (c) 2,000
 - (d) 1,500
17. Which among the following is NOT true?
 - (a) Valid partnership can be formulated even without a written agreement between the partners.
 - (b) Each partner carrying on the business is the principal as well as the agent for all the other partners.
 - (c) Mere co-ownership of a property can amount to partnership.
 - (d) Persons who have entered into partnership with one another are individually called 'partners' and collectively called 'firm'.
18. John Ibrahim, a partner in Ancient Tours and Travels withdrew money during the year ending March 31, 2020 from his capital account, for his personal use. He withdrew Rs. 3,000 per month at the beginning of the month.

Calculate interest on drawings that should be charged from John Ibrahim, if the rate of interest charged on drawing is 9% per annum.

- (a) Rs. 1485
 - (b) Rs. 1755
 - (c) Rs. 1795
 - (d) Rs. 1685
19. Das and Sinha are partners in a firm sharing profits in 4:1 ratio. They admitted Pal as a new partner for 1/4th share in the profits, which he acquired wholly from Das. The new profit-sharing ratio of the partners is-
 - (a) 11: 4: 5
 - (b) 11: 5: 4
 - (c) 9: 4: 5
 - (d) 7:3:5
20. Sahil, a share holder, failed to pay the money for second and final call of Rs. 20 on 1,000 shares issued to him at Rs. 120 (face value of Rs. 100 per share). His shares were forfeited after the second and final call. Which is correct about share forfeiture-
 - (a) Share Forfeiture A/c will be credited with 1,00,000
 - (b) Share Forfeiture A/c will be debited with 1,00,000
 - (c) Share Forfeiture A/c will be credited with 80,000
 - (d) Share Forfeiture A/c will be debited with 80,000
21. Which of the following is not a constituents of the credit policy of a business firm?
 - (a) Credit standard
 - (b) Collection period
 - (c) Credit terms
 - (d) Collection policy

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22. R, S and K are partners sharing profits in the ratio 4:3:2. R retires; S and K decided to share profits in future in the ratio of 5:3. Calculate the Gaining Ratio.

(a) 11:21 (b) 21:11
 (c) 11:12 (d) 12:11

23. Match List-I with List-II

List-I	List-II
(A) Bank (fresh capital introduced)	(I) Debit side of Partner's Current Account
(B) Interest on drawings	(II) Debit side of Partner's Capital Account
(C) Bank (permanent withdrawal of capital)	(III) Credit side of Partner's Current Account
(D) Commission	(IV) Credit side of Partner's Capital Account

Choose the correct answer from the options given below:

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

24. The company has to get minimum subscription within how many days?

(a) 100 (b) 120
 (c) 140 (d) 160

25. The clauses of a partnership deed can be altered with the consent of

(a) Government Authority
 (b) Registrar of Firms
 (c) All the partners
 (d) State Government

26. Vijay and Manohar share profits and losses in the ratio of 2:1. They admit Prakash as a partner with 1/4 share in profits with a guarantee that his share of profit will be at least Rs. 50,000. The net profit of the firm for the year ending March 31, 2015, was Rs. 1,60,000. Calculate the amount of profit Vijay will get:

(a) Rs. 60,333 (b) Rs. 73,333

(c) Rs. 50,300

(d) Rs. 80,333

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

(a) 55,000 (b) 82,500
 (c) 75,000 (d) 50,000

28. Match List-I with List-II

List-I	List-II
(A) Redeemable Debentures	(I) the debentures which can be transferred by way of delivery and the company does not keep any record of the debentures
(B) Convertible Debentures	(II) these debentures are issued with a specified rate of interest
(C) Specific Coupon Rate Debentures	(III) which are convertible into equity shares or in any other security either at the option of the company or the debenture holders

(D) Bearer Debentures	(IV) which are payable on the expiry of the specific period either in lump sum or in Instalments during the life time of the company.
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Choose the correct answer from the options given below:

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

29. Match List-I with List-II

List-I	List-II
(A) Restricts the right to transfer its shares	(I) OPC
(B) A company which is a subsidiary of a public company	(II) Private Company
(C) A company which has only one person as a member	(III) Perpetual Succession
(D) Members may come and go but the company continues	(IV) Public Company

Choose the correct answer from the options given below:

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

30. Arrange the Following Steps to Calculate Goodwill under the Super Profits Method-

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

Choose the correct answer from the options given below:

- (a) (A), (C), (D), (B) (b) (B), (D), (A), (C)
 (c) (B), (A), (C), (D) (d) (C), (B), (D), (A)

31. Partners' current accounts are transferred to respective Partners' _____ Accounts.

- (a) Capital (b) Realisation
 (c) Current (d) Bank

32. Match List-I with List-II


List-I	List-II
(A) Calls in Arrears	(I) Sometimes shareholders pay a part or the whole of the amount of the calls not yet made.
(B) Calls in Advance	(II) When any shareholder fails to pay the amount due on allotment or on any of the calls
(C) Over Subscription	(III) When number of shares applied for is less than the number for which applications have been invited for subscription
(D) Under Subscription	(IV) When applications for more shares of a company are received than the number offered to the public for subscription

Choose the correct answer from the options given below:

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

33. Which of the following ratios is considered as the solvency ratio?
- Stock turnover ratio
 - Debtor turnover ratio
 - Debt-equity ratio
 - Current ratio

34. Realisation account doesn't show-
- Bank Loan Mortgage
 - Bills Payable
 - Furniture and Fittings
 - Partners' Loan



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35. When a firm is dissolved, the Balance of Investment Account and Balance of Investment Fluctuation Fund Account, shown by Firm's Balance Sheet are transferred into _____ and into _____ respectively:-
- Debit Side of Realisation Account, Credit side of Realisation Account
 - Credit Side of Realisation Account, Debit side of Realisation Account
 - Credit Side of Realisation Account, Debit side of Capital Account
 - Credit Side of Realisation Account, Credit side of Current Account
36. When debentures are issued at par and are redeemable at a premium, the loss on such issue is debited to:
- Statement of profit and loss.
 - Debentures applications and allotment account.
 - Loss on issue of debentures account

(d) Debenture Redemption Reserve

37. Rs 50,000 were received in advance for second and final call along with first call. The second and final call was due after two months from the first call. Table F provides for interest on calls in advance at the rate not exceeding per annum and interest on calls in advance amounted to Rs
- 9%, Rs 750
 - 10%, Rs 833
 - 11%, Rs 917
 - 12%, Rs 1000

38. Neha contributed Rs. 30,000 and Saloni Rs. 90,000 as capital. What will be Saloni's share in profits if the partnership agreement is silent?
- One third of total profit.
 - One fourth of total profit.
 - Half of total profit.
 - Two third of total profit.

39. In the case of dissolution of firm, accumulated losses are transferred to:
- Capital Accounts in Profit Sharing Ratio
 - Realisation Account in Profit Sharing Ratio
 - Capital Accounts in Equal Ratio
 - Realisation Account in Equal Ratio

40. Identify the false statement with regard to a company:
- A company is an artificial person.
 - Company's shares are generally transferable.
 - Every member of a company is entitled to take part in its management.
 - The director of a company is always a shareholder.

41. An annual report is issued by a company to its
- Shareholders
 - Auditors
 - Directors
 - Management

42. Match the following

List-I	List-II
(A) Debenture of Rs 100 issued at Rs 110.	(I) Debenture as collateral security.

(B) Debenture of Rs 100 issued at Rs 100.	(II) Debenture issued at Premium
(C) Debenture of Rs 100 issued at Rs 90.	(III) Debenture issued at par.
(D) Debenture issued to the lender in addition to some other assets already pledged.	(IV) Debenture issued at Discount.

Choose the correct answer from the options given below:

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

43. Which of the following statements are true:
 (A) Dissolution of a partnership is different from dissolution of a firm.
 (B) A partnership is dissolved when there is a death of a partner.
 (C) A firm is dissolved when all partners give consent to it.
 (D) A firm is compulsorily dissolved when a partner decide to retire.

Choose the correct answer from the options given below:

- (a) (A), (B) and (D) only
 (b) (B), (C) and (D) only
 (c) (A), (B) and (C) only
 (d) (B), (C) and (D) only

44. The profits of firm for the five years are as follows:

Year	Profit (Rs.)
2012 – 13	20,000
2013 – 14	24,000
2014 – 15	20,000
2015 – 16	20,000
2016 – 17	16,000

Calculate the value of goodwill on the basis of three years' purchase of average profits.

- (a) Rs. 20,000
 (b) Rs. 40,000
 (c) Rs. 60,000
 (d) Rs. 70,000

45. Which of the following is not always an essential feature of partnership?
 (a) Sharing of profits and losses
 (b) Relationship of mutual agency among the partners.
 (c) Liability of partners is always unlimited.
 (d) Agreement to carry lawful business

46. Which of the following is not an operating activity?
 (a) Cash revenue from operations.
 (b) Cash receipt from trade receivables
 (c) Selling and distribution expenses paid.
 (d) Proceeds from sale of old machinery.

47. Match List-I with List-II

List-I	List-II
(A) Dissolution of firm by agreement	(I) When a partner becomes insane
(B) Compulsory dissolution of firm	(II) With the consent of all partners
(C) Dissolution of firm by notice	(III) When business of a firm becomes illegal
(D) Dissolution of firm by Court	(IV) At the request of any one partner

Choose the correct answer from the options given below:

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

48. The _____ ratios are primarily measures of return-
 (a) Liquidity
 (b) Activity
 (c) Debt
 (d) Profitability

49. Arrange the following steps to prepare the Comparative Statements-
- (A) List out absolute figures in rupees relating to two points of time
 - (B) Prepare the format
 - (C) Find out the change in absolute figures by subtracting the first year from the second year and indicate the change as increase or decrease.
 - (D) Calculate the percentage change
- Choose the correct answer from the options given below:
- (a) (B), (A), (D), (C) (b) (B), (A), (C), (D)
 - (c) (B), (C), (D), (A) (d) (C), (B), (D), (A)
50. Revenue from operations = 4,00,000 Average Inventory = 55,000 Gross Profit Ratio = 10% . Calculate inventory turnover ratio-
- (a) 5.65 Times
 - (b) 4.95 Times
 - (c) 6.55 Times
 - (d) 5.15 Times

Computerized accounting

51. ____ sub system deals with payment of wages and salary to employees.
- (a) Fixed Assets Accounting
 - (b) Purchase and Accounts Payable
 - (c) Pay Roll Accounting
 - (d) Inventory
52. ____ ensures security of data even if it lands in wrong hands, because the receiver of data will not be able to decode and interpret it.
- (a) Password
 - (b) Encryption
 - (c) Grouping
 - (d) Classification
53. This subsystem deals with the preparation of Profit and Loss accounts, Balance Sheet and Cash Flow statements for reporting purposes.
- (a) Expense Accounting Sub System
 - (b) Tax Accounting Sub System
 - (c) Final Accounts Sub System
 - (d) Costing Sub System
54. This sub system deals with the recording of different items purchased and issued specifying the price, quantity and date.
- (a) Sales and Accounts Receivable Sub System
 - (b) Purchase and Accounts Payable Sub System
 - (c) Inventory Sub System
 - (d) Expense Sub System
55. Which of the following is not the advantage of Computerised Accounting System (CAS):
- (a) Timely generation of reports and information in desired format.
 - (b) Ensures effective control over the system.
 - (c) Efficient record keeping.
 - (d) Generation of non-programmed reports.

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Political Science**SHIFA MIRZA**
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--- & many more...

ANSWER KEY AND EXPLANATIONS

1. (a) 2:3 A and B are old partners, sharing profits in the ratio 3:2
 M is admitted for 1/4 share
 New ratio of A and B (from remaining 3/4) = 2:1
 Step 1 - Total profit = 1
 M's share = 1/4
 Remaining profit = $1 - 1/4 = 3/4$ → this 3/4 is to be shared between A and B in the new ratio 2:1
 Step 2 - Calculate new shares of A and B
 Out of 3/4, A gets = $\frac{2}{3} \times \frac{3}{4} = \frac{6}{12} = \frac{1}{2}$
 B gets = $\frac{1}{3} \times \frac{3}{4} = \frac{3}{12} = \frac{1}{4}$
 So, new shares:
 A = 1/2
 B = 1/4
 M = 1/4
 Step 3- Old shares of A and B
 Old ratio = 3:2
 So,
 A = 3/5
 B = 2/5
 Step 4- Sacrificing Ratio = Old Share - New Share
 A's Sacrifice = $\frac{3}{5} - \frac{1}{2} = \frac{6-5}{10} = \frac{1}{10}$ x $\frac{2}{2} = \frac{2}{20}$ (Common Denominator)
 B's Sacrifice = $\frac{2}{5} - \frac{1}{4} = \frac{8-5}{20} = \frac{3}{20}$
 Final Sacrificing Ratio
 A : B = 2 : 3
2. (a) By debiting all partners' capital accounts in their old profit-sharing ratio.
 Explanation:
 When goodwill already appears in the Balance Sheet, and a partner retires, the existing goodwill must be written off among all the partners in their old profit-sharing ratio.
 This is because the existing goodwill has already been credited to all partners' capital accounts (as part of past profits), so it now needs to be debited back from all of them proportionately before the retiring partner leaves.
 Since goodwill of ₹24,000 already exists in the books, and Rohan is retiring, it should be written off among all three partners (Rohan, Bharti, and Leela) in their old profit-sharing ratio. This ensures the retiring partner does not take unfair advantage of goodwill already recorded. It is an adjustment entry and has nothing to do with new or remaining ratios—only the old ratio is relevant here. Hence, option (a) is the correct answer
3. (b) Profit and Loss A/c Dr. To Profit and Loss Appropriation A/c
 Explanation:
 At the end of an accounting period, the net profit (credit balance of Profit and Loss A/c) is transferred

to the Profit and Loss Appropriation Account in a partnership firm, so that the profit can then be appropriated (shared) among partners, or used for reserves, interest on capital, etc.

Since P&L A/c has a credit balance, it will be debited to close it, and P&L Appropriation A/c will be credited.

To transfer the net profit (credit balance) to the appropriation account, we debit the Profit and Loss A/c (to close it) and credit the Profit and Loss Appropriation A/c. This is the standard entry for shifting the profit to be appropriated among the partners. Hence, option (b) is the correct answer.

4. (d) Average super profit capitalization method
 The first three methods—Average Profit, Super Profit, and Capitalisation—are recognized and commonly used in the valuation of goodwill under CBSE and professional accounting frameworks. However, the "Average Super Profit Capitalisation Method" is not a recognized method. It's a made-up combination of terms from other methods and doesn't follow any standard procedure. Hence, option (d) is the correct answer.
5. (b) (A), (B) and (D) only Reconstitution involves a change in the internal structure of the partnership without ending the firm. Both (A) and (B) are direct examples of such change. (D), though it refers to dissolution of partnership (among partners), may lead to reconstitution if the firm continues with new terms. However, (C) is the end of the firm itself and does not result in reconstitution—it is final. Hence, option (b) is the correct answer.
6. (c) New profit sharing Ratio of Sindhu and Priya = 5:2
 Gaining Ratio of Sindhu and Priya = 5:2
 Explanation:
 Given:
 Sindhu, Neha, Priya = Partners
 Old profit-sharing ratio = 5:3:2
 Neha retires
 Step 1- Total old ratio = 5 + 3 + 2 = 10
 So:
 Sindhu = 5/10
 Neha = 3/10
 Priya = 2/10
 Step 2: After Neha retires, her 3/10 share is to be distributed between Sindhu and Priya.
 Sindhu and Priya's old ratio = 5:2
 Total = 7 parts
 So:
 Sindhu's gain = $\frac{5}{7} \times \frac{3}{10} = \frac{15}{70}$
 Priya's gain = $\frac{2}{7} \times \frac{3}{10} = \frac{6}{70}$
 Step 3: Add gain to old share to get new share

Sindhu: Old share = $5/10 = 35/70$; New share = $35/70 + 15/70 = 50/70$

Priya: Old share = $2/10 = 14/70$; New share = $14/70 + 6/70 = 20/70$

New ratio = $50:20 = 5:2$

Step 4: Gaining Ratio = Gain of each partner from Neha's share

Sindhu's gain = $15/70$

Priya's gain = $6/70$

Gaining ratio = $15:6 = 5:2$

New Profit Sharing Ratio = $5:2$

Gaining Ratio = $5:2$

7. (c) Share Capital The share forfeiture account is neither a current liability nor a reserve, nor an unsecured loan. It is linked directly to share capital because it arises from amounts received on shares. It is shown under the "Share Capital" head in the equity section of the balance sheet until the forfeited shares are reissued. Hence, option (c) is the correct answer.
8. (a) The partners' capital accounts will always show a credit balance. Under the fixed capital method, it is not necessary that the capital account will always show a credit balance. Though it generally remains fixed and on the credit side, situations like loss on revaluation or permanent capital withdrawal can cause debit balances. All other options are valid features of the fixed capital method. Hence, option (a) is the correct answer.
9. (c) (A) - (III), (B) - (II), (C) - (IV), (D) - (I) Each type of debenture has a commonly used term based on its features. Unregistered debentures are bearer instruments, unsecured ones lack security (naked), secured ones are backed by mortgage, and irredeemable ones are perpetual in nature. The matching in option (c) perfectly aligns with these definitions. Hence, option (c) is the correct answer.
10. (b) (A), (B) and (C) only Section 48 clearly lays out the sequence in which losses (including capital deficiencies) are to be settled: first from available profits, then from partners' capital, and finally from the partners personally in their profit-sharing ratio. Creditor assets are never used to cover losses; rather, creditors are paid from the firm's assets before anything else is distributed. Hence, option (b) is the correct answer.
11. (c) Capital reserve Profit arising from the reissue of forfeited shares is not available for dividend distribution as it's not earned through normal operations. Therefore, it is treated as a capital profit and transferred to the Capital Reserve Account, which is used only for specific purposes like issuing bonus shares or writing off capital losses. Hence, option (c) is the correct answer.
12. (b) Assets account When the value of an asset increases during revaluation (e.g., building appreciates), the asset account is debited to record the increased

amount, and the Revaluation Account is credited. This shows that the increase is a gain to the business, and the gain is later transferred to old partners' capital accounts in the old ratio. Hence, option (b) is the correct answer.

13. (d) (A) and (C) only (A) As per Section 18 of the Indian Partnership Act, "a partner is the agent of the firm for the purposes of the business of the firm." This means any act done by a partner in the usual course of business binds all other partners. Since partners can represent the firm (agent) and are also collectively owners (principals), each partner acts in both capacities. Hence, statement (A) is correct. (B) There is no provision in the Indian Partnership Act for charging interest on drawings automatically. Interest on drawings is not a legal right of the firm, and it is only charged if the partnership deed specifically provides for it. If the deed is silent, no interest is charged on drawings, regardless of the amount or timing. Hence, statement (B) is incorrect. (C) This is laid out in Section 13(b) of the Act. If there is no specific agreement on the profit-sharing ratio, the Act mandates that profits and losses be shared equally among all partners, regardless of their capital contributions or participation in the business. Hence, statement (C) is correct. (D) As per Section 13(d) of the Indian Partnership Act, interest on a partner's loan (i.e., an advance over and above the capital amount) shall be paid at the rate of 6% per annum, if no other rate is agreed upon in the deed. The figure of 12% p.a. is incorrect unless explicitly mentioned in the agreement. Hence, statement (D) is incorrect.
14. (c) (B), (A), (C), (D) (B) The assets of the firm should be used in paying the debts of the firm to third parties: This is the first priority as external creditors have a legal claim on the assets before the partners. (A) The balance should be applied to repay loans made by the partners to the firm: After paying off external debts, any loans given by the partners to the firm should be repaid. (C) The balance assets may be used for paying partners proportionately on account of capital: Once all liabilities and partner loans are settled, the remaining assets are used to repay the partners' capital contributions. (D) The asset's residue, if any, shall be divided among the partners in their profit sharing ratio: If there is still a balance after paying off debts and capital, it is distributed among the partners according to their profit-sharing ratio.
15. (b) All adjustments in respect of payment to Vendor Explanation: (a) All adjustments in respect of partner's salary Partner's salary is a form of appropriation of profit, not a business expense. It is recorded in the P&L

Appropriation A/c after net profit is calculated. This ensures that the salary is shared out of profits and not deducted like regular operating expenses. Hence, option (a) is not the correct answer.

(b) All adjustments in respect of payment to Vendor Payments made to vendors are ordinary business expenses or payments for purchases. These are shown in the Trading Account or Profit and Loss Account depending on the nature of the payment. Since they are unrelated to the distribution of profits among partners, they are never shown in the P&L Appropriation Account. Hence, option (b) is the correct answer. (c) All adjustments in respect of interest on capital

Interest on capital is an appropriation, as it represents a return to partners for their invested capital. It is debited to the Profit and Loss Appropriation Account and credited to the respective partner's capital/current account. This entry ensures that partners are compensated before profits are distributed. Hence, option (c) is not the correct answer.

(d) All adjustments in respect of interest on drawings

Interest on drawings is charged to the partners for withdrawing funds from the business. It is added back to the net profit in the P&L Appropriation Account because it is income to the firm from the partners. This is shown on the credit side of the appropriation account. Hence, option (d) is not the correct answer.

16. (b) 3,000 Assets taken over:
 Building = ₹1,50,000
 Machinery = ₹1,40,000
 Furniture = ₹10,000
 Total Assets = ₹3,00,000
 Liabilities taken over = ₹20,000
 Purchase Consideration = ₹3,15,000
 Debentures of ₹100 each issued at a premium of 5%, i.e., issue price = ₹10
 Calculate Issue Price per Debenture
 Face Value = ₹100
 Premium = 5% of ₹100 = ₹5
 Issue Price = ₹100 + ₹5 = ₹105
 Number of Debentures = Purchase Consideration ÷ Issue Price
 Number of Debentures = $\frac{3,15,000}{105} = 3,000$

17. (c) Mere co-ownership of a property can amount to partnership.
 (a) Valid partnership can be formulated even without a written agreement between the partners. A partnership does not require a written agreement to be valid. An oral agreement or even an implied agreement by conduct (with mutual understanding to share profits) is sufficient. Though a written deed

is recommended, it is not mandatory. Hence, option (a) is true. (b) Each partner carrying on the business is the principal as well as the agent for all the other partners.

As per Section 18 of the Indian Partnership Act, every partner is both a principal and agent — they can act on behalf of others and be bound by others' actions, making it a mutual agency relationship, which is the foundation of partnership. Hence, option (b) is true. (c) Mere co-ownership of a property can amount to partnership.

Mere co-ownership (like joint ownership of a property) does not amount to a partnership unless the co-owners agree to carry on a business and share profits arising from it. Co-ownership without business or profit motive is not a partnership. Hence, option (c) is NOT true. (d) Persons who have entered into partnership with one another are individually called 'partners' and collectively called 'firm'.

This is the definition given in Section 4 of the Indian Partnership Act, 1932. It clearly states that individually they are partners and collectively they are called a firm. Hence, option (d) is true.

18. (b) ₹1,755

Given:

Monthly Drawing = ₹3,000

Frequency = Beginning of every month

Period = 12 months (April 1, 2019 to March 31, 2020)

Interest Rate = 9% per annum

Total Drawing = ₹3,000 × 12 = ₹36,000

Formula for Interest on Drawings (Monthly Drawings):

When drawings are made at the beginning of each month, the average period = 6.5 months
 Interest = $\frac{\text{Total Drawings} \times \text{Rates} \times \text{Average Period}}{100 \times 12}$

$$\text{Interest} = \frac{36,000 \times 9 \times 6.5}{100 \times 12} = \frac{36,000 \times 58.5}{1200} = \frac{2,106,000}{1200} = ₹1,755$$

19. (a) 11:4:5

Given:

Old partners: Das and Sinha

Old ratio = 4:1

Pal is admitted for 1/4 share

Pal's share is entirely given by Das (i.e., Sinha does not sacrifice) Total profit = 1 (or 100%)

Pal's share = 1/4

So, remaining = 1 - 1/4 = 3/4 → this 3/4 is shared between Das and Sinha

But since only Das sacrifices, Sinha retains his original share. Calculate Sinha's new share

Old total ratio = 4 + 1 = 5

Sinha's old share = 1/5

Sinha is not sacrificing, so his new share remains 1/5
 Calculate Das's new share

Pal got $1/4$ from Das, so Das's new share = Das's old share - Pal's share

Das's old share = $4/5$ Pal's share = $1/4$

(LCM of 5 and 4 = 20):

Das = $16/20$ Pal = $5/20$

Das's new share = $16/20 - 5/20 = 11/20$

Sinha = $4/20$ Pal = $5/20$

Final Ratio

Das = $11/20$ Sinha = $4/20$ Pal = $5/20$

Since Pal acquired his entire $1/4$ share from Das, Sinha's share remains unchanged. Das's share is reduced by $1/4$, and Pal receives exactly that. After converting all shares to a common denominator, the new profit-sharing ratio becomes 11:4:5.

20. (c) 1,000 shares issued at ₹120 (₹100 face value + ₹20 premium)

₹20 (second & final call) unpaid → shares forfeited

Sahil paid ₹100 per share (₹100 × 1,000 = ₹1,00,000)

Break-up of ₹100 Received:

₹20 → Securities Premium (goes to Securities Premium Reserve)

₹80 → Share Capital → this is credited to Share Forfeiture A/c

Journal Entry for Forfeiture:

Share Capital A/c (₹100 × 1,000) Dr. ₹1,00,000

To Share Forfeiture A/c (₹80 × 1,000) ₹80,000

To Calls in Arrear A/c (₹20 × 1,000) ₹20,000

Correct Answer: (c) Share Forfeiture A/c will be credited with ₹80,000

Only the amount received towards share capital is credited to Share Forfeiture A/c — not the premium.

21. (b) Collection period

While credit standard, credit terms, and collection policy are all decision elements of a firm's credit policy, the collection period is a performance indicator, not a part of the policy itself. It tells how well the policy is working, but is not a part of policy formulation. Hence, option (b) is the correct answer.

22. (b) 21 : 11

Given:

Old partners: R, S, and K

Old ratio = 4 : 3 : 2

R retires

S and K will now share profits in the new ratio of 5 : 3

Old shares (based on total 4+3+2 = 9)

R = $4/9$

S = $3/9$

K = $2/9$

New ratio of S and K = 5 : 3

Total = 5 + 3 = 8

So:

S = $5/8$

K = $3/8$

Calculate Gaining Ratio

Gaining Ratio = New Share - Old Share

S's gain = $5/8 - 3/9 = \frac{45-24}{72} = \frac{21}{72}$

K's gain = $3/8 - 2/9 = \frac{27-16}{72} = \frac{11}{72}$

S : K = 21 : 11

23. (a) (A) - (IV), (B) - (I), (C) - (II), (D) - (III)
(A) Bank (fresh capital introduced)

When a partner introduces fresh capital, it is shown on the credit side of the Partner's Capital Account (if capital is fixed, then in capital account; if fluctuating, still capital account). Interest on drawings is charged from the partner, so it is a loss to the partner. Therefore, it is recorded on the debit side of the Partner's Current Account. (B) Interest on drawings Interest on drawings is charged from the partner, so it is shown on the debit side of the Partner's Current Account (in fixed capital method), or Capital Account (in fluctuating method). Since the question assumes fixed capital, it goes to current account debit side. (C) Bank (permanent withdrawal of capital)

If capital is permanently withdrawn, it is shown on the debit side of the Capital Account, as it reduces the partner's capital. (D) Commission (earned by partner from firm)

Commission to a partner is considered income or appropriation, so it is credited to the Partner's Current Account.

24. (b) 120

Minimum Subscription refers to the minimum amount (usually 90% of the issued amount) that a company must receive from the public in response to its public issue of shares in order to proceed with the allotment of shares.

A company must receive the minimum subscription amount within 120 days from the date of issue of the prospectus. If not received, all application money must be refunded to applicants.

As per the Companies Act, and SEBI (Issue of Capital and Disclosure Requirements) Regulations, if a company does not receive at least 90% of the issued amount (minimum subscription) within 120 days from the issue of the prospectus, it must refund the money to the applicants. Failure to do so can lead to legal penalties and interest liability. Hence, option (b) is the correct answer.

25. (c) All the partners

A partnership deed is a private contract between partners. Unlike companies, changes do not require government or registrar approval, unless they affect legal registrations. Therefore, only unanimous agreement among all partners is needed to alter its clauses. Hence, option (c) is the correct answer.

26. (b) ₹73,333

Given:

Vijay : Manohar = 2:1 (old ratio)

Prakash admitted for $1/4$ share with a guarantee of minimum ₹50,000

Net profit = ₹1,60,000
 Vijay and Manohar will share the remaining 3/4 of the profit
 Prakash's guaranteed share = ₹50,000
 Calculate Prakash's actual share of profit
 $\text{Prakash's share (1/4 of ₹1,60,000)} = \frac{1}{4} \times 1,60,000 = ₹40,000$
 But he is guaranteed ₹50,000, so there is a shortfall of ₹10,000
 We assume Vijay and Manohar bear the shortfall in their old ratio = 2:1
 Shortfall = ₹10,000
 $\text{Vijay bears} = \frac{2}{3} \times 10,000 = ₹6,666.67$
 $\text{Manohar bears} = \frac{1}{3} \times 10,000 = ₹3,333.33$
 Distribute ₹1,60,000 among all 3 partners in new ratio 2:1:1
 New ratio total = 2 + 1 + 1 = 4 parts
 $\text{Vijay's original share} = \frac{2}{4} \times 1,60,000 = ₹80,000$
 $\text{Manohar} = \frac{1}{4} \times 1,60,000 = ₹40,000$
 $\text{Prakash} = \frac{1}{4} \times 1,60,000 = ₹40,000 \rightarrow \text{needs ₹10,000 more}$
 Adjust Vijay's share after bearing ₹6,666.67
 $₹80,000 - ₹6,666.67 = ₹73,333.3$

27. (b) ₹82,500
 Given:
 Sameer's opening capital = ₹15,00,000
 Additional capital introduced by Sameer on Oct 1, 2019 = ₹3,00,000
 Interest rate = 5% p.a.
 Financial year = April 1, 2019 to March 31, 2020
 Interest on ₹15,00,000 for full 12 months
 $\text{Interest} = ₹15,00,000 \times \frac{5}{100} = ₹75,000$
 Interest on additional ₹3,00,000 for 6 months (Oct to Mar)
 $\text{Interest} = ₹3,00,000 \times \frac{5}{100} \times \frac{6}{12} = ₹7,500$
 Total Interest for Sameer = ₹75,000 + ₹7,500 = ₹82,500
28. (a) (A) - (IV), (B) - (III), (C) - (II), (D) - (I)
 (A) Redeemable Debentures - These are debentures which are repayable on the expiry of a specific period either in lump sum or in instalments. Hence, (A) matches with (IV).
 (B) Convertible Debentures - These debentures are convertible into equity shares or other securities either at the option of the company or the debenture holders. Hence, (B) matches with (III).
 (C) Specific Coupon Rate Debentures - These are issued with a specified or fixed rate of interest known as the coupon rate. Hence, (C) matches with (II).
 (D) Bearer Debentures - These debentures can be transferred by delivery and the company does not

maintain any record of the debenture holder. Hence, (D) matches with (I).+

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

Explanation:

(A) Restricts the right to transfer its shares - This is a key characteristic of a private company as defined under Section 2(68) of the Companies Act, 2013. A private company must restrict the transferability of its shares through its Articles of Association in order to maintain a limited and controlled ownership structure. Hence, (A) matches with (II).

(B) A company which is a subsidiary of a public company - As per the Companies Act, 2013, if a private company is a subsidiary of a public company, it is legally treated as a public company for all regulatory purposes, even though it may retain its private company name and structure. Hence, (B) matches with (IV).

(C) A company which has only one person as a member - A One Person Company (OPC) is a new concept introduced in the Companies Act, 2013, which allows a single individual to form a company with limited liability. It ensures that the sole member has complete control while still being governed as a separate legal entity. Hence, (C) matches with (I).

(D) Members may come and go but the company continues - This statement reflects the principle of perpetual succession, which means that the company's existence is not affected by changes in membership due to death, insolvency, or resignation of members. The company continues its operations regardless of such changes. Hence, (D) matches with (III).

30. (c) (B), (A), (C), (D)

(B) Calculate the average profit - This is the first step where we determine the average profit of the firm over past years to establish the benchmark for comparison.

(A) Calculate the normal profit on the firm's capital on the basis of the normal rate of return - In the second step, we calculate the expected profit using the firm's capital employed and the normal industry rate of return to determine what a comparable firm would earn.

(C) Calculate the super profits by deducting normal profit from the average profits - The third step involves finding the excess of actual average profit over normal profit, which is termed super profit.

(D) Calculate goodwill by multiplying the super profits by the given number of years' purchase - Finally, goodwill is computed by multiplying the super profit with the agreed number of years' purchase to reflect the firm's future advantage.

To Calls in Arrears A/c ₹20,000 (Unpaid final call)
 Share Forfeiture A/c is credited with ₹1,00,000

98 %ilers



MAYANK TRIPATHI
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BHAVISHYA CHOURASIA
SG ID - 5967469
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----- & many more...

Commerce Stream

100 %ilers



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----- & many more...

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Mathematics



BHAVISHYA
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Economics



PRIYA KUMARI
SG ID - 6491951
Mathematics

----- & many more...

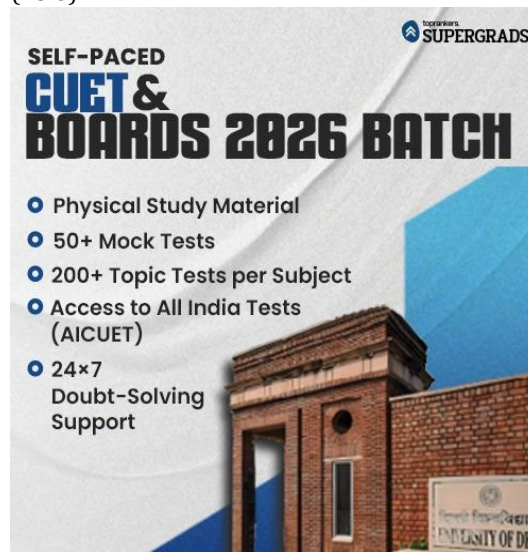
31. (a) Capital
Partners' current accounts are transferred to respective Partners' Capital Accounts when the firm maintains fixed capital accounts. This transfer usually takes place at the time of dissolution or change in profit-sharing ratio, or when the firm switches from the fixed to the fluctuating capital method. The balance in the current account (either debit or credit) is adjusted against the capital account of the respective partner.
32. (c) (A) - (II), (B) - (I), (C) - (IV), (D) - (III)
(A) Calls in Arrears refer to the amount not paid by shareholders on allotment or any subsequent call; hence, it matches with (II).
(B) Calls in Advance occur when shareholders pay in advance the amount not yet called up by the company; hence, it matches with (I).
(C) Over Subscription means receiving applications for more shares than offered to the public; hence, it matches with (IV).
(D) Under Subscription means the number of shares applied for is less than what was offered; hence, it matches with (III).
33. (c) Debt-equity ratio
The debt-equity ratio is a type of solvency ratio that measures the proportion of a company's total liabilities to its shareholders' equity. It helps assess the long-term financial stability of a business and its ability to meet long-term obligations. A higher debt-equity ratio indicates higher financial risk, whereas a lower ratio suggests financial stability and lower reliance on borrowed funds.
34. (d) Partners' Loan
Realisation Account is prepared during the dissolution of a firm to record the sale of assets and payment of external liabilities. It includes items like Bank Loan Mortgage, Bills Payable, and assets such as Furniture and Fittings. However, Partners' Loan is not transferred to the Realisation Account; it is settled separately through the Partner's Loan Account since partners are treated differently from external creditors in such cases.
35. (a) Debit Side of Realisation Account, Credit side of Realisation Account
At the time of dissolution, the Investment Account (an asset) is transferred to the debit side of the Realisation Account as assets are recorded there for disposal. The Investment Fluctuation Fund Account (a reserve) is transferred to the credit side of the Realisation Account because it represents a gain or provision that can be used to absorb any loss on the sale of investments. This treatment ensures proper realization of both asset and reserve during dissolution.
36. (c) Loss on issue of debentures account
When debentures are issued at par but are redeemable at a premium, the company incurs a loss equal to the redemption premium payable in the future. This loss is not recorded in the Statement of Profit and Loss immediately, but is recorded under the "Loss on Issue of Debentures Account", which is a fictitious asset and is written off over the life of the debentures. This treatment helps in matching the loss with the period benefiting from the debenture funds.
37. (d) 12%, Rs 1,000
As per Table F of the Companies Act, 2013, interest on calls in advance can be paid at a rate not exceeding 12% per annum, if the Articles of Association so provide. In this case, ₹50,000 was received in advance for 2 months. The interest is calculated as:
$$\text{Interest} = ₹50,000 \times 12\% \times (2/12) = ₹50,000 \times 0.02 = ₹1,000$$

Thus, the applicable rate is 12%, and the interest amount is ₹1,000.
38. (c) Half of total profit
If the partnership agreement is silent regarding the profit-sharing ratio, the Indian Partnership Act, 1932 (Section 13(b)) provides that profits and losses are to be shared equally among partners, irrespective of their capital contributions. Therefore, even though Neha contributed ₹30,000 and Saloni ₹90,000, both are entitled to equal share in profits. Thus, Saloni's share in profit will be half of the total profit.
39. (a) Capital Accounts in Profit Sharing Ratio
At the time of dissolution of a firm, accumulated losses (like debit balance of Profit and Loss Account, Deferred Revenue Expenditure, or Fictitious Assets) are transferred to the partners' capital accounts in their profit-sharing ratio. This ensures that each partner bears their agreed share of the losses before final settlement. These losses are not transferred to the Realisation Account, as that account only records the sale of assets and discharge of liabilities.
40. (d) The director of a company is always a shareholder
It is not mandatory for a director to be a shareholder in a company unless it is specifically required by the company's Articles of Association. A person can be appointed as a director without owning any shares. Hence, this statement is false. The other statements are true: a company is considered an artificial person by law, its shares are generally transferable (especially in public companies), and members may participate in management subject to company rules (mostly through voting in general meetings).
41. (a) Shareholders
An annual report is a formal document issued by a company at the end of its financial year to provide its shareholders with comprehensive information about the company's financial performance, operations, and governance. It includes the audited financial statements, director's report, corporate governance report, and other disclosures. Its

- primary purpose is to ensure transparency and accountability to the owners of the company.
42. (b) (A) - (II), (B) - (III), (C) - (IV), (D) - (I) (A) A debenture of ₹100 issued at ₹110 means the company is receiving more than the face value of the debenture. The excess amount of ₹10 is considered a premium, and such an issue is referred to as a debenture issued at a premium. This premium is usually transferred to the securities premium reserve and cannot be used freely for distribution as dividends. Hence, (A) matches with (II).
(B) A debenture of ₹100 issued at ₹100 means the company receives exactly its face value from investors. This is termed as issuance at par, which indicates no premium or discount. This is the most straightforward form of issue where the liability of the company equals the amount received. Hence, (B) matches with (III).
(C) A debenture of ₹100 issued at ₹90 means the company is receiving less than the face value, resulting in a discount of ₹10. This discount represents a loss or additional cost to the company and is treated as a capital loss, which is shown as a fictitious asset and is written off over the life of the debenture. Hence, (C) matches with (IV).
(D) A debenture issued to the lender in addition to other assets already pledged refers to a situation where debentures are used as a secondary security or collateral for a loan. These are called debentures issued as collateral security. They do not create an immediate liability unless the borrower defaults and are often disclosed in the notes to accounts or issued with a nominal entry. Hence, (D) matches with (I).
43. (c) (A), (B) and (C) only
(A) Dissolution of a partnership and dissolution of a firm are indeed different. Dissolution of partnership refers to a change in the relationship among partners (such as retirement or death) but the firm may continue. Dissolution of the firm, however, refers to the complete closure of business and cessation of the firm's existence. Hence, this statement is true.
(B) A partnership is dissolved when a partner dies, as it alters the composition of the partnership. Unless the agreement provides otherwise, death automatically results in dissolution of the existing partnership. Hence, this statement is also true.
(C) A firm can be dissolved when all partners mutually agree to do so. This is known as dissolution by agreement and is legally valid as per Section 40 of the Indian Partnership Act, 1932. Hence, this statement is true.
(D) A firm is not compulsorily dissolved merely because one partner decides to retire. The remaining partners may continue the firm with a new agreement. Compulsory dissolution occurs in cases

such as the firm becoming unlawful or all partners (except one) becoming insolvent. Hence, this statement is false.

44. (c) Rs. 60,000 To calculate goodwill on the basis of three years' purchase of average profits, we use the following formulas:
Formula 1: Average Profit = Total Profit of all years ÷ Number of years
Total Profit = ₹20,000 + ₹24,000 + ₹20,000 + ₹20,000 + ₹16,000 = ₹1,00,000
Average Profit = ₹1,00,000 ÷ 5 = ₹20,000
Formula 2: Goodwill = Average Profit × Number of years' purchase
Goodwill = ₹20,000 × 3 = ₹60,000
Hence, the value of goodwill is Rs. 60,000.
45. (c) Liability of partners is always unlimited
The essential features of a partnership include sharing of profits and losses, mutual agency (where each partner acts as agent and principal), and an agreement to carry on a lawful business. These are defined under Section 4 of the Indian Partnership Act, 1932. While unlimited liability is a common feature in traditional partnerships, it is not always essential, especially in cases of Limited Liability Partnerships (LLPs), where partners may have limited liability. Hence, option (c) is not always an essential feature of a partnership.
46. (d) Proceeds from sale of old machinery
Operating activities refer to the principal revenue-generating activities of a business, including cash inflows from sales and outflows for expenses like salaries, rent, and selling costs. Options (a), (b), and (c) relate directly to day-to-day business operations. However, proceeds from sale of old machinery is a cash flow from investing activities, as it involves the sale of a fixed asset. Therefore, it is not classified as an operating activity under the Cash Flow Statement (AS-3).



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47. **(b)** (A) - (II), (B) - (III), (C) - (IV), (D) - (I)
 (A) Dissolution of firm by agreement happens with the consent of all partners or as per the terms of the partnership deed. It is a voluntary action taken by mutual agreement. Hence, (A) matches with (II).
 (B) Compulsory dissolution occurs when it becomes unlawful to carry on the business of the firm, such as when the business becomes illegal due to a change in law. Hence, (B) matches with (III).
 (C) Dissolution of firm by notice applies to partnership at will, where any partner can give notice to dissolve the firm without needing others' consent. Hence, (C) matches with (IV).
 (D) Dissolution by court may be ordered when a partner becomes insane, permanently incapable, or guilty of misconduct, among other grounds. Hence, (D) matches with (I).
48. **(d)** Profitability
 Profitability ratios are primarily used to measure the return a business generates in relation to its sales, assets, equity, or capital employed. These ratios assess the firm's ability to earn profits and include ratios such as Net Profit Ratio, Return on Capital Employed, and Return on Equity. In contrast, liquidity ratios measure short-term solvency, activity ratios measure efficiency, and debt ratios assess financial risk, not returns. Therefore, profitability ratios are the correct measure of return.
49. **(b)** (B), (A), (C), (D)
 (B) Prepare the format – This is the first step in preparing comparative financial statements. The format includes essential columns such as items of income or expense (or assets/liabilities), figures for two different years, absolute change, and percentage change. Preparing this structure ensures clarity and consistency in presentation.
 (A) List out absolute figures in rupees relating to two points of time – After the format is ready, the actual figures from both the years under comparison (e.g., 2021 and 2022) are inserted into the respective columns. This forms the base for all further analysis.
 (C) Find out the change in absolute figures by subtracting the first year from the second year and indicate the change as increase or decrease – Once figures are listed, the next step is to calculate the absolute change, which shows how much each item has increased or decreased in exact monetary terms. This helps in understanding the trend or direction of financial movement.
 (D) Calculate the percentage change – Lastly, the percentage change is calculated using the formula: $(\text{Change} \div \text{Previous Year Figure}) \times 100$. This step translates the numerical difference into a relative comparison, making it easier to interpret performance and trends over time.
50. **(c)** 6.55 Times
 To calculate the Inventory Turnover Ratio, we use the following formula:
 Formula 1: $\text{Gross Profit} = \text{Revenue from Operations} \times \text{Gross Profit Ratio}$
 $\text{Gross Profit} = ₹4,00,000 \times 10\% = ₹40,000$
 Formula 2: $\text{Cost of Revenue from Operations (i.e., Cost of Goods Sold)} = \text{Revenue} - \text{Gross Profit}$
 $\text{Cost of Goods Sold (COGS)} = ₹4,00,000 - ₹40,000 = ₹3,60,000$
 Formula 3: $\text{Inventory Turnover Ratio} = \text{Cost of Goods Sold} \div \text{Average Inventory}$
 $\text{Inventory Turnover Ratio} = ₹3,60,000 \div ₹55,000 \approx 6.545$
 Approximation : 6.55 Times
51. **(c)** Pay Roll Accounting
 The Pay Roll Accounting sub-system is specifically responsible for handling all aspects related to employee compensation, including the calculation and payment of wages and salaries, deductions (like taxes, provident fund, and insurance), bonuses, and other benefits. This system ensures compliance with statutory obligations and maintains accurate records of employee payments. It is an essential part of an organization's accounting and HR processes. Other sub-systems like Fixed Assets, Purchase and Accounts Payable, and Inventory relate to capital assets, vendor transactions, and stock management respectively, and are not involved in salary disbursement.
52. **(b)** Encryption.
 Encryption is the process of converting data into a coded format that cannot be read or understood by unauthorized users. It ensures that even if the data is intercepted or lands in the wrong hands, the information remains inaccessible without the decryption key. This provides a strong layer of security and confidentiality, especially during data transmission over networks. Passwords protect access, grouping organizes data, and classification labels data, but only encryption renders data unreadable to unauthorized parties.
53. **(c)** Final Accounts Sub System
 The Final Accounts Sub System is responsible for the preparation of key financial statements such as the Profit and Loss Account, Balance Sheet, and Cash Flow Statement. These reports are essential for evaluating the financial performance and position of the business, and are used for both internal management analysis and external reporting to stakeholders. Unlike the expense accounting system which focuses on recording expenditures, or the tax accounting system which deals with tax compliance, the final accounts subsystem handles the


- summarization and presentation of financial outcomes.
54. (c) **Inventory Sub System**
The Inventory Sub System is designed to record and monitor all transactions related to stock movement, including details of items purchased and issued, along with price, quantity, and date. It helps maintain accurate records of inventory levels, ensures timely replenishment, and provides essential data for valuation and cost control. This subsystem plays a critical role in managing materials, preventing stock-outs or overstocking, and supporting financial and operational decisions. Other subsystems like Sales & Accounts Receivable and Purchase & Accounts Payable focus on customer


- and vendor-related transactions, not internal inventory control.
55. (d) **Generation of non-programmed reports**
Computerised Accounting System (CAS) offers several advantages such as timely and accurate report generation, efficient record-keeping, and effective internal control mechanisms through automation and standardisation. However, it cannot easily generate non-programmed reports, which refer to ad-hoc or highly customized reports not predefined in the system. CAS relies on pre-set formats and commands, and generating non-programmed reports typically requires additional customization or manual intervention. Hence, this is not considered an inherent advantage of CAS.



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