SEMESTER 1 EXAMINATION

ACCOUNTS

Maximum marks : 80

Time allowed : One and a half hours

*(Candidates are allowed additional **10 minutes** for **only** reading the paper)*

All questions of Section A are Compulsory.
All questions from either Section B or Section C are Compulsory.

Each question / subpart of a question carries 2 marks.

Select the correct option for each of the following questions.

SECTION A

*Answer **all** questions.*

Question 1

Choose the **INCORRECT** statement from the following options:

(a) Shares forfeited by the company cannot be re-issued at a premium.

(b) At the time of forfeiture of shares, Securities Premium Reserve A/c is not debited with the amount of premium already received.

(c) The shares of a company cannot be issued at a discount.

(d) Securities Premium Reserve cannot be used by the company to write off discount allowed to its debtors.

Answer: __________

This paper consists of 20 printed pages and 6 blank pages for rough work.

Question 2

A firm follows the fluctuating capital method. One of its partners takes a loan from the firm on which, as per the partnership deed, the firm is entitled to receive interest.

What will be the *adjusting entry* for this interest on loan?

(a) Debit Interest on Loan A/c; Credit Profit and Loss Appropriation A/c

(b) Debit Interest on Loan A/c; Credit Profit and Loss A/c

(c) Debit Partner's Capital A/c; Credit Interest on Loan A/c

(d) Debit Partner's Loan A/c; Credit Interest on Loan A/c

Answer: ________

Question 3

Nickel Ltd. took over the business of Bronze Ltd. and agreed to pay for it by issuing 4,500 Equity Shares of ₹ 100 each at a premium of 20% along with a bank draft of ₹ 60,000.

What is the total agreed purchase consideration payable by Nickel Ltd. to Bronze Ltd.?

(a) ₹ 4,50,000

(b) ₹ 5,40,000

(c) ₹ 5,10,000

(d) ₹ 6,00,000

Answer: ________

Question 4

A partnership firm has assets worth ₹ 1,34,000. It earns an annual profit of ₹ 18,000. The normal rate of return in the industry is 10%. On the reconstitution of the firm, its goodwill, by capitalising the average profits of the firm, is valued at ₹ 70,000.

What are the *outside liabilities* of the firm at the time of valuation of its goodwill?

(a) ₹ 24,000

(b) ₹ 30,000

(c) ₹ 40,000

(d) ₹ 36,000

Answer: ________

Question 5

Vishesh Ltd. offered 50,000 equity shares of ₹ 10 each to the public for subscription. Applications for 45,000 equity shares were received and allotment was made to all the applicants. The first and final call of ₹ 2 per share was not received on 1,000 shares, which were forfeited by the company.

What will be the Subscribed Capital of the company?

(a) ₹ 4,48,000

(b) ₹ 4,50,000

(c) ₹ 4,98,000

(d) ₹ 4,49,000

Answer: __________

Question 6

Hemal and Rohan are two partners sharing profits and losses in the ratio of 4:3. An extract of their Balance Sheet as at 31st March, 2021, showed:

Balance sheet of Hemal and Rohan (an extract)

As at 31st March, 2021

Liabilities		**Amount (₹)**	**Assets**	**Amount (₹)**
Workmen Compensation Reserve		28,000	Profit & Loss A/c	28,000
Capital A/c				
Hemal	40,000			
Rohan	22,000	62,000		

They admit Tanay on 1st April, 2021, as a third partner for $^1/_3$ share in the profits. On the date of Tanay's admission, the goodwill of the firm is valued at ₹ 21,000 and the gain on revaluation of assets and liabilities is ₹ 7,000.

Tanay's capital contribution, which is decided as one-half of the combined capitals of Hemal and Rohan, will be:

(a) ₹ 45,000

(b) ₹ 38,000

(c) ₹ 52,000

(d) ₹ 59,000

Answer: __________

Question 7

The accountant of Biren Ltd. is preparing the Balance Sheet of the company as per Schedule III of the Companies Act, 2013.

(i) The company has an operating cycle of 15 months. It has accounts payables (creditors and bills payable) amounting to ₹ 1,20,000. ₹ 20,000 of these are payable within 14 months, while the expected period of payment of the remaining accounts payables is between 16-18 months.

How will the company show its accounts payables in the Balance Sheet?

(a) Current Liability of ₹ 1,20,000

(b) Non-current Liability of ₹ 1,20,000

(c) Current Liability of ₹ 20,000 and Non-Current Liability of ₹ 1,00,000

(d) Current Liability of ₹ 1,00,000 and Non-Current Liability of ₹ 20,000

Answer: ____________

(ii) Which of the following will be shown as a *sub-head* in the Balance Sheet?

(a) Debtors

(b) Stock-in-trade

(c) Current Investments

(d) Prepaid Expenses

Answer: ____________

Question 8

Joshua Ltd. forfeited 500 equity shares of ₹ 10 each, fully called up, on which ₹ 6 per share (including premium of ₹ 3 per share) was received. The company later reissued these shares at a discount.

What is the maximum discount per share, which the company can give on their reissue?

(a) ₹ 6 per share

(b) ₹ 7 per share

(c) ₹ 4 per share

(d) ₹ 3 per share

Answer: ____________

Question 9

Deepa and Shweta are two partners sharing profits in the ratio of 1:2. Their Balance Sheet as at 31st March, 2021, is as follows:

Balance Sheet of Deepa and Shweta
As at 31st March, 2021

Liabilities		**Amount (₹)**	**Assets**	**Amount (₹)**
Deepa's Loan		25,000	Sundry Assets	1,55,000
Capital A/c				
Deepa	60,000			
Shweta	70,000	1,30,000		
		1,55,000		1,55,000

On 1st July, 2020, Deepa had introduced additional capital of ₹ 10,000 by converting a part of her loan into capital.

The profits for the year ended 31st March, 2021, amounting to ₹ 30,000, were distributed between the partners *before* allowing interest on Deepa's capital @ 10% per annum as provided in the partnership deed.

(i) What was the interest on Deepa's capital for the year 2020-21, which was omitted to be credited to her capital account?

(a) ₹ 4,750

(b) ₹ 5,950

(c) ₹ 5,200

(d) ₹ 5,800

Answer: __________

(ii) What will be the journal entry to convert Deepa's Loan to her capital?

(a) Debit Cash A/c ₹ 10,000; Credit Deepa's Capital A/c ₹ 10,000

(b) Debit Deepa's Capital A/c ₹ 10,000; Credit Deepa's Loan A/c ₹ 10,000

(c) Debit Deepa's Loan A/c ₹ 15,000; Credit Deepa's Capital A/c ₹ 15,000

(d) Debit Deepa's Loan A/c ₹ 10,000; Credit Deepa's Capital A/c ₹ 10,000

Answer: __________

Question 10

Arav, Rahil and Himmat are partners in a firm sharing profits and losses in the ratio of 5:3:2. Arav guaranteed a minimum profit of ₹ 30,000 to Himmat. The *trading loss* of the firm for the year ending 31st March, 2021, was ₹ 1,20,000.

In order to meet the deficiency in Himmat's profits, Arav's capital will be:

(a) Debited by ₹ 30,000

(b) Credited by ₹ 54,000

(c) Debited by ₹ 54,000

(d) Debited by ₹ 6,000

Answer: ____________

Question 11

The partnership deed of Sakshi and Tanu allowed an annual salary of ₹ 24,000 to Tanu. The trading profit of the firm for the year 2020-21, *after* debiting Tanu's salary, was ₹ 60,000.

(i) The partnership deed also provided for commission to Sakshi @ 5 % of the *correct* trading profit of the firm *before* charging commission.

What will be Sakshi's commission?

(a) ₹ 1,800

(b) ₹ 3,000

(c) ₹ 5,200

(d) ₹ 4,200

Answer: ____________

(ii) Another provision in the partnership deed was that the partners are to be charged interest on drawings @ 4% per annum. Tanu had withdrawn a fixed amount in the middle of every month and the interest on her drawings at the end of the year was ₹ 600.

What were the *total* drawings made by Tanu?

(a) ₹ 6,000

(b) ₹ 30,000

(c) ₹ 15,000

(d) ₹ 24,000

Answer: ____________

(iii) What will be the entry to transfer the trading profit of the firm to the P/L Appropriation A/c?

(a) Debit P/L A/c Appropriation A/c; Credit Net Profit A/c

(b) Debit P/L Appropriation A/c; Credit P/L A/c

(c) Debit P/L A/c; Credit P/L Appropriation A/c

(d) Debit Trading Profit A/c; Credit P/L Appropriation A/c

Answer: ____________

Question 12

Nitin and Mukul were partners in a business. An extract of the balance sheet of their firm showed:

Balance Sheet of Nitin and Mukul (an extract)
As at 31st March, 2021

Liabilities	Amount (₹)	Assets		Amount (₹)
Creditors	40,000	Land and Building		60,000
		Investments		25,000
		Sundry Debtors	41,000	
		Less Provision for Doubtful Debts	(3,000)	38,000

On Ali's admission as a new partner on 1st April, 2021, the assets and liabilities of the firm were to be revalued as follows:

- The investments to be valued at ₹ 27,000
- Bad debts of ₹ 2,000 to be written off
- The provision for doubtful debts to be brought up to 10% of the debtors
- The value of land and building to be reduced to ₹ 50,000
- Creditors to be discharged at a discount of 10%

What will be the net effect of revaluation of assets and liabilities?

(a) Loss of ₹ 8,900

(b) Loss of ₹ 11,900

(c) Loss of ₹ 6,900

(d) Loss of ₹ 7,100

Answer: ____________

Question 13

(i) What will be the formula to value the goodwill of a firm by the Super Profit Method?

(a) Capitalised Super Profit × Number of years' purchase

(b) Super Profit × Number of years' purchase

(c) Average Profit – Normal Profit

(d) Super Profit + Normal Profit

Answer: ___________

(ii) To calculate goodwill, which one of the following items will the firm *add* back to its actual profit to get its normal profit?

(a) Gain from speculation of ₹ 5,000 which was taken into account

(b) Manager's salary of ₹ 10,000 which was omitted to be recorded

(c) Undervalued closing stock of ₹ 3,000

(d) Overvalued closing stock of ₹ 2,000

Answer: ___________

Question 14

Dev and Dhruv are partners sharing profits in the ratio of 5:4. An extract of the Balance Sheet of their firm showed:

Balance Sheet of Dev and Dhruv (an extract)

As at 31st March, 2021

Liabilities		Amount (₹)	Assets	Amount (₹)
Creditors		60,000	Advertisement Suspense A/c	9,000
Capital A/c				
Dev	80,000			
Dhruv	79,000	1,59,000		

On Rahul's admission as a new partner, the new profit-sharing ratio is agreed to be 3:2:1.

Rahul brings in ₹ 60,000 as his capital but he is unable to bring his share of goodwill in cash.

(i) What will be the value of non-purchased goodwill of the firm, based on Rahul's share in the profits and the capital contributed by him?

(a) ₹ 1,45,000

(b) ₹ 1,59,000

(c) ₹ 1,50,000

(d) ₹ 2,01,000

Answer: ________

(ii) What will be the entry to record Rahul's share in the firm's goodwill?

(a) Debit Rahul's Current A/c; Credit the Current Accounts of Dev and Dhruv in the ratio of 5:4

(b) Debit Rahul's Current A/c; Credit the Capital Accounts of Dev and Dhruv in the ratio of 1:2

(c) Debit Rahul's Current A/c; Credit the Capital Accounts of Dev and Dhruv in the ratio of 5:4

(d) Debit Rahul's Capital A/c; Credit the Current Accounts of Dev and Dhruv in the ratio of 1:2

Answer: ________

(iii) A Bill of Exchange for 3 months drawn by a creditor of ₹ 37,000 was accepted by the firm.

What will be the entry to record this transaction?

(a) Debit Creditor's A/c ₹ 37,000; Credit Revaluation A/c ₹ 37,000

(b) Debit Creditor's A/c ₹ 37,000; Credit Bills Receivable A/c ₹ 37,000

(c) Debit Bills Payable ₹ 37,000; Credit Creditor's A/c ₹ 37,000

(d) Debit Creditor's A/c ₹ 37,000; Credit Bills Payable A/c ₹ 37,000

Answer: ____________

(iv) Advertisement Suspense A/c will be written off from:

(a) Dev's Current A/c ₹ 5,000; Dhruv's Current A/c ₹ 4,000

(b) Dev's Capital A/c ₹ 3,000: Dhruv's Capital A/c ₹ 6,000

(c) Dev's Capital A/c ₹ 5,000; Dhruv's Capital A/c ₹ 4,000

(d) Dev's Capital A/c ₹ 4,500; Dhruv's Capital A/c ₹ 3,000; Rahul's Capital A/c ₹ 1,500

Answer: ____________

Question 15

Harsh and Kamal, sharing profits and losses in the ratio of 3:2, admit Ravi as a third partner for $\frac{1}{5}$ share in the profits. Their profit-sharing ratio to be 12:8:5. The capitals of Harsh and Kamal were to be adjusted on the basis of Ravi's capital contribution of ₹ 30,000 which he brings in cash. The surplus and deficit capitals of the old partners were to be adjusted through Current Accounts.

After all adjustments (including Ravi's share of goodwill which he was *unable* to bring in cash), the capitals of Harsh and Kamal were:

Harsh : ₹ 52,000

Kamal : ₹ 58,000

(i) What will be the total capital of the firm after Ravi's admission?

(a) ₹ 1,20,000

(b) ₹ 1,40,000

(c) ₹ 1,50,000

(d) ₹ 1,60,000

Answer: ____________

(ii) What will be the journal entry to adjust the surplus capital of the concerned partner?

(a) Debit Kamal's Capital A/c ₹ 10,000; Credit Kamal's Current A/c ₹ 10,000

(b) Debit Harsh's Capital A/c ₹ 20,000; Credit Harsh's Current A/c ₹ 20,000

(c) Debit Kamal's Current A/c ₹ 10,000; Credit Kamal's Capital A/c ₹ 10,000

(d) Debit Harsh's Current A/c ₹ 20,000; Credit Harsh's Capital A/c ₹ 20,000

Answer: __________

(iii) The firm had ₹ 15,000 in its bank account. It pays off its bank loan of ₹ 12,000 at the time of Rahul's admission.

What will be the bank balance in the Balance Sheet of the reconstituted firm?

(a) ₹ 18,000

(b) ₹ 57,000

(c) ₹ 3,000

(d) ₹ 33,000

Answer: __________

Question 16

Following is an extract of the Balance Sheet of Vitamin Ltd. prepared *incorrectly* by a trainee accountant

Balance sheet of Vitamin Ltd. (an extract)
For the year ended 31st March, 2021

Assets	(₹)	Liabilities	(₹)
Statement of P/L (Dr)	2,10,000	Bills Receivable	50,000
Securities Premium Reserve	10,000	Provision for Tax	1,00,000
Bills Receivable maturing on 30th June, 2021, discounted with the bank	1,50,000	Equity Share capital (90,000 shares of ₹ 10 each)	9,00,000
Proposed Dividend for 2020-21	1,10,000	Provision for Doubtful Debts	40,000
Sundry Debtors	3,30,000	Share Issue Expenses	25,000
Call-in advance	20,000	Underwriting Commission	5,000

Note: Apart from preparing an incorrect format of the Balance Sheet, the accountant also did not follow the company's policy of writing off the capital losses in the year in which they occur.

If this Balance Sheet was prepared as per Schedule III of the Companies, Act, 2013, it would show:

(i) The date of the Balance Sheet as:

(a) Mentioned by the trainee accountant

(b) Balance Sheet of Vitamin Ltd. as at 31st March, 2021

(c) Balance Sheet of Vitamin Ltd. as on 31st March, 2021

(d) Balance Sheet of Vitamin Ltd. for the year 2020-21

Answer: ________

(ii) The head 'Shareholders Funds' of amount:

(a) ₹ 6,70,000

(b) ₹ 10,95,000

(c) ₹ 6,00,000

(d) ₹ 7,05,000

Answer: __________

(iii) The sub-head 'Trade Receivables' of amount:

(a) ₹ 4,90,000

(b) ₹ 5,30,000

(c) ₹ 3,40,000

(d) ₹ 3,80,000

Answer: __________

(iv) The item 'Bills Receivable maturing on 30th June, 2021, discounted with the bank' as a:

(a) Current Liability

(b) Current Asset

(c) Non-current Liability

(d) Contingent Liability

Answer: __________

Question 17

Pluto Ltd. with a registered capital of ₹ 20,00,000 in shares of ₹ 10 each, invited applications for 50,000 shares. The face value of the share was payable in three instalments.

The company *received* ₹ 1,62,000 with applications, out of which it *refunded* ₹ 12,000 which it had received with the surplus applications.

(i) What was the amount payable per share with application?

(a) ₹ 3

(b) ₹ 3·5

(c) ₹ 2

(d) ₹ 5

Answer: __________

(ii) What were the number of shares applied for by the public?

(a) 81,000

(b) 50,000

(c) 40,000

(d) 54,000

Answer: ____________

(iii) The company received ₹ 2,25,000 with allotment. The calls in-arrears were ₹ 25,000. What was the amount payable per share with allotment?

(a) ₹ 5

(b) ₹ 4·5

(c) ₹ 3

(d) ₹ 6

Answer: ____________

(iv) The company immediately forfeits the shares on which it has *not* received the allotment. With which amount will the company *debit* Share Capital A/c to record the forfeiture of these shares?

(a) The total face value of these shares.

(b) The market value of these shares.

(c) The amount called up on these shares.

(d) The amount received by the company on these shares.

Answer: ____________

SECTION B

*Answer **all** questions*

Question 18

Sumo Ltd. had a Current Ratio of 0·8:1; its Current Assets being ₹ 2,00,000 and Current Liabilities being ₹ 2,50,000.

What will be the *revised* Current Ratio of Sumo Ltd., after one of its endorsed Bills Receivable of ₹ 30,000 gets dishonoured?

(a) 0·71:1

(b) 0·92:1

(c) 0·72:1

(d) 0·82:1

Answer: ___________

Question 19

The Debt-Equity Ratio of a company is 1·7:1.

Which one of the following transactions will *reduce* the Debt-Equity Ratio?

(a) Plant & Machinery worth ₹ 1,20,000 sold at a loss of ₹ 10,000

(b) Interest of ₹ 5,000 received on calls-in-arrears

(c) A loan of ₹ 10,00,000 taken from a bank

(d) Interest of ₹ 10,000 paid on the bank loan

Answer: ___________

Question 20

What will be the correct formula to compute Operating Profit Ratio of a company?

(a) $\dfrac{Gross\ Profit + Operating\ Expenses - Operating\ Income}{Revenue\ from\ Operations} \times 100$

(b) $\dfrac{Cost\ of Revenue\ from\ Operations + Operating\ Expenses - Operating\ Income}{Revenue\ from\ Operations} \times 100$

(c) $\dfrac{Gross\ Profit - Operating\ Expenses + Operating\ Income}{Revenue\ from\ Operations} \times 100$

(d) $\dfrac{Net\ Profit - Non\ Operating\ Expenses + Non\ Operating\ Income}{Revenue\ from\ Operations} \times 100$

Answer: ___________

Question 21

The particulars of Mars Ltd. are given below:

Particulars	(₹)
Opening Debtors	50,000
Cash received from debtors	2,20,000
Closing Debtors	30,000

What will be the Trade Receivables Turnover Ratio of the company?

(a) 4·75 times

(b) 5·5 times

(c) 5 times

(d) 6·75 times

Answer: ____________

Question 22

The particulars of Barua Ltd are given below:

Particulars	(₹)
Revenue from Operations	10,00,000
Purchases of stock-in-trade	6,00,000
Changes in inventory of stock-in-trade (Opening Inventory ₹ 1,20,000; Closing Inventory ₹ 1,80,000)	(60,000)
Employee benefit expenses (Salaries)	40,000
Provision for Tax	1,00,000
Sundry Creditors	2,00,000
Cash at Bank	5,00,000
Marketable Securities	50,000

(i) What will be the Current Ratio of the company?

(a) 2·23 :1

(b) 3·65 :1

(c) 2·43 :1

(d) 1·83 :1

Answer: ____________

(ii) What will be the Net Profit Ratio of the company?

(a) 32%

(b) 30%

(c) 42%

(d) 36%

Answer: ____________

Question 23

What will be the aggregate of Capital Employed and Current Liabilities of a company, which does not have any non-trade investments?

(a) Total Debt

(b) Total Assets

(c) Working Capital

(d) Shareholders' Funds

Answer: __________

SECTION C

*Answer **all** questions*

Question 24

Which one of the following is the function in MS Excel which indicates the number of numeric entries?

(a) NUM

(b) SUM

(c) COUNT

(d) CHKNUM

Answer: __________

Question 25

A numeric value can be treated as a label if it is preceded by:

(a) Apostrophe (')

(b) Exclamation (!)

(c) Hash (#)

(d) Tilde (~)

Answer: __________

Question 26

When a new Excel file is created, the number of sheets, by default, are:

(a) 1

(b) 3

(c) 5

(d) 10

Answer: ________

Question 27

In Excel, using the f_{11} shortcut key to create a chart on a chart sheet, creates:

(a) a default chart

(b) a 3-dimensional bar chart

(c) a 2-dimensional line chart

(d) a 2-dimensional column chart

Answer: ________

Question 28

A hyperlink can be inserted in an Excel worksheet by pressing which one of the following combinations of keys?

(a) Alt+ K

(b) Ctrl +K

(c) Ctrl + H

(d) Ctrl +Shift +K

Answer: ________

Question 29

Zenith Private Limited is a store for premium brands in a metropolitan city. FM1, FM2 and FM3 are its 3 Frontline Managers. It's payroll summary is given below:

Payroll Summary of Zenith Private Limited for the year ended 31st March, 2021.

	A	B	C	D	E	F	G	H
1	Employee	Basic Pay	House Rent Allowance	Sales Incentive	Other Deductions	Income Tax Deduction	Gross Salary	Net Salary
2	FM1	5,00,000	1,50,000	25,000	20,000	68,000	?	?
3	FM2	4,00,000	1,20,000	30,000	18,000	54,500	?	4,77,500
4	FM3	3,00,000	90,000	25,000	10,000	?	?	3,58,000
5	Total	12,00,000	3,60,000	80,000	48,000	1,69,500	?	?

(i) What is the formula for calculating the Net Salary of FM1?

(a) =G2-(E2+F2)

(b) =SUM(B2+C2+D2)

(c) =G2-(B2+C2+D2)

(d) =G2-SUM(B2:D2) + SUM(E2+F2)

Answer: ________

(ii) What is the formula for calculating the Income Tax Deduction of FM3?

(a) =G4-E4

(b) =H4-E4

(c) =G4-(E4+H4)

(d) =SUM(B4:E4)-H4

Answer: ________