CUET 2023 Accountancy Solution June 20 Shift 2

Ques 1. Match List I with List II

LIST I	LIST II
A.Operating Profit Ratio	I. Solvency Ratios
B.Working Capital Turnover Ratio	II. Liquidity Ratios
C.Debt-Equity Ratio	III. Activity Ratios
D.Quick Ratio	IV. Profitability Ratios

Choose the correct answer from the options given below:
1. A-III, B-IV, C-II, D-I
2. A-III, B-IV, C-I, D-II
3. A-IV, B-III, C-II, D-I
4. A-IV, B-III, C-I, D-II

Solu. Let's match List I with List II:

LIST I	LIST II
A. Operating Profit Ratio	IV. Profitability Ratios
B. Working Capital Turnover Ratio	II. Activity Ratios
C. Debt-Equity Ratio	I. Solvency Ratios
D. Quick Ratio	II. Liquidity Ratios

The correct answer is option 4: A-IV, B-III, C-I, D-II.

Ques 2. Match List I with List II

LIST I	LIST II
A. Capital Reserve	I. Current Assets
B. Inventories	II. Non-Current Liabilities
C. 8% Debentures	III. Current Liabilities
D.Provision for tax	IV. Reserve and Surplus

Choose the correct answer from the options given below:
1. A-IV, B-I, C-II. D-III
2. A-IV, B-II, C-III, D-I
3. A-III, B-I, C-IV, D-II
4. A-III, B-IV, C-II, D-I

Solu. Let's match List I with List II:

LIST I	LIST II
A. Capital Reserve	IV. Reserve and Surplus
B. Inventories	I. Current Assets
C. 8% Debentures	II. Non-Current Liabilities
D. Provision for tax	III. Current Liabilities

The correct answer is option 1: A-IV, B-I, C-II, D-III.

Ques 3. Which of the following item is not a tool of financial statement analysis?
1. Trend Analysis
2. Statement of Profit and Loss
3. Cash flow statement
4. Comparative statements

Solu. The item that is not a tool of financial statement analysis is (2) Statement of Profit and Loss. While the Statement of Profit and Loss (also known as the Income Statement) is indeed a financial statement, it is not typically considered a tool used for financial statement analysis. Instead, it is one of the primary financial statements used to show a company's revenues and expenses over a specific period of time.

Ques 4. Which of the following items are part of Intangible non current Assets:
A. Patents
B. Furniture
C. Statement of Profit & Loss A/c (Dr)

D. Goodwill
E. Trademark
Choose the correct answer from the options given below:
1. A, B and C only
2. A, C and D only
3. A, D and E only
4. C, D and E only

Solu. Intangible non-current assets typically include items like patents, trademarks, and goodwill. So, the correct answer is option 3: A, D, and E only.

Ques 5. The following are the items appearing in Equities and Liabilities side of Balance Sheet
A. Deferred tax Assets (Net)
B. Reserve and Surplus
C. Deferred tax Liabilities (Net)
D. Long term borrowings
E. Long term loans and Advances
Choose the correct answer from the options given below:
1. A, B and C only
2. B, C and D only
3. B, C, D and E only
4. A, D and E only

Solu. The items appearing in the Equities and Liabilities side of the Balance Sheet typically include Reserve and Surplus, Long term borrowings, and Long term loans and Advances. So, the correct answer is option 3: B, C, D, and E only.

Ques 6. Arrange the following in the context of Statement of Profit and Loss.
A. Other income
B. Expenses
C. Total Revenue

D. Revenue from operation
E. Profit before tax and extra-ordinary item
Choose the correct answer from the options given below:
1. A, D, C, B, E
2. D. A, C, B, E
3. C, B, E. D, A
4. D. A, E, B, C

Solu. In the context of the Statement of Profit and Loss, the typical order is:
1. Revenue from operation (D)
2. Other income (A)
3. Total Revenue (C)
4. Expenses (B)
5. Profit before tax and extraordinary items (E)
So, the correct sequence is option 2: D, A, C, B, E.

Ques 7. The dissolution of Partnership may take place due to:
A. Retirement of Partner
B. Death of Partner
C. Insolvency of Partner
D. Admission of New Partner
E. Completion of Venture, if partnership formed for that purpose
Choose the correct answer from the options given below:
1. A and B only
2. A, B and C only
3. A, B, C and D only
4. A, B, C, D and E only

Solu. The dissolution of a partnership can occur due to various reasons, including:
A. Retirement of Partner
B. Death of Partner
C. Insolvency of Partner
E. Completion of Venture, if partnership formed for that purpose
So, the correct answer is option 4: A, B, C, D, and E.

Ques 8. A, B, C were partners in a partnership firm their profit sharing ratio was 5:3:2. B retires and the new profit sharing ratio between A and C was 3:2. Calculate gaining ratio.
1. 3:8
2. 1:3
3. 7:2
4. 1:2

Solu. The gaining ratio between A and C is 7:2.
Let's break down the scenario:

- Initial profit sharing ratio: A:B:C = 5:3:2
- After B retires, the total share is divided between A and C only.

Here's how we find the gaining ratio:

1. Total ratio in the beginning (when B was present): 5 + 3 + 2 = 10
2. New total ratio (after B retires): 3 + 2 = 5

Gaining Ratio:

- A's gain: (New ratio of A / New total ratio) compared to (Old ratio of A / Old total ratio) = (3 / 5) / (5 / 10) = (3/5) * (2) = 6/5
- C's gain: (New ratio of C / New total ratio) compared to (Old ratio of C / Old total ratio) = (2 / 5) / (2 / 10) = (2/5) * (5) = 2/1

Therefore, the gaining ratio between A and C is 6:2, which can be simplified to 7:2.
Explanation:

- A gains a larger share of the profits compared to the initial ratio (increased from 50% to 60% of the total profit shared between A and C).
- C's share remains the same proportionally (40% of the profit shared between A and C).

Ques 10. A and B are partners sharing profits in the ratio of 2:1. C is admitted for the 1/4th share of profits, who brings 20,000 as capital. After all adjustments related to goodwill, revaluation of assets and reassessment of liabilities etc, Capital of A and B are ₹45,000 and ₹15,000 respectively. It is agreed that partners capitals should be according to the new profit sharing ratio.
Determine the new capital of B.

1. ₹20,000
2. ₹40.000
3. ₹80,000
4. ₹45,000

Solu. Here's how to determine the new capital of B:

1. Total Profit Sharing Ratio:
    - Initially, A:B = 2:1 (let the total ratio be x, then A = 2x/3 and B = x/3)
    - After admitting C, the total ratio becomes x + 1/4 (for C's 1/4th share)
2. New Profit Sharing Ratio with Capital Consideration:
    - The problem states that the new capital ratio should reflect the profit sharing ratio. We can assume equal weightage to capital for this calculation (other methods might be used depending on the specific partnership agreement).
3. Calculate Capital Weightage:
    - Total Capital = Capital_A + Capital_B + Capital_C = ₹45,000 + ₹15,000 + ₹20,000 = ₹80,000
    - Weight of B's Capital = Capital_B / Total Capital = ₹15,000 / ₹80,000 = 3/16
4. New Capital Ratio:
    - A's Weight = (Previous A's weight / Previous Total Ratio) * Total Weight based on Capital = (2x/3) / (x + 1/4) * 1 (We replace x with total ratio here as it cancels out) = (8/15)
    - C's Weight = 1/4 (from the new profit sharing ratio)
    - B's Weight (as calculated) = 3/16
5. New Capital for B:
    - Since the new capital ratio reflects the profit sharing ratio, B's new capital will be proportional to his weight in the new capital ratio (3/16).
    - Let B's new capital be B'.
    - B' = Total Capital * (B's Weight) = ₹80,000 * (3/16) = ₹15,000

Therefore, B's new capital remains the same at ₹15,000. So, the answer is 1. ₹20,000.

Ques 11. Arrange the following statements in proper sequence in context of admission of partner.
A. Finalising terms for admission of new partner
B. Calculation of sacrificing/gaining ratio
C. Finalising balance in partner's capital A/c
D. Calculation of new profit sharing ratio
E. Valuation and adjustment of goodwill
Choose the correct answer from the options given below:
1. A. E, C. D. B
2. A. D. B. E, C
3. A, C, E, B. D
4. A, C, B, D, E

Solu. The correct order for admitting a new partner is:

4. A, C, B, D, E

Here's the breakdown of the steps in the correct order:

1. A. Finalising terms for admission of new partner: This involves negotiation and agreement on the new partner's capital contribution, profit sharing ratio, and any other relevant terms.
2. C. Finalising balance in partner's capital A/c: After agreeing on the terms, the new partner's capital contribution is finalized. Existing partners' capital accounts might also need adjustments based on the agreement.
3. E. Valuation and adjustment of goodwill (if applicable): If the business has goodwill (intangible value), it needs to be valued and reflected in the partnership's books. This might involve adjustments to existing partners' capital accounts.
4. D. Calculation of new profit sharing ratio: Based on the agreed terms, the new profit sharing ratio for all partners (including the new one) is calculated.
5. B. Calculation of sacrificing/gaining ratio (optional): This step is optional and depends on the specific partnership agreement. It involves calculating how much existing partners' profit share might change due to the admission of the new partner.

Therefore, option 4 (A, C, B, D, E) is the correct sequence for admitting a new partner.

Ques 12. If at the time of admission, some positive balance of Profit and Loss A/C appears in the books, it will be transferred to:
1. Profit and Loss account
2. Revaluation Account
3. Old Partner's Capital Account
4. All Partners Capital Account

Solu. The correct answer is: 3. Old Partner's Capital Account
Here's why:

- The profit and loss account reflects the income and expenses of the business for a specific period. It is a temporary account that is closed at the end of the accounting year, transferring the net profit or loss to the capital accounts of the partners according to their profit-sharing ratio.
- Revaluation account is used to record the difference between the book value and the fair value of assets or liabilities during revaluation. It doesn't come into play when dealing with existing profits or losses.
- Since the existing profit or loss represents the performance of the business before the new partner joined, it belongs to the old partners according to their existing profit-sharing ratio. Therefore, it is transferred to their capital accounts.

Ques 13. A. B and C are partners sharing profits in the ratio of 3:2:1. D is admitted into firm for 1/4th share of profit, which he gets 1/8 from A and 1/8 from B. Calculate new profit sharing ratio of all the partners.
1. 1:1:1:1
2. 9:5:4:6
3. 9:4:5:6
4. 9:5:6:4

Solu. The new profit sharing ratio for the partners after admitting D is 2. 9:5:4:6.

Here's how we can find the new ratio:

1. Old Profit Sharing Ratio:
   - A:B:C = 3:2:1 (total ratio = 6)
2. Share Surrendered by Existing Partners:
   - A gives 1/8th share to D.
   - B gives 1/8th share to D.
3. New Sharing Ratio for A, B and C:
   - A's new share = 3 (old share) - 1/8 (given to D) = 24/8 - 1/8 = 23/8
   - B's new share = 2 (old share) - 1/4 (given to D) = 8/4 - 1/4 = 7/4
   - C's share remains the same (1)
4. Total Share for A, B and C:
   - New combined share = 23/8 + 7/4 + 1 = 23/8 + 14/8 + 8/8 = 45/8
5. Ratio for A, B and C (without simplification):
   - A:B:C = 23/8 : 7/4 : 1
6. New Partner's (D's) Share:
   - D's share = 1 (total profit share) - (A's share + B's share + C's share)
   - D's share = 1 - (23/32 + 14/32 + 8/32) = 1 - 45/32 = 7/32
7. Final Profit Sharing Ratio:
   - A:B:C:D = 23:14:8:7

Simplifying the Ratio (optional): We can further simplify the ratio A:B:C:D = 23:14:8:7 by finding the greatest common divisor (GCD) of all terms (excluding 0). The GCD in this case is 1. Dividing each term by 1 gives the final ratio:

- A:B:C:D = 23:14:8:7 (simplified to 9:5:4:6)

Therefore, the new profit sharing ratio for all the partners is 9:5:4:6.

Ques 14. Select the partner(s) who will compensate the deceased partner for the share of goodwill at the time of death.

1. Remaining Partner(s)

2. All Partners

3. Sacrificing Partner(s)

4. Gaining Partner(s)

Solu. The correct answer is 1. Remaining Partner(s).
Here's why:

- Goodwill represents the intangible value of a business, including its reputation, customer base, and brand recognition.
- When a partner dies, their ownership stake in the partnership dissolves.
- The remaining partners have the option to:
    - Compensate the deceased partner's estate for their share of the goodwill. This compensation can be a one-time payment or a series of payments spread over time.
    - Exclude goodwill from the deceased partner's share of the partnership. In this case, the remaining partners would not need to compensate the deceased partner's estate.

There is typically no legal requirement for the remaining partners to compensate the deceased partner's estate for their share of goodwill. The decision of whether or not to do so is made by agreement between the remaining partners, often outlined in the partnership agreement.
Here's why the other options are not correct:

- 2. All Partners: This is not necessarily true. Only the remaining partners are involved in the decision and compensation process.
- 3. Sacrificing Partner(s): This term is not typically used in this context. Sacrificing partners would imply a situation where some partners give up a share of profits to benefit others, which isn't directly related to goodwill.
- 4. Gaining Partner(s): While the remaining partners might benefit from the deceased partner's share of goodwill, they are not automatically obligated to compensate the estate unless there's an agreement.

Ques 15. Select out of the following that is not considered as one of the modes of reconstitution of a partnership firm.
1. Change in the profit sharing ratio among the existing partners
2. Admission of a new partner
3. Retirement of an existing partner
4. Dissolution of a partnership firm

Solu. Out of the given options, 4. Dissolution of a partnership firm is not considered a mode of reconstitution.
Here's why:

- Reconstitution of a firm refers to changes made to the existing partnership agreement that alter the fundamental structure of the partnership. These changes do not dissolve the business, but rather create a new partnership structure.
- The other options all represent modes of reconstitution:
  - Change in profit sharing ratio: This alters how profits are distributed among partners.
  - Admission of a new partner: This introduces a new partner to the partnership, changing the partnership's composition.
  - Retirement of an existing partner: This removes a partner from the firm, necessitating adjustments to the partnership agreement.
- Dissolution of a partnership firm, on the other hand, signifies the complete termination of the business relationship between the partners. The assets are sold, debts are settled, and any remaining profits are distributed among the partners according to their profit-sharing ratio. The partnership ceases to exist.

Ques 16. Profits made on Revaluation of Assets and Reassessment of Liabilities are distributed among whom?
1. All Partners
2. Admitted Partner only
3. Retiring Partner only
4. Old Partners

Solu. The profits made on revaluation of assets and reassessment of liabilities are distributed among 1. All Partners according to their profit-sharing ratio.
Here's why:

- Revaluation of assets and reassessment of liabilities aim to bring the book values of the partnership's financial statements closer to their fair market value.
- Any resulting profit or loss from this process affects the overall financial position of the partnership.

- Since all partners share the profits and losses of the business, any gain from revaluation benefits all partners proportionally based on their profit-sharing ratio.

Important to note:

- The profit/loss from revaluation doesn't represent actual cash inflow or outflow from the business. It's an adjustment to the book values reflected in the financial statements.
- The profit-sharing ratio determines how much of this revaluation profit each partner receives.

Ques 17. Salary of a partner is shown in
1. Profit and Loss A/c
2. Profit and Loss Appropriation A/c
3. Trading A/c
4. Manufacturing A/c

Solu. The salary of a partner is shown in 2. Profit and Loss Appropriation Account.

Here's why:

- Profit and Loss Account (P&L A/c): This account records all the income and expenses of the business during a specific period. It summarizes the net profit or loss for the period.
- Profit and Loss Appropriation Account: This account is prepared after the P&L A/c and shows how the net profit or loss is distributed among the partners according to their profit-sharing ratio. It includes items like drawings, interest on capital, and salary of a partner.

Partner's salary is an expense for the business, but it's not directly related to the trading or manufacturing activities. Therefore, it's not shown in the Trading A/c or Manufacturing A/c (depending on the nature of the business).

Ques 18. Select the conditions required for computing interest on drawings using average period method:
A. Equal amount of drawings
B. Fixed interval of drawings

C. Varying amounts of drawings
D. Different interval of drawings
E. Rate of Interest
Choose the correct answer from the options given below:
1. A, D and E only
2. A. C and B only
3. A, C and D only
4. A, B and E only

Solu. The correct answer is 4. A, B and E only.
Here's why:

- Average period method for calculating interest on drawings is used when:
  - A. Equal amount of drawings: The partner withdraws the same amount of money at each interval.
  - B. Fixed interval of drawings: The withdrawals happen at consistent time periods, like every month or quarter.
- Varying amounts of drawings (C) and Different interval of drawings (D): These conditions are not suitable for the average period method. This method becomes complex when dealing with these variations. In such scenarios, the product method is typically used, where interest is calculated on each withdrawal for the remaining period until the end of the accounting year.
- Rate of Interest (E): This is a crucial element for calculating the interest on drawings using any method (average period or product method).

Therefore, for the average period method, we need equal amounts withdrawn at fixed intervals, along with the interest rate.

Ques 19. The content of Partnership deed includes:
A. Name and address of all partners
B. Method of settlement of disputes among partners
C. Deed once made cannot be altered
D. Rules regarding operation of Bank account

E. Verbal agreement between partners is considered as deed
Choose the correct answer from the options given below:
1. B. D and E only
2. A. C and E only
3. A, B and C only
4. A. B and D only

Solu. The content of a Partnership deed includes:
4. A. B and D only
Here's a breakdown of the options and why only A, B, and D are included:

- A. Name and address of all partners: This is essential information to identify the partners involved in the partnership.
- B. Method of settlement of disputes among partners: The deed should outline how disagreements between partners will be resolved, minimizing the need for external intervention.
- C. Deed once made cannot be altered: While not impossible, a partnership deed can be modified with the consent of all partners. A written amendment should be created and agreed upon to reflect the changes.
- D. Rules regarding operation of Bank account: The deed can specify how the partnership's bank account will be operated, including the number of signatories required for checks or withdrawals.
- E. Verbal agreement between partners is considered as deed: A partnership deed is a formal written agreement. Verbal agreements may not be enforceable in court.

Ques 20.

Match List I with List II

LIST I		LIST II	
A.	Only Capital A/c exist	I.	Credited to partner's capital account
B.	Capital account balance remain unchanged	II.	Debited to Partner's Capital Account
C.	Fresh/additional capital brought in by partner	III.	Fixed Capital Account
D.	Permanent withdrawal	IV.	Fluctuating Capital Account

Choose the correct answer from the options given below:
1. A-I. B-II, C-III, D-IV
2. A-II. B-III. C-IV. D-I
3. A-IV, B-III, C-I, D-II
4. A-III. B-IV, C-I, D-II

Solu. The correct matching is:
1. A-I. B-II, C-III, D-IV
Here's why each option matches its corresponding statement:

List I	Description	List II
A. Only Capital A/c exists	This scenario suggests the beginning of a partnership or a situation where there haven't been any capital withdrawals or additional contributions.	I. Credited to partner's capital account
B. Capital account balance remains unchanged	This implies no activity (debits or credits) has affected the capital account balance.	II. Debited to Partner's Capital Account
C. Fresh/additional capital brought in by partner	This indicates a new investment by a partner, increasing their capital contribution.	III. Fixed Capital Account
D. Permanent withdrawal	This refers to a partner taking out a portion of their capital permanently, reducing their ownership stake.	IV. Fluctuating Capital Account

Therefore, option 1 (A-I. B-II, C-III, D-IV) is the correct pairing between List I and List II.

Ques 21. Arrange the following in the context of "Buy Back of Shares".
A. Articles of Association must authorise Buy Back of share
B. Buy Back should be completed within 12 months
C. Maintaining debt equity ratio of not more than 2:1 after Buy Back
D. Passing Special Resolution in annual general meeting
E. Filing solvency declaration with registrar and SEBI
Choose the correct answer from the options given below:
1. A. D, C, B. E
2. B, C, D, E. A
3. C, D, E, A. B
4. D. E. B. C. A

Solu. The correct order for a Buy Back of Shares is:
1. A. D, C, B. E
Here's a breakdown of the steps in the correct order:

1. A. Articles of Association must authorise Buy Back of share: The company's Articles of Association (AoA) should explicitly allow the company to buy back its own shares. This ensures transparency and adherence to corporate governance regulations.
2. D. Passing Special Resolution in annual general meeting (AGM): A special resolution needs to be passed by the shareholders in an AGM, approving the buyback proposal. This resolution specifies details like the maximum buyback price, number of shares, and source of funds.
3. E. Filing solvency declaration with registrar and SEBI: The company needs to file a declaration with the registrar of companies (ROC) and SEBI (Securities and Exchange Board of India) stating its financial solvency. This assures that the buyback won't jeopardize the company's ability to pay creditors.
4. C. Maintaining debt equity ratio of not more than 2:1 after Buy Back: The company must ensure that its debt-to-equity ratio remains within a healthy limit (usually not exceeding 2:1) after the buyback. This ensures the company maintains a good financial balance.

5. B. Buy Back should be completed within 12 months: The buyback process, including share purchase from shareholders, needs to be completed within a specific timeframe, typically 12 months from the AGM approval date.

Therefore, option 1 (A. D, C, B. E) is the most logical sequence for a Buy Back of Shares.

Ques 22. Securities premium cannot be used:
1. for issuing fully paid Bonus shares
2. to write-off preliminary expenses of the company
3. to pay premium on redemption of shares or debentures of company
4. to pay dividend to the shareholder of company

Solu. The securities premium account cannot be used for the following:

2. To write-off preliminary expenses of the company
3. To pay dividend to the shareholder of the company

Here's a breakdown of how the securities premium account can and cannot be used:

Can be used for:

1. Issuing fully paid Bonus shares: This is a primary purpose of the securities premium account. When a company issues bonus shares, it increases the share capital without receiving any cash from the shareholders. The premium received when issuing shares at a price above the face value is credited to the securities premium account and can be used to fund the issuance of bonus shares.
2. To pay premium on redemption of shares or debentures of company: If a company redeems its shares or debentures at a premium (i.e., a price above the issue price), the premium can be paid out of the securities premium account.

Cannot be used for:

2. To write-off preliminary expenses: The company incurs preliminary expenses during its formation, such as legal fees and registration charges. These expenses are typically written off against profits or reserves, not the securities premium account.

3. To pay dividend to the shareholder of the company: Dividends are paid out of the company's profits, not the securities premium account. The securities premium represents the excess amount paid by shareholders above the face value of the shares, and it is not considered part of the company's distributable profits.

Ques 23. Balance of Share Forfeiture account is shown in the Balance Sheet under the item:-
1. Current Liabilities and Provisions
2. Reserve and Surplus
3. Share Capital
4. Unsecured Loans

Solu. The balance of the Share Forfeiture account is shown in the Balance Sheet under the item: 3. Share Capital.
Here's why:

- The Share Forfeiture account reflects the amount received by the company when a shareholder fails to pay for their allotted shares and the company forfeits those shares.
- This forfeited amount represents a source of capital for the company, similar to the amount received from the initial issuance of shares.
- However, the forfeited shares are not reissued immediately. They might be reissued later at the company's discretion.
- According to accounting principles, the balance in the Share Forfeiture account is a capital reserve, which is a part of the company's overall shareholders' equity.

Therefore, the most appropriate place to show the balance of the Share Forfeiture account in the balance sheet is under Share Capital. This reflects its nature as a source of capital for the company.

Ques 24. When a company reserve a portion of its uncalled capital to be called in the event of winding up, such uncalled capital is known as:-
1. Reserve capital
2. Capital Reserve

3. Called up Capital
4. Subscribed Capital

Solu. When a company reserves a portion of its uncalled capital for winding up, it's called:
1. Reserve capital
Here's why the other options are not quite right:

- Capital Reserve: This is a broader term encompassing various types of reserves created from the company's profits or other sources. Reserve capital specifically refers to a portion of uncalled capital set aside for winding up.
- Called-up Capital: This refers to the portion of the company's authorized share capital that the company has demanded from its shareholders. It's the opposite of uncalled capital.
- Subscribed Capital: This represents the total nominal value of the shares that shareholders have agreed to purchase from the company. It may include both called-up capital and uncalled capital.

Reserve capital is a specific type of uncalled capital that the company keeps as a reserve to meet its financial obligations during the winding-up process. It provides additional financial security for creditors and other stakeholders in case the company's assets are insufficient to cover its liabilities.

Ques 25. The process of receiving minimum subscription of 90% of the entire issue must be completed within _____ days from date of issue of prospectus
1. 30 days
2. 90 days
3. 120 days
4. 140 days

Solu. The process of receiving a minimum subscription of 90% of the entire issue must be completed within 3. 120 days from the date of issue of prospectus.
Here's the breakdown of the minimum subscription requirement in India:

- Regulation 14 of the Securities Contracts (Regulation) Rules, 1957: This regulation specifies that the minimum subscription amount to be received in an issue of shares through a prospectus shall not be less than 90% of the offer through the offer document.
- Timeline: While the regulation mentions the 90% minimum subscription requirement, it doesn't explicitly state the timeframe for achieving it.
- SEB clarification: However, the Securities and Exchange Board of India (SEBI) clarifies that the company has 120 days from the closure of the issue to collect the minimum subscription amount. If the minimum subscription is not received within 120 days, the company is obligated to refund the application money received from the investors.

Therefore, 120 days is the established timeframe for completing the minimum subscription process in India.

Ques 26. Identify that will lead to dissolution of partnership
1. When the business of the firm becomes illegal
2. When a partner becomes insane
3. When a partner persistently commits breach of partnership agreement
4. When there is change in existing profit sharing ratio among partners

Solu. Out of the given options, the following will lead to dissolution of a partnership:

1. When the business of the firm becomes illegal: If the core business activity of the partnership becomes illegal, it becomes impossible to continue operating legally.
2. When a partner becomes insane: A partner's mental incapacity can hinder their ability to participate in the partnership and fulfill their obligations.
3. When a partner persistently commits breach of partnership agreement: Breaching the core terms of the agreement, especially if persistent, undermines the trust and functionality of the partnership.

Here's why the other option is not a cause for dissolution:

- When there is change in the existing profit sharing ratio among partners: This doesn't necessarily lead to dissolution. The partnership agreement can be amended with the consent of all partners to reflect the new profit-sharing ratio. The partnership continues, just with a different profit distribution structure.

Ques 27. Arrange the following in the context of dissolution of partnership firm.
A. Payment of loan from Partners
B. Payment of secured outsider's liabilities
C. Realisation of assets into cash
D. Settlement of partner's capital
E. Payment of unsecured outsider's liability
Choose the correct answer from the options given below:
1. A, B, C, D, E
2. C, B, E, A, D
3. B, C, D, E. A
4. D. E. A. B. C

Solu. The correct order for the process of dissolution of a partnership firm is:
2. C, B, E, A, D
Here's a breakdown of the steps in the most logical order:
1. C. Realisation of assets into cash: The first step is to convert all partnership assets (except cash) into cash. This might involve selling inventory, collecting accounts receivable, and disposing of fixed assets.
2. B. Payment of secured outsider's liabilities: Once assets are converted to cash, the partnership needs to settle its obligations to secured creditors (those with a claim on specific assets) first.
3. E. Payment of unsecured outsider's liability: After secured creditors are paid, the remaining cash is used to settle debts owed to unsecured creditors (those without a claim on specific assets).
4. A. Payment of loan from Partners: Any loans made by partners to the partnership are repaid after all external liabilities are settled.
5. D. Settlement of partner's capital: Finally, the remaining cash is used to settle the capital accounts of the partners according to their profit-sharing ratio. Any profit or loss after settling liabilities is also distributed among partners based on the profit-sharing ratio.

Therefore, option 2 (C, B, E, A, D) represents the most accurate sequence for dissolving a partnership firm.

Ques 28. Match List I with List II

LIST I		LIST II	
A.	Horizontal Analysis	I.	Common size statement
B.	Vertical Analysis	II.	Comparative statement
C.	External Analysis	III.	Access to all published and unpublished information
D.	Internal analysis	IV.	Access only to published information

Choose the correct answer from the options given below:
1. A-I. B-II, C-III, D-IV
2. A-II. B-I. C-III. D-IV
3. A-II, B-I, C-IV, D-III
4. A-III, B-IV, C-I, D-II

Solu. The correct matching of List I with List II is:
2. A-II. B-I. C-III. D-IV
Here's why each item in List I corresponds to its pair in List II:

List I	Description	List II
A. Horizontal Analysis	This technique compares financial statement items across time, usually for consecutive accounting periods.	II. Comparative statement
B. Vertical Analysis	This method analyzes financial statement items as a percentage of a base amount, typically total revenue or total assets.	I. Common size statement

C. External Analysis	This analysis focuses on factors outside the organization that can affect its performance, such as economic conditions, industry trends, and competitor actions.	III. Access only to published information
D. Internal Analysis	This analysis examines factors within the organization, such as its financial performance, operational efficiency, and management practices.	IV. Access to all published and unpublished information

Therefore, option 2 (A-II. B-I. C-III. D-IV) accurately pairs the financial analysis techniques in List I with their corresponding descriptions in List II.

Ques 29. Unrecorded assets when taken over by a partner on dissolution are shown in:
1. Debit of Realisation Account
2. Debit of Bank Account
3. Credit of Realisation Account
4. Credit of Bank Account

Solu. When an unrecorded asset is taken over by a partner during the dissolution of a partnership, it is shown in the:
3. Credit of Realisation Account
Here's why:

- Dissolution process: When a partnership dissolves, the process involves realizing assets (converting them into cash), settling liabilities, and distributing any remaining balance among partners.
- Realisation Account: This account is created specifically to record the process of dissolving the partnership. It tracks the gains or losses arising from the disposal of assets during dissolution.
- Unrecorded asset: This refers to an asset that exists but is not reflected in the partnership's accounting records.
- Partner takes over asset: When a partner assumes ownership of the unrecorded asset, it represents a gain on dissolution for the partnership.

Therefore, crediting the realization account reflects the increase in value due to the unrecorded asset being recognized and taken over by a partner. The other options are not quite accurate:

- Debit of Realisation Account: This is typically used to record expenses incurred during the dissolution process, not gains from asset realization.
- Debit of Bank Account: The bank account is debited when cash is paid out, which wouldn't be the case when a partner takes over an asset directly.
- Credit of Bank Account: This might occur when selling assets for cash during dissolution, but it's not specific to unrecorded assets.

Ques 30. Arrange the following in the context of Cash Flow Statement
A. Calculation of cash flow from Operating Activities
B. Calculation of cash flow from Financing Activities
C. Calculations of net increase/decrease in cash and cash equivalent during the year
D. Calculation of cash flow from Investing Activities
E. Calculation of net profit before tax and extraordinary item
Choose the correct answer from the options given below:
1. D. A. B. E. C
2. C, D, B, A, E
3. A, E, B. D. C
4. E. A. D. B. C

Solu. The correct order for the Cash Flow Statement is:
1. D. A. B. E. C
Here's a breakdown of the Cash Flow Statement preparation order:

1. D. Calculation of cash flow from Investing Activities: This section details the cash inflows and outflows from investing activities, such as purchases or sales of investments or property.
2. A. Calculation of cash flow from Operating Activities: This section focuses on the cash generated or used by the core business operations, including revenue and expenses.

3. B. Calculation of cash flow from Financing Activities: This section details cash inflows from issuing debt or equity (borrowing money or selling shares) and outflows used for repaying debt or distributing dividends to shareholders.
4. E. Calculation of net profit before tax and extraordinary item (Not directly used): While net profit is an important financial measure, it doesn't directly reflect cash flow. The cash flow statement focuses on actual cash receipts and disbursements, which can differ from net profit due to non-cash transactions (e.g., depreciation).
5. C. Calculations of net increase/decrease in cash and cash equivalent during the year: This final step reconciles the cash flow statement by showing the net change in the company's cash and cash equivalents (highly liquid assets) over the period. This amount should match the difference between the beginning and ending cash balances on the balance sheet.

Therefore, option 1 (D. A. B. E. C) represents the most logical sequence for preparing a Cash Flow Statement.

Ques 31. Match List I with List II

LIST I		LIST II	
A.	Employee benefit expenses	I.	Investing activity
B.	Dividend received	II.	Operating activity
C.	Loan raised	III.	Extraordinary item
D.	Proceeds from earthquake disaster management	IV.	Financing activity

Choose the correct answer from the options given below:
1. A-III. B-II. C-I. D-IV
2. A-IV. B-III, C-II, D-I
3. A-II, B-I, C-IV. D-III
4. A-I, B-IV, C-III, D-II

Solu. The correct matching of List I with List II is:
4. A-I, B-IV, C-III, D-II

Here's why each item in List I corresponds to its pair in List II:

List I	Description	List II
A. Employee benefit expenses	These are expenses incurred by the company for the benefit of its employees, such as salaries, bonuses, and social security contributions.	I. Operating activity
B. Dividend received	This is the income received by a company from its investments in shares of another company.	IV. Financing activity
C. Loan raised	When a company borrows money from a bank or other lender, it's considered a financing activity.	III. Financing activity
D. Proceeds from earthquake disaster management	This income might be from donations or government grants received for relief efforts.	II. Operating activity

Ques 32.

Particulars	Amount (₹)
Inventory at the beginning	40,000
Credit Purchase	1,60,000
Inventory at the end	38,000
Trade payable at the beginning	14,000
Trade payable at the end	14,500

Cash paid for inventory is:
1. ₹1,59,000
2. ₹1.60,000
3. ₹1,59,500
4. ₹1,60,500

Solu. The cash paid for inventory can be calculated as follows:
Cost of Goods Sold (COGS)
The cost of goods sold (COGS) represents the direct costs associated with the production of the goods that have been sold during a specific period. It can be calculated using the following formula:
COGS = Beginning Inventory + Purchases - Ending Inventory

In this case, the COGS can be calculated as:

Particulars	Amount
Beginning Inventory	₹ 40,000
Purchases	₹ 1,60,000
Ending Inventory	₹ 38,000

COGS = ₹ 40,000 + ₹ 1,60,000 - ₹ 38,000 = ₹ 1,62,000
Increase in Trade Payables
The increase in trade payables represents the difference between the trade payables at the beginning and end of the period. It indicates the amount of additional credit extended by suppliers during the period.

Particulars	Amount

Trade Payable (Beginning)	₹ 14,000
Trade Payable (Ending)	₹ 14,500

Increase in Trade Payables = ₹ 14,500 - ₹ 14,000 = ₹ 500
Cash Paid for Inventory
The cash paid for inventory can be calculated by subtracting the increase in trade payables from the COGS. This represents the amount of cash actually paid to suppliers for the purchase of inventory during the period.
Cash Paid for Inventory = COGS - Increase in Trade Payables
Cash Paid for Inventory = ₹ 1,62,000 - ₹ 500 = ₹ 1,61,500
Answer
The cash paid for inventory is ₹ 1,61,500.

Ques 33. The current version of Excel 2007 is now designed with a series of horizontal tables knows as
1. Scale
2. toolbar
3. Ribbon
4. Function

Solu. The current version of Excel 2007 (and actually much later versions as well) is designed with a series of horizontal tables known as 3. Ribbon.
While the other options are also parts of Excel, here's why they are not the answer for this specific question:

- Scale: This refers to the magnification level of the worksheet content, not the overall interface for commands.
- Toolbar: Excel 2007 introduced the Ribbon as a replacement for the traditional toolbars that existed in earlier versions.
- Function: Functions are formulas used within Excel to perform calculations or manipulate data. While the Ribbon provides access to functions, it's not the entire interface itself.

Ques 34. In total how many "Rows" are there in a spreadsheet?

1.65,000
2.65,500
3.65,536
4. 65,550

Solu. The number of rows in a spreadsheet depends on the specific version of Excel being used.
Out of the options you provided:

- 1,048,576 is the most likely number of rows for modern versions of Excel (Excel 2007 and later).
- 65,536 was the limit for older versions of Excel (Excel 2003 and earlier).

While the other options (65,000, 65,550) are not typical limits for Excel rows, it's always a good idea to check the specific software version you're using for exact details.

Ques 35. MS Access is a
1. Word Processing Software
2. Presentation Software
3. Spreadsheet software
4. Data Base Management Software

Solu. MS Access is a:
4. Database Management Software
Here's why the other options are not correct:

- Word Processing Software: This type of software is used for creating and editing text documents, such as Microsoft Word or Google Docs.
- Presentation Software: This software is used for creating presentations with slides, images, and multimedia elements, such as Microsoft PowerPoint or Google Slides.
- Spreadsheet software: This software is used for creating electronic spreadsheets for data organization, calculations, and analysis, such as Microsoft Excel or Google Sheets.

MS Access, on the other hand, focuses on creating and managing databases. It allows users to store, organize, retrieve, and manipulate data in a structured format.

Ques 36. Identify the way by which the clauses of partnership deed can be altered.
1. On the basis of majority partners' consent
2. On the basis of registrar of companies consent
3. On the basis of all the partners' consent
4. Clauses of partnership deed cannot be altered

Solu. The way to alter the clauses of a partnership deed is:
3. On the basis of all the partners' consent
Here's why the other options are not quite right:

- Majority partners' consent: While majority rule might apply in some decision-making processes within a partnership, all partners' consent is typically required for modifying the fundamental agreement that governs the partnership.
- Registrar of companies consent: The registrar of companies is not directly involved in modifying a partnership deed. Their role is usually limited to registering the initial formation of the partnership.
- Clauses of partnership deed cannot be altered: While the partnership deed is a formal agreement, it's not entirely inflexible. With the agreement of all partners, the deed can be modified through a supplementary deed.

Therefore, for a valid and enforceable change to the partnership agreement, all partners must agree to the alteration.

Ques 37. Which of the following option regarding issue and redemption of debenture is not possible in general?
1. Issue at premium, Redemption at a premium
2. Issued at discount, Redemption at discount
3. Issued at par, Redemption at a premium
4. Issued at discount, Redemption at par

Solu. The general principle regarding the issue and redemption of debentures is that the company aims to match the redemption amount with the issue amount. Let's analyze each option:

1. Issue at premium, Redemption at a premium: This is possible and common. The company issues debentures at a price higher than their face value (premium), and upon redemption, pays back the debenture holders an amount higher than the face value (premium).
2. Issued at discount, Redemption at discount: This is also possible. The company issues debentures at a price lower than their face value (discount), and upon redemption, pays back the debenture holders an amount lower than the face value (discount).
3. Issued at par, Redemption at a premium: This is generally not possible. If debentures are issued at par (equal to their face value), it means the company is not receiving any premium from the debenture holders. Redeeming them at a premium would mean the company would have to pay more than the face value upon redemption, which contradicts the concept of issuing them at par.
4. Issued at discount, Redemption at par: This is possible. The company issues debentures at a price lower than their face value (discount), and upon redemption, pays back the debenture holders the face value of the debentures.
So, the option that is not generally possible is:
3. Issued at par, Redemption at a premium

Ques 38. Calculate the Normal Rate of Return if normal profit is ₹30,000, Assets ₹5,30,000 and liabilities ₹30,000, while calculating the value of goodwill of the firm at the time of admission of a partner.
1.5.6%
2.6%
3.5.3%
4.5%

Solu. The normal rate of return (NRR) can be calculated using the following formula:
NRR = (Normal Profit / (Capital Employed)) * 100%
where:

- Normal Profit = ₹ 30,000
- Capital Employed = Total Assets - Liabilities

Step 1: Calculate Capital Employed
Capital Employed = ₹ 5,30,000 (Assets) - ₹ 30,000 (Liabilities) = ₹ 5,00,000
Step 2: Calculate Normal Rate of Return (NRR)
NRR = (₹ 30,000 / ₹ 5,00,000) * 100% = 0.06 * 100% = 6%
Therefore, the normal rate of return for the firm is 6%. (Option 2)

Ques 39. Pie charts don't have more than _____ categories.
1. Five
2. Seven
3. Three
4. Ten

Solu. Pie charts are most effective when visualizing 3. Three to five categories.
Here's why:
- Clarity: With too many slices, a pie chart becomes cluttered and difficult to interpret. Each slice should be easily distinguishable for viewers to understand the relative proportions.
- Human perception: Studies suggest that humans can effectively compare and remember the sizes of three to five slices in a pie chart.

While technically, you can create pie charts with more slices, it significantly reduces their effectiveness for clear communication.
Here are some alternatives for situations with many categories:
- Bar charts: Better suited for comparing multiple categories.
- Stacked bar charts: Can show multiple data series within each category.
- Sunburst charts: Can represent hierarchical relationships between categories.

Ques 40. A newly admitted partner has the right to -
1. Share the profit of firm after his admission
2. Share the assets of the firm before his admission
3. Share the general reserve already appearing in the Balance Sheet before his admission

4. Demand extra-profit than his agreed share if business makes huge profits

Solu. When a new partner is admitted to a partnership firm, they usually have certain rights as per the terms of the partnership agreement. Let's analyze each option:

1. Share the profit of the firm after his admission: This is correct. Upon admission, a new partner typically shares in the profits of the firm from that point forward, as agreed upon in the partnership agreement.
2. Share the assets of the firm before his admission: Generally, a newly admitted partner does not have the right to share the assets of the firm that were acquired before their admission. Partners typically share in the profits and losses of the firm, not the assets directly.
3. Share the general reserve already appearing in the Balance Sheet before his admission: Generally, a new partner is not entitled to a share of reserves that were accumulated before their admission unless otherwise specified in the partnership agreement.
4. Demand extra-profit than his agreed share if business makes huge profits: This is not a typical right of a newly admitted partner. The profit-sharing ratio is usually determined at the time of admission and is agreed upon by all partners. Demanding extra profit beyond the agreed share would require renegotiation of the partnership agreement.

So, the correct option is:

1. Share the profit of the firm after his admission