

Q1. Match List – I with List – II.

LIST - I		LIST - II	
(A)	Sale of Investment	(I)	Financing Activity
(B)	Depreciation written off	(II)	Added to calculate Operating Activities
(C)	Repayment of Long-term borrowings	(III)	Investing Activity
(D)	Increase in Current Asset	(IV)	Deducted from Operating Profit before working capital changes

Choose the correct answer from the options given below:

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

Q2. Correct sequence of Balance Sheet

- A. Short term Loans and Advances
- B. Deferred tax liability (Net)
- C. Shareholders Fund
- D. Capital (work in-progress)
- E. Current Liabilities

Choose the correct answer from the options given below:

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

Q3. Identify the correct sequence for application of assets at the time of dissolution of firm:

- A. Partner's Loans or Advances
- B. Partner's Capital
- C. Profit among the partners in their profit-sharing ratio
- D. Third parties such as creditors and Bank Loans

Choose the correct option:

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

Q4. In Common size Balance Sheet, percentage of various items is expressed as a percentage of:

- (a) Total Assets
- (b) Capital Employed
- (c) Net profit before tax
- (d) None of these

Q5. Match the following:

A. Partner's Salary	(i) P and L A/c Dr.
B. Manager's Salary	(ii) P and L Appropriation A/c Dr.
C. Interest on Drawings	(iii) P and L A/c Cr.
D. Commission received	(iv) P and L Appropriation A/c Cr.

Options:

- (a) A-(ii), B-(iii), C(iv), D-(i)
- (b) A-(iv), B-(iii), C(i), D-(ii)
- (c) A-(ii), B-(i), C(iv), D-(iii)
- (d) A-(i), B-(iv), C(ii), D-(iii)

Q6. Average profit of firm is ₹3,00,000. Total tangible assets in the firm are ₹28,00,000 and outside liabilities are ₹8,00,000. In same type of business, normal rate of return is 10% of capital employed. Calculate goodwill by Capitalisation of Super Profit Method.

- (a) ₹14,00,000
- (b) ₹16,00,000
- (c) ₹18,00,000
- (d) ₹10,00,000

Q7. If the net profit of the company is ₹35,000 after writing off goodwill of ₹16,000 and loss on sale of machinery of ₹5,000, then cash flow from operating activities will be:

- (a) ₹56,000

(b) ₹41,000

(c) ₹30,000

(d) ₹14,000

Q8. Aman, a partner, is to bear all the expenses on realisation for which he is to be paid ₹2,000. Aman has to pay realisation expenses of ₹2,500. How much amount will be debited to realisation account?

(a) ₹2,000

(b) ₹2,500

(c) ₹500

(d) ₹4,500

Q9. Nominal share capital is:

(a) that part of authorised capital which is issued by the company.

(b) the amount of capital which is actually applied for by the prospective of the shareholders

(c) the maximum amount of share capital which a company is authorised to issue

(d) the amount actually paid by the shareholders

Q10. Because of exclusion of non-liquid current assets which of the following ratio is considered better than current ratio as a measure of liquidity position of business?

(a) Debt Equity Ratio

(b) Acid Test Ratio

(c) Proprietary Ratio

(d) Interest Coverage Ratio

Solutions

S1. Ans. (b)

Sol.

LIST-I		LIST-II	
(A)	Sale of Investment	(III)	Investing Activity
(B)	Depreciation written off	(II)	Added to calculate Operating Activities
(C)	Repayment of Long-term borrowings	(I)	Financing Activity
(D)	Increase in Current Asset	(IV)	Deducted from Operating Profit before working capital changes

S2. Ans. (d)

Sol.

Correct sequence of Balance Sheet is:

Liabilities Side:

C. Shareholder's Fund

B. Deferred Tax Liabilities (Net)

E. Current Liabilities

Asset Side:

D. Capital (work in-progress)

A. Short term Loans and Advances

Hence, the correct sequence is C, B, E, D, A

S3. Ans. (d)

Sol.

D. Third parties such as creditors and Bank Loans

A. Partner's Loans or Advances

B. Partner's Capital

C. Profit among the partners in their profit-sharing ratio

S4. Ans. (a)

Sol.

In Common size Balance Sheet, percentage of various items is expressed as a percentage of Total Assets.

S5. Ans. (c)

Sol.

A. Partner's Salary	(ii) P and L Appropriation A/c Dr.
B. Manager's Salary	(i) P and L A/c Dr.
C. Interest on Drawings	(iv) P and L Appropriation A/c Cr.
D. Commission received	(iii) P and L A/c Cr.

S6. Ans. (d)

Sol.

Capital Employed (Net Assets)	= Total Assets – Total Liabilities = 28,00,000 – 8,00,000, = ₹ 20,00,000
Normal Profit	Capital Employed × Normal Rate of Return = 20,00,000 × $\frac{10}{100}$ = ₹ 2,00,000
Super Profit	Actual Average Profit – Normal Profit = 3,00,000 – 2,00,000 = ₹ 1,00,000
Goodwill	$= \frac{\text{Super Profit}}{\text{Normal Rate of Return}} \times 100$ $= \frac{1,00,000}{10} \times 100 = ₹ 10,00,000$

S7. Ans. (a)

Sol.

Cash flow from operating activities = 35,000 + 16,000 + 5,000 = ₹56,000

S8. Ans. (a)

Sol.

The amount that will be debited to the Realisation Account is the actual expense amount paid by firm to which is ₹2,000.

S9. Ans. (c)

Sol.

Nominal share capital is the maximum amount of share capital which a company is authorised to issue.

S10. Ans. (b)

Sol.

The Acid Test Ratio, also known as the Quick Ratio, is considered a better measure of liquidity than the Current Ratio because it excludes non-liquid current assets like inventory and prepaid expenses, providing a more accurate picture of a company's ability to meet its short-term obligations with its liquid assets.