

NIOS PYQ's SOLUTIONS

PREVIOUS YEARS' QUESTIONS & ANSWERS



APRIL-2026

Your Path to Success

SECTION - A

Q1 - ____ is a documentary evidence in support of a transaction.

(A) Accounting Equation **(B) Ledger**

(C) Journal **(D) Voucher**

Answer - (D) Voucher

Q2 – Which equation is correct out of the following ?

(A) Liabilities = Assets + Capital **(B) Assets = Capital – Liabilities**

(C) Assets = Capital + Liabilities **(D) Capital = Assets + Liabilities**

Answer - (C) Assets = Capital + Liabilities

Q3 – If a trial balance doesn't agree, then which account is opened in order to reconcile the trial balance?

(A) Profit and loss account **(B) Suspense account**

(C) Goodwill account **(D) Capital reserve account**

Answer - (B) Suspense account

Q4 – Sales Book has been undercast by ₹ 1,000. This error will be rectified by:

(A) Crediting Suspense A/c by ₹ 1,000 and debiting sales A/c by ₹ 1,000

(B) Debiting Suspense A/c by ₹ 1,000 and Crediting sales A/c by ₹ 1,000

(C) Crediting Suspense A/c by ₹ 2,000 and debiting sales A/c by ₹ 2,000

(D) Debiting Suspense A/c by ₹ 2,000 and Crediting sales A/c by ₹ 2,000

Answer - (B) Debiting Suspense A/c by ₹ 1,000 and Crediting sales A/c by ₹ 1,000

Q5 – Which of the following is correct about 'Income and Expenditure Account' of a Not-for-Profit Organisation?

(A) The excess of the income over expenditure is called net profit.

(B) Specific donation is an item of revenue nature.

(C) Entrance fees is an item of income.



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(D) All items of receipts are recorded on income side of Income and Expenditure Account and all items of payments are recorded on the expenditure side of Income and Expenditure Account.

Answer - (C) Entrance fees is an item of income.

Q6 - Which of the following items is not shown in Trading Account?

(A) Wages

(B) Fuel and Power

(C) Carriage inwards

(D) Bad debts

Answer - (D) Bad debts

Q7 – Which of the following is an item of 'Payments' while preparing Receipts and Payments Account of a Not-for-Profit Organisation?

(A) Stationery

(B) Donation

(C) Entrance fees

(D) Life membership fees

Answer - (A) Stationery

Q8 – On dissolution of the firm, amount received from sale of unrecorded asset is credited to :

(A) Partners Capital Accounts

(B) Profit and Loss Account

(C) Realisation Account

(D) Cash Account

Answer - (C) Realisation Account

Q9 - Which of the following is transferred to Realisation Account?

(A) Balance of Cash Account

(B) Balances of Reserves

(C) Balance of Profit & Loss Account

(D) Balances of Assets Accounts other than Cash and Cash at Bank.

Answer - (D) Balances of Assets Accounts other than Cash and Cash at Bank.

Q10 - Which of the following is true in relation to goodwill?

(A) Goodwill is a fictitious asset.

(B) Goodwill is a current asset.

(C) Goodwill is a wasting asset.

(D) Goodwill is an intangible asset.

Answer - (D) Goodwill is an intangible asset.



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Q11 - When a new partner brings his share of goodwill premium in cash, the amount is debited to :

(A) Goodwill Account

(B) Capital Account of the new partner

(C) Cash Account

(D) Capital Accounts of the old partners

Answer - (C) Cash Account

Q12 – The first instalment which the applicants have to pay along with the application for shares is known as:

(A) Allotment money

(B) Application money

(C) Call money

(D) Calls in advance money

Answer - (B) Application money

Q13 – Shares can be forfeited :

(A) for non-payment of call money.

(B) for failure to attend meetings.

(C) for failure to repay the loan to the bank.

(D) For pledging the shares as a security.

Answer - (A) for non-payment of call money.

Q14 – An equity share of ₹ 10 on which ₹ 8 had been called but ₹ 6 had been received was forfeited, the share capital account was debited by :

(A) ₹ 10

(B) ₹ 8

(C) ₹ 6

(D) ₹ 2

Answer - (B) ₹ 8

Q15 - Fill in the blanks :

Increase in the value of an asset is _____ and decrease in the value of an asset is _____.

Answer – debited, credited.

Q16 - Give one word answer for the following :

(i) Which basis of accounting is not recognized by Companies Act 2013 ?

(ii) It is a book of account in which all types of accounts relating to assets, liabilities, capital, expenses and revenue are maintained.

Answer – (i) Cash basis of accounting.

(ii) Ledger



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Q17 - Complete the following sentence :

The commonly used output devices include monitor also called _____ and _____.

Answer – Visual Display Unit (VDU) and printer.

Q18 – Give one word answer of the following :

(i) The software available off the shelf is modified to suit the requirements of the user.

(ii) The errors which are rectified through suspense account are

Answer - (i) Customised software.

(ii) One-sided errors.

Q19 - Give one word answer for the following :

(i) Revaluation account is credited for recording the value of an unrecorded :

(ii) Name the asset that is not transferred to the debit side of realization Account, but brings certain amount of cash against its disposal at the time of dissolution of the firm.

Answer - (i) Asset.

(ii) Unrecorded asset.

Q20 - Fill in the blanks :

(i) The remaining partners acquire the retiring partner's share in _____ ratio.

(ii) On dissolution, if a partner undertakes to make payment of a liability of the firm _____ account is debited.

Answer - (i) Gaining ratio.

(ii) Realisation Account.

Q21 - Write the names of the affected accounts for the following transactions while preparing accounting equation:

(i) Commission received ₹ 40,000

(ii) Purchased goods on credit from Atul ₹ 25,000

(iii) Sold furniture to Asha ₹ 4,000

(iv) Rent paid by cheque ₹ 6,000



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Answer – **(i) Cash** (Asset increases) and **Capital** (Capital increases as revenue is added to capital).

(ii) Goods / Stock (Asset increases) and **Creditors / Atul** (Liability increases).

(iii) Debtors / Asha (Asset increases) and **Furniture** (Asset decreases).

(iv) Bank (Asset decreases) and **Capital** (Capital decreases as expense is deducted from capital).

Q22 - Give a name of the accounting error for the following transactions :

(i) Amount spent on repairs of an old machine debited to Machinery A/c.

(ii) Vidushi has been debited by ₹ 600 instead of ₹ 60 and Yashika has been debited by ₹ 60 instead of ₹600.

(iii) Purchases book has been overcast by ₹ 5,000.

(iv) Purchases for ₹ 30,000 was not entered in the purchases book.

Answer – (i) Error of principle.

(ii) Compensating error.

(iii) Error of commission (overcasting error).

(iv) Error of omission.

Q23 - Answer the following questions in one word :

(i) On which side of the Balance Sheet loan item appearing on the receipts side of Receipts and Payments Account will be shown ?

(ii) Name the term used for debts which cannot be recovered.

(iii) Sundry debtors are ₹ 30,000, provision for Doubtful debts is required at 5%. Calculate the amount of Provision for Doubtful debts to be created.

(iv) Depreciation is shown on which side of Profit and Loss Account ?

Answer – (i) Liabilities side.

(ii) Bad debts.

(iii) ₹1,500.

(iv) Debit side.



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Q24. Give one word answer for the following :

(i) After the reissue of forfeited shares balance of forfeited shares account is transferred to which account?

(ii) Applications for shares received less than the number of shares offered is called ?

(iii) How many days notice is to be given to the defaulting shareholders by Board of directors to make payment before the forfeiture of shares.

(iv) Reissue of shares refers to the issue of which shares?

Answer – (i) Capital Reserve Account. (ii) Undersubscription.

(iii) Fourteen days. (iv) Forfeited shares.

Q25 – What is meant by deferred revenue expenditure? Also give an example of it.

Answer - Deferred revenue expenditure is expenditure that is revenue in nature but whose benefits are available wholly or partly in future accounting periods. It is incurred in one accounting year, but its benefits are not limited to that year.

Example: Heavy expenditure on advertisement for introducing a new product in the market.

Q26 - What will be the journal entries when the new partner brings his share of goodwill premium in cash and it is retained in the business?

Answer - When the new partner brings cash for capital and goodwill, the following entries are passed.

1. On receipt of cash for capital and goodwill

Particulars	Debit (₹)	Credit (₹)
Cash/Bank A/c Dr.	Amount received	—
To Goodwill Premium A/c	—	Goodwill premium
To New Partner's Capital A/c	—	Capital contribution

2. On transfer of goodwill premium to the sacrificing partners

Particulars	Debit (₹)	Credit (₹)
Goodwill Premium A/c Dr.	Goodwill premium	—
To Sacrificing Partners' Capital A/cs	—	In sacrificing ratio

The goodwill premium is distributed among the existing partners in their **sacrificing ratio**.

OR



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How is workmen compensation Reserve shown in the balance sheet of a partnership firm, treated at the time of its dissolution?

Answer - At dissolution, the firm's actual workmen compensation liability must be considered. The reserve is first used to meet the relevant liability, where applicable. Any remaining reserve is transferred to the partners' Capital Accounts in their profit-sharing ratio.

Q27 - State any two factors which affect the goodwill of a partnership firm.

Answer – 1. **Location:** A firm situated at a central or commercially advantageous location may attract more customers and achieve higher sales, increasing its goodwill.

2. **Efficient management:** Efficient management helps a firm earn higher profits, which can increase its goodwill.

OR

Give the necessary journal entry of realization expenses if it is paid by partner and borne by firm.

Answer -

Date	Particulars	L.F.	Dr. Amount (₹)	Cr. Amount (₹)
	Realisation A/c Dr. To Partner's Capital A/c *(Being realisation expenses borne by the firm, paid personally by the partner)*		XXX	 XXX

Q28 – State any two purposes for which securities premium can be utilized for as per the provisions of companies Act.

Answer - The Securities Premium Account may be utilised for the following purposes, among those listed in the book:

1. Issuing fully-paid bonus shares.
2. Writing off preliminary expenses, discount on issue of shares and debentures, underwriting commission or expenses on issue.

OR

What is meant by calls in arrears?

Answer – Calls in arrears refer to the amount called by a company on shares that a shareholder has not paid within the specified time. It may relate to unpaid allotment money or call money.



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Q29 - Explain any three features of Single entry System.

Answer - The Single Entry System is a method of maintaining incomplete accounting records in which both aspects of every transaction are not necessarily recorded.

1. Suitable for small businesses: It is suitable for small businesses, such as sole proprietorships and partnership firms, with a limited number of transactions.

2. Cash Book is generally maintained: A Cash Book is generally prepared, and business as well as private transactions may be mixed in it.

3. Personal accounts are maintained: Normally, personal accounts are maintained, while real and nominal accounts are often not maintained.

OR

How Manager's commission is calculated if it is allowed on the net profit before charging such commission and after charging such commission? Also show the adjustment entry of it? Explain with the help of an example.

Answer – A manager's commission is calculated at an agreed percentage of the firm's net profit. The formula depends on whether the commission is calculated before or after charging the commission itself.

1. Commission on net profit before charging commission

$$Commission = Net\ Profit \times \frac{Rate}{100}$$

Example: Net profit before commission is ₹1,05,000 and the commission rate is 5%.

$$= 1{,}05{,}000 \times \frac{5}{100} = ₹5{,}250$$

2. Commission on net profit after charging commission

$$Commission = Net\ Profit\ before\ commission \times \frac{Rate}{100 + Rate}$$

Using the same figures:

$$= 1{,}05{,}000 \times \frac{5}{105} = ₹5{,}000$$

The profit remaining after commission is ₹1,00,000, and ₹5,000 is 5% of that amount.



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Adjustment entry:

Particulars	Debit (₹)	Credit (₹)
Profit and Loss A/c Dr. To Manager's Commission Payable A/c	Commission amount —	— Commission amount

Explanation: The commission is an expense of the business. If it remains unpaid at the end of the accounting period, it is treated as an outstanding expense and shown as a current liability in the Balance Sheet.

Q30 – As per Receipt and Payment Account for the year ended on March 31, 2025, the subscriptions received were ₹ 50,000.

Additional information :

(1) Subscriptions Outstanding on 1.4.2024 ₹ 5,000

(2) Subscriptions Outstanding on 31.3.2025 ₹ 3,000

(3) Subscriptions Received in Advance as on 1.4.2024 ₹ 2,500

(4) Subscriptions Received in Advance as on 31.3.2025 ₹ 1,000

Calculate the amount that will be posted in Income and Expenditure Account for income from subscriptions for the year 2024-25.

Answer – For an Income and Expenditure Account, subscriptions must be adjusted to include income belonging to the current accounting year.

Particulars	Amount (₹)
Subscriptions received during the year	50,000
Add: Outstanding subscriptions at the end of the year	3,000
Add: Subscriptions received in advance at the beginning of the year	2,500
Less: Outstanding subscriptions at the beginning of the year	(5,000)
Less: Subscriptions received in advance at the end of the year	(1,000)
Subscriptions income for 2024–25	**49,500**

Final answer: ₹49,500.

OR



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Calculate Operating Profit from the following particulars.

Particulars	₹
Net sales	70,000
Sales Return	10,000
Cost of Goods Sold	5,000
Office and Administrative expenses	15,000
Selling and Distribution Expenses	6,500

Answer –

$$Operating\ Profit = Net\ Sales - Operating\ Costs$$

$$Operating\ Cost = Cost\ of\ Goods\ Sold + Office\ \&\ Administrative\ Expenses + Selling\ \&\ Distribution\ Expenses$$

Particulars	Amount (₹)
Net sales	70,000
Less: Cost of Goods Sold	(5,000)
Less: Office and Administrative expenses	(15,000)
Less: Selling and Distribution Expenses	(6,500)
Operating Profit	**43,500**

Answer: ₹43,500.

Q31 – Explain the payment to the retiring partner in instalments.

Answer – When the firm cannot pay the retiring partner's entire claim immediately, it may settle the amount in instalments.

The procedure is as follows:

1. **Determine the amount due:** Calculate the retiring partner's claim after considering capital, goodwill, revaluation profit or loss, accumulated profits or losses and other relevant adjustments.
2. **Transfer the unpaid amount to a loan account:** Any part not paid immediately is transferred to the Retiring Partner's Loan Account.
3. **Calculate interest:** Interest is allowed at the agreed rate. In the absence of an agreement, the textbook refers to Section 37 of the Indian Partnership Act, 1932, under which the retiring partner may claim interest at 6% per annum on the amount due.



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4. **Pay the instalments:** Each instalment includes the relevant principal amount and interest. The loan account is reduced when payments are made.

Journal entries:

(i) On part payment and transfer of the balance to loan account

Retiring Partner's Capital A/c Dr.

To Cash/Bank A/c

To Retiring Partner's Loan A/c

(ii) When interest becomes due on unpaid balance:

Interest A/c Dr.

To Retiring Partner's Loan A/c

(iii) On payment of instalment

Retiring Partner's Loan A/c Dr.

To Cash/Bank A/c

OR

Explain how accumulated profits and losses are treated when a new partner is admitted in the firm? Give journal entries also.

Answer – Accumulated profits, reserves and losses that exist before the admission of a new partner belong to the old partners. Therefore, they are transferred to the old partners' Capital Accounts in their old profit-sharing ratio.

1. Treatment of accumulated profits and reserves

Accumulated profits and reserves are distributed among the old partners in their old profit-sharing ratio.

Journal entry:

Reserve A/c Dr.

Profit and Loss A/c (credit balance) Dr.

To Old Partners' Capital A/cs

(In the old profit-sharing ratio)



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2. Treatment of accumulated losses

Accumulated losses are borne by the old partners in their old profit-sharing ratio.

Journal entry:

Old Partners' Capital A/cs Dr.

To Profit and Loss A/c (debit balance)

To Deferred Revenue Expenditure A/c

(For transfer of accumulated losses in the old profit-sharing ratio, where applicable.)

Q32 - Explain 'Oversubscription' of shares. What are the options available in case of over subscription.

Answer – Oversubscription occurs when a company receives applications for more shares than the number offered to the public. A company cannot allot more shares than it has offered.

Options available:

1. **Reject excess applications:** The company may reject some applications and refund the application money received from those applicants.
2. **Make partial allotment:** The company may allot shares to selected applicants and reject the remaining applications.
3. **Make proportionate allotment:** Shares may be allotted to applicants in a specified proportion. Excess application money may be adjusted against allotment money due or refunded, as applicable.

The company must manage excess applications through permitted allotment and refund or adjustment arrangements.

Q33 - What is meant by reissue of shares? Give journal entries for reissue of forfeited shares at premium, originally issued at par.

Answer – Reissue of shares means issuing shares again after they have been forfeited by the company because of non-payment of allotment money or call money.

When shares originally issued at par are forfeited and subsequently reissued at a premium, the premium received is credited to the Securities Premium Account.



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Journal entries:

(i) Reissue of forfeited shares at premium

Bank A/c Dr. — amount received

To Share Capital A/c — nominal value credited

To Securities Premium A/c — premium received

(ii) Transfer of the forfeited amount relating to the reissued shares to Capital Reserve

Share Forfeited A/c Dr.

To Capital Reserve A/c

The amount transferred to Capital Reserve is the forfeited amount relating to the shares reissued, less any discount allowed on reissue. Since the shares are reissued at a premium, no discount is allowed in this case.

OR

Explain the procedure of forfeiture of shares.

Answer – The procedure for forfeiture of shares is as follows:

1. **Authority:** The Articles of Association must authorise the Board of Directors to forfeit shares.
2. **Notice to the defaulting shareholder:** The Board must give at least fourteen days' notice requiring payment of the outstanding amount, with or without interest as applicable.
3. **Warning of forfeiture:** The notice must state that failure to pay within the specified period may result in forfeiture of the shares.
4. **Board resolution:** If the shareholder still fails to pay, the Board may forfeit the shares by passing a resolution.
5. **Communication:** The decision is communicated to the concerned shareholder, who is asked to return the allotment letter and share certificates.

Q34 - From the following Trial Balance of Goel & Son's, as on 31.3.2025, Prepare Trading and Profit and Loss Account for the year ended 31st March 2025 and Balance Sheet as at that date.

TRIAL BALANCE AS ON 31.3.2025

Particulars	Debit Balance (₹)	Particulars	Credit Balance (₹)
Opening stock (1.4.2024)	28,000	Purchase Return	4,300
Purchases	34,300	Sales	1,40,000



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Salaries	16,000	Discount received	35,000
Bad debts	5,400	Capital	68,500
Wages	6,800	Bills payable	10,200
Insurance	1,000	Creditors	23,300
Trading Expenses	2,200		
Drawings	20,000		
Cash at Bank	92,000		
Cash in hand	50,000		
Debtors	25,600		
Total	**2,81,300**	**Total**	**2,81,300**

The closing stock was valued at ₹ 7,200

Answer – Step 1: Trading Account

Trading Account of Goel & Son's for the year ended 31st March 2025

Dr. Particulars	Amount (₹)	Cr. Particulars	Amount (₹)
To Opening Stock	28,000	By Sales	1,40,000
To Purchases	34,300	By Closing Stock	7,200
Less: Purchase Return	(4,300)		
Net Purchases	30,000		
To Wages	6,800		
To Trading Expenses	2,200		
To Gross Profit c/d	80,200		
Total	**1,47,200**	**Total**	**1,47,200**

Calculation of Gross Profit

$$Net\ Purchases = 34{,}300 - 4{,}300 = ₹30{,}000$$

$$Cost\ before\ closing\ stock = 28{,}000 + 30{,}000 + 6{,}800 + 2{,}200 = ₹67{,}000$$

$$Cost\ of\ Goods\ Sold = 67{,}000 - 7{,}200 = ₹59{,}800$$

$$Gross\ Profit = 1{,}40{,}000 - 59{,}800 = ₹80{,}200$$



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Step 2: Profit and Loss Account

Profit and Loss Account of Goel & Son's for the year ended 31st March 2025

Dr. Particulars	Amount (₹)	Cr. Particulars	Amount (₹)
To Salaries	16,000	By Gross Profit b/d	80,200
To Bad Debts	5,400	By Discount Received	35,000
To Insurance	1,000		
To Net Profit transferred to Capital A/c	92,800		
Total	**1,15,200**	**Total**	**1,15,200**

Calculation of Net Profit

$$Total\ Income = 80{,}200 + 35{,}000 = ₹1{,}15{,}200$$

$$Total\ Expenses = 16{,}000 + 5{,}400 + 1{,}000 = ₹22{,}400$$

$$Net\ Profit = 1{,}15{,}200 - 22{,}400 = ₹92{,}800$$

Step 3: Balance Sheet

Balance Sheet of Goel & Son's as at 31st March 2025

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital	68,500	Closing Stock	7,200
Add: Net Profit	92,800	Debtors	25,600
Less: Drawings	(20,000)	Cash at Bank	92,000
Adjusted Capital	1,41,300	Cash in Hand	50,000
Bills Payable	10,200		
Creditors	23,300		
Total	**1,74,800**	**Total**	**1,74,800**

OR

Prepare Income and Expenditure from the Receipts and Payments Account of Senior Citizen Health Club, Delhi for the year ending 31st December, 2025.

Receipts and Payment A/c of Senior Citizen Health Club, Delhi for the year ending 31st December, 2025.

Receipts	₹	Payments	₹
To Balance b/d	28,000	By Rent	6,700
To Subscription	34,000	By Stationery	3,600



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To Entrance fees	1,000	By Salary	5,800
To Sale of Investments	12,500	By Purchase of Equipments	25,000
To Sale of old furniture (Book Value ₹ 3,500)	2,300	By Entertainment expenses	10,400
To Donation	5,800	By Miscellaneous expenses	8,600
		By Furniture purchased	4,500
		By Balance c/d	19,000
Total	**83,600**	**Total**	**83,600**

Additional information:

Subscription outstanding amounted to ₹ 500.

Answer – The Income and Expenditure Account includes revenue income and revenue expenditure for the accounting period. Capital receipts and capital payments are excluded.

Income and Expenditure Account of Senior Citizen Health Club, Delhi for the year ended 31st December 2025

Expenditure	Amount (₹)	Income	Amount (₹)
To Rent	6,700	By Subscriptions (₹34,000 + ₹500 outstanding)	34,500
To Stationery	3,600	By Entrance Fees	1,000
To Salary	5,800	By Donation*	5,800
To Entertainment Expenses	10,400		
To Miscellaneous Expenses	8,600		
To Loss on Sale of Old Furniture	1,200		
To Surplus	5,000		
Total	**41,300**	**Total**	**41,300**

Working notes

1. Subscription income = ₹34,000 + ₹500 outstanding = ₹34,500.
2. Loss on sale of old furniture = Book value − Sale proceeds = ₹3,500 − ₹2,300 = ₹1,200.
3. Sale of investments, sale of old furniture proceeds, purchase of equipment and furniture purchased are treated as capital transactions. The loss on sale of old furniture is included as an expense.
4. Surplus = Total income − Total expenditure before surplus = ₹41,300 − ₹36,300 = **₹5,000.**

*(*The donation is assumed to be a general revenue donation because no specific purpose is stated.)*



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Q35 – A, B and C were partners in a firm sharing profits in the ratio of 2 : 2 : 1. Their balance sheet as at 31st March 2025 was as follows:

Balance Sheet of A, B and C as at 31st March, 2025

Liabilities	**₹**	**Assets**	**₹**
Creditors	30,000	Land	85,000
Bills Payable	20,000	Building	50,000
Outstanding Expenses	25,000	Plant	1,00,000
General Reserve	50,000	Stock	40,000
Capital A 50,000 B 60,000 C 70,000	1,80,000	Debtors	25,000
		Cash	5,000
	3,05,000		**3,05,000**

With effect from April 1, 2025 the partners decided to share profits in the ratio of 1:1:3. For this purpose, it was agreed that:

(i) The goodwill of the firm should be valued at ₹ 60,000

(ii) Land should be revalued at ₹ 1,00,000. Building should be depreciated by 6%.

(iii) Creditors amounting to ₹ 3,000 were not to be paid.

Prepare Revaluation Account, Partners' Capital accounts and Balance sheet after the reconstitution of the firm.

Answer –

Revaluation Account

Dr. Particulars	**Amount (₹)**	**Dr. Particulars**	**Amount (₹)**
To Building A/c *(Depreciation @ 6%)*	3,000	By Land A/c *(Appreciation)*	15,000
To Profit on Revaluation transferred to Partners' Capital A/cs (2:2:1): A's Capital A/c 6,000 B's Capital A/c 6,000 C's Capital A/c 3,000	15,000	By Creditors A/c *(Liability no longer payable)*	3,000
Total	**18,000**	**Total**	**18,000**



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Partners' Capital Accounts

Dr. Particulars	A (₹)	B (₹)	C (₹)	Dr. Particulars	A (₹)	B (₹)	C (₹)
To A's Capital A/c *(Goodwill)*	—	—	12,000	By Balance b/d	50,000	60,000	70,000
To B's Capital A/c *(Goodwill)*	—	—	12,000	By General Reserve A/c (2: 2: 1)	20,000	20,000	10,000
To Balance c/d	88,000	98,000	59,000	By Revaluation A/c *(Profit)*	6,000	6,000	3,000
				By C's Capital A/c *(Goodwill)*	12,000	12,000	—
Total	**88,000**	**98,000**	**83,000**	**Total**	**88,000**	**98,000**	**83,000**

Balance Sheet of the Reconstituted Firm *as at 1st April, 2025*

Liabilities	Amount (₹)	Assets	Amount (₹)
Creditors (₹30,000 – ₹3,000)	27,000	Land (₹85,000 + ₹15,000)	1,00,000
Bills Payable	20,000	Building (₹50,000 – ₹3,000)	47,000
Outstanding Expenses	25,000	Plant	1,00,000
Capital Accounts:		Stock	40,000
A 88,000		Debtors	25,000
B 98,000		Cash	5,000
C 59,000	2,45,000		
Total	**3,17,000**	**Total**	**3,17,000**

Q36 – 'WX Ltd', was registered with an authorized capital of 2,00,000 equity shares of ₹ 10 each. The company offered 1,50,000 shares to the public for subscription. 1,45,000 shares were subscribed. All calls were made and were duly received except the final call of ₹ 3 on 5,000 shares.

Present the share capital of the company as per the provisions of the Companies Act.

Answer – Share Capital of WX Ltd.

Particulars	Amount (₹)
Authorised Share Capital	
2,00,000 Equity Shares of ₹10 each	20,00,000
Issued Share Capital	
1,50,000 Equity Shares of ₹10 each	15,00,000



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Subscribed and Called-up Share Capital	
1,45,000 Equity Shares of ₹10 each	14,50,000
Less: Calls in arrears (5,000 × ₹3)	(15,000)
Paid-up Share Capital	**14,35,000**

Final answer: Paid-up Share Capital = ₹14,35,000.

The unpaid final call is ₹15,000 and must be deducted from the called-up capital to obtain paid-up share capital.

OR

Arya Ltd invited application for issuing 10,000 shares of ₹ 10 each.

On application ₹ 2 per share

On allotment ₹ 3 per share

On first call ₹ 2 per share

On second and final call ₹ 3 per share

Applications for 9,000 Shares were received and shares were allotted in full to all the applicants.

All money was received except, Jithu who was allotted 300 shares failed to pay the allotment money which he paid along with First Call. Final Call was not yet made.

Pass the necessary journal entries for the above transactions in the books of the company.

Answer –

Journal Entries in the Books of Arya Ltd.

No.	Particulars	Debit (₹)	Credit (₹)
1	Bank A/c Dr. To Share Application A/c (Application money received on 9,000 shares × ₹2)	18,000 —	— 18,000
2	Share Application A/c Dr. To Share Capital A/c (Application money transferred to share capital)	18,000 —	— 18,000
3	Share Allotment A/c Dr. To Share Capital A/c (Allotment money due on 9,000 shares × ₹3)	27,000 —	— 27,000



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4	Bank A/c Dr. Calls-in-Arrears A/c Dr. To Share Allotment A/c (Allotment money received except ₹900 unpaid by Jithu)	26,100 900 —	— — 27,000
5	Share First Call A/c Dr. To Share Capital A/c (First call due on 9,000 shares × ₹2)	18,000 —	— 18,000
6	Bank A/c Dr. To Share First Call A/c To Calls-in-Arrears A/c (First call received and Jithu's earlier allotment arrears also received)	18,900 — —	— 18,000 900

Notes:

- Applications were received for 9,000 shares against 10,000 offered. This is undersubscription.
- Jithu's unpaid allotment amount is 300 × ₹3 = ₹900.
- At the time of the first call, Jithu pays ₹900 in allotment arrears as well as his first call of ₹600. The first-call money for all 9,000 shares is ₹18,000, making total bank receipts of ₹18,900.
- The second and final call has not yet been made; therefore, no entry is passed for it.



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SECTION - B

OPTIONAL MODULE - I

Q37 – Two basic measures of liquidity are :

(A) Inventory Turnover ratio and current ratio

(B) Current ratio and Quick ratio

(C) Gross profit ratio and Operating ratio

(D) Current ratio and Average collection period

Answer - (B) Current ratio and Quick ratio

Q38 – While calculating cash flow from operating activities which will be deducted?

(A) Decrease in prepaid expenses

(B) Increase in Trade payables

(C) Increase in Trade receivables

(D) Decrease in Trade receivables

Answer - (C) Increase in Trade receivables

Q39 – An example of cash flow from financing activity is :

(A) Credit revenue from operations

(B) Cash receipts from issue of shares

(C) Sale of investments

(D) Interest received

Answer - (B) Cash receipts from issue of shares

Q40 – If Sundry debtors are ₹ 20,000, Marketable securities ₹ 30,000, cash ₹ 10,000 bank overdraft ₹ 14,000, creditors ₹ 16,000, what will be the current ratio?

(A) 2 : 1

(B) 1 : 1

(C) 1.5 : 1

(D) 1 : 2

Answer - (A) 2 : 1

Q41 – If total revenue from operations ₹ 2,70,000, credit revenue from operations ₹ 1,80,000, opening trade receivables ₹ 32,000, closing trade receivables ₹ 40,000, then trade receivables turnover ratio will be :

(A) 2.5 times

(B) 5 times

(C) 9 times

(D) 7.5 times

Answer - (B) 5 times



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Q42 – Issue of shares at a premium is shown as :

(A) Inflow under Operating Activities.

(B) Inflow under Financing Activities.

(C) Inflow under Investing activities.

(D) Outflow under Financing Activities.

Answer - (B) Inflow under Financing Activities.

Q43 – Complete the following sentences :

(i) Ability of a firm to meet its long term liabilities is assessed through _____ ratios.

(ii) The amount received from Insurance Company on account of Loss of Stock or loss from earthquake should be reported as cash flow from _____ activities under extraordinary items.

Answer – (i) Solvency ratios. (ii) Operating activities.

Q44 – Explain the treatment of proposed dividend while preparing cash flow statement.

Answer – Proposed dividend is treated as a non-operating item because it is declared at the general meeting after the preparation of the Balance Sheet.

Its treatment is as follows:

1. **Adjustment to profit:** The proposed dividend for the current year is added back to the current year's profit while calculating cash generated from operating activities.
2. **Actual dividend payment:** Any dividend actually paid during the year is shown as an outflow of cash under financing activities.

Therefore, the proposed dividend does not reduce cash generated from operating activities merely because it has been proposed.

Q45 – Calculate inventory turnover ratio from the following information :

Revenue from operations ₹ 2,00,000

Gross profit – ₹ 40,000

Average inventory – ₹ 20,000

Answer – Formula:

$$Inventory\ Turnover\ Ratio = \frac{Cost\ of\ Revenue\ from\ Operations}{Average\ Inventory}$$



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Step 1: Calculate the cost of revenue from operations.

$$Cost\ of\ Revenue\ from\ Operations = Revenue\ from\ Operations - Gross\ Profit$$

$$= 2{,}00{,}000 - 40{,}000$$

$$₹\ 1{,}60{,}000$$

Step 2: Calculate inventory turnover ratio.

$$Inventory\ Turnover\ Ratio = \frac{1{,}60{,}000}{20{,}000} = 8\ times$$

Final answer: 8 times.

Q46 – What is meant by Operating activities? List any two items included in operating activities.

Answer – Operating activities are the principal revenue-generating activities of a business. They arise from the normal business operations of the enterprise and do not include investing or financing activities.

Two items included in operating activities are:

1. Cash receipts from the sale of goods and rendering of services.
2. Cash payments to suppliers for goods and services.

Other examples include cash receipts from commissions and fees, cash payments to employees, and income tax payments or refunds.

Q47 – Prepare a cash flow statement on the basis of the information given in the Balance Sheet of ABC Ltd., as at 31st March 2025.

BALANCE SHEET

Particulars	**Note No.**	**31.3.2025 (₹)**	**31.3.2024 (₹)**
I. Equity and Liabilities :			
(1) Shareholder's Funds			
a. Share Capital		70,000	60,000
b. Reserves and surplus		30,000	8,000
(2) Non-current Liabilities			
Long term Borrowings (Debentures)		50,000	60,000
(3) Current Liabilities			
Trade Payables		45,000	10,000
Total		**1,95,000**	**1,38,000**



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II. Assets :			
(1) Non current Assets:			
a. Property, Plant and Equipment and Intangible assets - Machinery		50,000	38,000
b. Non-current Investments		70,000	50,000
(2) Current Assets :			
a. Marketable securities		15,000	5,000
b. Inventories		40,000	15,000
c. Cash and Cash Equivalents		20,000	30,000
Total		**1,95,000**	**1,38,000**

Answer –

Particulars	Amount Dr. (₹)	Amount Cr. (₹)
(A) Cash Flow from Operating Activities		
Net Profit (30,000 − 8,000)	22,000	
Add: Increase in Trade Payables (45,000 − 10,000)	35,000	
Less: Increase in Inventories (40,000 − 15,000)	(25,000)	
Net Cash from Operating Activities		32,000
(B) Cash Flow from Investing Activities		
Purchase of Plant & Machinery (50,000 − 38,000)	(12,000)	
Purchase of Non-current Investments (70,000 − 50,000)	(20,000)	
Net Cash used in Investing Activities		(32,000)
(C) Cash Flow from Financing Activities		
Issue of Share Capital (70,000 − 60,000)	10,000	
Repayment of Debentures (60,000 − 50,000)	(10,000)	
Net Cash from Financing Activities		**—**
(D) Net Increase in Cash and Cash Equivalents		—
Add: Opening Cash and Cash Equivalents (30,000 + 5,000)		35,000
Closing Cash and Cash Equivalents		**35,000**



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OPTIONAL MODULE - II

Q37 – It is a representational data model through which ER(Entity-Relationship) design is transformed into inter related data tables.

(A) Conceptual design **(B) Requirement Analysis**

(C) Database design **(D) Logical design**

Answer - (D) Logical design

Q38 – The component of MS Access that is meant to create the SQL compatible query statement, store data and retrieve both data and information is called :

(A) Tables **(B) Queries**

(C) Forms **(D) Report**

Answer - (B) Queries

Q39 – This data type stores Universal Resource Locator (URL) and email addresses.

(A) Hyperlink **(B) Memo**

(C) Text **(D) OLE Object**

Answer - (A) Hyperlink

Q40 – Which of the following component is not added in payroll accounting?

(A) Dearness Pay **(B) Dearness Allowance**

(C) Provident Fund **(D) House rent allowance**

Answer - (C) Provident Fund

Q41 – Graphs and charts are pictorial representation of data, which has at least _____ dimensional relationship.

(A) One **(B) Two**

(C) Three **(D) Four**

Answer - (B) Two



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Q42 – Which of the following is not a component of MS Access?

(A) Tables **(B) Queries**

(C) Forms **(D) Spreadsheets**

Answer - (D) Spreadsheets

Q43 – The basic element used to calculate Basic pay earned is Basic pay x _____ / _____.

Answer –

$$BPE = BP \times \frac{NOEDP}{NODM}$$

Where:

- BPE = Basic Pay Earned
- BP = Basic Pay
- NOEDP = Number of Effective Days Present
- NODM = Number of Days in a Month

The number of effective days present is calculated by deducting leave without pay and unauthorised absence from the total number of days in the month.

Q44 – Describe the steps to format the text size in chart elements, using regular text formatting options.

Answer – The following steps can be used to format the text in chart elements in MS Excel:

1. **Select the chart element:** Click the chart element containing the text whose size is to be changed.
2. **Select the text:** Right-click the text or select it directly.
3. **Use the formatting options:** Choose the required formatting option from the Mini Toolbar, or go to the Home tab.
4. **Change the font size:** In the Font group on the Home tab, select the required font size and apply it to the selected text.

These steps allow the user to change the text size of chart titles, axis titles, labels and other chart elements.



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Q45 – Differentiate between Pie chart and Bar chart.

Answer –

Basis	Pie Chart	Bar Chart
Meaning	A pie chart represents the relative share of different elements.	A bar chart compares the absolute values of different categories.
Presentation	Data is shown as slices of a circle.	Data is shown using bars of different lengths or heights.
Main purpose	To show how different elements contribute to a whole.	To compare quantities across categories or discrete points.
Example	Showing the percentage share of different expenses in total expenditure.	Comparing the sales of different products.

Conclusion: A pie chart is suitable for showing the relative share of different elements, whereas a bar chart is suitable for comparing their absolute values.

Q46 – Explain any three items of deductions used in Payroll Accounting.

Answer – Payroll accounting records an employee's earnings, deductions and final net salary. The following are three important deductions:

1. Provident Fund (PF) : Provident Fund is a statutory deduction made towards an employee's social security. It is calculated as a specified percentage of the applicable salary base, as described in the payroll calculation section.

2. Tax Deduction at Source (TDS) : TDS is the amount deducted from an employee's salary towards income tax liability. It helps distribute the employee's yearly income tax liability over the relevant salary periods.

3. Recovery of Loan Instalments : This deduction represents the amount recovered from an employee's salary towards repayment of a loan taken by the employee.

The total deductions are calculated as:

$$TD = PF + TDS + LOAN$$

Net salary is then calculated as:

$$Net\ Salary = Total\ Earnings - Total\ Deduction$$



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Q47 – What is database? Explain the elements required in the process of structuring a database.

Answer – A database is an organised collection of interrelated data stored digitally to generate useful information for decision-making.

Elements of Database Structuring:

(i) Requirement Analysis: It identifies the organisation's information needs, data to be stored, users, modification frequency and available hardware and software.

(ii) Conceptual Design: An Entity-Relationship (ER) diagram is developed to represent entities, their attributes and relationships.

(iii) Logical Design: The ER design is converted into interrelated data tables, such as Employee, Vouchers, Support, Accounts and AccountType tables.

Organisation of Data: Tables contain rows (records) and columns (fields). A primary key uniquely identifies each record, while a foreign key establishes relationships between tables. Proper structuring reduces data duplication and improves consistency and retrieval efficiency.



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