CUET 2026 May 11 Shift 2 Accountancy

Question Paper (Memory-Based) with Solutions

Conducted by National Testing Agency (NTA)

General Instructions

(i) The examination will be conducted in Computer-Based Test (CBT) mode.

(ii) Each question carries +5 marks for correct answer and -1 mark for wrong answer.

(iii) The total number of questions are 50.

(iv) Duration of the exam is 1 hour (60 minutes).

1. According to Section 4 of the Indian Partnership Act, 1932, partnership is the relation between persons who have agreed to share the profits of a business carried on by:

(A) All partners individually

(B) Any government authority

(C) All or any of them acting for all

(D) Only the active partners

Correct Answer: (C) All or any of them acting for all

Solution:

Concept: Section 4 of the Indian Partnership Act, 1932 defines partnership as:

“Partnership is the relation between persons who have agreed to share the profits of a business carried on by a

This definition highlights the principle of mutual agency in partnership.

Step 1: Understand the meaning of partnership.

In a partnership firm:

- Partners agree to share profits and losses.
- Business may be conducted by all partners or by any one partner on behalf of all.

Thus:

$$\boxed{\text{All or any of them acting for all}}$$

Step 2: Analyze the remaining options.

All partners individually Business is not necessarily carried on individually by every partner.

$$\Rightarrow \text{Incorrect}$$

Any government authority A government authority is not related to partnership definition.

$$\Rightarrow \text{Incorrect}$$

Only the active partners Even one partner may act on behalf of all partners.

$$\Rightarrow \text{Incorrect}$$

Step 3: Identify the correct option.

The correct phrase under Section 4 is:

$$\boxed{\text{All or any of them acting for all}}$$

Hence, the correct answer is:

$$\boxed{(C)}$$

Quick Tip: The essential feature of partnership is:

$$\text{Mutual Agency}$$

meaning:

$$\text{Each partner can act on behalf of all partners}$$

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2. Under Section 37 of the Indian Partnership Act, 1932, an outgoing partner may receive interest at the rate of:

(A) 5% p.a.

(B) 6% p.a.

(C) 8% p.a.

(D) 10% p.a.

Correct Answer: (B) 6% p.a.

Solution:

Concept: Section 37 of the Indian Partnership Act, 1932 deals with the rights of an outgoing partner or the legal representatives of a deceased partner when the remaining partners continue the business without final settlement of accounts. According to this section, the outgoing partner is entitled to:

- Share of profits attributable to the use of his share in the property of the firm, or
- Interest at the rate of 6% per annum.

Step 1: Understand the legal provision.

Under Section 37:

$$\text{Interest Rate} = 6\% \text{ p.a.}$$

Thus:

$$\boxed{6\% \text{ p.a.}}$$

Step 2: Analyze the remaining options.

5% p.a. This is not prescribed under Section 37.

$$\Rightarrow \text{Incorrect}$$

8% p.a. This rate is not mentioned in the Partnership Act for outgoing partners.

$$\Rightarrow \text{Incorrect}$$

10% p.a. This is also not the prescribed rate.

$$\Rightarrow \text{Incorrect}$$

Step 3: Identify the correct option.

Therefore, the prescribed interest rate is:

$$\boxed{6\% \text{ p.a.}}$$

Hence, the correct answer is:

$$\boxed{\text{(B)}}$$

Quick Tip: Under Section 37 of the Indian Partnership Act, 1932:

$$\text{Outgoing Partner Interest} = 6\% \text{ p.a.}$$

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3. Under Section 48 of the Partnership Act, 1932, the residue remaining after payment of debts, advances, and capital shall be divided among partners in their:

(A) Capital ratio

(B) Equal ratio

(C) Sacrificing ratio

(D) Profit sharing ratio

Correct Answer: (D) Profit sharing ratio

Solution:

Concept: Section 48 of the Indian Partnership Act, 1932 provides the rules for settlement of accounts at the time of dissolution of a firm. After payment of:

- External liabilities
- Partner's advances
- Partner's capital

the remaining residue is distributed among partners according to their profit-sharing ratio.

Step 1: Understand Section 48.

The sequence of settlement is:

$$\text{Debts} \rightarrow \text{Advances} \rightarrow \text{Capital} \rightarrow \text{Residue}$$

The residue is shared in:

$$\text{Profit Sharing Ratio}$$

Thus:

$$\boxed{\text{Profit sharing ratio}}$$

Step 2: Analyze the remaining options.

Capital ratio Residue is not distributed according to capital contribution.

$$\Rightarrow \text{Incorrect}$$

Equal ratio Partners do not necessarily share equally.

$$\Rightarrow \text{Incorrect}$$

Sacrificing ratio Sacrificing ratio is used during admission of a new partner, not dissolution.

$$\Rightarrow \text{Incorrect}$$

Step 3: Identify the correct option.

Therefore, residue remaining after settlement is divided in:

$$\boxed{\text{Profit sharing ratio}}$$

Hence, the correct answer is:

$$\boxed{(D)}$$

Quick Tip: Under Section 48:

$$\text{Residue} \longrightarrow \text{Shared in Profit Sharing Ratio}$$

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4. Under what circumstances, a partner can get exemption from sharing losses in a firm?

(A) If he is a senior citizen

(B) If he is minor

(C) If he is retiring partner

(D) All of the above

Correct Answer: (B) If he is minor

Solution:

Concept: Under the Indian Partnership Act, 1932, a minor cannot become a full-fledged partner, but he may be admitted to the benefits of partnership with the consent of all partners. A minor:

- Can share profits of the firm
- Is not personally liable for losses beyond his share in the firm

Thus, a minor gets exemption from sharing losses personally. **Step 1:** Understand the position of a minor in partnership.

A minor is admitted only to the benefits of partnership. Therefore:

$$\text{Minor is exempted from personal liability for losses}$$

Thus:

$$\boxed{\text{If he is minor}}$$

Step 2: Analyze the remaining options.

If he is a senior citizen Senior citizenship does not provide exemption from losses.

$$\Rightarrow \text{Incorrect}$$

If he is retiring partner A retiring partner remains liable for obligations until proper retirement procedures are completed.

$$\Rightarrow \text{Incorrect}$$

All of the above Since only one condition is correct, this option is incorrect.

$$\Rightarrow \text{Incorrect}$$

Step 3: Identify the correct option.

Therefore, exemption from sharing losses is available when:

$$\boxed{\text{If he is minor}}$$

Hence, the correct answer is:

$$\boxed{(B)}$$

Quick Tip: A minor in partnership:

Shares profits but is not personally liable for losses

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5. At the time of admission of a partner when Partners' Capital Accounts are maintained following Fixed Capital Accounts Method, Unrecorded Assets or Liabilities are transferred to:

(A) Old Partners' Current Accounts

(B) Old Partners' Capital Accounts

(C) Revaluation Account

(D) Goodwill Account

Correct Answer: (C) Revaluation Account

Solution:

Concept: At the time of admission of a partner, unrecorded assets and liabilities are brought into books through the Revaluation Account. The Revaluation Account is prepared to:

- Record increase or decrease in asset values
- Record unrecorded assets and liabilities
- Determine revaluation profit or loss

Step 1: Understand the treatment of unrecorded items.

Unrecorded assets and liabilities affect the value of firm's assets and liabilities. Therefore, they are recorded through:

$$\boxed{\text{Revaluation Account}}$$

Step 2: Analyze the remaining options.

Old Partners' Current Accounts Current accounts receive the final share of profit or loss, not direct transfer of unrecorded items.

$$\Rightarrow \text{Incorrect}$$

Old Partners' Capital Accounts Capital accounts are adjusted after revaluation profit or loss is determined.

$$\Rightarrow \text{Incorrect}$$

Goodwill Account Goodwill account records goodwill adjustments only.

$$\Rightarrow \text{Incorrect}$$

Step 3: Identify the correct option.

Thus, unrecorded assets or liabilities are transferred to:

$$\boxed{\text{Revaluation Account}}$$

Hence, the correct answer is:

$$\boxed{(C)}$$

Quick Tip: During admission of a partner:

$$\text{Unrecorded Assets/Liabilities} \longrightarrow \text{Revaluation Account}$$

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6. Which of the following statements most precisely reflects the doctrine of separate legal entity as established under company law?

(A) The company and its shareholders are economically identical, though legally separate only in limited circumstances

(B) The company is an artificial person with no independent existence beyond statutory recognition

(C) The company possesses an independent legal personality, capable of owning property, incurring liabilities, and suing or being sued in its own name, distinct from its members

(D) The company merely acts as an agent of its shareholders, who retain ultimate legal ownership of all assets and liabilities

Correct Answer: (C) The company possesses an independent legal personality, capable of owning property, incurring liabilities, and suing or being sued in its own name, distinct from its members

Solution:

Concept: The doctrine of separate legal entity means that a company has a legal existence separate from its shareholders or members. This principle was established in the famous case:

Salomon v. Salomon & Co. Ltd.

A company can:

- Own property in its own name
- Enter into contracts
- Sue and be sued
- Incur liabilities independently

Step 1: Understand the doctrine of separate legal entity.

A company is legally distinct from its members. Thus:

$$\boxed{\text{Company possesses an independent legal personality}}$$

Step 2: Analyze the remaining options.

Option (A) A company and shareholders are not economically identical.

$$\Rightarrow \text{Incorrect}$$

Option (B) A company has an independent legal existence recognized by law.

$$\Rightarrow \text{Incomplete statement}$$

Option (D) A company is not merely an agent of shareholders.

$$\Rightarrow \text{Incorrect}$$

Step 3: Identify the correct option.

Therefore, the statement correctly reflecting the doctrine is:

$$\boxed{\text{Independent legal personality of company}}$$

Hence, the correct answer is:

$$\boxed{(C)}$$

Quick Tip: Separate legal entity means:

Company and shareholders are legally separate

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7. Which of the following most accurately explains the legal foundation governing the mutual rights and obligations of partners in a partnership firm, particularly in the absence of an express written contract?

(A) A formal offer made by one partner and accepted by others

(B) An agreement—express or implied—enforceable by law between all partners

(C) A mutual understanding based solely on trust and verbal communication

(D) An acceptance of business terms without the intention to create legal relations

Correct Answer: (B) An agreement—express or implied—enforceable by law between all partners

Solution:

Concept: The mutual rights and duties of partners are primarily governed by the partnership agreement. Under the Indian Partnership Act, 1932:

- The agreement may be express or implied.
- It must be enforceable by law.
- In the absence of a written agreement, implied agreements and provisions of the Act apply.

Step 1: Understand the legal basis of partnership relations.

Partnership is based on a lawful agreement between partners. The agreement may be:

Express or Implied

Thus:

$$\boxed{\text{Agreement enforceable by law}}$$

Step 2: Analyze the remaining options.

Option (A) Partnership is not merely based on offer and acceptance.

$$\Rightarrow \text{Incomplete}$$

Option (C) Trust alone without legal enforceability is insufficient.

$$\Rightarrow \text{Incorrect}$$

Option (D) Legal intention is essential in partnership agreements.

$$\Rightarrow \text{Incorrect}$$

Step 3: Identify the correct option.

Therefore, the legal foundation governing mutual rights and obligations is:

$$\boxed{\text{Agreement}^{-}\text{express or implied}^{-}\text{enforceable by law}}$$

Hence, the correct answer is:

$$\boxed{(B)}$$

Quick Tip: Partnership relations are governed by:

$$\text{Lawful Agreement}$$

which may be:

$$\text{Express or Implied}$$

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8. Which of the following is not an essential feature of partnership?

(A) It has at least two persons.

(B) An agreement exists between/among all the partners.

(C) Profits and losses are shared equally.

(D) Agreement is for a business.

Correct Answer: (C) Profits and losses are shared equally.

Solution:

Concept: The essential features of partnership under the Indian Partnership Act, 1932 include:

- Minimum two persons
- Agreement between partners
- Business activity
- Sharing of profits
- Mutual agency

However, profits and losses need not be shared equally. Partners may agree on any ratio. **Step 1:** Identify essential features of partnership.

A valid partnership requires:

$$\text{Two or more persons}$$

$$\text{Agreement among partners}$$

$$\text{Business activity}$$

and

$$\text{Sharing of profits}$$

Step 2: Analyze option (C).

Partnership law does not require equal sharing of profits and losses. Partners may share profits in:

$$\text{Any mutually agreed ratio}$$

Thus:

$$\boxed{\text{Profits and losses are shared equally}}$$

is not an essential feature. **Step 3:** Analyze remaining options.

At least two persons Essential requirement of partnership.

$$\Rightarrow \text{Essential feature}$$

Agreement between partners Partnership arises from agreement.

$$\Rightarrow \text{Essential feature}$$

Agreement for business Partnership must involve business activity.

$$\Rightarrow \text{Essential feature}$$

Step 4: Identify the correct option.

Therefore, the statement which is not an essential feature is:

$$\boxed{\text{Profits and losses are shared equally}}$$

Hence, the correct answer is:

$$\boxed{(C)}$$

Quick Tip: In partnership:

$$\text{Profit sharing ratio}$$

may be:

$$\text{Equal or Unequal}$$

depending upon agreement among partners.

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9. Interest on Capital is allowed on

(A) the capital at the beginning of the year.

(B) the capital at the year end.

(C) average capital of the year.

(D) the capital in the middle of the year.

Correct Answer: (C) average capital of the year.

Solution:

Concept: Interest on capital is generally calculated on the amount of capital employed during the accounting period. When capitals fluctuate during the year, interest is calculated on:

$$\text{Average Capital}$$

because it represents the effective capital used throughout the year. **Step 1:** Understand the basis of interest on capital.

Interest on capital depends upon:

$$\text{Capital employed during the year}$$

Thus, the most appropriate basis is:

$$\boxed{\text{Average capital of the year}}$$

Step 2: Analyze the remaining options.

Capital at the beginning of the year This ignores additions or withdrawals during the year.

$$\Rightarrow \text{Not fully appropriate}$$

Capital at the year end Year-end capital does not represent capital used during the whole year.

$$\Rightarrow \text{Incorrect}$$

Capital in the middle of the year Middle-year capital alone cannot determine accurate interest.

$$\Rightarrow \text{Incorrect}$$

Step 3: Identify the correct option.

Therefore, interest on capital is generally allowed on:

$$\boxed{\text{Average capital of the year}}$$

Hence, the correct answer is:

$$\boxed{(C)}$$

Quick Tip: If capital fluctuates during the year:

$$\text{Interest on Capital} \longrightarrow \text{Calculated on Average Capital}$$

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10. Exe Ltd. has balance in Provision for Tax Account of Rs. 50,000 and Rs. 75,000 as on 31st

March, 2024 and 2025 respectively. It made provision for tax during the year of Rs. 65,000. Tax paid during the year was

(A) Rs. 50,000

(B) Rs. 60,000

(C) Rs. 40,000

(D) Rs. 75,000

Correct Answer: (C) Rs. 40,000

Solution:

Concept: Provision for Tax Account is prepared as:

$$\text{Opening Provision} + \text{Current Year Provision} - \text{Tax Paid} = \text{Closing Provision}$$

Step 1: Write the given values.

Opening Provision:

$$\text{Rs. } 50,000$$

Closing Provision:

$$\text{Rs. } 75,000$$

Provision made during the year:

$$\text{Rs. } 65,000$$

Step 2: Apply the formula.

$$50,000 + 65,000 - \text{Tax Paid} = 75,000$$

Step 3: Calculate tax paid.

$$1,15,000 - \text{Tax Paid} = 75,000$$

$$\text{Tax Paid} = 1,15,000 - 75,000$$

$$\text{Tax Paid} = \text{Rs. } 40,000$$

Step 4: Identify the correct option.

Thus, tax paid during the year was:

$$\boxed{\text{Rs. } 40,000}$$

Hence, the correct answer is:

$$\boxed{(C)}$$

Quick Tip: Provision for Tax Formula:

$$\text{Opening Balance} + \text{Provision Made} - \text{Tax Paid} = \text{Closing Balance}$$
