

CUET 2026 May 19 Shift 1 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. A company invited applications for 1,00,000 shares but received applications for 1,50,000 shares. Shares were allotted on a pro-rata basis to applicants of 1,20,000 shares. How many shares were refused outright?

- (A) 20,000
- (B) 30,000
- (C) 50,000
- (D) 1,20,000

Correct Answer: (B) 30,000

Solution:

Step 1: Understanding the Question:

In an over-subscription scenario, a company can choose to allot shares on a pro-rata basis to some applicants and reject others. We need to find the number of shares for which the applications were rejected (refused outright).

Step 2: Key Formula or Approach:

$$\text{Shares Refused} = \text{Total Applications Received} - \text{Applications Accepted for Allotment}$$

Step 3: Detailed Explanation:

1. Total applications received by the company = 1,50,000 shares.
2. Number of applications considered for pro-rata allotment = 1,20,000 shares.
3. These 1,20,000 applicants were allotted the total available shares of 1,00,000.
4. The remaining applications that were not part of the pro-rata group are the ones refused outright.

$$\text{Refused shares} = 1,50,000 - 1,20,000 = 30,000 \text{ shares.}$$

Step 4: Final Answer:

The company refused 30,000 share applications outright.

Quick Tip: Pro-rata allotment always applies to a specific "group" of applicants. Any applicant outside this defined group usually has their application money refunded.

2. XYZ Ltd. forfeited 500 shares of 10 each issued at par for non-payment of final call 2 per share. How much amount was forfeited?

- (A) 1,000
- (B) 4,000
- (C) 5,000
- (D) 2,500

Correct Answer: (B) 4,000

Solution:

Step 1: Understanding the Question:

Forfeiture means cancelling the shares due to non-payment. The "forfeited amount" refers to the money already paid by the shareholder to the company, which the company retains.

Step 2: Key Formula or Approach:

$$\text{Amount Forfeited} = \text{Number of Shares Forfeited} \times \text{Amount Paid per Share}$$

Step 3: Detailed Explanation:

1. Number of shares forfeited = 500.
2. Face value per share = 10.
3. Unpaid amount (final call) = 2.
4. Therefore, the amount already paid by the shareholder = $10 - 2 = 8$ per share.
5. Total amount forfeited = $500 \times 8 = 4,000$.

Step 4: Final Answer:

The amount forfeited by the company is 4,000.

Quick Tip: The Share Forfeiture Account always records the amount already received from the defaulting shareholders. Do not confuse it with the total face value or the unpaid amount.

3. 400 forfeited shares were reissued at 9 per share fully paid-up. Face value of each share was 10. What is the amount of discount on reissue?

- (A) 200
- (B) 400

(C) 800

(D) 1,000

Correct Answer: (B) 400

Solution:

Step 1: Understanding the Question:

When forfeited shares are reissued at a price lower than their paid-up value, the difference is considered a discount on reissue.

Step 2: Key Formula or Approach:

$$\text{Total Discount} = \text{Number of Shares Reissued} \times (\text{Paid-up Value} - \text{Reissue Price})$$

Step 3: Detailed Explanation:

1. Number of shares reissued = 400.
2. Fully paid-up value (Face Value) = 10.
3. Reissue price = 9 per share.
4. Discount per share = $10 - 9 = 1$.
5. Total discount on reissue = $400 \times 1 = 400$.

Step 4: Final Answer:

The amount of discount on reissue is 400.

Quick Tip: The maximum discount a company can give on the reissue of forfeited shares is equal to the amount already forfeited on those specific shares.

4. Debentures issued as consideration other than cash are generally issued to:

- (A) Employees
- (B) Promoters
- (C) Vendors
- (D) Government

Correct Answer: (C) Vendors

Solution:

Step 1: Understanding the Question:

Companies often acquire assets or businesses from external sellers and pay them by issuing debentures instead of paying cash. We need to identify the term for these sellers.

Step 2: Detailed Explanation:

When a company purchases machinery, land, or a whole business, the seller of these assets is known as a "Vendor". If the company does not pay in cash and instead issues its own securities (like debentures or shares), it is called "Issue of Debentures for Consideration other than Cash".

Step 3: Final Answer:

The debentures are issued to Vendors.

Quick Tip: The journal entry for this transaction is:

1. Asset A/c Dr. to Vendor A/c
2. Vendor A/c Dr. to Debentures A/c

5. A company purchased machinery worth 5,00,000 and issued 12% debentures of 100 each at par to the vendor. How many debentures were issued?

- (A) 4,000
- (B) 5,000
- (C) 6,000

(D) 50,000

Correct Answer: (B) 5,000

Solution:

Step 1: Understanding the Question:

We need to calculate the number of debentures required to settle a specific purchase consideration when issued at par.

Step 2: Key Formula or Approach:

$$\text{Number of Debentures} = \frac{\text{Purchase Consideration}}{\text{Issue Price per Debenture}}$$

Step 3: Detailed Explanation:

1. Purchase consideration (value of machinery) = 5,00,000.
2. Face value of each debenture = 100.
3. Since they are issued "at par", the issue price is also 100.
4. Number of debentures = $\frac{5,00,000}{100} = 5,000$.

Step 4: Final Answer:

The company issued 5,000 debentures.

Quick Tip: If debentures were issued at a premium, the issue price in the denominator would be (Face Value + Premium). If at a discount, it would be (Face Value - Discount).

6. Which of the following is shown under “Current Liabilities” in the Balance Sheet?

- (A) Goodwill
- (B) Bills Payable

- (C) Machinery
- (D) Investments

Correct Answer: (B) Bills Payable

Solution:

Step 1: Understanding the Question:

The question asks to identify a current liability item from the given list according to the standard balance sheet classification.

Step 2: Detailed Explanation:

1. **Goodwill:** Classified under Non-Current Assets (Intangible Assets).
2. **Bills Payable:** These are short-term financial obligations usually payable within 12 months or the operating cycle. Hence, they are Current Liabilities.
3. **Machinery:** Classified under Non-Current Assets (Property, Plant, and Equipment).
4. **Investments:** Generally classified as Non-Current Assets (unless specified as current or marketable securities).

Step 3: Final Answer:

Bills Payable is shown under Current Liabilities.

Quick Tip: Current Liabilities are those expected to be settled within 12 months. Common examples are Creditors, Bills Payable, Short-term Loans, and Outstanding Expenses.

7. Match the following:

List I		List II	
A.	Share Forfeiture Account	I.	Capital Profit
B.	Securities Premium	II.	Capital Reserve
C.	Reissue of Forfeited Shares	III.	Share Capital

- (A) A-I, B-II, C-III
- (B) A-II, B-III, C-I
- (C) A-III, B-II, C-I
- (D) A-I, B-III, C-II

Correct Answer: (A) A-I, B-II, C-III

Solution:

Step 1: Understanding the Question:

We need to match the accounting terms related to shares with their nature or financial statement classification.

Step 2: Detailed Explanation:

1. **Share Forfeiture Account (A):** When shares are forfeited, the profit made by the company (amount received but not returned) is a **Capital Profit (I)**.
2. **Securities Premium (B):** This is a surplus received over and above the face value. It is classified under Reserves and Surplus and behaves as a **Capital Reserve (II)** in terms of its restricted usage.
3. **Reissue of Forfeited Shares (C):** When shares are reissued, they are added back to the **Share Capital (III)** of the company.

Step 3: Final Answer:

The correct matching is A-I, B-II, C-III.

Quick Tip: While the gain on forfeiture is a capital profit, the ultimate balance left in the Share Forfeiture account after reissue is transferred to "Capital Reserve".

8. Which of the following is NOT a feature of partnership?

- (A) Mutual agency

- (B) Separate legal entity
- (C) Profit sharing
- (D) Agreement between persons

Correct Answer: (B) Separate legal entity

Solution:

Step 1: Understanding the Question:

A partnership firm has specific characteristics defined by the Indian Partnership Act, 1932. We need to find the one that does not apply.

Step 2: Detailed Explanation:

1. **Mutual Agency:** Every partner is an agent of the firm and other partners. This is a core feature.
2. **Profit Sharing:** Partners must agree to share profits of the business.
3. **Agreement:** A partnership arises from a contract (written or oral), not from status.
4. **Separate Legal Entity:** A partnership firm is NOT a separate legal entity from its partners. Partners have unlimited liability, and the firm's existence is tied to them. In contrast, a company is a separate legal entity.

Step 3: Final Answer:

"Separate legal entity" is not a feature of a partnership firm.

Quick Tip: For accounting purposes, a firm is treated as a separate entity from partners (Business Entity Concept), but legally it is not. Always distinguish between the accounting view and the legal view.

9. Interest on Drawings is:

- (A) Expense for firm

- (B) Income for firm
- (C) Liability for firm
- (D) Asset for firm

Correct Answer: (B) Income for firm

Solution:

Step 1: Understanding the Question:

Interest on drawings is the interest charged by the partnership firm on the amounts withdrawn by partners for personal use. We need to determine its nature from the firm's perspective.

Step 2: Detailed Explanation:

When a partner withdraws money (drawings), they are using the firm's funds. The firm charges interest on this.

1. From the partner's point of view, it is an expense.
2. From the firm's point of view, it is a gain or **Income**, as it increases the firm's profit. It is credited to the Profit and Loss Appropriation Account.

Step 3: Final Answer:

Interest on drawings is an income for the firm.

Quick Tip: Interest on Capital is an expense for the firm, while Interest on Drawings is an income for the firm. Both are adjusted in the PL Appropriation Account.

10. When shares are allotted on pro-rata basis, excess application money is generally adjusted towards:

- (A) Final Call
- (B) Share Capital
- (C) Allotment Money

(D) Dividend

Correct Answer: (C) Allotment Money

Solution:

Step 1: Understanding the Question:

In pro-rata allotment, an applicant receives fewer shares than they applied for. The extra money they sent with the application is kept by the company to pay for future installments.

Step 2: Detailed Explanation:

Under pro-rata allotment, the surplus application money (after covering the application stage requirement for allotted shares) is usually carried forward to pay for the "Allotment" stage. If there is still a surplus after allotment, it may be adjusted towards calls or refunded, depending on the terms of the issue. However, the first and most general adjustment is towards Allotment.

Step 3: Final Answer:

Excess application money is generally adjusted towards Allotment Money.

Quick Tip: Unless the Articles of Association or the prospectus state otherwise, excess application money cannot be used for calls (Final Call) without the applicant's consent; it is primarily for Allotment.