

CUET 2026 May 20 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. Which of the following statements most precisely reflects the doctrine of separate legal entity as established in corporate 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:

The doctrine of:

Separate Legal Entity

means that a company has a legal existence separate from its owners or shareholders.

After incorporation:

- The company becomes an independent legal person

- It can own property in its own name
- It can enter into contracts
- It can sue or be sued
- Members are distinct from the company

This principle was established in the famous case:

Salomon v. Salomon & Co. Ltd.

Thus, the company is legally separate from its shareholders.

Option analysis:

- Option (A): Incorrect because company and shareholders are legally distinct
- Option (B): Incomplete explanation of separate legal entity
- Option (C): Correct
- Option (D): Incorrect because company is not merely an agent of shareholders

Therefore:

(C)

Quick Tip: A company has:

its own legal identity separate from its members

2. 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:

According to the:

Indian Partnership Act, 1932

partnership arises from:

an agreement between persons

who agree to share profits of a business carried on by all or any one of them acting for all.

The agreement may be:

- Express
- Implied
- Written
- Oral

Even in the absence of a written contract, the mutual rights and duties of partners are governed by:

a legally enforceable agreement

Thus, partnership is based on:

contractual relationship

and not merely on trust or informal understanding. Option analysis:

- Option (A): Incorrect because partnership requires mutual agreement among all partners
- Option (B): Correct
- Option (C): Incorrect because legal enforceability is essential
- Option (D): Incorrect because intention to create legal relations is necessary

Therefore:

(B)

Quick Tip: Partnership is created through:

a lawful agreement between partners

which may be written, oral, express or implied.

3. 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:

A partnership firm is governed by the:

Indian Partnership Act, 1932

The essential features of partnership are:

- There must be at least two persons.
- There must be an agreement among partners.
- The agreement must be for carrying on a lawful business.
- Profit-sharing must exist.
- Business should be carried on by all or any one acting for all.

However:

equal sharing of profits and losses is not compulsory

Partners may share profits and losses:

- Equally
- In agreed ratio

- According to partnership deed

Thus:

equal sharing is not an essential feature

Option analysis:

- Option (A): Essential feature
- Option (B): Essential feature
- Option (C): Correct
- Option (D): Essential feature

Therefore:

(C)

Quick Tip: Partnership requires:

profit sharing

but not necessarily:

equal profit sharing

4. Mohan, a partner, withdrew Rs. 20,000 on 1st April, 2024 and Rs. 40,000 on 1st October, 2024. Interest on Drawings @ 6% p.a. on 31st March, 2025 will be

- (A) Rs. 2,400
- (B) Rs. 3,600
- (C) Rs. 1,800
- (D) Rs. 1,200

Correct Answer: (C) Rs. 1,800

Solution:

Interest on drawings is calculated from the date of withdrawal till the end of the accounting year.

Step 1: Interest on first withdrawal

Amount withdrawn:

Rs. 20,000

Date:

1st April, 2024

Period:

12 months

Interest:

$$\begin{aligned} &= \frac{20,000 \times 6 \times 12}{100 \times 12} \\ &= \text{Rs. } 1,200 \end{aligned}$$

Step 2: Interest on second withdrawal

Amount withdrawn:

Rs. 40,000

Date:

1st October, 2024

Period:

6 months

Interest:

$$\begin{aligned} &= \frac{40,000 \times 6 \times 6}{100 \times 12} \\ &= \text{Rs. } 1,200 \end{aligned}$$

Step 3: Calculate total interest

$$\text{Total Interest} = 1,200 + 1,200$$

$$= \text{Rs. } 2,400$$

Thus:

Rs. 2,400

Option analysis:

- Option (A): Correct

- Option (B): Incorrect
- Option (C): Incorrect
- Option (D): Incorrect

Hence:

(A)

Quick Tip: Interest on drawings:

$$= \frac{\text{Amount} \times \text{Rate} \times \text{Time}}{100}$$

where time is calculated from date of withdrawal till year-end.

5. An act done by a partner in the course of the firm's business is:

- (A) Binding on all partners only when expressly authorised by all co-partners
- (B) Binding on the firm and all partners if done within the scope of implied authority
- (C) Not binding on other partners unless ratified after the act is performed
- (D) Binding only on the acting partner unless specifically approved in the partnership deed

Correct Answer: (B) Binding on the firm and all partners if done within the scope of implied authority

Solution:

Under the:

Indian Partnership Act, 1932

every partner acts as:

an agent of the firm

and also:

an agent of other partners

Therefore, any act performed by a partner:

- In the ordinary course of business

- Within the scope of implied authority

is binding on:

the firm and all partners

Implied authority includes acts that are:

- Necessary for carrying on business
- Usually done in similar businesses
- Within normal business operations

Option analysis:

- Option (A): Incorrect because express permission is not always required
- Option (B): Correct
- Option (C): Incorrect because ratification is not necessary for acts within implied authority
- Option (D): Incorrect because such acts bind the entire firm

Therefore:

(B)

Quick Tip: Every partner is:

an agent of the firm

Hence acts done within implied authority bind all partners.

6. Nominal/Authorised Share Capital is

- (A) that part of the share capital which is issued by the company.
- (B) the amount of share capital which is actually applied for by the prospective shareholders.
- (C) the maximum amount of share capital which a company is authorised to issue.
- (D) the amount actually paid by the shareholders.

Correct Answer: (C) the maximum amount of share capital which a company is authorised to issue.

Solution:

Authorised Share Capital, also known as:

Nominal Capital

is the:

maximum amount of share capital

that a company is legally authorised to issue according to its:

Memorandum of Association

It represents the upper limit beyond which shares cannot be issued unless the authorised capital is increased legally.

Option analysis:

- Option (A): Refers to Issued Capital
- Option (B): Refers to Subscribed Capital
- Option (C): Correct
- Option (D): Refers to Paid-up Capital

Therefore:

(C)

Quick Tip: Authorised Capital:

Maximum capital a company can issue

7. When a company issues shares at a premium, the company can collect securities premium along with the following:

- (A) Application money.
- (B) Allotment money.
- (C) Call money.

(D) Any of the above.

Correct Answer: (D) Any of the above.

Solution:

When shares are issued at a premium:

$$\text{Issue Price} > \text{Face Value}$$

The excess amount received over the face value is called:

Securities Premium

A company may collect securities premium along with:

- Application money
- Allotment money
- Call money

depending upon the terms of issue decided by the company.

Thus securities premium is not restricted to any one stage of share collection.

Option analysis:

- Option (A): Possible
- Option (B): Possible
- Option (C): Possible
- Option (D): Correct

Therefore:

(D)

Quick Tip: Securities Premium:

$$= \text{Issue Price} - \text{Face Value}$$

It may be collected with application, allotment or calls.

8. Provisions of the Partnership Act, 1932 are applied

- (A) if a Partnership Deed does not exist.
- (B) If Partnership Deed exists but there are differences among the partners.
- (C) if capital contribution by the partners is not same.
- (D) If Partner's salary is not provided in the Partnership Deed.

Correct Answer: (A) if a Partnership Deed does not exist.

Solution:

A Partnership Deed is a written agreement containing:

- Rights of partners
- Duties of partners
- Profit-sharing ratio
- Interest on capital
- Salary and other terms

When a Partnership Deed:

does not exist

or when certain matters are not mentioned in the deed, then the provisions of the:

Indian Partnership Act, 1932

become applicable.

These provisions are known as:

rules applicable in the absence of partnership deed

Option analysis:

- Option (A): Correct
- Option (B): Differences among partners do not automatically apply the Act
- Option (C): Unequal capital contribution is allowed in partnership

- Option (D): Only specific omitted clauses are governed by the Act, but the general condition is absence of deed

Therefore:

(A)

Quick Tip: If no Partnership Deed exists:

Indian Partnership Act, 1932 applies

9. Which of the following items, though related to partners, is not an appropriation of profit but rather a charge against profits, and therefore is excluded from the Profit & Loss Appropriation Account?

- (A) Interest on Partner's Capital provided as per partnership agreement
- (B) Interest on Drawings charged to partners for use of firm's funds
- (C) Rent paid to a partner for the use of their property by the firm under a separate contractual arrangement
- (D) Partner's Salary allowed as per partnership deed

Correct Answer: (C) Rent paid to a partner for the use of their property by the firm under a separate contractual arrangement

Solution:

Items related to partners are generally classified into:

- Appropriations of profit
- Charges against profit

Appropriations of profit are recorded in:

Profit & Loss Appropriation Account

Examples:

- Interest on Capital

- Partner's Salary
- Commission to Partners

However, rent paid to a partner for use of their property is treated as:

a business expense

because it arises from a separate contractual arrangement.

Therefore it is:

- A charge against profits
- Debited to Profit & Loss Account
- Not transferred to Profit & Loss Appropriation Account

Option analysis:

- Option (A): Appropriation of profit
- Option (B): Credited in Appropriation Account
- Option (C): Correct
- Option (D): Appropriation of profit

Therefore:

(C)

Quick Tip: Rent paid to a partner for use of property is:

a charge against profits

not an appropriation of profit.

10. Money received in advance from shareholders before it is actually called-up by the directors is

(A) Debited to Calls in Advance Account.

- (B) Credited to Calls-in-Advance Account.
(C) Debited to Share Capital Account.
(D) Credited to Share Capital Account.

Correct Answer: (B) Credited to Calls-in-Advance Account.

Solution:

Sometimes shareholders pay:

future call money in advance

before it is formally demanded by the company.

Such amount is known as:

Calls in Advance

Since this amount is:

- Received before becoming due
- A liability for the company

it is credited to:

Calls-in-Advance Account

Journal entry:

Bank A/c Dr.

To Calls-in-Advance A/c

Thus:

Calls-in-Advance Account is credited

Option analysis:

- Option (A): Incorrect
- Option (B): Correct
- Option (C): Incorrect
- Option (D): Incorrect because amount is not yet part of called-up capital

Therefore:

(B)

Quick Tip: Calls in Advance is:

a liability of the company

hence it is credited.