CUET 2026 May 29 Shift 1 Accountancy

Question Paper (Memory-Based) with Solutions

Conducted by National Testing Agency (NTA)

1. Which of the following is shown under the heading "Shareholders' Funds" in the Balance Sheet of a company?

(A) Trade Payables

(B) Short-term Borrowings

(C) Reserves and Surplus

(D) Outstanding Expenses

Correct Answer: (C) Reserves and Surplus

Solution:

Concept:

According to Schedule III of the Companies Act, Shareholders' Funds represent the amount invested by owners and accumulated profits retained in the business.

Main components of Shareholders' Funds are:

- Share Capital
- Reserves and Surplus
- Money received against share warrants

Step 1: Understanding Shareholders' Funds.

Shareholders' Funds appear on the liabilities side of the Balance Sheet because they represent owners' claim on business assets.

Step 2: Analyzing the options.

- Trade Payables are Current Liabilities.
- Short-term Borrowings are Current Liabilities.
- Reserves and Surplus are part of Shareholders' Funds.

- Outstanding Expenses are Current Liabilities.

Step 3: Selecting the correct answer.

Only:

$$\text{Reserves and Surplus}$$

belongs to Shareholders' Funds.

Hence correct option is:

$$\boxed{(C)}$$

Quick Tip: Remember:

$$\text{Shareholders' Funds} = \text{Share Capital} + \text{Reserves and Surplus}$$

---

2. Interest received by a finance company is classified under which activity in Cash Flow Statement?

(A) Operating Activity

(B) Investing Activity

(C) Financing Activity

(D) Extraordinary Activity

Correct Answer: (A) Operating Activity

Solution:

Concept:

Cash Flow Statement classifies cash flows into:

- Operating Activities
- Investing Activities
- Financing Activities

For financial enterprises:

- Interest received is part of main business operations.

Step 1: Understanding operating activities.

Operating activities are principal revenue generating activities of business.
For finance companies:

$$\text{Interest received}$$

is regular income.

Step 2: Analyzing options.

- Operating Activity — Correct
- Investing Activity — Applicable for non-financial enterprises
- Financing Activity — Related to capital and borrowings
- Extraordinary Activity — Not applicable

Step 3: Write the final answer.

Hence:

$$\boxed{\text{Operating Activity}}$$

Therefore, correct option is:

$$\boxed{(A)}$$

Quick Tip: For financial enterprises:

$$\text{Interest received} \rightarrow \text{Operating Activity}$$

---

3. At the time of forfeiture of shares originally issued at premium, Securities Premium Account is:

(A) Credited

(B) Debited only if premium is unpaid

(C) Always debited

(D) Not affected

Correct Answer: (B) Debited only if premium is unpaid

Solution:

Concept:

Securities Premium Account represents premium collected from shareholders over face value.

During forfeiture:

- If premium has already been received, no adjustment is needed.
- If premium is unpaid, Securities Premium Account must be debited.

Step 1: Understanding forfeiture.

Share forfeiture occurs when shareholder fails to pay allotment or calls.

Step 2: Case when premium is unpaid.

Suppose premium was due but not received:

$$\text{Securities Premium A/c Dr.}$$

because unrealized premium must be cancelled.

Step 3: Case when premium already received.

If premium was already received earlier:

$$\text{No adjustment required}$$

Step 4: Selecting correct option.

Hence:

$$\boxed{\text{Debited only if premium is unpaid}}$$

Therefore correct option is:

$$\boxed{(B)}$$

Quick Tip: In share forfeiture:

$$\text{Premium unpaid} \Rightarrow \text{Debit Securities Premium A/c}$$

---

4. Which of the following is treated as a non-current asset in the Balance Sheet?

(A) Cash in Hand

(B) Bank Overdraft

(C) Furniture

(D) Bills Payable

Correct Answer: (C) Furniture

Solution:

Concept:

Assets are classified into:

- Current Assets
- Non-current Assets

Non-current assets are long-term assets used in business operations for more than one accounting period.

Step 1: Analyzing each option.

- Cash in Hand — Current Asset
- Bank Overdraft — Current Liability
- Furniture — Non-current Asset
- Bills Payable — Current Liability

Step 2: Understanding furniture classification.

Furniture is:

- Tangible fixed asset

- Used for long-term business purposes

Hence classified as non-current asset.

Step 3: Final answer.

Therefore:

$$\boxed{\text{Furniture}}$$

Correct option:

$$\boxed{(C)}$$

Quick Tip: Fixed assets such as furniture, machinery and building are classified as non-current assets.

---

5. Debentures are shown under which head in the Balance Sheet of a company?

(A) Shareholders' Funds

(B) Current Liabilities

(C) Non-current Liabilities

(D) Current Assets

Correct Answer: (C) Non-current Liabilities

Solution:

Concept:

Debentures represent borrowed funds of the company.

They are long-term borrowings and therefore classified under non-current liabilities.

Step 1: Understanding debentures.

Debentures are:

- Debt instruments
- Issued to raise long-term finance

Step 2: Classification in Balance Sheet.

Under Schedule III:

$$\text{Long-term Borrowings}$$

are shown under:

$$\text{Non-current Liabilities}$$

Step 3: Selecting correct answer.

Hence:

$$\boxed{\text{Non-current Liabilities}}$$

Correct option:

$$\boxed{(C)}$$

Quick Tip: Debentures are long-term borrowings, therefore shown under Non-current Liabilities.

---

6. Purchase of machinery for cash will result in:

(A) Increase in Operating Activities

(B) Increase in Investing Activities

(C) Increase in Financing Activities

(D) No effect on Cash Flow Statement

Correct Answer: (B) Increase in Investing Activities

Solution:

Concept:

Purchase or sale of fixed assets affects Investing Activities in Cash Flow Statement.

Step 1: Understanding machinery purchase.

Machinery is a fixed asset.

Purchase of fixed asset involves:

$$\text{Outflow of cash}$$

Step 2: Classification in Cash Flow Statement.

Cash spent on purchase of machinery is shown under:

$$\text{Investing Activities}$$

Step 3: Final answer.

Thus:

$$\boxed{\text{Investing Activities}}$$

Correct option:

$$\boxed{(B)}$$

Quick Tip: Purchase or sale of fixed assets always comes under Investing Activities in Cash Flow Statement.

---

7. The amount received over and above face value of shares is called:

(A) Discount on Issue of Shares

(B) Calls in Arrears

(C) Securities Premium

(D) Capital Reserve

Correct Answer: (C) Securities Premium

Solution:

Concept:

When shares are issued at a price higher than face value:

$$\text{Excess amount} = \text{Premium}$$

This amount is credited to Securities Premium Account.

Step 1: Understanding issue at premium.

Suppose:

$$\text{Face Value} = 10$$

$$\text{Issue Price} = 12$$

Then:

$$2$$

is Securities Premium.

Step 2: Accounting treatment.

Journal entry:

$$\text{Bank A/c Dr.}$$

$$\text{To Share Capital A/c}$$

$$\text{To Securities Premium A/c}$$

Step 3: Final answer.

Hence:

$$\boxed{\text{Securities Premium}}$$

Correct option:

$$\boxed{(C)}$$

Quick Tip: Amount received above nominal value of shares is called Securities Premium.

---

8. Cash deposited into bank is classified as:

(A) Cash Flow from Operating Activities

(B) Cash Flow from Financing Activities

(C) Cash Flow from Investing Activities

(D) Not shown in Cash Flow Statement

Correct Answer: (D) Not shown in Cash Flow Statement

Solution:

Concept:
Cash Flow Statement records inflow and outflow of cash and cash equivalents between business and outsiders.
Transfer between:

$$\text{Cash} \longleftrightarrow \text{Bank}$$

does not change total cash and cash equivalents.
Step 1: Understanding internal transfers.

Depositing cash into bank only changes form of cash.

$$\text{Cash decreases}$$

$$\text{Bank balance increases}$$

Total cash equivalent remains same.
Step 2: Effect on Cash Flow Statement.

Since there is no overall inflow or outflow:

$$\text{No effect}$$

Step 3: Final answer.

Therefore:

$$\boxed{\text{Not shown in Cash Flow Statement}}$$

Correct option:

$$\boxed{(D)}$$

Quick Tip: Transactions between cash and bank are not shown in Cash Flow Statement because both are cash equivalents.

9. Which of the following is an extraordinary item in Cash Flow Statement?

(A) Sale of Goods

(B) Salary Paid

(C) Compensation received from earthquake loss

(D) Interest Paid

Correct Answer: (C) Compensation received from earthquake loss

Solution:

Concept:

Extraordinary items arise from events that are:

- Unusual
- Infrequent
- Non-recurring

Step 1: Understanding extraordinary items.

Examples:

- Earthquake loss
- Flood compensation
- Fire insurance claim

Step 2: Analyzing options.

- Sale of Goods — Normal activity
- Salary Paid — Operating activity
- Compensation from earthquake — Extraordinary item
- Interest Paid — Financing activity

Step 3: Final answer.

Hence:

$$\boxed{\text{Compensation received from earthquake loss}}$$

Correct option:

$$\boxed{(C)}$$

Quick Tip: Extraordinary items are rare and unusual events not related to regular business operations.

---

10. Which account is credited at the time of reissue of forfeited shares?

(A) Share Capital Account

(B) Bank Account

(C) Share Forfeiture Account

(D) Calls in Arrears Account

Correct Answer: (A) Share Capital Account

Solution:

Concept:

When forfeited shares are reissued:

- Bank Account is debited
- Share Capital Account is credited

If reissued at discount:

$$\text{Share Forfeiture A/c}$$

is debited.

Step 1: Understanding reissue entry.

General journal entry:

$$\text{Bank A/c Dr.}$$

$$\text{Share Forfeiture A/c Dr. (if discount)}$$

$$\text{To Share Capital A/c}$$

Step 2: Identifying credited account.

The credited account is:

$$\text{Share Capital Account}$$

Step 3: Final answer.

Hence:

$$\boxed{\text{Share Capital Account}}$$

Correct option:

$$\boxed{(A)}$$

Quick Tip: At reissue of forfeited shares:

$$\text{Share Capital A/c is always credited}$$