

NIOS Class 12 Accountancy Sample Paper- 5

Duration: 180 Minutes

Maximum Marks: 100

Instructions

- This paper contains **47 Questions**. The paper is divided into two sections: **Section A – 80 Marks** and **Section B – 20 Marks**.
- **Section A** (Q.No. 1 to 36):
 - **Q.No. 1 to 14**: Multiple Choice Questions (MCQs) carrying **1 mark** each.
 - **Q.No. 15 to 20**: Objective type questions carrying **2 marks** each.
 - **Q.No. 21 to 24**: Objective type questions carrying **4 marks** each.
 - **Q.No. 25 to 28**: Short answer questions carrying **2 marks** each.
 - **Q.No. 29 to 33**: Questions carrying **3 marks** each.
 - **Q.No. 34 to 36**: Questions carrying **5 marks** each.
- **Section B**: Attempt **any one Optional Module**.
 - **Q.No. 37 to 42**: MCQs carrying **1 mark** each.
 - **Q.No. 43 to 45**: Questions carrying **2 marks** each.
 - **Q.No. 46**: Question carrying **3 marks**.
 - **Q.No. 47**: Question carrying **5 marks**.
- An **internal choice** has been provided in some questions.
- There is **No Negative marking**.
- Use of mobile phones, smartwatches, calculators, or any electronic gadgets is strictly prohibited.

Section: A

Q1. Which of the following is NOT recorded as a business transaction in the books of accounts? (1)

(A) Purchase of furniture for cash



- (B) Appointment of a new manager
- (C) Payment of rent by cheque
- (D) Goods sold to a customer on credit

Q2. Gross Profit is equal to: (1)

- (A) Sales + Purchases
- (B) Net Sales – Cost of Goods Sold
- (C) Purchases – Sales
- (D) Net Sales + Closing Stock

Q3. A and B are partners sharing profits in the ratio 5:3. They admit C as a new partner for $\frac{1}{8}$ th share. The sacrificing ratio of A and B will be: (1)

- (A) 5:3
- (B) 3:5
- (C) 1:1
- (D) 5:8

Q4. The maximum number of members allowed in a Private Limited Company as per the Companies Act, 2013 is: (1)

- (A) 50
- (B) 100
- (C) 200
- (D) Unlimited

Q5. The accounting rule “Debit what comes in, credit what goes out” is applicable to: (1)

- (A) Personal Accounts
- (B) Nominal Accounts
- (C) Real Accounts



(D) All of the above

Q6. When the Trial Balance does not agree, the difference is temporarily transferred to: **(1)**

(A) Suspense Account

(B) Capital Account

(C) Adjustment Account

(D) Profit and Loss Account

Q7. Equity shares of a company can be forfeited for: **(1)**

(A) Non-payment of call money

(B) Non-payment of allotment money

(C) Non-payment of application money

(D) All of the above

Q8. Carriage Outward is treated as: **(1)**

(A) A direct expense shown in the Trading Account

(B) An indirect expense shown in the Profit & Loss Account

(C) An asset shown in the Balance Sheet

(D) A liability shown in the Balance Sheet

Q9. The average profit of a firm is Rs. 60,000 and the normal rate of return is 10%. The capital employed is Rs. 4,00,000. The super profit of the firm is: **(1)**

(A) Rs. 6,000

(B) Rs. 20,000

(C) Rs. 40,000

(D) Rs. 60,000

Q10. A Bank Reconciliation Statement is prepared to reconcile: **(1)**



- (A) The Cash Book balance with the Pass Book balance
- (B) The Journal with the Ledger
- (C) The Trial Balance with the Balance Sheet
- (D) The Trading Account with the Profit & Loss Account

Q11. The maximum discount that can be allowed at the time of reissue of forfeited shares is: **(1)**

- (A) The amount previously forfeited on those shares
- (B) The face value of the shares
- (C) The issue price of the shares
- (D) The call money on the shares

Q12. Prepaid Expenses are shown in the Balance Sheet as: **(1)**

- (A) Current Liabilities
- (B) Current Assets
- (C) Fixed Assets
- (D) Capital

Q13. The gaining ratio is calculated at the time of: **(1)**

- (A) Admission of a partner
- (B) Retirement of a partner
- (C) Dissolution of a firm
- (D) Conversion of a firm into a company

Q14. A bill of exchange requires acceptance from the: **(1)**

- (A) Drawer
- (B) Drawee
- (C) Payee
- (D) Endorser



- Q15.** Fill in the blanks: (2)
- The fundamental accounting equation is: $\text{Assets} = \text{Capital} + \underline{\hspace{2cm}}$.
 - The process of recording a transaction in the journal is called .
- Q16.** Give one word / term for the following: (2)
- Goods returned by customers due to defects or damage.
 - The document that serves as evidence of a business transaction.
- Q17.** Complete the following sentences: (2)
- The statement prepared to check the arithmetical accuracy of ledger accounts is called the .
 - Goods withdrawn by the owner for personal use are debited to the Account.
- Q18.** Give one word / term for the following: (2)
- The ratio in which the continuing partners acquire the share of the retiring partner.
 - The additional amount charged over and above the face value of a share.
- Q19.** Give one word / term for the following: (2)
- The accounting error where a transaction is completely omitted from the books.
 - An unconditional order in writing directing a person to pay a fixed sum of money.
- Q20.** Fill in the blanks: (2)
- At the time of admission of a partner, the account prepared to record changes in the value of assets and liabilities is called the Account.
 - When a company issues shares at a price higher than the face value, the excess amount is credited to Account.



Q21. Write the names of the accounts affected (Debit and Credit) in each of the following transactions: (4)

- (i) Started business with cash Rs. 1,00,000.
- (ii) Purchased goods for cash Rs. 20,000.
- (iii) Sold goods to Mohan on credit Rs. 15,000.
- (iv) Paid wages Rs. 2,000 in cash.

Q22. Identify the type of accounting error in each of the following cases: (4)

- (i) Purchase of machinery Rs. 10,000 recorded in the Purchases Book.
- (ii) Rs. 500 paid for rent was completely omitted from the books.
- (iii) Rs. 1,000 received from Ram was credited to Shyam's account.
- (iv) Sale of goods to X for Rs. 5,000 was recorded as Rs. 500.

Q23. Give one word / term for the following: (4)

- (i) The excess of net sales over cost of goods sold.
- (ii) The excess of current assets over current liabilities.
- (iii) The statement showing the financial position of a business on a particular date.
- (iv) The amount not yet called by the company on its issued shares.

Q24. Give one word / term for the following: (4)

- (i) The ratio in which old partners surrender their share in favour of a new partner.
- (ii) The profit earned over and above the normal profit.
- (iii) The account opened at the time of dissolution to record realisation of assets and payment of liabilities.
- (iv) The maximum capital that a company is authorised to raise as per its Memorandum of Association.

Q25. Explain the concept of Operating Profit with the help of a suitable example. (2)



Q26. (a) A and B are partners sharing profits in the ratio 3:2. They admit C for $\frac{1}{5}$ th share in future profits. Calculate the new profit-sharing ratio.

OR

(b) State any two differences between Shares and Debentures. (2)

Q27. (a) A company issued 2,000 shares of Rs. 10 each at a premium of Rs. 2 per share. Calculate the total amount received by the company.

OR

(b) Pass the journal entry for forfeiture of 100 shares of Rs. 10 each on which Rs. 6 was called up and Rs. 4 was paid. (2)

Q28. (a) Calculate the interest on drawings of Rs. 12,000 at 10% per annum for an average period of 6 months.

OR

(b) What is meant by “Calls-in-Arrears”? When does it arise? (2)

Q29. (a) Pass the necessary journal entries for the following transactions:

(i) Goods distributed as free samples Rs. 5,000.

(ii) Bad debts of Rs. 2,000 recovered in cash.

(iii) Depreciation of Rs. 3,000 charged on machinery.

OR

(b) Explain any three causes of differences between the Cash Book balance and the Pass Book balance. (3)

Q30. From the following information, calculate the Cost of Goods Sold and Gross Profit:

Opening Stock: Rs. 20,000; Purchases: Rs. 1,50,000; Purchase Returns: Rs. 10,000;

Direct Expenses (Wages): Rs. 15,000; Closing Stock: Rs. 25,000; Sales:

Rs. 2,20,000; Sales Returns: Rs. 20,000. (3)

Q31. (a) Prepare a Bank Reconciliation Statement from the following as on 31st March 2024:

Balance as per Cash Book (Debit) Rs. 40,000; Cheques deposited but not credited by bank Rs. 5,000; Cheques issued but not presented Rs. 8,000; Bank charges



not recorded in Cash Book Rs. 500; Interest on investments collected by bank Rs. 2,000.

OR

(b) On 1st January 2024, A drew a bill of exchange for Rs. 15,000 on B for 3 months. B accepted it. A discounted the bill with the bank on 4th January 2024 at 12% p.a. The bill was duly met on maturity. Pass journal entries in the books of A. (3)

Q32. A, B and C are partners sharing profits in the ratio 3:2:1. C retires. Goodwill of the firm is valued at Rs. 90,000. Pass the necessary journal entry for the treatment of goodwill without opening a Goodwill Account. (3)

Q33. (a) A company forfeited 500 shares of Rs. 10 each (fully called up) on which the allottee had paid only Rs. 5 per share. These shares were reissued at Rs. 7 per share as fully paid up. Pass journal entries for forfeiture, reissue, and transfer to Capital Reserve.

OR

(b) Distinguish between Equity Shares and Preference Shares (any three points). (3)

Q34. From the following Trial Balance of M/s Gupta Traders as on 31st March 2024 and the adjustments given, prepare a Trading Account and Profit & Loss Account for the year ended 31st March 2024: (5)



Particulars	Dr. (Rs.)	Cr. (Rs.)
Stock (1.4.2023)	15,000	
Purchases	85,000	
Sales		1,50,000
Wages	10,000	
Salaries	12,000	
Rent	8,000	
Sundry Expenses	5,000	
Machinery	50,000	
Debtors	25,000	
Cash at Bank	10,000	
Creditors		20,000
Capital		50,000
Total	2,20,000	2,20,000

Adjustments: (i) Closing Stock Rs. 18,000. (ii) Depreciate Machinery at 10% p.a. (iii) Outstanding Wages Rs. 2,000.

Q35. A and B are partners sharing profits in the ratio 3:2. Their Balance Sheet as on 31st March 2024 was as follows:

Liabilities	Rs.	Assets	Rs.
Creditors	30,000	Cash	10,000
Bills Payable	10,000	Debtors	35,000
Capital A	60,000	Stock	30,000
Capital B	40,000	Machinery	65,000
Total	1,40,000	Total	1,40,000

They admit C as a new partner from 1st April 2024 for $\frac{1}{5}$ th share in profits on the following terms:

(i) C brings Rs. 30,000 as capital and his share of goodwill in cash. Goodwill of the firm is valued at Rs. 50,000.



(ii) Stock is to be depreciated by Rs. 5,000.

(iii) Create a provision for doubtful debts at 5% on debtors.

Prepare: (a) Revaluation Account, (b) Partners' Capital Accounts. **(5)**

Q36. (a) A, B and C were partners sharing profits in the ratio 3:2:1. Their Balance Sheet as on 31st March 2024 was as follows:

Liabilities	Rs.	Assets	Rs.
Creditors	40,000	Cash	15,000
Bills Payable	20,000	Debtors	40,000
Capital A	60,000	Stock	35,000
Capital B	40,000	Furniture	20,000
Capital C	20,000	Machinery	70,000
Total	1,80,000	Total	1,80,000

The firm was dissolved on the above date. Assets realised: Debtors Rs. 35,000; Stock Rs. 30,000; Furniture Rs. 15,000; Machinery Rs. 65,000. Creditors were paid Rs. 40,000 in full. Bills Payable were settled at Rs. 14,000. Realisation expenses Rs. 4,000.

Prepare the Realisation Account.

OR

(b) Sunrise Ltd. issued 10,000 equity shares of Rs. 10 each at par, payable as: Rs. 3 on application, Rs. 4 on allotment, Rs. 3 on first and final call. All shares were subscribed and money duly received. Pass journal entries and show how Share Capital appears in the Balance Sheet. **(5)**



Section: B – Module I**Analysis of Financial Statements – Attempt any one of the Optional Module I or Module II**

- Q37.** Current Ratio is the relationship between: (1)
- (A) Current Assets and Current Liabilities
 - (B) Current Liabilities and Current Assets
 - (C) Liquid Assets and Current Liabilities
 - (D) Fixed Assets and Current Liabilities
- Q38.** Liquid Assets are equal to: (1)
- (A) Current Assets + Stock
 - (B) Current Assets – Stock
 - (C) Fixed Assets – Stock
 - (D) Total Assets – Current Liabilities
- Q39.** The Inventory Turnover Ratio is the relationship between: (1)
- (A) Cost of Goods Sold and Average Inventory
 - (B) Sales and Purchases
 - (C) Net Profit and Sales
 - (D) Total Assets and Sales
- Q40.** Payment of dividend to shareholders in a Cash Flow Statement is classified under: (1)
- (A) Operating Activities
 - (B) Investing Activities
 - (C) Financing Activities
 - (D) None of the above



- Q41.** Which of the following is an example of an Investing Activity? (1)
- (A) Issue of shares
 - (B) Purchase of machinery
 - (C) Payment of income tax
 - (D) Payment of dividend
- Q42.** The Proprietary Ratio expresses the relationship between: (1)
- (A) Proprietor's Funds and Total Assets
 - (B) Proprietor's Funds and Total Liabilities
 - (C) Total Assets and Total Liabilities
 - (D) Net Profit and Capital Employed
- Q43.** Answer the following: (2)
- (i) From the following, calculate the Current Ratio: Current Assets Rs. 3,00,000; Current Liabilities Rs. 1,50,000.
 - (ii) Calculate the Debt-Equity Ratio: Long-term Debt Rs. 3,00,000; Shareholders' Equity Rs. 5,00,000.
- Q44.** Answer the following: (2)
- (i) What is meant by "Activity Ratios"? Give one example.
 - (ii) Write the formula for Gross Profit Ratio.
- Q45.** Answer the following: (2)
- (i) Classify the following into Operating, Investing, or Financing activities:
 - (a) Purchase of land, (b) Issue of debentures, (c) Payment of salaries.
 - (ii) What is meant by "Cash Equivalents"?
- Q46.** Answer the following: (3)



- (i) From the following, calculate the Operating Ratio and Operating Profit Ratio:
Revenue from Operations Rs. 5,00,000; Cost of Goods Sold Rs. 3,00,000;
Operating Expenses Rs. 1,00,000.
- (ii) Explain any two limitations of Financial Statement Analysis.

Q47. (i) From the following information of X Ltd., calculate: (a) Current Ratio, (b) Liquid Ratio, (c) Debt-Equity Ratio, (d) Proprietary Ratio.

Particulars	Rs.
Equity Share Capital	4,00,000
Reserves and Surplus	1,00,000
Long-term Borrowings (Debentures)	2,00,000
Current Liabilities	1,50,000
Non-current Assets (Fixed Assets)	5,50,000
Current Assets: Stock	1,50,000
Current Assets: Other Current Assets	1,50,000

(ii) State any five objectives of preparing a Cash Flow Statement. (5)

Section: B – Module II

Application of Computers in Financial Accounting – Attempt any one of the Optional Module I or Module II

Q37. In a spreadsheet, the intersection of a row and a column is called a: (1)

- (A) Range
- (B) Cell
- (C) Formula
- (D) Label

Q38. In Microsoft Excel, every formula begins with the symbol: (1)

- (A) +



(B) =

(C) *

(D) #

Q39. Which of the following is an example of a Relational Database Management System (RDBMS)? (1)

(A) MS Paint

(B) MS Excel

(C) MS Access

(D) MS Word

Q40. A chart that shows the proportion of various parts to a whole is called a: (1)

(A) Bar chart

(B) Line chart

(C) Pie chart

(D) Scatter chart

Q41. Which of the following is NOT an advantage of computerised accounting? (1)

(A) Speed and accuracy

(B) Real-time information

(C) Reduced storage space

(D) High initial cost of setup

Q42. In a DBMS, the field that uniquely identifies each record in a table is called the: (1)

(A) Foreign key

(B) Primary key

(C) Alternate key

(D) Composite key



- Q43.** Answer the following: (2)
- (i) What is a cell address in a spreadsheet? Give one example.
 - (ii) State any two advantages of computerised accounting over manual accounting.
- Q44.** Answer the following: (2)
- (i) What is meant by “What-If Analysis” in a spreadsheet?
 - (ii) Name any two built-in functions available in a spreadsheet.
- Q45.** Answer the following: (2)
- (i) What is a Primary Key in DBMS? State its importance.
 - (ii) Differentiate between Data and Information.
- Q46.** Answer the following: (3)
- (i) Explain any three features of a spreadsheet that are useful for accounting.
 - (ii) Describe any three types of charts used in business applications.
- Q47.** (i) Explain any five advantages and any three limitations of a computerised accounting system.
(ii) Describe the components of a Database Management System (DBMS) with examples. (5)



Detailed Solutions – Section A**Q1.****Solution**

Concept: A business transaction is an economic event that involves the exchange of money or money's worth and is recorded in the books of accounts. Only events with a financial impact are treated as transactions. **Solution:**

Step 1: Analyse each option for a monetary exchange or exchange of goods/services.

Step 2: Purchase of furniture (cash), payment of rent (cheque), and sale of goods (credit) all involve financial exchange.

Step 3: Appointment of a new manager is an event but does not involve any immediate exchange of money or goods in the books.

Step 4: Therefore, it is not recorded as a business transaction.

Final Answer: Appointment of a new manager (Option B)

Answer: (B)

[Go Back to Question 1](#)

Q2.**Solution**

Concept: Gross Profit is the difference between revenue from operations (net sales) and the cost of goods sold. It measures the profit from core trading activities before indirect expenses. **Solution:**

Step 1: $\text{Gross Profit} = \text{Net Sales} - \text{Cost of Goods Sold}$.

Step 2: $\text{Net Sales} = \text{Total Sales} - \text{Sales Returns}$.

Step 3: $\text{COGS} = \text{Opening Stock} + \text{Purchases} + \text{Direct Expenses} - \text{Closing Stock}$.

Step 4: Option (B) correctly states this formula.

Final Answer: $\text{Net Sales} - \text{Cost of Goods Sold}$ (Option B)

Answer: (B)

[Go Back to Question 2](#)



Q3.

Solution

Concept: When a new partner is admitted and the question does not specify how the sacrificing partners give up their share, the sacrificing ratio is assumed to be the same as the old profit-sharing ratio. **Solution:**

Step 1: The old ratio of A and B is 5:3.

Step 2: C is admitted for $\frac{1}{8}$ th share, but no information is given about the sacrifice.

Step 3: When nothing is mentioned, sacrificing ratio = old profit-sharing ratio.

Step 4: Therefore, the sacrificing ratio of A and B is 5:3.

Final Answer: 5:3 (Option A)

Answer: (A)

[Go Back to Question 3](#)

Q4.

Solution

Concept: As per Section 2(68) of the Companies Act, 2013, a private company restricts the number of its members to a maximum of 200 (excluding present and former employee-members).

Solution:

Step 1: Section 2(68) of the Companies Act, 2013 defines a private company.

Step 2: One condition is that the number of members must not exceed 200.

Step 3: This limit excludes persons who are or were in the employment of the company.

Step 4: Therefore, the maximum number of members is 200.

Final Answer: 200 (Option C)

Answer: (C)

[Go Back to Question 4](#)



Q5.

Solution

Concept: The rules of debit and credit depend on the type of account: Personal, Real, or Nominal. Real accounts represent tangible and intangible assets of the business. **Solution:**

Step 1: For Personal Accounts: Debit the receiver, credit the giver.

Step 2: For Real Accounts: Debit what comes in, credit what goes out.

Step 3: For Nominal Accounts: Debit all expenses and losses, credit all incomes and gains.

Step 4: The given rule applies to Real Accounts.

Final Answer: Real Accounts (Option C)

Answer: (C)

[Go Back to Question 5](#)

Q6.

Solution

Concept: When a trial balance does not agree, the difference is temporarily put in a Suspense Account on the shorter side so that financial statements can be prepared without delay. **Solution:**

Step 1: If total debits do not equal total credits, the trial balance does not agree.

Step 2: The difference is placed in a Suspense Account on the shorter side.

Step 3: This allows preparation of final accounts immediately.

Step 4: The Suspense Account is cleared later when errors are located and rectified.

Final Answer: Suspense Account (Option A)

Answer: (A)

[Go Back to Question 6](#)



Q7.

Solution

Concept: A company can forfeit shares if a shareholder fails to pay any amount due – whether application money, allotment money, or call money – after giving due notice. **Solution:**

Step 1: Shares can be forfeited for non-payment of application money.

Step 2: Shares can be forfeited for non-payment of allotment money.

Step 3: Shares can be forfeited for non-payment of one or more calls.

Step 4: Therefore, all of the above are valid grounds for forfeiture.

Final Answer: All of the above (Option D)

Answer: (D)

[Go Back to Question 7](#)

Q8.

Solution

Concept: Carriage outward is the cost of transporting goods sold to customers. It is a selling expense (indirect expense), not a direct expense related to production or purchases. **Solution:**

Step 1: Carriage inward (on purchases) is a direct expense shown in the Trading Account.

Step 2: Carriage outward (on sales) is an indirect expense.

Step 3: Indirect expenses are shown on the debit side of the Profit & Loss Account.

Step 4: Therefore, carriage outward is shown in the Profit & Loss Account.

Final Answer: An indirect expense shown in the Profit & Loss Account (Option B)

Answer: (B)

[Go Back to Question 8](#)

Q9.

Solution

Concept: Super profit is the excess of average profit over normal profit. Normal profit = Capital Employed \times Normal Rate of Return = Rs. 4,00,000 \times $\frac{10}{100}$ = Rs. 40,000. **Solution:**

Step 1: Super Profit = Average Profit – Normal Profit.

Step 2: Super Profit = Rs. 60,000 – Rs. 40,000 = Rs. 20,000.

Final Answer: Rs. 20,000 (Option B)

Answer: (B)

[Go Back to Question 9](#)



Q10.

Solution

Concept: A Bank Reconciliation Statement (BRS) is prepared to reconcile the difference between the bank balance as per the Cash Book and the bank balance as per the Pass Book (bank statement).

Solution:

Step 1: The Cash Book is maintained by the business enterprise.

Step 2: The Pass Book is maintained by the bank.

Step 3: Due to timing differences and errors, the two balances may not match.

Step 4: BRS identifies and explains the reasons for the difference.

Final Answer: The Cash Book balance with the Pass Book balance (Option A)

Answer: (A)

[Go Back to Question 10](#)

Q11.

Solution

Concept: When forfeited shares are reissued at a discount, the discount cannot exceed the amount previously forfeited on those shares, as this protects the paid-up share capital. **Solution:**

Step 1: The amount forfeited represents money already received from the defaulting shareholder.

Step 2: This amount can be used to absorb the discount on reissue.

Step 3: If the discount exceeds the forfeited amount, the excess would reduce share capital.

Step 4: This is not permitted; hence the maximum discount equals the forfeited amount.

Final Answer: The amount previously forfeited on those shares (Option A)

Answer: (A)

[Go Back to Question 11](#)



Q12.

Solution

Concept: Prepaid expenses are expenses paid in advance for services not yet received. They represent a future economic benefit and are therefore classified as assets. **Solution:**

Step 1: Prepaid expenses relate to the next accounting period.

Step 2: They represent amounts already paid for future services.

Step 3: Since they provide future benefit within one year, they are current assets.

Step 4: Therefore, they are shown under Current Assets in the Balance Sheet.

Final Answer: Current Assets (Option B)

Answer: (B)

[Go Back to Question 12](#)

Q13.

Solution

Concept: The gaining ratio is the ratio in which the continuing partners acquire the share of the retiring partner. It is relevant only at the time of retirement of a partner. **Solution:**

Step 1: When a partner retires, the remaining partners gain the retiring partner's share.

Step 2: Gaining Ratio = New Ratio – Old Ratio.

Step 3: It is used to adjust goodwill and capital accounts of continuing partners.

Step 4: Therefore, the gaining ratio is calculated at the time of retirement.

Final Answer: Retirement of a partner (Option B)

Answer: (B)

[Go Back to Question 13](#)



Q14.

Solution

Concept: A bill of exchange is drawn by the creditor (drawer) on the debtor (drawee). The drawee must accept the bill by signing it, after which it becomes a valid and binding instrument. **Solution:**

Step 1: A bill of exchange is an unconditional written order to pay.

Step 2: It is drawn by the drawer (creditor) on the drawee (debtor).

Step 3: The drawee must accept the bill by putting their signature on it.

Step 4: Only after acceptance does the bill become legally enforceable.

Final Answer: Drawee (Option B)

Answer: (B)

[Go Back to Question 14](#)

Q15.

Solution

Concept: The accounting equation is based on the dual aspect concept. The fundamental equation is $\text{Assets} = \text{Capital} + \text{Liabilities}$. Journalising is the process of recording transactions in the journal.

Solution:

Step 1: (i) The missing term in the equation is **Liabilities**. Complete equation: $\text{Assets} = \text{Capital} + \text{Liabilities}$.

Step 2: (ii) The process of recording a transaction in the journal is called **Journalising**.

Final Answer: (i) Liabilities (ii) Journalising

[Go Back to Question 15](#)

Q16.

Solution

Concept: Specific accounting terms are used for particular types of transactions and documents.

Solution:

Step 1: (i) Goods returned by customers are called **Sales Return** (or Return Inward).

Step 2: (ii) The document that serves as evidence of a business transaction is called a **Voucher** (or Source Document).

Final Answer: (i) Sales Return (ii) Voucher

[Go Back to Question 16](#)



Q17.

Solution

Concept: Accounting terminology covers various tools and concepts used in the accounting process. **Solution:**

Step 1: (i) The statement prepared to check the arithmetical accuracy of ledger accounts is the **Trial Balance**.

Step 2: (ii) Goods withdrawn by the owner for personal use are debited to the **Drawings** Account.

Final Answer: (i) Trial Balance (ii) Drawings

[Go Back to Question 17](#)

Q18.

Solution

Concept: Partnership and company accounts use specific terms for ratios and amounts related to capital. **Solution:**

Step 1: (i) The ratio in which continuing partners acquire the share of a retiring partner is the **Gaining Ratio**.

Step 2: (ii) The additional amount charged over and above the face value of a share is called **Premium** (or Securities Premium).

Final Answer: (i) Gaining Ratio (ii) Premium

[Go Back to Question 18](#)

Q19.

Solution

Concept: Accounting errors are classified into different types. Negotiable instruments have specific legal definitions. **Solution:**

Step 1: (i) The error where a transaction is completely omitted is an **Error of Omission**.

Step 2: (ii) An unconditional order in writing to pay a fixed sum of money is a **Bill of Exchange**.

Final Answer: (i) Error of Omission (ii) Bill of Exchange

[Go Back to Question 19](#)



Q20.**Solution**

Concept: Revaluation Account is prepared at the time of admission of a partner. Securities Premium is credited when shares are issued at a premium. **Solution:**

Step 1: (i) The account prepared to record changes in asset/liability values at admission is the **Revaluation** Account.

Step 2: (ii) The excess of issue price over face value is credited to the **Securities Premium** Account.

Final Answer: (i) Revaluation (ii) Securities Premium

[Go Back to Question 20](#)

Q21.**Solution**

Concept: Every transaction affects at least two accounts: one is debited and the other is credited, following the rules of double-entry bookkeeping. **Solution:**

Step 1: (i) Debit: Cash A/c; Credit: Capital A/c (cash comes in, owner's capital increases).

Step 2: (ii) Debit: Purchases A/c; Credit: Cash A/c (goods come in, cash goes out).

Step 3: (iii) Debit: Mohan A/c; Credit: Sales A/c (debtor increases, sales increase).

Step 4: (iv) Debit: Wages A/c; Credit: Cash A/c (expense increases, cash goes out).

Final Answer: (i) Cash & Capital (ii) Purchases & Cash (iii) Mohan & Sales (iv) Wages & Cash

[Go Back to Question 21](#)



Q22.

Solution

Concept: Accounting errors are classified as errors of principle, omission, commission, compensating, etc., depending on their nature. **Solution:**

Step 1: (i) Purchase of machinery recorded in Purchases Book is an **Error of Principle** (asset treated as expense).

Step 2: (ii) Rent payment completely omitted is an **Error of Omission**.

Step 3: (iii) Amount received from Ram credited to Shyam is an **Error of Commission** (wrong account).

Step 4: (iv) Recording Rs. 5,000 as Rs. 500 is an **Error of Commission** (wrong amount).

Final Answer: (i) Error of Principle (ii) Error of Omission (iii) Error of Commission
(iv) Error of Commission

[Go Back to Question 22](#)

Q23.

Solution

Concept: Various accounting terms relate to profitability, working capital, financial position, and share capital. **Solution:**

Step 1: (i) Excess of net sales over COGS is **Gross Profit**.

Step 2: (ii) Excess of current assets over current liabilities is **Working Capital**.

Step 3: (iii) Statement showing financial position on a particular date is the **Balance Sheet**.

Step 4: (iv) Amount not yet called by the company is **Uncalled Capital**.

Final Answer: (i) Gross Profit (ii) Working Capital (iii) Balance Sheet (iv) Uncalled Capital

[Go Back to Question 23](#)



Q24.

Solution

Concept: Partnership and company accounts use specific terms for ratios, profits, accounts, and capital. **Solution:**

Step 1: (i) Ratio in which old partners surrender share for a new partner: **Sacrificing Ratio.**

Step 2: (ii) Profit above normal profit: **Super Profit.**

Step 3: (iii) Account for realising assets at dissolution: **Realisation Account.**

Step 4: (iv) Maximum capital per Memorandum: **Authorised Capital.**

Final Answer: (i) Sacrificing Ratio (ii) Super Profit (iii) Realisation Account (iv) Authorised Capital

[Go Back to Question 24](#)

Q25.

Solution

Concept: Operating Profit is the profit earned from the core business operations, excluding non-operating incomes and expenses. It reflects the efficiency of the main business activities.

Solution:

Step 1: Formula: Operating Profit = Gross Profit – Operating Expenses + Operating Incomes.

Step 2: Operating Expenses include office expenses, selling expenses, and administrative expenses.

Step 3: Example: Gross Profit = Rs. 80,000; Office Expenses = Rs. 15,000; Selling Expenses = Rs. 10,000.

Step 4: Operating Profit = 80,000 – 15,000 – 10,000 = Rs. 55,000.

Final Answer: Operating Profit = Gross Profit – Operating Expenses. Example: Rs. 55,000.

[Go Back to Question 25](#)



Q26.

Solution**Concept:** To find the new profit-sharing ratio, calculate each partner's share after admission.**Solution:****Step 1:** C's share = $\frac{1}{5}$. Remaining share = $1 - \frac{1}{5} = \frac{4}{5}$.**Step 2:** A's new share = $\frac{4}{5} \times \frac{3}{5} = \frac{12}{25}$.**Step 3:** B's new share = $\frac{4}{5} \times \frac{2}{5} = \frac{8}{25}$.**Step 4:** C's share = $\frac{1}{5} = \frac{5}{25}$. New ratio = 12:8:5.**Final Answer:** New profit-sharing ratio = 12:8:5**OR****Concept:** Shares and debentures are two main types of securities issued by companies. **Solution:****Step 1: 1. Nature:** Shares represent ownership; Debentures represent debt (loan).**Step 2: 2. Return:** Shares earn dividend (not fixed); Debentures earn fixed interest.**Step 3: 3. Voting rights:** Shareholders have voting rights; Debentureholders do not.**Final Answer:** Two key differences stated above.[Go Back to Question 26](#)

Q27.

Solution

Concept: When shares are issued at a premium, the total amount includes face value plus premium.

Solution:

Step 1: Face value per share = Rs. 10; Premium per share = Rs. 2.

Step 2: Issue price per share = $10 + 2 = \text{Rs. } 12$.

Step 3: Number of shares = 2,000.

Step 4: Total amount = $2,000 \times 12 = \text{Rs. } 24,000$.

Final Answer: Total amount received = Rs. 24,000

OR

Concept: Forfeiture cancels the shares of a defaulting shareholder. **Solution:**

Step 1: Shares forfeited = 100; FV = Rs. 10; Called up = Rs. 6; Paid = Rs. 4.

Step 2: Share Capital to be cancelled = $100 \times 6 = \text{Rs. } 600$.

Step 3: Calls-in-Arrears = $100 \times 2 = \text{Rs. } 200$; Forfeited amount = $100 \times 4 = \text{Rs. } 400$.

Step 4: Entry: Share Capital A/c Dr. 600; To Calls-in-Arrears A/c 200; To Forfeited Shares A/c 400.

Final Answer: Share Capital A/c Dr. Rs. 600; To Calls-in-Arrears Rs. 200; To Forfeited Shares Rs. 400.

[Go Back to Question 27](#)



Q28.

Solution

Concept: Interest on drawings is calculated using the simple interest formula. **Solution:**

Step 1: Principal = Rs. 12,000; Rate = 10% p.a.; Time = 6 months = $\frac{6}{12}$ year.

Step 2: Interest = $P \times R \times T / 100$.

Step 3: Interest = $\frac{12000 \times 10 \times 6}{100 \times 12}$ = Rs. 600.

Final Answer: Interest on drawings = Rs. 600

OR

Concept: Calls-in-Arrears arises when shareholders fail to pay amounts due on shares. **Solution:**

Step 1: Calls-in-Arrears is the amount not paid by shareholders on calls made by the company.

Step 2: It arises when a shareholder fails to pay allotment or call money within the due date.

Step 3: It is shown as a deduction from Called-up Capital in the Balance Sheet (or disclosed separately).

Final Answer: Calls-in-Arrears = unpaid amount on calls; arises on default by shareholders.

[Go Back to Question 28](#)

Q29.

Solution

Concept: Adjusting entries are passed at the end of the accounting period to record items not yet recorded. **Solution:**

Step 1: (i) Advertisement A/c (Free Samples) Dr. 5,000; To Purchases A/c 5,000.

Step 2: (ii) Cash/Bank A/c Dr. 2,000; To Bad Debts Recovered A/c 2,000.

Step 3: (iii) Depreciation A/c Dr. 3,000; To Machinery A/c 3,000.

Final Answer: Three journal entries passed as above.

OR

Concept: Differences between Cash Book and Pass Book arise due to timing gaps and bank-initiated transactions. **Solution:**

Step 1: 1. Cheques issued but not yet presented for payment by the payee.

Step 2: 2. Cheques deposited into the bank but not yet collected/credited by the bank.

Step 3: 3. Direct deposits or payments made by the bank (e.g., interest, charges) not recorded in the Cash Book.

Final Answer: Three causes stated above.

[Go Back to Question 29](#)



Q30.**Solution**

Concept: COGS is calculated from opening stock, net purchases, direct expenses, and closing stock. $\text{Gross Profit} = \text{Net Sales} - \text{COGS}$. **Solution:**

Step 1: $\text{Net Purchases} = 1,50,000 - 10,000 = \text{Rs. } 1,40,000$.

Step 2: $\text{COGS} = \text{Opening Stock} + \text{Net Purchases} + \text{Direct Expenses} - \text{Closing Stock}$.

Step 3: $\text{COGS} = 20,000 + 1,40,000 + 15,000 - 25,000 = \text{Rs. } 1,50,000$.

Step 4: $\text{Net Sales} = 2,20,000 - 20,000 = \text{Rs. } 2,00,000$.

Step 5: $\text{Gross Profit} = 2,00,000 - 1,50,000 = \text{Rs. } 50,000$.

Final Answer: $\text{COGS} = \text{Rs. } 1,50,000$; $\text{Gross Profit} = \text{Rs. } 50,000$

[Go Back to Question 30](#)



Q31.

Solution

Concept: BRS starts with one balance and adjusts for timing differences to arrive at the other balance. **Solution:**

Step 1: Start: Balance as per Cash Book = Rs. 40,000 (Debit).

Step 2: Less: Cheques deposited not credited = Rs. 5,000.

Step 3: Add: Cheques issued not presented = Rs. 8,000.

Step 4: Less: Bank charges not recorded = Rs. 500.

Step 5: Add: Interest collected by bank = Rs. 2,000.

Step 6: Balance as per Pass Book = $40,000 - 5,000 + 8,000 - 500 + 2,000 = \text{Rs. } 44,500$.

Final Answer: Balance as per Pass Book = Rs. 44,500

OR

Concept: A bill receivable is recorded in the drawer's books at acceptance, and removed on discounting. **Solution:**

Step 1: 1/1/24: Bills Receivable A/c Dr. 15,000; To B's A/c 15,000 (acceptance received).

Step 2: 4/1/24: Bank A/c Dr. 14,550; Discount A/c Dr. 450; To Bills Receivable A/c 15,000 (bill discounted).

Step 3: Discount = $15,000 \times \frac{12}{100} \times \frac{3}{12} = \text{Rs. } 450$.

Step 4: At maturity: No entry in A's books (bill already discounted and met by B).

Final Answer: Two journal entries passed; discount = Rs. 450.

[Go Back to Question 31](#)

Q32.

Solution

Concept: When goodwill is adjusted without raising it, the gaining partners' capital accounts are debited and the retiring partner's capital account is credited with the retiring partner's share of goodwill. **Solution:**

Step 1: C's share = $\frac{1}{6}$. C's share of goodwill = $90,000 \times \frac{1}{6} = \text{Rs. } 15,000$.

Step 2: After C retires, A and B share in 3:2. Gaining ratio:

Step 3: A gains = $\frac{3}{5} - \frac{3}{6} = \frac{1}{10}$; B gains = $\frac{2}{5} - \frac{2}{6} = \frac{1}{15}$. Gaining ratio = 3:2.

Step 4: Entry: A's Capital A/c Dr. 9,000; B's Capital A/c Dr. 6,000; To C's Capital A/c 15,000.

Final Answer: A's Capital Dr. Rs. 9,000; B's Capital Dr. Rs. 6,000; To C's Capital Rs. 15,000.

[Go Back to Question 32](#)



Q33.

Solution

Concept: Forfeiture cancels the defaulting shareholder's shares. Reissue re-allots them. Net forfeited balance goes to Capital Reserve. **Solution:**

Step 1: Forfeiture: Share Capital A/c Dr. 5,000; To Calls-in-Arrears 2,500; To Forfeited Shares 2,500.

Step 2: Reissue: Bank A/c Dr. 3,500; Forfeited Shares A/c Dr. 1,500; To Share Capital 5,000.

Step 3: Capital Reserve: Forfeited Shares A/c Dr. 1,000 (2,500 – 1,500); To Capital Reserve 1,000.

Final Answer: Three entries: Forfeiture, Reissue, Capital Reserve transfer (Rs. 1,000).

OR

Concept: Equity and preference shares differ in dividend, repayment priority, and voting rights.

Solution:

Step 1: 1. Dividend: Preference shares carry a fixed rate; equity shares carry a variable rate.

Step 2: 2. Repayment: Preference shares are repaid first on winding up; equity shares are repaid last.

Step 3: 3. Voting rights: Equity shareholders have voting rights; preference shareholders generally do not.

Final Answer: Three differences stated above.

[Go Back to Question 33](#)



Q34.

Solution

Concept: The Trading Account shows gross profit/loss from trading activities. The P&L Account shows net profit/loss after indirect expenses. **Solution:**

Step 1: Calculate wages including outstanding: $10,000 + 2,000 = \text{Rs. } 12,000$.

Step 2: Prepare Trading Account to find Gross Profit.

Step 3: Calculate depreciation: $50,000 \times 10\% = \text{Rs. } 5,000$.

Step 4: Prepare P&L Account to find Net Profit.

Trading Account for the year ended 31st March 2024

Particulars	Rs.	Particulars	Rs.
To Opening Stock	15,000	By Sales	1,50,000
To Purchases	85,000	By Closing Stock	18,000
To Wages (10,000 + 2,000)	12,000		
To Gross Profit c/d	56,000		
Total	1,68,000	Total	1,68,000

Profit & Loss Account for the year ended 31st March 2024

Particulars	Rs.	Particulars	Rs.
To Salaries	12,000	By Gross Profit b/d	56,000
To Rent	8,000		
To Sundry Expenses	5,000		
To Depreciation (10% of 50,000)	5,000		
To Net Profit	26,000		
Total	56,000	Total	56,000

Final Answer: Gross Profit = Rs. 56,000; Net Profit = Rs. 26,000.

[Go Back to Question 34](#)



Q35.

Solution

Concept: On admission, the Revaluation Account records changes in asset/liability values. Partners' Capital Accounts are adjusted for revaluation, goodwill, and new capital. **Solution:**

Step 1: Stock depreciation = Rs. 5,000; Provision for D/D = $35,000 \times 5\% = \text{Rs. } 1,750$.

Step 2: Total Revaluation Loss = $5,000 + 1,750 = \text{Rs. } 6,750$.

Step 3: C's share of goodwill = $50,000 \times \frac{1}{5} = \text{Rs. } 10,000$; distributed to A and B in 3:2.

Step 4: A gets $10,000 \times \frac{3}{5} = \text{Rs. } 6,000$; B gets $10,000 \times \frac{2}{5} = \text{Rs. } 4,000$.

Step 5: A's Capital = $60,000 + 6,000 - 4,050 = \text{Rs. } 61,950$; B's Capital = $40,000 + 4,000 - 2,700 = \text{Rs. } 41,300$.

Revaluation Account

Particulars	Rs.	Particulars	Rs.
To Stock A/c	5,000	By Partners' Capital A/c (Loss):	
To Provision for D/D	1,750	A (3/5)	4,050
		B (2/5)	2,700
Total	6,750	Total	6,750

Partners' Capital Accounts

Particulars	A (Rs.)	B (Rs.)	C (Rs.)
To Revaluation (Loss)	4,050	2,700	–
To Balance c/d	61,950	41,300	30,000
Total	66,000	44,000	30,000
Particulars	A (Rs.)	B (Rs.)	C (Rs.)
By Balance b/d	60,000	40,000	–
By Premium for Goodwill	6,000	4,000	–
By Cash/Bank (Capital)	–	–	30,000
Total	66,000	44,000	30,000

Final Answer: Revaluation Loss = Rs. 6,750; A's Capital = Rs. 61,950; B's Capital = Rs. 41,300; C's Capital = Rs. 30,000.

[Go Back to Question 35](#)



Q36.

Solution

Solution (a): Concept: The balance (profit/loss) is transferred to partners' capital accounts.

Realisation Account

Particulars	Rs.	Particulars	Rs.
To Debtors	40,000	By Creditors	40,000
To Stock	35,000	By Bills Payable	20,000
To Furniture	20,000	By Bank (Assets realised):	
To Machinery	70,000	Debtors	35,000
To Bank (Creditors paid)	40,000	Stock	30,000
To Bank (B/P settled)	14,000	Furniture	15,000
To Bank (Real. Expenses)	4,000	Machinery	65,000
		By Loss transferred:	
		A (3/6)	9,000
		B (2/6)	6,000
		C (1/6)	3,000
Total	2,23,000	Total	2,23,000

Final Answer (a): Realisation Loss = Rs. 18,000 (A: 9,000; B: 6,000; C: 3,000).

OR

Solution (b): Concept: When shares are issued at par, the application, allotment, and call money are credited to Share Capital. The total of all stages equals the face value.

Step 1: Application money received: Bank A/c Dr. 30,000; To Equity Share Application A/c 30,000.

Step 2: Application transferred: Equity Share Application A/c Dr. 30,000; To Equity Share Capital A/c 30,000.

Step 3: Allotment money received: Bank A/c Dr. 40,000; To Equity Share Allotment A/c 40,000.

Step 4: Allotment transferred: Equity Share Allotment A/c Dr. 40,000; To Equity Share Capital A/c 40,000.

Step 5: Call transferred: Equity Share First & Final Call A/c Dr. 30,000; To Equity Share Capital A/c 30,000.

Step 6: Total Share Capital = 30,000 + 40,000 + 30,000 = Rs. 1,00,000.

Balance Sheet extract: Equity Share Capital: 10,000 Equity Shares of Rs. 10 each, fully paid = Rs. 1,00,000. **Final Answer (b):** Total Share Capital = Rs. 1,00,000; six journal entries passed.

[Go Back to Question 36](#)



Detailed Solutions – Section B Module I**Q37.****Solution**

Concept: Current Ratio = Current Assets / Current Liabilities. It measures short-term liquidity.

Solution:

Step 1: The formula directly relates current assets to current liabilities.

Step 2: It indicates the firm's ability to pay short-term obligations.

Final Answer: Current Assets and Current Liabilities (A)

Answer: (A) [Go Back to Question 37](#)

Q38.**Solution**

Concept: Liquid Assets exclude stock (and prepaid expenses) from current assets, as stock is not immediately convertible to cash. **Solution:**

Step 1: Liquid Assets = Current Assets – Stock – Prepaid Expenses.

Step 2: At minimum, Liquid Assets = Current Assets – Stock.

Final Answer: Current Assets – Stock (B)

Answer: (B) [Go Back to Question 38](#)

Q39.**Solution**

Concept: Inventory Turnover Ratio shows how efficiently inventory is managed. **Solution:**

Step 1: It relates the cost of goods sold to the average inventory held.

Step 2: Higher ratio indicates faster stock turnover.

Final Answer: Cost of Goods Sold and Average Inventory (A)

Answer: (A) [Go Back to Question 39](#)



Q40.

Solution

Concept: Dividend payments to shareholders are returns on owners' capital, classified as financing activities. **Solution:**

Step 1: Financing activities relate to raising and repaying capital.

Step 2: Dividend payment reduces owners' funds, hence it is financing.

Final Answer: Financing Activities (C)

Answer: (C) [Go Back to Question 40](#)

Q41.

Solution

Concept: Investing activities relate to acquisition and disposal of long-term assets and investments. **Solution:**

Step 1: Purchase of machinery is acquisition of a fixed asset.

Step 2: Issue of shares is financing; payment of tax is operating.

Final Answer: Purchase of machinery (B)

Answer: (B) [Go Back to Question 41](#)

Q42.

Solution

Concept: Proprietary Ratio = Proprietor's Funds / Total Assets. It shows the proportion of total assets financed by owners. **Solution:**

Step 1: It measures the owners' stake in the total assets of the firm.

Step 2: A higher ratio indicates better long-term financial position.

Final Answer: Proprietor's Funds and Total Assets (A)

Answer: (A) [Go Back to Question 42](#)



Q43.

Solution

Concept: Current Ratio = CA/CL; Debt-Equity Ratio = Long-term Debt/Shareholders' Equity.

Solution:

Step 1: (i) Current Ratio = $\frac{3,00,000}{1,50,000} = 2 : 1$.

Step 2: (ii) Debt-Equity Ratio = $\frac{3,00,000}{5,00,000} = 0.6 : 1$.

Final Answer: (i) 2:1 (ii) 0.6:1

[Go Back to Question 43](#)

Q44.

Solution

Concept: Activity ratios measure operational efficiency. Gross Profit Ratio shows trading efficiency. **Solution:**

Step 1: (i) Activity Ratios measure how efficiently a firm uses its assets. Example: Inventory Turnover Ratio.

Step 2: (ii) Gross Profit Ratio = $\frac{\text{Gross Profit}}{\text{Revenue from Operations}} \times 100$.

Final Answer: (i) Efficiency measure; example: Inventory Turnover. (ii) GP/Revenue \times 100.

[Go Back to Question 44](#)

Q45.

Solution

Concept: Cash flow activities are classified into operating, investing, and financing. Cash equivalents are highly liquid short-term investments. **Solution:**

Step 1: (i) (a) Purchase of land: **Investing**; (b) Issue of debentures: **Financing**; (c) Payment of salaries: **Operating**.

Step 2: (ii) Cash Equivalents are short-term, highly liquid investments readily convertible into known amounts of cash (e.g., treasury bills, money market funds).

Final Answer: (i) Investing, Financing, Operating (ii) Highly liquid short-term investments.

[Go Back to Question 45](#)



Q46.

Solution

Concept: Operating Ratio = (COGS + Op. Expenses)/Revenue. Operating Profit Ratio = Op. Profit/Revenue. **Solution:**

Step 1: (i) Operating Cost = 3,00,000 + 1,00,000 = Rs. 4,00,000.

Step 2: Operating Ratio = $\frac{4,00,000}{5,00,000} \times 100 = 80\%$.

Step 3: Operating Profit = 5,00,000 – 4,00,000 = Rs. 1,00,000.

Step 4: Operating Profit Ratio = $\frac{1,00,000}{5,00,000} \times 100 = 20\%$.

Step 5: (ii) Limitation 1: Based on historical data, ignores price-level changes.

Step 6: Limitation 2: Ignores qualitative factors like management quality.

Final Answer: (i) OR = 80%; OPR = 20%. (ii) Two limitations stated.

[Go Back to Question 46](#)



Q47.

Solution

(i) Concept: Current Ratio, Liquid Ratio, Debt-Equity Ratio, and Proprietary Ratio are key solvency and liquidity ratios.

Step 1: Total Current Assets = 1,50,000 + 1,50,000 = Rs. 3,00,000; Current Liabilities = Rs. 1,50,000.

Step 2: Liquid Assets = 3,00,000 – 1,50,000 = Rs. 1,50,000.

Step 3: Shareholders' Equity = 4,00,000 + 1,00,000 = Rs. 5,00,000; Long-term Debt = Rs. 2,00,000.

Step 4: Total Assets = Rs. 8,50,000.

Step 5: (a) Current Ratio = $\frac{3,00,000}{1,50,000} = 2 : 1$.

Step 6: (b) Liquid Ratio = $\frac{1,50,000}{1,50,000} = 1 : 1$.

Step 7: (c) Debt-Equity Ratio = $\frac{2,00,000}{5,00,000} = 0.4 : 1$.

Step 8: (d) Proprietary Ratio = $\frac{5,00,000}{8,50,000} = 0.59 : 1$.

Final Answer (i): CR = 2:1; LR = 1:1; DER = 0.4:1; PR = 0.59:1.

(ii) Concept: A Cash Flow Statement shows inflows and outflows of cash and cash equivalents.

Step 1: To ascertain the sources of cash and cash equivalents.

Step 2: To ascertain the applications/uses of cash.

Step 3: To assess the firm's ability to generate future cash flows.

Step 4: To assess the liquidity and solvency position.

Step 5: To evaluate operating, investing, and financing activities separately.

Final Answer (ii): Five objectives stated above.

[Go Back to Question 47](#)



Detailed Solutions – Section B Module II**Q37.****Solution**

Concept: A spreadsheet is a grid of rows and columns. Each intersection is called a cell. **Solution:**

Step 1: Rows are numbered; columns are lettered.

Step 2: The intersection of a row and column is a cell, identified by its address (e.g., A1).

Final Answer: Cell (B)

Answer: (B) [Go Back to Question 37](#)

Q38.**Solution**

Concept: In spreadsheet software, formulas perform calculations and always begin with the equals sign. **Solution:**

Step 1: The = sign tells the software that the following text is a formula.

Step 2: Without =, the text is treated as a label/value.

Final Answer: = (B)

Answer: (B) [Go Back to Question 38](#)

Q39.**Solution**

Concept: An RDBMS stores data in related tables. MS Access is a well-known RDBMS.

Solution:

Step 1: MS Access supports tables, queries, forms, and reports.

Step 2: MS Excel is a spreadsheet, not a full DBMS.

Final Answer: MS Access (C)

Answer: (C) [Go Back to Question 39](#)



Q40.

Solution

Concept: A pie chart divides a circle into sectors, each representing a proportion of the whole.

Solution:

Step 1: Each slice shows the percentage contribution of a part.

Step 2: It is ideal for showing composition, e.g., expense distribution.

Final Answer: Pie chart (C)

Answer: (C) [Go Back to Question 40](#)

Q41.

Solution

Concept: The question asks what is NOT an advantage. High initial cost is a disadvantage.

Solution:

Step 1: Speed, real-time info, and reduced storage are all advantages.

Step 2: High initial setup cost is a limitation, not an advantage.

Final Answer: High initial cost of setup (D)

Answer: (D) [Go Back to Question 41](#)

Q42.

Solution

Concept: A primary key is a field that uniquely identifies each record in a table. **Solution:**

Step 1: No two records can have the same primary key value.

Step 2: It ensures data integrity and enables efficient retrieval.

Final Answer: Primary key (B)

Answer: (B) [Go Back to Question 42](#)



Q43.

Solution

Concept: A cell address identifies a cell. Computerised accounting offers several benefits over manual methods. **Solution:**

Step 1: (i) A cell address is the unique name of a cell, formed by combining the column letter and row number. Example: A1, B5, C10.

Step 2: (ii) Advantage 1: Speed and accuracy in calculations.

Step 3: Advantage 2: Automatic generation of reports and real-time information.

Final Answer: (i) Column letter + row number (e.g., A1). (ii) Speed; accuracy; real-time info.

[Go Back to Question 43](#)

Q44.

Solution

Concept: What-If Analysis tests scenarios. Built-in functions perform common calculations.

Solution:

Step 1: (i) What-If Analysis is the process of changing values in cells to see how those changes affect the outcome of formulas. It helps in financial planning and decision-making.

Step 2: (ii) Examples of built-in functions: SUM(), AVERAGE(), MAX(), MIN(), COUNT(), IF().

Final Answer: (i) Scenario testing by changing cell values. (ii) SUM(); AVERAGE(); MAX(); etc. [Go Back to Question 44](#)

Q45.

Solution

Concept: A primary key ensures unique records. Data differs from information in its processed state. **Solution:**

Step 1: (i) A Primary Key is a field (or set of fields) that uniquely identifies each record in a table. Its importance: it prevents duplicate records and maintains data integrity.

Step 2: (ii) **Data:** Raw, unprocessed facts and figures (e.g., 45, 30, 60).

Step 3: **Information:** Processed, organised, and meaningful data used for decision-making (e.g., total marks = 135).

Final Answer: (i) Uniquely identifies records; ensures integrity. (ii) Data = raw; Information = processed. [Go Back to Question 45](#)



Q46.

Solution

Concept: Spreadsheets offer powerful features for accounting. Different charts serve different purposes. **Solution:**

Step 1: (i) Feature 1: **Formulas and Functions** – automatic calculations like SUM, AVERAGE for financial data.

Step 2: Feature 2: **What-If Analysis** – testing different scenarios for budgeting and forecasting.

Step 3: Feature 3: **Charts and Graphs** – visual representation of financial data for analysis.

Step 4: (ii) Chart 1: **Bar Chart** – compares values across categories (e.g., monthly sales).

Step 5: Chart 2: **Pie Chart** – shows proportions of parts to a whole (e.g., expense breakdown).

Step 6: Chart 3: **Line Chart** – shows trends over time (e.g., profit trend over years).

Final Answer: (i) Formulas; What-If; Charts. (ii) Bar; Pie; Line charts.

[Go Back to Question 46](#)



Q47.

Solution

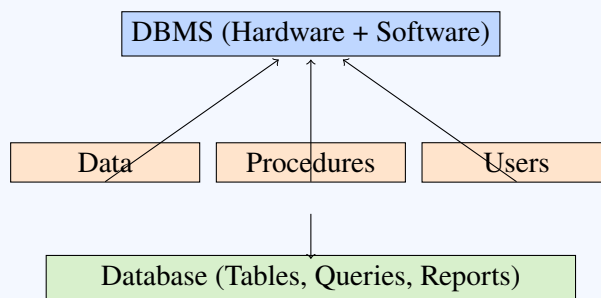
(i) Concept: Computerised accounting has advantages but also limitations.

- Step 1: Advantage 1:** Speed and accuracy in recording and calculations.
- Step 2: Advantage 2:** Real-time information and instant report generation.
- Step 3: Advantage 3:** Reduced manual errors and better data storage.
- Step 4: Advantage 4:** Data security, backup, and scalability.
- Step 5: Advantage 5:** Easy data sharing and multi-user access.
- Step 6: Limitation 1:** High initial cost of hardware and software.
- Step 7: Limitation 2:** Need for trained and skilled personnel.
- Step 8: Limitation 3:** Risk of data loss due to system failure, virus, or power cuts.

Final Answer (i): 5 advantages and 3 limitations stated above.

(ii) Concept: A DBMS consists of several interrelated components.

- Step 1: Data/Database:** The actual stored information (e.g., customer records, transactions stored in tables).
- Step 2: Hardware:** Physical devices like CPU, storage drives, input/output devices.
- Step 3: Software:** The DBMS program itself (e.g., MS Access, MySQL, Oracle).
- Step 4: Users:** People who interact with the system (e.g., accountants, managers, data entry operators).
- Step 5: Procedures:** Rules and instructions for using and maintaining the system.



Final Answer (ii): Five components: Data, Hardware, Software, Users, Procedures.

[Go Back to Question 47](#)



Answer Key

Section A: (Q1–Q14)

Q	Ans	Q	Ans	Q	Ans	Q	Ans	Q	Ans
1	B	2	B	3	A	4	C	5	C
6	A	7	D	8	B	9	B	10	A
11	A	12	B	13	B	14	B		

Section B Module I: Q37–Q42

Q	Ans	Q	Ans	Q	Ans	Q	Ans	Q	Ans
37	A	38	B	39	A	40	C	41	B
42	A								

Section B Module II: Q37–Q42

Q	Ans	Q	Ans	Q	Ans	Q	Ans	Q	Ans
37	B	38	B	39	C	40	C	41	D
42	B								

