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1ST JAN 2026 TO TILL MARCH 2026 FINAL EXAM.

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Q1. **Assertion:** Each partner is a principal as well as an agent for all the other partners. **1 Mark**
Reason: As per the definition of Partnership Act, partnership business may be carried on by all the partners or any of them acting for all.
Choose the correct option from the following:

A Both Assertion (A) and Reason (R) are correct, but Reason (R) is not the correct explanation of Assertion (A). **B** Both Assertion (A) and Reason (R) are correct and Reason (R) is the correct explanation of Assertion (A).
C Assertion (A) is correct, but Reason (R) is incorrect. **D** Assertion (A) is incorrect, but Reason (R) is correct.

Q2. Akshita and Anurag are partners in a firm sharing profits in the ratio of 2 : 1. Akshat is admitted in the firm with $\frac{1}{3}$ share in profits. Akshat acquires $\frac{2}{3}$ of his share from Akshita and $\frac{1}{3}$ of his share from Anurag. The new profit sharing ratio of Akshita, Anurag and Akshat will be: **1 Mark**
A 3 : 2 : 4 **B** 4 : 3 : 2 **C** 2 : 1 : 1 **D** 4 : 2 : 3

Q3. 'A' and 'B' were partners in a firm sharing profits and losses in the ratio of 7 : 1. 'A' withdrew a fixed amount of ₹ 12,000 at the beginning of each quarter. Interest on drawings is charged @ 6% p.a. The journal entry for charging interest on drawings at the end of the year will be: **1 Mark**
A (a) Interest on drawings ₹ 1,8
A/c Dr. 00
To A's Capital A/c ₹ 1,8
00
B (b) Interest on drawings ₹ 1,8
A/c Dr. 00
To A's Current A/c ₹ 1,8
00
C (c) A's Capital A/c Dr. ₹ 1,8
00
To Interest on drawings A/c ₹ 1,8
00
D (d) Profit and Loss A/c Dr. ₹ 1,8
00
To Interest on drawings A/c ₹ 1,8
00

Q4. Which of the following will be transferred to Realisation Account at the time of dissolution of firm? **1 Mark**
1. Provision for Doubtful Debts
2. Partners' Loan
3. General Reserve
4. Goodwill
A (i) and (iv) **B** (i), (ii) and (iv)
C (i), (iii) and (iv) **D** (i), (ii) and (iii)

Q5. Which of the following is a tool of Analysis of Financial Statements: **1 Mark**
1. Cash Flow Statement
2. Statement of Profit and Loss
3. Notes to Accounts
4. Balance Sheet
Choose the correct option:
A (i) **B** (i) and (ii) **C** (ii) **D** (i), (ii) and (iv)

Q6. Loss on sale of plant and machinery should be written off against _____. **1 Mark**
A Share premium **B** Depreciation fund account
C Sales account **D** Profit & Loss account

Q7. Bills Receivable A/c is _____. 1 Mark
A Personal A/c **B** Real A/c **C** Nominal **D** None of the above

Q8. The analysis of financial statement by a shareholder is an example of: 1 Mark
A External Analysis **B** Internal Analysis **C** Vertical Analysis **D** Horizontal Analysis

Q9. A partnership firm is compulsorily dissolved under which of these circumstances. 1 Mark
A On the death of a partner
C On running into losses
B On insolvency of any partner
D If the business of the firm becomes unlawful due to the happening of some event.

Q10. **Direction:** In the following question, a statement of Assertion is given followed by a corresponding statement of Reason. Of the statements, mark the correct answer as: 1 Mark
Assertion (A): Dissolution expenses are borne by the partners in their profit-sharing ratio.
Reason (R): Dissolution expenses include the costs of winding up the business, such as legal fees and liquidation costs.
A Both Assertion (A) and Reason (R) are true and Reason (R) is correct explanation of Assertion (A).
C Assertion (A) is true but Reason (R) is false. **B** Both Assertion (A) and Reason (R) are true but Reason (R) is not the correct explanation of Assertion (A).
D Assertion (A) is false but Reason (R) is true.

Q11. For a company discount on issue of debentures is: 1 Mark
A Capital Loss **B** Revenue Loss **C** General Loss **D** None of these

Q12. If debenture of ₹ 1,00,000 were issued for discount of ₹ 10,000, which are redeemable after four years. Then amount of discount to be written off from P. & L. Account each year is : 1 Mark
A ₹ 3,000 **B** ₹ 4,000 **C** ₹ 2,500 **D** ₹ 5,000

Q13. Profit/loss on Realisation Account is distributed among partners: 1 Mark
A In Profit-sharing Ratio **B** In Capital Ratio **C** Equally **D** None of these

Q14. Risk-aversion of an investor can be measured by _____. 1 Mark
A Market Rate of Return
C Portfolio Return **B** Risk-free Rate of Return
D None of the above

Q15. Tick the Correct Answer. 1 Mark
When realisation expenses are paid by the firm on behalf of a partner, such expenses are debited to:
A Realisation Account. **B** Partner's Capital Account.
C Partner's Loan Account. **D** None of the above.

Q16. A, B and C were partners sharing profit and losses in the ratio of 2 : 2 : 1. Books are closed on 31st March every year C dies on 5th November 2018. Under the partnership deed, the executors of the deceased partner are entitled to his share of profit to the date of death calculated on the basis of last year's profit. Profit for the year ended 31st March, 2018 was 2,40,000. C's share of profit will be: 1 Mark
1. ₹ 28,000
2. ₹ 32,000
3. ₹ 28,800
4. ₹ 48,000

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Q17. On sale of old furniture, owner's equity would _____. 1 Mark
A Increase **B** Decrease **C** Remain unchanged **D** May or may not change

Q18. The liability of a partner of a firm is _____. 1 Mark
A Limited. **B** Limited to the share capital contributed.

C Unlimited **D Restricted to the amount stated in partnership deed.**

Q19. Which of the following is not true about debenture stock: 1 Mark
A Debenture stock are identified by their distinct number **B** It must be fully paid.
C Debenture Stock can be transferred in fraction. **D** None of the options

Q20. The amount due to the retiring partner can be made by _____. 1 Mark
A Lump sum payment method **B** Installment payment method
C Annuity method **D** Both (A) or (B)

Q21. **Direction:** In the following question, a statement of Assertion is given followed by a corresponding statement of Reason. Of the statements, mark the correct answer as: 1 Mark
Assertion (A): The amount due to a deceased partner's estate is calculated as per the partnership agreement.
Reason (R): The deceased partner's share includes their capital, share of profits, and interest on capital up to the date of death.
A Both Assertion (A) and Reason(R) are true and Reason (R) is correct explanation of Assertion (A). **B** Both Assertion (A) and Reason(R) are true but Reason (R) is not the correct explanation of Assertion (A).
C Assertion (A) is true but Reason(R) is false. **D** Assertion (A) is false but Reason(R) is true.

Q22. Loss on issue of debentures is recorded as: 1 Mark
A Intangible Asset **B** Current Asset
C Current Liability **D** Miscellaneous Expenditure

Q23. Profit on sale of debentures redemption fund investment in the first instance is credited to: 1 Mark
A Debenture Redemption Fund A/c **B** Profit & Loss Appropriation A/c
C General Reserve A/c **D** Sinking Fund A/c

Q24. Amount received from sale of unrecorded asset at the time of dissolution of the firm is credited to: 1 Mark
A Partner's Capital Account **B** Profit and Loss Account
C Realisation Account **D** Cash Account

Q25. Withdrawals by the proprietor would _____. 1 Mark
A Reduce both assets and owner's equity **B** Reduce assets and increase liabilities
C Reduce owner's equity and increase liability **D** No change

Q26. A, S, and R are partners sharing profit in the ratio 7:5:4. R died on 30th June 2019, and profits for the year 2018-19 were Rs. 12,000. How many shares in profits for the period 1st April 2019 to 30th June 2019 will be credited to R's account? 1 Mark
A Rs. 750 **B** Rs. 5,000 **C** Rs. 7,000 **D** Nil

Q27. The excess amount which the firm can get on selling its assets over and above the saleable value of its assets is called: 1 Mark
A Surplus. **B** Super profits. **C** Reserve. **D** Goodwill.

Q28. On the admission of a new partner, the decrease in the value of assets is debited to: 1 Mark
A Asset Account **B** Profit & Loss Adjustment Account
C Old Partner's Capital Account **D** None of the above

Q29. Choose the correct alternative- 1 Mark
A, B and C are partner's in a firm. If D is admitted as a new partner:
A Old firm is dissolved. **B** Old firm and old partnership is dissolved.
C Old partnership is reconstituted. **D** None of the above.

Q30. At the time of dissolution of partnership firm, the amount of 'Bills Payable' shown in the liability side of Balance Sheet is transferred to: 1 Mark
A Capital Accounts of Partners **B** Realisation Account
C Cash Account **D** Loan Account of Partners

Q31. **Direction:** In the following question, a statement of Assertion is given followed by a corresponding statement of Reason. Of the statements, mark the correct answer as: 1 Mark
Assertion (A): The profit-sharing ratio of existing partners changes when a new partner is admitted.
Reason (R): The new partner is entitled to a share in future profits of the firm.
A Both Assertion (A) and Reason (R) are true and Reason (R) is correct explanation of Assertion (A).
C Assertion (A) is true but Reason (R) is false. **B** Both Assertion (A) and Reason (R) are true but Reason (R) is not the correct explanation of Assertion (A).
D Assertion (A) is false but Reason (R) is true.

Q32. Capital redemption reserve account is prepared when _____. 1 Mark
A Redemption is done out of issue of fresh shares
C Redemption is done through company's capital fund **B** Redemption is done out of profits of the company
D All of the above

Q33. What is Not Incorrect About Common Size Statements? 1 Mark
A Common size statements are useful, both, in intra-firm comparisons over different years
C The numbers are brought to common base **B** This analysis is also known as Horizontal Analysis
D Percentage calculated can be easily compared with the results of corresponding percentages of the previous year

Q34. Evaluation of capital budgeting proposals is based on cash flows because _____. 1 Mark
A Cash flows are easy to calculate
C Cash is more important than profit **B** Cash flows are suggested by SEBI
D None of the above

Q35. According to —— the dissolution of partnership between all the partners of a firm is called dissolution of the partnership firm. 1 Mark
A Section 38, of Indian partnership Act 1932
C Section 32, of Indian partnership Act 1932 **B** Section 39, of Indian partnership Act 1932

Q36. **Direction:** In the following question, a statement of Assertion is given followed by a corresponding statement of Reason. Of the statements, mark the correct answer as: 1 Mark
Assertion (A): When a new partner is admitted, the old partnership firm is dissolved.
Reason (R): Admission of a new partner involves reconstitution of the partnership firm.
A Both Assertion (A) and Reason (R) are true and Reason (R) is correct explanation of Assertion (A).
C Assertion (A) is true but Reason (R) is false. **B** Both Assertion (A) and Reason (R) are true but Reason (R) is not the correct explanation of Assertion (A).
D Assertion (A) is false but Reason (R) is true.

Q37. Realisation A/c is prepared at the time of _____. 1 Mark
A Admission of a partner
C Death of a partner **B** Retirement of a partner
D Dissolution of partnership

Q38. Choose the right answer: 1 Mark
The financial statements of a business enterprise include:
A Balance sheet. **B** Profit and loss account.
C Cash flow statement. **D** All the above.

Q39. **Direction:** In the following question, a statement of Assertion is given followed by a corresponding statement of Reason. Of the statements, mark the correct answer as: 1 Mark
The financial statements of a business enterprise include:
A Balance sheet. **B** Profit and loss account.
C Cash flow statement. **D** All the above.

Assertion (A): Horizontal analysis is also known as dynamic analysis.

Reason (R): Horizontal analysis involves comparing financial data of a company over different periods.

- A** Both Assertion (A) and Reason (R) are true and Reason (R) is correct explanation of Assertion (A).
- C** Assertion (A) is true but Reason (R) is false.
- B** Both Assertion (A) and Reason (R) are true but Reason (R) is not the correct explanation of Assertion (A).
- D** Assertion (A) is false but Reason (R) is true.

Q40. A company just starting in business purchased three inventory items at the following prices: first purchase 80; second purchase 95; third purchase 85. If the company sold two units for a total of 200 and used LIFO costing, the gross profit for the period would be _____. **1 Mark**

A 25 **B** 35 **C** 20 **D** 10

Q41. Which of the following statements is false? **1 Mark**

- A** At maturity, debenture holders get back their money as per the terms and conditions of redemption
- C** In company's balance sheet, debentures are shown under secured loans
- B** Debentures can be forfeited for non payment of call money
- D** Interest on debentures is charged against profits

Q42. F Ltd. purchased machinery for a book value of ₹ 4,00,000. The consideration was paid by issue of 10% Debentures of ₹ 100 each at a discount of 20%. The Debenture Account will be credited by: **1 Mark**

A ₹ 4,00,000 **B** ₹ 5,00,000 **C** ₹ 3,20,000 **D** ₹ 4,80,000

Q43. A Firm can be dissolved under the mode of: **1 Mark**

- A** Dissolution by notice
- C** Dissolution by agreement
- B** Dissolution by court
- D** All of these

Q44. Which of the following statement is correct? **1 Mark**

- A** Assets = Liabilities + Shareholders funds
- C** Assets = Funds of outsiders
- B** Assets = Total funds
- D** None of the above

Q45. The term Financial Analysis includes both _____. **1 Mark**

A Analysis and Forecasting **B** Evaluation and Interpretation

C Analysis and Interpretation **D** Interpretation and Study

Q46. Purchase of office equipment on credit results in _____. **1 Mark**

A Decrease in liability **B** Decrease in Capital **C** Increase in Capital **D** Increase in assets

Q47. When a firm is dissolved, Goodwill a/c is closed by transferring to: **1 Mark**

- A** Capital account of the partners
- C** Realisation account
- B** Revaluation account
- D** Profit & loss account

Q48. A company can not issue: **1 Mark**

- A** Debentures with voting rights
- C** Debentures
- B** Share
- D** None of the options

Q49. If total assets of a firm are ₹ 10,00,000 and its non-current assets are ₹ 6,00,000, what will be the percentage of current assets on total assets? **1 Mark**

A 60% **B** 50% **C** 40% **D** 30%

Q50. The accumulated profits reserves are transferred to: **1 Mark**

- A** None of these wrong
- C** Partners' capital account
- B** Bank account
- D** Realisation account

Q51. In the Balance Sheet of a Company, Debentures are shown under the head: **1 Mark**

A Unsecured Loans B Long-term Loans C Current Liabilities D Reserve and Surplus

Q52. Which is an agreement between the company and the trustees to look after the interest of debenture holders. **1 Mark**
A Debenture trust deed B Partnership deed C Both D None of the options

Q53. Assets are held for the purpose of _____. **1 Mark**
A Earning revenue B Resale C Conversion into cash D Personal purpose

Q54. The financial statements of a business enterprise include: **1 Mark**
A Balance Sheet B Profit & Loss Account C Cash Flow Statement D All the above

Q55. Financial analysis is significant because it: **1 Mark**
A Ignores qualitative aspect B Judges operational efficiency C Suffers from the limitations of financial statements D It is affected by personal ability and bias of the analysis

Q56. When the firm has agreed to pay the partner a fixed amount for realisation work irrespective of the actual amount spent, such fixed amount is debited to _____ Account and Credited to _____ Account. **1 Mark**
A Realisation, Expenses B Capital, Realisation C Realisation, Capital D Partners' Capital, Realisation

Q57. **Direction:** In the following question, a statement of Assertion is given followed by a corresponding statement of Reason. Of the statements, mark the correct answer as: **1 Mark**
Assertion (A): The capital brought in by a new partner is always in cash.
Reason (R): Cash is the most liquid form of asset.
A Both Assertion (A) and Reason (R) are true and Reason (R) is correct explanation of Assertion (A). B Both Assertion (A) and Reason (R) are true but Reason (R) is not the correct explanation of Assertion (A). C Assertion (A) is true but Reason (R) is false. D Assertion (A) is false but Reason (R) is true.

Q58. Choose the correct alternative- **1 Mark**
At the time of admission of a new partner, general reserve appearing in the old balance sheet is transferred to:
A All partner's capital account. B New partner's capital account. C Old partner's capital account. D None of the above.

Q59. What is shown by the Income Statement? **1 Mark**
A Accuracy of books of accounts B Profit or loss of a certain period C Balance of Cash Book D None of these

Q60. When a new partner brings cash for goodwill, the amount is credited to the: **1 Mark**
A Premium for Goodwill Account. B Capital Account of the new partner. C Cash Account. D None of the above.

Q61. Which one of the following items cannot be recorded in the profit and loss appropriation account? **1 Mark**
A Interest on capital. B Interest on drawings. C Rent paid to partners. D Partner's salary.

Q62. When two firms amalgamate, general reserve is transferred to: **1 Mark**
A New firm's account B Revaluation account C Partner's account D Equal Ratio

Q63. Debentures represent: **1 Mark**
A Director's Share in a Company B Investments by Equity Shareholders C Long-term Debt of the Business D None of these

Q64. When A and B sharing profits and losses in the ratio of 3 : 2 admit C as a partner giving him $\frac{1}{5}$ th share **1 Mark**
of profits. This will be given by A and B:
A Equally. **B** In the ratio of their profits.
C In the ratio of their capitals. **D** None of the above.

Q65. Which of this statement is true about Registration of a firm _____. **1 Mark**
A Registration of firm is Mandatory **B** Non-registration of a firm is a criminal offence
C Registration is not mandatory but non-
registered firms are subject to some
disadvantages **D** Registration of firm case availability of funds

Q66. A, B and C are partners sharing profit or loss in the ratio of 2 : 3 : 4. A retires and after A's retirement B **1 Mark**
and C agreed to share profit or loss in the ratio of 3 : 4 in future. Their gaining ratio will be:
A 2 : 3 **B** 4 : 3 **C** 3 : 4 **D** 1 : 1

Q67. Which of the following formula is used to calculate goodwill under weighted average profit method? **1 Mark**
A Goodwill = Weighted average profit x no. of
year purchase. **B** Goodwill = Average profit x no. of year
purchase.
C Goodwill = Super profit x no. of year purchase. **D** Goodwill = Super profit x Annuity factor.

Q68. "Dividend is not relevant in determining the value of the company". Who among the following held this **1 Mark**
opinion?
A J.E. Walter **B** Ezra Solomon **C** Modigliani-Miller **D** M.J. Gordon

Q69. Unrecorded liability, when paid on dissolution of a firm is debited to: **1 Mark**
A Partner's Capital A/cs. **B** Realisation A/c. **C** Liabilities A/c. **D** Asset A/c.

Q70. The Debenture Redemption Reserve account appears on the liability side of the balance sheet under **1 Mark**
the head _____.
A Capital **B** Reserves and surplus **C** Non-current liability **D** Current liability

Q71. The firm pay realisation expenses of 10,000 on behalf of Nihar, a partner with whom it was agreed at **1 Mark**
25,000. Realisation expenses came to 35,000. Realisaiton Account will be debited by:
A 10,000 **B** 35,000 **C** 25,000 **D** 70,000

Q72. **Direction:** In the following question, a statement of Assertion is given followed by a corresponding **1 Mark**
statement of Reason. Of the statements, mark the correct answer as:
Assertion (A): Accumulated profits and losses are distributed among all partners including the retiring
partner.
Reason (R): These represent the past profits and losses that were not distributed earlier.
A Both Assertion (A) and Reason(R) are true and Reason (R) is correct explanation of Assertion (A). **B** Both Assertion (A) and Reason(R) are true but Reason (R) is not the correct explanation of Assertion (A).
C Assertion (A) is true but Reason(R) is false. **D** Assertion (A) is false but Reason(R) is true.

Q73. In which of the following situations, the firm will NOT be compulsorily dissolved? **1 Mark**
A All partners or any one of the partners is declared insolvent. **B** The business of the firm becomes unlawful.
C The partnership has various adventures & one such adventure becomes illegal. **D** The decision is taken by all the partners to dissolve the firm.

Q74. A new partner, along with other partners get _____. **1 Mark**
A Right to share future profit of the firm **B** Right to share future assets of the firm
C Both (a) and (b) **D** Either (a) or (b)

Q75. **1 Mark**

A partner gave a loan of Rs.20,000 to the firm. At the time of dissolution of the firm the net losses of the firm were 30,000. How much money will the partner get on dissolution?

A Nil **B** 20,000 **C** 20,000 + 6% interest **D** None of the above

Q76. Garner Vs Murray requires _____.

1 Mark

- A** That all partners should bring in cash equal to their respective shares of the loss on realization.
- B** That all partners should bring in cash equal to their respective shares of the loss on realization and deficiency of insolvent partner should be borne by solvent partners in their profit sharing ratio.
- C** That all partners including insolvent partner should bring in cash equal to their respective shares of the loss on realization and deficiency of insolvent partner should be borne by solvent partners in their last agreed capital ratio.
- D** That the solvent partners capital loss should be borne in the ratio of their capitals standing in the balance sheet on the date of dissolution of the firm.

Q77. A and B are partners sharing profits in the ratio of 2 : 3. Their Balance Sheet shows Machinery at ₹ 2,00,000; Stock at ₹ 80,000 and Debtors at ₹ 1,60,000. C is admitted and new profit sharing ratio is agreed at 6 : 9 : 5. Machinery is revalued at ₹ 1,40,000 and a provision is made for doubtful debts @ 5%. A's share in loss on revaluation amount to ₹ 20,000. Revalued value of stock will be:

A ₹ 62,000 **B** ₹ 1,00,000 **C** ₹ 60,000 **D** ₹ 98,000

Q78. Direction: In the following question, a statement of Assertion is given followed by a corresponding statement of Reason. Of the statements, mark the correct answer as:

1 Mark

Assertion (A): Interest on debentures must be paid even if the company makes no profit.

Reason (R): Interest on debentures is a fixed obligation and forms part of the company's financial expenses.

A Both Assertion (A) and Reason(R) are true and Reason (R) is correct explanation of Assertion (A).

C Assertion (A) is true but Reason(R) is false.

B Both Assertion (A) and Reason(R) are true but Reason (R) is not the correct explanation of Assertion (A).

D Assertion (A) is false but Reason(R) is true.

Q79. Which one of the following statements is correct?

1 Mark

- A** Increases in liabilities are credits and decreases are debits.
- B** Increases in assets are credits and decreases are debits.
- C** Increases in capital are debits and decreases are credits.
- D** Increases in expenses are credits and decreases are debits.

Q80. When a new partner is admitted into the firm the old partners stand to _____

1 Mark

- A** Sacrifice in sacrificing ratio
- B** Loss in profit sharing ratio
- C** Not affected at all
- D** Only one partner gain other lose

Q81. 3 Aces Ltd. decides to redeem 2,000; 9% Debentures of ₹ 100 each on 31st December, 2018. The company should invest in specified securities on or before.

1 Mark

A 30th April, 2017 **B** 30th April, 2018
C 31st December, 2017 **D** 31st December, 2016

Q82. X, Y and Z are partners in a firm in the ratio of 4 : 3 : 2. On firm's dissolution, firm's total assets are ₹ 70,000, creditors are ₹ 15,000. Realisation expenses are ₹ 2,100. Assets realised 15% more than the book-value. Creditors were paid 2% more. For profit/ loss on realisation, Y's capital account will be debited/ credited with:

A Credit ? 8,100 **B** Credit ? 2,700 **C** Debit ? 2,700 **D** Debit ? 2,400

Q84. Direction: In the following question, a statement of Assertion is given followed by a corresponding statement of Reason. Of the statements, mark the correct answer as:

1 Mark

Assertion (A): A partnership firm is automatically dissolved upon the insolvency of all partners.

Reason (R): A firm cannot operate if all partners become insolvent, as there would be no one to manage the business.

A Both Assertion (A) and Reason(R) are true and Reason (R) is correct explanation of Assertion (A).
C Assertion (A) is true but Reason(R) is false.

B Both Assertion (A) and Reason(R) are true but Reason (R) is not the correct explanation of Assertion (A).
D Assertion (A) is false but Reason(R) is true.

Q85. In Garner v. Murray, the deficiency of the insolvent partners is borne by other partners in the

1 Mark

A Profit sharing ratio **B** Ratio of their capitals **C** Equal share by each **D** None of the above

Q86. Direction: In the following question, a statement of Assertion is given followed by a corresponding statement of Reason. Of the statements, mark the correct answer as:

1 Mark

Assertion (A): Financial statements provide a summary of accounts of a business enterprise.

Reason (R): Financial statements are prepared based on historical data.

A Both Assertion (A) and Reason(R) are true and Reason (R) is correct explanation of Assertion (A).
C Assertion (A) is true but Reason(R) is false.

B Both Assertion (A) and Reason(R) are true but Reason (R) is not the correct explanation of Assertion (A).
D Assertion (A) is false but Reason(R) is true.

Q87. Direction: In the following question, a statement of Assertion is given followed by a corresponding statement of Reason. Of the statements, mark the correct answer as:

1 Mark

Assertion (A): The remaining partners continue the business after the retirement of a partner.

Reason (R): The partnership automatically dissolves when a partner retires.

A Both Assertion (A) and Reason(R) are true and Reason (R) is correct explanation of Assertion (A).
C Assertion (A) is true but Reason(R) is false.

B Both Assertion (A) and Reason(R) are true but Reason (R) is not the correct explanation of Assertion (A).
D Assertion (A) is false but Reason(R) is true.

Q88. Direction: In the following question, a statement of Assertion is given followed by a corresponding statement of Reason. Of the statements, mark the correct answer as:

1 Mark

Assertion (A): The retiring partner's loan account is shown under long-term liabilities in the balance sheet.

Reason (R): The amount due to the retiring partner is considered a long-term debt of the firm.

A Both Assertion (A) and Reason(R) are true and Reason (R) is correct explanation of Assertion (A).
C Assertion (A) is true but Reason(R) is false.

B Both Assertion (A) and Reason(R) are true but Reason (R) is not the correct explanation of Assertion (A).
D Assertion (A) is false but Reason(R) is true.

Q89. Direction: In the following question, a statement of Assertion is given followed by a corresponding statement of Reason. Of the statements, mark the correct answer as:

1 Mark

Assertion (A): The debt-equity ratio is a measure of financial leverage.

Reason (R): The debt-equity ratio compares the company's total debt to its total equity.

A Both Assertion (A) and Reason(R) are true and Reason (R) is correct explanation of Assertion (A).
C Assertion (A) is true but Reason(R) is false.

B Both Assertion (A) and Reason(R) are true but Reason (R) is not the correct explanation of Assertion (A).
D Assertion (A) is false but Reason(R) is true.

Q90. Direction: In the following question, a statement of Assertion is given followed by a corresponding statement of Reason. Of the statements, mark the correct answer as:

1 Mark

Assertion (A): A high current ratio always indicates a strong liquidity position.

Reason (R): The current ratio is calculated by dividing current liabilities by current assets.

A Both Assertion (A) and Reason(R) are true and Reason (R) is correct explanation of Assertion (A).
C Assertion (A) is true but Reason(R) is false.

B Both Assertion (A) and Reason(R) are true but Reason (R) is not the correct explanation of Assertion (A).
D Assertion (A) is false but Reason(R) is true.

Q91. **Direction:** In the following question, a statement of Assertion is given followed by a corresponding statement of Reason. Of the statements, mark the correct answer as: **1 Mark**

Assertion (A): Companies can issue debentures at a discount.

Reason (R): Issuing debentures at a discount reduces the company's immediate financial burden.

A Both Assertion (A) and Reason(R) are true and Reason (R) is correct explanation of Assertion (A).
C Assertion (A) is true but Reason(R) is false.

B Both Assertion (A) and Reason(R) are true but Reason (R) is not the correct explanation of Assertion (A).
D Assertion (A) is false but Reason(R) is true.

Q92. As per SEBI Guidelines Debenture Redemption reserve is required to be created in case the company issue debentures with a maturity of _____. **1 Mark**

A More than 18 months **B** 2 years

C 10 years **D** 5 years

Q93. **Direction:** In the following question, a statement of Assertion is given followed by a corresponding statement of Reason. Of the statements, mark the correct answer as: **1 Mark**

Assertion (A): The retiring partner's capital account is settled in full in cash immediately.

Reason (R): Partnership agreements usually require immediate settlement of the retiring partner's capital.

A Both Assertion (A) and Reason(R) are true and Reason (R) is correct explanation of Assertion (A).
C Assertion (A) is true but Reason(R) is false.

B Both Assertion (A) and Reason(R) are true but Reason (R) is not the correct explanation of Assertion (A).
D Assertion (A) is false but Reason(R) is true.

Q94. **Direction:** In the following question, a statement of Assertion is given followed by a corresponding statement of Reason. Of the statements, mark the correct answer as: **1 Mark**

Assertion (A): At the time of dissolution, the firm's liabilities are paid off before the partners' capitals are returned.

Reason (R): During dissolution, the firm's assets are sold to settle the outstanding debts.

A Both Assertion (A) and Reason(R) are true and Reason (R) is correct explanation of Assertion (A).
C Assertion (A) is true but Reason(R) is false.

B Both Assertion (A) and Reason(R) are true but Reason (R) is not the correct explanation of Assertion (A).
D Assertion (A) is false but Reason(R) is true.

Q95. **Direction:** In the following question, a statement of Assertion is given followed by a corresponding statement of Reason. Of the statements, mark the correct answer as: **1 Mark**

Assertion (A): Hidden reserves are generally disclosed during the reconstitution of a partnership firm.

Reason (R): Hidden reserves impact the true financial position of the firm.

A Both Assertion (A) and Reason(R) are true and Reason (R) is correct explanation of Assertion (A).
C Assertion (A) is true but Reason(R) is false.

B Both Assertion (A) and Reason(R) are true but Reason (R) is not the correct explanation of Assertion (A).
D Assertion (A) is false but Reason(R) is true.

Q96. **Direction:** In the following question, a statement of Assertion is given followed by a corresponding statement of Reason. Of the statements, mark the correct answer as: **1 Mark**

Assertion (A): Cash flow statements provide insights into the profitability of a company.

Reason (R): Cash flow statements show the inflows and outflows of cash within an accounting period.

A Both Assertion (A) and Reason(R) are true and Reason (R) is correct explanation of Assertion (A).
C Assertion (A) is true but Reason(R) is false.

B Both Assertion (A) and Reason(R) are true but Reason (R) is not the correct explanation of Assertion (A).
D Assertion (A) is false but Reason(R) is true.

Q97. Direction: In the following question, a statement of Assertion is given followed by a corresponding statement of Reason. Of the statements, mark the correct answer as: **1 Mark**

Assertion (A): On the admission of a new partner, only the new partner's capital account is credited.
Reason (R): The new partner's capital account reflects his contribution to the firm.

A Both Assertion (A) and Reason(R) are true and Reason (R) is correct explanation of Assertion (A).
C Assertion (A) is true but Reason(R) is false.

B Both Assertion (A) and Reason(R) are true but Reason (R) is not the correct explanation of Assertion (A).
D Assertion (A) is false but Reason(R) is true.

Q98. Direction: In the following question, a statement of Assertion is given followed by a corresponding statement of Reason. Of the statements, mark the correct answer as: **1 Mark**

Assertion (A): Issuing debentures increases a company's leverage.
Reason (R): Leverage refers to the use of debt to enhance the potential return on equity.

A Both Assertion (A) and Reason(R) are true and Reason (R) is correct explanation of Assertion (A).
C Assertion (A) is true but Reason(R) is false.

B Both Assertion (A) and Reason(R) are true but Reason (R) is not the correct explanation of Assertion (A).
D Assertion (A) is false but Reason(R) is true.

Q99. Direction: In the following question, a statement of Assertion is given followed by a corresponding statement of Reason. Of the statements, mark the correct answer as: **1 Mark**

Assertion (A): The gaining ratio is used to calculate the amount payable to the retiring partner for their share of goodwill.
Reason (R): The gaining ratio represents the proportion in which the remaining partners acquire the retiring partner's share.

A Both Assertion (A) and Reason(R) are true and Reason (R) is correct explanation of Assertion (A).
C Assertion (A) is true but Reason(R) is false.

B Both Assertion (A) and Reason(R) are true but Reason (R) is not the correct explanation of Assertion (A).
D Assertion (A) is false but Reason(R) is true.

Q100. Direction: In the following question, a statement of Assertion is given followed by a corresponding statement of Reason. Of the statements, mark the correct answer as: **1 Mark**

Assertion (A): Financial statements are used to assess the profitability, liquidity, and solvency of a business.
Reason (R): Financial statements include the income statement, balance sheet, and cash flow statement.

A Both Assertion (A) and Reason(R) are true and Reason (R) is correct explanation of Assertion (A).
C Assertion (A) is true but Reason(R) is false.

B Both Assertion (A) and Reason(R) are true but Reason (R) is not the correct explanation of Assertion (A).
D Assertion (A) is false but Reason(R) is true.

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