

IMPORTANT THEORY QUESTIONS FOR CLASS XII CBSE ACCOUNTANCY EXAMINATION 2016-17

Developed by:

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THEORY ON PARTNERSHIP ACCOUNTING AND COMPANY ACCOUNTS

CHAPTER 1.FUNDAMENTALS OF PARTNERSHIP.

1. How is partnership defined as per section 4 of Indian Partnership Act, 1932 and state the characteristics of partnership.
- 2.What is maximum limit of number of partners in a partnership firm as per Section 464 of companies Act 2013 read along with Rule 10 of Companies (miscellaneous)rules 2014.
- 3.Name the firms on which the Rule 10 of Companies(miscellaneous)rules 2014 is not applicable.
- 4.What is partnership deed? Is the written agreement compulsory?
- 5.'There are certain rules for the treatment of profits and losses, interest on capitals, drawings, salary, commission to a partner, in absence of partnership deed'. Discuss.
- 6.In the absence of partnership deed, at what rate of interest is given on additional capital introduced by the partners?
- 7.Can a minor be admitted into a partnership firm? If so, is he liable to bear the losses?
- 8.Is it compulsory to register a partnership firm?

9.What is Profit and Loss Appropriation Account? How is it different from Profit & Loss Account?

10.Distinguish between 'Capital Accounts' and 'Current Accounts' under fixed capital system of accounts.

11.What is meant by unlimited liability of a partner in a partnership firm?

12.What do you understand by guarantee of profit?

CHAPTER 2. GOODWILL

1. What do you understand by term 'Goodwill' and what are its characteristics .

2. 'Goodwill is an intangible asset'. Can it be purchased and recorded in the books of accounts?

3.'Value of goodwill is affected by many factors'. Discuss how do these factors affect the value of goodwill?

4.What is average profit method?

5.What is meant by the number of years' purchase while valuing goodwill account?

6.What is super profit? How is it valued?

7.How would you calculate goodwill under capitalisation of super profit method?

8.How would you calculate goodwill under capitalisation of average profit method?

9.How does the factor 'location, efficiency of management, quality of product and market situation affect the value of goodwill of a firm.

CHAPTER 3.CHANGE IN PROFIT SHARING RATIO.

What do you understand by the term reconstitution of partnership?

2.How are accumulated profits and reserves adjusted if such accounts are

(a)not to be continued/maintained?

(b) are to be continued/maintained?

CHAPTER 4.ADMISSION OF A PARTNER.

1. Discuss the rights of a new partner on his admission.

2. What is New Profit sharing ratio?

3. What is Sacrificing ratio? What is the significance to determine it?

4. What are the differences between New Profit sharing ratio and Sacrificing ratio?

5. Why is revaluation of assets and reassessment of liabilities required at the time of admission of a partner?
6. What is Revaluation account? Why is it opened?
7. How are reserves and accumulated profit/loss treated in books of accounts on admission of a partner?
8. How is old partners' capital account adjusted on the basis of new partners' capital?
9. How is a new partner' capital calculated on the basis of capitals of old partners'?

CHAPTER 5. RETIREMENT AND DEATH OF A PARTNER.

1. What is gaining ratio? How is it calculated when there is no agreement and when new profit sharing ratio is given?
2. State any two items of deduction that may have to be made from the amount payable to a retiring partner.
3. At the time of Death of a partner, state the condition when there is no need to compute the gaining ratio.
4. How are deceased partner's share of profits ascertained if he dies during a year?

CHAPTER 6. DISSOLUTION OF A PARTNERSHIP FIRM

1. What do you understand by Dissolution of a firm?
2. What are the differences between Realisation and Revaluation account?
3. Differentiate between Firm's Debts and Private Debts.
4. How is Goodwill treated at the time of Dissolution of a partnership firm?
5. Briefly give the journal entries for the treatment of realisation expenses in following cases:
 - (a) Expenses borne by firm and paid by firm
 - (b) Expenses borne by firm and paid by partner
 - (c) Expenses borne by partner and paid by firm
 - (d) Expenses borne by partner and paid by partner
 - (e) When a fixed amount is given or credited to a partner for realisation expenses and actual expenses are borne by partner and paid by firm.
6. State the provisions of section 48 regarding settlement of accounts at the time of dissolution of firm.
7. Briefly explain the concept of memorandum Balance sheet.

CHAPTER 6. ISSUE OF SHARES

1. Why does a shareholder prefer to invest in shares than in debentures?
2. What is meant by Authorised Capital of Company?

- 3 What is meant by Reserve capital? How it is different from Capital reserve.
- 4 What is meant by Called-up Capital?
- 5 What is meant by Issue of Shares at a Premium? State the uses of Securities premium as per section 52 of Companies Act 2013.
6. What is meant by Paid-up Capital?
7. What is meant by Employees Stock Option Scheme?
8. What is meant by Buy - Back of Shares?
9. Differentiate between 'Over-Subscription' and Under-Subscription' of shares?
10. What is meant by issue of shares for consideration other than cash?
- 11 What is meant by Sweat Equity Shares?
- 12 What is meant by Preferential allotment of Shares?
- 13 What is meant by Right Issue of Shares?
14. Differentiate between Calls -in- Arrears and Calls- in-Advance.
16. Briefly explain Minimum Subscription.

CHAPTER 7/8 . ISSUE and REDEMPTION OF DEBENTURES

1. Define the term Debenture.
2. What is a Bearer Debenture ?
3. What is a Registered Debenture ?
4. What is the nature of interest on debenture ?
5. Distinguish between a Share and a Debenture.
6. What is meant by issue of Debentures for consideration other than cash ?
7. What do you mean by Debentures issued as collateral security ?
8. What is a Convertible Debenture ?
9. What is a Secured Debenture ?
- 10 Briefly explain the provisions of Creation of Debenture redemption reserve.
11. State the exceptions to the creation of Debenture Redemption Reserve .
12. Briefly explain the provisions related to Debenture redemption Investment.
13. State any two specific securities in which Debenture Redemption investment is made.

THEORY ON FINANCIAL STATEMENTS ANALYSIS

CHAPTER 1 FINANCIAL STATEMENTS OF A COMPANY (As per Schedule III)

1. What do you mean by Financial Statements ?
2. State any one objective of preparation of Balance Sheet.
3. State any one objective of preparation of statement of Profit & Loss Account.
4. State any two items which are shown under the head 'Tangible Fixed Assets'.
5. State any two items which are shown under the head 'Non current Investments'.
6. State any two items which are shown under the Head 'Current Assets'.
7. State any two items which are shown under the major head 'Non Current Liabilities'.
8. State any two items which are shown under the sub-head 'Current Liabilities'.
9. State any two items which are shown under the sub-head 'Short term Provisions'.
10. Give the format of the Balance Sheet of a Company(main headings only) as per the requirement of Schedule III of the Companies Act, 2013.
11. State any five items which are shown under the heading 'Reserves and Surplus' in the Balance Sheet of a Company as per Schedule III, of the Companies Act, 2013
12. What are Contingent Liabilities ? Mention any two examples. Also state the difference between Contingent Liabilities and Commitments.
13. The following balances have been extracted from the books of Vikas Ltd.: Share Capital Rs.10,00,000; Securities Premium Rs. 1,00,000; 9% Debentures Rs. 5,00,000; Creditors Rs. 2,00,000; Proposed Dividend Rs. 50,000; Freehold Property Rs. 9,00,000; Shares of Reliance Industries Rs. 4,00,000; Current Assets Rs. 4,00,000; Mcachinery Rs. 1,50,000. Prepare the Balance Sheet of the Company as per Schedule III, of the Companies Act, 2013.

CHAPTER 2 FINANCIAL STATEMENT ANALYSIS

- 1.State the meaning of Financial statement analysis.Also explain its Objectives,Significance and Limitations.
- 2.Briefly explain the various parties interested in Financial statement analysis.

CHAPTER 3.COMPARATIVE STAEMENTS

- 1.Name two tools of financial analysis.
- 2.What is meant comparative financial statements?Explain their objectives.

3. What are Common size statements.? Give any two uses of common size statements.

CHAPTER 4.ACCOUNTING RATIOS

1. What do you mean by Accounting Ratios ?

2. What is the main objective to calculate liquidity ratios , solvency ratios, turnover ratios and profitability ratios ?

3. State giving reason whether the following ratio(a) Quick ratio of a company is 1.5 :1. (b)Current ratio 2.5:1 (c)Debt Equity ratio 2:1 (d)Operating Ratio 65%, will improve, decline or not change in the following situations.

(i) Payment of dividend by the company.

(ii)Purchase of goods for cash

(iii)Issue of shares Rs 15,000

(iv)Goods costing 5,000 sold for 4,000

(v)Cash received from debtors Rs 3,000

(vi)Loan raised Rs 10,000

(vii)Amount spent on advertisement .

4. State one transaction involving a decrease in Debt-Equity Ratio and no change in Current Ratio.

5. State one transaction involving a decrease in liquid ratio and no change in current ratio.

CHAPTER 5.CASH FLOW STATEMENT

1. What is a Cash Flow Statement? Briefly explain its Objectives ,Advantages and Limitations .

2. Enumerate the activities in which Cash Flow Statement is classified.

3.State any two financing activities of a financing company.

4. How does the preparation of a cash flow statement aid comparative study ?

5. Why is the cash flow statement not a suitable judge of profitability ?

6. What do you mean by Operating Activities ?
7. What do you mean by Investing Activities ?
8. What do you mean by Financing Activities ?
9. When does a flow of cash arise ?
10. State whether cash deposited in bank will result in inflow, outflow or no flow of cash.
11. Interest received by a finance company is classified under which kind of activity while preparing a Cash Flow Statement.
12. Dividend paid by a trading company is classified under which kind of activity while preparing Cash flow Statement.
13. State whether conversion of debentures into equity shares by a financing company will result in inflow, outflow or no flow of cash.
14. State whether the purchase of goods on credit will result in inflow, outflow or no flow of cash.
15. In which activity will you include the payment of interest on loan by a manufacturing company while preparing a Cash Flow Statement ?
16. List any two items of operating activities, that is typical of and pertaining to Print Media.
17. List any two items of operating activities, that is typical of and pertaining to Hotel Industry.
18. List any two items of operating activities, that is typical of and pertaining to film production unit.
19. A real estate agent may hold Land and buildings for trading purposes in which case they are similar to inventory acquired specifically for resale. Is the statement correct? Cash flows from such activities will be classified under which type of activity while preparing cash flow statement.

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