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CLASS 12

Accountancy

Sample Paper 3 - Questions

34 questions | 80 marks | 2026-27

Time: 3 hours. Answer all questions and subparts unless a choice is stated. Marks are shown on the right. Write answers on separate sheets. Independently prepared practice paper.

Section A - Objective questions

1. Which statement correctly describes Gaining ratio? **1**

(A) Changes in owners' capital and borrowings generate financing cash flows.

(B) The value associated with reputation and other advantages can require adjustment on reconstitution.

(C) New share minus old share identifies gain from a retiring partner.

(D) Old share minus new share identifies a partner's sacrifice on reconstitution.

2. Identify the term described by this statement: Cash changes from acquisition and disposal of long-term assets and suitable investments are classified as investing. **1**

(A) Inventory turnover

(B) Investing cash flow

(C) Current ratio

(D) Sacrificing ratio

3. Identify the term described by this statement: Assets and outside liabilities are transferred for settlement on dissolution under the standard treatment. **1**

(A) Realisation account

(B) Profit-sharing ratio

(C) Financing cash flow

(D) Debenture

4. Identify the term described by this statement: Cost of revenue from operations is compared with average inventory under the relevant definition. **1**

(A) Goodwill

(B) Revaluation account

(C) Investing cash flow

(D) Inventory turnover

5. Identify the term described by this statement: Current assets divided by current liabilities measures broad short-term coverage. **1**

(A) Profit-sharing ratio

(B) Current ratio

(C) Debenture

(D) Financing cash flow

6. Which statement correctly describes Financing cash flow? **1**

(A) Partners divide distributable profit according to the agreed arrangement.

(B) Cost of revenue from operations is compared with average inventory under the relevant definition.

(C) Changes in recognised asset and liability values determine revaluation profit or loss.

(D) Changes in owners' capital and borrowings generate financing cash flows.

7. Which statement correctly describes Revaluation account? **1**

(A) Changes in recognised asset and liability values determine revaluation profit or loss.

(B) Assets and outside liabilities are transferred for settlement on dissolution under the standard treatment.

(C) Cash changes from acquisition and disposal of long-term assets and suitable investments are classified as investing.

(D) The issue price above nominal share value is recorded separately.

8. Which statement correctly describes Securities premium? 1

(A) Quick assets divided by relevant current liabilities focuses on more readily realisable resources.

(B) Changes in owners' capital and borrowings generate financing cash flows.

(C) Changes in recognised asset and liability values determine revaluation profit or loss.

(D) The issue price above nominal share value is recorded separately.

9. Which statement correctly describes Share capital? 1

(A) Current assets divided by current liabilities measures broad short-term coverage.

(B) New share minus old share identifies gain from a retiring partner.

(C) Amounts raised through issued shares represent owners' funds under the relevant classification.

(D) Old share minus new share identifies a partner's sacrifice on reconstitution.

10. Identify the term described by this statement: Cash from principal revenue-producing activity is classified as operating under the relevant standard. 1

(A) Operating cash flow

(B) Forfeiture

(C) Quick ratio

(D) Financing cash flow

11. Identify the term described by this statement: A company acknowledges borrowed funds through a debt instrument. 1

(A) Debenture

(B) Revaluation account

(C) Quick ratio

(D) Forfeiture

12. Which statement correctly describes Forfeiture? **1**

(A) Shares can be cancelled for nonpayment under the applicable terms and process.

(B) Amounts raised through issued shares represent owners' funds under the relevant classification.

(C) Old share minus new share identifies a partner's sacrifice on reconstitution.

(D) Current assets divided by current liabilities measures broad short-term coverage.

13. Which statement correctly describes Profit-sharing ratio? **1**

(A) Partners divide distributable profit according to the agreed arrangement.

(B) Current assets divided by current liabilities measures broad short-term coverage.

(C) Assets and outside liabilities are transferred for settlement on dissolution under the standard treatment.

(D) New share minus old share identifies gain from a retiring partner.

14. Identify the term described by this statement: The value associated with reputation and other advantages can require adjustment on reconstitution. **1**

(A) Debenture

(B) Quick ratio

(C) Goodwill

(D) Sacrificing ratio

15. Which statement correctly describes Quick ratio? **1**

(A) Partners divide distributable profit according to the agreed arrangement.

(B) Cash changes from acquisition and disposal of long-term assets and suitable investments are classified as investing.

(C) Assets and outside liabilities are transferred for settlement on dissolution under the standard treatment.

(D) Quick assets divided by relevant current liabilities focuses on more readily realisable resources.

16. Which statement correctly describes Sacrificing ratio? **1**

(A) Partners divide distributable profit according to the agreed arrangement.

(B) Old share minus new share identifies a partner's sacrifice on reconstitution.

(C) Changes in recognised asset and liability values determine revaluation profit or loss.

(D) The value associated with reputation and other advantages can require adjustment on reconstitution.

17. Identify the term described by this statement: New share minus old share identifies gain from a retiring partner. **1**

(A) Debenture

(B) Gaining ratio

(C) Quick ratio

(D) Goodwill

18. Which statement correctly describes Inventory turnover? **1**

(A) Cost of revenue from operations is compared with average inventory under the relevant definition.

(B) A company acknowledges borrowed funds through a debt instrument.

(C) The value associated with reputation and other advantages can require adjustment on reconstitution.

(D) Assets and outside liabilities are transferred for settlement on dissolution under the standard treatment.

19. Which statement correctly describes Current ratio? **1**

(A) A company acknowledges borrowed funds through a debt instrument.

(B) Assets and outside liabilities are transferred for settlement on dissolution under the standard treatment.

(C) Current assets divided by current liabilities measures broad short-term coverage.

(D) Cash changes from acquisition and disposal of long-term assets and suitable investments are classified as investing.

20. Identify the term described by this statement: Changes in recognised asset and liability values determine revaluation profit or loss. 1

(A) Inventory turnover

(B) Realisation account

(C) Current ratio

(D) Revaluation account

Section B - Short responses

21. Current assets are Rs 204000 and current liabilities Rs 68000. Calculate current ratio as a single numerical quotient. 3

22. Compare Forfeiture and Share capital. Give the meaning and an appropriate application of each. 3

23. 280 debentures of face value Rs 100 are issued at Rs 95. Calculate cash received on issue. 3

24. Explain how the following example illustrates Profit-sharing ratio: A deed specifies shares of three partners. 3

Section C - Short responses

25. Profit before tax is Rs 74000, depreciation Rs 6000 and increase in receivables Rs 2000. With no other adjustments or tax, find operating cash flow. 4

26. Compare Debenture and Share capital. Give the meaning and an appropriate application of each. 4

27. A partner acquires one quarter of future profits. Firm goodwill is Rs 240000. Calculate the goodwill premium for this share. 4

28. Explain how the following example illustrates Investing cash flow: A business pays cash to buy machinery. 4

29. Current assets are Rs 180000 and current liabilities Rs 60000. Calculate current ratio as a single numerical quotient. 4

30. Compare Sacrificing ratio and Gaining ratio. Give the meaning and an appropriate application of each. 4

Section D - Extended responses

31. (a) Explain Quick ratio and analyse this application: Inventory and prepaid expenses are excluded from quick assets in the stated calculation.
(b) Explain Current ratio and show how this second application fits it: A business compares resources due or used within the operating context with short-term obligations. 6

32. (a) Explain Realisation account and analyse this application: Disposal proceeds and settlement payments determine realisation profit or loss.
(b) Explain Revaluation account and show how this second application fits it: An asset increase before admission affects the old partners' adjustment. 6

33. (a) Explain Securities premium and analyse this application: A share issued above face value produces a premium balance.
(b) Explain Share capital and show how this second application fits it: A company issues shares for cash under stated terms. 6

34. (a) Explain Share capital and analyse this application: A company issues shares for cash under stated terms.
(b) Explain Securities premium and show how this second application fits it: A share issued above face value produces a premium balance. 6

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