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CLASS 12

Accountancy

Sample Paper 4 - 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 Realisation account? **1**

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

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

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

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

2. Which statement correctly describes Debenture? **1**

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

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

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

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

3. Which concept is illustrated in this example? Remaining partners acquire part of the outgoing partner's share. 1

(A) Sacrificing ratio

(B) Operating cash flow

(C) Gaining ratio

(D) Forfeiture

4. Which statement correctly describes Sacrificing ratio? 1

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

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

5. Which statement correctly describes Securities premium? 1

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

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

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

(D) Cash from principal revenue-producing activity is classified as operating under the relevant standard.

6. Which concept is illustrated in this example? Cash received from customers contributes to operating cash movement. 1

(A) Inventory turnover

(B) Operating cash flow

(C) Financing cash flow

(D) Debenture

7. Which statement correctly describes Goodwill? **1**

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

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

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

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

8. Which statement correctly describes Investing cash flow? **1**

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

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

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

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

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

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

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

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

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

10. Which concept is illustrated in this example? A business compares resources due or used within the operating context with short-term obligations. **1**

(A) Debenture

(B) Financing cash flow

(C) Current ratio

(D) Revaluation account

11. Which concept is illustrated in this example? Inventory and prepaid expenses are excluded from quick assets in the stated calculation. **1**

(A) Operating cash flow

(B) Realisation account

(C) Inventory turnover

(D) Quick ratio

12. Which concept is illustrated in this example? A company issues shares for cash under stated terms. **1**

(A) Current ratio

(B) Operating cash flow

(C) Share capital

(D) Revaluation account

13. Which concept is illustrated in this example? A shareholder fails to pay a duly called amount. **1**

(A) Forfeiture

(B) Securities premium

(C) Realisation account

(D) Gaining ratio

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

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

(B) Cash from principal revenue-producing activity is classified as operating under the relevant standard.

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

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

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

(A) Cash from principal revenue-producing activity is classified as operating under the relevant standard.

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

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

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

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

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

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

(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.

17. Which statement correctly describes Operating cash flow? **1**

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

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

(C) Cash from principal revenue-producing activity is classified as operating under the relevant standard.

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

18. Which concept is illustrated in this example? A share issued above face value produces a premium balance. **1**

(A) Gaining ratio

(B) Sacrificing ratio

(C) Revaluation account

(D) Securities premium

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

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

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

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

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

20. Which concept is illustrated in this example? Interest obligations differ from discretionary equity dividends. **1**

(A) Forfeiture

(B) Debenture

(C) Share capital

(D) Goodwill

Section B - Short responses

21. Profit before tax is Rs 76000, depreciation Rs 6000 and increase in receivables Rs 2000. With no other adjustments or tax, find operating cash flow. **3**

22. State the meaning of Investing cash flow. Identify a relevant feature in this situation: A business pays cash to buy machinery. **3**

23. 410 debentures of face value Rs 100 are issued at Rs 95. Calculate cash received on issue. **3**

24. Compare Revaluation account and Profit-sharing ratio. Give the meaning and an appropriate application of each. **3**

Section C - Short responses

25. Current assets are Rs 222000 and current liabilities Rs 74000. Calculate current ratio as a single numerical quotient. **4**

26. Compare Profit-sharing ratio and Revaluation account. Give the meaning and an appropriate application of each. **4**

27. A partner acquires one quarter of future profits. Firm goodwill is Rs 320000. Calculate the goodwill premium for this share. **4**

28. Compare Current ratio and Quick ratio. Give the meaning and an appropriate application of each. **4**

29. Profit before tax is Rs 83000, depreciation Rs 6000 and increase in receivables Rs 2000. With no other adjustments or tax, find operating cash flow. **4**

30. State the meaning of Realisation account. Identify a relevant feature in this situation: Disposal proceeds and settlement payments determine realisation profit or loss. **4**

Section D - Extended responses

31. (a) Explain Share capital and analyse this application: A company issues shares for cash under stated terms.
(b) Explain Forfeiture and show how this second application fits it: A shareholder fails to pay a duly called amount. **6**

32. (a) Explain Financing cash flow and analyse this application: A company receives cash from issuing shares.
(b) Explain Investing cash flow and show how this second application fits it: A business pays cash to buy machinery. **6**

33. (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**

34. (a) Explain Forfeiture and analyse this application: A shareholder fails to pay a duly called amount. **6**

(b) Explain Securities premium and show how this second application fits it: A share issued above face value produces a premium balance.

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