



CUET 2026 May 29 Shift 1 Accountancy

Question Paper (Memory-Based) with Solutions

Conducted by National Testing Agency (NTA)

1. Which of the following is shown under the heading “Shareholders’ Funds” in the Balance Sheet of a company?

- (A) Trade Payables
- (B) Short-term Borrowings
- (C) Reserves and Surplus
- (D) Outstanding Expenses

Correct Answer: (C) Reserves and Surplus

Solution:

Concept:

According to Schedule III of the Companies Act, Shareholders’ Funds represent the amount invested by owners and accumulated profits retained in the business.

Main components of Shareholders’ Funds are:

- Share Capital
- Reserves and Surplus
- Money received against share warrants

Step 1: Understanding Shareholders’ Funds.

Shareholders’ Funds appear on the liabilities side of the Balance Sheet because they represent owners’ claim on business assets.

Step 2: Analyzing the options.

- Trade Payables are Current Liabilities.
- Short-term Borrowings are Current Liabilities.
- Reserves and Surplus are part of Shareholders’ Funds.

- Outstanding Expenses are Current Liabilities.

Step 3: Selecting the correct answer.

Only:

Reserves and Surplus

belongs to Shareholders' Funds.

Hence correct option is:

(C)

Quick Tip: Remember:

$$\text{Shareholders' Funds} = \text{Share Capital} + \text{Reserves and Surplus}$$

2. Interest received by a finance company is classified under which activity in Cash Flow Statement?

- (A) Operating Activity
- (B) Investing Activity
- (C) Financing Activity
- (D) Extraordinary Activity

Correct Answer: (A) Operating Activity

Solution:

Concept:

Cash Flow Statement classifies cash flows into:

- Operating Activities
- Investing Activities
- Financing Activities

For financial enterprises:

- Interest received is part of main business operations.

Step 1: Understanding operating activities.

Operating activities are principal revenue generating activities of business.

For finance companies:

Interest received

is regular income.

Step 2: Analyzing options.

- Operating Activity — Correct
- Investing Activity — Applicable for non-financial enterprises
- Financing Activity — Related to capital and borrowings
- Extraordinary Activity — Not applicable

Step 3: Write the final answer.

Hence:

Operating Activity

Therefore, correct option is:

(A)

Quick Tip: For financial enterprises:

Interest received → Operating Activity

3. At the time of forfeiture of shares originally issued at premium, Securities Premium Account is:

- (A) Credited
- (B) Debited only if premium is unpaid

(C) Always debited

(D) Not affected

Correct Answer: (B) Debited only if premium is unpaid

Solution:

Concept:

Securities Premium Account represents premium collected from shareholders over face value.

During forfeiture:

- If premium has already been received, no adjustment is needed.
- If premium is unpaid, Securities Premium Account must be debited.

Step 1: Understanding forfeiture.

Share forfeiture occurs when shareholder fails to pay allotment or calls.

Step 2: Case when premium is unpaid.

Suppose premium was due but not received:

Securities Premium A/c Dr.

because unrealized premium must be cancelled.

Step 3: Case when premium already received.

If premium was already received earlier:

No adjustment required

Step 4: Selecting correct option.

Hence:

Debited only if premium is unpaid

Therefore correct option is:

(B)

Quick Tip: In share forfeiture:

Premium unpaid $\Rightarrow$ Debit Securities Premium A/c

4. Which of the following is treated as a non-current asset in the Balance Sheet?

- (A) Cash in Hand
- (B) Bank Overdraft
- (C) Furniture
- (D) Bills Payable

Correct Answer: (C) Furniture

Solution:

Concept:

Assets are classified into:

- Current Assets
- Non-current Assets

Non-current assets are long-term assets used in business operations for more than one accounting period.

Step 1: Analyzing each option.

- Cash in Hand — Current Asset
- Bank Overdraft — Current Liability
- Furniture — Non-current Asset
- Bills Payable — Current Liability

Step 2: Understanding furniture classification.

Furniture is:

- Tangible fixed asset

- Used for long-term business purposes

Hence classified as non-current asset.

Step 3: Final answer.

Therefore:

Furniture

Correct option:

(C)

Quick Tip: Fixed assets such as furniture, machinery and building are classified as non-current assets.

5. Debentures are shown under which head in the Balance Sheet of a company?

- (A) Shareholders' Funds
- (B) Current Liabilities
- (C) Non-current Liabilities
- (D) Current Assets

Correct Answer: (C) Non-current Liabilities

Solution:

Concept:

Debentures represent borrowed funds of the company.

They are long-term borrowings and therefore classified under non-current liabilities.

Step 1: Understanding debentures.

Debentures are:

- Debt instruments
- Issued to raise long-term finance

Step 2: Classification in Balance Sheet.

Under Schedule III:

Long-term Borrowings

are shown under:

Non-current Liabilities

Step 3: Selecting correct answer.

Hence:

Non-current Liabilities

Correct option:

(C)

Quick Tip: Debentures are long-term borrowings, therefore shown under Non-current Liabilities.

6. Purchase of machinery for cash will result in:

- (A) Increase in Operating Activities
- (B) Increase in Investing Activities
- (C) Increase in Financing Activities
- (D) No effect on Cash Flow Statement

Correct Answer: (B) Increase in Investing Activities

Solution:

Concept:

Purchase or sale of fixed assets affects Investing Activities in Cash Flow Statement.

Step 1: Understanding machinery purchase.

Machinery is a fixed asset.

Purchase of fixed asset involves:

Outflow of cash

Step 2: Classification in Cash Flow Statement.

Cash spent on purchase of machinery is shown under:

Investing Activities

Step 3: Final answer.

Thus:

Investing Activities

Correct option:

(B)

Quick Tip: Purchase or sale of fixed assets always comes under Investing Activities in Cash Flow Statement.

7. The amount received over and above face value of shares is called:

- (A) Discount on Issue of Shares
- (B) Calls in Arrears
- (C) Securities Premium
- (D) Capital Reserve

Correct Answer: (C) Securities Premium

Solution:

Concept:

When shares are issued at a price higher than face value:

Excess amount = Premium

This amount is credited to Securities Premium Account.

Step 1: Understanding issue at premium.

Suppose:

Face Value = 10

Issue Price = 12

Then:

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is Securities Premium.

Step 2: Accounting treatment.

Journal entry:

Bank A/c Dr.

To Share Capital A/c

To Securities Premium A/c

Step 3: Final answer.

Hence:

Securities Premium

Correct option:

(C)

Quick Tip: Amount received above nominal value of shares is called Securities Premium.

8. Cash deposited into bank is classified as:

- (A) Cash Flow from Operating Activities
- (B) Cash Flow from Financing Activities
- (C) Cash Flow from Investing Activities
- (D) Not shown in Cash Flow Statement

Correct Answer: (D) Not shown in Cash Flow Statement

Solution:**Concept:**

Cash Flow Statement records inflow and outflow of cash and cash equivalents between business and outsiders.

Transfer between:

Cash $\leftrightarrow$ Bank

does not change total cash and cash equivalents.

Step 1: Understanding internal transfers.

Depositing cash into bank only changes form of cash.

Cash decreases

Bank balance increases

Total cash equivalent remains same.

Step 2: Effect on Cash Flow Statement.

Since there is no overall inflow or outflow:

No effect

Step 3: Final answer.

Therefore:

Not shown in Cash Flow Statement

Correct option:

(D)

Quick Tip: Transactions between cash and bank are not shown in Cash Flow Statement because both are cash equivalents.

9. Which of the following is an extraordinary item in Cash Flow Statement?

- (A) Sale of Goods
- (B) Salary Paid
- (C) Compensation received from earthquake loss
- (D) Interest Paid

Correct Answer: (C) Compensation received from earthquake loss

Solution:

Concept:

Extraordinary items arise from events that are:

- Unusual
- Infrequent
- Non-recurring

Step 1: Understanding extraordinary items.

Examples:

- Earthquake loss
- Flood compensation
- Fire insurance claim

Step 2: Analyzing options.

- Sale of Goods — Normal activity
- Salary Paid — Operating activity
- Compensation from earthquake — Extraordinary item
- Interest Paid — Financing activity

Step 3: Final answer.

Hence:

Compensation received from earthquake loss

Correct option:

(C)

Quick Tip: Extraordinary items are rare and unusual events not related to regular business operations.

10. Which account is credited at the time of reissue of forfeited shares?

- (A) Share Capital Account
- (B) Bank Account
- (C) Share Forfeiture Account
- (D) Calls in Arrears Account

Correct Answer: (A) Share Capital Account

Solution:

Concept:

When forfeited shares are reissued:

- Bank Account is debited
- Share Capital Account is credited

If reissued at discount:

Share Forfeiture A/c

is debited.

Step 1: Understanding reissue entry.

General journal entry:

Bank A/c Dr.

Share Forfeiture A/c Dr. (if discount)

To Share Capital A/c

Step 2: Identifying credited account.

The credited account is:

Share Capital Account

Step 3: Final answer.

Hence:

Share Capital Account

Correct option:

(A)

Quick Tip: At reissue of forfeited shares:

Share Capital A/c is always credited