Government of Karnataka

QUESTION BANK

SECOND PUC

ACCOUNTANCY

(NEW SYLLABUS)

Book 1:Not-For-Profit Organisation and Partnership Accounts

Book 2: Company Accounts and Analysis of Financial Statements

2018-19 onwards

DEPARTMENT OF PRE-UNIVERSITY EDUCATION

18th Cross, Sampige Road, Malleshwaram, Bengaluru – 560 012

DISCLAIMER

The Question Bank is prepared for the benefit of students and teachers. The committee worked for the preparation of Question Bank made all efforts to make comprehensive and foolproof.

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COURSE STRUCTURE : 2018-19

SUBJECT : ACCOUNTANCY

CLASS – SECOND PUC **DURATION:** 3 HRS. 15MINS. **MAX. MARKS:**100

CHAPTER	CHAPTER HEAD	PERIODS ALLOTTED (Including POQ)	MARKS ALLOTTED
	Bridge Course	05	-
Book -1: Not -for -Profit Organisation and Partnership Accounts			
1	Accounting for Not-For- Profit Organisation	12+02	15
2	Accounting For Partnership: Basic Concepts	10+04	09
3	Reconstitution of a Partnership Firm: Admission of a Partner	12+01	15
4	Reconstitution of a Partnership Firm: Retirement / Death of a Partner	14+02	13
5	Dissolution of Partnership Firm	08	14
Book -2: Company Accounts and Analysis of Financial Statements			
1	Accounting for Share Capital	10+01	15
2	Issue and Redemption of Debentures	14	19
3	Financial Statements of a Company	08+02	09
4	Analysis of Financial Statements	10+02	15
5	Accounting Ratios	14	19
6	Cash Flow Statement	08+01	09
Total (Excluding POQ Marks)		-	152
Practical Oriented Questions Marks		-	15
Grand Total (Including POQ)		**05 +120 +15 =140**	**167**

TEXTBOOKWISE AND SECTIONWISE NO. OF QUESTIONS ALLOTMENT OF MARKS

				No. of Questions		
Part	**Questions**	**Marks for each question**	**Total Marks**	**Book-1**	**Book-2**	**Total Questions**
A	10	01	10	04	06	10
B	08	02	16	03	05	08
C	07	06	42	04	03	07
D	07	12	84	03	04	07
E	03	05	15	02/01	01/02	03
Total	**35**	-	**167**	**16/15**	**19/20**	**35**

TEXTBOOKWISE SPLIT-UP OF QUESTIONS AND MARKS ALLOTMENT

Textbook	**Sec-A**	**Sec-B**	**Sec-C**	**Sec-D**	**Sec-E**	**Weightage of Marks**
	1 Mark Ques.	**2 Marks Ques.**	**6 Marks Ques.**	**12 Marks Ques.**	**5 Marks Ques.**	
1 (1 to 5 Chapters)	04	03	04	03	02/01	70+10/05
2 (1 to 6 Chapters)	06	05	03	04	01/02	82+5/10
Total Ques. & Marks	**10**	**08**	**07**	**07**	**03**	**152+15=167**

TEXTBOOKWISE POQS.

Textbook	**No. of POQs**
1	07
2	08
Total	**15**

SUGGESTED QUESTION PAPER DESIGN / WEIGHTAGE TO KUAS INSTRUCTIONAL OBJECTIVES : 2018 – 19

SUBJECT: ACCOUNTANCY (CODE – 30)

Class: II PUC **Duration: 3 Hours And 15 Minutes** **Max.Marks: 100**

Sl. No.	Typology of questions and weightage	Sec – A (1 Mark ques.)	Sec – B (2 Marks ques.)	Sec – C (6 Marks ques.)	Sec – D (12 Marks ques.)	Sec – E (5 Marks POQs)	% age of weightage	Total Marks
1	Knowledge	03	02	01	01	-	15	25
2	Understanding	05	04	02	01	01	25	42
3	Application	01	01	02	04	01	40	68
4	Skill	01	01	02	01	01	20	32
Total Questions (35 Questions)		10	08	07	07	03	-	-
Total Marks		**10**	**16**	**42**	**84**	**15**	**100**	**167**

SUGGESTED QUESTION PAPER PATTERN: 2018 – 19

SUBJECT: ACCOUNTANCY (CODE – 30)

Class: II PUC **Duration: 3 Hours and 15 Minutes** **Max.Marks: 100**

Sections	Nature of Questions / Problems	Questions/ Problems given	Questions to be answered	Marks for each question	Marks for each section
A	Very short answer type	10	08	01	08
B	Short Answer Type	08	05	02	10
C	Small Problems	07	04	06	24
D	Big Problems	07	04	12	48
E	POQs	03	02	05	10
Total		**35**	**23**	-	**100**

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CHAPTERWISE HOURS ALLOTTED ,WEIGHTAGE OF MARKS AND TYPOLOGY OF QUESTIONS:2018-19

SUB: ACCOUNTANCY (CODE - 30) **CLASS: II PUC**

Book	Chapter No.	Chapter Head	Hours Allotted	Total Marks	Section wise questions (Excluding POQ)				
					Sec - A (01 marks)	Sec - B (02 marks)	Sec - C (06 marks)	Sec - D (12 marks)	Sec - E (05 marks POQs)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1	1	Accounting for Not-For-Profit Organization	12	15	1	1	-	1	-
	2	Accounting for Partnership: Basic Concepts	10	09	1	1	1	-	-
	3	Reconstitution of a Partnership Firm – Admission of a Partner	12	15	1	1	-	1	-
	4	Reconstitution of Partnership Firm – Retirement / Death of a Partner	14	13	1	-	2	-	-
	5	Dissolution of Partnership Firm	08	14	-	1	-	1	-
		Total of Part – I	**56**	**66**	**4**	**4**	**3**	**3**	-
2	1	Accounting for Share Capital	10	15	1	1	-	1	-
	2	Issue and Redemption of Debentures	14	19	1	-	1	1	-
	3	Financial Statements of a Company	08	09	1	1	1	-	-
	4	Analysis of Financial Statements	10	15	1	1	-	1	-
	5	Accounting Ratios	14	19	1	-	1	1	-
	6	Cash Flow Statement	08	09	1	1	1	-	-
		Total of Part – II	**64**	**86**	**6**	**4**	**4**	**4**	-
Grand Total (Part I + II) excluding Bridge Course & POQ)			**120**	**152**	**10**	**8**	**7**	**7**	-
Bridge Course			05	-	-	-	-	-	-
POQ (3 Questions of 5 Marks each in Section E)			15	15	-	-	-	-	15
Total hours,marks and sectionwise marks			**140**	**167**	**10**	**16**	**42**	**84**	**15**

Note: If 12 marks question is asked on admission, then 6 marks question should be asked on retirement & vice versa

List of Practical Oriented Questions (POQs) for 10 Marks under Section – E

1. Classify the following items in to capital and revenue (Any 5 items).
2. Prepare Receipts and Payments Account of a Not – For - Profit Organization with 5 imaginary figures.
3. How do you treat the followings in the absence of Partnership Deed?
   a) Profit Sharing Ratio
   b) Interest on Capital
   c) Interest on Drawing
   d) Interest on advances from partners
   e) Remuneration to partners for firm's work
4. Write two Partners' Current Accounts under Fixed Capital System with 5 imaginary figures.
5. Write two Partners' Capital Accounts under Fluctuating Capital System with 5 imaginary figures.
6. Write Profit and Loss Appropriation Account of a firm with 5 imaginary figures.
7. Prepare Executors Loan Account with imaginary figures showing the repayment in two annual equal installments along with interest.
8. Give the disclosure requirements pertaining to Share Capital in Notes to Accounts of Balance Sheet of a Company with imaginary figures.
9. Write the pro-forma of a Balance Sheet of a Company with main heads only.
10. Prepare a Statement of Profit and Loss of a Company in vertical form with imaginary figures of 5 main heads only.
11. Name the major heads under which the following items will be presented in the Balance Sheet of a Company (Any 5 items only).
12. Prepare Comparative Statement of Profit and Loss with 5 imaginary figures.
13. Prepare Common Size Statement of Profit and Loss with 5 imaginary figures.
14. Write the pro-forma of Cash Flows from Operating Activation under Direct Method
15. Classify the following cash flow activities into operating, investing and financing as per AS – 3 (Atleast two items each from any two activity and one item from remaining activity. Total 5 items only).

Important Notes

1. **Out of 3 POQs to be asked, choose first POQ from Sl.No. 1 to 5, Second POQ from Sl.No. 6 to 10 and third and last POQ from Sl.No. 11 to 15.**
2. **Out of three questions, two questions of 5 marks each are to be answered.**

Question Bank

II PUC Accountancy (Code - 30)

Introduction:

Karnataka is the first state in the country to introduce two year PUC as a separate course during the year 1971-72. The syllabi have undergone changes. The latest restructuring of the course which has come into force in the academic year 2017-18. It has taken a major departure from the previous attempts of revisions both in terms of content and orientation by adopting NCERT Text Books in II PUC.

Commerce education is a branch of education which aims in injecting the business skills and talents and thereby prepares its learners to enter into the business field in different capacities, who in-turn contribute to the overall well-being of the society. Over these years, commerce education in Karnataka has grown in leaps and bounds.

For the first time, Department of PU Education is releasing the Question Bank for II PUC Accountancy subject based on NCERT XII Standard Textbooks. It has two volumes. Volume – 1: Financial Accounting Part – I consists of 5 chapters and Volume – 2: Financial Accounting Part – II consists of 6 chapters. All the chapters of first and second book are retained. Volume – 3 of NCERT Textbook i.e., Computerised Accounting is not retained as a part of II PUC syllabus.

I. General Guidelines / Instructions:

1. Volume 1 and 2 of NCERT textbooks are retained as syllabus for II PUC Accountancy.
2. Volume 3 of NCERT textbook i.e., Computerised Accounting is not retained as a part of II PUC Accountancy Syllabus.
3. Availability of teaching hours in a year will be 140 only.
4. Split – up of available teaching hours:

   05 Hours – For Bridge Course

   120 Hours – For the completion of course content (excluding POQ)

   15 Hours – For the completion of 15 POQs
5. Duration of Annual Examination will be 3 Hours and 15 Minutes only. 15 Minutes cool off time will be given for the students.
6. Maximum marks of Accountancy question paper will be 167 marks.
7. While framing the questions, weightage should be given to instructional objectives as follows: Knowledge - 15%, Understanding - 25%, Application - 40%, Skill - 20%.
8. While preparing the question paper, due weightage should be given to the difficulty level as follows: Easy - 40%, Average - 40% and Difficult - 20%.
9. Detailed Course Structure, Question Paper Design, Blue Print, Program of Work and Chapter wise questions are given for the use of lectures and students.

10. Tests, Midterm and Annual Examination question paper should be strictly as per the stipulated Question Paper Pattern only.

11. Coverage of syllabus should be as per the given programme of work only.

12. Rules of Debit and Credit should be taught by using According Equation Method only (i.e., Assets, Liabilities, Capital, Incomes and Expenses Accounts).

Special Note: For the purpose of knowledge and understanding, more number of items/ transactions are given in the problems. However, question paper setter should adhere strictly to the specific instructions given pertaining to each topic. Q.P. setter has a freedom to select appropriate items / transactions or modify the questions, if necessary, to suit the scheme of evaluation.

II. Specific Guidelines/Instructions (Sectionwise)

Section – A

One Mark Questions:

1. No question should be based on trivial information or contents.
2. Note that, before selecting a very short answer type questions, think of the intended answer first to which that answer is the only appropriate response.
3. Questions should be framed in a clear, precise and unambiguous language, well within the comprehension of the students.
4. Questions should be straight, simple, understandable, free from grammatical and spelling errors.
5. Questions should be selected from stipulated chapters only (see chapter-wise distribution of marks)
6. Generally, questions of knowledge and understanding are best suited to this section.
7. Each and every question should test a definite objective
8. Typology of questions are as follows:

Fill in the blanks	-	02 questions
MCQs	-	02 questions
True/False	-	01 question
Expand	-	01 question
Example	-	01 question and
Very short answer type	-	03 questions (Answer in a word, phrase or sentence as required)

   Total 10 questions are to be given as stated above.

9. Out of 10 questions, 8 questions are to be answered
10. Questions under different sections which generate the same answers which are based on the same concepts or contents are not to be asked.

11. Very small application / skill based questions may also be selected under this section.
12. Answer to all the questions of section – A should be placed continuously at one place only.
13. There should not be any duplication of questions on the same unit / topic in any other sections.

Section – B

Two Marks Questions:

1. Questions should be selected from the stipulated chapters only (See chapter wise distribution of marks).
2. Questions should be selected to suit the scheme of evaluation.
3. Questions under this section may be in a question form/statement form/small calculations, etc
4. Questions under this section may be as follows:-

   Definition, meaning, features, merits, demerits, types, examples, situations, circumstances, steps, differences, methods, small calculations, journal entry, etc. Fair combination of the above should be there.
5. Out of 8 questions, only 5 questions are to be answered.
6. Each and every question should test a definite objective.
7. There should not be any duplication of questions on the same unit / topic in any other sections.
8. Questions under this section should be clear, precise and unambiguous language well within the comprehension of the students.

Section – C

Six Marks Questions

1. Problems should be selected from the stipulated chapters only. (see chapter-wise distribution of marks).
2. Items, transactions, entries, etc. should suit the scheme of evaluation.
3. Out of seven problems, four problems are to be answered.
4. Each and every problem should test a definite objective.
5. Problems should be clear, precise and unambiguous language well within the comprehension of the students.
6. Generally, small application and / or skill based questions are best suited to this section.
7. Care should be taken to avoid duplication of questions in different sections of the question paper.

8. Chapter wise 6 marks problems in Book I and Book II Books:

Chapter No	No. of Problems given	Topic / Unit
Book–1 Cha – 1	1	**1)** Preparation of Profit and Loss Appropriation A/c (5 items only) (Opening capital should be given in the problem) **Or** **2)** Preparation of Profit and Loss Appropriation A/c with guarantee of profit (4 items only) **Or** **3)** Calculation of interest on drawings: when fixed amount is withdrawn every month / quarterly (For 1 partner only) **Or** **4)** Calculation of interest on drawings: when varying amounts are withdrawn at different intervals using product method. (Only 4 drawings should be given for 1 partner only)
Chapter 3 and 4 Retirement	1	**On Chapter-3: Admission** **1)** Calculation NPSR of all partners when share of acquisition is given or not given. **Or** **2)** Calculation of Sacrificing Ratio of old partners when OPSR and NPSR are given. **Or** **On Chapter-4: Retirement** **1)** Calculation of NPSR of continuing partners when acquired share is given **Or** **2)** Calculation of gaining ratio of continuing partners when acquired share is given or OPSR and NPSR are given **Note: If 12 marks problem is asked on admission, then 6 marks problem should be asked on retirement and vice versa.**
4 (Death)	1	**1)** Preparation of Deceased Partner's Capital A/c (5 items only) **Or** **2)** Preparation of Deceased Partner's Executors A/c (5 items only)
Part –II Cha - 2	1	**1)** Journal Entries relating to issue of debentures at par **Or** **2)** Journal Entries relating to issue of debentures at premium **Or** **3)** Journal Entries relating to issue of debentures at discount **Or** **4)** Journal Entries relating to issue of debentures at par, premium and discount for consideration other than cash. (5/6 entries)

Chapter No	No. of Problems given	Topic / Unit
Cha-3	1	**1)** Preparation of Balance Sheet of a Company **(Note:** Out of 5 major heads, 3 items should be given directly for major heads and 4 items should be given for remaining 2 major heads.) **Or** **2)** Preparation of Statement of Profit and Loss of a Company **(Note:** Income and tax should be given directly and 4 items of expenses which needs Notes to Accounts should be given)
Cha – 5	1	**1)** Calculation of Liquidity (Current and Quick) Ratio **or** **2)** Calculation of any 3 Solvency Ratios.
Cha – 6	1	**1)** Preparation of Cash Flow Statement from Operating Activities (4 items only) **Or** **2)** Ascertainment of Cash Flows from Investing Activities using indirect method (4 items only) **Or** **3)** Ascertainment of Cash Flows from Financing Activities using indirect method (4 items only).

Section – D

Twelve Marks Questions

1. Problems should be selected from the stipulated chapters only. (see chapter wise distribution of marks).
2. Items, transactions, entries, etc., should suit to the scheme of evaluation.
3. Each and every question should test a definite objective.
4. Generally, big application and / or skill based questions are best suited to this section.
5. Out of seven problems, four problems are to be answered.
6. Problems should be clear, precise and unambiguous language well within the comprehension of the students.
7. Care should be taken to avoid duplication of questions in different sections of the question paper.

8. Chapter wise 12 marks problems in Book I and Book II:

Chapter No	No. of Problems given	Topic / Unit
Book-1 Cha – 1	1	**1)** Preparation of Income and Expenditure A/c and Balance Sheet, when Opening Balance Sheet is given. **Or** **2)** Preparation of Income and Expenditure A/c and Balance Sheet, when Opening Balance Sheet is not given.
Cha 3 & 4	1	**Chapter – 3: Admission** **1)** Preparation of Revaluation A/c, Partners' Capital Accounts and Balance Sheet after Admission under any one of four goodwill Methods,without capital adjustments. **Or** **2)** Preparation of Revaluation A/c, Partners' Capital Accounts and Balance Sheet after Admission under any one of four goodwill methods, with capital adjustments of old partners by cash only as per NPSR. **Note: Problem should not be asked on Goodwill already appears in the books (i.e.,Old Balance Sheet) Or** **Chapter – 4: Retirement** **1)** Preparation of Revaluation A/c, Partners' Capital Accounts andBalance Sheet after Retirement **when goodwill do not appear in the old Balance Sheet,** without capital adjustments. **Or** **2)** Preparation of Revaluation A/c, Partners' Capital Accounts and Balance Sheet after Retirement with adjustment of Continuing Partners' Capitals through cash only as per NPSR. NPSR should be given in the problem. **Notes 1. Problem should not be asked on Goodwill already appears in the books. (i.e., In Old Balance Sheet). Or** **2. If 6 marks problem is asked on admission, then 12 marks problem should be asked on retirement and vice versa.**
Cha – 5	1	**1)** Preparation of Realisation A/c, Partners' Capital A/cs and Cash / Bank A/c, when realization expenses is paid by the firm. **Or** **2)** Preparation of Realisation A/c, Partners' Capital A/cs and Cash / Bank A/c, when realization expenses is paid by the partner who gets remuneration for it.

Chapter No	No. of Problems given	Topic / Unit
Book-2 Cha – 1	1	**1)** Journal Entries relating to issue of shares at par, forfeiture and re-issue (9 entries only). **Or** **2)** Journal Entries relating to issue of shares at premium, forfeiture and re-issue (9 entries only). **Or** **Note:** **1) Problem may also be asked on over subscription under the above two methods of issue.** **2) Problems should not be asked on issue of shares at Discount.**
Cha – 2	1	**1)** Journal Entries relating to terms and conditions of issue and redemption of debentures under any four situations. **Or** **2)** Journal Entries relating to the issue of debentures and debenture Interest. (Refer Illustration – 17). **Or** **3)** Journal Entries relating to redemption of debentures under any five situations when the redemption is made by payment in lump-sum. **Or** **4)** Preparation of Debenture A/c, Debenture Interest A/c and Discount on issue of debentures A/c for three years, when redemption made by payment in installments. **Or** **5)** Preparation of Debenture A/c, Debenture Redemption Fund A/c and Debenture Fund Investment A/c for two years under Sinking Fund Method.
Cha – 4	1	**1)** Preparation of Comparative Balance Sheet (8 items only) **Or** **2)** Preparation of Comparative Statement of Profit and Loss (8 items only). **Or** **3)** Preparation of Common Size Balance Sheet (8 items only.**Or** **4)** Preparation of Common Size Statement of Profit and Loss (8 items only).
Cha – 5	1	**Calculation of six ratios** **(3 Activity ratios and 3 Profitability ratios)**

Section – E:

Practical Oriented Questions for 5 Marks

1. Three POQs are to be selected from the given list only. (See the blue print)
2. Selection of 3 POQs:-

   First POQ : from Sr.No. 1 to 5 from the list of POQs.
   Second POQ : from Sr.No. 6 to 10 from the list of POQs and
   Third POQ : from Sr.No. 11 to 15 from the list of POQs.
   This should be strictly followed while setting the question paper.
3. Care should be taken to avoid duplication of questions in different sections of the question paper.

BOOK-1

CHAPTER-1

ACCOUNTING FOR NOT-FOR-PROFIT ORGANISATION

Section A: One Mark Questions

I. Fill in the Blanks:

1. Not-For-Profit Organisations are used for the welfare of the _________.
2. Not-For-Profit Organisations are not engaged in _________ or _________
3. Receipts and Payments Account is the summary of ________ and ______ transactions.
4. Income and Expenditure account is just like a ___________ A/c of a trading concern.
5. Income and Expenditure A/c is prepared on ________ basis
6. Subscription is a fee paid by the______________.
7. _________ are the amounts received as per the will of the deceased person.
8. Opening balance in Receipt and Payment A/c represents____________
9. Government Grant for maintenance is treated as ________ receipt.
10. Donation for specific purpose are always ____________

II. Multiple Choice Questions.

1. Not-For-Profit Organisations are formed for:
   (a) Profit (b) Service
   (c) Profit & Service (d) None of these
2. Most of Not-For-Profit Organisation transactions are:
   (a) Cash (b) Credit
   (c) Cash & Credit (d) Barter
3. Receipts and Payments Account include items of:
   (a) Capital Nature (b) Revenue Nature
   (c) Both (a) & (b) (d) (d) None of these
4. Income and Expenditure Account include the amounts of:
   (a) Current year
   (b) Previous year
   (c) Next year
   (d) Both current year and previous year
5. Capital Fund does not include:
   (a) Entrance fees (b) Legacies
   (c) (Building fund (d) Life Membership Fees

6. Legacies are treated as:
   (a) Revenue Receipt (b) Capital Receipt
   (c) Revenue Expenditure (d) Capital Expenditure
7. Purchase of a computer by a college is treated as:
   (a) Capital Receipt (b) Capital Expenditure
   (c) Revenue Receipt (d) Revenue Expenditure
8. In the absence of any specific instruction, where do you show the Entrance Fee?
   (a) Debit side of Income and Expenditure account
   (b) Credit side of Income and Expenditure account
   (c) Liability side of the Balance sheet
   (d) Added to Capital Fund on the liabilities side of B/S
9. Special Funds are shown in:
   (a) Income Side (b) Expenditure Side
   (c) Liability Side (d) Asset Side
10. Life Membership fees are treated as:
   (a) Capital Receipts (b) Capital Expenditure
   (c) Revenue Receipts (d) Revenue Expenditure
11. Loss on sale of fixed asset is treated as:
   (a) Capital Receipts (b) Revenue Receipts
   (c) Capital Expenditure (d) Revenue Expenditure

III. True or False types Questions:

1. Receipt and Payment Account is a summary of all capital receipts and payments.
2. If the sports fund is maintained, sports expenses will be shown on the debit side of Income and Expenditure Account.
3. The balancing figure on credit side of Income and Expenditure Account denotes excess of expenses over incomes.
4. Scholarships granted to students out of funds provided by Government will be debited to Income and Expenditure Account.
5. Donations for specific purposes are always capitalized.
6. Opening Balance Sheet is prepared when the Opening Balance of capital fund is not given.
7. Surplus of Income and Expenditure Account is added to Capital Fund.
8. Income and Expenditure Account is equivalent to Profit and Loss Account of a trading concern.
9. Receipts and Payments Account does not differentiate between capital and revenue receipts.
10. Capital and Revenue items are recorded in Receipt and Payment Account.

IV. Very Short Answer Questions:

1. Give an example for Not- For- Profit Organisation.
2. What is the Motive of Not- For- Profit Organisation?
3. Where do you show Opening Bank overdraft in Receipt and Payment Account?
4. Name any one final account of a Not- For- Profit Organisation.
5. State any one major source of income of Not- For- Profit Organisation.
6. State any one books of account maintained by a Not- For- Profit Organisation.
7. State any one feature of Receipts and Payments Account.
8. How do you treat the prizes paid, when the prize fund is not maintained?
9. What is Capital Fund?
10. Give an example for specific donation.
11. How do you treat the tournament expenses, when the Tournament Fund is maintained?
12. How do you treat the Life Membership Fees?

Section B: Two Marks Questions

1. What are Not-For-Profit Organisations?
2. Give any two examples of Not-For-Profit Organisation
3. State any two features of Not-For-Profit Organisation
4. Name any two books of accounts maintained by Not-For-Profit Organisation
5. Give the meaning of Receipts and Payments Account
6. State any two features of Receipt and Payment Account.
7. What do you mean by Income and Expenditure Account?
8. State any two features of Income and Expenditure Account.
9. Give any two examples for revenue expenditure.
10. Give any two examples for capital expenditure.
11. Give any two examples for revenue receipt.
12. Give any two examples for capital receipt.
13. State two differences between Receipts and Payments Account and Income and Expenditure Account.
14. What is Capital Fund?
15. What are Legacies?
16. What is Honorarium?
17. Give the meaning of Endowment Fund.
18. How do you treat tournament expenses, when separate tournament fund is not maintained?
19. How do you treat prizes awarded, when Prize Fund is maintained?
20. Give the meaning of incidental trading activity.

Section D: 12 Marks Questions

I. Preparation of Income and Expenditure Account and Balance Sheet when Opening Balance Sheet is given in the problem

01. Followings are the Balance Sheet and Receipts and Payments Account of Sharada Education Society, Mangaluru.

Balance Sheet as on 31-03-2017

Liabilities	₹	Assets	₹
Capital fund	36,400	Cash in hand	2,050
Audit fees	2,500	Maps and charts	1,600
		5% Govt. Bonds	31,000
		Subscriptions outstanding	1,000
		Furniture	3,250
	38,900		38,900

Receipts and Payments A/C for the year ending 31-03-2018

Dr. **Cr.**

Receipts	₹	Payments	₹
To Balance b/d	2,050	By Audit fees	2,500
To Subscriptions	20,500	By Rent	1,800
To Donation	2,500	By Maps and charts	3,400
To Interest on Govt.	850	By Stationery and postage	250
Bonds		By Salary	8,000
		By Functions	1,050
		By Balance c/d	8,900
	25,900		25,900

Adjustments:

1) Audit fees ₹ 2,500 still due
2) Charge ₹ 250 as depreciation on furniture.
3) Half of the donation is to be Considered as revenue.
4) Outstanding Subscriptions ₹2,000 and subscriptions received in advance ₹1,500.

Prepare: i) Income and Expenditure Account and

ii) Balance Sheet as on 31-03-2018.

(Answer: I & E A/C Surplus ₹ 8,950, Total of B/S ₹ 50,600,)

02. Following are the Balance Sheet and Receipt and Payment Account of Gurudeva Education Trust, Tumkur.

Balance Sheet as on 31-03-2017

Liabilities	₹	Assets	₹
Outstanding Office exp	5,000	Cash in hand	15,000
Bank Loan	35,000	Furniture	25,000
Capital Fund	1,20,000	Buildings	70,000
		Sports Materials	20,000
		Library Books	30,000
	1,60,000		1,60,000

Receipts and Payment A/C for the year ended 31-03-2018

Dr. **Cr.**

Receipts		₹	Payments		₹
To Balance b/d		15,000	By Office Exp.		
To Subs.			2016-17	5,000	
			2017-18	17,000	22,000
2017-18	45,000		By Printing &		
2018-19	5,000	50,000	Postage Exp.		600
To Entrance Fees		8,000	By Salary		25,000
To Donations		12,000	By Purchase of		
To Interest		5,000	books.		10,000
			By Bank Loan		
			repaid.		5,000
			By Subs. to		
			Newspapers		600
			By Balance c/d		26,800
		90,000			90,000

Adjustments:

1. Subscriptions outstanding ₹5,000.
2. Salary prepaid ₹2,500
3. Capitalise 50% of entrance fees and 100% of donations.
4. Depreciate buildings by 10% p.a.

Prepare: i) Income and Expenditure Account for the year ending 31-03-2018.

ii) Balance Sheet as on 31-03-2018.

(Answer: I & E A/C Surplus ₹11,300, Total of B/S ₹ 1,82,300,)

03. Followings are the Balance Sheet and Receipt & Payment Account of Golden Sports Club, Vijayapura.

Balance Sheet as on 31-03-2017

Liabilities	₹	Assets	₹
Outstanding salary	7,000	Cash in hand	15,500
Pre-received Subscriptions	4,000	Sports Materials	35,000
Capital Fund	1,50,500	Furniture	21,000
		Land and Buildings	90,000
	1,61,500		1,61,500

Receipts and payment A/c for the year ending 31-03-2018

Dr. **Cr.**

Receipts	₹	Payments	₹
To Balance b/d	15,500	By Salary	25,000
To Subscriptions	52,000	By Sports materials	
To Entrance Fees	6,000	(1-10-2017)	18,000
To Sale of old newspaper	3,000	By Investments	15,000
To Sports Fees	9,500	By Postage	400
		By Electricity charges	1,600
		By Up-keep of grounds	6,500
		By Balance c/d	19,500
	86,000		86,000

Adjustments:

a) Outstanding subscriptions for 2018 ₹1,000

b) Outstanding salary as on 31-03-2018 ₹5,000

c) Half of the Entrance fees are to be capitalized.

d) Depreciate sports materials @ 20% per annum

Prepare: i) Income and Expenditure account for the year ending 31-03-2018 and

ii) Balance Sheet as on that date

(Answer: I & E A/C Surplus ₹ 32,200, Total of B/S ₹ 1,90,700)

04. Followings are the Balance Sheet and Receipt and Payment Account Durgha Sports Club, Koratagere.

Balance Sheet as on 01-01-2017

Liabilities	₹	Assets	₹
Outstanding salary	2,000	Cash balance	7,300
Capital fund	32,500	O/S subscriptions	1,200
		Sports Materials	16,000
		Furniture	10,000
	34,500		34,500

Receipt and Payment A/C for the year ended 31-12-2017

Dr. **Cr.**

Receipts	₹	Payments	₹
To Balance b/d	7,300	By Salary	10,000
To Subscriptions	38,000	By purchase of Sports	
To Entrance Fees	2,000	Materials	6,000
To Sale of old newspapers	200	By Investments	20,000
To Sale of old sports		By Fixed Deposits	10,000
materials	1,200	By Postage	300
To Rent	7,000	By General expenses	400
		By Lighting Charges	1,300
		By Balance c/d	7,700
	55,700		55,700

Adjustment:

a. Subscriptions outstanding for the year 2017 is ₹ 3,000.
b. Subscriptions received in advance for the year 2018 ₹1,000.
c. Depreciate sports materials by ₹5,000.
d. Capitalize entrance fees.
e. Outstanding lighting charges ₹ 300.

Prepare: (i) Income and Expenditure Account and
(ii) Balance Sheet as on 31-12-2017.

Answer: I & E A/C Surplus ₹ 31,900, Total of B/S ₹ 67,700

05. Followings are the Balance Sheet and Receipt and Payment Account of Malnad Sports Club, Chikkamagaluru.

Balance Sheet as on 31-03-2017

Liabilities	₹	Assets	₹
Outstanding salary	3,200	Cash at Bank	52,400
Outstanding rent	800	Outstanding subs.	4,800
Subs. received in advance	4,000	Investments	5,200
		Sports Materials	43,600
Capital Fund	1,30,800	Furniture	32,800
	1,38,800		1,38,800

Receipt and Payment A/C for the year ending 31-03-2018

Dr. **Cr.**

Receipts	₹	Payments	₹
To Balance b/d	52,400	By Rent: 2016-17	800
To subscriptions		2017-18	8,800
2016-17	4,800	By Salaries: 2016-17	3,200
2017-18	90,200	2017-18	46,400
2018-19	4,200	2018-19	2,400
To Donations	32,400	By Printing	15,200
To Entrance fees	65,200	By General Expenses	10,800
To Interest	2,800	By Furniture (31-03-2018)	48,000
To Sale of old sports materials	2,000	By Sports Materials (01-10-2017)	57,600
		By Balance c/d	60,800
	2,54,000		2,54,000

Adjustments:

a. Subscriptions outstanding ₹ 5,600.
b. Printing unpaid ₹ 1,000.
c. Interest accrued ₹ 800.
d. Depreciate furniture by 10% and sports materials by 10%.
e. Capitalize 50% of donations.

Prepare: (i) Income and Expenditure account and
(ii) Balance Sheet as on 31-03-2018.

Answer: I & E A/C Surplus ₹ 92,080, Total of B/S ₹ 2,44,280

06. Followings are the Balance Sheet and Receipt and Payment Account of Raghavendra Education Trust, Ballary.

Balance Sheet as on 31-03-2016

Liabilities	₹	Assets	₹
Capital Fund	64,000	Building	60,000
Subscriptions received		Outstanding subs.	400
in advance	1,200	Outstanding rent	840
Outstanding expenses	2,800	Cash at Bank	20,000
Loan	10,000		
Income & Expenditure A/c	3,240		
	81,240		81,240

Receipt and Payment A/C for the year ending 31-03-2017

Dr. **Cr.**

Receipts	₹	Payments	₹
To Balance b/d	20,000	By Expenses:	
To Subscriptions		2015-16 2,800	
2015-16 400		2016-17 3,600	6,400
2016-17 4,200		By Leasehold land	8,000
2017-18 300	4,900	By Interest	800
To Entrance fees	1,600	By Refreshment	
To Rent	1,400	expenses	4,000
To Income from		By Balance c/d	16,700
refreshments	8,000		
	35,900		35,900

Adjustments:

a. Expenses due but not paid ₹ 1000.
b. Subscriptions due but not received ₹ 200.
c. Interest due but not paid ₹400
d. Half of the entrance fees are to be capitalized.
e. Depreciate buildings by 10%.

Prepare: (i) Income and Expenditure Account and
(ii) Balance Sheet as on 31-03-2017.

Answer: I & E A/C Deficit ₹ 840, Total of B/S ₹ 78,900

07. Following are the Balance Sheet and Receipts and Payments Account of Hassan Sports Club, Hassan.

Balance Sheet as on 31-03-2017

Liabilities	₹	Assets	₹
Capital Fund	61,000	Buildings	64,000
Subscription for 2017-18	1,000	O/S Subscriptions	1,600
O/S Office expenses	4,000	O/S Rent	400
Bank loan	20,000	Furniture	12,000
		Cash in Hand	8,000
	86,000		86,000

Receipts and Payments A/C for the year ending 31-03-2018

Dr. **Cr.**

Receipts	₹	Payments	₹
To Balance b/d	8,000	By Office Expenses:	
To Subscriptions:		2016-17	4,000
2016-17	1,600	2017-18	6,000
2017-18	17,600	By Subscription to	
2018-19	2,800	Newspapers and	
To Entrance Fees	4,000	Journals	2,000
To Rent	4,000	By Refreshment Expenses	4,000
To Income from Drama	6,000	By Investments	10,000
To Sale of newspapers	400	By Bank Loan	8,000
		By Salary	4,400
		By Balance c/d	6,000
	44,400		44,400

Adjustments:

a) Subscriptions outstanding ₹1,000,

b) Salary outstanding ₹400,

c) Interest payable ₹2,400,

d) Depreciation on buildings ₹5,000

e) Entrance fees are to be capitalised.

Prepare: (i) Income and Expenditure Account and

(ii) Balance Sheet as on 31-03-2018.

(Answer: I & E A/C Surplus ₹ 5,400, Total of B/S ₹ 88,000)

08. Followings are the Balance Sheet and Receipts and Payments Account of Buddivardaka Library, Sirsi.

Balance Sheet as on 31-03-2017

Liabilities	₹	Assets	₹
Outstanding Rent	200	Cash in hand	1,400
Capital Fund	23,800	Books	14,000
		Furniture	8,000
		O/S Subscriptions	600
	24,000		24,000

Receipt and Payment A/C for the year ending 31-03-2018

Dr. **Cr.**

Receipts	₹	Payments	₹
To Balance b/d	1,400	By Rent	2,400
To Subscriptions	12,000	By Printing	1,200
To Entrance Fees	2,000	By Office expenses	2,800
To Sale of old newspaper	1,000	By Books bought	10,000
To Sundry Receipts	600	(30-09-2017)	
To Donations	4,000	By Investments	2,000
		By Balance c/d	2,600
	21,000		21,000

Adjustments:

a) Outstanding rent on 31-03-2018 was ₹300

b) Subscriptions receivable for the year 2017-18 amounted to ₹400

c) Subscriptions received for the year 2018-19 was ₹800,

d) Half of the entrance fees and half of the donations are to be capitalised,

e) Depreciate books at 10% p.a.

Prepare: (i) Income and Expenditure Account and

(ii) Balance Sheet as on 31-03-2018.

Answer: I & E Surplus ₹ 7,200, Total of B/S ₹ 35,100.

09. From the following Receipt and Payment Account prepare final accounts of Unity Club, Karwar for the year ended March 31,2018

Receipt and Payment A/C for the year ending 31-03-2018

Dr. **Cr.**

Receipts		₹	**Payments**	₹
To Balance b/d		15,000	By Furniture	18,000
To Sale of old furniture		4,000	By Library books	10,000
(Costing ₹6,000)			By Salaries	72,000
To Subscriptions:			By General expenses	30,000
2016-17	18,000		By Newspaper	33,800
2017-18	60,000		By Printing & stationery	11,000
2018-19	12,000	90,000	By Audit fees	40,000
To Sale old newspapers		10,800	By Balance c/d	33,000
To Profit from entertainments		44,000		
To Rent		84,000		
		2,47,800		2,47,800

Balance Sheet as on 31-03-2017

Liabilities	₹	**Assets**	₹
Outstanding Salary	6,000	Cash in hand	15,000
Capital Fund	6,94,000	O/S Subscriptions	18,000
		Library Books	30,000
		Furniture	37,000
		Land and Buildings	6,00,000
	7,00,000		7,00,000

Additional Information:

1) The club had 500 members each paying an annual subscription of ₹150.
2) On 31-03-2018 salaries outstanding amounted to ₹ 1,200 and salaries paid included ₹ 6,000 for the year 2018-19.
3) Provide 5% depreciation on land and building

Answer: I & E A/c Surplus ₹ 5,800, Total of B/S ₹ 7,13,000.

II. Preparation of Income and Expenditure Account and Balance Sheet when Opening Balance Sheet is not Given

10. From the following Receipt and Payment Account and information given below, prepare Income and Expenditure Account and the Balance Sheet of Adult Literacy Orgnisation as on March 31, 2018

Receipt and Payment A/C for the year ending 31-03-2018

Dr. **Cr.**

Receipts		₹	Payments	₹
To Balance b/d		19,550	By General Expenses	3,200
To Subscriptions			By News papers	1,850
2017-18	27,700		By Electricity	3,000
2018-19	500	28,200	By Fixed Deposit with	18,000
To Sale of old newspaper		800	Bank(on 30-06- 17	
To Govt. Grant		12,000	@10%)	
To Sale of old furniture		3,700	By Books	7,000
(Book value ₹5,000)			By Salary	3,600
To Interest received on			By Rent	6,500
Fixed Deposits		900	By Postage charges	300
			By Furniture (purchased)	10,500
			By Balance c/d	11,200
		65,150		65,150

Additional Information:

1) Subscription due on 31-03-2018 ₹1,500
2) On March 31,2018 Salary outstanding ₹600
3) On April 1,2017 Orgnisation owned furniture ₹12,000, Books ₹5,000

Answer: I & E Surplus ₹ 23,000, Opening Capital Fund ₹ 36,550, Total of B/S R

11. From the following Receipt And Payment Account of Jan Kalyan Club, prepare Income and Expenditure Account and Balance Sheet for the year ending Dec 31,2017.

Receipt and Payment A/C for the year ending 31-12-2017

Dr. **Cr.**

Receipts	₹	**Payments**	₹
To Cash in Hand	6,800	By Salaries	24,000
(1-1-2017)		By Traveling Expenses	6,000
To Subscriptions	60,200	By Stationery	2,300
To Donation	3,000	By Rent	16,000
To Sale of furniture	4,000	By Repairs	700
(Book value ₹6,000)		By Books purchased	6,000
To Entrance Fees	800	By Building purchased	30,000
To Life Membership Fees	7,000	By Cash in hand	1,800
To Interest on		(31-12-2017)	
Investments			
(@5% for full year)	5,000		
	86,800		86,800

Additional information:

Particulars	**As on 01-01-2017**	**As on 31-12-2017**
	₹	₹
1)Subscriptions received in advance	1,000	3,200
2) Outstanding subscriptions	2,000	3,700
3) Stock of stationery	1,200	800
4) Books	13,500	16,500
5) Furniture	16,000	8,000
6) Outstanding rent	1,000	2,000
7) Investments	1,00,000	1,00,000

Answer: I & E Surplus ₹11,100, Opening Capital Fund ₹1,37,500,
Total of B/S ₹ 1,60,800.

12) Receipt and Payment Account of Shankar Sports Club is given below:

Dr **Receipt and Payment A/C for the year ending 31-03-2018** **Cr**

Receipts	₹	Payments	₹
To Cash in Hand	2,600	By Rent	18,000
To Entrance fees	3,200	By Wages	7,000
To Donation for Buildings	23,000	By Billiard table	14,000
To Locker Rent	1,200	By Furniture	10,000
To Life Membership Fees	7,000	By Interest	2,000
To Profit from		By Postage	1,000
entertainments	3,000	By Salary	24,000
To Subscriptions	40,000	By Cash in hand	4,000
	80,000		80,000

Prepare Income and Expenditure Account and Balance Sheet with the help of following information:

Subscription outstanding on March 31, 2017 is ₹1,200 and ₹2,300 on March 31, 2018, Opening stock of postage stamps is ₹300 and closing stock is ₹200. Rent ₹1,500 related to 2016-17 and ₹1,500 is still unpaid.

On April 1, 2017, the club owned furniture ₹15,000, Furniture valued at ₹ 22,500 on March 31, 2018. The club took a loan of ₹20,000 (@10 p.a.) for the year 2016-17.

Answer: I & E deficit ₹ 6,100, Opening Capital Fund ₹ 2,400,
Total of B/S ₹ 44,500.

13. Following Receipt and Payment Account was prepared from the cash book of Bengluru charitable Trust for the year ending March 31, 2018

Receipt and Payment A/C for the year ending 31-03-2018

Dr. **Cr.**

Receipts	₹	**Payments**	₹
To Balance b/d		By Charity	11,500
Cash in hand	11,500	By Rent and taxes	3,200
Cash at Bank	12,600	By Salary	6,000
To Donations	9,000	By Printing & postage	900
To Subscriptions	42,800	By Advertisement	4,500
To Legacies	18,000	By Insurance	2,000
To Interest on		By Furniture	21,600
Investments	4,500	By Investments	23,000
To Sale of old newspapers	200	By Balance c/d:	
		Cash in hand	9,900
		Cash at Bank	16,000
	98,600		98,600

Prepare Income and Expenditure Account for the year ended March 31, 2018, and a Balance Sheet as on the date after the following adjustments:

a) It was decided to treat one-third of the amount received on account of donation as income

b) Insurance premium was paid in advance for three months.

c) Interest on Investment ₹1,100 accrued was not received.

d) Rent ₹600 outstanding as on March 31, 2018

Answer: I & E Surplus ₹ 23,300, Opening Capital Fund ₹ 24,100, Total of B/S ₹ 72,000.

14. From the following Receipt and Payment Account of a club, prepare Income and Expenditure Account for the year ended March 31, 2018 and the Balance Sheet as on that date.

Receipt and Payment A/C for the year ending 31-03-2018

Dr. **Cr.**

Receipts		₹	**Payments**	₹
To Balance b/d		3,500	By General Expenses	900
To Subscription:			By Salary	16,000
2016-17	2,000		By Postage	1,300
2017-18	70,000		By Electricity charges	7,800
2018-19	3,000	75,000	By Furniture	26,500
To Sale of old books		2,000	By Books	13,000
(costing ₹2,300)			By Newspapers	600
To Rent from use of Hall		17,000	By Meeting expenses	7,200
To Sale of Newspapers		400	By T.V. set bought	16,000
To Profit from			By Balance c/d	15,900
entertainment		7,300		
		1,05,200		1,05,200

Additional information:

a) The club has 100 members each paying an annual subscription of ₹900. Subscriptions outstanding on March 31, 2017 were ₹3,600.

b) On March 31, 2018 salary outstanding amounted to ₹1,000, Salary paid included ₹ 1,000 for the year 2016-17

c) On April 1, 2018, the club owned the Land and Buildings ₹25,000, Furniture ₹2,600 and Books ₹6,200

Answer: I & E Surplus ₹ 80,600, Opening Capital Fund ₹ 39,900,
Total of B/S ₹ 1,24,500.

Section E: Practical Oriented Question for 5 Marks

1) Prepare Receipt and Payment Account with any 5 imaginary figures

2) Classify the following into Revenue and Capital Items (Any 5 items)-(few examples are given below)

Example: 1

Classify the following into Revenue and Capital Items

1. Legal charges incurred in connection with the purchase of land.
2. Brokerage paid for raising a loan for the purpose of business.
3. Expenses incurred for white washing the old building.
4. Amount spent on repair to second hand motor car before it is used.
5. Periodical repairs and replacement of plant

Example: 2

How do you treat the following items?

1. Life membership fees
2. Sales proceeds of old tennis balls.
3. Prize amount received from a lottery
4. Honorarium paid to the secretary.
5. Legacies received.

Example: 3

Classify the following into revenue and capital

1. Cost of installing lights and fans.
2. Special subscriptions received for special purpose.
3. Laboratory expenses incurred by the science department of a college.
4. Prizes awarded to students on the college day.
5. 5.Match expenses met out of match fund.

Example: 4

Classify the following items into revenue and capital item:

1. Honorarium paid to a surgeon by a hospital.
2. Installation charges of a new machinery.
3. Subscriptions to newspaper and periodicals.
4. Cost of construction of pavilion by a sports club.
5. Donation received for constructing a swimming pool.

Example: 5

Classify the following items into revenue and capital item:

1. Carriage paid goods purchased.
2. Salary paid to ground men for up keep of ground.
3. Sale of old sports materials.
4. Locker rent paid.
5. Interest on loan taken from construction of building

Key Answers:

I. Fill in the Blanks:

(1) Society ,
(2) Trading, Business,
(3) Cash, Bank
(4) Profit and Loss A/C
(5) Capital fund
(6) Members
(7) Legacies
(8) Income and Expenditure A/C
(9) Revenue
(10) Balance Sheet

II. Multiple choice questions:

(1) b (2) a (3) c (4) a (5) c (6) b (7) c

III. True/ False:

(1) False (2) False (3) True (4) False (5) False (6) True
(7) True (8) False (9) False (10) True

****

BOOK-1

CHAPTER – 2

ACCOUNTING FOR PARTNERSHIP : BASIC CONCEPTS

Section A: One mark questions:

I. Fill in the blank questions:

1. Section_____________ of Indian Partnership Act, 1932 defines Partnership.

2. A partnership has no separate___________________ entity.

3. In order to form a partnership, there should be at least ________persons.

4. Partnership is the result of ________between two or more persons to do business and share its profits and losses.

5. It is preferred that the partners have a__________ agreement.

6. The agreement should be to carry on some ________business.

7. Each partner carrying on the business is the principal as well as the for all other partners.

8. The liability Of a partner for his acts is__________

9. In the absence of Partnership Deed Interest on advance from Partner will be charged @ ----------percentage per annum.

10. Under ____________Method, the capitals of the partners shall remain fixed.

11. Under Fluctuating Capital Method, the partners capital account balances _______________from time to time.

12. Profit and Loss Appropriation Account is merely an extension of________________ Account of firm.

13. Profit and Loss Appropriation Account Dr

To____________________ account.

(Transferring int. on capital to P/L Appropriation a/c).

14. _______________________Account Dr

To Salary to Partners account

(Transferring partners salary to P/L Appropriation a/c)

15. P/L Appropriation A/c Dr

To Partners Capital /Current A/c.

(__________________________________)

16. When fixed amounts is withdrawn at the end of every month, interest on the total amount for the year ending is calculated for __________ months.

17. Under fluctuating capital method, all the transactions relating to partners are directly recorded in the_______________ accounts.

18. Under fixed capital method, the amount of capital remains --------

19. Under fixed capital method, all the transactions relating to a partner are recorded in a separate account called___________ Account.

20. There is not much difference in the final accounts of a sole proprietary concern and that of a________

II. Multiple Choice Questions:

1. The agreement between the partner should be in:

a) Oral
b) Written
c) Oral or Written
d) None of the above

2. Partnership deeds contains;

a) Name of firm
b) Name and address of the partners
c) Profit and loss sharing ratio
d) All of the above

3. If any partner has advanced some money to the firm beyond the amount of his capital, he shall be entitled to get interest on the amount at the rate of :

a) 5% p.a.
b) 6% p.a.
c) 8% p.a.
d) None of the above

4. Interest on capital is generally provided for in that situations when:

a) The partners contribute unequal amounts of capital but share profits equally.
b) The capital contribution is same but profit sharing is unequal
c) Both the situations above.
d) None of the above.

5. When fixed amount is withdrawn on the first day of every month, interest on total amount for the year ending will be calculated for:

a) 2 &1/2 months
b) 4 &1/2 months
c) 6 &1/2 months
d) None of the above

6. When varying amounts are withdrawn at different intervals, the int. is calculated using:

a) Simple Method
b) Average Method
c) Product Method
d) None of the above

7. Adjustment for correction of omission and commission can be made:

a) Profit and loss Adjustment account
b) Directly in the Capital Accounts of concerned partners
c) Both the situations above.
d) None of the above

8. In order to form a Partnership there should be at least:

a) One person
b) Two persons
c) Seven persons
d) None of the above

9. The business of a partnership concern may be carried on by:
   a) All the partners
   b) Any of them acting for all
   c) All Partners or any of them acting for all
   d) None of the above

10. The agreement between Partners must be to share:
   a) Profits
   b) Losses
   c) Profits and losses
   d) None of the above

11. The liability of a Partner for acts of the firm is:
   a) Limited
   b) Unlimited
   c) Both the above.
   d) None of the above

12. The partnership Deed should be properly drafted and prepared as per the provisions of the:
   a) Partnership Act.
   b) Stamp Act
   c) Companies Act
   d) None of the above

13. The clauses of Partnership Deed can be altered with the consent of:
   a) Two Partners
   b) Ten Partners
   c) Twenty Partners
   d) All the Partners

III. True or False Questions:

1. The agreement between partners must be in writing.
2. The clauses of partnership deed can be altered with the consent of all the Partners.
3. If the partnership deed is silent about the profit sharing ratio, the profit and loss of the firm is to be shared equally.
4. A partner is entitled to claim interest at the rate of 10% p.a. on the amount of capital contributed by him, if there is no agreement in the firm.
5. In the absence of Partnership Deed, no partner is entitled to get salary.
6. Under fixed capital method the Partner's Capital Accounts will always show a credit balance.
7. Under Fixed Capital Method the Partners' Capital Accounts will always show a debit balance.
8. P/L Appropriation A/c shows how the profits are appropriated among the partners.
9. When fixed amount is withdrawn during the middle of every month, interest on total amount is calculated for 6 months.
10. If there is loss, no interest on capital is to be paid to partners, even if there is a provision in Partnership Deed.
11. Accounting treatment for Partnership is similar to that of a sole Proprietorship Business.

12. There are two methods by which the capital accounts of partners can be maintained.
13. Profit and Loss appropriation account is merely an extension of the Profit and Loss Account of a firm.
14. Interest on partners capital is debited to Partners' Capital Accounts.
15. In case of Guarantee of profit to a partner, assurance may be given by only one partner.

IV. Very Short Answer Questions:

1. Who is a Partner?
2. What do you mean by Partnership Firm?
3. State any one features of Partnership.
4. What is the minimum number of partners in a firm?
5. Name any one contents of Partnership Deed.
6. Name any one method of maintaining capital accounts of Partners.
7. Name any one final accounts of partnership firm.
8. How do you distribute profit or loss among the partners in the absence of partnership deed?
9. Why the Profit and Loss Appropriation account is prepared?
10. At what rate Interest on advances by Partners is to be paid as per Partnership Act?
11. When interest is charged on partners drawings?
12. When Partners Current Accounts are prepared in partnership firms?
13. State any one special aspect of partnership accounts.
14. When the Current Accounts of Partners are opened?
15. Under fluctuating capital method, how many accounts are maintained for each partner?
16. State any one feature of fluctuating capital method.
17. State any one situation in which provision of payment of interest on capital to partner is made.
18. Find out Interest at 8% p.a. on capital of ₹50,000 for 9 months.
19. Which is the suitable method for calculation of Interest on drawings, when fixed amount is withdrawn every month?
20. Give one example for past adjustment?

Section B: Two Marks questions:

1. What is Partnership?
2. Define Partnership?
3. State any two features of Partnership.
4. What is Partnership Deed?
5. What are the methods of maintaining capital account of partners?

6. What is fixed capital method?
7. What is fluctuating capital method?
8. State any two differences between fixed and fluctuating capital methods.
9. What do you mean by Profit and Loss Appropriation Account?
10. What is guarantee of profit to a partner?
11. What do you mean by past adjustments?
12. State any two final accounts of a Partnership firm.
13. In the absences of partnership deed, specify the rules relating to the followings:
    a) Sharing of profit and losses
    b) Interest on partners capital
15. State the rules relating to the followings in the absence of Partnership Deed:
    a) Interest on drawings
    b) Interest on advances from Partners.
16. Name any two methods for calculation of Interest on drawings.
17. When the Interest on drawings is generally provided to partners?
18. How do you close Profit and Loss Appropriation Account in Partnership?
19. State any two special aspects of Partnership Accounts.
20. Name any two contents of Partnership Deed.

Section C: Six Marks questions:

Simple Problems on Preparation of P & L Appropriate A/c

1. Sachin and Pratham commenced business in partnership on 01.04.2015 with a capital of ₹1,00,000 and ₹ 80,000 respectively agreeing to Share profits and losses in the ratio of 3:2. For the year ending 31.03.2016, they earned the profits of ₹ 36,000 before allowing:
    i) Interest on capital at 5% p.a.
    ii) Interst on drawings: Sachin ₹600 and Pratham ₹1,000
    iii) Yearly salary of Pratham ₹6,000 and commissiom to Sachin ₹4000.
    iv) Their drawings during the year: Sachin ₹16,000 and Pratham ₹ 20,000.

    Prepare Profit and Loss Appropriation Account.

    (Ans: Net Profit ₹ 18,600)
2. Shiva and Basava are partners sharing profits in the ratio of 2:1 with capitals of ₹ 25,000 and 15,000 respectively. Interest on capital is agreed @6% p.a. Basava is to be allowed an annual salary of ₹ 1,500. During the year 2015-16, they earned the profits of ₹ 10,000. A provision of ₹2000 is to be made in respect of commission to the manager Interest on drawings being; Shiva-₹1,500 and Basava ₹1000.

    Prepare Profit and Loss Appropriation Account.

3. X & Y are Partners commenced Partnership business on 1.1.2016 sharing profits & losses in 3:2 ratio with capitals of Rs 1,00,000 and 80,000 respectively. They earned profits of ₹ 15,000 for the year before allowing:

   a) Interest on Capitals @ 10% p.a.

   b) Interest on drawings: X ₹1,000 & Y ₹800

   c) Commission payable to X ₹2000

   d) Salary payable to Y ₹3000

   Prepare P & L Appropriate A/c for the year ending 31.12.2017

4. Arun & Varun are the partners sharing profits & losses in the ratio of 2:1 Their opening capital being ₹ 80,000 & 50,000 respectively. They earned a profit of ₹ 20,000 before allowing the following:

   a) Interest on capital @ 8% p.a.

   b) Interest on drawings: Arun ₹ 2,000
      Varun ₹2,500

   c) Salary to Arun ₹3,000 p.a.

   d) Commission to Varun ₹ 2,000 p.a.

   Prepare P & L Appropriate A/c

Problems on Calculation of Interest on Drawings

1. Yasashvi and Tapashvi are partners in a firm. During the year ended on 31st March 2016, Yasashvi makes the drawings as under :

Date of Drawings	Amount ₹
01.08.2015	5,000
31.12.2015	10,000
31.03.2016	15,000

   Partnership Deed provided that partners are to be charged interest on drawings @ 12% p.a. Calculate the interest on drawings of Yasashvi under Product Method.

   (Ans: ₹ 700)

2. Sahana and Saniya are partners in firm. Sahana's drawings for the year 2016-17 are given as under:

   ₹ 4,000 on 01.06.2016

   ₹ 6,000 on 30.09.2016

   ₹ 2,000 on 30.11.2016

   ₹ 3,000 on 01.01.2017

   Caluculate interest on Sahan's drawings at 8% p.a. for the year ending on 31.03.2017, under product method.

   (Ans: ₹ 620)

3. Murthy and Patil are partners in a firm sharing profits and losses in the ratio of 3:2. Murthy withdraw ₹ 4,000 quarterly at the beginning of each quarter. Calucutlate the interest on drawings at 9% p.a. for the year ending 31.03.2017, under product method.

(Ans: ₹ 900)

4. Calculate interest on drawings of Mr. Kamalakar @10% p.a if he withdrew ₹ 1,000 per month by the short cut method:

(i) At the beginning of each month

(ii) At the end of each month.

(Ans: (i) ₹650, (ii) ₹550)

5. Calculate interest on drawings of Purohit @10%p.a. if he withdrew ₹48,000 in year evenly.

(i) At beginning of each quarter.

(ii) At end of each quarter.

(Ans: i)₹2,600, ii) ₹2,200)

Problems on Guarantee of a Profit

1. Sachin and Rahul were partners in a firm sharing profits and losses in the ratio of 3:2. They admit Dhoni for 1/6th share in profits and guaranteed that his share of profits will not be less than ₹ 25,000. Total profits of the firm were ₹ 90,000. Calculate share of profits for each partner when the Guarantee is given by a firm.

Prepare Profit and Loss Appropriation Account.

(Ans: Deficiency born by Sachin, ₹6,000 and Rahul ₹4,000)

2. Roja and Usha were partners in a firm sharing profits and losses in the ratio of 3:2. They admit Sahana for 1/6th share in profits and guaranteed that his share of profits will not be less then ₹ 25,000. Total profits of the firm were ₹ 90,000. Calculate share of profits for each partner when the Guarantee is given by Roja.Prepare Profit and Loss Appropriation Account.

(Ans: Deficiency born by Roja ₹10,000)

3. Sandya and Neela were partners in a firm sharing profits and losses in the ratio of 3:2. They admit Lalitha for 1/6th share in profits and guaranteed that his share of profits will not be less then ₹ 25,000. Total profits of the firm were ₹ 90,000. Calculate share of profits for each partner when: Guarantee is given by Sandya and Neela equally.

Prepare Profit and Loss Appropriation account.

(Ans: Deficiency born by Sandya and Neela each ₹ 5,000)

4. Aarav and Neerav share profits and losses in the ratio of 2:1. They admit Sourav as a partner with ¼ share in profits with a guarantee that his share of profit shall be at least ₹ 25,000. The net profit of the firm for the year ending March 31, 2016 was ₹ 80,000. Prepare Profit and Loss Appropriation Account.

(Ans: Deficiency Received from Aarav ₹ 3,334, Neerav ₹1,666)

5. Charan and Sharan share profits and losses in the ratio of 3:2. They admit Sachin into their firm for 1/6 share in profits. Charan personally guaranteed that Sachin's share of profit, after charging interest on capital @ 10% p.a. would not be less than ₹ 15,000 in any year. The capital provided was as follows: Charan ₹ 1,25,000, Sharan ₹ 1,00,000 and Sachin ₹ 75,000. The profit for the year ending March 31, 2016 amounted to ₹ 75,000 before providing interest on capital. Show the Profit and Loss Appropriation A/c if the new profit sharing ratio is 3:2:1

(Ans: Deficiency Received from Charan ₹ 7,500)

6. Sandesh and Kailesh share profits and losses in the ratio of 2:1. From April 01, 2015 they admit Basavesh into their firm who is to be given a share of 1/10 of the profits with a guaranteed minimum of ₹ 50,000. Sandesh and Kailesh continue to share profits as before but agree to bear any deficiency on account of guarantee to Basavesh in the ratio of 3:2 respectively. The profits of the firm for the year ending March 31, 2016 amounted to ₹ 2,40,000. Prepare Profit and Loss Appropriation Account.

(Ans: Deficiency from Sandesh ₹ 15,600, Kailesh ₹ 10,400)

Key Answers

Part A: (One mark questions)

Fill in the Blank questions:

1) 4,	2) Legal,	3) 2,	4) Agreement,
5) Written,	6) Lawfull,	7) Agent,	8) Unlimited,
9) Int.	10) Fixed Capital,	11) Fluctuates,	12) P/L A/C,

13) Int. on Capital, 14) P/L Appropriation A/C,

15) Profit T/F to Partners Capital/ Current A/C,

16) 5 ½, 17) Partners Capital A/C, 18) Fixed,

19) Partners Current A/C,

20) Partnership firms.

Multiple choice questions:

1. C,	2. D,	3. B,	4. C,	5. C,	6. C,	
7. C,	8. B,	9. C,	10. C,	11. B,	12. A,	13. D.

True or False questions:

1. False,	2. True,	3. True,	4. False,	5.False,
6. True,	7. False,	8. True,	9. True,	10. True,
11 True,	12. False,	13.True,	14. False,	15.True.

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BOOK-1

CHAPTER-3.

RECONSTITUTION OF A PARTNERSHIP FIRM ADMISSION OF A PARTNER

Section A: One Mark Questions

I. Fill In The Blanks:

1. ______ ratio is used to distribute accumulated profits and losses at the time of admission of a new partner.

2. Profit or loss on revaluation is shared among the old partners in ____ ratio

3. Old ratio – New ratio = ________

4. Accumulated losses are transferred to the capital accounts of the old partners at the time of admission in their ____ ratio.

5. General reserve is to be transferred to ______ accounts at the time of admission of a new partner.

6. Goodwill brought in by new partner in cash is to be distributed among old partners in ______ ratio.

7. If the amount brought by new partner is more than his share in capital, the excess is known as _____.

8. ______ Account is debited for the increase in the value of an asset.

9. Unrecorded asset is to be credited to ______ account.

10. A and B are partners sharing profits & losses equally with capitals of ₹45,000 each. C is admitted for 1/3rd share and he brings in ₹60, 000 as his capital. Hidden Goodwill is ₹_____.

11. Due to change in profit sharing ratio, some partners will gain in future profits while others will ______.

12. Goodwill is an ______ asset.

13. ______ account is credited for cash brought in by new partner for his share of goodwill.

14. _____ ratio is required for sharing future profits and also for adjustment of capitals.

II. Multiple Choice Questions:

1. At the time of admission of a new partner, general reserve appearing in the old balance sheet is transferred to:

a) All Partners Capital Account
b) New Partner's Capital Account
c) Old Partners Capital Account
d) None of the above

2. A, B and C are partners in a firm. If D is admitted as a new partner:
   a) Old firm is dissolved
   b) Old firm and old partnership are dissolved
   c) Old partnership is reconstituted
   d) None of the above
3. On the admission of a new partner, increase in the value of asset is credited to:
   a) Profit and Loss Adjustment(Revaluation) Account
   b) Asset Account
   c) Old Partners Capital Account
   d) None of the above
4. At the time of admission of a partner, undistributed profits appeared in the balance sheet of the old firm is transferred to the capital accounts of:
   a) Old partners in old profit sharing ratio
   b) Old partners in new profit sharing ratio
   c) All the partners in new profit sharing ratio
   d) None of the above
5. If new partner brings cash for his share of goodwill, goodwill is transferred to Old Partners' Capital Account in:
   a) Sacrificing ratio
   b) Old profit sharing ratio
   c) New profit sharing ratio
   d) None of the above
6. Which of the following are treated as reconstitution of a Partnership Firm?
   a) Admission of a partner
   b) Change in profit sharing ratio
   c) Retirement of a partner
   d) All the above
7. Profit or Loss on revaluation is shared among the partners in the:
   a) Old profit sharing ratio
   b) New profit sharing ratio
   c) Capital ratio
   d) Equal ratio
8. Assets and Liabilities are recorded in Balance Sheet after the admission of a partner at:
   a) Original value
   b) Revalued value
   c) Realisable value
   d) None of the above
9. On the admission of a new partner, the increase in the value of an asset is credited to:
   a) Revaluation Account
   b) Asset Account
   c) Old partners' Capital Account
   d) None of the above
10. Old Profit Sharing Ratio - New Profit Sharing Ratio is = ---------
    a) Sacrificing ratio
    b) Gaining ratio
    c) Both the above
    d) None of the above

11. In the absence of an agreement to the contrary, it is implied that old partners will contribute to new partner's share of profit in the ratio of:

a) Capital
b) Old profit sharing ratio
c) Sacrificing ratio
d) Equally

12. The balance of reserves and other accumulated profits at the time of admission of a new partner are transferred to:

a) All partners in the new ratio
b) Old partners in the new ratio
c) Old partners in the old ratio
d) Old partners in the sacrificing ratio

13. Goodwill raised in books at the time of admission of partner will be written off in:

a) Old profit sharing ratio
b) New profit sharing ratio
c) Sacrificing ratio
d) None of the above

14. Revaluation Account is debited for the:

a) increase in provision for doubtful debts
b) increase in the value of building
c) decrease in the amount of creditors
d) transfer of loss on revaluation

15. A and B are partners sharing profits in the ratio of 3:1. C is admitted into partnership for 1/4th share. The sacrificing ratio of A and B will be:

a) Equal
b) 3:1
c) 2:1
d) 3:2

III. True or False Type Questions:

1. Goodwill brought in cash by new partner is distributed among old partner in their Sacrificing ratio.
2. In case of admission of a partner, profit or loss on revaluation is transferred to Old Partners' Capital Accounts.
3. Accumulated profit is transferred to all partners' capital Accounts including new partner.
4. The debit balance of Profit and Loss Account shown in the assets side of the Balance Sheet will be debited to Old Partners Capital Accounts.
5. Increase in the value of an asset is credited to Revaluation Account
6. The traditional name of 'Revalution A/c' is 'Profit and Loss Adjustment A/c'.
7. Goodwill is an intangible asset.
8. Decrease in the value of liability is debited to Revaluation Account.
9. Sacrifice ratio is required to distribute the cash brought by new partner among old partners for his share of goodwill.
10. Share sacrificed = Old share – New share.

Very Short Answer Type:

1. What is Partnership?
2. What do you mean by reconstitution of a Partnership Firm?
3. State any one reason for admission of a new partner.
4. State any one right acquired by a newly admitted partner.
5. Why the NPSR is required at the time of admission of a partner?
6. What is Goodwill?
7. State any one factor affecting the value of goodwill.
8. What is normal profit?
9. State any one method of valuation of goodwill.
10. Give the formula for sacrifice ration
11. Which account is to be debited to record the increase in the value of an asset?
12. What is Revaluation Account?
13. What account will be credited when there is a loss on revaluation?
14. What account will be debited when the cash is brought by a new partner for his share o goodwill?
15. What is hidden goodwill?

Section B: Two Marks Questions:

1. When the goodwill is distributed among old partners in the sacrificing ratio?
2. State any two methods of valuation of goodwill.
3. State any two rights acquired by a new partner.
4. What do you mean by hidden goodwill?
5. Pass the journal entry to write off the goodwill raised to the extent of full value.
6. State any two matters which need adjustments in the books of the firm at the time of admission of a new partner.
7. What is sacrifice ratio?
8. Why the sacrifice ratio is calculated?
9. What is the need for the revaluation of assets and liabilities on the admission of a partner?
10. State any two reasons for admitting a new partner.
11. How do you close revaluation account when there is a profit?
12. State any two factors which determine the goodwill of the firm.
13. What is average profit method of valuation of goodwill?
14. Goodwill of the firm valued at two years purchase of the average profit of last four years. The total profits for last four years is ₹40,000. Calculate the goodwill of the firm.
15. Pass the journal entry for increase in the value of building on the admission of a partner.
16. Pass the journal entry for the decrease in the value of a liability.

Section-C: Six Marks Questions

Problems on calculation of NPSR

1. Anil and Vishal are partners sharing profits in the ratio of 3:2. They admitted Sumit as a new partner for 1/5th share in future profits of the firm. Calculate new profit sharing ratio of Anil, Vishal and Sumit.

   (Ans: 12:8:5)

2. 'A' and 'B' are partners in a firm sharing profits and losses in the ratio of 3:2. They admit 'C' into the partnership for 1/6th share in the profits. Calculate the new profit sharing ratio.

   (Ans: 3:2:1)

3. 'A', 'B' and 'C' are partners sharing profits and losses in the proportion of 2/8th, 3/8th and 3/8th . They admit 'D' for 1/4th share. Calculate the new profit sharing ratio of all partners.

   (Ans: 6:9:9:8)

4. Veena and Vani are partners sharing profits in the ratio of 3:2. They admit Rani as a new partner for 1/5th share in the future profits of the firm, which she gets equally from Veena and Vani. Calculate new profit sharing ratio of Veena, Vani and Rani.

   (Ans: 5:3:2)

5. Amar and Akbar are partners sharing profits and losses in the ratio of 6:4. They admit Antony into the partnership giving him 6/20th share, which he obtains 4/20th from Amar and 2/20th from Akbar. Calculate the new profit sharing ratio.

   (Ans: 4:3:3)

6. Raga and Tala are partners sharing profits and losses in the ratio of 7:3. They admit Shruti into the partnership. Raga surrenders 1/2nd of his share and Tala 1/4th of her share in favour of Shruti. Calculate new profit sharing ratio of Raga, Tala and Shruti.

   (Ans: 14:9:17)

7. Chaya and Maya are partners in a firm sharing profits and losses in the ratio of 3:2. They admit Shreya as a new partner. Chaya agrees to surrender 1/4th of her share and Maya agrees to surrender 1/3rd of her share in favour of Shreya. Calculate new profit sharing ratio of Chaya, Maya and Shreya.

   (Ans: 27:16:17)

8. Pradeep and Sandeep are partners sharing profits and losses in the ratio of 5:3. They admit Pramod into the partnership and offer him 1/6th of the share which he acquired in the ratio of 3:1 from the old partners. Calculate the new profit sharing ratio.

   (Ans: 12:8:4 or 3:2:1)

9. Prakash and Akash are partners sharing profits and losses in the ratio of 2:1. They admit Ramesh into the partnership giving him 1/5th share which he acquired from Prakash and Akash in 1:2 ratio. Calculate new profit sharing ratio.

   (Ans: 9:3:3 or 3:1:1)

10. Saraswati and Laxmi are partners in a firm sharing profits in ratio of 4:1. They admit Parvati as a new partner for 1/4th share in future profits, which she acquired wholly from Saraswati. Calculate the new profit sharing ratio of the all partners.

    (Ans: 11:4:5)

Problems on sacrifice ratio

1. Mohan and Madan are partners sharing profits and losses in the ratio of 4:3. They admit Murali into partnership. The new profit sharing ratio is agreed at 7:4:3 respectively. Find out the sacrifice ratio of old partners.

   (Ans: 1:2)

2. Dinesh and Mahesh are partners sharing profits and losses in the ratio of 3:2. They admit Ramesh into business and the new ratio was agreed to be 5:4:3. Calculate the sacrifice ratio.

   (Ans: 11:4)

3. 'A' and 'B' are partners in a firm sharing profits in the ratio of 5:3. They admit 'C' as a new partner for 1/7th share in the future profit. The new profit sharing ratio will be 4:2:1. Calculate the sacrifice ratio of 'A' and 'B'.

   (Ans: 3:5)

4. Anil and Sunil are partners in a firm sharing profits and losses in the ratio of 3:2. They admit Ashok as a new partner for 1/4th share. The new profit sharing ratio between Anil and Sunil will be 2:1. Calculate the sacrifice ratio.

   (Ans: 2:3)

5. 'X and 'Y' are partners in a firm sharing profits and losses in the ratio of 3:2. They admit 'Z' into the partnership. 'X' agrees to surrender 1/2nd of his share and 'Y' agrees to surrender 1/4th of his share in favour of 'Z'. Calculate the sacrifice ratio.

   (Ans: 3:1)

6. Ram and Rahim are partners sharing profits and losses equally. They admit Charlin into the partnership. Ram agrees to surrender 1/3rd of his share and Rahim agrees to surrender 1/4th of his share to Charlin. Calculate the sacrifice ratio.

   (Ans: 4:3)

7. Radha and Rukmini are partners sharing profits and losses in the ration of 4:3. They admit Sita into the partnership. The new profit sharing ratio is 7:4:3 respectively. Find out the sacrifice ratio of the old partners.

   (Ans: 1:2)

8. Arati and Bharati are partners sharing profits and losses in the ratio of 3:2. They admit Keerti into the partnership. The new profit sharing ratio is 4:3:3. Calculate the sacrifice ratio of Arati and Bharati.

(Ans: 2:1)

9. Ravi and Shankar are partners sharing profits and losses in the ratio of 2:1. They admit Shiva into the partnership and gave him 1/6th share. Ravi and Shankar agree to share the remaining share in the ratio of 3:2. Calculate the sacrifice ratio.

(Ans: 5:0 or 1:0)

Section-D: 12 Marks Questions

1. 'A' and 'B' are partners sharing profits and losses in the ratio of 2:1. Their Balance Sheet as on 31.3.2018 was as follows:

Balance Sheet as on 31.03.2018

Liabilities	Rs	Assets	Rs
Creditors	20,000	Cash in Hand	5,000
Bills Payable	10,000	Stock	15,000
Reserve Fund	12,000	Debtors	20,000
Capitals:		Machinery	30,000
A	60,000	Buildings	60,000
B	40,000	Investments	12,000
	142,000		**142,000**

On 01.04.2018, 'C' is admitted into partnership on the following conditions:

a. 'C' should bring in cash ₹ 25,000 as his capital and ₹ 15,000 goodwill for his $1/5^{th}$ share in future profits.

b. Appreciate buildings at 20% and stock is revalued at ₹ 12,000.

c. Provision for doubtful debts maintained at 5% on debtors.

d. Outstanding salary ₹ 2,000.

Prepare: i) Revaluation Account.

ii) Partners' Capital Accounts &

iii) New Balance Sheet of the firm.

(Ans:- Profit on Revaluation Account ₹ 6,000, Capital Account balance A - ₹ 82,000, B - ₹ 51,000, C - ₹ 25,000, Cash Account ₹ 45,000,Balance Sheet total ₹ 1,90,000)

2. Sachin and Dravid are partners in a firm sharing profits and losses in the ratio of 3:2. Their balance sheet is given below:

Balance Sheet as on 31.03.2017

Liabilities	Rs	Assets	Rs
Creditors	18,000	Cash in Hand	2,000
Bills Payable	12,000	Cash at Bank	18,000
Reserve Fund	3,000	Sundry debtors 25,000	
Capitals:		Less: PDD 2,000	23,000
Sachin 50,000		Stock	10,000
Dravid 50,000	100,000	Furniture	25,000
		Buildings	50,000
		P & L Account	5,000
	133,000		**133,000**

On 01.04.2017, they admit Ashwin as a new partner into partnership on the following terms:

a) He brings in ₹ 40,000 as capital and ₹ 18,000 towards goodwill for $1/4^{th}$ share in future profits.

b) Depreciate furniture by 10% and buildings are revalued at ₹ 45,000.

c) PDD is increased to ₹ 3,500.

d) Prepaid insurance ₹ 2,000.

Prepare: i) Revaluation Account.

ii) Partners' Capital Accounts &

iii) New Balance Sheet as on 01.04.2017.

(Ans:- Loss on Revaluation Account ₹ 7,000, Capital Account balance: Sachin - ₹ 55,400, Dravid - ₹ 53,600, Ashwin -₹ 40,000, Bank Account ₹ 78,000, Balance Sheet total ₹ 1,79,000)

3. Suresh and Shankar are partners in a firm sharing profits and losses in the ratio of 1:1. Their balance sheet as on 31.03.2017 was as follows.

Balance Sheet as on 31.03.2017

Liabilities	Rs	Assets	Rs
Creditors	40,000	Cash at Bank	30,000
Bills Payable	45,000	Stock	25,000
Reserve Fund	15,000	Debtors 40,000	
Capital Accounts:		Less: PDD 2,000	38,000
Suresh 60,000		Furniture	10,000
Shankar 40,000	100,000	Machinery	15,000
Profit and Loss A/c	30,000	Buildings	92,000
		Patents	20,000
	230,000		**230,000**

On 01.04.2017, they admit Jagadish as a new partner for $1/4^{th}$ share in the future profits on the following terms:

a. Jagadish should bring in cash ₹ 50,000 as his capital and ₹ 25,000 towards goodwill
b. Depreciate Machinery by 10%.
c. Increase provision for doubtful debts by ₹ 4,000.
d. Buildings are revalued at ₹ 1,20,500.

Prepare: i) Revaluation Account
ii) Partners' Capital Accounts &
iii) New Balance Sheet of the firm.

(Ans:- Profit on Revaluation Account ₹ 23,000, Partners' Capital Account balance: Suresh - ₹ 1,06,500, Shankar - ₹ 86,500, Jagadish - ₹ 50,000, Bank Account ₹ 1,05,000, Balance Sheet total ₹ 3,28,000)

4. Rajesh and Rakesh are partners in a firm sharing profits and losses in the ratio of 3:2. Their balance sheet as on 31.03.2018 stood as follows:

Balance Sheet as on 31.03.2018

Liabilities	Rs	Assets		Rs
Creditors	41,500	Cash at Bank		22,500
General Reserve	4,000	Bills Receivable		3,000
Capital Accounts:		Debtors	18,000	
Rajesh	30,000	Less: PDD	1,000	17,000
Rakesh	16,000	Stock		20,000
		Buildings		25,000
		Machinery		4,000
	91,500			**91,500**

On 01.04.2018, they admit Shyam as a new partner and offered him 1/5th share in
the future profits on the following terms:

a) He has to bring in ₹ 10,000 as his capital and ₹ 5,000 towards goodwill.
b) Appreciate buildings by 20%.
c) Maintain 5% PDD on debtors.
d) Provide for outstanding repair bills ₹ 1,000.

Prepare: i) Revaluation Account
ii) Partners' Capital Accounts &
iii) New Balance Sheet of the firm.

(Ans: Profit on Revaluation Account ₹ 4,100, Partners Capital Account balance: Rajesh - ₹ 37,860, Rakesh - ₹ 21,240, Shyam - ₹ 10,000, Bank Account ₹ 37,500, Balance Sheet total ₹ 1,11,600)

5. 'A' and 'B' are partners in a firm sharing profits and losses in the ratio of 6:4. Their balance sheet as on 31.03.2017 was as follows.

Balance Sheet as on 31.03.2017

Liabilities		Rs	Assets		Rs
Creditors		20,000	Cash at Hand		5,000
Bills Payable		6,000	Debtors	20,000	
Reserve Fund		4,000	Less: PDD	2,000	18,000
Capitals:			Stock		17,000
A	40,000		Buildings		30,000
B	30,000	70,000	Furniture		30,000
		100,000			**100,000**

On 01.04.2017, 'C' is admitted into the partnership on the following terms:

a) He brings ₹ 25,000 as capital and ₹ 8,000 towards goodwill for 1/6th share in the future profits.

b) Depreciate furniture at 10% and appreciate buildings by 20%.

c) Provision for doubtful debts is no longer.

d) Provide ₹ 1,000 for repair charges.

e) Goodwill is to be withdrawn by the Old Partners.

Prepare: i) Revaluation Account

ii) Partners' Capital Accounts &

iii) Balance Sheet of the firm after admission.

(Ans: Profit on Revaluation Account ₹ 4,000, Capital Account balance: A - ₹ 44,800, B - ₹ 33,200, C - ₹ 25,000, Cash Account ₹ 38,000, Balance Sheet total ₹ 1,30,000)

6. Surekha and Sunita are partners in a firm. Their balance sheet as on 31.03.2017 was as follows:

Balance Sheet as on 31.03.2017

Liabilities	Rs	Assets	Rs
Creditors	150,000	Cash at Bank	50,000
General Reserve	50,000	Stock	50,000
		Furniture	120,000
Capitals:		Debtors	40,000
Surekha	120,000	Buildings	100,000
Sunita	80,000	Investments	40,000
	400,000		**400,000**

On 01.04.2017 Kavita is admitted into the partnership on the following terms:

a) She brings in ₹ 60,000 as her capital and ₹ 20,000 towards goodwill for 1/4th share in the future profits. Goodwill is to be withdrawn by the Old Partners.

b) Depreciate furniture by 10% and appreciate buildings by ₹ 22,000.

c) Investments are to be revalued at ₹ 50,000.

d) Provide ₹ 2,000 for outstanding salary.

Prepare: i) Revaluation Account

ii) Partners' Capital Accounts &

iii) New Balance Sheet of the firm.

(Ans: Profit on Revaluation Account ₹ 18,000, Capital Accounts: Surekha- ₹ 1,54,000, Sunita - ₹ 1,14,000, Kavita - ₹ 60,000, Bank Account ₹ 1,10,000, Balance Sheet total ₹ 4,80,000)

7. Raja and Rani are partners in a firm sharing profits and losses in the ratio of 3:2. Their balance sheet as on 31.03.2018 was as follows:

Balance Sheet as on 31.03.2018

Liabilities			Rs	Assets			Rs
Creditors			40,000	Cash			5,000
Bills Payable			20,000	Machinery			60,000
General Reserve			25,000	Stock			25,000
Capitals:				Debtors		23,000	
	Raja	60,000		Less: PDD		3,000	20,000
	Rani	40,000	100,000	Buildings			50,000
				Investments			20,000
				P & L Account			5,000
			185,000				**185,000**

On 01.04.2018, they admit Mantri as a new partner and offer him 1/5th share in the future profits on the following terms:

a. Mantri has to bring in ₹ 30,000 as his capital and ₹ 10,000 towards goodwill. Goodwill is to be withdrawn by the old partners.

b. Depreciate Machinery by 5%.

c. Appreciate buildings by 10%.

d. PDD is reduced to ₹ 2,000 and investments are to be revalued at ₹ 25,000.

Prepare: i) Revaluation Account

ii) Partners' Capital Account &

iii) New Balance Sheet of the firm.

(Ans: Profit on Revaluation Account ₹ 8,000, Capital Account: Raja - ₹ 76,800, Rani - ₹ 51,200, Mantri - ₹ 30,000, Cash Account ₹ 35,000, Balance Sheet total ₹ 2,18,000)

8. Pujari and Purohit are equal partners. Their Balance Sheet as on 31.03.2017 was as follows:

Balance Sheet as on 31.03.2017

Liabilities	Rs	Assets	Rs
Bills Payable	6,600	Cash	1,800
Sundry Creditors	12,800	Stock	23,600
Capitals Accounts:		Sundry debtors 25,000	
Pujari 40,000		Less: PDD 5,000	20,000
Purohit 30,000	70,000	Furniture	4,000
		Buildings	40,000
	89,400		**89,400**

On 01.04.2017, they admit Pandit as a new partner and offered him 1/4th share in the profit on the following terms:

a) He should bring in ₹ 30,000 as capital and ₹ 18,000 towards goodwill.

b) Half of the goodwill should be withdrawn by the old partners.

c) Stock and furniture to be depreciated by 10% each.

d) PDD is reduced by ₹ 3,000.

Prepare: i) Revaluation Account

ii) Partners' Capital Accounts &

iii) New Balance Sheet of the firm.

(Ans: Profit on Revaluation Account ₹ 240, Capital Account: Pujari - ₹ 44,620, Purohit - ₹ 34,620, Pandit - ₹ 30,000, Cash Account ₹ 40,800, Balance Sheet total ₹ 1,28,640)

9. Anil and Sunil are partners in a firm sharing profits in the ratio of 2:1. Their Balance Sheet as on 31.03.2016 was as follows:

Balance Sheet as on 31.03.2016

Liabilities	Rs	Assets	Rs
Bills Payable	16,000	Cash	4,000
Sundry Creditors	5,000	Sundry debtors	30,000
Reserved Fund	9,000	Stock	32,000
Capitals:		Furniture	8,000
Anil	60,000	Buildings	56,000
Sunil	50,000	Motor Car	10,000
	140,000		**140,000**

On 01.04.2016,they admitted Vimal for 1/4th share in future profits under the following terms:

a) He should bring cash for capital ₹ 40,000 and ₹ 30,000 for goodwill.

b) Half of the goodwill amount withdrawn by the old partners.

c) Buildings are revalued at ₹ 66,000 and make a provision for legal charges ₹ 700.

d) Stock and Motor Car be depreciated by 10% each.

e) Provide provision for doubtful debts at 5% on debtors.

Prepare: i) Revaluation Account

ii) Partners' Capital Accounts &

iii) Balance Sheet of the new firm.

(Ans: Profit on Revaluation Account ₹ 3,600, Partners Capital Account balance: Anil - ₹ 78,400, Sunil - ₹ 59,200, Vimal - ₹ 40,000, Cash Account ₹ 59,000, Balance Sheet total ₹ 1,99,300)

10. Arati and Bharati are partners in a firm sharing profits and losses in the ratio of 3:2. Their Balance Sheet as on 31.03.2017 stood as follows:

Balance Sheet as on 31.03.2017

Liabilities	Rs	Assets		Rs
Bills Payable	14,000	Cash		15,000
Creditors	16,000	Buildings		25,000
		Patents		6,000
Capitals:		Machinery		35,000
Arati	50,000	Debtors	20,000	
Bharati	25,000	Less: Provisions	600	19,400
		Stock		4,600
	105,000			**105,000**

On 01.04.2017, Jayanti is admitted into the partnership on the following terms:

a) Jayanti Pays ₹ 20,000 as capital. The Goodwill of the firm is valued at ₹ 20,000 and Goodwill Account should not remain in books.

b) Buildings are appreciated by ₹ 5,000 & machinery is depreciated by 20%.

c) Provision for doubtful debts is increased by ₹ 1,000.

d) The new profit sharing ratio between the partners is 5:3:2.

Prepare: i) Revaluation Account

ii) Partners' Capital Accounts &

iii) Balance Sheet of the firm after admission.

(Ans: Loss on Revaluation Account ₹ 3,000, Partners Capital Account balance: Arti - ₹ 50,200, Bharati - ₹ 25,800, Jayanti - ₹ 16,000, Cash Account ₹ 35,000, Balance Sheet total ₹ 1,22,000)

11. 'A', 'B' and 'C' are partners in a firm sharing profits and losses in the ratio of 4:3:3. Their Balance Sheet as on 31.03.2017 was as follows:

Balance Sheet as on 31.03.2017

Liabilities	Rs	Assets		Rs
Creditors	100,000	Cash at Bank		17,000
Reserve	32,000	Bills Receivable		19,000
Bank OD	8,000	Debtors	1,20,000	
Capitals:		Less: PDD	6,000	114,000
A	40,000	Stock		80,000
B	50,000	Buildings		60,000
C	60,000			
	290,000			**290,000**

On 01.04.2017, they admit 'D' into the partnership on the following terms:

a) 'D' brings ₹ 50,000 as his capital.

b) Goodwill Account is created for ₹ 64,000 and agreed to write off by all partners in their new profit sharing ratio i.e., 6:9:9:8.

c) Reduce stock by 10% and increase buildings to ₹ 69,000.

d) Provision for doubtful debts decreased by ₹ 2,000.

Prepare: i) Revaluation Account

ii) Partners' Capital Accounts &.

iii) New Balance Sheet of the new firm.

(Ans: Profit on Revaluation Account ₹ 3,000, Partners Capital Account balance: A - ₹ 67,600, B - ₹ 61,700, C - ₹ 71,700, D - ₹ 34,000, Bank Account ₹ 67,000, Balance Sheet total ₹ 3,43,000)

12. Sharat and Bharat are sharing profits and losses in the ratio 2:1. Their Balance Sheet as on 31.03.2018 was as follows:

Balance Sheet as on 31.03.2018

Liabilities		Rs	Assets	Rs
Creditors		12,000	Cash in Hand	10,000
Bills Payable		8,000	Debtors	5,000
Reserve Fund		9,000	Stock	10,000
Capitals:			Furniture	4,000
Sharat	20,000		Buildings	40,000
Bharat	20,000	40,000		
		69,000		**69,000**

They admit Kamat into partnership giving him $1/5^{th}$ share in the future profits on the following terms:

a) The new partner should bring ₹ 25,000 as his capital.

b) The Goodwill Account is to be raised at ₹ 24,000.

c) Value of buildings is to be appreciated by ₹ 7,000 and furniture to be appreciated by ₹1,000

d) Stock is valued at 10% less than the book value and there is an outstanding printing bill for ₹400

Prepare: i) Revaluation Account

ii) Partners' Capital Accounts &.

iii) Balance Sheet of the new firm.

(Ans: Profit on Revaluation Account ₹ 6,600, Capital Account balance: Sharat - ₹ 46,400, Bharat - ₹ 33,200, Kamat - ₹ 25,000, Cash Account ₹ 35,000, Balance Sheet total ₹ 1,25,000)

13. Vani and Sandhya are partners sharing profits and losses in the proportion of 3/5 and 2/5. Their Balance Sheet as on 31.03.2018 was as follows:

Balance Sheet as on 31.03.2018

Liabilities	Rs	Assets		Rs
Creditors	77,500	Cash at Bank		21,500
Reserve	20,000	Stock		39,000
P & L Account	5,000	Debtors	60,000	
Capitals:		Less: PDD	3,000	57,000
Vani	60,000	Furniture		10,000
Sandhya	30,000	Buildings		40,000
		Machinery		25,000
	192,500			**192,500**

On 01.04.2018, Chaya is admitted into partnership on the following terms:

a) She should bring ₹ 40,000 as capital for $1/4^{th}$ share and goodwill of the firm is valued at ₹25,000

b) Depreciate furniture by 10%.

c) Appreciate buildings by 20%.

d) PDD is increased by ₹ 3,000.

e) An amount of ₹ 2,000 due to a creditor is not likely to be claimed and hence to be written off.

Prepare: i) Revaluation Account.

ii) Partners' Capital Accounts &.

iii) New Balance Sheet of the firm.

(Ans: Profit on Revaluation Account ₹ 6,000, Partners Capital Account balance: Vani - ₹ 93,600, Sandhya - ₹ 52,400, Chaya - ₹ 40,000, Bank Account ₹ 86,500, Balance Sheet total ₹ 2,61,500)

Problems on Adjusments on Capitals

14. Mahendra and Surendra are equal partners in a firm. Their Balance Sheet as on 31.03.2017 stood as follows:

Balance Sheet as on 31.03.2017

Liabilities		Rs	Assets		Rs
Creditors		40,000	Stock		39,000
Bank Loan		8,000	Debtors	32,000	
			Less: PDD	1,000	31,000
Capitals:			Land & Buildings		40,000
Mahendra	80,000		Machinery		36,000
Surendra	40,000	120,000	Motor Car		8,000
			Cash at Bank		14,000
		168,000			**168,000**

On 01.04.2017, Chandra is admitted into partnership for $1/6^{th}$ share in profits on the following terms:

a) Chandra brings ₹ 26,000 as capital.

b) Goodwill of the firm is valued at ₹ 14,000 and it is to be retained in business.

c) Motor car and Machinery are to be depreciated by 20% and ₹ 3,800 respectively.

d) Prepaid rent ₹ 600.

e) Provision for doubtful debts is to be maintained at 10%.

f) The Capital Accounts of all the partners are to be adjusted in their new profit sharing ratio 3:2:1, based on Chandra's Capital (Adjustments are to be made in cash)

Prepare: i) Revaluation Account

ii) Partners' Capital Account &

iii) New Balance Sheet of the firm.

(Ans: Loss on Revaluation Account ₹ 7,000, Partners Capital Account balance: Mahendra - ₹ 78,000, Surendra - ₹ 52,000, Chandra - ₹ 26,000, Bank Account ₹ 43,000, Balance Sheet total ₹ 2,04,000)

15. Ganga and Yamuna are partners in a firm. Following is their Balance Sheet as on 31.03.2017

Balance Sheet as on 31.03.2017

Liabilities		Rs	Assets		Rs
Creditors		20,000	Cash in Hand		7,000
Bills Payable		4,000	Stock		15,000
			Debtors	16,000	
Capitals:			Less: Provision	500	15,500
Ganga	40,000		Furniture		4,500
Yamuna	20,000	60,000	Patents		4,000
			Plant & Machinery		18,000
			Land & Building		20,000
		84,000			**84,000**

On 01.04.2017, Kaveri is admitted into partnership on the following terms:

a) Kaveri should bring ₹ 13,000 as capital.

b) Goodwill of the firm is valued at ₹ 6,000.

c) Provision for doubtful debts is to be increased by ₹ 1,200.

d) Patents and machinery are to be reduced by 20% and ₹ 2,000 respectively.

e) Land & Buildings are to be increased by 4,000.

f) Capital Accounts of partners are to be adjusted in their new profit sharing ratio 3:2:1, based on Kaveri's Capital (Adjustments to be made in cash)

Prepare: i) Revaluation Account

ii) Cash Account.

iii) Partners' Capital Accounts &

iv) New Balance Sheet of the firm.

(Ans: No Profit and No Loss on Revaluation Account, Capital Account balance: Ganga - ₹ 39,000, Yamuna - ₹ 26,000, Kaveri - ₹ 13,000, Cash Account ₹ 19,000, Balance Sheet total ₹ 1,02,000)

16. Gouri and Ganesh are partners in a firm sharing profit equally. Following is their Balance Sheet as on 31.03.2017.

Balance Sheet as on 31.03.2017

Liabilities	Rs	Assets		Rs
Creditors	20,000	Cash in Hand		7,000
Bills Payable	4,000	Stock		25,000
General Reserve	6,000	Buildings		40,000
Capitals:		Debtors	17,000	
Gouri	80,000	Less: PDD	1,500	15,500
Ganesh	40,000	Furniture		14,500
		Patents		30,000
		Plant & Machinery		18,000
	150,000			**150,000**

On 01.04.2017, Shiva is admitted into partnership on the following terms:

a) Shiva should bring ₹ 25,000 as capital.

b) Goodwill of the firm is valued at ₹ 16,000.

c) Stock is to be increased by 8%.

d) Provision for doubtful debts is increased to ₹ 2,600.

e) Capital accounts of partners are to is be adjusted in their new profit sharing ratio 3:2:1, based on Shiva's capital (Adjustments to be made in cash).

Prepare: i) Revaluation Account.

ii) Partners' Capital Accounts &

iii) Balance sheet of the new firm.

(Ans: Profit on Revaluation Account ₹ 900, Capital Account balance: Gouri - ₹ 75,000, Ganesh - ₹ 50,000, Shiva - ₹ 25,000, Cash Account ₹ 14,100, Balance Sheet total ₹ 1,74,000)

17. Vani and Veena are partners sharing profits and losses in the ratio of 3:2. Their Balance Sheet as on 31.03.2017 was as follows:

Balance Sheet as on 31.03.2017

Liabilities	Rs	Assets	Rs
Creditors	40,000	Cash at Bank	6,000
Reserve	15,000	Stock	24,000
		Debtors	30,000
Capitals:		Furniture	20,000
Vani	60,000	Machinery	60,000
Veena	40,000	Goodwill	15,000
	155,000		**155,000**

On 01.04.2017, they admit Rani as new partner into partnership on the following Conditions:

a) Rani is to bring in ₹ 30,000 as capital and offer $1/6^{th}$ share in future profits.

b) Goodwill of the firm is valued at ₹ 25,000.

c) Machinery is appreciated by 10% and stock is reduced by 10%.

d) Furniture revalued at ₹ 18,000 and investments worth ₹ 2,000 is not recorded in the books, now it is to be taken into account.

e) PDD is created at 5% on debtors.

Prepare: i) Revaluation Account.

ii) Partners' Capital Accounts &

iii) New Balance Sheet of the firm.

(Ans: Profit on Revaluation Account ₹ 2,100, Partners Capital Account balance: Vani - ₹ 76,260, Veena - ₹ 50,840, Rani - ₹ 30,000, Bank Account ₹ 36,000, Balance Sheet total ₹ 1,97,100)

18. Surya and Chandra are partners sharing profits and losses in the ratio of 3:2. Their Balance Sheet as on 31.03.2016 was as follows.

Balance Sheet as on 31.03.2016

Liabilities	Rs	Assets		Rs
Creditors	10,000	Cash at Bank		10,000
Bills Payable	8,000	Debtors	20,000	
Reserve	12,000	Less: PDD	1,000	19,000
Capitals:		Stock		8,000
Surya	30,000	Building		20,000
Chandra	20,000	Furniture		5,000
		Goodwill		9,000
		P & L Account		9,000
	80,000			**80,000**

On 01.04.2016, they admit Akash into partnership on the following terms:

a) Akash should bring ₹ 25,000 as capital for 1/5th share in future profits.

b) The Goodwill of the firm is valued at ₹ 6,000.

c) PDD is reduced to ₹ 500.

d) Building is appreciated by 10% and Stock is revalued at ₹ 7,000.

Prepare: i) Revaluation Account.

ii) Partners' Capital Accounts &

iii) Balance Sheet as on 01.04.2016.

(Ans: Profit on Revaluation Account ₹ 1,500, Partners Capital Account balance: Surya - ₹ 30,900, Chandra - ₹ 20,600, Akash - ₹ 25,000, Bank Account ₹ 35,000, Balance Sheet total ₹ 94,500)

Key Answers

I. Fill in the blanks:

1. Old Ratio
2. Old Ratio
3. Sacrific Ratio
4. Old Ratio
5. Capital
6. Sacrifice Ratio
7. Goodwill
8. Asset
9. Revaluation
10. ₹30,000
11. loose
12. Intangible
13. Goodwill
14. New Profit Sharing Ratio.

II. Multiple choice questions:

1. c	2. c	3. b	4. a	5. a	6. d
7. a	8. b	9. a	10. a	11. b	12. c
13. b	14. a	15. b			

III. True or False

1. True	2. True	3. False	4. True	5. True	6. True
7. True	8. False	9. True	10. True		

****

BOOK-1

CHAPTER-4

RECONSTITUTION OF A PARTNERSHIP FIRM-RETIREMENT/DEATH OF A PARTNER

(A) RETIREMENT OF A PARTNER

Section A: One Mark Questions

I. Fill in the blanks:

1. _________ ratio is used to distribute accumulated profits and losses at the time of retirement of a partner.
2. Profit or loss on revaluation is shared among the partners in _________ ratio on retirement of a partner.
3. New ratio – Old ratio = _________
4. Accumulated losses are transferred to the Capital Accounts of the partners at the time of retirement in their _________ ratio.
5. General reserve is to be transferred to _________ Accounts at the time of retirement of a partner.
6. Goodwill raised to the extent of retiring partner's share only is to be debited to continuing partners capital accounts in _________ ratio.
7. In the absence of any instruction Retiring Partner's Capital A/c is closed by transferring its balance to _________ A/c
8. _________ ratio is used for adjustment of continuing partners capitals.
9. X,Y and Z are the partners sharing profits and losses in the ratio of 3:2:1.If Y retires, the new ratio of X and Z will be _________.
10. Share gained is calculated by deducting _________ share from the New Share.
11. The ration in which the remaining partners' will share future profits after retirement is called _________ ratio.
12. The balance in the retiring partner's loan A/c is shown on the _________ side of the B/S till the last installment is paid.
13. The amount paid to the Retiring Partner in excess of what is due to him is called _________ goodwill.
14. In the absence of any agreement as the disposed of amount due to Retiring Partner, Sec _________

    a. of the Indian Partnership Act, 1932 is applicable.
15. If goodwill already appears in the books, if will be written off by debiting _________ A/c in their OPSR.

II. Multiple Choice Questions:

1. Abhishek, Rajat and Vivek are partners sharing profits in the ratio of 5:3:2. If Vivek retires, the New Profit Sharing Ratio between Abhishek and Rajat will be–
   (a) 3:2 (b) 5:3
   (c) 5:2 (d) None of the above
2. The old profit sharing ratio among Rajender, Satish and Tejpal were 2:2:1.The New Profit Sharing Ratio after Satish's retirement is 3:2. The gaining ratio is–
   (a) 3:2 (b) 2:1 (c) 1:1 (d) 2:2
3. Anand, Bahadur and Chander are partners. sharing profit equally. On Chander's retirement, his share is acquired by Anand and Bahadur in the ratio of 3:2. The New Profit Sharing Ratio between Anand and Bahadur will be:
   (a) 8:7 (b) 4:5 (c) 3:2 (d) 2:3
4. In the absence of any information regarding the acquisition of share in the profit of the retiring/deceased partner by the remaining partners, it is assumed that they will acquire his/her share:-
   (a) Old Profit Sharing Ratio (b) New Profit Sharing Ratio
   (c) Equal Ratio (d) None of the above
5. On retirement/death of a partner, the Retiring/Deceased Partner's Capital Account will be credited With:
   (a) his/her share of goodwill.
   (b) goodwill of the firm.
   (c) shares of goodwill of remaining partners
   (d) none of the above.
6. Govind, Hari and Pratap are partners. On retirement of Govind, the goodwill already appears in the Balance Sheet at ₹ 24,000. The goodwill will be written-off by debiting:
   (a) All Partners' Capital Accounts in their old profit sharing ratio.
   (b) Remaining Partners' Capital Accounts in their new profit sharing ratio.
   (c) Retiring Partners' Capital Accounts from his share of goodwill.
   (d) none of the above.
7. Chaman, Raman and Suman are partners sharing profits in the ratio of 5:3:2. Raman retires, the new profit sharing ratio between Chaman and Suman will be 1:1. The goodwill of the firm is valued at ₹ 1,00,000 Raman's share of goodwill will be adjusted by:
   (a) debiting Chaman's Capital Account and Suman's Capital Account with ₹ 15,000 each.
   (b) debiting Chaman's Capital Account and Suman's Capital Account with ₹ 21,429 and 8,571 respectively.
   (c) debiting only Suman's Capital Account with ₹ 30,000.
   (d) debiting Raman's Capital Account with ₹ 30,000.

8. On retirement/death of a partner, the remaining partner(s) who have gained due to change in profit sharing ratio should compensate the:

(a) retiring partners only.

(b) remaining partners (who have sacrificed) as well as retiring partners.

(c) remaining partners only (who have sacrificed).

(d) none of the above.

III. True or False Type Questions:

1. Profit or loss on revaluation is transferred to All Partners' Capital Accounts in case of retirement of a partner.
2. Accumulated profit is transferred to Continuing Partners Capital Accounts.
3. Adjustment of partners' capitals of the remaining partners is to be made in the New Ratio.
4. New Share = Old share + share sacrificed.
5. Share gained is computed by deducting Old share from the New Share.
6. Increase in the value of asset is debited to Revaluation Account.
7. Gain ratio is used to adjust the goodwill raised to the extent of retiring partner share only.
8. Full value of goodwill raised on retirement is credited to All Partners Capital Accounts including retiring partner in their old ratio.
9. Sec 37 of the Indian Partnership Act, 1932 states that the outgoing partner has an option to receive either interest @ 6% p.a. till the date of payment or such share of profits which has been earned with his money.

Key Answers:

I. Fill in the blanks:

(1)	Old	(2)	Old
(3)	Gain Ratio	(4)	Old
(5)	All the Partners capital	(6)	Gain
(7)	Retiring Partner's Loan	(8)	New
(9)	3:1	(10)	Old
(11)	G.R.	(12)	Liabilities
(13)	Hidden	(14)	37
(15)	All Partners' Capital		

II. Multiple Choice Questions:

(1)	b	(2)	c	(3)	a	(4)	a
(5)	a	(6)	a	(7)	c	(8)	b

III. True or False:

(1)	True	(2)	False	(3)	True	(4)	False
(5)	True	(6)	False	(7)	True	(8)	True
(9)	True						

IV. Very Short Answer Questions:

1. What do you mean by retirement of a partner?
2. Give the formula for calculating Gain Ratio.
3. Why the Gain Ratio is required on retirement of a partner?
4. Why the New Ratio is required on retirement of a partner?
5. Give the formula for calculation of new profit sharing ratio on retirement of a partner.
6. What do you mean by Hidden Goodwill ?
7. Portion gained= New Share - __________

Section B: Two Marks Questions

1. Mention any two circumstances for retirement of a partner.
2. What is Gain Ratio?
3. State any two differences between sacrificing ratio and gaining ratio.
4. State any two purposes of calculating new profit sharing ratio.
5. Name two methods of treatment of goodwill?
6. How do you close the Revaluation Account on retirement of a partner?
7. Pass the journal entry for adjusting retiring partners share of goodwill when no goodwill is raised.
8. Mention any two modes of payment on settlement of Retiring Partner's Capital Account.
9. Pass the journal entry to close Retiring Partner's Capital Account when the payment is made immediately.
10. Give the journal entry to close Revaluation Account when when it is transferred to Loan A/c.
11. Give the journal entry to close Revaluation Account when there is a profit.
12. Give the journal entry to close Revaluation Account when there is a loss.
13. Why do firms revalue the assets and liabilities on retirement?
14. Why retiring partner is entitled to a share of goodwill of the firm?
15. A, B, C are partners in a form sharing Profits and Losses in the ratio of 3:2:1. If B retires, then what Will be the NPSR of A & B.
16. Pass the journal entry for Deceased Partner's Share of profits for the intervening period:

Section C : 6 Marks Problems.

1. Ankit,Suchit and Chandru are partners in a firm sharing profits and losses in the ratio of 4:3:2.Ankit retires from the firm.Suchit and Chandru agreed to share in the ratio of 5:3 in future.

   Calculate gain ratio of Suchit and Chandru

   (**Ans: Gain Ratio =21:11**

2. Vani,Rani and Soni are partners in a firm sharing profits and losses in the ratio of 4:3:2.Soni retires from the firm.Vani and Rani agreed to share equally in future.

Calculate gain ratio of Vani and Rani.

(Ans. Gain Ratio = 1:3)

3. A,B,C and D are partners in a firm sharing profits and losses in the ratio of 2:1:2:1.On A's retirement continuing partners decided to share future profits equally. Calculate gain ratio.

(Ans. Gain Ratio = B and D only = 1:1)

4. A, B, and C are Partners' Sharing Profits and Losses in the ratio of 1:1:1. B retires from the Firm . A and C decided to share the profit in future in the ratio of 4:3.

Calculate the Gain ratio.

(Ans. Gain Ratio = A and C only = 5 : 2)

5. Ashok, Anil and Ajay are Partners' Sharing Profits and Losses in the ratio of 1/2, 3/10,and 1/5. Anil retires from the firm. Ashok and Ajay decided to share future profits and losses in the ratio of 3:2.

Calculate the Gain Ratio.

(Ans. Gain Ratio = Ashok and Ajay = 1 : 2)

Problems on calculation of NPSR

6. Lata, Abhishek and Apeksha are partners sharing profits and losses in the ratio of 3/8,1/2 and 1/8.Lata retires and surrenders $2/3^{rd}$ of her share in favour of Abhishek and the remaining share in favour of Apeksha.Calculate new profit sharing ratio.

(Ans. 3:1)

7. Naveen,Suresh and Tarun are partners sharing profits and losses in the ratio of 5:3:2.Suresh retires from the firm and his share is acquired by Naveen and Tarun in the ratio of 2:1. Calculate NPSR

(Ans. 7:3)

8. Vidya,Sandhya, Lata and Sudha are partners sharing profits in the ratio of 3:2;1:4.Vidya retires and her share is acquired by Sandhya and Lata in the ratio of 3:2. Calculate new profit sharing ratio and gaining ratio of the remaining partners.

(Ans. NPSR = 19:11:20 GR = 3:2:0)

9. Puja, Priya and Pratistha are partners sharing profits and losses in the ratio of 3:2:1. Priya retires. Her share is taken by puja and pratistha in the ratio of 2:1. Calculate NPSR

(Ans.NPSR = 13:5)

10. P, Q & R are Partners Sharing Profits in the ratio of 3:2:1. Q retires and his share is acquired by P & R in the ratio of 3:2. Calculate NPSR

(Ans.NPSR = 3:1)

Section D

12 Marks Problems Without Capital Adjustments

1. Digvijay, Brijesh and Parakaram were partners in a firm sharing profits in the ratio of 2 : 2 : 1.

Balance Sheet as on March 31, 2018 was as follows:

Liabilities	Amount ₹	Assets	Amount ₹
Creditors	49,000	Cash	8,000
Reserves	18,500	Debtors	19,000
Digvijay's Capital	82,000	Stock	42,000
Brijesh's Capital	60,000	Buildings	2,07,000
Parakaram's Capital	75,500	Patents	9,000
	2,85,000		**2,85,000**

Brijesh retired on March 31, 2018 on the following terms:

(a) Goodwill of the firm was valued at ₹ 70,000 and was not to appear in the books.

(b) Bad debts amounting to ₹ 2,000 were to be written off.

(c) Patents were considered as valueless.

Prepare:

Revaluation Account, Partners' Capital Accounts and the Balance Sheet of Digvijay and Parakaram after Brijesh's retirement.

(Ans : Loss on Revaluation ₹ 11,000, Balance of Capital Accounts: Digvijay ₹ 66,333 and Parakaram ₹ 67,667, Balance Sheet Total ₹ 2,74,000).

2. Radha, Sheela and Meena were in partnership sharing profits and losses in the proportion of 3:2:1.

On April 1, 2018, Sheela retires from the firm and on that date,

Balance Sheet was as follows:

Liabilities		Amount ₹	Assets	Amount ₹
Trade Creditors		3,000	Cash in Hand	1,500
Bills Payable		4,500	Cash at Bank	7,500
Expenses Owing		4,500	Debtors	15,000
General Reserve		13,500	Stock	12,000
Capitals :			Factory Premises	22,500
Radha	15,000		Machinery	8,000
Sheela	15,000		Loose Tools	4,000
Meena	15,000	45,000		
		70,500		**70,500**

The terms were:

(a) Goodwill of the firm was valued at ₹ 13,500 & written off.

(b) Expenses owing to be brought down to ₹ 3,750.

(c) Machinery and Loose Tools are to be valued at 10% less than their book value.

(d) Factory premises are to be revalued at ₹ 24,300.

Prepare :

1. Revaluation Account
2. Partners' Capital Accounts and
3. Balance Sheet of the firm after retirement of Sheela.

(Ans : Profit on Revaluation ₹ 1,350, Balance of Capital Accounts: Radha ₹ 28,975 and Meena ₹ 19642, Balance Sheet Total = ₹ 84,100).

3. Pankaj, Naresh and Saurabh are partners sharing profits in the ratio of 3:2:1. Naresh retired from the firm due to his illness. On that date the Balance Sheet of the firm was as follows:

Books of Pankaj, Naresh and Saurabh Balance Sheet as on March 31, 2018

Liabilities		Amount ₹	Assets		Amount ₹
General Reserve		12,000	Bank		7,600
Sundry Creditors		15,000	Debtors	6,000	
Bills Payable		12,000	Less: PDD	400	5,600
Outstanding Salary		2,200	Stock		
Provision for Legal Damages		6,000	Furniture		9,000
Capitals :			Premises		41,000
Pankaj	46,000				80,000
Naresh	30,000				
Saurabh	20,000	96,000			
		1,43,200			**1,43,200**

Additional Information:

(a) Premises have been appreciated by 20%, stock depreciated by 10% and provision for doubtful debts was to be made at 5% on debtors. Further, provision for legal damages is to be made for ₹ 1,200 and furniture to be brought up to ₹ 45,000.

(b) Goodwill of the firm be valued at ₹ 42,000 and the same be written off immediately.

(c) ₹ 26,000 from Naresh's Capital Account be transferred to his Loan Account and balance be paid through bank If required, necessary loan may be obtained form Bank.

(d) New profit sharing ratio of Pankaj and Saurabh is decided to be 5 : 1.

Give the Revaluation A/c, Capital Accounts and Balance Sheet of the firm after Naresh's Retirement.

(Ans : Profit or Revaluation ₹ 18,000, Balance of Capital Account of Pankaj, ₹ 47,000 and of Saurabh, ₹ 25,000).

(Total Amount Credited to Naresh's Capital = ₹ 54,000, Balance Sheet Total = ₹ 1,54,800).

Problems With Capital Adjustments

1. Narang, Suri and Bajaj are partners in a firm sharing profits and losses in proportion of 1/2 , 1/6 and 1/3 respectively. The Balance Sheet on April 1, 2018 was as follows:

Balance Sheet as on April 1, 2018

Liabilities		Amount ₹	Assets		Amount ₹
Bills Payable		12,000	Freehold Premises		40,000
Sundry Creditors		18,000	Machinery		30,000
Reserves		12,000	Furniture		12,000
Capital Accounts :			Stock		22,000
Narang	40,000		Sundry Debtors	20,000	
Surj	20,000		Less : RBD	1,000	19,000
Bajaj	28,000	88,000	Cash		7,000
		1,30,000			**1,30,000**

Bajaj retires from the business and the partners agree to the following :

(a) Freehold premises and stock are to be appreciated by 20% and 15% respectively.

(b) Machinery and furniture are to be depreciated by 10% and 7% respectively.

(c) Bad Debts reserve is to be increased to ₹ 1,500.

(d) Goodwill is valued at ₹ 21,000 on Bajaj's retirement and it is written off.

(e) The continuing partners have decided to adjust their capitals in their new profit sharing ratio after retirement of Bajaj. Surplus/deficit, if any, in their Capital Accounts will be adjusted through cash.

Prepare:

Revaluation a/c, Partners' Capital Accounts and the Balance Sheet of the reconstituted firm.

(Ans : Profit on Revaluation, ₹ 6,960; Balance in Capital Accounts of Narang, ₹ 49,230; and that of Suri, ₹ 16,410. Amount at Credit in Bajaj Capital is ₹ 41,320, Balance Sheet Total = ₹ 1,57,960)

2. Following is the Balance Sheet of Jain, Gupta and Malik as on March 31, 2018.

Balance Sheet as on March 31, 2018

Liabilities		Amount ₹	Assets	Amount ₹
Sundry Creditors		19,800	Land and Buildings	26,000
Telephone bills outstanding		300	Bonds	14,370
Accounts payable		8,950	Cash	5,500
Accumulated profits		16,750	Bills Receivable	23,450
Capitals :			Sundry Debtors	26,700
Jain	40,000		Stock	18,100
Gupta	60,000		Office Furniture	18,250
Malik	20,000	1,20,000	Plant and Machinery	20,230
			Computers	13,200
		1,65,800		**1,65,800**

The partners have been sharing profits in the ratio of 5:3:2. Malik decides to retire from business on April 1, 2018 and his share in the business is to be calculated as per the following terms of revaluation of assets and liabilities :

Stock ₹ 20,000; Office furniture ₹ 14,250; Plant and Machinery ₹ 23,530; Land and Building ₹ 20,000.

A provision of ₹ 1,700 to be created for doubtful debts. The goodwill of the firm is valued at ₹ 9,000.

The continuing partners agreed to pay ₹ 16,500 as cash on retirement of Malik, to be contributed by continuing partners in the ratio of 3:2. The balance in the Capital Account of Malik will be treated as Loan.

Prepare:

Revaluation a/c, Capital Accounts, and Balance Sheet of the reconstituted firm.

(Ans:Rev.Loss ₹ 6,500 Capitals: Jain ₹ 59,525 Gupta ₹ 72,375 Malik's Loan ₹ 7,350 B/S Total ₹ 1,68,300)

3. The Balance Sheet of Amit, Bhima and Chandru who are partners in a firm Sharing profits according to their capitals as on March 31, 2018 was as under:

Liabilities	Amount ₹	Assets		Amount ₹
Creditors	21,000	Buildings		1,00,000
Amit's Capital	80,000	Machinery		50,000
Bhimu's Capital	40,000	Stock		18,000
Chandru's Capital	40,000	Debtors	20,000	
General Reserve	20,000	Less: PBD	1,000	19,000
		Cash at bank		14,000
	2,01,000			**2,01,000**

On that date, Bhima decided to retire from the firm and was paid for his share in the firm subject to the following:

1. Buildings to be appreciated by 20%.
2. Provision for Bad debts to be increased to 15% on Debtors.
3. Machinery to be depreciated by 20%.
4. Goodwill of the firm is valued at ₹ 72,000 and the retiring partner's share is adjusted through the capital accounts of remaining partners.
5. The capital of the new firm be fixed at ₹ 1,20,000 and it should be adjusted equally among Continuing partners and adjustments are to be made in cash.

Prepare:

Revaluation Account, Capital Accounts of the partners, and the Balance Sheet after retirement of Bhima.

(Ans: Rev profit ₹ 8,000 Capital balances : Amit ₹ 80,000 Chandru ₹ 40,000 Bhimu's loan ₹ 65,000 B/S Total ₹ 2,06,000)

4. X. Y and Z were partners sharing profits and losses in the ratio of 2 : 2 : 1 respectively. Their Balance Sheet as on 31.3.2018 was as under.

Balance Sheet as on 31.03.2018

Liabilities		Amount ₹	Assets		Amount ₹
Creditors		35,500	Cash at Bank		20,000
Reserves Fund		20,000	Debtors	40,000	
Profit & Loss A/c		2,500	Less R.B.D.	2,000	38,000
Capital A/c			Stock		20,000
X	50,000		Machinery		20,000
Y	30,000		Furniture		10,000
Z	20,000	1,00,000	Buildings		50,000
Total		**1,58,000**	**Total**		**1,58,000**

Z retired on 1.4.2018 from the business. The following adjustment are to be made:

(a) Stock to be increased by 20%.
(b) Maintain P.B.D at 10% on debtors.
(c) Depreciate machinery and furniture by 10% each.
(d) Buildings are be revalued at ₹ 60.000
(e) Goodwill to the extent of retiring partners share is created at ₹15,000.

Prepare:

Revaluation Account, Partners Capital Accounts and Balance Sheet as on 1.4.2018.

(Ans: Rev profit ₹ 9,000 Capital balances : X ₹ 62,600 Y ₹ 42,600 Z's Loan 41,300 B/S Total ₹ 1,82,000)

5. Srikant, Girish and Manju are partners sharing profits and losses equally. Their Balance sheet as on 31.03.2017 was as follows

Balance Sheets as on 31.03.2018

Liabilities		Amount ₹	Assets	Amount ₹
Creditors		30,000	Cash	24,000
Bills payable		20,000	Bills receivable	28,000
Bank overdraft		25,000	Stock	36,000
Reserve Fund		15,000	Investments	9000
Capital			Debtors	20,000
Srikant	60,000		Furniture	25,000
Girish	50,000		Machinery	32,000
Manju	30,000		Buildings	50,000
		1,40,000	Profit Loss A/c	6,000
Total		**2,30,000**	**Total**	**2,30,000**

Manju retired on 1.4.2018 from the business and the following adjustments are to be made:

(a) Goodwill of the firm is created ₹ 18,000 (Retain in the business)

(b) Maintain provision for doubtful debts at 5% on Debtors

(c) Increase stock by ₹ 4,000

(d) Depreciate Machinery and Furniture by 10% each.

Prepare:

(i) Revaluation Account.

(ii) All Partners Capital A/cs

(iii) Balance Sheet as on 1.04.2018

(Ans: Rev Loss ₹ 2,700 Capital balances : Shrikant ₹ 68,100 Girish ₹ 58,100 Manju's Loan ₹ 38,100 B/S Total ₹ 2,39,300)

(B) DEATH OF A PARTNER

Section A: One Marks Questions

I. Fill in the blanks

1. Executors account is generally prepared at the time of ________ of a partner.
2. Accounting treatment at the time of retirement and death is_________.
3. The period from date of the last Balance Sheet and the date of the partners' death is called _________ period.
4. __________ Account is debited for the transfer of share of accrued profit of a deceased partner.
5. Accrued profit is calculated on the basis of ____________
6. Amount payable to the Executors of the deceased partner is transferred to __________ account

II. Multiple Choice Questions:

1. Accrued profit is ascertained on the following ways:
   (a) Average profit (b) Previous year's profit
   (c) On sales (d) All of the above.
2. Amount due to deceased partner is settled in the following manner:
   (a) Immediate full payment
   (b) Transferred to Loan Account
   (c) Partly paid in cash and the balance transferred to Loan A/c
   (d) All of the above.
3. Deceased partner's share of profit in the accrued profit may be.
   calculated on the basis of:
   (a) Last years profit (b) average profit of past few years
   (c) Sales (d) All the above
4. Amount payable to the Executors of the deceased partner is transferred to:
   (a) Executors Loan Account (b) Executors Account
   (c) Remaining Partners' Capital A/cs (d) Non of the above
5. Items to be considered while calculating the amount payable to the deceased partner is:
   (a) His share of capital (b) His share in reserve
   (c) His share in accrued profit (d) All the above

III. True of False

1. Deceased partner's claim is transferred to his Executor's Account
2. Deceased partners' share of profit for the year intervening period may be calculated on the basis of last year's profit/ average of past few years or on the basis of sales.
3. Deceased partner may be paid in one lump sum or installments with interest.

4. Retirement normally takes place at the end of an accounting period, where as death of a partner may occur any time.
5. Amount payable to the Executors of the deceased partner is transferred to Executors Loan Account

IV. Very Short Answer Questions:

1. Who is an 'Executor'?
2. When do you prepare Executors Account?
3. Which account is credited for the share of accrued profit of a deceased partner?
4. What is intervening period?
5. How do you close the Executors Account?

Section B: Two Marks Questions

1. Give the meaning of accrued profit.
2. State any two differences between retirement and death of a partner.
3. Write any two ways of settlement of claims to the deceased partner.
4. Write the journal entry to close the deceased partner's Capital Account.
5. Pass Journal entry for transfer of accrued profit of the deceased partner.
6. Write the journal entry for cash paid immediately to the executors of the deceased partner.
7. How do you close the executors account when the payment is not made immediately?
8. A, B, C were partners in a firm sharing profits in the ratio of 5:4:1. The profit of the firm for the year ending on 31-3-2017 was ₹ 1,00,00. B dies on 30-6-2017. Calculate B;s share of profit from 1-4-2-17 to 30-6-2017.
9. Deceased Partners' Share of Profit =____________________________
10. Give the Journal Entry when retiring partner's whole amount is treated as loan.
11. Pass the Journal Entry when retiring partner is partly paid in cash and the remaining amount is treated as loan
12. P,Q and R are partners in a firm sharing profits in the ratio of 3;2:1. R retires and the balance in his Capital Account after making necessary adjustments workout to be ₹60, 000 .P and Q agreed to pay him ₹ 75,000 in full settlement of his claim.

    Find out the hidden goodwill.

Key Answers:

I. Fill in the Blanks:

1. Death
2. Uniform
3. Intervening
4. P and L Suspense Account
5. Previous year's profit / Average profit
6. Executors Loan Account

II. Multiple Choice Questions:

(1) d (2) d (3) d (4) a 5) d

III. True of False

(1) True (2) True (3) True (4) True 5) True

Section C: Six Marks Questions

1. Ramesh, Prakash and Suresh were partners in a firm sharing profits and losses in the ratio of 5:3:2. On 31st March 2017, their Balance Sheet was as under

Balance Sheet as on 31.3.2017

Liabilities		₹	Assets	₹
Creditors,		14,000	Cash	8,000
Reserve Fund		6,000	Debtors	11,000
Capitals:			Patents	11,000
Ramesh	30,000		Stock	10,000
Prakash	25,000		Machinery	50,000
Suresh	15,000	70,000		
		90,000		**90,000**

Ramesh died on 30th Sept 2017. It was agreed between his executors and the surviving partners that:

(a) Goodwill to be valued at two and half years purchase of the average profits of the previous four years which were: 2013-14 ₹12, 000, 2014-15 ₹ 20,000, 2015-16 ₹13, 000 and 2016-17 ₹15, 000,

(b) Share in the profit from the date of last Balance Sheet till to the date of death to be calculated on the basis of last year's profit.

(c) Interest on capital to be allowed at 12% p.a.

(d) Share in the Revaluation Account balance, his share is ₹ 5, 000(Cr).

Prepare:

Ramesh's Capital Account.

(Ans: Amount payable to Ramesh's Executors: ₹ 62,300)

2. Pavan, Madan and Suman were partners sharing profits & losses in the ratio of 2:1:1. Their balance sheet as on 31.3.2017 was as under:

Balance Sheet as on 31-03-2017

Liabilities		₹	Assets	₹
Sundry Creditors		25,000	Cash	6,000
Reserve Fund		20,000	Stock	12,000
Capitals			Debtors	15,000
Pavan	15,000		Investments	15,000
Madan	10,000		Buildings	32,000
Suman	10,000	35,000		
		80,000		**80,000**

The partnership deed provides that in the event of death of partner, his executors entitled to get the followings:

(a) The Capital at the date of last Balance Sheet

(b) His proportion of reserve fund.

(c) His share of profit to the date of death based on the average profits of the last three years profits.

(d) His share of goodwill. Goodwill of the firm is twice the average profit of last 3 years profits, the profits for the last three years were:

2014-15 ₹16,000, 2015-16 ₹16,000, and 2016-17 ₹15,520.

Suman died on July 1st, 2017. He had also with drawn ₹5000 till to the date of his death.

Prepare

Suman's Capital and her Executors Account.

(Ans: Amount transfered to Suman's Executors A/c : ₹18,910)

3. Akash, Anil and Adarsh are the partners sharing profits and losses in the ratio of 3:2:1, Their capitals as on 01.04.2017 were ₹ 70,000, ₹ 90,000 and ₹ 60,000 respectively. Akash died on 31.12.2017 and the Partnership Deed provided the following:

(a) Interest on Akash's Capital at 8% p.a

(b) Akash's salary ₹ 2,000 p.m

(c) His share of accrued profit up to the date of death based on previous year's profit. Firms profit for 2016-17 ₹ 24,000

(d) His share of Goodwill ₹ 12,000

Ascertain the amount payable to Akash's Executor by preparing Akash's Capital A/c

(Ans: Amount payable to Akash's Executors: ₹ 1,13,200)

4. X.Y and Z are partner's sharing profits and losses in the ratio of 2:2:1. Their capital balances on 01.04.2017 stood at ₹ 90,000, ₹ 60,000 and ₹ 40,000 respectively. Mr. Y died on 01.01.2018 partnership deed provides the following:

a. Interest on capital at 10% p.a.

b. Salary to Y, ₹ 2,000 per month.

c. Y's share of Goodwill

d. His share of profit up to the date of death on the basis of previous year's profit.

i. Total good will of the firm is ₹ 54,000

ii. Profit of the firm for the year 2016-17 is ₹30,000

You are required to ascertain the amount payable to Executors of Y by preparing Executor's Account.

(Ans: Amount payable to Executor of Mr.Y: ₹ 1,13,100)

5. Raju, Ravi and Roopa are partners sharing profit and losses in the ratio of 4:3:3. Their capital balances on 01.04.2017 stood ₹ 1, 00,000, ₹ 80, 000 and ₹ 50, 000 respectively.

   Raju died on 01.10.2017. The partnerships deed provides the followings:

   (a) Interest on capital at 12% p.a.

   (b) He had withdrawn ₹ 5, 000 up to the date of death.

   (c) Raju's share of goodwill ₹ 5, 000

   (d) His share of profit up to the date of death on the basis of previous year profits. Previous year's profits ₹ 20,000.

   Prepare Raju's Executors Account.

   (Ans: Amount payable to Raju's Executors: ₹ 1,10,000)

6. Puneet, Pankaj and Prakash are partners in a business sharing profits and losses in the ratio of 2:2:1 respectively. Their Balance Sheet as on March 31, 2017 was as follows.

Balance Sheet as on March 31,2017.

Liabilities		₹	Assets	₹
Sundry Creditors		1,00,000	Cash at Bank	20,000
Capital Accounts			Stock	30,000
Puneet	60,000		Sundry Debtors	80,000
Pankaj	1,00,000		Investments	70,000
Praksh	40,000	2,00,000	Furniture	35,000
Reserve Fund		50,000	Buildings	1,15,000
		3,50,000		**3,50,000**

Mr. Prakash died on 30th Sept 2017. The partnership deed provided the following:

a. The deceased partner will be entitled to his share of profit up to the date of death calculated on the basis of previous year's profit.

b. He will be entitled to his share of goodwill of the firm calculated on the basis of 3 year's purchase of average of last 4 years profit. The profits for the last four financial years are given below:

   For 2013-14 ₹ 80,000, for 2014-15 ₹ 50,000, for 2015-16 ₹ 40,000, and for 2016-17 ₹ 30, 000.

   The drawings of the deceased partner up to the date of death amounted to ₹ 10, 000. Interest on Capital is to be allowed at 12% per annum.

   Show Mr Prkash's Aapital Account.

(Ans: Amount payable to Prakash's Executors: ₹75,400)

7. Arti, Bharti and Heema are partners sharing profits in the ratio of 3:2:1 and their Balance Sheet as on 31st March 2017 stood as follows:

Balance sheet as on 31st March,2017

Liabilities		₹	Assets	₹
Bills Payable		12,000	Buildings	21,000
Creditors		14,000	Cash in hand	12,000
Reserved Fund		12,000	Bank	13.700
Capitals:			Debtors	12,000
Arati	20,000		Bills Receivable	4,300
Bharti	12,000		Stock	1,750
Heema	8,000	40,000	Investment	13,250
		78,000		**78,000**

Bharti died on 1st June 2017 and according to the deed of the said partnership, her executors are entitled to be paid as under:

(a) The capital to her credit at the time of her death and interest there on at 10% per annum.

(b) Her proportionate share of reserve fund.

(c) Her share of profits for the intervening period will be based on the sales during that period, which were calculated as ₹ 1,00,000. The rate of profit during past three years had been 10% on sales.

(d) Her share in goodwill to be calculated by taking twice the amount of the average profit of the last three years less 20%. The profits of the previous years were:

2014-15 ₹ 8,200

2015-16 ₹ 4,000

2016-17 ₹ 9,800

(e) The investments were sold for ₹16,200 and her executors were paid on.

Prepare:

The Bharti's Executors Account.

(Ans: Amount paid to Bharti's Executors: ₹ 24,427)

8. Raja, Rani and Mantri were partners sharing profits and losses in the ratio of 5:3:2. Their balance sheet as on 31 Dec 2017 was as follows.

Balance sheet at 31st Dec, 2017.

Liabilities		₹	Assets	₹
Creditors		14,000	Investments	10,000
Reserve Fund		6,000	Good will	5,000
Capitals:			Premises	20,000
Raja	30,000		Patents	6,000
Rani	30,000		Machinery	43,000
Mantri	20,000	80,000	Debtors	8,000
			Bank	8,000
		1,00,000		**1,00,000**

Mantri dies on 1st May, 2018. The agreement between the Executors of Mantri and the partners stated that:

(a) Goodwill of the firm be valued at 2 ½ times the average profits of last four years. The profits of four years were: 2014 ₹ 13,000, 2015. ₹ 12,000, 2016. ₹ 16,000, and 2017. ₹ 15,000.

(b) The share of profit of Mantri should be calculated on the basis of the profit of 2017.

(c) ₹ 4,000 should be paid immediately and the balance should be translated to Executors loan A/c.

Prepare

Mantri's Capital Account.

(Ans: Amount transferred to Executors loan A/c: ₹ 25,200)

9. P.Q and R are partners sharing profits and losses in the ratio of 2:2:1. Their capital balances on 01.01.2017 stood at ₹ 70,000, ₹50,000 and ₹ 40,000 respectively. 'Q' died on 30.06.2017.

According to partnership deed, Q executors are entitled to get the following:

(a) Q's capital as on 01.01.2017.

(b) Interest on capital at 6% p.a

(c) Salary to Q at ₹1,000 per month.

(d) Q's share of goodwill.Goodwill of the firm is ₹60,000

(e) Q is entitled for commission of ₹4,000 per year

Prepare:

Q's Capital Account.

(Ans: Amount payable to Q's Executors: ₹83,500)

10. Girish, Mahesh and Varun were sharing profits and losses in the ratio of 6:3:2 respectively. Their capitals on 01.04.2017 stood at ₹ 60,000, ₹ 30,000 and ₹ 20,000 respectively. On 30th Sept 2017 Varun died.

The goodwill of the deceased partner's share is ₹ 10,000. The deceased partner's share in accrued profit up to the date of his death is ₹ 4,200 Varun's commission is ₹ 600 p.m. His drawings up to the date of death amounted to ₹ 8, 000. Interest on capital at 10% p.a.

Prepare:

Varun's Capital Account.

(Ans: Amount payable to Varun's Executors: ₹ 30,800)

Section E:

Practical Oriented Question

1. Prepare Executor's Loan Account with imaginary figures showing the repayment in two annual equal installments along with interest.

BOOK-1

CHAPTER -5

DISSOLUTION OF PARTNERSHIP FIRM

Section –B: Questions for Two Marks:

1. What is Dissolution of Partnership?
2. Give the meaning of Dissolution of a Partnership Firm.
3. State any two circumstances under which a Partnership Firm is dissolved.
4. State any two differences between Dissolution of Partnership and Dissolution of Partnership Firm.
5. What is Realisation Account?
6. Why is Realisation Account prepared?
7. What is the accounting treatment for unrecorded Asset Realised on Dissolution of a Firm?
8. What is the accounting treatment for unrecorded Liability paid on Dissolution of a Firm?
9. How do you treat PBD on Dissolution of a firm?
10. Give the journal entry for an asset taken over by a partner on Dissolution of a Firm.
11. Give the journal entry for a liability taken over by a partner on Dissolution of a Firm.
12. Give the journal entry for transferring an asset to Realisation Account.
13. Write the journal entry for the transfer of a outside Liability to Realisation Account.
14. Give the journal entry for the payment of Partner's Loan on Dissolution of a Firm.
15. Give the journal entry for sale of an asset on Dissolution of a Firm.
16. Give the journal entry for payment of a liability on Dissolution of a Firm.
17. Give the journal entry for the transfer of profit on realization.
18. Give the journal entry for the transfer of loss on realization.
19. Give the journal entry for realization expenses paid by the firm.
20. How do you close realization A/c on dissolution of a firm?
21. Give the journal entry for Realization Expenses paid by the partner on behalf of the firm.

Section –D: Questions for 12 Marks:

1. Suvarna and Sunanda are partners sharing profits and losses equally. Their Balance Sheet as on 31. 3. 2018 was as follows :

Balance Sheet as on 31. 3. 2018

Liabilities	₹	Assets		₹
Bills Payable	10000	Cash at Bank		15,000
Creditors	50,000	Debtors	55,000	
Sunanda's loan	25,000	*Less* : P.B.D.	3,000	52,000
Reserve fund	15,000	Stock		40,000
Capitals :		Furniture		15,000
Suvarna	60,000	Machinery		25,000
Sunanda	80,000	Buildings		*81,000*
		Profit and Loss A/c		*12,000*
	2,40,000			2,40,000

On the above date the firm was dissolved. The following information is available:

a) The assets realised as follows :
   Debtors ₹ 52,000, Stock ₹ 39,000, Machinery ₹ 24,000,
   Buildings Rs 75,000 and Furniture ₹13000,

b) Creditors and Bills payable were paid @ 5% discount.

c) Dissolution expenses amounted to ₹ 4000.

Prepare : i) Realisation Account ii) Partners' Capital Accounts and iii) Bank Account.

(Ans: Loss on Realization Rs 11,000, Final capital balance paid: Suvarna ₹ 56,000,Sunanda Rs 76,000 and Bank A/c Total Rs 2,18,000.)

2. Anand, Chandu and Vijay are partners sharing profits and losses in the ratio of 2 : 2 : 1. Their Balance Sheet on 31. 3. 2018 was as follows :

Balance Sheet as on 31. 3. 2018

Liabilities		₹	Assets	₹
Creditors		15,000	Cash in hand	5,000
Anand's loan		5,000	Cash at Bank	16,000
Bills payable		10,000	Debtors	25,000
Bank loan		8,000	Bills Receivable	5,000
Profit & Loss A/c		22,000	Investment	18,000
Capitals :	Anand	20,000	Machinery	25,000
	Chandu	20,000	Furniture	16,000
	Vijay	10,000		
		1,10,000		1,10,000

On the above date the firm dissolved. The following information is available:

a. *Assets Realised :* Debtors ₹ 24,000, Bills Receivable ₹ 4,000, Investments ₹ 15,000, Machinery ₹ 22,000

b. Chandu took the furniture for ₹ 10,000.

c. Creditors and Bills Payable are paid at a discount of 5%.

d. Unrecorded Investment realised ₹ 4,000.

e. Dissolution expenses ₹ 2,250.

Prepare : i) Realisation Account

ii) Partners' Capital Account and

iii) Bank Account.

(Ans: Loss on Realization Rs 11,000, Final capital balance paid: Anand ₹24,400 Chandu ₹14,400,Vijay Rs 12,200 and Bank A/c Total Rs 90,000.)

3. Anitha and Sunitha are partners sharing profits and losses equally. Their Balance Sheet as on 31. 3. 2014 was as follows :

Balance Sheet as on 31. 3. 2018

Liabilities	₹	Assets		₹
Bills Payable	6,000	Cash at Bank		6,000
Creditors	20,000	Debtors	28,000	
Anitha's loan	5,000	*Less* : P.B.D.	2,000	26,000
Vanitha's loan	5,000	Stock		40,000
Reserve fund	30,000	Investments		20,000
Capitals :		Furniture		14,000
Anitha	50,000	Buildings		60,000
Sunitha	50,000			
	1,66,000			1,66,000

On the above date the firm was dissolved. The following information is available:

a) The assets realised as follows :

Debtors ₹ 25,600, Stock ₹ 39,000, Building ₹ 66,000

b) Anitha took over 50% of investments at 10% less on its book value and remaining investments were sold at a gain of 20%.

c) Furniture was taken over by Sunitha at ₹ 12,000.

d) Anitha agreed to bear all Realisation expenses. For the service Anitha is paid ₹ 2,600. Actual Realisation Expenses amounted to ₹2,000.

Prepare : i) Realisation Account

ii) Partners' Capital Accounts and

iii) Bank Account.

(Ans: Profits on Realization Rs 1,000, Final capital balance paid: Anitha ₹57,100 Sunitha ₹53,500 and Bank A/c Total Rs .1,48,600)

4. Ramya, Kavya and Divya are partners sharing profits and losses in the ratio of 1:2:1. their balance sheet as on 31.3.2018 was as follows:

Balance sheet as on 31.3.2018

Liabilities	₹	Assets	₹
Creditors	20,000	Cash	15,000
Bills Payable	6,000	Debtors	15,000
Bank O/D	4,000	Stock	18,000
Reserve fund	8,000	Furniture	12,000
Vani's loan	5,000	Machinery	20,000
Capitals: Ramya	42,000	Buildings	60,000
Kavya	35,000		
Divya	20,000		
	1,40,000		1,40,000

On the above date they decided to dissolve the firm:

a) Assets realised as follows:

Debtors ₹13500, Stock ₹19,800, Buildings ₹62,000, Vehicle which was unrecorded also realised ₹4,000 and Machinery realised at book value .

b) Furniture was taken over by Ramya at a valuation of ₹9000

c) Creditors were settled at 10% less. Divya took over Vani's loan.

d) Interest on Bank O/D due ₹400 was also paid off.

e) Realisation expenses amounted to ₹4,000.

Prepare: 1. Realization A/c

2. Partners Capital Accounts and

3. Cash A/c

(Ans: Profits on Realisation Rs 900, Final capital balance paid: Ramya ₹35,225. Kavya ₹39450, Divya ₹27,225 and Cash A/c Total ₹ 1,34,300.)

5. Shruti, Shilpa and Shreya were partners in a firm sharing profits and losses in the ratio of 2 : 2 : 1. They decided to dissolve the firm. Their Balance Sheet on the date of dissolution was as follows :

Balance Sheet as on 31. 3. 2018

Liabilities	₹	Assets	₹
Creditors	30,000	Cash at Bank	6,000
Bills payable	20,000	Debtors	30,000
Shreya's Loan	8,000	Stock	30,000
General Reserve	10,000	Furniture	22,000
Capitals:		Machinery	20,000
Shruti	40,000	Buildings	50,000
Shilpa	30,000		
Shreya	20,000		
	1,58,000		**1,58,000**

The assets realised as follows :

a) Debtors realised 10% less than the book value, the Stock realised 15% more Than the book value, Buildings realised ₹ 60,000.

b) The Furniture was taken over by Shruti at ₹ 20,000.

c) The Machinery was taken over by Shilpa at ₹ 15,000.

d) Creditors and Bills Payable were paid off at a discount of 5%.

e) Cost of dissolution amounted to ₹ 1,500.

Prepare : i) Realisation Account

ii) Partners Capital Accounts and

iii) Bank Account.

(Ans: Profits on Realization Rs 5,500, Final capital balance paid: Shruti ₹26,200,Shilpa ₹21,200, Shreya ₹23,100 and Bank A/c Total ₹ 1,27,500.)

6. The following is the Balance Sheet of Disha,Diya and Deepa as on 31.3.2018:

Balance Sheet as on 31. 3. 2018

Liabilities		₹	Assets	₹
Creditors		15,000	Cash	6,500
Bills payable		1,800	Debtors	8,600
Reserve Fund		6,000	Investments	10,000
Capitls:			Stock	13,700
	Disha	22,000	Furniture	5,100
	Diya	12,000	Buildings	22,900
	Deepa	10,000		
		66,800		**66,800**

It was decided to dissolve the partnership firm and the details available are:

a) Disha took over buildings at ₹ 27,750.

b) Deepa took over bills payable at book value.

c) The other assets realised as under:

Debtors ₹ 8,000, Investments ₹ 8,950, Stock ₹ 15,600 and Furniture ₹ 4,500.

d) Realisation expenses amounted to ₹ 600.

Prepare : i) Realisation Account

ii) Partners' Capital Accounts and

iii) Cash Account.

(Ans: Profits on Realization Rs 3,900, Final capital balance paid: Diya ₹ 15,300, Deepa ₹15,100, Shreya brought in cash ₹2,450 and Cash A/c Total ₹ 46,600.)

7. Rashmi and Geetha are partners sharing profits and losses in the ratio of 3 : 2. Their Balance Sheet as on 31-3-2018 is as follows :

Balance Sheet as on 31. 3. 2018

Liabilities		₹	Assets	₹
Sundry Creditors		10,000	Cash at Bank	5,000
Bills payable		10,000,	Bills Receivable	10,000
Rashmi's Loan		5,000	Sundry Debtors	20,000
Reserve Fund		10,000	Stock	15,000
Capitals:			Machinery	15,000
	Rashmi	30,000	Furniture	10,000
	Geetha	40,000	Goodwill	30,000
		1,05,000		**1,05,000**

On the above date the firm was dissolved.

a) The assets were realized as follows:

Bills Receivable ₹ 7,500, Sundry Debtors and Stock @ 10% less than the book value, machinery realised 5% more than the book value, and Goodwill realized for ₹12,000.

b) Furniture was taken over by Geetha at ₹ 8,000.

c) Dissolution expenses were ₹ 600.

d) All the liabilities were discharged in full.

Show: 1. Realization A/c

2. Partners Capital Accounts and

3. Bank A/c

(Ans: Loss on Realization Rs 25,850, Final capital balance paid: Rashmi₹20,490, Geetha ₹25660, and Bank A/c Total ₹ 71,750.)

8. X, Y and Z are partners sharing profits and losses in the ratio of 3:2:1. Their Balance Sheet as on 31.3.2018 was as follows:

Balance Sheet as on 31.3.2018

Liabilities	₹	Assets	₹
Capitals :		Machinery	40,500
X	30,000	Investments	20,830
Y	20,000	Stock in trade	17,550
Z	10,000	Joint Life Policy	14,000
Mrs.Y's loan	10,000	Debtors	8,700
Creditors	18,500	Profit and loss A/c	1,500
Life Policy Fund	14,000	Cash at bank	5,420
Investment Fluctuation fund	6,000		
	1,08,500		**1,08,500**

The firm was dissolved on the above date.

a) Joint life policy is surrendered for ₹12, 000. Machinery is realised for ₹55,000, Stock is realised for ₹15, 000, Debtors realised ₹ 6,150

b) Investments are taken over by Mr. X for ₹17, 500

c) Mr. Y agrees to discharge his wife's loan.

d) It is found that an investment not recorded in the books is worth ₹3,000. The same is taken over by one of the creditors.

e) Expenses of realisation amounted to ₹600.

Prepare: a. Realisation A/c

b. Partners' capital Accounts and

c. Bank A/c

(Ans: Profits on Realization Rs 26,470, Final capital balance paid: X ₹ 34,985, Y ₹28,323, Z ₹ 14,162 and Bank A/c Total ₹ 87,420.)

9. Amara, Madhura and Prema are partners sharing profits and losses in the ratio of 2:1:1. Their Balance Sheet as on 31.3.2018 was as follows:

Balance sheet as on 31.3.2018

Liabilities	₹	Assets		₹
Bills payable	4,300	Cash in hand		1,000
Creditors	5,700	Bills Receivable		400
Capitals:		Stock		20,000
Amara	30,000	Debtors	7,000	
Madhura	20,000	Less: PBD	400	6,600
Prema	20,000	Joint Life Policy		4,000
Joint Life Policy Fund	4,000	Machinery		50,000
		Prepaid Rent		2,000
	84,000			84,000

The firm was liquidated on the above date:

a) Amara took over Joint Life Policy for ₹5,000

b) Stock realised for ₹22,000, Debtors realised ₹4,100 and Machinery was sold for ₹58,000.

c) Bills on hand realised in full.

d) One bill for ₹500 under discount was dishonoured and had to be paid by the firm.

Prepare: 1. Realization A/c

2. Partners Capital Accounts and

3. Cash A/c

(Ans:Profits on Realization Rs 10,000, Final capital balance paid: Amara ₹30,000, Madhura ₹22,500, Prema ₹ 22,500 and Cash A/c Total ₹ 85,500)

10. Following is the Balance Sheet of Neha, Nisha and Nikki,who share profit and loss in Proportion of 1/2 , 1/3 and 1/6. They dissolved their firm on 31.12. 2018.

Balance Sheet as on 31. 3. 2018

Liabilities	₹	Assets		₹
Creditors	12,000	Cash		11,000
Bills Payable	13,000	Debtors	8,000	
Capitals :		Less: PBD	400	7,600
Neha	20,000	Stock		12,400
Nisha	15,000	Furniture		5,000
Nikki	10,000	Motor Van		40,000
Profit and Loss Account	6,000			
	76,000			76,000

The details available are:

a) Assets realised as follows:

Debtors ₹ 10,800; Stock ₹ 16,000; Furniture ₹ 6,000;motor van ₹ 45,000.

b) Creditors and Bills payable were paid in full.

c) There was an outstanding bill for repairs which had to be paid for ₹ 200.

d) Expenses of realisation amounted to ₹ 600.

Prepare : i) Realisation Account

ii) Partners' Capital Accounts and

iii) Cash Account.

(Ans: Profits on Realization Rs 12,000, Final capital balance paid: Neha ₹29,000, Nisha ₹21,000, Nikki ₹ 13,000 and Cash A/c Total ₹ 88,800.)

11. Arun, Kiran and Arjun were partners sharing profits and losses equally. Their Balance Sheet as on 31. 3. 2018 was as follows :

Balance Sheet as on 31. 3.2018

Liabilities	₹	Assets	₹
Sundry Creditors	12,000	Cash at bank	6,000
Bank Loan	24,000	Bills Receivable	6,000
Arun's loan	22,000	Debtors	25,000
Reserve fund	12,000	Stock	20,000
Capitals : Arun	40,000	Investments	8,000
Kiran	30,000	Furniture	10,000
Arjun	20,000	Buildings	85,000
	1,60,000		1,60,000

On the above date the firm was dissolved. The following information is available:

a) The assets were realised as follows :

Bills receivable ₹ 5,000, Debtors ₹ 23,500, Stock ₹ 18,000 and Buildings ₹ 95,000.

b) Investments were taken by Kiran at ₹ 10,000 and Furniture was taken over by Arjun at ₹ 8,000.

c) All the liabilities were paid in full.

d) Dissolution expenses amount to ₹ 2,500.

Prepare : i) Realisation Account

ii) Partners' Capital Accounts and

iii) Bank Account.

(Ans: Profits on Realization 3,000, Final capital balance paid: Arun ₹45,000, Kiran ₹25,000, Arjun ₹ 17,000 and Bank A/c Total ₹1,47,500.)

12. Mohan, Nagaraju and Prakash are partners sharing profits and losses in the ratio of 4:3:2. Their Balance sheet as on 31. 3. 2018 was as follows :

Balance Sheet as on 31. 3. 2018

Liabilities		₹	**Assets**	₹
Creditors		25,000	Cash	9,000
Bills Payable		17,000	Debtors	27,000
Prakash's Loan		10,000	Stock	15,000
Reserve Fund		18,000	Investments	5,000
Capitals :	Mohan	30,000	Furniture	14,000
	Nagaraj	20,000	Buildings	40,000
	Prakash	10,000	Goodwill	20,000
		1,30,000		1,30,000

On the above date the firm was dissolved and following information is available.

a) The assets realised as follows :

Debtors realised 10% less than the book value, Investments realised 20% more than the book value, Buildings realised ₹ 60,000, Stock realised ₹ 12,000 and Furniture sold for ₹ 15,000.

b) Goodwill is taken over by Mohan at ₹ 15,000

c) Creditors and Bills payable are settled at discount of 5% each.

d. Realisation expenses ₹ 2,000.

Prepare : i) Realisation Account

ii) Capital Accounts of Partners and

iii) Cash Account.

(Ans: Profits on Realization 11,400, Final capital balance paid: Mohan ₹28067, Nagaraj ₹29,800, Prakash ₹ 16,563 and Bank A/c Total ₹1,26,300.)

13. Harish and Suresh are partners sharing profits and losses equally. They agreed to dissolve their partnership on 31.3.2018. Their Balance Sheet was as follows;

Balance Sheet as on 31. 3. 2018

Liabilities		₹	Assets		₹
Creditors		25,000	Cash at bank		14,000
Bills Payable		10,000	Bills Receivable		5,000
Suresh's Loan		10,000	Stock		18,000
Reserve fund		5,000	Debtors	25,000	
Capitals :	Harish	40,000	Less: PBD	3,000	22,000
	Suresh	30,000	Buildings		23,000
			Machinery		38,000
		1,20,000			1,20,000

On the above date firm was dissolved. The following information is available :

i) Stock ₹ 25,000,Debtors ₹ 20,000, Bills Receivable ₹ 4,000 and Machinery ₹ 33,000.

ii) Creditors are taken over by Harish at book value.

iii) Bills payable were paid by the firm at 5% discount.

iv) Sureh paid the realisation expenses of ₹ 1000 and he was to get a remuneration of ₹2,000 for completing dissolution process.

Prepare: a) Realisation Account

b) Partners' Capital Accounts and

c) Bank Account.

(Ans: Realisation loss ₹2,500, Final Capital balances paid: Harish ₹66,250, Suresh ₹33,250,and Bank A/C Total ₹1,19,000.)

14. Appu, Abhi and Akash were partners in a firm sharing profit and losses in the ratio of 2:1:1. Their Balance Sheet on the date of dissolution was as follows:

Balance Sheet as on 31.3.2018

Liabilities		₹	Assets	₹
Creditors		20,000	Bank	8,000
Loan from Appu		5,000	Debtors	20,000
Loan from Akshay		2,000	Stock	25,000
P&L A/c		6,000	Furniture	10,000
Capitals	Appu	20,000	Machinery	15,000
	Abhi	15,000		
	Akash	10,000		
		78,000		78,000

The following information is available:

a) The assets were realized as follows:

Debtors realized at 10% less and stock realized 10% more than the book value

b) Furniture was taken over by Appu at an agreed value of ₹8000.

c) Machinery was taken over by Abhi at ₹12000.

d) Creditors were paid off at a discount of 5% each.

e) Cost of dissolution amounted to ₹500

Prepare: a. Realisation A/c

b. Partners Capital Accounts and

c. Bank A/c

(Ans: Realisation loss ₹4,000, Final Capital balances paid: Kamal ₹13,000, Vimal ₹3,500, Nirmal ₹10,500, Bank A/C Total ₹53,500.)

15. Akash , Prithvi and Sagar are partners sharing profits and losses in ratio of 1/2, 1/3 and 1/6 . They agreed to dissolve their firm on 31.3.2018, on which date the Balance Sheet was as follows:

Balance Sheet as on 31.3.2018

Liabilities	₹	Assets	₹
Creditors	18,000	Cash in hand	6,000
Bills Payable	18,000	Bills Receivable	6,000
Akash's Loan	12,000	Stock	20,000
Capitals :		Debtors	25,000
Akash	45,000	Investment	8,000
Prithvi	30,000	Furniture	10,000
Sagar	15,000	Buildings	75,000
Reseve Fund	12,000		
	1,50,000		1,50,000

The following information is available.

a) Assets realised as follows:
Bills Receivable ₹5,000, Stock ₹18,000, Furniture ₹8,000, Buildings ₹80,000, Investments ₹10,000.

b) Debtors for ₹2,500 proved to be bad.

c) All liabilities were paid in full.

d) Firm had to pay ₹ 3,000 for outstanding salary not provided for earlier.

e) Cost of dissolution amounted to ₹2,500.

Prepare: 1. Realisation A/c
2. Partners' Capital Accounts and
3. Bank A/c

(Ans: Realisation loss ₹6000, Final Capital balances paid: Akash ₹48000, Prithvi ₹32000 and Sagar ₹16000, Bank A/c Total ₹149500.)

16. The following is the Balance Sheet of Hari, Giri and Suri as on 31.3.2018:

Balance sheet as on 31.3.2018

Liabilities	₹	Assets		₹
Creditors	2,400	Cash		2,000
Bills Payable	5,400	Bank		4,000
Capitals :		Bills Receivable		4,000
Hari	10,000	Stock		9,400
Giri	11,000	Debtors	3,000	
Suri	6,200	Less :PBD	300	2,700
		Land and Buildings		12,000
		Profit and Loss A/C		900
	35000			35000

The firm is dissolved on the above date.

A. The assets realised as follows:

1. B/R ₹3,850,
2. Debtors 5% less than book value,
3. An unrecorded asset realised ₹150,

B. Suri took over Land and Buildings at 10% more than the book value.

C. The Bills Payable are taken over by Hari.

D. Expenses of realisation are ₹450.

Prepare: 1. Realisation A/c

2. Partners Capital Accounts and

3. Cash A/c

(Ans: Realisation profits ₹900, Final Capital balances paid: Hari ₹15,400, Giri ₹ 11,000, Suri brought in ₹7,000, Bank A/C Total ₹29,250.)

17. Thanu and Sonu are partners sharing profits and losses in the ratio of 5:3 They agreed to dissolve their firm on 31.3.2018, on which date the Balance Sheet was as follows:

Balance Sheet as on 31.3.2018

Liabilities	₹	Assets	₹
Sundry Creditors	62,000	Cash at Bank	16,000
Bills Payable	32,000	Stock	75,000
Bank Loan	50,000	Sundry Debtors	55,000
Capitals :		Investments	70,000
Thanu	1,10,000	Motor Car	90,000
Sonu	90,000	Machinery	45,000
Reseve Fund	16,000	Fixtures	9,000
	3,60,000		3,60,000

On the above date the firm is dissolved and the following agreement was made:

Thanu agree to pay the bank loan and took away the sundry Debtors. Sundry Creditors accepts Stock and paid ₹ 10,000 to the firm.

Machinery is taken over by Sonu for ₹40,000 and agreed to pay Bills Payable at a discount of 5%. Motor Car was taken over by Thanu for ₹ 60,000. Investment realized ₹76,000 and Fixtures ₹ 4,000. The expenses of realization amounted to ₹ 2,200.

Prepare: 1. Realisation A/c

2. Partners Capital Accounts and

3. Bank A/c

(Ans: Realisation loss ₹37,600, Final Capital balances paid: Tanu ₹31,500, Sonu ₹72,300, and Bank A/C Total ₹1,06,000 .)

18. Anil, and Sunil were partners in a Firm. Their Balance Sheet as on 31.3.2018 was as follows:

Balance Sheet as on 31.3.2018

Liabilities	₹	Assets	₹
Creditors	10,000	Cash	5,000
Bills Payable	6,000	Debtors	15,000
Bank O/D	4,000	Stock	18,000
Mrs. Sunil's Loan	5,000	Furniture	12,000
Profit & Loss A/c	8,000	Machinery	20,000
Capitals:		Buildings	50,000
Anil	52,000	Goodwill	10,000
Sunil	45,000		
	1,30,000		**1,30,000**

On the above date, they decided to wind up the firm. The following information is available:

(a) Debtors realied less 10%, stock realised 10% more and building alised ₹ 62,000.

Vehicle which was unrecorded realised ₹ 4,000

(b) Furniture was taken over by Anil at a valuation of ₹ 9,000.

(c) Creditors to be settled at 10% less and interest on Bank O/D due ₹ 500 also to be paid off.

(d) Mr.Sunil took over his wife's loan

(e) Dissolution expenses amounted to ₹ 3,000

Prepare:

1. Realization A/c
2. Partners Capital Accounts and
3. Cash A/c

(Ans: Realisation profits ₹ 800, Final Capital balances paid: Anil ₹ 45,200, Sunil ₹ 39,200, Cash A/C Total ₹ 1,24,300)

19. Ganga and Yamuna partners in a Firm, sharing profits and losses equally. They agreed to dissolve their firm on 31.3.2018, on which date the Balance Sheet was as follows:

Balance sheet as on 31.3.2018

Liabilities	₹	Assets	₹
Creditors	50,000	Cash at bank	25,000
Bills Payable	30,000	Bills Receivable	20,000
Reseve Fund	10,000	Stock	30,000
Capitals :		Debtor	40,000
Ganga	75,000	Buildings	50,000
Yamuna	60,000	Motor car	20,000
		Furniture	40,000
	2,25,000		**2,25,000**

(a) Assets realised as follows:
Stock ₹ 30,400, B/R ₹ 19,000, Furniture ₹ 33,000, Debtors realised ₹ 42,600(with interest) and ₹ 2,000 were recovered for bad debts written off last year.

(b) Ganga took over Buildings at ₹ 60,000, Yamuna agreed to take over motor car at ₹ 26,600

(c) All the liabilities were paid in full

(d) Realisation expenses were amounted to ₹ 5,000

Prepare:

1. Realisation A/c
2. Partners' Capital Accounts and
3. Bank A/c

(Ans: Realisation profits ₹ 6,600, Final Capital balances paid: Ganga ₹, Yamuna ₹, and Bank A/C Total ₹ 1,40,000.)

20. Anu and Tanu are partners sharing profits and losses 3:2 . They agreed to dissolve their firm on 31.3.2018 when their Balance Sheet was as follows:

Balance Sheet as on 31.3.2018

Liabilities		**₹**	**Assets**	**₹**
Capitals :			Machinery	70,000
Anu	90,000		Investments	50,000
Tanu	80,000	1,70,000	Stock	22,000
Reserve Fund		10,000	Sundry Debtors	1,03000
Creditors		60,000	Cash at bank	15,000
Bills Payable		20,000		
		2,60,000		**2,60,000**

The assets and liabilities were disposed off as follows:

(a) Machinery were given to creditors in full settlement of their account and Stock were given to Bills Payable in full settlement.

(b) Tanu took over Investments at book value. Sundry Debtors of book value ₹ 50,000 were taken over by Anu at 10% less and remaining Debtors realised ₹ 51,000.

(c) Realisation expenses were amounted to ₹ 2,000

Prepare:

1. Realisation A/c
2. Partners' Capital Accounts and
3. Bank A/c

(Ans: Realisation Loss ₹ 21,000, Final Capital balances paid: Anu ₹ 38,400, Thanu ₹ 25,600, and Bank A/C Total ₹ 66,000.)

21. Sanjay and Veneet are partners sharing profits and losses in the ratio of 3:2 . On 31.3.2018 their Balance Sheet was as follows:

Balance Sheet as on 31.3.2018

Liabilities		**₹**	**Assets**	**₹**
Capitals :			Plant	90,000
Sanjay	1,50,000		Debtors	60,000
Vineet	1,20,000	2,70,000	Furniture	32,000
Creditors		80,000	Stock	60,000
Bills Payable		30,000	Investments	70,000
			Bills Receivable	36,000
			Cash in hand	32,000
		3,80,000		**3,80,000**

On the above date the firm was dissolved. Sanjay was appointed to realise the assets. Sanjay was to receive 6% commission on the sale of assets(except cash) and was to bear all expenses of realisation.

(a) Sanjay realised the assets as follows:

Plant ₹ 72,000, Debtors ₹ 54,000, Furniture ₹ 18,000,Stock 90% of book value, Investments ₹ 76,000 and Bills Receivable ₹ 31,000.

(b) One of the Creditors for ₹ 1,300 did not claim the amount.

(c) Expenses of realisation amounted to ₹ 4,500.

Prepare:

1. Realisation A/c
2. Partners' Capital Accounts and
3. Cash A/c

(Ans: Realisation Loss ₹ 60,000, Final Capital balances paid: Sanjay ₹ 1,27,800, Vineet ₹ 96,000 and Cash A/C Total ₹ 3,37,000.)

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BOOK-2

CHAPTER-1

ACCOUONTING FOR SHARE CAPITAL

Section A: One Mark Questions

I. Fill in the blanks

1. A company is an .... Person.
2. .... is the part of the issued capital.
3. Call money received in advance is called ....
4. ....is the minimum paid up capital of a Public Company.
5. .... months must elapse between two calls.
6. .... is minimum number of members in a Public Company.
7. .... is minimum number of members in a Private Company.
8. The amount of buy back of shares in any financial year should not exceed .... % of the paid-up capital
9. Minimum paid up capital of a private company is ....
10. Profit on forfeiture of shares is transferred to .... Account

II. Multiple Choice Questions:

1. Equity share holders are:

[a] Creditors [b] Owners

[c] Customers of the company [d] None of the above

2. Interest on calls in arrears is charged according to table 'F' at the rate of:

[a] 10% [b] 6%

[c] 8% [d] 11%

3. Shares can be forfeited for:

[a] non-payment of call money

[b] failure to attend meeting

[c] failure to repay the loan to the bank.

[d] the pledging of shares as a security

4. Balance of Share Forfeiture Account is shown in the Balance Sheet under the head:

[a] Current Liabilities and Provisions

[b] Reserves and Surplus

[c] Share Capital

[d] Unsecured Loans

5. Issued capital is part of:

[a] Reserve capital [b] Unissued capital

[c] Authorised capital [d] None of the above

6. Maximum number of members in a private company is
   - [a] 40
   - [b] 200
   - [c] 70
   - [d] No limits
7. More applications are received than offered to public is called
   - [a] Less offers
   - [b] Under subscription
   - [c] Over subscription
   - [d] more offers
8. Paid up capital is part of
   - [a] Authorised capital
   - [b] Reserve capital
   - [c] Called-up capital
   - [d] Subscribed capital
9. If a shareholder fails to pay call money, it is called
   - [a] calls unpaid
   - [b] calls in advance
   - [c] calls in arrears
   - [d] None of the above
10. Minimum number of members in a public company is.
    - [a] 20
    - [b] 50
    - [c] no limit
    - [d] 7

III True or False Type Questions

1. A company is an artificial person
2. Shares of a company are generally transferable.
3. Share application account is a liability account.
4. Paid-up capital may exceed called- up capital.
5. Capital Reserves are created out of capital profits.
6. The part of capital which is called-up only on winding up is called reserve capital
7. Private companies invite the public to subscribe for its shares
8. Forfeiture of shares is cancellation of the rights of shareholders
9. All the shares of buy-back should be fully paid-up
10. The Articles of the Association must authorize the company for the buy-back of shares.

IV. Very Short Answer Questions

1. State any one kind of a company.
2. What is issued capital?.
3. What is buy-back of shares?
4. What is minimum paid-up capital of a private company?
5. When the Reserve Capital is used ?
6. What is over subscription?
7. What is under subscription?

8. What is issue of shares at par?
9. What is issue of shares at premium?
10. When the shares are forfeited?

Section B: Short Answer Questions for Two marks

1. What is a Company?
2. State any two features of a company.
3. What is 'Prospectus'?
4. What do you mean by Over subscription?
5. What is calls in arrears?
6. State any two methods of issue of shares.
7. What is issue of shares for consideration other than cash?
8. What is forfeiture of shares?
9. Give the journal entry for transfer of profit on re-issue of forfeited shares.
10. State any two categories of share capital.

Section C: 12 Marks Problems Over Subscription: Problems on Issues of Shares at Par, Forfeiture & Re-issue

1. ABC Company Ltd., issued 20,000 Equity Shares of ₹ 10 each. The amount was payable is as follows.

On application	₹ 2
On allotment	₹ 3
On first and final call	₹ 5

Applications were received for 25,000 Shares. Excess application money refunded and the money was duly received except the first and final call on 500 shares held by Akash. The Directors forfeited these shares and then re-issued to Sagar at ₹ 7 per share as fully paid-up

Pass the necessary journal entries.

2. 'X' Company Ltd issued 10,000 shares of ₹ 100 each. The amount was payable as follows:

₹10 on application, ₹ 40 on allotment and ₹ 50 on first call and final call.

The money was duly received except the first call and final call on 2,000 shares. The directors forfeited these shares and reissued at ₹ 80 per share as fully paid-up.

Pass the journal entries.

3. Excellent Company Ltd., issued 10,000 Equity Shares of ₹ 10 each. The amount was payable as follows:

On application	₹ 2
On allotment	₹ 3 and
On first and final call	₹ 5

Applications were received for 12,000 Equity Shares. The Directors refunded excess application money on 2,000 Shares. All the money was duly received except the first and final call money on 1000 Shares helb by Niraj. His shares were forfeited by the Directors of the company . These shares were re-issued to Prakash at ₹ 8 per share as fully paid-up .

Pass the necessary journal entries.

Problems on Under Subscription

4. A company Ltd has a Registered Capital of ₹ 5,00,000 divided into equity shares of ₹10 each. Of these, 40,000 Shares were issued to the public. The amount was payable as follows:

₹ 2 on application

₹ 5 on allotment

₹ 3 on first and final call.

All the shares were subscribed and the money was duly received except the first and final call on 2,000 shares. These shares were forfeited and re-issued at ₹ 8 per share as fully paid-up.

Pass the journal entries in the books of A company

Problems on Excess application money refund & adjustment towards allotment

5. Bharat Company Ltd. issued 10,000 Shares of ₹ 100 each payable as under.

On Application	₹ 20
On Allotment	₹ 40
On First and Final Call	₹ 40

Applications were received for 15,000 shares, of which applications for 3,000 shares were rejected and their application money refunded and the remaining 2,000 share application money on 2000 shares are adjusted towards allotment. All the calls were made and all the moneys were duly received except the first and final call on 500 shares. The Directors forfeited these Shares and then re-issued @₹75 Per Share as fully paid-up.

Pass the Journal Entries.

Problem on Issues of Shares at a Premium Forfeiture & Re-issue

6. XYZ Co. Ltd. issued 30,000 equity shares of ₹ 10 each at a premium of Re. 1 per share to the public. The amount payable was payable as follows:

₹ 2 on application

₹ 5 on allotment (including premium)

₹ 4 on first and final call

All the shares were subscribed and the money duly received except the first and final call on 2,000 shares. The Directors forfeited these shares and re-issued them as fully paid-up at ₹ 8 per share.

Pass the necessary Journal entries in the books of a company.

7. Sun India Ltd. issued 20,000 Equity Shares of ₹ 100 each at premium of ₹ 10 each. The amount payable was as follows:

₹ 20 on application

₹ 50 on allotment (including premium)

₹ 40 on first and final call

All the shares were subscribed and money duly received except the first and final call on 1,000 shares. The Directors forfeited these shares and re-issued them as fully paid at ₹ 90 per share.

Pass the journal entries regarding issue, forfeiture and reissue of Equity Shares

8. Harsha Co. Ltd. issued 10,000 Preference Shares of ₹ 100 each at a premium of ₹ 5 per share, The amount was payable as follows:

₹ 10 on application

₹ 50 on allotment (including premium)

₹ 45 on first and final call

All the shares were subscribed and the money duly received except the first and final call on 500 shares. The Directors forfeited these shares and re-issued at ₹ 80 each fully paid.

Pass the necessary Journal entries.

9. Mandya Sugar Co. Ltd. issued 40,000 equity shares of ₹ 10 each at a premium of ₹2 per share.The amount was payable as follows:

₹ 2 on application

₹ 6 on allotment (including premium)

₹ 4 on first and final call

All the shares were subscribed and the money duly received except the first and final call on 2,000 equity shares. The Directors forfeited these shares and re-issued them as fully paid-up at ₹ 8 per share.

Pass the necessary Journal entries.

10. Sagar Company Ltd. issued 10,000 shares of ₹ 100 each at a premium of ₹ 10 per share. The amount was payable as follows :

On applications	₹ 20
On allotments	₹ 50(including premium)
On First and Final call	₹ 40

All the shares were subscribed and the money duly received except the first and final call on 500 shares. The Directors forfeited these shares and re-issued them as fully paid at ₹ 80 per share.

Pass the Journal entries

11. The Rajesh Trading Company Ltd issued 10,000 shares of ₹ 10 each at premium of Rs 2 per share payable as follows:

On application	₹ 2
On allotment	₹ 6[including premium]
On first and final call	₹ 4

All the shares were subscribed and the money duly received except the first and final call on 1,000 shares. These shares were forfeited and only 800 shares are re-issued at ₹ 80 each as fully paid-up.

Pass the journal entries.

12. A Mining Company Ltd, invited applications for ₹ 50,000 equity shares of ₹ 100 each at premium ₹10 per share. The amount was payable as follows:

On application	₹ 20
On allotment	₹ 60 [including premium]
On first and final call	₹ 30

All the shares were subscribed and money duly received with the exception of the first and final call on 5,000 shares and the Directors forfeited these shares and re-issued as fully paid at ₹ 70 per share.

Pass the journal entries.

13. 'A' Company issued 5,000 Equity shares of ₹ 100 each at a premium of 10%. The amount was payable as follows:

On application	₹ 20
On allotment	₹ 50[including premium]
On first call and final call	₹ 40

All the shares were subscribed and the money duly received except final call money on 200 Equity Shares held by Dinesh. These shares were forfeited and then re-issued to Mahesh at ₹ 80 per share, fully paid-up. Pass the journal entries.

14. The Gama Company Ltd issued 60,000 Equity Shares of ₹10 each at a premium of ₹ 2 per share payable as follows:

On application	₹ 3
On allotment	₹ 5 (including premium)
On first and final call	₹ 4

All the Shares were subscribed and the money duly received except the first and final call money on 1,500 shares held by Mr.Sudesh. These Shares were forfeited and only were re-issued to Mr.Naresh @ ₹8 per share, as fully paid.

Pass the necessary journal entries.

Key Answers:-

I. Fill in the blanks

1. Artificial
2. Subscribed Capital
3. Calls in advance
4. 5 Lakhs rupees
5. One
6. 7 members
7. 2 members
8. 25 %
9. 1 Lakh rupees
10. Capital Reserve

II. Multiple choice questions

1. [b] owners
2. [a] 10%
3. [a] for non payment of call money
4. [c] share capital
5. [c] authorised capital
6. [b] 200
7. [c] Over subscription
8. [c] called up capital
9. [c] calls in arrears
10. [d] 7

III True / False

1. True
2. True
3. True
4. False
5. True
6. True
7. False
8. True
9. True
10. True

BOOK-2

CHAPTER-2

ISSUE AND REDEMPTION OF DEBENTURES

Section A: One Mark Questions

I. Fill in the blanks:-

1. Debentureholders are the ___________ of the Company.
2. Debentures issued as collateral security will be debited to________ A/c
3. Discount on issue of debentures is a _________asset.
4. Coupon rate is ___at which the amount is paid by the company on its debentures.
5. Premium on issue of debentures is a______________.
6. When all the debentures are redeemed, Debenture Redemption Reserve A/c is credited to ___________A/c.
7. NBFC registered with the RBI create redemption reserve equivalent to at least _______ of the value of outstanding debentures issued through public issue.
8. Withdrawal from Debenture Redemption Reserve is permissible only after _____ of debentures have been redeemed.
9. In case of conversion of the debentures into shares, Debentureholders' A/c is debited and __________ A/c is credited.
10. If own debentures are purchased by the company for the _______ purpose, own debentures will be shown as an asset in the Balance Sheet.
11. Debentures which are transferable by mere delivery are called ________ debentures.
12. Debentures A/c is shown under the head _______ in the Balance Sheet.
13. 1,000 10% debentures issued at par, 10% means___________.
14. The balance of Sinking Fund Investment A/c after realisation of investments is transferred to____________ A/c.
15. When the debentures are redeemed out of profits, an equal amount is transferred to___________ A/c.

II. Multiple Choice Questions:-

1. Premium on Redemption of Debentures A/c is____________ A/c.
   (a) Asset (b) Income
   (c) Liability (d) Expense
2. Debentures premium cannot be used to______.
   (a) write off the discount on issue of debentures or shares.
   (b) write off the premium on redemption of shares or debentures.
   (c) pay dividends (d) write off the capital loss.

3. Loss on issue of debentures is treated as:

(a) Intangible asset
(b) Current asset
(c) Current liability
(d) Miscellaneous expenses.

4. In the event of liquidation of the company, the debentureholders have priority for:

(a) Interest
(b) Principal amount
(c) Both (a)&(b) above
(d) None of the above

5. Debentures cannot be redeemed at:

(a) Premium
(b) Discount
(c) Par
(d) More than 10% Premium.

6. Debentures cannot be redeemed out of:

(a) Profits
(b) Provisions
(c) Capital
(d) All the above

7. A Company issued 2,000, 8% debentures of ₹100 each at par value redeemable at 10% premium. 8% stands for:

(a) Rate of dividend
(b) Rate of tax
(c) Rate of interest
(d) Rate of TDS

8. Debenture holders are:

(a) Owners of the company
(b) Lenders of the company
(c) Debtors of the company
(d) Trustees of the company.

9. X Company Ltd, purchased machinery for ₹20,000, payable₹6,500 in cash and the balance by issue of 12% debentures of ₹100 each at a discount of 10%. How many debentures would be required to issue to the vendor?

(a) 155 debentures of ₹100 each
(b) 150 debentures of ₹100 each
(c) 135 debentures of ₹100 each
(d) 145 debentures of ₹100 each

10. XYZ Company Ltd issued 5,000 6% debentures of ₹100 each at par and are redeemable at 10% premium. Premium on redemption will be debited at the time of issue of debentures to:

(a) Loss on Issue of Debentures A/c
(b) Share Discount A/c
(c) Security Premium A/c
(d) General Reserve A/c

11. Methods of Redemption of Debentures are:

(a) By annual drawings
(b) By conversion of shares or debentures
(c) By purchasing own debentures in open market
(d) All of the above

12. A Company cannot redeem its debentures fully:

(a) Out of capital
(b) Out of profits
(c) Both a & b above
)d) None of the above

13. If the market price of the Debentures is more than the face value, at the time of redemption this will be a capital loss and is transferred to:
    (a) Capital Reserve
    (b) General Reserve
    (c) Profit on Redemption of Debentures
    (d) Loss on Redemption of Debentures
14. The following journal entry appears in the books of a Company.

Bank A/c Dr.	9,50,000	
Loss on Issue of Debentures A/c Dr.	1,50,000	
To 8% Debentures A/c		10,00,000
To Premium on Redemption of Debentures A/c		1,00,000

    In this case, Debentures are issued at a discount of _____ %.
    (a) 15%   (b) 5%
    (c) 10%   (d) 8%
15. Raj Company Ltd, purchased assets worth ₹14,40,000. It issued debentures of ₹100 each at a discount of 4% in full settlement of the purchase consideration. The number of debentures issued to vendors is:
    (a) 15,000   (b) 14,400
    (c) 16,000   (d) 15,600

III. True or False Type of Questions

1. Debenture is a part of loaned capital.
2. Debenture holders have voting rights.
3. Debentures bear fixed interest.
4. Debentures cannot be issued for consideration other than cash.
5. Company can buy-back its debentures.
6. Interest on debentures is not shown in P&L Statement.
7. Debenture holders are not the members of the company.
8. Premium on redemption of debentures is a personal A/c.
9. Debentures cannot be issued as a collateral security.
10. A Company can issue irredeemable debentures.
11. Redemption of debentures is made by the company in accordance with the terms of issue.
12. A Company cannot purchase its own debentures in the open market.
13. Profit on redemption of debentures is in the nature of a capital profit.
14. Debentures cannot be issued at a discount for more than 10% of the face value.
15. Loss on issue of debentures is a revenue loss.

IV. Very Short Answer Questions:-

1. What is meant by debentures?
2. What is Bond?
3. What is coupon rate?

4. What do you mean by zero coupon rate debentures?
5. What is meant by issue of debentures for consideration other than cash?
6. What do you mean by the issue of debentures as a collateral security?
7. Name any one method of redemption of debentures.
8. What do you mean by redemption of debentures?
9. Expand D R R.
10. Expand D R F I.
11. Expand A I F Is.
12. State any one type/kind of debentures.
13. Can the company purchase its own debentures?
14. Debenture Redemption Reserve is shown under which head in the Balance Sheet?
15. Name the head under which discount on issue of debentures appears in the Balance Sheet of a Company.

Section-C: 6 Marks Problems:
Problems on Issue of Debentures at par:

1. The Vijaya Company Ltd., issued 10,000 12% debentures of ₹100 each payable :

   ₹10 per debenture on application.

   ₹50 perdebenture on allotment.

   ₹40 perdebenture on first and final call.

   All the debentures were subscribed and the money duly received.

   Pass the journal entries in the books of the company.

2. Prabhakar Ltd. issued 5,000 10% debentures of ₹100 each payable:

   ₹10 per debenture on application.

   ₹40 per debenture on allotment.

   ₹50 per debenture on first and final call.

   All the debentures were subscribed and the money duly received.

   Pass the journal entries in the books of the company.

3. Gopal Ltd issued 3,000 6% debentures of ₹100 each payable ₹20 on application, ₹30 on allotment and the balance on first and final call. All the debentures were duly taken up and the money was duly received by the company.

   Pass the journal entries in the books of the company.

4. Chandra Ltd issued 15,000 12% debentures of ₹100 Each payable ₹10 per debenture on application, ₹40 on allotment and balance on first and final call. All the debentureswere duly taken up and the money was duly received by the company.

   Pass the journal entries in the books of the company.

Problems on Issue of Debentures at a premium

5. Tunga Co. Ltd.,issued 12,000 12% debentures of ₹100 each at a premium of ₹10 eachpayable:

₹20 on application.

₹50 on allotment including ₹10 premium.

₹40 on first and final call.

All the debentures were subscribed and the money duly received.

Pass the journal entries up to the stage of first and final call money due.

6. Ganesh Co. Ltd.,issued 10,000 6% debentures of ₹100 each at apremium of 10% payable:₹20 on application, ₹40 on allotment(including premium), ₹50 on first and final call.All the debentures were subscribed and the money duly received.

Pass the journal entries up to the stage of first and final call money due.

7. Hema Co. Ltd., issued 20,000 8% debentures of ₹100 each at a premium of ₹10 per debenture. The amount was payable as:₹20 on application ₹50 on allotment (including premium), ₹40 on first and final call. All the debentures were subscribed and the money duly received.

Pass the journal entries up to the stage of first and final call money due.

Problems on Issue of Debentures @ Discount

8. Reddy Co. Ltd., issued 2,000 10% debentures of ₹100 each at a discount of10% payable s to: ₹20 on application, ₹20 on allotment, and the balance on first and final call. All the debentures were subscribed and the money duly received.

Pass the journal entries up to the stage of first and final call money due.

9. Rajashekar Co. Ltd., issued 5,000 12% debentures of ₹100 each at a discount of ₹10 per debenture.The amount was payable as to:₹20 on application, ₹40 on allotment and ₹30 on first and final call. All the debentures were subscribed and the money duly received.

Pass the journal entries up to the stage of first and final call money due.

10. Prakash Co. Ltd., issued 10,000 9% debentures of ₹100 each at a discount of ₹10 per debenture payable as to: ₹10 on application, ₹50 on allotment and the balance on first and final call. All the debentures were subscribed and the money duly received.

Pass the journal entries up to the stage of first and final call money due.

Problems on issue of debentures for consideration other than cash

11. Vageesh Ltd.purchased a building worth ₹99,00,000 and issued debentures to the vendors as purchase consideration:

Pass the journal entries in the following cases:

(a) If 12% debentures of ₹100 each are issued to vendor at par.

(b) If 12% debentures of ₹100 each are issued to vendor at a premium of 10% and

(c) If 12% debentures of ₹100 each are issued to vendor at a discount of 10%.

Ans. Number of debentures to be issued 99,000, 90,000,1,10,000

12. Yajna Ltd., purchased building worth ₹49,50,000and issued debentures to the vendors as purchase consideration.

Pass the journal entries in the following cases:

(a) If 10% debentures of ₹100 are issued to vendor at par.

(b) If 10% debentures of ₹100 are issued to vendor at a premium of 10% and

(c) If 10% debentures of ₹100 are issued to vendor at a discount of 10%.

13. A Ltd., purchased machinery worth ₹1,98,000 from B Ltd. The payment was made by issue of 8% debentures of ₹100 each. Pass necessary journal entries for purchase of machinery and issue of debentures when:

a) Debentures are issued at par.

b) Debentures are issued at 10% discount.and

c) Debentures are issued at 10% premium.

14. K Ltd., purchased furniture for ₹99,000 from M Ltd. The payment wasmade byissue of 6% debentures of ₹100 each. Pass the necessary journal entries for purchase of furniture and issue of debentures when:

a) Debentures are issued at par.

b) Debentures are issued at 10% discount and

c) Debentures are issued at 10% premium.

Section-D: 12 Marks Problems

Problems on Issue of Debentures:-

1. Give the journal entries for the following:

(a) Issue of ₹2,00,000, 10% debentures of ₹100 each at par and redeemable at a premium of 5%.

(b) Issue of ₹2,00,000, 10% debentures of ₹100 each at a discount of 5% but redeemable at a par.

(c) Issue of ₹2,00,000, 10% debentures of ₹100 each at a premium of 5% and redeemable at a par.

(d) Issue of ₹2,00,000, 10% debentures of ₹100 each at a premium of 5% and redeemable at a premium of 5%.

2. Pass the journal entries for the followings:

(a) Issue of ₹50,000, 8% debentures of ₹100 each at a discount of 10% and redeemable at a par.

(b) Issue of ₹50,000, 8% debentures of ₹100 each at a premium of 10% and redeemable at a par.

(c) Issue of ₹50,000, 8% debentures of ₹100 each at a premium of 10% and redeemable at a premium of 10%.

(d) Issue of ₹50,000, 8% debentures of ₹100 each at a discount of 10% and redeemable at a premium of 10%.

3. Give the necessary journal entries for the following:
   (a) Issue of ₹1,00,000, 10% debentures of ₹100 each at a discount of 10% and redeemable at par.
   (b) Issue of ₹2,00,000, 10% debentures of ₹100 each at a premium of 10% and redeemable at a premium of 10%.
   (c) Issue of ₹3,00,000, 10% debentures of ₹100 each at a premium of 10% but redeemable at par.
   (d) Issue of ₹4,00,000, 10% debentures of ₹100 each at a par and redeemable at a premium of 10%.
4. Pass the necessary journal entries for the followings:
   (a) Issue of 300, 8% debentures of ₹100 each at a premium of 10% and redeemable at a par.
   (b) Issue of 300, 8% debentures of ₹100 each at a par but redeemable at a premium of 10%.
   (c) Issue of 300, 8% debentures of ₹100 each at a discount of 10% and redeemable at a premium of 10%.
   (d) Issue of 300, 8% debentures of ₹100 each at a premium of 5% and redeemable at a premium of 5%.
5. Give the journal entries for the followings:
   (a) Issue of 1000, 12% debentures of ₹100 each at par but redeemable at a premium of 8%.
   (b) Issue of 1000, 12% debentures of ₹100 each at par and redeemable at par.
   (c) Issue of 1000, 12% debentures of ₹100 each at a discount of 10% but redeemable at par.
   (d) Issue of 1000, 12% debentures of ₹100 each at a discount of 5% but redeemable at a premium of 5%.
6. You are required to pass the journal entries relating to the issue of debentures in the books of 'Y' Ltd.,
   (a) 100, 8% debentures of ₹1,000 each are issued at par and repayable at par.
   (b) 120, 10% debentures of ₹1,000 each issued at a premium of 5% and redeemable at par.
   (c) 150, 9% debentures of ₹1,000 each are issued at 5% discount and repayable at a premium of 10%.
   (d) Another 200, 8% debentures of ₹100 each are issued as collateral securities against a loan of ₹20,000.
   (e) 200, 12% debentures of ₹1,000 each are issued at 10% premium.

Problems on Issue of Debentures and Debentures interest

7. Alpha Company Ltd issued 1,000, 10% debentures of ₹100 each on April 01, 2016 at a discount of 10% redeemable at a premium of 10%.

   Pass journal entries relating to the issue of debentures and debentures interest for the period ending March 31, 2017 assuming that interest was paid half yearly on September 30 and March 31 and tax deducted at source is 10%.

8. Suvidha Company Ltd issued 3,000, 8% debentures of ₹100 each on April 01, 2016 at par and redeemable at a premium of 5%.

Give journal entries relating to the issue of debentures and debenture interest assuming that interest was paid annually on 31st March 2017 and 31stMarch 2018 for two years and tax deducted at source is 20%.

9. XYZ Company Ltd issued 2,000, 12% debentures of ₹100 each on April 01, 2016 at a premium of 10% and redeemable at par.

Give journal entries relating to the issue of debentures and debenture interest assuming that interest was paid annually on 31st March 2017 and 31st March 2018 for two years and tax deducted at source is 20%.

10. ABC Company Ltd issued 1,000, 9% debentures of ₹100 each on April 01, 2016 at a discount of 10% and redeemable at par.

Give journal entries relating to the issue of debentures and debenture interest assuming that interest was paid half yearly on September 30thand March 31st and tax deducted at source is 30%.

Problems on Redemption of Debentures

11. Pass necessary journal entries at the time of Redemption of Debentures in each of the following cases.

(a) A Company Ltd., issued 10,000, 8% debentures of ₹100 each at par and redeemable at par at the end of five years out of capital.

(b) B Company Ltd., issued 4,000, 12% debentures of ₹100 each at par. These debentures are redeemable at 10% premium at the end of four years.

(c) C Company Ltd., issued 10% debentures of the total face value of ₹3,00,000 at a premium of 5% to be redeemed at par at the end of four years.

(d) D Company Ltd., issued ₹2,00,000, 10% debentures at a discount of 5% but redeemable at a premium of 5% at the end of 5 years.

(e) E Company Ltd., issued 1,000, 8% debentures of ₹100 each at a premium of 5% to be redeemed at par at the end of 4 years.

12. Give the necessary journal entries at the time of Redemption of Debentures for the following transactions.

(a) P Company Ltd., issued 10% debentures of the total value of ₹2,00,000 at a premium of 5% to be redeemed at par at the end of four years.

(b) Q Company Ltd., issued 15,000, 9% debentures of ₹100 each at par and redeemable at par at the end of five years.

(c) R Company Ltd., issued 5,000, 12% debentures of ₹100 each at par. These debentures are redeemable at 10% premium at the end of four years.

(d) S Company Ltd., issued 8% debentures of ₹4,00,000 at a premium of 10% to be redeemed at par at the end of four years.

(e) T Company Ltd issued ₹2,00,000,12% debentures at a discount of 5% but redeemable at a premium of 5% at the end of 5 years.

Problem on Issue and Redemption of Debentures

13. Sunlux Company Ltd., issued 400,12% debentures of ₹100 each on April 01st, 2014 at a discount of 10%, redeemable at a premium of 5% out of profits.

Pass the journal entries at the time of issue and redemption of debentures, if debentures are to be redeemed in lump sum at the end of 4th year. The directors decided to transfer the minimum amount to Debenture Redemption Reserve on March 31st 2017 and also give a note to DRF and DRFI

Problems on Preparation of Debenture A/c, Discount on Issue Of Debentures A/c

14. Prakash Company Ltd issued 6,000, 12% debentures of ₹100 each at a discount of 5% on 1st April 2012. Interest on the debenture payable annually on March 31st each year. The debenture are redeemable at par in three equal instalments at the end of third, fourth and fifth year.

Prepare 12% Debentures A/c and Discount on Issue of Debentures A/c in the books of the company.

Answer: Discount on issue of Debenture written-off at the end of fifth year(31/03/2017) ₹2,500(ratio-6:6:6:4:2)

Problem on Preparation of Debenture A/c & Debentures Interest A/c.

15. Raj Company Ltd., issued 9,000, 10% debentures of ₹100 each at a discount of 5% on 1st April 2013. Interest on the debenture is payable annually on March 31st each year. The debentures are redeemable at par in three equal instalments at the end of third, fourth and fifth year.

Prepare 12% Debentures A/c and Discount on Issue of Debentures A/c in the books of the company

Answer: Discount on issue of Debenture written-off at the End of fifth year(31/03/2018) ₹30,000

Problems on preparation of Debentures A/c, DRF A/c, DRFI A/c

16. The Balance Sheet of Reddy & Bros. Company Ltd disclosed the following information as on March 31st 2016

Particulars	₹
15% Debentures	7,50,000
Debenture Redemption Fund	5,81,800
Debenture Redemption Fund Investment(10% Govt. Securities)	5,81,800

The contribution to Debenture Redemption Fund was ₹65,400 p.a. for the year 2016-17 and 2017-18. Debentures are due for payment on 31st March 2018.

Prepare the Debenture A/c, Debenture Redemption Fund A/c and Debenture Redemption Fund Investment A/c in the books of the company assuming that the securities were realised on 31st March 2018 for a sum of ₹6,76,000 and interest on securities on March 31st , was immediately invested.

Answer:

1) **Loss transferred from DRFI A/c to DRF A/c ₹1,67,300**
2) **Balance transferred from DRF A/c to General Reserve A/c ₹6,74,018**

17. The Balance Sheet of GP & PR. Company Ltd., disclosed the following information as on March 31st, 2016.

Particulars	₹
15% Debentures	30,00,000
Debenture Redemption Fund	23,27,200
Debenture Redemption Fund Investments (10% Govt. Securities)	23,27,200

The contribution to Debenture Redemption Fund was ₹2,61,600 p.a. for the year 2016-17 and 2017-18. Debentures are due for payment on 31st March, 2018.

Prepare the Debenture A/c, Debenture Redemption Fund A/c and Debenture Redemption Fund Investment A/c in the books of the company assuming that securities were realised on 31st March 2018 for a sum of ₹27,25,000 and interest on securities on March 31st was immediately invested.

Answer:

1) **Loss transferred from DRFI A/c to DRF A/c ₹96,500**
2) **Balance transferred from DRF A/c to General reserve A/c ₹32,38,750**

18. Y Company LTD., issued ₹5,00,000 debentures on April 01st 2015. These were to be redeemed on March 31st 2018. For this company established a sinking fund. The investments were expected to earn interest @ 10% p.a. Sinking fund table shows that ₹0.317208 invested annually at 5% amount to Re.1 in 3 years. On March 31st, 2018, the bank balance was ₹8,40,000 before receipt of interest on sinking fund investments. The sinking fund invested were sold for ₹3,28,000 Calculate the interest to nearest rupee and investments are made to the nearest of ₹100.

Prepare the Debentures A/c, Debenture Redemption Fund A/c and Debenture Redemption Fund Investment A/c in the books of the Company. Ignore entries for interest on debentures

Answer:

1) **DRF A/c balance transferred to G.R A/c ₹5,02,899**
2) **Profit transferred from DRF A/c Rs.2,900.**
3) **Bank A/c balance ₹66,800**
4) **Annual DRF amount. 0.317208×5,00,000= ₹1,58,604**

19. XYZ Company Ltd issued ₹15,00,000 debentures on April, 1st , 2015. These were to be redeemed on March 31st , 2018. For this purpose, the Company established a Sinking Fund. The investment were expected to earn interest @ 5% p.a. Sinking fund shows that ₹0.317208 invested annually at 5% amount to Re. 1 in 3 years. On March 31st 2018, the bank balance was ₹6,30,000 before receipt of interest on sinking fund On the date, the investments were sold for

₹9,84,000. Calculate the interest to nearest rupee and investments are made to the nearest of ₹100.

Prepare the Debentures A/c, Debenture Redemption Fund A/c,and Debenture Redemption Fund Investment A/c in the books of the company, Ignore entries for interest on debentures.

Answer: 1) DRF A/c balance transferred to G.R A/c ₹15,85,598

2) Profit transferred from DRF A/c ₹8,600.

3) Bank A/c balance ₹1,14,000

4) Annual DRF amount. 0.317208 × 5,00,000= ₹4,75,812.

Key Answers:

I. Fill in the Blanks:

1. Creditors
2. Debenture suspense
3. Fictitious
4. Rate of interest
5. Capital profit
6. General reserve
7. 25%
8. 10%
9. Share capital
10. Investment
11. Bearer Debenture
12. Long term borrowings
13. Interest
14. Sinking fund A/c
15. DRR A/c

II. Multiple Choice Questions:

1. a	2. c	3. d	4. d
5. b	6. d	7. c	8. b
9. b	10. a	11. d	12. a
13. d	14. a	15. a	

III. True/ False:

1. True	2. False	3. True	4. False
5. True	6. False	7. True	8. True
9. False	10. True	11. True	12. False
13. True	14. False	15. False	

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BOOK-2

CHAPTER-3

FINANCIAL STATEMENTS OF A COMPANY

Section A: One Mark Questions

I. Fill in the blanks:-

1. ______ statements are the basic and formal annual report.
2. Financial statements include_________ and Balance sheet.
3. Income statement and __________ are the financial statements.
4. The object of preparation of balance sheet is to ascertain the_____.
5. Income statement is prepared to ascertain___________.
6. Share capital appears under the head____________.
7. Capital reserve is shown under___________ head.
8. Debit balance of statement of profit and loss shall be shown as _____ figure under surplus head.
9. Loans which are repayable within _____months are called as short term borrowings.
10. Fixed assets are classified as tangible and __________ assets.

II. Multiple Choice Questions:-

1. Financial statements generally include:
   a) Comparative statement
   b) Fund flow statement
   c) Income statement and balance Sheet.
   d) None of the above
2. The prescribed form of Balance Sheet for the companies has been given in the schedule _________
   a) VI part I b) VI part II
   c) VI part IV d) III schedule.
3. Which of the following is shown under the head "fixed assets".
   a) Goodwill b) Patents
   c) Trademark d) All of the above
4. Current Assets does not include:
   a) Short term investments
   b) Buildings
   c) Inventories
   d) Cash and cash equivalents

5. Current liabilities are to be paid within_____ month
   a) 3 months. b) 6 months.
   c) 9 months. d) 12 months.
6. External users of financial statements does not include:
   a) Banks b) Shareholders
   c) Creditors d) Government
7. Share capital is shown as__________
   a) Authorised capital b) Issued capital
   c) Subscribed capital d) All the above
8. Financial statements are prepared based on:
   a) Accounting postulate b) Accounting conventions
   c) Recorded facts d) All the above
9. Non-current assets are:
   a) Expected to use in the business for long period
   b) Involved in entities operating cycle
   c) Primarily held for trading
   d) Cash and cash equivalents

III. True or False:-

1. The original cost is the basis of recording transactions.
2. Going concern postulates assumes that the enterprise exists for a longer period of time.
3. The financial statements do not show current financial condition of a business.
4. The stationery is valued at cost.
5. Provisions are maintained for known liabilities.
6. While preparing financial statements, inventories valued at market price or cost price whichever is less.
7. Cash and cash equivalents are to be disclosed in accordance to IAS-3.
8. Rounding off of figures in financial statements is not mandatory.
9. In the Balance Sheet of a Company, goodwill is shown under the heading of 'Fixed Assets'.
10. Proposed dividend is shown under the head, 'Provisions'.

IV. Very Short Answer Questions:-

1. Name any one type of financial statements.
2. State any one feature of financial statements.
3. Name any one internal user of financial statements.
4. Write any one objective of financial statements.

5. State any one type of reserve.
6. Give an example for non-current asset.
7. Where do you record the money received against share warrants?
8. How do you treat Credit balance of income statement under the head surplus?
9. Write any one feature of current asset.
10. How do you treat preliminary expenses?

Section - B

Two Marks Questions:

1. Give the meaning of financial statements.
2. Mention two types of financial statements.
3. State any two features of financial statements.
4. Write any two objectives of financial statements.
5. State any two benefits of financial statements.
6. Give any two limitations of financial statements.
7. State any 2 postulates.
8. How will you disclose the following items in the Balance Sheet of a Company?
   A) Loose Tools B) Proposed dividends.
9. State any two differences between current liabilities and non-current liabilities.
10. Mention any two items which are shown under the head' Reserves and Surplus'.

Section - C: 6 Marks Problems:

Problems on preparation of Statement of Profit and Loss.

1. From the following information prepare statement of profit and loss for the year ended 31-03-2018 as per Schedule III of Companies Act, 2013.

Particulars	₹
Revenue from operations	5,00,000
Purchase of goods	3,00,000
Salaries to employees	40,000
Leave encashment	10,000
Rent and taxes	30,000
Repairs to machinery	20,000
Tax	30%

(Answer: ₹70,000)

2. From the following details you are required to prepare Statement of Profit and Loss for the year ended 31-03-2018 as per Schedule III of Companies Act, 2013.

Particulars	₹
Plant and Machinery	40,000
Furniture	20,000
Share Capital	4,00,000
Sales	3,00,000
Purchases	1,80,000
Trade Payables	30,000
Depreciation on plant and machinery	4,000
Amortisation of goodwill	6,000
Interest on debentures	30,000
Interest on borrowings	20,000
Tax	30%

(Answer: ₹42, 000)

3. From the following trial balance, prepare Statement of Profit and Loss for the year ending 31st March 2018 as per Schedule III of Companies Act, 2013.

Sl. No	**Accounts Head**	**Debit(₹)**	**Credit(₹)**
1.	Sales		10,00,000
2.	Salaries	90,000	2,00,000
3.	Wages	1,10,000	1,00,000
4.	Stock	1,50,000	2,00,000
5.	Purchases	4,00,000	1,00,000
6.	Bank Overdraft	1,60,000	
7.	12% Debentures	16,000	
8.	(Issued on 01/04/2017)	6,74,000	
9.	Plant and Machinery		
10.	Depreciation on plant and machinery		
11.	Equity Share Capital		
12.	(Shares of ₹10/-each)		
	7%Prefarance Share Capital		
	Land		
	Total	**16,00,000**	**16,00,000**

Note: Tax rate 30%

(Answer : ₹1,55,400)

4. From the following balance, prepare Statement of Profit and Loss for the year ending 31st March 2018 as per Schedule III of Companies Act, 2013.

Particulars	₹
Cash sales	2,00,000
Credit sales	3,00,000
Sales returns	20,000
Cost of materials consumed	3,00,000
Buildings	2,00,000
Machinery	1,50,000
Bad debts	5,000
Tax	30%

Note: Depreciation on buildings and machinery at 10% each.

(Answer: ₹98,000)

5. From the following balances, prepare Statement of Profit and Loss for the year ending 31st March 2018 as per Schedule III of Companies Act, 2013.

Particulars	₹
Sales	10,00,000
Cash purchases	2,00,000
Credit purchases	4,00,000
Purchases returns	20,000
Power and fuel	30,000
Consumption of stores	50,000
Interest on bank loan	30,000
Tax	30%

(Answer: ₹2,17,000)

6. From the following trial balance and other information, Statement of Profit and Loss for the year ending 31st March 2018 as per Schedule III of Companies Act, 2013.

Sl. No.	Particulars	Debit(₹)	Credit(₹)
	Land and buildings	4,00,000	-
1.	Trade receivables	1,00,000	-
2.	Trade payables	-	2,00,000
3.	10% Debentures(01/04/2017)	-	3,00,000
4.	Sales	-	15,00,000
5.	Net purchases	10,00,000	-
6.	Wages and salaries	50,000	-
7.	Contribution to provident fund	10,000	-
8.	Plant and machinery	2,00,000	-
9.	Goodwill	2,40,000	-
	Total	**20,00,000**	**20,00,000**

Adjustments:

1. Tax rate 30%
2. Depreciation on plant and machinery at 10% and amortisation of goodwill by ₹24,000.

(Answer: ₹2,50,200)

7. Form the following information, prepare Balance Sheet of Jindal Company Ltd as at 31/03/2018 as per Schedule III of Companies Act, 2013.

Particulars	₹
Share Capital	10,00,000
Reserves and Surplus	5,00,000
10% Debentures	5,00,000
Creditors	2,00,000
Bills payable	3,00,000
Fixed Assets	15,00,000
Trade receivables	5,00,000
Short term investments	2,00,000
Cash and cash equivalents	3,00,000

(Answer: ₹25, 00,000)

Problems On Preparation of Balance Sheet

8. From the following trial balance, prepare Balance Sheet of Star ltd., for the year ending 31st March 2018 as per Schedule III of Companies Act, 2013.

Sl. No.	Particulars	Debit(₹)	Credit(₹)
1.	Equity Share Capital	-	2,00,000
2.	Preference Share Capital	-	3,00,000
3.	Reserves and Surplus	-	3,00,000
4.	Sales	-	5,00,000
5.	Other non-current liabilities	-	2,00,000
6.	Tangible Assets	4,00,000	-
7.	Intangible Assets	2,50,000	-
8.	Salaries	90,000	-
9.	Printing and stationery	30,000	-
10.	Rent	80,000	-
11.	Purchases	3,00,000	-
12.	Trade Receivables	3,50,000	-
	Total	**15,00,000**	**15,00,000**

(Answer: ₹10,00,000)

9. From the following information, prepare Balance Sheet for the year ending 31st March 2018 as per Schedule III of Companies Act, 2013.

Particulars	₹
Inventories	7,00,000
Equity Share Capital	16,00,000
Plant and Machinery	8,00,000
Preference Share Capital	6,00,000
General Reserve	6,00,000
Creditors	3,50,000
Provision for taxation	2,50,000
Land and Building	26,00,000
Cash at Bank	5,00,000
12% Debentures	12,00,000

(Answer: ₹46,00,000)

10. From the following information, prepare Balance Sheet Surya ltd., for the year ending 31st March 2018 as per Schedule III of Companies Act, 2013.

Particulars	₹
Equity Share Capital	20,00,000
Inventories	14,00,000
Plant and Machinery	10,00,000
Preference Share Capital	12,00,000
Debenture Redemption Reserve	6,00,000
Outstanding Expenses	3,00,000
Proposed Dividend	5,00,000
Land and Buildings	20,00,000
Current Investments	8,00,000
Cash equivalents	10,00,000
Short term loan from Z ltd.,	4,00,000
Public Deposit	12,00,000

(Answer: ₹62,00,000)

11. Prepare a Balance Sheet of White Ltd., as on 31st March 2018 as per Schedule III of Companies Act, 2013 from the following information:

Particulars	₹
General Reserve	3,00,000
10% Debentures	3,00,000
Balance in Statement of Profit and Loss	1,20,000
Depreciation on fixed assets	70,000
Gross Block	9,00,000
Current Liabilities	2,50,000
Preliminary Expenses	30,000
6% Preference Share Capital	5,00,000
Cash and Cash equivalents	6,10,000

(Answer: ₹14,70,000)

12. You are required to prepare a Balance Sheet from the following information as per the provisions of the Companies Act, 2013 in Schedule III.

Particulars	₹
Equity Share Capital	9,56,000
Preliminary expenses	2,40,000
Discount on issue of share	20,000
Goodwill	30,000
10%Debentures	2,00,000
Stock-in-trade	1,40,000
Loose tools	12,000
Bills receivables	1,20,000
Cash at Bank	1,35,000
Motor vehicles	4,75,000
Provision for taxation	16,000

(Answer: ₹11,72,000)

Key Answers:

I. Fill in the blanks:-

1) Financial
2) Statement of Profit and Loss
3) Position statement
4) Financial status of the enterprise
5) Surplus of the enterprise
6) Shareholders' fund
7) Reserves and Surplus
8) Surplus
9) 12
10) Intangible assets.

II. Multiple Choice Questions:-

1) d
2) d
3) d
4) b
5) d
6) b
7) d
8) d
9) a

III. True/ False:

1) True,
2) True,
3) False,
4) True,
5) True,
6) True,
7) True,
8) False
9) True,
10) True

****

BOOK-2

CHAPTER-4

FINANCIAL STATEMENT ANALYSIS

Section A: One Mark Questions

I. Fill in the blanks

1. The term analysis means simplification of ....
2. Interpretation means explaining the .... and significance of the data.
3. Comparative analysis is also known as .... analysis.
4. Common size analysis is also known as .... analysis.
5. Common Size Statement is also known as ....
6. The term 'financial analysis' includes both 'analysis and ....'
7. Analysis is useless without ....
8. Interpretation without analysis is....................
9. The statement showing the profitability and financial position for different periods of time in a comparative form is known as..............
10. The statement which indicate the relationship of different items of financial statement with a common item is called......................
11. It is possible to assess the profitability, solvency and efficiency through the technique of................. analysis
12. Analysis of actual movement of cash into and out of an organization is called........
13. Inter-firm comparison or comparison of the company's position with the related industry as a whole is possible with the help of ....
14. Percentage of each asset to the total assets is shown in .... Balance Sheet.
15. Analysis and interpretation are .... to each other

II. Multiple Choice Questions:

1. The financial statements of a business enterprise include :
   a) Balance sheet b) Statement of Profit and Loss.
   c) Cash flow statement d) All the above.
2. The most commonly used tools for financial analysis are
   a) Horizontal Analysis b) Vertical Analysis
   c) Ratio Analysis d) All the above
3. An annual report is issued by a company to its
   a) Directors b) Auditors
   c) Share holders d) None of the above

4. Comparative statement are also known as
   a) Dynamic Analysis
   b) Horizontal Analysis
   c) Vertical Analysis
   d) External Analysis
5. Common Size Statements are also known as:
   a) Dynamic Analysis
   b) Vertical Analysis
   c) Horizontal Analysis
   d) External Analysis
6. Percentage of each liability to the total liabilities is shown in:
   a) Common Size Balance Sheet
   b) Comparative Balance Sheet
   c) Both the above
   d) None of the above
7. Balance Sheet provides information about financial position of the enterprise:
   a) At a point in time
   b) Over a period of time
   c) For a period of time
   d) None of the above
8. Comparative Statement shows the changes during the year:
   a) in absolute terms
   b) in relative terms
   c) both the above
   d) none of the above
9. Common Size Statements are useful in comparison of:
   a) Intra-firm for the same or several years
   b) Inter-firm over different years
   c) Both (a) & (b) above
   d) None of the above
10. Financial Analysis can be undertaken by:
   a) Management
   b) Parties outside the firm
   c) Both the above
   d) None of the above

III. True or False type questions :

1. The Financial Statements of a business enterprise include Cash Flow Statement.
2. Comparative Statements are the form of Horizontal Analysis.
3. Common Size Statements and Financial Ratios are the two tools employed in Vertical Analysis.
4. Financial Analysis is used only by the creditors.
5. Financial Analysis helps an analyst to arrive at a decision.
6. In a Common Size Statement, each item is expressed as a percentage of same common base.
7. The difference between the inflow and outflow of cash is the net cash flow.
8. The flow of cash into the business is called positive cashflow of financial statements.
9. Financial Analysis can be undertaken by management or by parties outside the firm.
10. Financial data will be comparative only when same accounting principles are used.

11. Non-monetary aspects are ignored in financial analysis.
12. Financial analysis does not consider price level changes.
13. Items of expenditure are shown as a percentage of the net revenue from operations in Common Size Income Statement

IV. Very Short Answer Type Questions:

1. What do you mean by Financial Statement Analysis ?
2. State any one object of Financial Statement Analysis.
3. State any one technique of Financial Statement Analysis.
4. State any one user of Financial Analysis.
5. What is Vertical Analysis ?
6. What is Horizontal Analysis ?
7. State any one importance of Financial analysis.
8. State any one limitation of Financial Analysis.
9. Give the meaning of analysis
10. Give the meaning of interpretation

Section-B Two Marks Questions:

1. What do you mean by Financial Statement Analysis?
2. Give the meaning of Analysis and Interpretation of Financial Statements
3. List any two techniques of Financial Statement Analysis.
4. Distinguish between Vertical and Horizontal Analysis of Financial Data.
5. What are Comparative Financial Statements?
6. What do you mean by Common Size Statements?
7. State any two importance of Financial Statement Analysis.
8. State any two objectives of Financial Statement Analysis.
9. State any two users of Financial Statement Analysis.
10. State any two limitations of Financial Statement Analysis.
11. Give the Absolute increase and Percentage increase for the following:

	Previous Year	**Current Year**
	₹	₹
Revenue from operations	60,000	75,000

12. Give the formula for percentage change in Comparative Statement.
13. Distinguish between vertical & horizontal analysis of financial data.
14. State the importance of Comparative Statements
15. State the importance of Common Size Statements

Section-D 12: Marks Questions:

Problems on Comparative Income Statement

1. From the following information of Sangvi Company Ltd., Prepare a Comparative Income Statement for the years 2016 and 2017

Particulars	**2016** ₹	**2017** ₹
Revenue from Operations	7,25,000	8,15,000
Less : Sales Returns	25,000	15,000
	7,00,000	**8,00,000**
Other Revenue Income	1,200	1,200
Total Revenue (A)	**7,01,200**	**8,08,000**
Less : Employees benefit Expenses	5,95,000	6,15,000
Depreciation	12,700	12,500
Financial Expenses	23,000	24,000
Other Expenses	1,500	2,000
Total Expenses (B)	**6,32,200**	**6,53,500**
Profit Before Tax{C=A-B}	**69,000**	**1,54,000**

2. From the following information, prepare Comparative Statement of Profit and Loss for the year ending 31st March 2016 and 31st March 2017 of Raju Co.Ltd.,

Particulars	**31-32016** ₹	**31-32017** ₹
Revenue from Operations	8,00,000	9,00,000
Other Income	20,000	40,000
Employees Benefit Expenses	1,00,000	1,20,000
Cost of Materials consumed	4,00,000	5,00,000
Financial Cost	30,000	20,000
Depreciation	70,000	70,000
Other Expenses	20,000	30,000
Income tax	30%	30%

Problems on Common Size Income Statement

1) From the following information prepare Common Size Income Statement :

Particulars	31-3-2016 ₹	31-3-2017 ₹
Net Revenue from Operations	60,000	86,000
Other Income	300	400
Total Revenue (A)	**60,300**	**86,400**
Cost of Materials consumed	18,000	20,000
Employee Benefit Expenses	9,000	10,000
Financial Expenses	3,000	3,400
Other Expenses	6,000	6,600
Total Expenses (B)	**36,000**	**40,000**
Income Tax (C)	4,000	6,000
Net Profit {A-(B+C)}	**20,300**	**40,400**

2) From the following information, prepare Common Size Statement of Profit and Loss for the year ending 31st March 2016 and 31st March 2017.

Particulars	31-3-2016 ₹	31-3-2017 ₹
Revenue from Operations	5,00,000	4,00,000
Other Income	20,000	10,000
Cost of Materials consumed	3,00,000	2,00,000
Employees Benefit expenses	60,000	40,000
Financial Cost	10,000	15,000
Depreciation	20,000	25,000
Other Expenses	40,000	30,000
Tax Rate	40%	40%

Problems on Comparative Balance Sheet.

1) The followings are the Balance Sheets of Alpha Ltd., as at March 31st 2016 and 2017.

Particulars	March 31st 2016 ₹	March 31st 2017 ₹
I.Equity and Liabilities :		
Equity Share Capital	2,00,000	4,00,000
Reserves and Surplus	1,00,000	1,50,000
Long Term Loans	2,00,000	3,00,000
Current Liabilities	1,20,000	1,70,000
Total	**6,20,000**	**10,20,000**
II. Assets :		
Fixed Assets	2,00,000	5,00,000
Non-current Investment	1,00,000	1,25,000
Current Assets	2,55,000	3,25,000
Term Loan and Advances	65,000	70,000
Total	**6,20,000**	**10,20,000**

You are required to prepare a Comparative Balance Sheet.

2. From the following information, Prepare Comparative Position Statement (Balance Sheet)

Particulars	31-3-2016 ₹	31-3-2-17 ₹
Share Capital	4,00,000	5,00,000
General Reserve	50,000	60,000
Secured Loans	15,000	20,000
Current Liabilities	50,000	70,000
Buildings	2,00,000	2,50,000
Machinery	1,50,000	2,00,000
Stock	1,00,000	1,10,000
Trade Receivables	65,000	90,000

Problems on Common Size Balance Sheet

1. From the following Balance sheet of Rajesh Exports Ltd., as on 31-3-2016 and 31-3-2017, prepare Common Size Balance Sheet.

Balance Sheet as on 31-3-2016 and 2017

Liabilities	31-3-2016 ₹	31-3-2017 ₹	Assets	31-3-2016 ₹	31-3-2017 ₹
Equity Share Capital	5,00,000	6,00,000	Buildings	3,00,000	4,00,000
Reserves & Surplus	3,00,000	3,50,000	Machinery	2,50,000	3,00,000
Debentures	4,00,000	3,00,000	Goodwill	2,00,000	2,50,000
Current Liabilities	2,50,000	3,25,000	Current Assets	7,00,000	6,25,000
	14,50,000	**15,75,000**		**14,50,000**	**15,75,000**

2. From the following Balance sheet of Karnataka Company Ltd., prepare Common Size Balance Sheet as on 31-3-2016 and 31-3-2017.

Balance Sheet as on 31-3-2016 and 31-3-2017

Particulars	31-3-2016 ₹	31-3-2017 ₹
Equity and Liabilities :		
1. Shareholders fund:		
Share capital	8,50,000	10,00,000
Reserves & Surplus	1,00,000	50,000
2. Non Current Liabilities :	--	-
Long term borrowings	4,50,000	5,75,000
3. Current Liabilities :	-	-
Short term borrowings	1,50,000	2,25,000
Total	**15,50,000**	**18,50,000**
Assets :		
Non Current Assets :		
Tangible Assets	7,50,000	9,00,000
Intangible Assets	4,00,000	4,50,000
Current Assets :		
Inventories	1,00,000	2,00,000
Other Current Assets	3,00,000	3,00,000
Total	**15,50,000**	**18,50,000**

3) From the following Balance Sheets of Indian Industries Ltd., prepare Common size Balance Sheet.

Particulars	31-3-2016 ₹	31-3-2017 ₹
Share Capital	2,00,000	2,50,000
Reserve	1,00,000	1,50,000
Long term loans	2,00,000	1,00,000
Trade Payable	3,00,000	4,00,000
Total	**8,00,000**	**9,00,000**
Building	2,00,000	2,50,000
Plant	2,00,000	2,50,000
Inventory	3,50,000	3,25,000
Cash & Cash Equivalent	50,000	75,000
Total	**8,00,000**	**9,00,000**

3. The following is the Balance sheet of Sun Star Co., Ltd., as on 31-3-2016 and 31-3-2017. Prepare Comparative Balance Sheet.

Balance Sheet

Liabilities	**31-3-2016** ₹	**31-3-2017** ₹	**Assets**	**31-3-2016** ₹	**31-3-2017** ₹
Share Capital	5,50,000	10,50,000	Fixed Assets	5,00,000	10,00,000
Reserves Fund	2,00,000	2,50,000	Investments	2,00,000	2,50,000
Long Term Loans	1,00,000	2,50,000	Inventory	2,25,000	3,35,000
Trade Payable	1,50,000	3,00,000	Current Assets	75,000	2,75,000
Total	**10,00,000**	**18,50,000**	**Total**	**10,00,000**	**18,50,000**

Section - E: Practical Oriented Questions

1. Prepare ComparativeStatement of Profit & Loss with five imaginary figures.

2. Prepare Common Size Statement of Profit and Loss with five imaginary figures.

Key Answers:

I. Fill in the Blanks:

1. Simplification of financial data
2. Meaning and significance of the data
3. Horizantal analysis
4. Vertical analysis
5. Component Percentage Statement
6. Intrpretation
7. Intrpretation
8. Difficult
9. Comparative statement
10. Common size statement
11. Ratio
12. Cash flow
13. Common Size
14. Common Size
15. Complimentary

II. Multiple choice questions:

1. (d) 2. (d) 3. (c) 4. (b)
5. (c) 6. (a) 7. (c) 8. (a)
9. (c) 10. (c)

III. True or False:

1. False 2. True 3. True 4. False
5. True 6. True 7. True 8. True
9. True 10. True 11. True 12. True
13. False

****

BOOK-2
CHAPTER-5
ACCOUNTING RATIOS

Section A: One Mark Questions

I. Fill in the blanks :

1. Accounting Ratios are an important tool of ______
2. A__________ is a mathematical number calculated as a reference to relationship of two or more numbers.
3. ________can be expressed as a fraction, proportion, percentage and a number of times.
4. If a ratio is compared with one variable from the statements of Profit and Loss and another variable from the Balance Sheet, it is called_____________.
5. Quick Ratio is also known as________________.
6. Ratios are means to an end rather than the __________.
7. Current ratio is the proportion of ___________ to current liabilities.
8. ________ ratios are calculated to measure the short term solvency of the business.
9. The quick assets are those assets which are quickly convertible into _____
10. The __________ ratios are preliminary measures of return.
11. Ratio of gross profit to revenue from operations is known as _________ ratio.
12. __________ ratio measures the relationship between long term debt and equity.
13. Proprietary ratio expresses relationship of proprietor's funds to _________
14. The _______________ measures the activity of a firm's inventory.
15. The ________________ is useful in evaluating credit and collection policies.

II. Multiple Choice Questions:

1. The following groups of ratios are primarily measures risk:
   a) Liquidity, Activity and Profitability
   b) Liquidity, Activity and Inventory
   c) Liquidity, Activity and Debt
   d) Liquidity, Debt and Profitability
2. The __________ ratios are primarily measures return:
   a) Liquidity b) Activity
   c) Debt d) Profitability
3. The __________ of business firm is measured by its ability to satisfy its short-term obligations as they become due:
   a) Activity b) Liquidity
   c) Debt d) Profitability

4. ________ ratios are a measure of the speed with which various accounts are converted into revenue from operations or cash:

a) Activity b) Liquidity

c) Debt d) Profitability

5. The two basic measures of liquidity are:

a) Inventory Turnover and Current Ratio

b) Current Ratio and Liquid Ratio

c) Gross Profit Margin and Operating Ratio

d) Current Ratio and Average Collection Period

6. The ________ is a measure of liquidity which excludes _______, generally the least liquid asset:

a) Current ratio, trade receivable b) Liquid ratio, trade receivable

c) Current ratio, inventory d) Liquid ratio, inventory

7. The _______ is useful in evaluating credit and collection policies.

a) Average Payment Period b) Current Ratio

c) Average Collection Period d) Current Asset Turnover

8. The ________ measures the activity of a firm's inventory

a) Average collection period b) Inventory turnover ratio

c) Liquid ratio d) Current ratio

9. The ________ may indicate that the firm is experiencing stock outs and lost sales.

a) Average payment period b) Inventory turnover ratio

c) Average collection period d) Quick ratio

10. ABC Co. extends credit terms of 45 days to its customers. Its credit collection would be considered poor, if its average collection period was:

a) 30 days b) 36 days

c) 47 days d) 37 days

11. ________ are especially interested in the average payment period, since it provides them with a sense of the bill-paying patterns of the firm.

a) Customers b) Stockholders

c) Lenders and suppliers d) Borrowers and buyers

12. The _________ ratios provide the information critical to the long run operation of the firm:

a) Liquidity b) Activity

c) Solvency d) Profitability

13. Dividend payout ratio refers to proportion of earning that are distributed to the:

a) Share holders b) Debenture holders

c) Creditors d) Lenders

14. Trade payables turnover ratio indicates:
   a) Payment of Trade Payables
   b) Payment to Creditors
   c) Payment of Bank Loan
   d) Payment of Bills Payable
15. Liquidity ratios are expressed in :
   a) Pure ratio form
   b) Percentage
   c) Rate or Time
   d) None of the above

III. True or False Type Questions:

1. The only purpose of financial reporting is to keep the managers informed about the progress of operations.
2. Analysis of data provided in the financial statements is termed as financial analysis.
3. Long-term borrowings are concerned about the ability of a firm to discharge its obligations to pay interest and repay the principal amount.
4. A ratio is always expressed as a quotient of one number divided by another.
5. Ratios help in comparisons of a firm's results over a number of accounting periods as well as with other business enterprises.
6. A ratio reflects quantitative and qualitative aspects of results.
7. Liquidity ratios are essentially short-term in nature.
8. Current ratio is the proportion of current assets to current liabilities.
9. The quick assets are those assets which cannot be quickly converted into cash
10. A higher interest coverage ratio ensures safety of interest of debts.
11. The liquidity ratios are preliminary measures of return
12. Higher gross profit ratio is always a good sign
13. Dividend payout ratio refers to the proportion of earning distributed to the share holders .
14. Net profit refers to profit after tax (PAT)
15. Price earnings ratio =Market price of share / Earnings per share

IV. Very Short Answer Type Questions:

1. Give the meaning of Ratio Analysis.
2. State any one objective of ratio analysis.
3. State any one use of ratio analysis.
4. Mention any one limitation of ratio analysis.
5. Mention any one type of ratio.
6. Give one example for current assets.
7. Give one example for current liability.
8. What is current ratio?
9. What is quick ratio?

10. Name any one type of turnover ratio.

11. Give the meaning of net profit ratio.

12. Give the meaning of dividend payout ratio.

13. What is activity ratio?

14. State one significance of interest coverage ratio.

15. Expand EPS

Section C: 6 Marks Questions

Problems on Current Ratio and Quick Ratio

01. From the following information Calculate the Current Ratio and Quick Ratio:

Current Assets	2,40,000
Current Liabilities	60,000
Quick Assets	1,20,000

Answer: Current Ratio 4:1, Quick Ratio 2:1

02. Following is the Balance Sheet of Fergana Co.,Ltd.,as on 31.03.2018 .

Balance Sheet as on 31.03.2018

Liabilities	₹	Assets	₹
Equity Share capital	2,40,000	Buildings	4,50,000
8% Debentures	90,000	Stock	1,26,000
Profit & Loss A/c	60,000	Debtors	90,000
Bank Overdraft	60,000	Cash in hand	22,800
Creditors	2,40,000	Prepaid Expenses	7,200
Provision for taxation	6,000		
	6,96,000		6,96,000

Calculate Current Ratio and Quick Ratio.

Answer: Current Ratio = 0.83.1, Quick Ratio = 0.37:1

03. Calculate Current Ratio and Quick Ratio from the following information:

Stock	25,000
Debtors	20,000
Bills receivable	5,000
Advance tax	2,000
Cash	15,000
Creditors	30,000
Bills payable	20,000
Bank overdraft	2,000

Answer: Current Ratio =1.29:1 , Quick Ratio = 0.76:1

04. From the following particulars, Calculate current ratio and quick ratio:

Particulars	₹
Inventories	1,20,000
Trade Receivables	90,000
Cash in hand	22,800
Current Investment	7,200
Trade Payables	2,34,000
Proposed dividend	6,000
Bank overdraft	60,000

Answer: Current Ratio= 0.8:1, Quick Ratio= 0.4:1

05. From the following, calculate Current Ratio and Quick Ratio.

Current assets	: ₹2,40,000
Stock	: ₹1,20,000
Current liabilities	: ₹60,000

Answer: Current Ratio= 4:1, Quick Ratio = 2:1

06. Calculate Current Ratio and Quick Ratio from the following information:

Stock	50,000
Debtors	40,000
Bills receivable	10,000
Advance tax	4,000
Cash	40,000
Creditors	60,000
Bills payable	40,000
Bank overdraft	4,000

Answer: Current Ratio= 1.38:1, Quick Ratio = 0.87:1

07. Calculate Current Ratio and Quick Ratio from the following information :

Stock	1,00,000
Debtors	80,000
Bills receivables	20,000
Advance tax	8,000
Cash	60,000
Creditors	1,20,000
Bills payable	80,000
Bank overdraft	80,000

Answer: Current Ratio = 0.96:1, Quick Ratio= 0.57:1

08. Karnataka Co.Ltd. had the following as on 31/03/2018

Current assets	2,40,000
Current liabilities	60,000
Quick assets	1,20,000

Calculate:

I) Current Ratio II) Quick Ratio

Answer: Current Ratio = 4:1, Quick ratio= 2:1

09. Current ratio is 3:2 and working capital is ₹50,000. Calculate the amount of current assets and current liabilities.

Answer: Current Assets = 1,50,000, Current Liabilities =1,00,000

10. Honda Ltd. has inventory of ₹20,000. Total liquid assets are ₹1,00,000 and Quick Ratio is 2:1. Calculate Current Ratio.

Answer: Current Ratio 2.4:1

11. From the following information, Calculate following ratios:

i) Current Ratio ii) Liquid Ratio

	₹
Current Assets	35,000
Current Liabilities	17,500
Inventory	15,000
Operating expenses	20,000
Revenue from operations	60,000
Cost of revenue from operations	30,000

Answer: Current Ratio 2:1; Liquid Ratio 1.14:1

Problems on Debt Equity Ration, Proprietary Ratio and Debt to Capital Employed Ratio

12. From the following information calculate Debt -Equity Ratio ,

Proprietary Ratio and Debt to Capital Employed Ratio.

Balance Sheet as at March 31, 2018

Particulars	**Note No.**	**₹**
I. Equity and Liabilities:		
1. Shareholders' funds		
a) Share capital		4,00,000
b) Reserves and surplus		1,00,000
2. Non- Current Liabilities		
Long – term borrowings		1,50,000
3. Current Liabilities		50,000
Total		7,00,000
II. Assets		
1. Non-Current Assets		
a) Fixed assets		4,00,000
b) Non-current investment		1,00,000
2. Current assets		2,00,000
Total		7,00,000

Answer: Debt – Equity Ratio = 0.3:1, Proprietary Ratio = 0.71:1
Debt to Capital Employed Ratio = 0.23:1

13. Compute Debt - Equity Ratio and Proprietary Ratio from the following

Particulars	**₹**	**Particulars**	**₹**
Paid up Share Capital	5,00,000	Current assets	4,00,000
Net Sales	10,00,000	13% Debentures	2,00,000
Current Liabilities	2,80,000	Cost of Goods Sold	6,00,000
Average Inventory	1,50,000		

Answer: Debt – Equity Ratio 0.4:1, Proprietary Ratio 0.51:1

14. Following information is given by a Company from its books of accounts as on March, 31,2018.

Calculate Debt Equity Ratio, Interest Coverage Ratio, and Debt to Capital Employed Ratio.

Particulars	₹
Inventory	1,00,000
Total Current Assets	1,60,000
Shareholders' funds	4,00,000
13% Debentures	3,00,000
Current liabilities	1,00,000
Net profit before tax	3,51,000
Cost of revenue from operations	5,00,000
Total assets	8,00,000

Answer: Debt- Equity Ratio= 0.75:1, Interest Coverage Ratio= 10 times Debt to Capital Employed Ratio=0.38:1

15. From the following information, Calculate Debt-Equity Ratio and Debt To Capital Employed Ratio and Total Assets to Debt Ratio

Total Assets	15,00,000
Current Liabilities	6,00,000
Total Debts	12,00,000

Answer: Debt- Equity Ratio = 2:1 , Debt To Capital Employed Ratio= 0.80:1 Total assets to Debt Ratio= 1.25:1

Section-D Marks Questions

01. Following is the Trading and Profit and Loss Account for the year ending 31st March, 2016

Particulars	₹	**Particulars**	₹
To Opening Stock	10,000	By Sales	1,00,000
To Purchases	55,000	By Closing Stock	15,000
To Gross profit	50,000		1,15,000
To Administrative Expenses	1,15,000	By Gross Profit	50,000
To selling Expenses	15,000		
To Interest	12,000		
To net Profit	3,000		
	20,000		
	50,000		50,000

Balance Sheet as at 31st March 2018

Liabilities	₹	Assets	₹
Capital	1,00,000	Land and Building	50,000
Profit and Loss A/c	20,000	Plant and Machinery	30,000
Creditors	25,000	Furniture	20,000
Bills Payable	15,000	Stock	15,000
		Sundry Debtors	15,000
		Bills Receivable	12,500
		Cash in Hand	17,500
	1,60,0000		1,60,000

Calculate:

a. Stock Turnover Ratio

b. Trade Receivable Turnover Ratio

c. Trade Payable Turnover Ratio

d. Gross Profit Ratio

e. Operating Ratio

f. Net Profit Ratio

Answers:

1. Stock turnover ratio = 4 times
2. Trade receivable turnover ratio =.64 times
3. Trade Payable turnover ratio = 1.38 times
4. Gross profit ratio = 50%
5. Operating ratio = 77%
6. Net Profit ratio = 20%

02. The following is the Summarized Profit and loss Account for the year ended 31 March 2018 And Balance sheet as on that date.

Trading and Profit and Loss account for the year ended 31st March 2018

Dr. **Cr.**

Particulars	₹	Particulars	₹
To Opening Stock	65,000	By Sales	2,00,000
To Purchases	1,00,000	By Closing Stock	15,000
To Gross profit	50,000		
	2,15,000		2,15,000
To Administrative Expenses	15,000	By Gross Profit	50,000
To Selling Expenses	12,000		
To Interest	3,000		
To Net Profit	20,000		
	50,000		50,000

Balance Sheet as on 31st March 2018

Liabilities	₹	Assets	₹
Capital	1,00,000	Land and Building	50,000
Profit and Loss A/C	20,000	Plants and Machinery	30,000
Creditors	25,000	Furniture	20,000
Bills Payable	15,000	Stock	15,000
		Sundry Debtors	15,000
		Bills Receivable	12,500
		Cash in Hand	17,500
	1,60,000		1,60,000

You are required to Calculate:

a. Stock turnover Ratio
b. Trade Receivable Turnover Ratio
c. Trade Payable Turnover Ratio
d. Gross Profit Ratio
e. Operating Ratio
f. Net Profit Ratio

Answers:

1. Stock Turnover Ratio = 3.75 times
2. Trade Receivable Turnover Ratio = 7.3 times
3. Trade Payable Turnover Ratio = 2.5 times
4. Gross profit Ratio = 25%
5. Operating Ratio = 88.5%
6. Net Profit Ratio =10%

03. From the following information calculate.

1. Inventory Turnover Ratio
2. Trade Receivable Turnover Ratio
3. Trade Payable Turnover Ratio
4. Earnings Per Share
5. Book Value Per Share
6. Dividend Payout Ratio

Particulars	₹
Inventory	1,00,000
70,000 Equity Share of ₹10 each	7,00,000
Cost of Revenue from Operation	5,00,000
Net Purchases	4,00,000
Net Profit Before Tax	3,51,000
13% Debentures	3,00,000
Net Profit after tax but before dividend	1,75,000
Trade Receivables	50,000
Trade Payables	75,000
Dividend declared @ 15%	--------

Answers:

1. Inventory Turnover Ratio	= 5 times
2. Trade Receivables Turnover Ratio	= 10 times
3. Trade Payable Turnover Ratio	= 5.33 times
4. Earnings Per Share	= ₹2.50
5. Book Value per Share	= ₹12.50
6. Dividend Payout Ratio	= 0.60

04. From the following information, calculate

1. Gross Profit Ratio
2. Inventory Turnover Ratio
3. Trade Receivable Turnover Ratio
4. Return On Shareholders' Fund (RONW)
5. Return on Investment
6. Book Value Per Share

Particulars	₹
Revenue from Operations	3,00,000
Cost of revenue from operations	2,40,000
Inventory at the end	62,000
Gross profit	60,000
Inventory in the beginning	58,000
Trade receivables	32,000
Net Profit After Tax	1,00,000
Share Capital of 10each	6,00,000
Profit and Loss A/c	3,00,000
10% Debentures	4,00,000
Net Profit Before Tax	2,00,000

Answers:

1.Gross Profit	= 20%
2.Inventory Turnover Ratio	= 4 times
3.Trade Receivable Turnover Ratio	= 9.4 times
4.Return on Shareholders' Fund	= 11.11%
5.Return On Investment	= 15.38 %
6.Book Value Per Share	= 15

05. X Ltd., presented the following Trading and Profit &Loss account for the year ended 31.3.2018.

Trading and profit loss A/c for the year ending 31-3-2018

Particulars	₹	**Particulars**	₹
To Opening Stock	2,00,000	By Sales	10,00,000
To Purchases	7,00,000	By Closing Stock	4,00,000
To Wages	1,00,000		
To Gross profit	4,00,000		
	14,00,000		14,00,000
To Administrative Expenses	3,00,000	By Gross Profit	4,00,000
To Selling & Distribution Exp.	40,000	By Profit on sale of plant	20,000
To Net Profit	80,000		
	4,20,000		4,20,000

Debtors on 01.04.2017 ₹3,00,000 and on 31.03.2018– ₹2,00,000

Creditors on 01.04.2017 ₹3,00,000 and on 31.03.2018 –₹3,00,000

Calculate

1. Gross Profit Ratio
2. Net Profit Ratio
3. Operating Ratio
4. Inventory Turnover Ratio
5. Trade Receivable Turnover Ratio
6. Trade Payable Turnover Ratio

Answers

1. Gross profit = 40%
2. Net Profit Ratio = 50%
3. Operating Ratio = 94%
4. Inventory Turnover Ratio = 2 times
5. Trade Receivable Turnover Ratio = 4 times
6. Trade Payable Turnover Ratio = 2.3 times

06. From the following details, calculate.

1. Investment (Net Assets) Turnover Ratio
2. Fixed Assets Turnover Ratio
3. Working Capital Turnover Ratio
4. Return On Investment
5. Return On shareholders' fund (RONW)
6. Earnings Per Share

Particulars	₹
Equity Share Capital@ 10each	4,00,000
12% Preference Share Capital	1,00,000
General Reserves	1,84,000
10% Debentures	4,00,000
Current Liabilities	1,00,000
Fixed Assets	9,50,000
Current Assets	2,34,000

Net Profit after tax was ₹1, 50,000. Revenue from operation for the year was ₹30,00,000 and tax amounted to ₹50,000

Answers:

1. Investment Turnover Ratio = 2.78 times
2. Fixed Assets Turnover Ratio = 3.16 times
3. Working Capital Turnover Ratio = 22.39 times
4. Return On Investment = 22.22 times
5. Return On Shareholders' Fund = 21.93 %
6. Earning Per Share = ₹3.45

07. The followings are the summarized Profit and Loss Account for the year ended 31.12.2018 and Balance Sheet.

Trading and Profit and Loss a/c for the year ending 31.12.2018

Particulars	₹	Particulars	₹
To Opening Stock	20,000	By Sales	2,00,000
To Purchases	1,10,000	By Closing Stock	30,000
To Gross profit	1,00,000		
	2,30,000		2,30,000
To Administrative Expenses	30,000	By Gross Profit	1,00,000
To Interest	10,000		
To Selling Expenses	20,000		
To Net Profit	40,000		
	1,00,000		1,00,000

Balance Sheet as at 31.12.2018

Liabilities	₹	Assets	₹
Capital	2,00,000	Land and Buildings	1,00,000
Profit and Loss A/c	40,000	Plant and Machinery	60,000
Creditors	50,000	Furniture	40,000
Bills Payable	30,000	Stock	30,000
		Sundry Debtors	30,000
		Bills Receivable	25,000
		Cash at bank	35,000
	3,20,000		3,20,000

Additional Information

a. Average Debtors ₹25,000

b. Average Credit Purchases ₹80,000

You are required to calculate

i. Gross Profit Ratio

ii. Operating Ratio

iii. Net Profit Ratio

iv. Inventory turnover Ratio

v. Trade Receivable turnover Ratio

vi. Trade Payable turnover Ratio

Answers:

1. Gross profit	= 50%
2. Operating Ratio	= 75
3. Net profit Ratio	=20%
4. Inventory Turnover Ratio	= 4 times
5. Trade Receivable Turnover Ratio	= 8 times
6. Trade Payable Turnover Ratio	= 1 time

08. From the given information, you are required to calculate the following Ratios.

1. Inventory turnover Ratio
2. Trade receivable Turnover Ratio
3. Trade Payable Turnover Ratio
4. Earning Per Share
5. Price Earnings Ratio
6. Book Value Per Share

Trading and Profit and loss A/c for the year ending 31-3-2018

Particulars	₹	Particulars	₹
To Opening Stock	3,000	By Sales	40,000
To Purchases	30,000	By Closing Stock	5,000
	12,000		
To Gross profit	45,000		45,000
To Sundry Expenses	2,000	By Gross Profit	12,000
To Net Profit	10,000		
	12,000		12,000

Balance Sheet as at 31-3-2018

Liabilities	₹	Assets	₹
Equity Share Capital	20,000	Land and Building	5,000
Reserve and Surplus	3,000	Plant and Machinery	5,000
Debentures	1,000	Stock	5,000
Creditors	5,000	Debtors	8,000
		Cash	6,000
	29,000		29,000

Provision for tax ₹5,000, Equity dividend ₹ 2,000, Market price of Share ₹30

Answers:

1. Inventory Turnover Ratio	= 7 times
2. Trade Receivable Turnover Ratio	= 5 times
3. Trade Payable Turnover Ratio	= 6 times
4. Earning Per Share	= 2.5
5. Price/ Earning ratio	= 12 times
6. Book Value Per Share	= 11.5

09. From the following information, you are required to calculate.

1. Investment Turnover Ratio
2. Fixed assets Turnover Ratio
3. Working Capital Turnover Ratio
4. Operating Profit Ratio
5. Dividend Payout Ratio
6. Book Value Per Share.

Particulars	₹
Revenue from Operations	20,00,000
Paid up Share Capital (₹10each)	5,00,000
Current Assets	4,00,000
Operating Profit	16,00,000
13% Debentures	1,00,000
General Reserve	1,00,000
10% Preference Shares of ₹10	2,00,000
Current Liabilities	2,50,000
Plant and Machinery	3,00,000
Furniture	5,00,000
Net profit after Tax	1,00,000

Market price of share ₹34, Tax amounted to ₹20,000 and EPS is ₹1.67

Answers:

1. Investment Turnover Ratio	= 2.22 times
2. Fixed Assets Turnover Ratio	= 2.5 times
3. Working Capital Turnover Ratio	= 13.33 times
4. Operating Profit Ratio	= 80%
5. Dividend Payout Ratio	= 0.59
6. Book Value Per Share.	= ₹12

10. From the following information, calculate:

1. Inventory Turnover Ratio
2. Fixed Assets Turnover Ratio
3. Working Capital Ratio
4. Earning Per Share
5. Book Value Per Share
6. Dividend Payout Ratio

Particulars	₹
Sales(Revenue from operations)	6,00,000
Gross profit	1,00,000
Stock(1-1-2017)	1,00,000
Working Capital	2,00,000
Fixed Assets	3,00,000
70,000 Equity shares of ₹10each	7,00,000
Net profit after tax but before dividend	1,75,000
Market price of a share	13
Dividend declared @ 15%	----

Answer:

1. Inventory turnover Ratio = 5 times
2. Fixed Assets Turnover Ratio = 2 times
3. Working Capital Turnover Ratio = 3 times
4. Earning Per Share = ₹2.50
5. Book Value Per Share = ₹12.50
6. Dividend Payout Ratio = 0.6

11. From the following particulars, calculate:

a. Inventory Turnover Ratio
b. Trade Receivable Turnover Ratio
c. Trade Payable Turnover Ratio
d. Gross Profit Ratio
e. Operating Ratio
f. Net Profit Ratio

Particulars	₹
Revenue from operations	10,00,000
Gross profit	2,00,000
Average inventory	1,00,000
Net credit revenue from operations	6,00,000
Average trade receivables	1,50,000
Net Credit Purchases	5,00,000
Average Trade payable	2,50,000
Operating expenses	1,00,000
Net profit	1,00,000

Answers:

a. Inventory Turnover Ratio	= 8 times
b. Trade Receivable Turnover Ratio	= 4 times
c. Trade Payable Turnover Ratio	= 2 times
d. Gross Profit Ratio	= 20%
e. Operating Ratio	= 90%
f. Net Profit Ratio	=10%

12. From the following Particulars calculate:

a. Net Assets Turnover Ratio
b. Fixed Assets Turnover Ratio
c. Working Capital Turnover ratio
d. Operating Profit Ratio
e. Return on Capital Employed Ratio
f. Earning Per Share

Particulars	₹
Revenue from operations	15,00,000
Net fixed assets	50,00,000
Working capital	10,00,000
Operating profit	5,00,000
Profit after interest and tax	3,00,000
Interest and tax expenses	2,00,000
Dividend paid to preference shares	1,00,000
Capital employed	40,00,000
Equity share capital of ₹ 10 each	1,00,000

Answers:

a) Net Assets Turnover Ratio	= 36.59 times
b) Fixed Assets Turnover Ratio	= 0.3 times
c) Working Capital Turnover Ratio	= 1.5 times
d) Operating Ratio	= 33.33%
e) Return On Capital Employed Ratio	=12.29%
f) Earnings Per Share	= ₹20

Section- A KEY ANSWER:

I. Fill in the blanks

1. Financial Statement Analysis
2. Ratio analysis
3. Ratio
4. Comparative ratio.
5. Acid Test ratio.
6. End of itself
7. Current assets
8. Liquidity
9. Cash.
10. Profitability
11. Gross profit
12. Debt equity
13. Net assets
14. Inventory turnover
15. Average collection period

II. Multiple Choice Questions

1-D, 2-D, 3-B, 4-A, 5-B, 6-D, 7-C, 8-B, 9-A, 10-C, 11-C, 12-C, 13-A, 14-A, 15-A

III. True or False

1- False, 2- True, 3- True, 4- False, 5- True,
6- False, 7- True, 8- True, 9- False, 10- True,
11- False, 12- True, 13- True, 14- True, 15- True

BOOK-2

CHAPTER-6

CASH FLOW STATEMENT

Section A: One Mark Questions

I. Fill in the blanks.

1. Cash Flow Statement shows .... and .... of cash and cash equivalents.
2. Purchase of any asset by paying cash is ....
3. Collection of cash from trade receivables is ....
4. Operating activities constitute the ....activities of an enterprise.
5. .... activities relate to purchase and sale of fixed assets.
6. Tax on operating profit should be classified as ....cash flows.
7. Indirect method of ascertaining cash flows from operating activities begins with the amount of..........
8. Cash flow statement prepared by .... method issued by most companies in practice.

II. Multiple Choice Questions(MCQs).

1. Examples of cash inflows from investing activities are-
   a. Cash receipts from disposal of fixed Assets.
   b. Interest received in cash from loans & advances.
   c. Dividend received from investments in other enterprise.
   d. All of the above.
2. Which one of the following is not a cash outflow from operating activities?
   a. Cash payments to suppliers for goods and services.
   b. Cash payments to and on behalf of the employees.
   c. Cash payments to acquire fixed assets.
   d. Cash payments to an Insurance Company for premium.
3. Which of the following is not a cash inflow from investing activities?
   a. Cash receipts from disposal of fixed assets.
   b. Cash receipts from sale of goods and rendering of services.
   c. Interest received in cash from loans and advances.
   d. Dividend received from investments in other enterprises.
4. Cash receipts from customers means:
   a. Revenue from operations – opening trade receivables + closing trade receivables.
   b. Revenue from operations + opening trade payables – closing trade payables.
   c. Revenue from operations + opening trade receivables – closing trade receivables.
   d. None of the above.

5. Purchases means:
   a. Cost of revenue from operations + opening inventory – closing inventory.
   b. Cost of revenue from operations – opening inventory + closing inventory.
   c. Cost of revenue from operations – opening trade receivables + closing trade receivables.
   d. None of the above.

III. True or False Type Questions

1. Cash flow statement is the first important financial statement.
2. According to revised AS 3, preparation and presentation of Cash Flow Statement is mandatory for all listed companies.
3. Extraordinary items are recurring in nature.
4. An enterprise should report cash flows from operating activities either by using direct method or indirect method.
5. Under direct method, items are recorded on the accrual basis in Statement of Profit & Loss.

IV. Very Short Answer Type Questions.

1. What is the main Objective of cash flow statement?
2. Mention any one benefit of cash flow statement.
3. Give the meaning of cash flows.
4. What are operating activities?
5. Give an example for investing activities.
6. Give an example for cash inflows from financing activities.
7. Give an example for cash outflows from financing activities.
8. Give an example for extraordinary item.
9. Expand ICAI.

Section-B: Two Marks Questions

1. What is cash flow statement?
2. State any two uses of cash flow statement.
3. Write any two objectives of preparing cash flow statement.
4. What do you mean by investing activities?
5. Mention any two activities which are classified as per AS-3.
6. Write any two examples for financing activities.
7. If revenue from operations are ₹ 48,000, opening trade receivables are ₹ 8,000 and closing trade receivables are ₹ 6,000, calculate cash receipts from customers.
8. If purchases are ₹72,000, opening trade payables are ₹12,000 and closing trade payables are ₹9,000. calculate cash payments to suppliers.

Section-C: 6 Marks Questions.

Problems on Operating Activities:

1. Anand Ltd, arrived at a net income of ₹5,00,000 for the year ended March 31,2017. Depreciation for the year was ₹2,00,000. There was a profit of ₹50,000 on assets sold which was transferred to statement of profit and loss. Trade Receivables increased during the year ₹40,000 and Trade Payables also increased by ₹60,000.

Compute the cash flow from operating activities by the indirect method.

(Ans: ₹6,70,000)

2. The following is the Statement profit and loss of Yamuna Limited:

Statement of Profit or Loss of Yamuna Ltd., for the year ended March 31,2018

Particulars	Note No.	Amount ₹
Revenue from operations.		10,00,000
Expenses	1	50,000
Cost of materials consumed	2	5,00,000
Purchases of stock-in-trade		3,00,000
Other expenses		
Total expenses		8,50,000
Profit Before Tax (i – ii)		1,50,000

Additional information:

a) Trade receivables decreased by ₹30,000 during the year.

b) Prepaid expenses increased by ₹5,000 during the year.

c) Trade payables increased by ₹15,000 during the year.

d) Outstanding expenses increased by ₹3,000 during the year.

e) Other expenses included depreciation of ₹25,000.

Compute net cash from operations for the year ended March 31, 2018 by the indirect method.

(Ans: cash from operations ₹2,38,000)

3. Compute cash from operations from the following information.

i. Profit for the year 2016-17 is a sum of ₹10,000 after providing for depreciation of ₹2,000.

ii. The current assets of the business for the year ended March 31, 2016 & 2017 are as follows-

Particulars	March 31,2016 ₹	March 31,2017 ₹
Trade receivables	14,000	15,000
Provision for Doubtful Debts	1,000	1,200
Trade payables	13,000	15,000
Inventories	5,000	8,000
Other current assets	10,000	12,000
Expenses payable	1,000	1,500
Prepaid expenses	2,000	1,000
Accrued income	3,000	4,000
Income received in advance	2,000	1,000

(Ans: Cash from operations: ₹7,700)

Problems on Investing Activities:

4. National Trading Company Ltd has given the following information:

Plant as on 1/4/2017	₹1,20,000
Plant as on 31/3/2018	₹1,50,000
Accumulated depreciation on 1/4/2017	₹60,000
Accumulated depreciation on 31/3/2018	₹40,000

During the year, a plant costing ₹60,000 with accumulated depreciation of ₹25,000 was sold for ₹30,000.

Calculate cash flow from investing activities.

(Ans: (60,000))

5. From the following particulars, calculate cash flow from investing activities.

Particulars	Purchased ₹	Sold ₹
Plant	4,40,000	50,000
Investments	1,80,000	1,00,000
Goodwill	2,00,000	-
Patents	-	1,00,000

Interest received on debentures held as investments ₹60,000

Dividend received on shares held as investment ₹10,000

A plot of land had been purchased for investment purpose and was let out for commercial use and rent received ₹30,000

(Ans: ₹(4,70,000))

6. From the following information, calculate cash flow from investing activities.

Particulars	2016 ₹	2017 ₹
Machine at cost	5,00,000	9,00,000
Accumulated depreciation	3,00,000	4,50,000

In the year 2017, machine costing ₹2,00,000 was sold at a profit of ₹1,50,000. Depreciation charged on machine during the year 2016 amounted to ₹2,50,000.

(Ans: (5,00,000))

Problems on Financing Activities.

7. From the following information, calculate cash flows from financing activities.

Particulars	April 01, 2017 ₹	March 31, 2018 ₹
Equity share capital	20,00,000	30,00,000
Secured loan	9,00,000	16,00,000

During the year secured loan repaid Rs 4,00,000 with interest of Rs 20,000 and received dividend of Rs 50,000.

(Ans: 16,30,000)

8. From the following information, calculate cash flow from financing activities.

Particulars	April 01, 2017 ₹	March 31, 2018 ₹
Debentures	8,00,000	10,00,000
Preference share capital	3,00,000	5,00,000

During the year, the company redeemed debentures of Rs 1,00,000.

(Ans: 4,00,000)

9. From the following information, calculate cash flows from financing activities:

Particulars	2014 ₹	2015 ₹
Equity share capital	28,00,000	35,00,000
Bank loan	12,50,000	7,50,000

(Ans: 2,00,000)

Key answers

I. Fill in the blanks.

1. Inflows, outflows
2. Cash outflow
3. Cash inflows
4. Primary or main
5. Investing
6. Operating
7. Net profit or loss
8. Indirect

II. Multiple Choice Questions.

1. (d)
2. (c)
3. (b)
4. (c)
5. (a)

III. True or false.

1. False
2. True
3. False
4. True
5. True

****

MODEL QUESTION PAPER - 1

Subject : Accountancy [English Version] **Subject Code: 30(NS)**

Class : PUC Second Year

Time : 3 Hours 15 Minutes

Max. Marks: 100

Instructions:-

1. All the sub questions of Section-A should be answered continuously at one place.
2. Provide working notes wherever necessary.
3. 15 minutes extra has been allotted for candidates to read the questions.
4. Figures in the right hand margin indicate full marks.

SECTION –A

Answer any Eight questions, each question carries ONE mark. **08×01=08**

1. Government Grant is treated as ________ receipt.
2. The business of a partnership concern may be carried on by,
   a) All the partners
   b) Any of them acting for all
   c) All Partners or Any of them acting for all
   d) None of the above
3. Accumulated profit is transferred to all partners' capital accounts including new partner. (State T/F)
4. Give the formula for calculating Gain Ratio.
5. State the meaning of over subscription.
6. Discount of issue of debenture is a _________asset.
7. Current Assets does not include:
   a) Short term investments
   b) Buildings
   c) Inventories
   d) Cash and cash equivalents
8. State any one use of Financial Analysis.
9. Expand EPS
10. Give an example for investing activities.

SECTION –B

Answer any FIVE questions, each question carries TWO marks. 05×02=10

11. What are Not-For-Profit Organisations?

12. Define partnership.

13. Goodwill of the firm valued at two years purchase of the average profit of last four years. The total profits for last four years is ₹40,000.

Calculate goodwill of the firm.

14. Give the journal entry for transferring an asset to Realisation A/c.

15. Give the meaning of calls in arrears.

16. State any two differences between current liabilities and non-current liabilities.

17. List any two techniques of Financial Statement Analysis.

18. Mention any two activities which are classified as per AS-3

SECTION –C

Answer any FOUR questions, each question carries SIX marks. 04×06=24

19. X and Y are partners in firm. Y's drawings for the year 2017-18 are given as under:

₹ 4,000 on 01.06.2017

₹ 6,000 on 30.09.2017

₹ 2,000 on 30.11.2017

₹ 3,000 on 01.01.2018

Calculate interest on Y's drawings at 8% p.a. for the year ending on 31.03.2018 under product method.

20. V,R and S are partners in a firm sharing profits and losses in the ratio of 4:3:2. S retires from the firm .V and R agreed to share equally in future.

Calculate gain ratio of V and R.

21. Ramesh, Prakash and Suresh were partners in a firm sharing profits & losses in the ratio of 5:3:2. On 31st March 2017, their balance sheet was as under:

Balance Sheet as on 31.3.2017

Liabilities		₹	Assets	₹
Creditors,		14,000	Cash	8,000
Reserve Fund		6,000	Debtors	11,000
Capitals:			Patents	11,000
Ramesh	30,000		Stock	10,000
Prakash	25,000		Machinery	50,000
Suresh	15,000	70,000		
		90,000		90,000

Ramesh died on 30th Sept 2017. It was agreed between his executors and the surviving partners that:

a) Good will to be valued at two and half years purchase of the average profits of the previous four years, which were:

   2013-14 ₹12, 000, 2014-15 Rs 20,000, 2015-16 ₹13, 000,

   2016-17 ₹15, 000,

b) Share in the profit from the date of last balance sheet till to the date of death to be calculated on the basis of last year's profit.

c) Interest on capital to be allowed at 12% p.a.

d) Share in the revaluation account balance, his share is ₹5, 000(Cr). Prepare Ramesh's capital account.

22. The Vijaya Company Ltd., issued 10,000 12% debentures of ₹100 each, payable :

₹10 per debenture on application.

₹50 per debenture on allotment.

₹40 per debenture on first and final call.

All the debentures were subscribed and the money duly received. Pass the journal entries in the books of the company.

23. From the following details you are required to prepare statement of profit and loss for the year ended 31-03-2018 as per Schedule III of Companies Act, 2013.

Particulars	₹
Plant and Machinery	40,000
Furniture	20,000
Share capital	4,00,000
Sales	3,00,000
Purchases	1,80,000
Trade Payables	30,000
Depreciation on plant and machinery	4,000
Amortisation of goodwill	6,000
Interest on debentures	30,000
Interest on borrowings	20,000
Tax	30%

24. Calculate Current ratio and quick ratio from the following information.

Stock	₹25,000
Debtors	₹20,000
Bills receivable	₹ 5,000
Advance tax	₹ 2,000

Cash	₹15,000
Creditors	₹30,000
Bills payable	₹20,000
Bank overdraft	₹ 2,000

25. Anand Ltd, arrived at a net income of ₹5,00,000 for the year ended March 31,2017. Depreciation for the year was ₹2,00,000. There was a profit of ₹50,000 on assets sold which was transferred to statement of profit and loss. Trade Receivables increased during the year ₹40,000 and Trade Payables also increased by ₹60,000. Compute the cash flow from operating activities by the indirect method.

SECTION –D

Answer any FOUR questions, each question carries TWELVE marks. 04×12=48

26. Following are the Balance Sheet and Receipt & Payment Account of Golden Sports Club, Bangaluru.

Balance Sheet as on 31-03-2017

Liabilities	**₹**	**Assets**	**₹**
Outstanding salary	7,000	Cash in hand	15,500
Pre-received Subscriptions	4,000	Sports materials	35,000
Capital fund	1,50,500	Furniture	21,000
		Land and Buildings	90,000
	1,61,500		1,61,500

Dr. Receipt and payment A/c for the year ending 31-03-2018 Cr.

Receipts	**₹**	**Payments**	**₹**
To Balance b/d	15,500	By Salary	25,000
To Subscriptions	52,000	By Sports materials	18,000
To Entrance Fees	6,000	(1-10-2017)	
To Sale of old newspaper	3,000	By Investments	15,000
To Sports Fees	9,500	By Postage	400
		By Electricity charges	1,600
		By Up-keep of grounds	6,500
		By Balance b/d	19,500
	86,000		86,000

Adjustments:

a) Outstanding subscriptions for 2018 ₹1,000.

b) Outstanding salary as on 31-03-2018 ₹5,000.

c) Half of the Entrance fees to be capitalised

d) Depreciate sports materials @ 20% per annum

Prepare: i) Income and Expenditure account for the year ending 31-03-2018 and

ii) Balance Sheet as on that date .

27. Raja and Rani are partners in a firm sharing profits and losses in the ratio of 3:2. Their balance sheet as on 31.03.2018 was as follows.

Balance Sheet as on 31.03.2018

Liabilities	Rs	Assets	Rs
Creditors	40,000	Cash	5,000
Bills Payable	20,000	Machinery	60,000
General Reserve	25,000	Stock	25,000
Capitals:		Debtors 23,000	
Raja 60,000		Less: PDD 3,000	20,000
Rani 40,000	100,000	Buildings	50,000
		Investments	20,000
		P & L Account	5,000
	185,000		**185,000**

On 01.04.2018 they admitted Mantri as a partner and offer him $1/5^{th}$ share in the future profits on the following terms.

a. Mantri has to bring in ₹ 30,000 as his capital and ₹ 10,000 towards goodwill. Goodwill is to be withdrawn by the old partners.

b. Depreciate Machinery by 5%.

c. Appreciate buildings by 10%.

d. PDD is reduced to ₹ 2,000 and investments are to be revalued at ₹ 25,000.

Prepare: i). Revaluation Account

ii). Partners' Capital Account.

iii). Balance sheet after admission.

28. Rashmi and Geetha are partners sharing profits and losses in the ratio of 3 : 2. Their Balance Sheet as on 31-3-2018 is as follows :

Balance Sheet as on 31. 3. 2018

Liabilities	₹	**Assets**	₹
Sundry Creditors	10,000	Cash at Bank	5,000
Bills payable	10,000	Bills Receivable	10,000
Rashmi's Loan	5,000	Sundry Debtors	20,000
Reserve Fund	10,000	Stock	15,000
Capitals:		Machinery	15,000
Rashmi	30,000	Furniture	10,000
Geetha	40,000	Goodwill	30,000
	1,05,000		**1,05,000**

On the above date the firm was dissolved. The following information is available:

a) The assets were realised as follows

Bills Receivable ₹ 7,500, Sundry Debtors and Stock 10% less than the book value, Machinery realised 5% more than the book value, and Goodwill realized for ₹12,000.

b) Furniture was taken over by Geetha at ₹ 8,000.

c) Dissolution expenses were ₹ 600.

d) All the liabilities were discharged in full.

Prepare: 1. Realization A/c ,

2. Partners' Capital Accounts and

3. Bank A/c.

29. ABC Company Ltd., issued 20,000 Equity shares of ₹ 10 each. The amount payable is as follows.

On application	₹ 2
On allotment	₹ 3
On first and on final call	₹ 5

All shares were subscribed and the money duly received except the first and final call on 500 shares held by Mr. A. The directors forfeited these shares and then these forfeited shares were re-issued to Mr. B at ₹ 7 per share as fully paid up

Pass the necessary journal entries.

30. Give the journal entries for the following cases :

e) Issue of ₹2,00,000, 10% debentures of ₹100 at par and redeemable at premium of 5%.

f) Issue of ₹2,00,000, 10% debentures of ₹100 at discount of 5% but redeemable at par.

g) Issue of ₹2,00,000, 10% debentures of ₹100 at a premium of 5% and redeemable at par.

h) Issue of ₹2,00,000, 10% debentures of ₹100 at a premium of 5% and redeemable at premium of 5%.

31. From the following information, prepare Comparative Statement of profit and loss for the year ending 31st March 2016 and 31st March 2017 of Raju Co., Ltd.,

Particulars	31-3-2016 ₹	31-3-2017 ₹
Revenue from Operation	8,00,000	9,00,000
Other Income	20,000	40,000
Employees Benefit Expenses	1,00,000	1,20,000
Cost of Materials consumed	4,00,000	5,00,000
Financial Cost	30,000	20,000
Depreciation	70,000	70,000
Other Expenses	20,000	30,000
Income tax	30%	30%

32. Trading and Profit and Loss A/c for the year ending 31st March 2018

Particulars	₹.	Particulars	₹
To Opening Stock	10,000	By Sales	1,00,000
To Purchases	55,000	By Closing Stock	15,000
To Gross Profit	50,000		
	1,15,000		**1,15,000**
To Administrative Expenses	15,000	By Gross Profit	50,000
To Selling Expenses	12,000		
To Interest	3,000		
To Net Profit	20,000		
	50,000		**50,000**

Balance Sheet as at 31st March 2018

Liabilities	₹	Assets	₹
Capital	1,00,000	Land and Building	50,000
Profit and loss A/c	20,000	Plant and Machinery	30,000
Creditors	225,000	Furniture	20,000
Bills Payable	15,000	Stock	15,000
		Sundry Debtors	15,000
		Bills Receivable	12,500
		Cash in Hand	17,500
Total	**1,60,0000**	Total	**1,60,000**

Calculate:

a. Stock turnover ratio

b. Trade receivable turnover ratio

c. Trade payable turnover Ratio

d. Gross Profit ratio

e. Operating ratio

f. Net Profit ratio

SECTION –E

(PRACTICAL ORIENTED QUESTIONS)

Answer any TWO questions, each question carries FIVE marks. 02×05=10

33. How do you treat the followings in the absence of Partnership Deed?

a) Profit Sharing Ratio

b) Interest on Capital

c) Interest on Drawings

d) Interest on Advances from Partners

e) Partner's Salary.

34. Give the disclosure requirements pertaining to Share Capital in Notes to Accounts of Balance Sheet of a Company with imaginary figures.

35. Prepare Common Size Statement of Profit and Loss with 5 imaginary figures.

MODEL QUESTION PAPER - 2

Subject : Accountancy [English Version] **Subject Code: 30(NS)**

Class : PUC Second Year

Time : 3 Hours 15 Minutes **Max. Marks: 100**

Instructions:-

1. All the sub questions of Section-A should be answered continuously at one place.
2. Provide working notes wherever necessary.
3. 15 minutes extra has been allotted for candidates to read the questions.
4. Figures in the right hand margin indicate full marks.

SECTION –A

Answer any Eight questions, each question carries ONE mark : **08×01=08**

1. Receipt and payment Account is a summary of all capital receipts and payments. (State True/False)
2. A partnership has no separate__________________ entity.
3. If new partner brings cash for his share of goodwill, goodwill is transferred to old partners capital account in;
   a. Sacrificing ratio
   b. Old profit sharing ratio
   c. New profit sharing ratio
   d. None of the above
4. Give the formula for calculation of New Profit sharing Ratio on retirement of a partner
5. State the meaning of under subscription
6. Debentures cannot be redeemed out of:
   a. Premium
   b. Discount
   c. Par
   d. More than 10% Premium.
7. Share capital appears under the head____________.
8. State any one importance of financial analysis.
9. Give one example for current liability.
10. Expand ICAI.

SECTION –B

Answer any FIVE questions, each question carries TWO marks. 05×02=10

11. State any two features of Not-For-Profit Organisation.

12. Name any two contents of partnership deed.

13. Give the journal entry to depreciate Machinery at the time of admission of a partner.

14. Why is Realisation Account prepared?

15. State any two differences between public and private company.

16. Write any two objectives of financial statements.

17. State any two uses of Financial Statement Analysis.

18. Write any two examples for financing activities.

SECTION –C

Answer any FOUR questions, each question carries SIX marks. 04×06=24

19. Calculate interest on drawings of Mr. Kumbar @10% p.a, if he withdrew ₹ 1,000 per month.

(i) In the beginning of each month

(ii) In the middle of each month

(iii) At end of each month.

20. 'A' and 'B' are partners in a firm sharing profits in the ratio of 5:3. They admit 'C' as a new partner for $1/7^{th}$ share in the profit. The new profit sharing ratio will be 4:2:1.

Calculate the sacrifice ratio of 'A' and 'B'.

21. Raju,Ravi and Roopa are partners sharing profit and losses in the ratio of 4:3:3. Their capital balances on 01.04.2017 stood ₹1,00,000, ₹80,000 and ₹50,000 respectively.

Raju died on 01.10.2017. The partnerships deed provides the followings:

a) Interest on capital at 12% p.a.

b) He had withdrawn ₹5, 000 up to date of death.

c) Raju's share of good will ₹5, 000

d) His share of profit up to the date of death on the basis of previous year profits. Previous year profits ₹20,000.

Prepare Raju's Executors Account.

22. Yajna Ltd., purchased building worth ₹49,50,000 and issued debentures to the vendors as purchase consideration. Pass the journal entries in the following cases:

a) If 10% debentures of ₹100 are issued to vendor at par.

b) If 10% debentures of ₹100 are issued to vendor at a premium of 10%.

c) If 10% debentures of ₹100 are issued to vendor at a discount of 10%.

23. From the following details you are required to prepare balance sheet for the year ended 31-03-2018 as per Schedule III of Companies Act, 2013.

Particulars	₹
Inventories	7,00,000
Equity Share Capital	16,00,000
Plant and Machinery	8,00,000
Preference Share Capital	6,00,000
General Reserve	6,00,000
Creditors	3,50,000
Provision for taxation	2,50,000
Land and Building	26,00,000
Cash at Bank	5,00,000
12% Debentures	12,00,000

24. From the information, **calculate Debt -Equity Ratio , Proprietary Ratio and Debt to Capital Employed Ratio.**

Balance sheet as at March 31, 2018

Particulars	**Note No.**	₹
I. Equity and Liabilities:		
I. Shareholders' Funds		
a) Share Capital		4,00,000
b) Reserves and Surplus		1,00,000
2. Non- Current Liabilities		
Long – term borrowings		1,50,000
3. Current Liabilities		50,000
Total		**7,00,000**
II. Assets		
1.Non-Current Assets		
a) Fixed assets		4,00,000
b) Non-Current Investment		1,00,000
2. Current Assets		2,00,000
Total		**7,00,000**

25. National Trading Company Ltd has given the following information:

Plant as on 1/4/2017	₹1,20,000
Plant as on 31/3/2018	₹1,50,000
Accumulated depreciation on 1/4/2017	₹60,000
Accumulated depreciation on 31/3/2018	₹40,000

During the year, a plant costing ₹60,000 with accumulated depreciation of ₹25,000 was sold for ₹30,000.

Calculate cash flow from investing activities.

SECTION –D

Answer any FOUR questions, each question carries TWELVE marks : 04×12=48

26. Following are the Balance Sheet and Receipts and Payments Account of Hassan Sports Club, Hassan.

Balance Sheet as on 31-03-2017

Liabilities	₹	**Assets**	₹
Capital fund	61,000	Buildings	64,000
Subscription for 2017-18	1,000	O/S Subscriptions	1,600
O/S Office expenses	4,000	O/S Rent	400
Bank loan	20,000	Furniture	12,000
		Cash in Hand	8,000
	86,000		86,000

Dr. Receipt and Payment A/C for the year ending 31-03 2018 Cr.

Receipts	₹	**Payments**	₹
To Balance b/d	8,000	By Office Expenses:	
To Subscriptions:		2016-17	4,000
2016-17	1,600	2017-18	6,000
2017-18	17,600	By Subscription to News papers & Journals	2,000
2018-19	2,800	By Refreshment Expenses	4,000
To Entrance Fees	4,000	By Investments	10,000
To Rent	4,000	By Bank Loan	8,000
To Income from Drama	6,000	By Salary	4,400
To Sale of newspapers	400	By Balance c/d	6,000
	44,000		**44,000**

Adjustments:

a) Subscriptions outstanding ₹1,000,

b) Salary outstanding ₹400,

c) Interest payable ₹2,400,

d) Depreciation on Building ₹5,000

e) Entrance Fees is to be Capitalised.

Prepare:

1. Income and Expenditure Account and
2. Balance Sheet as on 31-03-2018.

27. Srikant, Girish and Manju are partners sharing profits and losses equally . Their Balance sheet as on 31.03.2014 was as follows

Balance Sheets as on 31.03.2017

Liabilities	₹	Assets	₹
Creditors	30,000	Cash	24,000
Bills payable	20,000	Bills receivable	28,000
Bank overdraft	25,000	Stock	36,000
Reserve fund	15,000	Investments	9000
Capital		Debtors	20,000
Srikant	60,000	Furniture	25,000
Girish	50,000	Machinery	32,000
Manju	30,000	Buildings	50,000
		Profit Loss A/c	6,000
Total	**2,30,000**	**Total**	**2,30,000**

Manju retired on 1.4.2017 from the business and the following adjustments are to be made:

1) Goodwill of the firm is created ₹18,000 and retain in the business.

2) Maintain provision for doubtful debts at 5% on Debtors

3) Increase stock by Rs 4,000

4) Depreciate Machinery and Furniture by 10% each.

Prepare

a) Revaluation Account.

b) Partners' capital A/cs. And c) Balance Sheet as on 1.04.2017.

28. Shruti, Shilpa and Shreya were partners in a firm, sharing profits and losses in the ratio of 2 : 2 : 1. They decided to dissolve the firm. Their Balance Sheet on the date of dissolution was as follows :

Balance Sheet as on 31. 3. 2018

Liabilities	₹	**Assets**	₹
Creditors	30,000	Cash at Bank	6,000
Bills payable	20,000	Debtors	30,000
Shreya's Loan	8,000	Stock	30,000
General Reserve	10,000	Furniture	22,000
Capitals:		Machinery	20,000
Shruti,	40,000	Buildings	50,000
Shilpa	30,000		
Shreya	20,000		
	1,58,000		**1,58,000**

The assets realised as follows :

a) Debtors realised 10% less than the book value, the Stock realised 15% more than the book value, Building realised ₹ 60,000.

b) The Furniture was taken over by Shruti at ₹ 20,000.

c) The Machinery was taken over by Shilpa at ₹ 15,000.

d) Creditors and Bills Payable were paid off at a discount of 5%.

e) Cost of dissolution amounted to ₹ 1,500.

Prepare : i) Realisation Account

ii) Partner's Capital Accounts

iii) Bank Account.

29. XYZ Co. Ltd. issued 30,000 equity shares of ₹ 10 each at a premium of ₹ 1 per share to the public, payable as follows :

₹ 2 on application

₹ 5 on allotment (including premium)

₹ 4 on first call and final call

All the shares subscribed and the money duly received except the first and final call on 2000 shares. The directors forfeited these shares and re-issued them as fully paid up at ₹ 8 per share. Pass the necessary Journal entries related to the above information.

30. XYZ Company limited issued 2,000, 12% debentures of ₹100 each on April 01, 2016 at premium of 10% and redeemable at par.

Give journal entries relating to the issue of debentures and debenture interest assuming that:

Interest was paid annually on 31st March 2017 and 31st March 2018 for two years and tax deducted at source is 20%.

31. From the following information, prepare Common Size Position Statement (Balance Sheet).

Particulars	**31/03/2017**	**31/03/2018**
Share Capital	₹4,00,000	₹5,00,000
General Reserve	₹50,000	₹60,000
Secured loans	₹15,000	₹20,000
Current Liabilities	₹50,000	₹70,000
Buildings	₹2,00,000	₹2,50,000
Machinery	₹1,50,000	₹2,00,000
Stock	₹1,00,000	₹1,10,000
Trade Receivables	₹65,000	₹90,000

32. X Ltd. presented the following Trading and Profit & Loss account for the year ended 31.3.2018.

Trading and Profit & Loss A/c for the year ending 31st March 2018

Particulars	**₹**	**Particular**	**₹**
To Opening Stock	2,00,000	By Sales	10,00,000
To Purchases	7,00,000	By Closing Stock	4,00,000
To Wages	1,00,000		
To Gross profit	4,00,000		
	14,00,000		**14,00,000**
To Administrative Exps.	3,00,000	By Gross Profit	4,00,000
To Selling & Distribution Expenses	40,000	By Profit on sale of plant	20,000
To Net Profit	50,000		
	4,20,000		**4,20,000**

Debtors on 1.4.2017 - ₹3, 00,000 and on 31.03.2018– ₹ 2,00,000
Creditors on 1.04.2017 - ₹3, 00,000 and on 31.03.2018 – ₹3,00,000

Prepare:

1. Gross Profit Ratio
2. Net Profit Ratio
3. Operating Ratio
4. Inventory Turnover Ratio
5. Trade Receivable Turnover Ratio
6. Trade Payable Turnover Ratio

SECTION – E
(Practical Oriented Questions)

Answer any TWO questions, each question carries FIVE marks. 02×05=10

33. Write two Partners Current Accounts under Fixed Capital System with 5 imaginary figures.

34. Write the proforma of a Balance Sheet of a Company with main heads only.

35. Write the proforma of Cash Flows from Operating Activities under Direct Method.

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MODEL QUESTION PAPER - 3

Subject : Accountancy [English Version] **Subject Code: 30(NS)**

Class : PUC Second Year

Time : 3 Hours 15 Minutes

Max. Marks: 100

Instructions:-

1. All the sub questions of Section-A should be answered continuously at one place.
2. Provide working notes wherever necessary.
3. 15 minutes extra has been allotted for candidates to read the questions.
4. Figures in the right hand margin indicate full marks.

SECTION – A

Answer any Eight questions, each question carries ONE mark: **08×01=08**

1. Name any one final account of Not- For- Profit Organisation.
2. A partner is entitled to claim interest at ratio 10% on the amount of capital contributed by him in the firm.(State True/False)
3. State any one right acquired by a newly admitted partner.
4. New ratio – Old ratio = ________
5. Equity share holders are:
   [a] creditors
   [b] owners
   [c] customers of the company
   [d] None of the above
6. Expand D R R.
7. Give an example for non-current asset.
8. Comparative analysis is also known as .... analysis.
9. State any one objective of ratio analysis.
10. Which of the following is not a cash inflow from investing activities?
    [a] Cash receipts from disposal of fixed assets.
    [b] Cash receipts from sale of goods and rendering of services.
    [c] Interest received in cash from loans and advances.
    [d] Dividend received from investments in other enterprises.

SECTION – B

Answer any FIVE questions, each question carries TWO marks. **05×02=10**

11. Give any two examples for revenue expenditure.

12. What is guarantee of profit to a partner?

13. State any two reasons for admitting a new partner.

14. Give the journal entry for transfer of loss on realisation to Partners' Capital Accounts.

15. What is forfeiture of shares?

16. State any two benefits of financial statements.

17. State any two limitations of Financial Statement Analysis.

18. Write any two objectives of preparing cash flow statement.

SECTION – C

Answer any FOUR questions, each question carries SIX marks. **04×06=24**

19. Sachin and Pratham commenced business in partnership with capital of ₹1,00,000 and ₹ 80,000 respectively on 01.04.2015 agreeing to share profits and losses in the ratio of 3:2. For the year ending 31.03.2016 they earned the profits of ₹ 36,000 before allowing:

a) Interest on capital at 5% p.a.

b) Interst on drawings, Sachin ₹600 and Pratham ₹1,000

c) Yearly salary of Pratham ₹10,000

d) Their drawings during the year Sachin ₹16,000 and Pratham ₹ 20,000.

Prepare Profit and Loss Appropriation Account.

20. Ankit, Suchit and Chandru are partners in a firm sharing profits and losses in the ratio of 4:3:2.Ankit retires from the firm. Suchit and Chandru agreed to share in the ratio of 5:3 in future.

Calculate gain ratio of Suchit and Chandru

21. Akash, Anil and Adarsh are the partners sharing profits and losses in the ratio of 3:2:1, Their capitals as on 01.04.2017 were ₹70,000, ₹90,000 and ₹60,000 respectively.

Akash died on 31.12.2017 and the partnership deed provided the following:

a) Interest on Akash's Capital at 8% p.a

b) Akash's salary ₹2,000 p.m

c) His share of accrued profit up to the date of death based on previous year's profit. Firms profit for 2016-17 ₹24,000.

d) His share of Good will ₹12,000

Ascertain the amount payable to Akash's Executor by preparing Akash's Capital A/c

22. The Ganesh Co. Ltd., issued 10,000 6% debentures of ₹100 each at a premium of 10% payable ₹20 On application, ₹40 on allotment (including premium), ₹50 on first and final call. All the debentures were subscribed and the money duly received.

Pass the journal entries up to the stage of first and final call money due.

23. Prepare a balance sheet of White ltd., as on 31st March 2018 as per Schedule III of Companies Act, 2013 from the following information.

Particulars	₹
General Reserve	3,00,000
10% Debentures	3,00,000
Balance in Statement of Profit and Loss	1,20,000
Depreciation on fixed assets	70,000
Gross Block	9,00,000
Current Liabilities	2,50,000
Preliminary Expenses	30,000
6% Preference Share Capital	5,00,000
Cash and Cash equivalents	6,10,000

24. Following is the Balance Sheet of Fergana Co., Ltd., as on 31.03.2018:

Liabilities	₹	Assets	₹
Equity Share capital	2,40,000	Buildings	4,50,000
8% Debentures	90,000	Stock	1,26,000
Profit & Loss Account	60,000	Debtors	90,000
Bank Overdraft	60,000	Cash in hand	22,800
Creditors	2,40,000	Prepaid Expenses	7,200
Provision for taxation	6,000		
	6,96,000		**6,96,000**

Calculate Current Ratio and Quick Ratio.

25. From the following information, **calculate cash flows from financing activities:**

Particulars	31/03/2017 ₹	31/03/2018 ₹
Equity Share Capital	28,00,000	35,00,000
Bank loan	12,50,000	7,50,000

SECTION – D

Answer any FOUR questions, each question carries TWELVE marks. 04×12=48

26. From the following Receipt and Payment Account and information given below, **prepare Income and Expenditure Account and the Balance Sheet of adult literacy orgnisation as on March 31, 2018**

Receipt and Payment Account for the year ending 31-03-2018

Dr. Cr.

Receipts		₹	Payments	₹
To Balance b/d		19,550	By General Expenses	3,200
To Subscriptions			By News paper	1,850
2017-18	27,700		By Electricity	3,000
2018-19	500	28,200	By Fixed deposit with bank	18,000
To Sale of old newspaper		800	(@10%p.a on 30-06-2017)	
To Govt. grants		12,000	By Books	7,000
To Sale of old Furniture		3,700	By Salary	3,600
(book value ₹5,000)			By Rent	6,500
To Interest received on FD		900	By Postage charges	300
			By Furniture (purchased)	10,500
			By Balance c/d	11,200
		65,150		**65,150**

Additional Information:

a) Subscription on 31-03-2018 ₹1,500

b) On March 31,2018 Salary outstanding ₹600

c) On April 1,2017 Orgnisation owned Furniture ₹12,000, Books ₹5,000.

27. Mahendra and Surendra are equal partners in a firm. Their balance sheet as on 31.03.2017 stood as follows.

Balance Sheet as on 31.03.2017

Liabilities		₹	Assets		₹
Creditors		40,000	Stock		39,000
Bank Loan		8,000	Debtors	32,000	
			Less: PDD	1,000	31,000
Capitals:			Land & Buildings		40,000
Mahendra	80,000		Machinery		36,000
Surendra	40,000	1,20,000	Motor car		8,000
			Cash at Bank		14,000
Total		**1,68,000**	Total		**1,68,000**

On 01.04.2017, Chandra is admitted into partnership for 1/6th share in profits on the following terms:

a) Chandra brings ₹ 26,000 as capital.

b) Goodwill of the firm is valued at ₹ 14,000 and it is to be retained in business.

c) Motor car and machinery are to be depreciated by 20% and ₹ 3,800 respectively.

d) Prepaid rent ₹ 600.

e) Provision for doubtful debts is to be maintained at 10%.

f) The Capital accounts of all the partners be adjusted in their new profit sharing ratio 3:2:1 based on Chandra's capital Adjustments to be made in cash only.

Prepare:

i) Revaluation Account

ii) Partners Capital Account and

iii) Balance sheet of the firm after admission.

28. Suvarna and Sunanda are partners sharing profits and losses equally. Their Balance Sheet as on 31. 3. 2018 was as follows :

Balance Sheet as on 31. 3. 2018

Liabilities	₹	Asset		₹
Bills Payable	10000	Cash at Bank		15,000
Creditors	50,000	Debtors	55,000	
Sunanda's loan	25,000	Less : P.B.D.	3,000	52,000
Reserve fund	15,000	Stock		40,000
Capitals :	60,000	Furniture		15,000
Suvarna	80,000	Machinery		25,000
Sunanda		Buildings		81,000
		Profit & Loss Account		12,000
Total	**2,40,000**	**Total**		**2,40,000**

On the above date, the firm was dissolved. The following information is available:

a) The assets realised as follows :
Debtors ₹ 52,000, Stock ₹ 39,000, Machinery ₹ 24,000,
Building Rs 75,000 and Furniture ₹13000,

b) Creditors and Bills payable were paid 5% discount.

c) Dissolution expenses amounted to ₹ 4000.

Prepare :

i) Realisation Account

ii) Partners' Capital Accounts and

iii) Bank Account.

29. Sun India Ltd. issued 20,000 Equity Shares of ₹ 100 each at premium of ₹ 10 each. The amount payable as follows:

₹ 20 on application

₹ 50 on allotment (including premium)

₹ 40 on first call and final call.

All the shares were subscribed and money duly received except the first and final call on 1,000 shares. The directors forfeited these shares and re-issued them as fully paid at ₹ 90 per share.

Pass the journal entries regarding issue, forfeiture and reissue.

30. Pass necessary journal entries at the time of redemption of debentures in each of the following cases :

a) P Company limited issued 10,000, 8% debentures of ₹100 each at par and redeemable at par at the end of five years out of capital.

b) Q Company limited issued 4,000, 12% debentures of ₹100 each at par. These debentures are redeemable at 10% premium at the end of four years.

c) E Company limited issued 10% debentures of the total face value of ₹3,00,000 at a premium of 5% to be redeemed at par at the end of four years.

d) S Company limited issued ₹2,00,000, 10% debentures at a discount of 5% but redeemable at a premium of 5% at the end of 5 years.

e) T Company limited issued 1,000, 8% debentures of ₹100 each at a premium of 5% to be redeemed at par at the end of 4 years.

31. The following are the Balance Sheets of Alpha Ltd., as at March 31st 2017 and 2018

	31/03/2017 ₹	**31/03/2018** ₹
Equity and Liabilities :		
Equity share capital	2,00,000	4,00,000
Reserves and Surplus	1,00,000	1,50,000
Long term loans	2,00,000	3,00,000
Current Liabilities	1,20,000	1,20,000
Total	**6,20,000**	**10,20,000**
Assets :		
Fixed Assets	2,00,000	5,00,000
Non-current Investment	1,00,000	1,25,000
Current Assets	2,55,000	3,25,000
Short term loans and advances	65,000	70,000
Total	**6,20,000**	**10,20,000**

You are required to **prepare Comparative Balance Sheet.**

32. From the following information, calculate :

1. Inventory turnover ratio
2. Fixed assets turnover ratio
3. Working capital ratio
4. Earnings per share
5. Book value per share
6. Dividend payout ratio

Particulars	₹
Sales(Revenue from operations)	6,00,000
Gross profit	1,00,000
Stock(1-1-2017)	1,00,000
Working capital	2,00,000
Fixed Assets	3,00,000
70,000 Equity shares of ₹10each	7,00,000
Net profit after tax but before dividend	1,75,000
Market price of a share	13
Dividend declared @ 15%	–

SECTION – E

(Practical Oriented Questions)

Answer any TWO questions, each question carries FIVE marks : 02×05=10

33. Classify the following items into capital and revenue :

a) Honorarium paid to a surgeon by a hospital.
b) Installation charges of a new machinery.
c) Subscriptions to newspapers and periodicals.
d) Cost of construction of pavilion by a sports club.
e) Donation received for constructing a swimming pool.

34. Write Profit and Loss Appropriation Account of a firm with 5 imaginary figures.

35. Prepare a Statement of Profit and Loss of a Company in vertical form with imaginary figures of 5 main heads only.

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