KENDRIYA VIDYALAYA SANGATHAN
JABALPUR REGION

तत् त्वं पूषन् अपावृणु
केन्द्रीय विद्यालय संगठन

QUESTION BANK FOR CLASS XII-ACCOUNTANCY

2020-21

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ACCOUNTING FOR NOT FOR PROFIT ORGANISATIONS
One Mark Questions

1.	The main object of non-profit organization is— (A)To earn the Profit (B) To Serve the Society (C) To Prepare Profit & Loss A/c (D) All the above
2.	Subscription received by an organization is— (A) Capital Receipt (B) Revenue Receipt (C) Both 'A'and 'B (D) None of the above
3.	Entrance fees received by a Club is treated as— (A) Revenue Receipt (B) Capital Receipt (C) Revenue Expenditure (D) None of these
4.	Receipts and Payments A/c is a summary of— (A) All Capital Receipts and Payments (B) All Revenue Receipts and Payments (C)All Revenue and Capital Receipts and Payments (D) None of the above
5.	Subscription received during the year Rs.50,000;Subscriptions outstanding at the end of the year Rs. 8,000; Subscription outstanding at the beginning of the year Rs. 6,000. Net Income from subscription will be credit to the Income & Expenditure A/c: (A) Rs.48,000 (B) Rs.64,000 (C) Rs.52,000 (D) Rs.36,000
6.	Subscription received during the year Rs. 1,80,000; Subscriptions outstanding at the end of the year Rs.20,000; Subscriptions received in advance at the end of the year Rs.10,000. The amount of subscription to be credited to Income and Expenditure Account will be— (A) Rs.2,10,000 (B)Rs.1,90,000 (C) Rs.1,70,000 (D) Rs.2,00,000
7.	In case specific fund is maintained, the expenses exceeding the amount of the funds, should be recorded on— (A) Liabilities side of the Balance Sheet (B) Debit side of the Income and Expenditure Account (C) Credit side of the Income and Expenditure Account (D) Assets side of the Balance Sheet
8.	All receipts from sale of consumable items are treatedas— (A) Capital Receipts (B) Revenue Receipt (C) Both 'A'and'B (D) None of these
9.	Subscriptions received in cash during the year Rs. 5,000, amount Received in advance for the next year is Rs. 300. Amount outstanding for current year was Rs. 400. The amount to be credited to the Income and Expenditure Account is— (A)Rs.4,000 (B)Rs.5,100 (C)Rs.4,200 (D) Rs.4,600
10.	If income is Rs. 16,000 and 'deficit' debited to capital fund is Rs.4,300, then expenditure : (A) Rs.16,000 (B) Rs.4,300 (C) Rs.20,300 (D) None of these
11.	Balance of Income and Expenditure Account shows— (A) Cash in hand (B) Capital Fund (C)Net Profit (D) Excess of Income over Expenditure or vice-versa
12.	Property received as a result of the will of the deceased person is called: (A) Legacy (B) Honorarium (C) Donation (D) Subscription

13.	Legacies should be treated as— (A) A Liability (B) A Revenue Receipts (C)An Income (D) None ofthese
14.	Life membership fees received by Club is shown in— (A) Income and Expenditure A/c (B) Balance Sheet (C) Receipts and Payments A/c (D) None of these
15.	For non-trading organization honorarium is— (A) A Capital Expenditure (B) A Revenue Expenditure (C)An Income (D) None of these
16.	Receipts & Payments A/c is a— (A) Personal A/c (B) Real A/c (C) Nominal A/c (D) None of these
17.	Income & Expenditure A/c is a— (A) Personal A/c (B) Real A/c (C) Nominal A/c (D) None of these
18.	Which of the following is not a not-for-profit organisation— (A) College (B) Sports Club (C) Maruti Udyog (D) Hospital
19.	Income and Expenditure Account is prepared— (A) By Business Organisation (B) By Industrial Organisation (C) By Not-for-profit Organisation (D) By all Organisations
20.	Receipts and Payments Account usually indicates— (A) Surplus (B) Capital Fund (C) Debit Balance (D) Credit Balance
21.	Income and Expenditure Account generally indicates— (A) Surplus/Deficit (B) Cash Balance (C)Capital Fund (D) Net Profit/Loss

True/False

1.	Income is shown on the debit side of Income and expenditure Account.
2.	Income and Expenditure Account is a real account.
3.	Only revenue items are recorded in the Income and Expenditure Account.
4.	Expenses incurred on annual whitewashing of building is revenue expenditure.
5.	Scholarships granted to students out of funds provided by Government will be Expenditure over incomes.

Fill in the Blanks

1.	The regular source of income of income of a club is ………………..
2.	The sale of old newspapers is of………………….. nature.
3.	Not for Profit Organisation is a …………………….Legal entity.
4.	Income and Expenditure Account shows the amount of subscription for the …………………. Irrespective of the fact whether it is received or not.
5.	NPO does not have ………………… like proprietorship, partnership and joint stock company.

¾ MARKS QUESTIONS

1.		Rs.
	Subscription received during 2018-2019	50,000
	Subscription outstanding on 31-3-2019	8,000
	Subscription outstanding on 01-04-2018	6,000
	Calculate the amount of subscription to be credited to Income & Expenditure a/c for the yr. 2018-2019.	
2.	Ascertain the amount of salary chargeable to Income & Expenditure A/c for 2019-2020	
		Rs.
	Total salaries paid in 2019-2020	10,200
	Prepaid salaries on 31-3-20019	1,200
	Prepaid salaries on 31-3-2020	600
	Outstanding salaries on 31-3-2019	900

	Outstanding salaries on 31-3-2020	750

3. How would you deal with the following items in the Balance sheet of a NPO?

	Rs.
1. Donations received for Auditorium construction (Expected total cost of the auditorium Rs.40,00,000)	25,00,000
2. Expenditure on construction of Auditorium	21,00,000
3. Receipts from Charity show	10,000
4. Charity show expenses	11,000
5. Prize Fund	25,000
6. 6% Prize fund Investment	25,000
7. Donation for Prize Fund	5,000
8. Prizes awarded	6,000

4. Calculate the amount Debited in Income & Expenditure A/c.:

Stock of Cricket equipment's on 1.1.2019	1,000
Stock of Cricket equipment's on 31.12.2019	1,500
Cricket equipment's purchased during the year	4,150

5. Calculate the sports material to be debited to Income & Expenditure A/c for the year ended 31-3-2020 on the basis of the following information:

Particulars	1.4.2019 (Rs.)	31.3.2020 (Rs.)
Stock of sports material	7,500	6,400
Creditors for sports material	2,000	2,600

Amount paid for sports material during the year was Rs.19,000

Comprehensive Problems:

6. From the following particulars of M/s. Jalaram Charity Hospital, prepare Income & Expenditure A/c and the Balance Sheet as on 31st March 2019.

Receipts	Rs.	Payments	Rs.
To Cash in hand 1.4.2018	7,130	By Medicines	30,590
To Subscriptions	47,996	By Doctor's Honorarium	9,000
To Donations	14,500	By salaries	27,500
To Interest on Bank Fixed Deposit @ 7% p.a. for full year	7,000	By Petty expenses	461
To charity show proceeds	10,450	By Equipments	15,000
		By charity show expenses	750
		By Cash in hand 31.3.2019	3,775
	87,076		87,076

Additional information:	1.4.2018 Rs.	31.3.2019 Rs.
Subscription due	240	280
Subscription received in advance	64	100
Stock of medicines	8,810	9,740
Building (Cost less depreciation)	40,000	38,000
Estimated value of equipment	21,200	31,600

7. Prepare Income & Expenditure A/c & Balance Sheet of Leo Club Mumbai for the yr. ended 31st Dec. 2019 from the following:

Receipts & Payments A/c
(for the year ended 31st December, 2019)

Receipts	Rs.	Payments	Rs.
Cash in hand b/d	4500	Salaries (11 months)	1100

Subscriptions: 2018 – 100 2019- 2400 2020 - 200	2700	Tournament exp.	1600
		Investments	1000
		Furniture	400
Sale of old furniture (Costing Rs.200)	140	Stationery	1200
Tournament Receipts	2000	Sports expenses	15000
Sports Fund	10000	Misc. expenses	200
Donations for Sports	3000	Rent paid up-to Feb. 2020	1400
		Cash in hand	440
	22340		22340

The club has 300 members each paying an annual subscription of Rs.10.Rs.70 are still outstanding for the year 2018. In 2018, 10 members had paid their subscription for 2019 in advance. Stock of stationery in 2018 was Rs.100 & in 2019 Rs.140.

On 1-1-2019, club owned Land & Building valued at Rs.20,000& furniture of Rs.1300. Interest accrued on investment @6% p.a. for 3 months.

8. On the basis of the information given below, calculate the amount of stationery debited to income and Expenditure account of Raman Health Club for the year ended31st March 2020:

Particulars	1st April 2019 Rs.	31st March2020 Rs.
Stock of Stationery	80,000	60,000
Creditors for Stationery	90,000	1,10,000

Stationery purchased during the year ended 31st March2020 Rs 4,70,000

9. Calculate the amount of subscriptions outstanding from the following information for the year ending 2018-19:

A club has 375 members each paying an annual subscription of Rs.1,000.

Subscriptions outstanding on 31st March 2018 ………………… Rs. 60,000

Subscriptions received in advance on 31st March 2019 …… …Rs.45,000

Subscription received in advance on 31st March 2018 ……….. Rs.18,000

The Receipt and Payment Account showed a sum of Rs.3,97,500 received as subscriptions.

10. Following is the Receipt and Payment Account of You Bee Club for the year ended 31st December, 2019:

Receipts	Rs.	Payments	Rs.
To Balance b/d	15,000	By Salaries	16,000
To Subscriptions:		By Office Expenses	3,500
2018	6,000	By Sports Equipment	34,000
2019	35,000	By Telephone Charges	2,400
To Donations	5,000	By Electricity Charges	3,200
To Entrance Fees	8,000	By Travelling Expenses	6,500
		By Balance c/d	3,400
	69,000		69,000

Additional Information:

(a) Outstanding Salaries Rs. 4,000.

(b) Outstanding Subscription for 2019 Rs. 5,500.

(c) Depreciate Sports Equipment by 25%.

Prepare Income and Expenditure Account of the Club from the above particulars.

11. Following is the Receipts and Payments Account of Star Club for the year ended 31st March 2013:

Receipts	Amount Rs.	Payments	Amount Rs.

Balance b/d	4,400	Salaries	18,200
Subscriptions	46,100	Rent	15,000
Interest	2,500	Printing and Stationery	7,300
Tournament Fund	12,000	Expenses on Charity Show	16,100
Donation	6,000	Tournament Expenses	7,500
Donation for Building	20,000	Investments Purchased	10,000
Receipt from advertisement in the year book	5,200	Furniture	6,000
		Balance c/d	16,100
	96,200		96,200

Subscriptions outstanding on 31st March 2012 were Rs. 4,500 and Investments valued Rs. 15,000. Prepare Income and Expenditure A/c for the year ended 31stMarch, 2013 depreciation furniture by 10%.

PARTNERSHIP FUNDAMENTALS:CHANGE IN PROFITSHARING RATIO , VALUATION OF GOODWILL.

Questions carrying 1mark each

1	State any two occasions when reconstitution of a partnership firm takes place.	1
2	The partnership deed is silent on payment of salary to partners. Amita a partner claim that she manages the business, she should get monthly salary of rupees 10,000. Is she entitled for the salary? Give reason.	1
3	Why is value of goodwill ascertained when a firm is reconstituted.	1
4	A partnership deed provides for interest on capital but there was loss instead of profit during the year 2019- 2020. What rate will be the interest on capital be allowed.	1
5	What do you mean by super profit?	1
6.	X, Y and Z are sharing profits and losses in the ratio of 5:3:2. With effect from 1st April,2015 they decide to share the future profits and losses in the ratio of 5:2:3. Calculate each partners' gain or sacrifice due to change in the ratio.	1
7	Chander and Sumanare partners in a firm. Without a partnership deed. Chander's capital is Rs. 10000 and Suman's capital is Rs. 14000. Chander has advanced the loan of Rs. 5000 and claims interest @ 12% p.a. on it. State with reason whether his claim is valid or not.	1
8	Give two circumstances under which fixed capital of the partner may change.	1
9	Interest on capital will be paid to the partners if provided for in the partnership deed but only out of a) Profit b) Reserves c) Accumulated profits d) Goodwill	1
10	A group of 40 people wants to form a partnership firm. They want your advice regarding the the maximum number of persons that can be there in the partnership firm and the name of the act under whose provision it is given.	1
11	In the absence of a partnership deed, what is the the ratio in which the profits of a firm are divided among the partners?	1
12	X and Y shared profits and losses in the ratio of 3:2. With effect from 1st April,2015 they agreed to share profits equally. The goodwill of the firm was valued at Rs. 60000. The necessary single adjustment entry will be (a) Dr. Y and Cr X with Rs. 6000 (b) Dr. X and Cr Y with Rs. 6000 (c) Dr X and Cr. Y with Rs. 600 (d) Dr. Y and Cr X with Rs. 600	1

13	A, B C were in the partnership sharing profit in the ratio of 4: 3 :1. The partners agreed-to share future profits in the ratio of 5:4:3. Calculate each partners gain or sacrifice due to change in ratio.	1
14	The average profits of a firm is Rs.48,000. The total assets of the firm are valued at Rs 8,00,000. Value of external liabilities is Rs. 5,00.000. Average rate of return in the same business is 12%. Calculate goodwill from capitalization of average profit method.	1
15	Interest on partners drawing under fluctuating capital account is debited to (a) Partners capital account (b) Profit and loss account (c) Drawing account (d) None of these	1

Questions carrying 3-4 marks each

1	P, Q and R are partners in a firm. Their capital accounts stood at Rs.30,000, Rs.15,000 and Rs.15,000 respectively on 1st April,2015. As per the provision of the deed: (1) R was to be allowed a remuneration of Rs.3,000 per annum, (2) Interest @5% p.a. was to be provided on capital and Profits were to be divided in the ratio of 2:2:1. Ignoring the above terms, net profit of Rs.18,000 for the year ended 31stMarch,2016 was	4
2	Mona, Nisha and Priyanka were partners sharing profits and losses equally. Their respective capitals wereRs.30,000, Rs.20,000 andRs.10,000. After closing the accounts for the year 2019 it was discovered that the interest on capital at the rate 6% p.a. was omitted before distributing the profits. Instead of changing the audited balance sheet it was decided to pass a single adjusting entry in the beginning of the year, so that the accounts of the previous years can be rectified. Pass the journal entry and show the working notes	3
3	Ram, Shyam, Ghanshyam and Radheshyam are partners sharing profits and losses on the ratio of 4:3:3:2. Their respective fixed capitals on 31st March, 2016 were Rs. 1,20,000. 1,80,000,2,40,000 and Rs. 1,80,000 respectively. After preparing the final accounts for the year ended 31st March, 2016, it was discovered that interest on capital @ 12% per annum was not allowed and interest on drawings amounting to Rs.. 4,000, Rs. 5,000, Rs. 3,000 and Rs. 2,400 respectively was also not charged. Pass necessary adjustment journal entry and showing your working clearly.	4
4.	Ravi and Mohan were partner in a firm sharing profits in the ratio of 7:5. Their respective fixed capitals were Ravi Rs. 10,00,000 and Mohan Rs. 7,00,000. The partnership deed provided for the following:- (i) Interest on capital @ 12% p.a. (ii) Ravi's salary Rs. 6000 per month and Mohan's salary Rs. 60000 per year. The profit for the year ended 31-03-2016 was Rs. 5,04,000 which was distributed equally without providing for the above. Pass an adjustment entry.	4
5	Sharma and Gupta decided to start a partnership firm to manufacture low cost jute bags as plastic bags were creating many environmental problems. They contributed capitals of 1,00,000 and 50,000 on 1st April, 2015 for this. Sharma expressed his willingness to admit Shakti as a partner without capital, who is specially abled but a very creative and intelligent friend of his. Gupta agreed to this. The terms of partnership were as follows : i. Sharma, Gupta and Shakti will share profits in the ratio of 2 : 2 : 1. i. Interest on capital will be provided @ 6% p.a. Due to shortage of capital, Sharma contributed Rs. 25,000 on 30th September, 2015 and Gupta contributed 10,000 on 1st January, 2016 as additional capital. The profit of the firm for the year ended 31st March, 2016 was Rs. 1,68,900. Prepare Profit and Loss Appropriation Account for the year ending 31st March, 2016	

6	A , and B are partners sharing profit in the ratio 3:2 with capitals of Rs. 5,00,000 and Rs. 3,00,000 respectively. Interest on capital is agreed @ 6% p.a. B is to be allowed an annual salary of Rs.25,000. During 2015 the profits of the year prior to calculation of interest on capital but after charging B's salary amounted to Rs.1,25,000 .A provision of 5% of the profits is to be made in respect of managers commission. Prepare Profit and loss Appropriation account.	3
7	A business has earned average profit of Rs. 100000. During the last few years.and normal rate of return in similar business is 10%. Find out the value of Goodwill by (i) Capitalisation of super profit method (ii) Super profit method if the goodwill is valued at 3 years purchase of super profit. Assets of the business were Rs. 1000000 and its external liabilities Rs. 180000	4
8	Mona, Nisha and Priyanka are partners in affirm. They contributed Rs 50,000 each as capital three years ago. At that time Priyanka agreed to look after the business as Mona and Nisha were busy. The profits for the past three years were Rs 15,000, Rs25,000 and Rs50,000 respectively. While going through the books of accounts;Mona noticed that the profit had been distributed in the ratio of1:1:2, when she enquired from Priyanka about this, Priyanka answered and that since she looked after the business she should get more profit. Mona disagreed and it was decided to distribute profit equally respectively for the last three years. You are required to make necessary corrections in the books of accounts of Mona, Nisha and Priyanka by passing an adjustment entry	4
9.	A and B were partners sharing ratio 3:2.they admitted C for 1/5th share in firm .C is guaranteed a minimum profit of 2,00,000 for the year any deficiency in C'S share is to be borne by A and B in the ratio of 4:1 .LOSS for the year was 1,00,000. Pass necessary Journal Entry.	
10.	A, B and C were partners in the ratio of 5:4:1. On 31st Dec. 2006 their balance sheet showed a reserve fund of Rs. 65,000, P&L A/C (Loss) of Rs. 45,000. On 1st January, 2007, the partners decided to change their profit sharing ratio to 9:6:5. For this purpose goodwill was valued at Rs. 1,50,000. The partners do not want to distribute reserves and losses and also do not want to record goodwill. You are required to pass single journal entry for the above.	

Questions carrying 6 marks each

1	Anwar, Bisvas and Divya are partners in a firm. Their capital accounts stood at Rs.8,00,000,Rs.6,00,000 andRs.4,00,000 respectively on 1st april,2015. They shared profits and losses in the ratio of 3:2:1 respectively. Partners are entitled to interest on Capital @ 6% per annum and salary to Bisvas and Divya @Rs.4,000 per month andRs.6,000 per quarter respectively as per the provisions of partnership deed. Biswas's share of profit including interest on capital but excluding salary is guaranteed at a minimum of Rs.82,000 p.a. Any deficiency arising on that account shall be met by Divya. The profits for the year ended 31st march,2016 amounted toRs.3,12,000. Prepare profit and loss appropriation account and journal entries for the year ended 31st march,2016.	6
2	X, Y and Z were partners in a firm. Their capitals on 01.04.2015 were; X Rs. 2,00,000 , Y Rs. 2,50,000 and Z Rs. 3,00,000. the partnership deed provided for the following; (i) they will share profits in the ratio of 2 : 3 : 3. (ii) X will be allowed a salary of Rs. 12,000 p.a. (iii) Interest on capital will be allowed @ 12% p.a. During the year X withdrew Rs. 28,000 Y Rs. 30,000 and Z Rs. 18,000. for the year ended 31.3.2016 the firm earned a profit of Rs. 5,00,000. Prepare profit and loss Appropriation account and partners capital accounts.	6
3	ANIL, SANDHYA and NEETU are partners in a firm on 1stapril 2015 the balance in their	6

	capital accounts stood at Rs.14,00,000, Rs.6,00,000 and Rs.4,00,000 respectively. They shared profits in the proportion of 7:3:2 respectively. Partners are entitled to interest on capital @ 6% p.a. and salary to Sandhya @ Rs.50,000 p.a. and a commission of Rs.3,000 per month to Neetu as per the provision of the partnership deed. Sandhya share of profit (excluding int. on capital) is guaranteed at not less than Rs.1,70,000 p.a. Neetu's shares of profit (including int. on capital but excluding salary) is guaranteed at not less than Rs. 1,50,000 p.a. any deficiency arising on that account shall be net by ANIL. The profit of firm for the year ended 31st march 2016 amounted to Rs.9,50,000. Prepare profit and loss appropriation account and necessary journal entries for the year ended 31st march 2016.	
4	Anand and Sonu were childhood friends and colleagues in a company who were thinking of starting something of their own someday. On 1st Jan, 2015 they thought of starting a stationery depot for the financially backward children of their area. They also admitted Manoj a differently abled educated youth who was unemployed as a partner of their firm without any capital contribution. Sonu also approached RohitKaul from Jammu, who was also eager to start something of this sort having lot of funds at his disposal, and persuaded him to join them. The following terms where agreed upon: a. Anand, Sonu and Rohit will contribute 30,000; 50,000 and 400,000 respectively as capital. b. Profit will be shared equally. c. Interest on capital will be allowed @ 5% p.a. The Profits of the firm for the year ended 31st Dec 2015 were 50,000. Prepare Profit & Loss Appropriation Account and capital account of the firm for the year.	6
5	(a) X, Y and Z were sharing profits and losses in the ratio of 5:3:2. They decided to share future profits and losses in the ratio of 2:3:5 with effect from 1st April, 2015. They decided to record the effect of the following, without affecting their book values: (i) Profit and Loss Account Rs.24,000 (ii) Advertisement Suspense Account Rs.12,000 Give adjustment entry for the above items. (b) On 1st April,2014 an existing firm had assets of Rs. 75000 including cash of Rs. 5000 The partners capital account showed a balance of Rs.60000 and the reserve constituted the rest. If the normal rate of return is 10% and goodwill of the firm is valued at Rs.24000 at four years purchase of super profit find the average profit of the firm.	3
6	Fill in the missing figure in following accounts: Profit & Loss Account Dr. For the year ended 31st March 2015 Cr.	6

Particulars	Rs.	Particulars	Rs.
To Managers commission 10%	12,000	By profit for the year	………………
To net profit transfer to: Profit & Loss Appropriation a/c	………………		
	………………		………………

Profit & Loss Appropriation Account

Dr. For the year ended 31st March 2015 Cr.

Particulars	Rs.	Particulars	Rs.

To Interest on Capital @ 8% p.a. A 24,000 B 16,000	………
To salary to B	………
To profit transfer to Capital Accounts: Rs. A 3/5 ……………. B 2/5 20,000	……..
By profit & loss Account	---------------

Partners Capital Account

Dr. For the year ended 31st March 2015 Cr.

Particulars	A	B	Particulars	A	B
To Balance c/d	…….	…….	By Balance b/d By Interest on Capital By Salary By P&L Appropriation a/c	…… …… ….. ……	……. ……. …… ……..
	…….	…….		……	……..

7	A,B and c were partners in a firm having capitals of 60,000, Rs 60,000 and Rs 80,000 respectively. Their current account balance were A: Rs 10,000, B: Rs 5,000 and C: Rs 2,000(Dr). According to the partnership deed the partners were entitled to interest on capital @5% p.a. C being the working partner was also entitled to a salary of Rs 6,000 p.a. The profits were to be divided as follows: (a) The first Rs 20,000 in proportion to their capital. (b) Next Rs 30,000 in the ratio of 5:3:2. (c) Remaining profits to be shared equally. The firm made a profit of Rs 1,56,000 before charging any of the above items. Prepare the profit and loss appropriation account and pass necessary journal entry.	6

ADMISSION OF A PARTNER (1 MARK QUESTIONS)

1.	How can be a new partner admitted?	1
2.	Give the two main rights acquired by the new partner.	1
3.	Why is sacrificing ratio calculated?	1
4.	What will be the ratio of sacrificing of the old partner in the case of admission of a new partner?	1
5.	Under what circumstances premium for goodwill paid by the incoming partner would never be recorded in the books of account?	1
6.	Pawan and Jayshree are partner. Bindu is admitted for 1/4th share. What is the ratio in which Pawan and Jyayshree will sacrifice their share in favour of Bindu?	1
7.	A,B and C word partners in the firm sharing profit in the ratio of 3:2:1. They admitted D as a new partner for 1/8thshare in the profitwhich he acquired 1/16th from B and 1/16 th from C. Calculate the new profit sharing ratio of A,B,C and D.	

8.	Amit and Bina partners in in a farm sharing profit and loss in the ratio of 3:1. Chaman was admitted as A new partner for 1/6 share in the profit. Chamanacquired2/5th share from Amit. How much share did Chaman acquire from Bina?	
9.	General reserve at the time of admission of a partner is transfer to__________account of of_________ partners.	
10.	Accumulated profits and losses at the time of admission of a partner are to be-transferred to revaluation account. (True/ false)	
	3 MARKS QUESTIONS	
1.	A and B are partners in a firm sharing profits in the ratio of 3:1. They admitted C as a new partner. The New profit- sharing ratio of A, B and C will be 2:1:1. C brought Rs.2,50,000 for his capital but could not bring his share of goodwill Rs.10,000 in cash. Pass necessary journal entries in the books of the firm for the amount of capital brought in by C and for the treatment of goodwill.	3
2	The capital of A and B are Rs. 50,000 and Rs. 40,000. To Increase the Capital base of the firm to Rs. 1, 50,000, they admit C to join the firm; C is required to Pay a sum of Rs. 70,000, what is the amount of premium of goodwill?	3
3.	Saloni and Shrishti were partners in a firm sharing profits in the ratio of 7:3. Their capitals were Rs.2,00,000 and Rs. 1,50,000 respectively. They admitted Aditi on 1st April, 2013 as a new partner for 1/6th share in future profits. Aditi brought Rs.1,00,000 as her capital. Calculate the value of goodwill of the firm and record necessary entries for the above transaction on Aditi's admission.	3
4	EK and FK were partners in a firm sharing profits in the ratio of 3 : 1. They admitted GK as a new partner on 1.3.2005 for 1/3rd share. It was decided that EK, FK and GK will share future profits equally. GK brought Rs.50,000 in cash and Machinery worth Rs.70,000 for his share of premium for goodwill. Showing your working clearly, give necessary entries.	3
5	The average profits for last 5 years of a firm are Rs. 20,000 and goodwill has been worked out Rs. 24,000 calculated at 3 years purchase of super profits. Calculate the amount of capital employed assuming the normal rate of return is 8 %.	3

4 MARKS QUESTIONS

1.	A and B were sharing profits in the ratio of 3 : 2. They decided to admit C into the partnership for 1/6th share of the future profits. Goodwill, valued at 4 times the average super profits of the firm, was Rs.18,000. The firm had Assets worth Rs.15,00,000 and Liabilities Rs.12,00,000. The normal earning capacity of such firms is expected to be 10% p.a. Find the Average Profits/Actual Profits earned by the firm during the last 4 years.	4
2.	X and Y are partners in a firm sharing profits in the ratio of 4:3. On 1st January they admitted Z as a new partner. On the date of Z's admission the balance sheet of X and Y showed a General Reserve of Rs.1,40,000 and a debit balance of Rs.14,000 in Profit and Loss Account. Give journal entries for the treatment of these items on Z's admission.	4
3.	Give Journal entries for the following on the admission of Vinod, as a partner in the Journal of Amit and Bobby: (a) Unrecorded Investments worth Rs.20,000 (b) Unrecorded Liabilities towards suppliers for Rs.6,000	4
	6 MARKS QUESTIONS	

1	X and Y are partners in a firm sharing profits in the ratio of 3:2. They admitted Z as a new partner for 1/5th share in future profits. At the time of admission of Z, Investment appeared at Rs. 1,00,000 in the Balance Sheet. Half of the Investments to be taken over by X and Y in their profit sharing ratio at book value. Remaining investments were valued at Rs. 62,500. One month after Z's admission, X and Y decided to allow a salary of Rs. 50,000 per annum to Z for the extra efforts and time devoted by him to the business. a. Pass necessary journal entries. b. Calculate new profit sharing ratio.	6
2.	A, B and C are partners in a firm sharing profits and losses in the ratio of 3:2:1. Their Balance Sheet as at 31st March, 2013 is as follows:	6

Balance Sheet

Liabilities	*(Rs.)*	*Liabilities*	*(Rs)*
Sundry Creditors	36,000	Cash	14,000
Bank Overdraft	20,000	Sundry Debtors 50000	
Reserve	15,000	Less: Provisions. 2500	47,500
Capital A/cs :		Stock	60,000
A 60,000		Patents	6,000
B 60,000		Fixed Assets	98,500
C 50,000	1,70,000	Goodwill	15,000
	2,41,000		**2,41,000**

On Ist April,2013, D is admitted into the firm with 1/4th share in the profits, which he gets 1/8 from A and 1/8the from B. Other terms of agreement are as under:

a. D will introduce Rs.60000 as his capital and pay Rs.18000 as his share of goodwill.
b. 20% of the reserve is to remain as a provision against bad and doubtful debts.
c. A liability to the extent of Rs.1000 to be created in respect of a claim for damages against the firm.
d. An item of Rs.4000 included in sundry creditors is not likely to be claimed.
e. Stock is to be reduced by 30% and patents to be written off in full.
f. A is to pay off the Bank Overdraft.

After making the above adjustments the capital accounts of the old partners be adjusted on the basis of D's Capital to his share in the business, i.e., actual cash to be paid off to, or brought in by, the old partners, as the case may be.

Pass necessary Journal entries for above transactions.

3	(a) A and B are partnersshare profit in the ratio Of 3:2 with capital of Rs. 80000 and Rs. 50,000 respectively. They admit C as partner with 1/5th share in the profits of the firm. C brings Rs. 60,,000 as his share of capital. Give journal entry to record goodwill on C's admission. (b) A and B were partners sharing profits in the ratio of 3:2. A surrenders 1/6th of his share and B surrenders 1/4th of his share in favour of C, a new partner. What is the new ratio and the sacrificing ratio	6
	8 MARKS QUESTIONS	
1.	Rajat and Ravi are partners in a firm Sharing profit and losses in the ratio of 7:3 their balance sheet as at 31st march ,2007 is as follows-	8

Liabilities	**Amount**	**Asset**	**Amount**
Creditor	60,000	Cash	36000
Reserve	10,000	Bank	90,000
Capital		Debtors	44,000

Rajat Ravi	1,00,000 80,000	Furniture Stock	30,000 50,000
	2,50,000		**2,50,000**

On 1st April ,2007 they admit Rohan on the following tem:-

(i) Goodwill is valued at Rs 40,000 and Rohan is to be bring in the necessary amount in cash as premium for goodwill and Rs 60,000 as capital for ¼ share in profits.

(ii) Stock is to be reduced by 40% and furniture is to be reduced to 60%

Capital of partners shall be proportionate to their profit sharing ratio taking Rohan's capital as base. Adjustments of capital to be made by cash. Prepare necessary ledger A/c,s and Balance Sheet of new firm.

2. A and B are partners in a firm sharing profits and losses in the ratio of 3:2. On 31st March, 2009, their Balance Sheet was as under: 8

Liabilities	*(Rs.)*	*Liabilities*	*(Rs)*
Creditors Capital A/cs : A 1,50,000 B 80,000	70,000 2,30,000	Bank Debtor stock Furniture goodwill	40,000 1,20,000 60,000 50,000 30,000
	3,00,000		**3,00,000**

On the above date C is admitted as a partner. A surrendered 1/6th of his share and B 1/3rd of his share in favour of C. Goodwill is valued at Rs.120000. C brings in only ½ of his share of goodwill in cash and Rs.100000 as his capital. Following adjustment are agreed upon:

i. Stock is to be reduced to Rs.56000 and furniture by Rs.5000

ii. There is an unrecorded asset worth Rs.20000.

iii. One month's rent of Rs.15000 is outstanding.

iv. A creditor for goods purchased for Rs.10000 had been omitted to be recorded although the goods had been correctly included in stock.

v. Insurance premium amounting to Rs.8000 was debited to P&L A/c, of which Rs.2000 is related to the period after 31st March, 2009.

You are required to prepare Revaluation account, partners' capital account and the balance sheet of the new firm. Also calculate the new profit sharing ratio.

3. A, B and C are partners in a firm sharing profits and losses in the ratio of 3:2:1. Their Balance Sheet as at 31st March, 2013 is as follows: 8

Balance Sheet

Liabilities	*(Rs.)*	*Liabilities*	*(Rs)*
Sundry Creditors Bank Overdraft Reserve Capital A/cs : A 60000 B 60000 C 50000	36000 20000 15000 170000	Cash Sundry Debtors 50000 Less: Provisions <u>2500</u> Stock Patents Fixed Assets Goodwill	14000 47500 60000 6000 98500 15000
	241000		**241000**

On Ist April,2013, D is admitted into the firm with 1/4th share in the profits, which he gets 1/8 from A and 1/8the from B. Other terms of agreement are as under:

	a. D will introduce Rs.60000 as his capital and pay Rs.18000 as his share of goodwill. b. 20% of the reserve is to remain as a provision against bad and doubtful debts. c. A liability to the extent of Rs.1000 to be created in respect of a claim for damages against the firm. d. An item of Rs.4000 included in sundry creditors is not likely to be claimed. e. Stock is to be reduced by 30% and patents to be written off in full. f. A is to pay off the Bank Overdraft. After making the above adjustments the capital accounts of the old partners be adjusted on the basis of D's Capital to his share in the business, i.e., actual cash to be paid off to, or brought in by, the old partners, as the case may be. Prepare Revaluation Account, Partners' Capital Accounts and Balance Sheet of the new firm.	

RETIREMENT AND DEATH OF A PARTNER

Question from 1 to 12 carry 1 marks

1.	Gaining Ratio means the ratio by which the share in profit stands increased. It is computed by deducting old ratio from the ------------------------	
2.	Give the Journal entry to distribute the 'Workmen Compensation Reserve' of Rs.60,000 at the time of retirement of Vinod, when there is no claim against it. There are three partners.	
3.	Define the term sacrificing partner and gaining partner.s	
4.	Calculation of share of diseased partner's profit up to date of death will be calculated on the basis of- (a) Yearly basis (b) Time basis (c) Turnover basis (d) Both Time basis and Turnover basis	
5.	Dinkar, Navita and Vani were partners sharing profits and losses in the ratio of 3:2:1 Navita died on 30th June, 2017. Her share of profit for the intervening period was based on the Sales during that period, which were Rs.6,00,000. The rate of profit during the past four years had been 10% on sales. The firm closes its books on 31st March every year.	
6.	If the retiring partner is not paid the full amounts due to him immediately on retirement, how his Capital Account should be shown in subsequent Balance Sheet.	
7.	A,B and C are partners with profit sharing ratio of 4:3:2. B retired and goodwill was valued Rs1,08,000. If A & C share profits in 5:3, find out the goodwill shared by A and C in favour of B. (a) Rs.22,500 and Rs.13,500 (b) Rs.16,500 and Rs.19,500 (c) Rs.67,500 and Rs.40,500 (d) Rs.19,500 and Rs.16,500	
8.	A, B and C are equal partners in a firm whose books are closed on 31st December every year. A died on 31.03.1991 and according to agreement his share of profit upto date of death is to be calculated on the basis of average profits of last 3 years. Net profits for the last 3 years were Rs.8,000, Rs.10,000 and Rs.19,000. Calculate A's share of profit and pass necessary journal entry.	
9.	Ram, Mohan and Sohan are partners in a firm sharing profits in the ratio of 2:2:1. Sohan retires and the Balance sheet of the firm on that date showed the following balances:- General Reserve Rs.60,000 Profit and Loss A/c Rs.15,000 Work men's compensation fund Rs.10,000. Pass journal entries for the above balances.	
10.	A, B, C are partners sharing profits in the ratio of 3:2:1. C dies on 30 June 2011. Accounts are closed on 31st March every year. Sales for the year ending 31st March 2011 was Rs.6,00,000. Sales form1st April 2011 to 30th June 2011 was Rs.2,40,000. The profit for the year ended 31st March 2011 was Rs.30,000. Calculate C's share of profit and Pass necessary Journal Entry.	
11.	A, B and C are partners sharing profits in the ratio of 5:2:1. If the new ratio on the retirement of A is 3:2, what will be the gaining ratio? (a) 11 : 14 (b) 3 : 2 (c) 2 : 3 (d) 14 : 11	

12.	Retiring partner is compensated for parting with the firm's future in favour of remaining partners. The remaining partners contribute to such compensation amount in : (a) Gaining Ratio (b) Capital Ratio (c) Sacrificing Ratio (d) Profit sharing Ratio	

Question from 12 to 19 carry 3, 4, 6 Marks

13. Alia, Karan and Shilpa were partners in a firm sharing profits in the ratio of 5 : 3 : 2. Goodwill appeared in their books at a value of Rs.60,000 and general reserve at Rs.20,000. Karan decided to retire from the firm. On the date of his retirement goodwill of the firm was valued at Rs.2,40,000. The new profit sharing ratio decided among Alia and Shilpa was 2 : 3. Record necessary Journal Entries on Karan's retirement in the books of firm.

14. Varun, Arun and Karan were partners in a firm sharing profits in the ratio of 2 : 2 : 1. The firm closes its books on 31st March every year. On 31-12-2015 Karan died. On that date his Capital account showed a credit balance of Rs.3,80,000 and Goodwill of the firm was valued at Rs.1,20,000. There was a debit balance of Rs.50,000 in the profit and loss account. Karan's share of profit in the year of his death was to be calculated on the basis of the average profit of last five years. The average profit of last five years was Rs.75,000.
Pass necessary journal entries in the books of the firm on Karan's death.

15. Radhey, Krishna & Gopal are partners sharing profits and losses in the ratio of 3 : 2 : 1. On 1st April, 2013 their capital balances were Radhey –Rs.1,50,000; Krishna –Rs.1,50,000; and Gopal –Rs.1,00,000. Gopal retires on the same date and Goodwill is valued at Rs.1,80,000. Radhey and Krishna decided to share profits or losses in the ratio of 3 : 1. Goodwill already appears in the books at Rs.48,000 along with credit balance of Rs.18,000 in General Reserve Account. Gopal requested the firm to pay off his dues immediately as he needs money for his daughter's marriage. The firm accepted his request.
Calculate amount payable to Gopal on his retirement.

16. Dev, Swati and Sanskar were partners in a firm sharing profits in the ratio of 2 : 2 : 1. On 31st March, 2014 their balance sheet was as follows.

Balance Sheet (as at 31st March 2014)

Liabilities		Amt. (Rs.)	Assets	Amt. (Rs)
Trade Payables		17,000	Building	1,00,000
Bank Loan		13,000	Inventory	20,000
Capital A/c's			Trade Receivables	23,000
Dev	77,000		Cash	40,000
Swati	87,000		Profit and Loss A/c	57,000
Sanskar	46,000	2,10,000		
		2,40,000		2,40,000

On30th June, 2014 Dev died. According to partnership agreement, Dev was entitled to interest on capital @12% per annum. His share of profit till the date of his death was to be calculated on the basis of the average profits of last four years. The profits of the last four years swere:

Years	Profit (Rs)
2010-2011	2,04,000
2011-2012	1,80,000
2012-2013	90,000
2013-14 loss	(57,000)

On 1st April, 2014, Dev withdrew Rs 15,000 to pay for his medical bills.
Prepare Dev's Capital account to be presented to his executors

17. Ashok, Babu and Chetan were partners in a firm sharing profits in the ratio of 4 : 3: 3. The firm closes its books on 31st March every year. On 31st December, 2016, Ashok died. The partnership deed provided that on the death of a partner, his executors will be entitled to the following.
(i) Balance in his capital account. On 1st April,2016, there was abalance of Rs90,000 in Ashok's capital account.
(ii) Interest on capital @12% per annum.

	(iii) His share in the profits of the firm in the year of his death will be calculated on the basis of rate of net profit on sales of the previous year, which was 25%. The sales of the firm till 30th December,2016 were Rs.4,00,000. (iv) His share in the goodwill of the firm. The goodwill of the firm on Ashok's death was valued at Rs.4,50,000. The partnership deed also provided for the following deductions from the amount payable to the executor of the deceased partner. (v) His drawings in the year of his death. Ashok's drawing still 31st December,2016 were Rs.15,000. (vi) Interest on drawing @12% per annum which was calculated as Rs.1,500. The accountant of the firm prepared Ashok's capital account to be presented to the executor of Ashok but in a hurry he left it incomplete. Ashok's capital account as prepared by the firm's accountant is given below:-

Dr. Ashok's Capital A/c Cr.

Date	Particulars	Amt.	Date	Particulars	Amt.
2016			2016		
Dec. 31	To………………………	15,000	April 1	By………………………	90,000
Dec. 31	To………………………	…………	Dec. 31	By………………………	8,100
Dec. 31	To………………………	…………	Dec. 31	By………………………	40,000
			Dec. 31	By………………………	90,000
			Dec. 31	By………………………	90,000
		3,18,100			3,18,100

You are required to complete Ashok's Capital A/c.

18. Lalit, Madhur and Neena were partners sharing profits as 3 : 2 : 5 On March 31st, 2013 their Balance Sheet was as follows:-

Balance Sheet (as at 31st March 2013)

Liabilities		Amount	Assets	Amount
Capitals:			Goodwill	3,00,000
	Lalit	3,00,000	Land and building	5,00,000
	Madhur	2,00,000	Machinery	1,70,000
	Neena	5,00,000	stock	30,000
Creditors		7,50,000	Debtors	1,20,000
General Reserve		1,00,000	Cash	45,000
Loan from Seth		50,000	Profit and Loss A/c	6,00,000
		12,25,000		12,25,000

On 14th March Madhur died.

The partnership deed provided that on the death of a partner the executor of the deceased partner is entitled to

(i) Balance in capital A/c

(ii) Share in profit up to death on the basis of last years profit

(iii) His share in orofit /loss on revaluation of assets and liabilities as follows

Land and building was to be appreciated by Rs.1,20,000; Machinery was to be depreciated to Rs.135,000 and stock to Rs.25,000. A provision of 2.5% for bad and doubtful debts was to be created on debtors.

The net amount payable to Madhur's executors was transferred to his Loan A/c.

Prepare Revaluation A/c, Partner's capital Accounts and Madhur's Executors A/c .

19. Chinku, Shobha and Nikita were partners in a firm sharing profit and loss in the ratio of 2 : 2 : 1. The firm closes its books on 31st March every year. On 30th September 2014, Nikita died. According to the provisions of the partnership deed, the legal representatives of Nikita were entitled to the following in the event of death:

i) Capital as per last balance sheet date

ii) Interest on capital @ 6% p.a.

iii) Her share of profits to the date of death calculated on the basis of the average profits of the last four years.

iv) Her share of goodwill to be determined on the basis of three years' purchase of the average profits of last four years. The profits of last four years were:

YEAR	PROFITS
2010-11	30,000
2011-12	50,000
2012-13	40,000
2013-14	60,000

The balance in Nikita's capital account on 31-3-2014 was Rs.60000 and she had withdrawn Rs.10000 till the date of her death. Interest on her drawings was to be charged @12% p.a. Prepare Nikita's capital account to be rendered to her executors.

Question from 20 to 25 carry 6 to 8 marks

20. The Balance Sheet of X, Y and Z who are sharing profits in the ratio of 2:3:1, as at 31st March, 2013 is given below

Balance Sheet (as at 31st March 2013)

Liabilities	Rs.	Assets	Rs.
X's Capital A/c	2,00,000	Goodwill	24,000
Y's Capital A/c	4,00,000	Land and Building	5,00,000
Z's Capital A/c	6,00,000	Investments (M.V.92,000)	1,00,000
Workmen's compensation Fund	40,000	Stock	1,60,000
Investment fluctuation Fund	20,000	Debtors	6,00,000
Provision for doubtful debts	20,000	Bank	5,92,000
Creditors	7,20,000	Advertising Suspense A/c	24,000
	20,00,000		20,00,000

Z died on 1st April, 2013 and X & Y decided to share future profits and losses in the ratio of 3:2 and 50% of the amount payable to Z is to be paid immediately and the balance in two equal installments together with interest @ 10% p.a.

Other information:

(i) Goodwill is to be valued at two years' purchase of average profits of last three completed years. The profits were ; 2010-11 Rs.90,000; 2011-12 Rs.1,80,000 and 2012-13 Rs.2,70,000.

(ii)Land and Building was found undervalued by Rs.50,000 and stock was found overvalued Rs.16,000.

(iii) Provision for doubtful debts is to be made equal to 5% of the debtors.

(iv) Claim on account of Workmen's compensation is ₹16,000.

Prepare revaluation account Partners capital account and Balance Sheet of the new firm

21. 21. X, Y and Z were partners in a firm whose Balance sheet as on 31-03-2012 was as under:

Liabilities	**Amt.**	**Assets**	**Amt.**
Creditors	18,240	Cash	16,240
General reserve	7,500	Debtors	22,500
Capitals:-		Stock	26,500
X	20,000	Furniture	5,000
Y	14,500		
Z	10,000		
	70,240		70,240

Y Retired on that date. In this connection, it was decided to make the following adjustments:

(a) To reduce stock and furniture by 5% and 10% respectively

(b) To provide for doubtful debts @5% on debtors.

(c) A long dispute with creditors was settled and the firm had to pay Rs. 9050. In anticipation Rs. 6000 have already been included in the sundry creditors by the firm.

(d) Goodwill was valued at Rs. 12000

(e) To share future profits in the ratio of 5:3

(f) Y should be paid off and the entire sum payable to Y shall be brought in by X and Z in such
a way that their capital should be in the profit sharing ratio.

	Prepare Revaluation A/c; Partners Capital A/c; and Balance Sheet of the new firm.	

22. Q and R were partners sharing profits in 3:2:1 on 1st April, 2007, Q retired. On that date Balance Sheet was as follows :-

Balance Sheet (as at 31st March 2007)

Liabilities	Rs.	Assets	Rs.
General Reserve	12,000	Plant	60,000
Expenses Owing	4,000	Patents	6,000
Bills Payable	10,000	Debtors	19,000
Creditors	20,000	Stock	22,000
Capital A/cs:		Cash	1,000
P 24,000			
Q 20,000			
R 18,000	62,000		
	1,08,000		1,08,000

The terms were:

Goodwill of the firm be valued at Rs.24,000 and Q's share of goodwill be adjusted in the accounts of P and R share the profits and losses in the ratio of 3:2

Expenses owing are to be brought down to Rs.3000; Plant is to be valued at 10 percent less and Patents at Rs.8,000.

The total capital of the new firm will be fixed at Rs.50,000 to be contributed by partners in profit sharing ratio.

Prepare Revaluation Account and partners' Capital accounts to record the above and prepare Balance sheet after Q's retirement.

23. Akshata, Preeti and Akansha are partners in a firm sharing profits and losses in the ratio of 2 : 2 : 3. On 31-3-2015, their Balance Sheet was as follows:

Balance Sheet (as at 31-03-2015)

Liabilities	Amount	Assets	Amount
Trade Creditors	1,60,000	Land and Building	10,00,000
Bank overdraft	44,000	Machinery	5,00,000
Long term debts	4,00,000	Furniture	7,00,000
Employees Provident Fund	76,000	Investment	2,00,000
Capitals		Closing Stock	8,00,000
Akshata	1,25,0000	Sundry Debtors	4,00,000
Preeti	8,00,000	Bank	80,000
Akansha	10,50,000	Deferred Revenue Expenditure	1,00,000
	37,80,000		3780000

On 31-3-2015, Preeti retired from the firm and the remaining partners decided to carry on the business. It was decided to revalue assets and liabilities as under:

(a) Land and building be appreciated by Rs.2,40,000 and Machinery be depreciated by 10%

(b) 50% investments were taken over by the retiring partner at book value

(c) An old customer, Mansi whose account was written off as bad had promised to pay Rs.7000 in full settlememt of a debt of Rs. 10000

(d) Provision for doubtful debts was to be made @5%

(e) Market price of closing stock was found Rs. 100000 less than its book value

(f) Goodwill of the firm is valued at Rs. 560000and Preeti's share of goodwill be adjusted through capital accounts of continuing partners who agree to share in 3:2 in future.

(g) The total capital of the firm be fixed at Rs. 3200000 which is to be contributed by the continuing partners in their profit sharing ratio.

(h) Amount due to Preeti was settled by accepting a bill of exchange in her favour payable after 4 months.

Prepare necessary ledger accounts and the Balance Sheet of the new firm

24. Bhavin, Ankit and Kartik were equal partners. Their Balance Sheet as at 31st March 2012 was

:

BALANCE SHEET as at 31st March, 2012

Liabilities	Amt. (Rs.)	Assets		Amt. (Rs.)
Creditors	60,000	Cash		18,000
Reserve	30,000	Stock		20,000
Profit and Loss A/c	6,000	Furniture		28,000
Capital A/c :		Debtors	45,000	
Bhavin : 60,000		Less : Provision for		
Ankit : 40,000		Bad debts	5,000	40,000
Kartik : 30,000	1,30,000	Land & Building		1,20,000
	2,26,000			2,26,000

Ankit retired on 1st April, 2012. Bhavin and Kartik decided to continue the business as equal partners on the following terms:

a) Goodwill of the firm was valued at Rs. 30,000.
b) The Provision for Bad Doubtful debts to be maintained @ 10 % on Debtors.
c) Land and Buildings to be increased to Rs. 1,42,000.
d) Furniture to be reduced by Rs. 6,000.
e) Rent outstanding (not provided for as yet) was Rs. 1,500.

Prepare the Revaluation Account, Partners' Capital Accounts and the Balance Sheet.

25. X, Y and Z are partners in a firm sharing profits in proportion of 1/2, 1/6 and 1/3 respectively. The Balance Sheet as on April 1, 2014 was as follows:

Liabilities	Amount(Rs.)	Assets		Amount(Rs.
Employees Provident Fund	12,000	Freehold Premises		40,000
Sundry Creditors	18,000	Machinery		30,000
General Reserve	12,000	Furniture		12,000
Capitals :-		Stock		22,000
X	30,000	Debtors	20,000	
Y	30,000	Less provision for		
Z	28,000	doubtful debts	1,000	19,000
		Cash		7,000
	1,30,000			1,30,000

Z retires from the business and the partners agree that:

(a) Machinery is to be depreciated by 10%.
(b) Provision for bad debts is to be increased to Rs. 1,500.
(c) Furniture was taken over by Z for Rs. 14,000.
(d) Goodwill is valued at Rs. 21,000 on Z's retirement.
(e) The continuing partners' have decided to adjust their capitals in their new profit sharing ratio after retirement of Z. Surplus or deficit if any, in their capital accounts will be adjusted through their current accounts.

Prepare Revaluation A/c; Partners' Capital A/c's and Balance Sheet after Z's retirement.

DISSOLUTION OF PARTNERSHIP FIRM

Question 1 to 9 carry 1 marks

1. When an asset is taken over by a partner, why is his capital account debited?
2. Differentiate between dissolution of partnership and partnership firm on the basis of court's intervention.
3. What shall be the journal entry for unrecorded assets in Realisation A/c.
4. On Dissolution of a firm, a partner paid Rs700 for firm's realization expenses. Which account will be debited?
(a) Cash Account (b) Realisation A/c (c) Capital A/c of Partner (d) Profit & Loss A/c
5. On dissolution of a firm, out of the proceeds received from the sale of assets …………… Will be paid first of all:
(a) Partner's Capital (b) Partner's Loan to firm

	(c) Partner's additional Capital (d) Outside Creditors	
6.	In which condition a partnership firm is deemed to be dissolved ? (a) On a partners admission (b) On retirement of a partner (c) On expiry of the period of partnership (d) On loss in partnership	
7.	At the time of the dissolution of the firm, how undistributed profits such as GeneralReserve, CreditBalance of P & L A/c are dealing with?	
8.	Write any one differences between Realisation A/c and Revaluation A/c.	
9.	The amount of sundry assets transferred to Realisation A/c was Rs.80,000. 60% of them have been sold at a profit of Rs.2,000. 20% of the remaining were sold at a discount of 30% and remaining were taken over by Ramlal (a partner) at book value. Journalise.	

Question 10 to 19 carry 3, 4 and 6 marks.

10. State the provisions of Section 48 of the Partnership Act. 1932 regarding settlement of Accounts during the Dissolution of Partnership firm.

11. State any six situations in which the court may order to dissolve a partnership firm.

12. Verma and Sharma are partner sharing profit in the ratio 3 : 1. There balance sheet as on 31/3/2011.

Liabilities	Amt.	Assets	Amt.
Capital:		Land and building	70,000
Verma : 120000		Machinery	60,000
Sharma: 80000	2,00,000	Debtors	80,000
Creditor	70,000	bank	60,000
	2,70,000		2,70,000

The firm was dissolved on 1/4/2011 and the assets and liabilities were settled as follows
(i) Creditors of rs, 50000 took over land and building in full settlement of their claim.
(ii) Remaining creditors were paid in cash.
(iii) Machinery was sold at depreciation of 30%.
(iv) Debtors were collected at a cost of rs. 500
(v) Expenses of realisation were Rs. 1700
Pass necessary journal entries for the dissolution of the firm.

13. Pass the necessary Journal entries for the following transactions on the dissolution of the firm of King and Singh after the various assets (other than cash) and outside liabilities have been transferred to Realisation Account:
(i) Bank Loan Rs.45,000 was paid.
(ii) Stock worth Rs.60,000 was taken over by a partner Singh.
(iii) King paid Rs.27,000 to a creditor.
(IV) A liability not appearing in the books of accounts settled Rs.11,100.
(v) Expenses of realisation Rs.2,700 were paid by partner Singh.
(vi) Profit on realisation Rs.21,300 was distributed between King and Singh in 7:3 Ratio.

14. Pass necessary journal entries for the following transactions at the time of dissolution of the firm.
(a) loan of Rs 10,000 advanced by a partner to the firm on dissolution of the firm.
(b) X, a partner takes over an unrecorded assets (typewriter) atRs.300.
(c) Undistributed balance (debit) of P/L accountRs.30,000. The firm has three partners X, Y and Z.
(d) The assets of the firm realized Rs 1,25,000.
(e) Y who undertakes to carry out the dissolution proceedings is paid Rs.2,000 for the same.
(f) Creditors paid Rs.28,000 in full settlement of their account ofRs.30,000.

15. Journalise the following transactions regarding Realisation expenses.
a) Realisation expenses amounted to Rs.2,500.
b) Realisation expenses amounting to Rs.3,000 were paid by Ashok, one of the partners.
c) Realisation expenses Rs.2,300 borne by Tarun, personally one of the partner.
d) Amit, a partner was appointed to realize the assets, at a cost of Rs.4,000.The actual

amount of Realisation amounted to Rs.3,000.

16. X and Y are partners in the firm who decided to dissolve the firm. Assets and Liabilities are transferred to Realisation account. Pass necessary journal entries—

a. Creditors were Rs.1,00,000. They accepted Building valued Rs.1,40,000 and paid cash to the firm Rs.40,000.
b. Aman, an old customer whose account of Rs.1,000 was written off as bad in the previous year paid 40% of the amount.
c. There were 300 shares of Rs.10 each in ABC Ltd. which were acquired for Rs.2,000 were now valued at Rs.6 each. These were taken over by the partners in the profit sharing ratio.
d. Profit on Realisation Rs.42,000 was divided among the partners.
e. Land and Building (Book value Rs.1,60,000) was sold for Rs.3,00,000 through a broker who charged 2% commission on the deal.

17. E and F are partner in a firm sharing profits in the ratio of 3:2 .there balance sheet as on 31/03/2015

Liabilities	Amount	Assets	Amount
Creditors	25,000	Building	1,00,000
outstanding expense	5,000	Plant	40,000
Capital account		Stock	30,000
E: 90,000		debtors	45,000
F: 1,20,000	2,10,000	cash	25,000
	2,40,000		2,40,000

On the above date the firm was dissolved. Stock was taken over by E at a discount of 10% . F took over debtors for Rs.40,000. Plant was sold for Rs.30,000 and buildings realised Rs.80,000. F arrange to pay the creditors. E paid outstanding expense. Expense of realisation amounted to Rs.7500. Prepare Realisation A/c.

18. Ramesh and Umesh were partners in a firm sharing profits in the ratio of their capitals. On 31st March, 2013, their Balance Sheet was as follows:-

Liabilities	Amt.	Assets	Amt.
Creditors	1,70,000	Bank	1,10,000
Workmen Comp. Reserve	2,10,000	Debtors	2,40,000
General Reserve	2,00,000	Stock	1,30,000
Ramesh's Current A/c	80,000	Furniture	2,00,000
Capital A/c's		Machinery	9,30,000
Ramesh- 7,00,000		Umesh's Current A/c	50,000
Umesh - 3,00,000	10,00,000		
	16,60,000		16,60,000

On the above date the firm was dissolved.

(a) Ramesh took over 50% of stock at Rs.10,000 less than book value. The remaining stock was sold at a loss of Rs.15,000. Debtors were realized at a discount of 5%.

(b) Furniture was taken over by Umesh for Rs.50,000 and machinery was sold for Rs.450000.

(c) Creditors were paid in full.

(d) There was an unrecorded bill for repairs for Rs.1,60,000 which was settled at Rs. 140000.

Prepare Realisation Account.

19. A and B are in partnership sharing profits and losses in the ratio of 3:1. Their Balance Sheet on 31st March, 2013 was as follows:

Liabilities	Rs.	Assets	Rs.
Creditors	38,500	Debtors	30,000
A's Loan A/c	2,750	Stock	19,000

Capitals:		Furniture	7,200
A 15,200		Bank balance	11,450
B 11,200	26,400		
	67,650		67,650

The firm was dissolved on the above date. The assets realised: Stock ₹13,840, Furniture₹ 5,150 and Debtors ₹29,200. The creditors were paid less discount amounting ₹250. The dissolution expenses were ₹ 520. Prepare necessary ledger accounts.

Question 20 to 24 carry 6 to 8 marks

20. The Balance sheet of P, Q & R as on 31st March 2003. Who are sharing profits in the ratio of 5:3:1 was as follows:

Liabilities	Amt.	Assets		Amt.
Bills Payable	40,000	Building		40,000
Loan From Bank	30,000	Plant & Machinery		40,000
Reserve Fund	9,000	Stock		19,000
Capital A/C's		Debtors	42,000	
P-- 44,000		Less: Provisions	2,000	40,000
Q-- 36,000		Cash		40,000
R-- 20,000	1,00,000			
	1,79,000			1,79,000

The partners dissolved the firm, the assets realized stock – Rs.23,400, Debtors – 50% fixed assets – 10% has than their book value B/P were settled for Rs.32,000. There was our outstanding bill of Rs.800. Which was paid off. Realisation expense Rs.1,250 were also paid. Prepare realization A/c, Bank A/c and partners capital A/c.

21. Monu and Shiksha were partners sharing profits and losses in the ratio of 3:2. They decided to dissolve their firm on 31-03-2015, when their balance sheet was as follows:

BALANCE SHEET

Liabilities	Amt.	Assets		Amt.
Creditors	40,000	Cash		14,000
Monu's Brother's loan	10,000	Stock		8000
Shiksha's loan	15,000	Debtors	18000	17,000
		Less PFBDD	1000	
Gen Res	5,000	Furniture		4,000
		Plant		30,000
Monu's capital	10,000	Investment		10,000
Shiksha capital	8,000	P/L A/c		5,000
	88,000			88,000

The Firm was dissolved on 1-4-2015 on the following terms:

a) Monu took over investments at Rs. 8000 and agreed to pay off her brother's loan
b) The assets realized as follows: stock- Rs. 2000, Debtors-Rs. 20500, Furniture- Rs. 1000 more than the book value and Plant Rs. 20000 less than its book value
c) Realisation expenses Rs. 1200
d) Creditors were paid off at a discount of 3%
e) Firm had an unrecorded asset of Rs. 5000 which was accepted by an unrecorded liability of Rs. 7000 in full settlement

Prepare necessary accounts to close the books of the firm.

22. A, B and C were equal partners. On 31st March 2019 their balance sheet stood as:

Liabilities	Amt.	Assets	Amt.
Creditors	50,400	Cash	3,700
Reserve	12,000	Bank	20,100
Capital A/c's		Debtors	62,600
A—40,000		Loan to 'A'	10,000

B---25,000 C---15,000	80,000	Investments Furniture Building	16,000 6,500 23,500
	1,42,400		1,42,400

The firm was dissolved on the above date on the following terms:

(i) For the purpose of dissolution Investments were valued at Rs.18,000 and A took over the investments at this value.

(ii) Fixed Assets realized Rs.29,700 where as Stock and Debtors realized Rs.80,000.

(iii) Expenses of Realisation amounted to Rs.1,300.

(iv) Creditors allowed a discount of Rs.800.

Prepare Realisation Account, CashAccount and Partner's Capital Accounts showing how the accounts would finally be settled among the partners.

23. Vishal and Pavitra were partners in a firm sharing profits in the ratio of 3 : 2. The Balance Sheet of the firm on 31st March, 2016 was as follows :

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
Sundry creditos	80,000	Bank	1,72,000
Pavitra's Sister's loan	20,000	Debtors	27,000
Vishal's Capital	1,75,000	Stock	50,000
Pavitra's Capital	1,94,000	Furniture	2,20,000
	4,69,000		4,69,000

On the above date the firm was dissolved. The assets were realized and the liabilities were paid off as follows :

a) 50% of the furniture was taken over by Vishal at 20% less than book value. The remaining furniture was sold for Rs.1,05,000.
b) Debtors realized Rs.26,000.
c) Stock was taken over by Pavitra for Rs. 29,000.
d) Pavitra's sister's loan was paid off along with an interest of Rs.2,000.
e) Expenses on realization amounted to Rs.5,000.

Prepare Realisation Account, Partner's Capital Accounts.

ACCOUNTING FOR SHARE CAPITAL

VERY SHORT ANSWER TYPE QUESTIONS [1 MARK]

Q.1	What is meant by issue of shares at premium?	
Q.2	What is meant by over-subscription? What options does a Company have to deal with over-subscription?	
Q.3	Equity shareholders are ; (a) Creditors (b)Owners (c) Customers of the company (d) None of these	
Q.4 .	A company issued 25,000 shares and received applications for 35,000 shares. Company wants to allot shares to everyone who has applied. What will be the ratio for allotment:- (a) 6:7 (b) 7:5 (c) 5:7 (d) 7:6	
Q.5	In a Public Company the maximum number of members is : (a) 50 (b) 1000 (c) 20 (d) Upto number of shares	
Q.6.	Premium received on issue of shares at : (a) Liabilities side (b) Assets side (c) Credit side of profit and loss A/c (d)Debit side of profit and loss A/c	
Q.7	Which amongst the following shares confer voting rights on its holders ? (a) Equity share (b) Redeemable preferences shares	

.	(c) participatory preference shares (d) None of these	
Q.8 .	A Company forfeited 60 shares ofRs. Rs. 10 each Rs. 8 per share called up on which X had paid application and Allotment money of Rs. 6 per share. Shares forfeiture a/c will be credited by the amount – (a) 160 (b)480 (c) 360 (d) 200	
Q.9	Match Part – A with Part –B **Part –A** / **Part-B** (i) Essential features of a company — (a) Capital Clause (ii) Private company — (b) Restrict the right of transfer of shares (iii) Memorandum of Association — (c) Atleast 51% shares on paid up capital with Govt. (iv) Govt. Company — (d) Underwriting commission (v) Company's Preliminary Expense — (e) Limited liability	
Q.10	True or False Type Questions (state true or false) 1. Issued capital can be less than called up capital. (True / False) 2. Share of a company is moveable asset. ((True / False) 3. Promoters are the owners of the company. (True / False) 4. Capital reserve is made out of capital profits. (True / False) 5. Ltd. Word is used for private companies. (True / False)	
Q.11	Fill in the blacks. 1. Upon forfeiture of shares, share capital account is debited by …………………………. 2. The profit made on reissue of shares is transferred to ……………………………………. 3. When shares are forfeited, Calls – in- arrear Account is……………………. 4. If a share Rs. 50 on which Rs. 40 has been called up and Rs. 30 is paid is forfeited, the capital account should be debited with………………………. 5. If shares were issued at premium and such premium has been received then on forfeiture such premium is…………………………………..	
Q.12.	<u>SHORT ANSWER TYPE QUESTIONS [3/4 MARKS]</u> What is the difference between capital reserve and reserve capital?	
Q.13 .	State the provisions of section 52 of companies act 2013.OR How security premium can be utilized by the company?	
Q.14 .	ABC Ltd. issue 10,000 equity shares of Rs 100 each, payable as Rs 30 on application, Rs 40 on allotment and Rs 30 on first and final call. Pass necessary journal entries.	
Q.15	AB Ltd issues 5,00,000 equity shares of Rs 10 each at 20% premium, payable as Rs 3 on Application, Rs 4 on allotment, Rs 2 on first call and balance on final call. Applications received for 6,00,000 Equity shares, 40,000 applicants rejected and rest allotted proportionately. All the calls were made and duly received. Pass necessary journal entries.	
Q.16	XY Ltd purchased Land of Rs 8,00,000 and Machinery of Rs 3,00,000 from PQ Ltd.Purchase consideration satisfied by issue of equity shares of Rs 100 each. Pass necessary journal entries for above transactions.	
Q.17	MN Ltd. purchased Land of Rs 19, 00,000, Plant and Machinery of Rs 6,00,000 and also acquired creditors of Rs 3,00,000. Purchase consideration settled by issue of Equity shares of Rs 100 each at 10% premium. Pass necessary journal entries	
Q.18	Pass necessary Journal entries for the following transaction in the books of Sachin Ltd. Sachin Ltd. purchased a running business from Deepak Ltd. for a sum of Rs.3,00,000 payable as Rs.2,50,000 in fully paid Equity shares and balance by a bank draft. The assets and liabilities consisted of the following :- Plant and Machinery Rs.72,000; Building Rs.80,000; Sundry Debtors Rs. 38,000; Stock Rs. 60,000; Sundry Creditors Rs.40,000.	
Q.19	100 shares of Rs 10 each(Rs 8 called up) cancelled as shareholder failed to pay first call of Rs 3. All the shares reissued for Rs 7 per share as fully paid up. Pass entries for forfeiture and re-issue	

Q.20	Pass journal entries for the forfeiture and re-issue in the following cases:- (a.) Z Limited forfeited 800 shares of Ashok of Rs. 10 each fully paid called up due to non-payment of Final Call of Rs. 3 per share. All these shares were re-issued to Mohan for Rs. 8 per share as fully paid up. (b.) K Limited forfeited 80 shares of Rs. 100 each due to non-payment of First Call of Rs. 20 per share. Second and Final Call of Rs. 30 has not been yet called. Out of these 24 shares were re-issued for Rs. 60 per share.	
Q.21	80 shares of Rs 10 each, cancelled due to nonpayment of final call of Rs 3. All the shares reissued at Rs 12 per share. Pass entries for forfeiture and re-issue.	
Q.22	Axis Ltd. issues 60,000 Equity shares of Rs 100 each at 10% premium, payable as follows: Application Rs 20, Allotment Rs 30, First call Rs. 30, second call - balance. Issue was oversubscribed by 40,000 shares. 20,000 applications rejected and rest alloted proportionately . All installments were duly received, except call money on 200 shares. Pass necessary journal entries.	
Q.23	On 1st April 2012 Ashwin Ltd. was formed with an authorized capital of 10,00,000 divided into 20,000 equity shares of Rs. 50 each. The company issued prospectus inviting applications for 18,000 shares. The issue price was payable as under: On application: Rupees 20. On allotment: Rupees 20 On call: balance amount. The issue was fully subscribed and the company allotted shares to all the applicants The company did not make the call during the year, Chahal having 1,000 shares didn't pay the allotment. Show the following: (a) Share capital in the balance sheet of the company as per schedule III, part 1 of the Companies Act, 2013. (b) Also prepare notes of accounts for the same.	

LONG ANSWER TYPE QUESTIONS [8 MARKS]

24.	A Ltd invited applications for issuing 1,50,000 equity shares of Rs.10 each at a discount of 10%. The amount was payable as follows: On application Rs.2 per share On allotment Rs.2 per share On first and final call balance. Applications for Rs.3,00,000 shares were received. Applications for 50,000 shares were rejected and application money of these applicants was refunded. Shares were allotted on pro rata basis to the remaining applicants Excess money received with these applicants was adjusted towards sum due on allotment. Neha who had applied for 2,500 shares, failed to pay the allotment and first and final call money. Hemant did not pay the first and final call money on his 2000 shares. All these shares were forfeited and later on 2000 of these shares were reissued at Rs.17 per share fully paid up. The reissue shares included all the shares of Neha. Pass the necessary journal entries in the books of A Ltd. For the above transactions.	
25.	Jk Ltd. invited application for issuing 70,000 equity shares of Rs.10 each at a premium of Rs.2 per share the amount was payable as follows: On application Rs.3 per share On allotment Rs.4(including premium Rs.2) On first and final call balance Applications for 65,000 shares were received and allotment was made to all the applicants. A shareholder Ram who was allotted 2000 shares failed to pay the allotment money. His shares were forfeited immediately after the allotment. Afterwards the first and final call was made. Soham who had 3,000 shares failed to pay the first and final call his shares were also forfeited. Out of forfeited shares 4,000 were reissued at Rs.20 per share fully paid up. The reissued share included all the shares of Ram. Pass the necessary journal entries for the above transactions in the book of JK Ltd.	
26.	Garima Limited issued a prospectus inviting applications for 3,000 shares of Rs.100 each at a premium of Rs.20 payable as follows:	

	On Application Rs.20 per share On Allotment Rs.50 per share (Including premium) On First call Rs.20 per share On Second call Rs.30 per share Applications were received for 4,000 shares and allotments made on prorata basis to the applicants of 3,600 shares, the remaining applications being rejected, money received on application was adjusted on account of sums due on allotment. Renuka whom 360 shares were allotted failed to pay allotment money and calls money, and her shares were forfeited. Kanika, the applicant of 200 shares failed to pay the two calls, her shares were also forfeited. All these shares were sold to Naman as fully paid for Rs.80 per share. Show the journal entries in the books of the company.	
27.	Raja Ltd. Invited applications for 1,00,000 equity shares of Rs. 10 each. The shares were issued at a premium of Rs.5 per share. The amount was payable as follows:- On application and allotment Rs. 8 per share (including premium Rs. 3) The balance including premium on the first and final call . Applications for 1,50,000 shares were received . Applications for 10,000 shares were rejected and pro-rata allotment was made to the remaining applicants on the following basis. (i) Applicants for 80,000 shares were allotted 60,000 shares. (ii) Applicants for 60,000 shares were allotted 40,000 shares. P, who belonged to the first category and was allotted 300 shares, failed to pay first call money. Q, who belonged to the second category and was allotted 200 shares ,also failed to pay the first call money. Their shares were forfeited. The forfeited shares were re-issued@ Rs. 12 per share fully paid –up. Pass necessary journal entries and prepare cash book .	
28.	On 1st June , 2019, kartik Ltd. Offered for subscription 50,000 equity shares of Rs. 100 each at a premium of Rs. 20 per share payable as given below On application Rs. 20 per share , on allotment (Including premium) Rs. 50 per share and two month after first & final call Rs. 50 per share . Application were received for 84,000 shares. On 1 st July , 2019 , the Directors processed to allot shares proportionately of these, application for 4,500 shares were accompanied with full amount and hence, were accepted in full and the balance allotment was made on pro-rata basis. Excess amount paid by applicants was utilized towards allotment and call money due from them. One of the applicants to whom 300 shares were allotted proportionately , failed to pay the call money. His shares were forfeited on 30th November , 2019 and subsequently issued @ Rs. 130 per share. Record entries relating to these transactions in the journal of the company.	
29.	CANDID Ltd. Invited applications for issuing 75,000 equity shares of Rs. 100 each at a premium of Rs. 30 per share. The amount was payable as follows . On application and allotment Rs. – Rs. 85 per share (including premium) On first and final call- the balance. Applications for 1,27,500 shares were received. Applications for 27,500 shares were rejected and shares were allotted on Pro-rate basis to the remaining applicants. Excess money received on application and allotment was adjusted towards sum due on first and final call. The calls were made. A shareholder , who applied for 1,000 shares, failed to pay the first and final call money his shares were forfeited. A All the forfeited shares were re- issued at Rs. 150 per share fully paid –up. Pass necessary journal entries for the above transactions in the books of CANDID Ltd.	
30.	The Director of X Ltd. issued for public subscription 50,000 equity shares of Rs. 10 each at Rs. 12 per share payable as to Rs. 5 on application (including premium), Rs. 4 on allotment and the balance on call. Applications for 70,000 shares were received.Of the cash received Rs. 40,000 was returned and Rs.60,000 was applied to the amount due on allotment, All the shareholders paid the call due with the exception of an allottee of 500 shares. These shares were forfeited and reissued as fully paid at Rs. 8 per share.	

	The company, as a matter of policy, does not maintain a calls-in-arrears account. Give journal entries to record these transactions in the books of X. Ltd.	
31.	Sunrise Company Limited offered for public subscription 10,000 shares of Rs.10 each at Rs. 11 per share. Money was payable as follows: Rs. 3 on application Rs. 4 on allotment (including premium) Rs. 4 on first and final call. Applications were received for 12,000 shares and the directors made prorate allotment. Mr. Ahmad, an applicant for 120 shares, could not pay the allotment and call money, and Mr. Basu, a holder of 200 shares, failed to pay the call. All these shares were forfeited. Out of the forfeited shares, 150 shares (the whole of Mr. Ahmad's shares being included) were issued at Rs. 8 per share fully paid-up. Prepare Cash Book, Shares Capital Account and Share Forfeiture Account.	
32.	A Ltd. Invited applications for issuing 1,00,000 shares of Rs.10 each at a premium of Rs. 1 per share . The amount was payable as follows On application Rs. 3 per share On allotment Rs. 3 per share (including premium) On first call Rs. 3 per share On second and final call Balance amount Application for 1,60,000 shares were received . Allotment was made on the following basis (i) To applicants for 90,000 shares 40,000 shares (ii) To applicants for 50,000 shares 40,000 shares (iii) To applicants for 20,000 shares Full shares Excess money paid on application is to be adjusted against the amount due on allotment and call. Rishabh , a shareholder, who applied for 1,500 shares and belonged to category (ii) , did not pay allotment, first and second and final call money , Another shareholder, Sudha , who applied for 1,800 shares and belonged to category (i), did not pay the first and second and final call money. All the shares of Rishabh and Sudha were forfeited and were subsequently re- issued at Rs. 7 per share fully paid. Pass the necessary journal entries in the books of A Ltd. Open calls -in-arrears account and calls-in- advance account wherever required.	

ACCOUNTING FOR DEBENTURES

Question Carry 1 Marks

1.	What do you meant by Debentures?	
2.	Write any two types of debentures.	
3.	What is debenture Trust Deed?	
4.	What is meant by convertible debentures?	
5.	Why is premium on the issue of debentures considered as a capital profit?	
6.	Explain deep discount Bond.	
7.	Differentiate between Shareholders and Debenture holder.	
8.	What is the nature of interest on debentures?	
9.	State in brief, the SEBI Guidelines regarding Debenture Redemption Reserve.	
10.	Name the head under which discount on issue of debentures appears in the Balance Sheet of "C" Company.	
11.	What are the exceptions for creating debenture Redemption Reserve?	
12.	What do you mean by debentures issued as collateral security?	

Question Carry 3, 4, 5 and 6 Marks

13.	A Ltd issued 5,000 13% debentures of Rs.100 each at par and raised a loan of Rs.80, 000 from Bank.Collaterally secured by Rs. 100,000 13% debentures. How will You show the debenture in the Balance Sheet of the Company assuming that the company has recorded the issue of Debentures as collateral security in the books.	
14.	Ashoka Ltd. had Rs. 5, 00,000 12% debentures outstanding as on 1st Jan, 2003. During the	

	year company took a loan of Rs. 3, 00,000 from Bank of Punjab for which the company placed with the bank debentures of Rs. 3, 60,000 as collateral security. Pass journal entries and also show how the debentures and bank loan will appear in the balance sheet.	
15.	XYZ Co. Ltd., issued 10000 10% debentures of Rs.100 each at a premium of Rs. 5 payable as follows On application Rs.40, on Allotment Rs.65 (including premium) All the debentures were subscribed and money was received, pass necessary journal entries to record the issue of debentures	
16.	Pass Journal Entries to record the Issue of Debentures 1) 5000 15% debenture of Rs.100 each issued at Discount of 5% and redeemable at premium at 5% after 5 years. 2) 10000 15% debenture of Rs.100 each issued at a premium of 10% and redeemable at par after 6 years.	
17.	Journalise the following transactions: (a) 10 debentures issued at Rs. 100 repayable at Rs. 100. (b) 10 debentures issued at Rs. 95, repayable at Rs. 100 (c) 10 debentures issued at Rs. 105 , repayable at Rs. 100 (d) 10 debentures issued at Rs. 100, payable at Rs. 105. (e) 10 debentures issued at Rs. 95, Repayable at Rs. 105.	
18.	A building has been purchased for Rs.1,10,000 from X Ltd., X Ltd., has been issued 12% debentures in Purchase Consideration at a Premium of 10% Journalise the above transaction.	
19.	Raghav Limited purchased a running business from Krishna traders for a sum of Rs. 15,00,000 payable Rs. 3,00,000 by cheque and for the balance issued 9% debentures of Rs. 100 each at par. The assets and liabilities consisted of the following: Plant and Machinery 4, 00,000 Building 6, 00,000 Stock 5, 00,000 Debtors 3, 00,000 Creditors 2, 00,000	
20.	Nirnbaya chemical issued Rs. 1000000 6% debentures of rs. 50 each at a premium of 8%. On 30.6.2017 redeemable on 30.6.2018. The issue was fully subscribed. Pass journal entries for issue and redemption of debentures how much amount should be transferred to DRR before redemption. Also state how much amount should be invested in specific securities?	
21.	Manish Ltd. 40,00,000 8% debenture of 100 each on 1st April 2016. The term of issue state that the debenture are to be redeemed at a premium of 5% on 30th June 2018 . The company decided to transfer Rs.10,00,000 out of profit to debenture redemption reserve on 31st march 2017 and Rs.10,00,000 on 31st march 2018. Pass journal entries regarding the issue and redemption of debenture DRR and investment without providing for the interest or loss on issue of debenture .	

Analysis of Financial Statements

One Marks Question

1.	Which of the following is not required to be prepared under the Companies Act. (A) Statement of profit and loss (B) Balance Sheet (C) Report of Director's and Auditor's (D) Funds Flow Statement	
2.	50,000, 9% Debentures redeemable within 12 months of the date of Balance Sheet will be shown under: (A) Short-term Borrowings (B) Short-term Provision (C) Other Current Liability (D) Trade Payables	
3.	Under which heading the item 'Bills Discounted but not yet matured' will be shown in the	

Balance Sheet of a company?
(A) Current Liability (B) Current Assets
(C) Contingent Liabilities (D) Unamortized Expenditure

4. Financial analysis becomes significant because it:
(A) Ignores price level changes (B) Measures the efficiency of business
(C) Lacks qualitative analysis (D) Is effected by personal bias

5. For whom analysis of financial statements is not significant?
(A) Political Adviser of Prime Minister (B) Investors
(C) Management (D) Financial Institutions

6. Payment of Income Tax is considered as
(A) Direct Expenses (B) Indirect Expenses
(C) Operating Expenses (D) None of the Above

7. Net profit is obtained by deducting ………………from Gross Profit.
(A) Operating Expenses (B) Non-Operating Exp.
(C) Operating and Non-Operating Exp (D) None of the Above

8. Main objective of common Size Statement of Profit & Loss is :
(A) To present changes in assets and liabilities (B) To judge the financial soundness
(C) To establish relationship between revenue from operations and other Items of statement of Profit & Loss
(D) All of the Above

9. Current assets include only those assets which are expected to be realized Within ………
(A) 3 months (B) 6 months (C) 1 year (D) 2 years

10. Which of the following transactions will improve the quick ratio?
(A) Sale of goods for cash (B) Sale of goods on credit
(C) Issue of new shares for cash (D) All of the Above

Question Carry 3, 4 Marks

11. Under which major heads and sub-heads the following items will be places in the Balance Sheet of a company as per revised Schedule VI, Part I of the Companies Act, 1956 (Schedule III, Part I of the Companies Act, 2013)?
(i) Accrued Incomes (ii) Loose Tools (iii) Provision for Employees Benefits
(iv) Unpaid Dividend (v) Short-term Loans (vi) Long-term Loans

12. Under which sub-heads will the following items be placed in the Balance Sheet of a company as per revised Schedule VI, Part I of the Companies Act, 1956 (Schedule III, Part I of the Companies Act, 2013)?
(i) Capital Reserve (ii) Bonds (iii) Loans repayable on Demand
(iv) Vehicles (v) Goodwill (vi) Loose Tools

13. From the following Balance Sheet of Exe Ltd. As at 31st March, 2020,
Prepare Comparative Balance Sheet:

BALANCE SHEET as at 31 March, 2020

Particulars	Note No.	31st March, 2020 (Rs.)	31st March, 2019 (Rs.)
I. EQUITY AND LIABILITIES			
1. Shareholders' funds			
(a)Share Capital (Equity)		18,00,000	12,00,000
2. Non-Current Liabilities			
Long-term Borrowing:		6,00,000	6,00,000
8% Debentures (Secured)			
3. Current Liabilities		6,00,000	3,00,000
Trade Payables			
Total		30,00,000	21,00,000
II. ASSETS			
1. Non-Current Assets			
Fixed Assets: Tangible Assets		18,00,000	15,00,000
2. Current Assets			

(a) Trade Receivables		10,00,000	5,00,000
(b) Cash and Cash Equivalents		2,00,000	1,00,000
Total		30,00,000	21,00,000

14. From The following information, prepare a Comparative Statement of Profit and Loss:

Particulars	31st March, 2017	31st March, 2016
Revenue from Operations	Rs. 24,00,000	Rs.18,00,000
Other Incomes (% of Revenue from Operations)	15%	25%
Expenses (% Revenue from Operations)	60%	50%
Tax Rate	40%	40%

15. Prepare Common-size Statement of Profit and Loss from the following Information:

Particulars	31st March, 2020	31st March, 2019
Revenue from Operations	Rs.10,00,000	Rs. 7,50,000
Other Income	Rs. 1,00,000	Rs. 75,000
Purchases of stock-in-Trade	Rs. 7,50,000	Rs. 6,00,000
Change in Inventories of Stock-in-Trade	Rs. (50,000)	Rs. 10,000
Other Expenses	Rs. 10,000	Rs. 7,500
Rate of Income Tax	50%	50%

16. Prepare Common-size Balance Sheet from the following information:

Particulars	31st March, 2019 (Rs.)	31st March, 2020 (Rs.)
Shareholders' Funds	12,00,000	18,00,000
Non-current Liabilities	6,00,000	6,00,000
Current Liabilities	2,00,000	6,00,000
Non-current Assets	14,00,000	21,00,000
Current Assets	6,00,000	9,00,000

17. Calculate Liquid Ratio/Quick Ratio/Acid Test Ratio from the following:
Working Capital Rs.1,80,000; Total Debts, i.e., Outside Liabilities Rs.3,90,000;
Long-term Debts ₹ 3,00,000; Inventories ₹ 90,000.

18. From the following information, compute Debt to Equity Ratio:
Long-term Borrowing Rs.5,00,000 Equity Share Capital Rs.2,00,000
Long-term Provisions Rs. 1,00,000 General Reserve Rs.2,00,000
Surplus, i.e., Balance in Statement of Profit and Loss (Dr.) Rs.1,00,000

19. From the following information, calculate Proprietary Ratio, Debt to Equity Ratio and Total Assets to Debt Ratio:
Non-current Assets Rs.40,00,000; Current Assets Rs.40,00,000;
Long-term Borrowing Rs.25,00,000; Long-term Provisions Rs.15,00,000;
Current Liabilities Rs.20,00,000.

20. From the following details obtained from the financial statement of Jeev Ltd., Calculate Interest Coverage Ratio:
Net Profit after Tax Rs.1,20,000
12% Long-term Debt Rs.20,00,000
Tax Rate 40%

21. Rs.2,00,000 is Cost of Revenue from Operations (Cost of Goods Sold);
Inventory Turnover Ratio 8 times; Inventory in the beginning is 1.5 Times more than the Inventory at the end. Calculate values of Opening
And Closing Inventory.

22. From the following information, calculate Trade Receivables Turnove Ratio:
Cost of Revenue from Operations (Cost of Goods-Rs.3,00,000)
Opening Debtors-Rs.50,000
Gross Profit on Cost – 25%
Closing Debtors-Rs.1,00,000
Cash Sales – 20% of Total Sales

23. Current Assets Rs.12,00,000; Current Liabilities Rs.2,40,000;

	Sales: Credit Rs.24,00,000 and Cash Rs.5,20,000; Sales Return Rs.40,000; Calculate Working Capital Turnover Ratio from the above information.	
24.	Opening Inventory Rs.5,00,000; Closing Inventory Rs.3,00,000. Inventory Turnover Ratio 8 Times. Selling price 25% above cost. Calculate Gross Profit Ratio.	
25.	Calculate 'Return on Investment' and 'Debt to Equity Ratio' from the following information: Net Profit after Interest and Tax Rs.3,00,000 10% Debentures Rs.5,00,000 Tax Rate 40% Capital Employed Rs.40,00,000	

CASH FLOW STATEMENT

1	The basis of cash flow statement is_____________________
2	Debentures issued for consideration other then cash are not shown in the cash flow statement because________________________________-is not received against the issue.
3	Marketable securities are included in _______.
4	Curret investment are shown in_____________________________.
5	Buyback of own share is shown as outflow in financing activity___________________________.
6	Discount / loss on issue of debentures writtenoff is shown by way of deduction from _______________________ of the debentures.
7	Dividend received by other then financial enterprises is shown in cash flow statement under: (i) Operating activity (ii) Investing activity (iii) Financing activity (iv) General activity
8	Dividend received by financial enterprises is shown in cash flow statement under: (i) Operating activity (ii) Investing activity (iii) Financing activity (iv) General activity
9	Payment of income tax is shown as : (i) Operating activity (ii) Investing activity (iii) Financing activity (iv) General activity
10	Dividend paid by a non financing company is shown as: (i) Operating activity (ii) Inventing activity (iii) Financing activity (iv) General activity
11	Which of the following is shown under financing activity: (i) Cash received against sale of goods (ii) Cash received against purchase of goods (iii) commission received (iv) interest paid
12	Which of the following is not added as non cash expense: (i) Goodwill amortized (ii) depreciation (ii) Interest on debentures paid (iv) all of these
13	Identity the following transaction belonging to (i) operating activity (ii) financing activity (iii) investing activity (iv) cash and cash equivalent

1.cash sales	11.cash purchase
2. Rent paid	12.cash in hand
3. Income tax paid	13.office expense
4.balance at bank	14. sale of machine by a dealer of machine
5.issue of debentures	15. dividend paid
6.cash paid against trade payables	16. purchase of machine
7.income tax refund received	17. issue of share capital
8.sale of patents	18.purchase of marketable securities
9.purchase of goodwill	19. short term deposit in bank
10.purchase of securities	20.cash received from debtors

14	Calculate cash flow from operating activity from the following details

Particulars	31/03/2020 (Rs.)	30/03/2019 (Rs.)
Surplus i.e balance in statement of P & L	3,00,000	2,00,000
Bills receivables	1,80,000	1,40,000
Accumulated depreciation	3,20,000	3,00,000
Outstanding rent	40,000	16,000
Prepaid insurance	12,000	14,000
goodwill	1,60,000	2,00,000
stock	1,80,000	1,40,000

15 Calculate cash flow from operating activity

particulars	Amount
Net profit after tax and dividend	1,10,000
Provision for tax	50,000
Proposed dividend(last year)approved by shareholders in AGM	50,000
depreciation	20,000
Loss on sale of plant	10,000
Goodwill amortized	40,000
Gain on sale of land	40,000
Income tax paid	50,000
Income tax refund	40,000

16 State the category of the following items for a financial as well as non-financial company

(1) Dividend received

(2) Dividend paid

(3) Interest paid

(4) Interest received

17 What are the objectives of preparing cash flow statement?

18 Calculate the net amount of cash flow if a fixed asset costing Rs. 32,000(having a book value of Rs.24,000) is sold at a loss of Rs.8,000.

19 X Ltd. made a profit of Rs.1,00,000/- after charging depreciation of Rs.20,000/- on assets and a transfer to General Reserve of Rs.30,000/-. The Goodwill written off was Rs.7,000/- and the gain on sale of machinery was Rs.3,000/-. The other information available to you (changes in the value of current assets and current liabilities) is as follows:

At the end of the year Debtors showed an increase of Rs.6,000/-, creditors an increase of Rs.10,000/-, prepaid expenses an increase of Rs.200/-, Bills Receivable a decrease of Rs.3,000/-, Bills Payable a decrease of Rs.4,000/- and outstanding expenses a decrease of Rs.2,000/-. Ascertain the cash flow from the operating activities.

20 From the following information calculate cash flow from financing activity

Particulars	31.3.2020	31.3.2019
Equity share capital	9,00,000	7,00,000
12% preference share capital	3,00,000	5,00,000
Security premium	1,40,000	1,00,000
12% debentures	4,00,000	3,00,000

Additional information

1. dividend paid on preference share
2. 12%preference shares were redeemed at a premium of 5% on 31.3.2020
3. Interim dividend paid on equity shares at the end of the current year was paid at 15%.

21 From the following information calculate cash flow from financing activity

Particulars	31.3.2020	31.3.2019

Equity share capital	20,00,000	15,00,000
12% preference share capital	---	5,00,000
14% debentures	2,50,000	----

Additional information

1.equity shares were issued at a premium of 20%
2.12%preference shares were redeemed at par
3.14% debentures were issued at a discount of 10%
4.interim dividend paid on equity shares 150000
5.interest paid on 14% debentures 35000
6.underwriting commission on equity share 20000
7.dividend paid on preference share 60000

22 From the following Balance sheet prepare Cash Flow Statement:

Particular	Note No.	31st March 2014 (Rs.)	31St March 2013 (Rs.)
I.EQUITY AND LIABILITIES			
1. Shareholders' Funds			
(a) Share Capital		2,50,000	2,00,000
(b) Reserve and Surplus		90,600	80,500
2. Current Liabilities			
(a) Short Term Borrowings: (Bank Loan)		----	70,000
		1,35,000	1,50,000
(b) Trade Payables		35,000	30,000
(c) Short Term Provision: (Provision for Tax)			
Total		5,10,600	5,30,500
II. ASSETS			
1. Non Current Assets			
(a)Fixed Assets:			
(i) Tangible Assets		3,59,000	3,50,000
(ii) Intangible Assets: Goodwill		5,000	-----
2. Current Assets			
(a) Inventories		74,000	1,00,000
(b) Trade Receivables		64,000	80,000
(c)Cash and Cash Equivalents		8,600	500
Total		5,10,600	5,30,500

Notes to Accounts:

Particulars	31st March 2014 (Rs.)	31St March 2013 (Rs.)
1.Reserve and Surplus:		
General Reserve	60,000	50,000
Surplus i.e. Balance in Statement of Profit and Loss	30,600	30,500
	90,600	80,500
2. Tangible Fixed Assets		
Land and Building	1,90,600	2,00,000
Plant and Machinery	1,69,000	1,50,000
	3,59,000	3,50,000

Additional Information:

1. Dividend of Rs.23,000 was paid.
2. The Income Tax paid during the year Rs.28,000.
3. Machinery was purchased during the year Rs.33,000.
4. Depreciation written off on Machinery Rs.14,000 , Building Rs.10,000. (M-6)

23 From the following Balance sheet prepare Cash Flow Statement:

Particular	Note No.	31st March 2014 (Rs.)	31St March 2013 (Rs.)
I. EQUITY AND LIABILITIES			
1. Shareholders' Funds			
(a) Share Capital		6,00,000	5,00,000
(b) Reserve and Surplus		75,000	50,000
2. Non Current Liabilities:			
Long term Borrowings: (8% Debenture)		1,10,000	2,00,000
3. Current Liabilities			
(a) Short Term Borrowings: Bank Overdraft		1,00,000	80,000
(b) Trade Payables			
(c) Short Term Provision		75,000	80,000
		40,000	30,000
Total		10,00,000	9,40,000
II. ASSETS			
1.Non Current Assets			
(a) Fixed Assets:			
(i) Tangible Assets: (Land and Building)		5,50,000	5,50,000
(ii)Intangible Assets: (Goodwill)		75,000	1,00,000
(b) Investment		2,00,000	1,50,000
2.Current Assets			
(i) Inventories		80,000	60,000
(ii) Trade Receivables		90,000	68,000
(iii) Cash & Cash Equivalents		5,000	12,000
Total		10,00,000	9,40,000

Notes to Accounts:

Particulars	31st March 2014 (Rs.)	31St March 2013 (Rs.)
1. Reserve and Surplus:		
Securities Premium Reserve	50,000	50,000
Surplus i.e. Balance in Statement of Profit and Loss	25,000	------
	75,000	50,000
2. Short term Provisions:		
Proposed Dividend	15,000	10,000
Provision for Tax	25,000	20,000
	40,000	30,000

Additional Information:-

1. Net profit for the year 2013-14 before Tax and Dividend amounted to Rs.63,000.
2. Provision for Tax during the year 2013-14 was Rs.23,000.
3. Depreciation provided on Fixed Assets for the year 2013-14 Rs.80,000.
4. Debentures amounted to Rs.90,000 were redeemed on 1st July 2013. (M-6)

24	Global Ltd, has machinery written down value of which on 1.4.2019 was Rs.8,60,000 and on 31.3.2020 was Rs.9,50,000. Depreciation for the year was Rs.40,000. In the beginning of the year an item of machinery was sold for Rs.25,000 which had a written down value of Rs.20000. Calculate cash flow from investing activity
25	Swan ltd. Had the following balances Investment in the beginning of the period Rs.34000 Investment at the end of the period Rs.28000 During the year the company sold its 40% investment held in the beginning of the period at a profit of Rs.8,400 determine cash flow from investing activity

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