DEHRADUN PUBLIC SCHOOL
ASSIGNMENT (2022-23)
SUBJECT- ACCOUNTANCY (055)
CLASS - XII

PART-A

CHAPTER - 2 (FUNDAMENTALS OF PARTNERSHIP)

Answer the following questions:

Q1. In case of fixed capitals, partners will have

a. credit balances in their Capital Accounts

b. debit balances in their Capital Accounts

c. may have credit or debit balances in their Capital Accounts

d. credit balance or nil balance in their Capital Accounts

Q2. A and B are partners in a firm. They are entitled to interest on their capitals but the net profit was not sufficient for this interest, then the net profit will be distributed among partners in :

a. agreed ratio b. profit sharing ratio

c. capital ratio d. equally

Q3. Calculate interest on drawings of Siddhant@10% p.a. for the year ended 31st March, 2021, if he withdrew Rs. 60,000 in the beginning of each quarter.

a. Rs. 15,000 b. Rs. 18,000

c. Rs. 9,000 d. Rs. 12,000

Q4. X, Y and Z are partners in a firm sharing profits and losses in the ratio of 6:4:1. X guaranteed a profit of Rs. 15,000 to Z. The net profit for the year ending 31st March, 2019 was Rs. 99,000. X's share in the profit of the firm will be -

a. Rs. 30,000 b. Rs. 15,000

c. Rs. 48,000 d. Rs. 45,000

Q5. Read the following statements : Assertion (A) and Reason (R). Choose one of the correct alternatives given below :

Assertion (A) : It is considered desirable to have a partnership agreement in writing.

Reason (R) : It helps in settling any disputes with regard to the terms of partnership and acts as an evidence in the court of law.

a. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

b. Both Assertion (A) and Reason (R) are true but Reason (R) is not the correct explanation of Assertion (A).

c. Assertion (A) is true but Reason (R) is false.

d. Assertion (A) is false but Reason (R) is true.

Q6. In the absence of the Partnership Deed, Interest on Capital is ______________.

Q7. X, Y, Z are partners with Rs. 1,000, Rs. 2,000, Rs. 3,000 capital respectively. profits are to be divided equally. Interest on capital to be provided @20% p.a. Net profit is Rs. 900. ____ is X's share of profit.

Q8. E, F and G are partners sharing profits in the ratio of 3:3:2. As per the partnership agreement G is to get a minimum amount of Rs. 80,000 as his share of profits every year and any deficiency on this account is to be personally borne by E. The net profit for the year ended 31st March, 2020 amounted to Rs. 3,12,000. In this case, ______ was amount of deficiency borne by E.

Q9. In case of fixed capital, interest on capital is shown on the credit side of _________ account.

Q10. Amit and Nitin are partners without any agreement. Amit has given a loan of Rs. 5,00,000 to the firm. At the end of year firm incurred a loss _________ interest would be paid on Amit's loan.

Case Based Questions :

Q11. Read the following case study and answer the given questions :

Seema, Tanuja and Arpit were partners in a firm trading in garments. They were sharing profits in the ratio of 5:3:2. Their fixed capitals on 1st Arpil, 2020 were Rs. 3,00,000, Rs. 4,00,000 and Rs. 8,00,000 respectively. After the flood in Uttarakhand, all partners decided to help the flood victims personally. For this, Seema withdrew Rs. 2,00,000 from her capital on 1st January, 2021 and provided a mobile medical van in the flood affected area.

The Partnership Deed provides for charging interest on drawings @ 6% per annum. Interest on capital was allowed @ 10%.

i. Interest on Seema's Capital will be -

a. Rs. 30,000 b. Rs. 40,000

c. Rs. 50,000 d. Rs. 80,000

ii. Interest on Tanuja's drawings will be -

a. Rs. 650 b. Rs. 780

c. Rs. 1,440 d. Rs. 720

iii. In the absence of partnership Deed, profit of a firm is divided among the partners -

a. in the ratio of capital b. equally

c. in the ratio of time devoted d. according of the managerial abilities of partners

iv. Interest on capital and drawings will be transferred to _____________ account.

a. Capital b. Current

c. Both a and b d. None of these

Q12. Distinguish between Fixed and Fluctuating Capitals.

Q13. State any four essential features or characteristics of partnership.

Q14. Surjit and Permjit are partners. Surjit's Capital is Rs. 1,00,000 and Permjit's Capital is Rs.60,000. Interest on capital is payable @ 6% p.a. Surjit is to get salary of Rs. 3,000 per month. Net Profit for the year is Rs. 80,000. Prepare Profit and Loss Appropriation Account.

Q15. A, B and C were partners in a firm. On 1st April, 2018, their capital stood at Rs. 4,00,000; Rs. 3,00,000 and Rs. 2,00,000 respectively. As per the provisions of the Partnership Deed.

i. A was entitled to a salary of Rs. 5,000 per month.

ii. Partners were entitled to interest on capital @ 10% p.a.

The net profit for the year ended 31st March 2019, Rs. 3,00,000 was divided among the partners without providing for the above items. Showing your working clearly, pass an adjustment entry to rectify the above error.

Q16. A, B and C were partners in a firm having capitals of Rs. 50,000; Rs.50,000 and Rs. 1,00,000 respectively. Their current account balances 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 an interest on capital @ 10% p.a. C being the working partner was also entitled to a salary of Rs. 12,000 p.a. The profits were to be shared as :

i. The first Rs. 20,000 in the proportion to their capitals.

ii. Next Rs. 30,000 in the ratio of 5:3:2.

iii. Remaining profits to be shared equally.

The firm made a profit of Rs. 1,72,000 before charging any of the above items. Prepare the Profits and Loss Appropriation Account and pass the necessary Journal entry for the appropriation of profits.

Q17. The partners of a firm distributed the profits for the year ended 31st march, 2017, Rs. 90,000 in the ratio of 3:2:1 without providing for the following adjustments -

i. A and B were entitled to a salary of Rs. 1,500 each p.a.

ii. B was entitled to a commission of Rs. 4,500.

iii. B and C guaranteed a minimum profit of Rs. 35,000 p.a. to A.

iv. Profits were to be shared in the ratio of 3:3:2.

Pass the necessary journal for the above adjustments in the books of the firm.

Q18. Capital Accounts of A and B stood at Rs. 4,00,000 and Rs. 3,00,000 respectively after necessary adjustments in respect of the drawings and the net profit for the year ended 31st March, 2019. It was subsequently noticed that 5% p.a. interest on capital and also drawings were not taken into account in arriving at the distributable profit. The drawings of the partners had been : A Rs. 12,000 drawn at the end of each quarter and B - Rs. 18,000 drawn at the end of each half year. The profit for the year as adjusted amounted to Rs. 2,00,000. The partners share profits in the ratio of 3:2. You are required to pass Journal entries and show Adjusted Capital Accounts of the partners.

Q19. Lata and Mamta are partners with capitals of Rs. 3,00,000 and Rs. 2,00,000 respectively sharing profits as Lata 70% and Mamta 30%. During the year ended 31st March 2021 they earned a profit of Rs. 2,26,440 before allowing interest on partner's loan. The terms of partnership are as follows:

i. Interest on Capital is to allowed @ 7% p.a

ii. Lata to get a salary of Rs. 2,500 per month.

iii. Interest on Mamta's Loan account of Rs. 80,000 for the whole year.

iv. Interest on Drawings of partners at 8% per annum. Drawing being Lata Rs. 36,000 and Mamta Rs. 48,000.

v. 1/10th of the distributable profit should be transferred to General Reserve. Show the distribution of profits.

CHAPTER - 3 (GOODWILL - NATURE AND VALUATION)

Answer the following questions :

Q1. Excess amount that a firm gets over and above the market value of assets at the time of sale of its business is -

a. profit b. super profit

c. reserve d. goodwill

Q2. On average profit basis, goodwill is calculated by -

a. no. of years purchased multiplied with average profits

b. no. of years purchased multiplied with super profits

c. summation of the discounted value of expected future benefits

d. super profit divided with expected rate of return

Q3. A firm earns Rs. 1,10,000. The normal rate of return is 10%. The assets of the firm amounted to Rs. 1,00,000 and liabilities Rs. 1,00,000. Value of goodwill by capitalisation of average actual profits will be -

a. Rs. 2,00,000 b. Rs. 10,000

c. Rs. 5,000 d. Rs. 1,00,000

Q4. Goodwill of the firm is Rs. 1,07,500. Find the number of year's purchased if the average profits are Rs. 43,000

a. 1 b. 2

c. 1.5 d. 2.5

Q5. Read the following statements : Assertion (A) and Reason (R). Choose one of the correct alternatives given below :

Assertion (A) : Goodwill is considered as an intangible assets but not a fictitious asset.

Reason (R) : Goodwill can neither be seen and touched nor it can be purchased or sold with any other asset.

a. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

b. Both Assertion (A) and Reason (R) are true but Reason (R) is not the correct explanation of Assertion (A).

c. Assertion (A) is true but Reason (R) is false.

d. Assertion (A) is false but Reason (R) is true.

Q6. Capital employed by a partnership firm is Rs. 5,00,000. Its average profit is Rs. 60,000. The normal rate of return is similar type of business is 10%. The amount of super profit is ________.

Q7. Goodwill helps in earning ______________ than normal profit.

Q8. Goodwill, Patents, Trademarks are example of ___________ Assets.

Q9. ____________ method is based on the assumption that a new business will not be able to earn profits during the initial years as compared to an established business.

Case Based Questions :

Q.10 Read the following case study and answer the given questions :

Tony and Rony started a partnership firm, TR CDs to manufacture music CDs way back in 1990. Now since the music CDs are out of business, they plan to sell the business to one of the major content production houses in Mumbai. For the purpose of selling business, they reached to there accountant to calculate the goodwill and other financial advice. He suggested that since the CDs are very less in demand, their goodwill value will be hampered. nonetheless, the framework for goodwill calculation was decided as follows 'The goodwill be valued at 4 years' purchase of super profits. The following financial information was obtained at the end of this transaction.

- Assets Rs. 8,000
- Creditors Rs. 1,000
- Normal rate of return 10%
- Goodwill of the firm Rs. 1,000

i. Which factor affecting the goodwill was highlighted by accountant?

a. Efficiency of management   b. Nature of business

c. Market situation   d. Special advantages

ii. Under Super Profit method, goodwill is calculated by

a. Number of the years' Purchase × Average Profit

b. Number of years' Purchase × Super Profit

c. Super Profit ÷ Normal Rate of Return

d. Super Profit – Normal Profit

iii. What is the super profit of business?

a. Rs. 250   b. Rs. 1,000

c. Rs. 500   d. Rs. 1,250

iv. What is the average profit of business?

a. Rs. 450   b. Rs. 750

c. Rs. 700   d. Rs. 950

Q11. What is goodwill? What are the factors that effect the value of goodwill?

Q12. How does 'Nature of Business' affect the value of goodwill of the firm?

Q13. A earns Rs. 1,20,000 as its annual profits, the rates of normal profit being 10%. The assets of the firm amounted to Rs. 14,40,000 and liabilities to Rs. 4,80,000. Find out the value of goodwill by capitalisation method.

Q14. Neelam and Suman had a firm in which they had invested Rs. 50,000. On an average, the profits were Rs. 16,000. The normal rate of return in the industry is 15%. Goodwill is to be valued at four years' purchase of profits in excess of profits @15% on the money invested. Calculate the value of goodwill.

Q15. From the following particulars, calculate value of goodwill of a firm by applying Capitalisation of Average Profit Method :

i. Profits of last five consecutive years ending 31st March are :

2021 - Rs. 54,000; 2020 - Rs. 42,000; 2019 - Rs. 39,000; 2018 - Rs. 67,000 and 2017- Rs. 59,000.

ii. Capitalisation rate 20%

iii. Net assets of the firm Rs. 2,00,000.

Q16. X and Y are partners sharing profits in the ratio of 3:2. They decided to admit Z as a partner from 1st April, 2021 on the following terms :

i. Z will be given 2/5th share of the profit.

ii. Goodwill of the firm will be valued at two years' purchase of three years' normal average profit of the firm.

Profits of the previous three years ended 31st March, were

2021 - Profit Rs. 30,000 (after debiting loss of stock by fire Rs. 40,000)

2020- Loss Rs. 80,000 (includes voluntary retirement compensation paid Rs. 1,10,000.

2019 - Profit Rs. 1,10,000 (including a gain (profit) of Rs. 30,000 on the sale of fixed assets). Calculate the value of goodwill.

Q17. A business has earned average profit of Rs. 8,00,000 during the last few years and the normal rate of return in similar business is 10%. Find value of goodwill by :

i. Capitalisation of Super Profit Method; and

ii. Super Profit method if the goodwill is valued at 3 years' purchase of super profit. Assets of the business were Rs. 80,00,000 and its external liabilities Rs. 14,40,000.

Q18. On 1st April, 2020 an existing firm had assets of Rs. 75,000 including cash of Rs. 5,000. Its creditors amounted to Rs. 5,000 on that date. The firm had a Reserve of Rs. 10,000 while Partners' Capital Accounts showed a balance of Rs. 60,000. If Normal Rate of Return is 20% and goodwill of the firm is valued at Rs. 24,000 at four year's purchase of super profit, find average profit per year of the existing firm.

CHAPTER - 4 (CHANGE IN PROFIT SHARING RATIO)

Answer the following questions :

Q1. Any change in the retationship of existing partners which result in an end of the existing agreement and enforces making of a new agreement is called :

a. revaluation of partnership
b. reconstitution of partnership
c. realisation of partnership
d. None of the above

Q2. A, B and C are partners sharing profits in the ratio of 5:3:2. They decided to share future profits in the ratio of 2:3:5. What will be the accounting treatment of Workmen Compensation Reserve appearing in the balance sheet on that date when no other information is available for the same?

a. distributed among partners in their capital ratio

b. distributed among partners in their new profit sharing ratio

c. distributed among partners in their old profit sharing ratio

d. carried forward to new balance sheet

Q3. Raman and Rajan were partner in a firm sharing profits or losses in the ratio of 3:1. With effect from 1st January, 2020, they agreed to share profits in the ratio of 2:1. Due to change in profit - sharing ratio, Rajan's gain or sacrifice will be :

a. gain 1/12 b. sacrifice 1/12

c. gain 2/60 d. sacrifice 3/60

Q4. At the time of change in profit sharing ratio, a debtor whose dues of Rs. 20,000 were written - off as bad debts, paid Rs. 15,000 in full settlement. Journalise :

a. Bad Debts A/c Dr. 5,000
  To Revaluation A/c 5,000

b. Revaluation A/c Dr. 5,000
  To Bad Debts A/c 5,000

c. Bad Debts Recovered A/c Dr. 5,000
  To Revaluation A/c 5,000

d. None of these

Q5. The ratio in which one or more partners of the firm forego, i.e. sacrifice their share of profits in favour of one or more partners of the firm is known as :

a. sacrificing ratio b. gaining ratio

c. no change in ratio d. either a or b

Q6. Revaluation Account is a ____________ Account.

Q7. In the event of change in profit sharing ratio, general reserve existing in the blance sheet is transferred to capital accounts of partners in their _________.

Q8. Ramesh, Mahesh and Suresh are partners in a firm sharing profits in 3:3:2 ratio. They decide to share profits equally w.e.f. April 1, 2021. On that date, the Profit and Loss Account shows the credit balance of Rs. 60,000. They decide that Profit and Loss Account will remain as it is. You are required to fill up the following journal entry :

Date	Particulars	L.F.	Dr. (Rs.)	Cr. (Rs.)
2021 April 1	_____________ Dr.		________	
	To Ramesh's Capital A/c			2,500
	To Mahesh's Capital A/c			2,500
	(Adjustment made for credit balance of Profit and Loss Account due to change in profit sharing ratio)			

Q9. If the existing profit sharing ratio among A, B and C of 3:2:1 is changed to 1:2:3, then the partners(s) whose share will be unaffected is/are ________.

Q10. Assets which physically exist but not shown in the Balance Sheet are ____________.

Case Based Questions :

Q11. Read the following hypothetical text and answer the given questions :

Bhavya and Naman were partners in a firm carrying on a tiffin service in Hyderabad. Bhavya noticed that a lot of food is left at the end of the day. To avoid wastage, she suggested that it can be distributed to the needy; Naman wanted that it should be mixed with the food being served the next day. Naman then gives a proposal that if his share in the profit increased, he will not mind free distribution of left over food. Bhavya happily agreed. So, they decided to change their profit sharing ratio 1:2 with immediate effect. On that date revaluation of assets and reassessment of liabilities was carried out that resulted into a gain of Rs. 18,000. On that date the goodwill of the firm was valued at Rs. 1,20,000.

i. Sacrificing share equals to -

a. Old Share - New Share　　b. New Share - Old Share

c. Old Share + New Share　　d. New Share + Old Share

ii. Sacrifice / Gain of Bhavya and Naman will be -

a. Bhavya sacrifice 1/6, Naman gains 1/6

b. Bhavya gain 1/6, Naman Sacrifice 1/6

c. Only Bhavya gains 1/6

d. Only Naman Sacrifice 1/6

iii. At the time of change in profit sharing ratio, gaining partner capital account is ________ and sacrificing ______

a. credited, debited　　b. debited, credited

c. increased, decreased　　d. decreased, increased

iv. Any change in the relationship of existing partners which result is an end of the existing agreement and enforces making of a new agreement is called :

a. Revaluation of Partnership　　b. Reconstitution of Partnership

c. Realisation of Partnership　　d. None of these

Q12. Why is Revaluation Account prepared? Draw an imaginary Revaluation Account.

Q13. X, *Y* and Z who are presently sharing profits and losses in the ratio of 5 : 3 : 2 decide to share future profits and losses in the ratio of 2 : 3 : 5. Give the journal entry to distribute 'Workmen Compensation Reserve of Rs. 1,20,000 at the time of change in profit-sharing ratio, when there is a claim of Rs. 80,000 against it.

Q14. *X*, *Y* and *Z* are sharing profits and losses in the ratio of 5 : 3 : 2. With effect from 1st April, 2019, they decide to share profits and losses equally. Calculate each partner's gain or sacrifice due to the change in ratio.

Q15. *X* and *Y* are partners in a firm sharing profits and losses in the ratio of 3 : 2. With effect from 1stApril, 2019, they decided to share future profits equally. On the date of change in the profit-sharing ratio, the Profit and Loss Account showed a credit balance of Rs. 1,50,000.

Record the necessary Journal entry for the distribution of the balance in the Profit and Loss Account immediately before the change in the profit-sharing ratio.

Q16. X, *Y* and Z who are sharing profits in the ratio of 5 : 3 : 2, decide to share profits in the ratio of 2 :3:5 with effect from 1st April, 2019. Workmen Compensation Reserve appears at Rs. 1,20,000 in the Balance Sheet as at 31st March, 2019 and Workmen Compensation Claim is estimated at Rs. 1,50,000. Pass Journal entries for the accounting treatment of Workmen Compensation Reserve.

Q17. Agam and Nigam are partners in a firm, sharing profits and losses in the ratio of 3:2. On 31st March, 2018 their Balance Sheet was as under :

BALANCE SHEET OF AGAM AND NIGAM

as at 31st March, 2018

Particulars	Amt. (Rs)	Assets	Amt. (Rs.)
Sundry Creditors	13,800	Furniture	16,000
General Reserve	23,400	Land and Building	56,000
Investment Fluctuation Fund	20,000	Investments	30,000
Agam's Capital	50,000	Trade Receivables	18,500
Nigam's Capital	40,000	Cash in Hand	26,700
	1,47,200		**1,47,200**

The partners have decided to change their profit sharing ratio to 1:1 with immediate effect. For the purpose, they decided that :

i. Investments to be valued at Rs. 20,000.

ii. General Reserve not to be distributed between the partners.

You are required to pass necessary Journal entries in the books of the firm. Show workings.

Q18. Anil, Manvi and Payal were partners in a firm sharing profit ratio is 5:3:2. Their Balance sheet as at 31st March, 2021 stood as follows :

Liabilities		Amt. (Rs)	Assets	Amt. (Rs.)
Capital A/cs:			Land and Building	2,60,000
Anil	3,50,000		Machinery	3,50,000
Manvi	3,50,000		Stock	90,000
Payal	3,00,000	9,00,000	Bills Receivables	70,000
General Reserve		20,000	Sundry Debtors	1,00,000
Workmen Compensation Reserve		30,000	Cash in hand	25,000
Sundry Creditors		50,000	Cash at bank	1,05,000
		10,00,000		**10,00,000**

They decided to share profits and losses in the ratio of 2:2:1. from 1st April 2021. They agreed that :

i. Land and Building be appreciated by 10%.

ii. Machinery be reduced by 15%.

iii. Stock be increased to Rs. 1,00,000.

iv. Provision for doubtful debt be created @ 5% on Sundry Debtor.

v. A creditors of Rs. 5,000 is not to claim the dues.

vi. A claim on account of Workmen Compensation is Rs. 10,000.

vii. An expense of Rs. 2,000 was paid by the firm.

Pass the Journal entries and prepare Revaluation Account.

Q19. X, Y and Z are partners sharing profits in the ratio of 5:3:2. They decided to share the profits in the ratio of 2:3:5. Starting 1st April, 2019 they decided to adjust the following accumulated profits, losses and reserves without affecting their book values, by passing an adjustment entry.

	Book Values Rs.
Profit and Loss Account	15,000
General Reserve	60,000
Advertising Suspense Account	30,000

CHAPTER - 5 (ADMISSION OF A PARTNER)

Answer the following questions :

Q1. Revaluation account or Profit and Loss Adjustment Account is a/an :

a. real account
b. personal account
c. nominal account
d. asset account

Q2. X and Y are partners sharing profits in the ratio of 3:2. Z is admitted as a partner. Calculate sacrificing ratio if new profit sharing ratio is 9:7:4.

a. 3:1
b. 3:2
c. 1:3
d. 9:7

Q3. X and Y are partners in a firm with capital of RS. 1,80,000 and Rs. 2,00,000. Z was admitted for 1/3rd share in profits and brings Rs. 3,40,000 as capital, calculate the amount of goodwill :

a. Rs. 2,40,000
b. Rs. 1,00,000
c. Rs. 1,50,000
d. Rs. 30,000

Q4. Read the following statements : Assertion (A) and Reason (R). Choose one of the correct alternatives given below :

Assertion (A) : Profit or Loss on Revaluation is not transferred to incoming partner's capital account.

Reason (R) : Profit or Loss on Revaluation at the time of admission of a partner belongs to pre admission period and thus belongs to old partners.

a. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
b. Both Assertion (A) and Reason (R) are true but Reason (R) is not the correct explanation of Assertion (A).
c. Assertion (A) is true but Reason (R) is false.
d. Assertion (A) is false but Reason (R) is true.

Q5. According to Section 31(1) of the Indian Partnership Act, 1932, "A person can be admitted as a new partner only with the _________ unless otherwise agreed upon."

Q6. At the time of admission, if the profit sharing ratio among the old partners does not change, then sacrificing ratio will be ___________.

Q7. Goodwill existing in the books is written -off at the time of admission of a partner, it is transferred to partner's capital accounts in their _____________.

Q8. Decrease in the value of assets at the time of admission of a partner is debited to ____________.

Q9. When the new partner brings cash or goodwill, the amount is credited to ________________.

Case Based Questions :

Q10. Read the following case study and answer the given questions :

Rahul and Modi are two partners into a firm sharing profits equally. On 1st January, 2020, they decided to admit Vikas as a new partner into the firm for 1/5th share. Vikas brings Rs. 10,00,000 for his share to capital and premium of goodwill in cash. Half goodwill is withdrew by the old partners Goodwill of the firm is valued on the basis of one year purchase of profits or losses of proceeding last 3 years. Profits of last four years are Rs. 6,00,000 in 2016, Rs. 7,00,000 in 2017, Rs. 8,00,000 in 2018 and Rs. 15,00,000 in 2019.

i. Which of the following is a right of Vikas?

a.	share profits of firm	b.	share assets in the firm
c.	inspect books of account	d.	all of the above

ii. What was the value of goodwill of the firm?

a.	Rs. 7,00,000	b.	Rs. 8,00,000
c.	Rs. 9,00,000	d.	Rs. 10,00,000

iii. What was the amount of capital brought by Vikas?

a.	Rs. 2,00,000	b.	Rs. 8,00,000
c.	Rs. 10,00,000	d.	can't be determined

iv. What was the goodwill share given to Modi?

a.	Rs. 1,00,000	b.	Rs. 2,00,000
c.	Rs. 4,00,000	d.	can't be determined

Q11. Give four circumstances in which the sacrificing ratio is applied.

Q12. State the need for treatment of goodwill on admission of a partner.

Q13. X, Y and Z were partners in a firm sharing profits in the ratio of 3:2:1. They admitted W as a new partner for 1/8th share in the profits, which he acquired 1/16th from Y and 1/16th from Z Calculate the new profit - sharing ratio of X, Y, Z, W.

Q14. A and B are partners sharing profits and losses in the ratio of 2:1. They take C as a partner for 1/5th share. The Goodwill Account appears in the books at its full value Rs. 15,000. C is to pay proportionate amount as premium for goodwill which he pays to A and B privately. Pass necessary entries.

Q15. At the time of admission of a partner Suresh, Assets and liabilities of Ramesh and Naresh were revalued as follows :

i. A Provision for Doubtful Debts @ 10% was made on Sundry Debtors Rs. 50,000.

ii. Creditors were written back by Rs. 5,000.

iii. Building was appreciated by 20% (Book Value of Building Rs. 2,00,000).

iv. Unrecorded Investments were valued at Rs. 15,000.

v. A Provision of Rs. 2,000 was made for an Outstanding Bill for repairs.

vi. Unrecorded Liability towards suppliers was Rs. 3,000. Pass necessary Journal entries.

Q16. Garima and Shweta are partners in a firm sharing profits in the ratio of 3:2. Their Balance sheet as at 31st March, 2021 was as follows :

Liabilities		Amount (Rs.)	Assets		Amount (Rs.)
Outstanding Rent		13,000	Cash		10,000
Creditors		20,000	Sundry Debtors	80,000	
Workmen			*Less* : Provision for Doubtful		
Compensation Reserve		5,600	Debts	4,000	76,000
Capital A/cs : Garima	50,000		Stock		20,000
Shweta	60,000	1,10,000	Profit and Loss A/c		4,000
			Machinery		38,600
		1,48,600			**1,48,600**

On 1st April, 2021, they admitted Samir as a partner for 1/6th share on the following terms :

i. Samir brings in Rs. 40,000 as his share of Capital but he is unable to bring any amount for Goodwill.

ii. Claim on account of Workmen Compensation is Rs. 3,000.

iii. To write off Bad Debts of Rs. 6,000.

iv. Creditors are to be paid Rs. 2,000 more.

v. There being a claim against the firm for damages, liabilities to the extent of Rs. 2,000 should be created.

vi. Outstanding rent be brought down to Rs. 11,200.

vii. Goodwill is valued at 1.5 years' purchase of the Average Profits for the last 3 years amounted to Rs. 10,000; Rs. 20,000 and Rs. 30,000.

Pass Journal entries, prepare Partner's Capital Accounts and Opening Balance Sheet.

Q17. Raman and Rohit were partners in a firm sharing profits and losses in the ratio of 2:1. On 31st March, 2018, their Balance Sheet was as follows :

BALANCE SHEET OF RAMAN AND ROHIT as at 31st March, 2018

Liabilities		Amount (Rs.)	Assets		Amounts (Rs.)
Capitals:			Plant and Machinery		1,75,000
Raman	1,40,000		Furniture and Fixtures		65,000
Rohit	1,00,000	2,40,000	Stock		47,000
Workmen Compensation Fund		40,000	Debtors	1,10,000	
Creditors		1,60,000	(–) Provision for Doubtful Debts	7,000	1,03,000
			Bank Balance		50,000
		4,40,000			**4,40,000**

On the above date, Saloni was admitted in the partnership firm. Raman surrendered 2/5th of his share and Rohit surrendered 1/5th of his share in favour of Saloni. It was agreed that :

i. Plant and machinery will be reduced by Rs. 35,000 and furniture and fixtures will be reduced to Rs. 58,500.

ii. Provision for bad and doubtful debts will be increased by Rs. 3,000.

iii. A claim for Rs. 16,000 for workmen's compensation was admitted.

iv. A liability of Rs. 2,500 included in creditors is not likely to arise.

v. Saloni will bring Rs. 42,000 as her share of goodwill premium and proportionate capital. Prepare Revaluation Account, partners' Capital Accounts and Balance Sheet of the reconstituted firm.

Q18. Kalpana and Kanika were partners in a firm sharing profits in the ratio of 3:2. On 1st April, 2021, they admitted Karuna as a new partner for 1/5th share in the profits of the firm. The balance Sheet of Kalpana and Kanika as on 1st April, 2021 was as follow :

BALANCE SHEET OF KALPANA AND KANIKA as on 1st April, 2021

Liabilities		**Amount (Rs.)**	**Assets**		**Amounts (Rs.)**
Capital A/cs :			Land and Building		2,10,000
Kalpana	4,80,000		Plant		2,70,000
Kanika	2,10,000	6,90,000	Stock		2,10,000
General Reserve		60,000	Debtors	1,32,000	
Workmen's Compensation Fund		1,00,000	*Less* : Provision	12,000	1,20,000
Creditors		90,000	Cash		1,30,000
		9,40,000			**9,40,000**

It was agreed that :

a. The value of Land and Building will be appreciated by 20%.

b. The value of plant be increased by Rs. 60,000.

c. Karuna will bring Rs. 80,000 for her share of goodwill premium.

d. The liabilities of Workmen's Compensation Fund were determined at Rs. 60,000.

e. Karuna will bring in cash as capital to the extent of 1/5th share of the total capital of the new firm.

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

Q19. X and Y were partners in a firm sharing profits in 5:3 ratio. They admitted Z as a new partner for 1/3th in profit. Z was to contribute Rs. 20,000 as his capital. The balance sheet of X and Y on 01.04.2020, was as follows:

Liabilities	**Rs.**	**Assets**	**Rs.**
Creditors	27,000	Land and Building	25,000
Capital;		Plant and Machinery	30,000
X 50,000		Stock	15,000
Y 35,000	85,000	Investment	20,000
General Reserve	16,000	Cash	19,500
		Detbtors 20,000	
		Less Provision 1,500	18,500
	1,28,000		**1,28,000**

Other terms agreed upon were :

i. Goodwill of the firm was valued at Rs. 12,000.

ii. Land and Building were to be valued at Rs. 35,000 and Plant and Machinery at Rs. 25,000.

iii. The provision for doubtful debts was found to be in excess by Rs. 400.

iv. A liability for Rs. 1,000 included in sundry creditors was not likely to arise.

v. The capitals of the partners be adjusted on the basis of Z'S contribution of capital in the firm.

vi. Excess or shortfall if any to be transferred to current accounts.

Prepare Revaluation Account, Partner's capital Account and Balance Sheet of the new firm

CHAPTER -6 (RETIREMENT OF A PARTNER)

Answer the following questions :

Q1. On retirement of a partner's the amount of General Reserve is transferred to all partner's capital account in :

a. new profit sharing ratio b. capital ratio

c. old profit sharing ratio d. none of these

Q2. X, Y and Z were partners sharing profits in the ratio of 5:3:2. Goodwill does not appear in the books but it is agreed to be worth Rs. 1,00,000. X retires from the firm and Y and Z decide to share profits equally. X's share of goodwill will be debited to Y's and Z's Capital A/cs in ratio :

a. 1:1 b. 2:3

c. 3:2 d. None of these

Q3. X, y and Z are partners and share profits in the ratio of 5:3:2. Y retires and X takes 1/10 from Y and Z takes 1/5 from Y. The new profit sharing ratio will be :

a. 7:13 b. 13:7

c. 3:2 d. 1:1

Q4. Retiring partner is compensated by the continuing partners in their :

a. gaining Ratio b. capital Ratio

c. sacrificing Ratio d. profit sharing Ratio

Q5. Read the following statements : Assertion (A) and Reason (R). Choose one of the correct alternatives given below :

Assertion (A) : If the partners of the partnership firm wants, then the firm can pay money to retiring partner against his share in the firm's goodwill.

Reason (R) : The money paid to the retiring partner against his share in the firm's goodwill is called as his hidden goodwill.

a. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

b. Both Assertion (A) and Reason (R) are true but Reason (R) is not the correct explanation of Assertion (A).

c. Assertion (A) is true but Reason (R) is false.

d. Assertion (A) is false but Reason (R) is true.

Q6. X, Y and Z are partners in a firm sharing profits in the ratio of 2:3:4. On 1st April, 2021, X retired and on that date, there was a debit balance of Rs. 1,80,000 in Profit and Loss Account. Y and Z decided to share future profits equally. Find out the missing values in the following :

Journal entry :

X's Capital A/c	Dr.	40,000	
Y's Capital A/c	Dr.	_________	
Z's Capital A/c	Dr.	_________	
To Profit and Loss A/c			1,80,000

(Being Accumulated losses distributed among all partners)

Q7. Gain of revaluation is transferred to the _________ side of all Partner's Capital Accounts while loss is _________.

Q8. Journal entry will be recorded for writing off the goodwill already existing in Balance Sheet at the time of retirement of a partner is _________.

Q9. A, B and C are partners in 3:4:2. B wants to retire from the firm. The profit on revaluation on that date was Rs. 36,000. New ratio of A and C is 5:3. Profit on revaluation will be distributed as _________.

Q10. In case of retirement of a partner, profit or loss on revaluation of assets and re assessment of liabilities is distributed among _________ partners in the ratio.

Case Based Questions :

Q11. Read the following case study and answer the given questions :

Omax Limited is a partnership firm engaged in production and sales of electronic goods having Rahul, prem and Raj as partners. Their capital contribution were Rs. 12,00,000; Rs. 15,00,000 and Rs. 9,00,000 respectively with the profit sharing ratio of 4:3:1.

Due to some health problems, Prem is not able to work and focus on the business, so he decided to retire from the partnership firm.

Prem retires from the firm by selling his share of profit to Rahul and Raj for Rs. 8,10,000, Rs. 3,60,000 being paid by Rahul and Rs. 4,50,000 by Raj.

The goodwill of the firm at the time of Prem's retirement is Rs. 10,00,000. The profit for the year after Prem's retirement was Rs. 10,50,000.

i. What will be the new profit sharing ratio of Rahul and Raj?

a. 4:3 b. 2:1

c. 4:5 d. None of these

ii. What amount of goodwill will be transferred to prem's Capital Account?

a. Rs. 1,25,000 b. Rs. 3,33,333

c. Rs. 2,50,000 d. Rs. 3,00,000

iii. What will be correct journal entry for distribution of profit for the year after Prem's retirement?

a.	Profit & Loss Appropriation A/c	Dr.	10,50,000	
	To Rahul's capital A/c			7,00,000
	To Raj's capital A/c			3,50,000

b. Profit & Loss Apprporiation A/c	Dr.	10,50,000	
To Rahul's capital A/c			6,00,000
To Raj's capital A/c			4,50,000
c. Rahul's capital A/c	Dr.	7,00,000	
Raj's capital A/c	Dr.	3,50,000	
To Profit & Loss Appropriation A/c			10,50,000
d. Rahul's capital A/c	Dr.	6,00,000	
Raj's capital A/c	Dr.	4,50,000	
To Profit & Loss Appropriation A/c			10,50,000

iv. What will be the correct journal entry for adjustment of goodwill on Prem's retirement?

a Prem's capital A/c	Dr.	1,25,000	
To Rahul's capital A/c			41,667
To Raj's capital A/c			83,333
b. Prem's capital A/c	Dr.	1,25,000	
To Rahul's capital A/c			55,556
To Raj's capital A/c			69,444
c. Rahul's capital A/c	Dr.	41,667	
Raj's capital A/c	Dr.	83,333	
To Prem's capital A/c			1,25,000
Rahul's capital A/c	Dr.	55,556	
Raj's capital A/c	Dr.	69,444	
To Prem's capital A/c			1,25,000

Q12. Why are assets and liabilities revalued on the retirement of a partner?

Q13. W, X and Z are partners sharing profits and losses in the ratio of 1/3, 1/6, 1/3 and 1/6 respectively. Y retires and W, X and Z decide to share the profits and losses equally in future. Calculate gaining ratio.

Q14. A, B and C are partners sharing profits and losses in the ratio of 4:3:2. C retires from the business. A is acquiring 4/9 of C's share and balance is acquired by B. Calculate the new profit - sharing ratio and gaining ratio.

Q15. A, B and C are partners sharing profits in the ratio of 4/9 : 3/9:2/9. B retires and his capital after making adjustments for reserves and gain (profit) on revaluation stands at Rs. 1,39,200. A and C agreed to pay him Rs. 1,50,000 in full settlement of his claim. Record necessary Journal entry for adjustment of goodwill if the new profit - sharing ratio is decided at 5:3.

Q16. The Balance sheet of A, B and C on 31st December 2015 was as under :

Liabilities	Amount	Assets	Amount
Capitals :-		Building	20,000
A	40,000	Motor Car	18,000
B	30,000	Stock	20,000
C	20,000	Investment	1,20,000
General reserve	17,000	Debtors	40,000

Sundry Creditors	1,23,000	Patents	12,000
	2,30,000		**2,30,000**

The partners share profits in the ratio of 8:4:5. C retires from the firm on the same date subject to the following terms and conditions :

i. 20% of the general reserve is remain as a reserve for bad and doubtful debts.

ii. Motor car is to be decreased by 5%.

iii. Stock s to be revalued at Rs. 17500.

iv. Goodwill is to be valued at 2½ years purchase of the average profit of last 3 years. Profits were, 2012 : Rs. 11,000; 2013: Rs. 16,000 and 2014; Rs. 24,000 C was paid in full. A and B borrowed the necessary amounts from the bank on the security of motorcar and stock to pay off C. Prepare Revaluation account, Partner's Capital account.

Q17. Akash, Vikas and Subhash are partners in a firm sharing profits and losses in the ratio of 4:5:6. On 31st March, 2021, Vikas retired. on that date, the capitals of Akash, Vikas and Subhash before the necessary adjustment stood at Rs. 2,00,000; Rs. 1,00,000 and Rs. 50,000 respectively. On Vikas's retirement, goodwill of the firm was valued at Rs. 1,14,000.

Revaluation of assets and reassessment of liabilities resulted in a profit of Rs. 6,000. General Reserve in the books of the firm was. Rs. 30,000.

The amount payable to Vikas was transferred to his loan Account. Akash and Subhash agreed to pay Vikas two yearly installments of Rs. 75,000 each including interest @ 10% p.a. on the outstanding balance during the first two years and the balance including interest in the third year. The firm closes its books on 31st March every year.

Q18. Himanshu, Gagan and Naman are partners sharing profits and losses in the ratio of 3:2:1 on March 31, 2010, Naman retires. The various assets and liabilities of the firm on the date were as follows Cash Rs. 10,000; Building Rs. 1,00,000; Plant and Machinery Rs. 40,000; Stock Rs. 20,000; Debtors Rs. 20,000 and Investments Rs. 30,000.

The following was agreed upon between the partners on Naman's retirement

i. Building to be appreciated by 20%.

ii. Plant and Machinery to be depreciated by 10%.

iii. A provision of 5% on debtors to be created for bad and doubtful debts.

iv. Stock was to be valued at Rs. 18,000 and Investment at Rs. 35,000.

Record the necessary journal entries to the above effect and prepare the revaluation account.

Q19. X, Y and Z are partners in a firm sharing profits and losses in the ratio of 3:2:1. Z retires from the firm 31st March, 2016. On the date of Z's retirement, the following balances appeared in the books of the firm

General reserve Rs. 1,80,000

Profit and Loss Acount (Dr.) Rs. 30,000

Workmen Compensation Reserve Rs. 24,000 which was no more required

Employee's Provident Fund Rs. 20,000

Pass necessary Journal entries for the adjustment of these items on Z's retirement.

Q20. X, Y and Z were in partnership sharing profits in proportion to their capitals. Their Balance Sheet as on 31st March, 2018 was as follows :

Liabilities		Amounts (Rs.)	Assets		Amounts (Rs.)
Sundry Creditors		16,600	Cash		15,000
Workmen's			Debtors	21,000	
Compensation Fund		9,000	Less: provision for		
General Reserve		6,000	Doubtful Debts	(1,400)	19,600
Capitals :			Stock		19,000
X	90,000		Machinery		58,000
Y	60,000		Building		1,00,000
Z	30,000	1,80,000			
		2,11,600			**2,11,600**

On the above date, Y retired owing to ill health. The following adjustment were agreed upon for calculation of amount due to Y:

i. Provision for Doubtful Debts to be increased to 10% of Debtors.

ii. Goodwill of the firm be valued at Rs. 36,000 and be adjusted into the Capital Accounts of X and Z, who will share profits in future in the ratio of 3:1.

iii. Included in the value of Sundry Creditors was Rs. 2,500 for an outstanding legal claim, which will not arise.

iv. X and Z also decided that the total capital of the new firm will be Rs. 1,20,000 in their profit - sharing ratio. Actual cash to be brought in or to be paid off as the case may be.

v. Y to be paid Rs. 9,000 immediately and balance to be transferred to his Loan Account.

Prepare Revaluation Account, Partner's Capital Accounts and Balance Sheet of the new firm after Y's retirement.

CHAPTER - 7 (DEATH OF A PARTNER)

Answer the following questions :

Q1. A, B and C are partners in a company sharing profit and loss in the ratio of 2:2:2. On March 31, 2018, C died. Accounts are closed on December 31st every year. The sale for the year 2017 was Rs. 6,00,000 and profits were Rs. 60,000. The sales for the period from Jan 1, 2018, to march 31, 2018, were Rs. 2,00,000. The share of the deceased partner in the current year's profits on the basis of sale is :

a. Rs. 20,000 b. Rs. 8,000

c. Rs. 3,000 d. Rs. 4,000

Q2. A, B and C were partners sharing profit and loss in the ratio of 2:2:1. books are closed on 31st March every year. C dies on the 5th of November 2018. under the partnership deed, the executors of the deceased partner are entitled to his profit to the date of death, calculated on the basis of last year's profit. Profit for the year ended 31st March 2018 was Rs. 2,40,000. C's share of profit will be :

a. Rs. 28,000 b. Rs. 32,000

c. Rs. 28,800 d. Rs. 48,000

Q3. The amount due to deceased partner is paid to

a. his father	b. his wife
c. his legal heir	d. remaining partners

Q4. What journal entry will be recorded for deceased partner's share in profit from the closure of last balance sheet till the date of his death?

a. Profit and Loss A/c Dr.
   To Deceased Partner's Capital A/c

b. Deceased Partner's Capital A/c Dr.
   To Profit and Loss A/c

c. Deceased partner's Capital A/c Dr.
   To Profit and Loss Suspense A/c

d. Profit and Loss Suspense A/c Dr.
   To Deceased Partner's Capital A/c

Q5. On the death of a partner, the amount due to him will be credited to :

a. all partner's capital accounts

b. his executor's account

c. remaining partner's capital accounts

d. government's revenue account

Q6. After the death of an existing partner, shares of remaining partner will ________.

Q7. X, Y and Z were partners sharing profits in the ratio of 4:3:1 respectively. Y dies on 30th April, 2021. On Y's death, goodwill of the firm is valued at Rs. 4,50,000. Y's share is taken up by X and Z equally. Complete the following Journal entry :

X's Capital A/c	Dr.	_________	
Z's Capital A/c	Dr.	_________	
To Y's Capital A/c			1,68,750
(being share of goodwill is adjusted)			

Q8. P, Q, and R were sharing profits equally. R died and goodwill existing in the books at Rs. 30,000. Amount to be debtied to R's Capital Account will be _______.

Q9. Rex, Tex and flex are partners in a firm in the ratio of 5:3:2. As per their partnership agreement, The share of deceased partner is to be calculated on the basis of profits and turnover of previous Accounting year. Tex expired on 31st December, 2019. Turnover till the date of death was Rs. 18,00,000. Their profits and turnover for the year 2018-19 amounted to Rs. 4,00,000 and Rs. 20,00,000 respectively. An amount of Rs. ________ will be given to his executors as his share of profits till the date of death.

Q10. A, B and C were partners sharing profits in the ratio of 1/2, 2/5 and 1/10. ______ new ratio of the remaining partners if C dies.

Q11. Veera, Dheera and Meera were partners in a firm sharing profit in ratio of 2:1:2. On 15th February 2017, Veera died and new profit sharing ratio betweeen Dheera and Meera was 4:1. On Veera's death the goodwill of the firm was valued at Rs. 45,000. Calculate gaining ratio and pass the journal entry for the treatment of goodwill on Veera's death without opening goodwill account.

Q12. Dinkar, navita and Vani were partners sharing profits and losses in the ratio of 3:2:1. Navita died of 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. Calculate Navita's share of profit.

Q13. Sujita, Vijita and Anita were partners sharing profits and losses in the ratio of 3:2:1. Vijita died on 30th September, 2020. Accounts of the firm are closed on 31st March every year. Sales for the year ended 31st March, 2020 was Rs. 6,00,000 and sales for the six months ended 30th September, 2020 was Rs. 3,00,000. Loss for the year ended 31st March, 2020 was Rs. 60,000. Calculate deceased partner's share of profit / loss from the beginning for accounting year up to 30th September, 2020.

Q14. A, B and C were partners in a firm sharing profits and losses in the ratio of 3:2:1. C died on 30th June, 2016. After all the necessary adjustments, his capital Account showed a credit balance of Rs. 70,600. C's executor was paid Rs. 10,600 on 1st July, 2016 and the balance in three equal yearly instalments starting from 30th June, 2017 with interest @ 10% p.a on the unpaid amount. The firm close its books on 31st March every year.

Prepare C's Executor's Account till the amount is finally paid.

Q15. Nitya, Satya and Mithya were partners sharing profits and losses in the ratio of5:3:2 respectively. Their balance sheet as at December 31, 2020 was as follows :

Liabilities		Amount (Rs.)	Assets	Amounts (Rs.)
Creditors		14,000	Investment	10,000
Reserve Fund		6,000	Goodwill	5,000
Capital Accounts :			premises	20,000
Nithya	30,000		Patents	6,000
Sathya	30,000		Machinery	30,000
Mithya	20,000	80,000	Stock	13,000
			Debtors	8,000
			Bank	8,000
		1,00,000		**1,00,000**

Mithya dies on 01.05.2021. The agreement between the executors of Mithya and the partners stated that :

i. Goodwill of the firm be valued at 2.5 times the average profits of last four years. The profits of four years were : 2017 Rs. 13,000; 2018 Rs. 12,000; 2019 Rs. 16,000 and 2020 Rs. 15,000.

ii. The patents are to be valued at Rs. 8,000, Machinery at Rs. 25,000 and premises Rs. 25,000.

iii. The share of profit of Mithya should be calculated on the basis of the profits of 2020.

iv. Rs. 4,200 should be paid immediately and the balance should be paid in 4 equal half - yearly installments carrying interest @ 10%.

Record the necessary journal entries to give effect to the above and prepare the executor account till the amount is fully paid.

Q16. Following is the Balance Sheet of Ram, Mohan and Sohan as at 31st March, 2019 :

Liabilities		Amount (Rs.)	Assets	Amounts (Rs.)
Capitals A/cs			Tools	30,000
Ram	2,00,000		Furniture	1,80,000
Mohan	1,00,000		Stock	1,60,000
Sohan	1,00,000	4,00,000	Debtors	1,20,000
Workmen Compensation Reserve		75,000	Cash at Bank	80,000
Sundry Creditors		1,00,000	Cash in Hand	5,000
		5,75,000		**5,75,000**

Ram, Mohan and Sohan shared profits and losses in the ratio of 2:2:1. Sohan died on 30th June, 2019. As per the Partnership Deed, The executors of Sohan were to get :

i. Amount standing to the credit of his Capital Account.

ii. Interest on capital which amounted to Rs. 1500.

iii. His share of goodwill Rs. 50000.

iv. His share of profits from the closing of last financial year till the date of death which was estimated at Rs. 7500.

Sohan's executors were paid Rs. 14,000 on 1st July, 2019 and the balance in two equal yearly installments from 30th June, 2020 with interest @ 6% p.a.

Pass necessary Journal entries and draw up Sohan's Capital Account to be rendered to his executors and Sohan's Executors Account till it is finally paid.

Q17. Following is the Balance Sheet of Punita, Rashi and Seema who are sharing profits in the ratio of 2:1:2 as on 31st march, 2013.

Liabilities	Amount (Rs.)	Assets	Amounts (Rs.)
Capitals:			
Punita	1,44,000	Building	2,40,000
Rashi	92,000	P & L Account	60,000
Seema	1,24,000	Stock	65,000
Bills payable	2,000	Cash at bank	5,000
Sundry Creditors	38,000	Debtors	30,000
	4,00,00		**4,00,000**

Punita died on 30th September, 2013 she had withdrawn Rs. 44,000 from her capital on July 1, 2013. According to the partnership agreement, she was entitled to interest on capital @8% p.a. her share of profit till the date of death was to be calculated on the basis of the average profit of the last three years. Goodwill was to be calculated on the basis of three times the average profits of the last four years. The profits for the years ended 2009-10, 2010-11 and 2011-12 were Rs. 30,000; Rs. 70,000 and Rs. 80,000 respectively.

Prepare Punita account to be rendered to her executors.

CHAPTER - 8 (DISSOLUTION OF A PARTNERSHIP FIRM)

Answer the following questions :

Q1. Dissolution of firm means

a. business of the firm ends　　b. assets sold

c. liabilities paid　　d. all of the options

Q2. On dissolution, if a partner pays firm's liability which of the following account is debited?

a. Profit and Loss Account　　b. Realisation Account

c. Partner's Capital Account　　d. Cash Account

Q3. On dissolution of a firm, unrecorded furniture of Rs. 5,000 was taken by a partner for Rs. 4,300 against payment. Which account will be credited and by how much amout?

a. Cash Account by Rs. 4,300　　b. Realisation Account by Rs. 700

c. Partner's Capital Account by Rs. 5,000　　d. Realisation Account by Rs. 4,300

Q4. Rohan, Mohan and Sohan were partners sharing profits equally. At the time of dissolution of the partnership firm, Rohan's loan to the firm will be :

a. credited to Rohan's Capital Account　　b. debited to Realisation Account

c. credited to Realisation Account　　d. credited to Bank Account

Q5. Read the following statements : Assertion (A) and Reason (R). Choose one of the correct alternatives given below :

Assertion (A) : Realisation Account is prepared at the time of dissolution of a partnership firm.

Reason (R) : Realisation Account is prepared to make necessary adjustments in the value of assets and liabilities.

a. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

b. Both Assertion (A) and Reason (R) are true but Reason (R) is not the correct explanation of Assertion (A).

c. Assertion (A) is true but Reason (R) is false.

d. Assertion (A) is false but Reason (R) is true.

Q6. Dissolution expenses are recorded in the _______ side of Realisation Account.

Q7. On dissolution of a partnership firm, out of total debtors of Rs. 2,50,000, Rs. 10,000, become bad and the rest realised 70%. In the given case, will be debited by _________.

Q8. When the business of the firm becomes illegal, the way of dissolution of the firm is __________.

Q9. When the firm is dissolved, Reserve is transferred to _______ in the profit sharing ratio.

Q10. Realisation Account is a ___________.

Case Based Questions :

Q11. Read the following case study and answer the given questions :

Faize and Shah were partners in a partnership firm Aasam Limited from 1st April, 2015, sharing profits and losses in the ratio of 3:1.

After one year, Faize took Rs. 84,000 from the partnership firm as a loan, to pay the medical bills of his wife as she is admitted in hospital.

The business was carried on by the partners for five year, in starting two year business is profitable then it started incurring losses. Due to some financial emergency, Shah lends a loan of Rs. 30,000 to the firm.

As the business was no longer profitable due to which there is difference of opinion of partners. So, the partners decided to dissolved the partnership with effect from 1st April, 2020. On the date of dissolution, the capitals of Faize and Shah stood at Rs. 2,00,000 and Rs. 1,00,000 respectively.

Additional information :

Creditors stood at Rs. 50,000

Cash at bank Rs. 10,000

The assets other than the amount owing by Faize to the firm realised Rs. 1,28,000

The expenses of dissolution amounted to Rs. 2,000

i. Which of the following is transferred to Realisation Account?

I. Partner's Loan II. Advertisement Suspense Account

III. Balance of Profit & Loss Account IV. Reserve

a. Option I and III b. Option I and IV

c. Option I, III and IV d. None of these

ii. Loan given by the firm to Faize will be settled by :L

a. transferring it to credit side of Realisation Account

b. transferring it to debit side of Realisation Account

c. transferring it to credit side of Faize's Capital Account

d. transferring it to debit side of Faize's Capital Account

iii. Profit or Loss in the Realisation Account will be :

a. Rs. 1,10,000 (profit) b. Rs. 1,60,000 (loss)

c. Rs. 1,60,000 (profit) d. Rs. 1,00,000 (loss)

iv. Shah's Loan will be settled by transferring it to :

a. Partner's Capital Account b. Partner's Loan Account

c. Realisation Account d. Revaluation Account

Q12. Balance Sheet of a firm as at 31 March, 2021 was :

Liabilities		Amount (Rs.)	Assets	Amounts (Rs.)
X's Capital	5,00,000		Freehold property	8,00,000
Y's Capitals	5,00,000		Investments	2,00,000
Z's Capital	3,00,000	13,00,000	Sundry Debtors	1,00,000
Sundry Creditors		2,00,000	Stock	1,50,000
Profit and Loss A/c		1,50,000	Loan to Y	1,00,000
			Cash at Bank	3,00,000
		16,50,000		**16,50,000**

The firm was dissolved on 1st April, 2021. X took the Investments at a value of Rs. 1,90,000. Cash Realised was : Freehold Property Rs. 9,00,000, Sundry Debtors Rs. 90,000 and Stock Rs. 1,40,000. Creditors were paid at a discount of 5%. Realisation Expenses were Rs. 20,000. Prepare Realisation Account.

Q13. What is the meaning of dissolution of partnership and dissolution of partnership firm?

Q14. Explain any four types or modes of dissolution of a firm.

Q15. What journal entries would be passed in the books of A and B who are partners in a firm, sharing profits in the ratio of 5:2, for the following transactions on the dissolution of the firm after various assets (other than cash) and third party liabilities have been transferred to Realisation Account?

i. Bank Loan Rs. 12,000 is paid.

ii. Stock worth Rs. 6,000 is taken over by B.

iii. Loss on Realisation Rs. 14,000.

iv. Realisation expenses amounted to Rs. 2,000. B has to bear these expenses.

v. Deferred Revenue Advertising Expenditure appeared at Rs. 28,000.

vi. A type writer completely written off in the books of the firm was sold for Rs. 200.

Q16. Prachi, Ritika and Ishita were partners in a firm sharing profits and losses in the ratio of 5:3:2 Inspite of repeated reminders by the authorities, they keep dumping hazardous material into a nearby river. The court ordered for the dissolutions of their partnership firm on 31st march 2014. Prachi was deputed to realize the assets and pay the liabilities. She was paid Rs. 1,000 as commission for her services. The financial position of the firm was as follows :

Liabilities		Amount (Rs.)	Assets	Amounts (Rs.)
Creditors		10,000	Furniture	37,000
investment Fluctuation fund		4,500	Stock	5,500
Capital :			Investments	15,000
Prachi	40,000		Cash	9,000
Ritika	30,000	70,000	Ishita's Capital	18,000
		84,500		**84,500**

Following was agreed upon :

Prachi took over investements for Rs. 12,500. Stock and furniture realized Rs. 41,500. There was old furniture which has been written off completely from the books. Ritika agreed to take away the same at the price of Rs. 3,000. Compensation paid to the employees amounted to Rs. 8,000. The liability was not provided in the above Balance sheet. Realisation expenses amounted to Rs. 8,000. The liability was not provided in the above Balance sheet. Realisation expenses amounted to Rs. 1,000. prepare Realistaion account, partners' capital accounts in the books of the firm.

Q17. Following is the Balance sheet of A and B on 31st December 2020.

Liabilities	Amount (Rs.)	Assets	Amounts (Rs.)
Sundry Creditors	60,000	Cash in hand	1,000
Bill Payable	16,000	Cash at Bank	16,000
Mrs. A's Loan	10,000	Stock in Trade	10,000

Mrs. B's Loan	20,000	Investment		20,000
General Reserve	20,000	Debtors	40,000	
Investment fluctuation fund	2,000	Less - provision	4,000	36,000
A's Capital	20,000	Plants & fitting		40,000
B's Capital	20,000	Building		30,000
		Goodwill		8,000
		Profit and Loss		7,000
	1,68,000			**1,68,000**

The firm was dissolved on 31st December, 2020 on the following terms :

i. A promised to pay off Mrs. A's Loan and took away half stock at Rs. 8,000

ii. B took away half the investment at 10% discount.

iii. Debtors realisation Rs. 38,000.

iv. Creditors and bills payable were due on an average basis one month after 31st December, but they were paid immediately on 31st December, at 6% discount per annum.

v. Plant realized Rs. 50,000; Building Rs. 80,000; Goodwill Rs. 12,000 and remaining investment at Rs. 9,000.

vi. There was an old typewriter in the firm which had been written off complete from the books. It is now estimated to realise Rs. 600. It was taken away by B at this estimated price.

vii. Realistaion expenses were Rs.2,000.

Give necessary ledger accounts to close the books of the firm.

Q18. The following is the Balance sheet of Tanu and Manu, who shares profit and losses in the ratio of 5:3, On December 31,2021 :

Balance Sheet of Tanu and Manu as on December 31, 2021

Liabilities		Amount (Rs.)	Assets	Amounts (Rs.)
Sundry Creditors		62,000	Cash at Bank	16,000
Bills Payable		32,000	Sundry Debtors	55,000
Bank Loan		50,000	Stock	75,000
Reserve Fund		16,000	Motor Car	90,000
Capital ;			Machinery	45,000
Tanu	1,10,000		Investment	70,000
Manu	90,000	2,00,000	Fixtures	9,000
		3,60,000		**3,60,000**

On the above date the firm is dissolved and the following agreement was made : Tanu agree to pay the bank loan and took away the sundry debtors. Sundry creditors accepts stock and paid Rs. 10,000 to the firm. Machinery is taken over by Manu for Rs. 40,000 and agreed to pay of bills payable at a discount of 5%. Motor car was taken over by Tanu for Rs. 60,000. Investment realised Rs. 76,000 and fixtures Rs. 4,000. The expenses of dissolution amounted to Rs. 2,200.

Prepare Realistaion Account, Bank Account and Partners Capital Accounts.

Q19. Ashok, Babu and Chetan are in partnership sharing profit in the proportion of 1/2, 1/3, 1/6 respectively. They dissolve the partnership of the 31st March, 2019 when the Balance Sheet of the firm was as under :

Liabilities		Amount (Rs.)	Assets	Amounts (Rs.)
Sundry Creditors		20,000	Bank	7,500
Bills Payable		25,500	Sundry Debtors	58,000
Babu's Loan		30,000	Stock	39,500
Capital A/cs:			Machinery	48,000
Ashok	70,000		Investments	42,000
Babu	55,000		Freehold Property	50,500
Chetan	27,000	1,52,000		
Current A/cs				
Ashok	10,000			
Babu	5,000			
Chetan	3,000	18,000		
		2,45,500		**2,45,500**

The machinery was taken over by Babu for Rs. 45,000; Ashok took over the Investments for Rs. 40,000 and Freehold property took over by Chetan at Rs. 55,000. The remaining Assets realised as follows :

Sundry Debtors Rs. 56,500 and Stock Rs. 36,500. Sundry Creditors were settled at discount of 7%. A office computer, not shown in the books of accounts realised Rs. 9,000. Realisation expenses amounted to Rs. 3,000.

Prepare Realisation Account, Partiners' Capital Accounts and Bank Account.

CHAPTER - 9 (ACCOUNTING FOR SHARE CAPITAL)

Answer the following questions :

Q1. When full amount is due on any call but it is not received, then the short fall is debited to ;

a. calls - in advance b. share capital

c. suspense account d. calls - in arrear

Q2. The difference between subscribed capital and called up capital is called :

a. calls - in - arrear b. uncalled capital

c. calls - in advance d. none of these

Q3. Equity shareholders are -

a. customers b. debtors

c. creditors d. owners

Q4. 10,000 equity shares of Rs. 10 each were issued to public at a premium of Rs. 2 per share payable on allotment. Applications were received for Rs. 12,000 shares. Amount of securities premium account will be :

a. Rs. 20,000 b. Rs. 24,000

c. Rs. 4,000 d. Rs. 1,600

Q5. Discount allowed on reissue of forfeited shares is debited to :

a. Share Capital A/c
b. Profit & Loss A/c
c. Share Forefeiture A/c
d. General Reserve A/c

Q6. Read the following statements : Assertion (A) and Reason (R). Choose one of the correct alternatives given below :

Assertion (A) : Calls-in-arrear is the amount which has not been called by the company but has been paid by the shareholders.

Reason (R) : Calls-in-arrear will be shown as a deduction from the subscribed but not fully paid up capital.

a. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
b. Both Assertion (A) and Reason (R) are true but Reason (R) is not the correct explanation of Assertion (A).
c. Assertion (A) is true but Reason (R) is false.
d. Assertion (A) is false but Reason (R) is true.

Q7. Authorised capital of the company is stated in the ________ clause of Memorandum of Association of the company.

Q8. The profit on reissue of forfeited shares is transferred to _________.

Q9. A share of Rs. 10 is issued at a premium of Rs. 5 payable on allotment. Application money of Rs. 5 is paid by a shareholder. On non - payment of allotment and call money, share is forfeited. The amount of the Share Capital Account will be debited would be ________.

Q11. Complete the following Journal entries :

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Date	Particulars		L.F.	Dr. (Rs.)	Cr. (Rs.)
1	Plant A/c	Dr.		3,00,000	
	Land and Building A/c	Dr.		5,00,000	
	Stock A/c	Dr.		2,00,000	
	Goodwill A/c	Dr.		80,000	
	To Creditors A/c				3,00,000
	To Bills Payable A/c				1,00,000
	To __________				________
	(Purchase Consideration for acquiring the business from HT Impex)				
2	HT Impex Dr.			6,80,000	
	To Equity Share Capital A/c				4,00,000
	To Securities premium Reserve A/c				_________
	To Bank A/c				_________
	(Purchase consideration settled by issue of 40,000 Fully paid - up Equity share of Rs. 10 each at a premium of 20% and payment of balance amount by cheque)				

Case Based Questions :

Q12. Read the following case study and answer the given question :

Payal Trading Co. Ltd. Is a company registered under the Companies Act, 2013 with a registered capital of Rs. 50,00,000 divided into 4,00,000 Equity Shares Rs. 10 each and 10,000 Preference Share of Rs. 100 each.

if acquired the running business of Mukta with following assets and liabilities :

Fixed Assets	Rs. 5,00,000
Sundry Debtors	Rs. 4,00,000
Inventory	Rs. 9,50,000
Sundry Creditors	Rs. 1,00,000

- The consideration was paid as follows :
- Issued a cheque of Rs. 2,50,000.
- Issued 50,000 Equity Shares at a premium of Rs. 10 per share.
- Issued 2,000, 9% preference Shares at a premium of Rs. 50 per share.
- 5,000 7% Debentures of RS. 100 each at a discount of 20%, and
- An acceptance for three months Rs.5,00,000

It had existing issued and subscribed capital of Rs. 10,00,00 as Equity Shares. The balance in Securities Premium Reserve was Rs. 10,000.

i. What is the amount of Purchase Consideration?

a. Rs. 20,50,000 b. Rs. 24,50,000

c. Rs. 19,00,000 d. Rs. 10,00,000

ii. Determine the amount of Goodwill or Capital Reserve for acquisition of running business of Mukta Ltd.

a. Rs. 7,00,000 b. Rs. 17,50,000

c. Rs. 24,50,000 d. Rs.10,00,000

iii. What is the Issued Capital f the company that will be shown in the Balance Sheet of the Company?

a. 1,50,000 Equity Shares of Rs. 10 each - Rs. 15,00,000,
2,000 7% Preference shares of Rs. 100 each - Rs. 2,00,000

b. 1,50,000 Equity Shares of Rs. 10 each - Rs. 15,00,000
10,000, 9% Preference Shares of Rs. 100 each - Rs. 10,00,000

c. 1,50,000 Equity Shares of Rs. 10 each - 15,00,000
2,000, 9% preference Shares of Rs. 100 each - Rs. 2,00,000

d. 4,00,000 Equity Shares of Rs. 10 each – Rs. 40,00,000
2,000, 7% Preference Shares of Rs. 100 each – Rs. 2,00,000

iv. Pass the journal entry for writing off discount on issue of Debentures.

a. Securities Premium Reserve A/c Dr. 1,00,000
   To Discount on Issue of Debentures A/c 1,00,000

b. Profit and Loss A/c Dr. 1,00,000
   To Discount on Issue of Debentures A/c 1,00,000

c. Discount on Issue of Debentures A/c Dr. 1,00,000
   To Securities Premium Reserve A/c 1,00,000

d. no entry

Q13. Define a Company as per Companies Act, 2013.

Q14. What is the meant by Private Placement of Shares?

Q15. Differentiate between Equity Shares and Preference Shares.

Q16. On 1st April, 2012, Vishwas Ltd. was formed with an authorised capital of Rs. 10,00,000 divided into 1,00,000 equity shares of Rs. 10 each. The company issued prospectus inviting application for 90,000 equity shares. The company received applications for 85,000 equity shares. During the first year, Rs. 8 per share were called. Ram holding 1,000 shares and Shyam holding 2,000 shares did not pay the first call of Rs. 2 per share. Shyam's shares were forfeited after the first call and later on 1,500 of the forfeited shares were reissued at Rs. 6 per share, Rs. 8 called up.

Show the following:

i. Share capital in the Balance Sheet of the company as per Schedule III, Part I of the Companies Act, 2013

ii. Also prepare 'Note to Account' for the same.

Q17. Kamal Ltd. made the first call Rs. 2 per share on its 1 ,00,000 Equity Shares on 1st March, 2021. Ashok, a shareholder, holding 800 shares paid the second and final call amount along with the first call money. The second and final call amount was Rs. 3 per share. Pass necessary Journal entries for recording the above using the Calls-in Advance Account.

Q18. V.D. Ltd. invited application for issuing 2,00,000 equity shares of Rs. 10 each at a premium of Rs. 6 per share. The amount per share was payable as follows:

On Application -Rs. 3 (including premium Rs. 1) On Allotment - Rs. 7 (including premium Rs. 5 On First and Final call – Balance amount.

Applications were received for 2,50,000 shares. Appllications for 10,000 shares were sent letters of regret and application money returned to them. Shares were allotted to the remaining applicants on a pro-rata basis. Money overpaid on application was adjusted towards the sum due on allotment. The company received all the money due on the allotment except from Agam, who was allotted 1,000 shares. Her shares were forfeited immediately after allotment. Afterwards, the first and final call was made. Seema, the holder of 2,000 shares, did not pay the first and final call on her shares. Her shares were also forfeited. 50% of the forfeited shares, each of Agam and Seema, were reissued as fully paid up @ Rs. 16 per share.

Pass the necessary journal entries to record the above transactions in the books of V.D. Ltd.

Q19. Ken Ltd. issued 10,000 Equity shares of Rs. 10 each at a premium of Rs. 3 per Share payable as:

On Application	Rs. 4
On Allotment	Rs. 5 (including premium)
On First Call	Rs. 2

The balance as and when required.

Applications were received for 12,000 shares. The company made pro rata allotment to all the applications. One shareholder who was allotted 900 shares said the total outstanding amount with allotment while another shareholder who had applied for 1,200 shares, did not pay the allotment money and on his subsequent failure to pay the first call his shares were forfeited. Of the forfeited shares, 800 were reissued at Rs. 7 per share. You are required to prepare:

i. Share Allotment Account,

ii. Securities Premium Reserve Account,

iii. Share Forfeiture Account, and

iv. Calls in Arrears Account

Q20. Unique Pictures Limited was registered with an authorised capital of Rs. 5,00,000 divided into 20,000, 5% preference shares of RS. 10 each and 30,000 equity shares of Rs. 10 each. The company issued 10,000 preference and 15,000 equity shares for public subscription. Calls on shares were made as under :

	Equity Shares (Rs.)	Preference
Application	2	2
Allotment	3	3
First call	2.50	2.50
Second and Final call	2.50	2.50

All these shares were fully subscribed. All the dues were received except the second and final call on 100 equity shares and on 200 preference shares. Record these transactions in the journal. You are also required to prepare the cash book and balance sheet.

Q21. Jindal and Company purchased a machine from High Life Machine Limited for Rs. 3,80,000. As per purchase agreement, Rs. 20,000 were paid in cash and balance by issue of shares of Rs. 100 each. What will be the entries passed if the shares are issued :

i. at par

ii. at 20% premium

Q22. Raunit Sytle Ltd. was registered with a capital of Rs. 85,00,000 divided into equity shares of Rs. 100 each. The company invited application for issuing 45,000 shares.

The amount was payables as Rs. 25 on application, Rs. 35 on allotment, Rs. 25 on first call and balance on final call.

Applications were received for 42,000 shares and allotment was made to all applicants. Kavi, to whom 3,300 shares were allotted, failed to pay both the calls. his shares were forfeited. Present the Share Capital in the Balance Sheet of company as per Schedule III of the Company Act, 2013.

CHAPTER - 10 (ACCOUNTING FOR DEBENTURES)

Answer the following questions :

Q1. Debentures are part of :

a. shareholder's funds b. borrowed funds

c. the borrowings from bank d. none of these

Q2. X Ltd. issued 4,000 Debentures of Rs. 100 each at a premium of Rs. 10. It will credited Debentures Account by :

a. Rs. 6,00,000 b. Rs. 4,00,000

c. Rs. 4,40,000 d. none of these

Q3. Interest on Debentures is :

a. appropriation of profit b. charge against profit

c. capital gain d. none of these

Q4. When debentures are issued at a discount, the discount is written off :

a. after debentures have been redeemed b. in the year when debentures are issued

c. during the life of the debenture d. none of these

Q5. Discount on issue of Debentures is restricted to :

a. 10% b. 20%

c. 25% d. none of these

Q6. Read the following statements : Assertion (A) and Reason (R). Choose one of the correct alternatives given below :

Assertion (A) : When all the debentures are redeemed, DRR (Debenture Redemption Reserve) account is closed by transfer to capital Reserve..

Reason (R) : The amount collected in DRR is used to Redeem the debentures.

a. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

b. Both Assertion (A) and Reason (R) are true but Reason (R) is not the correct explanation of Assertion (A).

c. Assertion (A) is true but Reason (R) is false.

d. Assertion (A) is false but Reason (R) is true.

Q7. Debenture holders are ___________ of the company.

a. borrowings b. lenders

c. either a or b d. none of these

Q8. In the absence of any information to the contrary, discount on issue of debentures is allowed at the time of ________.

a. allotment b. application

c. first call d. final call

Q9. A Ltd. purchased machinery from Kiran Machines Ltd. and paid them by issuing a cheque for Rs. 60,000 and balance by issue of 4,000 10% Debentures of Rs. 100 each at 10% premium. On the basis of this information fill the missing values in the following Journal entries.

Date	Particulars	L.F.	Dr. (Rs.)	Cr. (Rs.)
	Machinery A/c Dr.		5,00,000	
	To Kiran Machines Ltd.			5,00,000
	(Machinery Ltd. for Rs. 5,00,000)			
	Dr.			
	________________ Dr. To Bank A/c To 10% Debentures A/c To Securities Premium Reserve A/c		5,00,000	 ________ ________ ________
	(A cheque issued for Rs. 60,000 and balance paid by issue of 4,000; 10% Debentures of Rs. 100 each at a premium of 10%)			

Q10. Debenture issued as Collateral Security

a. are recorded in the books
b. are not recorded in the books
c. may or may not be recorded in the book
d. none of these

Case Based Questions :

Q11. Read the following case study and answer the given questions:

Nitya Ltd. purchased furniture of Rs. 2,20,000 from XY furniture. 50% of the amount was paid to XY furniture by accepting a bill of exchange and for the balance the company issued 9% debentures of Rs. 100 each at a premium of 10% in favour of XY furniture.

i. By what amount Bill payable Account will be credited?

a. Rs. 11,000
b. Rs.1,00,000
c. Rs.2,20,000
d. none of these

ii. By what amount security premium reserve Account will be credited?

a. Rs. 1,00,000
b. Rs. 2,20,000
c. Rs. 1,10,000
d. Rs. 10,000

iii. What numbers of debentures will be issued?

a. Rs. 10,000
b. Rs. 1,000
c. Rs. 2,000
d. Rs. 3,000

Q12. What is the meant by issue of debentures as Collateral Security?

Q13. Discount or loss on issue of Debentures may be written off from Securities Premium Reserve. Why?

Q14. What is the meant by Redemption of Debenture?

Q15. A company took a loan of Rs. 5,00,000 from State Bank of India and issued 10 debentures of Rs. 8,00,000 of Rs. 100 each as a collateral security. How will you deal with issue of debentures in the books of company in both situation?

Q16. UZ Ltd. purchased Plant and Machinery from Elk Machine Ltd. for Rs. 6,90,000. Elk Ltd. was paid by accepting a draft of Rs. 90,000 payable after three months and the balance by issue of 6% debentures of Rs. 100 each at a discount of 20%.

Pass necessary journal entries for the above transaction in the books of UZ Ltd.

Q17. Manan Ltd. invited applications for issuing 3,000, 11% Debentures of Rs. 100 each at a discount of 6%. The full amount was payable on application. Applications were received for 3,600 debentures. Applications for 600 debentures were rejected and the application money was refunded. Debentures were allotted to the remaining applicants.

Pass the Journal entries for the above transactions, including writing off the Discount on Issue of Debentures, in the books of Manan Ltd.

Q18. Tayal Ltd. took over business of Ajay Enterprises on 01-04-2020. The details of the agreement regarding the assets and liabilities to be taken over are:

Particulars	Book Value (Rs.)	Agreed Value (Rs.)
Building	20,00,000	35,00,000
Plant and Machinery	12,00,000	8,00,000
Stock	4,00,000	4,00,000
Trade receivables	5,00,000	4,00,000
Creditors	2,00,000	3,00,000
Outstanding Expenses	50,000	1,00,000

It was decided to pay for purchase consideration as Rs. 7,00,000 through cheque and balance by issue of Rs. 2,00,000, 9% Debentures of Rs. 20 each at a premium of 25%. Journalise.

PART - B

CHAPTER -1 (FINANCIAL STATEMENT OF A COMPANY)

Answer the following questions :

Q1. Gain (Profit) on sale of fixed assets by a financial company is shown in the Statement of Profit and Loss as :

a. revenue from operations
b. other Income
c. any of the above
d. none of the above

Q2. Raw material purchased by a manufacturing company is shown in statement of profit and loss under sub-head:

a. cost of material consumed
b. purchase of stock - in - Trade
c. change in inventories
d. none of these

Q3. Debentures / Bonds redeemable within 12 months of Balance Sheet date are shown as Current Liabilities under -sub-head:

a. short-term borrowings
b. trade payables
c. short-term provisions
d. other current liabilities

Q4. Securities Premium Reserve is shown on Equity and Liabilities side of Balance Sheet under the head:

a. share Capital
b. long-term provisions
c. reserves & surplus
d. short-term provisions

Q5. In which item is not shown under the heading "Non-current Assets"?

a. loose tools
b. land and building
c. loss on issue of debentures
d. computer software

Q6. Disclosure on the face of the Balance Sheet and Statement of Profit and Loss are shown as __________.

Q7. Trade Receivable include _________ and _________.

Q8. Financial statement of a company have to be presented in _________ format.

Q9. **Read the following statements : Assertion (A) and Reason (R). Choose one of the correct alternatives given below :**

Assertion (A) : Financial statement of a business enterprise include cash flow statement.

Reason (R) : Statement of profit and loss account shows the operating performance of an enterprise for a specific period.

a. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
b. Both Assertion (A) and Reason (R) are true but Reason (R) is not the correct explanation of Assertion (A).
c. Assertion (A) is true but Reason (R) is false.
d. Assertion (A) is false but Reason (R) is true.

Case Based Questions :

Q10. Read the following case study and answer the questions :

Direction from the following information extracted from the books of ABC Ltd. Answer the questions i to v (keeping in mind the provisions of Companies Act, 2013)

Particulars	**Amount (Rs.)**
10% Debentures of 100 each	2,00,000
11% Bank Loan from SBI repayable after 5 years	1,00,000
Stock-in-trade (inventories)	40,000
Goodwill	50,000
Computer Software under development	50,000
Provision for Tax	70,000

i. Provision for tax of the company will be shown under the sub - head of the Current Liabilities

a. Short-term borrowings
b. Trade payables
c. Other current liabilities
d. Short - term provision

ii. 10% Debentures wil be shown under the ________ head of the Equity and Liability side of the Balance Sheet.

a. Shareholder's Funds b. Non - current Liabilities

c. Current Liabilities d. None of the above

iii. Computer Software under development will be shown under the ______ category of the Sub - head fixed assets on the Assets side of the Balance sheet.

a. Intangible assets b. Tangible assets

c. Capital work-in-progress d. None of the above

iv. The total value of intangible assets that will be shown under sub-head fixed assets on the Assets side of the Balance Sheet is :

a. Rs. 50,000 b. Rs. 1,50,000

c. Rs. 1,00,000 d. Rs. 2,20,000

Q11. List the items which are shown under the heading current liabilities as per schedule III Part - I of the Companies Act, 2013.

Q12. List the major heads of assets side of a company's Balance Sheet as per Schedule III to companies Act, 2013.

Q13. Under which heads and sub - heads will the following items appear in the Balance Sheet of a company as per Schedule III, to the Companies Act, 2013:

i. Debentures

ii. Loose Tools

iii. Calls - in - Advance

Q14. Under which major heading the following items will be appear in the Balance Sheet of a company as per Schedule III, to the Companies Act, 2013 :

i. Trademarks ii. Income received in Advance

iii. Stores and Spares iv. Current Investment

Q15. Following balances have been extracted from the books of Rana Ltd. on 31st March. 2018 :

Equity Share capital (1,00,000 equity shares of 10 each) Rs. 10,00,000; Securities Premium Reserve Rs. 2,00,000; 12% Debenture Rs. 4,00,000; Creditors Rs. 2,00,000; Provision for Tax Rs. 50,000; Surplus, i.e. Balance in Statement of Profit and loss (Debit) Rs. 50,000; Land and Building Rs. 9,00,000; Government Bonds R. 5,00,000; Capital Work in progress (Building) Rs. 3,50,000 and Cash at bank Rs. 50,000. Debentures were issued on 1st April, 2016 accomplish after 5 years, i.e. on 31st March, 2021. Prepare Balance Sheet of the Company as per Schedule III to the Companies Act 2013.

Q16. State the major headings under which the following items will be put as per Schedule III, Part - I of the Company Act, 2013 :

i. Long Term Investments

ii. Bills of Exchange

iii. Motor Car

iv. Discount on issue of Shares

v. Securities Premium Reserve

CHAPTER - 2 (FINANCIAL STATEMENT ANALYSIS)

Answer the following questions :

Q1. Which of the following is not a significance of financial statement analysis?

a. to judge the financial stability of an enterprise

b. to measure the operating efficiency and profitability of enterprise

c. to present the complex financial data in simplified and understandable form

d. it does not consider price level changes

Q2. Which of the following is not a limitation of financial statement analysis?

a. It is affected by personal bias
b. inter-firm comparative study possible
c. lack of qualitative analysis
d. ignores price level changes

Q3. State the importance of financial analysis for labour unions.

a. to assess whether an enterprise can increase their pay

b. to check whether an enterprise can increase productivity

c. to determine tax liabilities

d. both a and b

Q4. The analysis that is made to review and analysis the financial statement for a number of year is known as :

a. horizontal analysis
b. vertical analysis
c. cash flow analysis
d. none of these

Q5. Read the following statements : Assertion (A) and Reason (R). Choose one of the correct alternatives given below :

Assertion (A) : Analysis of financial statements is done to assess the managerial efficiency.

Reason (R) : Financial statement analysis helps to identify the area where the managers have been efficient and the areas where they have been in efficient.

a. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

b. Both Assertion (A) and Reason (R) are true but Reason (R) is not the correct explanation of Assertion (A).

c. Assertion (A) is true but Reason (R) is false.

d. Assertion (A) is false but Reason (R) is true.

Q6. The term 'Financial analysis includes both ____________ and __________.

Q7. Analysis of Financial statement is a ____________ process of analysing the financial information in the financial statements to understand and take decisions.

Q8. All the external users of financial statements, specially _________ and _______ are interested in the earning capacity and forecast.

Q9. ___________ and ___________ solvency of an enterprise can be assessed on the basis of financial statement analysis.

Q10. Financial statement analysis is a ________________ analaysis.

Case Based Questions :

Q11. Read the following case study and answer questions I to IV on the basis of the same.

INA Ltd is a company that deals in manufacturing of pharmaceutical products. Raman has recently been hired as an assistant to the accountant of INA Ltd. The accountant of the firm Mr. Rajat asks Raman to go for financial statement analysis of the firm to assess the financial position of the firm. To judge the knowledge and capabilities of Raman, Mr. Rajat asked him to analysis the financial statements from the view point of various parties interested in the firm eg. the management, the lenders, the investors, labour unions, government etc.

i. Which of the following statements will primarily be utilised by Raman for the purpose of financial statement analysis?

a. balance sheet and cash flow statement

b. statement of profit and loss and cash flow statement.

c. balance sheet and statement of profit and loss

d. cash flow statement and fund flow statement

ii. Financial Statements are analysis to know :

a. Operating Performance b. Financial Soundness

c. Managerial Efficiency d. All of these

iii. Which of the following is a analytical tool to Analysis of Financial Statements :

a. Balance Sheet b. Reserve and Surplus

c. Cash flow statement d. Memorandum Balance sheet

iv. While analysing the financial statements, Raman should be conscious of which of the following?

a. window dressing of financial statements

b. changes in accounting policies of a firm

c. personal judgements

d. all of the above

Q12. What is the meant by Analysis of Financial Statement? State any two limitations of it.

Q13. Explain different tools of analysis of Financial Statement.

Q14. How is important to shareholders and employees of Analysis of Financial Statement?

Q15. How is 'window dressing' a limitation of Financial Statement Analysis?

Q16. One of the objectives of Financial Statement Analysis is to identify the reasons for change in the financial position of the enterprise. State any three more objectives of this analysis.

CHAPTER - 4 (ACCOUNTING RATIOS)

Answer the following questions :

Q1. Which of the following groups of ratios primarily measure risk?

a. Liquidity, activity and profitability b. Liquidity, activity and inventory

c. Liquidity, activity and debt d. Liquidity, profitability and debt

Q2. Which of the following ratios measure the short term solvency of an organization?

a. current ratio
b. liquid ratio
c. debt-equity ratio
d. none of these

Q3. Arya Ltd. has a term loan of Rs. 10,00,000. Interest on loan for the year is Rs. 1,25,000 and its PBIT is Rs. 5,00,000. Its Interest Coverage Ratio is :

a. 2 times
b. 3 times
c. 2.5 times
d. 4 times

Q4. The current assets of APE Ltd. are Rs. 6,00,000, current liabilities are Rs. 2,00,000, inventories are Rs. 1,50,000; prepaid expenses are Rs. 50,000 and cash and cash equivalents are Rs. 1,00,000. What is its Quick Ratio?

a. 1
b. 2
c. 1.5
d. 3

Q5. If current assets and current liabilities both reduce by the same amount, the current ratio will :

a. increase
b. decrease
c. no change
d. either a or b

Q6. Read the following statements : Assertion (A) and Reason (R). Choose one of the correct alternatives given below :

Assertion (A) : The debt to equity ratio will increase at the time of issue of equity share for cash.

Reason (R) : Issue of equity shares will increase the shareholders funds but the long terms debt will remain the same.

a. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
b. Both Assertion (A) and Reason (R) are true but Reason (R) is not the correct explanation of Assertion (A).
c. Assertion (A) is true but Reason (R) is false.
d. Assertion (A) is false but Reason (R) is true.

Q7. Complete it :

$$\text{Gross Profit Ratio} = \frac{\rule{5cm}{0.4pt}}{\text{Revenue from operation}} \times 100$$

Q8. ________________ is considered as an ideal current ratio.

Q9. ________________ + operating profit ratio (%) = 100

Q10. ________________ ratios are the ratios which are calculated to measure the firm's ability to meet its short - term obligations.

Q11. Calculate Working Capital Turnover Ratio from the following :

S.No.	Particulars	Amount (Rs.)
1	Revenue from operations	12,00,000
2	Current Assets	5,00,000
3	Total Assets	8,00,000

4	Total Non - current Liabilities	4,00,000
5	Shareholder's fund	2,00,000

Q12. From the following, Calculate Operating Ratio :

S.No.	Particulars	Amount (Rs.)
1	Cost of Revenue from operations	6,00,000
2	Revenue from operations	8,00,000
3	Operating Expenses	40,000

Q13. From the following information, calculate Liquid Ratio :

Particulars	Rs.	Particulars	Rs.
Current Assets	2,00,000	Trade Receivables	1,10,000
Inventories	50,000	Current Liabilities	70,000
Prepaid Expenses	10,000		

Q14. Xolo Ltd.'s Liquidity Ratio is 2.5 : 1. Inventory is Rs. 6,00,000. Current Ratio is 4:1. Find out the Current Liabilities.

Q15. From the following informations , calculate these :

a. Proprietary Ratio

b. Debt to Equity Ratio; and

c. Total Assets to Debt Ratio

Current Assets Long-term	Rs. 40,00,000	Current Liabilities Long-term	Rs.20,00,000
Borrowings	Rs. 15,00,000	Provisions	Rs. 25,00,000
Non-current Assets	Rs. 40,00,000		

Q17. Calculate Trade Receivables Turnover Ratio from the following information :

	Opening Balance (Rs.)	Closing Balance (Rs.)
Sundry Debtors	28,000	25,000
Bills Receivable	7,000	15,000
Provision for Doubtful Debts	2,800	2,500

Total Sales Rs. 1,00,000; Sales Return RS. 1,500; Cash Sales Rs. 23,500.

Q18. From the following Balance Sheet of Global Ltd., you are required to calculate Return on Investment for the year 2018-19 :

BALANCE SHEET OF GLOBAL LTD.

as at 31st March, 2019

Particulars	Note No.	Amount (Rs.)
I. EQUITY AND LIABILITIES		
1. Shareholder's Funds		
(a) Share Capital - Equity Shares of Rs. 10 each Fully paid		5,00,000
(b) Reserves and Surplus		4,20,000

2. Non-Current Liabilities		16,00,000
15% Long - term Borrowings		8,00,000
3. Current Liabilities		
Total		**33,20,000**
II. ASSETS		
1. Non-Current Assets		
(a) Fixed Assets		16,00,000
(b) Non-Current Investments:		
(i) 10% Investments		2,00,000
(ii) 10% Non-trade Investments		1,20,000
2. Current Assets		14,00,000
Total		**33,20,000**

Additional Information : Net Profit before Tax for the year 2018-19 is Rs. 9,72,000.'

Q19. Opening Inventory Rs. 80,000; Purchases Rs. 4,30,900; direct Expenses Rs. 4,000; Closing Inventory Rs. 1,60,000; Administrative Expenses Rs. 21,100, Selling and Distribution Expenses Rs. 40,000; Revenue from Operations, i.e., Net Sales Rs. 10,00,000. Calculate Inventory Turnover Ratio; Gross Profit Ratio and Operating Ratio.

CHAPTER - 5 (CASH FLOW STATEMENT)

Answer the following questions :

Q1. Which of the following is not cash out flow from Operating Activities?

a. cash paid to trade payables
b. payment of operating expenses
c. payment of interest
d. tax paid

Q2. Cash Flow Statement is based upon :

a. accrual basis of accounting
b. cash basis of accounting
c. accounting equation
d. none of these

Q3. Cash flow example from an operating activity is :

a. purchase of own debenture
b. sale of fixed assets
c. interest paid on term - deposits by a bank
d. issue of equity share capital

Q4. Statement of cash flows includes :

a. Financing Activities
b. Operating Activities
c. Investing Activities
d. All of the above

Q5. Read the following statements : Assertion (A) and Reason (R). Choose one of the correct alternatives given below :

Assertion (A) : Assets acquired by issue of shares are not disclosed in cash flow statement.

Reason (R) : It is a non cash transaction; so not included in cash flow statement.

a. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

b. Both Assertion (A) and Reason (R) are true but Reason (R) is not the correct explanation of Assertion (A).

c. Assertion (A) is true but Reason (R) is false.

d. Assertion (A) is false but Reason (R) is true.

Q6. Short-term deposits are known as ________________.

Q7. Proceeds from the sale of fixed assets is shown under ________________ in the Cash Flow Statement.

Q8. Purchase and sale of securities by a _______________ company in an operating activity.

Q9. Decrease in Bank Overdraft is shown under _________________ activity in cash flow statement.

Q10. What is the objective of preparing Cash Flow Statement?

Q11. Give the meaning of Cash equivalents for the purpose of preparing Cash Flow Statement.

Q12. Anand Ltd., arrived at a net income of Rs. 5,00,000 for the year ended March 31, 2017. Depreciation for the year was Rs. 2,00,000. There was a profit of Rs. 50,000 on assets sold which was transferred to Statement of profit and Loss account. Trade receivables increased during the year Rs. 40,000 and Trade Payables also increased by Rs. 60,000. Compute the cash flow Operating activities by the indirect approach.

Q13. From the following details. Calculate Cash Flow from Investing activities

Additional Information :

Particulars	**Closing Balance (Rs.)**	**Opening Balance (Rs.)**
Machinery (At Cost)	10,00,000	9,50,000
Accumulated Depreciation	1,50,000	1,10,000
Patents	2,00,000	3,00,000

i. During the year, machine costing Rs. 90,000 with accumulated depreciation of Rs. 60,000 was sold for Rs. 50,000.

ii. Patents written off were Rs. 50,000 while a part of patents were sold at a profit of Rs. 40,000.

Q14. Grand Hospitality Ltd., reported Net Profit after Tax of Rs. 6,40,000 for the year ended 31st March, 2021. The relevant extract from Balance Sheet as at 31st march, 2021 is :

Particulars	**31st March, 2021 (Rs.)**	**31st March, 2020(Rs.)**
Inventories	1,15,000	1,25,000
Trade Receivables	1,50,000	1,10,000
Prepaid Expenses	20,000	6,000
Trade Payables	1,10,000	80,000
Provision for Tax	20,000	15,000

Depreciation charged on Plant and Machinery Rs. 55,000; insurance claim received Rs. 50,000; gain (profit) on sale of investment Rs. 20,000; appeared in the Statement of Profit and Loss for the year ended 31st March, 2021. Calculate Cash Flow from Operating Activities.

Q15. For each of the following transactions, calculate the resulting cash flow and state the nature of cash flow, viz. Operating, investing and Financing.

a. Acquired machinery for Rs. 2,50,000 paying 20% by cheque and executing a bond for the balance payable.

b. Paid Rs. 2,50,000 to acquire shares inform a Tech. and received a dividend of Rs. 50,000 after acquisition.

c. Sold machinery of original cost Rs. 2,00,000 with an accumulated depreciation of Rs. 1,60,000 for Rs. 60,000.

Q16. From the following information, calculate Cash Flow from Financial Activities :

Particulars	**31st March, 2021 (Rs.)**	**31st March, 2020(Rs.)**
Equity Share Capital	10,00,000	9,00,000
Securities Premium Reserve	2,60,000	2,50,000
12% Debentures	1,00,000	1,50,000

Additional information ; Interest paid on debentures Rs. 18,000.

Q17. Following is the Balance Sheet of Akash Ltd. as at 31st March, 2021.

Particulars	**Note No.**	**31st March, 2021 (Rs.)**	**31st March 2020 (Rs.)**
I. EQUITY AND LIABILITIES			
1. Shareholder's Funds			
(a) Share Capital		30,00,000	20,00,000
(b) Reserves and Surplus	1	(4,25,000)	(5,37,500)
2. Non-Current Liabilities			
Long - term Borrowings	2	7,50,000	6,25,000
3. Current Liabilities			
Trade Payables		4,75,000	6,75,000
Total		**38,00,000**	**27,62,500**
II. ASSETS			
1. Non-Current Assets			
(a) Property, Plant and Equipment (Fixed Assets):			
-Tangible Assets (Machinery)		17,25,000	12,50,000
(b) Non-Current Investments:		3,00,000	5,00,000
2. Current Assets			
(a) Inventories		10,00,000	7,50,000
(b) Trade Receivables		6,00,000	1,12,500
(c) Cash and Cash Equivalents		1,75,000	1,50,000
Total		**38,00,000**	**27,62,500**

Notes to Accounts

Particulars	31st March, 2021 (Rs.)	31st March, 2020 (Rs.)
1. **Reserves and Surplus** Surplus, i.e., Balance in Statement of Profit and Loss	(4,25,000)	(5,37,500)
2. **Long-term Borrowings**		
12% Debentures	7,50,000	6,25,000

Additional Information :

i. Debentures were issued on 1st January, 2021.

ii. Machinery costing Rs. 5,00,000 on which depreciation charged was Rs. 1,75,000 was sold for Rs. 3,75,000.

iii. Depreciation charged during the year amounted to Rs. 2,00,000.

iv. Non-current Investments were sold at a profit of 20%.

Prepare Cash Flow Statement.