

SECTION A: MULTIPLE CHOICE QUESTIONS

[10]

- (1) (B) RS 22,000
- (2) (B)Weighted average
- (3) (D)Old profit – loss ratio
- (4) (C) 6% p.a.
- (5) (D) Partners' capital A/c
- (6) Goodwill is _____asset
ANS. (a) Intengible
- (7) (D) Cash account
- (8) (D) Both (a) and (b)
- (9) (D) All of the above
- (10) (D) interest expenses

SECTION B: ANSWER IN ONE SENTENCE

[10]

- (11) What is Super Profit?
Excess of average profit over expected profit is called super profit.
- (12) What is revaluation account?

A special account is opened in the books of a partnership firm to record the accounting effects of the revaluation of assets and liabilities. This account is called the 'Revaluation Account'. Generally,

- (13) Why new partner bring his share of goodwill at the time of admission?
To take share in future profit and to compensate the sacrificing partner.
- (14) What is dissolution of partnership?
When business is not closed down due to retirement of partner, death of partner, insolvency of partner of due to any reasons, and remaining parter keeps business continuous, it is a dissolution of partnership
- (15) What is forfeiture of share?
Due to any reason if any shareholder fail to pay the amount due then his share certificate is subject for the cancellation, in Board meeting his share are finally cancel this is called forfeiture of share
- (16) What is debenture?
Debenture is a document acknowledging the debt of company.
- (17) Which statement are known as 100% statement?
Common size statement
- (18) Write the formula of Creditor's turnover ratio?
$$creditor\ turnover = \frac{credit\ purchase}{average\ trade\ payble}$$
- (19) List out Profitability ratios?
(1) Gross profit ratio (2) Operating ratio (3) Operating Profit ratio (4) net Profit ratio
- (20) What is operating activity?
Principal activity of business for which business established is called operating activity.

SECTION C : ANSWER THE FOLLOWING

[18]

- (21)

Particular	Jennet (₹)	Akshra (₹)	Sapna (₹)
Capital in the proportion of 2:3:5	60,000	90,000	1,50,000
Interest on capital at 6 % p.a.	3600	5400	9000
Divisible profit (1:1:1)	+ 40,000	+ 40,000	+ 40,000
Profit including interest on capital	43,600	45,400	49,000

∴ Including interest on capital Jennet would receive total ₹ 43,600 and Sapna ₹ 49,000.

- (22) A, B and C are the partners in a firm sharing profit and loss equally. They decided to share profit and loss in the ratio of 3:2:1 in future. In these circumstances, calculate which partner has sacrificed and how much?

	Ram	Shyam	Ghanshyam	Total
Old ratio	1	: 1	: 1	3
Old share	$\frac{1}{3}$	$\frac{1}{3}$	$\frac{1}{3}$	
New ratio	3	: 2	: 1	6
New share	$\frac{3}{6}$	$\frac{2}{6}$	$\frac{1}{6}$	

Now let's calculate sacrifice ratio by partners.

$$\text{Sacrifice by partner} = \text{Old share} - \text{New share}$$

$$\begin{aligned} (1) \text{ Ram's sacrifice} &= \frac{1}{3} - \frac{3}{6} \\ &= \frac{2-3}{6} \end{aligned}$$

$$\text{Ram's sacrifice} = \frac{-1}{6} \text{ (Gain)}$$

Here, $\frac{-1}{6}$ share in sacrifice formula, it means Ram is gaining $\frac{1}{6}$ shares.

$$\begin{aligned} (2) \text{ Shyam's sacrifice} &= \frac{1}{3} - \frac{2}{6} \\ &= \frac{2-2}{6} \\ &= \frac{0}{6} \end{aligned}$$

$$\text{Shyam's sacrifice} = 0 \text{ (No gain, no sacrifice)}$$

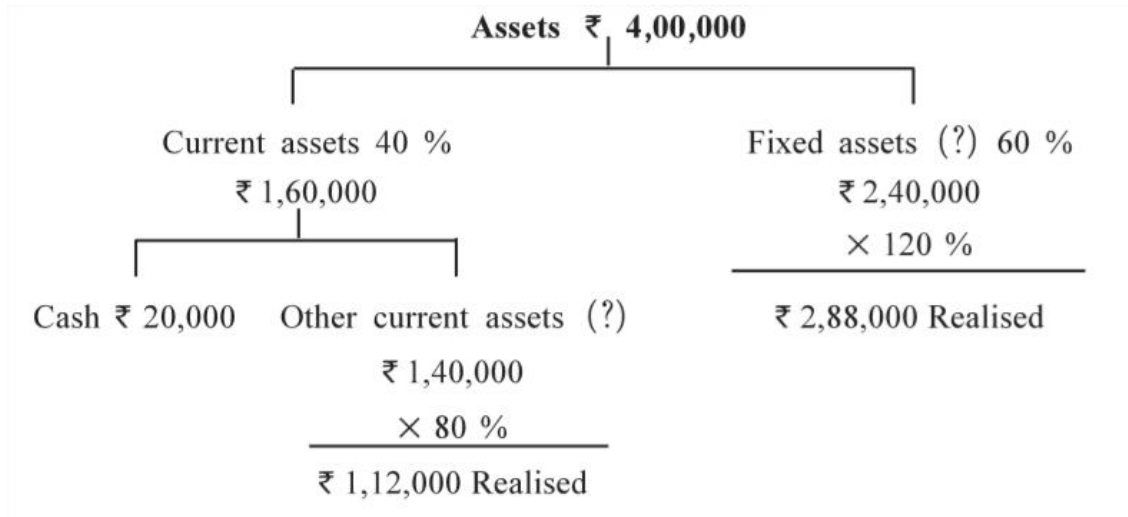
- (23) Pass the journal entry of the following transaction in the case of dissolution of partnership firm?

- Rs. 40,000 received by selling old furniture not mentioned in the books of partnership firm.
- Partner Anand accepted to pay the creditors of Rs.80000

Ans : Cash a/c Dr

To Realization a/c
 Realization a/c Dr
 To Anand's Capital A/c

(24) At the time of dissolution total assets of the firm are of RS 4,00,0000. Out of that 40% are current assets. Where cash is included of RS 20,000. 120% of fixed assets are realized. 80% are realised from current assets.



Journal Entries

Date	Particulars	L.F.	Debit (₹)	Credit (₹)
1	Realisation A/c Dr To Fixed assets A/c To Current assets A/c [Being assets accounts are closed and transferred to realisation account.]		3,80,000	2,40,000 1,40,000
2	Cash/Bank A/c Dr To Realisation A/c [Being ₹ 2,88,000 realised from fixed assets and ₹ 1,12,000 realised from current assets.]		4,00,000	4,00,000

(25) On 1-8-2017 Namaskar Limited issued 8000, 9% debentures of Rs 100 each at par these debentures are to be redeemed on 31-7-2022 at Rs 120 per debenture. Pass the necessary journal entries in the books of the company for the issue and redemption of debentures (without narration).

1) Bank account dr 800000
 Loss on issue of debenture a/c dr 160000
 To debenture account 8000000
 To premium on redemption of debenture a/c 160000

2) Debenture account 8000000
 premium on redemption of debenture a/c 160000
 To debenture holder a/c 960000

3) Debenture holder a/c dr 960000
 To bank a/c 960000

(26) Distinguish between shares and debentures.

Point of Difference	Shares	Debenture
Type of capital	Share is ownership security	Debenture is borrowed security
Certainty of reward	Not certain	Certain return
Charge on security	No requirement of creating charge on any asset of the company	Require to create charge on the asset of the company

SECTION D: ANSWER THE FOLLOWINGS

[16]

(27) Determine the value of goodwill of Virat and Anushka's firm as per the capitalization of super profit method.

- (1) Capital employed = 7,80,000
- (2) Expected rate of return = 12%
- (3) Last 5 years profit:

Years	2012-13	2013-14	2014-15	2015-16	2016-17
Profit (RS)	2,00,000	2,70,000	2,40,000	2,50,000	2,30,000

Statement Showing Computation of Goodwill

Step No.	Particulars	Amount (₹)														
(1)	Capital employed	7,80,000														
(2)	Expected rate of return	12 %														
(3)	Expected profit = Capital employed × Expected rate of return = 7,80,000 × 12 % = 93,600	93,600														
(4)	Average profit :	2,38,000														
	<table border="0" style="margin-left: 40px;"> <thead> <tr> <th>Year</th> <th>Profit</th> </tr> </thead> <tbody> <tr> <td>2012-13</td> <td>2,00,000</td> </tr> <tr> <td>2013-14</td> <td>2,70,000</td> </tr> <tr> <td>2014-15</td> <td>2,40,000</td> </tr> <tr> <td>2015-16</td> <td>2,50,000</td> </tr> <tr> <td>2016-17</td> <td>2,30,000</td> </tr> <tr> <td></td> <td style="border-top: 1px solid black;">11,90,000</td> </tr> </tbody> </table>	Year	Profit	2012-13	2,00,000	2013-14	2,70,000	2014-15	2,40,000	2015-16	2,50,000	2016-17	2,30,000		11,90,000	
Year	Profit															
2012-13	2,00,000															
2013-14	2,70,000															
2014-15	2,40,000															
2015-16	2,50,000															
2016-17	2,30,000															
	11,90,000															
	Average profit = $\frac{\text{Total profit}}{\text{No. of years}} = \frac{11,90,000}{5} = 2,38,000$															
(5)	Super profit = Average profit – Expected profit = 2,38,000 – 93,600 = 1,44,400	1,44,400														
(6)	Goodwill = $\frac{\text{Super profit}}{\text{Expected rate of return}} = \frac{1,44,400}{12\%} = 12,03,333.33$ Goodwill = 12,03,333	12,03,333														

(28) Find out balancing figures of comparative statement of Firoz Ltd. and prepare new comparative statement.

Particulars	Note No.	31-3-2016 (RS)	31-3-2017 (Rs)	Increase/Decrease (Rs)	Increase/Decrease (%) $6\left(\frac{5}{3} \times 100\right)$
(I) Sales revenue		7,20,000	972000	252000	35
(II)Expenses:					
(i) Purchase		4,00,000	800000	400000	100
(ii) Changes in stock		40,000	(40000)	(80000)	(200)
(iii) Depreciation		40,000	62000	22000	55
Total Expenses		4,80,000	822000	342000	71.25
(III)Profit before tax		2,40,000	150000	(90000)	(37.50)
(IV)Less: Income tax (30%)		72,000	45000	(27000)	(37.50)
(V)Profit after tax		1,68,000	105000	(63000)	(37.50)

(29) From the following information of 'R.K.' Ltd., calculate current ratio and working capital.

Particulars	(Rs)	Particulars	(Rs)
Debtors	90,000	Bills receivables	30,000
Land-building	5,00,000	Furniture	60,000
Outstanding expenses	40,000	Non-current investments	70,000
Current investments	30,000	Cash and cash equipment	30,000
Creditors	60,000	Bills payable	20,000
Bad debts reserve	20,000	Stock	60,000

Current ratio = Current asset/ current Liabilities

$$= 220000/120000 = 1.83$$

Working capital = C.A. – C.L = 220000-120000 = 100000

(30) Calculate cash flow from operating activities

PARTICULARS	AMT RS
Profit before tax	132000
Goodwill written off	28000
Patent amortized	17000
Depreciation	29000
Transfer to general reserve	23000
Interest received	12000
Dividend received	9000
Interest paid	11000
Dividend paid	25000
Profit on sales of fixed investment	13000
Loss on sale of furniture	18000

Particulars	Amt	Amt
Profit Before Tax		132000
Add : Goodwill	28000	
Patent	17000	
Depreciation	29000	
General Reserve	23000	
Interest Paid	11000	
Dividend Paid	25000	
Loss on sale of furniture	18000	151000
		283000
Less : Interest received	12000	
Dividend Received	9000	
Profit on sale of investment	13000	34000
Profit before working capital changes		<u>249000</u>

SECTION E: DO AS DIRECTED

[24]

(31)

Dr Cr Revaluation Account			
Particulars	Amt. (₹)	Particulars	Amt. (₹)
To Pro. for workmen's compensation	10,000	By Creditors A/c	5000
To Investment A/c	3000	By Loss transferred to old partners' capital A/c	
To Machinery A/c	5000	Kanha	10,000
To Bad debt A/c	3000	Kavisha	15,000
To Bad debt reserve A/c	9000		25,000
	30,000		30,000

Dr Cr Partners' Capital Account							
Particulars	Kanha (₹)	Kavisha (₹)	Palkhi (₹)	Particulars	Kanha (₹)	Kavisha (₹)	Palkhi (₹)
To Bank A/c (Goodwill)	8000	6000	–	By Balance b/d	80,000	1,00,000	–
To Revaluation A/c	10,000	15,000	–	By Contingency reserve A/c	6000	9000	–
To Balance c/d	84,000	1,00,000	1,20,000	By Bank A/c	–	–	1,20,000
				By Premium for goodwill A/c	16,000	12,000	–
	1,02,000	1,21,000	1,20,000		1,02,000	1,21,000	1,20,000

Dr Cr Bank Account			
Particulars	Amt. (₹)	Particulars	Amt. (₹)
To Balance b/d	14,000	By Kanha's capital A/c	8000
To Palkhi's capital A/c	1,20,000	By Kavisha's capital A/c	6000
To Premium for goodwill A/c	28,000	By Balance c/d	1,48,000
	1,62,000		1,62,000

Balance Sheet as on 1-4-2016 After Admission

Liabilities	Amt. (₹)	Assets	Amt. (₹)
Capital :		Building	1,10,000
Kanha	84,000	Machinery	45,000
Kavisha	1,00,000	Stock	30,000
Rihan	1,20,000	Debtors	66,000
Provision of workmen's compensation claim	50,000	– Bad debt	6000
Creditors	45,000	– Bad debt reserve (15 %)	9000
		Investment	15,000
		Bank	1,48,000
	3,99,000		3,99,000

(32)

Revaluation Account

Dr

Cr

Particulars	Amt. (₹)	Particulars	Amt. (₹)
To Stock A/c	600	By Bad debt reserve A/c	
To Partners' capital A/c (Profit)		(₹ 6000 – Bad debts ₹ 2000 –	
Ajay	10,000	New bad debt reserve ₹ 3400)	600
Alpa	6000	By Fixed assets A/c	20,000
Amay	4000		
	20,000		
	20,600		20,600

Partners' Capital Accounts

Dr

Cr

Particulars	Ajay (₹)	Alpa (₹)	Amay(₹)	Particulars	Ajay (₹)	Alpa (₹)	Amay(₹)
To Goodwill A/c	25,000	15,000	10,000	By Balance b/d	60,000	50,000	80,000
To Profit-loss A/c	15,000	9000	6000	By Workmen comp.			
To Ajay's capital				reserve A/c	5000	3000	2000
A/c (goodwill)	–	–	50,000	By Investment			
To Alpa's capital				fluctuation			
A/c (goodwill)	–	–	10,000	fund A/c	2500	1500	1000
To Cash A/c	10,000	–	–	By Amay's capital			
To Ajay's loan A/c	77,500	–	–	A/c (goodwill)	50,000	10,000	–
To Balance c/d	–	46,500	11,000	By Revaluation A/c	10,000	6000	4000
	1,27,500	70,500	87,000		1,27,500	70,500	87,000

Balance Sheet as on 1-4-2017 After Retirement

Liabilities	Amt. (₹)	Assets	Amt. (₹)
Capital Accounts :		Fixed assets	1,20,000
Alpa	46,500	Investments	45,000
Amay	11,000	Debtors	70,000
Ajay's loan	77,500	– Bad debt	2000
Workmen compensation claim	20,000		68,000
Creditors	40,000	– Bad debt reserve (5 %)	3400
Provident fund	60,000	Stock	19,400
		Cash (₹ 16,000 - ₹ 10,000	
		payment to Ajay)	6000
	2,55,000		2,55,000

(33)

NO	PARTICULAR	DR	CR
1	BANK A/C	62 00 000	-
	TO EQUITY SHARE APPLICATION A/C	-	62 00 000
2	EQUITY SHARE APPLICATION A/C	62 00 000	
	TO EQUITY SHARE CAPITAL A/C	-	48 00 000
	TO BANK A/C	-	14 00 000

3	SHARE ALLOTMENT A/C	48 00 000	
	TO EQUITY SHARE CAPITAL A/C	-	48 00 000
4	BANK A/C	47 68 000	
	CALLS IN ARREARS A/C	32000	
	TO SHARE ALLOTMENT		48 00 000
5	SHARE FINAL CALL A/C	24 00 000	
	TO EQUITY SHARE CAPITAL		24 00 000
6	BANK A/C	23 80 000	
	CALLS IN ARREASRS	20 000	
	TO SHARE FINAL CALL A/C		24 00000
7	EQUITY SHARE CAPITAL A/C	1 00 000	
	TO SHARE FORFIETURE A/C		48 000
	TO CALLS IN ARREAR		52 000
8	BANK A/C	75000	
	SHARE FORFIETURE A/C	25000	
	TO SHARE CAPITAL A/C		100000
9	SHARE FORFEITURE A/C	23000	
	TO CAPITAL RESERVE A/C		23000

SECTION – F: ESSAY TYPE QUESTIONS:

(22)

(34)

Ans. : Trading account of partnership firm of Ram and Shyam for the year ending on 31-3-2017

Dr

Cr

Particular	Amt. (₹)	Particular	Amt. (₹)
To Opening stock	25,000	By Sales	78,150
To Purchase	60,000	– Sales return	1000
– Purchase return	1500	By Closing stock	45,000
To Wages A/c	14,000		
To Carriage inward A/c	400		
To Profit and loss A/c (gross profit)	24,250		
	1,22,150		1,22,150

P & L account of partnership firm of Ram and Shyam for the year ending on 31-3-2017

Dr

Cr

Particular	Amt. (₹)	Particular	Amt. (₹)
Administration Expense :		By Trading A/c (Gross profit)	24,250
To Salary 15,000		By Profit and loss appropriation A/c	7800
+ Outstanding 500	15,500	(Net loss)	
To Sundry expense 1500			
+ Outstanding 150	1650		
To Trading expense A/c	1250		
To Rent & taxes 5000			
+ Outstanding 150	5150		
To Insurance premium	800		
Selling-Distribution Expense :			
To Discount allowed	500		
Financial Charges :			
To Bank interest	500		
To Interest on Geeta's loan	600		
Other Expense-Loss :			
To Bad debts (old) 400			
+ To Bad debts reserve (new) 2250			
	2650		
- By Bad debts reserve (old) 700	1950		
To Depreciation :			
Machinery 2000			
+ Furniture 400	2400		
To Leasehold building (written off)	1750		
	32,050		32,050

Particular	Amt. (₹)	Particular	Amt. (₹)
To Profit and loss A/c (Gross loss)	7800	By Interest on drawings A/c :	
To Interest on capital :		Ram	1800
Ram	4000	Shyam	1600
Shyam	3500	By Partners capital A/c (loss) :	
	7500	Ram	7140
		Shyam	4760
	15,300		11,900
			15,300

Partners Capital A/c

Dr Cr

Date	Particular	Ram (₹)	Shyam(₹)	Date	Particular	Ram (₹)	Shyam(₹)
31-3-17	To Drawings A/c	18,000	16,000	1-4-16	By Balance b/d	80,000	70,000
31-3-17	To Interest on drawings A/c	1800	1600	31-3-17	By Interest on capital A/c	4000	3500
31-3-17	To P & L appro. A/c (Divisible loss)	7140	4760				
31-3-17	To Balance c/d	57,060	51,140				
		84,000	73,500			84,000	73,500

Balance Sheet of partnership firm of Ram and Shyam as on 31-3-17

Capital-Liabilities	Amt. (₹)	Assets-Debts	Amt. (₹)
Capital :		Non-Current Assets :	
Ram	57,060	Fixed Assets :	
Shyam	51,140	Tangible Assets :	
Non-Current Liabilities :		Machines	20,000
8 % Geeta's loan	15,000	– Depreciation	2000
Current Liabilities :		Furniture	8000
Bank overdraft	8000	– Depreciation	400
Interest on Geeta's loan	600	Leasehold property	7000
Creditors	35,000	– Written off	1750
Outstanding expenses :		Non-tangible assets : Goodwill	40,000
Salary	500	Current Assets :	
Sundry expense	150	Closing stock	45,000
Rent-taxes	150	Debtors	45,000
Outstanding wages	1000	– Bad debts reserve	2250
Bills payable	200	Cash balance	10,000
		Prepaid insurance	200
	1,68,800		1,68,800

(35) Following is the balance sheet of Keyur Ltd. as on 31-3-2017:

Statement of Profit and Loss

Particulars	Amt Rs	Amt
Revenue from operation		960000
Other Income		15600
Total Revenue		975600

Expense		
Office Expense	24000	
Purchase	426000	
Wages	24 000	
Debenture Interest	12 000	
Salary	3 00 000	
Change In Inventory(36000-42000)	-6000	7 80 000
Profit Before tax		195600
-tax		97800
Profit after tax		97800

Balance Sheet

Particular	Amt	Amt
Share Holders Fund		
Equity and Liability	2 40 000	
Reserve and Surplus	97800	337800
Non Current Liabilities		
Debenture		1 20 000
Current Liabilities		
Bank Overdraft	14 400	
Provision for tax	97800	112200
Total Liabilities		570000
Assets		
Non Current Assets		
Software	1 20 000	
Land And Building	2 28 000	3 48 000
Current Assets(Debtors)	1 80 000	
Stock	42000	2 22 000
		570000