Accountancy

Class - XII

Chapter Assignments

Part –A

Accountancy Not – for Profit organization and partnership Accounts

- **Accountancy for Partnership: Basic concepts**
- **Reconstitution of a Partnership Firm : Admission of a partner**
- **Reconstitution of a Partnership Firm : Retirement/ Death of a Partner**
- **Dissolution of Partnership**

CHAPTER-1

ACCOUNTING FOR PARTNERSHIP FIRMS: BASIC CONCEPTS

1 Marks Questions

1. Is a sleeping partner liable for the acts of other partners?
2. How would you account for 'subscription due to be received' in the current year in the books of a non-trading organization?
3. What is meant by a partnership deed?
4. What is meant by unlimited liability of a partner?
5. Suresh and Ramesh are partners in a firm with capitals of Rs 3,00,000 and Rs 4,00,000 respectively. They do not have a partnership deed. Ramesh wants to share the profits in the ratio of capitals. State with Reasons whether the claim is valid.
6. State two elements of the partnership deed
7. How would you account for 'subscription received in advance' in the current year in the books of a non-trading organization?
8. What is meant by fund based accounting?
9. How is interest on drawing calculated, if the drawings are made at regular intervals, as on the first day of each month?
10. When the partners' capitals are fixed, where the drawings made by a partner will be recorded?
11. A and B are partners in a firm without a partnership deed. A is an active partner and claims a salary of Rs. 18,000 per month. State with reason whether the claim is valid or not.
12. Distinguish between fixed and fluctuating capital accounts.
13. The firm XYZ earned a profit of Rs. 2, 75,000 during the year ending on 31^{st} March, 2009. 10% of this profit was to be a transferred to general reserve. Pass necessary journal entry for same.
14. Tournament fund appears in the books Rs. 15,000 and expenses on tournament during the year were Rs. 18000. How will you show this in format while preparing financial statement of a not-for-profit organization?
15. Is it possible for one hospital to have an income and expenditure account whereas another has a profit and loss account?
16. Why depreciation on fixed assets is not recorded in receipts and Payment Account?
17. One horse of a horse race club died. Insurance company has offered to settle the claim at 60% will it be recorded in the Accounts of the club and how?
18. What are super profits?
19. How does the factor location affect the goodwill of a firm?
20. How does the nature of business affect the value of goodwill of a firm?

3 & 4 Marks Questions

1. In the absence of the partnership deed, specify the rules of the following
   a. Interest on partner's capital
   b. Interest on partner's drawing
   c. Interest to partner's loan
   d. Salary to partner
2. How the following items are shown in the balance sheet of Not –for – profit Organisation on 31st March 2007:

Expenditure on construction of pavilion
(The construction work was in progress) 3,60,000
Pavilion fund on 31st March 2006 3,10,000
Donation received during year 2006-07 4,20,000
Capital fund on 1st April ,2006 5,50,000

3. Extracts of receipt and payment Account for the year ended 31st March ,2007 are given below:

Subscription	Rs.
2005-6	2,500
2006-7	26,750
2007-8	1,000

Additional information:
Total number of members: 230
Annual membership fee: Rs 125
Subscription outstanding on April 1, 2006: Rs. 2,750
Prepare a statement showing all relevant items of subscriptions viz. income, advance ,Outstanding etc.

4. Distinguish between Receipts and Payments A/C and Income and expenditure A/C.

5. L, M and N were partners in firm sharing profit in the ratio 3:4:5. Their fixed capitals were 4,00,000 5,00,000 and 6,00,000 respectively. The partnership deed provided for the following
   i) Interest on capital @6% per annum.
   ii) Salary of Rs 30,000 p.a to N
   iii) Interest on drawings will be charged @ 12% per annum

During the year ended 31st March 2008, the firm earned a profit of Rs 270,000, L withdrew Rs 10,000 on 1st April 2008, M withdrew Rs 12,000 on 31st March

Prepare profit and loss appropriation account for the year ended 31st March 2009.

6. Show the following information in the Balance Sheet of the Cosmos club as on 31st March 2007:-

Particulars	**Dr (Rs)**	**Cr (Rs)**
Tournament Fund	-	1,50,000
Tournament Fund Investment	1,50,000	-
Income From Tournament Fund Investment	-	18,000
Tournament Expenses	12,000	-

Additional Information: Interest accrued on Tournament Fund Investment Rs. 6000.

7. As per Receipt and Payments account for the year ended on March 31, 2008, the subscription received were Rs. 2,50,000. Addition information given is as follows:-

(i) Subscriptions outstanding on 01-04-2007 Rs. 50,000.

(ii) Subscription outstanding on 31-03-2008 Rs. 35,000.

(iii)Subscription Received in advance as on 31-03-2008 Rs. 30000.

Ascertain the amount of income from subscription for the year 2007-08.

8. P, Q and R are partners sharing in the rato of 3:2:1. However, R isguaranteed Rs. 20,000 as hi share of profits every year. Deficiency if any would be borne by the other partners. The profits for the two years ending 31st March 2008 and 31st March 2009 had been 75,000 and 80,000 respectively. Show the profit and loss appropriation account for the two years.

9. Show the treatment of the following items by a not for profit organization:

- Annual Subscription
- Specific Donation
- Sale of old periodical
- Sale of fixed asset

10. A, B and C were partners in a firm. They had no partnership deed. They had been in business for 4 year and their profit and loss for this period was, year ended March 2004 Rs 39,000 March 2005 Rs 54,000, March 2006 Rs. 18,000 (loss) and March 2007 Rs. 75,000. During the yar 2007-08, they agreed to share profits and losses in the ratio of 2:2:1 with retrospective effect from the year 2003-04. It was also decided that an interest (charge) of 5% per annum was to be provided on capitals (fixed) Their capital were Rs80,000, Rs. 60,000 and Rs. 60,000 respectively. Pass a single adjustment entry to adjust the capital accounts of the partners.

11. A business earned average profits of Rs 1,00,000 during the last few years. The normal rate of return in similar type of business is 10%. The assets of the business were 10,00,000 and external liabilities was Rs 1,80,000. Calculate the value of goodwill of the firm by super profit method, if the goodwill is valued at 5/2 years' purpose of super profits.

12. A partnership firm earned net profits during the last 3 years as follows

Years	**Net Profits**
2007-2008	1,90,000
2008-2009	2,20,000
2010-2011	2,50,000

The capital employed in the firm throughout the above mentioned period has been Rs 4,00,000. Having regard to the risk involved, 15% is considered to be a dair return on the capital. The remuneration of all the partners during this period is estimated to be Rs 1,00,00

6 Marks Questions

1. A, B and C were partners in a firm having capitals of Rs. 60,000, Rs. 60,000 and Rs. 80,000 respectively. Their current account balances were A- Rs. 10,000, B- Rs. 5000 and C- Rs. 2000 (Dr.). According to the partnership deed the partners were entitled to an interest on capital @ 5% p.a. C being the working partner was also entitled to a salary of Rs. 6,000 p. a. The profits were to be divided as follows:

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

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

   (iii) Remaining profits to be shared equally.

   During the year the firm made a profit of Rs. 1,56,000 before charging any of the above items.

   Prepare the profit and loss appropriate on A/C

2. A and B are partners sharing profits in proportion of 3:2 with capitals of Rs. 40,000 and Rs. 30,000 respectively. Interest on capital is agreed at 5 % p.a. B is to be allowed an annual salary of Rs. 3000 which has not been withdrawn. During 2001 the profits for the year prior to calculation of interest on capital but after charging B's salary amounted to Rs. 12,000. A provision of 5% of this amount is to be made in respect of commission to the manager.

Prepare profit and loss appropriation account showing the allocation of profits.

3. Anwar, Boswas and Divya are partners in a firm. Their capital account stod at Rs 8,00,000 , Rs 6,00,000 and Rs 4,00,000 respectively on 1st April 2011. They shared profit and losses in the ratio 3:2:1 respectively. Partners are entitled to interest on capital @6% p.a and salary to Biswas and Divya @ Rs 4,000 per month and Rs 6,000 per quarter respectively as per the provisions of partnership deed.

   Biswas's share of profit (including on capital but excluding slary) is guaranteed at a minimum of Rs 82,000 p.a. Any deficiency arising on that account shall be met by Divya. The profit for the year ended 31st March 2012 amounted to Rs 3,12,000 . Prepare profit and loss appropriation account for the year ended 32st March 2012.

4. The partners of a firm distributed the profits for the year ended 31st March 2006 Rs 3,00,000 equally without providing for the following adjustments:

(i) Seema and Rita were entitled to a salary of Rs. 5,000 per annum.

(ii) Nega was entitled a Commission of Rs 5,000

(iii) Seema and Rita had guaranteed a minimum profit of Rs 1,20,000 per annum to Nega

(iv) Profit were to be shared in the ratio of 2:2:1

Prepare necessary journal entries

5. Ali, Bimal and Deepak are partners in a firm . On 1st April 2011 their capital accounts stood at Rs 4,00,000, Rs 3,00,000 and Rs 2,00,000 respectively. They shared profits and losses in the ratio of 5:3:2 respectively. Partners are entitled to interest on capital @10% per annum and the salary to Bimal and Deepak @ Rs 2,000 p.m and Rs 3,000 per quarter respectively as per the provisions of the partnership deed.

Bimal's share of profit (excluding interest on capital but including salary) is guaranteed at a minimum of Rs 50,000 p.a. Any deficiency arising on that account shall be met by Deepak. The profits of the firm for the year ended 31st March, 2012 amount to Rs. 2,00,000. Prepare profit and loss appropriation account for the year ended on 31st March 2012

6. Ramesh and Gurmeet are two friends belonging to Hindu and Sikh religion respectively. They started a business of wire manufacturing in the form of a partnership firm. They know that the factory of wire manufacturing pollutes the environment. Therefore there are two options available before them. First option is that the factory can be opened in rural area where local residents are poor and illiterate. Second option is that an advanced pollution control plant can be installed in their factory to control the pollution. They decided to choose the second option which involves an additional cost of ` 2, 00,000. To arrange this amount, they admitted their fast friend John as a new partner for equal share in the future profits. John brought` 2,50,000 as his share of capital. Ramesh and Gurmeet gave him a guarantee that his share of profit will not be

less than ` 60,000 p. a. At the end of first year the firm earns a profit of ` 1,50,000.Mention the value involved in this question. Write the effects of choosing option available before Ramesh and Gurmeet. Prepare the Profit and Loss Appropriation Account for the first year.

CHAPTER:2

RECONSTITUTION OF PARTNERSHIP

ADMISSION OF A PARTNER

1 Marks Questions

1. Give the meaning of reconstitution of a partnership firm
2. Why are reserves and surplus distributed at the time of reconstitution of the firm?
3. On what occasions does the need for valuation of goodwill arise?
4. Why is it necessary to revalue assets and reassess liabilities at the time of admission of new partner?
5. What is meant by sacrificing ratio?
6. State two occasions when sacrificing ratio may be applied.
7. Under what circumstances will the premium for goodwill paid by the incoming partner not be recorded in the books of accounts.
8. A and B are partners sharing profits in the ratio 3:4. They admit C for $1/9^{th}$ share, which he acquire from A. Define the new profit sharing ratio.
9. What is revaluation account?
10. What is Hidden Goodwill?

3 & 4 Marks Questions

1. A and B were partners sharing profits in the ratio of 3:2. A surrenders $1/6^{th}$ of his share and B surrenders $1/4^{th}$ of his share in favour of C, a new partner. What is the new ratio and the sacrificing ratio.
2. Aarti and Bharti are partners sharing profits in the ratio of 5:3. They admit Shital for $1/4^{th}$ share and agree to share between them in the ratio of 2:1 in future. Calculate new and sacrificing ratio.
3. Rahul and Sahil are partners sharing profits together in the ratio of 4:3. They admit Kamal as a new partner. Rahul surrenders $1/4^{th}$ of his share and Sahil surrenders $1/3^{rd}$ of his share in favour of Kamal. Calculate the new profit sharing ratio.
4. Ajay and Naveen are partners sharing profits in the ratio of 5:3. Surinder is admitted in to the firm for $1/4^{th}$ share in the profit which he acquires from Ajay and Naveen in the ratio of 2:1. Calculate the new profit sharing ratio.
5. A and B are partners sharing profits in the ratio of 3:2. Their books showed goodwill at Rs. 2000. C is admitted with 1/4th share of profits and brings Rs. 10,000 as his capital but is not able to bring in cash goodwill Rs. 3000. Give necessary Journal entries.

6. A business has earned average profit of Rs. 60,000 during the last few years. The assets of the business are Rs. 5,40,000 and its external liabilities are Rs. 80,000. The normal rate of return is 10%. Calculate the value of goodwill on the basis of capitalisation of super profits.

7. The capital of a firm of Arpit and Prajwal is Rs. 10,00,000. The market rate of return is 15% and the goodwill of the firm has been valued Rs. 1,80,000 at two years purchase of super profits. Find the average profits of the firm.

6 & 8 Marks Questions

1. A and B were partners in a firm sharing profits and losses in the ratio of 3:2. They admitted C as a new partner for $3/7^{th}$ share in the capital and Rs 1,50,000 as premium for goodwill. Half of their share of premium was withdrawn by A and B from the firm. Calculate sacrificing ratio and pass necessary journal entries for the above transactions in the books of the firm.

2. K and Y were partners in a firm sharing profits in 3:2 ratio. They admitted Z as a new partner for $1/3^{rd}$ share in the profits of the firm. Z acquired his share from K and Y in 2:3 ratios. Z brought Rs. 80,000 for his capital and Rs 30,000 for his $1/3^{rd}$ share as premium. Calculate the new profits sharing ratio of K, Y, and Z and pass necessary journal entries for the above transactions in the books of the firm.

8 Marks Questions

1. Deepa and Shweta are friends and after completion of their study they started a business of readymade Garments by constituting a partnership firm with a profit sharing ratio as 3:2 respectively. Their partnership firm earns huge profits during few years. They decided to start a scholarship of ` 10,000 p.a. for meritorious and poor students. On January 1, 2012 they admit Joney, their manager as a new partner with $1/5^{th}$ share in future profits. The value of goodwill of the form is ` 3,50,000 and Joney is not able to bring his share of goodwill in cash. Joney belongs to a Religious minority community and is expert in business management. He contributes ` 50,000 as his capital and old partners want to pass an adjusting entry for the treatment of goodwill.
   Identify the value is involved in this question and pass the journal entries on admission of Joney. Also calculate the new profit sharing ratio.

2. Maruni and vohra were partners in a firm with capitals of Rs 1,20,000 and Rs 1,60,000 respectively. On 1^{st} April 2010 they admitted Yadav as a partner for $1/4^{th}$ share in profits on his payment of Rs 2,00,000 as his capital and Rs 90,000 for his $1/4^{th}$ share of goodwill. On that date, the creditors of Murari and Vohra were Rs 60,000 and bank overdraft was Rs 15,000. Their assets

apart from cash included stock Rs 10,000, Debtors Rs 40,000, Plants and machinery Rs 80,000, Land and building Rs 2,00,000. It was agreed that stock should be depreciated by Rs 2,000, Plant and machinery by 20%, Rs 5,000 should be written off as a bad debts and land and building should be appreciated by 25%.

Prepare revaluation account, capital account of Murari, Vohra and Yadav and the balance sheet of the new firm.

3. Alfa and beta were partners in a firm. They were trading in artificial limbs. On 1st April, 2013 they admitted Gama, a good friend of Beta into the partnership, Gama lost his one hand in accident and Alfa and Beta decided to give one artificial hand free of cost to Gama. The balance sheet of Alfa and Beta as at 31st March 2013 was as follows.

Balance sheet

As at 31st March 2013

Liabilities	Amt (Rs)	Assets	Amt (Rs)
Provision for Doubtful Debts	40,000	Cash	1,00,000
Workmen's compensation Fund		Sundry Debtors	8,00,000
Outstanding Expenses	56,000	Stock	2,00,000
Creditors		Machinery	3,86,000
Capital A/cs	30,000	Profit and loss A/c	40,000
Alfa 5,00,000	3,00,000		
Beta 6,00,000			
	11,00,000		
	15,26,000`		15,26,000

Gama was admitted in the firm on the following terms

i) Gama will bring Rs 4,00,000 as his share of capital, but he was unable to bring any amount for goodwill

ii) The new profit sharing ratio between Alfa, Beta and Gama will be 3:2:1

iii) Claim on account of workmen compensation was Rs 30,000

iv) To write off bad debts amounted to Rs 40,000

v) Creditors were paid Rs 20,000 more

vi) Outstanding expense be brought down to Rs 12,000

vii) Rs 20,000 be provided for an unforeseen liability

viii) Goodwill of the firm was valued at Rs 1,80,000

Prepare revaluation account, capital accounts of partners and the opening balance sheet of the new firm. Also identify any one value which the partners wanted to communicate to the society.

4. Sahaj and Nimish are partners in a firm. They share profits and losses in the ratio of 2:1. Since, both of them are specially abled, sometimes they find it difficult to run the business on their own. Gauri, a common friend decided to help them. Therefore, they admitted her into partnership for 1/3rd share. She bought her share of goodwill in cash and proportionate capital. At the time of Gauri's admission, the balance sheet of sahaj and nimish was as under

Balance sheet

As at 31st March 2013

Liabilities		Amt (Rs)	Assets	Amt (Rs)
General reserve		30,000	Cash	20,000
Employees' Provident Fund		40,000	Sundry Debtors	30,000
Creditors		30,000	Stock	50,000
Capital A/cs			Machinery	1,20,000
sahaj	1,20,000		Furniture	80,000
nimish	80,000	2,00,000		
		3,00,000`		3,00,000

It was decided to:

i) Reduce the value of stock by Rs 5,000

ii) Depreciate furniture by 10% and appreciate machinery by 5%

iii) 3,000 of debtors proved bad. A provision of 5% was to be created on sundry debtors for doubtful debts

iv) Goodwill of the firm was valued at Rs 45,000

5. Ishu and Vishnu are partners sharing profits in the ratio of 3:2. Their balance sheet on 31st March 2009 was as follows

Balance sheet

As at 31st March 2009

Liabilities		Amt (Rs)	Assets		Amt (Rs)
General reserves		10,000	Cash at bank		20,000
Investment Fluctuation Fund		4,000	Debtors	42,000	
			(-) provision for Doubtful debts	(7,000)	35,000
Creditors		68,000	Investment (MP 19,000)		21,000
Capital A/cs			Plant and Machinery		70,000
ishu	1,19,000		Building		98,000
vishnu	1,12,000	2,31,000			
		3,11,000`			3,11,000

Nishu was admitted on that date for 1/6th share on the following terms:

i) Nishu will bring Rs 56,000 as his share of capital

ii) Goodwill of the firm is valued at Rs 84,000 and Nishu will bring his share of goodwill in cash

iii) Plant and machinery to be appreciated by 20%

iv) All debtors were good

v) There is a liability of Rs 9,800 included in sundry creditors that is not likely to arise

vi) Capital of Ishu and Vishu will be adjusted on the basis of Nishu's capital and any excess or deficiency will be made by withdrawing or bringing in cash by the concerned partner.

CHAPTER:3

RECONSTITUTION OF APARTNERSHIP FIRM

RETIREMENT /DEATH OF A PARTNER

1 Marks Questions

1. Distinguish between Sacrificing Ratio and Gaining Ratio.
2. Kamal, Kishore and Kunal are partners in a firm sharing profits equally. Kishore retires from the firm. Kamal and Kunal decide to share the profits in future in the ratio 4:3. Calculate the Gaining Ratio
3. P, Q and R are partners sharing profits in the ratio of 7:2:1. P retires and the new profit sharing ratio between Q and R is 2:1. State the Gaining Ratio.
4. How can a partner retire from a firm
5. For which share of goodwill a partner is entitled at the entitled at the time of his retirement?
6. A, B and C are partners sharing profits in the ratio of 4:3:2. B retires and the goodwill of the firm is valued at Rs 18,000. Pass journal entry for the treatment of goodwill on B's retirement
7. Name the account which is opened to credit the share of profit of the decreased partner, till the time of his death to his capital account.
8. At what rate is interest payable on the amount remaining unpaid to the executor of decreased partner?

3 & 4 Marks Questions

1. A, B and C are partners in a firm sharing profits in the ration of 2:2:1. B retires and his share is acquired by A and C equally. Calculate new profit sharing ratio of A and C.
2. X, Y and Z are partners sharing profits in the ratio of 4/9, 1/3 and 2/9. X retires and surrenders $2/3^{rd}$ of his share in favour of Y and remaining in favor of Z. Calculate new profit sharing ratio and gaining ratio.
3. X, Y and Z have been sharing profits and losses in the ratio of 3:2:1. Z retires. His share is taken over by X and Y in the ratio of 2:1. Calculate the new profit sharing ratio.
4. A,B, C and D are partners sharing profits in the ratio 3:3:2:2 respectively. D retires and A,B and C decide to share the future profits in the ratio of 3:2:1. Goodwill of the firm is valued at Rs 6,00,000. Goodwill already appears in the books at Rs 4,50,000. The profit for the first year after D's retirement amount to Rs 1,20,000. Give the necessary journal entries to record goodwill and to distribute the profits.

5. X, Y and Z are partners in a firm sharing profits in the ratio of 3:2:1. On 1st April, 2009, X retires from the firm, Y and Z agrees that the capital of the new firm shall be fixed Rs 2,10,000 in the profit sharing ratio. The general capital accounts of Y and Z after all adjustment on the date of retirement showed balance of Rs 1,45,000 and Rs 63,000 respectively. State the amount of actual cash to be brought in or to be paid to the partners.

6. A, B and C were partners in a firm sharing profits in 3:2:1 ratio. The firm closes its books on 31st march every year. B dies on 12th June, 2007. On B's death the goodwill of the firm was valued at Rs. 60,000 and his share in the profits of the firm till the time of his death was to calculated on the basis of previous year's profit which was Rs 1,50,000. Calculate B's share in the profit of the firm. Pass necessary journal entries for the treatment of goodwill and B's share of profit at the time of his death.

6 Marks Questions

1. The balance sheet of A, B and C who were sharing profits and losses in the ratio of ½, 1/3 and 1/6 respectively, was as follows on 1st April, 2004

Balance sheet

As at 1st April 2004

Liabilities	Amt (Rs)	Assets	Amt (Rs)
Bills payable	6,400	Cash	25,650
Sundry Creditors	12,500	Bills receivable	5,400
Capital A/cs		Debtors	17,800
A 40,000		Stock	22,300
B 25,000		Furniture	3,500
C 20,000	85,000	Plant and Machinery	9,750
Profit and Loss A/c	4,500	Building	24,000
	1,08,000`		1,08,000

A retired from the business on 1st April,2004 and his share in the firm was to be ascertained on the revaluation of the assets as follows

Stock Rs 20,000; furniture Rs 3,000; Plant and machinery Rs 9,000; building Rs 20,000; Rs 850 was to be provided for doubtful debts. The goodwill of the firm was valued at Rs 6,000

A was to paid Rs 11,500 in cash on retirement and the balance in three equal yearly installment with interest at 9% per annum

Prepare revaluation account, partner's capital account and A's loan account on the date of his retirement.

2. The balance sheet of R, S and M, who were sharing profits in the ratio of 4:3:1 respectively, as on 31st March, 2012 as follows

Balance sheet

As at 31st March 2012

Liabilities	Amt (Rs)	Assets	Amt (Rs)
Bills payable	25,000	Cash	39,000
General Reserve	65,000	Debtors	61,000
Loan	29,000	Stock	88,000
Capital A/cs		Machinery	2,23,000
R 1,50,000		Madan's Loan	33,000
S 1,00,000			
M 75,000	3,25,000		
	4,44,000`		1,08,000

M died on 1st September ,2012. The partnership deed provided for the following on the death of a partner

i) Goodwill on the firm to be valued at two year's purchase of average profits for the last three years which were Rs 64,000

ii) M's share of profit till the date of his death was to be calculated on the basis of sales. Sales for the first year ended 31st march,2012 amounted to Rs 1,50,000 and that from 1st April to 1st sept,2012 Rs 90,000. The profit for the year ended 31st march,2012 was Rs50,000

iii) Interest on capital was to be provided @10% p.a

iv) According to M's will, the executors should donate his share to 'Matri Chhaya,an orphanage for girls'

Prepare M's capital account to be rendered to his executor. Also identify the value being highlighted in the question.

3. P,Q and R were partners in a firm sharing profits in the ratio of 5:4:1. Their capital were Rs. 4,00,000, Rs 3,00,000 and Rs 50,000 respectively. The firm closes its books on 31st march,2006, Q died. According to the partnership deed, the executor of a decreased partner was entitled to

i) Interested on capital from the first day on the accounting year till the date of his death @10% p.a

ii) His share of goodwill- The goodwill of the firm on Q's death was valued at Rs 6,00,000

iii) His share of profit- The profit of the firm for the year ended 31st March, 2006 was Rs 3,00,000

Prepare Q's capital at the time of his death on 31st march, 2006 to be presented to his executor and his executor's loan account for the year ended 31st march,2007 and 2008.

8 Marks Questions

1. The balance sheet of A, B and C on 31st March, 2007 was as follows

Balance sheet

As at 31st March 2004

Liabilities	Amt (Rs)	Assets	Amt (Rs)
Sundry Creditors	50,000	Profit and Loss A/c	30,000
Capital A/cs		Cash	2,000
A 80,000		Debtors	48,000
B 80,000		Plant and Machinery	56,000
C 60,000	2,20,000	Land and Building	80,000
		Motor Car	54,000
	2,70,000`		2,70,000

The following terms were agreed upon for A's retirement

i) Goodwill to be valued at Rs 42,000 and not to be shown in the books of the firm after A's retirement

ii) Land and building to be appreciated by Rs 20,000

iii) Plant and Machinery to be reduced to Rs 46,000

iv) Provision for doubtful debts to be created at 5% on debts

v) Create a provision of Rs 1,400 for discounted on creditors.

vi) The sum payable to A to be brought in by B and C in such a manner that their capitals are in proportion to their new profit sharing ratio

Prepare the revaluation account, Partners' capital account and the balance sheet of the new firm to give effect to the above terms.

2. K, S and M were partners in a firm sharing profits in the ratio of 3:2:5. On 31st December, 2010 the balance sheet of K,S and M was as follows

Balance sheet

As at 31st March 2012

Liabilities	Amt (Rs)	Assets	Amt (Rs)
Creditors	75,000	Cash	45,000
General Reserve	1,00,000	Debtors	1,20,000
Loan from S	50,000	Stock	30,000
Capital A/cs		Machinery	1,70,000
K 3,00,000		Goodwill	3,00,000

S 2,00,000 M 5,00,000	10,00,000	Land and Building Profit and loss A/c	5,00,000 60,000
	12,25,000`		12,25,000

On 14th march 2011, S died. The partnership deed provided that on the death of a partner the exector of the deceased partner is entitled to

i) Balance in capital account

ii) Share in profits upto the date of death on the basis of last year's profit

iii) His share in profit/loss on revaluation of assets and re-assessment of liabilities which were as follows

a) Land and building was to be appreciated by Rs 1,20,000

b) Machinery was to be depreciated to Rs 1,35,000 and stock to Rs 25,000

c) A provision of 2.5% for bad and doubtful debts was to be created on debtors

iv) The net amount payable to S's executors was transferred to his loan account which was to be paid later.

Prepare revaluation account, partner's capital account, S's executor's account and balance sheet of K and M who decided to continue the business keeping their capital balances in their new profit sharing ratio. Any surplus or deficit to be transferred to current accounts of the partners.

CHAPTER:4

DISSOLUTION OF PARTNERSHIP

1 Marks Questions

1. Distinguish between dissolution of partnership and dissolution of partnership firm on the basis of continuation of business.
2. Why is Realisation Account prepared on dissolution of partnership firm?
3. State any one point of difference between Realisation Account and Revaluation Account.
4. In case of dissolution of a firm, which liabilities are to be paid first?
5. A and B are partners in a firm sharing profits in the ratio of 3:2. Mrs. A has given a loan of Rs 20,000 to the firm and the firm also obtained a loan of Rs 10,000 from B. The firm was dissolved and its assets were realized for Rs 25,000. State the order of payment of Mrs A's loan and B's loan with reasons, if there were no creditors of the firm.
6. Identify a situation, under which court may order for dissolution of partnership firm.
7. When an asset is taken over by a partner, why is his capital account debited?
8. Name the liability which is not shown in the balance sheet, but paid at the time of dissolution of the firm.

6 Marks Questions

1. 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?
   (a) Bank loan Rs. 12,000 is paid.
   (b) Stock worth Rs. 6000 is taken over by B.
   (c) Loss on Realisation Rs. 14,000.
   (d) Realisation expenses amounted to Rs. 2,000; B has to bear these expenses.
   (e) Deferred Revenue Advertising Expenditure appeared at Rs. 28,000.
   (f) A typewriter completely written off in the books of the firm was sold for Rs. 200.

2. Verma and sharma were partners sharing profit in the ratio of 3:1. On 31st March,2011,their balance sheet was as follows

Balance sheet

As at 31st March 2011

Liabilities		Amt (Rs)	Assets	Amt (Rs)
Creditors		70,000	Debtors	80,000
Capital A/cs			Machinery	60,000
Verma	1,20,000		Land and Building	70,000
Sharma	80,000		Bank	60,000
		2,00,000		
		2,70,000`		2,70,000

The firm was dissolved on 1st April, 2011 and the assts and liabilities were settled as follows:

- i) Creditors of Rs 50,000took over land and building in the full settlement of their claim
- ii) Remaining creditors were paid in cash
- iii) Machinery was sold at a depreciation of 30%
- iv) Debtors were collected at a cost of Rs 5000
- v) Expenses on Realisation were Rs 1,700

Pass necessary journal entries for the dissolution of the firm

3. Sanjay and Sameer were partners in a firm sharing profits in the ratio of 2:3. On 31st March,2011 the balance sheet of the firm was as follows:

Balance sheet

As at 31st March 2011

Liabilities		Amt (Rs)	Assets	Amt (Rs)
Sundry Creditors		1,05,000	Debtors	1,50,000
Capital A/cs			Land and Building	3,00,000
Sanjay	2,00,000		Bank	1,55,000
Sameer	3,00,000	5,00,000	Stock	1,00,000
Workmen compensation Fund		1,00,000		
		7,05,000`		7,05,000

The firm was dissolved on 1st April and the assets and the liabilities were settled as dollows:

- i) Sanjay agrees to take over land and building at Rs 3,50,000 by paying cash
- ii) Stock was sold for Rs 90,000
- iii) Creditors accepted debtors in full settlement of their claim

Pass necessary journal entries for dissolution of the firm

4. Pass the necessary journal entries for the following transactions on the dissolution of the firm of K and L after the various asset (other than cash) and outside liabilities have been transferred to Realisation account

   i) Bank loan Rs 15,000 was paid

   ii) Stock worth Rs 20,000 was taken over by a partner L

   iii) K paid Rs 9,000 to a creditors

   iv) A liability not appearing in the books of accounts settled Rs 3,700

   v) Expenses on Realisation Rs 900 were paid by L

   vi) Profit on Realisation Rs 7,100 was distributed between K and L in 7:3 ratio

8 Marks Questions

1. 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 kept dumping hazardous material into a nearby river. The court ordered for the dissolution of their partnership firm on 31st March, 2012. 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

Balance sheet

As at 31st March 2011

Liabilities		Amt (Rs)	Assets	Amt (Rs)
Creditors		10,000	Furniture	37,000
Capital A/cs			Stock	5,500
Prachi	40,000		Investment	15,000
Ritika	30,000	70,000	Cash	9,000
Investment Fluctuation Fund		4,500	Ishita's capital	18,000
		7,05,000`		7,05,000

Following was agreed upon

Prachi took over investment 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. This liability was not provided in the above balance sheet. Realisation expenses amounted to Rs 1,000. Prepare Realisation account, partners' capital account and cash account to close account to close the books of the firm. Also identify the value being conveyed in the question.

2. A, B and C were partners sharing profits in the ratio of 3:1:1. The balance sheet on 31st March, 2009, the date on which they dissolve their firm was as follows:

Balance sheet

As at 31st March 2011

Liabilities		Amt (Rs)	Assets		Amt (Rs)
Creditors		6,000	Cash		3,200
Capital A/cs			Debtors	24,200	
A	27,500		(-) provision for Doubtful debts	(1,200)	23,000
B	10,000		Bill Receivables		1,000
C	7,000	44,500	Other assets		17,000
Loan		1,500	Stock		7,800
		52,000`			52,000

It was agreed that

i) A to take over bills receivable a Rs 800, debtors amounting to Rs 20,000 at Rs 17,200 and the creditors of Rs 6,000 were to be paid by him at this figure.

ii) B is to take over all stock for Rs 7,000 and some other assets at Rs 7,200 (being 10% less than the book value)

iii) C to take over remaining sundry assets at 90% of the book value and assume the responsibility of discharge of loan together with accrued interest of Rs 300

iv) The expenses of Realisation were Rs 270

The remaining debtors were sold to a debt collecting agency at 50% of the book value. Prepare Realisation account, partners' capital and cash account.

Part –B

Accountancy Company Accounts and Analysis of Financial Statements

- **Accounting for Share capital**
- **Issue and redemption of debentures**
- **Financial Statement of a company**
- **Financial Statement Analysis**
- **Accounting Ratios**
- **Cash Flow Statement**

CHAPTER-1

ACCOUNTING FOR SHARE CAPITAL

1 Marks Questions

1. What is the nature of receipt of premium on issue of shares?
2. Can a company issue shares at a premium in the absence of any express authority in its articles?
3. What is the maximum rate of interest which the board of directors of a company can normally pay on calls-in-advance if the articles are silent on the matter of such interest?
4. State with reason whether a company can issue its shares at a discount in its Initial Public Offer (IPO).
5. Why securities premium money cannot be used for payment of cash dividend among shareholders?
6. What is the name given to the part of capital of a company which is called up only on winding up?
7. What is paid up capital?
8. What are preliminary expenses?
9. What is under subscription and over subscription?
10. What is meant by authorized capital of a company?
11. Give the meaning f forfeiture of shares.
12. What is meant by 'calls-in-arrears'?
13. Can securities premium be used as working capital?
14. What is meant by pro-rata allotment of shares?
15. What is the restriction on reissue of forfeited shares at discount?

3 & 4 Marks Questions

1. Z Ltd purchased furniture costing Rs 2,200 from CD Ltd. The payment was to be made by issuing of 9% preference share of Rs 100 each at a premium og Rs 10 per share.
   Pass the necessary journal entries in the books of Z Ltd.
2. Krishna Ltd. With paid-up share capital of Rs. 60,00,000 has a balance of Rs. 15,00,000 in securities premium account. The company management does not want to carry over this balance. You are required to suggest the method for utilizing this premium money that would achieve the objectives of the management and maximize the return to shareholders.

3. TAG Ltd forfeited 400 shared of Rs 10 each at a premium of Rs 1 per share for the non-payment of allotment of Rs 4 per share (including premium). The first and final call of Rs 3 per share has not been made yet. 50% of forfeited shares were re-issued at Rs 8 per share fully paid-up. Pass necessary journal entries for the forfeiture and re-issue of shares.

4. MCS Ltd issued 40,000 shares of Rs 10 each payable at Rs 2 on applications Rs 4 on allotment and the balance in two equal installments.

Applications were received for 80,000 shares and the allotment was made as follows:

i) Applications of 50,000 shares were allotted 30,000 shares

ii) Applications of 30,000 shares were allotted 10,000 shares

Neeraj, to whom 600 shares were allotted from category (I), failed to pay the allotment money. Pass the necessary journal entries upto allotment only.

5. SSS Ltd has a paid-up share capital of Rs 60,00,000 and a balance of Rs 15,00,000 in the securities premium account. The company's management do not want to carry over this balance. State the purpose for which this balance can be utilised.

6. Jaya Ltd issued 60,000 of Rs 10 each at a premium of Rs 2 per share payable as Rs 3 on applications, Rs 5 (including premium) on allotment and balance on the first and final call. Applications were received for 82,000 shares. The directors resolved to allot as follows

i) Applicants of 30,000 shares- allotted 20,000 shares

ii) Applicants of 50,000 shares- allotted 40,000 shares

iii) Applications of 2,000 shares – Nil

Ramesh who had applied for 900 shares in category (i) and suresh who was allotted 600 shares in category (ii) failed to pay the allotment money. Calculate the amount received on allotment.

7. Nikhil Ltd purchased a running business from Sonia Ltd for a sum of Rs 22,00,000 bu issuing 20,000 fuly paid equity shares of Rs 100 each at a premium of 10%. The assts and liabilities consisted of the following

Machinery Rs 7,00,000, debtors Rs 2,50,000, stock Rs 5,00,00, building Rs 11,50,000 and bills payable Rs 2,50,000

Pass necessary entries in the books of Nikhil Ltd for the above transactions.

8. Poonam Ltd was registered with an authorized capital of Rs 4,00,00,000 divided into 4,00,000 equity shares of Rs 100 each. The company offered for public subscription 3,00,000 shares. The public applied for 2,80,000 shares and all were allotted.

The company did not make the second and final call of Rs 10 per share. The first call of Rs 20 per share was not received on 1,000 shares. Prepare the balance sheet of the company showing the different types of share capital.

9. TPT Ltd. invited applications for issuing 1,00,000 equity shares of Rs. 10 each at a premium of Rs. 3 per share. The whole amount was payable on application. The issue was oversubscribed by 30,000 shares and allotment was made on pro-rata basis. Pass necessary journal entries in the books of the company.

10. I) 500 shares of Rs. 100 each issued at a discount of 10% were forfeited for the non-payment of allotment money of Rs. 50 per share. The first and final calls of Rs.10 per share on these shares were not made. The forfeited shares were reissued at Rs. 80 per share fully paid-up.

II) 200 shares of Rs. 100 each issued at a discount of 10% were forfeited for the non-payment of allotment money of Rs. 50 per share. The first and final call of Rs. 10 per share on these shares were not made. The forfeited shares were reissued at Rs. 14 per share fully paid up.

11. X Ltd took over the assets of Rs. 6,60,000 and liabilities of Rs. 80,000, Y Ltd for Rs. 600,000. Show the necessary journal entries in the book of X Ltd. assuming that

Case-I : The consideration was payable 10% in cash and the balance in 54000 equity shares of Rs. 10 each.

Case-II : The consideration was payable 10% in cash and the balance in 45000 equity shares of Rs. 10 each.

Case-III : The consideration was payable 10% in cash and the balance in 60,000 equity shares of Rs. 10 each.

8 Marks Questions

1. X Ltd. issued 20,000 shares of Rs. 10 each at a premium of 10% payable as follows:-

On application Rs. 2 (1^{st} Jan 2001), on allotment Rs. 4 (including premium) (1^{st} April 2001), On first call Rs. 3 (1^{st} June 2001), on second call & final call Rs. 2 (1^{st} Aug. 2001).

Applications were received for 18,000 shares and the directors made allotment in full. One shareholder to whom 40 shares were allotted paid the entire balance on his share holdings with allotment money and another shareholder did not pay allotment and 1^{st} call money on his 60 shares but which he paid with final call.

Calculate the amount of interest paid and received on calls-in-advance and calls-in-arrears respectively on 1^{st} Aug. 2001.

2. X Ltd. invited applications for 11,000 shares of Rs. 10 each issued at 10% premium payable as:

On application	Rs. 3 (including Rs. 1 premium)
On allotment	Rs. 4 (including Rs. 1 premium)
On 1st Call	Rs. 3
On 2nd & final call	Rs. 2

Applications were received for 24000 shares.

Category I : One fourth of the shares applied for allotted 2000 shares.

Category II: Three fourth the shares applied for allotted 9000 shares.

Remaining applicants were rejected. Mr. Mohan holding 300 shares out of category II failed to pay allotment and two calls and his shares were re issued @ Rs. 11 fully paid-up. Pass necessary journal entries.

3. On 1st July 2007. A Ltd gave notice of their intention to redeem their outstanding Rs. 400,000 8% Debentures on 1st January, 2008 @ rs. 102 each and offered the holders the following options-

(a) To subscribe for (i) 6% cumulative preference shares of Rs. 20 each at Rs. 22.50 per share, accepted by debenture holders of Rs. 1,71,000 or (ii) 12% debentures were issued @96% accepted by the holders of Rs. 1,44,000 Debentures.

(b) Remaining debentures to be redeemed for cash if neither of the option under (a) was accepted. Pass necessary journal entries

4. Record the journal entries for forfeiture and re-issue in the following cases

i) X ltd forfeited 200 shares of Rs 100 each, Rs 70 called up, on which the shareholders had paid application and allotment money of Rs 50 per share. Out of these, 150 shares were re-issued to Naresh as Rs 70 paid up for Rs 80 per share

ii) Y ltd forfeited 180 shares of Rs 10 each, Rs 8 called up, issued at a premium of Rs 2 per share to R for non-payment of allotment money of Rs 5 per share (including premium). Out of these, 160 shares were re-issued to Sanjay as Rs 8 called up for Rs 10 per share fully paid-up.

5. RK Ltd invited applications for issuing 70,000 equity shares of Rs 10 each at a premium of Rs 35 per share. The amount was payable as follows

   On application- Rs 15 per share (including premium Rs 12)

   ON allotment- Rs 10 per share (including premium Rs 8)

   On first and final call- balance

Applications for 65,000 shares were received and allotment was made to all applicants. A shareholder Ram, who was allotted 2,000 shares, failed to pay the applicants. A shareholder Ram, who was allotted 2,000 shares, failed to pay the allotment money. His shares were forfeited immediately after allotment. Afterwards the first and final call was made. Sohan , who had 3,000 shares, failed to pay the first and final call. His shares were also forfeited. Out of the forfeited shares 4,000 shares were re-issued @ Rs 50 per share fully paid. The re-issued shares included all the shares of Ram

Pass necessary journal entries for the above transactions in the books of RK Ltd.

6. X Ltd issued 50,000 shares of Rs 10 each at a premium of Rs 2 per share, Payable as follows

   Rs 3 on application

   Rs 6 on allotment (including premium)

   Rs 3 on call

Applications were received for 75,000 shares and a pro-rata allotment was made as follows.

To the applicants of 40,000 shares, 30,000 shares were issued and for the rest 20,000 shares were issued. All money due were received except the allotment and call money from Ram who had applied for

1,200 shares (out of group of 40,000 shares). All his shares wre forfeited. The forfeited shares were re-issued for Rs 7 per share fully paid-up.

Pass the necessary journal entries.

7. Sonu Ltd. company issued 15,000 shares of Rs. 10 each. Payment on there shares is to be made as follows:

    On application Rs. 4 (1st Feb, 2003)

    On allotment Rs. 3 (1st April, 2003)

    On final call Rs. 3 (1st May, 2003)

    Rakesh to whom 1000 shares were allotted paid the full amount on application and mohan to whom 200 shares were allotted paid the final call money on allotment. Interest @ 6% was paid on 1st May, 2003. Pass necessary journal entries.

8. Virani Industries Ltd. issued 1,00,000, 10% Debentures of Rs. 10 each at a discount of 9% on April 1st, 2001 redeemable as follows:

31st March 2003	-	20,000 Debentures
31st March 2004	-	30,000 Debentures
31st March 2005	-	20,000 Debentures
31st March 2006	-	Remaining Debentures

Calculate the amount of discount to be written off each year and prepare discount on issue of debentures account.

9. The following balance appeared in the books of Z Ltd. on January 1, 2004.

12% Debentures A/C	Rs. 1,50,000
Debenture Redemption Fund	Rs. 1,25,000
Debenture Redemption Fund Investment	Rs. 1,25,000

(Represented by Rs. 1,47,500, 3% Govt. Securities)

The annual installment added to the fund is Rs. 20,575. On December 31, 2004, the bank balance after the receipt of interest on investment was Rs. 39,100. On that date all the investments were sold at 83% and the debentures were duly redeemed. Show the necessary ledger accounts for the year 2004.

10. On 01-04-1999, A Ltd., issued 2000, 7% debentures of Rs. 100 each at a discount of 10% redeemable at par after 4 years by converting them into equity shares of Rs. 100 each issued at a premium of 25%.

Pass journal entries in the following cases:

(i) If debentures are redeemed on maturity.

(ii) If debentures are redeemed before maturity.

11. Pass journal entries for the following at the time of issue of debentures:

(a) B Ltd. issues 30,000, 12% Debentures of Rs. 100 each at a discount of 5 % to be repaid at par at the end of 5 years.

(b) E Ltd. issues Rs. 60,000, 12% Debentures of Rs. 100 each at a discount of 5 % repayable at a premium of 10% at the end of 5 years.

(c) F Ltd. issues Rs. 70,000, 12% Debentures of Rs. 100 each at a premium of 5 % redeemable at 110%.

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Chapter 2

Issue and Redemption of Debentures

1 Marks Questions

1. Gupta Ltd has incurred a loss of Rs. 8,00,000 before payment of interest on debentures. The directors of the company are of the opinion that interest on debentures is payable only when company earn profit. Do you agree?
2. As per latest guidelines governing the servicing of debentures a company is required to create on special account. Name that account.
3. Distinguish between a share and a Debenture.
4. What is meant by a bond?
5. What is meant by issue of debentures as a collateral security?
6. Beta Ltd issued 9% debentures of Rs 500 each. Pass the journal entries for the issue of debentures , when debentures are issued at a premium of 25% to the vendors for machinery purchased for Rs 6,25,000
7. Why would an investor prefer to invest in the debentures of a company rather than it share?

3 & 4 Marks Questions

1. Sargam Ltd issued Rs 1,00,000, 6% debentures of Rs 10 each at a premium of Rs 2 per debentures on 1st April , 2012. The issue was fully subscribed. Interest will be paid at the end of each financial year. Pass necessary journal entries for the year 2012-13
2. What is meant by issue of debentures as a collateral security? Explain with the help of an example.
3. Give journal entries in each of following cases, if the face value of a debenture is Rs 100
   i) A debenture issued at Rs 110 repayable at Rs 100
   ii) A debenture issued at Rs 100 repayable at Rs 105
   iii) A debenture issued at Rs 105 repayable at Rs 105
4. Beta Ltd issued 5,000, 9% debentures of Rs 500 each. Pass the necessary journal entries for the issue of debentures in the books of the company in the following cases
   i) When debentures are issued at 10% premium and redeemable at par
   ii) When debentures are issued at par and redeemable at 10% premium
   iii) When debentures are issued at 5% premium and redeemable at 10% premium
5. Sharma Ltd brought the business of Verma Ltd on 1st April, 2007 consisting of sundry assets of Rs 2,80,000 and creditors Rs 50,000. Rs 50,000 were paid in cash on 3rd April, 2007 and for the balance 6% debentures were issued at a premium of 20% on 5th april 2007.

Pass necessary journal entries in the books of Sharma Ltd for the above mentioned transactions

6. Manish Ltd issued Rs 38, 00,000, 8% debentures of Rs 100 each on 1st April,2007. The terms of issue stated that the debentures were to be redeemed at a premium of 5% on 30th June, 2009. The company decided to transfer out of profits Rs 5, 00,000 to debentures redemption reserve on 31st March, 2008 and Rs 4, 50,000 on 31st March, 2009.

Pass necessary journal entries regarding the issue and redemption of debentures, without providing for either the interest or loss on issue of debentures.

7. On 1st jan, 2009, NK Ltd purchased for immediate cancellation Rs 50,000 of its 15% debentures @97, the expenses being Rs 1000

6 Marks Questions

1. Pass the necessary journal entries for the issue of debentures in the following cases:
   i) Rs 40,000, 12% debentures at Rs 100 each issued at a premium of 5% redeemable at par
   ii) Rs 70,000, 12% debentures of Rs 100 each issued at a premium of 5% redeemable at Rs 110
   iii) RS 80,000, 15% debentures of Rs 100 each issued at a premium of 10% redeemable at a premium of 10%.

2. Pass the necessary journal entries for the issue and redemption of debentures in the following cases
   i) 15,000, 9% debentures of Rs250 issed at 5% premium, repayable at 15% premium.
   ii) 2,00,000, 12% debentures of Rs 10 each issued at 8% premium, repayable at par.
3. Suresh Ltd on 1st April, 2006 acquired assets of the value of Rs 6,00,000 and liabilities worth Rs 70,000 from P & Co at an agreed value of Rs 5,50,000,. Suresh Ltd issued 12% debentures of Rs 100 each at a premium of 10% in full satisfaction of purchase consideration. The debentures were redeemable 3 years later at a premium of 5%. Pass entries to record the above including redemption of debentures.

Chapter 3

Financial Statements of a Company

3 Marks Questions

1. What are financial statements? State its objectives.

2 Give the heading under which the following items will be shown in a company's Balance sheet as per schedule III, Part I of the companies Act, 2013.

(i) Goodwill.

(ii) Preliminary Expenses

(iii) Loose Tools

(iv) Capital Redemption Resave.

(v) Live Stock.

3 under what heads and subheads, will the following items will be shown in a company's Balance sheet as per schedule III, Part I of the companies Act, 2013.

i) Debentures

4 Call in advance

4 Vehicles

5 List the item which are shown under the heading 'current assets' as per schedule III, Part I of the companies Act, 2013

6 List the item which are shown under the heading 'current liabilities' as per schedule III, Part I of the companies Act, 2013

7 How will you show the following items in the Balance sheet of a company?

8 (i) Calls in Arrears (ii) Calls in Advance.

9 Under what heads the following items on the Liabilities side of the Balance sheet Of a company will be presented

10 i)Proposed Dividend.

11 ii)Unclaimed Dividend.

12 State any two items which are shown under the head 'Investment' in a company balance sheet

Chapter 4

Financial Statements Analysis

1 Marks Questions

1. State any one limitation of financial statement analysis.
2. State how qualitative aspects are ignored in financial statement analysis
3. How is the financial statement analysis useful to finance manager?
4. State the interest of tax authorities in the analysis of financial statement.
5. How is window dressing a limitation of financial statement analysis?
6. What is meant by common size statement?
7. Name two tools of Financial Analysis ?

3 & 4 Marks Questions

1. What is the importance of financial statement analysis?
2. What is vertical and horizontal analysis of financial statement?
3. How is a Company's balance sheet different from that of a Partnership firm? Give Two point only
4. State whether the Balance sheet of a Company is prepared ' as on a particular date ' or ' as at a Particular date ' ?
5. Which part of Schedule VI to the Companies Act.1956 prescribes the forms of the balance sheet?
6. What is common size statement? State any two uses of common size statement.
7. Prepare Comparative income statement from the following information for the years ended march 31,2003 and 2004.

Particulars	**2003(Rs.)**	**2004(Rs.)**
1.Net Sales	8,00,000	10,00,000
2.Cost of Goods Sold	60% of sales	60% of sales
3.Indirect Expenses	10% of Gross profit	10% of Gross Profit
4.Income Tax rate	50%	60%

8. From the following statement of profit and loss of Moontrack Ltd for the year ended 31st March,2011 and 2012, prepare a comparative statement of profit and loss

Particular	2011-12	2010-11

Revenue from operations	40,00,000	24,00,000
Other income	24,00,000	18,00,000
Expenses	16,00,000	14,00,000

9. Following is the statement of profit and loss of Raj Ltd for the year ended 31st March,2011

Particulars	**Amt (Rs)**
Revenue from operations	2,00,000
(+) other incomes	15,000
Total incomes	2,15,000
Expenses	
Cost of revenue from operations	1,10,000
Operating expenses	5,000
Total expenses	1,15,000
Profit before tax	1,00,000
(-) income tax	40,000
Profit after tax	60,000

10. From the following information given below, prepare a comparative statement of profit and loss

Particulars	**31st march, 2008**	**31st march, 2009**
Revenue from operations	2,00,000	3,50,000
purchase	1,00,000	2,00,000
Cost of revenue from operations	60% of Revenue from operations	70% of Revenue from operations
Administrative expenses	5% from gross profit	7% from gross profit
income tax	45%	45%

11. From the following information given below, prepare a comparative statement of profit and loss

Particulars	**31st march, 2008**	**31st march, 2009**
Revenue from operations	140% of cost of revenue from operation	160% of cost of revenue from operation
Purchase	2,50,000	4,50,000
Cost of revenue from operations	3,00,000	5,00,000
Administrative expenses		

income tax	10% of cost of revenue from operation 40%	8% of cost of revenue from operation 50%

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Chapter - 5

Ratio Analysis

1 Marks Questions

1. How will you asses the liquidity or short term financial position of a business ?
2. Current ratio of Reliance Textiles Ltd. Is 1.5 at present. In future it want to improve this ratio to 2.
3. Suggest any two accounting transaction for improving the current ratio.
4. State one transaction which results in an increase in ' liquid ratio 'and nochange in 'current ratio'.
5. Why stock is excluded from liquid assets ?
6. Quick ratio of a company is 1.5 :1 . state giving reason whether the ratio will improve , decline or Not change on payment of dividend by the company.
7. State one transaction which result in a decrease in ' debt-equity ratio ' and no change in ' current Ratio '.
8. The current ratio of a company is 3:1. State wit hreason, whether the payment of Rs 20,000 to the creditors will increase, decrease or not change the ratio.
9. The debt-ratio of a company is 08:1. State whether the long term loan obtained by the company will improve, dcrease or not change the ratio.
10. How does ratio analysis becomes less effective when the price level changes?
11. Indicate which ratio a shareholders would use who is examining his portfolio and wants to decide whether he should hold or sell his shareholdings?
12. Indicate which ratio would be used by a Long-Term creditor who is interested in determining whether his claim is adequately secured ?
13. What will be the Operating profit, If operating Ratio is 78%

3 & 4 Marks Questions

1. The ratio of current Assets (Rs. 9,00,000) to current liabilities is 1.5:1. The accountant of this firm is interested in maintaining a current ratio of 2:1 by paying some part of current liabilities. You are required to suggest him the amount of current liabilities which must be paid for the Purpose.
2. X ltd has a current ratio of 3:1 and quick ratio of 2:1. If the excess of current assets over quick assets as represented by inventory is Rs 40,000, calculate current assets and current liabilities.
3. I) A business has a current ratio of 3:1 and quick ratio of 1.2:1. If the working capital is Rs 1,80,000. Calculate total current assets and value of inventory

II) From the given information , calculate the inventory turnover ratio. Revenues from operations (sales) Rs 2,00,000, gross profit 25%on cost, inventory at the beginning is 1/3 of the inventory at the end which was 30% of sales.

4. On the basis of following information, calculate
    i) Debt equity ratio

ii) Working capital turnover ratio

Information	Amt (Rs)
Revenue from operations (net sales)	60,00,000
Cost of revenue operations(cost of good sold)	45,00,000
Other current assets	11,00,000
Current liabilities	4,00,000
Paid up share capital	6,00,000
6% debentures	3,00,000
9% loan	1,00,000
Debentures redemption reserve	2,00,000
Closing inventory	1,00,000

5. The quick ratio of a company is 2:1. State giving reasons (for any four) which of the following would improve, reduce or not change the ratio
   i) Purchase of machinery for cash
   ii) Purchase of goods on credit
   iii) Sale of furniture at cost
   iv) Sale of goods at a profit
   v) Cash received from debtors
6. The debt equity ratio of a company is 1:1. State giving reasons (for any four) which of the following would improve, reduce or not change the ratio
   i) Purchase of machinery for cash
   ii) Purchase of goods on credit
   iii) Sale of furniture at cost
   iv) Sale of goods at a profit
   v) Redemption of debentures at a premium
7. From the following information, calculate any two of the following ratio
   i) Liquid ratio
   ii) Gross profit ratio
   iii) Debt equity ratio

Information	Amt (Rs)
Revenue from operations (net sales)	4,00,000
Opening inventory	10,000
current assets	1,00,000
Current liabilities	60,000

9% debentures	4,00,000
8% preference share capital	3,00,000
Closing inventory	3,000 less than the opening inventory
	80% of revenue from operations
Net purchases	20,000
Direct expenses	3,000
Prepaid expenses	1,50,000
Long term loan from bank	8,00,000
Equity share capital	

8. Calculate the amount of opening stock and closing stock from the following figures:
Average Debt collection period 4 month stock turnover ratio 3 times. Average Debtors Rs.1,00,000 Cash sales being 25% of total sales Gross profit ratio 25% stock at the end was 3 times that in the beginning.

9. I) Net profit interest but before tax Rs1,40,000, 15% long-term debts Ra Rs4,00,000, shareholders' funds Rs 2,40,000 and tax rate 50%. Calculate return on capital employed

II) Opening inventory Rs 60,000, closing inventory Rs 1,00,000, inventoey turnover ratio 8 times and selling price 25% above cost. Calculate the gross profit rati

10. From the following information, calculate the following ratio
    i) Liquid ratio
    ii) Proprietary ratio

Information	**Amt (Rs)**
Revenue from operations (net sales)	5,00,000
Gross profit	1,50,000
Total current assets	3,00,000
Closing stock	25,000
Prepaid insurance	5,000
Total current liabilities	1,50,000
Share capital	4,00,000
Reserve and surplus	50,000
Fixed assets	6,00,000

11. From the following information, calculate any two of the following ratio
    i) Operating ratio
    ii) Inventory ratio
    iii) Proprietary ratio

Information	Amt (Rs)
Cash Revenue from operations	10,00,000
Credit Revenue from operations	120% of csh sales
Operating expenses	10% of total sales
Rate of gross profit	40%
Opening inventory	1,50,000
Closing inventory	20,000 more than opening inventory
current assets	3,00,000
Current liabilities	2,00,000
share capital	6,00,000
fixed assets	5,00,000

12. From the following calculate the gross profit ratio and working capital turnover ratio

Information	Amt (Rs)
Revenue from operations	30,00,000
Cost of revenue from operations	20,00,000
current assets	6,00,000
Current liabilities	2,00,000
Paid up share capital	5,00,000

Chapter 6

Cash Flow Statement

1 Marks Questions

1. Why is the cash flow statement not a suitable judge of profitability?
2. Under which accounting standard, cash flow statement is prepared?
3. Why do we add back depreciation to net profit while calculating cash flow from operating activities?
4. Where will you show purchase of computer in cash flow statement?
5. Give two examples of ' Significant non cash transactions
6. Under which type of activity will you classify dividend received by a finance company while preparing cash flow statement?
7. State with reason whether old furniture written would result into inflow/ outflow or no flow of cash.
8. Give an example of the activity which remains financing activity for every enterprise.
9. State whether deposit of cash into bank will result into inflow, outflow or no flow of cash.
10. State why non cash transactions are ignored while preparing a cash flow statement?
11. When is dividend received considered as an operating activity?
12. Interest paid by an investment company will come under which activity while preparing cash flow statement
13. State whether the purchase of goods on credit will result into inflow, outflow or no flow of cash.
14. When is interest received considered as financing activity?

6 Marks Questions

1. Following is the balance sheet of Wisben Ltd as on 31st March, 2012

Particulars	**2012**	**2011**
I. EQUITY AND LIABILITIES		
1. Shareholders' Fund		
a) Share capital	7,00,000	6,00,000
b) Reserve and surplus (balance in statement of profit and loss)	2,00,000	1,10,000
2. Non – current Liabilities		
Long term borrowings	3,00,000	2,00,000
3. Current liabilities		
Trade payables	30,000	25,000
Total	12,30,000	9,35,000

II. ASSETS		
1. Non-current assets		
a) Fixed assets		
Tangible assets	11,00,000	
2. Current Assets		8,00,000
a) Inventories		
b) Trade Receivables	70,000	
c) Cash and cash Equivalents	32,000	60,000
Total	28,000	40,000
		35,000
	12,30,000	9,35,000

2. From the following information prepare a cash flow statement for Ronak Ltd. Balance sheet of Ronak Ltd as at 31st March, 2011 and 2012

Particulars	**2011**	**2012**
I. EQUITY AND LIABILITIES		
1. Shareholders' Fund		
a) Share capital	2,50,000	3,50,000
c) Reserve and surplus	40,000	5,000
2. Non – current Liabilities		
Long term borrowings (12% debentures)	60,000	1,00,000
3. Current liabilities		
Trade payables	1,50,000	1,25,000
Total	5,00,000	5,80,000
II. ASSETS		
1. Non-current assets		
a) Fixed assets	2,00,000	2,80,000
b) Non- current Investments	1,00,000	1,00,000
c) Current Assets		
a) Trade Receivables	1,50,000	1,60,000
b) Cash and cash Equivalents	30,000	40,000
c) Other current assets (Prepaid expenses)	20,000	-
Total	5,00,000	5,80,000

Notes to accounts

Particulars	2011	2012
1. Revenue and surplus		
Surplus i.e Balance in statement of profit and loss	40,000	(20,000)
Securities Premium Reserve	-	25,000
	40,000	5,000

Additional Information

i) Debentures were issued on 1st April, 2011

ii) During the year a machine included in fixed assets costing Rs1,20,000 was purchased and another machine of the book value of Rs 30,000 was sold at a loss of Rs 2,000

2. From the following information prepare a cash flow statement for Vikas Ltd. Balance sheet of Vikas Ltd as at 31st March, 2009 and 2010

Particulars	2009	2010
I. EQUITY AND LIABILITIES		
1. Shareholders' Fund		
a) Share capital	90,000	3,50,000
d) Reserve and surplus	48,000	5,000
2. Current liabilities		
Trade payables	17,400	22,000
Total	1,55,000	2,36,000
II. ASSETS		
1. Non-current assets		
Fixed assets	93,400	1,66,000
2. Current Assets		
a) Inventories	22,000	26,000
b) Trade Receivables	36,000	39,000
c) Cash	4,000	5,000
Total	1,55,000	2,36,000

Notes to accounts

Particulars	2011	2012

1. Revenue and surplus		
General Reserve	28,000	54,000
Surplus i.e Balance in statement of profit and loss	20,000	30,000
	48,000	84,000

Additional Information

i) Depreciation charged on fixed assets for the year 2009-2010 was Rs 20,000

ii) Income tax Rs 5,000 has been paid in advance during the year

3. Prepare Cash flow Statement from the following information of Box Ltd. For the year ended March 31,2004.

BALANCE SHEETS OF LION LTD. AS ON MARCH 31,2004

Liabilities	2003	2004	Assets	2003	2004
	(Rs)	(Rs)		(Rs)	(Rs)
Share capital	3,00,000	4,00,000	Goodwill	70,000	30,000
Profit & Loss Account	1,20,000	2,60,000	Machinery	3,00,000	3,20,000
General Reserve	60,000	95,000	12% Investments	1,50,000	3,00,000
Tax Provision	70,000	80,000	Stock	35,000	1,85,000
Creditors	50,000	90,000	Debtors	50,000	
Bill Payables	30,000	10,000	Cash at Bank	30,000	70,000
Depreciation Provision	25,000	40,000	Short term Investment	20,000	
					40,000
	6,55,000	9,75,000		6,55,000	
					30,000
					9,75,000

Additional Information :

1. Investment costing Rs.50,000 were sold for Rs. 48,000 during the year.
2. Tax paid during the year Rs.70,000.
3. Interest received on Investment Rs. 12,000.

4. From the following balance sheet and additional information of Good Woof Co. you are required to prepare the cash flow statement as per AS-3 (Revised)

Particulars	2009	2010
I. EQUITY AND LIABILITIES		
1. Shareholders' Fund		
a) Share capital	30,000	45,000
b) Reserve and surplus (balance in statement of profit and loss)	7,000	18,500
2. Current liabilities	10,500	13,500
Trade payables	47,000	77,000
Total		
II. ASSETS		
3. Non-current assets	20,000	49,000
Fixed assets		
4. Current Assets	9,000	9,000
a) Inventories (stock)	12,000	10,000
b) Trade Receivables (debtors)	6,500	9,000
c) Cash & cash Equivalents (Cash)	47,000	77,000
Total		

Notes to accounts

Particulars	2011	2012
1. Trade Payables		
Creditors	8,000	9,500
Bills payable	2,500	4,000
	10,500	13,500

Additional Information:

i) Income tax paid during the year Rs 4,500

ii) Dividend paid during the year was @12% per annum.

5. From the following profit or loss account find out the flow of cash from operating activities of Mohan Ltd.

PROFIT AND LOSS ACCOUNT

Particulars		Amt (Rs)	Particulars		Amt(Rs)
To Rent Paid	14,000		By Gross Profit		1,82,000
Less: Prepaid	2,000	12,000	By Profit on Sale of Machine		12,000
To Salaries		25,000	By Tax Refund		3,800
To Depreciation		15,000	By Rent received	4,000	
To Loss on sale of Furniture		10,000	Add: Rent accrued	1,000	5,000
To Goodwill written Off		8,000			
To Bad Debts		3,000			
To Office Expenses		18,000			
To Discount allowed		7,000			
To Proposed Dividend		30,000			
To Provision for Tax		22,000			
To Net Profit		52,800			2,02,800
		2,02,800			

Note: There was increase in Closing stock by Rs. 25,000.