

# STUDENT SUPPORT MATERIAL

Session : 2019-20



तत् त्वं पूषन् अपावृणु  
केन्द्रीय विद्यालय संगठन



**Class-XII**  
**ACCOUNTANCY**

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**Class-XII**

**ACCOUNTANCY**



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केन्द्रीय विद्यालय संगठन

**Session 2019-20**

**Kendriya Vidyalaya Sangathan  
New Delhi**



**COMMERCE WITHOUT MORALITY IS A SIN**

संतोष कुमार मल्ल, भा.प्र.से.  
आयुक्त

**Santosh Kumar Mall, I.A.S.**  
Commissioner



तत् त्वं पुषन् अपावृणु  
केन्द्रीय विद्यालय संगठन

**केन्द्रीय विद्यालय संगठन**

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## A WORD TO MY DEAR STUDENTS

It gives me great pleasure in presenting the Students' Support Material to all KV students of class XII.

The material has been prepared keeping in mind your needs when you are preparing for final exams and wish to revise and practice questions or when you want to test your ability to complete the question paper in the time allotted or when you come across a question while studying that needs an immediate answer but going through the text book will take time or when you want to revise the complete concept or idea in just a minute or try your hand at a question from a previous CBSE Board exam paper or the Competitive exam to check your understanding of the chapter or unit you have just finished. This material will support you in any way you want to use it.

A team of dedicated and experienced teachers with expertise in their subjects has prepared this material after a lot of exercise. Care has been taken to include only those items that are relevant and are in addition to or in support of the text book. This material should not be taken as a substitute to the NCERT text book but it is designed to supplement it.

The Students' Support Material has all the important aspects required by you; a design of the question paper, syllabus, all the units/chapters or concepts in points, mind maps and information in tables for easy reference, sample test items from every chapter and question papers for practice along with previous years Board exam question papers.

I am sure that the Support Material will be used by both students and teachers and I am confident that the material will help you perform well in your exams.

Happy learning!

**Santosh Kumar Mall**  
Commissioner, KVS

## FOREWORD

The Students' Support Material is a product of an in-house academic exercise undertaken by our subject teachers under the supervision of subject expert at different levels to provide the students a comprehensive, yet concise, learning support tool for consolidation of your studies. It consists of lessons in capsule form, mind maps, concepts with flow charts, pictorial representation of chapters wherever possible, crossword puzzles, question bank of short and long answer type questions with previous years' CBSE question papers.

The material has been developed keeping in mind latest CBSE curriculum and question paper design. This material provides the students a valuable window on precise information and it covers all essential components that are required for effective revision of the subject.

In order to ensure uniformity in terms of content, design, standard and presentation of the material, it has been fine tuned at KVS Hqrs level.

I hope this material will prove to be a good tool for quick revision and will serve the purpose of enhancing students' confidence level to help them perform better. Planned study blended with hard work, good time management and sincerity will help the students reach the pinnacle of success.

Best of Luck.



**U.N. Khaware**  
Additional Commissioner (Acad.)

# Accountancy



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## CBSE CURRICULAM CLASS XII ACCOUNTANCY FOR 2019-20 BOARD EXAM

### Part A: Accounting for Not-for-Profit Organizations, Partnership Firms and Companies

#### Unit 1: Financial Statements of Not-for-Profit Organizations

Units/Topics	Learning Outcomes
<ul style="list-style-type: none"> <li>• Not-for-profit organizations: concept.</li> <li>• Receipts and Payments Account: features and preparation.</li> <li>• Income and Expenditure Account: features, preparation of income and expenditure account and balance sheet from the given receipts and payments account with additional information.</li> </ul> <p><b>Scope:</b></p> <p>(i) <i>Adjustments in a question should not exceed 3 or 4 in number and restricted to subscriptions, consumption of consumables and sale of assets/ old material.</i></p> <p>(ii) <i>Entrance/admission fees and general donations are to be treated as revenue receipts.</i></p> <p>(iii) <i>Trading Account of incidental activities is not to be prepared.</i></p>	<p><b>After going through this Unit, the students will be able to:</b></p> <ul style="list-style-type: none"> <li>• State the meaning of a Not-for-profit organization and its distinction from a profit making entity.</li> <li>• State the meaning of receipts and payments account, and understanding its features.</li> <li>• Develop the understanding and skill of preparing receipts and payments account.</li> <li>• State the meaning of income and expenditure account and understand its features.</li> <li>• Develop the understanding and skill of preparing income and expenditure account and balance sheet of a not-for-profit organization with the help of given receipts and payments account and additional information.</li> </ul>

#### Unit 2: Accounting for Partnership Firms

Units/Topics	Learning Outcomes
<ul style="list-style-type: none"> <li>• Partnership: features, Partnership Deed.</li> <li>• Provisions of the Indian Partnership Act 1932 in the absence of partnership deed.</li> <li>• Fixed v/s fluctuating capital accounts. Preparation of Profit and Loss Appropriation account- division of profit among partners, guarantee of profits.</li> <li>• Past adjustments (relating to interest on capital, interest on drawing, salary and profit sharing ratio).</li> <li>• Goodwill: nature, factors affecting and methods of valuation - average profit, super profit and capitalization.</li> </ul> <p><i>Note: Interest on partner's loan is to be treated as a</i></p>	<p><b>After going through this Unit, the students will be able to:</b></p> <ul style="list-style-type: none"> <li>• State the meaning of partnership, partnership firm and partnership deed.</li> <li>• Describe the characteristic features of partnership and the contents of partnership deed.</li> <li>• Discuss the significance of provision of Partnership Act in the absence of partnership deed.</li> <li>• Differentiate between fixed and fluctuating capital, outline the process and develop the understanding and skill of preparation of Profit and Loss Appropriation Account.</li> <li>• Develop the understanding and skill of</li> </ul>



*charge against profits.*

Goodwill to be adjusted through partners capital/ current account or by raising and writing off goodwill (AS 26)

### **Accounting for Partnership firms - Reconstitution and Dissolution.**

- **Change in the Profit Sharing Ratio** among the existing partners - sacrificing ratio, gaining ratio, accounting for revaluation of assets and reassessment of liabilities and treatment of reserves and accumulated profits. Preparation of revaluation account and balance sheet.
- **Admission of a partner** - effect of admission of a partner on change in the profit sharing ratio, treatment of goodwill (as per AS 26), treatment for revaluation of assets and re- assessment of liabilities, treatment of reserves and accumulated profits, adjustment of capital accounts and preparation of balance sheet.
- **Retirement and death of a partner:** effect of retirement / death of a partner on change in profit sharing ratio, treatment of goodwill (as per AS 26), treatment for revaluation of assets and reassessment of liabilities, adjustment of accumulated profits and reserves, adjustment of capital accounts and preparation of balance sheet. Preparation of loan account of the retiring partner.
- Calculation of deceased partner's share of profit till the date of death. Preparation of deceased partner's capital account and his executor's account.
- **Dissolution of a partnership firm:** meaning of dissolution of partnership and partnership firm, types of dissolution of a firm. Settlement of accounts - preparation of realization

preparation profit and loss appropriation account involving guarantee of profits.

- Develop the understanding and skill of making past adjustments.
- state the meaning, nature and factors affect tin goodwill
- Develop the understanding and skill of valuation of goodwill using different methods.
- State the meaning of sacrificing ratio, gaining ratio and the change in profit sharing ratio among existing partners.
- Develop the understanding of accounting treatment of revaluation assets and reassessment of liabilities and treatment of reserves and accumulated profits by preparing revaluation account and balance sheet.
- Explain the effect of change in profit sharing ratio on admission of a new partner.
- Develop the understanding and skill of treatment of goodwill as per AS-26, treatment of revaluation of assets and re-assessment of liabilities, treatment of reserves and accumulated profits, adjustment of capital accounts and preparation of balance sheet of the new firm.
- Explain the effect of retirement / death of a partner on change in profit sharing ratio.
- Develop the understanding of accounting treatment of goodwill, revaluation of assets and re-assessment of liabilities and adjustment of accumulated profits and reserves on retirement / death of a partner and capital adjustment.
- Develop the skill of calculation of deceased partner's share till the time of his death and prepare deceased partner's executor's account.
- Discuss the preparation of the capital

<p>account, and other related accounts: capital accounts of partners and cash/bank a/c (excluding piecemeal distribution, sale to a company and insolvency of partner(s)).</p> <p><b>Note:</b></p> <p>The realized value of each asset must be given at the time of dissolution.</p> <p>In case, the realization expenses are borne by a partner, clear indication should be given regarding the payment thereof.</p>	<p>accounts of the remaining partners and the balance sheet of the firm after retirement / death of a partner.</p> <ul style="list-style-type: none"> <li>• Understand the situations under which partnership firms can be dissolved.</li> <li>• Develop the understanding of preparation of realization account and other related accounts.</li> </ul>
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### Unit-3 Accounting for Companies

Units/Topics	Learning Outcomes
<p><b>Accounting for Share Capital</b></p> <ul style="list-style-type: none"> <li>• Share and share capital: nature and types.</li> <li>• Accounting for share capital: issue and allotment of equity and preferences shares. Public subscription of shares - over subscription and under subscription of shares; issued at par and at premium, calls in advance and arrears (excluding interest), issue of shares for consideration other than cash.</li> <li>• Concept of Private Placement and Employee Stock Option Plan(ESOP).</li> <li>• Accounting treatment of forfeiture and re-issue of shares.</li> <li>• Disclosure of share capital in the Balance Sheet of accompany.</li> </ul> <p><b>Accounting for Debentures</b></p> <ul style="list-style-type: none"> <li>• Debentures: Issue of debentures at par, at a premium and at a discount. Issue of debentures for consideration other than cash; Issue of debentures with terms of redemption; debentures as collateral security- concept, interest on debentures. Writing off discount / loss on issue of debentures.</li> </ul>	<p><b>After going through this Unit, the students will be able to:</b></p> <ul style="list-style-type: none"> <li>• State the meaning of share and share capital and differentiate between equity shares and preference shares and different types of share capital.</li> <li>• Understand the meaning of private placement of shares and Employee Stock Option Plan.</li> <li>• Explain the accounting treatment of share capital transactions regarding issue of shares.</li> <li>• Develop the understanding of accounting treatment of forfeiture and re-issue of forfeited shares.</li> <li>• Describe the presentation of share capital in the balance sheet of the company as per schedule III part I of the Companies Act2013.</li> <li>• Explain the accounting treatment of different categories of transactions related to issue of debentures.</li> <li>• Develop the understanding and skill of writing of discount / loss on issue of debentures.</li> <li>• Understand the concept of collateral security and its presentation in balance sheet.</li> <li>• Develop the skill of calculating interest on</li> </ul>

<p>Note: Discount or loss on issue of debentures to be written off in the year debentures are allotted from Security Premium Reserve (if it exists) and then from Statement of Profit and Loss as Financial Cost (AS 16).</p> <ul style="list-style-type: none"> <li>• Redemption of debentures-Methods: Lump sum, draw of lots.</li> <li>• Creation of Debenture Redemption Reserve.</li> </ul> <p><i>Note: Related sections of the Companies Act, 2013 will apply.</i></p>	<p>debentures and its accounting treatment.</p> <ul style="list-style-type: none"> <li>• State the meaning of redemption of debentures.</li> <li>• Develop the understanding of accounting treatment of transactions related to redemption of debentures by lump sum, draw of lots and Creation of Debenture Redemption Reserve.</li> </ul>
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## Part B: Financial Statement Analysis

### Unit 4: Analysis of Financial Statements

Units/Topics	Learning Outcomes
<p><b>Financial statements of a Company:</b> Statement of Profit and Loss and Balance Sheet in prescribed form with major headings and sub headings (as per Schedule III to the Companies Act,2013)</p> <p><b>Note:</b> <i>Exceptional items, extraordinary items and profit (loss) from discontinued operations are excluded.</i></p> <ul style="list-style-type: none"> <li>• <b>Financial Statement Analysis:</b> Objectives, importance and limitations.</li> <li>• <b>Tools for Financial Statement Analysis:</b> Comparative statements, common size statements, cash flow analysis, ratio analysis.</li> <li>• <b>Accounting Ratios:</b> Meaning, Objectives, classification and computation.</li> <li>• <b>Liquidity Ratios:</b> Current ratio and Quick ratio.</li> <li>• <b>Solvency Ratios:</b> Debt to Equity Ratio, Total Asset to Debt Ratio, Proprietary Ratio and Interest Coverage Ratio.</li> <li>• <b>Activity Ratios:</b> Inventory Turnover Ratio, Trade Receivables Turnover Ratio, Trade</li> </ul>	<p><b>After going through this Unit, the students will be able to:</b></p> <ul style="list-style-type: none"> <li>• Develop the understanding of major headings and sub-headings (as per Schedule III to the Companies Act, 2013) of balance sheet as per the prescribed norms/formats.</li> <li>• State the meaning, objectives and limitations of financial statement analysis.</li> <li>• Discuss the meaning of different tools of 'financial statements analysis'.</li> <li>• Develop the understanding and skill of preparation of comparative and common size financial statements.</li> <li>• State the meaning, objectives and significance of different types of ratios.</li> <li>• Develop the understanding of computation of current ratio and quick ratio.</li> <li>• Develop the skill of computation of debt equity ratio, total asset to debt ratio, proprietary ratio and interest coverage ratio.</li> <li>• Develop the skill of computation of inventory turnover ratio, trade receivables and trade payables ratio and working capital turnover</li> </ul>

<p>Payables Turnover Ratio and Working Capital Turnover Ratio.</p> <ul style="list-style-type: none"> <li>• <b>Profitability Ratios:</b> Gross Profit Ratio, Operating Ratio, Operating Profit Ratio, Net Profit Ratio and Return on Investment.</li> </ul>	<p>ratio.</p> <ul style="list-style-type: none"> <li>• Develop the skill of computation of gross profit ratio, operating ratio, operating profit ratio, net profit ratio and return on investment.</li> </ul>
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**Note:** Net Profit Ratio is to be calculated on the basis of profit before and after tax.

### Unit 5: Cash Flow Statement

Units/Topics	Learning Outcomes
<ul style="list-style-type: none"> <li>• Meaning, objectives and preparation (as per AS 3 (Revised) (Indirect Method only)</li> </ul> <p><b>Note:</b>  <i>Adjustments relating to depreciation and amortization, profit or loss on sale of assets includes investments, dividend (both final and interim) and tax.</i>  <i>Bank overdraft and cash credit to be treated as short term borrowings.</i>  <i>Current Investments to be taken as Marketable securities unless otherwise specified.</i></p>	<p><b>After going through this Unit, the students will be able to:</b></p> <ul style="list-style-type: none"> <li>• State the meaning and objectives of cash flow statement.</li> <li>• Develop the understanding of preparation of Cash Flow Statement using indirect method as per AS 3 with given adjustments.</li> </ul>

**Note:** Previous years' Proposed Dividend to be given effect, as prescribed in AS-4, Events occurring after the Balance Sheet date. Current years' Proposed Dividend will be accounted for in the next year after it is declared by the shareholders.

**Suggested Question Paper Design Accountancy  
(Code No. 055) Class XII (2019-20)**

**Theory:80Marks  
Project: 20 Marks**

**3hrs.**

<b>S N o</b>	<b>Typology of Questions</b>	<b>Objective Type/ MCQ 1 Mark</b>	<b>Short Answer I 3 Marks</b>	<b>Short Answer II 4 Marks</b>	<b>Long Answer I 6 Marks</b>	<b>Long Answer II 8 Marks</b>	<b>Marks</b>
1	<b>Remembering:</b> Exhibit memory of previously learned material by recalling facts, terms, basic concepts, and answers.	5	1	1	1	-	18
2	<b>Understanding:</b> Demonstrate understanding of facts and ideas by organizing, comparing, translating, interpreting, giving descriptions, and stating main ideas	5	1	1	1	1	26
3	<b>Applying:</b> Solve problems to new situations by applying acquired knowledge, facts, techniques and rules in a different way.	5	-	2	1	-	19
4	<b>Analyzing and Evaluating:</b> Examine and break information into parts by identifying motives or causes. Make inferences and find evidence to support generalizations.  Present and defend opinions by making judgments about information, validity of ideas, or quality of work based on a set of criteria.  <b>Creating:</b> Compile information together in a different way by combining elements in a new pattern or proposing alternative solutions.	5	-	1	-	1	17
	<b>TOTAL</b>	<b>20x1=20</b>	<b>2x3=6</b>	<b>5x4=20</b>	<b>3x6=18</b>	<b>2x8=16</b>	<b>80 (32)</b>

*There will be **internal choice** in questions of 3 marks, 4 marks, 6 marks and 8 marks. All questions carrying 8 marks will have an internal choice.*

***Note:** The Board has introduced Learning Outcomes in the syllabus to motivate students to constantly explore all levels of learning. However these are only indicative. These do not in any way restrict the scope of questions asked in the examinations. The examination questions will be strictly based on the prescribed question paper design and syllabus.*

## UNIT 1. FINANCIAL STATEMENTS OF NOT-FOR-PROFIT ORGANIZATIONS

### LEARNING OBJECTIVES:

1. Identify the need for, and nature of accounting records relating to not-for-profit organisations.
2. List the principal financial statements prepared by not-for-profit organisations.
3. Prepare the receipts and Payments account and Income and Expenditure account.
4. Prepare Income and Expenditure account and Balance sheet from the given Receipts and Payments account.
5. Explain treatment of some peculiar items of Receipts and Payments such as subscriptions from members, special funds, legacies, sale of old assets, etc.

### MEANING:

Not-for-profit organisations refers to the organisations that are used for the welfare of the society and are set up as charitable institutions which function without any profit motive. They also have to prepare the financial statements at the end of each accounting period and ascertain their income and expenditure and the financial position and submit them to the statutory authority called Registrar of societies.

### MAIN CHARECTERISTICS:

1. They are formed for providing service.
2. They are organised as charitable trusts and managed by executive committee elected by the members
3. The main sources of income are 1. Subscriptions 2. Donations 3. Legacies 4. Grant-in-aid
5. Income from investment etc.
4. The surplus generated is not distributed to the members but added to capital fund.

### ACCOUNTING RECORDS:

1. Receipts and Payments account
2. Income and Expenditure account
3. Balance Sheet.

### RECEIPTS AND PAYMENTS ACCOUNT:

It is a summary of cash and bank transactions. It gives the summarized picture of various receipts and payments. It includes receipts of all nature (Capital, Revenue, Current year, previous year and next year) It does not show non-cash items. It starts with opening balance of cash and bank and ends with cash balance and bank / bank overdraft balance.

From the following particulars taken from the cash book of a health club, prepare receipts and Payments account:

Particulars	Rs.
Opening balance:	
Cash in hand	5,000
Cash at bank	25,000
Subscriptions	1,65,000
Donations	35,000
Investment purchased	80,000
Rent paid	20,000
General expenses	21,500
Postage and stationery	2,000

Courier charges	1,000
Sundry expenses	2,500
Closing cash in hand	12,000

**Solution:**

Receipts and Payments account for the year ending.....

Receipts	<	Payments	<
To Balance b/d		By Investment purchased	80,000
Cash	5,000	By rent paid	20,000
Bank	25,000	By general expenses	21,500
To Subscriptions	1,65,000	By postage and stationery	2,000
To Donations	35,000	By courier charges	1,000
		By sundry expenses	2,500
		By Balance c/d cash	12,000
		bank	91,000
	2,30,000		2,30,000

**INCOME AND EXPENDITURE ACCOUNT:**

It is the summary of income and expenditure. It resembles a profit and loss account. It includes only revenue items relating to the current period and the balance at the end represents deficit or surplus. It is prepared on accrual basis.

**STEPS IN THE PREPARATION OF INCOME AND EXPENDITURE ACCOUNT:**

1. Go through the Receipts and Payments accounts thoroughly.
2. Exclude opening and closing balance of cash and bank
3. Exclude capital receipts and payments
4. Consider revenue items of current year only
5. Consider the adjustments such as depreciation, provision for bad and doubtful debts, profit or loss on sale of asset, outstanding and prepaid expenses, Accrued incomes and Income Received in advance.

**DIFFERENCE BETWEEN RECEIPTS AND PAYMENTS ACCOUNT AND INCOME AND EXPENDITURE ACCOUNT:**

BASIS	INCOME AND EXPENDITURE ACCOUNT	RECEIPTS AND PAYMENTS ACCOUNT
Nature	It is like a profit and loss Account (Nominal Account)	It is the summary of cash book(Real Account)
Nature of items	It records income and expenses of revenue in nature	It records all income and expenses (Both Capital and Revenue)
Period	All items relate to current period/year	All items relates to current year, previous year and next year also
Debit side	Records expenses and losses	Records receipts

Credit side	Records incomes and gains	Records payments
Depreciation	included	Not included
Opening balance	No opening balance	Balance of cash and bank
Closing balance	Surplus or deficit	Balance of cash, bank/bank overdraft

### **ACCOUNTING TREATMENT OF SOME IMPORTANT ITEMS:**

1. **ENTRANCE FEES:** It is the amount paid by a person at the time of becoming a member of a non-profit organisation. It is treated as a revenue receipt and is credited to Income and Expenditure account. If it is specified as to be capitalized then it should be entered in Liabilities side of Balance Sheet.

2. **LIFE MEMBERSHIP FEES OR LIFE SUBSCRIPTION:** It is the amount received from a member in lump sum and he is given the membership of the organisation for the whole life. It is treated as a capital receipt and added to the capital fund on the liabilities side of the Balance sheet.

3. **DONATIONS:** Donation is the amount received from a person, firm, company by way of gift. Donation received may be a general donation or specific donation.

a. **General donation:** It is treated as an income and is credited to the Income and Expenditure account

b. **Specific donation:** It will be capitalized and is shown on the liabilities side of Balance sheet.

*Note: In the absence of any information about the nature of donation it should be treated as general Donation.*

4. **LEGACY:** It is the amount received by the non-profit organisation as per the will of a deceased person. The donor may or may not specify the purpose for which the donated amount can be used. It should be treated as capital receipt and be shown in the liabilities side of Balance sheet .

5. **SUBSCRIPTION:** It is the major source of income of a not-for-profit organisation. Subscriptions are the amount paid by the members of such organisations to maintain their membership.

a. Subscription income for the current year is shown in the Income and Expenditure account. It is calculated as follows:

Particulars	<	<
Total subscription received during the year		xxxxx
Add: subscription o/s at the end of the current year	Xxxxxx	
Subscription received in advance in the beginning	xxxxxx	
Less: subscription o/s at the beginning of the year	Xxxxxx	
Subscription received in advance at the end of the year	xxxxxx	
Subscription to be shown in Income and Expenditure account		xxxxxxx

b. Subscription o/s at the end of the year is an asset and the subscription received in advance is a liability

6. **GOVERNMENT GRANT:** Not-for-profit organisations may receive grants from government, corporates, national and international agencies. If the grant is received for any specific purpose then the grant is capitalized and shown on the liability side of balance sheet. If the grant is not marked for any specific purpose such as maintenance grant, then it is treated as income and is credited to income and expenditure account.

7. **INTEREST ON GENERAL FUND INVESTMENTS:** It is treated as revenue receipt and



hence credited to Income and Expenditure account.

8. a. **FUND BASED ACCOUNTING:** It refers to an accounting system in which receipts and incomes relating to a particular fund are credited to that particular fund and expenses related to that fund are credited to that particular fund and are debited to it. (Prize Fund, Tournament Fund, Building Fund etc.)

b. **INTEREST ON SPECIFIC FUND INVESTMENT:** It is added to the respective fund (e.g. Interest on building fund investment is added to Building Fund)

9. **ENDOWMENT FUND:** It is a fund that arises from a gift and its income is devoted for a specific purpose. It is considered as a capital receipt and is shown in the liabilities side of Balance sheet.

10. **SALE OF OLD SPORTS MATERIALS:** The amount so received is treated as revenue income assuming that its book value is zero. It is shown on the credit side of Income and Expenditure account.

11. **SALE OF OLD NEWSPAPERS AND MAGAZINES:** The amount realized from the sale is accounted as an income and credited to Income and Expenditure account.

12. **SALE OF OLD ASSET:** Any gain or loss on sale of old assets is transferred to income and expenditure account. (Loss on expenditure side and Profit on income side)

13. **HONORARIUM:** This is the amount paid to those persons who are not regular employees of the organisation, but render some useful services to the organisation. It is a token payment given in honour of the services rendered. It is shown on the debit side of the Income and Expenditure account.

14. **STOCK OF STATIONERY/MEDICINES/BATS AND BALLS:**

Opening stock + purchases – closing stock = Stock consumed during the year. It will appear in the expenditure side of income and expenditure account.

**PROBLEMS ON SUBSCRIPTION:**

As per the receipts and payments account for the year ended 31<sup>st</sup> march 2019 the subscription received were <3, 00,000. Additional information is given below:

Subscription o/s on 1.4.2018 < 30,000

Subscription o/s on 31.03.2019 < 40,000

Subscription received in advance as on 1.4.2018 < 10, 000

Subscription received in advance as on 31.03.2019 < 20, 000

Ascertain the amount of Income from subscription for the year 2018-19 and also show relevant items of subscription appear in opening and closing balance sheet,

**SOLUTION:**

Particulars	Amount
Sub received as per receipts and payments a/c	3,00,000
Add: sub o/s 31.3.2019	<u>40,000</u>
	3,40,000
Add :sub Received in advance 1.4.2018	<u>10,000</u>
	3,50,000
Less: sub o/s 1.4.2018	<u>30,000</u>
	3,20,000
	<u>20,000</u>
Less: Sub received in advance 31.3.2019	3,00,000
Income from sub for the year 2018-19	

Balance Sheet as at 31.03.2018

Liabilities	Amount	Assets	amount
Sub received in advance	10000	Sub o/s	30000

Balance Sheet as at 31.03.2019

Liabilities	Amount	Assets	amount
Sub received in advance	20000	Sub o/s	40000

**PROBLEM ON SPECIFIC FUNDS:**

Show how you will deal with the following in the financial statements of a club:

Details	debit	Credit
Prize fund		80000
Prize Fund investment	80000	
Income from prize fund investment		8000
Prizes awarded	6000	

**Solution:**

Balance Sheet as at .....

Liabilities	Amount	Assets	amount
Prize fund	80,000	Sports fund investment	80,000
Add: income from investment	8,000		
Less: prizes awarded	(6,000)_	82,000	

**PROBLEMS ON STOCK OF STATIONERY/MEDICINIES:**

Calculate the amount to be posted to Income and Expenditure Account for the year ended 2018-19:

Particulars	Rs
Stock of Medicine on 1 <sup>st</sup> April 2018	5,000
Creditors for medicine on 1 <sup>st</sup> April 2018	9,000
Advance paid for medicine carried forward from 2017-18	12,000
Stock of Medicine on 31 <sup>st</sup> March 2019	8,000
Advance paid for medicine on 31 <sup>st</sup> March 2019	16,000
Amount paid for medicine during the year 2018-19	2,20,000
Creditors for medicine on 31 <sup>st</sup> March 2019	15,000

**Solution:**

Amount paid for medicine during the year 2018-19	2,20,000
Add: Advance paid for medicine carried forward from 2017-18	<u>12,000</u>
	2,32,000
Less: Advance paid for medicine on 31 <sup>st</sup> March 2019	<u>16,000</u>
Amount paid during the year	2,16,000
Add: Creditors for medicine on 31 <sup>st</sup> March 2019	<u>15,000</u>
	2,31,000
Less: Creditors for medicine on 1 <sup>st</sup> April 2018	<u>9,000</u>

Purchase of Medicine during the year	2,22,000
Add: Stock of Medicine on 1 <sup>st</sup> April 2018	<u>5,000</u>
	2,27,000
Less: Stock of Medicine on 31 <sup>st</sup> March 2019	<u>8,000</u>
Cost of Medicine consumed 2018-19	2,19,000

### **PROBLEMS ON INCOME AND EXPENDITURE ACCOUNT: (MISSING FIGURES)**

In the following Income and Expenditure Account for the year ended 31<sup>st</sup> March 2019 and Balance Sheet as on that, determine the missing information. Assume there is no sale/purchase of any fixed asset during the year.

Income and Expenditure account  
For the year ended 31<sup>st</sup> March 2019

Expenditure	Rs	Income	Rs
To Rent	10,000		
Add: O/s at the End	.....	By Subscription	.....
		Add: Subscription due	
To Salary	.....	Attheend	.....
Add: O/S at the end	<u>8,000</u>	Less: Subscription due	
To Printing and Stationery	15,000	In the beginning	(5,000)
To General Expenses	.....	Less: Subscription received	
To Depreciation:		advance for next year	<u>(15,000)</u>
Clubs building @5 %	15,000		.....
Furniture @10 %	<u>1,800</u>	By Entrance fee	12,000
To Surplus (Excess of Income over Expenditure)	57,800	By Sale of old sports Material	800
	1,32,800		1,32,800

#### **Balance Sheet**

As at 31<sup>st</sup> March 2019

Liabilities	Rs	Assets	Rs
Capital Fund	.....	Club Building	.....
Add: Surplus	<u>.....</u>	Furniture	.....
	2,18,000	Books	5,800
Match Fund	1,50,000	Outstanding subscription	40,000
Outstanding Rent	2,000	Sports Material	6,000
Outstanding Salary	.....	Cash at Bank	.....
Subscription in Advance	.....		

**Solution:**

**Income and Expenditure account**

For the year ended 31<sup>st</sup> March 2019

Expenditure	Rs	Income	Rs
To Rent	10,000		
Add: O/s at the End	2,000	By Subscription	1,00,000
	<u>        </u>	Add: Subscription due	
	12,000	At the end	40,000
To Salary	17,000	Less: Subscription due	
Add: O/S at the end	8,000	In the beginning	(5,000)
	25,000	Less: Subscription received	
To Printing and Stationery	15,000	advance	<u>(15,000)</u>
To General Expenses	6,200		1,20,000
To Depreciation:		By Entrance fee	12,000
Clubs building @ 5 %	15,000	BY Sale of old sports Material	800
Furniture @ 10 %	<u>1,800</u>		
	16,800		
To Surplus	57,800		
	<u>1,32,800</u>		1,32,800

### Balance Sheet

As at 31<sup>st</sup> March 2019

Liabilities	Rs	Assets	Rs
Capital Fund	1,60,200	Club Building	2,85,000
Add: Surplus	<u>57,800</u>	Furniture	16,200
	2,18,000	Books	5,800
Match Fund	1,50,000	Outstanding subscription	40,000
Outstanding Rent	2,000	Sports Material	6,000
Outstanding Salary	8,000	Cash at Bank	40,000
Subscription in Advance	<u>15,000</u>		
	<u>3,93,000</u>		<u>3,93,000</u>

### PROBLEM ON INCOME AND EXPENDITURE ACCOUNT ONLY:

Following is the Receipts and Payments Account of City Youth Association for the year ended 31<sup>st</sup> March 2019.

Receipts	<	Payments	<
Balance b/d	10,000	Salaries	15,000
Subscriptions	52,000	Billiards table	20,000
Entrance fee	5,000	Office expenses	6,000
Tournament fund	26,000	Tournament expenses	31,000
Sale of old newspapers	1,000	Sports equipment	40,000
Legacy	37,000	Balance c/d	19,000
	<u>131,000</u>		<u>131,000</u>

Additional information: On 31/03/2019. Subscription outstanding was <2000 and on 31/03/2018 subscription outstanding was <3000. Salary outstanding on 31/03/2019 was <1500. On 01/04/2018 the club had building <75000 furniture <18000, 12% investment 30,000 and sports equipment 30,000. Depreciation charged on building, furniture and sports equipment @10% p.a. including

purchases.

Prepare income and expenditure account for the year ended 31/03/2019.

**Solution:**

Income and Expenditure account for the year ended 31/3/2019

Expenditure	<	Income	<
Salaries	16 500	Subscription	51 000
Office expenses	6 000	Entrance fee	5 000
Tournament expenses	5 000	Sale of old newspaper	1 000
Depreciation:		Accrued interest on investment	3, 600
Furniture	1 800		
Billiard table	2 000		
Building	7 500		
Sports equipment	7 000		
surplus	14 800		
	<hr/>		<hr/>
	60 600		60 600
	<hr/>		<hr/>



“SERVICE TO MANKIND IS SERVICE TO GOD”

**PROBLEMS FOR PRACTICE: (6 marks)**

Following is the Receipts and payments account of Madras Sports Club for the year ending 31.3.2019.

**RECEIPTS AND PAYMENTS ACCOUNT**

For the year ended 31.03.2019

Dr	<	Payments	<
Receipts		Payments	
To Balance b/d	1,800	By Sports Equipment	40,000
To Donations to Building	50,000	By Match Expenses	9,000
To Life Membership Fees	4,000	By Furniture	12,100
To Match Fund	8,000	By 10% Investment(1.07.2018)	16,000
To Subscriptions	5,200	By Salaries	7,000
To Lockers rent	400	By Insurance	350
To Interest on investment	1,000	By Sundry Expenses	470
To Sale of Furniture( Book value<8000)	10,000	By Balance c/d	480
To Entrance Fees	5,000		
	85,400		85,400

**Adjustments:**

During the year 2018-19 the club had 550 members each paying an annual subscription of < 10. 50% of Entrance Fees is to be capitalized.

Donations for Building includes 10% General Donations.

Salaries outstanding as on 1<sup>st</sup> April 2018 was <1000 and on 31.3.2019 was <500

Prepare Income and Expenditure Account of the club for the year ending 31.03.2019.

(Surplus <8, 280,)

From the following Receipts and Payments account, Prepare Final Accounts of a Strong Club for the year ended 31<sup>st</sup> March 2019.

**RECEIPTS AND PAYMENTS ACCOUNT**

For the year ended 31.03.2019

Receipts	(<)	Payments	(<)
To Balance b/d	1,50,000	By Furniture	18,000
To Furniture (costing<6000)	4,000	By Library Books	10,000
To Subscriptions:		By Salaries	72,000
2017-18	18,000	By General Expenses	18,000
2018-19	60,000	By Electric Charges	12,000
2019-20	<u>12,000</u>	By Newspapers	33,800
To Sale of newspapers	10,800	By Postage	3,000
To Profit from Entertainment	44,000	By Stationery	40,000
To Locker Rent	84,000	By Audit Fees	8,000
		By Balance c/d	33,000
	2,47,800		2,47,800

**Balance Sheet**  
**As at 31<sup>st</sup> March 2018**

Liabilities	<	Assets	<
Outstanding salary	6,000	Cash	15,000
Capital Fund	6,94,000	Outstanding Subscription	18,000
		Library Books	30,000
		Furniture	37,000
		Land & Building	<u>6,00,000</u>
	7,00,000		<u>7,00,000</u>

**Adjustments:**

The club had 500 members each paying an annual subscription of <150.

On 31.03.2019, Salaries outstanding amounted to <1200 and salaries paid included <6,000 for the year 2017-18

Provide 5% depreciation on Land and Building.

(Deficit <200, Balance Sheet (31.03.2019) total <7, 07,00)

**PROBLEMS FOR PRACTICE: (3 marks)**

a) From the following information, calculate the amount of subscriptions to be credited to Income and Expenditure account for the year 2018-19.

Subscription received during the year <50,000.

Subscription outstanding on 31<sup>st</sup> March 2018 <18,000

Subscription outstanding on 31<sup>st</sup> March 2019 <9,000

Subscription received in advance on 31<sup>st</sup> March 2018 <10,000 Subscription received in advance on 31<sup>st</sup> March 2019 < 12,000

b) A club has 500 members. Each member has to pay subscription @<200. Total Subscription received during the year ending 31.3.2019 was <1, 20,000 including <12,000 for the year 2017-18 and <18,000 for the year 2020-21. Twenty members have paid their subscription for 2018-19 in the year 2017-18. Subscription outstanding as on 31.3.2018 was <15,000. Compute the amount of subscription to be shown in the Balance Sheet as at 31<sup>st</sup> March 2019.

(Outstanding sub. For 2018-19 is <9000 (including <3000 (15000-12000) for 2017-18) and sub received in income and expenditure account is <1, 00,000.)

c) From the following information, calculate the amount of sports material to be debited to Income and Expenditure account for the year ended 31<sup>st</sup> March 2019.

Particulars	<
Balance of sports materials on 1.4.2018	20,000
Balance of sports materials on 31.3.2019	15,000
Creditors for sports materials on 1.4.2018	40,000
Creditors for sports materials on 31.3.2019	45,000
Payment made to creditors for sports materials during the year ended 31 <sup>st</sup> March 2019.	2,00,000

(Credit purchase of sport materials <2, 05,000; material used during the year <2, 10,000.)

Show how will you deal with the following items while preparing the Final Accounts of a club for the year ending 31<sup>st</sup> march, 2019 in each of the alternative cases:

Tournament Expenses <15,000

Tournament Receipts <25,000 and Tournament Expenses <19,000

Tournament Fund <75,000; Tournament Expenses < 25,000

Tournament fund <75,000; Tournament Receipts <25,000 and Tournament expenses < 55,000  
Tournament Fund <55,000; Tournament Expenses <67,000. Tournament receipts <5,000.

(a& b income and expenditure account) (c,d Balance sheet liability side) (e income and expenditure a/c expenditure side)

### **OBJECTIVE /MCQ ON NOT-FOR –PROFIT ORGAISATIONS:**

1. Income and Expenditure account shows transactions of Capital nature for the accounting year. (TRUE/FALSE)
2. Surplus or Deficit of a non-profit organisation is added to or subtracted from accumulated fund (TRUE/FALSE)
3. A NPO has a Match Fund of <1,00,000 and Match Expenses of <40,000 Match fund and Match expenses will be shown in the liabilities side of the Balance Sheet , expenses being deducted from fund.(TRUE/FALSE)
4. An advance receipt of subscription from members of Not-for –profit organisation is an Asset. (TRUE/ FALSE)
5. Under NPO, sale of old newspaper is shown as an income (TRUE/FALSE)
6. Excess of Income over Expenditure in Income and Expenditure account prepared by a NPO is termed as Deficit.( TRUE/FALSE)
7. Building Fund, Library Fund etc. is based on \_\_\_\_\_Accounting
8. Amount paid by the members to keep their membership alive is termed as \_\_\_\_\_
9. Amount received as donation by NPO under will of a deceased person is termed as\_\_\_\_\_
10. Life membership fees received by a NPO is a \_\_\_\_\_
11. Token payment made to a person, who voluntarily undertakes a service which would normally command a fee is\_\_\_\_\_.
12. Receipts and Payments Account is based on \_\_\_\_\_Basis of accounting.
13. Which of the following is an example of not-profit-organisation:
  - a. public hospitals
  - b. corporations
  - c. Audit firm
  - d. Insurance companies.



14. <100000 received as annual subscription. Out of this <20000 is of pervious year whereas <10000 is receivable at the end of the current year. Amount of subscription that will be show in income and expenditure account willbe

- a. <1, 00,000 b. <90, 000 c. <1, 20,000 d. <80, 000

15. surplus of Not-for –Profit organisations

- a. distributed among the members  
b. is not distributed among the members  
c. May be or May not be distributed among the members  
d. is debited to General fund.

16. if Life Membership fees of <5000 wrongly treated as revenue receipt then effect of this error on surplus and closing balance of capital fund will be

- a. Capital fund increased and surplus increased by<5000  
b. Capita fund decreased and surplus increased by<5000  
c. No effect on capital fund but surplus increased by<5000  
d. Capital fund decreased by <5000 but no effect on surplus.

17. Income and Expenditure Account is based on

- (a) Cash Basis of Accounting.  
(b) Accrual Basis of Accounting.  
(c) Mixed Basis of Accounting.  
(d) Management Accounting.

18. Delhi cricket club gives the following information. Opening Stadium Fund is <10, 00,000. Donation for Stadium fund received during the year Rs.500000. Income from Stadium Fund Investment Rs.100000. Amount spent during the year on construction of stadium is Rs.600000. Identify which of the following statement is correct in respect to preparation of Balance sheet.

- a. Rs.600000 shown on the asset side of the Balance sheet.  
b. Rs.600000 shown on the asset side of the Balance sheet Also Rs.600000 is transferred to the credit of Income and Expenditure account,  
c. Rs.600000 shown on the asset side of the Balance sheet Also Rs.600000 is transferred from Stadium fund to General fund in the Balance sheet.  
D.Rs.600000 is shown as an expense in the Income and Expenditure account and Rs.600000 is transferred to the credit pf Income and Expenditure account from Stadium fund.

19. Subscriptions received during the year Rs.5,000,amount received in advance for the next year is Rs.300. Amount outstanding for current year was Rs.400. The amount to be credited to the Income and Expenditure account is

- a. 4,000 b. 5100 c. 4200 d.4600

20. Subscription received during the year Rs.50, 000. ;Subscriptions

Outstanding at the end of the year ` 8,000; Subscription outstanding at the beginning of the year ` 6,000. Net Income from subscription will be—

- (A)48,000 (B)64,000 (C)52,000 (D)36,000

21. When the Tournament Expenses incurred are more than the Tournament Fund, then the excess amount is
- Debited to Income and Expenditure account
  - Credited to Tournament Fund
  - Shown on the Asset side of Balance sheet
  - Credited to Income and Expenditure Account
22. Which of the following is prepared to find out the income of a trading concern?
- Receipts and Payments a/c
  - Income and Expenditure a/c
  - Profit and Loss a/c
  - Balance Sheet.
23. If Income is Rs.16,000 and deficit debited to Capital Fund is Rs.4,300 then Expenditure is: A. 16,000 B. 4,300 C.20,300 D. None of these
24. The Main purpose of Not-for- Profit organisation is :
- To earn profit
  - to serve the society
  - To improve the economy
  - None of the above.
25. If 10% Interest on Investment appearing in the Receipts side is Rs.7000, then the value of investment will be:
- Rs.1,00,000
  - 70,000
  - 56,000
  - 49,000
26. Entrance fees received amounted to Rs.50,000. In this 25% is to be capitalized. Mention the amount to be shown in income side of Income and Expenditure account:
- 12,500
  - 13,200
  - 50,000
  - 37,500
27. Subscription outstanding for the year 2018-19 is Rs.2500. Subscription outstanding for the year 2017-18 was Rs.5000 out of which Rs.3000 were received during the year 2018-19. The outstanding subscription to be shown in the Income and expenditure for current year 2018-19 is :
- Rs. 500
  - Rs.1000
  - Rs.2500
  - Rs.3000
28. Furniture (Book value) Rs.5,000 were sold for Rs. 4,500. New Furniture worth Rs.10,000 were purchased during the year. The amount which is to be debited to Income and Expenditure account is :
- Profit on sale Rs.500
  - Loss on sale Rs.500
  - Sale of furniture Rs.4500
  - Purchase of Rs.10000
29. Stock of medicines on 1.4.18 were Rs.5000. Medicines purchased during the year is Rs.5000. Medicines sold during the year is Rs.2500. Closing stock of medicines are Rs.3000. Stock of medicines used during the year 2019 is:
- Rs.7000
  - Rs.2500
  - Rs.5000
  - Rs.10000
30. Receipts and payments account makes no difference between:
- capital Receipts and Capital payments
  - Revenue receipts and revenue payments
  - Current year and previous year
  - All the above.

**Answers:**

1	FALSE	6	FALSE	11	HONORORIUM	16	C	21	A	26	D
2	TRUE	7	FUND BASED	12	CASH BASIS	17	B	22	C	27	A
3	TRUE	8	SUBSCRIPTION	13	A	18	C	23	C	28	B
4	FALSE	9	LEGACY	14	B	19	B	24	B	29	A
5	TRUE	10	CAPITAL RECEIPT	15	B	20	C	25	B	30	D



## UNIT 2 ACCOUNTING FOR PARTNERSHIP FIRMS-FUNDAMENTALS

### Accounting Process in Partnership

Journal/Subsidiary Books

↓  
Ledger

↓  
Trial Balance

↓  
Trading and P&L A/c

To G.P.	<input style="width: 80%; height: 15px;" type="text"/> <hr style="border: 1px solid black;"/>	By G.P.	<input style="width: 80%; height: 15px;" type="text"/> <hr style="border: 1px solid black;"/>
To N.P.	<input style="width: 80%; height: 15px;" type="text"/> <hr style="border: 1px solid black;"/>		

P&L Appropriation A/c

Liabilities	Amount	Assets	Amount
To All Ps'cap A/cs		By N.P.	<input style="width: 80%; height: 15px;" type="text"/> <hr style="border: 1px solid black;"/>
A +	<input style="width: 80%; height: 15px;" type="text"/> <hr style="border: 1px solid black;"/>		

Partners' Capital A/cs

	A	B	C		A	B	C
	-	-	-	By Bal b/d	+	+	+
	-	-	-				
	+	+	+	By P&L AppA/c	+	+	+
				By Bal b/d	+	+	+

Balance Sheet

Liabilities	Amount	Assets	Amount
A's Capital	<input style="width: 80%; height: 15px;" type="text"/> <hr style="border: 1px solid black;"/>		
B's Capital	<input style="width: 80%; height: 15px;" type="text"/> <hr style="border: 1px solid black;"/>		
C's Capital	<input style="width: 80%; height: 15px;" type="text"/> <hr style="border: 1px solid black;"/>		

## Meaning and Definition

According to Section 4 of the Partnership Act 1932 “Partnership is the relation between persons who have agreed to share the profits of a business carried on by all or any of them acting for all”

## Features of partnership Firm

- 1) Association of two or more persons: There must be at least two persons and maximum of 50 persons to form a partnership and they must be competent to contract.
- 2) Partnership Agreement or Deed: There must be an agreement among partners to form a partnership. It can be written or oral.
- 3) Legal Business: The business of the partnership firm must be a legally allowed business.
- 4) Sharing of Profits or Losses: The partners must share profits or losses in a certain ratio.
- 5) Mutual Agency: The partners mutually take part in daily routine work or the work may be carried on by one or more partners on behalf of the other partners. Every partner is legally liable for the acts of all other partners, whether he is taking part in the activities of the firm or not.
- 6) Unlimited Liability: Partners' liability to the third parties is unlimited. If there are losses, and the firm is not able to pay its debts fully, then all the partners shall be jointly and severally liable to pay the debts of the firm to an unlimited extent.

**Partnership Deed:** The document, which contains terms of the agreement, is called 'Partnership Deed'. It generally contains the details about all the aspects affecting the relationship between the partners including the objective of business, contribution of capital by each partner, ratio in which the profits and the losses will be shared by the partners and entitlement of partners to interest on capital, interest on loan, etc.

## Provisions of Partnership Act, 1932 in the absence of Partnership Deed:

- (a) **Profit Sharing Ratio:** If the partnership deed is silent about the profit sharing ratio, the profits and losses of the firm are to be shared equally by partners.
- (b) **Interest on Capital:** No interest on capital is payable if the partnership deed is silent on the issue.
- (c) **Interest on Drawings:** No interest is to be charged on the drawings made by the partners, if there is no mention in the Deed.
- (d) **Interest on Advances:** If any partner has advanced some money to the firm beyond the amount of his capital for the purpose of business, he shall be entitled to get an interest on the amount at the rate of 6 percent per annum.
- (e) **Remuneration for Firm's Work:** No partner is entitled to get salary or other remuneration for taking part in the conduct of the business of the firm.

## Fixed and Fluctuating Capital Accounts of Partners

There are two methods by which the capital accounts of partners can be maintained. These are:

- (i) Fixed capital method and
- (ii) fluctuating capital method.

**Fixed Capital Method:** Under the fixed capital method, the capitals of the partners shall remain fixed unless additional capital is introduced or a part of the capital is withdrawn as per the agreement among the partners. All items like share of profit or loss, interest on capital, drawing

interest on drawings, etc. are recorded in separate accounts, called Partner's Current Account.

\* The partners' capital accounts will always show a credit balance, which shall remain the same (fixed) year after year unless there is any addition or withdrawal of capital.

\* The partners' current account on the other hand, may show a debit or a credit balance. Thus under this method, two accounts are maintained for each partner viz., capital account and current account, While the partners' capital accounts shall always appear on the liabilities side in the balance sheet, the partners' current account's balance shall be shown on the liabilities side, if they have credit balance and on the assets side, if they have debit balance.

The partner's capital account and the current account under the fixed capital method would appear as shown below:

Dr.		Partner's Capital Account				Cr.	
Date	Particulars	J.F.	Amount (Rs.)	Date	Particulars	J.F.	Amount (Rs.)
	To Bank A/c(permanent withdrawal of capital)		xxx		By Balance b/d (opening balance)		xxx
	To Balance c/d (closing balance)		xxx		By Bank A/c (fresh capital introduced)		xxx
Date			xxx				xxx

Dr.		Partner's Current Account				Cr.	
Date	Particulars	J.F.	Amount (Rs.)	Date	Particulars	J.F.	Amount (Rs.)
	To Drawings		xxx		By Balance b/d		xxx
	To Interest on drawings		xxx		By Salaries/Commission		xxx
	To Profit and Loss		xxx		By Interest on capital		xxx
	Appropriation A/c (for share of loss)		xxx		By Profit and Loss		xxx
	To Balance c/d		xxx		Appropriation A/c (for share of profit)		xxx
Date			xxx				xxx

**Fluctuating Capital Method:** Under the fluctuating capital method, only one account, i.e. capital account is maintained for each partner. All the adjustments such as share of profit and loss, interest on capital, drawings, interest on drawings, salary or commission to partners, etc. are recorded directly in the capital accounts of the partners. This makes the balance in the capital account to fluctuate from time to time. That's the reason why this method is called fluctuating capital method. In the absence of any instruction, the capital account should be prepared by this method. The proforma of capital accounts prepared under the fluctuating capital method is given below:

**Dr.****Partner's Capital Account****Cr.**

Date	Particulars	J.F.	Amount (Rs.)	Date	Particulars	J.F.	Amount (Rs.)
	To Drawings		xxx		By Balance b/d		xxx
	To Bank (permanent withdrawal of capital)		xxx		By Bank (fresh capital introduced)		
	To Interest on drawings		xxx		By Salaries/Commission		xxx
	To Profit and Loss Appropriation A/c (for share of loss)		xxx		By Interest on capital		xxx
	To Balance c/d				By Profit and Loss Appropriation A/c (for share of profit)		xxx
Date			xxxx				xxxx

**Distribution of Profit among Partners**

The profits and losses of the firm are distributed among the partners in an agreed ratio. However, if the partnership deed is silent, the firm's profits and losses are to be shared equally by all the partners.

You know that in the case of sole partnership the profit or loss, ascertained by the profit and loss account is transferred to the capital account of the proprietor. In case of partnership, however, certain adjustments such as interest on drawings, interest on capital, salary to partners, and commission to partners are required to be made. For this purpose, it is customary to prepare a Profit and Loss Appropriation Account of the firm and ascertain the final figure of profit and loss to be distributed among the partners, in their profit sharing ratio.

**The Proforma of Profit and Loss Appropriation Account is given as follows:**

**Dr.****Profit and Loss Appropriation Account****Cr.**

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Profit and Loss A/c (if there is loss)	xxx	By Profit and Loss A/c (if there is profit)	xxx
To Interest on Capital A/c	xxx	By Interest on Drawings	xxx
To Salary/Commission to Partner A/c		By Partners' Cap A/cs or Current A/cs (distribution of loss)	xxx
To General Reserve A/c	xxx		
To Partners' Cap A/cs or Current A/cs (Distribution of Profit)	xxx		
	xxxx		xxxx

**\*Note: Interest on partner's loan is to be treated as a charge against profits.**

**Past Adjustments**

If after closing the accounts for the year it is discovered that some errors have been committed, then these errors have to be rectified. Some adjustment entries have to be passed to rectify the error. The entries are made through Profit & Adjustment A/c. These entries are to rectify the errors committed in past, therefore, they are known as 'Past Adjustments'. Generally the following types of errors are committed:

- (i) Interest on Capital and on Drawings have been omitted.
- (ii) Interest on Capital and on Drawings have been provided at higher or lower rates than the rates agreed in the Deed.
- (iii) Salary or commission to partners either not given or a higher or lower amount has been given.
- (iv) Profit shared in a wrong ratio.

**Adjustment Chart**

Particulars	A	B	C	Firm
+ Interest on Capital	+ ○	+ ○	+ ○	- ○
+ Partner's Salary/Commission	+ ○	+ ○	+ ○	- ○
- Interest on Drawings	- ○	- ○	- ○	+ ○
	+ ○	+ ○	+ ○	- ○
Excess profit taken back in their P&L sharing ratio	- ○	- ○	- ○	
	+ ○	- ○	+ ○	

- \* Assumed that there are three partners A, B and C.
- \* Assumed that all errors are related too mission
- \* + means Cr the partner's capital A/c
- \* - means Dr the partner's capital A/c
- \* In last+ ○ amount should be equal to- ○ amount

**Note:** Similarly following errors can be rectified accordingly:

- (i) Interest on Capital and on Drawings have been provided at higher or lower rates than the rates agreed in the Deed
- (ii) Salary or commission to partners either a higher or lower amount has been given.

**Guarantee of Profit to a Partner**

Guarantee of profit means a minimum amount of profit to be paid to a partner. This amount shall be given to him if his share of profit is lower than the guaranteed amount. The deficit shall be borne either by one of the old partners or by all the old partners in a particular agreed ratio. If there is no agreement, then in their old profit sharing ratio, if his actual share of profit is more than the guaranteed amount, then, he will be given his actual share of profit. He gets the guaranteed amount or the actual share of profit, **whichever is higher.**



**(a) Guarantee given by all partners**

- (i) Compare the amount of guarantee and his actual share of profit. If guaranteed amount is more than his actual share of profit, then the guaranteed amount will be debited to profit and loss Appropriation Account and the partner's account will be credited with the guaranteed amount.
- (ii) The deficiency shall be shared by other partners in their profit sharing ratio.

**(b) Guarantee given by One Partner only**

First calculate his share of profit. Compare it with the guaranteed amount. The amount of deficiency is to be charged from the partner who gave guarantee.

**(c) Guarantee given to a partner by other partners in a ratio different from their profit sharing ratio**

Distribute profit among all the partners in the profit sharing ratio. Work out the amount of deficiency by comparing it with the guaranteed amount and his actual share of profit. The other partners will bear the deficiency in an agreed new ratio.

**Goodwill**

**Meaning of Goodwill**

Over a period of time, a well - established business develops an advantage of good name, reputation and wide business connections. This helps the business to earn more profits as compared to a newly setup business. In accounting, the monetary value of such advantage is known as “goodwill”.

**Factors Affecting the Value of Goodwill**

The main factors affecting the value of goodwill are as follows:

1. Nature of business: A firm that produces high value added products or having as table demand disable to earn more profits and therefore has more goodwill.
2. Location: If the business is centrally located or is at a place having heavy customer traffic, the goodwill tends to be high.
3. Efficiency of management: A well-managed concern usually enjoys the advantage of high productivity and cost efficiency. This leads to higher profits and so the value of good will also be high.
4. Market situation: The monopoly condition or limited competition enables the concerned to earn high profits which leads to higher value of goodwill.
5. Special advantages: The firm that enjoys special advantages like import licenses, low rate and assured supply of electricity, long-term contracts for supply of materials, well-known collaborators, patents, trademarks etc. enjoy higher value of goodwill.

**Need for Valuation of Goodwill**

In a partnership firm, goodwill needs to be valued in the following circumstances:

1. Change in the profit sharing ratio amongst the existing partners;
2. Admission of new partner;

3. Retirement of a partner;
4. Death of a partner; and
5. Dissolution of a firm involving sale of business as a going concern.
6. Amalgamation of partnership firm

## Methods of Valuation of Goodwill

### 1. Average Profits Method

#### (a) Simple Average

Stepwise procedure to calculate Goodwill under this method:

**Step1:** Work out profits or losses given for each of the past year after taking into account abnormalities, if any.

**Step2:** Calculate average by dividing the total profit of all the years by the number of years.

**Step3:** Goodwill= Average Profit x Number of year's purchase.

#### (b) Weighted Average

This is a better method than the simple average method. It takes into account the importance of each year. Under this method, earlier years are less important than the recent years. Thus, each year's profit is multiplied by its respective number (weight) in chronological order. The latest year will be given the highest weight and the earliest year will be given lowest weight. Each profit figure will be multiplied by its weight and then the total of these products will be calculated. This total will be divided by the total of weights.

Then Goodwill = Weighted average x number of years' purchase

### 2. Super Profit Method

Stepwise procedure to calculate Goodwill under this method:

Calculate the average profit,

1. Calculate the normal profit on the capital employed on the basis of the normal rate of return, Formula = Normal Profit = Capital Employed x NRR /100
2. Calculate the super profits by deducting normal profit from the average profits, Formula- Super Profit = Average Profit - Normal Profit
3. Goodwill = Super profits x number of years 'purchase.

### 3. Capitalisation Method

Under this method the goodwill can be calculated in two ways: (a) by capitalizing the average profits, or (b) by capitalizing the super profits.

(a) **Capitalisation of Average Profits:** This involves the following steps:

- (i) As certain the average profits based on the past few years' performance.
- (ii) Capitalize the average profits on the basis of the normal rate of return to ascertain the capitalised value of average profits as follows:  
Average Profits x 100/Normal rate of Return
- (iii) As certain the actual capital employed (net assets) by deducting outside liabilities from the total assets (excluding goodwill).  
Capital Employed/Net Assets = Total Assets (excluding goodwill) – Outside Liabilities
- (iv) Compute the value of goodwill by deducting net assets from the capitalised value of average profits, i.e.(ii)–(iii).

**Capitalisation of Super Profits:** It involves the following steps.

- (i) Calculate capital employed of the firm, which is equal to total assets minus outside liabilities.
- (ii) Calculate normal profit = Capital Employed X Normal Rate of Return/100
- (iii) Calculate average profit for past years, as specified.
- (iv) Super profits = average profits/Actual profit - normal profits
- (v) Goodwill = Super Profits × 100/ Normal Rate of Return

**Note:** In other words, goodwill is the capitalised value of super profits. The amount of goodwill worked out by this method will be exactly the same as calculated by capitalising the average profits.

### Question

X, Y and Z share profit in the ratio of 2:3:5. They earned a profit of Rs. 1,50,000 for the year ended 31-12-2015. The profit was by mistake distributed among X, Y and Z in the ratio of 3:2:1, respectively. This error was noted in the beginning of the new year. They have set up an old age Home for the old and poor in the city.

Identify the business values and give the missing figures in the following solution

Particulars		X	Y	Z	Firm
1. Profit distributed in wrong ratio taken back	Dr.	(-)75000	(-)50000	(-)25000	+1,50,000
2. The same profit now correctly distributed in correct ratio	Cr.	+30000	+45000	+75000	- 1,50,000
Adjustment required	Dr.	-45,000	-5,000	+50,000	

And give adjustment entry.

X's Capital A/c Dr.45000

Y's Capital A/c Dr. 5000

To Z's Capital A/c 50000

(Being Adjustment entry made)

Value : Sensitivity towards poor. Fulfilling social responsibility

### Practical Problems:

#### Partnership Deed

1. Mohan and Shyam are partners in a firm. State whether the claim is valid if the partnership agreement is silent in the following matters:
  - (i) Mohan is an active partner. He wants a salary of Rs.10,000 per year
  - (ii) Shyam had advanced a loan to the firm. He claims interest @10% per annum
  - (iii) Mohan has contributed Rs.20,000 and Shyam Rs.50,000 as capital. Mohan wants equal share in profits.
  - (iv) Shyam wants interest on capital to be credited @ 6% per annum.

2. State whether the following statements are true or false:

- (i) Valid partnership can be formulated even without a written agreement between the partners
- (ii) Each partner carrying on the business is the principal as well as the agent for all the other partners
- (iii) Methods of settlement of dispute among the partners can't be part of the partnership deed
- (iv) If the deed is silent, interest at the rate of 6% p.a. would be charged on the drawings made by the partner

### Division of Profit

3. X and Y are partners with capitals of Rs.15,00,000 and Rs.10,00,000 respectively. They agree to share profits in the ratio of 3:2. Show how the following transactions will be recorded in the P & L Appropriation and capital accounts of the partners in case:

- (i) The capitals are fixed, and
- (ii) The capitals are fluctuating. The books are closed on March 31, every year.

Particulars	X (Rs.)	Y (Rs.)
Additional capital contributed on July1,2015	3,00,000	2,00,000
Interest on capital	5%	5%
Drawings (during 2015-16)	30,000	20,000
Interest on drawings	12%	12%
Salary	20,000	—
Commission	10,000	7,000

The profits for the year ending 31<sup>st</sup> March, 2016 were Rs 71,500.

**Hint:** If the capitals are fixed: X's capital A/c-Rs 18,00,000; Y's capital A/c-Rs 12,00,000

X's current A/c-Rs 20,700; Y's current A/c-Rs 80.

If the capitals are fluctuating: X's capital A/c-Rs 18,20,700; Y's capital A/c-Rs 12,00,800

### Interest on Capital & Interest on Drawings

A and B are partners sharing profits and losses in the ratio of 3:2. Their capital accounts showed balances of Rs.1,50,000 and Rs. 2,00,000 respectively on Jan 01, 2003. Show the treatment of interest on capital for the year ending December 31, 2006 in each of the following alternatives:

If the partnership deed is silent as to the payment of interest on capital and the profit for the year is Rs.50,000;

If partnership deed provides for interest on capital @8% p.a. and the firm incurred a loss of Rs.10,000 during the year;

- (a) If partnership deed provides for interest on capital @8% p.a. and the firm earned a profit of Rs.50,000 during the year;
- (b) If the partnership deed provides for interest on capital @8% p.a. and the firm earned a profit of Rs.14,000 during the year.

**Hint:** In the absence of any information interest on capitals will be appropriation of profit

4. Manu, Harry and Ali are partners in a firm sharing profits and losses equally. Harry and Ali with drew the following amounts from the firm, for their personal use, during 2006.

Date	Harry (Rs.)	Ali (Rs.)
2006 January, 01	5,000	7,000
April, 01	8,000	4,000
September, 01	5,000	5,000
December, 01	4,000	9,000

Calculate interest on drawings if the rate of interest to be charged is 10 percent, and the books are closed on December 31 every year.

### Guarantee of Profit

1. Ram, Mohan and Sohan are partners with capitals of Rs.5,00,000, Rs.2,50,000 and 2,00,000 respectively. After providing interest on capital @10% p.a. the profits are divisible as follows:

Ram  $\frac{1}{2}$ , Mohan  $\frac{1}{3}$  and Sohan  $\frac{1}{6}$ . Ram and Mohan have guaranteed that Sohan's share in the profit shall not be less than Rs.25,000, in any year. The net profit for the year ended March 31, 2016 is Rs.2,00,000, before charging interest on capital.

You are required to show distribution of profit.

(Ans: Profit to Ram, Rs.48,000, Mohan, Rs.32,000 and Sohan, Rs.25,000)

### Past Adjustment

2. The net profit of X, Y and Z for the year ended March 31, 2006 was Rs.60,000 and the same was distributed among them in their agreed ratio of 3:1:1. It was subsequently discovered that the under mentioned transactions were not recorded in the books:

(i) Interest on Capital @5% p.a.

(ii) Interest on drawings amounting to X Rs.700, Y Rs.500 and Z Rs.300.

(iii) Partner's Salary: X Rs.1000, Y Rs.1500 p.a.

The capital accounts of partners were fixed as: X Rs.1,00,000, Y Rs.80,000 and Z Rs.60,000. Record the adjustment entry.

(Ans: X Dr. Rs.2,700, Y credit Rs.2,600 and Z credit Rs.100]



**Valuation of Goodwill**

3. Compute the value of goodwill on the basis of four years' purchase of the average profits based on the last five years? The profits/losses for the last five years were as follows:  
2012 – Rs 25,000; 2013 - Rs40,000; 2014 - (Rs15,000) loss; 2015 - Rs80,000; 2016 - Rs1,00,000  
Ans: Rs 1,84,000
4. Capital employed in a business is Rs.2,00,000. The normal rate of return on capital employed is 15%. During the year 2002 the firm earned a profit of Rs.48,000. Calculate good will on the basis of 3 years purchase of super profit?  
(Ans: Rs.54,000)
5. A business has earned average profits of Rs.1,00,000 during the last few years.  
Find out the value of goodwill by capitalisation method, given that the assets of the business are Rs.10,00,000 and its external liabilities are Rs.1,80,000. The normal rate of return is 10%?  
(Ans: Rs.1,80,000)



**ACCOUNTING TREATMENT OF GOODWILL  
GOODWILL TO BE ADJUSTED THROUGH PARTNERS' CAPITAL/CURRENT  
ACCOUNTS OR BY RAISING AND WRITING OFF GOODWILL**

**CHANGE IN PROFIT-SHARING RATIO AMONG EXISTING PARTNERS**

Treatment of existing Goodwill appearing in the Balance Sheet:

Journal entry:

Old Partners' Capital/Current a/c.....Dr. (In Old profit sharing ratio)  
    To Goodwill a/c  
(Being the existing goodwill is written off)

Method1: When goodwill is adjusted through partners' capital /current accounts

Journal Entry:

Gaining partners Capital/ Current a/c.....Dr. (In Gaining Ratio)  
    To Sacrificing Partners 'Capital /Current a/c (In Sacrificing Ratio)  
(Being the compensation of gaining partners to Sacrificing partners)

Method2: When Goodwill is raised and Written off

Goodwill a/c.....Dr. (Full revised value of Goodwill)  
    To Old Partners' Capital/ Current a/c (In old Profit sharing ratio)  
(Being the goodwill raised and credited to Partners Capital accounts in old profit sharing ratio)

All Partners Capital/ Current a/c .....Dr. (In new profit sharing ratio)

(Including Incoming or new partner)

    To Goodwill a/c (With value of Goodwill)

(Being the goodwill debited to Partners

Capital accounts in New profit sharing ratio)

**EXAMPLE**

1. A,B,C are partners in a firm sharing profits in the ratio 3:2:1. From 1<sup>st</sup> April2019, A' sacrifices 1/6<sup>th</sup> share in favour of C'. Goodwill of the firm is valued atRs1,20,000.

Pass the Journal entry for Goodwill.

**First Method:**

Date	Particulars	Debit	Credit
(i)	C's Capital a/c .....Dr.	20,000	
	To A,s Capital a/c		20,000
	(Being goodwill adjusted through capital accounts)		



## Second Method

Date	Particulars	Debit	Credit
(i)	Goodwill a/c.....Dr.	1,20,000	
	To A's Capital a/c (1,20,000x3/6)		60,000
	To B's Capital a/c (1,20,000x2/6)		40,000
	To C,s Capital a/c (1,20,000x1/6 )		20,000
	(Being the goodwill raised in Old profit sharing ratio)		
(ii)	A'sCapital a/c.....Dr.	40,000	
	(1,20,000x2/6)		
	B'sCapital a/c..... Dr.	40,000	
	(1,20,000x2/6)		
	C's Capital a/c..... Dr.	40,000	
	(1,20,000x2/6)		
	To Goodwill a/c		1,20,000
	(Being goodwill written off in new profit sharing ratio)		

## ADMISSION OF PARTNER

### Accounting Steps:

**Step1:** Revaluation of Assets and Reassessment of Liabilities.

**Step2:** Treatment of Accumulated Profits or Losses. After welcome of new partner

**Step3:** New Profit sharing ratio and sacrificing ratio.

**Step4:** Treatment of Goodwill.

**Step5:** Adjustment of capital and New Balance Sheet.

**\*Note:** First two steps are calculated on the basis of old balance sheet, old partners' capital A/cs and old profit sharing ratio. If, firstly these two steps are completed by students then there will be no chance of mistake in accounting treatment.

### Step1: Revaluation of Assets and Reassessment of Liabilities.

The journal entries recorded for revaluation of assets and reassessment of liabilities are as follows For

- (i) For increase in the value of an asset
- |                    |     |        |
|--------------------|-----|--------|
| Asset A/c          | Dr. |        |
| To Revaluation A/c |     | (Gain) |
- (ii) For reduction in the value of an asset
- |                 |     |        |
|-----------------|-----|--------|
| Revaluation A/c | Dr. |        |
| To Asset A/c    |     | (Loss) |
- (iii) Appreciation in the amount of a liability





	Revaluation A/c	Dr.	
	To Liability A/c		(Loss)
(iv)	For reduction in the amount of a liability		
	Liability A/c	Dr.	
	To Revaluation A/c		(Gain)
(v)	For an unrecorded asset		
	Asset A/c	Dr.	
	To Revaluation A/c		(Gain)
(vi)	For an unrecorded liability		
	Revaluation A/c	Dr.	
	To Liability A/c		(Loss)
(vii)	For transfer of gain on Revaluation if credit balance		
	Revaluation A/c	Dr.	
	To Old Partners Capital A/cs (Individually)		<b>(Old ratio)</b>
(viii)	For transferring loss on revaluation		
	Old partner's Capital A/cs (Individually)	Dr.	<b>(Old ratio)</b>
	To Revaluation A/c		

### Step2: Treatment of Accumulated Profits or Losses.

The journal entries recorded for Accumulated Profits or Losses are as follows:

#### (i) For Accumulated Profit

	Reserve A/c	Dr	
	Profit & Loss A/c(Profit)		Dr
	Workmen's Compensation Fund A/c	Dr	
	Investment Fluctuation Reserve A/c		Dr
	To Old Partners' Capital A/c		(individually)
	<b>(In old profit sharing ratio)</b>		

#### (ii) For Losses

	Old Partners' Capital A/c	Dr	(individually)
	To Profit & Loss A/c (Loss)		
	To Deferred Revenue Expenses A/c		<b>(In old profit sharing ratio)</b>

### Step3: New Profit sharing ratio and sacrificing ratio.

#### New Profit Sharing Ratio



When new partner is admitted he acquires his share in profits from the old partners. In other words, on the admission of a new partner, the old partners sacrifice a share of their profit in favour of the new partner. But, what will be the share of new partner and how he will acquire it from the existing partners is decided mutually among the old partners and the new partner. However, if nothing is specified as to how the new partner acquires his share from the old partners; it may be assumed that he gets it from them in their profit sharing ratio.

\* In any case, on admission of a new partner, the profit sharing ratio among the old partners will change keeping in view their respective contribution to the profit sharing ratio of the incoming partner. Hence, there is a need to ascertain the new profit sharing ratio among all the partners. This depends upon how does the new partner acquires his share from the old partners for which there are many possibilities. Let us understand it with the help of the following illustrations.

### Illustration 1

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

Solution: Sumit's share =  $\frac{1}{5}$

Remaining share =  $1 - \frac{1}{5} = \frac{4}{5}$

Anil's new share =  $\frac{4}{5} \times \frac{3}{5} = \frac{12}{25}$

Vishal's new share =  $\frac{4}{5} \times \frac{2}{5} = \frac{8}{25}$

Sumit's share =  $1 \times \frac{1}{5} = \frac{5}{25}$

New profit sharing ratio of Anil, Vishal and Sumit will be 12:8:5.

*Note:* It has been assumed that the new partner acquired his share from old partners in old ratio.

### Illustration 2

Akshay and Bharati are partners sharing profits in the ratio of 3:2. They admit Dinesh as a new partner for  $\frac{1}{5}$ th share in the future profits of the firm which he gets equally from Akshay and Bharati. Calculate new profit sharing ratio of Akshay, Bharati and Dinesh.

Solution: Dinesh's share =  $\frac{1}{5}$  or  $\frac{2}{10}$

Akshay's share =  $\frac{3}{5} - \frac{1}{10} = \frac{5}{10}$

Bharti,s share =  $\frac{2}{5} - \frac{1}{10} = \frac{3}{10}$

So, new profit sharing ratio is 5:3:2

### Illustration 3

Ram and Shyam are partners in a firm sharing profits in the ratio of 3:2. They admit Ghanshyam as a new partner. Ram surrenders  $\frac{1}{4}$  of his share and Shyam  $\frac{1}{3}$  of his share in favour of Ghanshyam. Calculate new profit sharing ratio of Ram, Shyam and Ghanshyam.

**Solution:**

Ram sacrifice =  $\frac{3}{5} \times \frac{1}{4} = \frac{3}{20}$

Shyam sacrifice =  $\frac{2}{5} \times \frac{1}{3} = \frac{2}{15}$



Ram's new share =  $3/5 - 3/20 = 9/20$

Shyam's new share =  $2/5 - 2/15 = 4/15$

Ghanshyam's new share =  $3/20 + 2/15 = 17/60$

So new ratio is 27:16:17

### Sacrificing Ratio

The ratio in which the old partners agree to sacrifice their share of profit in favour of the incoming partner is called sacrificing ratio. The sacrifice by a partner is equal to:

Old Share of Profit – New Share of Profit

### Step4: Treatment of Goodwill.

There are different situations relating to the accounting treatment of goodwill at the time of admission of new partner. All these are given in detail under the following categories:

#### (I) Goodwill paid by the new partner to the old partners privately:

No entry will be passed in the books of the firm. Entry for cash brought in by him as capital shall only be passed.

However if there is any goodwill a/c existing in the balance sheet of old partners before admission, it should be immediately written off among the old partners in old ratio.

### ADMISSION OF A PARTNER-WHEN GOODWILL IS RAISED

#### Treatment of existing Goodwill appearing in the Balance Sheet:

Journal entry:

Old Partners' Capital/Current a/c.....Dr.	(In Old profit sharing ratio)
To Goodwill a/c	

(Being the existing goodwill is written off)

#### When the Incoming or New Partner does not bring his share of Goodwill:

(i) Goodwill a/c.....Dr.	(With value of Goodwill)
To Old Partners' Capital/Current a/c	(In old Profit Sharing Ratio)

(Being the Goodwill account raised)

(ii) All Partners Capital/ Current a/c.....Dr.	(In New Profit sharing ratio)
(Including Incoming or new partner)	
To Goodwill a/c	(With value of Goodwill)

(Being the Goodwill account written off)

#### When the Incoming or New Partner brings a PART of his share of Goodwill:

(i) Premium for Goodwill a/c.....Dr.	(With Goodwill brought)
Goodwill a/c.....Dr.	(With unpaid value of Goodwill)
To Old Partners 'Capital/Current a/c	(In old Profit Sharing Ratio)

(Being the Goodwill account raised)



- (ii) Incoming (New) Partners Capital/Current a/c.....Dr. (With unpaid value of Goodwill)  
     To Goodwill a/c (With unpaid value of Goodwill)  
 (Being the Goodwill account written off)

(Admission of a Partner)

**When the Incoming or New Partner does not bring his share of Goodwill:**

1. Amar and Sachin are partners sharing profits of 3:2. Chetan is admitted as partner wef 1<sup>st</sup> April 2019 and their new profit sharing ratio is 3:2:1. Goodwill appeared in the books at Rs. 20,000. Goodwill as on the date of admission was valued at Rs.1,80,000. Pass the journal entries giving effect to the arrangement under both the methods.

**First Method:**

Date	Particulars	Debit	Credit
(i)	Amar's Capital/ Current a/c ..... Dr.	12,000	
	Sachin's Capital/ Current a/c ..... Dr.	8,000	
	To Goodwill a/c		20,000
	(Being existing goodwill written off in their Old profit sharing ratio)		
(ii)	Chetan's Capital/Current a/c.....Dr. (1,80,000x1/6)	30,000	
	To Amar's Capital/Current a/c (30,000x3/5)		18,000
	To Sachin's Capital/Current a/c (30,000x2/5)		12,000
	(Being the goodwill credited to sacrificing partners in their sacrificing ratio)		

Working Note: Calculation of sacrificing ratio

Old ratio 3:2

New ratio 3:2:1

Amar  $3/5 - 3/6 = 3/30$  (sac)

Sachin  $2/5 - 2/6 = 2/30$  (sac)

Sacrificing ratio is 3:2



**Second Method:**

Date	Particulars	Debit	Credit
(i)	Amar's Capital/ Current a/c ..... Dr.	12,000	
	Sachin's Capital/Current a/c ..... Dr.	8,000	
	To Goodwill a/c		20,000
	(Being existing goodwill written off in their Old profit sharing ratio)		
(ii)	Goodwill a/c .....Dr.	1,80,000	
	To Amar's Capital/Current a/c (1,80,000x3/5)		1,08,000
	To Sachin's Capital/Current a/c (1,80,000x2/5)		72,000
	(Being the goodwill raised in Old profit sharing ratio)		
(iii)	Amar's Capital/ Current a/c ..... Dr. (1,80,000x3/6)	90,000	
	Sachin's Capital/Current a/c ..... Dr. (1,80,000x2/6)	60,000	
	Chetan's Capital/Current a/c.....Dr. (1,80,000x1/6)	30,000	
	To Goodwill a/c		1,80,000
	(Being goodwill written off in new profit sharing ratio)		

When the Incoming or New Partner brings a PART of his share of Goodwill:

2. Bharat and Sunil were partners in a firm sharing profits and losses in the ratio of 1:2. On 1<sup>st</sup> April, 2019 Rajiv was admitted as a new partner for 1/4<sup>th</sup> share in the profits. Rajiv's share of goodwill is Rs.2, 50,000 out of which he brought Rs.1,00,000.

Pass the necessary Journal Entries when the Goodwill Account is raised for the amount not brought by the incoming partner and is also written off.

Journal Entries

Date	Particulars	Debit	Credit
(i)	Goodwill a/c .....Dr. (2,50,000-1,00,000)	1,50,000	
	To Bharat's Capital/Current a/c		50,000
	To Sunil's Capital/Current a/c		1,00,000
	(Being the goodwill raised for the amount not brought by new partner and distributed among sacrificing partners in sacrificing ratio 1:2)		
(iii)	Rajiv's Capital/ Current a/c .....Dr.	1,50,000	
	To Goodwill a/c		1,50,000
	(Being goodwill written off by same amount)		



**(II) When New Partner brings his share of goodwill in kind:**

**Ex: Supposed there are two partners A and B. C is admitted as new partner.**

<b>When new partner brings his share of goodwill in kind</b>	
<b>If there is any goodwill a/c in the balance sheet of old partners</b>	
A's Capital A/c	Dr
B's Capital A/c	Dr
To Goodwill A/c	
(Being old goodwill written off in old ratio)	
Assets A/c	Dr
To Premium for Goodwill A/c	
To C's Capital A/c	
(Being assets brought in by new partner for premium and capital)	
Premium for Goodwill A/c	Dr
To A's Capital A/c	
To B's Capital A/c	
(Being premium amount transferred to old partners' capital A/cs in sacrificing ratio)	
<b>If premium amount withdrawn by old partners</b>	
A's Capital A/c	Dr
B's Capital A/c	Dr
To Cash/Bank A/c	

**(III) Hidden Goodwill:**

Sometimes the value of Goodwill is not given. It is inferred or estimated from other related information given in question.

**Ex:** A and B are two partners in 3:2 ratio. Their capitals are Rs 1, 20,000 and Rs1, 00,000 respectively. C is admitted for 1/5<sup>th</sup> share and he is bringing Rs 80,000 as his capital. Calculate the value of goodwill.

**Solution:**

$$\begin{aligned}
 \text{Value of Goodwill} &= (\text{C's Capital} \times 5/1) - (\text{A's Capital} + \text{B's Capital} + \text{C's Capital}) \\
 &= (80,000 \times 5/1) - (1, 20,000 + 1, 00,000 + 80,000) \\
 &= 4,00, 000 - 3,00,000 \\
 &= 1, 00,000
 \end{aligned}$$

So C's share of Goodwill = 1,00,000 x 1/5 = 20,000

**\*Note:** It means new partner C doesn't bring his share of goodwill in cash. So in this case journal entries will be same as given in table of **(II)** situation

**Step5: Adjustment of capital and New Balance Sheet.**



After the admission of a partner, the capitals of all partners may be adjusted as per agreement. The adjustment may take any of the following forms:

**(I) Adjustment of the capitals of the old partners on the basis of new partner's capital**  
**Steps:**

- (i) Calculate the total capital of the firm on the basis of new partner's capital and his share in profits.  
 Total Capital/New Capital= New partner's capital x Reciprocal of the proportion of his share in profit
- (ii) Calculate the new capitals of all partners by dividing total capital in new ratio.
- (iii) Prepare old partners' capital a/cs (after all adjustments regarding Revaluation, General Reserve, Goodwill etc) and find out the actual balances of their capitals.
- (iv) Compare the new capitals as in (ii) with old capital balances as in (iii) and work out surplus or deficiency.
- (v) Surplus will be paid back to the old partners and if there is deficiency the same will be contributed in cash by the old partners.  
 (If it is specifically required under agreement, the surplus can be Cr to their current a/cs and deficiency can be Dr to their current a/c s)
- (vi) If goodwill is not brought in cash, it can be adjusted either (i) through new partner's capital a/c – this will reduce his original capital contributed by him or (ii) if it is adjusted through new partner's current a/c – this will not affect the original capital contributed by him.

**(II) Finding the new partner's sufficient capital on the basis of the old partners' capital or the total capital of the firm**

Steps:

- (i) Prepare old partners' capital a/cs (after all adjustments regarding Revaluation, General Reserve , Goodwill etc)
- (ii) Calculate the total Capital of the new firm as follows:  
 Total Capital of the firm=  

Combined adjusted capital of old partners	x	Reciprocal of the combined proportion of their share of profit
--	---	--
- (iii) New partner's capital will be equal to his share of the total capital.
- (iv) If goodwill is not brought in cash by the new partner, it should be better Dr to his Current Account. This will make the calculation of his sufficient capital more accurate and simple.



### Question based on missing figure

A and B are partners sharing profit in the ratio of 4:1. They admit C on 31-3-2016 with  $\frac{1}{4}$  share. He brings Rs.60,000 as his share of capital and share of premium for goodwill in cash. The information given below is incomplete. Give the correct missing figures. Old partners have withdrawn their goodwill.

Dr.	Revaluation A/c		Cr.
Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Claim for damages	1,000	By Creditors	500
To Machines	12,000	By Old partners	
To Furniture	3,500	A .....	
		B .....	.....
	16,500		16,500

Dr.	Bank/Cash A/c				Cr.
Date	Particulars	Amount (Rs.)	Date	Particulars	Amount (Rs.)
2016 March 31	To Balance b/d	15,000	2016 March 31	By A's capital a/c (goodwill withdrawn)	.....
	To C's capital a/c	.....		By B's capital a/c (goodwill withdrawn)	.....
	To Premium a/c	.....		By Balance c/d	.....
		.....			.....
2016	To Balance b/d	.....			.....
April 1					

Dr.	Partners' Capital A/cs						Cr.		
Date	Particulars	A	B	C	Date	Particulars	A	B	C
2016 March 31	To cash a/c (goodwill withdrawn)	.....	.....	xxx	2016 March 31	By Balance b/d	80,000	80,000	xxx
	To Revaluation a/c (Loss)	.....	.....	xxx	March 31	By Premium a/c	12,000	3,000	xxx
	To Balance c/d	.....	.....	.....	March 31	By cash a/c	xxx	xxx	-----
		.....	.....	.....			.....	.....	.....
		-----	-----	-----			.....	.....	.....





**Dr.**

**Balance Sheet as at 31-3-2016**

**Cr.**

Particulars	Amount	Particulars	Amount
Capital		Cash/Bank	.....
A	.....	Debtors	40,000
B	.....	Stock	50,000
C	.....	Machines	1,08,000
.....	1,000	Furniture	31,500
Creditors	99,500		
	.....		.....

### Practical Questions

#### New ratio and sacrificing ratio

1. A and B were partners in a firm sharing profits and losses in the ratio of 3:2. They admit C into the partnership with 1/6 share in the profits. Calculate the new profit sharing ratio? (Ans: 3:2:1)
2. P and Q are partners sharing profits in 2:1 ratio. They admitted R into partnership giving him 1/5 share which he acquired from P and Q in 1:2 ratio. Calculate new profit sharing ratio. (Ans: 3:1:1)
3. Sandeep and Navdeep are partners in a firm sharing profits in 5:3 ratio. They admit C into the firm and the new profit sharing ratio was agreed at 4:2:1. Calculate the sacrificing ratio? (Ans: 1:1.)

#### Goodwill

4. Amar and Samar were partners in a firm sharing profits and losses in 3:1 ratio. They admitted Kanwar for 1/4 share of profits. Kanwar could not bring his share of goodwill premium in cash. The Goodwill of the firm was valued at Rs.80,000 on Kanwar's admission. Record necessary journal entry for goodwill on Kanwar's admission.

#### Revaluation a/c, Accumulated profit or losses, Partners' capital A/cs & their adjustment, Balance Sheet of new firm

5. Azad and Babli are partners in a firm sharing profits and losses in the ratio of 2:1. Chintan admitted into the firm with 1/4 share in profits. Chintan will bring in Rs.30,000 as his capital and the capitals of Azad and Babli are to be adjusted in the profit sharing ratio. The Balance Sheet of Azad and Babli as on December 31, 2015 (before Chintan's admission) was as follows:

Liabilities		Amount	Assets		Amount
Creditors		8,000	Cash in hand		2,000
Bills payables		4,000	Cash at Bank		10,000
General Reserve		6,000	Sundry Debtors		8,000
Capital accounts:			Stock		10,000
Azad	50,000		Furniture		5,000
Babli	32,000	82,000	Machinery		25,000
			Building		40,000
		1,00,000			1,00,000



It was agreed that:

- i) Chintan will bring in Rs.12,000 as his share of good will premium.
- ii) Buildings were valued at Rs.45,000 and Machinery at Rs.23,000.
- iii) A provision for doubtful debts is to be created @ 6% on debtors.
- iv) The capital accounts of Azad and Babli are to be adjusted by opening current accounts.
- v) Record necessary journal entries, show necessary ledger accounts and prepare the Balance Sheet after admission.

(Ans: Gain on Revaluation Rs.2,520. Balance Sheet Rs.1,44,520).

### Change in profit sharing ratio

6. Dinesh, Ramesh and Suresh are partners in a firm sharing profits and losses in the ratio of 3:3:2. They decided to share the profits equally w.e.f. April 1, 2015. Their Balance Sheet as on March 31, 2015 was as follows:

Liabilities	Amount	Assets	Amount
Creditors	1,50,000	Cash at Bank	40,000
General Reserve	80,000	Bills Receivables	50,000
Partners' Loan:		Sundry Debtors	60,000
Dinesh      40,000		Stock	1,20,000
Ramesh     30,000	70,000	Fixed Assets	2,80,000
P's Capital accounts:			
Dinesh      1,00,000			
Ramesh      80,000			
Suresh <u>70,000</u>			
	2,50,000		
	5,50,000		5,50,000

It was also decided that:

1. The fixed assets should be valued at Rs.3,31,000.
2. A provision for doubtful debts @5% on Sundry debtors.
3. Goodwill of the firm is valued at Rs 90,000.
4. The value of stock to be reduced to Rs 1,12,000.

Prepare Revaluation a/c, partners' capital a/c and Balance Sheet.

(Ans: Total of balance sheet Rs 5,90,000.)

### RETIREMENT AND DEATH OF A PARTNER

A partner has right to retire from the firm after giving due notice in advance. After retirement a new partnership comes into existence between the remaining partners. Partner can retire from the firm in the following circumstances.



With the consent of the all the partners

As per the terms of the partnership agreement

By giving a notice in writing to all other partners, if the partnership is at will.

The retirement of a partner is called reconstitution of the partnership firm because the old agreement is terminated but the firm continues and the new agreement comes into force.

Following accounting treatments are done while retiring a partner.

- 1) Calculation of a new ratio and gaining/sacrificing ratio (in some cases) ratio.
- 2) Treatment of goodwill.
- 3) Adjustment of revaluation of assets and reassessment of liabilities.
- 4) Adjustment of undistributed reserves and profits and losses a/c.
- 5) Capital adjustments and preparation of new balance sheet.

#### **CALCULATION OF NEW RATIO AND GAINING RATIO:**

\* New ratio = Old share + Acquired share

\*Gaining ratio = New ratio- Old ratio

Gaining ratio is calculated to ascertain the amount of goodwill payable to retiring or deceased partner by the remaining partners.

Que) A, B, & C are partners with ratio 4:5:6. Find out new ratio if i) A retires ii). B retires iii) C retires.

Sol) Old ratio between partners A, B, & C is 4:5:6. So new ratio i) 5:6 ii) 4:6 iii) 4:5

Que)A, B, & C are partners with ratio 3:2:1. Find out new ratio if A retires and his share is purchased by B alone.

Sol) Old ratio between partners A, B, & C is 3:2:1. A retires leaving the share of 3/6 and this share is purchased by B. so B's new share  $\frac{2}{6} + \frac{3}{6} = \frac{5}{6}$  and C's share is  $\frac{1}{6}$ . So new share is 5:1.

Que)Roman, Preet and Sanjay are partners with equal profit sharing ratio. Roman decided to retire from the firm and new ratio is fixed as 5:3, determine the gaining ratio.

Sol). Gaining Ratio = New Ratio – Old Ratio

$$\text{Preet's Gaining Ratio} = \frac{5}{8} - \frac{1}{3} = \frac{15}{24} - \frac{8}{24} = \frac{7}{24}$$

$$\text{Sanjay's Gaining} = \frac{3}{8} - \frac{1}{3} = \frac{9}{24} - \frac{8}{24} = \frac{1}{24}$$

$$\text{Gaining Ratio} = 7: 1$$

Que)A, B and C were partners sharing profits in the ratio of 5:3:2. B retires on January 1,2016 with A and C agreed to share the profits in future in the ratio of 6:4. Find the gaining ratio.

Sol). Gaining Ratio = New Ratio – Old Ratio

$$\text{A's Gaining Ratio} = \frac{6}{10} - \frac{5}{10} = \frac{1}{10}$$

$$\text{C's Gaining Ratio} = \frac{4}{10} - \frac{2}{10} = \frac{2}{10}$$



Gaining Ratio = 1:2

**TREATMENT OF GOODWILL:-**

The retiring partner share of goodwill is credited to capital account of respective partner and debited to remaining partners' capital in gaining ratio.

**JOURNAL ENTRY:-**

Gaining partner capital a/c/ Current A/c Dr (in gaining ratio)

To Retiring or Deceased partner's capital a/c (With the share of Goodwill)

The existing goodwill (if any) will be written off by debiting all partners' capital account in their old ratio and crediting the goodwill account.

Old partners' Capital a/c/Currenta/c

Dr (in old ratio)

To Goodwill a/c

(Goodwill existing goodwill)

**Special Note:** - Goodwill cannot be shown in books unless and until it is purchased by paying some consideration. (AS-26)

Q)A, B and C are partners in a firm sharing profits in the ratio of 5:3:2. A retires and his share is taken up by B and C equally. Goodwill of the firm is Rs. 60000. Pass necessary journal entry.

Sol:-

B's Capital a/c	Dr	15000.00
C's Capital a/c	Dr	15000.00
To A's Capital/c		30000.00

(Being adjustment of goodwill done on retirement of A)

Working Note: - Old Ratio is 5:3:2, New Ratio 11:9 and gaining ratio is 1:1.A's share of goodwill =60000\*5/10=30000.

**Numerical For practice**

Q)A, B and C were partners sharing profits in the ratio of 2:2:1. B retires on January 1,2016 with A and C agreeing to share the profits in future in the ratio of 3:2.Goodwill of the firm is Rs. 75000. Pass necessary journal entry.

X, Y and Z are partners with ratio 3:2:1. Y retires and his share is purchased by Z alone. Goodwill of the firm is 30000.00. Pass necessary journal entry

Q) Roman, Preet and Sanjay are partners with equal profit sharing ratio. Roman decided to retire from the firm and new ratio is fixed as 5:3. Share of Goodwill of Roman 80,000.Pass necessary journal entry.

Q)What is difference between sacrificing ratio and Gaining ratio.

**Distribution of profit and loss on revaluation at the time of retirement/ Death of partner**

Profit/Loss on revaluation will be shared between all the partners in their old profit sharing ratio.



(Journal entries for the revaluation of assets and liabilities and finding out profits or losses thereof has been explained in previous lessons)

**Journal entry for the transfer of profit and loss on revaluation at the time of retirement/death of a partner.**

**For Profits:**

Revaluation A/C	Dr.
To All Partner's Capital A/C	(in old ratio)

(Being profit on revaluation transferred to all partners' capital account in old profit sharing ratio)

**For losses:**

All the partners' capital A/C	Dr. (in old ratio)
To Revaluation A/c	

(Being loss on revaluation transferred to all partners' capital account in old profit sharing ratio)

**Treatment of undistributed profit at the time of retirement/death of the partner.**

**Special Note:** - Reserves are always undistributed profits whereas P&L a/c may be profits or losses. If P&L a/c is having credit balance or given on liability side it is profit and if P&L a/c is having debit balance or given on assets side it is loss.

The undistributed **profits** are transferred to all partners' capital account in the old profit sharing ratio.

General Reserve a/c	Dr.
Profit & Loss a/c	Dr.
To All partners' capital account (in old ratio)	

(Being undistributed profits transferred to all partners' capital accounts in old ratio)

**Treatment of undistributed losses at the time of retirement/death of a partner**

The **undistributed losses** are transferred to all partners' capital accounts in their old profit sharing ratio.

All partners' Capital a/c	Dr. (in old ratio)
To profit & loss a/c / advertisement suspense a/c / deferred revenue a/c	

(Being undistributed losses are transferred to all partners' capital account in old profit ratio)

Q.1. L, M and N were partners sharing profits and losses in the ratio of 5:3:2. On 31st March 2016 their Balance Sheet was asunder:

Liabilities	Amount	Assets	Amount
Capitals:		Property	1,20,000
L    1,50,000		Patents	30,000
M    1,25,000		Machinery	1,50,000
N     75,000	3,50,00	Stock	1,90,000
General Reserve	30,000	Bank	40,000

**ACCOUNTANCY**



Creditors	1,50,000	
	5,30,000	5,30,000

N retired on 31st March 2016 and it was agreed that:

- (i) Goodwill of the firm is to be valued at Rs.2,00,000.
- (ii) Machinery be valued at Rs.1, 40,000; Patents at Rs.40, 000 and Property at Rs.1, 50,000 on this date.

Prepare partners' Capital Account and Revaluation Account and balance sheet.

Solution: - Working Notes:-

Old Ratio=5:3:2, New ratio after retirement 5:3, Gaining ratio= 5:3 share of goodwill of retiring partner =  $200000 \times \frac{2}{10} = 40000.00$

Dr.		Revaluation a/c		Cr.	
Particulars	(Rs)	Particulars	(Rs)		
To Machinery	10,000	By patents	10,000		
To Profit transferred to Capital A/c:		By Property	30,000		
L 15,000					
M 10,000					
N 5,000	30,000				
	12,000				40,000

Dr.				Partners' Capital a/cs				Cr.			
Particulars	L	M	N	Particulars	L	M	N				
To N's Loan a/c	.....	.....	85,000	By balance b/d	1,50,000	1,25,000	75,000				
To balance c/d	1,80,000	1,45,000	.....	By General Reserve	15,000	10,000	5,000				
				By Profit on Revaluation	15,000	10,000	5,000				
	1,80,000	1,45,000	85,000		1,80,000	1,45,000	85,000				

**Opening Balance Sheet of New Firm**

Liabilities	Amount	Assets	Amount
Capitals:		Property	1,50,000
L 1,80,000		Patents	40,000
M 1,45,000	3,25,000	Machinery	1,40,000
N 's Loan a/c	85,000	Stock	1,90,000

**ACCOUNTANCY**



Creditors	1,50,000	Bank	40,000
	5,60,000		5,60,000

**Numerical For practice**

Q1 X, Y, and Z were in partnership sharing profits in the ratio of 3: 2. On this date Balance Sheet is as follows:-

Liabilities	Amount	Assets	Amount
Provision for Doubtful Debts	1,300		
Sundry creditors	15,000	Cash at bank	10,000
Capitals:		Debtors	16,000
X78,750		Stock	20,300
Y70,000		Machinery	60,000
Z 61,250	2,10,000	Land and Building	1,20,000
	2,26,300		2,26,300

Z retires on the above date and the new profit sharing ratio between X and Y will be 5:4 following terms were agreed:

- 1) Land and buildings be reduced by 10%.
- 2) Out of the Insurance premium paid during the year Rs.5, 000 be carried forward as unexpired.
- 3) There is no need of any provision for doubtful debts.
- 4) Goodwill of the firm be valued at Rs.36, 000 and adjustment in this respect be made without raising a goodwill a/c.

Pass necessary journal entries: Prepare the capital accounts and the new balance sheet.

Q.2. A,B,C and D were partners sharing profits in the ratio of 3:3:2:2 respectively. On 1<sup>st</sup> April 2014, D retired owing to ill health. It was decided by A, B and C that in future their profit sharing ratio would be 3:2:1. Complete the following Journal in this regard:



Date	Particulars	L.F.	Dr.	Cr.
	A's Capital A/c                      Dr.		.....	
	B's Capital A/c                      Dr.		.....	
	C's Capital A/c                      Dr.		.....	
	D's Capital A/c                      Dr.		10,000	
	To .....			.....
	(Being the existing goodwill written off)			
	A's Capital A/c                      Dr.		1,20,000	
	B's Capital A/c                      Dr.		.....	
	To C's capital A/c			.....
	To D's capital A/c			.....
	(being the adjustment for the goodwill made on account of change in profit sharing ratio)			

### Calculation of share of profit of the deceased partner

In case of death of a partner during the accounting year the executor of the deceased partner is entitled to a share of profit earned by the firm from the date of last balance sheet to the date of his/her death. The following two methods are adopted for ascertaining the profit of that period:

(a) On the basis of time:-

$$\text{Deceased partner's share} = \frac{\text{Last year profit}}{\text{Average profits}} \times \text{period (in months/days)} / 12 / 365 \times \text{Deceased partner's ratio}$$

**Note:** Period here means from the period from the beginning of the year to the date of death.

(b) On the basis of sales: sales for the period \* rate / 100

### Journal entry

Profit & loss Suspense a/c Dr (with the share of profit for the period)  
 To Deceased partner's capital a/c

### Numerical For practice

1) Ram, Manohar and Joshi were partners in a firm. Joshi died on 28<sup>th</sup> February 2004. His share of profit from the closure of the last accounting year till the date of death was to be calculated on the basis of the average of three completed years' profits before the death. Profits for 2002, 2003 and 2004 were Rs. 7,000, Rs. 8,000 and Rs. 9,000 respectively. Calculate Joshi's share of profit till his death and pass the necessary journal entry for the same.

Answer: Share of Profit Rs. 444.44

2) P, R and S are in the partnership sharing profits in the ratio of 4:3:1 respectively. It is provided in the partnership deed that, on the death of any partner, his share of goodwill is to be valued at half of the profits credited to his account during the previous four





completed years. R dies on 1st January, 2005. The firm's profits for the last years 2011: Rs.1, 20,000, 2012:Rs. 80,000, 2013: Rs. 40,000, 2014: Rs. 80,000.Determine the amount that should be credited to R in respect of his share of goodwill.

Answer: Share of Goodwill= 60000.

**Calculation of the amount payable to the representative of deceased partner**

The representative of the deceased partner is entitled to the following.

- i. The balance standing on the credit of the deceased partner capital and current account
- ii. His share in the goodwill of the firm.
- iii. His share of profit in the revaluation of assets and reassessment of liabilities
- iv. His share of reserve and accumulated profit
- v. His share of profit up to the date of death
- vi. Interest on capital if provided in the partnership agreement

The following amount will be debited to the account of the deceased partner for ascertaining the amount due to his representative.

- i. His drawings
- ii. Interest on drawings, if provided in the partnership deed
- iii. His share of losses on revaluation of assets and reassessment of liabilities
- iv. His share of losses up to the date of his death
- v. Loan to deceased partner.

Q.1. Arti, Bharati and Seema are partners in a firm sharing profits in the proportion of 3:2:1. Their Balance Sheet as on 31st of March, 2013 stood as follows:

Particulars	(Rs)	Particulars	(Rs)
Bills payable	12,000	Buildings	21,000
Creditors	14,000	Cash in hand	12,000
General Reserve	12,000	Cash lit Bank	13,700
Capital Accounts:		Debtors	12,000
Arti	20,000	Bills Receivable	4,300
Bharti	12,000	Stock	1,750
Seema	8,000	Investment	13,250
	78,000		78,000

Bharati died on 30<sup>th</sup> June, 2013 and according to the deed of the said partnership her executors are entitled to be paid as under:

- (i) The capital to her credit at the time of her death and interest thereon @10% per annum.
- (ii) Her proportionate share of general reserve.
- (iii) Her share of profits for the intervening period will be based on the sales during that period. Sales were calculated as Rs. 1,20,000. The rate of profit during past three years had been 10% on sales.
- (iv) Goodwill according to her share of profit to be calculated by taking twice the amount of



profits of the last three years less 20%. The profits of the previous three years were:

2000-2001	Rs.8,200
2001-2002	Rs.9,000
2002-2003	Rs.9,800

The investments were sold at par and her executors were paid out.

Prepare Bharti's Capital Account and her Executor's Account.

Dr.		Bharti's Capital Account				Cr.
Date	Particulars	(Rs)	Date	Particulars	(Rs)	
30.07.14	To Bharti's Executor A/c (Balancing Figure)	34,700	30.07.14	By Balance b/d	12,000	
			30.07.14	By General Reserve	4,000	
			30.07.14	By Interest on Capital	300	
			30.07.14	By P & L Suspense	4,000	
			30.07.14	By Aarti's Capital A/c	10,800	
				By Seema's Capital A/c (Goodwill)	3,600	
		34,700			34,700	

Dr.		Bharti's Executors' A/c				Cr.
Date	Particulars	(Rs)	Date	Particulars	(Rs)	
30.07.14	To Bank A/c (Bal. Fig.)	34,700	30.07.14	By Bharti's Capital A/c	34,700	
		.....			.....	

Working Notes:

(i) Interest on Capital =  $12,000 \times \frac{10}{100} \times \frac{3}{12} = \text{Rs.}300$

(ii) Share in General Reserve =  $12,000 \times \frac{2}{6} = \text{Rs.}4,000$

(iii) Share of Profit =  $1,20,000 \times \frac{10}{100} = \text{Rs.} 12,000$

Bharti's Share =  $\frac{2}{6} \times 12,000 = \text{Rs.}4,000$

(iv) Total Profit of Last 3 years : 8,200

+ 9,000 + 9,800/3 = 27,000 Twice

Profit = 27,000 x 2 = Rs.54,000

Less: 20% of 54,000 = Rs. 54,000 – 10,800 = 43,200

Bharti's shares of goodwill = 43,200 x 2/6 = 14,400

### Numerical For practice

- 1) A, B and C were partners in a firm sharing profits in the ratio of 5:3:2. On 31<sup>st</sup> March, 2015 their Balance sheet was asunder:

Liabilities	Amount	Assets	Amount
Creditors	7,000	Buildings	20,000
Reserves	10,000	Machinery	30,000
A's Capital	30,000	Stock	10,000
B's Capital	25,000	Patents	6,000

**ACCOUNTANCY**



C's Capital	15,000	Cash	21,000
	87,000		87,000

C died on 1st October, 2015. It was agreed between his executors and the remaining partners that:

- Goodwill be valued and 2 years' purchase of the average profits of the previous five years, which were 2011: Rs. 15,000; 2012: Rs. 13,000; 2013; Rs. 12,000; 2014: Rs. 15,000 and 2015: Rs.20,000.
- Patents be valued at Rs. 8,000; Machinery at Rs. 28,000; Buildings at Rs.30,000.
- Profit for the year 2005-06 be taken as having accrued at the same rate as the previous year.
- Interest on capital be provided at 10%p.a
- A sum of Rs. 7,750 was paid to his executors immediately.

Prepare C's capital account and his executors account at the time of his death.

- 2). Archana, Bindu and Charu were partners sharing profits in the ratio of 3:2:1. Their Balance Sheet as on 1st April 2010was:

Liabilities	Amount	Assets	Amount
Creditors	20000	Cash	20,000
General Reserve	30000	Debtors	18,000
Capitals:		Stock	60,000
Archana- 1,00,000		Furniture	52,000
Bindu- 70,000		Land & Building	1,50,000
Charu- 70,000	240000		
	290000		290000

Bindu died on the above date and the executors were paid in the following manner:

- Bindu's Share of Goodwill was Rs.6,000;
- A provision for doubtful debts @ 5% was to be made on debtors;
- Land & Building were to be depreciated by 5% and Stock was valued at Rs.61900. Pass necessary journal entries for the above transactions on Bindu's Death.

- Q.3. X, Y and Z were partners in a firm sharing profits and losses in the ratio of 5:3:2. On 31.3.2015 their balance sheet was as follows.

Liabilities	Amount	Assets	Amount
Capital accounts:		Building	50,000
X 75,000		Patents	15,000
Y 62,500		Machinery	75,000
Z 37,500	175000	Stock	37,500
Creditors	42,500	Debtors	20,000
		Cash at Bank	20,000



	217500		217500
--	--------	--	--------

Z died on 31<sup>ST</sup> July, 2015. It was agreed that:

- (a) Goodwill be valued at 2 year's purchase of the average profit of the last four years, which were as follows:
- (b)
- | Years     | Profits |
|-----------|---------|
| 2011-2012 | 32,500  |
| 2012-2013 | 30,000  |
| 2013-2014 | 40,000  |
| 2014-2015 | 37,500  |
- (c) Machinery be valued at 70,000; Patents at 20,000 and Building at 62,500.
- (d) For the purpose of calculating Z's share of profit in the year of his death the profits in 2014-2015 should be taken to have been accrued the same scale as in 2015-2016.
- (e) A sum 17,500 was paid immediately to the executors of Z and the balance was paid in four half yearly installments together with interest at 12% p.a starting from 31.1.2016.
- Prepare Z's capital account showing amount due to Z's executor.

Ans: Amount due to Z's executor = Rs 60,000

#### RETIREMENT/ DEATH AND SETTLEMENT OF LOAN

\*It may be agreed among the partners that the principal amount will be paid in a few equal installments with interest.

Question-Sachin, Virat and Kaif were partner in the firm. Virat retired on March 31, 2016. All revaluation and goodwill adjustments were made and his claim came to be Rs. 3,20,000.

The amount has been transferred to Virat's Loan a/c. Prepare loan a/c

- i). If the amount is paid in four equal installments plus interest @ 12%.
- ii). If they pay an installment of Rs. 1,40,000 at the end first two years and including interest on outstanding balance of the first two years and the balance including interest on third year.

Sol.)

#### Virat's loan a/c

Date	Particulars	(Rs)	Date	Particulars	(Rs)
2017 Mar.31	By Bank a/c	118400	2016 Mar,31	By Virat's Capital a/c	3,20,000
	By Balance c/d	240000	2017 Mar,31	By Interest	38400
		358400			358400
2018 Mar, 31	By Bank a/c	108800	2017 April,1	By Balance b/d	240000
	By Balance c/d	160000	2018 Mar,31	By Interest	28800
		268800			268800
2019 Mar,31	By Bank a/c	99200	2018 April,1	By Balance b/d	160000
2020 Mar,31	By Balance c/d	80000	2019 Mar,31	By Interest	19200

**ACCOUNTANCY**



		179200			179200
2020Mar, 31	By Bank a/c	89600	2019April,1 2020Mar,31	By Balance b/d By Interest	80000 9600
		89600			89600

**Sol . For ii)**

**Virat's loan a/c**

Date	Particulars	(Rs)	Date	Particulars	(Rs)
2017 Mar.31	By Bank a/c	140000	2016Mar,31	By Virat's Capital a/c	3,20,000
	By Balance c/d	218400	2017Mar,31	By Interest	38400
		358400			358400
2018 Mar, 31	By Bank a/c	140000	2017April,1	By Balance b/d	218400
	By Balance c/d	104608	2018Mar,31	By Interest	26208
		244608			244608
2019 Mar, 31	By Bank a/c	117161	2018April,1	By Balance b/d	104608
			2019Mar,31	By Interest	12553
		171161			171161

**Numerical For practice**

Q.1. Sunny, Riya and Kavi were partner in the firm. Sunny retired on March 31, 2014. All revaluation and goodwill adjustments were made and his claim came to be Rs.4,00,000. The amount has been transferred to Sunny's Loan a/c. Prepare loan a/c

- i) If the amount is paid in four equal installments plus interest @10%.
- ii) If they pay on installment of Rs. 1,60,000 at the end of year including interest on outstanding balance of the first two years and the balance including interest on third year.

**DISSOLUTION OF PARTNERSHIP FIRM**

**Meaning of dissolution of partnership firm**

Dissolution of partnership firm means that the firm closes down its business and comes to an end. On the dissolution of partnership firm, assets of the firm are sold and liabilities are paid off and out of remaining amount the accounts of partners are settled.

Thus, in case of dissolution of partnership, the firm may continue i.e. it does not mean the dissolution of firm. But in case of dissolution of the firm, the partnership is automatically dissolved.

**Modes of dissolution of partnership firm:-**

- 1) By mutual Agreement (Sec.40)
- 2) Compulsory Dissolution (Sec.41)
- 3) On Happening of an event (Sec.42)
- 4) By Notice (Sec.43)
- 5) By order of the Court (Sec.44)

**Difference between Realisation Account and Revaluation Account.**

Realisation A/c is prepared at the time of dissolution of firm and Revaluation A/c is prepared at



the time of admission/retirement or death of a partner.

**Journal entries:-**

**For closing of various asset accounts on the dissolution of partnership firm**

Realisation A/c Dr.  
 To Sundry Asset a/c (individually)

(Except cash, bank balance and fictitious assets)

(Only those assets which can be converted into cash are transferred to Realisation a/c. If provisions against any asset exist then asset at gross value is transferred to debit side of Realisation a/c and provision is transferred to credit side of Realisation a/c)

**For closing various liabilities accounts on the dissolution of partnership firm**

Sundry Liabilities a/c Dr (individually)  
 To Realisation a/c

(Except partner's loan, capital and accumulated profits)

(Only those liabilities which relate to third party are transferred to Realisation a/c.)

**For payment of liability (Whether recorded or unrecorded)**

Realisation a/c Dr  
 To Cash or Bank a/c  
 (For liability paid)

**For assuming of liability by partner (Whether recorded or unrecorded)**

Realisation a/c Dr  
 To Partner capital a/c  
 (For liability paid)

**For sale of asset (Whether recorded or unrecorded)**

Cash or Bank a/c Dr  
 To Realisation a/c  
 (For cash realized from sale of asset)

**For asset taken over by partner (Whether recorded or unrecorded)**

Partner Capital a/c Dr  
 To Realisation a/c  
 (For cash realized from sale of asset)

**For payment of realization expenses by firm**

Realisation a/c Dr  
 To Cash or Bank a/c  
 (For realization expenses paid)

**For payment of realization expenses by Partner**

Realisation a/c Dr



To Partner capital a/c  
(For realization expenses paid)

**For payment of partner's loan by firm**

Partner's Loan a/c Dr  
    To Cash or Bank a/c  
(For partner's loan paid)

The undistributed **profits** are transferred to all partners' capital account in their sharing ratio.

General Reserve a/c Dr  
Profit & Loss a/c Dr  
    To All partners' capital account (in their ratio)

(Being undistributed profits transferred to all partners' capital accounts)

Then **distributed losses** are transferred to all partner's capital accounts in their profit sharing ratio.

All partners' Capital a/c Dr. (in their ratio)  
    To profit & loss a/c / advertisement suspense / deferred revenue a/c

(Being undistributed losses are transferred to all partners' capital account)

**Accounts prepared at the time of dissolution of partnership firm**

1. Realisation a/c
2. Partner's Loan a/c
3. Partners' capital a/c
4. Cash or Bank a/c

Q. 1 What journal entries would be passed for the following transactions on the dissolution of a firm, after various assets (other than cash) and third parties liabilities have been transferred to Realisation account?

1. Partner "A" took over the stock worth Rs.80,000.
2. Firm paid Rs.40, 000 as compensation to employees.
3. Sundry creditors amounted to Rs.36, 000 which were settled at a discount of 15%.
4. There was an unrecorded bike of Rs.40, 000 which was taken over by partner "B" at Rs.30, 000.
5. Profit on realisation of Rs. 42,000 was to be distributed between A and B in the ratio of 4:3.

Sol:-

1) A's capital a/c	Dr	80,000	
To Realisation a/c			80,000
(Being stock is taken over by "A")			
2) Realisation	Dr	40,000	
To bank a/c			40,000
(Being compensation paid to employee)			
3) Realisation a/c	Dr	30,600	



To Bank a/c		30,600
(being sundry creditors settled with 15% discount)		
4)B's capital a/c	Dr	30,000
To Realisation a/c		30,000

(Being bike is taken over by 'B'  
5)Realisation a/c –dr 42000

To A's capital a/c	24000
To B's capital	18000

(Being profit on Realisation distributed to partners)

Q.2 Charu and Palak are partners are partners in a firm and they decided to dissolve the partnership as on 31<sup>st</sup> March, 2012. On that day, their balance sheet was as follows:

Liabilities		Amount	Assets		Amount
Capitals: Charu	10,000		Building	17,000	
Palak	20,000	30,000	Machinery	8,000	
			Furniture	2,000	
Creditors		10,000	Stock	4,500	
			Sundry Debtors	5,500	
			Cash at bank	3,000	
		40,000			40,000

Amongst the partners, Charu decided to take over machinery at Rs.7, 500 while Palak took over building at Rs. 18,000. Stock realized its full value while furniture was sold at a discount of 10%. Debtors were settled at Rs.5, 000 and Realisation expenses amounted to Rs.750.

Close the books of accounts.

Ans.

Dr.	Realisation/c		Cr.
Liabilities	Amount	Assets	Amount
To Building	17,000	By creditors	10000
To Machinery	8,000	By Charu capital A/c (machinery)	7500
To Furniture	2,000	By Palak's capital A/c (building)	18000
To Stock	4,500	By cash / bank(stock)	4500
To Sundry Debtors	5,500	By cash / bank(furniture)	1800
To cash /bank(creditors)	10000	By cash / bank(debtors)	5000
To cash / bank(exp.)	750	By Charu'scapital A/c --475	
		By Palak's capital A/c-- 475	950
	47750		47750





**Dr. Partner's Capital a/c Cr.**

Liabilities	Charu	Palak	Assets	Charu	Palak
To realisation	7500	1800	By balanced b/d	10000	20000
To realisation	475	475			
To Cash / bank	2025	1525			
	10000	20000		10000	20000

**Dr. Cash/Banka/c Cr.**

Liabilities	Amount	Assets	Amount
To Cash / bank	3000	By realisation a/c	10000
To realisation a/c	4500	By realisation a/c (expenses)	750
To realisation a/c	1800	By Charu's capital A/c	2025
To realisation a/c	5000	By Palak's capital A/c	1525
	14300		14300

**Numerical For practice**

Q) What journal entries would be passed for the following transactions on the dissolution of a firm, after various assets (other than cash) and third parties liabilities have been transferred to Realisation A/c?

- 1). Loan of Rs. 10,000 advanced by a partner to the firm repaid on the dissolution of the firm
- 2). X, a partner takes over an unrecorded asset (typewriter) at Rs.300
- 3). Undistributed balance (debit) of profit and loss account Rs. 30,000. The firm has three partners X, Y and Z.
- 4). The assets of the firm realized Rs. 1, 25,000.
- 5). Y who undertakes to carry out the dissolution proceeding is paid Rs. 2,000 for the same.
- 6). Creditors paid Rs.28, 000 in full settlement of their account of Rs.30,000.

Q) A and B sharing profits and losses in the ratio of 5:2, for the following transactions on the dissolution of a firm, after various assets and third party liabilities have been transferred to Realisation account:

- 1) Bank loan Rs.12, 000 is paid.
- 2) Stock worth Rs.6, 000 is taken over by partner B.
- 3) Expenses on dissolution amounted to Rs.1, 500 and were paid by partner A.
- 4) A typewriter completely written off in the books of accounts was sold for Rs.200.
- 5) Loss on Realisation is of Rs. 14,000.



- 6) There was a balance of Rs. 21,000 in the general reserve account on the date of dissolution.
- 7) B also agrees to take over the creditor of Rs. 30,000 for Rs.20,000.
- 8) A, one of the partners has given loan to the firm of Rs. 10, 000. It was paid back to him at the time of dissolution.
- 9) Profit and loss account balance of Rs. 56,000 appeared on the assets side of the balance sheet.
- 10) Deferred revenue advertising expenditure appeared at Rs.28,000.
- 11) An unrecorded investment realized Rs. 7,000. Pass journal entries in the books of A and B at the time of dissolution of the firm.

Q)A and B, were partners sharing profits and losses in the ratio of 4:3, decided to dissolve the partnership firm as at 31-03-15. From the information given below, complete Realisation a/c, Partner's Capital A/c and Bank A/c:

Dr.	Realization a/c		Cr.
Liabilities	Amount	Assets	Amount
To Sundry Assets A/c:		By Provisions for doubtful debts	500
Machinery      76,000		By sundry creditors	22,650
Stock            34,000		By Bank A/c-assets realized	
Investments    30,000		By Loss on Realisation transferred to Capital a/c :	
Debtors          5,730	1,34,730	A _____	
To Bank A/c-Creditors		B    9720	
To A's Capital A/c-Expenses	1,800		
	1,70,740		1,70,740

Dr.	Partners Capital a/c			Cr.	
Liabilities	A	Amount	Assets	A	B
To Realization A/c		9,720	By _____	.....	.....
To Bank A/c	1,12,070		By _____	.....	
			By Bank A/c	.....	7,650
	1,25,030	9,720		1,25,030	9,720

Dr.	Banka/c		Cr.
Liabilities	Rs.	Assets	Rs.
To _____	.....	By _____	.....
To realization A/c (assets realized)	1,24,910	By A's capital A/c	1,12,070
To B's capital A/c	7,650		
	1,35,220		1,35,220



Q) J, K and L decided to dissolve their partnership firm on 31<sup>st</sup> march, 2012. Their balance sheet on the day stood as under:

Liabilities	Rs.	Assets	Rs.
Capitals: J	10,000	Land	45,000
K	10,000	Furniture	5,000
L	10,000	Stock	4,000
J's Loan A/c	12,000	Debtors	5,000
Creditors	18,000	Bank	1,000
	60,000		60,000

Land was sold for the 15% above the book value while furniture was realized Rs. 450 less. Stock was realized in full while debtors worth Rs. 300 proved bad. Expenses of Realisation were Rs. 600. Record the above transactions by passing necessary journal entries

**[Ans. Profit on realization. 5,400]**

Q) Ramesh and Mahesh were in partnership sharing profits and losses in the ratio of 3:1. They agreed to dissolve the firm. The assets realized Rs. 1, 50,000. The liabilities of the firm were as follows:

Creditors Rs. 90,000; Loan from Ramesh Rs. 40,000, Ramesh's capital Rs. 20,000 and Mahesh's Capital Rs. 30,000.

Show through the accounts the distribution of cash realized.

**[Ans. Realisation loss Rs. 30,000; Ramesh brings in Rs. 2,500 and Mahesh is paid Rs. 22,500; Total of cash A/c Rs. 1, 52,500]**

Q. 6. X, Y and Z are in partnership sharing in 7:5:8. They decided to dissolve the partnership. At the date of dissolution their creditors amounted to Rs. 20,000, cash being Rs. 1,000 and in the course of dissolution a contingent liability of Rs. 2,650 not brought into the accounts matured and to be met. Their capitals stood at Rs. 12,000; Rs. 10,000; and 18,000 respectively. X had lent to the firm in addition to capital Rs. 14,000. The asset realizes Rs. 44,150.

Prepare the Realisation account and the partner's capital accounts. Also show the cash account.

**[Ans. Realisation Loss Rs. 31,500 Total of cash A/c Rs. 45,150]**



Q. 7. X, Y and Z are partners sharing profits and losses in the ratio of 3:2:1. On 30<sup>th</sup> June, 2015, they agreed to dissolve the partnership, they appointed Y to realize the assets and distribute the proceeds. Y is to receive 5% commission on the sale of assets (except cash) as his remuneration and is to bear all expenses of Realisation. Their balance sheet was as follows:

**Balance Sheet**

Liabilities	Rs.	Assets	Rs.
Sundry creditors	15,275	Cash at bank	3,740
Reserve fund	12,000	Sundry debtors	20,000
Profit and loss A/c	1,500	Stock	42,200
Capital accounts:		Plant and Machinery	61,000
X           70,000		Goodwill	15,000
Y           30,000		Current a/c - Z	23,460
Z           20,000	1,20,000		
Current accounts			
X           12,500			
Y           4,125	16,625		
	165400		165400

Y reports the result of Realisation as follows:

Sundry Debtors Rs. 12,000, Stock Rs. 18,250, Plant and Machinery at 25% less than book value. Goodwill was valueless. Creditors were paid in full and the expenses of Realisation amounted to RS. 380 Which Y, met personally. Prepare necessary Ledger Accounts.

**[Ans. Realisation loss Rs. 66,000.Final Payment to X Rs. 56,250; Y Rs. 20,425.Cash brought in by Z Rs. 12,210. Total of Bank A/cRs.91,950.]**

Q.8. X, Y and Z carrying on business as a partnership firm decided to dissolve the firm on 30.6.2011 when their balance sheet was as follows:

**Balance Sheet**

Liabilities	Rs.	Assets	Rs.
Creditors	34,000	Cash	25,000
Capitals:		Stock	62,000
X   1,20,000		Debtors	37,000
Y   90,000		Tools	8,000
Z <u>60,000</u>	2,70,000	Car	12,000
		Machinery	60,000
		Buildings	1,00,000
	3,04,000		3,04,000



The partnership deed provided that profits will be divided in the ratio of 3:2:1 respectively among X, Y and Z. Assets realized as follows: Stock Rs. 40,000, Tools Rs. 5,000. Machinery Rs. 78,000, Buildings Rs. 84,000. Car Rs. 25,000, Goodwill Rs. 60,000, Debtors Rs. 59,000. Creditors were settled at a discount of Rs. 720. There was unrecorded asset valued at Rs. 3,000, which was handed over to X for Rs. 2,000. Prepare Realisation account, cash account and partner's capital accounts.

**Ans. Realisation profit Rs. 74,720. Final payment to X Rs. 1, 55,360; Y Rs. 1, 14, 907, Z Rs. 72, 453. Total of cash a/c Rs. 3, 76,000.**

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**UNITY OF THOUGHT WORD AND DEED LEADS TO PROFIT OF PEACE**



<b>Objective Questions and MCQs in Accounting for partnership: Fundamentals, Valuation of Goodwill, Change in profit sharing ratio, Admission of Partner, Retirement and Death of partner, Dissolution of partner</b>	
1	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 called_____.
2	<b>True / False :</b> Sudhir and Bhuwan are partners in a firm sharing profits in the ratio of 3:2. They decided to share future profit equally. On the date of change in profit sharing ratio, Profit and Loss Account has a debit balance of Rs. 50,000. It will be adjusted in Partners Capital Accounts by passing the following Journal Entry: Sudhir's Capital A/c ...Dr. 30,000 Bhuwan's Capital A/c ...Dr. 20,000 To Profit and Loss A/c 50,000.
3	Gaining Ratio is calculated by deducting (a) Sacrificed profit share from new profit share of the partner. (b) Sacrificed profit share from old profit share of the partner. (c) New profit share from old profit share of the partner. (d) Old profit share from new profit share of the partner.
4	In change in profit sharing ratio, goodwill is valued with a purpose to compensate_____partner(s) by the_____partners.
5	<b>True / False:</b> Large Customer base results in higher valuation of Goodwill.
6	Which of the following statement is Correct? (a) Goodwill is a fictitious asset. (b) Goodwill is a current asset. (c) Goodwill is a wasting asset. (d) Goodwill is an intangible asset.
7	Partners may or may not have a written_____.
8	<b>True / False :</b> Partnership is the relation between persons who have agreed to share profits of a business carried on by all or any of them acting for all.
9	In case partners have guaranteed profit to a partner and deficiency of profit. The deficiency happens it is borne by (a) All the partners in new profit sharing ratio (b) Remaining partners in the ratio in which they have given guarantee (c) All the partners in sacrificing ratio. (d) All the partners in old profit sharing ratio.
10	<b>*True/False * :</b> The claim of Workmen Compensation is less than Workmen Compensation Reserve at the time of admission of a partner. The difference is Workmen Compensation Reserve and claim will be transferred to Capital Accounts of the old partners in their old profit sharing ratio.
11	If book value and the market value of investment is same, Investment Fluctuation Reserve at the time of Admission of a Partner, is distributed among_____in their_____.
12	A, B and C are partners sharing profits and losses in the ratio 6 : 3 : 3, they agreed to take D, as new partner with 1/8th Share of profits. The new profit sharing ratio will be: (a) 14 : 7 : 7 : 4 (b) 1 : 1 : 1 : 1 (c) 12 : 27 : 36 : 42 (d) 12 : 36 : 27 : 42.
13	<b>True/False :</b> Two factors affecting goodwill are efficient management, repeated customers leading to higher sales and



	profit thus; it leads to higher value of goodwill.
14	A firm earns profit of Rs. 1,10,000. The Normal Rate of Return is 10% on Capital. Assets of the firm are Rs. 11,00,000 and Liabilities Rs. 1,00,000. Value of Goodwill by Capitalisation of Average Profit will be _____.
15	In the event of firm's business being taken over, the amount paid in excess of net assets (Assets–Liabilities) is debited to (a) Profit and Loss Account (b) Capital Accounts (c) Reserve Account (d) Goodwill Account.
16	True/False: At the time of change in profit sharing ratio the combined shares of all partners remains unchanged.
17	The ratio in which one or more partners of the firm acquired their share of profits in favour of one or more partners of the firm is called_____.
18	Goodwill is not accounted in the books if (a) It is a Purchased Goodwill (b) It is a Self Generated Goodwill (c) It is decided to be accounted by the Partners (d) Its amount is paid by the Gaining Partner
19	True/False : Gaining partner always compensates Sacrificing Partner
20	At the time of admission of partner, A new partner brings capital and goodwill to get share in future____in the firm.
21	A and B are sharing profits and losses in the ratio 5 : 3. They admitted C as a partner and gave him 1/5th share of the profits. He acquired his share equally from A and B. New profit sharing ratio will be: (a) 5 : 6 : 3 (b) 2 : 4 : 6 (c) 21 : 11 : 8 (d) 18 : 24 : 38.
22	True / False: All partners consent is required to admit a new partner.
23	Reserve appearing in the Balance Sheet will be divided among partners during admission in_____ratio.
24	A and B are sharing profits and losses in the ratio 3 : 2. They admitted C as a new partner to give him 2/10th share in the profit. The new profit sharing ratio will be: (a) 12 : 8 : 5 (b) 3 : 2 :2 (c) 3 : 2 :5 (d) 2 : 1 :2.
25	True / False: Weighted Average Method of calculating goodwill is useful when Profits are similar in all the years.
26	Goodwill is not valued by the firm at the time of_____.
27	Capital employed by a firm is Rs.5,00,000. Its average profit is Rs.60,000.The normal rate of return in similar type of business is 10%. The amount of super profits is a. Rs.50,000 b. Rs.10,000 c. Rs.6,000 d. Rs.56,000
28	True / False : Relationship between the partners is of Senior – subordinate.
29	Manager's commission is a_____against profit.

**ACCOUNTANCY**



30	If the partnership deed provides for payment of interest on capital of the partners, then interest can be paid only out of (a) Accumulated Profits (b) Past Year's Profits (c) Current Year's Profits (d) General Reserve
31	True / False: As per Accounting Standard – 26, Both purchased and self-generated goodwill are accounted in the books of accounts.
32	What is the maximum number of partners as per Companies Act?
33	Average profit of a business over the last five years was Rs.60,000. The normal yield on capital invested in such a business is estimated at 10% p.a. The net capital invested in the business is Rs.5,00,000. Amount of goodwill, if it is based on 3 years purchase of last 5 years super profits will be: a. Rs.1,00,000 b. Rs.1,80,000 c. Rs.30,000 d. Rs.1,50,000
34	True / False: A and B were partners in a firm sharing profits or losses in the ratio of 3 : 5. With effect from 1st April, 2019, they decided to share profits or losses equally. Due to the change in profit sharing ratio, A's sacrifice will be 1/8.
35	If profit-sharing ratio changes, Investments Fluctuation Reserve is _____ by the amount of fall in value of investments
36	Change in the relationship of existing partners which results coming to an end in agreement and a new agreement coming into effect is: (a) Revaluation of Partnership (b) Reconstitution of Partnership (c) Realisation of Partnership (d) Dissolution of Firm
37	True / False Admission of a Partner means Reconstitution of a firm as existing agreement comes to an end and a new agreement comes into effect because of the Admission of a Partner.
38	When existing goodwill is written off at the time of admission of new partner, it is transferred among old Partners in _____.
39	If Capitals are maintained on Fixed Capitals Basis, Undistributed profits, Profit and Loss Account, General Reserve etc. are transferred to: (a) Partner's Fixed Capital A/c (b) Partner's Current A/c (c) Revaluation A/c (d) Profit and Loss Adjustment A/c
40	True / False In the absence of provision in the partnership deed, interest on loans given by the partners is allowed @ 6%.
41	If a fixed amount is withdrawn by a partner on the first day of every month interest on the total amount is Charged for _____ months.
42	There are two partners in a firm P and Q. R is admitted into the firm for 1/3th share of profit with the guaranteed annual profit of Rs. 18,000. Firm's profit for the year is Rs. 42,000. What amount of profit would be given to R as his share of profit by the firm? (a) Rs.20,000 (b) Rs.25,000 (c) Rs.18,000 (d) Rs.16,000
43	True/False Anurag, Sanjeev and Sumit are partners sharing profit or loss in the ratio of 2 : 3 : 4. Anurag retires and after Anurag's retirements Sanjeev and Sumit agreed to share profit or loss in the ratio of 3 : 4 in future.





	Their gaining ratio will be 4 : 3.
44	Retiring partner is compensated for foregoing his share in future profits in favour of remaining partners or continuing partners. The compensation so paid is in ____ ratio.
45	P, Q and R have been sharing profits in the ratio of 8 : 5 : 3. P retires. Q takes 3/16th share from P and R takes 5/16th share from P. New profit sharing ratio will be : a. 1 : 1 b. 10 : 6 c. 9 : 7 d. 5 : 3
46	A, B and C are partners sharing profits in the ratio of 4:3:2. C retires and he surrenders his share to A and B in ratio 2:1. The new profit sharing ratio of A and B will be .....
47	If executors of the deceased partner are to be paid in installments, his legal heirs are entitled to an interest at : a) 6% b) Market rate c) 6% p.a. d) No Interest rate
48	True or False: Gaining Ratio=Old Ratio -New Ratio
49	During dissolution of partnership firm, assets were Rs.2,00,000 and outside liabilities were Rs.50,000. If assets realized 85% and expenses of dissolution paid were Rs500, profit/loss on realization will be .....
50	True or False: If creditors amounting to Rs.4,000 took over furniture of Rs.3,000 during dissolution of firm, no entry be passed.
51	During dissolution of firm, partners wife's loan is transferred to: a) Her husband's capital a/c b) Realisation a/c c) Revaluation a/c d) Mrs. Partners loan a/c
52	Change in profit sharing ratio among the existing partners amounts to dissolution of: a) Partnership b) Partnership firm c) both a) or b) d) None of a) or b)
53	On dissolution of firm, ..... are paid first out of the proceeds from sale of assets.

**ANSWERS OF MCQs in Accounting for partnership: Fundamentals, Valuation of Goodwill, Change in profit sharing ratio, Admission of Partner, Retirement and Death of partner, Dissolution of partner.**

1	* Sacrificing Ratio *
2	* True * Reason: Profit and Loss Account (Dr.) is shown on the Assets side of Balance Sheet and is an accumulated loss distributed among old partners in old profit sharing ratio. Sudhir's Share = 50,000 X 3/5 = Rs. 30,000 Bhuwan's Share = Rs. 50,000 X 2/5 = Rs. 20,000.
3	* d * Reason: - Gaining ratio means increase in share. Thus, new profit share will be higher than the old profit share. Therefore, Gaining Ratio = New Ratio – Old Ratio



4	Sacrificing, Gaining
5	* True * Reason If a customer is large in size then they demand more of good and ultimately goodwill of that product increases.
6	* d * Reason Goodwill is an intangible asset as it cannot be seen or touched but has a value.
7	Partnership Deed
8	* True * Reason: It is one of the essential characteristic of Partnership that it is a relation between persons who have agreed to share profits of business carried on by all or any of them acting for all.
9	* b * Reason: The Partners have an agreement with the other partner to give him a minimum profit. The deficiency thus, will be borne by the guaranteeing partner in the ratio in which they have guaranteed the minimum profit. If the ratio of guarantee is not given, they will share the deficiency in their profit – sharing ratio.
10	* True * Reason: If claim is more than reserve then for the deficit Revaluation Account is debited.
11	* Partner's Capital, Old Profit Sharing *
12	* a * Reason: - As D is admitted for a share of 1/8th, therefore the remaining share of 7/8th will be shared by the old partner's, in the ratio 6 : 3 : 3, and the new ratio will be 14 : 7 : 7 : 4.
13	True Reason: Management if efficient leads to higher profits and thus, increase in the value of Goodwill. Similarly repeated Customer's leads to increased sale and thus higher profits increase in value of Goodwill.
14	Rs. 1,00,000
15	d Reason: Amount paid in excess of net assets is not on account of any asset but for acquiring a running business and in effect to earn profit from the day the business is taken over. Hence it is debited to Goodwill Account.
16	True Reason: At the time of Change in Profit Sharing Ratio the combined shares of all partners remains unchanged because their share may change but their total share remains same.
17	Gaining Ratio
18	b Reason:- According to AS-26, Intangible Assets, if any consideration is paid for Goodwill (Purchased Goodwill) it be accounted in the books otherwise it is not to be accounted. Thus, Self-generated Goodwill is not accounted. It is open to the partners to decide whether Self-generated Goodwill is to be accounted or not. Similarly, amount brought by Gaining Partner is settlement of his account.
19	False Reason: Partnership is governed by the agreement among the partners. Partners may agree not to receive compensation for sacrificing their shares in profits. In the event Sacrificing Partners decide not to take compensation for the sacrificed share, Gaining Partner or Partners will not compensate the Sacrificing Partner or Partners. Thus, it not always that Gaining Partner or Partners compensate the Sacrificing Partners.
20	Profits
21	c

**ACCOUNTANCY**



	Reason: As C is admitted for a share of 1/5th (or 2/10th), which he takes 1/10th from A and 1/10th from B. Therefore remaining shares of A and B will be 21/40 ( $5/8 - 1/10$ ) and 11/40 ( $3/8 - 1/10$ ) respectively. The new ratio will be 21 : 11 : 8
22	True Reason: A partner can be admitted into partnership if the Partnership Deed exists and it has a clause for admission of a partner. In other case, The Partnership Act, 1932 prescribes that a partner can be admitted into Partnership with the consent of all the partners.
23	Old Profit Sharing
24	Multiple Choice Question 3. a Reason: As C is admitted for a share of 2/10th, therefore the remaining share of 4/5th will be shared by the old partner's, in their Old Profit-Sharing ratio i.e., 3 : 2, Thus, the new ratio will be 12 : 8 : 5.
25	* Reconstitution of Partnership * Reason: Any change in existing agreement of partnership is reconstitution of the firm. As a result, existing agreement comes to an end and new agreement comes into existence but the firm continues.
26	* True * Reason: General Reserve existing in the Balance Sheet is transferred to Capital Accounts of partners in old profit-sharing ratio because it is set aside out of the profits earned by the firm the profit sharing ratio had changed. Had these profits distributed and not set aside to General Reserve each partner would have received credit in their old profit sharing ratio.
27	* b * Reason X Y Old profit-sharing ratio 3 2 New profit-sharing ratio 1 1 Change in profit-sharing ratio = $3/5 - 1/2$ $2/5 - 1/2 = 6 - 5/10$ $4 - 5/10 = 1/10$ (Sacrificing) $-1/10$ (Gain) Value of Goodwill of the firm = Rs.60,000 Y's share = $\text{Rs.}60,000 \times 1/10 = \text{Rs.}6,000$ X's share = $\text{Rs.}60,000 \times 1/10 = \text{Rs.}6,000$ .
28	* False * Reason: According to the Partnership Act, 1932, the partners are principals and agents of the partnership firm, who acts on the behalf of the firm.
29	* charge *
30	* c * Reason: If the Partnership Deed or agreement provides for the payment of interest on capital of the partners, interest can be paid out of current year's profit only, and not from the past year's profit or accumulated profits because it is for the current year and therefore is an appropriation of current year's profit.
31	* False * Reason: According to AS 26 only purchased goodwill should be accounted.
32	50 partners
33	C Reason: - Average Profit = Rs.60,000 Normal Profit = Capital Employed $\times$ NRR/100 = $\text{Rs.}5,00,000 \times 10/100 = \text{Rs.}50,000$ Super Profit = Average Profit – Normal Profit = $\text{Rs.}10,000$ Goodwill = Super Profit $\times$ Number of year's purchase = $\text{Rs.}10,000 \times 3 = \text{Rs.}30,000$
34	False Reason: A B Old Ratio 3 5 New Ratio 1 1 Change in Profit sharing Ratio = $3/8 - 1/2$ $5/8 - 1/2 = 3 - 4/8$ $5 - 4/8 = -1/8$ (Gain) $1/8$ (Sacrifice)
35	Debited Reason:- If profit-sharing ratio changes, Investments Fluctuation Revenue is debited by the amount of fall in value of investments because it is a specific reserve set aside to meet this loss.
36	b Reason: - Reconstitution of partnership means change in the relationship of existing partners. As the existing agreement has come to an end, and new agreement has come into effect, it is change in partnership i.e., reconstitution of partnership.
37	True/False 1. True Reason: Reconstitution of firm takes place when there is a change in Profit-Sharing Ratio, Admission, Retirement or Death of a Partner because new terms are agreed among partners and fresh Partnership

**ACCOUNTANCY**



	Deed is entered. As a result, old Partnership comes to an end and new agreement comes into effect.
38	Old Profit Sharing Ratio Reason:- Existing Goodwill is written off among old partners in their old profit-sharing ratio because it is an intangible asset coming into existence before the admission of the partner and new partner compensates the sacrificing partner by paying Goodwill.
39	b Reason: - ...Where the capital accounts of partners are maintained following Fixed Capital Accounts method, two accounts are maintained for each partner i.e. Capital account and Current account. Capital account is credited or debited with the permanent increase or decrease in capitals of the partners. All other credits and debits are shown in the Current accounts. Thus, the undistributed profits, General Reserve etc. will be transferred to Partners' Current Accounts.
40	True/False False Reason: If the partnership deed is silent on allowing interest on Loan to the partners, the provisions of the Partnership Act, 1932 shall apply. It provides that interest on Loan shall be allowed @ 6%p.a.
41	6.5 months Reason: If fixed amount is withdrawn by partners on the first day of every month interest on the total amount is charged for 6.5 months.
42	3. c Reason: R (new partner) has been guaranteed minimum profit of Rs. 18,000 per annum. His capital account will be credited by that amount, irrespective of his share at all
43	False Reason: Old Profit sharing ratio among Anurag, Sanjeev and Sumit = 2:3:4 Anurag retires from the firm. New profit sharing ratio between Sanjeev and Sumit = 3:4 Gaining Ratio = New Ratio – Old Ratio Sanjeev's Gain = $3/7 - 3/9$ $= (27-21)/63 = 6/63$ Sumit's Gain = $4/7 - 4/9$ $= (36-28)/63 = 8/63$ Gaining Ratio = 6:8. $= 3:4.$
44	Gaining Ratio Reason: The remaining partner compensate the retiring partner in gaining ratio i.e., New ratio – Old Ratio.
45	a Reason: Old profit sharing ratio among P,Q and R is 8:5:3 Q retires from the firm and his share is taken by P and R. P's share = $8/16$ Q's new share = $5/16 + 3/16 = 8/16$ R's new share = $3/16 + 5/16 = 8/16$ New Profit sharing Ratio = 8:8 Between Q and R = 1:1.
46	$A = 4/9 + (2/9 \times 2/3) = 16/27$ $B = 3/9 + (2/9 \times 1/3) = 11/27$ New ratio is 16:11
47	6% p.a.

ACCOUNTANCY



48	False. Gaining ratio is New ratio minus Old ratio.
49	Cr. 50,000+ 1,70,000 (85% of 2,00,000) Dr. 2,00,000+50,000+500=Rs.30,500 (Loss)
50	False. Reason. It is partially settled for Rs.3,000. Creditors will have to be paid the remaining Rs.1,000.
51	b) Realisation a/c Reason. It's an outside liability
52	Change in profit sharing ratio among the existing partners amounts to dissolution of: a) Partnership
53	Outside liabilities/Creditors





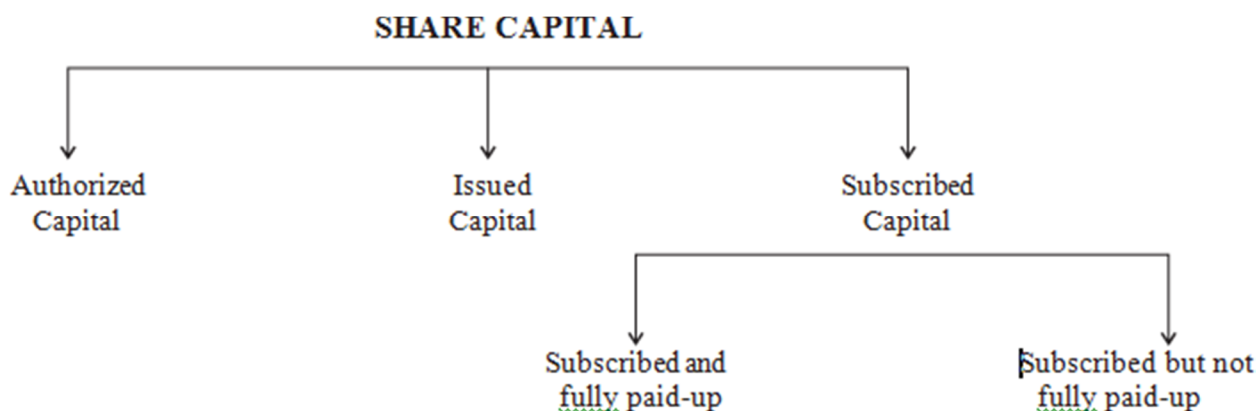
## UNIT-III ACCOUNTING FOR COMPANIES

### Company Accounts - Accounting for Share Capital

**Meaning of company:** A company is an organization formed by an association of persons through a process of law for undertaking (usually) a business venture.

Definition –“Company means a company incorporated under this Act or any previous company - Section 2(20) of the Companies Act, 2013

**Share Capital** - Schedule III of the Companies Act, 2013 classified Share Capital as:



- i. Authorized Share Capital is the maximum amount up to which a company can issue shares.
- ii. Issued share capital is a part of authorized share capital that is issued by a company for subscription.
- iii. Subscribed share capital is a part of issued share capital that is subscribed.  
Subscribed share capital is shown as (i) Subscribed and fully paid – up (ii) Subscribed but not fully paid – up
- iv. Called–up amount is the amount of nominal value of shares that has been called up for payment.
- v. Paid–up amount is the amount that is received by the company.
- vi. Reserve capital is a part of subscribed share capital that a company resolves, by a special resolution, not to call except in the event and for the purpose of company being wound up.

**PREFERENCE SHARES** - These are the shares that carry preferential right as to dividend at fixed rate and preferential right as to repayment of capital.

**EQUITY SHARES** – These shares are the shares that are not preference shares. Shares can be issued (i) for cash and (ii) for consideration other than cash. Further, the shares can be issued (i) at par, or (ii) at premium.

**OVER SUBSCRIPTION OF SHARES** – It means shares applied for are more than the shares offered for subscription.

**UNDER SUBSCRIPTION OF SHARES** –It means shares applied for are less than the shares offered for subscription.



**PRO RATA ALLOTMENT** – It means allotment of shares in a fixed proportion. Pro rata allotment takes place only when the shares are oversubscribed.

**SECURITIES PREMIUM RESERVE** – It can be utilized for the purpose prescribed in section 52(2) of the Companies Act, 2013, which are:

- (i) writing off preliminary expenses;
- (ii) Writing off expenses such as share such as share issue expenses, commission ,discount allowed on issue of securities;
- (iii) Providing for the premium payable on redemption of debentures or Preference Shares;
- (iv) in buying-back its own shares.
- (v) Issuing fully paid bonus shares;

**CALL** – It is a demand by a company from the holders of partly paid shares to pay a further installment towards full nominal value.

**CALLS-IN-ARREARS**-It is the amount not yet received by the company against the call or calls demanded.

**CALLS-IN –ADVANCE**- It is the amount received by the company from its allottees against the calls not yet made. Calls- In- Advance is shown as 'Other Current Liability' under 'Current Liabilities'.

**FORFEITURE OF SHARES**- It means cancellation of shares and forfeiting the amount received against these shares. Forfeiture of shares takes place when a shareholder fails to pay the calls made.

**Securities premium-How dealt when shares are forfeited.**

In case where Securities Premium Reserve Account has been credited and also it has been received- Securities Premium Reserve Account is not debited because of the restrictions imposed by Section 52(2) of the Companies Act, 2013 . In case Securities Premium Reserve Account has been credited but the amount has not been received –Securities Premium Reserve Account is debited because the amount has not been received and therefore Section 52(2) of the Companies Act, 2013 does not apply.

**REISSUE OF FORFEITED SHARES**-Forfeited Shares can be reissued and they may be reissued at a value lower than its face value. But the discount on reissue of a share cannot be more than the forfeited amount of that share credited to Forfeited Share account at the time of forfeiture.

**Regarding Reissue of Forfeited Shares, always keep in mind that:**

1. Discount on reissue cannot exceed the forfeited amount.
2. If the discount on reissue is less than the amount forfeited, the surplus (i.e., gain on reissue of shares) is transferred to Capital Reserve.
3. When only a part of the forfeited share is reissued then the gain on reissue of such share is such transferred to Capital Reserve.
4. The forfeited amount on shares not yet reissued is shown in the Balance Sheet as an addition to the paid-up share capital.
5. When the shares are reissued at discount, such discount is debited to Forfeited Shares Account.



6. If the shares are reissued at a price which is more than the nominal (face) value of the shares, the excess amount is credited to Securities Premium Reserve Account.
7. In case of the Forfeited Shares are reissued at a price higher than the paid-up value, the excess of issue price over paid up value is credited to 'Securities Premium Reserve Account'.

**PRIVATE PLACEMENT OF SHARES-** It refers to issue and allotment of shares to a selected group of persons. In other words, an issue, which is not a public issue but offered to a selected group of persons, is called Private Placement Of Shares.

**EMPLOYEES STOCK OPTION PLAN (ESOP) -** It is the plan for granting options to subscribe shares by employees and employee directors. A company may issue stock (shares) options fulfilling the following conditions:

- (a) These shares are of the same class of shares already issued;
- (b) It is authorized by a special resolution passed by the company;
- (c) The resolution specifies the number of shares, the current market price, consideration, if any, and the class or classes of directors or employees to whom such equity shares are to be issued;
- (d) Not less than one year has, at the date of issue, elapsed since the date on which the company had commenced business and
- (e) These shares are issued in accordance with SEBI regulations, if the shares are listed.

**Presentation of Share Capital in Company's Balance Sheet** As per **Schedule III** of Companies Act 2013, Share Capital is to be disclosed in a Company's Balance Sheet in the following manner:

EXTRACT OF BALANCE SHEET OF ..... as at.....

Particulars	Note No.	Amt. current year Rs.	Amt. Previous year Rs.
1. EQUITY AND LIABILITIES:			
Shareholder's Funds:			
(a) Share Capital*	(1)	.....	
(b) Reserves and Surplus		.....	
(c) Money received against share warrants		.....	.....

\*As per schedule III disclosure requirements pertaining to Share Capital are to be provided in notes to accounts.







**2). Shares Payable in Installments:**

Transaction	Journal Entry	Amount
<b>On Receipt of Application Money</b>	Bank a/c .....Dr. To Share Application a/c	Amount received with application.
<b>On Allotment of Shares</b> Share Application Money is transferred to Share Capital Account	Share Application a/c .....Dr. To Share Capital a/c	Application money on shares allotted.
<b>Amount Due on Allotment</b>	Share Allotment a/c .....Dr. To Share Capital a/c	Money due on shares allotted.
<b>On Receipt of Allotment Money</b>	Bank a/c .....Dr. To Share Allotment a/c	Amount received on shares allotted.
<b>On First and final Call Being Due</b>	Share First & Final Call a/c .....Dr. To Share Capital a/c	Amount payable on first and final call.
<b>On Receipt of First &amp; Final Call</b>	Bank a/c .....Dr. To Share First & Final Call a/c	Amount received on first and final call.

**Accounting Entries in Case of Over subscription**

**1. For Application Money Received**

Bank A/c .....Dr  
To Share Application A/c

**Application Money For Allotted Shares**

Share Application A/c .....Dr  
To Share Capital A/c

**2 Excess Application Money**

**a) Refund**

Share Application A/c .....Dr  
To Bank A/C

**b) Adjustment**

Share Application A/c .....Dr  
To Share Allotment A/c  
To Calls – in- Advances A/c

**Combined Entry**

Share Application A/c .....Dr  
To share Capital A/c  
To Bank A/c  
To Share Allotment A/c  
To Calls-in-Advance A/c



## SHARE ISSUED FOR CONSIDERATION OTHER THAN CASH

The journal entries passed are:

### I. (a) On Purchased of Assets

Sundry Assets A/cs (Individually) ...Dr	[With the amount of purchase price]
To Vendor's A/cs	[With purchase consideration]

### (b) On Purchase of Business

Sundry Assets A/cs	...Dr	[Agreed value of assets]
Goodwill A/c*	....Dr	
To Sundry Liabilities A/c		[Agreed value of liabilities]
To Vendor's A/c **		[With purchase consideration]
To Capital Reserve A/c***		

**Note:** Purchasing consideration is an amount paid by purchasing company in consideration for purchase of assets/business from other enterprise. It may be given in the question otherwise it will be equal to net assets, i.e, sundry assets minus sundry liabilities.

\*If purchase consideration given is more than net assets, then the difference is debited in Goodwill Account.

\*\* Vendor is credited by purchase consideration payable to him.

\*\*\* If purchase consideration given is less than the net assets, then the difference is credited to Capital Reserve.

Either Goodwill or Capital Reserve will appear at a time.

### II. On Issues of Shares

(a) If shares are issued to vendor atpar:

Vendor's A/c	....Dr	[With the nominal value of share allotted]
To share Capital A/c		

(b) If share are issued to vendor at a premium:

Vendor's A/c	....Dr	[With the purchase price]
To share Capital A/c		[With the nominal value of share allotted]

To Securities Premium Reserve A/c [With the amount of premium]

**Note:** Before making the journal entry we should calculate the number of share to be issued against. Purchase consideration. It will help in calculating the correct amount of share capital and securities premium reserve.

\*Number of share to be issued = Purchase Consideration / Issue price of share

### FORFEITURE OF SHARES -

#### Forfeiture of shares issued atpar:

The entry for forfeiture of shares is:

Shares capital a/c (called up value)	Dr.
--------------------------------------	-----



To Share forfeited A/c  
 To share allotment a/c  
 To share call a/c

**Forfeiture of shares which were originally issued at premium:**

- i. securities premium amount has been received ;and
- ii. Securities Premium amount has not been received.

**Accounting Entries for Forfeiture of Shares Issued at a Premium:**

- i) If premium has been received :

Share Capital a/c	Dr
To Share Allotment a/c	
To Share Call/calls a/c	
To Share forfeited A/c	

- ii) If premium has not been received:

Share Capital a/c	Dr.
Securities Premium Reserve a/c	Dr.
To Share Allotment a/c	
To Share call / calls a/c	
To Share forfeited A/c	

**REISSUE OF FORFEITED SHARES**

In case, they are reissued at par, accounting entry is:

Bank a/c	Dr.
To Share capital a/c	

In case, they are reissued at discount, accounting entry is:

Banka/c	Dr.
Share forfeited A/c	Dr.
To Share Capital a/c	

If the forfeited shares are reissued at a price higher than that of paid-up value, the excess of reissues price over paid-up value is credited to Securities Premium Reserve a/c .Following entry is passed:

Banka/c	Dr.
To Share capital a/c	
To Securities Premium Reserve a/c	

**NOTE: Maximum Permissible Discount on Reissue of Forfeited Shares:** Maximum Permissible Discount on Reissue of Forfeited Shares is the amount forfeited, i.e., the amount credited to the forfeited shares.

In other words, reissue price cannot be less than the amount unpaid on forfeited shares.

**Accounting Treatment:**

- i. **When all Forfeited Shares are Reissued**





Rohit Ltd. Purchased assets from Rohan & Co., for Rs.350, 000. A sum of Rs.75000 was paid by means of a bank draft and for the balance due to Rohit Ltd. Issued equity shares of Rs.10. each at Premium of 10%. Journalise the above transactions in the books of the company.

Mohan Ltd. forfeited the following equity shares of Rs 10.each issued at a premium of Rs.2 per shares:-

- (i) 700 shares issued to X for the non-payment of second and final call of Rs.3 per shares.
- (ii) 500 shares issued to Z for the non-payment of first call of Rs.2 per shares and second and final call of Rs.3 per share. The forfeited shares were reissued to Y for Rs.11 per share fully paid.

Pass entries to record the forfeiture and reissues of share.

X Ltd. Issued 50,000 shares of Rs.10 each at a premium of Rs.2 per shares payable as follows:

Rs.3 on application,

Rs 6 on allotment (including premium) and

Rs.3 on call.

Applications were received for 75,000 shares and a prorata 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 was received except the allotment and call money from Ram who had applied for 1,200 shares (out of the group of 40,000 shares). All his shares were forfeited. The forfeited shares were reissued for Rs.7 per share fully paid up.

Pass necessary journal entries for the above.

transactions

[Ans-Capital Reserve-Rs.900]

Lenova ltd. has authorized share capital of Rs 1, 00, 00,000 divided into 10, 00,000 equity shares of Rs 10 each. It has existing issues and paid up capital of Rs 25, 00,000. It further issued to public 2,50,000 equity shares at a premium of 20% for subscription payable asunder:

On applications: Rs 3

On allotment: Rs 6; and

On call: Balance Amount

The issue was fully subscribed and allotment was made to all the applicants. The company did not make the call during the year. Show share capital of the company in the balance sheet of the company.

**Note:** Problems related to disclosure of share capital in company's Balance sheet are also



given under the head issue of shares at par and at premium.

- (a) X Ltd. forfeited 30 shares of Rs. 10 each fully called up held by Karim for non-payment of allotment money of Rs.3 per share and Final call of Rs.4 per share. He had paid the application money of Rs 3 per share. These shares were reissued to Salim for Rs 8 per share.
- (b) X Ltd. Forfeited 20 shares of Rs 10 each, Rs 7 called up on which Mahesh had paid application and allotment money of Rs 5 per share. Of these, 15 shares were reissued to Naresh as fully paid up for Rs 6 per share.

Ans:- (a) [Capital Reserve –30]

(b) [Capital Reserve –15]

Question---Super Star ltd. issued a prospectus inviting applications for 2,000 shares of Rs 10 each at a premium of Rs 2 per share, payables:

On applications - Rs 3 (including Re 1 premium),

On allotments - Rs 4 (including Rs 1 premium) On first call - Rs 3, On second and final call -Rs 2

Applications were received for 3,000 shares and pro rata allotments were made on the applications for 2,400 shares. It was decided to utilize excess applications money towards the amount due on allotments. Ramesh to whom 40 shares were allotted, failed to pay the allotments money and on his subsequent failure to pay the first call, his shares were forfeited. Ramesh to whom 40 shares were allotted, failed to pay the allotments money and on his subsequent failure to pay the first call, his shares were forfeited. Rajesh who applied for 72 shares failed to pay the two calls on such failures, his shares were forfeited of the shares forfeited, and 80 shares were sold to Krishna credited as fully paid up for Rs 9 per share, the whole of Ramesh's share being included. Give journal entries to record the above transactions (including cash transactions).

Ans. [Capital Reserve – Rs224]





**6. Fill in the blanks:****Forfeited shares account**

Liabilities	Amount	Assets	Amount
To Share Capital A/c (Discount on reissue of 200 shares)	2,000	By Share Capital A/c (Amount forfeited on 500 shares)	15,000
To Capital Reserve A/c	?		
To Bal c/d	?		

**Solution:**

Liabilities	Amount	Assets	Amount
To Share Capital A/c (Discount on reissue of 200 shares)	2,000	By Share Capital A/c (Amount forfeited on 500 shares)	15,000
To Capital Reserve A/c	4,000		
To Bal c/d	9,000		
	15,000		15,000

**COMPANY ACCOUNTS - ISSUE OF DEBENTURES**

**\*DEBENTURE**-debenture is a written acknowledgement of a debt by the company. It contains the terms for the repayment of the principal debt on specified date and for payment of interest at a fixed percent until the principal sum is paid.

**\*DISCLOSURE OF DEBENTURES IN COMPANY'S BALANCE SHEET**-As per schedule III of the companies act,2013, debentures are shown in balance sheet as a Long-Term borrowings under non-current liabilities but debentures, shown as long - term borrowings and payable within 12 months for the date of balance sheet or within the period of operating cycle is shown as current maturity of long term debts under other current liabilities under the head current liability interest accrued [due and not due] is shown as other current liability under current liabilities

**DEBENTURE TRUST DEED**-is document created by the company where by trustees are appointed to protect the interest of debenture holder before they are offered for public subscription.

**ISSUE OF DEBENTURES**-Debenture like shares can be issued for [i] cash and [ii] consideration other than cash. These debentures can be issued [a] at par or [b] at premium or [c] at discount. Accounting for issue of debenture for cash is the same as the accounting for issue of shares with one change i.e. the word 'share' shall be replace by 'debenture' and 'share capital' by 'debenture' . The terms used for the issue of the share will be changed at the time of issue of debenture.

**\*\*\*Premium on redemption of debentures: disclosure in the balance sheet**

[i] If the debentures are shown as 'long term borrowing' then it is shown in equity and liabilities part of the balance sheet under the head 'non-current liabilities' and sub head 'other long term liabilities'.

[ii] If the debentures are shown as 'short term borrowing' then it is shown in the equity and liabilities part of the balance sheet under the head 'current liabilities' and sub head 'other current liabilities'.



[iii] If the debentures are shown as 'current maturities of a long term debts' then it is shown under the head 'current liabilities' and sub head 'other current liabilities'.

**INTEREST ON DEBENTURES-** is considered as an expense it is charged against the profit of the company and is payable whether profit are earned or not.

**TAX DEDUCTED AT SOURCE [TDS]** tax is deducted on interest at the specified rate and deposited in the government account on the due date.

**ISSUE OF DEBENTURES FOR CONSIDERATION OTHER THAN CASH** a company can Issue debentures to the vendors as a payment for the purchase of the assets such as issue of debentures is known as an issue of debenture consideration other than cash.

**ISSUE OF DEBENTURES AS COLLATERAL SECURITY** means issue of debentures as a subsidiary or secondary security collateral security means additional security i.e., in addition to the prime security. It is only to be realised when the prime security fails to pay the amount of the loan. Debentures issued as collateral security may or may not be recorded in the books of accounts if an accounting entry is not passed it is disclose under the loan if an accounting entry is passed it is shown below the loan first as debenture issued and thereafter debenture suspense account is deducted.

Case	Conditions of Issue	Condition on Redemption
1	Issued At Par	Redeemable At Par
2	Issued At Discount	Redeemable At Par
3	Issued As Premium	Redeemable At Premium
4	Issued At Par	Redeemable At Premium
5	Issued At Discount	Redeemable At Premium
6	Issued At Premium	Redeemable At Premium

### COMPANY ACCOUNTS-REDEMPTION OF DEBENTURES

\*\*\***REDEMPTION OF DEBENTURE** Is a process of repayment of a loan taken by issue of debentures

#### \*\*\***METHODS OF REDEMPTION OF DEBENTURES**

1. On the maturity in lump sum,
2. Installments by the draw of lots,
3. By purchase of own debentures from open market and
4. By conversion into share or new class of debentures.

**SOURCES OF REDEMPTION OF DEBENTURES**-debentures can be redeemed by utilizing any of the following sources.

- Redemption out of capital:** when the debentures are redeemed without adequate profits being transferred from surplus i.e statement of profit and loss to debenture redemption reserve [DRR] at the time of redemption of debentures, such redemption is said to be out of capital.
- REDEMPTION OUT OF PROFITS :** when debentures are redeemed only out of profit and amount equal to nominal [face] value of debenture is transferred from surplus i.e.,



statement of profit and loss to debenture redemption reserve [DRR] before the redemption of debentures, such redemption is said to be out of profits.

**III] Redemption partly out of profits and partly out of capital:** It means that the company does not transfer 100 per cent nominal (face) value of the total redeemable debentures of a particular series to DRR out of surplus.

**Debenture Redemption Reserve (DRR):** is created out of profit of the company available for payment as divided for the purpose of redemption of debentures. As per the provision of section 71 (4) of the companies act,2013 read with Rule 18(7) of the companies (share capital of debentures) Rules 2014, a company shall transfer at least 25% of total nominal (face) value of redeemable debentures of that class out of surplus available for payment of dividend to DRR. DRR is required to be created in only case of non- convertible Debentures (NCD) and Non – convertible portion of partly Convertible Debentures (PCD).

**Debenture Redemption Investment:** A company required to create/maintain DRR shall on or before 30<sup>th</sup> April of the current year, deposit or invest ( as the case may be) at least 15 % of the amount of its debentures maturing during the year ending on 31st March of the next year. Companies not required to create DRR are not requires to invest in specified securities.

### Issue Of Debentures (Solved Practical Questions)

Q.1.X limited issued 5,000, 12% debentures of Rs. 100 each on 1<sup>st</sup> April,2010 at par redeemable at a premium of 5%. Interest on these debentures is paid half yearly, i.e., on 30<sup>th</sup> September and 31<sup>st</sup> March. Pass necessary journal entries for the year ended 31<sup>st</sup> March, 2011 assuming income tax is deducted @ 20% on the amount of interest.

#### Solution

#### Journal

Date	Particulars	L.F.	Dr. (Rs.)	Cr. (Rs.)
2010 April 1	Bank A/c To Debentures Application and Allotment A/c (Amount received on application.)	Dr.	5,00,000	5,00,000
April 1	Debenture Application & Allotment A/c Loss on issue of Debenture A/c To 12% Debentures A/c To Premium on Redemption of Debentures A/c (Issue of Debentures at par and redeemable at 5% premium)	Dr. Dr.	5,00,000 25,000	5,00,000 25,000
Sept. 30	Interest on Debentures A/c To Debenture holder's A/c To Income Tax Payable A/c (Half-yearly interest due on debentures and tax deducted at source)	Dr.	30,000	24,000 6,000
Sept. 30	Debenture holders A/c To Bank A/c (Payment of interest)	Dr.	24,000	24,000



Sept. 30	Income Tax Payable A/c To Bank A/c (TDS deposited with income tax authorities)	Dr.	6,000	6,000
2011 March 31	Interest on Debentures A/c To Debenture holders A/c To Income Tax Payable A/c (Half-yearly interest due on debentures and tax deducted at source)	Dr.	30,000	24,000 6,000
March 31	Debentureholders A/c To Bank A/c (Payment of interest)	Dr.	24,000	24,000
March 31	Income Tax Payable A/c To Bank A/c (TDS deposited with income tax authorities)	Dr.	6,000	6,000
March 31	Statement of Profit & Loss To Interest on Debentures A/c (30,000+30,000) (Interest transferred to statement of profit & loss)	Dr.	6,0000	60,000

Give journal entries for the issue of debentures in the following conditions.

- I. Issued 2,000, 12% debentures of Rs. 100 each at par, redeemable also atpar.
- II. Issued 2,000, 12% debentures of Rs. 100 each at a discount of 2%, redeemable atpar.
- III. Issued 2,000, 12% debentures of Rs 100 each at a premium of 5%, redeemable atpar.
- IV. Issued 2,000, 12% debentures of Rs. 100 each at par but redeemable at 5% premium.
- V. Issued 2,000, 12% debentures of Rs. 100 each at a discount of 2%, redeemable at a premium of 5%.
- VI. Issued 2,000, 12% debentures of Rs. 100 each at a premium of 5%, redeemable at a premium of 10%.



**Solution**

**Journal**

Date	Particulars	L.F.	Dr. (Rs.)	Cr. (Rs.)
Case 1	Bank A/c <span style="float: right;">Dr.</span> To 12% debentures application & allotment a/c (application money received)		2,00,000	
	12% debentures application & allotment A/c <span style="float: right;">Dr.</span> To 12% debentures a/c (Transfer of application money to dentures a/c, issued at par)			2,00,000
Case 2	Banka/c <span style="float: right;">Dr.</span> To 12% debentures application & allotment a/c (Application money received)		1,96,000	
	12% debentures application & allotment a/c <span style="float: right;">Dr.</span> Discount on issue of debentures a/c <span style="float: right;">Dr.</span> To 12% debentures a/c (Transfer of application money to debentures a/c, issued at a discount of 2%)		1,96,000 4,000	2,00,000
Case 3	Banka/c <span style="float: right;">Dr.</span> To 12% debentures application & allotment a/c (application money received)		2,10,000	
	12% debentures application & allotment a/c <span style="float: right;">Dr.</span> To 12% debentures a/c To Securities premium reserve A/c (Transfer of application money to debentures a/c, issued at a premium of 5%)		2,10,000	2,00,000 10,000
Case 4	Bank A/c <span style="float: right;">Dr.</span> To 12% debentures application & allotment a/c (application money received)		2,00,000	
	12% debentures application & allotment a/c <span style="float: right;">Dr.</span> Loss on issue of debentures a/c To 12% debentures a/c		2,00,000 10,000	2,00,000



	To premium on redemption a/c (Transfer of application money to debentures a/c, issued at par, but redeemable at a premium of 5%)			10,000
Case 5	Bank a/c <span style="float: right;">Dr.</span> To 12% debentures application & allotment a/c (application money received)		1,96,000	1,96,000
	12% debentures application & allotment a/c <span style="float: right;">Dr.</span> Loss on issue of debentures a/c <span style="float: right;">Dr.</span>		1,96,000 14,000	
	To 12% debentures a/c To premium on redemption a/c (Transfer of application money to debentures a/c, issued at a discount of 2% and redeemable at a premium of 5%)			2,00,000 10,000
Case 6	Bank a/c <span style="float: right;">Dr.</span> To 12% debentures application & allotment a/c (application money received)		2,10,000	2,10,000
	12% debentures application & allotment a/c <span style="float: right;">Dr.</span> Loss on issue of debentures a/c <span style="float: right;">Dr.</span>		2,10,000 20,000	
	To 12% debentures a/c To Securities premium reserve a/c To premium on redemption a/c (transfer of application money to debentures a/c, issued at a premium of 5% and redeemable at a premium of 10%)			2,00,000 10,000 20,000

## METHODS OF REDEMPTION OF DEBENTURES

### 1. Redemption of Debentures on Maturity in Lump Sum–

Case 1. When debentures are redeemed at Par, the journal entries are:

(i) On debentures becoming due for payment:

...% Debentures A/c ....Dr [ with nominal value]  
To Debenture holders' A/c

(ii) On payment:

Debenture holder A/c ...Dr. [ with nominal value]  
To Bank A/c

Case 2. When debentures are redeemed at premium, the journal entries are:

(i) On debentures becoming due for payment:

.... %Debentures A/c ....Dr. [with nominal value]  
Premium on redemption on debentures A/c ...Dr. [with amount of premium]  
To Debenture holders' A/c [with nominal value +premium]





The holders of the debentures, which are drawn out, are repaid the amount at par or at premium according to the terms of issue. This process is called **Redemption of Debentures by Draw of Lots**.

### WRITING OFF DISCOUNT / LOSS ON ISSUE OF DEBENTURES

Q1.Y Ltd. issued Rs. 2,00,000, 10% Debentures at a discount of 5% .The terms of issue provide the repayment at the end of 4 years . Y Ltd. has a balance of Rs. 5, 00,000 in Securities Premium Reserve. The company decided to write off discount on issue of debentures from Securities Premium Reserve in the first year.

Pass the journal entry.

**Solution:**

JOURNAL

Date	Particulars	LF	Debit Rs.	Credit Rs.
	Securities Premium Reserve A/c Dr To Discount on issue of debentures A/c (Being Discount on issue of debentures written off)		10,000	10,000

Note: Discount on issue of Debentures = 2, 00,000×5% = Rs 10,000

Q2.X limited company issued Rs. 1, 00,000, 9% Debentures at a discount of 6% on 1st April,2017. These debentures are to be redeemed equally, spread over 5 annual installments.

Pass the Journal entries for issue of debentures and writing off the discount on issue of debentures.

**Solution:**

JOURNAL

Date	Particulars	LF	Debit Rs.	Credit Rs.
2017 Apr 1	Bank A/c Dr To Debenture Application & Allotment A/c (Being application money received)		94,000	94,000
Apr 1	Debenture Application & Allotment A/c Dr Discount on issue of debentures A/c Dr To 9% Debentures A/c		94,000 6,000	1,00,000
2018 Mar 31	Statement of Profit & Loss A/c Dr To Discount on issue of debentures A/c (Being Discount on issue of debentures written off)		6,000	6,000

Q3.On 1st April, 2017, S Ltd. issued 6,000, 8% Debentures of nominal (face) value of Rs. 100 each redeemable at 5% premium in equal proportions at the end of 5, 10 and 15 year It has a balance of Rs. 10,000 in Securities Premium Reserve.

Pass Journal entries. Also give Journal entry for writing off Loss on Issue of Debentures.





**Solution:**  
**JOURNAL**

Date	Particulars	LF	Debit Rs.	Credit Rs.
2017 Apr 1	Bank A/c Dr To Debenture Application & Allotment A/c (Being application money received)		6,00,000	6,00,000
Apr 1	Debenture Application & Allotment A/c Dr Loss on issue of debentures A/c Dr To 9% Debentures A/c To Premium on redemption of Debentures (Being application money transferred)		6,00,000 30,000	6,00,000 30,000
2018 Mar 31	Securities Premium Reserve A/c Dr Statement of Profit & Loss A/c Dr To Loss on issue of debentures A/c (Being Loss on issue of debentures written off)		10,000 20,000	30,000

Q4.M Ltd. issued 10,000, 8% Debentures of Rs. 100 each redeemable in four equal installments by draw of lots from the end of 3 years at a premium of Rs. 9.

Pass the Journal entry for writing off the Loss on Issue of Debentures. Also prepare Loss on issue of Debentures Account.

**Solution:**  
**JOURNAL**

Date	Particulars	LF	Debit Rs.	Credit Rs.
By the end of year of allotment	Statement of Profit & Loss A/c Dr To Loss on issue of debentures A/c (Being Loss on issue of debentures written off)		90,000	90,000

Dr		Loss on issue of debentures A/c		Cr	
Date	Particulars	Rs.	Date	Particulars	Rs.
On the date of issue	To 8% Debentures A/c	90,000	By the end of year of allotment	By Statement of Profit & Loss A/c	90,000
		90,000			90,000

Q5. On 1st June, 2017, K Ltd. issued 10,000, 7% Debentures of Rs. 100 each at a discount of 10% redeemable at a premium of 10% at the end of five year All the debentures were subscribed and allotment was made. Prepare the Balance Sheet (extract) as at 31st March, 2018.

**Solution:**

In the books of K Ltd.

An Extract of Balance Sheet

As on 31<sup>st</sup> March 2018

Particulars	Note No.	Amount (₹)
<b>I. EQUITIES AND LIABILITIES</b>		
<b>1. Shareholders' Funds</b>		
Reserves and Surplus	3	(2,00,000)
<b>2. Non-Current Liabilities</b>		
a. Long-term Borrowings	1	10,00,000
b. Other long-term Liabilities	2	1,00,000
<b>Total</b>		<b>9,00,000</b>
<b>II. Assets</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	4	9,00,000
<b>Total</b>		<b>9,00,000</b>

**Notes to Accounts:**

Note No.	Particulars	Amount (₹)
1.	<b>Long-term Borrowings</b> 10,000, 7% Debentures of ₹100 each issued at	10,00,000
2.	<b>Other long-term Liabilities</b> Premium on Redemption of Debentures	1,00,000
3.	<b>Reserves and Surplus</b> Statement of Profit & Loss Less: Loss on Issue of Debentures written off	(2,00,000)
4.	<b>Cash and Cash Equivalents</b> On 7% debentures @ ₹ 90 each (10,000 × 90)	9,00,000



Q6. On 1st April, 2017, P Ltd. issued 10,000, 8% Debentures of Rs. 100 each at a discount of 5% redeemable at a premium of 15% at the end of five year. All the debentures were subscribed and allotment was made. The company had balance in Securities Premium Reserve of Rs. 80,000. Prepare the Balance Sheet (extract) as at 31st March, 2018.

**Solution:**

In the books of P Ltd.

An Extract of Balance Sheet

As at 31<sup>st</sup> March, 2018

Particulars	Note No.	Amount (₹)
<b>I. EQUITIES AND LIABILITIES</b>		
<b>1. Shareholders' Funds</b>		
Reserves and Surplus	3	(1,20,000)
<b>2. Non-Current Liabilities</b>		
a. Long-term Borrowings	1	10,00,000
b. Other long-term Liabilities	2	1,50,000
<b>II. Assets</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	4	9,50,000

**Notes to Accounts:**

Note No.	Particulars	Amount (₹)
1.	<b>Long-term Borrowings</b> 10,000, 8% Debentures of ₹100 each issued	10,00,000
2.	<b>Other long-term Liabilities</b> Premium on Redemption of Debentures	1,50,000
3.	<b>Reserves and Surplus</b> Securities Premium Reserve 80,000 <i>Less: Loss on Issue of Debentures written off</i> (80,000) Statement of Profit and Loss — <i>Less: Loss on Issue of Debentures written off</i> (1,20,000)	(1,20,000)
4.	<b>Cash and Cash Equivalents</b> On 8% debentures @ ₹ 95 each (10,000 × 95)	9,50,000



Q7. Grand Hotels Ltd issued 30,000, 7% Debentures of Rs. 100 each at a discount of 5% redeemable at a premium of 5%. It decided to write off loss on issue of debentures first from Capital Reserve, then from Securities Premium Reserve and balance from Statement of Profit and Loss. It has balances as follows:

Capital Reserve Rs. 80,000 and Securities Premium Reserve Rs. 1,00,000.

Pass the journal entry for writing off loss on Issue of Debentures.

**Solution:**

**JOURNAL**

Date	Particulars	LF	Debit Rs.	Credit Rs.
	Capital Reserve A/c <span style="float: right;">Dr</span>		80,000	
	Securities Premium Reserve A/c <span style="float: right;">Dr</span>		1,00,000	
	Statement of Profit & Loss A/c <span style="float: right;">Dr</span>		1,20,000	
	To Loss on issue of debentures A/c			3,00,000
	(Being Loss on issue of debentures written off)			

Note: Loss on issue of debentures is 5% (discount)+5% (premium on redemption)=10%

Therefore, Loss on issue of debentures =  $30,00,000 \times 10/100 = 3,00,000$

### UNSOLVED PRACTICAL PROBLEM

**Q1.** Give the journal entries at the time of issue of debentures in the following cases:

- (i) Issued 5,00,000, 12% debentures at par and redeemable at par after 5 years.
- (ii) Issued 8,00,000, 11% debentures at 6% discount, redeemable at par after 4 years.
- (iii) Issued 10,00,000, 14% debentures at 5% premium, redeemable at par after 4 years.
- (iv) Issued 20,00,000, 12% debentures at par, redeemable at 5% premium after 3 years.
- (v) Issued 12,00,000, 13% debentures at 4% discount, redeemable at 6% premium after 3 years.

**Q2.** Chandra Tubes Ltd. Issued 70,000, 7% debentures of 100 each on June 30, 2011 redeemable at a premium of 6% on July 1, 2015. The Board of Directors have decided to transfer out of profits 7,50,000 to Debentures Redemption Reserve on March 31, 2013, 5,00,000 on March 31, 2014 and 5,00,000 on March 31, 2015. Record necessary journal entries regarding issue and redemption of debentures. Ignore entries relating to writing off loss on issue of debentures and interest paid thereon.

[Ans2. Debentures Redemption Investment 10,50,000 on 30<sup>th</sup> April, 2015; Debenture Redemption Reserve amounting to 17,50,000 will be transferred to General Reserve.]

**Q3.** Green Forest Ltd. Issued 12,00,000, 7% Debentures divided into debentures of 100 each on April 1, 2010, redeemable in four equal annual installments starting from 31<sup>st</sup> March, 2015. The Board of Directors have decided to create Debenture Redemption Reserve of 80,000 on March 31, 2012; 80,000 on March 31, 2013 and the balance on March 31, 2014. Record necessary journal entries at the time of issue and at the time of redemption of debentures and creation of Debenture Redemption Reserve.

[Ans 3. Debenture Redemption Investment made for 45,000 on 30<sup>th</sup> April, 2014 and encashed on 31<sup>st</sup> March, 2018. Amount transferred to Debenture Redemption Reserve on March 31, 2014 1,40,000 and the balance of this account transferred to General Reserve Rs. 3,00,000.]



## PRACTICAL PROBLEMS

1. IFCI Ltd. (an All India Financial Company) issued 10,00,000; 9% Debentures of Rs.50 each on 1<sup>st</sup> April, 2008 redeemable on 1<sup>st</sup> April, 2015. How much amount of Debentures Redemption Reserve is required before the redemption of debentures? Also, pass Journal entries for issue and redemption of debentures.

[Ans- Debenture Redemption Reserve is not to be created, it being an All India Financial Company]

2. On 1<sup>st</sup> April, 2013, following were the balances of Blue Bird Ltd.:

10% Debentures (redeemable on 31<sup>st</sup> March, 2015)                      Rs. 15,00,000

Debenture Redemption Reserve    Rs. 2,00,000

The company met the requirements of the Companies Act, 2013 regarding - Debenture Redemption Reserve and Investment and redeemed the debentures.

Pass necessary Journal entries for the above transactions in the books of the company.

[Ans- Transfer of Profit to DRR- Rs.1,75,000; Investment- Rs.2,25,000]

3. Shakti Enterprises Ltd. Issued 30,000; 8% Debentures of Rs.100 each on 1<sup>st</sup> October, 2011 redeemable in five equal annual instalments starting with 31<sup>st</sup>

March, 2015. The Board decides to transfer the Debenture Redemption Reserve Rs.50,000 and Rs.4,00,000 on 31<sup>st</sup> March, 2012 and 2013 respectively and balance required to be transferred to Debenture Redemption Reserve on 31<sup>st</sup> March, 2014.

Pass Journal entries.

[Ans- Transferred Rs.3,00,000 to DRR on 31<sup>st</sup> securities- Rs.90,000]



**THE MIRACLE IS THIS: THE MORE WE SHARE THE MORE WE HAVE.**



## MCQs ON ACCOUNTING FOR COMPANIES

1. What is the authorized share capital of a limited company?  
(A) The issued share capital  
(B) Issued share capital plus reserves  
(C) Issued share capital plus debentures  
(D) The shares that a company is allowed to issue bylaw
2. The liability of share holders of a public limited company is limited to:  
A. unpaid value of shares      B. nominal value of shares  
C. extent of private assets      D. called up share capital
3. As per the Companies Act, 2013, companies cannot issue \_\_\_\_\_  
(A) Bonus Shares      (B) Irredeemable Preference Shares  
(C) Preference Shares      (D) Equity Shares
4. The capital which is part of the uncalled capital of the company which can be called up only in the event of its winding up it is called-----  
(A) Issued capital    (B) Authorized Capital    (C) Nominal capital    (D) Reserve capital
5. ESOP is ..... for the employee.  
(A) Right    (B) Obligation    (C) Both Right and Obligation    (D) None of the above
6. Amount collected as premium on securities cannot be utilized for:  
A) Issuing fully paid bonus shares to the members  
B) Purchase of fixed assets  
C) Writing off preliminary expenses  
D) Premium payable on redemption of preference shares
7. A new company cannot issue shares at  
(A) Premium    (B) Par value    (C) Discount    (D) None of the above
8. A Company offered 50,000 shares of Rs. 10 each at par payable as to Rs.3 on Application, Rs. 5 on allotment and the balance on final call. Applications were received for 60,000 shares and the allotment was made on pro-rata basis. The excess application money was to be adjusted on allotment and call. How much amount will be transferred from Share Application A/c to Share Allotment A/c?  
(A) Rs.30,000    (B) Rs.1,80,000    (C) Rs. 50,000    (D) Rs.1,50,000
9. If a share of Rs100 on which Rs 60 has been paid, is forfeited, it can be re-issued at the minimum price of  
(A) Rs 140    (B) Rs100    (C) Rs40    (D) Rs 60

## ANSWERS

1. (D) The shares that a company is allowed to issue by law
2. (A). unpaid value of shares



3. (B) Irredeemable Preference Shares
4. (D) Reserve capital
5. (A) Right
6. B) Purchase of fixed assets
7. (C) Discount
- 8.
- (A) Rs.30,000
9. (D) Rs60

**Fill in the Blanks**

1. Amount called up by the company per share with application should not be less than by ..... %
2. On equity share of Rs.20, the company has called up Rs.18 but actually received Rs.18. The share capital would be credited by.....
3. X Ltd. purchased the business of Y Ltd. for Rs.90,000 payable in fully paid shares of Rs.10 each at a premium of 25%. The number of shares to be issued by X Ltd to settle the purchase consideration will be.....
4. 10000 equity shares of Rs.10 each were issued to public at a premium of Rs.2 per share. Applications were received for 12000 shares. Amount of securities premium reserve account will be-----  
----
5. ESOP stands for -----
6. The directors of a company forfeited 500 shares of Rs.10 each on which the final call money of Rs.2 was not received. Later these shares were reissued as fully paid-up at Rs.8 per share. Capital reserve will be.....
7. Profit made on reissue of forfeited shares is transferred to.....
8. A company issued 50,000 shares of Rs.10 each for subscription. It receives applications for 45,000 shares. It is a case of ..... subscription
9. A company forfeited 2000 shares of Rs.10 each held by Mr. Mohan for non-payment of allotment money of Rs.8 per share. The called up value per share was Rs.8. On forfeiture, the amount debited to share capital account will be Rs. ....

**ANSWERS**

- 1      5
- 2      Rs.18
- 3      7200
- 4      Rs.20000
- 5      Employee Stock Option Plan
- 6      Rs.3000
- 7      Capital Reserve
- 8      Under subscription
- 9      16,000

**ACCOUNTING FOR DEBENTURES**

**MCQs**

1. Which type of debentures are risky from view point of investors?
 

(A) Bearer debentures	(B) Mortgaged debentures
(B) Unsecured debentures	(D) Convertible debentures



2. When all the debentures are redeemed, balance in the Debenture Redemption Reserve account is transferred to.....

- (A)Capital Reserve (B)General Reserve (C) Reserve Capital (D)Profit & Loss

Statement 3. 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 debentures  
 (D) None of the above

**ANSWERS**

1. (C) Unsecured debentures
2. (B) General Reserve
3. (B) in the year when debentures are issued

**Fill in the Blanks**

1. A company issued Rs.50,000 10% debentures at a discount of 5% redeemable after 5 years at a premium of 5%. Loss on issue of debentures will be Rs.....

2. A company has issued 5,000, 7% debentures of Rs.100 each at a price of Rs.94. It will credit 7% debentures account by Rs. ....

3. Nice Communications Ltd decided to redeem its outstanding 5,000 debentures, 6% debentures of Rs.100 each. The company should at least transfer to Debenture Redemption Reserve Rs.  
 .....

4. Dharm Ltd issues 2,000, 10% debentures of Rs.100 each at a premium of 20%. The total amount of interest on debentures for one year will be Rs.....

**ANSWERS:**

1. 5,000
2. 5,00,000
3. 1,25,000
4. 20,000







## UNIT-IV ANALYSIS OF FINANCIAL STATEMENTS

### FINANCIAL STATEMENTS OF A COMPANY

**Financial Statements:** Financial statements are the end products of accounting process, which reveal the financial results of a specified period and financial position as on a particular date. These statements include income statement and balance sheet. The basic objective of these statements is to provide information required for decision making by the management as well as other outsiders who are interested in the affairs of the undertaking. Section 129 of as per Schedule III to the Companies Act, 2013 every year.

1. **Balance Sheet:** The balance sheet shows all the assets owned by the concerned, all the obligations or liabilities payable to outsiders or creditors and claims of the owners on a particular date.
2. **Income statement or Statement of Profit and Loss :** The Income Statement or Profit and Loss is prepared for the period (12 months) to determine the operational results of an undertaking. It is a statement of revenue earned and the expenses incurred for earning the revenue.
3. **Notes to Accounts.** (Balance Sheet & Statement of Profit and Loss) supported by the notes in which details of items is given
4. **Cash Flow Statement.** Cash flow statement provides information changes in cash and cash equivalents of an enterprise by classifying cash flows into operating, investing and financing activities for a particular period of time i.e financial year as per AS-3.

#### *Internal Users of Financial Statements*

1. Shareholders
2. Management
3. Employees

#### **Objectives of financial statement**

**analysis.** Financial statements are the basic sources of formation to the shareholders and other external parties for understanding the profitability and financial position of any concern.

1. To provide information about economic resources and obligations of a business.
2. To provide information about the earning capacity of the business.
3. To provide information about cashflows.
4. To judge effectiveness of management.
5. Information about activities of business affecting the society.
6. Disclosing accounting policies

#### *External Users of Financial Statements*

1. Banks & financial Institutions
2. Investors and Potential Investor
3. Creditors
4. Government and its Authorities
5. Securities Exchange board of India SEBI

#### **Limitations of financial statement analysis.**

1. Do not reflect current situation-Historical cost.
2. Assets may not realize the stated values
3. **Bias-** the concepts and conventions depend upon personal judgments from time to time.
4. Aggregate information not detailed information.
5. Vital Information missing-to loss of markets.
6. No Qualitative information-monetary information but not qualitative information
7. **They are only interim report** it does not give an idea about the earning capacity over time and the change on a future date is not depicted.



<p>The following points explain the <b>Nature of Financial</b> statements:</p> <ol style="list-style-type: none"> <li>1. Recorded facts</li> <li>2. Accounting Conventions &amp; concepts.</li> <li>3. Postulates-prepared on certain basic assumptions (pre-requisites)</li> <li>4. Personal Judgments</li> </ol>	<p><b>OPERATING CYCLE:</b></p> <p>Operating cycle is the time between the acquisition of an asset for processing, and its realization into Cash &amp; Cash Equivalents. It cannot be identified, it is assumed to be of 12 month.</p> <p>A company can have two operating cycle for two business.</p>
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**Employee Benefit Expenses-** Expenses payment made to and for the benefits of the employees. Example- Wages, Salaries, Bonus, Leave encashment, Staff welfare expenses, ESOP expenses **are shown in the notes to Accounts on Employee Benefit Expenses** and total of these is shown on the face of the statement of Profit and Loss against **Employee Benefit Expenses.**

**Finance Cost-**Means cost incurred by the company on the borrowings i.e loan processing fee, discount if issues of debenture written off, premium payable of redemption of debenture, interest paid on bank overdraft.

**Bank charges** are not a finance cost they come under other expenses as they are expenses on service availed from bank.

**PART I—BALANCE SHEET Schedule III (See section129)**

Name of the Company.....

Balance Sheet as at.....(Rupees in... ..)

Particular	Note No.	Figures as at the end of the Current Reporting Period	Figures as at the end of the Previous Reporting Period
1	2	3	4
<p><b>I. EQUITY AND LIABILITIES</b></p> <p>(1) Share holders' funds</p> <p style="padding-left: 20px;">(a) Share capital</p> <p style="padding-left: 20px;">(b) Reserves and surplus</p> <p style="padding-left: 20px;">(c) Money received against share warrants</p> <p>(2) <b>Share application money pending allotment</b></p> <p>(3) <b>Non-current liabilities</b></p> <p style="padding-left: 20px;">(a) Long-term borrowings</p> <p style="padding-left: 20px;">(b) Deferred tax liabilities(Net)</p> <p style="padding-left: 20px;">(c) Other Long term liabilities</p> <p style="padding-left: 20px;">(d) Long-term provisions</p>			



<p><b>4) Current liabilities</b></p> <p>(a) Short-term borrowings</p> <p>(b) Trade payables</p> <p>(c) Other current liabilities</p> <p>(d) Short-term provisions</p>			
TOTAL			
<p><b>II. ASSETS (1) Non-current assets</b></p> <p>(a) Fixed assets</p> <p style="padding-left: 20px;">(i) Tangible assets</p> <p style="padding-left: 20px;">(ii) Intangible assets</p> <p style="padding-left: 20px;">(iii) Capital work-in-progress</p> <p style="padding-left: 20px;">(iv) Intangible assets underdevelopment</p> <p>(b) Non-current investments</p> <p>(c) Deferred tax assets(net)</p> <p>(d) Long-term loans and advances</p> <p>(e) Other non-current assets</p> <p><b>(2) Current assets</b></p> <p>(a) Current investments</p> <p>(b) Inventories</p> <p>(c) Trade receivables</p> <p>(d) Cash and cash equivalents</p> <p>(e) Short-term loans and advances</p> <p>(f) Other current assets</p>			
TOTAL			

Give the Main Heading and Sub-Heading of Equity and Liabilities of the Balance sheet of a company as per Schedule III to the Companies Act, 2013

S. No.		Heading	Sub-Heading	S. No.		Heading	Sub-Heading
1	Unclaimed Dividend			10	Bank/Cash Balance		
2	Trade Payable			11	Work-in-progress		
3	Outstanding Salaries			12	Interest on Call in Advance		
4	Trade marks			13	Security Premium		
5	9% Debenture			14	Computer Software		
6	Provision for doubtful debt			15	General Reserve		
7	Patents and Trade Marks			16	Share Forfeiture Account		
8	Prepaid Expenses			17	Proposed Dividend		
9	Goodwill			18	Provision for Tax		





Prepare Statement of Profit & Loss from the following information of Z Ltd 31<sup>st</sup> March 2016.

Q.No. 1	Rupees	Q.No. 2	Rupees
Revenue From Operations	25,00,000	Revenue From Operations	30,00,000
Purchase of Stock	15,00,000	10% debenture Issues on 1 April 2015	4,00,000
Interest Received	30,000	Depreciation Machinery	60,000
Wages & Salaries	5,00,000	Wages	3,60,000
Bonus Paid	60,000		
Gratuity Paid	40,000	Salaries	1,20,000
Opening Inventories	1,50,000	Scrap Sale	20,000
Closing Inventories	2,50,000	Material Consumed Cost	16,00,000
<b>Answer: Profit Before Tax</b>	<b>5,30,000</b>	<b>Answer: Profit Before Tax</b>	<b>8,40,000</b>

From the following balances prepare Balance Sheet of the company as per schedule III, Company Act 2013.

Share capital Rs 10,00,000 (Equity Share of Rs 10 each fully paid up), 10% Debenture Rs. 2,00,000, Discount on issues of 10% Debenture Rs. 5,000, Proposed Dividend Rs. 1,00,000, Land & Building Rs. 3,00,000, Plant & Machinery Rs. 7,00,000, Trade Bills Receivable Rs 1,50,000, Inventories Rs 1,00,000, Goodwill 2,00,000, Investment in Share of X.Ltd Rs 2,00,000. Trade Debtor Rs 1,00,000, Creditors Rs. 1,00,000, unsecured loan from Bank Rs. 1,00,000, Provision for Tax Rs. 55,000, General Reserve Rs. 2,00,000.

### Financial Statements Analysis

Financial Statements Analysis is evaluation, analyzing and interpretation of the financial information contained in the financial statements to understand and take decisions regarding the operations and financial position of the firm.

Tools of Financial Statements Analysis.	Objectives of Financial Statements Analysis is Assessing of
1. Comparative Statement 2. Common-size Statement 3. Ratio Analysis 4. Cash Flow Statement.	1. Earning Capacity 2. Managerial Efficiency 3. Solvency 4. Comparison 5. Forecasting

Horizontal Analysis is a time series analysis whereas Vertical Analysis is analysis of one year only.

1. **Comparative Statements:** The statements showing the profitability and financial position of a firm for different periods of time in a comparative form to give an idea about the position of two or more periods.
2. **Common Size Statements:** The statements which indicate the relationship of different items of a financial statement with some common item by expressing each item as a percentage of the common item.

**Q1.** Prepare Comparative and Common Size **INCOME STATEMENT** from the following

**ACCOUNTANCY**



Information for the year's ended March 31st, 2015 and 2016.

Particulars	2015 (Rs.)	2015 (Rs.)
1. Revenue From Operations	12,00,000	15,00,000
2. Other Income	4,00,000	5,00,000
3. Cost of Material	60% of total Revenue	60% of total Revenue
4. Indirect Expenses	10% of profit	10% of profit
5. Income Tax rate	50%	60%

**Solution: - Comparative Income statement**

S. No.	Particular	2015 Amount P.Y.	2016 Amount C.Y.	Absolute Change	Percentage % of Change
i.	Revenue From Operations	1200000	1500000	300000	25%
ii.	Add other Income	400000	500000	100000	25%
	<b>Total Income (I+II)</b>	<b>1600000</b>	<b>2000000</b>	<b>400000</b>	<b>25%</b>
iii.	Less Expenses Cost of Material Consumed	960000	1200000	240000	25%
iv.	Other Expenses	64000	80000	16000	25%
	<b>Total Expenses (IV+V)</b>	<b>1024000</b>	<b>1280000</b>	<b>256000</b>	<b>25%</b>
v.	Profit before tax	576000	720000	144000	25%
vi.	less Tax	288000	432000	144000	50%
vii.	<b>Profit After tax</b>	<b>288000</b>	<b>288000</b>	<b>0</b>	<b>0%</b>

**Solution: - Common Size Income statement**

S. No.	Particular	2015 Amount P.Y.	2016 Amount C.Y.	Percentage of Net sales In P.Y.	Percentage of Net sales in C.Y.
I.	Revenue From Operations	1200000	1500000	100%	100%
II.	Add other Income	400000	500000	33.33%	33.33%
III.	<b>Total Income (I+II)</b>	<b>1600000</b>	<b>2000000</b>	<b>133.33%</b>	<b>133.33%</b>
IV.	Less Expenses Cost of Material Consumed	960000	1200000	80%	80%
V.	Other Expenses	64000	80000	5.33%	5.33%
VI.	<b>Total Expenses (IV+V)</b>	<b>1024000</b>	<b>1280000</b>	<b>85.33%</b>	<b>85.33%</b>
VII.	Profit before tax	576000	720000	48%	48%
VIII.	less Tax	288000	432000	24%	28.87%
IX.	<b>Profit After tax</b>	<b>288000</b>	<b>288000</b>	<b>24%</b>	<b>19.2%</b>



**2 From the following information prepares a Comparative Common Size income Statements.**

Particulars	2015	2016
Revenue from Operations	15,00,000	18,00,000
Cost of Operations	11,00,000	14,00,000
Indirect Expenses	20% of Revenue Gross	25% of Revenue Gross
Income Tax	50%	50%

*Answer -Net Profit After Tax 2015 Rs.1,60,000 2016 Rs. 1,50,000 Change (-10,000) & (-6.25%)*

**Q3.**

Particulars	31.3.2015	31.3.2016
Revenues from Operations	30,00,000	40,00,000
Cost of Goods Operations	60% of Sales	55% of Sales
Paid wages	25,000	30,000
Operating Expenses	20% of Revenue Gross	25% of Revenue Gross
Income Tax	40%	40%

*Answer-Net Profit after tax 2015 Rs 5,76,000, 2016 Rs 8,10,000 change 2,34,000 & 40.63%*

Y Ltd. Decided to set up a charitable Hospital to provide free medical facilities to the weaker section of the society. Following information is given. Prepare a Common Size Balance Sheet and **identify the value involved.**

Particular	2015	2016
Share capital	340000	300000
Trade payables	25000	40000
Trade receivable	29000	190000
Reserve and Surplus	80000	80000
Short-term borrowings	120000	100000
Long-term borrowings	75000	80000
Current investments	18000	10000
Fixed assets	240000	290000
Inventories	82000	101000
Cash and cash equivalents	10000	9000

**Solution: - Common Size Balance Sheet**

**BALANCE SHEET**

Particular	Note No.	Figures as at end of 2015	Figures as at end of 2016	Percentage of B/S Total	Percentage of B/S Total
1	2	3	4	5	6
<b>I. EQUITY AND</b>					

**ACCOUNTANCY**



<b>LIABILITIES</b>					
(1) Shareholders 'funds		340000	300000	53.12%	50%
(a) Share capital		80000	80000	12.5%	13.33%
(b) Reserve and Surplus					
<b>(3) Non-current liabilities</b>					
(a) Long-term borrowings		75000	80000	11.71%	13.33%
<b>4) Current liabilities</b>					
(a) Short-term borrowing		120000	100000	18.75%	16.67%
(b) Trade payables		25000	40000	3.90%	6.67%
<b>TOTAL</b>		<b>640000</b>	<b>600000</b>	<b>100%</b>	<b>100%</b>

Particular	Note No.	Figures as at end of 2015	Figures as at end of 2016	Percentage of B/ S Total	Percentage of B/S Total
1	2	3	4	5	6
<b>II. ASSETS</b>					
<b>(1) Non-current assets</b>					
(a) Fixed assets		240000	290000	37.50%	48.33%
<b>(2) Current assets</b>					
(a) Current investments		18000	10000	2.81%	1.66%
(b) Inventories		82000	101000	12.81%	16.83%
(c) Trade receivables		290000	190000	45.31%	31.667%
(d) Cash and cash equivalents		10000	9000	1.56%	1.5%
<b>TOTAL</b>		<b>640000</b>	<b>600000</b>	<b>100%</b>	<b>100%</b>

Q5. Balance sheet of Ruble Ltd given you are required to make Comparative BALANCE SHEET

Particular	Note No.	Figures as at end of 2015	Figures as at end of 2016
1	2	3 Rs.	4 Rs.
<b>I. EQUITY AND LIABILITIES</b>			
(1) Share holders 'funds			
(a) Share capital		5,600	6,600
(b) Reserve and Surplus		2,000	2,800
<b>(3) Non-current liabilities</b>			
(a) Long-term borrowings		1,200	1,020
<b>4) Current liabilities</b>			
(a) Short-term borrowings		1,200	1,720
(b) Trade payables		500	860





<b>TOTAL</b>		10,500	13,000
<b><u>II. ASSETS</u></b>			
<b><u>(1) Non-current assets</u></b>			
(a) Fixed assets		4,260	7,260
<b><u>(2) Current assets</u></b>			
(a) Current investments		2,560	2,800
(b) Inventories		3,000	2,200
(c) Cash and cash equivalent		680	740
<b>TOTAL</b>		10,500	13,000

**Solution-Comparative BALANCE SHEET**

Particular	Note No.	Figures of 2015 A	Figures of 2016 B	Absolute Change C= B-A	Percentage of change% D=C/A*100
<b>I. EQUITY AND LIABILITIES</b>					
(1) Shareholders 'funds					
(a) Share capital		5,600	6,600	1,000	17.85%
(b) Reserve and Surplus		2,000	2,800	800	40%
<b>(3) Non-current liabilities</b>					
(a) Long-term borrowings		1,200	1,020	(-180)	(-15%)
<b>4) Current liabilities</b>					
(a) Short-term borrowings		1,200	1,720	520	43.33%
(b) Trade payables		500	860	360	72%
<b>TOTAL</b>		10,500	13,000	2,500	23.81%
<b>II. ASSETS</b>					
<b>(1) Non-current assets</b>					
(a) Fixed assets		4,260	7,260	3,000	70.42%
<b>(2) Current assets</b>					
(a) Current investments		2,560	2,800	240	9.38%
(b) Inventories		3,000	2,200	(-800)	(-26.67%)
(c) Cash and cash equivalent		680	740	60	8.82%
<b>TOTAL</b>		10,500	13,000	2,500	23.81%

**Values of Question Number 4 are SYMPATHY HEALTH CONCERN AND CHARITY.**

Do it yourself



Q6. From the Comparative Income statement find missing figures.(CBSE)

S. No.	Particular	2015 Amount P.Y.	2016 Amount C.Y.	Absolute Change +/-	Percentage of Net sales in C.Y.
i.	Revenue From Operations	1500000	?	500000	?
ii.	Add other Income	400000	?	?	150%
<b>iii.</b>	<b>Total Income (I+II)</b>	?	300000	?	57.89%
iv.	Less Expenses	1500000	2100000	?	
v.	Profit before tax (III-IV)	?	?	?	125%
vi.	Less : Tax 50%	200000	?	?	125%
vii.	Profit After tax (V-VI)	?	450000	250000	?

**\*Test your Understanding – I****Choose the right answer:**

1. The financial statements of a business enterprise include:
  - (a) Balance sheet
  - (b) Statement of Profit and loss
  - (c) Cash flow statement
  - (d) All the above
2. The most commonly used tools for financial analysis are:
  - (a) Horizontal analysis
  - (b) Vertical analysis
  - (c) Ratio analysis
  - (d) All the above
3. An Annual Report is issued by a company to its:
  - (a) Directors
  - (b) Auditors
  - (c) Shareholders
  - (d) Management
4. Balance Sheet provides information about financial position of the enterprise:
  - (a) At a point in time
  - (b) Over a period of time
  - (c) For a period of time
  - (d) None of the above
5. Comparative statement are also known as:
  - (a) Dynamic analysis
  - (b) Horizontal analysis
  - (c) Vertical analysis
  - (d) External analysis

**\*Test your Understanding – II**

State whether each of the following is True or False:

- (a) The financial statements of a business enterprise include funds flow statement.
- (b) Comparative statements are the form of horizontal analysis.
- (c) Common size statements and financial ratios are the two tools employed in vertical analysis.
- (d) Ratio analysis establishes relationship between two financial statements.
- (e) Ratio analysis is a tool for analyzing the financial statements of any enterprise.
- (f) Financial analysis is used only by the creditors.
- (g) Statement of Profit and loss shows the operating performance of an enterprise for a period of time.
- (h) Financial analysis helps an analyst to arrive at a decision.
- (i) Cash Flow Statement is a tool of financial statement analysis.
- (j) In a Common size statement each item is expressed as a percentage of some common base

**\*Test your Understanding -III**

Fill in the blanks with appropriate word(s),

1. Analysis simply means———data.
2. Interpretation means———data.
3. Comparative analysis is also known as —— analysis.
4. Common size analysis is also known as —— analysis.
5. The analysis of actual movement of money inflow and outflow in an organization is called———analysis.

**\*FROM NCERT BOOK Test your Understanding – III**

1. Simplification 2. Explaining 3. the impact of horizontal 4. vertical 5. cash flow.

**Test your Understanding – I** 1 (d) 2 (d) 3 (c) 4 (a) 5 (b)

**Test your Understanding – II-** (a) True (b) True (c) True (d) True (e) True (f) False (g) True (h) True (i) True (j) True

## Accounting Ratios-3

### Classification or types of ratios

Ratios are classified into 4 categories

1. Liquidity Ratios also called as short term solvency ratios.
2. Solvency Ratios
3. Activity ratios also known as Turnover ratios or Performance ratios
4. Profitability ratios

#### 1. Liquidity Ratios

- a) Current Ratio =  $\frac{\text{Current Assets}}{\text{Current Liabilities}}$

**Current Assets** = Current Investments + Inventories (**Excluding** Spare Parts and Loose Tools) + Trade Receivables + Cash and Cash Equivalents + Short Term Loans and Advances + Other Current Assets.

**Current Liabilities** = Short-Term Borrowings + Trade Payables + Other Current Liabilities + Short-term Provisions. (Standard Current Ratio:- 2:1)

- b) Liquid Ratio =  $\frac{\text{Liquid Assets}}{\text{Current Liabilities}}$

**Liquid Assets** = Current Assets - Inventories - Prepaid expenses

**Current Liabilities** = Short-Term Borrowings + Trade Payable + Other Current Liabilities + Short - term Provision

#### 2. Solvency Ratios

- a) **Debt Equity Ratio** =  $\frac{\text{Debt}}{\text{Equity}}$

**Debt** = Long Term Borrowings + Long Term Provisions

**Equity/Shareholder's Funds** = Share Capital + Reserves and Surplus

OR

**Non-Current Assets** = (Tangible Assets + Intangible Assets + Non-Current Trade Investments + Long-Term Loans & Advances) + Working Capital - Non-Current Liabilities (Long-Term Borrowings + Long-Term Provisions)

Standard Debt Equity Ratio:- 2:1

**Working Capital** = **Current Assets** - **Current Liabilities**

- b) **Total Assets to Debt Ratio** =  $\frac{\text{Total Assets}}{\text{Debt}}$

Total Assets = Non-Current Assets (Tangible

Assets + Intangible Assets + Non-Current

Investments)

Investments + Long-Term Loans & Advances) + Current Assets (Current Investments + Inventories Trade Receivables + Cash & Cash Equivalent + Short-Term Loans & Advances + Other Current Assets).

**Debt** = Long Term Borrowings + Long Term Provisions

- c) Proprietary Ratio =  $\frac{\text{Proprietors Funds}}{\text{Total Assets}}$

**Proprietors Funds** = Share Capital + Reserves and Surplus

OR

**Non-Current Assets** (Tangible Assets + Intangible Assets + Non-Current Trade Investments + Long-Term Loans & Advances) + Working Capital - Non-Current Liabilities

(Long-Term Borrowings + Long-Term Provisions)

**Total Assets** = Non-Current Assets (Tangible Assets + Intangible Assets + Non-Current Investments + Long -Term Loans & Advances) +

**Current Assets** (Current Investments + Inventories **including** Spare Parts & Loose Tools + Trade Receivables + Cash & Cash Equivalent + Short-Term Loans & Advances +

Other Current Assets).

- d) **Interest Coverage Ratio** = Net

Profit before interest and tax

/Interest on Long term debt



## **Formula of Capital Employed**

### **Liabilities side approach**

Shareholder's Fund (Share Capital + Reserves & surpluses) + Non-Current liabilities (Long term-borrowing + long term Provisions)

### **Assets Side Approach**

Non-Current Assets (Tangible Assets + Intangible Assets + Non-Current investment + Long- term Loans & Advances) + Working Capital

It is assumed that all Non-Current Investments are Trade Investments only.

Interest on Non-Trade Investments should be deducted from Profit before Interest, Tax and Dividend. Therefore it cannot be a part of Non-Current Investments.



### 3. Activity Turnover Ratio

#### a) Inventory Turnover Ratio:

$$\frac{\text{Cost of Revenue from operations}}{\text{Average Inventory}}$$

Cost of Revenue from Operation = Revenue from Operations – Gross Profit OR

Opening Inventory + Net Purchases + Direct Expenses (Assume to be given) – Closing Inventories

OR

Cost of materials consumed + purchase of stock-in-trade + change in Inventory (Finished Goods; Work in Progress & Stock-in-trade) + Direct Expenses (Assume given)

Average Inventory =

Opening Inventory + Closing Inventory / 2

#### b) Trade Receivable Turnover Ratio=

Net credit revenue from operations

Average Trade Receivable

Net Credit Sales = Total Sales – Cash Sales

OR

Credit Revenue from Operation = Revenue from Operation – Cash Revenue from Operation

Average Trade Receivables =  
Opening Debtors + Trade  
Receivable + Closing Debtors + trade  
Receivable / 2

Trade Receivables = Debtors + Bills  
Receivables

#### c) Trade payable Turnover Ratio=

Net Credit Purchases

Average Trade Payables

Net Credit Purchase = Total Purchases – Cash Purchases

Average Trade Payables = Opening Trade Payables + Closing trade Payables / 2

Trade Payables = Creditors + Bills Payable

#### d) Working Capital Turnover Ratio =

Net Revenue from Operations /  
Working Capital

*\*Working Capital = Current Assets – Current Liabilities*

**Current Asset** = Current Investments + Inventories (Excluding Spare Parts and Loose Tools) + Trade Receivables + Cash and Cash Equivalents + Short Term Loans and Advances + Other Current Assets

**Current Liabilities** = Short-Term Borrowings + Trade Payables + Other Current Liabilities + Short-term Provisions



#### 4. Profitability Ratios

##### a) Gross Profit Ratio=

$$\frac{\text{Gross profit}}{\text{Net Revenue from Operations}} \times 100$$

Net Revenue from Operations

$$\text{Gross Profit} = \text{Revenue from Operation} - \text{Cost of Revenue from Operations}$$

$$\text{Cost of Revenue from Operation} = \text{Opening Inventory (excluding Spare Parts and Loose Tools)} + \text{Net Purchases} + \text{Direct Expenses} - \text{Closing Inventory (excluding Spare Parts and Loose Tools)}$$

OR

$$\text{Revenue from Operation} - \text{Gross Profit}$$

##### c) Operating Ratio=

$$\frac{(\text{Cost of Revenue from operation} + \text{Operating Expenses}) \times 100}{\text{Net Revenue from operations}}$$

$$\text{Cost of Revenue from Operation} = \text{Opening Inventory (excluding Spare Parts and Loose Tools)} + \text{Net Purchases} + \text{Direct Expenses} - \text{Closing Inventory (excluding Spare Parts and Loose Tools)}$$

OR

$$\text{Revenue from Operation} - \text{Gross Profit}$$

$$\text{Operating Expenses} = \text{Office, Administrative, Selling and Distribution Expenses, Employees Benefit expenses, Depreciation \& Amortisation}$$

##### d) Operating Profit Ratio=

$$\frac{\text{Operating Profit} \times 100}{\text{Revenue from operations}}$$

$$\text{Operating Profit} = \text{Net Profit (After Tax)} + \text{Non-Operating Expenses/Losses} - \text{Non-Operating Incomes}$$

OR

$$\text{Gross Profit} + \text{Operating Income} - \text{Operating Expenses} - \text{Non-Operating Expenses} = \text{Interest on Long Term Borrowing} + \text{Loss on sale of Fixed or Non-Current Assets}$$

$$\text{Non-Operating Income} = \text{Interest received on investments} + \text{Profit of sale on Fixed Assets or Non-Current Assets}$$

##### e) Net Profit Ratio=

$$\frac{\text{Net Profit}}{\text{Net Revenue from operations}} \times 100$$

$$\text{Net Profit before Interest \& Tax} =$$

$$\text{Gross Profit} + \text{Other Incomes} - \text{Indirect Expenses}$$

#### 4. Return on Investment (ROI) or Yield on Capital=

$$\frac{\text{NET PROFIT before interest, tax \& dividend}}{\text{Capital Employed}} \times 100$$

Capital Employed

$$\text{Net Profit before Interest, Tax and Dividend} = \text{Gross Profit} + \text{other Income} - \text{Indirect Expenses}$$



**Q1.** Shine Limited has a current ratio 4.5:1 and quick ratio 3:1; if the stock is Rs. 36,000, calculate current liabilities and current assets.

Ans: Current Assets Rs. 1,08,000, current liabilities Rs. 24,000)

**Q1.A** Cost of Goods Sold is Rs. 1,50,000. Operating expenses are Rs. 60,000. Sales is Rs. 2,60,000 and Sales Return is Rs. 10,000. Calculate Operating Ratio.

(Ans: Operating Ratio 84%)

**Q2.** Calculate debt equity ratio from the following information:

Total Assets	Rs. 15,00,000
Current Liabilities	Rs. 6,00,000
Total Debts	Rs. 12,00,000

(Ans: Debt Equity Ratio 2:1.)

**Q3.** Following is the Balance Sheet KDS Ltd. as on March 31, 2016, Calculate Current Ratio and Liquid Ratio.

Liabilities Amount	Rs.	Assets Amount	Rs.
Equity Share Capital	24,000	Buildings	45,000
8% Debentures	9,000	Stock	12,000
Profit and Loss	6,000	Debtors	9,000
Bank Overdraft	6,000	Cash in Hand	2,280
Creditor	23,400	Prepaid Expenses	720
Provision for Taxation	600		
	69,000		69,000

(Ans: Current Ratio 8:1, Liquid Ratio .37:1)

**Q4.** Calculate following ratios from the following information:

(i) Current ratio (ii) Acid test ratio (iii) Operating Ratio (iv) Gross Profit Ratio

Current Assets	Rs. 35,000
Current Liabilities	Rs. 17,500
Stock	Rs.15,000
Operating Expenses	Rs.20,000
Revenue from operation	Rs. 60,000
Cost of Revenue from operation	Rs.30,000

(Ans: Current Ratio 2:1; Liquid Ratio 1.14:1; Operating Ratio 83.3%; Gross Profit Ratio 50%)

**Q5.** Compute Gross Profit Ratio, Working Capital Turnover Ratio, Debt Equity Ratio and Proprietary Ratio from the following:

Paid-up Capital	Rs.5,00,000
Current Assets	Rs.4,00,000
Revenue from operation	Rs. 10,00,000
13% Debentures	Rs. 2,00,000
Current Liability	Rs. 2,80,000





Cost of Goods Sold                      Rs. 6,00,000

(Ans: Gross Profit Ratio 40%; Working Capital Ratio 8.33 times; Debt Equity Ratio 2:5; Proprietary Ratio 25:49)

Q6. From the following information calculate Gross Profit Ratio, Stock Turnover Ratio and Debtors Turnover Ratio.

Revenue from operation	Rs. 3,00,000
Cost of Gods Sold	Rs. 2,40,000
Closing Stock	Rs. 62,000
Gross Profit	Rs. 60,000
Opening Stock	Rs. 58,000
Debtors	Rs. 32,000

(Ans: Gross Profit Ratio 20%; Stock Turnover Ratio 4 times; Debtors Turnover Ratio 9.4 times)

Q7. From the following information calculate

- (i) Debt-Equity Ratio
- (ii) Interest Coverage Ratio
- (iii) Proprietary Ratio.

Equity Share Capital Rs. 2,00,000, General Reserve Rs.1,20,000

5% Pref. Share Capital Rs.60,000, Fixed Assets Rs.5,05,000, Current Assets Rs. 1,20,000. Current Liability Rs.40,000, Loan 10% Interest 5,00,000. Tax paid during the year Rs.30,000

Profit for the current year after interest and tax Rs 90,000

Ans: (i) Debt-Equity Ratio=1.06:1 (ii) Interest Coverage Ratio=3.4 times (iii) Proprietary Ratio=0.752:1

8 Share Capital Rs.80,000, General Reserve Rs.40,000, 15% Loan from bank Rs.50,000, Tax paid during the year Rs.20,000 . Profit after interest and tax Rs.40,000. Calculate Return On Investment Ratio.  
Ans: 39.71%

**“ANALYSIS IS THE ART OF CREATION WHICH DOES NOT TRANSFORM CONSCIOUSNESS”**



## MCQs ON ANALYSIS OF FINANCIAL STATEMENTS

1. Which of the following is not the limitation of Financial statement analysis
  - (a) Ignores price level changes
  - (b) window dressing
  - (c) Qualitative aspect ignored
  - (d) Inter firm comparisons
  
2. Debentures redeemable after 10 yrs of issue are shown as
  - (a) Long term Provisions
  - (b) Long term Borrowings
  - (c) Short term Borrowings
  - (d) Other Long term borrowings
  
3. Indicate the item which appears as short term provisions
  - (a) Provision for expenses
  - (b) Interest outstanding
  - (c) Employee's Provident fund
  - (d) Securities premium reserve
  
4. Which of the following sub heading of Current Liabilities
  - (a) Short term borrowings
  - (b) Trade payables
  - (c) Short term provisions
  - (d) Short term Investment
  
5. Which of the following is not included in sub heading 'Inventory'
  - (a) Stock of finished goods
  - (b) Work in progress
  - (c) Stores and spares
  - (d) Cheques inhand
  
6. Which of the following is not included in sub heading 'Cash and cash equivalents'
  - (a) Cash in hand
  - (b) marketable securities
  - (c) Cash at Bank
  - (d) Cheques in hand
  
7. Main objective of Common size statement
  - (a) To present changes in various items
  - (b) to provide common base for comparison
  - (c) to establish relationship between various items
  - (d) all of the above
  
8. In the common size statement of P & L
  - a) Figure of net revenue from operations is assumed to be equal to 100
  - b) Figure of gross profit is assumed to be equal to 100
  - c) Figure of net profit is assumed to be equal to 100
  - d) Figure of assets is assumed to be equal to 100



9. Fixed assets of a company increased from Rs.3,00,000 to Rs.4,00,000. The percentage change is:- (a)25% (b)20%  
(c)33.33% (d)40%

10. Balance Sheet of company is required to be prepared in the format given in

- (a) Schedule II Part II
- (b) Schedule III Part III
- (c) Schedule III Part I
- (d) Table A

11. As per Companies Act, the Balance Sheet of a company is required to be

- (a) Horizontal Form
- (b) Vertical Form
- (c) Either Horizontal or Vertical Form
- (d) Neither of the above

12. According to prescribed order of assets in a Company's Balance Sheet which asset should be shown first of all

- (a) Non-Current Assets
- (b) Current Assets
- (c) Current Investments
- (d) Loans and Advances

13. Calls in Arrears appear in a Company's Balance Sheet under

- (a) Reserve & Surplus
- (b) Shareholders' Funds
- (c) Contingent Liabilities
- (d) Short-term Borrowings

14. Goodwill appear in a Company's Balance Sheet under:

- (a) Current Assets
- (b) Non Current Assets
- (c) Long-term Provisions
- (d) Long-term Borrowing

15. Securities Premium Reserve appears in a Company's Balance Sheets



- (a) Share Capital
- (b) Long-term Provision
- (c) Reserve & Surplus
- (d) Contingent Liability

16. Provision for Tax appears in a Company's Balance Sheet under Sub-head..

- (a) Short-term Provisions
- (b) Reserves and Surplus
- (c) Long-term Provisions
- (d) Other Current Liabilities

17. Which of the following items is shown under the head 'Non-Current Assets, while preparing the Balance Sheet of a company??

- (a) Underwriting Commission
- (b) Current Investment
- (c) Inventory
- (d) Patents

18. Under which heading the item Bills Discounted but not yet matured' will be shown in the Balance Sheet of accompany?

- (a) Current Liability
- (b) Current Assets
- (c) Contingent Liabilities
- (d) Unamortized Expenditure

19. Revenue from Operations 4,00,000; Cost of Revenue from Operations 60% of Revenue from Operations; Operating expenses 30,000 and rate of income tax is 40%. What will be amount of profit after tax

- (a) 64,000
- (b) 78,000
- (c) 52,000
- (d) 96,000

20. Payment of Income Tax is considered as

- (a) Direct Expenses
- (b) Indirect Expenses
- (c) Operating Expenses
- (d) None of the Above



21. The process of comparing various financial factors of a company over a period of time is known as.....

- (A) Inter firm comparison
- (B) Ratio Analysis
- (C) Intra firm comparison
- (D) Inter industry comparison

**ANSWERS:**

1. (d) Inter firm comparisons
2. (b) Long term Borrowings
3. (a) Provision for expenses
4. (d) Short term Investment
5. (d) Cheques in hand
6. (b) marketable securities
7. (d) all of the above
8. (a) Figure of net revenue from operations is assumed to be equal to 100
9. (c) 33.33%
10. (c) Schedule III Part I
11. (b) Vertical Form
12. (a) Non-Current Assets
13. (b) Shareholders Funds
14. (b) Non Current Assets
15. (c) Reserve & Surplus
16. (a) Short-term Provisions
17. (d) Patents
18. (c) Contingent Liabilities
19. (d) 96,000
20. (c) Operating Expenses
21. (C) Intra firm comparison

**ACCOUNTING RATIOS**

1. Quick ratio is 1.8:1, current ratio is 2.7:1 and current liabilities are Rs 60,000. Determine value of stock.
  - a) Rs 54,000
  - b) Rs 60,000
  - c) Rs 1,62,000
  - d) None of the above
  
- 2.. Liquid assets is determined by
  - a) Current assets-stock-Prepaid expenses



- b) Current assets +stock+ prepaid expenses
- c) Current assets +Prepaid expenses
- d) None of the above

3. Acid test ratio is a sub-part of

- a) Short-term solvency ratio
- b) Long-term solvency ratio
- c) Debtors turnover ratio
- d) None of the above

4. Debt-equity ratio is a sub-part of

- a) Short-term solvency ratio
- b) Long-term solvency ratio
- c) Debtors turnover ratio
- d) None of the above

5. The ideal level of liquid ratio is

- a) 3:3 b) 4:4 c) 5:5 d) All of the above

6. Liquid ratio is also known as

- A) Quick ratio
  - B) Acid test ratio
  - C) Working capital ratio D) Stock turnover ratio
- a)A and B
  - b)A and C
  - c)B and C
  - d)C and D

7. 2. The ideal level of current ratio is

- a)4:2
- b) 2:1
- c) Both a and b
- d) None of the above

8. The ratio analysis is helpful to management in taking several decisions, but as a mechanical



substitute for judgment and thinking, it is worse than useless.

a) True b) False

9. Liquidity ratios are expressed in

- a) Pure ratio form
- b) Percentage
- c) Rate or time
- d) None of the above

10. The relationship between two financial variables can be expressed in:

- a) Pure ratio
- b) Percentage
- c) Rate or time
- d) Either of the above

11. Net Revenue from operation Rs. 400000, Average inventory 50000, Gross Loss on sales 25%. Find Inventory Turnover Ratio:

- (A) 8 times
- (B) 10 times
- (C) 2 times
- (D) None of these

12. Net Revenue from operation Rs.30,00,000 Current Assets Rs.9,00,000 , Current Liabilities Rs. 3,00,000 , Sales Returns 50000. Its Working Capital Turnover Ratio will be:

- (A) 3 times
- (B) 5 times
- (C) 6 times
- (D) 10 times

13. A business has gross profit 25% on cost. What will be its gross profit ratio?

- (A) 20%
- (B) 25%
- (C) 75%
- (D)80%

14. Cost of sales Rs 7,00,000. Sales volume Rs 9,00,000. Operating Exp. Rs 60000. Its Operating Ratio will be:

- (A) 15%



- (B) 50%
- (C) 85%
- (D) None of the above
15. A business has operating ratio at 86.65%. Its operating Profit ratio will be:
- (A) 13.35%
- (B) 86.65%
- (C) 100%
- (D) None of the Above
16. Share capital Rs4,00,000, Reserves & Surplus Rs 150000, Non current assets Rs 18 00,000, current assets Rs 4,00, 000 then its proprietary ratio will be:
- (A) 12%
- (B) 25%
- (C) 8.33%
- (D) None of the above
17. Profit before Interest and tax Rs 6,00,000, Interest on long term debts Rs 75,000. Its interest coverage ratio will be:
- (A) 12.5 Times
- (B) 125 times
- (C) 8 times
- (D) None of the above
18. Total sales Rs 5 ,00,000, Cash sales Rs 2 ,00,000, Debtors Rs 45,000, B/R Rs 15,000. What will be its Trade Receivable Ratio?
- (A) 2.5 times
- (B) 3 times
- (C) 4 times
- (D) 5times
19. Average Stock Rs 80000, Stock turnover Ratio 8 times, G.P. 25% on cost. Find out its sales amount:
- (A) Rs. 100000
- (B) Rs. 640000
- (C) Rs. 800000
- (D) Rs. 1000000
20. Cost of revenue Rs 15 ,00,000, Current Assets Rs 4 00,000 Current Liabilities Rs 1,50,000. Find its Working Capital Turnover Ratio.
- (A) 3.75 Times





- (B) 5 Times
- (C) 6Times
- (D) 10 Times

21. Collection of debtors

- (A) Decreases current ratio
- (B) Increases current ratio
- (C) Has no effect on current ratio
- (D)None of the above

22. Determine Operating ratio, if operating expenses is Rs 60,000, Sales is Rs 9,40,000, Sales Return is Rs 40,000 and Cost of net goods sold is Rs6,60,000.

- (A)80%
- (B) 15%
- (C) 25%
- (D)11%

23. Higher the ratio, the more favorable it is, doesn't stand true for

- (A) Liquidity ratio
- (B)Net profit ratio
- (C)Operating ratio
- (D)Inventory turnover ratio

24. If selling price is fixed 25% above the cost, the Gross Profit ratio

- is :- (A)13% (B) 28% (C)26% (D) 20%

ANSWERS:

1)a) Rs 54,000

2 )a) Current assets-stock-Prepaid expenses

3)a) Short-term solvency ratio

4) b) Long-term solvency ratio

5) d) All the above

6) a) A and B

7) c) Both a and b

8) a)True

9) a) Pure ratio form

10)d) Either of the above

11)(B) 12)(B) 13)(A). 14)(C) 15)(A) 16)(B) 17)(C) 18)(D) 19)(C) 20)(C)

21)(C) Has no effect on current ratio

22)(A)80%

23)(C)Operating ratio

24)(D)20%





## UNIT-V

### Cash Flow Statement-4

**Cash Flow Statement** It is a statement that shows flow of cash and cash equivalents during the period under report. The statement shows net increase or decrease of cash and cash equivalents under each activity separately- operating, investing and financing as well as collectively.

#### Objectives of CFS:

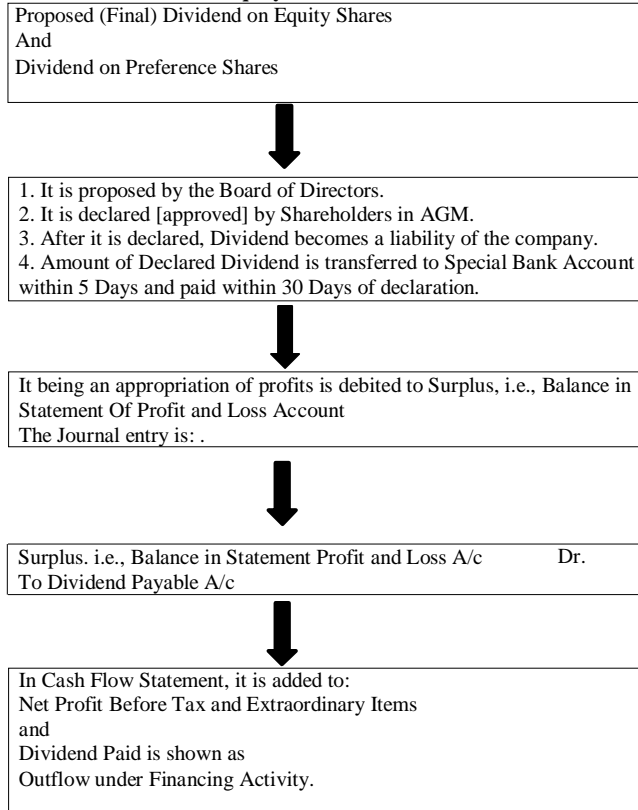
- To ascertain the sources (receipts) of cash and cash equivalents under operating, investing and financing activities by the enterprise.
- To ascertain applications (payments) of cash and cash equivalents under operating, investing and financing activities by the enterprise.
- To ascertain net change in cash and cash equivalents being the difference between sources and applications under the three between the dates of two balance sheets.

#### Steps in the preparation of CFS:

- I. Ascertain cash flows from operating activities
- II. Ascertain cash flows from investing activities
- III. Ascertain cash flows from financing activities
- IV. Steps I, II AND III are added and the resultant figure is net increase or decrease in cash and cash equivalents.
- V. Cash and cash equivalents of the beginning are added to the cash flow arrived under step IV.
- VI. In the last we get cash and cash equivalents at the end



**Flow Chart explaining process of declaration, accounting and payment of Proposed Dividends on Equity Shares and Preference Shares**





**CASH AND CASH EQUIVALENTS:** It includes cash, bank balance, marketable securities etc

1. Why is Cash Flow Statement prepared?
2. Give the classification of the Cash Flow for preparing Cash Flow Statement.
3. Give any two items of cash equivalent used while preparing Cash Flow Statement.
4. How are non-cash items dealt in Cash Flow Statement?
5. Give an example of non-cash transaction.
6. Dividend received by a Finance Company will come under which activity while preparing Cash Flow Statement.

Identify the following transactions belonging to

(i) *Operating Activities*, (ii) *Investing Activities*,

(iii) *Financing Activities*, and (iv) *Cash and Cash Equivalents*:

- |                        |   |
|------------------------|---|
| 1. Cash Sales          | 11. Cash paid to Creditors                |
| 2. Cash Purchase       | 12. Purchase of Machines                  |
| 3. Rent paid           | 13. Income Tax refund received            |
| 4. Cash-in-hand        | 14. Issue of Share Capital                |
| 5. Income Tax paid     | 15. Sale of Patents                       |
| 6. Office Expenses     | 16. Manufacturing Expenses                |
| 7. Balance at Bank     | 17. Purchase of Goodwill                  |
| 8. Sale of Machines    | 18. Short-term Deposits in Banks          |
| 9. Issue of Debentures | 19. Purchase of investments (non-current) |
| 10. Dividend paid      | 20. Cash received from Debtors            |

**Sol:** *Operating Activities: 1, 2,3,5,6,11,13,16 and 20; Investing Activities: 8,12,15,17 and 19;*

*Financing Activities:9,10and14; Cash and Cash Equivalents: 4,7 and18;*

Calculate Cash Flow from Operating Activities from the following details:

Particulars	31 <sup>st</sup> March, 2014 (Rs.)	31 <sup>st</sup> march, 2013(Rs.)
Surplus, i.e., balance in statement of P/L	3,00,000	2,00,000
Bills Receivable	1,80,000	1,40,000
Denpreciation	3.20.000	3.00.000



Particulars	Rs.
a) Depreciation on Fixed Assets	10,000
b) Amortization of Goodwill	5,000
c) Transfer to general Reserve	7,000
d) Profit on Sale Land	3,000

b. Following is the position of current assets and current liabilities:

Particulars	Closing Balance (Rs.)	Opening Balance (Rs.)
Trade Receivables	23,000	22,000
Trade Payables	10,000	15,000
Prepaid Expenses	4,000	6,000

(Cash Flow from Operating Activities is Rs. 2, 65,000.)

**Note:** Net Profit before Tax = Profit for the year + Transfer to General Reserve = Rs. 2, 50,000 + Rs. 7,000. = Rs. 2, 57,000

9. From the following information, calculate Cash Flow from Investing Activities:

Particulars (Rs.)	Closing Balance (Rs.)	Opening Balance
Machinery (at cost)	4,20,000	4,00,000
Accumulated depreciation	1,10,000	1,00,000
Patents	1,60,000	2,80,000

**Additional Information:**

During the year, a machine costing Rs.40,000 with its accumulated depreciation of Rs.24,000 was sold for Rs. 20,000. Patents were written off to the extent of Rs. 40,000 and some patents were sold at a profit of Rs.20,000. (Cash Flow from Investing Activities is Rs.60,000.)

10. From the following information, calculate Cash Flow from Financing Activities:

Particulars 2014 (Rs.)	31st March, 2013 (Rs.)	31st March,
Equity share capital	5,00,000	4,00,000
10% Debentures	1,00,000	1,50,000
Securities Premium Reserve	50,000	40,000

**Additional Information:** Interest Paid on debentures Rs. 10,000 (Cash



Net Profit for the Year	20,000
-------------------------	--------

[CFFOA – Rs. 32,000; CFFIA – Rs. 20,000; and CUIFA – Rs.[50,000]

**10. Following are the Balance Sheets of X Ltd. prepares Cash Flow Statement.**

Particulars	Note No.	31 <sup>st</sup> March, 2014 (Rs.)	31 <sup>st</sup> march, 2013 (Rs.)
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholder's Funds</b>			
Share Capital		25,00,000	20,00,000
Reserve and Surplus		2,30,000	1,00,000
<b>Current liabilities</b>			
Trade payables		4,50,000	7,00,000
<b>Total</b>		<b>31,80,000</b>	<b>28,00,000</b>

<b>ASSETS</b>			
<b>Non- current Assets</b>			
Fixed Assets-tangible Assets (land)		6,60,000	50,00,00
<b>Current Assets</b>			
Inventories		9,00,000	8,00,000
Trade Receivable		11,50,000	12,00,000
Cash and cash Equivalent		4,70,000	3,00,000
<b>Total</b>		<b>31,80,000</b>	<b>28,00,000</b>

**Notes to Accounts**

Particulars	31 <sup>st</sup> March, 2014 (Rs.)	31 <sup>st</sup> march, 2013(Rs.)
<b>Reserves and surplus</b>	2,30,000	1,00,000
Surplus, i.e., Balance in Statement of P/L		

[CUI OA – Rs. (1,70,000); CUIIA – Rs. (1,60,000); and CFFFA – Rs. 5,00,000

**From the given notes to accounts and Cash Flow Statement of Red Hot Dog Ltd**  
**Complete the Missing Figure:**



Additional information:

1. Depreciation charged on plant & Machinery for the year 2014-15 was Rs.1,75,000. During the year 2014-2015, plant and Machinery of Rs.7,25,000 was purchased.
2. Interest on Mortgage loan paid during the Year amounted to Rs.35,000.
3. Dividend paid during the year Rs.44,000.

**CASH FLOW STATEMENT**  
**For the year ended 31.03.2015**

Particulars	31.03.2015	31.03.2014
<b>A. Cash flow from Operating Activities</b>		
Net profit before tax		
Adjustments for :	.....	
Depreciation on plant and machinery	.....	
Interest on mortgage Loan	.....	.....
Operating profit before working capital changes	.....	
Add: decrease in current assets:	1,20,000	
Inventory		
Add: Increase in Current Liabilities:	.....	3,95,000
Trade Payables		.....
Less: Increase in Current Assets:		
Trade Receivables	.....	.....
Net cash from operating Activities	.....	.....
<b>B. Cash Flow from investing Activities:</b>	(.....)	
<b>Purchases of Plant and Machinery Net cash used in Investing Activities</b>	(.....)	(.....)
<b>C. Cash Flow from Financing Activities:</b>		
Proceeds from issue of shares	.....	
Proceeds from Mortgage Loan	1,50,000	

**MCQs on CASH FLOW STATEMENT**

1. As per Accounting Standard-3, Cash Flow is classified into
  - a) Operating activities and investing activities
  - b) Investing activities and financing activities
  - c) Operating activities and financing activities
  - d) Operating activities, financing activities and investing activities
  
2. Cash Flow Statement is also known as
  - a) Statement of Changes in Financial Position on Cash basis
  - b) Statement accounting for variation in cash
  - c) Both a and b
  - d) None of the above.
  
3. The objectives of Cash Flow Statement are
  - A) Analysis of cash position
  - B) Short-term cash planning
  - C) Evaluation of liquidity
  - D) Comparison of operating Performance
  
4. In cash flow statement, the item of interest is shown in
  - A) Operating Activities
  - B) Financing Activities
  - C) Investing Activities
  - a) Both A and B
  - b) Both A and C
  - c) Both B and C
  - d) A, B,C
  
5. Cash Flow Statement is based upon
  - a) Cash basis of accounting
  - b) Accrual basis of accounting
  - c) Credit basis of accounting
  - d) None of the above
  
6. Which of the following statements are false?





- C) Cash flow is a substitute for income statement  
 D) Cash flow statement is not a replacement of funds flow statement.
- a) Only A  
 b) Only B  
 c) Both B and C  
 d) Only D
8. Cash flow statement is based upon \_\_\_\_\_ while Funds Flow Statement recognizes \_\_\_\_\_.
- a) Cash basis of accounting, accrual basis of accounting  
 b) Accrual basis of accounting, cash basis of accounting  
 c) Both are based on cash basis of accounting  
 d) None of the above
9. Cash Flow Statement studies causes of change in working capital.
- a) True  
 b) False
10. \_\_\_\_\_ reconciles the opening cash balance with the closing cash balance of a given period on the basis of net decrease or increase in cash during that period.
- a) Cash Flow Statement  
 b) Funds Flow Statement  
 c) Both a and b  
 d) None of the above
11. Cash deposit with the bank with a maturity date after two months belongs to which of the following in the cash flow statement.
- a) Investing activities                      b) Financing activities  
 c) Cash and cash equivalent              d) Operating activities
12. Given salary expenses Rs 40,000, Outstanding in the beginning of the year: Rs 5,000 and outstanding at the end of the year Rs 10,000. Cash outflow on salary will be:
- a) Rs 45,000  
 b) Rs 35000  
 c) Rs55,000  
 d) Rs15,000
13. Which of the following are added to net profit after tax and extraordinary items to reach to net profit before tax and extraordinary items?



- b) Cash flow from financing activities
- c) Cash flow from operating activities
- d) None of the above

15. ABC Ltd had investment of Rs 68,000 as on 31.3.2013 and investment of Rs 56,000 as on 31.3.2019. During the year ABC Ltd sold 40% of its investments being held in the beginning of period at a profit of Rs 16,800. Determine cash flow from investing activities.

- a) Rs 59,200
- b) Rs 28,800
- c) Rs 72,800
- d) None of the above

16. Financing activities brings changes in

- a) Size and composition of owner's equities
- b) Borrowing of the enterprise
- c) Both a and b
- d) None of the above

17. Which of the following items is not considered as cash or cash equivalent?

- a) Cash on hand
- b) Demand deposit
- c) Bank borrowings
- d) Investment with a maturity of two months from the date of acquisition

18. In a statement of cash flows, a company investing in short-term financial investments and in fixed assets results in

- a) Increased cash
- b) Decreased cash
- c) Increased liabilities
- d) Increased equity

19) A company who issues bonds or stocks in result raised funds which finally

- a) Increases liabilities
- b) Increases equity
- c) Increases cash
- d) Decreases cash



23. Sale of machine costing Rs.70,000(accumulated depreciation Rs.40,000)is sold at a profit of 20%. The amount of cash inflow will be:

- (A) Rs.30,000(B)Rs.70,000 (C) Rs.36,000 (D)Rs.48,000

24. Which of the following transactions will result into flow of cash?

- (A) Cash withdrawn from bankRs.20,000.  
 (B) Issued Rs.20,000, 9% debentures for the vendors of machinery.  
 (C) Received Rs.19,000 from debtor  
 (D) Deposited cheques of Rs.10,000 into bank

25. Consider the following information available from the books of Neelima Ltd and ascertain the net cash from their operating activities.

Net profit for the year  
 Rs.27,000 Depreciation  
 Rs.4,000  
 Dividend received  
 Rs.20,000 Goodwill  
 written off Rs.3000

The cash from operations will be:

- (A)Rs.8,000 (B) Rs.6,000 (C) Zero (D) Rs.14,000

ANSWERS:

- 1) d 2) c 3) d 4)c 5)a 6)d 7) d 8) a 9) b 10) a 11)c 12) b 13) d 14) a 15) b 16) c 17)c  
 18) b 19) c 20) a 21)A 22)A 23)C 24)C25)D

**Fill in the Blanks**

- The principal revenue producing activities of the enterprise are classified as ..... activities while preparing cash flow statement
- Payment of interim dividend is..... Activity.
- Cash flow statement is prepared for..... term financial planning.
- State whether the issue of 9% debentures to vendors for the purchase of machinery of Rs.50,000 will result in inflow, out flow or no flow of cash?
- G Ltd purchased machinery of Rs.10,00,000, issuing a cheque of Rs.2,50,000 and 10% Debentures of Rs.7,50,000 to vendor. Outflow of cash from investing activity will be Rs.....

**ANSWERS**

- Operating Activities
- Financing Activity

**COMMON MISTAKES IN XII ACCOUNTANCY**

- There is difference between 7% and 7% p.a.(per annum)
- If the words like 'irrespective of months' or 'average period' have been used, number of months / days will be ignored.
- In the absence of provision in the partnership deed it is the rate of Interest on Loan which is 6% p.a. and not the Interest on Capital.
- Interest on Loan and Loan are never entered in the partners' capital accounts or current accounts but in separate partner's loan account.
- There is difference between charge against profit and appropriation of profit.
- There is difference between Profit and Loss Account and Profit and Loss Appropriation Account.
- Unless otherwise stated, fluctuating capital accounts of partners are to be prepared.
- When date of drawings is not given, Interest on Drawings should be calculated for 6 months.
- Short cut methods involving use of average time period for calculating Interest on Drawings are applied when the drawings are of equal amount made at equal intervals.
- There is difference between Profit and Loss Appropriation Account and Profit and Loss Adjustment Account. (Profit and Loss Adjustment Account is the other name of Revaluation Account.
- Always check if capitals are Fixed or Fluctuating as in case of Fixed capital, entry has to be passed using Partner's Current Account.
- Burden of guarantee is borne by the partners giving the guarantee.
- There is difference between goodwill withdrawn and goodwill written off.
- While using the formula for calculating sacrifice ratio if you get the answer in negative it means the partner is gaining, while using the formula for calculation of gaining ratio you get the answer in negative it means the partner is losing or sacrificing. Negative sacrifice is gain and negative gain is sacrifice.
- While calculating value of Goodwill Abnormal Losses are added to profit and Abnormal Profits are deducted. While calculating sacrifice ratio check the words 'of' and 'from'.



- There is difference between securities premium account and premium on redemption of debentures account.
- When bank account is to be prepared in case of share capital topic, there is no need of passing bank related journal entries.
- Debenture redemption reserve account is not required in case of fully convertible debentures.
- Interest on own debentures is not paid in cash/bank, only accounting entry is to be shown.
- At the time of forfeiture of shares, Securities premium reserve account should be debited (to be cancelled) only if the premium has been called but not received.
- In case of forfeiture of shares allotted on pro-rata basis shares applied/ shares allotted must be considered properly while preparing working notes.
- In the absence of information about paid up value for reissue of forfeited shares, called up value at the time of forfeiture is taken as paid up value i.e. the amount to be credited to share capital account on reissue.
- There is difference between the use of own debentures account and Investment in own debentures account.
- % of discount/premium must be calculated on 10/100/500 etc. with care.
- number of shares/debentures issued or redeemed must be seen properly.
- In case of reissue of forfeited shares, forfeiture account should be sent to the capital reserve only for the reissued shares

## XII ACCOUNTANCY -KEY TERMS

SN	BASIC TERMS	MEANING
<b>UNIT 1. FINANCIAL STATEMENTS OF NOT-FOR-PROFIT ORGANIZATIONS</b>		
1	<b>Not-For-Profit Organization</b>	Non-profit organizations are those organizations which are established for a Social/Charitable/Cultural purpose & not for earning profit. They render services for the promotion of Art, Culture, Sports, Education & Healthcare etc.
2.	<b>Receipts &amp;</b>	Receipts and Payments Account is a report of Cash and Bank

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		donation received for the construction of the building.
7	<b>Grants</b>	Grants are an aid issued by any Govt. agency to any Not-for profit organization for specific purpose or general purpose.
8	<b>Legacy</b>	Legacy represents the amount or property received by organization under a will on death of the contributors.
9	<b>Fund based Accounting</b>	Fund Based Accounting refers to the accounting whereby receipt and income pertaining to a particular fund are credited to that particular fund and payments and expenses are debited to it. These funds are created for some specific purposes such as prize fund, building fund, sports fund etc. Thus, a separate accounting is needed for these specific funds. This type of accounting is called Fund based accounting.
10	<b>Entrance Fees</b>	Entrance fee is called admission fee. It refers to the amount received from the persons for becoming members. It is a fee paid by members at the time of joining a not-for-profit organization. Generally Entrance fees are <b>treated as income</b> .
11	<b>Life Membership Fee</b>	Life membership fee is the fee received from those members who do not pay periodic fee or subscription but pay a lump sum amount to become life time members.(i) These members are generally permanent members. (ii) Life membership fees can be <b>added to capital fund or separately on the liabilities side of Balance sheet</b> .
12	<b>Endowment Fund</b>	This fund is created from the bequest, legacy or gifts received by the Not-for-profit organization. These funds are <b>invested outside</b> . The <b>income from the investment</b> of such funds is used for some <b>specific purposes only</b> .
13	<b>Honorarium :</b>	Honorarium is an amount paid to a person (other than employee) for rendering some special services for Not-for-profit organization. It is treated as an <b>expense of Not-for-profit organization</b> .
14	<b>Capital Fund / General Fund</b>	The excess of assets over the liabilities for a profit earning <i>organisationis</i> termed as <i>capital</i> and the same for an <i>NPO</i> is termed as <i>capital fund</i> . A <i>general fund</i> is the primary <i>fund</i> used by a <i>NPO</i> . This <i>fund</i> is used to record all resource inflows and outflows that are not associated with special- purpose <i>funds</i> . The activities being paid for through the <i>general fund</i> constitute the core administrative and operational tasks of the <i>NPO</i> .
15	<b>Surplus</b>	It is the Excess of Income over Expenditure and transferred to Capital fund
16	<b>Deficit</b>	It is the Excess of expenditure over income and deducted from Capital fund
17	<b>Accrual Basis of Accounting</b>	Under this system of accounting, revenue and expenses are recorded when they are recognized i.e., Income is recorded as Income when it is accrued (when transaction takes place) irrespective of fact whether cash is received or not. Similarly, expenses are recorded when they are incurred or become due and not when the cash is paid for them.



18	<b>Revenue Expenditure:</b>	Expenses needed for the day-to-day running of the business.
19	<b>Capital Expenditure</b>	An expenditure which results in the acquisition of permanent asset in the business for the purpose of earning revenue, is known as <i>capital expenditure</i> .
20	<b>Restricted Fund</b>	A <b>restricted fund</b> is a reserve of money that can only be used for specific purposes. <b>Restricted funds</b> provide reassurance to donors that their contributions are used in a manner they have chosen.
21	<b>Unrestricted fund</b>	<b>Unrestricted funds</b> are donations the nonprofit may use for any purpose.
<b>UNIT 2.ACCOUNTING FOR PARTNERSHIP FIRMS-FUNDAMENTALS</b>		
22	<b>Partnership</b>	Partnership is the relation between persons who have agreed to share the profits of a business carried on by all or any of them acting for all.
23	<b>Partners and firm</b>	Persons who have entered into partnership with one another are called individually partners and collectively a firm, and the name under which their business is carried on is called the firm name.
24	<b>Partnership Deed</b>	The document which contains terms and conditions of partnership is known as <i>Partnership Deed</i>
25	<b>Fixed capital account</b>	The <b>capital</b> of the partner shall remain <b>fixed</b> unless additional <b>capital</b> is introduced or a part of the <b>capital</b> is withdrawn.
26	<b>Fluctuating Capital</b>	Capital account of partner will not remain fixed rather it will keep fluctuating from time to time. In this all the entries related to drawings, interest on capital and share of profit and loss of partner are recorded in capital account, hence in this method there is no need for current account.
27	<b>Partner Current Account</b>	Partner current account is prepared when capital is fixed. Transactions such as drawings, salary, and <b>interest</b> on capital and drawings are recorded. The balance of this account fluctuates every year. The balance can be both credit or debit.
28	<b>Profit And Loss Appropriation Account</b>	The <i>profit and loss appropriation account</i> is an extension of the <i>profit and loss account</i> . The main intention of preparing a <i>profit and loss appropriation account</i> is to show the distribution of profits among the partners after appropriations in respect of partners' salary, commission, interest on capital, Interest on drawings, reserve, if any.



31	<b>Guarantee Of Profit</b>	<b>Guarantee</b> means the surety of a particular amount of <b>profits</b> by one or more partners and in some cases by the firm, where the burden of <b>guarantee</b> is borne by the party providing such a <b>guarantee</b> .
32	<b>Goodwill</b>	An amount representing the added value to a business of such factors as customer loyalty, reputation, market penetration, and expertise.
33	<b>Average Profits Method</b>	Under this <b>method</b> , goodwill is calculated on the basis of the <b>average</b> of certain agreed number of past years' <b>profits</b> . The <b>average</b> is then multiplied by the agreed number of years of purchase.
34	<b>Super profit method</b>	<b>Super profit</b> is the excess of average <b>profits</b> over normal <b>profits</b> . Under this <b>method</b> , goodwill is calculated on the basis of <b>super profits</b> . Normal rate of return on the capital employed is compared with the actual average <b>Profits</b> to find out the <b>super profits</b> .
35	<b>Capitalization Method</b>	Goodwill, under this <b>method</b> , is ascertained by deducting the actual capital employed from the <b>capitalized</b> value of average profits. Goodwill can be calculated by capitalising super profit i.e super profit X 100/ NRR
<b>UNIT 3. RECONSTITUTION OF A PARTNERSHIP FIRM</b>		
36	<b>Reconstitution of a Partnership Firm</b>	It means a change in the nature of relationship amongst members, effected through a fresh agreement under which the existing business continues.
37	<b>Sacrificing Ratio</b>	The <b>ratio</b> in which the existing partners agree to <b>sacrifice</b> their share of profits in favour of the incoming <b>partner</b> is called the sacrificing <b>ratio</b> .
38	<i>Gaining ratio</i>	<i>Gaining ratio</i> is calculated at the time of retirement or death of a partner. It is the <i>ratio</i> in which the remaining partners acquire the outgoing partner's share of profit
39	<b>New profit sharing ratio</b>	The ratio in which the partners are to share the profits in future on reconstitution is known as New profit sharing ratio.
40	<i>Premium for goodwill</i>	<i>Premium for goodwill</i> means amount to be paid by new partner for gaining a share in the <i>goodwill</i> of the firm.
41	<b>Revaluation Account</b>	<b>Revaluation Account</b> is prepared only when there is any change in the value of asset and liabilities of the partnership firm, at the time of admission, retirement and death of a partner





44	<b>Hidden goodwill</b>	<p><b>Hidden goodwill</b> is the excess of desired total capital of the firm over the actual combined capital of all partners.                      Value of <b>Hidden Goodwill</b> =Capitalised value of firm -Net worth.  <i>Capitalised value of firm = Capital of new partner ×Reciprocal of new partner's share</i>  <i>Net worth = Total capital of new firm (including new partner's capital) + accumulated profits and reserves ( if any ).</i></p> <p>If a firm agrees to pay a sum which is more than retiring partner's balance in capital also after making all adjustment with respect to resaves, revaluation of assets and liabilities etc. then excess amount paid is treated as his share of goodwill (known as hidden goodwill).</p>
45	<b>Executor</b>	<p>An <i>Executor</i> is a person named in the will of a deceased person to administer his estate after his death. The <i>executor</i> derives title and authority from the will for the purpose of administration of the property of the deceased.</p>
46	<b>Employee Provident Fund</b>	<p>The <b>Employee Provident Fund</b>, popularly known as <b>PF</b> is the retirement saving scheme available to all the salaried employees, is backed by the government on which fixed interest is paid. <i>Employee Provident Fund is a statutory liability under Employees Provident fund Act therefore it cannot be distributed among partners.</i></p>
47	<b>Dissolution of a firm</b>	<p>Dissolution of a firm means that the firm closes its business and comes to an end.</p>
48	<b>Realization Account:</b>	<p>In the event Of dissolution of a firm, all its assets are sold away and liabilities are paid off. A <i>Realization Account</i> is opened in order to find profit or loss on realisation of assets and making payment of liabilities.</p>
49	<b>Realisation Expenses</b>	<p>Those expenses which have been occurred in the process of doing realisation.</p>
50	<b>Unrecorded assets</b>	<p>Assets which are not shown in the books of accounts.</p>
<b>UNIT 4. ACCOUNTING FOR COMPANIES</b>		
51	<b>One Person Company</b>	<p>Section 2 (62) of the Companies Act, 2013 states one person company is a company which has only one person as a member. Rule 3 of the Companies (In Corporation) Rules, 2014 provides that (i) only on Indian citizen resident in India can form one person company (ii) Its paid up capital is not more than 50 lakhs; (iii) Its Average annual turnover should not exceed Rs. 2 crores; (iv) It cannot carry out Non banking financial Investment activities.</p>
52	<b>Share</b>	<p>A share is unit of capital. <i>Shares</i> represent ownership of a <i>company</i></p>
53	<b>Share capital</b>	<p>Capital raised by issue of shares is called share capital. <b>Share capital</b> is the money invested in a <b>company</b> by the shareholders.</p>
54	<b>Authorized Capital</b>	<p>Registered, Authorized or Nominal Capital is the maximum amount of share capital which a company can raise by way of public subscription. It is stated in Memorandum of Association.</p>



55	<b>Preference shares</b>	The shares which get preferential right in respect of : (a) Right of dividend (b) Repayment of capital on winding up of the company.
56	<b>Equity shares</b>	The shares which are not preference shares are called equity shares
57	<b>Minimum Subscription</b>	It is the minimum amount stated in the prospectus that must be subscribed by the public before an allotment of any security is made.
58	<b>Issued Capital</b>	This is part of authorized capital which is offered to public for subscription.
59	<b>Subscribed Capital</b>	It is that part of “issued capital” for which applications are received from the public. The subscribed capital is allotted to the respective subscribers as per resolution passed by the directors of the company.
60	<b>Called Up Capital</b>	It is the amount of nominal value of shares that has been called up by the company for payment by the subscriber towards the share.
	<b><i>Calls In arrears</i></b>	It is the amount which defaulter shareholders have not paid on the amount called up by company.
	<b>Calls in advance</b>	It is the amount which is received in <b>advance</b> before the amount is due from shareholders. <b>Calls in advance</b> is adjusted in future at the time of relevant call.
61	<b>Paid Up Capital</b>	It is part of called up capital that the members of company or shareholders have paid.
62	<b>Reserve Capital</b>	It is part of portion of uncalled share capital of a company which can be called only in case of winding up of the company. It is not shown in balance sheet.
63	<b>Capital Reserve</b>	It is capital profit not available for distribution as dividend. It is represented in balance sheet of company as Reserves and Surplus under the heading Shareholder’s Funds.
64	<b>Issues of Shares at Par</b>	It is issue of share at face value.
65	<b>Issues of Shares at Premium</b>	It is issue of share at more than face value.



69	<b>ESOP</b>	Employee stock option plan is an option given by the company to its employees to subscribe to the shares of the company at predetermined price which is less than market price. It will create a sense of belongingness among employees. They will feel committed towards the company. It is a kind of non cash incentive to the employee.
70	<b>Over Subscription</b>	<b>Over Subscription of Shares</b> When the number of shares applied for, is more than the number of shares offered for subscription, the shares are said to be oversubscribed.
71	<b>Under Subscription</b>	<b>Under Subscription of Shares</b> When the number of shares applied for, is less than the number of shares offered to the public, the shares are said to be under subscribed.
72	<b>Private placement of shares</b>	The <i>private placement of shares</i> is issuance of <i>securities</i> of a Company to a selected individual, group of individuals, corporates or group of corporates.
73	<b>Debenture</b>	It is a document issued by a company under its common seal acknowledging the debt and it also contains the terms of repayment of debt and payment of interest at a specified rate.
74	<b>Redeemable Debentures</b>	Redeemable debentures are those which are redeemed or paid off after the termination of fixed term.
75	<b>Convertible debentures</b>	<b>Convertible debentures</b> , which can be converted into equity shares of the issuing company after a predetermined period of time.
76	<b>Secured debentures</b>	<b>Secured debentures</b> are <b>debentures secured</b> by a charge on the fixed assets of the issuer company.
77	<b>Bearer debentures</b>	<b>Bearer debentures</b> are those which are payable to the <b>bearer</b> . These <b>debentures</b> are transferable by mere delivery. The register of <b>debenture</b> holders does not have the names of the <b>debenture</b> holder recorded.
78	<b>Registered debentures</b>	<b>Registered debentures</b> are recorded in the company's <b>debenture</b> -holders <b>register</b> with full details of every <b>debenture</b> holder.
79	<b>DRR</b>	A debenture redemption reserve is a provision that states that any Indian corporation that issues debentures must create a debenture redemption



<b>UNIT 5. FINANCIAL STATEMENTS ANALYSIS</b>		
82	<b>Employees Benefit Expenses</b>	It includes all expenses incurred by the company on its employees such as : (i) Wages, salaries, bonus etc. (ii) Leave encashment, staff welfare expenses, etc. (iii) Contribution to employees provident fund and other funds.
83	<b>Finance Cost</b>	It means cost incurred by a company on its borrowings i.e., debentures issued or loan taken by it.
84	<b>Financial Statements analysis</b>	Financial Statements analysis is a systematic process of studying the relationship among the various financial factors contained in the financial statements to have a better understanding of the working and the financial position of a business.
85	<b>Liquidity</b>	<b>Liquidity</b> is the ability to pay short-term obligations.
86	<b>Horizontal Analysis</b>	In this type of analysis, figure in the financial statements for two or more years are compared and analyzed. It helps in knowing the trends of the business over a period of time.
87	<b>Vertical Analysis</b>	In this type of analysis, figures in the financial statement for a single year are analysed. It involves the study of relationship between various items of Balance Sheet or statement of Profit & Loss of a single year or period. Ex: Common size statements ,ratio analysis
88	<b>Intra firm analysis</b>	In this type of analysis, figures in the financial statement for a single firm are analysed.
89	<b>Inter firm analysis</b>	In this type of analysis, figures in the financial statements of different firms are analysed.
90	<b>Comparative Statement</b>	Financial Statements of two years are compared and changes in absolute terms and in percentage terms are calculated. It is a form of Horizontal Analysis.
91	<b>Common Size statement</b>	Figures of Financial statements are converted it to percentage with respect to some common base.
92	<b>Ratio Analysis</b>	A <b>ratio analysis</b> is a quantitative <b>analysis</b> of information contained in a



### UNIT 6 . CASH FLOW STATEMENT

96	<b>Cash flow statement</b>	Cash flow statement is defined as a statement showing inflows and outflows of cash and cash equivalents from operating, investing and financing activities during a year.
97	<b>Cash equivalents</b>	Cash equivalents are short-term, highly liquid investment that are readily convertible into known amount of cash and which are subject to an insignificant risk of change in the value e.g. short-term investment, Short- term deposits, marketable securities, Treasury bills, commercial papers, money market funds, money market funds. Generally these investments have a maturity period of less than three months.
98	<b>Operating activities</b>	Operating activities are the main revenue generating activities of the enterprises. It also includes all those transactions which are not included in investing and financing activities.
99	<b>Investing activities</b>	Investing activities are those activities which related to the acquisition (buying) and disposal (selling) of fixed assets and investment (other than cash equivalents). It also includes income from fixed assets and investment like rent received, interest received on investment, dividend received on investment in shares and mutual funds.
100	<b>Financing activities</b>	Financing activities are those activities that result in the changes in size and composition of the share capital (equality and preference) and borrowed fund of the business enterprises. Generally cost related to these funds also included in financing activities like interest paid on loans and debentures and dividend paid on equity and preference capital.



FORMATS

Comparative Income Statement

Particulars	PY	CY	Absolute change (CY-PY)	% Change = $\frac{\text{Absolute change} \times 100}{\text{PY}}$
<b>i. Revenue from Operations</b>				
<b>ii. Other Income</b>				
<b>iii. Total Revenue (i+ii)</b>				
<b>iv. Expenses :</b>				
Cost of Materials Consumed				
Purchases of Stock-in-Trade				
Changes in inventories of Finished Goods				
Work-in-Progress and Stock-in-Trade				
Employees Benefits Expenses				
Finance Costs				
Depreciation and Amortization Expenses				
Other Expenses				
<b>Total Expenses</b>				
<b>v. Profit before Tax (iii – iv)</b>				
<b>vi. Tax</b>				
<b>vii. Profit after tax (v – vi)</b>				

Common Size Income Statement

Particulars	PY	CY	PY % = $\frac{\text{Component value} \times 100}{\text{Net Sales}}$	CY% = $\frac{\text{Component value} \times 100}{\text{Net Sales}}$
<b>i. Revenue from Operations</b>				
<b>ii. Other Income</b>				
<b>iii. Total Revenue (i+ii)</b>				
<b>iv. Expenses :</b>				
Cost of Materials Consumed				
Purchases of Stock-in-Trade				



## Comparative Balance Sheet

Particulars	PY	CY	Absolute change (CY-PY)	% Change = $\frac{\text{Absolute change}}{\text{PY}} \times 100$
<b>I. EQUITY AND LIABILITIES</b>				
<b>1. Share holders funds</b>				
(a) Share capital				
(b) Reserves and Surplus				
<b>2. Non-Current Liabilities</b>				
(a) Long-term borrowings				
(b) Other Long term liabilities				
(c) Long-term provisions				
<b>3. Current Liabilities</b>				
(a) Short-term borrowings				
(b) Trade payables				
(c) Other current liabilities				
(d) Short-term provisions				
<b>TOTAL</b>				
<b>II. ASSETS</b>				
<b>1. Non-Current Assets</b>				
(a) Fixed Assets				
(i) Tangible assets				
(ii) Intangible assets				
(iii) Capital work-in-progress				
(iv) Intangible assets under development				
(b) Non-current investments				
(c) Deferred tax assets (net)				
(d) Long-term loans and advances				
(e) Other non-current assets				
<b>2. Current Assets</b>				
(a) Current investments				
(b) Inventories				
(c) Trade receivables				
(d) Cash and cash equivalents				
(e) Short-term loans and advances				
(f) Other current assets				
<b>TOTAL</b>				



**Common Size Balance Sheet**

Particulars	PY	CY	PY % = $\frac{\text{Component}}{\text{Total Liabilities}} \times 100$	CY % = $\frac{\text{Component}}{\text{Total Liabilities}} \times 100$
<b>I. EQUITY AND LIABILITIES</b>				
<b>1. Share holders funds</b>				
(a) Share capital				
(b) Reserves and Surplus				
<b>2. Non-Current Liabilities</b>				
(a) Long-term borrowings				
(b) Other Long term liabilities				
(c) Long-term provisions				
<b>3. Current Liabilities</b>				
(a) Short-term borrowings				
(b) Trade payables				
(c) Other current liabilities				
(d) Short-term provisions				
<b>TOTAL</b>				
<b>II. ASSETS</b>				
<b>1. Non-Current Assets</b>				
(a) Fixed Assets				
(i) Tangible assets				
(ii) Intangible assets				
(iii) Capital work-in-progress				
(iv) Intangible assets under development				
(b) Non-current investments				
(c) Deferred tax assets (net)				
(d) Long-term loans and advances				
(e) Other non-current assets				
<b>2. Current Assets</b>				
(a) Current investments				
(b) Inventories				
(c) Trade receivables				
(d) Cash and cash equivalents				
(e) Short-term loans and advances				
(f) Other current assets				
<b>TOTAL</b>				

**Calculation Of Ratios**



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	2.Total Assets to Debt Ratio	$\frac{\text{Total Real Assets}}{\text{Debt}}$	Total real assets=Total assets-fictitious assets
	3.Proprietary Ratio	$\frac{\text{Shareholders funds}}{\text{Total Real Assets}}$	Shareholders' funds=Equity
	4.Interest Coverage Ratio	$\frac{\text{NPBIT}}{\text{Interest}}$	
Turnover	1.Inventory Turnover Ratio	$\frac{\text{Cost of Rev from Oper}}{\text{Average Inventory}}$	Cost of goods Sold=RFO-GP Average stock= $\frac{\text{Open Stock+Cl.Stock}}{2}$
	2.Receivables Turnover Ratio	$\frac{\text{Net Credit RFO}}{\text{Average Receivables}}$	Net Credit RFO =Total sales>Returns-Cash sales Average debtors= $\frac{\text{Op.Rec+Cl.Rec}}{2}$
	3.Payables Turnover Ratio	$\frac{\text{Net Credit Purchases}}{\text{Average Payables}}$	Net Credit Purchases =Total purchases>Returns-Cash purchases Average Payables= $\frac{\text{Op.Payables+Cl.Pay}}{2}$
	4.Working Capital Turnover Ratio	$\frac{\text{RFO}}{\text{Working Capital}}$	Working Capital=CA-CL
Profitability	1.Gross Profit Ratio	$\frac{\text{Gross Profit} \times 100}{\text{RFO}}$	GP= Net Sales-COGS
	2.Net Profit Ratio	$\frac{\text{Net Profit} \times 100}{\text{RFO}}$	
	3.Operating Ratio	$\frac{\text{CRFO+OperatExp} \times 100}{\text{RFO}}$	Operating Exp=Office and Adm Exp+ Selling and Distribution Exp
	4.Operating Profit Ratio	$\frac{\text{Operating Profit} \times 100}{\text{RFO}}$	Operating Profit=GP-Operating Exp or NP+Non-operating Exp- Non-operating profit
	5.Return on Investment Ratio	$\frac{\text{NPBIT} \times 100}{\text{Capital Employed}}$	Capital Employed=Debt+Equity

**ACCOUNTANCY**

**MODEL PAPER-I 2019-20**  
**CLASS: XII**  
**SUBJECT: ACCOUNTANCY (055)**  
**BLUE PRINT**

<b>Chapters</b>	<b>VSA 1 Mark</b>	<b>SA-I 3 Marks</b>	<b>SA-II 4 Marks</b>	<b>LA-I 6 Marks</b>	<b>LA-II 8 Marks</b>	<b>Total</b>
<b>Not for Profit Org.</b>	1	1		1		10
<b>Accounting for Partnership Firm</b>	8		2	1	1	30
<b>Accounting for Companies</b>	5	1	1		1	20
<b>Analysis of Financial Statements</b>	4		2			12
<b>Cash Flow Statement</b>	2			1		8
<b>Total</b>	20	2	5	3	2	(32)80



**KENDRIYA VIDYALAYA SANGATHAN**

**MODEL PAPER -I- 2019-20**

**CLASS: XII**

**SUBJECT: ACCOUNTANCY**

**TIME:3 HOURS**

**MAX. MARKS:80**

**General Instructions:**

- (i) This question paper contains two parts A and B
- (ii) Both Part A and Part- B are compulsory.
- (iii) All parts of the questions should be attempted at one place.
- (iv) Show your workings clearly wherever necessary.

**PART A: ACCOUNTING FOR NPO, PARTNERSHIP FIRMS AND COMPANIES**

**(60 MARKS)**

1.	Partnership deed is also called..... (a) Prospectus (b) Article of association (c) Principles of partnership (d) Articles of partnership	1
	D	
2.	Sacrificing ratio: (a) New ratio – old ratio (b) old ratio – new ratio (b) Old ratio – gaining ratio (d) gaining ratio – old ratio	1
	B	1
3.	A and B are partners sharing profits and losses in the ratio of 5:4. C is admitted for 1/5 <sup>th</sup> share. A and B decided to share equally in future. Sacrificing ratio will be: (a) 5:4 (b) 2:7 (c) 7:2 (d)1:1	1
	C	1
4.	An unrecorded asset was valued at RS 1,00,000. On firms dissolution, it was sold for 52%. Realisation account will be credited with: (a) Rs 52,000 (b) RS 48,000 (c) Rs 1,00,000 (d) none of the above.	1
	A	
5.	P,Q and R were partners sharing profits in the ratio 2:2:1. Q retires and the new profit sharing ratio of P and R will be 3:1. Gaining ratio will be: (a) 1:7 (b) 2:1 (c) 1:2 (d)7:1	



	D	
6.	Which of the following is NOT true in relation to goodwill? (a) It is an intangible asset (b) It is fictitious asset (c) It has a realisable value (d) none of the above.	
	B	1
7	When the balance sheet is prepared after the new partnership agreement, the asset and liabilities are recorded at: (a) Historical cost (b) Current cost (c) Realisable value (d) Re-valued figures.	1
	D	1
8	If date of drawings of the partner's is not given in the question, interest is charged for how much time (a) 1 month (b) 3 months (c) 6 months (d) 12months	1
	C	
9.	_____ Is accounted as a capital receipt and added to capital fund. It is not accounted as income because it is a one-time payment.	1
	Life membership Fee	
10	<b>Expand ESOP.</b>	1
	Employees Stock Option Plan	
11	Name the 'Uncalled Capital' which is called up only on winding up of the company	1
	Reserve Capital	
12	Debenture holders are treated as: a. Customers of the company b. Vendors of the company c. Owners/Shareholders of the company d. Lenders of the company	1
	D	
13	At what rate of interest company pays calls in arrear?	1



	10% p.a.																																				
14	The liability of share holders of a public limited company is limited to: A. paid up value of shares      B. nominal value of shares C. extent of private assets      D. called up share capital	1																																			
	B																																				
15	A company forfeited 500 shares of Rs.10 each issued at a premium of Rs. 3 per share, for nonpayment of first call money of Rs. 3 per share. The final call of Rs. 2 per share has not been made. Half of the forfeited shares were reissued at Rs. 2,500 fully paid. Pass the necessary journal entries in this respect.	3																																			
	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 40%;">Share capital A/c</td> <td style="width: 10%; text-align: center;">....Dr.</td> <td style="width: 10%;"></td> <td style="width: 10%; text-align: right;">4,000</td> <td style="width: 20%;"></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">To Share firstcall A/c</td> <td style="text-align: right;">1,500</td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">To Share forfeiture A/c</td> <td style="text-align: right;">2,500</td> <td></td> </tr> <tr> <td>Bank A/c</td> <td style="text-align: center;">.... Dr.</td> <td style="text-align: right;">2,500</td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">To Share capital A/c</td> <td style="text-align: right;">2,500</td> <td></td> </tr> <tr> <td>Share forfeiture A/c</td> <td style="text-align: center;">....Dr.</td> <td style="text-align: right;">1,250</td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">To capital Reserve A/c</td> <td style="text-align: right;">1,250</td> <td></td> </tr> </table> <p style="text-align: right; margin-right: 20px;">(1+1+1= 3 Marks)</p>	Share capital A/c	....Dr.		4,000				To Share firstcall A/c	1,500				To Share forfeiture A/c	2,500		Bank A/c	.... Dr.	2,500					To Share capital A/c	2,500		Share forfeiture A/c	....Dr.	1,250					To capital Reserve A/c	1,250		
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16	Calculate the amount of subscriptions outstanding from the following information for the year ending 2018-19: A club has 375 members each paying an annual subscription of Rs.1,000. Subscriptions outstanding on 31st March 2018 .....60,000 Subscriptions received in advance on 31st March2019 .....45,000 Subscription received in advance on 31stMarch2018 ..... 18,000 The Receipt and Payment Account showed a sum of Rs.3,97,500 received as subscriptions.	3																																			
	$3,97,500 + 18,000 - 45,000 - 60,000 = 3,10,500$ Total subscription due=375 X 1,000 =3,75,000 Subscription outstanding = 3,75,000 – 3,10,500 = 64,500																																				
17	The average net profits Expected of the firm in future are Rs. 68,000 per year and capital	4																																			



	<p>invested in the business by the firm is Rs. 3,50,000. The rate of interest expected from capital invested in this class of business is 12%. The remuneration of the partners is estimated to be Rs. 8,000 for the year. You are required to find out the value of goodwill on the basis of 2 years purchase of super profits.</p>																																									
	<p>Average profit = 68,000-8000 = 60,000                  Normal profit = 3,50,000 X 12/100 = 42,000                  Super profit= 60,000 - 42,000 =18,000                  Goodwill = 18,000 X 2 = 36,000</p>																																									
18	<p>X, Y and Z are partners sharing profits and losses in the ratio of 3:2:1. After the final accounts have been prepared, it was discovered that interest on drawings @ 5% p.a. had not been taken into consideration. The drawings of the Partners were: X Rs.15,000; Y Rs.12,600; Z Rs.12,000. Give the necessary adjusting journal entry.</p>	4																																								
	<p>Journal Entry</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Date</th> <th style="text-align: left;">Particulars</th> <th style="text-align: right;">Amt(Dr.)</th> <th style="text-align: right;">Amt(Cr.)</th> </tr> </thead> <tbody> <tr> <td></td> <td>Z's Capital A/c...Dr.</td> <td></td> <td style="text-align: right;">135</td> </tr> <tr> <td></td> <td style="padding-left: 20px;">To X's Capital A/c</td> <td></td> <td style="text-align: right;">120</td> </tr> <tr> <td></td> <td style="padding-left: 20px;">To Y's Capital A/c</td> <td></td> <td style="text-align: right;">15</td> </tr> <tr> <td></td> <td colspan="3" style="text-align: center;">(Int. on drawings omitted, Now Adjusted)</td> </tr> </tbody> </table> <table border="1" style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <thead> <tr> <th style="text-align: left;">Particulars</th> <th style="text-align: center;">X</th> <th style="text-align: center;">Y</th> <th style="text-align: center;">Z</th> <th style="text-align: center;">Total</th> </tr> </thead> <tbody> <tr> <td>Int. on Drawings to be charged @ 5% p.a. for 6 months (Dr.)</td> <td style="text-align: center;">375</td> <td style="text-align: center;">315</td> <td style="text-align: center;">300</td> <td style="text-align: center;">990</td> </tr> <tr> <td>adjustment of profits (Cr.)</td> <td style="text-align: center;">445</td> <td style="text-align: center;">330</td> <td style="text-align: center;">165</td> <td style="text-align: center;">990</td> </tr> <tr> <td>Net adj.</td> <td style="text-align: center;">120 Cr.</td> <td style="text-align: center;">15 Dr.</td> <td style="text-align: center;">135 Cr.</td> <td style="text-align: center;">-----</td> </tr> </tbody> </table>	Date	Particulars	Amt(Dr.)	Amt(Cr.)		Z's Capital A/c...Dr.		135		To X's Capital A/c		120		To Y's Capital A/c		15		(Int. on drawings omitted, Now Adjusted)			Particulars	X	Y	Z	Total	Int. on Drawings to be charged @ 5% p.a. for 6 months (Dr.)	375	315	300	990	adjustment of profits (Cr.)	445	330	165	990	Net adj.	120 Cr.	15 Dr.	135 Cr.	-----	
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19	<p>On 1<sup>st</sup> April,2017 the following balances appeared in the books of Vinod Limited:[4]</p> <p>12% Debentures (Redeemable on 31st August, 2019).....</p> <p>Rs.20,00,000      Debenture      Redemption      Reserve</p> <p>.....Rs.2,00,000</p> <p>The company met the requirements of Companies Act, 2013 regarding Debenture Redemption Reserve and Debenture Redemption Investments and redeemed the debentures. Ignoring interest on investments pass necessary journal entries for the above transactions in the books of the company.</p>	4																																								



**Journal Entries**

	Statement of P/L	3,00,000	
	To DRR		
	Debenture Redemption Investment A/C	Dr. 3,00,000	
	To Bank A/C		
	(Being Invested is made)		
	Bank A/c	Dr. 3,00,000	
	To Debenture Redemption Investment A/c (Being investment encashed)		
	12% Debentures A/c	Dr. 20,00,000	
	To Debenture holders A/c		
	(Being amount due to the debenture holders)		
	Debenture holders A/c	Dr. 20,00,000	
	To Bank A/c		
	(Being amount paid to debenture holders)		
	Debenture Redemption Reserve Dr.	5,00,000	
	To General Reserve		
	(Being DRR transferred to General Reserve)		
20	Following is the Receipt and Payment Account of You Bee Club for the year ended 31 <sup>st</sup> December, 2012:		6
	<b>Receipts</b>	<b>Rs.</b>	<b>Payments</b>
	To Balance b/d	15,000	By Salaries
	To Subscriptions:		By Office Expenses
			16,000
			3,500

**ACCOUNTANCY**



2011	6,000	By Sports Equipment	34,000
2012	35,000	By Telephone Charges	2,400
To Donations	5,000	By Electricity Charges	3,200
To Entrance Fees	8,000	By Travelling Expenses	6,500
		By Balance c/d	3,400
	<b>69,000</b>		<b>69,000</b>

**Additional Information:**

- (a) Outstanding Salaries Rs.4,000.
- (b) Outstanding Subscription for 2012 Rs.5,500.
- (c) Depreciate Sports Equipment by 25%.

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

**Income and Expenditure A/c for the year ended 31st December, 2012**

Expenditure	Rs.	Income	Rs.
To Salaries 16,000		By Subscriptions 35,000	
Add: outstanding 4,000	20,000	Add: Outstanding 5,500	40,500
To Office Expenses	3,500	By Donations	5,000
To Depreciation on Sports Equipments	8,500	By Entrance Fees	8,000
To Telephone Charges	2,400		
To Electricity Charges	3,200		
To Travelling expenses	6,500		
To Surplus	9,400		
	<b>53,500</b>		<b>53,500</b>

**(6 Marks)**

- 21 Ishu and Nishu are partners share profits and losses in the ratio of 3:2. They have decided to dissolve the firm. Assets and external liabilities have been transferred to Realisation A/c. Pass the Journal entries to effect the following:
- a) Bank Loan of Rs. 20,000 is paid off.
  - b) Ishu was to bear all expenses of realisation for which she is given a commission of Rs. 600.
  - c) Machinery worth Rs. 5,000 was taken over by Nishu at Rs.4,700.
  - d) Deferred Advertisement Expenditure A/c appeared in the books t Rs.10,000.
  - e) An unrecorded Machinery realized Rs.15,000
  - f) There was an outstanding bill for repairs for Rs. 2,100 which was paid off.

**Journal Entries**

a) Realisation A/c	....Dr.	20,000	
To Bank/Cash A/c			20,000





	<p>b) Realisation A/c <span style="float: right;">....Dr.</span> <span style="float: right;">600</span>  <span style="padding-left: 40px;">To Ishu's Capital A/c</span> <span style="float: right;">600</span></p> <p>c) Nishu's Capital A/c <span style="float: right;">....Dr.</span> <span style="float: right;">4,700</span>  <span style="padding-left: 40px;">To Realisation A/c</span> <span style="float: right;">4,700</span></p> <p>d) Ishu's Capital A/c <span style="float: right;">....Dr.</span> <span style="float: right;">6,000</span>  Nishu's Capital A/c <span style="float: right;">....Dr.</span> <span style="float: right;">4,000</span>  <span style="padding-left: 40px;">To Deferred Adv. Exp. A/c</span> <span style="float: right;">10,000</span></p> <p>e) Bank/Cash A/c <span style="float: right;">....Dr.</span> <span style="float: right;">15,000</span>  <span style="padding-left: 40px;">To Realisation A/c</span> <span style="float: right;">15,000</span></p> <p>f) Realisation A/c <span style="float: right;">....Dr.</span> <span style="float: right;">2,100</span>  <span style="padding-left: 40px;">To Bank/Cash A/c</span> <span style="float: right;">2,100</span></p>																																										
22	<p>P and R are partners sharing profits in the ratio of 3:2. On 31<sup>st</sup> March, 2012 their Balance Sheet was :</p> <table border="1" style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <thead> <tr> <th style="width: 35%; text-align: center;">Liabilities</th> <th style="width: 15%;"></th> <th style="width: 35%; text-align: center;">Assets</th> <th style="width: 15%;"></th> </tr> </thead> <tbody> <tr> <td>Capitals A/c's :</td> <td></td> <td>Furniture</td> <td style="text-align: right;">15,000</td> </tr> <tr> <td style="padding-left: 20px;">P : 35,000</td> <td></td> <td>Machinery</td> <td style="text-align: right;">33,000</td> </tr> <tr> <td style="padding-left: 20px;">R : <u>30,000</u></td> <td style="text-align: right;">65,000</td> <td>Stock</td> <td style="text-align: right;">23,000</td> </tr> <tr> <td>Workman Compensation Fund</td> <td style="text-align: right;">10,000</td> <td>Investments</td> <td style="text-align: right;">20,000</td> </tr> <tr> <td>Creditors</td> <td style="text-align: right;">36,000</td> <td>Debtors</td> <td style="text-align: right;">19,000</td> </tr> <tr> <td>Bank Loan</td> <td style="text-align: right;">9,000</td> <td>Less: PDD</td> <td style="text-align: right;"><u>2,000</u></td> </tr> <tr> <td></td> <td></td> <td>Cash</td> <td style="text-align: right;">17,000</td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;">12,000</td> </tr> <tr> <td></td> <td style="text-align: right;"><b>1,20,000</b></td> <td></td> <td style="text-align: right;"><b>1,20,000</b></td> </tr> </tbody> </table>	Liabilities		Assets		Capitals A/c's :		Furniture	15,000	P : 35,000		Machinery	33,000	R : <u>30,000</u>	65,000	Stock	23,000	Workman Compensation Fund	10,000	Investments	20,000	Creditors	36,000	Debtors	19,000	Bank Loan	9,000	Less: PDD	<u>2,000</u>			Cash	17,000				12,000		<b>1,20,000</b>		<b>1,20,000</b>	8	
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	<p>They decided to admit Q into the partnership for 1/4<sup>th</sup> share in the profits on the following terms:</p> <ol style="list-style-type: none"> <li>a) Q brings Rs. 23,450 as his Capital. He also brings Rs. 7,000 in cash as his share of Goodwill.</li> <li>b) Depreciate Stock by 5% and Furniture by 10%.</li> <li>c) An outstanding bill for repairs Rs. 1,000 will be brought in the books.</li> <li>d) Debtors are all good.</li> <li>e) Half of the investments were to be taken over by P and R in their profit sharing ratio at book value.</li> </ol>																																										



f) Bank loan is paid off.  
g) Partners agreed to share future profits in the ratio of 3:3:2.  
Prepare the Revaluation Account, Partners' Capital Accounts and the Balance Sheet of the new firm.

OR

Bhavin, Ankit and Kartik were equal partners. Their Balance Sheet as at 31<sup>st</sup> March 2012 was :

BALANCE SHEET as at 31<sup>st</sup> March, 2012

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

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

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

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



**Revaluation A/c**

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
Furniture	6,000	Land & Building	22,000
Rent Outstanding	1,500	Provision for bad debts	500
Capital A/c (profit)			
Bhavin   5,000			
Ankit     5,000			
Kartik   5,000	15,000		
	22,500		22,500

**Partner's Capital A/c**

Particulars	Bhavin	Ankit	Kartik	Particulars	Bhavin	Ankit	Kartik
Ankit's Cap. A/c	5,000	----	5,000	Balance b/d	60,000	40,000	30,000
Ankit's Loan A/c	----	67,000	----	Reserve	10,000	10,000	10,000
Balance c/d	72,000	----	42,000	Profit & Loss A/c	2,000	2,000	2,000
				Revaluation A/c	5,000	5,000	5,000
				Bhavin's Cap.	----	5,000	----
				Kartik's Cap. A/c	----	5,000	----
	77,000	67,000	47,000		77,000	67,000	47,000

**Balance Sheet of Bhavin and Kartik**

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Creditors	60,000	Cash	18,000
Rent Outstanding	1,500	Stock	20,000
Ankit's Loan A/c	67,000	Furniture	22,000
Capital A/c :		Debtors	40,500
Bhavin	72,000	Land and Building	1,42,000
Kartik	42,000		
	2,42,500		2,42,500





23	<p>XYZ limited invited Application for 1,00,000 equity shares of Rs.10 each at a premium of 25%. The amount was payable as follows:</p> <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 70%;">On application</td> <td style="text-align: right;">Rs.5</td> </tr> <tr> <td>On allotment</td> <td style="text-align: right;">Rs.5 (including premium)</td> </tr> <tr> <td>On First and Final Call</td> <td style="text-align: right;">Balance</td> </tr> </table> <p>Application for 1,50,000 shares were received. Pro rata allotment was made for all applicants. All the money was duly received except the allotment and first and final call on 200 shares held by Mr. K. His shares were forfeited. All the forfeited shares were reissued at Rs.9 per share fully paid. Pass journal entry in the books of company.</p> <p style="text-align: center;"><b>OR</b></p> <p>Saraswati Ltd. invited applications for 2,00,000 equity shares of Rs. 100 each issued at a premium of Rs. 10 per share. The amount was payable as follows:</p> <p>On application Rs. 40 (including premium), on allotment Rs. 30 per share and the balance on first and final call.</p> <p>Applications for 3,00,000 shares were received. Applications for 40,000 shares were rejected and pro-rata allotment was made to the remaining applicants. Over payment on applications were adjusted towards sums due on allotment. Jasmeet who was allotted 2,000 shares failed to pay the allotment and first and final call money. Her shares were forfeited. The forfeited shares were reissued at Rs. 90 per share fully paid-up to Somali. Pass the journal entries in the books of the company.</p>	On application	Rs.5	On allotment	Rs.5 (including premium)	On First and Final Call	Balance	8																		
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On allotment	Rs.5 (including premium)																									
On First and Final Call	Balance																									
	<table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 40%;">a) Bank A/c</td> <td style="width: 20%; text-align: center;">....Dr.</td> <td style="width: 40%; text-align: right;">7,50,000</td> </tr> <tr> <td style="padding-left: 20px;">To Share application A/c</td> <td></td> <td style="text-align: right;">7,50,000</td> </tr> <tr> <td>b) Share application A/c</td> <td style="text-align: center;">....Dr.</td> <td style="text-align: right;">7,50,000</td> </tr> <tr> <td style="padding-left: 20px;">To Share capital A/c</td> <td></td> <td style="text-align: right;">5,00,000</td> </tr> <tr> <td style="padding-left: 20px;">To Share allotment A/c</td> <td></td> <td style="text-align: right;">2,50,000</td> </tr> <tr> <td>c) Share allotment A/c</td> <td style="text-align: center;">....Dr.</td> <td style="text-align: right;">5,00,000</td> </tr> <tr> <td style="padding-left: 20px;">To Share Capital A/c</td> <td></td> <td style="text-align: right;">2,50,000</td> </tr> <tr> <td style="padding-left: 20px;">To Securities premium</td> <td></td> <td style="text-align: right;">2,50,000</td> </tr> </table>	a) Bank A/c	....Dr.	7,50,000	To Share application A/c		7,50,000	b) Share application A/c	....Dr.	7,50,000	To Share capital A/c		5,00,000	To Share allotment A/c		2,50,000	c) Share allotment A/c	....Dr.	5,00,000	To Share Capital A/c		2,50,000	To Securities premium		2,50,000	
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d) Bank A/c	....Dr.	2,49,500	
To Share allotment A/c		2,49,500	
e) Share First & Final call A/c....Dr.		2,50,000	
To Share Capital A/c		2,50,000	
f) Bank A/c	....Dr.	2,49,500	
To Share Share First & Final all A/c		2,49,500	
g) Share capital A/c ....Dr.		2,000	
Securities premium ....Dr.		500	
To Share Forfeiture A/c		1,500	
To Calls in arrear A/c		1,000	
h) Bank A/c	....Dr.	1,800	
Share forfeiture A/c .....Dr.		200	
To Share Capital A/c		2,000	
i) Share Forfeiture A/c	....Dr.	1,300	
To Capital Reserve A/c		1,300	
(1 mark for each correct entry)			
<b>OR</b>			
<b>Journal entries in the books of Saraswati Ltd.</b>			
Bank A/c	....Dr.	1,20,00,000	
To Share Application A/c		1,20,00,000	(½)
Share Application A/c	....Dr.	1,20,00,000	
To Share Capital A/c		60,00,000	
To Securities Premium A/c		20,00,000	
To Share Allotment A/c		24,00,000	

ACCOUNTANCY



<u>To Bank A/c</u>	16,00,000	(½)
Share Allotment A/c	.... Dr.60,00,000	
<u>To Share Capital A/c</u>	60,00,000	(1)
Bank A/c	.... Dr.35,64,000	
<u>To Share Allotment A/c</u>	35,64,000	(1)
<b>OR</b>		
Bank A/c	.... Dr.79,20,000	
<u>To Share First and Final Call A/c</u>	79,20,000	(1)
or		
Share Capital A/c	....Dr. 2,00,000	
To Share Allotment A/c	36,000	
To Share First and Final Call A/c	80,000	
<u>To Share Forfeiture A/c</u>	84,000	(1)
or		
Share Capital A/c	....Dr. 2,00,000	
To Calls in Arrear A/c	1,06,000	



	<p style="text-align: right;"><u>To Share Forfeiture A/c</u> <span style="float: right;">84,000</span></p> <p>Bank A/c <span style="float: right;">....Dr. 1,80,000</span></p> <p>Share Forfeiture A/c <span style="float: right;">....Dr. 20,000</span></p> <p style="text-align: right;"><u>To Share Capital A/c</u> <span style="float: right;">2,00,000 (1)</span></p> <p>Share Forfeiture A/c <span style="float: right;">....Dr. 64,000</span></p> <p style="text-align: right;"><u>To Capital Reserve A/c</u> <span style="float: right;">64,000 (1)</span></p>	
	<b>PART B: FINANCIAL STATEMENTS ANALYSIS</b>	
	<b>(20 MARKS)</b>	
24	State whether cash deposited in bank will result in inflow, outflow or no flow of cash while preparing Cash Flow Statement.	1
	No Flow	
25	Under which type of activity will you classify 'Sale of shares of another company' while preparing the Cash Flow Statement.	1
	Investing Activity.	
26	Which of the following is not the Tool of Financial Statement Analysis (a) Common Size Statement (b) Revaluation A/c (c) Cash Flow Statement (d) Accounting Ratio	1
	B	
27	Under which Major head and sub head in balance sheet of company one can show Debentures (a) Share holder fund and Share Capital (b) Non Current Liability and Other Non-Current Liability (c) Non Current Liability and Long Term Borrowing (d) Current Liability and Other Current Liability	1
	C	
28	The process of comparing various financial factors of a company over a period of time is known as ..... (A) Inter-firm comparison (B) Ratio Analysis (C) Intra-firm comparison (D) Inter-industry comparison	1





	C	
29	A business had its current ratio of 3:1. If they pay some of their current liability then it will _____ their Current Ratio.	1
	Increase	
30	<p>The current liabilities of a company are Rs. 3, 50, 000. Its Current ratio is 3 and liquid ratio is 1.75. Calculate the amount of Current assets, Liquid assets and Inventory.</p> <p style="text-align: center;"><b>OR</b></p> <p>A company's Stock Turnover Ratio is 5 times; Stock at the end is Rs. 10,000 more than that in the beginning. Sales (all credit) are Rs. 4,00,000. Rate of Gross Profit on cost <math>\frac{1}{4}</math>. Current Liabilities Rs. 1,20,000; Quick Ratio 0.75. Calculate the amount of Current Assets.</p>	4
	<p>Current Ratio = current assets / current liabilities</p> $3 = \text{current assets} / 3, 50,000$ <p>Current assets = <math>3 \times 3,50,000</math></p> $= 10, 50,000$ <p>Liquid ratio = liquid assets / current liabilities</p> $1.75 = \text{liquid assets} / 3, 50,000$ <p>Liquid assets = <math>1.75 \times 3, 50,000</math></p> $= 6, 12,500$ <p>Stock = current assets – liquid assets</p> $= 10, 50,000 - 6, 12,500$ $= 4, 37,500$ <p style="text-align: center;"><b>OR</b></p> <p>Average Stock = Rs. 64,000 (1/2M)</p> <p>Quick Assets = Rs. 90,000</p> <p>Opening Stock = Rs. 59,000 (1/2M)</p> <p>Current Assets = Rs. 1,59,000 (2 ½M)</p> <p>Closing Stock = Rs. 69,000 (1/2M)</p>	
31	From the following information of sun Ltd., prepare a comparative income statement:	

**ACCOUNTANCY**



Particulars	2018	2019		
Revenue from operations	8,00,000	9,00,000		
Gross profit	40% on sales	50% on sales		
Administrative expenses	20% of gross profit	15% of gross profit		
Income tax	50%	50%		
<b>Comparative Income statement</b>				
Particulars	2018	2019	Absolute Change	% Change
Revenue from operations	8,00,000	9,00,000	1,00,000	12.50
Less: cost of Revenue from operations	4,80,000	4,50,000	30,000	6.25
Gross profit	3,20,000	4,50,000	1,30,000	40.63
Less Administrative expenses	64,000	67,500	3,500	5.47
Net profit before tax	2,56,000	3,82,500	1,26,500	49.41
Less: Income tax	1,28,000	1,95,250	63,250	49.41
Net profit after Tax	1,28,000	1,95,250	63,250	49.41
(Provide ½ for each correct step)				



The summarized Balance Sheets of Samridhi Ltd. as at 31 <sup>st</sup> March 2014 and 2015 are :						
		Particulars	Note No.	31.03.2014	31.03.2015	
32	<b>EQUITY AND LIABILITIES</b>					
	1. Shareholders' Funds					
	Share Capital				4,50,000	4,50,000
	Reserves and Surplus :					
	General Reserve				3,00,000	3,10,000
	Balance of Statement of P/L				56,000	68,000
	2. Non-Current Liabilities					
	Mortgage Loan				--	
	3. Current Liabilities					
	Trade Payables (Creditors)				1,68,000	1,34,000
	Short term provisions :Provision for Taxation				75,000	10,000
	<b>TOTAL</b>				<b>10,49,000</b>	<b>12,42,000</b>
	<b>ASSETS</b>					
	1. Non Current Assets					
	Fixed Assets(Tangible)				4,00,000	3,20,000
Non-Current Investments				50,000	60,000	
2. Current Assets						
Inventories(Stock)				2,40,000	2,10,000	
Trade Receivable (Debtors)				2,10,000	4,55,000	
Cash and Cash Equivalents				1,49,000	1,97,000	



<b>TOTAL</b>		<b>10,49,000</b>	<b>12,42,000</b>
<p><b>Additional Information :</b></p> <p>Investment costing Rs. 8,000 were sold during the year 2014-15 for Rs. 8,500</p> <p>a) Tax paid during the year was Rs.74,000</p> <p>b) During the year, part of the fixed assets costing Rs. 10,000 was sold for Rs. 12,000 and the profit was included in Statement of Profit and Loss.</p> <p>You are required to prepare the Cash Flow Statement.</p>			
<p><b><u>Cash Flow Statement</u></b></p> <p>Working Notes :</p>			
Fixed Assets A/c			
Balance b/d	4,00,000	Cash (Sale)	12,000
Profit & Loss A/c (profit)	2,000	Depreciation (Bal. Fig)	70,000
		Balance c/d	3,20,000
	4,02,000		4,02,000
(1 mark)			
Investments A/c			
Balance b/d	50,000	Cash (Sale)	8,500
Profit & Loss A/c (profit)	500	Balance c/d	60,000
Cash (Purchase) (Bal fig.)	18,000		
	68,500		68,500
(1 mark)			

Particulars	Amount (Rs.)	Amount (Rs.)
<b>Cash Flow from Operating Activities :</b>		
<b>Profit Before Tax</b>		<b>31,000</b>
<b>Add : <u>Non Cash &amp; Non Operating Exps</u></b>		
Depreciation		केन्द्रीय विद्यालय संभार <u>70,000</u>
		<b>1,01,000</b>
<b>Less : <u>Non Operating Income</u></b>		
Profit on sale of Fixed Assets	2,000	
Profit on sale of Investments	<u>500</u>	<u>2,500</u>
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>		<b>98,500</b>
<b><u>Changes in Working Capital :</u></b>		
Decrease in Creditors	(34,000)	
Increase in Debtors	(2,45,000)	
Decrease in Stock	<u>30,000</u>	<u>(2,49,000)</u>
<b>CASH USED IN OPERATING ACTIVITIES</b>		<b>(1,50,500)</b>
<b>Less : Tax Paid</b>	<u>74,000</u>	
<b>NET CASH FLOW FROM OPERATING ACTIVITY</b>		<b>(2,24,500)</b>
<b><u>Cash Flow from Investing Activity :</u></b>		
Sale of Fixed Asset	12,000	
Sale of Investments	8,500	
Purchase of Investments	<u>(18,000)</u>	
<b>NET CASH FLOW FROM INVESTING ACTIVITY</b>		<b>2,500</b>
<b><u>Cash Flow from Financing Activity :</u></b>		
Raising of Loan	<u>2,70,000</u>	
<b>NET CASH FLOW FROM FINANCING ACTIVITY</b>		<b>2,70,000</b>
<b>NET CASH INCREASE</b>		<b>48,000</b>
<b>Add : Opening Balance of Cash and Cash Equivalents</b>		<b>1,49,000</b>
<b>Closing Balance of Cash and Cash Equivalents</b>		<b>1,97,000</b>

**ACCOUNTANCY**

**KENDRIYA VIDYALAYA SANGTHAN**  
**MODEL PAPER-II 2019-20**  
**CLASS: XII**  
**SUBJECT: ACCOUNTANCY (055)**  
**BLUE PRINT**

UNITS		VSA (1M)	SA (3M)	SA (4M)	LA (6M)	LA (8M)	TOTAL
PART A	<b>ACCOUNTING FOR NOT FOR PROFIT ORGANISATION, PARTNERSHIP FIRMS AND COMPANIES</b>						
UNIT 1	FINANCIAL STATEMENT OF NOT FOR PROFIT ORGANISATION	1(1)	1(3)		1(6)		<b>3(10)</b>
UNIT 2	ACCOUNTING FOR PARTNERSHIP FIRMS	8(1)		2(4)	1(6)	1(8)	<b>12(30)</b>
UNIT 3	ACCOUNTING FOR COMPANIES	5(1)	1(3)	1(4)		1(8)	<b>8(20)</b>
PART B	<b>FINANCIAL STATEMENT ANALYSIS</b>						
UNIT 4	ANALYSIS OF FINANCIAL STATEMENTS	4(1)		2(4)			<b>6(12)</b>
UNIT 5	CASH FLOW STATEMENT	2(1)			1(6)		<b>3(8)</b>
		20(1)	2(3)	5(4)	3(6)	2(8)	<b>32(80)</b>

**ACCOUNTANCY**

**KENDRIYA VIDYALAYA SANGTHAN**  
**MODEL PAPER-II 2019-20**  
**CLASS: XII**  
**SUBJECT: ACCOUNTANCY (055)**

TIME:3HRS

MM: 80

## PART A:

Q.1	D Ltd invited applications for issuing 10, 00,000 equity shares of Rs 10 each. The public applied for 8, 50,000 shares. The company can proceed for the allotment of shares. State TRUE OR FALSE	[1]
Q 2	Interest on capital is calculated on the: (a) Opening capital (b) Closing capital (c) Average Capital (d) Closing capital less drawings.	[1]
Q 3	If date or drawings of the partner is not giving in the questions interest is charged for how much time? (a) 1 month (b) 3 months (c) 6 months (d) 12 months	[1]
Q 4	Amount collected as premium on securities cannot be utilised for: A) Issuing fully paid bonus shares to the members B) Purchase of fixed assets C) Writing off preliminary expenses D) Premium payable on redemption of preference shares	[1]
Q 5	Give two circumstances in which the fixed capital of partners may change.	[1]
Q 6	Lata and Asha were partners having equal profit sharing ratios. This ratio has been changed to 3:2. Calculate the sacrificing and gaining ratio of partners a) 1/10 b) 2/10 c) 3/10 d) None of these	[1]
Q 7	Issue of debentures as additional security also known as.....	[1]
Q 8	Anurag Ltd decided to issue 50,000 equity shares. It gave its directors and employees right to buy 10,000 of the above shares. Name the type of issue.	[1]
Q 9	Goodwill is ..... asset. a) Intangible assets. b) Fictitious assets. c) Liability. d) None of these.	[1]
Q 10	Debenture interest is paid, (a) At a pre determined rate (b) At variable rate	[1]

**ACCOUNTANCY**



	(c) At a rate based on the net profit of the company (d) At a rate as determined by the company from time to time	
Q 11	A and B share profits and losses in the ratio of 3:1, C is admitted into partnership for 1/4 share. The sacrificing ratio of A and B is: (a) Equal (b) 3:1 (c) 2:1 (d) 3:2	[1]
Q 12	X, Y and Z shared profit as 3:2:1 On April 1 <sup>st</sup> , 2007 they decide to share future profits equally. Goodwill was valued on date Rs. 24,000. Give necessary journal entry to give effect to change in profit sharing ratio	[1]
Q 13	In the absence of any information regarding the acquisition of share in profit of the retiring/deceased partner by the remaining partners, it is assumed that they will acquire his/her share. (a) Old profit sharing ratio (b) New profit sharing ratio (c) Equal ratio (d) None of these	[1]
Q 14	During the year 2017 a club received 1,00,000 as entrance fees. According to accounting policy for the club 40% of the entrance fees is to be capitalized. How much amount of entrance fee is shown in Income and Expenditure A/c?	[1]
Q 15	Alpha 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 case:-When the debentures are issued at 5% premium and redeemable at 10% premium  <b>OR</b> Ram Ltd purchased a running business of Laxman Ltd for a sum of Rs 5, 00,000 payable as Rs 60,000 by Bank Overdraft and balance by fully paid equity shares of Rs 10 each at 10% premium. Following assets and Liabilities are taken over: Plant Rs1, 80,000; Building Rs 1, 80,000; Debtors Rs 60,000; Stock Rs 1, 00,000; Cash Rs 40,000; Sundry Creditors Rs 40,000. Journalise the transactions.	[3]
Q 16	A club has 500 members each paying annual subscription of 100 received in advance for the current year ₹10,000. Subscription received during the year ₹30,000. Calculate the amount of outstanding subscription.	[3]
Q 17	Rise LTD had issued 40000, 8% Debentures of Rs.100 each. Redeemable on 31 <sup>st</sup> march 2019. It was decided to invest 15% of the face value of debentures to be redeemed towards debenture redemption investment on 30 <sup>th</sup> April 2018. Investments were encashed and Debentures were redeemed on due date. Record the journal entries for redemption of debentures	[4]
Q 18	Ram and Shyam started a partnership business on 1st April, 2018. Their capital contributions were Rs. 2,00,000 and Rs. 1,50,000 respectively. The partnership deed provided:  i. Interest on capitals @10% p.a. ii. Ram, to get a salary of Rs.2,000p.m. and Shyam Rs.3,000 p.m.	[4]





	<p>iii. Profits are to be shared in the ratio of 3:2. The profits for the year ended 31st March, 2019 before making above appropriations were Rs. 2,16,000. Interest on Drawings amounted to Rs. 2,200 for Ram and Rs. 2,500 for Shyam. Prepare Profit and Loss Appropriation Account.</p>																																																									
Q 19	<p>a). Ganesh who is a partner in a firm withdraw the following amount during the year 2018-19:</p> <table style="margin-left: 40px; border: none;"> <tr><td>i. April 30</td><td style="text-align: right;">18,000</td></tr> <tr><td>ii. June 30</td><td style="text-align: right;">12,000</td></tr> <tr><td>iii. September 30</td><td style="text-align: right;">24,000</td></tr> <tr><td>iv. December 31</td><td style="text-align: right;">9,000</td></tr> <tr><td>v. January 31</td><td style="text-align: right;">15,000</td></tr> </table> <p>As per partnership deed Interest on drawing is to be charged @ 6% P.A. the Accounts are closed on 31<sup>st</sup> March. Calculate the amount of Interest on Drawing.</p> <p>b. P and Q are partners sharing profits and losses in the ratio of 3:2. On 1<sup>st</sup> April 2018 their capital balances were Rs.50,000 and 40,000 respectively. On 1<sup>st</sup> July 2018 P brought Rs.10,000 as his additional capital whereas Q brought Rs.20,000 as additional capital on 1<sup>st</sup> October 2019. Interest on capital was provided @ 5% p.a. Calculate the interest on capital of P and Q on 31<sup>st</sup> March 2019.</p>	i. April 30	18,000	ii. June 30	12,000	iii. September 30	24,000	iv. December 31	9,000	v. January 31	15,000	[4]																																														
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Q 20	<p>From the following Receipts and Payment Account of Pioneer Cricket Club and from the information supplied, prepare Income and Expenditure Account for the year ended 31<sup>st</sup> March,2016.</p> <p style="text-align: center;"><b>RECEIPTS AND PAYMENTS ACCOUNT</b> <i>For the year ended 31<sup>st</sup> March, 2016</i></p> <table border="1" style="width: 100%; border-collapse: collapse; margin-left: 40px;"> <thead> <tr> <th style="width: 40%;">Receipts</th> <th style="width: 10%; text-align: center;">₹</th> <th style="width: 40%;">Payments</th> <th style="width: 10%; text-align: center;">₹</th> </tr> </thead> <tbody> <tr> <td>To Balance b/d</td> <td></td> <td>By Salaries</td> <td style="text-align: right;">11,000</td> </tr> <tr> <td>Cash                     3,520</td> <td></td> <td>By Match Expenses</td> <td style="text-align: right;">13,240</td> </tr> <tr> <td>Bank                     27,380</td> <td></td> <td>By Maintenance</td> <td style="text-align: right;">6,820</td> </tr> <tr> <td>6% Fixed Deposit <u>30,000</u></td> <td style="text-align: right;">60,900</td> <td>By Crockery</td> <td style="text-align: right;">2,650</td> </tr> <tr> <td>To Subscriptions(including ₹6,000 for 2014-15)</td> <td style="text-align: right;">40,000</td> <td>By Conveyance</td> <td style="text-align: right;">820</td> </tr> <tr> <td>To Entrance fees</td> <td style="text-align: right;">2,750</td> <td>By upkeep of Lawns</td> <td style="text-align: right;">4,240</td> </tr> <tr> <td>To Donation</td> <td style="text-align: right;">5,010</td> <td>By Postage and Stationery</td> <td style="text-align: right;">9,720</td> </tr> <tr> <td>To Interest on fixed deposits</td> <td style="text-align: right;">900</td> <td>By Cricket Goods</td> <td style="text-align: right;">2,000</td> </tr> <tr> <td>To Tournament fund</td> <td style="text-align: right;">20,000</td> <td>By Sundry Expenses</td> <td style="text-align: right;">5,700</td> </tr> <tr> <td>To Sale of crockery (Book value ₹1,200)</td> <td style="text-align: right;">2,000</td> <td>By Investment</td> <td style="text-align: right;">18,800</td> </tr> <tr> <td></td> <td></td> <td>By Tournament Expenses</td> <td></td> </tr> <tr> <td></td> <td></td> <td>By Balance C/d</td> <td></td> </tr> <tr> <td></td> <td></td> <td>Cash                     2,200</td> <td></td> </tr> </tbody> </table>	Receipts	₹	Payments	₹	To Balance b/d		By Salaries	11,000	Cash                     3,520		By Match Expenses	13,240	Bank                     27,380		By Maintenance	6,820	6% Fixed Deposit <u>30,000</u>	60,900	By Crockery	2,650	To Subscriptions(including ₹6,000 for 2014-15)	40,000	By Conveyance	820	To Entrance fees	2,750	By upkeep of Lawns	4,240	To Donation	5,010	By Postage and Stationery	9,720	To Interest on fixed deposits	900	By Cricket Goods	2,000	To Tournament fund	20,000	By Sundry Expenses	5,700	To Sale of crockery (Book value ₹1,200)	2,000	By Investment	18,800			By Tournament Expenses				By Balance C/d				Cash                     2,200		[6]
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**ACCOUNTANCY**



			Bank	23,320																																						
			6% Fixed Deposit	30,000	55,520																																					
	1,31,560				1,31,560																																					
	<p>Additional Information:</p> <p>a) Salary outstanding is ₹1,000</p> <p>b) Opening balance of stock of postage and stationery and cricket goods is ₹750 and ₹3,210 respectively. Closing stock of the same is ₹900 and ₹2,800 respectively.</p> <p>Outstanding subscriptions for 2014-15 and 2015-16 are ₹ 6,600 and ₹ 8,000 respectively.</p>																																									
Q 21	<p>Pranav, Karan and Raghu were partners in a firm sharing profits and losses in the ratio 2:2:1. On 31 March 2019 their balance sheet was as follows:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 30%;">LIABILITIES</th> <th style="width: 15%;">AMOUNT</th> <th style="width: 30%;">ASSETS</th> <th style="width: 15%;">AMOUNT</th> </tr> </thead> <tbody> <tr> <td>Creditors</td> <td style="text-align: right;">3,00,000</td> <td>Fixed Assets</td> <td style="text-align: right;">4,50,000</td> </tr> <tr> <td>General Reserve</td> <td style="text-align: right;">1,50,000</td> <td>Stock</td> <td style="text-align: right;">1,50,000</td> </tr> <tr> <td>Capitals:</td> <td></td> <td>Debtors</td> <td style="text-align: right;">2,00,000</td> </tr> <tr> <td>    Pranav</td> <td style="text-align: right;">2,00,000</td> <td>Bank</td> <td style="text-align: right;">1,50,000</td> </tr> <tr> <td>    Karan</td> <td style="text-align: right;">2,00,000</td> <td></td> <td></td> </tr> <tr> <td>    Raghu</td> <td style="text-align: right;">1,00,000</td> <td></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">5,00,000</td> <td></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">9,50,000</td> <td></td> <td style="text-align: right;">9,50,000</td> </tr> </tbody> </table> <p>Karan died on 12.06.2019. According to the partnership deed, the legal representatives of the deceased partner were entitled to the following:</p> <p>i) balance in his capital account</p> <p>ii) Interest on capital @ 12% p.a.</p> <p>Share of Goodwill. Goodwill of the firm on karan's death was valued at Rs 60,000.</p> <p>iii) Share in the profit of the firm till date of his death, calculated on the basis of last year's profit. The profit of the firm for the year ended 31.03.2019 was Rs5,00,000.</p> <p style="text-align: center;">Prepare Karan's capital account to be presented to his representatives.</p> <p style="text-align: center;"><b>OR</b></p> <p>Pass journal entries on the dissolution of a partnership firm of Varun and Atyan who share their profit in ratio 2:1 in the following cases:</p> <p>i) Varun agreed to pay off his brother's loan Rs5,000</p> <p>ii) Debtors realized Rs.6000</p> <p>iii) Aryan book over all the investment at Rs.6000</p> <p>iv) Sundry creditors Rs 10,000 were paid at 5% discount</p> <p>v) Realization expenses amounted to Rs.1000</p> <p>vi) Loss on realization was Rs.5100</p>					LIABILITIES	AMOUNT	ASSETS	AMOUNT	Creditors	3,00,000	Fixed Assets	4,50,000	General Reserve	1,50,000	Stock	1,50,000	Capitals:		Debtors	2,00,000	Pranav	2,00,000	Bank	1,50,000	Karan	2,00,000			Raghu	1,00,000				5,00,000				9,50,000		9,50,000	[6]
LIABILITIES	AMOUNT	ASSETS	AMOUNT																																							
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Q 22	<p>A &amp; B are partners sharing in the ratio 3:2 and their Balance Sheet is as follows:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 30%;">Liabilities</th> <th style="width: 15%;">Amount</th> <th style="width: 30%;">Assets</th> <th style="width: 15%;">Amount</th> </tr> </thead> <tbody> <tr> <td>Creditors</td> <td style="text-align: right;">3600</td> <td>Cash</td> <td style="text-align: right;">1000</td> </tr> </tbody> </table>					Liabilities	Amount	Assets	Amount	Creditors	3600	Cash	1000	[8]																												
Liabilities	Amount	Assets	Amount																																							
Creditors	3600	Cash	1000																																							





	<p>Her shares were forfeited. Out of the forfeited shares 10,000 shares were re-issued for Rs. 8 per share fully paid up. Pass necessary journal entries in the Books of Mamta Ltd.</p> <p style="text-align: center;"><b>OR</b></p> <p>Alka Ltd. invited applications for issuing 75,000 equity shares of Rs. 10 each. The amount was payable as follows:</p> <table style="margin-left: auto; margin-right: auto;"> <tr> <td style="padding-right: 20px;">On Application and Allotment</td> <td>Rs. 4 per share</td> </tr> <tr> <td>On First Call</td> <td>Rs. 3 per share</td> </tr> <tr> <td>On Second and Final Call</td> <td>Balance</td> </tr> </table> <p>Applications for 1,00,000 shares were received. Shares were allotted to all the applicants on pro-rata basis and excess money received with applications was transferred towards sums due on first call. Vibha who was allotted 750 shares failed to pay the first call. Her shares were immediately forfeited. Afterwards the second call was made. The amount due on second call was also received except on 1,000 shares applied by Monika, Her shares were also forfeited. All the forfeited shares were re-issued to Usha for Rs.9 as fully paid up. Pass necessary journal entries in the books of Alka Ltd. for the above transactions.</p>	On Application and Allotment	Rs. 4 per share	On First Call	Rs. 3 per share	On Second and Final Call	Balance	
On Application and Allotment	Rs. 4 per share							
On First Call	Rs. 3 per share							
On Second and Final Call	Balance							
<b>PART B</b>								
Q 24	When can 'Receipt of Dividend' be classified as an operating activity?	[1]						
Q 25	Under which major head and sub head Interests calls in advance is shown in the company balance sheet?	[1]						
Q 26	Which of the following is considered to be as cash equivalent? a) Marketable securities b) Debtors c) Investment d) Bill of exchange	[1]						
Q 27	1. Quick ratio is 1.8:1, current ratio is 2.7:1 and current liabilities are Rs 60,000. Determine value of stock. a) Rs 54,000 b) Rs 60,000 c) Rs 1,62,000 d) None of the above	[1]						
Q 28	Liquid ratio is also known as a) Quick ratio b) Acid test ratio c) Working capital ratio d) Stock turnover ratio a) A and B b) A and C c) B and C d) C and D	[1]						
Q 29	Which Ratios help to assess the short term Solvency of a business? (A) Liquidity ratios	[1]						



	(B) Solvency Ratios (C) Profitability Ratios (D) Turnover Ratios																									
Q 30	For the year ended March 31, 2017, Net Profit after tax of K X Limited was Rs. 6,00,000. The company has Rs. 40,00,000 12% Debentures of Rs. 100 each. Calculate Interest Coverage Ratio assuming 40% tax rate. State its significance also. Will the Interest Coverage Ratio change if during the year 2017-18, the company decides to redeem debentures of Rs. 5,00,000 and expects to maintain the same rate of Net Profit and assume that the Tax rate will not change.  <p style="text-align: center;"><b>OR</b></p> a) X Ltd. has a current ratio of 3.5:1 and quick ratio of 2:1. If excess of current assets over quick assets represented by Inventory is Rs. 24,000, calculate current assets and current liabilities. b) From the following information, calculate Inventory Turnover Ratio.  Revenue from Operations: Rs. 4,00,000, Average Inventory : Rs. 55,000, The rate of Gross Loss on Revenue from Operations was 10%.	[4]																								
Q 31	Following is the Statement of Profit & Loss of X L Limited for the year ended March 31, 2017: Statement of Profit & Loss for the year ended March 31, 2017 <table border="1" style="width: 100%; margin-top: 10px; border-collapse: collapse;"> <thead> <tr> <th style="width: 45%;">Particulars</th> <th style="width: 10%;">Notes to Accounts</th> <th style="width: 15%;">2017-18 Amount (Rs.)</th> <th style="width: 30%;">2018-19 Amount (Rs.)</th> </tr> </thead> <tbody> <tr> <td>Revenue from operations</td> <td></td> <td style="text-align: right;">50,00,000</td> <td style="text-align: right;">80,00,000</td> </tr> <tr> <td>Expenses:</td> <td></td> <td></td> <td></td> </tr> <tr> <td style="padding-left: 20px;">(a) Employee Benefit Expenses: 10 % of Revenue from Operations</td> <td></td> <td style="text-align: right;">10,00,000</td> <td style="text-align: right;">12,00,000</td> </tr> <tr> <td style="padding-left: 20px;">(b) Other Expenses</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Tax Rate 40 %</td> <td></td> <td></td> <td></td> </tr> </tbody> </table> Prepare Comparative Statement of Profit & Loss of X L Limited	Particulars	Notes to Accounts	2017-18 Amount (Rs.)	2018-19 Amount (Rs.)	Revenue from operations		50,00,000	80,00,000	Expenses:				(a) Employee Benefit Expenses: 10 % of Revenue from Operations		10,00,000	12,00,000	(b) Other Expenses				Tax Rate 40 %				[4]
Particulars	Notes to Accounts	2017-18 Amount (Rs.)	2018-19 Amount (Rs.)																							
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(b) Other Expenses																										
Tax Rate 40 %																										
Q 32	The following is the Balance Sheet of R.M. Ltd. as at 31st March, 2019. Prepare a Cash Flow Statement : R.M. Ltd. Balance Sheet as at 31st March, 2017	[6]																								
	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%;">Particulars</th> <th style="width: 10%;">Note No.</th> <th style="width: 15%;">31.3.2019</th> <th style="width: 25%;">31.3.2018</th> </tr> </thead> <tbody> <tr> <td>I – Equity and Liabilities</td> <td></td> <td></td> <td></td> </tr> <tr> <td>1. Shareholder’s Funds :</td> <td></td> <td></td> <td></td> </tr> <tr> <td style="padding-left: 20px;">(a) Share Capital</td> <td></td> <td style="text-align: right;">5,00,000</td> <td style="text-align: right;">10,00,000</td> </tr> </tbody> </table>	Particulars	Note No.	31.3.2019	31.3.2018	I – Equity and Liabilities				1. Shareholder’s Funds :				(a) Share Capital		5,00,000	10,00,000									
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**ACCOUNTANCY**



**ANSWERS  
MODEL PAPER-II 2019-20  
CLASS XII  
ACCOUNTANCY**

**TIME:3 HRS**

**MM:80**

**PART A:**

1	FALSE (REASON: The Company cannot precede with allotment as minimum subscription amount (i.e. 90% of issued shares) has not been applied by the public.)	[1]												
2	a) Opening Capital	[1]												
3	C six months	[1]												
4	B) Purchase of fixed assets	[1]												
5	I ) When additional capital is introduced by the Partners. ii) When a part of the capital is permanently withdrawn by the Partners.	[1]												
6	(A) 1/10	[1]												
7	Collateral security.	[1]												
8	Right issue	[1]												
9	A intangible asset	[1]												
10	(a) At a predetermined rate	[1]												
11	B 3:1	[1]												
12	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 10%;">Date</th> <th style="width: 55%;">PARTICULARS</th> <th style="width: 5%;">L. F</th> <th style="width: 10%;">Amt. Dr.</th> <th style="width: 10%;">Amt. Cr.</th> </tr> </thead> <tbody> <tr> <td></td> <td>Z's Capital A/c <span style="float: right;">Dr.</span>     To X's Capital A/c (For compensation by gaining partner to sacrificing partner for change in profit sharing ratio, i.e., 1:1:1)</td> <td></td> <td style="text-align: center;">4,000</td> <td style="text-align: center;">4,000</td> </tr> </tbody> </table>	Date	PARTICULARS	L. F	Amt. Dr.	Amt. Cr.		Z's Capital A/c <span style="float: right;">Dr.</span> To X's Capital A/c (For compensation by gaining partner to sacrificing partner for change in profit sharing ratio, i.e., 1:1:1)		4,000	4,000	[1]		
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13	a) Old profit sharing ratio	[1]												
14	₹60,000	[1]												
15	<p>(1 entry 1 mark and 2 entry 2 marks)</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;">Particulars</th> <th style="width: 5%;">L. F</th> <th style="width: 15%;">Dr. Amt</th> <th style="width: 15%;">Cr. Amount</th> </tr> </thead> <tbody> <tr> <td>Bank A/c <span style="float: right;">Dr.</span>     To Debenture Application and Allotment A/c [Debentures Application money received ]</td> <td></td> <td style="text-align: center;">26,25,000</td> <td style="text-align: center;">26,25,000</td> </tr> <tr> <td>Debentures Application and Allotment A/c <span style="float: right;">Dr.</span> Loss on Issue of Debentures A/c <span style="float: right;">Dr.</span>     To 9% Debentures A/c     To Securities Premium Reserve A/c     To Premium on Redemption of Debentures A/c [Debentures issued at 5% premium redeemable at 10% premium]</td> <td></td> <td style="text-align: center;">26,25,000 2,50,000</td> <td style="text-align: center;">25,00,000 1,25,000 2,50,000</td> </tr> </tbody> </table> <p style="text-align: center;"><b>OR</b></p>	Particulars	L. F	Dr. Amt	Cr. Amount	Bank A/c <span style="float: right;">Dr.</span> To Debenture Application and Allotment A/c [Debentures Application money received ]		26,25,000	26,25,000	Debentures Application and Allotment A/c <span style="float: right;">Dr.</span> Loss on Issue of Debentures A/c <span style="float: right;">Dr.</span> To 9% Debentures A/c To Securities Premium Reserve A/c To Premium on Redemption of Debentures A/c [Debentures issued at 5% premium redeemable at 10% premium]		26,25,000 2,50,000	25,00,000 1,25,000 2,50,000	[3]
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**ACCOUNTANCY**



	<p>(2 Entries carrying 1.5 marks each)</p> <p>(1) Plant a/c Dr 1,80,000                  Building a/c Dr 1,80,000                  Debtors a/c Dr 60,000                  Stock a/c Dr 1,00,000                  Cash a/c Dr 40,000                      To Creditors a/c 40,000                      To Laxman Ltd a/c 5,00,000                      To Capital Reserve a/c 20,000</p> <p>(2) Laxman Ltd a/c Dr 5,00,000                      To Bank Overdraft a/c 60,000                      To Share Capital a/c 4,00,000                      To Share Premium a/c 40,000</p>																																					
16	Amount of subscription outstanding at the end of the year will be 500*100 – 10,000 – 30,000 = ₹10,000		[3]																																			
17	(1,2,4 & 5 entries – ½ mark each, 3 & 6 entries 1 mark each)		[4]																																			
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18	Share of profit: Ram 75420; Shyam 50,280		[4]																																			
19	a) 2,535 b) P's interest on capital 2,875; Q's interest on Capital 2,500		[4]																																			
20	Income and Expenditure Account For the year ending 31 <sup>st</sup> March, 2016		[6]																																			
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**ACCOUNTANCY**



To Maintenance	6,820	By Entrance fees	2,750
To Conveyance	2,650	By Donation	5,010
To upkeep of Lawns	820	By Interest on fixed deposits 900	
To Postage & Stationery 1050		(+)Accrued <span style="float: right;">900</span>	1800
(+) Opening Stock <span style="float: right;">750</span>		By profit on sale of Crockery	800
(-)Closing Stock <span style="float: right;">900</span>	850		
To Cricket Goods <span style="float: right;">2000</span>			
(+) Opening Stock <span style="float: right;">3210</span>			
(-)Closing Stock <span style="float: right;">2800</span>	2,410		
To Sundry Expenses	5,700		
To Surplus	2,860		
	47,350		47,350

21	<p><b>Karan's Capital Account</b></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 35%;">Particulars</th> <th style="width: 15%;">Amount</th> <th style="width: 35%;">Particulars</th> <th style="width: 15%;">Amount</th> </tr> </thead> <tbody> <tr> <td>To Karan's executor A/c</td> <td style="text-align: right;">3,28,800</td> <td>By balance b/d</td> <td style="text-align: right;">2,00,000</td> </tr> <tr> <td></td> <td></td> <td>By general reserve/c</td> <td style="text-align: right;">60,000</td> </tr> <tr> <td></td> <td></td> <td>By interest on capital A/c</td> <td style="text-align: right;">4,800</td> </tr> <tr> <td></td> <td></td> <td>By P&amp;L suspense A/c</td> <td style="text-align: right;">40,000</td> </tr> <tr> <td></td> <td></td> <td>By Pranav's capital A/c</td> <td style="text-align: right;">16,000</td> </tr> <tr> <td></td> <td></td> <td>By Raghu,s capital A/c</td> <td style="text-align: right;">8,000</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">3,28,800</td> <td></td> <td></td> </tr> </tbody> </table> <p>W N</p> <p>Interest on capital <math>2,00,000 \times 12 / 100 \times 73 / 365 = 4800</math></p> <p>Share of profit <math>5,00,000 \times 2 / 5 \times 73 / 365 = 40,000</math></p> <p>Share of goodwill <math>60,000 \times 2 / 5 = 24,000</math></p> <p>General reserve <math>1,50,000 \times 2 / 5 = 60,000</math></p> <p style="text-align: center;"><b>OR</b></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tbody> <tr> <td style="width: 5%; text-align: center;">i</td> <td style="width: 40%;">Realization A/c</td> <td style="width: 15%; text-align: center;">Dr</td> <td style="width: 15%; text-align: right;">5000</td> <td style="width: 25%;"></td> </tr> <tr> <td></td> <td>To Varun's capital A/c</td> <td></td> <td></td> <td style="text-align: right;">5000</td> </tr> <tr> <td style="text-align: center;">Ii</td> <td>Bank A/c</td> <td style="text-align: center;">Dr</td> <td style="text-align: right;">6000</td> <td></td> </tr> <tr> <td></td> <td>To Realization</td> <td></td> <td></td> <td style="text-align: right;">6000</td> </tr> <tr> <td style="text-align: center;">iii</td> <td>Aryan's capital A/c</td> <td style="text-align: center;">Dr</td> <td style="text-align: right;">6000</td> <td></td> </tr> <tr> <td></td> <td>To Realization A/c</td> <td></td> <td></td> <td style="text-align: right;">6000</td> </tr> <tr> <td style="text-align: center;">iv</td> <td>Realization A/c</td> <td style="text-align: center;">Dr</td> <td style="text-align: right;">9500</td> <td></td> </tr> <tr> <td></td> <td>To Bank A/c</td> <td></td> <td></td> <td style="text-align: right;">9500</td> </tr> <tr> <td style="text-align: center;">V</td> <td>Realization A/c</td> <td style="text-align: center;">Dr</td> <td style="text-align: right;">1000</td> <td></td> </tr> <tr> <td></td> <td>To Bank A/c</td> <td></td> <td></td> <td style="text-align: right;">1000</td> </tr> <tr> <td style="text-align: center;">vi</td> <td>Varun's capital A/c</td> <td style="text-align: center;">Dr</td> <td style="text-align: right;">3400</td> <td></td> </tr> <tr> <td></td> <td>Aryan's capital A/c</td> <td style="text-align: center;">Dr</td> <td style="text-align: right;">1700</td> <td></td> </tr> <tr> <td></td> <td>To Realization A/c</td> <td></td> <td></td> <td style="text-align: right;">5100</td> </tr> </tbody> </table>	Particulars	Amount	Particulars	Amount	To Karan's executor A/c	3,28,800	By balance b/d	2,00,000			By general reserve/c	60,000			By interest on capital A/c	4,800			By P&L suspense A/c	40,000			By Pranav's capital A/c	16,000			By Raghu,s capital A/c	8,000		3,28,800			i	Realization A/c	Dr	5000			To Varun's capital A/c			5000	Ii	Bank A/c	Dr	6000			To Realization			6000	iii	Aryan's capital A/c	Dr	6000			To Realization A/c			6000	iv	Realization A/c	Dr	9500			To Bank A/c			9500	V	Realization A/c	Dr	1000			To Bank A/c			1000	vi	Varun's capital A/c	Dr	3400			Aryan's capital A/c	Dr	1700			To Realization A/c			5100	[6]
Particulars	Amount	Particulars	Amount																																																																																																
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Particulars	Amount	Particulars	Amount															
To Building	1,500	By Machinery	800															
To Prov. For doubtful debts	170	By Capital A/c																
		A 522																

**ACCOUNTANCY**



	B 348	870
1,670		1,670

**Partner's Capital Account**

Particulars	A	B	C	Particulars	A	B	C
To Revaluation A/c	522	348	--	By Balance b/d	15,000	8,000	
To Balance c/d	27,000	18,000	15,000	By Cash A/c	-	-	15,000
				By Premium	6,000	4,000	
				By Gen. Reserve	1,440	960	
				By Cash (b/f)	5,082	5,388	
	27,522	18,348	15,000		27,522	18,348	15,000

**Balance Sheet**

Liabilities	Amount	Assets	Amount
Creditors	3600	Cash	36,470
Bills Payable	2000	Debtors 3400	
Capital		Less PDD <u>170</u>	3,230
A 27,000		Stock	2,400
B 18,000		Machinery	5,000
C <u>15000</u>	60,000	Building	18,500
	65,600		65,600

Calculation of New Profit Sharing Ratioie.,9:6:5

1 mark

Calculation of Capital according to C's Capital

C's Capital 15,000 for ¼ Share

Therefore Total capital of the firm= 15,000 x 4 = 60,000

A's New Capital will be = 60,000 x 9/20 =27,000

B's New Capital will be = 60,000 x 6/20= 18,000

2 marks

Cash(1,000+10,000+15,000+5082+5388) =36,470

**OR**

. Realisation A/c

Particulars	Amount	Particulars	Amount
To Stock	7,500	By S/Crs	48,000
To Debtors	21,500	By PDD	500
To Fixed Assets	36,500	By Bank	
To Bank (Crs)	43,200	(Stock = 7,000)	
To Riya's Capital	1,500	(F A = 40,000)	
To Capital A/c		(Drs = 19,350)	66,350
Riya 2,790			
Priya 1,860	4,650		
	1,14,850		1,14,850

3 marks

**ACCOUNTANCY**



**Partner's Capital A/c**

Particulars	Riya	Priya	Particulars	Riya	Priya
To bank a/c	44,890	18,760	By Balance B/d	32,500	11,500
			By reserve fund	8,100	5,400
			By realization	2,790	1,860
			By realisation	1,500	----
	44,890	18,760		44,890	18,760

3 marks

**Bank A/c**

Particulars	Amount	Particulars	Amount
To Balance b/d	40,500	By Realisation A/c	43,200
To Realisation A/c	66,350	By Riya's Capital	44,890
		By Priya's Capital	18,760
	1,06,850		1,06,850

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**JOURNAL**

[8]

Particulars	L · F ·	Dr. Amount	Cr. Amount
Bank A/c <span style="float: right;">Dr.</span> To Equity Share Application A/c [Application money received on 15,00,000 shares @ Rs. 5 per share]		75,00,000	75,00,000
Equity Share Application A/c <span style="float: right;">Dr.</span> To Equity Share Capital A/c To Securities Premium Reserve A/c To Bank A/c To Equity Share Allotment A/c [Application money adjusted]		75,00,000	30,00,000 20,00,000 15,00,000 10,00,000
Equity Share Allotment A/c <span style="float: right;">Dr.</span> To Equity Share Capital A/c [Allotment money due on 10,00,000 shares @ Rs. 4 per share]		40,00,000	40,00,000
Bank A/c <span style="float: right;">Dr.</span> To Equity Share Allotment A/c [Allotment money received except on 20,000 shares]		29,40,000	29,40,000
Equity Share First and Final Call A/c <span style="float: right;">Dr.</span> To Equity Share Capital A/c [First and Final Call money due on 10,00,000 shares @ Rs. 3 per share]		30,00,000	30,00,000
Bank A/c <span style="float: right;">Dr.</span> To Equity Share First and Final Call A/c [First and Final Call money received except on 20,000 shares]		29,40,000	29,40,000
Equity Share Capital A/c <span style="float: right;">Dr.</span> To Equity Share Allotment A/c To Equity Share First and Final Call A/c To Forfeited Shares A/c [20,000 shares forfeited for non-payment of allotment and call money]		2,00,000	60,000 60,000 80,000
Bank A/c <span style="float: right;">Dr.</span> Forfeited Shares A/c <span style="float: right;">Dr.</span> To Equity Share Capital A/c [10,000 forfeited shares re-issued for Rs. 8 per share fully paid up]		80,000 20,000	1,00,000



**ACCOUNTANCY**



	<p>[Second and Final Call money received on 73,500 shares]</p> <p>Equity Share Capital A/c <span style="float: right;">Dr.</span>                      To Equity Share Second &amp; Final Call A/c                      To Share Forfeiture A/c</p> <p>[The forfeiture of 750 shares of Monika]</p> <p>Bank A/c <span style="float: right;">Dr.</span>                      Share Forfeiture A/c <span style="float: right;">Dr.</span>                      To Equity Share Capital A/c</p> <p>[Re-issue of 1,500 Shares]</p> <p>Share Forfeiture A/c <span style="float: right;">Dr.</span>                      To Capital Reserve A/c</p> <p>[Balance of Share Forfeiture A/c transferred to Capital Reserve A/c ]</p>				
			7,500	2,250 5,250	
			9,000 6,000	15,000	
			3,250	3,250	
	<p>Working Note:</p> <p>{A} Excess amount received from Vibha on application &amp; allotment:                      Vibha has been allotted 750 shares. She must have applied for more shares.                      If shares allotted were 75,000, shares applied were = 1,00,000                      If shares allotted were 750, shares applied were = <math>\frac{1,00,000}{75,000} \times 750 = 1,000</math> shares</p> <p>Excess application money received from Vibha = 1,000 shares – 750                      250 shares X Rs. 4 = Rs. 1,000</p> <p>{B} Amount due from Vibha on First Cal : (750 X Rs.3)= Rs. 2,250                      Less: Excess received from Vibha on Application &amp; Allotment = Rs.1,000                      Net Amount due from Vibha on First Call which has not been received = <u>Rs.1,250</u></p> <p>{C} Total amount due on First Call : 75,000 Shares X3 = Rs. 2,25,000                      Less: Excess amount received on Application &amp; Allotment = <u>Rs.1,00,000</u>                      Balance Due = Rs. 1,25,000</p> <p style="text-align: right;">Less: Amount not received from Vibha on First Call = <u>Rs. 1,250</u> Net</p> <p style="text-align: right;">amount received on Allotment in Cash <u>Rs.1,23,750</u></p>				
	<b>PART B</b>				
24	financial company /bank/ Mutual Fund				[1]
25	Major head: Current liabilities Sub head : other current liability				[1]
26	A) Marketable securities				[1]
27	a) Rs 54,000				[1]
28	a) A and B				[1]
29	(A)Liquidity ratios				[1]
30	Interest Coverage Ratio= Net Profit before Interest and Tax/ Interest on Long Term Debts Net Profit after Tax = Rs. 6,00,000 Tax Rate = 40 % Net Profit before tax = $100 / (100 - \text{Tax}) \times \text{Net Profit after tax}$ = $100 / 60 \times 6,00,000 = 10,00,000$ Net Profit before Interest & Tax = Net Profit before tax + Interest on Long Term Debts = 10,00,000 + 4,80,000 = 14,80,000 Interest Coverage Ratio= Net Profit before Interest and Tax / Interest on Long Term Debts = 14,80,000 / 4,80,000 = 3.08 Times Significance of Interest Coverage Ratio: It reveals the number of times Interest on Long				1



	<p>Term Debts is covered by the profits available. A higher ratio ensures safety of interest on Long Term Debts.</p> <p>The Interest coverage ratio will improve if the company decides to redeem Rs. 5,00,000 debentures assuming that Net Profit after interest and the tax rate will be same.</p> <p style="text-align: center;"><b>OR</b></p> <p>a) Current Ratio = 3.5:1</p> <p>Quick Ratio =2:1                  Let Current Liabilities = x                  Current Assets = 3.5x And                  Quick Assets = 2x                  Inventory = Current Assets – Quick Assets                  24,000 = 3.5x – 2x                  24,000 = 1.5x                  x = Rs. 16,000                  Current Assets = 3.5x = 3.5 × 16,000 = Rs. 56,000.                  Verification : Current Ratio = Current Assets : Current Liabilities                  = 56,000 : 16,000                  = 3.5 : 1                  Quick Ratio = Quick Assets : Current Liabilities                  = 32,000 : 16,000                  = 2:1</p> <p>b) Revenue from Operations = Rs.4,00,000</p> <p>Gross Loss = 10% of 4,00,000 = Rs. 40,000                  Cost of Revenue from Operations = Revenue from Operations + Gross Loss                  = 4,00,000 + 40,000                  = 4,40,000                  Inventory Turnover Ratio = Cost of Goods Sold/ Average Inventory                  = 4, 40,000 / 55,000                  = 8 times.</p>	<p>1</p> <p>1</p> <p>1</p>			
31	<p><b>X L Limited</b>  <b>Comparative Statement of Profit &amp; Loss</b></p>				
	for the year ended March 31, 2016 and 2017	2017-18	2018-19	Absolute	%age
	Particulars	Amount (Rs.)	Amount (Rs.)	Change (Rs.)	Change
	Revenue from Operations	50,00,000	80,00,000	30,00,000	60
	Expenses:				
	(a) Employee Benefit Expenses: 10 % of Revenue from Operations	5,00,000	8,00,000	3,00,000	60
	(b) Other Expenses				
	Net Profit before Tax	10,00,000	12,00,000	2,00,000	20
	Less:Tax	35,00,000	60,00,000	25,00,000	71.43
	Net Profit after Tax	<u>14,00,000</u> 21,00,000	<u>24,00,000</u> 36,00,000	10,00,000 15,00,000	71.43 71.43



32	<b>Cash flow statement</b>				[6]																																																																																																														
<p><b>A. Cash flows from Operating Activities</b></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Net Profit before Tax (note-1)</td> <td style="width: 15%; text-align: right;">245000</td> <td style="width: 10%;"></td> <td style="width: 10%;"></td> <td style="width: 5%;"></td> </tr> <tr> <td>Add: Depreciation on Plant &amp; Machinery</td> <td style="text-align: right;">10000</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Add: Interest on Debentures</td> <td style="text-align: right;">18000</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Operating profit before the working Capital changes</td> <td style="text-align: right;">273000</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Less: Increase in Trade Receivables</td> <td style="text-align: right;">(50000)</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Increase in Inventories</td> <td style="text-align: right;">(80000)</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Decrease in Trade Payables</td> <td style="text-align: right;">(10000)</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Cash generated from Operations</td> <td style="text-align: right;">133000</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Less: Tax Paid</td> <td style="text-align: right;">(80000)</td> <td></td> <td></td> <td></td> </tr> <tr> <td><b>Net Cash From Operating Activities</b></td> <td></td> <td style="text-align: right;">53000</td> <td></td> <td style="text-align: center;">1½</td> </tr> </table> <p><b>B. Cash flows from Investing Activities :</b></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Sale of Plant &amp; Machinery</td> <td style="width: 15%; text-align: right;">30000</td> <td style="width: 10%;"></td> <td style="width: 10%;"></td> <td style="width: 5%;"></td> </tr> <tr> <td>Purchase of Plant &amp; Machinery</td> <td style="text-align: right;">(150000)</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Purchase of Goodwill</td> <td style="text-align: right;">(80000)</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Purchase of Non Current Investments</td> <td style="text-align: right;">(500000)</td> <td></td> <td></td> <td></td> </tr> <tr> <td><b>Net Cash used in investing activities</b></td> <td></td> <td style="text-align: right;">(700000)</td> <td></td> <td style="text-align: center;">1</td> </tr> </table> <p><b>C. Cash flows from financing Activities</b></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">issue of shares</td> <td style="width: 15%; text-align: right;">500000</td> <td style="width: 10%;"></td> <td style="width: 10%;"></td> <td style="width: 5%;"></td> </tr> <tr> <td>Redemption of Debentures</td> <td style="text-align: right;">(100000)</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Interest on Debentures paid</td> <td style="text-align: right;">(18000)</td> <td></td> <td></td> <td></td> </tr> <tr> <td><b>Cash flows from Financing Activities</b></td> <td></td> <td style="text-align: right;">382000</td> <td></td> <td style="text-align: center;">1½</td> </tr> <tr> <td>Net Decrease in Cash and Cash Equivalents</td> <td></td> <td style="text-align: right;">(265000)</td> <td></td> <td></td> </tr> <tr> <td>Add: Opening Balance of Cash and Cash equivalents</td> <td></td> <td style="text-align: right;">640000</td> <td></td> <td style="text-align: center;">½</td> </tr> <tr> <td><b>Closing Balance of Cash and Cash equivalents</b></td> <td></td> <td style="text-align: right;">375000</td> <td></td> <td></td> </tr> </table>						Net Profit before Tax (note-1)	245000				Add: Depreciation on Plant & Machinery	10000				Add: Interest on Debentures	18000				Operating profit before the working Capital changes	273000				Less: Increase in Trade Receivables	(50000)				Increase in Inventories	(80000)				Decrease in Trade Payables	(10000)				Cash generated from Operations	133000				Less: Tax Paid	(80000)				<b>Net Cash From Operating Activities</b>		53000		1½	Sale of Plant & Machinery	30000				Purchase of Plant & Machinery	(150000)				Purchase of Goodwill	(80000)				Purchase of Non Current Investments	(500000)				<b>Net Cash used in investing activities</b>		(700000)		1	issue of shares	500000				Redemption of Debentures	(100000)				Interest on Debentures paid	(18000)				<b>Cash flows from Financing Activities</b>		382000		1½	Net Decrease in Cash and Cash Equivalents		(265000)			Add: Opening Balance of Cash and Cash equivalents		640000		½	<b>Closing Balance of Cash and Cash equivalents</b>		375000		
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<p><b>Working Notes</b></p> <p>Note-1: Net Profit before tax &amp; Extraordinary items</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 40%;">Net Profit during the year-</td> <td style="width: 20%; text-align: right;">150000</td> <td style="width: 20%;"></td> <td style="width: 20%;"></td> </tr> <tr> <td>Add: Prov. for Tax made</td> <td style="text-align: right;">95,000</td> <td></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">245000</td> <td></td> <td style="text-align: center;">½</td> </tr> </table> <p style="text-align: center;"><b>Plant and Machinery A/C</b></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 30%;">Particulars</th> <th style="width: 15%;">Amt</th> <th style="width: 30%;">particulars</th> <th style="width: 15%;">Amt</th> <th style="width: 10%;"></th> </tr> </thead> <tbody> <tr> <td>To Balance b/d</td> <td style="text-align: right;">1140000</td> <td>By Accumulated Dep. A/c</td> <td style="text-align: right;">50000</td> <td></td> </tr> <tr> <td>To Bank A/c (B.F.)</td> <td style="text-align: right;">150000</td> <td>by Bank</td> <td style="text-align: right;">30000</td> <td style="text-align: center;">½</td> </tr> </tbody> </table>						Net Profit during the year-	150000			Add: Prov. for Tax made	95,000				245000		½	Particulars	Amt	particulars	Amt		To Balance b/d	1140000	By Accumulated Dep. A/c	50000		To Bank A/c (B.F.)	150000	by Bank	30000	½																																																																																			
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**ACCOUNTANCY**



		By bal c/d	1210000	
	1290000		1290000	
<b>Accumulated DepreciationA/c</b>				
<b>Particulars</b>	<b>Amt</b>	<b>Particulars</b>	<b>Amt</b>	
To Plant and Machinery	50,000	By Balance b/d	240000	½
To Balance c/d	200000	By Statement of P & L (Bal fig)	10000	
	250000		250000	



**ACCOUNTANCY**



**KENDRIYA VIDYALAYA SANGATHAN**

**MODEL PAPER –III – 2019-20**

**CLASS: XII**

**SUBJECT: ACCOUNTANCY**

**TIME:3 HOURS**

**MAX. MARKS:80**

**BLUE PRINT  
UNIT WISE WEIGHTAGE**

UNIT/MARKS	1	3	4	6	8	TOTAL
NPO	1	1		1		10
PARTNERSHIP	8		2	1	1	30
COMPANY AC	5	1	1		1	20
AFS	4		2			12
CFS	2			1		8

**MARKS AND NUMBER OF QUESTIONS**

MARKS	1	3	4	6	8
NO.OF Q	20	2	5	3	2



## KENDRIYA VIDYALAYA SANGATHAN

MODEL PAPER –III – 2019-20

CLASS: XII

SUBJECT: ACCOUNTANCY

TIME 3 HOURS

MAX MARKS 80

## GENERAL INSTRUCTIONS:

- This question paper contains two parts: - part A and part B.
- All questions in both the parts are compulsory. However internal options are given in some questions, attempt one option of each question.
- All parts on one question must be attempted at one place.
- Please write down the serial number of the question before attempting them.

**PART A: ACCOUNTING FOR NOT FOR PROFIT ORGANISATIONS,  
PARTNERSHIP FIRMS AND SHARE CAPITAL AND DEBENTURE OF  
COMPANIES (60 MARKS)**

1	On Dissolution of firm, out of the proceeds received from the sale of assets ----- will be paid first a. Partner's capital a/c b. Partner's Loan to firm a/c c. Partner's additional capital d. Outside Creditors.	<u>1</u>
2	In the event of dissolution of a partnership firm, the provision for doubtful debts is transferred to a. Realisation a/c b. Partners capital a/c c. Sundry debtors d. None of the above	<u>1</u>
3	On dissolution the balance of profit and loss a/c appearing on the assets side of a balance sheet is transferred to a. On the debit side of realization a/c b. On the credit side of realization a/c c. On the debit of partners capital a/c d. On the credit side of partners capital a/c	<u>1</u>
4	The profit earned by a business over the last 5 years are as follows. Rs.12000, Rs.13000, Rs.14000, Rs.18000, and Rs.2000(loss) based on two years purchase of the last 5 years profit value of goodwill will be a. Rs.23600 b. Rs.22000 c. 1 10 000 d. 1 18 000	<u>1</u>
5	The capital employed by a partnership firm is Rs.5 00 000. Its average profit is Rs.60 000 the normal	<u>1</u>



	rate of return is similar type of business is 10% what is the amount of super profit a. Rs.50000 b. Rs.10 000 c. Rs.6000 d. Rs.56 000	
6	Which of the following statement is false a. At maturity, debenture holders get back their money b. Debenture can be forfeited for non payment of call money c. In company's balance sheet debenture are shown under the head long term borrowing d. Interest on debenture is a charge against profit	<u>1</u>
7	Which of the following statement is false a. Debenture is a form of public borrowing b. It is customary to prefix debenture with the agreed rate of interest c. Debenture interest is a charge against profit d. The issue price and redemption value of debenture cannot differ.	<u>1</u>
8	Loss on issue of debenture is written off A. In the year of issue of debenture B. During life of the debenture C. Within 3 years of the issue of debenture D. In the year of redemption of debenture	<u>1</u>
9	Income and Expenditure Account is based on (a) Cash Basis of Accounting. (b) Accrual Basis of Accounting. (c) Mixed Basis of Accounting. (d) Management Accounting.	01
10	It the Partner's Capital Accounts are fixed, interest on capital will be recorded: (A) On the credit side of Current Account (B) On the credit side of Capital Account (C) On the debit side of Current Account (D) On the debit side of Capital Account	01
11	Tom and Harry were partners In a firm sharing profits in the ratio 5:3. During the year ended 31/03/2018. Tom had withdrawn Rs.40000 interest on his drawings amounted to Rs.2000. Pass necessary journal entry for charging interest on drawing assuming that the capitals of the partners were fluctuating.	01
12	X, Y and Z are sharing profits in the ratio of 5:3:2 wef 01/04/18 they decided to share future profits equally. Calculate each partners gain or sacrifice due to change in ratio.	01
13	Kumar, Verma and Naresh were partners in a firm sharing profit and losses in the ratio of 3:2:2. On 23 <sup>rd</sup> January 2018 Verma died. Verma's share of profit till the date of his death is calculated Rs.2350. Pass necessary journal entry for the same in the books of the firm.	01
14	7.A new company cannot issue shares at (A) Premium (B) Parvalue (C) Discount (D) None of the above	01
15	From the details below calculate the amount of medicines consumed for the year ended 31/03/2018. Stock of medicine on 01/04/2017 Rs.20000.	03



	Creditors of medicine on 01/04/2017 Rs.15000. Amount paid for medicine during the year Rs.18480. Stock of medicine on 31/03/2018 Rs.11400. Creditors of medicine on 31/03/2018 Rs.7200.																															
16	Complete the following entries in the journal <table border="1" style="width: 100%; margin-top: 10px; border-collapse: collapse;"> <thead> <tr> <th style="width: 10%;">DATE</th> <th style="width: 45%;">PARTICULARS</th> <th style="width: 5%;">L.F.</th> <th style="width: 15%;">Dr.(Rs)</th> <th style="width: 25%;">Cr.(Rs)</th> </tr> </thead> <tbody> <tr> <td></td> <td style="text-align: right;">Sundry assets A/c <span style="float: right;">Dr.</span></td> <td></td> <td style="text-align: right;">18,00,000</td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">----- To Creditors <span style="float: right;">Dr.</span></td> <td></td> <td style="text-align: right;">-----</td> <td style="text-align: right;">2,00,000</td> </tr> <tr> <td></td> <td style="text-align: right;">To ----- (Being business of Rohit and Company purchased for a consideration of Rs.20,00,000)</td> <td></td> <td style="text-align: right;">-----</td> <td style="text-align: right;">-----</td> </tr> <tr> <td></td> <td style="text-align: right;">----- ----- To 8% Debenture A/c <span style="float: right;">Dr.</span></td> <td></td> <td style="text-align: right;">20,00,000</td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">----- ----- (Being paid to Rohit and company by issue of -- -----; 8% debentures of Rs.150 each at a discount of Rs.50 per debenture) <span style="float: right;">Dr.</span></td> <td></td> <td style="text-align: right;">-----</td> <td style="text-align: right;">-----</td> </tr> </tbody> </table> <p style="text-align: center; margin-top: 10px;"><b>OR</b></p> <p>On 01/04/2012 X Ltd. issued 5000 8% debentures of Rs.100 each at a discount of 6%. The debentures have to be redeemed @ Rs.1,00,000 each year commencing from 31/03/2013. Calculate the amount of discount written off each year.</p>	DATE	PARTICULARS	L.F.	Dr.(Rs)	Cr.(Rs)		Sundry assets A/c <span style="float: right;">Dr.</span>		18,00,000			----- To Creditors <span style="float: right;">Dr.</span>		-----	2,00,000		To ----- (Being business of Rohit and Company purchased for a consideration of Rs.20,00,000)		-----	-----		----- ----- To 8% Debenture A/c <span style="float: right;">Dr.</span>		20,00,000			----- ----- (Being paid to Rohit and company by issue of -- -----; 8% debentures of Rs.150 each at a discount of Rs.50 per debenture) <span style="float: right;">Dr.</span>		-----	-----	3
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17	Nandan, John and Rosa are partners sharing profits in the ratio of 4:3:2. On 01/04/2018 John gave a notice to retire from the firm. Nandan and Rosa decided to share future profits in the ratio of 1:1. The capital accounts of Nandan and Rosa after all adjustments showed a balance of Rs.43000 and Rs.80500 respectively. The total amount to be paid to John was Rs.95500. This amount was to be paid by Nandan and Rosa in such a way that their capitals become proportionate to their new profit sharing ratio. Calculate the capital to be brought in by Nandan and Rosa and pass journal entry for the same.	4																														
18	P and Q were partners in a firm sharing profits in the ratio of 5:3. On 01/04/2017 they admitted R as a new partner for 1/8 <sup>th</sup> share in the profits with the guaranteed profit of Rs.75000. The new profit sharing ratio between P and Q will remain the same but they agreed to bear any deficiency on account of guarantee to R in the ratio of 3:2. The profit of the firm for the year ended 31/03/18 was Rs.4,00,000. Prepare profit and loss appropriation account of P, Q and R for the year ended 31/03/2018.	4																														
19	A, B and C were partners in a firm sharing profits and losses in the ratio of 3:2:1. On 31 <sup>st</sup> March 2017 their balance sheet was as follows. <p style="text-align: center; margin-top: 10px;">Balance sheet as at 31<sup>st</sup> March 2017</p> <table border="1" style="width: 100%; margin-top: 10px; border-collapse: collapse;"> <thead> <tr> <th style="width: 30%;">LIABILITIES</th> <th style="width: 15%;">Rs.</th> <th style="width: 30%;">ASSETS</th> <th style="width: 25%;">Rs.</th> </tr> </thead> <tbody> <tr> <td>Capital A</td> <td style="text-align: right;">50 000</td> <td>Fixed Assets</td> <td style="text-align: right;">1 80 000</td> </tr> <tr> <td style="padding-left: 20px;">B</td> <td style="text-align: right;">40 000</td> <td>Current Assets</td> <td style="text-align: right;">35 000</td> </tr> <tr> <td style="padding-left: 20px;">C</td> <td style="text-align: right;">30 000</td> <td></td> <td></td> </tr> <tr> <td>Reserve Fund</td> <td style="text-align: right;">18 000</td> <td></td> <td></td> </tr> <tr> <td>Creditors</td> <td style="text-align: right;">27 000</td> <td></td> <td></td> </tr> </tbody> </table>	LIABILITIES	Rs.	ASSETS	Rs.	Capital A	50 000	Fixed Assets	1 80 000	B	40 000	Current Assets	35 000	C	30 000			Reserve Fund	18 000			Creditors	27 000			4						
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**ACCOUNTANCY**



	Employees PF	50 000				
	Total	2 15 000	Total	2 15 000		
	<p>From 01/04/2017 they decided to share future profits equally. For this purpose the following were agreed upon</p> <ol style="list-style-type: none"> <li>1) Goodwill of the firm was valued at Rs. 3,00,000.</li> <li>2) Fixed asset will be depreciated at 10%.</li> <li>3) After doing the above adjustments the capitals of all the partners will be in proportions to their new profit sharing ratio. For this purpose current account will be opened.</li> </ol> <p style="text-align: center;">Pass necessary journal entries for the above transactions in the books of the firm</p>					
20	<p>X, Y and Z were partners in a firm sharing profits in the ratio of 5:3:2. The firm closes its books on 31<sup>st</sup> March every year. On 30/09/2018, Z died. The partnership deed provided that on the death of a partner his executors will be entitled to the following</p> <ol style="list-style-type: none"> <li>1) Balance in his capital account and interest on capital @ 12% p.a. On 01/04/2018 balance in Z's capital account was 80,000.</li> <li>2) His share in the profit of the firm in the year of his death, which will be calculated on the basis rate of net profit on sales of the previous year which was 25%. The sales of the firm till the death were Rs.4,00,000.</li> <li>3) His share in the goodwill of the firm. The goodwill of the firm on Z's death was valued at Rs. 3,00,000.</li> </ol> <p>The partnership deed also provided that the following deductions will be made from the amount payable to the executors of the deceased partner</p> <ol style="list-style-type: none"> <li>1) His drawings in the year of his death. Z had withdrawn Rs.30,000 till death.</li> <li>2) Interest on drawing @ 12% p.a. which was calculated as Rs.2000.</li> </ol> <p>The accountant of the firm prepared Z's capital account to be presented to his executor but in a hurry did not complete it. Z's capital as prepared by the firm's accountant is presented below. You are required to complete Z's capital account</p>				6	
	Date	Particulars	Rs.	Date	Particulars	Rs.
	2018			2018		
	Sep30	To.....	30,000	April	By.....	80,000
	Sep30	To.....	2000	Sep30	By.....	4,800
	Sep30	To.....	.....	Sep30	By.....	20,000
				Sep30	By.....	
				Sep30	By.....	
			1,64,800			1,64,800
21	<p>Following is the Receipts and Payments Account of City Youth Association for the year ended 31<sup>st</sup> March 2017</p>				6	
	Receipts	Rs.	Payments	Rs.		
	Balance b/d	10,000	Salaries	15,000		
	Subscriptions	52,000	Billiards table	20,000		
	Entrance fee	5,000	Office expenses	6,000		
	Tournament fund	26,000	Tournament expenses	31,000		
	Sale of old newspapers	1,000	Sports equipment	40,000		
	Legacy	37,000	Balance c/d	19,000		
		131,000		131,000		



	<p>Additional information: On 31/03/2017 subscription outstanding was Rs.2000 and on 31/03/2016 subscription outstanding was Rs.3000. Salary outstanding on 31/03/2017 was Rs.1500. On 01/04/2016 the club had building Rs.75000 furniture Rs.18000, 12% investment 30,000 and sports equipment 30,000. Depreciation charged on building, furniture and sports equipment @10% p.a. including purchases.</p> <p>Prepare income and expenditure account for the year ended 31/03/2017.</p>	
22	<p>LCM Ltd invited applications for issuing 2,00,000 equity shares of Rs.10 each at a premium of Rs.3 per share. The amount was payable as follows  On application and allotment Rs.8 per share(including premium)  On first and final call the balance amount  Applications for 3,00,000 shares were received. Applications for 50,000 shares were rejected and money refunded. Shares were allotted on pro-rata basis to the remaining applicants. First and final call was made and was duly received except on 2500 shares applied by Kanwar. His shares were forfeited. The forfeited shares were re-issued at Rs.7 per share fully paid up. Pass necessary journal entries for the above transactions in the books of the company.</p> <p style="text-align: center;"><b>OR</b></p> <p>DPS company Ltd made an issue of 1,00,000 equity shares of Rs.10 each at a premium of 30% payable as follows:  On application Rs.3.50 per share.  On allotment Rs.6.50 per share.  On first and final call the balance  Applications were received for 2,00,000 equity shares and the directors made pro-rata allotment. Harsh who had applied for 1600 shares did not pay the allotment and the call money. With the result his shares were forfeited and 60% of them were re-issued at Rs.8 per share fully paid-up.  Pass necessary journal entries in the books of the company.</p>	8



23 B and C were partners sharing profits in the ratio of 3:2. Their balance sheets as at 31<sup>st</sup> march 2018 was as follows.

Balance sheet of B and C as at 31<sup>st</sup> march 2018

Liabilities	Rs.	Assets	Rs.
Capital B	60,000	Land and building	80,000
Capital C	40,000	Machinery	20,000
Provision for doubtful debts	1,000	Furniture	10,000
Creditors	60,000	Debtors	25,000
		Cash	16,000
		Profit and loss A/c	10,000
	161,000		1,61,000

D was admitted to the partnership for 1/5<sup>th</sup> share in the profits on the following terms:

- 1) The new profit sharing ratio was decided as 2:2:1
- 2) D will bring Rs.30,000 as his capital and Rs.15,000 for his share of goodwill.
- 3) Half of the premium amount was withdrawn by the sacrificing partners.
- 4) A provision of 5% for bad and doubtful debts was to be maintained.
- 5) An item of Rs.500 included in creditors was not likely to be paid.
- 6) A provision of RS.800 was to be made for claims for damages against the firm.

After making the above adjustments, the capital accounts of B and C were to be adjusted on the basis of D's capital through cash.

Prepare revaluation account, partner's capital A/c and balance sheet of the new firm.

**OR**

Narang, Suri and Bajaj are partners in firm sharing profit and losses in the ratio of 1/2 , 1/6 and 1/3 respectively. The balance sheet at 31/03/2017 was as follows

Liabilities	Rs.	Assets	Rs.
Narang capital	30,000	Freehold premises	40,000
Suri capital	30,000	Machinery	30,000
Bajaj capital	28,000	Furniture	12,000
Bills payable	12,000	Stock	22,000
Reserves	12,000	Debtors	20,000
Creditors	18,000	Less provision for bad debts	1,000
		Cash	7,000
	1,30,000		1,30,000

Bajaj retires from the business on the above date and the partners agree to the following:

- a) Freehold premises and stock are to be appreciated by 20% and 15% respectively.
- b) Machinery and furniture are to be depreciated by 10% and 7% respectively.
- c) Provision for bad debts is to be increased to Rs.1,500.
- d) Goodwill is valued at Rs.21,000 on Bajaj's retirement.
- e) The continuing partners have decided to adjust their capitals in their new profit sharing ratios through current A/c after Bajaj's retirement.

Prepare necessary ledger accounts and draw the balance sheet of the reconstituted firm.



<b>PART B ANALYSIS OF FINANCIAL STATEMENTS(20MARKS)</b>																	
24	Under which type of activity will you classify 'Commission and Royalty received' while preparing cash flow statement. a. Operating activity b. Investing activity c. Financing Activity d. None of the above	1															
25	Normally, what should be the maturity period for a short term investment from the date of its acquisition to be qualified as cash equivalent. a. 1 month b. 2 month c. 3 months d. None of the above	1															
26	When bad position of the business is tried to be depicted as good, it is known as a. Personal bias b. price level changes c. Window dressing d. All the above	1															
27	A company's current liability decreases from Rs.4 00 000 to Rs.3 00 000 what the percentage of change a. 24% b. 33.3% c. 20% d. 40%	1															
28	The total assets of the firm are Rs.20 00 000 and its fixed assets are Rs.8 00 000. what will be the percentage of fixed assets on total assets? A. 60% b. 40% c. 29% d. 71%	1															
29	Liquid Assets do not include a. B/R b. Debtors c. Inventory d. Bank Balance	1															
30	From the following information prepare comparative statement of profit and loss of Y Ltd. for the year ended 31 <sup>st</sup> March 2018 <table border="1" style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <thead> <tr> <th style="width: 35%;">Particulars</th> <th style="width: 30%;">31/03/2018(Rs.)</th> <th style="width: 35%;">31/03/2017(Rs.)</th> </tr> </thead> <tbody> <tr> <td>Revenue from operation</td> <td style="text-align: right;">20,00,000</td> <td style="text-align: right;">10,00,000</td> </tr> <tr> <td>Cost of material consumed</td> <td style="text-align: right;">15,00,000</td> <td style="text-align: right;">6,00,000</td> </tr> <tr> <td>Other expenses</td> <td style="text-align: right;">12% of cost of material consumed</td> <td style="text-align: right;">10% of cost of material consumed</td> </tr> <tr> <td>Income tax</td> <td style="text-align: right;">40%</td> <td style="text-align: right;">30%</td> </tr> </tbody> </table>	Particulars	31/03/2018(Rs.)	31/03/2017(Rs.)	Revenue from operation	20,00,000	10,00,000	Cost of material consumed	15,00,000	6,00,000	Other expenses	12% of cost of material consumed	10% of cost of material consumed	Income tax	40%	30%	4
Particulars	31/03/2018(Rs.)	31/03/2017(Rs.)															
Revenue from operation	20,00,000	10,00,000															
Cost of material consumed	15,00,000	6,00,000															
Other expenses	12% of cost of material consumed	10% of cost of material consumed															
Income tax	40%	30%															
31	From the following information related to Naveen Ltd. Calculate return on investment and total assets to Debt ratio. Fixed assets Rs.75,00,000; current assets Rs. 40,00,000; current liabilities Rs.27,00,000; 12% debentures Rs.80,00,000; net profit before interest tax and dividend Rs.14,50,000. <b>OR</b> Current ratio 4 ; Liquid ratio 2.5; inventory Rs. 6 00 000. Calculate current assets, current liabilities, and liquid assets.	4															





32 Following is the balance sheet of thermal power limited as at 31/03/2018 6

Particulars	Note no.	2017-18	2016-17
<b>I. Equity and Liabilities</b>			
(1) Shareholders fund			
(a) Share capital		12,00,000	11,00,000
(b) Reserves and Surplus	1	3,00,000	2,00,000
(2) Non-current liabilities			
Long term borrowings		2,40,000	1,70,000
(3) Current liabilities			
(a) Trade payables		1,79,000	2,04,000
(b) Short-term provisions		50,000	77,000
<b>TOTAL</b>		<b>19,69,000</b>	<b>17,51,000</b>
<b>II. Assets</b>			
(1) Non-current assets			
(a) Fixed assets			
(i) Tangible	2	10,70,000	8,50,000
(ii) Intangible	3	40,000	1,12,000
(2) Current assets			
(a) Current investments		2,40,000	1,50,000
(b) Inventories		1,29,000	1,21,000
(c) Trade receivables		1,70,000	1,43,000
(d) Cash and Cash Equivalents		3,20,000	3,75,000
<b>TOTAL</b>		<b>19,69,000</b>	<b>17,51,000</b>

Notes to Accounts:

S.no	Particulars	2017-18	2016-17
1	Reserves and surplus: Balance in statement of profit and loss	3,00,000	2,00,000
2	Tangible assets: Machinery Less: Accumulated depreciation	12,70,000 (2,00,000)	10,00,000 (1,50,000)
3	Intangible assets: Goodwill	40,000	1,12,000

Additional information:

During the year a piece of machinery costing Rs.24,000 on which accumulated depreciation was Rs. 16,000, was sold for Rs. 6,000.

Prepare cash flow statement.



**ACCOUNTANCY**



18	<p><b>Profit and Loss appropriation account of P, Q and R</b> For the year ended 31.3.2018</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 40%;">Particulars</th> <th style="width: 10%;">Rs.</th> <th style="width: 40%;">Particulars</th> <th style="width: 10%;">RS</th> </tr> </thead> <tbody> <tr> <td>Partners capital a/c</td> <td></td> <td>Profit and loss a/c (NP)</td> <td>4 00 000</td> </tr> <tr> <td>    P</td> <td>218750</td> <td></td> <td></td> </tr> <tr> <td>    Less deficiency</td> <td>15000</td> <td></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">-----</td> <td></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">2 03 750</td> <td></td> <td></td> </tr> <tr> <td>    Q</td> <td>131250</td> <td></td> <td></td> </tr> <tr> <td>    Less deficiency</td> <td>10000</td> <td></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">-----</td> <td></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">1 21 250</td> <td></td> <td></td> </tr> <tr> <td>    R</td> <td>50000</td> <td></td> <td></td> </tr> <tr> <td>    Add from P</td> <td>15000</td> <td></td> <td></td> </tr> <tr> <td>    Add from Q</td> <td>10000</td> <td></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">75 000</td> <td></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">4 00 000</td> <td></td> <td style="text-align: right;">4 00 000</td> </tr> </tbody> </table>	Particulars	Rs.	Particulars	RS	Partners capital a/c		Profit and loss a/c (NP)	4 00 000	P	218750			Less deficiency	15000				-----				2 03 750			Q	131250			Less deficiency	10000				-----				1 21 250			R	50000			Add from P	15000			Add from Q	10000				75 000				4 00 000		4 00 000	4	
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**ACCOUNTANCY**



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**ACCOUNTANCY**



<b>OR</b>															
1.	Banka/c Dr. To Equity share application a/c (Application received)	7 00 000 700 000	700 000												
2.	Equity share application a/c Dr. To equity share capital a/c To equity share allotment (application money transferred)	7 00 000 3 50 000 3 50 000	3 50 000 3 50 000												
3.	Equity share allotment a/c Dr. To Equity share capital a/c To Securities premium reserve a/c (allotment due)	6,50,000 3 50 000 3 00 000	3 50 000 3 00 000												
4.	Banka/c Dr. To Equity share allotment a/c (allotment received)	2 97 600 2 97 600	2 97 600												
5.	Equity share first and final call a/c Dr. To Equity share capital a/c ( first and final call due)	3 00 000 3 00 000	3 00 000												
6.	Bank a/c Dr. To Equity share first and final call a/c (call received )	2 97 600 2 97 600	2 97 600												
7.	Equity share capital a/c Dr. Securities premium reserve a/c Dr. To shares forfeited a/c To equity share allotment To equity share first and final call a/c (shares forfeited)	8000 2 400 5 600 2 400 2 400	5 600 2 400 2 400												
8.	Banka/c Dr. Share forfeited a/c Dr. To Equity share capital a/c ( shares re issued)	3 840 960 4 800	4 800												
9.	Share forfeited a/c Dr. To capital reserve	2 400 2 400	2 400												
	(Profit on forfeited shares transferred to capital reserve)														
23	<b>Revaluation account</b>														
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Provision for doubtful debt	250	Creditors	500												
Provision for damages	800	Loss transferred to A's capital a/c	330												

**ACCOUNTANCY**



		B's capital a/c	220
	1050		1050

**Partners capital account**

Particulars	B	C	D	Particulars	B	C	D
Cash a/c	7500	--	--	Balance	60000	40000	--
P&L a/c	6000	4000	--	b/d	--	--	30000
Revaluation	330	220	--	Cash	15000	--	--
Cash	1170	--	--	Premium	--	24220	--
Balance c/d	60000	60000	30000	Cash			
<b>Total</b>	<b>75000</b>	<b>64220</b>	<b>30000</b>		<b>75000</b>	<b>64220</b>	<b>30000</b>

**Balance sheet of B, C and D  
As at 31.3.2018**

	RS	Assets	Rs.
<b>Liabilities</b>			
Capital of A	60 000	Land and Building	80 000
Capital of B	60 000	Machinery	20 000
Capital of C	30 000	Furniture	10 000
Creditors	59 500	Debtors	25 000
Provision for d/ debt	1 250	Cash	76 500
Provision for damages	800		
	<b>2 11 550</b>		<b>2 11 550</b>

**OR**

**Revaluation a/c**

Particulars	Rs.	Particulars	Rs.
Machinery a/c	3 000	Free hold	8 000
Furniture a/c	840	premises/c	
Provision for doubtful debt a/c	500	Stock a/c	3 300
Profit transferred to capital a/c			
Narang	3 480		
Surj	1 160		
Bajaj	2 320		
<b>Total</b>	<b>11 300</b>		<b>11 300</b>

**ACCOUNTANCY**



Partners capital a/c								
Particulars	Narang	Suraj	Bajaj	Particulars	Narang	Suraj	Bajaj	
Bajaj capital	5250	1750	----	Balance	30 000	30 000	28 000	
Bajaj loan a/c	---	--	41320	b/d Reserve	6 000	2 000	4 000	
Suri's current		15000		Revaluation	3 480	1 160	2 320	
Balance c/d	49230	16410		Narang cap	---	---	5 250	
				Suri capital	---	---	1 750	
				Narang current a/c	15000	---	----	
<b>Total</b>	<b>54480</b>	<b>33160</b>	<b>41320</b>	<b>Total</b>	<b>54480</b>	<b>33 160</b>	<b>41 320</b>	
Balance sheet as at 1.4.2017								
Liabilities		Rs.	Assets		Rs.			
Narang capital		49 230	Freehold premises		48 000			
Suri capital		16 410	Machinery		27 000			
Suri current a/c		15 000	Furniture		11 160			
Bajaj loan /c		41 320	Stock		25 300			
Bills payable creditors		12 000	Debtors		18 500			
		18 000	Cash		7 000			
			Narang's current a/c		15 000			
		<b>1 51 960</b>			<b>1 51 960</b>			
PART B ANALYSIS OF FINANCIAL STATEMENT								
24	A							1
25	C							1
26	C							1
27	A							1
28	B							1
29	C							1

**ACCOUNTANCY**



Comparative statement of P&L						
30	Particulars	31.3.2017	31.3.2018	Absolute change	% change	4
	Revenue from operation	10 00 000	20 00 000	10 00 000	100	
	Total revenue from operation	10 00 000	20 00 000	10 00 000	100	
	Expenses: material	6 00 000	15 00 000	9 00 000	150	
	Other expenses	60 000	1 80 000	1 20 000	200	
	Total expenses	6 60 000	16 80 000	10 20 000	154.55	
	NP before tax	3 40 000	3 20 000	(20 000)	(5.88)	
	Less tax	1 02 000	1 28 000	26 000)	25.49	
	NP after tax	2 38 000	1 92 000	(46 000)	(19.33)	
31	ROI 16.47%, Total assets to debt ratio 1.44:1					
	<b>OR</b>					
	current assets Rs.16 00 000; current liabilities Rs. 4 00 000 ;					
	liquid assets Rs. 10 00 000					4
32	Cash Flow Statement for the year ended 31.3.2018					6
	Particulars	Rs.	Rs			
	<b>Cash flow from operating activities:</b>					
	Net profit before tax and extraordinary items	1 00 000				
	Add: Non cash and non operating charges					
	Good will written off	72000				
	Depreciation on machinery	66000				
	Loss on sale of machinery	2000				
	Operating profit before working capital changes.	2 40 000				
	<b>Less</b> increase in current assets					
	Increase in TR	(27 000)				
	Increase in inventories.	(8000)				
	<b>Less</b> decrease in current liabilities					
	Decrease in trade payable	(25000)				
	Decrease in short term provision	(27 000)				
	Cash generated from operating activity	2 40 000		1 53 000		
	<b>Cash flow from investing activity:</b>					
	Purchase of machinery	(2 94000)				
	Sale of machinery	6000				
	Cash used in investing activity	(2 88 000)				
	<b>Cash flows from financing activities:</b>					
	Issue of share capital	1 00 000				
	Money raised from borrowing	70000				
	Cash flow from financing activity	1 70 000				
	Net increase in cash and cash equivalent			35 000		
	Add : opening cash and cash equivalent			5 25 000		
	Closing cash and cash equivalent			5 60 000		



**ACCOUNTANCY**

Working Notes			
Machinery a/c			
Particulars	Rs.	Particulars	Rs.
Balance b/d	10 00000	Bank a/c	6000
Bank a/c (?)	2 94 000	Accumulated depreciation	
		Loss on sale of machinery	16000
		Balance c/d	2000
			12 70000
Total	12 94 000	Total	12 94 000
Accumulated depreciation a/c			
particulars	Rs.	Particulars	Rs.
Machinery a/c	16000	Balance b/d	1 50 000
Balance c/d	2 00 000	Statement of P&L	66000
Total	2 16 000	Total	2 16 000

**THE END**

**SET-1****Series BVM/2**कोड नं.  
**Code No. 67/2/1**रोल नं.  
Roll No. 

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परीक्षार्थी कोड को उत्तर-पुस्तिका के मुख-पृष्ठ पर अवश्य लिखें ।

Candidates must write the Code on the title page of the answer-book.

- कृपया जाँच कर लें कि इस प्रश्न-पत्र में मुद्रित पृष्ठ **27** हैं ।
- प्रश्न-पत्र में दाहिने हाथ की ओर दिए गए कोड नम्बर को छात्र उत्तर-पुस्तिका के मुख-पृष्ठ पर लिखें ।
- कृपया जाँच कर लें कि इस प्रश्न-पत्र में **23** प्रश्न हैं ।
- कृपया प्रश्न का उत्तर लिखना शुरू करने से पहले, प्रश्न का क्रमांक अवश्य लिखें ।
- इस प्रश्न-पत्र को पढ़ने के लिए 15 मिनट का समय दिया गया है । प्रश्न-पत्र का वितरण पूर्वाह्न में 10.15 बजे किया जाएगा । 10.15 बजे से 10.30 बजे तक छात्र केवल प्रश्न-पत्र को पढ़ेंगे और इस अवधि के दौरान वे उत्तर-पुस्तिका पर कोई उत्तर नहीं लिखेंगे ।
- Please check that this question paper contains **27** printed pages.
- Code number given on the right hand side of the question paper should be written on the title page of the answer-book by the candidate.
- Please check that this question paper contains **23** questions.
- **Please write down the Serial Number of the question before attempting it.**
- 15 minute time has been allotted to read this question paper. The question paper will be distributed at 10.15 a.m. From 10.15 a.m. to 10.30 a.m., the students will read the question paper only and will not write any answer on the answer-book during this period.

**लेखाशास्त्र****ACCOUNTANCY**

निर्धारित समय : 3 घण्टे

अधिकतम अंक : 80

Time allowed : 3 hours

Maximum Marks : 80



### सामान्य निर्देश :

- (i) यह प्रश्न-पत्र दो खण्डों में विभक्त है – क और ख ।
- (ii) खण्ड क सभी के लिए अनिवार्य है ।
- (iii) खण्ड ख के दो विकल्प हैं – वित्तीय विवरणों का विश्लेषण तथा अभिकलित्र लेखांकन ।
- (iv) खण्ड ख से केवल एक ही विकल्प के प्रश्नों के उत्तर लिखिए ।
- (v) किसी प्रश्न के सभी खण्डों के उत्तर एक ही स्थान पर लिखे जाने चाहिए ।

### General Instructions :

- (i) This question paper contains two parts – A and B.
- (ii) Part A is **compulsory** for all.
- (iii) Part B has two options – Analysis of Financial Statements and Computerised Accounting.
- (iv) Attempt **only one** option of Part B.
- (v) All parts of a question should be attempted at one place.

### खण्ड क

(अलाभकारी संगठनों, साझेदारी फर्मों तथा कम्पनियों के लिए लेखांकन)

### PART A

### (Accounting for Not-for-Profit Organizations, Partnership Firms and Companies)

1. एक साझेदारी फर्म के विघटन पर स्थिति विवरण की परिसम्पत्तियों की तरफ दर्शाए गए साझेदार के ऋण का लेखा करने के लिए आवश्यक रोज़नामचा प्रविष्टि दीजिए । 1  
Pass the necessary journal entry for treatment of Partner's loan appearing on the asset side of the Balance Sheet in case of dissolution of a partnership firm.
2. एक नया साझेदार जिस साझेदारी फर्म का सदस्य बनता है, उसमें दो प्रमुख अधिकारों का अधिग्रहण करता है । इनमें से एक अधिकार का उल्लेख कीजिए । 1

### अथवा

किसी फर्म की ख्याति के मूल्य को 'व्यवसाय की प्रकृति' किस प्रकार प्रभावित करती है ? 1  
A new partner acquires two main rights in the partnership firm which he joins. State one of these rights.

### OR

How does 'Nature of business' affect the value of goodwill of a firm ?

3. एक अलाभकारी संगठन के मुख्य उद्देश्य का उल्लेख कीजिए । 1

### अथवा

एक अलाभकारी संगठन का वित्तीय विवरण तैयार करते समय 'जीवन सदस्यता शुल्क' का निपटान कैसे किया जाता है ? 1

State the main aim of a not-for-profit organisation.

### OR

How is 'Life membership fee' treated while preparing the financial statements of a not-for-profit organisation ?



4. कीया तथा लीला साझेदार हैं तथा 3 : 2 के अनुपात में लाभ बाँटते हैं। किरण को लाभ के  $\frac{1}{5}$  वें भाग के लिए एक नया साझेदार बनाया गया और वह ख्याति प्रीमियम के अपने भाग के लिए ₹ 24,000 लाई, जिसकी कीया तथा लीला के पूँजी खातों के जमा में क्रमशः ₹ 18,000 तथा ₹ 6,000 से खतौनी कर दी गई।

कीया, लीला तथा किरण के नए लाभ विभाजन अनुपात की गणना कीजिए।

1

Kiya and Leela are partners sharing profits in the ratio of 3 : 2. Kiran was admitted as a new partner with  $\frac{1}{5}$ th share in the profits and brought in ₹ 24,000 as her share of goodwill premium that was credited to the capital accounts of Kiya and Leela respectively with ₹ 18,000 and ₹ 6,000.

Calculate the new profit sharing ratio of Kiya, Leela and Kiran.

5. दिनकर, नवीता तथा वाणी साझेदार थे तथा 3 : 2 : 1 के अनुपात में लाभ-हानि बाँटते थे। 30 जून, 2017 को नवीता की मृत्यु हो गई। बीच की अवधि में लाभ में उसका भाग विक्रय पर आधारित था जो ₹ 6,00,000 था। पिछले चार वर्षों में विक्रय पर लाभ की दर 10% थी। फर्म अपनी पुस्तकें प्रति वर्ष 31 मार्च को बंद करती है।

लाभ में नवीता के भाग की गणना कीजिए।

1

Dinkar, Navita and Vani were partners sharing profits and losses in the ratio of 3 : 2 : 1. Navita died on 30<sup>th</sup> June, 2017. Her share of profit for the intervening period was based on the sales during that period, which were ₹ 6,00,000. The rate of profit during the past four years had been 10% on sales. The firm closes its books on 31<sup>st</sup> March every year.

Calculate Navita's share of profit.

6. 'अंशों के निजी आबंटन' का क्या अर्थ है ?

1

अथवा

'आरक्षित पूँजी' का क्या अर्थ है ?

1

What is meant by 'Private Placement of Shares' ?

**OR**

What is meant by 'Reserve Capital' ?

7. पिछले कुछ वर्षों में एक फर्म का औसत लाभ ₹ 80,000 है तथा एक इसी प्रकार के व्यवसाय की सामान्य प्रतिफल दर 10% है। यदि 4 वर्षों के अधिलाभ (सुपर लाभ) के क्रय पर फर्म की ख्याति ₹ 1,00,000 है, तो फर्म द्वारा विनियोजित पूँजी ज्ञात कीजिए।

3

Average profits of a firm during the last few years are ₹ 80,000 and the normal rate of return in a similar business is 10%. If the goodwill of the firm is ₹ 1,00,000 at 4 years' purchase of super profit, find the capital employed by the firm.



8. 'यू ज़ैड लिमिटेड' ने एल्क मशीन लिमिटेड से ₹ 6,90,000 में संयंत्र तथा मशीनरी का क्रय किया। एल्क लिमिटेड को भुगतान ₹ 90,000 के एक ड्राफ्ट, जो तीन माह पश्चात् देय था, को स्वीकार करके तथा शेष का भुगतान ₹ 100 प्रत्येक के 6% ऋणपत्रों को 20% के बड़े पर निर्गमित करके किया गया।

उपर्युक्त लेनदेनों के लिए 'यू ज़ैड लिमिटेड' की पुस्तकों में आवश्यक रोज़नामचा प्रविष्टियाँ कीजिए।

3

**अथवा**

'ज़ैड के लिमिटेड' ने ₹ 100 प्रत्येक के ₹ 4,00,000, 9% ऋणपत्रों का निर्गमन 5% के बड़े पर किया जिनका शोधन 10% के प्रीमियम पर करना है।

उपर्युक्त लेनदेनों के लिए 'ज़ैड के लिमिटेड' की पुस्तकों में आवश्यक रोज़नामचा प्रविष्टियाँ कीजिए।

3

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

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

**OR**

'ZK Ltd.' issued ₹ 4,00,000, 9% Debentures of ₹ 100 each at a discount of 5% redeemable at a premium of 10%.

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

9. विल्लो लिमिटेड ₹ 10,00,000 की अधिकृत पूँजी, जो ₹ 10 प्रत्येक के 1,00,000 समता अंशों में विभक्त थी, से पंजीकृत थी। कम्पनी ने जनता के अभिदान हेतु 80,000 अंश प्रस्तावित किए, जिनमें से 75,000 अंशों का अभिदान हुआ। 3,000 अंशों पर ₹ 2 प्रति अंश की अंतिम याचना को छोड़कर सभी राशि प्राप्त हो गई। विल्लो लिमिटेड के स्थिति विवरण में कम्पनी अधिनियम, 2013 की अनुसूची III, भाग I के प्रावधानों के अनुसार रिक्तियाँ (गायब राशि) भरिए।

3

**31 मार्च, 2018 को स्थिति विवरण (एक निष्कर्ष)**

विवरण	नोट सं.	₹
<b>समता एवं देयताएँ</b>		
1. शेयरधारक कोष		
(a) अंश पूँजी	1	.....
		.....



## खातों के शेष

नोट सं.	विवरण	₹
1	अंश पूँजी अधिकृत पूँजी ..... निर्गमित पूँजी ..... अभिदत्त पूँजी अभिदत्त तथा पूर्ण प्रदत्त _____ अंश ₹ 10 प्रत्येक अभिदत्त किन्तु पूर्ण प्रदत्त नहीं _____ अंश ₹ 10 प्रत्येक ..... घटा .....	..... ..... ..... ..... ..... .....
		.....

Willow Ltd. was registered with an authorized capital of ₹ 10,00,000 divided into 1,00,000 equity shares of ₹ 10 each. The company offered 80,000 shares for subscription to the public, out of which 75,000 shares were subscribed. All amounts were received except the final call of ₹ 2 per share on 3,000 shares. Fill in the missing figures in the Balance Sheet of Willow Ltd. as per the provisions of Schedule III, Part I of the Companies Act, 2013.

### Balance Sheet as at 31<sup>st</sup> March, 2018 (An extract)

Particulars	Note No.	₹
<b>EQUITY AND LIABILITIES</b>		
1. Shareholders Funds		
(a) Share Capital	1	.....
		.....



## Note to Accounts

Note No.	Particulars	₹
1	<b>Share Capital</b>	
	<b>Authorised Capital</b>	
	.....	.....
	<b>Issued Capital</b>	
	.....	.....
	<b>Subscribed Capital</b>	
	Subscribed and full paid	
	_____ shares of ₹ 10 each	.....
	Subscribed but not fully paid	
	_____ shares of ₹ 10 each	.....
	Less .....	.....
		.....

10. जनता कल्याण क्लब के 1250 सदस्य थे तथा प्रत्येक ₹ 150 वार्षिक चन्दा देता था। 31 मार्च, 2018 को समाप्त हुए वर्ष में क्लब को 45 सदस्यों से चन्दा प्राप्त नहीं हुआ तथा 46 सदस्यों से 31 मार्च, 2019 को समाप्त होने वाले वर्ष के लिए अग्रिम चन्दा प्राप्त हुआ। 31 मार्च, 2017 को अदत्त चन्दा ₹ 15,000 तथा अग्रिम प्राप्त चन्दा ₹ 3,000 था।

31 मार्च, 2018 को समाप्त हुए वर्ष के लिए 'प्राप्ति एवं भुगतान खाते' के जमा में खतौनी की जाने वाली चन्दे की राशि की गणना कीजिए।

3

Janta Kalayan Club has 1250 members each paying an annual subscription of ₹ 150. During the year ended 31<sup>st</sup> March, 2018 the club did not receive subscription from 45 members and received subscriptions in advance from 46 members for the year ending 31<sup>st</sup> March, 2019. On 31<sup>st</sup> March, 2017 the outstanding subscriptions were ₹ 15,000 and subscriptions received in advance were ₹ 3000.

Calculate the amount of subscription that will be debited to the 'Receipts and Payments Account' for the year ended 31<sup>st</sup> March, 2018.

11. हरी, कुनाल तथा उमा एक फर्म में साझेदार हैं तथा 5 : 3 : 2 के अनुपात में लाभ-हानि बाँटते हैं। 1 अप्रैल, 2018 से उन्होंने भविष्य में लाभ-हानि 2 : 5 : 3 के अनुपात में बाँटने का निर्णय लिया। उनका स्थिति विवरण, लाभ-हानि खाते में ₹ 75,000 तथा निवेश उतार-चढ़ाव कोष में ₹ 15,000 दर्शा रहा था। इस प्रयोजन हेतु यह सहमति हुई कि :

4

- (i) फर्म की ख्याति का मूल्यांकन ₹ 3,00,000 पर किया गया।



- (ii) निवेश (पुस्तक मूल्य ₹ 50,000) का मूल्यांकन ₹ 35,000 पर किया गया ।  
 (iii) ₹ 50,000 पुस्तक मूल्य के स्टॉक पर 10% से मूल्यहास लगाया जाएगा ।  
 उपर्युक्त के लिए फर्म की पुस्तकों में आवश्यक रोज़नामचा प्रविष्टियाँ कीजिए ।

Hari, Kunal and Uma are partners in a firm sharing profits and losses in the ratio of 5 : 3 : 2. From 1<sup>st</sup> April, 2018 they decided to share future profits and losses in the ratio of 2 : 5 : 3. Their Balance Sheet showed a balance of ₹ 75,000 in the Profit and Loss Account and a balance of ₹ 15,000 in Investment Fluctuation Fund. For this purpose, it was agreed that :

- (i) Goodwill of the firm was valued at ₹ 3,00,000.  
 (ii) That investments (having a book value of ₹ 50,000) were valued at ₹ 35,000.  
 (iii) That stock having a book value of ₹ 50,000 be depreciated by 10%.

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

12. मीरा, सार्थक तथा रोहित एक फर्म में साझेदार थे तथा 2 : 2 : 1 के अनुपात में लाभ बाँटते थे । 31 मार्च, 2018 को उनका स्थिति विवरण निम्न प्रकार से था :

**31 मार्च, 2018 को मीरा, सार्थक तथा रोहित का स्थिति विवरण**

देयताएँ	राशि ₹	परिसम्पत्तियाँ	राशि ₹
लेनदार	3,00,000	स्थायी परिसम्पत्तियाँ	7,00,000
आकस्मिक संचय	1,00,000	स्टॉक	2,00,000
पूँजी :		देनदार	1,50,000
मीरा	4,00,000	बैंक में रोकड़	3,50,000
सार्थक	3,50,000		
रोहित	2,50,000		
	14,00,000		14,00,000

15 जून, 2018 को सार्थक की मृत्यु हो गई । साझेदारी संलेख के अनुसार उसके निष्पादक निम्न के हकदार थे :

- (i) उसके पूँजी खाते का शेष ।  
 (ii) ख्याति में उसका भाग जिसकी गणना पिछले चार वर्ष के औसत लाभों के तीन गुणा के आधार पर की जाएगी ।





(iii) मृत्यु की तिथि तक लाभों में उसके भाग की गणना पिछले दो वर्षों के औसत लाभों के आधार पर की जाएगी। मृत्यु के वर्ष में जिस समयावधि तक वह जीवित था उसकी गणना महीनों में की जाएगी।

(iv) उसकी मृत्यु की तिथि तक पूँजी पर 12% प्रति वर्ष की दर से ब्याज।  
पिछले चार वर्षों में फर्म के लाभ थे :

2014 – 15 ₹ 1,20,000, 2015 – 16 ₹ 2,00,000, 2016 – 17 ₹ 2,60,000 तथा  
2017 – 18 ₹ 2,20,000.

सार्थक के निष्पादकों को देय राशि का तुरन्त भुगतान कर दिया गया।

उसके निष्पादकों को प्रस्तुत किया जाने वाला सार्थक का पूँजी खाता तैयार कीजिए।

4

Meera, Sarthak and Rohit were partners sharing profits in the ratio of 2 : 2 : 1. On 31 March, 2018, their Balance Sheet was as follows :

**Balance Sheet of Meera, Sarthak and Rohit as at 31 March, 2018**

Liabilities	Amount ₹	Assets	Amount ₹
Creditors	3,00,000	Fixed Assets	7,00,000
Contingency Reserve	1,00,000	Stock	2,00,000
Capital :		Debtors	1,50,000
Meera	4,00,000	Cash at bank	3,50,000
Sarthak	3,50,000		
Rohit	2,50,000		
	14,00,000		14,00,000

Sarthak died on 15<sup>th</sup> June, 2018. According to the partnership deed, his executors were entitled to :

- Balance in his Capital Account.
- His share of goodwill will be calculated on the basis of thrice the average of the past 4 years' profits.
- His share in profits up to the date of death on the basis of average profits of the last two years. The time period for which he survived in the year of death will be calculated in months.
- Interest on capital @ 12% p.a. up to the date of his death.

The firm's profits for the last four years were :

2014 – 15 ₹ 1,20,000, 2015 – 16 ₹ 2,00,000, 2016 – 17 ₹ 2,60,000 and  
2017 – 18 ₹ 2,20,000.

Sarthak's executors were paid the amount due immediately. Prepare Sarthak's Capital Account to be presented to his executors.



13. जैम्स क्लब की निम्न सूचना से 31 मार्च, 2018 को समाप्त वर्ष के लिए आय एवं व्यय खाता तैयार कीजिए ।

**31 मार्च, 2018 को समाप्त वर्ष के लिए जैम्स क्लब का प्राप्ति एवं भुगतान खाता**

प्राप्तियाँ	राशि ₹	भुगतान	राशि ₹
शेष आगे लाए	50,000	फर्नीचर	1,30,000
निवेश पर ब्याज	2,400	वेतन	64,500
दान	17,000	विविध व्यय	52,000
चन्दा	3,00,000	टेलीफोन व्यय	12,000
किराया प्राप्त हुआ	70,000	फैक्स मशीन	6,000
पुराने समाचार-पत्रों की बिक्री	600	6% निवेश (01.08.2017 को)	1,00,000
		मुद्रण तथा स्टेशनरी	19,000
		शेष नीचे ले गए	56,500
	4,40,000		4,40,000

**अतिरिक्त सूचना :**

प्राप्त चन्दे में ₹ 15,000 वर्ष 2018 – 19 के सम्मिलित थे । 31 मार्च, 2018 को अदत्त चन्दे की राशि ₹ 20,000 थी । 31 मार्च, 2018 को अदत्त वेतन ₹ 8,000 था तथा प्राप्य किराया ₹ 2,000 था । मुद्रण तथा स्टेशनरी का आरम्भिक स्टॉक ₹ 12,000 था, जबकि अन्तिम स्टॉक ₹ 15,000 था ।



From the following information of Gems Club, prepare Income and Expenditure Account for the year ended 31<sup>st</sup> March, 2018.

**Receipts and Payments Account of Gems Club for the year ending 31<sup>st</sup> March, 2018**

Receipts	Amount ₹	Payments	Amount ₹
To Balance b/d	50,000	By Furniture	1,30,000
To Interest on Investments	2,400	By Salaries	64,500
To Donations	17,000	By Miscellaneous Expenses	52,000
To Subscriptions	3,00,000	By Telephone Charges	12,000
To Rent Received	70,000	By Fax Machine	6,000
To Sale of old newspapers	600	By 6% Investments (on 01.08.2017)	1,00,000
		By Printing and Stationery	19,000
		By Balance c/d	56,500
	4,40,000		4,40,000

*Additional Information :*

Subscriptions received included ₹ 15,000 for 2018 – 19. The amount of subscriptions outstanding on 31<sup>st</sup> March, 2018 were ₹ 20,000. Salaries unpaid on 31<sup>st</sup> March, 2018 were ₹ 8,000 and Rent receivable was ₹ 2,000. Opening stock of printing and stationery was ₹ 12,000, whereas Closing stock was ₹ 15,000.



14. आशीष तथा कनव एक फर्म में साझेदार थे तथा 3 : 2 के अनुपात में लाभ-हानि बाँटते थे ।  
31 मार्च, 2018 को उनका स्थिति विवरण निम्न प्रकार से था :

**31 मार्च, 2018 को आशीष तथा कनव का स्थिति विवरण**

देयताएँ	राशि ₹	परिसम्पत्तियाँ	राशि ₹
व्यापारिक लेनदार	42,000	बैंक	35,000
कर्मचारी भविष्य निधि	60,000	स्टॉक	24,000
श्रीमती आशीष का ऋण	9,000	देनदार	19,000
कनव का ऋण	35,000	फर्नीचर	40,000
कामगार क्षतिपूर्ति कोष	20,000	संयंत्र	2,10,000
निवेश उतार-चढ़ाव कोष	4,000	निवेश	32,000
पूँजी :		लाभ-हानि खाता	10,000
आशीष      1,20,000			
कनव              80,000	2,00,000		
	3,70,000		3,70,000

उपर्युक्त तिथि को उन्होंने फर्म के विघटन का निर्णय किया ।

- आशीष फर्नीचर को ₹ 38,000 में लेने के लिए तथा श्रीमती आशीष के ऋण का भुगतान करने के लिए सहमत हुआ ।
- देनदारों से ₹ 18,500 प्राप्त हुए तथा संयंत्र से 10% अधिक प्राप्त हुए ।
- कनव ने 40% स्टॉक को पुस्तक मूल्य से 20% कम पर ले लिया । शेष स्टॉक को 10% के लाभ पर बेचा गया ।
- कनव ₹ 12,000 के पारिश्रमिक पर विघटन के उत्तरदायित्व को पूरा करने के लिए तथा वसूली व्ययों को वहन करने के लिए सहमत हो गया । वसूली पर वास्तविक व्यय ₹ 8,000 थे ।

वसूली खाता तैयार कीजिए ।



Ashish and Kanav were partners in a firm sharing profits and losses in the ratio of 3 : 2. On 31<sup>st</sup> March, 2018 their Balance Sheet was as follows :

**Balance Sheet of Ashish and Kanav as at 31<sup>st</sup> March, 2018**

Liabilities	Amount ₹	Assets	Amount ₹
Trade Creditors	42,000	Bank	35,000
Employees' Provident Fund	60,000	Stock	24,000
Mrs. Ashish's Loan	9,000	Debtors	19,000
Kanav's Loan	35,000	Furniture	40,000
Workmen's Compensation Fund	20,000	Plant	2,10,000
Investment Fluctuation Reserve	4,000	Investments	32,000
Capital :		Profit and Loss Account	10,000
Ashish   1,20,000			
Kanav <u>80,000</u>	2,00,000		
	3,70,000		3,70,000

On the above date they decided to dissolve the firm.

- (i) Ashish agreed to take over furniture at ₹ 38,000 and pay off Mrs. Ashish's loan.
- (ii) Debtors realised ₹ 18,500 and plant realised 10% more.
- (iii) Kanav took over 40% of the stock at 20% less than the book value. Remaining stock was sold at a gain of 10%.
- (iv) Trade creditors took over investments in full settlement.
- (v) Kanav agreed to take over the responsibility of completing dissolution at an agreed remuneration of ₹ 12,000 and to bear realization expenses. Actual expenses of realization amounted to ₹ 8,000.

Prepare Revaluation Account.



15. नवीन, कादिर तथा राजेश साझेदार थे तथा उत्तराखण्ड में इलेक्ट्रॉनिक सामान का व्यवसाय करते थे। साझेदारी खाते तैयार तथा बन्द करने के पश्चात् यह पता चला कि 31 मार्च, 2017 तथा 2018 को समाप्त हुए वर्षों के लिए साझेदारों की पूँजी पर 6% प्रति वर्ष ब्याज लगाया गया, जबकि साझेदारी सलेख में पूँजी पर ब्याज के लिए कोई प्रावधान नहीं था। इसके विपरीत, नवीन तथा कादिर क्रमशः ₹ 3,500 तथा ₹ 4,000 त्रैमासिक वेतन के हकदार थे, जिसका संज्ञान नहीं लिया गया। उनकी स्थायी पूँजियाँ क्रमशः ₹ 4,00,000, ₹ 3,60,000 तथा ₹ 2,40,000 थीं। पिछले दो वर्षों में उन्होंने लाभ-हानि को निम्न प्रकार से बाँटा :

वर्ष समाप्ति	अनुपात
31 मार्च, 2017	3 : 2 : 1
31 मार्च, 2018	5 : 3 : 2

उपर्युक्त समायोजनों के लिए 1 अप्रैल, 2018 को फर्म की पुस्तकों में आवश्यक समायोजन प्रविष्टि कीजिए। अपने कार्य को स्पष्ट दर्शाइए।

6

#### अथवा

31 मार्च, 2018 को लाभों तथा आहरणों के समायोजन के पश्चात् अभीर, बाँबी तथा विनीत के पूँजी खातों के शेष क्रमशः ₹ 8,00,000, ₹ 6,00,000 तथा ₹ 4,00,000 थे।

बाद में यह पता चला कि पूँजी तथा आहरण पर ब्याज नहीं लगाया गया। साझेदारों को पूँजी पर 10% प्रति वर्ष ब्याज देय था तथा आहरणों पर 6% प्रति वर्ष ब्याज लगाना था। वर्ष में अभीर ने प्रत्येक माह के अंत में ₹ 20,000, बाँबी ने प्रत्येक अर्ध वर्ष के आरम्भ में ₹ 50,000 तथा विनीत ने 31 अक्टूबर, 2017 को ₹ 1,00,000 का आहरण किया। 31 मार्च, 2018 को समाप्त हुए वर्ष में शुद्ध लाभ ₹ 1,50,000 था। लाभ विभाजन अनुपात 2 : 2 : 1 था।

उपर्युक्त समायोजनों के लिए फर्म की पुस्तकों में आवश्यक समायोजन प्रविष्टि कीजिए। अपने कार्य को भी स्पष्ट दर्शाइए।

6

Naveen, Qadir and Rajesh were partners doing an electronic goods business in Uttarakhand. After the accounts of partnership were drawn up and closed, it was discovered that interest on capital has been allowed to partners @ 6% p.a. for the years ending 31st March, 2017 and 2018, although there is no provision for interest on capital in the partnership deed. On the other hand, Naveen and Qadir were entitled to a salary of ₹ 3,500 and ₹ 4,000 per quarter respectively, which has not been taken into consideration. Their fixed capitals were ₹ 4,00,000, ₹ 3,60,000 and ₹ 2,40,000 respectively. During the last two years they had shared the profits and losses as follows :

Year Ended	Ratio
31 <sup>st</sup> March, 2017	3 : 2 : 1
31 <sup>st</sup> March, 2018	5 : 3 : 2

Pass necessary adjusting entry for the above adjustments in the books of the firm on 1<sup>st</sup> April, 2018. Show your workings clearly.

OR



On 31<sup>st</sup> March, 2018 the balance in the Capital Accounts of Abhir, Bobby and Vineet, after making adjustments for profits and drawings were ₹ 8,00,000, ₹ 6,00,000 and ₹ 4,00,000 respectively.

Subsequently, it was discovered that interest on capital and interest on drawings had been omitted. The partners were entitled to interest on capital @ 10% p.a. and were to be charged interest on drawings @ 6% p.a. The drawings during the year were : Abhir – ₹ 20,000 drawn at the end of each month, Bobby – ₹ 50,000 drawn at the beginning of every half year and Vineet – ₹ 1,00,000 withdrawn on 31<sup>st</sup> October, 2017. The net profit for the year ended 31<sup>st</sup> March, 2018 was ₹ 1,50,000. The profit sharing ratio was 2 : 2 : 1.

Pass necessary adjusting entry for the above adjustments in the books of the firm. Also, show your workings clearly.

16. डेनस्पर लिमिटेड ने ₹ 10 प्रत्येक के 2,00,000 समता अंशों को ₹ 20 प्रति अंश के प्रीमियम पर निर्गमित करने के लिए आवेदन आमन्त्रित किए। राशि निम्न प्रकार से देय थी :

आवेदन पर	– ₹ 2 प्रति अंश
आबंटन पर	– ₹ 13 प्रति अंश (₹ 10 प्रीमियम सहित)
प्रथम याचना पर	– ₹ 7 प्रति अंश (₹ 5 प्रीमियम सहित)
अन्तिम याचना पर	– ₹ 8 प्रति अंश (₹ 5 प्रीमियम सहित)

1,80,000 अंशों के लिए आवेदन प्राप्त हुए। सभी आवेदकों को अंशों का आबंटन कर दिया गया। 5,000 अंशों के एक अंशधारक, योगेश, ने आबंटन राशि के साथ अपनी पूरी अंश राशि का भुगतान कर दिया। 7,000 अंशों का एक अंशधारक, विशेष, आबंटन राशि का भुगतान करने में असफल रहा। इसके पश्चात् प्रथम याचना माँगी गई। विशेष ने आबंटन राशि का भुगतान प्रथम याचना के साथ कर दिया। 2,000 अंशों के अंशधारक, समयेश, ने अन्तिम याचना का भुगतान नहीं किया। समयेश के अंशों का हरण अन्तिम याचना के तुरन्त पश्चात् कर लिया गया। हरण किए गए अंशों में से 1,500 अंशों का ₹ 8 प्रति अंश पूर्ण प्रदत्त पुनःनिर्गमन कर दिया गया।

उपर्युक्त लेनदेनों के लिए डेनस्पर लिमिटेड की पुस्तकों में आवश्यक रोज़नामचा प्रविष्टियाँ कीजिए।

अथवा



‘के एल एन लिमिटेड’ ने ₹ 10 प्रत्येक के 1,00,000 अंशों को ₹ 2 प्रति अंश के प्रीमियम पर निर्गमित करने के लिए आवेदन आमन्त्रित किए। राशि निम्न प्रकार से देय थी :

आवेदन पर	– ₹ 3 प्रति अंश (₹ 1 प्रीमियम सहित)
आबंटन पर	– ₹ 4 प्रति अंश (₹ 1 प्रीमियम सहित)
प्रथम याचना पर	– ₹ 3 प्रति अंश
दूसरी तथा अन्तिम याचना पर	– शेष राशि

1,90,000 अंशों के लिए आवेदन प्राप्त हुए। आवेदकों को निम्न प्रकार से आबंटन किया गया :

श्रेणी	आवेदन किए गए अंशों की संख्या	आबंटित किए गए अंशों की संख्या
I	50,000	40,000
II	1,00,000	60,000

शेष आवेदनों को रद्द कर दिया गया।

श्रेणी I से सम्बन्धित एक अंशधारक, रज़त, जिसने 2,500 अंशों के लिए आवेदन किया था, आबंटन तथा प्रथम याचना पर देय राशि का भुगतान करने में असफल रहा। उसके अंशों का तुरन्त हरण कर लिया गया।

श्रेणी II से सम्बन्धित, 3,000 अंशों की एक अंशधारक, रीमा, प्रथम तथा द्वितीय याचना राशि का भुगतान करने में असफल रही। उसके अंशों का भी हरण कर लिया गया। इसके पश्चात् 4,000 अंशों का ₹ 8 प्रति अंश पूर्ण प्रदत्त पुनःनिर्गमन कर दिया गया। इसमें रीमा के हरण किए गए सभी अंश सम्मिलित थे।

उपर्युक्त लेनदेनों के लिए ‘के एल एन लिमिटेड’ की पुस्तकों में आवश्यक रोज़नामचा प्रविष्टियाँ कीजिए।

8

Denspar Ltd. invited applications for issuing 2,00,000 equity shares of ₹ 10 each at a premium of ₹ 20 per share. The amount was payable as follows :

On Application	– ₹ 2 per share
On Allotment	– ₹ 13 per share (including ₹ 10 premium)
On First Call	– ₹ 7 per share (including ₹ 5 premium)
On Final Call	– ₹ 8 per share (including ₹ 5 premium)

Applications for 1,80,000 shares were received. Shares were allotted to all the applicants. Yogesh, a shareholder holding 5,000 shares paid his





entire share money along with the allotment money. Vishesh, a holder of 7,000 shares, failed to pay the allotment money. Afterwards the first call was made. Vishesh paid the allotment money along with the first call money. Samyesh, holding 2,000 shares did not pay the final call. Samyesh's shares were forfeited immediately after the final call. Out of the forfeited shares, 1,500 shares were reissued at ₹ 8 per share fully paid up.

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

**OR**

'KLN Ltd.' invited applications for issuing 1,00,000 shares of ₹ 10 each at a premium of ₹ 2 per share. The amount was payable as follows :

On Application	– ₹ 3 per share (including premium ₹ 1)
On Allotment	– ₹ 4 per share (including premium ₹ 1)
On First call	– ₹ 3 per share
On Second and Final Call	– Balance amount

Application for 1,90,000 shares were received. Allotment was made to the applicants as follows :

Category	No. of Shares Applied	No. of Shares Allotted
I	50,000	40,000
II	1,00,000	60,000

Remaining applications were rejected.

Rajat, a shareholder belonging to Category I who had applied for 2,500 shares, failed to pay the amount due on allotment and first call. His shares were immediately forfeited.

Reema, a shareholder belonging to Category II who was holding 3,000 shares failed to pay the first call and second call money. Her shares were also forfeited. Afterwards 4,000 shares were reissued @ ₹ 8 per share fully paid up. These included all the forfeited shares of Reema.

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



17. मोहन, विनय तथा नित्या एक फर्म में साझेदार थे तथा क्रमशः  $\frac{1}{2}$ ,  $\frac{1}{3}$  तथा  $\frac{1}{6}$  के अनुपात में लाभ-हानि बाँटते थे। 31 मार्च, 2018 को उनका स्थिति विवरण निम्न प्रकार से था :

**31 मार्च, 2018 को मोहन, विनय तथा नित्या का स्थिति विवरण**

देयताएँ	राशि ₹	परिसम्पत्तियाँ	राशि ₹
लेनदार	48,000	बैंक में रोकड़	31,000
कर्मचारी भविष्य निधि	1,70,000	प्राप्य बिल	54,000
आकस्मिक संचय	30,000	पुस्तक ऋण 63,000	
पूँजी :		घटा : संदिग्ध ऋणों के लिए प्रावधान 2,000	61,000
मोहन 1,20,000		संयंत्र तथा मशीनरी	1,20,000
विनय 1,00,000		भूमि तथा भवन	2,92,000
नित्या 90,000	3,10,000		
	5,58,000		5,58,000

उपर्युक्त तिथि को मोहन ने अवकाश ग्रहण किया तथा यह सहमति हुई कि :

- संयंत्र तथा मशीनरी पर 5% मूल्यहास लगाया जाएगा।
- एक पुराना कम्प्यूटर जिसे पूर्व में अपलिखित कर दिया गया था ₹ 4,000 में बेचा गया।
- ₹ 3,000 डूबत ऋण अपलिखित किए जाएँगे तथा देनदारों पर डूबत एवं संदिग्ध ऋणों के लिए 5% का प्रावधान किया जाएगा।
- फर्म की ख्याति का मूल्यांकन ₹ 1,80,000 किया गया तथा इसमें से मोहन का भाग उसके खाते में, विनय तथा नित्या के खातों के नाम में खतौनी करके, जमा किया गया।
- नई फर्म की पूँजी ₹ 90,000 निर्धारित की गई तथा स्थिति अनुसार नगद लाकर अथवा भुगतान करके आवश्यक समायोजन किए गए।
- विनय तथा नित्या भविष्य के लाभ 3 : 2 के अनुपात में बाँटेंगे।

पुनर्गठित फर्म का पुनर्मूल्यांकन खाता, साझेदारों के पूँजी खाते तथा स्थिति विवरण तैयार कीजिए।

अथवा



लीना तथा रोहित एक फर्म में साझेदार हैं तथा 3 : 2 के अनुपात में लाभ बाँटते हैं ।  
31 मार्च, 2018 को उनका स्थिति विवरण निम्न प्रकार से था :

### 31 मार्च, 2018 को लीना तथा रोहित का स्थिति विवरण

देयताएँ	राशि ₹	परिसम्पत्तियाँ	राशि ₹
विविध लेनदार	80,000	रोकड़	42,000
देय बिल	38,000	देनदार	1,32,000
सामान्य संचय	50,000	घटा : संदिग्ध ऋणों के लिए प्रावधान	2,000
पूँजी :		स्टॉक	1,46,000
लीना	1,60,000	संयंत्र तथा मशीनरी	1,50,000
रोहित	1,40,000		
	3,00,000		
	4,68,000		4,68,000

निम्न शर्तों पर उपर्युक्त तिथि को फर्म के लाभ के  $\frac{1}{5}$  वें भाग के लिए मनोज को एक नया साझेदार बनाया गया :

- मनोज आनुपातिक पूँजी लाया । साथ ही वह ख्याति प्रीमियम का अपना भाग ₹ 80,000 नगद लाया ।
- सामान्य संचय के 10% को संदिग्ध ऋणों के लिए प्रावधान में स्थानांतरित करना था ।
- कामगार क्षतिपूर्ति का दावा ₹ 40,000 का था ।
- स्टॉक का ₹ 16,000 अधिक मूल्यांकन किया गया ।
- लीना, रोहित तथा मनोज भविष्य में 5 : 3 : 2 के अनुपात में लाभ बाँटेंगे ।

पुनर्गठित फर्म का पुनर्मूल्यांकन खाता, साझेदारों के पूँजी खाते तथा स्थिति विवरण तैयार कीजिए ।



Mohan, Vinay and Nitya were partners in a firm sharing profits and losses in the proportion of  $\frac{1}{2}$ ,  $\frac{1}{3}$  and  $\frac{1}{6}$  respectively. On 31<sup>st</sup> March, 2018, their Balance Sheet was as follows :

**Balance Sheet of Mohan, Vinay and Nitya as at 31<sup>st</sup> March, 2018**

Liabilities	Amount ₹	Assets	Amount ₹
Creditors	48,000	Cash at Bank	31,000
Employees' Provident Fund	1,70,000	Bills Receivable	54,000
Contingency Reserve	30,000	Book Debts 63,000	
Capital :		Less : Provision for doubtful debts <u>2,000</u>	61,000
Mohan 1,20,000		Plant and Machinery	1,20,000
Vinay 1,00,000		Land and Building	2,92,000
Nitya <u>90,000</u>	3,10,000		
	5,58,000		5,58,000

Mohan retired on the above date and it was agreed that :

- Plant and machinery will be depreciated by 5%.
- An old computer previously written off was sold for ₹ 4,000.
- Bad debts amounting to ₹ 3,000 will be written off and a provision of 5% on debtors for bad and doubtful debts will be maintained.
- Goodwill of the firm was valued at ₹ 1,80,000 and Mohan's share of the same was credited in his account by debiting Vinay's and Nitya's accounts.
- The capital of the new firm was to be fixed at ₹ 90,000 and necessary adjustments were to be made by bringing in or paying off cash as the case may be.
- Vinay and Nitya will share future profits in the ratio of 3 : 2.

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

**OR**



Leena and Rohit are partners in a firm sharing profits in the ratio of 3 : 2. On 31<sup>st</sup> March, 2018, their Balance Sheet was as follows :

**Balance Sheet of Leena and Rohit as at 31<sup>st</sup> March, 2018**

Liabilities	Amount ₹	Assets	Amount ₹
Sundry Creditors	80,000	Cash	42,000
Bills Payable	38,000	Debtors	1,32,000
General Reserve	50,000	Less : Provision for doubtful debts	<u>2,000</u>
Capital :		Stock	1,46,000
Leena	1,60,000	Plant and Machinery	1,50,000
Rohit	<u>1,40,000</u>		
	3,00,000		
	4,68,000		4,68,000

On the above date Manoj was admitted as a new partner for  $\frac{1}{5}$ th share in the profits of the firm on the following terms :

- (i) Manoj brought proportionate capital. He also brought his share of goodwill premium of ₹ 80,000 in cash.
- (ii) 10% of the general reserve was to be transferred to provision for doubtful debts.
- (iii) Claim on account of workmen's compensation amounted to ₹ 40,000.
- (iv) Stock was overvalued by ₹ 16,000.
- (v) Leena, Rohit and Manoj will share future profits in the ratio of 5 : 3 : 2.

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



खण्ड ख

विकल्प 1

(वित्तीय विवरणों का विश्लेषण)

PART B

OPTION 1

(Analysis of Financial Statements)

18. रोकड़ प्रवाह विवरण तैयार करते समय 'अग्रिम रोकड़ तथा तृतीय पक्ष को दिए गए ऋणों' को आप किस प्रकार की गतिविधि के अन्तर्गत वर्गीकृत करेंगे ? 1  
Under which type of activity will you classify 'Cash advances and loans made to third party' while preparing Cash Flow Statement ?
19. 'रोकड़ प्रवाह विवरण' तैयार करने के प्राथमिक उद्देश्य का उल्लेख कीजिए। 1  
State the primary objective of preparing 'Cash Flow Statement.'
20. कम्पनी अधिनियम, 2013 की अनुसूची III, भाग I के अनुसार एक कम्पनी के स्थिति विवरण में निम्नलिखित मदों को किन मुख्य शीर्षकों एवं उपशीर्षकों के अन्तर्गत दर्शाया जाएगा ? 4
- (i) ऋणपत्रों पर अर्जित तथा देय ब्याज
  - (ii) खुदरा औज़ार
  - (iii) अग्रिम याचनाओं पर अर्जित ब्याज
  - (iv) अदत्त याचनाओं पर देय ब्याज
  - (v) व्यापारिक चिह्न (ट्रेडमार्क्स)
  - (vi) ऋणपत्रों के शोधन पर प्रीमियम
  - (vii) संयंत्र तथा मशीनरी
  - (viii) पेटेन्ट्स

अथवा

'वित्तीय विवरणों के विश्लेषण' की किन्हीं चार सीमाओं को संक्षेप में समझाइए। 4



Under which major headings and subheadings will the following items be presented in the Balance Sheet of a company as per Schedule III, Part I of the Companies Act, 2013 ?

- (i) Interest accrued and due on debentures
- (ii) Loose tools
- (iii) Accrued interest on calls in advance
- (iv) Interest due on calls in arrears
- (v) Trademarks
- (vi) Premium on redemption of debentures
- (vii) Plant and Machinery
- (viii) Patents

**OR**

Explain briefly any four limitations of 'Analysis of Financial Statements.'

21. (i) निम्नलिखित सूचना से ब्याज आवरण अनुपात की गणना कीजिए :  
ब्याज एवं कर के भुगतान के बाद शुद्ध लाभ ₹ 1,20,000; आयकर की दर 40%;  
15% ऋणपत्र ₹ 1,00,000; ₹ 1,00,000 का 12% बंधक ऋण ।
- (ii) एक कम्पनी के पास ₹ 3,00,000 की चालू परिसम्पत्तियाँ तथा ₹ 1,40,000 की चालू देयताएँ हैं । इसके पश्चात्, इसने ₹ 20,000 का माल उधार क्रय किया । माल के क्रय के पश्चात् चालू अनुपात की गणना कीजिए ।

4

**अथवा**

एक कम्पनी का त्वरित अनुपात 1 : 1 है । कारण सहित उल्लेख कीजिए कि निम्नलिखित लेनदेन अनुपात को बढ़ाएँगे, घटाएँगे अथवा उसमें कोई परिवर्तन नहीं करेंगे :

4

- (i) ₹ 10,000 के बीमा प्रीमियम का अग्रिम भुगतान किया गया ।
- (ii) ₹ 8,000 का माल उधार क्रय किया गया ।
- (iii) ₹ 1,00,000 के पूर्ण भुगतान समता अंश निर्गमित किए गए ।
- (iv) ₹ 5,00,000 के 9% ऋणपत्रों का निर्गमन, विक्रेता को मशीनरी के क्रय के लिए किया गया ।



- (i) From the following information calculate Interest Coverage Ratio :  
Net profit after interest and tax ₹ 1,20,000; Rate of income tax 40%; 15% debentures ₹ 1,00,000; 12% Mortgage loan ₹ 1,00,000.
- (ii) A company had Current Assets ₹ 3,00,000 and Current Liabilities ₹ 1,40,000. Afterwards, it purchased goods worth ₹ 20,000 on credit. Calculate the Current Ratio after the purchase of goods.

**OR**

Quick ratio of a company is 1 : 1. State, with reason, whether the following transactions will increase, decrease or not change the ratio :

- (i) Paid insurance premium in advance ₹ 10,000.  
(ii) Purchased goods on credit ₹ 8,000.  
(iii) Issued fully paid equity shares of ₹ 1,00,000.  
(iv) Issued 9% debentures of ₹ 5,00,000 to the vendor for machinery purchased.

22. 31 मार्च, 2017 तथा 31 मार्च, 2018 को समाप्त वर्षों के लाभ-हानि विवरण से उद्धृत निम्नलिखित सूचना से एक तुलनात्मक लाभ-हानि विवरण तैयार कीजिए :

4

विवरण	2017 - 18	2016 - 17
प्रचालनों से आगम	उपभोग की गई सामग्री की लागत का 300%	उपभोग की गई सामग्री की लागत का 200%
उपभोग की गई सामग्री की लागत	₹ 2,40,000	₹ 2,00,000
अन्य व्यय	उपभोग की गई सामग्री की लागत का 20%	उपभोग की गई सामग्री की लागत का 10%
कर दर	50%	50%

From the information extracted from the Statement of Profit and Loss for the years ended 31<sup>st</sup> March, 2017 and 31<sup>st</sup> March, 2018, prepare a Comparative Statement of Profit and Loss :

Particulars	2017 - 18	2016 - 17
Revenue from operations	300% of cost of material consumed	200% of cost of material consumed
Cost of materials consumed	₹ 2,40,000	₹ 2,00,000
Other expenses	20% of cost of material consumed	10% of cost of material consumed
Tax rate	50%	50%





23. 31 मार्च, 2018 को डी.सी.एक्स. लिमिटेड के निम्नलिखित स्थिति विवरण तथा अतिरिक्त सूचना से रोकड़ प्रवाह विवरण तैयार कीजिए :

6

**डी.सी.एक्स. लिमिटेड**  
**31 मार्च, 2018 का स्थिति विवरण**

विवरण	नोट सं.	31.3.2018 ₹	31.3.2017 ₹
<b>I – समता एवं देयताएँ :</b>			
1. अंशधारी निधियाँ :			
(अ) अंश पूँजी		30,00,000	21,00,000
(ब) संचय एवं आधिक्य	1	4,00,000	5,00,000
2. अचल देयताएँ :			
दीर्घकालीन ऋण	2	8,00,000	5,00,000
3. चालू देयताएँ :			
(अ) व्यापार देय		1,50,000	1,00,000
(ब) अल्पावधि प्रावधान	3	76,000	56,000
<b>कुल</b>		<b>44,26,000</b>	<b>32,56,000</b>
<b>II – परिसम्पत्तियाँ :</b>			
1. अचल परिसम्पत्तियाँ :			
स्थायी परिसम्पत्तियाँ :			
(i) मूर्त परिसम्पत्तियाँ	4	27,00,000	20,00,000
(ii) अमूर्त परिसम्पत्तियाँ		8,00,000	7,00,000
2. चालू परिसम्पत्तियाँ :			
(अ) चालू निवेश		89,000	78,000
(ब) माल-सूची		8,00,000	4,00,000
(स) रोकड़ एवं रोकड़ तुल्य		37,000	78,000
<b>कुल</b>		<b>44,26,000</b>	<b>32,56,000</b>



## खातों के नोट्स :

नोट सं.	विवरण	31.3.2018 ₹	31.3.2017 ₹
1.	संचय एवं आधिक्य : (आधिक्य अर्थात् लाभ-हानि विवरण का शेष)	4,00,000	5,00,000
		4,00,000	5,00,000
2.	दीर्घकालीन ऋण : 8% ऋणपत्र	8,00,000	5,00,000
		8,00,000	5,00,000
3.	अल्पावधि प्रावधान : कर के लिए प्रावधान	76,000	56,000
		76,000	56,000
4.	मूर्त परिसम्पत्तियाँ : मशीनरी घटा : एकत्रित (संचित) मूल्यहास	33,00,000	25,00,000
		(6,00,000)	(5,00,000)
		27,00,000	20,00,000

### अतिरिक्त सूचना :

- वर्ष के दौरान ₹ 8,00,000 लागत की एक मशीन को ₹ 6,40,000 में बेच दिया गया जिस पर ₹ 3,20,000 का एकत्रित (संचित) मूल्यहास था ।
- ऋणपत्रों का निर्गमन 1 अप्रैल, 2017 को किया गया ।

From the following Balance Sheet of DCX Ltd. and the additional information as at 31<sup>st</sup> March, 2018 prepare a Cash Flow Statement :

### DCX Ltd. Balance Sheet as at 31<sup>st</sup> March, 2018

	Particulars	Note No.	31.3.2018 ₹	31.3.2017 ₹
<b>I – Equity and Liabilities :</b>				
1.	<b>Shareholder's Funds :</b>			
	(a) Share Capital		30,00,000	21,00,000
	(b) Reserves and Surplus	1	4,00,000	5,00,000
2.	<b>Non-Current Liabilities :</b>			
	Long-term Borrowings	2	8,00,000	5,00,000



	Particulars	Note No.	31.3.2018 ₹	31.3.2017 ₹
3.	<b>Current Liabilities :</b>			
	(a) Trade Payables		1,50,000	1,00,000
	(b) Short-term Provisions		76,000	56,000
	<b>Total</b>	3	44,26,000	32,56,000
<b>II – Assets :</b>				
1.	<b>Non-Current Assets :</b>			
	<b>Fixed Assets :</b>			
	(i) Tangible Assets	4	27,00,000	20,00,000
	(ii) Intangible Assets		8,00,000	7,00,000
2.	<b>Current Assets :</b>			
	(a) Current Investments		89,000	78,000
	(b) Inventories		8,00,000	4,00,000
	(c) Cash and cash equivalents		37,000	78,000
	<b>Total</b>		44,26,000	32,56,000

**Notes to Accounts :**

Note No.	Particulars	31.3.2018 ₹	31.3.2017 ₹
1.	<b>Reserves and Surplus :</b> (Surplus i.e. Balance in the Statement of Profit and Loss)	4,00,000	5,00,000
		4,00,000	5,00,000
2.	<b>Long-term Borrowings :</b> 8% Debentures	8,00,000	5,00,000
		8,00,000	5,00,000
3.	<b>Short-term Provisions :</b> Provision for Tax	76,000	56,000
		76,000	56,000
4.	<b>Tangible Asset :</b> Machinery Less : Accumulated Depreciation	33,00,000 (6,00,000)	25,00,000 (5,00,000)
		27,00,000	20,00,000

*Additional Information :*

- (i) During the year a machinery costing ₹ 8,00,000 on which accumulated depreciation was ₹ 3,20,000 was sold for ₹ 6,40,000.
- (ii) Debentures were issued on 1<sup>st</sup> April, 2017.



**खण्ड ख**  
**विकल्प 2**  
**(अभिकलित्र लेखांकन)**  
**PART B**  
**OPTION 2**  
**(Computerised Accounting)**

18. गुणों का क्या अर्थ है ? 1  
What is meant by attributes ?
19. 'हार्डवेयर' का क्या अर्थ है ? 1  
What is meant by 'Hardware' ?
20. अभिकलित्र लेखांकन प्रणाली की चार सीमाएँ दीजिए । 4  
Give four limitations of computerised accounting system.
21. लेखांकन सूचना प्रणाली की किन्हीं दो उप-प्रणालियों को समझाइए । 4  
**अथवा**  
दी गई अवधि के लिए चालू पे-रोल (वेतन) के लिए कटौतियों की गणना करते समय ध्यान में रखे जाने वाले घटकों की सूची दीजिए । 4  
Explain any two sub-systems of accounting information system.
- OR**
- List the elements to be considered while calculating deductions for current payroll for a given period.
22. टैली में बैंक समाधान विवरण बनाने के चरणों का उल्लेख कीजिए । 4  
**अथवा**  
समग्र (कम्पोजिट) बनाम अणु (एटोमिक) गुणों तथा भण्डारित बनाम व्युत्पन्न गुणों को समझाइए । 4  
State the steps to construct Bank Reconciliation Statements in Tally.
- OR**
- Explain composite vs atomic attributes and stored vs derived attributes.
23. सशर्त फॉर्मेटिंग का क्या अर्थ है ? इसके दो उपयोग तथा तीन लाभ दीजिए । 6  
What is meant by conditional formatting ? Give its two uses and three benefits.



तत् त्वं पूषन् अपावृणु  
केन्द्रीय विद्यालय संगठन

**केन्द्रीय विद्यालय संगठन**

**KENDRIYA VIDYALAYA SANGATHAN**

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