

## ACCOUNTANCY-XII

### COMPETENCY BASED QUESTIONS

#### TOPIC- Accounting for Partnership Firms- Fundamental

1. Aman and Babu started a partnership firm on 1<sup>st</sup> April 2022 and decided to share profits and losses in the ratio of 3:2. They invested capitals of ₹ 2,00,000 and ₹3,00,000 respectively. They decided to allow interest on their capitals @ 10% p.a. Their partnership agreement is silent with regards to charging interest on capitals as charge or as an appropriation. For the year ending 31<sup>st</sup> March 2023 their firm earned a profit of ₹ 20,000. The amount credited to Aman and Babu in such condition will be?
  - (a) ₹ 20,000 to Aman and ₹ 30,000 to Babu
  - (b) ₹ 12,000 to Aman and ₹ 8,000 to Babu
  - (c) ₹ 8,000 to Aman and ₹12,000 to Babu
  - (d) ₹10,000 to Aman and ₹10,000 to Babu
2. **Assertion:** Dev, one of the partners has advanced a loan of ₹80,000 to the firm on 30<sup>th</sup> September 2022 without any agreement. Dev claims an interest on loan of ₹ 4,800 for the year ending 31<sup>st</sup> March 2023, despite the firm being in loss for the year.  
**Reasoning:** In the absence of any agreement/ provision in the partnership deed, provisions of Indian Partnership Act, 1932 would apply.
  - (a) Both A & R are correct, & R is the correct explanation of A.
  - (b) Both A & R are correct, but R is not the correct explanation of A.
  - (c) A is correct but R is not correct.
  - (d) A is incorrect but R is correct.
3. Rudra, Shrishti and Aadya are partners. They have not made any partnership agreement. They operated their business successfully for five years. In sixth year, They want to admit 52 of their school friends in partnership with them.  
They know the provision of Section 464 of Companies Act, 2013 that “the Central Government is empowered to prescribe maximum number of partners in a firm but the number of partners cannot be more than 100. The Central government has prescribed the maximum number of partners in a firm to be 50”.

They are still confused about the number of friends they can admit. As an expert you are asked to advise by select suitable response for them from the following:

- (a) They can admit all 52 friends in the partnership.
- (b) They can admit only 47 out of 52 friends.
- (c) As the provision is related to Companies Act, it is not applicable to partnership.
- (d) None of the above.

**4. Read the following hypothetical case and answer the questions that follow:**

Archisa, Chiya and Shri were partners sharing profits in the ratio of 1:2:3. Their fixed capitals on 1<sup>st</sup> April, 2022 were: Archisa ₹3,00,000; Chiya ₹4,50,000 and Shri ₹10,00,000. As per their agreement, Archisa provides his personal office to the firm for business use charging yearly rent of ₹1,50,000; interest on drawings will be charged @ 10% p.a.; Chiya was allowed a commission of 10% of net profit as shown by Profit and Loss account, after charging such commission. Shri was guaranteed a profit of ₹3, 00,000 after making all adjustments.

The net profit for the year ended 31<sup>st</sup> March, 2023 was ₹10,30,000 before making above adjustments. Archisa has withdrawn ₹5,000 in the beginning of each month, Chiya has withdrawn ₹5,000 at the end of each month and Shri has withdrawn ₹ 24,000 in the beginning of each quarter.

- (i) Archisa's rent is a/an ..... against profit (charge/appropriation) of the firm.
- (ii) Net profit as per Profit and Loss Account for the year ending 31<sup>st</sup> March 2023 is will be .....
  - (a) ₹10,30,000
  - (b) ₹ 8,80,000
  - (c) ₹ 11,80,000
  - (d) None of the above
- (iii) Total amount of interest on drawings of all partners will be.....
  - (a) ₹ 3,400
  - (b) ₹ 1,700
  - (c) ₹12,000
  - (d) ₹ 34,000
- (iv) Amount of commission for Chiya will be .....
  - (a) ₹ 1,03,000

- (b) ₹ 88,000  
 (c) ₹1,18,000  
 (d) ₹ 80,000

5. Anamika, Bhupesh and Jai were partners sharing profits in the ratio of 3:3:2 The agreed on the following provisions to operate their partnership firm:

- (i) Agreed to allow salary of ₹ 4,000 per half year to Anamika and Bhupesh.  
 (ii) Commission of ₹ 8,000 will be allowed Jai.

(iii) As a valued member of partnership, Anamika will get a guaranteed profit of ₹ 50,000 p.a. The profit of the firm for the year ended 31<sup>st</sup> March, 2023 was ₹ 1,50,000. The accountant of the firm has erroneously distributed the profit among Anamika, Bhupesh and Jai in the ratio of 1:2:2, without taking into consideration the above provisions of Partnership Deed.

You are required to fill out the blank places (---1---) to (---10---) in the following statement to rectify the above omissions.

Statement Showing Net Effect of Adjustment

Particulars	Anamika		Bhupesh		Jai		Firm/Total	
	---1---	Dr.	---2---	Dr.				
Reversal of wrong distribution of profit (1:2:2)	---	Dr.	---	Dr.	60,000	Dr.	1,50,000	Cr.
Salary to partners	---	Cr.	---	Cr.	NA	NA	16,000	Dr.
Commission	NA	NA	NA	NA	8,000	Cr.	8,000	Dr.
Net divisible Profit (Correct)	47,250	Cr.	47,250	Cr.	---	Cr.	---	Dr.
Adjustment of Guarantee	---	Cr.	---	Dr.	1,100	Dr.	NIL	NA
Net Adjustment Required in Capital Account of Partners	---	Cr.	6,400	Dr.	---	Dr.	NIL	NA

**Answers:**

1.	(c) ₹ 8,000 to Aman and ₹12,000 to Babu
2.	(d) A is incorrect but R is correct.
3.	(b) They can admit only 47 out of 52 friends.
4.	(i) Charge (ii) (b) ₹8,80,000 (iii) (c) ₹12,000 (iv) (d) ₹80,000

5.	Particulars	Anamika		Bhupesh		Jai		Firm/Total	
	Reversal of wrong distribution of profit (1:2:2)	<u>30,000</u>	Dr.	<u>60,000</u>	Dr.	60,000	Dr.	1,50,000	Cr.
	Salary to partners	<u>8,000</u>	Cr.	<u>8,000</u>	Cr.	NA	NA	16,000	Dr.
	Commission	NA	NA	NA	NA	8,000	Cr.	8,000	Dr.
	Net divisible Profit (Correct)	47,250	Cr.	47,250	Cr.	<u>31,500</u>	Cr.	<u>1,26,000</u>	Dr.
	Adjustment of Guarantee	<u>2,750</u>	Cr.	<u>1,650</u>	Dr.	1,100	Dr.	NIL	NA
	Net Adjustment Required in Capital Account of Partners	<u>28,000</u>	Cr.	6,400	Dr.	<u>21,600</u>	Dr.	NIL	NA

**Satish Pathak**  
**M.I.G. D-8, Padmadhar Colony Dhekaha**  
**Rewa-486001, Madhya Pradesh**

**TOPIC: CHANGE IN PROFIT SHARING RATIO**

1. Assertion (A) : Since Goodwill is an intangible asset, it is very difficult to accurately calculate its value.

Reason (R) : Goodwill calculated by one method may differ from the goodwill calculated by another method.

In the context of the above statements, which one of the following is correct?

- a. (A) is correct, but (R) is wrong.
- b. Both (A) and (R) are correct.
- c. (A) is wrong, but (R) is correct.
- d. Both (A) and (R) are wrong.

2. Assertion (A) : Reconstitution of partnership means a change in existing agreement i.e., mutual terms and conditions among partners.

Reason (R) : As a result, an old agreement among the partners comes to an end and a new agreement comes into existence.

In the context of the above two statements, which of the following is correct?

- a. Both (A) and (R) are true but (R) is not correct explanation of (A).
- b. Both (A) and (R) are true and (R) is a correct explanation of (A).
- c. Both (A) and (R) are false

d. (A) is false, but (R) is true.

3. Assertion (A) : Gaining Ratio = Old Ratio – New Ratio

Reason (R) : As a result of change in profit sharing ratio, one or more of the existing partners gain some portion of other partner's share of profit.

In the context of the above statements, which one of the following is correct?

- a. (A) is correct, but (R) is wrong.
- b. Both (A) and (R) are correct.
- c. (A) is wrong, but (R) is correct.
- d. Both (A) and (R) are wrong.

Read the following situation and answer question no 4 and 5

A, B and C are partners in a firm sharing profit and losses in the ratio of 5: 3: 2. From 1st April 2019 they decided to share future profit and losses in the ratio of 2: 5 : 3. Their Balance sheet showed a balance of rupees ₹ 1,50,000 in the profit losses Account and a balance of ₹30,000 in investment fluctuation fund. For this purpose, it was agreed that :

- Goodwill of the firm was valued at rupees ₹ 6,00,000.
- Investments (Having a book value of (₹1,00,000) were valued at ₹70,000.
- Stock having a book value book value of ₹1,00,000 be depreciated by 10%

4. What will be the gaining ratio of B and C?

- a. 1: 2
- b. 2:1
- c. 1:1
- d. 3:1

5. Goodwill payable to A by B is

- a. ₹1,80,000
- b. ₹2,40,000
- c. ₹ 60,000
- d. ₹ 1,20,000

**Answers:**

1. (b)
2. (b)
3. (c)
4. (b)
5. (d)

**Ajay Bhardwaj**  
**Bhartiya Vidya Bhawan Mehta Vidyalaya**  
**K G Marg, New Delhi**

**TOPIC – GOODWILL**

1. Assertion (A) : Goodwill is an intangible asset.

Reason (R) : Goodwill is the value of the reputation of a firm in respect of profits expected in future, over and above the normal profits.

Select the correct answer from the following :

- (a) Assertion (A) is correct, but Reason (R) is wrong.
  - (b) Assertion (A) is wrong, but Reason (R) is correct.
  - (c) Both Assertion (A) and Reason (R) are correct.
  - (d) Both Assertion (A) and Reason (R) are wrong
2. Keshav and Karan were partners in a firm sharing profits equally. The capitalised value of average profits of the firm was ₹ 18,00,000. Assets of the firm were ₹ 20,00,000 (excluding goodwill) and Liabilities were ₹ 5,00,000. The value of goodwill of the firm by capitalisation of average profits method will be :
- (a) ₹ 2,00,000
  - (b) ₹3,00,000
  - (c) ₹ 4,00,000
  - (d) ₹ 3,50,000
3. Goodwill is not a fictitious asset because:
- (a) It can be seen
  - (b) It can be felt
  - (c) It can be realised
  - (d) It can be expressed

**READ THE FOLLOWING CASE AND ANSWER THE QUESTIONS THAT FOLLOW :**

John and Mukund are partners sharing profits & losses in the ratio of 3:2. They decided to admit Divya into partnership for 1/4<sup>th</sup> share. For this purpose they decided to value their goodwill based on weighted average profits of the last four years. The profits of the last four years were as follows :

31.3.2017 ( ₹ )	31.3.2018 ( ₹ )	31.3.2019 ( ₹ )	31.3.2020 ( ₹ )	31.3.2021 ( ₹ )
1,00,000	(40,000)	75,000	2,00,000	3,00,000

The weights to be assigned are 1,2,3,4,& 5 respectively after adjusting the following:

- i. Annual insurance premium paid on 1<sup>st</sup> October 2020 was ₹ 60,000 and the whole amount was debited to profit & loss account.

- ii. There was a loss of stock ₹ 12,000 for the goods uninsured for the year 2020-2021, which was debited to profit & loss account.
- iii. A part of the building was let out and rent received from the same every year ₹ 6,000.

4. What will be the adjusted profit for the year ended 31.3.2021?

- (a) ₹ 2,94,000
- (b) ₹ 2,24,000
- (c) ₹ 3,36,000
- (d) ₹ 3,00,000

5. Which of the following statement is correct?

While calculating goodwill,

- (a) Abnormal losses debited to profit & loss account are added back to the loss.
- (b) Weighted profits method to be used if the profits remain constant.
- (c) Non-operating income are to be deducted from the profit.
- (d) Weighted profit is calculated by dividing the total of weighted profit by the highest weight.

**ANSWERS:**

- 1. (c) Both Assertion (A) and Reason (R) are correct.
- 2. (b) ₹ 3,00,000
- 3. (c) It can be realized
- 4. (c) ₹ 3,36,000
- 5. (c) Non-operating income are to be deducted from the profit.

Working notes :

Year	Profit (₹)	Adjustment	Adjusted profit (₹)	Weights	Weighted profit (₹)
31.3.2017	99,000	(6,000)	93,000	1	93,000
31.3.2018	(40,000)	(6,000)	(46,000)	2	(92,000)
31.3.2019	75,000	(6,000)	69,000	3	2,07,000
31.3.2020	2,00,000	(6,000)	1,94,000	4	7,76,000
31.3.2021	3,00,000	(6,000)+ 30,000 + 12,000	3,36,000	5	16,80,000
TOTAL				15	26,64,000

**Kanchana K  
Chennai, Tamil Nadu**

**Topic: Fundamentals of Partnership**

1. Assertion (A): Interest on Capital (charge) is not provided in case of loss.

Reason (R): If interest on capital treated as a charge against profit then it will be provided in all the situations whether the firm is in profit or loss.

In the context of the above statements, which one of the following is correct?

- A) (A) is correct, but (R) is wrong.
- B) Both (A) and (R) are correct.
- C) (A) is wrong, but (R) is correct.
- D) Both (A) and (R) are wrong

**Read the following situation and answer question No:2 and 3**

2. Hira and Vikram are partners in a firm and share profits equally. Their Balance Sheet as at March 31, 2022 is as follows:

Balance Sheet as at March, 2022

Liabilities	Amount	Assets	Amount
Capitals:		Fixed assets	3,60,000
Hira: 2,00,000		Current assets	40,000
Vikram: <u>1,40,000</u>	3,40,000		
Creditors	60,000		
	4,00,000		4,00,000

During the year 2021-22, Hira's drawings were Rs 30,000 and Vikram's drawings were Rs 40,000. During the year 2021-22 the firm earned profit of Rs 1,00,000. While distributing profits for the year 2021-22, interest on capital @ 5% per annum and interest on drawings @ 12% per annum were ignored.

3. Hira's interest on capital will be:

- A) 18000
- B) 9000
- C) 10000
- D) 4500

4. Vikram's Interest on drawings will be :

- A) 2,400
- B) 4,800
- C) 1,200
- D) 2,000

5. Which of the following items is not recorded in Profit and Loss Appropriation A/C



- A) Interest on Partner's Capital
- B) Amount of Partner's Drawings
- C) Profit as per Profit and Loss A/C
- D) Commission to a partner.

6. Given below are two statements, one labelled as Assertion (A) and the other labelled as Reason (R)

Assertion (A): In order to compensate a partner for contributing capital to the firm in excess of the profit sharing ratio, the firm pays such interest on Partners' Capital.

Reason (R): Interest on Capital is treated as a charge against profits

In the context of the above statements, which one of the following is correct?

- A) Both A and R are true and R is the correct explanation of A
- B) Both A and R are true and R is not the correct explanation of A
- C) A is true but R is false
- D) A is false but R is true

Answers:

- 1. C) (A) is wrong, but (R) is correct.
- 2. B) 9000
- 3. A) 2,400
- 4. B) Amount of Partner's Drawings
- 5. C)

**Deepa Varghese**  
**Bhavans Adarsha Vidyalaya**  
**Kakkanad**

**TOPIC: Accounting for Partnership Firms (Admission of a Partner)**

Q.1	<p><b>Assertion (A):</b> At the time of admission of a new partner, if profit sharing ratio of old partners does not change then sacrificing ratio will be old profit sharing ratio.</p> <p><b>Reason (R):</b> Old profit sharing ratio minus sacrificing ratio is new profit sharing ratio.</p> <p>(a) Both Assertion and Reason (R) are correct and Reason (R) is the correct explanation of Assertion(A)</p> <p>(b) Both Assertion and Reason (R) are correct, but Reason (R) is not the correct explanation of Assertion(A)</p>	1
-----	---	---

	(c) Assertion (A) is incorrect, but Reason (R) is correct (d) Assertion (A) is correct, but Reason (R) is incorrect									
Q.2	<p>Assertion (A): A newly admitted partner into an existing partnership firm acquires the right to share in the assets of the partnership firm.</p> <p>Reason (R): The new partner usually brings in certain assets (mainly cash) equal to the amount of capital that he has agreed to contribute so he can acquire the right to share in the assets of the partnership firm.</p> <p>(a) Both Assertion and Reason (R) are correct and Reason (R) is the correct explanation of Assertion(A)</p> <p>(b) Both Assertion and Reason (R) are correct, but Reason (R) is not the correct explanation of Assertion(A)</p> <p>(c) Assertion (A) is incorrect, but Reason (R) is correct</p> <p>(d) Assertion (A) is correct, but Reason (R) is incorrect</p>	1								
Q.3	<p>Jacob and Sunny are partners in a firm sharing profits and losses in the ratio of 5:3. David is admitted as a new partner for 1/5<sup>th</sup> share. It is decided to value goodwill on the basis of David's share in the profit and the capital contributed by him. On the day of David's admission, the balance in Jacob's capital account and Sunny's capital account was ₹7,00,000 and ₹4,00,000 respectively. If share of David in the firm's goodwill was calculated at ₹1,00,000, the capital of David is _____</p> <p>(a) ₹5,00,000 (b) ₹4,00,000 (c) ₹2,75,000 (d) ₹8,00,000</p>	1								
Q.4	<p>Sinha and Kumar are partners in a firm sharing profit and loss in the ratio of 3:2. They admit Patel as a new partner. The new profit sharing ratio will be 5:3:2. Patel brought the agreed amount of capital and his share of goodwill premium in cash into the business. After all the adjustments related revaluation, goodwill, accumulated profit/loss etc Sinha's capital amounted to ₹5,50,000 and Kumar's capital amounted to ₹3,00,000. It was also decided that capitals of old partners will be adjusted on the basis of Patel's capital and any excess or deficiency will be made by withdrawing or bringing in cash by the concerned partner.</p> <p>The accountant passed the following journal entries at the time of Patel's admission. Fill in the missing figures in the following journal entries:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 10%;">Date</th> <th style="width: 50%;">Particulars</th> <th style="width: 20%;">Debit (₹)</th> <th style="width: 20%;">Credit (₹)</th> </tr> </thead> <tbody> <tr> <td> </td> <td> </td> <td> </td> <td> </td> </tr> </tbody> </table>	Date	Particulars	Debit (₹)	Credit (₹)					
Date	Particulars	Debit (₹)	Credit (₹)							

	Bank A/c	Dr	-----		
	To Patel's Capital A/c			-----	
	( Amount of capital brought in by Patel)				(2)
	Bank A/c	Dr	3,50,000		
	To Sinha's Capital A/c			-----	
	To Kumar's Capital A/c			1,50,000	
	( Amount of capital brought in by Sinha and Kumar)				(1)
Q.5	<p>Read the following hypothetical situation and answer question no. I, II and III</p> <p>Anju and Bindu were in partnership sharing profits and losses in the proportion of 3:2 to carry on manufacturing of readymade garments. Anju manages the production and Bindu is looking after the marketing. Their product is very much popular among youngsters. After running their business for 5 years they decided to expand this business for which additional funds are required. They both agreed to admit Chandra as a new partner into the firm. On Chandra's admission, Anju sacrificed <math>\frac{1}{4}</math><sup>th</sup> of her share and Bindu sacrificed <math>\frac{1}{4}</math><sup>th</sup> from her share. Chandra brings ₹6,50,000 as her capital and required goodwill in cash. Anju's capital was credited with ₹30,000 as compensation for her sacrifice in favour of Chandra.</p> <p>(I) What will be the new profit sharing ratio of Anju, Bindu and Chandra</p> <p>(a) 7:3:10 (b) 9:3:8 (c) 9:6:5 (d) 5:3:2</p> <p>(II) The amount that shall be credited to Bindu's capital account as compensation for her sacrifice in the firm is:</p> <p>(a) ₹50,000 (b) ₹30,000 (c) ₹1,20,000 (d) ₹90,000</p> <p>(III) The goodwill of the firm valued on the day of Chandra's admission is:</p> <p>(a) ₹1,00,000 (b) ₹50,000 (c) ₹80,000 (d) ₹2,00,000</p>				3

**Answer key to the questions:**

Q.1	(b) Both Assertion and Reason (R) are correct, but Reason (R) is not the correct explanation of Assertion(A)			1
Q.2	a) Both Assertion and Reason (R) are correct and Reason (R) is the correct explanation of Assertion(A)			1
Q.3	<p>(b) ₹4,00,000</p> <p>It is a case of hidden goodwill.</p> <p>Total goodwill of the firm on the basis of David's share = ₹1,00,000 * 5/1 = ₹5,00,000.</p> <p>Calculation of David's capital:</p> <p>Present capital of Jacob = ₹7,00,000</p> <p>+ Present capital of Sunny = ₹4,00,000</p> <p>+ Value of hidden goodwill = ₹5,00,000</p> <p style="text-align: center;">—————</p> <p style="text-align: center;">₹16,00,000</p> <p>Total capital on the basis of David's share = ₹16,00,000 * 5/4 = ₹20,00,000.</p> <p>So David's capital = ₹20,00,000 * 1/5 = ₹4,00,000</p>			
Q.4	<p>Bank A/c Dr 3,00,000</p> <p style="padding-left: 40px;">To Patel's Capital A/c</p> <p>( Amount of capital brought in by Patel)</p>	3,00,000	3,00,000	
	<p>Bank A/c Dr 3,50,000</p> <p style="padding-left: 40px;">To Sinha's Capital A/c</p> <p style="padding-left: 40px;">To Kumar's Capital A/c</p> <p>( Amount of capital brought in by Sinha and Kumar)</p>	3,50,000	2,00,000 1,50,000	

	Sinha brought ₹2,00,000 as additional capital so his new capital on the basis of Patel's capital is ₹7,50,000. Sinha's new share is 5/10 so total capital must be ₹7,50,000 * 10/5 = ₹15,00,000. So Patel's capital should be ₹15,00,000 * 2/10 = ₹3,00,000.	
Q.5	(I) (b) 9:3:8 (II) (a) ₹50,000 (III)	

Ravi Raj Bhatia  
Bharatiya Vidya Bhavan Vidyashram  
K.M. Munshi Marg  
Jaipur

**TOPIC- RETIREMENT OF A PARTNER**

1.Sajan, Meera and Raj were partners in a firm sharing profits and losses in the ratio 3:2:1 Meera decided to retire on 31-3-22. Goodwill of the firm valued at Rs.60,000. Sajan and Raj decided to share future profits equally. Complete the following

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
	.....A/c Dr		.....	
	To Meera's Capital A/c			.....
	[.....]			

2

**Ans.**

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
	Raj Capital A/c Dr		20,000	
	To Meera's Capital A/c			20,000

	[Retiring partner's share of goodwill adjusted in gaining ratio. ]			
--	--	--	--	--

2. Match the following items.

i.	Goodwill	a.	Partner's Capital A/c
ii.	Workmen Compensation fund	b.	Old Ratio
iii.	Revaluation Profit	c.	Gaining Ratio
		d.	New Ratio

- a. i-b ii-a iii-d  
b. i-d ii-a iii-c  
c. i-b ii-a iii-c  
d. i-c ii-a iii-b

**Ans. d**

**1**

3. Priya, Preeja and Jaya are partners in a firm sharing profits and losses equally. At the time of retirement of Priya Workmen Compensation Reserve appears in the books at Rs.1,20,000 and there is a claim of Rs. 30,000 against it. Pass journal entry for the treatment of Workmen Compensation if Preeja and Jaya decided to share future profits in the ratio of 2:1.

**Ans.**

Date	Particulars	L. F.	Debit Rs.	Credit Rs.
	Workmen Compensation Reserve A/c Dr		1,20,000	
	To Provision for Workmen Compensation Claim A/c			30,000
	To Priya's Capital A/c			30,000
	To Preeja 's Capital A/c			30,000
	To Priya 's Capital A/c			30,000
	(Surplus Workmen Compensation reserve credited to old partner's capital A/c in their old profit sharing Ratio)			

3. Sumesh, Sumit and Sajan were partners in affirm sharing profits and losses in proportion to their fixed capital. Their Balance Sheet as at 31<sup>st</sup> March, 2022 was as follows:

**Balance Sheet**  
**as at 31<sup>st</sup> March,2022**

Liabilities	Amount	Assets	Amount
Creditors	37,500	Bank	11,000
Outstanding Salary	11,500	Stock	5,000
General Reserve	37,500	Debtors 7,500	
Loan	7,500	Less Provision for	
Capital Sumesh : 2,50,000	5,00,000	Doubtful Debts <u>700</u>	6,200
Sumit : 1,50,000			
Sajan : 1,00,000			
		Office Equipment	1,17,800
		Office Premises	3,00,000
		Profit and Loss Account	1,20,000
	<b>5,60,000</b>		<b>5,60,000</b>

On the date of Balance Sheet Sajan retired from the firm.

- i. Goodwill of the firm was valued at Rs. 3,00,000.
- ii. Provision for doubtful debts will be maintained at 4% of debtors.
- iii. Office Premises will be appreciated by Rs.1,00,000

Answer the following questions on the basis of above information.

1. What is Sajan's share of Goodwill at the time of his retirement?
2. Give one distinction between sacrificing ratio and gaining ratio.
3. Mention two items from the above that will be debited to Sumesh and Sumit's Capital Account at the time of Sajan's retirement?
4. Sajan be paid Rs.5,000 in cash and balance due to him be transferred to his loan Account.

- i. Calculate the amount transferred to his loan Account.
- ii. Pass journal entry to transfer the amount to Sajan's Loan Account.

6.

**Answers:**

1. Sajan's share of Goodwill at the time of his retirement is Rs.60,000
2. Distinction between Sacrificing ratio and gaining ratio is  
 \*Sacrificing ratio is calculated at the time of admission of a new partner.  
 Gaining ratio is calculated at the time of Retirement of a new partner.  
 \*Formula for calculating this ratio is  

$$\text{Sacrificing Ratio} = \text{Old Ratio} - \text{New Ratio}$$
 Formula for calculating this ratio is  

$$\text{Gaining Ratio} = \text{New Ratio} - \text{Old Ratio.} \quad (\text{Any one})$$
3. Debit balance of Profit and Loss Account and Sajan's share of goodwill

- 4 i. Revaluation Account

Particulars	Amount	Particulars	Amount
To profit transferred to Sumesh 50,200		By provision for doubtful debts	400
Sumit 30,120		By Premises	1,00,000
Sajan 20,080	<b>1,00,400</b>		
	<b>1,00,400</b>		<b>1,00,400</b>

SAJAN'S Capital A/c

Particulars	Amount	Particulars	Amount
To Profit and Loss A/c	24,000	By balance b/d	1,00,000
To Cash	5,000	By Sumesh Capital A/c	37,500
To Sajan's Loan A/c	<b>1,50,080</b>	By Sumit Capital A/c	22,500
		By General Reserve	7,500



		By revaluation Account	20,080
	<b>1,76,080</b>		1,76,080

**4 ii. JOURNAL**

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
	Sajan's Capital A/c Dr		1,50,080	
	To Sajan's Loan A/c			1,50,080
	(Amount due to Sajan transferred to Loan A/c)			

**Seetha Sanker  
Kerala**

**TOPIC- DEATH OF A PARTNER**

1. Assertion: Deceased partner is entitled to his share in profit from the beginning of the accounting year. Deceased partner's share of profit is taken from their profit-sharing ratio

Reasoning: Deceased partners profit can be shared according to the agreed ratio

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

2. Assertion: Share of profit or loss of the deceased partner may be estimated on the sales or turnover.

Reasoning: it is assumed that Deceased partners' share of profit rises uniformly during the year.

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

3. Statement I : when deceased partners amount is paid to executor in instalment, he is entitled to get 6% interest.

Statement II : In the absence of an agreement, the executor can opt for share of profit instead of interest. It is treated as a loan.

- a. Both statements are correct
- b. Both statements are incorrect
- c. Statement I is correct and statement ii is incorrect
- d. Statement I is incorrect and statement II is correct.

4. Statement I : Section 37 of the Indian Partnership act 1932 states that if the partners do not have agreement as to payment of interest and profit share to the outgoing partner, the executor has a choice to get either interest @6% on the balance amount or share in the profit earned proportionate to his amount outstanding total capital.

Statement II: Deceased partner's amount needs to be settled immediately to the legal heir.

- a. Both statements are correct
- b. Both statements are incorrect
- c. Statement I is correct and statement ii is incorrect
- d. Statement I is incorrect and statement II is correct.

5. Assertion: Deceased partners share is taken by the continuing partner in gaining ratio  
Reasoning : Deceased partners share of profit is taken by the continuing partners in their old profit-sharing ratio.

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

Answers:

- 1. ANSWER B Deceased partners profit share is taken by the remaining partners either in their profit-sharing ratio or as is agreed by the partners.
- 2. Answer A
- 3. Answer:A BOTH THE STATEMENTS ARE CORRECT
- 4. Answer C – deceased partner is entitled provided it is agreed among the partnersalso
- 5. Answer A.

**Preetha.R**  
**B.V.Bhavan's Vidyashram**  
**Chennai**

**TOPIC: DISSOLUTION OF A PARTNERSHIP FIRM**

Sl.No	Questions	Mark																																								
1	<p><b>Assertion (A):</b> When a liability is to be discharged by a partner, his/her capital account is credited.</p> <p><b>Reason(R) :</b> Payment of liability is firm's responsibility. So when a partner takes responsibility to discharge a liability , his claim in the firm increases.</p> <p>(a) Both Assertion (A) and Reason (R) are correct and Reason (R) is the correct explanation of Assertion (A)</p> <p>(b) Both Assertion (A) and Reason (R) are correct, but Reason (R) is not the correct explanation of Assertion (A)</p> <p>(c) Assertion (A) is incorrect, but Reason (R) is correct.</p> <p>(d) Assertion (A) is correct, but Reason (R) is incorrect.</p>	1																																								
	<p>Read the following situation and answer question no.2 and 3.</p> <p>Khan and Gauri were partners in a firm sharing profits in the ratio of 3:2. On 31 st March ,2023 their Balance Sheet was as follows.</p> <p style="text-align: center;">Balance Sheet of Khan and Gauri as at March 31,2023</p> <table border="1" style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <thead> <tr> <th style="width: 30%;">Liabilities</th> <th style="width: 10%;">Amt(₹)</th> <th style="width: 30%;">Assets</th> <th style="width: 10%;">Amt(₹)</th> </tr> </thead> <tbody> <tr> <td>Creditors</td> <td style="text-align: right;">36,000</td> <td>Cash in hand</td> <td style="text-align: right;">47,000</td> </tr> <tr> <td>Outstanding expenses</td> <td style="text-align: right;">10,000</td> <td>Cash at bank</td> <td style="text-align: right;">93,000</td> </tr> <tr> <td>Gauri's husband's loan</td> <td style="text-align: right;">50,000</td> <td>Debtors</td> <td style="text-align: right;">76,000</td> </tr> <tr> <td>Capitals:</td> <td></td> <td>Stock</td> <td style="text-align: right;">2,00,000</td> </tr> <tr> <td>    Khan           2,80,000</td> <td></td> <td>Furniture</td> <td style="text-align: right;">20,000</td> </tr> <tr> <td>    Gauri           <u>1,60,000</u></td> <td style="text-align: right;">4,40,000</td> <td>Land and Building</td> <td style="text-align: right;">1,00,000</td> </tr> <tr> <td></td> <td style="text-align: right;">0</td> <td></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">5,36,000</td> <td></td> <td style="text-align: right;">5,36,000</td> </tr> <tr> <td></td> <td style="text-align: right;">0</td> <td></td> <td></td> </tr> </tbody> </table>	Liabilities	Amt(₹)	Assets	Amt(₹)	Creditors	36,000	Cash in hand	47,000	Outstanding expenses	10,000	Cash at bank	93,000	Gauri's husband's loan	50,000	Debtors	76,000	Capitals:		Stock	2,00,000	Khan           2,80,000		Furniture	20,000	Gauri <u>1,60,000</u>	4,40,000	Land and Building	1,00,000		0				5,36,000		5,36,000		0			
Liabilities	Amt(₹)	Assets	Amt(₹)																																							
Creditors	36,000	Cash in hand	47,000																																							
Outstanding expenses	10,000	Cash at bank	93,000																																							
Gauri's husband's loan	50,000	Debtors	76,000																																							
Capitals:		Stock	2,00,000																																							
Khan           2,80,000		Furniture	20,000																																							
Gauri <u>1,60,000</u>	4,40,000	Land and Building	1,00,000																																							
	0																																									
	5,36,000		5,36,000																																							
	0																																									

	<p>On the above date the firm was dissolved. The various assets were realised and liabilities were settled as under:</p> <p>(i) Gauri agreed to pay her husband's loan.  (ii) Land and Building realised at ₹ 1,50,000 and debtors ₹12000 less.  (iii) Half of the creditors agreed to accept furniture of the firm as full settlement of their claim and remaining half agreed to accept 10% less.  (iv) 50% stock was taken over by Khan on payment by cheque of ₹ 90,000 and remaining stock was sold for ₹ 94,000.  (v) Realisation expenses of ₹ 10,000 was paid by Gauri on behalf of the firm.</p>													
2	<p>What will be the treatment of Gauri's husband's loan?</p> <p>(a) Debit Gauri's husband's loan A/c and credit Bank A/c by ₹50,000  (b) Debit Realisation A/c and credit Bank A/c by ₹ 50,000  (c) Debit Realisation Account and credit Gauri's capital A/c by ₹50,000  (d) Debit Gauri's capital A/c and credit Bank A/c by ₹50,000</p>	1												
3	<p>Total amount realised by selling /realising assets will be:</p> <p>(a) ₹ 10,38,000  (b) ₹ 9,86,000  (c) ₹ 9,48,000  (d) ₹ 10,50,000</p>	1												
4	<p>Pass necessary journal entries in the following cases on the dissolution of a partnership firm of partners Xavier, Yamuna, Amar &amp; Bindu.</p> <p>i. Realisation expenses of ₹ 5000 were to be borne by Xavier, a partner. However it was paid by Yamuna.  ii. Yamuna's loan of ₹ 50,000 settled at ₹ 48,000.  iii. Machinery (Book value ₹6,00,000) was given to creditor at a discount of 20%.</p>	3												
5	<p>Sita and Gita were partners in a firm sharing profits in the ratio of 2:3. On 31<sup>st</sup> March, 2023, their Balance Sheet was as under:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 30%;">Liabilities</th> <th style="width: 15%;">Amt(₹)</th> <th style="width: 30%;">Assets</th> <th style="width: 25%;">Amt(₹)</th> </tr> </thead> <tbody> <tr> <td>Capitals:</td> <td></td> <td>Land and Building</td> <td>6,00,000</td> </tr> <tr> <td></td> <td></td> <td>Stock</td> <td>2,00,000</td> </tr> </tbody> </table>	Liabilities	Amt(₹)	Assets	Amt(₹)	Capitals:		Land and Building	6,00,000			Stock	2,00,000	4
Liabilities	Amt(₹)	Assets	Amt(₹)											
Capitals:		Land and Building	6,00,000											
		Stock	2,00,000											

Sita 4,00,000	10,00,000	Debtors 3,10,000	
Gita <u>6,00,000</u>	2,00,000	Less:Provision For bad debts <u>10,000</u>	3,00,000
Employee's Provident Fund	2,10,000	Bank	3,10,000
Creditors			
	14,10,000		14,10,000

The firm was dissolved on 1<sup>st</sup> April,2023 and the assets and liabilities were settled as follows:

- (i) Half of the creditors accepted 50% of the stock.Remaining creditors were paid in full.
- (ii) The remaining stock was realised at 90% and debtors realised 80% of their book value.
- (iii) Gita took over the responsibility to realise the assets and discharge the liabilities at a remuneration of ₹ 20,000 and was to bear all expenses of realisation.She paid realisation expenses of ₹ 18,000 out of her personal account.
- (iv) Land and Building realised at ₹7,00,000.

Prepare Realisation Account.

S.NO	ANSWERS	MARKS
1	(a) Both Assertion (A) and Reason (R) are correct and Reason (R) is the correct explanation of Assertion (A)	1
2	(c)Debit Realisation Account and credit Gauri's capital A/c by ₹50,000	1
3	(a) ₹ 10,38,000	1
4	<p style="text-align: center;">Journal</p> <p>i) Xavier's Capital A/c                      Dr. 5000</p> <p style="padding-left: 100px;">To Y's Capital A/c    5000</p>	



### **Topic : Issue of shares**

XYZ Ltd. a pharmaceutical company is in need of funds. So it decided to issue 60,000 shares of Rs.100 each at Rs.120 per share payable Rs..50 on application ( including premium) Rs.40 on allotment and the balance on first and final call.

Applications for 80,000 shares were received. Out of the cash received Rs.2,00,000 were returned and Rs. 8,00,000 were applied towards the sums due on allotment. All shareholders paid the call due with the exception of one shareholder of 15,000 shares. These shares were forfeited and reissued as fully paid at Rs. 70 per share.

Answer the following information on the basis of above information:

1. Excess application money on ----- shares is adjusted to share allotment Account.

A.16,000 B.12,000 C.14,000 D.10,000

2. The amount of calls in arrears will be-----

A.Rs.1,50,000 B.Rs. 3,00,000 C. 4,50,000 D.Rs.1,00,000

3.At the time of forfeiture of shares share capital account will be debited with-----

A. Rs.18,00,000 B. Rs. 15,00,000 C. Rs.10,00,000 D. Rs.12,00,000

4. The amount to be credited at the time of forfeiture of 15,000 share is:

A.Rs.1,50,000 B. 13,50,000 C.10,50,000 D.15,00,000

5.What amount will be transferred to capital Reserve?

A. Rs.4,50,000 B. 10,50,000 C. 6,00,000 D.16,00,000

ANSWERS:

1.16,000

2.4,50,000

3.15,00,000

4.10,50,000

5.6,00,000

**Poonam Sondhi**

**Topic: Accounting for Share Capital**

Q.1. The directors of Axim Ltd. forfeited 20,000 equity shares of ₹ 10 each, ₹ 8 per share called up for non-payment of first call of ₹ 2 per share. Final call of ₹ 2 per share has not been yet called. Half of the forfeited shares were reissued as fully paid up for ₹ 15 per share. The amount transferred to Capital Reserve will be:

- a) ₹ 60,000                  b) ₹ 40,000                  c) ₹ 1,20,000                  d) ₹ 2,00,000

Q.2. Joy Ltd issued 1,00,000 equity shares of 10 each. The amount was payable as follows:  
On application -3 per share    On allotment - 4 per share    On first and final call - Balance.

Applications for 95,000 shares were received and shares were allotted to all the applicants. Sonam, to whom 500 shares were allotted, failed to pay the allotment money and Gautam paid his entire amount due including the amount due on first and final call on the 750 shares allotted to him along with allotment. What amount will be received at the time of allotment?

Q.3 Nirman Ltd issued 50,000 equity shares of Rs. 10 each. The amount was payable as follows

On application - 3 per share    On allotment Rs. 2 per share    On first and final call - Balance.

Applications for 45,000 shares were received and shares were allotted to all the applicants, Pooja, to whom 500 shares were allotted, paid her entire share money at the time of allotment, whereas Kundan did not pay the first and final call on his 300 shares. What amount will be received at the time of making the first and final call.

Q.4 Doremon Ltd. is registered with an authorised share capital of 10,00,00,000 was divided into 1,00,00,000 equity shares of 10 each. The company invited applications for issuing 10,00,000 equity shares. The amount per share was payable as follows: On Application: The minimum amount per share as per the provisions of the Companies Act, 2013. On Allotment: \*7 per share, On First and Final Call: The maximum amount per share as per the provisions of the Companies Act, 2013. The issue was fully subscribed. All calls were made and were duly received except the first and final call on 1000 shares. The company forfeited 400 shares on which the final call money was not received.

(a) What will be the application and call money rates as per the provisions of the Companies Act, 2013?

(b) Present the share capital in the Balance Sheet of the company as per the provisions of Schedule III Part I of the Companies Act, 2013 and also prepare 'Notes to Accounts'

Q.5 Swastik Ltd. has an authorised capital of Rs. 50,00,000 divided into equity shares of Rs. 100 each. The company invited applications for 40,000 shares. applications for 36,000 shares



were received. All calls were made and duly received except for 500 shares on which the final call of Rs. 20 was not received. The company forfeited 200 shares on which final call was not received. Show how share capital will appear in the balance sheet of the company. Also prepare Notes to Accounts' for the same.

Q.6 CALLING YOU Ltd. is a mobile manufacturing company. Mr. Mukesh Shekhawat , the director of the company observed that the market is dynamic and a lot of changes were taking place in the mobile market and hence, the risk of the product becoming obsolete is high. The designs of the phones are governed by requirements and preferences of the customers. He started incorporating new and advanced features taking his cue from the consumers and with the help of his workers. In order to meet the long-term financial needs of the company, the directors decided to issue further equity share capital. The company invited applications for issuing 80,000 equity shares of 10 each at a premium of ₹ 4 per share. On application of ₹ 25 per share and On allotment ₹ 9 per share (included premium).

Owing to over subscription, allotment was made to all applicants on pro-rata basis in the ratio of 7: 4. Money overpaid on applications was adjusted towards sums due on allotment. Krishna, a shareholder, failed to pay the allotment money due ₹4,200. His shares were forfeited. Later on, the forfeited shares were reissued at ₹ 9 per share as fully paid up. Pass necessary journal entries for the above transactions in the books of the company, assuming that it maintains call-in-arrears account. **(6 marks)**

### Case Study

Q.7 Read the text carefully and answer the questions:

Supriya Ltd., invited applications for 2,00,000 Equity shares of 10 each to be issued at 20% premium. The money payable per share was: On Application ₹ 5, on allotment ₹ 4(including premium of 2), First call ₹ 2 and Final call ₹ 1. Applications were received for 2,40,000 shares and allotment was made as:

- i. To applicants for 1,00,000 shares in FULL
- ii. To applicants for 80,000 shares - 60,000 shares
- iii. To applicants for 60,000 shares- 40,000 shares

Applications of 1000 shares falling in category (i) and applicants of 1200 shares falling in category (ii) failed to pay allotment money. These shares were forfeited on failure to pay the first call. Holders of 1200 shares failing in category (iii) failed to pay the first and final call and these shares were forfeited after final call. 1300 shares (1000 of category (i) and 300 of category (ii) were reissued at 8 per share as fully paid up. ₹

(i) How much is the total forfeited money on all categories of shares?

- a) ₹ 11,000      b) ₹ 8,400      c) ₹ 19,400      d) ₹ 20,000

(ii) Mention the paid up capital of the company after all the calls is made.

- a) ₹ 20,00,000      b) ₹ 20,94,400      c) ₹ 19,94,400      d) ₹ 19,00,000

(iii) How much balance is shown in the balance sheet under the head shareholders' funds?

- a) ₹ 24,95,000      b) ₹ 25,95,000      c) ₹ 20,95,000      d) ₹ 23,95,000

(iv) The journal entry for allotment money received is:

a) Bank a/c...	Dr... 5,95,000	
To Share allotment a/c...		5,95,000
b) Bank a/c...	Dr... 5,93,900	
To Share allotment a/c..		5,93,900
c) Bank a/c...	Dr... 6,00,000	
To share allotment a/c...		6,00,000
d) Bank a/c...	Dr... 6,05,000	
To share allotment a/c...		6,05,000

v) What Amount stands credit to share forfeiture Account after issue of forfeited shares .

- a) ₹ 4400      b) ₹ 5400      c) ₹ 7000      d) ₹ 15000

vi) what is the minimum amount that should be received from reissue of 600 forfeited shares of category II

- a) ₹ 4000      b) ₹ 2000      c) ₹ 6000      d) ₹ 9000

**Answers:**

1. a) ₹ 60,000
2. Amount due on Allotment  $95000 \times 4 = 380000$ 

Less Calls in Arrear	500 x 4	2000
Add Calls in Advance	750 x 3	2250

-----  
380250

3.  $(45000 - 500) \times 5 = 225000$   
 Less Calls in Arrear  $300 \times 5 = 1500$

-----  
221000

4. (a) As per the provisions of the Companies Act, 2013 the application money should be at least 5% of the face value of any call should not exceed of the share, and the amount 25% of the face value of the share. Thus, application money rate = 5% of 10 = 0.50 per share. First and final call money rate = 25% of 10 = 2.50 per share.

(b) Balance Sheet of Doremon Ltd. (Extract) as at .....

Particulars	Note No.	Amt. ( ₹ )
<b>I. EQUITY AND LIABILITIES</b>		
<b>1.Shareholders' funds</b>		
<b>(a) Share Capital</b>	1	1,00,01,500

5.

**6. Notes to Accounts:**

Particulars	Amt. ( ₹ )
<b>1. Share Capital</b>	
<b>Authorized Capital</b>	
1,00,00,000 Equity Shares of 10 each	10,00,00,000
<b>Issued Capital</b>	
10,00,000 Equity Shares of 10 each	1,00,00,000
<b>Subscribed Capital</b>	
<b>Subscribed and Fully Paid Up</b>	
9,99,000 Equity Shares of 10 each	99,90,000

<b>Subscribed but Not Fully Paid Up</b>		
1,000 Equity Shares of 10 each	100000	
Less: Calls in arrears (600 x 2.50)	(1,500)	11,500
Add: Shares forfeiture account (400 x 7.50)	3.000	-----
		1,00,01,500

7. Balance Sheet Swastik Limited (Extract) as at .....

Particulars	Note No.	Amt. ( ₹ )
<b>I. EQUITY AND LIABILITIES</b>		
<b>1.Shareholders' funds</b>		
<b>(a) Share Capital</b>	1	35,90,000

**Notes to Accounts:**

Particulars	Amt. ( ₹ )
<b>1. Share Capital</b>	
<b>Authorized Capital</b>	
50,000 Equity Shares of 100 each	50,00,000
<b>Issued Capital</b>	=====
40,000 Equity Shares of 100each	
<b>Subscribed Capital</b>	40,00,000
	=====
<b>Subscribed and Fully Paid Up</b>	
35,500 Equity Shares of 100 each fully paid	35,50,000
<b>Subscribed but Not Fully Paid Up</b>	

300 Equity Shares of 100 each fully called up	30,000	
Less: Calls in arrears (300 x 20)	(6,000)	
Add: Shares forfeiture account (200 x 80)	16,000	40,000
		-----
		35,90,000

### 8. ANSWER 6

Applications were received for  $80,000 \times \frac{7}{4} = 1,40,000$  shares.

Suppose Krishna was allotted 'x' shares.

Allotment money due on 'x' shares - Excess application money adjusted in allotment =  
Unpaid allotment money

$9x - 5 \left(\frac{7}{4}x - x\right) = 4,200 \times 800$ . Thus, Krishna was Alloted 800 shares.

#### JOURNAL of CALLING YOU Ltd.

Date	Particulars	LF	Dr. ( ₹ )	Cr. ( ₹ )
1.	Bank A/c <span style="float: right;">Dr.</span> To Equity Share Application A/c (Application money received on 1,40,000 shares)		7,00,000	7,00,000
			7,00,000	
2.	Equity Share Application A/c Dr To Equity Share Capital A/c To Equity Share Allotment A/c (Application money transferred to Share Capital and excess amount adjusted to Share Allotment A/c)			4,00,000 3,00,000
3	Equity Share Allotment A/c <span style="float: right;">Dr.</span>			

	To Equity Share Capital A/c		7,20,000	4,00,000
	To Securities Premium A/c			3,20,000
	(Share allotment money due at premium)			
4	Bank A/C	Dr.		
	Calls- in- Arrears A/c	Dr.	4,15,800	
	To Share Allotment A/c		4,200	
	(Allotment money received except on 800 shares)			4,20,000
5	Share Capital A/c	Dr.		
	Securities Premium A/c	Dr.	8,000	
	To Calls-in-Arrears A/c		3,200	
	To Share Forfeiture A/c			4,200
	(800 shares forfeited for non- payment of allotment money)			7,000
6	Bank A/c	Dr.	7,200	
	Share Forfeiture A/c	Dr.	800	8,000
	To Share Capital A/c			
	(Reissue of forfeited shares)			
7	Share Forfeiture A/c	Dr.	6,200	
				6,200

	To Capital Reserve A/c			
	(Gain on reissue of shares transferred to Capital Reserve)			

9. (i) (c) 19,400. Explanation: 19,400

(ii) (c) 19,94,400 Explanation: 19,94,400

(iii) (d) 23,95,000 Explanation: 23,95,000

(iv) (b) Bank a/c... Dr... 5,93,900 To Share allotment a/c... 5,93,900

Explanation: Bank a/c... Dr... 5,93,900

To Share allotment a/c... 5,93,900

v ) 4400

vi) 2000

10.

**MUKESH SINGH SHEKHAWAT  
BHARATIYA VIDYA BHAVAN'S V.M.PUBLIC SCHOOL  
VADODARA GUJARAT**

**Topic: Issue of Debentures**

1. ABC Ltd issued 5,000, 10% debentures @ 100 each at a discount of ₹ 10. Amount was payable as follows application ₹ 50, balance on allotment. All amount due were received on time except a holder of 1,000 debentures who did not pay allotment. Journalise the entry for receipt of allotment.

(a) Bank A/c Dr – 2,50,000

To Debenture Allotment A/c – 2,50,000

(b) Bank A/c Dr – 1,60,000

To Debenture Allotment A/c – 1,60,000

(c) Bank A/c Dr – 2,00,000

To Debenture Allotment A/c – 1,60,000

To Discount on Issue of Debentures A/c – 40,000

(d) None of the above

2. Savanth Ltd took a bank loan from PNJ Bank for ₹ 10,00,000. Along with the normal securities bank ask a collateral security of 8% debentures from Savanth Ltd. At the end of the year holder of debentures as a collateral security (PNJ Bank) is entitled to

(a) interest on debentures

(b) dividend

(c) commission

(d) None of the above

3. A company ABC Ltd has purchased an asset costing ₹ 11,00,000. Vendor issued 9% debentures of ₹ 100 each at 10% premium as consideration against asset purchased.

Calculate number of debentures to be issued?

(a) 10,000 debentures

(b) 11,000 debentures

(c) 12,000 debentures

(d) 13,000 debentures

4. A company has taken a loan of ₹ 20,00,000. The lender took 8% debentures as collateral. The director of the company wants to journalise this collateral.

Accountant does not know the exact entry and has passed the following entries.

Advise him as to which entry is correct?

(a) Lender Dr – 20,00,000

To 8% Debentures A/c – 20,00,000

(b) Bank Loan A/c Dr – 20,00,000

To 8% Debentures A/c – 20,00,000

(c) Debenture Suspense A/c Dr – 20,00,000

To 8% Debentures A/c – 20,00,000

(d) Debenture Suspense A/c Dr – 20,00,000

To Bank Loan A/c A/c – 20,00,000



5. S Ltd bought business of R Ltd and purchase consideration is to be decided by net asset value method. Total assets and liabilities which were taken over were ₹ 11,20,000 and ₹ 2,00,000 respectively. ₹ 2,00,000 was paid in cash and for the balance amount, 6% debentures of ₹ 100 each were issued at a premium of 20%.

Pass journal entry of issue of debentures in the books of S Ltd.

- (a) R Ltd ,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,Dr – 7,20,000  
     To 6% Debentures A/c – 6,00,000  
     To Security Premium Reserve A/c – 1,20,000
- (b) R Ltd..... Dr – 7,20,000  
     To 6% Debentures A/c – 7,20,000
- (c) R Ltd .....Dr – 9,20,000  
     To Cash A/c – 2,00,000  
     To 6% Debentures A/c – 7,20,000
- (d) R Ltd .....Dr – 7,20,000  
     To Cash A/c – 2,00,000  
     To 6% Debentures A/c – 4,00,000  
     To Security Premium Reserve A/c – 1,20,000

**Answer:**

1. (b) Bank A/c Dr – 1,60,000  
     To Debenture Allotment A/c – 1,60,000
2. (d) None of the above
3. (a) 10,000 debentures
4. (c) Debenture Suspense A/c Dr – 20,00,000  
     To 8% Debentures A/c – 20,00,000
5. (a) R Ltd .....Dr – 7,20,000  
     To 6% Debentures A/c – 6,00,000  
     To Security Premium Reserve A/c – 1,20,000

**SAJITH S**  
**Kerala**

**TOPIC: FINANCIAL STATEMENTS OF A COMPANY**

<b>QUESTIONS</b>
------------------

1	<p>Which of the following is not covered under finance cost?</p> <p>a) Discount on issue of debentures written off      b) Interest paid on bank overdraft written off</p> <p>c) Bank Charges      d) Premium payable on redemption of debentures written off</p>
2	<p>Mittal Ltd purchased a plant and issued fully paid equity shares for consideration other than cash. These will be shown in notes to accounts to share capital as:</p> <p>a) Issued Capital      b) Subscribed but not fully paid up</p> <p>c) Subscribed and fully paid      d) Forfeited Shares</p>
3	<p>As per schedule III, Part I of the Companies Act, 2013 'Calls-in-arrears' will be presented under which of the following head/sub-head, in the balance sheet of a company?</p> <p>a) Reserve &amp; Surplus      b) Current Liabilities</p> <p>c) Contingent Liabilities      d) Shareholders Funds</p>
4	<p><b>In the given questions (Q. 4 &amp; Q. 5), a statement of Assertion ( A ) followed by a statement of Reason ( R ) is given. Choose correct answer out choices given.</b></p> <p><b>Assertion (A):</b> Unclaimed dividend is shown under the main head 'Current Liabilities' and sub head 'Other Current Liabilities'.</p> <p><b>Reason (R):</b> Dividend must be paid within 30 days from the date of declaration.</p> <p>a) Both (A) and ( R ) are true and ( R ) is the correct explanation of (A).  b) Both (A) and ( R ) are true and ( R ) is not the correct explanation of (A).  c) ( A ) is true but ( R ) is false.  d) (A) is false but ( R ) is true.</p>
5	<p><b>Assertion (A):</b> Securities Premium Reserve is shown under the sub head " Reserve &amp; Surplus" in the company's Balance Sheet.</p> <p><b>Reason (R):</b> Securities Premium can be used to write off Interest on Debentures.</p> <p>a) Both (A) and ( R ) are true and ( R ) is the correct explanation of (A).</p>

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

<b>ANSWERS</b>	
1	( C) Bank Charges
2	( C) Subscribed and fully Paid
3	( D) Shareholders Funds
4	( B) Both (A) and ( R ) are true and ( R) is not the correct explanation of (A).
5	( C) ( A) is true but ( R) is false.

**SANGEETHA PAI R  
BHAVAN'S VIDYA MANDIR, EROOR  
KOCHI**

### Tools for Financial Statement Analysis

- Raghav Limited is actively engaged in planning for its future profitability. To achieve this objective, the company has chosen to evaluate its Statement of Profit and Loss for the current year (2022-23) in comparison to the previous year (2021-22). This analytical approach will enable the company to derive insights regarding its operational performance and efficiency. Additionally, it will facilitate a comprehensive assessment of the company's performance in relation to the broader industry context. The information related to statement of profit and loss for two years is given below.

Particulars	Note No.	2022-23	2021-22
Revenue from operations		₹3,50,000	₹2,00,000
Purchase of Stock-in-Trade		₹2,00,000	₹1,00,000
Cost of Revenue from operations		70% of Revenue from operations	60% of Revenue from operations
Employee Benefit Expenses		₹7,350	₹4,000

Income Tax		45%	45%
------------	--	-----	-----

On the basis of the above data, answer the following questions:

a. What will be the absolute and percentage change in the Revenue from operations?

₹1,50,000 and 75%	₹1,50,000 and 65%
₹1,50,000 and 50%	₹50,000 and 15%

b. What is the percentage change in the cost of Revenue from operations?

105.17%	102.17%	104.17%	103.17%
---------	---------	---------	---------

c. What is the amount of absolute change on Profit before Tax?

₹21,550	₹21,650	₹21,450	₹28,490
---------	---------	---------	---------

d. What is the percentage change of Profit after Tax?

28.15%	28.04%	28.6%	28.49%
--------	--------	-------	--------

2. Anand Ltd has a keen interest in examining the evolving trends in financial data over the past two years. This analysis is crucial in gauging the company's fiscal stability and in providing valuable insights for future forecasting and planning. The information related to Balance Sheet of last two years is given below:

Particulars	Note No.	2023	2022
<b>I EQUITY AND LIABILITIES</b>			
Share capital		25,00,000	25,00,000
Reserves and Surplus		6,00,000	5,00,000
Long-term Loans		15,00,000	15,00,000
Trade Payables		5,50,000	5,00,000

Total		51,50,000	50,00,000
II ASSETS			
Plant, Property and Equipment's		36,00,000	30,00,000
Non-current Investments		5,00,000	5,00,000
Current Assets		10,50,000	15,00,000
Total		51,50,000	50,00,000

From the above Balance Sheet answer the following questions:

- a. What is the percentage change in the Reserves and Surplus?

25%	10%	15%	20%
-----	-----	-----	-----

- b. What will be the absolute and percentage change in the value of Trade Payables?

₹40,000; 25%	₹50,000; 10%
₹5,00,000; 15%	₹60,000; 20%

- c. What is the percentage change in the value of Fixed Assets?

15%	25%	20%	10%
-----	-----	-----	-----

- d. State the absolute change in the value of Current Assets and its percentage change also?

₹4,50,000; 30%	₹3,50,000; 23.3%
₹ (4,50,000); 30%	₹4,50,000; 25%

Choose the correct answer out of the following choices:

- Both (A) and (R) are true and (R) is the correct explanation of (A)
- Both (A) and (R) are true and (R) is not the correct explanation of (A)
- Only (A) is true.

d. (R) is true but (A) is not correct.

3. ASSERTION (A): A company has postponed paying suppliers, so that the period end cash balance appears higher in the books of the company. This is an example of window dressing.

REASON (R): Through Window Dressing a company can present a better financial position of the firm than the actual position

4. ASSERTION (A): In a common size statement each item is expressed as a percentage of some common base.

REASON (R): A common size Balance Sheet shows the percentage of each asset to the total assets, and that of each liability to the total liabilities. Similarly, in the common size statement of profit and loss, the items of expenditure are shown as a percentage of the net revenue from operations.

## ANSWERS

1. a) ₹1,50,000 and 75%
2. c) 104.17%
3. b) ₹21,650
4. d) 28.49%
5. d) 20%
6. b) ₹50,000; 10%
7. c) 20%
8. c) ₹ (4,50,000); 30%
  - a) Both (A) and (R) are true and (R) is the correct explanation of (A)
  - b) Both (A) and (R) are true and (R) is the correct explanation of (A)

**Dhanya V**  
**Bhavan's Vidya Mandir, Eroor**

### TOPIC: RATIO ANALYSIS

1) Long-term Borrowings	Rs 24 000 00
10% Debentures	Rs 12 000 00
Bills Payable	Rs 3 00 000

Debt Equity Ratio

1:2

Shareholder's Fund will be:

- a) 20 00 000
- b) 28 80 000
- c) 30 00 000
- d) 32 50 000

(1)

- 2) **Assertion(A):** If gross profit ratio is 20%, goods costing Rs 170000 sold for Rs 200000 will increase the ratio.

**Reason(R):** Gross Profit = 2 00 000 - 1 70 000 = 30 000

GP Ratio =  $30\,000 / 2\,00\,000 \times 100 = 15\%$

Since the existing ratio is 20%, the gross profit ratio will decrease. In the context of the above two statements, which of the following is correct?

- a) Both A and R are true, but R is not the correct explanation of A
- b) Both A and R are true, but R is the correct explanation of A
- c) Both A and R are false
- d) A is false but R is true

(1)

- 3) From the following information, calculate Working Capital Turnover Ratio and explain the significance of this ratio.

Capital Employed Rs 1,00,000

Non-Current Assets Rs 80,000

Cost of Revenue from Operations Rs 3,20,000

Gross Profit Ratio 20%

(3)

- 4) 'Viyo Ltd.' is a company manufacturing textiles. It has a share capital of Rs 60 lakhs. For diversification, the company requires additional capital of Rs 40 lakhs. The company raised funds by issuing 10% debentures for the same. During the current year the company earned a profit of Rs 8 lakhs on capital employed. It paid tax @ 40%.

Calculate:

(i) Return on Investment

(ii) Interest coverage ratio

(4)

- 5) From the following information, calculate Operating Ratio and hence Operating Profit Ratio. Also, explain the significance of these two accounting ratios.

Revenue from Operations Rs 10,00,000

Gross profit ratio 60%

Selling and distribution expenses Rs 60,000

Office and administrative expenses Rs 70,000

Depreciation on fixed assets Rs 20,000

Employees' benefit expenses Rs 50,000. (3)

ANSWER KEY

1) a, 2000000

2) d, A is false but R is true

3) Working capital turnover ratio = RFO / Working capital

RFO = Cost of RFO + GP

CRFO = 320000

320000 = 80% of RFO

RFO = 320000 / 80 x 100

= 400000

Working capital = Capital employed - Non current assets

= 100000 - 80000

= 20000

WCTR = 400000 / 20000

= 20 times

4) ROI = PBIT / Capital employed x 100

PBIT = 800000

Capital Employed = Debt + Equity



$$= 4000000 + 6000000$$

$$= 10000000$$

$$\text{ROI} = 800000 / 10000000 \times 100$$

$$= 8\%$$

$$\text{Interest Coverage Ratio} = \text{PBIT} / \text{Interest on long term debt}$$

$$= 800000 / 400000$$

$$= 2 \text{ times}$$

$$5) \text{ Operating Ratio} = \text{CRFO} + \text{Operating Expense} / \text{RFO} \times 100$$

$$\text{CRFO} = \text{RFO} - \text{GP}$$

$$= 1000000 - 60\%$$

$$= 400000$$

$$\text{Operating Expense} = 60000 + 70000 + 20000 + 50000 = 200000$$

$$\text{Operating Ratio} = 400000 + 200000 / 1000000 \times 100$$

$$= 60\%$$

$$\text{Operating profit ratio} = 100 - 60 = 40\%$$

**Mini Menon**  
**Kochi, Kerala**

### **TOPIC: CASHFLOW STATEMENT**

1. Assertion (A): Excel Limited purchased a plant on deferred payment basis. During the year ended 31-03-2021, the company paid an instalment of Rs. 4,00,000 which included interest of Rs. 40,000. While preparing Cash flow statement, Rs.400,000 will be shown as cash outflow from financing activity.

Reason (R) : Cash outflows from Investing activities will be Rs.3,60,000 and cash outflows from financing activities will be Rs.40,000.

- (a) (A) is correct, but (R) is wrong .
- (b) Both (A) and (R) are correct.
- (c) (A) is wrong , but (R) is correct.
- (d) (Both (A) and (R) are wrong.

2. Read the following statements carefully and choose the correct alternative:

Statement -I: While preparing Cash Flow statement, cash comprises of cash in hand, cash at bank and demand deposits with the banks.

Statement -II: An investment normally qualifies as a cash equivalent only when it has a maturity of three months or more from the date of acquisition.

- (a) Both the statements are true
- (b) Both the statements are false.
- (c) Statement- I is true, Statement-II is false
- (d) Statement -I is false, Statement -II is True.

3. Assertion (A): Interest paid on a loan is a financing activity, where as interest received is an investing activity.

Reason (R): Interest is a fixed cost for the loan taken whereas Interest received is the return on investment made.

- (a) (A) is correct, but (R) is wrong .
- (b) Both (A) and (R) are correct, but (R) is not the correct explanation of (A).
- (c) (A) is wrong , but (R) is correct.
- (d) (Both (A) and (R) are correct and (R) is the correct explanation for (A).

Answer: option D

4. Give two example each:

Financing activity inflow and outflow of cash.

5. You are provided with the following information:

Particulars	01-04- 2022 (Rs.)	31-03-2023(Rs.)
Long term Borrowings	4,00,000	5,00,000

During the year 2022-23, the company repaid a loan of Rs. 1,50,000.

Cash inflow -financing activities will be:

- (a) cash outflow—financing activities Rs. 1,00,000
- (b) cash outflow -financing activities Rs.1,50,000
- (c) cash inflow -financing activities Rs.1,50,000
- (d) cash inflow – financing activities Rs.1,00,000

Answers:

- 1. Option C
- 2. Option C
- 3. Option D
- 4. Inflow: Securities Premium received on issue of shares and debentures.  
Outflow: Underwriting commission paid, Dividend distribution Tax paid..
- 5. Option D

**Topic: Cash Flow Statement****Sub Topic: Cash Flows from Operating Activities**

<p><b>Q.1</b></p>	<p><b>Assertion:</b> Increase in the amount of Securities Premium is not added in the Profit before tax and extraordinary items while calculating Net Cash Flows from Operating Activities.</p> <p><b>Reason:</b> Securities Premium is not a part of extracted profits.</p> <p><b>Select the appropriate option:</b></p> <p>(a) Only Assertion is Correct,  (b) Only Reason is correct,  (c) Assertion and Reason both are Correct,  (d) Assertion and Reason both are Incorrect.</p>	<p><b>1M</b></p>
<p><b>Q.2</b></p>	<p>A manufacturing company will record Interest Received as Cash Flows from -----  ----- Activities whereas a Mutual Fund company will record it as Cash Flows from ----- Activities.</p> <p><b>Select the appropriate option:</b></p> <p>(a) Operating and Investing.  (b) Investing and Operating.  (c) Operating and Financing.  (d) Financing and Investing.</p>	<p><b>1M</b></p>
<p><b>Q.3</b></p>	<p><b>Statement I:</b> A Cash Flow Statement is prepared for future period.</p> <p><b>Statement II:</b> A Cash Budget is prepared for past period.</p>	<p><b>1M</b></p>

	<p><b>Select the appropriate option:</b></p> <p>(a) Statement I is Correct.</p> <p>(b) Statement II is correct.</p> <p>(c) Statement I and II both are Correct.</p> <p>(d) Statement I and II both are Incorrect.</p>							
<b>Q.4</b>	<p>Mohit is a student of Std. XII Commerce, learning Cash Flow Statement for the first time. He is confused about identification of various transactions to be listed as Operating, Investing and Financing Activities. Help him out to select the transactions of operating nature from among the given below:</p> <p>(1) Sale of Building,  (2) Issue of Share Capital,  (3) Cash Purchases,  (4) Cash Sales,  (5) Office Expenses,  (6) Cash received from Debtors,  (7) Interest paid on Debentures,  (8) Purchase of Goodwill,  (9) Commission Received,  (10) Dividend Paid,</p> <p>(11) Sale of Investments,  (12) Rent Paid.</p>	<b>3M</b>						
<b>Q.5</b>	<p>Read the following information carefully and answer the questions given below:</p> <p>Rajas Ltd. made a profit of Rs.5,00,000 in the year 2021-22 after the adjustment of following items:</p> <p>1. Transfer to General Reserve Rs.50,000.  2. Dividend Paid Rs.1,50,000.  3. Goodwill written off Rs.5,000.  4. Depreciation charged on Machinery Rs.50,000.  5. Loss on Sale of Machinery Rs.30,000.  6. Gain on sale of Land Rs.7,500.</p> <p>Following is the position of Current Assets and Current Liabilities:</p> <table border="1" data-bbox="256 1801 1308 1873"> <thead> <tr> <th data-bbox="256 1801 781 1873"><b>Particulars</b></th> <th data-bbox="781 1801 1065 1873"><b>2020-2021</b></th> <th data-bbox="1065 1801 1308 1873"><b>2021-2022</b></th> </tr> </thead> <tbody> <tr> <td> </td> <td> </td> <td> </td> </tr> </tbody> </table>	<b>Particulars</b>	<b>2020-2021</b>	<b>2021-2022</b>				<b>6M</b>
<b>Particulars</b>	<b>2020-2021</b>	<b>2021-2022</b>						

Debtors	52,000	78,000
Bills Receivables	15,000	12,000
Prepaid Expenses	2,000	3,000
Creditors	40,000	51,000
Bills Payables	19,000	12,000
Outstanding Expenses	34,000	20,000

**Answer the Following Questions:**

- Determine the amount of Profit before tax and extraordinary items.
- State the items to be added as non-cash items.
- How will you treat with gain on sale of land?
- Calculate the amount of net operating profit before working capital changes.
- How are working capital changes considered while calculating the cash flows from Operating Activities?
- Find out the net cash flows from operating activities.

**Answer Key**

<b>Q.1</b>	(c) Assertion and Reason both are Correct,	<b>1M</b>
<b>Q.2</b>	(b) Investing and Operating	<b>1M</b>
<b>Q.3</b>	(d) Statement I and II both are Incorrect.	<b>1M</b>
<b>Q.4</b>	Following are the operating Activities:  (3) Cash Purchases (4) Cash Sales (5) Office Expenses (6) Cash received from Debtors (9) Commission Received  (12) Rent Paid.	<b>3M</b>
<b>Q.5</b>	Answers:  (a) Profit before tax and extraordinary items Rs.7,00,000. (b) Non- Cash Items to be added are Goodwill Written off and Depreciation. (c) Gain on sale of land will be subtracted as Non-operating item from profit. (d) Amount of Net operating profit before working capital changes is Rs.7,77,500.	<b>6M</b>

(e) Add: Decrease in Current Assets and Increase in Current Liabilities. Less: Increase in Current Assets and Decrease in Current Liabilities. (f) Net Cash Flows from Operating Activities Rs.7,43,500.	
--	--

**Pradnya Shilledar**  
**Nagpur.**

**Topic: Cash Flow Statement**

**Sub Topic: Cash Flows from Investing Activities**

---

1. AKP Ltd. Is a company involved in the trading of FMCGs. During the year the company purchased a machinery on deferred payment basis. During the year ended 31 st March , 2021 the company paid an instalment of Rs. 5,00,000, which included interest of Rs. 50,000. The company received a dividend of Rs.35,000 on the shares invested in Future Money Ltd.

Read the above passage and answer the following questions

(i) How much amount will be shown under investing activity.

- a) Rs. 5,00,000
- b) Rs. 5,35,000
- c) Rs. 4,50,000
- d) Rs. 4,85,000

2. A Machinery with book value of Rs.22,000 was sold during the year at a loss of Rs.17,000. Total Depreciation charged during the year on Plant and Machinery Rs.14,000. The Machinery was sold for Rs. -----.

- a) Rs. 5,000
- b) Rs. 10,000
- c) Rs. 17,000
- d) Rs. 22,000

3. Investing Activities are the Activities that result in change in capital and borrowing of the enterprise.

- a) True
- b) False

4. Which of the following is not added or deducted in Investing Activites?

- a) Purchase of Goodwill
- b) Goodwill written off

c) Rent received

d) Dividend Received

5. There are two statements marked as Assertion (A) and Reason (R)

Assertion (A): Investing activities involve the purchase and sale of long term assets

Reason (R) : These assets also include the purchase and sale of such investments which are not Marketable Securities.

(a) Both A and R are correct, and R is the correct explanation of A

(b) Both A and R are correct , but R is not the correct explanation of A

(c) A is correct but R is incorrect

(d) A is incorrect but R is correct.

Answers:

1. (c) Rs 4,50,000

2.(a) Rs. 5,000

3.(b) False

4. (b) Goodwill written off

5. (a) Both A and R are correct, and R is the correct explanation of A

**Archana Marar**  
**Bhavans Vidya Mandir, Elamakkara**  
**Kochi**