OSF

Date : 07-03-2024 **STD 12 Commerce Elements of Account** Total Marks : 100

12th Account Practice Sheet Day 26 (Full Portion)

Section A

* **Choose The Right Answer From The Given Options.** **[20]**

1. How would you consider the interest on debit balance of partners' current account for the firm?

(A) An expense (B) Liability (C) An Income (D) Loss

Ans. : (C) An Income

2. What percentage of interest will be paid, when no provision is made pertaining to interest on capital in the partnership deed?

(A) 6 (B) 9 (C) 12 (D) No interest

Ans. : (D) No interest

3. Super profit means ....

(A) Capital employed - Expected profit (B) Expected profit - Capital employed

(C) Average profit - Expected profit (D) Expected profit - Average profit

Ans. : (C) Average profit - Expected profit

4. Which method is appropriate for the computation of goodwill when every year profit increasing?

(A) simple average (B) weighted average

(C) annual growth rate (D) compound growth rate

Ans. : (B) weighted average

5. At the time of the reconstruction of a partnership firm, investments are shown at .... in the balance sheet after the revaluation.

(A) Book value - market value (B) Cost value

(C) Market value (D) Face value

Ans. :
(C) Market value

6. In which ratio profit or loss of revaluation account is distributed between the partners?

(A) Sacrifice ratio (B) Gain ratio

(C) New profit-loss ratio (D) Old profit-loss ratio

Ans. :
(D) Old profit-loss ratio

7. As per accounting standard-26, ... goodwill can not be shown in the books.

(A) goodwill for which some amount is paid for consideration

(B) internally generated

(C) both (a) and (b)

(D) neither of and (a) and (b)

Ans. :

(B) internally generated

8. When only old profit-loss sharing ratio is given; sacrificing ratio of partners = ...

(A) equal
(B) old ratio
(C) old share - new share
(D) cannot be calculated

Ans. :

(B) old ratio

9. Sweta, Geeta and Jyoti are equal partners. Gita retires. Gita's share is gained by Sweta and Jyoti equally. New profit and loss sharing ratio of Sweta and Jyoti will be ....

(A) 3 : 1 (B) 2 : 1 (C) 1 : 2 (D) 1 : 1

Ans. : (D) 1 : 1

10. Which of the following amount will be written at the credit side of realisation account, when there is balance of debtors ₹ 24,500 and bad debt reserve of ₹ 2,500 in the balance sheet at the time of the dissolution of a firm?

(A) ₹ 24,500 (B) ₹ 2,500 (C) ₹ 22,500 (D) ₹ 27,000

Ans. : (B) ₹ 2,500

11. To which account credit balance of general reserve, workmen accident compensation fund, credit balance of profit and loss account is transferred at the time of the dissolution of a firm?

(A) Realisation A/c
(B) Cash A/c
(C) Profit and loss A/c
(D) Partners' capital A/c

Ans. : (D) Partners' capital A/c

12. As per SEBI guidelines, the minimum amount on each share called by company on application must be at least ________ % of the issue price.

(A) 25 (B) 30 (C) 5 (D) 20

Ans. : (A) 25

13. At what maximum rate of percentage for premium on the face value of shares can declared by the company on their issue shares ?

(A) 10 (B) 100 (C) 25 (D) No limit

Ans. : (D) No limit

14. Before the company decides to redeem the debentures out of capital, the company has to transfer .... % of total face value of issued debentures to debenture redemption reserve A/c.

(A) 10 (B) 25 (C) 100 (D) 15

Ans. : (B) 25

15. The analysis of the financial statements ....

(A) presents only results
(B) provides historical information
(C) makes interpretation
(D) none of the above

Ans. : makes interpretation

16. Which of the following analysis shows stakeholder-based classification?

(A) External analysis (B) Horizontal analysis

(C) Short-term analysis (D) Vertical analysis

Ans. : External analysis

17. Which of the following is not included in operating expense?

(A) Loss on sale of asset (B) Loss due to fire

(C) Interest paid (D) All of the given

Ans. : (D) All of the above

18. Liquidity ratio is ....

(A) measurement of solvency

(B) measurement of short-term profitability

(C) measurement of profitability

(D) measurement of liquidity

Ans. : (D) measurement of liquidity

19. Which of the following transaction is always transaction of operating activity?

(A) Interest paid on loan (B) Dividend received

(C) Dividend paid (D) Salary expense

Ans. : (D) Salary expense

20. Bank overdraft ....

(A) is current liability but considered as financing activity

(B) is current liability but considered as operating activity

(C) is current liability but considered as investing activity

(D) is not activity of cash flow statement

Ans. :

(A) is current liability but considered as financing activity

Section B

*** Answer The Following Questions In One Sentence. [10]**

21. What is super profit?

Ans. : When a business earns excess profit over average profit then the amount of excess profit is called super profit.

22. What is the other name of Revaluation Account?

Ans. :
Other name of Revaluation Account is Profit and Loss Adjustment Account

23. Who gives the share in goodwill to the retiring or deceased partner? Why?

Ans. : Continuing partners of the firm gives the share in goodwill to the retiring or deceased partner in their gaining ratio, because during the working spell of partners income/increase in the value of business goodwill takes place.

24. How would you deal with bad debts return, which is written off earlier?

Ans. : At the time of dissolution, bad debts return which is written off earlier would be recorded on credit side of Realisation Account.

25. Describe the methods of dissolution of a Partnership Firm.

Ans. : As per Indian Partnership Act1932, there are two methods for dissolution of partnership firm. (i) Normal dissolution or dissolution without interference of court. (ii) Dissolution by the court.

26. What is meant by 'Issue of debentures for consideration other than cash'?

Ans. : When company issues debentures against purchase of assets like Land-Building, plant and machinery , purchase of business etc. than it is known as 'Issue of debentures for consideration other than cash.'

27. In which forms ratios can be presented?

Ans. : Ratios can be presented in the following ways.

- (1) In terms of proportion
- (2) In terms of percentage
- (3) In terms of times
- (4) In terms of fraction
- (5) In terms of days/weeks/months.

28. What is cost of goods sold?

Ans. : Cost of goods sold is determined as follows:

- Opening stock of raw material + Purchase of raw material + purchase expenses Closing stock of raw material = Cost of goods consumed.
- Cost of goods consumed + wages + factory expenses = Cost of goods sold

29. What is cash flow statement?

Ans. : The cash flow statement provides information about generation of cash flow from different activities like operating activities, investing activities and financing activities.Cash flow is disclosed in terms of cash inflow and cash outflow.

30. What is operating activities?

Ans. : “Operating activities means main activities of business to earn income, which are neither investing activities nor financing activities.”

Section C

*** Answer The Following Questions. (Write any 4)** **[12]**

31. Mukesh, Dhaval and Vinod are the partners of a partnership firm. Their capital proportion is 4: 2: 3. Dhaval and Vinod has given assurance to Mukesh that he will get minimum Rs.

35,000 form the profit. The prom of the year is Rs. 90,000. How would you distribute the profit among the partners?

Ans. :

Profit distribution: Mukesh, Dhaval and Vinod are partners sharing profit and loss equally.

Profit for each partner $= \frac{90,000}{3}$ = Rs. 30,000

But Dhaval and Vinod gave guarantee of Rs. 35,000 as profit share to Mukesh Deficit amount Rs. 5,000 is to be bear by Dhaval and Vinod in equal ratio e.g. Rs. 2,500. Final distribution of profit:

Mukesh = 30,000 + 5,000 = Rs. 35,000;

Dhaval = 30,000 - 2,500 = Rs. 27,500

Vinod = 30,000 - 2,500 = Rs. 27,500

Thus, profit of Mukesh, Dhaval and Vinod are resp. Rs. 35,000, Rs. 27,500 and Rs. 27,500.

32. Harish, Dhruvil and Manoj are the partners of a partnership firm. Their profit-loss sharing ratio is 3:2:1. Balance-sheet of the firm as on 31-3-2017 is as given on page no. 123.

Harish, Dhruvil and Manoj's Partnership Firm's Balance Sheet as on 31-3-2017

Liabilities		Amt. (₹)	Assets	Amt. (₹)
Capital account :			Land	3,00,000
Harish	3,65,000		Building	4,80,000
Dhruvil	3,00,000		Machinery	2,00,000
Manoj	1,00,000	7,65,000	Investment	1,20,000
Bank loan		4,50,000	Debtors	80,000
Creditors		1,00,000	Bills receivables	20,000
Bills payable		32,000	Bank balance	1,00,000
Outstanding expenses		18,000	Cash balance	40,000
			Income receivables	10,000
			Closing stock	15,000
		13,65,000		**13,65,000**

As on above balance sheet date, profit-loss sharing ratio is changed to 1:3:2 and also decided for revaluation of assets and liabilities of business as follows:

(1) Land value is increased upto ₹ 3,50,000 and building value is increased by 70,000.

(2) Machinery value keeps upto 1,50,000.

(3) Investment value decreased 20%.

(4) Provide 10% for bad debts reserve and 5 % for discount reserve on debtors.

(5) 50% stock value decreased by 10%.

(6) Unrecorded outstanding expense is amounted to 2000.

(7) Unrecorded prepaid rent 3000.

From the above information, write journal entries and prepare revaluation account in the books of partnership firm.

Ans. :

Journal Entries in the books of Harish, Dhruvil and Manoj's firm

	Particulars		L.F.	Debit (₹)	Credit (₹)
(1)	Land A/c	Dr		50,000	
	Building A/c	Dr		70,000	
	To Revaluation A/c				1,20,000
	[Being increase in the value of land and building due to revaluation is recorded.]				
(2)	Revaluation A/c	Dr		50,000	
	To Machinery A/c				50,000
	[Being decrease in the value of machinery due to revaluation is recorded.]				
	Total carry forward			1,70,000	1,70,000
	Particulars		**L.F.**	**Debit (₹)**	**Credit (₹)**
	Total bring forward			1,70,000	1,70,000
(3)	Revaluation A/c	Dr		24,000	
	To Investment A/c				24,000
	[Being decrease in the value of investment due to revaluation is recorded.]				
(4)	Revaluation A/c	Dr		11,600	
	To Bad debt reserve A/c				8000
	To Discount reserves on debtors A/c				3600
	[Being the provision made for bad debt reserves on ₹ 80,000 debtors at 10 %. ₹ 8000 and ₹ 3600 discount reserves at 5 % on ₹ 72,000 (₹ 80,000 − ₹ 8000) are recorded.]				
(5)	Revaluation A/c	Dr		750	
	To Stock A/c				750
	[Being the stock value decreased due to revaluation is recorded.]				
(6)	Revaluation A/c	Dr		2000	
	To Outstanding exp. A/c				2000
	[Being the unrecorded outstanding expense is recorded in the book.]				
(7)	Prepaid rent A/c	Dr		3000	
	To Revaluation A/c				3000
	[Being the unrecorded prepaid rent is recorded.]				
(8)	Revaluation A/c	Dr		34,650	
	To Harish's capital A/c				17,325
	To Dhruvil's capital A/c				11,550
	To Manoj's capital A/c				5775
	[Being the profit due to revaluation is distributed between partners as per their old profit-loss sharing ratio (3:2:1)]				
	Total			2,46,000	2,46,000

		Total		2,48,000	2,48,000

33. Pass journal entries for the following of firm in the case of firm's dissolution:

The profit-loss sharing ratio between partners R, B and I is 3:2:1. Undertake the disposal of the following balances: (i) General reserve Rs. 18,000

(ii) Debit balance of profit and loss A/c Rs. 12,000

(iii) Workmen accident compensation fund Rs. 18,000.

Ans. :

Jounal entries of ..... firm

Date/No.	Particular	L.F.	Debit(Rs.)	Credit(Rs.)
1.	General Reserve A/C Dr.		18,000	
	Workmen Accident Compensation Fund A/c Dr.		18,000	
	To R's Capital Current Alc			18,000
	To B's capital/current A/C			12,000
	To I's capital/current A/c			6,000
	(Being amount of general reserve and workmen accident compensation fund is distributed amongst the partners in the ratio of 3:2:1.)			
2.	R's capital/current A/C Dr.		6,000	
	B's Capital/current A/C Dr.		4,000	
	I's Capital/current A/c Dr.		2,000	
	To profit and loss A/C			12,000
	(Being debit balance of profit and loss account amongst the partners in the ratio of 3: 2: 1)			

34. Pass journal entries for the following of firm in the case of firm's dissolution:

1. At the time of dissolution the book value of goodwill is Rs. 56,000. No amount is realised.

2. In the balance sheet land-building Rs. 8,00,000 and investments of Rs. 2,00,000 are disclosed. Respectively Rs. 9,00,000 and Rs. 1,50,000 are realized from them.

Ans. :

Jounal entries of ..... firm

Date/No.	Particular	L.F.	Debit (Rs.)	Credit (Rs.)
1.	Realisation A/C Dr.		56,000	

	To Goodwill A/C (Being firm is dissolved and goodwill account transferred to realisation account)			56,000
2.	No Entry			
3.	Realisation A/C Dr. To Land-Building A/c To Investments A/C (Being firm is dissolved and assets accounts are transferre to realisation account)		10,00,000	 8,00,000 2,00,000
4.	Cash /Bank A/C Dr. To Realisation A/C (Being 9,00,000 of land-building and 1,50,000 of investment are realised)		10,50,000	 10,50,000

35. Charmi Fashion Limited issued 1,20,000, 10% debentures at the face value of Rs.200 each at a premium of 10%. Amount was payable as under:

With application Rs.100 (including premium) and balance amount on allotment.

These debentures are redeemable after 7 year Rs.

Application are received by company for 1,50,000 debentures and the allotment of 1,20,000 debentures is made on pro-rata basis.

Excess amount on application is credited to allotment account. Amount due on allotment is fully received. Pass journal entries on the issue of debentures in the books of company.

Ans. :

Journal entries in the books of Charmi Fashion Limited

Date	Particulars	L.F.	Debit(Rs.)	Credit(Rs.)
1.	Bank A/ c Dr. To 10% Debenture application A/c (Being received application money on 150,000 debenture application at Rs.100 per debenture)		1,50,00,000	 1,50,00,000
2.	10% Debenture application A/c Dr. To 10% Debenture A/c [8] To Securities premium reserve A/c To 10% Debenture allotment A/c (Being money on debenture application transfer to Debenture A/c and Premium A/c, money on excess application transfer to debenture allotment A/c)		1,50,00,000	 96,00,000 24,00,000 30,00,000
3.	10% Debenture allotment A/c Dr. To 10% Debenture A/c		1,44,00,000	 1,44,00,000

	(Being amount due on 1,20,000 debentures at Rs.120 per debenture at allotment stage called up)			
4.	Bank A/c Dr. To 10% Debenture allotment A/c (Being allotment money received)		1,14,00,000	1,14,00,000
	Total		**5,58,00,000**	**5,58,00,000**

36. Janki Marbal Ltd. of Palanpur issued 50,000, 11% Debenture of Rs.100 each at a premium of Rs.20 per debenture. The full amount was payable on application. Applications were received by company for 60,000 debentures. Application for 10,000 debentures were rejected and the amount thereon was refunded to the applicants. Debentures were allotted to the remaining applications.

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

Ans. :

Journal entries in the books of Janki Marbal Ltd

Date	Particulars	L.F.	Debit(Rs.)	Credit(Rs.)
1.	Bank A/c Dr. To 11% Debenture application A/c (Being receipt of application money on 60,000 debenture at Rs.120 per debenture)		72,00,000	72,00,000
2.	11% Debenture app. and allotment A/c Dr. To 11% Debenture A/c To Securities premium reserve A/c To Bank A/c (Being on 50,000 debentures Rs.100 per debenture transfer to debenture ale and Rs.20 per debenture transfer to debenture premium a/c amount refunded 0n non-allotted 10,000 debentures at Rs.120 per debenture)		72,00,000	 50,00,000 10,00,000 12,00,000
	Total		5,58,00,000	5,58,00,000

Section D [9]

* **Answer The Following Questions With Necessary Calculations. (Write any 3)** **[12]**

37. Pooja and Prarthna's firm capital is 8,00,000 and expected rate of return is 12%. Last three year's profit are 1,00,000, 1,40,000 and 90,000 respectively. Determine the value of goodwill of the firm on the basis of 2 yeras purchase of last three years average super profit.

Ans. :

Statement Showing Computation of Goodwill

Step No.	Particulars	Amount (₹)
(1)	Capital employed	8,00,000
(2)	Expected rate of return (Interest rate in the market)	12 %
(3)	Expected profit = Capital employed × Expected rate of return = 8,00,000 × 12 %	96,000
(4)	Average profit : **Year** **Profit** 1 1,00,000 2 1,40,000 3 90,000 **3,30,000** Average profit $= \frac{\text{Total profit}}{\text{No. of years}}$ $= \frac{3,30,000}{3}$ **Average profit = 1,10,000**	1,10,000
(5)	Super profit = Average profit − Expected profit = 1,10,000 − 96,000 = 14,000	14,000
(6)	Goodwill = Super profit × No. of years of purchase = 14,000 × 2 Goodwill = 28,000	28,000

38. From the following information of Manoj and Harish's firm, determine the value of goodwill by capitalised average profit method.

Ans. :

Statement Showing Computation of Goodwill

Step No.	Particulars	Amount (₹)
(1)	Capital employed :	10,00,000
	Assets = 13,40,000	
	− Liabilities 3,40,000	
	Net assets / capital employed 10,00,000	
(2)	Expected rate of return	10 %
(3)	Weighted average profit (As per note no. 1)	1,26,000
(4)	Capitalised profit $= \frac{\text{Average profit}}{\text{Expected rate of return}} \times 100$	12,60,000
	$= \frac{1,26,000}{10} \times 100 = \mathbf{12,60,000}$	
(5)	Goodwill = Capitalised profit − Capital employed	2,60,000
	= 12,60,000 − 10,00,000	
	Goodwill = 2,60,000	

39. From the following information prepare comparative profit-loss statement :

Particulars	Note No.	31-3-2017 (₹)	31-3-2016 (₹)
Sales revenue		15,00,000	9,00,000
Net purchase for resale		9,00,000	6,00,000
Changes in stock		50,000	50,000
Other Expenses (% of cost of sales)		10	12
Income tax		30 %	30 %

Ans. :

Comparative Profit-Loss Statement for the Year Ending on 31-3-2016 and 31-3-2017

Particulars	Note No.	31-3-2016 (₹)	31-3-2017 (₹)	Increase/ Decrease (₹)	Increase/ Decrease (%)
1	2	3	4	5(4 − 3)	6 $\left(\frac{5}{3} \times 100\right)$
(I) Sales revenue		9,00,000	15,00,000	6,00,000	66.67
(II) Expenses :					
(i) Net purchase for resale		6,00,000	9,00,000	3,00,000	50
(ii) Changes in stock		50,000	50,000	–	–
(iii) Other expenses		78,000	95,000	17,000	21.79
Total expenses		**7,28,000**	**10,45,000**	**3,17,000**	**43.54**
(III) Profit before tax		1,72,000	4,55,000	2,83,000	164.53
(IV) Less : Income tax (30 %)		51,600	1,36,500	84,900	164.53
(V) Profit after tax		**1,20,400**	**3,18,500**	**1,98,100**	**164.53**

40. From the following information of 'H' Limited, calculate debt-equity ratio:

Particulars	(Rs.)	Particulars	(Rs.)
Long-term liabilities	8,00,000	Equity share capital	8,00,000
Long-term provisions	4,00,000	Preference share capital	2,00,000
Debit balance of profit-loss A/c	50,000	Creditors	1,25,000
Bills payables	25,000	Outstanding expenses	10,000

Ans. :

Debt. :	(Non-current liabilities)
Long-term debt/liabilities	8,00,000
Long-term provisions	4,00,000
	12,00,000
Equity:	(Shareholder's funds)
Equity share capital	8,00,000
+ Preference share capital	2,00,000
- Debit balance of profit-loss A/c	50,000
	9,50,000

Debt - equity ratio $= \frac{\text{Debt(Non} - \text{Current liabilities}}{\text{Equity(Shareholder's Funds}}$

$= \frac{12,00,000}{9,50,000}$

= 1.26:1

41. (1) Prepare a statement of cash flows from operations based on the following details of India Company:

particuls	₹
Profit before changes in working capital	4,95,000
Increase in debtors	75,000
Decrease in accounts receivable	40,000
Decrease in stock	30,000
Increase in prepaid expenses Decrease in payable[12] (increase) creditors	25,000
Increase in prepaid expenses Decrease in payable (increase) creditors	15,000
Increase in prepaid expenses Decrease in payable (increase) creditors	20,000

Ans. : Cash flow arising from operations :

particuls	(₹)	(₹)
Profit before changes in working capital		4,95,000
Add: Decrease in Current Assets:		

Accounts Payable	40,000	
Stock	30,000	
Increase in Current Debt:		
Costs pending	15,000	85,000
		5,80,000
After : Increase in Current Assets :		
debtors :	75,000	
Prepaid expenses	25,000	
Reduction in current liabilities		
creditors	20,000	1,20,000
Cash flow arising from operations		4,60,000

Section E

*** Answer The Following Questions In Detail. (Write any 3)** **[24]**

42. Shivani and Niraj are the partners in a firm sharing profit and loss in the ratio of 1:2. Balance sheet of their firm as on 31-3-2016 was as under :

Balance Sheet

Liabilities		Amt. (₹)	Assets	Amt. (₹)
Capital account :			Goodwill	27,000
Shivani	1,00,000		Land-Building	1,50,000
Niraj	1,50,000	2,50,000	Machinery	50,000
Profit-loss A/c		9000	Stock	20,000
General reserve		15,000	Debtors	30,000
Creditors		25,000	Bills receivable	10,000
Bad debt reserve		8000	Cash	20,000
		3,07,000		**3,07,000**

They admitted Vijay as a new partner as on above date for the following terms:
(1) Bad debt reserve is to be kept 5000 on debtors.
(2) Goodwill is valued at * 36,000.
(3) Value of land and building is to be appreciated by 10%.
(4) Book value of machinery is 25 % more than its market value.
(5) Value of stock is to be decreased by 10%.
(6) Vijay will bring 50% of net assets of new firm as the capital and his share of gooodwill in cash.
(7) Shivani sacrifices 3rd of her share and Niraj sacrifices share for Vijay.
Prepare necessary accounts and balance sheet after admission of a new partner.

Ans. :

Revaluation Account

Dr | | | Cr

Particulars	Amt. (₹)	Particulars	Amt. (₹)
To Machinery A/c	10,000	By Bad debt reserve A/c	3000
To Stock A/c	2000	By Land-building A/c	15,000
To Profit transferred to old partners' capital A/c			
Shivani 2000			
Niraj 4000	6000		
	18,000		**18,000**

Partners' Capital Accounts

Dr | | | Cr

Particulars	Shivani (₹)	Niraj (₹)	Vijay (₹)	Particulars	Shivani (₹)	Niraj (₹)	Vijay (₹)
To Goodwill A/c	9000	18,000	–	By Balance b/d	1,00,000	1,50,000	–
To Balance c/d	1,05,000	1,64,000	2,69,000	By Profit-loss A/c	3000	6000	–
				By General reserve A/c	5000	10,000	–
				By Premium for goodwill A/c	4000	12,000	–
				By Revaluation A/c	2000	4000	–
				By Cash A/c	–	–	2,69,000
	1,14,000	**1,82,000**	**2,69,000**		**1,14,000**	**1,82,000**	**2,69,000**

Cash Account

Dr | | | Cr

Particulars	Amt. (₹)	Particulars	Amt. (₹)
To Balance b/d	20,000	By Balance c/d	3,05,000
To Premium for goodwill A/c	16,000		
To Vijay's capital A/c	2,69,000		
	3,05,000		**3,05,000**

Balance Sheet as on 1-4-2016 After Admission

Liabilities	Amt. (₹)	Assets	Amt. (₹)
Capital account :		Land-Building	1,65,000
Shivani 1,05,000		Machinery	40,000
Niraj 1,64,000		Stock	18,000
Vijay 2,69,000	5,38,000	Bills receivable	10,000
Creditors	25,000	Debtors	30,000
Bad debt reserve	5000	Cash	3,05,000
	5,68,000		**5,68,000**

Explanation (1) Sacrificing ratio

Old profit-loss sharing ratio of Shivani and Niraj $= 1 : 2$

Shivani sacrificed $\frac{1}{3}rd$ of her profit share

$\therefore$ Sacrifice of Shivani $= \frac{1}{3} \times \frac{1}{3} = \frac{1}{9}$

Niraj sacrificed $\frac{1}{3}rd$ from his profit share

$\therefore$ Sacrifice of Niraj $= \frac{1}{3}$

$\therefore$ Sacrificing ratio $= \frac{1}{9} : \frac{1}{3} = 1 : 3$ (See illustration 5 for explanation)

(2) Distribution of goodwill

$$\text{Share of Vijay} = \text{Sacrifice of Shivani} + \text{Sacrifice of Niraj}$$
$$= \frac{1}{9} + \frac{1}{3}$$
$$= \frac{1+3}{9}$$
$$= \frac{4}{9}$$

Share of Goodwill of Vijay $= 36,000 \times \frac{4}{9} =$ ₹$16,000$

Goodwill of Vijay will be distributed between Shivani and Niraj in their sacrificing ratio 1:3.

(3) Book value of machinery is ₹ 50,000 , which is 25% more from its market value. Therefore if market value of machinery is ₹100, its book value is ₹125. Determine the market value of machine as under :

Book value	Market value
125	100
50,000	$(?)$

$$= 100 \times \frac{50{,}000}{125} = ₹40,000$$

SS

(4) Capital is brought by Vijay :

Vijay brought 50% of net asset of new firm as capital

Net assets $=$ Total assets - Total Liabilities

Total assets - Total liabilities is total capital

$\therefore$ 50% of total capital is brought by Vijay as his share of capital in new firm.

Capital of Shivani in new firm	₹ $1,05,000$
Capital of Niraj in new firm	₹ $1,64,000$
Total capital of Shivani and Niraj in new firm	₹ $2,69,000$

50% of total capital is brought by Vijay.

$\therefore$ Remaining 50% capital is of Shivani and Niraj

$\therefore$ 50% capital $=$ ₹$2,69,000$ of Shivani and Niraj

50% capital of Vijay $= (?)$

$=$ ₹$2,69,000$

43. A and B are partners sharing profit-loss in the ratio of 2:1. The balance sheet of their firm as on 31-3-2016 was as under:

Balance Sheet

Liabilities		Amt. (₹)	Assets		Amt. (₹)
Capital :			Plant-Machinery		80,000
A	80,000		Building		50,000
B	40,000	1,20,000	Stock		17,000
Reserve fund		21,000	Debtors	50,000	
Creditors		75,000	− Bad debt reserve	4000	46,000
Bills payable		10,000	Cash-Bank		33,000
		2,26,000			**2,26,000**

They admitted C as a new partner on $1-4-2016$ on following conditions :

(1) A sacrificed $\frac{1}{12}$ th share and B sacrificed $\frac{1}{6}$ th share from their profit share in favour of C.

(2) C will bring proportionate capital.

(3) C will bring his share of goodwill in cash. Goodwill is valued at ₹$1,80,000$.

(4) Fixed assets are to be depreciated at 10%.

(5) All debtors are solvent.

(6) Insurance premium of ₹3000 is to be carried forward to the next year.

Prepare necessary account and the balance sheet.

Ans. :

Dr **Revaluation Account** Cr

Particulars	Amt. (₹)	Particulars		Amt. (₹)
To Plant-Machinery A/c	8000	By Bad debt reserve A/c		4000
To Building A/c	5000	By Prepaid insurance premium A/c		3000
		By Loss transferred to old partners capital A/c		
		A	4000	
		B	2000	6000
	13,000			**13,000**

Dr **Partners' Capital Accounts** Cr

Particulars	A (₹)	B (₹)	C (₹)	Particulars	A (₹)	B (₹)	C (₹)
To Revaluation A/c	4000	2000	–	By Balance b/d	80,000	40,000	–
To Balance c/d	1,05,000	75,000	60,000	By Reserve fund A/c	14,000	7000	–
				By Premium for goodwill A/c	15,000	30,000	–
				By Cash A/c	–	–	60,000
	1,09,000	**77,000**	**60,000**		**1,09,000**	**77,000**	**60,000**

Dr **Cash Account** Cr

Particulars	Amt. (₹)	Particulars	Amt. (₹)
To Balance b/d	33,000	By Balance c/d	1,38,000
To C's capital A/c	60,000		
To Premium for goodwill A/c	45,000		
	1,38,000		**1,38,000**

Balance Sheet as on 1-4-2016 after admission

Liabilities		Amt. (₹)	Assets	Amt. (₹)
Capital :			Plant	72,000
A	1,05,000		Building	45,000
B	75,000		Stock	17,000
C	60,000	2,40,000	Debtors	50,000
Creditors		75,000	Cash	1,38,000
Bill payable		10,000	Prepaid insurance premium	3000
		3,25,000		**3,25,000**

Explanation : (1) Sacrificing ratio

Old ratio of A and $B = 2:1$

A's sacrifice $= \frac{1}{12}$

B's sacrifice $= \frac{1}{6} = \frac{2}{12}$

$\therefore$ Sacrificing ratio $= 1:2$

(2) Goodwill

$$\text{C's share} = \text{A's sacrifice} + \text{B's sacrifice}$$

$$= \frac{1}{12} + \frac{2}{12} = \frac{3}{12} = \frac{1}{4}$$

Goodwill brought by $C = \frac{1}{4} \times 1,80,000$

$= ₹45,000$

C's share of Goodwill ₹ 45,000 is to be distributed between A and B in their sacrificing ratio 1:2.

(3) C's capital

A's capital in new firm	₹1,05,000
B's capital in new firm	₹75,000
Total capital of A and B	₹1,80,000

C's share in profit $= \frac{1}{4}$

Total share in profit of A and $B = 1 - \frac{1}{4} = \frac{3}{4}$

A and B's share $\frac{3}{4}$ $=$ Capital ₹1,80,000

C's share $\frac{1}{4}$ $=$ (?)

$= 1,80,000 \times \frac{1}{4} \times \frac{4}{3}$

$= ₹60,000$

44.

Karan, Fenil and Farshid are partners in a firm sharing profit and loss in the ratio of their capitals. Balance sheet of the firm as on 31-3-2017 was as under:

Balance Sheet

Liabilities		Amt. (₹)	Assets		Amt. (₹)
Creditors		16,000	Goodwill		40,000
Workmen compensation reserve		12,000	Land-Building		2,00,000
Employee's profit sharing fund		30,000	Patents		60,000
Provident fund		45,000	Machinery		80,000
Capital Accounts :			Debtors	35,000	
Karan	2,00,000		− Bad debt reserve	5000	30,000
Fenil	1,20,000		Stock		53,000
Farshid	80,000	4,00,000	Bank		40,000
		5,03,000			**5,03,000**

Farshid retires on the above date. Partners decided the following terms of retirement:
(1) The new profit-loss sharing ratio of Karan and Fenil is to be kept at 2:3.
(2) Goodwill of the firm is to be valued at ₹ 80,000. (3) Paid ₹ 60,000 for patents during current year which is for total 4 years.
(4) Machinery is to be depreciated by 10%
(5) Bad debt on debtors is to be written off ₹ 3000.
(6) ₹ 20,000 is to be paid to Farshid.
(7) Market value of stock is ₹ 54,000.
(8) New firm's total capital will be equal to total capital of old firm. The entire capital of the new firm is to be kept in new profit and loss sharing ratio of Karan and Fenil. All necessary adjustments are to be made through bank. Prepare (i) Revaluation account (ii) Capital accounts of partners (iii) Bank account (iv) Balance Sheet after retirement of Farshid.

Ans. :

Revaluation Account

Dr | | | Cr

Particulars	Amt. (₹)	Particulars		Amt. (₹)
To Patent A/c	15,000	By Bad debt reserve A/c (₹ 5000 – ₹ 3000 bad debt)		2000
To Machinery A/c	8000	By Stock A/c		1000
		By Partners' capital A/c (Loss) :		
		Karan	10,000	
		Fenil	6000	
		Farshid	4000	20,000
	23,000			**23,000**

Capital Accounts of Partners

Dr | | Cr

Particulars	Karan (₹)	Fenil (₹)	Farshid (₹)	Particulars	Karan (₹)	Fenil (₹)	Farshid (₹)
To Goodwill A/c	20,000	12,000	8000	By Balance b/d	2,00,000	1,20,000	80,000
To Karan's capital A/c	–	8000	–	By Workmen compensation fund	6000	3600	2400
To Farshid's capital A/c (goodwill)	–	16,000	–	By Fenil's capital A/c (goodwill)	8000	–	16,000
To Bank A/c	–	–	20,000	By Bank A/c	–	1,58,400	–
To Revaluation A/c	10,000	6000	4000				
To Farshid's loan A/c	–	–	66,400				
To Bank A/c	24,000	–	–				
To Balance c/f	1,60,000	2,40,000	–				
	2,14,000	**2,82,000**	**98,400**		**2,14,000**	**2,82,000**	**98,400**

Bank Account

Dr | | Cr

Particulars	Amt. (₹)	Particulars	Amt. (₹)
To Balance b/d	40,000	By Farshid A/c	20,000
To Fenil's capital A/c	1,58,400	By Karan A/c	24,000
		By balance c/f	1,54,400
	1,98,400		**1,98,400**

Balance Sheet as on 1-4-2017 After Retirement

Liabilities		Amt. (₹)	Assets	Amt. (₹)
Creditors		16,000	Patents	45,000
Employee's profit sharing fund		30,000	Machinery	72,000
Provident fund		45,000	Debtors	32,000
Farshid's loan A/c		66,400	Stock	54,000
Capital Accounts :			Bank	1,54,400
Karan	1,60,000		Land-Building	2,00,000
Fenil	2,40,000	4,00,000		
		5,57,400		**5,57,400**

Explanation : (1) Distribution of goodwill

Old ratio of Karan, Fenil and Farshid $= 5 : 3 : 2$; New ratio of Karan and Fenil

$= 2 : 3$

Gain $=$ New share - Old share

Karan's gain $= \frac{2}{5} - \frac{5}{10} = -\frac{1}{10}$ (Sacrifice)

Fenil's gain $= \frac{3}{5} - \frac{3}{10} = \frac{3}{10}$

$\therefore$ Goodwill payable by Fenil $=$ ₹$80,000 \times \frac{3}{10} =$ ₹$24,000$

Karan also sacrifices his share, so he will also receive goodwill which is given by Fenil.

Goodwill receivable by Karan $= \frac{1}{10} \times 80,000 =$ ₹8000

Goodwill receivable by Farshid $= \frac{2}{10} \times 80,000 =$ ₹$16,000$

Journal Entries : Fenil's capital A/c...Dr 24,000

To Karan's capital A/c 8000

To Farshid's capital A/c 16,000

(2) Distribution of capital of new firm

New firm's total capital of ₹ 4,00,000 is same as old firm's total capital which is distributed between Karan and Fenil in their new profit and loss sharing ratio, 2:3.

$\therefore$ New capital of Karan $= 4,00,000 \times \frac{2}{5} = 1,60,000;$ New capital of Fenil $= 4,00,000 \times \frac{3}{5} = 2,40,000$

45. Chaudhari Agro Company of Vyara issued 5,00,000 equity shares of Rs.10 each to public. (20)

Company called Rs.3 per share on application,

Rs.4 per share on allotment and

Rs.3 per share on first and final call.

Company received application for 5,75,000 equity shares from public. EXCESS applications were rejected and money paid on them was refunded.

Viral, who had applied for 2,000 shares, had paid full amount Rs.10 per share along with application. Company had allotted him all the shares applied for. Yagnesh, who was allotted 2,500 shares, had paid amount due on first and final call along with share allotment money. Except this, amount due on allotment and calls were duly received from time to time.

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

Ans. :

Journal entries in the book of Chaudhari Agro company

Date	Particulars	L.F.	Debit(Rs.)	Credit(Rs.)
1.	Bank A/c Dr.		17,39,000	
	To Equity share application A/c			17,39,000
	(Being receipt of share application money for 5,75,000 equity shares at Rs.3 per share and advance payment from Viral at Rs.7 per share on 2,000 shares.)			
2.	Equity share application A/c Dr.		17,39,000	
	To Equity share capital A/c (5,00,000 x Rs.3)			15,00,000
	To Calls in advance A/c (2,000 x Rs.7)			14,000

	To Bank A/c (75,000 x Rs.3) (Being transfer of application money to share capital account, received 800 shares amount in advance and refunded rejected shares' money)			2,25,000
3.	Equity share allotment A/c Dr. To Equity share capital A/c (Being amount due on alloted shares)		20,00,000	 20,00,000
4.	Bank A/c Dr. Calls in advance A/c Dr. To Equity share allotment A/c To Calls in advance A/c (Being due amount received on allotment plus Yagnesh's Rs.7,500 and less Viral's Rs.8,000)		19,99,500 8,000	 20,00,000 7,500
5.	Equity share first and final call A/c Dr. To Equity share capital A/c (Being first and final call money is due on alloted shares)		15,00,000	 15,00,000
6.	Bank A/c Dr. Calls in advance A/c Dr. To Equity share first and final call A/c (Being due amount received on first and final call in due time)		14,86,500 13,500	 15,00,000
	Total		**<u>1,04,85,500</u>**	**<u>1,04,85,500</u>**

46. Nanavati Limited of Junagadh issued 3,00,000 equity shares of Rs.10 each at a premium of Rs.5 per share. Amount was called up as under:

On application Rs.4 per share,
On allotment Rs.8 per share (including premium),
On final Rs.3 per share.

Company received application for 3,50,000 shares. Excess applications were rejected and money paid thereon was refunded to applicants. All the sums due were received in full except allotment and final call on 3,000 equity shares held by Ishira.

Pass journal entries in books of company.

Ans. :

Journal entries in the books of Navaratri Limited

Date	Particulars	L.F.	Debit(Rs.)	Credit(Rs.)
1.	Bank A/c Dr. To Equity share application A/c (Being money received on 3,50,000 equity shares at Rs.4 Per share at the time of application)		14,00,000	 14,00,000

2.	Equity share application A/c Dr.		14,00,000	
	To Equity share capital A/c			12,00,000
	To Bank A/c			2,00,000
	(Being transfer share application money to share capital account and excess share money refunded)			
3.	Equity share allotment A/c Dr.		24,00,000	
	To Equity share capital A/c			9,00,000
	To Securities premium A/c			15,00,000
	(Being amount due on 3,00,000 shares at Rs.8 per share including Rs.5 for premium)			
4.	Bank A/c Dr.		23,76,000	
	Calls in arrears A/c Dr.		24,000	
	To Equity share allotment A/c			24,00,000
	(Being received due amount of allotment except on 3,000 shares alloted to Ishira) [22]			
5.	Equity share final call A/c Dr.		9,00,000	
	To Equity share capital A/c			9,00,000
	(Being amount due for final call on 3,00,000 shares at Rs. 3 per share)			
6.	Bank A/c. Dr.		8,91,000	
	Calls in arrears A/c Dr.		9,000	
	To Equity share final call A/c			9,00,000
	(Being received due amount of final call except on 3,000 shares held by Ishira)			
	Total		**94,00,000**	**94,00,000**

Section F

*** Answer The Following Essay Type Questions. [22]**

47. Parthiv and Priya are the partners of a partnership firm. From the Trial balance dated 31-3-2017 and adjustments, prepare final accounts of a partnership firm.

Trial Balance of Partnership Firm of Parthiv and Priya as on 31-3-2017

Debit Balances	Amt.(Rs.)	Credit Balances	Amt.(Rs.)
Drawings : Parthiv	4,800	Capital Accounts : Parthiv	24,000
Priya	3,200	Priya	16,000
*Net cost of purchase	1,06,000	Sales	2,00,000
Stock of goods (31-3-17)	28,000	Payables	30,000
Receivables	48,000	Goods distribute as sample	2,000
Wages-salary	10,000	Bank overdraft	14,000

Trading expense	16,000		
Building	50,000		
Furniture-fittings	10,000		
Office equipments	4,000		
Packing material stock	4,000		
Cash balance	2,000		
	2,86,000		2,86,000

*Note: Net cost of purchase means adjusted purchase.

Adjustments:

1. Provide interest 8% on capital and 12% on drawings. Parthiv had withdrawn Rs. 400 at the end of each month and Priya had withdrawn on 1-10-16.
2. Credit sales of Rs.10,000 is not recorded and total of sales book of March is overcast by Rs. 2,000.
3. Write off additional bad debts of Rs.2,000 and provide 5% bad debts reserve on debtors.
4. Furniture of Rs.4,000 became obsolete, which is not recorded in the books.
5. A court has finalised claim of Rs.4,000; for not meeting agreement to provide goods to a customer.

6. Outstanding wages of Rs.2,000 is recorded to wages account but outstanding wages account is not recorded in the trial balance.

Ans. :

Dr. **Trading Account of partnership firm of Parthiv and Priya for the year ending on 31-3-2017** **Cr.**

Particulars	Amt.(Rs.)	Particulars		Amt.(Rs.)
To Net cost of purchase (Adjusted purchase)	1,06,000	By Sales	2,00,000	
		+ Unrec. Sales	+10,000	
To Wages Salary	10,000		2,10,000	
To Profit and LOSS A/c		-Total overcosted	-2,000	2,08,000
(Gross profit)	94,000	By Goods distributed as sample		2,000
	2,10,000			**2,10,000**

Dr. **Profit and Loss Account of partnership firm Parthiv and Priya for the year ending on 31-3-2017** **Cr.**

Particulars		Amt.(Rs.)	Particulars	Amt.(Rs.)
Administrative expenses :			By Trading A/c (Gross profit)	94,000
Trading exp.		16,000		
Other expenses and losses :				
To loss due to fittings		4,000		
To Bad debts (A)	2,000			
+ B.D.R. (A)	2,800	4,800		
To Loss due to claim		4,000		
To Profit and Loss Appro				

A/c (Net profit)	65,200		
	94,000		**94,000**

Dr. **Profit and Loss Appropriation Account of partnership firm of Parthiv and Priya for the year ending on 31-3-2017** **Cr.**

Particulars		Amt.(Rs.)	Particulars		Amt.(Rs.)
To Interest on capital:			By Profit and Loss A/c (Net profit)		65,200
Parthiv	1,920		By Interest on drawings:		
Priya	1,280	3,200	Parthiv	264	
To Partners capital A/c (Divisible profit)			Priya	192	456
Parthiv	31,228				
Priya	31,228	62,456			
		65,656			**65,656**

Dr. **Partners Capital Account** **Cr.**

Date	Particulars	Parthiv (Rs.)	Priya (Rs.)	Date	Particulars	Parthiv (Rs.)	Priya (Rs.)
	To Drawings A/c	4,800		1-04-16	By Balance b/d	24,000	16,000
1-10-16	To Drawings A/c		3,200	31-3-17	By Interest on capital	1,920	1,280
31-3-17	To Interest on drawings A/c	264	192	31-3-17	By P.and L. Appro. A/c (Divisible profit)	31,228	31,228
31-3-17	To Balance c/d	52,084	45,116				
		57,148	**48,508**			**57,148**	**48,508**

Balance sheet of partnership firm of Parthiv and Priya as on 31-3-2017

Capital-Liabilities		Amt.(Rs.)	Assets-Receivables		Amt.(Rs.)
Capital Accounts :			**Non-current Assets:**		
Parthiv	52,084		**Fixed Assets:**		
Priya	45,116	97,200	Furniture and fittings	10,000	
Current Liabilities :			- Loss	4,000	6,000
Creditors		30,000	Office equipments		4,000
Bank overdraft		14,000	Building		50,000

O/s claim amount	4,000	**Current Assets:**		
O/s wages	2,000	Debtors	48,000	
		+ Unrec. Sales	10,000	
			58,000	
		- Bad debts. (A)	2,000	
			56,000	
		- B.D.R (A)	2,800	53,200
		Cash balance		2,000
		Closing stock		28,000
		Closing stock of packing materials		4,000
	1,47,200			1,47,200

48. Following is the trial balance of shivam as on 31-03-2017

Particulars	Debit(Rs.)	Cradit(Rs.)
Inventories	1,10,000	
Fixed assets - tangible	8,00,000	
5000 equity shares of 100 each		5,00,000
Sales		7,50,000
Other incomes		20,000
Employee benefit expenses	1,30,000	
Long-term borrowings		3,50,000
Finance costs	17,500	
Trade payables		1,00,000
Trade receivables	40,000	
Cash and bank balance	60,000	
Depreciation	22,500	
Cost of goods sold	4,00,000	
Non-current investments	1,40,000	
	17,20,000	17,20,000

Additional information : Provision for tax Rs. 80,000

Prepar final account of the company as per schedule-III of Companies Act, on 31-03-2017

Ans. :

Statement of profit and loss of Shivam Ltd. For the year ending on 31-03-2017

	Particulars	**Note No.**	**Amount (Rs.)**	**Amount (Rs.)**
(1)	Revenue from operations (Sales)		7,50,000	
(2)	Other income		20,000	
(3)	Total income (I + II)			7,70,000
(4)	Expenses :			
	Cost of goods sold		4,00,000	
	Employee benefit expenses		1,30,000	
	Finance costs		17,500	
	Depreciation		22,500	
	Total			5,70,000

(5)	Profit before tax (III- IV)			2,00,000
(6)	Provision for tax			80,000
(7)	Total Profit (Transferred to balance sheet)			1,20,000

Balance Sheet of Shivam Ltd. As at 31-03-2017

Particulars		Note No.	Amount (Rs.)	Amount (Rs.)
	Equity and Liabilities:			
(1)	**Shareholder's funds:**			
	(a) Share capital		5,00,000	
	(b) Reserves and surplus (Net profit)		1,20,000	6,20,000
(2)	**Non-current Liabilities:**			
	(a) Long-term borrowings		3,50,000	3,50,000
(3)	**Current Liabilities:**			
	(a) Trade payables		1,00,000	
	(b) Short-term Provision		80,000	1,80,000
	Total			11,50,000
	Assets:			
(1)	**Non-current assets:**			
	(a) Fixed assets : Tangible		8,00,000	
	(b) Non-current investments		1,40,000	9,40,000
(2)	**Current assets:**			
	(a) Inventory		1,10,000	
	(b) Trade receivables		40,000	
	(c) Cash and cash equivalents		60,000	2,10,000
	Total			11,50,000

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