

**Section A**

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

1. In which account and on which side, the share of partners' share profit is recorded under the fluctuating capital account method?

(A) Debit to capital account (B) Credit to capital account  
(C) Debit to current account (D) Credit to current account

**Ans. :** (B) Credit to capital account

2. What is the interest on drawings of partners for a partner?

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

**Ans. :** (A) An expense

3. Goodwill is ..... where individual skill is important.

(A) more (B) less (C) zero (D) negative

**Ans. :** (B) less

4. Expected profit = .....

(A) Capital employed x Expected rate of return  
(B) Average profit x Expected rate of return  
(C) Weighted average profit x Expected rate of return  
(D) Assets x Expected rate of return

**Ans. :** (A) Capital employed x Expected rate of return

5. In the reconstruction of a partnership firm, gain ratio = ..... .

(A) New profit-loss share - Old profit-loss share  
(B) Old profit-loss share - New profit-loss share  
(C) New capital ratio - Old capital ratio  
(D) Old capital ratio - New capital ratio

**Ans. :** (A) New profit-loss share - Old profit-loss share

6. At the time of the reconstruction of a partnership firm ..... is prepared.

(A) Trading account (B) Revaluation account  
(C) Realization account (D) Profit-loss appropriation account

**Ans. :**

(B) Revaluation account

7. Revaluation account is also known as ..... .

(A) profit-loss account (B) profit and loss adjustment account

(C) profit and loss appropriation account

(D) profit and loss suspense account

**Ans. :**

(B) profit and loss adjustment account

8. When a new partner brings his share of goodwill in cash, ..... account is credited.

(A) cash

(B) premium for goodwill

(C) goodwill

(D) his capital account

**Ans. :** (B) premium for goodwill

9. If partnership deed is silent, interest is payable at ..... on unpaid amount payable to the retiring partner.

(A) 10 % p.a.

(B) 12 % p.a.

(C) 6 % p.a.

(D) zero %

**Ans. :**

(C) 6 % p.a.

10. Which of the following account is opened to incorporate the accounting effect of assets and liabilities of the partnership firm at the time of dissolution?

(A) Profit and loss account

(B) Profit and loss appropriation account

(C) Revaluation account

(D) Realisation account

**Ans. :** (D) Realisation account

11. Which is the first payment made from the realisation of assets, at the time of the dissolution of a firm ?

(A) Dissolution expense

(B) Loan of partner's wife

(C) Liabilities towards third parties

(D) Partner's loan

**Ans. :** (A) Dissolution expense

12. Which of the following is not shown under the heading 'Share Capital' in a balance sheet ?

(A) Authorised capital

(B) Issued capital

(C) Reserve capital

(D) Subscribed capital

**Ans. :** (C) Reserve capital

13. For public issue of shares company has to take a permission from whom?

(A) Central

(B) SEBI

(C) State government

(D) Reserve Bank

government

**Ans. :** (B) SEBI

14. The amount of premium received on issuing debentures at premium is ..... .

(A) revenue profit

(B) capital loss

(C) revenue loss

(D) capital profit

**Ans. :** (D) capital profit

15. The expenses of the current year of a company is ₹ 6,00,000; and if it is increased by 20 % compared to the previous year, what would be the expenses of the previous year?

(A) ₹ 1,20,000

(B) ₹ 5,00,000

(C) ₹ 7,20,000

(D) None of these

**Ans. :** ₹ 5,00,000

16. The information regarding the use of assets gives the analysis of ..... .

- (A) profitability                      (B) liquidity                      (C) solvency                      (D) efficiency

**Ans. :** efficiency

17. In which terms ratios are presented ?

- (A) Proportion                      (B) Percentage                      (C) Time                      (D) All of the given

**Ans. :** (D) All of the given

18. Which of the following ratios are included in traditional classification?

- (A) Composite ratios                      (B) Liquidity ratios                      (C) Profitability ratios                      (D) Solvency ratios

**Ans. :** (A) Composite ratios

19. Increase in current assets and decrease in current liabilities means ..... .

- (A) Both are cash outflow  
(B) Both are cash inflows  
(C) are cash outflow and cash inflow respectively.  
(D) are cash inflow and cash outflow respectively.

**Ans. :** (A) Both are cash outflow

20. Which of the following is included in financial expense?

- (A) Factory expenses                      (B) Administrative expenses                      (C) Sales expenses                      (D) Interest expenses

**Ans. :** (D) Interest expenses

### Section B

**\* Answer The Following Questions In One Sentence.**

**[10]**

21. What is capitalized profit?

**Ans. :** Capitalized profit means capitalized value of average profit on the basis of the expected rate of return.

22. How is the consolidated profit distributed?

**Ans. :**

In the old profit and loss ratio of continuing partners, the consolidated profit distributed.

23. Explain accounting treatment of old goodwill appearing in the balance sheet of the firm at the time of the retirement of a partner.

**Ans. :**

At the time of the retirement of a partner, goodwill appear in the balance sheet of a firm distributed among partners in their old profitloss ratio. Journal entry for that

All partners' capital A/c Dr.

To Goodwill A/c

(Being old goodwill amount distributed among partnership their old profit-loss ratio)

24. How would you deal with the providend fund balance shown in the balance sheet at the time of dissolutions?

**Ans. :** At the time of dissolution, the Provident Fund balance shown in the balance sheet will be transferred to credit side to Realisation Account.

25. Who has to bear dissolution expense, at the time of dissolution of a firm?

**Ans. :** Generally dissolution expense of a firm has to borne by the firm itself, but in the most of the cases partner has to bear dissolution expense.

26. What is meant by debenture discount?

**Ans. :** When the company issues debentures at a price which is less than their face value or nominal value, the debentures are said to have been issued at discount. Thus, the different between face value and issued price is known as debenture discount.

27. What is indicated by interest coverage ratio?

**Ans. :** Interest coverage ratio shows the relationship between profit before tax and interest on long term debts. This ratio also shows earning capacity.

28. By which ratios efficiency is measured?

**Ans. :** With the help of following ratios, efficiency is measured.

- (1) Stock Turnover
- (2) working capital turnover
- (3) Debtors turnover
- (4) Creditors turnover.

29. In which activity the paid dividend and interest are recorded?

**Ans. :**

In financing activities, the paid dividend and interest are recorded.

30. What is cash and cash equivalent?

**Ans. :**

Cash means cash on hand, bank balance.

Cash equivalent means:

(i) Highly liquid short term investments.

(ii) Such investments which can be quickly and with accurate estimated price convertible into cash.

(iii) Investments in which the risk of changes in the price is very rare. e.g. Govt. Securities.

### Section C

\* **Answer The Following Questions. ( Write any 4 )**

**[12]**

31. Lata, Geeta and Pravina are partners of a partnership firm. After distribution of the profit of the year it was realized that charging of interest on partners drawing account respectively Rs. 2,700 Rs. 1,200 and Rs. 1,500 was missed out. Write an entry for the rectification of error.

**Ans. :**

Particulars	Lata (Rs.)	Geeta (Rs.)	Parvina (Rs.)	Total (Rs.)
Interest on drawing (Amt. Payable)	2,700	1,200	1,500	5,400
Total interest on drawing Rs. 5,400				
Equally dist. among partners.	1,800	1,800	1,800	5,400
Difference of amount	-900	+600	+300	-

Rectification entry:

#### Journal Proper

Date	Particulars	L.F.	Debit(Rs.)	Credit(Rs.)
31-3-2017	Lata's Capital/Current A/c To Geeta's Capital/Current A/c To Pravina's Capital/Current A/c (Being rectification entry for the interest on drawing omitted)	Dr .  	900	600 300

32. Raju, Hasu and Sanju are the partners of a partnership firm. Their profit-loss sharing ratio is 5 : 4 : 3. All the partners have decided to change their profit-loss sharing ratio to 2 : 2 : 1. From this information find out the gain ratio.

Ans. :

	Raju		Hasu		Sanju	Total
Old Ratio	5	:	4	:	3	12
Old Share	$\frac{5}{12}$	:	$\frac{4}{12}$	:	$\frac{3}{12}$	
New Ratio	2	:	2	:	1	5
New Share	$\frac{2}{5}$	:	$\frac{2}{5}$	:	$\frac{1}{5}$	

Sacrifice by partner = Old share - New share

Raju's Sacrifice	$= \frac{2}{5} - \frac{5}{12}$	$= \frac{24 - 25}{60}$	$= \frac{-1}{60}$	
Hasu's Sacrifice	$= \frac{2}{5} - \frac{4}{12}$	$= \frac{24 - 20}{60}$	$= \frac{4}{60}$	
Sanju's Sacrifice	$= \frac{1}{5} - \frac{3}{12}$	$= \frac{12 - 15}{60}$	$= \frac{-3}{60}$	(Sacrifice)

33. Write short note: Realisation Account.

Ans. :

The account Which is prepared to incorporate accounting treatments for disposal or liabilities and assets of the firm is known as Realisation Account.

On the debit side of this account, the balance of all assets are transferred and on the credit side all liabilities are transferred.

The liabilities which are paid off one by one are recorded on debit side of Realisation Account.

If account shows credit balance then it is treated profit and credited in partners capital account in their profit and loss sharing ratio.

The differences of realisation account will be either profit or loss. This different is allocated between the partners in their profit sharing ratio. Profit is credited to their capital account and loss is debited to their capital account.

For the disposal of Assets and Liabilities of the firm, the Realisation Account is prepared.

The format of Realisation Account is as follow:

Dr.		Realisation Account		Cr.
Particulars	Amt. (Rs.)	Particulars	Amt. (Rs.)	
To Sundry Assets A/c:		By Provisions A/c :		
Land-building .....		Bad debt reserve .....		
Plant-machineries .....		Depreciation fund .....		
Furniture .....		Discount reserve on debtors .....		
Investments .....		Bills receivable .....		
Debtors .....		By Sundry Liabilities A/c:		.....
Bills receivable .....		Creditors .....		
Other assets .....	.....	Bills payable .....		
To Cash/Bank A/c		Bank overdraft .....		
(Payment of liabilities)		Workmen profit sharing fund .....		
To Partners' capital A/c .....		Outstanding expense .....		.....
(Liability accepted by partner) .....		By Cash/Bank A/c		
To Cash/Bank A/c .....	.....	(Sale of assets)		.....
(Payment of unrecorded liabilities)		By Partners' capital A/c		.....
To Cash/Bank A/c .....	.....	(Asset taken over by partner)		
(Payment of dissolution expense)		By Cash/Bank A/c		
To Partners' capital A/c		(Sale of unrecorded asset)		
(Remuneration of partner) .....	.....	By Partners' current/capital A/c		
To Partners' current/capital A/c .....	.....	(Distribution of loss of realisation account)		
(Dist. of profit of realisation account)				
	.....			.....

34. How would you deal with the following balances disclosed in the balance sheet at the time of the dissolution of a partnership firm? Explain.

- (i) General Reserve (ii) Investment Fluctuation Fund
- (iii) Workmen Accident Compensation Fund (iv) Providend Fund
- (v) Debit Balance of Profit and Loss A/c (vi) Depreciation Fund

**Ans. :**

(i) General Reserve:

- Balance of general reserve account is credited to partners' capital account in their profit and loss sharing ratio.
- (ii) Investment Fluctuation Fund: Balance of investment fluctuation fund is credited to partners' capital account in their profit and loss sharing ratio.
- (iii) Workmen Accident Compensation Fund:
- Balance of workmen accident compensation fund is credited to partners' capital account in their profit and loss sharing ratio.
- (iv) Provided Fund:
- In realisation account the balance of Providend fund will be shown on credit side under the heading of Sundry Liabilities.
- (v) Debit Balance of Profit and Loss A/c:
- Debit balance of profit and loss account will be debited to partners' capital account in their profit and loss sharing ratio.
- (vi) Deprecation Fund:

In realisation account the balance of depreciation fund will be shown on credit side under the heading of Sundry Provisions.

35. Pasvadal Steel Limited issued 15,000. 9% debentures of Rs.100 each at a price of Rs.80 per debenture. The amount per debenture was payable as under:

Rs.25 with application,

Rs.35 on allotment (After discount),

Rs.20 on call.

The company received application for 15,000 debentures and all are sanctioned. The company received the full money called on allotment and received full amount on call. Except call on 800 debentures.

Pass necessary journal entries in the books of company.

**Ans. :**

**Journal entries in the books of Pasvadal Steel Limited**

Date	Particulars	L.F.	Debit(Rs.)	Credit(Rs.)
1.	Bank A/c D r. To 9% Debenture application A/c (Being receipt of application money on 15,000 debenture at Rs.25 per debenture)		3,75,000	3,75,000
2.	9% Debenture application A/c D r. To 9% Debenture A/c (Being transfer of application money to debenture account)		3,75,000	3,75,000
3.	9% Debenture allotment A/c D r. Debenture discount A/c D r. To 9% Debenture A/c		5,25,000 3,00,000	8,25,000

	(Being amount due on allotment after deducting discount of Rs.20 at Rs.35 per debenture)			
4.	Bank A/c To 9% Debenture allotment A/c (Being receipt of full amount on called on allotment stage) 9%	D r.	5,25,000	5,25,000
5.	9% Debenture call A/c To 9% Debenture A/c (Being amount due on final call stage on 15,000 debenture at Rs.20 per debenture)	D r.	3,00,000	3,00,000
6.	Bank A/c Calls in arrears on debentures A/c To 9% Debentures call A/c (Being final call money received on all debenture except 800 debentures)	D r. D r.	2,84,000 16,000	3,00,000
	<b>Total</b>		<b>27,00,000</b>	<b>27,00,000</b>

36. Dynamic Limited of Ankleshwar issued 30,000, 12% debentures of Rs.100 each, on which the amount per debenture was payable as under:

With application Rs.35,  
on allotment Rs.40,  
on first and final call Rs.25

All the debentures were applied. Palak, the holder of 1000 debentures paid the entire amount on his holding on allotment. Where, Akash, the holder of 400 debentures failed to pay the allotment and call amount.

**Ans. :**

**Journal entries in the books of Dynamic Limited**

Date/N o.	Particulars	L.F.	Debit (Rs.)	Credit (Rs.)
1.	Bank A/c To 12% Debenture application A/c (Being received debenture application money on 30, 000 debentures at Rs.35 per debenture)	D r.	10,50,000	10,50,000
2.	12% Debenture application A/c To 12% Debentures A/c (Being transfer of debenture application money to debenture account)	D r.	10,50,000	10,50,000
3.	12% Debenture allotment A/c	D r.	12,00,000	



	To 12% Debenture A/c (Being amount due on allotment stage at Rs.40 per debenture)			12,00,000
4.	Bank A/c Calls in arrears on debentures A/c	D r. D r.	12,09,000 16,000	
	To 12% Debenture allotment A/c To Calls in advance on debenture A/c (Being receipt allotment money on 29,600 debenture and also received call amount in advance on 1,000 debenture at Rs.25 per debenture)			12,00,000 25,000
5.	12% Debenture first and final call A/c	D r.	7,50,000	
	To 12% Debenture A/c (Being amount due on first and final call money on sanctioned debenture at Rs.25 per debenture)			7,50,000
6.	Bank A/c Calls in arrears oh debentures A/c Calls in advance on debenture A/c	D r. D r. D r.	7,15,000 10,000 25,000	
	To 12% Debenture first and final calls A/c (Being balance amount received on final call after deducting. calls in advance on 1000 debenture and also amount not paid on 400 debenture on final call)			7,50,000
	<b>Total</b>		<b>60,25,000</b>	<b>60,25,000</b>

#### Section D

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

37. From the following information of Babulal and Kantilal's firm, determine the value of goodwill on the basis of 3 year purchase of last 5 year weighted average profit

Year	2012-13	2013-14	2014-15	2015-16	2016-17
Profit(Rs.)	40,000	60,000	75,000	90,000	1,20,000

**Ans. :**

Statement showing computation of weighted profit

Yaar	Profit(Rs.)	Weight	Product(Weighted Profit)
2012-13	40,000	1	40,000
2013-14	60,000	2	1,20,000
2014-15	75,000	3	2,25,000
2015-16	90,000	4	3,60,000
2016-17	1,20,000	5	6,00,000
	<b>Total</b>	<b>15</b>	<b>13,45,000</b>

$$\begin{aligned}\text{Weighted average profit} &= \frac{\text{Total weighted profit}}{\text{Total weighted}} \\ &= \frac{13,45,000}{15} \\ &= \text{Rs. } 89,666.67 \text{ OR } 89,667\end{aligned}$$

$$\begin{aligned}\text{Goodwill} &= \text{weighted average profit} \times \text{number of years of purchase} \\ &= \text{Rs. } 89,666.67 \times 3 \\ &= 2,69,000\end{aligned}$$

38. From the following information of Nairutva and Rutvik's firm determine the value of goodwill of partnership firm on the basis of capitalization of weighted average profit method.

Year	2012-13	2013-14	2014-15	2015-16	2016-17
Profit (Rs.)	45,000	50,000	65,000	75,000	90,000

Additional information : (1) Business assets : Rs.6,00,000. (2) Business liabilities : Rs.1,70,000. (3) Normal expected return of business is 10%.

Ans. :

**Statement showing computation of Goodwill**

Step No.	Particulars	Amount (Rs.)																												
(1)	Capital employed : Total Assets 6,00,000 - Total Liabilities <u>2,50,099</u> <b>Net Assets/Capital Employed</b> 4,30,000	4,30,000																												
(2)	Expected rate of return	10%																												
(3)	<b>Weighted average profit:</b> <table><tr><th>Year</th><th>Profit (Rs.)</th><th>Weight</th><th>Product (Weighted Profit)</th></tr><tr><td>2012-13</td><td>45,000</td><td>1</td><td>45,000</td></tr><tr><td>2013-14</td><td>50,000</td><td>2</td><td>1,00,000</td></tr><tr><td>2014-15</td><td>65,000</td><td>3</td><td>1,95,000</td></tr><tr><td>2015-16</td><td>75,000</td><td>4</td><td>3,00,000</td></tr><tr><td>2016-17</td><td>90,000</td><td>5</td><td>4,50,000</td></tr><tr><td></td><td><b>Total</b></td><td><b>15</b></td><td><b>10,90,000</b></td></tr></table> <b>Weighted average profit</b> $= \frac{\text{Total weighted profit}}{\text{Total weight}}$ $= \frac{10,90,000}{15}$ $= \text{Rs.72,667}$	Year	Profit (Rs.)	Weight	Product (Weighted Profit)	2012-13	45,000	1	45,000	2013-14	50,000	2	1,00,000	2014-15	65,000	3	1,95,000	2015-16	75,000	4	3,00,000	2016-17	90,000	5	4,50,000		<b>Total</b>	<b>15</b>	<b>10,90,000</b>	
Year	Profit (Rs.)	Weight	Product (Weighted Profit)																											
2012-13	45,000	1	45,000																											
2013-14	50,000	2	1,00,000																											
2014-15	65,000	3	1,95,000																											
2015-16	75,000	4	3,00,000																											
2016-17	90,000	5	4,50,000																											
	<b>Total</b>	<b>15</b>	<b>10,90,000</b>																											
(4)		72,667																												
	[10]																													

(5)

$$\text{Capital profit} = \frac{\text{Average Profit}}{\text{Expected rate of return}} \times 100$$

$$= \frac{72,667}{100} \times 100$$

$$\text{Goodwill} = \text{Capital profit} - \text{Capital employed}$$

$$= \text{Rs.}7,26,670 - \text{Rs.}4,30,000 = \text{Rs.}2,96,670$$

7,26,670

2,96,670

39. Profit-loss statements of Bright Ltd. for the year ending on 31-3-2016 and 31-3-2017 are as follows. On the basis of them prepare comparative profit-loss statement.

**Summarised Profit-Loss Statements for the Year Ending on 31-3-2016 and 31-3-2017**

Particulars	Note No.	31-3-2017 (₹)	31-3-2016 (₹)
Sales revenue		16,00,000	14,00,000
Other income		2,00,000	2,50,000
Expenses		9,60,000	7,20,000

Income tax rate is 30 %.

**Ans. :**

**Comparative Profit-Loss Statement of Bright Ltd.  
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 ( $\frac{5}{3} \times 100$ )
(I) Sales revenue		14,00,000	16,00,000	2,00,000	14.29
(II) Other income		2,50,000	3,00,000	50,000	20.00
(III) Total income (I + II)		16,50,000	19,00,000	2,50,000	15.15
(IV) Expenses :		7,20,000	9,60,000	2,40,000	33.33
(V) Profit before tax (III - IV)		9,30,000	9,40,000	10,000	1.08
(VI) Less : Income tax (30 %)		2,79,000	2,82,000	3000	1.08
(VII) Profit after tax (V - VI)		6,51,000	6,58,000	7000	1.08

40. From the following information calculate current ratio and liquid ratio:

Particulars	(Rs.)	Particulars	(Rs.)
Stock	3,00,000	Bills receivables	75,000
Debtors	2,50,000	Bad debts reserve	20,000
Cash and cash equivalent	1,20,000	Expenses paid in advance	60,000
Furniture	1,60,000	Creditors	2,00,000
Bills payable	60,000	Outstanding expenses	50,000
Short-term loan	40,000		

**Ans. :**

$$\text{Current ratio} = \frac{\text{Current assets}}{\text{Current liabilities}}$$

Current Assets :

Debtors	2,50,000
+ Bills receivables	75,000
- Bad debts reserve	20,000
 + Stock	 3,00,000
+ Cash and cash equivalent	<u>1,20,000</u>
=	7,25,000

Current Liabilities :

Bills Payables	60,000
+ Short-term loan	40,000
+ Unpaid expense	50,000
+ Creditors	<u>2,00,000</u>
=	3,50,000

$$\text{Current Ratio} = \frac{\text{Current assets}}{\text{Current liabilities}}$$

$$= \frac{7,25,000}{3,50,000}$$

$$= 2.071\%$$

41. From the following details of chirag company compute cash flow from operating activities.

Particulars	(₹)
Profit of current year	3,20,000
Taxation provision	30,000
Proposed dividend	60,000
Goodwill written off	35,000
Depreciation charged	47,000
Loss on sale of asset	43,000
Rent received	45,000
Dividend received	65,000
Increase in current assets	1,00,000
Decrease in current liabilities	90,000

Ans. :

**Cash Flow from Operating Activities**

Particulars	(₹)	(₹)
Profit of current year		3,20,000
Add : Non-cash expenses and provisions :		
Taxation provision	30,000	
Proposed dividend	60,000	
Goodwill written off	35,000	
Depreciation charged	47,000	
Loss on sale of asset	43,000	2,15,000
		5,35,000
Less : Non-operating incomes :		
Rent received	45,000	
Dividend received	65,000	1,10,000
<b>Operating profit before changes in working capital</b>		<b>4,25,000</b>
Add : Decrease in current assets	—	
Increase in current liabilities	—	—
		<b>4,25,000</b>
Less : Increase in current assets	1,00,000	
Decrease in current liabilities	90,000	1,90,000
<b>Cash flow from operating activities</b>		<b>2,35,000</b>

**Section E**

\* Answer The Following Questions In Detail. ( Write any 3 )

[24]

42. Bhavya and Shlok are partners in a firm sharing profit and loss in the ratio of 3:2. Balance sheet of their firm as on 31-3-2017 is as under:

### Balance Sheet

Liabilities	Amt. (₹)	Assets	Amt. (₹)
<b>Capital :</b>		Goodwill	1,00,000
Bhavya                      4,00,000		Land-Building	3,50,000
Shlok                        3,00,000	7,00,000	Machinery	2,00,000
General reserve	90,000	Stock	1,80,000
Workmen's compensation reserve	20,000	Debtors                              1,20,000	
Investment reserve	10,000	— Bad debt reserve              10,000	1,10,000
Creditors	1,40,000	Investment	20,000
Bills payable	60,000	Cash-Bank	50,000
		Advertisement campaign expenditure	10,000
	<b>10,20,000</b>		<b>10,20,000</b>

They admitted Aayush as a new partner on 1-4-2017 on the following conditions:

- (1) Aayush brought 5,00,000 as his capital and 1,00,000 as his share of goodwill in cash.
- (2) Value of land-building is to be increased by 80,000.
- (3) Value of machinery is to be reduced upto ₹ 1,60,000.
- (4) Provision for doubtful debt is to be kept 10% on debtors.
- (5) Provision for outstanding repairing expense is to be made ₹ 8000.
- (6) New profit and loss sharing ratio of all partners is to be kept at 2:1:2.

From the above particulars, pass journal entries. Prepare Revaluation a/c, Partners' capital a/c, Cash-bank a/c and new balance sheet after admission.

Ans. :

**Journal Entries**

No.	Particulars	L.F.	Debit (₹)	Credit (₹)
1	General reserve A/c Dr To Bhavya's capital A/c To Shlok's capital A/c [Being general reserve distributed between old partners in their old profit-loss ratio.]		90,000	54,000 36,000
2	Workmen compensaiton reserve A/c Dr To Bhavya's capital A/c To Shlok's capital A/c [Being workmen compensation reserve distributed between old partners in their old profit-loss sharing ratio.]		20,000	12,000 8000
3	Investment reserve A/c Dr To Bhavya's capital A/c To Shlok's capital A/c [Being investment reserve distributed between old partners in their old profit-loss sharing ratio.]		10,000	6000 4000
4	Bhavya's capital A/c Dr Shlok's capital A/c Dr To Goodwill A/c [Being old goodwill written off between old partners in their old profit-loss sharing ratio.]		60,000 40,000	1,00,000
5	Bhavya's capital A/c Dr Shlok's capital A/c Dr To Advertisement campaign exp. A/c [Being advertisement campaign expenditure written off between old partners in their old profit-loss sharing ratio.]		6000 4000	10,000
6	Cash A/c Dr To Aayush's capital A/c [Being capital brought by Aayush in cash.]		5,00,000	5,00,000
7	Cash A/c Dr To Premium for goodwill A/c [Being share in goodwill brought in cash by Aayush.]		1,00,000	1,00,000
7	Premium for goodwill A/c Dr To Bhavya's capital A/c To Shlok's capital A/c [Being premium for goodwill distributed between old partners in their sacrificing ratio.]		1,00,000	50,000 50,000
9	Revaluation A/c Dr To Machinery A/c To Bad debt reserve A/c To outstanding repairing expense A/c [Being decrease in machinery, increase in bad debt reserve and outstanding repairing expense debited to revaluation account.]		50,000	40,000 2000 8000

No.	Particulars	L.F.	Debit (₹)	Credit (₹)
10	Land-Building A/c Dr To Revaluation A/c [Being increase in land and building credited to revaluation account.]		80,000	80,000
11	Revaluation A/c Dr To Bhavya's capital A/c To Shlok's capital A/c [Being profit of revaluation account distributed between old partners in old ratio.]		30,000	18,000 12,000
	<b>Total</b>		<b>10,90,000</b>	<b>10,90,000</b>

Revaluation Account			
Dr			Cr
Particulars	Amt. (₹)	Particulars	Amt. (₹)
To Machinery A/c	40,000	By Land-building A/c	80,000
To Bad debt reserve A/c (New ₹ 12,000 – Old ₹ 10,000)	2000		
To Outstanding repairing expense A/c	8000		
To Profit : Old partners' capital A/c			
Bhavya	18,000		
Shlok	12,000		
	<b>80,000</b>		<b>80,000</b>

Partners' Capital Account							
Dr							Cr
Particulars	Bhavya(₹)	Shlok(₹)	Aayush(₹)	Particulars	Bhavya(₹)	Shlok(₹)	Aayush(₹)
To Advertisement campaign expenditure A/c	6000	4000	–	By Balance b/d	4,00,000	3,00,000	–
To Goodwill	60,000	40,000	–	By General reserve A/c	54,000	36,000	–
To Balance c/f	4,74,000	3,66,000	5,00,000	By Workmen's compensation reserve A/c	12,000	8000	–
				By Investment fluctuation reserve	6000	4000	–
				By Cash A/c	–	–	5,00,000
				By Premium for goodwill A/c	50,000	50,000	–
				By Revaluation A/c	18,000	12,000	–
	<b>5,40,000</b>	<b>4,10,000</b>	<b>5,00,000</b>		<b>5,40,000</b>	<b>4,10,000</b>	<b>5,00,000</b>

Cash-Bank Account			
Dr			Cr
Particulars	Amt. (₹)	Particulars	Amt. (₹)
To Balance b/d	50,000	By Balance c/f	6,50,000
To Aayush's capital A/c	5,00,000		
To Premium for goodwill A/c	1,00,000		
	<b>6,50,000</b>		<b>6,50,000</b>



**Balance Sheet as on 1-4-2017 After Admission**

Liabilities		Amt. (₹)	Assets		Amt. (₹)
<b>Capital :</b>			Land-Building	3,50,000	
Bhavya	4,74,000		+ Addition	80,000	4,30,000
Shlok	3,66,000		Machinery	2,00,000	
Aayush	5,00,000	13,40,000	— Reduction	40,000	1,60,000
Creditors		1,40,000	Debtors	1,20,000	
Bills payable		60,000	— Bad debt reserve	12,000	1,08,000
Outstanding repairing expense		8000	Stock		1,80,000
			Investment		20,000
			Cash-Bank		6,50,000
		<b>15,48,000</b>			<b>15,48,000</b>

Explanation (1) : Sacrificing ratio and distribution of goodwill :

Old ratio of Bhavya and Shlok = 3 : 2

New ratio of Bhavya, Shlok and Aayush = 2 : 1 : 2

Sacrifice = Old share - New share

Bhavya =  $\frac{3}{5} - \frac{2}{5} = \frac{1}{5}$ , Shlok =  $\frac{2}{5} - \frac{1}{5} = \frac{1}{5}$

∴ Sacrificing ratio = 1 : 1

Both old partners will receive goodwill equally.

43. Aabha and Beena are partners in a firm sharing profit and loss in the ratio of 2:1. Their balance sheet as on 31-3-2017 was as under:

Balance sheet			
Liabilities		Assets	
Amt.(Rs.)		Amt.(Rs.)	
Capital account:		Goodwill	18,000
Aabha 80,000		Land-building	72,000
Beena <u>60,000</u>	1,40,000	Machinery	40,000
General reserve	18,000	Stock	36,000
Workmen compensation res.	4,500	Debtors 24,000	
Investment fluctuation res.	1,500	- Bad debt reserve <u>2,000</u>	22,000
Creditors	28,000	Investment	8,000
Bills payable	12,000	Cash-Bank	2,000
		Advertisement campaign expen.	6,000
	<u>2,04,000</u>		<u>2,04,000</u>

They admitted Rushil as a new partner from 1-4-2017 on the following conditions:

- (1) Rushil will bring Rs.1,00,000 as his capital and Rs.24,000 as goodwill in cash.
- (2) Value of land and building is to be increased by Rs.17,000.
- (3) Value of machinery is to be decreased upto Rs.32, 000.
- (4) Provision for bad debt is to be kept at 10 % on debtors.

(5) Provision for outstanding electricity bill 1s to be made at Rs.1,100.

(6) New profit sharing ratio of all three partners is to be kept at 2:1:2. Pass necessary journal entries and prepare revaluation account, partners' capital account, cash-bank account and balance sheet after admission.

**Ans. :**

**Journal Entries**

Date	Particulars	L.F.	Debit (₹)	Credit (₹)
(1)	General reserve A/c Dr. To Aabha's capital A/c To Beena's capital A/c (Being general reserve distributed between old partners in their old profit-loss ratio)		18,000	12,000 6,000
(2)	Workmen compensation reserve A/c Dr. To Aabha's capital A/c To Beena's capital A/c (Being workmen compensation reserve distributed between old partners in their old profit-loss sharing ratio)		4,500	3,000 1,500
(3)	Investment reserve A/c Dr. To Aabha's capital A/c To Beena's capital A/c (Being investment reserve distributed between old partners in their old profit-loss sharing ratio)		1,500	1,000 500
(4)	Aabha's capital A/c Dr. Beena's capital A/c Dr. To Advertisement campaign exp. A/c (Being Adv. campaign exp. written off between old partners in their old profit-loss sharing ratio)		4,000 2,000	6,000
(5)	Aabha's capital A/c Dr. Beena's capital A/c Dr. To Goodwill A/c (Being old goodwill written-off between old partners in their old profit-loss sharing ratio)		12,000 6,000	18,000
(6)	Cash A/c Dr. To Rushi's capital A/c To Premium for goodwill A/c (Being capital and goodwill brought by Rushil in cash)		1,24,000	1,00,000 24,000

(7)	Premium for goodwill A/c Dr. To Aabha's capital A/c To Beena's capital A/c (Being premium for goodwill distributed between old partners in their sacrificing ratio)	24,000	16,000 8,000
(8)	Revaluation A/c Dr. To Machinery A/c To Bad debts reserve A/c To Outstanding electricity exp. A/c (Being decrease in machinery value, increase in bad debts reserve and o/s electricity exp. debited to revaluation A/c)	9,500	8,000 400 1,100
(9)	Land-Building A/c Dr. To Revaluation A/c (Being increase in land building credited to revaluation A/c)	17,000	17,000
(10)	Revaluation A/c Dr. To Aabha's capital A/c To Beena's capital A/c (Being profit of revaluation account distributed among old partners in old ratio)	7,500	5,000 2,500
	<b>Total</b>	<b>2,30,000</b>	<b>2,30,000</b>

Debit		Revaluation Account		Credit	
Particulars	Amt. (₹)	Particulars	Amt. (₹)		
To Machinery A/c	8,000	By Land-Building A/c	17,000		
To Bad debts reserve A/c	400				
To O/s electricity exp. A/c	1,100				
To Profit : Old Partners' Capital A/c					
Aabha	5,000				
Beena	2,500				
	7,500				
	17,000				17,000

Debit				Partners' Capital Account				Credit			
Particulars	Abha (₹)	Beena (₹)	Rushil (₹)	Particulars	Abha (₹)	Beena (₹)	Rushil (₹)				
To Adv. campaign exp. A/c	4,000	2,000	–	By Balance b/f	80,000	60,000	–				
To Goodwill A/c	12,000	6,000	–	By Cash A/c	–	–	1,00,000				
				By Premium for goodwill	16,000	8,000	–				
				By General reserve A/c	12,000	6,000	–				
				By Workmen's compensation reserve A/c	3,000	1,500	–				
To Balance c/f	1,01,000	70,500	1,00,000	By Investment reserve A/c	1,000	500	–				
				By Revaluation A/c	5,000	2,500	–				
	1,17,000	78,500	1,00,000		1,17,000	78,500	1,00,000				

Debit	Cash/Bank Account		Credit
Particulars	Amt. (₹)	Particulars	Amt. (₹)
To Balance b/f	2,000	By Balance c/f	1,26,000
To Rushil's capital A/c	1,00,000		
To Premium for goodwill A/c	24,000		
	<u>1,26,000</u>		<u>1,26,000</u>

**Balance Sheet as on 1-4-2017 after admission**

Liabilities	Amt. (₹)	Assets	Amt. (₹)
<b>Capital Accounts :</b>		Land-Building	72,000
Aabha	1,01,000	+ Increase	<u>17,000</u>
Beena	70,500		89,000
Rushil	<u>1,00,000</u>	Machinery	40,000
	2,71,500	- Decrease	<u>8,000</u>
Creditors	28,000		32,000
Bills payable	12,000	Stock	36,000
Outstanding electric exp. (bill)	1,100	Debtors	24,000
		- Bad debts reserve	<u>2,400</u>
			21,600
		Investments	8,000
		Cash-Bank balance	1,26,000
	<u>3,12,600</u>		<u>3,12,600</u>

(1) Sacrificing Ratio :

Old ratio of Aabha and Beena = 2 : 1

New ratio of Aabha, Beena and Rushil = 2 : 1 : 2

Sacrifice of partner = Old share – New Share

$$\therefore \text{Sacrifice of Aabha} = \frac{2}{3} - \frac{2}{5} = \frac{10-6}{15} = \frac{4}{15}$$

$$\therefore \text{Sacrifice of Beena} = \frac{1}{3} - \frac{1}{5} = \frac{5-3}{15} = \frac{2}{15}$$

$$\therefore \text{Sacrifice Ratio} = \frac{4}{15} : \frac{2}{15} = 4 : 2 = 2 : 1$$

(2) Goodwill will be distributed between Aabha and Beena in sacrificing ratio.

distributed between Aabha and Beena in sacrificing ratio.

$$\text{Goodwill of Aabha} = ₹ 24,000 \times \frac{2}{3} = ₹ 16,000$$

$$\text{Goodwill of Beena} = ₹ 24,000 \times \frac{1}{3} = ₹ 8,000$$

44. Ajay, Alpa and Amay are the partners of the firm sharing profit and loss in the ratio of 50 %, 30% and 20% respectively. The balance sheet of the firm as on 31-3-2017 was as under:

**Balance Sheet**

Liabilities	Amt. (₹)	Assets	Amt. (₹)
<b>Capital Accounts :</b>		Goodwill	50,000
Ajay                      60,000		Other fixed assets	1,00,000
Alpa                      50,000		Investments	60,000
Amay                    80,000	1,90,000	Debtors                      70,000	
Investment fluctuation fund	20,000	— Bad debt reserve        6000	64,000
Workmen compensation reserve	30,000	Stock	20,000
Creditors	40,000	Cash	16,000
Provident fund	60,000	Profit-loss A/c	30,000
	<b>3,40,000</b>		<b>3,40,000</b>

Ajay retires on 1-4-2017 on the following terms:

- (1) The claim of workmen compensation is accepted at ₹ 20,000.
- (2) The market value of investment is ₹ 45,000.
- (3) Bad debts on debtors ₹ 2000 is to be written off and the provision for doubtful debts is to be kept at 5 %
- (4) Fixed assets to be appreciated by 20%.
- (5) The book value of stock is over valued by ₹ 600 compared to its cost. The cost of stock is to be recorded.
- (6) The value of goodwill of the firm is ₹ 1,00,000.
- (7) Ajay is to be paid ₹ 10,000 in cash.
- (8) The new profit and loss sharing ratio of Alpa and Amay is 1:4. Prepare revaluation account, capital accounts of partners and the balance sheet after the retirement of Ajay.

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

Ans. :

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

**Balance Sheet as on 1-4-2017 After Retirement**

Liabilities	Amt. (₹)	Assets	Amt. (₹)
<b>Capital Accounts :</b>		Fixed assets	1,20,000
Alpa 46,500		Investments	45,000
Amay 11,000	57,500	Debtors 70,000	
Ajay's loan	77,500	— Bad debt 2000	
Workmen compensation claim	20,000		68,000
Creditors	40,000	— Bad debt reserve (5 %) 3400	64,600
Provident fund	60,000	Stock	19,400
		Cash (₹ 16,000 - ₹ 10,000 payment to Ajay)	6000
	<b>2,55,000</b>		<b>2,55,000</b>

Explanation (1) : Gaining ratio :

Old profit and loss sharing ratio of Ajay, Alpa and Amay = 5 : 3 : 2

New profit and loss sharing ratio of Alpa and Amay = 1 : 4

Gain = New share - Old share

$$\text{Alpa's gain} = \frac{1}{5} - \frac{3}{10} = \frac{2-3}{10} = -\frac{1}{10} \text{ (Sacrifice)}$$

$$\text{Aamay's gain} = \frac{4}{5} - \frac{2}{10} = \frac{8-2}{10} = \frac{6}{10}$$

(2) : Calculation of goodwill :

Ajay is retiring, so goodwill receivable by him =  $\frac{5}{10} \times 1,00,000 = 50,000$

Alpa's sacrifice  $\frac{1}{10}$  share, therefore amount of goodwill receivable by her  
 =  $\frac{1}{10} \times 1,00,000 = 10,000$

Aamay is gaining, so goodwill contributed by him =  $\frac{6}{10} \times 1,00,000 = 60,000$

**Journal Entries**

Date	Particulars	L.F.	Debit (₹)	Credit (₹)
—	Aamay's capital A/c Dr		60,000	
	To Ajay's capital A/c			50,000
	To Alpa's capital A/c			10,000

Explanation : Retiring partner Ajay as well as Alpa from the continuing partners sacrifice their profit share and therefore they receive goodwill by their sacrifice while Aamay gains, therefore he will give goodwill by his gain.

Note : (1) Decrease in the value of investment is ₹ 15,000 while there is investment fluctuation fund against it and it is ₹ 20,000 . Therefore the balance of investment fluctuation fund after writting off the decrease in investments 15,000 is 5000, which is credited to all the partners' capital accounts in their old profit and loss sharing ratio. For this following journal entry is passed :

Investment fluctuation fund A/c Dr...	20,000	
To Investments A/c		15,000
To Ajay's capital A/c		2500
To Alpa's capital A/c		1500
To Aamay's capital A/c		1000

(2) Claim of workmen compensation accepted is 20,000 against the workmen compensation reserve of ₹ 30,000 and balance of reserve ₹ 10,000 is distributed among all the partners in their old profit and loss sharing ratio.

Workmen compensation reserve A/c Dr...	30,000	
To workmen compensation claim A/c		20,000
To Ajay's capital A/c		5000
To Alpa's capital A/c		3000
To Aamay's capital A/c		2000

45. Pagedar Sugar Limited of Nagpur issued 12,00,000 equity shares in the public of Rs.10 each. Company received applications for 13,50,000 shares. Shares were allotted at a meeting of board of directors. Excess share applications were rejected and amount received thereon was refunded.

Amount called up against shares was as under:

On application Rs.2.50 per share,

on allotment Rs.2.50 per share,

On first call Rs.2 per share,

On Enal call Rs.3 per share.

Aishwarya, who was allotted 960 shares, could not my first call and final call money, where Vinay, who was allotted 1,200 shares, could not pay final call money. Except this, all sums due from other shareholders were received.

Aishwarya and Vinay had paid their arrears amount to company otherwards.

Pass necessary journal entries to record above transactions in the books of company without giving effect of interest.

**Ans. :**

**Journal entries in the book of Pagedar Sugar Limited**

Date	Particulars	L.F	Debit(Rs.)	Credit(Rs.)
1.	Bank A/c To Equity share application A/c (Being receipt of application money on 13,50,000 equity shares at Rs.2.50 per share)	D r.	33,75,000	33,75,000
2.	Equity share application A/c To Equity share capital A/c To Bank A/c (Being transfer of application money to share capital account and money refunded on rejected shares)	D r.	33,75,000	30,00,000 3,75,000
3.	Equity Share allotment A/c To Equity share capital A/c (Being allotment money is due on 12,00,000 equity share at Rs.2.50 per share)	D r.	30,00,000	30,00,000
4.	Bank A/c To Equity share allotment A/c (Being receipt of full amount of share allotment)	D r.	30,00,000	30,00,000
5.	Equity share first call A/c To Equity share capital A/c (Being first call of Rs.2 per share is due on 12,00,000 shares)	D r.	24,00,000	24,00,000
6.	Bank A/c Calls in arrears A/c To Equity share first call A/c	D r. D r.	23,98,080 1,920	24,00,000



	(Being receipt of share final call amount on all shares except 960 shares held by Aishwarya)			
7.	Equity share final call A/c To Equity share capital A/c (Being final call of Rs.3 per share is due on 12,00,000 shares)	D r.	36,00,000	36,00,000
8.	Bank A/c Calls in arrears A/c To Equity share final call A/c (Being amount received on all shares except 960 shares held by Aishwarya and 1200 shares held by Vinay)	D r. D r.	35,93,520 6,480	36,00,000
9.	Bank A/c To Call in arrears A/c (Being arrears amount on shares received from Aishwarya and Vinay)	D r.	8,400	8,400
	<b>Total</b>		<b><u>2,47,58,400</u></b>	<b><u>2,47,58,400</u></b>

46. Authorised capital of Mewada Ltd. of Himatnagar was divided into 4,00,000 equity shares Of Rs.10 each. Out of this, company issued 3,00,000 equity shares. Amount called up per share was under:

Rs.4 on application,  
Rs.3 on allotment,  
Rs.3 on final call

Company received applications for 3,650,000 shares. Excess applications were rejected and money paid thereon was refunded to applicants. All the sums due on allotment and final call were received in full except final call on 2,000 equity shares held by Aasha.

Pass journal entries in the books of company to record above transactions. Also prepare equity share capital account, equity share application account, equity share allotment account and equity share final call account.

**Ans. :**

**Journal entries in the books of Mewada Limited**

Date	Particulars	L.F.	Debit(Rs.)	Credit(Rs.)
1.	Bank A/c To Equity share application A/c (Being money received on application for 3,60,000 shares at Rs.4 per share)	D r.	14,40,000	14,40,000
2.	Equity share application A/c	D r.	14,40,000	

	To Equity share capital A/c To Bank A/c (Being transfer of share application money to share capital account and refund of rejected application money)			12,00,000 2,40,000
3.	Equity share allotment A/c To Equity share capital A/c (Being allotment money is due on 3,00,000 equity share at Rs.3 per share)	D r.	9,00,000	9,00,000
4.	Bank A/ c To Equity share allotment A/c (Being money received of allotted shares application)	D r.	9,00,000	9,00,000
5.	Equity share final call A/c To Equity share capital A/c (Being the amount due on final call at Rs.3 per share on 3,00,000 shares)	D r.	9,00,000	9,00,000
6.	Bank A/c (2,98,000 x Rs.3) Calls in arrears A/c To Equity share final call A/c (Being full amount is received on final call except on 2,000 shares held by Asha)	D r. D r.	8,94,000 6,000	9,00,000
	<b>total</b>		<b>64,80,000</b>	<b>64,80,000</b>

**In the ledger of mevada Limited**

Dr. Equity Share Capital Account				Cr.			
Date	Particular	L.F.	Amt. (Rs.)	Date	Particular	L.F.	Amt.(Rs.)
				2	By Equity share application A/c		12,00,000
				3	By Equity share Allotment A/c		9,00,000
	By Balance c/d		30,00,000	5	By Equity share Final call A/c		9,00,000
			<u>30,00,000</u>				<u>30,00,000</u>
			0				

Dr. Equity Share Application Account				Cr.			
Date	Particular	L. F.	Amt.(Rs.)	Date	Particular	L.F.	Amt. (Rs.)
2	To e. sh. capital A/c		12,00,000	1	By bank A/c		14,40,000
							0

2	To bank A/c		2,40,000				
			<u>14,40,000</u>				<u>14,40,000</u>
							<u>0</u>

Dr. **Equity Share Allotment Account** Cr.

Date	Particular	L. F.	Amt.(Rs.)	Date	Particular	L.F.	Amt. (Rs.)
4	To Eq. sh. capital A/c		9,00,000	3	By bank A/c		9,00,000
			<u>9,00,000</u>				<u>9,00,000</u>

Dr. **Equity share final call Account** Cr.

Date	Particular	L. F.	Amt.(Rs.)	Date	Particular	L.F.	Amt. (Rs.)
5	To Eq. sh. capital A/c		9,00,000	6	By Bank A/c		8,94,000
				6	By calls in arrears A/c		6,000
			<u>9,00,000</u>				<u>9,00,000</u>

### Section F

\* **Answer The Following Essay Type Questions.**

[22]

47. Brahma and Vishnu are partners of a firm sharing profit-loss in the proportion 3:2. From the trial balance dated 31-3-2017 and adjustments, prepare annual accounts of the firm:

Trial Balance of Partnership Firm of Brahma and Vishnu as on 31-3-2017

Particulars	Amt. (Rs.)	Particulars	Amt. (Rs.)
Drawings : Brahma	5,000	Capital Accounts : Brahma	55,000
Vishnu	5,000	Vishnu	45,000
Leasehold building (from 1-4-16 for 10 years)	60,000	Loan of Brahma (from 1-7-2016)	50,000
Machinery (Office)	50,000	Discount received	400
Discount allowed	350	Creditors	25,000
Debtors	40,000	Commission	2,500
Carriage outward	1,200	Bills payable	5,000
Furniture-fixtures	5,000	Trading A/c	97,250
Salary	7,500		
Bad debts	1,200		
Bills receivable	20,000		
Trading expense	5,900		
Cash balance	6,000		
Stock (31-3-17)	73,000		
	<u>2,80,150</u>		<u>2,80,150</u>

Adjustments:

- Provide depreciation 6% on machinery and 20% on furniture fixtures.
- Written off Rs. 500 from debtors as bad debts.
- Annual salary of Rs. 5,000 and Rs. 4, 000 payable to Brahma and Vishnu respectively.

4. Commission Rs. 500 is receivable.
5. Outstanding salary Rs. 3,000.

Ans. :

<b>Profit and Loss Appropriation Account for the partnership firm of Brahma and Vishnu for the year ending on 31-3-2017</b>			
Dr.		Cr.	
Particulars	Amt. (Rs.)	Particulars	Amt. (Rs.)
<b>Administrative expenses :</b>		By Trading A/c (Gross Profit)	97,250
To Salary 7,500		By Discount received	400
+ Unpaid salary <u>3,000</u>	10,500	By Commission 2,500	
To Trading expenses 5,900		+ O/S Commission <u>500</u>	3,000
<b>Selling dis. Expenses :</b>			
To Discount allowed 350			
To Carriage outward 1,200			
<b>Financial expenses :</b>			
Int. on loan of Brahma 2,250			
<b>To other exp. and losses:</b>			
Bad debts (TB) 1,200			
Bad debts (A) <u>500</u>	1,700		
<b>To depreciation:</b>			
Machinery 3,000			
Furniture and Fixtures <u>1,000</u>	4,000		
To Written off leasehold building 6,000			
To Prom and Loss App. A/c (net profit) 68,750			
	<u>1,00,650</u>		<u>1,00,650</u>

<b>Profit and Loss Appropriation Account for the partnership firm of Brahma and Vishnu for the year ending on 31-3-2017</b>			
Dr.		Cr.	
Particulars	Amt. (Rs.)	Particulars	Amt. (Rs.)
To Salary		By Profit and Loss A/c (net profit)	68,750
Brahma 5,000			
Vishnu <u>4,000</u>	9,000		
To Partners capital A/c (Divisible profit)			
Brahma 35,850			
Vishnu <u>23,900</u>	59,750		
	<u>68,750</u>		<u>68,750</u>

<b>Partnership Capital Account</b>							
Dr.				Cr.			
Date	Particulars	Brah ma (Rs.)	Vishnu (Rs.)	Date	Particulars	Brah ma (Rs.)	Vishnu (Rs.)

31.3.17	To Drawing A/c	5,000	5,000	01.4.16	By Balance b/d	55,000	45,000
31.3.17	To Balance c/d	90,850	67,900	31.3.17	By Salary A/c	5,000	4,000
				31.3.17	By Profit and Loss Appro. A/c (Divisible Profit)	35,850	23,900
		<u>95,850</u>	<u>72,900</u>			<u>95,850</u>	<u>72,900</u>

**Balance sheet of partnership firm of Brahma and Vishnu as on 31-3-2017**

Capital-Liabilities		Amt. (Rs.)	Assets-Receivables		Amt. (Rs.)
<b>Capital Accounts :</b>			<b>Non-current Assets:</b>		
Brahma	90,850		<b>Fixed Assets :</b>		
Vishnu	<u>67,900</u>	1,58,750	Machinery	50,000	47,000
<b>Non-current Liabilities :</b>			- depr.	<u>-3,000</u>	
Brahma's loan		50,000	Furniture and Fixtures	5,000	
<b>Current Liabilities :</b>			- depr.	<u>-1,000</u>	4,000
Creditors		25,000	Leasehold building	60,000	
Bills Payable		5,000	- Written off	<u>6,000</u>	54,000
Interest on Brahma's loan		2,250	<b>Current Assets :</b>		
O/s Salary		3,000	Closing stock of goods		73,000
			Debtors	40,000	
			- B.D. (A)	<u>-500</u>	39,500
			Bills receivable		20,000
			Cash balance		6,000
			O/s commission		500
		<u>2,44,000</u>			<u>2,44,000</u>

48. Following balances are extracted from books of Star Ltd. Prepare balance sheet as per Schedule-III of Companies Act, 2013 as at 31-3-2017.

BALANCES	(₹)
Accrued commission	20,000
Land-building	10,00,000
Equity share capital	10,00,000
Bank balance	45,000
General reserve	20,000
Closing stock	1,80,000
Creditors	4,00,000
Debtors	2,30,000
10% Debentures	1,30,000
Debenture redemption fund investments	30,000
Custom deposit	1,25,000
Gratuity fund	20,000

Provision for taxation

60,000

Ans. :

## Balance Sheet of Star Ltd. as at 31-3-2017

Particulars	Note No.	Amt. (₹)	Amt. (₹)
<b>I Equity and Liabilities :</b>			
<b>(1) Shareholders' funds :</b>			
(a) Share capital (Equity share capital)		10,00,000	
(b) Reserves and surplus (General reserve))		20,000	10,20,000
<b>(2) Non-current liabilities :</b>			
(a) Long-term borrowings (10 % Debentures)		1,30,000	
(b) Other long-term liabilities		—	
(c) Long-term provisions (Gratuity fund)		20,000	1,50,000
<b>(3) Current liabilities</b>			
(a) Short-term borrowings		—	
(b) Trade payables (Creditors)		4,00,000	
(c) Others Current Liabilities		—	
(d) Short-term provisions (Provision for tax)		60,000	4,60,000
<b>Total</b>			<b>16,30,000</b>
<b>II Assets :</b>			
<b>(1) Non-current assets :</b>			
(a) Fixed assets			
(i) Tangible (Land-building)		10,00,000	
(ii) Intangible		—	
(b) Non-current investments		30,000	
(Debenture redemption fund investments)			
(c) Long-term loans-advances (Custom deposit)		1,25,000	
(d) Other non-current assets		—	11,55,000
<b>(2) Current assets :</b>			
(a) Current investments		—	
(b) Inventory (Closing stock)		1,80,000	
(c) Trade receivables (Debtors)		2,30,000	
(d) Cash and cash equivalents (Bank balance)		45,000	
(e) Short-term loans and advances		—	
(f) Other current assets		20,000	4,75,000
<b>Total</b>			<b>16,30,000</b>

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