

II PUC ACCOUNTANCY : THEORY QUESTIONS & ANSWERS FOR 2022-23

I. Multiple Choice Questions :

1. **Not-For-Profit Organizations** are formed for:
 - a) Profit
 - b) Service**
 - c) Profit & Service
 - d) None of these
2. **Receipts and Payments Account** include items of:
 - a) Capital Nature
 - b) Revenue Nature
 - c) Both (a) and (b)**
 - d) None of these
3. **Income and Expenditure Account** include the amounts of:
 - a) Current year**
 - b) Previous Year
 - c) Next Year
 - d) Both current year and previous year
4. **Legacies** are treated as:
 - a) Revenue Receipt
 - b) Capital Receipt**
 - c) Revenue Expenditure
 - d) Capital Expenditure
5. **Life Membership fees** are treated as:
 - a) Capital Receipts**
 - b) Capital Expenditure
 - c) Revenue Receipts
 - d) Revenue Expenditure
6. **Loss on the sale of fixed asset** is treated as:
 - a) Capital Receipts
 - b) Revenue Receipts
 - c) Capital Expenditure
 - d) Revenue Expenditure**
7. **The agreement between the partner** should be in:
 - a) Oral
 - b) Written
 - c) Oral or Written**
 - d) None of the above
8. **Partnership deeds** contain:
 - a) Name of firm
 - b) Name and address of the partners
 - c) Profit and Loss sharing ratio
 - d) All of the above**
9. **When varying amounts are withdrawn at different intervals, the interest is calculated using.**
 - a) Simple Method
 - b) Average Method
 - c) Product Method**
 - d) None of the above
10. **In order to form a Partnership there should be at least:**
 - a) One person
 - b) Two persons**
 - c) Seven persons
 - d) None of the above
11. **The agreement between Partners must be to share:**
 - a) Profits
 - b) Losses
 - c) Profits and Losses**
 - d) None of the above
12. **The liability of a Partner for acts of the firm is:**
 - a) Limited
 - b) Unlimited**
 - c) Both the above
 - d) None of the above.
13. **If new Partner brings cash for his share of goodwill, goodwill is transferred to Old Partners' Capital Account in:**
 - a) Sacrificing ratio**
 - b) Old Profit sharing ratio.
 - c) New Profit sharing ratio
 - d) None of the above.
14. **Profit or loss on revaluation is shared among the partners in the**
 - a) Old profit sharing ratio**
 - b) New profit sharing ratio
 - c) Capital ratio
 - d) Equal ratio
15. **Assets and Liabilities are recorded in Balance Sheet after the admission of a partner at:**
 - a) Original Value
 - b) Revalued Value**
 - c) Realizable value
 - d) None of the above
16. **On the admission of a new partner, the increase in the value of an asset is credited to**
 - a) Revaluation Account**
 - b) Asset Account
 - c) Old Partners Capital Account
 - d) None of the above
17. **The balance of reserves and other accumulated profits at the time of admission of a new partner are transferred to;**
 - a) All partners in the new ratio
 - b) Old partners in the new ratio
 - c) Old partners in the old ratio**
 - d) Old partners in the sacrificing ratio
18. **A and B are partners sharing profits in the ratio of 3:1. C is admitted into partnership for 1/4th share. The sacrificing ratio of A and B will be:**
 - a) Equal
 - b) 3:1**
 - c) 2:1
 - d) 3:2
19. **Amount due to deceased partner is settled in the following manner**
 - a) Immediate full payment
 - b) Transferred to Loan Account
 - c) Partly paid in cash and the balance transferred to Loan A/c
 - d) All of the above.**

43. Comparative statement are also known as
 - a) Dynamic Analysis
 - b) Horizontal Analysis
 - c) Vertical Analysis
 - d) External Analysis
44. Common size statements are also known as
 - a) Dynamic Analysis
 - b) Vertical Analysis
 - c) Horizontal Analysis
 - d) External Analysis
45. Common Size Statements are useful in comparison of
 - a) Intra-firm for the same or several years
 - b) Inter-firm over different years
 - c) Both (a) & (b) above
 - d) None of the above
46. The___ of business firm is measured by its ability to satisfy it's short-term obligations as they become due:
 - a) Activity
 - b) Liquidity
 - c) Debt
 - d) Profitability
47. The two basic measures of liquidity are
 - a) Inventory Turnover and Current Ratio
 - b) Current Ratio and Liquid Ratio
 - c) Gross Profit Margin and Operating Ratio
 - d) Current Ratio and Average Collection Period
48. Examples of cash inflows from investing activities are
 - (a). Cash receipts from disposal of fixed Assets.
 - (b). Interest received in cash from loans and advances
 - (c). Dividend received from investments in other enterprise.
 - (d). All of the above.
49. Which one of the following is not a cash outflow from operating activities?
 - a) Cash payments to suppliers for goods and services
 - b) Cash payments to and on behalf of the employees.
 - c) Cash payments to acquire fixed assets.
 - d) Cash payments to an Insurance Company for premium
50. Which of the following is not a cash inflow from investing activities?
 - a) Cash receipts from disposal of fixed assets.
 - b) Cash receipts from sale of goods and rendering of services
 - c) Interest received in cash from loans and advances
 - d) Dividend received from investments in other enterprises.

II. Fill In The Blanks

1. Not-For-Profit Organizations are used for the welfare of the **Society**.
2. Receipts & Payments Account is the summary of **Cash and Bank** transactions.
3. Subscription is a fee paid by the **Members**.
4. **Legacies** are the amounts received as per the will of the deceased person.
5. Government Grant for maintenance is treated as **Revenue** receipt.
6. Donation for specific purpose are always **Capital Receipt**.
7. Section 4 of Indian Partnership Act, 1932 defines Partnership,
8. A partnership has no separate **Legal** entity.
9. In order to form a partnership, there should be at least **2(Two)** persons.
10. The agreement should be to carry on some **Lawful** business.
11. The liability of a partner for his acts is **Unlimited**.
12. Under fixed capital method, the amount of capital remains **Fixed**.
13. Under fixed capital method, all the transactions relating to a partner are recorded in a separate account called Partners **Current** Account.
14. Old ratio-New Ratio= **Sacrificing Ratio**.
15. Goodwill brought in by new partner in cash is to be distributed among old partners in **Sacrificing** ratio.
16. Goodwill is an **Intangible** asset.
17. New ratio –Old ratio= **Gaining Ratio**
18. Executors account is generally prepared at the time of **Death** of a partner.
19. The period from date of the last Balance sheet and the date of the partner's death is called **Intervening** period.
20. Amount payable to the Executors of the deceased partner is transferred to **Executors Loan A/c**.
21. A company is an **Artificial** Person.
22. Call money received in advance is called **Calls in advance**
23. **7 Members** is minimum number of members in a Public Company.
24. **2 Members** is minimum number of members in a Private Company.
25. Profit on forfeiture of shares is transferred to **Capital Reserve** Account.
26. Debenture holders are the **Creditors** of the Company.
27. Discount of issue of debentures is a **fictitious asset**.
28. Premium on issue of debentures is a **Capital Profit**.
29. 1,000 10% debentures issued at par, 10% means **Rate of interest**.

30. **Financial** statements are the basic and formal annual report.
31. Financial statements include **Statement of Profit & Loss** and Balance Sheet.
32. Income statement and **Balance Sheet (Position Statement)** are the financial statements.
33. The object of preparation of balance sheet is to ascertain **the Financial status of the enterprise**.
34. Share capital appears under the head **Shareholders' Fund**.
35. Capital reserve is shown under **Reserve & Surplus** head.
36. Fixed assets are classified as tangible and **intangible** assets.
37. Comparative analysis is also known as **Horizontal** analysis.
38. Common size analysis is also known as **Vertical** analysis.
39. The term 'financial analysis' includes both 'analysis and **Interpretation**.
40. It is possible to assess the profitability, solvency and efficiency through the technique of **Ratio** analysis.
41. Analysis of actual movement of cash into and out of an organization is called **Cash Flow Analysis**.
42. Quick Ratio is also known as **Acid Test Ratio**.
43. Current ratio is the proportion of current assets to **current liabilities**.
44. **Liquidity** ratios are calculated to measure the short term solvency of the business.
45. The quick assets are those assets which are quickly convertible into **Cash**.
46. Cash Flow Statement shows **inflows and outflows** of cash and cash equivalents.
47. Purchase of any asset by paying cash is **Cash outflow**.
48. Collection of cash from trade receivables is **Cash inflow**.
49. Operating activities constitute the **Primary (main)** activities of an enterprise.
50. **Investing** activities relate to purchase and sale of fixed assets.

III Match The Following.

- | | |
|--------------------------------|--|
| 1. Not-for-profit Organisation | - Service |
| 2. Receipts & Payment Account | - Both capital & Revenue items |
| 3. Hospital | - Not-for-profit Organisation |
| 4. Summary of Cash book | - Receipts & Payments Account |
| 5. Partnership Deed | - Written agreement |
| 6. Fixed Capital System | - Capital A/C balance remains constant |
| 7. Current Account | - Fixed Capital System |

- | | |
|--------------------------------------|---|
| 8. Goodwill | - Intangible asset |
| 9. Sacrifice Ratio | - Admission of a New Partner |
| 10. Gain Ratio | - Retirement of a Partner |
| 11. Executor's Account | - Death of a Partner |
| 12. Realisation Account | - Dissolution of Partnership Firm |
| 13. Dissolution of Partnership Firm | - Closing down the business of the firm |
| 14. Dividend | - The return on Shares |
| 15. Companies Act | - 2013 |
| 16. Debenture | - Acknowledgment of Debt |
| 17. Share Capital | - Shareholders fund |
| 18. Security Premium | - Reserves & Surplus |
| 19. Comparative Statement | - Horizontal Analysis |
| 20. Vertical Analysis | - Common size Statement |
| 21. Working Capital | - Current Assets – Current Liabilities |
| 22. Profitability Ratios | - Percentage |
| 23. Purchase of Fixed asset | - Investing activity |
| 24. Issue of Shares | - Financing activity |
| 25. Payment of salaries to Employees | - Operating activity |

IV. Very Short Answers

1. Donations for specific purposes are always capitalized. **(True)**.
2. Opening Balance Sheet is prepared when the opening balance of capital fund is not given. **(True)**
3. Surplus of Income and Expenditure Account is added to Capital Fund. **(True)**
4. The agreement between partners must be in writing **(False)**.
5. If the partnership deed is silent about the profit sharing ratio, the profit and loss of the firm is to be shared equally. **(True)**
6. In the absence of Partnership Deed, no partner is entitled to get salary. **(True)**
7. Profit and Loss appropriation account is merely an extension of the Profit and Loss Account of a firm. **(True)**
8. Goodwill brought in cash by new partner is distributed among old partners in their Sacrificing ratio. **(True)**
9. Increase in the value of an asset is credited to Revaluation Account. **(True)**
10. Deceased partner's claim is transferred to his Executor's Account. **(True)**

11. Deceased partner may be paid in one lump sum or installments with interest. (True)
12. A company is an artificial person. (True)
13. Shares of a company are generally transferable. (True)
14. Private companies invite the public to subscribe for its shares. (False)
15. Forfeiture of shares is cancellation of the rights of shareholders. (True)
16. Debenture holders have voting rights. (False)
17. Debentures bear fixed interest. (True)
18. Debenture holders are not the members of the company. (True)
19. The financial statement do not show current financial condition of a business.(False)
20. Proposed dividend is shown under the head 'Provisions'. (True)
21. The Financial Statements of business enterprise include Cash Flow Statement. (False)
22. The difference between the inflow and outflow of cash is the net cash flow.(True)
23. Liquidity ratios are essentially short term in nature. (True).
24. According to revised AS-3, preparation and presentation of Cash Flow Statement is mandatory for all listed companies. (True)
25. **What is the Motive of Not-For-Profit Organization?**
Service
26. **State any one major source of income of Not-For-Profit Organization.**
Subscriptions
27. **State any one feature of Receipts and Payments Account**
Summary of Cash book
28. **How do you treat the Life Membership Fees?**
Life membership Fees are capital receipt.
29. **Who is a Partner?**
Partner is a person who had entered into partnership with other.
30. **State any one feature of Partnership.**
Sharing Profits/Losses
31. **Name any one content of Partnership Deed.**
Capital contribution
32. **State any one reason for admission of a new partner.**
To increase the Capital
33. **State any one right acquired by a newly admitted partner**
Right to share the assets or profits of the partnership firm

34. **What do you mean by retirement of a partner?**
A partner is said to be retired from the firm, when his relation with the firm as a partner comes to an end.
35. **Give the formula for calculating Gain Ratio.**
Gaining Ratio=New Ratio-Old Ratio.
36. **Who is an 'Executor'?**
Executor is the legal representative of a deceased partner in a partnership firm.
37. **When do you prepare Executors Account?**
Executors A/c is prepared at the time of death of a partner.
38. **What is intervening period?**
The period from last balance sheet and the date of the partner's death is the intervening period.
39. **How do you close the Executors Account?**
Executors A/c is closed by transferring its balance to Executors Loan A/c.
40. **State any one kind of a company.**
Companies limited by shares/public Company.
41. **What is issue of shares at par?**
Issue of shares at par means issuing shares at a price equal to their face value.
42. **What is issue shares at premium?**
Issue of shares at a premium means issuing shares at a price more than their face value.
43. **When the shares are forfeited?**
For non-payment of allotment or call money due on shares.
44. **Expand D R R.**
DRR= Debenture Redemption Reserve
45. **State any one type/kind of debentures.**
Secured Debentures.
46. **Name any one type of financial statements.**
(a) Statement of Profit & Loss (b) Balance Sheet
47. **Name any one internal user of financial statements.**
Shareholders, Management etc..
48. **State any one type of reserve.**
(a) General Reserve (b) Capital reserve (any one)

49. **State any one object of Financial Statement Analysis.**
To assess profitability and operational efficiency
50. **State any one technique of Financial Statement Analysis.**
Comparative Statements
51. **State any one object of Financial Statement Analysis.**
To assess profitability and operational efficiency
52. **State any one technique of Financial Statement Analysis.**
Comparative Statements
53. **State any one use of ratio analysis.**
(a) Simplify complex figures and establish relationships.
(b) Comparison.
54. **Mention any one limitation of ratio analysis.**
(a) Ignores price level changes (b) Does not consider the size of the business. (c) Doesn't incorporate uniform accounting policies. (Any one)
55. **Mention any one type of ratio**
Liquidity Ratio, Current Ratio
56. **Expand EPS.**
EPS: Earnings Per Share.
57. **Give an example for investing activities.**
Purchase of fixed assets
58. **Give an example for cash inflows from financing activities.**
Cash proceeds from issuing shares.
59. **Give an example for cash outflows from financing activities.**
Cash repayment of amounts borrowed
60. **Expand ICAI.**
ICAI- Institute of Chartered Accountants of India.

TWO MARKS QUESTIONS (Including Repeated Since 2015) WITH ANSWERS

A. Meanings:

1. **Give the meaning of Not-for Profit Organisations. (2022,S-2019, 2015)**
Not-For-Profit organizations refer to those which are formed to render social services and are set up as charitable institution which function without any motive of profit.

2. **What is Honorarium?**
Honorarium is the amount paid to the person who is not the regular employee of the organization, for his services.
3. **What are the methods of maintaining capital accounts of partners?**
(a) Fixed Capital Method (b) Fluctuating Capital Method
4. **What is Fluctuating Capital system. (2022, 2016)**
Fluctuating capital method is a method of maintaining Partners capital accounts, in which all adjustments relating to partners are recorded in their Capital Accounts.
5. **Define partnership. (2018, 2019, S-2022, 2021)**
According to Sec 4 of the Indian Partnership Act – 1932 "Partnership is the relation between persons who have agreed to share the profits of a business carried on by all are any of them acting for all"
6. **What is Profit and Loss Appropriation account? (2017)**
Profit and Loss Appropriation A/c is the extension of P & L A/c which shows the appropriation of profits among the Partners after making necessary adjustments.
7. **What is Partnership Deed? (2018)**
Partnership Deed is the written agreement on stamp paper containing terms of Partnership, duly signed by all Partners.
8. **State any two reasons for admitting a new partner.**
(a) To increase the capital (b) To improve the managerial ability
9. **What is Sacrifice Ratio. (S-2022, S-2020)**
It is the Ratio in which the old Partners Sacrifice or surrender a part of their share of profits to the new partner on account of admission. (Sacrifice Ratio = Old Share – New Share).
10. **Give the meaning of Financial Statements (2019, S-2022)**
Financial statements are the basic and formal annual reports through which the corporate management communicates financial information to its owners and various other external parties.
11. **What is Forfeiture of Shares? (2019, 2016)**
Cancellation of the right of a shareholder on shares held by him due to non-payment of money due on such shares

12. **What is Dissolution of a Partnership Firm. (2018)**
All the partners of the firm cut off their connections or relation with the firm and the business of the firm is closed down.
13. **What do you mean Financial Statement Analysis ?**
The process of critical evaluation of the financial information contained in the financial statements in order to understand and make decisions regarding the operations of the firm is called Financial Statement Analysis.
14. **Name any two users of Financial Statement Analysis.(2020)**
a) Finance manager b) Top management
15. **What is Under Subscription?(2022, 2015)**
When the number of shares applied for is less than the number of shares for which applications have been invited for subscription, there is said to be under subscription
16. **What do you mean by Common Size Statement. (S-2020)**
These are the statements which indicate the relationship of different items of a financial statements with a common item by expressing each item as a percentage of that common item.
17. **What do you mean by Operating Activities. (S-2020)**
Operating activities are the activities that constitute primary or main activities of an enterprises.
18. **What do you mean by Investing Activities. (S-2019)**
Investing activities are the activities relating to purchase and sale of long term assets.
19. **What is meant by Fixed Capital System? (2015)**
Fixed Capital Method is a method of maintaining Partners capital a/cs, in which the capital balances of the Partners shall remain fixed. All adjustments relating to Partners are recorded in a separate account called Partners Current Accounts.
20. **What is Over Subscription ?**
When the public apply for more shares than those offered to them there is said to be over subscription.
21. **What are Legacies? (2016)**
Legacies are the gifts received by Not for Profit Organisation under a will, on the death of a donor.

B. Types, Methods, Techniques, Categories, Items, for 2 Marks:

1. **Name any two books of accounts maintained by Not-For-Profit Organisation**
a). Cashbook b). Journal c). Ledger
2. **What are the methods of maintaining capital account of partners? (2020, S-2020)**
a). Fixed capital system b). Fluctuating capital system.
3. **State any two final accounts of a Partnership firm.**
a). Profit and Loss account. b). Balance sheet
4. **Name any methods for calculation of Interest on Drawings**
a). Average period method. b). Product method.
5. **State any two special aspects of Partnership accounts.**
a). Maintenance of Partners capital accounts b). Dissolution of partnership
6. **Name any two contents of Partnership Deed. (2019)**
a). Name and addresses of the partners b). Profit and loss sharing ratio
7. **State any two methods of Valuation of Goodwill. (2017)**
a). Average profit method b). Super profit method
8. **State any two rights acquired by a New Partner. (2019, 2020)**
a). Right to share in the assets of the partnership firm.
b). Right to share in the profits of the partnership firm.
9. **State any two factors which determine the Goodwill of the firm. (2016)**
a). Nature of the business b). Location of the business
10. **State any two methods or types of Issue of Shares. (2018 ,S-2022, S-2020)**
a). Issue at par b). Issue at premium
11. **State any two categories of Share Capital (2020,2022,2021)**
a). Called up capital b). Paid Up Capital
12. **Mention two types of Financial Statements. (2018, 2020, 2016)**
a). Balance sheet (Position Statement) b). Statement of profit and loss.
13. **State any 2 postulates (Concepts) .**
a). Going concern postulate or concept.
b). Money measurement postulate or concept.

14. **Mention any two items which are shown under the head 'Reserves and Surplus'. (2021)**
a). Capital Reserve b). General Reserve.
15. **List any two tools or technique of financial statement analysis. (2019, 2022, S-2019, 2017, 2018)**
a). Comparative Statements b). Common size statements
c). Ratio analysis
16. **Mention any two Activities which are Classified as per AS-3. (2019, 2020, S-2022)**
a). Operating activities b). Investing activities c). Financing activities.
17. **Give the two reasons for Admitting a New Partner. (2022)**
a) To increase the Capital b) To improve the Managerial ability

C. Features and Objectives Questions For (2 Marks)

1. **State any two features of Not-for Profit Organization**
a). They do not undertake business or trading activities.
B). The funds raised by such organisations through various sources are credited to capital fund .
2. **State any two features of Receipt and Payment Account. (2019, 2020)**
a). It is a real account
b). It is start with opening cash or bank balance and ends with closing cash and bank balance.
3. **State any two features of Income and Expenditure Account.**
a). It is a nominal account. b). This account similar to profit and loss
4. **State any two features of Partnership.(S-2019)**
a) **Two or More Partners:** The minimum members of a partners can be two.
b) **Sharing Profits:** The agreement between the partners must be to share profits of the business.
5. **State any two features of Company? (S-2019)**
a) **Body Corporate:** A company is formed according to the provisions of law enforced from time to time.
b) **Separate Legal Entity:** Which is distinct and separate from its members
c) **Limited Liability:** The Liability of the members of the company is limited to extent of unpaid amount of shares held by them.

6. **State any two features of Financial Statements.**
a) **Recording facts:** Its prepared on the basis of facts in the form of cost data recorded in accounting books.
b) **Accounting conventions:** Certain accounting conventions are followed while preparing financial statements.

D. Chapter wise Objective Questions:

1. **Write any two objectives of Financial Statements. (2019, 2021, S-2020)**
a) To provide information about the earning capacity of the business.
b) To provide information about cash flows
2. **State any two objectives of Financial Statement Analysis. (S-2022)**
a) To know the earning capacity of the firm
b) To know the financial position of the firm.
3. **Write any two objectives of preparing Cash Flow Statement. (2022)**
a) Provides information about the cash flows(inflows and outflows) of an enterprise.
b) Helpful for short-term planning, for preparing cash budget.

E. Merits and Demerits questions for 2 Marks:

1. **State any two benefits of Financial Statements.**
a) Basis for fiscal policies b). Helps Stock exchanges
2. **State any two importance of Financial Statement Analysis. (2015)**
a) **Lenders:** Help to the lenders who provide long-term finance to the business enterprises.
b) **Investors:** help the prospective investors , who would like to know the earning capacity and financial position of the enterprises before investing their funds on the shares of the company.
c) **Trade Payables or Creditors:** Financial analysis is very helpful to trade payables or trade creditors or suppliers of goods.
3. **State any two Users of Financial Statement Analysis. (2019, 2020)**
a) Finance manager b). Top Management.
4. **State any two uses of Cash flow statement.**
a) Helps in balancing its cash inflow and cash outflow, keeping in changing condition
b) It Provides information that enables users to evaluate changes in net assets of an enterprise.

5. **Give any two limitations of Financial Statements. (2022, S-2019)**
 a) **Do not reflect current situation:** Prepared on the basis of historical cost.
 b) **Assets may not realise:** Accounting is done on the basis of certain conventions. Some of the assets may not realise the state value.
 c) **Aggregate information:** It show only aggregate information but not detailed information.
6. **State any two limitations of Financial Statement Analysis.**
 a) Does not consider price level changes
 b) Is just a study of reports of the company

F. Journal entry for 2 Marks.

I. Journal entry questions On Dissolution of Partnership:

- A. **Transfer of assets: (2022)**
 Realisation A/c Dr. xxx
 To Each asset A/c xxx
 (Being assets transferred)
- B. **Transfer of a Outside Liability to Realisation account**
 Concerned liability A/c Dr. xxx
 To Realisation A/c xxx
 (Being Liabilities transferred)
- C. **Unrecorded Liability paid on Dissolution of a firm (2020)**
 Realisation A/c Dr. xxx
 To Cash/Bank A/c xxx
 (Being Unrecorded liability paid)
- D. **Realisation or Sale of Assets**
 Cash/Bank A/c Dr. xxx
 To Realisation A/c xxx
 (Being assets realised or sold)
- E. **Unrecorded Asset Realised on Dissolution of a Firm**
 Cash/Bank A/c Dr. xxx
 To Realisation A/c xxx
 (Being unrecorded realized or sold)
- F. **Payment of a liability on Dissolution of a firm**
 Realisation A/c Dr. xxx
 To Cash/Bank A/c xxx
 (Being liability paid)

- G. **Realization/Dissolution Expenses paid by the Firm**
 Realisation A/c Dr. xxx
 To Cash/Bank A/c xxx
 (Being dissolution or realization expenses paid by the firm)
- H. **Realisation Expenses paid by the Partner on behalf of the firm**
 Realisation A/c Dr. xxx
 To Partner's Capital A/c xxx
 (Being realisation expenses paid by the partner)
- I. **An asset taken over by a Partner on Dissolution of a firm (2019, 2021,S-2019, 2016)**
 Partner's capital A/c Dr. xxx
 To Realisation A/c xxx
 (Being asset taken over by the partner)
- J. **Liability taken over by a Partner on Dissolution of a firm (S-2022, S-2020)**
 Realisation A/c Dr. xxx
 To Partner's capital A/c xxx
 (Being liability taken over by the partner)
- K. **Transfer of Profit on Realisation**
 Realisation A/c Dr. xxx
 To All Partner's capital accounts xxx
 (Being realisation profit transferred to partners capital accounts)
- L. **Transfer of Loss on Realisation**
 All Partners capital A/c Dr. xxx
 To Realisation A/c xxx
 (Being realisation loss transferred to partners capital accounts)
- M. **Payment of partner's Loan on Dissolution of a Firm. (2015)**
 Partner's Loan A/c Dr. xxx
 To Cash/Bank A/c xxx
 (Being partners loan paid)
- N. **Transfer of accumulated profit to Partner's capital A/c on Dissolution of a firm.**
 Accumulated profit A/c Dr. xxx
 To Partners capital A/c xxx
 (Being accumulated profit transferred to partners capital accounts)

- O. **Give the journal entry for sale of machinery on dissolution of a firm. (2019)**

Cash/Bank A/c Dr xxx
 To realization A/c xxx
 (Being sale of machinery)

- P. **How do you treat PBD on Dissolution of a firm?**

It is credited to realisation account. **OR**
 PBD A/c Dr. xxx
 To Realisation A/c xxx
 (Being PBD transferred)

II. Journal entry questions On Admission of a partner:

1. **Pass the journal entry for the decrease in the value of liability.**

Liability A/c Dr. xxx
 To Revaluation A/c xxx
 (Being decrease in the value of liability)

2. **Pass the journal entry for increase in the value of building on the admission of a partner.**

Building A/c Dr. xxx
 Revaluation A/c xxx
 (Being Increase in the value of building)

3. **How do you close Revaluation account when there is a profit ? (2018)**

Revaluation account is debited to old partners capital accounts in their old ratio. **OR**

Revaluation A/c Dr xxx
 To Old Partners Capital A/cs xxx
 (Being Profit transferred)

4. **Pass the journal entry to write off goodwill raised to the extent of full value.**

(a) **For distribution of goodwill to old partners:**

Goodwill A/c Dr. xxx
 To Old partners capital a/c's xxx
 (Being Goodwill written off)

- (b) **Writing off Goodwill**

All Partners Capital A/c's Dr xxx
 To Goodwill A/c xxx
 (Being Goodwill written off by all partners in their new ratio)

5. **Give the journal entry for increase in the value of an asset in case of admission of a partner. (2018)**

Revaluation A/c Dr. xxx
 To Concerned Asset A/c xxx
 (Being asset value increased)

G. Simple Problems for (2 Marks):

1. Goodwill of the firm valued at two years Purchase of the Average profit of last four years. The total profits for last four years is Rs. 40,000. Calculate the goodwill of the firm. (2019,S-2019). S

Solution :

$$\text{Average Profit} = \frac{\text{Total Profits}}{\text{No of Years}}$$

$$= \frac{40,000}{4} = 10,000$$

$$\text{Goodwill} = \text{Average Profit} \times \text{No. of Purchase years}$$

$$= 10,000 \times 2$$

$$= 20,000$$

2. Give the Absolute increase and percentage increase for the following:

	Previous Year	Current Year
Revenue from operations	60,000	75,000

Solution

$$\text{Absolute increase} = 75,000 - 60,000 = \text{Rs. } 15,000$$

$$\text{Percentage Increase} = 15,000 \times 100 \div 60,000 = 25\%$$

3. **If Revenue from Operation are Rs. 48,000, opening Trade Receivables are Rs. 8,000 and closing Trade Receivable are 6,000, Calculate cash receipts from customers. (2019)**

Solution :

Cash receipt from customers = Revenue from operation + Trade receivable in the beginning – Trade receivable in the end

Cash receipt from customers = 48,000 + 8,000 - 6,000 = **Rs. 50,000**

4. **If purchases are Rs. 72,000, opening trade payables are Rs. 12,000 and closing trade payables are Rs.9,000. Calculate cash payments to suppliers.**

Solution :

Cash payment to supplier = Purchases + Trade payables in the beginning – Trade payables in the end.

Cash payment to supplier = 72,000 + 12,000 – 9,000 = **75,000**

H Differences, Chapter wise Questions for 2 Marks;

1. **State two differences between Receipts and Payments Account and Income & Expenditure Account. (S-2022)**

Receipts and Payments Account

1. It is a Real account
2. It is summary of Cash Receipts and Payments
3. It take both Capital and Revenue items.

Income and Expenditure Account

1. It is a Nominal Account
2. It is a summary of Incomes and Expenses.
3. It takes only Revenue items.