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21

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2026

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BOOK-KEEPING AND ACCOUNTANCY

STD. XII

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1. Format of the Question Paper at the beginning of the book
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   (a) Guidance on how to attempt the Question
   (b) Solved Problems with detailed Working Notes
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UNIT-WISE DISTRIBUTION OF MARKS

Sr. No.	Unit/Sub-unit	Marks		Marks	
		Problem	Objective	Problem	Objective
1.	Introduction to Partnership & Partnership Final Accounts	12	04	12	04
2.	Accounts of 'Not for Profit Concern'	12	04	12	04
3.	Reconstitution of Partnership (Admission of Partner)	20	02	40	02
4.	Reconstitution of Partnership (Retirement of Partner)		02		02
5.	Dissolution of Partnership Firm		02		02
6.	Bills of Exchange		02		02
7.	Reconstitution of Partnership (Death of Partner)	16	01	32	01
8.	Company Accounts : Issue of Shares		01		01
9.	Analysis of Financial Statements		01		01
10.	Computer in Accounting		01		01
	Total	**60**	**20**	**96**	**20**
	Grand Total	**80**		**116**	

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Published by Navneet Education Limited, Dantali, Gujarat.
Printed by Navneet Education Limited, Dantali, Gujarat.

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CTP
(11-10-25)

Q. No.	Nature of Question	Marks per Que.	No. of Qs. to Attempt	Marks	
				Without Option	With Option
1.	**From the following types of sub-questions any 4 will be asked.**				
	(A) Select the Correct Option and Rewrite the Sentence	1	5	20	20
	(B) Give One Word/Phrase/Term	1	5		
	(C) State True or False with Reasons	2 1/2	5		
	(D) Find the Odd One	1	5		
	(E) Complete the Sentences	1	5		
	(F) Answer in One Sentence Only	1	5		
	(G) Do You Agree or Disagree with the Following Statements?	1	5		
	(H) Calculate the Following	1	5		
	(I) Give Specimen of Bill of Exchange	5	5		
	(J) Complete the Following Table	1	5		
2.	**Solve any one from the following :** Admission of a Partner/Retirement of Partner/ Dissolution of Partnership Firm/Bill of Exchange **(Any Two problems will be asked)**			10	20
3.	**Solve any one from the following :** Admission of a Partner/Retirement of Partner/Dissolution of Partnership Firm/ Bill of Exchange **(Any Two remaining problems from Q. 2. will be asked)**			10	20
4.	**Solve any one from the following :** Death of a Partner/Issue of Shares/ Analysis of Financial Statements/ Computer Accounting **(Any Two problems will be asked)**			8	16
5.	**Solve any one from the following :** Death of a Partner/Issue of Shares/ Analysis of Financial Statements/ Computer Accounting **(Any Two remaining problems from Q. 4. will be asked)**			8	16
6.	Problem on 'Not for Profit Concern'			12	24
7.	Problem on 'Partnership Final Accounts'			12	24
	Total			**80**	**140**

(2) Decrease in the value of assets should be _____ to Profit and Loss adjustment account. **(Ch. 3)**

(a) debited (b) credited (c) added (d) equal

(3) Excess of proportionate capital over actual capital represents _____ . **(Ch. 3)**

(a) Equal capital (b) Surplus capital (c) Deficit capital (d) Gain

(4) Subscription received in advance during the current year is _____ . **(Ch. 2)**

(a) an income (b) an expense (c) an asset (d) a liability

(5) When there is no Partnership Agreement between partners, the division of profits takes place in _____ ratio. **(Ch. 1)**

(a) equal *(b) capital*

(c) initial contribution *(d) experience and tenure of partners*

Ans.

(1) The balance on the capital account of a partner on his death is transferred to Legal heir's Loan/Executor's loan account.

(2) Decrease in the value of assets should be debited to Profit and Loss adjustment account.

(3) Excess of proportionate capital over actual capital represents Deficit capital.

(4) Subscription received in advance during the current year is a liability.

(5) When there is no Partnership Agreement between partners, the division of profits takes place in equal ratio.

(C) Write a word/term/phrase as a substitute for each of the following statements : **(5)**

Note : In this sub-question, five statements from different chapters will be asked. Write correct word/term/phrase. Do not change the order of statements. ***Each correct answer carries 1 mark; Total 5 marks.***

(1) An asset which can be converted into cash immediately. **(Ch. 1)**

(2) Debit balance of Realisation Account. **(Ch. 6)**

(3) The ratio in which general reserve is distributed to the old partners. **(Ch. 3)**

(4) Excess of total assets over total liabilities of a non-for-profit concern. **(Ch. 2)**

(5) The account in which selling expenses of business are recorded in final account. **(Ch. 1)**

Ans. (1) Current/Liquid Asset (2) Loss on Realisation

(3) Old Profit and Loss Ratio (4) Capital Fund (5) Profit and Loss A/c

They admitted Kishor into the partnership on 1st April, 2020 the terms being that :

(1) He shall have to bring in ₹ 1,00,000 as his capital for 1/5th share in future profit and ₹ 50,000 as his share of goodwill.

(2) Stock should be appreciated by 5% and building be appreciated by 20%.

(3) Furniture to be depreciated by 20%.

(4) A provision for 5% doubtful debts to be created on debtors.

(5) Capital account of all partners be adjusted in their new profit sharing ratio through cash account.

Prepare : (a) Profit and Loss adjustment account

(b) Partners Capital account (c) Balance sheet of new firm

Solution : **In the books of Sachin and Santosh**

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

Particulars		Amount (₹)	Particulars	Amount (₹)
To Furniture A/c		11,000	By Stock A/c	5,000
To R.D.D. A/c		8,000	By Land and Building A/c	16,000
To Loss on Revaluation transferred to Partners' Capital A/cs :				
Sachin	1500			
Santosh	500	2,000		
		21,000		21,000

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

Particulars	Sachin (₹)	Santosh (₹)	Kishore (₹)	Particulars	Sachin (₹)	Santosh (₹)	Kishore (₹)
To Cash A/c	69,000	23,000	–	By Balance b/d	3,00,000	1,00,000	–
To Balance c/d	3,00,000	1,00,000	1,00,000	By General Reserve A/c	30,000	10,000	–
				To Cash A/c	–	–	1,00,000
				By Goodwill A/c	37,500	12,500	–
				By Profit and Loss Adjustment A/c	1500	500	–
	3,69,000	1,23,000	1,00,000		3,69,000	1,23,000	1,00,000

OR

Note : For the question on **Dissolution of Partnership Firm**, students are expected to prepare Journal Entries or Ledger Accounts such as Realisation Account, Partners' Capital Accounts and Cash Account or Bank Account. In case of insolvency of all partners, additional account called Deficiency Account is also required to be prepared. In such case, external liabilities such as Sundry Creditors, Bank Loan, Bills Payable, etc. are not transferred to Realisation Account. They are dealt separately. ***Total 10 marks.***

Q. 2. Akshad, Aditya and Abha are partners. They share profits and losses equally. Their balance sheet as on 31 March, 2022 was as follows : (Ch. 6)

Balance Sheet as on 31st March, 2022

Liabilities	Amount (₹)	Assets		Amount (₹)
Creditors	50,500	Machinery		53,000
Reserve fund	22,500	Stock		32,000
Bills payable	15,000	Bills Receivable		47,000
Capital Accounts :		Cash at Bank		21,000
Akshad	65,000	Debtors	28,000	
Aditya	40,000	Less : R.D.D.	3,000	25,000
		Abha's Capital		15,000
	1,93,000			1,93,000

On 31st March, 2022 it was decided to dissolve the firm :

(1) The assets realised were as follows :

Stock	₹ 31,000	Bills receivable	₹ 41,000
Machinery	₹ 39,500	Debtors	₹ 27,000

(2) Creditors were paid at a discount of ₹ 500 and Bills payable were paid in full.

(3) Realisation expenses amounted to ₹ 6,600.

(4) Abha was declared insolvent and only ₹ 3,500 could be recovered from her private property.

Prepare : (a) Realisation Account (b) Partners' Capital Account
(c) Bank Account

Solution : **In the books of Akshad and Aditya**

Dr. **Realisation Account** **Cr.**

Particulars	Amount (₹)	Amount (₹)	Particulars	Amount (₹)	Amount (₹)
To Sundry Assets A/c			By Sundry Liabilities A/c		
Machinery	53,000		Creditors	50,500	
Stock	32,000		Bills payable	15,000	65,500
Bill Receivable	47,000		By R.D.D. A/c		3,000
Debtors	28,000	1,60,000	By Bank A/c		
To Bank A/c			Stock	31,000	
Creditors	50,000		Machinery	39,500	
Bills Payable	15,000	65,000	Bills Receivable	41,000	
To Bank A/c		6,600	Debtors	27,000	1,38,500
(Realisation expenses paid)			By Partner's Capital A/cs (Loss on Realisation transferred)		
			Akshad	8,200	
			Aditya	8,200	
			Abha	8,200	24,600
		2,31,600			2,31,600

Dr. **Partners' Capital Accounts** **Cr.**

Particulars	Akshad (₹)	Aditya (₹)	Abha (₹)	Particulars	Akshad (₹)	Aditya (₹)	Abha (₹)
To Balance b/d	–	–	15,000	By Balance b/d	65,000	40,000	–
To Realisation A/c loss	8,200	8,200	8,200	By Reserve Fund A/c	7500	7500	7500
To Abha's capital A/c	6,100	6,100	–	By Bank A/c	–	–	3500
To Bank A/c	58,200	33,200	–	By Akshad's capital A/c	–	–	6100
				By Aditya's capital A/c	–	–	6100
	72,500	47,500	23,200		72,500	47,500	23,200

Dr. **Bank Accounts** **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d (Assets)	21,000	By Realisation A/c (Liabilities)	65,000
To Realisation A/c	1,38,500	By Realisation A/c (exp. paid)	6,600
To Abha's Capital A/c	3,500	By Akshad's capital A/c	58,200
		By Aditya's Capital A/c	33,200
	1,63,000		1,63,000

Scheme of Marking : **Marks**

(1) Realisation Account (6 items × $\frac{1}{2}$ mark each) (1 item × $\frac{3}{4}$ mark) $3\frac{3}{4}$

(2) Partners' Capital Account (13 items × $\frac{1}{4}$ mark each) $3\frac{1}{4}$
(Excluding opening balance)

(3) Bank A/c (6 items × $\frac{1}{2}$ mark each) (Excluding opening balance) 3

Total Marks **10**

Q. 3. Solve *any one* of the following : **[10]**

> **Note :** In this question, two problems will be asked. The first problem will be on **Retirement of a partner** and the second problem will be on **Bills of Exchange.** Out of which students are expected to attempt any one. However, for better understanding, we have given solution of both the problems.
> For the question of Retirement of a partner, students are expected to prepare Journal and Balance Sheet or Ledger Accounts such as Profit and Loss Adjustment Account, Partners' Capital Accounts, etc. Working notes are also required to be prepared to support your answer. ***Total 10 marks.***

Minu, Renu and Sonu share profits **and losses equally. Their Balance Sheet as on 31st March, 2021** was **as under :** **(Ch. 4)**

Balance Sheet as on 31st March, 2021

Liabilities	Amount (₹)	Assets		Amount (₹)
Capital Accounts :		Bank		25,400
Minu	46,600	Debtors	28,000	
Renu	38,000	Less : R.D.D.	1,900	26,100
Sonu	35,000	Computer		17,500
Creditors	40,900	Building		70,000
General reserve	13,500	Machinery		25,000
		Furniture		10,000
	1,74,000			1,74,000

On 1st April, 2021, Sonu retired from the firm on the following terms :

(1) Building to be appreciated by 10%

(2) All debtors are good.

(3) Computer to be depreciated by 10%

(4) Machinery be revalued ₹ 22,500 and Furniture is revalued ₹ 9,550.

(5) Part payment of ₹ 18,000 was made to Sonu by NEFT and balance was transferred to her loan account.

Prepare : (a) Profit and Loss Adjustment Account (b) Partners' Capital Account (c) Balance Sheet of Minu and Renu

Solution : **In the books of Partnership firm**

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

Particulars	Amount (₹)	Amount (₹)	Particulars	Amount (₹)	Amount (₹)
To Computer A/c		1,750	By R.D.D. A/c		1,900
To Machinery A/c		2,500	By Building A/c		7,000
To Furniture A/c		450			
To Partners' Capital A/c (Profit)					
Minu	1,400				
Renu	1,400				
Sonu	1,400	4,200			
		8,900			8,900

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

Particulars	Minu (₹)	Renu (₹)	Sonu (₹)	Particulars	Minu (₹)	Renu (₹)	Sonu (₹)
To Bank A/c	–	–	18,000	By Balance b/d	46,600	38,000	35,000
To Sonu's Loan A/c	–	–	22,900	By General Reserve A/c	4,500	4,500	4,500
To Balance C/d	52,500	43,900	–	By Profit and Loss Adjustment A/c	1,400	1,400	1,400
	52,500	43,900	40,900		52,500	43,900	40,900

Balance Sheet as on 1st April, 2021

Liabilities	Amount (₹)	Amount (₹)	Assets	Amount (₹)	Amount (₹)
Capital A/cs :			Furniture	10,000	
Minu	52,500		Less : Depreciation	450	9,550
Renu	43,900	96,400	Debtors		28,000
Sonu's Loan A/c		22,900	Computer	17,500	
Creditors		40,900	Less : Depreciation	1,750	15,750
			Building	70,000	
			Add : Appreciation	7,000	77,000
			Machinery	25,000	
			Less : Depreciation	2,500	22,500
			Bank	25,400	
			Less : Amount paid to Sonu through NEFT	18,000	7,400
		1,60,200			1,60,200

Scheme of Marking : **Marks**

(1) Profit and Loss Adjustment A/c (6 items × $\frac{1}{2}$ mark each) 3

(2) Partners' Capital Account (10 items × $\frac{1}{4}$ mark each) $2\frac{1}{2}$
(Excluding opening balance)

(3) New Balance Sheet (9 items × $\frac{1}{2}$ mark each) $4\frac{1}{2}$

Total marks **10**

OR

Note : This question can be related to either **Renewal of Bills of Exchange** or one transaction selected to drawer and multiple drawees. Students are expected to prepare Journal Entries and sometimes Ledger Accounts either in the books of drawer or drawee. Working notes are required to support the answers. In Journal entries, narration must be given. ***Total 10 marks.***

Q. 3. Kaveri sold goods to Gauri worth ₹ 48,000. Kaveri draws a bill for two months and Gauri accepted it on the same date. (Ch. 7)
Kaveri discounted the bill with the bank @10% p.a.

Bill was dishonoured on the due date and Gauri requested Kaveri to accept ₹ 8,000 and interest in cash on remaining amount at 11% p.a. for 3 months.

Kaveri agreed and for the balance Gauri accepted a new bill for 3 months.

Gauri became insolvent and only 40% could be recovered from her estate.

Prepare Journal Entries in the books of Kaveri. **(10)**

Solution : In the books of Kaveri

Journal Entries

Date / No.	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
1	Gauri's A/c Dr. To Sales A/c (Being goods sold on Credit)		48,000	48,000
2	Bills Receivable A/c Dr. To Gauri's A/c (Being bill drawn and acceptance received)		48,000	48,000
3	Bank A/c Dr. Discount A/c Dr. To Bills Receivable A/c (Being Gauri's acceptance discounted @10% p.a. with bank)		47,200 800	48,000
4	Gauri's A/c Dr. To Bank A/c (Being Gauri's acceptance dishonoured on due date)		48,000	48,000
5	Gauri's A/c Dr. To Interest A/c (Being the interest due on balance amount)		1,100	1,100
6	Cash A/c Dr. To Gauri's A/c (Being Cash accepted with interest from Gauri as part payment)		9,100	9,100
7	Bills Receivable A/c Dr. To Gauri's A/c (Being Gauri's acceptance received for new bill)		40,000	40,000

8	Gauri's A/c Dr.		40,000	
	To Bills Receivable A/c			40,000
	(Being New bill dishonoured)			
9	Cash/Bank A/c Dr.		16,000	
	Bad debts/Deficiency A/c Dr.		24,000	
	To Gauri's A/c			40,000
	(Being only 40% of the due amount received and balance amount treated as bad debts)			
	Total		3,22,200	3,22,200

Working Notes :

(1) Calculation of discount @ 10% p.a. on ₹ 48,000 for 2 months

$$= 48,000 \times \frac{10}{100} \times \frac{2}{12} = ₹\ 800$$

(2) Calculation of interest @ 11% p.a. on ₹ 40,000 for 3 months

$$= 40,000 \times \frac{11}{100} \times \frac{3}{12} = ₹\ 1,100$$

(3) From the outstanding amount, only 40% can be recovered, i.e. 60% of ₹ 40,000 is Bad debts/Deficiency $= 40,000 \times \frac{60}{100} = ₹\ 24,000$

Scheme of Marking : **Marks**

(1) Journal entries no. 1, 2, 4 to 8 (J.E. × 1 mark each) 7

(2) Journal entries no. 3 and 9 (2 items × $1\frac{1}{2}$ marks each) 3

Total marks **10**

Q. 4. Solve *any one* of the following : **[8]**

Note : In this question, two practical problems from **Reconstitution of Partnership (Death of Partner)** and **Analysis of Financial Statements** will be set. Students are expected to attempt any one out of two problems. However, for better understanding, we have given solution of both the problems. In practical problem of Death of Partner, students are expected to prepare Profit and Loss Adjustment Account, Separate Account of Partner who died, Partners' Capital Accounts and a Balance Sheet. In the practical problem of Analysis of financial statement, students are expected to prepare Comparative Balance Sheet/Income Statement, Common size Balance Sheet/Income statement, Cashflow or Accounting ratios. Students should show working notes to support their answer. ***Total 8 marks.***

'A', 'B' and 'C' were partners sharing profits and losses in the ratio of 3 : 2 : 1 respectively. Their Balance Sheet as on 31st March, 2022 was as follows : **(Ch. 5)**

Balance Sheet as on 31st March, 2022

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital Accounts :		Building	80,000
A	60,000	Motor Car	40,000
B	40,000	Debtors	28,000
C	20,000	Furniture	36,000
Creditors	56,000	Bank	28,000
Reserve fund	36,000		
	2,12,000		2,12,000

'C' died on 1st August, 2022 and following adjustments were made :

(1) Assets revalued as under :

Building ₹ 88,000 Motor Car ₹ 36,000 Furniture ₹ 35,000

(2) Goodwill of the firm valued at 2 times of average profit of last 4 years.

(3) 'C's share of profit to be calculated on the basis of average profit of last 3 years.

(4) Profits for 4 years were : ₹ 22,000, ₹ 34,000, ₹ 24,000 and ₹ 32,000

Prepare : (a) Profit and Loss adjustment Account

(b) C's Capital Account

(c) Give working of C's share of goodwill

(d) C's profit upto his date of death.

Solution : **In the books of the Partnership Firm**

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

Particulars		Amount (₹)	Particulars	Amount (₹)
To Motor car A/c		4,000	By Building A/c	8,000
To Furniture A/c		1,000		
To Partners' Capital A/cs (Profit)				
A	1,500			
B	1,000			
C	500	3,000		
		8,000		8,000

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

Particulars	Amount (₹)	Particulars	Amount (₹)
To C's Executor's Loan A/c	37,500	By Balance b/d	20,000
		By Reserve Fund A/c	6,000
		By Goodwill A/c	9,333
		By Profit and loss suspense A/c	1,667
		By Profit and loss adjustment A/c	500
	37,500		37,500

Working Notes :

(1) Calculation of C's share in Goodwill :

(i) $\text{Average Profit} = \dfrac{\text{Total Profit of given no. of years}}{\text{No. of years given}}$

$= \dfrac{22,000 + 34,000 + 24,000 + 32,000}{4} = \dfrac{1,12,000}{4} = ₹\ 28,000$

(ii) Goodwill = Average Profit × No. of Years = 28,000 × 2 = ₹ 56,000

(iii) C's share of Goodwill = Goodwill of the firm × C's share

$= 56,000 \times \dfrac{1}{6} = 9,333$

(2) Calculation of C's Profit upto the date of his death :

(i) Total Profit of Last 3 years = 34,000 + 24,000 + 32,000 = ₹ 90,000

(ii) $\text{Average Profit} = \dfrac{\text{Total Profit}}{\text{No. of Years}} = \dfrac{90,000}{3} = ₹\ 30,000$

(iii) C's share in Profit

= Average Profit × Share of Profit × Period

$= 30,000 \times \dfrac{1}{6} \times \dfrac{4}{12} = ₹\ 1,667$

Scheme of Marking : **Marks**

(1) Profit and Loss Adjustment A/c (4 items × $\frac{1}{2}$ mark each) 2

(2) C's Capital Account (6 items × $\frac{1}{2}$ mark each) 3

(3) Working of C's share of Goodwill $1\frac{1}{2}$

(4) Working of C's share in Profit upto the death $\frac{1}{2}$

Total marks 7

OR

Q. 4.

Note : This is a Practical Question from the Chapter Analysis of Financial Statements. Here students are expected to prepare Comparative Income Statement, Showing Absolute Change in (₹) and (%) by analysing given data for consecutive two years.

Income statement of Bajaj Limited for the year ended 31st March, 2021 and 31st March, 2022 is given below. Prepare comparative Income statement : **(Ch. 9)**

Particulars	31st March, 2021 (₹)	31st March, 2022 (₹)
Sales	7,00,000	9,00,000
Less : Cost of sales	4,00,000	5,50,000
Gross Profit	3,00,000	3,50,000
Less : Indirect expenses	60,000	40,000
Net Profit before tax	2,40,000	3,10,000
Less : 50% Income tax	1,20,000	1,55,000
Net Profit after tax	1,20,000	1,55,000

Solution : **Comparative income statement of Bajaj Limited**

For the year ended 31st March, 2021 and 31st March, 2022.

Particulars	31–03–2021 (₹)	31–03–2022 (₹)	Absolute Change (₹)	Percentage Change
Sales	7,00,000	9,00,000	2,00,000	28.57% (Increase)
Less : Cost of sales	4,00,000	5,50,000	1,50,000	37.50% (Increase)
Gross Profit	3,00,000	3,50,000	50,000	16.67% (Increase)
Less : Indirect Expense	60,000	40,000	(20,000)	33.33% (Decrease)
Net Profit before tax	2,40,000	3,10,000	70,000	29.17% (Increase)
Less : Income Tax (50%)	1,20,000	1,55,000	35,000	29.17% (Increase)
Net Profit after tax	1,20,000	1,55,000	35,000	29.17% (Increase)

Working Notes :

(i) For Absolute change – Subtract previous year amount from current year

(ii) For Percentage change $= \frac{\text{Amount of Absolute Change}}{\text{Amount of Previous Year}} \times 100$

Scheme of Marking :

	Marks
For Gross Profit & Net Profit after tax ($\frac{1}{2}$ mark each)	3
Remaining 5 items × 1 mark each	5
Total marks	**8**

Q. 5. Solve *any one* of the following : **[8]**

> **Note :** This question is related to **Company Accounts : Issue of Shares by a Company**. In this, you are expected to prepare Journal Entries in the books of Joint Stock Company. In some cases, you may be asked to show relevant extracts in Balance Sheet. In journal entries, narration is required to be written. ***Total 8 marks.***

Mahalaxmi Ltd. issued 25,000 equity shares of ₹ 100 each payable as under : **(Ch. 8)**

₹ 20 on Application ₹ 30 on Allotment ₹ 20 on First call

₹ 30 on Second and Final Call.

Applications were received for 29,000 equity shares. The excess application money was adjusted towards allotment.

All the money was duly received except second and final call on 1,000 equity shares.

Pass necessary journal entries in the books of Mahalaxmi Ltd.

Solution : **In the books of Mahalaxmi Limited**

Journal Entries

Date / No.	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
1	Bank A/c Dr.		5,80,000	
	To Equity Share Application A/c			5,80,000
	(Being equity share application money on 29,000 shares @ ₹ 20 per share received)			
2	Equity Share Application A/c Dr.		5,80,000	
	To Equity Share Capital A/c			5,00,000
	To Equity Share Allotment A/c			80,000
	(Being Equity Share application money transferred to equity share capital and excess application money adjusted towards allotment)			

3	Equity Share Allotment A/c Dr. To Equity Share Capital A/c (Being allotment money on 25,000 equity shares @ ₹ 30 per share due)		7,50,000	7,50,000
4	Bank A/c Dr. Equity share Application A/c Dr. To Equity Share Allotment A/c (Being due allotment money, after adjusting allotment money, received)		6,70,000 80,000	7,50,000
5	Equity Share First Call A/c Dr. To Equity Share Capital A/c (Being first call money on 25,000 equity shares @ ₹ 20 per share due)		5,00,000	5,00,000
6	Bank A/c Dr. To Equity Share first call A/c (Being equity share first call money on 25,000 shares @ ₹ 20 per share received)		5,00,000	5,00,000
7	Equity Share second and final call A/c Dr. To Equity Share capital A/c (Being second and final call money on 25,000 equity shares @ ₹ 30 per share due)		7,50,000	7,50,000
8	Bank A/c Dr. Call-in-arrears A/c (1000 × 30) Dr. To Equity Share second and Final call A/c (Being equity share second and final call money on 24,000 share @ ₹ 30 per share received and balance on 1000 shares transferred to calls in arrears a/c)		7,20,000 30,000	7,50,000
	Total		51,60,000	51,60,000

Scheme of Marking : **Marks**

Journal entries no. 1 to 8 (8 J.E. × 1 mark each) 8

Total marks **8**

Note : Alternative entry for Journal Entry no. 8

Bank A/c Dr. 7,20,000

To Equity share 2nd & Final call 7,20,000

(Being Final call money received except of 1000 equity shares)

OR

Note : This is a theory question. A question from **Computer in Accounting** (Chapter No. 10) will be asked. Write to the point explanation for the given question.

Q. 5. State the features of Computerised Accounting System. (Ch. 10)

Ans. Features of Computerised Accounting System :

(1) **Integrated date and Information :** Computerised Accounting System is developed and designed for all business activities like purchase, sales, finance, inventory, payroll and manufacturing which is user friendly, automated and integrated for such process. Due to Computerised Accounting System, businessman keep their accounting records accurate, up-to-date and get information within no time. When Computerised Accounting is mixed with Management Information System (MIS) with multilingual and Data Organisation capabilities to support the company, then all the business operations will be easy and cost effective.

(2) **Accuracy and Speed :** As per the need of business, Computerised Accounting has various templates and software due to which fast and accurate data entry and transactions operations are possible which generates various information and reports quickly and automatically.

(3) **Quick Decision Making :** Based on information and reports generated by Computerised Accounting System, the company or firm can plan its activities, can take quick decision and can access complete and critical information of the company.

(4) **Modern and Integrated :** Computerised Accounting System performs functions at much higher speed than the speed of human beings which saves time and other resources. If accounts are prepared with the help of computer, Trial balance and Final accounts can be derived at any point of time within fraction of seconds.

(5) **Immediate Availability of Books of Accounts :** Due to Computerised Accounting System, books and registers like Cash book, Purchase register, Sales register, Bank book, Accounts of Receivables and Payables are readily available at any point of time.

(6) **Security :** By keeping security control at various stages, data and information in Computerised Accounting System can be kept confidential and more secured. This kind of security is not possible in the traditional accounting system.

(7) **Transparency :** For the business, greater transparency is possible in the day-to-day business operations due to Computerised Accounting System.

(8) **Grouping of Accounts :** In the Computerised Accounting System, grouping of Accounts is easily possible. As per the business requirements, groups like Assets, Liabilities, Income, Expenditure, etc. and their subgroups can be derived as per convenience of user.

Scheme of Marking :

	Marks
Explanation in 8 points (in short) carry 1 mark each	8
Total marks	**8**

Q. 6. **[12]**

Note : This is a compulsory practical problem set on **Accounts for 'Not for Profit Concern'.** In the answer, Income and Expenditure Account and Balance Sheet of 'Not for Profit Concern' are required to be prepared on the basis of Receipt and Payment Account and some adjustments. On the debit side of Income and Expenditure A/c, only revenue expenditures and on the credit side only revenue incomes are to be shown. Given proper accounting treatment for outstanding and pre received subscriptions, outstanding expenses, capitalisation of incomes, depreciation on fixed assets, etc. Balance Sheet is to be prepared on the same line as you prepare in partnership final accounts.

From the following Receipts and Payments Account of 'Rampur High School, Ratnagiri for the year ending 31st March, 2022 and additional information, prepare Income and Expenditure Account for the year ended 31st March, 2022 and a Balance Sheet as on that date. (Ch. 2)

Receipts and Payments Account

Dr. **For the year ending 31st March, 2022** **Cr.**

Receipts		Amount (₹)	Payments		Amount (₹)
To Balance b/d			By Salary of staff		47,10,000
Cash	24,000		By Printing and stationery		68,000
Bank	4,00,000	4,24,000	By Books		1,76,000
To Interest		1,32,000	By Furniture (Purchased on 01.01.2022)		1,56,000
To Donation		14,00,000	By Drama expenses		1,80,000
To Tuition fees		30,00,000	By Electricity charges		1,34,000
To Admission fees		9,30,000	By Magazines and Newspapers		12,000
To Drama receipts		2,00,000	By Balance c/d		
To Legacies (Capital)		1,20,000	Cash	1,24,000	
			Bank	6,46,000	7,70,000
		62,06,000			62,06,000

Additional Information :

(1)

Particulars	1st April, 2021 (₹)	31st March, 2022 (₹)
Books	18,00,000	17,76,000
Furniture	6,52,000	6,00,000
Building fund	16,54,000	?
Capital fund	12,22,000	?

(2) 60% Donations are for Building Fund and balance is to be treated as revenue income.

(3) Outstanding Staff salaries ₹ 1,40,000.

Solution : In the books of Rampur High School, Ratnagiri

Dr. Income and Expenditure Account for the year ended on 31st March, 2022 Cr.

Expenditure	Amount (₹)	Amount (₹)	Income	Amount (₹)	Amount (₹)
To Salary to staff	47,10,000		By Interest		1,32,000
Add : O/s Salary	1,40,000	48,50,000	By Donation	14,00,000	
To Printing and stationery		68,000	Less : Building fund [60% of ₹ 14,00,000]	8,40,000	5,60,000
To Electricity charges		1,34,000	By Tuition fees		30,00,000
To Magazines and newspapers		12,000	By Drama receipt	2,00,000	
To Depreciation			Less : Drama expenses	1,80,000	20,000
Books	2,00,000		By Admission fees		9,30,000
Furniture	2,08,000	4,08,000	By Deficit (Excess of expenses over incomes)		8,30,000
		54,72,000			54,72,000

Balance Sheet as on 31st March, 2022

Liabilities	Amount (₹)	Amount (₹)	Assets	Amount (₹)	Amount (₹)
Capital Fund	12,22,000		Books	18,00,000	
Add : Legacies [Capitalised]	1,20,000		Add : Purchases	1,76,000	
	13,42,000			19,76,000	
Less : Deficit	8,30,000	5,12,000	Less : Depreciation	2,00,000	17,76,000
Building Fund	16,54,000		Furniture	6,52,000	
Add : Donation [60% of ₹ 14,00,000]	8,40,000	24,94,000	Add : Purchase	1,56,000	
				8,08,000	
			Less : Depreciation	2,08,000	6,00,000
Outstanding salary		1,40,000	Cash in hand		1,24,000
			Cash at Bank		6,46,000
		31,46,000			31,46,000

Working Notes :

Depn. on books = Op. Stock of Books + Purchase of Books – Cl. Stock of Books

₹ 2,00,000 = 18,00,000 + 1,76,000 – 17,76,000

Scheme of Marking :

	Marks
Income and Expenditure A/c	6
Balance sheet	6
Total marks	**12**

Q. 7. **[12]**

Note : This is a compulsory problem on **Partnership Final Accounts.** In this problem, tallied trial balance with five adjustments are given. Considering both, students are expected to prepare Trading A/c, Profit and Loss A/c and Balance Sheet. Partners' Capital Accounts or Current Accounts may be prepared separately or they may be incorporated on the Liabilities side of Balance Sheet. Give single effect (i.e. make entry at one place only) for each balance provided in the trial balance and give at least two effects for each item given in the adjustments. Marks for correct postings are allotted. First complete posting of accounting balances items and adjustments. Then, in the end, do the totalling and balancing.

The following adjustments are frequently asked:

(1) Closing stock. (2) Outstanding and prepaid expenses. (3) Bad debts and R.D.D. (4) Depreciation on fixed assets. (5) Unrecorded sales or purchases. (6) Loss of insured or uninsured goods by fire or theft. (7) Interest on capital and interest on drawings. (8) Goods withdrawn by the partner for self use. (9) Interest on drawing is to be calculated for average period of 6 months if actual dates of drawing are not given.

From the following Trial Balance of Rasika and Diksha, you are required to prepare Trading and Profit and Loss Account for the year ended 31st March, 2022 and Balance Sheet as on that date : **(Ch. 1)**

Trial Balance as on 31st March, 2022

Debit Balance	Amount (₹)	Credit Balance	Amount (₹)
Stock (01.04.2021)	30,800	Capital Accounts :	
Purchases	80,000	Rasika	80,000
Salaries	6,800	Diksha	80,000
Wages	10,500	Sundry Creditors	30,500
Royalties	3,200	Interest Received on	
Printing and Stationery	4,500	Fixed Deposits	1,000
Sundry Debtors	43,000	Sales	1,20,000
Furniture	20,200		
Investments	40,000		
Advertisement (For 3 years)	30,000		
Bad debts	500		
Cash in hand	27,000		
Fixed Deposit	15,000		
	3,11,500		3,11,500

Adjustments :

(1) Interest on fixed deposits ₹ 1,200 is still receivable.

(2) Furniture to be depreciated by 5% p.a.

(3) 2.5% reserve for doubtful debts on Sundry Debtors to be provided.

(4) Closing Stock was valued at cost price ₹ 40,000 and Market price ₹ 35,000.

Solution : **In the books of Rasika and Diksha**

Dr. **Trading and Profit and Loss Account for the year ended 31st March, 2022** **Cr.**

Particulars	Amount (₹)	Amount (₹)	Particulars	Amount (₹)	Amount (₹)
To Opening Stock		30,800	By Sales		1,20,000
To Purchases		80,000	By Closing Stock		35,000
To Wages		10,500			
To Royalties		3,200			
To Gross profit c/d		30,500			
		1,55,000			1,55,000
To Salaries		6,800	By Gross profit b/d		30,500
To Printing and stationery		4,500	By Interest on fixed		
To Advertisement	30,000		deposit	1,000	
(For 3 years)			Add :		
Less : Prepaid			Accrued interest	1,200	2,200
Advertisement (2 yrs)	20,000	10,000			
(For 2 years)					
To Bad debts (Old)	500				
Add : R.D.D. (New)	1,075	1,575			
To Depreciation on Furniture		1,010			
To Net profit					
(Transferred to partners'					
capital A/cs)					
Rasika	4,408				
Diksha	4,407	8,815			
		32,700			32,700

Balance Sheet as on 31st March, 2022

Liabilities	Amount (₹)	Amount (₹)	Assets	Amount (₹)	Amount (₹)
Capital Account : Rasika			Sundry Debtors	43,000	
Opening balance	80,000		Less : R.D.D.	1,075	41,925
Add : Net profit	4,408	84,408	Furniture	20,200	
Diksha			Less : Depreciation @		
Opening balance	80,000		5% p.a.	1,010	19,190
Add : Net profit	4,407	84,407	Investment		40,000
Sundry creditors		30,500	Prepaid Advertisement		20,000
			Fixed deposit	15,000	
			Add : Accrued interest	1,200	16,200
			Closing stock		35,000
			Cash in hand		27,000
		1,99,315			1,99,315

Scheme of Marking : **Marks**

(1) Trading A/c (7 items × $\frac{1}{2}$ mark each) $3\frac{1}{2}$

(2) Profit and loss A/c (7 items × $\frac{1}{2}$ mark each) $3\frac{1}{2}$

(3) Balance Sheet (10 items × $\frac{1}{2}$ mark each) 5

Total marks **12**

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Section 2 MOST LIKELY QUESTION SETS

Question Set 1 SELECT THE APPROPRIATE ALTERNATIVE

[Q. 1. (A) : 5 marks]

Important Tips : *In this question, sentences with four alternatives each from different topics will be asked. Students are expected to choose the most appropriate alternative and rewrite the entire sentence. Underline the answer.* ***Each correct answer carries 1 mark; Total 5 marks.***

Q. Select the most appropriate alternative and rewrite the sentences : ***(1 mark each)***

Ch. 1 : Introduction to Partnership and Partnership Final Accounts

1. (1) To find out Net Profit or Net Loss of the business ..... Account is prepared. ***(March '22)***

(a) Trading (b) Capital (c) Current (d) Profit & Loss

(2) A ..... is an Intangible Asset. ***(March '25)***

(a) Goodwill (b) Stock (c) Cash (d) Furniture

(3) Liability of partners in a partnership business is ..... . ***(July '22)***

(a) limited *(b) unlimited*

(c) limited and unlimited *(d) none of the above*

(4) Maximum number of partners in a firm are ..... according to the Companies Act, 2013. ***(March '23)***

(a) 10 (b) 25 (c) 20 (d) 50

(5) A statement showing financial position of the business is called as ..... . ***(Sept. '21)***

(a) Trial balance *(b) Capital*

(c) Balance Sheet *(d) Trading Account*

(6) In the absence of an agreement, interest on loan advanced by the partner to the firm is allowed at the rate of ..... .

(a) 5% (b) 6% (c) 10% (d) 9%

Ans. (1) To find out Net Profit or Net Loss of the business Profit & Loss Account is prepared.

(2) A Goodwill is an Intangible Asset.

(3) Liability of partners in a partnership business is unlimited.

(4) Maximum number of partners in a firm are 50 according to the Companies Act, 2013.

(5) A statement showing financial position of the business is called as Balance Sheet.

(6) In the absence of an agreement, interest on loan advanced by the partner to the firm is allowed at the rate of 6%.

Note : *While answering this question, students should write the full statements and underline the answer word or figure as shown here. However, hereafter, we have given only the answer word or figure.*

2. (1) When dates of drawings are not given, interest on drawings is charged for ..... months.

(a) three (b) six (c) nine (d) twelve

(2) If fixed capital method is adopted, net divisible profit is transferred to ..... Account.

(a) Partner's Current *(b) Partner's Capital*
(c) Profit and Loss *(d) Trading*

(3) If fluctuating capital method is adopted, net divisible profit is transferred to ..... Account.

(a) Partner's Current *(b) Partner's Capital*
(c) Profit and Loss *(d) Trading*

(4) A statement showing balances of all accounts of a business is called a ..... .

(a) Balance Sheet *(b) Trial Balance*
(c) Capital A/c *(d) Trading A/c*

(5) Installation expense paid for machinery should be debited to ..... Account.

(a) Machinery (b) Wages (c) Trading (d) Profit and Loss

(6) Return outwards are deducted from ..... .

(a) Purchase (b) Sales (c) Capital (d) Debtors

(7) Credit balance of Profit and Loss Account indicates ..... .

(a) Gross Profit (b) Gross Loss (c) Net Profit (d) Net Loss

(8) Royalty paid on production is shown in the .....

(a) Balance Sheet *(b) Trading A/c*

(c) Profit and Loss A/c *(d) Partner's Current A/c*

(9) Preliminary expenditure to be written off yet, will appear on the ..... side of the Balance Sheet.

(a) Debit *(b) Liabilities* *(c) Assets* *(d) Credit*

Ans. (1) six (2) Partner's Current (3) Partner's Capital (4) Trial Balance (5) Machinery (6) Purchase (7) Net Profit (8) Trading A/c (9) Assets.

Ch. 2 : Accounts of 'Not For Profit' Concerns

1. (1) Income and Expenditure Account is a ..... Account. ***(March '23)***

(a) Capital *(b) Real* *(c) Personal* *(d) Nominal*

(2) The closing balance of Receipts and Payments Account usually represents ..... . ***(Sept. '21)***

(a) Closing stock *(b) Cash and Bank Balance*

(c) Surplus *(d) Deficit*

(3) Outstanding receipt at the end of the accounting year represents ..... .

(a) Liability *(b) an Expenditure*

(c) an Asset *(d) Capital Fund*

(4) Excess of Income over Expenditure is termed as ..... . ***(March '25)***

(a) Deficit *(b) Profit* *(c) Surplus* *(d) Loss*

(5) Not for Profit concern prepares ..... Account instead of Profit and Loss Account to know the result.

(a) Trading *(b) Income and Expenditure*

(c) Cash *(d) Receipts and Payments*

Ans. (1) Nominal (2) Cash and Bank Balance (3) an Asset (4) Surplus (5) Income and Expenditure.

2. (1) Usually, ... is a major source of revenue income for 'Not for Profit' concerns.

(a) subscription *(b) donations* *(c) legacies* *(d) entrance fees*

(2) Both capitalised receipts and capital expenditure are shown in the ..... .

(a) Profit and Loss A/c *(b) Balance Sheet*

(c) Trading A/c *(d) Income and Expenditure A/c*

(3) Legacy received from the members is considered as ..... receipts.

(a) capital *(b) revenue* *(c) non-recurring* *(d) commercial*

(4) Fund which provides permanent source of income to non-trading organisation is called ..... fund.

(a) endowment (b) general (c) specific (d) capital

(5) For a public hospital, expenditure on the purchase of Medical instruments is a ..... Expenditure.

(a) General (b) Non-recurring (c) Capital (d) Revenue

(6) The excess of assets over liabilities is termed as ..... .

(a) Surplus (b) Deficit (c) Capital fund (d) Loan

(7) Not for profit organisation is also called ..... organisation. ***(July '23)***

(a) Service (b) Trading (c) Profit making (d) Commercial

Ans. (1) subscription (2) Balance Sheet (3) capital (4) endowment (5) Capital (6) Capital fund (7) Service.

Ch. 3 : Reconstitution of Partnership (Admission of Partner)

(1) Ajay and Vijay are two partners sharing profits and losses in the ratio of 3 : 2. They decided to admit Sanjay for 1/5th share, the new profit sharing ratio will be ..... . ***(July '22)***

(a) 12 : 8 : 5 (b) 4 : 3 : 1 (c) 12 : 8 : 1 (d) 12 : 3 : 1

(2) ..... is credited when unrecorded asset is brought into business.

(a) Revaluation Account (b) Balance Sheet

(c) Trading Account (d) Partners Capital Account

(3) When goodwill is withdrawn by the partner ..... Account is credited.

(a) Revaluation (b) Cash/Bank

(c) Current (d) Profit and Loss Adjustment

(4) ..... Account is debited when unrecorded liability is brought into business.

(a) Liability (b) Revaluation (c) Capital (d) Current

(5) Decrease in the value of assets should be ..... to profit and loss adjustment account. ***(March '22 – '25)***

(a) debited (b) credited (c) added (d) none of the above

(6) If asset is taken over by the partner ..... is debited. ***(March '23 – '25)***

(a) Revaluation Account (b) Capital Account

(c) Asset Account (d) Balance Sheet Account

(7) In case of admission of a partner, the profit or loss on revaluation of assets and liabilities is shared by ..... partners.

(a) all (b) old (c) new (d) none of these

(8) When goodwill is written off, partners' capital accounts are ..... .

(a) credited (b) debited (c) increase (d) none of these

Ans. (1) 12 : 8 : 5 (2) Revaluation Account (3) Cash/Bank (4) Revaluation (5) debited (6) Capital Account (7) old (8) debited.

Ch. 4 : Reconstitution of Partnership (Retirement of Partner)

(1) The profit or loss from revaluation on retirement of partner is shared by .....

(a) the remaining partners *(b) all the partners*
(c) only retiring partner *(d) bank*

(2) A proportion in which the continuing partners get the share of retiring partner is known as ..... **(July '22)**

(a) Old ratio *(b) New ratio* *(c) Gain ratio* *(d) Capital ratio*

(3) The balance of the capital account of retired partner is transferred to his ..... account, if it is not paid. **(Sept. '21)**

(a) loan *(b) executor's loan* *(c) wife's loan* *(d) son's*

(4) Gain ratio = ... Ratio less Old Ratio.

(a) New *(b) Equal* *(c) Capital* *(d) Sacrifice*

(5) New Ratio = Old Ratio + ... Ratio.

(a) Gain *(b) Capital* *(c) Sacrifice* *(d) Current*

(6) If goodwill account is raised only to the extent of retiring partner's share, ... A/c is credited.

(a) Cash *(b) Goodwill*
(c) Partner's capital *(d) Retiring Partner's capital*

(7) Debit balance of Profit and Loss Suspense Account is shown in the new Balance Sheet on ..... side.

(a) Assets *(b) Liabilities* *(c) Debit* *(d) None of these*

(8) Rishi, Ratna and Ruchira are sharing profits and losses $\frac{1}{2}$, $\frac{3}{10}$ and $\frac{1}{5}$.

If Rishi retires then their new ratio will be ..... **(July '23)**

(a) 5 : 2 *(b) 3 : 2* *(c) 5 : 3* *(d) 2 : 5*

Ans. (1) all the partners (2) Gain ratio (3) loan (4) New (5) Gain (6) Retiring Partner's capital (7) Assets (8) 3 : 2.

Ch. 5 : Reconstitution of Partnership (Death of Partner)

(1) Death is a compulsory ..... **(March '22 – '23)**

(a) Dissolution *(b) Admission* *(c) Retirement* *(d) Winding up*

(2) Benefit Ratio is the ratio in which .....

(a) the old partner gain on admission of a new partner

(b) the Goodwill of a new partner on admission is credited to old partners

(c) the continuing partners' benefits on retirement or death of a partner

(d) all partners are benefited.

(3) The ratio by which existing partners are benefited .....

(a) gain ratio (b) sacrifice ratio (c) profit ratio (d) capital ratio

(4) Profit and Loss Suspense Account is shown in the new Balance Sheet on ..... side.

(a) debit (b) credit (c) assets (d) liabilities

(5) A balance on the deceased partner's executor's loan account is shown in the new balance sheet on ..... side.

(a) Assets (b) Credit (c) Liabilities (d) none of these

Ans. (1) Retirement (2) the continuing partners' benefits on retirement or death of a partner (3) gain ratio (4) assets (5) Liabilities.

Ch. 6 : Dissolution of Partnership Firm

(1) In case of dissolution, assets and liabilities are transferred to ..... Account.

(a) Bank *(b) Partner's Capital*

(c) Realisation *(d) Partner's Current*

(2) Partnership is completely dissolved when the partners of the firm become ..... ***(July '22)***

(a) solvent (b) insolvent (c) creditor (d) debtors

(3) Dissolution expenses are credited to ..... Account. ***(March '25)***

(a) Realisation *(b) Cash/Bank*

(c) Partner's Capital *(d) Partner's Loan*

(4) Deficiency of insolvent partner will be suffered by solvent partners in their ..... ratio.

(a) capital (b) profit sharing (c) sale (d) liquidity

(5) If the number of partners in a firm falls below two, the firm stands .....

(a) dissolved (b) established (c) realisation (d) restructured

(6) Realisation Account is ..... on realisation of asset.

(a) debited (b) credited (c) deducted (d) closed

(7) All activities of partnership firm ceases on ..... of firm

(a) dissolution (b) admission (c) retirement (d) death

(8) Credit balance of solvent Partner's Capital Account is known as .....

(a) capital deficiency (b) capital surplus (c) profit (d) loss

(9) If any asset is taken over by partner from firm, his capital account will be .....

(a) credited (b) debited (c) added (d) divided

(10) If any unrecorded liability is paid on dissolution of the firm, ... Account is debited.

(a) Cash/Bank (b) Realisation (c) Partner's capital (d) Loan

(11) When a partner takes over a liability, his Capital Account is .....

(a) debited (b) credited (c) deducted (d) added

(12) Assets and liabilities are transferred to Realisation account at their ..... value. ***(July '23)***

(a) market (b) purchase (c) sales (d) book

Ans. (1) Realisation (2) insolvent (3) Cash/Bank (4) profit sharing (5) dissolved (6) credited (7) dissolution (8) capital surplus (9) debited (10) Realisation (11) credited (12) book.

Ch. 7 : Bills of Exchange

1. (1) The person on whom a bill is drawn is called a ..... ***(July '22; March '23)***

(a) Drawee (b) Payee (c) Drawer (d) None of these

(2) When the due date of bill drawn falls due on a public holiday, the payment must be made on the ..... day.

(a) same (b) preceding (c) next (d) any

(3) Noting charges are borne by .....

(a) Notary Public (b) Drawee (c) Drawer (d) Endorsee

(4) The due date of the bill drawn for 2 months on 23rd Nov. 2019 will be ..... ***(March '22)***

(a) 23rd Jan. 2020 (b) 25th Jan. 2019

(c) 26th Jan. 2019 (d) 25th Jan. 2020

(5) When a bill is drawn for 2 months after date on 3rd Jan. 2023, its due date will be .....

(a) 3rd Jan. 2023 (b) 3rd Mar. 2023

(c) 5th Mar. 2023 (d) 6th Mar. 2023

(6) Notary Public is . . . . . **(March '25)**

(a) Govt. Officer (b) Drawer (c) Payee (d) Endorsee

(7) When Acceptor or Drawee does not pay the amount of bill to the holder on the due date, it is known as . . . . . the bill.

(a) returning (b) discounting (c) honouring (d) dishonouring

(8) The person who accepts the bill treats the bill as . . . . . .

(a) Bills Payable (b) Promissory Note

(c) Draft (d) Bills Receivable

(9) When the acceptor accepts the bill with certain conditions, the acceptance is called . . . . . acceptance.

(a) qualified (b) general (c) clean (d) special

Ans. (1) Drawee (2) preceding (3) Drawee (4) 25th Jan. 2020 (5) 6th Mar. 2023 (6) Govt. Officer (7) dishonouring (8) Bills Payable (9) qualified.

2. (1) . . . . . means payment of the bill before due date.

(a) Discounting of bill (b) Retirement of bill

(c) Renewal of bill (d) Endorsement of bill

(2) When the acceptor accepts the bill without putting any conditions, the acceptance is called . . . . . Acceptance.

(a) Qualified (b) General (c) Clean (d) Special

(3) Borrowing money from a bank on the security of a bill of exchange is called . . . . . of Bill.

(a) Honouring (b) Endorsing (c) Discounting (d) Retiring

Ans. (1) Retirement of bill (2) General (3) Discounting.

Ch. 8 : Company Accounts : Issue of Shares

1. (1) The balance of Share Forfeiture A/c is transferred to . . . . . A/c after re-issue of these shares.

(a) Reserve Capital (b) Capital Reserve

(c) Profit & Loss (d) Share Capital

(2) Premium received on issue of shares is shown to . . . . . .

(a) Liabilities side of Balance Sheet (b) Assets side of Balance Sheet

(c) Profit & Loss A/c – debit side (d) Profit & Loss A/c – credit side

(3) Shareholders get . . . . . on shares.

(a) interest (b) commission (c) rent (d) dividend

(4) The document inviting to subscribe the shares of a company is . . . . . .

(a) Prospectus (b) Memorandum of Association

(c) Articles of Association (d) Share certificate

(5) The liability of shareholder in Joint Stock Company is ..... .

(a) joint and several *(b) limited* *(c) unlimited* *(d) huge*

(6) A part of the subscribed capital which is reserved to be called up only at the time of winding up or liquidation of the company is called as ..... .

(a) Authorised Capital *(b) Uncalled Capital*

(c) Capital Reserve *(d) Reserve Capital*

(7) The unpaid amount on allotment and calls may be transferred to ..... Account.

(a) Calls-in-Advance *(b) Calls* *(c) Calls-in-Arrears* *(d) Allotment*

(8) There must be a provision in ..... for forfeiture of shares.

(a) Articles of Association *(b) Memorandum of Association*

(c) Prospectus *(d) Balance Sheet*

(9) When shares are forfeited, the share capital account is ..... .

(a) credited *(b) debited*

(c) neither debited nor credited *(d) none of the given*

(10) As per SEBI guidelines minimum amount payable on share application should be ..... of nominal value of shares.

(a) 5% *(b) 10%* *(c) 15%* *(d) 2%*

Ans. (1) Capital Reserve (2) Liabilities side of Balance Sheet (3) dividend (4) Prospectus (5) limited (6) Reserve Capital (7) Calls-in-Arrears (8) Articles of Association (9) debited (10) 5%.

2. (1) Paid-up value of all shares allotted is called ..... capital.

(a) uncalled *(b) issued* *(c) subscribed* *(d) nominal*

(2) If the article is silent regarding interest on Calls-in-arrears, the minimum rate of interest to be charged is ..... p.a.

(a) 5% *(b) 6%* *(c) 8%* *(d) none of these*

(3) ..... is deducted from the share capital to know paid-up value of shares.

(a) Calls-in-Advance *(b) Calls-in-Arrears*

(c) Forfeited Shares *(d) Discount on Issue*

(4) The capital with which a company is registered is called ..... .

(a) Issued Capital *(b) Subscribed Capital*

(c) Authorised Capital *(d) Called-up Capital*

(5) If a share of ₹ 100 is issued at ₹ 80, it is said to be issued ..... .

(a) at par *(b) at a premium* *(c) at a discount* *(d) none of these*

Ans. (1) subscribed (2) 5% (3) Calls-in-Arrears (4) Authorised Capital (5) at a discount.

Ch. 9 : Analysis of Financial Statements

1. (1) Gross Profit Ratio indicates the relationship of gross profit to the .....

(a) Net cash *(b) Net sales* *(c) Net purchases* *(d) Gross sales*

(2) Current ratio = $\frac{\text{.....}}{\text{Current liabilities}}$

(a) Quick assets *(b) Quick liabilities*

(c) Current assets *(d) None of these*

(3) Liquid assets = ...

(a) Current assets + Stock *(b) Current assets – Stock*

(c) Current assets – (Stock + Prepaid Expenses)

(d) None of these

(4) Cost of goods sold = ...

(a) Sales – Gross profit *(b) Sales – Net profit*

(c) Sales proceeds *(d) None of these*

(5) Net profit ratio is equal to .....

(a) Operating ratio *(b) Operating net profit ratio*

(c) Gross profit ratio *(d) Current ratio*

(6) The ideal Quick Ratio/Acid Test Ration is .....

(a) 1 : 2 *(b) 2 : 1* *(c) 1 : 1* *(d) 3 : 1*

(7) The information supplied by financial statements are ..... in nature. **(Sept. '21)**

(a) Universal *(b) Complete* *(c) Historical* *(d) None of these*

(8) From the financial statement analysis, the creditors are specially interested to know ..... **(March '22)**

(a) liquidity *(b) profits* *(c) sale* *(d) share capital*

(9) The ideal current ratio is .....

(a) 2 : 1 *(b) 1 : 1* *(c) 1 : 2* *(d) 3 : 1*

(10) The common size statement requires ..... **(July '23)**

(a) common base *(b) Journal entry* *(c) cash flow* *(d) current ratio*

Ans. (1) Net sales (2) Current assets (3) Current assets – (Stock + Prepaid expense) (4) Sales – Gross profit (5) Operating ratio (6) 1 : 1 (7) Historical (8) liquidity (9) 2 : 1 (10) common base.

2. (1) Bill payable is .....

(a) long-term loan *(b) current liability*

(c) liquid assets *(d) net loss*

(2) The methodical classification of financial statement is called .....

(a) an interpretation *(b) an analysis*

(c) ratio *(d) Profit and Loss A/c*

(3) The short-term deposits are .....

(a) net cash *(b) cash equivalent* *(c) cash flow* *(d) cash outflow*

(4) The relationship between net profit before tax, interest and dividend and capital employed is known from .....

(a) Current ratio *(b) Quick ratio* *(c) ROI* *(d) ROCE*

(5) ROCE should be ..... than ROI.

(a) less *(b) higher* *(c) equal* *(d) none of these*

Ans. (1) current liability (2) an analysis (3) cash equivalent (4) ROI (5) higher.

Ch. 10 : Computer in Accounting

(1) The primary document for recording all financial transactions in Tally is the .....

(a) Journal *(b) Trial sheet* *(c) Voucher* *(d) File*

(2) ..... displays the balance daywise for a selected voucher type.

(a) Record book *(b) Ledger book* *(c) Journal book* *(d) Day book*

(3) Computer, disk drives, monitors, printers, etc. are included in .....

(a) Software *(b) Hardware* *(c) Packages* *(d) Personnel*

(4) ..... is the set of programme that direct the computer to perform the desired task. ***(Sept. '21)***

(a) Software *(b) Hardware* *(c) Programme* *(d) Application*

(5) ..... are critical to the success of any endeavour because people operate the system.

(a) Software *(b) Hardware* *(c) Packages* *(d) Persons*

(6) Customised software is prepared to meet ..... of the customer.

(a) special requirement *(b) easiness* *(c) savings* *(d) basic need*

(7) Tailored software is prepared for the ..... size business.

(a) small *(b) medium* *(c) large* *(d) small and medium*

(8) ..... application can be downloaded and install from the websites.

(a) Ready to use *(b) Customised*

(c) Tailored *(d) Free and open sources*

Ans. (1) Voucher (2) Day book (3) Hardware (4) Software (5) Persons (6) special requirement (7) large (8) Free and open sources.

Question Set 2

WRITE ONE WORD/TERM/PHRASE

[Q. 1. (B) : 5 marks]

Important Tips : *In this question, five statements from different topics will be asked. Write word/term/phrase for each statement. Students are expected to write entire statement given in the question and then write the answer.* ***Each correct answer carries 1 mark; Total 5 marks.***

Q. Write the word/term/phrase which can substitute each of the following statements : ***(1 mark each)***

Ch. 1 : Introduction to Partnership and Partnership Final Accounts

1. (1) Persons who form the partnership firm.

(2) An association of two or more persons according to Indian Partnership Act, 1932.

(3) Partnership agreement in written form.

(4) Credit balance of Profit and Loss account. ***(March '23)***

(5) Act under which partnership firms are regulated.

(6) Process of entering the name of partnership firm in the register of Registrar.

(7) Under this method, capital balances of partners remains constant.

(8) Such capital method in which only Capital Account is maintained for each partner.

(9) Order in which Fixed Assets are recorded first in Balance Sheet.

(10) The account in which selling expenses of business are recorded.

Ans. (1) Partners (2) Partnership firm (3) Partnership Deed (4) Net profit (5) Indian Partnership Act (6) Registration of partnership firm (7) Fixed Capital Method (8) Fluctuating Capital Method (9) Order of Permanency (10) Profit or Loss A/c.

2. (1) Expenses which are not paid though they are due.

(2) The accounts that are prepared at the end of each accounting year.

(3) The account in which financial expenses of business are recorded.

(4) Debit balance of Profit and Loss Account.

(5) Reduction in the value of fixed assets due to its continuous use.

(6) Income which is received before it is due.

(7) A provision which is created on Sundry debtors for likely bad debts.

(8) Debit balance of trading account. ***(July '23)***

Ans. (1) Unpaid/outstanding expenses (2) Final Accounts (3) Profit and Loss Account (4) Net loss (5) Depreciation (6) Income received in advance (7) Reserve for doubtful debts (8) Gross loss.

Ch. 2 : Accounts of 'Not For Profit' Concerns

1. (1) Donation received for a specific purpose. ***(March '22 – '23)***

(2) The Form of Organisation providing services only to the society.

(3) An Account which records only revenue items in case of 'Not for Profit' concern.

(4) Accounts which records only cash transactions in case of 'Not for Profit' concern.

(5) The debit balance of Income and Expenditure Account.

(6) All such receipts which are non-recurring in nature and not forming a part of regular flow of income.

Ans. (1) Specific donation (2) Not for Profit Concern (3) Income and Expenditure Account (4) Receipts and Payments Account (5) Deficit (6) Capital Receipts.

2. (1) Fees paid by persons to become members of a 'Not for Profit' concern.

(2) Fees received from the member only once at the time of his entry into the 'Not for Profit' concern.

(3) The gifts received from legal representatives as per the will of a deceased person.

(4) Capital resources which are owned and possessed by the 'Not for Profit' concern.

(5) The receipts which are not recurring in nature. ***(July '23)***

Ans. (1) Entrance fees or Admission fees (2) Life membership fees (3) Legacy (4) Capital fund (5) Capital receipts.

Ch. 3 : Reconstitution of Partnership (Admission of Partner)

1. (1) Method under which calculation of goodwill is done on the basis of extra profit earned above the normal profit.

(2) An account opened for Revaluation of Assets and Liabilities. ***(Sept. '21)***

(3) Reputation of business measured in terms of money.

(4) Old ratio less new ratio. ***(March '22)***

(5) Name the method of the treatment of goodwill where new partner will bring his share of goodwill in cash.

Ans. (1) Super Profit Method (2) Profit and Loss Adjustment A/c or Revaluation A/c (3) Goodwill (4) Sacrifice ratio (5) Premium Method.

2. (1) Debit balance of Revaluation account.

(2) Profit and Loss Account balance appearing on the Assets side of a Balance Sheet.

(3) Change in the relationship between the partners.

(4) A fund created by the partnership firm out of profit as a precautionary measure.

(5) An account which is credited when a new partner brings cash or for his share of goodwill.

Ans. (1) Loss on revaluation of assets and liabilities (2) Undistributed Loss (3) Reconstitution of a Partnership (4) General Reserve/Reserve Fund (5) Goodwill A/c.

Ch. 4 : Reconstitution of Partnership (Retirement of Partner)

(1) The ratio in which the continuing partners are benefited due to retirement of partner.

(2) The ratio which is obtained by deducting old Ratio from New ratio. ***(March '22 – '23)***

Ans. (1) Gain Ratio (2) Gain Ratio.

Ch. 5 : Reconstitution of Partnership (Death of Partner)

(1) Excess of credit side over debit side of Profit and Loss Adjustment Account.

(2) Accumulated past profit kept in the form of reserve.

(3) The ratio in which the surviving partners are benefited due to death of a partner. ***(Sept. '21)***

(4) The account to which deceased partners' capital balance is transferred.

(5) A person entitled to receive the amount due to a deceased partner.

Ans. (1) Profit (2) Reserve fund or General reserve (3) Gain/Benefit ratio (4) Deceased Partner's Executor's Loan Account (5) Legal Heir/Executor/Legal Representative of deceased partner.

Ch. 6 : Dissolution of Partnership Firm

(1) Liability likely to arise in future on happening of some events. ***(Sept. '21)***

(2) An account opened to find out the profit or loss on sale of assets and settlement of liabilities.

(3) Debit balance of an Insolvent Partner's Capital Account.

(4) Expenses incurred on dissolution of firm. ***(March '22 – '23)***

(5) Assets which are not recorded in the books of accounts.

(6) The account which records all realisable assets and external liabilities of the firm on dissolution.

(7) The person who bears insolvency loss of an insolvent partner.

(8) Conversion of asset into cash on dissolution of firm.

Ans. (1) Contingent Liabilities (2) Realisation A/c (3) Capital Deficiency (4) Dissolution/Realisation Expenses (5) Unrecorded Assets (6) Realisation A/c (7) Solvent Partner (8) Realisation.

Ch. 7 : Bills of Exchange

1. (1) Three extra days which are allowed over and above the term of bill.

(2) A person who is entitled to pay the amount of bill of exchange.

(3) Amount which is not recoverable from drawee on account of insolvency. ***(Sept. '21)***

(4) Officer appointed by government for noting of dishonour of bill. ***(March '22)***

(5) A person in whose favour a bill is endorsed.

(6) Cancellation of bill on maturity in return of a new bill for extended period of credit.

(7) Conversion of Bill of Exchange into its present value.

(8) Person who is in possession of Bill of Exchange.

(9) Fees charged by notary public for getting the fact of dishonour noted. ***(July '23)***

Ans. (1) Grace Days (2) Drawee (3) Bad debts (4) Notary Public (5) Endorsee (6) Renewal of Bill (7) Discounting of the Bill (8) Holder of Bill of exchange (9) Noting charges.

2. (1) A Bill of Exchange drawn and accepted for the value received.

(2) Acceptance by making certain change in the terms of a bill.

(3) The period for which a bill is drawn.

(4) A bill of exchange that does not contain the period for its payment.

(5) A bill drawn, accepted and made payable within the territory of one and the same country.

(6) Act of signing the bill on its back by its holder to transfer its title to a third person.

Ans. (1) Trade Bill (2) Qualified acceptance (3) Term/Tenure of a bill of exchange (4) Demand Bill/Bill at sight (5) Inland bill of exchange (6) Endorsement of a bill of exchange.

Ch. 8 : Company Accounts : Issue of Shares

1. (1) The shares on which dividend is not fixed. ***(Sept. '21)***

(2) Amount called-up on shares by the company but not received.

(3) The form of business organisation where huge amount of capital can be raised.

(4) The capital which is subscribed by the public.

(5) The shares having preferential right at the time of winding up of the company.

Ans. (1) Equity shares/Ordinary shares. (2) Calls-in-Arrears (3) Joint Stock Company (4) Subscribed capital (5) Preference shares.

2. (1) The capital which is not disclosed in the Balance Sheet.

(2) The maximum amount beyond which a company is not allowed to raise its share capital.

(3) The capital on which dividend is paid.

(4) The direct sale of shares by a company to a limited number of sophisticated investors.

(5) A demand made by the company after allotment of shares to pay remaining amount of shares.

(6) The account to which excess amount on share forfeited A/c is transferred.

(7) Deduction made from share capital to find out paid-up capital.

(8) The person who purchases the share of a company. ***(July '23)***

Ans. (1) Reserve capital (2) Authorised/Nominal capital (3) Paid-up share capital (4) Private placement of shares (5) Call on share (6) Capital Reserve A/c (7) Calls-in-Arrears (8) Shareholder.

Ch. 9 : Analysis of Financial Statements

1. (1) The ratio measures the relationship between gross profit and net sales.

(2) A particular mathematical number showing relationship between two accounting figures.

(3) An asset which can be converted into cash immediately.

(4) The statement showing financial position for different periods of previous year and current year.

(5) Statement showing changes in cash and cash equivalent during a particular period.

(6) The ratio that establishes relationship between Quick Assets and Current Liabilities.

(7) Critical evaluation of financial statement to measure the profitability.

Ans. (1) Gross Profit Ratio (2) Ratio (3) Liquid Asset (4) Comparative Balance Sheet (5) Cash Flow Statement (6) Liquid Ratio (7) Analysis of financial statement.

2. (1) The type of activity in cash flow analysis, involving purchase of fixed asset.

(2) Ratio which measures the efficiency of production department.

(3) Ratio which measures overall efficiency of business.

(4) Ratio which shows operational efficiency of business.

(5) Ratio which is computed to measure overall efficiency or profitability of business.

(6) Activity related to acquisition of long term assets and investments.

Ans. (1) Investing Activity (2) Gross Profit Ratio (3) Net Profit Ratio (4) Operating Profit Ratio (5) Return On Investment (ROI) (6) Financing activities.

Ch. 10 : Computer in Accounting

1. (1) Tally software is classified into this category. ***(March '23)***

(2) The details of Bills receivable are maintained in this record.

(3) The short key used to save or accept the information.

(4) It is a damaged software, cracked, nearly fully functional.

(5) The process by which all the calculations are automatically done by the accounting software.

Ans. (1) Mercantile (2) Sundry Debtors (3) Ctrl + A (4) Pirated Software (5) Automation.

2. (1) Software prepared for multi-users and geographically scattered locations.

(2) Software which is prepared for the business transactions automation.

(3) Software used for demo purpose with all major features.

(4) Fully functional, safe and legal software.

Ans. (1) Tailored Software (2) Accounting Software (3) Demo Software (4) Legal Software.

Question Set 3

TRUE OR FALSE, WITH REASONS

[Q. 1. (C) : 5 marks]

Important Tips : *In this question, statements from different chapters will be asked. Students are expected to write the entire sentences given in the question and then state whether the statement is True or False. Then, give appropriate reasons in one or two sentences. The answer should be to the point.* ***Each correct answer carries 1 mark; Total 5 marks.***

Q. State True or False with reasons : ***(2 ½ mark each)***

Ch. 1 : Introduction to Partnership and Partnership Final Accounts

(1) Partnership firm is a Non-Trading concern.

Ans. This statement is **False.**

Main aim of partnership firm is to earn maximum profit. Partnership is a trading concern. It undertakes either manufacturing or distributive activities with the sole aim of earning profit and distribute that profit among the partners in specific ratio. It is never formed for charitable purpose.

(2) Profit and Loss Account is a Nominal Account.

Ans. This statement is **True.**

Account of expenses, losses, gains and incomes is called Nominal Account. Profit and Loss Account contains all indirect expenses and indirect incomes of the firm. Therefore, Profit and Loss Account is a Nominal Account and not Real Account.

(3) Balance Sheet is a Statement.

Ans. This statement is **True.**

Financial statement showing all assets and liabilities is called Balance Sheet. It is not an account. It is a position statement which shows various assets owned by the firm and various liabilities owed by it. On the left hand side all liabilities are listed and on the right hand side all assets are recorded.

(4) Wages paid for installation of machinery is a Revenue expenditure.

Ans. This statement is **False.**

Wages paid for installation of machinery which is necessary to bring machine into its working condition, is a capital expenditure and therefore it is added to the cost of machinery. It is, generally, paid once in a life of an asset. It is a long-term and capital expenditure.

(5) Indirect expenses are debited to Trading Account.

Ans. This statement is **False.**

Indirect expenses means expenses which are not directly related with production of goods and services. Therefore, indirect expenses cannot be debited to Trading Account. All indirect expenses are debited to Profit and Loss Account.

(6) Bank Loan is a current liability.

Ans. This statement is **False.**

Bank loan usually taken for the period of more than one year, which can be repaid in small instalments, over the number of years or even can be paid in lumpsum of the expiry of the term. Hence, it cannot be considered as current liability.

(7) If partnership deed is silent, partners share profits and losses in proportion to their capital.

Ans. This statement is **False.**

As per the provisions made under Indian Partnership Act 1932, when partnership deed is silent about profit and loss sharing ratio, partners are supposed to share profits and losses in equal proportion, and not in their capital ratio.

(8) Closing stock is valued at cost price or market price whichever is less.

Ans. This statement is **True.**

As per the Principle of Conservatism in accounting, we have to anticipate no profit but provide for all possible losses based on the same closing stock is valued at cost price or market price whichever is less.

Ch. 2 : Accounts of 'Not For Profit' Concerns

(1) Charitable Institutions prepare Profit and Loss Account at the end of every financial year.

Ans. This statement is **False.**

Charitable Institutions, 'Not for Profit' concerns, do not undertake any trading activities and hence instead of Profit and Loss Account, they prepare Income and Expenditure Account to record all revenue expenses/losses and revenue incomes/ gains of current year.

(2) There is no difference between Receipts and Payments Account and Income and Expenditure Account.

Ans. This statement is **False.**

In the Receipts and Payments Account, all receipts and payments transactions in cash or through bank are recorded irrespective of the current year, previous

year or next year while in Income and Expenditure Account, only current year's incomes and expenses (Revenue) are recorded.

(3) Income and Expenditure Account represents either surplus or deficit.

Ans. This statement is **True.**

In Income and Expenditure Account, all revenue incomes and expenses are recorded and at the end of the specified period, difference is found out which is known as 'Surplus' (Revenue incomes are more than Revenue expenses) or 'Deficit' (Revenue expenses are more than Revenue incomes).

(4) Receipt and Payment A/c is Real account.

Ans. This statement is **True.**

Receipt and Payment account records all cash inflow and outflow of all nature i.e. Capital as well as Revenue, for a particular accounting year. It helps to determine the total amount paid and received during that time. It is similar to the Cash Book.

Ch. 3 : Reconstitution of Partnership (Admission of Partner)

(1) New partner can bring capital in cash or kind.

Ans. This statement is **True.**

As per provision of partnership deed, when any person is admitted in the firm, he has to bring some amount as capital which can be in cash or in kind of assets to get rights in the assets and definite share in the future profit of the firm.

(2) Revaluation profit is distributed among all partners including new partner.

Ans. This statement is **False.**

Revaluation profit arises due to efforts and hard work of the old partners in the past and hence profit earned on revaluation of assets and liabilities at the time of admission of a person as a partner in the business belongs to old partners. So, such profit is not distributed among all partners including new partner. It is distributed only among old partners.

(3) New partner always brings his share of goodwill in cash.

Ans. This statement is **False.**

When a new person is admitted in the partnership firm, the old partners surrender certain share in profit and give it to new partner. In exchange of that, new partner is required to bring goodwill in cash or in kind. If he is unable to bring cash for goodwill, then Goodwill is raised and adjusted to new partner's capital A/c.

(1) Gain ratio means New ratio minus Old ratio.

Ans. This statement is **True.**

As per definition, profit sharing ratio which is acquired by the continuing partners from the retiring partner is called gain ratio. If gain ratio is added to old ratio we will get New ratio. It means New ratio = Old ratio + Gain ratio by interchanging the terms, we will get Gain ratio = New ratio – Old ratio.

(2) On retirement of a partner, sacrifice ratio is considered.

Ans. This statement is **False.**

On retirement of a partner, his share is acquired by continuing partners in certain proportion and it is nothing but gain for them. Therefore, on retirement of a partner instead of sacrifice ratio, Gain ratio is considered.

(3) On retirement of a partner, remaining partners will share the goodwill in their profit sharing ratio.

Ans. This statement is **False.**

On retirement of a partner, after giving retiring partner's share in goodwill and if goodwill is written off, then remaining partners will adjust the goodwill in their new profit sharing ratio. (If raised to full extent and written off)

Ch. 5 : Reconstitution of Partnership (Death of Partner)

(1) A deceased partner is not entitled to Goodwill of the firm.

Ans. This statement is **False.**

A deceased partner's contribution was there in the development of business and goodwill is the value of business in terms of money. Hence, a deceased partner is entitled to receive goodwill of the firm.

(2) After the death of a partner, entire amount due to deceased partner is paid to legal representative of the deceased partner.

Ans. This statement is **True.**

After the death of a partner, entire amount due to deceased partner is paid to legal representative of the deceased partner as he is the only person who has legal right on that amount.

(3) A deceased partner is entitled to his share of General Reserve.

Ans. This statement is **True.**

General reserve is created out of past undistributed profit. Past profit is earned due to efforts and hard work of all the partners including partner who is now

(1) Gain ratio means New ratio minus Old ratio.

Ans. This statement is **True.**

As per definition, profit sharing ratio which is acquired by the continuing partners from the retiring partner is called gain ratio. If gain ratio is added to old ratio we will get New ratio. It means New ratio = Old ratio + Gain ratio by interchanging the terms, we will get Gain ratio = New ratio – Old ratio.

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Ch. 5 : Reconstitution of Partnership (Death of Partner)

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(2) After the death of a partner, entire amount due to deceased partner is paid to legal representative of the deceased partner.

Ans. This statement is **True.**

After the death of a partner, entire amount due to deceased partner is paid to legal representative of the deceased partner as he is the only person who has legal right on that amount.

(3) A deceased partner is entitled to his share of General Reserve.

Ans. This statement is **True.**

General reserve is created out of past undistributed profit. Past profit is earned due to efforts and hard work of all the partners including partner who is now

dead. Hence a deceased partner has right on it and therefore a deceased partner is entitled to receive his share of General reserve.

(4) For recording the profit or loss up to the death, Profit and Loss Appropriation Account is operated.

Ans. This statement is **False.**

For recording the profit or loss up to the death, Profit and Loss Suspense Account is created and operated. This is because final accounts cannot be prepared on the date of death of a partner. Till that period a separate account called Profit and Loss Suspense A/c is prepared.

Ch. 6 : Dissolution of Partnership Firm

(1) The firm must be dissolved on the retirement of a partner.

Ans. This statement is **False.**

On the retirement of a partner, if partnership agreement allows, then the remaining partner can continue the business activities. It means firm is not to be dissolved.

(2) Debit balance of insolvent partner's Capital Account is known as capital deficiency.

Ans. This statement is True.

Debit balance of Partner's Capital Account means excess of drawings than the capital credit balance. In case of insolvent partner, debit balance of Capital Account means liabilities which he cannot pay. It means capital deficiency.

(3) At the time of dissolution, loan from partner will be transferred to Realisation Account.

Ans. This statement is **False.**

At the time of dissolution, loan from partner, which is internal liability of business, will be paid after the payment of liabilities of third parties of the firm. It is not transferred to Realisation Account. Partner's Loan A/c is separately opened and paid accordingly.

(4) Realisation loss is not transferred to the insolvent partner's Capital Account.

Ans. This statement is **False.**

In the process of Dissolution of a partnership firm, the sale of Assets of the firm for making payments of the firm's liabilities takes place. If any loss occur in this process, it is to be transferred to all partners capital accounts, irrespective of solvent or insolvent.

(1) Retirement of bill means payment of the bill before due date.

Ans. This statement is **True.**

Payment of the bill, by the acceptor of the bill to the holder of the bill before due date, is known as Retirement of bill. So, retirement of bill means payment of the bill before due date.

(2) Drawee can transfer the ownership of bill.

Ans. This statement is **False.**

Drawee is a debtor. He has to pay the amount of the bill to its holder on due date. Hence, he cannot transfer its ownership to other person. Drawer can transfer the ownership of bill as he is the owner of the bill.

(3) A bill of exchange must be presented to the acceptor on the due date.

Ans. This statement is **True.**

To get the payment of the bill from the acceptor, the holder of the bill is required to present it to the acceptor on its due date. Acceptor either honours the bill or dishonours the bill.

(4) Noting charges are to be borne by the drawer.

Ans. This statement is False.

Noting charges are to be borne by the drawee only, as due to his act of non-payment, bill is dishonoured and drawer is not able to get money on its due date.

(5) If a bill is drawn payable 'on demand' no grace days are allowed.

Ans. This statement is **True.**

'On demand' means amount of the bill is to be paid by drawee immediately on presentation of the bill as no time period is mentioned on it. In demand bill 3 days of grace are not allowed by law.

(6) Discounting is a device to convert the bill into its present value.

Ans. This statement is **True.**

When drawer or holder of the bill approaches the bank to discount the bill, bank pays the bill amount after deducting certain amount (which is known as discounting charges). It means conversion of the bill into its present value in cash. So, we can say that discounting is a device to convert the bill into its present value.

(7) A bill of exchange needs acceptance.

Ans. This statement is **True.**

A bill of exchange is drawn by the creditor on debtor. It is signed by drawer as

well as by drawee. The drawee has to give his assent to the terms and conditions of the bill by putting his signature on it. A bill without acceptance is called draft. It becomes a valid document only when drawee accepts it.

Ch. 8 : Company Accounts : Issue of Shares

(1) Sweat shares are issued to public.

Ans. This statement is **False.**

Sweat shares are issued by a company to its directors or employees at a discount or for consideration other than cash. Sweat shares are not issued to public.

(2) Joint stock company form of business organisations came into existence after industrial revolution.

Ans. This statement is **True.**

As the volume and scale of trade and industry expanded, specially after industrial revolution, a very large unit of commercial organisation requiring large capital and greater managerial skill, called Joint stock company came into existence.

(3) Face value of shares and market value of shares is always same.

Ans. This statement is **False.**

Face value of shares means issue price of shares while market value of shares means trading price of shares at stock exchange. Face value of shares remains same and fixed.

Ch. 9 : Analysis of Financial Statements

(1) Financial statements include only Balance Sheet.

Ans. This statement is **False.**

Financial statements include Balance Sheet and Profit and Loss A/c. This is because financial statements are prepared by business organisations to find out efficiency, solvency, profitability, growth, strength and status of the business. For this, they need information from Balance Sheet as well as from Profit and Loss A/c.

(2) Analysis of financial statement is a tool but not a remedy.

Ans. This statement is **True.**

Based on analysis of financial statement, one can get idea of financial strength and weakness of the business. However, based on this one cannot take decision about the business or its various issues. Hence, analysis of financial statement is a tool but not a remedy.

(3) Gross profit depends upon net sales.

Ans. This statement is **True.**

Gross profit ratio discloses the relation between gross profit and total net sales. Gross profit ratio is an income based ratio, where gross profit is an income. There is direct relation between net sales and gross profit. Higher the net sales higher the gross profit.

(4) The short-term deposits are considered as cash equivalent.

Ans. This statement is **True.**

The short-term deposits are liquid assets. It means deposits kept for some period (usually less than one year) and they are kept with an intention to get money quickly as and when required. They are as good as cash and considered as cash equivalent.

Ch. 10 : Computer in Accounting

(1) Alt + D are the short key for delete voucher entry.

Ans. This statement is **True.**

To delete voucher entry, people use Alt + D key.

(2) In Tally, F6 Function key is for payment voucher.

Ans. This statement is **False.**

In Tally, F6 Function key is useful for receipt voucher.

(3) Accounting software may not **be customised to meet the special requirement of the** user.

Ans. This statement is False.

Customised Accounting software is prepared to meet the special requirement of the user which is not readily available in the market.

Question Set 4

FIND OUT ODD ONE

[Q. 1. (D) : 5 marks]

Important Tips : *In this question, five questions from different topics will be asked. In each, four words will be given. Students have to identify the odd word in the group and write it down.* ***Each correct answer carries 1 mark; Total 5 marks.***

Q. Find out odd one : ***(1 mark each)***

Ch. 1 : Introduction to Partnership and Partnership Final Accounts

(1) Dock's charges, Printing and Stationery, Custom duty, Wages and salary ***(Sept. '21)***

(2) Postage, Stationery, Dividend received, Advertisement ***(July '22)***

(3) Bank overdraft, Library books, Stock of drugs, Equipments ***(July '22)***

(4) Wages, Salary, Royalty, Import Duty ***(March '25)***

(5) Creditors, Bills Receivable, Reserve fund, Bank overdraft

(6) Building, Machinery, Furniture, Bills Payable

(7) Discount received, Dividend received, Interest received, Rent and Taxes

(8) Bad debts, Office expense, Postage, Dividend

(9) Capital, Bank balance, Bills Receivable, Shares

(10) Carriage outward, Wages, Stationery, Insurance premium

(11) Carriage charges, Legal expenses, Audit fees, Purchase

(12) Provident fund, General reserve, Loan from bank, Investments

(13) Bad debts recovered, Rent received, Interest on loan given, Provident fund contribution

(14) Machinery, Furniture, Computer, Rent ***(March '25)***

(15) General Reserve, Creditors, Machinery, Capital ***(March '25)***

Ans. (1) Printing and Stationery (2) Dividend received (3) Bank overdraft (4) Salary (5) Bills Receivable (6) Bills Payable (7) Rent and Taxes (8) Dividend (9) Capital (10) Wages (11) Purchase (12) Investments (13) Provident fund contribution (14) Rent (15) Machinery.

Ch. 2 : Accounts of 'Not For Profit' Concerns

(1) Subscription received, Sundry receipts, Interest received, Audit fees *(Sept. '21)*

(2) Admission fees received, Sundry income, Specific donation for Building, Sales of old newspapers *(July '22)*

(3) Machinery, Furniture, Computers, Salaries

(4) Reliance Industries, Verma Vidya Mandir, Laxmi Hospital, Sports Club

(5) Capital fund, Subscription received in advance, Bank overdraft, Sports equipment

Ans. (1) Audit fees (2) Specific donation for Building (3) Salaries (4) Reliance Industries (5) Sports equipment.

Ch. 3 : Reconstitution of Partnership (Admission of Partner)

(1) General reserve, Creditors, Land and Building, Capital *(Sept. '21)*

(2) Decrease in Furniture, Patents written off, Increase in Bills payable, R.D.D. written off *(Sept. '21)*

(3) Reserve Fund, Bank Loan, Building, Capital *(July '22)*

(4) Super profit method, Valuation method, Average profit method, Fluctuating capital method

Ans. (1) Land and Building (2) R.D.D. written off (3) Building (4) Fluctuating capital method.

Ch. 6 : Dissolution of Partnership Firm

(1) Realisation A/c, Partners' Capital A/c, Balance Sheet, Bank A/c *(July '22)*

(2) Cash/Bank A/c, Capital A/c, Current A/c, Loan A/c

(3) Death, Sole proprietor, Retirement, Dissolution

Ans. (1) Balance sheet (2) Cash/Bank A/c (3) Sole proprietor.

Ch. 7 : Bills of Exchange

(1) Electricity bill, Trade bill, Inland bill, Foreign bill *(Sept. '21)*

(2) Retaining, Noting, Discounting, Endorsing

(3) Trade bill, Accommodation bill, After date bill, Demand bill

(4) Discounting charges, Rebate, Bank charges, Noting charges

(5) Bills receivable, Bills payable, Trade bill, Promissory note

(6) Drawer, Drawee, Payee, Notary Public *(March '25)*

(7) Inland bill, Foreign bill, After date bill, Accommodation bill

Ans. (1) Electricity bill (2) Noting (3) Demand bill (4) Noting charges (5) Promissory note (6) Notary Public (7) Accommodation bill.

Ch. 8 : Company Accounts : Issue of Shares

(1) Authorised capital, Issued capital, Reserve capital, Equity shares

(2) Sweat shares, Bonus shares, Preference shares, Private placement of shares

(3) Issue of shares at par; Issue of shares at discount, Issue of shares at premium, Issue of shares for consideration other than cash

(4) At Par; At Premium, At Discount, At loan ***(March '25)***

Ans. (1) Equity shares (2) Preference shares (3) Issue of shares for consideration other than cash (4) At loan.

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Question Set 5

COMPLETE THE SENTENCE

[Q. 1. (E) : 5 marks]

Important Tips : *In this question, five sentences from different topics will be asked. One word will be missing in each of these sentences. Students are expected to fill in the correct word and complete the sentence. Rewrite the sentence and underline the answer.* ***Each correct answer carries 1 mark; Total 5 marks.***

Q. Complete the sentences : ***(1 mark each)***

Ch. 1 : Introduction to Partnership and Partnership Final Accounts

1. (1) Partners share profits and losses in ..... ratio in the absence of partnership deed.
   (2) Partnership business must be ..... .
   (3) Liabilities of partners in partnership firm is ..... .
   (4) The balance of Drawings Account of a partner is transferred to his ..... Account under the Fixed Capital Method.
   (5) The interest on capital of a partner is debited to ..... Account.
   (6) Partners are ..... liable for the debts of the firm.
   (7) Withdrawal by partner for personal use from the firm is ..... to his account.
   (8) Partnership Deed is an ..... of Partnership. ***(March '22)***
   (9) Commission payable to partner is ..... to the firm.
   (10) When partners adopt Fixed Capital Method then they have to operate ..... Account.
   (11) If partners' Current Account shows ..... balance, it is shown on the Liabilities side of Balance Sheet.
   (12) The expenses paid for trading purpose are known as ..... expenses.
   (13) Cash receipts which are not recurring in nature are called ..... receipts.
   (14) Expenses which are paid before due date are called ..... .
   (15) When goods are distributed as free samples, it is treated as ..... of the business.
   (16) Provident fund amount is a ..... for the firm.

(17) Registration of partnership is ..... in India.

(18) Assets which are held in the business for a long period are called .....

(19) Fixed Deposit Account comes under ..... group. ***(March '25)***

(20) Trading A/c is prepared on the basis of ..... expenses. ***(March '25)***

(21) If an asset is taken over by the partner ..... account is debited. ***(March '25)***

(22) Return outwards are deducted from ..... . ***(July '23)***

Ans. (1) equal (2) lawful (3) unlimited (4) Current (5) Profit and Loss (6) jointly & severally (7) debited (8) Article (9) liability (10) Current (11) credit (12) trade (13) Capital (14) Prepaid expenses (15) advertisement expense (16) Liability (17) optional (18) Fixed Assets (19) Investment (20) Direct Expenses (21) Partner's Capital A/c (22) Purchases.

2. (1) Credit balance of Trading Account indicates ..... .

(2) Receivable income is shown on ..... side of the Balance Sheet.

(3) Trademark, Copyright, Patents are the examples of ..... assets.

(4) The income which is due but not yet received is called ..... income.

(5) The statement showing list of all ledger balances is known as ..... .

(6) Income accrued but not received is ..... for firm.

Ans. (1) Gross Profit (2) Assets (3) intangible (4) accrued/receivable (5) Trial Balance (6) an asset.

Ch. 2 : Accounts of 'Not For Profit' Concerns

(1) Income and Expenditure Account is similar to the ..... Account of Trading concern.

(2) Credit side of Receipts and Payments Account shows cash ..... .

(3) Income and Expenditure Account is a ..... Account. ***(March '25)***

(4) Excess of income over expenditure is termed as ..... . ***(July '22)***

(5) Cash receipts which are recurring in nature are called as ..... receipts. ***(March '22)***

(6) The transactions recorded in Income and Expenditure Account related only to the ..... year.

(7) Aurangabad University prepares ..... Account instead of a Profit and Loss account. ***(March '22)***

(8) Not for Profit organisation is never engaged in ..... activities.

(9) Subscription received from the members is considered as ..... receipts.

(10) Legacy is received by 'Not for Profit' concerns on a ..... basis.

(11) Incomes which are to be capitalised are to be added to ..... .

(12) Receipt and payment A/c falls under the category of ..... account.

(July '23)

Ans. (1) Profit and Loss (2) payments (3) Nominal (4) Surplus (5) Revenue (6) current (7) Income and Expenditure (8) trading (9) revenue (10) Permanent (11) Capital fund (12) Real A/c.

Ch. 3 : Reconstitution of Partnership (Admission of Partner)

(1) If an asset is depreciated, Revaluation Account is ..... .

(2) When goodwill amount is raised up ..... Account is debited.

(3) Goodwill brought in by a new partner is shared by the old partner in their ..... ratio.

(4) ..... ratio is calculated at the time of admission of a new partner.

(5) ..... account is credited when goodwill is withdrawn by the old partners.

(6) ..... = Capital employed × $\frac{NRR}{100}$. ***(July '23)***

(7) Total profits = Profit of the given No. of years (–) ..... (if any).

(8) Sacrifice Ratio = ... (–) ..... .

(9) Revaluation Account is also known as ..... Account. ***(July '23)***

Ans. (1) debited (2) Goodwill (3) sacrifice (4) Sacrifice (5) Cash/Bank (6) Normal Profit (7) Loss (8) Old Ratio (–) New Ratio (9) Profit and Loss Adjustment A/c.

Ch. 4 : Reconstitution of Partnership (Retirement of Partner)

(1) Retiring partner's share of goodwill is ..... to remaining Partners' Capital Account.

(2) On retirement, the balance at a Current Account of a partner is transferred to his ..... Account.

(3) A proportion in which the continuing partners get the share of retiring partner is known as ..... Ratio.

(4) New ratio (less) ..... = Gain ratio/Benefit Ratio. ***(March '22; July '23)***

(5) The amount due to a partner on his retirement is transferred to ..... Account.

(6) An amount payable to the retiring partner is paid off at a time is known as ..... method.

(7) Credit balance of Profit and Loss Suspense Account is shown in the Balance sheet on ..... side.

Ans. (1) debited (2) Capital (3) Gain (4) Old ratio (5) his/her Loan (6) Lumpsum (7) Liabilities.

Ch. 5 : Reconstitution of Partnership (Death of Partner)

(1) Deceased Partner's Executors Account is shown on the ..... side of the Balance Sheet. ***(July '22; March '25)***

(2) On death of a partner, a ratio in which the continuing partners get more share of profits in future is called as ..... Ratio.

(3) Deceased partners share of profit upto the death of partner is shown on ..... side of Balance Sheet.

(4) When Goodwill is raised at its full value and it is written off, ... Account is to be credited.

(5) A person who represent a deceased partner is known as .....

Ans. (1) Liabilities (2) Gain (3) Assets (4) Goodwill (5) Legal heir or Executor.

Ch. 6 : Dissolution of Partnership Firm

(1) If any unrecorded liability is paid on dissolution of the firm ..... Account is debited.

(2) All activities of partnership firm ceases on ..... of firm.

Ans. (1) Realisation (2) Dissolution.

Ch. 7 : Bills of Exchange

(1) Person whose liabilities are more than his assets and is not in position to pay off his liabilities is known as an ..... .

(2) Amount that cannot be paid by acceptor on account of insolvency is known as ..... .

(3) A bill which is drawn and accepted with valuable consideration is known as ..... .

(4) Recording the fact of dishonour of bill is known as ..... .

(5) A person to whom or as per his order, amount of bill is payable is a ..... .

(6) A bill whose due date is calculated from the date of acceptance is known as . . . . . .

(7) When drawee accepts the bill payable at a particular place only, it is known as . . . . . .

(8) Making Payment of the Bill before the due date of Maturity is known as . . . . . . *(July '23)*

Ans. (1) Insolvent person (2) Deficiency (3) Trade Bill (4) Noting (5) Payee (6) After sight bill (7) Qualified acceptance as to place (8) Retirement of Bill.

Ch. 8 : Company Accounts : Issue of Shares

(1) . . . . . shareholders are the real owners of the company. *(July '22)*

(2) When face value of the share is ₹ 100 and its issued price is ₹ 120, then it is said that the shares are issued at . . . . . .

(3) . . . . . Capital is the capital which a company is authorised to issue, by its Memorandum of Association.

(4) The difference between Called-up Capital and Paid-up Capital is known as . . . . . .

(5) . . . . . form of business organisation in which capital is raised through the issue of shares.

(6) . . . . . Capital is the part of Issued capital which is subscribed by the public.

(7) Share forfeited balance is transferred to . . . . . Account.

(8) The part of Authorised Capital which is not issued to the public is known as . . . . . capital.

Ans. (1) Equity (2) premium (3) Authorised (4) Calls-in-Arrears (5) Joint stock company (6) Subscribed (7) Capital Reserve (8) unissued.

Ch. 9 : Analysis of Financial Statements

(1) Gross Profit Ratio indicates the relationship of gross profit to the . . . . . .

(2) Net Profit ratio is equal to . . . . . .

(3) . . . . . statement showing profitability of two different periods.

(4) Current ratio = $\frac{\text{- - - - - - - - - - - -}}{\text{Current liabilities}}$.

Ans. (1) Net sales (2) operating ratio (3) Comparative income (4) Current assets.

Ch. 10 : Computer in Accounting

(1) ..... is the set of programs that direct the computer to perform the desired task. ***(July '22)***

(2) The ..... key used to save or accept the information.

(3) ..... software are useful for small scale firms/business.

(4) Details of bank transactions are maintained in ..... .

(5) Software used for demo purpose with all major facilities are known as ..... .

Ans. (1) Software (2) Ctrl + A (3) Ready to use (4) Bank book (5) Demo software.

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Question Set 6

ANSWER IN ONE SENTENCE ONLY

[Q. 1. (F) : 5 marks]

Important Tips : *In this question, five questions from different chapters will be asked. All must be attempted. Students are expected to write answer in one complete sentence. Do not write two or more sentences.* ***Each correct answer carries 1 mark; Total 5 marks.***

Q. Answer in one sentence only : ***(1 mark each)***

Ch. 1 : Introduction to Partnership and Partnership Final Accounts

(1) Why is Partnership Deed necessary?

Ans. Partnership Deed is necessary to prevent disputes or misunderstandings among the partners in future.

(2) What is the Fixed Capital Method?

Ans. Fixed Capital Method is one in which capital balances of the partners remain same at the end of every financial year unless any amount of additional capital is introduced or part of the capital is withdrawn by the partner from the business.

(3) What is Partnership Deed?

Ans. A partnership deed is a written agreement duly stamped and signed document containing the terms and conditions of the partnership.

(4) What rate of interest is allowed on partner's loan in the absence of an agreement?

Ans. 6% is the rate of interest allowed on partner's loan in the absence of an agreement.

(5) As per which principle of accounting, closing stock is valued at cost price or at market price whichever is less?

Ans. As per Conservatism principle of accounting, closing stock is valued at cost price or at market price whichever is less.

(6) Why is Balance Sheet prepared?

Ans. Balance Sheet is prepared to know the financial position of the business in the form of its assets and liabilities on a particular date.

(7) What do you mean by Indirect Incomes?

Ans. All incomes other than direct incomes are called indirect incomes.

[e.g. Interest received on investments; incomes like discount, commission, dividend, rent, etc. received].

(8) Define : 'Partnership' as per Indian Partnership Act, 1932.

Ans. As per Indian Partnership Act, 1932, "*partnership is the relation between persons who have agreed to share the profits of a business carried on by all or any one of them acting for all*".

(9) State the two fold capacities of each partner works in a business.

Ans. Each partner works in two fold capacities viz. Principal and Agent in a business.

(10) Why Partner's Capital is treated as long term liability of business?

Ans. Amount of Partner's Capital is not to be refunded during the existence of partnership firm unless partner is retired or expired.

(11) When is Partner's current account opened? ***(July '23)***

Ans. When Fixed Capital Method is adopted by the firm, Partner's Current Account is opened.

Ch. 2 : Accounts of 'Not For Profit' Concerns

(1) What is Legacy? ***(March '22)***

Ans. Any asset, property or amount of cash which 'Not for Profit' concern receives as per the provisions made in the will of the donor, after his death, is called Legacy.

(2) What do you mean by 'Not for Profit' concern?

Ans. A concern or organisation which is formed and established to serve its members and society or general public by undertaking various activities without any profit motive is called a 'Not for Profit' concern.

(3) What is Receipts and Payments Account?

Ans. An account which is prepared by a 'Not for Profit Concern' to record summary of all types of cash receipts and cash payments inclusive of bank transactions is called Receipts and Payments Account.

(4) Why Income and Expenditure Account is prepared?

Ans. Income and Expenditure Account is prepared to ascertain, current year total income and total expenditure of the concern and to confirm whether the concern has sufficient incomes to meet its expenses, or not.

(5) What is Capital Fund?

Ans. Excess of Assets over Liabilities is known as Capital Fund, which also consists of contributions, subscription, entrance fees, surplus income, etc.

(6) What do you mean by Non-recurring Expenses?

Ans. Non-recurring expenses are the expenses which is made for acquisition of fixed assets which gives benefits for a long period.

(7) What is Subscription?

Ans. Subscription is the periodical payment made by the members to the 'Not for Profit' concern for maintaining his membership.

(8) What is 'Deferred Revenue Expenditure'?

Ans. Expenditure which is basically revenue expenditure but benefits of which availed by the organisation for more than one year is called deferred revenue expenditure.

(9) What is surplus? ***(July '23)***

Ans. Excess of Income over Expenditure shown by Income and Expenditure Account represents "Surplus" for the financial year.

Ch. 3 : Reconstitution of Partnership (Admission of Partner)

(1) What is Revaluation Account? ***(March '22)***

Ans. An account opened and operated by any partnership firm for recording changes in the value of assets and liabilities and to ascertain profit or loss made on revaluation of assets and liabilities is called Revaluation Account.

(2) What is meant by Reconstitution of Partnership?

Ans. Reconstitution of Partnership means change in the relationship between/among partners and in the form of partnership.

(3) Why is new partner admitted?

Ans. A new partner is admitted to the existing partnership firm to increase the capital resources of the firm and to secure advantages of a new entrant's skill and business connections, i.e. goodwill.

(4) What is Super Profit Method of calculation of goodwill?

Ans. Super Profit Method of calculation of goodwill is a method in which Goodwill is valued at certain number of years' purchases of the super profit of the partnership firm.

(5) What is Sacrifice Ratio? ***(July '23)***

Ans. The ratio which is surrendered or given up by the old partners in favour of newly admitted partner is called Sacrifice Ratio.

(6) What does the excess of debit over credits in Profit and Loss Adjustment Account indicate?

Ans. The excess of debit over credits in Profit and Loss Adjustment Account indicates loss on revaluation of assets and liabilities.

(7) What is General Reserve or Reserve Fund?

Ans. A fund created by keeping aside a part of profit every year to provide timely finance for unforeseen contingencies like fire, flood, earthquake, change in Government policy, etc. is called General Reserve or Reserve Fund.

Ch. 4 : Reconstitution of Partnership (Retirement of Partner)

(1) What is meant by Retirement of a Partner?

Ans. Retirement of a partner refers to a process in which a partner leaves the firm or sever his relations with other partners on account of his old age, continued ill health, loss of interest in the firm, misunderstanding amongst the partners, etc.

(2) What is Benefit Ratio?

Ans. Profit sharing ratio which is acquired by the continuing partners on account of retirement or death of a partner is called Benefit Ratio or Gain Ratio. Gain Ratio is equal to New Ratio – Old Ratio.

(3) How is the amount due to the retiring partner settled?

Ans. The amount due to a retiring partner is settled as per the terms of partnership agreement or otherwise mutually agreed upon either in lumpsum or in instalments.

Ch. 5 : Reconstitution of Partnership (Death of Partner)

(1) To whom you distribute general reserve on death of a partner?

Ans. On death of a partner, general reserve is distributed among all partners in their old profit and loss ratio.

(2) How is death of a partner, a compulsory retirement?

Ans. After the death of a partner, business is not able to get any kind of services from deceased partner and so we can say that death of a partner is like a compulsory retirement.

Ch. 6 : Dissolution of Partnership Firm

(1) What is Dissolution of the Partnership Firm?

Ans. Dissolution of the partnership firm means complete closure of business activities and stoppage of partnership relations among all the partners.

(2) What is Capital Deficiency?

Ans. The debit balance of insolvent partner's Capital Account which insolvent partner cannot pay is called capital deficiency.

(3) In what proportion is the balance on Realisation Account transferred to Partners' Capital/Current Accounts?

Ans. The balance on Realisation Account is transferred to Partners' Capital/ Current Accounts in their profit sharing ratio.

(4) What is Realisation Account?

Ans. An account which is opened and operated by the firm at the time of its dissolution to determine profit or loss on realisation of assets and payment of liabilities is known as Realisation Account.

(5) Who is called Insolvent Person? ***(July '23)***

Ans. Person whose liabilities are more than his assets and who can not pay all his dues in full is known as Insolvent Person.

Ch. 7 : Bills of Exchange

(1) What do you mean by Bill of Exchange?

Ans. A Bill of Exchange is an instrument in writing, containing an unconditional order signed by the drawer, directing to a certain person to pay a certain sum of money on demand or on a certain future date to a certain person or as per his order.

(2) What are Noting charges?

Ans. Noting charges are the fees charged by the Notary Public for noting the facts of dishonour on the face of the bill and in his official register.

(3) What do you mean by Discounting of a Bill of Exchange?

Ans. Encashment of a bill of exchange with the bank for certain cash which is less than face value of the bill, before its due date by its drawer or holder is called Discounting of a Bill of Exchange.

(4) Who is Payee of the Bill?

Ans. The Payee of a Bill is the person to whom the bill is made payable or in whose favour the bill is drawn.

(5) What do you mean by Rebate?

Ans. Any concession or discount in monetary terms given by the holder of the bill of exchange to the drawee or acceptor, when a bill is retired is called Rebate.

(6) What is Bills Payable on Demand?

Ans. When amount of bill is payable by a drawee on the presentation of a bill, in which time period is not mentioned and grace days are not allowed is known as Bills Payable on Demand.

(7) What is Legal Due Date?

Ans. Date which arrives after adding three days of grace to nominal due date is known as legal due date.

(8) What is Qualified Acceptance?

Ans. If the drawee of a bill of exchange accepts it on condition that the time or amount of the bill be changed or adds some other conditions to the bill, his acceptance is called a Qualified Acceptance.

(9) What is Endorsing of a Bill?

Ans. Endorsing of a Bill is the holder's signing on its back with the intention of transferring its title or ownership to another person.

(10) What is General Acceptance?

Ans. When the Drawee accepts the draft without any charges or condition, it is called general acceptance or unconditional acceptance.

Ch. 8 : Company Accounts : Issue of Shares

(1) What is Registered Capital?

Ans. Registered Capital or Authorised Capital means maximum limit up to which a company is authorised to raise share capital.

(2) What is Reserve Capital? ***(March '22)***

Ans. Reserve Capital is that part of the subscribed capital which is reserved to be called-up only at the time of winding up or liquidation of the company.

(3) What is Over Subscription of Shares?

Ans. When a company receives more applications of shares than those actually offered or issued to the public, is known as Over Subscription of Shares.

(4) What is Calls-in-Arrears?

Ans. Non-payment of allotment or call money by the applicants inspite of repeated reminders are called Calls-in-Arrears.

(5) What do you mean by Shares Issued at Premium?

Ans. When shareholders are supposed to pay a price higher than the face value of the shares, then shares are said to be issued at premium.

(6) What is Paid-up Share Capital?

Ans. Part of the called-up capital which is actually paid by the shareholders is called Paid-up Share Capital.

(7) Define : Share.

Ans. The owned capital of a company when divided into a large number of parts having equal face value, each such part is called a 'Share'.

Ch. 9 : Analysis of Financial Statements

(1) Give the formulae of Current ratio and Quick assets.

Ans. • Current ratio $= \frac{\text{Current assets}}{\text{Current liabilities}}$

• Quick assets = Current assets – (Stock + Prepaid expense).

(2) State three examples of cash in flows.

Ans. Examples of cash inflows are : (1) Interest received, (2) Dividend received, (3) Sale of asset/investment, (4) Rent received.

(3) State three examples of cash outflows.

Ans. Examples of cash outflows are : (1) Interest paid, (2) Loss on sale of asset, (3) Dividend paid, (4) Repayment of short-term borrowings.

(4) State the formula of Cost of goods sold.

Ans. Cost of goods sold = Opening stock + Purchase – Purchase return + Direct expense – Closing stock

(5) Give the formula of Gross profit.

Ans. Gross profit = Net sales – Cost of goods sold.

where, Cost of goods sold = Opening stock + Purchase – Purchase return + Direct expense – Closing stock

Net sales = Sales – Sales return.

(6) Give the formula of Gross Profit Ratio.

Ans. Gross profit ratio $= \frac{\text{Gross profit}}{\text{Net sales}} \times 100$

Where Gross profit = Net sales – Cost of goods sold.

Cost of goods sold = Opening stock + Purchase – Purchase return + Direct expense – Closing stock

Net sales = Sales – Sales return.

(7) Define : Financial Statements.

Ans. The statements which are prepared by the business to find out profitability, efficiency, solvency, growth of business to judge the financial strength and status are called financial statements.

Ch. 10 : Computer in Accounting

(1) Write the steps to create ledger account in tally.

Ans. Steps to create ledger account in tally are as follows : (1) From Gateway of Tally Screen, click on accounts info. (2) Path gateway to Tally → Accounts Info → Ledgers → Single ledger → Choose create.

(2) How to view reports in Tally?

Ans. For viewing accounting reports in accounting software, click on report option and select the display option.

(3) Write the steps to create a Company.

Ans. Following are the steps to create a company :

(1) After entering into Accounting software Tally, double click on the option, create company, under company information. Then follow navigation path.

Gateway of Tally > Company Info > Create Company

(2) Fill the detailed information in the company creation form, displayed on the screen – Company creation window.

(4) Write the names of equipment that are included in Hardware.

Ans. Electronic equipment like computers, hard disks, monitors, printers and the network that connects with them, etc. are included in Hardware.

(5) What is Computerized Accounting System? ***(July '23)***

Ans. Based on programme or software, when computers processes raw data and generates meaningful information or reports as and when required the system is known as Computerised Accounting System.

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Question Set 7

DO YOU AGREE OR DISAGREE?

[Q. 1. (G) : 5 marks]

Important Tips : *In this question, five statements from different chapters will be asked. Students are expected to write the entire statement given in the question as it is. Then write agree or disagree against it. Underline the answer.* ***Each correct answer carries 1 mark; Total 5 marks.***

Q. Do you Agree/Disagree with the following statements : *(1 mark each)*

Ch. 1 : Introduction to Partnership and Partnership Final Accounts

1. (1) Partnership Firm is a Trading concern. ***(July '22; March '25)***

(2) Partnership is an association of two or more persons. ***(March '23)***

(3) When Partnership Deed is silent, partners share profits of the firm according to capital ratio.

(4) It is compulsory to have a partnership agreement in writing.

(5) An interest on capital is an expenditure for the partnership firm.

(6) Partners are entitled to get Salary or Commission.

(7) The Indian Partnership Act, came into existence in the year 1932.

(8) Amount borrowed by partner from his business will be debited to Current Account.

(9) Carriage inward is a selling and distribution overhead.

(10) All financial expenditures are debited to Profit and Loss Account.

(11) Free distribution of goods is debited to Trading Account.

(12) Profit and Loss Account reflects the true financial position.

Ans. (1) Agree (2) Agree (3) Disagree (4) Disagree (5) Agree (6) Disagree (7) Agree (8) Agree (9) Disagree (10) Agree (11) Disagree (12) Disagree.

2. (1) Carriage outward means carriage on sales.

(2) All indirect expenses are debited to Trading Account.

(3) Depreciation is calculated on fixed assets.

(4) Final Accounts are prepared on the basis of Trial Balance and Adjustments given.

(5) Interest on partner's loan to the firm is always to be allowed.

Ans. (1) Agree (2) Disagree (3) Agree (4) Agree (5) Agree.

Ch. 2 : Accounts of 'Not For Profit' Concerns

(1) Income and Expenditure Account is a Real Account. ***(July '22)***

(2) 'Not for Profit' concerns do not prepare Balance Sheet. ***(March '23)***

(3) Subscriptions received from the members is considered as capital receipts.

(4) Income and Expenditure Account records only revenue items.

(5) 'Not for Profit concerns' do not have profit motive. ***(March '25)***

Ans. (1) Agree (2) Disagree (3) Disagree (4) Agree (5) Agree.

Ch. 3 : Reconstitution of Partnership (Admission of Partner)

(1) General reserve is distributed among old partners in old ratio.

(2) Profit means credit balance of Revaluation Account.

(3) When goodwill is written off, goodwill account is credited.

(4) Gain ratio is calculated at the time of admission of new partner. ***(March '25)***

Ans. (1) Agree (2) Agree (3) Agree (4) Disagree.

Ch. 4 : Reconstitution of Partnership (Retirement of Partner)

(1) Profit or loss on revaluation is transferred to Partner's capital or current account.

(2) Retiring partner's share of goodwill is debited to remaining partners' capital accounts.

(3) Retiring partner is not entitled to share in General Reserve and Accumulated profit. ***(July '22; March '23)***

(4) Retiring partner is called an outgoing partner. ***(March '25)***

Ans. (1) Agree (2) Agree (3) Disagree (4) Agree.

Ch. 5 : Reconstitution of Partnership (Death of Partner)

(1) A deceased partner is entitled to receive amount of goodwill of the firm.

(2) Profit and loss suspense account is shown in the new Balance Sheet on Assets side.

Ans. (1) Agree (2) Agree.

Ch. 6 : Dissolution of Partnership Firm

(1) Dissolution takes place when the relation among the partners comes to an end. ***(March '23)***

(2) In case of dissolution, Assets and Liabilities are transferred to Revaluation Account.

(3) Dissolution expenses are debited to Realisation Account.

(4) At the time of dissolution of the firm, the insolvency loss is shared by the solvent partners in their profit sharing ratio.

(5) Debit balance of insolvent partner's capital account is known as Capital Deficiency.

Ans. (1) Agree (2) Disagree (3) Agree (4) Agree (5) Agree.

Ch. 7 : Bills of Exchange

(1) The person in whose favour the bill is endorsed is known as endorsee. ***(July '22)***

(2) The party which is ordered to pay the amount is known as payee.

(3) Rebate or discount given on retiring a bill is an income to the Drawee.

(4) A bill from the point of view of debtor is called Bills payable.

(5) A bill is required to be accepted by Drawer.

(6) A bill before acceptance is called Promissory Note.

(7) Renewal is request by drawee to extend the credit period of the bill.

(8) The noting of dishonoured bill is compulsory.

(9) In case of bill drawn payable 'On demand', no grace days are allowed.

(10) A bill of exchange is a negotiable instrument.

Ans. (1) Agree (2) Disagree (3) Agree (4) Agree (5) Disagree (6) Disagree (7) Agree (8) Disagree (9) Agree (10) Agree.

Ch. 8 : Company Accounts : Issue of Shares

(1) The Authorised Capital is also known as Nominal Capital. ***(March '23)***

(2) Paid-up capital can be more than Called-up Capital.

(3) Shares can be issued for consideration other than cash.

(4) Private placement method saves time and cost.

(5) Public limited company can issue its shares without issuing its prospectus.

Ans. (1) Agree (2) Disagree (3) Agree (4) Agree (5) Disagree.

Ch. 9 : Analysis of Financial Statements

(1) Net profit ratio is equal to Operating ratio.

(2) Current ratio measures the liquidity of the business.

Ans. (1) Agree (2) Agree.

Ch. 10 : Computer in Accounting

(1) Computer, printer, disk drives, etc. are included in Hardware.

(2) Tailored software is prepared for multi users and geographically scattered locations.

(3) Record book displays the balance daywise for a selected voucher type.

Ans. (1) Agree (2) Agree (3) Disagree.

Question Set 8

CALCULATE THE FOLLOWING

[Q. 1. (H) : 5 marks]

Important Tips : *In this question, five sums/transactions from different chapters will be asked. Show necessary steps or give explanatory notes whenever required for the solution.* ***Each correct answer carries 1 mark; Total 5 marks.***

Q. Calculate the following : ***(1 mark each)***

Ch. 1 : Introduction to Partnership and Partnership Final Accounts

(1) Insurance premium is paid for the year ending on 1st September, 2020 amounted to ₹ 1500. Calculate prepaid insurance premium amount assuming that the year ending is 31st March, 2020. ***(Sept. '21)***

Solution : We have to find the prepaid insurance amount, from 31st March to 1st September, i.e. 5 months.

Insurance premium is paid for the 12 months = ₹ 1500

$\therefore$ Insurance premium paid for 5 months $= 1500 \times \frac{5}{12} =$ ₹ 625

Ans. = Prepaid insurance premium amount = ₹ 625.

(2) 12% p.a. interest on Bank Loan ₹ 80,000 for 6 months. Calculate interest. ***(Sept. '21)***

Solution : Interest $= I = \frac{PRN}{100} = 80{,}000 \times \frac{6}{12} \times \frac{12}{100} =$ ₹ 4800.

Ans. = Interest is ₹ 4800.

(3) Calculate 12.5% P.A. depreciation on Furniture :

(a) on ₹ 2,20,000 for 1 year (b) on ₹ 10,000 for 6 months ***(March '23)***

Solution : Depreciation = Amount of asset × Period × %

(a) Depreciation on furniture $= 2{,}20{,}000 \times 1 \times \frac{12.5}{100}$

= ₹ 27,500

Ans. = Depreciation on furniture for 1 year = ₹ 27,500

(b) Depreciation on furniture $= 10{,}000 \times \frac{6}{12} \times \frac{12.5}{100} =$ ₹ 625

Ans. = Depreciation on furniture for 6 months = ₹ 625.

(4) Undervaluation of closing stock by 10%, closing stock was ₹ 45,000. Find out the value of closing stock.

Solution : Undervaluation of closing stock by 10%

$$\text{Revised value} = \frac{\text{Book value}}{100 - \%\text{ of undervaluation}} \times 100$$

$$= \frac{45,000}{100 - 10} \times 100 = ₹\ 50,000.$$

Ans. = Value of closing stock = ₹ 50,000.

(5) Borrowed loan from Bank of Baroda ₹ 2,00,000 on 1st October, 2023 @15% p.a. Calculate interest on bank loan for the year 2023–24 assuming that the financial year ends on 31st March, every year.

Solution : From 1st October to 31st March, 6 months period interest on loan is to be calculated.

$$\therefore \text{ Interest} = I = \frac{PRN}{100}$$

$$\therefore \text{ Interest on loan} = 2,00,000 \times \frac{15}{100} \times \frac{6}{12} = ₹\ 15,000$$

Ans. = Interest on loan of ₹ 2,00,000 for 6 months = ₹ 15,000.

(6) Advertisement expense ₹ 40,000 paid for 2 years from 1st Jan. 2024. Calculate prepaid advertisement expense for the year ended on 31st March 2024.

Solution : Advertisement expense paid for 2 years from 01–01–2024. Therefore, upto 31–03–2024, 3 months advertisement expense is to be written off. It is calculated as follows :

$$40,000 \times \frac{3}{24} = ₹\ 5,000.$$

Ans. = Prepaid advertisement expense = 40,000 – 5,000 = ₹ 35,000

(7) When Debtors before adjustment are ₹ 50,000. Calculate Net amount of Debtors, considering following adjustments :

(i) Unrecorded sales ₹ 6,000

(ii) Bad debts ₹ 2,000 and R.D.D. to be maintained @ 5% on Debtors

(iii) Bills receivable dishonoured ₹ 1,000.

Solution :	**Amount (₹)**
Sundry Debtors before adjustment	50,000
(+) Unrecorded sales	6,000
	56,000
(+) Bills Receivable dishonoured	1,000
	57,000
(–) Bad debts	2,000
	55,000
(–) R.D.D. @5% on Debtors	2,750
Debtors after adjustment	52,250

Ch. 2 : Accounts of 'Not For Profit' Concerns

(1) When depreciation is ₹ 7500 and closing balance of library books is ₹ 92,500. Calculate the opening balance of library books. ***(Sept. '21)***

Solution : Closing balance = Opening balance – Depreciation

92,500 = Opening balance – 7500

92,500 + 7500 = Opening balance

Ans. = Opening balance of library books = ₹1,00,000.

(2) Library Books ₹ .....? Less 10% Depreciation ₹ 5,000 = ₹ 45,000. ***(March '23)***

Ans. Library books ₹ 50,000. Less 10% Depreciation ₹ 5,000 = ₹ 45,000

%	Depn ₹	
10	5,000	= ₹ 50,000
100	? (cost)	

OR

Cost – Depreciation = Net value

∴ Cost = Net value + Depreciation

= 45,000 + 5000

= ₹ 50,000

(3) Calculate 10% p.a. Depreciation on Furniture, of ₹ 3,00,000 (for three months).

Solution : Depreciation = Cost of Asset × Rate × Period

$$= 3,00,000 \times \frac{10}{100} \times \frac{3}{12}$$

= ₹ 7500 Depreciation for 3 months

Ans. = Depreciation on furniture @ 10% on ₹ 3,00,000 for 3 months = ₹ 7500.

(4) Opening stock of stationery ₹ 2,500, purchase of stationery ₹ 10,000, Outstanding stationery bill ₹ 3,600, Closing stock of stationery ₹ 1,600. Find out amount of stationery used in c.y.

Solution : Calculation of medicines consumed is as follows :

	₹
Opening stock of stationery	2,500
Add : Purchase of stationery	10,000
Add : Outstanding stationery bill	3,600
	16,100
Less : Closing stock of stationery	1,600
∴ Cost of stationery used in current year	14,500

(5) Subscription ₹ 60,000 received in current year. ₹ 20,000 subscription is outstanding of current year and ₹ 30,000 is pre received subscription in current year. Advance subscription ₹ 10,000 received in last year for current year. Find out net subscription amount of current year.

Solution : Calculation of subscription amount of current year is as follows :

	₹
Subscription of current year	60,000
Add : O/s subscription	20,000
	80,000
Less : Pre received subscription	30,000
	50,000
Add : Advance subscription received in last year for current year	10,000
Net subscription amount of current year	60,000

Ch. 3 : Reconstitution of Partnership (Admission of Partner)

(1) Apte and Bhate share profits and losses in the ratio of 3 : 2. They admitted Kate with $\frac{1}{4}$ th share in future profit. Calculate new profit sharing ratio. ***(March '23)***

Solution : Balance of 1 = 1 – Share of new partner

$$= 1 - \frac{1}{4}$$

$$= \frac{3}{4} \text{ (Remaining share)}$$

New ratio = Old ratio × Balance of 1 (Remaining share)

(4) Opening stock of stationery ₹ 2,500, purchase of stationery ₹ 10,000, Outstanding stationery bill ₹ 3,600, Closing stock of stationery ₹ 1,600. Find out amount of stationery used in c.y.

Solution : Calculation of medicines consumed is as follows :

	₹
Opening stock of stationery	2,500
Add : Purchase of stationery	10,000
Add : Outstanding stationery bill	3,600
	16,100
Less : Closing stock of stationery	1,600
∴ Cost of stationery used in current year	14,500

(5) Subscription ₹ 60,000 received in current year. ₹ 20,000 subscription is outstanding of current year and ₹ 30,000 is pre received subscription in current year. Advance subscription ₹ 10,000 received in last year for current year. Find out net subscription amount of current year.

Solution : Calculation of subscription amount of current year is as follows :

	₹
Subscription of current year	60,000
Add : O/s subscription	20,000
	80,000
Less : Pre received subscription	30,000
	50,000
Add : Advance subscription received in last year for current year	10,000
Net subscription amount of current year	60,000

Ch. 3 : Reconstitution of Partnership (Admission of Partner)

(1) Apte and Bhate share profits and losses in the ratio of 3 : 2. They admitted Kate with $\frac{1}{4}$ th share in future profit. Calculate new profit sharing ratio.

(March '23)

Solution : Balance of 1 = 1 – Share of new partner

$$= 1 - \frac{1}{4}$$

$$= \frac{3}{4} \text{ (Remaining share)}$$

New ratio = Old ratio × Balance of 1 (Remaining share)

Apte's new ratio $= \frac{3}{5} \times \frac{3}{4} = \frac{9}{20}$

Bhate's new ratio $= \frac{2}{5} \times \frac{3}{4} = \frac{6}{20}$

Kate's new ratio $= \frac{1}{4} \times \frac{5}{5} = \frac{5}{20}$

$\therefore$ New profit sharing ratio $= 9 : 6 : 5$.

(2) A and B are partners in a firm sharing profits and losses in the ratio of 1 : 1. C is admitted. A surrenders $\frac{1}{4}$ th share and B surrenders $\frac{1}{5}$ th of their shares in favour of C. Calculate new profit sharing ratio.

Solution : Old ratio of A and B $= 1 : 1$ or $\frac{1}{2} : \frac{1}{2}$

A's sacrifice $= \frac{1}{4} \times \frac{1}{2} = \frac{1}{8}$

B's sacrifice $= \frac{1}{5} \times \frac{1}{2} = \frac{1}{10}$

Sacrificing ratio of A and B $= \frac{1}{8} : \frac{1}{10} = 5 : 4$

C's share = A's share + B's share $= \frac{1}{8} + \frac{1}{10} = \frac{5+4}{40} = \frac{9}{40}$

A's new share = Old ratio – A's Sacrifice $= \frac{1}{2} - \frac{1}{8} = \frac{4-1}{8} = \frac{3}{8}$

B's new share = Old ratio – B's Sacrifice $= \frac{1}{2} - \frac{1}{10} = \frac{5-1}{10} = \frac{4}{10}$

Therefore, New ratio of A, B and C $= \frac{3}{8} : \frac{4}{10} : \frac{9}{40}$

$= 15 : 16 : 9$

(Making denominator equal)

(3) Soham and Sohan are partners sharing profit in the ratio of 5 : 1. They decide to admit Rohan in the firm for $\frac{1}{5}$ th share. Calculate Sacrifice ratio of Soham and Sohan.

Solution : Balance of 1 = 1 – share of new partner

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

New ratio = Old ratio × Balance of 1

Sohan's New ratio $= \frac{5}{6} \times \frac{4}{5} = \frac{20}{30}$

Sohan's New ratio $= \frac{1}{6} \times \frac{4}{5} = \frac{4}{30}$

Rohan's New ratio $= \frac{1}{5} \times \frac{6}{6} = \frac{6}{30}$ (Making denominator equal)

$\therefore$ New Profit and Loss ratio $= \frac{20}{30} : \frac{4}{30} : \frac{6}{30}$

$= 20 : 4 : 6$ i.e. $10 : 2 : 3$

Sacrifice ratio = Old ratio – New ratio

Sohan's Sacrifice ratio $= \frac{5}{6} - \frac{20}{30} = \frac{25-20}{30} = \frac{5}{30}$

Sohan's Sacrifice ratio $= \frac{1}{6} - \frac{4}{30} = \frac{5-4}{30} = \frac{1}{30}$

$\therefore$ Sacrifice ratio $= \frac{5}{30} : \frac{1}{30} = 5 : 1$

(4) X and Y are partners sharing profits and losses in the ratio of 3 : 2. After admission of Z the New ratio of X, Y and Z is 4 : 3 : 2. Find out the Sacrifice ratio.

Solution : Sacrifice Ratio = Old ratio – New ratio

X's Sacrifice $= \frac{3}{5} - \frac{4}{9} = \frac{27-20}{45} = \frac{7}{45}$

Y's Sacrifice $= \frac{2}{5} - \frac{3}{9} = \frac{18-15}{45} = \frac{3}{45}$

$\therefore$ Sacrifice ratio $= \frac{7}{45} : \frac{3}{45} = 7 : 3.$

(5) Goodwill is to be valued on the basis of 3 years' purchases of last 5 years average profit. The profits and losses were as follows :

Year	1	2	3	4	5
Amt. (₹)	2,00,000	3,00,000	1,50,000	2,00,000	1,00,000
	(Profit)	(Profit)	(Profit)	(Loss)	(Profit)

Find out value of Goodwill.

Solution :

$$\text{Average profit} = \frac{\text{Total profit of given no. of years}}{\text{No. of years given}}$$

$$= \frac{2,00,000 + 3,00,000 + 1,50,000 - 2,00,000 + 1,00,000}{5}$$

$$= \frac{5,50,000}{5} = ₹\ 1,10,000$$

$$\text{Goodwill} = \text{Average profit} \times \text{No. of years of purchase}$$

$$= 1,10,000 \times 3 \text{ years}$$

$$= ₹\ 3,30,000/-$$

(6) Find out Super profit from the following data where reasonable return of the capital employed ₹ 6,00,000 is 15%. Find out Super profit.

Year	1	2	3	4	5
Amt. (₹)	2,00,000	2,00,000	3,00,000	80,000	2,20,000
	Profit	Loss	Profit	Profit	Profit

Solution :

$$\text{Average profit} = \frac{\text{Total profit of given no. of years}}{\text{No. of years given}}$$

$$= \frac{2,00,000 - 2,00,000 + 3,00,000 + 80,000 + 2,20,000}{5}$$

$$= \frac{6,00,000}{5} = ₹\ 1,20,000$$

$$\text{Normal profit} = \text{Capital employed} \times \text{Normal rate of return}$$

$$= 6,00,000 \times 15\% = ₹\ 90,000$$

$$\text{Super profit} = \text{Average profit} - \text{Normal profit}$$

$$= 1,20,000 - 90,000 = ₹\ 30,000.$$

(7) X and Y are partners sharing profits in the ratio 2 : 3. They admitted Z in the firm with 1/5th share of the profits of the firm. Z contributes ₹ 50,000 as his capital. New profit sharing ratio of the firm is 8 : 12 : 5. Calculate New Capital Balance of the Partners in NPSR taking Z's capital as base.

Solution : 'Z's capital contribution ₹ 50,000 for 1/5th share in profits

∴ Taking Z's share as base

Total capital of the firm $= 50,000 \times \frac{5}{1} =$ ₹ 2,50,000/-

Adjusted capital of all partners in New P.S.R.

₹ 2,50,000

X		Y		Z
8	:	12	:	5
₹ 80,000		₹ 1,20,000		₹ 50,000

Ch. 4 : Reconstitution of Partnership (Retirement of Partner)

(1) A, B and C are partners sharing profits in the proportion of 1/2, 1/3 and 1/6. If A retires, what will be the new profit sharing ratio? ***(Sept. '21)***

Solution : Profit sharing ratio of A, B and C

$$= \frac{1}{2} : \frac{1}{3} : \frac{1}{6}$$

$$= \frac{3}{6} : \frac{2}{6} : \frac{1}{6} \text{ (Making denominator equal)}$$

$$= 3 : 2 : 1$$

Now, A retires. As nothing is mentioned, cancel out A's profit sharing ratio.

$\therefore$ New profit sharing ratio of B and C = 2 : 1.

(2) Maan, Meet and Jeet are partners sharing profits and losses in the ratio of 5 : 4 : 2. Jeet retires. New ratio for Maan and Meet is 5 : 6. Calculate Gain ratio.

Solution : Gain Ratio = New Ratio – Old Ratio

Maan's Gain $= \frac{5}{11} - \frac{5}{11} = \frac{0}{11}$

Meet's Gain $= \frac{6}{11} - \frac{4}{11} = \frac{2}{11}$

$\therefore$ Gain ratio for Maan and Meet is $\frac{0}{11} : \frac{2}{11} = 0 : 2$

Whole benefit of Jeet's retirement goes to Meet only.

(3) A, B and C share profit and loss in 4 : 3 : 2 ratio. B retires from the firm. A and C take up B's share in 3 : 1 ratio. Find out the New ratio.

Solution : A's Gain ratio = B's share $\times \frac{3}{4} = \frac{3}{9} \times \frac{3}{4} = \frac{9}{36}$

C's Gain ratio = B's share $\times \frac{1}{4} = \frac{3}{9} \times \frac{1}{4} = \frac{3}{36}$

New ratio = Old ratio + Gain ratio

A's new ratio $= \frac{4}{9} + \frac{9}{36} = \frac{16+9}{36} = \frac{25}{36}$

C's new ratio $= \frac{2}{9} + \frac{3}{36} = \frac{8+3}{36} = \frac{11}{36}$

$\therefore$ New ratio for A and C $= \frac{25}{36} : \frac{11}{36} = 25 : 11.$

Ch. 5 : Reconstitution of Partnership (Death of Partner)

(1) X, Y and Z are partners sharing profit and loss in the ratio of 3 : 5 : 8. Z expired. Find out Gain ratio of X and Y.

Solution : Old ratio of X, Y and Z = 3 : 5 : 8

New ratio of X and Y = 3 : 5

Gain ratio = New ratio – Old ratio

X's gain ratio $= \frac{3}{8} - \frac{3}{16} = \frac{6-3}{16} = \frac{3}{16}$

Y's gain ratio $= \frac{5}{8} - \frac{5}{16} = \frac{10-5}{16} = \frac{5}{16}$

$\therefore$ Gain ratio of X and Y $= \frac{3}{16} : \frac{5}{16} = 3 : 5.$

[**Note :** When new ratio of continuing partner is not given, the gain ratio of continuing partner will remain the same as the old ratio. (Useful for short sums.)]

(2) A, B and C are partners in a firm sharing profit and loss of a firm in 5 : 2 : 1 ratio. C expired. Surviving partners A and B take up C's share in 3 : 2 respectively. Find out New ratio.

Solution : Gain ratio = C's ratio $\times$ Take up proportion

A's Gain ratio $= \frac{1}{8} \times \frac{3}{5} = \frac{3}{40}$

B's Gain ratio $= \frac{1}{8} \times \frac{2}{5} = \frac{2}{40}$

New ratio = Old ratio + Gain ratio

A's new ratio $= \frac{5}{8} + \frac{3}{40} = \frac{25+3}{40} = \frac{28}{40}$

B's new ratio $= \frac{2}{8} + \frac{2}{40} = \frac{10+2}{40} = \frac{12}{40}$

$\therefore$ New ratio of A and B $= \frac{28}{40} : \frac{12}{40} = 28 : 12 = 7 : 3.$

(3) Balance of Machinery account found as ₹ 5,00,000 in trial balance. It was found to be overvalued by 25%. Find decrease in the value of Machinery.

Solution : Revised value of machinery

$$\text{Revised value of machinery} = \frac{\text{Book value}}{100 + \%\text{ of over valuation}} \times 100$$

$$= \frac{5,00,000}{100+20} \times 100 = ₹\ 4,00,000$$

$\therefore$ Decrease in the value of machinery $= 5,00,000 - 4,00,000 = ₹\ 1,00,000.$

Ch. 6 : Dissolution of Partnership Firm

(1) Insolvent Partner Capital A/c debit side total is ₹ 80,000 and credit side total is ₹ 45,000. Calculate deficiency. ***(Sept. '21)***

Ans. Deficiency of insolvent partner = Debit side total – Credit side total $= 80,000 - 45,000 = ₹\ 35,000.$

(2) A, B and C are partners in a firm sharing profits and losses in the ratio of 2 : 3 : 1. C becomes insolvent and his capital deficiency is ₹ 15,000. Distribute the capital deficiency among the solvent partner.

Ans. Here, capital deficiency of ₹ 15,000 is to be distributed among continuing partners in their profit and loss sharing ratio, i.e. 2 : 3

Share of deficiency for A $= 15,000 \times \frac{2}{5} = ₹\ 6,000$

Share of deficiency for B $= 15,000 \times \frac{3}{5} = ₹\ 9,000$

A and B will bear ₹ 6,000 and ₹ 9,000 of C's capital deficiency.

(3) For the following balances : Creditors ₹ 40,000, Bills Payable ₹ 20,000 and Bank Loan ₹ 10,000. Available Bank balance ₹ 63,000. Find out the amount that creditors will get in case of all partners insolvency.

Ans. Ratio of Creditors : Bills payable : Bank loan

$= 40,000 : 20,000 : 10,000$

$= 4 : 2 : 1$

Amount received by creditors $= \frac{4}{4+2+1} \times 63,000$

$= \frac{4}{7} \times 63,000 =$ ₹ 36,000

(4) Realisation profit of a firm is ₹ 60,000. Partner's profit and loss sharing ratio is 5 : 2 : 3. Calculate amount to be credited to Partner's Capital A/c.

Solution : Distribution of ₹ 60,000 in 5 : 2 : 3 ratio

$\therefore 60,000 \times \frac{5}{10} =$ ₹ 30,000; $60,000 \times \frac{2}{10} =$ ₹ 12,000; $60,000 \times \frac{3}{10} =$ ₹ 18,000

Thus, ₹ 30,000, ₹ 12,000 and ₹ 18,000 is to be credited to Partner's Capital A/cs respectively.

Ch. 7 : Bills of Exchange

(1) Ganesh draws a bill for ₹ 40,000 on 15th Jan., 2020 for 2 months. He discounted the bill with Bank of India @ 15% p.a. on the same day. Calculate the amount of discount. ***(March '23)***

Solution :

Discount = Amount of Bill $\times \frac{\text{Rate}}{100} \times \frac{\text{Unexpired days}}{366}$

$= 40,000 \times \frac{15}{100} \times \frac{2}{12} =$ ₹ 1,000

(2) Rupali's acceptance for ₹ 50,000 to Deepali gets dishonoured due to insolvency of Rupali. Out of total dues only 35 paise in a rupee could be recovered from her estate in full and final settlement. Calculate the amount of Bad-debts.

Solution : Total dues from Rupali = ₹ 50,000

% of dues Recovered = 35%

Therefore % of Bad debts = 65%

Hence, ₹ $50,000 \times \frac{65}{100} =$ ₹ 32,500/-

$\therefore$ Amount of bad debts = ₹ 32,500.

(3) Dinesh renewed his acceptance for ₹ 1,00,000 by paying ₹ 25,000 in cash and accepting a new bill for the balance plus interest @ 12% p.a. for 4 months. Calculate the amount of new bill.

Solution : For Dinesh, total outstanding amount = ₹ 1,00,000

Dinesh paid in cash = ₹ 25,000

∴ Remaining dues = ₹ 75,000

Now, on this ₹ 75,000, we have to calculate interest @ 12% for 4 months

$$I = \frac{PRN}{100} = 75{,}000 \times \frac{12}{100} \times \frac{4}{12} = ₹\ 3{,}000$$

So, amount of new bill = Remaining dues + Interest

= 75,000 + 3,000 = ₹ 78,000.

(4) A bill of ₹ 32,000 was drawn by Keshav on Gopal on 12th May, 2024 for 2 months, what will be the due date, if all of a sudden, the legal due date is declared as emergency holiday?

Solution :

Bill drawn on 12th May, 2024	12/05/2024
+ 2 months	+ 02
	12/07/2024
+ 3 days of grace	+ 03
	15/07/2024

∴ Legal due date is 16th July, 2024 (Next day).

***[Note :** Consider immediate or next working day, as due date, in case the legal due date is declared as emergency holiday.]*

(5) On 23rd November 2024 Mr. Bean draws bill on Mrs. Kim for 2 months amounted to ₹ 1,00,000/-. Calculate the due date for the bill.

Solution :

Date of Bill drawn	23/11/2024
+ 2 months	2
Nominal Due date	23/01/2025
+ 3 grace days	3
	26/01/2025
∴ Legal due date	25/01/2025

In consideration of 26th Jan. Republic Day (Holiday) Legal due date will fall on prior date i.e. 25th Jan. 2024.

(1) One shareholder holding 2,000 equity shares paid share Application money @ ₹ 3, Allotment money @ ₹ 4 per share and failed to pay final call of ₹ 3 per share. His shares were forfeited. Calculate the amount of share forfeiture.

Ans. Here, shareholder paid ₹ 3 per share on application and ₹ 4 per share on allotment on 2,000 shares. So, total amount received by company

$= 2{,}000 \times ₹\ 3 + 2{,}000 \times ₹\ 4 = 6{,}000 + 8{,}000 = ₹\ 14{,}000$

∴ Amount of share forfeiture = **₹ 14,000**

***[Note :** Amount of share forfeiture = Amount received by company on shares issued (In case of non-payment of 'calls')]*

(2) 20,000 equity shares of ₹ 100 each issued at 20% premium. Calculate the total amount of share premium.

Ans. Equity shares = 20,000

Face value = ₹ 100 per share

Premium amount = No. of shares × Face value × % of premium

$$= 20{,}000 \times 100 \times \frac{20}{100}$$

$$= ₹\ 4{,}00{,}000$$

So, premium of 20,000 shares of ₹ 100 each at 20% = **₹ 4,00,000**

(3) Company received excess application for 5000 shares @ ₹ 4 per share. Application of 1000 shares were rejected and pro-rata allotment was made. Calculate the amount of application money adjusted with allotment.

Ans. Excess application money received for 5000 shares

@ ₹ 4 per share =	₹ 20,000
Less : Application of 1000 shares rejected and money refunded =	₹ 4,000
∴ Excess money received to be adjusted with allotment →	₹ 16,000

(4) 2,00,000 equity shares of ₹ 10 each issued and fully subscribed and called-up at 20% premium. Calculate the amount of Equity Share capital.

Ans. Equity Share capital = No. of equity shares × face value of each share

$= 2{,}00{,}000 \times ₹\ 10 = ₹\ 20{,}00{,}000$

***[Note :** Equity Share capital has no concern with premium or discount amount.]*

(5) Directors issued 40,000 equity shares of ₹ 100 each at par. These were fully subscribed and called-up. All money were received except one shareholder holding 1000 equity shares failed to pay final call of ₹ 30 per share. Calculate the amount of Paid-up capital of the company.

Ans. Fully subscribed and called-up amount

= 40,000 equity shares × ₹ 100 per share = ₹ 40,00,000

But one shareholder failed to pay final call of ₹ 30 per share of 1000 equity shares means non-payment of shares = 1000 equity shares × ₹ 30 per share

= ₹ 30,000

∴ Total paid-up capital amount = 40,00,000 – 30,000 = ₹ 39,70,000

(6) Company sent regret letter for 100 shares and Allotment letter to 25,000 shareholders. Application money per ₹ 20 per share. Calculate the amount of application money which company is refunding.

Ans. Amount of refund = No. of shares × Per share Application amount

= 100 × ₹ 20 = ₹ 2,000

Company sent regret letter for 100 shares for ₹ 20 per share application money received i.e. only that much amount company will refund.

Ch. 9 : Analysis of Financial Statements

(1) From the following information, calculate Current Assets. ***(March '23)***

Debtors = ₹ 60,000, Creditors = ₹ 30,000, Bills payable = ₹ 20,000, Stock = ₹ 30,000, Loose Tools = ₹ 10,000, Bank overdraft = ₹ 10,000.

Solution :

Current Assets = Debtors + Stock + Loose Tools

= 60,000 + 30,000 + 10,000 = ₹ 1,00,000

(2) Calculate Current Ratio :

Debtors = ₹ 90,000, Creditors = ₹ 30,000, Bills receivable = ₹ 10,000, Bills payable = ₹ 12,000, Stock of goods = ₹ 40,000, Short-term loan = ₹ 40,000, Outstanding expenses = ₹ 14,000, Cash balance = ₹ 70,000, Machinery = ₹ 1,00,000, Current investments = ₹ 25,000, Non-current investments = ₹ 25,000, Loose tools = ₹ 15,000, Bank overdraft = ₹ 29,000.

Solution :

Current assets = Debtors + Bills receivable + Stock of goods

+ Cash balance + Current investments + Loose tools.

$= 90,000 + 10,000 + 40,000 + 70,000 + 25,000 + 15,000$

$= ₹\ 2,50,000$

Current liabilities = Creditors + Bills payable + Short-term loan + Outstanding expenses + Bank overdraft.

$= 30,000 + 12,000 + 40,000 + 14,000 + 29,000$

$= ₹\ 1,25,000$

$$\text{Current ratio} = \frac{\text{Current assets}}{\text{Current liabilities}} = \frac{2,50,000}{1,25,000} = 2 : 1.$$

[Note : Machinery and Non-current investment are to be omitted as it is not to be included in current assets.]

(3) Calculate Quick Ratio :

Working capital = ₹ 3,40,000, Prepaid expenses = ₹ 20,000, Inventory/ Stock = ₹ 30,000, Current liabilities = ₹ 2,50,000, Bank overdraft = ₹ 70,000.

Working capital = Current Assets – Current Liabilities

Solution : Current assets = Current liabilities + Working capital

$= 2,50,000 + 3,40,000 = ₹\ 5,90,000$

Quick assets = Current assets – Inventory – Prepaid expenses

$= 5,90,000 - 30,000 - 20,000$

$= ₹\ 5,40,000$

Quick liabilities = Current liabilities – Bank overdraft

$= 2,50,000 - 70,000 = ₹\ 1,80,000$

$$\text{Quick ratio} = \frac{\text{Quick assets}}{\text{Quick liabilities}} = \frac{5,40,000}{1,80,000} = 3 : 1.$$

(4) Calculate Gross Profit Ratio :

Opening stock = ₹ 30,000, Closing stock = ₹ 37,500, Purchases = ₹ 1,50,000, Purchase return = ₹ 15,000, Sales = ₹ 3,37,500, Sales return = ₹ 22,500, Direct expenses = ₹ 30,000.

Solution :

Cost of goods sold = Opening stock + Purchases – Purchase return + Direct expenses – Closing stock

$= 30,000 + 1,50,000 - 15,000 + 30,000 - 37,500$

$= ₹\ 2,10,000 - 52,500 = ₹\ 1,57,500$

Net sales = Sales – Sales return

= 3,37,500 – 22,500

= ₹ 3,15,000

Gross profit = Net sales – Cost of goods sold

= 3,15,000 – 1,57,500

= ₹ 1,57,500

$$\text{Gross Profit ratio} = \frac{\text{Gross profit}}{\text{Net sales}} \times 100 = \frac{1,57,500}{3,15,000} \times 100 = 50\%.$$

(5) Calculate Gross Profit Ratio :

Sales ₹ 9,00,000, Gross profit ratio 20% on cost.

Solution : Gross profit is 20% on cost.

∴ Goods costing ₹ 100 must have been sold for ₹ 120. Hence, if sales is ₹ 120, gross profit is ₹ 20.

If sales is ₹ 9,00,000 then Gross profit = ?

$$\therefore \text{Gross profit} = 9,00,000 \times \frac{20}{120} = ₹\ 1,50,000$$

$$\therefore \text{Gross profit ratio} = \frac{\text{Gross profit}}{\text{Net sales}} \times 100$$

$$= \frac{1,50,000}{9,00,000} \times 100 = 16.67\%.$$

(6) Calculate Net Profit Ratio :

Sales = ₹ 5,00,000, Cost of goods sold = ₹ 2,10,000, Indirect expenses = ₹ 15,000, Administrative expenses = ₹ 50,000, Selling and Distribution expenses = ₹ 40,000, Interest on debentures = ₹ 20,000.

Solution : Gross profit = Sales – Cost of goods sold

= 5,00,000 – 2,10,000

= ₹ 2,90,000

Net profit = Gross profit – Administrative expenses – Selling and Distribution expenses – Indirect expenses – Interest on debentures

= 2,90,000 – 50,000 – 40,000 – 15,000 – 20,000

= 2,90,000 – 1,25,000 = ₹ 1,65,000

$$\text{Net profit ratio} = \frac{\text{Net profit}}{\text{Sales}} \times 100 = \frac{1,65,000}{5,00,000} \times 100 = 33\%.$$

(7) Current Assets of a company is ₹ 10,00,000 and its current ratio is 4 : 1. Find Current liabilities.

Solution : $\text{Current ratio} = \dfrac{\text{Current assets}}{\text{Current liabilities}}$

$$= \frac{4}{1} = \frac{10,00,000}{\text{Current liabilities}}$$

$$= 4 \times \text{current liabilities} = 10,00,000 \times 1$$

$$\therefore \text{Current liabilities} = \frac{10,00,000}{4} = ₹\ 2,50,000.$$

(8) Calculate Return On Investment (ROI) :

Capital ₹ 5,00,000, Reserves = ₹ 50,000,

Borrowed loan = ₹ 50,000, Profit earned = ₹ 1,00,000.

Solution : Return On Investment

Capital employed = Capital + Reserves + Borrowed Loan

$$(\text{ROI}) = \frac{\text{Profit before interest, tax and dividend}}{\text{Capital employed}} \times 100$$

$$= \frac{1,00,000}{5,00,000 + 50,000 + 50,000} \times 100$$

$$= \frac{1,00,000}{6,00,000} \times 100 = \frac{1,00,00,000}{6,00,000} = \frac{100}{6}$$

$$\cong 16.67\%.$$

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Question Set 9

PREPARE SPECIMEN OF

[Q. 1. (I) : 5 marks]

Important Tips : *In this question, students are expected to draft the specimen (format) of Bill of Exchange by incorporating the given information in the question such as name and address of drawer, drawee and payee, date of bill drawn and accepted, amount of bill and period of the bill. Students are expected to draft neat and clean specimen.* ***Total 5 marks.***

Prepare Specimen of a Bill of Exchange :

BILL OF EXCHANGE

STAMP

..... (Drawer's Name)

.....

..... (Drawer's Address)

₹ ..... /-
(Amount in figures)

..... (Date of bill drawn)

..... after date, pay to .....
(Period of bill) (Name of Payee and Payee's address)

..... or his/her order, the sum of Rupees

.....
(Amount in words)

only for the value received.

To

.....
(Drawee's Name)

.....

.....
(Drawee's Address)

Accepted
Sd/-
.....
Drawee's name)
.....
(Date of acceptance)

Sd/-

.....
(Drawer's Name)

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1. **Prepare a bill of exchange from the following information :**

Drawer : Veena Vaidya, Dadar (West)

Drawee : Meena Pradhan, Vile Parle (East)

Payee : Anuj Kelkar, Thane (West)

Amount : ₹ 40,000

Period of Bill : 3 months after sight

Date of Bill : 15th December, 2025

Date of acceptance : 20th December, 2025

Solution : **(Bill after sight)**

BILL OF EXCHANGE

STAMP

Veena Vaidya
Dadar (West)
Date : 15th Dec., 2025

₹ 40,000/–

Three months after sight, pay to Anuj Kelkar, Thane (West) or his order, the sum of Rupees Forty Thousand only for the value received.

To
Meena Pradhan,
Vile Parle (East)

Sd/–
Veena Vaidya

Accepted
Sd/–
(Meena Pradhan)
Date : 20th December, 2025

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2. **Rohan Deshpande, 1101 Madhur Heights, Indore, draw a bill on 15th June, 2025 for ₹ 60,000 for 90 days after date on Ketan Kulkarni, 405, Anand Bhuvan, Nashik. Payable to Priti Pethe, Pune. The bill was accepted on 18th June, 2025.**

Prepare a format of Bill of Exchange from the above details.

Solution : **(Bill after date)**

BILL OF EXCHANGE

STAMP

₹ 60,000/–

Rohan Deshpande
1101, Madhur Heights
Indore
Date : 15th June, 2025

Ninety days after date, pay to Priti Pethe, Pune, or her order, the sum of Rupees Sixty Thousand only for the value received.

To
Ketan Kulkarni
405, Anand Bhuvan
Nashik

Accepted
Sd/– (Ketan Kulkarni)
Date : 18th June, 2025

Sd/–
(Rohan Deshpande)

3. Prepare a Bill of Exchange from the following information :

Drawer : Mrs. Radha Rege, Solapur

Drawee : Mr. Soham Mungekar, Borivali

Amount : ₹ 37,500/- [Accepted for ₹ 35,000/only]

Period of Bill : 45 days

Date of Bill : 10th October, 2025

Date of acceptance : 15th October, 2025

Solution : **(Qualified for amount)**

BILL OF EXCHANGE

STAMP

₹ 37,500/–

Mrs. Radha Rege
Solapur
Date : 10th October, 2025

Fifty days after date, pay to me or my order, the sum of Rupees Thirty Seven Thousand Five Hundred only for the value received.

To
Soham Mungekar
Borivali

Accepted only for
₹ 35,000/-
Sd/– (Soham Mungekar)
Date : 15th Oct. 2025

Sd/–
(Radha Rege)

4. Prepare a bill of exchange from the following information :

Drawer : Mrs. Mridula Date, Khothrud, Pune

Drawee : Mr. Manas Gore, Shivaji Park, Dadar

Payee : Mr. Kedar Sathaye, Surat

Amount : ₹ 45,000

Period of Bill : 2 months

Date of Bill : 11 January, 2025

Date of Acceptance : Bill was accepted on same day for 3 months

Solution : **(Qualified for time)**

BILL OF EXCHANGE

STAMP

₹ 45,000/–

Mrs. Mridula Date
Khothrud
Pune
Date : 11th Jan., 2025

Two months after date, pay to Mr. Kedar Sathaye, Surat or his order, the sum of Rupees Forty Five Thousand only for the value received.

To
Mr. Manas Gore
Shivaji Park
Dadar

Accepted only for 3 months
Sd./– (Manas Gore)
Date : 11th January, 2025

Sd./–
(Mrs. Mridula Date)

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Question Set 10

COMPLETE THE TABLE

[Q. 1. (J) : 5 marks]

Important Tips : *In this question, tables with some blanks will be asked from different chapters. Students are expected to fill the blanks with appropriate answer and rewrite the table. Underline the answer.* ***Total 5 marks.***

Q. Complete the table : ***(1 mark each)***

Ch. 2 : Accounts of 'Not For Profit' Concerns

1. Complete the table :

Sr. No.	Income (₹)	Expenditure (₹)	Surplus/Deficit (₹)
1	20,000	?	15,000 (Surplus)
2	40,000	?	4,000 (Deficit)
3	?	15,000	28,000 (Surplus)
4	29,000	10,000	?
5	26,000	8,000	?
6	?	32,000	10,000 (Deficit)

Solution :

Sr. No.	Income (₹)	Expenditure (₹)	Surplus/Deficit (₹)
1	20,000	5,000	15,000 (Surplus)
2	40,000	44,000	4,000 (Deficit)
3	43,000	15,000	28,000 (Surplus)
4	29,000	50,000	21,000 (Deficit)
5	26,000	8,000	18,000 (Surplus)
6	22,000	32,000	10,000 (Deficit)

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2. Salaries paid during the year :

Sr. No.	Total (₹)	Prepaid / Outstanding	(₹)	Expenditure for the year
1	1,500	Prepaid	200	?
2	3,800	Prepaid	?	3,500
3	10,000	Prepaid	?	6,650
4	5,200	Outstanding	200	?
5	?	Outstanding	900	9,000
6	2,600	Outstanding	?	2,100

Solution :

Sr. No.	Total (₹)	Prepaid / Outstanding	(₹)	Expenditure for the year
1	1,500	Prepaid	200	1,300
2	3,800	Prepaid	300	3,500
3	10,000	Prepaid	3,350	6,650
4	5,200	Outstanding	200	5,400
5	8,100	Outstanding	900	9,000
6	2,600	Outstanding	500	2,100

3. Rent received (Income) during the year :

Sr. No.	Total received (₹)	Rent Received in Advance/Accrued	(₹)	Income for the year (₹)
1	2,300	Received in Advance	1,200	?
2	?	Received in Advance	800	2,400
3	3,500	Received in Advance	?	3,200
4	?	Accrued	1,320	4,320
5	2,250	Accrued	?	2,500
6	4,150	Accrued	380	?

Solution :

Sr. No.	Total received (₹)	Rent Received in Advance/Accrued	(₹)	Income for the year (₹)
1	2,300	Received in Advance	1,200	1,100
2	3,200	Received in Advance	800	2,400
3	3,500	Received in Advance	300	3,200
4	3,000	Accrued	1,320	4,320
5	2,250	Accrued	250	2,500
6	4,150	Accrued	380	4,530

Ch. 3 : Reconstitution of Partnership (Admission of Partner)

1. (1) $\boxed{} = \dfrac{\text{Total Profit}}{\text{Number of years}}$

(2) Normal Profit $= \boxed{} \times \dfrac{\text{NRR}}{100}$

(3) Stock shown in Balance Sheet → Stock undervalued by 20% → Cost of Stock

$\boxed{₹\ 3,20,000} \rightarrow \boxed{} \rightarrow \boxed{₹\ 4,00,000}$

Solution :

(1) $\boxed{\text{Average Profit}} = \dfrac{\text{Total Profit}}{\text{Number of years}}$

(2) Normal Profit $= \boxed{\text{Capital Employed}} \times \dfrac{\text{NRR}}{100}$

(3) Stock shown in Balance Sheet → Stock undervalued by 20% → Cost of Stock

$\boxed{₹\ 3,20,000} \rightarrow \boxed{₹\ 80,000} \rightarrow \boxed{₹\ 4,00,000}$

2. (1) $\underset{\text{(Average Profit)}}{₹\ 1,00,000} = \dfrac{₹\ 5,00,000}{\boxed{}}$

(Number of years)

(2) Stock shown in the Balance Sheet ₹ 4,20,000 → Stock under-valued by 30% [ ] → Cost of stock [ ]

(3) ₹ 8,00,000 = [ ] × 5 years
(Goodwill)

(4) Stock shown in the Balance Sheet ₹ 6,00,000 → Stock over valued by 20% [ ] → Cost of stock [ ]

Ans.

(1) ₹ 1,00,000 (Average Profit) $= \frac{₹\ 5,00,000}{5}$ (Number of years)

(2) Stock shown in the Balance Sheet ₹ 4,20,000 → Stock under-valued by 30% [₹ 1,80,000] → Cost of stock [₹ 6,00,000]

Hint : 70% = 4,20,000 100% = ? = ₹ 6,00,000
As it is undervalued by 30%

(3) ₹ 8,00,000 = [₹ 1,60,000] × 5 years
(Goodwill)

(4) Stock shown in the Balance Sheet ₹ 6,00,000 → Stock over valued by 20% [₹ 1,00,000] → Cost of stock [₹ 5,00,000]

Ch. 6 : Dissolution of Partnership Firm

1.

(1)

Debit side total of Realisation A/c	Credit side total of Realisation A/c	Loss on Realisations
₹ 50,000	?	₹ 15,000

(2) Creditors	Bills Payable	Third Party Liabilities
₹ 22,000	₹ 12,000	?
(3) Credit side total of Realisation A/c	Debit side total of Realisation A/c	Profit on Realisation
₹ 34,000	₹ 12,500	?
(4) Debit side total of Capital A/c	Credit side total of Capital A/c	Cash brought by partner
₹ 47,000	?	₹ 15,000
(5) Capital Deficiency	Cash brought by insolvent partner	Insolvent Loss
?	₹ 8,000	₹ 32,000

Ans.

(1) Debit side total of Realisation A/c	Credit side total of Realisation A/c	Loss on Realisations
₹ 50,000	₹ 35,000	₹ 15,000
(2) Creditors	Bills Payable	Third Party Liabilities
₹ 22,000	₹ 12,000	₹ 34,000
(3) Credit side total of Realisation A/c	Debit side total of Realisation A/c	Profit on Realisation
₹ 34,000	₹ 12,500	₹ 21,500
(4) Debit side total of Capital A/c	Credit side total of Capital A/c	Cash brought by partner
₹ 47,000	₹ 32,000	₹ 15,000
(5) Capital Deficiency	Cash brought by insolvent partner	Insolvent Loss
₹ 40,000	₹ 8,000	₹ 32,000

1369974

1.

Date of Drawing	Date of Acceptance	Payable	Legal Due Date
(i) 30 – 01 – 2023	01 – 02 – 2023	60 days after date	
(ii) 17 – 08 – 2024	21 – 08 – 2024	3 months after sight	
(iii) 23 – 12 – 2023	26 – 12 – 2023	1 month after date	
(iv) 23 – 01 – 2024	29 – 01 – 2024	1 month after sight	
(v) 30 – 06 – 2024	02 – 07 – 2024	45 days after date	
(vi) 19–01–2023	20 – 03 – 2023	60 days	
(vii) 29–05–2023	01–06–2023	75 days	

Ans.

Date of Drawing	Date of Acceptance	Payable	Legal Due Date
(i) 30 – 01 – 2023	01 – 02 – 2023	60 days after date	3rd April, 2023
(ii) 17 – 08 – 2024	21 – 08 – 2024	3 months after sight	24th Nov., 2024
(iii) 23 – 12 – 2023	26 – 12 – 2023	1 month after date	25th Jan., 2024
(iv) 23 – 01 – 2024	29 – 01 – 2024	1 month after sight	3rd Mar., 2024
(v) 30 – 06 – 2024	02 – 07 – 2024	45 days after date	17th Aug., 2024

(vi) 19 – 1 – 2023 + 60 days i.e. 12 days of Jan + 28 days of Feb + 20 days of March	20 – 3 – 2023	+ 3 days	23rd Mar., 2023
(vii) 29 – 05 – 2023 + 75 days i.e. 2 days of May + 30 days of June + 31 days of July + 12 days of Aug.	12 – 8 – 2023	+ 3 days	14th Aug., 2024

Working notes :

(i)

Days	60
Less : Jan.	1
	59
Less : Feb.	28
	31
Less : Mar	31
Add : Grace days	3
April	3

(ii) 21-08-2024
Add : 03 (months)
21-11-2024
Add : 3 grace days
24-11-2024
Similarly, other due dates can be obtained.

*[**Note :** Legal due date of transaction no. 3 and no. 7 falls on public holiday. Therefore, payment of these two transactions must be cleared on preceding dates.]*

Question Set 11 — INTRODUCTION TO PARTNERSHIP AND PARTNERSHIP FINAL ACCOUNTS

Ch. 1 : Introduction to Partnership and Partnership Final Accounts

- **Pro forma of Partners' Capital Accounts :** The pro forma of Partners' Capital Accounts prepared under **Fixed Capital Method** is shown below : It is assumed that there are two partners, viz. X and Y.

Dr. **Partners' Capital Accounts** **Cr.**

Particulars	X (₹)	Y (₹)	Particulars	X (₹)	Y (₹)
To Cash/Bank A/c (Withdrawal of capital)	XXX	XXX	By Balance b/d	XXX	XXX
			By Cash/Bank A/c (Additional capital introduced)	XXX	XXX
To Balance c/d	XXX	XXX	By Assets A/c	XXX	XXX
	XXX	XXX		XXX	XXX
			By Balance b/d	XXX	XXX

Dr. **Partners' Current Accounts** **Cr.**

Particulars	X (₹)	Y (₹)	Particulars	X (₹)	Y (₹)
To Balance b/d (Opening debit balance)	—	XXX	By Balance b/d (Opening credit balance)	XXX	—
To Drawings A/c	XXX	XXX	By Interest on Capital A/c	XXX	XXX
To Interest on Drawings A/c	XXX	XXX	By Salary to Partner A/c	XXX	XXX
To Profit and Loss A/c (Adjustment of loss)	XXX	XXX	By Commission to Partner A/c	XXX	XXX
To Balance c/d (If credit balance)	XXX	—	By Profit and Loss A/c (Share of profit)	XXX	XXX
			By Balance c/d (If debit balance)	—	XXX
	XXX	XXX		XXX	XXX
To Balance b/d	—	XXX	By Balance b/d	XXX	—

- **Pro forma under Fluctuating Capital Method :**

Dr. **Partners' Capital Accounts** **Cr.**

Particulars	X (₹)	Y (₹)	Particulars	X (₹)	Y (₹)
To Balance b/d [Opening debit balance (If any)]	XXX	XXX	By Balance b/d (Opening credit balance)	XXX	XXX
To Cash/Bank A/c (Withdrawal of capital)	XXX	XXX	By Cash/Bank A/c (Additional capital introduced)	XXX	XXX
To Drawings A/c	XXX	XXX	By Interest on Capital A/c	XXX	XXX
To Interest on Drawings A/c	XXX	XXX	By Partner's Salary A/c	XXX	XXX
To Profit and Loss A/c (Adjustment of loss)	XXX	XXX	By Partner's Commission A/c	XXX	XXX
			By Profit and Loss A/c (Share of profit)	XXX	XXX
To Balance c/d	XXX	XXX			
	XXX	XXX		XXX	XXX
			By Balance b/d	XXX	XXX

- **Pro forma of Trading Account :**

In the books of ..... and .....

Dr. **Trading Account for the year ended 31st March, 20...** **Cr.**

Particulars	Amount (₹)	Amount (₹)	Particulars	Amount (₹)	Amount (₹)
To Opening Stock		XXX	By Sales	XXX	
To Purchases	XXX		Less : Sales Returns Inwards	XXX	XXX
Less : Purchase Returns/Returns Outwards	XXX	XXX	By Goods Distributed as Free Samples		XXX
To Wages/Productive Wages/ Manufacturing Wages/ Wages and Salaries		XXX	By Goods Destroyed by Fire/Rain		XXX
To Works Manager's Salary		XXX	By Goods withdrawn by partners		XXX
To Carriage/Carriage Inwards/Carriage on Purchases		XXX	By Goods lost by theft		XXX
To Factory Insurance/ Rent/Lighting		XXX	By Closing Stock		XXX
To Factory Salaries		XXX	By Gross Loss c/d (If any) (Transferred to Profit and Loss A/c)		XXX
To Import Duty		XXX			
To Freight		XXX			

To Octroi and Cartage		XXX			
To Customs, Dock dues (charges)		XXX			
To Gas, Coal, Water, Fuel and Power/ Motive Power		XXX			
To Royalty/Royalty on Purchases		XXX			
To Manufacturing Expenses		XXX			
To Trade Expenses		XXX			
To Heating and Lighting		XXX			
To Gross Profit c/d (Transferred to Profit and Loss A/c)		XXX			
		XXX			XXX

- **Pro forma of Profit and Loss Account :**

Dr. **Profit and Loss Account for the year ended 31st March, 20...** **Cr.**

Particulars	Amount (₹)	Amount (₹)	Particulars	Amount (₹)	Amount (₹)
To Gross Loss b/d (Transferred from Trading Account)		XXX	By Gross Profit b/d (Transferred from Trading Account)		XXX
To Salaries/Salaries and Wages		XXX	By Commission Received		XXX
To Unproductive or Non-Productive Wages		XXX	By Discount Received		XXX
To Office Expenses		XXX	By Interest Received		XXX
To Rent/Office Rent & Rates/Taxes		XXX	By Income from other Sources		XXX
To Lighting/Office Lighting		XXX	By Bad Debts Recovered		XXX
To Electricity Charges		XXX	By Dividends Received		XXX
To Insurance		XXX	By Miscellaneous/ Sundry Incomes		XXX
To Telephone Charges		XXX	By Rent Received		XXX
To Courier Charges		XXX	By Profit on Sale of Assets		XXX
To Printing and Stationery		XXX	By Profit on Sale of Investment		XXX
To Legal Expenses		XXX	By Interest on Partners' Drawings		XXX
To Trade Expenses		XXX	By Excess Prov. for R.D.D.		XXX
To Repairs and Renewals		XXX	By Net Loss c/d (Transferred to Partners' Capital/ Current A/cs)		XXX
To Audit Fees		XXX			
To Sundry/ Miscellaneous Expenses		XXX			

To Provident Fund Contribution		XXX			
To Travelling Expenses		XXX			
To Commission and Allowances (paid)		XXX			
To Brokerage		XXX			
To Carriage Outwards/ Carriage on Sales		XXX			
To Storage/Godown Charges		XXX			
To Packing Expenses		XXX			
To Advertisement Expenses (Goods distributed as Free Samples)		XXX			
To Delivery Van Charges		XXX			
To Export Duties		XXX			
To R.B.D.D. A/c					
Bad Debts (Old)	XXX				
Add : New Bad debts	XXX				
Add : New Reserve	XXX				
	XXX				
Less : Old Reserve	XXX	XXX			
To Bank Charges		XXX			
To Interest Paid		XXX			
To Discount allowed on Debtors		XXX			
To Depreciation		XXX			
To Loss by Fire/Theft/ any other loss		XXX			
To Professional Charges		XXX			
To Interest on Partners' Capitals		XXX			
To Salaries/ Commission		XXX			
To Net Profit c/d (Transferred to Partners' Capital/ Current A/cs)		XXX			
		XXX			XXX

Note : In the Trial Balance Trade Expense A/c is given alongwith General Expenses A/c OR Office Expenses A/c OR sundry Expenses OR Misc. Expenses. Then Trade Expenses A/c will be posted in "Trading A/c Debit side", otherwise Trade Expenses is posted to Profit & Loss A/c – Dr side.

- **Pro forma of Balance Sheet :**

Balance Sheet as on 31st March, ...

Liabilities	Amount (₹)	Amount (₹)	Assets	Amount (₹)	Amount (₹)
Partners' Capital A/cs:			Goodwill		XXX
X	XXX		Patents & Patterns		XXX
Y	XXX	XXX	Trade Marks		XXX
			Copyrights		XXX
			Freehold Property		XXX
Partners' Capital A/cs:			Leasehold Property		XXX
(Credit balance)			Premises		XXX
X	XXX		Land and Buildings		XXX
Y	XXX	XXX	Plant and Machinery		XXX
General Reserve/					
Reserve Fund		XXX	Delivery Van/		
			Motor Vehicles		XXX
Loan from Partners		XXX	Furniture and Fixtures		XXX
Loan from Bank		XXX	Office Equipments		XXX
Bank Overdraft		XXX	Loose Tools		XXX
Sundry Creditors		XXX	Investments		XXX
Bills Payable		XXX	Provident Fund		
Outstanding Expenses		XXX	Investment		XXX
Income Received in					
Advance		XXX	Interest Accrued on		
Provident Fund	XXX		Investment		XXX
Add : Int. on P.F.	XXX	XXX	Loans (given)		XXX
			Sundry Debtors		XXX
			Stock of Stationery		XXX
			Closing Stock		XXX
			Bills Receivable		XXX
			Insurance Claim		XXX
			(Receivable)		
			Cash in Hand		XXX
			Cash at Bank		XXX
			Prepaid Expenses		XXX
			Incomes Receivables		XXX
			Partners' Capital A/cs:		
			(Debit balance)		
			X	XXX	
			Y	XXX	XXX
		XXX			XXX

Adjustments :

A brief synopsis of the common adjustments to final accounts is given below :

Adjustments to Final Accounts

Sr. No.	Adjustment for	Treatment in	
		Trading A/c or Profit and Loss A/c	Balance Sheet
1.	Closing Stock	Trading A/c – Credit side 'By closing stock'	Balance sheet – Asset 'Closing stock'
2.	Outstanding Expenses	Add to the concerned expense on the Debit side.	Show 'Outstanding Expenses' on the Liabilities side.
3.	Prepaid Expenses	Deduct from the concerned expense on the Debit side.	Show ' Prepaid Expenses' on the Assets side.
4.	Income Received in Advance (Pre-received income)	Deduct from the concerned income on the Credit side.	Show ' Incomes Received in Advance' on the Liabilities side.
5.	Income Receivable (Outstanding income)	Add to concerned income on the Credit side.	Show ' Incomes Receivable' on the Assets side.
6.	Provision/Reserve for Bad and Doubtful Debts (R.B.D.D.)	Dr side To B.D. (T.B.) (old) XX (+) B.D. (Adj.) (new) XX (+) RDD (Adj.) (new) XX (–) RDD (T.B.) (old) XX XX	S. Debtors XX (–) B.D. (Adj) X XX (–) RDD (Adj) X XX

Note : If bad debts formula gives negative amount in the outer column of Profit & Loss A/c Debit side, then negative amount will be transferred to Profit & Loss A/c as "By Excess Provision for RDD".

Sr. No.	Adjustment for	Treatment in	
		Trading A/c or Profit and Loss A/c	Balance Sheet
7. (a)	Reserve for Discount On Debtors (Provision for Discount on Debtors)	Show ' Discount Allowed + New Provision – Old Provision' on the Debit side, or if that gives a negative or minus figure, 'Old Provision – Discount Allowed – New Provision' on the Credit side of the P and L A/c.	Deduct the New Provision for Discount from the ' Sundry Debtors' on the Assets side.
(b)	Reserve for Discount on Creditors (Provision for Discount on Creditors)	Show ' Discount Received + New Provision – Old Provision' on the Credit side, or if that gives a negative figure, ' Old Provision – Discount Received – New Provision' on the Debit side of the P and L A/c.	Deduct the New Provision for Discount from the ' Sundry Creditors' on the Liabilities side.
8.	Depreciation	Show ' Depreciation' on the Debit side of the P and L A/c.	Deduct Depreciation from the concerned asset on the Assets side.
9.	Interest payable on Capital	Show Interest on 'Capital' on the Debit side of P and L A/c.	Add ' Interest payable on Capital' to the Current (or the Capital) A/c of the partner on the Liabilities side.
10.	Interest due on Investment	Show ' Interest due on Investment' on the Credit side of Profit and Loss A/c.	Add ' Interest due on Investment' to Investment on the Assets side.

Sr. No.	Adjustment for	Treatment in	
		Trading A/c or Profit and Loss A/c	Balance Sheet
11.	Insured Goods Destroyed, Damaged or Stolen and Insurance Company admitted claim	Show the net loss as ' Loss by Fire/Damage/ Theft' on the Debit side of the P and L A/c and the full value of these goods as ' Goods Lost by Fire/Damage/Theft' on the Credit side of the Trading A/c.	Show the amount recoverable from the Insurance Company as ' Insurance Claim Receivable' on the Assets side.
12.	Uninsured Goods Destroyed or Damaged or Stolen	Show full value of uninsured goods as ' Loss by Fire/Damage/ Theft' on the Debit side of the P and L A/c and full value of the goods as ' Goods Lost by Fire/Damage/Theft' on the Credit side of the Trading A/c.	—
13.	Goods distributed as Free Samples	Show the ' Free Samples Distributed' as Advt. Exp. on the Debit side of the P and L A/c and the ' Goods Distributed as Free Samples' on the Credit side of the Trading A/c.	—
14.	Goods Withdrawn by a Partner for personal use	Show ' Goods Withdrawn by Partners' on the Credit side of the Trading A/c.	Deduct the amount of Goods Withdrawn by Partner from the Capital A/c or Current A/c on the Liabilities side. (Drawings)

Sr. No.	Adjustment for	Treatment in	
		Trading A/c or Profit and Loss A/c	Balance Sheet
15.	Unrecorded purchase of goods	Add to 'Purchases' on the Debit side of the Trading A/c.	Add to 'Sundry Creditors' on the Liabilities side.
16.	Unrecorded sale of goods	Add to 'Sales' on the Credit side of the Trading A/c.	Add to 'Sundry Debtors' on the Assets side.
17.	Bills Receivable included a dishonoured bill	No accounting effect	(1) Deduct the amount of Bill dishonoured from Bills Receivable on the Assets side. (2) Add the amount of Bill dishonoured to Debtors before calculating Reserve for Doubtful debts or Reserve for discount on debtors.
18.	Deferred Revenue expenses e.g. Large scale advertising expenses paid for 5 years	Proportionate amount of Advertising expenses for the current year is to be debited to Profit and Loss A/c.	The balance amount of Advertising expenses not yet written off is to be shown on the Assets side.

Accounting treatment or effects of hidden or silent or self - evident adjustments given in the Trial balance :

Sr. No.	Adjustment given in the Trial balance	Treatment in	
		Trading A/c or Profit and Loss A/c	Balance Sheet
1.	Salary/Rent paid (for 10 months)	Add the amount of Salaries/Rent for 2 months to Salaries/ Rent respectively on the Debit side of Profit and Loss A/c	Show separately the amount of Salaries/ Rent for 2 months on the Liabilities side of the Balance Sheet.

Sr. No.	Adjustment given in the Trial balance	Treatment in	
		Trading A/c or Profit and Loss A/c	Balance Sheet
2.	Insurance premium paid for 1 year ending 30th June, 2025 (Accounting year ends on 31st March, 2025)	Deduct the proportionate amount of insurance premium for 3 months from ' Insurance' on the Debit side of Profit and Loss A/c.	Show separately the amount of Prepaid Insurance on the Assets side of the Balance Sheet.
3.	Advertisement expenses (Paid for 3 years)	Show 1/3rd amount of Advertisement expenses on the Debit side of Profit and Loss A/c.	Show the remaining, i.e. 2/3rd of the Advertisement expenses (not written off) on the Assets side of the Balance Sheet.
4.	Rent received (for 11 months)	Add the proportionate amount of Rent for one month to Rent received on Credit side of Profit and Loss A/c.	Show the same amount on the Assets side of the Balance Sheet.
5.	10% loan (Borrowed on 1st Oct. 2024) (Accounting year ends on 31st March, 2025)	Show the amount of Interest due on loan for 6 months on the Debit side of Profit and Loss A/c.	Add the amount of Interest due to loan on the Liabilities side of the Balance Sheet.
6.	16% Investment (Purchased on 1st January, 2025) (Accounting year ends on 31st March, 2025)	Show the amount of Interest receivable on investment for 3 months on the Credit side of the Profit and Loss A/c.	Add the amount of Interest receivable on investment on the Assets side of the Balance Sheet.
7.	10% Government Bonds	Show the amount of Interest receivable on the Credit side of Profit and Loss A/c.	Add the amount of Interest receivable to Government Bonds on the Assets side of the Balance Sheet.

Treatment of important items appearing in Trial Balance only :

Sr. No.	Balance given in the Trial Balance	Treatment in
(1)	Provident fund	Liabilities side of Balance Sheet
(2)	Contribution to provident fund	Debit side of Profit and Loss A/c
(3)	Investments of provident fund	Asset side of Balance Sheet
(4)	Interest on investments of provident fund	Liabilities side of Balance Sheet (+) to Provident Fund
(5)	Suspense Account :	
	(i) Shown on debit side	Show the same figure on Assets side
	(ii) Shown on credit side	Show the same figure on Liabilities side
(6)	Closing stock	Assets side of Balance Sheet
(7)	Reserve for discount on debtors	Debit side of Profit and Loss A/c
(8)	Reserve for discount on creditors	Credit side of Profit and Loss A/c
(9)	General reserve/Reserve fund	Liabilities side of Balance Sheet
(10)	Income received in advance	Liabilities side of Balance Sheet
(11)	Any outstanding income	Assets side of Balance Sheet
(12)	Any prepaid expense	Assets side of Balance Sheet
(13)	Any outstanding expense	Liabilities side of Balance Sheet
(14)	Depreciation	Debit side of Profit and Loss A/c
(15)	Loss on sale of any asset	Debit side of Profit and Loss A/c
(16)	Deposits from public	Liabilities side of Balance Sheet
(17)	Goods distributed as free samples	Debit side of Profit and Loss A/c [As Advt. Exp.]
(18)	Goods withdrawn by partner	Debit side of Capital/Current A/c [As drawings]

1. **Asha and Nisha are partners sharing profits and losses in equal ratio. From the following Trial Balance and adjustments you are required to prepare Final Accounts :** ***(March '22)***

Trial Balance as on 31st March, 2019

Debit Balance	Amount (₹)	Credit Balance	Amount (₹)
Purchases	48,000	Capital accounts :	
Salaries	7,500	Asha	80,000
Wages	2,800	Nisha	40,000
Advertisement (2 years)	4,000	Bank Overdraft	34,000
Sales Return	8,000	Sales	1,48,000
Motor Van	63,000	R.D.D.	1,200
Stock (1.4.2018)	94,500	Purchase Return	6,000
Sundry Debtors	62,800		
Coal, Gas and Fuel	1,000		
Plant and machinery	17,600		
	3,09,200		3,09,200

Adjustments :

(1) Closing stock is valued at cost price ₹ 88,000 and market price ₹ 90,000.

(2) Asha and Nisha withdrew goods from business ₹ 3,000 and ₹ 2,000 respectively for their personal use.

(3) Depreciate Motor Van by 5% and Plant and Machinery by 7%.

(4) Reserve for Doubtful debts on Debtors at 5% is to be created.

(5) Outstanding Wages ₹ 800.

Solution : **In the Books of Partnership Firm**

Dr. Trading and Profit and Loss Account for the year ended 31st March, 2019 Cr.

Particulars	Amount (₹)	Amount (₹)	Particulars	Amount (₹)	Amount (₹)
To Opening stock		94,500	By Sales	1,48,000	
To Purchases	48,000		Less : Sales return	8,000	1,40,000
Less : Purchase return	6,000	42,000	By Goods taken for personal use		
To Wages and Salaries	2,800		Asha	3,000	
Add : Outstanding	800	3,600	Nisha	2,000	5,000
To Coal, Gas and Fuel		1,000	By Closing stock		88,000
To Gross profit C/d (Bal. Fig.)		91,900			
		2,33,000			2,33,000

To Salaries		7,500	By Gross profit b/d		91,900
To Advertisement	4,000				
Less : Advance	2,000	2,000			
To Depreciation on					
Motor Van	3,150				
Plant and Machinery	1,232	4,382			
To R.D.D. (New)	3,140				
Less : R.D.D. (Old)	1,200	1,940			
To Net Profit					
Asha	38,039				
Nisha	38,039	76,078			
		91,900			91,900

Balance Sheet as on 31st March, 2019

Liabilities	Amount (₹)	Amount (₹)	Assets	Amount (₹)	Amount (₹)
Capital A/c			Motor Van	63,000	
Asha	80,000		Less : Depreciation	3,150	59,850
Less : Drawings	3,000		S. Debtors	62,800	
	77,000		Less : R.D.D.	3,140	59,660
Add : Net Profit	38,039	1,15,039	Plant and machinery	17,600	
Nisha	40,000		Less : Depreciation	1,232	16,368
Less : Drawings	2,000		Prepaid advertisement		2,000
	38,000		Closing stock		88,000
Add : Net Profit	38,039	76,039			
Bank Overdraft		34,000			
Outstanding wages		800			
		2,25,878			2,25,878

Working Notes :

(1) Consider stock (01 – 04 – 2018) as Opening stock.

(2) Take Closing stock value at ₹ 88,000 as per conservatism concept.

(3) Advertisement expense ₹ 4,000 (for 2 years)

∴ Take one year Adv. exp. ₹ 2,000 in P&L A/c and ₹ 2,000 on Assets side of Balance Sheet as prepaid Adv. exp.

(4) Write Coal, Gas and Fuel in Trading A/c as it is a factory expense.

2. **From the following Trial Balance of Pravin and Prashant, you are required to prepare Trading and Profit and Loss Account for the year ended on 31st March, 2019 and Balance Sheet as on that date :** ***(July '22)***

Trial Balance as on 31st March, 2019

Debit Balances	Amount (₹)	Credit Balances	Amount (₹)
Stock (1-4-2018)	30,800	Capital Accounts :	
Purchases	80,000	Pravin	60,000
Salaries	5,000	Prashant	60,000
Wages	7,500	Sundry Creditors	20,500
Printing and Stationery	1,050	Sales	99,550
Sundry Debtors	43,000		
Furniture	20,200		
Advertisement	30,000		
Bad debts	500		
Cash in hand	7,000		
Fixed Deposits	15,000		
	2,40,050		2,40,050

Adjustments :

(1) Stock on hand on 31st March, 2019 was cost price ₹ 40,000 and market price ₹ 35,000.

(2) Provide R.D.D. at 2.5% on Sundry Debtors.

(3) Depreciate Furniture by 5%.

(4) Goods of ₹ 8,000 destroyed by fire and insurance company admitted a claim of ₹ 6,000 only.

Solution : **In the books of Pravin and Prashant**

Trading and Profit and Loss Account

Dr. **for the year ended 31st March, 2019** **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Opening stock	30,800	By Sales	99,550
To Purchases	80,000	By Goods destroyed by fire	8,000
To Wages	7,500	By Closing stock	35,000
To Gross profit c/d	24,250		
	1,42,550		1,42,550

Dr. Profit and Loss Account for the year ended 31st March, 2019 Cr.

Particulars	Amount (₹)	Amount (₹)	Particulars	Amount (₹)	Amount (₹)
To Salaries		5,000	By Gross profit b/d		24,250
To Printing and Stationery		1,050	By Net loss (Transferred to partners' capital A/cs)		
To Advertisement		30,000			
To Bad debts (Old)	500		Pravin	8,193	
Add : R.D.D (New)	1,075	1,575	Prashant	8,192	16,385
To Depreciation on Furniture		1010			
To Loss by Fire		2,000			
		40,635			40,635

Balance sheet as on 31st March, 2019

Liabilities	Amount (₹)	Amount (₹)	Assets	Amount (₹)	Amount (₹)
Capital A/c : Pravin			Sundry Debtors	43,000	
Opening balance	60,000		Less : R.D.D. (2.5%)	1,075	41,925
Less : Net loss	8,193	51,807	Furniture	20,200	
Capital A/c : Prashant			Less : Depreciation	1,010	19,190
Opening balance	60,000		Cash in hand		7,000
Less : Net loss	8,192	51,808	Fixed deposit		15,000
Sundry Creditors		20,500	Closing stock		35,000
			O/s Insurance claim		6,000
		1,24,115			1,24,115

Working Notes :

Goods of ₹ 8,000 destroyed by fire and insurance company admitted claim of ₹ 6000 only.

∴ Loss due to fire = ₹ 2,000 (8,000 – 6,000)

Now, pass following effects.

(a) Trading A/c Cr. side – By Goods destroyed by fire – ₹ 8,000

(b) Profit and Loss A/c Dr. side – To loss due to fire – ₹ 2,000

(c) Balance Sheet Assets side – Receivable Insurance claim amount – ₹ 6,000

(d) Closing stock is valued at Cost price or Market price whichever is less.

3. **Varsha and Harsha are partners sharing profits and losses in their capital ratio. You are required to prepare Trading Account, Profit and Loss Account for the year ending 31st March, 2020 and Balance Sheet as on that date :** ***(March '23)***

Trial Balance as on 31st March, 2020

Debit Balances	Amount (₹)	Credit Balances	Amount (₹)
Sundry Debtors	56,000	Sales	2,40,000
Purchases	1,10,000	Sundry Creditors	99,600
Plant and Machinery	1,60,000	Purchase Return	2,000
Furniture	1,05,800	Capital Accounts :	
Salaries	8,600	Varsha	1,80,000
Sales Return	1,000	Harsha	60,000
Cash in hand	1,02,000	Current Accounts :	
Opening Stock	35,600	Varsha	10,000
Rent, Rates and Taxes	9,000	Harsha	6,000
Advertisement	9,600		
	5,97,600		5,97,600

Adjustments :

(1) Stock on 31st March, 2020 was valued at ₹ 74,000.

(2) Depreciation on Plant and Machinery @ 5% p.a.

(3) Partners are entitled to get Interest on Capital at 5% p.a.

(4) Outstanding expenses : Salaries ₹ 700.

(5) Provide further Bad debts of ₹ 1,680 on Sundry debtors.

Solution : **In the books of Varsha and Harsha**

Dr. **Trading account for the year ended 31st March, 2020** **Cr.**

Particulars	Amount (₹)	Amount (₹)	Particulars	Amount (₹)	Amount (₹)
To Opening stock		35,600	By Sales	2,40,000	
To Purchases	1,10,000		Less : Sales return	1,000	2,39,000
Less :			By Closing stock		74,000
Purchase return	2,000	1,08,000			
To Gross profit c/d		1,69,400			
		3,13,000			3,13,000

Profit and Loss Account
for the year ended 31st March, 2020

Dr. | Cr.

Particulars	Amount (₹)	Amount (₹)	Particulars	Amount (₹)	Amount (₹)
To Salaries	8,600		By Gross profit b/d		1,69,400
Add : O/s salaries	700	9,300			
To Rent, Rates & Taxes		9,000			
To Advertisement		9,600			
To Depreciation on Plant and Machinery		8,000			
To Bad debts (New)		1,680			
To Interest on capital :					
Varsha	9,000				
Harsha	3,000	12,000			
To Net Profit c/d (Transferred to Partners' Current A/cs) :					
Varsha	89,865				
Harsha	29,955	1,19,820			
		1,69,400			1,69,400

Balance Sheet as on 31st March, 2020

Liabilities	Amount (₹)	Amount (₹)	Assets	Amount (₹)	Amount (₹)
Capital A/cs :			Plant and Machinery	1,60,000	
Varsha	1,80,000		Less : Depr. (5%)	8,000	1,52,000
Harsha	60,000	2,40,000	Furniture		1,05,800
Current A/cs :			Sundry Debtors	56,000	
Varsha	1,08,865		Less : Bad debts (New)	1,680	54,320
Harsha	38,955	1,47,820			
Sundry Creditors		99,600	Cash in hand		1,02,000
O/s Salary		700	Closing stock		74,000
		4,88,120			4,88,120

Partners' Current Accounts

Dr. | Cr.

Particulars	Varsha (₹)	Harsha (₹)	Particulars	Varsha (₹)	Harsha (₹)
To Balance c/d	1,08,865	38,955	By Balance b/d	10,000	6,000
			By Interest on Capital	9,000	3,000
			By Profit and Loss (Net profit)	89,865	29,955
	1,08,865	38,955		1,08,865	38,955

Working Notes :

Write Partners' related amounts (Current A/c Balances, Interest on Capital and Net profit) in the Partners' Current A/cs to get Current A/c balances, to be recorded in the Balance Sheet.

4. **Rajan and Rohit are partners in partnership firm sharing profits and losses equally. You are required to prepare Profit and Loss Account for the year ended 31st March, 2020 and Balance Sheet as on that date with the help of following information :** ***(March '25)***

Trial Balance as on 31st March, 2020

Debit Balances	Amount (₹)	Credit Balances	Amount (₹)
Insurance	30,000	Capital Accounts :	
Land and Building	1,00,000	Rajan	1,00,000
(Addition of ₹ 40,000		Rohit	1,00,000
w.e.f. 1st July, 2019)		10% Bank loan (taken on	60,000
Salaries	10,000	1st Oct., 2019)	
Export duty	5,000	Bills payable	19,000
Interest	2,000		
Furniture	80,000		
Debtors	52,000		
	2,79,000		2,79,000

Adjustments :

(1) Gross profit amounted to ₹ 69,000.

(2) Insurance paid for 15 months w.e.f. 1st April, 2019.

(3) Depreciate Land and Building at 10% p.a. and Furniture at 5% p.a.

(4) Write off ₹ 2,000 for bad debts and maintain R.D.D. at 5% on sundry debtors.

(5) Closing stock is valued at ₹ 69,000.

Solution : **In the books of Rajan and Rohit**

Dr. **Profit and Loss Account for the year ended 31st March, 2020** **Cr.**

Particulars	Amount (₹)	Amount (₹)	Particulars	Amount (₹)	Amount (₹)
To Salaries		10,000	By Gross profit b/d		69,000
To Insurance	30,000				
Less : Prepaid	6,000	24,000			
To Export duty		5,000			

To Interest on bank loan		3,000			
To Interest		2,000			
To Depreciation					
Land and building	9,000				
Furniture	4,000	13,000			
To Bad debs (New)	2,000				
Add : R.D.D.	2,500	4,500			
To Net profit (Transferred to partners' capital A/cs)					
Rajan	3,750				
Rohit	3,750	7,500			
		69,000			69,000

Balance Sheet as on 31st March, 2019

Liabilities	Amount (₹)	Amount (₹)	Assets	Amount (₹)	Amount (₹)
Capital A/cs :			Land and Building	1,00,000	
Rajan			Less : Depreciation	9,000	91,000
Opening balance	1,00,000		Furniture	80,000	
Add : Net profit	3,750	1,03,750	Less : Depreciation	4000	76,000
Rohit			Debtors	52,000	
Opening balance	1,00,000		Less : Bad debts	2,000	
Add : Net profit	3,750	1,03,750	(New)	50,000	
10% Bank loan	60,000		Less : R.D.D.	2,500	47,500
Add : Interest	3,000	63,000	Closing stock		69,000
Bills Payable		19,000	Prepaid insurance		6,000
		2,89,500			2,89,500

Working Notes :

Insurance paid for 15 months w.e.f. 1st April, 2019

[i.e. for the period 01/04/2019 – 30/06/2020]

$\therefore$ Insurance paid for 1 month $= \frac{30,000}{15} =$ ₹ 2,000

$\therefore$ Prepaid Insurance for 3 months $= 2,000 \times 3 =$ ₹ 6,000/-

i.e. (01/04/2020 – 30/06/2020)

5. M/s Lucky Traders is a partnership firm in which, Ramesh and Suresh are partners sharing profits and losses in equal ratio. From the Trial Balance

given below and Adjustments, you are required to prepare Trading and Profit and Loss Account for the year ended on 31st March, 2017 and Balance Sheet as on that date :

Trial Balance as on 31st March, 2017

Debit Balance	Amount (₹)	Credit Balance	Amount (₹)
Stock (1st April 2016)	32,500	Sundry Creditors	45,325
Purchases	44,500	Sales	61,000
Sundry Debtors	1,00,000	Capital :	
Investment	40,500	Ramesh	1,20,000
Insurance	10,200	Suresh	40,000
Plant and Machinery	15,000		
Salaries	4,850		
Bad debts	500		
Furniture	12,500		
Cash in hand	5,775		
	2,66,325		2,66,325

Adjustments :

(1) Closing stock is valued at ₹ 35,000.

(2) Goods of ₹ 3,000 lost in fire. Fire Insurance company accepted claim for ₹ 1,200 only.

(3) Provide further Bad debts of ₹ 825.

(4) Depreciate furniture at 5% p.a. and Plant & Machinery by 10% p.a.

(5) Outstanding salary ₹ 1,150.

Solution :

In the Books of M/s Lucky Traders

Dr. Trading Account for the year ended 31st March, 2017 Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Opening stock	32,500	By Sales	61,000
To Purchases	44,500	By Goods lost by fire	3,000
To Gross profit c/d (Bal. Fig.)	22,000	By Closing stock	35,000
	99,000		99,000

Dr. Profit and Loss Account for the year ended 31st March, 2017 Cr.

Particulars		Amount (₹)	Particulars	Amount (₹)
To Insurance		10,200	By Gross Profit b/d	22,000
To Loss by fire		1,800		
To Salary	4,850			
(+) Outstanding	1,150	6,000		
To Depreciation on Furniture		625		
To Depreciation on Plant & Machinery		1,500		
To Bad debts	500			
Add: New bad debts	825	1,325		
To Net profit transferred to Partner's Capital A/c (1 : 1)				
Ramesh	275			
Suresh	275	550		
		22,000		22,000

Balance Sheet as on 31st March, 2017

Liabilities	Amount (₹)	Amount (₹)	Assets	Amount (₹)	Amount (₹)
Capital A/c : Ramesh			Plant and Machinery	15,000	
Op. Balance	1,20,000		(–) Depn. @ 10% p.a.	1,500	13,500
Add : Net profit	275	1,20,275	Furniture	12,500	
Capital A/c : Suresh			Less : Depreciation	625	11,875
Op. Balance	40,000		Sundry Debtors	1,00,000	
Add : Net profit	275	40,275	Less : Bad debts	825	99,175
Creditors		45,325	Investment		40,500
O/s salary		1,150	Cash in hand		5,775
			Closing stock		35,000
			Insurance claim		1,200
		2,07,025			2,07,025

6. **Mugdha and Madhura are partners sharing Profit and Losses in the ratio 3 : 2. From the following Trial Balance and additional information you are required to prepare Trading and Profit and Loss Account for the year ended 31st March, 2024 and Balance Sheet as on that date.**

Trial Balance as on 31st March, 2024

Particulars	Debit (₹)	Credit (₹)
Purchases and Sales	65,000	1,85,500
Trade Expenses	2,300	
Capital – Mugdha		75,000
– Madhura		40,000
Opening Stock	18,700	
Debtors and Creditors	47,500	35,000
Wages and Salaries	4,000	
Bills Receivable	22,000	
Bills Payable		27,300
Discount		400
Motive Power	1,350	
Custom duty	1,500	
Interest		1,300
Unproductive Wages	3,000	
Audit Fees	2,500	
Rent	1,800	
Sundry Expenses	2,000	
Goodwill	25,000	
Copyrights	20,000	
Building	88,000	
Partner (Mugdha's) Loan		6,150
Investments	40,000	
Cash at Bank	26,000	
	3,70,650	3,70,650

Adjustments :

(1) Stock on 31st March, 2024 was valued at ₹ 19,700.

(2) Goods costing ₹ 3,000 distributed as free sample.

(3) Motive power includes ₹ 500 paid for deposit of Power Meter.

(4) Depreciate building @ 5%.

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(5) Write off ₹ 2000 for bad debts and maintain R.D.D. at 3% on debtors.

(6) Bills receivable included dishonoured of Bill of ₹ 4,000.

Solution : In the books of Mugdha and Madhura

Dr. Trading and Profit and Loss Account for the year ended on 31st March, 2024 Cr.

Particulars	Amount (₹)	Amount (₹)	Particulars	Amount (₹)	Amount (₹)
To Opening Stock		18,700	By Sales		1,85,500
To Purchases		65,000	By Goods Distributed as Free		
To Trade Expenses		2,300	Sample		3,000
To Wages and Salaries		4,000	By Closing Stock		19,700
To Motive Power	1,350				
Less : Deposit for Power Meter	500	850			
To Custom Duty		1,500			
To Gross Profit c/d		1,15,850			
		2,08,200			2,08,200
To Unproductive Wages		3,000	By Gross Profit b/d		1,15,850
To Audit Fees		2,500	By Discount		400
To Rent		1,800	By Interest		1,300
To Sundry Expenses		2,000			
To Interest on Mugdha's Loan (O/s)		369			
To Advertisement Expenses (Goods distributed as samples)		3,000			
To Depreciation on Building		4,400			
To R.B.D.D A/c					
Bad debts (New)	2000				
Add : New Reserve	1,485	3,485			
To Net Profit (Transferred to Partners' Capital A/cs)					
Mugdha	58,198				
Madhura	38,798	96,996			
		1,17,550			1,17,550

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Balance Sheet as on 31st March, 2024

Liabilities	Amount (₹)	Amount (₹)	Assets	Amount (₹)	Amount (₹)
Capital Account : Mugdha			Goodwill		25,000
Opening Balance	75,000		Deposit for Power Meter		500
Add : Net Profit	58,198	1,33,198	Building	88,000	
Capital Account : Madhura			Less : Depreciation	4,400	83,600
Opening Balance	40,000		Debtors	47,500	
Add : Net Profit	38,798	78,798	Add : Dishonoured Bill	4,000	
Mugdha's Loan	6,150			51,500	
Add : O/s Int. on Loan	369	6,519	Less : Bad Debts (New)	2,000	
Creditors		35,000		49,500	
Bills Payable		27,300	Less : R.D.D. (New) @ 3%	1,485	48,015
			Bills Receivable	22,000	
			Less : Dishonoured Bill	4,000	18,000
			Copy Rights		20,000
			Investments		40,000
			Closing Stock		19,700
			Cash at Bank		26,000
		2,80,815			2,80,815

Working Notes :

(1) Rate of interest on partner's loan is not mentioned, therefore interest on loan is calculated at 6% p.a.

$\therefore$ Interest on Mugdha's Loan $= 6,150 \times 1 \times \frac{6}{100} =$ ₹ 369

(2) Add dishonoured bill amount to debtors amount and then calculate B.D. and R.D.D.

(3) Subtract dishonoured bill amount from Bills Receivable amount.

(4) As Sundry Expenses is given in the Trial Balance, Trade Expenses is recorded in Trading A/c, Debit side.

7. Shree and Yash are partners, sharing Profits and Losses in the ratio 2 : 1. With the help of following Trial Balance and Adjustments given below, you are required to prepare Trading and Profit and Loss Account for the year ended 31st March, 2024 and Balance Sheet as on that date.

Trial Balance as on 31st March, 2024

Debit Balances	Amount (₹)	Credit Balances	Amount (₹)
Stock (1/4/2023)	8,560	Capital :	
Patents	2,000	Shree	40,000
Sundry Debtors	18,500	Yash	20,000
Stock of Stationery	3,000	Other Loans	3,000
Trade Mark	2,000	Reserve Fund	1,000
Bills Receivable	6,300	Sundry Creditors	17,500
Electricity Charges	1,450	Bills Payable	5,000
Wages	950	Purchase Return	1,000
Heating & Lighting	1,000	R.D.D.	500
Trade Expenses	850	Sales	30,200
Sales Return	400	Interest	310
Land and Building	22,000		
Furniture	13,000		
Cash at Bank	5,000		
Investments	7,500		
Drawings :			
Shree	1,200		
Yash	900		
Bad debts	200		
Purchases	23,700		
	1,18,510		1,18,510

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Adjustments :

(1) Stock on 31st March, 2024 is valued at Cost Price ₹ 12,000 and Market Price ₹ 17,000.

(2) Our customer Mr. Shekhar failed to pay his dues of ₹ 800.

(3) 1/8th of Patents are to be written off.

(4) A part of Furniture ₹ 5,000 is purchased on 1st Oct., 2023.

(5) Depreciation on Land and Building 10% and on Furniture 5%.

(6) Outstanding Expenses : Wages ₹ 300 and Electricity Charges ₹ 200.

(7) Allow Interest on Capital 3%.

Solution : **In the books of Shree and Yash**

Dr. **Trading and Profit and Loss Account for the year ended on** **Cr.**

31st March, 2024

Particulars	Amount (₹)	Amount (₹)	Particulars	Amount (₹)	Amount (₹)
To Opening Stock		8,560	By Sales	30,200	
To Purchases	23,700		Less : Sales Return	400	29,800
Less : Purchase Return	1,000	22,700	By Closing Stock		12,000
To Wages	950				
Add : Outstanding Wages	300	1,250			
To Heating & Lighting		1,000			
To Gross Profit c/d		8,290			
		41,800			41,800
To Electricity Charges	1,450		By Gross Profit b/d		8,290
Add : Outstanding Electricity Charges	200	1,650	By Interest		310
To Trade Expenses		850			
To R.B.D.D A/c	200				
Bad debts (Old)	800				
Add : New Bad debts	1,000				
Less : Old Reserve	500	500			
To Written off Patents		250			
To Depreciation					
Furniture	525				
Land and Building	2,200	2,725			
To Interest on Capital					
Shree	1,200				
Yash	600	1,800			
To Net Profit (Transferred to Partners' Capital A/c)					
Shree	550				
Yash	275	825			
		8,600			8,600

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Balance Sheet as on 31st March, 2024

Liabilities	Amount (₹)	Amount (₹)	Assets	Amount (₹)	Amount (₹)
Capital Account : Shree			Patents	2,000	
Opening Balance	40,000		Less : Written off	250	1,750
Add : Interest on Capital	1,200		Furniture	13,000	
Add : Net Profit	550		Less : Depreciation		
	41,750		(400 + 125)	525	12,475
Less : Drawings	1,200	40,550	Land and Building	22,000	
Capital Accounts : Yash			Less : Depreciation	2,200	19,800
Opening Balance	20,000		Stock of Stationery		3,000
Add : Interest on Capital	600		Closing Stock		12,000
Add : Net Profit	275		Sundry Debtors	18,500	
	20,875		Less : Bad Debts (New)	800	17,700
Less : Drawings	900	19,975	Trade Mark		2,000
Other Loans		3,000	Bills Receivable		6,300
Reserve Fund		1,000	Cash at Bank		5,000
Sundry Creditors		17,500	Investments		7,500
Bills Payable		5,000			
Outstanding Expenses					
Wages	300				
Electricity Charges	200	500			
		87,525			87,525

Working Notes :

(1) Stationery stock is an asset.

(2) Depreciation on furniture :

13,000

8,000 (Op. Bal.)	5,000 (Pur. on 01/10/18)
$8{,}000 \times \frac{5}{100}$	$5{,}000 \times \frac{6}{12} \times \frac{5}{100}$
(Depr. for full year) = ₹ 400	(Depr. for six months) = ₹ 125

$\therefore$ Total depr. = 400 + 125 = ₹ 525

(3) $\frac{1}{8}$th patents to be written off = $2{,}000 \times \frac{1}{8}$ = ₹ 250.

(4) As no other expenses are given, Trade Expense is recorded in Profit and Loss Account.

Question Set 12

ACCOUNTS OF 'NOT FOR PROFIT' CONCERN

[Q. 6. : 12 Marks]

- **Specimen of Receipts and Payments Account :**

In the books of ..... .

Dr. Receipts and Payments Account for the year ended 31st March, 20..... Cr.

Receipts	Amount (₹)	Amount (₹)	Payments	Amount (₹)	Amount (₹)
To Balance b/d			By Balance b/d		XXX
Cash in Hand	XXX		(Bank overdraft)		
Cash at Bank	XXX	XXX	By Salaries		
To Subscriptions			Previous Year	XXX	
Previous Year	XXX		Current Year	XXX	XXX
Current Year	XXX		By Rent, Rates and Taxes		
Next Year	XXX	XXX	Previous Year	XXX	
To Admission Fees		XXX	Current Year	XXX	
To Entrance Fees		XXX	Next Year	XXX	XXX
To Life Membership Fee		XXX	By Printing and Stationery		XXX
To Donation (General)		XXX	By General Expenses		XXX
To Donations for Specific Fund (Building fund, prize fund, etc.)		XXX	By Interest on Bank Loan		XXX
			By Electricity charges		XXX
			By Audit fees		XXX
To Government Grant		XXX	By Postage and Telegram		XXX
To Legacies		XXX	By Travelling Expenses		XXX
To Hire/Rent of Hall received		XXX	By Conveyance		XXX
To Locker Rent		XXX	By Insurance Premium		XXX
To Interest Received		XXX	By Telephone/Mobile Expenses		XXX
To Sundry Incomes		XXX	By Bank Charges		XXX
To Miscellaneous Receipts		XXX	By Books Purchased		XXX
To Tournament Receipts		XXX	By Medicines Purchased		XXX
To Cricket Fees		XXX	By Office expenses		XXX
To Tuition Fees		XXX	By Prizes		XXX
To Term Fees		XXX	By Purchases of Investments (like govt. securities/bonds)		XXX
To Examination Fees		XXX			
To Dividend Received		XXX	By Furniture Purchased		XXX
To Tennis Court Receipts		XXX	By Sports Material Purchased		XXX
To Collection for Annual Function		XXX	By Newspapers and Periodicals		XXX
			By Upkeep of Lawn/Ground		XXX
To Sale of Old Newspapers/ Scrap		XXX	By Expenses for Annual Function		XXX
To Sale of Fixed Assets		XXX	By Honorarium to Visiting Faculty		XXX
To Fine Collection		XXX	By Fixed Deposit		XXX
To Sale of Old materials		XXX	By Building Construction Addition to Building		XXX
To Balance c/d (Bank overdraft)		XXX	By Restaurant expenses		XXX
			By School Bus/Motor-Car Maintenance		XXX
			By Repairs and Maintenance		XXX
			By Equipments Purchased		XXX
			By Tennis Expenses		XXX
			By Balance c/d		
			Cash in Hand		XXX
			Cash at Bank		XXX
	-	XXX		-	XXX

- **Specimen of Income and Expenditure Account :**

In the books of ..... .

Dr. Income and Expenditure Account for the year ended 31st March, 20... Cr.

Expenditure	Amount (₹)	Amount (₹)	Income	Amount (₹)	Amount (₹)
To Salaries Paid	XXX		By Subscriptions Received	XXX	
Add : Outstanding for Current Year	XXX		Add : Outstanding for Current Year	XXX	
Add : Paid in Previous Year	XXX		Add : Received during Previous Year	XXX	
	XXX			XXX	
Less : Paid for Previous Year	XXX		Less : Received for Previous Year	XXX	
Less : Paid for Next Year	XXX	XXX	Less : Received for Next Year	XXX	XXX
To Stationery/ Medicines/Sport Materials Used/ Consumed during the year			By Admission Fees		XXX
Opening Stock	XXX		By Donation (Revenue / General)		XXX
Add : Purchased during the year	XXX		By Entrance Fees (Revenue)		XXX
Less : Closing Stock	XXX	XXX	By Income from Entertainment Programme		XXX
To Wages		XXX	By Life Membership Fees (Revenue)		XXX
To Rent Paid		XXX	By Rent Received		XXX
To Travelling Expenses		XXX	By Hire Charges of Hall received		XXX
To Printing and Stationery		XXX	By Grants from Government		XXX
To Repairs and Maintenance		XXX	By Interest on Investments/Fixed Deposits		XXX
To Rates and Taxes		XXX	By Dividend Received		XXX
To Insurance		XXX	By Ground Rent Received		XXX
To Electricity Charges		XXX	By Income from Charity Show		XXX
To Telephone Expenses		XXX	By Drama Receipts		XXX
To Subscriptions of Newspapers and Periodicals		XXX	By Tennis Court Fees		XXX
To Office Expenses		XXX	By Billiards Fees		XXX
To Audit Fees		XXX	By Restaurant Receipts		XXX

To Sundry Expenses		XXX	By Subscription for Annual Function		XXX
To Gardening Expenses		XXX			
To Honorarium to Secretary		XXX	By Sale of Old Newspapers		XXX
To Depreciation on Fixed Assets		XXX	By Miscellaneous/ Sundry Receipts		XXX
To Ground or Lawn Upkeep Expenses		XXX	By Profit on Sale of Fixed Assets		XXX
To Billiards Expenses		XXX	By Excess of Expenditure over Income (Deficit) (Balancing figure)		XXX
To Conveyance		XXX			
To Medical Expenses		XXX			
To Tennis Expenses		XXX			
To Restaurant Expenses		XXX			
To Lecturer's Honorarium		XXX			
To Refreshment Expenses		XXX			
To Drama Expenses		XXX			
To Annual functions Expenses		XXX			
To Loss on Sale of Fixed Assets		XXX			
To Interest Paid		XXX			
To Excess of Income over Expenditure (Surplus) (Balancing figure)		XXX			
	–	XXX		–	XXX

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- **Specimen of Balance Sheet :**

Balance Sheet as on 31st March, 20 .....

Liabilities	Amount (₹)	Amount (₹)	Assets	Amount (₹)	Amount (₹)
Capital Fund :			**Fixed Assets :**		
Opening Balance	XXX		Land and Buildings		XXX
Add : Life Membership			Furniture and Fixtures		XXX
Fees (if capitalised)	XXX		Machinery and Computers		XXX
Add : Entrance Fees			Playground		XXX
(if capitalised)	XXX		Library Books		XXX
Add : Donations			Vehicles		XXX
(if capitalised)	XXX		Sports Equipment		XXX
Add : Excess of			Investments		XXX
Incomes over	XXX		Fixed Deposits		XXX
Expenditure (Surplus)			Special Fund Investment		XXX
Less : Excess of			**Current Assets :**		
Expenditure over			Stock of Stationery		XXX
Income (Deficit)	XXX	XXX	Stock of Drugs		XXX
Fund (of different nature)			Stock of Sports Materials		XXX
Building Fund	XXX		Cash in Hand		XXX
Endowment Fund	XXX		Cash at Bank		XXX
Tournament Fund	XXX				
Charity Fund	XXX	XXX			
Special Fund	XXX		Loans given		XXX
(e.g. Prize Fund)			Prepaid Expenses		XXX
Add : Interest or			Subscriptions Receivable		
Income (Donation)	XXX		for Current and Past		
Less : Expenses			Years		XXX
(Prize distribution)	XXX	XXX	Interest Receivable on		
Sundry Creditors		XXX	Investments Accrued		
Loans from Financial			Interest		XXX
Institutions or others		XXX	Other outstanding		
Bank Overdraft		XXX	Incomes/Income		
Outstanding Expenses for			Receivable		XXX
Current and Past Years		XXX			
Income Received in					
Advance		XXX			
Subscriptions Received in					
Advance		XXX			
	–	XXX		–	XXX

Adjustments :

Sr. No.	Adjustments	Accounting treatment in	
		Income and Expenditure Account	**Balance Sheet**
1.	Subscriptions received in advance	Deduct the amount of subscriptions received in advance from subscriptions on the credit side.	Show ' Subscriptions received in advance' on the Liabilities side.
2.	Subscriptions outstanding (receivable)	Add the amount of subscriptions outstanding (receivable) to subscriptions on credit side.	Show 'Subscriptions Outstanding' (receivable) on the Assets side.
3.	Capitalisation of entrance fees	Deduct the amount of capitalisation of entrance fees from entrance fees on credit side.	Add the amount of capitalisation of entrance fees to capital fund on the Liabilities side.

IMPORTANT FORMULAE

(1) Amount of subscription to be credited to Income and Expenditure Account :	**Amount (₹)**
Subscription received during the current year	XXX
(Appears on the debit side of Receipts and Payments Account)	
Less : Previous year's subscriptions received and included in subscriptions received during the current year	XXX
	XXX
Less : Subscriptions for next year received in advance in current year	XXX
	XXX
Add : Subscription of current year received in advance during the last year	XXX
Add : Outstanding subscriptions of current year to be credited to Income and Expenditure Account	XXX
	XXX

(2) **Expenses to be debited to Income and Expenditure Account :**	**Amount (₹)**
Expenses paid during the current year	XXX
(Appears on the Credit side of Receipts and Payments Account)	
Less : Prepaid expenses at the end of the year	XXX
	XXX
Add : Prepaid expenses at the beginning of the year	XXX
Expenses to be debited to Income and Expenditure Account	XXX

(3) **Consumption of Medicines to be debited to Income and Expenditure Account :**	**Amount (₹)**
Amount paid for purchase of Medicines during the current year	XXX
(Appears on the credit side of Receipts and Payments Account)	
Add : Stock of Medicines at the beginning of the year (Opening stock of Medicines)	XXX
	XXX
Less : Stock of Medicines at the end of the year (Closing stock of Medicines)	XXX
Consumption of Medicines to be debited to Income and Expenditure Account	XXX

Note : Similarly one can find consumption of stationery, postal stamps, etc. by applying the same format.

Illustrations for better understanding :

1. Calculation of Stationery consumed during the year :

Balance Sheet as on 01 – 04 – 2023

Liabilities	Amount (₹)	Amount (₹)	Assets	Amount (₹)	Amount (₹)
			Stock of Stationery		2000

Dr. Receipts and Payments Account for the year ending 31 – 03 – 2024 Cr.

Receipts	Amount (₹)	Amount (₹)	Payments	Amount (₹)	Amount (₹)
			By Stationery Purchased		15,000

Adjustments :

(1) Outstanding ₹ 3000 stationery bill.

(2) Stock of Stationery as on 31–03–2024 was valued at ₹ 5,000.

With the above information, calculate the amount of Stationery consumed during the year and show its presentation in Final Accounts of a concern.

Solution : In the books of .....

Income and Expenditure Account for the year ended

Dr. 31st March, 2024 Cr.

Expenditure	Amount (₹)	Amount (₹)	Income	Amount (₹)	Amount (₹)
To Stationery Consumed during the Year					
Opening Stock	2000				
Add : Stationery Purchased during the Year	15,000				
Add : Credit Purchase of Stationery (Outstanding bill)	3,000				
	20,000				
Less : Closing Stock of Stationery	5,000	15,000			

Balance Sheet as on 31–03–2024

Liabilities	Amount (₹)	Amount (₹)	Assets	Amount (₹)	Amount (₹)
O/s Stationery Expenses		3,000	Closing Stock of Stationery		5,000

2. Presentation of Subscription only :

Balance Sheet as on 01–04–2023

Liabilities	Amount (₹)	Amount (₹)	Assets	Amount (₹)	Amount (₹)
Subscription Received in Advance		50,000	Outstanding Subscription		
			2021–22	65,000	
			2022–23	87,500	1,52,500

Dr. Receipts and Payments Account for the year ending 31–03–2024 Cr.

Receipts	Amount (₹)	Amount (₹)	Payments	Amount (₹)	Amount (₹)
To Subscriptions					
2021–22	57,500				
2022–23	75,000				
2023–24	10,25,000				
2024–25	52,500	12,10,000			

Adjustment : Outstanding subscription for 2023–24 is ₹ 80,000.

With the above information, present the item of Subscription in Income and Expenditure Account for the year ended 31–03–2024 and Balance Sheet as on that date.

Solution : In the books of .....

Income and Expenditure Account for the year ended 31st March, 2024

Dr. Cr.

Expenditure	Amount (₹)	Amount (₹)	Income	Amount (₹)	Amount (₹)
			By Subscription	10,25,000	
			Add : Outstanding Subscription for Current Year 2023–24	80,000	
				11,05,000	
			Add : Subscription of Current Year Received in Advance in the Previous Year	50,000	11,55,000

Balance Sheet as on 31st March, 2024

Liabilities	Amount (₹)	Amount (₹)	Assets	Amount (₹)	Amount (₹)
Subscription Received in Advance for the Year 2024–25		52,500	Outstanding Subscription for		
			Add : Year 2023–24 (Current year)	80,000	
			Add : Year 2021–22 (65,000 – 57,500)	7,500	
			Add : Year 2022–23 (87,500 – 75,000)	12,500	1,00,000

Working Note :

Outstanding subs. given in the balance sheet as on 01–04–2023 are ₹ 65,000 (for 2021–22) and ₹ 87,500 (for 2022–23). Against that as shown in Receipt–Payment A/c ₹ 23,000 and ₹ 75,000 are received respectively. Means ₹ 7,500 and ₹ 12,500 are still outstanding which are shown in the current year Balance Sheet.

1. **Following is the Balance Sheet and Receipts and Payments Account of Pol Hospital, Parbhani :** ***(Sept. '21)***

Balance Sheet as on 1st April, 2019

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital fund	89,850	Outstanding Subscription	400
Outstanding salary	1,500	Equipments	14,000
Medicines bill unpaid	900	Furniture	5,000
Outstanding Sundry Expenses	150	Building	70,000
		Cash in hand	500
		Cash at bank	2,500
	92,400		92,400

Receipts and Payments Account for the year ended 31st March, 2020

Dr. **Cr.**

Receipts	Amount (₹)	Payments	Amount (₹)
To Balance b/d		By Medicines	5,000
Cash in hand	500	(included previous year outstanding)	
Cash at bank	2,500		
To Subscription	9,000	By Salaries	5,200
(included ₹ 400 received for previous year)		(included previous year outstanding)	
To Sale of furniture	1,500	By Taxes	720
(Book value ₹ 2,000)		By Sundry Expenses	
To Donations (Capitalised)	5,000	(2018–19)	150
To Life membership fees	3,000	By Insurance	5,000
To Visit Fees	3,500	By Stationery	2,000
To Mis. Receipts	1,500	By Electricity bill	6,000
To Sale of old Newspaper	500	By Balance c/d	
		Cash in hand	830
		Cash at bank	2,100
	27,000		27,000

Additional information :

(1) 50% of life membership fees should be capitalised.

(2) Outstanding subscription ₹ 2,000.

(3) Depreciate Building by 10% p.a. and Equipment by ₹ 1,200.

(4) Outstanding salary ₹ 800.

(5) Prepaid taxes ₹ 100.

Prepare : Income and Expenditure Account for the year ended 31st March, 2020.

Solution : **In the books of Pol Hospital, Parbhani**

Income and Expenditure Account for the year ended

Dr. **31st March, 2020** **Cr.**

Expenditure	Amount (₹)	Amount (₹)	Income	Amount (₹)	Amount (₹)
To Medicines	5,000		By Subscription	9,000	
Less : Unpaid bill	900	4,100	Less : Previous year (2018-19)	400	
To Salaries	5,200			8,600	
Less : Outstanding for previous year (2018-19)	1,500		Add : Outstanding (2019-20)	2,000	10,600
Add : Outstanding (2019-20)	800	4,500	By Life membership fees	3,000	
To Taxes	720		Less : 50% capitalised	1,500	1,500
Less : Prepaid	100	620	By Visit fees		3,500
To Loss on sale of furniture (2000-1500)		500	By Sale of old newspapers		500
To Depreciation on Building	7,000		By Miscellaneous receipts		1,500
Equipment	1,200	8,200	By Deficit (Excess of expenditure over income)		13,320
To Insurance		5,000			
To Stationery		2,000			
To Electricity bill		6,000			
		30,920			30,920

2. **From the following Receipt and Payments Account of Shahu College, Kolhapur for the year ending 31st March, 2020 and additional information, prepare Income and Expenditure Account for the year ended 31st March, 2020 and Balance Sheet as on that date :** ***(March '22)***

Receipts and Payments Account for the year ended

Dr. **31st March, 2020** **Cr.**

Receipts	Amount (₹)	Payments	Amount (₹)
To Balance b/d		By Salaries	11,77,500
Cash	6,000	By Printing and Stationery	13,500
Bank	1,00,000	By Books	44,000
To Interest	30,000	By Furniture	39,000
To Donation	3,50,000	By Drama Expenses	45,000
To Tuition fees	9,50,000	By Postage	3,500
To Admission fees	32,500	By Telephone charges	3,000
To Drama receipts	50,000	By Electricity	30,500
To Rent from use of hall	3,000	By Magazine and	
To Legacies (Capital)	30,000	Newspapers	3,000
		By Balance c/d	
		Cash	31,000
		Bank	1,61,500
	15,51,500		15,51,500

Additional information :

(1) Outstanding Salaries ₹ 35,000.

(2) 60% of donations are for Building fund and balance is to be treated as revenue income.

(3)

Particulars	1-4-2019 (₹)	31-3-2020 (₹)
Capital fund	3,05,500	?
Building fund	4,13,500	?
Furniture	1,63,000	1,50,000
Books	4,50,000	4,44,000

Solution : **In the books of Shahu College, Kolhapur**

Income and Expenditure Account for the year ended

Dr. **31st March, 2020** **Cr.**

Expenditure	Amount (₹)	Amount (₹)	Income	Amount (₹)	Amount (₹)
To Salaries	11,77,500		By Interest		30,000
Add : Outstanding	35,000	12,12,500	By Donation	3,50,000	
To Printing and Stationery		13,500	Less : 60% for Building fund	2,10,000	1,40,000
To Postage		3,500	By Tuition fees		9,50,000
To Telephone charges		3,000	By Admission Fees		32,500
To Electricity		30,500	By Drama Receipts	50,000	
To Magazine and newspaper		3,000	Less : Drama expenses	45,000	5,000
To Depreciation on Books	50,000		By Rent from use of hall		3,000
Furniture	52,000	1,02,000	By Deficit [Excess of expenditure over incomes]		2,07,500
		13,68,000			13,68,000

Balance Sheet as on 31st March, 2020

Liabilities	Amount (₹)	Amount (₹)	Assets	Amount (₹)	Amount (₹)
Capital Fund	3,05,500		Books :	4,50,000	
Add : Legacy	30,000		Add : Purchases	44,000	
	3,35,500			4,94,000	
Less : Deficit	2,07,500	1,28,000	Less : Depreciation	50,000	4,44,000
Building fund :	4,13,500		Furniture :	1,63,000	
Add : 60% Donation	2,10,000	6,23,500	Add : Purchases	39,000	
Outstanding salaries		35,000		2,02,000	
			Less : Depreciation	52,000	1,50,000
			Cash in hand		31,000
			Cash at bank		1,61,500
		7,86,500			7,86,500

3. Following is the Receipts and Payments Account of Vasantrao Naik Junior College, Aurangabad for the year ended 31st March, 2019 : ***(July '22)***

Dr. Receipts and Payments Account for the year ending 31st March, 2019 Cr.

Receipts	Amount (₹)	Amount (₹)	Payments	Amount (₹)	Amount (₹)
To Balance b/d			By Bank Overdraft		14,250
Cash		11,750	By Salaries to teachers		1,20,000
To Tuition Fees :			By Books purchased (on 1-7-2018)		30,000
2017-18	3,500		By Printing and Stationery		3,500
2018-19	35,000	38,500	By Office Rent		4,500
To Admission Fees		8,000	By Sports expenses		750
To Interest on Bank Deposits		12,750	By Annual gathering expenses		6,000
To Donation for prize fund		45,000	By Furniture purchase (on 1-1-2019)		20,000
To Government Grant		86,500	By Balance c/d		
			Cash in hand	100	
			Cash at Bank	3,400	3,500
		2,02,500			2,02,500

Additional information :

(1) For the current year 2018-19, Tuition Fees are outstanding ₹ 5,000.

(2) 50% of Admission Fees should be capitalised.

(3) Outstanding salaries to teachers ₹ 6,000.

(4) Depreciation on Books @10% p.a. and Furniture @15% p.a.

(5) 50% of Government Grant should be capitalised.

(6) Assets and Liabilities on 01 – 04 – 2018 were as follows :
Building ₹ 9,00,000, Furniture ₹ 3,50,000, Books of ₹ 2,50,000, 9% Bank Deposit ₹ 1,50,000, Tuition Fees receivable ₹ 3,500, Bank overdraft ₹ 14,250.

(7) Capital Fund ₹ 16,51,000.

Prepare :

(i) Income and Expenditure Account for the year ended on 31st March, 2019.

(ii) Balance Sheet as on 31st March, 2019.

Solution : In the books of Vasantrao Naik Jr. College, Aurangabad

Dr. Income and Expenditure Account for the year ended 31st March, 2019 Cr.

Expenditure	Amount (₹)	Amount (₹)	Income	Amount (₹)	Amount (₹)
To Salaries to Teachers	1,20,000		By Tuition fees	35,000	
Add : Outstanding	6,000	1,26,000	Add : Outstanding	5,000	40,000
To Printing and			By Admission Fees	8,000	
Stationery		3,500	Less : Capitalised	4,000	4,000
To Office rent		4,500	(50%)		
To Sports expenses		750	By Interest on Bank	12,750	
To Annual gathering			deposits		
expenses		6,000	Add : Outstanding	750	13,500
To Depreciation :			By Government grant	86,500	
Books	27,250		Less : Capitalised		
Furniture	53,250	80,500	(50%)	43,250	43,250
			By Deficit		1,20,500
			(Excess of expenditure		
			over income)		
		2,21,250			2,21,250

Balance Sheet as on 31st March, 2019

Liabilities	Amount (₹)	Amount (₹)	Assets	Amount (₹)	Amount (₹)
Capital Fund	16,51,000		Building		9,00,000
Add : Admission			Furniture	3,50,000	
Fees (50%)	4,000		Add : New purchase	20,000	
Add : Government				3,70,000	
grant (50%)	43,250		Less : Depreciation	53,250	3,16,750
	16,98,250		Books	2,50,000	
Less : Deficit	1,20,500	15,77,750	Add : New purchase	30,000	
Donation for prize				2,80,000	
fund		45,000	Less : Depreciation	27,250	2,52,750
O/s salaries to			9% Bank deposits	1,50,000	
teachers		6,000	Add : Outstanding		
			Interest	750	1,50,750
			Cash in hand		100
			Cash at bank		3,400
			O/s tuition fees		5,000
		16,28,750			16,28,750

Working Notes :

(1) 50% of admission fees and 50% of govt. grant are to be capitalised i.e. in capital fund add 50% of admission fees and 50% of govt. grant.

(2) Tuition fees receivable ₹ 3,500 is received in the current year. So, no entry is required to pass for the same.

(3) Interest on 9% Bank deposit of ₹ 1,50,000 is ₹ 13,500, against that ₹ 12,750 interest is received. ∴ Outstanding interest on 9% Bank deposit = ₹ 750.

(4) Depreciation on Books ₹ 2,50,000 (Op. Bal.) @ 10% = ₹ 25,000 and Depreciation on Books ₹ 30,000 (Purchased on 1 – 7 – 18)

$$@\ 10\% = 30{,}000 \times \frac{10}{100} \times \frac{9}{12} = ₹\ 2{,}250.$$

∴ Total depr. = 25,000 + 2,250 = ₹ 27,250.

Similarly, calculate depr. on furniture.

4. From the following Receipts and Payments Account of 'Matsyodari Engineering College, Aurangabad' for the year ending on 31st March, 2020 and additional informations, prepare Income and Expenditure Account for the year ending 31st March, 2020 and Balance Sheet as on that date :

(March '23)

Receipts and Payments Account

Dr. **for the year ended 31st March, 2020** **Cr.**

Receipts	Amount (₹)	Payments	Amount (₹)
To Balance b/d		By Salaries to	
Cash in hand	8,000	Teaching Staff	10,00,000
Cash at bank	1,00,000	By Electricity charges	50,000
To Interest	50,000	By Books	64,000
To Subscription	30,000	By Furniture	55,000
To Life Membership		By Stationery	24,000
Fees	40,000	By Fixed Deposit	7,00,000
To Donation	5,00,000	By Balance c/d	
To Tuition fees	11,50,000	Cash in hand	20,000
To Term fees	2,00,000	Cash at bank	2,25,000
To Sundry Receipts	10,000		
To Admission fees (Revenue)	50,000		
	21,38,000		21,38,000

Additional information :

Particulars	01 – 04 – 2019 (₹)	31 – 03 – 2020 (₹)
Books	7,00,000	7,00,000
Furniture	3,19,000	3,00,000
Building Fund	10,00,000	?
Fixed Deposit	9,10,000	?
Capital Fund	10,37,000	?

Adjustments :

(1) 50% Donations are for Building fund and the balance is to be treated as Revenue Income.

(2) Outstanding subscription ₹ 5,300.

(3) Life Membership fees are to be capitalised.

Solution : In the books of Matsyodari Engineering College, Aurangabad

Income and Expenditure Account

Dr. **for the year ended 31st March, 2020** **Cr.**

Expenditure	Amount (₹)	Amount (₹)	Income	Amount (₹)	Amount (₹)
To Salaries to			By Interest		50,000
teaching staff		10,00,000	By Subscription	30,000	
To Electricity charges		50,000	Add : O/s Subs.	5,300	35,300
To Stationery		24,000	By Donation	5,00,000	
To Depreciation :			Less : Transfer to		
Books	64,000		Building fund		
Furniture	74,000	1,38,000	(50%)	2,50,000	2,50,000
To Surplus (Excess		5,33,300	By Tuition fees		11,50,000
of income over			By Sundry Receipts		10,000
expenditure)			By Admission fees		50,000
			By Term fees		2,00,000
		17,45,300			17,45,300

Balance Sheet as on 31st March, 2020

Liabilities	Amount (₹)	Amount (₹)	Assets	Amount (₹)	Amount (₹)
Capital Fund :	10,37,000		Books	7,00,000	
Add : Life			Add :		
membership fees	40,000		Newly purchase	64,000	
Add : Surplus	5,33,300	16,10,300		7,64,000	
Building Fund	10,00,000		Less : Depreciation	64,000	7,00,000
Add :			Furniture	3,19,000	
50% Donation	2,50,000	12,50,000	Add : Addition	55,000	
				3,74,000	
			Less : Depreciation	74,000	3,00,000
			Fixed Deposit	9,10,000	
			Add : Addition	7,00,000	16,10,000
			O/s Subscription		5,300
			Cash in Hand		20,000
			Cash at Bank		2,25,000
		28,60,300			28,60,300

Working Notes :

(1) 50% of donation (₹ 2,50,000) – Add it to Building fund and remaining (₹ 2,50,000) amount, record it on the Income side (Cr.) of Income and Expenditure A/c.

(2) Add entire amount of Life membership fees to the Capital fund as it is to be capitalised.

(3) Admission fees (Revenue) → Record it on Income side.

5. Dr. Dhanashri started (business) of Medical Practitioner on 1st April, 2019. She gives you the Receipts and Payments Account for the year ended 31st March, 2020 and the adjustments.

Prepare Income and Expenditure Account for the year ended 31st March, 2020 and Balance Sheet as on that date : ***(July '23)***

Dr. Receipts and Payments Account for the year ending 31 March, 2020 Cr.

Receipts	Amount (₹)	Payments	Amount (₹)
To Cash introduced	50,000	By Furniture	16,000
To Visit fees	20,000	By Equipment	20,000
To Receipts from dispensary	60,000	By Drugs	14,000
To Sundry receipts	10,000	By Salary	36,000
		By Conveyance	8,000
		By Stationery	11,000
		By Journals	1,000
		By Drawings	30,000
		By Balance c/d	4,000
	1,40,000		1,40,000

Additional information :

(1) Visit fees ₹ 4,000 and receipts from dispensary ₹ 1,000 is outstanding.

(2) Stock of drugs ₹ 2,000.

(3) Depreciate furniture @ 10% p.a. and equipment ₹ 1,000.

(4) 40% conveyance was for domestic purpose.

(5) Cash introduced ₹ 50,000 should be considered as capital fund.

Solution : **In the books of Dr. Dhanashri**

Dr. Income and Expenditure Account for the year ended 31st March, 2020 Cr.

Expenditure	Amount (₹)	Amount (₹)	Income	Amount (₹)	Amount (₹)
To Drugs	14,000		By Visit fees	20,000	
Less : Stock of			Add : O/s visit fees	4,000	24,000
Drugs	2,000	12,000	By Receipts for		
To Salaries		36,000	Dispensary	60,000	
To Conveyance	8,000		Add : O/s receipts	1,000	61,000
Less : 40% for			By Sundry receipts		10,000
domestic	3,200	4,800			
To Stationery		11,000			
To Journals		1,000			
To Depreciation					
Furniture	1,600				
Equipment	1,000	2,600			
To Surplus		27,600			
(Excess of income					
over expenditure)					
		95,000			95,000

Balance Sheet as on 31st March, 2020

Liabilities	Amount (₹)	Amount (₹)	Assets	Amount (₹)	Amount (₹)
Capital Fund (Cash introduced)	50,000		Furniture	16,000	
			Less : Depreciation	1,600	14,400
Add : Surplus	27,600		Equipment	20,000	
	77,600		Less : Depreciation	1,000	19,000
Less : Drawings	30,000		Stock of drugs (Closing)		2,000
	47,600		O/s Visit fees		4,000
Less : Additional drawings	3,200	44,400	O/s receipts from dispensary		1,000
			Cash in hand		4,000
		44,400			44,400

Working Notes :

(1) O/s visit fees and O/s receipts from dispensary – Add it to respective accounts on Income side of Income and Expenditure Account. For 2nd effect, record them on Assets side of Balance Sheet.

(2) 40% conveyance is for domestic purpose (Personal use). ∴ Add it to drawings and subtract it from conveyance expense.

(3) To the capital fund (Cash introduced), add 'Surplus' amount and subtract drawings and additional drawing.

6. Account of a Library.

Following is the Receipts and Payments Account of "Dhananjay Library", Mumbai for the year ending 31 – 03 – 2020.

Dr. Receipts and Payments Account for the year ending 31 – 03 – 2020 Cr.

Receipts	Amount (₹)	Payments	Amount (₹)
To Balance b/d	5,000	By Salaries	9,000
To Admission Fees	4,500	By Rent	7,500
To Subscriptions	20,000	By Investments	6,000
To Lecture Hall Hire Charges	4,200	By Stationery	1,350
To Miscellaneous Income		By Electricity Charges	850
To Interest on Investment	250	By Books	5,000
	900	By Outstanding Expenses (2018–19)	500
		By Balance c/d	4,650
	34,850		34,850

You are required to prepare an Income and Expenditure Account for the year ended 31 – 03 – 2020 and Balance Sheet as on that day.

The following information is also made available to you.

(1) On 31 – 03 – 2019, the library had the following Assets also; Books ₹ 50,000, Furniture ₹ 6,500 and Machinery of ₹ 30,000.

(2) Subscription received in advance amounted to ₹ 500.

(3) Outstanding salaries ₹ 1300 and for Rent ₹ 950.

(4) 50% of the admission fees should be capitalised.

(5) Furniture to be depreciated at 10% p.a.

(6) Library books were purchased on 1st April, 2019 charge depreciation at 10% p.a.

(7) The Investments were purchased on 01 – 04 – 2019 and that carry interest at 20% p.a.

Solution : **In the books of** Dhananjay Library, **Mumbai**

Income and Expenditure Account for the year ended

Dr. 31st March, 2020 **Cr.**

Expenditure	Amount (₹)	Amount (₹)	Income	Amount (₹)	Amount (₹)
To Salaries	9,000		By Subscription	20,000	
Add : o/s Salaries	1,300	10,300	Less : Subscription Received in Advance	500	19,500
To Rent	7,500		By Admission Fees	4,500	
Add : Outstanding Rent	950	8,450	Less : 50% Capitalised	2,250	2,250
To Stationery		1,350	By Lecture Hall Hire Charges		4,200
To Electricity Charges		850	By Miscellaneous Income		250
To Depreciation			By Interest on Investments	900	
Furniture	650		Add : Outstanding Interest	300	1,200
Library Books (5000 + 500)	5,500	6,150			
To Surplus (Excess of Income over expenditure)		300			
		27,400			27,400

Balance Sheet as on 31st March, 2020

Liabilities	Amount (₹)	Amount (₹)	Assets	Amount (₹)	Amount (₹)
Capital Fund	91,000		Machinery		30,000
Add : 50% Admission Fees (Capitalised)	2,250		Books	50,000	
Add : Surplus	300	93,550	Add : Purchases	5,000	
Outstanding Salaries		1,300		55,000	
Outstanding Rent		950	Less : Depreciation (5000 + 500)	5,500	49,500
Subscription Received in Advance		500	Furniture	6,500	
			Less : Depreciation	650	5,850
			Investments	6,000	
			Add : Outstanding Interest	300	6,300
			Cash in Hand		4,650
		96,300			96,300

Working Notes : (1) Opening Balance Sheet is prepared to find out opening capital fund :

Balance Sheet as on 31st March, 2019

Liabilities	Amount (₹)	Assets	Amount (₹)
Outstanding Expenses	500	Books	50,000
Capital Fund *(Balancing figure)*	91,000	Furniture	6,500
		Machinery	30,000
		Cash in Hand (Opening balance of Receipt – Payment A/c)	5,000
	91,500		91,500

(2) Outstanding expenses of previous year, paid in current year so no entry for outstanding expenses (2018 – 19)

(3) Interest on Investment @ 20% on ₹ 6,000 = ₹ 1,200
Less : Interest on Investment received = ₹ 900
∴ Outstanding interest on investment = ₹ 300

(4) Depreciation on library books at 10% p.a.
On opening balance of ₹ 50,000 (for whole year) = ₹ 5,000
Add : On purchases on 01 – 04 – 2019 (for whole year) = ₹ 500
∴ Total Depreciation = ₹ 5,500

7. **Outstanding Expenses and Prepaid Expenses.**

From the following information supplied to you, prepare Income and Expenditure Account for the year ending 31–03–2020 and Balance Sheet as on that date for "Morya Sports Club", Thane.

Balance Sheet as on 01–04–2019

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital Fund	64,500	Machinery	69,000
Bank Overdraft	38,000	Outstanding Subscriptions	8,000
Outstanding Salary	4,000	Prepaid Insurance Premium	2,000
		Furniture	15,000
		Cash in Hand	12,000
		Outstanding Locker's Rent	500
	1,06,500		1,06,500

Receipts and Payments Account

Dr. **for the year ended on 31–03–2020** **Cr.**

Receipts	Amount (₹)	Payments	Amount (₹)
To Balance b/d	12,000	By Balance b/d (Bank Overdraft)	38,000
To Subscription	1,05,000	By Salary	17,500
To Entrance Fees (Capitalised)	9,300	By Insurance Premium	11,000
To Locker Rent	1,500	By Interest	1,400
To Donations (Capitalised)	800	By Refreshment Expenses	4,200
		By Furniture	30,000
		By Balance c/d	
		Cash in Hand	6,500
		Cash at Bank	20,000
	1,28,600		1,28,600

Adjustments :

(1) Subscription received includes ₹ 3,000 for 2018–19 and outstanding subscription for 2019–20 was ₹ 14,000.

(2) On 31–03–2020, Prepaid insurance premium was ₹ 2,500.

(3) Depreciate Furniture by ₹ 3,000.

(4) Locker rent outstanding for 2019–20 is ₹ 400.

Solution : **In the books of 'Morya Sports Club', Thane**

Income and Expenditure Account

Dr. **for the year ended 31st March, 2020** **Cr.**

Expenditure	Amount (₹)	Amount (₹)	Income	Amount (₹)	Amount (₹)
To Salary	17,500		By Subscription	1,05,000	
Less : Outstanding salary of 2018–19	4,000	13,500	Add : Outstanding Subscription for Current Year	14,000	
To Insurance Premium	11,000			1,19,000	
Less : Prepaid Insurance Premium	2,500		Less : Subscription Received of 2018–19	3,000	1,16,000
	8,500		By Locker Rent	1,500	
Add : Prepaid Insurance premium of current year paid in previous year	2,000	10,500	Add : Outstanding Locker Rent	400	
To Depreciation on Furniture		3,000		1,900	
To Interest		1,400	Less : Outstanding Locker Rent of Previous Year	500	1,400
To Refreshment Expenses		4,200			
To Surplus (Excess of income over Expenditure)		84,800			
		1,17,400			1,17,400

Balance Sheet as on 31st March, 2020

Liabilities	Amount (₹)	Amount (₹)	Assets	Amount (₹)	Amount (₹)
Capital Fund	64,500		Machinery		69,000
Add : Surplus	84,800		Outstanding Subscription (2018–19) (8,000–3,000)		5,000
Add : Entrance Fees (Capitalised)	9,300				
Add : Donations (Capitalised)	800	1,59,400	Outstanding Subscription (2019–20)		14,000
			Prepaid Insurance Premium		2,500
			Furniture	15,000	
			Add : Purchases	30,000	
				45,000	
			Less : Depreciation	3,000	42,000
			Outstanding Locker Rent (2019–20)		400
			Cash in Hand		6,500
			Cash at Bank		20,000
		1,59,400			1,59,400

8. **Charitable Hospital.**

Following information has been provided by "Vivekanand Charitable Hospital", Latur. You are required to prepare Income and Expenditure Account for the year ending 31–03–2019 and Balance Sheet as on that date.

Balance Sheet as on 01–04–2018

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital Fund	11,00,000	Building	10,50,000
Bank Loan	6,50,000	Ambulance	4,00,000
Outstanding Bill for Drugs	50,000	Stock of Drugs	42,000
		Hospital Equipments	3,04,000
		Cash in Hand	4,000
	18,00,000		18,00,000

Dr. Receipts and Payments Account for the year ended on 31–03–2019 Cr.

Receipts	Amount (₹)	Payments	Amount (₹)
To Balance b/d	4,000	By Purchase of Drugs (Includes ₹ 40,000 for 2017–18)	2,00,000
To Subscription	2,22,000	By Salary to Staff	85,000
To Life Membership Fees	30,000	By Honorarium to Doctors	4,00,000
To Hospital Receipts (Revenue)	5,10,400	By Repairs and Maintenance	18,000
		By Furniture	45,000
		By General Expenses	16,000
		By Balance c/d	2,400
	7,66,400		7,66,400

Adjustments :

(1) On 31–03–2019 stock of drugs was valued at ₹ 22,000.

(2) Depreciation on Building at 5% p.a. and on Ambulance ₹ 30,000.

(3) Life membership fees are to be capitalised.

Solution :In the books of Vivekanand Charitable Hospital, Latur

Income and Expenditure Account

Dr. **for the year ended 31st March, 2019** **Cr.**

Expenditure	Amount (₹)	Amount (₹)	Income	Amount (₹)	Amount (₹)
To Salary to Staff		85,000	By Subscription		2,22,000
To Honorarium to Doctors		4,00,000	By Hospital Receipts		5,10,400
To Repairs and Maintenance		18,000	By Deficit (Excess of expenditure over income)		49,100
To General Expenses		16,000			
To Depreciation					
Building	52,500				
Ambulance	30,000	82,500			
To Drugs Consumed					
Opening Stock	42,000				
Add : Purchases (2,00,000 – 40,000)	1,60,000				
	2,02,000				
Less : Closing Stock	22,000	1,80,000			
		7,81,500			7,81,500

Balance Sheet as on 31st March, 2019

Liabilities	Amount (₹)	Amount (₹)	Assets	Amount (₹)	Amount (₹)
Capital Fund	11,00,000		Building	10,50,000	
Add : Life Membership Fees (Capitalised)	30,000		Less : Depreciation	52,500	9,97,500
	11,30,000		Ambulance	4,00,000	
Less : Deficit	49,100	10,80,900	Less : Depreciation	30,000	3,70,000
Outstanding Bill for Drugs (50,000 – 40,000)		10,000	Hospital Equipments		3,04,000
Bank Loan		6,50,000	Closing stock of Drugs		22,000
			Furniture		45,000
			Cash in Hand		2,400
		17,40,900			17,40,900

Working Note :

Purchase of drugs ₹ 2,00,000 includes ₹ 40,000 of 2017–18 and in the Balance Sheet of 2017–18, outstanding bill of drugs is ₹ 50,000 given. So, ₹ 10,000 is still outstanding.

Question Set 13

ADMISSION OF PARTNER

[Q. 2. : 10 Marks]

(1) New Profit Sharing Ratio : In all cases of admission of a partner, the new partner gets the agreed share in the future profit whereas all the old partners together get the remaining share. As a result profit sharing ratio of existing (old) partners changes and newly constituted firm is required to calculate new profit sharing ratio for all the partners including new partner. Such new ratio is used by the firm to write off goodwill and to make adjustments in Capital Accounts of the Partners. New Ratio is calculated by using following formula :

Assume that total profit be 1, The Balance of **1** = (1 – share given to new partner).

New Ratio = (Balance of 1) × Old Ratio.

If sacrifice ratio of old partners is given along with old ratio, the new ratio can be calculated as → **New Ratio = Old Ratio – Sacrifice Ratio.**

(2) Sacrifice Ratio : Sacrifice ratio is the ratio in which old partners surrender or give up some part of their shares in the future profit in favour of a new partner of the firm. Sacrifice ratio is calculated by using the following formula :

Sacrifice Ratio = Old Ratio – New Ratio

Examples :

(i) Calculation of New Ratio :

Apte and Bhate are partners of a firm sharing profit and loss in the ratio of 3 : 2. They admitted Kate for $\frac{1}{4}$ th share in future profit. Find new profit and loss ratio of all three partners.

For the answer, refer to Ch. 3, Q. (1) in Question Set 8.

(ii) Calculation of Sacrifice Ratio :

X and Y are partners sharing profit and loss in the ratio of 3 : 2. They admitted Z as a new partner and their new profit and loss ratio is 4 : 3 : 2. Find out Sacrifice ratio.

For the answer, refer to Ch. 3 Q. (4) in Question Set 8.

(iii) Calculation of Sacrifice Ratio and New Ratio :

A and B are partners sharing profits in the ratio of 3 : 2 respectively. They admit C for $\frac{1}{5}$th share of profit which she takes equally from A and B. Calculate Sacrifice Ratio and New Profit sharing ratio.

Ans. A's sacrifice $= \frac{1}{5} \times \frac{1}{2} = \frac{1}{10}$

B's sacrifice $= \frac{1}{5} \times \frac{1}{2} = \frac{1}{10}$

$\therefore$ Sacrifice ratio for A and B $= \frac{1}{10} : \frac{1}{10} =$ **1 : 1**

New ratio = Old ratio – Sacrifice ratio

A's new ratio $= \frac{3}{5} - \frac{1}{10} = \frac{30-5}{50} = \frac{25}{50}$

B's new ratio $= \frac{2}{5} - \frac{1}{10} = \frac{20-5}{50} = \frac{15}{50}$

C's new ratio $= \frac{1}{5} \times \frac{10}{10} = \frac{10}{50}$

$\therefore$ New Ratio of A, B and C

$= \frac{25}{50} : \frac{15}{50} : \frac{10}{50}$ i.e. 25 : 15 : 10 = **5 : 3 : 2**

1. **Methods of Valuation of Goodwill :** As prescribed in the syllabus, the value of goodwill as on a particular date is ascertained by using any one of the following methods :

(A) Average Profit Method and **(B) Super Profit Method.**

(A) Average Profit Method : Under this method, goodwill is valued at certain number of years' purchases of the average profit of the firm. To compute the value of Goodwill as per this method the following formulae are used :

(1) Total Profits = Profits of the given number of years – losses. (If any)

(2) Average Profit $= \frac{\text{Total Profits of given no. of years}}{\text{No. of years given}}$

(3) Goodwill = Average Profit × No. of years' purchases

Example :

Yukti and Mukti are partners sharing profits and losses in the ratio of 3 : 2. They admit Misti for 1/6th share in future profit. For the purpose of admission of Misti, goodwill of the firm should be valued on the basis of 3 years' purchases of last 5 years' average profit. The profits and losses were as follows :

Year	Amount (₹)
1.	3,00,000 (Profit)
2.	2,00,000 (Profit)
3.	2,50,000 (Profit)

Year	Amount (₹)
4.	2,00,000 (Loss)
5.	2,00,000 (Profit)

Find out the value of goodwill of the firm.

Solution : Total Profit for last 5 years

$= 3,00,000 + 2,00,000 + 2,50,000 - \underset{\text{(loss)}}{2,00,000} + 2,00,000$

$$\text{Average Profit} = \frac{\text{Total profits of given number of years}}{\text{No. of years given}}$$

$$= \frac{7,50,000}{5} = ₹\ 1,50,000$$

Goodwill = Average Profit × No. of years' purchases

$= 1,50,000 \times 3 = ₹\ 4,50,000$

∴ Goodwill = ₹ 4,50,000

(B) Super Profit Method : To compute the goodwill as per this method, the following formulae are used.

(1) Total profit = Profits of the given number of years – Losses (if any)

(2) $\text{Average profit} = \dfrac{\text{Total profit of given number of years}}{\text{Number of years given}}$

(3) Normal profit = Capital employed × Normal rate of return

(4) Super profit = Average profit – Normal profit

(5) Goodwill = Super profit × Number of years of purchases

Example :

The capital of a partnership firm is ₹ 10,00,000 and the profits and losses for the last 5 years are as under :

Years	I	II	III	IV	V
Profit (₹)	3,00,000	3,50,000	80,000	3,00,000	80,000 (Loss)

The reasonable return of the capital employed is 10%, Goodwill is valued at 2 years' purchases of Super Profit, calculate the value of goodwill under Super Profit method.

Solution :

(1) Total Profits for the last 5 years

$= 3,00,000 + 3,50,000 + 80,000 + 3,00,000 - 80,000$

$=$ ₹ 9,50,000

(2) Average Profit $= \dfrac{\text{Total profits of given number of years}}{\text{No. of years given}}$

$= \dfrac{9,50,000}{5} =$ ₹ 1,90,000

(3) Normal Profit = Capital employed × Normal Rate of Return

$= 10,00,000 \times 10\% =$ ₹ 1,00,000

(4) Super Profit = Average Profit – Normal Profit

$= 1,90,000 - 1,00,000 =$ ₹ 90,000

(5) Goodwill = Super Profit × No. of years' purchases

$= 90,000 \times 2 =$ ₹ 1,80,000

2. Pro forma journal entries in respect of Admission of a Partner :

Date/ No.	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
1.	**When a new partner brings in cash towards his/her share of capital :**			
	Cash/Bank A/c Dr.		XXX	
	To New Partner's Capital A/c			XXX
2.	**In case a new partner brings in other assets and liabilities towards his/her capital from his/her existing sole trading business into partnership :**			
	Assets A/c Dr.		XXX	
	To Liabilities A/c			XXX
	To New Partner's Capital A/c			XXX
3.	**Transfer of General Reserve to Old Partners' Capital/ Current A/cs :**			
	General Reserve A/c Dr.		XXX	
	To Old Partners' Capital/Current A/cs			XXX

4.	**Transfer of accumulated profits (appearing on the liabilities side of Balance Sheet) to Old Partners' Capital/Current A/cs :** Profit & Loss A/c Dr. To Old Partners' Capital/Current A/cs	XXX	XXX
5.	**Transfer of accumulated losses (appearing on the Assets side of Balance Sheet) to Old Partners' Capital/ Current A/cs :** Old Partners' Capital/Current A/cs Dr. To Profit & Loss A/c	XXX	XXX
6.	**When a new partner brings his/her share of Goodwill in cash :** Cash/Bank A/c Dr. To Goodwill A/c	XXX	XXX
7.	**For transfer of benefit of Goodwill to Old Partners' Capital/Current A/cs :** Goodwill A/c Dr. To Old Partners' Capital/Current A/cs *(Amount of Goodwill is to be transferred in the ratio of sacrifice)*	XXX	XXX
8.	**When amount of Goodwill withdrawn by the old partners :** Old Partners' Capital/Current A/cs Dr. To Cash/Bank A/c	XXX	XXX
9.	**When a new partner pays amount of Goodwill to old partners privately :** No accounting entry is to be passed in the books of the partnership firm.	–	–
10.	**If Goodwill does not appear in the books of accounts :** **(i) When Goodwill is raised :** Goodwill A/c Dr. To Old Partners' Capital/Current A/cs *(Amount of Goodwill is to be transferred in the ratio of sacrifice)*	XXX	XXX
	(ii) When Goodwill is written off : All Partners' Capital/Current A/cs Dr. To Goodwill A/c *(Goodwill is to be written off in the new ratio)*	XXX	XXX

11.	**If Goodwill already appears in the books of accounts :**		
	(i) If on revaluation, the revised value of Goodwill is found to be lower than its existing value : (Entry is to be passed only for difference in the value of Goodwill)		
	Old Partners' Capital/Current A/cs Dr.	XXX	
	To Goodwill A/c		XXX
	Alternatively the following entry may be passed :		
	Revaluation/Profit and Loss Adjustment A/c Dr.	XXX	
	To Goodwill A/c		XXX
	(ii) If on revaluation, the revised value of Goodwill is found to be greater than its existing value :		
	Goodwill A/c Dr.	XXX	
	To Old Partners' Capital/Current A/cs		XXX
	Alternatively the following entry may be passed :		
	Goodwill A/c Dr.	XXX	
	To Revaluation/Profit and Loss Adjustment A/c		XXX
12.	**For reduction in the value of the assets :**		
	Profit & Loss Adjustment A/c Dr.	XXX	
	To Assets A/c		XXX
13.	**For reduction in the value of liabilities :**		
	Liabilities A/c Dr.	XXX	
	To Profit & Loss Adjustment A/c		XXX
14.	**For increase in the value of the assets :**		
	Assets A/c Dr.	XXX	
	To Profit & Loss Adjustment A/c		XXX
15.	**For increase in the value of liabilities :**		
	Profit & Loss Adjustment A/c Dr.	XXX	
	To Liabilities A/c		XXX
16.	**For unrecorded assets discovered and recorded :**		
	Assets A/c Dr.	XXX	
	To Profit & Loss Adjustment A/c		XXX
17.	**For unrecorded liability discovered and recorded :**		
	Profit & Loss Adjustment A/c Dr.	XXX	
	To Liability A/c		XXX
18.	**For taking over an asset by the old partner at the value less than its book value**		
	Partner's Capital/Current A/c Dr.	XXX	
	Profit & Loss Adjustment A/c Dr.	XXX	
	To Asset A/c		XXX

19.	**For taking over an asset by the old partner at the value greater than its book value :**		
	Partners' Capital/Current A/cs Dr.	XXX	
	To Asset A/c		XXX
	To Profit & Loss Adjustment A/c		XXX
20.	**For transfer of credit balance on Profit & Loss Adjustment A/c** (i.e. profit on revaluation) :		
	Profit & Loss Adjustment A/c Dr.	XXX	
	To Old Partners' Capital /Current A/cs		XXX
21.	**For transfer of debit balance on Profit & Loss Adjustment A/c** (i.e. loss on revaluation)		
	Old Partners' Capital/Current A/cs Dr.	XXX	
	To Profit & Loss Adjustment A/c		XXX
22.	**For Adjustment of excess capital :**		
	Old Partners' Capital A/cs Dr.	XXX	
	To Old Partners' Current A/cs Old Partners' Loan A/cs		
	Cash A/cs		XXX
23.	**For Adjustment of deficit in capital :**		
	Old Partners' Current A/cs/Old Partners'		
	Loan A/cs/Cash A/c Dr.	XXX	
	To Old Partners' Capital A/cs		XXX
	Total	XXX	XXX

1. The Balance Sheet of Prathamesh and Shiv who share profit and losses in the ratio of 3 : 2 as on 31st March, 2020 was as under : ***(Sept. '21)***

Balance Sheet as on 31st March, 2020

Liabilities	Amount (₹)	Assets	Amount (₹)
Creditors	49,600	Cash at Bank	4,000
Capital :		Building	20,000
Prathamesh	28,000	Machinery	28,000
Shiv	28,000	Furniture	1,200
		Stock	16,400
		Debtors	36,000
	1,05,600		1,05,600

They take Ajay into partnership on 1st April, 2020. The terms being :

(1) Ajay shall pay ₹ 4,000 as his share of Goodwill, the amount to be retained in business.

(2) He shall bring in ₹ 12,000 as capital for 1/4th share in the future profits.

(3) The firm's assets were to be revalued as under :

Building ₹ 24,000, Machinery and Furniture to be reduced by 10%, a provision of 5% on debtors is to be made for doubtful debts; Stock is to be taken at a value of ₹ 20,000.

Prepare : (i) Profit and Loss Adjustment Account

(ii) Capital Account of Partners and (iii) New Balance Sheet.

Solution :

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

Particulars		Amount (₹)	Particulars	Amount (₹)
To Machinery A/c		2,800	By Building A/c	4,000
To Furniture A/c		120	By Stock A/c	3,600
To R.D.D. A/c		1,800		
To Partners' capital A/c				
Prathamesh	1,728			
Shiv	1,152	2,880		
		7,600		7,600

Dr. **Partners' Capital Accounts** **Cr.**

Particulars	Prathamesh (₹)	Shiv (₹)	Ajay (₹)	Particulars	Prathamesh (₹)	Shiv (₹)	Ajay (₹)
To Balance c/d	32,128	30,752	12,000	By Balance b/d	28,000	28,000	–
				By Goodwill A/c	2,400	1,600	–
				By Bank A/c	–	–	12,000
				By Profit and Loss Adjustment A/c (Profit)	1,728	1,152	–
	32,128	30,752	12,000		32,128	30,752	12,000

Balance Sheet of new firm as on 1st April, 2020

Liabilities	Amount (₹)	Amount (₹)	Assets	Amount (₹)	Amount (₹)
Capital A/cs :			Building	20,000	
Prathamesh		32,128	Add : Appreciation	4,000	24,000
Shiv		30,752	Machinery	28,000	
Ajay		12,000	Less : Depreciation	2,800	25,200
Creditors		49,600	Furniture	1,200	
			Less : Depreciation	120	1,080
			Stock	16,400	
			Add : Appreciation	3,600	20,000
			Debtors	36,000	
			Less : R.D.D.	1,800	34,200
			Cash at Bank		20,000
		1,24,480			1,24,480

2. Ram and Shyam were in partnership sharing profits and losses in the proportion of 3 : 1 respectively. Their Balance Sheet as on 31st March, 2020 stood as follows : ***(March '22 – '25)***

Balance Sheet as on 31st March, 2020

Liabilities		Amount (₹)	Assets	Amount (₹)
Sundry Creditors		80,000	Cash	80,000
Bills payable		42,000	Sundry debtors	64,000
Capital Accounts :			Land and Building	32,000
Ram	1,20,000		Stock	40,000
Shyam	40,000	1,60,000	Plant and Machinery	60,000
General Reserve		16,000	Furniture	22,000
		2,98,000		2,98,000

They take Bharat into partnership on 1st April, 2020. The terms being :

(1) He shall have to bring in ₹ 40,000 as his capital for 1/5th share in future profit and ₹ 20,000 as his share of Goodwill. (2) A provision for 5% doubtful debts to be created on sundry debtors. (3) Stock should be appreciated by 5% and Land and Building be appreciated by 20%. (4) Furniture to be depreciated by 20%. (5) Capital accounts of all partners be adjusted in their new profit sharing ratio through Cash account.

Prepare : (a) Profit and Loss Adjustment Account

(b) Partners' Capital Account. (c) Balance Sheet of the new firm.

Solution : **In the books of the firm**

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

Particulars		Amount (₹)	Particulars	Amount (₹)
To R.D.D. A/c		3,200	By Land and Building A/c	6,400
To Furniture A/c		4,400	By Stock A/c	2,000
To Partners' capital A/c				
Ram	600			
Shyam	200	800		
(Profit transferred)				
		8,400		8,400

Dr. **Partners' Capital Accounts** **Cr.**

Particulars	Ram (₹)	Shyam (₹)	Bharat (₹)	Particulars	Ram (₹)	Shyam (₹)	Bharat (₹)
To Cash A/c (Surplus paid)	27,600	9,200	–	By Balance b/d	1,20,000	40,000	–
To Balance c/d	1,20,000	40,000	40,000	By General Reserve	12,000	4,000	–
				By Cash A/c	–	–	40,000
				By Goodwill A/c	15,000	5,000	–
				By Profit and Loss Adjustment A/c (Profit)	600	200	–
	1,47,600	49,200	40,000		1,47,600	49,200	40,000

Balance Sheet of new firm as on 1st April, 2020

Liabilities	Amount (₹)	Amount (₹)	Assets	Amount (₹)	Amount (₹)
Capital A/cs :			Cash		1,03,200
Ram	1,20,000		Sundry debtors	64,000	
Shyam	40,000		Less : 5% R.D.D.	3,200	60,800
Bharat	40,000	2,00,000	Land and Building	32,000	
Sundry Creditors		80,000	Add : Appreciation 20%	6,400	38,400
Bills payable		42,000	Stock	40,000	
			Add : 5% Appreciation	2,000	42,000
			Plant and Machinery		60,000
			Furniture	22,000	
			Less : 20% Depreciation	4,400	17,600
		3,22,000			3,22,000

Working Notes :

(1) Balance of 1 = 1 – share of new partner $= 1 - \frac{1}{5} = \frac{4}{5}$

New ratio = Balance of 1 × old ratio

Ram's new share (ratio) $= \frac{4}{5} \times \frac{3}{4} = \frac{12}{20}$

Shyam's new share $= \frac{4}{5} \times \frac{1}{4} = \frac{4}{20}$

Bharat's new share $= \frac{1}{5} \times \frac{4}{4} = \frac{4}{20}$

$\therefore$ New profit sharing ratio $= \frac{12}{20} : \frac{4}{20} : \frac{4}{20} = 12 : 4 : 4 = 3 : 1 : 1$

(2) Bharat contributed ₹ 40,000 as capital for his 1 share, therefore capital amounts to be adjusted by Ram and Shyam are respectively ₹ 1,20,000 and ₹ 40,000 as per new ratio.

(3)

Dr. **Cash Account** **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	80,000	By Ram's capital A/c	27,600
To Bharat's capital A/c	40,000	By Shyam's capital A/c (Surplus paid)	9,200
To Goodwill A/c	20,000	By Balance c/d (Balancing figure)	1,03,200
	1,40,000		1,40,000

3. The following is the Balance Sheet of partners Aditya and Chaitanya on 31st March, 2019, they share profits and losses in the ratio of 3 : 2 : ***(March '23)***

Balance Sheet as on 31st March, 2019

Liabilities	Amount (₹)	Assets	Amount (₹)
Creditors	60,000	Building	30,000
Capital Accounts :		Furniture	1,800
Aditya	42,000	Machinery	42,000
Chaitanya	42,000	Stock	24,600
Current Accounts :		Debtors	54,000
Aditya	7,500	Cash	6,000
Chaitanya	6,900		
	1,58,400		1,58,400

Adjustments :

They admitted Sachin into partnership on 1st April, 2019 on the following terms :

(1) Building to be valued at ₹ 36,000, machinery and furniture to be reduced by 10%.

(2) Sachin should pay ₹ 6,000 as his share of Goodwill. 50% of goodwill withdrawn by partners in cash.

(3) A provision of 5% on debtors to be made for doubtful debts.

(4) He should bring ₹ 18,000 as capital for 1/4th share in future profit.

(5) Stock is to be taken at the value of ₹ 30,000.

Prepare : (a) Profit and Loss Adjustment Account.

(b) Partners' Current Account. (c) Balance Sheet of the new firm.

Note : In July '22, same question with double figures was asked.

Solution : **In the books of the Partnership firm**

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

Particulars		Amount (₹)	Particulars	Amount (₹)
To Machinery A/c		4,200	By Building A/c	6,000
To R.D.D. A/c		2,700	By Stock A/c	5,400
To Furniture A/c		180		
To Partners' Current A/cs :				
Aditya	2,592			
Chaitanya	1,728	4,320		
		11,400		11,400

Dr. **Partners' Current Accounts** **Cr.**

Particulars	Aditya (₹)	Chaitanya (₹)	Particulars	Aditya (₹)	Chaitanya (₹)
To Cash A/c (50% goodwill withdrawn)	1,800	1,200	By Balance b/d	7,500	6,900
			By Goodwill A/c (Sacrifice ratio 3 : 2)	3,600	2,400
To Balance c/d (Bal. Fig.)	11,892	9,828	By Profit and Loss Adjustment A/c (Profit)	2,592	1,728
	13,692	11,028		13,692	11,028

Balance Sheet of the new firm as on 1st April, 2019

Liabilities	Amount (₹)	Amount (₹)	Assets	Amount (₹)	Amount (₹)
Partners' Capital			Building	30,000	
A/cs :			Add : Appreciation	6,000	36,000
Aditya	42,000		Furniture	1,800	
Chaitanya	42,000		Less : Depreciation	180	1,620
Sachin	18,000	1,02,000	Machinery	42,000	
Partners' Current			Less : Depreciation	4,200	37,800
A/cs :			Debtors	54,000	
Aditya	11,892		Less : R.D.D.	2,700	51,300
Chaitanya	9,828	21,720	Cash		27,000
Creditors		60,000	Stock	24,600	
			Add : Appreciation	5,400	30,000
		1,83,720			1,83,720

Working Note :

Dr. **Cash Account** **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	6,000	By Aditya's capital A/c	1,800
To Sachin's capital A/c	18,000	By Chaitanya's capital A/c	1,200
To Goodwill A/c	6,000	By Balance c/d (Balancing figure)	27,000
	30,000		30,000

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4. **Seeta and Geeta share profits and losses in the ratio 3 : 2 in Partnership Firm. Their Balance Sheet as on 31st March, 2020 was as under :**

(March '24)

Balance Sheet as on 31st March, 2020

Liabilities		Amount (₹)	Assets		Amount (₹)
Capitals :			Bank		11,250
Seeta	22,500		Bills Receivable		5,700
Geeta	18,000	40,500	Debtors	31,200	
Creditors		18,750	(–) R.D.D.	1,200	30,000
Bills Payable		15,000	Stock		18,000
Bank Loan		24,000	Furniture		7,050
General Reserve		3,750	Machinery		7,500
			Building		22,500
		1,02,000			1,02,000

On 1st April, 2020 they admitted Reeta on the following terms :

(1) For half (1/2) share in future profit Reeta should bring ₹ 15,000 as capital and ₹ 7,500 for Goodwill in cash.

(2) Furniture should be appreciated up to ₹ 8,025 and building be appreciated by 20%.

(3) R.D.D. is to be maintained at ₹ 1,500.

(4) The stock is to be reduced by 10% and machinery depreciated by 5%

(5) Half of amount of Goodwill is withdrawn by old partners.

Pass the necessary Journal Entries in the books of the firm.

Solution : **Journal Entries**

In the books of the firm of Seeta and Geeta

Date/ No.	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
1.	General Reserve A/c Dr.		3,750	
	To Seeta's Capital A/c			2,250
	To Geeta's Capital A/c			1,500
	(Being General reserve amount distributed among old partners)			

2.	Bank (Cash) A/c Dr.		15,000	
	To Reeta's Capital A/c			15,000
	(Being amount brought by Reeta for her share in capital)			
3.	Bank (Cash) A/c Dr.		7,500	
	To Goodwill A/c			7,500
	(Being amount brought in for Goodwill by Reeta)			
4.	Goodwill A/c Dr.		7,500	
	To Seeta's Capital A/c			4,500
	To Geeta's Capital A/c			3,000
	(Being Goodwill distributed among old partners in 3 : 2 ratio)			
5.	Seeta's Capital A/c Dr.		2,250	
	Geeta's Capital A/c Dr.		1,500	
	To Bank A/c			3,750
	(Being half of the Goodwill amount withdrawn by old partners)			
6.	Furniture A/c Dr.		975	
	Building A/c Dr.		4,500	
	To Revaluation A/c			5,475
	(Being appreciation in the value of assets)			
7.	Revaluation A/c Dr.		2,475	
	To Stock A/c			1,800
	To Machinery A/c			375
	To R.D.D. A/c			300
	(Being decrease in the value of assets and increase in the value of R.D.D.)			
8.	Revaluation A/c Dr.		3,000	
	To Seeta's Capital A/c			1,800
	To Geeta's Capital A/c			1,200
	(Being profit on revaluation distributed in profit sharing ratio)			
	Total		48,450	48,450

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Working Note :

Dr. **Revaluation Account** **Cr.**

Particulars		Amount (₹)	Particulars	Amount (₹)
To Stock A/c		1,800	By Furniture A/c	975
To Machinery A/c		375	By Building A/c	4,500
To R.D.D. A/c		300		
To profit on Revaluation transferred to Partners' Capital A/cs				
Seeta	1,800			
Geeta	1,200	3,000		
		5,475		5,475

5. The Balance Sheet of Shree and Om who share profit and loss in the ratio 3 : 1 is as follows :

Balance Sheet as on 31st March, 2024

Liabilities	Amount (₹)	Assets	Amount (₹)
Sundry Creditors	80,000	Cash	78,000
Bills Payable	20,000	Sundry Debtors	64,000
Bank Overdraft	20,000	Stock	40,000
Capital A/cs :		Plant & Machinery	60,000
Shree	1,20,000	Furniture	22,000
Om	40,000	Land and Building	32,000
General Reserves	20,000	Profit & Loss (Dr. Bal)	4,000
	3,00,000		3,00,000

They decided to admit Hari on 1st April, 2024 on the following terms :

(1) Hari is taken as partner on 1st April, 2024. She will pay ₹ 40,000 as her capital for 1/5th share in future profits.

(2) Value of Goodwill of the firm is to be fixed at the average profits for the last three years.

Working Note :

Dr. **Revaluation Account** **Cr.**

Particulars		Amount (₹)	Particulars	Amount (₹)
To Stock A/c		1,800	By Furniture A/c	975
To Machinery A/c		375	By Building A/c	4,500
To R.D.D. A/c		300		
To profit on Revaluation transferred to Partners' Capital A/cs				
Seeta	1,800			
Geeta	1,200	3,000		
		5,475		5,475

5. The Balance Sheet of Shree and Om who share profit and loss in the ratio 3 : 1 is as follows :

Balance Sheet as on 31st March, 2024

Liabilities	Amount (₹)	Assets	Amount (₹)
Sundry Creditors	80,000	Cash	78,000
Bills Payable	20,000	Sundry Debtors	64,000
Bank Overdraft	20,000	Stock	40,000
Capital A/cs :		Plant & Machinery	60,000
Shree	1,20,000	Furniture	22,000
Om	40,000	Land and Building	32,000
General Reserves	20,000	Profit & Loss (Dr. Bal)	4,000
	3,00,000		3,00,000

They decided to admit Hari on 1st April, 2024 on the following terms :

(1) Hari is taken as partner on 1st April, 2024. She will pay ₹ 40,000 as her capital for 1/5th share in future profits.

(2) Value of Goodwill of the firm is to be fixed at the average profits for the last three years.

The profit were : 2020 – 21 ₹ 3500

2021 – 22 ₹ 1500 (Loss)

2022 – 23 ₹ 5500

An old partners have decided to written off Goodwill immediately.

(3) 5 % provision for bad and doubtful debt be created on debtors.

(4) Furniture be depreciated by 20%.

(5) Stocks be appreciated by 5% and Plant & Machinery by 20%.

(6) The new profit sharing ratio will be 3 : 1 : 1 respectively.

You are required to prepare Profit and Loss Adjustment Account, Partners' Capital A/c, Balance Sheet of the new firm.

Solution : **In the books of the Partnership firm**

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

Particulars		Amount (₹)	Particulars	Amount (₹)
To R.D.D. A/c		3,200	By Stock A/c	2,000
To Depreciation A/c –			By Plant & Machinery A/c	
Furniture		4,400		12,000
To Profit on Revaluation Transferred to Partners' Capital Accounts :				
Shree	4,800			
Om	1,600	6,400		
		14,000		14,000

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

Particulars	Shree (₹)	Om (₹)	Hari (₹)	Particulars	Shree (₹)	Om (₹)	Hari (₹)
To Profit & Loss A/c (Dr. Bal.)	3,000	1,000	–	By Balance b/d	1,20,000	40,000	–
				By Bank A/c	–	–	40,000
To Goodwill (N.R 3 : 1 : 1)	1,500	500	500	By Goodwill A/c (O.R 3 : 1)	1,875	625	–
To Balance b/d (Bal. Fig.)	1,37,175	45,725	39,500	By Profit and Loss Adjustment A/c (Profit)	4,800	1,600	–
				By General Reserve A/c (3 : 1)	15,000	5,000	–
	1,41,675	47,225	40,000		1,41,675	47,225	40,000

Balance Sheet as on 1st April, 2024

Liabilities	Amount (₹)	Amount (₹)	Assets	Amount (₹)	Amount (₹)
Capital A/cs :			Cash (W.N. 3)		1,18,000
Shree	1,37,175		Sundry Debtors	64,000	
Om	45,725		Less : R.D.D.	3,200	60,800
Hari	39,500	2,22,400	Stock	40,000	
Sundry Creditors		80,000	Add : Appreciation	2,000	42,000
Bills Payable		20,000	Plant & Machinery	60,000	
Bank Overdraft		20,000	Add : Appreciation	12,000	72,000
			Furniture	22,000	
			Less : Depreciation	4,400	17,600
			Land and Building		32,000
		3,42,400			3,42,400

Working Notes :

(1) General reserve is distributed among old partners in their old profit and loss ratio.

(2) Goodwill amount is raised and distributed among old partners in old ratio 3 : 1. And it is written of between all the partner's in their New Profit sharing ratio 3 : 1 : 1.

(3)

Dr. **Cash A/c** **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	78,000	By Balance c/d (Bal. Fig.)	1,18,000
To Hari's Capital A/c	40,000		
	1,18,000		1,18,000

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6. **Mr. Rajeev and Mr. Sanjeev were in partnership, sharing profit and losses in the proportion of 3 : 1 respectively. Their Balance Sheet as on 31st March, 2020 was as follows :** ***(July '23)***

Balance Sheet as on 31st March, 2020

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital :		Building	1,80,000
Mr. Rajeev	1,80,000	Stock	1,20,000
Mr. Sanjeev	1,50,000	Debtors	93,000
General reserve	12,000	Cash	12,000
Sundry creditors	63,000		
	4,05,000		4,05,000

Mr. Mahesh is admitted as a partner in the firm on the following terms :

(1) Mahesh shall have $\frac{1}{4}$th share in profit of the firm.

(2) He shall bring in cash ₹ 1,20,000 as his capital and ₹ 60,000 as his share of goodwill.

(3) Building overvalued by ₹ 24,000 and the stock is undervalued by 25% in the books.

(4) Provide reserves for the doubtful debts ₹ 2,400 on debtors. You are required to prepare : Revaluation Account, Capital Accounts of Partners and Balance Sheet of the firm after admission of Mr. Mahesh.

Solution : **In the books of the Partnership firm**

Dr. **Revaluation Account** **Cr.**

Particulars		Amount (₹)	Particulars	Amount (₹)
To Building A/c (overvalued)		24,000	By Stock A/c	40,000
To R.D.D. A/c		2,400		
To Profit on Revaluation transferred to Partners' Capital Accounts :				
Mr. Rajeev	10,200			
Mr. Sanjeev	3,400			
		13,600		
		40,000		40,000

Dr. **Partners' Capital Accounts** **Cr.**

Particulars	Mr. Rajeev (₹)	Mr. Sanjeev (₹)	Mr. Mahesh (₹)	Particulars	Mr. Rajeev (₹)	Mr. Sanjeev (₹)	Mr. Mahesh (₹)
To Balance c/d	2,44,200	1,71,400	1,20,000	By Balance b/d	1,80,000	1,50,000	–
				By Cash A/c	–	–	1,20,000
				By General Reserve A/c	9,000	3,000	–
				By Goodwill A/c	45,000	15,000	–
				By Revaluation A/c (Profit)	10,200	3,400	–
	2,44,200	1,71,400	1,20,000		2,44,200	1,71,400	1,20,000

Balance Sheet as on 31st March, 2020

Liabilities	Amount (₹)	Amount (₹)	Assets	Amount (₹)	Amount (₹)
Capital A/cs :			Building	1,80,000	
Mr. Rajeev	2,44,200		Less : Overvalued amount (Depreciation)	24,000	1,56,000
Mr. Sanjeev	1,71,400				
Mr. Mahesh	1,20,000	5,35,600	Stock	1,20,000	
Sundry Creditors		63,000	Add : Undervalued amount (Appreciation 25%)	40,000	1,60,000
			Debtors	93,000	
			Less : R.D.D.	2400	90,600
			Cash		1,92,000
		5,98,600			5,98,600

Working Notes :

(1) Cash balance = Opening balance + Amt. brought by Mahesh

$= 12,000 + 1,20,000 + 60,000 =$ ₹ 1,92,000

(2) Building is overvalued by ₹ 24,000

∴ Subtract it from Building amount. (It is a kind of loss)

(3) Stock is undervalued by 25% i.e.

$$\text{Actual value} = \frac{\text{Book value}}{100 - \%\text{ of undervaluation}} \times 100$$

$$= \frac{1,20,000}{(100 - 25)} \times 100 = ₹\ 1,60,000$$

∴ Profit/Gain ₹ 40,000

(4) Distribute General Reserve and Goodwill amounts in Partners' Profit and Loss sharing ratio (i.e. 3 : 1)

Question Set 14

RETIREMENT OF PARTNER

[Q. 2. : 10 Marks]

New Ratio :

New ratio is a ratio or proportion in which continuing partners decide to share profits or losses of the business after retirement of a partner.

Calculation of new profit sharing ratio :

Examples :

(1) A, B and C are the partners, share profits and losses in the ratio of $\frac{1}{2}, \frac{1}{3}$ and $\frac{1}{6}$ respectively. If A retires from the firm, calculate new ratio of the continuing partners.

Ans. Profit sharing Ratio of A : B : C

$$\frac{1}{2} : \frac{1}{3} : \frac{1}{6}$$

∴ By simplifying Denominator = $\frac{3}{6} : \frac{2}{6} : \frac{1}{6}$

i.e. $\boxed{3} : 2 : 1$

If "A" Retires from the firm

Then New Ratio between B & C will be 2 : 1 respectively. A's share from old ratio will get cancelled.

(2) If A, B and C share profits as 4 : 3 : 2 and if on B's retirement from the firm, A and C take up B's share in the ratio of 3 : 1, then find New Profit Sharing Ratio :

For the answer, refer to Ch. 4, Q. (3) in Question Set 8.

Gain Ratio :

Profit sharing ratio which is acquired by continuing partners on account of retirement or death of a partner is called Gain Ratio.

Gain Ratio = New Ratio – Old Ratio.

Gain ratio is calculated and used to write off the goodwill raised or created to the extent of retiring partner's share only.

Example :

M, N and Q are partners sharing profits and losses in the ratio of 2 : 2 : 1. N retires and M and Q share future profits equally. Calculate Gain ratio.

Ans. New Ratio : $M = \frac{1}{2}$ and $Q = \frac{1}{2}$

Old Ratio : $M = \frac{2}{5}$ and $Q = \frac{1}{5}$

Gain Ratio = New Ratio – Old Ratio

M's Gain $= \frac{1}{2} - \frac{2}{5} = \frac{5-4}{10} = \frac{1}{10}$

Q's Gain $= \frac{1}{2} - \frac{1}{5} = \frac{5-2}{10} = \frac{3}{10}$

$\therefore$ Gain Ratio of M and Q is $\frac{1}{10} : \frac{3}{10}$, i.e. 1 : 3.

In the books of Partnership firm

Journal entries

Date/ No.	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
	1. When Goodwill does not appear in the Books of the firm :			
(1)	When Goodwill is raised to its full value :			
	Goodwill A/c Dr.		XXX	
	To All Partners' Capital/Current A/cs			XXX
	(Being Goodwill divided and transferred in **old ratio**)			
(2)	When fully raised Goodwill is written off immediately :			
	Continuing Partners' Capital/Current A/cs Dr.		XXX	
	To Goodwill A/c			XXX
	(Being Goodwill adjusted in **new** profit sharing ratio)			
(3)	When Goodwill is raised only to the extent of retiring Partner's Share :			
	Goodwill A/c Dr.		XXX	
	To Retiring Partner's Capital/Current A/c			XXX
	(Being Goodwill divided and transferred in **old ratio**)			
(4)	When partially raised Goodwill is written off :			
	Continuing Partners' Capital/Current A/cs Dr.		XXX	
	To Goodwill A/c			XXX
	(Being Goodwill adjusted in **gain ratio**)			
(5)	When Goodwill is adjusted through Capital/Current A/cs of the partners without opening Goodwill A/c :			
	Continuing Partners' Capital/Current A/cs Dr.		XXX	
	To Retiring Partner's Capital/Current A/c			XXX
	(Being Goodwill adjusted in **gain ratio**)			
	Total		XXX	XXX

Pro forma Capital Account :

The total dues payable to retiring partner is ascertained by preparing his Capital A/c. This is shown below :

Dr. Retiring Partners' Capital Accounts Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Drawings A/c	XXX	By Balance b/d	XXX
To Interest on Drawings A/c	XXX	By General Reserve A/c	XXX
To Profit and Loss A/c (Past unadjusted loss)	XXX	By Interest on Capital A/c	XXX
		By Profit and Loss A/c (Past undistributed profit)	XXX
To Revaluation A/c (Share in loss on revaluation)	XXX	By Goodwill A/c (Share in firm's goodwill)	XXX
To Cash/Bank A/c (Payment of dues)	XXX	By Revaluation A/c (Share in profit on revaluation)	XXX
To Retiring Partner's Loan A/c (Unpaid balance transferred)	XXX	By Salaries A/c (Amount of salary due)	XXX
	XXX		XXX

1. **Ajay, Vijay and Sanjay were partners sharing profits and losses in the ratio of 3 : 3 : 2. Their Balance Sheet as on 31st March, 2020 is as follows:** ***(March '22)***

Balance Sheet as on 31st March, 2020

Liabilities	Amount (₹)	Assets	Amount (₹)
Creditors	32,700	Bank	19,800
Reserve fund	12,000	Stock	19,800
Capital A/cs :		Debtors	15,000
Ajay	33,000	Live stock	30,000
Vijay	45,000	Plant and Machinery	62,100
Sanjay	24,000		
	1,46,700		1,46,700

On 1st April, 2020 Sanjay retired from the firm on the following terms :

(1) R.D.D. is to be maintained at 10% on debtors.

(2) ₹ 300 to be written off from creditors.

(3) Goodwill of the firm be valued at ₹ 12,000, however only Sanjay's share in it is to be raised in the books and written off immediately.

(4) Assets to be revalued as : Stock ₹ 18,900, Plant and Machinery ₹ 60,000, Live stock ₹ 30,600.

(5) The amount payable to Sanjay to be transferred to his loan account after retirement :

Prepare : (i) Revaluation Account

(ii) Partners' Capital Account (iii) Balance Sheet of new firm.

Solution :

Dr. In the books of partnership firm Revaluation Account Cr.

Particulars	Amount (₹)	Amount (₹)	Particulars	Amount (₹)	Amount (₹)
To Stock A/c		900	By Creditors A/c		300
To R.D.D. A/c		1,500	By Live stock A/c		600
To Plant and Machinery A/c		2,100	By Partners' Capital A/cs :		
			Ajay	1,350	
			Vijay	1,350	
			Sanjay	900	3,600
		4,500			4,500

Dr. Partners' Capital Accounts Cr.

Particulars	Ajay (₹)	Vijay (₹)	Sanjay (₹)	Particulars	Ajay (₹)	Vijay (₹)	Sanjay (₹)
To Goodwill A/c	1,500	1,500	–	By Balance b/d	33,000	45,000	24,000
To Revaluation A/c	1,350	1,350	900	By Reserve fund A/c	4,500	4,500	3,000
To Sanjay's Loan A/c	–	–	29,100	By Goodwill A/c	–	–	3,000
To Balance b/d	34,650	46,650	–				
	37,500	49,500	30,000		37,500	49,500	30,000

Balance Sheet of the new firm as on 1st April, 2020

Liabilities	Amount (₹)	Amount (₹)	Assets	Amount (₹)	Amount (₹)
Creditors	32,700		Bank		19,800
Less : Written off	300	32,400	Stock	19,800	
Sanjay's loan A/c		29,100	Less : Decreased	900	18,900
Capital A/cs :			Debtors	15,000	
Ajay	34,650		Less : R.D.D.	1,500	13,500
Vijay	46,650	81,300	Live stock	30,000	
			Add : Appreciation	600	30,600
			Plant and Machinery	62,100	
			Less : Depreciation	2,100	60,000
		1,42,800			1,42,800

Working Notes :

Goodwill is valued at ₹ 12,000 and Sanjay's share in it is ₹ 3,000 $\left(12{,}000 \times \frac{2}{8}\right)$. And it is to be written off immediately ∴ Amount is to be borne by continuing Partners in equal ratio (3 : 3 = 1 : 1), i.e. ₹ 1,500 each. Record it on the Debit Side in continuing Partners' column.

2. The Balance Sheet of Sohan, Mohan and Rohan is as follows, the partners are sharing profits and losses in the proportion of 2 : 2 : 1 respectively : ***(July '22)***

Balance Sheet as on 31st March, 2020

Liabilities	Amount (₹)	Assets		Amount (₹)
Creditors	30,000	Bank		15,000
General Reserve	15,000	Debtors :	60,000	
Capital A/cs :		Less : R.D.D.	3,000	57,000
Sohan	1,20,000	Furniture		45,000
Mohan	90,000	Machinery		12,000
Rohan	45,000	Freehold property		81,000
		Goodwill		90,000
	3,00,000			3,00,000

Rohan retires from the firm on 1st April, 2020 on the following terms :

(1) The assets are to be revalued as : Freehold property ₹ 90,000, Machinery ₹ 15,000, Furniture ₹ 36,000. All debtors are good.

(2) Goodwill of the firm be valued at thrice the average profit for the preceding five years.

Profits of the firm for 5 years were :

2015-16	₹ 3,000	2016-17	₹ 31,500	2017-18	₹ 30,000
2018-19	₹ 48,000	2019-20	₹ 30,000		

(3) The balance of Rohan's Capital Account should be kept in the business as loan.

Prepare : (i) Profit and Loss Adjustment Account

(ii) Capital Accounts of Partners (iii) Balance Sheet of new firm

Solution : **In the books of the Partnership Firm**

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

Particulars		Debit (₹)	Particulars	Credit (₹)
To Furniture A/c		9,000	By Freehold Property A/c	9,000
To Partners' Capital A/cs :			By Machinery A/c	3,000
Sohan	2,400		By R.D.D. A/c	3,000
Mohan	2,400			
Rohan	1,200	6,000		
		15,000		15,000

Dr. **Partners' Capital Accounts** **Cr.**

Particulars	Sohan (₹)	Mohan (₹)	Rohan (₹)	Particulars	Sohan (₹)	Mohan (₹)	Rohan (₹)
To Goodwill A/c (Written off)	1,800	1,800	900	By Balance b/d	1,20,000	90,000	45,000
To Rohan's Loan A/c	–	–	48,300	By General Reserve A/c	6,000	6,000	3,000
To Balance c/d	1,26,600	96,600	–	By Profit and Loss Adjustment A/c	2,400	2,400	1,200
	1,28,400	98,400	49,200		1,28,400	98,400	49,200

Balance Sheet of the new firm as on 1st April, 2020

Liabilities	Amount (₹)	Amount (₹)	Assets	Amount (₹)	Amount (₹)
Partners' Capital A/cs :			Bank		15,000
Sohan	1,26,600		Debtors		60,000
Mohan	96,600	2,23,200	Furniture	45,000	
Rohan's Loan A/c		48,300	Less : Depreciation	9,000	36,000
Creditors		30,000	Machinery	12,000	
			Add : Appreciation	3,000	15,000
			Freehold Property	81,000	
			Add : Appreciation	9,000	90,000
			Goodwill	90,000	
			Written off	4,500	85,500
		3,01,500			3,01,500

Working Notes : Valuation of Goodwill

(1) Total profit = 3,000 + 31,500 + 30,000 + 48,000 + 30,000 = ₹ 1,42,500.

(2) Average profit = $\frac{\text{Total Profit}}{\text{No. of years}} = \frac{1,42,500}{5}$ = ₹ 28,500

(3) Goodwill = Average profit × No. of years of purchase = 28,500 × 3 = ₹ 85,500

(4) Goodwill to be written off = 90,000 – 85,500 = ₹ 4,500.

To be distributed among partners in old ratio 2 : 2 : 1

[**Note :** *When goodwill is appearing in the Balance Sheet, we can treat it as normal asset and any increase or decrease in its value will be adjusted through Revaluation Account, just like any other asset.*]

3. Given below is the Balance Sheet of Amar, Akbar and Anthony who were sharing profits and losses equally : ***(March '23)***

Balance Sheet as on 31st March, 2020

Liabilities	Amount (₹)	Assets		Amount (₹)
Creditors	31,000	Cash		39,000
General Reserve	24,000	Debtors	32,000	
Partners' Capital A/cs :		Less : R.D.D.	4,000	28,000
Amar	57,400	Furniture		30,000
Akbar	63,600	Machinery		80,000
Anthony	60,000	Motor Car		50,000
		Profit and Loss A/c		9,000
	2,36,000			2,36,000

Amar retired on 1st April, 2020 from the firm on the following terms :

(1) Furniture to be valued at ₹ 28,000, Machinery ₹ 76,000 and Motor car ₹ 47,600.

(2) R.D.D. to be maintained at 5% on debtors.

(3) Goodwill of the firm is to be valued at ₹ 30,000. However, only Amar's share is to be raised in the books.

(4) A part payment of ₹ 20,000 to be made to Amar and the balance to be transferred to his Loan Account.

Prepare : (i) Profit and Loss Adjustment A/c (ii) Partners' Capital A/cs

(iii) Balance Sheet of the New Firm.

Solution : **In the books of the Partnership firm**

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

Particulars	Amount (₹)	Particulars		Amount (₹)
To Furniture A/c	2,000	By R.D.D. A/c		2,400
To Machinery A/c	4,000	By Partners' Capital A/cs :		
To Motor car A/c	2,400	(Loss)		
		Amar	2,000	
		Akbar	2,000	
		Anthony	2,000	6,000
	8,400			8,400

Dr. **Partners' Capital Accounts** **Cr.**

Particulars	Amar (₹)	Akbar (₹)	Anthony (₹)	Particulars	Amar (₹)	Akbar (₹)	Anthony (₹)
To Profit and Loss A/c	3,000	3,000	3,000	By Balance b/d	57,400	63,600	60,000
To Profit and Loss Adjustment A/c	2,000	2,000	2,000	By General Reserve A/c	8,000	8,000	8,000
To Cash A/c	20,000	–	–	By Goodwill A/c	10,000	–	–
To Amar's Loan A/c	50,400	–	–				
To Balance c/d	–	66,600	63,000				
	75,400	71,600	68,000		75,400	71,600	68,000

Balance Sheet of the new firm as on 1st April, 2020

Liabilities	Amount (₹)	Amount (₹)	Assets	Amount (₹)	Amount (₹)
Partners' Capital A/cs :			Furniture	30,000	
Akbar	66,600		Less : Depn.	2,000	28,000
Anthony	63,000		Machinery	80,000	
Creditors		1,29,600	Less : Depn.	4,000	76,000
Amar's Loan A/c		31,000	Motor Car	50,000	
		50,400	Less : Depn.	2,400	47,600
			Debtors	32,000	
			Less : R.D.D.	1,600	30,400
			Goodwill		10,000
			Cash		19,000
		2,11,000			2,11,000

4. The balance sheet of Maharaja Traders, Mumbai is as follows. Partners share profit and losses as 5 : 2 :3.

Balance Sheet as on 31st March, 2024

Liabilities	Amount (₹)	Assets		Amount (₹)
Creditors	30,000	Bank		18,600
Bills payable	20,600	Debtors	25,200	
General Reserve	21,000	(–) R.D.D.	1,200	24,000
Capital Accounts :		Stock		30,600
Raja	54,000	Building		60,000
Rani	48,000	Plant and Machinery		48,000
Kumar	26,400	Furniture		18,800
	2,00,000			2,00,000

Rani retired from the business on 1st April, 2024 on the following terms :

(1) The assets were revalued as under :

(i) Plant and Machinery is to be depreciated by 10%

(ii) R.D.D. is to be increased up to ₹ 1,500.

(iii) Building is appreciated by 10%.

(iv) Stock at ₹ 42,000.

(2) The goodwill of retiring partner is valued at ₹ 18,000 and the remaining partners decided that goodwill be written back in their new profit sharing ratio which will be 5 : 3.

(3) Amount due to Rani at the time of retirement is to be transferred to her loan account.

Prepare : (1) Profit and Loss Adjustment Account

(2) Partners' Capital Account

(3) Balance Sheet of the New firm

In the books of Maharaja Traders

Dr. Profit and Loss Adjustment Account Cr

Particulars	Amount (₹)	Amount (₹)	Particulars	Amount (₹)	Amount (₹)
To Plant and Machinery A/c		4,800	By Building A/c		6,000
To R.D.D. A/c		300	By Stock A/c		11,400
To Partner's Capital A/cs : (Profit)					
Raja	6,150				
Rani	2,460				
Kumar	3,690	12,300			
		17,400			17,400

Dr. Partners' Capital Accounts Cr.

Particulars	Raja (₹)	Rani (₹)	Kumar (₹)	Particulars	Raja (₹)	Rani (₹)	Kumar (₹)
To Goodwill A/c (Written off)	11,250	–	6,750	By Balance b/d	54,000	48,000	26,400
To Rani's Loan A/c	–	72,660	–	By General Reserve A/c	10,500	4,200	6,300
To Balance c/d	59,400	–	29,640	By Goodwill A/c	–	18,000	–
				By Profit and Loss Adjustment A/c	6,150	2,460	3,690
	70,650	72,660	36,390		70,650	72,660	36,390

Balance Sheet of the new firm as on 1st April, 2020

Liabilities	Amount (₹)	Amount (₹)	Assets	Amount (₹)	Amount (₹)
Capital A/cs :			Furniture		18,800
Raja	59,400		Bank		18,600
Kumar	29,640	89,040	Debtors	25,200	
Rani's Loan A/c		72,660	Less : R.D.D.	1,500	23,700
Creditors		30,000	Stock	30,600	
Bills Payable		20,600	Add : Appreciation	11,400	42,000
			Building	60,000	
			Add : Appreciation	6,000	66,000
			Plant and Machinery	48,000	
			Less : Depreciation	4,800	43,200
		2,12,300			2,12,300

Working Notes :

(1) General reserve is to be distributed in 5 : 2 : 3 ratio.

(2) Share of goodwill of retiring partner is ₹ 18,000 and is to be distributed among continuing partners in 5 : 3 ratio i.e. $18,000 \times \frac{5}{8} =$ ₹ 11,250 and $18,000 \times \frac{3}{8} =$ ₹ 6,750.

5. Given below is a Balance Sheet of Aditya, Ajinkya and Arun who were partners in a firm sharing profits and losses in the ratio 5 : 3 : 2. Their balance sheet as on 31st March, 2020 were as follows : *(March '25)*

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital A/cs :		Machinery	50,000
Aditya	21,000	Furniture	2,500
Ajinkya	18,500	Debtors	9,000
Arun	16,600	Stock	8,750
Reserve fund	7,500	Cash	3,800
Creditors	10,450		
	74,050		74,050

On 1st April 2020, Arun retired on the following terms :

(1) Goodwill of the firm will be raised in the books at ₹ 10,000.

(2) Stock to be reduced by 10%, furniture by 5% and machinery by 10%.

(3) R.B.D.D. be maintained at 5% on debtors.

(4) ₹ 100 to be written off from creditors.

(5) All the amount due to Arun transferred to his loan account.

Prepare : (a) Profit and loss adjustment account

(b) Partners' Capital Accounts (c) Balance Sheet of the new firm.

Solution : **In the books of the Partnership firm**

Dr. **Profit and Loss Adjustment A/c** **Cr.**

Particulars	Amount (₹)	Particulars		Amount (₹)
To Stock	875	By Creditors		100
To Furniture	125	By Revaluation loss transferred to all partners' capital A/cs in PSR		
To Machinery	5,000	Aditya	3,175	
To R.B.D.D	450	Ajinkya	1,905	
		Arun	1,270	6,350
	6,450			6,450

Dr. **Partners' Capital Accounts** **Cr.**

Particulars	Aditya	Ajinkya	Arun	Particulars	Aditya	Ajinkya	Arun
To Realisation loss b/d	3,175	1,905	1,270	By Balance b/d	21,000	18,500	16,600
To Loan A/c (Bal. Fig.)	–	–	18,830	By Reserve Fund	3,750	2,250	1,500
To Balance c/d	26,575	21,845	–	By Goodwill (5 : 3 : 2)	5,000	3,000	2,000
	29,750	23,750	20,100		29,750	23,750	20,100

Balance Sheet as on 31st April, 2023

Liabilities		Amount (₹)	Assets		Amount (₹)
Partners' Capital A/cs :			Goodwill		10,000
Aditya	26,575		Machinery	50,000	
Ajinkya	21,845	48,420	(–) Depn. @10% p.a.	5,000	45,000
Arun's Loan A/c		18,830	Furniture	2,500	
Creditors	10,450		(–) Depn. @5% p.a.	125	2,375
(–) W/off	100	10,350	Stock	8,750	
			(–) Depn. @10% p.a.	875	7,875
			Debtors	9,000	
			(–) RBDD @ 5%	450	8,550
			Bank bal.		3,800
		77,600			77,600

6. **Mukta, Yukta and Sukta were partners sharing profits and losses in the ratio of 5 : 2 : 3. Their Balance Sheet was as follows :**

Balance Sheet as on 31st March, 2023

Liabilities	Amount (₹)	Amount (₹)	Assets	Amount (₹)	Amount (₹)
Capital A/cs :			Machinery		25,000
Mukta		35,000	Building		50,000
Yukta		40,000	Furniture		10,000
Sukta		25,000	Stock		15,000
Creditors		12,500	Debtors	18,000	
Bills Payable		6,000	Less : R.D.D.	1,000	17,000
General Reserve		12,500	Bank		14,000
		1,31,000			1,31,000

Yukta retired on 1st April, 2023 on the following terms :

(1) Machinery is to be depreciated by 10% and Furniture by 20%.

(2) Stock is to be appreciated by 10% and Building by 20%.

(3) R.D.D. is no longer necessary.

(4) Provision is to be made for ₹ 4,000 being compensation to workers.

(5) The goodwill of the firm is to be valued at ₹ 20,000 and Yukta's share in it should be raised.

(6) Both the remaining partners decided to write off the goodwill.

(7) Amount payable to Yukta is to be kept as her Loan.

Pass necessary Journal entries in the books of the partnership firm and Balance sheet of new firm.

Journal entries

Date 2023	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
Apr. 1	General Reserve A/c Dr.		12,500	
	To Mukta's Capital A/c			6,250
	To Yukta's Capital A/c			2,500
	To Sukta's Capital A/c			3,750
	(Being General Reserve distributed between partners in old Ratio 5 : 2 : 3)			
Apr. 1	Profit & Loss Adjustment A/c Dr.		8,500	
	To Machinery A/c			2,500
	To Furniture A/c			2,000
	To Prov. for compensation to workers A/c			4,000
	(Being Assets depreciated and liability appreciated transfer to P&L Adj. A/c)			

Apr. 1	Stock A/c	Dr.	1,500	
	Building A/c	Dr.	10,000	
	R.D.D. A/c	Dr.	1,000	
	To Profit and Loss Adjustment A/c			12,500
	(Being appreciation in value of assets & decrease in value of liability transferred to Realisation A/c)			
Apr. 1	Profit & Loss Adjustment A/c	Dr.	4,000	
	To Mukta's Capital A/c			2,000
	To Yukta's Capital A/c			800
	To Sukta's Capital A/c			1,200
	(Being Realisation Profit transferred to Partners' Capital A/cs in their P.S.R.)			
Apr. 1	Goodwill A/c	Dr.	4,000	
	To Yukta's Capital A/c			4,000
	(Being Yukta's share in goodwill realised by the firm)			
Apr. 1	Mukta's Capital A/c	Dr.	2,500	
	Sukta's Capital A/c	Dr.	1,500	
	To Goodwill A/c			4,000
	(Being Yukta's share in goodwill raised w/off by continuing partners)			
Apr. 1	Yukta's Capital A/c	Dr.	47,300	
	To Yukta's Loan A/c			47,300
	(Being amount payable to Yukta transferred to her loan A/c)			

Balance Sheet as on 1st April, 2023

Liabilities	Amount (₹)	Amount (₹)	Assets	Amount (₹)	Amount (₹)
Partners' Capital A/cs :			Building	50,000	
Mukta	40,750		Add : Appreciation @20%	10,000	60,000
Sukta	28,450	69,200	Machinery	25,000	
Yukta's Loan A/c		47,300	Less : Depreciation @10%	2,500	22,500
Creditors		12,500	Furniture	10,000	
Bills Payable		6,000	Less : Depreciation @20%	2,000	8,000
Provision for			Stock	15,000	
Compensation to		4,000	Add : Appreciation @10%	1,500	16,500
Workers			Debtors		18,000
			Bank		14,000
		1,39,000			1,39,000

Working note : **In the books of partnership firm**

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

Particulars	Amount (₹)	Amount (₹)	Particulars	Amount (₹)	Amount (₹)
To Machinery (Depreciation) A/c		2,500	By Stock A/c		1,500
To Furniture (Depreciation) A/c		2,000	By Building A/c		10,000
To Provision for Compensation to Workers A/c		4,000	By R.D.D. A/c (Cancelled)		1,000
To Partners' Capital A/cs : (Profit)					
Mukta	2,000				
Yukta	800				
Sukta	1,200	4,000			
		12,500			12,500

Dr. **Partners' Capital Accounts** **Cr.**

Particulars	Mukta (₹)	Yukta (₹)	Sukta (₹)	Particulars	Mukta (₹)	Yukta (₹)	Sukta (₹)
To Goodwill A/c (Written off)	2,500	–	1,500	By Balance b/d	35,000	40,000	25,000
To Yukta's Loan A/c	–	47,300	–	By General Reserve A/c	6,250	2,500	3,750
To Balance c/d	40,750	–	28,450	By Profit and Loss Adjustment A/c	2,000	800	1,200
				By Goodwill A/c (Raised)	–	4,000	–
	43,250	47,300	29,950		43,250	47,300	29,950

Question Set 15

DEATH OF PARTNER

[Q. 5. : 8 Marks]

- **Process to follow for the ascertainment of deceased partner's share of profit till his date of death is as follows :**

☛ If a partner dies on any date other than the date of closing accounts, he is entitled to his share of profit or loss from the date of last Balance sheet till the date of his death.

Steps to follow :

(1) Profit may be calculated on the basis of the profit of the last year or the average profit of last 2 or 3 years.

(2) Find out profit for period, i.e. the profit till the date of his death.

(3) Calculate the deceased partner's share out of the total profit/total loss of all partners during that period.

(4) Journal entries for recording the same :

Profit and Loss Suspense A/c	Dr.	XXX	
To Deceased Partner's Capital A/c			XXX

(Being share of deceased partner in estimated (Revaluation) Profit for the current year, transferred to his capital A/c)

- Deceased Partner's Capital A/c XXX
  To Profit and Loss Suspense A/c XXX

(Being share of deceased partner in estimated (Revaluation) Loss for the current year, transferred to his capital A/c)

- Accounting treatment in case of Death of a partner is similar to that of Retirement of a partner.

Pro forma of Deceased Partner's Capital Account :

In order to ascertain the amount due to a deceased partner's executor or legal heirs or legal representative, his Capital Account is prepared. It is shown as follows :

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

Particulars	Amount (₹)	Particulars	Amount (₹)
To Profit and Loss A/c (Past loss)	XXX	By Balance b/d	XXX
To Profit and Loss Adjustment A/c (Loss on revaluation)	XXX	By General Reserve A/c (Transfer)	XXX
To Drawings A/c (Withdrawals)	XXX	By Profit and Loss A/c (Past profit)	XXX
To Interest on Drawings A/c (Interest due)	XXX	By Profit and Loss Suspense A/c (Profit of current year)	XXX
To Deceased Partner's Executor's A/c (Balance due transferred)	XXX	By Goodwill A/c (Share in goodwill)	XXX
		By Profit and Loss Adjustment A/c (Share in profit on valuation)	XXX
		By Salaries A/c (Salaries due)	XXX
		By Interest on Capital A/c (Interest due)	XXX
	XXX		XXX

1. Anil, Sunil and Mohit were partners sharing profits and losses in the proportion of their capital. Their Balance Sheet as on 31st March, 2019 was as follows : ***(March '22)***

Balance Sheet as on 31st March, 2019

Liabilities	Amount (₹)	Assets		Amount (₹)
Partners' Capital A/cs :		Land and Building		80,000
Anil	60,000	Motor Lorry		40,000
Sunil	40,000	Debtors :	32,000	
Mohit	20,000	Less : R.D.D.	4,000	28,000
Creditors	50,000	Furniture		36,000
Outstanding Salary	6,000	Bank		28,000
Reserve fund	36,000			
	2,12,000			2,12,000

Mohit died on 1st August, 2019 and the following adjustments were made :

(1) Assets to be revalued as under :

Land and Building	₹ 88,000
Motor Lorry	₹ 36,000
Furniture	₹ 34,000

(2) All debtors were good.

(3) Goodwill of the firm valued at two times the average profit of last 4 years' profit.

(4) Mohit's share of profit to be calculated on the basis of average profit of the last three years.

(5) Profit for four years : 1st year ₹ 12,000, 2nd year ₹ 24,000, 3rd year ₹ 14,000, 4th year ₹ 22,000.

Prepare : (a) Mohit's capital account showing amount payable to his executor.

(b) Give working note of Mohit's share of goodwill and profit upto the date of his death.

Solution :

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

Particulars	Amount (₹)	Particulars	Amount (₹)
To Mohit's Executor's Loan A/c	34,111	By Balance b/d	20,000
		By Reserve fund A/c	6,000
		By Profit and Loss Adjustment A/c	1,000
		By Goodwill A/c	6,000
		By Profit and Loss Suspense A/c	1,111
	34,111		34,111

Working Note :

(1) Calculation of Mohit's share of goodwill

(a) Average profit $= \frac{\text{Total Profit}}{\text{No. of years}} = \frac{72,000}{4} =$ ₹ 18,000

(b) Goodwill of the firm = Average profit × No. of years of purchase

$= 18,000 \times 2 =$ ₹ 36,000

(c) Mohit's share of Goodwill = Goodwill of the firm × Mohit's share

$= 36,000 \times \frac{1}{6} =$ ₹ 6,000

(2) Calculation of share of profit due to Mohit

(a) Average profit $= \frac{\text{Total Profit}}{\text{No. of years}} = \frac{60,000}{3} =$ ₹ 20,000

(b) Mohit's share of profit

= Average profit × Period × Mohit's share of profit

$= 20,000 \times \frac{4}{12} \times \frac{1}{6} =$ ₹ 1,111

(3) Revaluation of Assets and Liabilities =

	Gain	Loss
Land and Building	8,000	–
Debtors	4,000	–
Motor Lorry	–	4,000
Furniture	–	2,000

∴ Revaluation profit = 12,000 – 6,000 = ₹ 6,000

∴ Mohit's share $= 6000 \times \frac{1}{6} =$ ₹ 1000

2. Rekha, Urmila and Mamta were partners **sharing Profits and Losses in Ratio 2 : 2 : 1** respectively. Their Balance **Sheet as on 31st March, 2019 was as follows :** ***(July '22)***

Balance Sheet as **on 31st March, 2019**

Liabilities	Amount (₹)	Assets		Amount (₹)
Partners' Capital A/cs :		Plant and Machinery		25,000
Rekha	20,000	Stock of Goods		25,000
Urmila	20,000	Debtors :	11,000	
Mamta	10,000	Less : R.D.D.	1,250	9,750
General Reserve	5,000	Investment		5,000
Creditors	5,000	Cash		250
Bills Payable	3,000			
Bank loan	2,000			
	65,000			65,000

Adjustments :

Mamta died on 1st October, 2019 and the adjustments were agreed as per deed which are as follows :

(1) Plant and Machinery to be valued at ₹ 30,000 and all debtors were good.
(2) Stock of goods to be reduced by ₹ 1,500.
(3) The drawings of Mamta upto the date of her death amounted to ₹ 200 per month.
(4) Interest on Capital was to be allowed at 10% p.a.
(5) The deceased partner's share of Goodwill is to be valued at 2 years' purchase of average profit of last 3 years.
The profits of last three years were :

2016-17	₹ 7,500
2017-18	₹ 8,500
2018-19	₹ 6,500

(6) The deceased partner's share of profit upto the date of her death should be based on average profit of last 2 years.
Prepare :
(1) Mamta's Capital A/c showing the balance payable to her Executor's Loan A/c.
(2) Give working note for share of Goodwill and Profit upto her date of death.

Solution :

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

Particulars	Amount (₹)	Particulars	Amount (₹)
To Drawing A/c	1,200	By Balance b/d	10,000
To Mamta's Executor's Loan A/c	15,000	By General Reserve A/c	1,000
		By Revaluation A/c (Profit)	950
		By Interest on Capital A/c	500
		By Goodwill A/c	3,000
		By Profit and Loss Suspense A/c	750
	16,200		16,200

Working Notes :

(1) Calculation of Goodwill :

(a) Average profit $= \frac{\text{Total Profit}}{\text{No. of years}} = \frac{22,500}{3} =$ ₹ 7,500

(b) Goodwill of the firm = Average profit × No. of years of purchase
= 7,500 × 2 = ₹ 15,000

(c) Mamta's share of Goodwill = Goodwill of the firm × Mamta's share

$$= \frac{15,000 \times 1}{5} = ₹\ 3,000$$

(2) Calculation of Mamta's share of Profit :

(a) Average profit $= \frac{\text{Total Profit}}{\text{No. of years}} = \frac{15,000}{2} = ₹\ 7,500$

(b) Share of Profit to Mamta

= Average Profit × Profit Sharing Ratio of Mamta × Period

$$= 7,500 \times \frac{1}{5} \times \frac{6}{12} = ₹\ 750$$

(3) Revaluation of Assets and Liabilities :

	Gain	Loss
Plant and machinery	5,000	–
Debtors	1,250	–
Stock	–	1,500

∴ Revaluation profit = 6,250 – 1,500 = ₹ 4,750

∴ Mamta's share $= 4750 \times \frac{1}{5} = ₹\ 950$

3. Arun, Varun and Karun were partners in a business sharing profits and losses in the ratio of 2 : 2 : 1 respectively. Their Balance Sheet as on 31st March, 2019 was as under : ***(March '23)***

Balance Sheet as on 31st March, 2019

Liabilities	Amount (₹)	Assets		Amount (₹)
Partners' Capital A/cs :		Land and Building		27,900
Arun	20,000	Investment		15,000
Varun	20,000	Furniture		8,000
Karun	10,000	Debtors	10,400	
Creditors	16,000	Less : R.D.D.	400	10,000
Bank Loan	4,000	Bank		4,100
		Goodwill		5,000
	70,000			70,000

On 1st July, 2019 Karun died and the following adjustments were made :

(1) All the debtors were considered as good.

(2) Bank loan were paid off.

(3) Furniture was depreciated by ₹ 550.

(4) Investments were sold out in the Market at 10% profit.

(5) Goodwill of the firm was valued at ₹ 7,500. It was to be raised in the books.

(6) Karun was entitled to get his share in the profit up to the date of his death. Profit for 2019–2020 was estimated at ₹ 5,000.

(7) The amount due to Karun's Executor was paid by NEFT.

Prepare : (a) Profit and Loss Adjustment A/c (b) Partners' Capital A/cs (c) Balance Sheet of New Firm.

Solution : **In the books of Partnership firm**

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

Particulars		Amount (₹)	Particulars	Amount (₹)
To Furniture A/c		550	By Investment A/c	1,500
To Partners' Capital A/cs :			By R.D.D. A/c	400
(Profit)				
Arun	540			
Varun	540			
Karun	270	1,350		
		1,900		1,900

Dr. **Partners' Capital Accounts** **Cr.**

Particulars	Arun (₹)	Varun (₹)	Karun (₹)	Particulars	Arun (₹)	Varun (₹)	Karun (₹)
To Executor's A/c	–	–	11,020	By Balance b/d	20,000	20,000	10,000
To Balance c/d	21,540	21,540	–	By Goodwill A/c	1,000	1,000	500
				By Profit and Loss Adjustment A/c	540	540	270
				By Profit and Loss Suspense A/c	–	–	250
	21,540	21,540	11,020		21,540	21,540	11,020

Balance Sheet of the new firm as on 1st July, 2019

Liabilities	Amount (₹)	Amount (₹)	Assets	Amount (₹)	Amount (₹)
Partners' Capital A/cs :			Land and Building		27,900
Arun	21,540		Debtors		10,400
Varun	21,540	43,080	Furniture	8,000	
Creditors		16,000	Less : Depn.	550	7,450
			Profit and Loss Suspense A/c		250
			Bank		5,580
			Goodwill		7,500
		59,080			59,080

Working Notes :

(1) Difference of amount of Goodwill (₹ 7,500 – ₹ 5,000) ₹ 2,500 is to be distributed among partners in 2 : 2 : 1 ratio as it is to be raised in the books.

$\therefore$ Karun's share in Goodwill $= 2{,}500 \times \frac{1}{5} =$ ₹ 500

(2) Karun's share in profit = Profit of the current year (Estimated) × Period × Share of partner

$= 5{,}000 \times \frac{3}{12} \times \frac{1}{5} =$ ₹ 250

= ₹ 250 (Profit and Loss Suspense A/c)

(3)

Dr. **Bank Account** **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	4,100	By Bank loan A/c	4,000
To Investment A/c	16,500	By Karun's executor A/c	11,020
		By Balance c/d (Balancing figure)	5,580
	20,600		20,600

(4) Amount due to Karun's Executor is paid by NEFT. So, no entry is to be passed in the Balance Sheet.

4. **Jay, Ajay and Vijay were partners sharing profit and losses in the ratio 2 : 2 : 1 respectively.** ***(July '23)***

Their balance sheet as on 31st March, 2020 was as follows :

Balance Sheet as on 31st March, 2020

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital Accounts :		Building	40,000
Jay	40,000	Furniture	30,000
Ajay	50,000	Debtors	30,000
Vijay	30,000	Bank	80,000
General Reserve	20,000		
Creditors	30,000		
Bills Payable	10,000		
	1,80,000		1,80,000

Vijay died on 1st July, 2020.

(1) Building was revalued to ₹ 60,000 and reserve for doubtful debts is to be created at ₹ 5,000 on debtors.

(2) Furniture was to be revalued to ₹ 35,000.

(3) The drawing of Vijay upto the date of his death amounted to ₹ 12,000.

(4) Interest on drawing of ₹ 1,000 is to be charged.

(5) Vijay's share of goodwill should be calculated at 2 years purchases of the average profit for the last 5 years which were :

I year ₹ 60,000; II year ₹ 50,000; III year ₹ 80,000; IV year ₹ 1,00,000 and V year ₹ 1,20,000.

(6) The deceased partner's share of profit upto his death to be calculated on the basis of average profit of last two years (IV and V years).

Prepare : (a) Working of Vijay's share of profit. (b) Working of Vijay's share of Goodwill. (c) Revaluation Account.

Solution :

(a) Calculation of share of profit :

Profit of current year = Average profit of last 2 years

$$= \frac{1,00,000 + 1,20,000}{2}$$

$$= \frac{2,20,000}{2}$$

$$= ₹\ 1,10,000$$

Vijay's share of profit = Profit of current year × Vijay's share × Vijay's working months

$$\boxed{₹\ 5500} = 1,10,000 \times \frac{1}{5} \times \frac{3}{12}$$

(b) Valuation of Goodwill :

Total profit of 5 years

$= 60,000 + 50,000 + 80,000 + 1,00,000 + 1,20,000$

$= ₹\ 4,10,000$

$$\text{Average profit} = \frac{4,10,000}{5} = ₹\ 82,000$$

Goodwill = Average profit × No. of years of purchase

$= 82,000 \times 2$

$= ₹\ 1,64,000$

$$\text{Vijay's share in Goodwill} = 1,64,000 \times \frac{1}{5} = ₹\ 32,800$$

(c) In the books of the Partnership Firm

Dr. Revaluation Account Cr.

Particulars		Amount (₹)	Particulars	Amount (₹)
To R.D.D. A/c		5,000	By Building A/c	20,000
To partner's Capital A/cs :			By Furniture A/c	5,000
(Profit)				
Jay	8,000			
Ajay	8,000			
Vijay	4,000	20,000		
		25,000		25,000

5. **The Balance Sheet of Prihaan, Vivaan and Shivaan who were sharing Profits and Losses in the ratio of 3 : 2 : 1 is as follows :**

Balance Sheet as on 31st March, 2024

Liabilities	Amount (₹)	Assets	Amount (₹)
Bank Overdraft	18,000	Bank	48,000
Creditors	85,000	Debtors	30,000
Bills Payable	40,000	Land and Building	40,000
Bank Loan	1,50,000	Machinery	80,000
General Reserve	27,000	Investments	40,000
Capital Accounts :		Computers	40,000
Prihaan	20,000	Stock	90,000
Vivaan	20,000	Patents	12,000
Shivaan	20,000		
	3,80,000		3,80,000

Vivaan died on 1st October, 2024 and the following adjustments were made :

(1) Patents were value less.

(2) Investments are valued at ₹ 60,000.

(3) Stock to be undervalued by ₹ 5,000 and a provision of 10 % as debtors was required.

(4) Goodwill of the firm is valued at ₹ 30,000.

(5) Land and Building and Machinery were found to be undervalued by 20 %.

(6) Vivaan was entitled to share in profits up to the date of death and it was decided that he may be allowed to retain his drawings as his share of profit. Vivaan's drawings till date of death was ₹ 25,000.

Prepare Partners' Capital Accounts.

Dr. **Partners' Capital Accounts** **Cr.**

Particulars	Prihaan (₹)	Vivaan (₹)	Shivaan (₹)	Particulars	Prihaan (₹)	Vivaan (₹)	Shivaan (₹)
To Drawings	–	25,000	–	By Balance b/d	20,000	20,000	20,000
To Bal. c/d (Bal. Fig.)	63,500	49,000	34,500	By Revaluation profit b/d	15,000	10,000	5,000
				By Goodwill (O.R.)	15,000	10,000	5,000
				By Profit & Loss Suspense A/c	–	25,000	–
				By General Reserve	13,500	9,000	4,500
	63,500	74,000	34,500		63,500	74,000	34,500

Working Note :

Dr. **Revaluation A/c** **Cr.**

Particulars		Amount (₹)	Particulars	Amount (₹)
To Partner's A/c		12,000	By Investment A/c	20,000
To R.D.D. A/c		3,000	By Land & Building A/c	10,000
To Stock A/c		5,000	By Machinery A/c	20,000
To Revaluation profit transferred to old Partners' Capital A/cs in O.R. 3 : 2 : 1				
Prihaan	15,000			
Vivaan	10,000			
Shivaan	5,000	30,000		
		50,000		50,000

Hint :

(1) Revised value of Land and Building

$$= \frac{\text{Book value}}{(100-20)} \times 100 = \frac{40,000}{80} \times ₹\ 100 = ₹\ 50,000$$

$\therefore$ Increase in the value of Land and Building = ₹ 10,000

(2) Revised value of Machinery :

$$= \frac{\text{Book value}}{(100-20)} \times 100 = \frac{80,000}{80} \times 100 = ₹\ 1,00,000$$

$\therefore$ Increase in the value of machinery = ₹ 20,000

(3) Patents were valueless means it is loss for business.

Question Set 16

DISSOLUTION OF PARTNERSHIP FIRM

[Q. 3. : 10 Marks]

SIMPLE DISSOLUTION

Pro forma Journal Entries —

A	TRANSFER STAGE :			
1	Transfer of Cash and Bank Balance	No Journal entry is required. Cash & Bank A/c → Debit side → To Balance b/d		
2	Distribution of Accumulated Losses	Partners' Capital/Current A/cs	Dr. XXX	
		To Advertising Suspense A/c		XXX
		To Accumulated Losses A/c		XXX
3	Transfer of Partners' Loan	No Journal entry is required. Partners' Loan A/c → Credit side → By Balance b/d		
4	Transfer of other Assets	Realisation A/c	Dr. XXX	
		To Assets A/c		XXX
5	Transfer of third party liabilities	Sundry Creditors A/c	Dr. XXX	
		Bills Payable A/c	Dr. XXX	
		Bank overdraft A/c	Dr. XXX	
		Outsider's Loan A/c (other than partner)	Dr. XXX	
		Outstanding expense A/c	Dr. XXX	
		To Realisation A/c		XXX
6	Transfer of provisions against assets	R.D.D. A/c	Dr. XXX	
		Provision to Discount A/c	Dr. XXX	
		Provision for Depn. A/c	Dr. XXX	
		Joint Life Policy Res. A/c	Dr. XXX	
		Investment Fluctuation Fund A/c	Dr. XXX	
		Contingency Reserve A/c	Dr. XXX	
		To Realisation A/c		XXX
7	Transfer of Accumulated Profit & Reserves	Profit & Loss A/c	Dr. XXX	
		Reserve Fund A/c	Dr. XXX	
		To All Partners' Capital/Current A/cs		XXX

Notes :

1	Debtors are transferred to Realisation A/c debit side at gross amount (before deducting R.D.D.) and R.D.D. is transferred to Realisation A/c credit side.
2	Unrecorded Assets are not transferred to Realisation A/c.
3	Unrecorded Liabilities are not transferred to Realisation A/c.

B	DISPOSAL STAGE (SETTLEMENT STAGE) :			
1	Sale of Assets	Cash/Bank A/c	Dr. XXX	
		To Realisation A/c		XXX
2	Sale of Unrecorded Assets	Cash/Bank A/c	Dr. XXX	
		To Realisation A/c		XXX
3	Asset/Unrecorded Asset taken over by partner	Partner's Capital/ Current A/c	Dr. XXX	
		To Realisation A/c		XXX
4	Realisation Expenses paid in cash	Realisation A/c	Dr. XXX	
		To Cash/Bank A/c		XXX
5	Liabilities/Unrecorded Liability paid in cash	Realisation A/c	Dr. XXX	
		To Cash/Bank A/c		XXX
6	Liability taken over by partner	Realisation A/c	Dr. XXX	
		To Partner's Capital A/c/ Current A/c		XXX
7	Payment of partner's loan	Partner's Loan A/c	Dr. XXX	
		To Cash/Bank A/c		XXX

C	DISTRIBUTION STAGE :				
1	Profit on Realisation A/c		Realisation A/c	Dr. XXX	
			To All Partners' Capital/Current A/cs		XXX
2	Loss on Realisation A/c		All Partners' Capital A/cs Current A/cs	Dr. XXX	
			To Realisation A/c		XXX
3	Transfer of Current A/c balance to Capital A/c	a	Partner's Current A/c	Dr. XXX	
			To Partner's Capital A/c		XXX
		b	Partner's Capital A/c	Dr. XXX	
			To Partner's Current A/c		XXX
4	Settlement of Capital A/cs (When amount due to or due from partner is settled.)	a	Partners' Capital A/cs	Dr. XXX	
			To Cash/Bank A/c		XXX
		b	Cash/Bank A/c	Dr. XXX	
			To Partner's Capital A/c		XXX

INSOLVENCY OF A PARTNER

- **When one Partner is Insolvent**

A	TRANSFER STAGE :		All journal entries are same as shown above
B	DISPOSAL STAGE (SETTLEMENT STAGE)		
C	DISTRIBUTION STAGE		
	1	Close Realisation A/c and transfer the balance to all partners' Capital A/cs or Current A/cs.	Realisation A/cs Dr. XXX To All Partners' Capital A/cs/ Current A/cs XXX (Transfer of profit on realisation of assets and payment of liabilities) **OR** All Partners' Capital A/cs / Current A/cs Dr. XXX To Realisation A/c XXX (Transfer of loss on realisation of assets and payment of liabilities)
	2	Close Insolvent Partner's Capital A/c (Mr. Y is Insolvent)	₹ Debit Total = 5,00,000 *Less* : Credit Total = 2,00,000 Deficiency = 3,00,000
		Two Options :	
		a Mr. Y is not able to bring anything.	Entire deficiency of ₹ 3,00,000 is borne by the solvent partners in their Profit Sharing Ratio which is 3 : 2 respectively. X's Capital A/c Dr. 1,80,000 Z's Capital A/c Dr. 1,20,000 To Y's Capital A/c 3,00,000
		b Mr. Y is able to bring = ₹ 1,20,000.	Cash A/c Dr. 1,20,000 To Y's Capital A/c 1,20,000 Deficiency of ₹ 1,80,000 (3,00,000 – 1,20,000) is borne by other partners in Profit Sharing Ratio X's Capital A/c Dr. 1,08,000 Z's Capital A/c Dr. 72,000 To Y's Capital A/c 1,80,000

- **When all Partners are Insolvent**

–	Loss on Insolvency of Partners is borne by Lenders and Creditors in their opening balances ratio.		
–	Accounting Procedure		
	1 2 3 4	Cash and Bank Balance Accumulated Losses All other assets Reserves and Surplus	**No Change in Accounting Treatment.** **All entries are same as before.**
	5	Liabilities	Open separate account of each liability. Closing balances of all the accounts are transferred to a special account called Deficiency **A/c.**
	6	Capital A/cs	Closing **Balances are transferred to** Deficiency **A/c**
–	**At the end,** Deficiency **A/c will** tally		

Pro forma ledger accounts : (1) Realisation Account :

Dr. **Realisation Account** **Cr.**

Particulars	Amount (₹)	Amount (₹)	Particulars	Amount (₹)	Amount (₹)
To Sundry Assets (at book value)			By Sundry Liabilities (at book value)		
Land and Building	XXX		Sundry Creditors	XXX	
Plant and Machinery	XXX		Bills Payable	XXX	
Furniture and Fixtures	XXX		Outside Loans	XXX	
Goodwill	XXX		Outstanding Expenses	XXX	
Closing Stock	XXX		Income Received in advance	XXX	XXX
Debtors (gross)	XXX		By R.D.D. A/c		XXX
Bills Receivable	XXX		By Cash/Bank A/c (Sale of assets)		XXX
Prepaid Expenses	XXX		By Partners' Capital/ Current A/cs (Assets taken over)		XXX
Income Receivables	XXX	XXX	By Partners' Capital/ Current A/cs (loss)		
To Cash/Bank A/c (Payment of liabilities)		XXX	A	XXX	
To Partners' Capital/ Current A/cs (Liabilities accepted)		XXX	B	XXX	
To Cash/Bank A/c (Payment of Realisation exp.)		XXX	C	XXX	XXX
To Partners' Capital/ Current A/cs (Profit)					
A	XXX				
B	XXX				
C	XXX	XXX			
		XXX			XXX

(2) Partners' Capital Accounts :

(A) If Fluctuating Capital Method is followed by the firm :

Dr. **Partners' Capital Accounts** **Cr.**

Particulars	A (₹)	B (₹)	C (₹)	Particulars	A (₹)	B (₹)	C (₹)
To Profit and Loss A/c (Past Loss adjusted)	XXX	XXX	XXX	By Balance b/d	XXX	XXX	XXX
To Realisation A/c (Taking over of assets)	XXX	XXX	XXX	By General Reserve (Transfer)	XXX	XXX	XXX
To Realisation A/c (Share in Realisation loss)	XXX	XXX	XXX	By Profit and Loss A/c (Past Profit transferred)	XXX	XXX	XXX
To Cash/Bank A/c (Final payments)	XXX	XXX	—	By Realisation A/c (Liabilities accepted)	XXX	XXX	XXX
				By Realisation A/c (Share in Realisation profit)	XXX	XXX	XXX
				By Cash/Bank A/c (Amount received to meet deficiency)	—	—	XXX
	XXX	XXX	XXX		XXX	XXX	XXX

(B) If Fixed Capital Method is followed by the firm :

Dr. **Partners' Current Accounts** **Cr.**

Particulars	A (₹)	B (₹)	C (₹)	Particulars	A (₹)	B (₹)	C (₹)
To Balance b/d	—	—	XXX	By Balance b/d	XXX	XXX	—
To Profit and Loss A/c (Past Loss)	XXX	XXX	XXX	By General Reserve (Transfer)	XXX	XXX	XXX
To Realisation A/c (Taking over of assets)	XXX	XXX	XXX	By Profit and Loss A/c (Past Profit)	XXX	XXX	XXX
To Realisation A/c (Share in Realisation loss)	XXX	XXX	XXX	By Realisation A/c (Liabilities accepted)	XXX	XXX	XXX
To Capital A/cs *(Balancing figure)*	XXX	XXX	—	By Realisation A/c (Share in Realisation profit)	XXX	XXX	XXX
				By Capital A/c *(Balancing figure)*	—	—	XXX
	XXX	XXX	XXX		XXX	XXX	XXX

It is assumed that opening balance of Current A/cs of A and B showed credit balances and that of C showed a debit balance.

Dr. **Partners' Capital Accounts** **Cr.**

Particulars	A (₹)	B (₹)	C (₹)	Particulars	A (₹)	B (₹)	C (₹)
To Current A/c (Balance transferred)	—	—	XXX	By Balance b/d (Balance transferred)	XXX	XXX	—
To Cash/Bank A/c (Final payment made to partners)	XXX	XXX	—	By Current A/cs (Balance transferred)	XXX	XXX	—
				By Cash/Bank A/c (Deficit contributed)	—	—	XXX
	XXX	XXX	XXX		XXX	XXX	XXX

(3) Cash/Bank A/c :

Dr. **Cash/Bank Account** **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	XXX	By Realisation A/c (Payment of liabilities and expenses)	XXX
To Realisation A/c (Sale of assets)	XXX		
To Partner's Capital A/c (Amount received)	XXX	By Partners' Loan A/cs (Payment of loan)	XXX
		By Partners' Capital A/cs (Refund of capital)	XXX
	XXX		XXX

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1. **Asha, Usha and Nisha are partners in the firm sharing profits and losses in the ratio of 3 : 2 : 1 respectively. On 31st March, 2019 they decided to dissolve the firm when their Balance Sheet was as under :** ***(March '22)***

Balance Sheet as on 31st March, 2019

Liabilities	Amount (₹)	Assets	Amount (₹)
Creditors	28,800	Building	1,02,000
Bills Payable	21,600	Machinery	73,000
Capital A/cs :		Motor Car	1,67,600
Asha	2,27,160	Goodwill	45,600
Usha	1,44,000	Investments	62,400
Nisha	1,08,000	Debtors	30,600
		Stock	45,000
		Bank	3,360
	5,29,560		5,29,560

The firm was dissolved on the above date and the assets realised as under :

(1) Asha agreed to take over the Building at ₹ 1,23,600.

(2) Usha took over Goodwill, Stock and Debtors at book value and agreed to pay Creditors and Bills Payable.

(3) Motor Car and Machinery realised ₹ 1,51,080 and ₹ 31,680 respectively.

(4) Investments were taken by Nisha at an agreed value of ₹ 55,440.

(5) Realisation expenses amounted to ₹ 6,800.

Prepare :

(a) Realisation Account

(b) Partners' Capital Account

(c) Bank Account

Solution :

In the books of the firm

Dr. **Realisation Account** **Cr.**

Particulars	Amount (₹)	Amount (₹)	Particulars	Amount (₹)	Amount (₹)
To Sundry Assets A/c			By Sundry Liabilities A/c		
Building	1,02,000		Creditors	28,800	
Machinery	73,000		Bills Payable	21,600	50,400
Motor Car	1,67,600		By Asha's Capital A/c (Building)		1,23,600
Goodwill	45,600		By Usha's Capital A/c (Goodwill, stock and debtors)		1,21,200
Investments	62,400		By Bank A/c		
Debtors	30,600		Motor Car	1,51,080	
Stock	45,000	5,26,200	Machinery	31,680	1,82,760
To Usha's Capital A/c			By Nisha's Capital A/c (Investment)		55,440
Creditors	28,800		By Capital A/c (Loss transferred)		
Bills Payable	21,600	50,400	Asha	25,000	
To Bank A/c (Realisation expenses)		6,800	Usha	16,667	
			Nisha	8,333	50,000
		5,83,400			5,83,400

Dr. **Partners' Capital Accounts** **Cr.**

Particulars	Asha (₹)	Usha (₹)	Nisha (₹)	Particulars	Asha (₹)	Usha (₹)	Nisha (₹)
To Realisation A/c	1,23,600	1,21,200	55,440	By Balance b/d	2,27,160	1,44,000	1,08,000
To Realisation A/c (Loss)	25,000	16,667	8,333	By Realisation A/c	–	50,400	–
To Bank A/c	78,560	56,533	44,227				
	2,27,160	1,94,400	1,08,000		2,27,160	1,94,400	1,08,000

Dr. **Bank Account** **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	3,360	By Realisation A/c (Expense)	6,800
To Realisation A/c (Assets)	1,82,760	By Asha's Capital A/c	78,560
		By Usha's Capital A/c	56,533
		By Nisha's Capital A/c	44,227
	1,86,120		1,86,120

2. Sheetal and Kanchan are sharing profits and losses equally. They decided to dissolve their firm on 31st March, 2020. The Balance Sheet of the firm on 31st March, 2020 was as under : ***(July '22)***

Balance Sheet **as on 31st March, 2020**

Liabilities	Amount (₹)	Assets	Amount (₹)
Reserve Fund	24,000	Cash	18,000
Creditors	38,400	Bills Receivable	6,000
Bills Payable	21,600	Stock	60,000
Capital Accounts :		Debtors	54,000
Sheetal	60,000	Furniture	18,000
Kanchan	72,000	Building	60,000
	2,16,000		2,16,000

The assets realised as under :

(1) Stock ₹ 55,200, Debtors ₹ 49,800, Bills Receivable ₹ 5,940.

(2) Kanchan agreed to take over the Building for ₹ 54,000. Sheetal agreed to take over the Furniture for ₹ 16,200.

(3) The realisation expenses amounted to ₹ 1,800.

Pass necessary Journal entries in the books of the Sheetal and Kanchan.

Solution : **In the books of the firm**

Journal Entries

Date / No.	Particulars		L.F.	Debit Amount (₹)	Credit Amount (₹)
1	Realisation A/c	Dr.		1,98,000	
	To Bills Receivable A/c				6,000
	To Stock A/c				60,000
	To Debtors A/c				54,000
	To Furniture A/c				18,000
	To Building A/c				60,000
	(Being Sundry Assets transferred to Realisation Account)				
2	Creditors A/c	Dr.		38,400	
	Bills Payable A/c	Dr.		21,600	
	To Realisation A/c				60,000
	(Being Sundry Liabilities transferred to Realisation Account)				
3	Reserve fund A/c	Dr.		24,000	
	To Sheetal's Capital A/c				12,000
	To Kanchan's Capital A/c				12,000
	(Being Reserve fund distributed among old partners)				
4	Cash A/c	Dr.		1,10,940	
	To Realisation A/c				1,10,940
	(Being Assets realised)				
5	Kanchan's Capital A/c	Dr.		54,000	
	To Realisation A/c				54,000
	(Being Building taken over by Kanchan)				
6	Sheetal's Capital A/c	Dr.		16,200	
	To Realisation A/c				16,200
	(Being Furniture taken over by Sheetal)				
7	Realisation A/c	Dr.		60,000	
	To Cash A/c				60,000
	(Being Sundry Liabilities paid)				

8	Realisation A/c	Dr.	1,800	
	To Cash A/c			1,800
	(Being Realisation expenses paid)			
9	Sheetal's Capital A/c	Dr.	9,330	
	Kanchan's Capital A/c	Dr.	9,330	
	To Realisation A/c			18,660
	(Being Realisation loss transferred to Partners' Capital A/cs)			
10	Sheetal's Capital A/c	Dr.	46,470	
	Kanchan's Capital A/c	Dr.	20,670	
	To Cash A/c			67,140
	(Being Final settlement made)			
		Total	6,10,740	6,10,740

Working Notes :

Dr. **Realisation Account** **Cr.**

Particulars	Amount (₹)	Amount (₹)	Particulars	Amount (₹)	Amount (₹)
To Sundry Assets A/c			By Sundry Liabilities A/c		
Bills Receivable	6,000		Creditors	38,400	
Stock	60,000		Bills Payable	21,600	60,000
Debtors	54,000		By Kanchan's Capital A/c		54,000
Furniture	18,000		(Building)		
Building	60,000	1,98,000	By Sheetal's Capital A/c		16,200
To Cash A/c		1,800	(Furniture)		
(Realisation			By Cash A/c		
expense)			Stock	55,200	
To Cash A/c			Debtors	49,800	
Creditors	38,400		Bills Receivable	5,940	1,10,940
Bills Payable	21,600	60,000	By Partners' Capital A/cs		
			Kanchan	9,330	
			Sheetal	9,330	18,660
		2,59,800			2,59,800

Dr. **Partners' Capital Accounts** **Cr.**

Particulars	Sheetal (₹)	Kanchan (₹)	Particulars	Sheetal (₹)	Kanchan (₹)
To Realisation A/c (Loss)	9,330	9,330	By Balance b/d	60,000	72,000
			By Reserve Fund A/c	12,000	12,000
To Realisation A/c (Furniture)	16,200	–			
To Realisation A/c (Building)	–	54,000			
To Cash A/c	46,470	20,670			
	72,000	84,000		72,000	84,000

Dr. **Cash Account** **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	18,000	By Realisation A/c (Sundry Liabilities)	60,000
To Realisation A/c (Assets)	1,10,940	By Realisation A/c (Realisation expense)	1,800
		By Sheetal's Capital A/c	46,470
		By Kanchan's Capital A/c	20,670
	1,28,940		1,28,940

3. Hema, Manisha and Limsy were in partnership firm sharing profits and losses in the ratio of 5 : 3 : 2. They decided to dissolve their partnership firm on 31st March 2019 and their Balance Sheet as on that date stood as : ***(March '23)***

Balance Sheet as on 31st March, 2019

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital Accounts :		Machinery	1,00,000
Hema	1,50,000	Debtors	50,000
Manisha	80,000	Stock	70,000
Reserve Fund	10,000	Cash at bank	30,000
Sundry Creditors	20,000	Limsy's Capital A/c	20,000
Bills Payable	10,000		
	2,70,000		2,70,000

The firm was dissolved on 31st March, 2019 and assets were realised as under :

(1) Machinery realised 60% of its book value.

(2) Out of debtors, Mr. Jagdish, our customer for ₹ 20,000 was declared insolvent and nothing could be recovered from him. Other debtors are good and recovered and realised.

(3) Hema took stock at an agreed value of ₹ 50,000.

(4) Creditors and Bills Payable were paid at 10% discount.

(5) Limsy became insolvent and nothing was recovered from her estate.

Prepare : (a) Realisation Account (b) Partners' Capital Accounts (c) Bank Account.

Solution : **In the books of Partnership firm**

Dr. **Realisation Account** **Cr.**

Particulars	Amount (₹)	Amount (₹)	Particulars	Amount (₹)	Amount (₹)
To Sundry Assets A/c			By Sundry Liabilities A/c		
Machinery	1,00,000		Sundry Creditors	20,000	
Debtors	50,000		Bills Payable	10,000	30,000
Stock	70,000	2,20,000	By Bank A/c		
To Bank A/c			Machinery	60,000	
Sundry Creditors	18,000		Debtors	30,000	90,000
Bills Payable	9,000	27,000	By Hema's Capital A/c		50,000
			By Partners' Capital A/cs (Loss)		
			Hema	38,500	
			Manisha	23,100	
			Limsy	15,400	77,000
		2,47,000			2,47,000

Dr. **Partners' Capital Accounts** **Cr.**

Particulars	Hema (₹)	Manisha (₹)	Limsy (₹)	Particulars	Hema (₹)	Manisha (₹)	Limsy (₹)
To Balance b/d	–	–	20,000	By Balance b/d	1,50,000	80,000	–
To Realisation A/c (Stock)	50,000	–	–	By Reserve Fund A/c	5,000	3,000	2,000
To Realisation A/c (Loss)	38,500	23,100	15,400	By Hema's Capital A/c	–	–	20,875
To Limsy's Capital A/c	20,875	12,525	–	By Manisha's Capital A/c	–	–	12,525
To Bank A/c	45,625	47,375	–				
	1,55,000	83,000	35,400		1,55,000	83,000	35,400

Dr. **Bank Account** **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	30,000	By Realisation A/c	27,000
To Realisation A/c	90,000	By Hema's Capital A/c	45,625
		By Manisha's Capital A/c	47,375
	1,20,000		1,20,000

Working Notes :

(1) Total debtors – Insolvent debtors = Good debtors

= 50,000 – 20,000

= 30,000.

(2) Distribute Reserve Fund in 5 : 3 : 2 ratio.

(3) Limsy became insolvent and her outstanding amount ₹ 33,400 (35,400) (Dr.) – 2000 (Cr.) is to be bear by remaining partners in 5 : 3 ratio

i.e. For Hema : $33,400 \times \frac{5}{8} =$ ₹ 20,875

For Manisha : $33,400 \times \frac{3}{8} =$ ₹ 12,525

4. Lal, Bal and Pal were partners sharing profits and losses in the ratio of 2 : 2 : 1. The following is the Balance Sheet as on 31st March, 2020.

(March '24)

Balance Sheet as on 31st March, 2020

Liabilities	Amount (₹)	Assets		Amount (₹)
Capital Accounts :		Machinery		50,000
Lal	60,000	Investment		24,000
Bal	20,000	Debtors	55,000	
Pal	20,000	(–) R.D.D.	3,000	52,000
General reserve	6,000	Stock		20,000
Creditors	48,000	Profit and Loss A/c		18,000
Bills payable	14,000	Bank		4,000
	1,68,000			1,68,000

On the above date the partners decided to dissolve the firm.

(1) Assets were realised as under :

Machinery	₹ 45,000
Stock	₹ 18,000
Investment	₹ 21,000
Debtors	₹ 45,000

(2) Dissolution expenses were ₹ 3,000.

(3) Goodwill of the firm realised ₹ 24,000.

Prepare : (a) Realisation Account

(b) Partners' Capital Accounts

(c) Bank Account

In the books of the firm

Dr. Realisation Account **Cr.**

Particulars	Amount (₹)	Amount (₹)	Particulars	Amount (₹)	Amount (₹)
To Sundry Assets A/c			By Sundry Liabilities A/c		
Machinery	50,000		Creditors	48,000	
Investments	24,000		Bills Payable	14,000	62,000
Debtors	55,000		By R.D.D. A/c		3,000
Stock	20,000	1,49,000	By Bank A/c		
To Bank A/c			(Assets realised)		
Creditors	48,000		Machinery	45,000	
Bills Payable	14,000	62,000	Stock	18,000	
To Bank A/c		3,000	Investments	21,000	
(Dissolution expense			Debtors	45,000	1,29,000
paid)			By Bank A/c		24,000
To Partners' Capital A/cs			(Goodwill)		
(Profit transferred)					
Lal	1,600				
Bal	1,600				
Pal	800	4,000			
		2,18,000			2,18,000

Dr. **Partners' Capital Accounts** **Cr.**

Particulars	Lal (₹)	Bal (₹)	Pal (₹)	Particulars	Lal (₹)	Bal (₹)	Pal (₹)
To Profit and Loss A/c	7,200	7,200	3,600	By Balance b/d	60,000	20,000	20,000
To Bank A/c (Final settlement) (Bal. Fig.)	56,800	16,800	18,400	By General reserve A/c OR (2 : 2 : 1)	2,400	2,400	1,200
				By Realisation A/c	1,600	1,600	800
	64,000	24,000	22,000		64,000	24,000	22,000

Dr. **Bank Account** **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	4,000	By Realisation A/c	62,000
To Realisation A/c (Assets realised)	1,29,000	By Realisation A/c (Dissolution expense)	3,000
To Realisation A/c (Goodwill)	24,000	By Lal's Capital A/c	56,800
		By Bal's Capital A/c	16,800
		By Pal's Capital A/c	18,400
	1,57,000		1,57,000

5. The following is the Balance Sheet of partners Aarti and Akanksha as on 31st March, 2019 : ***(July '23)***

Balance Sheet as on 31st March, 2019

Liabilities	Amount (₹)	Assets		Amount (₹)
Capital :		Furniture		12,000
Aarti	12,000	Patents		2,400
Akanksha	10,000	Goodwill		4,000
General Reserve	4,000	Debtors	7,600	
Aarti's Loan A/c	4,000	Less : R.D.D.	400	7,200
Creditors	6,000	Stock		10,000
Bills payable	2,000	Bank		2,400
	38,000			38,000

On 1st April, 2019 the firm was dissolved :

(1) Aarti took over patents at a value of ₹ 4,000.

(2) The assets were realised as under :
Furniture ₹ 13,000, Goodwill ₹ 6,000, Stock ₹ 8,000 and Debtors ₹ 6,000.

(3) Creditors were paid off at a discount of 10% and other liabilities were paid in full.

(4) Expenses for realisation amounted to ₹ 3,000 which were borne by Akanksha.
Prepare : (a) Realisation Account (b) Partners' Capital Accounts
(c) Bank Account

Solution : **In the books of Aarti and Akanksha**

Dr. **Realisation Account** **Cr.**

Particulars	Amount (₹)	Amount (₹)	Particulars	Amount (₹)	Amount (₹)
To Sundry Assets A/c			By Sundry Liabilities A/c		
Furniture	12,000		Creditors	6,000	
Patents	2,400		Bills payable	2,000	8,000
Goodwill	4,000		By R.D.D. A/c		400
Debtors	7,600		By Aarti's Capital A/c		
Stock	10,000	36,000	(Patents taken over)		4,000
To Akanksha's		3,000	By Bank A/cs		
Capital A/c			Furniture	14,000	
(Realisation			Goodwill	6,000	
Expenses)			Stocks	8,000	
To Bank A/c			Debtors	6,000	34,000
Creditors	5,400				
Bill Payable	2,000	7,400			
		46,400			46,400

Dr. **Partners' Capital Accounts** **Cr.**

Particulars	Aarti (₹)	Akanksha (₹)	Particulars	Aarti (₹)	Akanksha (₹)
To Realisation A/c	4,000	–	By Balance b/d	12,000	10,000
(Patents taken			By General Reserve A/c	2,000	2,000
over)			By Realisation A/c	–	3,000
To Bank A/c	10,000	15,000	(Realisation expenses)		
	14,000	15,000		14,000	15,000

Dr. **Bank Account** **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	2,400	By Realisation A/c (Liabilities paid)	7,400
To Realisation A/c (Assets realised)	34,000	By Aarti's loan A/c	4,000
		By Aarti's Capital A/c	10,000
		By Akanksha's Capital A/c	15,000
	36,400		36,400

Dr. **Aarti's Loan Account** **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Bank A/c	4,000	By Balance b/d	4,000
	4,000		4,000

7. Seeta and Geeta are partners in the firm sharing profits and losses in the ratio of 4 :1. They decided to dissolve the partnership on 31st March, 2020 on which date their Balance Sheet stood as follows :

Balance Sheet as on 31st March, 2020

Liabilities	Amount (₹)	Assets		Amount (₹)
Capital :		Furniture		14,000
Seeta	90,000	Plant		65,000
Geeta	40,000	Trademark		8,000
Sundry Creditors	35,000	Sundry Debtors	48,000	
Bank Loan	15,000	Less : R.D.D.	3,000	45,000
		Stock		30,000
		Cash in hand		10,000
		Advertisement Suspense		8,000
	1,80,000			1,80,000

Additional Information :

(1) Plant and Stock taken over by Seeta at ₹ 78,000 and ₹ 22,000 respectively.

(2) Debtors realised 90% of the book value and Trademark at ₹ 5,000 and Goodwill was realised for ₹ 27,000.

(3) Unrecorded assets estimated ₹ 4,500 was sold for ₹ 1,500.

(4) ₹ 1,000 Discount were allowed by creditors while paying their claim.

(5) The Realisation expenses amounted to ₹ 3,500.

You are required to prepare Realisation A/c, Cash A/c and Partners' Capital A/cs.

Solution : **In the books of Seeta and Geeta**

Dr. **Realisation Account** **Cr.**

Particulars	Amount (₹)	Amount (₹)	Particulars	Amount (₹)	Amount (₹)
To Sundry Assets A/c			By Sundry Liabilities A/c		
Furniture	14,000		Bank Loan	15,000	
Plant	65,000		Sundry Creditors	35,000	50,000
Trademark	8,000		By R.D.D. A/c (Transfer)		3,000
Sundry Debtors	48,000		By Seeta's Capital A/c		
Stock	30,000	1,65,000	Plant	78,000	
To Cash A/c			Stock	22,000	1,00,000
Bank Loan	15,000		By Cash A/c		
Sundry Creditors	34,000		Debtors	43,200	
Realisation Expenses	3,500	52,500	Trademark	5,000	
To Partners' Capital A/cs			Goodwill	27,000	
(Profit)			Unrecorded Assets	1,500	76,700
Seeta	9,760				
Geeta	2,440	12,200			
		2,29,700			2,29,700

Dr. **Partners' Capital Accounts** **Cr.**

Particulars	Seeta (₹)	Geeta (₹)	Particulars	Seeta (₹)	Geeta (₹)
To Advertisement Suspense A/c (Deferred Expense/Loss)	6,400	1,600	By Balance b/d	90,000	40,000
			By Realisation A/c (Profit)	9,760	2,440
			By Cash A/c (Amount contributed)	6,640	–
To Realisation A/c (Assets taken over)	1,00,000	–			
To Cash A/c (Final payment)	–	40,840			
	1,06,400	42,440		1,06,400	42,440

Dr. **Cash Account** **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	10,000	By Realisation A/c	52,500
To Realisation A/c	76,700	By Geeta's Capital A/c	40,840
To Seeta's Capital A/c	6,640		
	93,340		93,340

Working Notes :

(1) Bank Loan is an external liability of the firm and therefore it is transferred to Realisation A/c.

(2) Amount recovered from Debtors = 90% of Gross Debtors

$$= \frac{90}{100} \times 48,000 = ₹\ 43,200.$$

(3) Amount paid to Creditors = Value of Creditors – Discount given

$$= 35,000 - 1,000 = ₹\ 34,000.$$

(4) Sale of unrecorded assets for ₹ 1,500 is recorded on the credit side of Realisation A/c and debit side of Cash A/c.

(5) It is presumed that Furniture realised nothing.

(When two partners become Insolvent)

8. Shweta, Nupur and Sanika are partners sharing profits and losses in the ratio of 3 : 2 : 1. Their Balance Sheet as on 31st March, 2019 was as follows :

Balance Sheet as on 31st March, 2019

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital A/cs :		Sundry Assets	1,60,000
Shweta	65,000	Cash at Bank	5,000
Nupur	15,000	Capital A/c : Sanika	10,000
Sundry Creditors	95,000		
	1,75,000		1,75,000

The firm is dissolved on 31st March, 2019. Sundry assets realised @ 60% of its book value.

Realisation expenses ₹ 2,000 paid by Shweta. Nupur and Sanika both are insolvent.

Nupur's private estate has got a surplus of ₹ 3,000 and that of Sanika ₹ 8,000. Show necessary Ledger Accounts to close the books of the firm.

Solution : **In the books of Shweta, Nupur and Sanika**

Dr. **Realisation Account** **Cr.**

Particulars	Amount (₹)	Amount (₹)	Particulars	Amount (₹)	Amount (₹)
To Sundry Assets A/c		1,60,000	By Sundry Liabilities A/c (Sundry Creditors)		95,000
To Bank A/c Sundry Creditors		95,000	By Bank A/c Sundry Assets (60% of ₹ 1,60,000)		96,000
To Shweta's Capital A/c (Realisation expenses)		2,000	By Partners' Capital A/cs (Loss on Realisation transferred)		
			Shweta	33,000	
			Nupur	22,000	
			Sanika	11,000	66,000
		2,57,000			2,57,000

Dr. **Partners' Capital Accounts** **Cr.**

Particulars	Shweta (₹)	Nupur (₹)	Sanika (₹)	Particulars	Shweta (₹)	Nupur (₹)	Sanika (₹)
To Balance b/d	–	–	10,000	By Balance b/d	65,000	15,000	–
To Realisation A/c – Loss	33,000	22,000	11,000	By Bank A/c (Private assets surplus)	–	3,000	8,000
To Nupur's Capital A/c	4,000	–	–	By Shweta's Capital A/c (Deficiency)	–	4,000	13,000
To Sanika's Capital A/c	13,000	–	–	By Realisation A/c (Realisation expenses)	2,000	–	–
To Bank A/c	17,000	–	–				
	67,000	22,000	21,000		67,000	22,000	21,000

Dr. **Bank Account** **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	5,000	By Realisation A/c (Creditors)	95,000
To Nupur's Capital A/c	3,000	By Shweta's Capital A/c	17,000
To Sanika's Capital A/c	8,000		
To Realisation A/c (Assets)	96,000		
	1,12,000		1,12,000

(When All Partners become Insolvent)

9. **Following is the Balance Sheet as on 31st March, 2019 of a firm having three partners Priti, Priya and Prachi, sharing profit and losses in equal ratio :**

Balance Sheet as on 31st March, 2019

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital A/cs :		Machinery	23,000
Priti	40,000	Furniture	16,000
Priya	35,000	Stock	47,000
Prachi	25,000	Cash at Bank	10,000
Trade Creditors	50,000	Profit and Loss Account	84,000
Loan (Secured by machinery)	30,000		
	1,80,000		1,80,000

The firm was dissolved due to insolvency of all the partners. Machinery was sold for ₹ 18,000, while Furniture fetched ₹ 14,000, Stock realised ₹ 35,000. Realisation expenses amounted to ₹ 2,000. Nothing could be recovered from Priya and Prachi, but ₹ 3,400 could be collected from Priti's private estate.

Close the books of accounts of the firm.

Solution : **In the books of Priti, Priya and Prachi**

Dr. **Realisation Account** **Cr.**

Particulars	Amount (₹)	Amount (₹)	Particulars	Amount (₹)	Amount (₹)
To Sundry Assets A/c			By Bank A/c		
Machinery	23,000		Machinery	18,000	
Furniture	16,000		Furniture	14,000	
Stock	47,000	86,000	Stock	35,000	67,000
To Bank A/c (Realisation Expenses)		2,000	By Partner's Capital A/cs (Loss on Realisation transferred)		
			Priti	7,000	
			Priya	7,000	
			Prachi	7,000	21,000
		88,000			88,000

Dr. **Partners' Capital Accounts** **Cr.**

Particulars	Priti (₹)	Priya (₹)	Prachi (₹)	Particulars	Priti (₹)	Priya (₹)	Prachi (₹)
To Profit and Loss A/c	28,000	28,000	28,000	By Balance b/d	40,000	35,000	25,000
				By Bank A/c (Asset)	3,400	–	–
To Realisation A/c – Loss	7,000	7,000	7,000	By Deficiency A/c	–	–	10,000
To Deficiency A/c	8,400	–	–				
	43,400	35,000	35,000		43,400	35,000	35,000

Dr. **Trade Creditors Account** **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Deficiency A/c	1,290	By Balance b/d	50,000
To Bank A/c	48,710		
	50,000		50,000

Dr. **Loan Account** **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Deficiency A/c	310	By Balance b/d	30,000
To Bank A/c	29,690		
	30,000		30,000

Dr. **Deficiency Account** **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Prachi's Capital A/c	10,000	By Priti's Capital A/c	8,400
		By Trade Creditors A/c	1,290
		By Loan A/c	310
	10,000		10,000

Dr. **Bank Account** **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	10,000	By Sundry Creditors A/c	48,710
To Priti's Capital A/c	3,400	By Realisation Expenses A/c	2,000
To Realisation A/c (Assets)	67,000	By Loan A/c	29,690
	80,400		80,400

Working Notes :

(1) Amount received from sale of machinery = ₹ 18,000

Balance of Loan = 30,000 − 18,000 = ₹ 12,000

(2) Ratio of Trade creditors and Loan = 50,000 : 12,000 = 50 : 12 i.e. 25 : 6

(3) Available cash balance = Opening balance + Realisation of Assets + Amount of Priti's private asset − Loan paid (Machinery) − Realisation expenses paid

= 10,000 + 67,000 + 3,400 − 18,000 − 2,000

= 80,400 − 20,000 = ₹ 60,400

Amount paid towards loan = $\frac{6}{31} \times \frac{60,400}{1}$ = ₹ 11,690

Amount paid to Trade creditors = $\frac{25}{31} \times 60,400$ = ₹ 48,710

Amount paid towards loan = 18,000 + 11,690 = ₹ 29,690.

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Question Set 17

BILLS OF EXCHANGE

[Q. 3. : 10 Marks]

- **Pro forma journal entries** for Bills transactions in the Books of Drawer (Seller or Creditor) and Drawee (Buyer or Debtor) are given below :

Sr. No.	Transaction	Journal of Drawer	Journal of Drawee
1.	For credit sale of goods by drawer to drawee	Drawee's A/c Dr. To Sales A/c	Purchases A/c Dr. To Drawer's A/c
2.	For receipt of bill duly accepted by drawee	Bills Receivable A/c Dr. To Drawee's A/c	Drawer's A/c Dr. To Bills Payable A/c
3.	If bill is retained till maturity by drawer and honoured by drawee	Cash/Bank A/c Dr. To Bills Receivable A/c	Bills Payable A/c Dr. To Cash/Bank A/c
4.	If bill is discounted by drawer	Cash/Bank A/c Dr. Discount A/c Dr. To Bills Receivable A/c	No accounting entry
5.	If discounted bill is honoured by drawee	No accounting entry	Bills Payable A/c Dr. To Cash/Bank A/c
6.	If bill is endorsed by drawer	Endorsee's A/c Dr. To Bills Receivable A/c	No accounting entry
7.	If the endorsed bill is honoured by drawee	No accounting entry	Bills Payable A/c Dr. To Cash/Bank A/c
8.	If bill is sent to the bank for collection by drawer	Bills sent for Collection A/c Dr. To Bills Receivable A/c	No accounting entry
9.	If the bill sent to bank for collection is honoured by drawee and bank charges are debited by the bank	Bank A/c Dr. Bank Charges A/c Dr. To Bills sent for Collection A/c	Bills Payable A/c Dr. To Cash/Bank A/c

10.	If bill is retired (Before due date amount of bill is paid) by drawee	Cash/Bank A/c Dr. Rebate A/c Dr. To Bills Receivable A/c.	Bills Payable A/c Dr. To Cash/Bank A/c To Discount A/c
11.	**If Bill is dishonoured by drawee :**		
	(1) If bill is retained by the drawer and dishonoured	Drawee's A/c Dr. To Bills Receivable A/c	Bills Payable A/c. Dr. To Drawer's A/c
	(2) If discounted bill is dishonoured	Drawee's A/c Dr. To Bank A/c	Bills Payable A/c Dr. To Drawer's A/c
	(3) If endorsed bill is dishonoured	Drawee's A/c Dr. To Endorsee's A/c	Bills Payable A/c Dr. To Drawer's A/c
	(4) If bill sent to bank for collection is dishonoured	Drawee's A/c Dr. To Bills sent for Collection A/c	Bills Payable A/c Dr. To Drawer's A/c
12.	**Renewal of bills of exchange by Drawer on the request of Drawee :**		
	(1) Cancellation of first bill	Drawee's A/c Dr. To Bills Receivable A/c	Bills Payable A/c Dr. To Drawer's A/c
	(2) Interest charged by drawer on unpaid balance	Drawee's A/c Dr. To Interest A/c	Interest A/c Dr. To Drawer's A/c
	(3) Part payment accepted by drawer from drawee	Cash/Bank A/c Dr. To Drawee's A/c	Drawer's A/c Dr. To Cash/Bank A/c
	(4) Receipt of new bill for balance amount Due	Bills Receivable A/c Dr. To Drawee's A/c	Drawer's A/c Dr. To Bills Payable A/c
	(5) (i) If new bill is sent to bank for collection	Bills sent for Collection A/c Dr. To Bills Receivable A/c	No accounting entry

	(ii) If new bill is honoured and bank charges debited by bank	Bank A/c Dr. Bank Charges A/c Dr. To Bills sent for Collection A/c	Bills Payable A/c Dr. To Cash/Bank A/c
	(6) If new bill is honoured by drawee	Cash/Bank A/c Dr. To Bills Receivable A/c	Bills Payable A/c Dr. To Cash/Bank A/c
13.	**For Payment of Noting Charges :**		
	(1) For Payment of Noting Charges by drawer	Drawee's A/c Dr. To Cash/Bank A/c	Noting Charges A/c Dr. To Drawer's A/c
	(2) For Payment of Noting Charges by Bank	Drawee's A/c Dr. To Bank A/c	Noting Charges A/c Dr. To Drawer's A/c
	(3) For Payment of Noting Charges by endorsee	Drawee's A/c Dr. To Endorsee's A/c	Noting Charges A/c Dr. To Drawer's A/c
14.	**Insolvency of Drawee :**		
	(1) If bill is dishonoured on insolvency of drawee	Drawee's A/c Dr. To Bills Receivable A/c	Bills Payable A/c Dr. To Drawer's A/c
	(2) For part of the amount due recovered in full settlement by drawer from the estate of drawee	Cash/Bank A/c Dr. Bad Debts A/c Dr. To Drawee's A/c	Drawer's A/c Dr. To Cash/Bank A/c To Deficiency A/c

[**Note :** *Please refer objective section (Q. set no. 9) of this book for the preparation of formats.*]

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1. Sonali draws a bill on Rupali for ₹ 50,000 for 3 months. Rupali accepts the bill on the same date. Sonali sends the bill to the bank for collection. Before due date, Rupali finds herself unable to make payment of bill and requests Sonali to renew it. Sonali agrees to the proposal on a condition that Rupali should pay ₹ 20,000 in cash along with interest ₹ 1,000 and accept a new bill for 2 months for the balance. Rupali retired the bill by paying ₹ 27,000.
Give journal entries in the books of Sonali and prepare Rupali's Account in the books of Sonali. ***(March '22)***

Solution :

Dr. **Journal Entries in the books of Sonali** **Cr.**

Date/ No.	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
1	Bills Receivable A/c Dr. To Rupali's A/c (Being accepted bill received from Rupali)		50,000	 50,000
2	Bills sent to Bank for Collection A/c Dr. To Bills receivable A/c (Being bill sent to bank for collection)		50,000	 50,000
3	Rupali's A/c Dr. To Bill sent to Bank for collection A/c (Being bill dishonoured)		50,000	 50,000
4	Rupali's A/c Dr. To Interest A/c (Being interest due)		1,000	 1,000
5	Cash A/c Dr. To Rupali's A/c (Being part payment received along with interest)		21,000	 21,000
6	Bills Receivable A/c Dr. To Rupali's A/c (Being new acceptance received)		30,000	 30,000
7	Cash/Bank A/c Dr. Discount/Rebate A/c Dr. To Bills Receivable A/c (Being Rupali's acceptance retired and rebate allowed)		27,000 3,000	 30,000
	Total		2,32,000	2,32,000

In the books of Sonali

Dr. **Rupali's Account** **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	50,000	By Bills Receivable A/c	50,000
To Bill sent to Bank for collection A/c	50,000	By Cash A/c	21,000
To Interest A/c	1,000	By Bills Receivable A/c (New)	30,000
	1,01,000		1,01,000

2. Vidya accepted a bill for ₹ 36,000 drawn by Sandhya at 3 months. Sandhya discounted the bill with the Bank for ₹ 34,800. Before the due date, Vidya approached Sandhya for renewal of the bill. Sandhya agreed on the condition that Vidya should pay ₹ 12,000 immediately and for the balance she should accept a new bill for 4 months along with interest ₹ 1,100. The arrangements were carried through.

Pass necessary Journal entries in the books of Sandhya and show Vidya's Account in the books of Sandhya. ***(July '22)***

Solution : **In the books of Sandhya**

Journal Entries

Date / No.	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
1	Bills Receivable A/c Dr. To Vidya's A/c (Being bill drawn and acceptance received)		36,000	36,000
2	Bank A/c Dr. Discount A/c Dr. To Bills Receivable A/c (Being Vidya's acceptance discounted with bank)		34,800 1,200	36,000
3	Vidya's A/c Dr. To Bank A/c (Being Vidya's acceptance dishonoured on the due date)		36,000	36,000
4	Vidya's A/c Dr. To Interest A/c (Being interest due from Vidya)		1,100	1,100

5	Cash A/c Dr. To Vidya's A/c (Being part payment received)		12,000	12,000
6	Bills Receivable A/c Dr. To Vidya's A/c (Being new acceptance received with interest from Vidya)		25,100	25,100
	Total		1,46,200	1,46,200

In the books of Sandhya

Vidya's Account

Dr. **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	36,000	By Bills Receivable A/c	36,000
To Bank A/c	36,000	By Cash A/c	12,000
To Interest A/c	1,100	By Bills Receivable A/c (New)	25,100
	73,100		73,100

3. Rajesh sold goods on credit to Sulochana for ₹ 25,000. Rajesh draws a bill for ₹ 25,000 on Sulochana for 3 months. Rajesh discounted the bill with his bank @ 10% p.a. on the same day. On the due date of bill, Sulochana requested Rajesh to accept ₹ 5,000 including ₹ 1,000 for interest and to draw a bill for the balance for 3 months. Rajesh agreed to this proposal. One month before the due date, Sulochana retired the bill for ₹ 20,200.

Pass necessary Journal Entries in the books of Rajesh. ***(March '23)***

Solution :

Journal Entries

In the books of Rajesh

Date/ No.	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
1	Sulochana's A/c Dr. To Sales A/c (Being goods sold on credit)		25,000	25,000
2	Bills Receivable A/c Dr. To Sulochana's A/c (Being bill drawn and acceptance received)		25,000	25,000

3	Bank A/c Dr. Discount A/c Dr. To Bills Receivable A/c (Being Sulochana's acceptance discounted with bank @ 10% p.a. for 3 months)		24,375 625	 25,000
4	Sulochana's A/c Dr. To Bank A/c (Being Sulochana's acceptance dishonoured on due date)		25,000	 25,000
5	Sulochana's A/c Dr. To Interest A/c (Being interest amount due as requested by Sulochana)		1,000	 1,000
6	Cash A/c Dr. To Sulochana's A/c (Being part payment with interest received from Sulochana)		5,000	 5,000
7	Bills Receivable A/c Dr. To Sulochana's A/c (Being Sulochana's acceptance received for new bill)		21,000	 21,000
8	Cash A/c Dr. Rebate/Discount A/c Dr. To Bills Receivable A/c (Being before due date, Sulochana retired the bill with interest)		20,200 800	 21,000
	Total		1,48,000	1,48,000

Working Notes :

(1) Discount on bill discounted with bank

$$\text{Discount} = 25{,}000 \times \frac{10}{100} \times \frac{3}{12} = ₹\ 625$$

(2) Outstanding amount after part payment = 25,000 – 4,000 = ₹ 21,000

(3) Sulochana retired bill for ₹ 20,200, i.e. 21,000 – 20,200 = ₹ 800 is rebate or discount.

4. Journalise the following transactions in the books of Mr. Arvind.

(A) Bank informed that Sam's acceptance for ₹ 30,000 sent to bank for collection has been honoured and bank charges debited ₹ 200.

(B) Arun informed Arvind that Neena's acceptance for ₹ 25,000 endorsed to Arun has been dishonoured. Noting charges paid by Arun amounted to ₹ 400.

(C) Bank informed that Jay's acceptance of ₹ 35,000 which was discounted with bank was dishonoured, bank paid noting charges ₹ 500.

(D) Arvind sold goods to Sagar for ₹ 20,000 on credit and drew a bill for two months on Sagar for the same amount.

(E) Neeta retired her acceptance to Arvind of ₹ 16,500 by paying cash ₹ 16,000.

(March '24)

Solution :

Journal Entries

In the books of Arvind

Date/ No.	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
A	Banks A/c Dr.		29,800	
	Bank Charges A/c Dr.		200	
	To Bill sent to Bank for collection A/c			30,000
	(Being bill sent to bank for collection honoured and bank charges debited by bank)			
B	Neena's A/c Dr.		25,400	
	To Arun's A/c			25,400
	(Being bill endorsed to Arun dishonoured and noting charges paid by Arun)			
C	Jay's A/c Dr.		35,500	
	To Bank A/c			35,500
	(Being Jay's bill discounted with bank dishonoured and bank charged noting charges)			
D	(i) Sagar's A/c Dr.		20,000	
	To Sales A/c			20,000
	(Being goods sold on credit)			
	(ii) Bills receivable A/c Dr.		20,000	
	To Sagar's A/c			20,000
	(Being bill drawn and acceptance received)			
E	Cash A/c Dr.		16,000	
	Rebate/Discount A/c Dr.		500	
	To Bills Receivable A/c			16,500
	(Being Neeta retired her acceptance and rebate allowed.)			
	Total		1,47,400	1,47,400

5. Kanika owes ₹ 26,000 to Mansi. Mansi drew a bill for ₹ 21,000 on Kanika for 3 months period and received the balance of ₹ 5,000 by a crossed cheque. The bill was duly accepted and returned to Mansi.

On the same day, Mansi endorsed Kanika's acceptance to Bansari. On the due date, Bansari informed Mansi that Kanika dishonoured her acceptance and nothing charges ₹ 280 were paid.

Mansi then dew a new bill for one month on Kanika including nothing charges and interest ₹ 650. On the due date Kanika honoured her acceptance by cheque.

Prepare : (a) Journal entries in the books of 'Mansi'

(b) 'Mansi' account in the books of 'Kanika' ***(March '25)***

Solution :

Journal Entries

In the books of Mansi

Date/ No.	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
1.	Bills Receivable A/c Dr. Bank A/c To Kanika's A/c (Being cheque and acceptance of bill received)		21,000 5,000	 26,000
2.	Bansari's A/c Dr. To Bills Receivable A/c (Being Kanika's acceptance endorsed in favour of Bansari)		21,000	 21,000
3.	Kanika's A/c Dr. To Bansari's A/c (Being endorsed bill dishonoured and noting charges paid)		21,280	 21,280
4.	Kanika's A/c Dr. To Interest A/c (Being Interest due)		650	 650
5.	Bill Receivable A/c Dr. To Kanika's A/c (Being new bill drawn alongwith noting charges and interest and acceptance received)		21,930	 21,930
6.	Bank A/c Dr. To Bills Receivable A/c (Being Kanika's acceptance duly honoured on the due date)		21,930	 21,930

In the books of Kanika

Dr. **Mansi's A/c** **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Bank A/c	5,000	By Balance b/d	26,000
To Bills payable A/c	21,000	By Bills Payable A/c	21,000
To Bills payable A/c	21,930	By Noting charges A/c	280
		By Interest A/c	650
	47,930		47,930

6. Mohan sold goods to Rohan worth ₹ 4,000 and accepted the bill drawn by Mohan for 2 months. Mohan discounted the bill with Bank after one month at 12% p.a. The bill was dishonoured on the due date and Rohan requested Mohan to accept ₹ 1,000 alongwith interest ₹ 100 in cash. Mohan agreed and for the balance Rohan accepted a new bill of 3 months. But Rohan became insolvent and only 25% could be recovered from his estate.

Prepare Journal entries in the books of Mohan.

Solution : **Journal Entries in the books of Mohan**

Date/ No.	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
1.	Rohan's A/c Dr.		4,000	
	To Sales A/c			4,000
	(Being goods sold on credit)			
2.	Bills Receivable A/c Dr.		4,000	
	To Rohan's A/c			4,000
	(Being Bill drawn for 2 months and acceptance received)			
3.	Bank A/c Dr.		3,960	
	Discount Allowed A/c		40	
	To Bills Receivable A/c			4,000
	(Being Rohan's acceptance discounted with bank for 1 month @12% p.a.)			
	$[4000 \times \frac{1}{12} \times \frac{12}{100} = 40]$			

4.	Rohan's A/c Dr. To Bank A/c (Being Rohan's acceptance discounted with Bank dishonoured)		4,000	4,000
5.	Rohan's A/c Dr. To Interest A/c (Being Interest due)		100	100
6.	Cash A/c Dr. To Rohan's A/c (Being part payment received alongwith interest)		1,100	1,100
7.	Bills Receivable A/c Dr. To Rohan's A/c (Being new bill for 3 months drawn acceptance received)		3,000	3,000
8.	Rohan's A/c Dr. To Bills Receivable A/c (Being dishonour of bill due to insolvency)		3,000	3,000
9.	Cash A/c Dr. Bad debts A/c Dr. To Rohan's A/c (Being Rohan became insolvent and 25% of total dues could be recovered in full & final settlement)		750 2,250	3,000

7. Journalise the following transactions in the books of Aarti :

(a) Bank informed that Sumit's acceptance for ₹ 18,000 sent to bank for collection was honoured and bank charges debited were ₹ 150.

(b) Nutan renewed his acceptance for ₹ 32,000 by paying ₹ 2,000 in cash along with interest on balance amount at 10% and accepted a fresh bill for the balance for 3 months.

(c) Danish who had accepted Aarti's bill for ₹ 80,000 was declared insolvent and only 40% of the amount due could be recovered from her estate.

(d) Discharged our acceptance to Soham for ₹ 19,450 by endorsing Prasad's acceptance to us ₹ 19,000.

Solution : **In the books of Aarti**

Journal Entries

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
(a)	Bank A/c Dr. Bank Charges A/c Dr. To Bill sent for Collection A/c (Being the amount of Bill collected by bank and credited to our Bank A/c and Bank Charges debited)		18,000 150	 18,150
(b) (i)	Nutan's A/c Dr. To Bills Receivable A/c (Being cancellation of bill)		22,200	 22,200
(ii)	Nutan's A/c Dr. To Interest A/c (Being interest amount due) $\left(30,000 \times \frac{10}{100} \times \frac{3}{12}\right) = ₹\ 750$		750	 750
(iii)	Cash A/c Dr. To Nutan's A/c (Being part payment along with interest received)		2,750	 2,750
(iv)	Bills Receivable A/c Dr. To Nutan's A/c (Being the acceptance received for balance amount due)		30,000	 30,000
(c) (i)	Danish's A/c Dr. To Bills Receivable A/c (Being bill dishonoured for non-payment)		80,000	 80,000
(ii)	Cash A/c Dr. Bad Debts A/c Dr. To Dharshri's A/c (Being 40% due amount received from Danish as being declared insolvent)		32,000 48,000	 80,000
(d)	Bills Payable A/c Dr. To Discount A/c To Bills Receivable A/c (Being our acceptance to Soham i.e. Bills Payable is cleared by endorsing Prasad's acceptance i.e. Bills Receivable)		19,450	 450 19,000

8. Journalise the following transactions in the books of Kunal :

(a) Bank informed that Aditi's acceptance of ₹ 40,000 which was discounted had been dishonoured and bank paid Noting Charges ₹ 400. Bill was renewed at the request of Aditi for 2 months with interest of ₹ 720.

(b) Received ₹ 6,300 from private estate of Aakash who was declared insolvent against bill accepted by him for ₹ 8,400.

(c) Accepted a bill of ₹ 25,000 at 3 months drawn by Manali for the amount due to her ₹ 35,000 and balance paid by cheque.

(d) Dishonoured our acceptance to Rahul ₹ 15,000 and Noting Charges paid by Vivek ₹ 500.

Solution : In the books of Kunal

Journal Entries

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
(a) (i)	Aditi's A/c Dr.		40,400	
	To Bank A/c			40,400
	(Being discounted bill dishonoured and noting charges paid)			
(ii)	Aditi's A/c Dr.		720	
	To Interest A/c			720
	(Being interest amount due)			
(iii)	Bills Receivable A/c Dr.		41,120	
	To Aditi's A/c			41,120
	(Being new acceptance received from Aditi for balance receivable)			
(b)	Cash A/c Dr.		6,300	
	Bad Debts A/c Dr.		2,100	
	To Aakash's A/c			8,400
	(Being Aakash became insolvent and part of the dues recovered in full and final settlement)			
(c)	Manali's A/c Dr.		35,000	
	To Bank A/c			10,000
	To Bills Payable A/c			25,000
	(Being our acceptance and cheque given to Manali against her dues)			
(d)	Bills Payable A/c Dr.		15,000	
	Noting Charges A/c Dr.		500	
	To Rahul's A/c			15,500
	(Being our acceptance dishonoured and Rahul paid noting charges)			

Question Set 18

ISSUE OF SHARES

[Q. 4. : 8 Marks]

- **Pro Forma Journal Entries for Accounting of Issue of Equity Shares :**

Date/ No.	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
(1)	On receipt of application money : Bank A/c Dr. To Equity Share Application A/c (Being application money on ..... shares @ ₹ ..... per share received)		XXX XXX	
(2)	Transfer of application money to share capital : Equity Share Application A/c Dr. To Equity Share Capital A/c (Being share application money transferred to Equity share capital A/c)		XXX XXX	
(3)	Amount due on allotment : Equity Share Allotment A/c Dr. To Equity Share Capital A/c (Being share allotment money on ..... shares @ ₹ ..... per share due)		XXX XXX	
(4)	Allotment money received : Bank A/c Dr. To Equity Share Allotment A/c (Being share allotment money on ..... shares @ ₹ ..... per share received)		XXX XXX	
(5)	Amount due on first call : Equity Share First call A/c Dr. To Equity Share Capital A/c (Being share first call money on ..... shares @ ₹ ..... per share due)		XXX XXX	

(6)	Receipt of First call money : Bank A/c Dr. To Equity Share First Call A/c (Being share first call money on ..... shares @ ₹ ..... per share received)		XXX	XXX
(7)	Amount due on Second call : Equity Share Second Call A/c Dr. To Equity Share Capital A/c (Being share second call money on ..... shares @ ₹ ..... per share due)		XXX	XXX
(8)	Receipt of Second call money : Bank A/c Dr. To Equity Share Second Call A/c (Being share money second call on ..... shares @ ₹ ..... per share received)		XXX	XXX
(9)	Amount due on Third and Final call : Equity Share Third and Final Call A/c Dr. To Equity Share Capital A/c (Being share third and final call money on ..... shares @ ₹ ..... per share due)		XXX	XXX
(10)	Receipt of Third and Final call money : Bank A/c Dr. To Equity Share Third and Final Call A/c (Being share third and final call money on ..... shares @ ₹ ..... per share received)		XXX	XXX

Issue of Shares at Discount :

• **Accounting Treatment :** Equity Share Allotment A/c Dr. Discount on Issue of Shares A/c Dr. To Equity Share Capital A/c (Being allotment money on ..... shares @ ₹ ..... per share after allowing discount of ₹ ..... per share due)			XXX XXX	XXX

Issue of Shares at Premium :

–	**Accounting Treatment :**			
	a	**When premium is called with application money :** Equity Share Application A/c Dr. To Equity Share Capital A/c To Share Premium A/c (Being share premium amount @ ₹ ..... per share received with application money)	XXX XXX XXX	
	b	**When premium is called with allotment :** Equity Share Allotment A/c Dr. To Equity Share Capital A/c To Share Premium A/c (Being share premium amount @ ₹ ..... per share on ..... shares is due)	XXX XXX XXX	

Note : Share premium account should be treated at share allotment stage unless otherwise mentioned.

- **Pro Forma Journal Entries for Over Subscription :**

Date/ No.	Particulars	L.F.	Debit (₹)	Credit (₹)
(1)	On receipt of application money : Bank A/c Dr. To Equity Share Application A/c (Being application money ₹ ..... per share received from applicant)		XXX	XXX
(2)	On transfer of money on application : Equity Share Application A/c Dr. To Equity Share Capital A/c To Bank A/c (Being application money transferred to share capital and application money received on excess shares refunded)		XXX	XXX XXX
(3)	Amount due on allotment : Equity Share Allotment A/c Dr. To Equity Share Capital A/c (Being allotment money ₹ ..... per share due from shareholders)		XXX	XXX

(4)	Allotment money received : Bank A/c Dr. To Equity Share Allotment A/c (Being allotment money received from shareholders)		XXX	XXX

- **Pro Forma Journal Entries for Pro-rata/Proportionate Allotment :**

Date/ No.	Particulars	L.F.	Debit (₹)	Credit (₹)
(1)	(i) Equity Shares Application A/c Dr. To Equity Share Allotment A/c **OR** (ii) Equity Shares Application A/c Dr. To Equity Share Capital A/c To Equity Share Allotment A/c (Being excess application money adjusted with allotment money)		XXX XXX	XXX XXX XXX

- **Pro Forma Journal Entries for Calls-in-Arrears :**

Date/ No.	Particulars	L.F.	Debit (₹)	Credit (₹)
(1)	**Entry to record calls-in-arrears :** Calls-in-Arrears A/c Dr. To Equity Share Allotment A/c To Equity Share Calls A/c (Being share allotment money and call money still outstanding)		XXX	 XXX XXX
(2)	**Interest due on calls-in-arrears :** Shareholders A/c Dr. To Interest on Calls-in-Arrears A/c (Being interest on unpaid calls due)		XXX	 XXX
(3)	**Receipt of interest :** Bank A/c Dr. To Shareholders A/c (Being interest on outstanding calls received from shareholders)		XXX	 XXX

- **Pro Forma Journal Entries of Forfeiture of Shares and Re-issue of Forfeiture shares :**

Date/ No.	Particulars	L.F.	Debit (₹)	Credit (₹)
(1)	**For forfeiture of shares issued at par :**			
	Equity Share Capital A/c Dr.		XXX	
	To Equity Share Allotment A/c			XXX
	To Equity Share First/Second/Third call A/c			XXX
	To Share Forfeiture A/c			XXX
	(Being shares forfeited for non payment of allotment or First or Second or Third call money)			
(2)	**For forfeiture of shares issued at premium :**			
	Equity Share Capital A/c Dr.		XXX	
	Share Premium A/c Dr.		XXX	
	To Equity Share Allotment A/c			XXX
	To Equity Share First/Second/Third call A/c			XXX
	To Share Forfeiture A/c			XXX
	(Being shares forfeited for non-payment of allotment or First or Second or Third call money)			
(3)	**For forfeiture of shares issued at discount :**			
	Equity Share Capital A/c Dr.		XXX	
	To Equity Share Allotment A/c			XXX
	To Equity Share First/Second/Third call A/c			XXX
	To Discount on issue of Share Forfeiture A/c			XXX
	To Share Forfeiture A/c			XXX
	(Being shares forfeited for non payment of allotment or First or Second or Third call money)			

1. **Ajita Ltd. issued 2,00,000 equity shares of ₹ 10 each at a premium of ₹ 2 per share payable as :**
   ₹ 3 on application
   ₹ 5 on allotment (including ₹ 2 premium)
   ₹ 4 on first and final call
   Applications were received for 2,40,000 equity shares and pro-rata allotment was made to all the applicants.

The excess application money was adjusted with allotment. Prema who was allotted 400 shares failed to pay first and final call and her shares were forfeited. Pass Journal entries in the books of Ajita Ltd. ***(March '22)***

Solution : **In the books of Ajita Ltd.**

Journal Entries

Date/ No.	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
1	Bank A/c Dr. To Equity Share Application A/c (Being application money on 2,40,000 equity shares at ₹ 3 per share received)		7,20,000	 7,20,000
2	Equity Share Application A/c Dr. To Equity Share Capital A/c To Equity Share Allotment A/c (Being application money on 2,00,000 equity shares transferred to share capital A/c and remaining money adjusted against allotment)		7,20,000	 6,00,000 1,20,000
3	Equity Share Allotment A/c Dr. To Equity Share Capital A/c To Share Premium A/c (Being allotment money on 2,00,000 equity shares at ₹ 5 per share including premium due)		10,00,000	 6,00,000 4,00,000
4	Bank A/c Dr. To Equity Share Allotment A/c (Being allotment money received after adjusting excess application money)		8,80,000	 8,80,000
5	Equity Share First and Final call A/c Dr. To Equity Share Capital A/c (Being equity share first and final call money on 2,00,000 share on ₹ 4 per share due)		8,00,000	 8,00,000
6	Bank A/c Dr. To Equity Share First and Final call A/c (Being equity share first and final call on 1,99,600 shares at ₹ 4 per share received)		7,98,400	 7,98,400

7	Equity Share Capital A/c Dr. To Equity Share First and Final call A/c To Share Forfeiture A/c (Being forfeiture of 400 equity shares on non-payment of equity shares first and final call)		4,000	 1,600 2,400
	Total		49,22,400	49,22,400

Working Note :

On 400 shares, amount is not received.

∴ amount received ₹ 2400 [400 × (3 + 3)] is forfeited.

2. Mahesh Co. Ltd. issued a prospectus inviting applications for 1,00,000 equity shares of ₹ 10 each payable as follows :

₹ 2 on Application ₹ 4 on Allotment

₹ 2 on First call ₹ 2 on Second and Final call

Applications were received for 1,20,000 equity shares. The directors decided to reject excess applications and refunded application money on that. Company received all the money.

Pass Journal Entries in the books of Mahesh Co. Ltd. ***(July '22)***

Solution : **In the books of Mahesh Co. Ltd.**

Journal Entries

Date / No.	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
1	Bank A/c Dr. To Equity Share Application A/c (Being application money on 1,20,000 equity shares @ ₹ 2 per share received)		2,40,000	 2,40,000
2	Equity Share Application A/c Dr. To Equity Share Capital A/c To Bank A/c (Being Equity Share application money on 1,00,000 shares transferred to Capital account and excess application money refunded)		2,40,000	 2,00,000 40,000

3	Equity Share Allotment A/c Dr. To Equity Share Capital A/c (Being equity share allotment amount due on 1,00,000 shares @ ₹ 4 per share)	4,00,000	4,00,000
4	Bank A/c Dr. To Equity Share Allotment A/c (Being equity share allotment money on 1,00,000 shares @ ₹ 4 per share received)	4,00,000	4,00,000
5	Equity Share First Call A/c Dr. To Equity Share Capital A/c (Being equity share first call amount due on 1,00,000 shares @ ₹ 2 per share)	2,00,000	2,00,000
6	Bank A/c Dr. To Equity Share First call A/c (Being equity share first call money on 1,00,000 shares received)	2,00,000	2,00,000
7	Equity Share Second and Final Call A/c Dr. To Equity Share Capital A/c (Being equity share second and final call amount due on 1,00,000 shares @ ₹ 2 per share)	2,00,000	2,00,000
8	Bank A/c Dr. To Equity Share Second and Final Call A/c (Being equity share second and final call amount received on 1,00,000 shares)	2,00,000	2,00,000
	Total	20,80,000	20,80,000

3. Sameer and Company Limited invited applications for 25,000 Equity shares of ₹ 100 each payable as :

₹ 25 on application ₹ 50 on allotment ₹ 25 on first and final call

Applications were received for 30,000 equity shares and pro-rata allotment were made to all. All the money was duly received except first and final call on 2,500 equity shares.

Enter the above transactions in the books of Sameer and Company Limited.

(March '23)

Solution : **In the books of Sameer and Co. Ltd.**

Journal Entries

Date/ No.	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
1	Bank A/c Dr.		7,50,000	
	To Equity Share Application A/c			7,50,000
	(Being application money on 30,000 equity shares @ ₹ 25 per share received)			
2	Equity Share Application A/c Dr.		7,50,000	
	To Equity Share Capital A/c			6,25,000
	To Equity Share Allotment A/c			1,25,000
	(Being equity share application money on 25,000 equity shares @ ₹ 25 per share transferred to equity share capital and excess application money on 5,000 equity shares @ ₹ 25 per share adjusted in allotment)			
3	Equity Share Allotment A/c Dr.		12,50,000	
	To Equity Share Capital A/c			12,50,000
	(Being equity share allotment money on 25,000 equity shares @ ₹ 50 per share due)			
4	Bank A/c [12,50,000 – 1,25,000] Dr.		11,25,000	
	To Equity Share Allotment A/c			11,25,000
	(Being equity share allotment money on 25,000 equity shares @ ₹ 50 per share received)			
5	Equity share First and Final call A/c Dr.		6,25,000	
	To Equity Share Capital A/c			6,25,000
	(Being equity shares first and final call on 25,000 equity shares @ ₹ 25 per share due)			
6	Bank A/c Dr.		5,62,500	
	Calls-in-arrears A/c Dr.		62,500	
	To Equity share First and Final call A/c			6,25,000
	(Being equity share first and final call on 22,500 shares @ ₹ 25 per share received)			
	Total		51,25,000	51,25,000

Working Notes :

(1) Number of shares issued = 25,000

Amount received @ ₹ 25 on 30,000 shares

∴ Amount received on 5000 excess shares @ ₹ 25 = ₹ 1,25,000 is to be adjusted at allotment stage (As pro-rata allotment were made)

(2) Amount not received at first and final call stage = 2,500 × ₹ 25 = ₹ 62,500.

∴ Calls-in-arrears amount = ₹ 62,500

∴ Amount received at first and final call stage

= 6,25,000 – 62,500 = ₹ 5,62,500

4. Mohini Company Limited issued 25,000 equity shares of ₹ 100 each payable as follows :

On application	₹ 20
On allotment	₹ 30
On first call	₹ 20
On second and final call	₹ 30

Applications were received for 22,000 equity shares and allotment of shares were made to them.

All money received by the company.

Pass Journal Entries in the books of Mohini Co. Ltd. ***(March '24)***

Solution : **In the books of Mohini Company Ltd.**

Journal Entries

Date/ No.	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
1	Bank A/c Dr.		4,40,000	
	To Equity Share Application A/c			4,40,000
	(Being application money on 22,000 equity shares @ ₹ 20 per share received)			
2	Equity Share Application A/c Dr.		4,00,000	
	To Equity Share Capital A/c			4,00,000
	(Being equity share application money transferred to equity share capital account)			

3	Equity Share Allotment A/c Dr. To Equity Share Capital A/c (Being equity share allotment amount due on 22,000 shares @ ₹ 30 per share)		6,60,000	 6,60,000
4	Bank A/c Dr. To Equity Share Allotment A/c (Being due equity share allotment amount received)		6,60,000	 6,60,000
5	Equity Share First Call A/c Dr. To Equity Share Capital A/c (Being equity share first call amount due on 22,000 shares @ ₹ 20 per share)		4,40,000	 4,40,000
6	Bank A/c Dr. To Equity Share First Call A/c (Being due equity share first call amount received)		4,40,000	 4,40,000
7	Equity Share Second and Final Call A/c Dr. To Equity Share Capital A/c (Being equity share second and final call amount due on 22,000 shares @ ₹ 30 per share)		6,60,000	 6,60,000
8	Bank A/c Dr. To Equity Share Second and Final Call A/c (Being due equity share second and final call amount received)		6,60,000	 6,60,000
	Total		44,00,000	44,00,000

5. Parimal Company Limited issued 1,00,000 preference shares of ₹ 20 each payable as : ***(March '25)***

On Application ₹ 8

On Allotment ₹ 6

On First call ₹ 4

On Second and Final call ₹ 2

Company received application for all these shares and received all money.

Pass Journal Entries in the books of Parimal Company Ltd.

Solution : Journal Entries in the books of Parimal Company Limited

Date / No.	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
1	Bank A/c Dr. To Preference Share Application A/c (Being application money on 1,00,000 preference shares @ ₹ 8 per share received)		8,00,000	8,00,000
2	Preference Share Application A/c Dr. To Preference Share Capital A/c (Being application money received on 1,00,000 preference shares @ ₹ 8 per share transferred to Preference Share Capital Account)		8,00,000	8,00,000
3	Preference Share Allotment A/c Dr. To Preference Share Capital A/c (Being allotment money on 1,00,000 preference shares @ ₹ 6 per share due)		6,00,000	6,00,000
4	Bank A/c Dr. To Preference Share Allotment A/c (Being allotment money on 1,00,000 preference shares @ ₹ 6 per share received)		6,00,000	6,00,000
5	Preference Share First Call A/c Dr. To Preference Share Capital A/c (Being first call money on 1,00,000 preference shares @ ₹ 4 per share due)		4,00,000	4,00,000
6	Bank A/c Dr. To Preference Share First Call A/c (Being first call money on 1,00,000 preference shares @ ₹ 4 per share received)		4,00,000	4,00,000
7	Preference Share Second & Final Call A/c Dr. To Preference Share Capital A/c (Being second and final call money on 1,00,000 Preference Shares @ ₹ 2 per share due)		2,00,000	2,00,000
8	Bank A/c Dr. To Preference Share Second and Final Call A/c (Being Second and final call money on 1,00,000 Preference Shares @ ₹ 2 per share received)		2,00,000	2,00,000

6. **Ruby Company Limited issues 1000 equity shares of ₹ 100 each payable as ₹ 30 on application, ₹ 30 on allotment, ₹ 40 on first and final call.**

All the shares were subscribed and duly allotted. Company made all the calls. All cash was duly received except the first and final call on 100 equity shares. These shares were forfeited by company and were re-issued as fully paid for ₹ 75 per share.

Show the Journal Entries in the books of Ruby Company Ltd.

Solution : Journal Entries in the books of Ruby Company Limited

Date / No.	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
1	Bank A/c Dr. To Equity Share Application A/c (Being application money on 1,000 equity shares @ ₹ 30 per share received)		30,000	30,000
2	Equity Share Application A/c Dr. To Equity Share Capital A/c (Being application money received on 1,000 equity shares transferred to equity share capital)		30,000	30,000
3	Equity Share Allotment A/c Dr. To Equity Share Capital A/c (Being equity share allotment money on 1,000 shares @ ₹ 30 per share due)		30,000	30,000
4	Bank A/c Dr. To Equity Share Allotment A/c (Being equity share allotment money on 1,000 shares @ ₹ 30 per share received)		30,000	30,000
5	Equity Share First and Final Calls A/c Dr. To Equity Share Capital A/c (Being equity share first and final call money on 1,000 shares @ ₹ 40 per share due)		40,000	40,000
6	Bank A/c Dr. To Equity Share First and Final Call A/c (Being equity share first and final call money on 900 shares @ ₹ 40 per share received)		36,000	36,000

7	Equity Share Capital A/c Dr.		10,000	
	(100 shares × ₹ 100 per share called up)			
	To Equity Share First and Final Call A/c			4,000
	(100 shares × ₹ 40 per share unpaid)			
	To Equity Share Forfeiture A/c			6,000
	(100 shares × ₹ 60 per share recd.)			
	(Being forfeiture of 100 shares due to non-payment of first and final call)			
8	Bank A/c Dr.		7,500	
	(100 shares × ₹ 75 per share)			
	Equity Share Forfeiture A/c Dr.		2,500	
	(100 shares × ₹ 25 per share)			
	To Equity Share Capital A/c			10,000
	(100 shares × 100 per share)			
	(Being re-issue of 100 forfeited shares @ ₹ 75 per share)			
9	Equity Share Forfeiture A/c (6000 – ₹ 2,500) Dr.		3,500	
	To Capital Reserve A/c			3,500
	(Being balance of Share Forfeiture A/c transferred to Capital Reserve A/c)			

Working Notes :

(1) Amount forfeited by the company on 100 shares forfeited
$= 100 \times (30 + 30) = 100 \times 60 =$ ₹ 6,000.

(2) Calls-in-Arrears $= 100 \times 40 =$ ₹ 4,000.

(3) Amount received on re-issue of 100 forfeited shares $= 100 \times 75 =$ ₹ 7,500.
Balance of ₹ 2,500
(i.e. loss 25×100) is transferred to Share Forfeiture A/c.

(4) Amount transfer from Share Forfeiture A/c to Capital Reserve is ascertained by preparing Share Forfeiture A/c.

Dr. **Share Forfeiture Account** **Cr.**

Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)
8	To Equity Share Capital A/c		2,500	7	By Equity Share Capital A/c		6,000
9	To Capital Reserve A/c (Balancing figure)		3,500				
			6,000				6,000

7. **Pass Journal Entries for the forfeiture and re-issue of shares in the following cases :**

(A) Nirman Ltd. forfeited 100 equity shares of ₹ 20 each fully called-up for non-payment of first call of ₹ 3 per share and final call of ₹ 5 per share. 80 shares of these were re-issued at ₹ 15 per share as fully paid.

(B) Shraddha Ltd. forfeited 100 equity shares of ₹ 10 each, ₹ 6 called-up on which the shareholder paid application and allotment of ₹ 5 per share. Of these 80 shares were re-issued as fully paid-up at ₹ 6 per share.

(C) Kanak Ltd. forfeited 50 shares of ₹ 10 each, ₹ 8 called-up. The shareholder failed to pay first call of ₹ 3 per share. Later on 30 shares of these were re-issued at ₹ 7 per share.

Solution : **Journal Entries [For Nirman Ltd.]**

Date / No.	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
(A)(i)	Equity Share Capital A/c Dr.		2,000	
	To Equity Share First Call A/c			300
	To Equity Share Final Call A/c			500
	To Equity Share Forfeiture A/c			1,200
	(Being forfeiture of 100 equity shares due to non-payment of first call @ ₹ 3 and final call @ ₹ 5 per share)			
(ii)	Bank A/c Dr.		1,200	
	Equity Share Forfeiture A/c Dr.		400	
	To Equity Share Capital A/c			1,600
	(80 shares × ₹ 15 per share)			
	(Being re-issue of 80 forfeited shares @ ₹ 15 per share as fully paid-up)			
(iii)	Equity Share Forfeiture A/c Dr.		560	
	To Capital Reserve A/c			560
	(Being proportion balance of Share Forfeiture A/c transferred to Capital Reserve A/c)			

Working Notes : For (A) :

(1) Out of 100 forfeited shares, 80 shares were re-issued accordingly Equity Share Capital A/c is debited and credited.

(2) To find proportionate amount debited to Forfeiture A/c :

For 100 shares – share forfeiture amount = ₹ 1,200

$\therefore$ 80 shares – share forfeiture amount = ? = $\frac{80 \times 1200}{100}$ = ₹ 960

Now, out of this ₹ 960 we used ₹ 400 from Share Forfeiture A/c at the time of re-issue of shares.

So, balance of Share Forfeiture A/c = 960 – 400 = ₹ **560**

Journal Entries [For Shraddha Ltd.]

Date / No.	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
(B)(i)	Equity Share Capital A/c (100 × ₹ 6) Dr.		600	
	To Calls-in-arrears A/c			100
	To Equity Share Forfeiture A/c (100 × ₹ 5)			500
	(Being forfeiture of 100 equity shares due to non-payment of ₹ 100)			
(ii)	Bank A/c (80 × ₹ 6) Dr.		480	
	To Equity Share Capital A/c			480
	(Being re-issue of 80 forfeited shares @ ₹ 6 per share as fully paid-up)			
(iii)	Equity Share Forfeiture A/c Dr.		400	
	To Capital Reserve A/c			400
	(Being proportionate balance of Share Forfeiture A/c transferred to Capital Reserve A/c)			

Working Notes : For (B) :

(1) Out of 100 forfeited shares, 80 shares were re-issued. Accordingly, Equity Share Capital A/c is debited for ₹ 600 and credited for ₹ 480.

(2) The proportionate amount debited to Forfeiture A/c :

$$\left.\begin{array}{l}\text{For 100 shares – share forfeiture amount debited} = ₹\ 500 \\ \therefore\ \text{80 shares – share forfeiture amount} = ?\end{array}\right\} \frac{80}{100} \times \frac{500}{1} = ₹\ 400$$

Now, shares were re-issued at ₹ 6 per share which is called-up amount.

$\therefore$ Proportionate amount for Forfeiture A/c ₹ 400 will be transferred to Capital Reserve A/c.

Journal Entries [For Kanak Ltd.]

Date / No.	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
(C)(i)	Equity Share Capital A/c (50 × ₹ 8) Dr.		400	
	To Equity Share First Call A/c (50 × ₹ 3)			150
	To Equity Share Forfeiture A/c			250
	(Being forfeiture of 50 equity shares due to non-payment of first call @ ₹ 3 per share)			
(ii)	Bank A/c (30 × ₹ 7) Dr.		210	
	Equity Share Forfeiture A/c Dr.		30	
	To Equity Share Capital A/c (30 × ₹ 8)			240
	(Being re-issue of 30 forfeited shares @ ₹ 7 per share)			
(iii)	Equity Share Forfeiture A/c Dr.		120	
	To Capital Reserve A/c			120
	(Being proportionate balance of Share Forfeiture A/c transferred to Capital Reserve A/c)			

Working Note : For (C) :

The proportionate amount debited to Forfeiture A/c :

For 50 shares – share forfeiture amount debited is ₹ 250

∴ 30 shares – share forfeiture amount = ?

$\Big\}\ \frac{30}{50} \times 250 =$ ₹ 150

Out of this ₹ 30 used for re-issue of forfeited shares.

∴ Balance of Share Forfeiture A/c = 150 – 30 = ₹ 120.

Question Set 19

ANALYSIS OF FINANCIAL STATEMENTS

[Q. 5. : 8 Marks]

- **Analysis of Financial Statements :**

Balance Sheet : The Balance Sheet required to be arranged in vertical format which is suitable for further analysis. Its format is given below :

..... Company Ltd.

Balance Sheet as on ..... .

Particulars	Amount (₹)	Amount (₹)
(I) Sources of Funds		
(A) Owners Fund/Shareholders Fund		
(a) Share Capital		
Equity Share Capital	XXX	
Preference Share Capital	XXX	
(b) Add : Reserves and Surplus		
Profit & Loss A/c	XXX	
General Reserve/Reserve Fund	XXX	
Securities Premium	XXX	
(c) Less : Fictitious Assets, e.g.		
Preliminary exp.	(XXX)	
Large-scale advertisement exp., etc.	(XXX)	
Net Worth/Owners Fund		XXX
(B) Borrowed Funds		
Bank Loan	XXX	
Debentures	(XXX)	
Third Party Loans	(XXX)	
Total Fund Available		XXX
(II) Application of Funds		
(1) Fixed Assets		
Land and Building	XXX	
Plant and Machinery	XXX	
Furniture	XXX	
Vehicle, etc.	XXX	XXX
(2) Investment (In any form)		XXX

(3) Working Capital		
Current Assets		
Quick Assets		
Cash Balance	XXX	
Bank Balance	XXX	
Debtors/Customers	XXX	
Bill Receivable	XXX	XXX
Total Quick Assets		
Non-Quick Assets		
Stock	XXX	
Prepaid Expenses	XXX	
Advances	XXX	XXX
Total Non-quick Assets		
Total Current Assets (Quick + Non-Quick Assets)		XXX
Less Current Liabilities		
Quick Liabilities		
Creditors/Traders/Suppliers	XXX	
Outstanding Expenses	XXX	
Bills Payable	XXX	XXX
Total Current Liabilities		
Non-Quick Liabilities		
Bank Overdraft	XXX	XXX
Total Current Liabilities		
Working Capital (Current Assets Less Current Liabilities)		XXX
Total Funds Employed/Applied		XXX

Income Statement : The Profit and Loss Account need to be arranged in a vertical format which is suitable for further analysis. It is also called as Vertical income statement. Its format is given as follows :

T361974

..... Company Ltd.

Vertical Income Statement for the year ended

Particulars	Amount (₹)	Amount (₹)
Income		
Sales	XXX	
Less : Sales Return	XXX	
Net Sales		XXX
Less : Cost of Goods Sold (COGS)		
Opening Stock	XXX	
Add : Purchases	XXX	
Add : Wages	XXX	
Add : Carriage Inward	XXX	
Add : Direct Exp.	XXX	
Less : Closing Stock	XXX	
Net Cost of Goods Sold		XXX
Gross Profit (Net Sales – Net Cost of Goods Sold)	XXX	
Less : Operating Exp.		
(a) Administrative Exp.	XXX	
(b) Finance Exp.	XXX	
(c) Selling Exp.	XXX	
Total Operating Expenses		XXX
Operating Profit (Gross Profit – Operating Expenses)		XXX
Add : Non-operating Income		XXX
Less : Non-operating Exp.		(XXX)
Net Profit Before Tax		XXX
Less : Tax (Charged on Net Profit Before Tax)		XXX
Net Profit After Tax		XXX

- **Format of Comparative Balance Sheet :**

Particulars	31-03-... (₹)	31-03-... (₹)	Absolute change (₹)	Percentage change
(Details of Assets and Liabilities)	(Figures of previous year Balance Sheet)	(Figures of current year Balance Sheet)	(Current year – Previous year)	

$$\text{Percentage change} = \frac{\text{Absolute change}}{\text{Amount of previous year}} \times 100$$

- **Format of Comparative Income Statement :**

Particulars	31–03–... (₹)	31–03–... (₹)	Absolute change (₹)	Percentage change
(Details of Income and Expenditure)	(Figures from previous year Income statement)	(Figures from current year Income statement)	(Current year – Previous year)	

$$\text{Percentage change} = \frac{\text{Absolute change}}{\text{Amount of previous year}} \times 100$$

- **Format of Comparative Common Size Statement :**

Particulars (1)	Year 1 (2)	Percentage (3)	Year 2 (4)	Percentage (5)

- For common size statement analysis, in income statement usually sales figure is taken as base, i.e. 100. All the other figures are converted into percentage form to Sales.
- In position statement, the total assets and the total liabilities are taken as base, i.e. 100 each.

Format of Cash Flow Statement for the year ended .....

Particulars	(₹)	(₹)
(I) Cash flow from Operating activities		
Net profit of current year	XXX	
(Adjust non-cash/non-operating items)		
Add : Depreciation written off	XXX	
Interest/Dividend paid	XXX	
Loss on sale of Asset	XXX	
Proposed dividend of current year	XXX	
Taxation provision of current year	XXX	
Fictitious asset written off	XXX	
Gradual written off of intangible asset	XXX	
Less : Profit on sale of assets/Investments	XXX	
Interest/Dividend received on investment	XXX	
Rent income of assets.	XXX	
(Operating profit) Adjust working capital changes		
Add : Decrease in current assets	XXX	
Increase in current liabilities	XXX	
Less : Increase in current assets	XXX	
Decrease in current liabilities	XXX	
Cash generated from operations		XXX

(II) Cash flow from Investing activities :		
Add : Interest/Dividend/Rent received	XXX	
Sale of assets (Tangible/Intangible)	XXX	
Sale of non-current investments	XXX	
Less : Purchase of fixed asset/Investment	XXX	
Net cash from Investing activities		XXX
(III) Cash flow from Financing activities :		
Add : Issue of shares/debentures	XXX	
Loan borrowed/proceeds from long-term borrowings	XXX	
Increase in bank overdraft and cash credit (Short-term borrowings)	XXX	
Less : Redemption of shares/debentures	XXX	
Repayment of loan	XXX	
Interest paid on debentures/loan	XXX	
Interim/Final dividend paid	XXX	
Net cash from financial activities		XXX
Add : Opening Cash/Bank balances		XXX
Closing Cash/Bank balance		XXX

1. Following is the Balance sheet of Mukesh Company Ltd. as on 31st March, 2018 : ***(Sept. '21)***

Balance Sheet as on 31st March, 2018

Liabilities	Amount (₹)	Assets	Amount (₹)
Share Capital	37,000	Land and Building	40,000
Reserve and Surplus	10,000	Plant and Machinery	10,000
12% Loans	10,000	Furniture	7,000
8% Debentures	20,000	Investments	17,000
Sundry Creditors	9,000	Sundry Debtors	12,000
	86,000		86,000

Convert the above Balance sheet into Vertical Balance sheet.

Solution :

Vertical Balance Sheet as on 31st March, 2018

Particulars	Amount (₹)	Amount (₹)
(1) Sources of Fund		
(a) Owners/share holders fund		
Share Capital	37,000	
Reserves and surplus	10,000	47,000
(b) Borrowed Funds		
12% Bank loan	10,000	
8% Debentures	20,000	30,000
Total Fund Available		**77,000**
(2) Application of funds		
Fixed Assets :		
Land and Building	40,000	
Plant and Machinery	10,000	
Furniture	7,000	57,000
Investment		17,000
Working Capital		
Current Assets : Debtors	12,000	
Less : Current Liabilities : Creditors	9,000	3,000
Total Fund Applied		**77,000**

2. Following is the Balance Sheet of Param Company Ltd. as on 31st March, 2019 and 31st March, 2020 : ***(March '22)***

Liabilities	31-03-2019 (₹)	31-03-2020 (₹)	Assets	31-03-2019 (₹)	31-03-2020 (₹)
Share Capital	2,50,000	3,70,000	Fixed assets	2,80,000	4,40,000
Reserves and surplus	60,000	1,00,000	Current assets	1,30,000	1,20,000
Current liabilities	1,00,000	90,000			
	4,10,000	5,60,000		4,10,000	5,60,000

You are required to prepare Comparative Balance Sheet of Param Company Ltd. as on 31st March, 2019 and 31st March, 2020.

Solution :

Comparative Balance Sheet of Param Company Ltd. as on 31.03.2019 and 31.03.2020

Particulars	31-03-2019 (₹)	31-03-2020 (₹)	Absolute change (₹)	Percentage change (₹)
(i) Sources of funds				
(a) Share Capital	2,50,000	3,70,000	1,20,000	48% Increase
(b) Reserve and Surplus	60,000	1,00,000	40,000	66.67% Increase
Net Worth/Total funds available	3,10,000	4,70,000	1,60,000	51.61% Increase
(ii) Application of funds				
(A) Fixed Assets	2,80,000	4,40,000	1,60,000	57.14% Increase
(B) Working Capital				
(1) Current Assets	1,30,000	1,20,000	10,000	7.69% Decrease
Less :				
(2) Current Liabilities	1,00,000	90,000	10,000	10% Decrease
Working Capital [Current Assets – Current Liabilities]	30,000	30,000	Nil	Nil
Total Funds Applied (A+B)	3,10,000	4,70,000	1,60,000	51.61% Increase

Working Note :

$$\text{Percentage change} = \frac{\text{Amount of absolute change}}{\text{Amount of previous year}} \times 100 = \frac{1,20,000}{2,50,000} \times 100$$

= (i.e. Increase) 48% Similarly, other calculation can be done

- If the current year amount is less than the previous year amount, then the change in percentage will be a decrease.

3. Calculate Current Ratio, Gross Profit Ratio and Net Profit Ratio from the following information : ***(July '22)***

Debtors ₹ 90,000, Creditors ₹ 45,000, Bills Payable ₹ 30,000, Stock ₹ 45,000, Loose Tools ₹ 15,000, Bank Overdraft ₹ 15,000, Sales (Net) ₹ 5,00,000, Gross Profit ₹ 1,50,000, Net Profit ₹ 1,00,000.

Solution : (A) Current Ratio :

(1) Current Assets = Debtors + Stock + Loose Tools

= 90,000 + 45,000 + 15,000

= ₹ 1,50,000

(2) Current Liabilities = Creditors + Bills Payable + Bank Overdraft

= 45,000 + 30,000 + 15,000

= ₹ 90,000

(3) $\text{Current Ratio} = \dfrac{\text{Current Assets}}{\text{Current Liabilities}}$

$= \dfrac{1,50,000}{90,000} = \dfrac{15}{9} = \dfrac{5}{3}$

$= 5 : 3$

(B) Gross Profit Ratio $= \dfrac{\text{Gross Profit}}{\text{Net Sales}} \times 100$

$= \dfrac{1,50,000}{5,00,000} \times 100 = 30\%$

(C) Net Profit Ratio $= \dfrac{\text{Net Profit}}{\text{Net Sales}} \times 100$

$= \dfrac{1,00,000}{5,00,000} \times 100 = 20\%$

4. Convert following Trading Account and Profit and Loss Account into Vertical Income Statement : ***(March '23)***

Trading, Profit and Loss Account

Dr. **for the year ended 31st March, 2020** **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Opening stock	20,000	By Sales	1,20,000
To Purchases	90,000	By Closing Stock	30,000
To Carriage inward	500		
To Wages	10,000		
To Gross Profit c/d	29,500		
	1,50,000		1,50,000
To Office expenses	12,500	By Gross Profit b/d	29,500
To Selling expenses	10,000		
To Finance expenses	3,000		
To Net Profit c/d	4,000		
	29,500		29,500

Solution :

Vertical Income Statement

For the year ended 31st March, 2020

Sr. No.	Particulars	Amount (₹)	Amount (₹)
	Income		
1.	Sales		1,20,000
2.	Less : Cost of goods sold		
	Opening stock	20,000	
	Purchases	90,000	
	Carriage inward	500	
	Wages	10,000	
		1,20,500	
	Less : Closing stock	30,000	90,500
3.	Gross profit		29,500
4.	Less : Operating expenses		
	Office expenses	12,500	
	Selling expenses	10,000	
	Finance expenses	3,000	
5.	Total operating expenses		25,500
6.	Net profit		4,000

5. Following is the Balance Sheet of Sakshi Limited. Prepare Cash Flow Statement :

Liabilities	31-03-2017 (₹)	31-03-2018 (₹)	Assets	31-03-2017 (₹)	31-03-2018 (₹)
Share Capital	2,00,000	3,00,000	Cash	20,000	30,000
Creditors	60,000	90,000	Debtors	1,40,000	2,50,000
Profit and Loss A/c	40,000	70,000	Stock	80,000	70,000
			Land	60,000	1,10,000
	3,00,000	4,60,000		3,00,000	4,60,000

Solution : **Cash Flow Statement**

for the year ended 31st March, 2017 and 31st March, 2018

Particulars	Amount (₹)	Amount (₹)
(A) Cash flow from Operating activities		
Closing balance of Profit and Loss A/c	70,000	
Less : Opening balance of Profit and Loss A/c	40,000	
	30,000	
Add : Decrease in Current Asset–Stock	10,000	
Add : Increase in Current Liabilities–Creditors	30,000	
	70,000	
Less : Increase in Current Asset–Debtors	(1,10,000)	
Net Cash from Operating activities (A)		(40,000)
(B) Cash flow from Investing activities		
Purchase of Land	50,000	
Net Cash used in Investing activities (B)		50,000
(C) Cash flow from Financing activities		
Amount of share capital received	1,00,000	
Net Cash from Financing activities (C)		1,00,000
Net increase in cash and cash equivalent (A + C – B)		10,000
Cash equivalent in the beginning of period		20,000
Cash equivalent at the end of period		30,000

6. Income statement for the year ended 31st March, 2019 and 31st March, 2020 is given below : ***(July '23)***

Particulars	31st March, 2019 (₹)	31st March, 2020 (₹)
Net sales	10,00,000	12,00,000
Less : Cost of goods sold	6,00,000	7,20,000
Gross Profit	4,00,000	4,80,000
Less : Office and administrative expenses	1,00,000	1,44,000
Selling and distribution expenses	1,05,000	1,32,000
Net Profit	1,85,000	2,04,000

Prepare :

(1) Common size income statement for the year 31st March, 2019 and 31st March, 2020.

(2) State in which year the profitability was better?

Solution : **Common size income statement for the year ended 31st March, 2019 and 31st March, 2020**

Particulars	Amount (₹)	Percentage %	Amount (₹)	Percentage %
Net Sales	10,00,000	100%	12,00,000	100%
Less : Cost of goods sold	6,00,000	60%	7,20,000	60%
Gross Profit	4,00,000	40%	4,80,000	40%
Less : Office and administrative expenses	1,10,000	11%	1,44,000	12%
Selling and distribution expenses	1,05,000	10.5%	1,32,000	11%
Net Profit	1,85,000	18.5%	2,04,000	17%

Working Notes :

(1) All calculations are done by taking Sales = 100% as base.

$$\text{For } 31-03-2019, \% \text{ of Cost of goods sold} = \frac{\text{Cost of goods sold}}{\text{Net sales}} \times 100$$

$$= \frac{3,00,000}{5,00,000} \times 100$$

$$= 60\%$$

Similarly, all other calculations can be done.

(2) Profitability in the year 2019 is better than the year 2020.

7. Following is the Balance Sheet of Sakshi Traders for the year ended 31–3–17 and 31–3–18 :

Liabilities	31–03–2017 (₹)	31–03–2018 (₹)	Assets	31–03–2017 (₹)	31–03–2018 (₹)
Equity Share Capital	80,000	80,000	Fixed Assets	1,20,000	1,44,000
Pref. Shares Capital	20,000	20,000	Investment	20,000	20,000
Reserve and Surplus	20,000	24,000	Current Assets	60,000	48,000
Secured Loan	40,000	16,000			
Unsecured Loan	20,000	36,000			
Current Liabilities	20,000	36,000			
	2,00,000	2,12,000		2,00,000	2,12,000

Prepare Common Size Balance Sheet for the year ended 31–03–17 and 31–03–18.

Solution : Common Size Statement of Balance Sheet of Sakshi Traders as on 31st March, 2017 and 31st March, 2018

Particulars	Amount (₹)		% to total of Balance Sheet	
	31-03-2017 (₹)	31-03-2018 (₹)	31-03-2017 (₹)	31-03-2018 (₹)
I. Sources of Funds :				
(1) Owner's Equity				
Equity Share Capital	80,000	80,000	44.45	45.45
Preference Shares Capital	20,000	20,000	11.11	11.36
Reserve and Surplus	20,000	24,000	11.11	13.64
Net Worth	1,20,000	1,24,000	66.67	70.45
(2) Borrowed Funds				
Secured Loans	40,000	16,000	22.22	9.09
Unsecured Loans	20,000	36,000	11.11	20.46
	60,000	52,000	33.33	29.55
Total Borrowed Funds	1,80,000	1,76,000	100	100
II. Application of Funds				
(1) Fixed Assets	1,20,000	1,44,000	66.67	81.82
(2) Investments	20,000	20,000	11.11	11.36
	1,40,000	1,64,000	77.78	93.18
(3) Working Capital				
(A) Current Assets	60,000	48,000	–	–
Less :				
(B) Current Liabilities	20,000	36,000	–	–
	40,000	12,000	22.22	6.82
Total Funds Applied	1,80,000	1,76,000	100	100

Note : Taking Total borrowed funds and Total Funds applied as base (100), Calculation is done.

Question Set 20

COMPUTER ACCOUNTING

[Q. 4. : 8 Marks]

For this Question Set (Theory), refer to Navneet Book-Keeping and Accountancy Digest : Std. XII.

Section 3

ASSIGNMENTS
(Problems for Practice)

Chapter 1 : Final Accounts of Partnership Concern

1. From the following Trial Balance of Neel and Sheel and given Adjustments, prepare Final Accounts for the year ending on 31st March, 2024.

Trial Balance as on 31st March, 2024

Debit Balances	Amount (₹)	Credit Balances	Amount (₹)
Land and Building	3,75,000	Capital Accounts :	
Plant and Machinery	2,25,000	Neel	4,05,000
Salaries	67,500	Sheel	3,00,000
Wages	52,500	Current Accounts :	
Motor Car	1,20,000	Neel	19,500
Office Expenses	39,000	Sheel	25,500
Purchases	1,87,500	Sales	4,35,000
Sales Returns	3,750	Purchase Returns	6,000
Bad Debts	1,500	Reserve for Bad Debts	9,000
Sundry Debtors	36,000	Sundry Creditors	90,000
Rent (Paid for 10 months)	18,000	Bills Payable	60,000
Bills Receivable	27,000	Bank Loan @ 18% p.a.	30,000
Opening Stock	54,000	(Taken on 1st Jan. 2024)	
Insurance	5,400	Commission	8,550
Advertisement Expenses	7,500		
Furniture	57,000		
Stationery and Printing	6,900		
Trade Expenses	15,000		
Patents	22,500		
Cash at Bank	27,000		
Cash in Hand	40,500		
	13,88,550		13,88,550

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Adjustments :

(1) Closing stock is valued at ₹ 1,09,000.

(2) Write off ₹ 3,000 as further bad debts and maintain 5% R.D.D. on debtors.

(3) Depreciate : Plant and Machinery by 10%, Motor Car by 15%, Patents by 20%.

(4) Furniture costing ₹ 12,000 sold for ₹ 7,500 was wrongly included in sales and remaining furniture is valued at ₹ 33,000.

(5) Outstanding expenses are : Wages ₹ 8,100, Salaries ₹ 6,750. Insurance premium is paid for the year ended 31st December, 2024.

(6) Goods worth ₹ 67,500 were destroyed by fire and insurance company accepted the claim for only ₹ 57,000.

(7) Sale of goods of ₹ 15,000 was wrongly considered as sale of machinery.

Ans. (1) Gross profit : ₹ 3,04,150

(2) Net profit : ₹ 90,100, Division of Net profit : Neel ₹ 45,050, Sheel ₹ 45,050.

(3) Capital Balance in capital A/c : Neel ₹ 64,550, Sheel ₹ 70,550

(4) Balance sheet Total ₹ 10,30,900/-.

Working Notes :

(1) Interest on Bank loan @18% is calculated for 3 months. (i.e. 1/1/2023 to 31/3/2023)

$$I = \frac{PRN}{100} = 30,000 \times \frac{18}{100} \times \frac{3}{12} = ₹\ 1,350$$

(2) Net loss by fire = 67,500 – 57,000 = ₹ 10,500

(3) Depreciation on furniture = Book value – Value given in adj.

= 45,000 – 33,000 = ₹ 12,000

(4) Rent is paid for 10 months i.e. 2 months rent is outstanding.

(5) Insurance premium is paid upto 31st Dec., 2024.

i.e. 9 months insurance premium is prepaid $= 5,400 \times \frac{9}{12} =$ ₹ 4,050

(6) Loss on sale of furniture = Cost of furniture sold – Sale proceeds of furniture

= 12,000 – 7,500 = ₹ 4,500

(7) Whenever "Trade Expenses" is given in the trial Balance along with "Sundry Expenses" or "Office Expenses" or "Miscellaneous Expenses" or "General Expenses", then Trade Expenses will be posted to Trading A/c Debit side.

2. From the following Trial Balance and Adjustments of Rushi and Shashi, you are required to prepare final accounts as on 31st March, 2023. Profit and Loss sharing ratio of partners is their capital ratio.

Trial Balance as on 31st March, 2023

Particulars (Name of Accounts)	Debit (₹)	Credit (₹)
Capital and Drawings :		
Rushi	20,000	1,00,000
Shashi	14,000	50,000
Purchases and Sales	1,40,000	2,60,500
Debtors and Creditors	90,000	60,000
Sales Return and Purchase Return	2,000	3,000
Bills Receivable and Bills Payable	15,000	20,800
Cash Balance and Bank Overdraft	1,000	14,000
Bad Debts and Provision for Doubtful Debts	400	1,300
Wages and Outstanding Wages	35,000	2,000
Machinery	40,000	
Furniture	12,000	
Opening Stock of Goods	46,100	
Prepaid Insurance	200	
Salaries	23,000	
Insurance Premium	2,000	
Rent – Taxes	12,000	
Advertisement Expenses	2,900	
Goodwill	72,000	
Leasehold Building	14,000	
8% Loan (From 1/11/22)	—	30,000
	5,41,600	5,41,600

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Adjustments :

(1) Closing stock is of ₹ 1,10,000. Its market value is 20% more than its value.

(2) Calculate interest on capital @ 6% p.a.

(3) Interest on drawings to be charged from partners : Rushi ₹ 900, Shashi ₹ 600

(4) Provision for doubtful debts is to be kept at 5%.

(5) Outstanding expenses at the end of the year : Rent ₹ 300, Salary ₹ 950.

(6) Provide depreciation at 10% on machinery and at 5% on furniture.

(7) Write off ₹ 4,000 from Leasehold Building.

Working Notes :

(1) Consider closing stock value ₹ 1,10,000 as its market value is 20% more.

(2) Interest on drawings : Record it on Cr. side of Profit & Loss A/c and subtract it from capital. (As shown)

(3) Interest on 8% loan is calculated for 5 months (i.e. 1/11/22 to 31/3/23)

$$I = \frac{PRN}{100} = 30,000 \times \frac{8}{100} \times \frac{5}{12} = ₹\ 1,000$$

(4) In the Trial Balance, following balances have credit balance :
Bills payable, Bank Overdraft, Provision for doubtful debts, 8% Loan, etc.

(5) Outstanding wages – Cr. bal. – write it on Liabilities side of Balance Sheet.

(6) Prepaid insurance – Dr. bal. write it on Assets side of Balance Sheet.

Ans. (1) Gross profit : ₹ 1,50,400

(2) Net profit : ₹ 88,550, Division of Net profit : Rushi ₹ 59,033, Shashi ₹ 29,517

(3) Capital Balance : Rushi ₹ 1,44,133, Shashi ₹ 67,917

(4) Balance Sheet Total ₹ 3,41,100/-

Chapter 2 : Non-profit Organisation

1. The following are the Balance Sheet and Receipts and Payments Account of Balak Vihar School :

Balance Sheet as on 1st April, 2022

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital Fund	3,00,000	Buildings	90,000
Entrance Fees	61,000	Furniture	45,000
Outstanding Salaries	6,000	Laboratory	60,000
		Library	68,000
		Investments	85,000
		Cash in Hand	6,000
		Cash at Bank	5,000
		Outstanding Tuition Fees	8,000
	3,67,000		3,67,000

Dr. **Receipts and Payments Account for the year ended 31st March, 2023** **Cr.**

Receipts	Amount (₹)	Payments	Amount (₹)
To Balance b/d		By Salaries	23,000
Cash in Hand	6,000	By Rent	16,000
Cash at Bank	5,000	By Sundry Expenses	3,100
To Government Grants	33,500	By Stationery	3,000
To Tuition Fees	50,000	By Furniture Purchased	49,000
To Term Fees	24,000	By Annual Gathering Expenses	16,400
To Donations for Library	25,000	By Insurance	3,600
To Miscellaneous Receipts	11,100	By Repairs to Buildings	17,000
To Sale of Old Furniture (book value ₹ 8,000)	6,500	By Subscriptions to Periodicals	3,000
		By Balance c/d	
To Interest on Investments	2,000	Cash in Hand	9,000
		Cash at Bank	20,000
	1,63,100		1,63,100

Adjustments :

(1) Depreciate Buildings @ 10% and Furniture, Library and Laboratory @ 20% charge depreciation on the closing balances of the assets.

(2) Salaries outstanding ₹ 15,000.

(3) Tuition fees still receivable ₹ 6,000.

(4) Insurance premium is paid for one year ending 30th June, 2020.

(5) Prepaid rent ₹ 2,000.

(6) Investments carry interest at the rate of 10% p.a.

(7) Last year's entrance fees is to be capitalised.

Prepare Income and Expenditure Account and Balance Sheet as on 31 – 03 – 2023.

Ans. (1) Deficit = ₹ 19,400 (2) Capital fund at the end = ₹ 3,41,600 (3) Balance Sheet Total = ₹ 3,81,600.

Hints :

(1) Entrance fees shown in the last Balance Sheet is to be added to capital fund.

(2) Outstanding salaries and outstanding tuition fees shown in the last Balance Sheet are to be deducted from salaries and tuition fees respectively.

(3) Prepaid insurance $= 3{,}600 \times \frac{8}{12} =$ ₹ 900. Prepaid insurance is to be deducted from Insurance and then to be shown on the Assets side of the Balance Sheet.

2. **The following was the Receipts and Payments Account of MCF Club, Pune for the year ended on 31st March, 2023 :**

Dr. Receipts and Payments Account for the year ended 31st March, 2023 Cr.

Receipts	Amount (₹)	Amount (₹)	Payments	Amount (₹)	Amount (₹)
To Balance b/d		4,160	By Salaries		5,200
To Subscriptions :			By Drama Expenses		2,580
2021–22	340		By Lighting		936
2022–23	16,000		By General Expenses		1,400
2023–24	412	16,752	By Rent and Taxes		480
To Donations		4,800	By Printing and Stationery		964
To Receipts from Drama		3,504	By Expenses for 2021–22		2,400
To Interest		324	By 10% Fixed Deposit		16,000
To Entrance Fees		4,000	(31–03–2023)		
			By Balance c/d		3,580
		33,540			33,540

You are required to prepare an Income and Expenditure A/c for 2022–23 and a Balance Sheet as on 31st March, 2023 after taking into consideration the following adjustments :

(1) The outstanding salaries were ₹ 800.

(2) The prepaid rent and taxes were ₹ 80. Capital fund as on 1–04–2022 was ₹ 66,780.

(3) Land and Building stood in the books at ₹ 60,000 and Furniture at ₹ 4,600. It is required to write off depreciation on these assets at 2% and 10% respectively.

(4) All donations and 50% of entrance fees are to be capitalised.

(5) There are 450 members each paying an annual subscription of ₹ 40.

(6) Subscriptions of ₹ 80 for the year 2021–22 are not yet received.

Ans. (1) Surplus = ₹ 9,888 (2) Capital fund at the end = ₹ 83,468 (3) Balance Sheet Total = ₹ 84,680.

Hints :

(1) Outstanding subscriptions for current accounting year = Subscriptions receivable for current year – Subscriptions received during the current year = 450 × 40 – 16,000 = 18,000 – 16,000 = ₹ 2,000.

(2) Subscriptions of ₹ 80, in respect of previous accounting year still due is to be shown on the Assets side of Balance Sheet.

3. **"Joy of Art Institute", a newly established concern has presented the following information :**

Dr. Receipts and Payments Account for the year ending 31 – 03 – 2024 Cr.

Receipts	Amount (₹)	Amount (₹)	Payments	Amount (₹)	Amount (₹)
To Admission Fees		44,000	By Furniture		24,000
To Subscriptions		80,000	By Stationery		8,000
To Donations		36,000	By Office Rent		5,200
			By Newspapers and Periodicals		600
			By Telephone Expenses		1,120
			By Investments		46,000
			By Balance c/d		
			Cash in Hand	15,080	
			Cash at Bank	60,000	75,080
		1,60,000			1,60,000

Adjustments :

(1) Subscription outstanding for the year was ₹ 10,000.

(2) Depreciate Furniture @ 10% p.a.

(3) Full amount of admission fees and 50% donations are to be capitalised. You are required to prepare Income and Expenditure Account for the year ending 31 – 03 – 2024 and Balance Sheet as on that date.

Ans. Excess of income over expenditure (surplus) = ₹ 90,680.

Total of Balance Sheet = ₹ 1,52,680.

Hints : As opening balance of capital fund is not given, add full amount of admission fees and 50% of donation amounts to surplus amount to get capital fund.

Chapter 3 : Admission of a Partner

1. **Mane and Sane are partners in a business sharing profits and losses in the ratio of 2 : 1 respectively. Their Balance Sheet as on 31st March, 2023 is as follows :**

Balance Sheet as on 31st March, 2023

Liabilities	Amount (₹)	Amount (₹)	Assets	Amount (₹)	Amount (₹)
Capital A/cs :			Building		60,000
Mane	1,00,000		Machinery		20,000
Sane	48,000	1,48,000	Furniture		19,000
Creditors		1,14,000	Debtors	80,000	
Bills Payable		40,000	Less : R.D.D.	2,000	78,000
Reserve Fund		18,000	Stock		60,000
			Bills Receivable		15,200
			Cash at Bank		67,800
		3,20,000			3,20,000

They admitted Rane on 1st April, 2023 as a partner on the following terms :

(1) Rane will bring ₹ 60,000 as his capital for 1/4th share in future profit and ₹ 24,000 as goodwill.

(2) Stock and Machinery are to be depreciated by 10%.

(3) R.D.D. is to be maintained at 5% on debtors.

(4) Building is to be appreciated by 20% and Furniture is revalued at ₹ 20,000.

Prepare Profit and Loss Adjustment Account, Partners' Capital Accounts and Balance Sheet of the new firm.

Working Note :

Dr. **Bank A/c** **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	67,800	By Balance c/d	1,51,800
To Rane's Capital A/c	60,000		
To Goodwill A/c	24,000		
	1,51,800		1,51,800

Dr. **Goodwill A/c** **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Mane's Capital A/c		By Bank A/c	24,000
To Sane's Capital A/c	16,000		
	8,000		
	24,000		24,000

Ans. (1) Profit of Revaluation : ₹ 3,000, Profit distribution : Mane ₹ 2,000, Sane ₹ 1,000 (2) Partner's Capital A/c Balance : Mane ₹ 1,30,000, Sane ₹ 63,000, Rane ₹ 60,000. New Balance Sheet total : ₹ 3,83,000/-.

2. Veer and Bhavya share profits and losses in the ratio 3 : 2 respectively. Their Balance Sheet as on 31st March, 2024 was as under :

Balance Sheet as on 31st March, 2024

Liabilities	Amount (₹)	Assets	Amount (₹)
Sundry Creditors	40,000	Cash at Bank	48,000
Aum Capital	2,40,000	Sundry Debtors	96,000
Arihant Capital	1,60,000	Land & Building	2,00,000
General Reserve	80,000	Stock	64,000
		Plant and Machinery	80,000
		Furniture & Fixture	32,000
	5,20,000		5,20,000

On 1st April, 2024 they admit Bhavya into partnership. The terms being that :

(1) He shall pay ₹ 64,000 as his share of Goodwill, 50% amount of Goodwill shall be withdrawn by the old partners.

(2) He shall have to bring in ₹ 80,000 as his Capital for 1/4th share in future profits.

(3) For the purpose of Bhavya's admission, it was agreed that the assets would be revalued as follows :

(A) Land and Building is to be valued at ₹ 2,40,000.

(B) Plant and Machinery to be valued at ₹ 64,000.

(C) Stock valued at ₹ 80,000 and Furniture and Fixtures at ₹ 16,000.

(D) A Provision of 5% on Debtors would be made for Doubtful Debts.

Pass the necessary Journal Entries in the books of a new firm.

Show the working notes in support of your answer.

Ans. Total of Journal = ₹ 4,32,000.

Hints :

Dr. Goodwill Account Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Veer's Capital A/c	38,400	By Cash/Bank A/c	64,000
To Bhavya's Capital A/c	25,600		
	64,000		64,000

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

Particulars	Amount (₹)	Amount (₹)	Particulars	Amount (₹)	Amount (₹)
To Plant and Machinery A/c		16,000	By Land and		
To Furniture and Fixture A/c		16,000	Building A/c		40,000
To R.D.D. A/c		4,800	By Stock A/c		16,000
To Profit on Revaluation					
Transferred to Partners'					
Capital A/cs :					
Veer	11,520				
Bhavya	7,680	19,200			
		56,000			56,000

3. Following is the Balance Sheet of Ratan and Ketan as on 31st March, 2023.

They share profits and losses in the ratio of 3/5 and 2/5 respectively :

Balance Sheet as on 31st March, 2023

Liabilities	Amount (₹)	Assets	Amount (₹)
Creditors	24,000	Land and Buildings	2,40,000
Bills Payable	20,000	Plant and Machinery	1,30,000
General Reserve	64,000	Sundry Debtors	60,000
Profit and Loss A/c	46,000	Closing Stock	54,000
Capital A/cs :		Cash in Hand	80,000
Ratan	2,40,000		
Ketan	1,70,000		
	5,64,000		5,64,000

They decide to admit Jyoti on 1st April, 2023 on the following conditions :

(1) Jyoti will bring ₹ 1,50,000 as her capital for $\frac{1}{5}$th share in future profit.

(2) Goodwill to be raised in the books of the firm for ₹ 70,000.

(3) Land and Buildings be appreciated by 20%.

(4) Plant and Machinery be depreciated by 15%.

(5) Reserve for bad and doubtful debts is to be maintained at 5% on Sundry Debtors.

(6) A provision for outstanding legal expenses is to be made for ₹ 4,750.

Prepare Profit and Loss Adjustment A/c, Partners' Capital A/cs and Balance Sheet of the new firm.

Ans. (1) Profit on Revaluation = ₹ 20,750;

Division of Profit : Ratan = ₹ 12,450 and Ketan = ₹ 8,300.

(2) Capital balances : Ratan = ₹ 3,60,450, Ketan = ₹ 2,50,300 and Jyoti = ₹ 1,50,000.

(3) Cash balance = ₹ 2,30,000. (4) Balance Sheet Total = ₹ 8,09,500.

Hint : Provision for outstanding expenses ₹ 4,750 is to be debited to Profit and Loss Adjustment A/c and then to be shown on Liabilities side of the new Balance Sheet.

Chapter 4 : Retirement of a Partner

1. Neon, Deon and Reon were partners in a firm sharing profits and losses in the proportion of 5 : 3 : 2 respectively. Their Balance Sheet as on 31st March, 2023 was as follows :

Balance Sheet as on 31st March, 2023

Liabilities	Amount (₹)	Assets	Amount (₹)
Creditors	27,600	Cash	39,000
General Reserve	72,000	Debtors	14,400
Bills Payable	24,000	Stock	24,000
Capital A/cs :		Land and Buildings	1,38,000
Neon	1,50,000	Machinery	68,400
Deon	84,000	Motor Van	84,000
Reon	66,000	Goodwill	55,800
	4,23,600		4,23,600

On 1st April, 2023 Reon retired and the following adjustments have been agreed upon :

(1) Goodwill was revalued at ₹ 72,000.

(2) Assets and Liabilities were revalued as follows :

Debtors ₹ 13,200; Stock ₹ 28,800; Land and Buildings ₹ 1,50,000; Machinery ₹ 67,200; Motor van ₹ 82,800; Creditors ₹ 25,200.

(3) Neon and Deon contributed additional capital of ₹ 24,000 and ₹ 18,000 respectively.

(4) Balance of Reon's Capital account was transferred to his Loan account.

Prepare : (a) Profit and Loss Adjustment A/c. (b) Partners' Capital A/cs. (c) Balance Sheet of new firm.

Ans. (1) Revaluation Profit : ₹ 31,800; Division of Profit : Neon = ₹ 15,900, Deon = ₹ 9,540 and Reon = ₹ 6,360. (2) Balance in Capital A/cs : Neon = ₹ 2,25,900 and Deon = ₹ 1,33,140. (3) Reon's Loan = ₹ 86,760. (4) Cash balance = ₹ 81,000. (5) Balance Sheet total = ₹ 4,95,000.

2. Veena, Sitar and Payal are the partners sharing profits and losses in the ratio of 2 : 2 : 1 respectively. Their Balance Sheet as on 31st March, 2023 :

Balance Sheet as on 31st March, 2023

Liabilities	Amount (₹)	Amount (₹)	Assets	Amount (₹)	Amount (₹)
Capital A/cs :			Goodwill		80,000
Veena		1,52,000	Freehold Property		2,15,000
Sitar		1,40,000	Investments		60,000
Payal		1,15,000	Closing Stock		50,000
General Reserve		40,000	Sundry Debtors	30,000	
Sundry Creditors		45,000	Less : R.D.D. @ 20%	6,000	24,000
			Cash		63,000
		4,92,000			4,92,000

Payal retires from the partnership firm on 1st April, 2023 on the following terms :

(1) Assets are revalued as : Freehold property ₹ 2,30,000; Investments ₹ 65,000 and Closing stock ₹ 54,000.

(2) Reserve for bad debts be made up to 10% on Sundry debtors.

(3) Goodwill of the firm is to be valued at thrice the average profit for the preceding five years. Profits were :

Year	2017–18	2018–19	2019–20	2020–21	2021–22
Profit ₹	36,000	20,000	45,000	39,000	40,000

(4) An amount of ₹ 25,000 is paid to Payal in cash and the balance of his Capital Account be transferred to her Loan Account.

Prepare : Profit and Loss Adjustment A/c, Partners' Capital A/cs, Balance Sheet after retirement of Payal.

Ans. (1) Profit on Revaluation = ₹ 55,000; Division of Profit : Veena = ₹ 22,000; Payal = ₹ 22,000 and Payal = ₹ 11,000. (2) Capital Balances : Veena = ₹ 1,90,000, Sitar = ₹ 1,78,000. (3) Payal's Loan = ₹ 1,09,000. (4) Cash balance ₹ 38,000. (5) Balance Sheet Total = ₹ 5,22,000.

Hint : Increase in the value of Goodwill of ₹ 28,000 is credited to Profit and Loss Adjustment A/c.

3. **The Balance Sheet of Aam, Kairi and Jamun who are sharing profits and losses in the proportion of 3 : 2 : 1 is as follows :**

Balance Sheet as on 31st March, 2023

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital A/cs :		Cash	40,800
Aam	1,20,000	Debtors	48,000
Kairi	80,000	Stock	42,000
Jamun	40,000	Plant and Machinery	1,30,000
Creditors	44,400	Bills Receivable	24,000
Bank Overdraft	42,400	Profit and Loss A/c	42,000
	3,26,800		3,26,800

Jamun retires from the business on the above date on the following terms :

(1) Stock is valued at ₹ 40,000 and Plant and Machinery is depreciated by 10%.

(2) Provision for doubtful debts is to be created at 5% on debtors. An item of creditors worth ₹ 4,400 is not likely to be claimed. Hence should be written off.

(3) The provision of ₹ 2,600 be made in respect of outstanding expenses.

(4) Goodwill of the firm is valued at ₹ 48,000 and remaining partners decide that goodwill should not appear in the books of the firm. Interest amounted ₹ 552 is due on Bank Overdraft.

(5) An amount of ₹ 15,000 paid to Jamun and balance amount payable to him is transferred to his Loan Account.

Prepare : (1) Profit and Loss Adjustment A/c. (2) Partners' Capital A/cs. (3) Balance Sheet of new firm.

Ans. (1) Loss on Revaluation = ₹ 16,152; Division of Loss : Aam = ₹ 8,076; Kairi = ₹ 5,384 and Jamun = ₹ 2,692. (2) Balance in Capital A/cs : Aam = ₹ 86,124, Kairi = ₹ 57,416. (3) Jamun's Loan = ₹ 23,308. (4) Balance Sheet total = ₹ 2,52,400.

Hints :

(1) Goodwill is raised to its full value of ₹ 48,000 and credited to all Partners' Capital A/cs in their old ratio i.e. 3 : 2 : 1.

(2) Goodwill is then written off and debited to Aam = ₹ 28,800 and Kairi = ₹ 19,200 i.e. in their new ratio of 3 : 2.

Chapter 5 : Death of a Partner

1. **Rama, Deepa and Yogita were partners sharing profits and losses in the ratio of 2 : 1 : 1. Their Balance Sheet as on 31st March, 2025 was as follows :**

Balance Sheet as on 31st March, 2025

Liabilities	Amount (₹)	Amount (₹)	Assets	Amount (₹)	Amount (₹)
Capital A/cs :			Land and Building		1,36,800
Rama	96,000		Stock		26,400
Deepa	48,000		Debtors		22,800
Yogita	48,000	1,92,000	Cash at Bank		24,000
Reserve		28,800	Goodwill		36,000
Creditors		25,200			
		2,46,000			2,46,000

Yogita died on 1st May, 2025 and the following adjustments were agreed as per deed :

(1) Land and Building was to be valued at ₹ 1,38,000 and Reserve for doubtful debts was to be provided ₹ 1,440 on Debtors.

(2) Interest on capital was to be allowed at 12% p.a. and charged interest on drawings ₹ 660.

(3) The drawings of Yogita up to the date of his death amounted to ₹ 12,600.

(4) The Goodwill of the firm is to be valued at 3 years' purchase of the average profit of last four years. The profits were : 1st year : ₹ 21,600; 2nd year : ₹ 16,800; 3rd year : ₹ 28,800 and 4th year : ₹ 28,800.

(5) The deceased partner's share of profit up to the date of his death should be based on the average profit of the last two years.

Prepare : (1) Profit and Loss Adjustment A/c (2) Yogita's Capital A/c (3) Working of share of Goodwill of Yogita (4) Working of share of profit up to the date of death of Yogita.

Ans. (1) Profit on Revaluation = ₹ 35,760. (2) Amount payable to Yogita's Executor = ₹ 51,960. (3) Interest on Yogita's Capital = ₹ 480. (4) Yogita's share in accrued profit = ₹ 600.

Hint : Increase in the value of Goodwill is credited to Profit and Loss Adjustment A/c.

2. **Prashant, Abhay and Anil are partners sharing profits and losses in the ratio 5 : 3 : 2 respectively. Their Balance Sheet as on 31st March, 2025 was as follows :**

Balance Sheet as on 31st March, 2025

Liabilities	Amount (₹)	Assets	Amount (₹)
General Reserve	25,000	Goodwill	50,000
Creditors	1,00,000	Loose Tools	50,000
Unpaid Rent	25,000	Debtors	1,50,000
Capital Accounts :		Livestock	1,00,000
Prashant	1,00,000	Cash	25,000
Abhay	75,000		
Anil	50,000		
	3,75,000		3,75,000

Anil died on 31st July, 2025 and the following adjustments were agreed by as per partnership deed :

(1) Creditors have increased by ₹ 10,000.

(2) Goodwill is to be calculated at 2 years purchase of average profits of 5 years.

(3) The profits of the preceding 5 years was

2020–21	₹ 90,000
2021–22	₹ 1,00,000
2022–23	₹ 60,000
2023–24	₹ 50,000
2024–25	₹ 50,000 (Loss)

Anil's share in it was to be given to him.

(4) Loose Tools and Livestock were valued at ₹ 80,000 and ₹ 1,20,000 respectively.

(5) R.D.D. was maintained at ₹ 10,000.

(6) Commission ₹ 2,000 p.m. was payable to Anil. Profit for 2025–26 was estimated at ₹ 45,000 and Anil's share in it up to the date of his death was given to him.

Prepare Revaluation A/c, Anil's Capital A/c showing the amount payable to his executors.

Working Notes :

(1) Calculation of share of Goodwill :

(a) Average profit $= \dfrac{\text{Total profit of given no. of years}}{\text{No. of years given}}$

$$= \frac{90,000 + 1,00,000 + 60,000 + 50,000 - 50,000}{5}$$

$$= \frac{2,50,000}{5} = ₹\ 50,000$$

(b) Goodwill = Average profit × No. of years = 50,000 × 2 = ₹ 1,00,000

(c) Share of Goodwill to Anil = Goodwill of the firm × Anil's share

$$= 1,00,000 \times \frac{2}{10} = ₹\ 20,000$$

(2) Calculation of share of profit due to Anil

Share of profit = Last year profit (estimated) × Share of Anil × Period

$$= 45,000 \times \frac{2}{10} \times \frac{4}{12} = ₹\ 3,000$$

(Profit and Loss Suspense Account)

Chapter 6 : Dissolution of a Partnership Firm

1. Tina and Meena are partners in the firm sharing profits and losses in the ratio of 4 :1. They decided to dissolve the partnership on 31st March, 2024 on which date their Balance Sheet stood as follows :

Balance Sheet as on 31st March, 2024

Liabilities	Amount (₹)	Assets		Amount (₹)
Capital :		Furniture		28,000
Tina	1,80,000	Plant		1,30,000
Meena	80,000	Trademark		16,000
Sundry Creditors	70,000	Sundry Debtors	96,000	
Bank Loan	30,000	Less : R.D.D.	6,000	90,000
		Stock		60,000
		Cash in Hand		20,000
		Advertisement Suspense		16,000
	3,60,000			3,60,000

Additional Information :

(1) Plant and Stock taken over by Tina at ₹ 1,56,000 and ₹ 44,000 respectively.

(2) Debtors realised 90 % of the book value and Trademark at ₹ 10,000 and Goodwill was realised for ₹ 54,000.

(3) Unrecorded assets estimated ₹ 9,000 was sold for ₹ 3,000.

(4) ₹ 2,000 Discount were allowed by creditors while paying their claim.

(5) The Realisation expenses amounted to ₹ 7,000.

You are required to prepare Realisation A/c, Cash A/c and Partners' Capital A/cs.

Ans. Realisation Account : Profit : ₹ 24,400

Partners' Capital Accounts :

Tina : ₹ 13,280 (Amount contributed – Dr. bal.)

Meena : ₹ 81,680 (Final payment – Cr. bal.)

Cash A/c total : ₹ 1,86,680

Hints :

(1) Bank Loan is an external liability of the firm and therefore it is transferred to Realisation A/c.

(2) Amount recovered from Debtors = 90% of Gross Debtors

$= \frac{90}{100} \times 96,000 =$ ₹ 86,400.

(3) Amount paid to creditors = Value of Creditors – Discount given

= 70,000 – 2,000 = ₹ 68,000.

(4) Sale of unrecorded assets for ₹ 3,000 is recorded on the credit side of Realisation A/c and debit side of Cash A/c.

(5) It is presumed that Furniture realised nothing.

Advertisement suspense A/c to be distributed between Tina and Meena Capital A/c (Dr. side) in PSR 4 : 1.

[It is a deferred expenses, considered as fictitious asset.]

2. Ram, Krishna and Hari were partners in a firm sharing profits and losses in the ratio of 3 : 2 : 1 respectively. Their Balance Sheet as on 31st March, 2023 was as follows :

Balance Sheet as on 31st March, 2023

Liabilities	Amount (₹)	Amount (₹)	Assets	Amount (₹)	Amount (₹)
Creditors		40,800	Goodwill		15,000
Bills Payable		29,400	Building		75,000
General Reserve		21,600	Machinery		66,000
Capital A/cs :			Stock		16,800
Ram	95,100		Debtors	12,000	
Krishna	69,000		Less : R.D.D.	900	11,100
Hari	26,100	1,90,200	Furniture		25,200
			Cash at Bank		12,900
			Cash in Hand		18,600
			Profit and Loss A/c		41,400
		2,82,000			2,82,000

On the above date, they decided to dissolve the firm :

(1) Assets realised as : Building = ₹ 58,800; Machinery = ₹ 57,000; Stock = ₹ 10,500; Debtors = ₹ 7,200.

(2) Ram took over the Furniture at ₹ 18,300.

(3) The creditors were paid off at ₹ 39,600 in full settlement.

(4) Bills payable were paid in full and outstanding rent ₹ 12,600.

(5) Dissolution expenses incurred ₹ 3,120.

Prepare : (1) Realisation A/c; (2) Partners' Capital A/cs; (3) Bank A/c.

Ans. (1) Loss on Realisation = ₹ 71,820; Division of Loss : Ram = ₹ 35,910; Krishna = ₹ 23,940 and Hari = ₹ 11,970. (2) Amount paid in final settlement to Ram = ₹ 30,990; Krishna = ₹ 38,460 and Hari = ₹ 10,830. (3) Bank A/c Total = ₹ 1,65,000.

Hint : Goodwill is an intangible asset of the firm. In the absence of information, it is presumed that nothing is realised from Goodwill.

3. The following is the Balance Sheet of Allen, Bitsy and Cello who share profits and losses equally.

Allen, Bitsy, Cello

Balance Sheet as on 31st March, 2023

Liabilities	Amount (₹)	Amount (₹)	Assets	Amount (₹)	Amount (₹)
Capital A/cs :			Bank		10,000
Allen	50,000		Stock		30,000
Bitsy	30,000	80,000	Machinery		50,000
Reserve Fund		18,000	Debtors		20,000
Creditors		40,000	Bills Receivable		18,000
			Cello's Capital		10,000
		1,38,000			1,38,000

They decided to dissolve the firm and assets realised as follows :

(1) Stock ₹ 20,000; Machinery ₹ 30,000; Debtors ₹ 16,000 and Bills receivable to ₹ 14,200.

(2) Creditors were paid at a discount of 2%. Realisation expenses were paid ₹ 5,000.

(3) Cello became insolvent and the partners could recover only ₹ 5,000 from his private property.

Prepare : Realisation A/c, Bank A/c, Partners' Capital A/cs.

Ans. (1) Loss on Realisation = ₹ 42,000. Division of Loss : Allen = ₹ 14,000, Bitsy = ₹ 14,000 and Cello = ₹ 14,000. (2) Cello's Capital deficiency = ₹ 13,000,

borne equally by Allen and Bitsy, i.e. ₹ 6,500 each; Amount paid to Allen = ₹ 35,500; Bitsy = ₹ 15,500. (3) Bank A/c Total = ₹ 95,200.

Chapter 7 : Bills of Exchange

1. Prepare a bill of exchange from the following details :

(A) When payee is a third party different from drawer and drawee.

Drawer	: Ravi Vaidya, 301, Modha Road, Dahisar
Drawee	: Vikas Mhatre, M. G. Road, Mulund
Payee	: Meghna Modak, Pune
Amount of bill	: ₹ 30,000
Period of bill	: 60 days
Date of Bill	: 26th August, 2025
Date of Acceptance	: 31st August, 2025

(B) When drawer and payee are the same person

Drawer	: Mridul Date, Budhwar Peth, Pune
Drawee	: Avani Joshi, M. G. Road, Nashik
Date of Bill	: 10th February, 2025
Period	: 3 months
Amount	: ₹ 65,000
Accepted on	: 13th February, 2025

1. On 1st January, 2025 Sonal sold goods worth ₹ 35,000 to Punam on credit. Punam gave his acceptance to Sonal for ₹ 20,000 amount for four months, on next day and balance amount paid in cash @ 3% cash discount. On 4th January, Sonal endorses the bill in favour of Zeelam in full settlement of her debts worth ₹ 22,000. Zeelam then discounted the bill with her bankers at a discount of 15% p.a. On the due date, Punam honoured the bill. Draft Journal Entries in the books of Sonal and show Punam's A/c in the books of Sonal.

Ans. Cash discount given to Punam : ₹ 450;
Discount charged by bank = ₹ 1,000.

2. On 1st June, 2023 Yesha draws a bill for ₹ 50,000 on Asha for 4 months period. The bill is duly accepted and returned to Yesha. One month after the date, Yesha discounted the bill with bank @ 18 % p.a.
On due date Asha dishonoured her acceptance. Bank paid noting charges ₹ 1,200. Asha requested Yesha to renew the bill for further period of 2 months. Yesha agreed and took the bill back from bank and received new acceptance for 40% amount of the bill with full amount of noting charges and cheque for 60% balance plus interest @ 12% p.a.

Before the due date Asha was declared as insolvent and 50% of the amount due could be recovered from her private estate.

Write Journal entries in the books of Yesha.

Working Notes :

(1) Discount charged by the bank on discounting 1st bill

$= 50,000 \times \frac{3}{12} \times \frac{18}{100}$ (Period of bill is 4 months, but it is discounted 1 month later) = ₹ 2,250.

(2) Amount paid by Asha to Yesha in Part payment = 60% of Bill amount = 60% of 50,000 = ₹ 30,000.

(3) Balance amount still due from Asha to Yesha = 40% of Bill amount = 40% of 50,000 = ₹ 20,000.

(4) Interest is to be calculated on total amount due from Asha

= Balance due + Unpaid amount noting charges

= 20,000 + 1,200 = ₹ 21,200.

Interest due = Balance amount × Unexpired period × Rate of interest

$$= 21,200 \times \frac{2}{12} \times \frac{12}{100} = ₹\ 424$$

(5) Amount paid by Asha to Yesha = 30,000 + 424 = ₹ 30,424.

(6) Amount of bad debts = ₹ 15,212.

3. Vishal drew a bill on Krunal for ₹ 35,000 for 120 days after date on 15th June 2025, which was accepted and returned by Krunal on next day. On 17th June, 2025 Vishal sent the bill to the Bank for collection. However, on due date, the bill is dishonoured by Krunal, noting charges were amounted to ₹ 250 paid by Vishal and his bank had debited his account by ₹ 60 for bank charges. You are required to draft Journal Entries in the books of Vishal and Krunal. Prepare Krunal's A/c in the ledger of Vishal.

4. Journalise the following transaction in the books of Ankit :

(a) Surya informs Ankit that Viral's acceptance for ₹ 23,000 endorsed to Surya has been dishonoured. Noting Charges amounted to ₹ 430.

(b) Komal renews her acceptance to Ankit for ₹ 39,000 by paying ₹ 3,000 in cash and accepting a fresh bill for the balance along with interest at 11.5% p.a. for 3 months.

(c) Radhika retired her acceptance to Ankit for ₹ 23,000 by paying ₹ 22,250 by cheque.

(d) Ankit sent a bill of Sunny for ₹ 9,000 to bank for collection. Bank informed that the bill has been dishonoured by Sunny.

Chapter 8 : Issue of Shares

1. **Gala Co. Ltd. issued a prospectus inviting applications for 1,50,000 equity shares of ₹ 10 each payable as follows :**

   ₹ 2 on Application ₹ 4 on Allotment ₹ 4 on Final call

   Applications were received for 1,75,000 equity shares. The Directors decided to reject excess applications and refunded application money on that. Company received all money.

   Pass Journal Entries in the books of a company.

Ans.

Amount received on Application = ₹ 3,50,000

Amount refunded (excess app.) = ₹ 50,000

∴ Amount transferred to Equity Share Capital A/c = ₹ 3,00,000

- Amount received and transferred to Bank A/c at Allotment stage = ₹ 6,00,000
- Amount received and transferred to Bank A/c at Final Call stage = ₹ 6,00,000

2. **Atharva Co. Ltd. issued 50,000 equity shares of ₹ 10 each payable as follows :**

   On Application : ₹ 2 On Allotment : ₹ 3 On Final Call : ₹ 5

   The company received applications for 70,000 equity shares. Allotment of shares was made on pro-rata basis. Share allotment and calls were made and also received except Prihaan holding 500 shares failed to pay final call. His shares were forfeited after second call.

   Record the above transactions in books of Atharva Co. Ltd.

Ans.

Amount received at Application stage = ₹ 1,40,000
(Including ₹ 40,000 of Allotment)

∴ Amount transferred to Equity Share Capital A/c = ₹ 1,00,000

- Amount received and transferred to Bank A/c at Allotment stage (1,50,000 – 40,000) = ₹ 1,10,000
- Calls-in-arrears Amount = 500 × ₹ 5 = ₹ 2,500
- Amount on shares forfeited by company [500 × (2 + 3) = ₹ 2500] = ₹ 2,500
- Equity Share Capital A/c – Dr. = ₹ 5,000

3. Unique Trade Ltd. issued 10,000 equity shares of ₹ 10 each at a premium of ₹ 2 per share payable ₹ 3 on application, ₹ 5 (including premium) on allotment and the balance in two calls of equal amount.

   Applications were received for 11,000 equity shares and pro-rata allotment was made for all the applicants. The excess application money was adjusted towards allotment.

Dhanesh who were allotted 200 equity shares failed to pay first and final call money and her shares were forfeited after the final call.

Show Journal Entries in the books of Unique Trade Ltd.

Ans.

- Amount received at Application stage = ₹ 33,000
- Amount transferred to Equity Share Capital A/c = ₹ 30,000
- Amount transferred to Equity Share Allotment A/c = ₹ 3,000
- Amount received at Allotment stage = ₹ 47,000
  (Including ₹ 20,000 of share premium)
- Amount received at First call stage = ₹ 19,600
- Amount received at Final call stage = ₹ 19,600
- Calls-in-Arrears (400 + 400) = ₹ 800
- Amount of share forfeiture A/c = ₹ 1,200

4. **ITC Ltd. issued 24,000 equity shares of ₹ 100 each payable as follows :**
   On Application : ₹ 30 On Allotment : ₹ 30 On Final Call : ₹ 40
   Application were received for 22,000 equity shares and allotment of shares were made to them. All money was received by the company. Except 1000 shares held by Kalpana on final call.
   Pass Journal Entries in the books of ITC Ltd.

	On Application	On Allotment	On 1st Cell	Calls in arrears
Amount Received	₹ 6,60,000	₹ 6,60,000	₹ 8,40,000	(₹ 44,000)

Chapter 9 : Analysis of Financial Statements

1. **Prepare a Comparative Balance Sheet of Sancom Ltd. from the following data :**

Liabilities	31-03-2023 (₹)	31-03-2024 (₹)	Assets	31-03-2023 (₹)	31-03-2024 (₹)
Share Capital	2,68,800	3,16,800	Building	1,34,400	1,82,400
Reserves and surplus	96,000	1,34,400	Furniture	70,080	1,66,080
Secured Loans	57,600	48,960	Stock of Goods	1,44,000	1,05,600
Creditors	48,000	76,800	Debtors/ Customers	1,22,880	1,34,400
Bills Payable	33,600	47,040	Cash/Bank Balance	32,640	35,520
	5,04,000	6,24,000		5,04,000	6,24,000

Ans. Total Fund Available = Total Fund Applied

= ₹ 4,22,400 (31–03–2022)

= ₹ 5,00,160 (31–03–2023)

= 18.41% Increase

2. Income Statement of Muniver Limited for the year ended 31–03–23 and 31–03–24 is given below. Prepare Comparative Income Statement.

Particulars	31–03–2023 (₹)	31–03–2024 (₹)
Sales	1,00,000	2,50,000
Cost of Sales	40,000	60,000
Indirect Expenses	10,000	25,000
Income Tax	30%	30%

Ans. Net profit after tax = ₹ 35,000 (31–03–2023)

= ₹ 1,15,500 (31–03–2024)

3. Prepare Common Size Balance Sheet as on 31–03–2023 and 31–03–2024 of Prihaan Ltd. from the following information :

Balance Sheet as on 31–03–2023 and 31–03–2024

Liabilities	31-03-2023 (₹)	31-03-2024 (₹)	Assets	31-03-2023 (₹)	31-03-2024 (₹)
Equity Share Capital	1,60,000	2,20,000	Fixed Assets	2,00,000	3,00,000
Preference Share Capital	60,000	80,000	Investments	1,12,000	1,00,000
Reserve and Surplus	52,000	40,000	Current Assets	60,000	80,000
Secured Loans	28,000	40,000			
Unsecured Loans	40,000	60,000			
Current Liabilities	32,000	40,000			
	3,72,000	4,80,000		3,72,000	4,80,000

Ans. Total Fund Borrowed = Total Fund Applied = ₹ 3,40,000 (31–03–2023)

Total Fund Borrowed = Total Fund Applied = ₹ 4,40,000 (31–03–2024)

4. **Prepare Common Size Income Statement for the year ended 31 – 03 – 2023 and 31 – 03 – 2024.**

Particulars	31 – 03 – 2023 (₹)	31 – 03 – 2024 (₹)
Sales	7,00,000	10,00,000
Cost of goods sold	2,45,000	3,00,000
Office and Administrative Expenses	35,000	50,000
Selling and Distribution Expenses	42,000	75,000

Ans. Net profit = ₹ 3,78,000 (31 – 03 – 2023) = ₹ 5,75,000 (31 – 03 – 2024)

5. **Prepare Cash Flow Statement of Mantra Ltd. from the following Balance Sheet :**

Liabilities	31-03-2023 (₹)	31-03-2024 (₹)	Assets	31-03-2023 (₹)	31-03-2024 (₹)
Share Capital	1,50,000	2,00,000	Cash Balance	15,000	20,000
Bills Payable	10,000	13,000	Sundry Debtors	60,000	50,000
Bank Overdraft	14,000	11,000	Stock of Goods	49,000	63,000
Profit and Loss A/c	50,000	75,000	Machinery	80,000	1,50,000
			Bills Receivable	20,000	16,000
	2,24,000	2,99,000		2,24,000	2,99,000

Ans. (1) Cash flow from Operating activities = ₹ 25,000
(2) Cash flow from Investing activities = ₹ 70,000 (Machinery)
(3) Cash flow from Financing activities = ₹ 50,000
Net increase in cash and cash equivalent = ₹ 5,000 (A + C – B)

6. **Calculate Current ratio.**

Particulars	Amount (₹)	Particulars	Amount (₹)
Bills Receivable	2,40,000	Creditors	4,80,000
Furniture	4,80,000	Debtors	7,20,000
Land and Building	16,00,000	Cash Balance	2,40,000
Outstanding Expenses	3,20,000	Bills Payable	1,60,000
Bank Overdraft	2,40,000		
Non-current Investments	5,60,000		

Ans. Current ratio = 1 : 1

7. **Calculate Quick ratio.**

Prepaid expenses ₹ 96,000, Stock of goods ₹ 2,40,000, Current assets ₹ 6,00,000, Working capital ₹ 7,68,000.

Ans. Quick ratio = 2 : 1

8. **Calculate Quick ratio.**

Inventory ₹ 50,000, Bank overdraft ₹ 30,000, Working capital ₹ 3,00,000, Current Liabilities ₹ 1,00,000.

Ans. Quick ratio = 5 : 1

9. **Calculate Gross profit ratio.**

Opening stock ₹ 24,000, Closing stock ₹ 18,000, Purchases ₹ 84,000, Purchase return ₹ 15,000, Sales ₹ 1,20,000, Sales return ₹ 24,000, Direct expenses ₹ 18,000.

Ans. Gross profit ratio = 3.125%

10. **Calculate Net profit ratio.**

Gross profit = ₹ 3,00,000, Administrative expenses ₹ 75,000, Selling and Distributing expenses ₹ 60,000, Interest on debentures ₹ 45,000, Income tax ₹ 37,500, Sales ₹ 15,00,000.

Ans. Net profit ratio = 8% and Net profit before tax = ₹ 1,20,000

11. **Calculate Operating ratio.**

Opening stock ₹ 80,000, Closing stock ₹ 1,20,000, Purchases ₹ 8,80,000, Purchase return ₹ 80,000, Sales ₹ 16,00,000, Sales return ₹ 60,000, Office and Administrative expenses ₹ 1,00,000, Selling and Distribution expenses ₹ 1,20,000.

Ans. Operating ratio = 63.64%; Cost of Goods sold = ₹ 7,60,000; Operating expenses = ₹ 2,20,000

12. **Calculate Return On Investment (ROI).**

Capital ₹ 6,30,000, Reserves ₹ 1,05,000, Borrowed Loan ₹ 1,05,000, Profit earned ₹ 1,68,000.

Ans. ROI = 20%; Capital employed = ₹ 8,40,000

13. **Calculate Return On Capital Employed (ROCE).**

Sales ₹ 3,60,000, Cost of goods sold ₹ 90,000, Operating expenses ₹ 45,000, Capital employed ₹ 3,60,000.

Ans. ROCE = 62.5%; Net profit before interest and tax = ₹ 2,25,000

Section 4

BOARD'S QUESTION PAPER
JULY 2025

Time : 3 Hours] **Solution on QR Code** **[Max. Marks : 80**

Q. 1. All objective questions are compulsory : **[20]**

(A) Select the most appropriate alternative from the following and rewrite the sentences : **(5)**

(1) In tally, Fixed Deposit Account comes under _____ group.

(a) Investments *(b) Current Liabilities*

(c) Bank Account *(d) Current Assets*

(2) Before acceptance the bill is called a/an _____.

(a) order *(b) request* *(c) draft* *(d) instrument*

(3) If asset is taken over by the partner, _____ account is debited.

(a) revaluation *(b) capital* *(c) asset* *(d) balance sheet*

(4) Donation for building fund is _____.

(a) revenue receipt *(b) capital receipt*

(c) capital expenditure *(d) revenue expenditure*

(5) The Indian Partnership Act is enforced since _____.

(a) 1932 *(b) 1881* *(c) 1956* *(d) 1984*

(B) Write a word/term/phrase which can substitute each of the following sentences : **(5)**

(1) Issue of share at its face value.

(2) Money vale of business reputation earned by the firm over a number of years.

(3) Capital employed $\times \frac{NRR}{100} =$ _____ .

(4) The receipts which are recurring in nature.

(5) Under this method, capital balances of partners remain constant.

(C) Answer in one sentence only : **(5)**

(1) To which account profit is to be transferred upto the date of death of a partner?

(2) How many days of grace are allowed to honour a bill?

(3) Who should bear the capital deficiency of insolvent partner?

(4) What is Entrance Fees?

(5) What do you mean by pre-received income?

(D) Do you agree or disagree with the following statements : **(5)**

(1) On dissolution, cash/bank account is closed automatically.

(2) Financial statement includes only Balance Sheet.

(3) On retirement of a partner, sacrifice ratio is considered.

(4) Receipts and Payments Account is a Real Account.

(5) Current Account always shows debit balance.

Q. 2. Nishant and Yogesh were partners sharing profits and losses in the ratio 3 : 1. Their Balance Sheet as on 31st March, 2022 was as follows : **(10)**

Balance Sheet as on 31st March, 2022

Liabilities		Amount (₹)	Assets		Amount (₹)
Capital Account			Cash in hand		37,500
Nishant	75,000		Bills Receivable		45,000
Yogesh	81,000	1,56,000	Debtors	75,000	
Reserve Fund		24,000	Less : R.D.D.	7,500	67,500
Creditors		45,000	Furniture		30,000
			Stock		45,000
		2,25,000			2,25,000

They admitted Niharika for 1/5th share on 1st April 2022 on the following terms :

(1) Niharika shall bring ₹ 60,000 as her capital.

(2) Niharika shall pay her share of goodwill in cash.
Goodwill will be calculated on the basis of 4 years' purchase of profits of last 5 years.
Profits since last five years are given as under :
2016 - 17 – ₹ 30,000 2017 - 18 – ₹ 22,500
2018 - 19 – ₹ 37,500 2019 - 20 – ₹ 15,000
2020 - 21 – ₹ 22,500

(3) Assets were revalued as under :
Furniture ₹ 22,500, Bills Receivable ₹ 60,000, Stock ₹ 30,000, R.D.D. to be increased upto ₹ 15,000.

(4) Bills payable of ₹ 7,500 have been omitted from books.

Prepare : (a) Revaluation Account (b) Partner's Capital Accounts
(c) Balance Sheet of the new firm.

OR

Q. 2. Riddhi, Siddhi and Kirti are partners in a firm. They share profits and losses in the ratio 3 : 1 : 1 respectively. Their Balance Sheet as on 31st March, 2020 is given below : **(10)**

Balance Sheet as on 31st March, 2020

Liabilities	Amount (₹)	Assets	Amount (₹)
Creditors	45,000	Motor Truck	1,10,000
Bills payable	30,000	Plant and Machinery	40,000
General Reserve	55,000	Building	80,000
Capital Accounts :		Livestock	55,000
Riddhi	1,30,000	Debtors	65,000
Siddhi	1,05,000	Freehold property	52,500
Kirti	55,000	Bank	17,500
	4,20,000		4,20,000

On 1st April, 2020 Kirti retired on the following terms :

(1) Goodwill was valued at ₹ 50,000 and to be retained in the business.

(2) Assets were revalued as under:

Debtors ₹ 57,000, Live Stock ₹ 65,000, Building ₹ 82,000, Plant and Machinery ₹ 41,000, Motor Truck ₹ 1,00,000.

(3) Riddhi and Siddhi contributed additional capital through RTGS of ₹ 55,000 and ₹ 30,000 respectively.

(4) Balance of Kirti's capital account to be transferred to her loan account.

Pass Journal Entries in the books of the new firm.

Q. 3. Virat, Rohit and Hardik were partners sharing Profits and Losses in the ratio 2 : 2 : 1. They decided to dissolve the firm on 31st March, 2021 when their position was as under : (10)

Balance Sheet as on 31st March, 2021

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital Accounts :		Building	1,56,000
Virat	52,000	Furniture	90,000
Rohit	44,000	Goodwill	70,000
Hardik	36,000	Debtors	40,000
Creditors	2,40,000	Bank	16,000
	3,72,000		3,72,000

The firm was dissolved on the above date and the assets were realised as under :

(1) Building ₹ 80,000, Furniture ₹ 60,000, Debtors ₹ 20,000.

(2) Realisation expenses amounted to ₹ 4,000.

(3) All the partners were insolvent and amount recovered from Virat ₹ 4,000 and Rohit ₹ 4,000.

Prepare necessary ledger accounts to close the books of the firm.

OR

Q. 3. On 1st April, 2022 Disha sold goods to Priya worth ₹ 50,000. Priya accepted the bill on the same date for 3 months drawn by Disha.

On 30th June, 2022 Priya requested to Disha for renewal of the bill. Disha agreed on the condition that Priya should pay ₹ 20,000 in cash and accept a new bill for the balance plus interest ₹ 800.

Priya accepted the new bill drawn by Disha for 2 months for the balance plus interest.

On the due date of the new bill, it was honoured by Priya.

Pass Journal Entries and prepare Priya's Account in the Books of Disha. **(10)**

Q. 4. Dhiraj, Suraj and Leena were partners sharing profits and losses in the ratio 2 : 1 : 1 respectively. Their Balance Sheet as on 31st March, 2022 was as under : **(8)**

Balance Sheet as on 31st March, 2022

Liabilities		Amount (₹)	Assets	Amount (₹)
Capital Accounts :			Stock	17,000
Dhiraj	23,000		Furniture	18,000
Suraj	15,000		Land and Building	16,000
Leena	12,000	50,000	Bank	37,000
Creditors		22,000		
General Reserve		16,000		
		88,000		88,000

Leena died on 30th June, 2022 and the following adjustments were agreed as per deed :

(1) Stock, Furniture and Land and Building are to be revalued at ₹ 16,700, ₹ 16,200, ₹ 30,100 respectively.

(2) Leena's share in goodwill is to be valued from firm's goodwill which was valued at three years' purchases of average profits of last 4 years.

Profits for last four years :

Year	Amount of Profit (₹)
I	30,000
II	25,000
III	25,000
IV	40,000

(3) Leena's profit upto the death is to be calculated on the basis of profit of last year.

(4) Interest on capital at 10% p.a. is to be allowed.

(5) Leena's drawings upto the date of death was ₹ 2,700.

Prepare : (a) Leena's Capital Account (b) Leena's share of Goodwill
(c) Leena's share of profit upto the date of her death.

OR

Q. 4. Explain the classification/types of Accounting packages. (8)

Q. 5. Saraswati and Sons Ltd., Nagpur invited applications for 50,000 equity shares of ₹ 10 each, payable as under : (8)

On Application ₹ 3 On Allotment ₹ 3 On First and Final Call ₹ 4.

Applications were received for 50,000 shares. All the shares were allotted. All the money was duly received except First and Final call on 5,000 shares which were forfeited.

Pass journal entries in the books of Saraswati and Sons Ltd.

OR

Q. 5. Balance sheet of Olam Ltd. for the year ending 31st March, 2021 is given below : (8)

Balance Sheet as on 31st March, 2021

Liabilities	Amount (₹)	Assets	Amount (₹)
Equity Share Capital	4,50,000	Fixed Assets	4,50,000
Preference Share Capital	40,000	Investments	75,000
Reserve and Surplus	75,000	Current Assets	3,65,000
Secured Loans	1,50,000		
Unsecured Loans	1,00,000		
Current Liabilities	75,000		
	8,90,000		8,90,000

You are required to prepare common size statement for the year ending 31st March, 2021.

Q. 6. Following information has been provided by Gajanan Charitable Hospital, Yavatmal. You are required to prepare Income and Expenditure Account for the year ending 31st March, 2021 and Balance Sheet as on that date : (12)

Balance Sheet as on 1st April, 2020

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital Fund	5,50,000	Hospital Equipments	1,52,000
Bank Loan	3,25,000	Ambulance	2,00,000
Outstanding Bill for drugs	25,000	Building	5,25,000
		Stock of drugs	21,000
		Cash in hand	2,000
	9,00,000		9,00,000

Dr. Receipts and Payments Account for the year ending 31st March, 2021 Cr.

Receipts	Amount (₹)	Payments	Amount (₹)
To Balance b/d	2,000	By Staff Salary	42,500
To Life Membership Fees	15,000	By Honorarium to Doctors	2,00,000
To Hospital Receipts (Revenue)	2,55,200	By Repairs	9,000
To Subscriptions	1,11,000	By Furniture	22,500
		By General Expenses	8,000
		By Purchase of drugs (includes ₹ 20,000 for 2019-2020)	1,00,000
		By Balance c/d	1,200
	3,83,200		3,83,200

Adjustments :

(1) Depreciate Building by 5% p.a. and Ambulance by ₹ 15,000.

(2) On 31st March, 2021 Stock of drugs was valued at ₹ 11,000.

(3) Life Membership Fees has to be capitalised.

Q. 7. Ram and Shyam are partners sharing profits and losses equally. You are required to prepare Profit and Loss Account and Balance Sheet only for the year ending 31st March, 2022 from the information given below :

Trial Balance as on 31st March, 2022 **(12)**

Debit Balances	Amount (₹)	Credit Balances	Amount (₹)
Insurance	30,000	Capital Accounts :	
Land and Building (Addition of ₹ 40,000 w.e.f. 1st July, 2021)	1,00,000	Ram	1,00,000
		Shyam	1,00,000
Salaries	10,000	10% Bank loan (taken on 1st October, 2021)	60,000
Export Duty	5,000	Interest	3,000
Rent	2,000	Bills Payable	16,000
Furniture	80,000		
Debtors	52,000		
	2,79,000		2,79,000

Adjustments :

(1) Closing stock was valued at ₹ 69,000.

(2) Gross Profit amounted to ₹ 69,000.

(3) Insurance paid for 15 months w.e.f. 1st April, 2021.

(4) Depreciate Land and Building @10% p.a. and Furniture @5% p.a.

(5) Write off ₹ 2,000 for bad debts and maintain R.D.D. 25% on Sundry Debtors.

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