

Part A

Total: 80

Q 1 to 6 carry 1 mark each.

Q 1. Explain the term “Surplus”?

Q 2. Classify the following items as “Capital Receipt” or “Revenue Receipt”

- a) Special Donations b) Sale of “Old Newspaper”
c) Sale proceeds of fixed assets d) Subscription

Q 3. Calculate interest on drawings of Mr. Malik @ 10% p.a. for the year ended 31st March 2008 if he withdraws Rs.6,000 in the beginning of each quarter.

Q 4. When do we show current account of partners on the asset side?

Q 5. A firm earned net profits during the last three years as follows:

Year :	I	II	III
Profit (Rs.) :	18,000	20,000	22,000

The capital investment of the firm is Rs.60,000. A fair return on the capital having regard to the risk involved is 10%. Calculate the value of goodwill on the basis of three year's purchase of the super profits for the last 3 years.

Q 6. A company purchased assets of the book value of 99,000 from another firm. It was agreed that the purchase consideration be paid by issuing 11% debentures of Rs.100 each at par.

Q 7 to 10 carry 3 marks each.

Q 7. Mohan, Vijay and Anil are partners, the balances of their capital accounts being Rs.30,000, Rs.25,000 and Rs.20,000 respectively. In arriving at these figures, the profit for the year ended March 31, 2007, Rs.24,000 had already been credited to partners in the proportion in their profit share and ratio.

Drawings :	Mohan -	5,000
	Vijay -	4,000
	Anil -	3,000

Subsequently following omission noticed:

- a) Interest on capital at 10% p.a.
b) Interest on drawings:
Mohan - Rs.250
Vijay - Rs.250
Anil - Rs.150

Make necessary corrections through Journal entry.

Q 8. Ram and Kabir invested Rs.3,00,000 & 1,50,000 respectively. A new partner Prabhu contributes Rs.2,00,000 for 1/5th share in profits. Old partners Ram and Kabir were sharing profits and losses in the ratio 3:2. At the time of admission of Prabhu loss of revaluation calculated as Rs.7,000. Calculate the amount for premium and goodwill brought in by Prabhu.

Q 9. What adjustments are required at the time of change in profit sharing ratio?

Q 10. A, B and C are partners sharing profits in the ratio of 1:2:3, C retires and his capital, after making adjustments for reserves and profit on revaluation stands at Rs.1,20,000. A and B agreed to pay him Rs.1,50,000 in full settlement of his claim. Record necessary Journal entry for the treatment of goodwill if the new profit sharing ratio is decided at 1:3.

Q 11. The following was the balance sheet of Anurag and Bhawna, who were sharing profits in the ratio of 2/3 and 1/3 on 31st December 2008: 4 marks.

Creditors	65,900	Cash	1,200
Capitals:		Sundry Debtors	9,700
Anurag :	30,000	Stock	20,000
Bhawna :	20,000	Plant & Machinery	35,000
		Building	50,000
	<hr/>		<hr/>
	1,15,900		1,15,900

They agreed to admit Monika into partnership on the following terms:

- Monika was to be given 1/3 share in profits and was to bring Rs.15,000 as capital & Rs.6,000 as premium of goodwill.
- Value of stock and Plant & Machinery were to be reduced by 10%.
- Provision of 5% was to be created for Doubtful debts.
- Buildings were to be appreciated by 20%.
- Investment worth Rs.1,400 (not mentioned in Balance Sheet) were to be taken into account.
- Amount of premium was to be withdrawn by the old partners.

Prepare Revaluation account, Partners Capital Account & Balance Sheet for new form.

Q 12. Y Ltd. Issued 10,000 shares of Rs.10 each at par amounts were due as follows: Rs.2.50 on Application, Rs.2.50 on Allotment, Rs.3.00 on First Call & Rs.2.00 on Final Call. A, holding 200 shares did not pay the amount due on allotment & first call and his shares were forfeited. Final call was made after the forfeiture, B holding 500 shares failed to pay the amount due on final call and his shares were also forfeited.

Give Journal entries.

Q 13. Pass Journal entries:

- i) C Ltd. forfeited 600 shares of Rs.10 each fully called up for non-payment of allotment money of Rs.3 per share, first call of Rs.2 per share and final call of Rs.2 per share. 400 of these shares were re-issued at Rs.9 per share fully paid up.
- ii) D Ltd. forfeited 800 shares of Rs.10 each fully called up. On with the holder was paid only the application money of Rs.3 per share. Out of these, 500 shares were re-issued at Rs.11 per share fully paid up.

Q 14. Journalize

- a) A debenture issued at Rs.95, repayable at Rs.100
- b) A debenture issued at Rs.95, repayable at Rs.110
- c) A debenture issued at Rs.100, repayable at Rs.110
- d) A debenture issued at Rs.106, repayable at Rs.100

6 marks questions.

Q 15. Explain the meaning of debentures and bond. Also write any three types of debentures.

Q 16. Mahesh, Baldev and Davinder were in partnership sharing profits and losses equally. Devender died on the 30th of June 2008. The balance sheet on 31.3.2008 stood as follows:

Liabilities	Rs.	Assets	Rs.
Creditors	12,900	Cash	5,000
General Reserve	6,000	Debtors	10,000
Capital Account		Stock	10,000
Mahesh :	30,000	Investment	5,000
Baldev :	20,000	Freehold Property	40,000
Davinder :	20,000	Goodwill	18,900
	88,900		88,900

Additional information:

- 1) On the date of death, freehold property is valued at Rs.58,000, Investment at Rs.4,700 & Stock at Rs.9,400.
- 2) Goodwill valued at one year's purchase of average profit of the past 5 years.
- 3) Devender's share of profit to the date of his death is to be calculated on average profits of preceding three years:

Profits for Rs.

2003	–	04	11,500
2004	–	05	14,000
2005	–	06	9,000
2006	–	07	8,000
2007	–	08	10,000

Prepare capital account of Devender.

Q 17. A company issued for public subscription on 40,000 equity shares of Rs.10 each at a premium of Rs.2 per share payable as under:

- On Application Rs.2 per share
- On Allotment Rs.5 per share (Including Premium)
- On I Call Rs.2 per share
- On II Call Rs.3 per share

Applications were received for 60,000 shares, allotment was made pro rata to the applicants for 48,000 shares. The remaining applications being refused. Money overpaid on application was utilized towards sum due on allotment. Girdhari to whom 1,600 shares were allotted failed to pay the allotment money and Krishna to whom 2,000 shares were allotted failed to pay the two calls. These shares were subsequently forfeited after second call was made. All forfeited shares were re-issued as fully paid at Rs.8 per share. Give Journal entries.

8 marks question.

Q 18. The "Receipts and Payments Account" of "Delhi Football Club" for the year ending 31st March 2008 was as under:

Receipt	Rs.	Payment	Rs.
Balance B/d (01/04/2007)	48,000	Purchase of Balls	80,000
Subscription	2,46,000	Tournament Fees	10,000
Interest	2,000	Affiliation Fees	2,000
Sale of Furniture	10,000	Rent of Playground	5,000
Donations for Club	60,000	Refreshment Expenses	4,000

	Travelling Expenses	30,000
	Investment	1,00,000
	Salaries	12,000
	Miscellaneous Exp	8,000
	Bal C/d (31/03/2008)	1,15,000
	<hr/>	<hr/>
	3,66,000	3,66,000

Prepare clubs "Income & Expenditure Account" for the year ending 31st March 2008 and "Balance Sheet" as on the date after taking the following information into account:

- i) Subscription received include Rs.10,000 for the year 2006-07 and Rs.8,000 for the year 2008-09 and Rs.16,000 are still outstanding as Subscriptions for the year 2007-08.
- ii) The book value of furniture sold was Rs.14,000.
- iii) Interest earned but not paid amounted to Rs.500.
- iv) Rent of playground due but not paid for the current year amounted to Rs.6,000, Rs.1,000 was paid for the year 2006-07
- v) Salary outstanding for the year 2007-08 was Rs.5,000.
- vi) Stock of balls on 31st March 2008 was Rs.4,000.

Part B

Q 19. What are the major heads which appear at the Asset side of the Balance Sheet?

Q 20. Define Profit and Loss Account / Income Statement.

Q 21. From the following balance sheets, prepare a comparative balance sheet of D Ltd:

Liabilities	Rs. (2000)	Rs.(2001)	Assets	Rs. (2000)	Rs.(2001)
Equity Share Capital	7,50,000	9,00,000	Fixed Assets	12,45,000	11,55,000
General Reserves	1,50,000	2,25,000	Current Assets	6,15,000	7,95,000
12% Debentures	2,70,000	1,80,000	Preliminary Exp	45,000	30,000
Unsecured Loans	1,80,000	1,20,000			
Current Liabilities	3,75,000	4,20,000			
Profit & Loss A/c	1,80,000	1,35,000			
	<hr/>	<hr/>		<hr/>	<hr/>
	19,05,000	19,80,000		19,05,000	19,80,000

Q 22. The following Ledger balances were extracted from the books of Varun Ltd. as on 31st March 2002. Calculate Stock Turnover Ratio, Operating Ratio, Gross Profit Ratio:

Particulars	Rs.
Opening Stock	28,000
Closing Stock	22,000
Purchases	46,000
Sales	90,000
Sales Returns	10,000
Carriage Inwards	4,000
Office Expenses	4,000
Selling & Distribution Expenses	2,000
Capital Employed	2,00,000

Q 23. From the following information, prepare the Cash Flow Statement for the year ended 31st March 2007:

Particulars	Rs.
Opening Cash Balance	10,000
Closing Cash Balance	12,000
Decrease in Debtors	5,000
Increase in Creditors	7,000
Sale of Fixed Assets	20,000
Redemption of Debentures	50,000
Net Profit for the Year	20,000

Marking Scheme

Sol. 1. Capital Receipts : Special Donations, Sale Proceeds of Fixed Assets $\frac{1}{2}$
 Revenue Receipts : Sale of Old News Paper, Subscriptions $\frac{1}{2}$

Sol. 2. Excess of income over expenditure is called surplus 1

Sol. 3. If it has debit balance 1

Sol. 4. Rs.1,500 1

Sol. 5. Average Profits = Rs. 20,000

Normal Profits = Rs. 6,000 $\frac{1}{2}$

Super Profit = Rs. 14,000

Goodwill = Rs. 42,000 $\frac{1}{2}$

Sol. 6.a) Asset 99,000
 To Vendor 99,000

b) Vendor 99,000
 To 11% Debentures A/c 99,000
 (990 Debentures of Rs.100) 1

Sol. 7. Anil A/c Dr 550
 To Mohan 550

3

Sol. 8.

- i) Adjustment of Goodwill
- ii) Adjustments of Profit/Losses from the re-valuation and assessment
- iii) Adjustments of the accumulated profits

3

Sol. 9. Total capital value of firm on the basis of new partners contribution = $2,00,000 \times \frac{5}{1} = \text{Rs.} 10,00,000 \frac{1}{2}$

Actual capital of the firm = (Ram + Kabir)'s capital of the adjustment of revaluation + Prabhu's Capital

$$\{3,00,000 + 1,50,000 - 7,000\} + 2,00,000 = \text{Rs.} 6,43,000$$

$$\text{Hidden Goodwill} = 10,00,000 - 6,43,000 = \text{Rs.} 3,57,000 \frac{1}{2}$$

$$\text{Prabhu's Share} = 3,57,000 \times \frac{1}{5} = \text{Rs.} 71,400$$

3

Sol. 10. A gain $\frac{1}{4} - \frac{1}{6} = \frac{1}{12}$ (1:5)
 B gain $\frac{3}{4} - \frac{2}{6} = \frac{5}{12}$ 1

Amount agreed to be paid in the full settlement 1,50,000

(-) C's Capital 1,20,000

(After all adjustments)

Rs.30,000 Hidden Goodwill

A's Capital A/c Dr
B's Capital A/c Dr
 To C's Capital A/c

3

Sol. 11. Profit of revaluation – 5,415

Capital Account:

Anurag - 33,610

Bhavna - 21,805

Monika - 15,000

Balance Sheet Total = Rs.1,36,315

4

Sol. 12.

- 1) For recording application money
- 2) For Allotment
- 3) For I Call
- 4) Forfeiture
- 5) Final Call
- 6) Forfeiture

Sol. 13.

(i) a) Share Capital Dr 6,000			
To Share Allotment A/c	1,800		
To Share First Call A/c	1,200		
To Share Final Call A/c	1,200		
To Share Forfeiture A/c	1,800		
b) Bank A/c Dr	3,600		
Share Forfeiture A/c Dr	400		
To Share Capital	4,000		
c) Share Forfeiture A/c Dr	800		
To Capital Reserve	800		
(ii) a) Share Capital A/c Dr	8,000		
To Calls Unpaid	5,600		
To Share Forfeiture	2,400		
b) Bank A/c Dr	5,500		
To Share Capital	5,000		
To Sec Premium 500			
c) Share Forfeiture A/c Dr		1,500	
To Capital Reserve			1,500
Sol. 16.	Profits on rev.	17,100	
	Devinder's Capital	25,650	6
Sol. 17.	Capital Reserve:	6,640	6
Sol. 18.	Surplus -	85,500	
	Opening Capital Fund -	71,000	
	Balance Sheet Total -	2,35,500	8

Sol. 19. For any four correct major heads 1

Sol. 21.	Change in % Fixed Assets	7.23%
	Current Assets	29.27%
	P/E	33.33%
	Share Capital	20.00%
	G.R.	50.00%
	Debentures	33.33%
	Loans	33.33%
	Current Liabilities	12.00%
	P&L A/c	25.00%
	Total	3.93%

Sol. 22. STR = 2.24 Time 2
OR = 77.5% 2
GP = 30% 2

Sol. 23.	Net cash flow from operating activities	32,000	2
	Net cash flow from investing activities	20,000	2
	Net cash flow used in financing activities	50,000	2
	Net income in cash ----		
	(+) Opening Balance ----		2