Name	: ____________
Date of Exam.	: ____________
Time Allowed	: **3 Hrs.**
Max. Marks	: **80**
Study Centre	: ____________

GENERAL INSTRUCTIONS:

1. This question paper contains 34 questions. All questions are compulsory.
2. Question 1 to 16 and 27 to 30 carries 1 mark each.
3. Questions 17 to 20, 31and 32 carries 3 marks each.
4. Questions from 21 ,22 and 33 carries 4 marks each
5. Questions from 23 to 26 and 34 carries 6 marks each

Q1. Which of the following is not a purpose for which the securities premium amount can be used:
(a) Issuing fully paid bonus shares to shareholders
(b) Issuing partly paid up bonus shares to shareholders
(c) Writing off preliminary expenses of the company
(d) In purchasing its own shares (buy back)

Q2. Given below are two statements, one labelled as Assertion (A) and the other labelled as Reason (R):
Assertion (A): When goodwill is not appearing in the books, retiring or deceased partner's capital account is to be credited with his share of goodwill and gaining partners' capital accounts are to be debited in gaining ratio.
Reason (R): Goodwill needs to be compensated by the gaining partners in the gaining ratio.
In the context of the above two statements, which of the following is correct:
(a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
(b) Both Assertion (A)and Reason (R) are true but Reason (R) is not the correct explanation of Assertion (A).
(c) Assertion (A) is true but Reason (R) is false.
(d) Assertion (A) is false but Reason (R) is true.

Q3. The partner who provides capital and shares profit and loss in partnership business but does not take active part in the management is known as:
(a) Active
(b) Sleeping partner
(c) Secret partner
(d) Limited partner

OR

Identify the average period in months for charging interest on drawings for the same amount withdrawn at the end of each quarter:
(a) 6.5 months
(b) 7.5 months
(c) 4.5 months
(d) 6 months

Q4. Abha and Beena were partners sharing profits and losses in the ratio of 3:2. On April 1,2013, they decided to admit Chanda for 1/5th share in the profits They had a reserve of   25,000 which they wanted to show in their new balance sheet. Chanda agreed and the necessary adjustments were made in the books. On

October 1,2013 Abha met with an accident and died. Chanda decided to admit Abha's daughter Fiza in their partnership who agreed to bring 2,00,000 as capital. Abha's share in the reserve on the date of her death is:

(a) 12,000
(b) 25,000
(c) 24,000
(d) 6,000

Q5. Given below are two statements, one labelled as Assertion (A) and the other labelled as Reason (R):
Assertion(A): Realisation Account is prepared at the time of dissolution of partnership firm.
Reason (R): Dissolution of partnership firm involves the partners selling the assets and settling the liabilities. Thus, various amounts are recovered or paid to partners.
In the context of the above two statements, which of the followings is correct:
(a) Both Assertion (A) And Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
(b) Both Assertion (A) and Reason (R) are true but Reason (R) is not the correct explanation of Assertion (A).
(c) Assertion (A) is true but Reason (R) is false.
(d) Assertion (A) is false but Reason (R) is true.

Q6. Given below are two statements, one labelled as Assertion (A) and the other labelled as Reason (R):
Assertion(A): If goodwill is not brought in cash, it can be adjusted only through new partner's capital account.
Reason (R): The adjustment will reduce the capital of the partner.
In the context of the above two statements, which of the followings is correct:
(a) Both Assertion (A) And Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
(b) Both Assertion (A) and Reason (R) are true but Reason (R) is not the correct explanation of Assertion (A).
(c) Assertion (A) is true but Reason (R) is false.
(d) Assertion (A) is false but Reason (R) is true.

OR

When the assets are given away to any of the creditors towards the full payment of his dues, the journal entry for the same would be:

(a)	Realisation A/c Dr. To Bank A/c		
(b)	Realisation A/ Dr. To Partner's Capital A/c		
(c)	Bank A/c Dr. To Realisation A/c		
(d)	No entry		

Q.7. An extract of the balance sheet of Rashmi and Suman who share profits in the ratio of 2:3 is given below:

Liabilities	**Amount ( )**	**Assets**	**Amount ( )**
Workmen Compensation Reserve	80,000		

Identify the amount of workmen compensation reserve that will be distributed among old partners when claim on account of workmen compensation is estimated at 65,000 on the admission of Deepa, a new partner.

(a) 15,000
(b) 50,000
(c) 80,000
(d) 1,45,000

Q8. When forfeited shares are re-issued, the amount of discount allowed on these shares cannot exceed:
(a) 10 % of called-up capital per share
(b) 6 % of paid-up capital per share
(c) The amount received per share on forfeited shares
(d) The unpaid amount per share on forfeited shares

Q9 Debenture interest is paid as:
(a) based on the net profit of company
(b)at a predetermined rate
(c) at variable rate
(d) none of these

OR

Given below are two statements, one labelled as Assertion (A) and the other labelled as Reason (R):
Assertion (A): Debenture holders do not enjoy any voting right.
Reason (R): A Debenture holder just lends money but does not become an owner of the company with the purchase of debentures.
In the context of the above two statements, which of the following is correct:
(a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
(b) Both Assertion (A) and Reason (R) are true but Reason (R) is not the correct explanation of Assertion (A).
(c) Assertion (A) is true but Reason (R) is false.
(d) Assertion (A) is false but Reason (R) is true

Read the following hypothetical text and answer the given questions:
Amit and Mahesh were partners in a fast-food corner sharing profits and losses in ratio 3:2. They sold fast food items across the counter and did home delivery too. Their initial fixed capital contribution was 1,20,000 and 80,000 respectively. At the end of first year their profit was 1,20,000 before allowing the remuneration of 3,000 per quarter to Amit and 2,000 per half year to Mahesh. Such a promising performance for first year was encouraging, therefore, they decided to expand the area of operations. For this purpose, they needed a delivery van, a few Scotties and an additional person to support. Six months into the accounting year they decided to admit Sundram as a new partner and offered him 20 % as a share of profits along with monthly remuneration of 2,500. Sundram was asked to introduce 1,30,000 for capital and 70,000 for premium for goodwill. Besides this Sundram was required to provide 1,00,000 as loan for two years. Sundram readily accepted the offer. The terms of the offer were duly executed and he was admitted as a partner.

Q10. Remuneration will be transferred to___________of Amit and Mahesh at the end of the accounting period.
(a) Capital Account
(b) Loan Account
(c) Current Account
(d) None of these

Q11. Upon the admission of Sundram, the sacrifice for providing his share of profits would be don:
(a) by Amit only
(b) by Mahesh only
(c) by Amit and Mahesh equally
(d) by Amit and Mahesh in the ratio of 3:2

Q12. Albert Limited forfeited 150 shares (face value of 10) for non-payment of final case of 3 per share. These shares were reissued at 8 per fully paid up. The amount of share forfeiture to be transferred to capital reserve is:
(a) 750

(b) 1,050
(c) 300
(d) 1,750

OR

When no information is given regarding the receipt of premium, it is considered to be paid on (in reference to issue of shares):
(a) Application
(b) Allotment
(c) First call
(d) Final call

Q13. Debentures are:
(a) Share capital of the company
(b) Owner's capital of the company
(c) Working capital of the company
(d) Loan capital of the company

Q14. When only Partner's Capital Account is maintained all the adjustments are made in:
(a) Partner' Capital Accounts
(b) Partners' Current Accounts
(c) Cash Account
(d) None of the above

OR

Which of the following items is not dealt through Profit and Loss Appropriation Account?
(a) Interest on partner's loan
(b) Partner's salary
(c) Interest on partner's drawings
(d) Partner's commission

Q15. Avi and Babi were partners in a firm sharing profit or loss equally. With effect from 1st April 2021 they agreed to share profits in the ratio of 3 : 4. Due to change in profit sharing ratio, Avi's gain or sacrifice will be:
(a) Gain
(b) Sacrifice
(c) Gain
(d) Sacrifice

Q16. The old profit-sharing ratio among Rajendra, Satish and Tejpal were 2:2:1. The new profit sharing ratio after Satish's retirement is 3:2. The gaining ratio is:
(a) 3:2
(b). 2:1
(c). 1:1
(d) 2:2

Q17. Venus Ltd. Is a real estate company. To discharge its corporate social responsibility, it decided to construct a night shelter for the homeless. The company took over assets of 10,00,000 and liabilities of 1,80,000 of Cayns Ltd. for 7,60,000. Venus Ltd., issued 9% debentures of 100 each at a discount of 5 % in full satisfaction of the purchase consideration in favour of Cayns Ltd.
Pas the necessary journal entries in the bo0oks of Venus Ltd. For the above transactions.

OR

K Ltd. Took over the assets of 15,00,000 and liabilities of 5,00,000 of P Ltd. For a purchase consideration of 13,68,500. 25,500 were paid by issuing a promissory note in favour of P Ltd. Payable after two months and the balance was paid by issue of equity shares of 100 each at a premium of 25%. Pass necessary journal entries for the above transactions in the book of K Ltd.

Q18. A,B and C are partners in a firm sharing profits in the ratio of 2:3:4. On 31st March, 2019, A retires and B and C decided to share future profits in the ratio of 2:1.
Following balance appeared in their books on this date:

Profit and Loss (Dr.)	72,000
Employee's Provident Fund	1,50,000
Workmen Compensation Reserve	45,000
General Reserve	1,20,000

It is agreed that (i) Workmen Compensation Reserve is not more required, and (ii) 25 % of the General Reserve is to be transferred to Investment Fluctuation Reserve.
Pass Journal entries for the adjustment of these items on A's retirement.

Q19. On 1.4.2016, Sahil and Charu entered into partnership for sharing profits in the ratio of 4:3. They admitted Tanu as a new partner of 1.4.2018 for 1/5th share which she acquired equally from Sahil and Charu. Sahil, Charu and Tanu earned profits at a higher rate than the normal rate of return for the year ended 31.3.2019. Therefore, they decided to expand their business. To meet the requirements of the additional capital, they admitted Puneet as a new partner on 1.4.2019 for 1/7th share in profits which he acquired from Sahil and Charu in 7:3 Ratio. Calculate:
(i) New profit-sharing ratio of Sahil, Charu and Tanu for the year 2018.19.
(ii) New profit sharing ratio of Sahil, Charu, Tanu on Puneet's admission.

OR

Aman, Babita and Suresh are partners in a firm. Their profit-sharing ratio is 2:2:1. Suresh is guaranteed a minimum amount of 10,000 as share of profit, every year. Any deficiency on that account shall be met by Babita.
The profits for two years ending March 31,2016 and March 31,2017 were 40,000 and 60,000 respectively. Prepare the Profit and Loss. Appropriation Account for the two years.

Q20. On 1st April, 2019 an existing firm had assets of 75,000 including cash of 5,000. The partner's capital accounts showed a balance of 60,000 and reserve constituted the rest. If the normal rate of return is 10% and the goodwill of the firm is valued at 24,000 at 4 years purchase of super profits, find the average profits of the firm.

Q21. The authorized capital of Suhani Ltd. is 45,00,000 divided into 30,000 shares of 150 each. Out of these company issued 15,000 shares of 150 each at a premium of 10 per share. The amount was payable as follows:
 50 per share on application, 40 per share on allotment (including premium), 30 per share on first call and balance on final call. Public applied for 14,000 shares. All the money was duly received.
Prepare an extract of balance sheet of Suhani Ltd. as per Schedule III Part I of the Companies ACT, 2013 disclosing the above information. Also prepare 'Notes to Account's for the same.

Q.22. Kumar, Gupta and Kavita were partners in a firm sharing profits and losses equally. The firm was engaged in the storage and distribution of canned juice and its godowns were located at three different places in the city. Each godown was being managed individually by Kumar, Gupta and Kavita. Because of increase in business activities at the godown managed by Gupta, he had to devote more time. Gupta demanded that his share in the profits of the firm be increased, to which Kumar and Kavita agreed. The new profit sharing ratio was agreed to be 1:2:1. For this purpose, the goodwill of the firm was valued at two years' purchase of the average profits of last five years. The profits of the last five years were as follows:
Years Profit ( )

I 4,00,000
II 4,80,000
III 7,33,000
IV (33,000) (Loss)
V 2,20,000

You are required to:

(i) Calculate the goodwill of the firm.

(ii) Pass necessary journal entry for the treatment of goodwill on change in profit sharing ratio of Kumar, Gupta and Kavita.

Q23. Ajay, Binod and Chandra entered into partnership on 1st April, 2019 with a capital of 3,00,000, 2,00,000 and 1,00,000 respectively. In addition to capital Chandra has advanced a loan of 1,00,000. Since they had no agreement to guide them, they faced followings issues during and at the end of the year:

(i) Ajay wanted interest on capital to be provided @ 8% p.a. but Binod and Chandra did not agree.

(ii) Chandra wanted that interest on loan be paid to him @.1 % p.a. but Ajay and Binod wanted to pay @ 5% p.a.

(iii) Ajay and Binod demanded to share profits in the ratio of their capital contribution, Chandra is not in agreement with this proposal.

(iii) Binod, being a working partner, demands a lump sum payment of 40,000 as remuneration for which other partners are not in agreement.

Q24. (i) BGP Ltd. invited applications for issuing 15,000, 11% debentures of 100 each at premium of 50 per debenture. The full amount was payable on application. Applications were are received for 25,000 debentures. Applications for 5,000 debentures were rejected and the application money was refunded. Debentures were allotted to the remaining applications on pro-rata basis.

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

(ii). Agam Ltd. issued 40,000, 9% debentures of 100 each on April 1, 2018 at a discount of 10 %. Redeemable at a premium of 10 %

Assuming that the interest was paid half yearly on September 30 and March 31, give journal entries relating to debenture interest for the half year ended March 31,2019.

Q25. Ram and Shyam were partners in a firm sharing profits in the ratio of 2:3 respectively. They became old and no one was there to look after the business. So they decided to dissolve their business. On 31st January, 2014, their balance sheet was as follows:

Balance Sheet as at 31st January, 2014

Liabilities		**Amount**	**Assets**	**Amount ( )**
Creditors		65,000	Land	1,20,000
Bills Payable		35,000	Machinery	65,000
Capitals:			Goodwill	10,000
Ram	75,000		Stock	25,000
Shyam	75,000	1,50,000	Debtors	20,000
			Cash	10,000
		2,50,000		**2,50,000**

Ram paid the creditors at a discount of 15 % and Shyam paid Bills Payable in full. Assets realized as follows: Land at 20 % less; Machinery at 35,000; Stock at 25 % less and Debtors at 12,500. Expenses on realization 1,750 were paid by Shyam.

Prepare Realisation Account, Partners' Capital Accounts and Bank Account.

OR

C and D are partners in a firm sharing profits in the ratio of 4:1. On 31.3.2016, their balance sheet was a Follows:

Balance Sheet of C and D AS AT 31-3-2016

Liabilities	Amount	Assets	Amount ( )
Sundry Creditors	40,000	Cash	24,000
Provision for Bad Debts	4,000	Debtors	36,000
Outstanding Salary	6,000	Stock	40,000
General Reserve	10,000	Furniture	80,000
Capitals:		Plant & Machinery	80,000
C 1,20,000			
D 80,000	2,00,000		
	2,60,000		**2,60,000**

On the above date, E was admitted for in share in the profits on the following terms:

(i). E will bring 1,00,000 as his capital and 20,000 for his share of goodwill premium, half of which will be withdrawn by C and D.

(ii). Debtors 2,000 will be written off as bad debts and a provision of 4 % will be created on debtors for bad and doubtful debts.

(iii). Stock will be reduced by 2,000, furniture will be depreciated by 4,000 and 10% depreciation will be charged on plant and machinery.

(iv). Investments of 7,000 not shown in the balance sheet will be taken into account.

(v). There was an outstanding repairs bill of 2,300 which will be recorded in the books.

Pass necessary journal entries for the above transactions in the books of the firm one's admission

Q26. BBG Ltd. had issued 1,00,000 equity shares of 10 each at a premium of 3 per share payable with application money. While passing the journal entries related to the issue, some blanks are left. You are required to fill these blanks

Date	Particulars	L.F	Amount Dr.( )	Amount Cr.( )
2015 Jan.05	……………. Dr. To…………… (Being amount received on application for 1,40,000 shares @ 6 per share including premium		……………	……………
Jan. 17	Equity Share Application A/c Dr To………. To………. To………. To………. (Being application money transferred to share capital account, securities premium account, refunded for 20,000 shares for rejected applications and balance adjusted towards money due on allotment as shares were allotted on pro-rata basis.)		……….	………. ………. ………. ……….
Jan 17	………. Dr. To………. (Allotment money due @ 4 per share)		……….. ……….	
Feb .20	……… Dr. To………. (Balance of amount received)			
April 01	……… Dr.		………	

	To………. (First and final call money due)			……….
April 20	………. Dr. Calls-in-Arrear A/C Dr. To………. (First and final call money received)		………. 3,000	………
May 20	………. Dr. To………. To………. (Forfeited the shares on which first and final calls was not received)			
June 15	………. Dr. ………. Dr. To …….. (Forfeited shares reissued)		………. 3,000	
……….	………. Dr. To………. (……………………………….)			

OR

KS Ltd. invited applications for issuing 1,60,000 equity shares of 10 each at a premium of 6 per share. The amount was payable as follows:

On Application— 4 per share (including premium 1 per share)

On Allotment— 6 per share (including premium 3 per share)

One First and Final Call—Balance

Applications for 3,20,000 shares were received. Applications for 80,000 shares were rejected and application money refunded. Shares were allotted on pro-rata basis to the remaining applicants. Excess money received with applications was adjusted towards sums due on allotment. Jain holding 800 shares failed to pay the allotment money. His shares were forfeited immediately after allotment. Afterwords the final call was made. Gupta who had applied for 1,200 shares failed to pay the final call. His shares were also forfeited. Out of the forfeited shares 1,000 shares were re-issued at 8 per share fully paid-up. The re-issued shares included all the forfeited shares of Jain.

Pass necessary Journal entries for the above transactions in the books of KS Ltd.

Part -B

(Analysis of Financial Statements)

Q.27. Raj Ltd. has a inventory turnover ratio at 3 times. Its management is interested in maintaining this ratio at 4 times following options are available:

(i) To reduce closing inventory

(ii) to reduce closing trade receivable

(iii) To increase credit purchase

Choose the correct option:

(a) Only (i) is correct

(b) Only (ii) is correct

(c) Only (i) and (iii) are correct

(d) Only (ii) and (iii) are correct

OR

Given below are two statements, one labelled as Assertion (A) and the other labelled as Reason (R):

Assertion (A): All contingent liabilities are shown in the non-current liabilities section of the balance sheet.

Reason (R): A contingent liability refers to the claim which is uncertain to arise/which may or may not a rise/which is dependent on a happening in future.

In the context of the above two statements, which of the following is correct:

(a). Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

(b). Both Assertion (A) and Reason (R) are true but Reason (R) is not the correct explanation of Assertion (A).
(c). Assertion (A) is true but Reason (R) is false.
(d). Assertion (A) is false but Reason (R) is true.

Q28. Under which of the following headings/subheadings, Calls-in-advance will be presented in the balance sheet of a company as per schedule III Part I of the Companies Act, 2013?
(a) Current liabilities
(b) Share capital
(c) Share application money pending allotment
(d) Reserves and surplus

OR

________are especially interested in the average payment period, since it provides them with a sense of the bill-paying patterns of the firm.
(a) Customers
(b) Stockholders
(c)Landers and suppliers
(d)Borrowers and buyers

Q29. **Balance Sheet (Extract)**

Assets	**Amount (Closing Balance)**	**Amount (Opening Balance)**
Non-current Assets: (A) Fixed Assets (i) Tangible Assets	12,00,000	9,00,000

Additional Information:
Description charged on tangible fixed assets was 1,20,000.
How much amount will be shown in investing activities for purchase of investments?
(a) 4,20,000
(b) 3,00,000
(c) 1,80,000
(d) 10,12,000

Q30. Mention the amount of source or use of cash when a company acquires shares in Reliance Ltd. by paying 3,00,000 and received a dividend 50,000 on acquisition of shares.
(a) 2,50,000 (Use)
(b) 3,00,000 (Use)
(c) 50,000 (Source)
(d) None of these

Q31. (i) From the following details, calculate opening inventory:
Closing inventory: 60,000; Total Revenue from Operations: 5,00,000 (including cash revenue from operations: 1,00,000); Total purchase . 3,00,000 (including credit purchases: 60,000). Goods are sold at a profit of 25 % on cost.
(ii) Current assets of a company are 17,00,000 Its current ratio is 2.5 and liquid ratio is 0.95. Calculate current liabilities and Inventory of the company.

Q32. Under which heads and sub-heads will the following items to be placed in the balance sheet of a company as per schedule III, Part — I of the Companies Act, 2013:
(i) Subsidy reserve
(ii) Mining rights
(iii) Provision for doubtful debts

Q33. Calculate proprietary ratio, if Total Assets to Debt ratio is 2:1. Debt is 5,00,000. Equity shares capital is 0.5 times of debt. Preference shares capital is 25% of equity share capital. Net profit before tax is 10,00,000 and rate of tax is 40 %

Q34. From the following balance sheet of Mayur Ltd. and the additional information as at 31st March, 2018, prepare a cash flow statement:

Mayur Ltd.

Balance Sheet as at 31st March, 2018

Particulars	**Note No.**	**31-3-2018 ( )**	**31-3-2017 ( )**
I. Equity and Liabilities			
1. Shareholders' Funds			
(a) Share Capital		30,00,000	20,00,000
(b) Reserves and Surplus	1	3,00,000	4,00,000
2. **Non-Current Liabilities**			
Long-term borrowing	2	4,00,000	3,00,000
3. Current Liabilities			
(a) Trade Payables		1,70,000	2,50,000
(b) Short-term Provisions	3	76,000	64,000
Total		**39,46,000**	**30,14,000**
II. Assets:			
1. Non-current Assets			
Fixed Assets:			
(i). Tangible	4	29,00,000	23,00,000
(ii). Intangible	5	2,70,000	1,60,000
2. Current Assets			
(a). Inventories		2,20,000	2,30,000
(b). Trade Receivables		1,10,000	1,30,000
(c). Cash and Cash Equivalents		4,46,000	1,94,000
Total		**39,46,000**	**30,14,000**

Notes to Accounts:

Note No.	**Particulars**	**31-3-2018 ( )**	**31-3-2017 ( )**
1	**Reserves and Surplus**		
	Surplus (Balance in the Statement of Profit & Loss)	3,00,000	4,00,000
		3,00,000	**4,00,000**
2	**Long-term Borrowings**		
	9% Debentures	4,00,000	3,00,000
		4,00,000	**3,00,000**
3	**Short-term Provision**		
	Provision for Tax	76,000	64,000
		76,000	**64,000**
4	**Tangible Assets**		
	Machinery	36,00,000	28,00,000
	Accumulated Depreciation	(7,00,000)	(5,00,000)
		29,00,000	**23,00,000**
5	**Intangible Assets**		
	Goodwill	2,70,000	1,60,000

		2,70,000	1,60,000

Additional Information:

(i). During the year, a piece of machinery costing 4,00,000 on which accumulated depreciation was 73,000 was sold for 3,10,00

(ii). 9 % Debentures of 1,00,000 were issued on 31st March 2018.

Solutions

1. Option (B) is correct.

Explanation: The securities premium amount cannot be used to issue partly paid up bonus shares to shareholders, as the shares are partly paid up. It can only be used for:

(i). To issue fully paid-up. bonus shares to the shareholders.

(ii). To write off preliminary expenses of the companies.

(iii). To write off the commission paid or expenses on issue of shares/debentures.

(iv). To pay premium on the redemption of preference shares or debentures of the company.

(v). Buy-back of equity shares and other securities as per Section 68.

2. Option (A) is correct.

Explanation: The gaining partner transfers the amount of goodwill to the retiring or deceased partners in proportion in order to compensate for the goodwill sacrificed by the retiring or deceased partner as per the gaining ratio.

3. Option (B) is correct.

OR

Option (C) is correct.

4. **Option (A) is correct.**

Explanation:

Remaining share to be distributed between Abha and Beena in their old profit sharing ratio.

Amount of reserve = 25,000
Abha's share in the reserve on the date of her death =
= 12,000

5. **Option (A) is correct.**
Explanation: At the time of dissolution of the partnership firm, realization account is prepared as the liabilities are to be settled as against the assets of the firm and to find the surplus that the partners get or the deficit they need to bring in order for the process of dissolution.

6. **Option (D) is correct.**
Explanation: If goodwill is not brought in cash, it can be adjusted through the new Partner's Capital Account or Current Account as the case may be.

OR

Option (D) is correct.

7. **Option (A) is correct.**
Explanation:
Workmen Compensation Reserve A/c Dr. 80,000
To claim on workmen compensation 65,000
To Partner's Capital A/c 15,000

8. **Option (C) is correct.**

9. **Option (B) is correct.**
Explanation: Debentures interest is paid at a pre-determined fixed rate and is payable irrespective of profits.
Option (A) is correct.
Explanation: Debenture holders are only the creditors of the company as debentures are the part of the borrowed capital of the company

10. **Option (C) is correct.**
Explanation: As the partners are following fixed capital method, the remuneration and other adjustments apart from additional capital brought in is transferred to the Current Account and not Capital Account.

11. **Option (D) is correct.**
Explanation: As the new ratio is not given, the old partners will sacrifice their profits in the old profits in the old profit sharing ratio Thus the sacrifice ratio will be same as their old profit sharing ratio.

12. **Option (A) is correct.**
Explanation: Credit balance for share forfeiture.
Debit balance for share forfeiture
Amount to be transferred to Capital Reserve

OR

Option (B) is correct.

13. **Option (D) is correct.**

14. **Option (A) is correct.**

OR

Option (A) is correct.

Explanation: Interest on partner's loan directly comes in the Profit and Loss Account. The partner's salary interest on partner's drawings and partner's commission are dealt through the Profit and Loss Appropriation Account.

15. Option (B) is correct.

Explanation:

16. Option (C) is correct

***Explanation:* Gaining Ratio = New Ratio – Old Ratio**

Rajendra's Gain

Tejpal's Gain

Gaining Ratio = 1:1

18.

In the Books of Venus Ltd.

Journal Entries

Date	Particulars	L.F	Amount Dr. ( )	Amount Cr. ( )
(i)	Assets A/c Dr		10,00,000	
	To Liabilities A/c			1,80,000
	To Cayns Ltd.			7,60,000
	To Capital Reserve A/c (Balancing figure			60,000
	(Being business purchased from Cayns Ltd.)			
(ii)	Cayns Ltd Dr.		7,60,000	
	Discount on Issue of Debentures A/c Dr.		40,000	
	To 9 % Debentures A/c			8,00,000
	(Being 8,00,000,9% Debentures issued at a discount of 5%			

OR

Calculation of profit or loss on purchase of a business:

Purchase consideration > Value of the business = 13,68,500

Value of the business = 15,00,000-5,00,000 = 10,00,000

Purchase consideration > Value of the business

Hence, the excess of purchase consideration (13,68,500- 10,00,000- 3,68,500) will be debited to goodwill account.

Calculation of number of shares to be issued to P Ltd :

Purchase consideration = 13,68,500

Bills payable issued = 25,500

Remaining amount of which shares are to be issued = 13,68,500 - 25,500= 13,43,000

Face value of each share = 100

Premium = 25 % of 100 = 25

Number of shares issued = 13,43,000/125 = 10,744 shares

In the Books of K Ltd.

Journal Entries

Date	Particulars	L.F	Amount Dr. ( )	Amount Cr. ( )
(i)	Sundry Assets A/c. Dr.		15,00,000	
	Goodwill A/c Dr.		3,68,500	
	To Sundry Liabilities A/c			5,00,000
	To P Ltd.			13,68,500
	(Being Assets and Liabilities acquired)			
(ii)	P Ltd. Dr.		13,68,500	
	To Bills Payable A/c			25,500
	To Equity Share Capital A/c			10,74,400

	To Securities Premium Reserve A/c (Being promissory note accepted and equity shares issued a premium of 25 %)			2,68,600

Books of A, B and C
Journal

18.

Date	**Particulars**	**L.F.**	**Amount Dr. ( )**	**Amount Cr. ( )**
2019 March, 31	A's Capital A/c. Dr B's Capital A/c. Dr C's Capital A/c. Dr To Profit and Loss A/c (Being accumulated loss transferred to the Capital Accounts of all partners)		16,000 24,000 32,000	 72,000
	Workmen Compensation Reserve A/c Dr. To A's Capital A/c To B's Capital. A/c To C's Capital A/c (Being Workmen Compensation Reserve transferred to Capital Accounts) General Reserve A/c Dr. To Investment Fluctuation Reserve A/c To A's Capital A/c To A's Capital A/c To C's Capital A/c (Being 25 % of General Reserve transferred to I.F.R. and Balance Transferred to Capital Accounts of partners in old ratio)		45,000 1,20,000	 10,000 15,000 20,000 30,000 20,000 30,000 40,000

19. **Calculation of new profit sharing ratio of Sahil, Charu and Tanu for the year 2018 to 19:**

Tanu is admitted for 1/5th share
Tanu acquired profit from Sahil
Tanu acquired profit form Charu
Sahil's new share = Old Share-Sacrificing Share

Charu's new share = Old Share – Sacrificing Share

New profit sharing ratio will be
(ii). Calculation of New Profit Sharing Ratio on admission of Puneet:
Puneet is admitted for share, Old Ratio = 33:23:14
Which he acquired from Sahil and Charu in 7:3 ratio.
Puneet acquired share from Sahil
Puneet acquired share from Charu
Sahil's new share
Charu's new share
New Ratio = 26:20:14:10 = 13:10:7:5

OR

Profit & Loss Appropriation Account
For year ending 31st March,2016

Dr. **Cr.**

Particulars	Amount ( )	Particulars	Amount ( )
To Partners' Capital A/c Amann 16,000 Babita 14,000 Suresh 10,000	40,000	By P and L A/c	40,000
	40,000		**40,000**

Profit & Loss Appropriation Account
For year ending 31st March, 2017

Dr. **Cr**

Particulars	Amount ( )	Particulars	Amount ( )
To Partners' Capital A/c Amann 24,000 Babita 24,000 Suresh 12,000	60,000		60,000
	60,000		**60,000**

Working Notes:

2016 40,000 (2:2:1) = 16000 + 16,000 + 8,000
Shortfall = 10,000 – 8,000 = 2,000
Babita's share = 16,000 – 2,000 = 14,000
2017 60000 (2:2:1) = 24,000 + 24,000 + 24,000

20. Goodwill = Super Profit No. of years' purchased.
24,000 = Super Profit 4

Super Profit = Average Profit – Normal Profit
6,000 = Average Profit – 7,500
Average Profit = 7,500 + 6,000 = 13,500

21. **Suhani Ltd. (Extract)**
Balance Sheet as on………

S. No.	Particulars	Note No.	Current Year ( )	Previous Year ( )
I.	**Equity and Liabilities**			
	1. Shareholders' Funds			
	Share Capital	1	21,00,000	
	Reserve and Surplus (Securities premium reserve)	2	1,40,000	
	Total		22,40,000	
II.	**Assets**			
	Cash and Cash Equivalents (Cash at Bank)		22,40,000	
	Total		22,40,000	

Notes to Accounts:

Particulars	Amount ( )
Share Capital	
Authorised Share Capital	
30,000 Shares of 150 each	45,00,000
Issued Capital	
15,000 Shares of 150 each	22,50,000
Subscribed Capital	
Subscribed and Fully Paid-up	
14,000 Shares of 150 each	21,00,000

22. (i) Calculation of Goodwill:

Goodwill = Average Profit 2

(ii) Journal Entry

Date	Particulars	L.F	Amount Dr. ( )	Amount Cr. ( )
	Gupta's Capital A/c Dr. To Kumar's Capital A/c To Kavita's Capital A/c (Being adjustment made for goodwill among the partners)		1,20,000	 60,000 60,000

Working Notes:

Calculation of Sacrificing Ratio:

Sacrificing Ratio = Old Ratio – New Ratio

Kumar (Sacrifice)

Gupta (Gain)

Kavita (Sacrifice)

Calculation of proportionate amount of goodwill adjusted among partners:

Kumar

Gupta

Kavita

23. (i) In the absence of partnership deed, the provisions of Partnership Act, 1932 will apply according to which no interest on capital is payable.

(ii) In the absence of partnership deed, the provisions of Partnership Act, 1932 will apply according to which interest on loan by partner will be paid @ 6% p.a.

(iii) In the absence of partnership deed, the provisions of Partnership Act, 1932 will apply according to which profits will be shared equally.

(iv) In the absence of partnership deed, the provisions of Partnership Act, 1932 will be applicable according to which no salary/remuneration is payable to any partner.

24. (i) **BGP Ltd.**

Journal

Date	Particulars	L.F	Amount Dr. ( )	Amount Cr. ( )
	Bank A/c Dr. To Debenture Application and Allotment A/c (Being application money received for 25,000 debentures)		37,50,000	 37,50,000
	Debenture Application and Allotment A/c Dr.		37,50,000	

	To 11% Debenture A/c			15,00,000
	To Securities Premium Reserve A/c			7,50,000
	To Bank A/c			15,00,000
	(Being debenture application money adjusted and refunded)			

(ii)

Agam Ltd.

Journal

Date	Particulars	L.F	Amount Dr. ( )	Amount Cr. ( )
2018 Sep. 30	Interest on Debenture A/c Dr.		1,80,000	
	To Debenture Holders' A/c			1,80,000
	(Being interest due to debenture holders)			
Sep. 30	Debenture Holders' A/c Dr.		1,80,000	
	To Bank A/c			1,80,000
	(Being interest paid)			
2019 March 31	Interest on Debenture A/c Dr.		1,80,000	
	To Debenture Holders' A/c			1,80,000
	(Being interest due to debenture holders)			
	Debenture Holders' A/c Dr.		1,80,000	
	To Bank A/c			1,80,000
	(Being interest paid)			
	Statement of Profit and Loss A/c Dr.		3,60,000	
	To Interest on Debenture A/c			3,60,000
	(Being interest on debenture transferred to statement of P and L)			

25. Dr. Realisation Account Cr.

Particulars	Amount ( )	Particulars		Amount ( )
To Land	1,20,000	By Creditors		65,000
To Machinery	65,000	By Bills Payable		35,000
To Goodwill	10,000	By Cash:		
To Stock	25,000	Land	96,000	
To Debtors	20,000	Machinery	35,000	
To Ram's Capital Account:		Stock	18,750	
(Creditors Paid)	55,250	Debtors	12,500	1,62,250
To Shyam's Capital Account:		By Loss transferred to:		
(Bills Payable paid)	35,000	Ram's Capital A/c	27,900	
To Shyam's Capital A/c		Shyam's Capital A/c	41,850	69,750
(Realisation Expenses paid)	1,750			
	3,32,000			3,32,000

Dr. Partners' Capital Accounts Cr.

Particulars	Ram ( )	Shyam ( )	Particulars	Ram ( )	Shyam ( )
To Realisation A/c	27,900	41,850	By Balance b/d	75,000	75,000
To Cash	1,02,350	69,900	By Realisation A/c	55,250	35,000
			By Realisation A/c		1,750
	1,30,250	**1,11,750**		**1,30,250**	**1,11,750**

Dr. **Cash Account** **Cr.**

Particulars		Amount ( )	Particulars	Amount ( )
To Balance b/d		10,000	By Ram's Capital A/c	1,02,350
To Realisation A/c			By Shyam's Capital A/c	69,900
Land	96,000			
Machinery	35,000			
Stock	18,750			
Debtors	12,500	1,62,250		
		1,72,250		**1,72,250**

OR

Books of the Firm

Journal

Date	Particulars		L.F.	Amount Dr. ( )	Amount Cr. ( )
	General Reserve A/c	Dr.		10,000	
	To C's Capital A/c				8,000
	To D's Capital A/c				2,000
	(Being General Reserve distributed among partners				
	Cash A/c	Dr.		1,20,000	
	To E's Capital A/c				1,00,000
	To Premium for Goodwill A/c				20,000
	(Being cash received as E's capital and premium for goodwill)				
	Premium for Goodwill A/c	Dr.		20,000	
	To C's Capital A/c				16,000
	To D's Capital A/c				4,000
	(Being premium for Goodwill credited to old partner's capital accounts in sacrificing ratio)				
	C's Capital A/c	Dr.		8,000	
	D's Capital A/c	Dr.		2,000	
	To Cash A/c				10,000
	(Being half of goodwill amount withdrawn by C and D)				
	Bad Debts A/c	Dr.		2,000	
	To Debtors A/c				2,000
	(Being debtors of 2,000 written off)				
	Provision for Bad and Doubtful Debts A/c	Dr.		2,000	
	To Bad Debts A/c				2,000
	(Being provision utilised for written off bad debts)				
	Provision for Bad and Doubtful Debts A/c	Dr.		640	
	To Revaluation A/c				640
	(Being provision for bad debts decreased)				
	Revaluation A/c	Dr.		14,000	
	To Stock A/c				2,000
	To Furniture A/c				4,000
	To Plant and Machinery A/c				8,000
	(Being decrease in assets recorded)				
	Investments A/c	Dr.		7,000	
	To Revaluation A/c				7,000
	(Being increase in investments recorded)				
	Revaluation A/c	Dr.		2,300	

	To Outstanding Repairs A/c (Being increase in liabilities recorded)			2,300
	C's Capital A/c Dr. D's Capital A/c Dr. To Revaluation A/c (Being loss on revaluation transferred to Partners' Capital A/cs)		6,928 1,732	 8,660

26. **Books of BBG Ltd.**

Journal

Date	**Particulars**	**L.F.**	**Amount Dr. ( )**	**Amount Cr. ( )**
2015 Jan. 5	Bank A/c Dr. To Equity Share Application A/c (Being application money received for 1,40,000 shares @ 6 per have including premium)		8,40,000	 8,40,000
Jan. 17	Equity Share Application A/c Dr. To Equity Share Capital A/c To Equity Share Allotment A/c To Securities Premium Reserve A/c To Bank A/c (Being application money transferred to Share Capital Account, securities premium reserve account, refunded for 20,000 shares for rejected applications and balance adjusted towards money due on allotment as shares were allotted on pro-rata basis)		8,40,000	 3,00,000 1,20,000 3,00,000 1,20,000
Jan. 17	Equity Share Allotment A/c Dr. To Equity Share Capital A/c (Being allotment money due @ 4 per share)		4,00,000	 4,00,000
Feb. 20	Bank A/c Dr. To Equity Share Allotment A/c (Being balance allotment money received)		2,80,000	 2,80,000
April 1	Equity Share First and Final Call A/c Dr. To Equity Share Capital A/c (Being first and final call money due)		3,00,000	 3,00,000
April 20	Bank A/c Dr. Calls-in-Arrears A/c Dr. To Equity Share First and Final Call A/c (Being first and final call money received)		2,97,000 3,000	 3,00,000
May 20	Equity Share Capital A/c Dr. To Equity Share First and Final Call A/c To Share Forfeiture A/c (Being shares forfeited on which first and final call was not received)		10,000	 3,000 7,000
June 15	Bank A/c Dr. Share Forfeiture A/c Dr. To Equity Share Capital A/c (Being forfeited shares re-issued)		7,000 3,000	 10,000

June 15	Share Forfeiture A/c Dr/ To Capital Reserve A/c (Being balance of share forfeiture A/c transferred to capital reserve)		4,000	 4,000

OR

Books of KS Ltd.

Journal

Date	Particulars	L.F.	Amount Dr. ( )	Amount Cr. ( )
(1)	Bank A/c Dr. To Share Application A/c (Being share application money received)		12,80,000	 12,80,000
(2)	Share Application A/c Dr. To Share Capital A/c To Securities Premium Reserve A/c To Share Allotment A/c To Bank A/c (Being share application money adjusted)		12,80,000	 4,80,000 1,60,000 3,20,000 3,20,000
(3)	Share Allotment A/c Dr. To Share Capital A/c To Securities Premium Reserve A/c (Being share allotment money due)		9,60,000	 4,80,000 4,80,000
(4)	Bank A/c Dr. To Share Allotment A/c (Being share allotment money received)		6,36,800	 6,36,800
(5)	Share Capital A/c Dr. Securities Premium A/c Dr. To Share Forfeiture A/c To Share Allotment A/c (Being shares forfeited)		4,800 2,400	 4,000 3,200
(6)	Share First and Final Call A/c Dr. To Share Capital A/c To Securities Premium Reserve A/c (Being share first and final call money due)		9,55,200	 6,36,800 3,18,400
(7)	Bank A/c Dr. To Share First and Final Call A/c (Being share first and final call money received)		9,50,400	 9,50,400
(8)	Share Capital A/c Dr. Securities Premium Reserve A/c Dr. To Share Forfeiture A/c To Share First and Final Call A/c (Being shares forfeited)		8,000 1,600	 4,800 4,800
(9)	Bank A/c Dr. Share Forfeiture A/c Dr. To Share Capital A/c (Being share reissued)		8,000 2,000	 10,000
(10)	Share Forfeiture A/c Dr. To Capital Reserve A/c (Being amount transferred to capital reserve)		3,200	 3,200

27. Option (A) is correct

OR

Option (D) is correct.

Explanation: All contingent liabilities are shown as a footnote to the balance sheet.

28. Option (A) is correct.

Explanation: Calls in advance is an amount which is excess paid by the shareholders against which the calls are not yet due. Calls in advance is shown separately in the balance sheet as liability of the company under the heading 'Current Liabilities' until the calls are made and the amount actually becomes payable by the shareholder.

OR

Option (C) is correct.

Explanation: Lenders and suppliers are interested in the average payment period as they provide the goods or money to the firm on credit and they need to know how long will the company take to repay their loans by sensing the bill-payment patterns of the firm.

29. Option (A) is correct.

Particulars	**Amount ( )**	**Particulars**	**Amount ( )**
To Balance b/d To Bank A/c (Purchase) (balance Fig.)	9,00,000 4,20,000	By Depreciation A/c By Balance c/d	1,20,000 12,00,000
	13,20,000		**13,20,000**

30. Option (A) is correct.

31. (i) Total Revenue from Operations = 5,00,000

Gross Profit

Cost of Revenue from Operations = Net Revenue from Operations – Gross Profit

= 5,00,000 – 1,00,000

= 4,00,000

Cost of Revenue from Operations = Opening Inventory + Net Purchases – Closing Inventory

4,00,000 = Opening Inventory + 3,00,000 – 60,000

Opening Inventory = 1,60,000

(ii)

Current Liabilities = 6,80,000

and Inventory = 10,54,000

32.

Particulars	**Major Heads**	**Sub-Heads**
(i) Subsidy Reserve	Shareholders' Funds	Reserves and Surplus
(ii) Mining Rights	Non-Current Assets	Intangible Assets
(iii) Provision for doubtful debts	Notes to Account	Trade Receivables (by way of deduction from debtors)

33. Proprietary Ratio = Proprietor's Fund/Total Assets

Total Assets

Proprietor's Funds = Equity Share Capital + Preference Share Capital + Surplus

Proprietary Ratio

34. **Cash Flow Statement of Mayur Ltd.**
for the year ended 31st Dec., 2016, as per AS-3 Revised

Particulars	**Amount ( )**	**Amount ( )**
A. Cash Flow from Operating Activities:		
Net Profit before tax and extraordinary items (Note 1)		(24,000)
Add: Non-cash and non-operating charges:		
Loss on sale of machinery (total assets)	17,000	
Depreciation	2,73,000	
Interest on debentures	27,000	3,17,000
Operating profit before working capital changes		2,93,000
Add: Decrease in current assets/Increase in current liabilities:		
Decrease in inventories	10,000	
Decrease in trade receivables	20,000	30,000
		3,23,000
Less: Decrease in trade payables	(80,000)	(80,000)
Cash generated from Operations		2,43,000
Less: Tax Paid		(64,000)
Net Cash generated from Operating Activities		1,79,000
Purchase of machinery (Total Assets)	(12,00,000)	
Sale of machinery (Total Assets)	3,10,000	
Purchase of goodwill (Intangible assets)	(1,10,000)	
Net Cash used in Investing Activities		(10,00,000)
C. Cash Flow from Financing Activities:		
Issue of share capital	10,00,000	
Issue of 9% debentures	1,00,000	
Interest on debentures	(27,000)	
Net Cash Flow from Financing Activities		10,73,000
Net increase in Cash and Cash Equivalents during the year (A+B+C)		2,52,000
Add: Cash and Cash Equivalents in the beginning		1,94,000
Cash and Cash Equivalents at the end of the year		4,46,000

Notes:

Calculation of Net Profit before Tax:		
Net Profit		(1,00,000)
+ Provision for tax in current year		76,000
Net Profit before tax		(24,000)

Dr. **Machinery Account** **Cr.**

Particulars	**Amount ( )**	**Particulars**	**Amount ( )**
To Balance b/d	28,00,000	By Bank A/c	3,10,000
To Bank A/c (Bal. figure)	12,00,000	By Accumulated Depreciation A/c	73,000

(Purchase)		By Statement of Profit and Loss By Balance c/d	17,000 36,00,000
	40,00,000		**40,00,000**

Dr. **Machinery Account** **Cr.**

Particulars	Amount ( )	Particulars	Amount ( )
To Machinery A/c To Balance c/d	73,000 7,00,000	By Balance b/d By Statement of P and L (Bal. Figure)	5,00,000 2,73,000
	7,73,000		**7,73,000**