

**General instructions:**

1. Part 1 of Section A is compulsory
  2. Answer **any four** questions from Part II of Sec. A and **any two** questions from Sec. B
  3. The intended marks are given in the brackets
  4. All calculations should be shown clearly
  5. All workings including rough work should be done on the same page as, and adjacent to, the rest of the answer.
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**SECTION A**

**PART 1 (12 Marks)**

**1. Answer briefly each of the following questions:**

- a. Pass the journal entry for goodwill, when a new partner brings his share of goodwill in cash at the time of admission.
- b. List out any four items which are not transferred to Realisation account.
- c. Is there any difference in the treatment of profit /loss on revaluation at the time of admission and retirement of a partner?
- d. What is the maximum number of partner that a partnership firm can have? Name the act that prescribes the maximum number of partners in a partnership firm.
- e. Give the journal entry to distribute workmen compensation reserve of Rs.60,000 at the time of admission of Z, when there is a claim of Rs.40,000 against the firm. The firm has two partners X and Y.
- f. What is meant by interest on capital? Give one reason why it is allowed to partners.

**PART II (48 Marks)**

**Answer any four questions**

2. (A) Ram, Shyam and Mohan are partners in a firm sharing profits and losses in the ratio of 2:2:1. They started business on 1<sup>st</sup> October 2018 with their capitals of Rs.3,00,000; Rs.2,00,000; and Rs.1,50,000 respectively. During the year ended 31<sup>st</sup> march 2019, Ram withdrew Rs.1,000 in the beginning of each month, Mohan withdrew Rs.2,000 at the end of each month while shyam withdrew Rs.9,000 during the period of six months. The partnership deed provides that:

- a. Partners are allowed interest on capital @5%p.a
- b. Interest on drawings is charged @6%p.a
- c. Mohan is to get salary of Rs.2500 per month.
- d. Ram is to get commission @5% of the net profit of the firm.
- e. Shyam is to get commission of 5% of the net profit of the firm after charging such commission.

During the period ended 31<sup>st</sup> march 2019 profits of the firm was Rs.10,35,000 after charging Mohan's salary which had been debited to wages and salaries account. You are required to prepare profit and loss appropriation account of the firm. {8}

- (B) Average profit earned by a firm is Rs.75000 which includes undervaluation of stock of Rs.5000 on an average basis. The capital invested in the business is Rs.7,00,000 and the normal rate of return is 7%. Calculate goodwill of the firm on the basis of 5 times of super profit. {4}

3. Pihu, Geeta and Nita are partners in a firm, sharing profits and losses in the ratio of 3:2:1. On 31<sup>st</sup> march 2015, their balance sheet was as under:

Liabilities	Amount	Assets	Amount
Sundry creditors	15,000	Cash at bank	16,000
General reserves	9,000	Sundry debtors	25,000
Capital A/c		Less: Provision for doubtful debts:	1,300
Pihu: 79,000		Stock	14,300
Geeta: 70,000		Plant and Machinery	60,000
Nita: 61,000	2,10,000	Land and Building	1,20,000
	2,34,000		2,34,000

Nita retires on 1<sup>st</sup> april 2015, subject to the following adjustments:

- Land and building to be reduced by 10%
- Goodwill to be valued at Rs.54,000
- Provision for doubtful debts to be raised to 10% of the debtors, the excess provision being created from General reserve, the balance of the general reserves to be distributed among the partners.
- Creditors of Rs.3000 were paid by Pihu for which she is not to be reimbursed
- The continuing partners to share profits and losses in the ratio of 5:4
- Nita to be paid Rs.29,000 on retirement and remaining amount is transferred to her loan account.

Prepare Revaluation, Partners' capital account.

[12]

4. Following is the balance sheet of Subhaash and Asha sharing profits as 3:2

Liabilities	Amount	Assets	Amount
Creditors	1,00,000	Debtors:	2,20,000
Employees provident fund	80,000	Less : Provision for doubtful debts:	10,000
General reserves	3,00,000	Stock	1,10,000
Workmen compensation reserve	1,50,000	Bank	2,10,000
Capital A/c:		Land and building	1,80,000
Subhaash: 1,50,000		Plant and machinery	1,20,000
Asha: 1,00,000	2,50,000	Advertisement expenditure	50,000
	8,80,000		8,80,000

On admission of Tanya for 1/6<sup>th</sup> share in the profits, it was decided that:

- Value of land and building to be increased by Rs.30,000
- Value of stock to be increased by 25,000
- Provision for doubtful debts to be increased by Rs.15,000
- A liability of workmen compensation was determined to be Rs.1,20,000
- Tanya brought in as her share of goodwill Rs.1,00,000 by cheque.
- Tanya was to bring further cheque of Rs.150,000 as her capital.

Prepare Revaluation Account, Partners' Capital Account and Balance sheet of the new firm. [12]

5. Srijan, Raman and Manan were partners in a firm with PSR of 2:2:1. On 31<sup>st</sup> march 2019 their balance sheet was as follows:

Liabilities	Amount	Assets	Amount
Capital A/c:		Manan's capital	10,000
Srijan : 2,00,000		Plant	2,20,000
Raman: 1,50,000	3,50,000	Investments	70,000
Creditors	75,000	Stock	50,000
Bills payable	40,000	Debtors	60,000
Outstanding salary	35,000	Bank	10,000
		Profit/loss account	80,000
	5,00,000		5,00,000

On the above date they decided to dissolve the firm on the following terms:

- Srijan was appointed to realise the assets and discharge the liabilities. Srijan was to receive 5% commission on sales of assets and was to bear all expenses of realisation.
  - Assets realised as follows:
    - Plant : 85,000
    - Stock: 33,000
    - Debtors: 47,000
  - Investments were realised at 95% of the book value.
  - The firm had to pay Rs.7500 for an outstanding repair bill not provided for earlier.
  - A contingent liability in respect of bills receivable, discounted with the bank had also materialized and had to be discharged for Rs.15000
  - Expenses of realisation amounting to Rs3000 were paid by srijan.
- Prepare Realisation Account, Partner's capital Account and Bank Account.

6. (a) X , Y , and Z are partners with fixed capital as on 1<sup>st</sup>April 2019 were 5,00,000; 10,00,000; and 15,00,000 respectively. Profits for the year 2018-19 amounting to Rs.3,00,000 was distributed in the ratio of capitals after providing for the following:
- X's salary Rs. 1,20,000 p.a and Y's commission of Rs.40,000
  - Interest on capitals; X- 50,000; Y – 1,00,000 and Z – 1,50,000
  - Interest on drawings: X – 30,000; Y – 50,000; Z – 80,000

The partnership deed was silent as to sharing of profits and losses, interest on capital and interest on drawings and partner's salary and commission.

Pass the necessary adjustment entry.

(8)

(b) A and B are partners in a firm sharing profits in the ratio of 2:1. They invested capitals of Rs. 10,00,000 and Rs. 8,00,000 respectively. A withdrew the following amounts during the year to pay the college fee and other expenses of his son:

1 <sup>st</sup> April	:	20,000
1 <sup>st</sup> June	:	18,000
1 <sup>st</sup> November:		28,000
1 <sup>st</sup> December:		10,000

B withdrew Rs.30,000 in the beginning of each quarter for house hold expenses. Calculate the interest on drawings @ 6% p.a for the year 2018-19.

(4)

7. Nimrat and kriti are partners in a firm sharing profits and losses in the ratio of 7:3. Their balance sheet as at 31<sup>st</sup> march 2020 is as follows:

Liabilities	Amount	Assets	Amount
Sundry creditors	40,000	Cash in hand	36,000
Bank overdraft	20,000	Debtors	
General reservess	10,000	46,000	44,000
Capital A/c:		Less: Provision of doubtful debts:	50,000
Nimrat: 50,000		(2000)	30,000
Kriti: 40,000	90,000	Stock in trade	
	1,60,000	Furniture	
			1,60,000

On 1<sup>st</sup> april 2020, Ananya joins the firm as a partner for 1/4<sup>th</sup> share of the profits on following terms:

- Goodwill is valued at 40,000 and Ananya is to bring the necessary amount in cash as premium of goodwill.
- 20% of the General Reserve is to be transferred to Workmen compensation Reserve against expected claim.
- Stock in trade is to be reduced by 40% and furniture is to be reduced to 40%.
- Provision for doubtful debts is to be increased to Rs.4,000
- Nimrat is to pay the bank overdraft.
- Ananya is to introduce Rs.30,000 as her capital.

Pass the necessary journal entries to carry out the admission of the Ananya (12)

8. (A) X, Y and Z are in partnership sharing profits and losses in the ratio of 5:4:1 respectively. Two new partners A and B are admitted. The profits are to be shared in the ratio of 3:4:2:2:1. A is to pay Rs.30,000 for his share of goodwill but B is unable to bring his share of goodwill in cash. Both the new partners introduced Rs.40,000 each as their capital. You are required to pass the necessary journal entries. [4]

(B) vishal and satya are partners in a firm sharing profits in the ratio of 4:3. They admit Raman as a partner. On the date of raman's admission the balance sheet of vishal and satya shows a general reserves of Rs.105000 and a debit balance of Rs.21000 in the profit and loss account. Pass the journal entries for the treatment of the items on Raman's admission. [4]

(C) Priyanka and Kajal are partners sharing profits and losses in the ratio of 7:5. They admit Aliya as new partner who acquires 1/12<sup>th</sup> from priyanka and 1/6<sup>th</sup> from Kajal as her share. Calculate new profit sharing ratio and sacrificing ratio. [4]

### SECTION B (20 Marks)

Answer any two questions

9. You are required to prepare the cash flow statement (as per AS-3) for the year 2019-20 from the balance sheet:

Balance sheet of Krishna Ltd. as at 31<sup>st</sup> march 2020

Particulars	Note No	31 <sup>st</sup> march 2020	31 <sup>st</sup> march 2019
<b>I. Equity and Liabilities</b>			
<b>1. shareholder's funds</b>			
(a) Share capital		10,00,000	8,00,000

(b) Reserves and Surplus	1	4,00,000	(1,00,000)
<b>2. Non- Current liabilities</b>			
Long term borrowings	2	9,00,000	10,00,000
<b>3. Current Liabilities</b>			
(a) short term borrowings	3	3,00,000	1,00,000
(b) short term provisions	4	1,40,000	1,80,000
<b>Total</b>		<b>27,40,000</b>	<b>19,80,000</b>
<b>II. Assets</b>			
<b>1. Non – Current Assets</b>			
(a) <b>Fixed Assets:</b>			
(i) Tangible assets	5	20,06,000	14,40,000
(ii) Intangible assets	6	40,000	60,000
(b) <b>Non-Current investments</b>		2,00,000	1,50,000
<b>2. Current Assets</b>			
(a) Current investments		1,00,000	1,20,000
(b) inventories	7	2,14,000	90,000
(c) cash and bank balances		1,80,000	1,20,000
<b>Total</b>		<b>27,40,000</b>	<b>19,80,000</b>

#### Notes to Accounts

Particulars	31 <sup>st</sup> march 2020	31 <sup>st</sup> march 2019
<b>1. Reserves and Surplus</b>		
Surplus i.e., Balance in statement of p/l account	4,00,000	(1,00,000)
<b>2. Long term borrowings</b>	9,00,000	10,00,000
12% Debentures		
<b>3. Short term borrowings</b>	3,00,000	1,00,000
Bank Overdraft		
<b>4. Short term provisions</b>	1,40,000	1,80,000
Provision for Tax		
<b>5. Tangible Assets</b>		
Machinery	24,06,000	16,42,000
Less: Accumulated Depreciation	(4,00,000)	(2,02,000)
	<b>20,06,000</b>	<b>14,40,000</b>
<b>6. Intangible Assets</b>		
Goodwill	40,000	60,000
<b>7. inventories</b>		
Stock –in – trade	2,14,000	90,000

#### Additional information:

- 12% debenture were redeemed on 31<sup>st</sup> march 2020.
- Income tax Rs.1,40,000 was paid during the year
- A part of machine, costing Rs. 2,00,000 accumulated depreciation thereon being Rs.80,000 was sold for Rs.72,000

- d. Proposed dividend for the year ended 31<sup>st</sup> march 2019 and 2020 were Rs. 80,000 and Rs. 1,00,000 respectively. [10]

10. (A) State whether the following would result in inflow, outflow, or no flow of cash:

- Goodwill written off
- Cash withdrawn from bank.
- Bills receivable endorsed to creditors
- Old vehicles written off [4]

(B) Give any two objectives of preparing common size statement. [2]

(C) while preparing a cash flow statement, identify the following transactions as belonging to operating Activities, Investing Activities, Financing Activities and cash and cash equivalents.

- Bank Overdraft Repaid
- Purchases of Marketable securities
- Cash paid to creditors
- sale of patents
- issue of share capital
- commission received [6]

11. (a) From the following statement of profit and loss, prepare comparative income statement: [6]

Particulars	Note no	31 <sup>st</sup> march 2020	31 <sup>st</sup> march 2019
I. Income			
Revenue from operations (Net sales)		20,00,000	17,50,000
Other income		75,000	50,000
II. Expenses			
Purchases of stock in trade		11,60,000	10,00,000
Change in inventories of stock in trade		10,000	(25,000)
Employees benefit expenses (wages)		3,00,000	3,00,000
Depreciation and Amortisation expenses		50,000	50,000
Other expenses.		90,000	75,000

(b) calculate cash flow from operating activities from the following information:

Particulars	31 <sup>st</sup> march 2020	31 <sup>st</sup> march 2019
Trade receivable:		
Debtors	40,000	50,000
Bills receivables	12,500	10,000
Trade payables:		
Creditors	20,000	25,000
Bills payables	25,000	40,000
Outstanding expenses	1,000	800
Accrued income	7,000	6,000
Surplus i.e balance in statement of profit and loss.	1,80,000	50,000