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DIWALI TEST - 2014

Q.1(a) In the absence of an agreement to the contrary, the partners are
(a) entitled for 6% interest on their capitals only when there are profits.
(b) entitled for 9% interest on their capitals only when there are profits.
(c) entitled for interest on capital @ 6% p.a.
(d) not entitled for any interest on their capital.

Q.1(b) Revaluation of assets on the reconstitution of partnership is necessary because their present value may be different from their _____________.
(i) premium for goodwill (ii) reconstitution (iii) book value

Q.1(c) At the time of retirement of a partner, if goodwill appears in the Balance Sheet, it must be written off, the Capital Accounts of all partners are debited in
(a) the old profits-sharing ratio, (b) the new profit-sharing ratio (c) the capital ratio.

Q.1(d) According to the partnership Act (Sec. 37), the interest payable to the deceased partner on the amount left by him will be
(a) 6% p.a. (b) 10% p.a. (c) the Bank Rate

Q.1(e) At the time of dissolution of the firm, if goodwill appear in the Balance Sheet, it is transferred to
(a) Realization Account (b) Partner's Capital Accounts (c) Revaluation Account

Q.1(f) If share of ₹ 10 on which ₹ 8 has been called and ₹ 6 is paid is forfeited, the Share forfeited Account should be credited with
(a) ₹ 10 (b) ₹ 8 (c) ₹ 6 (d) 2

Q.1(g) Balance in Forfeited Shares Account is shown in the Balance Sheet under the head of
(a) Other Current Liabilities (b) Reserves and Surplus
(c) Share Capital (d) Long-term Borrowings

Q.1(h) When shares are forfeited, share capital account is debited with
(a) nominal value of share (b) called-up value of shares
(c) paid-up value of shares. (d) market value of shares

Q.1(i) If the loss on reissue of shares is less than the amount forfeited, the surplus is transferred to
(a) Capital Reserve (b) An asset (c) Revenue reserve (d) None of these

Q.1(j) SEBI Guidelines in respect of redemption of debenture are to protect the interest of
(a) Debenture holders (b) Creditors (c) Shareholders (d) Bankers

Q.1(k) Dividend paid by HDFC Bank ltd. will come under which activity while preparing cash flow statement ?
(a) Operating Activities (b) Investing Activities (c) Financing Activities.

Q.1(l) Interest Receive by DLF ltd. will come under which activity while preparing cash flow statement ?
(a) Operating Activities (b) Investing Activities (c) Financing Activities.

Q. 2(a) A, B and C were partners. Their capitals were A - ₹ 30,000; B - ₹ 20,000 and C - ₹ 10,000 respectively. According to the Partnership Deed, they were entitled to an interest on capital at 5% p.a. In addition B was also entitled to draw a salary of ₹ 500 per month. C was entitled to a commission of 5% on the profits after charging the interest on capital, but before charging the salary payable to B. Net profit for the year was ₹ 30,000 distributed in the ratio of capitals without providing for any of the above adjustments. The profits were to be shared in the ratio of 5:2:3.

Pass necessary adjustment entry showing the working clearly. **(4)**

Q. 2(b) X and Y were in a partnership sharing profits and losses in the ratio of 3:2. In appreciation of the services of Z who was in receipt of a salary of ₹ 24,000 per annum and a commission of 5% of the net profit after charging such salary and commission, they took him into partnership from 1st April, 2013 giving him 1/8 share of profits. The agreement providing that any excess over his former remuneration to which C becomes entitled will be borne by X and Y in the ratio of 2:3. The profits for the year ended 31st March, 2014 amounted to ₹ 4,44,000.
Prepare Profit and Loss Appropriation Account. **(4)**

Q. 3(a) A, B and C are partners sharing profits and losses equally. They agree to admit D for equal share. For this purpose, value of goodwill is to be calculated on the basis of four years' purchase of average profit of last five years. There profits were :

Year	2009	2010	2011	2012	2013
Profit/Loss (₹)	30,000 (profit)	70,000 (profit)	1,00,000 (profit)	1,40,000 (profit)	1,20,000 (loss)

On 1st January, 2013, a Moped costing ₹ 20,000 was purchased and debited to Travelling Expenses Account, on which depreciation is to be charged@ 25%. Calculate the value of goodwill after adjusting the above. **(4)**

Q. 3(b) X, Y and Z are sharing profits and losses in the ratio of 5:3:2. They decide to share future profits and losses in the ratio of 2:3:5 with effect from 1st April, 2014. They also decide to record the effect of the following accumulated profits, losses and reserves without affecting their books figure by passing a single entry.

	Book Figure (₹)
General Reserve	6,000
Profit and Loss A/c (Credit)	24,000
Advertisement Suspense A/c	12,000

Pass necessary Single Adjusting Entry. **(4)**

Q. 4 A and B are partners sharing profits and losses in the ratio of 3:2, Their Balance Sheet as at 31st March, 2014 was: **(8)**

Liabilities		₹	Assets		₹
Capital A/cs :			Machinery		66,000
A	70,000		Furniture		30,000
B	60,000	1,30,000	Investments		40,000
General Reserve		20,000	Stock		46,000
Bank Loan		18,000	Debtors	38,000	
Creditors		72,000	Less : provision for Doubtful Debts	4,000	34,000
			Cash		24,000
		2,40,000			2,40,000

On 1st April, 2014, they admitted C for 25% share in profits on the following terms:

(a) C brings in capital proportionate to his share after all adjustments and ₹ 8,000 for goodwill out of his share of ₹ 14,000.
(b) Depreciate furniture by 10%.
(c) Half of investments were to be taken over by A and B in their profit-sharing ratio and remaining valued at ₹ 26,000.
(d) New ratio will be 3:3:2.

Prepare Revaluation Account, Partners' Capital Accounts and Balance Sheet after C's admission.

Q.5(a) Flipkart, Amazon and Mantra are partner sharing profits and losses in the ratio of 4:3:1. Amazon retires, selling his share of profits to Flipkart and Mantra for ₹ 8,100; ₹ 3,600 paid by Flipkart and ₹ 4,500 by Mantra. The profits for the year after Amazon's retirement were ₹ 10,500.
You are required (i) to give necessary Journal entries to record the transfer of Amazon's share to Flipkart and Mantra;

(ii) to calculate new profit-sharing ratio and distribute the profits between Flipkart and Mantra. Flipkart and Mantra bring the necessary cash. (3)

Q.5(b) A, B and C are partner sharing profits in the ratio of 1:2:3. B retires and his capital, after making adjustments for reserves and profits on revaluation stands at ₹ 2,20,000. A and B agreed to pay him ₹ 2,50,000 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. (2)

Q.5(c) X, Y and Z are partners in a firm. Y retires and his claim including his capital and his share of goodwill is ₹ 1,20,000. He is paid partly in cash and partly in kind. A vehicle at ₹ 60,000 unrecorded in the books of the firm and the balance in cash is given to him to settle his account. Give the Journal entries for recording the payment to Y in the books of the firm. (3)

Q. 6 The Balance Sheet of Dhiru bhai, Mukesh bhai and Anil bhai who were sharing profits in the ratio of 4:2:4 as on 31st March, 2014 was as follows : (8)

Balance Sheet as at 31st March, 2014

Liabilities		₹	Assets	₹
General Reserve		10,000	Cash	26,000
Bill Payable		20,000	Stock	64,000
Loan		22,000	Investments	85,000
Capital A/cs:			Land and Building	97,000
Dhiru bhai	80,000		Dhiru bhai's Loan	20,000
Mukesh bhai	60,000			
Anil bhai	1,00,000	2,40,000		
		2,92,000		2,92,000

Dhiru bhai died on July 31st, 2014. The Partnership Deed provided for the following on the death of a partner:

(i) Goodwill of the firm be valued at two years' purchase of average profits for the last three years.

(ii) Dhiru bhai's share of profit or loss till the date of his death was to be calculated on the basis of sales. Sales for the year ended 31st March, 2014 amounted to ₹ 4,50,000 and that from 1st April to 31st july 2014 to ₹ 2,70,000. The profit for the year ended 31st March, 2014 was calculated as ₹ 1,25,000.

(iii) Interested on capital was to be provided @ 5% p.a.

(iv) The average profits of the last three years were ₹ 55,000.

Prepare Dhiru bhai's Capital Account to be rendered to his executor. Also identify the value being highlighted in the question.

Q. 7 Following is the Balance Sheet of A and B as at 31st March, 2014 : (8)

Liabilities	₹	Assets		₹
Sundry Creditors	30,000	Cash in Hand		500
Bills Payable	8,000	Cash at Bank		8,000
Mrs. A's Loan	5,000	Stock-in-Trade		5,000
Mrs. B's Loan	10,000	Investments		10,000
General Reserve	10,000	Debtors	20,000	
Investments Fluctuation Fund	1,000	Less: Provision for Doubtful Debts	2,000	18,000
A's Capital	10,000	Plant and Machinery		20,000
B's Capital	10,000	Building		15,000
		Goodwill		4,000
		Profit and Loss A/c		3,500
	84,000			84,000

The firm was dissolved on 31st March, 2014 and following was agreed : (i) A promised to pay Mrs. A's Loan and took stock-in-trade at ₹ 4,000. (ii) B took half the Investments @ 10% discount. (iii) Debtors realized ₹ 19,000. (iv) Creditors and Bills Payable were due on an average basis of one month after 31st March but they were paid immediately on 31st March @ 6% discount per annum. (v) Plant realized ₹ 25,000; Building ₹ 40,000; Goodwill ₹ 6,000 and remaining Investments at ₹

4,500 (vi) There was an old typewriter in the firm which had been written off completely from the books. It is now estimated to realize ₹ 300. It was taken away by B at this estimated price. (vii) Realization expenses were ₹ 1,000.

Show the Realization Account, Bank Account and Partners' Capital Accounts in the books of the firm.

Q.8 Future Group issued a prospectus inviting applications for 20,000 shares of ₹ 10 each at a premium of ₹ 2 per share payable as follows : On application ₹ 2; on allotment ₹ 5 (including premium); on first call ₹ 3; on second and final call ₹ 2.

Applications were received for 30,000 shares and pro rata allotment was made on the applications for 24,000 shares. Money overpaid on applications was adjusted against amount due on allotment.

Ramesh, to whom 400 shares were allotted, failed to pay the allotment money and on his subsequent failure to pay first call his shares were forfeited. Mohan, the holder of 600 shares, failed to pay two calls and his shares were forfeited after the second call.

Of the shares forfeited, 800 shares were sold to Krishna credited as fully paid for ₹ 9 per share, the whole of Ramesh's shares being included.

Pass journal entries. **(8)**

Q.9(a) Oriflame Cosmetics Ltd. issued 5,000; 9% Debentures of ₹ 100 each on 1st April, 2014 redeemable at a premium of 8% after 10 years. According to the terms of prospectus ₹ 40 is payable on application and balance on allotment of debentures.

Record the necessary entries regarding issue of debenture. **(3)**

Q.9(b) Facebook Ltd. purchased assets of the book value of ₹ 40,00,000 and took over the liabilities of ₹ 5,00,000 from Whatsapp ltd. It was agreed that the purchase consideration, settled at ₹ 38,00,000, be paid by issuing debentures of ₹ 100 each at a premium of 10%.

Pass journal entries. It was agreed that any fraction of debentures be paid in cash. **(2)**

Q.9(c) X Ltd. has 4,000; 9% Debentures of ₹ 100 each for redemption on 31st March, 2014. Debentures Redemption Reserve has a balance of ₹ 1,40,000 on that date. Pass Journal entries at the time of redemption of debentures. **(3)**

Q.10(i) Show the following items in the Balance Sheet of a Company under proper headings: **(4)**

(i) Trade payables
(ii) Loose Tools
(iii) Provident Fund
(iv) Provision for taxation
(v) Interest due on Debentures
(vi) Debentures
(vii) Proposed Dividend
(viii) Trade Receivables

Q.10(ii) The Balance Sheets of AB Ltd. are giving for the year ended on 31st March, 2013 and 2014. You are required to prepare the Comparative Balance Sheet and comment on it. **(4)**

BALANCE SHEET
as at 31st March, 2013 and 2014

Particulars	31.3.2013	31.3.2014
I. EQUITY AND LIABILITIES :		
(i) Shareholders' Funds :		
Share Capital	1,00,000	1,20,000
Reserve and Surplus	10,000	11,000
(ii) Non-Current Liabilities :		
Long term Provision	40,000	30,000
(iii) Current Liabilities :		
Trade Payables	15,000	23,000
Other Current Liabilities (Outstanding Expenses)	1,000	2,000
II. ASSETS :		

(i) **Non-Current Assets:**		
Fixed Assets	76,000	98,000
Non Current Investments	40,000	40,000
(ii) **Current Assets :**		
Inventories	32,000	8,000
Trade Receivable	8,000	12,000
Cash and Cash Equivalent	10,000	8,000
	1,66,000	**1,86,000**

Q.11(i) From the following information, calculate the following ratios (a) Debt-Equity Ratio (b) Working Capital Turnover Ratio (c) Return on Investment. **(4)**

	₹
Equity Share Capital	50,000
General Reserve	5,000
Balance of Profit and Loss after Tax and Interest	15,000
9% Debentures	20,000
Creditors	15,000
Land and Building	65,000
Equipments	15,000
Trade Receivables	14,500
Cash	5,500

Revenue from Operations for the year ended 30.3.2013 was ₹ 1,50,000.
Tax Ratio 50%

Q.11(ii) Calculate current assets of a company from the following information:
Inventory Turnover Ratio 4 times; Inventory at the end ₹ 20,000 more than that in the beginning; Revenue from Operations ₹ 3,00,000; Gross Profit 25%; Current liabilities ₹ 40,000; Quick Ratio 0.75. **(4)**

Q.12 From the following Balance Sheet of TPT ltd,. Prepare Cash flow Statement : **(8)**

BALANCE SHEET OF TPT LTD.

Particulars	Note No.	31.3.2013	31.3.2014
I. EQUITY AND LIABILITIES :			
(i) **Shareholders' Funds :**			
Share Capital	1	2,50,000	2,50,000
Reserve and Surplus	2	50,000	50,000
(ii) **Current Liabilities :**			
Trade Payables	3	20,000	30,000
Other Current Liabilities		35,000	22,000
Total		**4,05,000**	**4,05,000**
II. ASSETS :			
(iii) **Non-Current Assets:**			
Fixed Assets	4	3,00,000	2,70,000
(iv) **Current Assets :**			
Inventories		30,000	25,000
Trade Receivable		35,000	40,000
Cash and Cash Equivalent		40,000	17,000
Total		**4,05,000**	**4,05,000**

Notes to Accounts :

Particulars	**31.3.2013 (₹)**	**31.3.2014 (₹)**
Note 1 : Share Capital :		
Equity Share Capital	2,00,000	1,00,000
10% Preference Share Capital	50,000	1,50,000
	2,50,000	2,50,000

Note 2 : Reserves and Surplus :		
General Reserves	30,000	20,000
Statement of Profit & loss	70,000	30,000
	1,00,000	50,000
Note 3 : Short Term Provisions :		
Provision for Taxation	15,000	10,000
Proposed Dividend	20,000	12,000
	35,000	22,000
Note 4 : Fixed Assets :		
Plant and Machinery	1,50,000	70,000
Buildings	1,50,000	2,00,000
	3,00,000	2,70,000
Note 5 : Cash and Cash Equivalents :		
Cash in Hand	15,000	4,000
Cash at Bank	25,000	13,000
	40,000	17,000

Additional Information :

1. Depreciation of ₹ 10,000 was provided on Building and ₹ 20,000 on Plant.
2. A part of the Building was sold at a profit of ₹ 25,000
3. Dividend of ₹ 15,000 was declared during the year.
4. Provisions for Taxation of ₹ 12,000 was made during the year.

NOTE : Ques. 1 compulsory. Attempt any 11 questions.