DIWALI TEST 2015

Code no : DT01-12 Time : 150 mins.

Q.1 (a)

A, B and C are in partnership sharing profits and losses in the ratio of 2:1:1. Interest on capital is 5% p.a. and Interest on drawings 4% p.a. Following are the particulars of the capital, current and drawings account of the partners.

	A	B	C
Capital (1-4-14)	₹ 75,000	₹ 40,000	₹ 30,000
Current A/c (1-4-14)	₹ 10,000	₹ 5,000	₹ 5,000(Dr.)
Drawings	₹ 15,000	₹ 10,000	₹ 10,000
Interest on Drawings	₹ 500	₹ 190	₹ 350

The accounts for 2014-15 showed a net profit of ₹ 60,000 before taking into account interest on capitals and drawings following rectification of errors are to be made.
(a) Rent of the private house of A amounting to ₹ 750 paid by the firm on 31st March 2015. has been charged to rent a/c of the firm
(b) Repair of machinery amounting to ₹ 10,000 has been debited to machinery account and depreciation there on has been charged 20%.
(c) Traveling expenses of ₹ 3,000 of B for pleasure trip to U.S.A. paid by the firm on 30th sept. 2014 has been debited to traveling expenses account.
Prepare P&L appropriation account for the year ended 31st March 2015.

Q.1 (b)

Below is given the profit & loss appropriation A/c of a partnership firm for the year ended 31st Dec. 2014.

To Interest on Capital		By Ne Profit	1,12,000
A 6% on ₹ 2,00,000	12,000	By Int. on Drawing	
B 6% on ₹ 1,00,000	6,000	A @ 5% on ₹ 32,000	1,600
To A's Salary	16,800	B @ 5% on ₹ 24,000	1,200
To Balance of Profit			
A 40,000			
B 40,000	80,000		
	1,14,800		**1,14,800**

The entries were duly passed in respect of above
(i) Interest on capital was to be allowed at 5% p.a. and interest on drawings to be charged at 6% p.a.
(ii) A was not be allowed salary instead B was to be allowed a salary of ₹ 800 per month.
(iii) B was also to be allowed a commission of ₹ 1,000 for a special transaction.
(iv) Profit & Loss were to be shared by partners in the ratio of their capital.
Pass the necessary adjustment entry.

Q. 2 Vijay and Ajay are partners sharing profits in the ratio of 3:2. They admit Naresh as a new partner. Vijay gives 1/3rd of his share while Ajay gives 1/10th from his share. The balance sheet is given below.

Balance Sheet
as at..

Liabilities		Amt (₹)	Assets	Amt (₹)
Capital A/cs			Goodwill	1,00,000
Vijay	17,60,000		Land and Building	6,00,000
Ajay	25,40,000	43,00,000	Investments	5,00,000
			(Market value ₹ 4,50,000]	
Workmen Compensation Fund		2,00,000	Debtors	10,00,000
Investment Fluctuation Fund		1,00,000	Stock	30,00,000
Employees' Provident Fund		1,00,000	Bank Balance	25,00,000
Provision for Doubtful Debts		1,00,000	Advertisement Suspense A/c	1,00,000
Naresh's Loan		30,00,000		
		78,00,000		**78,00,000**

Terms of Naresh's admission are as follows

(i) Naresh's loan will be converted into his capital. Naresh brings in 60% of his share of goodwill in cash.

(ii) Goodwill is to be valued at 2 years' purchase of super profit of last three completed years. Profits were – Year I ₹ 48,00,000, year II ₹ 93,00,000, Year III ₹ 1,38,00,000. The normal profits are ₹ 63,00,000. No goodwill is to appear in the books of new firm.

(iii) Land and Building was found undervalued by ₹ 5,00,000. Stock was found overvalued by ₹ 7,00,000. Provision for doubtful debts is to be made equal to 10 % of the debtors.

(iv) Claim on account of workmen compensation is ₹ 1,00,000. An unaccounted accrued income of ₹ 1,00,000 be provided for. A debtor whose dues of ₹ 5,00,000 were written off as bad debts, paid ₹ 4,00,000 in full settlement.

Pass Journal Entries.

Q. 3 L, M and N were partners in a firm sharing profits in the ratio of 2:1:1. On 1st April, 2014, their balance sheet was as follows.

Balance Sheet

as at 1st April, 2014

Liabilities		Amt (₹)	Assets		Amt (₹)
Capital A/cs			Land		8,00,000
L	6,00,000		Building		6,00,000
M	4,80,000		Furniture		2,40,000
N	4,80,000	15,60,000	Debtors	4,00,000	
General Reserve		4,40,000	Less Provision	(20,000)	3,80,000
Workmen's Compensation Fund		3,60,000	Stock		4,40,000
Creditors		2,40,000	Cash		1,40,000
		26,00,000			**26,00,000**

On the above date, N retired. The following were agreed

(i) Goodwill of the firm was valued at ₹ 6,00,000

(ii) Land was to be appreciated by 40% and building was to be depreciated by ₹ 1,00,000.

(iii) Furniture was to be depreciated by ₹ 30,000.

(iv) The liabilities for workmen's compensation fund was determined at ₹ 1,60,000.

(v) Amount payable to N was transferred to his loan account.

(vi) Capital of L and M were to be adjusted in their new profit sharing ratio and for this purpose current accounts of the partners will be opened.

Prepare revaluation account, partners' capital accounts and the balance sheet of the new firm.

Q. 4 X, Y and Z were partners sharing profits in the ratio of 2:1:1. They closed their books on 31st December each year. X died on 28th February, 2015 when balance sheet was as follows.

Balance Sheet
as at 28th February, 2015

Liabilities		Amt (₹)	Assets	Amt (₹)
Creditors		1,79,000	Cash at Bank	20,00,000
Workmen's Compensation Reserve		5,60,000	Sundry Debtors	7,50,000
Profits for 2 months (before interest and salaries)		3,11,000	Loan to X	4,00,000
Capital A/cs				
X	10,00,000			
Y	6,00,000			
Z	5,00,000	21,00,000		
		31,50,000		**31,50,000**

According to partnership deed

(i) Interest on capital is allowed @ 6% per annum. X and Y are entitled to salaries at ₹ 30,000 and ₹ 25,000 per month.

(ii) ₹ 2,00,000 claim was settled against workmen's compensation reserve.

(iii) In the event of death of a partner, goodwill was to be valued at 2 years' purchase of the average net profit of 3 completed years preceding death. The net profits for the years 2012, 2013 and 2014 were ₹ 5,50,000, ₹ 4,80,000 and ₹ 6,50,000 respectively.

X's share was paid to his executor. Y and Z continued the firm. Prepare profit and loss appropriation account, partner's capital account and Balance sheet of Y and Z assuming goodwill should not be opened in the books of the firm.

Q. 5 X, Y and Z were partners sharing profits in the ratio of 2:2:1. The balance sheet on 31st March, 2015, when they dissolved the firm was as follows.

Balance Sheet
as at 31st March, 2015

Liabilities		Amt.(₹)	Assets		Amt.(₹)
Capital A/cs			Other Sundry Assets		1,17,000
X	1,27,500		Furniture		11,000
Y	1,10,000		Debtors	1,24,200	
Z	17,000	2,54,500	Less Provision for DD	(1,200)	1,23,000
Loan		11,500	Stock		17,800
Creditors		16,000	Cash		13,200
		2,82,000			**2,82,000**

It was agreed that

(i) X to take over furniture at ₹ 8,000 and debtors amounting to ₹ 1,20,000 at ₹ 1,17,200 and the creditors of ₹ 16,000 were to be paid by him at this figure.

(ii) Y is to take over all stock for ₹ 17,000 and some sundry assets at ₹ 72,000 (being 10% less than the book value)

(iii) Z to take over remaining sundry assets at 80% of the book value and assume the responsibility to discharge of loan together with accrued interest of ₹ 2,300.

(iv) The expenses of realization were ₹ 2,700. The remaining debtors were sold to a debt collecting agency at 50% of the value.

Prepare Realisation Account.

Q. 6 Rocket Company Ltd. made an issue of 1,00,000 equity shares of ₹ 10 each at a premium of 30% payable as follows

On application ₹ 4 per share, on allotment ₹ 6 per share, balance on first and final call.

Applications were received for 2,00,000 equity shares and the directors made pro-rata allotment. Harsh, who had applied for 1,600 shares did not pay the allotment and final call money, as a result his shares were forfeited. Later on 60% of the forfeited shares were re-issued at ₹ 8 per share fully paid-up.

Pass necessary journal entries for the mentioned transactions in the books of the company and prepare Balance sheet.

Q. 7(a)

Prepare common size income statement from the following statement of profit and loss.

Particulars	31st March, 2014 (₹)	31st March, 2015 (₹)
I. Income		
Revenue from Operations (Net sales)	5,00,000	5,00,000
Other Income	5,000	5,500
Total	5,05,000	5,05,500
II. Expenses		
Purchases of Stock-in-trade	3,25,000	3,50,000
Changes in Inventories of Stock-in-trade	25,000	24,000
Employees Benefit Expenses	40,000	49,000
Other Expenses	58,750	45,000
Total	**4,48,750**	**4,68,000**
III. Profit (I-II)	**56,250**	**37,500**

Additional Information :

Other expenses include	2014(₹)	2015(₹)
Provision for Tax	56,250	37,500

Q. 7(b)

From the following balance sheet of Verma Ltd, prepare comparative balance sheet.

Particulars	31st March, 2015 (₹)	31st March, 2014 (₹)
I. EQUITY AND LIABILITIES		
1. Shareholders Fund		
(a) Share Capital	50,00,000	50,00,000
(b) Reserves and Surplus	12,00,000	10,00,000
2. Non-current Liabilities		
Long-term Borrowings	30,00,000	30,00,000
3. Current Liabilities		
(a) Short-term Borrowings	4,80,000	4,50,000
(b) Trade Payables	4,50,000	4,00,000
(c) Other Current Liabilities	1,10,000	1,00,000
(d) Short-term Provisions	60,000	50,000
Total	1,03,00,000	1,00,00,000
II. ASSETS		
1. Non-current Assets		
(a) Fixed Assets (Tangible)	72,00,000	60,00,000
(b) Non-current Investments	10,00,000	10,00,000
2. Current Assets		
(a) Inventories	11,00,000	15,00,000
(b) Trade Receivables	6,00,000	10,00,000
(c) Cash and Cash Equivalents	3,50,000	3,00,000
Other Current Assets	50,000	2,00,000
Total	1,03,00,000	1,00,00,000

Q. 8(a)

From the following items calculate Return on Investment.

Fixed Asset ₹ 11,50,000; Accumulated Depreciation ₹ 2,00,000; 10% Trade Investment ₹ 50,000; 10% Other Investment ₹ 25,000 (face value ₹ 35,000); Current Assets ₹ 2,20,000; preiminary expenses ₹ 50,000; Current Liabilities ₹ 1,70,000; 12 % Debentures ₹ 4,00,000. Tax rate 40 %. Net Profit after Interest and tax for the year ₹ 1,21,500.

<u>Notes</u>: Other Investment include Non Trade Investment.

Q. 8(b)

Following is the statement of profit and loss of Hindustan Products Ltd. for the year ended 31st March, 2015 and the balance sheet of the company as at that date.

Statement of Profit and Loss

For the year ended 31st March, 2015

	Particulars	Amt (₹)
I.	Revenue from Operations	8,00,000
II.	Expenses	
	Purchases of Stock-in-trade	5,45,000
	Changes in Inventories of Stock-in-trade [Opening Inventory (₹ 99,000)-Closing Inventory (₹ 1,99,000)]	(1,00,000)
	Other expenses	2,95,000
	Total Expenses	7,40,000
III.	Profit for the Period (I-II)	**60,000**

Note : Other expenses include direct expenses of ₹ 15,000.

Calculate (1) Gross Profit Ratio (2) Inventory Turnover Ratio.

Q. 9 From the following balance sheet of Virat Ltd, as at 31st March, prepare cash flow statement for the year ended 31st March, 2015

Balance Sheet

as at...

Particulars	31st March, 2014 (₹)	31st March, 2015 (₹)
I. EQUITY AND LIABILITY		
Shareholders Fund		
(a) Equity Share Capital	1,50,000	2,00,000
(b) 9% Preference Share Capital	1,10,000	50,000
(c) Reserves and Surplus	50,000	1,00,000
Non-current Liabilities		
8% Debentures	80,000	1,00,000
Current Liabilities		
Short-term Borrowings (Cash credit)	10,000	15,000
Trade Payables	20,000	70,000
Total	4,20,000	5,35,000
II. ASSETS		
Non-current Liabilities		
(a) Tangible Fixed Assets (Machinery)	3,25,000	3,25,000
(b) Investments	30,000	52,500
Current Liabilities		
(a) Inventories	50,000	1,37,500
(b) Cash and Cash Equivalents	15,000	20,000
Total	4,20,000	5,35,000

Additional Information :-

(i) During the year 2014-15, a part of the machine costing ₹ 40,000 (accumulated depreciation thereon ₹ 25,000) was sold for ₹ 7,500.

(ii) Depreciation charged during the year 2014-15 was ₹ 25,000

(iii) 8% debentures were issued on 1st April, 2014.

Q.10(a)

M and N are partners in a firm. The decided to admit O as a partner from 1st Jan. 2015. On admission

Goodwill is to be valued on the basis of 3 years purchase of the average profits of last 5 years. The profits and losses for last 5 years were :

1st Year - ₹ 50,000 (including an abnormal gain of ₹ 20,000)

2nd Year - ₹ 70,000 (excluding ₹ 10,000 as insurance premium for insuring inventory)

3rd Year - ₹ 50,000 (after charging loss on sale of investment ₹ 20,000)

4th Year - ₹ 3,000 (loss)

5th Year - ₹ 10,000 (On 1st July, 2014 a Motor car costing ₹ 50,000 was purchased and debited to traveling expenses account, on which depreciation is to be charged @ 20% p.a.)

Calculate the amount of Goodwill.

Q.10(b)

X, Y and Z are partners in a firm sharing profits & losses in the ratio of 5:3:2, They decide to share future profits & losses in the ratio of 2:5:3 with effect from 1st April, 2015. Their balance of ₹ 4,000 in profit & loss account (Dr.) and a balance of ₹ 24,000 in General Reserve. For this purpose, it was agreed that—

(a) the goodwill of the firm be valued at ₹ 52,600.

(b) the Land (having book value of ₹ 50,000) be valued at ₹ 80,000.

(c) the Stock (having book value of ₹ 50,000) be depreciated by 6%.

(d) Creditors amounting to ₹ 400 were not likely to be claimed.

Required: Give the necessary signal adjusting entry to record the above arrangement.

Note : All questions are of 8 marks each.

Total Marks : 80.