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65, Maheshwari Appt. Sec-14, Rohini, Delhi
☎ : 9810362639, 9654262639
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Time allowed : 150 Mins. M.M. : 80

PART-A

Q.1 In the absence of partnership deed, which of the following will not apply. 1

(a) Equal profit sharing ratio (b) No interest on capital
(c) No remuneration to partners (d) No interest on partner's loan

Q.2 The rate or return of Simar Ltd. is 11% while the cost of raising long-term loan is 15% p.a. Company decided to raise fund of ₹ 50 lakh through long-term bonds. Do you think decision of the company is wise? Is it ignoring any value by this decision. 1

Q.3 A and B are partners sharing profit in ratio 3:2. C is admitted as partner and pays ₹ 5,000 as premium. If future profit sharing ratio of A, B and C is 3:3:2, goodwill credited to A and B will be: 1
(a) ₹ 3,000, ₹ 2,000 (b) ₹ 2,500 each. (c) ₹ 4,500, ₹ 500 (d) None of these

Q.4 X Ltd. has a paid up capital of ₹ 50 lakh. It has a balance of ₹ 10 lakh in Securities Premium A/c. Board of Directors do not want to carry over this reserve. Suggest method of utilizing premium money so as to maximize the return of the shareholders. 1

Q.5 From the following journal entries, write the amount of 3rd entry 1

Journal

S.No.	Particulars		L.F.	Dr. (₹)	Cr. (₹)
(a)	Share Capital A/c	Dr.		800	
	Securities Premium Reserve A/c	Dr.		200	
	To Share Allotment A/c				500
	To Share Forfeiture A/c				500
	(100 shares forfeited)				
(b)	Bank A/c	Dr.		400	
	Share Forfeiture A/c	Dr.		200	
	To Share Capital A/c				600
	(60 shares of each reissued as fully paid)				
(c)	Share Forfeiture A/c	Dr.			
	To Capital Reserve A/c				
	(Profit reissue)				

Q.6 P, Q and R were partners in a firm sharing profits in the ratio of 4:2:3. S was admitted in the firm as a partner for 1/5th share and P decided to retire from the firm on 1st April, 2014. New profit sharing ratio of Q, R and S is 2:2:1. The sacrificing/gaining ratio of Q is ___________. 1
(a) 8/45 gain (b) 8/45 sacrifice (c) 3/45 gain (d) 3/45 sacrifice

Q.7 Distinguish between 'Over Subscription' and 'Under Subscription' ? 3

Q.8 A firm had employed ₹ 4,00,000 as capital and earned profits of ₹ 75,000 including ₹ 15,000 received as insurance claim. The money could be invested in a bank for 3 years @ 10% p.a. Considering 2% as fair compensation for risk involved in the firm, calculate goodwill of the firm on the basis of capitalization method. 3

Q.9 Moti Ltd. has an authorized capital of ₹ 5,00,000 divided into equity shares of ₹ 10 each. The company offered for public subscription shares of ₹ 3,00,000. The issue was fully subscribed. The amount payable on shares were : ₹ 3 on application, ₹ 3 on allotment and balance in two calls of ₹

2 each. A shareholder holding 2,000 shares failed to pay allotment and share first call. His shares were forfeited. B ,another shareholder fails to pay first call on 1,500 shares. The company did not make the final call.

Show how share capital will be shown in the balance sheet of the company including notes to account. **3**

Q.10 Raghav Ltd. purchased a running business from Krishna Traders for a sum of ₹ 11,40,000 payable ₹ 3,00,000 by issuing 9% debentures of ₹ 100 each at par but redeemable after 3 years at a premium of 5% and balance amount by issuing equity shares of ₹ 100 each at a premium of 5%. The assets and liabilities consisted of the following :

	(₹)
Plant and Machinery	3,00,000
Building	4,40,000
Stock	4,00,000
Sundry Debtors	3,00,000
Sundry Creditors	2,00,000

Record necessary journal entries in the books of Raghav Ltd.

Q.11 Muskan and Aayushi were partners. The partnership Deed provides : **4**

(i) That the accounts be balanced on 31st December each year.

(ii) The profits be divided : Muskan 1/2, Aayushi 1/3 and 1/6 carried to Reserve A/c.

(iii) That in the event of death of a partner, her executors will be entitled to the following :

- (a) The capital to her credit at the date of death.
- (b) Her proportion of profit to date of death based on the average profits of the last three completed years.
- (c) Her share of goodwill based on three year' purchase of the average profits for the three proceeding completed years.

On 31st December, 2014, the Trial Balance was as under :

Particulars	Dr. (₹)	Cr. (₹)
Muskan's Capital		90,000
Aayushi's Capital		60,000
Reserve		30,000
Bills Receivables	50,000	
Investments	40,000	
Cash	1,10,000	
Creditors		20,000
	2,00,000	2,00,000

The profits for the last 3 years were 2012- ₹ 4,200; 2013- ₹ 3,900 and 2014 - ₹ 4,500.

Aayushi died on 31st May, 2015.

Draw up the deceased Partner's Capital Account and Executor's Account.

Q.12 A, B and C were partners sharing profits & losses in the proportion of 5:3:2 and their balance sheet as on 31st March, 2015 stood as under :

Liabilities		Rs.	Assets	Rs.
Bills Payable		42,000	Cash in hand	12,000
Creditors		50,000	Bills receivable	20,000
Capital Account			Debtors	50,000
A	1,40,000		Stock	90,000
B	1,00,000		Plant and Machinery	1,80,000
C	60,000	3,00,000	Goodwill	40,000
		3,92,000		**3,92,000**

C retired on 1st April, 2015. It was agreed that :-

(a) Machinery be revalued at Rs, 2,40,000.

(b) C's Interest in the firm is 94,000 after taking in to consideration revalued assets & liabilities and accumulated profit/losses etc.

(c) The entire sum payable to C is to be brought in by A & B in such way so that their capitals should be in their new profit sharing ratio of 2:1.

(d) A cash balance of Rs. 8,500 should be kept in the firm as minimum balance. Prepare the revaluation account, partners capital account, cash account and Balance sheet of the new firm. **(4)**

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Q.13 Amit and Sumit are partners sharing profits and losses in the ratio of 3:2. Firm pays ₹ 1,000 per month as salary to their manager, Neha who has graduated and who deposited ₹ 30,000 with the firm carrying interest at 8% p.a. On 1st January, 2014 it was decided to treat Neha as their partner w.e.f. 1st, January, 2010 at 1/5th share in profit. It was decided to treat her deposit as capital carrying interest @ 6% p.a. like capital of other partners. The firm's profits and losses after above adjustments were as under : **(6)**

2010- Profit	₹ 60,000
2011- Loss	₹ 10,000
2012- Profit	₹ 80,000
2013- Profit	₹ 89,600

(a) Record the necessary journal entries.

(b) Indicate the values involved in this decision.

Q.14(a) Beeta Ltd. issued 5,000, 9% debentures of ₹ 500 each. Pass necessary journal entries for the issue of debentures when the debentures were issued : **(6)**

Case (i) at 5% premium and redeemable at 10% premium.

Case (ii) at a premium of 25% to vendor for machinery purchased for ₹ 6,25,000.

(b) Alpha Ltd. has 5,000; 8% Debentures of ₹ 100 each due for redemption at 5 % premium either by purchases from open market or by draw of lots on 31st March 2015. Debenture Redemption Reserve has a balance of ₹ 90,000 on that date. if 2,000 Debentures were purchased @ 98 each from open market and rest were redeemed in cash. Record the necessary entries at the time of . redemption of debentures.

Q.15 A and B are partners in a firm sharing profits and losses in ratio 3:2. Their Balance Sheet on 31st March, 2015 was as follows : **(6)**

Liabilities		(₹)	Assets		(₹)
Creditors		35,000	Bank		23,000
Bills Payable		10,000	Debtors	40,000	
General Reserve		18,000	Less : provision	2,000	38,000
Capitals :	(₹)		Stock		40,000
A	80,000		Machinery		50,000
B	57,000	1,37,000	Furniture		20,500
			Goodwill		28,500
		2,00,000			2,00,000

They agree to admit C as a partner w.e.f. 1-4-2015 with 1/3rd share in profits on the following terms:

(i) C will bring ₹ 60,000 as capital and ₹ 40,000 as his share of goodwill but the actually contributed ₹ 25,000 towards goodwill in cash.

From the following missing items in Revaluation A/c, Partners capital A/cs and Balance Sheet of the new firm, complete the answer of the question.

Revaluation Account

Particulars		(₹)	Particulars	(₹)
To Debtors A/c		1,000	By Investments A/c	20,000
To Stock A/c		5,000		
To Machinery		2,000		
To Salary Outstanding		6,000		
To profit trans. to capital A/cs				
A	-----			
B	-------	--		

Dr. **Partners' Capital Account** **Cr.**

Particulars	A	B	C	Particulars	A	B	C
	(₹)	(₹)	(₹)		(₹)	(₹)	(₹)
To Goodwill A/c	17,100	11,400		By Balance b/d	80,000	57,000	
To A's Capital A/c			----	By General Reserve	----	----	
To B's Capital A/c			----	By Revaluation A/c	----	----	
To Balance c/d	----	----	----	By Bank A/c			60,000
				By Premium A/c	----	----	
				By C's capital A/c	----	----	

Balance Sheet
As at 1-4-2015

Liabilities		(₹)	Assets	(₹)
Salary Outstanding		--	Bank	---
Creditors		35,000	Debtors	37,000
Bills Payable		10,000	Stock	35,000
Capitals A/c :	(₹)		Investment	---
A	-----		Machinery	48,000
B	------		Furniture	20,500
C	-------	----		

Q.16 X and Y are partners sharing profits and losses in the ratio 3:2. They decided to dissolve the firm. Their Balance Sheet was as under on 31-12-2015 : **(8)**

Liabilities		(₹)	Assets		(₹)
Creditors		25,000	Bank		19,000
Bills Payable		4,000	Debtors	20,000	
Reserves		1,000	Less : Provision	1,000	19,000
Investment Fluctuation Reserve		2,000	Stock		33,000
Mrs. Y's Loan		18,000	Investments		20,000
X's Loan		10,000	Patent		4,000
Capitals :	(₹)		Furniture		8,000
X	30,000		Goodwill		5,000
Y	20,000	50,000	Deferred Revenue Expenditure		2,000
		1,10,000			1,10,000

The Other terms were :
(i) Debtors falling due on 1st March, 2016 were realized at a discount of 6% p.a.
(ii) Creditors and Bills Payable due on 1st Feb. 2016, they were paid at a discount of 6% p.a.
(iii) X took over 50% investments at a discount of 20% and the remaining investments was sold at a profit of 10%.
(iv) An old customer whose account was written off as bad in the previous year, paid ₹ 700 which is not included in the list of debtors.
(v) A contingent liability was also discharged for ₹ 200.
(vi) A Bills Receivable drawn on a customer ₹ 2,000 was discounted from bank but the customer became insolvent and only 60% is recovered from him.
(vii) Patents and goodwill were proved valueless and other assets realized at 90% value.
(viii) X' loan was settled at ₹ 9,500.
(ix) Realization expenses were ₹ 310.
Prepare necessary ledger accounts to close the accounts of firm.

Q.17 Janta Ltd. invited application for issuing 2,00,000 equity shares of ₹ 10 each. The amount was payable as follows : : **(8)**
On Application - ₹ 2 per share
On Allotment - ₹ 3 per share
On first and final call - the balance amount
The issue was undersubscribed to the extent of 20,000 shares. Shares were allotted to all the applicants. All calls were made and were duly received. 'A' to whom 1,500 shares were allotted failed to pay allotment and call money and 'B' to who applied 1,200 shares paid the full amount

due at the time of allotment. The shares on which allotment and call money was not received were forfeited. The forfeited shares were reissued at ₹ 8 per share fully paid up.

(i) Pass necessary journal entries in the books of Janta Ltd. for the above transactions.

(ii) Company decided to earmark ₹ 50,000 for tree plantation around company premises and to provide free transportation to workers in the night shift. Which values are served by this decision of the company?

Part - B

Q.18 'Sale of marketable securities at par' would result in inflow, outflow or no flow of cash. Give your answer with reasons. **1**

Q.19 Which of the following items will not be added in Net Profit while computing cash from Operating activities? **1**

(a) Decrease in stock
(b) Increase in B/P
(c) Decrease in General Reserve
(d) Decrease in Trade Receivables

Q.20(a) Under what heading and sub-headings, the following items will appear on the equity and liabilities side of the Balance Sheet of a Company as per Revised Schedule VI?: **4**

(i) Term-loan from bank
(ii) Proposed dividend
(iii) Provident Fund
(iv) Calls in Advance
(v) Calls in Arrear
(vi) Share Application money due for refund

(b) Why analysis of financial statements is useful of Financial Management?

Q.21 Prepare Common Size Income Statement of Raj & Co. Ltd., from the following information and compute Net Profit Ratio : **4**

Particulars	Note No.	31st March, 2013 (₹)
Gross Revenue from Operations		8,20,000
Return of Revenue from Operations		20,000
Purchase of Stock-in-Trade		5,20,000
Change in Inventories of Stock-in-Trade		40,000
Finance Cost 5% of Net Revenue from Operations		
Other Expenses 4% of Net Revenue from Operations		
Depreciation 3% of Net Revenue from Operations		
Employees Benefit Expenses 10% of Net Revenue from Operations		

s

Q.22 From the following compute : **4**

(a) Debt to Equity Ratio
(b) Total Assets to Debt Ratio
(c) Proprietary Ratio

S.No.	Particulars	Amount (₹)
1.	Long-term Borrowing	1,00,000
2.	Long-term Provisions	50,000
3.	Current Liabilities	25,000
4.	Non-Current Assets	1,80,000
5.	Current Assets	45,000

Q.23 From the following Balance Sheet of X Ltd. as at 31st March, 2012 and 2013, prepare a Cash Flow Statement : **6**

Particulars	Note No.	2013 (₹)	2012 (₹)
I. EQUITY AND LIABILITIES			
1. Shareholder's Funds :			
(a) Share Capital	1	2,00,000	2,00,000

(b) Reserves and Surplus	2	1,20,000	70,000
2. Non-Current Liabilities			
Long term Borrowings	3	2,00,000	1,00,000
3. Current Liabilities			
(a) Short-term Borrowings	4	15,000	10,000
(b) Trade Payables		85,000	70,000
(c) Other Current Liabilities	5	10,000	15,000
(d) Short-term Provisions	6	15,000	10,000
TOTAL		6,45,000	4,75,000
II. ASSETS			
1. Non Current Assets			
(a) Fixed Assets – Tangible	7	2,92,000	2,10,000
(b) Non-current Investment	8	1,00,000	80,000
(c) Long-term Loans and Advances		30,000	30,000
2. Current Assets			
(a) Inventories		73,000	60,000
(b) Trade Receivables		70,000	75,000
(c) Cash and Cash Equivalents		80,000	20,000
TOTAL		6,45,000	4,75,000

Notes to Accounts

Particulars	2013 (₹)	2012 (₹)
1. Share Capital		
Equity Share Capital	1,00,000	1,00,000
15% Preference Share Capital	1,00,000	1,00,000
	2,00,000	2,00,000
2. Reserves and Surplus		
Securities Premium Reserve	10,000	---
Profit and Loss a/c	1,10,000	70,000
	1,20,000	70,000
3. Long-term Borrowings		
10% Debentures	2,00,000	1,00,000
4. Short-term Borrowings		
Bank Overdraft	15,000	10,000
5. Other Current Liabilities		
Outstanding Expenses	10,000	15,000
6. Short-term Provisions		
Provision for Doubtful Debts	15,000	10,000
7. Fixed Assets – Tangible		
Plant and Machinery	2,47,000	1,60,000
Furniture and Fixture	45,000	50,000
	2,92,000	2,10,000
8. Non-current Investment		
10% Trade Investments	1,00,000	80,000

Information :

(i) Interim Dividend was paid @ 15% on equity share capital.

(ii) Addition in Debentures and Investment took place at the end of March, 2013.

(iii) Depreciation provided on Plant and Machinery during the year was ₹ 25,000.