D.A.V. PUBLIC SCHOOL,ODISHA ZONE-II
QUESTION BANK FOR THE SESSION : 2015-16
ACCOUNTANCY (CLASS-XII)

PART-A (ACCOUNTING FOR PARTNERSHIP FIRMS& COMPANIES-60MARKS)

ACCOUNTING FOR PARTNERSHIP FIRMS (35MARKS)

CHAPTER-1&2. ACCOUNTING FOR PARTNERSHIP FIRMS (Basic concepts and Reconstitution of partnership firm including dissolution of firm)

Section: A Questions carrying 1 Mark (VSA Type)

1.Incase of reconstitution of partnership, the accumulated profits and losses are distributed in which ratio among the existing partners.

2.Is there any limit for number of partners in a firm? If yes mention that limit.

3.Give the average period in months for charging interest on drawings for the same amount withdrawn in the beginning of each quarter.

4.What is the ultimate effect of change in profit-sharing ratio?

5. State the conditions under which capital balances may change under the system of a Fixed Capital Account.

6. A is partner in a firm. His capital as on Jan 01, 2007 was Rs. 60,000. He introduced additional capital of Rs. 20000 on Oct 01 2007. Calculate interest on A’s capital @ 9% p.a.

7. Alka, Barkha and Charu are partners in a firm having no partnership agreement. Alka, Barkha and Charu contributed Rs. 20,000, Rs. 30,000 and Rs. 1,00,000 respectively. Alka and Barkha desire that the profit should be divided in the ratio of capital contribution. Charu does not agree to this. How will you settle the dispute.

8. A and B are partners in a firm without a partnership deed. A is an active partner and claims a salary of Rs. 18,000 per month. State with reason whether the claim is valid or not.

9. Chandar and Suman are partners in a firm without a partnership deed. Chandar’s capital is Rs. 10,000 and Suman’s capital is Rs. 14,000. Chander has advanced a loan of Rs. 5000 and claim interest @ 12% p.a. State whether his claim is valid or not.

10.R, S, and T entered into a partnership of manufacturing and distributing educational CD’s on April 01, 2006. R looked after the business development, S content development and T financed the project. At the end of the year (31-03-2007) T wanted an interest of 12% on the capital employed by him. The other partners were not inclined to this. How would you resolve this within the ambit of the Indian Partnership Act, 1932?

11. A, B and C are partners in a firm. A withdrew Rs. 1000 in the beginning of each month of the year. Calculate interest on A’s drawing @ 6% p.a.

12. A, B and C are partners in a firm, B withdrew Rs. 800 at the end of each month of the year. Calculate interest on B’s drawings @ 6% p.a.

13. Why is it necessary to calculate the new profit sharing ratio when a partner retires?

14. At the time of retirement of a partner if goodwill appears I the balance sheet, it must be written off. The capital accounts of all partners are debited to

15. when a new partner gives cash for goodwill, the amount is credited to :

16. According to the partnership act (section 37), the interest payable to the deceased partner on the amount left by him will be:

17. A,B& C three doctors thought of starting a charitable clinic in a remote village of Himachal Pradesh to provide villagers, an access to the medical facilities. Do you think that they should opt for a registered partnership firm? What is the values show by the doctors?

18. At the time of dissolution of a partnership firm, goodwill appearing in the balance sheet is transferred to which account?

19.List the two rights of a new partner.

20. What share of future profits does an incoming partner get?

21. Define sacrificing ratio.

22. Why is incoming partner required to bring goodwill at the time of admission?

23. Who gets the goodwill brought by the incoming partner?

24. Why are the assets & liabilities revalued at the time of admission of a partner?

25.The firm of Ravi and Mohan was dissolved on 1.3.2013. According to the agreement Ravi had agreed to undertake the dissolution work for an agreed remuneration of Rs 2,000 and bear all realization expenses. Dissolution expenses were Rs 1,500 and the same were paid by the firm. Pass necessary journal entry for the payment of dissolution expenses.

27.Give the journal entry to distribute “Workmen Compensation Reserve” of Rs.70,000 at the time of retirement of X ,when there is a claim of Rs.25,000 against it. The firm has three partners X,Y and Z.

28.Why are retiring partners entitled to a share of goodwill of the firm.

29.Give one distinction between reconstitution of a firm and dissolution of a firm.

30.Under which section, settlement of accounts under dissolution is made.

31.What is the nature of Realisation A/c

32. On what occasions does the need for valuation of goodwill arise?

33. Why is it necessary to revalue assets and reassess liabilities at the time of admission of new partner?

34. What is meant by sacrificing ratio?

35. State two occasions when sacrificing ratio may be applied.

36. Rahul and Sahil are partners sharing profits together in the ratio of 4:3. They admit Kamal as a New partner. Rahul surrenders 1/4th of his share and Sahil surrenders 1/3rd of his share in favour of Kamal. Calculate the new profit sharing ratio.

37. Ajay and Naveen are partners sharing profits in the ratio of 5:3. Surinder is admitted in to the firm for 1/4th share in the profit which he acquires from Ajay and Naveen in the ratio of 2:1. Calculate the new profit sharing ratio.

38. A and B were partners sharing profits in the ratio of 3:2. A surrenders 1/6th of his share and B surrenders 1/4th of his share in favour of C, a new partner. What is the new ratio and the sacrificing ratio.

39. Aarti and Bharti are partners sharing profits in the ratio of 5:3. They admit Shital for 1/4th share and agree to share between them in the ratio of 2:1 in future. Calculate new and sacrificing ratio. 40. and Y divide profits and losses in the ratio of 3:2. Z is admitted in the firm as a new partner with 1/6th share, which he acquires from X and Y in the ratio of 1:1. Calculate the new profit sharing ratio of all partners.

41. Rakhi and Parul are partners sharing profits in the ratio of 3:1. Neha is admitted as a partner. The new profit sharing ratio among Rakhi, Parul and Neha is 2:3:2. Find out the sacrificing ratio.

42. Distinguish between Sacrificing Ratio and Gaining Ratio.

43. Kamal, Kishore and Kunal are partners in a firm sharing profits equally. Kishore retires from the firm. Kamal and Kunal decide to share the profits in future in the ratio 4:3. Calculate the Gaining Ratio.

44. P, Q and R are partners sharing profits in the ratio of 7:2:1. P retires and the new profit sharing ratio between Q and R is 2:1. State the Gaining Ratio.

45. A, B and C are partners in a firm sharing profits in the ration of 2:2:1. B retires and his share is Acquired by A and C equally. Calculate new profit sharing ratio of A and C.

46. X, Y and Z are partners sharing profits in the ratio of 4/9, 1/3 and 2/9. X retires and surrenders 2/3rd of his share in favour of Y and remaining in favour of Z. Calculate new profit sharing ratio and gaining ratio.

47. X, Y and Z have been sharing profits and losses in the ratio of 3:2:1. Z retires. His share is taken over by X and Y in the ratio of 2:1. Calculate the new profit sharing ratio.

48. P, Q and R were partners in a firm sharing profits in 4:5:6 ratio. On 28-02-2008 Q retired and his share of profits was taken over by P and R in 1:2 ratio. Calculate the new profit sharing ratio of P and R.

49. State the journal entry for treatment of deceased partners share of profit for his life period in the year of death.

50. Distinguish between dissolution of partnership and dissolution of partnership firm on the basis of continuation of business.

51. Why is Realisation Account prepared on dissolution of partnership firm?

52. State any one point of difference between Realisation Account and Revaluation Account.

53. All partners wish to dissolve the firm. Yastin, a partner wants that her loan of Rs. 2,00000 must be paid off before the payment of capitals to the partners. But, Amart, another partner wants that the capital must be paid before the payment of Yastin's loan. You are required to settle the conflict giving reasons.

54. On a firms dissolution debtors as shown in the Balance sheet were Rs. 17000 out of these Rs.2000 became bad. One debtor of Rs. 6000 became insolvent and 40% could be recovered from him. Full recovery was made from the balance debtors. Calculate the amount received from debtors and pass necessary journal entry.

55. On dissolution of a firm, Kamal's capital account shows a debit balance of Rs. 16000. His share of profit on realization is Rs. 11000. He has taken over firms creditors at Rs. 9000. Calculate the final payment due to/from him and pass journal entry.

Section : B Questions carrying 3 and 4 Marks(Short Answer Type I &II)

56..Sharma, Verma and Khan were partners in a firm sharing profits and losses in 5:3:2 ratio for the past 15 years. Sharma decided to share the future profits equally to which other partners agreed. For this purpose, the goodwill of the firm was valued at Rs.1, 20, 000. Pass an adjustment entry for the treatment of goodwill due to change in the profit sharing ratio. What values have been identified by Sharma?

57.A, B and C are partners in a firm sharing profits and losses in the ratio of 5:4:2.On 1st April,2015,they decided to share profits in future in the ratio of 4:3:2.On this date, General Reserve was Rs.34,900 and loss on revaluation of assets and liabilities was Rs.5,200.It was decided that adjustment should be made without altering the figures of assets and liabilities in the balance sheet. Make adjustment by passing a single journal entry.

58.The partners of a firm have distributed the profits for the year ended 31st March,2015,Rs.90,000 in the ratio of 3:2:1 without providing for the following adjustments:

(i)A and B were entitled to a salary of Rs.1,500 each per annum.

(ii)B was entitled to a commission of Rs.4,500.

(iii)Band C had guaranteed a minimum profit of Rs.35,000 p.a. to A.

(iv)Profits were to be shared in the ratio of 3:3:2.

Pass necessary adjustment entry for the above adjustments in the books of the firm.

59..A, B and C were partners. Their capitals were Rs.30,000, Rs.20,000 and Rs.10,000 respectively. According to the partnership deed, they were entitled to interest on capital @5% per annum. In addition, B was also entitled to draw a salary of Rs.500 per month. C was entitled to a commission of 5% on the profits after charging the interest on capitals but before charging the salary payable to B. The net profits for the year were Rs.30,000 distributed in the ratio of their capitals without providing for any of the above adjustment. The profits were to be shared in the ratio of 2:2:1. Pass the necessary adjustment entry showing the working clearly 60. A, B and C are partners in a firm. They have omitted interest on capital @ 10 % p.a. for three Years ended 31st march 2007. Their fixed capitals on which interest was to be calculated through –out were

A	Rs. 1,00,000
B	Rs. 80,000
C	Rs. 70,000

Give the necessary Journal entry with working notes.

61. X, Y, and Z are partners sharing profits and losses in the ratio of 3:2:1. After the final accounts been prepared it was discovered that interest on drawings @ 5 % had not been taken into consideration. The drawings of the partner were X Rs. 15000, Y Rs. 12,600, Z Rs. 12,000. Give the necessary adjusting Journal entry.

62. A, B and C are partners sharing profits and losses in the ratio of 3:2:1. Their fixed capitals are Rs. 1,50,000, Rs. 1,00,000 and Rs. 80,000 respectively. Profit for the year after providing interest on capital was Rs. 60,000, which was wrongly transferred to partners equally. After distribution of profit it was found that interest on capital provided to them @ 10% instead of 12% . Pass necessary adjustment entry. Also Show your working clearly.

63. Ravi and Mohan were partner in a firm sharing profits in the ratio of 7:5. Their respective fixed capitals were Ravi Rs. 10,00,000 and Mohan Rs. 7,00,000. The partnership deed provided for the following:-

(i) Interest on capital @ 12% p.a.

(ii) Ravi's salary Rs. 6000 per month and Mohan's salary Rs. 60000 per year.

The profit for the year ended 31-03-2007 was Rs. 5,04,000 which was distributed equally without providing for the above. Pass an adjustment Entry.

64. Distinguish between fixed capital method and fluctuating capital method.

65. A, B and C were partners in a firm having capitals of Rs. 60,000, Rs. 60,000 and Rs. 80,000 respectively. Their current account balances were A- Rs. 10,000, B- Rs. 5000 and C- Rs. 2000 (Dr.). According to the partnership deed the partners were entitled to an interest on capital @ 5% p.a. C being the working partner was also entitled to a salary of Rs. 6,000 p. a. The profits were to be divided as follows:

(i) The first Rs. 20,000 in proportion to their capitals.

(ii) Next Rs. 30,000 in the ratio of 5:3:2.

(iii) Remaining profits to be shared equally.

During the year the firm made a profit of Rs. 1,56,000 before charging any of the above items.

Prepare the profit and loss appropriate on A/C.

66. A and B are partners sharing profits in proportion of 3:2 with capitals of Rs. 40,000 and Rs. 30,000 respectively. Interest on capital is agreed at 5 % p.a. B is to be allowed an annual salary of Rs. 3000 which has not been withdrawn. During 2001 the profits for the year prior to calculation of interest on capital but after charging B's salary amounted to Rs. 12,000. A provision of 5% of this amount is to be made in respect of commission to the manager.

Prepare profit and loss appropriation account showing the allocation of profits.

67. A,P and S are partners in a firm sharing profit & losses in the ratio of 2:3:5. Their fixed capitals were Rs.15,00.000 ,Rs.30,00,000 & Rs.60,00,000 respectively. For the year 1996, interest on capital was credited to them @12% instead of 10%.

Pass the necessary adjustment entry by showing the working notes. .

68**.(Multi-Disciplinary Question)** Sachin, Tarun and Vivek were partners for 5:3:2 share in profits. On 1st April 2015,Aman was admitted into the firm for 1/3rd share in profits and on the same date Sachin retires .Following balances appeared in their books:

Investments	Rs.75,000
Investment Fluctuation Reserve	Rs.4,000

Market value of investments on this date is Rs.67,300.Tarun,Vivek and Aman decided to impart vocational training to youth of the nearby area so that they can get suitable employment. You are required to:

(a)Pass necessary journal entries and

(b)Identify the value involved

69.Arun and Aroara were partners in a firm sharing profit and losses in the ratio of 5:3. The fixed capitals on 1-4-2010 were: Arun –Rs 60,000 and Arora- Rs 80,000. They agreed to allow interest on capital @12%p.a. and to charge on drawings @15%p.a. the profit of the firm for the year ended 31-3-2011 before all above adjustments were 12,600. The drawings made by Arun were Rs 2,000 and by Arora Rs 4,000 during the year.

Prepare profit &loss appropriation account of Arun & Arora. Show your calculations clearly. The interest on capital will be allowed even if the firm incurs loss.

70. A, B& C were partners in a firm with capitals of Rs 50,000, Rs25, 000 &Rs 25,000 respectively. As per the provisions of partnership deed , following were agreed

i) Profit was to be shared in the ratio of capital.

ii) C was entitled to a salary of Rs 1,500per month.

iii) Interest on capital was provided to all the partners @ 5%p.a.

The net profit for the year 2012 of Rs 45,000 was divided equally without providing for the above terms. Pass the necessary adjustment journal entry showing the working.

71. A & B are partners in a firm. C is admitted with 1/4th share which he takes equally from A & B. The Balance sheet of A & B showed the following items. Pass the necessary journal entries for the same on C's admission. General Reserve Rs 40000: Profit & Loss A/c (Dr) Rs30000: Goodwill (Dr) Rs 10000 Deferred Revenue Expenditure Rs 15000.

72. A, B& Care partners sharing profits & losses in the ratio of 3:2:1. D is admitted with 1/6th share. C wants to retain his original profit sharing ratio. Calculate the new profit sharing ratio & sacrificing ratio.

73.X & Y are partners sharing in the ratio of 3:2. Z is admitted with 1/6th share. X & Y decide to share future profits in the ratio of 2:3. Z brings in Rs 30000 as his share of goodwill. Calculate the new profit sharing Ratio & sacrificing ratio. Pass the necessary journal entries.

74. Ramesh, a partner in the firm has advanced a loan of a Rs. 1,00,000 to the firm and has demanded on interest @ 9% per annum. The partnership deed is silent on the matter. How will you deal with it?

75. The partnership deed provides that Anjali, the partner will get Rs. 10,000 per month as salary. But, the remaining partners object to it. How will this matter be resolved?

76. Distinction between Profit and loss and profit and loss appropriation account.

77.A, B, and C were partners in a firm having no partnership agreement. A, B and C contributed Rs.2, 00,000, Rs.3, 00,000 and 1, 00,000 respectively. A and B desire that the profits should be divided in the ratio of capital contribution. C does not agree to this. How will the dispute be settled?.

78.R and M were partners in a firm sharing profits in 3:2 ratio. They admitted S and N as a new partners' sacrificed 1/3rd of his share in favor of S and M sacrificed ½ of his share in favor of N Calculate the new profit sharing ratio.

79. Find out the sacrificing ratio and new ratio in the following cases:- (a) A and B are partners sharing profits and losses in the ratio of 3:2.C is admitted for 1/4th share. A and B decide to share equally in future. (b) A and B are partners. They admit C for ¼th share. IN future the ratio between A and B would be 2:1.

80. A and B are partners sharing profits and losses in the ratio of 4:1.They admit C into partnership for 1/6th share for which he pays Rs.20, 000 for goodwill. A, B and C decide to share future profits in the ratio of 3:2:1.Give the necessary journal entries

81. Divya and kriti were partners in a firm sharing profits I the ratio of 3:2 .Their respective fixed capitals were Rs. 10,00,000 and Rs. 15,00,000 . The partnership deed provides for the following:

(i) interest on capital @10%p.a. (ii) interest on drawing @12%p.a.

During the year ended 31.3.2013, Divya's drawing were Rs. 1,000 p.m. drawn at the end of every month and kirti's drawing were Rs 2,000 p.m. drawn in the beginning of every month. after the preparation of final accounts for the year ended 31.3,.2013 , it was discovered that interest on divya's drawing was not taken in to consideration. Calculate interest on Divya'sdrawing and give necessary adjustment entry for the same.

82. Abhay and Beena are partners in a firm .they admit Chetan as a partner with 1/4th share in the profits of the firm. Chetan brings Rs 2,00,000 as his share capital . The value of the total assets of the firm is Rs 5,40,000and outside liabilities are valued at Rs 1,00,000 on that date. Give the necessary entry to record goodwill at the time of Chetan'sadmission. Also show your working notes.

83.Hemant and Nishant were partners in affirm sharing profits in the ratio of 3:2. Their capitals were Rs 1,60,000 and Rs 1,00,000 respectively. They admitted Somesh on 1stapril 2013as a new partner for 1/5 th share in future profits. Somesh brought Rs 1,20,000 as his capital. Calculate the value of goodwill of the firm and record necessary journal entries for the above transactions o somesh's admission.

84.Priya,Riya and Siya are partners sharing profit in the ratio of4;3;1 respectively. It is provided in the partnership deed that on the death of any partner , his/her share of goodwill was to be at half of the profits credited to her account during the four previous years .Riya died on 1st January 2012.the firm's profit for the last four years were :2008 Rs.1,20,000;2009 Rs. 80,000;2010 Rs.40,000and 2011 Rs. 80,000.determine the amount that should be credited to Riya in respect of her share of goodwill .On the date of Riya's death , one of the old debtors, whose account was closed last year by transferring his debt amounting to Rs. 8,000 to bad debts account, has now promised to pay the amount fully. Pass the journal entries for the above mentioned transactions at the time of Riya's death.

85.P & Q are partners in a firm . R is admitted in the firm with i/3rd share. P & Q decide to share future profits in the ratio of 1;2. Goodwill appears in the books at Rs 10000. R brings in 200000 as capital & his share of goodwill in cash. On R's admission goodwill is valued at Rs 120000. Partners withdraw ½ the goodwill in cash. Pass the necessary journal entries

86.A , B & C are partners sharing profits in the ratio of 2:3:5. They admit D into partnership & he brings 32,000 as capital for 1/6th share. The capital of A , B & C after all necessary adjustments were 33,780, 40,670 and 46,450 resp. Capitals of the partners shall be proportionate to their profit sharing ratio. Calculate the capitals of the partners & the amount of cash deficiency / surplus.

87. A & B are partners sharing in the ratio of 3:2. Their capitals after all necessary adjustment are Rs 30000 and Rs 20000 resp. C is admitted for 1/5th share& he brings Rs 20000 as his capital but is not able to bring his share of goodwill in cash. Firm's goodwill is valued at Rs 20000. Capital of the partners is to be readjusted on the basis of profit sharing ratio. Calculate the capitals of the partners & the amount of cash deficiency /surplus.

88. A and B are partners sharing profits in the ratio of 3: 2 with capitals of Rs. 5, 00,000 and Rs. 3, 00,000 respectively. Interest on capital is agreed @ 6% p.a. B is to be allowed an annual salary of Rs. 25000. During 2006, the profits of the year prior to calculation of interest on capital but after charging B's salary amounted to Rs. 1,25,000. A provision of 5% of the profits is to be made in respect of Manager's commission. Prepare an account showing the allocation of profits and partners' capital accounts.

89. X and Y are partners sharing profits and losses in the ratio of 3: 2 with capitals of Rs. 50,000 and Rs. 30,000 respectively. Each partner is entitled to 6% interest on his capital. X is entitled to a salary of Rs. 800 per month together with a commission of 10% of net 'Profit remaining after deducting interest on capitals and salary but before charging any commission. Y is entitled to a salary of Rs. 600 per month together I. with-a commission of 10% of Net profit remaining after deducting interest on capitals and salary and after charging all commissions. The profits for the year prior to calculation of interest on capital but after charging salary of partners amounted to Rs. 40,000. Prepare partners' Capital Accounts:- (i) When capitals are fixed, and (ii) When capitals are Fluctuating.

90. A, B and C entered into partnership on 1st April, 2008 to share profits & losses in the ratio of 4:3:3. A however, personally guaranteed that C's share of profit after charging interest on Capital @ 5% p.a. would not be less than Rs. 40,000 in any year. The Capital contributions were: A, Rs. 3, 00,000; B, Rs. 2, 00,000 and C, Rs. 1, 50,000. The profit for the year ended on 31st March, '2008 amounted to Rs. 1, 60,000. Show the Profit & Loss Appropriation Account.

91. P, Q&R were partners sharing profits in the ratio of 5:4:1 .their capitals were: P-Rs 4,00,000; Q-Rs 3,00,000;and R-Rs50,000.the firm closes its books on 31st march every year. On 31-3-2006 Q died .according to partnership deed, the executor of a deceased partner is entitled to:

i) Interest on capital from the first day of accounting year till the date of his death@10%p.a.

ii) His share of goodwill: the goodwill of the firm on Q's death was valued at Rs. 6,00,000.

iii) His share of profit: the profit of the firm for the year ended 31.3,2006 was 3,00,000.

Q's executer was paid the sum due in two annual installments with interest @10%p.a. Prepare Q's capital account the time of his death on 31.3.2006 to be presented to his executer's loan account for the years ending 31.3.2007 and 31.3.2008.

92. A business has earned average profit of Rs. 60,000 during the last few years. The assets of the business are Rs. 5,40,000 and its external liabilities are Rs. 80,000. The normal rate of return is 10%. Calculate the value of goodwill on the basis of capitalisation of super profits.

93. The capital of a firm of Arpit and Prajwal is Rs. 10,00,000. The market rate of return is 15% and the goodwill of the firm has been valued Rs. 1,80,000 at two years purchase of super profits. Find the average profits of the firm.

94. The average profits for last 5 years of a firm are Rs. 20,000 and goodwill has been worked out Rs. 24,000 calculated at 3 years purchase of super profits. Calculate the amount of capital employed assuming the normal rate of interest is 8 %.

95. X and Y are partners sharing profits in the ratio of 5:4. They admit Z in the firm for 1/3rd profit, which he takes 2/9th from X and 1/9th from Y and brings Rs. 1500 as premium. Pass the necessary Journal entries on Z's admission.

96. Ranzeet and Priya are two partners sharing profits in the ratio of 3:2. They admit Nilu as a partner, who pays Rs. 60,000 as capital. The new ratio is fixed as 3:1:1. The value of goodwill of the firm was determined at Rs. 50,000. Show journal entries if Nilu brings goodwill for her share in cash.

97. A and B are partners sharing profits equally. They admit C into partnership, C paying only Rs. 1000 for premium out of his share of premium of Rs. 1800 for 1/4th share of profit. Goodwill account appears in the books at Rs. 6000. All the partners have decided that goodwill should not appear in the new firms books.

98. A and B are partners sharing profits in the ratio of 3:2. Their books showed goodwill at Rs. 2000. C is admitted with 1/4th share of profits and brings Rs. 10,000 as his capital but is not able to bring in cash goodwill Rs. 3000. Give necessary Journal entries.

99. 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, 2002. They also decide to record the effect of the reserves without affecting their book figures, by passing a single adjusting entry.

	Book Figure
General Reserve	Rs. 40,000
Profit & loss A/C (Cr)	Rs. 10,000
Advertisement Suspense A/C(Dr)	Rs. 20,000

Pass the necessary single adjusting entry.

100. A and B are partners with capital of Rs. 26,000 and Rs. 22,000 respectively. They admit C as partner with $1/4^{th}$ share in the profits of the firm. C brings Rs. 26,000 as his share of capital. Give journal entry to record goodwill on C's admission.

101. A and B are partners sharing profits in the ratio of 3:2. They admit C into partnership for $1/4^{th}$ share. C is unable to bring his share of goodwill in cash. The goodwill of the firm is valued at Rs. 21,000. give journal entry for the treatment of goodwill on C's admission.

102. A and B are partners with capitals of Rs. 13,000 and Rs. 9000 respectively. They admit C as a partner with $1/5^{th}$ share in the profits of the firm. C brings Rs. 8000 as his capital. Give journal entries to record goodwill.

103. A, B and C were partners in the ratio of 5:4:1. On 31^{st} Dec. 2006 their balance sheet showed a reserve fund of Rs. 65,000, P&L A/C (Loss) of Rs. 45,000. On 1^{st} January, 2007, the partners decided to change their profit sharing ratio to 9:6:5. For this purpose goodwill was valued at Rs. 1,50,000. The partners do not want to distribute reserves and losses and also do not want to record goodwill. You are required to pass single journal entry for the above.

104. A and B were partners in the ratio of 3:2. They admit C for $3/13^{th}$ share. New profit ratio after C's admission will be 5:5:3. C brought some assets in the form of his capital and for the share of his goodwill. Following were the assets:

Assets	Amount(Rs.).
Stock	2,44,000
Building	2,40,000
Plant and Machinery	1,40,000

At the time of admission of C goodwill of the firm was valued at Rs. 12,48,000.Pass necessary journal entries.

105.Mayank, Harshit and Rohit were partners in a firm sharing profits in the ratio of 5:3:2. Harshit retired and goodwill is valued at Rs 60000. Mayank and Rohit decided to share future profits in the ratio 2:3. Pass necessary journal entry for treatment of goodwill.

106. Ramesh, Naresh and Suresh were partners in a firm sharing profits in the ratio of 5:3:2. Naresh retired and the new profit sharing ratio between Ramesh and Suresh was 2:3. On Naresh retirement the goodwill of the firm was valued at Rs. 120000. Pass necessary journal entry for the treat.

107. L, M and O were partners in a firm sharing profits in the ratio of 1:3:2. L retired and the new profit sharing ratio between M and O was 1:2. On L's retirement the goodwill of the firm was valued Rs. 1,20,000. Pass necessary journal entry for the treatment of goodwill.

108. X, Y and Z were partners in a firm sharing profits and losses in the ratio of 3:2:1. The profit of the firm for the year ended 31st March, 2007 was Rs. 3,00000. Y dies on 1st July 2007. Calculate Y's share of profit up to date of death assuming that profits in the year 2007- 2008 have been accrued on the same scale as in the year 2006-07 and pass necessary journal entry.

109. A, B and C were partners in a firm sharing profits in 3:2:1 ratio. The firm closes its books on 31st March every year. B died on 12-06-2007. On B's death the goodwill of the firm was valued at Rs. 60000. On B's death his share in the profit of the firm till the time of his death was to be alculated on the basis of previous years which was Rs.150000. Calculate B's share in the profit of the firm. Pass necessary journal entries for the treatment of goodwill and B's share of profit at the time of his death.

110. A, B and C were partners in a firm sharing profits in the ratio of 2:2:1. C dies on 31st July, 2007. Sales during the previous year up to 31st march, 2007 were Rs. 6,00,000 and profits were Rs. 150000. Sales for the current year up to 31st July were Rs. 250000. Calculate C's share of profits up to the date of his death and pass necessary journal entry.

111.A and B were partners in a firm sharing profits and losses equally. Their firm was dissolved on 15th March, 2004, which resulted in a loss of Rs. 30,000. On that date the capital A/C of A showed a credit balance of Rs. 20,000 and that of B a credit balance of Rs. 30000. The cash account has a balance of Rs. 20,000. You are required to pass the necessary journal entries for the (i) Transfer of loss to the capital accounts and (ii) making final payment to the partners.

112. What journal entries would be passed in the books of A and B who are partners in a firm,sharing profits in the ratio of 5:2, for the following transactions on the dissolution of the firm after various assets (other than cash) and third party liabilities have been transferred to Realisation Account?

i. Bank loan Rs. 12,000 is paid.
ii. Stock worth Rs. 6000 is taken over by B.
iii. Loss on Realisation Rs. 14,000.
iv. Realisation expenses amounted to Rs. 2,000, B has to bear these expenses.
v. Deferred Revenue Advertising Expenditure appeared at Rs. 28,000.
vi. A typewriter completely written off in the books of the firm was sold for Rs. 200.

Section: C Question carrying 6 and 8 Marks(Long Answer Type)

113..A and B decided to start a partnership firm to manufacture low cost jute bags as plastic bags were creating many environmental problems. They contributed capitals of Rs1,00,000 and Rs.50,000 on 1st April,2014 for this. A expressed his willingness to admit C as a partner without capital, who is specially a bled but a very creative and intelligent friend of his. B agreed to this .The terms of partnership were as follows:

(I) A, B and C will share profits in the ratio of 2:2:1.

(ii)Interest on capital will be provided @6%p.a.

Due to shortage of capital, A contributed Rs.25,000 on 30th September,2014 and B contributed Rs.10,000 on 1st January,2015 as additional capital. The profit of the firm for the year ended 31st March 2015 was Rs.1,68,900.

(a)Identify any two values which the firm wants to communicate to the society.

(b)Prepare Profit and Loss Appropriation Account for the year ending 31st March,2015

114.A and B were partners in a firm sharing profits in the ratio of 7:3.Their Balance Sheet on 31st March,2014 was as follows:

Liabilities	Amount(Rs.)	Assets	Amount(Rs.)
Creditors	40,000	Bank	36,000
Bank overdraft	20,000	Debtors 46,000	
General Reserve	10,000	Less: Provision 2,000	44,000
Capital Accounts		Stock	50,000
A 50,000		Machinery	30,000
B 40,000	90,000		
Total	1,60,000		1,60,000

On 1st April,2014, they admitted C, a retired army officer who had lost his legs while servicing in army, as a new partner for 1/4th share in profits on the following terms:

(i)C will bring Rs.30,000 for his capital and Rs.10,000 for goodwill premium.

(ii)20% of General Reserve will be transferred to provision for bad and doubtful debts.

(iii)Stock and Machinery will be depreciated by 40%.

(iv)Capital accounts of A and B will be adjusted on the basis of C's capital, for this purpose actual cash will be brought in or paid off to A and B as the case may be.

Prepare Revaluation Account, Partners' Capital Accounts and Balance Sheet of the firm. You are also required to identify the values highlighted in the question.

115.Ankur ,Bhavna and Disha were partners I a firm. On 1stApril 2011, the balance in their capital accounts stood at Rs 14,00,000 , Rs 6,00,000 and Rs 4,00,000 respectively. They shared profits in the proportion of 7:3:2 respectively. Partners are entitled to interest on capital @6%p.a. and salary to Bhavna @Rs 50,000 p.a. and a commission of Rs 3,000 per month to Disha as per the provisions partnership deed.

Bhavna's share of profit (excluding interest on capital) is guaranteed at not less than Rs 1,70,000 p.a.. Disha's share of profit(including interest on capital but excluding salary) is guaranteed at not less than Rs 1,50,000 p.a. any deficiency arising on that shall be met by Ankur. The profits of the firm for the year ended 31st march 2102 amounted to Rs 9,50,000. Prepare profit and loss appropriation account for the year ended 31st march 2012.

116.Naveen ,Seerat and Heena were partners in a firm manufacturing blankets. They were sharing profits in the ratio of 5:3:2 . their capitals on 1st april 2012 ,were Rs 2,00,000 , Rs 3,00,000 and Rs 6,00,000 respectively .after the floods in uttranchal , all partners decided to help the flood victims personally.

For this ,Naveen , withdrew Rs. 10,000 from the firm on 1st September 2012. Seerut, instead of withdrawing cash from the firm took blankets amounting to Rs 12,000 from the firm and distributed to the flood victims .on the other hand, Hina withdrew Rs 2,00,000 from her capital On 1st January 2013 and set up a centre to provide medical facilities in the flood affected area.

The partnership deed provides for charging interest on drawing@6%p.a. after the final accounts were prepared, it was discovered that interest on drawing had not been charged. Give the necessary adjusting journal entry and show the working notes clearly. Also state any two values that the partners wanted to communicate to the society.

117..Jayant and Ramakant were partners in a firm. On 31st March 2013,their balance sheet was as follows:

Liabilities	Amount	Assets	Amount
Creditors	75,000	Bank	70,000
Workmen's Compensation Fund	45,000	Debtors	2,00,000
Jayant's current account	15,000	Stock	20,000
Capitals:		Furniture	20,000
Jayant	3,00,000	Machinery	3,12,000
Ramakant	2,00,000	Ramakant's Current Account	13,000
	6,35,000		6,35,000

On the above date the firm was dissolved:

i) Jayant took over 40% of the stock at 20% less than its book value and the remaining stock was sold for Rs 15,000.Furniture realized Rs 20,000.And un- recorded asset was sold for Rs 3,000.Machinery was sold at a loss of Rs 75,000.

ii) Debtors were realized at a discount of 10,000.

iii)There was an outstanding bill for repairs for which Rs 38,000 were paid.

Prepare realization account.

118.X , Y &Z were partners in a firm. Their capitals on 1-4-2011 were: X Rs. 2,00,000, Y- Rs. 2,50,000, and Z Rs. 3,00,000. the partnership deed provided for the following

i)They will share profits in the ratio of 2:3:3 .

ii)X will be allowed a salary of Rs 12,000 p.a.

iii)Interest on capital will be allowed @12%p.a.

During the year X withdrew Rs.28,000 ; Y Rs. 30,000 and Z Rs. 18,000. for the year ended 31.3.2012 the firm earned a profit of Rs. 5,00,000.

Prepare profit and loss appropriation account and partners capital account.

119.Shanty and Satya were partners in a firm sharing profits in the ratio of 4:1. On 31st march 2013, their balance sheet was as follows:

Liabilities	Amount	Assets	Amount
Creditors	45,000	Bank	55,000
Workmen's compensation fund	40,000	Debtors	60,000
Satya's current account	65,000	Stock	85,000
Capitals:		Furniture	1,00,000
Shanty	2,00,000	Machinery	1,30,000
Satya	1,00,000	Shanty's current account	20,000
	4,50,000		4,50,000

On the above date, the firm was dissolved:

i) Shanty took over 40% of the stock at 10% less than its book value and the remaining stock was sold for Rs. 40,000. Furniture realized Rs. 80,000.

ii) An un recorded investment was sold for Rs. 20,000. Machinery was sold at a loss of Rs. 60,000. Debtors realized Rs. 55,000.

iii) There was an outstanding bill for repairs for which Rs. 19,000 were paid.

Prepare realization account.

120.Ram ,Mohan and Sohan were partners sharing profits and losses in the ratio of 5:3:2 . on 31st march 2012. Their balance sheet was as under:

Liabilities	Amount	Assets	Amount
Capitals:		Lease hold	1,25,000
Ram 1,50,000		Patents	30,000
Mohan 1,25,000		Machinery	1,50,000
Sohan 75,000	3,50,000	Stock	1,90,000
Work men's compensation	30,000	Cash at bank	40,000
reserve	1,55,000		
Creditors			
	5,35,000		5,35,000

Sohan died on 1st August 2012 . it was agreed that:

i) goodwill of the firm is to be valued at Rs. 1,75,000.

ii) machinery be valued at Rs. 1,40,000;patents at Rs. 40,000; lease hold at Rs. 1,50,000 on this date

iii) for the purpose of calculating sohan's share in the profit in the profits of2012-13, the profits should be taken to have accrued on the same scale in 2011-2012 which were Rs. 75,000.

Prepare Sohan's capital account and revaluation account.

121.L & M share profits of a business in the ratio of 5:3. They admit N into the firm on1.4.2012 for a fourth share in the profits to be contributed equally by L and M. On the date of admission, the balance sheet of L and M was as follows:

Liabilities	Amount	Assets	amount
L's capital	30,000	Machinery	26,000
M's capital	20,000	Furniture	18,000
Reserve fund	4,000	Stock	10,000
Bank loan	12,000	Debtors	8,000
Creditors	2,000	Cash	6,000
	68,000		68,000

Terms of N's admission were as follows:

(a)N will bring Rs.25, 000 as his capital

(b) Goodwill of the firm is to be valued at 4 years' purchase of the average super profits of the last three years. Average profits of the last three years are Rs. 20,000; while the normal profits that can be earned on the capital employed are Rs. 12,000.

(c) Furniture is to be revalued at Rs. 24,000 and the value of stock to be reduced by 20%

Prepare revaluation account, partners' capital account and the balance sheet of the firm after admission.

122.L,M and N were partners in a firm sharing profits in the ratio of 2:1:1.On 1st April,2013 their Balance Sheet was as follows:

Liabilities	Amount(Rs)	Assets	Amount(Rs.)
Capitals:		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	3,60,000	Stock	4,40,000
Fund	2,40,000	Cash	1,40,000
Creditors			
Total	26,00,000	Total	26,00,000

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

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

(ii)Land was to be appreciated by 40% and Building was to be depreciated by Rs.1,00,000.Furniture was to be depreciated by Rs.30,000

(iii)The liability for Workmen's Compensation Fund was determined at Rs.1,60,000

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

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

Prepare Revaluation Account, Partner's Capital Accounts and the Balance Sheet of the new firm.

123.A,B and C were partners in a firm sharing profits in the ratio of 2:1:1.Their Balance Sheet as on 31.03.2015 was as follows:

Liabilities	Amount(Rs.)	Assets	Amount(Rs.)
Capital Accounts:		Furniture	9,000
A 10,000		Stock	4,000
B 5,000		Debtors	6,000
C 5,000	20,000	Bills Receivable	2,000
General Reserve	3,200	Cash at Bank	5,000
Creditors	3,000	Cash in hand	200
Total	26,200	Total	26,200

On 30.06.2015,C died . Under the provisions of partnership deed, the executors of a deceased partner were entitled to the following:

(i)Amount standing to the credit of partners' capital account.

(ii)Interest on capital @5% p.a.

(iii)Share of goodwill on the basis of two years purchase of the average profits of last three years.

(iv)Share of profit in the year of his death, till the date of his death on the basis of the last year's profit.

The profits of the firm during the previous three years were as follows:

Years	Profits(Rs.)
2012-2013	5,000
2013-2014	9,000
2014-2015	7,000

C's executors were paid Rs.1,800 on 1.7.2015 and the balance in three equal installments of equal intervals of 6 months starting from 31.12.2015 with interest @10% per annum.

Pass necessary journal entries, at the time of C's death, prepare C's Capital Account and C's Executor's Account up o 31.12.2015

124.M,N and O were partners in a firm sharing profits and losses in the ratio of 3:2:1 respectively.

They agreed to dissolve their firm on 31st December,2014.From the following information, complete Realisation A/c, Capital A/c and Bank A/c:

Realisation Account

Particulars	Amt(Rs.)	Particulars	Amount(Rs)
To Sundry Assets: Machinery A/c1,21,500 Stock A/c 22,650 Investments A/c44,490 Debtor's A/c 27,900	2,16,540	By Sundry Liabilities: Provision for Bad Debt A/c 1,800 Mrs. M's Loan A/c30,500 Creditor's A/c 55,000	87,300
To M's Capital A/c (Mrs M's Loan discharged)	30,500	By Bank A/c (Assets realized)	…………
To	…………..	By M's Capital A/c (Investments taken over)	…………
To Bank A/c (Expenses of realization)	…………..	By N's Capital A/c (Assets taken over)	33,000
To Capital A/cs: (Profit on realization) M ……….. N 28,470 O ………..	………….		
	3,80,250		3,80,250

CAPITAL ACCOUNTS

Particulars	M	N	O	Particulars	M	N	O
To Bal.b/d			………..	By	………..	……….	
To	………..	………..		By	………..		
To	………..	55,470		By	………..	……….	………
				By			………
	………..	………..	………..		………..	………..	……….

BANK ACCOUNT

Particulars	Amount(Rs.)	Particulars	Amount(Rs.)
To Balance b/d	16,260	ByRealisationA/c(Creditors)	46,000
To Realisation A/c(Assets realized)	…………	ByRealisationA/c(Expenses)	………..
		By M's Capital A/c	1,40,705
To O's Capital A/c	20,265	By	……………
Total	2,43,975	Total	2,43,975

<u>Accounting for Share Capital and Debentures (25 Marks)</u>

<u>Section- A: Questions carrying 1 Mark (VSA Type)</u>

125.Can "Securities Premium Reserve" be used as working capital? Give reason in support of your answer.

126.Identify the purpose of utilizing the "Securities Premium Reserve" that would maximize the return to shareholders.

127.What is Employee Stock Option Plan?

128. Gupta Ltd has incurred a loss of Rs. 8,00,000 before payment of interest on debentures. The directors of the company are of the opinion that interest on debentures is payable only when company earn profit. Do you agree?

129. As per latest guidelines governing the servicing of debentures a company is required to create on special account. Name that account.

130. Name the method of redemption of debentures in which there is no requirement of creating Debenture Redemption Reserve.

131.What is the nature of receipt of premium on issue of shares?

132. Can a company issue shares at a premium in the absence of any express authority in its articles?

133. What is the maximum rate of interest which the board of directors of a company can normally pay on calls-in-advance if the articles are silent on the matter of such interest?

134. State with reason whether a company can issue its shares at a discount in its Initial Public Offer (IPO).

135. Why securities premium money can not be used for payment of cash dividend among shareholders?

136. Krishna Ltd. With paid-up share capital of Rs. 60,00,000 has a balance of Rs. 15,00,000 in securities premium account. The company management does not want to carry over this balance. You are required to suggest the method for utilizing this premium money that would achieve the objectives of the management and maximize the return to shareholders.

137. Distinguish between a share and a Debenture.

138. Can share premium be utilised for the purchase of fixed assets?

139. State in brief, the SEBI guidelines regarding Debenture Redemption Reserve(DRR).

140. Which companies are exempted from the obligation of creating DRR by SEBI?

141. What is the restriction on reissue of forfeited shares at discount?

142. Mention two source of finance for redemption of debentures.

143. In case debentures are issued at par , but redeemable at premium of 10% , the premium payable is debited to :

144. .Discuss the values show by a company which opts for a right issue of shares?

145. If the loss o re-issue of shares is less than the amount forfeited, the surplus is transferred to which reserve?

146. Name the characteristics that a company possesses by which it can enter in contracts like any other person.

147. Give two advantages of a share holder over a debenture holder.

148. What do you meant by Debentures?

149. Write any four types of debentures

150. What is debenture Trust Deed?

151. What is meant by convertible debentures?

152. Why is premium on the issue of debentures considered as a capital profit?

153. Explain deep discount Bond

154. Differentiate between shareholders and debenture holder

155. What is the nature of interest on debentures?

156. Jain Ltd has incurred a loss of Rs. 8, 00,000 before payment of interest on debentures. The directors of the company are of the opinion that interest on debentures is payable only when company earn profit. Do you agree?

157. As per latest guidelines governing the servicing of debentures a company is required to create on special account. Name that account.

158 . Name the method of redemption of debentures in which there is no requirement of creating Debenture Redemption Reserve.

159. What is the nature of receipt of premium on issue of shares?

160. Can a company issue shares at a premium in the absence of any express authority in its articles?

161. What is the maximum rate of interest which the board of directors of a company can normally pay on calls-in-advance if the articles are silent on the matter of such interest?

162. State with reason whether a company can issue its shares at a discount in its Initial Public Offer (IPO).

163. Why securities premium money cannot be used for payment of cash dividend among shareholders?

164.Jamuna Ltd. with paid-up share capital of Rs. 60,00,000 has a balance of Rs. 15,00,000 in securities premium account. The company management does not want to carry over this balance. You are required to suggest the method for utilizing this premium money that would achieve the objectives of the management and maximize the return to shareholders. 56. Distinguish between a share and a Debenture.

165.Can share premium be utilized for the purchase of fixed assets?

166. What is Zero Coupon Bond?

167. What is a Debenture Trust Deed?

Question carrying 3 and 4 Marks(Short Answer Type I &II)

168.Rohit Ltd. purchased machinery from Rohan & Co. for Rs.3,50,000.A sum of Rs.75,000 was paid by the means of a bank draft and for the balance due Rohit Ltd. issued equity shares of Rs.10 each at a premium of 10%.Jounalise the above transactions in the books of the company.

169.Meena Ltd. issued 60,000 shares of Rs.10 each at a premium of Rs.2 per share payable as Rs.3 on application, Rs.5(including premium) on allotment and the balance on 1st and final call. Applications were received for 1,02,000 shares. The Directors resolved to allot as follows:

(A) Applicants of 60,000 shares 30,000 shares

(B) Applicants of 40,000 shares 30,000 shares

(C) Applicants of 2,000 shares Nil

Nikhil who had applied for 1,000 shares in category A, and Vish who was allotted 600 shares in category B failed to pay the allotment money. Calculate the amount received on allotment

170. X Ltd. issued 20,000 shares of Rs. 10 each at a premium of 10% payable as follows:-

On application Rs. 2 (1^{st} Jan 2001), on allotment Rs. 4 (including premium) (1^{st} April 2001), On first call Rs. 3 (1^{st} June 2001), on second call & final call Rs. 2 (1^{st} Aug. 2001).

Application were received for 18,000 shares and the directors made allotment in full. One shareholder to whom 40 shares were allotted paid the entire balance on his share holdings with allotment money and another shareholder did not pay allotment and 1^{st} call money on his 60 shares but which he paid with final call.

Calculate the amount of interest paid and received on calls-in-advance and calls-in-arrears respectively on 1^{st} Aug. 2001.

171. X Ltd took over the assets of Rs. 6,60,000 and liabilities of Rs. 80,000, Y Ltd for Rs. 600,000.Show the necessary journal entries in the book of X Ltd. assuming that

Case-I : The consideration was payable 10% in cash and the balance in 54000 equity shares of Rs. 10 each.

Case-II : The consideration was payable 10% in cash and the balance in 45000 equity shares of Rs. 10 each.

Case-III : The consideration was payable 10% in cash and the balance in 60,000 equity shares of Rs. 10 each.

172. X ltd. was formed with a capital of Rs. 500,000 divided into shares of Rs. 10 each out of these 2000 shares were issued to the vendors as fully paid as purchase consideration for a building acquired, 1000 shares were issued to signatories to the memorandum of association as fully paid. The directors offered 6500 shares to the public and called up Rs. 6 per and received the entry called up amount on share allotted. Show these transaction in the Balance sheet of a company.

173. X Ltd. invited applications for 11,000 shares of Rs. 10 each issued at 10% premium payable as:

On application	Rs. 3 (including Rs. 1 premium)
On allotment	Rs. 4 (including Rs. 1 premium)
On 1^{st} Call	Rs. 3
On 2^{nd} & final call	Rs. 2

Application were received for 24000 shares.

Category I : One fourth of the shares applied for allotted 2000 shares.

Category II: Three fourth the shares applied for allotted 9000 shares.

Remaining applicants were rejected. Mr. Mohan holding 300 shares out of category II failed to pay allotment and two calls and his shares were re issued @ Rs. 11 fully paid-up. Pass necessary journal entries.

174. A company forfeited 240 shares of Rs. 10 each issued to raj at a a premium of 20%. Raman had applied for 300 shares and had not paid anything after paying Rs 6 per share including premium on application. 180 shares were reissued at Rs. 11 per share fully paid up. Pass journal entries relating to forfeiture and reissue of shares.

175. On 1st July 2007. A Ltd gave notice of their intention to redeem their outstanding Rs. 400,000 8% Debentures on 1st January, 2008 @ Rs. 102 each and offered the holders the following options-

(a) To subscribe for (i) 6% cumulative preference shares of Rs. 20 each at Rs. 22.50 per share, accepted by debenture holders of Rs. 1,71,000 or (ii) 12% debentures were issued @96% accepted by the holders of Rs. 1,44,000 Debentures.

(b) Remaining debentures to be redeemed for cash if neither of the option under (a) was accepted. Pass necessary journal entries.

176. Sonu Ltd. company issued 15,000 shares of Rs. 10 each. Payment on there shares is to be made as follows:

On application	Rs. 4 (1st Feb, 2003)
On allotment	Rs. 3 (1st April, 2003)
On final call	Rs. 3 (1st May, 2003)

Rakesh to whom 1000 shares were allotted paid the full amount on application and mohan to whom 200 shares were allotted paid the final call money on allotment. Interest @ 6% was paid on 1st May, 2003. Pass necessary journal entries.

177. TPT Ltd. invited applications for issuing 1,00,000 equity shares of Rs. 10 each at a premium of Rs. 3 per share. The whole amount was payable on application. The issue was over subscribed by 30,000 shares and allotment was made on pro-rata basis. Pass necessary journal entries in the books of the company.

178. Virani Industries Ltd. issued 1,00,000, 10% Debentures of Rs. 10 each at a discount of 9% on April 1st, 2001 redeemable as follows:

31st March 2003 -	20,000 Debentures
31st March 2004 -	30,000 Debentures
31st March 2005 -	20,000 Debentures
31st March 2006 -	Remaining Debentures

Calculate the amount of discount to be written off each year and prepare discount on issue of debentures account.

179. The following balance appeared in the books of Z Ltd. on January 1, 2004.

12% Debentures A/C	Rs. 1,50,000
Debenture Redemption Fund	Rs. 1,25,000
Debenture Redemption Fund Investment	Rs. 1,25,000
(Represented by Rs. 1,47,500, 3% Govt. Securities)	

The annual installment added to the fund is Rs. 20,575. On December 31, 2004, the bank balance after the receipt of interest on investment was Rs. 39,100. On that date all the investment were sold at 83% and the debentures were duly redeemed. Show the necessary ledger accounts for the year 2004.

180. On 01-04-1999, A Ltd., issued 2000, 7% debentures of Rs. 100 each at a discount of 10% redeemable at par after 4 years by converting them into equity shares of Rs. 100 each issued at a premium of 25%.

Pass journal entries in the following cases:

(i) If debentures are redeemed on maturity.

(ii) If debentures are redeemed before maturity.

181. Pass journal entries for the following at the time of issue of debentures:

(a) B Ltd. issues 30,000, 12% Debentures of Rs. 100 each at a discount of 5 % to be repaid at par at the end of 5 years.

(b) E Ltd. issues Rs. 60,000, 12% Debentures of Rs. 100 each at a discount of 5 % repayable at a premium of 10% at the end of 5 years.

(c) F Ltd. issues Rs. 70,000, 12% Debentures of Rs. 100 each at a premium of 5 % redeemable at 110%.

182. 500 shares of Rs. 100 each issued at a discount of 10% were forfeited for the non-payment of allotment money of Rs. 50 per share. The first and final call of Rs.10 per share on these shares were not made. The forfeited shares were reissued at Rs. 80 per share fully paid-up.

183. 200 shares of Rs. 100 each issued at a discount of 10% were forfeited for the non payment of allotment money of Rs. 50 per share. The first and final call of Rs. 10 per share on these shares were not made. The forfeited share were reissued at Rs. 14 per share fully paid up.

184. 800 Shares of Rs. 10 each issued at per were forfeited for the non-payment of final call of Rs. 2 per share. These shares were reissued at Rs. 8 per share fully paid-up.

185. DN Ltd issued 50,00 shares @Rs 10 each at a discount of Rs 1 per share payable as Rs 2 per share on application, Rs 3 per share on allotment, Rs 4 each on first &final call. Applications were received for 70,000 shares. It was decided to (a) refuse allotment to the applicants for 10,000 shares

(b) to allot 20,000 shares to Mohan , who had applied for a similar no . Of shares and (c) allot the remaining shares on a pro-rata basis. Mohan failed to pay the allotment money and Sohan , who belonged to category (c) and was allotted 3,000 shares, paid both the calls with allotment. Calculate the amount received on allotment. Which value has not been followed by the company and suggest a better alternative for the same.

186. Alfa Ltd. Issued 10,000 , 9 %debentures of Rs 100 each pass the necessary journal entries for the issue of debentures in the following cases:

(a)When debentures are issued at par &redeemable at par

(b)When debentures are issued at par &redeemable at 10%premium

(c)When debentures are issued at 25%premium to the vendors for the purchase of, machinery costing Rs 1, 25,000.

187.Sona Ltd. purchased a machine from Hira Ltd. valuing R 4, 00,000 at 10% discount. In consideration they paid half the amount through a bank draft and remaining half by issue of equity shares of Rs 100 each at 10% discount. Pass the journal entries in the books of the company.

188.BPL ltd forfeited 10 shares of Rs 10 each (Rs 6 called up), issued at a discount of 10%to Mr X, on which he paid Rs 2 per share. Out of these, 8 shares were reissued to Mr. Y as Rs 8 called up for Rs 6 per share.

Pass journal entries for forfeiture and re-issue. Show your workings.

189.What is meant by debentures? What are the characteristics of a debenture?

190.State in brief, the SEBI Guidelines regarding Debenture Redemption Reserve

191.Name the head under which discount on issue of debentures appears in the Balance Sheet of "C" Company.

192. What are the exceptions for creating debenture Redemption Reserve?

193. What do you mean by debentures issued as collateral security?

194. A Ltd issued 5,000 13% debentures of Rs.100 each at par and raised a loan of Rs.80, 000 from Bank. Collaterally secured by Rs. 1,00,000 13% debentures. How will you show the debenture in the Balance Sheet of the Company assuming that the company has recorded the issue of Debentures as collateral security in the books?

195. Pass Journal Entries to record the Issue of Debentures 1) 5000 15% debenture of Rs.100 each issued at Discount of 5% and redeemable at premium at 5% after 5 years. 2) 10000 15% debenture of Rs.100 each issued at a premium of 10% and redeemable at par after 6 years.

196.TPT Ltd. invited applications for issuing 1,00,000 equity shares of Rs. 10 each at a premium of Rs. 3 per share. The whole amount was payable on application. The issue was over subscribed by 30,000 shares and allotment was made on pro-rata basis. Pass necessary journal entries in the books of the company

197..The current assets pf Monarch Company are Rs. 29,745 and the current ratio is 1.5. The inventories stood at Rs.8,827. Calculate the liquid ratio and comment on the liquidity position of the company.

198. From the given information, calculate the inventory turnover ratio: Revenue from operations Rs.2,00,000; GP : 25% on cost; Opening inventory was 1/3rd of the value of Closing Inventory. Closing Inventory was 30% of Revenue from Operations.

199.Reliance Co. purchased assets of Rs.5, 00,000 and took over liabilities of Rs.90,000 at an agreed value of Rs.3,80,000. Reliance Co. issued debentures of Rs.100 each at 5% discount in full satisfaction of the purchase price. Give journal entries in the books of Reliance Co.

200. Y Ltd. purchased plant and machinery for Rs.2,00,000 from Z Ltd. 20% of the amount was paid by Y Ltd. by accepting a bill of exchange in favor of Z Ltd. and the balance was paid by issuing 6%debentures of Rs.1,000 each at a premium of 25%. Journalise the above transactions.

201.(a) state the purposes for which the securities premium account can be utilized under section 78 of companies act ,1956.

(b) The directors of a company forfeited 200 shares of Rs. 10 each issued at a premium of Rs. 3 per share, for the non-payment of first call money of Rs 3 per share. The final call of Rs. 2 per share has not been made. Half of the forfeited shares were reissued at Rs. 1,000 fully paid. Record the journal entries for the forfeiture and re-issue of share.

202.On 1stapril 2012, Vivek ltd. was formed with an authorized capital of Rs. 10,00,000 divided into 2,00,000 equity shares of Rs. 50 each . The company issued prospectus inviting applications for 1,80,000 shares. The issue price was payable as under:

On application: Rs. 15

On allotment: Rs. 20

On call :balance amount

The issue was fully subscribed and the company allotted shares to all the applicants. The company did not make the call during the year.

Show the following:

i)Share capital in the balance-sheet of the company as per revised schedule VI part I of the companies act 1956.

ii)Also prepare notes to account for the same .

203.Mansi Ltd. Had 6,000, 10% debentures of Rs 100 each due for redemption on 31st March 2011. Assuming that the debentures were redeemed out of profits, pass necessary journal entries for the redemption of debentures. There was a credit balance of Rs 6,00,000 in the profit and loss account.

204.On 1st January 2012, the directors of X ltd .offered for public subscription 50,000 equity shares of Rs 10 each at Rs 12 per share, payable as to Rs 5 on application(including premium) , Rs 4 on allotment and balance on 1st may 2012.

The lists were closed on 10th feb 2012, by which date applications for 70,000 were received. of the cash received, Rs 40,000 was returned and Rs 60,000 was applied to the amount due on allotment, the balance of which was paid on 16th February 2012.

All the shareholders paid the call money due on 1st may 2012 with the exception of the allotee of 500 shares. These shares were forfeited on 29th septmber 2012 and re-issued as fully paid at Rs 8 per share on 1st November 2012.

The company , as a matter of policy, does not maintain a calls-in –arrear account.

(i) Which value has been affected by returning the applications of the applicants who paid Rs 40,000a application money ?suggest better alternative for the same.

(ii) Give a journal entries to record these share capital transactions in the books of X ltd.

205.AB ltd invited applications for issuing 75,00 shares of Rs 100 each at a premium of Rs 30 per share . the amount payable was as follows:

On application and allotment – Rs 85 per share including premium

On first and final call – the balance amount

Applications for 1,27,500 shares were received . applications for 27,500 shares were rejected and shares were allotted on pro rata basis to the remaining applicants .excess money received on application and allotment was adjusted towards sum due on first and final call, the calls were mad. Ashare holder, who applied for 1,000 shares failed to pay first and final call money. His shares were forfeited. All the forfeited shares were reissued at Rs 150 per share fully paid up. Pass necessary journal entries for the above transactions I the books of AB ltd.

206.pass necessary entries for issue of debentures for the following:

i) jam ltd issued 750, 12%debentures of Rs 100 each at a discount of 10% redeemable at a premium of 5 %.

ii) Sohan ltd issued 800,9% debentures of Rs 100 each at a premium of Rs 20 per debenture redeemable at a premium of Rs 10 per debenture.

iii) Mona ltd had issued 20,000 , 9% debentures of Rs 100 each of which behalf the amount is due for redemption on march 31st 2008.the company has in its debentures redemption reserve account a balance of Rs 4,40,000. Record the necessary journal entries at the time of redemption of debentures.

207. state the purposes for which the securities premium can be utilized under section 78 of the companies act, 1956.

208.The directors of a company forfeited 200 shares of Rs 10 each issued at a premium of Rs 3 per share , for the non-payment of the first call money of Rs 3 per share . The final call of rs2 per share has not been made. Half of the forfeited shares were reissued at Rs 1,000 fully paid. Record the journal entries for forfeiture and reissue.

209.Raja limited issued a prospectus inviting applications for 20,000 equity shares of Rs 10 each at a premium of Rs 3 per share payable as follows.

On application	Rs 2 per share
On Allotment (including premium)	Rs 5 per share
On first call	Rs 3 per share
On second call	Rs 3 per share

Applications were received for 30,000 shares and allotment was made on pro-rata basis. Money over paid on applications was adjusted to the amount due on allotment.

Mr.Mohit, to whom 600 shares were allotted, failed to pay for the two calls and hence, his share were forfeited. Of the shares forfeited, 800, shares were reissued to Supria as fully paid for Rs 9 per share, the whole of Mr. Mohit's shares being included.

i) Which value has been shown by the company by accepting all the applications of the applicants?

ii)Record journal entries in the books of the company and prepare balance sheet.

210.Srijan ltd issued 10,00,000 new capital divided into shares of Rs 100 each , at a premium Rs 20 per share , payable as under:

On application Rs 10 per share

On allotment Rs 40 per share (including premium of Rs 10 per share)

On first and final call balance

Over payments on application were to be made towards sum due on allotment and first and final call . Where no allotment was made, money was to be refunded in full.

The issue was oversubscribed to the extent of 13,000 shares. Applicants for 12,000 shares were allotted only 2,000 shares and applicants for 3,000 shares were sent letters of regret. Shares were allotted in full to the remaining applicants:

All the money was duly received.

a) Which value has been affected by rejecting the applications of the applicants who had applied for 3,000 shares? Suggest a better alternative for the same.

Give journal e4ntriesin the books of the company.

211..Aryan Ltd. invited applications for issuing 1,00,000 equity shares of Rs.50 each at a premium of Rs.50 per share. The amount was payable as follows:

On application--------Rs.50 per share(including Rs.25 premium)

On allotment--------- The balance

The issue was fully subscribed. A shareholder holding 300 shares paid the full share money with application. Another shareholder holding 200 shares failed to pay the allotment money. His shares were forfeited. Later on, these shares were re-issued for Rs.20,000 as fully paid up.

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

212..Bharat Steel Ltd. invited applications for 50,000 equity shares of Rs.10 each at a premium of Rs.4 per share. The amount was payable as :

On Application	Rs.4(including premium Rs.2)
On Allotment	Rs.6(including premium Rs.2)
On First and Final Call	Balance

Applications for 60,000 shares were received. Allotment was made to all the applicants on prorate basis. Excess application money was adjusted towards sums due on allotment. Ram to whom 500 shares were allotted failed to pay the allotment and call money. Shyam, to whom 1,000 shares were allotted, failed to pay the call money. These shares were forfeited. The forfeited shares were reissued@ Rs.8 per share fully paid-up.

Pass the necessary journal entries in the books of the company.

213.. Pass necessary journal entries for" issue of debentures" for the following:

(i) X Ltd. issued 750,12% Debentures of Rs.100 each at a discount of 10% redeemable at a premium of 5%.

(ii) Y Ltd. issued 800,9% Debentures of Rs.100 each at a premium of Rs.20 per Debenture redeemable at a premium of Rs.10 per Debenture.

214..Genius Ltd. issued Rs.3,00,000,6% Debentures of Rs.100 each redeemable after 3 years either by Draw of lots or by purchase in the open market . At the end of three years, finding the market price of debentures at Rs.95 per debenture, it purchased all its debentures for immediate cancellation. Pass necessary journal entries for cancellation of debentures assuming the company has sufficient balance in Debenture Redemption Reserve and had made the required investments in specified securities.

PART-B: FINANCIAL STATEMENT ANALYSIS(20 Marks)

CHAPTER-3 &4 (Analysis of Financial Statements and Cash Flow statement -12+8=20 Marks)

Question carrying 1, 3 ,4 and 6 Marks(Short& Long Answer Type I &II)

215.Give the major headings under which the following items will be shown in a Company's Balance Sheet as per Schedule III of the Companies Act,2013:

(i)Provision for Taxation (ii) Capital Reserve

(iii) Goodwill (iv) Public Deposits

(v) Inventories (v) Loose-tools

(vii) Mortgage Loans (viii) Prepaid Insurance

216. Find the value of current liabilities and current assets, if current ratio is 2.5:1, liquid ratio is 1.2:1 and the value of inventory of the firm is Rs.78,000.

217..Prepare a Comparative Income Statement from the following information:

Particulars	2015(Rs.)	2014(Rs.)
Revenue from Operations	5,00,000	6,00,000
Cost of Materials Consumed	3,00,000	3,30,000
Depreciation and Amortization Expenses	60,000	60,000
Other Expenses	25,000	48,000

218. (a) Name the sub heads under current liabilities in the Equity and Liabilities part of the Balance sheet as per Schedule VI of the Companies Act 2013.

(b) State any two objectives of Financial Statement Analysis.

219.Write the Heading and sub heading of the followings as per the new schedule VI of the Indian Companies Act.

220.How the earning capacity of a business assessed by financial statement analysis?

221. State one transactions which results in flow of cash.

a. cash withdrawn from bank b. issue of bonus shares

c. purchase of machinery on credit d. purchase of stock for cash

222. X Ltd has a Debt equity ratio at 3:1; the management wants to maintain it at 1:1.What are the two choices to do so.

a. redemption of debentures b. issue of bonus shares

c. declaring dividends d. buy- back of shares

223. Prepare a Comparative Income Statement from the following

	2012	2013
Gross Sales	1,20,200	1,35800
Sales Return	20,200	5,800
Cost of goods sold	40% of net sales	50% of net sales
Operating Expenses	15,000	14,000
Income Tax	50%	50%

224. a) Current Ratio of a company is 4:3, working capital is Rs 80000.Calculate the amount of current assets and current liabilities

b) Calculate Proprietary Ratio from the following .

Closing Stock	60,000
9% Preference Shares	4,00,000
Security Premium	30,000
General Reserve	10,000
Other Current Assets	1,10,000
Current Liabilities	1,80,000
Fixed Assets	3,50,000
Operating Expenses	25,000

225. a) Mention any two Contingent Liabilities of a Company.

b) List two items shown under non-current liabilities of a company.

226. How will you show the following items in the Balance sheet of a company?

(i) Calls in Arrears (ii) Calls In Advance.

227. Under what heads the following items on the Liabilities side of the Balance sheet of a company will be presented

(i) Proposed Dividend. (ii) Unclaimed Dividend.

228. How will you assess the liquidity or short term financial position of a business?

229. Why stock is excluded from liquid assets?

230. Under which sub head will you show the following items in the balance sheet of a company :

i. Bills receivable
ii. Unclaimed dividend
iii. Preliminary expenses
iv. Debentures
v. Goodwill stick

231.Prepare comparative income statement with the help of the following information:

particulars	2011	2012
Sales	4,80,000	5,60,000
Gross profit	36%	30%
Selling &administrative expenses	1,12,000	1,06,000
Income tax rate	50%	50%

232.A company's stock turnover ratio is 5 times; stock at the end is 10,000 more than that at the beginning. Sales (all credit) are Rs 40,000.rate of gross profit on cost 25%.current liabilities Rs 1,20,000. Acid test ratio 0.75.calculate the current ratio.

233.Under which head and sub head will you shoe w the following items in the balance sheet of accompany:

i. Sundry creditors ii. Provision for tax iii. Patents iv. Loose tools

v. Interest accrued on investments vi. Security premium reserve

239.Prepare a comparative income statement from the following information:

particulars	2010	2011
Sales Costs of goods sold Operating expenses Rate of income tax	10,00,000 70%of sales 5%of sales 50%of net profit before tax	16,00,000 70%of sakes 5%of sales 505of net profit before tax

240. (a) compute 'debtors' turnover ratio ' from the following information:

Total sales Rs 5,20,000;cashsales 60%of the credit sales ; closing debtors Rs 80,000;opening debtors are 3/4th of closing debtors.

(b) Current liabilities of a company are Rs 1,60,000 .its liquid ratio is 1:5:1 an current ratio is 2.5:1. calculate quick assets and current assets.

241. Calculate the amount of Opening and Closing Trade receivables from the following: Trade Receivables Turnover Ratio : 6 Times, Cost Of Revenue from Operations : Rs.6,00,000 Gross Profit Ratio :20% on cost Cash Revenue from Operations being 25% of Total Revenue from Operations Opening Trade Receivables were 1/4th of Closing Trade Receivables

245.Prepare comparative income statement with the help of the following information:

particulars	2011	2012
Sales Gross profit Selling &administrative expenses Income tax rate	4,80,000 36% 1,12,000 50%	5,60,000 30% 1,06,000 50%

246. A company's stock turnover ratio is 5 times; stock at the end is 10,000 more than that at the beginning. Sales (all credit) are Rs 40,000.rate of gross profit on cost 25%.current liabilities Rs 1,20,000. Acid test ratio 0.75.calculate the current ratio.

247.Under which head and sub head will you shoe w the following items in the balance sheet of accompany:

i. Sundry creditors ii. Provision for tax iii. Patents
iv. Loose tools v. Interest accrued on investments vi. Security premium reserve

248.Prepare a comparative income statement from the following information:

particulars	2010	2011
Sales Costs of goods sold Operating expenses Rate of income tax	10,00,000 70%of sales 5%of sales 50%of net profit before tax	16,00,000 70%of sakes 5%of sales 505of net profit before tax

249.(a) compute 'debtors' turnover ratio ' from the following information:

Total sales Rs 5,20,000;cashsales 60%of the credit sales ; closing debtors Rs 80,000;opening debtors are $3/4^{th}$ of closing debtors.

(b) Current liabilities of a company are Rs 1,60,000 .its liquid ratio is 1:5:1 an current ratio is 2.5:1 . calculate quick assets and current assets.

250. Calculate the amount of Opening and Closing Trade receivables from the following: Trade Receivables Turnover Ratio : 6 Times, Cost Of Revenue from Operations : Rs.6,00,000 Gross Profit Ratio :20% on cost Cash Revenue from Operations being 25% of Total Revenue from Operations Opening Trade Receivables were 1/4th of Closing Trade Receivables

251.Under which sub head will you show the following items in the balance sheet of a company :

i. Bills receivable ii. Unclaimed dividend iii. Preliminary expenses
iv. Debentures v. Goodwill stick

Cash flow Statement

252. Payment of dividend by a financing company will come under which of the following activity:

a. Operating activity b. Financing Activity

c. Investing activity d. None of these

253. Dividend received by financial enterprise is shown in cash flow statement under:

(a) Operating activities (b) Investing activities (c) Financing activities

254. What are different activities under which cash flow statement is classified?

255.Write two uses of a cash flow statement.

256. Interest paid by other than financial enterprise is shown in cash flow statement under:

(a) operating activities (b) investing activities (c) financing activities

257. Under which type of activity will you classify 'refund of income tax received' while preparing the cash flow statement?

258. The following information is available from the financial statement of a company:

Net profit	20,000
Opening stock	20,000
Closing stock	24,000
Opening debtors	30,000
Closing debtors	40,000

What will be the net cash from operating activities of the company?

259. List any two types of investing activities.

260. Dividend received by financial enterprise is shown in cash flow statement under:

(a) Operating activities (b) Investing activities (c) Financing activities

261. What are different activities under which cash flow statement is classified?

262. State with reason whether "Purchase of fixed asset on long-term deferred payment" would result inflow, outflow or no flow of cash.

263. Give an example of the activity which remains financing activity for every enterprise.

Question carrying 6 Marks(Long Answer Type)

264. Following is the Balance Sheet of Thermal Power Ltd. as at31-03-2015

Particulars	Note No.	2015(Rs.)	2014(Rs.)
I.EQUITY AND LIABILITIES			
(1)Shareholders Funds			
(a)Share Capital		12,00,000	11,00,000
(b)Reserve and Surplus	1	3,00,000	2,00,000
(2)Non-current Liabilities			
Long-term Borrowings		2,40,000	1,70,000
(3)Current Liabilities			
(a)Trade Payables		1,79,000	2,04,000
(b)Short-term Provisions		50,000	77,000
Total		**19,69,000**	**17,51,000**
II. ASSETS			
(1) Non-current Assets			
(a)Fixed Assets			
(i)Tangible	2	10,70,000	8,50,000
(ii)Intangible	3	40,000	1,12,000
(2)Current Assets			
(a)Current Investments		2,40,000	1,50,000
(b)Inventories		1,29,000	1,21,000
(c)Trade Receivables		1,70,000	1,43,000
(d)Cash and Cash equivalents		3,20,000	3,75,000
Total		**19,69,000**	**17,51,000**

Notes to Accounts:

S.No	Particulars	2015(Rs.)	2014(Rs.)
1	**Reserves and Surplus:** Surplus. i. e. balance in Statement of P /L	3,00,000	2,00,000
2	**Tangible Assets** Machinery Less: Accumulated Depreciation	12,70,000 (2,00,000) 10,70,000	10,00,000 (1,50,000) 8,50,000
3	**Intangible Assets** Goodwill	40,000	1,12,000

Additional information:

During the year a piece of machinery, costing Rs.24,000 on which accumulated depreciation was Rs.16,000 was sold for Rs.6,000.

Prepare Cash Flow Statement.

265. From the following balance sheet of X ltd .prepare cash flow statement:

Particulars	Note no.	2010-11(Rs)	2011-12(Rs)
I. Equity and Liabilities:			
(1) shareholders funds:			
(a) equity share capital		6,00,000	7,00,000
(b) reserves and surplus	1	3,10,000	1,40,000
(**2**)**non-current liabilities:**			
10%debentures		3,00,000	5,00,000
(3)current liabilities:			
(a) provision for depreciation on machinery		1,80,000	2,60,000
(b) sundry creditors		1,50,000	2,20,000
(c) bills payable		20,000	30,000
Total		**15,60,000**	**18,50,000**
II. assets:			
(1) Non-current assets:			
(a) Goodwill		2,00,000	1,60,000
(b) Machinery		8,20,000	10,80,000
(c) 10%investments		60,000	1,60,000
(2) Current assets:			
(a) Cash at bank		2,40,000	2,60,000
(b) Sundry debtors		1,60,000	3,80,000
(c) Stock		80,000	1,10,000
Total		**15,60,000**	**21,50,000**

NOTES TO ACCOUNTS

Reserves and surplus:			
General reserve		2,00,000	3,00,000
Statement of profit and loss		1,20,000	1,40,000
Discount on issue of debenture		(5,000)	
Preliminary expenses		(5,000)	

Additional information:

(a) During the year investment costing Rs 60,000 was sold for Rs 56,000.

(b) A new machine was purchased for Rs 2, 60,000

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