

**PART A : ACCOUNTING FOR NOT-FOR-PROFIT ORGANISATIONS,
PARTNERSHIP FIRMS AND COMPANY ACCOUNTS**

1. State the basis of accounting, on which a Receipts and Payments account is prepared in case of a not for profit organisation.

Ans). Cash Basis

Q: Name any two financial statements prepared by a not-for-profit organisation.

Ans). Receipts & Payment A/c, Income & Expenditure A/c & Balance Sheet.

Q: State the basis of accounting on which income & expenditure account is prepared by a not for profit organisation.

Ans). Accrual basis

Q: Name the firm used for denoting "Excess of income over expenditure" in case of not for profit organisation.

Ans). Surplus

Q: Distinguish between Income & Expenditure A/c and Receipts & Payments A/c on the basis of nature.

Ans). Income & Expenditure A/c is a nominal A/c where as Receipts & Payments A/c is real A/c.

Q: State the nature of Income & Expenditure A/c.

Q: What is meant by capital receipts?

Q: What is meant by revenue receipts?

Q: Name the firm used for denoting "Excess of expenditure over income" in case of not for profit organisation.

2. What is meant by "Unlimited liability of a Partner" ?

Ans). Unlimited liability means the liability of a partner is joint and several.

OR

The personal assets of the partner can be utilized for paying firm's debts.

Q:- What is meant by Partnership deed?

Ans). An agreement in writing among partners.

Q:- Where would you record the interest on capital when capitals are fluctuating?

Q:- Where would you record the interest on capital when capitals are fixed?

Q:- Where would you record the interest on drawings when capitals are fluctuating?

Q:- Where would you record the interest on drawings when capitals are fixed?

Q:- A, B and C decided that interest on capital will be provided to each partner @ 5% p.a. but after one year C wants that no interest on capital it to be provided to any partner. State how C can do this.

Ans). He can only do this if it is consented in partnership deed otherwise he cannot.

Q:- A, B and C decided that no interest on drawings is to be charged from any partner. But after one year C wants that interest on drawings is to be provided to every partner. State how C can do this.

Ans).

3. State the need for treatment of Good will on admission of a Partner.

Ans). To compensate the old partners for their sacrifice.

Q: Why are 'Reserves and Surplus' distributed at the time of reconstitution of the firm?

Ans). These belong to old Partners, so it should be distributed among them.

Q:- State the need for treatment of Good will on retirement of a Partner.

Ans). Retiring partner should get his/her share of goodwill because he sacrifices his share of profit in favour of the continuing partner.

4. How does the factor "Location" affect the goodwill of a firm?

Ans). Location as factor enhances better business & sales.

Q: How does the factor 'Efficiency of Management' affect the goodwill of a firm?

Ans). If the manager is capable and competent, the firm will earn high profits which will increase the value of goodwill.

Q:- How does the factor "Quality of products" affect the goodwill of a firm?

Ans). Increase in turnover & profit resulting effects Goodwill of the firm.

5. What are Preliminary expenses?

Ans). These are the expenses incurred prior to the incorporation of a company.

Q: What is meant by 'Capital Reserve' ?

Ans). Capital Reserve is an accumulated Capital Profit.

Q:- What is meant by 'pro-rata allotment of shares'?

Ans). When issue is oversubscribed, shares are allotted to applicants proportionately.

Q:- What do you mean by issue of shares at par?

Ans). When the shares are issued at its face value, it is known as issue of shares at par.

Q:- What are "Calls-in-Arrears"?

Q:- What are "Calls-in-Advance"?

Q:- What is "Reserve Capital"?

Q:- What is meant by private placement of shares?

6. From the following information, calculate the amount of subscriptions outstanding for the year 2008-09.

A club has 250 members each paying an annual subscription of ` 1,000. The Receipts & Payments account for the year showed a sum of ` 2,65,000 received as subscriptions. The following additional information is provided.

	(`)
Subscriptions Outstanding on 31st March, 2008	40,000
Subscriptions Received in advance on 31st March, 2009	30,000
Subscriptions Received in advance on 31st March, 2008	12,000

7. S.S.S. Ltd., has a paid up share capital of ` 60,00,000 and a balance of ` 15,00,000 in the Securities Premium Account. The company management do not want to carryover this balance. State the 'purposes for which this balance can be utilized.

Ans). Write down any three uses of "Securities Premium".

Q: X Ltd. obtained a loan of Rs. 4,00,000 from IDBI Bank. The company issued 5,000, 9% Debentures of Rs. 100 each as a collateral security for the same. Show how these items will be presented in the Balance Sheet of the company.

Q:- SS Ltd. wants to issue 1,00,000 equity shares of ` 100 each at discount. State clearly the conditions which should be fulfilled by the company to issue these shares.

Q:- SSS Ltd. forfeited 1,000 equity shares of ` 100 each for the non-payment of first call ` 20 per share and second and final call of ` 25 per share. State:

a). Can these shares be re-issued?

b). If yes state the minimum amount at which these shares can be re-issued?

c). If these shares were re-issued at ` 50 per share fully paid, what will be the amount of Capital Reserve?

Q:- Y Ltd's authorised capital was 1,00,00,000 divided into equity shares of 100 each. On 1.1.2009 the company offered for subscription 10,000 shares at par. The public for 9,000 shares which were allotted. Can the remaining 1,000 shares be issued at a discount of 11%? If yes, state the conditions which the company must fulfill for the same.

8. DN Ltd., issued 50,000 shares of ` 10 each at a discount of 10% payable as ` 2 per share on application, ` 3 on allotment and ` 2 each on first and final call. Applications were received for 70,000 shares. It was decided that (a) refuse allotment to the applicants for 10,000 shares (b) allot 20,000 shares to Mohan who had applied for similar number and (c) allot the remaining shares on pro-rata basis. Mohan failed to pay the allotment money and Sohan who belonged the category 'C' and was allotted 3,000 shares paid both the calls with allotment. Calculate the amount received on allotment.

Ans). Amount received on Allotment ` 82,000

9. A, B & C were partners. Their capitals were ` 30,000; ` 20,000 and ` 10,000 respectively, According to the partnership deed they were entitled to an interest on capital at 5% p.a. In addition B was also entitled to draw a salary of ` 500 per month. C was entitled to a commission of 5% on the profits after charging the interest on capital, but before charging the salary payable to B. The net profits for the year were ` 30,000, distributed in the ratio of their capitals without providing for any of the above adjustments. The profits were to be shared in the ratio of 2:2:1. Pass the necessary adjustment entry showing the workings clearly. {Dr. A's Cap. A/c by ` 5,640; Cr. B's & C's Cap. A/c by ` 4,860 & ` 780 resp.}

10. A, B and C were partners sharing profits in the ratio of 6:4:5. Their capitals were A ` 1,00,000, B - ` 80,000 and C - ` 60,000. On 1st April 2009, B retired from the firm and the new profit sharing ratio between A and C was decided as 11:4. On B's retirement the goodwill of the firm was valued at ` 1,80,000. Showing your calculations clearly' pass necessary journal entry for the treatment of goodwill on B's retirement.

11. X Ltd., had ` 8,00,000, 9% debentures due to be redeemed out of profits on 1st Oct, 2009, at a premium of 5%. The company had a Debenture Redemption Reserve of ` 4,14,000. Pass necessary journal entries at the time of redemption.

12. From the following information of a not for profit organisation, show the sports material items in the 'Income and Expenditure Account' for the year ending 31st March, 2009 and the Balance Sheets as on 31st March, 2008 & 31st March, 2009:

	31-3-2008 (`)	31-3-2009 (`)
Stock of sports material	2,200	5,800
Creditors for sports material	7,800	9,200
Advance to Suppliers for sports material	15,000	25,000

Payment to suppliers for the sports material during the year was ` 1,20,000, there were no cash purchases made.

13. (a). X, Y and Z are partners in a firm sharing profits in the ratio of 3:2:1. On April 1st 2009, X retires from the firm, Y and Z agree that the capital of the new firm shall be fixed at ` 2,10,000 in the profit sharing ratio. The Capital Accounts of Y and Z after all adjustments on the date of retirement showed balances of ` 1,45,000 and ` 63,000 respectively. State the amount of actual cash to be brought in or to be paid to the partners.

(b). A, B & C are partners in a firm whose books are closed on March 31st each year. A died on 30th June 2009 and according to the agreement the share of profits of a deceased partner up to the date of the death is to be calculated on the basis of the average profits for the last five years. The net profits for the last 5 years have been: 2005 - ` 14,000; 2006 - ` 18,000; 2007 - ` 16,000, 2008 - ` 10,000 (loss) and 2009 - ` 16,000. Calculate A's share of the profits upto the date of death and pass necessary journal entry.

14. Suresh Ltd., on 1st April 2006. acquired assets of the value of Rs. 6,00,000 and liabilities worth Rs. 70,000 from P & Co, at an agreed value of Rs. 5,50,000. Suresh Ltd. issued 12% Debentures of Rs. 100 each at a premium of 10% in full satisfaction of purchase consideration. The Debentures were redeemable 3 years later at a premium of 5%. Pass entries to record the above including redemption of debentures.

15. X Ltd., issued 50,000 shares of ` 10 each at a premium of ` 2 per share payable as follows:
 ` 3 on application ` 6 on allotment (including premium) and ` 3 on call.

Applications were received for 75,000 shares and a pro-rata allotment was made as follows:

To the applicants of 40,000 shares, 30,000 shares were issued and for the rest 20,000 shares were issued. All moneys due were received except the allotment and call money from Ram who had applied for 1,200 shares (out of the group of 40,000 shares). All his shares were forfeited. The forfeited shares were re-issued for ` 7 per share fully paid up. Pass necessary Journal Entries for the above transactions. { CR ` 900 }

OR

Janta Ltd., invited applications for issuing 2,00,000 equity shares of ` 10 each at a discount of 10%. The amount was payable as follows:

On Application ` 2 per share; On Allotment ` 3 per share
 On first and final call - 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 whom 1,200 shares were allotted 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 re-issued at ` 8 per share fully paid up. Pass necessary journal entries in 'the books of Janta Ltd., for the above transactions. { CR ` 1,500 }

16. A, B and C were partners sharing profits in the ratio of 3:1:1. Their Balance Sheet as on March 31st 2009, the date on which they dissolve their firm, was as follows:

Liabilities	(`)	Assets	(`)
Sundry Creditors	6,000	Cash	3,200
Loan	1,500	Debtors	24,200
Capital A/cs:		Less: PDD	1,200
A	27,500	Stock	7,800
B	10,000	Bills Receivable	1,000
C	7,000	Sundry Assets	17,000
Total	52,000	Total	52,000

It was agreed that :-

- A is to take over Furniture at ` 800; Debtors amounting to ` 20,000 at ` 17,200 and also the creditors of ` 6,000 to be paid by him at this figure.
- B agreed to take over all the stock at ` 7,000 & some of the sundry assets at ` 7,200 (being 10% less book value).
- C is to take over the remaining Sundry Assets at 90% of their book value and assume assumed the responsibility for the discharge of the loan together with accrued interest of ` 300, which has not been recorded in the books).
- Expenses of dissolution were ` 270.
- The remaining debtors were sold to a Debt-collecting agency at 50% of book value.

Prepare necessary accounts to close the books of the firm.

{ Real. Loss : ` 6,970, Cash A/c: ` 11,588 }

OR

On 31st March, 2009 the Balance Sheet of Ram and Shyam, who were sharing profits .in the ratio of 3:1 was as follows:

Liabilities	(₹)	Assets	(₹)
Creditors	2,800	Cash at Bank	2,000
Employees' provident fund	1,200	Debtors	6,500
General Reserve	2,000	Less: PDD	<u>500</u>
Capital A/cs:		Stock	3,000
Ram	6,000	Investments	5,000
Shyam	<u>4,000</u>		
	10,000		
Total	16,000	Total	16,000

They decided to admit, Mohan on April 1st 2009 for 1/5th share on the following terms:

- Mohan shall bring ₹ 6,000 as his share of premium.
- That unaccounted accrued income of ₹ 100 be provided for.
- The market value of investments was ₹ 4,500.
- A debtor whose dues of ₹ 500 was written off as bad debts paid ₹ 400 in full settlement.
- Mohan to bring in capital to the extent of 1/5th of the total capital of the new firm.

Prepare Revaluation A/c, Partners Capital A/cs and the Balance Sheet of the new firm.

{ Rev. Profit/Loss: Nil, Capital brought by Mohan's ₹ 4,500, B/S: ₹ 26,500 }

Part – B (Financial Statements Analysis)

17. State anyone objective of Financial Statement Analysis.

Ans). Any one objective of FSA.

- To know profitability of the business.
- To know solvency.
- To know operating efficiency.
- To know liquidity.

Q: State anyone limitation of Financial Statement Analysis.

Ans). Any one of the following:-

- Ignores price level changes.
- They are historical in nature.

Q:-How does the solvency of a business is assess by "Financial Statement Analysis"?

Ans). Solvency of the business is assessed by computing Solvency Ratios i.e. Debt Equity Ratio, Proprietary Ratio, etc.

Q:- How the Earning capacity of a business" is assess by "Financial Statement Analysis"?

Ans). Earning Capacity of the business is assessed by computing profitability ratios i.e. Gross profit ratio, Net profit ratio, etc.

Q:- How does the "Window dressing" a limitation of Financial Statement Analysis ?

Ans). Manipulation of books of accounts may give false information to the users.

Q:- How does the Subjectivity become a limitation of Financial Statement Analysis?

Ans). Due to personal judgment.

Q:- Name two parties interested in Financial Statement Analysis.

Ans). (a). Creditors (b). Lenders (c). Investors (d). Management

Q:- State why shareholders/investors are interested in financial statement analysis.

Ans). They are interested in financial statement analysis to know the safety of their investment, and earning capacity of the business.

Q:- State why creditors for goods are interested in financial statement analysis.

Ans). Creditors are interested in know liquidity of the of the business whether the business is able to pay their debts on maturity

18. Under which type of activity will you classify 'Issuing 9% Debentures' while preparing Cash Flow Statement?

Ans). Financing Activity.

Q: Under which type of activity will you classify 'Proceeds from Sale of Buildings' while preparing Cash Flow Statement?

Ans). Investing Activity.

Q: Under which type of activity will you classify 'Furniture purchased for cash' while preparing Cash Flow Statement?

Ans). Investing Activity.

Q: Under which type of activity will you classify 'Cash received from Debtors' while preparing Cash Flow Statement?

Ans). Operating Activity.

Q: Under which type of activity will you classify 'Issue of Equity Shares at Premium' while preparing Cash Flow Statement?

Ans). Financing Activity.

Q: Under which type of activity will you classify 'Sale of shares of another company' while preparing Cash Flow Statement?

Ans). Investing Activity

Q: Under which type of activity will you classify 'purchase of shares of another company' while preparing CFS?

Ans). Investing Activity.

19. Declaration of Final dividend would result in inflow, outflow or no flow of cash. Give your answer with reason.

Ans). No flow of cash as dividend is declared only, not yet paid.

Q: 'Redemption of debentures' would result in inflow, outflow or no flow of cash? Give your answer with reason.

Ans). Cash outflow because cash goes out.

Q: 'Sale of marketable securities at par' would result in inflow, outflow or no flow of cash? Give your answer with reason.

Ans). No flow of cash as the "sale of marketable securities at par" is a part of cash equivalent.

Q: Interest received on debentures would result in inflow, outflow or no flow of cash? Give your answer with reason.

Ans). Cash inflow because cash goes out.

Q: Purchase of patents would result in inflow, outflow or no flow of cash? Give your answer with reason.

Ans). Cash outflow because cash goes out.

Q: 'Cash paid as salaries to workers' would result in inflow, outflow or no flow of cash? Give your answer with reason.

Ans). Cash outflow because cash goes out.

Q: Interest paid on debentures would result in inflow, outflow or no flow of cash? Give your answer with reason.

Cash outflow because cash goes out.

20. From the following information provided prepare a comparative income statement for the period 2008 & 2009.

	2008	2009
Sales	(`) 6,00,000	9,00,000
Gross Profit	40% on sales	50% on sales
Administrative expenses	20% of Gross profit	15% of Gross profit
Income tax	50%	50%

21. (a). A business has a current ratio of 3: 1 and quick ratio of 1.2:1. If the working capital is ` 1,80,000/-, calculate the total Current Assets and value of Stock.

(b). From the given information cal. the Stock turnover ratio. Sales ` 2,00,000; GP : 25% on cost; Stock at the beginning is 1/3rd of the stock at the end which was 30% of sales.

22. Assuming that the Debt-Equity ratio is 2. State giving reasons whether this ratio would increase, decrease or remain unchanged in the following cases: (ANY 4)

- Purchase of fixed asset on a credit of 2 months.
- Purchase of fixed asset on a long term deferred payment basis.
- Issue of New shares for cash.
- Issue of Bonus shares.
- Sale of fixed asset at a loss of ` 3,000.

23. From the following Balance Sheets, prepare a Cash Flow Statement as per AS-3 (revised)

Liabilities	31.3.2008	31.3.2009	Assets	31.3.2008	31.3.2009
Share Capital	12,000	15,000	Furniture	5,000	8,000
P and L Account	5,000	6,000	Stock	6,000	4,000
Creditors	15,000	11,000	Debtors	10,000	8,000
			Cash	11,000	12,000
	32,000	32,000		32,000	32,000

A dividend of Rs. 3,000 was paid during the year 2008-09.

{ CFOA:- ` 4,000; CFIA:- ` (3,000), CFFA:- Nil }