KENDRIYA VIDYALAYA SANGATHAN

QUESTION BANK 2013 FOR

CUMULATIVE LEARNING OUTCOME

class xii

accountancy

Accountancy (Code 055)

Class–XII (2014-15)

One Paper 3 Hours
80 Marks

Units	Periods	Marks
Part A:Accounting for Partnership Firms and Companies		
Unit 1. Accounting for Partnership Firms	90	35
Unit 2. Accounting for Companies	60	25
Part B:Financial Statement Analysis		
Unit 3. Analysis of Financial Statements	30	12
Unit 4. Cash Flow Statement	20	8
Part C:Project Work	40	20
Project work will include: Project File: 4 Marks Written Test: 12 Marks (One Hour) Viva Voce: 4 Marks		
OR		
Part B:Computerized Accounting		
Unit 3. Computerized Accounting	60	20
Part C: Practical Work	26	20
Practical work will include: File 4 Marks Practical Examination 12 Marks (One Hour) Viva Voce 4 Marks		

Part A: Accounting for Partnership Firms and Companies 60 Marks 150 Periods

Unit 1: Accounting for Partnership Firms

Partnership: features, Partnership deed.Provisions of the Indian Partnership Act 1932 in the absence of partnership deed.Fixed v/s fluctuating capital accounts.Preparation of Profit & Loss Appropriation accountdivision of profit among partners, guarantee of profits.Past adjustments (relating to interest on capital, interest on drawing, salary and profit sharingratio).Goodwill: nature, factors affecting and methods of valuation - average profit, super profit and capitalization.Accounting for Partnership firms - Reconstitution and Dissolution.Change in the

Profit Sharing Ratio among the existing partners - sacrificing ratio, gainingratio. Accounting for revaluation of assets and re-assessment of liabilities and distribution ofreserves and accumulated profits.Admission of a partner - effect of admission of a partner on change in the profit sharing ratio,treatment of goodwill (as per AS 26), treatment for revaluation of assets and re - assessment of liabilities,treatment of reserves and accumulated profits, adjustment of capital accounts and preparation ofbalance sheet.Retirement and death of a partner: effect of retirement /death of a partner on change in profitsharing ratio, treatment of goodwill (as per AS 26), treatment for revaluation of assets and re -assessment of liabilities, adjustment of accumulated profits and reserves, adjustment of capitalaccounts and preparation of balance sheet. Preparation of loan account of the retiring partner.Calculation of deceased partner's share of profit till the date of death.Preparation of deceasedpartner's capital account, executor's account and preparation of balance sheet.Dissolution of partnership firms: types of dissolution of firm. Settlement of accounts - preparation ofrealization account, and other related accounts (excluding piecemeal distribution, sale to a company andinsolvency of partner(s)).

Note: (i) If value of asset is not given, its realised value should be taken as nil.

(ii) In case, the realisation expenses are borne by a partner, clear indication should be givenregarding the payment thereof.

Unit -2 Accounting for Companies

Accounting for Share CapitalShare and share capital: nature and types.Accounting for share capital: issue and allotment of equity shares, private placement of shares, Publicsubscription of shares - over subscription and under subscription of shares; Issue at par and at premiumand at discount, calls in advance and arrears (excluding interest), issue of shares for consideration otherthan cash.Accounting treatment of forfeiture and re-issue of shares.Disclosure of share capital in company's Balance Sheet.Accounting for DebenturesDebentures: Issue of debentures at par, at premium and at discount. Issue of debentures forconsideration other than cash; Issue of debentures with terms of redemption; debentures as collateralsecurity-concept, interest on debentures.Redemption of debentures: Lump sum, draw of lots and purchase in the open market (excludingex-interest and cum-interest).

Part B: (i) Financial Statement Analysis 20 Marks 50 Periods

Unit 3: Analysis of Financial Statements

Financial statements of a company: Statement of Profit and Loss and Balance Sheet in theprescribed form with major headings and sub headings (as per Schedule VI to the Companies Act,1956).256Scope: Exceptional Items, Extraordinary Items and Profit (loss) from Discontinued Operationsare excluded.Financial Statement Analysis: Objectives and limitations.Tools for Financial Statement Analysis: Comparative statements, common size statements,cash flow analysis, ratio analysis.Accounting Ratios: Objectives, classification and computation.Liquidity Ratios: Current ratio and Quick ratio.Solvency Ratios: Debt to Equity Ratio, Total Asset to Debt Ratio, Proprietary Ratio and InterestCoverage Ratio.Activity Ratios: Stock Turnover Ratio, Debtors Turnover Ratio, Creditors Turnover Ratio and WorkingCapital

Turnover Ratio.Profitability Ratios: Gross Profit Ratio, Operating Ratio, Operating Profit Ratio, Net Profit Ratio andReturn on Investment.Note: As ratio analysis is a managerial tool, for the computation of profitability ratios, relevantinformation should be specified whether it is a part of Statement of Profit and Loss as per Schedule VI ornot.

Unit 4: Cash Flow Statement

Meaning, objectives and preparation (as per AS 3 (Revised) (Indirect Method only)Scope: Adjustments relating to depreciation and amortisation, profit or loss on sale of assets includinginvestments, dividend (both final and interim) and tax.Note: Bank overdraft and cash credit to be treated as a component of cash and cash equivalent.

(ii) PROJECT WORK 20 Marks 40 Periods

Kindly refer to the Guidelines published by the CBSE.

OR

Part B: Computerised Accounting 20 Marks 60 Periods

Unit 3: Computerised Accounting

Overview of Computerised Accounting System.Introduction: Application in Accounting.Features of Computerised Accounting System.Structure of CAS.Software Packages: Generic; Specific; Tailored.Accounting Application of Electronic Spreadsheet.Concept of Electronic Spreadsheet.Features offered by Electronic Spreadsheet.Application in Generating Accounting Information - Bank Reconciliation Statement; AssetAccounting; Loan Repayment of loan schedule, Ratio AnalysisData Representation- Graphs, Charts and Diagrams.Using Computerized Accounting System.Steps in installation of CAS, codification and Hierarchy of account heads, creation of accounts.Data: Entry, Validation and Verification.Adjusting entries, preparation of balance sheet, profit and loss account with closing entries andopening entries.Need and security features of the system.Database Management System (DBMS)Concept and Features of DBMS.DBMS in Business Application.Generating Accounting Information - Payroll.

Part C: Practical Work 20 Marks 26 Periods

KENDRIYA VIDYALAYA SANGATHAN

AGRA REGION

QUESTION BANK (2013-14), CLASS: XII (COMMERCE)

SUBJECT: ACCOUNTANCY

ACCOUNTING FOR PARTNERSHIP FIRMS- FUDAMENTALS

1. What can be the maximum number of partners in the banking business?

2. Do all firms need a deed and registration?

3. Can a partner be exempted from sharing the losses in a firm ? If yes, under what circumstances?

4. 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 reasons whether the claim is valid or not?

5. 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 is to be provided to any partner. State how \`C' can do this?

6. Do all forms of business organizations prepare a Profit and Loss Appropriation account?

7. The net profit of the partnership firm is Rs.2,10,000 after all adjustments. Find out the commission to partner after charging such commission @ 5%p.a.

8. How is interest on drawings calculated if the drawings are made at regular intervals as on the last day of each month?

9. If the amount of super profit is negative, what does it indicate?

10. Calculate the normal profit from the following details:
    a) Capital employed Rs.2,00,000 ;
    b) Normal rate of return 15%

11. How are super profits calculated?

12. Sharma and Verma were partners in a firm sharing profits in the ratio 4:1. Their capitals on 01-04-2006 were Sharma Rs.5,00,000 and Verna Rs.1,00,000. The Partnership deed provided that Sharma will get a commission of 10% on the net profit allowing a salary Rs.5,000 per month to Verma. The profit of the firm for the year ended 31st March,2007 was

Rs.2,80,000.Prepare Profit and Loss Appropriation Account of Sharma and Verma for the year ended 31-03-2007.

13. Hina and Rahim are partners in a firm. The partnership deed provided that interest on drawings will be charged @ 6% p.a. During the year ended December 31,2006, Hina withdrew Rs.5,000 at the beginning of the every month and Rahim withdrew Rs.5,000 at the end of each month. Calculate interest on the partners' drawings.

14. A,B,C and D are partners sharing profits and losses in the ratio of 4:3:3:2. Their fixed capitals on 31-03-2010 were Rs.60,000, Rs.90,000, Rs.1,20,000 and Rs.90,000 respectively. After preparing the final accounts for the year ended 31-03-2010 it was discovered that interest on capital @ 12% p.a. was not allowed and interest on drawings amounting to Rs.2,000, Rs.2,500, Rs.1,500 and Rs.1,000 respectively was also not charged. Pass the necessary adjustment journal entry showing your working clearly.

15. A,B and C entered into a partnership on October 1, 2004 to share profits and losses in the ratio of 3:2:1. A, however personally guaranteed that C's share of profit after charging interest on capital at 5% p.a. would not be less than Rs.30,000 in any year. The capital contributions were A : Rs.3 lakh, B : Rs.2 lakh and C : Rs.1 lakh. The profits for the period ended March 31, 2005 were Rs.1,20,000. Show the distribution of profits.

16. The partners of a firm distributed the profits for the year ended 31st March,2003 Rs.75,000 in the ratio of 3:2:1 without providing the following adjustments :

a. A and B were entitled to a salary of Rs.3,000 each p.a.
b. B was entitled to a commission of Rs.5,000.
c. B and C had guaranteed a minimum profit of Rs.30,000 p.a. to A.
d. Profits were to be shared in the ratio of 3:3:2.

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

17. Distinguish between fixed capital and fluctuating capitals of partners.

18. List any three essential features/elements of Partnership.

19. List any four items which can be credited to the Capital Account of a partner when the Capital Account is fluctuating.

20. A business has earned average profit of Rs.1,00,000 during the last few years and the normal rate of return in similar business is 10%. Find out the value of goodwill by:

a) Capitalisation of super profit method
b) and Super profit method if the goodwill is valued at 3 years' purchase of super profit.

The assets of the business were Rs.10,00,000 and its external liabilities Rs.1,80,000.

21. Total capital employed by a partnership firm is Rs.1,00,000 and its super profit is Rs.5,000. Normal rate of return is 20% in similar firms working under similar conditions. Calculate the average profit of the firm.

22. A firm's average profits are Rs.70,000. It includes abnormal profits of Rs.5,000.Capital invested in the business is Rs.5,50,000 and the normal rate of return is 10%. Calculate goodwill at four times the super profit.

23. Briefly explain the ' Capitalisation Method' of valuation of goodwill.

24. List any four factors that help in the creation of goodwill of a partnership firm.

25. Why is "Goodwill" considered an 'Intangible Asset' but not 'Fictitious Asset' ?

CHANGE IN PROFIT SHARING RATIO AMONG THE PARTNERS

1. What is sacrificing ratio?

2. Define gaining ratio?

3. A and B are partners sharing profits in ratio 3:2.They decided to share future profits equally. Calculate partners sacrifice and gain due to change in ratio.

4. What is goodwill?

5. Name any two factors affecting the goodwill of a partnership firm.

6. State any Two reasons for valuations of goodwill in relation to a partnership firm.

7. What is meant by change in profit sharing ratio?

8. Brief explains the 'average profit method' of valuation of goodwill.

9. What is meant by 'super profit' in relation of valuation of goodwill?

10. What is meant by revaluation of assets and reassessment of liabilities on the reconstitution of the firm? What purpose does it serve at the time of reconstitution of partnership?

11. P, Q and R are partners in a firm sharing profits and losses in the ratio of 3:2:1. They decided to share future profits in the ratio 2:2:1 .Calculate each partners sacrifice or gain due to change in ratio.

12. A, B and C are partners sharing profits in the ratio 3:2:1. A surrendered 1/3 of his share and, B surrendered 1/4 of his share profit in favour of C. Find new profits sharing ratio and partners sacrifice or gain.

13. A firm earned net profits during the last 5 years as follows; 1-rs 7000,2-rs 6500,3-rs 8000,4-rs 7500,5-rs 6000.
The capital investment of the firm is RS 40,000.A fair return on capital in the market is 12% Find out the value of goodwill of the business if it is based on three years purchased or average super profits of the past five years.

14. Total assets of a firm are RS 4,20,000. The liabilities of the firm are RS 2,20,000 . Normal rate of return in this class of business is 10% .The firm earned as profit of RS 32,000. Calculate value of goodwill by capitalization method.

15. Anita, Asha and Amrit are partners sharing profits in the ratio of 3:2:1 respectively. From 1 January 2010, they decided to share profits in the ratio of 1:3:2. The partnership deed provided that in the event of any charge in profit sharing ratio. The goodwill should be valued at three years purchase of the average of 5 years profits . The profits and losses of the preceding 5 years are profits 2005-RS 1,20,000;2006-RS 3,00,000; 2007-RS 3,40,000;2008-RS 3,80,000 loss;2009-Rs 1,40,000 .Showing the working clearly, give the necessary journal entry to record the above change.

16. L, M and N are partners in the firm sharing profits in the ratio of 2:2:1. They decided that N will get ¼ shares in future profits. Goodwill of the firm was valued RS 80,000, goodwill already appeared in the books RS 20000. Pass necessary journal entry.

17. A, B and C are partners sharing profits in ratio of 3:2:1. Due to old age, A suggested thatfuture profits shares of all the partners be equal. The goodwill of the firm on this date was RS 60,000. They agreed to this proposal .The firm further decided to donate RS 50000 or 5% of net profit of the firm to resident's welfare association of the area for three plantations inthe parks and near by areas and for upkeep of cleanliness of the area.

(A) Pass the necessary journal entry.
(B) Indicate the value involved in the decision of the firm.

18. Briefly explain any 4 points of need for revaluation of assets and liabilities on the reconstitution of the partnership firm.

19. Give 2 circumstances in which sacrificing ratio may be applied.

20. P and Q were partners in a firm sharing profits in the ratio 5:3 .They decided to share profits equally from 1 January 2008. For thisprofits equally from 1 January 2008. For this purpose goodwill of the firm was valued at RS 40,000. Pass the necessary journal entry for the treatment of the goodwill.

TOPIC: <u>ADMISSION OF A PARTNER</u>

1. State the two main rights that a newly admitted partner acquires in the firm.

2. Barkha and Sumit are partners. Yamini is admitted for 1/4th share. What is the ratio in which Barkha and Sumit will sacrifice their share in favour of Yamini?

3. X and Y are partners sharing profits in the ratio of 3:1. They admit Z as a partner. X surrenders 1/3rd of his share and Y 1/4th of his share in favour of Z. What will be the new profit sharing ratio?

4. Why is “Goodwill” considered an “Intangible Assets” but not a “Fictitious Assets”?

5. Neeraj and Amarjeet admitted Tarushi into partnership who is a fresh graduate in business administration. Identify the value involved in such decision.

6. What is the difference between sacrificing Ratio and Gaining Ratio?

7. What are accumulated losses in case of partnership?

9. Ojal and Manisha are partners. They decided to admit Shikha their handicap unemployed friend into partnership. Identify the value involved in admitting Shikha as a partner.

10. State any two reasons for the preparation of “Revaluation Account” on the admission of a partner.

11. Deepak and Ganesh were partners in a firm sharing profits in 4:3 ratio. They admitted Gogoi into partnership who has won a gold medal in world Boxing meet for 20% share in the profits. Gogoi acquired his share of profits in the ratio of 1:2 from Deepak and Ganesh.
You are required to:
   (i) Identify the value in admitting Mr. Gogoi into partnership.
   (ii) Calculate the new profit sharing ratio of the partners.

12. Aditi and Barkha are partners in a firm sharing profits in the ratio of 7:5. On April 1, 2012 they admit Radhika as a new partner for 1/6th share. The new ratio will be 13:7:4. Radhika contributed the following assets towards his capital and for her share of goodwill: Stock Rs.60,000; Debtors Rs.80,000; Land Rs.2,00,000; Plant & Machinery Rs.1,20,000. On the date of admission of Radhika, the goodwill of the firm was valued at Rs.7,50,000. Record necessary journal entries in the books of the firm on Radhika’s admission and prepare Radhika’s capital account.

13. Sania and Vrinda are partners sharing profits in the ratio of 3:2. They wanted to encourage cultural activities in the area and therefore admit Urwashi, a music director into the firm for 3/7th profits (which she takes 2/7th from Sania and 1/7th from Vrinda) and brings Rs.6,00,000 as premium out of her share of Rs.7,20,000. Goodwill account does not appear in the books of the firm.

You are required to:

(a) Pass journal entry.
(b) Identify the values involved in admitting Urwashi.

14. A, B and C were partners in a firm sharing profits in the ratio of 2:2:1. They admitted D for 1/6th share in the profits. The new profit sharing ratio will be 13:8:4:5 respectively. D brought Rs.5,00,000 for his capital and Rs.60,000 for his share of goodwill. Pass necessary entries.

15. X and Y were partners sharing profits and losses in ratio of 4:1. On 1-3-2005, they admitted Z as a new partner for 1/3rd share in the profits of the firm. They fixed the new profit sharing ratio as 4:2:3.

The P & L A/c on the date of admission showed a Balance of Rs.32,000 (Dr.). The firm also had a reserve of Rs.1,00,000. C is to bring Rs.60,000 as premium for his share of goodwill. Showing your calculation clearly, pass necessary journal entries to record the above transactions.

16. Ali and Nasir were partners in a firm sharing profits and losses in ratio of 2:1 with capitals of Rs.40,000 and Rs.30,000 respectively. They decided to admit Yakub into partnership on conditions that he would bring in Rs.20,000 as his capital and Rs.6,000 for his share of goodwill for 1/4th share of profits . Half of amount of goodwill was withdrawn by the existing partners. The capitalof the partners in the New firm were to be arranged in profit sharing ratio on the basis of Yakub's Capital and excess or deficit capitalto be adjusted in cash.

Show the capital accounts of the partners and the cash account.

17. X, Y and Z are partners in a firm who share profits and losses in the ratio of 3:2:2 .The total capital of the firm is Rs.7,00,000 which is maintained in profit sharing ratio. They admitted A , an unemployed graduate as a new partner for 1/5 share which he acquired from X,Y & in ratio 2:2:1. A brings Rs.2,00,000 as his share of capital. The general reserves shows a balance Rs.70,000 as on date of admission.

(i) Find the new profit sharing ratio and value of goodwill of the firm. Also pass necessary journal entries on A's admission for the above mentioned transactions.
(ii) Indicate values if any in admitting A as a partner.

18. Ram and Shyam are partners in a firm sharing profits and losses in the ratio of 3:2. They admitted Vinay as a partner. Ram surrendered 1/6th of his share and 1/3rd of his share in favour of Vinay. Goodwill is valued at Rs.1,20,000. Vinay brings in only ½ of his share of goodwill in cash and Rs.1,00,000 as his capital.

On 31st March, 2012,their Balance Sheet was as under:

Liabilities		Rs.	Assets	Rs.
Creditors		90,000	Bank	60,000
Capitals:			Debtors	1,20,000
Ram	1,50,000		Stock	60,000
Shyam	80,000	2,30,000	Furniture	50,000
			Goodwill	30,000
		3,20,000		3,20,000

Following adjustments are agreed upon:

(i) Stock is to be reduced to Rs.56,000 and furniture by Rs.5,000.
(ii) There is an unrecorded asset worth Rs.50,000.
(iii) One month's rent of Rs.15,000 is outstanding.
(iv) A Creditor for goods purchased for Rs.40,000 had been omitted to be recorded although the goods had been correctly included in stock.
(v) Insurance premium amounting to Rs.8,000 was debited to P & L A/c,of which Rs.2,000
(vi) Is related to the period after 31st March,2012.

You are required to prepare Revaluation Account, Partner's Capital Accounts and the Balance Sheet of the new firm. Also calculate the new profit sharing ratio.

19. Arjun and Bhim were partners sharing profits in the ratio of 3:2. Their Balance Sheet as on 31st December,2011 was as follows;

Liabilities	Rs.	Assets	Rs.
Capitals:		Machinery	20,000
Arjun	60,000	Building	80,000
Bhim	40,000	Furniture	10,000
Provision for bad debts	5,000	Stock	4,000
Creditors	60,000	Debtors	25,000
		Cash	16,000
		Profit & loss a/c	10,000
	1,65,000		1,65,000

Nakul was admitted to the partnership for 1/5th share in the profits on the following terms:

(1) The new profits sharing ratio was decided as 2:2:1.
(2) Nakul will bring Rs.30,000 as his capital and Rs.15,000 for his share of goodwill.
(3) A provision of 5% for bad and doubtful debts was to be maintained.
(4) An item of Rs.500 included in Sundry Creditors was not likely to be paid.
(5) A provision of Rs.800 was to be made for claim for damages against the firm.

After making the above adjustment, the capital account of Arjun and Bhim were be adjusted on the basis of Nakul's Capital Actual cash was to be brought in or to be paid off as the case may be.

Prepare Revaluation Account, Partners' Capital Accounts and Balance Sheet of the firm.

20. The Balance Sheet of P and Q, who were sharing profits in the ratio of 3:1, on 31st March 2012 was as follows:

Liabilities	Rs.	Assets		Rs.
Creditors	28,000	Cash at Bank		20,000
Employees' Provident Fund	12,000	Debtors	65,000	
General Reserve	20,000	Less: Provision for Doubtfuldebts	5,000	60,000
Capitals:		Stock		30,000
P 60,000		Investments		50,000
Q 40,000	1,00,000			
	1,60,000			1,60,000

They decided to admit R on April 1st 2012 for 1/5th share on the following terms:

(i) R shall bring Rs.60,000 as share of premium.
(ii) That unaccounted accrued income of Rs.1,000 be provided for.
(iii) The market value of investment was Rs.45,000.
(iv) A debtors whose dues of Rs.5,000 was written off as bad debts paid Rs.4,000 in full settlement.
(v) 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.

TOPIC: <u>RETIREMENT OF A PARTNER</u>

1. Give formula for calculating "gaining share" of a partner in a partnership firm.

2. A, B and C are partners sharing profits and losses in the ratio of 3/8, 1/2, and 1/8. A retires and he surrenders 2/3 of his share in favour of B and remaining share in favour of C. Calculate the gaining ratio between B and C and new profit sharing ratio.

3. How is goodwill recorded in the books accounts at the time of retirement of a partner?

4. Anil, Sunil and Ravi are equal partners. Anil wants to retire. Sunil and Ravi accepted the decision of Anil. However they offered Anil or any major member of his family to join again as partner with in next 2 years. Do you find any value in this act of continuing partners?

5. State any two deductions that may have to be made from the amount payable to a retiring partner.

6. If a retiring partner is not paid immediately on retirement, how should his account be shown in subsequent balance sheet?

7. (i) A,B and C are partners sharing profits in ratio of 4:3:2. C decided to retire due to his ill health. His share of profit is acquired by A and B in equal proportion. Find the new profit sharing ratio.

   (ii)C approached A and B after a year and requested them to provide interest free loan amounting to Rs. 7,00,000 so as to meet the cost of fees and hostel fee of his son who is pursuing M.B.A. from Delhi. A and B agreed to provide loan to C and offered to admit C again as a partner. Point out the values involved in such a decision.

8. A,B and N are partners sharing profits and losses in the ratio of 14:5:6 respectively. B retires and surrenders his 5/25th share in favour of A. The goodwill of the firm is valued at 2 years' purchase of super profit based on average profits of last 3 years. The profits for the last 3 years are Rs.50,000, Rs.55,000 and Rs.60,000 respectively. The normal profits for the similar firm are Rs.30,000. Goodwill already appears in the book of the firm at Rs.75,000. The profit for the first year after B's retirement was Rs.1,00,000. Give the necessary journal entries to adjust goodwill and distribution of profits showing your workings.

9. M, N and O are partners in a firm sharing profits in the ratio of 2:2:1. Firm had a joint life policy of Rs.5,00,000 having premium Rs.20,000 p.a. debited to profit and loss Account. N retired on 1st January, 2009, the surrender value of policy was Rs.1,20,000. Pass necessary entry

10. S, T and R were partners sharing profits in the ratio of 5:3:2. Their Balance sheet as on 1st April,2011 was as follows:

Liabilities	Rs.	Assets	Rs.
Creditors	20,000	Cash	16,000
Employees Provident Fund	26,000	Debtors	16,000
Capitals:		Stock	80,000
S 1,00,000		Furniture	34,000
T 70,000		Building	1,20,000
R 50,000	2,20,000		
	2,66,000		2,66,000
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R retires on the above date and it was agreed that:

(i) R's share of goodwill was Rs.8,000
(ii) 5% provision for doubtful debts was to be made on debtors.
(iii) Sundry creditors were valued Rs.4,000 more than the book value.

Pass necessary journal entries for the above transactions on R's retirement.

11. D,E and F are partners in a firm sharing profits in the ratio of 3:2:1. On April 1, 2009, Y retires from the firm. D and F agree that the capital of the new firm shall be fixed at Rs.2,10,000 in their profit sharing ratio. The capital accounts of D and F after all adjustments on the date of retirement showed balances of Rs. 1,45,000 and Rs.63,000 respectively. State the amount of actual cash to be brought in or to be paid off to partners.

12. X, Y and Z were partners in firm whose Balance Sheet as on 31st December, 2002 was as under:

Liabilities	Rs.	Assets	Rs.
Creditors	18,240	Cash	16,240
General Reserve	7,500	Debtors	22,500
Capitals:		Stock	26,500
X's 20,000		Furniture	5,000
Y's 14,500			
Z's 10,000	44,500		
	70,240		70,240

Y retired on that date.In this connection, it was decided to make the following adjustment:

(a) To reduce stock & furniture by 5% and 10% respectively.
(b) To provide for doubtful debts at 5 % on debtors.
(c) A long dispute with the creditors was settled and firm has to pay Rs.9,050. In anticipation Rs.6,000 have already been included in sundry creditors for this purpose.
(d) Goodwill was valued at Rs.12,000.
(e) To share profits and losses in 5:3 ratio.
(f) Y should be paid off and the entire sum payable to Y shall be brought in by X and Z in such a way that their capitals should be in their new profit sharing ratio.

Prepare Revaluation A/c, Partners' Capital A/cs and Balance Sheet after Y's retirement.

13. Mukul, Vikas and Rajat are partners sharing profits in ratio 2:2:1. Mukul decided to retire from the firm on 31st March, 2009.

Their Balance Sheet stood as under:

Liabilities	Rs.	Assets	Rs.
Capitals:		Machinery	40,000
Mukul	40,000	Freehold Premises	50,000
Vikas	30,000	Furniture	15,000
Rajat	30,000	Stock	25,000
Reserve	10,000	Sundry Debtors 24,000	
Sundry Creditors	38,000		23,000
Bills Payable	12,000	Less: Reserve for bad debts (1000)	7,000
		Bank	
	1,60,000		1,60,000

The other terms agreed were:

(i) Freehold premises & stock are to be appreciated by 10%.
(ii) Machinery & furniture are to be depreciated by 10% & 6% respectively.
(iii) Bad debts reserve is to be increased to Rs. 1,500 & provision for discount be created at 2%.
(iv) A claim for damage Rs.150 is accepted.
(v) Prepaid insurance Rs.500 has to be accounted for.
(vi) Goodwill is valued at Rs.20,000 on retirement of Mukul from the firm.
(vii) The continuing partners have decided to adjust their capitals in their new profit sharing ratio 3:2 after retirement of Mukul. Surplus/deficit, if any, in their capital accounts be adjusted through current account and draw the Balance Sheet of reconstituted firm.

14. U,V and W were partners in a firm sharing profits 2:2:1 ratio. On 1-4-2004, their Balance Sheet was as follows:

Liabilities	Rs.	Assets	Rs.
Capitals:		Plant &Machinery	19,500
U	80,000	Building	48,000
V	50,000	Furniture	7,000
W	40,000	Stock	44,600
Sundry Creditors	25,000	Debtors	35,600
Bank Loan	12,800	Cash	51,300
Profit & loss A/c	9,000	Bills Receivable	10,800
	2,16,800		2,16,800

V retired from the firm on 1-4-2004 and his share was ascertained on the revaluation of assets as follows:

Stock Rs.40,000; Furniture Rs.6,000; Plant & Machinery Rs.18,000; Building Rs.40,000; and Rs.1700 were to be provided for doubtful debts. The goodwill of the firm was valued at Rs.12,000.

V was to be paid Rs.18,080 in cash on retirement and the balance in three equal yearly instalments.

Prepare Revaluation Account, Partner's Capital Accounts, V loan Account and Balance Sheet on 1-4-2004.

15. Prince, Sidh and Rohit are partners sharing profits in the ratioof 4:3:2. Their Balance Sheet as on 1st April,2012 was as under:

Liabilities	Rs.	Assets	Rs.
Creditors	2,10,000	Cash at Bank	3,00,000
Workmen compensation Fund	1,80,000	Debtors 2,00,000	
Capitals:		Less: Provision for doubtful debts 5,000	1,95,000
Prince 2,00,000			
Sidh1,20,000		Stock	1,05,000
Rohit90,000	4,10,000	Furniture	60,000
		Building	1,40,000
	8,00,000		8,00,000

Rohit met serious car accident on this date so he decided to retire from the firm. His daughter is doing M.B.A. from Delhi University. It was agreed that:

(i) Bad debts amounted to Rs.10,000
(ii) Building was valued at Rs.2,00,000.
(iii) Goodwill of the firm was valued at Rs.1,26,000.

Prince and Sidh decided that whole profit on revaluation be given to Rohit. The liability towards workmen compensation should also be exclusively given to Rohit. They also decided to pay the entire sum due to Rohit in cash rather than transferring to his loan account as per partnership deed.

You are required to:

(a) Prepare Revaluation A/c, Partners' Capital A/cs and Balance Sheet of Prince and Sidh.
(b) Identify the values which according to you motivated Prince &Sidh to take above decisions.

DISSOLUTION OF PARTNERSHIP FIRM

1. What Journal entry will be passed for the following transactions.

a) Unrecorded assets realized Rs.1,300
b) Bank loan Rs.12,000 is paid
c) Stock worth Rs.6,000 is taken by partner –B
d) Dissolution expenses amounted to Rs.700

2. The Balance sheet of P, Q & R as on 31st March 2003. Who are sharing profits in the ratio of 5:3:1 was as follows:

Liabilities		**Assets**		
B/P 40,000		Buildings		40,000
Loan from Bank	30,000	Plant and Machinery		40,000
Reserve Fund	9,000	Stock		19,000
Capital P – 44,000		Debtors	42,000	
Q – 36,000		Provisions	2,000	40,000
R –20,000	1,00,000	Cash		40,000
	1,79,000			**1,79,000**

The partners dissolved the firm, the assets realized stock – Rs.23,400, Debtors – 50% fixed assets – 10% has than their book value B/P were settled for Rs.32,000. There was our outstanding bill of Rs.800. Which was paid off.Realisation expense Rs.1,250 were also paid. Prepare realization A/c, Bank A/c and partners capital A/c.

3. P and Q were partners in a firm sharing profits and losses in the ratio of 3:2. They agreed to dissolve their partnership firm on 31st March 2003. P was deputed to realize the assets and pay the liabilities. He was paid Rs.1,000 as commission for his revice.The financial position of the firm was as follows:

Balance sheet as on 31st March 2003

Liabilities		**Assets**	
Creditors	10,000	Land, Building	30,000
B/P	3,700	Stock	5,500
Investment		Investment	15,000
Fund	4,500	Accounts receivable	7,100
Capital P	37,500	Provision	450
R	15,000	Cash	12,650
	70,700		**70,700**

P took over investment for Rs.12,500. Stock and Debtors were realized Rs.7,500. Land and building were sold to Mr.R.for Rs.22,500 for cash. Realisation expenses paid Rs.900. Prepare Realisation A/c and partners capital A/c and Bank A/c.

4. Following is the balance sheet A, B and C sharing profits &Losses in the ratio of 3:2:1.

Liabilities		Assets		
Creditors	1,70,000	Bank		35,000
B/P	1,20,000	Stock		1,98,000
A/S Loan	53,000	Debtors	1,50,000	
General Reserve	60,000	Provision	10,000	1,40,000
Capital A	2,50,000	Joint Life Policy		40,000
B	1,10,000	Furniture		1,00,000
C	80,000	Machinery		3,30,000
	8,43,000			**8,43,000**

They decided to dissolve the firm on 31.12.1996

1) Joint life policy is taken over by A at Rs.5,000
2) Assets realized as follows : Stock – 1,75,000 Debtors – Rs.1,45,000, furniture – 68,000, machinery – 3,03,000.
3) Expenses on realization amounted to Rs.20,000 prepare necessary A/cs.

5. A,B and C are partners sharing profits in the ratio of 3:2:1. The Balance sheet of the firm on 31st December 200 was as follows:

Liabilities		Assets	
Creditors	65,000	Cash	22,500
B/P	20,000	Debtors	52,300
President fund	12,000	Stock	36,000
Investment fund	6,000	Investment	15,000
Commission received		Plant	91,200
Is advance	8,000	Profit & Loss A/c 54,000	
Capital A	80,000		
B	50,000		
C	30,000		
	2,71,000		**2,71,000**

On this date the firm was dissolved Mr. A was appointed to realize the assets Mr. A was to receive 5% commission on sale of assets. (except cash) and was to bear all expenses of realization. A realized the assets as follows.
Debtors – Rs.30,000, stock – Rs.26,000, Investment – 75% of the book value, plant – Rs.42,750. Expenses of – Rs.4,100.
Commission received in advance was returned to customers after deducting Rs.3,000. The firm had to pay Rs.7,100 for outstanding salary not employees amounted to Rs.9,800. This liability was not provided for in the above balance sheet. Rs.25,000 had to be paid for provident fund.

6. Distinguish between Dissolution of Partnership and Dissolution of Firm (any two).

7. State order in which the claims against a firm under dissolution are settled.

8. State how the goodwill appearing in the books is treated at the time of dissolution.

9. How is the general reserve treated on dissolution of a firm?

10. How do you treat when an unrecorded asset is given to creditors in part settlement?

11. What is the accounting treatment for unrecorded liability is taken up by a partner?

12. Ram and Shyam share the profits equally. They decided to dissolve their firm.Their liabilities were : Ram's Capital Rs. 25,000; Shyam's Capital Rs. 30,000;Creditors Rs. 12,500; Bills payable Rs.7,500; Assets of the firm realizedRs.1,00,000. Prepare a Realization Account.

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

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

15. 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.

16. 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.

17. 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.

18. A & B were partners in a firm sharing profits & losses equally. Their firm was dissolved on 15^{th} 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. 20000. 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.

19. What journal entries would be passed in the books of A & 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) & third party liabilities have been transferred to Realisation A/c?

(a) Bank loan Rs. 12,000 is paid.
(b) Stock worth Rs. 6000 is taken over by B.
(c) Loss on RealisationRs. 14,000.
(d) Realisation expenses amounted to Rs. 2,000, B has to bear these expenses.
(e) Deferred Revenue Advertising Expenditure appeared at Rs. 28,000.
(f) A typewriter completely written off in the books of the firm was sold for Rs. 200.

Company account – share capital

1. What is share?

2. What is over subscription?

3. What leads to the forfeiture of share?

4. At the time of forfeiture of share with what amount the forfeiture share account is credit?

5. At the time of forfeiture of share what amount the share capital account is Dr.

6. State two effect of forfeiture of share?

7. How will you deal with the profits on re issue of the forfeiture share?

8. Where we adjust excess amount received on application?

9. At the time of forfeiture discount is debit or credit?

10. At the time of forfeiture premium is debit or credit?

11. What is the meaning of re-issue of forfeiture share?

12. State the legal provisions for the utilization of securities premium amount?

13. What is meant by calls in advance?

14. What are preliminary expenses?

15. Write a short note on minimum subscription?

16. What is difference between capital reserve and reserve capital?

17. Can forfeited shares be reissued at discount? If yes to what extent?

18. Rahul Ltd issued 10,000 equity shares of Rs 10 each the company received applications for 12,000 equity shares. Ram was an applicant of 200 shares. Name the value which is not followed by the company?

19. X. Ltd issued shared with a condition that the promoters of the company of the company would get it at 20% discount on face value and the rest of public will get it at per value(without any discount). Which value is being compromised in this case?

20. Which value is reflected in the concept of pro-rata allotment?

21. What is the minimum time interval between two consecutive share calls according to table a of the companies act 1956?

22. 1000 shares of Rs 100 each were issued to promoters of the company for their legal services rendered in the formation of the company. For this which account will be debited and why?

23. Under which heading and subheading will calls in arrear and calls in advance appear in company b/s?

24. As a director of a company you had invited applications for 20,000 equity shares of Rs 10 each at a premium of Rs 5 each the total applications money received at Rs 2 per share was Rs 72000. Name the kind of subscription and alternatives allotting these shares?

25. Give the definition of a company contained in the companies act 1956?

26. What do you mean by private placement of shares?

27. Can a company issue shares of discount? What conditions must a company comply with before the issue of such shares?

28. Write the difference between an equity share and preference share.

Practical Question

1. AB Ltd. invited applications for issuing 1,00,000 equity shares of Rs.10 each. the amount Was payable as follow: On application Rs.3 per share; on allotment Rs.2per share; and on 1st and final call Rs.5 per share. Application for 1,50,000 shares were received and prorate

Allotment was made to all application as follows: Application for 80,000 shares was allotted 60,000 shares on pro-rata basis; applications for 70,000 shares were allotted 40,000 shares on pro-data basis; sudha to whom 600 shares were allotted out of the group 80,000 shares failed to pay allotment money. Her shares were forfeited immediately after allotment. Asha who had applied for 1,400 Share out of the group 70,000 share failed to pay the first and final call. Her shares were also forfeited. Out of Forfeited shares 1,000 shares were reissued @ Rs.8 per share fully paid up the reissued shares included all the C Forfeited shares of Sudha. Pass necessary journal entries to record the above transaction

2. New India Ltd. Forfeited 100 shares of Rs10 each, issued at a discount of 10% the company had called an only Rs.8per share. Final call of Rs.2 each has not been made on these shares. These shares were allotted to ram, who did not pay the first call of Rs.3. 60 shares were reissued at Rs.7 per share, as Rs.8 paid up. Give journal entries in the book of the company, showing the working clearly.

3. Rohit ltd purchased assets from Rohan&co. For Rs.3,50,000. A sum of Rs.75, 000 Was paid by the means of the bank draft and for the balance due Rohit ltd. Issue Equity shares of Rs. 10 each at a premium of 10%. Journalize that above transaction.In the book of company.

4. Alpha Ltd issued for public subscription 40,000 equity shares of Rs. 10 each. At a premium of Rs. 2 per share asunder:

On application Rs. 2 per share, on allotment Rs.5 per share (including premium) , on first call Rs.2 per share and onsecond call Rs. 3 per share.

Applications were received for 60,000 shares. Allotment was made pro rata basis to the applicants for 48000 shares , the remaining applicants being refused . Money overpaid on application was applied towards sums due to allotment. A, to wham 1,600 shares were allotment, failed to pay the allotment money and B. to wham 2,000 shares were allotted failed to pay the two calls. These were subsequently forfeited after the second call was made .Pass journal entries.

5. A limited company invites applications for 50,000 equity shares of Rs.10 each, at a maximum discount by the Companies Act, payable as follows:

On application Rs. 3 ; on allotment Rs. 3; on first call Rs. 2; on final call the balance.
Applications were received for 55,000 shares. Allotments were made on the following basis:
(i)To applicants for 35,000 shares- in full.
(ii) To applications for 20,000 shares- 15,000 shares.
Excess money paid on application was utilized towards allotment money.
A shareholder who was allotment 1,500 shares out of the group applying for 20,000 shares failed to pay allotment money and money due on calls. These shares were forfeited. 1,000 forfeited shares were reissued as fully paid on receipt of Rs.8 per share.
Show the journal in the books of the company.

6. Shiva ltd invited application for issuing 2,00,000 equity share of Rs 100 each at a premium of Rs 60 per share . The amount was payable as follows:
On application Rs30 per share (including premium Rs 10)
On allotment Rs 70 per share (including premium Rs 50)
On first & final call balance amount.
Application for 1,90,000 share were received. Shares were allotted to all the applicants and company received all money due on allotment except Jain who had been allotted 1000 share and his share were immediately forfeited. Afterwards, first & final call was made .Gupta did not pay the first & final call on his 2000 allotted shares. His shares were forfeited .50%of the forfeited shares of both Jain & Gupta were reissued for Rs 90 per shares fully paid up.

(a) Pass necessary journal entries in the books Shiva ltd. for the above transactions
(b) Company earmarked Rs 100000 towards plantation of tree its factory and in near by parks .which value is served by this decision.

ISSUE & REDUMPTION OF DEBENTURE

1. 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?

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

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

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

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

6. MBS Company Ltd has issued 5000 9% debentures of Rs 100 each ata premium of Rs 20 per debenture payable Rs 60 (including premium) on application and allotment and the balance on call. Applications were received for 6500 debentures. Applications for 500 debentures were outrightly rejected and allotment was made on prorata basis to the remaining applicants. All the money was duly called up. Make journal entries for the issue in the books of the company.

7. New Ventures Ltd. purchased plant of the book value of Rs 495000 from another firm. The purchase consideration was paid by issuing 10% debentures of Rs 100 each. Assume debentures have been issued, (i) at par, (ii) at discount of 10%, (iii) at premium of 10%.

8. XYZ Co Ltd. has purchased the business of ABC Ltd. consisting assets of Rs 450000 and liabilities of Rs 150000 for a consideration of Rs 400000. It issued 10% debentures of Rs 100 each fully paid in satisfaction of purchase consideration. Make journal entries.

9. Gasping Furnishing and Decoration Ltd. raised a secured loan of Rs 1000000 from State Bank of India and issued 1500 10% debentures of Rs 1000 each as collateral security. Give the treatment of issue of such debentures in the books of the company.

10. Make journal entries for the issue of 10% debentures of Rs 100 each in the following cases :

(a) 4000 debentures issued at Rs 100, redeemable at Rs 120

(b) 2000 debentures issued at Rs 120, redeemable at Rs 100

(c) 5000 debentures issued atRs 90, redeemable at Rs 100

(d) 6000 debentures issued at Rs 90, redeemable at Rs 110

(e) 2000 debentures issued at Rs 100, redeemable at Rs 100

11. 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%.

12. ABC Ltd. issues Rs.10,000, 12% debentures of Rs.100 each payable Rs.30 on application and remaining amount on allotment. The public applied for 9,000 debentures which were fully allotted, and all the relevant allotment money duly received. Give journal entries in the books of ABC Ltd., and show the portion of the balance sheet.

13. Rai Company purchased assets of the book value of Rs. 2,20,000 from another ompany and agreed to make the payment of purchase consideration by issuing 2,000, 10% debentures of Rs. 100 each at a premium of 10%. Record necessary journal entries.

14. National Packaging company purchased assets of the value of Rs.1,90,000 from another company and agreed to make the payment of purchase consideration by issuing 2,000, 10% debentures of Rs. 100 each at a discount of 5%. Record necessary journal entries.

15. G.S.Rai company purchased assets of the book value of Rs. 99,000 from another firm. It was agreed that purchase consideration be paid by issuing 11% debentures of Rs. 100 each. Assume debentures have been issued.

a) 1 . At par
b) 2 . At discount of 10%, and
c) 3 . At a premium of 10%.

Record necessary journal entries.

16. Blue Prints Ltd. Purchased building worth Rs.1,50,000, machinery worth Rs.1,40,000 and furniture worth Rs.10,000 from XYZ Co. and took over its liabilities of Rs.20,000 for a purchase consideration of Rs.3,15,000. Blue Prints Ltd. paid the purchase consideration by issuing 12% debentures of Rs.100 each at a premium of 5%. Record necessary journal entries.

17. Arjun Plastics Limited redeemed 1,000, 15% debentures of Rs.100 each by converting them into equity shares of Rs.10 each at a premium of Rs.2.50 per share. The company also redeemed 500 debentures by utilising Rs.50,000 out of profit. Give the necessary journal entries.

18. X.Ltd. issued 15,000, 10% debentures of Rs.100 each. Give journal entries and the Balance Sheet in each of the following cases:

(i) The debentures are issued at a premium of 10%;

(ii) The debentures are issued at a discount of 5%;

(iii) The debentures are issued as a collateral security to bank against a loan of Rs.12,00,000; and

(iv) The debentures are issued to a supplier of machinery costing Rs.13,50,000.

19. Journalise the following:

(i) A debenture issued at Rs.95, repayable at Rs.100;

(ii) A debenture issued at Rs.95, repayable at Rs.105; and

(iii) A debenture issued at Rs.100, repayable at Rs.105;

The face value of debenture in each of the above cases is Rs.100.

20. A company issues the following debentures:

(i) 10,000, 12% debentures of Rs.100 each at par but redeemable at premium of5% after 5 years;

(ii) 10,000, 12% debentures of Rs.100 each at a discount of 10% but redeemableat par after 5 years;

(iii) 5,000, 12% debentures of Rs.1000 each at a premium of 5% but redeemableat par after 5 years;

(iv)1,000, 12% debentures of Rs.100 each issued to a supplier of machinery costing Rs.95,000. The debentures are repayable after 5 years; and

(v)300, 12% debentures of Rs.100 each as a collateral security to a bank which has advanced a loan of Rs.25,000 to the company for a period of 5 years.

Pass the journal entries to record the: (a) issue of debentures; and (b) repayment of debentures after the given period.

21. A.Ltd. redeemed 8,000, 12% debentures of Rs.100 each which were issued at a discount of 5%, by converting them into equity shares of Rs.10 each at par.

22. Y.Ltd. redeemed 4,800, 12% debentures of Rs.100 each which were issued at par, at 110 per cent by converting them into equity shares of Rs.10 each issued at a discount of 4%. Journalise.

23. Z.Ltd. redeemed 2,000, 12% debentures of Rs.100 each which were issued at a discount of 5%, by converting them into equity shares of Rs.10 each issued at a premium of 25%. Journalise.

24. X.Ltd. redeemed 1,000, 12% debentures of Rs.50 each by converting them into 15% New Debentures of Rs.100 each. Journalise.

FINANCIAL STATEMENT ANALYSIS

1. What is analysis of financial statements?
2. Give any two parties/users who are interested in the analysis of financial statements?
3. Give two objectives of financial analysis.
4. How is the analysis of financial statements useful to potential investors?
5. Why are the creditors interested in analyzing financial statements?
6. What is time series analysis?
7. State any one limitation of Financial Statement Analysis.
8. Why is public interested in analyzing financial statements?
9. Why are the financial institutions interested in analyzing financial statements?
10. State the interest of tax authority in analysis of financial statements.
11. List any two analytical tools of Financial Statement Analysis.
12. How does "Subjectivity" becomes a limitation of Financial Statement Analysis?
13. How is "window dressing" a limitation of Financial Statement Analysis?
14. What is the importance of analysis of financial statements from the point of view of employees and trade unions?
15. How the "Earning Capacity of a business" is assessed by Financial Statement Analysis?
16. Give two areas of interest for management while analyzing the financial statements.
17. How can the financial strength of a business enterprise be judged?
18. How the 'solvency' of a business is assessed by Financial Statement Analysis?
19. What is the interest of shareholders in the analysis of financial statements?
20. What is the interest of lenders or Bankers in the analysis of financial statements.
21. Briefly explain the advantages of analysis of financial statements.
22. Differentiate between Horizontal and Vertical Analysis of Financial Statements? Which of the two is best and why?
23. Differentiate between inter- firm comparison and intra- firm comparison.

24. What is meant by analysis of financial statements? What are the objects of such an analysis?

25. Explain the limitations of the analysis of financial statements.

ACCOUNTING RATIOS

1. Name the forms in which Ratios can be expressed.

2. What are the Benchmarks?

3. State any two limitations of Ratio Analysis.

4. What is the Standard Ratio for Current Ratio?

5. What are the difference between Current Ratio & Quick Ratio?

6. What is working capital?

7. Give any two examples each of Non- Current Assets and Non- Current Liabilities.

8. If the current ratio is 1:1. State whether sale of goods at a loss will improve, reduce or no change the ratio.

9. If Liquid Ratio is 1.2:1 state whether purchases of goods (i) for cash (ii) on credit will improve, reduce or no change the Ratio.

10. Give an example which results in increase in Liquid Ratio but no change in Current Ratio.

11. What is Debt-Equity Ratio?

12. What is Shareholders' Fund or Proprietor's Fund or Net Worth?

13. The Debt-Equity Ratio of Reliance Furniture Ltd. Is 1:2. What is the effect of conversion of debentures into preference shares on this ratio?

14. State the effect on Debt- Equity Ratio if Company issues bonus shares.

15. The Debt- Equity Ratio of a company is 0.8. State whether the long-term loan obtained by the company will improve, decrease or not change the ratio.

16. Name any three Activity Ratios.

17. How is Stock Turnover Ratio computed?

18. If the stock turnover ratio is 6 times, what will be the Average Holding Period?

19. If Stock Turnover is less in relation to last year, what does it mean?

20. The Stock Turnover Ratio of a company is 3 times. State giving reasons whether ratio improves, decreases or does not change because of increase in the value of Closing Stock by Rs.5,000.

21. What is meant by Working Capital Turnover Ratio?

22. Name any two Profitability Ratios based on sales.

23. What is the relation between Operating Ratio and Operating Profit Ratio?

24. What is Operating Cost?

25. The gross profit ratio of a company is 50%. State with reasons whether decrease in rent by Rs.15,000 will increase or not change the ratio.

26. What are difference between Gross Profit Ratio & Net Profit Ratio?

27. What will be the Operating Profit Ratio if the Operating Ratio is 88.34%?

28. What is meant by Interest Coverage Ratio or Debt Service Ratio?

29. How is Capital Employed Computed?

30. What does ROI ratio indicate.

31. The current liabilities of a company are Rs.3,50,000. Its current ratio is 3:1 and liquid ratio is 1.75:1. Calculate the amount of current assets, liquid assets and inventory.

32. From the following information, calculate the Stock Turnover Ratio:

Sales Rs.2,00,000; Gross Profit 25%; Opening Stock was $1/4^{th}$ of the value of Closing Stock. Closing Stock was 40% of sales.

33. Calculate Opening and Closing Stock from the following information:

Total sales Rs.6,00,000; Gross Profit 25% on sales; Stock Turnover Ratio = 5 times. Closing Stock is Rs.12,000 more than the Opening Stock.

34. Opening Stock Rs.60,000; Closing Stock Rs.80,000; Stock Turnover Ratio 6 times; selling price is 25% above cost. Calculate the Gross Profit Ratio and Gross Profit.

35. A company earns a Gross Profit of 20% on cost. Its Credit Sales are twice its Cash sales. If the Credit Sales are Rs.4,00,000, Calculate the Gross Profit Ratio of the company.

36. Calculate the following ratios with the help of the information given below:

Operating Ratio, Gross Profit Ratio, Quick Ratio, Working Capital Turnover Ratio and Proprietary Ratio.

Information:

Equity Share Capital Rs.1,00,000; 8%Preference Share Capital Rs.80,000; 9%Debentures Rs.60,000; General Reserve Rs.10,000; Sales Rs.2,00,000; Opening Inventory Rs.12,000; Purchases Rs.1,20,000; Wages Rs.8,000; Closing Inventory Rs.18,000; Selling and Distribution Expenses Rs.2,000; Other Current Assets Rs.50,000; Fixed Assets Rs.2,12,000 and Current Liabilities Rs. 30,000.

37. Calculate Return Investment from the following information:
Net Profit after tax: Rs.6,50,000; 12.5%Convertible Debentures: Rs.8,00,000; Income Tax: 50%; Fixed Assets at cost: Rs.24,60,000; Depreciation Reserve: 4,60,000; Current Assets: Rs.15,00,000; Current Liabilities: Rs.7,00,000.

38. From the following information, calculate interest coverage ratio and give your comments also:

Net Profit after Interest and Tax	Rs.1,20,000.
Rate of Income Tax	50%.
15% Debentures	Rs. 1,00,000.
12% Mortgage Loan	Rs.1,00,000.

39. Gross Profit Ratio of a company was 25%. Its Cash Sales was Rs.2,00,000 and its credit sales was 90% of the total sales. If the indirect Expenses of the company were Rs.20,000, Calculate Net Profit Ratio.

40. Following is the Balance Sheet of A Ltd.as on 13-3-2012:-

Particulars	Note No.	Rs.
EQUITY AND LIABILITIES:		
Shareholder's Funds:		
Equity Share Capital		3,00,000
Reserve and Surplus		1,00,000
Non- Current Liabilities:		
Long- term Borrowings	1	1,00,000
Current Liabilities:		
Trade Payables		60,000
TOTAL		5,60,000
ASSETS:		
Non- Current Assets:		
Fixed Assets		3,80,000
Current Assets:		
Inventory		44,000
Trade Receivables		1,20,000
Cash & Cash Equivalents		16,000
TOTAL		5,60,000

Note:(1)Long- term Borrowings:10%Debentures 1,00,000

(2) Cash& Cash Equivalents:

Cash 36,000

BankOverdraft (20,000)

16,000

You are Required to calculate:-

Working Capital Ratio

Debt Equity Ratio

Trade Receivables Turnover Ratio if credit sales Rs,7,20,000.

CASH FLOW STATEMENT AND BALANCE SHEET OF A COMPANY

1. State why a cash flow statement is prepared?
2. Give any two items of cash equivalents used while preparing the cash flow statement.
3. When is interest received considered as financing activity?
4. Give any two transactions which result into inflow of cash.
5. write any one difference between an operating activity and an investing activity.
6. State any two objectives of preparing a cash flow statements.
7. List any two financing activities that result into outflow of cash.
8. Name the financial statements of a company as per revised schedule VI.
9. Name any two items which are shown under the headings 'Shareholders' Funds'.
10. What is the number of major heads which appear on the assets side?
11. The prescribed form of the Balance Sheet for the companies has been given in which schedule?
12. State whether the following will result in inflow, outflow or no flow of cash:
    (a) Conversion of debentures into equity shares.
    (b) Payment of cash to creditors.
    (c) Depreciation charged.
    (d) Purchase of goods on credit.
13. Under which type of activity will you classify the following while preparing cash flow statements:
    a. Issuing 9% debentures
    b. Furniture purchased for cash
    c. Cash received from debtors
    d. Issue of equity shares

14. Find out how much outflow of cash has taken place from the data given below:

	01-Aug-08	31-Aug-08
Fixed Assests	160000	190000
Accumulated Depreciation	46000	58000

15. From the following calculate net cash flows from financing activities:

Particulars	31-Dec-07	31-Dec-08
Long Term Loans	200,000	250,000

<u>Additional information:</u>
During the year the company repaid a loan of Rs.1,00,000.

16. State the major headings under which the following items will be put as per revised schedule VI part-I of the Companies Act,1956:

a. Bills Receivables
b. Motor Car
c. Discount on Issue of shares written off
d. Unclaimed dividend

17. List four items under the headings ‘Non-current Liabilities’ in a balance sheet prepared as per revised Schedule VI of the Companies Act.

18. Calculate cash flows from operating activities with the following information of X Ltd :

	01-Apr-06	31-Mar-07
Profit and Loss Balance	50000	30000
Trade Receivable (BR)	26000	17000
Rent payable	1600	4000
Prepaid Insurance	2800	2400
Inventory	22000	39000
Trade Payable(BP)	20000	10000

Additional Information:

a. Depreciation on fixed assets Rs.24,000.
b. Write off preliminary expenses Rs.6,000.
c. Loss on sale of furniture Rs.2,000.
d. Profit on sale of machinery Rs.4,000.

19. From the following Balance Sheet, prepare a Cash Flow Statement as per AS-3 (revised):

20. From the following particulars of Rajeshwar Ltd. , calculate Cash Flow from financing activities:

Particulars	2011	2012
Equity share capital	600000	800000
18% Preference share capital	400000	200000
Securities premium reserve	100000	130000
14% debentures	200000	300000
Discount on issue of debentures	5000	6000
Underwritting commission on issue of shares	-	10000

(a) Dividend on preference shares and an interim dividend @ 15% were paid equally on equity shares on March 31,2012.
(b) Preference shares were redeemed on March31,2012 at a premium of 5%. Such premium has been provided out of profit.
(c) New shares and debentures were issued on March31, 2012.

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