



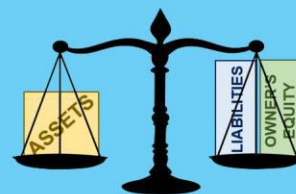
**XII**

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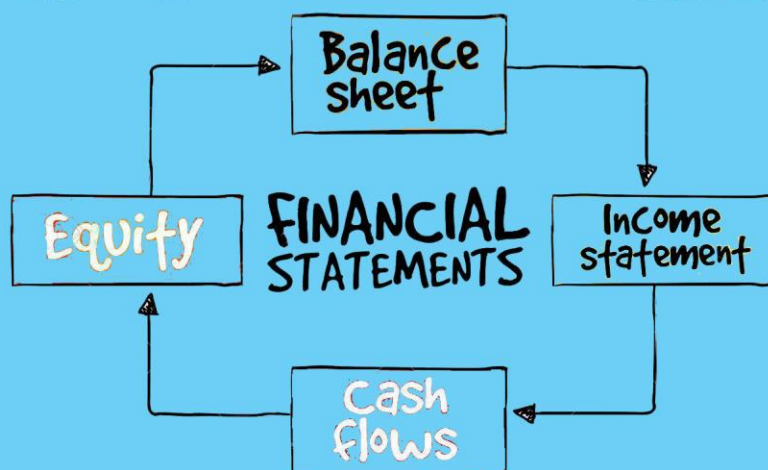
## CBSE Orientation Workshop (Objective Type Question Bank)



### Balance Sheet



*It has to balance*



**Do's &  
Don'ts**  
of  
**NONPROFIT  
ORGANIZATIONS**



**Date: May 8th & 9th, 2019**

**Resource Person:**

**Usha Sharma - Principal**

(SRN International School, Jaipur)

**Gaurav Palia - PGT Commerce**

(DAV Centenary Public School, New Delhi)

We extend our heartfelt thanks to Hon'ble Chairperson, CBSE  
**Smt. Anita Karwal**  
for bestowing us such wonderful academic endeavor.



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co-ordination in executing the workshop.



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PGT -Commerce (DAV Centenary Public School, New Delhi)  
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Glimpses  
Of  
CBSE Orientation Workshop  
On  
XII- Accountancy  
For  
Objective Type Question Bank  
On  
May 8 & 9, 2019  
At  
SRN International  
School, Jaipur



### **-: Preface: -**

We are delighted to apprise you that CBSE OTQ Orientation Workshop was successfully conducted at SRN International School with the objective to enhance the skill of teachers and equip them with all kind of challenges. The mentors were guided to prepare Objective Type Question which comprise of Multiple Choice Questions, Multiple Response Type, Matching the following based questions, Fill in the blanks, Ranking questions, Sequencing questions and Reason Assertion type etc.

The success of the workshop was due to the valuable participation of the 50 teachers from all over India.

Once again, we would like to express our gratitude to **Hon'ble Chairperson, CBSE Smt. Anita Karwal** for bestowing us this golden opportunity.

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1. **Mrs. Usha Sharma - Principal**  
**(SRN International School, Jaipur)**
2. **Mr. Gaurav Palia - PGT -Commerce**  
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**"Education is not preparation for life;  
education is life itself"**

## **XII –Accountancy**

### **Objective Type Question Bank**

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## **Objective Type Question Bank**

### **UNIT – 1 Accounting for Partnership Firms – Fundamentals**

#### **Typology of Questions**

**R – Remembering**

**U- Understanding**

**A – Application**

**A&E- Analysis & Evaluation**

#### **Fill in the blanks :**

##### **Remembering**

1. Interest on loan taken by a partner is recorded on \_\_\_\_\_ of Profit and Loss Account.  
[ Credit side ]
2. Interest on Capital are under the Fixed Capital Account method is credited to \_\_\_\_\_.  
[ Partners Current A/c ]
3. In the absence of partnership deed rate of interest on partner loan will be \_\_\_\_\_.  
[ 6% p. a. ]
4. If drawings of equal amount are made in the beginning of every month for 9 month ending 31<sup>st</sup> March, then interest on drawing will be calculated for an average period for \_\_\_\_\_ Months.  
[ 5 ]
5. The maximum numbers of partners in case of limited liability partnership is \_\_\_\_\_.  
[ Unlimited ]
6. In case of guarantee of minimum profit to a partner deficiency of guaranteed partner is from shared by remaining partner in \_\_\_\_\_.  
[ Agreed Ratio ]
7. If partner's capital is fixed interest on drawing will be recorded on \_\_\_\_\_.  
[ Partner's Current A/c ]
8. Profit and Losses are to be shared in \_\_\_\_\_ irrespective of their capital contribution.  
[ Agreed Ratio ]
9. Interest at the rate of \_\_\_\_\_ is to be allowed on a partner's loan to the firm. [ 6% p. a. ]
10. In the absence of the date of withdrawal, interest should be charged for \_\_\_\_\_ month on the whole amount.  
[ Six ]
11. Manager's commission is a \_\_\_\_\_ against profits.  
[ charge ]
12. Interest on partner's loan is not credited to the partner's \_\_\_\_\_.  
[ capital ]
13. Goodwill is an \_\_\_\_\_ assets.  
[ Intangible ]

##### **Understanding**

14. Under \_\_\_\_\_ method the goodwill can be calculated by deducting the actual capital employed from the capitalized value of the average profits.



- [ Capitalization of average Profits ]
15. Under weighted average method it is considered to be better to give a \_\_\_\_\_ Weightage to the profit to the recent years. [Highest ]
16. The person who purchases a running business of the firm must pay in the form of \_\_\_\_\_ a sum which is equal to the profits he is likely to receive for the first few years. [Goodwill ]
17. Super profit is the excess of \_\_\_\_\_ over the normal profits. [ Actual ]

## Application

18. Following two main steps are involved in valuing the goodwill under the \_\_\_\_\_ Method :
1. Calculate super profit
  2. Multiply super profit X number of years purchase [Super Profit ]
19. If average capital employed in a firm is Rs. 5,00,000, actual profit is Rs. 70,000 and normal rate of return is 10%, then super profit is: \_\_\_\_\_ [ 20,000 ]
20. If Drawings are made at the beginning of each month , the interest on drawing is calculated for \_\_\_\_\_ months. ( 6.5)

## Analysis & Evaluation

21. A and B are Partners .A drew Rs 32,000 .If the rate of Interest on Drawing is 12% per annum then \_\_\_\_\_ will amount of interest on drawing . ( Rs 1920 )
22. A drew Rs 50,000 during the year. If the rate of Interest on Drawing is 10% then \_\_\_\_\_ will be the amount of Interest on Drawing . ( Rs 5,000. )
23. If average capital employed in a firm is Rs 12,00,000 , actual profit is Rs 1,50,000 and Normal rate of return is 10% per annum . The amount of super profit will be \_\_\_\_\_ ( Rs 30,000 ).
24. The Goodwill of firm Rs 1,80,000 valued at three year's purchase of super profit . If capital employed is Rs 2,00,000 and Normal rate of return is 10% per annum .The amount of average profit will be \_\_\_\_\_ .( Rs 80,000 )
25. Goodwill is an \_\_\_\_\_ asset , but not a \_\_\_\_\_ asset ( Intangible , Fictious )

## True/False

## Remembering

1. The nature of Profit and Loss Account is real. [ F ]
2. Registration of partnership is optional. [ T ]
3. A body corporate can be a partner in partnership firm. [ F ]
4. Sleeping partner are those who do not take part in conduct of the business. [ F ]

## Understanding

5. When the Partnership agreement is silent about the treatment of interest on capital then it will be treated as charge on profit. [ F ]
6. Fixed capital always shows Debit balance. [ F ]
7. When a partnership firm gives loan to its partner then interest on loan will be debited in profit and loss account. [ T ]
8. In case of fixed capital account method drawing out of capital is shown in partner current account. [ F ]
9. Manager's commission is shown in Profit and Loss Appropriation Account. [ F ]
10. Interest as a charge means interest on capital is to be allowed whether the firm has earned profit or incurred loss. [ T ]
11. In the absence of partnership deed mutual relations are governed by the Indian partnership act 2013. [ T ]
12. Capital in the beginning is calculated by subtracting drawing and adding profit distributed. [ F ]

## Application

13. Drawing against capital means drawing by a partner out of his/her expected share in the profit of the current year. [ F ]
14. The net profit of the firm is Rs. 8,00,000 partners are entitled to salary Rs. 1,00,000 p.a. if 10% of divisible profit to be transferred to general reserve then amount will be Rs. 80,000. [ F ]
15. When new partner share of profit is more than the guaranteed profit then he is given only the guaranteed amount of profit. [ F ]
16. Private assets of the partners cannot be used to meet the liability of the firm in case firm's assets are insufficient to meet its liabilities. [ F ]
17. It is compulsory to have a partnership agreement in written. [ F ]
18. Current account of partners are maintained under the fluctuating capital account. [ F ]

## Analysis & Evaluation

19. Business of the firm can be conducted even by one partner. [ T ]
20. Unless otherwise specified, the partners have to share profits and losses in proportion of the capital contributed by them. [ F ]
21. In the absence of Partnership deed, partners are entitled to interest on capital. [ F ]
22. Interest on loan advanced by a partner to the firm shall be paid even if there are losses in the business. [ T ]
23. Under Fixed Capital method, any addition to capital will be shown in Partner's Capital Account. [ T ]
24. Liability of the partner is limited. [ F ]
25. Average profit method takes into consideration the future maintainable profits. [ T ]

## MCQ

1. [ R ] Super profit can be calculated:-
  - a. Average profit – Normal profit
  - b. Net profit – Average profit
  - c. Capital Employed – Net Profit
  - d. Net Profit – Capital Employed[ a ]
2. [ R ] Which step is not involved in valuing the goodwill according to super profit method:-
  - a. Ascertain Average Profit
  - b. Ascertain Super Profit
  - c. Ascertain Normal Profit
  - d. Multiply Super Profit with Number of years purchased[ a ]
3. [ R ] Better quality of product will increase the sales and profit. Identify the factor:-
  - a. Capital Employed
  - b. Efficiency of Management
  - c. Location
  - d. Risk[ b ]
4. [ A ] If Average Profit = Rs. 1, 60,000  
Actual Capital Employed = Rs. 5, 00,000  
If rate of Normal Profit = 20%  
What is the amount of Super Profit?
  - a. Rs. 60,000
  - b. Rs. 1,00,000
  - c. Rs. 20,000
  - d. Rs. 80,000[ a ]
5. [ A&E ] If Goodwill is Rs. 1,20,000, Average Profit is Rs. 60,000 Normal. Rate of Return is 10% on Capital Employed Rs. 4,80,000. Calculate capitalized value of the firm:-
  - a. Rs. 6,00,000
  - b. Rs. 5,00,000
  - c. Rs. 4,00,000
  - d. Rs. 7,00,000[ a ]
6. [ A&E ] Tangible Assets of the firm are Rs. 14,00,000 and Outside liabilities are Rs. 4,00,000, Profit of the firm is Rs. 1,50,000 and normal rate of return is 10% Calculate capital employed
  - a. Rs. 10,00,000
  - b. Rs. 1,00,000
  - c. Rs. 50,000
  - d. Rs. 20,000[ a ]
7. [ A ] A business has earned Super profit of Rs. 1,00,000 during the last few years and Normal rate of returns is 10% Calculate goodwill
  - a. Rs. 10,00,000
  - b. Rs. 54,000

- c. Rs. 20,000  
d. Rs. 36,000 [ a ]
8. [ U ] Rani and Shyam is partner in a firm. They are entitled to interest on their capital but the net profit was not sufficient for paying his interest, then the net profit will be disturbed among partner in  
a. 1 : 2  
b. Profit Sharing Ratio  
c. Capital Ratio  
d. Equally [ c ]
9. [ U ] Which one of the following items is recorded in the Profit and Loss appropriation account  
a. Interest on Loan  
b. Partner Salary  
c. Rent paid to Partner's  
d. Managers Commission [ b ]
10. [ U ] A,B and C were partner in a firm sharing Profit in the ratio of 3:2:1 during the year the firm earned profit of Rs. 84,000.

Calculate the amount of Profit or Loss transferred to the capital A/c of B.

- a. Loss Rs. 87,000  
b. Profit Rs. 87,000  
c. Profit Rs.28,000  
d. Profit Rs.14,000 [ c ]
11. [ U ] Closing entry for interest on loan allowed to partners  
a. Interest on partner's loan ...Dr.  
To Profit and Loss A/c  
b. Interest on loan ...Dr.  
To Profit and Loss Appropriation A/c  
c. Profit and Loss Appropriation A/c ...Dr.  
To interest on partner's loan A/c  
d. Profit and Loss Appropriation A/c ...Dr.  
To interest on loan A/c [ c ]
12. [ R ] Salary to a partner under fixed capital account is credited to  
a. Partner's Capital A/c  
b. Partner's current A/c  
c. Profit & Loss A/c  
d. Partner's Loan A/c [ b ]
13. In the absence of partnership deed partner share profit and loss in  
a. Ratio of capital Employed  
b. Equal Ratio  
c. 2 : 1  
d. 1 : 2 [ b ]
14. [ R ] As per section a minor may be admitted for the benefit of the partnership if:-  
a. One partner agree  
b. More than one agree  
c. All partners agree  
d. Both (a) or (b) [ c ]



15. [ R ] If the partner carries on the business that is similar to firm competition with the firm and profit earned from it, the profit
- Shall be retained by the partner
  - Shall be paid to firm
  - Can be retained or gained to the firm
  - Both (a) or (b)
- [ b ]
16. [ R ] The relation of the partner with the firm is that of
- An owner
  - An agent and A Principal
  - An agent
  - Manager
- [ b ]
17. [ A&E ] A, B, and C are partner's sharing profits in the ratio of 5:3:2 According to the partnership agreement C is to get a minimum amount of Rs. 10,000 as his share of profits every year. The net profit for the year ended 31<sup>st</sup> March, 2019 amounted to Rs. 40,000. How much amount contributed by A?
- Rs. 1,350
  - Rs. 1,250
  - Rs. 750
  - Rs. 1,225
- [ b ]

## Sequence

18. [ A ] A partnership firm earned divisible profit of Rs. 5,00,000, interest on capital is to be provided to partner is Rs. 3,00,000, interest on loan taken from partner is Rs. 50,000 and profit sharing ratio of partners is 5:3 sequence the following in correct way
- Distribute profits between partners
  - Charge interest on loan to Profit and Loss A/c
  - Calculate the net profit Transfer to Profit and Loss appropriation A/c
  - Provide interest on capital
- [ ii, iii, iv, i ]
19. [ A ] Which one of the following item cannot be recorded in Profit and Loss Appropriation Account?
- Interest on Capital
  - Manager's Commission
  - Interest on Drawings
  - Partner's Salary
- [ b ]
20. [ A & E ] A and B are partner's sharing profit equally. A draw regularly Rs. 4,000 at the end of every month for 6 months. Year ended on 30<sup>th</sup> September 2018, calculate interest on drawings @ rate 5% p.a.
- Rs. 350
  - Rs. 450
  - Rs. 150
  - Rs. 250
- [ d ]
21. [ R ] Which section of the partnership act defines partnership as the relation between person who have agreed to share the profit of the business carried on by all or any of them acting for all?
- Section 61
  - Section 130

c. Section 4

d. Section 48

[ b ]

22. [ A & E ] A and B are the partner sharing profit in the ratio of 2:3. They admitted C as a new partner for  $\frac{1}{5}$ th share in the profit of the firm Rs. 50,000 for the year ended 31<sup>st</sup> March 2019. What will be C's share in profit

a. Rs. 5,000

b. Rs. 10,000

c. Rs. 20,000

d. Rs. 8,000

[ B ]

23. [ A & E ] A and B are partner's sharing profit in the ratio 2:1 on 31<sup>st</sup> March 2019, firm's net profit is Rs. 86,000 the partnership deed provided interest on capital A and B Rs. 5,000 to Rs. 7,000 respectively and Interest on drawing from charged A. Rs 1,000 per month. Calculate profit to be transferred to Partner's Capital A/c.

a. Rs. 10,00,000

b. Rs. 95,000

c. Rs. 10,000

d. Rs. 86,000

[ d ]

24. [ A & E ] If fixed amount is withdraw on the last day of every month and interest on drawing charged is 10% p.a. Interest on drawing amounted to Rs 2,750 what will be drawing amount.

a. Rs. 2,500p.m.

b. Rs. 10,000p.m.

c. Rs. 7,500p.m.

d. Rs. 5,000 per month

[ d ]

Q25 [ A & E ] A firm had Assets of Rs 1,50,000 partner's capital account showed a balance of Rs 1,20,000 and reserves constituted the rest . If normal rate of return is 10% per annum and Goodwill is valued at Rs48,000 at four years purchase of super profits , find the super profit of firm :

(a) Rs 6,000

(b) Rs 18,000

(c) Rs 12,000

(d) Rs 8,000

[ c ]

### Match The following :

1.[ R]

1. According to companies act 2013 maximum numbers of partners in a firm can be	a)50 b)100
---	---------------

[ 1-a ]

2.[ R ]

1. Item which may be debited to partners capital account	a) Interest on Capital b) Interest on Drawings
2. Item which may be credited to partners capital account	

[ 1-b, 2-a ]

3.[ U]

1. Rent paid to a partner 2. Salary paid to partner	a) Charge against profit b) Appropriation of profit c) Both
--	---

[1-a, 2-b ]

4.[ U]

1) remuneration to partner 2) interest on loan	a) Not paid to any partner in the absence of partnership deed b) Paid 6% p. a. c) Not charged from partners
---	---

[1-a, 2-b ]

5.[ A]

1. when drawings are made at the end of quarter 2. when drawings are made in middle of every quarter	a) 6 b) 7.5 c) 4.5
---	--------------------------

[1-c, 2-a]

6.[U]

1. Guarantee of a profit is allowed even in case of	a) Loss b) profit c) both
---	---------------------------------

[ 1-a ]

7.[R]

1)Partners current account are opened when their capital accounts are 2) Partners capital accounts are opened when their capital accounts are	a) fixed b) fluctuating c) both d) none
--	--

[ 1-a, 2-c ]

8.[U]

1) Product method	a) amount of drawing is uniform b) amount of drawing is irregular c) time intervals between the two drawings is also uniform
-------------------	--

[1- b]

9.[U]

1) when partnership deed does not provide interest on capital 2) when partnership deed provides for interest on capital but is silent on whether it is charge or appropriation	a) interest on capital is not allowed b) interest on capital is allowed in all circumstances c) interest on capital is allowed if only profit is their
---	--

[ 1-a, 2-c ]

10.[A&E]

1. If actual capital employed is 5,00,000 and capitalized value of average profit is 4,00,000 goodwill would be	a) 1,00,000 b) (1,00,000) c) Nil
---	--

[ 1-b ]

11.[A&E]

1) Closing stock under valued 2) Closing stock over valued	a) Deducted to the current year and added to the previous year b) Added to the current year and deducted from previous year c) No effect
---	--

[ 1-b, 2-a ]

12.[ A]

Identify weight for the past years while calculating goodwill by weighted average profit-

1. 2016	a) 1
2. 2018	b) 2
3. 2019	c) 3
4. 2017	d) 4
	e) 5

[ 1-a, 2-c, 3-d, 4-b ]



13[U].

1. Goodwill which is acquired by making a payment	a) Inherit goodwill b) purchase goodwill
---	---

[ 1-b ]

14.[U]

1. The method in which goodwill is calculated on the basis of surplus profit in comparison to average profit	a) Super profit b) Average profit
--	--------------------------------------

[ 1-a ]

15.[ R ] Identify the factors affecting the value of goodwill-

	a) Favourable location
1. Experienced management increased	b) Longevity of business
2. Increased number of customers over a period of time	c) Efficiency of management
	d) Risk involved

[ 1-c, 2-a ]

16. [ U]

1) Interest on capital allowed to partners	a) Profit and Loss A/c is Credited
2) Interest on drawing charged by firm	b) Credited to partners' capital A/c
	c) Debited to partners' capital A/c
	d) Profit and Loss A/c is debited

[ 1-b, 2-c ]

17.[A]

1. Interest on capital	a) Cr. Side of Profit and Loss Appropriation A/c
2. Interest on drawing	b) Dr. side of Profit and Loss Appropriation A/c
	c) Dr. of Partner Loan

[ 1-b, 2-a ]

Q18 .[U]

1. Fixed capital	a) Additional Capital Introduced
2. Fluctuating capital	b) Interest on Drawing
	c) Interest on Partner Loan
	d) Rent to Partner

[ 1-a, 2-b ]

## Q19 [ A]

1 In the absence of Partnership Deed , Interest on loan of a partner is allowed	( a) 8% per annum
2 In the absence of Partnership Deed Interest on Drawing of a partner is charged	( B) 9 % per annum
	( C) 6% per annum
	( d) No Interest is charged

[ 1- c ; 2- d ]

## Q20 [A&amp;E]

1 A and B are Partners. The net divisible profit as per Profit & Loss Appropriation account is Rs 2,50,000 . The total interest on partner's Drawing is Rs 4,000 . A' salary Rs 4,000 per quarter and B' salary is Rs 40,000 per annum. What will net profit or loss earned during the year .	(a) Rs 2,50,000
2 A and B are Partners . The net divisible profit as per Profit & Loss Appropriation account is Rs 2,50,000 . The total interest on partner's Drawing is Rs 4,000 . A' salary Rs 4,000 per quarter and B' salary is Rs 40,000 per annum. What will be A' s share of profit .	(b) Rs 1,25,000
	(c) Rs 3,02,000
	(d) Rs 3,06,000

( 1: c ; 2- b)

## Q21 [A&amp;E]

1 A entitled to a salary of Rs 10,000 per annum and commission of 10 % Of the Net profit after charging his salary but before charging his commission . The Net profit Rs 2,30,000. What will be the amount of A' s Commission.	(a) Rs 23,000
2 B entitled to commission of 10 % on net profit after charging his commission . The Net profit Rs 2,20,000 .what will be the amount of B' s Commission .	(b) Rs 22,000
	(c) Rs 20,000

	(d) Rs 25,000
--	---------------

( 1- b ; 2-b )

Q22[ A&E]

1 When a partner is given guarantee by other partner's loss on such guarantee is borne by :	(a) Partnership firm
2 When a partner is given guarantee of profit by other , Profits above on such guarantee is borne by :	(b) All the other partner's
	(c) Partners who gave the guarantee
	(d) No Partners will borne

( 1- c ; 2 – d )

Q23[ A&E ]

1 A Drawings Rs 50,000 during the year .The rate of Interest on Drawing is 10% per annum . what will be amount of interest on drawing :	( a) Rs 5,000
2 A drawing Rs 50,000 during the year . The rate of Interest on Drawing 10 % . What will be amount of interest on drawing :	( b)Rs 2,500
	( c) Rs 10,000
	( d) Rs 15,000

( 1- b ; 2- a )

Q24 [U]

1 Ratio in which Partners share profit & losses before reconstitution of firm	(a) New profit sharing ratio
2 Ratio in which Partners surrenders their share of profit in favour of other partner's	(b) Gaining Ratio
3 Ratio in which all the Partners share the future profit and losses	(c) Sacrificing Ratio
4 Ratio in which Partners acquire the share from other	(d) Old Ratio

( 1- b, 2- c ; 3- a ; 4 – b )

Q25 [ A]

1 Drawing against profits	(a) Debited to partner's capital account
2 Drawing against capital	(b) Credited to partner's capital account
	(c) Debited to drawing account
	(d) Credited to drawing account

[ 1 – c ; 2 – a ]



## UNIT – 2

### (A) Change in Profit Sharing Ratio among the Existing Partners

### (B) Admission of a Partner

#### FILL IN THE BLANKS :

#### **Remembering**

- [1] Reserve appearing in the Balance Sheet at the time of admission of a partner, is distributed among partners in their \_\_\_\_\_ Ratio.( Old)
- [2] At the time of admission, the assets are revalued and liabilities are reassessed. The increase or decrease in the values is debited or credited in \_\_\_\_\_ Account.( Revaluation )
- [3R] Sacrificing ratio is computed at the time of \_\_\_\_\_ (Reconstitution)
- [4R] Revaluation Account is prepared at the time of \_\_\_\_\_ ( Reconstitution )
- [5R] At the time of admission, Gain (Profit) or Loss on revaluation is shared by the old partners in their \_\_\_\_\_ ratio.( Old )
- [6RU] Revaluation account is a \_\_\_\_\_ account.( Nominal )
- [7R] The Revaluation Account shows \_\_\_\_\_ in Values of assets and liabilities. (increase or decrease )

#### **Understanding**

- [8U] In the case of downward revaluation of an asset, Revaluation Account is \_\_\_\_\_.( Debited )
- [ 9U] In case of upward revaluation of a liability, Revaluation Account is \_\_\_\_\_. ( Debited )
- [10U] At the time of admission of a partner new profit-sharing ratio is used for sharing future \_\_\_\_\_' ( Profits )
- [11AU] At the time of admission, if claim of Workmen Compensation is more than the Workmen Compensation Reserve, the amount of Workmen Compensation Reserve and the claim is transferred to \_\_\_\_\_ account.( Provision for workmen compensation liability )

- [12U] At the time of admission, if the book value and the market value of investment is same Investment Fluctuation Reserve is transferred to \_\_\_\_\_ account of the old partners in their \_\_\_\_\_ ratio.( capitals , old )
- [13U] For the distribution of revaluation profit in case firm is following Fixed Capital Accounts method is transferred to \_\_\_\_\_ accounts ( current )
- [14U] An amount previously written off as bad debt is promised to be paid by the debtor. The promised amount will not be credited to \_\_\_\_\_ Account. ( debtors )
- [15U] The newly admitted partner brings his / her share of capital for which he will get \_\_\_\_\_ in firm.  
( Profit share )

### Application

- [16A] Balance sheet prepared after the new Partnership Deed, the assets and liabilities are shown at \_\_\_\_\_ if Revaluation Account is prepared.( Revised values )
- [17A] In valuation of Goodwill, the Weighted Average Profit Method is preferred over average method when profits are \_\_\_\_\_. (Trends )
- [18AU] At the time of admission of partner if an unrecorded liability is recognized, it is debited in \_\_\_\_\_ Account. (Revaluation )
- [19U] A, B and C share profits and losses in the ratio of 3:2:1. On admission of D, they agree to share profits and losses in the ratio of 5:4:2:1.Sacrificing Ratio of A, B and C will be \_\_\_\_\_. ( only A sacrifice by 1/12)
- [20R] The formula for calculating Super profit is Average Profit – \_\_\_\_\_ Profit.( normal profit )
- [21A] R and S are partners sharing profits equally. They admitted T for  $\frac{1}{3}^{\text{rd}}$  share in the firm. New Profit-sharing Ratio will be..... ( equally )

### Analysis & Evaluation

- [22A & E] A and B are partners sharing profits and losses in the ratio of 3 : 2. A's capital is Rs. 60,000 and B's capital is Rs. 30,000. They admit C for  $\frac{1}{5}^{\text{th}}$  share of profits. C should bring Rs. \_\_\_\_\_ as capital.( 22,500)
- [23 A & E] A and B are partners sharing profit and losses in the ratio of 3 : 2. They admit C for  $\frac{1}{5}^{\text{th}}$ share of profits. The sacrificing ratio between A and B will be \_\_\_\_\_.( 3:2)

[24 A & E ] If the new partner brings in his share of goodwill in kind (Furniture), \_\_\_\_\_ account will be debited . ( Assets )

[ 25 A & E ] If the new partner does not brings in his share of goodwill in cash \_\_\_\_\_ account will be debited . ( current )

## **MULTIPLE CHOICE QUESTION**

### **Remembering**

Q1 When goodwill is not recorded in the books at all on admission of a partners ?

A If paid privately

B If brought in cash

C If not brought in cash

D If brought in Kind

[ a]

Q2 The Need of revaluation of assets and liabilities on admission

A Assets and Liabilities should appears at revised values

B Any profit and loss an account of change in values belong to old partners

C All unrecorded assets and liabilities get recorded

D None of Above

[b]

Q3 On admission of a partner, which of the following items the Balance Sheet is transferred to the credit of Capital Accounts of old partners in the old Profit-sharing Ratio, if Capital Accounts are maintained following Fluctuating Capital Accounts Method

(a) Deferred Revenue Expenditure;

(b) Profit and Loss Account (Debit Balance);

(c) Profit and Loss Account (Credit Balance);

(d) Balance in Drawings Account of partners.

(c)

Q4 If the new partner brings his share of goodwill in cash , it will shared by old partner in :

A Sacrificing ratio

B Old profit sharing Ratio

C New Ratio

D Capital ratio [a]

Q5 Revaluation Account is a :

A Real Account

B Nominal Account

C Personal Account

D None of the Above [ b]

Q6 When new partner brings cash for goodwill , the amount is credited to :

A Realisation Account

B Cash account

C Premium for Goodwill Account

D Revaluation Account [ c]

### Understanding

Q6 The balance in the investment Fluctuation fund after meeting the fall in book value of investment , at the time of admission of partner will transferred to :

A Revaluation Account

B Capital Account of old Partners

C General Reserve

D capital Account of All Partners [ b]

Q7 A and B are Partners sharing Profits in the ratio of 3:2. They Admit C for  $\frac{1}{4}$  share who contributed Rs 30,000 for his share of goodwill. The total value of the goodwill of the firm will be :

A Rs 1,50,000

B Rs 1,20,000

C Rs 1,00,000

D Rs 1,60,000 [b]

Q8 The Credit Balance of Profits and Loss appears in the books at the time of admission of partner will be transferred to :



A Profit and loss appropriation account

B All partners capital Account

C Old partners capital Account

D Revaluation Account

[ c]

Q 9 Goodwill of the firm is valued at Rs 1,00,000 . Goodwill also appears in the books at Rs 50,000 . C is admitted for  $\frac{1}{4}$  Share . The amount of goodwill to be brought in by c will be :

A Rs 20,000

B Rs 25,000

C Rs 30,000

D Rs 40,000

[ b]

Q10 If the new partner brings any additional amount of cash other than his capital contributions then it is termed as :

A Capital

B Reserves

C Profits

D Premium for Goodwill

[ d]

Applying

[11] X and Y are partners sharing profits and losses in the ratio of 3 : 2. Z is admitted for  $\frac{1}{5}$ <sup>th</sup> share in profits which he gets from X. New profit sharing ratio will be

(a) 12 : 8 : 5

(b) 8 : 12 : 5

(c) 2 : 2 : 1

(d) 2 : 2 : 2

(c)

[12] A and B are partners sharing profit and losses in the ratio of 3 : 2. A's capital is Rs. 1,20,000 and B's capital is Rs. 60,000. They admit C for  $\frac{1}{5}$ <sup>th</sup> share of profits. C should bring as his capital

(a) Rs. 36,000

(b) Rs. 48,000

(c) Rs. 58,000

(d) Rs. 45,000

(d)

[13] A and B are partners sharing profits and losses in the ratio 5 : 3. On admission, C brings by cheque Rs. 70,000 as Capital and Rs. 48,000 as Goodwill. New Profit-sharing Ratio among A, B and C is 7 : 5 : 4. Sacrificing ratio between A and B is :

- |           |           |     |
|-----------|-----------|-----|
| (a) 3 : 1 | (b) 4 : 7 |     |
| (c) 5 : 4 | (d) 2 : 1 | (a) |

[14] X and Y are partners sharing profits in the ratio 5 : 3. They admitted Z for 1/5th share in profits, for which he paid Rs. 1,20,000 as Capital and Rs. 60,000 as Goodwill. Capitals for each partner, taking Z's capital as base capital will be:

- |                                     |                                     |
|-------------------------------------|-------------------------------------|
| (a) 3,00,000, 1,20,000 and 1,20,000 | (b) 3,00,000, 1,20,000 and 1,80,000 |
| (c) 3,00,000, 1,80,000 and 1,20,000 | (d) 3,00,000, 1,80,000 and 1,80,000 |

(c)

[15] A and B are partners sharing profits in the ratio of 7 : 3. C is admitted as a new partner. "A" gave 1/7th of his share and "B" gave 1/3<sup>rd</sup> of his share to C. New Profit-sharing Ratio will be:

- |               |               |     |
|---------------|---------------|-----|
| (a) 6 : 2 : 2 | (b) 4 : 1 : 1 |     |
| (c) 3 : 2 : 2 | (d) None      | (a) |

[16] X and Y share profits and losses in the ratio of 4 : 3. The admit Z in the firm for 3/7th share which he gets 2/7<sup>th</sup> from X and 1/7<sup>th</sup> from Y. New Profit-sharing Ratio will be :

- |               |               |     |
|---------------|---------------|-----|
| (a) 7 : 3 : 3 | (b) 2 : 2 : 3 |     |
| (c) 5 : 2 : 3 | (d) 2 : 3 : 3 | (b) |

[17] A and B are partners, sharing profits in the ratio of 5 : 3. They admit C for 1/5<sup>th</sup> share in profits, which he acquires equally from both A and B. New profit sharing ratio will be:

- |                 |                 |
|-----------------|-----------------|
| (a) 21 : 11 : 8 | (b) 20 : 10 : 4 |
|-----------------|-----------------|

(c) 15 : 10 : 5

(d) 10 : 5 : 4

(a)

### Analysis & Evaluation

[18] A, B and C share profits and Losses in the ratio, of 3 : 2 : 1. D is admitted for  $\frac{1}{6}$ <sup>th</sup> share which he gets from A. New ratio will be:

(a) 2 : 2 : 1 : 1

(b) 3 : 1 : 1 : 1

(c) 2 : 2 : 2 : 1

(d) 1 : 1 : 2 : 2

(a)

[19] A, B and C are partners sharing profits in the ratio of 4 : 3 : 2. D is admitted for  $\frac{2}{9}$ <sup>th</sup> share of profits. He brings Rs. 30,000 as capital. New Profit-sharing Ratio is 3 : 2 : 2 : 2. Goodwill amount will be credited in the capital account of :

(a) A only

(b) A, B and C (equally)

(c) A, and B (equally)

(d) A, and C (equally)

(b)

[20] A and B are partners sharing profits in the ratio of 3 : 2. On admission of C for  $\frac{1}{5}$ <sup>th</sup> share, Land is appreciated by 10% (Book Value Rs. 80,000), Building is decreased by 20% (Rs. 2,00,000), Unrecorded Debtors of Rs. 1,250 are brought in the books and Creditors of Rs. 2,750 need not be paid. The Gain (profit) /loss on revaluation will be:

(a) Loss Rs. 28,000

(b) Loss Rs. 40,000

(c) Profit Rs. 28,000

(d) Profit Rs. 40,000

(a)

[21] Amit and Anil are partners sharing profits in the ratio of 5 : 3 having Capitals of Rs. 2,50,000 and Rs. 2,00,000 respectively. Atul was admitted as partner for  $\frac{1}{5}$ <sup>th</sup> share in profits who brings Rs. 50,000 as Capital and Rs. 16,000 as Goodwill. Capitals are to be in proportion to profit-sharing ratio based on Atul's share. Capitals of Amit, Anil and Atul respectively after admission of Atul will be:

(a) 1,25,000 : 75,000 : 50,000 (b) 2,20,000 : 1,82,000 : 66,000

(c) 2,92,500 : 2,25,000 : 50,000

(d) 2,82,500 : 2,19,500 : 66,000 (a)

- [22] X and Y are partners sharing profits in the ratio of 3 : 1. They admit Z as a partner who pays Rs. 4,000 as Goodwill .New Profit-sharing Ratio being 2 : 1 : 1 among X, Y, Z. Goodwill will be credited to:
- (a) X and Y as Rs. 3,000 and Rs. 1,000 (b) X only
- (c) Y Only (d) None (b)
- [23] R and S are partners sharing profits in the ratio of 5 : 3. T joins the firm and R gives him  $\frac{1}{4}$ th of his share and S gives  $\frac{1}{5}$ th of his share to him. New Profit-sharing Ratio will be:
- (a) 75 : 48 : 37 (b) 45 : 32 : 27
- (c) 13 : 7 : 4 (d) 35 : 30 : 25 (a)
- [24] A, B and C are equal partners, they wanted to change the profit sharing ratio to 4 : 3 : 2. They raised the goodwill to Rs. 90,000. The effected accounts will be:
- (a) C's Capital A/c Dr. 10,000
- To A's Capital A/c 10,000
- (b) B's Capital A/c Dr. 10,000
- To A's Capital A/c 10,000
- (c) C's Capital A/c Dr. 10,000
- To B's Capital A/c 10,000
- (d) A's Capital A/c Dr. 10,000
- To C's Capital A/c 10,000
- (d)
- [25] A, B and C are partners haring profits in ratio of 3 : 2 : 1. They admit D as partner in the firm. A, B and C give  $\frac{1}{3}$ rd,  $\frac{1}{6}$ th,  $\frac{1}{9}$ th share of their respective profits. The share of profit of D will be:
- (a)  $\frac{1}{10}$  (b)  $\frac{13}{54}$
- (c)  $\frac{12}{54}$  (d)  $\frac{10}{55}$  (b)

- [26] A and B are partners sharing profits in ratio of 3 : 2. A's Capital is Rs. 30,000 and B's Capital is Rs. 15,000. They admit C for  $\frac{1}{5}$ th share of profits. C will bring as his capital
- (a) Rs. 9,000 (b) Rs. 12,000
- (c) Rs. 14,500 (d) Rs. 11,250 (d)
- [27] X and Y are partners. Z is admitted as partner for  $\frac{1}{7}$ th share. New Profit- sharing Ratio will be
- (a) 2 : 3 : 1 (b) 3 : 3 : 1
- (c) 6 : 5 : 2 (d) 1 : 1 : 1 (b)
- [28] A, B, C and D are partners. They change their profit sharing ratio to 2 : 2 : 1 : 1. C's sacrifice is
- (a)  $\frac{1}{6}$  (b)  $\frac{1}{12}$
- (c)  $\frac{1}{24}$  (d)  $\frac{2}{6}$  (b)
- [29] A and B share profits equally. They admit C for  $\frac{1}{7}$ th share. New Profit-sharing Ratio of A and B is:
- (a)  $\frac{4}{7}$ ,  $\frac{1}{7}$  (b)  $\frac{3}{7}$ ,  $\frac{3}{7}$
- (c)  $\frac{2}{7}$ ,  $\frac{2}{7}$  (d)  $\frac{2}{7}$ ,  $\frac{4}{7}$ . (b)
- [30] A and B are partners. C is admitted for  $\frac{1}{5}$ th share. C brings Rs. 1,20,000 as his share in Capital. Net worth of the firm is:
- (a) Rs. 1,00,000 (b) Rs. 4,00,000
- (c) Rs. 1,20,000 (d) Rs. 6,00,000 (d)
- [31] A and B share profits in the ratio of 3:2. A's capital is Rs. 48,000, B's capital is Rs. 32,000. C is admitted for  $\frac{1}{5}$ th share in profits. C will bring as his Capital
- (a) Rs. 20,000 (b) Rs. 16,000
- (c) Rs. 1,00,000 (d) Rs. 64,000 (a)

- [32] A and B share profits in the ratio of 3: 4. C is admitted for  $\frac{1}{5}$ <sup>th</sup> share. New Profit-sharing ratio will be
- (a) 3: 4: 1 (b) 12: 16: 7  
(c) 16: 12: 7 (d) 12 : 6 : 7 (b)
- [33] A and B share profits and losses in the ratio of 3: 2. Their respective capitals are Rs. 1,20,000 and Rs. 54,000. C is admitted for  $\frac{1}{3}$ <sup>rd</sup> share in profits who brings Rs. 75,000 as his share of capital. Capitals of A and B to be adjusted according to C's share. A will withdraw from capital
- (a) Rs. 30,000 (b) Rs. 32,000  
(c) Rs. 15,000 (d) Rs. 28,000 (a)
- [34] A and B are partners. C is admitted with a guaranteed profit of Rs. 10,000 from A. New Profit-sharing ratio is 3:2:1. Profit for the year 2018 – 19 is Rs. 1,20,000. C will get
- (a) Rs. 10,000 (b) Rs. 20,000  
(c) Rs. 30,000 (d) None of these (b)

### **TRUE / FALSE :**

- [ R ] . In the absence of agreement, consent of all partners is required to admit a partner. (T)
- [ R]. Goodwill is an intangible current asset. (F)
- { R} Self-generated Goodwill is recorded in the books of accounts and shown in the Balance Sheet as an asset as per Accounting Standard -26, Intangible Assets.(F)
- [ R] In case of admission of a partner, all existing partners sacrifice.(F)
- [ U] New partner may or may not contribute Capital at the time of admission.(T)
- [ U] New partner may bring his share of goodwill premium in kind.(T)
- [ U ] At the time of admission of partner, the partnership firm is dissolved.(F )
- [ R ] Super profit is a profit a firm earns above the normal profits.( T)
- [ A ] The goodwill brought at the time of admission of partner will be distributed among all the partners in new Profit-sharing Ratio.( F)
- [ A ] Claims of Workmen Compensation if more than Workmen Compensation Reserve is debited to Revaluation Account (T)
- [ A ] Increase in Provision for Doubtful Debts will be credited to Revaluation Account.( F)
- [ R ] Efficiency of management is a factor affecting goodwill of a firm.(T)

13. [ U ] When there is change in Profit-sharing Ratio among partners assets are revalued and liabilities are re-assessed.( T)
14. [ U ] New partner brings goodwill in the firm to get share in the past profits.(F)
15. [ A&E ] Gaining Partner(s) compensate Sacrificing Partner(s) when Profit-sharing Ratio changes. (T)
16. [ A ] Reserves and accumulated profits are distributed in old Profit-sharingRatio at the time of change in Profit-sharing Ratio.( T)
17. [ U ] Admission of a partner changes the relationship between / among existing partners. (T)
18. [ U ]Goodwill appearing in the Balance Sheet means Purchased Goodwill.( T)
19. [ A&E ] While computing goodwill, abnormal incomes and expenses are not ignored to calculate the value of goodwill.( F)
20. [ A&E ] Weighted Average Method is preferred over Average Profit method at the time of falling profits.( F)
21. [ A&E ] Hidden Goodwill arises when total capital is computed based on the New Partner's Capital is less than total capitals of remaining partners after all adjustments.( F)
22. [ U ]Employee Provident Fund is a part of Accumulated Profits and Reserves.( F)
23. [ A ] Gaining partner always compensates the Sacrificing Partner.(T)
24. [U] Additional Capital requirement and skill of the new partner are examples of reasons for admitting a partner.( T)
25. [ A &E ]At the time of admission, reserves may be decided by the partners to be carried forwarded. (T.)



### Match the Following:

**R – Remembering**

**U- Understanding**

**A – Application**

**A&E- Analysis & Evaluation**

1. Match items in List I with items in List II using the codes given below the Lists-

List I	List II
A. Partner's Current A/c	1. Dissolution of Partnership
B. Goodwill Account	2. Admission of a partner
C. Partner's Drawings A/c	3. Fixed capital of partners
D. Realisation A/c	4. Goods taken by a partner for self consumption

**Codes:**

(a) A-1, B-4; C-2; D-3

(b) A-3; B-2; C-4; D-1

(b) A-1; B-2; C-4; D-3

(d) A-3, B-4; C-2; D-1 (b)

2. Match items in List I with items in List II using the codes given below

List I	List II
A. Permanent Drawings	1. Credit side of Partner's Current A/c
B. Partner's Salary	2. Debit side of Partner's Capital A/c
C. Fresh Capital introduced	3. Debit side of Partner's current A/c
D. Interest on Drawings	4. Credit side of Partner's Capital A/c

(a) A – 2, B – 1, C – 4, D – 3

(b) A – 1, B – 2, C – 4, D – 3

(c) A – 2, B – 1, C – 3, D – 4

(d) A – 4, B – 2, C – 1, D – 3 (a)

3. Match the assets in List I with the types of assets in List II using the codes given

below

List I (Assets)	List II (Types of Assets)
A. Land & Building	1. Fictitious Assets
B. Profit and Loss Account (Dr.)	2. Wasting Assets
C. Mines	3. Fixed Assets
D. Goodwill	4. Intangible Assets

(a) A – 3, B – 1, C – 2, D – 4

(b) A – 1, B – 2, C – 3, D – 4

(c) A – 3, B – 4, C – 1, D – 2

(d) A – 3, B – 1, C – 4, D – 2 (a)

4. A firm does not have a Partnership Deed. Based on this fact, Match items in List I with items in List II using the codes given below

List I	List II
A. Interest will be allowed @ 6% pa	1. Drawings of partners
B. Interest will not be allowed	2. Net loss of the firm for an accounting year
C. No interest will be charged	3. Capitals contributed by the partners
D. Partners shall share equally	4. Loan given by a partner to the firm.

(a) A – 1; B – 3; C – 2; D – 4

(b) A – 4; B – 3; C – 2; D – 1

(c) A – 3; B – 2; C – 4; D – 1

(d) A – 4; B – 3; C – 1; D – 2 (d)

[5] [ A ]

DESCRIPTION	OPTIONS
(a) Hidden Goodwill(at the time of admission)	(1) Written off in new PSR
(b) Goodwill appearing in the books (at the time of change in PSR)	(2) Written off in old PSR
	(3) Total capital based on New partner share – total of all partners capital

	(4) Total of all partners capital – total capital based on new partner
--	--

[6] [ U ]

DESCRIPTION	OPTIONS
(1) Premium for goodwill a/c is opened	(a) At the time of retirement
	(b) At the time of death
	(c) at the time of admission
	(d) At the time of reconstitution of partnership firm

[7] [ R ]

DESCRIPTION	OPTIONS
(a) Admission of a new partner	[1] with the consent of any existing partner
	[2] With the consent of majority of existing partners
	[3] with the consent of all partners
	[4] old-new
	[5] New-old

[8] [ U ]

DESCRIPTION	OPTIONS
[1] Profit and loss adjustment a/c	
[2] Partners capital a/c	
	(a) Revaluation a/c
	(b) Personal A/c
	(c) P&L suspense a/c
	(d) Real a/c

[9] [ A ] Where the following will be shown

[1] Rs. 2,00,000 introduced by new partner	[A] Partners Capital Account
[2] Goodwill given in old balance sheet	[B] Balance sheet
	[C] Profit & loss Appropriation Account
	[D] Revaluation Account

[10] [ A ]

[1] Increase in value of Machine	[A] Dr. Revaluation Account
[2] Provision for doubtful debts no longer required	[B] Cr. Revaluation Account
	[C] No Change

[11] [ A ]

[1] Bad Debts Recovered	[A] Dr. Revaluation Account
[2] unrecorded investment	[B] Cr. Revaluation Account
	[C] No Change

[12] [ U ]

[1] Goodwill appearing in the balance sheet at the time of admission of new partners	[A] Written off in old ratio
	[B] Written off in new ratio

[13] [ U ]

[1] When new partner brings his/her share goodwill in cash	[A] New Partners Capital A/c Dr. To Sacrificing Partners Capital A/c
	[B] Cash A/c Dr. To Premium for goodwill
	[C] No entry passed in the books of accounts

[14] [ A ] Treatment of above on admission of new partner

[1] Creditors over valued	[A] No treatment required
[2] creditors under valued	[B] Dr. Revaluation Account
	[C] Cr. Revaluation Account

[15] [ A ] Treatment on admission on the following

[A] Profit on revaluation account	[1] No treatment required in partners capital
[B] Profit & loss ( Dr) Balance	[2] Cr. in partners' capital account
	[3] Dr. in partners' capital account

[16] [ A&E]

when the new partner brings additional cash other than his capital	Capital
When the new partner brings Assets other than cash for his capital	Reserves
	Profit
	Premium for goodwill

[17] [A]

When new partner gives his/her goodwill personally or privately	[A] old partners capital Dr To bank
When old partners withdraws goodwill amount	[B] Cash A/c Dr. To Premium for goodwill
	[C] No entry passed in the books of accounts

[18] [A]

When new partner is unable to bring his/her share goodwill in cash	[C] No entry passed in the books of accounts
When new partner is bring his/her share goodwill in cash	[A] New Partners Capital A/c Dr. To Sacrificing Partners Capital A/c
	[B] Cash A/c Dr. To Premium for goodwill

[19] [A] Treatment of above on admission of new partner

	[A] No treatment required
[1] Building undervalued	[B] Dr. Revaluation Account
[2] Building overvalued	[C] Cr. Revaluation Account

[20] [A] Treatment of above on admission of new partner

Book value of land = Market value of land	[A] No treatment required
Book value of land > Market value of land	[B] Dr. Revaluation Account
	[C] Cr. Revaluation Account

[21] [A] Treatment on admission on the following

General Reserves	[1] No treatment required in partners capital
Advertisement suspense	[2] Cr. in partners' capital account
	[3] Dr. in partners' capital account

[22] [A&E] Treatment on admission on the following

No profit/loss on revaluation account	[1] No treatment required in partners capital
Loss on revaluation account	[2] Cr. in partners' capital account
	[3] Dr. in partners' capital account

[23] [A&E]

DESCRIPTION	OPTIONS
-------------	---------

Revaluation a/c is open	(e) At the time of retirement
	(f) At the time of death
	(g) at the time of admission
	(h) At the time of reconstitution of partnership firm

[24][ U ]

DESCRIPTION	OPTIONS
Sacrificing ratio	[1] with the consent of any existing partner
Gaining Ratio	[2] With the consent of majority of existing partners
	[3] with the consent of all partners
	[4] old-new
	[5] New-old

25 [ U ] Match items in List I with items in List II using the codes given below

List I	List II
A. Capital withdrawn	1. Credit side of Partner's Current A/c
B. opening balance of capital	2. Debit side of Partner's Capital A/c
	3. Debit side of Partner's current A/c
	4. Credit side of Partner's Capital A/c

## **UNIT – 3 Retirement or Death of a Partner**

**R- Remembering**

**U- Understanding**

**A – Application**

**A&E- Analysis & Evaluation**

### **True / False**

1. ( R )In Death of a partner the share of profit of deceased partner is calculated either on time basis or on turnover basic. [ T ]
2. ( U )Profit sharing ratio of remaining partner is decided according to mutual agreement among the remaining partners. [ F ]
3. ( A&E)The amount paid to the retiring partners is excess of his capital after adjusting accumulated profits/losses revaluation profits/losses, share of goodwill etc is taken as his share of hidden goodwill of the firm. [ T ]
4. ( A)The gaining partners should compensate the sacrificing partners to the extent of their gain for the respective share of goodwill. [ T ]
5. ( A&E)Goodwill will be debited with the agrees value less already shown in the Balance sheet.[ F ]
6. ( A)Goodwill may be written off in all the partners are in old profit sharing ratio. [ T ]
7. ( R) The death of a partner, deceased partner share in the goodwill is divides equally among continuing partners. [ F ]
8. ( U )Death of a partner is like a compulsory retirement. [ T ]
9. ( A)Retiring partners' share of goodwill is debited to his his/her capital account at the time of retirement. [ F ]
10. ( U)Goodwill is recorded in the books only when it is purchased. [ T ]
11. ( A&E) Partner capital account is debited with his/her share of goodwill is credited in their gaining ratio. [ F ]
12. ( A) In case of goodwill account written off the capital account of all partners is credited. [ F ]
13. ( U )Retiring Partner remains liable for all the acts of the firm up to the date of his retirement. [ T ]
14. ( R ) Provident Fund is credited to all partners in their old ratio at the time of Retirement of a Partner. [ F ]
15. ( A)On the death of a partner, Cr. Balance of P&L A/c appearing in the Balance sheet should be credited to the capital A/c of the remaining partners in their new profit sharing ratio. [ F ]
16. ( A)Share in profit of deceased partner is transferred to P&L suspense A/c. [ T ]
17. ( A)The share of goodwill of the retiring partner is debited to remaining partner in their gaining ratio. [ T ]
18. ( U )Remaining partners acquire the share of profit of the retiring partner in old ratio. [ F ]
19. ( A&E) A, B and C are partners sharing profits in the ratio of 5:2:1.On retirement of C, the gaining ratio will be 5:2. [ T ]
20. ( A) The retiring partner's capital account is debited with his/her share of goodwill and remaining partner's capital account is credited. [ F ]
21. ( A&E) In case, goodwill account written off the capital account of all partners is credited. [ F ]
22. ( A)At the time of death of a partner his share of goodwill is divided equally among continuing partners. [ F ]



23. ( A)Retiring partner's share of goodwill is debited to his/Her capital account at the time of retirement.  
(F)
24. (A) Amount finally paid to deceased is transferred to executors account . ( T)
25. (A&E) At the time of retirement of a partner there is a workmen compensation reserve Rs 25,000 and claim of it Rs 30,00 Then Rs 5,000 will be credited to Revaluation account . ( F)

**Fill in the blanks:**

1. ( R)Goodwill will be debited with the agreed value\_\_\_\_\_ goodwill already shown in the book.  
[ Less ]
2. ( U)Market value of the business – net worth of the business = \_\_\_\_\_. [ Goodwill ]
3. ( R)The executor is entitles to all the right of a \_\_\_\_\_. [ Deceased Partner ]
4. ( A)Share of goodwill of the decease partner is \_\_\_\_\_ to his capital account. [ Credited ]
5. ( R)In case of death of a partner the profit may be estimated on the basis of \_\_\_\_\_ and\_\_\_\_\_.  
[ Time, Sales ]
6. ( U )The balance in the capital account of the deceased partner is transferred to his \_\_\_\_\_ account.  
[ Executor's ]
7. ( U)Interest on drawings due from deceased partner till the date of the death is \_\_\_\_\_ to his capital account.  
[ Debit ]
8. ( U)The executor of the deceased partner is entitled to all the right of \_\_\_\_\_.  
[ Deceased Partner ]
9. ( A)Share of goodwill of the deceased partner is \_\_\_\_\_ to his capital account. [ Credited ]
10. (A)The balance in the capital account of the deceased partner is transferred to his \_\_\_\_\_ account.  
[Executor ]
11. ( A)Interest on drawing due from deceased partner till the date of the death is \_\_\_\_\_ to his capital account.  
[Debited ]
12. (A)When a partner retires or dies his share of profit taken over by the remaining partners in \_\_\_\_\_ ratio.  
[ Gaining ]
13. ( A)At the time of retirement of partner the amount of goodwill of retiring partner will be paid by the continuing partners in \_\_\_\_\_ ratio. [Gaining ]
14. (R )New ratio – old ratio = \_\_\_\_\_ ratio. [ Gaining ]
15. ( R )As per section 37 of the Indian partnership act 1932, in the absence of partnership deed, the retiring partner is entitled to interest @\_\_\_\_\_ till the time amount due to him is not paid. [ 6% ]
16. ( A)The share of profit of deceased partner from the closure of last balance sheet till the date of his death is credited to \_\_\_\_\_ account. [ Profit and Loss A/c ]
17. ( A& E)A, B,C, are partners sharing profits in the ratio of 7:5:4 . C died on 30<sup>th</sup> June, 2018 and profits for the year 2017-18 were Rs. 24,000. C's share in profit will be \_\_\_\_\_. [Rs. 1,500 ]
18. ( A) In case of death of a partner the profit may be estimated on the basis of time or \_\_\_\_\_.  
[ Turnover ]
19. ( A&E)Ram Mohan and Sohan are partner sharing profit in the ratio of 4:3:2 , Mohan died on 1<sup>st</sup> Oct 2019,new ratio will be 1:2 among Ram and Sohan , goodwill of the firm is valued at Rs. 6,00,000\_\_\_\_\_ amount will be transfer to Mohan capital A/c. [ Rs.2,00,000 ]

20. (A&E)Mohan a partner died on 30<sup>th</sup> sep 2019 he withdraw Rs.4,000 per month in the beginning of every month. Rate of interest charged on drawings is 12% p.a. Amount of interest on drawing will be \_\_\_\_\_ if firm closes its account at the end of every year. [ Rs.840 ]
21. (A&E) X,Y, Z are partners Z died on 31 march2019. There is balance in P&L A/c in the assets side in the balance sheet Rs. 60,000, Amount transfer to \_\_\_\_\_ side of partner's capital account. [ Debit ]
- 22 ( A ) \_\_\_\_\_ is the ratio in which retiring partner is compensated by continuing partners ( Gaining )
- 23 ( A ) \_\_\_\_\_ account is prepared when amount payable to outgoing partner is paid in installments with interest. ( Loan )
- 24 ( A ) In case of retirement of a partner, any one of continuing partner sacrifice his share then his capital will be \_\_\_\_\_. ( credited )
- 25 ( A ) At the of retirement of a partner Provision for bad and doubtful debts appears in in balance sheet and all Debtors become good at the time of retirement , then provision for bad & doubtful debts will be \_\_\_\_\_ in revaluation account. ( credited )

## **MCQ's**

1. ( R )Gain of Revaluation at the time of retirement is transferred to:  
 (a) All Partners  
 (b) Outgoing partner  
 (c) Remaining Partner  
 (d) Retiring Partner [ a ]
2. ( R ) Gaining ratio is calculated by  
 (a) Old ratio – new share  
 (b) Old share + acquired share  
 (c) New share – old share  
 (d) New share + old share [ c ]
3. ( R )Gaining ratio is calculated at the time of  
 (a) Admission of a partner  
 (b) Retirement of a Partner  
 (c) Dissolution of a partnership firm  
 (d) Both (a) and (c) [ b ]
4. ( A ) If Goodwill is appearing in the balance sheet , it will be Credited to  
 (a) Gaining partner  
 (b) Retiring partners  
 (c) All partners  
 (d) Remaining Partners' [ c ]
5. ( A )If the retiring partner is not paid full amount due to him immediately on retirement, his balance is transferred to his :  
 (a) Loan A/c  
 (b) Capital A/c  
 (c) Bank A/c  
 (d) Suspense A/c [ a ]

6. ( A&E)A, B, C were partners sharing Profit and Losses in the ratio of 3:2:1 Books are closed on 31<sup>st</sup> March every year. C dies on 30<sup>th</sup>, Nov 2018. Under the partnership deed, the executors of deceased partner are entitled to his share of profit up to the date of death, Profit as on ended 31<sup>st</sup> Mar 2018 was Rs. 2,40,000 C's share of profit will be  
 (a) 26667 [ a ]  
 (b) 40000  
 (c) 30000  
 (d) 53333
7. ( A)A, B, C are partners sharing profit and losses in the ratio of 4:3:1: B retires and gives his share of profit to A Rs. 3,600 and C Rs. 4,500. What is the Gaining sharing ratio of A and C?  
 (a) 4:5 [ a ]  
 (b) 2:1  
 (c) 68:48  
 (d) 4: 1
8. ( U )In which ratio Retiring partner is compensated by the continuing partner for his share of goodwill,in which ratio?  
 (a) Gaining ratio [ a ]  
 (b) Sacrificing ratio  
 (c) Old ratio  
 (d) New ratio
9. ( R )Revaluation account is prepared at the time of :  
 (a) Admission of partner  
 (b) Retirement of a partner  
 (c) Death of a partner  
 (d) Reconstitution of the firm [ d ]
10. If three partners A, B, C are sharing profit as 5:3:2, then on the death of a partner A, how much B and C will pay to A executor on account of goodwill. Goodwill is to be calculated on the basis of 2 years purchase of last 3 years average profit, profits for the last 3 years are Rs. 3,28,000 Rs. 3,46,000 and Rs. 4,00,000.  
 (a) Rs. 3,16,000 and Rs. 1,42,000  
 (b) Rs. 2,44,000 and Rs. 2,16,000  
 (c) Rs. 4,29,600 and Rs. 2,86,400 [ c ]  
 (d) Rs. 2,16,000 and Rs. 1,44,000
11. ( U )Revaluation account is prepared to calculate gain or loss at the time of  
 (a) Admission of partner  
 (b) Retirement of a partner  
 (c) Death of a partner  
 (d) All of a above [ d ]
12. ( U )An account prepared to ascertain the gain or loss at the time of death of a partner is called  
 (a) A realisation Account  
 (b) Executors Account  
 (c) Revaluation Account [ c ]  
 (d) Decreased Partner
13. ( R )Amount due to outgoing partner is shown on the balance sheet as his  
 (a) Liability

- (b) Asset  
(c) Capital  
(d) **Loan** [ d ]
14. ( A ) A, B and C are partners in a firm sharing profit and losses in 3:4:2 B retire from the firm. The profit on revaluation on that date was Rs. 72,000, New ratio between A and C is 5:3 Profit on revaluation will be distributed as:  
(a) A Rs. 32,000 B Rs. 24,000 C Rs. 16,000  
(b) **ARs. 24,000 B Rs. 32,000 C Rs. 16,000**  
(c) A Rs. 45,000 C Rs. 27,000  
(d) ARs. 47,250 C Rs. 24,750 [ b ]
15. P, Q and R sharing profit and losses in the ratio of 8:5:3. Q retire from the firm takes 3/16 from P and R takes 5/16 from P. New profit sharing ratio between Q and R will be  
(a) **1:1**  
(b) 10:6  
(c) 9:7  
(d) 5:3 [ a ]
16. ( A ) In the event of death of a partner of employees provided fund appears in the balance will be shown in  
(a) Capital A/c (Cr.)  
(b) Account (Dr.)  
(c) **Liability side [Balance Sheet]**  
(d) Asset side [Balance Sheet] [ c ]
17. ( A ) Share of goodwill of the retiring partner is debited to remaining partners in their  
(a) Old ratio  
(b) New ratio  
(c) **Gaining ratio**  
(d) Sacrificing ratio [ c ]
18. ( A ) At the time death of a partner general reserve appearing in the balance sheet should be credited to:  
(a) **All partners including deceased partner in their old profit sharing ratio**  
(b) Remaining partners in the new profit sharing ratio  
(c) Neither the deceased nor the remaining partners  
(d) Remaining partner in gaining ratio [ a ]
19. ( U ) Retiring or outgoing partner  
(a) Is liable for firm liabilities  
(b) Not liable for any liabilities of the firm  
(c) **Is liable for obligation incurred before his retirement**  
(d) Is liable for obligation incurred before and after his retirement [ c ]
20. A, B and C are partner with Profit and Losses in the ratio of 4:3:2. B retires if A and C share profit of b in 5:3 then find the new profit sharing ratio  
(a) **47:25**  
(b) 17:11  
(c) 31:11  
(d) 14:21 [ a ]
21. ( A ) Outgoing partner give his share of profit remaining partners. In what ratio do the remaining partners contribute to such compensation amount?  
(a) **Gaining ratio**

- (b) Capital ratio
- (c) Sacrificing ratio
- (d) Old profit sharing ratio

[ a ]

22. ( U ) Claim of the retiring partner is payable in the following form

- (a) Fully in cash
- (b) Fully transferred to loan A/c to be paid later with some interest on it
- (c) Party in cash and party as loan repayable later with agreed interest
- (d) Any of the above method

[ d ]

23. ( A ) A, B and C sharing profit in ratio 3:2:1 C retires from the firm. Goodwill is to be valued at Rs. 60,000 find the amount payable to retiring on account of goodwill

- (a) Rs. 30,000
- (b) Rs. 20,000
- (c) Rs. 10,000
- (d) Rs. 60,000.

( B )

Q24( A ) A ,B & C are partners sharing profits in ratio 3:2:1.C retired from the firm . The total capital of new firm is fixed at Rs 60,000 . What will be the new capital of A and B :

A Rs 30,000 and Rs 30,000

B Rs 24,000 and Rs 36,000

C Rs 36,000 and Rs 24,000

D Rs 40,000 and Rs 20,000 ( c )

Q25 ( A&E ) A ,B and C are partners sharing profits in the ratio 2:2:1. B retires from the firm .The capital account of A,B and C are Rs 60,000 Rs70,000 and Rs 50,000 respectively after adjustment of goodwill , reserved and revaluation . B was to paid in cash brought in by A and C in such a way that there capital are in proportion of new ratio . How much amount A and C must bring to pay B :

A Rs 50,000 by A & Rs 20,000 by B

B Rs 60,000 by A & Rs 10,000 by B

C Rs35,000 by A and Rs 35,000 by B

D Rs 40,000 by A and Rs 30,000 by B ( B )

### Match the following

Q1 ( A )

1. The share of goodwill of the retiring partner is Credited to remaining partners in their	A. Capital Ratio
2. In the event of death of a partner the general reserve is transferred to partners' capital A/c	B. New Ratio
	C. Gaining Ratio
	D. Old Ratio

[1-C, 2-D]

Q2 ( A )

1. At the end of the accounting period profit and loss suspense A/c is closed by transferring its balance to the	A. Profit and Loss A/c
--	------------------------

2. Balance of profit and loss A/c appears in the balance sheet is transferred to	B. Profit and Loss Appropriation A/c
	C. Capital A/c

[1-A, 2-C]

Q3 (A&E)

1. According to the Indian Partnership Act 1932 interest payable to the deceased partner on amount left will be	A. 6% p.a.
2. Interest payable on partners' loan	B. 12%p.a.
	C. The Bank Rate

[1-A, 2-A]

Q4 ( U )

1. Gaining ratio is used at the time of	A. Change in profit sharing ratio
2. Sacrificing ratio is used at the time of	B. Admission of a partner
	C. Retirement or death of a partner

[1-C, 2-B]

Q5 ( A )

1. Balance of advertisement Suspense A/c appearing in Balance Sheet at the time of death of a partner is debited to all partners' Capital A/c in	A. New Ratio
2. Profit earned after retirement of partner is distributed among remaining partner in	B. Old Ratio
	C. Sacrifice Ratio
	D. Gaining Ratio

[1-B, 2-A]

Q6( A )

1. Salary outstanding is recorded	A. Debit Side Revaluation A/c
2. Creditors of Rs. 12,000 were not likely to be claimed	B. Credit Side Revaluation A/c
	C. Debit Partner Capital A/c
	D. Credit Partner Capital A/c

[1-A, 2-B]

Q7( U )

1. Credit the share of profit of the deceased partner.	A. Revaluation A/c
2. Profit On Revaluation of deceased partner	B. Profit and Loss A/c Suspense A/c
	C. Profit and Loss A/c Appropriation A/c

[1-B, 2-A]

Q8( R )

1. Profit on revaluation on retirement	A. Old profit sharing ratio
2. Share of goodwill of retiring partner	B. New profit sharing ratio
	C. Sacrificing ratio
	D. Gaining ratio

[1-A, 2-D]

Q9( A&E)

A at the time of retirement Workmen Compensation Reserve in Balance Sheet is Rs. 20,000	A. Debit Workmen Compensation Reserve and credit partners' capital A/c
1. Actual claim for Workmen Claim is Rs. 15,000	B. Debit revaluation credit Provision for Workmen Claim
2. Actual claim for Workmen Claim is Rs. 22,000	C. Debit prov. For Workmen Claim revaluation A/c
	D. Debit partners' capital A/c and credit Workmen Compensation Reserve

[1-A, 2-B]

Q10( R)

1. Profit on revaluation will be credited to	A. Partners' Capital A/c
2. Loan on revaluation will be debited to	B. Profit and Loss A/c
	C. Profit and Loss Appropriation A/c

[1-A, 2-A]

Q11( R)

1. Goodwill appearing in Balance Sheet at the time of retirement is	A. Credited to Partners Loan A/c
2. General reserve appearing in Balance Sheet at the time of retirement is	B. Debited to Partners' Capital A/c

[1-B, 2-A]

Q12( A)

1. Increase in value of furniture	A. Debited to Revaluation A/c
2. Increase in creditors	B. Credited to Revaluation A/c
	C. Debited to Realisation A/c
	D. Credited to Realisation A/c

[1-B, 2-A]

Q13( A)

1. Partner's share gain or loss from Revaluation of assets and assessment of liabilities is distributed in	A. Capital Ratio
2. Partner's share of Loss on Revaluation	B. New Ratio
	C. Gaining Ratio
	D. Old Ratio

[1-D, 2-D]

Q14( U)



1. Decrease in value of machine	A. Debited to Revaluation A/c
2. Decrease in bills payable	B. Credited to Revaluation A/c
	C. Debited to Realisation A/c
	D. Credited to Realisation A/c

[1-A, 2-B]

Q15( A)

1. Profit & Loss Appropriation Account	A. Distribution of General Reserve
2. Profit & Loss Suspense	B. Distribution of Net Profit
	C. Distribution of Profit upto the date of death

[1-B, 2-C]

Q16( A)

1. Retirement of a partner leads to :	A. No change in profit sharing ratio
2. Death of a partner leads to :	B. Loss in profit sharing ratio
	C. Gain in profit sharing ratio

[1-C, 2-C]

Q17( U)

1. On Retirement of a partner credit balance of Profit & Loss Account	A. Remaining partner capital account is credited
2. On the death of a partner Debit balance of Profit & Loss Account	B. Remaining partner capital account is Debited
	C. All partner capital account is credited
	D. All partners capital account is debited

[1-C, 2-D]

Q18( A)

1. At the time of retirement of a partner , profit on revaluation is credited to :	A. Capital Account of retiring partners
2. At the time of retirement of a partner, loss on revaluation is debited to ;	B. Capital Account of all partners in old ratio
	C. Capital Account of remaining partners in new ratio
	D. Capital Account of remaining partners in old ratio

[1-B, 2-B]

Q19( U)

1. At the time of retirement of a partner profit on revaluation is divided among partners in :	A. New Ratio
2. At the time of retirement of a partner general reserves is divided among partners in :	B. Gaining Ratio
	C. Sacrificing Ratio
	D. Old Ratio

[1-D, 2-D]

Q20( A&E)

1. The deceased partner's share of profit up to his death is recorded in :	A. Profit & Loss Adjustment
2. The deceased partner's share of loss up to	B. Profit & Loss

his death is recorded in :	
	C. Profit & Loss Appropriation
	D. Profit & Loss Suspense

[1-D, 2-D]

Q21( A&E)

1. A, B & C are partners in the firm. B retires from the firm. The capital of A and C after all adjustment is Rs. 50,000 and Rs. 60,000. Adjust their capitals in new profit sharing ratio. Calculate the new capital of C.	A. 65,000
2. A,B & C are partners in ratio 2:1:1. B retires from the firm. The capital of new firm is fixed at Rs 1,20,000. Calculate the new capital of partner of A.	B. 55,000
	C. 40,000
	D. 80,000

[1-B, 2-D]

Q22( A&E )

1. A,B & C are partners in firm. C retires. What will be the gaining ratio between A and B.	A. 3:2
2. A, B & C are partners in firm. C retires. C gives share to A for Rs. 8,000 and to B for Rs. 4,000. Calculate gaining ratio between A and B.	B.4:3
	C. 1:1
	D. 2:1

[1-C, 2-D]

Q23( A& E )

1. Y& Z are partners sharing ratio 4:3:3. Z retires and the new ratio between X and Y is 7:3. Which partner gain?	A. X and Y both gains.
2. X, Y& Z are partners sharing in ratio 6:4:5. Y retires and new ratio between X and Z is 11:4. Which partners gain?	B. Only X gains
	C. Only Y gains
	D. X and Y both sacrifice.

[1-B, 2-B]

Q24( A& E )

1. A, B & C are partners, C retires from the firm. There is workmen compensation reserve appearing in Balance Sheet of Rs. 60,000. Calculate the amount credited to C for workmen compensation reserve.	A. 10,000
2. A, B & C are partners, C retires from the firm. There is workmen compensation reserve appearing in Balance Sheet of Rs. 60,000. Claim on account of workmen compensation is Rs. 15,000. Calculate the amount credited to C for workmen compensation reserve.	B. 15,000
	C. 20,000
	D. 25,000

[1-C, 2-B]

Q25 ( A&E)

1 A ,B & C are partners in ratio 2:2:1. C retires from the firm . The capital balance of A B& C are Rs 1,20,000 ; Rs 1,40,000 and Rs 1,00,000. C was to be paid in cash brought in by A and B . What be the new capital of A and B of newly constituted firm.	A New capital of A Rs 2,40,000 and of B Rs 1,20,000.
2 A, B and C are partners in the ratio 2:2:1. C retires from the firm The capital balance of A B & C are Rs 1,20,000 ; Rs 1,40,000 and Rs 1,00,000 . C was to be paid in cash brought in by A and B and to leave Rs 60,000 in the Bank account . How much amount A and B should bring to pay c	B New capital of A Rs 1,80,000 and of B Rs 1,80,000
	C Amount brought in by A is Rs 2,80,000 and by B is Rs 1,40,000
	D Amount brought in by A is Rs 2,10,000 and by B is Rs 2,10,000

Answer 1 – B ; 2 - D

## **UNIT - 4      Dissolution of a Partnership Firm**

### **Fill in the blanks**

#### **\*Remembering\***

1. When any asset is taken by the partner at the time of dissolution of the partnership firm then \_\_\_\_\_  
Account will be debited. [Partner's Capital]
2. In case of dissolution of the partnership firm, Provision for Doubtful Debts is transferred to \_\_\_\_\_  
Account. [Realisation]
3. Dissolution of Partnership may or may not involve \_\_\_\_\_ of the firm. [Dissolution]
4. Realisation Account is \_\_\_\_\_ in nature. [Nominal]
5. Loss of realization Account is debited to Partner's Capital Account is the \_\_\_\_\_. [Profit-Sharing  
Ratio]
6. Profit on realisation is credited to Partner's Capital Account in their \_\_\_\_\_. [Profit-Sharing Ratio]
7. Asset taken by a partner at the time of dissolution is \_\_\_\_\_ to partner's capital Account.  
[Debited]
8. When Realisation expenses are paid by a partner on behalf of the firm, Partner's Capital Account will  
be \_\_\_\_\_. [Credited]

#### **\*Understanding\***

9. A firm may be compulsory dissolved when all the partners or all the partners except one become \_\_\_\_\_. [Insolvent]
10. Firm's Property is applied first for settling \_\_\_\_\_. [Firm's debts]

11. In case of dissolution of firm \_\_\_\_\_ relationship between/among the partners comes to an end.  
[Economic]
12. When any of the partners agrees to carry out dissolution for an agreed remuneration, including Realisation expenses, \_\_\_\_\_ Account will be credited.  
[Partner's Capital]
13. B, a partner was appointed to look after the process of dissolution for which he was allowed a remuneration of Rs. 5,000. B agreed to bear the dissolution expenses. Actual dissolution expenses Rs.3,000 paid by B. Realisation Account will be debited by \_\_\_\_\_.  
[Rs. 5,000]
14. Accumulated Profits/losses are distributed amongst the partners in their \_\_\_\_\_ ratio at the time of Dissolution of Partnership Firm.  
[Profit sharing]

#### **\*Application**

15. Stock was sold Rs. 20,000 (being 25% more than the book value). Amount of stock transferred to Realisation Account is \_\_\_\_\_.  
[Rs. 16,000]
16. If Partner's loan is appearing on the assets side of the balance sheet at the time of dissolution of firm, it is transferred to \_\_\_\_\_ Account.  
[Partner's Capital]
17. At the time of dissolution of Partners' firm closing balances of Partners' Capital Account is transferred to \_\_\_\_\_ Account.  
[Cash/Bank]
18. Creditors of Rs. 30,000 and Bills Payable of Rs. 8,000 were due on an average basis of one month after 31<sup>st</sup> March, 2019 but they were paid immediately on 31<sup>st</sup> March, 2019 @ 6% discount p.a., the amount debited to Realisation Account will be \_\_\_\_\_.  
[Rs. 37,810]

#### **\*Analysis and Evaluation**

19. Furniture of Rs. 5,500 appears in the balance sheet on the date of dissolution of the Partnership firm, realised at a loss of 10% on selling price. Amount collected from furniture \_\_\_\_\_.  
[Rs. 5,000]
20. If Workmen Compensation Reserve appears at Rs. 20,000 in the balance sheet and there is a claim of Rs. 15,000 to be paid against it, then \_\_\_\_\_ will be transferred to Realisation Account.  
[Rs. 15,000]
21. At the time of Dissolution of firm, goodwill appearing the balance sheet is transferred to \_\_\_\_\_ Account.  
[Realisation]
22. If a partner becomes a person of unsound mind and therefore the firm is dissolved, this type of dissolution is called dissolution by \_\_\_\_\_.  
[Court]
23. Unrecorded assets, though brings in cash on its disposal, but are not transferred in \_\_\_\_\_ Account.  
[Realisation]
24. If investments are not given on the assets side of the balance sheet and only Investment Fluctuation Reserve is given on the liabilities side, it is transferred to \_\_\_\_\_ Account  
[Partner's Capital]
25. If workmen compensation reserves appearing in balance sheet at Rs 30,000 and there is claim of Rs 18,000 to be paid against it then \_\_\_\_\_ amount will be transferred to partners capital account .  
( 12,000 )

## **TRUE AND FALSE**

### **REMEMBERING**

1. Dissolution of Partnership is different from Dissolution of Partnership Firm. [ T ]
2. The court can order the Dissolution of a Partnership Firm, if any of the partners become a person of unsound mind. [ T ]
3. For paying off firm's debts all partners are jointly and separately liable to pay. [ T ]
4. Partner's Loan Account is transferred to Realisation Account. [ F ]
5. When the Expenses are borne and paid by the Partner out of his own pocket. Then Journal Entry for realization expenses is passed. [ F ]
6. Dissolution of Partnership means change in existing relations of the partners [ T ]
7. When the business of the firm is unlawful then it is compulsory Dissolved. [ T ]

### **UNDERSTANDING**

8. Change in Business Relationship among the Partner's is Dissolution of Partnership. [ T ]
9. Assets having provisions are recorded in Realisation Account at its net value. [ F ]
10. Partners Loan is an outside Liability. [ F ]
11. Partners' wife's loan is transferred to Realisation Account. [ T ]
12. When a liability is discharge by a partner, it is credited to his account. [ T ]
13. Court does not intervene in the Dissolution of Partnership. [ T ]

### **APPLICATION**

14. If creditor is Rs. 20,000, loan Rs. 10,000 and capital is of Rs. 1,50,000 cash balance is Rs. 30,000, then Remaining Assets will be Rs. 1,80,000. [ F ]
15. Debtors of Rs. 50,000 are realized at a loss of 2% the amount thus realised is Rs. 49,000. [ T ]
16. At the time of dissolution, balance sheet reveals capital of Rs. 90,000 general reserve Rs. 1,00,000, loan of Rs. 50,000. Cash Balance Rs. 1,00,000. Then assets are realised at 30% giving a loss of Rs. 6,60,000. [ F ]
17. Raju a partner, bear all Expenses of Realisation, for which he is paid Rs. 4,000 Raju paid Rs. 5,000 as Dissolution Expenses then Realisation Account is debited by Rs. 5,000. [ F ]
18. Creditors of Rs. 80,000 are paid 20% less hence the amount paid is Rs. 64,000. [ T ]

## ANALYSIS & EVALUATION

19. When it is agreed that a partner will bear the Realisation Expenses and for which he is paid an agreed amount, then Realisation Account is debited by the amount payable to the partner. [ T ]
20. Furniture worth Rs. 30,000 taken over by partner a, then cash account is debited and Realisation Account is credited. [ F ]
21. Liabilities to third parties do not include Accumulated Profits. [ T ]
22. Realisation Expenses Rs. 15,000 were to be borne and paid by Rohit, then Realisation Account is debited. [ F ]
23. No entry will be made if debtors of Rs. 18,000 agreed to pay the Realisation Expenses of Rs. 17,500, in full settlement of his account. [ F ]
24. Creditor of Rs. 20,000 accepted investments of Rs. 17,000 in full settlements of his claim recorded in Realisation Account. [ F ]
25. Debtors of Rs . 25,000 were taken over by the partner at this value ,it will be recorded in the credit side of partner capital account (F)

## Multiple Choice Questions

### Remembering

1. Nature of realisation Account :-  
(a) **Nominal Account**  
(b) Real Account  
(c) Personal Account [ a ]
2. Partners Loan Account is :-  
(a) **Personal Account**  
(b) Real Account  
(c) Nominal Account [ a ]
3. Nature of bank Account is :-  
(a) **Artificial Personal Account**  
(b) Natural Personal Account  
(c) Representative Personal Account [ a ]
4. Court may pass order of the dissolution of the firm where :-  
(a) Expiry of the term for which the firm was constituted  
(b) **When the business of the firm can't be carried on except at a loss**  
(c) On completion of the venture [ b ]
5. Section 48 of the Indian partnership act 1932 deals with :-  
(a) Payment of firms debts and privatedebts  
(b) **Settlement of account when the firm is dissolved**  
(c) Dissolution of the firm [ b ]

6. Liabilities to third parties in case of dissolution of partnership firm do not include : -  
(a) Reserves  
(b) Credit Balance of P&L Account  
(c) Partners loan  
(d) All of the Above. [ d ]
7. When Realisation expenses are borne& paid by the same partner :-  
(a) No entry will be passed  
(b) Realisation Account will be debited ,CashAccount will be credited  
(c) None of above [ a ]
8. Partners loan Account is not transferred to :-  
(a) Bank Account  
(b) Realisation Account  
(c) Partners loan Account [ b ]
9. Dissolution of the Partnership does not include :-  
(a) Admission of a partner  
(b) Death of a partner  
(c) Change in Profit-Sharing Ratio  
(d) Dissolution of firm [ d ]

### Understanding

10. Dissolution of the Partnership firm means :-  
(a) Change in existing ratio of partners  
(b) Dissolution of Partnership among all partners  
(c) Death of a Partner  
(d) Dissolution of firm [ b ]
11. Liability which is not shown in balance sheet but paid at the time of dissolution :-  
(a) Outstanding Expenses  
(b) Bills payable  
(c) Unrecorded liability [ c ]
12. Third party liabilities are shown in Realisation Account :-  
(a) Debits side of Realisation Account  
(b) Credit side of Realisation Account  
(c) Debit side of Partner Capital Account  
(d) Credit side of Partner CapitalAccount [ b ]



13. Accumulated Profit /Loss are transferred to Partner's Capital Account in case of dissolution in their  
(a) New Ratio  
(b) Gaining Ratio  
(c) Profit Sharing Ratio  
(d) None of the above [ c ]
14. On Dissolution goodwill Account is transferred to :-  
(a) Credit side of Bank Account  
(b) Debit side of Partners Capital Account  
(c) Debit side of Realisation Account  
(d) Credit side of Realisation Account [ c ]
15. Change in existing agreement between Partners is called :-  
(a) Dissolution of Partnership  
(b) Dissolution of Partnership Firm  
(c) Admission of a Partner  
(d) Death of a Partner [ a ]
16. On dissolution goodwill realised shown in balance sheet is recorded as :-  
(a) Bank/cash A/cDr., To RealisationA/c  
(b) Partner's Capital A/cDr., To Bank/CashA/c  
(c) Realisation A/c Dr., To Bank/CashA/c  
(d) Realisation A/c Dr., To Bank/CashA/c [ a ]
17. If a partner undertakes to pay the liability of a firm on dissolution it will be recorded as :-  
(a) RealisationA/c Dr., To Bank/CashA/c  
(b) RealisationA/c Dr., To Partners Capital A/c  
(c) Bank/Cash Dr., To Partners Capital A/c  
(d) None of the above [ b ]
18. On dissolution advertisement suspense appearing in balance sheet is shown in :-  
(a) RealisationAccount  
(b) Partner's Capital Account  
(c) Bank Account  
(d) Revaluation Account [ b ]
19. On dissolution of partnership firm the personal debt of a partner will be paid out of :-  
(a) Partners personal asset  
(b) Firm profit  
(c) Both (a) and (b)  
(d) All of the above [ a ]

## Analysis & Evaluation

20. If a partner has taken some of the Sundry Asset at Rs. 7,200 ( being 10% less than book value ) its book value is :-  
(a)Rs. 7,920  
(b)Rs. 8,000  
(c)Rs. 7,200  
(d)Rs. 7,000 [ b ]
21. Realisation expenses of Rs. 7,000 were to be paid by the partner. The firm will be paying him a remuneration of Rs. 7,500 for the dissolution work. The Partner's Capital Account will be credited with and Rs. :-  
(a)Rs. 7,500  
(b)Rs. 14,500  
(c)Rs. 7,000  
(d)Rs. 7,300 [ a ]
22. 'A' one of the Partners was to bear all the Realisation Expenses for which he was given a commission of 3% of net cash realised from Dissolution. Cash realised from Assets was Rs. 25,000. Amount paid for paying off liabilities amounted to Rs. 5,000. The amount of commission will be:-  
(a) Rs. 750  
(b) Rs. 150  
(c) Rs. 800  
(d) Rs. 600 [ d ]
23. If WCR was not given in balance sheet & liability arises of Rs. 10,000, the Journal Entry will be :-  
(a) WCR A/cDr., To Partner Capital A/c  
(b) Realisation A/c Dr., To Bank A/c  
(c) Bank A/c Dr., To RealisationA/c  
(d) No Entry [ b ]
24. While preparing memorandum Balance Sheet if the Asset side is more than the Liabilities side & Partners Capital is already appearing on the Liabilities side, the balancing figure will be :-  
(a) Profit and Loss (Dr.)  
(b) Creditors  
(c) Furniture  
(d) Cash [ b ]
25. There were investment worth Rs. 1,20,000, 75% of the investment were taken over by a Partner at 75% of their book value. The value at which the investment are taken over is:-  
(a) Rs. 90,000  
(b) Rs. 67,500  
(c) Rs. 80,000  
(d) Rs. 65,000 [ b ]

26. 50% of the Furniture valued at Rs. 20,000, taken by a Partner at Rs. 18,000, and remaining 50% will be sold at 20% less than the book value, amount transferred to Bank Account will be:-
- (a) Rs. 20,000
  - (b) Rs. 10,000
  - (c) Rs. 16,000
  - (d) Rs. 18,000

[ c ]

### Match the following

**R – Remembering**

**U- Understanding**

**A – Application**

**A&E- Analysis & Evaluation**

Q1[R]

1. All the partners are liable jointly and severally for	a) Private debts
2. If partner has taken loan by mortgaging his Private property then his private property can't be applied first for setting	b) Firms debts

[ 1-b, 2-b ]

Q2[R]

1. On the event of Dissolution of the Partnership Firms	a) Realisation Account is not prepared
2. On the event of Dissolution of Partnership	b) Books of the firm are closed
	c) Business of the firm become unlawful

[ 1-b, 2-a ]

Q3[R]

1. Realisation Account is	a) Personal in Nature
2. Partner's Capital Account is	b) Nominal in Nature
	c) Real in Nature

[ 1-b, 2-a ]

Q4[U]

1. Partners loan to the firm	a) Is asset for firm
2. Firm loan to the partner	b) Is liability for the firm

[ 1-b, 2-a ]

Q5[R]

1. Credit Balance of Bank Account is transferred to	a) Realisation Account and Partner's Capital Account
2. Liability due to Partner's is not transferred to	b) Bank Account
	c) Realisation Account

[ 1-c, 2-c ]

Q6[R]

1. Employees Provident Fund is recorded in	a) Realisation and Cash Account
2. Asset taken by the Partner is recorded in	b) Realisation Account

	c) Partner Capital Account
	d) Realisation and Partner Capital Account

[ 1-a, 2-d ]

Q7[R]

1. Third party liability of a firm	a) Partner's Capital
2. Internal liability of a firm	b) Creditors
	c) Employees

[ 1-b, 2-a ]

Q8[U]

1. Cash realised from sale of asset is transferred to	a) Revaluation Account
2. Payment made to Partner's capital is transferred to	b) Realisation Account
	c) Cash Account
	d) Partner Capital Account

[1-b, 2-c ]

Q9[U]

1. Death of the Partner	a) Compulsory Dissolution
2. Unlawful business	b) Happening of an event
3. Person of unsound firm	c) Mutual Agreement
4. Dissolution with the consent of the partners	d) Dissolution by court

[1-b, 2-a, 3-d, 4-c ]

Q10 [A] If goodwill appear in the Balance Sheet

1. On transfer of Goodwill to Realisation Account	a) Partner Capital A/cDr. To Realisation A/c
---	---

2. If realised in cash	b) Realisation A/c Dr. To goodwill A/c
3. If any asset taken by any partner	c) Bank A/cDr. To RealisationA/c

[1-b, 2-c, 3-a ]

Q11[U]

1. All the Partners become insolvent	a) Happening of an event
2. On completion of venture	b) Compulsory Dissolution

[ 1-b, 2-a ]

Q12[A]

1. A's wife loan taken over by A	a) Realisation Account
2. Provision for doubtful debts	b) Partners Capital Account
3. Bank overdraft	c) Bank Account
4. Partners loan	d) Partners loan Account

[ 1-b, 2-a, 3-a, 4-d ]

Q13[A&E]

1. Workmen Compensation Reserve appears in the Balance Sheet at Rs. 20,000	a) Workmen Compensation Reserve A/c...Dr.20,000 To Realisation A/c12,000  To Partner's CapitalA/c8,000
2. Workmen Compensation Reserve appears in the Balance Sheet at Rs. 20,000 liability arise at Rs. 12,000	b) Workmen Compensation Reserve A/c Dr. 20,000 To Realisation A/c 20,000  Realisation A/c ...Dr. 25,000  To Bank A/c 25,000
3. Workmen Compensation Reserve appears in the Balance Sheet at Rs. 20,000 and liability arises at Rs. 25,000	c) Realisation ...Dr. 20,000 To Bank A/c 20,000
4. Workmen Compensation Reserve does not	d) Workmen Compensation Reserve A/c Dr. 20,000

appears in the Balance Sheet and liability Asset Rs. 20,000	To Partners Capital A/c20,000
--	-------------------------------

[ 1-d, 2-a, 3-b, 4-c ]

Q14[U]

1) Revaluation Account	a) All Assets and Liabilities are recorded
2) Realisation Account	b) Only changes in assets and liabilities are recorded

[ 1-b, 2-a ]

Q15 [A&E]

1) Creditor Rs. 20,000 took over the stock ofRs.15,000 in full settlement of his debt	a) Cash A/c Dr. 5,000 To Realisation A/c 5,000
2) Creditor Rs.20,000 took over the stock of Rs.15,000	b) No entry
3) Creditors Rs.20,000 took over the stock of Rs. 25,000 and paid the balance of firm	c) RealisationA/c Dr. 5,000 To cash A/c 5,000

[ 1-b, 2-c, 3-a ]

Q16[A]

1) Unrecorded liability taken by partner	a) No entry
2) Unrecorded liability paid in cash	b) Realisation A/c Dr. To cash A/c
	c) Realisation A/cDr. To Partner's Capital A/c

Q17[A]

1) Unrecorded asset sold for cash	a) No entry
	b) Cash Account    Dr. To Realisation A/c

[ 1-b ]

Q18[A]

1. Dr. Balance of Profit and Loss Account	a) Partner's Capital A/c    ...Dr. To Profit and Loss A/c
2. Cr. Balance of Profit and Loss Account	b) Profit and Loss A/c    ...Dr. To Partner's Capital A/c

[ 1-a, 2-b ]

Q19[A]

1) Debt already written off is now received at the time of dissolution is recorded in	a) Partners Capital A/c    ...Dr. To Realisation A/c
2) Asset taken by partner	b) Realisation A/c    ...Dr. To Partners Capital A/c



3) Partner paid his wife loan	c) No entry
4) Creditors taken investments	d) Bank A/c ...Dr. To Realisation A/c

[ 1-d, 2-a, 3-b, 4-c ]

Q20 [A]

1 Realisation expenses paid by partner and was to be borne by him only	a) Partner capital will be credited
2 Realisation expenses paid by firm but it was to borne by a partner	b) No effect on partner capital
	c) Partner capital will debited
	d) Realisation will be debited

[ 1 – b; 2- c ]

Q 21[A&E]

1 Realisation expenses Rs 20,000 paid by firm , out of which Rs 12,000 was to be borne by a partner :	a) Partners Capital will be credited Rs 12,000
2 Realisation expenses paid Rs 20,000 paid by partner , out of which Rs 8,000 was to borne by the firm	b) Partner capital will be debited Rs12,000
	c) Partner capital will be credited Rs8,000
	d) Partners Capital will be debited Rs 8,000

[ 1 – b; 2- c ]

Q22[A&E]

1 If one of a partner takes sundry Assets for Rs99,000 which is 10 % less than book value . Find Book value of Sundry Assets:	a) Rs1,00,000
2 If one of a partner takes sundry Assets for Rs 99,000 which is 10% more than book value . Find Book value of Sundry Assets	b) Rs 1,10,000

	c) Rs 1,11,000
	d) Rs 90,000

[ 1- b; 2 d ]

Q23[A&E]

1 Bank overdraft will be transferred to :	a) Partners Capital account
2 Bank loan will be transferred to :	b) Partners current account
	c) Bank account
	d) Realisation account

[ 1 – d ; 2 – d ]

Q24[A]

1 At the time of dissolution of a Partnership firm Partners Capital account will be closed by :	a) Realisation account
2 At the time of dissolution of a Partnership firm Partner loan account will be closed by :	b) Partner current account
	c) Partners Capital account
	d) Bank account

[ 1-d; 2- d ]

Q25[A]

1 Dissolution of Partnership which account is prepared:	a) Profit and loss account
2 Dissolution of Partnership firm which account is prepared :	b) Realisation account
	c) Revaluation account
	d) Profit and loss Appropriation account

[ 1 – c ; 2 – b ]

## **UNIT – 5 Financial Statement of Not-For-Profit Organizations**

**R – Remembering**

**U- Understanding**

**A – Application**

**A&E- Analysis & Evaluation**

### **Fill In the Blanks**

1. ( R) Hospitals, schools, clubs, are examples of \_\_\_\_\_ [NPO]
2. ( R) Donation for Building is shown in \_\_\_\_\_ side of balance sheet. [Liabilities]
3. ( R) The total of income side of Income and Expenditure Account is more than the total of expenditure side by Rs.25,000. Rs.25,000 is \_\_\_\_\_ [Surplus]
4. ( A) Rent paid by Jaipur Club was Rs.40,000. If rent outstanding for the years ended 31<sup>st</sup> March, 2019 and 31<sup>st</sup> March, 2018 is Rs. 15,000 and Rs. 2,000 respectively. Rent shown in Income and Expenditure Account will be \_\_\_\_\_. [Rs. 53,000]
5. ( A) The Balance Sheet as at 31<sup>st</sup> March, 2019 of Rotary Club of Jaipur shows total asset at Rs. 5,99,500. If the creditors for Medicines and Rents is Rs.99,000 and Rs. 500 respectively and Surplus of the Club for the year was Rs. 50,000. The Opening Capital Fund was \_\_\_\_\_ [Rs. 4,50,000]
6. ( R ) Subscription received in advance in the current year is shown on \_\_\_\_\_ side of Balance Sheet. [Liabilities]
7. ( A&E) A club has 400 members each paying an annual subscription of Rs. 300. On 31<sup>st</sup> March, 2019 Advance Subscription is Rs. 2,000 and Outstanding Subscription is Rs. 7,000. Income and expenditure will be credited by \_\_\_\_\_ as subscription for the year ended 31<sup>st</sup> March, 2019. [Rs. 1,20,000]
8. ( A & E ) A Society has 500 members each paying Rs. 100 as annual subscription. It received Rs. 40,000 towards subscription during the year. Subscription received in advance at the beginning of the year was Rs. 12,000. In the Receipts and Payments Account Subscription Received will be shown as \_\_\_\_\_. [Rs. 40,000]
9. ( U ) Subscription income for the year is a \_\_\_\_\_ income. [Revenue]

10. ( R ) General Donation is shown in \_\_\_\_\_. [Income and Expenditure Account]
11. ( R ) Legacy Donation received for a specific purpose is shown in \_\_\_\_\_. [Balance Sheet]
12. ( A & E ) club has 250 members each paying an annual subscription of Rs. 1,000. The receipt and payments account for the year ended 31<sup>st</sup> March, 2019 showed Rs. 2,65,000 received as subscription. Additional information provided is:
- Subscription outstanding on 31<sup>st</sup> March, 2018    Rs. 40,000
- Subscription received in Advance as on 31<sup>st</sup> March, 2019        Rs. 30,000
- Subscription received in Advance as on 31<sup>st</sup> March, 2018        Rs.12,000
- \_\_\_\_\_ Amount that will be shown as Outstanding Subscription as on 31<sup>st</sup> March, 2019
- [Rs. 43,000]
13. ( A ) Subscription outstanding at the beginning of current year is \_\_\_\_\_ from the amount of subscription on the credit side of Income and Expenditure Account. [Deducted]
14. ( U ) Income and Expenditure Account shows the amount of subscription for the \_\_\_\_\_ irrespective of the fact whether it is received or not. [Current year]
15. ( A & E ) Star Sports Club received Rs. 62,000 as subscription for the year ending 31<sup>st</sup> March, 2018. There are 250 members each paying an annual subscription of Rs. 400 each. Subscription of Rs. 10,000 was received in advance on 31<sup>st</sup> March, 2017. The amount of subscription outstanding for the current year is \_\_\_\_\_ [Rs. 28,000]
16. ( A & E ) Income and Expenditure Account of a cricket club shows Rs. 36,000 as the amount of subscription for the year ended 31<sup>st</sup> March, 2018. Subscription outstanding at the end of year was Rs. 8,000. Subscription received in advance at the end of the year was Rs. 6,000. The amount of subscription to be shown on the receipts side of Receipts and Payments Account will be \_\_\_\_\_ [Rs. 34,000]
17. ( U ) Subscriptions are \_\_\_\_\_ in nature for a Not for Profit Organisation. [Revenue]
18. ( R ) Not for Profit Organisation is a \_\_\_\_\_ Legal entity. [Separate]
19. ( U ) Capital fund is also known as \_\_\_\_\_ (Accumulated Fund)
20. ( R ) An NPO does not have \_\_\_\_\_ like proprietorship, partnership and joint stock company. [Capital]

21. ( R ),Y and Z were doctors and they started a dispensary in rural area. They provided free service to poor and charged fee from others. The Organization is not an example of \_\_\_\_\_.[Not for Profit Organisation]
22. ( U )X and Y provided services of providing education to below BPL children charging nominal fee for running the school. It is a \_\_\_\_\_.[Not for Profit Organization]
23. ( R)The regular source of income of a club is \_\_\_\_\_.[Subscription]
24. ( U )Subscription is of \_\_\_\_\_nature therefore it is shown in Income and Expenditure Account.[ Revenue]
25. ( A) National sports club received Rs. 25,000 as subscription during the year 2018-19. The club has 300 members each pay Rs. 100p.a, during the year 2017-18, 10 members had paid their subscription for year 2018-19. The amount of subscription outstanding for the year 2018-19 will be \_\_\_\_\_.[Rs. 4,000]
26. ( A)A club has 350 members. Each pay Rs. 10 p.a as subscription, Outstanding Subscription for the year 2018-19 was Rs. 500. How many members have paid their subscription during the year 2018-19 \_\_\_\_\_.[ 300 members]

### **True /False**

1. ( R) Life membership fees and Endowment Fund are examples of capital Receipts. (T)
2. ( A)Creditors for Stationary in the beginning of the year are added to the amount of stationary purchase while calculating the amount of stationary consumed during the year . (F)
3. ( U )Both revenue and capital payment are shown on the expenditure side of Income and Expenditure Account. (F)
4. ( A)Subscriptions in Arrears at the end of the year has a debit balance. (T)
5. ( R)Specific donations are shown in the asset side of Balance Sheet. (F)
6. ( A) Surplus increases the credit balance of capital. (T)
7. ( U )A NPO distributes its surplus or deficit to its members. (F)
8. ( U )Outstanding subscription is an asset. (T)
9. ( A)Deficit in an NPO is debit balance of Receipts and Payments Account. (F)

10. ( R)/Capital Fund normally has a credit balance. (F)
11. ( A&E)If a Club has 400 members each paying a monthly subscription of Rs. 100, Subscription to be credited to Income and Expenditure Account is Rs. 40,000. (T)
12. ( A) Bank overdraft is shown on credit side of Receipts and Payments Account in the beginning of the year. (T)
13. ( R)Deficit decreases the credit balance of Capital Fund. (T)
14. ( U )Income and Expenditure Account is prepared on cash basis while Receipts and Payments Account is prepared on accrual basis. (F)
15. ( R) In Poor Girls Marriage Fund of Rs. 1,00,000, further donation received towards the fund is added. (T)
16. ( U ))Receipts and Payments Account is a summary of all capital receipts. (F)
17. ( A) Surplus as per Income and Expenditure Account is deducted from Capital Fund. (F)
18. ( A) Government grant received by a school for scholarship is revenue receipt. (T)
19. ( A)Legacy (If purpose specified), Life membership Fees, Specific Donation etc, is added in Capital Fund. (T)
20. ( R ) Receipts and Payments Account is a nominal account whereas Income and Expenditure Account is a real account. (F)
21. ( A&E ) If Match Fund is Rs.20,000 while match expenses are Rs. 23,000, 3,000 will be debited to Income and Expenditure Account. (T)
22. ( A&E) due to be received' in the current year is added to subscription on the credit side of Income and Expenditure Account. (T)
23. ( A&E)If there appears a sports fund , the expense incurred on sports activities will be shown on debit side of income and expenditure account . ( F)
24. ( R)Donation for specific fund is always capitalized . ( T)
25. ( R) A Non - profit organisation never undertakes trading activities ( F)

## **MULTIPLE CHOICE QUESTIONS**

1. ( R )Receipts and Payments Accounts generally shows:  
(a) A Debit balance  
(b) A Credit balance  
(c) Surplus or deficit  
(d) Capital Fund (a)
2. ( R ) Subscription received by a school for organizing annual function is a:  
(a) Capital receipts  
(b) Revenue receipts  
(c) Assets  
(d) Earned income (b)
3. ( A&E) Subscription received in cash Rs 60,000; subscription received in advance for next year Rs 3,000 and received in advance during previous year is Rs 2,000.Subscription in arrears at the end of current year Rs 5,400 . Amount credited to Income and Expenditure Account will be :  
(a) Rs 53,600  
(b) Rs. 55,600  
(c) Rs. 66,400  
(d) Rs. 64,400 (d)
4. ( A& E ) How much amount will be shown in Income and Expenditure A/c in the following case:

	2019(Rs.)	2020(Rs.)
Creditors for medicines.	10,000	12,000
Stock of Medicines.	8,000	13,000

Payment made for Medicines during 2019-20 was Rs. 2,50,000

- (a) Rs. 2,53,000  
(b) Rs. 2,47,000  
(c) Rs. 2,57,000  
(d) Rs. 2,43,000 (b)
5. ( U )Excess of Income over Expenditure is:  
(a) Deficit  
(b) Capital Fund  
(c) Surplus  
(d) Deficiency (d)
6. ( A&E )Opening balance of sports material was Rs 10,000. During the year, sports material purchased for Rs 12,000; Rs 3,000 of sports material were found defective and hence returned during the year. At the end of the year, unused stock of sports material were Rs. 16,500. Amount of Sports Material consumed during the year is:  
(a) Rs. 1,500  
(b) Rs. 3,500

(c) Rs. 5,500

(d) Rs. 2,500

(d)

7. ( A&E) Total Assets at the end are Rs.2,25,000. External Liabilities are Rs. 1,00,000. If surplus for the year is Rs. 20,000, Opening Capital Fund will be:

(a) Rs. 1,05,000

(b) Rs. 1,25,000

(c) Rs. 25,000

(d) Rs. 1,00,000

(a)

8. ( A)In Receipts and Payments Account, items entered are:

(a) Capital receipts

(b) Revenue receipts

(c) Both a and b

(d) None of the above

(c)

9. ( U )Income and Expenditure Account shows:

(a) Surplus

(b) Deficit

(c) Capital Fund

(d) Surplus or Deficit

(d)

10. ( R ) Subscription received by a Library is:

(a) Capital receipt

(b) Revenue receipt

(c) Asset

(d) Unearned income

(b)

11. ( A & E ) Salary outstanding in the beginning of the year is Rs 10,000 and at the end of the year it is Rs 20,000, if the amount Debit to Income and Expenditure Account is Rs 1,00,000, what is the cash paid to Salary Account:

(a) Rs. 1,10,000

(b) Rs. 1,20,000

(c) Rs. 90,000

(d) Rs. 70,000

(c)

12. ( A)The transactions shown in Income and Expenditure Account are:

(a) Revenue in nature

(b) Capital in nature

(c) Both (a) and (b)

(d) Assets and Liabilities

(a)

13. ( R ) Amount received from sale as gross by a club is:

(a) Capital receipt

(b) Revenue receipt

(c) Asset



(d) Liability (b)

14. ( U )Subscription received in advance during the Current year:

- (a) an Income
- (b) an Assets
- (c) a Liability
- (d) an expense (c)

15. ( U )Donation received for a special purpose is accounted as an:

- (a) Asset
- (b) Liability
- (c) Income
- (d) Fund. (d)

16. ( R )The two main sources of income of a Not for Profit Organisation is:

- (a) Subscriptions
- (b) Donations
- (c) Both (a) and (b)
- (d) Neither (a) nor (b) (c)

17. ( R ) Subscription received in advance in the current year is :

- (a) An income
- (b) An assets
- (c) A liability
- (d) Expense ( c)

18 ( A&E ) Subscription received in cash during the year Rs 40,000 ; subscription outstanding at the end of previous year was Rs 1,500 and outstanding at he end of current year was Rs 2,000 . Subscription received in advance for the next year was Rs 800. The amount credited to income & expenditure account will be :

- ( a) Rs 38,700
- ( b) Rs 39,700
- ( c) Rs 40,300
- ( d) Rs 41,300 ( b)

19 ( A&E )Amount paid for stationary purchased Rs 45,000 . the creditor for stationary in the beginning and end of the year Rs 4,000 and Rs 6,500. Cash purchase of stationary is Rs 15,000 . calculate the amount of stationary purchased in the current year :

- (a) Rs 47,500
- (b) Rs 37,500
- (c) Rs 52.500
- (d) Rs 62,500 ( d)

20 ( A&E )Cash purchase of stationary is 20% of total purchase of stationary of current year . If amount paid for stationary Rs 70,000 and the creditor for the stationary in the beginning and at the end is Rs 10,000 and Rs 20,000. ,calculate amount of total purchases of stationary for the current year .

- (a) Rs 80,000
- (b) Rs 1,00,000
- (c) Rs 90,000
- (d) 70,000

( b )

21 ( A& E )The opening balance of tournament fund was Rs 32,800. During the year , donation received towards this fund amount to Rs 15,400 ; amount spent tournament was Rs 12,300 and interest received on tournament fund investment Rs 4,000 . The closing balance of tournament fund will be :

- (a) Rs 56,500
- (b) Rs 64,500
- (c) Rs 39,900
- (d) Rs 31,900

( c )

22( R) Main source of income for NPO's :

- (a) subscription
- (b) specific donation
- (c) legacy
- (d) entrance fees

( a )

23 ( A) Amount received by sale of crockery should be treated as :

- (a) Revenue Receipts
- (b) Capital receipts
- (c) Assets
- (d) Unearned income

( b )

24( A&E ) Subscription received for the year ended 31<sup>st</sup> march 2016 is Rs 1,80,000 ; subscription outstanding on 31<sup>st</sup> march 2015 is Rs 15,000 ( out of which Rs 10,000 is received in 2016 ) and subscription outstanding on 31<sup>st</sup> march 2016 is Rs 18,000. What will be the outstanding subscription for the year 2015- 2016 :

- (a) Rs 18,000
- (b) Rs 15,000
- (c) Rs 13,000
- (d) Rs 10,000

( c )

25 ( A& E )Subscription received for the year ended 31<sup>st</sup> march 2016 is Rs 2,00,000 ; subscription received in advance on 31<sup>st</sup> march 2015 is Rs 15,000 and subscription received in advance on 31<sup>st</sup> march 2016 is Rs 18,000. There 200 members each paying Rs 1000 per annum for annual subscription What will be the outstanding subscription for the year 2015- 2016 :

( a) Rs 5,000

(b) Rs 4,000

( c) Rs 3,000

( d) Rs 2,000

( c)

### **Matching Questions:**

1 ( R ) Match the following items in NPO

Description	Options
1 It is like a summary of cash transactions.	A .Income and Expenditure A/c
2 It is like a Profit and Loss A/c	b.Opening Balance Sheet
	c.Receipts and Payment A/c

[1 – c; 2 – a]

2. ( R ) Match the following items in NPO

Description	Options
1 Surplus is	a.Excess of Expenditure over Income
2 Opening capital fund is	b.Excess of Liabilities over Assets
3 Deficit is	c.Excess of Income and Expenditure
	d.Excess of Assets over Liabilities

[1 – c; 2 – d; 3 – a]

3. ( A ) Match the following items in NPO

Description	Option
1 Tournament Fund Rs 45,000 and Tournament ExpenseRs 40,000	a.Rs 20,000 will be shown in Balance Sheet (Liabilities)
2 Tournament Fund Rs 60,000 and Tournament Expenses Rs 40,000	b.Rs 12,000 is Debited as expense and Rs. 18000 is Credited as Income.
3 Tournament Receipts Rs 18,000 and Tournament Expenses Rs 12,000	c.Rs 5,000 will be shown in Balance Sheet (Liabilities)
4 Tournament Receipts Rs16000 and Tournament Exp. Rs 21000	d. Rs 5,000 will be debited to Income and Expenditure Account.

[1 – c; 2 –a; 3 – b; 4 – d]

4. ( U ) Match the following items in NPO

Description	Options
1 Legacy donation for specific purpose is shown in Balance Sheet because it is	a.Opening Balance Sheet and Closing Balance Sheet and Income and Expenditure A/c
2 Entrance Fees is shown in	b. Shown in Receipts and Payment A/c

3 Opening and Closing Cash Balance are shown in	c.Capital Nature Income
	d.Income and Expenditure A/c

[1 – c; 2 – d; 3 – b]

5( R) Match the following items in NPO

1. Subscription of current year is shown in	a Will not be shown
2. Tournament Fund is shown in	b Debit side of Income and Expenditure A/c
3.Tournament Expenses is shown in	c Credit side of Income and Expenditure A/c
4. Salary is shown in	d Liabilities side of Balance Sheet
5. Salary Outstanding is show in	e Deducted from Tournament Fund
6.Depreciation	

[1 – c; 2 – d; 3 – b; 4 – b; 5 – d; 6 – b]

6 ( R) Match the following items in NPO

1. Receipts and PaymentsAccount is a	a Cash basis
2. Receipts and PaymentsAccount record transactions of	b Non-cash items
3. in Receipts and Payments Account all transactions are recorded on	c Capital and Revenue Nature
4. in Receipts and Payments Account, no adjustment are made for	D Real Account

[1 – d; 2 – c; 3 – a; 4 – b]

7.( U ) Match the following items in NPO

1.Outstanding rent of current year	(a) '+' to rent on Dr. side of Income &ExpenditureAccount
2. Outstanding rent of previous year	(b) '+' to rent on Cr. side of Income &ExpenditureAccount
3. Prepaid rent of current year	(c) '-' to rent on Dr. side of Income &ExpenditureAccount
4. Prepaid rent of previous year	(d) '-' from rent on Cr. side of Income &ExpenditureAccount

[1.(a) 2(c) 3(c) 4(a)]

8. ( U ) Match the following items in NPO

1. Donation for Building	(a) Dr Side of Income and Expenditure A/c
2. Arrears of subscription at the beginning of the year	(b) Cr. Side of Income and Expenditure A/c
3. Endowment Fund	(c) Opening Balance Sheet (Asset Side)
4. Deficit of a Fund	(d) Liabilities side of Closing Balance Sheet

[1-d, 2-c, 3-d,4-a]

9( U) .Match the following items in NPO

1. Receipts and Payments Accounts is a	a. Profit organization
2. Receipts and Payment Account is prepared for a	b. Summary of cash book
	c. Not for profit organization

[1 – b; 2 – c]

10( R) .Match the following items in NPO

1. Receipts and Payments Accounts shows	a. Excess of Income over Expenditure
2. Receipts and Payments Account does not show	b. Cash in hand
	c. Excess of Expenditure over Income
	d. Cash at Bank

[1 – (b) and (d); 2 – (a) and (c)]

11.( R)Match the following items in NPO

1. Receipts and Payments Account is prepared	a. Liabilities side of Balance Sheet
2. Income and Expenditure shows Surplus in case of	b. Income and Expenditure A/c
	c. Capital Fund or General Fund
	d. Excess of Income over Expenditure
	e. On Cash Basis

[1 – e; 2 – d]

12( U ). Match the following items

1. Revenue Receipts for the NPOs	a. Legacy
2. Capital Expenditure for the NPOs	b. Purchase of books
	c. Subscription received

[1 – c; 2 – b]

13.( A) Match the following items

1. Rent received will be shown	a. as expense in Income and Expenditure A/c
2. Donations received for Swimming Pool is a	b. Capital Receipts
	c. Capital Expenditure
	d. Receipts side of Receipts and Payments Account

[1 – d; 2 – b]

14.( A&E) club has 1000 Members each pays an annual subscription of Rs. 100. 15 members did not pay their subscription for the year. 10 members paid subscription in advance for next year. 5 of them had given subscription of this year in previous year. Based on these facts, match the following items:

1. Subscription Income to be credited in Income and Expenditure Account	a. Rs. 1,500
2. Subscription to be debited in Receipts and Payments Account	b. Rs. 500
3. Subscription received in advance in the beginning	c. Rs. 1,00,000
4. Subscription received in advance at the end	d. Rs. 99,000
5. Subscription outstanding at the end of the year	e. Rs. 1,000

[1 – c; 2 – d; 3 – b; 4 – e; 5 – a]

Q15( A)

1 Specific Donation	a) Receipt & Payment account
2 General Donation	b) Income & Expenditure account
	c) Balance sheet
	d) Trading account

[ 1- c ; 2 – b ]

Q16( A)

1 Account that provides information of cash position of Non Profit Organization	a) Balance sheet
2 Account that provides information of financial status of Non Profit Organization	b)Receipt& Payment
	c)Income & Expenditure
	d)Subscription Account

[1 – b ; 2 a ]

Q17( A)

1 Endowment fund	a)Set up to grant loan for specific purpose
------------------	---

2 Prize fund	b)Arising out of bequest or gift
	c)Set up to use for distribution of prizes

[ 1 –b ; 2 –c ]

Q18( A)

1 sale of sports materials	a)Revenue receipts
2 sale of sports Equipment	b)Revenue expenditure
	c)Capital receipt
	d)Capital Expenditure

[ 1 – a 2 – c ]

Q19 ( A)

1 Receipt and payment account is prepared on basis of :	1 Accrual basis
2 Income and expenditure account is prepared on basis of :	2 Cash basis
	3 None of the above

[1 – b ; 2-a ]

Q20 ( A)

1 Subscription Received is shown in :	a)Trading Account
2 Subscription Receivable is shown in :	b)Receipt & Payment Account
3 Subscription received in advance is shown in :	c)Income & Expenditure Account
	d)Balance sheet

[ 1- b; 2 – d ; 3- d ]

Q21( A&E)

1 Amount paid for the stationary is shown in :	a)Trading account
2 Creditor for stationary is shown is shown in :	b)Receipt & Payment account
3 Advance paid to supplier of stationary is	c)Balance sheet

shown in :	
4 Closing stock of stationary is shown in :	d) Income & Expenditure account

[ 1- b ; 2- c; 3 – c; 4 – c ]

Q22( A& E)

1 How are not for profit organisation organised :	a)Partners
2 How are not for profit organisation managed :	b)Societies
	C)Shareholder
	d)Executive committee

[ 1 – b ; 2 – d ]

Q23( A&E)

1 How much amount will be shown in income and expenditure if club has 400 members each paying an annual subscription of Rs 100 . Outstanding subscription for current year is Rs 2,000	a)Rs 1,00,000
2 How much amount will be shown in income and expenditure if club has 500 members each paying an annual subscription of Rs 200 . Outstanding subscription for current year is Rs 5,000 and subscription received in advance Rs 3,000.	b)Rs 42,000
	c)Rs 40,000
	d)Rs 1,02,000

[ 1 – c ; 2 – a ]



Q24 ( A&E)

1 Salary paid by club is Rs 1,20,000 in current year , how much amount will be shown in income & expenditure account if unpaid salary Rs 5,000 and salary paid in advance for the current year was Rs 1,000.	a) RS 1,22,000
2 Salary paid by club is Rs 1,20,000 in current year , how much amount will be shown in income & expenditure account if unpaid salary Rs 5,000 for Previous year and salary paid in advance for the current year was Rs 1,000	b)Rs 1,24,000
	c)Rs 1,16,000
	d)Rs 1,14,000

[ 1- b ; 2- d]

Q25( A&E)

1 Amount paid for sports material during the year is Rs 20,000 ; stock of sports material at the beginning and end of year Rs 3,300 and Rs 2,900 . Creditors for sports materials at the beginning and end is Rs 5,000 and Rs 4,000 . how much amount is shown on debit side of Income and expenditure Account .	a)Rs 20, 400
2 Purchase of sports material during the year is Rs 20,000 ; stock of sports material at the beginning and end of year Rs 3,300 and Rs 2,900 . Creditors for sports materials at the beginning and end is Rs 5,000 and Rs 4,000 . how much amount is shown on debit side of Income and expenditure Account .	b)Rs 19,400
	c)Rs 19,600
	d)Rs 20,600

[ 1- b ; 2- c ]

## **UNIT -6 Company Accounts – Issue of Shares**

**R – Remembering**

**U- Understanding**

**A – Application**

**A&E- Analysis & Evaluation**

### **Fill in the Blanks**

#### **Remembering ( R )**

1. The options granted by the company to its employees and employee directors at a price that is lower than the market price is \_\_\_\_\_.  
[ ESOP ]
2. Share capital of a company is divided into small units .Every unit is known as \_\_\_\_\_.  
[ Share ]
3. Actual number of shares offered to the public by the company for subscription is known as \_\_\_\_\_.  
[ issued capital ]
4. Part of the issued capital offered for subscription to public is known as \_\_\_\_\_.  
[subscribed capital ]
5. When the shares are issued at a price more than the face value, it is known as share issued at \_\_\_\_\_.  
[ premium ]
6. Excess balance amount of share forfeited account will be transferred to \_\_\_\_\_ Account.  
[ Capital Reserve ]
7. When the called up amount is not paid by the shareholders then it will be transferred to \_\_\_\_\_ Account.  
[ Calls-in-arrears ]

#### **Understanding ( U )**

1. At the time of forfeiture of shares Share Capital Account will be debited with \_\_\_\_\_ Value.  
[ Called Up ]
2. The application money should be refund within \_\_\_\_\_ days from the closure of the issue.  
[ 15 days ]
3. A company must receive minimum subscription of \_\_\_\_\_ of shares before it allots the share.  
[ 90% ]

4. X Ltd purchase the running business of Y Ltd consist total asset of Rs. 10,00,000 liabilities of Rs. 2,00,000. X Ltd paid Rs. 2,00,000 immediately in cash and balance by issuing 7,000 share of Rs. 100 each at a premium of Rs. 20 per share. The goodwill A/c will be debited by Rs.\_\_\_\_\_.  
[ 2,40,000 ]
5. Mr. X purchased business from Y Ltd. By paying Rs.15 lakh for the assets worth Rs.18 lakh and liabilities worth Rs.4 lakh. Then \_\_\_\_\_ A/c will be credited by Rs. 1 lakh.  
[ goodwill ]
6. Alpha Ltd. forfeited 200 equity shares of Rs. 10 each on which Rs. 6 was paid (including Rs. 1 premium). On reissue, the company can allow Rs.\_\_\_\_\_as discount.  
[ Rs.5 each ]
7. Beta Ltd. issued 10,000 shares of Rs.10 each at 20% premium which was over-subscribed to the extent of 5,000 shares. All money to be paid on application only and shares were allotted on pro-rata basis. The company will refund\_\_\_\_\_.  
[Rs.60,000, 5,000 x 12 ]
8. Rock Ltd. Forfeited 2,000 equity shares of Rs. 10 each (called up Rs.7 each) for non-payment of Rs. 3 per share on allotment out of which company reissued 1,000 shares for Rs.9 each, Amount of share capital will be credited by Rs.\_\_\_\_\_.  
[Rs. 7,000 ]
9. Rock Ltd. Issued 10,000 equity shares of Rs.10 each out of which 2,000 shares were offered to the promoters stands debited to \_\_\_\_\_ A/c.  
[ incorporation cost ]
10. A company issued 50,000, 12% preference shares of Rs.100 each. Company received applications for 70,000 shares. This will be known as \_\_\_\_\_ of shares.  
[ Oversubscription ]
11. \_\_\_\_\_ If a company has not received. The minimum subscription, within specified period then the application money should be refunded within the \_\_\_\_\_ days from the closure of the issue.  
[ 15 ]

### **Application (A)**

1. A company issued 10,000 shares of Rs.10 each at par for which Application were received for 50,000 shares. Amount called up:-On application Rs.4 each, on allotment Rs.3 and final call remaining Amount Shares were allotted on pro-rata basis Excess money will be refunded. After utilization for allotment and final call. The Bank A/c will be credited with Rs.\_\_\_\_\_.  
[ 1 lakh ]

2. Santa Ltd. issued 8,000 shares of Rs.10 each at per. Amount called up:- Rs.4 on application, Rs.3 on allotment and Rs.3 on first and final call. X, a shareholder holding 500 shares did not pay allotment money. The amount received on allotment will be Rs. \_\_\_\_\_.  
[ 22,500 ]
3. Banta Ltd. issued equity shares of Rs.10 each at 10% premium; all shares were issued and subscribed. Amount called up:- On application Rs.3 each, on allotment Rs.2, Rs.3 on first call and Rs. 2 on final call. Mr.A, a holder of 200 shares paid entire money on allotment. At the time of receiving the money of "Calls in Advance" A/c will be credited with Rs. \_\_\_\_\_.  
[ 1,000 ]
4. Z Ltd. Forfeited 400 share of Rs. 10 each and Rs. 7 called up for non-payment of first call of Rs. 2 per share. Out of these, 300 shares were reissued for Rs. 6 per share as Rs. 7 paid up. Rs. \_\_\_\_\_ will be transferred to Capital Reserve Account.  
[ 1,200 ]
5. X Ltd purchased the running business of Y Ltd. Consisting total assets of Rs 10,00,000, liabilities of 2,00,000 X Ltd. paid Rs. 2,00,000 immediately in cash and balance issued 7,000 Shares of Rs. 100 each at a premium of Rs. 20 per share . The goodwill A/c will be debited by Rs. \_\_\_\_\_.  
[ 2,40,000 ]
6. The % associated with preference shares is prefix is the rate of \_\_\_\_\_.  
[ dividend ]

## Analysis and evaluation

1. Alpha Ltd. forfeited 200 equity share of Rs. 10 each on which Rs. 6 each was paid.(includes Rs. 1 premium). On reissue, the company can allow Rs. \_\_\_\_\_ each as discount.  
[ 5 ]
2. Beta Ltd. issued 10,000 shares of Rs. 10 each at 20% premium which was oversubscribed to the extent of 5,000 shares. All money to be paid on application only and shares were allotted on pro-rata basis. The company will refund \_\_\_\_\_ amount.  
(Rs. 60,000)
3. Rock Ltd. forfeited 2,000 equity shares of Rs. 10 each(called up Rs. 7 each) for non -payment of Rs. 3 per share on allotment. Out of which company reissued 1,000 shares for Rs. 9 each. Amount of share capital will be credited with Rs. \_\_\_\_\_.  
[ 7,000 ]

4. Rock Ltd. issued 10,000 equity shares of Rs. 10 each out of which 2,000 shares were offered to the promoters. The shares issue to the Promoter's stands debited to \_\_\_\_\_Account. [ incorporation cost ]
5. A co. issued 50,000 shares 12% preference share of Rs. 100 each Company received Applications for 70,000 shares. This will be known as \_\_\_\_\_ of shares. [ oversubscription ]
6. Santa Ltd issued 8,000 shares of Rs. 10 each at par share amount to be called up:-On application Rs. 3; on allotment Rs. 6&Re1 on final call, A shareholder holding 500 shares did not pay allotment money the amount not received on allotment will be Rs. \_\_\_\_\_. [ 3,000 ]
7. Banta Ltd issued 4,000 Shares 10 each at 10% premium, Rs. 2 on application and Rs. 3 allotment (including premium), all shares were issued & subscribed Mr. A holder of 200 shares paid entire money on allotment, Calls in Advance A/c will be credited by Rs. \_\_\_\_\_. [ 1000 ]
8. Part of the issued capital applied by public for subscription is known as \_\_\_\_\_ capital. [ subscribed ]
9. When the shares are reissued at a price more than face value it is known as \_\_\_\_\_. [ Premium ]
10. Excess balance amount at Share forfeiture account will be transferred to \_\_\_\_\_ account. [ capital reserve ]
11. When the called up amount is not paid by the shareholder then it will be transferred to \_\_\_\_\_ account. [ Calls-in-Arrears ]

### **True and False**

1. ( R ) A Company can issue shares at discount to public [ F ]
2. ( R ) A Company can issue shares more than Authorised. [ F ]
3. ( R ) A Company can issue and allot shares to a select group of people privately. [ T ]
4. ( R ) Securities premium reserve account will appear in the Balance Sheet. [ T ]
5. ( R ) Company can forfeit its shares. [ T ]
6. ( U ) Reserve capital is a part of unsubscribed capital. [ F ]
7. ( U ) Equity share capital is also known as risk capital.; [ T ]
8. ( A ) When the shares subscribed are more than issued, it is known as undersubscribed of shares. [ F ]

9. ( A)When the shares are issued at a price more than face value it is said that shares are issued at premium. [ T ]
10. ( A) When 90% of the issued shares are subscribed by the public it is known as over subscription of shares. [ F ]
- 11.( U )Securities premium money can be utilized to pay dividend to shareholders. [ F ]
- 12.( U )Securities premium money can be utilized to issue fully paid Bonus shares. [ T ]
13. ( U ) equity shares we get interest and on debenture we get dividend. [ F ]
- 14.( A&E) Maximum amount of discount allowed at the time of reissue of forfeited shares should not exceed the forfeited amount. [ T ]
15. ( A&E)Reserve capital A/c is the account where excess amount of forfeited shares is transferred. [ F ]
16. ( U )Reserve capital is the capital which will be called up by the company only at the event of winding up of the company. [ T ]
17. ( A)Subscribed capital can be more than issued capital. [ F ]
18. ( U)Liability of a shareholder is limited to the face value of shares allotted to him. [ T ]
19. ( A)A private company restricts the rights to transfer its shares. [ T ]
20. ( U)The capital which will be repaid by the company within a stipulated time period is known as irremediable preference share. [ F ]
21. ( U)Securities Premium money cannot be used for writing off commission. [ F ]
22. (R) Equity shareholders are the owner of the company. [ T ]
23. ,( R) Debenture holders are the owner of the company. [ F ]
24. (A&E) Minimum amount at which shares can be reissued is the amount received at the time of Forfeiture of shares ( T )
25. (R) Capital Reserve is a part of authorised capital of a company ( F )

### **MULTIPLE CHOICE QUESTIONS**

1. ( R) Which of the following capital is not shown in the company's Balance Sheet  
(a)Authorised capital

- (b) Issued & subscribed capital  
(c) Called-up & paid up-capital  
(d) Reserve capital [ d ]
2. (R) Shares Application & Allotment A/c is a:-  
(a) Personal  
(b) Real  
(c) Nominal [ a ]
3. ( R ) As per sec. of the companies Act amount. received as premium on securities cannot be utilized for :-  
(a) Issuing fully paid bonus shares to the members  
(b) Purchase of fixed assets  
(c) Writing off preliminary expenses  
(d) Buy back of its own shares [ b ]
4. ( R ) Penalty for delay in refunding application money is charged:-  
(a) 6%  
(b) 5%  
(c) 15%  
(d) 20% [ c ]
5. ( R ) The portion of authorized capital which can be called up only on the liquidation of the company :-  
(a) Authorised capital  
(b) Reserve capital  
(c) Issued capital  
(d) Called up capital [ b ]
6. ( R ) Preference shares can be of following types :-  
(a) Cumulative Preference shares  
(b) Participating Preference shares  
(c) Redeemable Preference shares  
(d) All of the above [ d ]
7. ( U ) The amount of capital that a company can issue as par value is called:-  
(a) Authorised capital  
(b) Share premium  
(c) Issued capital  
(d) Fixed capital [ a ]

8. ( U )When the shares are issued for consideration other than cash which account will be debited  
(a)Securities Premium  
(b)Capital Reserve A/c  
(c)Vendor A/c  
(d)Share Capital A/c [ c ]
9. ( U )If the purchase consideration is more than net worth then which account will be debited for the difference amount  
(a)Capital Reserve A/c  
(b)Asset A/c  
(c)Goodwill A/c  
(d)Vendor A/c [ c ]
10. ( A ) Ltd company took over assets worth Rs. 10,00,000 and liabilities of Rs. 3,00,000 for purchase consideration worth Rs. 12,00,000 how much amount will be debited to goodwill account  
(a)Rs. 10,00,000  
(b)Rs. 5,00,000  
(c)Rs. 3,00,000  
(d)Rs. 12,00,000 [ b ]
11. ( A ) A Ltd company took over assets worth Rs. 10,00,000 and liabilities of Rs. 3,00,000for a purchase consideration of Rs. 12,00,000 Rs. 2,00,000 bill payable accepted and remaining was paid by issuing shares at a premium of 25% on face value Rs. 100. How much amount will be credited to Securities Premium A/c  
(a)Rs. 8,00,000  
(b)Rs. 2,00,000  
(c)Rs. 10,00,000  
(d)Rs. 12,00,00 [ b ]
12. ( A ) A Company allotted 20,000 shares to applicants of 50,000 shares after rejecting 10,000 applications. The ratio in which company allotted the share will be  
(a)5:2  
(b)5:3  
(c)2:1  
(d)3:1 [ c ]



13. ( A ) A Co. has issued 6,000 equity shares of. Rs. 10 each at par and called up amount Rs. 6 per share. The remaining part of capital is termed as

(a) Called up Capital

(b) Paid up Capital

(c) uncalled Capital

(d) Subscribed Capital

[ c ]

14. ( A ) A company has issued 6,000 equity share of Rs. 10 each at par on application Rs. 2, Rs. 3 on allotment Rs. 2 on first call Rs. 2 on second call and remaining final call. The second call was not made

The amount collected on allotment is .....

(a) 17000

(b) 19000

(c) 15000

(d) 18000

[ d ]

15. ( A ) A company issued 6,000 shares of Rs. 10 each money to be called up:-  
On application Rs. 3 on allotment Rs. 3 on first call Rs. 2 and remaining on second call. On allotment one shareholders having 100 shares paid full amount

The amount collected on allotment.....

(a) 18,000

(b) 12,000

(c) 18,400

(d) 18,600

[ c ]

16. ( A ) X Ltd. Forfeited 1,000 shares of Rs. 10 each for the non-payment of final call of Rs. 2. The account will be debited for called up price of a share at the time of forfeiture of shares :

(a) Share Forfeiture A/c

(b) Share Capital A/c

(c) Share Final Call A/c

(d) None of these

[ b ]

17. ( A & E ) Amount of discount given at the time of reissue of shares should be debited to :

(a) Shares Capital

(b) Discount on Shares

(c) Share Forfeiture A/c

(d) Calls-In-Areas A/c

[ c ]

18. ( A&E ) 2,000 shares of Rs. 10 on which 7 have been called and Rs. 5 has been paid are forfeiture out of these 1,500 shares is reissued for Rs. 9 as fully paid. What is the amount to be debited to Share forfeiture A/c at the time of reissue of shares

(a) Rs. 13,500

(b) Rs. 1,500

(c) Rs. 15,000

(d) Rs. 14,000

[ b ]

19( A ) If the Purchase consideration is less than net worth then which account will be debited for the difference amount :

a) Capital Reserve

b) Assets

c) Goodwill

d) Vendor

( a )

20( A&E ) A company issued 10,000 shares of Rs 10 each at par ; Rs3 on application ; Rs 3 on allotment ; Rs4 on First & Final call . One shareholder holding 1,000 shares paid the entire amount of his shares with application . Calculate amount received on application :

a) 1,00,000

b) 1,17,000

c) 1,10,000

d) 37,000

(d)

21 ( A& E ) A company Forfeited 1,000 shares of Rs10 each , Rs7 called up . For the non payment of Rs 2 First call. All these shares were reissued at Rs 5 per share . What amount will be debited to share Forfeiture account :

a) 5,000

b) 2,000

c) 7,000

d) 10,000

(b)

22 ( A&E ) A company Forfeited 1,000 shares of Rs 10 each , Rs 7 called up . For the non payment of Rs 2 First call .All these shares were reissued at Rs 5 per share . What will be Amount credited to share capital account at reissue:

- a) 7,000
  - b) 10,000
  - c) 5,000
  - d) 2,000
- (a)

23 ( A& E ) A company Forfeited 1,000 shares of Rs 10 each , Rs 7 called up. For the non payment of Rs 2 First call . All these shares were reissued at Rs 5 per share. What will the amount transferred to capital Reserve account :

- a) 2,000
  - b) 3,000
  - c) 4,000
  - d) 5,000.
- (b)

24 ( A&E ) A company Forfeited 2,000 shares of Rs 10 each issued at 20 % premium to be paid at the time of allotment on which Rs 8 is called up. company not received Rs 4 on Allotment including premium and Rs2 in First call. What will be the amount Debited to share capital account:

- a) 20,000
  - b) 16,000
  - c) 24,000
  - d) 18,000.
- ( b)

25( A& E ) A company Forfeited 2,000 shares of Rs10 each issued at 20 % premium to be paid at the time of allotment on which Rs 8 is called up. Company not received Rs 4 on allotment including premium and Rs2 on First call .What will be the amount credited to share Forfeiture account :

- a) 10,000
- b) 8,000
- c) 6,000
- d) 2,000

## **Match the following**

Q1( R )

1. First stage of company in corporation	a) Capital subscription
2. After getting the name of the proposed company approved	b) Promotion
	c) Commencement of business
	d) Incorporation or registration

[ 1-b, 2-c ]

Q2( R )

1. A Company can issue shares	a) For cash
	b) For considering other than cash
	c) Both (a) and (b)

[ 1-c ]

Q3( R )

1. Shares issued at face value	a) At discount
2. Shares issued at more than face value	b) At par
	c) At premium

[ 1 – b, 2 – c ]

Q4 ( R )

1. Amount not paid by the shareholder is	a) Calls in arrear
	b) Calls in advance

[ 1-a ]

Q5( R )

1. What is the treatment of forfeiture in balance sheet	a) Added
	b) Deducted

[ 1-a ]

Q6( R )

1. A company having at least 7 members	a) Private company
2. A company having at least 2 members	b) Public company
	c) One person company

[ 1-b, 2-a ]

Q7( U )

1. Actual number of shares offered to the public	a) Authorised capital
2. Maximum number of share above which a company cannot issue shares to the public	b) Issued capital
	c) Subscribed capital
	d) Uncalled capital

[ 1-b, 2-a ]

Q8( U )

1. When shares are forfeited which account is debited	a) Incorporation cost
2. When the shares are issued to promoters which account is debited	b) Share capital
	c) Share Forfeiture A/c
	d) Capital Reserve A/c

[ 1-b, 2-a ]

Q9( U )

1. Amount called but not paid by the shareholders	a) Call in advance
2. Amount not called up but paid by the share holder	b) Called up capital
	c) Paid up capital
	d) Calls in Arrear

[ 1-d, 2-a ]

Q10 ( U )

1. Shares issued by company to its employees or directors at a discount	a) Reserve Capital
	b) Capital Reserve
	c) Sweat Equity Share
	d) Employee Stock Account

[ 1-c ]

Q11( R )

1. Amount of capital stated in M.O.A	a) Issued Capital
2. Entire money called up and paid	b) Authorised Capital
	c) Called up Capital
	d) Subscribed and fully paid up

[ 1-b, 2-d ]

Q12( R )

1. Dividend cannot accumulate on	a) Non-cumulative preference share
	b) Equity share
	c) Preference share
	d) Non-participating preference share

[ 1-a ]

Q13( U )

1. Shares issued at less than face value	a) At discount
2. Shares issued at face value	b) At Par
	c) At premium

[ 1-a, 2-b ]

Q14( U )

1. Over – subscription	a) Number of shares applied less than offered
2. Under – subscription	b) Number of shares applied equal than offered
	c) Number of shares applied more than offered

[ 1-c, 2-a ]

Q15( U )

1. Capital Reserve	a) Created out of uncalled capital
2. Reserve Capital	b) Created out of revenue profits
	c) Created out of capital profits

[ 1-c, 2-a ]

Q16( U )

1.shares issued to promoters	a) Issue expenses
2.Shares issued to underwriters	b) Incorporation cost
	c) Underwriting commission
	d) Call in arrears

[ 1-b ; 2- c ]

Q17( A )

1.when shares are reissued at value less than face value	a) Securities premium Reserves
2. When shares are reissued at value more than face value	b) Discount on issue of shares
	c) Share forfeiture
	d) Call in advance

[ 1-c; 2- a ]

Q18( A)

1.At the time of forfeiture of shares share capital is debited with	a) Amount received
2.At the time of forfeiture of shares share Forfeiture is Credited with	b) Amount not received
	c) Amount demanded
	d) Calls in advance

[ 1-c ; 2 –a]

Q19( A)

1.Maximum amount of discount at the time of reissue of shares	a) Amount Received
2.Minimum amount at which shares can be reissued	b) Amount not received
	c) Amount demanded
	d) Calls in advance

[ 1 b; 2 a ]

Q20( A )

1.Purchase consideration is more than net worth	a) Capital Reserve
2.Purchase consideration is less than net worth	b) Assets
	c) Goodwill
	d) vendor

[ 1 –c ; 2 –a ]

Q21( A )

1.The amount of nominal capital that company can issue .	a) Subscribed capital
2.The amount of nominal capital that cannot be issued	b) Issued capital
	c) Reserved capital
	d) Paid up capital

[ 1- b ; 2 c ]

Q22( R )

1.Share application & allotment account	a) Real account
2. Securities premium Reserve account	b) Nominal account
	c) Personal account
	d)

[ 1-c ; 2 –b ]

Q23( A&E)

1.A company issued 10,000 equity shares of Rs 10 each at 10 % premium for consideration other than cash . what will the amount of purchase consideration	a) Rs 11,00,000
2.A company purchased sundry assets of Rs 11,00,000 from other company payment made by issuing 1,00,000 equity shares of Rs 10 each at 10 % premium . what will be amount of net worth .	b) Rs 10,00,000
	c) Rs 1,00,000
	d) Rs 1,10,000

[ 1 –d ; 2 – a ]



Q24A& E )

1.A company forfeited 1,000 shares of Rs 10 each issued at par , Rs 8 called up per share . Rs 2 per share was not paid . What will be amount with which share capital account is debited	a) Rs 10,000
2..A company forfeited 1,000 shares of Rs 10 each issued at par , Rs 8 called up per share . Rs 2 per share was not paid . What will be amount with which share Forfeiture account is credited	b) Rs 8,000
	c) Rs 2,000
	d) Rs 6,000

[ 1 –b ; 2 – d ]

Q25( A& E )

1. A company forfeited 1,000 share of Rs 10 each issued at 20 % premium ( to be paid at he time of allotment ) on which Rs 2 for final was yet not called and Rs 2 for First call was not paid. What amount will be debited to share capital account	a) Rs 10,000
2.. A company forfeited 1,000 share of Rs 10 each issued at 20 % premium ( to be paid at he time of allotment ) on which Rs 2 for final was yet not called and Rs 2 for First call was not paid. What amount will be Credited to share Forfeiture account	b) Rs 8,000
	c) Rs 6,000
	d) Rs 4,000

## **UNIT – 7 Company Accounts**

### **(A) Issue of Debentures**

### **(B) Redemption of Debentures**

## **MULTIPLE CHOICE QUESTIONS**

### **Remembering**

1 The provision of companies act 2013 in respect of redemptions of debentures are to protect the interest of :

- A) **Debenture holders**      B) Creditors      C ) shareholders      D) Bank .

2 Premium payable on redemption of debentures is in the nature of :

- A) Liability account      B) assets account      C) **expense account**      D ) none of the above

3 Debenture holder are :

- A) Owner of the company      B) **lenders of the company**      C) vendors of the company      D) customers of the company

4 At the time of issue of debentures , debentures account is :

- A) Credited by the amount Received  
B) Credited by the issue price of the debentures  
**C) Credited by nominal value of the debenture**  
D) none of the above

5 Return on debenture is called :

- A) interest**  
B) dividend  
C) A & B both  
D) None of the above

6 Perpetual Debenture is the other name of :

- A) Convertible debentures
- B) Irredeemable debenture**
- C) Naked debenture
- D) None of the above

### Understanding

7. in case of debenture of RS 10,000 are issued at par but redeemable at a premium of 10% , The premium payable is debited to :

- A) Debenture suspense account
- B) Premium on redemption of debentures**
- C) Loss on issue of debentures
- D) A & B both

8.A Ltd decided to redeem 2,000 9% debenture of Rs 100 each on 31<sup>st</sup> December 2018 , the company should invest in specified securities on or before :

- A) 30<sup>th</sup> april 2017**
- B) 30<sup>th</sup> april 2018
- C) 31<sup>st</sup> December 2017
- D) 31<sup>st</sup> December 2018

9. Debentureholder account are :

**A ) Personal**

- B) Real
- C) Nominal
- D) None of the above

10. XLtd has purchased the building and debentures are issued at discount which account will be debited for discount :

- A) Discount on issue of Debentures**
- B) Loss on issue of debenture
- C) A& B any one can be
- D) None of the above

## Application

11 Debentures are shown in the balance sheet of the company under the head of ;

A) Non current liabilities

B) Current liability

C) Share capital

D) None of the these

12 Discount or loss of issue of debenture to be written off after 12 months from the date of balance sheet or after the period of operating cycle in shown as :

A) Other current assets

B) Other non current assets

C) Other long term liability

D) Other current liabilities

13 ABC Ltd Purchase a machinery worth Rs 1,98,000. The payment made by issue of debenture of Rs 100 each at 10 % Discount in this case no. of debenture will be :

A) 1100

B) 2200

C) 3300

D) 4400

14 TP Ltd decided to redeem 1000, 10 % debenture of Rs 100 each redeemable at 10% premium . The company will have to invest in specified securities at least :

A) 15000

B) 16500

C) 25000

D) 27500

15 Global Ltd is to redeem 10,000 10% debenture of 100 each on 30<sup>th</sup> June 2007 how much amount should be transferred to DRR by :

A) 2,50,000

B) 1,00,000

C) 5,00,000

D) Nil

16 Which of the following do not have voting right in the company :

A) Debentureholders

B) Shareholders

C) Both A & B

D) None of these

Evaluating

17. When 100 debenture issued at 5 % discount @ 100 each but redeemable at premium of 8% . How much amount will be credited as premium on redemption of debentures account :

A) 5000

B) 4000

C) 8000

D) 6000

18. United Ltd is to redeem 40,000 10% Debenture of Rs 100 each on 31<sup>st</sup> December 2017. How much amount should it invest in specified securities :

A) Rs 600000

B) Rs 1000000

C) Rs 500000

D) Nil

19. B Ltd decides to redeem 10,000 10% Debentures of Rs 100 each on 30<sup>th</sup> June 2017 . The company should invest in specified securities on or before :

A) 30<sup>th</sup> April 2016

B) 30<sup>th</sup> April 2015

C) 30<sup>th</sup> June 2016

D) 30<sup>th</sup> April 2017

20. A Ltd took over Assets of Rs 5,00,000 and liability of Rs 50,000 from B Ltd in the agreed consideration of Rs 4,80,000 and Issued Debentures of Rs 100 each at the premium of Rs 20 number of Debenture issued are :

A) 40,000

B) 48,000

C) 4,000

D) 4,800

Q21 A company issued 1000 7% Debentures of Rs 100 at 5% Discount and Repayable at 10 % Premium .What will be the amount of Loss on issue of Debentures.:

A Rs 10,000

B Rs 20,000

**C Rs 15,000**

D, Rs 30,000.

Q22 A Company issued 1000 7% Debentures of Rs 100 each at 5% Premium and Repayable at 10% Premium. What will be the amount of Loss on issue of Debentures:

A Rs 5,000

**B Rs 10,000**

C Rs 15,000

D Rs 20,000.

Q23 A company Redeem 1,000 6% Debentures of Rs 100 each at 10% premium out of profit. What will be amount transferred to Debentures Redemptions reserve:

A Rs 25,000

B Rs 15,000

C Rs 50,000

**D Rs 1,00,000**

Q24 A Company issued 5,000 12% Debentures of Rs 100 each at 10 % Discount and Repayable at 10 % Premium . Interest on Debentures are payable half yearly on which Tax deducted at source of 10% p.a. what will the amount of tax deduction of a year :

A Rs 3,000

B Rs4,000

C Rs 5,000

**D Rs 6,000**

Q25 State Bank of India redeemed 10,000 5% Debentures of Rs 100 each at 10% premium . What amount will be transferred to debenture redemption reserve :

A Rs 2,50,000

B Rs5,00,000

C Rs 10,00,000

**D Nil**

## REMEMBERING

### FILL IN THE BLANKS

Q 1. Debenture holder are the \_\_\_\_\_ of the company.

(creditors)

Q 2. From the point of view of security; \_\_\_\_\_ and \_\_\_\_\_ are the type of debentures.

(secured, unsecured)

Q 3. A collateral security is a \_\_\_\_\_ security besides the primary security when a company obtains a loan from a Bank or any other financial institution.

(secondary)

Q 4. \_\_\_\_\_ Debentures are those which are payable on the expiry of the specific period either in lump sum or in installments'. ( Redeemable )

Q 5. When redemption in out of profit , \_\_\_\_\_ percent of redeemable debentures are debentures is to be transfer to debenture redemption reserve.

(100%)

Q 6. When debentures are repayable after a specific time , it is called \_\_\_\_\_ of debentures. (Redemption)

## UNDERSTANDING

Q 7. Interest on debenture is charge against \_\_\_\_\_ and is to be paid even if there is no profit in the company. (profit)

Q 8.A debenture is said to be issued at a discount when the issue value is \_\_\_\_\_ than its nominal value. (less)

Q 9.Debentures are issued as other than cash, number of debentures will be calculated as purchase price dividing by \_\_\_\_\_ ( issue price)

Q 10.After redemption of debentures Debenture Redemption Reserve is transferred to\_\_\_\_\_ account. (general reserve)

Q 11.When redemption of debenture made on premium \_\_\_\_\_ account must be debited along with debenture A/c ( Premium on redemption)

Q 12. Debenture Redemption Reserve is being made/created by \_\_\_\_\_A/c. (surplus in statement of P&L)

Q 13.Discount on issue of debenture is \_\_\_\_\_loss of the company. (capital)

## APPLICATION

Q 14. Interest payable on Debenture is calculated at the \_\_\_\_\_ value of debentures.( nominal / face )

Q 15. Security premium reserve A/c is shown \_\_\_\_\_side of the balance sheet under the head\_\_\_\_\_. (liabilities, reserve & surplus)



Q 16. When debentures issued at par and redeemable at premium, loss on issue of debentures A/c will be\_\_\_\_\_.

(debited)

Q 17. A company is redeeming 20,000 debentures of Rs.100 each, out of profits Rs.\_\_\_\_\_ is to be transferred to Debenture Redemption Reserve.

(Rs.20,00,000)

Q 18. A company redeemed 50,000 debenture of Rs.100 each by lump sum method, Rs\_\_\_\_\_ is to be transferred to DRI A/c.

(Rs7,50,000)

Q 19. IDBI Bank issued 70,000, 9% debentures of Rs100 each. Rs\_\_\_\_\_ is to be transferred to Debenture Redemption on Reserve for the redemption of debenture.

(Zero)

Q 20. A company issued 100 debentures @Rs100 each at par redeemable at 5% premium Rs\_\_\_\_\_ will be debited to loss on issue of debenture A/c.

(Rs.5000)

Q 21. A company issued 500 debenture @ Rs.100 each at 5% discount and redeemable at 7% premium Rs. \_\_\_\_\_ will be credited as premium on redemption of debenture A/c.

(Rs.7000)

Q22 A company decided to redeem 10,000 6 % Debentures of Rs 100 each at 10% premium . Amount already transferred to Debentures Redemption reserve is Rs 2,50,000 . \_\_\_\_\_ will be the additional amount to be transferred to Debentures Redemption reserve.

( Zero)

Q23 A company took a Bank loan of Rs 10,00,000 by issue of 10,00,000 6% Debenture as collateral security \_\_\_\_\_ amount will be shown in non current liabilities in the balance sheet

( Rs 10,00,000)

Q24 \_\_\_\_\_% is minimum amount of the face value of Debentures to be redeemed will be transferred to Debentures Redemption investment. ( 15%)

Q25 \_\_\_\_\_% will be transferred to Debentures Redemption reserve when redemption is purely out of profit in case of banking company ( zero)

## **True /False**

### **Remembering**

1. Debentures can be redeemed at premium (T)
2. Unsecured debentures can be issued in India (F)
3. At the time of redemption debenture redemption reserve is compulsory (F)
4. A debenture holder is the owner of the company (F)
5. A debenture is a written instrument acknowledging a debt (T)
6. Debentures include debenture/stock/ bond or another security of company whether constituting a charge on the assets of company or not (T)

### **Understanding**

7. Premium on redemption of debenture account is shown under the Security premium in the balance sheet (F)
8. Debenture redemption reserve is transferred to capital reserve after redemption (F)
9. Profit on sale of redemption investment will be transferred to capital reserve (T)
10. A debenture holder can get his money back only at the liquidation of the company (F)
11. Debenture issued at a discount can be redeemed at premium (F)
12. A company can issue debenture with voting rights (F)

### **Application**

13. Security premium reserve account will be debited at the time of debenture redeemed on premium (F)
14. When debentures are redeemed liability on account of debentures is increased (F)
15. Only redeemable debentures are compulsory redeemed (T)
16. Debenture premium cannot be used to pay dividend (T)
17. A Ltd purchased machinery worth rs.198000. the payment made by issue of debenture of Rs 100 each at 10% discount. In this case no. of debenture will be 2200 (T)
18. Issue of 10000 , 9% debenture of Rs. 100 each as collateral security for bank loan Rs. 100000. In this case debenture suspense a/c will be debited by debenture a/c (T)

### **Analysis & Evaluation**

19. A company redeemed 10000, 7% debenture of Rs. 100 each at par. The DRR amount will be transfer to general reserve Rs. 25000 (F)
20. A company redeemed 100, 7% debentures of Rs.100 each on premium of 5%. Premium for redemption a/c will be debited by 700 (F)
21. When the debenture are issued at collateral security the final entry of recording will be  
 Debenture suspense a/c Dr  
     To Debenture (T)
22. B Ltd company has issued 200000 a/c debenture at discount of 6%. Amount of discount on issue of debenture will be Rs. 12000 (T)
23. Journal entry for allotment of debenture to Vendor as purchase consideration for Rs. 200000 is (T)  
 Vendor Dr 200000  
     To 10% Debenture 200000
24. A debenture issued at a discount can be redeemed at a premium (T)
25. Debenture issued as collateral security will not be a part of long term borrowing (T)

## **MATCH THE FOLLOWING**

Q1 ( R)

1.Debentures are transferable by Mere Delivery	a.Registered Debentures
2.Debentures redeemable either in Lump Sum or Installments.	b.Bearer Debentures
Ans.: 1-b          2-d	c.Convertible Debentures
	d.Redeemable Debentures

Q2 ( A)

1.Excess Value of Net Assest consideration.	a. General Reserve
2.Excess of Purchase consideration over Value of net assest.	b. Capital Reserve
1-b	c. Vendor's Account
2-d	d. Goodwill Account

Q3( A)

1.Company issued 4000 12% Debentures of Rs.100/- each at 5%Premium.Calculate Interest.	a.Nominal value of Debentures
2.Company issued 10000 12% debenture of Rs.100/- each at 5% premium and redeemable at 10% premium. Calculate loss on Issue of Debentures	b.Paid up value of Debentures
1-b	c.No interest is paid.
2-d	d.Called value of debenture.

Q4 ( R)

1. As per SEBI Guidelines: Amount transferred to Debentures Redemption Reserve: a. Redemption out of Profit b. Redemption other than profit	a.50%
2.1-d	b.25%

2. 2-b	c.80%
	d.100%

Q5( U)

1.Premium on Redemption of Debentures Account is a:	a.Real Account
2.Loss on issue of Debenture is a :	b.Nominal Account
1-c 2-b	c.Personal Account

Q6 ( R)

1.Source Of Redemption	a. By draws of lots in a installments
2.Method of Redemption	b. By profit
1-b 2-a	c. Securities premium reserves

Q7(A&E)

1.A company is redeeming a 50000 7% Debentures of Rs.100 each at 5% premium amount 125000 transferred to:	a. Debentures redemption Investment
2.A company is redeeming 50000 7% Debentures of rs.100 each at 5% premium Amounts Rs.75000 transferred to:	b. Debentures Redemption Reserve
1-b 2-a	d. General Redemption
	e. Debentures Holder

Q8( A&E)

1.A Company purchased a Building of Rs.220000 for purchase consideration of Rs.250000 , Rs 30000 will be transferred to :	a. Capital Reserves
2.A Company purchased building Rs.220000 for purchase consideration of Rs.190000 Rs 30000 will be transferred to :	b. General Reserves
1-d 2-a	c.Debentures Holders
	d.Goodwill Account

Q9A&E)

1.A company issued 10000 7% Debentures @ Rs.100 at 5%Premium and Repayable at 10% Premium. Calculate the loss on issue of Debentures.	a.150000
2.A company issued 10000 7% Debentures @ Rs.100 at 5%Discount and Repayable at 10% Premium. Calculate the loss on issue of Debentures.	b.100000
1-b     2-a	c.50000
	d.200000

Q10(A&E)

1.A company issued 10000 7% Debentures @ Rs.100 at 5%Premium and Repayable at 10% Premium. Calculate amount received on issue of debenture.	a.1150000
2.A company issued 10000 7% Debentures @ Rs.100 at 5%Discount and Repayable at 10% Premium. Calculate Amount Received on Issue of debenture.	b.1050000
1-b                      2-a	c.1000000
	d.950000

Q11(A&E)

1.A company issued 10000 7% Debentures @ Rs.100 at 5%Premium and Repayable at 10% Premium. Calculate premium of redemption of debenture.	a.1000000
2.A company issued 10000 7% Debentures @ Rs.100 at 5%Discount and Repayable at 10% Premium. Calculate premium of redemption of debenture.	b.1100000
1-b             2-b	c.1200000
	D.1500000

Q12 ( A)

1.Creation of debenture Redemption Reserve for an Banking Company	a.25%
2.Creation of debenture Redemption reserve for non banking company.	b.50%
	c.100%
	d.Exemted from created DRR.

Q13 (A)

1A company purchased Sundry Assets of Rs.600000 and Liabilities of 50000 from another company for purchase consideration of 600000. Amount of Goodwill will be:	a.25000
2.A company purchased Sundry Assets of Rs.600000 and Liabilities of 50000 from another company for purchase consideration of Rs.475000. Amount of capital Reserve will be:	b.50000
1-b      2-d	c.100000
	d.75000

Q14(A)

1.A company purchased Sundry Assets of Rs.600000 and Liabilities of 50000 from another company for purchase consideration of 600000. Amount transfer to vendor Account will be:	a.550000
2.A company purchased Sundry Assets of Rs.600000 and Liabilities of 50000 from another company for purchase consideration of Rs.475000. Amount transfer to vendor Account will be:	b. 600000
1-b      2-c	c.475000
	d.500000

Q15A&E)

1.A company took over the assets of Rs 1100000 and liabilities 110000 payable by issues of 12% debenture of rs100each at10%discount. Calculate the No of Debentures.	a.10000
2.A company took over the assets of Rs 1100000 and liabilities 110000 payable by issues of 12% debenture of rs100each at 10 % premium. Calculate the No of Debentures.	b.9000
1-d    2-b	c.9900
	d.11000

Q16(A)

1.A company took over the assest of Rs 1100000 and liabilities 110000 payable by issues of 12% debenture of rs100each at10%discount. Calculate amount of discount on issue of debentures.	a.100000
2.A company took over the assets of Rs 1100000 and liabilities 110000 payable by issues of 12% debenture of rs100each at 10 % premium. Calculate amount of securities premium reserves.	b.90000
1-c    2-b	c.110000
	d.120000

Q17(A&E)

1.A company took over the assets of Rs 1100000 and liabilities 110000 payable by issues of 12% debenture of rs100each at10%v discount. And	a.90000
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repayable at 5% premium. Calculate amount of loss on issue of debentures.	
2.A company took over the assets of Rs 1100000 and liabilities 110000 payable by issues of 12% debenture of rs100each at 10 % premium and Repayable at 5% premium. Calculate amount of loss on issue of debentures.	b.45000
1-c 2-b	c.165000
	D.135000

#### Q18(A&E)

1.A company took over the assets of Rs 1100000 and liabilities 110000 payable by issues of 12% debenture of rs100each at10%v discount. And repayable at 5% premium. Calculate amount transferred to vendor's account.	a.900000
2.A company took over the assets of Rs 1100000 and liabilities 110000 payable by issues of 12% debenture of rs100each at 10 % premium and Repayable at 5% premium. Calculate amount transferred to vendor's account.	b.1100000
1-c 2-c	c.990000
	d.850000

#### Q19( A&E)

1.A company took over the assets of Rs 1100000 and liabilities 110000 payable by issues of 12% debenture of rs100each at10%v discount. And repayable at 5% premium. What amount will be transferred to DRR at	a.990000
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the time of Redemption.	
2.A company took over the assets of Rs 1100000 and liabilities 110000 payable by issues of 12% debenture of rs100each at 10 % premium. and Repayable at 5% premium. What amount will be transferred to DRR at the time of Redemption.	b.275000
1-b 2-d	c.1100000
	d.225000

#### Q20(A&E)

1.A company took over the assets of Rs 1100000 and liabilities 110000 payable by issues of 12% debenture of rs100each at10%v discount. And repayable at 5% premium. What amount will be transferred to DRI at the time of Redemption.	a.275000
2.A company took over the assets of Rs 1100000 and liabilities 110000 payable by issues of 12% debenture of rs100each at 10 % premium. and Repayable at 5% premium. What amount will be transferred to DRI at the time of Redemption.	b.225000
1-c 2-d	c.165000
	d.135000

#### Q21(A&E)

1.A company issued 10000 6% debenture Rs100 each and half of above debenture are due for redemption. What amount will be transferred to DRR.	a.225000
2.A company issued 10000 6% debenture Rs100 each and all of the above debenture are due for redemption. What amount will be	b.150000

transferred to DRR.	
1-d 2-d	c.1000000
	d.250000

Q22(A&E)

1.A company issued 10000 6% debenture Rs100 each and half of above debenture are due for redemption out of profit. What amount will be transferred to DRR.	a.225000
2.A company issued 10000 6% debenture Rs100 each and all of the above debenture are due for redemption out of profit. What amount will be transferred to DRR.	b.150000
1-c 2 c	c.1000000
	d.250000

Q23(A&E)

1.A company issued 5000 12% debenture 100 Rs each at 5% discount. And repayable at 10%premium. Interest on debenture is Payable Half Yearly.TDS payable is 10%.Calculate Interest on debenture for 6 month.	a.27000
2.A company issued 5000 12% debenture 100 Rs each at 5% discount. And repayable at 10%premium. Interest on debenture is Payable Half Yearly.TDS payable is 10%.Calculate TDS payable for 12 months.	b.30000
1-b 2-c	c.6000
	d.3000

Q24 ( R)

1 Cash received against Debentures :	A Issue of Debentures as collateral security
2 Assets received against Debentures :	B Issue of Debentures for cash
3 Debentures given as secondary security :	C Issue of Debentures in kind

Answer 1-B; 2- C; 3 –A

Q25 (R)

1 When Debentures suspense account is open :	A Redemption at par.
2 When Premium on redemption of Debentures account is opened	B Issue of Debentures as collateral security
	C Redemption at Premium
	D Redemption at Discount

Answer : 1 – B & 2- C

## **UNIT - 8 (A) Financial Statement of Companies**

### **(B) Financial Statement Analysis**

### **(C) Tools for Financial Analysis**

### **(D) Common Size Statement**

R – Remembering

U- Understanding

A – Application

A&E- Analysis & Evaluation

### **FILL IN THE BLANKS**

1. [ R ] There are \_\_\_\_\_ major heads on the assets side of a company's Balance sheet. [two]
2. [ R ] Assets and liabilities of a company are usually marshaled in the order of \_\_\_\_\_ [ permanence]
3. [ U ] In the case of operating cycle cannot be determined then the time period of operating cycle is assumed to be \_\_\_\_\_ months. [ 12 ]
4. [ R ] There are \_\_\_\_\_ major head of the equity and liabilities side of a company's balance sheet. [ 4 ]
5. [ U ] Claims are expected to be settled beyond twelve month or an operating cycle is classified under \_\_\_\_\_. [Long term provision ]
6. [ R ] Bank overdraft and cash credit in the balance sheet of a company are shown under \_\_\_\_\_. [Short term borrowing]
7. [ R ] Analysis of the financial statement measures \_\_\_\_\_ capacity. [Earning]
8. [ U ] When financial statement for a single year is analyzed, it is called \_\_\_\_\_ analysis. [ vertical ]
9. [ u ] Financial statement analysis ignores \_\_\_\_\_ elements. [qualitative]

10. [ A ] When financial statement figures for two or more years are compared, it is \_\_\_\_\_ statements. **[ comparative financial ]**
11. [ R ] Provision for tax is shown under the sub-head \_\_\_\_\_ **[short term provision ]**
12. [ R ] Financial statement refers to the statement of profit and loss and \_\_\_\_\_. **[ Balance sheet ]**
13. [U] Financial statements do not show \_\_\_\_\_ information. **[qualitative]**
14. [U] \_\_\_\_\_ analysis is based upon the information available to the internal groups. **[ Internal ]**
15. [A] \_\_\_\_\_ are interested in knowing the firm's ability to meet its short-term liabilities. **[ Creditors or Suppliers ]**
16. [ A ] Financial statements are \_\_\_\_\_ in nature as they record past events and facts. **[ historical ]**
17. [A&E] The debit balance of statement of profit and loss will be disclosed under the head \_\_\_\_\_ as the \_\_\_\_\_ figure. **[ Reserves and Surplus, negative ]**
18. [A] Prepaid expenses are shown under the main head \_\_\_\_\_ in the balance sheet of a company. **[ Current assets ]**
19. [A&E] If the operating cycle cannot be identified, it is assumed to have duration of \_\_\_\_\_. **[ 12 months ]**
20. [R] Provision for employee benefits is shown under the sub-head \_\_\_\_\_. **[Long term provisions]**
21. [A&E] If expected period of payment of trade payables is 7 months and operating cycle is of 14 months, then it is a \_\_\_\_\_ liability. **[Current liability]**
22. [R] The statement which shows the assets and liabilities of the company is known as \_\_\_\_\_. **[ Balance Sheet ]**
23. [U] Statement of profit and loss account is also called \_\_\_\_\_ statement. **[ Income ]**
24. [R] Financial statements shows only \_\_\_\_\_ information ( **Quantities** )
25. [U] The amount due on account of goods sold by the business is called \_\_\_\_\_. **(Trade Receivable )**

### **TRUE AND FALSE:**

- 1.[R]It is compulsory for the directors of a company to present company's statement of Profit and Loss Account and Balance Sheet in the annual general meeting of shareholders. [T]
2. [R]Contingent liabilities are shown in the balance sheet under the heading Current Liabilities. [F]
3. [ R] The authorized capital is shown by way of information in the notes to accounts. It is not added to the amount of share capital to be shown in balance Sheet. [T]
4. [R ]It is not compulsory for a company to prepare balance sheet as per proforma given in Schedule III of companies Act, 2013. [F]
5. [ R ]Interest accrued and due on debentures is shown under the heading non-current liabilities. [F]
6. [u]Facts and figures presented in financial statement are not at all based on personal judgments. [F]
7. [U]Financial analysis removes the limitations of financial statements. [F]
8. [A]Horizontal analysis is useful in long term planning. [T]
9. [U]Financial analysis ignores qualitative factors. [T]
10. Financial statements show price-level changes. [F]
11. [A&E]Vertical analysis is useful in time series analysis. [F]
12. [A&E]Common size statements enable horizontal analysis. [F]
13. [U]Comparative financial statements show only absolute changes in the figures. [F]
- 14.[ A] In case of common size statement, figures of previous years are taken as base for comparison. [F]

15. [A]Comparative statement of profit and loss aims to measure increase or decrease in income and expenditure in terms of rupees as well as in percentage.

[T]

16. [A]Comparative balance sheet shows the increase or decrease in various items of balance sheet as compared to single year balance sheet, which shows the balance of accounts at a certain date.

[T]

17.[A&E]The operating cycle of a company is 17 months and the expected period of realization of trade receivables is 14 months. Trade receivable is shown as current assets.

[T]

18.[R]The accountant of a company has shown credit balance of statement of profit and loss in other current assets.

[F]

19.[A] A company has call in arrears of Rs 4,00,000 and calls in advance of Rs. 1,50,000. The company shown net balance of Rs 2,50,000 under current assets .

[F]

20.[R]Securities premium reserves is shown under share capital head.

[F]

21.[U]12 % Debentures redeemable within 12 months of the date of balance sheet it is shown in short term provision.

[T]

22 [R]Interest accrued on investment is shown in companies' balance sheet under non-current investment.

[F]

23.[U] Both Horizontal and Vertical analysis are conducted for two or more accounting periods.

[F]

24.[A&E] Vertical analysis is also known as Static Analysis.

[T]

25.[U] Financial analysis considers price level changes.

[F]



### **Multiple Choice Questions**

1.[A&E] Share Capital of a company consists of 70,000 shares of Rs. 10 each, Rs. 8 called up. All the shareholders have duly paid the called up amount. Share capital will be shown as:

- (a)Subscribed and fully paid
- (b) Subscribed but not yet fully paid
- (c) Either (a) or (b)
- (d) Neither(a) nor (b)

[b]

2.[U]'Claim against the company not acknowledged as debts' is shown under :

- (a) Current Liabilities
- (b) Contingent Liabilities
- (c) Non-current Liabilities
- (d) Capital Commitments[b]

3.[R]12%Debentures in a company balance sheet is shown under the sub-head :

- (a) Long term provisions
- (b) Other current liabilities
- (c) Long term borrowings
- D(d) Other long term liabilities

[c]

4. [R]Interest accrued on investments is shown in company's Balance Sheet under the main head .

- (a) Non-current investments
- (b) Current assets
- (c) Other current assets

(d) Other Non Current assets [b]

5. [U]11%Debentures redeemable within 12 months of the date of balance sheet will be shown under:

(a) Short term borrowings

(b) Short terms provisions

(c) Other current liability

(d) Trade payables [c]

6. [A]Which of the following items is shown under the head 'current assets' while preparing company's Balance Sheet ?

(a) Investment in property

(b) Patents

(c) Inventories

(d) Vehicles [c]

7. [R]While preparing the balance sheet of a company, securities premium reserve is shown under :

(a) Non Current liabilities

(b) Share capital

(c) Long term borrowings

(d) Reserves and surplus [d]

8.[R]Call in advance appears in a Company's Balance sheet under:

(a) Current liabilities

(b) Share Capital

(c) Long term Borrowings

(d) Reserves and Surplus [a]

9. [R]Bills receivables appears in a company balance sheet under sub head :

- (a) Current investments
- (b) Trade receivables
- (c) Inventories
- (d) Cash and cash

[b]

10. [R]Schedule III has prescribed format for presentation of balance sheet.

- (a) Horizontal
- (b) Vertical
- (c) Either (a) or (b)
- (d) Neither (a) nor (b)

[b]

11. [U]Which analysis is considered as dynamic?

- (a) Horizontal analysis
- (b) Vertical Analysis
- (c) Internal Analysis
- (d) External Analysis

[a]

12. [R]Analysis of financial statement is significant for:

- (a) Creditors
- (b) Management
- (c) Employees
- (d) all of the above

[d]

13. [U]The area of interest for a creditor while analyzing financial statement will be:

- (a) Solvency
- (b) Liquidity
- (c) Profitability

(d) Long term solvency [a]

14. [U]The following analysis is based on one year data:

(a) Cash flow statement

(b) Dividend analysis

(c) Horizontal analysis

(d) Vertical analysis [a]

15. [U]Which of the following is a not limitation of analysis of financial statement?

(a) Window dressing

(b) Subjectivity

(c) Intra-firm comparison

(d) Only quantitative analysis [c]

16. [R] Earning capacity of a company is ascertained by:

(a) Solvency ratios

(b) Profitability ratios

(c) Liquidity ratio

(d) Working Capital Ratio [b]

17. [U]Under which tool of Financial Statement Analysis, 100% is taken as a base and all other related items are expressed as a percentage of base?

(a) Comparative Statement

(b) Common Size Statement

(c) Ratio analysis

(d) Cash Flow Statement [b]

18. [U]Which of the following is an objective of Comparative Statement?

(a) To make data simpler and understandable

(b) To help in forecasting

(c) To indicates the trend

(d) All of the above

[d]

19.[U] Which of the following is not a limitation of Comparative Statement?

(a) Ignores price level changes

(b) Ignores quantitative aspects

(c) Ignores Qualitative aspects

(d) Variation in accounting Policies .

[b]

20. [A] Under the sub head of short – term provision which one is shown from the following :

(a) Interest accrued and due on borrowing

(b) Proposed dividend

( c ) unpaid dividend

( d ) calls in advance

[b]

21.[R] Which of the following items is shown under the heading ‘ Non – Current liabilities ‘ in the balance sheet of a company ?

(a) 12% Debentures

( b ) Reserves and surplus

( c ) unclaimed dividend

(d) Provision for tax

[ a]

22.[ R]Which tool of analysis of financial statements shows a comparative study of items of two or more years :

- ( a) Ratio analysis
- ( b) common size statements
- ( c) comparative statements [c]

23 [A&E] Intra – Firm Analysis is also known as :

- (a)Cross- section Analysis
- (b)Trend analysis
- (c)Dividend decision Analysis
- (d)Debt Analysis [b]

24 [A&E] Inter – Firm Analysis is also known as :

- (a)Cross- section Analysis
- (b)Trend analysis
- (c)Dividend decision Analysis
- (d)Debt Analysis [a]

25[A] It is statement in which each asset is expressed as a percentage to total assets:

- (a) Comparative Statement
- (b) Common Size Statement
- (c) Ratio analysis
- (d) Cash Flow Statement [b]

### **MATCH THE FOLLOWING**

1. [R]

1.Loose tools	a) Short term borrowing.
2.Bank overdraft	b) Cash and cash equivalent.
	c) Inventory
	d) Long term provision.

1-c , 2-a

.2[R]

1.Cheques in hand	a)Short term borrowing
2.Enchashment of employees earned leave payable on retirement	b)Cash and cash equivalent
	c)Inventory
	d)Long term provision

1-b, 2-a

3.[R]

1.Public deposits	a)Inventories
2.Trade marks	b)Cash and cash equivalents
	c)Long term borrowing
	d)Intangible fixed assets

1-c,2-d

4.[R]

1.Accrued income	a)Inventories
2.Provision for employee's benefit	b)Other current assets

	c) Short term provision
	d) Long term provision

1-b,2-d

5.[R]

1. Mining rights	a) Long term provision
	b) Other long term liabilities
	C) Fixed assets-Tangible assets
	d) Fixed assets-intangible assets

1-d

6.[R]

1. Interest on calls and advance.	a) Short term provision.
	b) Other current liability.
	c) Long term provision.
	d) Short term borrowing.

1-b

7.[U]

1. Factory, Building under construction.	a) Other Non Current assets.
2. shares in info-tech ltd.	b) Non Current investment.
	c) Fixed assets-work in progress
	d) Current investment.

1-c,2-b

8.[U]

1. Financial statement.	a) Balance Sheet
2. Financial analysis.	b) Receipts and Payments Account.
	c) Ratio

1-a,2-c

9.[R]

1. Employee benefit expenses	a) Balance sheet
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2.Prepaid expenses.	b) Statement of profit and loss.
	c) Cash flow statement.

1-b,2-a

10.[A&E]

1.Comparative statement.	a) Dynamic analysis.
2.Common size statement.	b) Horizontal analysis
	c) Vertical analysis.
	d) External analysis.

1-b,2-c

11.[U]

1)Debentures redeemable after 5 years	a)Long term provision
2)Debentures redeemable within 1 year	b)Short term provision
	c)Other current liability
	d)Long term borrowings

1-d,2-c

12.[A&E]

1.500 shares on which final call not received	a)Authorised share capital
2.500 Shares on which final call has not been called	b)Subscribed and fully paid
	c)Subscribed but not fully paid
	d)Uncalled capital

1-c, 2-c

13.[A&E]

1.Provision for provident fund	a)Short term provision
2.Provision for employees benefit to be settled within 12 months	b)Short term borrowing
	c)Other current liabilities

1-a, 2-a

14.[A]

1.Sale of stock in trade	a)Other income
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2. Interest received	b) Revenue from operations
	c) None of the above

1-b, 2-a

15.[A&E]

1. Employees benefit expense increased from 8,00,000 to Rs 21,50,000	a) Percentage change +50%
2. Cost of revenue from operations increased by 10,00,000 to 15,00,000	b) Percentage change +40%
	c) Percentage change +16.87%
	d) Percentage change +168.7%

1-d, 2-a

16[U]

1. Comparison of actual figures of one firm with those of industry to which firm belongs.	a) Intra form Comparison.
2. Comparison of actual figures of one firm with another firm belonging to same industry.	b) Pattern comparison.
	c) Inter firm comparison.

1-b, 2-c

17[R]

1. Employee benefit expense	a) Conveyance expense.
2. Finance cost.	b) Medical expense
	c) Interest paid on term loan.
	d) Business promotion expense.

1-b, 2-c

18[R]

1. Interest on public deposit	a) Revenue from operation
2. Entertainment expense.	b) Finance cost
	c) Other expense.
	d) Employee benefit expense.

1-b, 2-c

19.[A]

1. Interest received	a) Other expense
2. Profit on sale of investment.	b) Revenue from operation.
	c) Other income.
	d) Employee Benefit Expense.

1-c,2-c

20.[U]

1.Unpaid dividend.	a) Short term borrowing.
2.Bonds	b) Long term provision.
	c) Long term borrowing

1-d,2-c

21.[U]

1.Business promotion expense.	a) Office and administrative expense.
2.Audit fees	b) Selling and distribution expense.
	c) Other expense.
	d)Finance cost.

1-c,2-c

22.[U]

1.Net profit as shown by statement of profit and loss.	a) Share capital.
2.Loans payable on demand.	b) Reserve and surplus.
	c) Long term borrowing.
	d)Short term borrowing.

1-b, 2-d

23.[R]

1.Capital Reserve	a) Share capital
2.Security Premium Reserve.	b) Reserve and Surplus.
	c) Other Reserve.
	d)Subscribed Share Capital

1-b, 2-b

24.[U]

1.Dividend earned by financial company.	a) Other income.
2.Dividend earned by non-financial company.	b) Revenue from operation.
	c) Revenue and surplus.

1-b,2-a

25.[u]

1 Interest paid	a) Cost of material consumed
2. Carriage inward	b). Finance cost
	C) other expenses

1-b , 2- a

## **UNIT – 9 Accounting Ratios**

**R – Remembering**

**U- Understanding**

**A – Application**

**A&E- Analysis & Evaluation**

### **FILL IN THE BLANKS**

#### **Remembering**

- 1.Provision for tax is shown under the sub head **short term provisions**.
- 2.Prepaid expenses are shown under the main head **current assets** in the balance sheet of the company.
- 3.Provisions for employee benefits is shown under the sub head **long term provisions**.
- 4.The statement which shows the assets and liabilities of a company is called **balance sheet**.
- 5.Statement of Profit and Loss account is also called **income statement**.
- 6.Financial year in case of a company is from **1 April** to **31 March**.

#### **Understanding**

- 7.Earning capacity of a business is assessed through **profitability** ratio.
- 8.Solvency of business is assessed through **solvency ratio**.
- 9.If the operating cycle cannot be identified then it is assumed to have a duration of **12 months**.
- 10.Liquidity or short term financial position of a business is assessed through **liquidity** ratio.
- 11.When comparative statement of financial statements of an enterprise for two or more accounting periods is prepared, it is known as **intra firm comparisons**.
12. In case of common size balance sheet, each assets is expressed as percentage to **total assets** and each liability is expressed as percentage to **total liability**.

#### **APPLICATION**

- 13.Proposed dividend will be shown in **contingent liability** heading in balance sheet.
- 14.Matured debentures will be shown in **current liability** main head in the balance sheet.

15.Public deposits will be shown under the main head **non current liabilities** in the balance sheet.

16. Provisions for employees benefit will be shown under the main head of **non-current liabilities** in the balance sheet.

17.Interest accrued but not due on debentures will be shown under main head of **non-current liabilities** in the balance sheet.

18.Arrears of fixed Cumulative preference dividend will be shown under the main heading of **contingent liabilities**.

#### Analysis and evaluation

19.If in 2017 share capital is 25 lakh and in 2016 share capital is 20 lakhs. The percentage change in share capital **is 25%.**

20.If in 2018-2019, inventories appears in the balance sheet at Rs 18 lakhs- 20 lakhs. The percentage change in inventory is **11.11%**

21.If revenue from operation in 2017-2018 is 40 lakhs and profit before tax is 8.80 lakhs, then the % of profit before tax is **22%.**

22.If revenue from operations in 2018-19 is 60 lakhs and trade expenses are equal to 12 lakhs, then % of trade expenses is **20%.**

23.If expected period of payment of trade payables is 7 months and operating cycle is of 14 months then it is a **current** liability.

24.Current assets-Current liabilities=**Working Capital** .

25.Formula for working capital turnover ratio=
$$\frac{\text{Revenue from Operations}}{\text{Working Capital}}$$

## **True or false**

### **REMEMBERING**

1. Contingent liabilities are shown in the balance sheet under the heading current liabilities. [F]
2. Financial analysis removes the limitations of financial statements. [F]
3. Common size statements enable horizontal analysis. [F]
4. 12% borrowings in a company's balance sheet is shown under the sub heading long term borrowings. [T]
5. Financial statements show qualitative information. [F]
6. A total asset is assumed to be 100 on the asset side in case of common size balance sheet. [T]

## **UNDERSTANDING**

7. Revenue from operations includes sale of products and sale of services. [T]
8. Interest accrued and due on debenture is shown under the heading non-current liabilities. [F]
9. Vertical analysis is useful in time series analysis. [F]
10. A short term borrowing is disclosed under current liabilities in the company's balance sheet. [T]
11. Financial strength of a business enterprise is judged by its profitability. [T]
12. In case of common size statement, figures of previous year are taken as base for comparison. [F]

## **APPLICATION**

13. The four classification of ratio analysis are liquidity ratio, fixed asset ratio, Profitability ratio and efficiency ratio. [T]
14. Should a business have no interest income in 1 year, and Rs. 1,000 of interest income in the following year, the percentage of change in the interest income between two years is 100%. [T]
15. Working capital is shown on the assets side of balance sheet under the heading non-current assets. [F]
16. Two popular techniques of comparative analysis are year to year change analysis and index number trend analysis. [T]
17. Comparative statement ignores the price level changes. [T]
18. Comparisons of company data with industry averages can provide some insight into the company's relative position in the industry. [T]

## **ANALYSIS & EVALUATION**

19. Liquid ratio is also known as acid test ratio. [T]
20. Shareholders' funds are also known as net worth. [T]
21. A short term borrowing is a part of capital employed. [F]
22. A loose tool is a part of Inventory while calculating current Ratio. [T]
23. Net worth is also known as Share capital. [F]
24. Solvency refers to the ability of the enterprise to meet its current obligations. [F]
25. Purchase of goods will increase the cost of Revenue from operations. [T]

## **MULTIPLE CHOICE QUESTIONS**

1. ( A ) current ratio is 2:1 current assets =Rs. 82,000. What will be current liabilities?  
A) Rs. 41,000  
B) Rs. 38,000  
C) Rs. 15,000

- D) Rs. 20,000 [A]
2. ( A ) Current ratio 1.5 :1, Working capital Rs. 30,000.What will be the current liabilities:  
 A) 20,000  
**B) 60,000**  
 C) 1,65,000  
 D) 1,50,000 [B]
3. (A& E) Calculate proprietary ratio: if share capital Rs. 5,00,000 ,reserve & surplus Rs. 2,00,000 and general reserve Rs. 1,00,000 and total assets RS 21,00,000.  
 A) **0.33:1**  
 B) 0.38:1  
 C) 0.48:1  
 D) 0.50:1 [A]
4. ( A&E) Current ratio 4:1, Current assets Rs. 60,000 quick assets are 2:5:1. Calculate inventory  
 A) **22,500**  
 B) 37,500  
 C) 15,000  
 D) 25,000 [A]
5. ( A& E )Trade receivable turnover ratio 5 times, average trade receivables Rs. 60,000.Calculate net credit revenue from operations.  
 A) **Rs. 3,00,000**  
 B) Rs. 2,00,000  
 C) Rs. 12,000  
 D) Rs.2,40,000 [A]
6. ( A)If cash sales is RS 2,00,000 and credit sales is 20% of total sales. Calculate amount of credit sales.  
**A) Rs. 50,000**  
 B) Rs. 2,50,000  
 C) Rs. 16,000  
 D) Rs. 3,00,000 [B]
7. ( U )Which of the following is not a limitation of analysis of financial statements?  
 A) Affected by personal basis  
**B) To know the financial strength**  
 C) Lack of qualitative analysis  
 D) Based on accounting concepts [B]
8. ( U )Financial analysis become useless because it :  
 A) Measures the profitability  
 B) Measures the solvency  
**C) Lacks qualitative analysis**  
 D) Marks a comparative study [C]
9. ( R)Parties interested in financial analysis are :  
 A) Investors  
 B) Government  
 C) Financial institutions  
**D) All of the above** [D]



10. ( R)Main limitation of financial analysis is:
- A) To know the earning capacity
  - B) To know financial strength
  - C) **Do not reflect changes in price level.**
  - D) Comparative study with other firms. [C]
11. ( A)Fixed assets of a company are increased from Rs. 3,00,000 to Rs. 4,00,000.What is the percentage change?
- A) 25%
  - B) **33.3%**
  - C) 20%
  - D) 40% [B]
12. ( A )A company's current liabilities decreased from Rs. 4,00,000 to Rs. 3,00,000.What is the percentage of change?
- A) 25%
  - B) **33.3%**
  - C) 20%
  - D) 40% [B]
13. ( A ) A Company's working capital is Rs. 10 lakhs (Negative Balance) in the year 2018. It became Rs. 15 lakhs in the year 2019.What is the percentage of change?
- A) **150%**
  - B) 100%
  - C) 250%
  - D) 50% [A]
14. ( A)A company's revenue from operations are Rs. 20,00,000, Cost of revenue from operations is Rs. 14,00,000 and indirect expenses are Rs. 2,00,000.What is the amount of gross profit?
- A) Rs. 18 Lakhs
  - B) Rs. 4 Lakhs
  - C) Rs. 8 Lakhs
  - D) **Rs. 6 Lakhs** [D]
15. ( A )Total assets of a firm areRs. 20,00,000 and its fixed assets are Rs. 8,00,000.What will be the percentage of Fixed assets on total assets?
- A) **40%**
  - B) 58%
  - C) 28%
  - D) 71% [A]
16. ( A)Total assets of a firm are Rs. 8,20,000 and its fixed assets are Rs. 5,90,000.What will be the percentage of current assets on total assets.
- A) 42%
  - B) 58%
  - C) **28%**
  - D) 72% [C]
17. ( A&E) If net revenue from operations of a firm are Rs. 15,00,000, Gross profit is Rs. 9,00,000 and operating expenses are Rs. 75,000. What will be the percentage of operating income on net revenue from operations?
- A) 45%
  - B) **55%**

C) 35%

D) 65%

[B]

18. ( R ) Debt equity ratio is:

A) Short term solvency ratio

B) Long term solvency ratio

C) Liquidity ratio

D) Profitability ratio

[B]

19. ( R ) Current ratio is also known as :-

A) Solvency Ratio

B) Acid Test Ratio

C) Working Capital Ratio

D) Liquid Ratio

[C]

20. ( U ) Securities premium reserve included in :-

A) Debt

B) Equity

C) Liquid assets

D) Cost of revenue from operations

[B]

21. ( U ) What is trade investment?

A) Trading in securities

B) Investment in his own business

C) Investment in other company for promotion of his own business

D) None of the above

[C]

22. ( A ) If average inventory is Rs. 30,000 and closing inventory is Rs. 20,000 more than the opening, what will be the value of closing inventory?

A) Rs. 10,000

B) Rs. 20,000

C) Rs. 30,000

D) Rs. 40,000

[D]

23. ( A & E ) If the liquid ratio of a company is 1.5:1, then the company purchased goods of Rs. 50,000.

A) Decrease in liquid ratio

B) Increase in liquid assets

C) Decrease in current liability

D) Increase in liquid ratio

[A]

24. ( A & E ) If capital employed is Rs 8,00,000, total debt is Rs 5,00,000, current liability is Rs 2,00,000 then debt equity ratio will be

A) 5:3

B) 3:5

C) 1:1

D) 8:5

[B]

Q25 (A&E) If Revenue from operations is Rs 12,00,000 and cash revenue from operations is 20% of credit revenue from operations. What will be credit revenue from operations :

A Rs 2,00,000

B Rs 8,00,000

C Rs 10,00,000

**MATCH THE FOLLOWING**

Q.1( R )

1) Working capital turnover ratio	(a) Current assets / Current liabilities
2) Working capital ratio	(b) Liquid assets / Current liabilities
	(c) Revenue from operation / Working capital
	(d) Cost of revenue from operation / Working capital

[1-c ; 2-a]

Q.2( A )

1) Capital employed	(a) Total Assets-current liabilities
2) Shareholder fund	(b) Total Assets – total debts
	(c) Fixed assets- current liabilities

[1-a, 2-b]

Q.3-( A&amp;E)Debt equity Ratio is 0.5: 1, what will be the impact of following transactions

1) Purchased Machinery for cash	(a) Increase
2) Issue of equity shares for cash	(b) Decrease
	(c) No change

[1-c, 2-b]

Q.4( R )

1) Average trade receivables	(a) Opening Debtors + Closing Debtors
	(b) Opening B/R + Closing B/R

[1-a]

Q.5( U )

1) Interest coverage ratio is calculated	(a) Times
2) Return on investment	(b) Percentage
	(c) Proportionate

[1-a, 2-b]

Q.6( R )

1) Liquidity ratio	(a) Current ratio and acid test ratio
2) Solvency ratio	(b) Working capital ratio and working capital turnover ratio
	(c) Debt .equity ratio and proprietary ratio
	(d) Gross profit ratio and operating ratio

[1-a, 2-c]

Q.7( A&amp;E)

1) Debt. Equity ratio is 3:1	(a) Risky
2) Current ratio is 3:1	(b) Ideal
	(c) Safe
	(d) None of the above

[1-a, 2-c]

Q.8(A&E) Proprietary ratio is 0.7:1, what will be the impact of the following transactions

1) Building purchased for cash	(a) Increase
	(b) Decrease
	(c) No change

[1-c]

Q.9( A)

1) Increase in ROI	(a) Goods sold in profit
	(b) Repayment of debentures
	(c) Issue of Debentures
	(d) Goods sold at loss

[1-b]

Q.10( U)

1) Loose tools are not included in inventory for current ratio because	(a) Due to low value of items
2) Stores & spares are not included in inventory for current ratio	(b) Due to non – convertible into cash
	(c) Because of part of fixed assets
	(d) None of the above

[1-b, 2-b]

Q.11( A)

1) Gross profit	(a) Operating profits + other operation expenses
2) Operating profit	(b) RFO- operating cost
	(c) Net profit + non of expenses
	(d) Net profit + non of expenses

[1-a, 2-b]

Q.12( U)

1) Gross profit ratio will increase	(a) Increase in revenue from operation
2) Gross profit ratio will decrease	(b) Increase. in cost of revenue from operation
	(c) Inc. in wages of workers
	(d) Inc. in salary of employees

[1-a, 2-b]

Q.13( R)

1) Financial statement for a number of years are analysed	(a) Vertical analysis
2) When financial statement for a single year is analysed	(b) Horizontal analysis
	(c) Comparative analysis
	(d) Common size statement

[1-c, 2-d]

Q.14( R)

1) Interest accrued on investment is shown under the main head	(a) Current assets
2) Calls in advance appears in which head	(b) Current liabilities
	(c) Contingent liabilities

[1-a, 2-b]

Q.15( R)

1) Office equipment	(a) Current assets
2) Goodwill	(b) Non-current tangible assets
	(c) Non-current Intangible assets

[1-b, 2-c]

Q.16( R)

1) Sale of scrap	(a) Expenses
2) Dividend received	(b) Other income
	(c) Revenue from operations

[1-b, 2-b]

Q.17( R)

1) Inventory	(a) Current assets
2) Furniture and fixtures	(b) Current liabilities
	(c) Non-current assets

[1-a, 2-c]

Q.18( U)

1) Increase in gross profit	(a) Increase in Rfo
2) Increase in operating profit	(b) Rent received
	(c) Interest paid on bank overdraft

[1-a, 2-a]

Q.19 –( A&E)Current ratio of

1) X LTD 2.5:1	(a) Y is better than X LTD
2) Y LTD 8:1	(b) Both the companies are having ideal current ratio
	(c) X LTD is better than Y LTD
	(d) Both the companies are having poor liquidity

[1-c, 2-c]

Q.20( U)

1) Gross profit ratio will increase	(a) Increase in revenue from operations
2) Gross profit ratio will decrease	(b) Increase in cost of revenue from operations
	(c) Increase in wages of workers
	(d) None of the above

[1-a, 2-b]

Q.21( R)

1) Performance ratios	(a) Current ratio and acid test ratio
2) Profitability ratios	(b) Fixed assets turnover and working capital

	turnover ratio
	(c) Debt equity ratio and proprietary ratio
	(d) Gross profit ratio and operating ratio

[1-b, 2-d]

Q.22 –( A&E) Total assets to debt ratio is 3:1, what will be the impact of the following transactions.

1) Loan taken from bank and Rs. 3. lakhs payable after 4 years	(a) Increase
2) Building purchased for cash	(b) Decrease
	(c) No change

Q23 (A)

[1-b, 2-c]

1 Earning capacity	A ) Solvency Ratio
2 Short term creditably	: B ) Profitability ratio
	C ) Liquidity ratios

Answer 1- B; 2- C

Q24 (A&E)

1 . If average inventory is Rs1,00,000 and closing inventory is 2 time more than that in. the beginning , then what will be the amount. of closing inventory :	A) Rs 50,000
2. If average inventory is Rs 1,00,000 and opening inventory is 1/3 of closing inventory , then what will be the amount of opening inventory .	B) Rs 1,50,000
	C) Rs 1,33,333
	D) Rs66,667

Answer 1- B ; 2- A

Q25 (A&E)

1 If revenue from operations is Rs6,00,000 and Gross profit is 20% of cost of revenue from operations. What will be the gross profit .	A) Rs 2,00,000
2 If cost of revenue from operations is Rs 6,00,000 and Gross profit is 25% of revenue from operations. What will be the gross profit.	B) Rs 1,00,000
	. C ) Rs1,50,000
Answer (1-B ; 2- A)	D) Rs 50,000

## **UNIT -10 Cash Flow Statement**

**R – Remembering**

**U- Understanding**

**A – Application**

**A&E- Analysis & Evaluation**

### **FILL IN THE BLANKS**

1. ( R )The statement that gives information about the historical changes in cash and cash equivalents is called \_\_\_\_\_ (cash flow statement)
2. ( R) The \_\_\_\_\_ of enterprise is principal revenue producing activity. (net sales)
3. ( R )The amount of Cash received from debtor is shown in \_\_\_\_\_ activity of the company. ( Operating )
4. (R) Manufacturing expenses paid are classified into \_\_\_\_\_ activity.(Operating Activities)
5. ( U) An increase in Outstanding Salaries as compared to previous year's outstanding salaries are added under \_\_\_\_\_ in Cash Flow Statement. (Changes in Working Capital)
6. ( U)Deprecation is added back to the net profit to determine Net Profit before Tax and Extra-ordinary Activity because it is a \_\_\_\_\_ item.(Non – Cash Item)
7. ( R) Receipts from Dividend is shown as \_\_\_\_\_ activity in Cash Flow Statement.(Investing)
8. (A) Interest on Debentures paid is added in \_\_\_\_\_ in Cash Flow from Operating Activity.(net profit)
9. ( U ) Operating Activities are the principal revenue producing activities of an enterprise and those activities which are not \_\_\_\_\_ or \_\_\_\_\_. (Investing Activities, Financing Activities)

10. ( A&E) Net Profit before tax is Rs. 3530. Trade Receivables are Rs. 1,200 (as on 1<sup>st</sup> April, 2018) and Rs. 1,700 (as on 31<sup>st</sup> March, 2019).Cash Flow after Working Capital Changes will be \_\_\_\_\_.(Rs. 3,030)
11. (A)In Cash Flow Statement, for calculating Net Profit before Tax and Extraordinary Items, Proposed Dividend of \_\_\_\_\_ is added. (Previous year's)
12. ( A&E) Plant with original cost of Rs. 800 and accumulated depreciation of Rs. 600 was sold for Rs. 100. Loss of Rs. 100 will be added to \_\_\_\_\_ in determining Cash Flow from Operating Activities. (Net Profit)
13. (A&E)

	1/4/18	31/3/19
Provision for tax	10,000	25,000

Tax paid during the year ended 31<sup>st</sup> March, 2019 is Rs. 15,000. While calculating Net Profit before Tax and Extraordinary Activities, Rs. \_\_\_\_\_ will be added. (Rs. 30,000)
14. (A&E)If net profit for the year is Rs. 50,000 and bills payable increased by Rs. 10,000 during the year, then Cash Flow from Operating Activities will be Rs. \_\_\_\_\_. (Rs. 60,000)
15. (A)Amount transferred to General Reserve will be affecting \_\_\_\_\_ activity of Cash Flow Statement. (Operating)
16. ( R)Issue of Shares and Debentures is a \_\_\_\_\_ Activity.( Financing )
17. ( R)Purchase of Goodwill is shown as outflow under \_\_\_\_\_ Activities.(Investing )
18. (R) Redemption of Debentures results in outflow under \_\_\_\_\_ Activity. (Financing )
19. ( U )Interest received Rs 10,000 by a Non-financial company is an \_\_\_\_\_ activity.(Investing)
20. (U)Dividend paid by a Non-financial company is a \_\_\_\_\_ Activity.(Financial)
21. ( A&E)Land costing Rs. 1,00,000 is sold for Rs 1,20,000.Under Operating Activities \_\_\_\_\_ will be deducted and Rs. \_\_\_\_\_ will be shown as inflow under Investing Activity.(Rs. 20,000; Rs. 1,20,000)
22. (A&E) Maira Ltd. issued Equity Shares of Rs 5,00,000 and with the proceeds redeemed Debentures of Rs. 1,50,000 in the financial year. Cash inflow under Financing Activity will be Rs. \_\_\_\_\_.(Rs. 3,50,000)
23. (A&E) Dividend is paid on 10% Preference Shares of Rs 1,00,000. Unclaimed Dividend during the year is Rs. 2,000. Cash outflow for Dividend paid under Financing Activities will be \_\_\_\_\_. (Rs. 8,000)
24. ( A&E) Redemption of debentures of Rs 1,00,000 at 10% premium. Amount shown as outflow under Financing Activity will be \_\_\_\_\_. (Rs. 1,10,000)



25. ( A&E) A company has issued 8% Debentures of Rs. 10,00,000 at a discount of 5% and redeemable at a premium of 10%. Inflow under Financing Activity will be \_\_\_\_\_ (Rs. 9,50,000)
26. ( A&E) A plant costing Rs 1,00,000, accumulated depreciation being Rs. 20,000 is sold at a profit of Rs. 8,000. Amount that will be shown as inflow under Investing Activity will be Rs. \_\_\_\_\_ . (Rs. 88,000)
27. ( A&E) A plant costing Rs. 2,00,000 having accumulated depreciation of Rs. 40,000 is sold for Rs. 1,70,000. Under Cash Flow from Operating Activities \_\_\_\_\_ will be deducted. (Rs. 10,000)

### **TRUE OR FALSE**

1. ( R) case of financial enterprises interest paid and interest recd will be treated as cash flow from operating activities. (T)
2. ( A) Dividend of Previous Year is added to net profit to calculate Net Profit before Tax and Extraordinary Activities. (T)
3. (A) Redemption of Debentures by converting them into equity shares would result in flow cash. (F)
4. (A) Decrease in Trade Payables is deducted to calculate Cash Flow from Operating Activities under Change in Working Capital. (T)
5. (U) Cash in hand and cash at bank will affect Cash Flow from Operating Activities. (F)
6. ( A) paid on Long Term Borrowings is added back to Net Profit Before Tax and Extraordinary Activities because it is an expense relating to Financing Activities. (T)
7. ( A&E) Surplus i.e., Balance in Statement of Profit and Loss      2016      2017  
 (12,000) (14,000)  

General Reserve	2,000	3,000	
-----------------	-------	-------	--

 (F)
8. (A) Refund of tax is deducted from Net Profit before Tax and Extraordinary Activities. (T)
9. (A&E)
- |                          | ( 2018)        | ( 2017)       |  |
|--------------------------|----------------|---------------|--|
| Plant and Machinery      | Rs. 8,00,000   | Rs. 7,00,000  |  |
| Accumulated depreciation | Rs. - 1,20,000 | Rs. -1,00,000 |  |
|                          | Rs. 6,80,000   | Rs. 6,00,000  |  |
- Amount to be added to Net Profit before Tax and Extraordinary Items as Non – cash Expense (Depreciation) is Rs. 20,000 (T)

10. (R) Rent received is operating activity by manufacturing concern. (F)
11. ( R) Interest received on investment is financing activity. (F)
12. ( U) Purchase of land increases owner's wealth. (F)
13. (U) Redemptions of debenture at a premium is inflow under Financing Activity. (F)
14. (A)Rs. 10,000 paid for redemption of debenture is outflow under Financing Activity. (T)
15. (U) Underwriting Commission paid on issue of shares increases outflow under Financing Activities. (T)
16. (U)Interest received on debenture by a manufacturing enterprises shown as Investing Activity. (T)
17. ( A&E) Asset of Rs.10,000 sold during the year at a profit of Rs. 2,000. Rs. 12,000 is shown as inflow under investing Activity. (T)
18. (A&E) Goodwill                      1<sup>st</sup> April, 201831<sup>st</sup> March, 2019  
Rs. 10,000                              Rs. 8,000  
Goodwill amortized during the year is Rs. 2,000. (T)
19. (U)Purchase of software by a manufacturing concern is Operating Activity. (F)
20. ( A)10% Debenture of Rs5,00,000 issued on 1<sup>st</sup>October, 2018. Interest of Rs. 2,500 paid by company will be shown in Financing Activity. (T)
21. (A) 10% Preference Share of Rs. 5,00,000 were issued at a premium of 5%. The amount received i.e., Rs.4,50,000 will be shown as Financing Activity. (F)
22. (U)Short term deposits in bank will result in no flow of cash. (T)
23. (U) Bank deposits with 100days of maturity will be included in cash and cash equivalents.(F)
24. ( R) Interest received on Calls in Arrears by a company is a Financing Activity. (T)
25. ( R) Interest paid on bank overdraft is shown in financing activities (T)

## **MULTIPLE CHOICE QUESTIONS :**

1. (R) Which of the following will be added to Net Profit before Tax.
  - a) Provision for Taxation.
  - b) Depreciation
  - c) Decrease interest.
  - d) None of the above. (a)
2. ( R ) In case of financial enterprises cash flow from interest and dividend received and interest paid is classified as cash flow from.
  - a) Operating Activity
  - b) Investing Activity
  - c) Finances Activity
  - d) Cash and Cash Equivalents. (a)
3. (R )Which of the following is not a cash inflow?
  - a) Decrease in debtors
  - b) Issues of shares
  - c) Decrease in creditors
  - d) Sale of fixed assets (c)
4. ( U ) Purchase of building against payment is
  - a) Operating Activity
  - b) Financing Activity
  - c) Investing Activity
  - d) None of these (c)
5. (R) Repayments of debenture is:
  - a) Operating Activity
  - b) Financing Activity
  - c) Investing Activity
  - d) None of these (b)
- 6( A )  
.Investment costing Rs. 10,000 sold for Rs. 12,000. The amount shown in investing activity is
  - a) Rs. 2,000
  - b) Rs. 10,000
  - c) Rs. 12,000
  - d) Rs. 2,200 (c)
- 7.( A&E) Marketable Securities costing Rs. 10,000 sold for Rs. 12,000, Profit on sale of Marketable Securities was credited to Statement of Profit and Loss. Which of the following statement is correct?
  - a) Rs. 2,000 will be deducted from Net Profit under Operating Activity and shown as inflow under Investing Activities.
  - b) Rs. 2,000 will be deducted from Net Profit under Operating Activity and shown as Extra-ordinary Item under Operating Activities.

- c) Rs. 2,000 will be deducted from Net Profit under Operating Activity and shown as Extra-ordinary Item under Investing Activities.
- d) Rs. 2,000 will be deducted from Net Profit under Operating Activity and added to Cash and Cash Equivalents. (b)
8. (A) On 1<sup>st</sup>October, 2018 10% Debentures of Rs. 1,00,000 were issued. Interest on Debenture paid by company for year ended 31<sup>st</sup>March, 2019 is
- a) Rs. 10,000
- b) Rs. 15,000
- c) Rs. 5,000
- d) Rs. 2,500 (c)
- 9.( A)Increase in Bank Overdraft is
- a) Investing Activity
- b) Financing Activity
- c) Operating Activity
- d) Cash and Cash Equivalents (b)
10. ( A) Proceeds from raising bank loan is shown as
- a) Investing Activity
- b) Financing Activity
- c) Operating Activity
- d) Cash and Cash Equivalents. (b)
- 11.( A&E) On 1<sup>st</sup>January, 2018 company issued shares of Rs.10,00,000 and paid Rs. 10,000 as Share Issue Expense. Amount shown in Financing Activities
- a) Rs. 10,00,000 as Inflow and Rs. 10,000 as Outflow.
- b) Rs. 9,90,000as Inflow.
- c) Rs. 10,10,000 as Inflow.
- d) Rs. 10,00,000 as Inflow from Shares and Rs. 10,000 as Inflow for Share Issue Expenses. (a)
- 12.( U ) A company which issued bonds to raise funds which
- a) Increases liability
- b) Increases equity
- c) Increases assets
- d) Decreases cash (a)
- 13.( U )Which of the following is not Cash or Cash Equivalents
- a) Cash in hand
- b) Demand Deposit
- c) Bank Borrowings
- d) Investment which is maturing within 2 months from the date of acquisition (c)

14. ( U ) All of the following would be included in company's Operating Activities except
- a) Income tax payment
  - b) Collections from customer
  - c) Cash payment to suppliers
  - d) Interest on Current Investment (d)
15. ( U ) Which of the following items is not a Non-cash items
- a) Depreciation Expense
  - b) Amortization Expense
  - c) Result of Provision
  - d) Income tax Payment (d)
16. ( A ) of the following items would be subtracted from net income when using indirect method for operating activity.
- a) Depreciation Expense
  - b) Repayment of Bonds Payable
  - c) Gain on Sale of Land
  - d) Loss on Sale of Equipment. (c)
17. ( U ). Interest received on investment by a financing company is shown under:
- a) Operating Activity
  - b) Investing Activity
  - c) Financing Activity
  - d) Cash and Cash Equivalents (a)
18. ( A ) Sale of current investment will be shown under
- a) Operating Activity
  - b) Financing Activity
  - c) Investing Activity
  - d) Cash and Cash Equivalents (d)
19. ( A & E ) of Plant and Machinery of Book Value of Rs. 5,00,000 at a loss of 5%. Inflow under Investing Activities will be
- a) Rs. 4,75,000
  - b) Rs. 5,00,000
  - c) Rs. 3,80,000
  - d) Rs. 3,60,000 (a)
20. ( A ) of shares for consideration other than cash is
- a) Shown under Operating Activity
  - b) Shown under Financing Activity
  - c) Shown under Investing Activity
  - d) not shown in Cash Flow Statement. (d)
21. ( A ). Interest paid on investment is shown under
- a) Operating Activity

- b)Financing Activity
- c)Investing Activity
- d)Cash and Cash Equivalents (b)

22.( A & E ) Issue of Debentures for consideration other than cash is shown as

- a)Inflow of Cash under Financing Activities
- b)Outflow of Cash under Financing Activities
- c)Neither Inflow nor Outflow of Cash
- d) Inflow of Cash under Operating Activities. (c)

23( A ) .Issue of shares at a premium is shown as:

- a) Inflow under Operating Activities.
- b) Inflow under Financing Activities.
- c) Inflow under Investing activity
- d) Outflow under Financing Activities. (b)

24.( A ) Dividend paid by a financing company is shown under :

- a)Operating Activity
- b)Investing Activity
- c)Financing Activity
- d)Cash and Cash Equivalents (c)

25 ( A )Dividend paid by non financing company is shown under:

- a) Operating activity
- b) Investing activity
- c) Financing activity
- d) Cash and cash equivalents. (c)

## **MATCH THE FOLLOWING**

1. Match the following items:

- |  |                   |
|--|-------------------|
| a. Cash budget is prepared for         | 1. Present period |
| b. Cash flow statement is prepared for | 2. Past period    |
| c. ( a-3 ; b – 2 )                     | 3. Future period  |

2. Match the following items:

- a. Cash and Cash Equivalents include
- b. Cash flow from Operative Activities

- 1. Cheques and drafts
- 2. Cash payment of wages, etc Include
- 3. Marketable securities
- 4. Cash payments or refunds income Tax.

( a -3 ; b -2 )

3. [Evaluation]

- a. Interest received on investment
- b. Dividend paid on preference share

- 1. Operating activity
- 2. Investing activity
- 3. financial activity

4. [ Evaluation ]

- a. Acquisition of assets by issues of debentures
- b. Depreciation on fixed assets

- 1. Operating Activity
- 2. Investing Activity
- 3. Financing Activity
- 4. Not shown in Cash Flow Statement

( a – 4 ; b – 1 )

5. [Application]

- a. Cash received from royalty, fees, commission
- b. Payment of salary rent. Etc.
- c. Sale of security by financial company

- 1. Inflow
- 2. Outflow
- 3. No flow of cash

( a - 1 ; b – 2 ; c – 1 )

6( A&E )

- a. For an investment company- sale and purchase of security
- b. For an insurance company -receipt of premium

- 1. Operating Activity
- 2. Investing Activity
- 3. Financing Activity

(a – 1 ; b -1 )

7( A&E)

- a. Goodwill written o
- b. Loss on sale of machine Rs. 5,000

- 1. Increase the flow by Rs. 5,000
- 2. Decrease the flow by Rs, 5,000
- 3. No change in flow

( a – 3 ; b – 3 )

8(U)

- a. Increase in provision for tax
- b. Refund of tax

- 1. Inflow
- 2. Outflow
- 3. No flow

( A -3 ; B -1 )

9.(A) a) Purchase of Land /Building

b) Issue of shares

- 1) cash inflow
- 2) investing activity
- 3) Operating activity
- 4) Financing activity

( a – 2 ; b -4 )

10(A)a) Redemption of Debenture

b) Purchase of Goodwill

- 1) Investing Activity
- 2) Financing Activity
- 3) Operating Activity

( a – 2 ; b 1 )

- 1 1 (A&E) a) Conversion of Debentures into shares
- b) Land sold @ 10% profit is shown under

- 1) Financing Activity
- 2) Is not shown in Cash Flow Statement
- 3) Investing activity

( a – 2 ; b – 3 )

- 12(A&E) a) Dividend received on shares held as investment
- b) Bank Overdraft

- 1) Cash and Cash Equivalents
- 2) Operating Activity
- 3) Investing Activity
- 4) Financing Activity

( a – 3 ; b -4 )

- 13A&E)a) Profit on sale of land
- b) Loss on sale of fixed assets

- 1) Operating activity
- 2) Investing activity
- 3) Financing activity

( a 2 ; b – 2 )



- 14( U) a) Rent received on property held on investment  
b) Underwriting commission paid

- 1) Operating Activity
- 2) Investing Activity
- 3) Financing Activity
- 4) Outflow of cash

( a- 2 ; b – 3 )

- 15( A&E)a) 10% Debentures of Rs 1,00,000 issued @ 20% premium  
b)Interest paid on long term loans(1,00,000)@15%

- 1) Rs. 15,000
- 2) Rs. 1,00,000
- 3) Rs. 1,10,000
- 4) Rs. 1,20,000

( a – 4 ; b – 1 )

- 16( R)a) Purchase of intangible assets  
b) Discount on issue of

- 1) Operating Activity
- 2) Investing Activity
- 3) Financing Activity

( a – 2 ; b – 3 )

- 17(A)a)Land sold at Loss of Rs 10,000.  
b)Securities premium at the time of issue of shares

- 1) Operating Activity
- 2) Investing Activity
- 3) Financing Activity

( a -2 ; b- 3 )

- 18 ( A) a) Purchase of Goodwill  
b) Conversion of debentures into shares

1. Operating Activity
2. Investing Activity
3. Financing Activity
4. Not recorded in FS

( a – 2 ; b – 3 )

- 19( U)a) Premium on redemption on debentures  
b) Proceeds from public deposits

- 1)Operating Activity
- 2) Investing Activity
- 3) Financing Activity

( a – 3 ; b – 3 )

20 A) a) Interim Dividend

b) Proposed Dividend

1) Operating Activity

2) Investing Activity

3) Financing Activity

( A – 3 ; B 3 )

21(A) a) Sale of Marketable Securities

b) Profit on sale of Marketable Securities

1) Operating Activity

2) Investing Activity

3) Financing Activity

4) Cash and Cash Equivalents

( A - 4 ; b – 1)

22(A) a) Sale of Patents

b) Profit on sale of Investment

1) Operating Activity

2) Investing activity

3) Financing activity

4) Cash and Cash Equivalents

( A 2 ; B – 2 )

23( A) a) Repayment t of Bank Overdraft

b) Loss on sale of Marketable Securities

1) Operating Activity

2) Investing Activity

3) Financing Activity

4) Cash and Cash Equivalents

( A – 3 ; b -1 )

24(U) a) Sale of Marketable Securities

b) Profit on sale of Marketable Securities

1) Inflow of Cash

2) Outflow of Cash

3) No Flow of Cash

4) Cash and Cash Equivalents

( a- 3 ; b -3)

- 25( A)   a) Dividend paid by financing company.  
            b) Dividend paid by non financing company.

- 1) Operating activity
- 2) Investing activity
- 3) Financing activity
- 4) Cash and cash equivalents

( a- 3; b -3 )



# केंद्रीय माध्यमिक शिक्षा बोर्ड Central Board of Secondary Education

