# SPECIMEN PAPER - 1 (With Solution)

[Time : 3 Hours] [Maximum Marks : 80]

**Q.1 (A) Write one word / term / phrase which can substitute each of the following statements:** (0

(1) Expenses which are paid before they are due.
(2) Excess of total assets over total liabilities of 'Not for Profit' concern.
(3) Liability likely to arise in future on happening of certain event.
(4) Bills of exchange drawn and accepted without any valuable consideration.
(5) It is damaged software, cracked nearly fully functional.

| Ans. | (1) Prepaid expenses | (2) Capital Fund | (3) Contingent liability |
|---|---|---|---|
| | (4) Accommodation Bill | (5) Pirated software | |

**Scheme of Marking:** *1 mark for each correct answer*

**Q.1 (B) Do you agree or disagree with the following statements:** (0

(1) Partner's Current Account always shows debit balance.
(2) Purchase of sports equipments is a capital expenditure.
(3) New ratio minus old ratio is equal to sacrifice ratio.
(4) Retiring partner is entitled to his share of goodwill.
(5) Ratio analysis is useful for inter firm comparison.

| Ans. | (1) Disagree | (2) Agree | (3) Disagree | (4) Agree | (5) Agree |
|---|---|---|---|---|---|

**Scheme of Marking:** *1 mark for each correct answer*

**Q.1 (C) Answer in one sentence only:** (0

**(1) What is fluctuating capital method?**

Ans. It is a method of maintaining capital account in which only capital account partner is opened to record all transactions relating to partners and the balance this account goes on fluctuating every year.

**(2) What is subscription?**

Ans. Subscription is a major source of income to 'Not for profit' concern and it is paid b members regularly to enjoy the services.

**(3) Why is new partner admitted?**

Ans. A new partner is admitted to meet the need of additional capital, managerial an technical abilities.

**(4) What is benefit ratio?**

Ans. The ratio which the continuing partners acquire on retirement of partner is calle as gain ratio/benefit ratio.

**(5) Why is Realisation Account opened?**

Ans. Realisation Account is opened to know profit or loss on realisation of assets an liabilities in case of dissolution of firm.

**Scheme of Marking:** *1 mark for each correct answer*

**Q.1 (D) Find odd one out:** (0

(1) Building, Furniture, Machinery, Bills Payable.
(2) School, Hospital, Bank, Club.
(3) Notary Public, Drawer, Drawee, Payee.

(4) Public issue, Right issue, Reserve Capital, Bonus issue.
(5) Revaluation A/c, Profit and Loss Suspense A/c, Deficiency A/c, Executor's Loan A/c.

**Ans.** (1) Bills Payable (2) Bank (3) Notary Public
(4) Reserve Capital (5) Deficiency A/c

***Scheme of Marking:** 1 mark for each correct answer*

**Q.2 The Balance Sheet of Meena and Heena who shared the profits and losses in the ratio of 2:1 is as under:** (10)

**Balance Sheet as on 31st March. 2020**

| Liabilities | Amt. (₹) | Assets | | Amt. (₹) |
|---|---|---|---|---|
| Capital: | | Leasehold property | | 20,000 |
| Meena | 1,34,000 | Livestock | | 6,600 |
| Heena | 1,20,000 | Loose tools | | 90,200 |
| Creditors | 53,800 | Stock | | 86,800 |
| Rent outstanding | 10,000 | Debtors | 48,000 | |
| Reserve Fund | 7,200 | Less: R.D.D. | 2,000 | 46,000 |
| | | Bank | | 75,400 |
| | 3,25,000 | | | 3,25,000 |

On 1st April, 2020 Seema was admitted as ¼th partner on the following terms:

(1) Seema should bring in ₹ 1,20,000 towards her capital.
(2) Firm's goodwill is valued at ₹ 1,44,000 and Seema agreed to bring her share in the firm's goodwill by a cheque.
(3) Reserve for doubtful debts should be maintained at 7.5% on debtors.
(4) Increase live stock by ₹ 4,400 and write off loose tools by 20%.
(5) Rent outstanding paid ₹ 9,040 in full settlement.

**Prepare:**

**(1) Profit and Loss Adjustment Account** **(2) Partner's Capital Account**
**(3) Balance Sheet of the new firm.**

**Sol.**

**In the books of firm**

**Profit and Loss Adjustment A/c**

Dr. Cr.

| Particulars | Amt. (₹) | Amt. (₹) | Particulars | Amt. (₹) | Amt. (₹) |
|---|---|---|---|---|---|
| To R.D.D. A/c | | 1,600 | By Live Stock A/c | | 4,400 |
| To Loose Tools A/c | | 18,040 | By Outstanding Rent A/c | | 960 |
| | | | By Revaluation Loss: | | |
| | | | Meena Capital A/c | 9,520 | |
| | | | Heena Capital A/c | 4,760 | 14,280 |
| | | 19,640 | | | 19,640 |

**Partner's Capital Accounts**

Dr. Cr.

| Particulars | Meena | Heena | Seema | Particulars | Meena | Heena | Seema |
|---|---|---|---|---|---|---|---|
| To P/L Adj. A/c | 9,520 | 4,760 | — | By Balance b/d | 1,34,000 | 1,20,000 | — |
| To Balance c/d | 1,53,280 | 1,29,640 | 1,20,000 | By Reserve Fund A/c | 4,800 | 2,400 | — |
| | | | | By Bank A/c | — | — | 1,20,000 |
| | | | | By Goodwill A/c | 24,000 | 12,000 | — |
| | 1,62,800 | 1,34,400 | 1,20,000 | | 1,62,800 | 1,34,400 | 1,20,000 |

**M/s. Meena, Heena and Seema**
**Balance Sheet as on 1st April, 2020**

| Liabilities | Amt. (₹) | Amt. (₹) | Assets | Amt. (₹) | Amt. |
|---|---|---|---|---|---|
| Capital Accounts: | | | Leasehold Property | | 20,0 |
| Meena | 1,53,280 | | Live Stock | 6,600 | |
| Heena | 1,29,640 | | Add: Appreciation | 4,400 | 11,0 |
| Seema | 1,20,000 | 4,02,920 | Loose Tools | 90,200 | |
| Creditors | | 53,800 | Less: Depreciation | 18,040 | 72,1 |
| | | | Stock | | 86,8 |
| | | | Debtors | 48,000 | |
| | | | Less: R.D.D. | 3,600 | 44,4 |
| | | | Bank | | 2,22,36 |
| | | 4,56,720 | | | 4,56,72 |

***Scheme of Marking:*** *Profit and Loss Adjustment A/c – 2 ½ marks; Partner's Capital Account – 2 ½ marks and New Balance Sheet – 5 marks = Total 10 marks*

**OR**

Q.2 **Kale, Lele and Tele are sharing profits and losses as 3:2:1 respectively. Their Balance Sheet as on 31st March, 2020 was as follows:**

**Balance Sheet as on 31st March, 2020**

| Liabilities | Amt. (₹) | Assets | Amt. (₹) |
|---|---|---|---|
| Capitals: | | Cash | 10,80 |
| Kale | 24,000 | Debtors | 18,00 |
| Lele | 18,000 | Stock | 12,00 |
| Tele | 12,000 | Plant and Machinery | 30,00 |
| Creditors | 16,800 | | |
| | 70,800 | | 70,80 |

Tele retires from the business on the above date on the following terms:

(a) Stock and Plant and Machinery to be appreciated by 5% and 10% respectively.

(b) Provision for doubtful debts to be created at 5% on debtors.

(c) The provision of ₹600 be made in respect of outstanding rent.

(d) Goodwill of the firm is valued at ₹18,000 and the remaining partners decided th goodwill should be written back.

(e) The amount payable to the retiring partner be transferred to his loan account.

**Prepare:**

**(1) Profit and Loss Adjustment Account** **(2) Partners' Capital Accounts**
**(3) Balance Sheet of Kale and Lele.**

**Sol.** **In the books of firm**

**Dr.** **Profit and Loss Adjustment A/c** **Cr.**

| Particulars | Amt. (₹) | Amt. (₹) | Particulars | Amt. (₹) | Amt. (₹) |
|---|---|---|---|---|---|
| To R.D.D. A/c | | 900 | By Stock A/c | | 60 |
| To Outstanding Rent A/c | | 600 | By Plant and Machinery A/c | | 3,00 |
| To Revaluation Profit: | | | | | |
| Kale Capital A/c | 1,050 | | | | |
| Lele Capital A/c | 700 | | | | |
| Tele Capital A/c | 350 | 2,100 | | | |
| | | 3,600 | | | 3,60 |

| Dr. Particulars | Kale | Lele | Tele | Particulars | Kale | Lele | Tele |
|---|---|---|---|---|---|---|---|
| To Goodwill A/c | 10,800 | 7,200 | — | By Balance b/d | 24,000 | 18,000 | 12,000 |
| To Tele's Loan A/c | — | — | 15,350 | By Goodwill A/c | 9,000 | 6,000 | 3,000 |
| To Balance b/d | 23,250 | 17,500 | — | By P/L Adj. A/c | 1,050 | 700 | 350 |
| | 34,050 | 24,700 | 15,350 | | 34,050 | 24,700 | 15,350 |

**M/s. Kale and Lele**
**Balance Sheet as on 01-04-2020**

| Liabilities | Amt. (₹) | Amt. (₹) | Assets | Amt. (₹) | Amt. (₹) |
|---|---|---|---|---|---|
| Capital Accounts: | | | Cash | | 10,800 |
| Kale | 23,250 | | Debtors | 18,000 | |
| Lele | 17,500 | 40,750 | Less: R.D.D. | 900 | 17,100 |
| Tele's Loan A/c | | 15,350 | Plant and Machinery | | 33,000 |
| Creditors | | 16,800 | Stock | | 12,600 |
| O/s Rent | | 600 | | | |
| | | 73,500 | | | 73,500 |

**Scheme of Marking:** *Profit and Loss Adjustment A/c – 5 items × ½ mark = 2½ marks; Partner's Capital Account – 14 items × ¼ mark = 3½ marks; New Balance Sheet – 8 items × ½ mark = 4 marks; = Total 10 marks*

**Q.3 Following is the Balance Sheet of Kulkarni, Solkar and Bhave as on 31st March, 2020. They were sharing profits and losses in the ratio of $\frac{1}{2}:\frac{1}{6}:\frac{1}{3}$.** (10)

**Balance Sheet as on 31st March, 2020**

| Liabilities | Amt. (₹) | Assets | Amt. (₹) |
|---|---|---|---|
| Capitals: | | Buildings | 19,000 |
| Kulkarni | 24,000 | Machinery | 13,500 |
| Solkar | 21,500 | Furniture | 3,000 |
| General Reserve | 12,000 | Stock | 20,500 |
| Kulkarni's Loan | 7,500 | Debtors | 10,000 |
| Creditors | 12,500 | Bills Receivable | 6,000 |
| Bills Payable | 7,500 | Bank | 3,000 |
| | | Profit and Loss A/c | 1,500 |
| | | Bhave's Capital | 8,500 |
| | 85,000 | | 85,000 |

On the above date the firm was dissolved and the assets realised as under :

(1) Building ₹18,000; Machinery; ₹12,000; Debtors ₹5,000 and Goodwill ₹900.
(2) Kulkarni took over furniture and stock at ₹20,000 and agreed to pay creditors at a discount of ₹500.
(3) Solkar took over bills receivable at ₹5,200 and paid bills payable in full.
(4) Dissolution expenses paid amounted ₹1,600.
(5) Bhave became insolvent. No amount was recovered from his estate.

**Show: Realisation A/c; Capital Accounts and Bank A/ c.**

Sol

**In the books of firm**

Dr. **Realisation A/c** C

| Particulars | Amt. (₹) | Amt. (₹) | Particulars | Amt. (₹) | Amt. (₹ |
|---|---|---|---|---|---|
| To Sundry Assets: | | | By Sundry Liabilities: | | |
| Building | 19,000 | | Creditors | 12,500 | |
| Machinery | 13,500 | | Bills Payable | 7,500 | 20,00 |
| Furniture | 3,000 | | By Bank A/c: | | |
| Stock | 20,500 | | Building | 18,000 | |
| Debtors | 10,000 | | Machinery | 12,000 | |
| Bills Receivable | 6,000 | 72,000 | Debtors | 5,000 | |
| To Solkar's Capital A/c | | | Goodwill | 900 | 35,90 |
| Bills Payable | | 7,500 | By Kulkarni's Capital A/c | | |
| To Kulkarni's Capital A/c | | | Furniture and Stock | | 20,00 |
| Creditors | | 12,000 | By Solkar's Capital A/c | | |
| To Bank A/c | | | Bills Receivable | | 5,20 |
| Dissolution Expenses | | 1,600 | By Realisation Loss: | | |
| | | | Kulkarni Capital A/c | 6,000 | |
| | | | Solkar Capital A/c | 2,000 | |
| | | | Bhave Capital A/c | 4,000 | 12,00 |
| | | 93,100 | | | 93,10 |

Dr. **Partners' Capital Accounts** C

| Particulars | Kulkarni | Solkar | Bhave | Particulars | Kulkarni | Solkar | Bhave |
|---|---|---|---|---|---|---|---|
| To Balance b/d | — | — | 8,500 | By Balance b/d | 24,000 | 21,500 | – |
| To P/L A/c | 750 | 250 | 500 | By Gen. Reserve A/c | 6,000 | 2,000 | 4,00 |
| To Realisation A/c | 20,000 | 5,200 | — | By Realisation A/c | 12,000 | 7,500 | – |
| To Realisation A/c (Loss) | 6,000 | 2,000 | 4,000 | By Kulkarni Cap. A/c | — | — | 6,75 |
| | | | | By Solkar Cap. A/c | — | — | 2,25 |
| To Bhave's Cap. A/c | 6,750 | 2,250 | — | | | | |
| To Bank A/c | 8,500 | 21,300 | — | | | | |
| | 42,000 | 31,000 | 13,000 | | 42,000 | 31,000 | 13,00 |

Dr. **Bank A/c** C

| Particulars | Amt. (₹) | Particulars | Amt. (₹ |
|---|---|---|---|
| To Balance b/d | 3,000 | By Realisation A/c | 1,60 |
| To Realisation A/c | 35,900 | By Kulkarni's Loan A/c | 7,50 |
| | | By Kulkarn's Capital A/c | 8,50 |
| | | By Solkar's Capital A/c | 21,30 |
| | 38,900 | | 38,90 |

**Working for Unrecovered amount from Bhave (due to insolvency):**

Amount not recoverable is ₹9000 shall be borne by remaining partner in their profit sharing ratio i.e. $\frac{1}{2}$ and $\frac{1}{6}$ Or 3 : 1 = ₹6,750 and ₹2250.

***Scheme of Marking:*** *Realisation A/c – 9 items × ⅓ mark = 3 marks; Partner's Capital Account – 22 items × ¼ mark = 5½ marks; Bank A/c – 6 items × ¼ mark = 1½ marks; Total 10 marks*

OR

Q.3 Vaidya sold goods to Sathe for ₹5,000 at 5% T.D. and on the same date drew on Sathe a bill for 2 months. Sathe accepted the same and returned to Vaidya. Vaidya then endorsed the bill to Joshi.

On the due date Joshi informed Vaidya about dishonour of bill and noting charges paid by him ₹50. Vaidya settled Joshi's A/c and drew a fresh bill on Sathe for the amount due plus interest ₹100 for one month. The new bill was honoured on due date.

**Pass Journal Entries in the books of Vaidya.** (10)

Sol.

**Journal of Vaidya**

| Date | Particulars | L.F. | Debit (₹) | Credit (₹) |
|---|---|---|---|---|
| (1) | Sathe's A/c ... Dr.<br>To Sales A/c<br>(Being goods sold on credit @ 5% T.D.) | | 4,750 | <br>4,750 |
| (2) | Bills Receivable A/c ... Dr.<br>To Sathe's A/c<br>(Being bill drawn for 2 months.) | | 4,750 | <br>4,750 |
| (3) | Joshi's A/c ... Dr.<br>To Bills Receivable A/c<br>(Being endorsement of a bill.) | | 4,750 | <br>4,750 |
| (4) | Sathe's A/c ... Dr.<br>To Joshi's A/c<br>(Being dishonour of bill and noting charges paid by Joshi ₹50.) | | 4,800 | <br>4,800 |
| (5) | Joshi's A/c ... Dr.<br>To Cash/Bank A/c<br>(Being Joshi's A/c settled.) | | 4,800 | <br>4,800 |
| (6) | Sathe's A/c ... Dr.<br>To Interest A/c<br>(Being interest receivable.) | | 100 | <br>100 |
| (7) | Bills Receivable A/c ... Dr.<br>To Sathe's A/c<br>(Being new bill drawn for one month with interest.) | | 4,900 | <br>4,900 |
| (8) | Cash/Bank A/c ... Dr.<br>To Bills Receivable A/c<br>(Being honour of new bill.) | | 4,900 | <br>4,900 |
| | Total | | 33,750 | 33,750 |

***Scheme of Marking:*** *Entries No. 1 to 4 × 1 mark each and Entries No. 5 to 8 × 1½ marks each = Total 10 marks*

Q.4 **Bharat Ltd. issued 7,000 Equity Shares of ₹10 each payable as follows:** (08)

On Application ₹4 On Allotment ₹4 On Call ₹2

The company received applications for 10,000 Equity shares. The excess applications were rejected and refunded. The money due on allotment and calls were received in full except on 100 shares the call amount was due. These shares were fortified.

**Pass Journal Entries to record above transactions in the book of company**

**Sol.**

**Journal of Bharat Ltd.**

| Date | Particulars | L.F. | Debit (₹) | Credit (₹) |
|---|---|---|---|---|
| (1) | Bank A/c ...... Dr. | | 40,000 | |
| | To Equity Share Application A/c | | | 40,000 |
| | (Being application money received on 10,000 Equity shares @ ₹ 4 per share.) | | | |
| (2) | Equity Share Application A/c ...... Dr. | | 40,000 | |
| | To Equity Share Capital A/c | | | 28,000 |
| | To Bank A/c | | | 12,000 |
| | (Being share application money on 7,000 shares transferred to Share Capital A/c and balance amount refunded.) | | | |
| (3) | Equity Share Allotment A/c ...... Dr. | | 28,000 | |
| | To Equity Share Capital A/c | | | 28,000 |
| | (Being allotment money due on 7,000 shares @ ₹ 4 per share.) | | | |
| (4) | Bank A/c ...... Dr. | | 28,000 | |
| | To Equity Share Allotment A/c | | | 28,000 |
| | (Being equity share allotment money received.) | | | |
| (5) | Equity Share Call A/c ...... Dr. | | 14,000 | |
| | To Equity Share Capital A/c | | | 14,000 |
| | (Being call amount due on 7,000 shares @ ₹ 2 per share.) | | | |
| (6) | Bank A/c ...... Dr. | | 13,800 | |
| | To Equity Share Call A/c | | | 13,800 |
| | (Being amount received on 6,900 shares.) | | | |
| (7) | Equity Share Capital A/c ...... Dr. | | 1,000 | |
| | To Equity Share Call A/c | | | 200 |
| | To Share Forfeiture A/c | | | 800 |
| | (Being forfeiture of 100 shares for non-payment of call money.) | | | |
| | **Total** | | 1,64,800 | 1,64,800 |

***Scheme of Marking:*** *Entries No. 1 to 6 × 1 mark each and Entry No. 7 = 2 marks; Total 8 marks*

**OR**

**Q.4 Explain the importance of Computetised Accounting System.** [08]

**Ans.** Computetised Accounting System are very important for various types of business organisations, firms, company etc.

**(i) Automation:** All the calculations are automatically done by the accounting software with minimum time as compared to manual calculations. For example, once invoices are issued by computer they are processed automatically making accounting less time consuming.

**(ii) Multi-user Facilities:** Multi user facility enables the businessman to access accounting information online or offline with more user controls outside or within the office. It is useful to big business houses as data can be accessed and entered by many operators on different computers simultaneously.

**(iii) Accuracy:** The information and reports generated by Computerised Accounting software are more accurate as compared to manual accounting. All calculations like additions, subtractions and statistical calculations are automatically done by software.

(iv) **Speed:** Computerised accounting software works faster than manual accounting process. It generates all financial statements and reports with high speed. It has customized templates (guide book) for users which allows fast and accurate data entry.

(v) **Reduction in cost:** As the financial records are to be entered only once in the system the accountant will save his time in maintaining the records. Computerised accounting reduces the number of employees in the organisation. Thus the volume of job handled with the help of computerised system results in economy and lower operating cost.

(vi) **Systematic and upto date records:** In a computerised accounting system when the accounting data are entered and stored, the accounting records are automatically updated. For example any entry related to customer updates, customer's account.

(vii) **Huge storage capacity:** The manual accounting system requires to maintain many books and register for each financial year. In case of computerised accounting system, the data is stored in hard-disks, CD-ROMs, floppies that occupy fraction of physical space and can store the data for many years.

(viii) **Compact:** The computer can store huge volume of financial data in a compact way. The financial information can be stored on the hard-disk and if required back up can be taken on the external storage device which requires very little space.

(ix) **Transferability / Sharing Information:** Computerised accounting system allows companies to share financial information with interested parties. Financial statements and reports are printed directly from the system and also soft copy can be transferred internally and externally through external storage devices like hard-disks, pen drive etc.

***Scheme of Marking:*** *1 mark for each point × 8 points expected = 8 marks*

**Q.5 The Balance Sheet of Manoj, Sanjay and Vinod as on 31st March, 2020 was as follows:** **(08)**

**Balance Sheet as on 31st March, 2020**

| Liabilities | Amt. (₹) | Assets | Amt. (₹) |
|---|---|---|---|
| Capitals: Manoj | 30,000 | Patents | 15,000 |
| Sanjay | 10,000 | Debtors | 18,000 |
| Vinod | 20,000 | Stock | 2,000 |
| Reserve Fund | 9,000 | Bills Receivable | 10,000 |
| Creditors | 3,000 | Cash at Bank | 27,000 |
| | 72,000 | | 72,000 |

**Vinod died on 1st August, 2020 and the following adjustments were agreed:**

(1) $\frac{1}{5}^{th}$ of patent to be written off.

(2) Unrecorded creditors amounted ₹500.

(3) Stock revalued at ₹2,500.

(4) Allow 12% interest on capital.

(5) The goodwill of the firm is to be valued at 2 years purchase of average profit of last 4 years. The profits were: ₹24,000 for 2019-20; ₹18,000 for 2018-19; ₹22,000 for 2017-18 and ₹26,000 for 2016-17.

(6) The deceased partner's share of profit upto the date of his death should be based on the average profit of last 2 years.

Prepare : (1) Profit and Loss Adjustment A/c
(2) Vinod's Capital A/c
(3) Working for share of Goodwill to Vinod and
(4) Working for share of profit to Vinod.

**Sol.** **In the books of firm**

**Dr.** **(1) Profit and Loss Adjustment A/c** **Cr.**

| Liabilities | Amt. (₹) | Amt. (₹) | Assets | Amt. (₹) | Amt. (₹) |
|---|---|---|---|---|---|
| To Patent A/c | | 3,000 | By Stock A/c | | 500 |
| To Creditors A/c | | 500 | By Revaluation Loss: | | |
| | | | Manoj Capital A/c | 1,000 | |
| | | | Sanjay Capital A/c | 1,000 | |
| | | | Vinod Capital A/c | 1,000 | 3,000 |
| | | 3,500 | | | 3,500 |

**Dr.** **(2) Vinod's Capital A/c** **Cr.**

| Particulars | Amt. (₹) | Particulars | Amt. (₹) |
|---|---|---|---|
| To Profit and Loss Adjustment A/c | 1,000 | By Balance b/d | 20,000 |
| To Vinod's Executor's Loan A/c (Balancing figure) | 40,133 | By Reserve Fund A/c | 3,000 |
| | | By Interest on Capital A/c | 800 |
| | | By Goodwill A/c | 15,000 |
| | | By P/L Suspense A/c | 2,333 |
| | 41,133 | | 41,133 |

**(3) Working for share of goodwill to Vinod:**

(i) Average Profit $= \frac{\text{Total Profit}}{\text{No. of years}} = \frac{90,000}{4} = ₹22,500$

(ii) Goodwill of the firm = Average Profit × No. of years purchase
$= 22,500 \times 2 = ₹45,000$

(iii) Vinod's share of goodwill = Goodwill of the firm × Vinod's share
$= 45,000 \times \frac{1}{3} = ₹15,000$

**(4) Working for share of profit to Vinod:**

(i) Average Profit $= \frac{\text{Total Profit}}{\text{No. of years}} = \frac{42,000}{2} = ₹21,000$

(ii) Vinod's share of profit = Average Profit × Period × Vinod's share
$= 21,000 \times \frac{4}{12} \times \frac{1}{3} = 2,333.33 \approx ₹2,333$

***Scheme of Marking:*** *Profit and Loss Adjustment A/c – 4 items × ½ mark = 2 marks; Vinod's Capital Account – 7 items × ½ mark = 3 ½ marks; Working for share of goodwill – 1 ½ marks and Working for share of profit – 1 mark. = Total 08 marks.*

**OR**

**Q.5 Given below is the Balance Sheet of Rajesh Ltd.** [08]

**Balance Sheet as on 31st March, 2020**

| Liabilities | Amt. (₹) | Assets | Amt. (₹) |
|---|---|---|---|
| Share Capital | 1,25,000 | Fixed Assets | 1,00,000 |
| Debentures | 1,00,000 | Sundry Debtors | 1,05,000 |
| Reserves | 25,000 | Bank Balance | 45,000 |
| Bills Payable | 25,000 | Inventory | 75,000 |
| Sundry Creditors | 50,000 | | |
| | 3,25,000 | | 3,25,000 |

**Additional Information :**

(1) Net Sales ₹ 1,00,000

(2) Cost of Goods sold ₹ 75,000

(3) Operating Expenses ₹ 10,000

**Calculate: (1) Gross Profit Ratio (2) Net Profit Ratio (3) Current Ratio (4) Liquid Ratio (5) Return on Investment Ratio**

Sol. (1) Gross Profit = Net Sales − Cost of goods sold

$= 1,00,000 - 75,000 = ₹\ 25,000$

$$\text{Gross Profit Ratio} = \frac{\text{Gross Profit}}{\text{Net Sales}} \times 100 = \frac{25,000}{1,00,000} \times 100 = \boxed{25\%}$$

(2) Net Profit = Gross Profit − Operating Expenses

$= 25,000 - 10,000 = ₹\ 15,000$

$$\text{Net Profit Ratio} = \frac{\text{Net Profit}}{\text{Net Sales}} \times 100 = \frac{15,000}{1,00,000} \times 100 = \boxed{15\%}$$

(3) $$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

$$= \frac{1,05,000 + 45,000 + 75,000}{25,000 + 50,000} = \frac{2,25,000}{75,000} = \boxed{3:1}$$

(4) $$\text{Liquid Ratio} = \frac{\text{Liquid Assets}}{\text{Liquid Liabilities}} = \frac{1,05,000 + 45,000}{25,000 + 50,000} = \frac{1,50,000}{75,000} = \boxed{2:1}$$

(5) $$\text{Return on Investment} = \frac{\text{Net Profit}}{\text{Capital Employed}} \times 100$$

$$= \frac{15,000}{1,25,000 + 1,00,000 + 25,000} \times 100 = \boxed{6\%}$$

***Scheme of Marking:*** *Gross Profit Ratio = 1 ½ marks; Net Profit Ratio = 1 ½ marks; Current Ratio = 1 ½ marks; Liquid Ratio = 1 ½ marks; Return on Investment Ratio (ROI) = 2 marks = Total 8 marks*

Q.6 **With the help of the Balance Sheet and Receipts and Payments Account of Adarsh Cultural Club, Mumbai.** (12)

**Prepare Income and Expenditure Account for the year ended 31st March, 2020 and the Balance Sheet as on the date.**

**Balance Sheet as on 01.04.2019**

| Liabilities | Amt. (₹) | Assets | Amt. (₹) |
|---|---|---|---|
| Capital Fund | 2,57,000 | Buildings | 2,50,000 |
| Building Fund | 50,000 | Furniture | 20,000 |
| Outstanding Salary | 1,300 | Outstanding Subscription | 1,000 |
| | | Cash in hand | 2,400 |
| | | Cash at bank | 34,900 |
| | 3,08,300 | | 3,08,300 |

**Receipts and Payments Accounts for the year ended 31.03.2020**

| Receipts | Amt. (₹) | Payments | Amt. (₹) |
|---|---|---|---|
| To Balance b/d | | By Salaries | 35,300 |
| Cash in Hand | 2,400 | By Furniture | |
| Cash at Bank | 34,900 | (Purchased on 0.1.10.2019) | 10,000 |

| | | | | |
|---|---|---|---|---|
| To Subscriptions | | | By General Expenses | 8,400 |
| 2018-19 | 1,000 | | By Printing and Stationery | 4,200 |
| 2019-20 | 48,000 | | By Drama Expenses | 16,000 |
| 2020-21 | 2,000 | 51,000 | By Balance c/d | |
| To Donation for building fund | | 20,000 | Cash in Hand | 4,600 |
| To Drama receipts | | 28,000 | Cash at Bank | 57,800 |
| | | 1,36,300 | | 1,36,300 |

You are also required to consider the additional information given below:

(1) The Club had 100 members, each paying ₹500 as annual subscription.

(2) Furniture to be depreciated at 20% p.a.

(3) Salaries included ₹1,300 paid for outstanding salaries for the year 2018-19. Salaries outstanding for the year 2019-20 were ₹700.

**Sol.** **In the books of Adarsh Cultural Club, Mumbai**

**Dr.** **Income and Expenditure A/c for the year ended 31-03-2020** **Cr.**

| Expenditure | Amt. (₹) | Amt. (₹) | Income | Amt. (₹) | Amt. (₹) |
|---|---|---|---|---|---|
| To Salaries | 35,300 | | By Subscriptions: | 48,000 | |
| Less: O/s of last year | 1,300 | | Add: O/s of current year | 2,000 | 50,000 |
| | 34,000 | | By Drama Receipts | 28,000 | |
| Add: O/s of current year | 700 | 34,700 | Less: Drama Expenses | 16,000 | 12,000 |
| To General Expenses | | 8,400 | | | |
| To Printing and Stationery | | 4,200 | | | |
| To Depreciation on Furniture | | 5,000 | | | |
| To Surplus c/d | | 9,700 | | | |
| | | 62,000 | | | 62,000 |

**Balance Sheet of Adarsh Cultural Club, Mumbai as on 31.03.2020**

| Liabilities | Amt. (₹) | Amt. (₹) | Assets | Amt. (₹) | Amt. (₹) |
|---|---|---|---|---|---|
| Capital Fund: | | | Building | | 2,50,000 |
| Opening Balance | 2,57,000 | | Furniture | 20,000 | |
| Add: Surplus | 9,700 | 2,66,700 | Add: Additions | 10,000 | |
| Building Fund | 50,000 | | | 30,000 | |
| Add: Donations | 20,000 | 70,000 | Less: Depreciation | 5,000 | 25,000 |
| Subscription received in advance | | 2,000 | Outstanding Subscriptions | | 2,000 |
| Outstanding salaries | | 700 | Cash in hand | | 4,600 |
| | | | Cash at Bank | | 57,800 |
| | | 3,39,400 | | | 3,39,400 |

***Scheme of Marking:*** *Income and Expenditure A/c – 5 ½ marks and New Balance Sheet – 6 ½ marks = Total 12 marks*

**Q.7 Ashok and Tanaji are partners sharing profits and losses in the ratio 2:3 respectively. Their Trial Balance as at 31st March, 2020 is given below.**

**You are required to prepare Trading and Profit and Loss A/c for the year ending 31st March, 2020 and Balance Sheet on that date taking into account the given adjustments.** (12)

**Trial Balance as on 31st March, 2020**

| Particulars | Amt. (₹) | Particulars | Amt. (₹) |
|---|---|---|---|
| Purchases | 98,000 | Capitals: Ashok | 30,000 |
| Patent Rights | 4,000 | Tanaji | 40,000 |

| | | | |
|---|---|---|---|
| Building | 1,00,000 | Provident Fund | 7,000 |
| Stock (1.4.2019) | 15,000 | Creditors | 45,000 |
| Printing and Stationery | 8,650 | Sales | 1,58,000 |
| Sundry Debtors | 35,000 | R.D.D. | 250 |
| Wages and Salaries | 11,000 | Bank Loan | 12,000 |
| Furniture | 8,000 | Bills Payable | 3,000 |
| 10% Investment (Purchased on 30.9.19) | 10,000 | Outstanding Wages | 500 |
| Cash | 4,000 | | |
| P. F. Contribution | 800 | | |
| Carriage Inwards | 1,300 | | |
| | 2,95,750 | | 2,95,750 |

**Adjustments:**

(1) Closing Stock is valued at the cost of ₹15,000 while its market price is ₹18,000.

(2) On 31st March, 2020, the Stock of Stationery was ₹500.

(3) Provide R.D.D. @ 5% on Debtors.

(4) Depreciate Building at 5% and Patent Right at 10%.

(5) Interest on capital is to be provided at 5% p.a.

(6) Goods worth ₹10,000 were destroyed by fire and Insurance company admitted claim for ₹8,000.

**Sol.** **In the books of Ashok and Tanaji**

**Dr. Trading and Profit and Loss A/c for the year ended 31st March, 2020 Cr.**

| Particulars | Amt. (₹) | Amt. (₹) | Particulars | Amt. (₹) | Amt. (₹) |
|---|---|---|---|---|---|
| To Opening Stock | | 15,000 | By Sales | | 1,58,000 |
| To Purchases | | 98,000 | By Goods destroyed by fire | | 10,000 |
| To Wages and Salaries | | 11,000 | By Closing Stock | | 15,000 |
| To Carriage Inwards | | 1,300 | | | |
| To Gross Profit c/d | | 57,700 | | | |
| | | 1,83,000 | | | 1,83,000 |
| To Printing and Stationery | 8,650 | | By Gross Profit b/d | | 57,700 |
| Less: Stock of Stationery | 500 | 8,150 | By Interest on Investment | | 500 |
| To P.F. Contribution | | 800 | | | |
| To Depreciation on: | | | | | |
| Building | 5,000 | | | | |
| Patents | 400 | 5,400 | | | |
| To New R.D.D. | 1,750 | | | | |
| Less: Old R.D.D. | 250 | 1,500 | | | |
| To Loss by fire | | 2,000 | | | |
| To Interest on Capital: | | | | | |
| Ashok | 1,500 | | | | |
| Tanaji | 2,000 | 3,500 | | | |
| To Net Profit transferred to: | | | | | |
| Ashok Capital A/c | 14,740 | | | | |
| Tanaji Capital A/c | 22,110 | 36,850 | | | |
| (2:3) | | | | | |
| | | 58,200 | | | 58,200 |

Dr. **Partners' Capital Accounts** Cr.

| Particulars | Ashok | Tanaji | Particulars | Ashok | Tanaji |
|---|---|---|---|---|---|
| To Balance c/d | 46,240 | 64,110 | By Balance b/d | 30,000 | 40,000 |
| | | | By Interest on Capital | 1,500 | 2,000 |
| | | | By Profit and Loss A/c | 14,740 | 22,110 |
| | 46,240 | 64,110 | | 46,240 | 64,110 |

**M/s. Ashok and Tanaji**

**Balance Sheet as on 31st March, 2020**

| Liabilities | Amt. (₹) | Amt. (₹) | Assets | Amt. (₹) | Amt. (₹) |
|---|---|---|---|---|---|
| Partners' Capitals: | | | Patent Right | 4,000 | |
| Ashok | 46,240 | | Less: Depreciation | 400 | 3,600 |
| Tanaji | 64,110 | 1,10,350 | Buildings | 1,00,000 | |
| Provident Fund | | 7,000 | Less: Depreciation | 5,000 | 95,000 |
| Creditors | | 45,000 | Sundry Debtors | 35,000 | |
| Bank Loan | | 12,000 | Less: New R.D.D. | 1,750 | 33,250 |
| Bills Payable | | 3,000 | Furniture | | 8,000 |
| Outstanding Wages | | 500 | 10% Investment | 10,000 | |
| | | | Add: Interest Receivable | 500 | 10,500 |
| | | | Cash | | 4,000 |
| | | | Insurance claims | | 8,000 |
| | | | Closing Stock | | 15,000 |
| | | | Stock of Stationery | | 500 |
| | | 1,77,850 | | | 1,77,850 |

***Scheme of Marking:***

(1) *Trading Account – 8 items × ¼ mark = 2 marks*

(2) *Profit and Loss Account – 4 items × ¼ mark = 2 marks*

*– 5 items with adjustment/double figure × ½ mark = 2½ marks*

(3) *Balance Sheet – 10 items × ¼ mark = 2½ marks*

*– 4 items with adjustment × ½ mark = 2 marks*

*(Total = Trading A/c – 2; Profit and Loss A/c – 4 ½ and Balance Sheet – 5½ = 12 marks*