Best in West *CA. Gautam Sethi Classes*

Time: 3 Hrs. **Max. Marks. 80**

[PART – A]

Q.1 Give any two points of distinction between Revaluation Account and Realization Account. **[2]**

Q.2 What is meant by Debenture? Name any four types of Debentures. **[2]**

Q.3 SSP Ltd issued Rs.5,00,000, 12% debentures of Rs.100 each redeemable after 4 years by converting them into equity shares of Rs.10 each at Rs.12.50. Record journal entries for issue and redemption of debenture. Ignore entries for payment of interest. **[2]**

Q.4 A, B, C and D are in partnership sharing profits & losses in the ratio of 9:6:5:5 respectively. E joins the partnership for 1/5 share, A, B, C and D would in future share profits among themselves as 3/10: 4/10: 2/10: 1/10. ***Calculate*** the new profit sharing ratio after E's admission. **[2]**

Q.5 Define Partnership. Distinguish between fixed and fluctuating capital. **[3]**

Q.6 Explain in brief Ex – Interest and Cum – Interest. **[3]**

Q.7 A, B and C are partners sharing profits in the ratio of 3: 2: 1. B wants to retire due to his ill health. For this purpose goodwill is valued at two years purchase of weighted average super profits of last three years. The profits for last three years are:-

First year	Rs. 18,300
Second year	Rs. 21,800
Third year	Rs. 24,400

The normal profits for similar firms is Rs.17,000.
Record necessary entry for goodwill on retirement of B. **[4]**

Q.8 A and B are partners sharing profits in the ratio of 2: 1. C is admitted into the firm for 1/4th share of profits. C brings Rs.40,000 in respect of his capital. The capitals of old partners after all adjustments in respect of goodwill, revaluation of assets and liabilities etc have been worked out at Rs. 90,000 for A and Rs. 30,000 for B. It is agreed that partners capitals will be according to the new profit sharing ratio.

Determine the new capitals of A and B and record the necessary journal entries assuming that the partner whose capital falls short, brings in the amount of deficiency and the partner who has an excess, withdraws the excess amount. **[4]**

Q.9 'Z' and 'Y' are two partners sharing profits in the ratio of 2: 1. Give the journal entry at the time of dissolution in the following cases: **[4]**

(a) Profit and Loss Account was appearing on the asset side of Balance Sheet at Rs. 60,000.
(b) An unrecorded investment of Rs. 6,000 sold for cash.

Q.10 (a) ABC Ltd. issued 1000 shares on January 1, 2018, under ESPS at Rs. 60 when the market price was Rs. 100. Record journal entry assuming that nominal value of a share is Rs. 20. **[2]**

(b) Distinguish between Reserve Capital and Capital Reserve. **[2]**

Q.11 On 1st January, 2018, a limited company issued debentures of the face value of Rs. 1,00,000 at a discount of 6%. The debentures were repayable by annual drawing of Rs. 20,000 made on 31st December each year. The director decided to charge discount each year with an amount proportionate to debentures outstanding in the year.
Show the amount of discount to be written off for the duration of the debentures. **[4]**

Q.12 Journalize the following in company Z Ltd's Journal:
(a) The directors of Z Ltd resolved on 1st May, 2018 that 2000 equity shares of Rs.10 each, Rs. 7.50 paid be forfeited for non – payment of final call of Rs. 2.50. On June 10, 2018, 1800 of these shares were reissued for Rs. 6 per share. **[2]**

(b) A Ltd took over assets of Rs. 2,50,000 and liabilities of Rs. 30,000 of B Ltd for the purchase consideration of Rs. 3,30,000. A Ltd. paid the purchase consideration by issuing debentures of Rs. 100 each at 10% premium. **[2]**
(c) A Ltd. issued Rs. 40,000 12% debentures at par redeemable at 10% premium. **[2]**

Q.13 A, B and C were sharing profits in the ratio of 5: 3: 2. respectively. On 31st March, 2018 their Balance Sheet was as follows:

Liabilities	Rs.	Assets	Rs.	Rs.
A's capital	28,000	Furniture		11,000
B's capital	19,000	Investments		7,000
C's capital	8,000	Stock		38,000
Sundry Creditors	9,500	Debtors	8,000	
		Less Provision for bad debts	400	7,600
		Cash		900
	64,500			64,500

The firm was dissolved. C took over part of investment at an agreed value of Rs.5,000 which is 25% above the book value. Remaining investments were sold at a loss of Rs.200. Furniture, stock and debtors in all realized Rs. 48,400. Rs. 9,000 were paid to Sundry Creditors in full settlement. The expenses of realization were Rs.600. The partner's accounts were settled by receipt or payment of cash.
Show Realization Account. Cash Book and Partner's Capital Accounts to close the books of the firm. **[6]**

Q.14 X Ltd. offered to public for subscription 10,000 equity shares of Rs. 100 each at premium of Rs.10 per share. Payment was made as follows: -

On Application	Rs. 20
On Allotment	Rs. 40 (including premium)
On first and Final Call	Rs. 50

Applications were received for 20,500 shares. The Board of Directors rejected one application for 500 shares and allotted shares to other applicants on pro – rata basis. The call was also made. All money was duly received except the call money on 50 shares which were forfeited after the requisite notices had been served. Later on, all these forfeited shares were re–issued as fully paid at Rs. 90 per share.

Journalize the above mentioned transactions including cash transactions. **[6]**

Q.15 A and B are equal partners in a firm. Their Balance Sheet as on March 31, 2018 is as follows:

Liabilities	**Rs.**	**Assets**	**Rs.**
Reserve for Doubtful Debts	4,000	Stock in trade	45,000
Reserve Fund	5,000	Sundry Debtors	81,000
Capital Amounts:		Fixtures & Furniture	3,000
A	50,000	Cash in Hand	500
B	30,000	Investments	4,500
Sundry Creditors	47,900	Bank Balance	2,900
	1,36,900		1,36,900

C was taken in partnership from April 1,2018 and it was agreed between A and B to make the following adjustments:

(a) To write off bad debts amounting to Rs. 5,500.
(b) Fixtures and furniture is appearing at 25% above market value.
(c) To depreciate stock in trade by Rs. 3,750.
(d) To write off loss of Rs. 500 on investments.
(e) C brings – in goodwill of Rs. 10,000.

C then introduces Rs. 35,000 as his third share of capital to which it has been agreed that capitals of the other two partners shall be adjusted.

Prepare Revaluation A/c, Partner's Capital A/cs and the Balance Sheet of the firm immediately after C's admission as a partner. **[8]**

Or

The following was the Balance Sheet of X and Y as on 31st December, 2017:

Liabilities	**Rs.**	**Assets**	**Rs.**
X's capital	10,000	Plant	20,000
Y's capital	7,500	Patents	2,000
Reserve	6,000	Stock	5,000
Employee's Provident Fund	500	Sundry Debtors	4,000
Sundry Creditors	2,000	Cash	1,000
Profit & Loss A/c	6,000		
	32,000		32,000

X retired from the business on 1st January, 2003 on the following terms:

(a) Goodwill be value at Rs. 10,000 and adjustment be made without raising goodwill account.
(b) The patents are valueless.

(c) Plant is appearing at 25% above the market value.
(d) A provision of 5% for bad and doubtful debts and 2% for discount is to be created on sundry debtors.
Assuming that these adjustments are duly earned out, show the capital accounts of the partners, revaluation account and Balance Sheet of Y after X has been paid off. Y borrows money from his bank on the security of plant and stock to pay off X.

[Part – B]
(Analysis of Financial Statements)

Q.16 Classify the following into Cash Flow from (i) Operating Activities (ii) Investing Activities, and (iii) Financing activities while preparing a Cash Flow Statement.
(a) Payment of Income Tax; (b) Sale of long term investments;
(c) Payment of dividend; (d) Issue of Spare Capital. **[2]**

Q.17 What are the objectives of preparing a Cash Flow Statement? Write any four. **[2]**

Q.18 Name the six different tools used for analysis and interpretation of Financial Statement. **[3]**

Q.19 From the following information determine the opening and closing stock:
Stock turnover 5 times;
Total Sales Rs. 2,00,000.
Rate of Gross Profit on Sales 25%.
Closing Stock is more by Rs. 4,000 than the Opening Stock. **[3]**

Q.20 (a) Current liabilities of a company are Rs. 6,00,000. Its current ratio is 3:1 and Liquid ratio is 1:1. Calculate value of Stock in trade. **[2]**
(b) Compute the Gross Profit Ratio from the following information: -
Sales Rs. 6,00,000.
Profit 20% on cost. **[2]**

Q.21 From the following information, ***calculate*** Cash Flow from Operating Activities. **[6]**

Particulars	**March 31, 2002** Rs.	**March 31, 2003** Rs.
Balance of Profit & Loss A/c	30,000	32,500
Debtors	43,500	20,000
Bills Receivables	31,000	51,500
General Reserve	1,01,000	1,18,500
Dividend Equalization Fund	39,000	50,000
Salary Outstanding	15,000	6,000
Wages Prepaid	2,500	3,500
Goodwill	40,000	35,000
Interest Receivable	23,000	18,000
Debenture Interest Payable	15,000	13,000
Provision for doubtful debts	12,000	16,000