GURU GOBIND SINGH PUBLIC SCHOOL

1. Can a retiring partner or Legal Representative of a deceased partner have share in the subsequent profits of the firm?
2. X, Y and Z are partners, decided that no interest on drawings is to be charged from any partner. But after one year 'Z' wants that interest on drawings should be charged from every partner. State how 'Z' can do this?
3. What is meant by First Debentures.
4. Q Ltd. forfeited 300 shares of ₹10 each. Fully called-up for non-payment of Final call money of ₹ 4 per share. These were subsequently reissued by the company for ₹ 12 per share as fully paid-up. What amount of Forfeited Shares Account is to be transferred to Capital Reserve?
5. Average Profit is ₹ 3,00,000, Capital Employed is ₹ 10,00,000, Normal Rate of Return is 15%. Calculate the value of goodwill on the basis of Capitalisation of Super Profit.
6. What is meant by Employees Stock option plan?
7. How P & L suspense account open at the time of retirement/death of a Partner closed at the end of financial years.
8. Shiva Ltd. issued 1,00,000 equity shares of ₹ 10 each at a premium of ₹ 5 per share. The whole amount was payable on application. The issue was fully subscribed. Pass necessary journal entries.
9. A, B and C are partners sharing profits in the ratio of 5 : 3 : 2. A by agreement retires and D joins the firm on the basis of one third share of profit on 1st April 2016 bringing ₹ 50,000 towards capital. An extract of their Balance Sheet as at 31st March, 2016 is as follows:

Liabilities	Amt(₹)	Assets	Amt (₹)
Investment Fluctuation Reserve	3,750	Investment (at Cost)	50,000

Show the accounting treatment assuming that the market value of Investment is ₹ 55,000.

10. A, B and C were sharing profits and losses in the ratio of 8:6:6. D was admitted to 1/4th of the future profits losses. A sacrifices 1/4th of his share in favour of D. B and C agree to share future profits in the ratio of 3 :2. Calculate new profit sharing ratio and sacrificing ratio.
11. A, B and C were partners in a firm sharing profits and losses in the ratio of 3 : 2 : 1. C retired on 1st May, 2014, (i.e. 4 months after the last Balance Sheet date of 31.12.2003). on that date, the capitals of A and B after all necessary adjustments stood at ₹ 1,20,000 and ₹ 80,000 respectively. The total amount due to C was ₹ 50,000. The amount due to C was not paid by A and B until 31st December, 2014.

The firm earned a profit of ₹ 40,000 during this period of 8 months ended 31st December 2014. C wants to exercise provisions of Section 37 of the Indian Partnership Act, 1932.

Which of the two options available under Section 37 should be exercised by C? Also calculate the total amount payable to C, if A and B clears the dues of C on 31.12.2014.

12. X, Y and Z are partners sharing profits in the ratio of 3 : 2 :1 respectively. From 1st April, 2016, they decide to share profits in the ratio of 2 : 3 : 1. For this purpose the goodwill of the firm is to be valued at 3 years purchase of average profit of last 5 years. The profits and losses of the preceding five years are:

Year	2011-12	2012-13	2013-14	2014-15	2015-16
Profit/Loss (₹)	?	6,00,000 (Profit)	6,80,000 (Profit)	7,60,000 (Profit)	2,80,000 (Loss)

JOURNAL ENTRY ON CHANGE IN PROFIT-SHARING RATIO

Date	Particulars	L.F	Dr. (₹)	Cr. (₹)
2016 1st April	Y's Capital A/c …. Dr. To X's Capital A/c (Being the adjustment for goodwill made on change in PSR)		2,00,000	2,00,000

Calculate the profit for 2011 - 12

13. A, B, C and D are partners having capitals of ₹ 2,00,000; ₹ 1,00,000; ₹ 60,000 and ₹ 40,000 respectively. They share profits and losses in the ratio of 3 : 2 : 1 : 1. They have agreed upon the following terms.
    (i) Partners are entitled to interest on capital @ 7%
    (ii) A will get salary @ ₹1,000 per month.
    (iii) B's share of profits (including interest on capital) has been guaranteed to be not less than ₹ 2,00,000.

(iv) D's share of profits (excluding interest on capital) has been guaranteed by A to be not less than ₹ 95,000

The profits for the year ended 31st March 2016 were ₹ 6,70,000 before any appropriations. Prepare Profit and Loss Appropriation Account.

14. X and Y are in partnership sharing profits and losses in the ratio of 3 : 1. They admit Z for 1/3rd share of the profits. From the following Journal entries. Calculate the New Profit-sharing Ratio:

Date	Particulars	L.F	Dr. (₹)	Cr. (₹)
	Bank A/c .... Dr. To Premium for Goodwill A/c (Being the amount brought in by Z towards goodwill)		22,500	 22,500
	Premium for Goodwill A/c ..... Dr. Z's Capital A/c ... Dr. To X's Capital A/c (Being the gained share of goodwill of new partner credited to sacrificing partner)		22,500 15,000	 37,500
	Y's Capital A/c ..... Dr. To X's Capital A/c (Being the adjustment made on account of change in profit-sharing ratio)		9,375	 9,375

15. A company purchased a running business from M/s. Rai Brothers for a sum of ₹ 15,00,000 payable ₹ 12,00,000 in fully paid shares of ₹ 10 each and balance through cheque.

The assets and liabilities consisted of the following :

Plant and Machinery	₹4,00,000	Stock	₹4,00,000
Building	₹4,00,000	Cash	₹3,00,000
Sundry Debtors	₹3,00,000	Sundry Creditors	₹2,00,000

You are required to pass necessary journal entries in the company's books.

16. Nikhil Ltd. issued 50,000 shares of ₹ 10 each, payable as ₹ 2 per share on application ₹ 3 on allotment, ₹ 3 on first call and ₹ 2 on second and final call. Applications were received for 80,000 shares. It was decided that :

(i) Refuse allotment to the applicants for 20,000 shares.

(ii) Allot 20,000 shares to Mohan who had applied for similar number, and

(iii) Allot the remaining shares on pro rata basis.

Company also decided to appropriate excess amount received against amount due on allotment and calls. Articles of association of the company does not permit payments of interest on calls-in-advance.

Mohan failed to pay the allotment money and Sohan who belonged to Category (c) and was allotted 3,000 shares paid both the calls with allotment.

(i) Calculate the amount received on allotment.

(ii) Which value has been ignored by the company?

17. Exe Ltd. purchased assets of the book value ₹ 4,00,000 and took over the liabilities of ₹ 50,000 from Mohan Bros. it was agreed that the purchase consideration, settled at ₹ 3,80,000 be paid by issuing debentures of ₹ 100 each.

Pass Journal entries if debentures are issued (a) at a discount of 10% and (b) at a premium of 10%.

It was agreed that any fraction of debentures be paid in cash.

18. X, Y and Z are partners in a firm. The terms of partnership are :

a) Profit and Losses are to be shared by X, Y and Z in the ratio of 6 : 3 : 1.
b) Interest on capital is to be allowed @ 6% p.a.
c) Interest on opening Current Account balances is to be allowed @ 5% p.a.
d) 5% interest is to be charged on the excess drawings (excluding salary) over share of profit.

Share of profit for this clause means share in balance profit after deducting partnership salary, interest on capital and current Accounts. Interest on Drawings under this clause is to be ignored for this purpose; and

e) B and C to get salary @ ₹ 6,000 and ₹ 8,000 p.a. respectively.

The following facts are available :

Partners	Fixed Capital 31st March, 2016 (₹)	Current Account 31st March, 2015 (₹)	Drawings 2015 – 16 (Including Salary) (₹)
X	90,000	20,000 (Cr.)	40,000
Y	60,000	10,000 (Dr.)	31,000
Z	30,000	12,000 (Cr.)	23,000

The profit and loss account for 2015 – 16 (before providing for partnership salary, interest, etc.) disclosed profit of ₹ 1,15,900.

Prepare Profit and Loss Appropriation Account for the year ended 31st March, 2016.

19. X, Y and Z are partners sharing profits and losses equally. Their Balance Sheet as at 31st March, 2016 was as follows.

Liabilities		Amt.(₹)	Assets	Amt.(₹)
Bills Payable		40,000	Building	2,00,000
Sundry Creditors		1,00,000	Machinery	1,00,000
General Reserve		60,000	Patents and Copyrights	1,50,000
Capital A/cs:			Closing Stock	1,25,000
X	2,50,000		Sundry Debtors	1,50,000
Y	2,00,000		Cash at Bank	75,000
Z	1,50,000	6,00,000		
		8,00,000		8,00,000

From 1st April 2016, the partners decide to alter their profit-sharing ratio as 3 : 2 : 1 and for that purpose the following revised values of assets were agreed upon:

Building ₹ 2,75,000, Machinery ₹ 90,000; Patents and Copyrights ₹ 1,32,500, Closing stock ₹ 2,00,000, Prepaid Insurance ₹ 5,000 and Sundry Debtors ₹ 1,42,500. Goodwill of the firm was valued at ₹ 60,000.

Partners decide not to disturb the General Reserve. Also, they decide not to record the revised values of assets in the books of account.

You are required to :

(a) Give the necessary Journal entry to give the effect to the above agreement without opening Revaluation Account.

(b) Prepare Partners' Capital Accounts and Balance Sheet of the reconstituted firm.

(c) Show your workings clearly.

20. A, B and C are partners in a firm sharing profits in the ratio of 3 : 2 : 1. Their Balance Sheet as at 31st March, 2016 stood as follows :

Liabilities	Amt.(₹)	Assets	Amt.(₹)
Creditors	1,40,000	Cash in Hand	42,500
Employees' Provident Fund	1,20,000	Cash at Bank	2,14,500
Workmen Compensation Reserve	1,20,000	Debtors	1,20,000
Capital A/cs:		Bills Receivable	43,000
A	2,00,000	Stock	17,500
B	1,20,000	Investments	1,32,500
C	80,000	Buildings	2,10,000
	7,80,000		7,80,000

B died on 30th June, 2016 and as per the Partnership Deed his executors are entitled to:

i) Amount standing to the credit of his Capital Account and interest thereon @ 10% per annum.

ii) Share of profits for the intervening period will be based on the sales during that period and average of three years profits earned in the past. Sales for the period were ₹ 12,00,000. The rate of profit during past three years had been 10% on sales.

iii) Goodwill according to share of profit to be calculated by taking twice the amounts of profits of the last three years less 20%. The profits of the previous 3 years were 1st year ₹ 82,000, 2nd Year ₹ 90,000, 3rd Year ₹ 98,000.

Investments were sold at par and executors were paid out in full for the marriage of B's daughter. Prepare B's Capital Account and his Executors' Account. Also, idendify the value being highlighted in this case.

21. A, B and C are partners sharing profits and losses in the ratio of 2 : 2 : 1. Their Balance Sheet as at 31st March, 2016 is as follows :

Liabilities		Amt.(₹)	Assets	Amt.(₹)
Creditors		30,000	Cash in Hand	18,000
Bills Payable		16,000	Debtors 25000	
General Reserve		6,000	Less: Provision for Doubtful debts 3000	22,000
Workmen compensation Reserve		6,000	Stock	18,000
Capital A/cs:			Furniture	30,000
A	40,000		Machinery	70,000
B	40,000		Goodwill	10,000
C	30,000	1,10,000		
		1,68,000		1,68,000

B retires on the following terms :-

(i) Stock to be depreciated by 10% and furniture by 5 %.

(ii) Creditors were overvalued by ₹ 3,900.

(iii) Goodwill of the firm is valued at ₹ 22,000

(iv) B is paid in full with the cash brought in by A and C in such a manner that their capitals are in proportion to their new profit-sharing ratio of 3 : 2 and cash in hand remains at ₹ 10,000.

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

22. A) X ltd. forfeited 30 shares of ₹ 10 each fully called-up, held by Karim for non-payment of allotment money of ₹ 3 per share and final call of ₹ 4 per share. He had paid the application money of ₹ 3 per share. These shares were reissued to Salim for ₹ 8 per share.

B) X ltd. forfeited 20 shares of ₹ 10 each. ₹ 7 called-up on which Mahesh had paid application and allotment money of ₹ 5 per share. Of these, 15 shares were reissued to Naresh as fully paid-up for ₹ 6 per share.

C) X ltd. forfeited 20 shares of ₹ 10 each, ₹ 7 called-up on which the shareholder had paid application and allotment money of ₹ 5 per share. Out of these, 15 shares were reissued to Naresh as ₹ 7 per share paid-up for ₹ 8 per share.

D) Y ltd. forfeited 90 shares of ₹ 10 each, ₹. 8 called-up issued at a premium of ₹ 2 per share to 'R' for non-payment of allotment money of ₹. 5 per share (including premium). Out of these, 80 shares were reissued to Sanjay as ₹ 8 called-up for ₹ Rs. 10 per share.

Or,

Pass the necessary Journal entries for the following transactions on the dissolution of the firm of Sudha and Shiva after various assets (other than Cash and Bank) and outside liabilities have been transferred to Realisation Account :

i) Sudha is agreed to take over some of the Sundry Assets at ₹ 7,200 (being 10% less than book value). Remaining Sundry Assets are sold at 90% of the book value (Book Value of Sundry Assets as per Balance Sheet = ₹17,000).

ii) Firm's Creditors were ₹ 1,00,000. Firm gave an unrecorded (completely) written off) Machinery of ₹ 32,000 plus Cash of ₹ 3,000 in full settlement to a creditor of ₹ 50,000. Remaining creditors were paid

90%.

iii)60% of Investments were taken over by Shiva at 80% of book value. 30% of Investments were sold through a broker at 110% less commission of 2%. The remaining 10% of Investments proved worthless (Book value of investment as per Balance Sheet = ₹5,00,000).

iv)Sudha agreed to take over the firm's Trade Mark (Not recorded in the books) at a valuation of ₹ 1,00,000.

23. A, B and C are partners sharing profits and losses in the ratio of 3 : 2 : 1. D is admitted as a new partner on 31st March 2016 for 1/4th share and is to pay ₹ 2,50,000 as capital. Following is the Balance Sheet on the date of admission:

Liabilities	Amt.(₹)	Assets	Amt.(₹)
Capital A/cs : A	3,00,000	Building	2,50,000
B	3,00,000	Machinery	2,00,000
C	2,00,000	Furniture	1,50,000
Creditors	1,50,000	Stock	1,00,000
Bills Payable	50,000	Debtors	1,50,000
		Bills Receivable	1,00,000
		Bank	50,000
	10,00,000		10,00,000

Following are the required adjustments on D's admission:

i) Out of the creditors, a sum of ₹ 50,000 is owing to D. This amount shall be adjusted as a part of his capital.

ii) Bills worth ₹ 80,000 were discounted with the bankers, out of which, a bill of Rs. 20,000 was dishonored on 31st March 2016, but no entry has been passed for that . Due dates of the other discounted bills fall in April 2016.

iii) Advertisement Expenditure of ₹ 6,000 is to be carried forward to the next accounting period.

iv) Expenses debited in the Profit and Loss Account includes a sum of ₹ 10,000 paid for B's personal life insurance policy.

v) A Provision for Doubtful Debts @ 5% is to be created against Debtors.

vi) Expenses on revaluation amounting to ₹ 10,100 is paid by A.

vii) During 2015-16, part of the furniture was sold for ₹ 25,000. The book value of the furniture sold was ₹ 40,000 and the written-down value on the date of sale is ₹ 35,000. The proceeds was wrongly credited to the Sales Account.

vii) The value of the goodwill is ₹ 7,56,000 and D brings his share by cheque.

Prepare the Revaluation Account, Partners' capital accounts and the Balance Sheet after D's admission.

Or,

Raghu and Rishu are partners sharing profits in the ratio 3 : 2. Their Balance Sheet as at 31st March, 2016 was as follows :

BALANCE SHEET OF RAGHU AND RISHU as at 31st March 2016

Liabilities	₹	Assets	₹
Creditors	86,000	Cash in Hand	2,000
Employees' Provident Fund	10,000	Cash at Bank	75,000
Investments Fluctuation Reserve	4,000	Debtors 42,000	
Capital A/cs:		Less : Provision for Doubtful Debts 7,000	35,000
Raghu 1,19,000		Investments	21,000
Rishu 1,12,000	2,31,000	Building	98,000
		Plant and Machinery	1,00,000
	3,31,000		3,31,000

Rishabh was admitted on that date for 1/4th share of profit on the following terms:

i) Rishabh will bring ₹ 50,000 as his share of capital.

ii) Goodwill of the firm is valued at ₹ 42,000 and Rishabh will bring his share of Goodwill in cash.

iii) Building was appreciated by 20%

iv) All Debtors were good.

v) There was a liability of ₹ 10,800 included in Creditors which has ceased to exist.

vi) Expenses on revaluation amount to ₹ 7,400 and are paid by Raghu.

vii) New profit-sharing ratio will be 2 : 1 : 1

viii) Capital of Raghu and Rishu will be adjusted on the basis of Rishabh's share of capital and any excess or deficiency will be made by withdrawing or bringing in cash by the partners as the case may be.

ix) It was decided by the partners that 10% of profit will be spent on cleanliness of the locality where it carries on business.

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

Also identify the value being highlighted.

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